

## 4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE YEAR ENDING 31 DECEMBER 2019

*Stable quarterly revenue and cost discipline deliver full year adjusted EBITDA of €123 million.*

*Strong receivables growth at TBI Bank in Q4, with further progress in using the bank to fund online loan portfolios.*

*Solid 'like-for-like' performance in online business, overall YoY comparisons impacted by product/market exits in 2018.*

28 February 2020. 4finance Holding S.A. (the 'Group' or '4finance'), one of Europe's largest digital consumer lending groups, today announces unaudited consolidated results for the twelve months ending 31 December 2019 (the 'Period').

### Operational Highlights

- Launch of near-prime product in Latvia in December under Vivus brand, with half of the Group's European markets now active in the near-prime segment.
- New 'post-regulation' products launched in Q3 in Latvia ('minimum-to-pay' line of credit) and Finland (shorter-term 'mini' instalment loan) continue to perform well, consistently generating over 30,000 combined loan applications per month.
- Near-prime loan issuance up 20% year-on-year (+83% in online business and +15% in TBI Bank) reflecting strong customer demand and new product launches.
- Overall online loan issuance remains above €1 billion for the Period, despite year-on-year reduction in volumes of Single Payment Loans (as more markets transition to Line-of-Credit products, and some product/market rationalisation).
- Instalment Loan issuance volume of €156.5 million in the Period, compared with €196.6 million in 2018, driven by a more focused lending approach and product reviews in markets including Poland, Armenia and Spain.
- The number of online lending active customers<sup>(1)</sup> was 0.32 million as of 31 December 2019, compared with 0.38 million a year ago. The reduction was largely attributable to products and markets that were exited during 2018.
- TBI Bank loan issuance volume during the Period grew by 19% year-on-year to €336.7 million from €281.7 million in 2018.
- TBI Bank had 0.42 million active borrowing customers, up 3% from a year ago, with 0.31 million current accounts as of 31 December 2019, up 12% from a year ago.

### Financial Highlights

- Interest income of €423.9 million in the Period, down 11% from €475.2 million in the prior year period. The contribution from largest markets (TBI Bank, Poland, Spain and Denmark) was stable year-on-year, but overall year-on-year comparisons remain impacted by markets and products that were rationalised during 2018.
- Continued stable quarterly top line performance in Q4 2019, with interest income of €104.8 million (down 1% from Q3 2019) and operating income of €97.3 million (up 1% from Q3 2019).
- Cost to income<sup>(2)</sup> ratio for the Period was 51.4%, vs. 52.1% for 2018, with operating costs down 12% year-on-year, reflecting ongoing cost discipline across the Group.
- Adjusted<sup>(3)</sup> EBITDA was €123.5 million for the Period, down 17% year-on-year. Q4 2019 Adjusted EBITDA was €29.7 million, down 5% from Q3 2019. The interest expense used in the bond covenant interest coverage ratio was reduced 15% year-on-year (following the USD 2019 bond repayment and USD 2022 bond buybacks) bringing the interest coverage ratio to 2.4x from 2.5x last year.
- Profit after tax for the Period was up 6% year-on-year at €28.2 million from €26.6 million in 2018 (which was impacted by FX losses).
- Net receivables increased by 2.9% during the fourth quarter to €578.9 million as of 31 December 2019, driven by TBI Bank.
- Overall gross NPL ratio at 20.7% as of 31 December 2019 (24.9% for online), compared with 19.4% as of 31 December 2018 (22.0% for online), with the increase partly due to lower new issuance in H2 2019 in certain instalment products.
- Overall cost of risk was 17.1% for the Period, stable compared with 17.7% in 2018. For the online business it was 27.5% for the Period, compared to 24.0% in 2018, and in TBI Bank it was 4.6% for the Period, compared to 8.0% in 2018. The improvement in the TBI Bank ratio reflects the normalisation of asset quality in the bank's Romanian portfolio.

Notes: (1) Online lending customers with open loans that are either current or are up to 30 days past due

(2) Operating costs (excluding D&A) divided by operating income (revenue)

(3) See page 8 for details of adjustments

## Strategic Highlights

- TBI Bank continues to perform well, with further strong origination in Q4 in both consumer lending (all in the near-prime segment, and increasingly digital) and its new online SME offering.
- Continued progress in the near-prime segment in the online business, with 2019 issuance nearly double that of 2018. Successful new product launch in Latvia in December, new scorecard introduced in Spain in December and product upgrades implemented in Lithuania post year end.
- At the end of 2019, the near-prime segment (including TBI Bank and online) represented 48% of net receivables, up from 41% at the end of 2018.
- Successfully adapting to new regulation in the Nordics & Baltics region, with encouraging customer reception to new products, including optional service fees, introduced alongside regulation in Latvia in July and Finland in September.
- Ongoing migration of single payment loan customers to products with more flexible repayment terms, e.g. 'minimum-to-pay' lines of credit or shorter-term 'mini' instalment loans with maturities of under 12 months. Single payment loans now represent only 18% of the Group's net receivables, down from 24% as of 31 December 2018.
- Focus on unit economics for traditional instalment loans across all markets. In Armenia, switched focus in Q4 to line of credit product; in Poland, the more conservative underwriting approach adopted in mid-2019 is delivering improved asset quality; in Spain, focusing on near-prime segment.
- Progress on funding diversification projects, with further sales of Polish instalment loans to TBI Bank in Q4, with over €3 million of loan principal transferred in 2019 and work underway for passport application for Lithuania.

Oyvind Oanes, CEO of 4finance, commented:

*"In Q4 2019, we delivered another quarter with interest income of over €100 million and Adjusted EBITDA of €30 million. These solid results complete a year of consistent and stable financial performance by 4finance. We have been particularly pleased with the loan growth at TBI Bank in the fourth quarter, and together with the key online markets of Poland, Spain and Denmark, these businesses have anchored our financial performance throughout 2019.*

*"In the past year, we have made significant progress both in our traditional business lines and in broadening our European franchise into the near-prime segment, which now represents nearly 50% of our loan portfolio. In successfully adapting our products to new regulations in Latvia and Finland we changed our marketing approach, incorporated product features from our other markets, brought in new technology suppliers and - above all - focused on addressing the needs of our customers as a responsible lender. We are now 'live' with near-prime products in half of our European markets, and this, combined with the ability to access deposit funding via TBI Bank, has laid significant foundations to build from in 2020.*

*"The scale and resilience of our business, as well as our disciplined approach to allocating capital and a prudently managed balance sheet, position 4finance well for the future. We believe the experience we have gained from evaluating fifty million online lending decisions and issuing more than €7 billion in over a decade of fully digital end-to-end consumer lending is unparalleled and puts us in a unique position to adapt and grow in evolving markets."*

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## *Conference call*

A conference call with management to discuss these results is scheduled for **Thursday, 5 March at 15:00 UK time**. To register, please visit [www.4finance.com/investors](http://www.4finance.com/investors).

The conference call will be recorded for transcription and reference purposes. For those participating in the Q&A session, please note that name and institution details provided in the call registration process may appear in the transcript of the conference call that will be made available at [www.4finance.com/investors](http://www.4finance.com/investors).

## *About 4finance*

Established in 2008, 4finance is one of Europe's largest digital consumer lending groups with operations in 14 countries.

Leveraging a high degree of automation and data-driven insights across all aspects of the business, 4finance has grown rapidly, issuing over €7 billion since inception in single payment loans, instalment loans and lines of credit.

4finance operates a portfolio of market leading brands, through which, as a responsible lender, the firm offers simple, convenient and transparent products to millions of customers who are typically underserved by conventional providers.

4finance has group offices in Riga (Latvia), London, Luxembourg and Miami, and currently operates in 12 countries in Europe as well as in Argentina and Mexico. The Group also offers deposits, in addition to consumer and SME loans through its TBI Bank subsidiary, an EU licensed institution with operations primarily 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.

## *Rounding*

Some numerical figures included in this report have been subject to rounding adjustments. Accordingly, numerical figures shown for the same category presented in different tables may vary slightly, and numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

## *Inside information*

This announcement contains inside information as stipulated under the Market Abuse Regulation.

## Key Financial Ratios

	Year Ended 31 December 2019	Year Ended 31 December 2018	Year Ended 31 December 2017
<b>Capitalisation</b>			
Net receivables (€m), <sup>(1)</sup> of which:	578.9	553.2	591.2
- Principal	548.0	521.6	556.7
- Accrued interest	30.9	31.6	34.5
Total assets (€m)	973.2	992.4	1,026.9
Total equity (€m)	165.5	156.4	189.4
Equity / assets <sup>(2)</sup>	17.0%	15.8%	18.4%
Equity / net receivables <sup>(3)</sup>	28.6%	28.3%	32.0%
Adjusted interest coverage <sup>(4)</sup>	2.2x	2.4x	2.2x
TBI Bank consolidated capital adequacy <sup>(5)</sup>	18.9%	22.4%	23.2%
<b>Profitability</b>			
Net interest margin: <sup>(6)</sup>			
- Online	81.3%	88.9%	66.1%
- TBI Bank	24.8%	26.8%	26.7%
- Overall group	54.5%	63.5%	54.1%
Cost / income ratio <sup>(7)</sup>	51.4%	52.1%	57.8%
Post-provision operating profit margin <sup>(8)</sup>	15.1%	17.7%	14.2%
Normalised Profit before tax margin <sup>(9)</sup>	11.3%	15.2%	12.2%
Normalised Return on average equity <sup>(10)</sup>	15.8%	31.6%	15.0%
Normalised Return on average assets <sup>(11)</sup>	2.6%	4.7%	3.5%
<b>Asset quality</b>			
Cost of risk: <sup>(12)</sup>			
- Online	27.5%	24.0%	20.8%
- TBI Bank	4.6%	8.0%	3.9%
- Overall group	17.1%	17.7%	15.6%
Net impairment / interest income <sup>(13)</sup>	29.0%	25.9%	24.0%
Gross NPL ratio: <sup>(14)</sup>			
- Online	24.9%	22.0%	33.5%
- TBI Bank	16.2%	15.9%	12.7%
- Overall group	20.7%	19.4%	26.7%
Overall group NPL coverage ratio <sup>(15)</sup>	102.0%	110.6%	83.5%

Definitions and Notes below. For further definitions please see the appendix. For quarterly asset quality ratios please see page 18.

Normalised ratios are adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets, and for 2018 ratios only, adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects.

(1) Gross receivables (including accrued interest) less impairment provisions. Note that reduction in write-off period for online loans as of January 2018 reduces 2018 values in comparison with prior years

(2) Total equity / total assets

(3) Total equity / net customer receivables (including accrued interest)

(4) Adjusted EBITDA / interest expense

(5) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the Bulgarian National Bank)

(6) Annualised net interest income / average gross loan principal (for 2019 and 2018 ratios) or receivables (for 2017 ratios)

(7) Operating costs / operating income (revenue)

(8) Post-provision operating profit (which does not include non-recurring items, net FX and D&A) / interest income

(9) Profit before tax / interest income

(10) Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)

(11) Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)

(12) Annualised net impairment charges / average gross receivables (total gross receivables as of the start and end of each period divided by two)

(13) Net impairment charges on loans and receivables / interest income

(14) Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)

(15) Overall receivables allowance account / non-performing receivables

## FINANCIAL REVIEW

### Income Statement

The table below sets out the condensed consolidated statement of profit or loss for the twelve months ending 31 December 2019 and 31 December 2018. Additional reference information on the historic quarterly development of our income statement is shown in the appendix. Please note that non-recurring, net FX and D&A items are shown lower down to better reflect operating results.

	12 months to 31 December		
	2019 (unaudited)	2018 (restated)	% change
	<i>(in millions of €)</i>		
Interest Income	423.9	475.2	(11)%
Interest Expense	(56.8)	(62.1)	(8)%
<b>Net Interest Income</b>	<b>367.0</b>	<b>413.1</b>	<b>(11)%</b>
Net F&C Income	9.2	9.6	(4)%
Other operating income	8.8	9.1	(3)%
<b>Non-Interest Income</b>	<b>18.0</b>	<b>18.7</b>	<b>(4)%</b>
<b>Operating Income (Revenue)</b>	<b>385.0</b>	<b>431.8</b>	<b>(11)%</b>
<b>Total operating costs</b>	<b>(197.9)</b>	<b>(224.8)</b>	<b>(12)%</b>
<b>Pre-provision operating profit</b>	<b>187.1</b>	<b>207.0</b>	<b>(10)%</b>
Net impairment charges	(122.9)	(122.9)	0 %
<b>Post-provision operating profit</b>	<b>64.2</b>	<b>84.1</b>	<b>(24)%</b>
Depreciation and amortisation	(16.5)	(11.9)	+39 %
Non-recurring income/(expense)	(0.5)	(0.3)	+68 %
Net FX gain/(loss)	4.8	(12.6)	nm
One-off adjustments to intangible assets	(1.5)	(6.7)	(78)%
<b>Profit before tax</b>	<b>50.5</b>	<b>52.6</b>	<b>(4)%</b>
Income tax expense*	(22.2)	(26.0)	(15)%
<b>Net profit/(loss) after tax</b>	<b>28.2</b>	<b>26.6</b>	<b>+6 %</b>

\* see note about Corporate income tax for details of 2018 restatement

### Interest income

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

	12 months to 31 December		
	2019	2018	% change
	<i>(in millions of €, except percentages)</i>		
<b>Online lending</b>			
Total value of loan principal issued	1,015.5	1,209.1	(16)%
Average net receivables, of which:	278.5	299.1	(7)%
- Principal	254.1	276.2	
- Accrued interest	24.4	22.9	
Annualised interest income yield on net portfolio <sup>(1)</sup>	134%	145%	
Interest income from online lending	340.3	400.0	(15)%
<b>Banking operations</b>			
Average net receivables, of which:	287.5	241.8	+19 %
- Principal	280.6	236.0	
- Accrued interest	6.9	5.9	
Annualised interest income yield on net portfolio <sup>(1)</sup>	30%	32%	
Interest income from banking operations <sup>(2)</sup>	83.6	75.2	+11 %

Notes: (1) Yields are based on interest income divided by average net loan principal only

(2) See appendix for full TBI Bank income statement

Interest income for the Period was €423.9 million, a 11% decrease compared with €475.2 million for the twelve months ending 31 December 2018. The reduction in interest income from online lending was 15%, reflecting the 7% decrease in the average balance of net receivables and a lower average interest yield.

TBI Bank's average interest rates decreased slightly compared to the prior year period. Its consumer lending (cash lending, point-of-sale lending and credit cards) has average product APRs between 20% and 50% and SME loans with average interest rates of approximately 8-14% p.a.. TBI Bank also generates separate income, which is reported in either the 'net fee and commission' and 'other operating income' lines.

### *Interest expense*

Interest expense for the Period was €56.8 million, a decrease of 8% compared with €62.1 million for the twelve months ending 31 December 2018. The lower interest expense for Q4 reflects the first full quarter following the Group's repayment of its remaining \$68 million of USD 2019 bonds in August 2019. The Q4 interest expense is also marginally reduced by the impact of buying back \$5 million of USD 2022 bonds below par in October.

### *Non-interest income*

Non-interest income for the period was €18.0 million, a 4% decrease compared with €18.7 million reported for the twelve months ending 31 December 2018. However, the fourth quarter showed strong seasonal growth of 15% compared to third quarter. The net fee and commission income generated by TBI Bank, primarily fees from insurance sales to its customers, was relatively stable year-on-year. Other operating income is mainly derived from related party loans.

### *Total operating costs*

Total operating costs reported for the Period were €197.9 million, a 12% decrease compared with €224.8 million reported for the twelve months ending 31 December 2018. The year-on-year decrease in costs reflects a focus on marketing efficiency, cost discipline and the results of strategic cost initiatives. Costs in TBI Bank increased in line with business growth. Due to the adoption of IFRS 16 as of January 2019, rent and utilities costs are reduced by €4.4 million in the Period. These expenses are now reclassified within interest expense (€0.2 million) and depreciation & amortisation (€4.2 million).

The table below sets out a breakdown of the Group's total operating costs. Depreciation and amortisation amounts are shown as a separate line on the income statement so that operating costs better reflect actual cash costs.

	<b>12 months to 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in millions of €)</i>	
Personnel costs	96.6	103.8
Marketing and sponsorship	39.0	43.2
IT expenses (including R&D)	18.0	21.9
Legal and consulting	7.9	11.5
Application processing costs	6.4	6.9
Debt collection costs	4.6	6.4
Bank services	4.4	4.0
Communication expenses	4.3	3.4
Taxes	4.3	3.4
Rent and utilities	2.2	7.5
Travel	2.2	1.9
Other	8.0	10.9
<b>Total</b>	<b>197.9</b>	<b>224.8</b>
Of which:		
TBI Bank	46.6	41.8
4finance 'online' business	151.3	182.9

For the twelve months of 2019 and 2018, marketing and sponsorship costs accounted for 20% and 19% respectively, and personnel costs accounted for 49% and 46%, respectively, of total operating costs. The cost to income ratio for the Period was 51.4%, an improvement from 52.1% in 2018, with the Q4 quarterly cost to income ratio of 51% reflecting a seasonal increase in marketing spend.

### *Pre-provision operating profit*

For the reasons stated above, the Group's pre-provision operating profit for the Period was €187.1 million, a 10% decrease compared with €207.0 million for the twelve months ending 31 December 2018.

### *Net impairment charges on loans and receivables*

Net impairment charges for the Period were €122.9 million, compared with €122.9 million for the twelve months ending 31 December 2018. Gross impairment charges were significantly reduced compared to the prior period, partly due to lower origination. However the net gains from portfolio sales were also significantly down year-on-year as the volume of sales in 2018 was greater, particularly from the written off portfolio post IFRS 9 adoption.

In the fourth quarter, gross impairment charges were relatively stable at €37.8 million compared with €37.6 million in Q3, with an improved level of debt sales bringing the net impairment charge in Q4 to €30.5 million, a reduction of €1.4 million from Q3. In the prior year period, TBI Bank saw elevated provisions in its Romanian consumer portfolio, but this was addressed during 2018 and the current period provisioning reflects more normal levels.

	<b>12 months to 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in millions of €)</i>	
Impairment charges on loans	148.5	178.9
Over provision on debt portfolio (portfolio sale net gains)	(12.0)	(36.6)
Recovery from written-off loans	(13.6)	(19.4)
<b>Net impairment charges</b>	<b>122.9</b>	<b>122.9</b>

Overall net impairment charges represented 29% of interest income for the Period, an increase from 26% last year. The net impairment charges for the online business compared to average online gross receivables, *i.e.* cost of risk, increased to 28% in the Period from 24% last year. The increased cost of risk in the online business is partly related to lower origination in some instalment loan products in H2 2019, resulting in a lower balance of receivables at year end.

### *Net FX gain/(loss)*

Foreign exchange movements resulted in a gain of €4.8 million for the Period. In the prior year period there was a net FX loss of €12.6 million. The Group monitors its currency positions actively and hedges net exposures where practical.

### *Non-recurring items and other adjustments*

In the fourth quarter the Group reflected two non-recurring adjustments. Following a decision in the quarter to exit the Slovakian market, the associated €1.0 million of goodwill has been fully impaired and reflected within the 'one-off adjustments to intangible assets' line. In Poland, in connection with a judgement on customer early repayments (referenced on page 22), the Group has booked a provision of €0.7 million in respect of potential incremental customer claims expected in 2020.

### *Profit before tax*

For the reasons stated above, the Group's profit before tax for the Period was €50.5 million, compared with €52.6 million for the twelve months ending 31 December 2018. The profit before tax margin was 12% for the Period, increasing from 11% in 2018.

### *Corporate income tax*

The Group's corporate income tax expense was €22.2 million for the Period, compared with €26.0 million for the twelve months ending 31 December 2018. The group took a more conservative approach to deferred tax assets in Poland in Q4, resulting in a net €2 million reduction in Polish deferred tax assets. This approach was also retrospectively applied to 2018, resulting in a €1.9 million reduction of DTAs from the 2018 year end balance sheet. Consequently, a 'restated' Income Statement and Balance Sheet is presented for 2018.

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

	12 months to 31 December	
	2019	2018
	<i>(in millions of €)</i>	
Current tax	19.4	30.9
Deferred tax	2.8	(4.9)
<b>Total</b>	<b>22.2</b>	<b>26.0</b>

The effective tax rate for the Period was 44%, compared with 49% for 2018.

#### *Profit/(loss) for the period*

For the reasons stated above, profit for the Period was €28.2 million, compared with a profit of €26.6 million for the twelve months ending 31 December 2018.

#### *Other financial data – EBITDA and Adjusted EBITDA*

	Year Ended 31 December 2019	Year Ended 31 December 2018	Year Ended 31 December 2017
	<i>(in millions of €)</i>		
Profit for the period	28.2	28.5	(16.8)
Income tax expense	22.2	26.0	27.6
Interest expense	56.8	62.1	61.9
Depreciation and amortisation	16.5	11.9	9.0
<b>EBITDA</b>	<b>123.8</b>	<b>128.5</b>	<b>81.7</b>
Adjustments	(0.3)	22.0	53.7
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>123.5</b>	<b>148.6</b>	<b>135.4</b>

	Year Ended 31 December 2019	Year Ended 31 December 2018	Year Ended 31 December 2017
	<i>(in millions of €)</i>		
<b>Summary breakdown of Adjustments to EBITDA</b>			
Discontinued operations	—	(0.1)	—
Net FX impact	(4.8)	12.6	4.0
One-off costs and other prescribed adjustments	3.0	2.8	3.6
One-off write-down of intangible assets	1.5	6.7	46.1
<b>Total</b>	<b>(0.3)</b>	<b>22.0</b>	<b>53.7</b>

Note: (1) Adjusted EBITDA is a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) 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 2019	31 December 2018
	<i>(in millions of €)</i>	
<b>Cash and cash equivalents, of which:</b>	<b>125.7</b>	<b>172.2</b>
- Online	75.8	110.5
- TBI bank	49.9	61.6
Placements with other banks	6.4	8.8
Gross receivables due from customers	733.7	705.3
Allowance for impairment	(154.8)	(152.2)
<b>Net receivables due from customers, of which:</b>	<b>578.9</b>	<b>553.2</b>
- Principal	548.0	521.6
- Accrued Interest	30.9	31.6
Net investments in finance leases	4.7	7.3
Net loans to related parties	60.7	66.2
Property and equipment	17.8	8.8
Financial investments	56.5	38.4
Prepaid expenses	4.5	8.2
Tax assets	21.3	16.6
Deferred tax assets	32.9	35.7
Intangible IT assets	17.8	22.3
Goodwill	16.5	17.5
Other assets	29.5	37.5
<b>Total assets</b>	<b>973.2</b>	<b>992.4</b>
Loans and borrowings	384.6	459.4
Deposits from customers	322.2	285.0
Deposits from banks	13.0	2.6
Corporate income tax payable	9.0	18.1
Other liabilities	78.9	70.9
<b>Total liabilities</b>	<b>807.7</b>	<b>836.0</b>
Share capital	35.8	35.8
Retained earnings	165.5	152.0
Reserves	(35.8)	(31.4)
<b>Total attributable equity</b>	<b>165.5</b>	<b>156.3</b>
Non-controlling interests	0.0	0.1
<b>Total equity</b>	<b>165.5</b>	<b>156.4</b>
<b>Total shareholders' equity and liabilities</b>	<b>973.2</b>	<b>992.4</b>

### Assets

The Group had total assets of €973.2 million as of 31 December 2019, compared with €992.4 million as of 31 December 2018. The decrease reflects the use of cash to repay the remaining 2019 bonds in August. This was largely offset by an increase in the net loan portfolio, in financial investments and the adoption of IFRS 16 (which adds c.€12 million to the 'property and equipment' and 'other liabilities' lines). The 'financial investments' line includes securities held for liquidity management (mainly Romanian government bonds at TBI Bank) and other financial investments.

### Loan portfolio

As of 31 December 2019, the Group's net receivables equaled €578.9 million, compared with €553.2 million as of 31 December 2018, representing an increase of €25.7 million, or 5%. This increase was largely delivered in the fourth quarter, driven by strong portfolio growth at TBI Bank (which contributes €313.5 million of net receivables, including fair value adjustments). Further information on the TBI Bank portfolio is available in the appendix, including its finance leases which are shown as a separate balance sheet line item.

The following section includes a summary of our overall loan portfolio, both online (mainly funded outside of TBI Bank) and banking (funded by TBI Bank), showing performing vs non-performing classification. This is shown on a loan principal basis to better reflect amounts actually funded. Additional reference information on the historic quarterly development of our online portfolio on a receivables basis for comparability, split by product, is also shown in the appendix.

### Overview of the Group's loan portfolio

The following table sets out the classification of the Group's loan principal in terms of performing and non-performing loans (*i.e.* those more than 90 days past due). The Group's Bulgarian online lending operations (vivus.bg) with approximately €3 million of gross principal was transferred to TBI Bank in April. Just over €3 million of gross principal of Polish instalment loans was transferred to TBI Bank in H2 2019. Both of these portfolios are still classified as 'online' loans in the tables below, and others in this report, for comparability with prior periods.

Principal	31 December 2019				31 December 2018			
	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount
	<i>(in millions of €, except percentages)</i>				<i>(in millions of €, except percentages)</i>			
<b>Online principal</b>								
Performing	263.4	(39.7)	223.7	77.4 %	293.1	(44.9)	248.2	79.8 %
Non-performing <sup>(1)</sup>	77.0	(59.0)	18.0	22.6 %	74.4	(56.0)	18.3	20.2 %
<b>Online total</b>	<b>340.4</b>	<b>(98.7)</b>	<b>241.7</b>	<b>100.0%</b>	<b>367.5</b>	<b>(101.0)</b>	<b>266.5</b>	<b>100.0%</b>
<b>TBI Bank principal</b>								
Performing	289.6	(11.8)	277.8	83.8 %	246.0	(12.7)	233.3	84.1 %
Non-performing <sup>(1)</sup>	55.8	(27.4)	28.4	16.2 %	46.4	(24.7)	21.7	15.9 %
<b>TBI Bank total</b>	<b>345.4</b>	<b>(39.2)</b>	<b>306.2</b>	<b>100.0%</b>	<b>292.4</b>	<b>(37.3)</b>	<b>255.1</b>	<b>100.0%</b>
<b>Overall principal</b>								
Performing	552.9	(51.5)	501.5	80.6 %	539.1	(57.6)	481.5	81.7 %
Non-performing <sup>(1)</sup>	132.8	(86.4)	46.5	19.4 %	120.8	(80.7)	40.1	18.3 %
<b>Overall total</b>	<b>685.8</b>	<b>(137.8)</b>	<b>548.0</b>	<b>100.0%</b>	<b>659.9</b>	<b>(138.3)</b>	<b>521.6</b>	<b>100.0%</b>

Note: (1) Non-performing amounts are over 90 days past due (and, for TBI Bank, shown on a customer level basis)

### Online loan portfolio by product

This section presents further detail on the online portfolio and classification by product. The following table shows the Group's performing online gross loan principal by product. A separate classification for Near Prime loans has been added, which includes the Group's lower APR instalment loan products in Latvia, Lithuania, Spain and Sweden. The Group's shorter-term products in Latvia have also been reclassified to Line of Credit (from Single Payment Loans) reflecting changes made in Q1 2019.

	31 December 2019		31 December 2018	
	Amount	% of Portfolio	Amount	% of Portfolio
	<i>(in millions of €, except percentages)</i>			
<b>Online performing gross principal by product:</b>				
Single Payment Loans	101.3	38.5 %	129.8	44.3 %
Instalment Loans	89.4	34.0 %	115.9	39.6 %
Lines of Credit <sup>(1)</sup>	41.8	15.9 %	30.9	10.5 %
Near Prime <sup>(2)</sup>	30.8	11.7 %	16.5	5.6 %
<b>Total online gross performing principal</b>	<b>263.4</b>	<b>100.0%</b>	<b>293.1</b>	<b>100.0%</b>

Notes: (1) Includes Minimum-to-Pay products and Point of Sale Loans

(2) Includes the Group's lower APR instalment loan products in Latvia (Vivus), Lithuania (Vivus), Spain (Fintonic) and Sweden (Friia)

### Online non-performing loan portfolio

As of 31 December 2019, the Group's non-performing online principal was €77.0 million, an increase of €2.6 million since 31 December 2018. The gross NPL ratio was 24.9% for online receivables as of 31 December 2019, compared to 22.0% as of 31 December 2018.

The Group accrues interest whilst it is probable it will be received (typically up to 90 DPD for instalment loans). Non-performing accrued interest was €17.6 million, or 23%, in addition to the non-performing loan principal. Penalties and delay fees are not accrued as receivables and are only recognised as income when payment is received.

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

	31 December 2019	31 December 2018
	<i>(in millions of €, except percentages)</i>	
<b>Non-performing online principal by product:</b>		
Single Payment Loans	32.3	36.2
Instalment Loans	29.8	27.4
Lines of Credit <sup>(1)</sup>	12.2	9.3
Near Prime	2.7	1.5
<b>Total non-performing online principal</b>	<b>77.0</b>	<b>74.4</b>
Allowance for NPL principal	59.0	56.0
Allowance for NPL principal / non-performing principal	77 %	75 %
Overall receivables allowance / NPL receivables coverage ratio	121 %	127 %
Average Loss Given Default rate <sup>(2)</sup>	75 %	74 %

Notes: (1) Includes Point of Sale Loans

(2) Average LGD rate for SPL was 86%; IL: 72%; LOC: 69%; Near prime: 52% as of 31/12/2019

### Other assets

A breakdown of the Group's other assets is presented in the table below. The increase in the 'derivatives' line relates to the Group's EUR/USD currency hedges.

	31 December 2019	31 December 2018
	<i>(in millions of €)</i>	
FX hedging - funds on margin	1.6	4.6
Non-current assets held for sale	4.3	5.3
Receivables from suppliers	7.5	14.3
Security deposits	1.4	1.3
Investments in associates	2.1	1.6
Derivatives	5.5	2.5
Other non-customer receivables	7.1	8.0
<b>Total</b>	<b>29.5</b>	<b>37.5</b>

### Liabilities

The Group had total liabilities of €807.7 million as of 31 December 2019, compared with €836.0 million as of 31 December 2018, representing a decrease of €28.3 million.

### Loans and borrowings

As of 31 December 2019, the Group had loans and borrowings of €384.6 million, compared with €459.4 million as of 31 December 2018. The Group's loans and borrowings accounted for 48% of total liabilities as of 31 December 2019 and 55% of total liabilities as of 31 December 2018. The following table sets out the loans and borrowings by type. In October 2019, 4finance S.A. repurchased a further \$5 million of its USD 2022 bonds, bringing the total repurchased by 4finance S.A. to \$50 million.

	31 December 2019	31 December 2018
	<i>(in millions of €)</i>	
2019 Notes	0.0	62.0
2021 Notes	147.1	146.2
2022 Notes	237.4	250.8
Other	0.0	0.4
<b>Total loans and borrowings <sup>(1)</sup></b>	<b>384.6</b>	<b>459.4</b>

Note: (1) Includes accrued but unpaid interest, net of capitalised issuance costs and Notes owned by the Group

In August 2014, 4finance S.A. issued US\$200.0 million of 11.75% notes (the '2019 Notes') which were listed on the Irish Stock Exchange. Following the tender offer in April 2017, an amount of US\$68 million remained outstanding. Those outstanding 2019 Notes matured on 14 August 2019 and were fully repaid from cash on hand.

In May 2016, 4finance S.A. issued €100.0 million of 11.25% notes (the '2021 Notes'). The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further €50.0 million of Notes were issued at par. The 2021 Notes mature in May 2021 and are callable at 104%.

In April 2017, 4finance S.A. issued US\$325.0 million of 10.75% notes (the '2022 Notes') which are listed on the Irish Stock Exchange and will mature in May 2022. An IFRS 9 adjustment as of 1 January 2018 resulted in a €5.2 million decrease to the carrying value from the revaluation at the original effective interest rate of a proportion of US\$ 2022 bond carried over from original US\$ 2019 bond (to be amortised over remaining life of bond in 'interest expense'). The 2022 Notes are callable at 105.4%.

### Customer deposits

As of 31 December 2019, the Group had total customer deposits of €322.2 million. Banking operations contributed €307.5 million in net deposits at an average all-in cost of approximately 1.6% with the balance from 4spar in Sweden at an average cost of 7.1%. Further details of TBI Bank's deposits are presented in the appendix.

### Other liabilities

A breakdown of the Group's other liabilities is presented in the table below. The Group adopted the IFRS 16 accounting standard for lease liabilities from January 2019. Further details are available in Note 3 of the Group's 2018 annual report.

	31 December 2019	31 December 2018
	<i>(in millions of €, except percentages)</i>	
Accrued expenses	21.0	22.8
Accounts payable to suppliers	8.1	12.6
FX hedging liability	7.1	4.6
Taxes payable	8.5	8.1
Provisions for unused vacations	2.3	2.0
Lease liabilities (IFRS 16) <sup>(1)</sup>	9.0	—
Other liabilities	22.9	20.8
<b>Total</b>	<b>78.9</b>	<b>70.9</b>

Note: (1) Adopted IFRS 16 accounting standard from January 2019. See Note 3 of the Group's 2018 annual report for further details

### Equity

As of 31 December 2019, the Group's total equity amounted to €165.5 million, compared with €156.4 million as of 31 December 2018, representing an increase of €9.1 million, or 6%. The Group's equity to assets ratio as of 31 December 2019 was 17%. 4finance Holding S.A. declared and paid a €5 million dividend in August and a further €9 million dividend in December. Over half of the aggregate dividend was used by 4finance Group S.A. to repay accrued interest on its loan from 4finance Holding S.A.

The equity to net receivables ratio as of 31 December 2019 was 29%, reflecting the Group's strong capitalisation, even after the one-off intangible asset adjustments at the end of 2017 and the adoption of IFRS 9, still giving good headroom to bond covenants.

### Off-balance sheet arrangements

The Group's total off-balance sheet commitments as of 31 December 2019 were €18.1 million. This includes TBI Bank's undrawn lending commitments of €17.3 million and financial guarantees €0.4 million, plus €0.4 million in connection with the Group's online portfolio (LoC product). The Group also enters into currency hedging transactions which may result in additional off-balance sheet assets or liabilities, but are designed to limit overall exposure to currency movements.

## Condensed Consolidated Statement of Cash Flows for the Period

	<b>12 months to 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(in millions of €)</i>	
<b><u>Cash flows from operating activities</u></b>		
<b>Profit before taxes</b>	<b>50.5</b>	<b>52.6</b>
Adjustments for:		
Depreciation and amortisation	16.5	12.1
Impairment of goodwill and intangible assets	(0.6)	5.7
Net (gain)/loss on foreign exchange from borrowings and other monetary items	5.0	19.9
Impairment losses on loans	148.5	178.9
Reversal of provision on debt portfolio sales	(12.0)	(36.6)
Write-off and disposal of intangible and property and equipment assets	1.6	2.9
Interest income from non-customers loans	(7.3)	(8.1)
Interest expense on loans and borrowings and deposits from customers	56.8	62.1
Other non-cash items	0.9	2.5
Profit before adjustments for the effect of changes to current assets and short-term liabilities	259.9	291.8
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(5.9)	(11.3)
(Increase)/decrease in other assets (including TBI statutory reserve, placements & leases)	10.8	(0.3)
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	(1.1)	3.7
<b>Operating cash flow before movements in portfolio and deposits</b>	<b>263.7</b>	<b>284.0</b>
Increase in loans due from customers	(224.8)	(255.1)
Proceeds from sale of portfolio	63.2	81.9
Increase in deposits (customer and bank deposits)	47.5	16.5
Deposit interest payments	(4.4)	(4.0)
<b>Gross cash flows from operating activities</b>	<b>145.3</b>	<b>123.3</b>
Corporate income tax paid	(33.3)	(27.5)
<b>Net cash flows from operating activities</b>	<b>112.0</b>	<b>95.9</b>
<b><u>Cash flows used in investing activities</u></b>		
Purchase of property and equipment and intangible assets	(8.3)	(8.4)
Purchase of financial instruments	(30.8)	(13.6)
Loans issued to related parties	—	(2.6)
Loans repaid from related parties	4.1	7.4
Interest received from related parties	8.2	2.8
Disposal of subsidiaries, net of cash disposed	—	(0.1)
(Acquisition)/Disposal of equity investments	7.9	(5.9)
Acquisition of non-controlling interests	(0.4)	(4.4)
Acquisition of subsidiaries, net of cash acquired	(0.3)	—
Prepayment for potential investment	—	20.8
<b>Net cash flows from investing activities</b>	<b>(19.6)</b>	<b>(3.8)</b>
<b><u>Cash flows from financing activities</u></b>		
Loans received and notes issued	—	0.5
Repayment and repurchase of loans and notes	(84.1)	(27.2)
Interest payments	(49.6)	(52.7)
FX hedging margin	9.0	4.2
Payment of lease liabilities	(4.3)	—
Dividend payments	(14.0)	(0.1)
<b>Net cash flows used in financing activities</b>	<b>(143.0)</b>	<b>(75.3)</b>
<b><u>Net increase/(decrease) in cash and cash equivalents</u></b>	<b>(50.6)</b>	<b>16.8</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>148.8</b>	<b>131.9</b>
Effect of exchange rate fluctuations on cash	0.3	0.1
<b>Cash and cash equivalents at the end of the period</b>	<b>98.5</b>	<b>148.8</b>
<b>TBI Bank minimum statutory reserve</b>	<b>27.2</b>	<b>23.4</b>
<b><u>Total cash on hand and cash at central banks</u></b>	<b>125.7</b>	<b>172.2</b>

Net cash flows from operating activities in the Period were €112.0 million compared with €95.9 million in the same period last year. Net cash used in investing activities was €19.6 million in the Period, mainly due to the purchases of government bonds for liquidity management in TBI Bank. The Group's cash flows used in financing activities reflected the repayment of the 2019 Notes in August, repurchase of \$25 million of its 2022 Notes in the Period and interest payments, partly offset by incoming FX hedging margin.

## 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 2019 and twelve months ending 31 December 2018.

### Income statement

The table below sets out the consolidated income statement for TBI Bank, presented on the same basis as the Group's income statement for ease of comparison.

	12 months to 31 December	
	2019	2018
	<i>(in millions of €)</i>	
Interest Income	82.8	74.3
Interest Expense	(3.7)	(3.0)
<b>Net Interest Income</b>	<b>79.1</b>	<b>71.3</b>
Net F&C Income	10.1	9.9
Other operating income	0.9	0.5
<b>Non-Interest Income</b>	<b>11.1</b>	<b>10.5</b>
<b>Operating Income</b>	<b>90.2</b>	<b>81.8</b>
<b>Total operating costs</b>	<b>(46.6)</b>	<b>(41.7)</b>
<b>Pre-provision operating profit</b>	<b>43.5</b>	<b>40.1</b>
Net impairment charges	(15.0)	(21.7)
<b>Post-provision operating profit</b>	<b>28.5</b>	<b>18.3</b>
Depreciation and amortisation	(1.4)	(1.2)
Non-recurring income/(expense)	1.2	0.6
Net FX gain/(loss)	(2.3)	(1.1)
<b>Pre-tax profit</b>	<b>26.1</b>	<b>16.7</b>
Income tax expense	(3.7)	(2.4)
<b>Net profit after tax</b>	<b>22.4</b>	<b>14.3</b>

## 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, the fair values assessed as part of the Group's updated goodwill calculation under IFRS are used, rather than the book values presented below.

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<i>(in millions of €)</i>	
Cash and cash equivalents	49.9	61.6
Placements with other banks	6.4	8.8
Gross receivables due from customers	357.8	301.4
Allowance for impairment	(40.5)	(38.3)
<b>Net receivables due from customers</b>	<b>317.3</b>	<b>263.1</b>
Net investments in finance leases	5.7	8.6
Property and equipment	9.2	5.9
Financial assets	59.9	33.9
Tax assets	1.5	1.7
Prepaid expenses	1.1	1.1
Intangible assets	5.5	3.3
Other assets	7.9	8.3
<b>Total assets</b>	<b>465.2</b>	<b>396.3</b>
Loans and borrowings	0.0	0.1
Deposits from customers	311.8	271.0
Deposits from banks	13.0	2.6
Other liabilities	23.9	17.7
<b>Total liabilities</b>	<b>348.8</b>	<b>291.4</b>
Share capital	41.7	41.7
Retained earnings	74.4	59.8
Reserves	0.3	3.5
<b>Total equity</b>	<b>116.4</b>	<b>105.0</b>
<b>Total shareholders' equity and liabilities</b>	<b>465.2</b>	<b>396.3</b>

The total equity figure is after the payment of a maiden dividend of €8 million in March 2019.

Financial assets include mainly government bonds held by TBI Bank for liquidity purposes.

TBI Bank's purchase of the Bulgarian online lending business (vivus.bg) is shown as an investment of €2.6 million in financial assets.

## Loan portfolio

Below are TBI Bank's receivables, including accrued interest, split by consumer and SME customers.

	31 December 2019	31 December 2018	% Change
	<i>(in millions of €)</i>		
<b>Gross receivables by type</b>			
Consumer	289.2	247.7	17 %
SME (including financial leases)	74.9	62.3	20 %
<b>Total gross receivables</b>	<b>364.1</b>	<b>310.0</b>	<b>17%</b>
Provisions	(41.0)	(38.8)	6 %
<b>Total net receivables</b>	<b>323.1</b>	<b>271.2</b>	<b>19%</b>

As of 31 December 2019, consumer loans made up 74% of TBI Bank's gross loans, slightly down from 78% as of 31 December 2018. The overall loan portfolio has a roughly equal contribution from both Bulgaria and Romania.

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

	Consumer	SME (incl. leases)	Overall
Non-performing receivables to gross receivables ratio	14.3%	19.6%	15.4%
Provision coverage <sup>(1)</sup>	88.8%	28.3%	72.7%

Note: (1) In addition to provisions, the SME receivables are backed by collateral with average loan-to-value of c.50%.

## Customer deposits

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

	31 December 2019	31 December 2018	% Change
	<i>(in millions of €)</i>		
Customer accounts of consumers	281.0	224.1	25 %
- Current accounts	27.0	21.3	27 %
- Term deposits	254.0	202.8	25 %
Customer accounts of SMEs	31.0	46.9	(34)%
- Current accounts	17.0	17.6	(3)%
- Term deposits	14.0	29.3	(52)%

The reduction in customer accounts of SMEs during the Period was in line with expectations. The average interest rate paid on term deposits varies by type and currency, ranging from 0.1% to 4.5%. Deposit costs (excluding the state deposit guarantee fund annual charge) were 1.2% for the Period. The average remaining maturity of consumer term deposits is approximately 11 months, with strong roll-over rates. The consumer term deposit balances as of 31 December 2019 include €9.7m of deposits gathered on the Raisin platform, with an average remaining maturity of 23 months.

## Capital and liquidity ratios

TBI Bank continues to have a strong capital and liquidity position. The table below shows TBI Bank's statutory capital and liquidity ratios as of 31 December 2019. Following the Bulgarian National Bank's supervisory review of the banking sector, the minimum capital adequacy ratio requirement for TBI Bank was increased from 13.5% to 14.25% during Q1 2019. This increased by a further 50bps to 14.75% in October 2019, and is expected to increase to 15.25% in Q2 2020 with the introduction of counter-cyclical buffers.

	Standalone	Consolidated
Common equity Tier 1 ratio	17.3%	18.9%
Capital adequacy	17.3%	18.9%
Liquidity ratio	27.4%	—
Liquidity coverage ratio	242.6%	258.4%



## HISTORIC QUARTERLY RESULTS APPENDIX

For ease of reference, a summary income statement by quarter from Q4 2017 is presented below.

### Income statement

<i>(in millions of €)</i>	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>Interest Income</b>	<b>120.8</b>	<b>123.2</b>	<b>122.3</b>	<b>116.1</b>	<b>113.7</b>	<b>106.5</b>	<b>106.9</b>	<b>105.7</b>	<b>104.8</b>
Interest Expense	(16.4)	(14.9)	(15.5)	(16.0)	(15.7)	(15.0)	(15.0)	(14.2)	(12.7)
<b>Net Interest Income</b>	<b>104.4</b>	<b>108.2</b>	<b>106.8</b>	<b>100.1</b>	<b>98.0</b>	<b>91.5</b>	<b>91.9</b>	<b>91.5</b>	<b>92.2</b>
Net F&C Income	3.0	2.3	2.3	2.7	2.3	2.1	1.9	2.4	2.8
Other operating income	2.3	2.1	2.3	2.2	2.5	2.2	2.2	2.1	2.3
<b>Non-Interest Income</b>	<b>5.4</b>	<b>4.4</b>	<b>4.6</b>	<b>4.9</b>	<b>4.8</b>	<b>4.3</b>	<b>4.0</b>	<b>4.5</b>	<b>5.2</b>
<b>Operating Income</b>	<b>109.8</b>	<b>112.6</b>	<b>111.4</b>	<b>105.0</b>	<b>102.7</b>	<b>95.7</b>	<b>95.9</b>	<b>96.0</b>	<b>97.3</b>
<b>Total operating costs</b>	<b>(64.0)</b>	<b>(61.0)</b>	<b>(59.0)</b>	<b>(51.0)</b>	<b>(53.7)</b>	<b>(49.8)</b>	<b>(50.3)</b>	<b>(48.1)</b>	<b>(49.7)</b>
<b>Pre-provision operating profit</b>	<b>45.8</b>	<b>51.6</b>	<b>52.4</b>	<b>54.0</b>	<b>49.0</b>	<b>45.9</b>	<b>45.6</b>	<b>48.0</b>	<b>47.6</b>
Net impairment charges	(34.4)	(36.4)	(26.9)	(30.5)	(29.1)	(32.4)	(28.1)	(31.9)	(30.5)
<b>Post-provision operating profit</b>	<b>11.4</b>	<b>15.2</b>	<b>25.6</b>	<b>23.4</b>	<b>19.9</b>	<b>13.5</b>	<b>17.5</b>	<b>16.1</b>	<b>17.1</b>
Depreciation and amortisation	(2.4)	(2.5)	(2.5)	(3.5)	(3.4)	(3.2)	(3.9)	(4.5)	(4.9)
Non-recurring income/(expense)	0.3	0.1	0.9	0.2	(1.5)	(0.1)	0.3	0.2	(1.0)
Net FX	(1.7)	2.4	(14.7)	(5.6)	5.3	1.6	1.5	(0.4)	2.0
One-off adj. of intangible assets	(46.1)	—	—	—	(6.7)	—	(0.2)	(0.1)	(1.1)
<b>Pre-tax profit</b>	<b>(38.5)</b>	<b>15.2</b>	<b>9.3</b>	<b>14.6</b>	<b>13.6</b>	<b>11.9</b>	<b>15.2</b>	<b>11.3</b>	<b>12.1</b>
Income tax expense	(12.5)	(4.6)	(3.1)	(6.2)	(12.1)	(6.2)	(5.8)	(5.4)	(4.9)
<b>Net profit after tax</b>	<b>(51.0)</b>	<b>10.6</b>	<b>6.1</b>	<b>8.3</b>	<b>1.5</b>	<b>5.7</b>	<b>9.4</b>	<b>5.8</b>	<b>7.2</b>
<b>EBITDA</b>	<b>(19.7)</b>	<b>32.6</b>	<b>27.2</b>	<b>34.0</b>	<b>32.7</b>	<b>30.1</b>	<b>34.0</b>	<b>30.0</b>	<b>29.7</b>
<b>Adjusted EBITDA</b>	<b>28.4</b>	<b>32.1</b>	<b>42.1</b>	<b>39.9</b>	<b>34.5</b>	<b>29.4</b>	<b>33.1</b>	<b>31.2</b>	<b>29.7</b>

### Loan issuance

*(in millions of €)*

<b>Total value of online loans issued</b>	<b>349.5</b>	<b>337.3</b>	<b>305.7</b>	<b>289.4</b>	<b>276.7</b>	<b>260.0</b>	<b>263.2</b>	<b>253.9</b>	<b>238.4</b>
Single Payment Loans <sup>(1)</sup>	256.9	237.2	222.1	206.4	195.1	167.2	169.8	170.9	162.3
Instalment Loans	55.2	63.0	45.4	44.0	44.1	46.3	44.9	35.7	29.5
Lines of Credit <sup>(2)</sup>	37.5	37.0	38.2	39.0	37.5	46.5	48.5	47.4	46.6
<b>Total value of TBI Bank loans issued</b>	<b>71.0</b>	<b>60.8</b>	<b>60.8</b>	<b>73.3</b>	<b>86.9</b>	<b>68.2</b>	<b>78.0</b>	<b>87.2</b>	<b>103.3</b>
SME	7.3	7.3	9.4	8.6	9.9	10.1	13.4	15.6	13.4
Consumer	63.8	53.5	51.4	64.6	77.0	58.1	64.6	71.5	89.8

Notes: (1) Reflects reclassification of 'Vivus' brand products in Denmark, Sweden and Armenia, and (from Q1 2019 onwards) the 'SMS Credit' and 'Ondo' products in Latvia to Lines of Credit

(2) Includes Point of Sale Loans

## Loan portfolio (receivables, including accrued interest)

(in millions of €)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>Single payment loans <sup>(1)</sup></b>								
- Performing	180.2	163.7	153.4	142.0	116.3	116.1	114.4	113.3
- NPL <sup>(2)</sup>	55.8	53.4	39.7	40.8	31.8	34.7	42.6	37.8
- <b>Total gross receivables</b>	<b>236.0</b>	<b>217.0</b>	<b>193.1</b>	<b>182.8</b>	<b>148.1</b>	<b>150.8</b>	<b>157.0</b>	<b>151.1</b>
- Provisions	(72.1)	(69.9)	(53.1)	(51.2)	(44.1)	(47.1)	(54.1)	(49.8)
- <b>Net receivables</b>	<b>163.9</b>	<b>147.1</b>	<b>140.0</b>	<b>131.6</b>	<b>104.0</b>	<b>103.7</b>	<b>102.9</b>	<b>101.3</b>
- Provisions to gross receivables	30.5%	32.2%	27.5%	28.0%	29.8%	31.2%	34.4%	33.0%
- Gross NPL ratio	23.6%	24.6%	20.6%	22.3%	21.5%	23.0%	27.1%	25.0%
<b>Instalment loans <sup>(3)</sup></b>								
- Performing	143.9	146.9	145.0	140.8	144.9	150.2	141.6	127.2
- NPL <sup>(2)</sup>	34.8	33.3	43.8	38.3	41.8	27.9	35.2	42.1
- <b>Total gross receivables</b>	<b>178.7</b>	<b>180.1</b>	<b>188.8</b>	<b>179.1</b>	<b>186.7</b>	<b>178.1</b>	<b>176.8</b>	<b>169.4</b>
- Provisions	(53.5)	(49.4)	(56.9)	(48.7)	(50.4)	(43.2)	(46.6)	(49.0)
- <b>Net receivables</b>	<b>125.2</b>	<b>130.7</b>	<b>131.9</b>	<b>130.4</b>	<b>136.3</b>	<b>134.9</b>	<b>130.3</b>	<b>120.4</b>
- Provisions to gross receivables	29.9%	27.4%	30.2%	27.2%	27.0%	24.3%	26.3%	28.9%
- Gross NPL ratio	19.5%	18.5%	23.2%	21.8%	22.4%	15.7%	19.9%	24.9%
<b>Lines of Credit <sup>(4)</sup></b>								
- Performing	35.1	34.6	34.5	33.4	46.9	44.1	44.6	45.0
- NPL <sup>(2)</sup>	11.3	10.5	11.6	10.2	17.0	11.5	12.2	14.7
- <b>Total gross receivables</b>	<b>46.4</b>	<b>45.1</b>	<b>46.2</b>	<b>43.6</b>	<b>63.9</b>	<b>55.6</b>	<b>56.8</b>	<b>59.6</b>
- Provisions	(13.1)	(13.1)	(14.9)	(14.0)	(17.3)	(12.9)	(14.1)	(15.9)
- <b>Net receivables</b>	<b>33.3</b>	<b>32.0</b>	<b>31.2</b>	<b>29.6</b>	<b>46.6</b>	<b>42.7</b>	<b>42.7</b>	<b>43.7</b>
- Provisions to gross receivables	28.3%	29.1%	32.4%	32.1%	27.0%	23.3%	24.8%	26.7%
- Gross NPL ratio	24.3%	23.3%	25.2%	23.4%	26.6%	20.7%	21.5%	24.6%
<b>Total Online receivables</b>								
- Performing	359.2	345.1	332.9	316.2	308.1	310.4	300.7	285.5
- NPL <sup>(2)</sup>	101.9	97.1	95.1	89.3	90.6	74.1	90.0	94.6
- <b>Total gross receivables</b>	<b>461.1</b>	<b>442.3</b>	<b>428.1</b>	<b>405.4</b>	<b>398.6</b>	<b>384.5</b>	<b>390.6</b>	<b>380.1</b>
- Provisions	(138.7)	(132.5)	(125.0)	(113.9)	(111.8)	(103.2)	(114.7)	(114.7)
- <b>Net receivables</b>	<b>322.4</b>	<b>309.8</b>	<b>303.1</b>	<b>291.6</b>	<b>286.9</b>	<b>281.3</b>	<b>275.9</b>	<b>265.4</b>
- Provisions to gross receivables	30.1%	30.0%	29.2%	28.0%	28.0%	26.8%	29.4%	30.2%
- Gross NPL ratio	22.1%	22.0%	22.2%	22.0%	22.7%	19.3%	23.0%	24.9%
<b>TBI Bank</b>								
- Performing	217.2	218.2	229.3	252.3	249.0	258.7	274.8	296.4
- NPL <sup>(2)</sup>	37.3	43.6	41.7	47.6	52.1	49.8	53.5	57.1
- <b>Total gross receivables</b>	<b>254.5</b>	<b>261.8</b>	<b>271.0</b>	<b>299.9</b>	<b>301.1</b>	<b>308.5</b>	<b>328.3</b>	<b>353.5</b>
- Provisions	(27.8)	(34.4)	(33.2)	(38.3)	(40.3)	(38.5)	(41.4)	(40.1)
- <b>Net receivables</b>	<b>226.7</b>	<b>227.4</b>	<b>237.8</b>	<b>261.6</b>	<b>260.8</b>	<b>270.0</b>	<b>286.9</b>	<b>313.5</b>
- Provisions to gross receivables	10.9%	13.1%	12.2%	12.8%	13.4%	12.5%	12.6%	11.3%
- Gross NPL ratio	14.7%	16.6%	15.4%	15.9%	17.3%	16.2%	16.3%	16.2%

Notes: (1) Single Payment Loan portfolio shown in this table reflects the reclassification of 'Vivus' products in Sweden, Denmark and Armenia, and (from Q1 2019 onwards) the 'SMS Credit' and 'Ondo' products in Latvia to Lines of Credit

(2) Non-performing amounts that are over 90 days past due (and, for TBI, shown on a customer level basis)

(3) Includes Near Prime Loans

(4) Includes Point of Sale Loans

## Additional Key Performance Indicators

	12 months to 31 December	
	2019	2018
<b>Profitability</b>		
ROAA, % * <sup>(1)</sup>	2.6%	4.7%
ROAE, % * <sup>(2)</sup>	15.8%	31.6%
ROATE, % *	28.4%	69.1%
Interest Income / Average Interest Earning Assets, % <sup>(3)</sup>	58.3%	67.5%
Interest Income / Average Gross Loan Portfolio, %	63.9%	73.1%
Interest Income / Average Net Loan Portfolio, %	80.4%	93.5%
Interest Expense / Interest Income, %	13.4%	13.1%
Cost Of Funds, % <sup>(4)</sup>	6.9%	7.4%
Cost Of Interest Bearing Liabilities, % <sup>(5)</sup>	7.8%	8.4%
Net Spread, % <sup>(6)</sup>	50.5%	59.1%
Net interest margin, % <sup>(7)</sup>		
- Online	81.3%	88.9%
- TBI Bank	24.8%	26.8%
- Overall group	54.5%	63.5%
Net effective annualised yield <sup>(8)</sup>	75.7%	88.2%
Net Fee & Commission Income / Total Operating Income, %	2.4%	2.2%
Earnings Before Taxes / Average Total Assets, % *	5.3%	5.9%
<b>Efficiency</b>		
Total Assets / Employee, (in thousands of €) *	356	335
Total Operating Income / Employee, (in thousands of €)	141	146
Cost / Income Ratio, % <sup>(9)</sup>	51.4%	52.1%
Total Recurring Operating Costs / Average Total Assets, % *	20.1%	22.9%
Total Operating Income / Average Total Assets, % *	39.2%	44.0%
Personnel Costs / Total Recurring Operating Costs, %	48.8%	46.2%
Personnel Costs / Total Operating Income, %	25.1%	24.0%
Net Operating Income / Total Operating Income, % *	49.0%	49.5%
Net Income (Loss) / Total Operating Income, % *	7.7%	7.7%
Profit before tax (Loss) / Interest income, % *	11.3%	15.2%
<b>Liquidity</b>		
Net Loan Receivables / Total Assets, % *	59.4%	55.4%
Average Net Loan Receivables / Average Total Assets, % *	57.6%	55.2%
Net Loan Receivables / Total Liabilities, %	71.7%	66.2%
Interest Earning Assets / Total Assets, % *	75.9%	71.5%
Average Interest Earning Assets / Average Total Assets, % *	74.0%	71.8%
Liquid Assets / Total Assets, % * <sup>(10)</sup>	13.6%	18.1%
Liquid Assets / Total Liabilities, %	16.4%	21.6%
Total Deposits / Total Assets, % *	33.1%	28.5%
Total Deposits / Total Liabilities, %	39.9%	34.1%
Total Deposits / Shareholders' Equity, Times *	1.9x	1.7x
Leverage (Total Liabilities / Equity), Times *	4.8x	5.1x
Tangible Common Equity / Tangible Assets * <sup>(11)</sup>	10.8%	8.8%
Tangible Common Equity / Net Receivables	17.0%	14.6%
Net Loan Receivables / Equity, Times *	3.5x	3.4x

<b>Asset quality</b>	<b>12 months to 31 December</b>	
	<b>2019</b>	<b>2018</b>
Loan Loss Reserve / Gross Receivables from Clients, %	21.1%	21.6%
Average Loan Loss Reserve / Average Gross Receivables from Clients, %	21.3%	22.2%
Cost of risk, % <sup>(12)</sup>		
- Online	27.5%	24.0%
- TBI Bank	4.6%	8.0%
- Overall Group	17.1%	17.7%
Gross NPL ratio, % <sup>(13)</sup>		
- Online	24.9%	22.0%
- TBI Bank	16.2%	15.9%
- Overall group	20.7%	19.4%
Net impairment / Interest income, % <sup>(14)</sup>	29.0%	25.9%
<b>Credit Metrics</b>		
Total Equity / Total Assets, % *	17.0%	15.8%
Total Equity / Net Loan Receivables, %	28.6%	28.3%
Interest Coverage ('basic' EBITDA), Times	2.2x	2.0x
Adjusted Interest Coverage, Times <sup>(15)</sup>	2.2x	2.4x
TBI Bank consolidated capital adequacy, % <sup>(16)</sup>	18.9%	22.4%
<b>Selected Operating Data</b>		
	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
Total Employees	2,730	2,960

\*Normalised ratios are adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets, and for 2018 ratios only, adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects.

All ratios are annualised where appropriate.

(1) Return On Average Total Assets (ROAA) equals Net Income of the period / Average Total Assets for the same period

(2) Return On Average Total Equity (ROAE) equals Net Income of the period / Average Total Equity for the same period

(3) Interest Earning Assets include: Placement with other banks and Gross Loan Receivables

(4) Cost Of Funds equals Interest Expense of the period / Average Total Liabilities for the same period

(5) Cost Of Interest-Bearing Liabilities equals Interest Expense of the period / Average Interest Bearing Liabilities for the same period; Interest bearing Liabilities include Loans and borrowings and Deposits from customers and banks

(6) Net Spread equals Interest Income of the period / Average Interest Earning Assets for the same period less Cost of Interest Bearing Liabilities

(7) Net interest margin equals Net interest income / Average gross loan principal (total gross loan principal as of the start and end of each period divided by two)

(8) Annualised interest income (excluding penalties) / Average net loan principal

(9) Cost to Income ratio equals Operating costs / Operating income (revenue)

(10) Liquid Assets / Total Assets; Liquid assets include Cash and cash equivalents and Placements with other banks

(11) Tangible Common Equity / Tangible Assets. Tangible equity is Total Equity less Intangible Assets. Tangible Assets are Total Assets less Intangible Assets

(12) Cost Of Risk (Receivables only) equals Net impairment charges / Average Gross Receivables for the same period

(13) Gross NPL ratio equals Non-performing receivables (including accrued interest) with a delay of over 90 days / Gross receivables (including accrued interest)

(14) Net impairment charges on loans and receivables / interest income

(15) Adjusted Interest Coverage for the Period equals Adjusted EBITDA / Interest expense

(16) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the Bulgarian National Bank)

## DEFINITIONS

**Active customers** – Online lending customers with open loans that are up to 30 days past due

**Adjusted EBITDA** – a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) as adjusted by income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS, goodwill write-offs and certain other one-off or non-cash items. Adjusted EBITDA, as presented here, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated. Further details of covenant adjustments can be found in the relevant bond prospectuses, available on our website [www.4finance.com](http://www.4finance.com)

**Adjusted interest coverage** – Adjusted EBITDA / interest expense

**Cost of risk** – Annualised net impairment charges / average gross receivables (total gross receivables as of the start and end of each period divided by two)

**Cost/income ratio** – Operating costs / operating income

**Equity/assets ratio** – Total equity / total assets

**Equity/net receivables** – Total equity / net customer receivables (including accrued interest)

**Gross NPL ratio** – Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)

**Gross receivables** – Total amount receivable from customers, including principal and accrued interest, after deduction of deferred income

**Intangible assets** – consists of deferred tax assets, intangible IT assets and goodwill

**Interest income** – Interest and similar income generated from our customer loan portfolio

**Loss given default** – Loss on non-performing receivables (*i.e.* 1 - recovery rate) based on recoveries during the appropriate time window for the specific product, reduced by costs of collection, discounted at the weighted average effective interest rate

**Net effective annualised yield** – annualised interest income (excluding penalties) / average net loan principal

**Net impairment to interest income ratio** – Net impairment charges on loans and receivables / interest income

**Net interest margin** – Annualised net interest income / average gross loan principal (total gross loan principal as of the start and end of each period divided by two)

**Net receivables** – Gross receivables (including accrued interest) less impairment provisions

**Non-performing loans (NPLs)** – Loan principal or receivables (as applicable) that are over 90 days past due

**Normalised** – Adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets, and for 2018 ratios only, adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects

**Overall provision coverage** – Allowance account for provisions / non-performing receivables

**Profit before tax margin** – Profit before tax / interest income

**Return on average assets** – Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)

**Return on average equity** – Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)

**Tangible equity** – Total equity minus intangible assets

**TBI Bank capital adequacy ratio** – (Tier One Capital + Tier Two Capital) / risk weighted assets (calculated according to the prevailing regulations of the Bulgarian National Bank)

## 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 13 November 2019.

### *Acquisitions and disposals*

Following the decision in 2018 to cease consumer lending in Georgia, to facilitate the full closing of the business, the operating entity MFO 4finance LLC (Georgia) was sold to 4finance Group SA in February 2020 for its fair market value (€2.2 million). In addition, in accordance with the respective conditions of the EUR 2021 and USD 2022 Notes, the entity was released from its guarantees of the Notes.

### *Regulatory changes*

In Denmark: a draft law was published in February 2020 for consultation, including a proposed APR cap of 35%, overall cost cap of 100% and limitations on marketing. The Group continues to participate in the consultation process. Once finalised, the new regulation is expected to come into force in the 3<sup>rd</sup> quarter of 2020.

In Poland: the Competition and Consumer Protection Authority (UOKiK) is reviewing market practice for treatment of up-front loan fees in cases of early loan repayment. The Group has conducted reviews of its practices in this area, and had already adopted a partial refund approach in its Polish instalment loan product at the start of 2019. In January 2020 the Group received judgements from UOKiK which includes a requirement to apply a stricter full-refund approach in relation to early repayments from new lending. The Group has appealed the judgements as applicable to prior periods, a process that is expected to take at least two years to finalise.

### *Financing*

4finance Holding S.A. paid a dividend of €9 million in December 2019, bringing the total paid in 2019 to €14 million.

The Group has selected investment banks to advise it in respect of a refinancing of its EUR 2021 bonds, subject to market conditions.

**Corporate website: [www.4finance.com](http://www.4finance.com)**

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