



4finance Holding SA

Investor Presentation for full year 2019 results

5 March 2020

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Agenda

- Business update
- Review of full year 2019 results
- Loan portfolio and asset quality
- Summary

Full year 2019 business and financial highlights

Consistent execution on plan with solid financial performance

- Continued stable performance overall in TBI Bank and larger online markets of Poland, Spain and Denmark
 - TBI Bank continuing to perform well with seasonally strong performance in Q4
 - Solid 'like-for-like' performance across the online business
- Good cost control and progress with ongoing efficiency initiatives
- Adapting to new regulation in the Nordics & Baltics
 - Encouraging initial response to product updates in Finland and Latvia
 - Key new features: fast delivery fee and 'mini' instalment loan
- Growth in near-prime products across the business
 - 15% YoY consumer loan issuance growth at TBI Bank (all near-prime)
 - 83% YoY growth in 'online' loan issuance to c.€3m / month
 - Latvia launched in December: half of EU markets now have near-prime products
- Progress in using TBI Bank to fund online loan portfolios
 - Successful initial sale of Polish instalment loans in September and November
 - Developing scalable, automated system to ensure funding in place for near-prime loans as portfolios develop in 2020+



Interest
income

€423.9m

(11)% YoY



Cost to
income ratio

51.4%

0.7ppts YoY
improvement



Pre-tax
profit

€50.5m

(4)% YoY



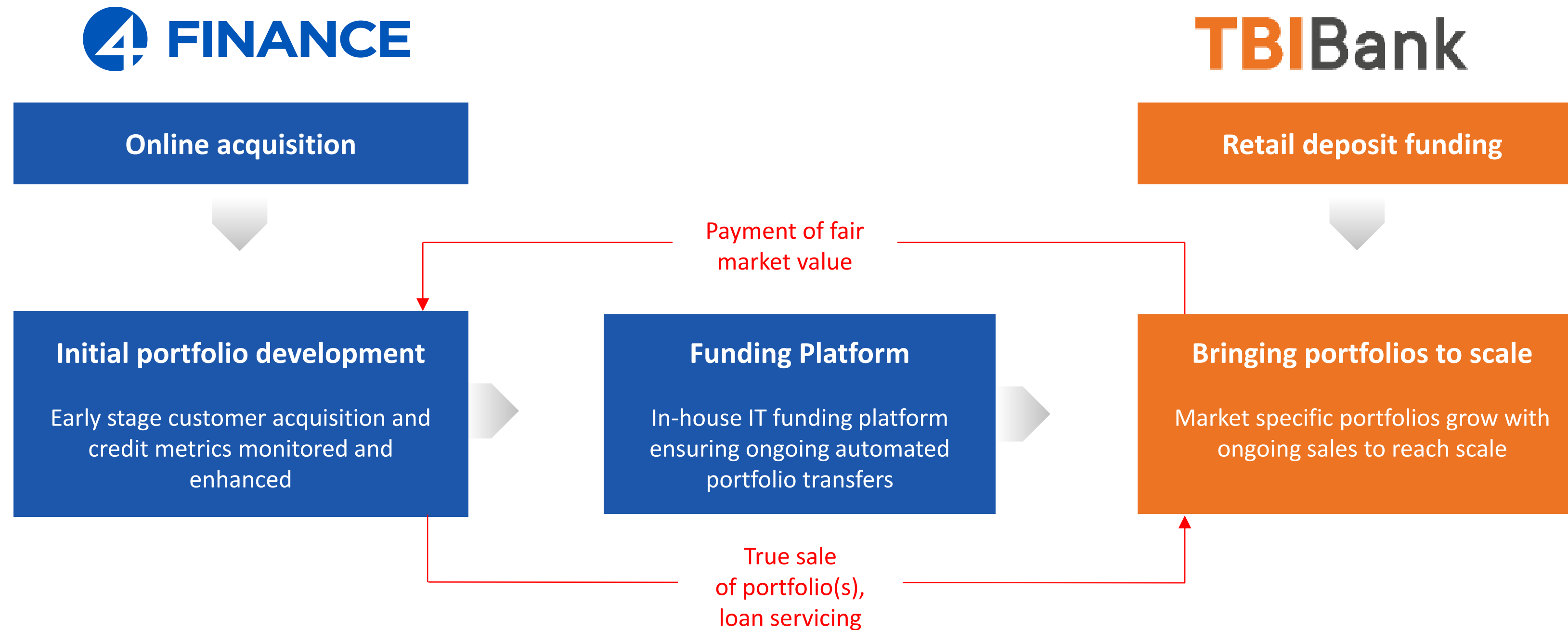
Overall
NPL ratio

20.7%

Stable (+1.3ppts) YoY

Funding near-prime growth via TBI Bank

Accessing TBI Bank deposit funding for 'online' portfolios via ongoing loan sales



Illustrative near-prime "unit economics"⁽¹⁾

Indicative APRs
20-40%

Cost/Income ratio
c.40%

Cost of Risk
6-8%

Cost of Funds
3-5%

Return on Assets
3-5%⁽²⁾

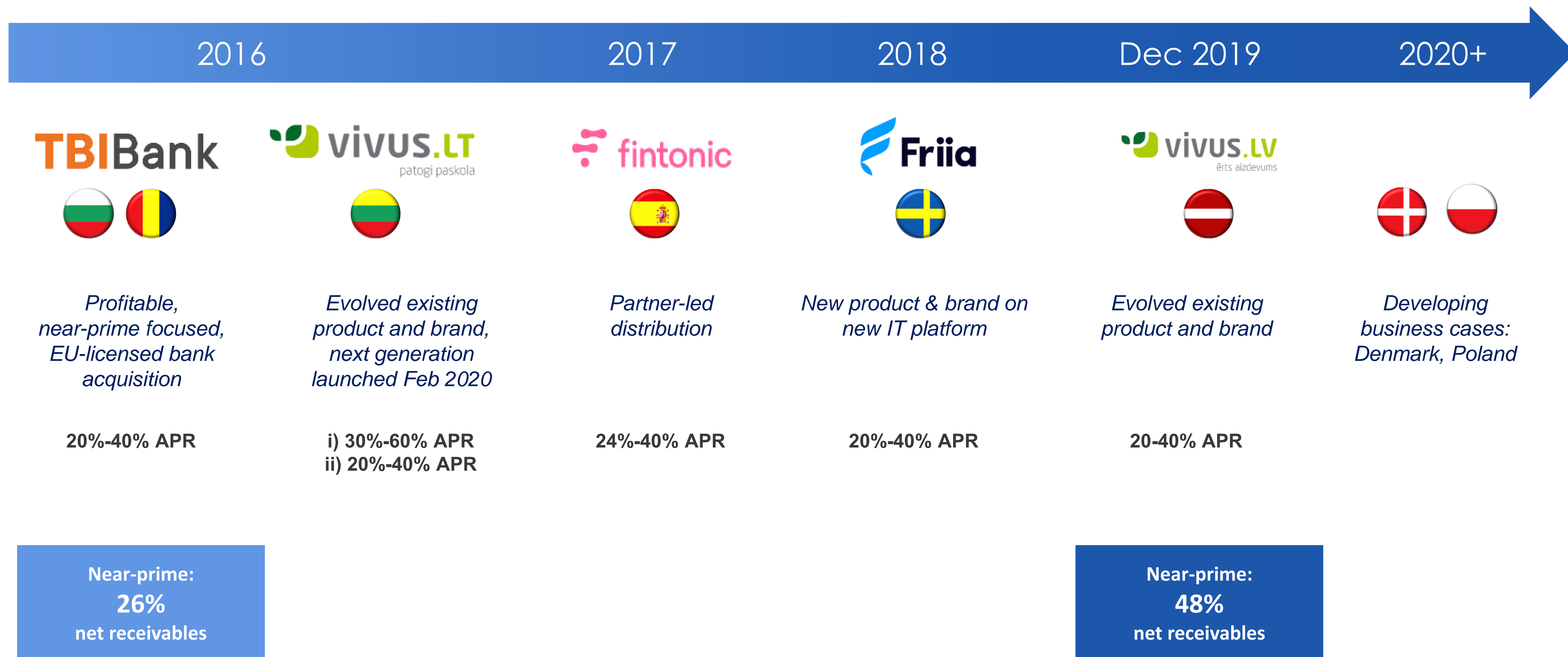
- Regular sales of Polish instalment loans since September 2019
- Passporting application underway for Lithuania (largest near-prime portfolio)

Notes:

(1) Illustrative metrics for near-prime portfolios and not indicative of a specific product or market





(2) Illustrative potential returns in medium-term at scale

Near-prime products now 'live' in half of our EU markets



Regulatory landscape

Continued focus on responsible lending, including EU consumer credit directive consultations

	Current	Proposed	Status	Engagement & business adaptation
Latvia 	<ul style="list-style-type: none"> 25% APR cap Marketing restrictions 	<ul style="list-style-type: none"> N/a 	<ul style="list-style-type: none"> New legislation in force as of July 2019 	<ul style="list-style-type: none"> Products adapted, with voluntary fast delivery fee Positive customer response sustained
Finland 	<ul style="list-style-type: none"> 20% interest cap Limits on fees and extensions 	<ul style="list-style-type: none"> N/a 	<ul style="list-style-type: none"> New legislation in force as of September 2019 	<ul style="list-style-type: none"> Products adapted, with 'mini' instalment loan launched on new platform & voluntary fast delivery fee
Poland 	<ul style="list-style-type: none"> Non-interest fees 25% fixed and 30% annual Consumer protection regulator 	<ul style="list-style-type: none"> N/a 	<ul style="list-style-type: none"> Draft bill of previous government was reviewed by EC, but not advanced prior to mid-October 2019 elections 	<ul style="list-style-type: none"> Contributed to EC review process Closely monitoring developments post elections
Denmark 	<ul style="list-style-type: none"> No interest or fee caps Licensing regime, led by Danish FSA 	<ul style="list-style-type: none"> 35% APR cap 100% cost of credit cap Marketing restrictions 	<ul style="list-style-type: none"> Licensing application submitted Draft proposals put forward in February 2020 	<ul style="list-style-type: none"> Active contribution to political consultation process ongoing

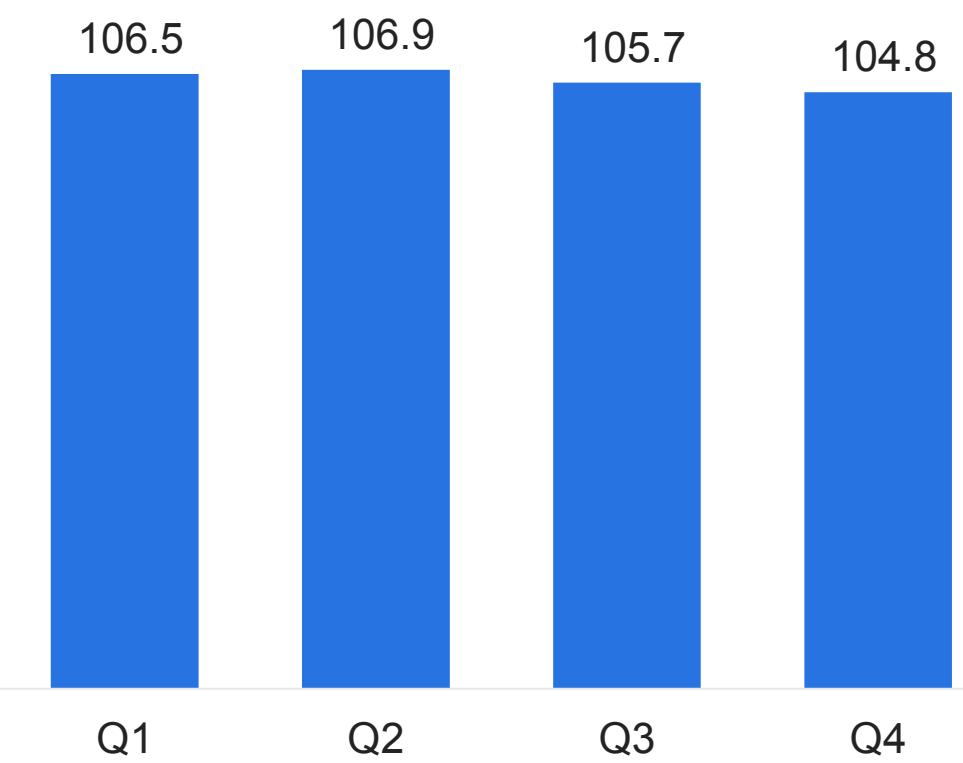
Review of full year 2019 results

Summary of full year 2019 results

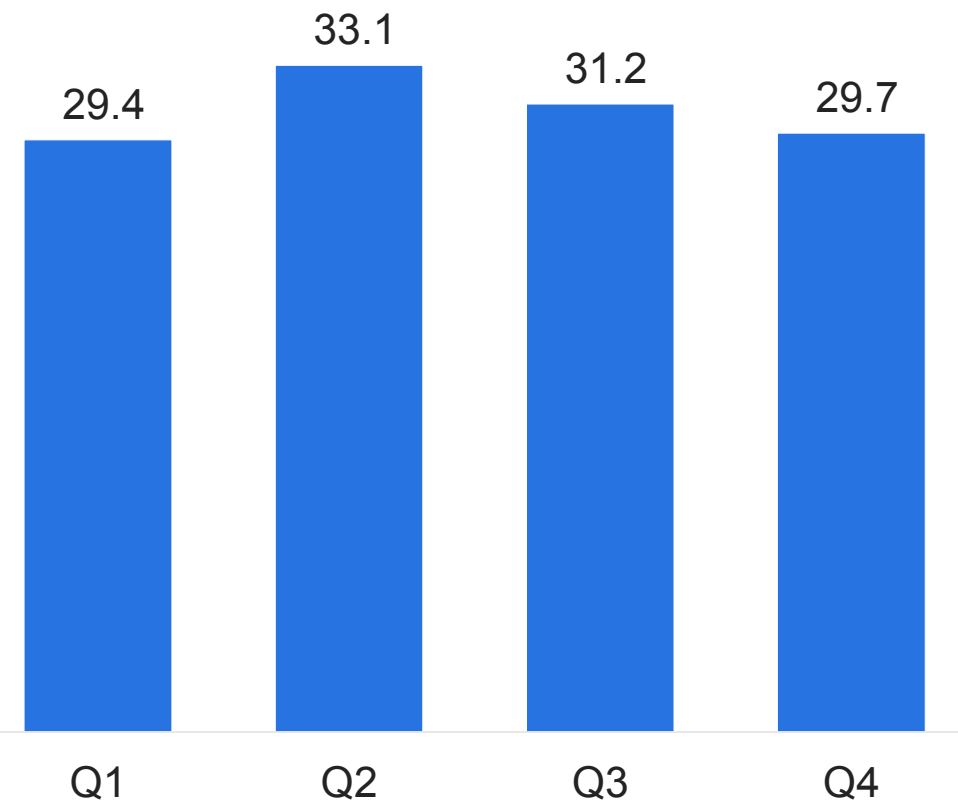
- Solid performance in fourth quarter. Stable quarterly revenue, Adjusted EBITDA c.€30m, with quarterly PBT of €13m
- 2019 interest income down 11%, Adjusted EBITDA of €123m, down 17% year-on-year
 - Reduction in interest income largely attributable to products and/or markets that were rationalised during 2018
 - Interest coverage stable at 2.4x (vs 2.5x in 2018) with covenant interest expense reduced by 15% year-on-year
 - Post-provision operating profit of €64.2m, vs. €84.1m in 2018 (impacted by significant post IFRS 9 debt sales income in 2018)
- Interest income highlights by market and product
 - Solid performance in key online markets (Poland, Spain, Denmark) and TBI Bank
 - Adapting instalment loan product in Poland, with lower current origination
 - TBI Bank increasing its own online operations and transfer of vivus.bg operations
- Continued progress on cost reduction
 - Year-on-year reduction in costs of 12%
- Strong operating cashflow and robust cash position
 - Operating cashflow before movements in portfolio & deposits of €263.7m
 - Full repayment of \$68m August 2019 bond maturity, \$25m buybacks in 2019
- Overall stable risk performance, although lower debt sales than 2018
 - Overall gross NPL ratio of 20.7% (from 19.4% in December 2018)
 - Net impairment/interest income at 29.0% for 2019 (vs 25.9% in 2018)

Stable quarterly performance in 2019

Interest Income
€m

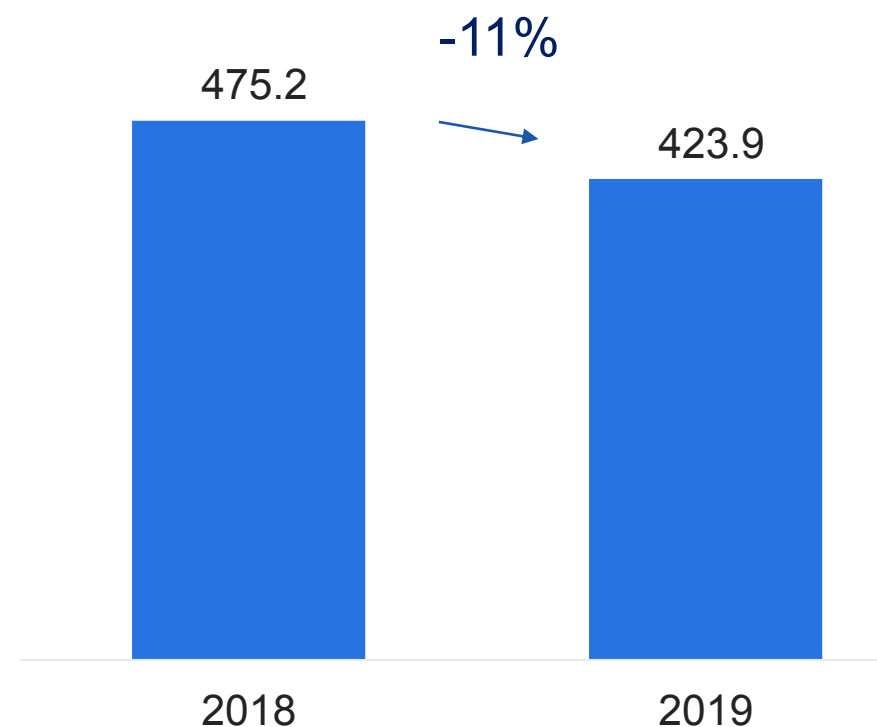


Adjusted EBITDA
€m

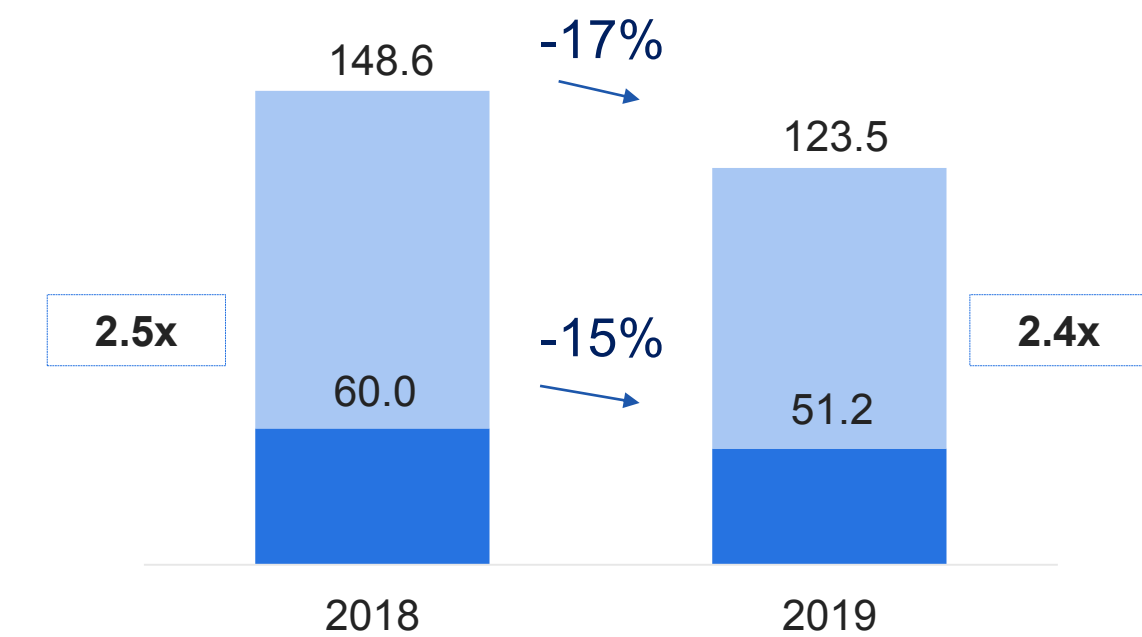


Year-on-year comparison

Interest Income
€m

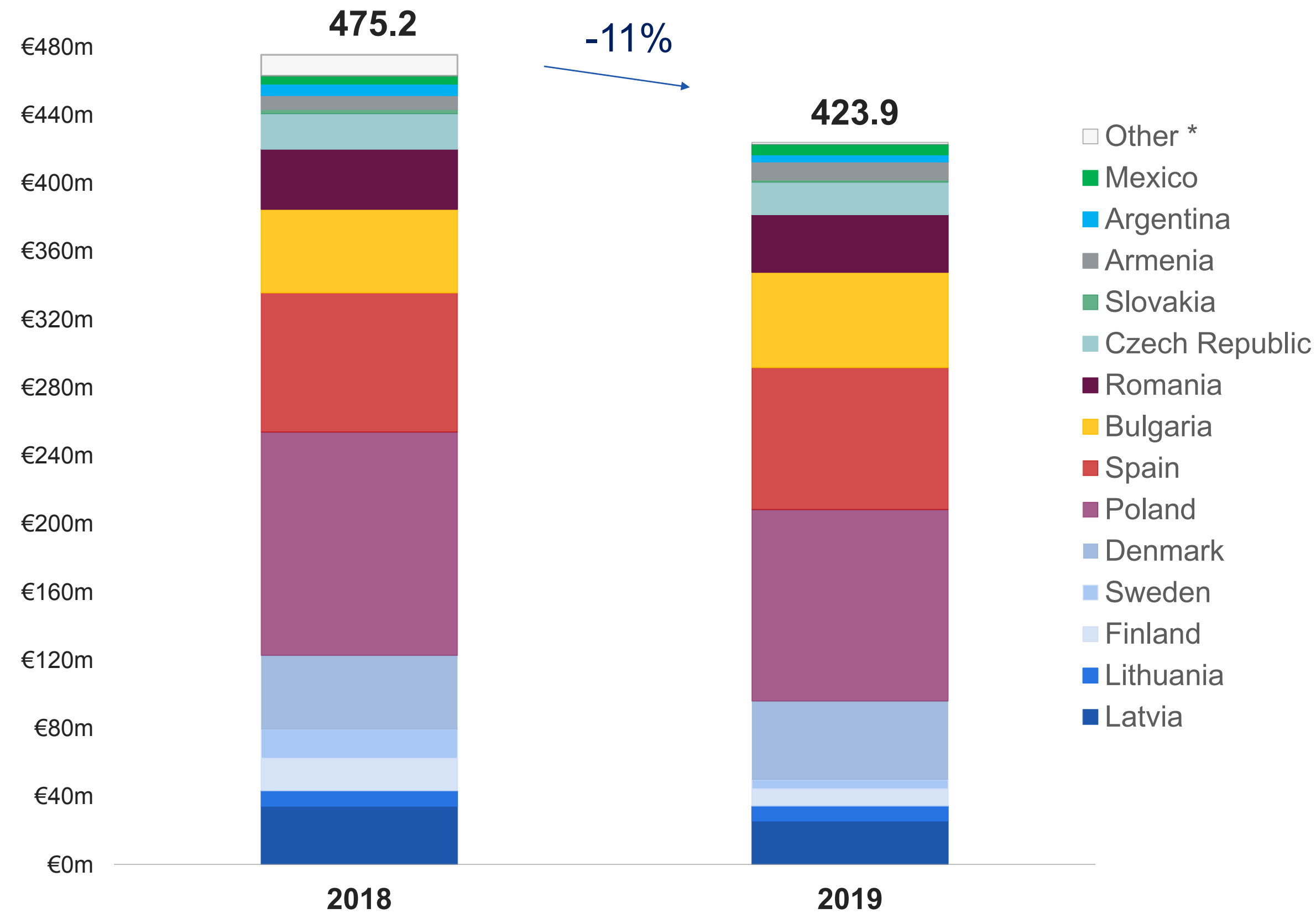


Adjusted EBITDA and interest expense
€m

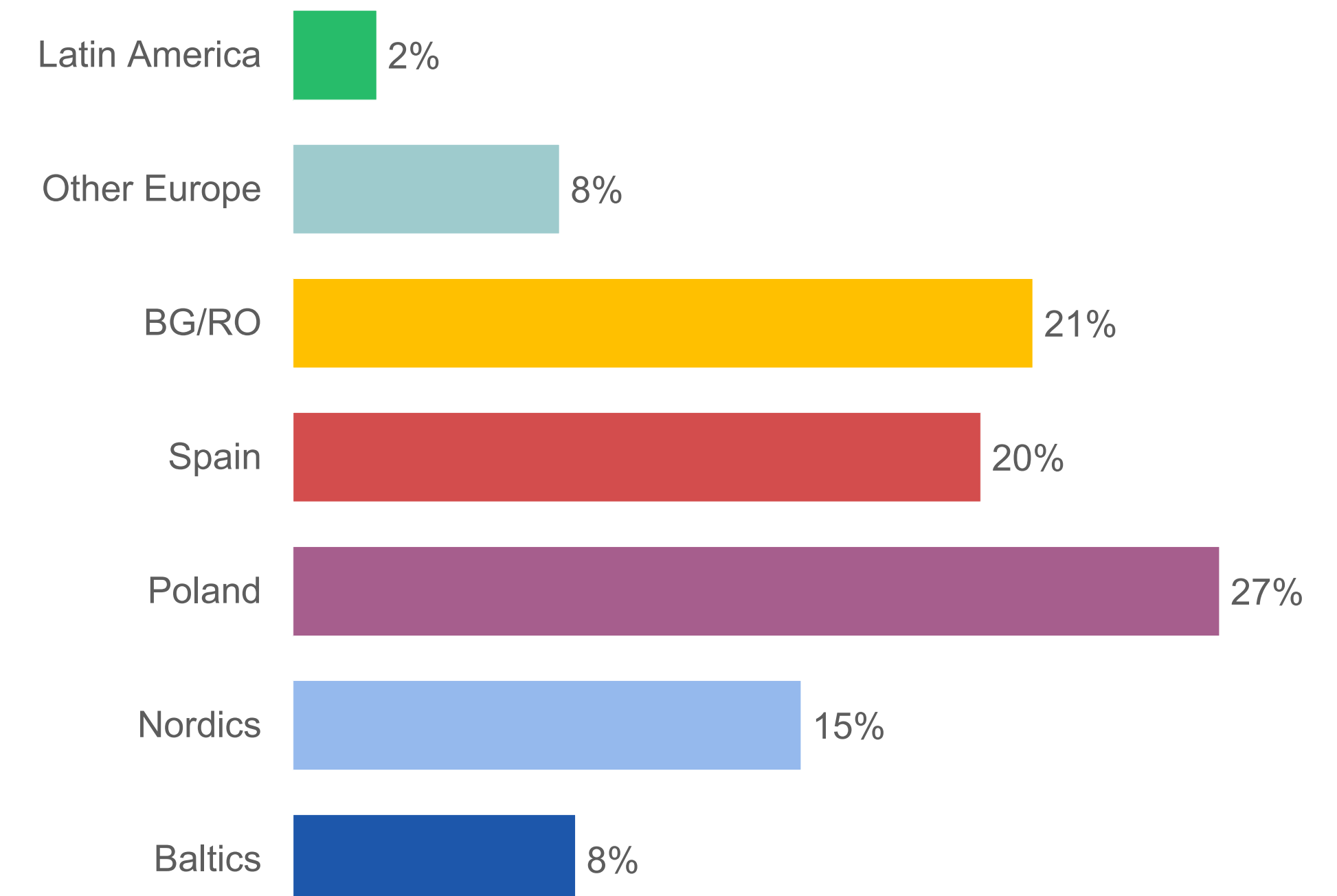


Interest income remains well diversified

Interest income by country



2019 interest income: €424m



* Other represents countries exited during 2018 (Dominican Republic and Georgia)

Operating cost drivers

- Operating costs down 12% year-on-year
 - 2019 cost/income ratio at 51.4% compared to 52.1% in 2018
 - Some cost reduction effect from IFRS 16, with €4.4m of costs in 2019 effectively moved to D&A and interest expense lines
 - Seasonal increase in marketing spend in Q4
 - Investment in TBI Bank to support growth
- Cost efficiency projects ongoing with focus on cost/income ratio
 - Continued headcount reduction of 8% year-on-year
 - Lower above-the-line marketing spend due to efficiency savings from econometric modelling
 - Evaluating further strategic efficiency initiatives

Notes:

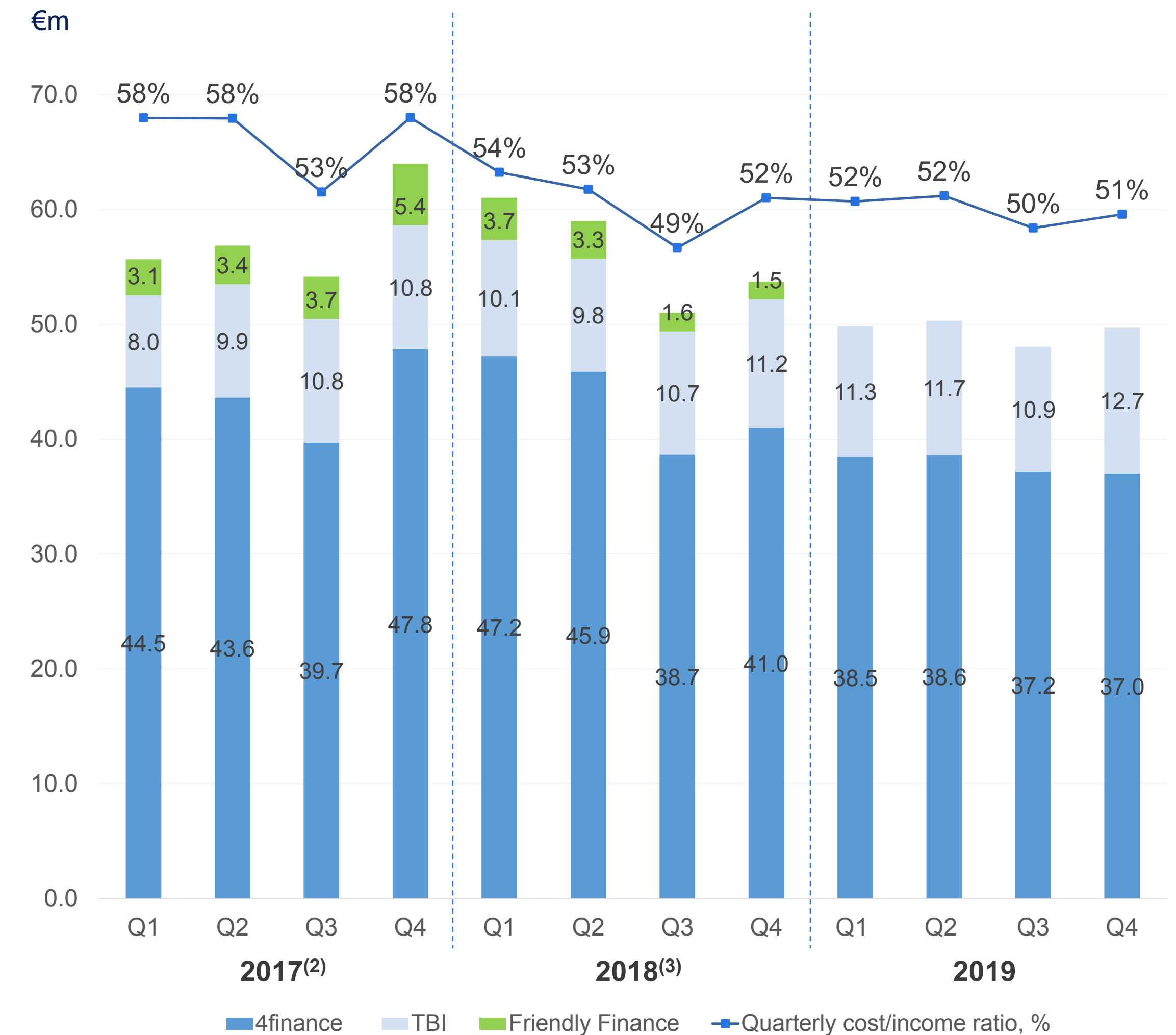
(1) As of Q1 2019 costs are no longer shown separately for Friendly Finance as it is fully integrated into the Group's online operations

(2) 2017 quarterly costs reflect as-reported quarterly numbers. Totals do not match with 2017 audited financials due to capex de-recognition as part of year end one-off adjustments to intangible assets

(3) Q4 2018 costs have been adjusted to reflect audited figures

See appendix for definitions of key metrics and ratios

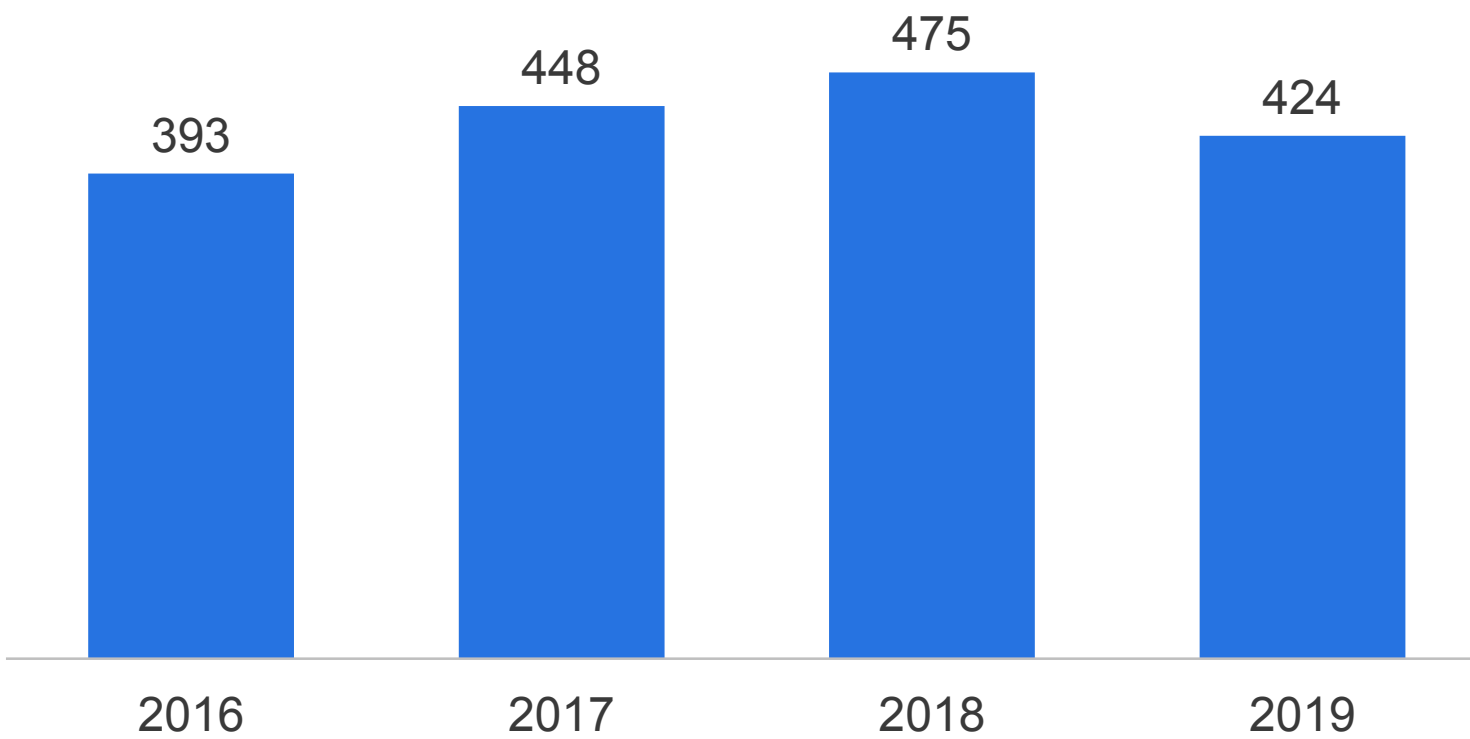
Total operating costs (1)



Strong financial profile – stability and profitability

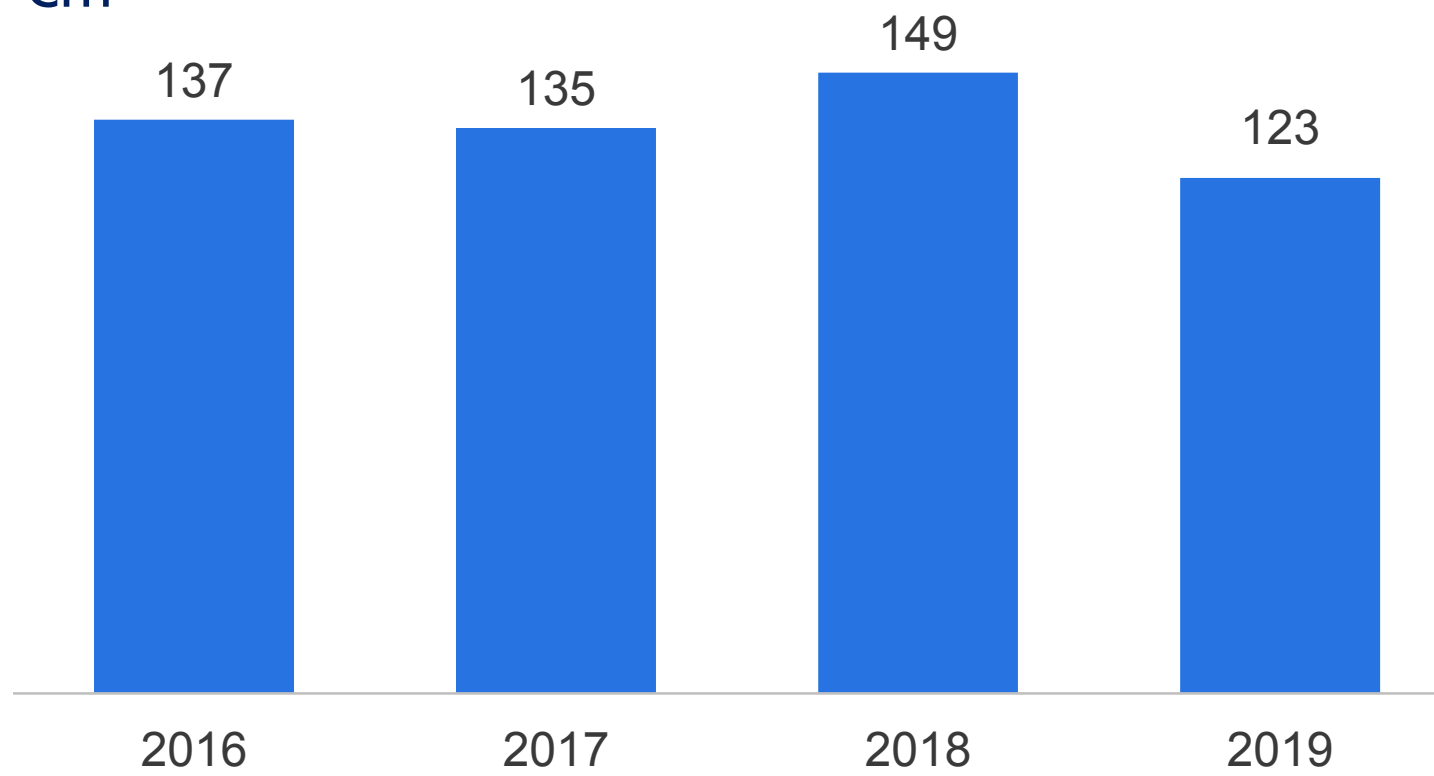
Interest income

€m



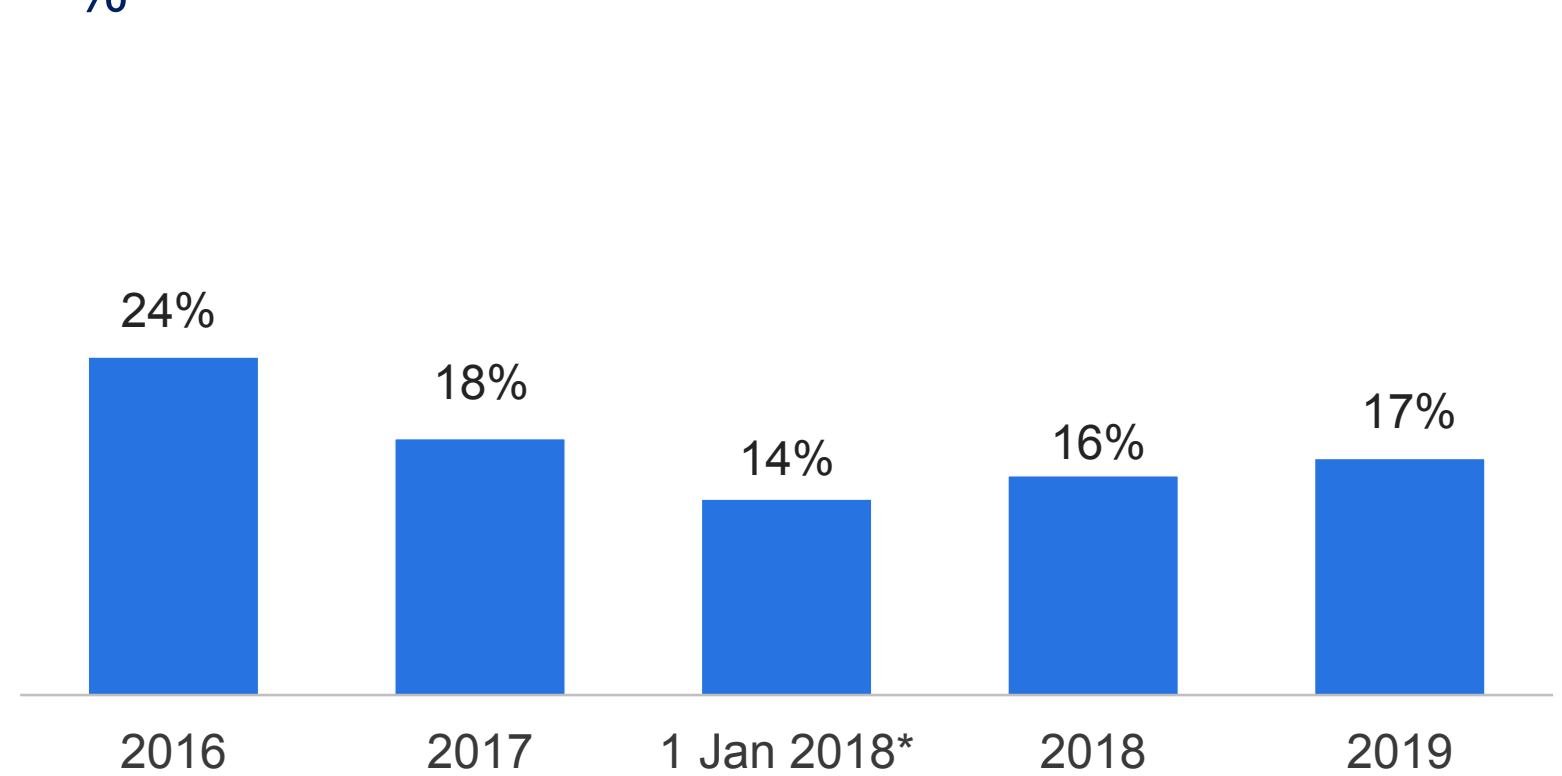
Adjusted EBITDA

€m



Equity / assets ratio

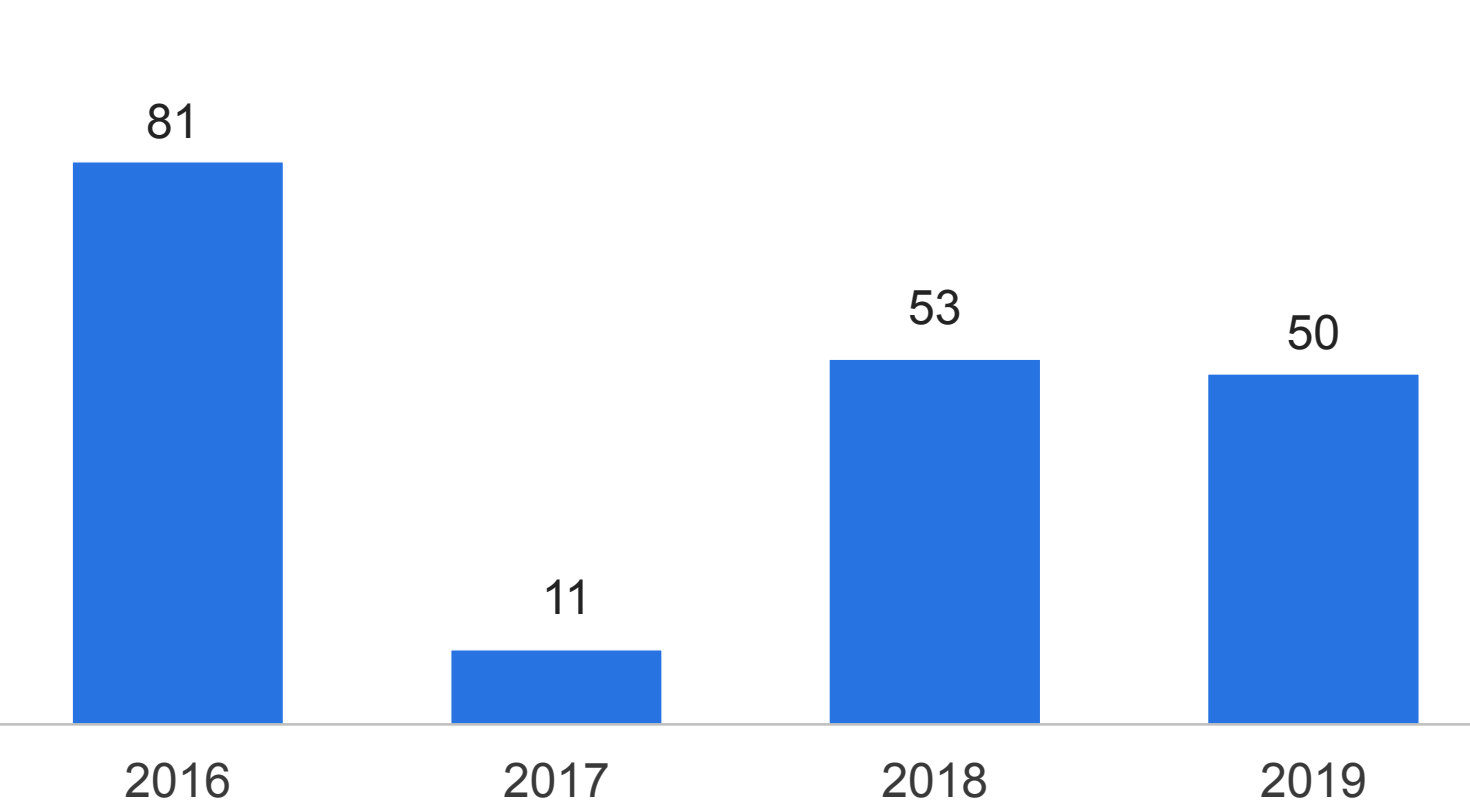
%



* Post IFRS 9

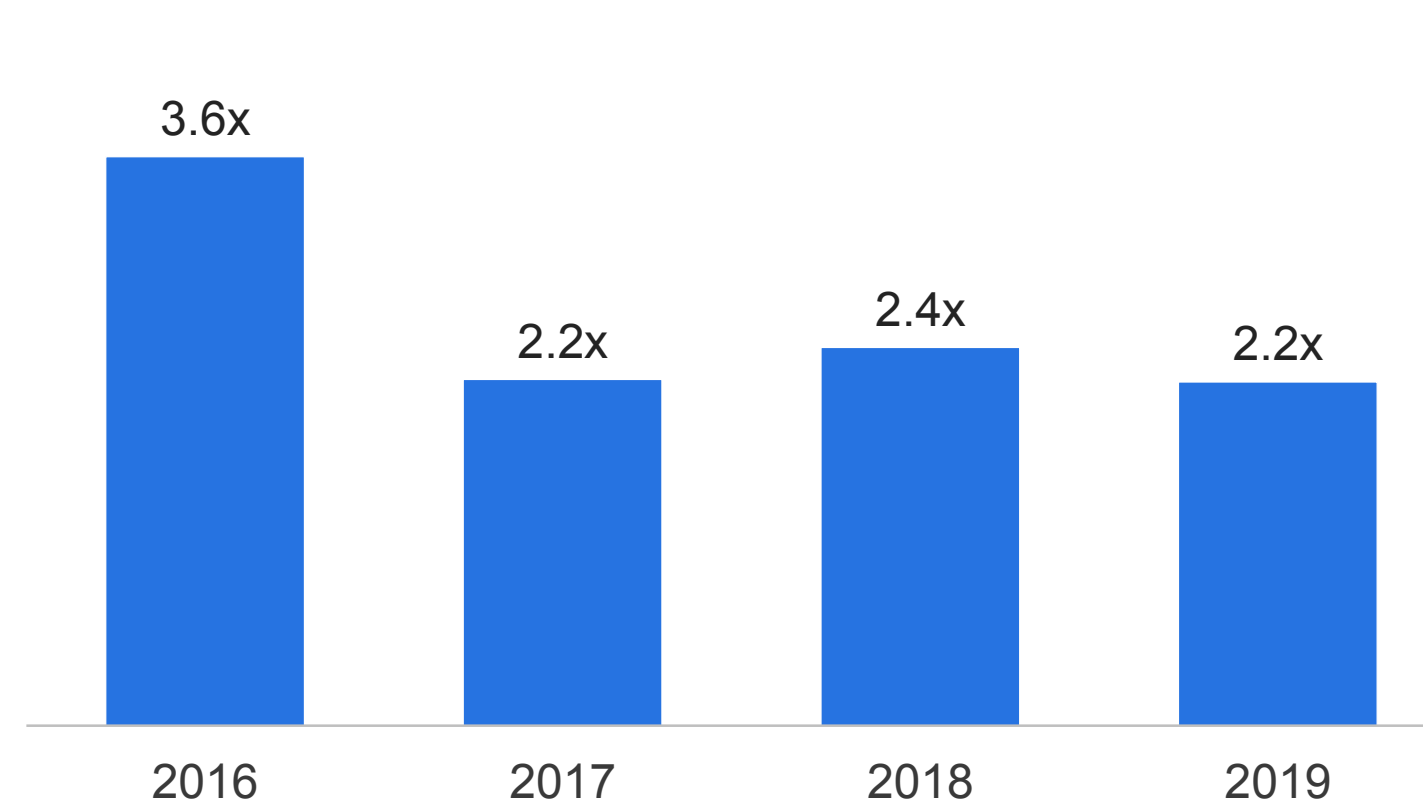
Profit before tax

€m



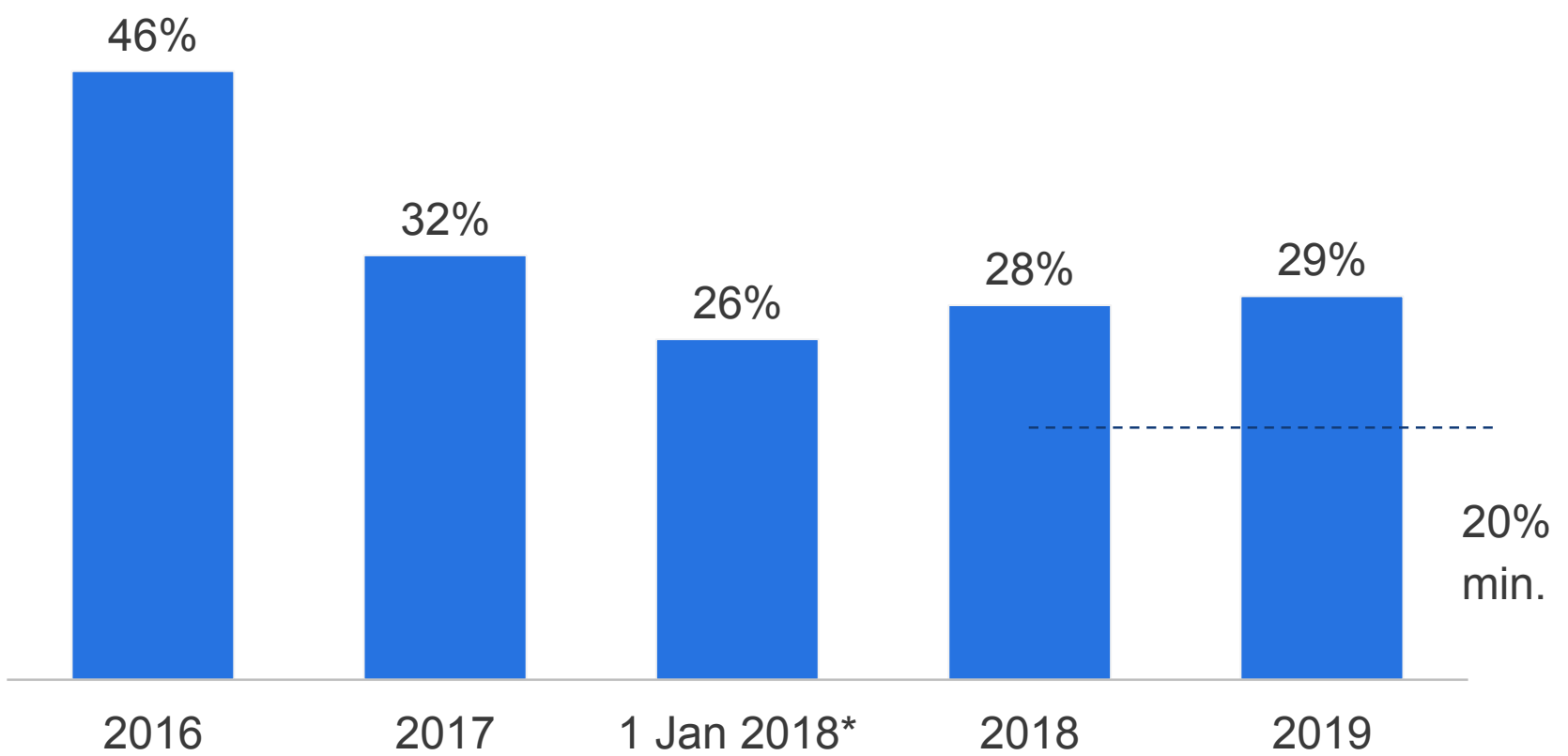
Adjusted interest coverage ratio ⁽¹⁾

Times



Equity / net receivables

%



* Post IFRS 9

Note (1): The full covenant calculation of interest coverage ratio is based on proforma last twelve month figures, and is currently 2.4x

See appendix for definitions of key metrics and ratios

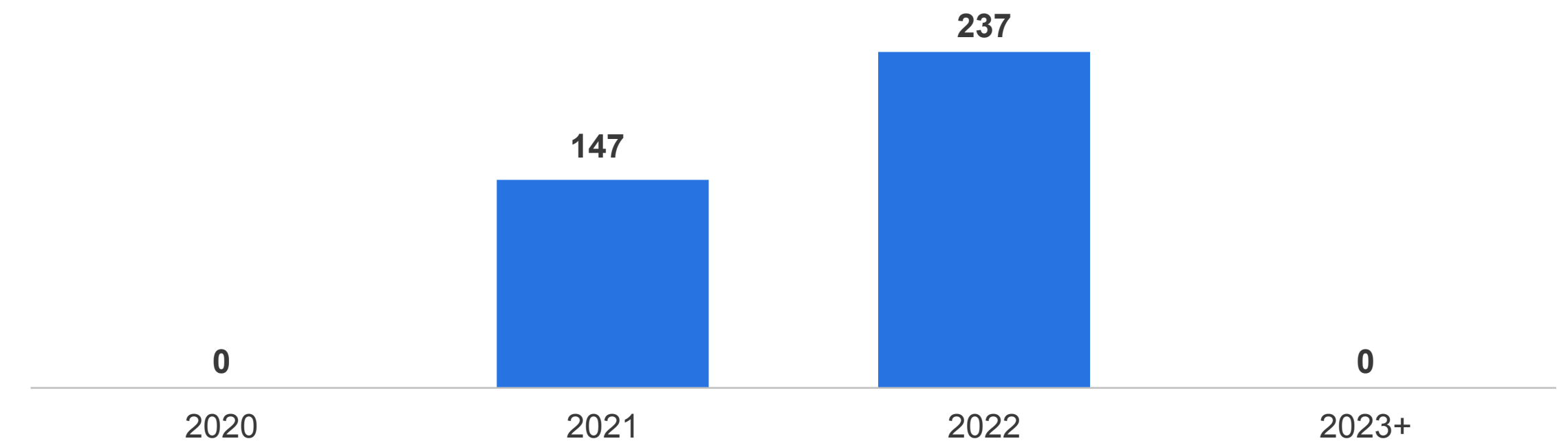
Funding strategy

Strategy to diversify sources of funding and reduce overall funding cost over time

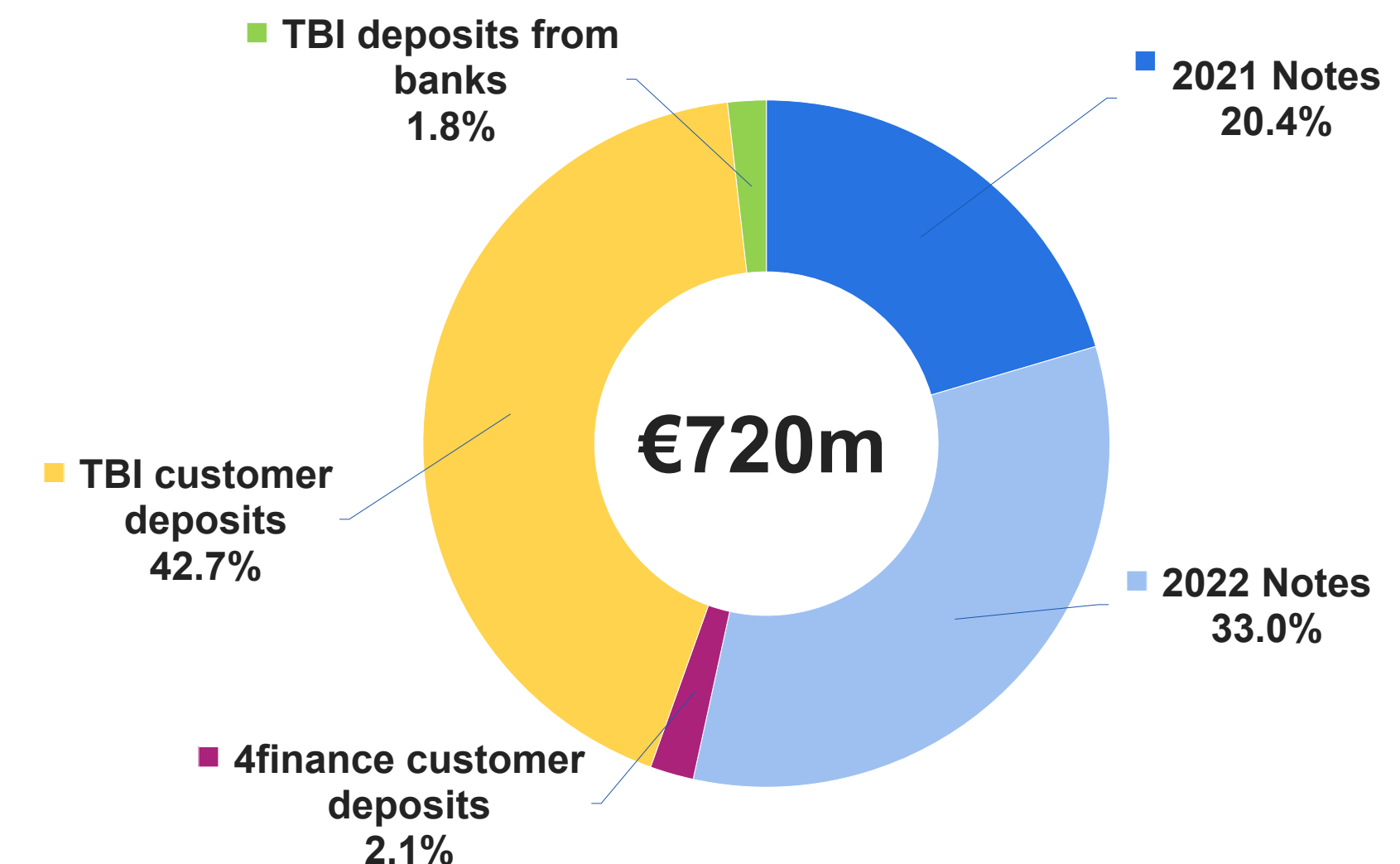
- Bond market process underway & key priority for the firm
 - Mandated banks to advise on refinancing of EUR 2021 bonds
 - EUR bondholder ID process undertaken
 - Retain ongoing flexibility to buy back bonds with spare liquidity given attractive market yield
- Accessing TBI Bank balance sheet to fund online loans
 - Successful initial portfolio sales of Polish instalment loans in September and November of €3m
 - Automation project underway to achieve scalability
 - Preparing passport application for Lithuania to support portfolio sales from that market
- Significant de-leveraging already achieved in 2019
 - Repayment at maturity of remaining \$68m of USD 2019 bonds in August
 - Further \$5m buyback in October of USD 2022 bonds, bringing total amount held in treasury to \$50m
- Strong and improving capital position
 - Improving tangible equity ratios since end of 2017
 - €5m dividend paid in August 2019 and €9m in December 2019

Debt maturity schedule, 31 December 2019 ⁽¹⁾

€m



Overview of funding structure, 31 December 2019 ⁽²⁾



Notes:

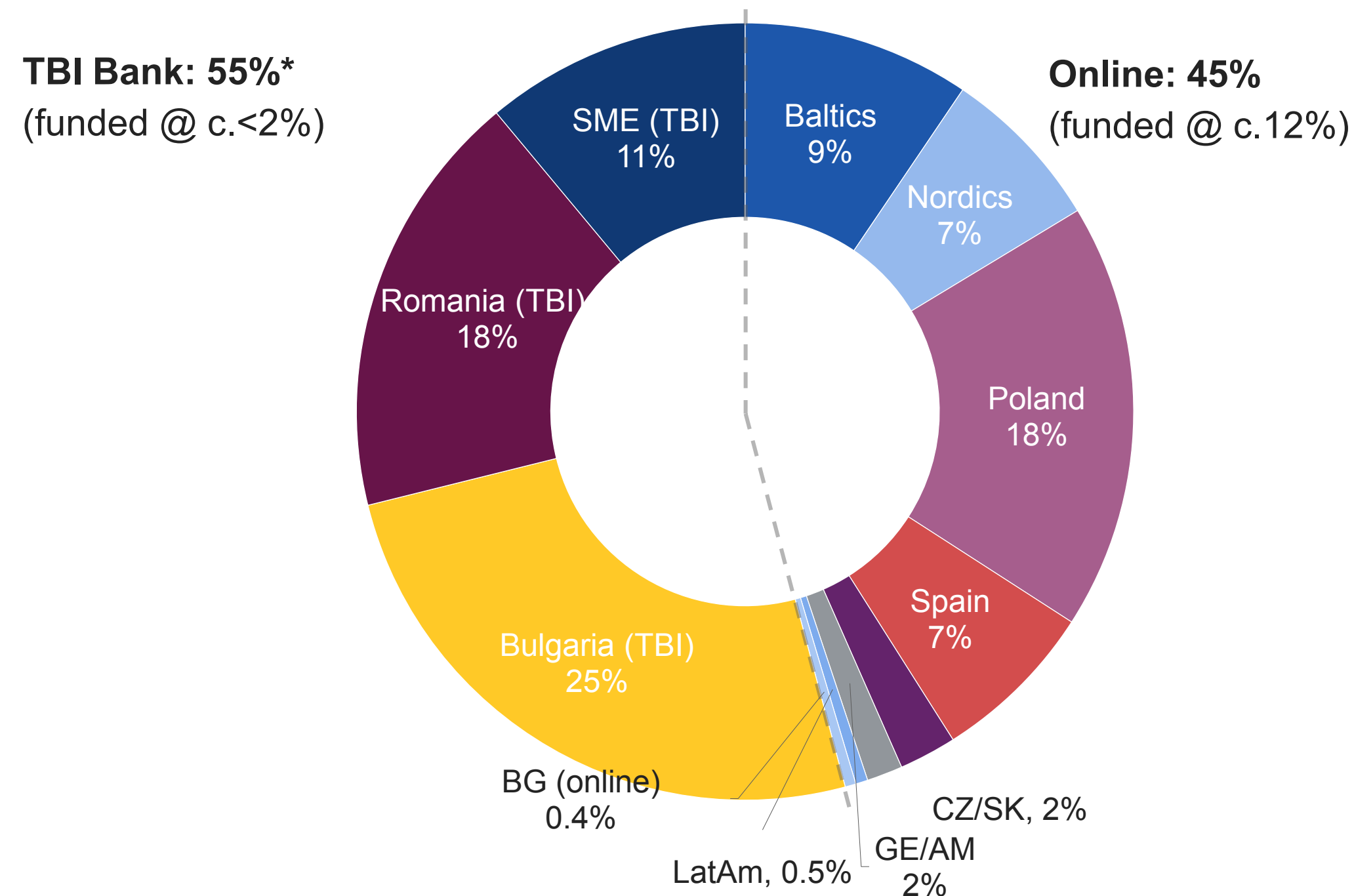
(1) Represents the principal value of public bonds outstanding that comes due in each respective period, net of buybacks

(2) The chart reflects the principal and accrued interest amounts of each of the instruments, net of buybacks

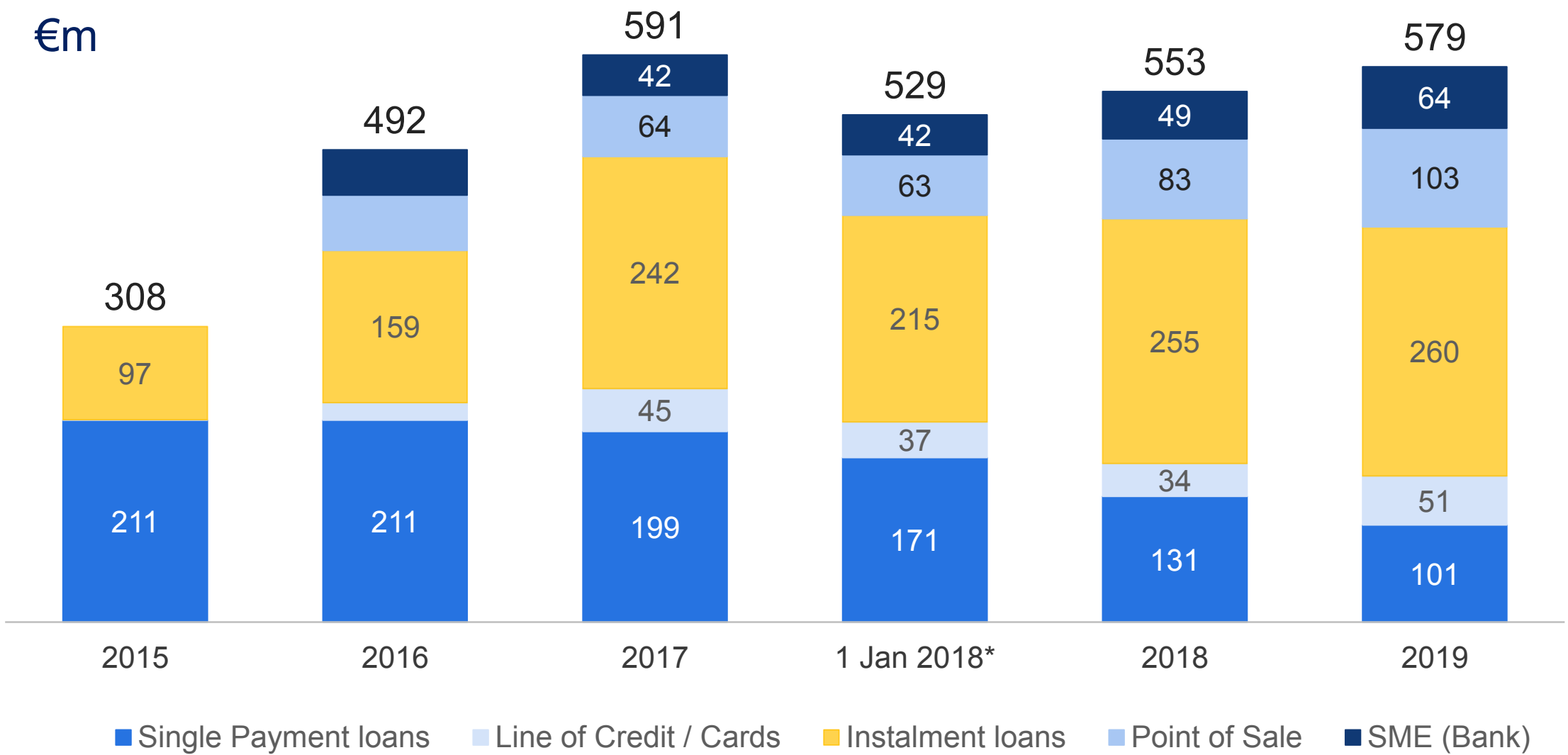
Diversified loan portfolio

- Online loan issuance volume of over €1 billion in 2019
- Overall net receivables totals €579m
 - 3% increase during Q4, 5% increase in 2019
 - 89% consumer loans
 - 45% online loans / 55% banking

Net receivables, 31 December 2019

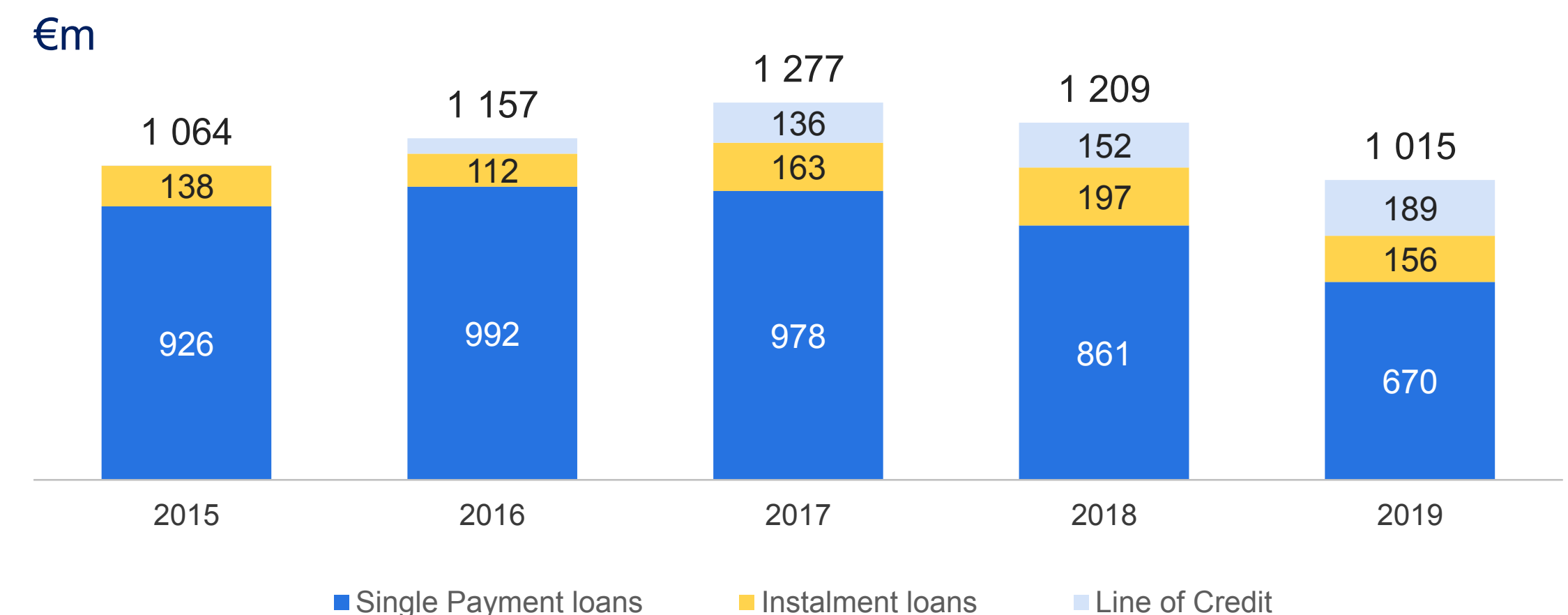


Net receivables ⁽¹⁾



* Introduction of IFRS 9 as of 1-Jan-2018 reduced net receivables by €62 million to €529 million

Online loans issued ⁽¹⁾

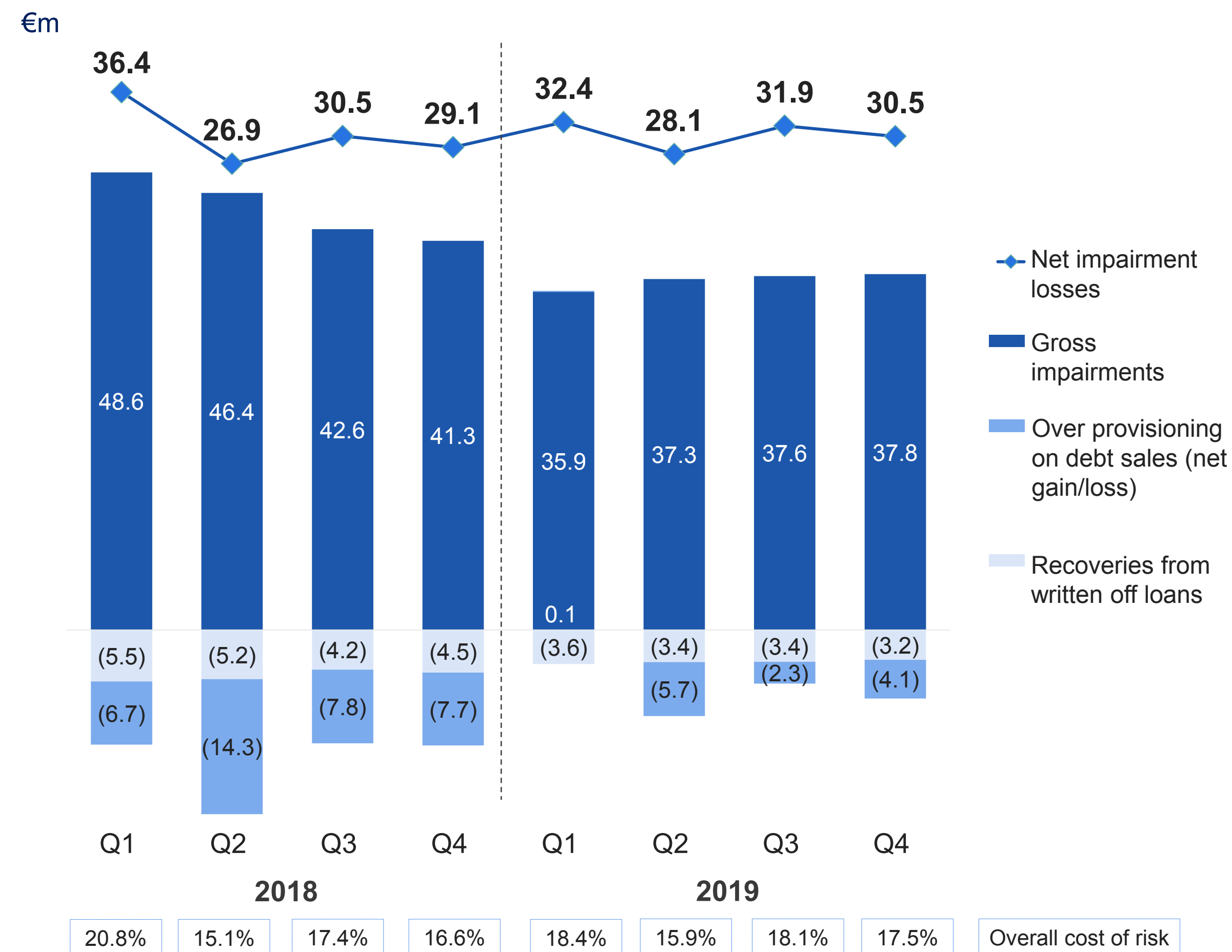


Note:

(1) Reflects reclassification of former SPL products in Sweden (from January 2016), Denmark (from January 2017), Armenia (from launch in July 2017) and Latvia (from January 2019) to Lines of Credit

Analysis of net impairments and cost of risk

Net impairment charges by quarter ⁽¹⁾



- 2019 net impairment charges stable year-on-year
 - Gross impairment charges significantly reduced from 2018
 - Continued focus on earlier collections and forward flow agreements (also reducing debt collection costs)
 - 2018 benefitted from debt sales proceeds following IFRS9 adoption
 - Improved performance from TBI Bank in 2019
- Overall cost of risk relatively stable
 - Overall cost of risk 17.1% (2019, including TBI Bank) vs 17.7% (2018)
 - Online cost of risk 27.5% (2019) vs 24.0% (2018)
 - Net impairment / interest income 29.0% (2019) vs 25.9% (2018)
- Focus on continuous improvement in credit underwriting and collection
 - Integration of additional data sources
 - Faster iterations of scorecards with regular recalibration

Note (1) Q4 2018 figures have been adjusted to reflect audited figures

See appendix for definitions of key metrics and ratios

Asset quality and provisioning

- **Gross NPL ratios broadly stable, with coverage ratios over 100%**
 - Online gross NPL ratio 24.9% as of December 2019, compared with 22.0% as of December 2018
 - Overall gross NPL ratio 20.7% as of December 2019 from 19.4% as of December 2018
- Additional portfolio disclosure provided by loan principal and accrued interest in results report and appendix

	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>€m, except percentages</i>								
Online receivables								
Performing ⁽¹⁾	285.5	(45.6)	239.9	75.1%	316.2	(49.8)	266.4	78.0%
Non-performing ⁽²⁾	94.6	(69.1)	25.5	24.9%	89.3	(64.1)	25.2	22.0%
Online total	380.1	(114.7)	265.4	100.0%	405.4	(113.9)	291.6	100.0%
TBI Bank receivables								
Performing ⁽¹⁾	296.4	(12.0)	284.4	83.8%	252.3	(13.0)	239.3	84.1%
Non-performing ⁽²⁾	57.1	(28.0)	29.1	16.2%	47.6	(25.3)	22.3	15.9%
TBI Bank total	353.5	(40.1)	313.5	100.0%	299.9	(38.3)	261.6	100.0%
Overall group receivables								
Performing ⁽¹⁾	581.9	(57.7)	524.2	79.3%	568.5	(62.7)	505.7	80.6%
Non-performing ⁽²⁾	151.7	(97.1)	54.6	20.7%	136.9	(89.4)	47.5	19.4%
Overall total	733.7	(154.8)	578.9	100.0%	705.3	(152.2)	553.2	100.0%

Notes:

(1) Performing receivables 0-90 DPD

(2) Non-performing receivables 91+ DPD (and, for TBI Bank, shown on a customer level basis)

Summary

- 1 Large-scale, market leading **diversified business** with simple, convenient and transparent products
- 2 Highly automated credit underwriting built on **a decade of online lending experience**
- 3 Responsible lender: **strong customer satisfaction** and understanding of regulatory environment
- 4 Track-record of **solid financial performance** and strategy for sustainable growth
- 5 Conservative, **well capitalised** balance sheet with **proven access to funding**
- 6 Focused and **highly experienced management team**

4finance: a multi-segment, multi-product, consumer credit specialist

A wide-angle, high-angle photograph of a city at night. In the foreground, there are several large, multi-story brick buildings with blue-tiled roofs, illuminated from within. A wide river flows through the middle of the frame, with a large, illuminated steel arch bridge spanning it. The bridge's arches and supports are lit with blue lights. In the background, more city buildings are visible, including a tall, illuminated tower. The sky is a deep orange and blue, suggesting twilight. The overall scene is vibrant and detailed, capturing the essence of a major city at night.

Thank you and Questions

Appendix – responsible lending and regulatory overview

Sustainability through good governance and responsible lending

Operating as a mainstream consumer finance business

- “Bank-like” policies and procedures with strong compliance function
- Continued investment in AML, GDPR and other strategic compliance priorities
- Robust corporate governance with strong Supervisory Board
- Increasingly regulated by main financial supervisory authorities
- Diversification of portfolio and consequent reduction of reliance on single payment loans
- Clear corporate values and code of conduct
- Listed bond issues with quarterly financial reporting

Developing meaningful and constructive regulatory relationships

- Ensuring we understand the regulatory arc
- Helping regulators and legislators gain a solid understanding of our business
- Ensuring we have a seat at the table
- Contributing to EU Consumer Credit Directive consultation process

Responsible lending: putting customers first

- Offering simple, transparent and convenient products
- Continuous improvements in credit underwriting
- Ensuring products are used appropriately
- Working to ensure customers have safe landings when they signal difficulties

Regulatory overview

Country	% of interest income (2019)	Products ⁽¹⁾	Regulator	CB ⁽²⁾	License required ⁽³⁾	Interest rate cap ⁽¹⁾	Status
Argentina	1%	SPL	Consumer Protection Directorate	-	-	-	
Armenia	3%	LOC, IL	Central Bank of the Republic of Armenia	Yes	Yes	Nominal	
Bulgaria – Online	1%	SPL	Bulgarian National Bank	Yes	Yes	APR (inc. fees)	Stable framework
Bulgaria – Bank	12%	IL, LOC, POS, SME					
Czech Republic	4%	SPL, IL	Czech National Bank	Yes	Yes	-	Stable framework
Denmark	11%	LOC, IL	FSA and Consumer Ombudsman	Yes	Yes	-	New licensing regime from July 2019 led by Danish FSA. Consultation underway regarding interest rate caps
Finland	2%	IL ⁽⁴⁾	Finnish Competition and Consumer Authority	-	-	Nominal & fees	New interest rate caps in force from September 2019
Latvia	6%	MTP, IL	Consumer Rights Protection Centre	-	Yes	Nominal, fees & TCOC	New regulation on interest rate cap came into force in July 2019

Notes:

(1) Abbreviations:

APR – Annual Percentage Rate; IL – Instalment loans; LOC – Line of Credit / Credit Cards; MTP – Minimum to pay; POS – Point of Sale; SPL – Single Payment Loans; SME – Business Banking (Small-Medium Sized Enterprise); TCOC – Total Cost of Credit

(2) Indicates whether the regulator is also the main banking supervisory authority in the relevant market

(3) Indicates license or specific registration requirement

(4) 'Mini-IL' (4 monthly instalments) from September 2019

Regulatory overview (continued)

Country	% of interest income (2019)	Products ⁽¹⁾	Regulator	CB ⁽²⁾	License required ⁽³⁾	Interest rate cap ⁽¹⁾	Status
Lithuania	2%	SPL, IL	Central Bank of Lithuania	Yes	Yes	Nominal, fees & TCOC	Stable framework
Mexico	1%	IL	National Financial Services Consumer Protection Commission	-	Yes	-	Stable framework
Poland	27%	SPL, IL	Office of Competition and Consumer Protection	-	-	Nominal, fees & TCOC	New potential regulations not advanced by previous government prior to October 2019 elections
Romania	8%	IL, LOC, POS, SME	National Bank of Romania	Yes	Yes	-	Affordability DTI limits introduced in Jan 2019
Slovakia	<1%	SPL	National Bank of Slovakia	Yes	Yes	APR (inc. fees)	Stable framework
Spain	20%	SPL, IL	N/A	-	-	-	
Sweden	1%	LOC, IL	Swedish Financial Supervisory Authority	Yes	Yes	Nominal & TCOC	Stable framework since new interest rate caps in September 2018

Notes:

(1) Abbreviations:

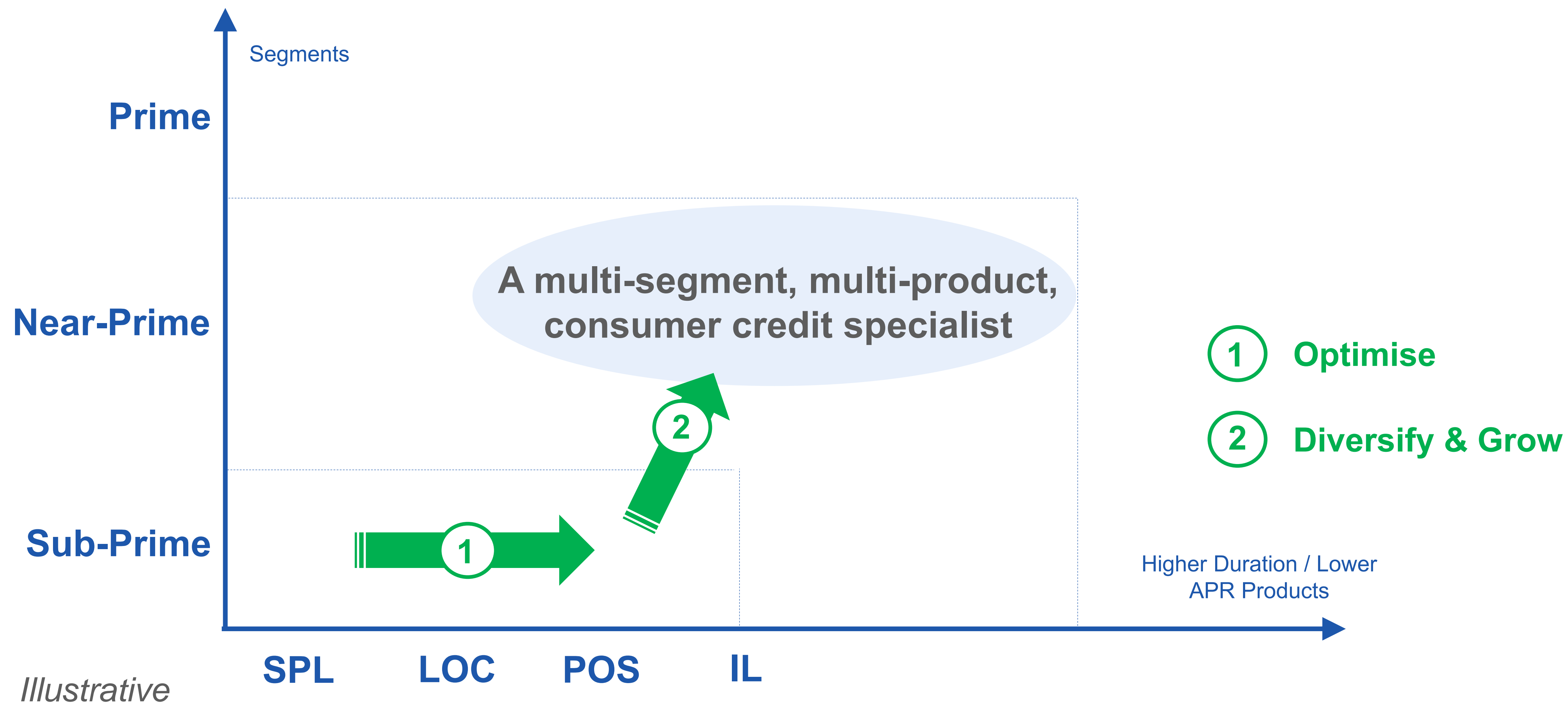
APR – Annual Percentage Rate; IL – Instalment loans; LOC – Line of Credit / Credit Cards; POS – Point of Sale; SPL – Single Payment Loans; SME – Business Banking (Small-Medium Sized Enterprise); TCOC – Total Cost of Credit

(2) Indicates whether the regulator is also the main banking supervisory authority in the relevant market

(3) Indicates license or specific registration requirement

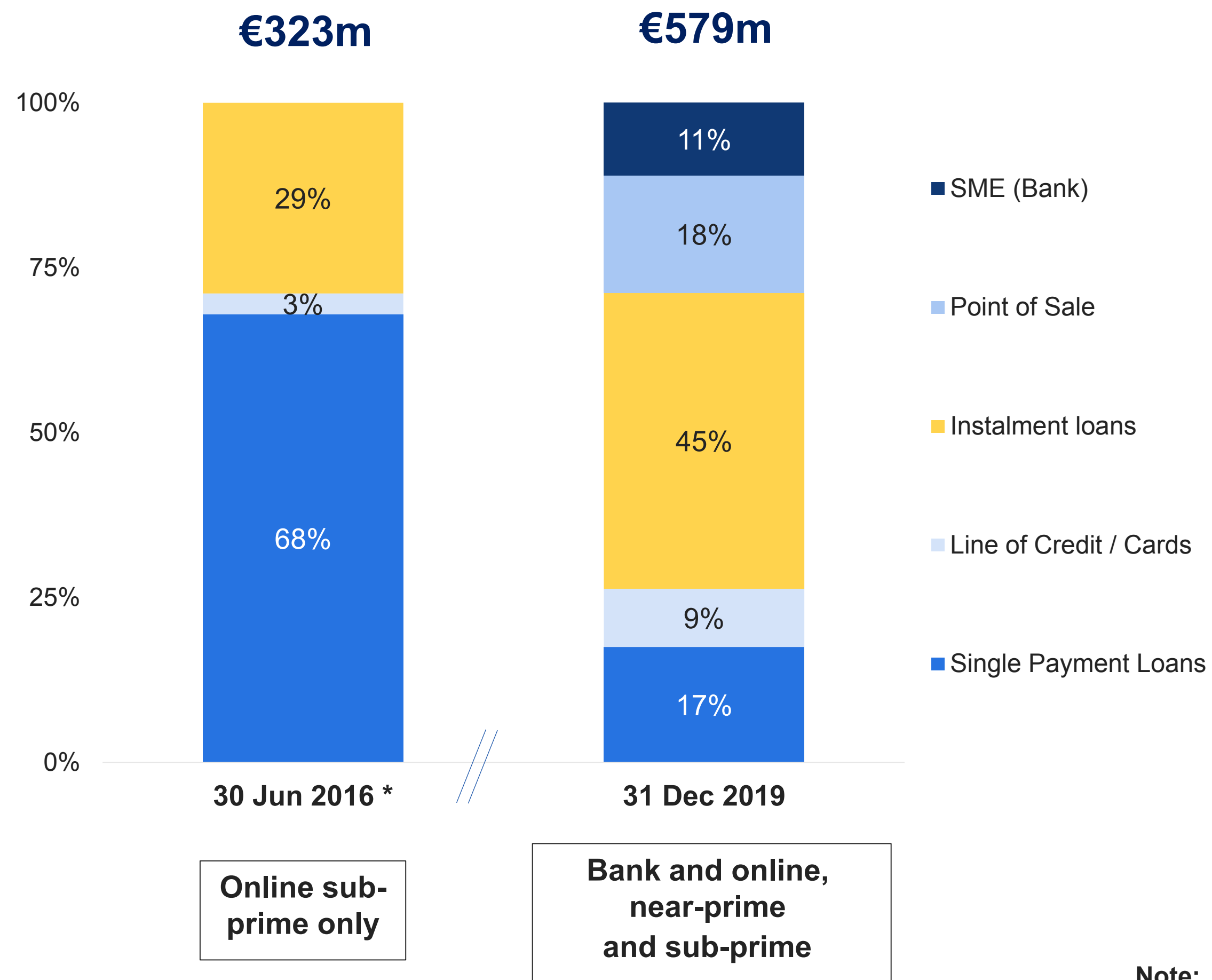
Appendix – strategic evolution of portfolio

Evolving and broadening our business model

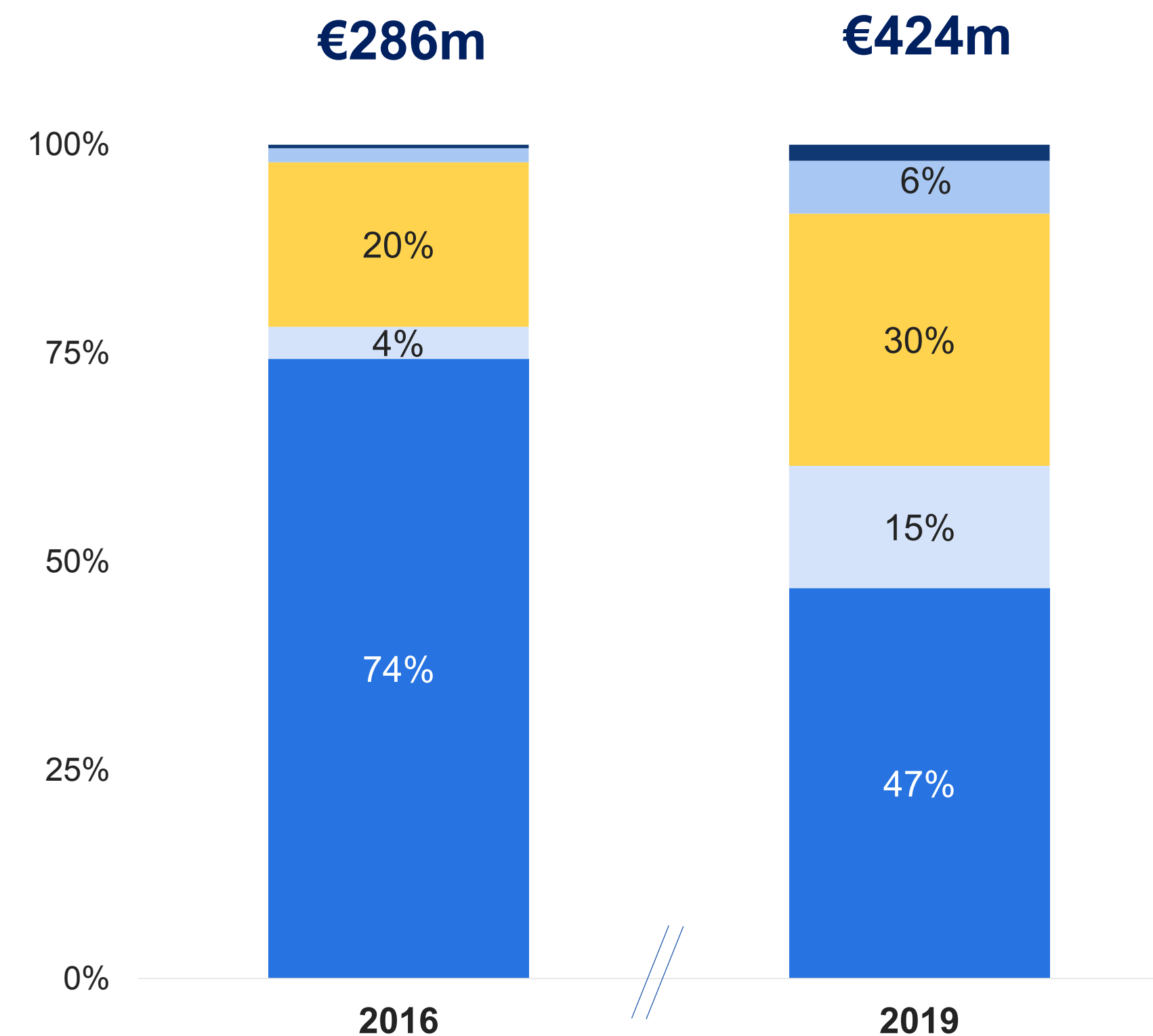


Evolution of product mix

Net receivables by product ⁽¹⁾



Interest income by product ⁽¹⁾



Note:

(1) Reflects reclassification of "Vivus" brand products in Sweden (from January 2016), Denmark (from January 2017), Armenia (from launch in July 2017) and short-term products (SMS Credit & Ondo) in Latvia (from January 2019) to Lines of Credit

* Date chosen to reflect the composition of loan portfolio immediately prior to purchase of TBI Bank

Asset quality and provisioning – loan 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>€m, except percentages</i>								
Online principal								
Performing ⁽¹⁾	263.4	(39.7)	223.7	77.4%	293.1	(44.9)	248.2	79.8%
Non-performing ⁽²⁾	77.0	(59.0)	18.0	22.6%	74.4	(56.0)	18.3	20.2%
Online total	340.4	(98.7)	241.7	100.0%	367.5	(101.0)	266.5	100.0%
TBI Bank principal								
Performing ⁽¹⁾	289.6	(11.8)	277.8	83.8%	246.0	(12.7)	233.3	84.1%
Non-performing ⁽²⁾	55.8	(27.4)	28.4	16.2%	46.4	(24.7)	21.7	15.9%
TBI Bank total	345.4	(39.2)	306.2	100.0%	292.4	(37.3)	255.1	100.0%
Overall group principal								
Performing ⁽¹⁾	552.9	(51.5)	501.5	80.6%	539.1	(57.6)	481.5	81.7%
Non-performing ⁽²⁾	132.8	(86.4)	46.5	19.4%	120.8	(80.7)	40.1	18.3%
Overall total	685.8	(137.8)	548.0	100.0%	659.9	(138.3)	521.6	100.0%

Notes:

(1) Performing receivables 0-90 DPD

(2) Non-performing receivables 91+ DPD (and, for TBI Bank, shown on a customer level basis)

Appendix – financials and key ratios

Income statement

<i>In millions of €</i>	2019 (unaudited)	2018 (restated)	% change YoY
Interest Income	423.9	475.2	(11)%
Interest Expense	(56.8)	(62.1)	(8)%
Net Interest Income	367.0	413.1	(11)%
Net F&C Income	9.2	9.6	(4)%
Other operating income	8.8	9.1	(3)%
Non-Interest Income	18.0	18.7	(4)%
Operating Income (Revenue)	385.0	431.8	(11)%
Total operating costs	(197.9)	(224.8)	(12)%
Pre-provision operating profit	187.1	207.0	(10)%
Net impairment charges	(122.9)	(122.9)	0%
Post-provision operating profit	64.2	84.1	(24)%
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)%
Profit before tax	50.5	52.6	(4)%
Income tax expense	(22.2)	(26.0)	(15)%
Net profit/(loss) after tax	28.2	26.6	+6%
Adjusted EBITDA	123.5	148.6	(17)%

Balance sheet



<i>In millions of €</i>	31 December 2019 (unaudited)	31 December 2018 (restated)
Cash and cash equivalents, of which:	125.7	172.2
- 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)
Net receivables due from customers, of which:	578.9	553.2
- 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
Total assets	973.2	992.4
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
Total liabilities	807.7	836.0
Share capital	35.8	35.8
Retained earnings	165.5	152.0
Reserves	(35.8)	(31.4)
Total attributable equity	165.5	156.3
Non-controlling interests	(0.0)	0.1
Total equity	165.5	156.4
Total shareholders' equity and liabilities	973.2	992.4

Statement of Cash Flows

<i>In millions of €</i>	12 months to 31 December	
	2019	2018
Cash flows from operating activities		
Profit before taxes	50.5	52.6
<i>Adjustments for:</i>		
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
<i>Adjustments for:</i>		
Change in financial instruments measured at fair value through profit or loss (Increase) / decrease in other assets (including TBI statutory reserve, placements & leases)	(5.9)	(11.3)
Increase / (decrease) in accounts payable to suppliers, contractors and other creditors	(1.1)	3.7
Operating cash flow before movements in portfolio and deposits	263.7	284.0
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)
Gross cash flows from operating activities	145.3	123.3
Corporate income tax paid	(33.3)	(27.5)
Net cash flows from operating activities	112.0	95.9

<i>In millions of €</i>	12 months to 31 December	
	2019	2018
Cash flows used in investing activities		
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 acquisition	-	20.8
Acquisition of shares	0.0	0.0
Net cash flows from investing activities	(19.6)	(3.8)
Cash flows from financing activities		
Loans received and notes issued	-	0.5
Repayment and repurchase of loans and notes	(84.1)	(27.2)
Interest payments	(49.6)	(52.7)
Costs of notes issuance and premium on repurchase of notes	0.0	(0.0)
FX hedging margin	9.0	4.2
Payment of lease liabilities	(4.3)	-
Dividend payments	(14.0)	(0.1)
Net cash flows used in financing activities	(143.0)	(75.3)
Net increase / (decrease) in cash and cash equivalents	(50.6)	16.8
Cash and cash equivalents at the beginning of the period	148.8	131.9
Effect of exchange rate fluctuations on cash	0.3	0.1
Cash and cash equivalents at the end of the period	98.5	148.8
TBI Bank minimum statutory reserve	27.2	23.4
Total cash on hand and cash at central banks	125.7	172.2

Key financial ratios

	2019	2018
Capitalisation		
Equity / assets	17.0%	15.8%
Equity / net receivables	28.6%	28.3%
Adjusted interest coverage	2.2x	2.4x
TBI Bank consolidated capital adequacy	18.9%	22.4%
Profitability		
Net interest margin:		
- Online	81.3%	88.9%
- TBI Bank	24.8%	26.8%
- Overall group	54.5%	63.5%
Cost / income ratio	51.4%	52.1%
Normalised Profit before tax margin	11.3%	15.2%
Normalised Return on average equity	15.8%	31.6%
Normalised Return on average assets	2.6%	4.7%
Asset quality		
Cost of risk:		
- Online	27.5%	24.0%
- TBI Bank	4.6%	8.0%
- Overall group	17.1%	17.7%
Net impairment / interest income	29.0%	25.9%
Gross NPL ratio:		
- Online	24.9%	22.0%
- TBI Bank	16.2%	15.9%
- Overall group	20.7%	19.4%
Overall group NPL coverage ratio	102.0%	110.6%

Glossary/Definitions

- **Adjusted EBITDA** – a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortization) as adjusted by income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS, goodwill write-offs and certain other one-off or non-cash items. Adjusted EBITDA, as presented 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
- **Adjusted interest coverage** – Adjusted EBITDA / interest expense
- **Cost of risk** – Annualised net impairment loss / 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 (revenue)
- **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 losses 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 (and, for TBI Bank, shown on a customer level basis)
- **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 group NPL coverage ratio** – Overall receivables allowance account / 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)
- **Return on Average Tangible Equity** – Annualised profit from continuing operations / average tangible equity (tangible 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)

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