4finance Holding SA

Investor Presentation for full year 2018 results

28 February 2019

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Agenda

- Business update
- Review of full year 2018 results
- Loan portfolio and asset quality
- Summary

Full year 2018 key financial highlights

Interest income

€475.6m

+6% YoY

Instalment loan issuance

+21%

YoY growth

Post-provision operating profit

€83.0m

+30% YoY

Adjusted EBITDA

€147.6m

+9% YoY

Cost to income ratio

52.2%

5.6ppts improvement YoY

Gross NPL ratio

19.5%

Stable (-0.1ppts) QoQ

Our business in 2018: year in review

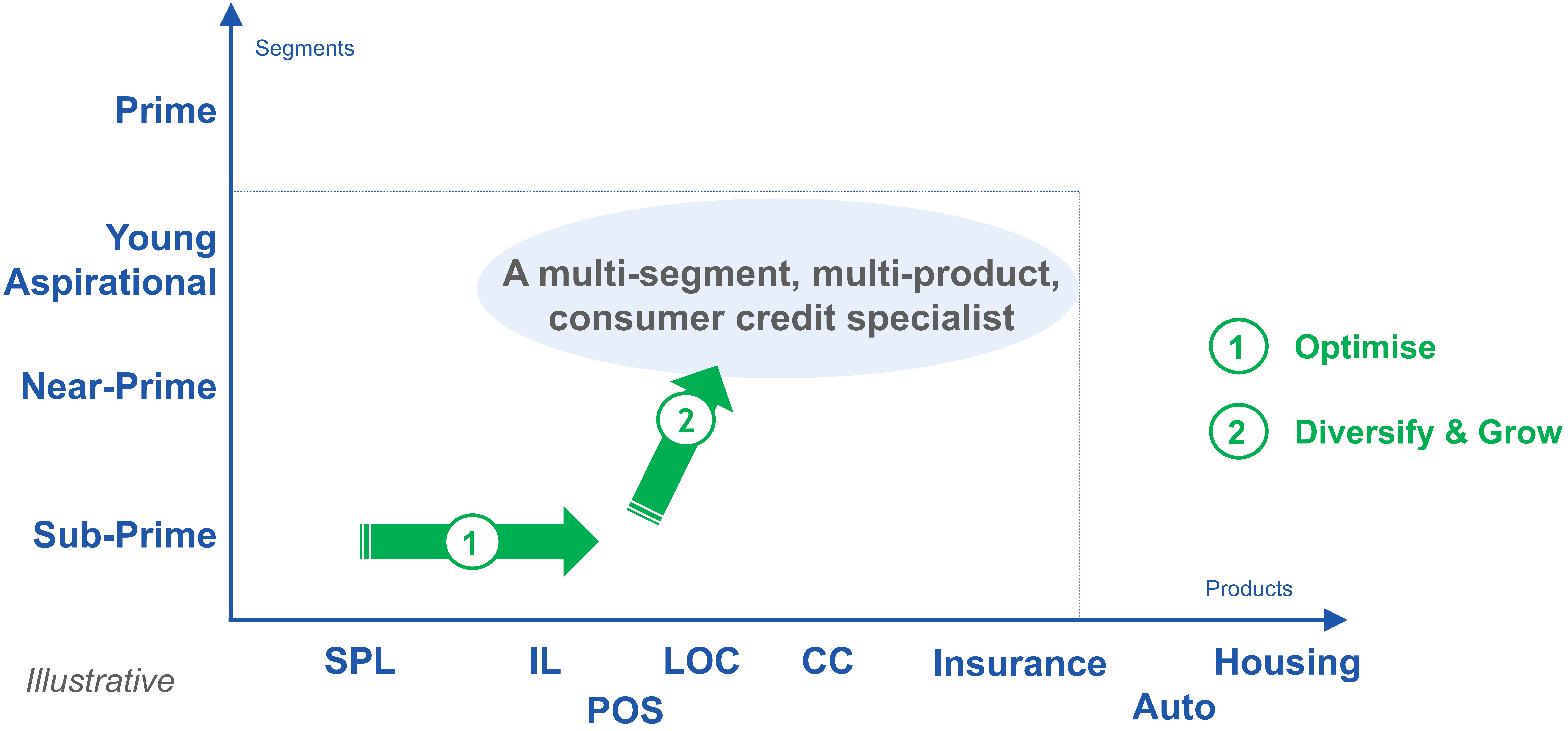
Operating markets

- Sustained strong performance in largest online markets of Poland, Spain and Denmark
  - Strong underlying demand with volume and revenue growth
  - Stable regulatory environment in 2018
- TBI Bank returning to growth
  - Credit quality in Romanian cash consumer loan portfolio stabilised in H1
  - Strong asset growth in H2 2018, set to continue
- Sweden, Finland & Baltics impacted by regulatory changes
  - Evolving product strategy in each market
  - Required additional resources to ensure compliance
- Optimising, then growing, our smaller markets
  - Czech Republic stable
  - LatAm, Bulgaria, Armenia growing and maturing
- Rationalising certain markets and products to focus resources
  - Friendly Finance integration completed
  - Exit of online business in Dominican Republic, Romania and Georgia

Groupwide initiatives

- Compliance with GDPR requirements and implementation of IFRS9
  - Significant efforts on data protection & AML
  - Full revision of provisioning methodology and focus on earlier collections & increased debt sales
- Delivered on cost efficiency improvements
  - Focus on return on investment of marketing spend
  - 6 percentage point reduction in cost/income ratio
- Continued gradual product diversification
  - Continued evolution towards instalment loans and line of credit
  - Near-prime pilots proceeding, but on small scale
- Progress on new IT platform slower than initially planned
  - Pilot launch of new Friia near-prime product in Sweden in November
  - Reviewing the ways to accelerate delivery
- Funding initiatives more complex than expected
  - Development of both internal (TBI Bank) and external (securitisation) funding projects ongoing, but pilots not launched yet

Evolving and broadening our business model



Strategic focus areas in 2019

1 Optimise

- Relentless execution in European online markets in shorter-term products
- Grow instalment loan and line of credit business in selected markets
- Volume growth in Argentina and Mexico, including via partnerships
- Adapting products to upcoming regulatory changes in Finland and Latvia
- Further cost optimisation, efficiency gains and automation

2 Diversify & Grow

- Continue pilots of near-prime products and prepare to scale
- Conservative plan to migrate three countries to new IT platform
- Launch pilots of funding projects including with TBI Bank and our external securitisation platform
- TBI Bank growth and execution of next generation digital lending strategy

vivus.LT patogi paskola

Friia

fintonic

TBIBank

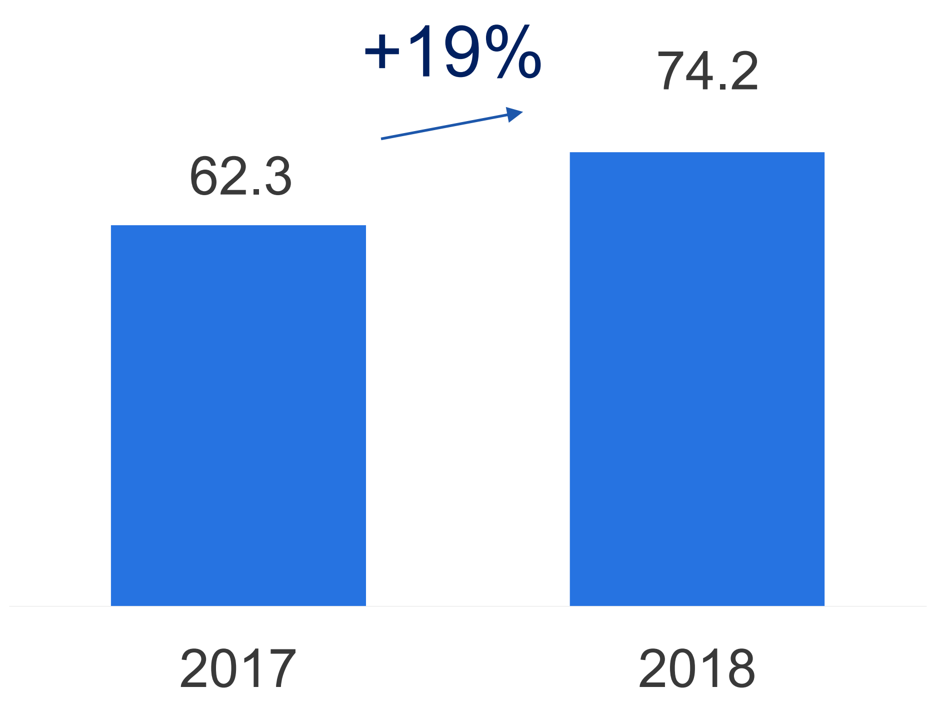
TBI Bank: strong performance & benefits for broader group

Highlights of 2018

- Strong financial contribution and well capitalised
  - Interest income up 19% year-on-year to €74m
  - Net profit after tax of €14m
  - 14% RoAE on well capitalised equity base
  - 22% capital adequacy ratio (all tier 1) at year end
- Delivering growth in loan portfolio at low funding cost
  - 16% growth in net receivables in 2018 with record Q4 origination
  - Asset quality largely stabilised in H2 2018 after impairments on Romanian cash loan portfolio in H1
  - 30% average yield on net portfolio
  - Average all-in deposit cost of funds reduced to 1.4% in 2018 from 1.8% in 2017
- Several strategic initiatives implemented
  - Current accounts provided with loans in Bulgaria, enabling 'continuous scoring' for additional lending
  - Developed e-Commerce product, a market first
  - Diversified SME business away from asset backed lending
  - Passported deposit license to Germany to secure access to Raisin platform

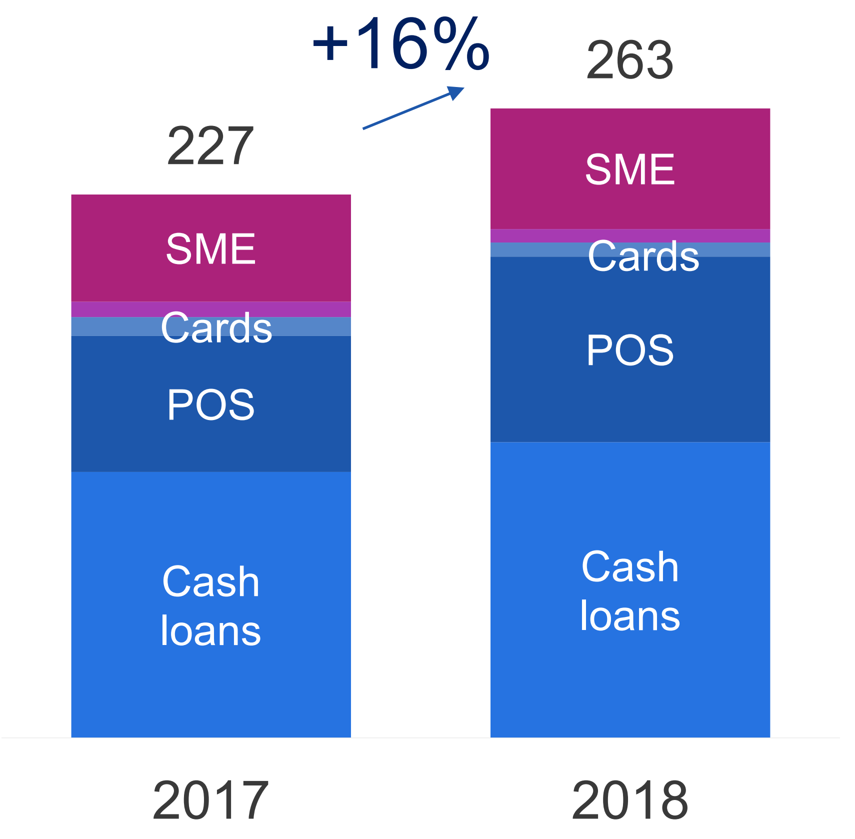
Interest Income

€m



Net receivables by product

€m



Focus areas in 2019

"Next generation digital lender" strategy

- Expand e-Commerce online POS offering
- Launch Mobile App
- Gradually optimise/modernise branch network and improve cost efficiency
- Further lending growth

Broader group initiatives

- Funding online lending via TBI balance sheet
- Centre of excellence for POS across the group
- Optimise Vivus business in Bulgaria
- Continue to develop payments capabilities
- Commence dividend payments

Regulatory update

Upcoming/proposed

Latvia

- A reduction in the APR cap (25%) and limits to loan size, extensions and marketing for consumer lending were approved in Parliament in October 2018. The new regulations with regards to limiting the size and extensions came into force from 1 January 2019, and the changes on APR cap and the marketing limits will come into force from 1 July 2019. Short-term products already adapted to ‘minimum-to-pay’ lines of credit

Romania

- The parliament voted in December 2018 to introduce new APR caps for consumer lending at 50% for loans under €3,000 and 18% for loans over €3,000. The law is expected to come into force in summer 2019. The majority of TBI Bank’s consumer lending in Romania is already priced within these caps

Finland

- The draft bill to amend online lending legislation that extends the APR cap at 30% to loans of over €2,000, and specifies limits for various other fees, was submitted to Parliament in November 2018. The regulation is expected to be finalised in March 2019 with potential implementation in September 2019

Poland

- A new proposal from the Ministry of Justice was published in February 2019 to bring non-bank lending institutions under the supervision of the Polish FSA, add requirements to check credit registers and reduce the existing caps on non-interest costs. The current caps are 25% fixed cost plus 30% annual cost with a 100% total limit and the proposed caps are 20% fixed cost plus 25% annual cost with a 75% total limit. Consultation on this proposal is currently ongoing, and the timing for any implementation is currently unclear

Already in force

Romania

- The National Bank of Romania announced new affordability regulations in October 2018, with a debt-to-income limit of 40% introduced from 1 January 2019

Sweden

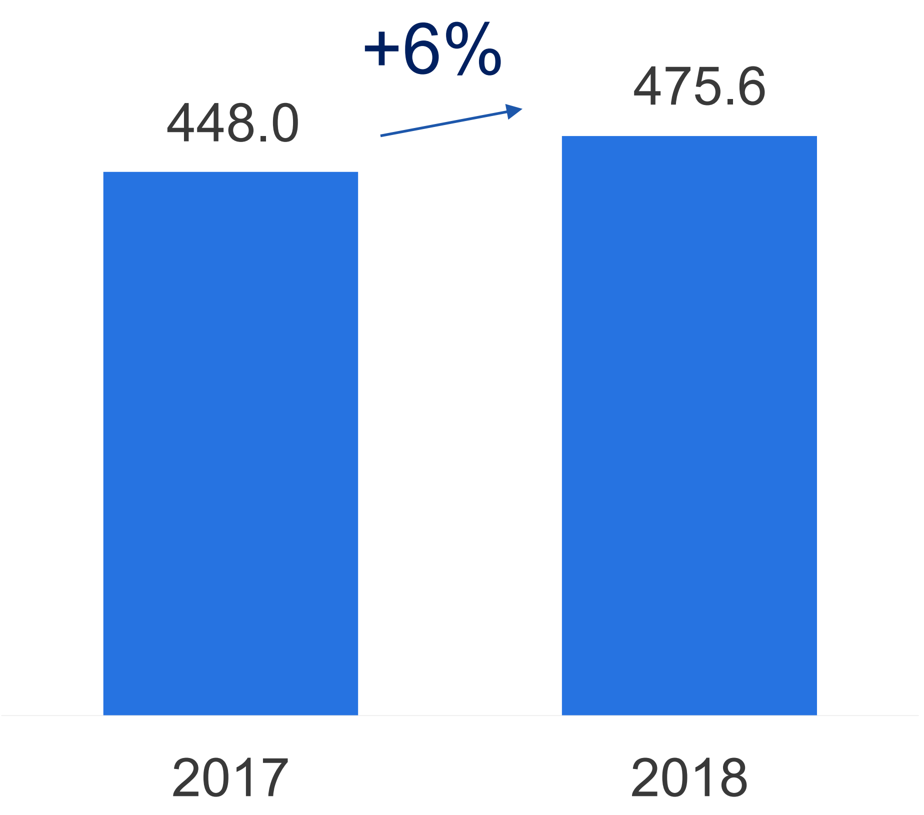
- New regulations in the consumer finance sector were approved in Parliament in the beginning of May 2018. The changes include the cap of annual and penalty interest at 40%, limitation on extensions and overall cost of credit cap at 100% of the amount borrowed. The new regulations came into force from 1 September 2018

Review of full year results

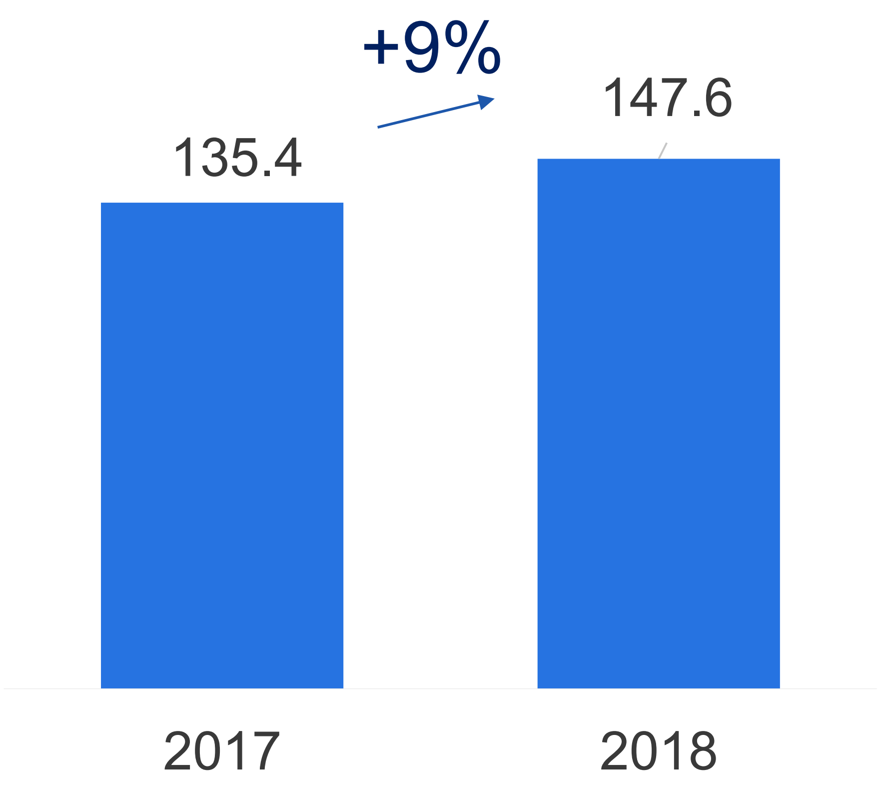
Summary of full year 2018 results

- 2018 interest income up 6%, post-provision operating profit +30% year-on-year
  - Solid level of interest income despite portfolio rationalisation
  - Adjusted EBITDA of €147.6m, up 9% year-on-year, with solid Q4 contribution and strong interest coverage
  - Post-provision operating profit of €83.0m, up 30% year-on-year
- Interest income highlights by market and product
  - Solid performance in key European markets (Poland, Spain, Denmark) with lower contribution from Friendly Finance and other wind-down markets
  - Instalment loan interest income up 36% YoY (growth and visibility)
  - Resumption of growth in TBI bank in H2 2018, closer alignment with online business
- Cost efficiency improving, but profitability impacted by €13m net FX loss in 2018
  - Year-on-year reduction in costs of 4%
  - Positive Q4 FX impact of €5.1m
  - Adjustment to intangible assets reflects market/product exits (€3.9m goodwill; €2.8m IT assets)
- Strong operating cashflow and robust cash position
  - Operating cashflow before movements in portfolio & deposits of €282m (vs €228m in 2017)
- Stable NPL ratios, following IFRS 9 and write-off period change
  - Net impairment/interest income at 26% for 2018 compared to 24% for 2017
  - Several portfolio growth metrics and ratios impacted by IFRS 9 adjustments to 1 January 2018 opening balance sheet

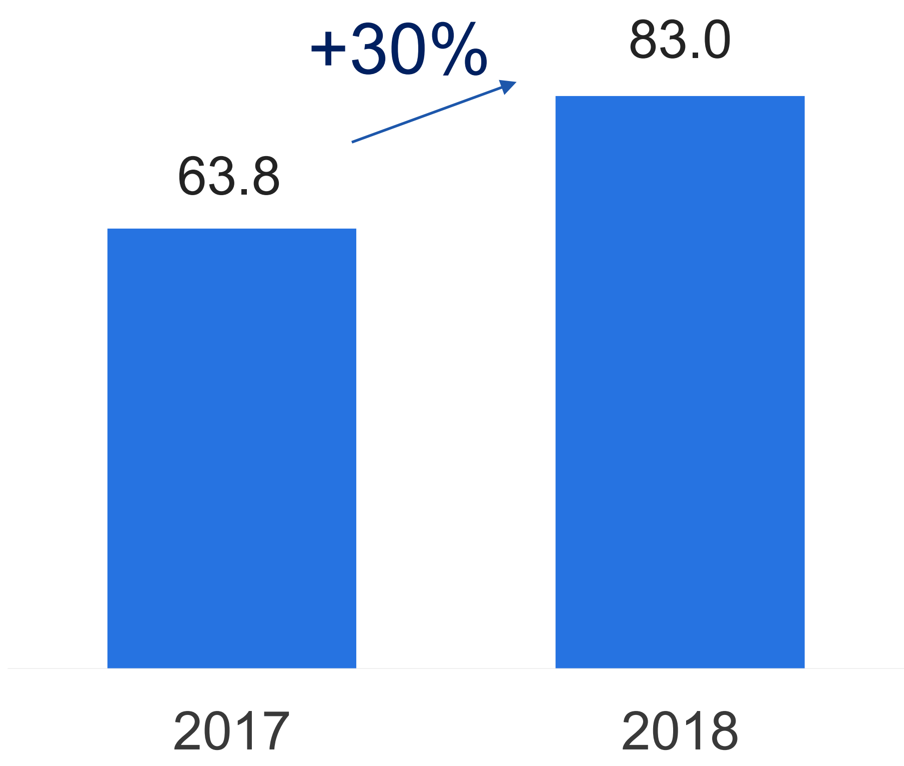
Interest Income
€m



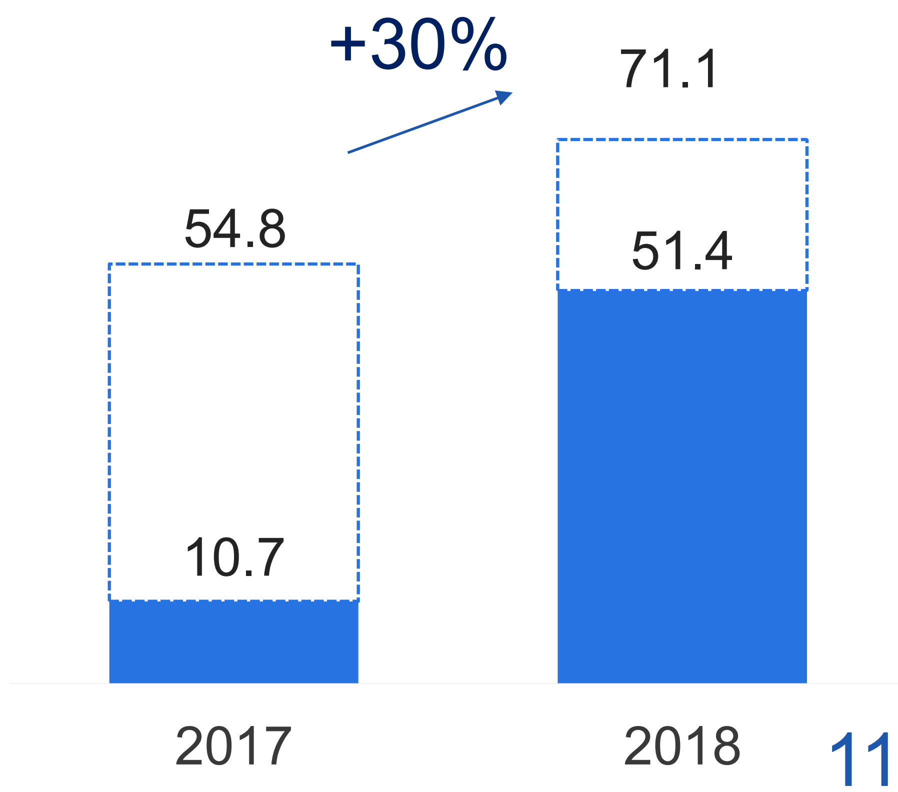
Adjusted EBITDA
€m



Post-provision operating profit
€m



Normalised (1) profit before tax
€m

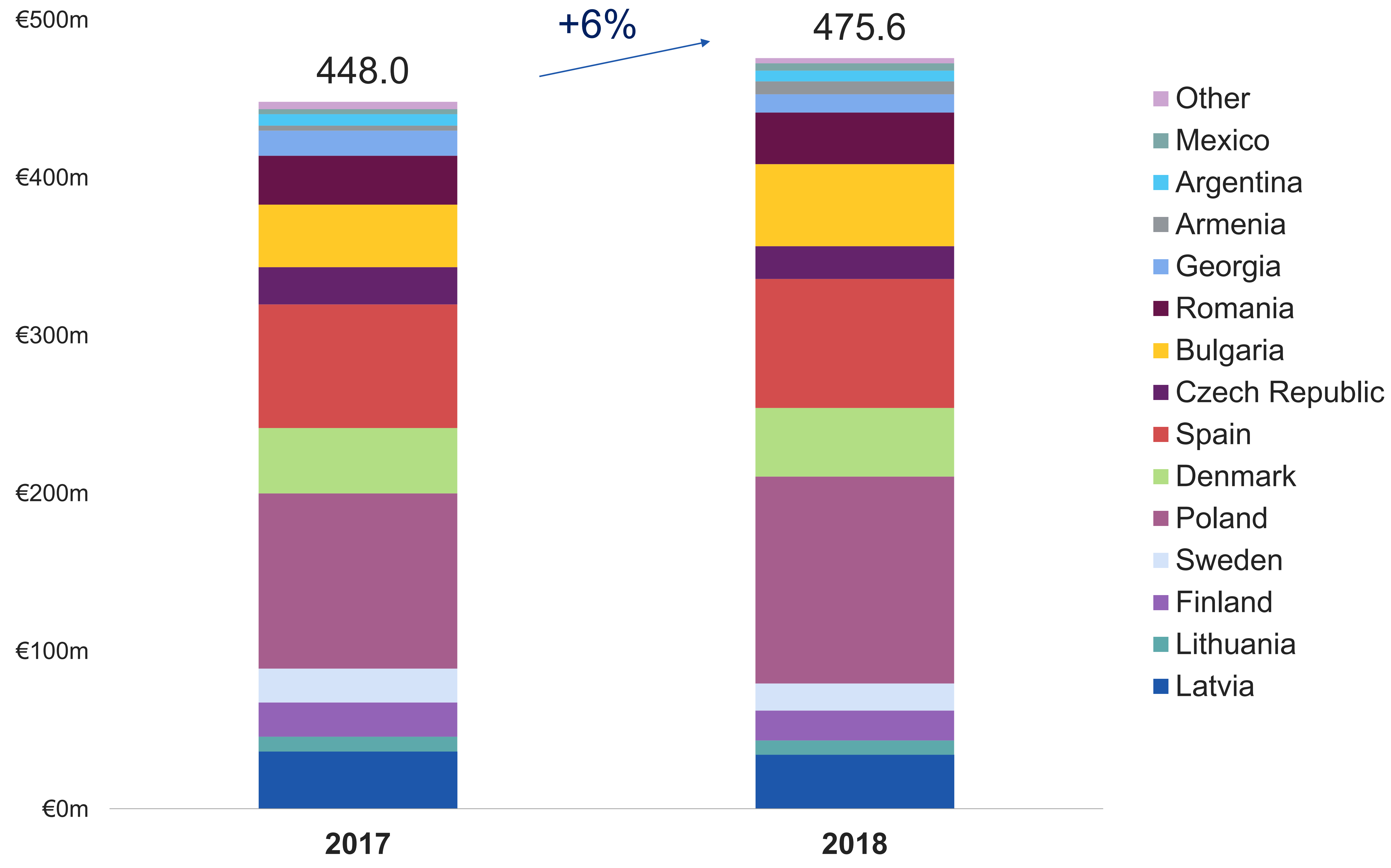


Note: (1) Normalised to remove the effect of the one-off adjustments to intangible assets, non-recurring items and FX losses

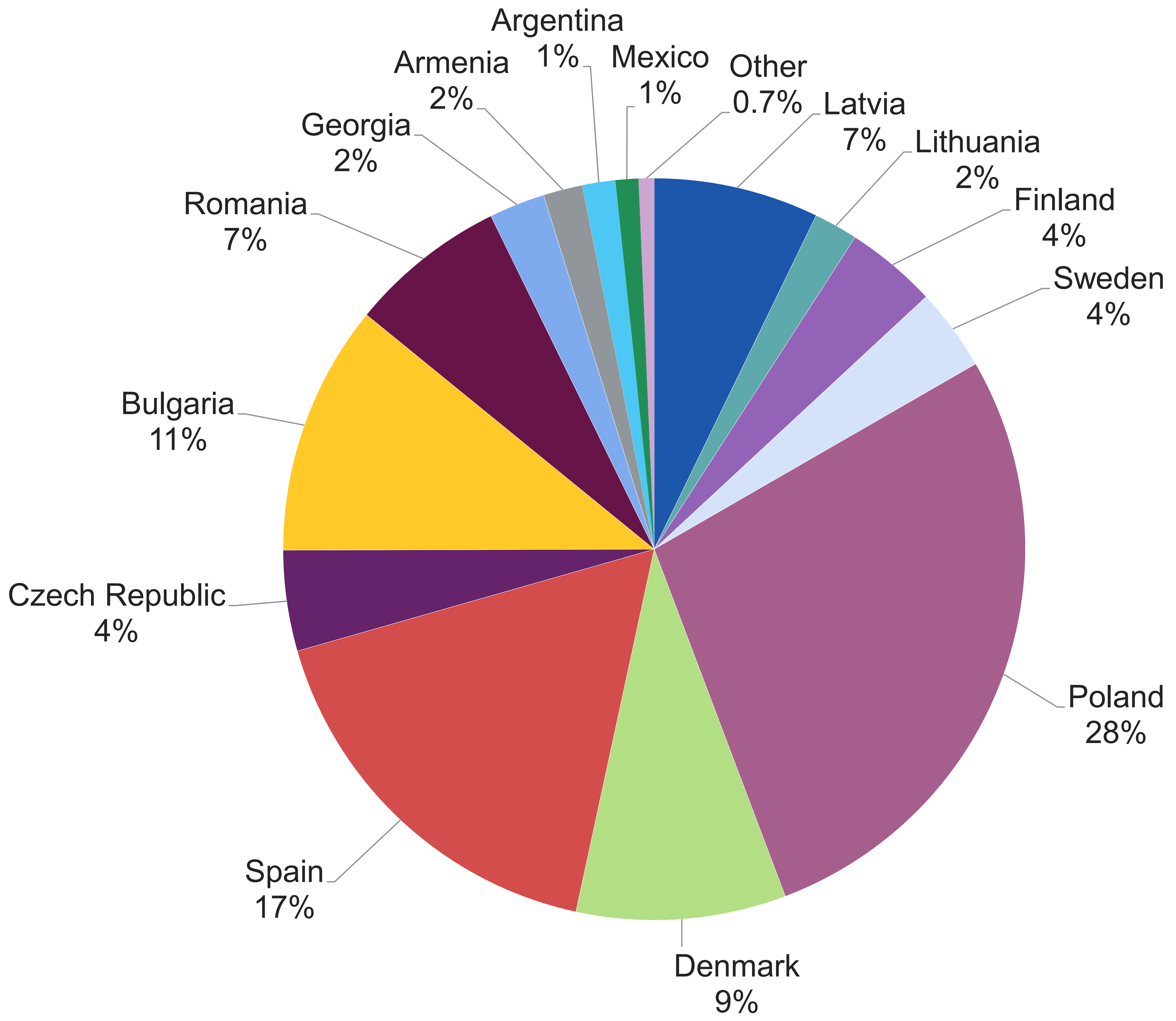
See appendix for definitions of key metrics and ratios

Interest income - growth and diversification

Interest income by country



2018 interest income: €476m



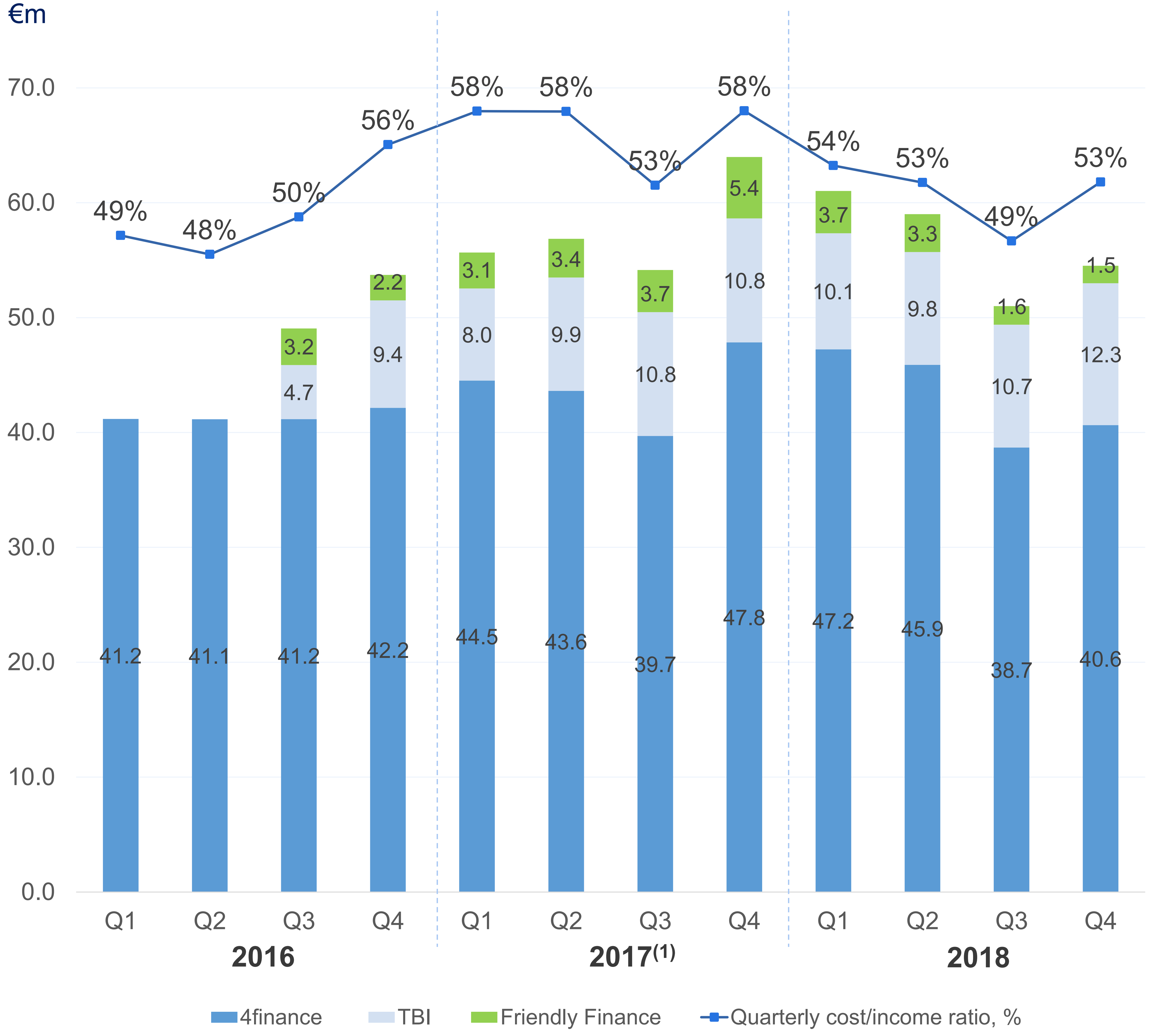
Note: Interest income from TBI Bank and Friendly Finance is allocated within the corresponding country

Operating cost drivers

- Operating costs down 4% year-on-year
    - 2018 cost/income ratio improved at 52% compared to 58% in 2017
    - 2017 costs in bar graph do not include capex that would have been expensed under more conservative approach in 2018

- Cost efficiency projects ongoing with focus on cost/income ratio
    - Friendly Finance integration fully complete
    - Overall headcount reduction of 17% year-on-year
    - Lower above-the-line marketing spend due to efficiency savings from econometric modelling (seasonal increase in Q4'18 as expected)
    - Additional personnel costs in Q4'18 in relation to introduction of LTIP for senior executives
    - New IT platform remains key to unlocking material savings in the medium term

Total operating costs



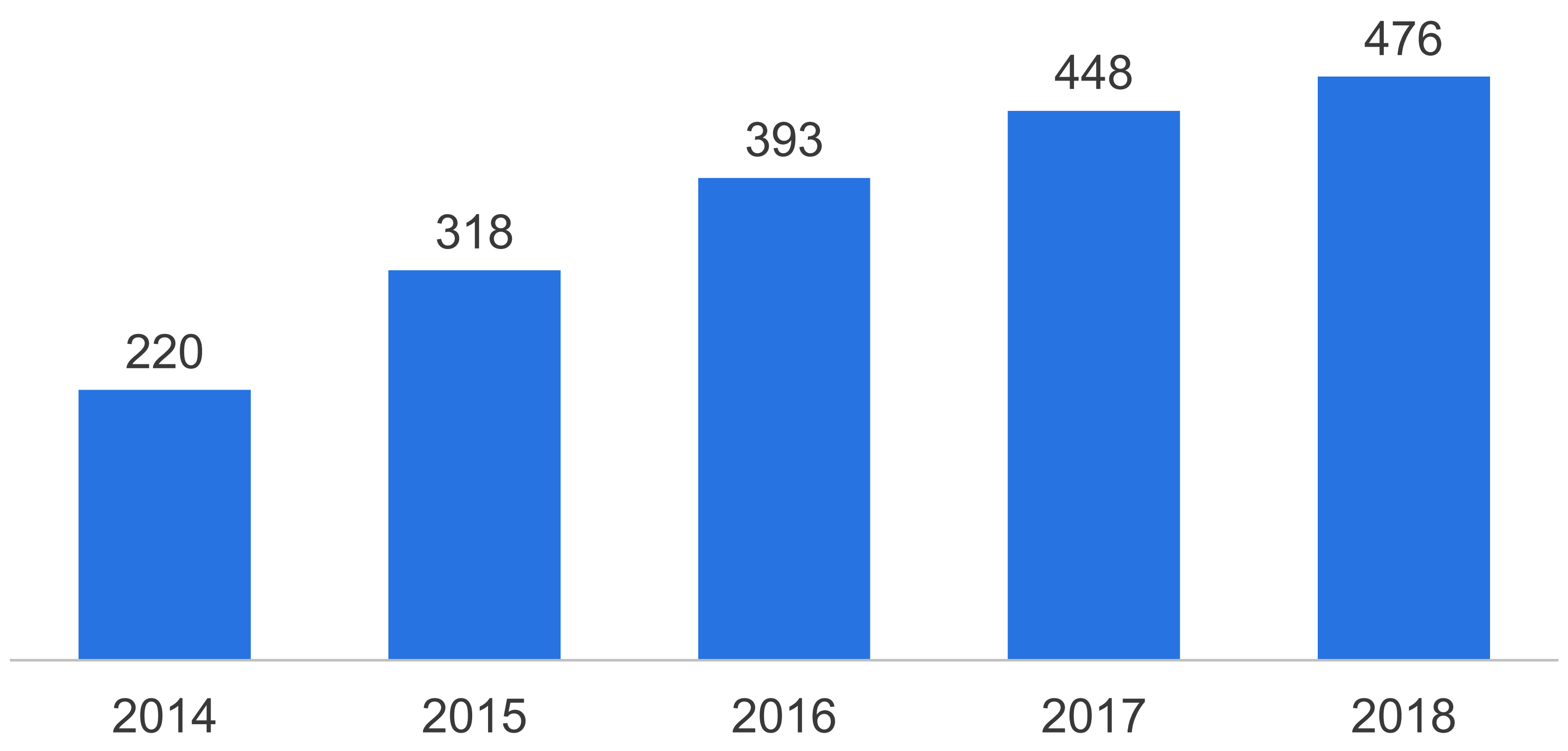
Note (1): 2017 quarterly costs reflect as-reported quarterly numbers. Totals do not match with 2017 audited financials due to capex de-recognition as part of year end one-off adjustments to intangible assets

See appendix for definitions of key metrics and ratios

Financial highlights – profitable growth

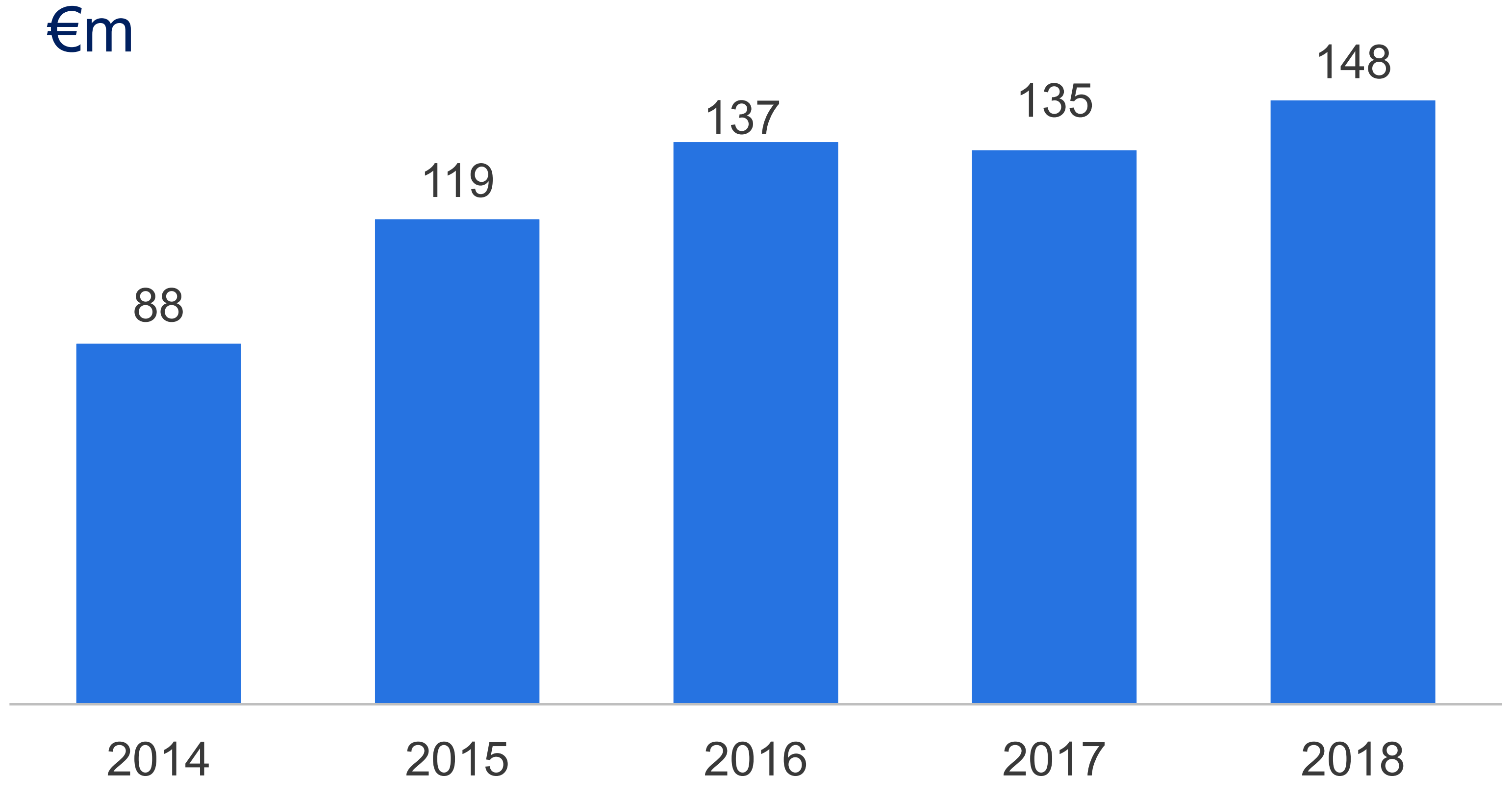
Interest income

€m

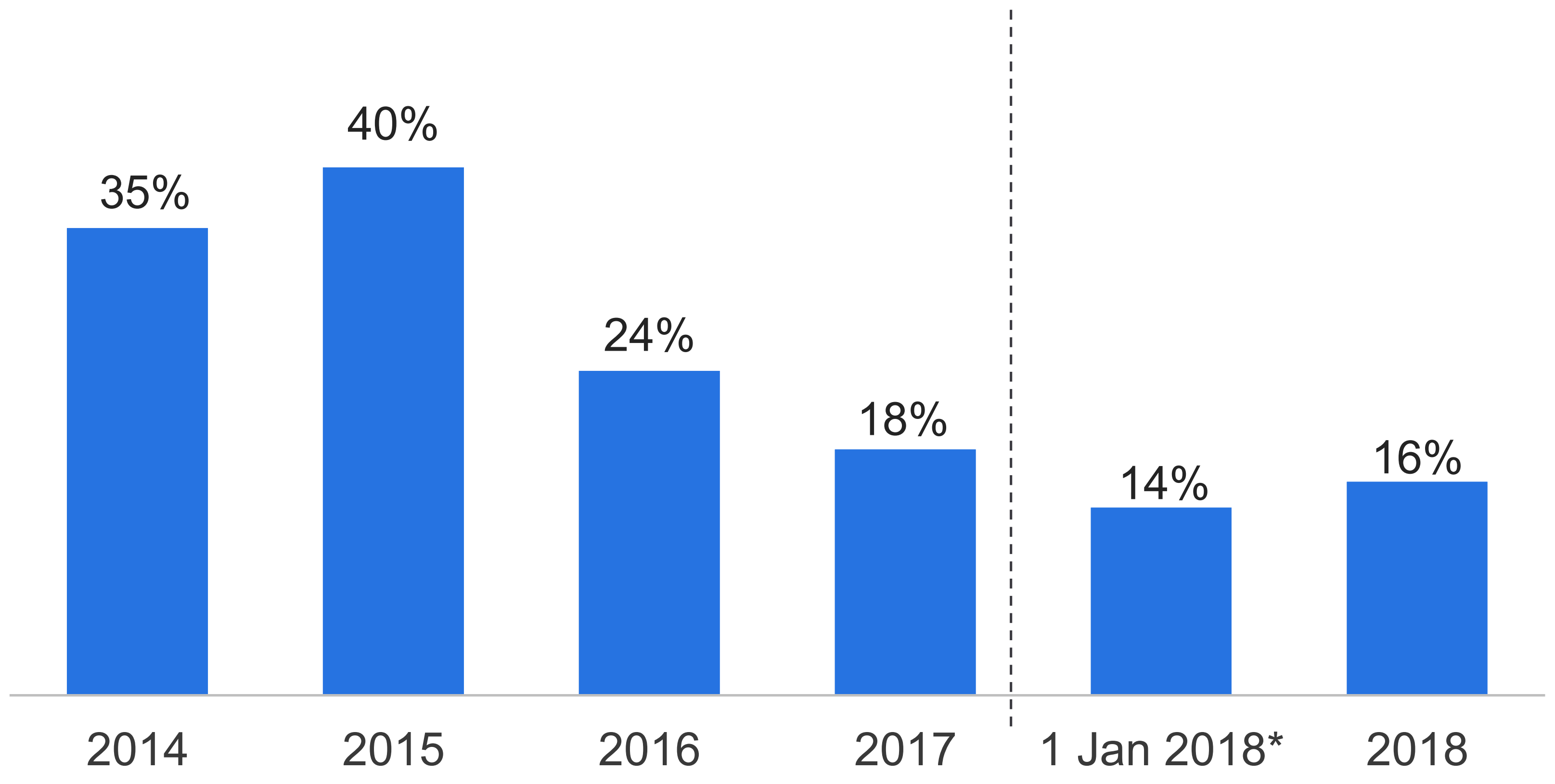


Adjusted EBITDA

€m



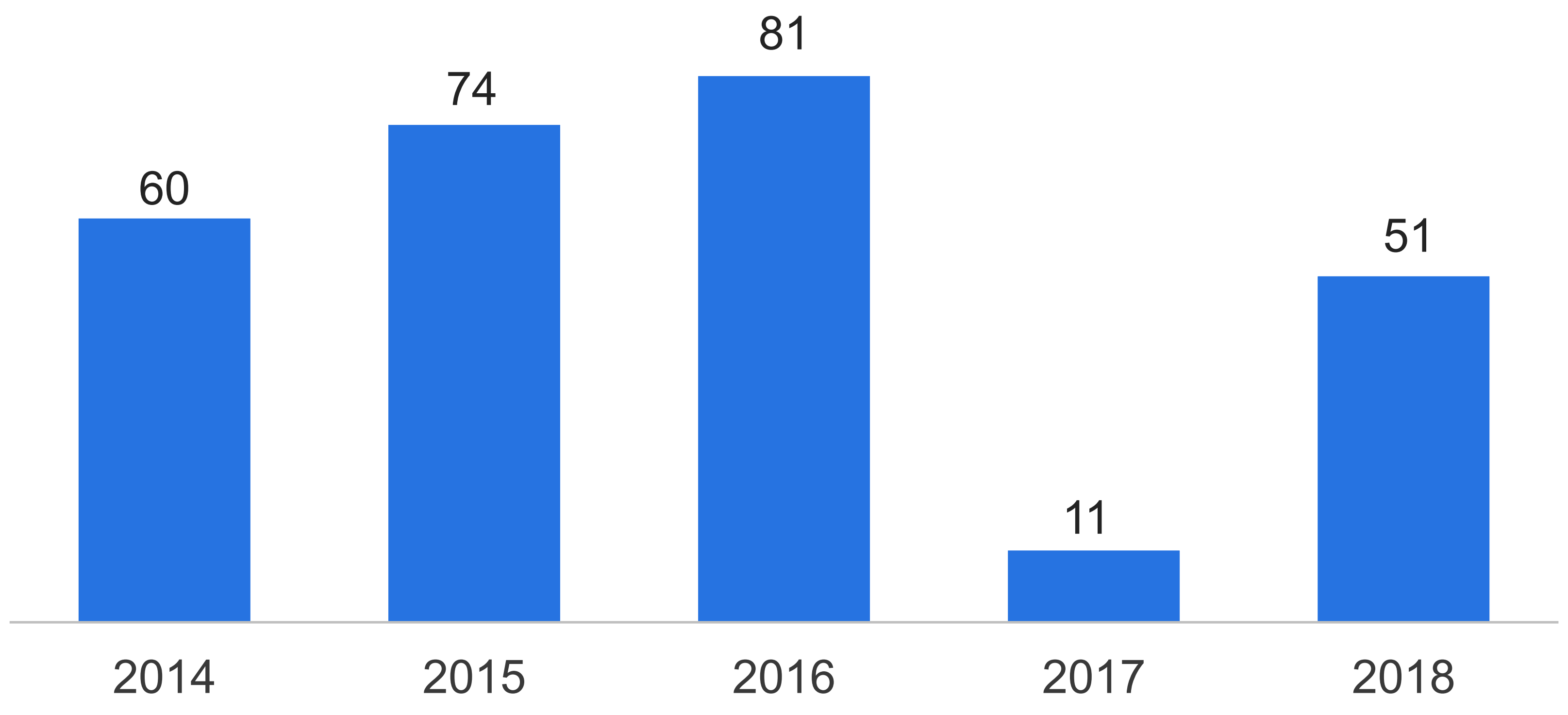
Equity / assets ratio, % (1)



* Post IFRS 9

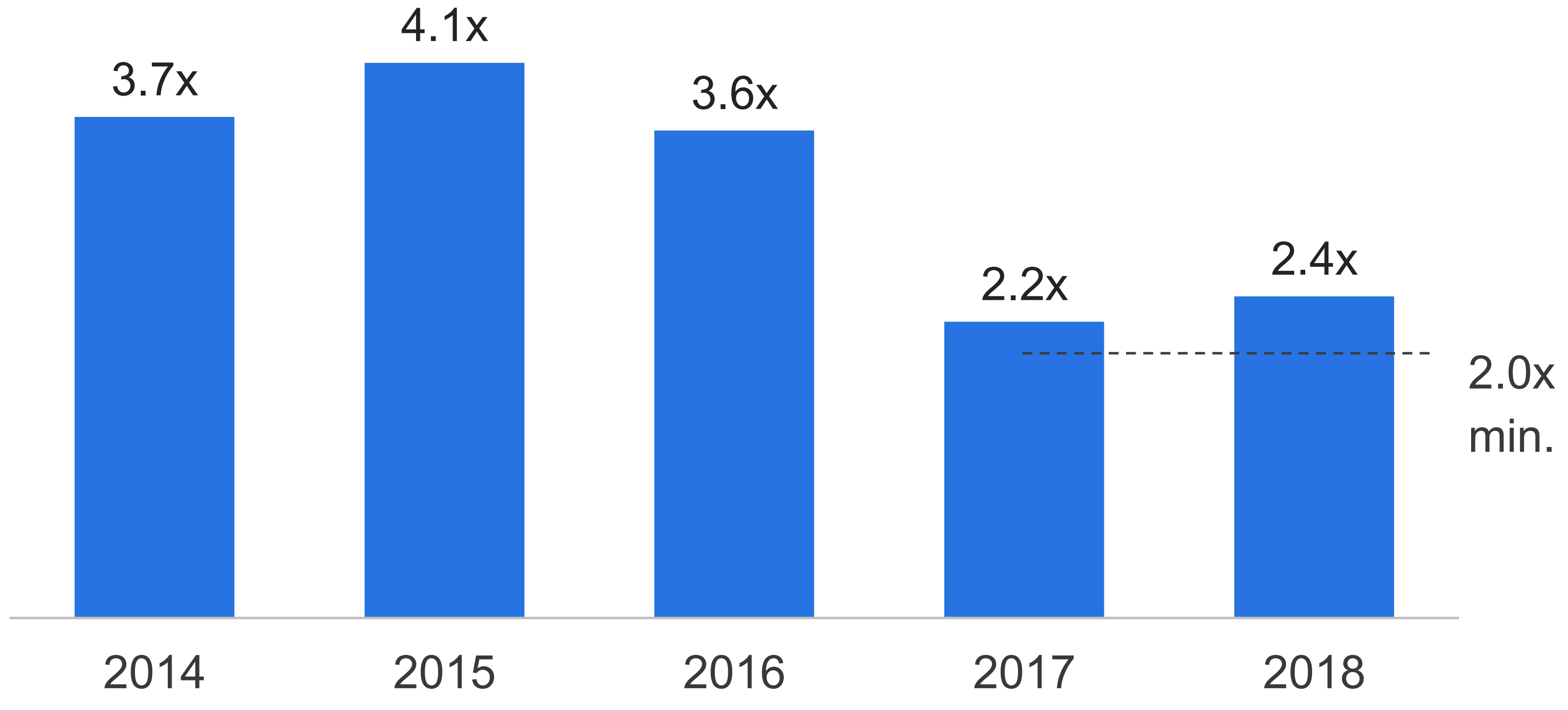
Profit before tax

€m

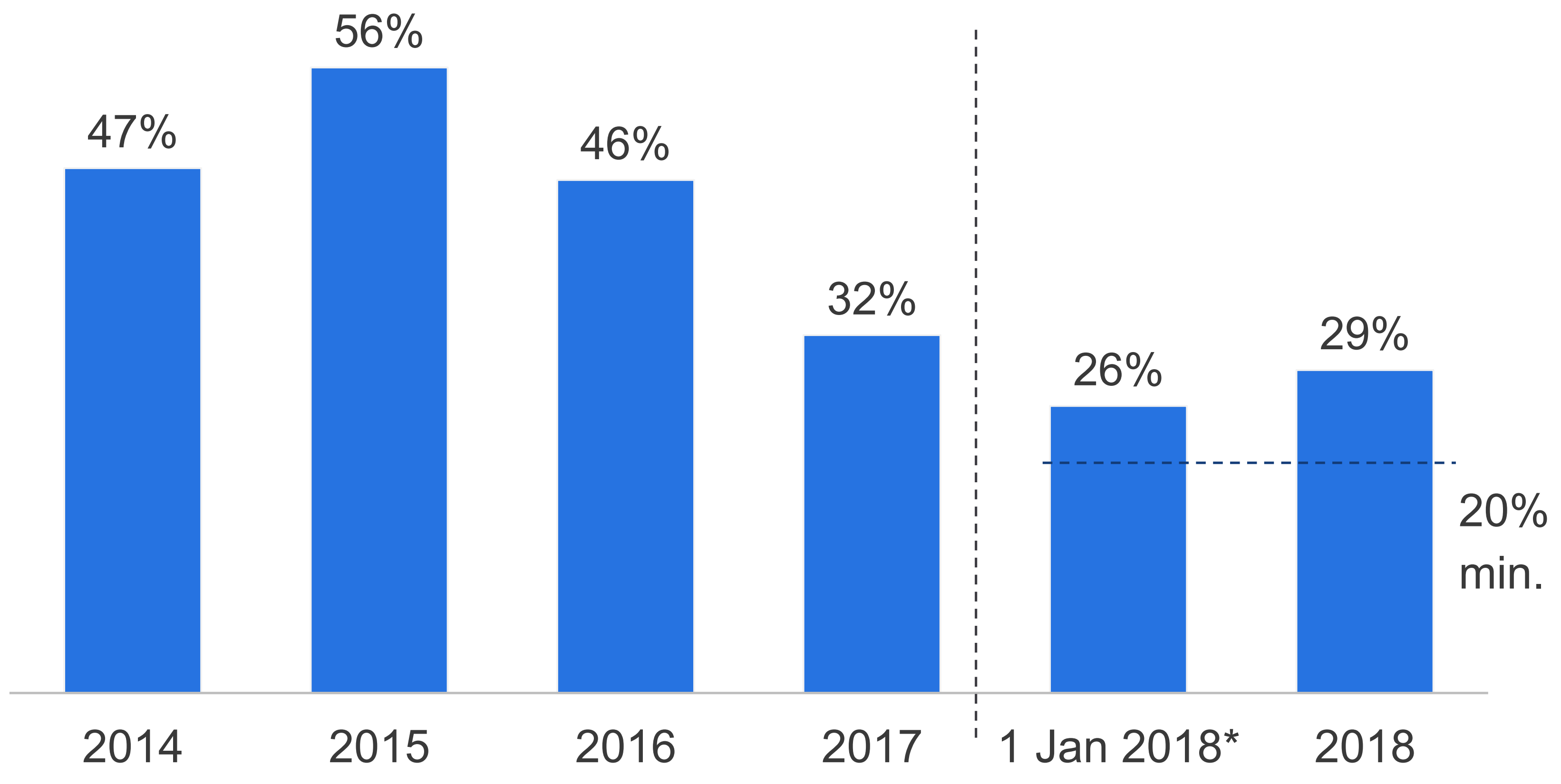


Adjusted interest coverage ratio

Times



Equity / net receivables, %



* Post IFRS 9

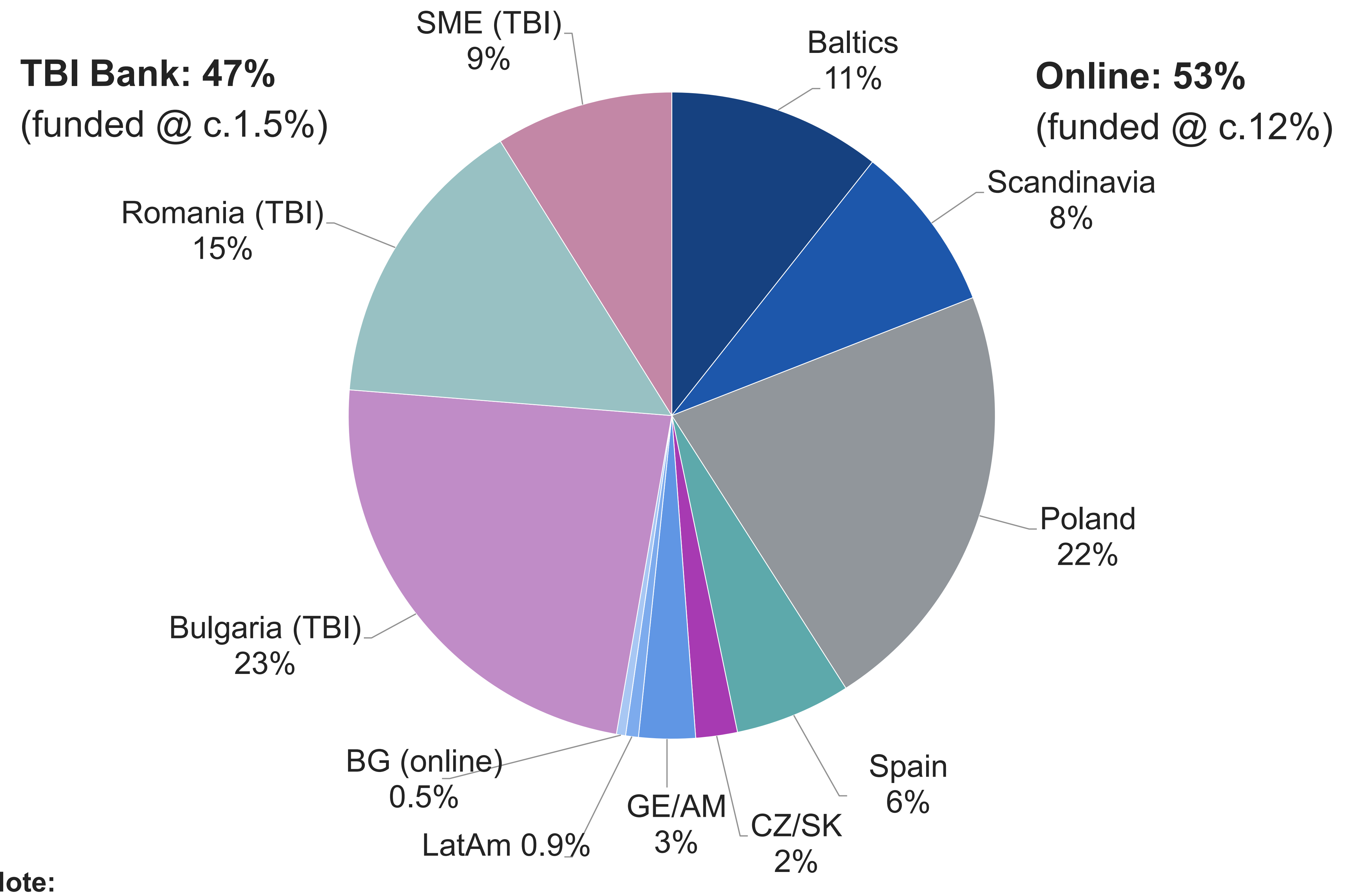
See appendix for definitions of key metrics and ratios

Note: (1) Total assets figure for 2014 adjusted for the effect of bonds defeasance

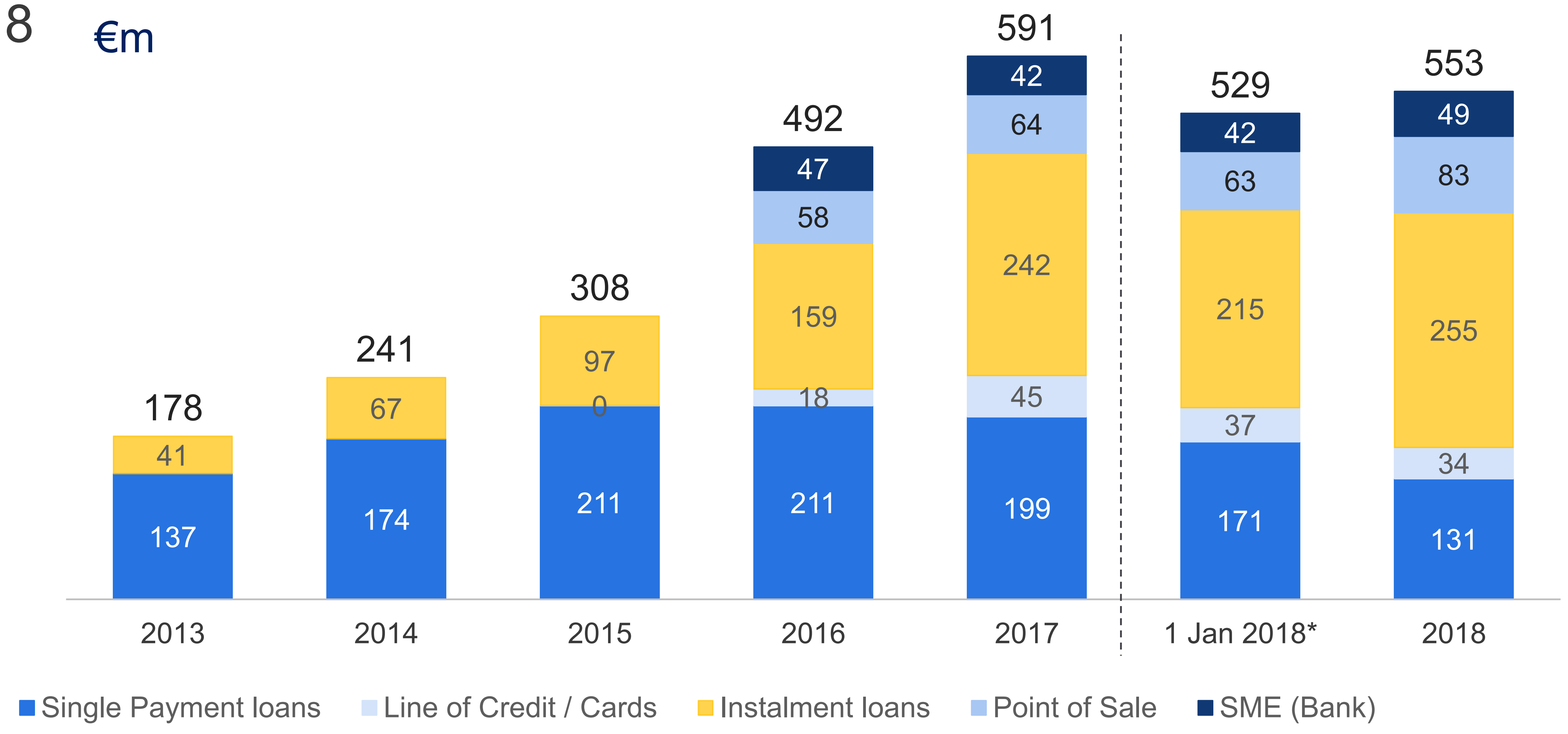
Diversified loan portfolio

- Online loan issuance volume slightly down YoY to €1.21bn in 2018
- Overall net receivables totals €553m
  - 5% growth during 2018 (post IFRS 9)
  - 91% consumer loans
  - 53% online loans / 47% banking

Net receivables, 31/12/2018

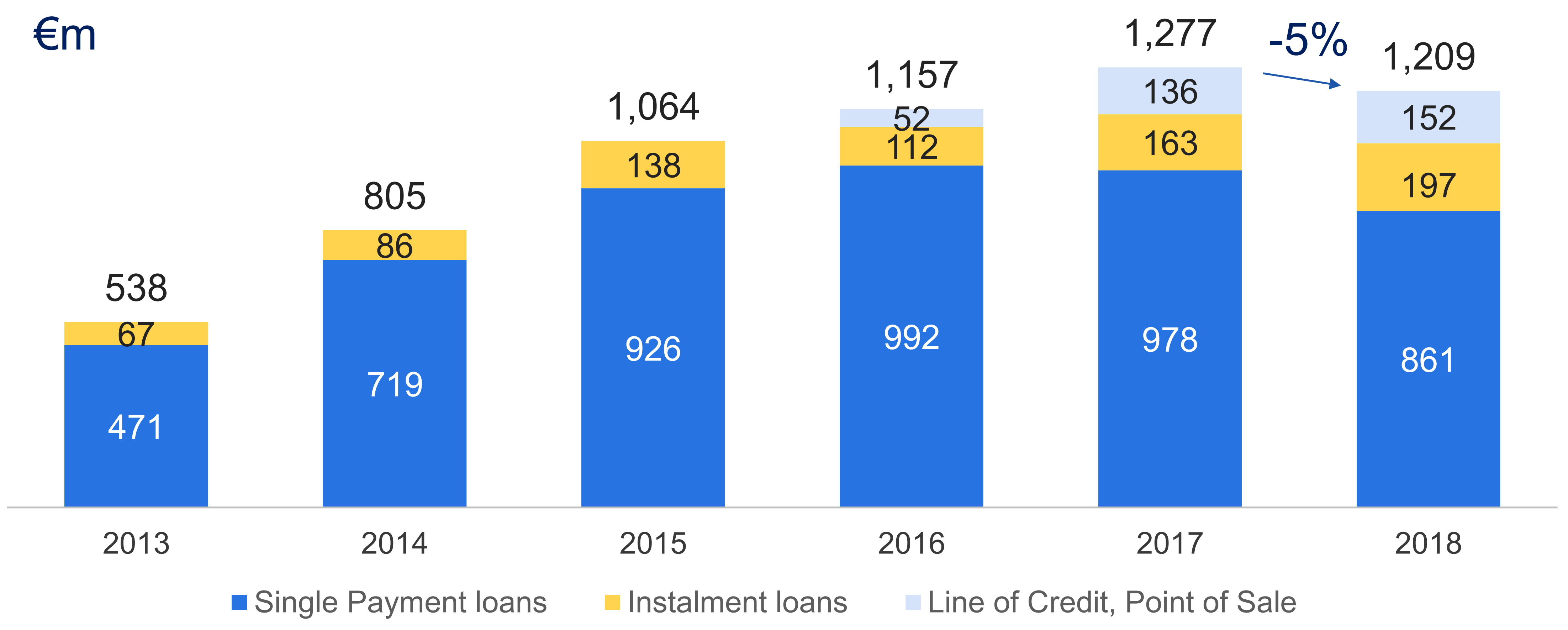


Net receivables (1)



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

Online loans issued (1)



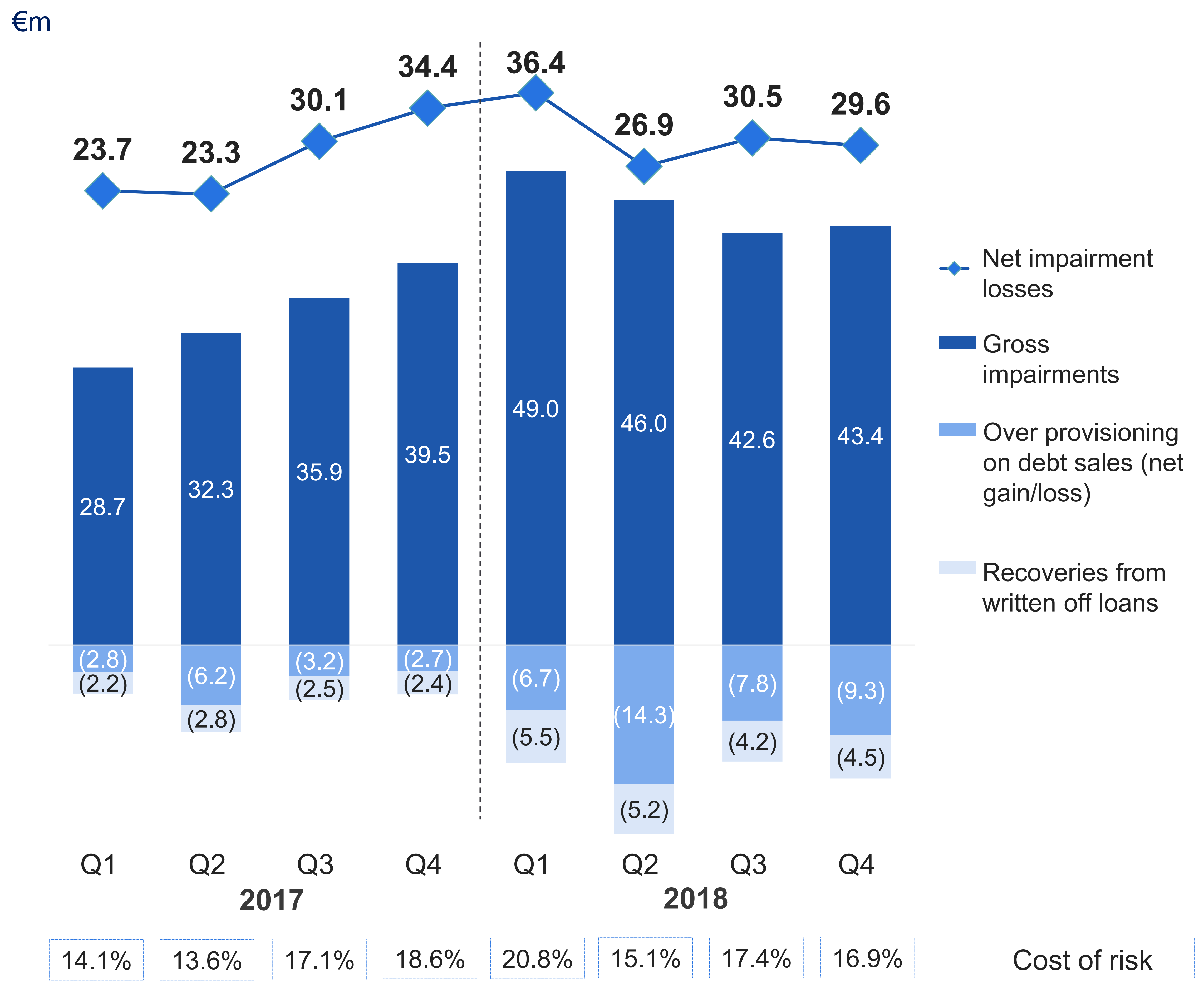
Note:

(1) Reflects reclassification of "Vivus" brand products in Sweden (from January 2016), Denmark (from January 2017) and Armenia (from launch in July 2017) to Lines of Credit

See appendix for definitions of key metrics and ratios

Analysis of net impairments and cost of risk

Net impairment losses by quarter (1)



- Quarterly net impairment charge stabilising following IFRS 9 change
  - Decrease in quarterly gross impairments in H2 2018
  - Continued focus on earlier collections and portfolio sales, including forward flow agreements (also reducing debt collection costs)
  - Improvement in TBI Bank Romanian consumer portfolio and TBI Bank debt sales net gain of €2.1m in Q3
  - Profitable Q4 debt sales (Poland, Spain and Romania)
- Asset quality metrics under IFRS 9 are not easily comparable to prior year periods under IAS 39
  - Net impairment / interest income 25.9% (2018) vs 24.0% (2017)
  - Online cost of risk 24.0% (2018) vs 20.8% (2017)
  - Overall cost of risk 17.7% (2018, including TBI Bank)
- Focus on continuous improvement in credit underwriting and collection
  - Integration of additional data sources
  - Faster iterations of scorecards with regular recalibration

Note (1): 2017 quarterly figures do not reflect TBI debt sales

See appendix for definitions of key metrics and ratios

Asset quality and provisioning

- **Gross NPL ratios significantly improved following move to 360 DPD write-off period, with coverage ratios now well over 100%**
  - Online gross NPL ratio improved to 22.2% as of December 2018 from 33.5% as of December 2017
  - Overall gross NPL ratio improved to 19.5% as of December 2018 from 26.7% as of December 2017
- Additional portfolio disclosure now provided by loan principal and accrued interest in results report and appendix
- Increased debt sales activity in 2018 has reduced non-performing loan portfolio: €117m gross receivables sold with €38m net proceeds (€76m gross receivables sold and €19m net proceeds in 2017)

	31 December 2018				1 January 2018 (post IFRS 9)				31 December 2017			
	Gross amount	Impairment allowance	Net amount	% of Gross Amount	Gross amount	Impairment allowance	Net amount	% of Gross Amount	Gross amount	Impairment allowance	Net amount	% of Gross Amount
In millions of €, except percentages												
Online receivables												
Performing (1)	315.5	(49.8)	265.7	77.8%	343.2	(56.7)	286.4	77.8%	343.2	(34.6)	308.6	66.5%
Non-performing (2)	90.0	(64.1)	25.9	22.2%	97.7	(77.5)	20.1	22.2%	172.5	(114.5)	58.0	33.5%
Online total	**405.5**	**(113.9)**	**291.6**	**100.0%**	**440.8**	**(134.3)**	**306.5**	**100.0%**	**515.7**	**(149.1)**	**366.6**	**100.0%**
TBI Bank receivables												
Performing (1)	252.0	(13.0)	239.0	84.1%	214.5	(7.0)	207.5	87.3%	214.5	(4.4)	210.1	87.3%
Non-performing (2)	47.5	(25.3)	22.2	15.9%	31.1	(16.2)	14.9	12.7%	31.1	(16.6)	14.5	12.7%
TBI Bank total	**299.6**	**(38.3)**	**261.3**	**100.0%**	**245.6**	**(23.2)**	**222.4**	**100.0%**	**245.6**	**(21.0)**	**224.6**	**100.0%**
Overall group receivables												
Performing (1)	567.5	(62.8)	504.8	80.5%	557.7	(63.7)	493.9	81.2%	557.7	(39.0)	518.7	73.3%
Non-performing (2)	137.6	(89.4)	48.1	19.5%	128.7	(93.7)	35.0	18.8%	203.6	(131.1)	72.5	26.7%
Overall total	**705.1**	**(152.2)**	**552.9**	**100.0%**	**686.4**	**(157.5)**	**529.0**	**100.0%**	**761.3**	**(170.1)**	**591.2**	**100.0%**

Notes:
(1) Performing receivables 0-90 DPD
(2) Non-performing receivables 91+ DPD

Summary

- The opportunity for 4finance is significant: uniquely positioned given existing scale and experience
- Solid core business and financial performance in 2018
  - Interest income up 6%, Adjusted EBITDA up 9% year-on-year
  - Further improvement in cost/income ratio
- Strategic initiatives have taken longer than initially planned, but remain core to our success
  - Learning from experience and conservative approach to planning
  - Near-prime products, new IT platform and funding (TBI Bank and securitisation)
- Strategy in place to evolve and broaden business model, with clear focus areas for 2019
  - Optimise and Diversify & Grow
  - Maintain appropriate balance to ensure continued strong financial performance

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


4 FINANCE
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 (2018)	Products [(1)]	Regulator	CB [(2)]	License required [(3)]	Interest rate cap [(1)]	Status
Argentina	1%	SPL	Consumer Protection Directorate	-	-	-	
Armenia	2%	LOC, IL	Central Bank of the Republic of Armenia	Yes	Yes	Nominal	
Bulgaria – Online	1%	SPL	Bulgarian National Bank	Yes	Yes	APR (inc. fees)	
Bulgaria - Bank	9%	IL, LOC, POS, SME					
Czech Republic	4%	SPL, IL	Czech National Bank	Yes	Yes	-	
Denmark	9%	LOC, IL	Consumer Ombudsman	-	-	-	Initial industry consultation underway for potential new regulation
Finland	4%	SPL, LOC	Finnish Competition and Consumer Authority	-	-	APR (inc. fees) [(4)]	New rate caps expected to be finalised in March 2019 and implemented in Sep 2019
Georgia*	2%	SPL, IL	National Bank of Georgia	Yes	Yes	APR (inc. fees) &TCOC	
Latvia	7%	MTP, IL, LOC	Consumer Rights Protection Centre	-	Yes	Nominal, fees & TCOC	New interest rate cap due to come 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) Rate cap applies to loans below €2,000

* Discontinued in Q3 2018

Regulatory overview (continued)

Country	% of interest income (2018)	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	
Mexico	1%	SPL	National Financial Services Consumer Protection Commission	-	Yes	-	
Poland	28%	SPL, IL	Office of Competition and Consumer Protection	-	-	Nominal, fees & TCOC	New consultation launched in February 2019
Romania – Online*	1%	SPL	National Bank of Romania	Yes	Yes	-	Affordability DTI limits introduced in Jan 2019 and APR caps proposed
Romania – Bank	6%	IL, LOC, POS, SME					
Slovakia	1%	SPL	National Bank of Slovakia	Yes	Yes	APR (inc. fees)	
Spain	17%	SPL, IL	N/A	-	-	-	
Sweden	4%	LOC, IL	Swedish Financial Supervisory Authority	Yes	Yes	Nominal & TCOC	

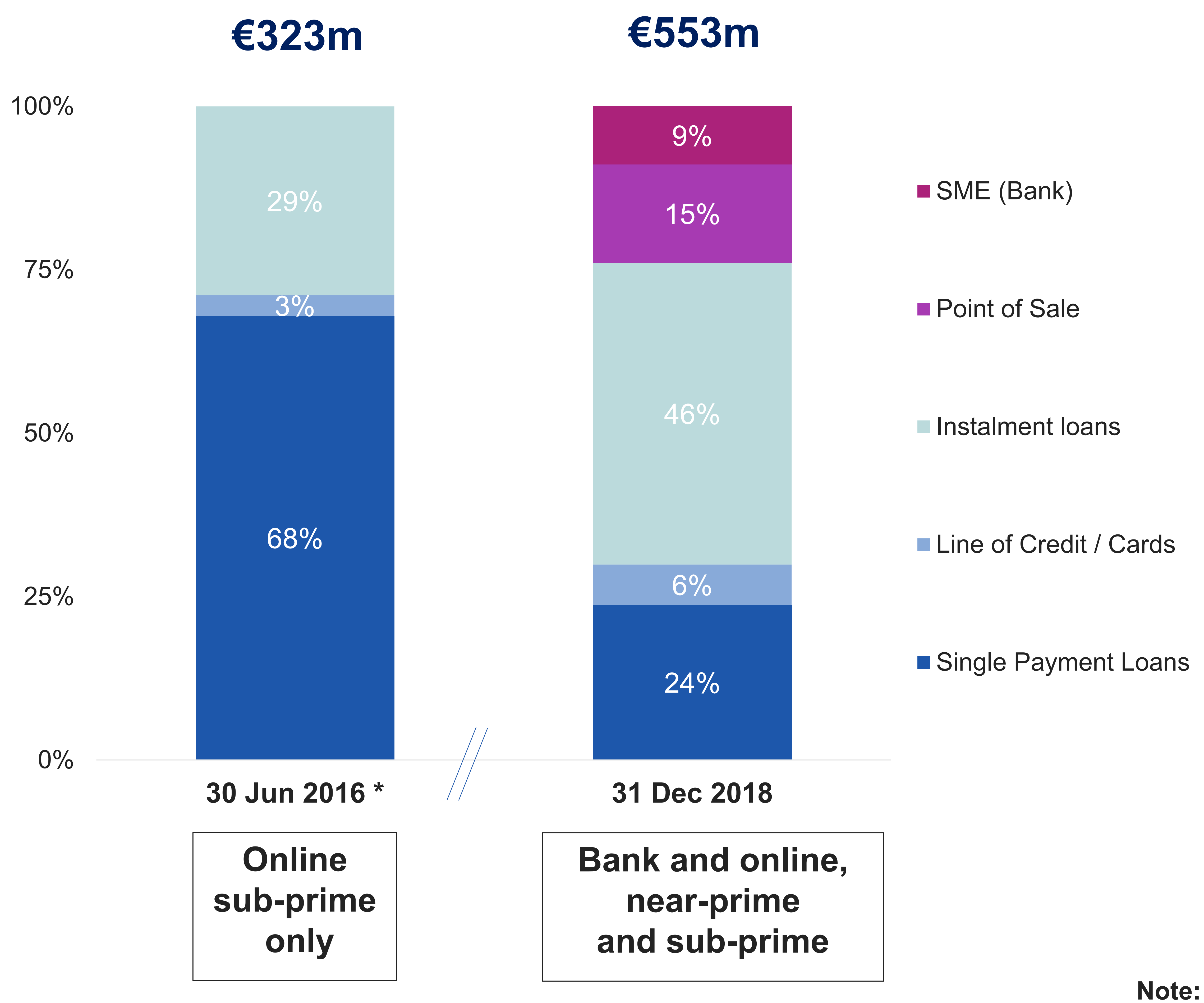
Notes:
(1) Abbreviations:
APR – Annual Percentage Rate; IL – Instalment loans; LOC – Line of Credit / Credit Cards; POS – Point of Sale; SPL – Single Payment Loans; SME – Business Banking (Small-Medium Sized Enterprise); TCOC – Total Cost of Credit
(2) Indicates whether the regulator is also the main banking supervisory authority in the relevant market
(3) Indicates license or specific registration requirement

* Discontinued in Q3 2018

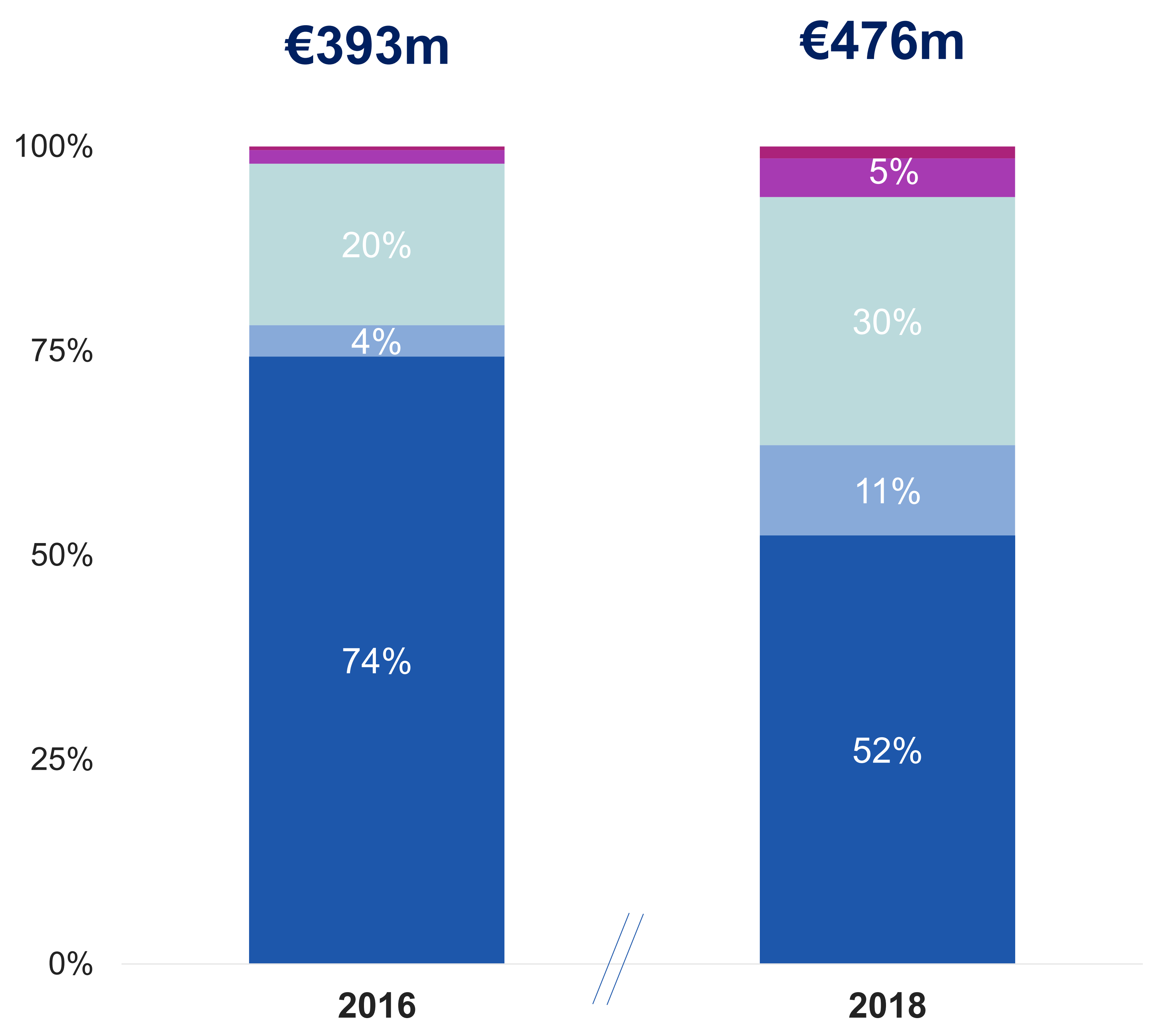
Appendix – evolution of portfolio

Evolution of product mix

Net receivables by product (1)



Interest income by product (1)



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

Note:

(1) Reflects reclassification of "Vivus" brand products in Sweden (from January 2016), Denmark (from January 2017) and Armenia (from launch in July 2017) to Lines of Credit

Near prime market tests: Lithuania, Spain & Sweden

Lithuania (2016)

"Evolve existing product and brand"

30%-60% APR

vivus.LT
patogi paskola

- Strong brand profile of existing Instalment loan product, with 'trust' levels close to bank brands
- Evolved product in mid-2016 post regulation
- €500 → €1,200 avg. ticket size
- 2 year → 4 year tenor
- ~80% → ~45% avg. pricing
- €17m net portfolio at FY2018

Spain (2017)

"Partner-led distribution"

24%-36% APR

fintonic

- Partnered with Fintonic, personal finance manager App with 450k active customers
- 30% of Fintonic users in near-prime/sub-prime segments, allowing highly targeted campaigns
- Response rate and acceptance rate both >75%
- €3,000 avg. ticket size
- 22 months avg. tenor

Sweden (2018)

"New product & brand on new 4finance platform"

20%-40% APR

Friia

- First product designed on new IT platform
- Clear niche in €2,000 - €5,000 ticket size with tenor up to 4 years
- Build on existing strengths:
  - Modern, innovative brand
  - Simple application
  - Fast online decision and disbursement
- Compliant with new regulations

Asset quality and provisioning – loan principal

In millions of €, except percentages	31 December 2018				1 January 2018 (post IFRS 9)				31 December 2017			
	Gross amount	Impairment allowance	Net amount	% of Gross Amount	Gross amount	Impairment allowance	Net amount	% of Gross Amount	Gross amount	Impairment allowance	Net amount	% of Gross Amount
Online principal												
Performing [1]	292.4	(44.9)	247.5	79.6%	317.7	(49.3)	268.4	79.1%	317.7	(30.2)	287.5	68.1%
Non-performing [2]	75.1	(56.1)	19.1	20.4%	84.0	(66.4)	17.5	20.9%	148.8	(98.3)	50.5	31.9%
Online total	**367.5**	**(101.0)**	**266.5**	**100.0%**	**401.7**	**(115.8)**	**285.9**	**100.0%**	**466.5**	**(128.6)**	**337.9**	**100.0%**
TBI Bank principal												
Performing [1]	246.2	(12.7)	233.5	84.1%	209.0	(6.8)	202.2	87.3%	209.0	(4.3)	204.7	87.3%
Non-performing [2]	46.4	(24.7)	21.7	15.9%	30.3	(15.8)	14.5	12.7%	30.3	(16.2)	14.1	12.7%
TBI Bank total	**292.7**	**(37.4)**	**255.3**	**100.0%**	**239.3**	**(22.6)**	**216.7**	**100.0%**	**239.3**	**(20.5)**	**218.8**	**100.0%**
Overall group principal												
Performing [1]	538.7	(57.6)	481.0	81.6%	526.7	(56.2)	470.6	82.2%	526.7	(34.5)	492.2	74.6%
Non-performing [2]	121.6	(80.8)	40.8	18.4%	114.2	(82.2)	32.0	17.8%	179.1	(114.5)	64.6	25.4%
Overall total	**660.2**	**(138.4)**	**521.8**	**100.0%**	**641.0**	**(138.4)**	**502.6**	**100.0%**	**705.8**	**(149.0)**	**556.7**	**100.0%**

Notes:
(1) Performing receivables 0-90 DPD
(2) Non-performing receivables 91+ DPD

Appendix – financials and key ratios

Income statement

In millions of €	FY 2018 (unaudited)	FY 2017 (unaudited)	% change YoY
Interest Income	475.6	448.0	+6%
Interest Expense	(62.1)	(61.9)	0%
Net Interest Income	**413.5**	**386.0**	**+7%**
Net F&C Income	9.5	8.5	+11%
Other operating income	9.1	11.2	(19)%
Non-Interest Income	**18.5**	**19.7**	**(6)%**
Operating Income	**432.0**	**405.7**	**+6%**
Total operating costs	**(225.6)**	**(234.3)**	**(4)%**
Pre-provision operating profit	**206.4**	**171.4**	**+20%**
Net impairment charges	(123.4)	(107.6)	+15%
Post-provision operating profit	**83.0**	**63.8**	**+30%**
Depreciation and amortisation	(12.0)	(9.0)	+33%
Non-recurring income/(expense)	(0.3)	3.2	nm
Non-recurring finance cost	—	(6.3)	nm
Net FX gain/(loss)	(12.7)	(4.0)	nm
One-off adjustments to intangible assets	(6.7)	(37.0)	(82)%
Profit before tax	**51.4**	**10.7**	**nm**
Income tax expense	(20.7)	(27.6)	(25)%
Net profit/(loss) after tax	**30.7**	**(16.8)**	**nm**
Adjusted EBITDA	**147.6**	**135.4**	**+9%**

Balance sheet

In millions of €	31 December 2018 (unaudited)	1 January 2018 (post IFRS 9, unaudited)	31 December 2017
Cash and cash equivalents, of which:	**172.1**	**154.9**	**154.9**
- Online	110.5	65.8	65.8
- TBI Bank	61.6	89.2	89.2
Placement with other banks	8.8	7.0	7.0
Gross receivables due from customers	705.1	686.4	761.3
Allowance for impairment	(152.2)	(157.5)	(170.1)
Net receivables due from customers, of which:	**552.9**	**529.0**	**591.2**
- Principal	521.8	502.6	556.7
- Accrued interest	31.1	26.4	34.5
Net investments in finance leases	7.4	10.5	10.5
Net loans to related parties	66.2	65.7	66.6
Property and equipment	8.8	10.1	10.1
Financial assets available for sale	37.3	18.4	18.4
Prepaid expenses	8.2	10.8	10.8
Tax assets	15.8	21.5	20.7
Deferred tax assets	40.9	33.3	29.4
Intangible IT assets	22.1	28.6	28.6
Goodwill	17.5	21.4	21.4
Other assets	39.2	57.3	57.3
Total assets	**997.1**	**968.4**	**1,026.9**
Loans and borrowings	459.5	465.0	470.2
Deposits from customers	285.0	271.0	271.0
Deposits from banks	2.6	—	—
Corporate income tax payable	18.1	19.8	19.8
Other liabilities	72.1	76.5	76.5
Total liabilities	**837.2**	**832.3**	**837.5**
Share capital	35.8	35.8	35.8
Retained earnings	153.7	135.0	188.3
Reserves	(29.6)	(32.3)	(32.3)
Total attributable equity	**159.9**	**138.5**	**191.8**
Non-controlling interests	0.1	(2.4)	(2.4)
Total equity	**159.9**	**136.2**	**189.4**
Total shareholders' equity and liabilities	**997.1**	**968.4**	**1,026.9**

Statement of Cash Flows

In millions of €	12 months to 31 December	
	2018	**2017**
Cash flows from operating activities		
Profit before taxes	**51.4**	**10.7**
Adjustments for:		
Depreciation and amortisation	12.0	8.3
Impairment of goodwill and intangible assets	5.7	25.9
Net (gain) / loss on foreign exchange from borrowings and other monetary items	19.0	(30.1)
Impairment losses on loans	180.9	136.5
Reversal of provision on debt portfolio sales	(38.1)	(18.9)
Write-off and disposal of intangible and property and equipment assets	3.0	11.4
Interest income from non-customers loans	(8.2)	(9.2)
Interest expense on loans and borrowings and deposits from customers	62.1	61.9
Non-recurring finance cost	—	6.3
Other non-cash items	2.4	0.4
Profit before adjustments for the effect of changes to current assets and short-term liabilities	290.2	203.3
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(11.3)	24.6
(Increase) / decrease in other assets (including TBI statutory reserve, placements & finance leases)	(2.1)	(7.4)
Increase / (decrease) in accounts payable to suppliers, contractors and other creditors	5.0	7.4
Operating cash flow before movements in portfolio and deposits	**281.9**	**227.9**
Increase in loans due from customers	(255.1)	(267.2)
Proceeds from sale of portfolio	81.9	54.2
Increase in deposits from customers	16.5	33.8
Deposit interest payments	(4.0)	(4.5)
Gross cash flows from operating activities	**121.2**	**44.2**
Corporate income tax paid	(26.5)	(33.6)
Net cash flows from operating activities	**94.7**	**10.5**

Statement of Cash Flows (continued)

In millions of €	12 months to 31 December	
	2018	**2017**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(8.4)	(13.1)
Purchase of financial instruments	(13.6)	—
Loans issued to related parties	(2.6)	(4.3)
Loans repaid from related parties	7.4	10.9
Interest received from related parties	2.8	1.8
Disposal of subsidiaries, net of cash disposed	(0.1)	—
Acquisition of equity investments	(5.9)	(4.4)
Acquisition of non-controlling interests	(3.4)	—
Prepayment for potential acquisition	20.8	(20.8)
Net cash flows from investing activities	**(2.7)**	**(30.0)**
Cash flows from financing activities		
Loans received and notes issued	0.5	163.7
Repayment and repurchase of loans and notes	(27.2)	(58.0)
Interest payments	(52.7)	(51.6)
Costs of notes issuance and premium on repurchase of notes	(0.0)	(5.8)
FX hedging margin	4.2	(8.8)
Dividend payments	(0.1)	(26.0)
Net cash flows used in financing activities	**(75.3)**	**13.5**
Net increase / (decrease) in cash and cash equivalents	**16.7**	**(6.1)**
Cash and cash equivalents at the beginning of the period	**131.9**	**137.0**
Effect of exchange rate fluctuations on cash	0.1	1.0
Cash and cash equivalents at the end of the period	**148.8**	**131.9**
TBI Bank minimum statutory reserve	**23.4**	**23.0**
Total cash on hand and cash at central banks	**172.1**	**154.9**

Key ratios – profitability

Profitability	FY 2018	FY 2017
ROAA, % * (1)	5.1%	3.5%
ROAE, % * (2)	34.1%	15.0%
ROATE, % *	76.3%	30.4%
Interest Income/Average Interest Earning Assets, % (3)	67.6%	62.3%
Interest Income/Average Gross Loan Portfolio, % **	68.4%	62.8%
Interest Income/Average Net Loan Portfolio, % **	87.9%	82.6%
Interest Expense/Interest Income, %	13.1%	13.8%
Cost Of Funds, % (4)	7.4%	8.0%
Cost Of Interest Bearing Liabilities, % (5)	8.4%	9.0%
Net Spread, % (6)	59.2%	53.3%
Net interest margin, % ** (7)		
- Online	88.6%	66.1%
- TBI Bank	27.3%	26.7%
- Overall group	63.6%	54.1%
Net effective annualised yield (8)	88.0%	82.0%
Net Fee & Commission Income/Total Operating Income, %	2.2%	2.1%
Net Fee & Commission Income/Average Total Assets, % *	1.0%	0.9%
Net Non-Interest Income/Total Operating Income, %	4.3%	4.8%
Net Non-Interest Income/Average Total Assets, % *	1.9%	2.0%
Recurring Earning Power, % * (9)	22.7%	16.9%
Earnings Before Taxes/Average Total Assets, % *	5.7%	5.4%

Notes:

* *Normalised ratios adjusted* to remove the effect of the one-off adjustments to intangible assets in Q4 2017 (for 2017 ratios) and adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects (for 2018 ratios). ROAA, ROAE and ROATE also normalised to exclude non-recurring and net FX items.

**Current Period calculation is based on loan principal only. Prior period calculation is based on receivables (including accrued interest)

All ratios are annualised where appropriate

(1) Net Income of the period divided by Average Total Assets for the same period

(2) Net Income of the period divided by Average Total Equity for the same period

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

(4) Interest expense of the Period divided by Average Total Liabilities for the same period

(5) Interest expense of the period divided by Average Interest Bearing Liabilities for the same period. Interest Bearing Liabilities include Loans and Borrowings and Deposits from customers and banks

(6) Interest income of the period divided by Average Interest Earning Assets for the same period less Cost of Interest Bearing Liabilities

(7) Net interest income divided by 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) Profit (Pre-discretionary bonus) before Net impairment losses of the period divided by Average Total Assets for the same period

Key ratios – efficiency

Efficiency	FY 2018	FY 2017
Total Assets/Employee, (in thousands of €) *	337	303
Total Operating Income/Employee, (in thousands of €)	146	114
Cost/Income Ratio,% (1)	52.2%	57.8%
Total Recurring Operating Costs/Average Total Assets, % *	23.0%	23.3%
Total Operating Income/ Average Total Assets, % *	44.0%	40.4%
Total Recurring Cash Costs/Average Total Assets, % * (2)	23.0%	23.3%
Net Income (Loss)/Employee, (in thousands of €) *	10	10
Personnel Costs/Average Total Assets, % *	10.6%	9.8%
Personnel Costs/Total Recurring Operating Costs, %	46.2%	42.2%
Personnel Costs/Total Operating Income, %	24.1%	24.4%
Net Operating Income/Total Operating Income, % *	49.3%	40.5%
Net Income (Loss)/Total Operating Income, % *	8.7%	8.4%
Profit before tax (Loss)/Interest income, % *	14.9%	12.2%
Total Employees	2,960	3,557

Notes:
* *Normalised ratios adjusted* to remove the effect of the one-off adjustments to intangible assets in Q4 2017 (for 2017 ratios) and adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects (for 2018 ratios)
All ratios are annualised where appropriate
(1) Operating costs divided by operating income (revenue)
(2) Total Recurring Operating Costs plus Discretionary Bonus Pool less Depreciation & Amortisation of the period divided by Average Total Assets for the same period

Key ratios – asset quality

Asset Quality	FY 2018	FY 2017
Cost of Risk, % [(1)]		
- Online	24.0%	20.8%
- TBI	8.0%	3.9%
- Overall group	17.7%	15.6%
Gross NPL ratio, % [(2)]		
- Online	22.2%	33.5%
- TBI	15.9%	12.7%
- Overall group	19.5%	26.7%
Loan Loss Reserve/Gross Receivables from Clients, %	21.6%	22.3%
Average Loan Loss Reserve/Average Gross Receivables from Clients, %	22.3%	23.9%
Net impairment / interest income, % [(3)]	25.9%	24.0%

Notes:
All ratios are annualised where appropriate
(1) Cost Of Risk (Receivables only) equals Net impairment charges divided by Average Gross Receivables for the same period
(2) Non-performing receivables (including accrued interest) with a delay of over 90 days divided by gross receivables (including accrued interest)
(3) Net impairment charges on loans and receivables divided by interest income

Key ratios – liquidity and capitalisation

Liquidity	FY 2018	FY 2017
Net Loan Receivables/Total Assets, % *	55.1%	54.8%
Average Net Loan Receivables/Average Total Assets, % *	55.0%	54.0%
Average Net Loan Receivables/Average Client Balances & Deposits, %	194.6%	213.5%
Net Loan Receivables/Total Deposits, %	194.0%	218.1%
Net Loan Receivables/Total Liabilities, %	66.0%	70.6%
Interest Earning Assets/Total Assets, % *	71.1%	71.3%
Average Interest Earning Assets/Average Total Assets, % *	71.6%	71.6%
Liquid Assets/Total Assets, % * (1)	18.0%	15.0%
Liquid Assets/Total Liabilities, %	21.6%	19.3%
Total Deposits/Total Assets, % *	28.4%	25.1%
Total Deposits/Total Liabilities, %	34.0%	32.4%
Total Deposits/Shareholders' Equity, Times *	1.7x	1.1x
Leverage (Total Liabilities/Equity), Times *	5.0x	3.5x
Tangible Common Equity/Tangible Assets, % * (2)	8.7%	11.6%
Tangible Common Equity/Net Receivables, %	14.4%	18.6%
Net Loan Receivables/Equity, Times *	3.3x	2.5x

Capitalisation and ICR	FY 2018	FY 2017
Total Equity/Total Assets, % *	16.0%	22.3%
Total Equity/Net receivables, % *	28.9%	40.7%
TBI Bank consolidated capital adequacy ratio, % (3)	22.3%	23.2%
Interest coverage ('Basic EBITDA'), Times	2.0x	1.3x
Adjusted interest coverage, Times (4)	2.4x	2.2x

Notes:
* *Normalised ratios adjusted* to remove the effect of the one-off adjustments to intangible assets in Q4 2017 (for 2017 ratios) and adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects (for 2018 ratios)
All ratios are annualised where appropriate
(1) Liquid Assets include Cash and Cash Equivalents and Placements with other banks
(2) Tangible Equity is Total Equity less Intangible Assets. Tangible Assets are Total Assets less Intangible Assets
(3) TBI Bank (Tier One Capital + Tier Two Capital) divided by Risk weighted assets (calculated according to the prevailing regulations of the Bulgarian National Bank)
(4) Adjusted EBITDA divided by interest expense

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
- **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
- **Normalised –** Adjusted to remove the effect of the one-off adjustments to intangible assets in Q4 2017 (for 2017 ratios) and adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects (for 2018 ratios)
- **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)
- **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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