



4finance Holding SA

Investor presentation for nine month 2020 results

24 November 2020

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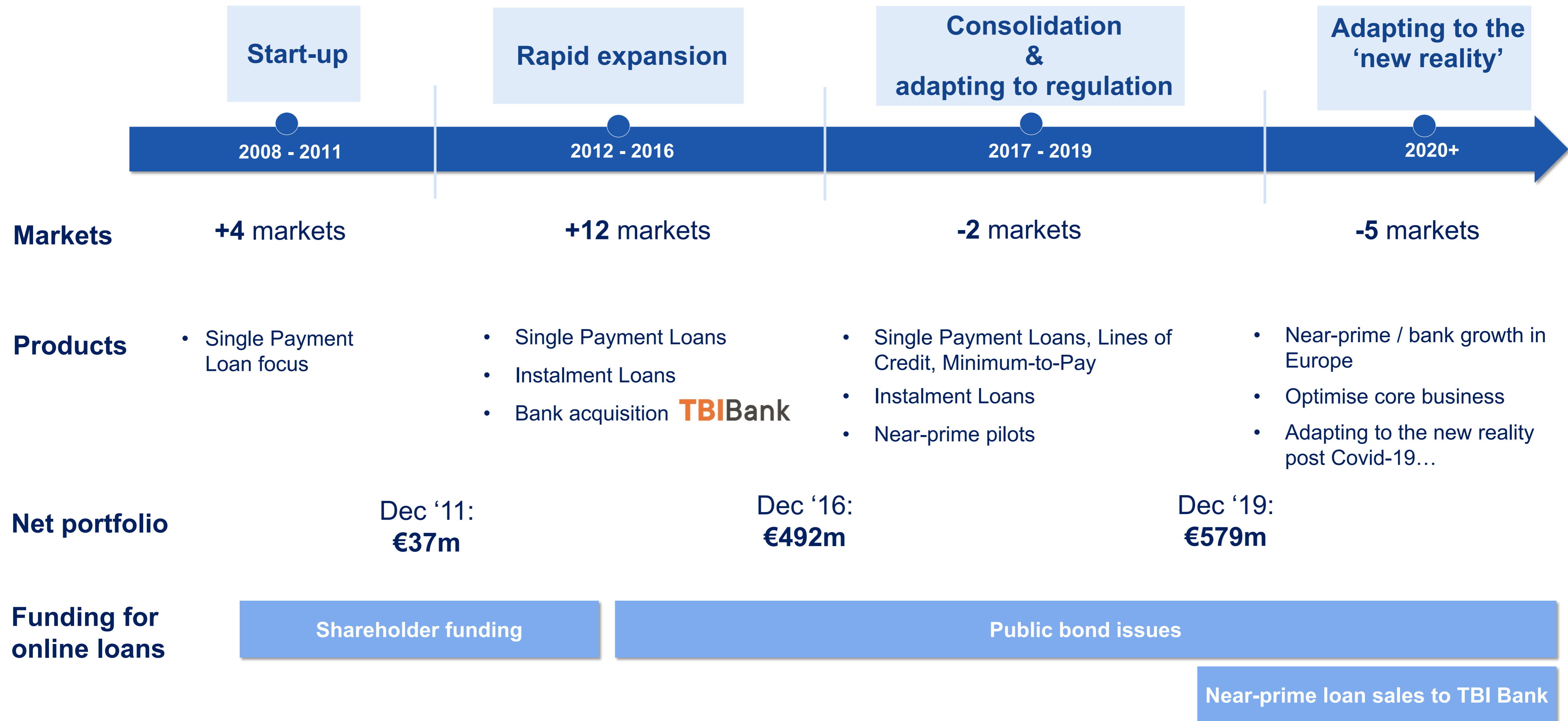
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Agenda

- Business update
- Review of nine month 2020 results
- Loan portfolio and asset quality
- Summary

Evolution of 4finance



Recognising what has changed, and what hasn't

What has changed

- Increasing regulatory restrictions on consumer lending across Europe (interest caps, affordability constraints) both pre- and post-Covid
- Economic environment and consumer activity is harder to predict
- Capital markets are more selective, and expensive
- Success of 'buy-now-pay-later' model

What has not changed

- Consumers in the subprime and near-prime segments still need loans, and they are underserved
- Consumers still value convenience and service
- 4finance has extensive experience addressing this market: it's in our DNA
- 4finance has leading brands across a range of European markets

4finance has to continue to adapt...but the fundamental opportunity remains!

How 4finance will adapt to the new reality

Optimise the core subprime business

Optimise product and market footprint

- Exit of 4 markets in process (Argentina, Armenia, Finland, Slovakia)
- Maximise growth opportunity in remaining core markets

Right-size infrastructure and cost base

- Further reductions planned, on top of existing measures
- Efficiency is key

Right-size 'bureaucracy'

- Focused and nimble decision making
- Regain sense of 'entrepreneurial spirit'

Review other growth opportunities

- Competitive dislocation in some markets, both in lending and adjacent sectors, eg receivables management

Scale near-prime business, powered by TBI Bank

Continue successful growth at TBI Bank

- Consistently strong performer since acquisition in 2016
- Digitisation strategy to drive further growth

Much closer cooperation with TBI Bank across the business

- 'Change of mindset' internally
- Management of online near-prime business aligned with TBI








Decisive action to 'scale or stop' online near-prime pilots

- Commit to Latvia, Lithuania, Denmark
- Stopped issuance in Spain (Fintonic)
- Decision taken on IT platform in Sweden

Access TBI Bank deposit funding

- Sustainable access to TBI Bank's deposit funding is key for near-prime economics

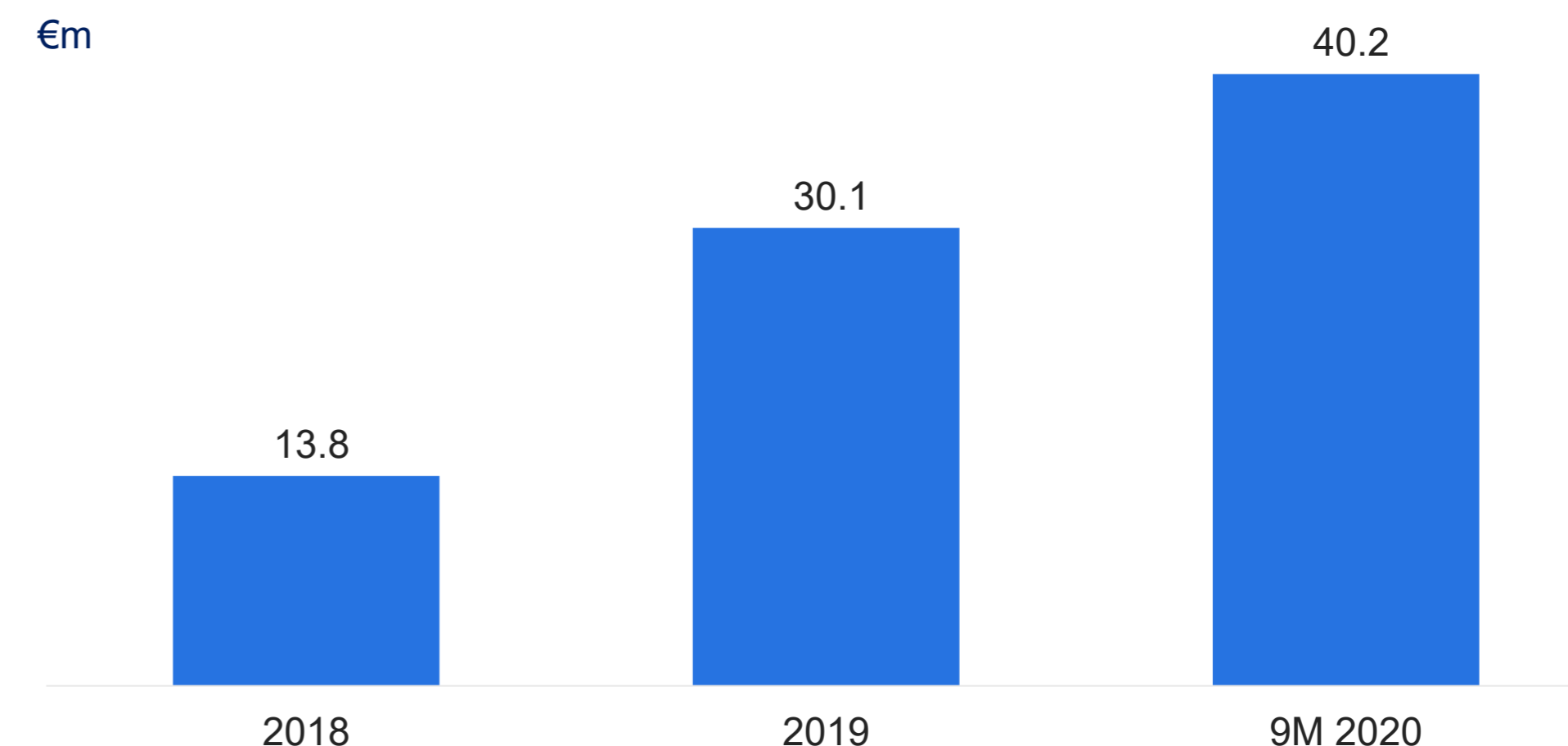
Subprime: well positioned in core markets

Country	% interest income, 9M	Challenges	Revenue growth opportunities
Poland 	22%	<ul style="list-style-type: none"> • Temporary reduction in non-interest cost caps to 15% fixed, 6% annual (from 25% & 30%) • Challenging tax environment • Tough 'early repayment' regulations 	<ul style="list-style-type: none"> • Adapted single payment product performing ahead of expectations • Successful trial of short-term instalment loan product (3-month loan) • Potential to further broaden product range if cost caps are re-set in March 2021
Spain 	18%	<ul style="list-style-type: none"> • Most heavily impacted economy, with market-wide reduction in demand for credit • Relatively underinvested product offering 	<ul style="list-style-type: none"> • Opportunity as market recovers to re-establish market leadership • Cautious pilots of short-term instalment loans
Denmark 	10%	<ul style="list-style-type: none"> • New regulatory regime (developed pre Covid-19) in force from July with tight pricing and affordability caps • Process for licensing extended into 2021 	<ul style="list-style-type: none"> • Optimise and grow new product launched in July (6-month instalment loan with optional service fees)
Czech Republic 	5%	<ul style="list-style-type: none"> • Consumer activity already impacted in second wave of Covid-19 	<ul style="list-style-type: none"> • Opportunity to grow volumes in instalment product
Baltics  	8%	<ul style="list-style-type: none"> • Tight interest rate and affordability caps 	<ul style="list-style-type: none"> • New product format in Latvia working well
Sweden 	1%	<ul style="list-style-type: none"> • Current product has struggled post regulation 	<ul style="list-style-type: none"> • Re-design product offering

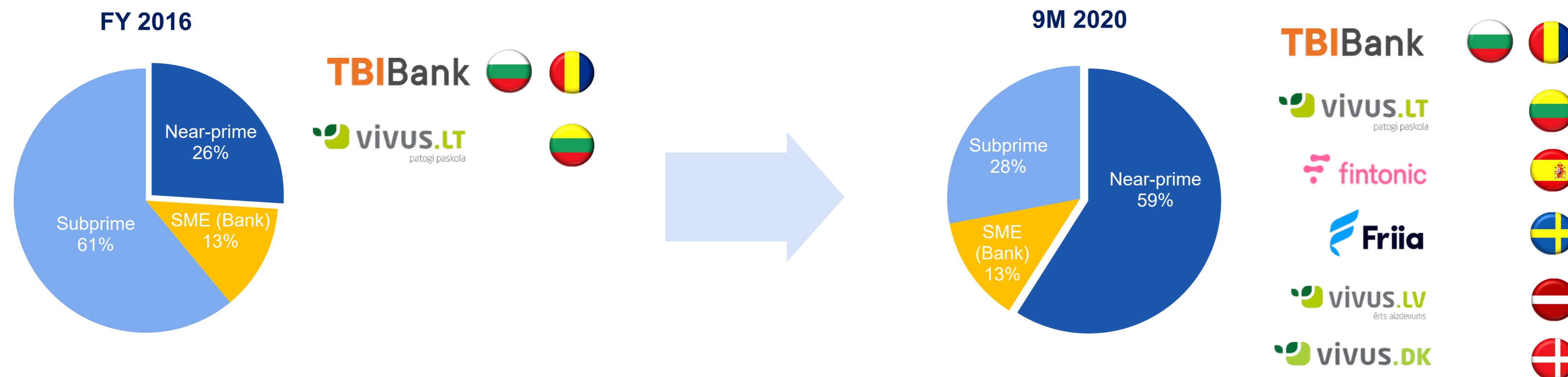
Near-prime: products in Nordics/Baltics and TBI Bank

- Consistent growth in TBI Bank's consumer lending business since acquisition in 2016
- Development of near-prime lending products in the online business since initial launch in Lithuania in 2016
- Latest pilot underway in Denmark using market-leading Vivus brand following new regulatory pricing regime
- Management of online near-prime business now more integrated with TBI Bank
- Funding platform for loan sales to TBI Bank post origination key to achieving scale

Online near-prime net receivables



Overall net receivables by customer segment

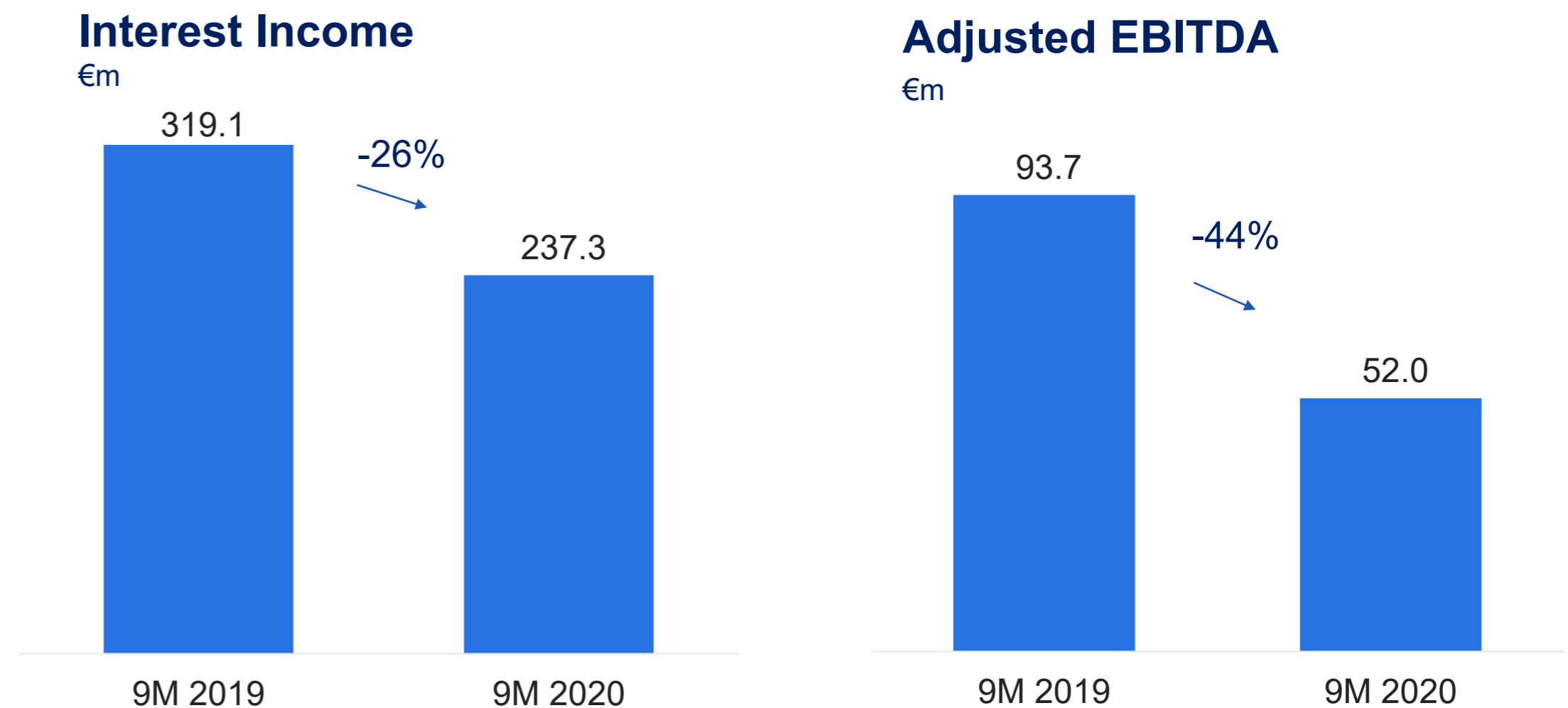


Review of nine month 2020 results

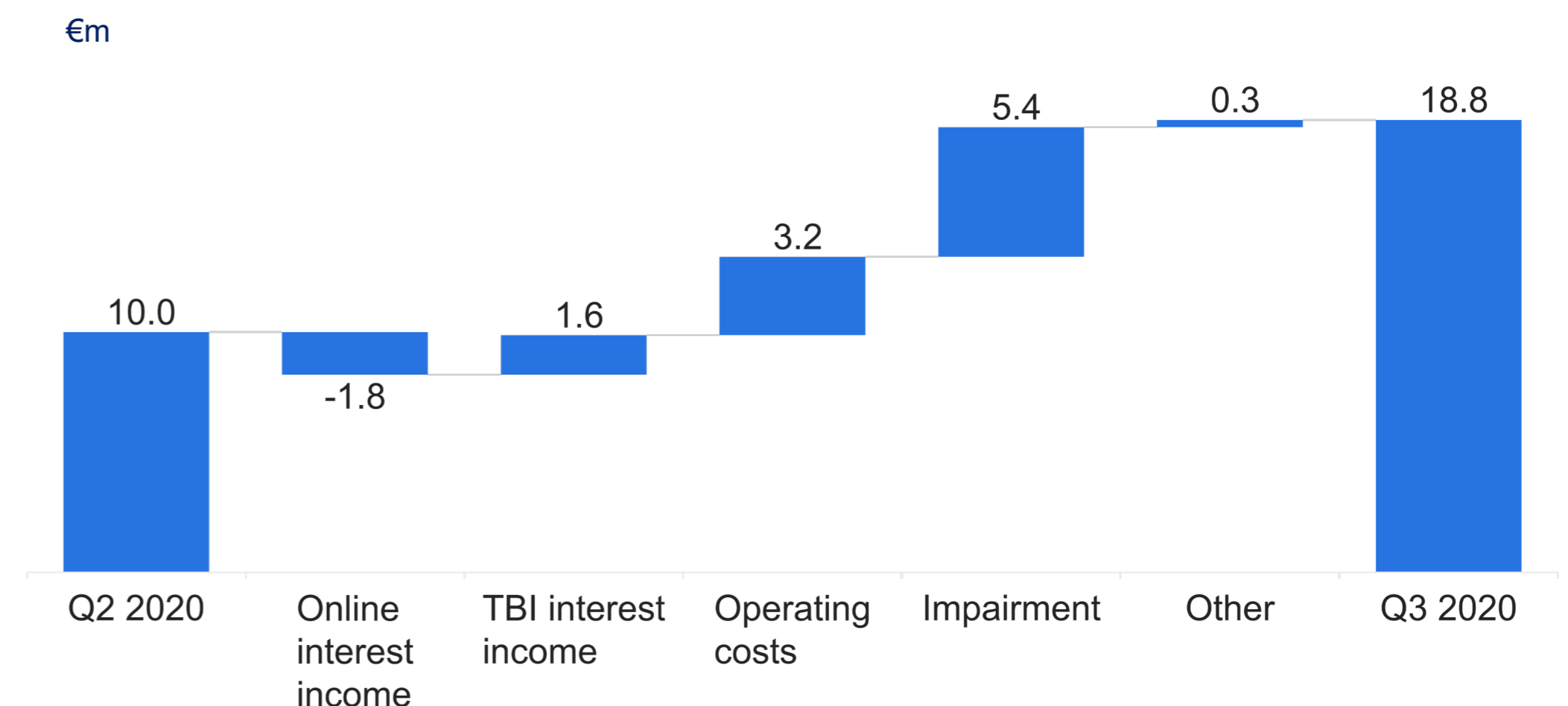
Summary of nine month 2020 results

- Interest income for Q3 of €70m, similar to Q2 level
 - Gradual increase throughout Q3 from June monthly low point
 - Continued steady growth in TBI Bank
 - Clear impact of new regulatory pricing regime in Denmark
 - Some ongoing impact of earlier product wind-downs
- Improvement in quarterly Adjusted EBITDA driven by strong cost control and risk performance
 - Low quarterly impairment charge, reflective of current portfolio and reduced cost of risk
 - Further significant cost reductions QoQ despite targeted increase in marketing spend of €2.5m
 - Q3 Adjusted EBITDA of €19m, up by €9m QoQ despite flat interest income
- Continued strong operating cashflow and robust cash position
 - Operating cashflow before movements in portfolio & deposits of €120m
 - Incremental bond repurchases made during Q3 and then in October (\$46.9m of USD bonds purchased year-to-date)
 - Current “online” cash levels remain strong at c.€90m (end October)
- Improved risk performance, with resumption of debt sales reducing NPL ratio significantly
 - Overall gross NPL ratio of 19.9% (vs 24.0 % as of Jun 2020)
 - Net impairment/interest income at 30.0% for Q3 2020 (vs 37.5% in Q2 2020)
 - Stabilisation in online loan portfolio, with growth at TBI Bank

Year-on-year comparison



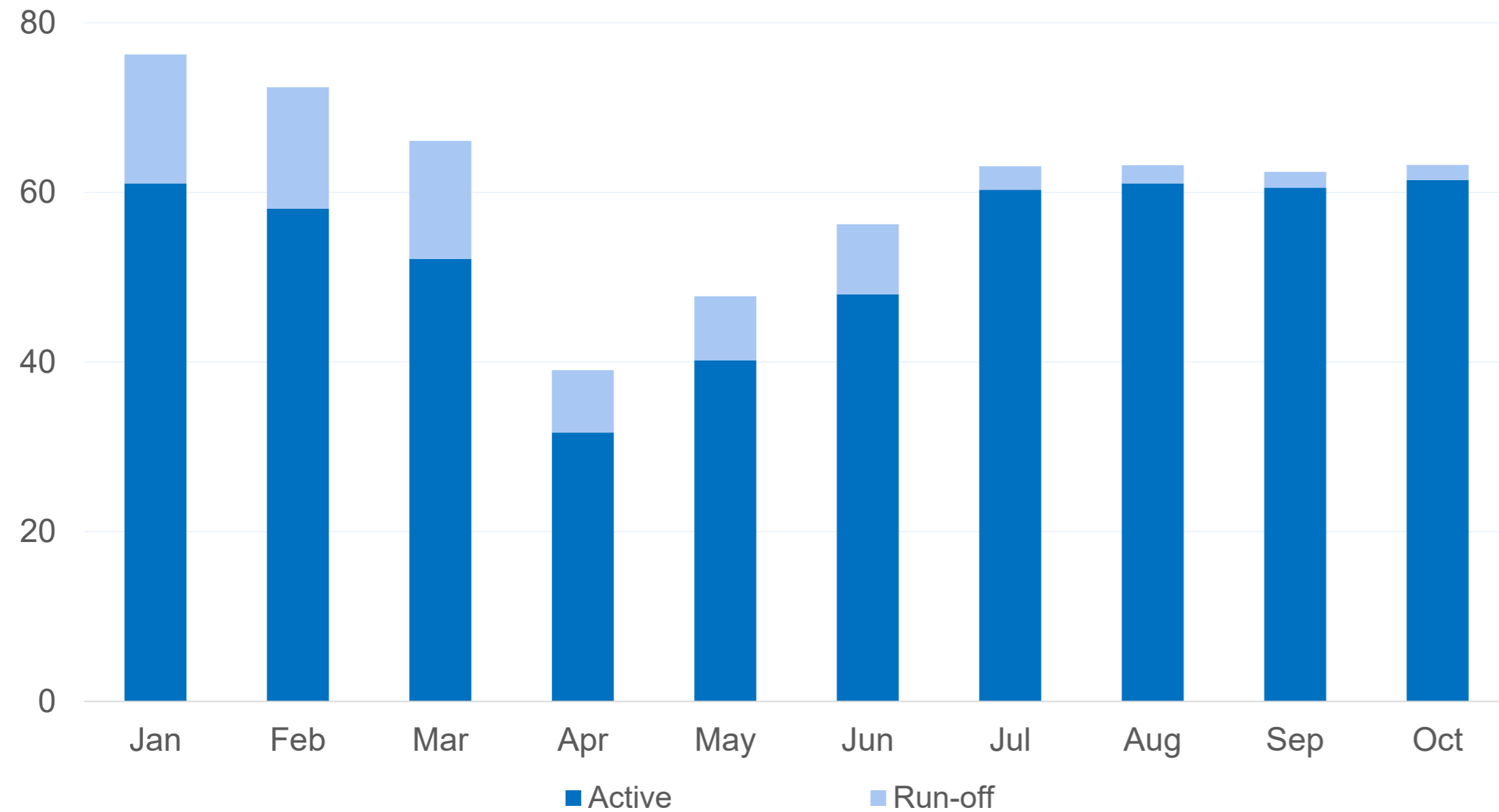
Quarter-on-quarter bridge for Adjusted EBITDA



Loan issuance and interest income

Monthly online loan issuance and acceptance rates ⁽¹⁾

€m



Acceptance rates (illustrative)

Returning customers

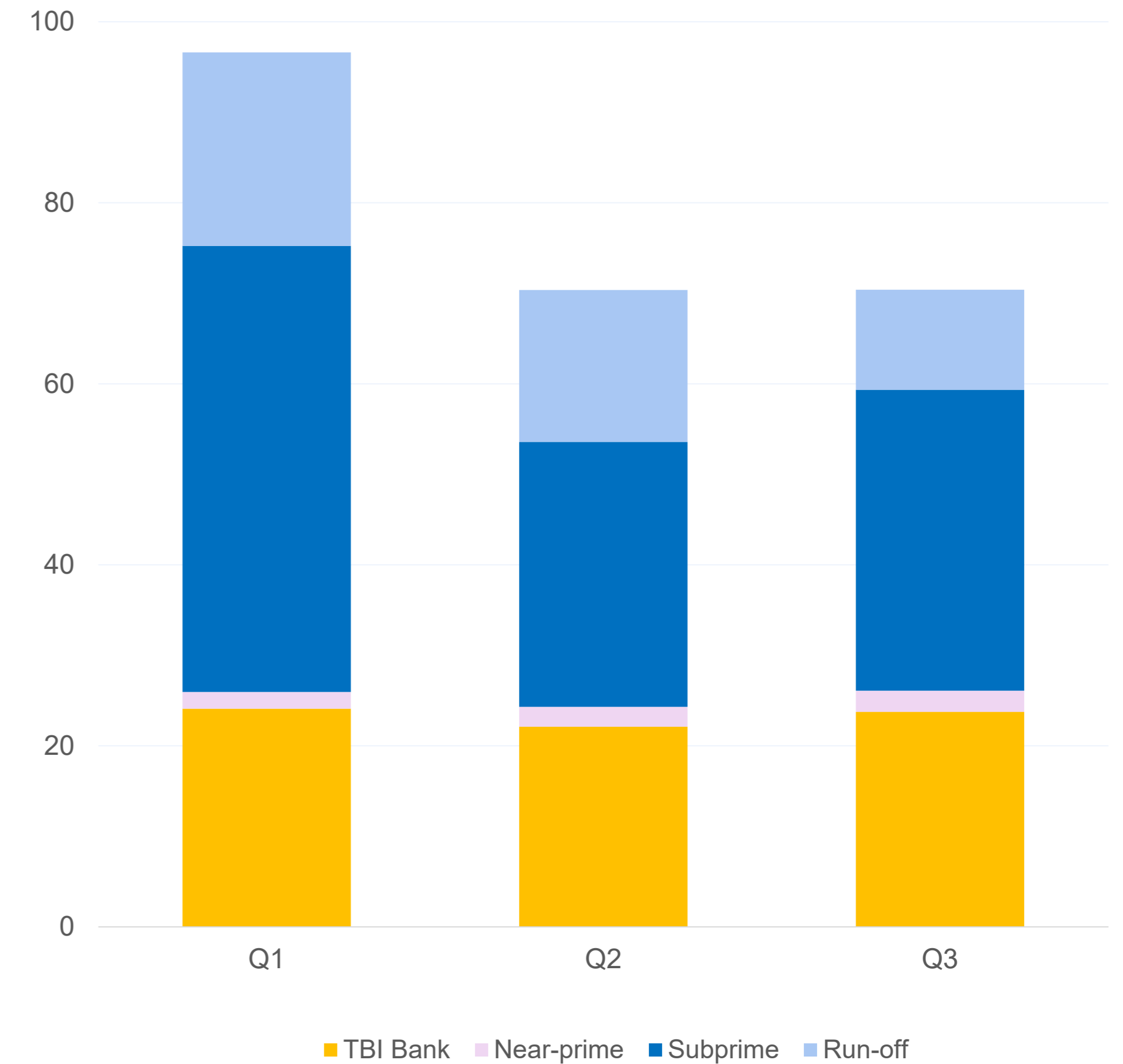
AR New
AR Returning

New customers



Quarterly interest income

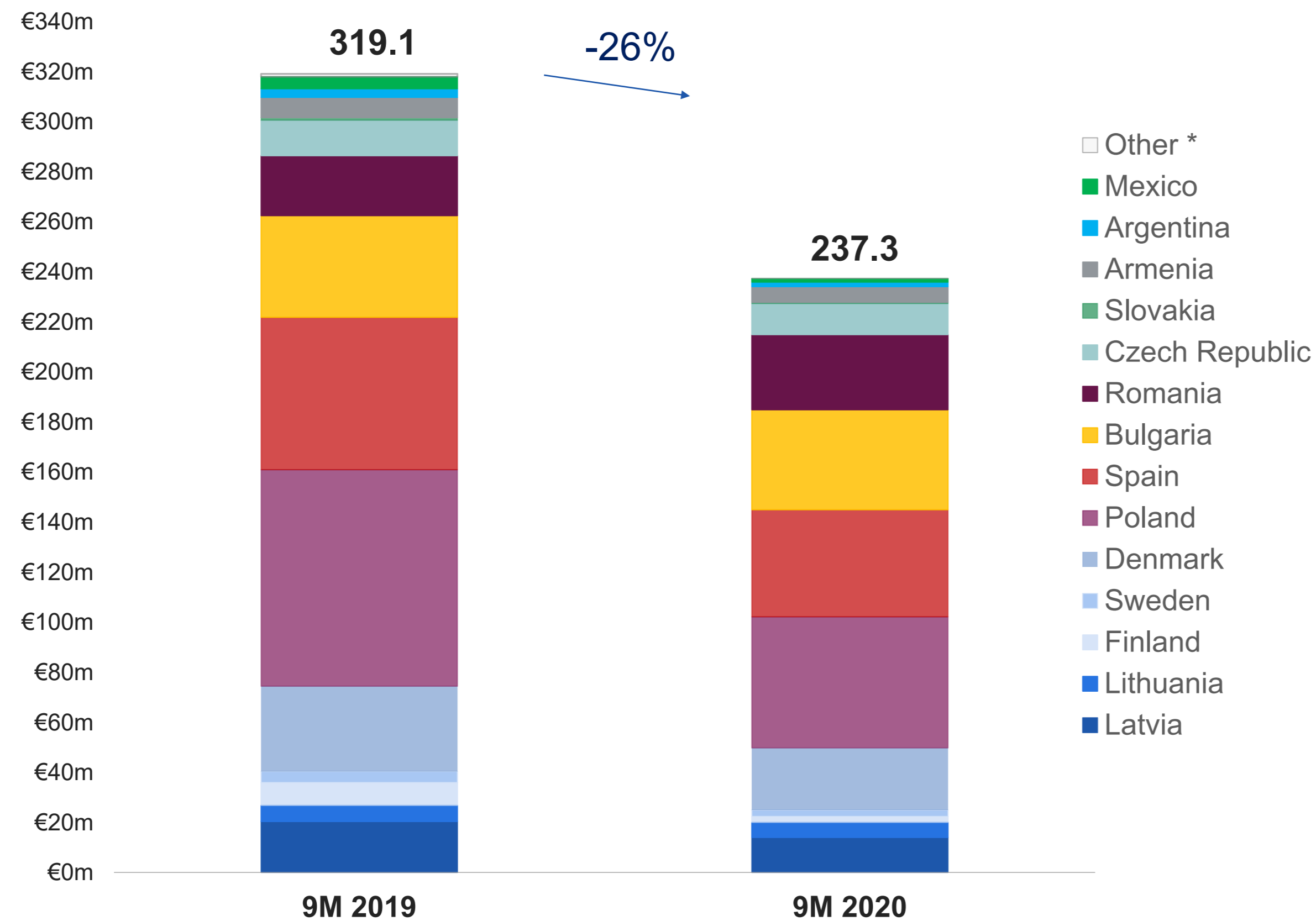
€m



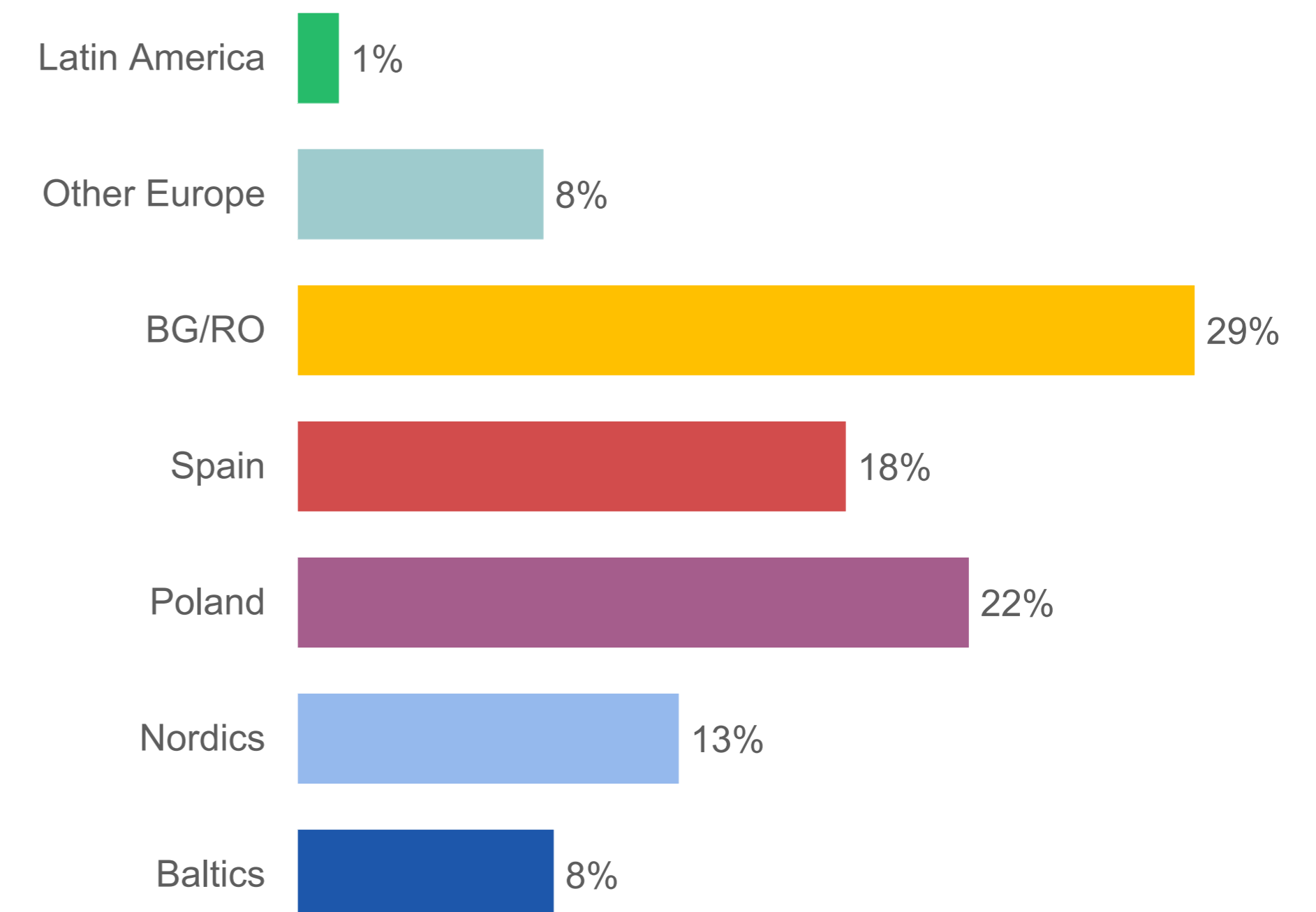
Note (1): Run-off products represent those where issuance has stopped or is planned to stop. Acceptance rates shown for short-term products to illustrate relative trends for new and returning customers

Interest income remains well diversified

Interest income by country



9M 2020 interest income: €237.3m



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

Operating cost drivers

- Operating costs down 17% year-on-year vs revenue down 26%
 - Further quarterly reduction of costs in Q3 in the online business, despite additional QoQ marketing investment of €2.5m
 - Staff costs reduced in Q3, despite including nearly €1m in severance costs groupwide
 - Lower volume related costs (eg application processing) and travel spend
- Redoubling efforts to align cost base to evolving market and product footprint
 - Moving to structurally lower HQ costs (staff numbers, overheads, management structure)
 - Implementing most efficient process for markets to be exited (eg Mexico sale vs Argentina gradual wind-down)
 - IT efficiencies (eg move to cloud-based servers)
 - Keep operational focus and discipline
 - Cost control a key feature of ongoing 2021 budgeting process

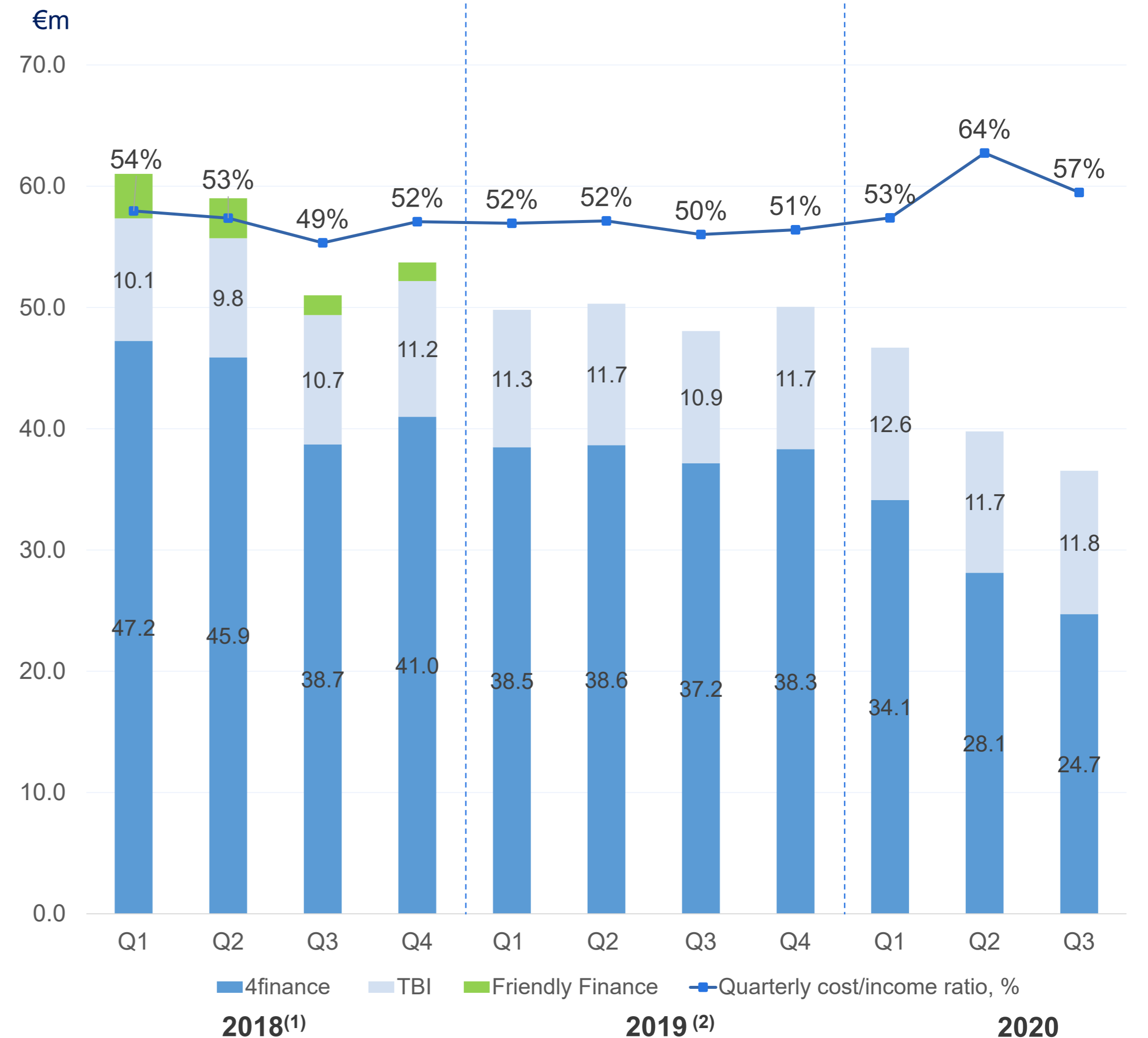
Notes:

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

(2) Q4 2019 costs have been adjusted to reflect audited figures

See appendix for definitions of key metrics and ratios

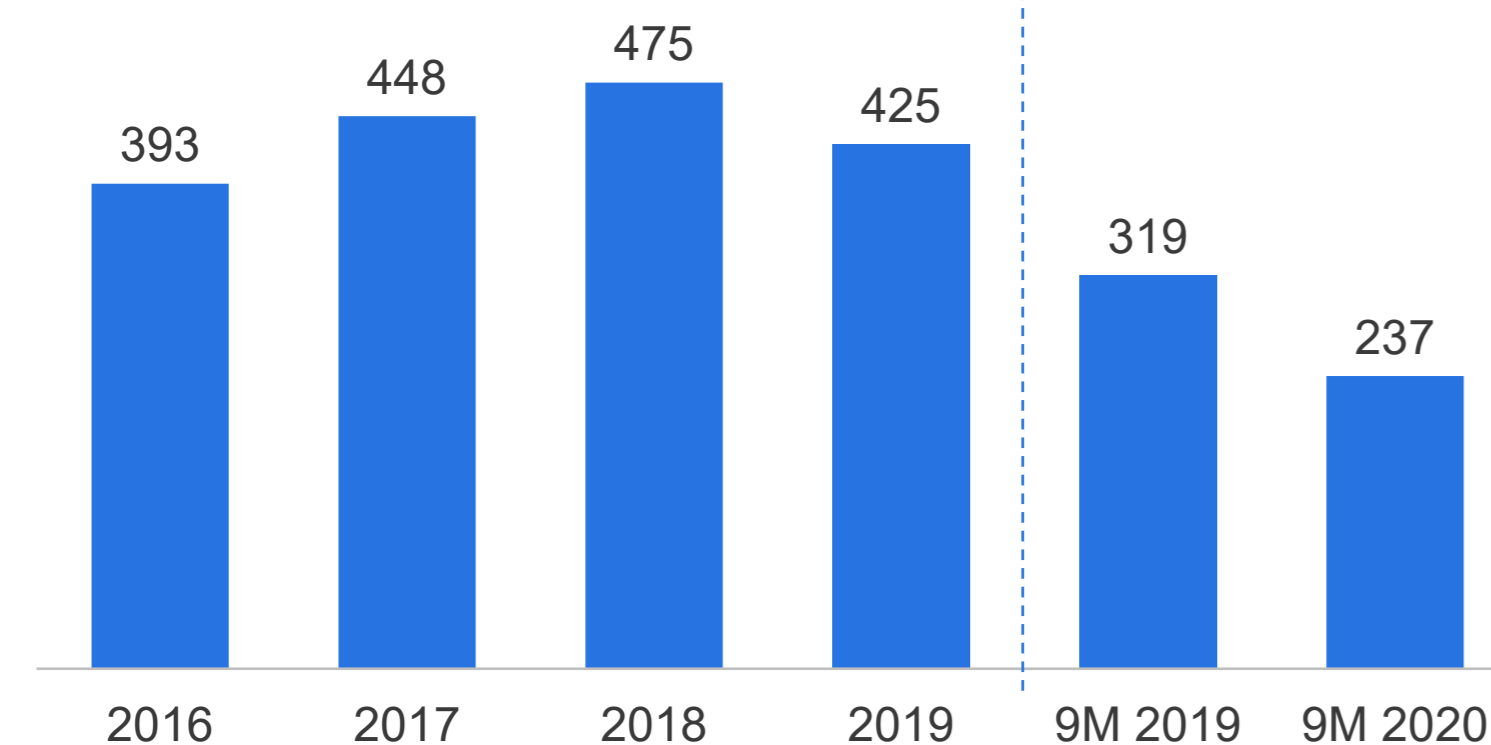
Total operating costs (1)



Strong financial track record

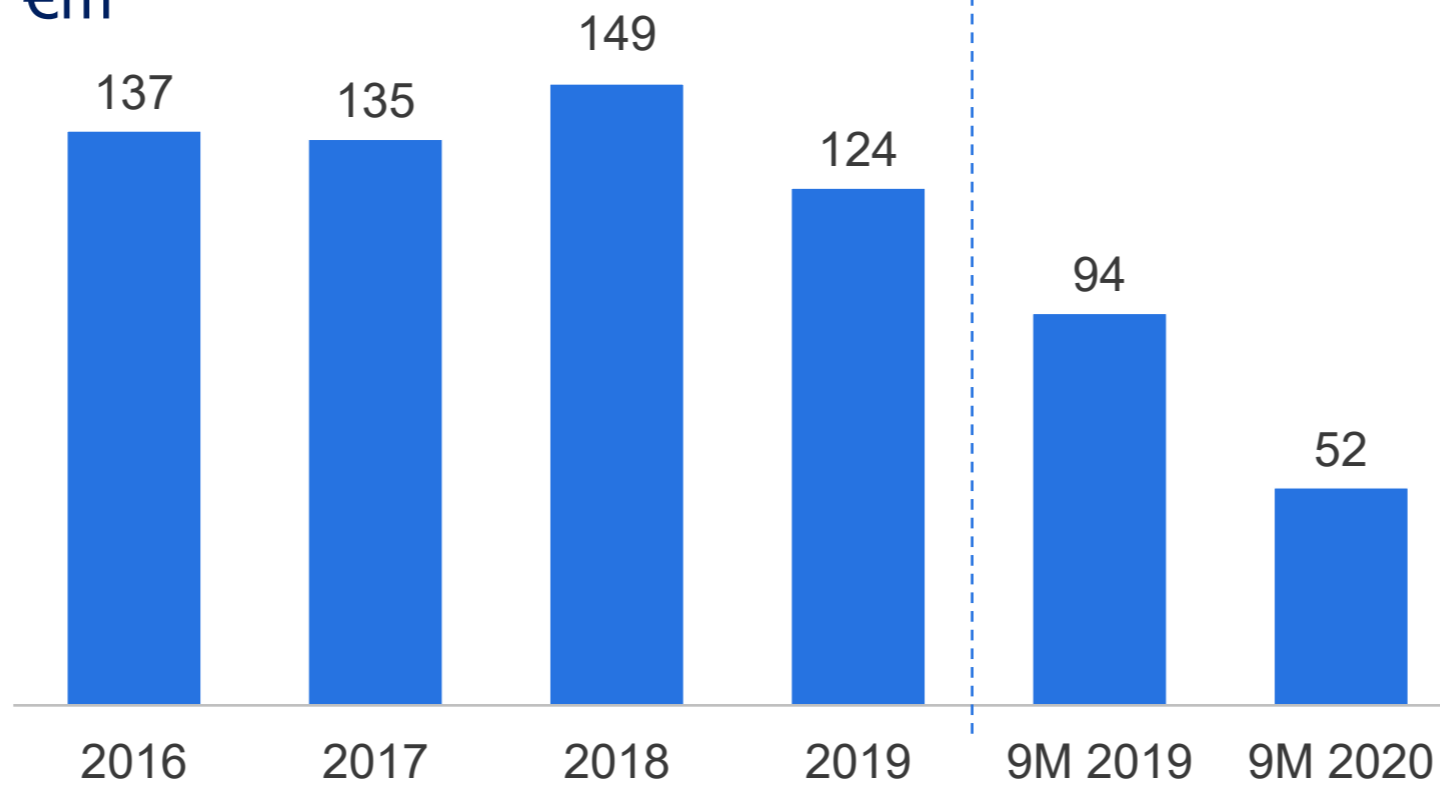
Interest income

€m



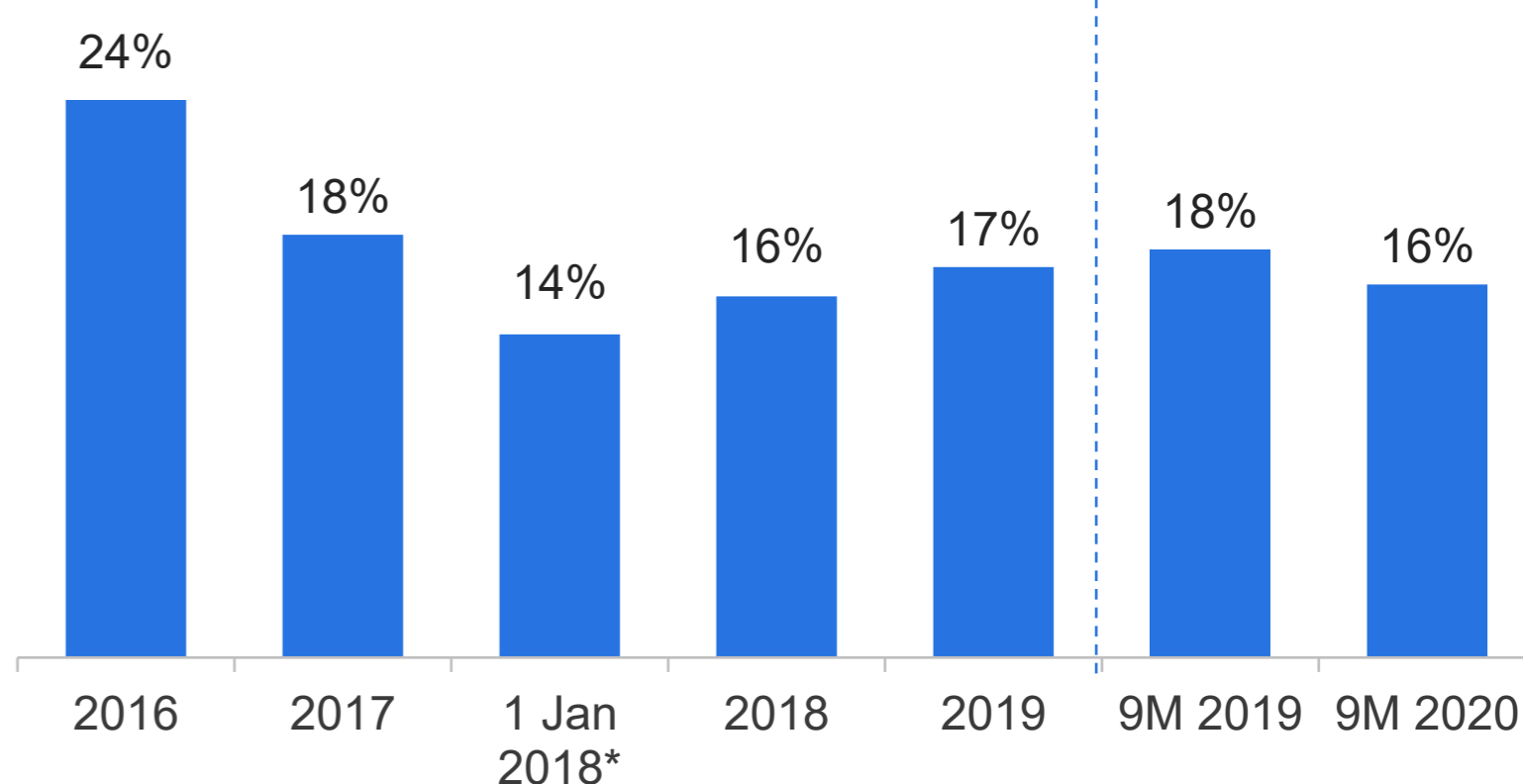
Adjusted EBITDA

€m



Equity / assets ratio

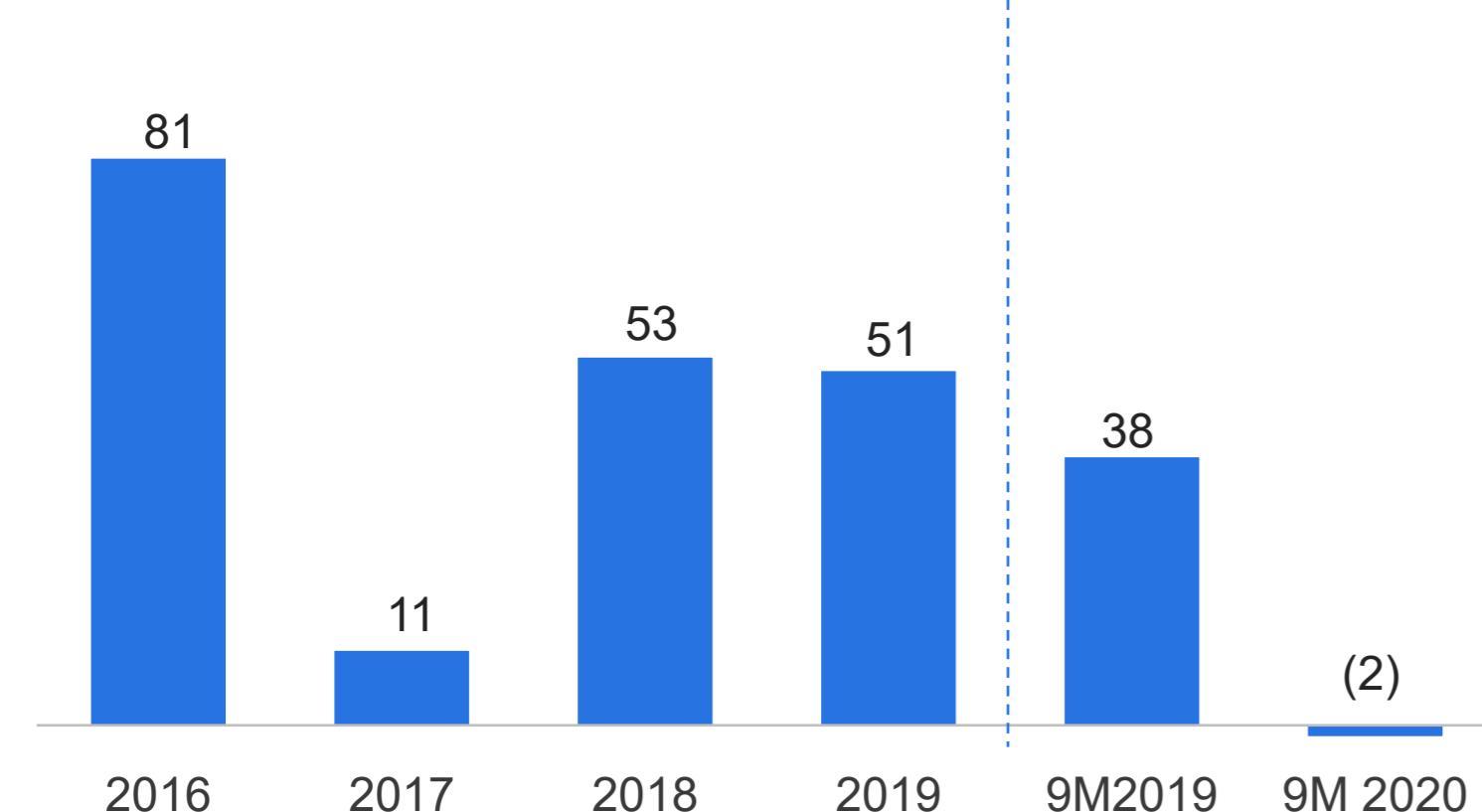
%



* Post IFRS 9

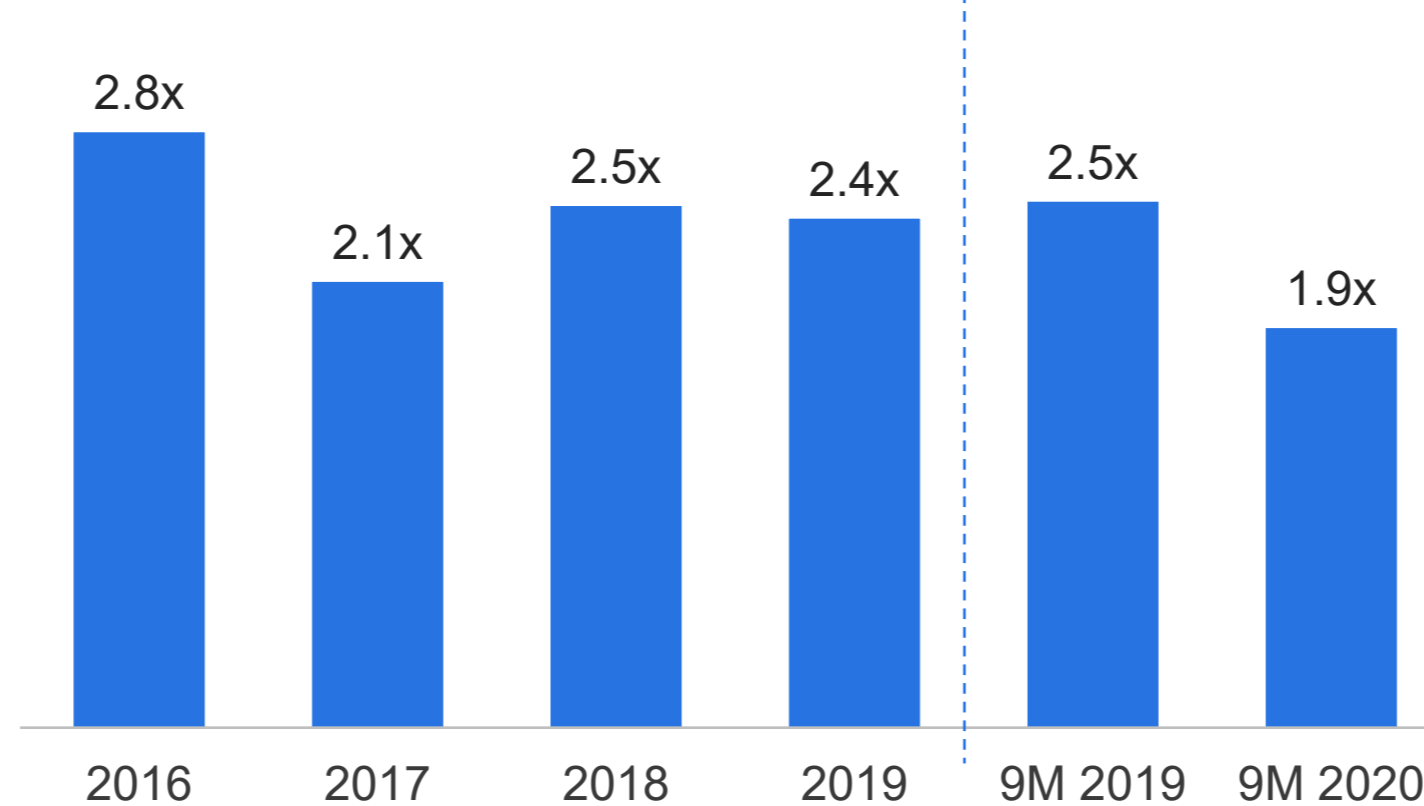
Profit before tax

€m



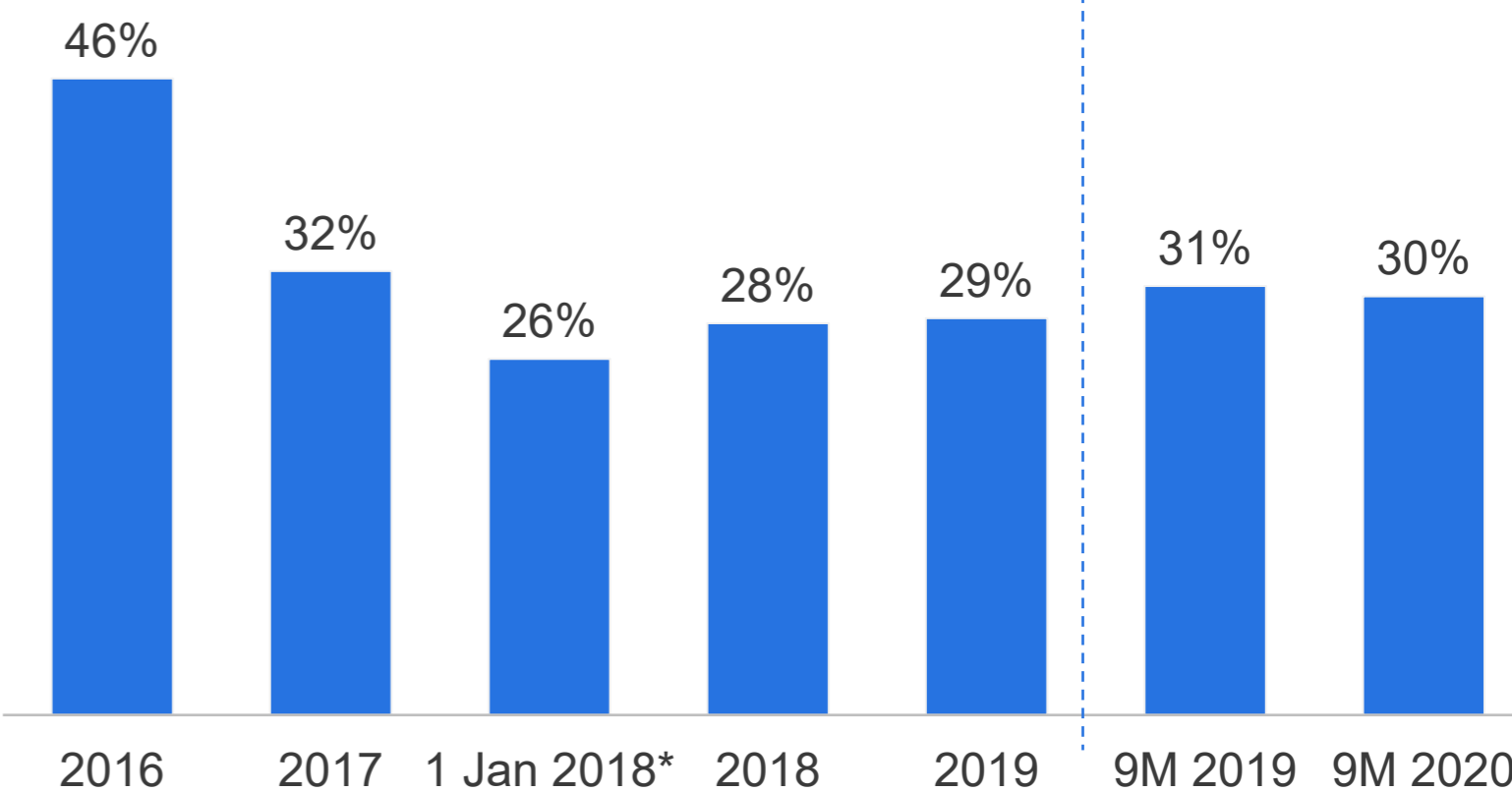
Covenant interest coverage ratio⁽¹⁾

Times



Equity / net receivables ⁽²⁾

%



* Post IFRS 9

Note (1): The graph is shown based on full covenant calculation of interest coverage ratio, based on proforma last twelve month figures, as at the date of publication of the respective period results. The calculation was updated in Q2 2020 to exclude certain non-cash accruals within interest expense (see page 8 of the Q2 2020 results report for further details)

(2): The full covenant calculation of equity/net loans includes related party loans and finance leases, and is currently 27%

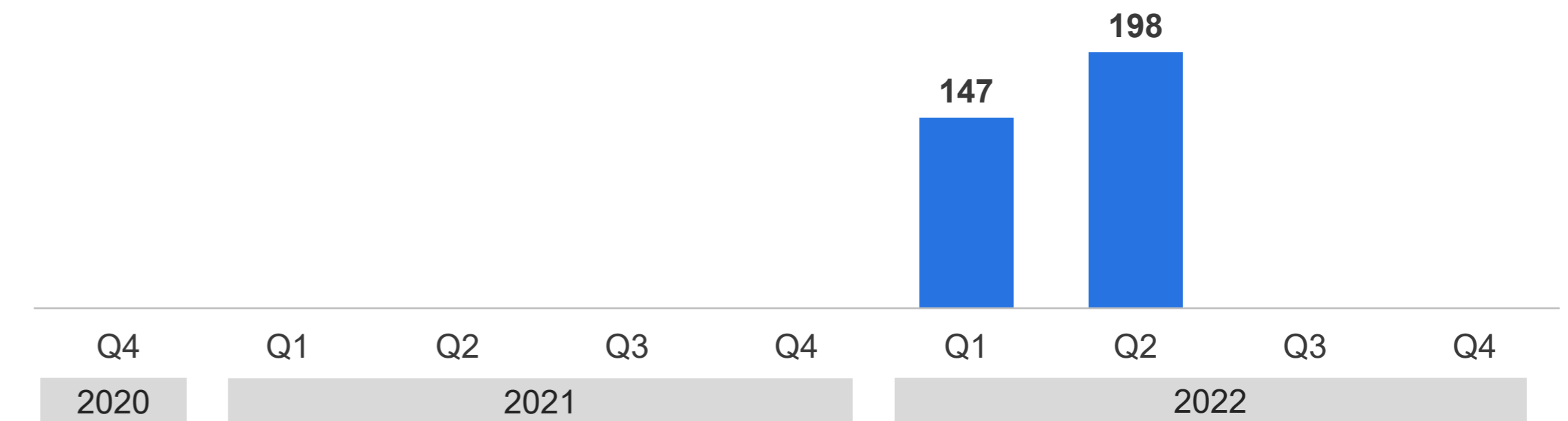
Funding strategy

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

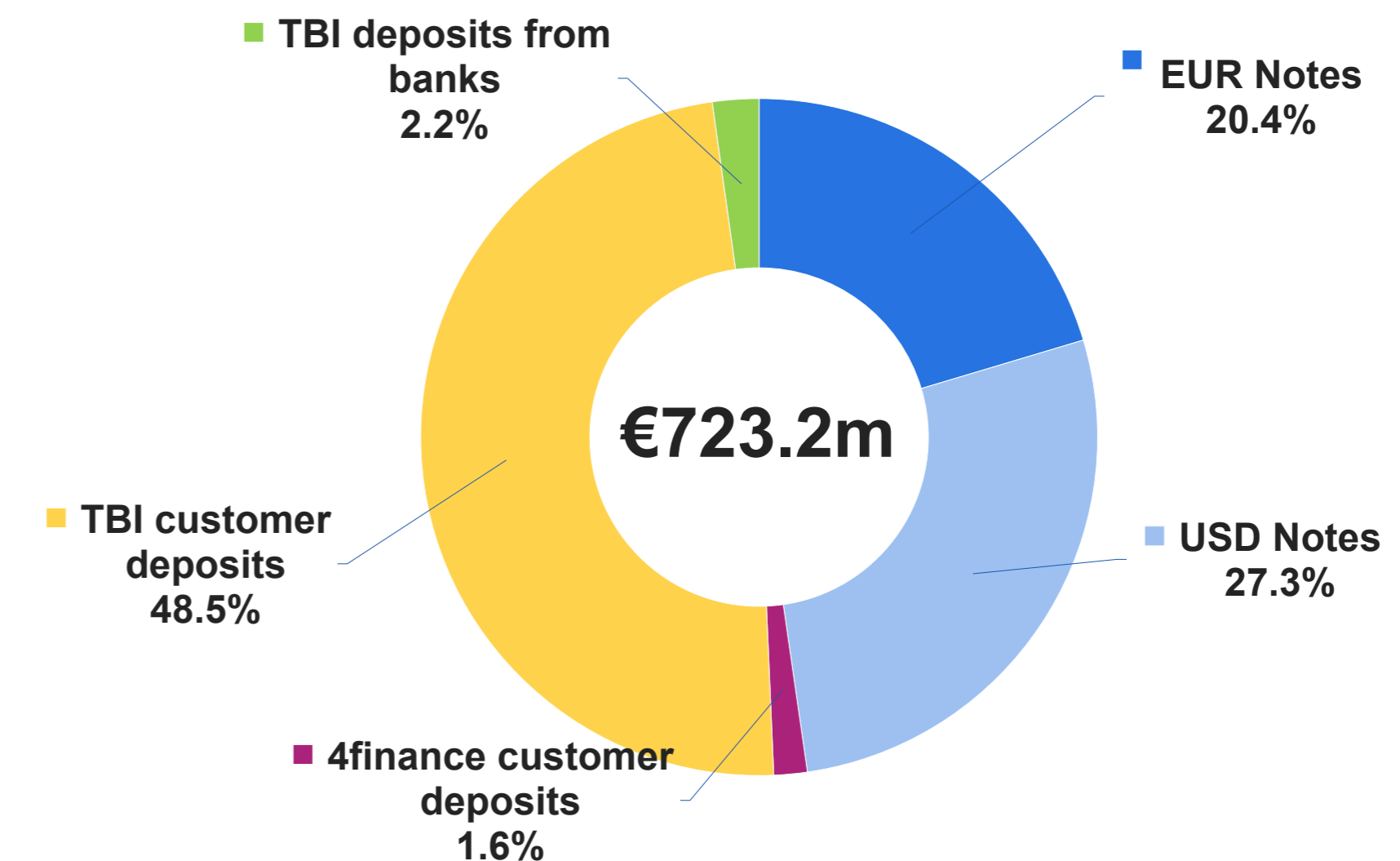
- Strong cash generation and cash position
 - Cash generated from portfolio, particularly in Q2
 - Online cash c.€90m at end October
 - TBI Bank increased deposit levels in 2020 and has strong liquidity ratios
- Accessing TBI Bank balance sheet to fund online loans
 - Successful series of portfolio sales of Polish instalment loans completed
 - Passport application for Lithuania under more detailed review due to Covid-19, with initial sales now likely in Q1 2021
- Further de-leveraging already achieved in 2020
 - \$46.9m of USD Bonds and €1.1m of EUR Bonds purchased in 2020 year-to-date
 - Retain ongoing flexibility to buy back bonds with spare liquidity
- Strong capital position
 - 30% equity / net receivables ratio
 - No dividend intended to be paid by 4finance Holding SA in 2020
 - TBI Bank capital adequacy c.20% after adoption of 2019 profit
- Successful extension of EUR bond maturity to Feb 2022
 - Allows financial results and markets to normalise prior to addressing longer-term capital structure

Debt maturity schedule, 30 September 2020 ⁽¹⁾

€m



Overview of funding structure, 30 September 2020 ⁽²⁾



Notes:

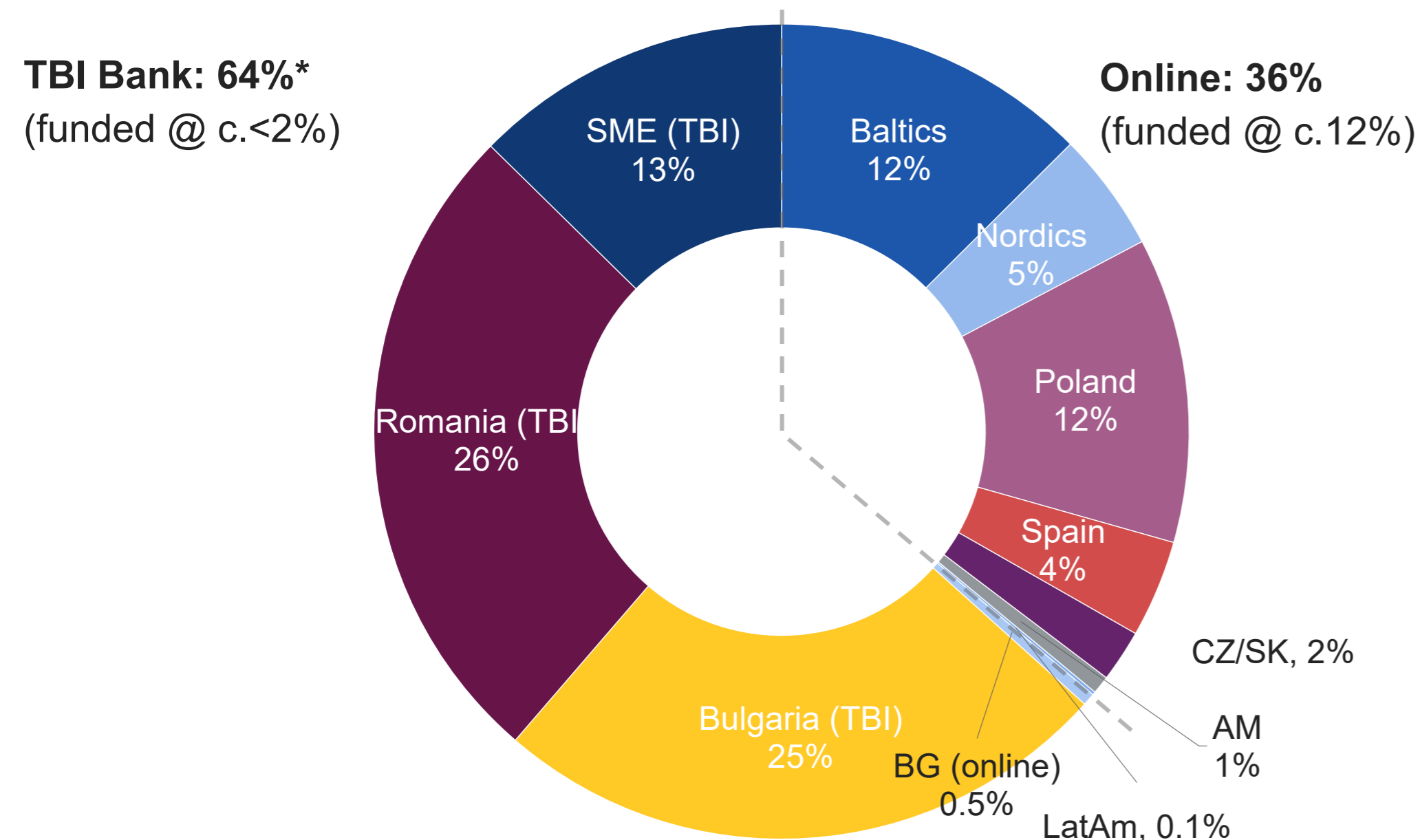
(1) Represents the principal value of public bonds outstanding that comes due in each respective period, net of buybacks and bonds owned by TBI Bank

(2) The chart reflects the principal and accrued interest amounts of each of the instruments, net of buybacks and bonds owned by TBI Bank

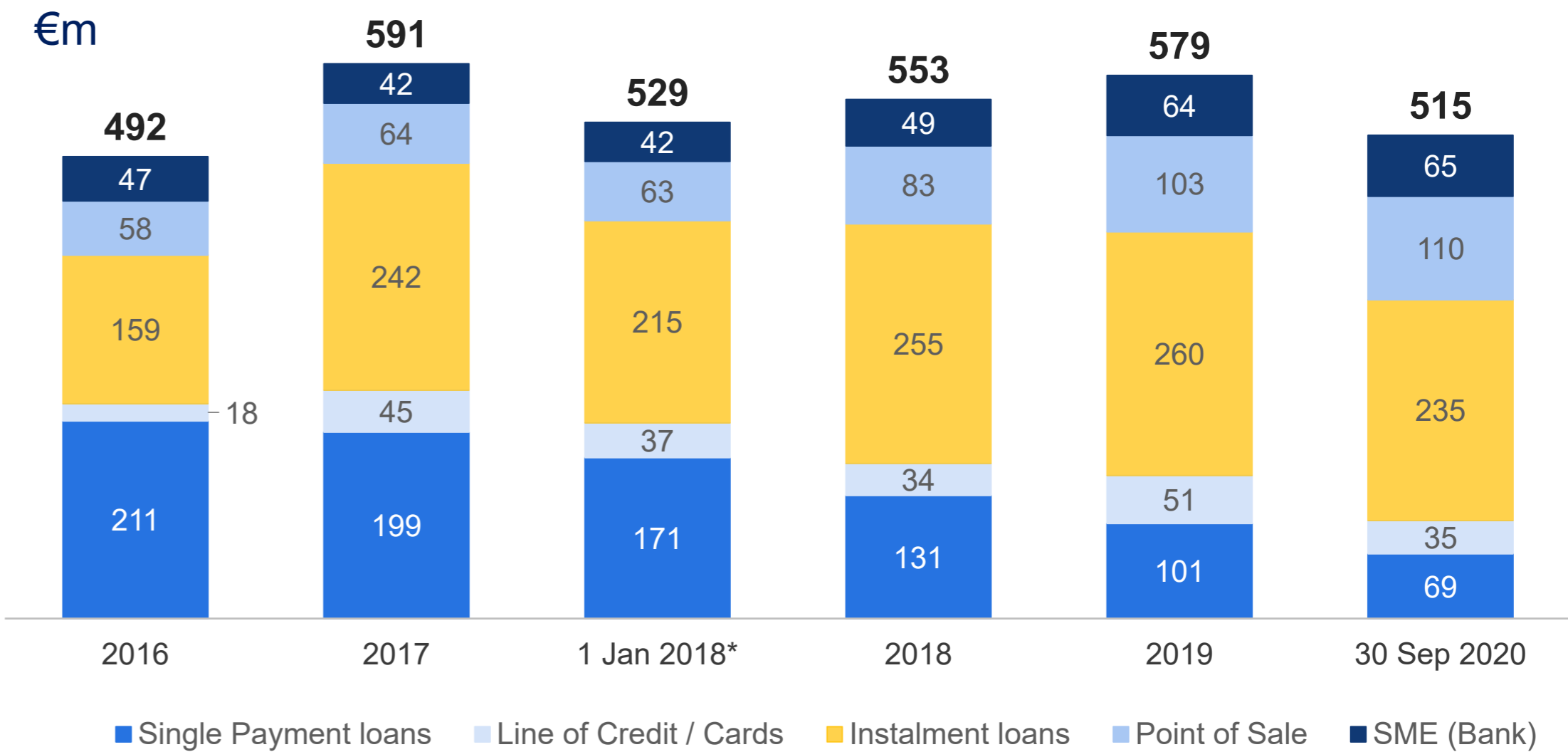
Diversified loan portfolio

- Increased loan issuance in Q3 supported net receivables growth, partly offset by debt sales in the online business
- Overall net receivables totals €515m
 - 3% increase during Q3
 - 87% consumer loans

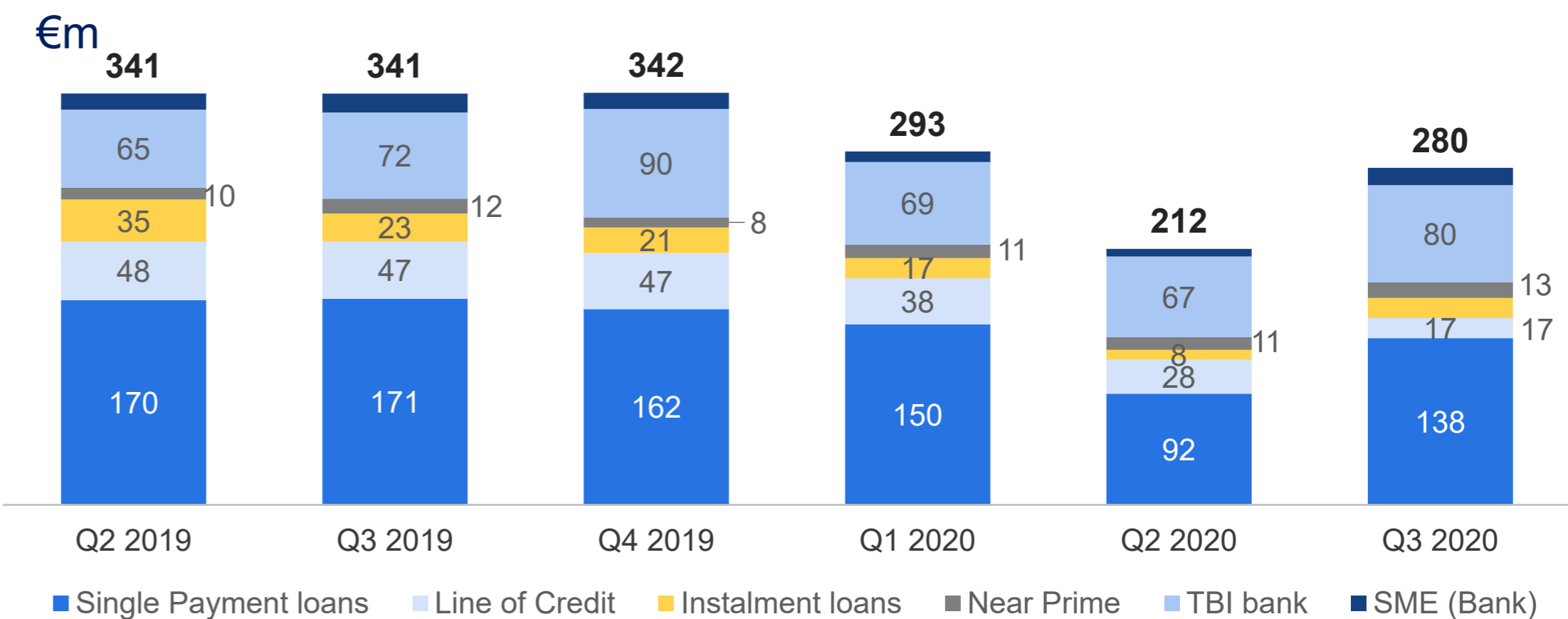
Net receivables, 30 September 2020



Net receivables ⁽¹⁾



Loans issued ⁽¹⁾



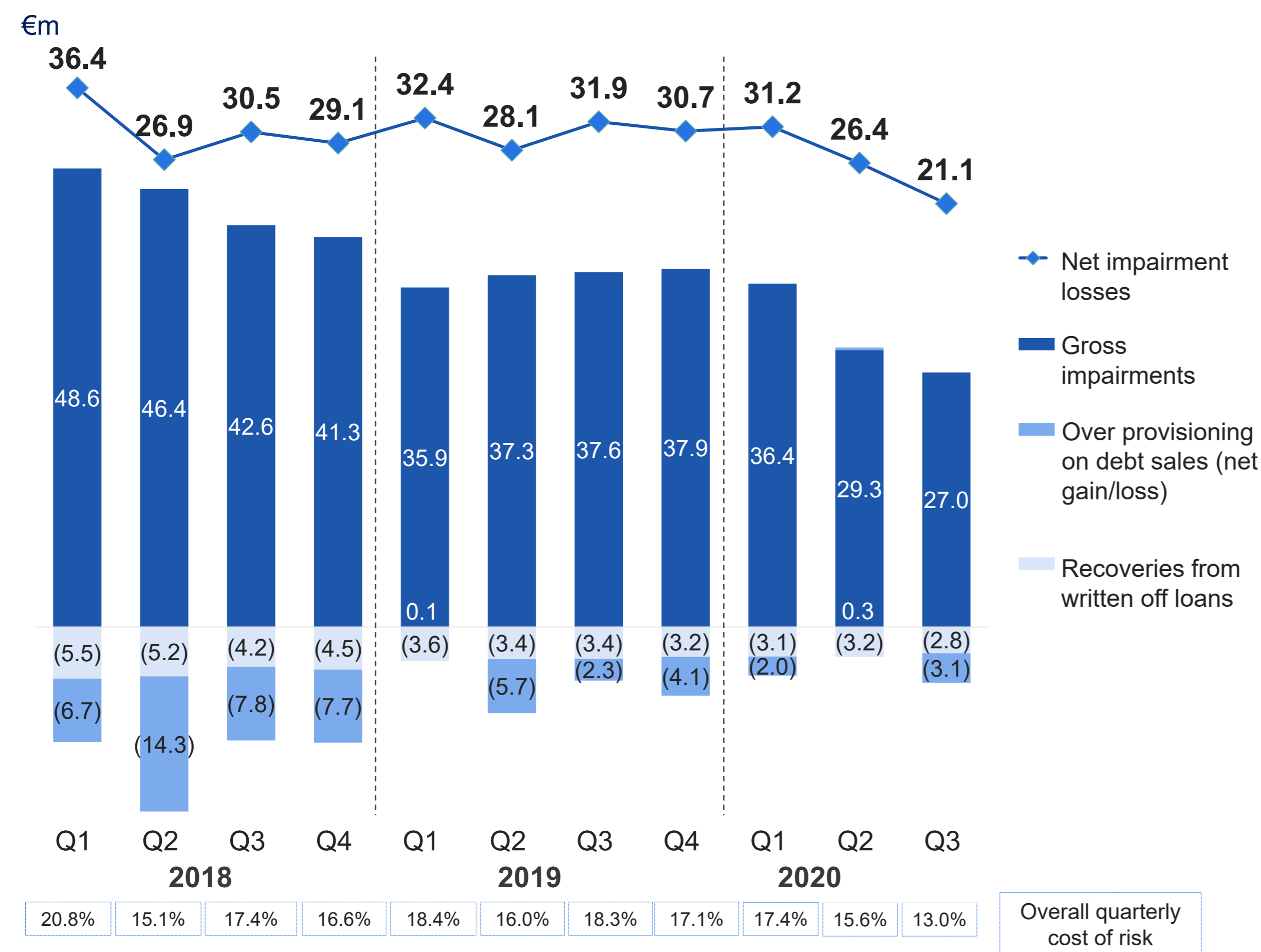
Notes:

(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

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

Analysis of net impairments and cost of risk

Net impairment charges by quarter ⁽¹⁾



- Reduction in Q3 quarterly net impairment charge, due to stable risk performance, lower portfolio levels in online lending and with resumption of debt sales
 - Most products in line with expectations. Some further impairment in Armenia given macro developments
 - Overall impact of Covid-19 increased net impairments by approximately €3 million in Q1, €4m in Q2 and €3m in Q3
- Much lower quarterly cost of risk overall, given improvement in online and increased share of TBI Bank in the portfolio
 - Overall cost of risk 15.2% (9M 2020, including TBI Bank) vs 17.3% (9M 2019)
 - Online cost of risk 26.6% vs 27.6% (9M 2019)
 - Net impairment / interest income 33.2% vs 29.0% (9M 2019)
- Continue to monitor and adjust risk parameters across markets as economies have gradually re-opened
 - 170 changes to underwriting and debt collection scorecards/policies
 - Ongoing regular reviews by market (eg Spain, Poland)

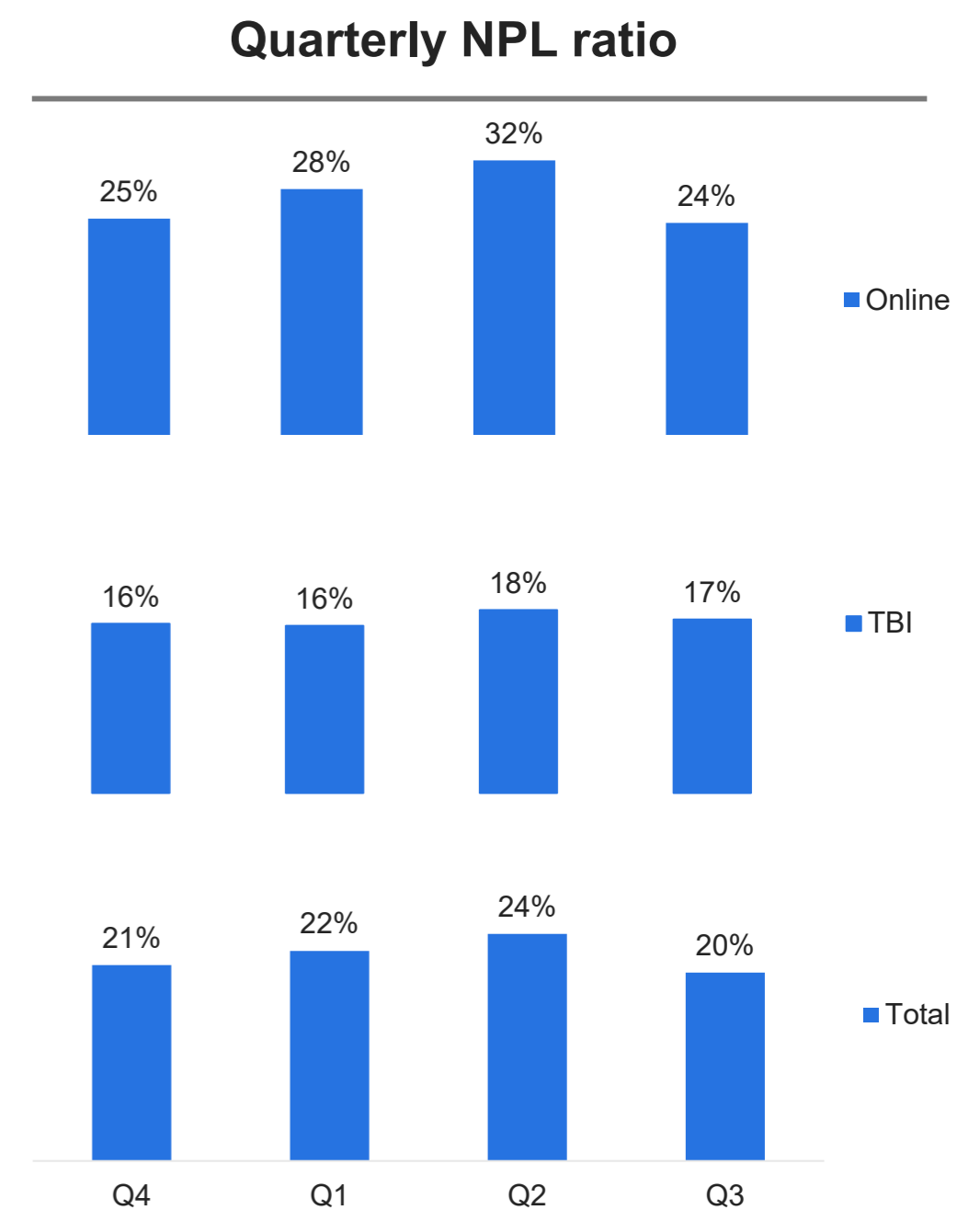
Note (1) Q4 2018 and 2019 figures have been adjusted to reflect audited figures

See appendix for definitions of key metrics and ratios

Asset quality and provisioning

- Gross NPL ratios decreased due to debt sales and asset quality relatively stable. Coverage ratios remain c.100%
 - Online gross NPL ratio 24.4% as of September 2020, compared with 24.9% as of December 2019
 - Overall gross NPL ratio 19.9% as of September 2020 from 20.7% as of December 2019
- Debt sales activity has now largely resumed in most markets. Significant Q3 sales in Spain, Poland and Czech Republic

	30 September 2020				31 December 2019			
	Gross amount	Impairment allowance	Net amount	% of Gross Amount	Gross amount	Impairment allowance	Net amount	% of Gross Amount
€m, except percentages								
Online receivables								
Performing ⁽¹⁾	202.6	(23.7)	178.9	75.6%	285.5	(45.6)	239.9	75.1%
Non-performing ⁽²⁾	65.5	(55.5)	10.0	24.4%	94.6	(69.1)	25.5	24.9%
Online total	268.0	(79.2)	188.8	100.0%	380.1	(114.7)	265.4	100.0%
TBI Bank receivables								
Performing ⁽¹⁾	313.2	(14.3)	298.9	83.4%	296.4	(12.0)	284.4	83.8%
Non-performing ⁽²⁾	62.4	(35.0)	27.4	16.6%	57.1	(28.0)	29.1	16.2%
TBI Bank total	375.6	(49.3)	326.3	100.0%	353.5	(40.1)	313.5	100.0%
Overall group receivables								
Performing ⁽¹⁾	515.7	(37.9)	477.8	80.1%	581.9	(57.7)	524.2	79.3%
Non-performing ⁽²⁾	127.9	(90.6)	37.3	19.9%	151.7	(97.1)	54.6	20.7%
Overall total	643.6	(128.5)	515.1	100.0%	733.7	(154.8)	578.9	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)

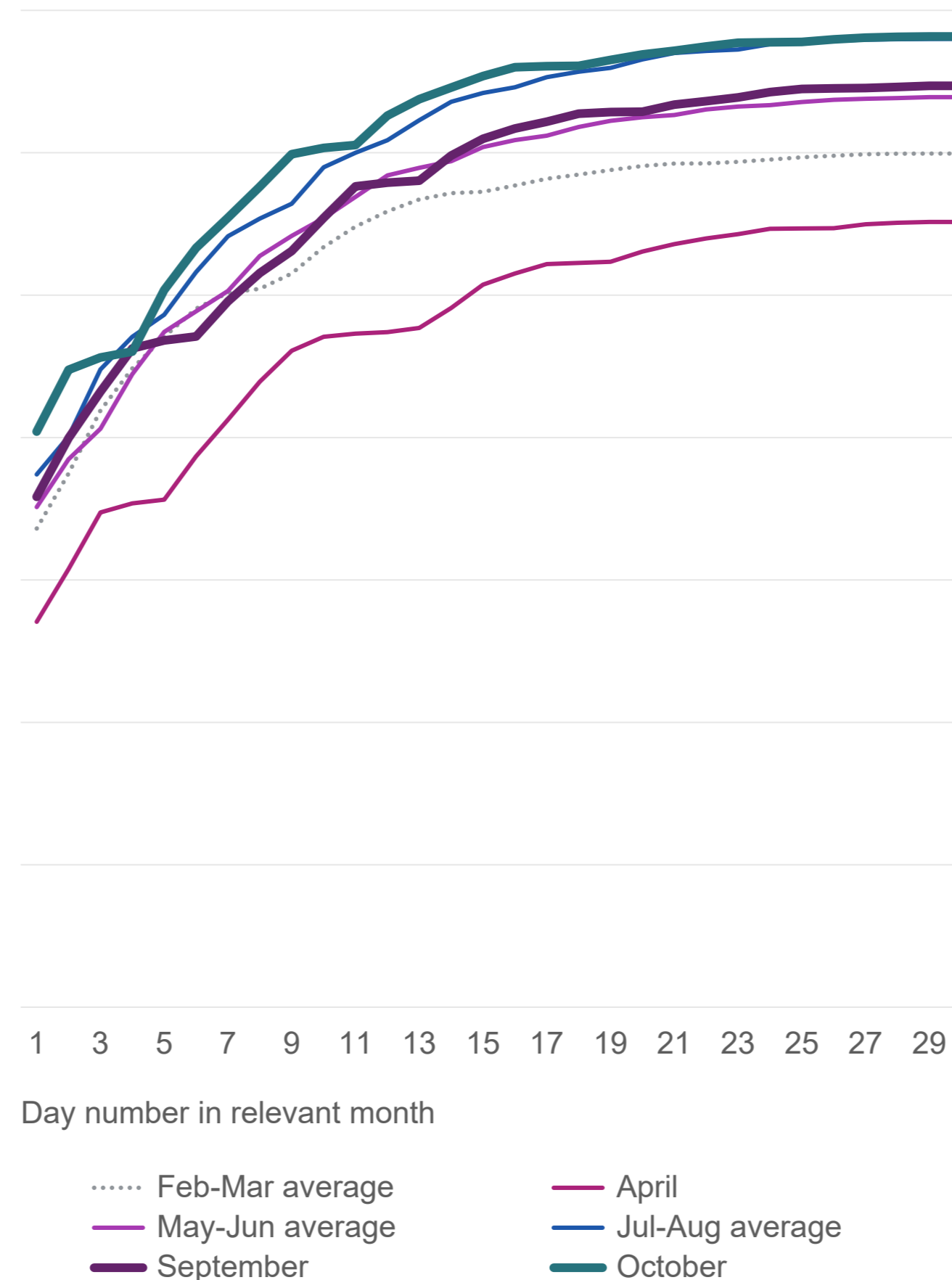
Recent collections performance

- Continue to see strong repayment dynamics post summer
 - Single payment loan repayments remain above pre-Covid levels despite increased volume
 - Strong Sep-Oct results in instalment loans
- Levels of payment deferrals, either proactively offered by 4finance, or offered in accordance with local regulation, remain relatively limited
 - Czech Republic & TBI Bank are only significant markets

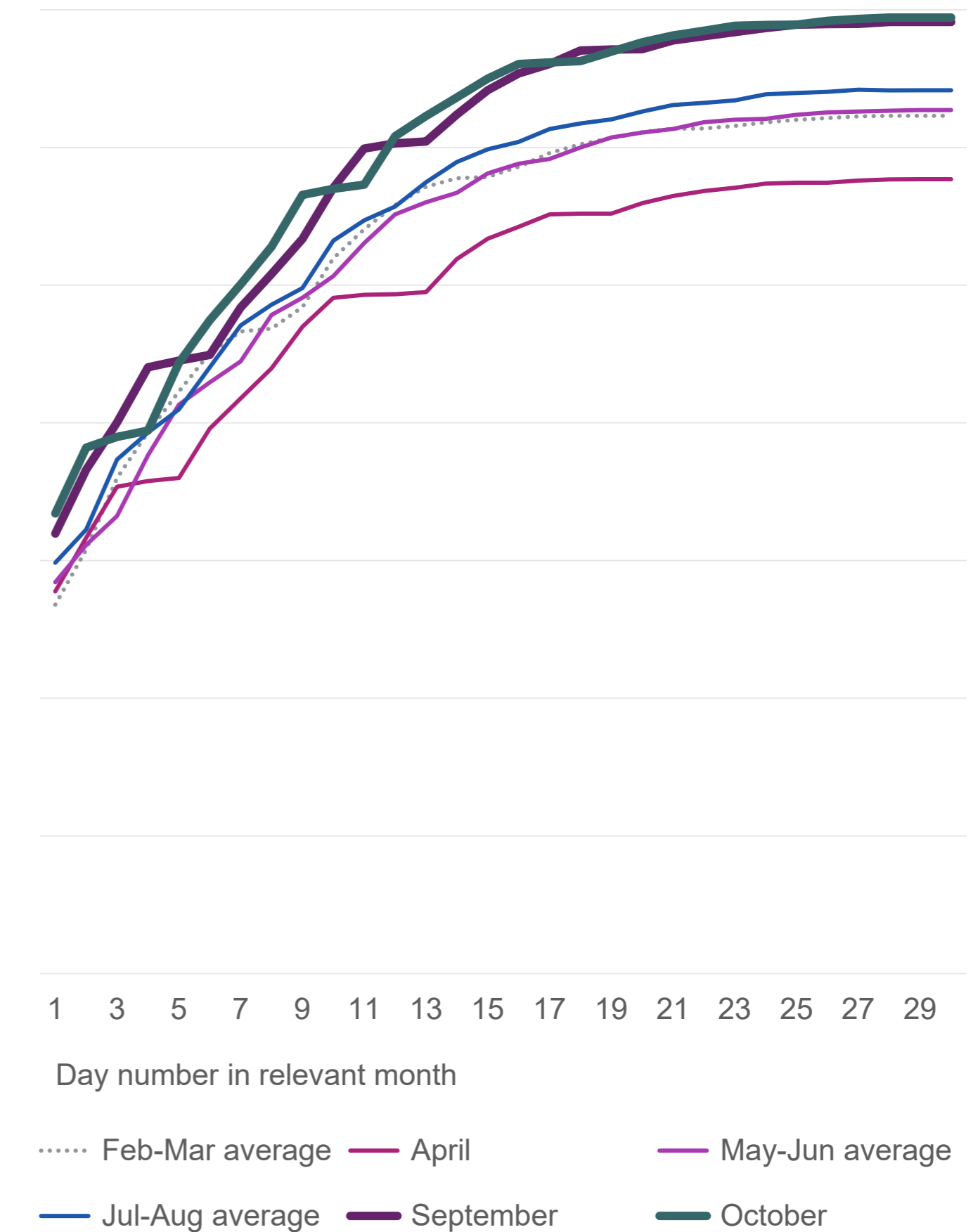
Payment deferral take-up in selected markets (end Sept) (% of eligible portfolio by value)

Poland	<1%
Spain	<1%
Denmark	<1%
Baltics	<1%
Czech Republic	11%
TBI consumer	17%
TBI SME	43%

Repayment dynamics (single payment)



Repayment dynamics (instalment)



Repayment dynamics graphs represent cumulative sum of payments and extensions performed at under 30 DPD as a % of amounts due in the prior month. For example, October line shows progress by day in June of repayment/extension of amounts that were due at any time in September and performed within 30 days of the due date

Summary

Pro-active response to Covid-19 across the business, with good results

- Rapidly adapted operations to home working, ensuring employee safety and continuous services for customers
- Focus on risk management, but remained “open for business” throughout, particularly for our returning customers
- Strong repayment dynamics supported increased issuance throughout spring/summer, stabilising revenues in Q3

Taking the necessary steps to adapt to the ‘new reality’

- Streamlining footprint, focusing on key markets and right-sizing cost base, with transition to leaner HQ team
- Optimising subprime business and capturing revenue growth opportunities
- Greater alignment with TBI Bank, using it to power near-prime growth

Solid balance sheet and funding position, following successful bond amendment

- Continued strong liquidity position in both ‘online’ and TBI Bank even after significant bond buybacks to reduce leverage
- Extension of EUR bond maturity into 2022 allow financial results and markets to normalise prior to addressing longer-term capital structure
- Strong track record of working with bondholders to achieve successful refinancings

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

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 (9M 2020)	Products ⁽¹⁾	Regulator	CB ⁽²⁾	License required ⁽³⁾	Interest rate cap ⁽¹⁾	Status
Argentina	1%	SPL	Consumer Protection Directorate	-	-	-	
Armenia	3%	LOC	Central Bank of the Republic of Armenia	Yes	Yes	Nominal	
Bulgaria – Online	2%	SPL	Bulgarian National Bank	Yes	Yes	APR (inc. fees)	Stable framework
Bulgaria – Bank	15%	IL, LOC, POS, SME					
Czech Republic	5%	SPL, IL	Czech National Bank	Yes	Yes	-	Stable framework
Denmark	10%	LOC, IL	FSA and Consumer Ombudsman	Yes	Yes	APR & TCOC	Danish FSA licensing process ongoing. New regulations regarding interest rate caps (35% APR cap, 100% cost of credit cap) and marketing restrictions since July 2020
Finland	1%	IL ⁽⁴⁾	Finnish Competition and Consumer Authority	-	-	Nominal & fees	New interest rate caps in force from September 2019. Further temporary reduction to 10% from July to December 2020

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. Discontinued in Q2 2020

Regulatory overview (continued)

Country	% of interest income (9M 2020)	Products ⁽¹⁾	Regulator	CB ⁽²⁾	License required ⁽³⁾	Interest rate cap ⁽¹⁾	Status
Latvia	6%	MTP, IL	Consumer Rights Protection Centre	-	Yes	Nominal, fees & TCOC	Stable framework since new interest rate caps in July 2019
Lithuania	3%	SPL, IL	Central Bank of Lithuania	Yes	Yes	Nominal, fees & TCOC	Stable framework
Poland	22%	SPL, IL	Office of Competition and Consumer Protection	-	-	Nominal, fees & TCOC	Non-interest cost caps adjusted in April 2020 for one year to 15% fixed and 6% annual with a 45% total limit
Romania	13%	IL, LOC, POS, SME	National Bank of Romania	Yes	Yes	-	New interest rate cap for >€3k loans is approved but challenged in the Constitutional Court
Slovakia	<1%	SPL	National Bank of Slovakia	Yes	Yes	APR (inc. fees)	Stable framework
Spain	18%	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

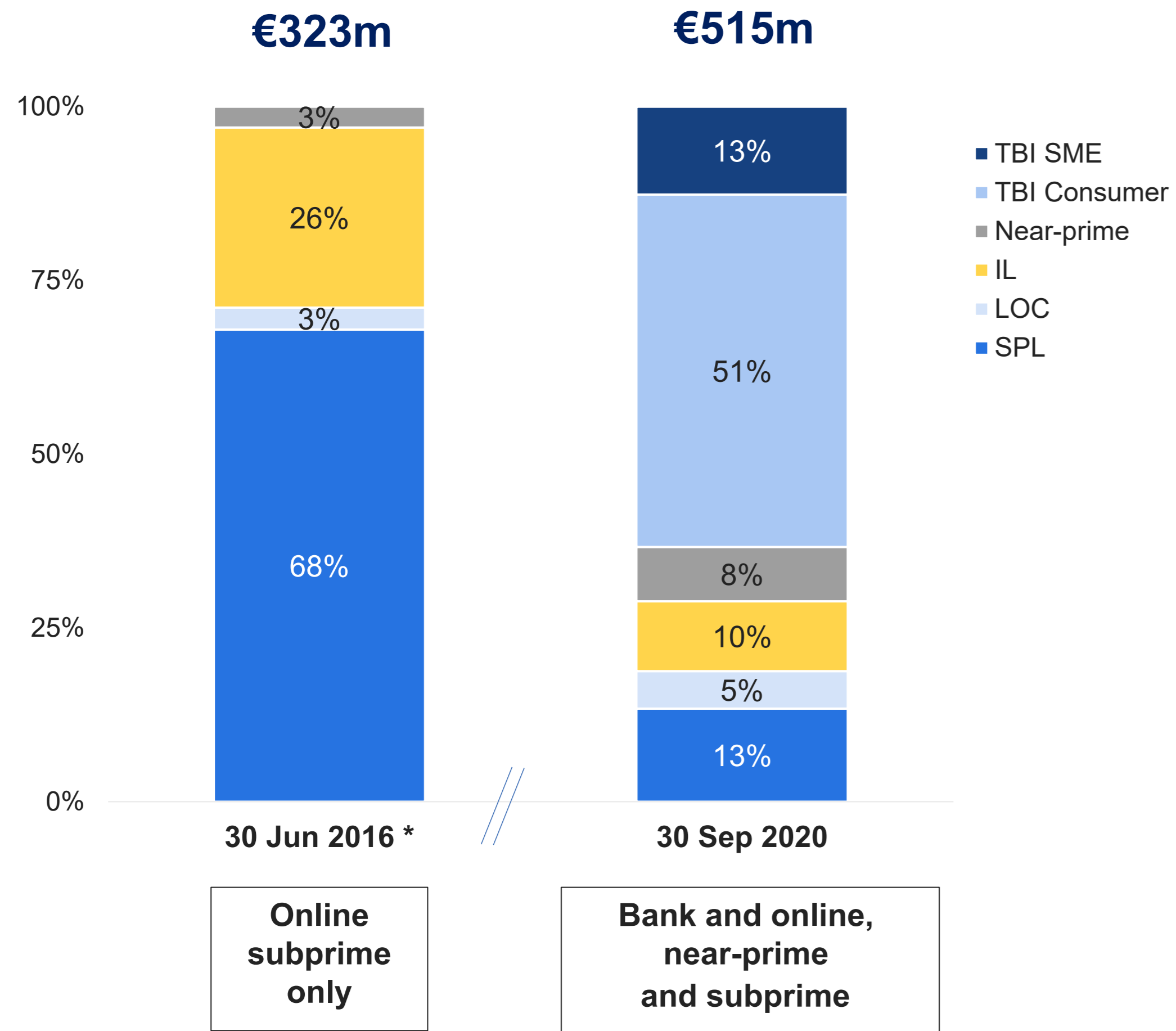
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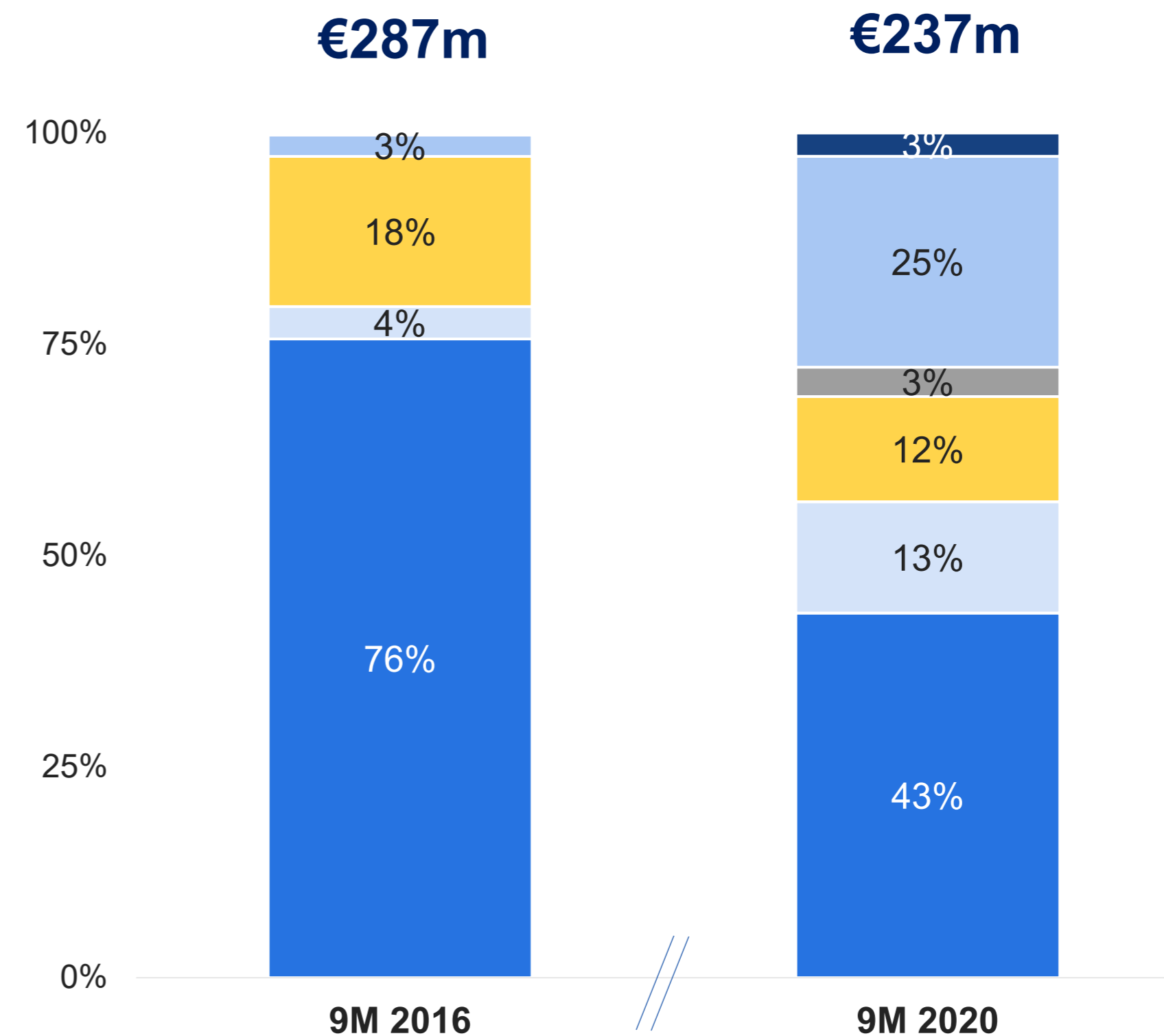
Appendix – strategic evolution of portfolio

Evolution of product mix

Net receivables by product ⁽¹⁾



Interest income by product ⁽¹⁾



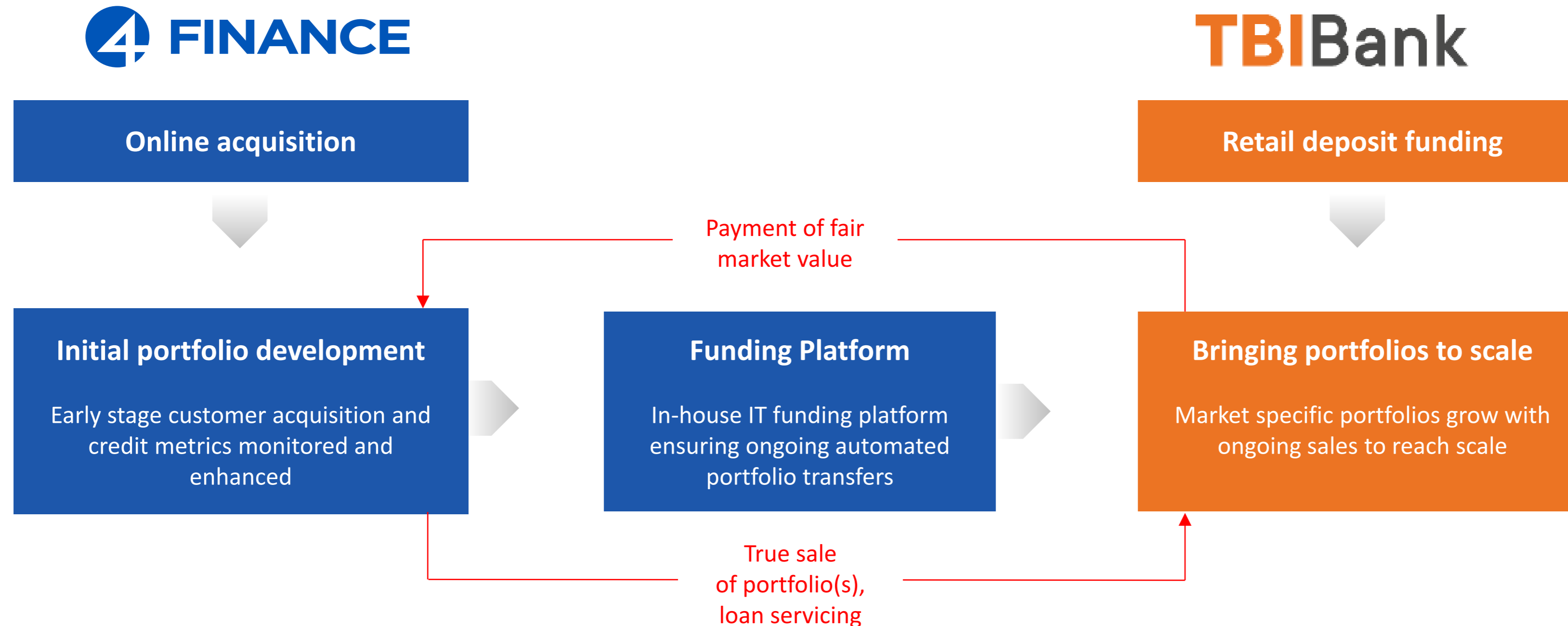
Note:

(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

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⁾

- Sales of Polish instalment loans from September 2019 to March 2020
- Passporting application submitted 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

Appendix – financials and key ratios

Income statement

<i>In millions of €</i>	9M 2020 (unaudited)	9M 2019 (unaudited)	% change YoY
Interest Income	237.3	319.1	(26)%
Interest Expense	(37.9)	(44.2)	(14)%
Net Interest Income	199.5	274.9	(27)%
Net F&C Income	6.6	6.4	4%
Other operating income	7.8	6.4	22%
Non-Interest Income	14.5	12.8	13%
Operating Income (Revenue)	213.9	287.7	(26)%
Total operating costs	(123.0)	(148.2)	(17)%
Pre-provision operating profit	90.9	139.5	(35)%
Net impairment charges	(78.7)	(92.4)	(15)%
Post-provision operating profit	12.2	47.1	(74)%
Depreciation and amortisation	(10.8)	(11.6)	(7)%
Non-recurring income/(expense)	4.4	0.5	nm
Net FX gain/(loss)	(6.8)	2.8	nm
One-off adjustments to intangible assets	(0.6)	(0.4)	71%
Profit before tax	(1.7)	38.3	nm
Income tax expense	(13.8)	(17.3)	(20)%
Net profit/(loss) after tax	(15.5)	21.0	nm
Adjusted EBITDA	52.0	93.7	(44)%

Balance sheet

<i>In millions of €</i>	30 September 2020	31 December 2019
Cash and cash equivalents, of which:	163.9	125.7
- Online	92.6	76.7
- TBI Bank	71.3	49.0
Placements with other banks	14.7	6.4
Gross receivables due from customers	643.6	733.7
Allowance for impairment	(128.5)	(154.8)
Net receivables due from customers, of which:	515.1	578.9
- Principal	493.3	548.0
- Accrued interest	21.8	30.9
Net investments in finance leases	4.2	4.7
Net loans to related parties	59.5	60.7
Property and equipment	18.9	17.8
Financial investments	75.0	56.4
Prepaid expenses	3.7	4.5
Tax assets	16.7	21.3
Deferred tax assets	27.5	33.0
Intangible IT assets	14.2	17.8
Goodwill	15.9	16.5
Other assets	26.7	29.5
Total assets	956.0	973.1
Loans and borrowings	345.2	384.6
Deposits from customers	362.0	322.2
Deposits from banks	16.0	13.0
Corporate income tax payable	7.9	9.5
Other liabilities	69.3	78.0
Total liabilities	800.4	807.4
Share capital	35.8	35.8
Retained earnings	149.9	165.7
Reserves	(30.0)	(35.7)
Total attributable equity	155.6	165.8
Non-controlling interests	0.0	(0.0)
Total equity	155.6	165.8
Total shareholders' equity and liabilities	956.0	973.1

Statement of Cash Flows

In millions of €	9 months to 30 September		In millions of € (continued)	9 months to 30 September	
	2020	2019		2020	2019
Cash flows from operating activities			Cash flows used in investing activities		
Profit/(loss) before taxes	(1.7)	38.3	Purchase of property and equipment and intangible assets	(4.8)	(5.3)
<i>Adjustments for:</i>			Net cash from Purchase / Sale of financial instruments	(17.7)	(31.4)
Depreciation and amortisation	10.7	11.6	Loans repaid from related parties	-	4.0
Impairment of goodwill and intangible assets	0.6	(0.9)	Interest received from related parties	7.4	5.6
Net loss on foreign exchange from borrowings and other monetary items	3.9	16.9	Disposal of subsidiaries, net of cash disposed	(1.0)	(0.3)
Impairment losses on loans	92.6	110.7	(Acquisition)/Disposal of equity investments	(1.4)	3.8
Reversal of provision on debt portfolio sales	(4.9)	(7.9)	Acquisition of non-controlling interests	(0.4)	(0.4)
Write-off and disposal of intangible and property and equipment assets	0.4	1.5	Net cash flows used in investing activities	(17.8)	(23.9)
Interest income from non-customers loans	(6.1)	(5.7)	Cash flows from financing activities		
Interest expense on loans and borrowings and deposits from customers	37.8	44.2	Loans received and notes issued	0.1	-
Non-recurring finance income	(10.6)	-	Repayment and repurchase of loans and notes	(33.1)	(79.1)
Other non-cash items, including gain/loss on disposals	5.7	1.2	Interest payments	(21.3)	(28.7)
Profit before adjustments for the effect of changes to current assets and short-term liabilities	128.4	210.1	Costs of notes issuance/amendment	(1.0)	-
<i>Adjustments for:</i>			FX hedging margin	(3.1)	10.6
Change in financial instruments measured at fair value through profit or loss	1.9	(15.8)	Payment of lease liabilities	(3.1)	(3.7)
(Increase)/decrease in other assets (including TBI statutory reserve, placements & leases)	(3.8)	3.7	Dividend payments	-	(5.0)
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	(7.4)	(5.4)	Net cash flows used in financing activities	(61.5)	(105.8)
Operating cash flow before movements in portfolio and deposits	119.2	192.4	Net increase/(decrease) in cash and cash equivalents	37.7	(55.5)
Increase in loans due from customers	(49.6)	(166.9)	Cash and cash equivalents at the beginning of the period	98.5	148.8
Proceeds from sale of portfolio	18.1	52.3	Effect of exchange rate fluctuations on cash	0.4	0.4
Increase in deposits (customer and bank deposits)	42.8	24.5	Cash and cash equivalents at the end of the period	136.6	93.6
Deposit interest payments	(4.1)	(3.1)	TBI Bank minimum statutory reserve	27.2	28.8
Gross cash flows from operating activities	126.4	99.2	Total cash on hand and cash at central banks	163.9	122.4
Corporate income tax paid	(9.4)	(25.0)			
Net cash flows from operating activities	117.0	74.1			

Key financial ratios

	9M 2020	9M 2019
Capitalisation		
Equity / assets	16.3%	17.8%
Equity / net receivables	30.2%	31.0%
Adjusted interest coverage	1.9x	2.5x
TBI Bank consolidated capital adequacy	20.4%	19.9%
Profitability		
Net interest margin:		
- Online	63.1%	81.1%
- TBI Bank	22.9%	24.6%
- Overall group	41.1%	55.1%
Cost / income ratio	57.5%	51.5%
Normalised Profit before tax margin	0.6%	11.1%
Normalised Return on average equity	-8.7%	14.6%
Normalised Return on average assets	-1.3%	2.5%
Asset quality		
Cost of risk:		
- Online	26.6%	27.6%
- TBI Bank	5.2%	4.3%
- Overall group	15.2%	17.3%
Net impairment / interest income	33.2%	29.0%
Gross NPL ratio:		
- Online	24.4%	23.0%
- TBI Bank	16.6%	16.3%
- Overall group	19.9%	20.0%
Overall group NPL coverage ratio	100.5%	108.9%

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 for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)
- **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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