4finance Holding SA

Investor presentation for full year 2020 results

2 March 2021

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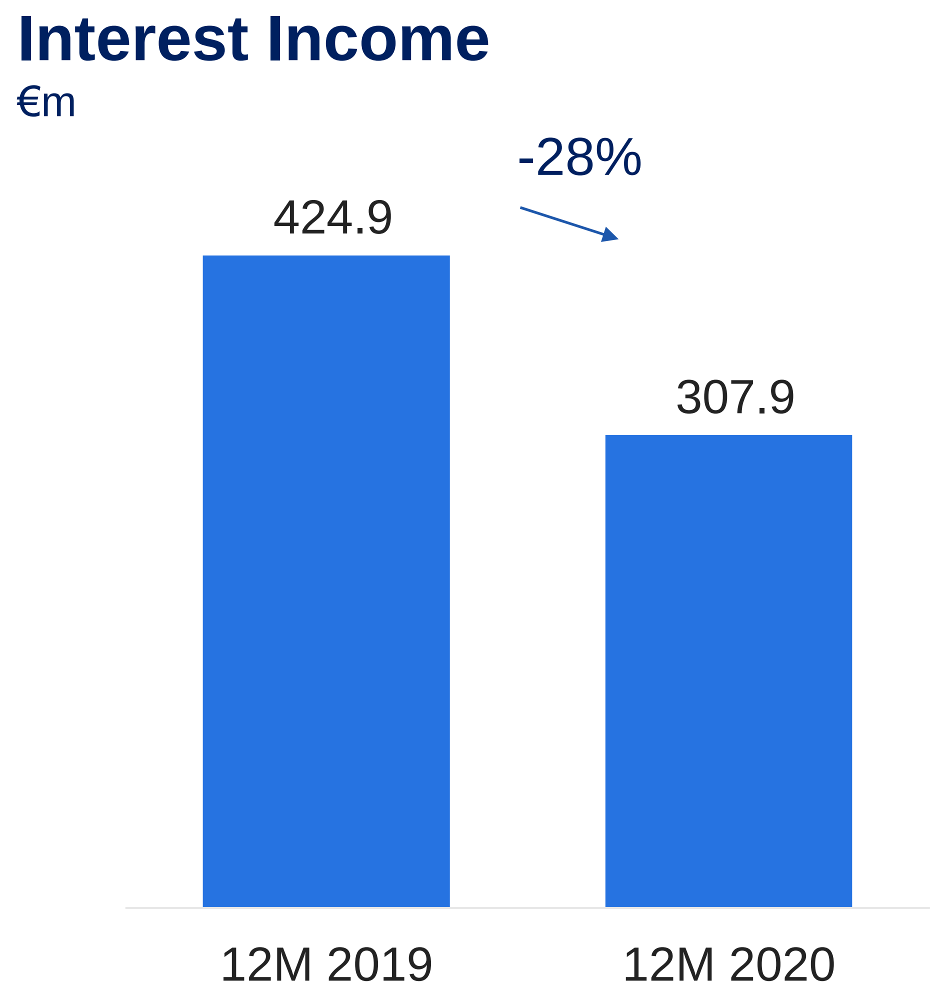
Agenda

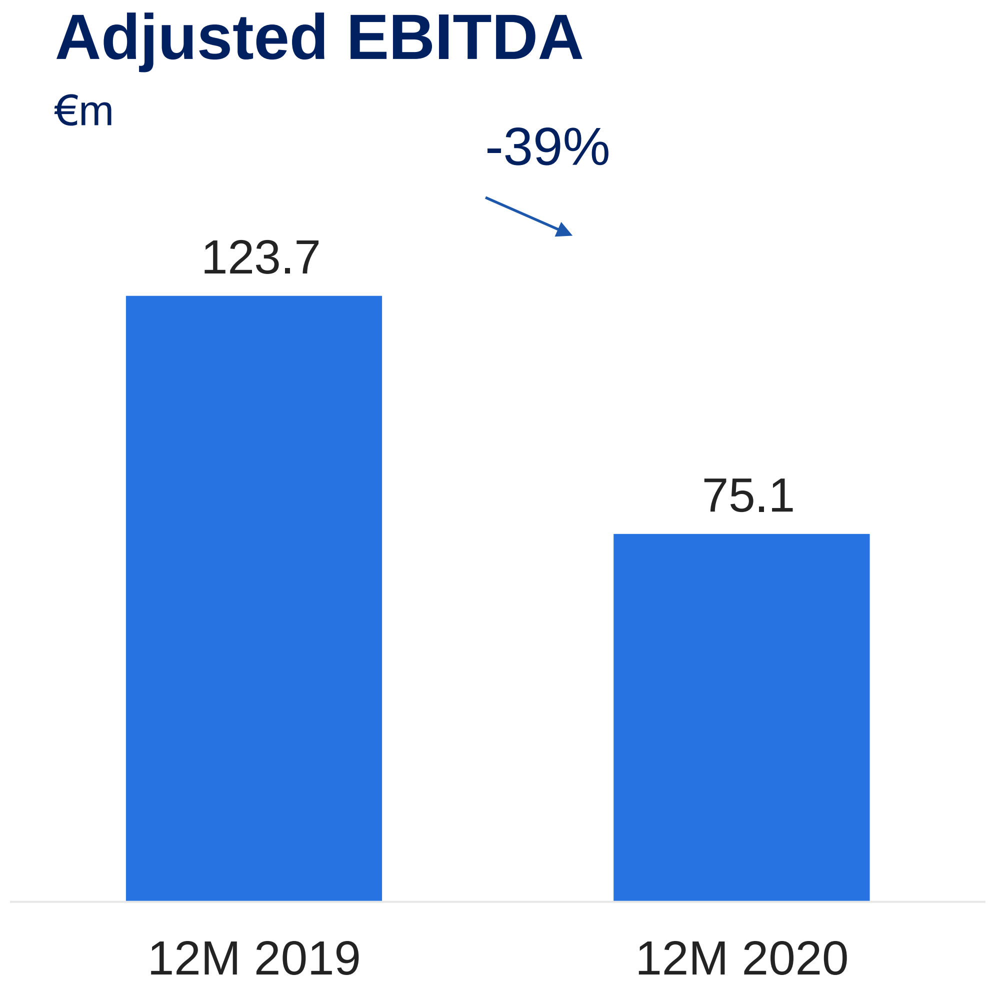
- Review of full year 2020 results
- Loan portfolio and asset quality
- Business summary

Summary of full year 2020 results

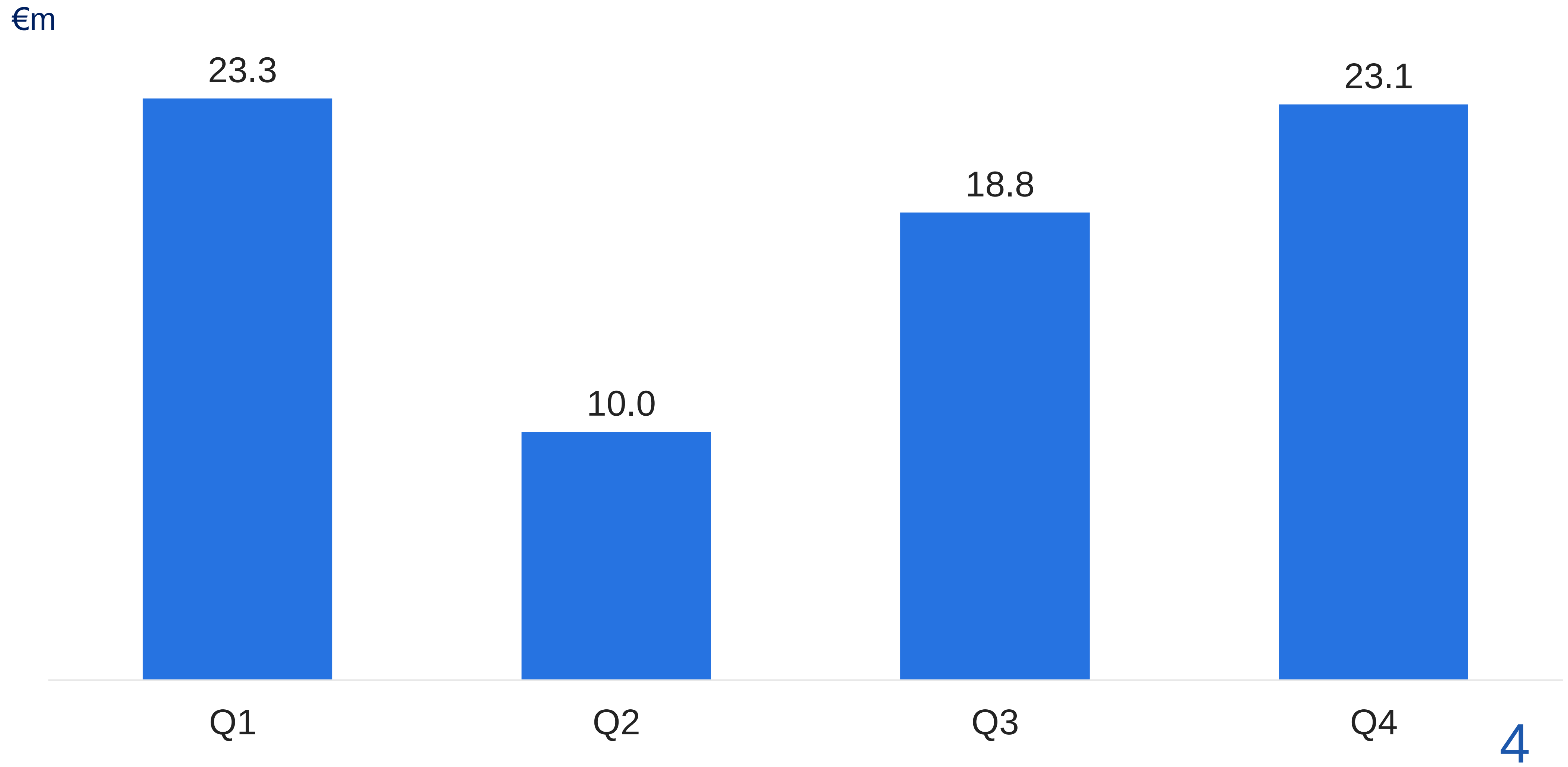
- Interest income for Q4 of €71m, in line with Q2 and Q3 levels
  - Gradual monthly recovery from June low point in most markets
  - Continued steady growth in TBI Bank
  - Clear impact of new regulatory pricing regime in Denmark
  - Some ongoing impact of earlier product wind-downs
- Improvement in quarterly Adjusted EBITDA driven by strong cost control and risk performance
  - Lower quarterly impairment charge, reflective of current portfolio and resumption of debt sales market
  - Further cost reductions QoQ
  - Q4 Adjusted EBITDA of €23m, up by €4m QoQ despite flat interest income
- Robust cash position, even after deleveraging with bond buybacks
  - $47m nominal value of USD bonds repurchased in 2020, leaving less than €200m equivalent outstanding
  - Current “online” cash levels remain strong at over €80m
  - Sales of near-prime loans from Lithuania to TBI Bank now underway
- Improved risk performance, with resumption of debt sales reducing NPL ratio significantly
  - Overall gross NPL ratio of 17.0% (vs 19.9% as of Sep 2020)
  - Net impairment/interest income at 26.9% for Q4 2020 (vs 30.0% in Q3 2020)
  - Stabilisation in online loan portfolio, with growth at TBI Bank

Year-on-year comparison





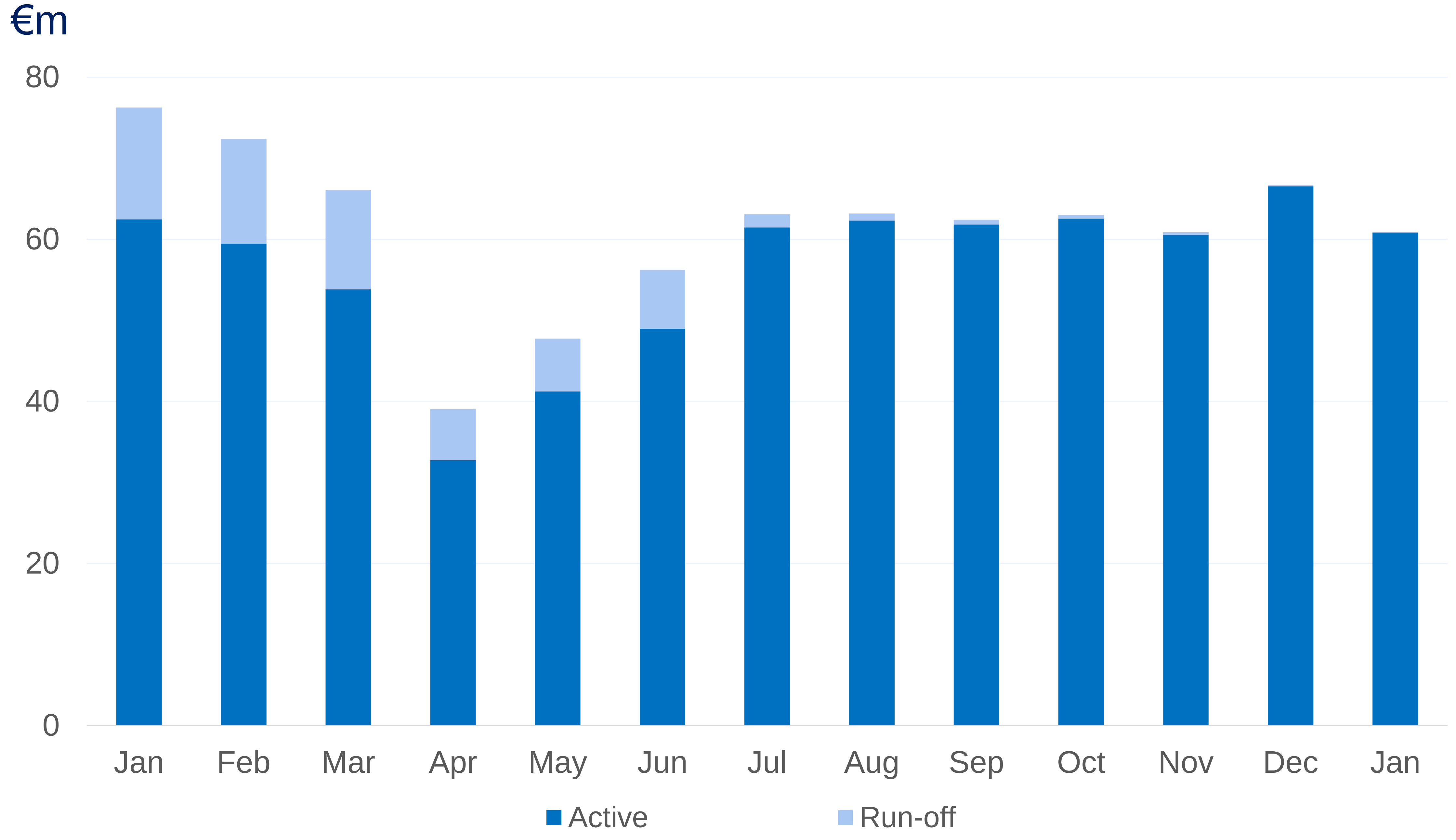
Adjusted EBITDA by quarter in 2020

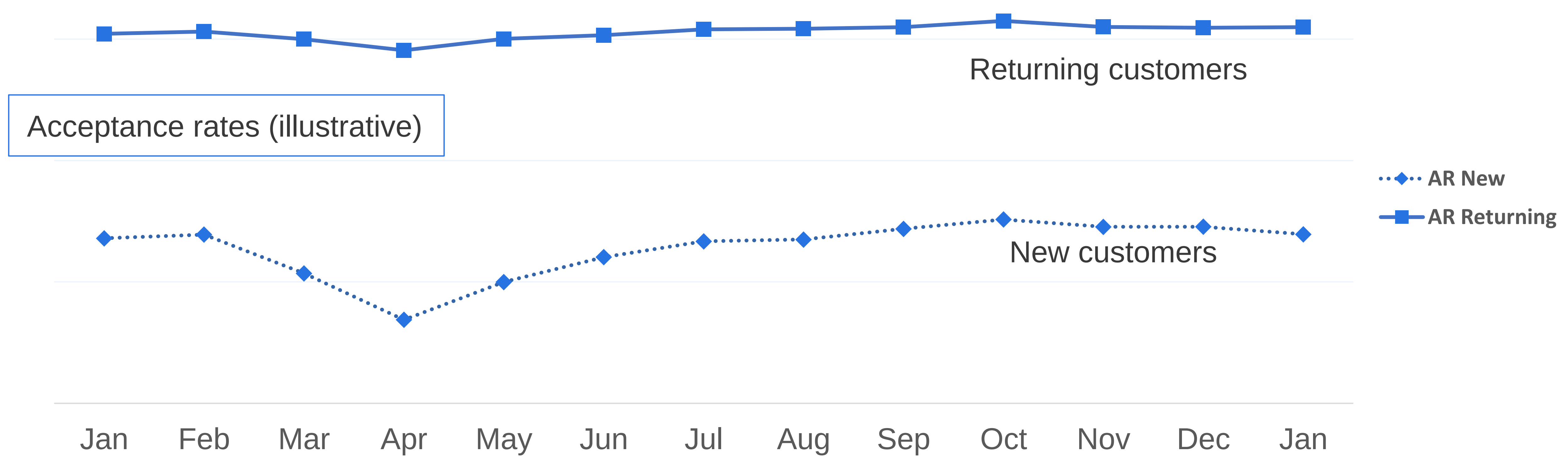


See appendix for definitions of key metrics and ratios

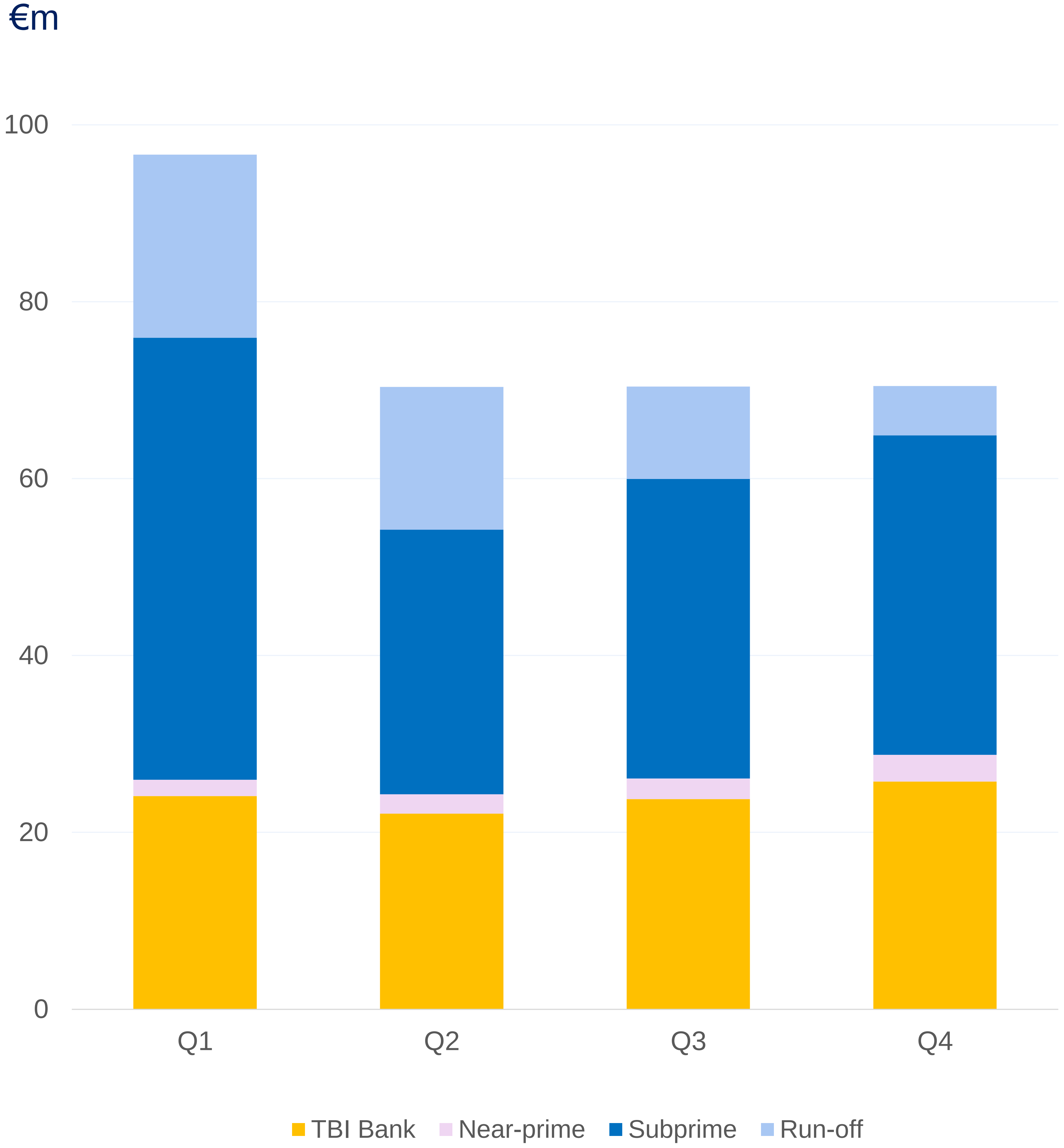
Loan issuance and interest income

Monthly online loan issuance and acceptance rates [1]





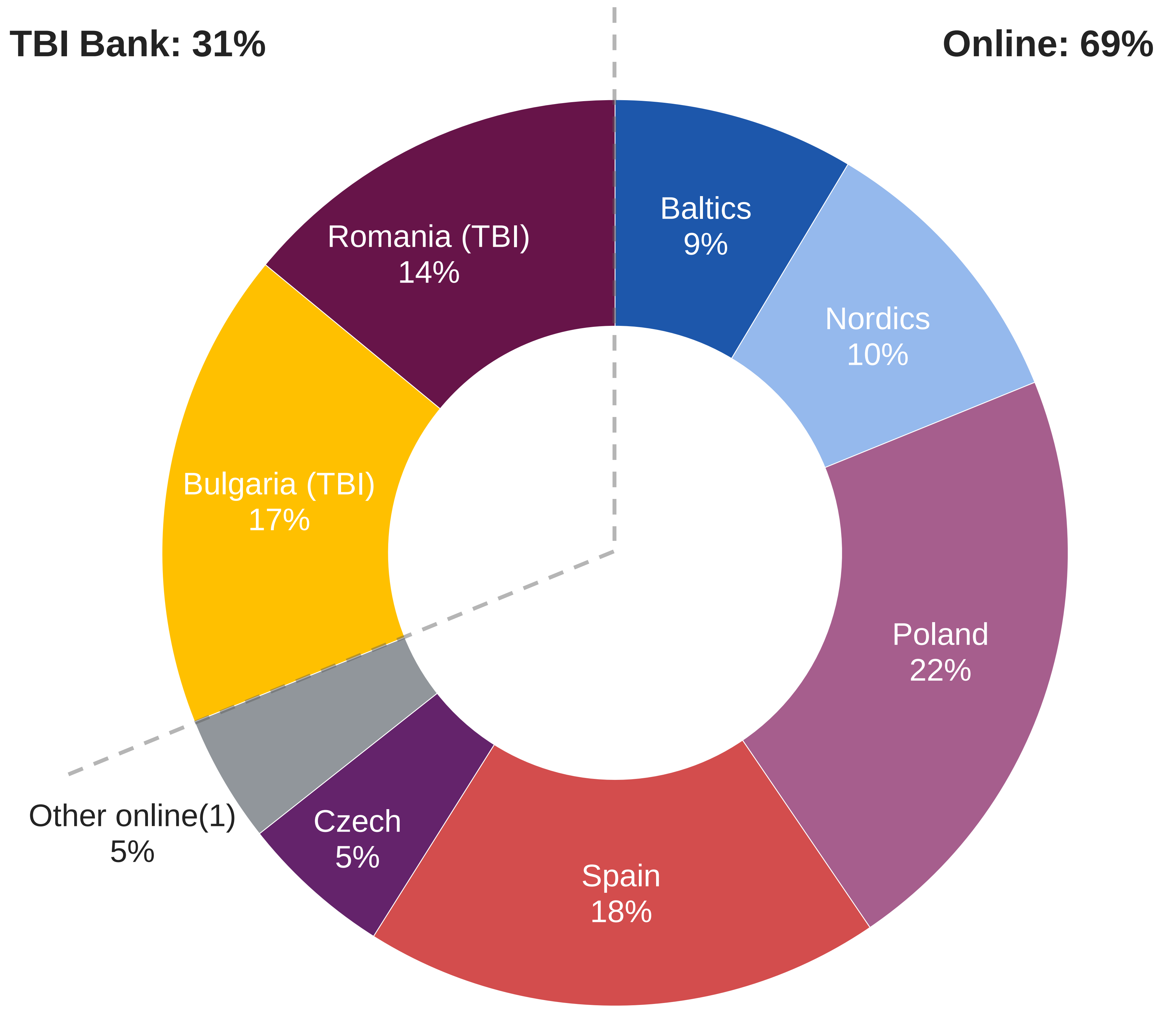
Quarterly interest income



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 diversified

2020 interest income by country



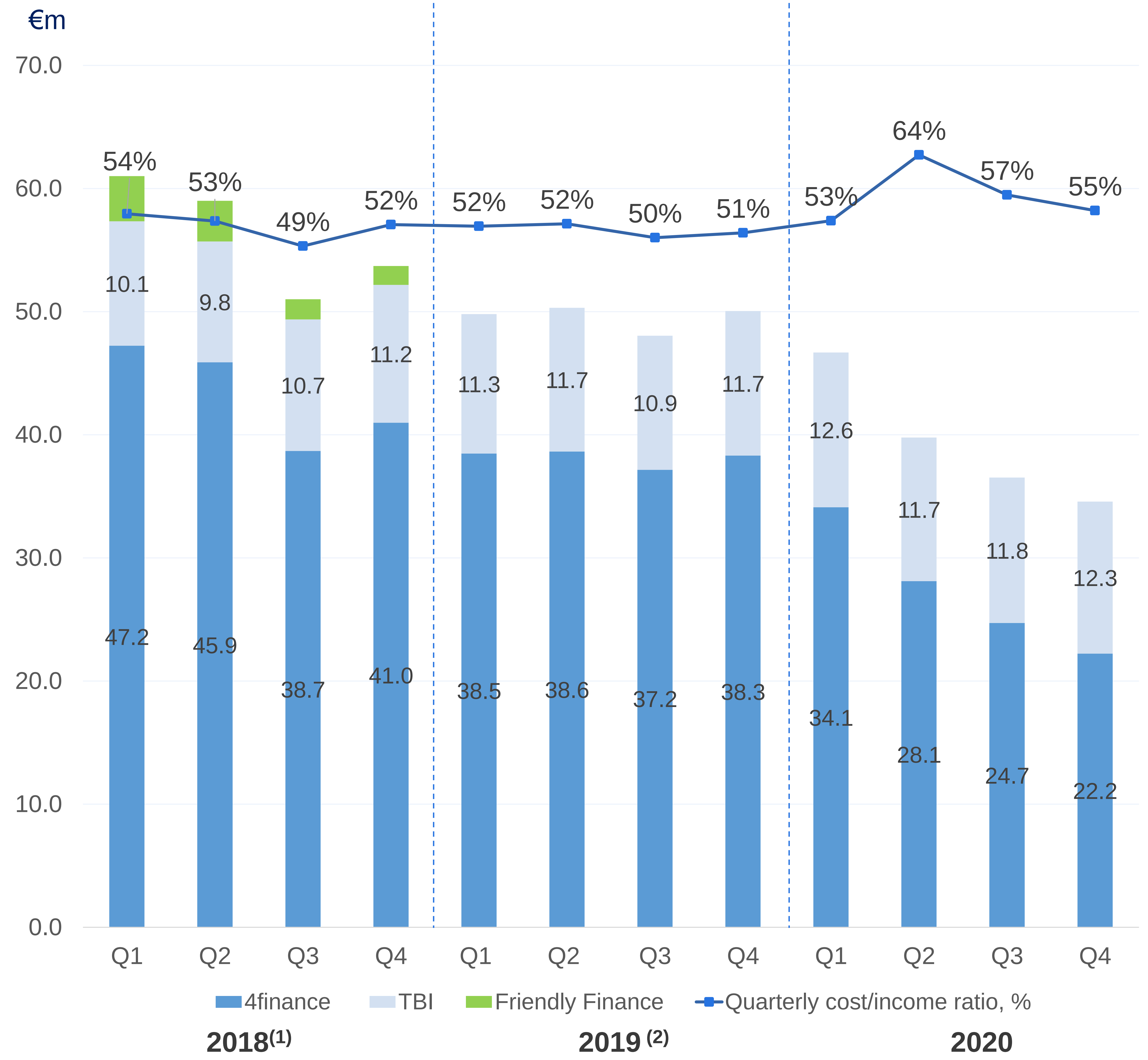
- Focus on 7 online markets plus TBI Bank
  - Baltics: Latvia & Lithuania
  - Nordics: Denmark & Sweden
  - Poland
  - Spain
  - Czech Republic
- Clear regulatory framework in place in most markets
  - Contrast to position of 2-3 years ago
  - Demonstrated ability to adapt and share best practice
- Decisive action where markets are no longer viable
- Disciplined approach to further growth opportunities
  - New segment/product pilots
  - Selective review of acquisition opportunities

Notes:
(1) Other online represents Finland, Armenia, Slovakia, Argentina, Mexico

Operating cost drivers

- Operating costs down 21% year-on-year vs revenue down 28%
  - Further quarterly reduction of costs in Q4 in the online business
  - Selective marketing spend given operating environment
  - Staff costs include further c.€1m of severance costs groupwide in Q4, partly offset by reversal of bonus accruals
  - Lower volume related costs (eg application processing) and travel spend
- Redoubling efforts to align cost base to current market and product footprint
  - Moving to structurally lower HQ costs (staff numbers, overheads, management structure)
  - Accelerated exit of wind-down markets
  - IT efficiencies and automation
  - Keep operational focus and discipline
  - Cost control a key feature of ongoing 2021 budgeting process

Total operating costs (1)



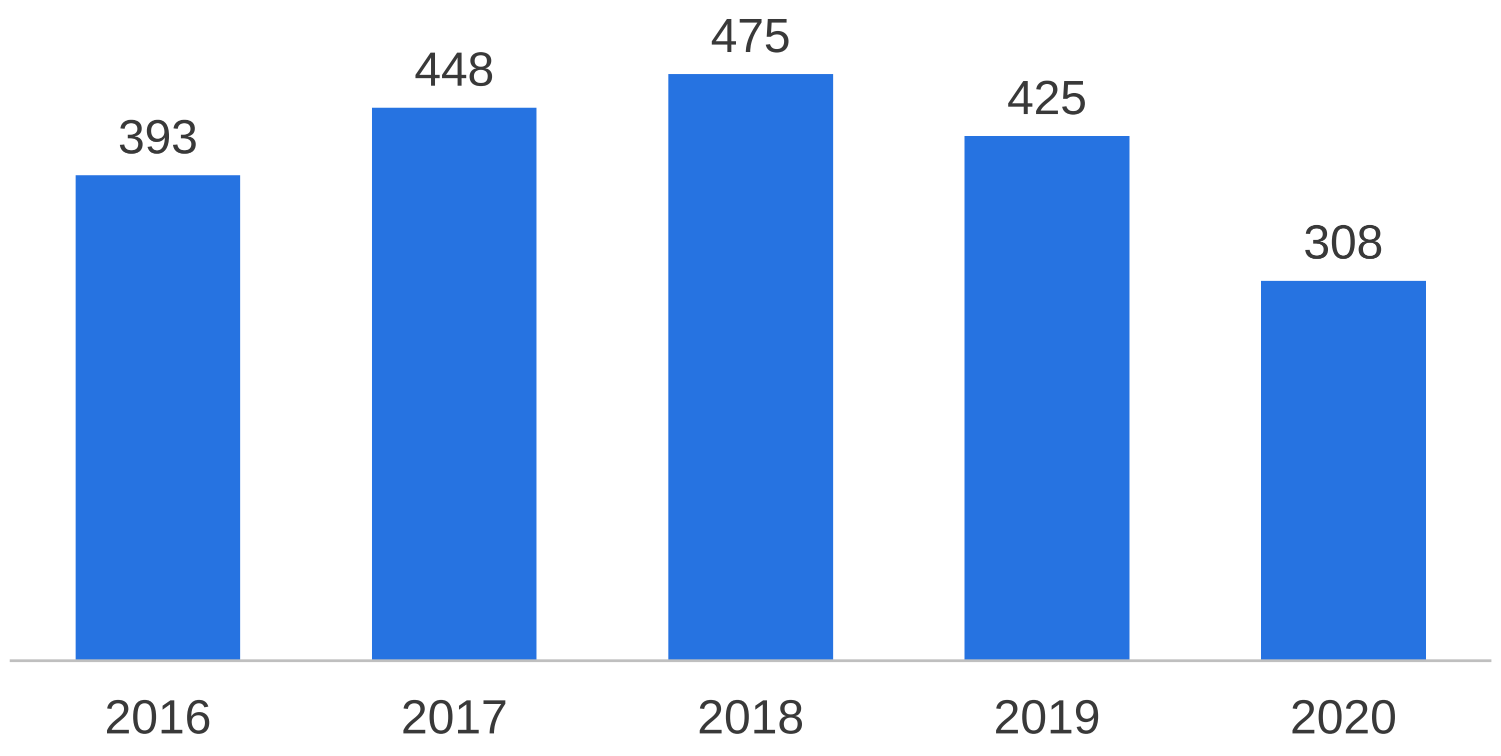
Notes:
(1) Q4 2018 costs have been adjusted to reflect audited figures
(2) Q4 2019 costs have been adjusted to reflect audited figures

See appendix for definitions of key metrics and ratios

Strong financial track record

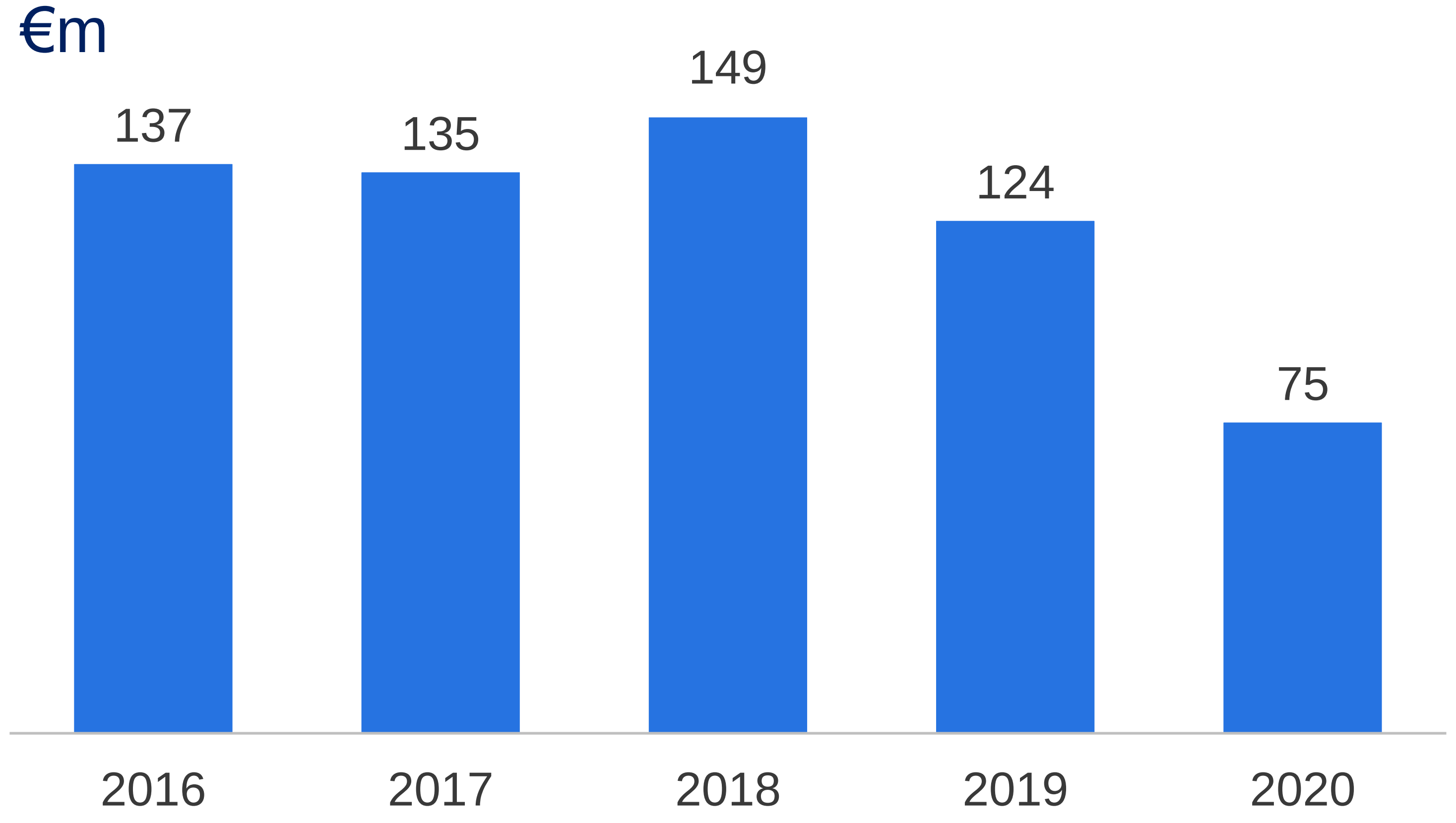
Interest income

€m



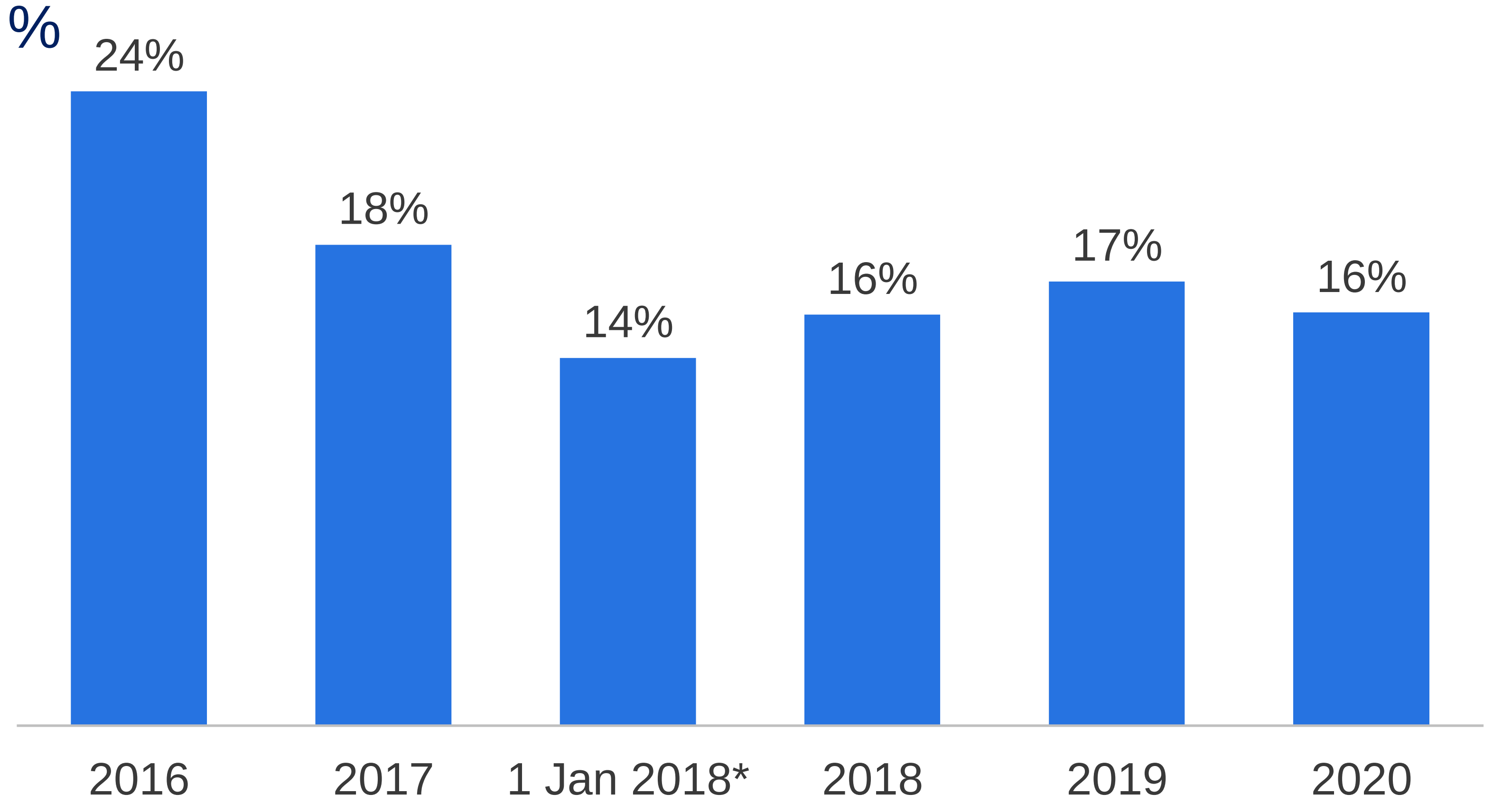
Adjusted EBITDA

€m



Equity / assets ratio

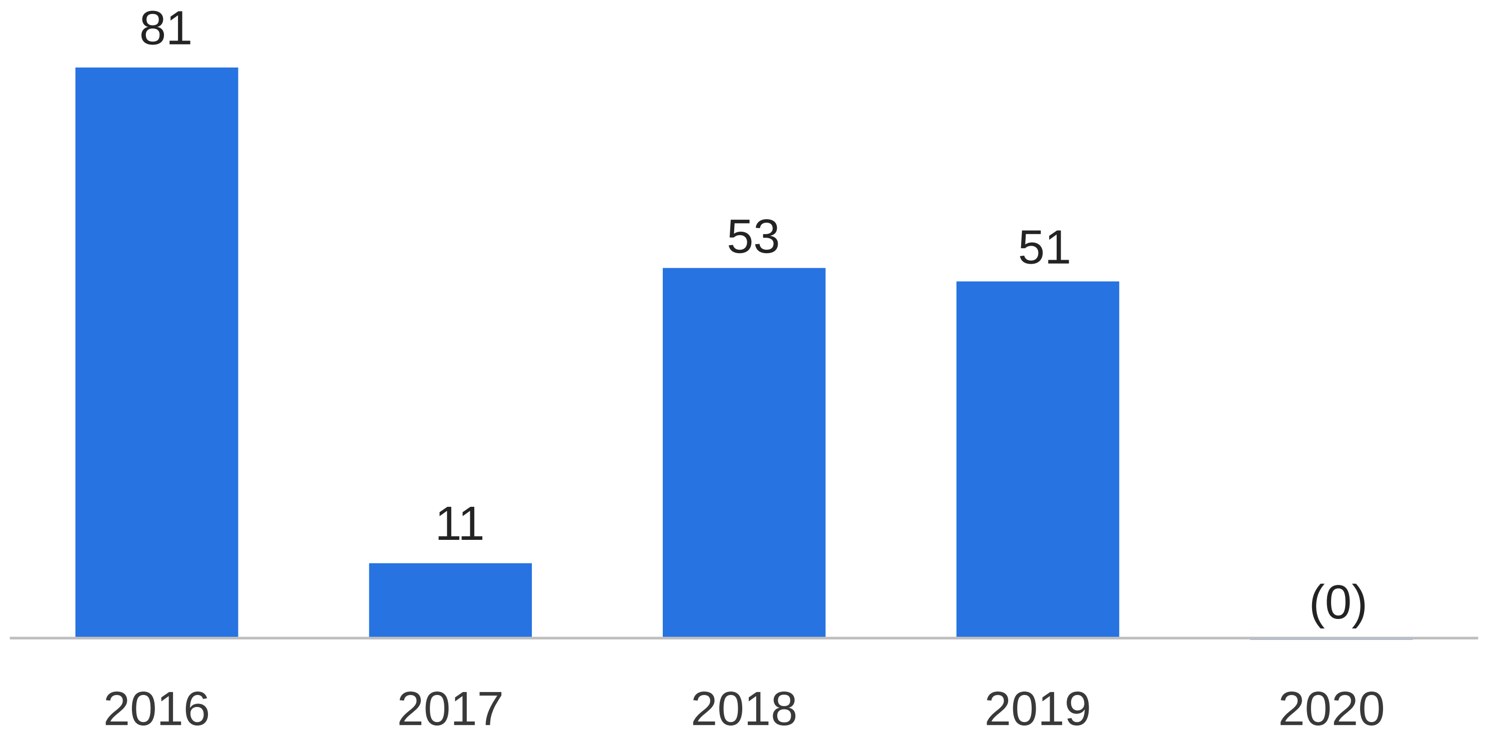
%



* Post IFRS 9

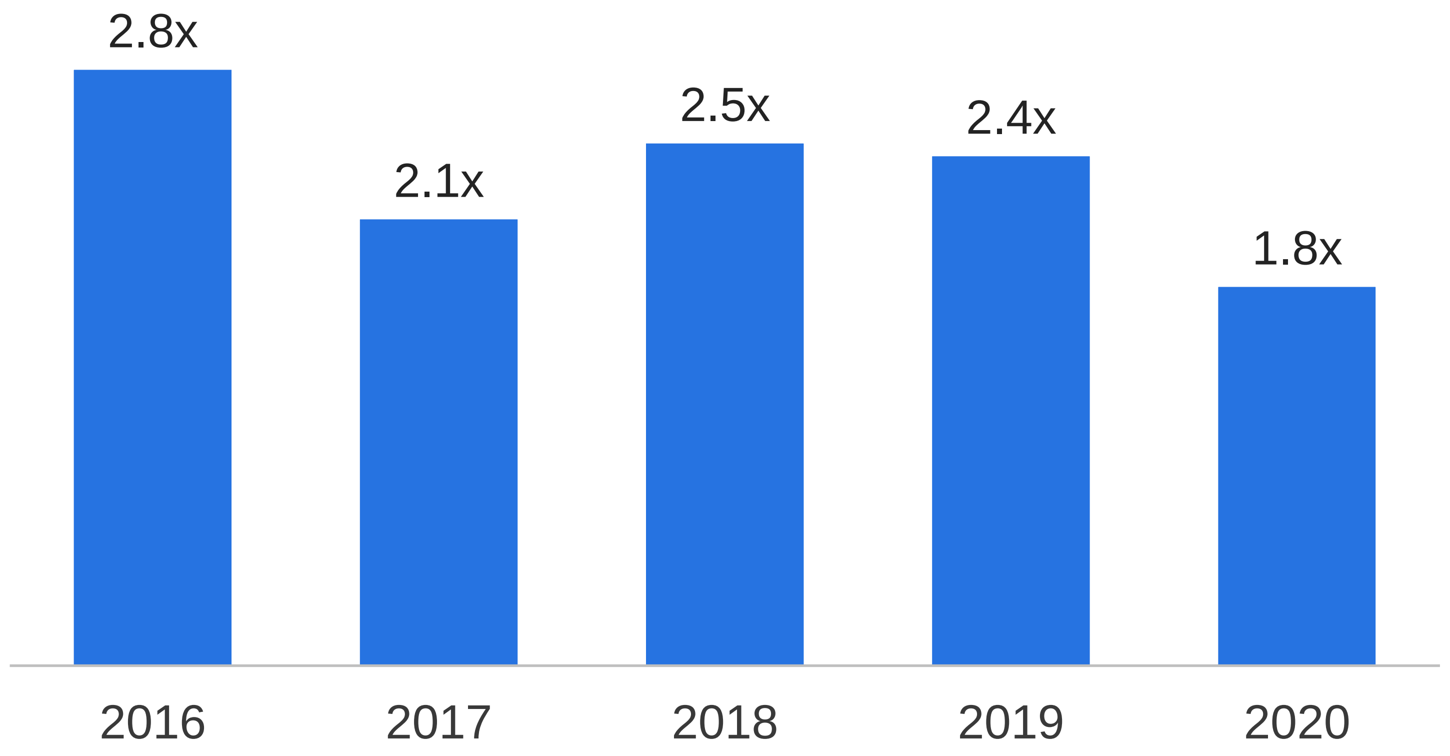
Profit before tax

€m



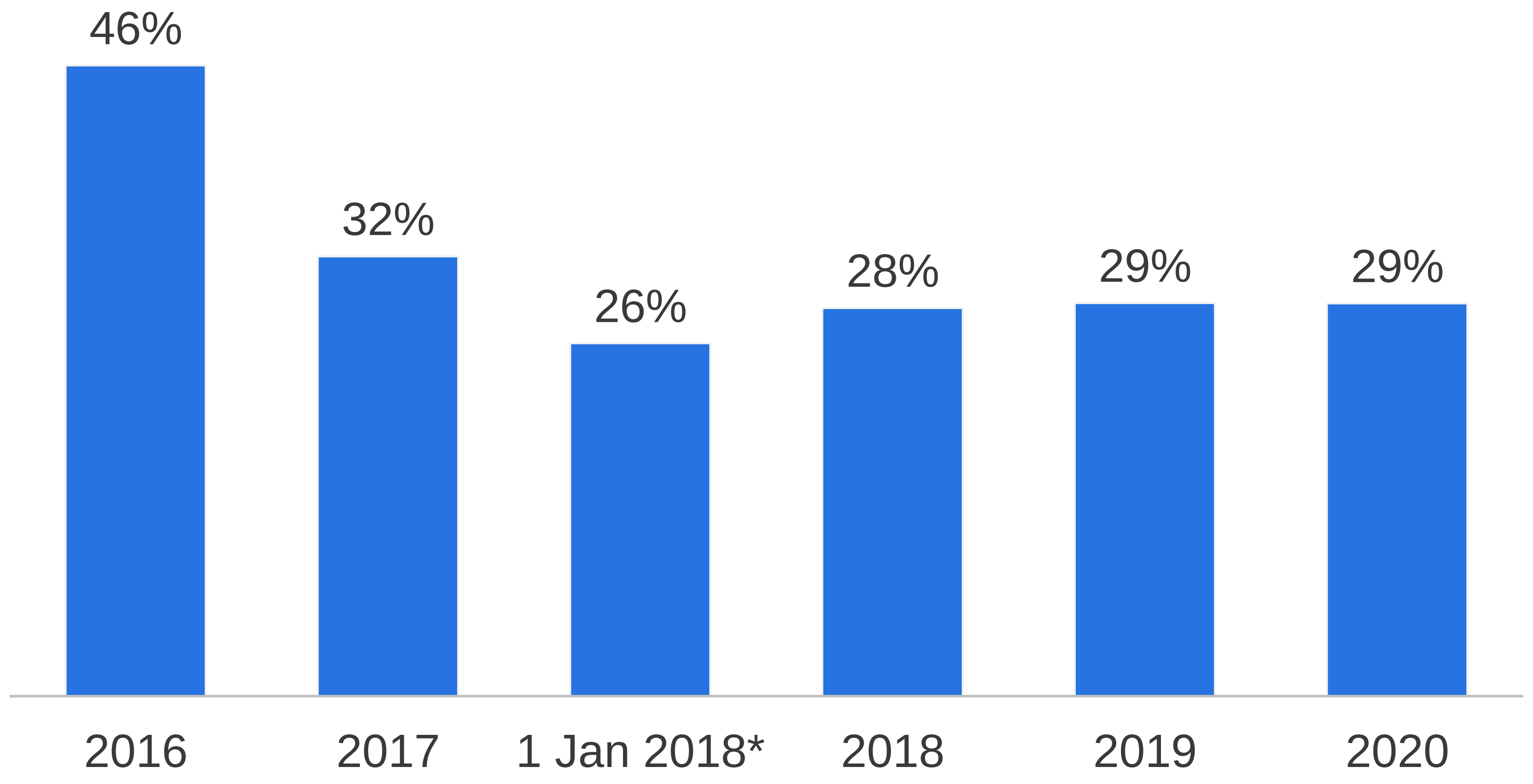
Covenant interest coverage ratio(1)

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 26%

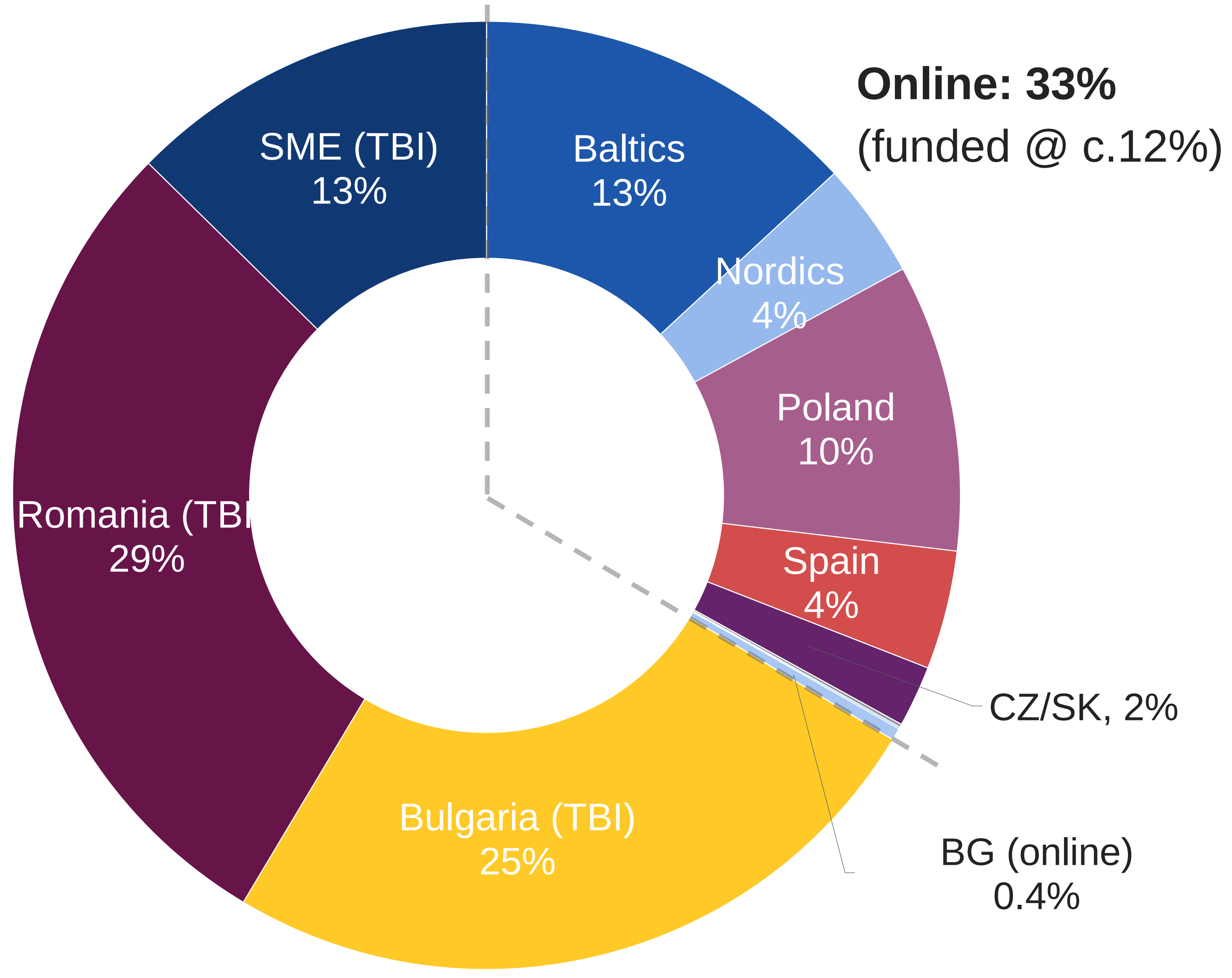
Diversified loan portfolio

- Increased loan issuance in Q4 supported net receivables growth, partly offset by debt sales in the online business
- Overall net receivables totals €526m
  - 2% increase during Q4
  - 87% consumer loans
- NPL ratio improved to 17.0% in Dec '20 from 20.7% in Dec '19

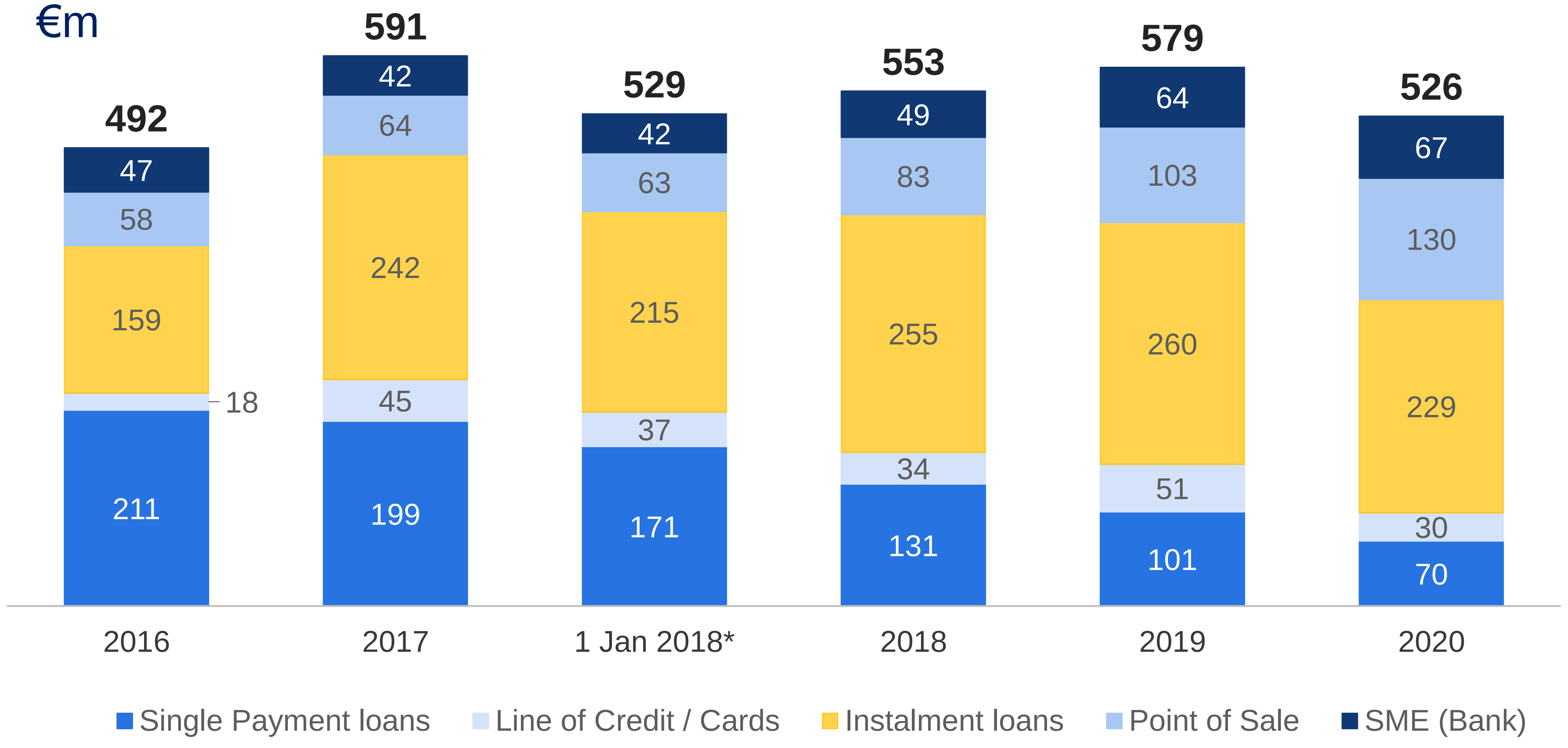
Net receivables, 31 December 2020

TBI Bank: 67%*
(funded @ c.<2%)

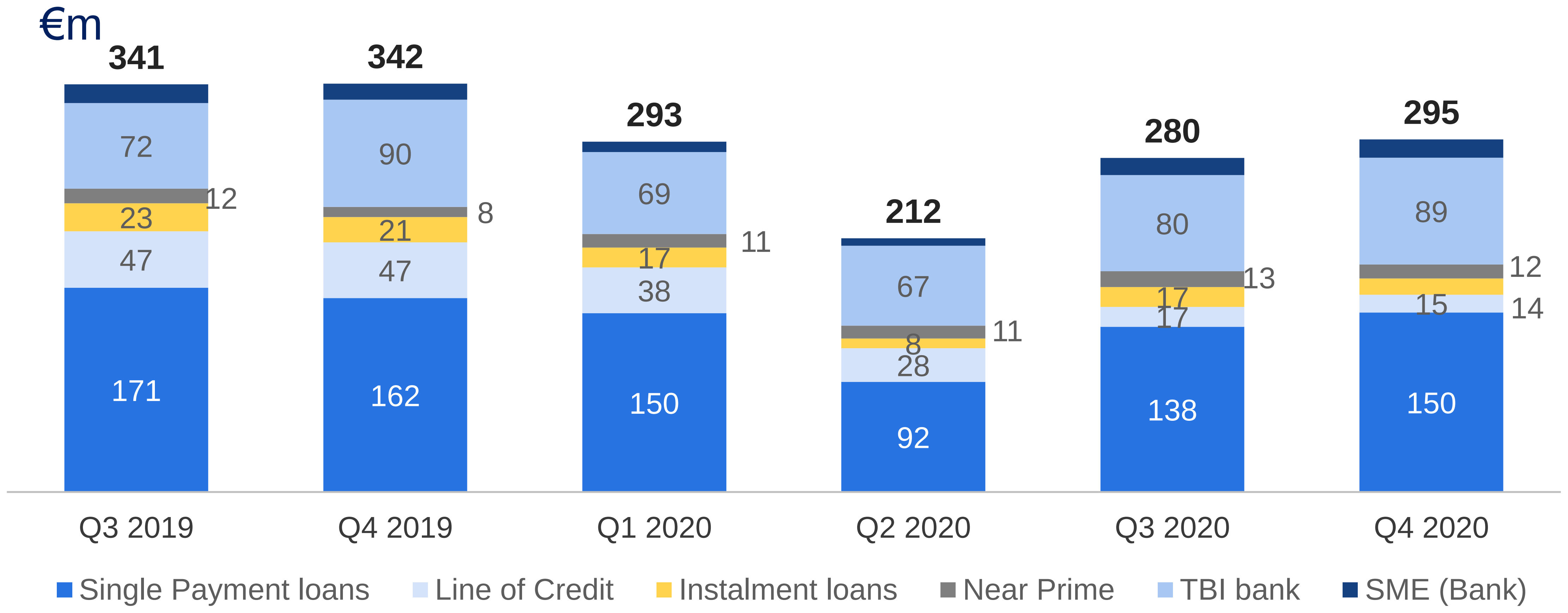
Online: 33%
(funded @ c.12%)



Net receivables (1)



Loans issued (1)



Notes:

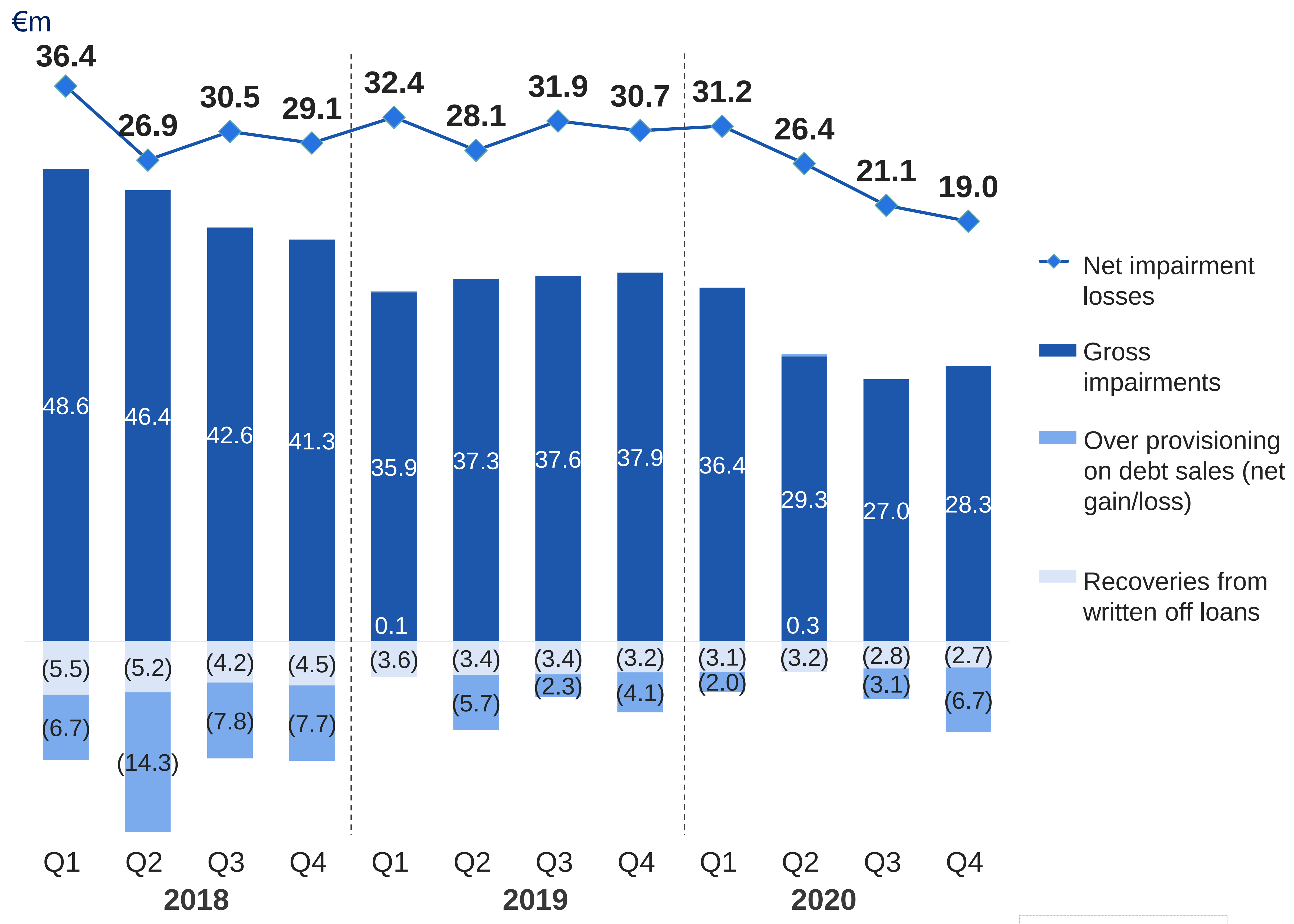
(1) Reflects reclassification of former SPL products in Sweden (from January 2016), Denmark (from January 2017), Armenia (from launch in July 2017) and Latvia (from January 2019) to Lines of Credit

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

See appendix for definitions of key metrics and ratios
* Includes TBI bank, BG online and €0.5m of purchased Poland portfolio

Analysis of net impairments and cost of risk

Net impairment charges by quarter (1)



20.8%	15.1%	17.4%	16.6%	18.4%	16.0%	18.3%	17.1%	17.4%	15.6%	13.0%	11.8%	Overall quarterly cost of risk

- Reduction in Q4 quarterly net impairment charge, due to stable risk performance and resumption of debt sales
  - Most products in line with expectations, allowing normalization of risk criteria
  - No Covid-19 driven impairments in Q4
  - Additional impairments in Armenia alongside state of war with Azerbaijan on top of wind-down process in progress
  - TBI Bank increase reflecting portfolio growth (seasonal sales increase QoQ)
- Quarterly overall cost of risk continues to decrease, given improvement in online and increased share of TBI Bank in the portfolio
  - Overall cost of risk 14.2% (2020, including TBI Bank) vs 17.1% (2019)
  - Online cost of risk 24.2% vs 27.5% (2019)
  - Net impairment / interest income 26.9% vs 29.0% (2019)
- Fundamental risk indicators in the online business improved in H2 2020

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

See appendix for definitions of key metrics and ratios

Business summary

Returning the online business to profitability, with solid performance at TBI Bank

- Streamlined footprint and right-sizing cost base, with transition to leaner HQ team and focus on efficiency
- Optimising subprime business and capturing revenue growth opportunities
- Developing near-prime business in line with funding availability (TBI Bank)
- Continued solid operating and financial performance at TBI Bank

Operating environment remains challenging ‘now’…

- Overall market-wide demand for credit remained subdued in early 2021 with ongoing lockdowns
- Performing ‘ok’ in Baltics, Nordics and Czech. Better in Poland and behind in Spain
- Denmark regulatory environment uncertain (licensing process and new draft regulation)

…but with upside potential later in the year

- Poland non-interest charges cap planned to increase to pre-Covid levels in July 2021
- Potential for recovery in consumer activity and lending as restrictions are lifted
- Market share growth potential with depleted competition

Solid overall funding and liquidity position

- Continued strong liquidity position in both ‘online’ and TBI Bank
- Sales of near-prime loans from Lithuania to TBI Bank underway
- EUR 15m reserved for dividend from TBI Bank
- Strong track record of working with bondholders to achieve successful refinancings

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 (Y2020)	Products [1]	Regulator	CB [2]	License required [3]	Interest rate cap [1]	Status
Argentina	1%	SPL	Consumer Protection Directorate	-	-	-	
Armenia	2%	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	9%	LOC, IL	FSA and Consumer Ombudsman	Yes	Yes	APR & TCOC	Danish FSA licensing process ongoing. New regulations (35% APR cap, 100% cost of credit cap) and marketing restrictions since July 2020. Additional proposals being reviewed

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

Regulatory overview (continued)

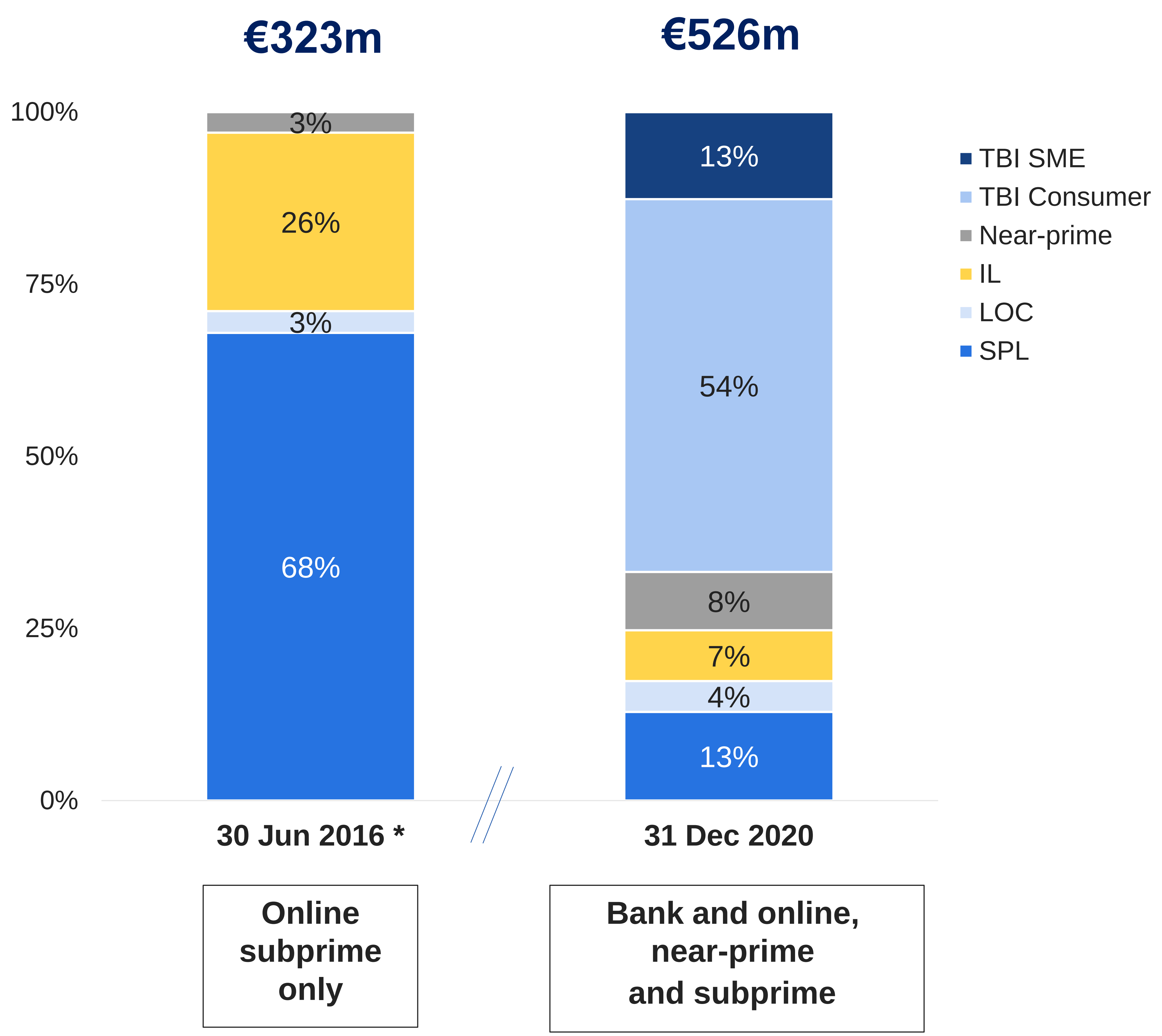
Country	% of interest income (Y2020)	Products (1)	Regulator	CB (2)	License required (3)	Interest rate cap (1)	Status
Latvia	6%	MTP, IL	Consumer Rights Protection Centre	-	Yes	Nominal, fees & TCOC	Stable framework since new interest rate caps in July 2019
Lithuania	3%	SPL, IL	Central Bank of Lithuania	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. Extended until end June 2021
Romania	14%	IL, LOC, POS, SME	National Bank of Romania	Yes	Yes	-	Proposed interest rate cap for >€3k loans was ruled unconstitutional
Slovakia	<1%	SPL	National Bank of Slovakia	Yes	Yes	APR (inc. fees)	Stable framework
Spain	18%	SPL, IL	N/A	-	-	-	Lending association code of conduct
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

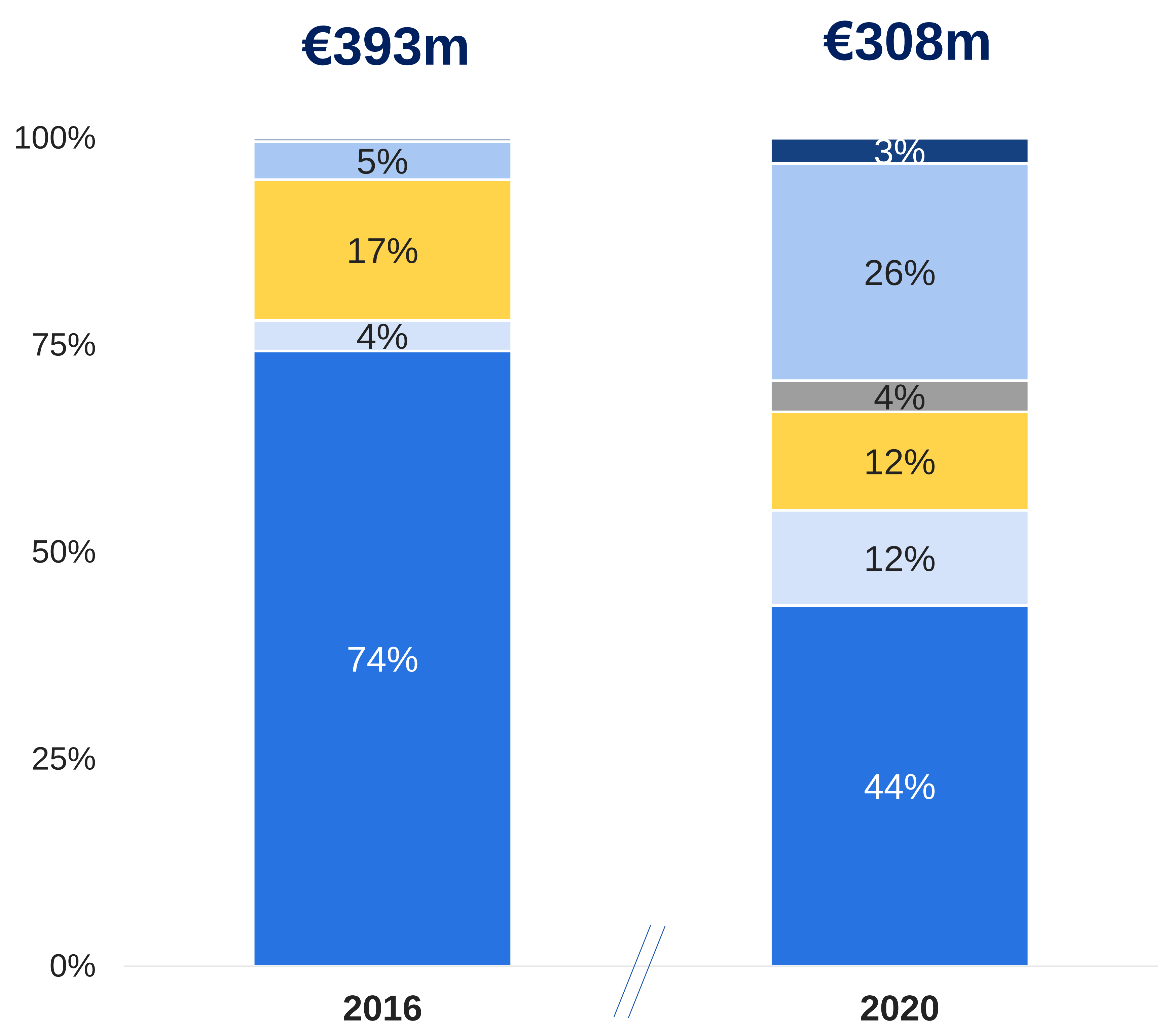
Appendix – strategic evolution of portfolio

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

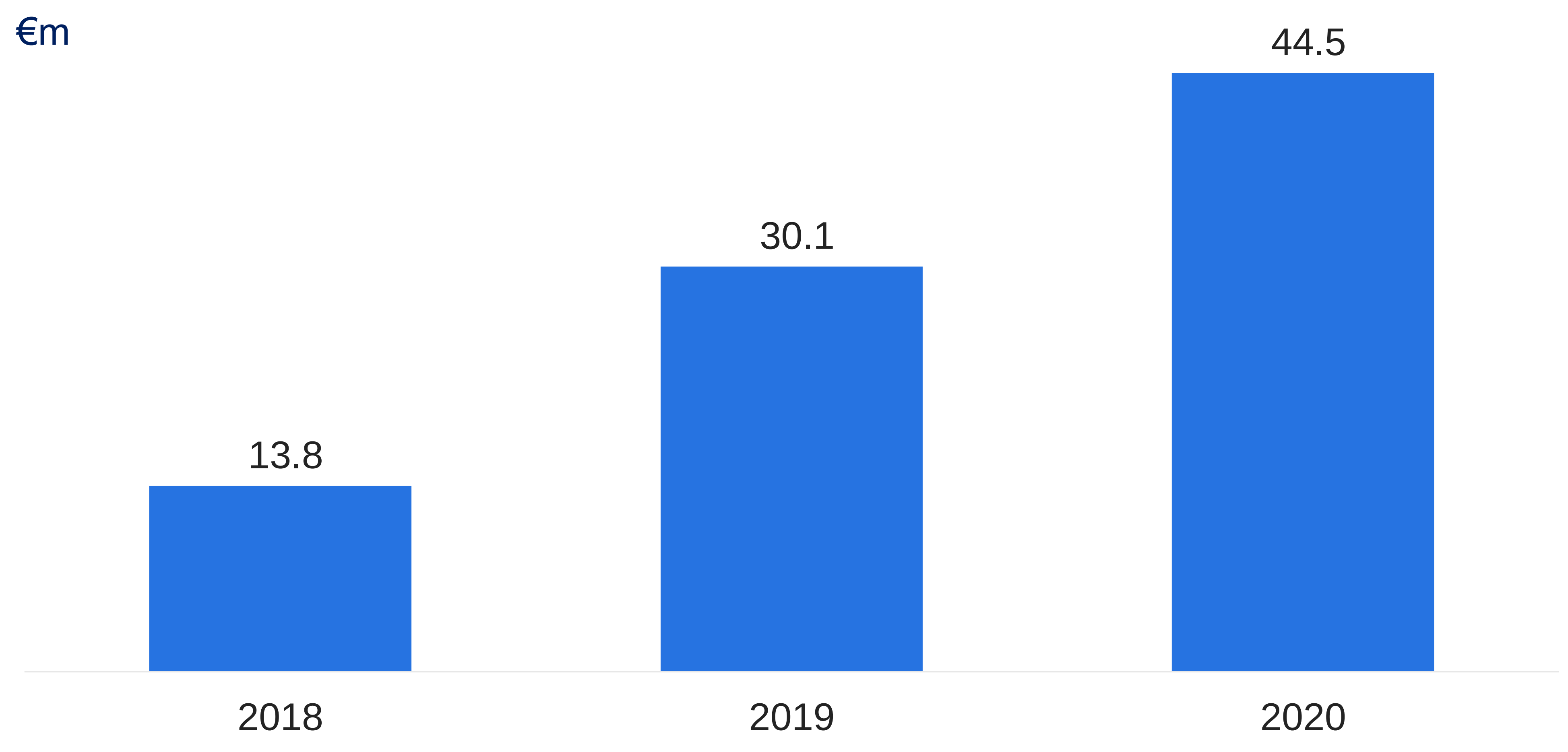
Note:

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

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

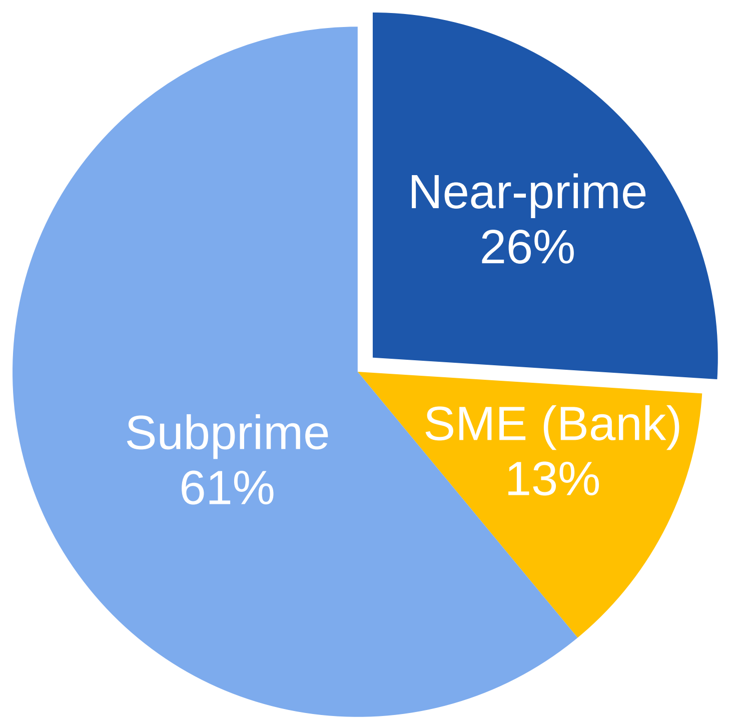
- Consistent growth in TBI Bank's consumer lending business since acquisition in 2016
- Development of near-prime lending products in the online business since initial launch in Lithuania in 2016
- Latest pilot underway in Denmark using market-leading Vivus brand following new regulatory pricing regime
- 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

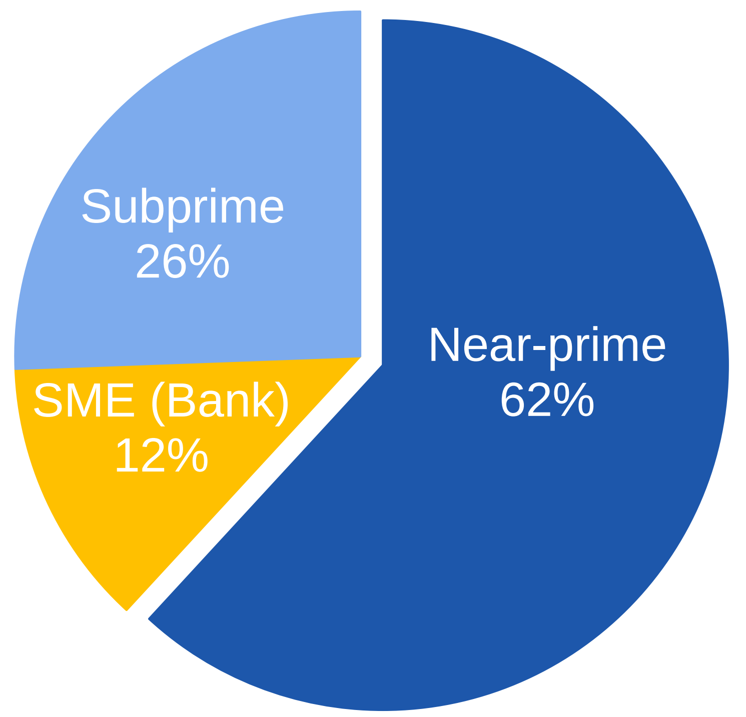
FY 2016



TBIBank

vivus.LT patogi paskola

FY 2020



TBIBank

vivus.LT patogi paskola

fintonic

Friia

vivus.LV ērts aizdevums

vivus.DK

Funding near-prime growth via TBI Bank

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

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Online acquisition

Initial portfolio development

Early stage customer acquisition and credit metrics monitored and enhanced

Funding Platform

In-house IT funding platform ensuring ongoing automated portfolio transfers

TBIBank

Retail deposit funding

Bringing portfolios to scale

Market specific portfolios grow with ongoing sales to reach scale

Payment of fair market value

True sale of portfolio(s), loan servicing

- **Sales of Polish instalment loans from September 2019 to March 2020**
- **Passporting application for Lithuania granted in February 2021**

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)

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

In millions of €	2020 (unaudited)	2019 (unaudited)	% change YoY
Interest Income	307.9	424.9	(28)%
Interest Expense	(50.1)	(57.1)	(12)%
Net Interest Income	**257.9**	**368.1**	**(30)%**
Net F&C Income	8.9	9.2	(3)%
Other operating income	10.3	8.8	18%
Non-Interest Income	**19.2**	**18.0**	**7%**
Operating Income (Revenue)	**277.1**	**386.1**	**(28)%**
Total operating costs	**(157.6)**	**(198.2)**	**(21)%**
Pre-provision operating profit	**119.5**	**187.9**	**(36)%**
Net impairment charges	(97.7)	(123.1)	(21)%
Post-provision operating profit	**21.8**	**64.8**	**(66)%**
Depreciation and amortisation	(14.9)	(16.5)	(10)%
Non-recurring income/(expense)	2.3	(0.6)	nm
Net FX gain/(loss)	(5.7)	4.8	nm
One-off adjustments to intangible assets	(3.9)	(1.5)	161%
Profit before tax	**(0.3)**	**51.0**	**nm**
Income tax expense	(24.0)	(22.3)	8%
Net profit/(loss) after tax	**(24.4)**	**28.7**	**nm**
Adjusted EBITDA	**75.1**	**123.7**	**(39)%**

Balance sheet

In millions of €	31 December 2020	31 December 2019
Cash and cash equivalents, of which:	**154.2**	**125.7**
- Online	80.5	76.7
- TBI Bank	73.6	49.0
Placements with other banks	10.3	6.4
Gross receivables due from customers	642.5	733.7
Allowance for impairment	(116.1)	(154.8)
Net receivables due from customers, of which:	**526.4**	**578.9**
- Principal	509.1	548.0
- Accrued interest	17.3	30.9
Net investments in finance leases	4.2	4.7
Net loans to related parties	59.3	60.7
Property and equipment	17.8	17.8
Financial investments	81.3	56.4
Prepaid expenses	4.1	4.5
Tax assets	18.7	21.3
Deferred tax assets	19.6	33.0
Intangible IT assets	10.1	17.8
Goodwill	15.9	16.5
Other assets	29.4	29.5
Total assets	**951.4**	**973.1**
Loans and borrowings	325.9	384.6
Deposits from customers	383.2	322.2
Deposits from banks	16.0	13.0
Corporate income tax payable	3.1	9.5
Other liabilities	72.6	78.0
Total liabilities	**800.8**	**807.4**
Share capital	35.8	35.8
Retained earnings	141.3	165.7
Reserves	(26.4)	(35.7)
Total attributable equity	**150.6**	**165.8**
Non-controlling interests	(0.0)	(0.0)
Total equity	**150.6**	**165.8**
Total shareholders' equity and liabilities	**951.4**	**973.1**

Statement of Cash Flows

In millions of €	12 months to 31 December	
	2020	**2019**
Cash flows from operating activities		
Profit/(loss) before taxes	**(0.3)**	**50.7**
Adjustments for:		
Depreciation and amortisation	14.7	16.5
Impairment of goodwill and intangible assets	0.6	(0.6)
Net loss on foreign exchange from borrowings and other monetary items	(4.6)	5.0
Impairment losses on loans	121.0	148.5
Reversal of provision on debt portfolio sales	(11.6)	(12.0)
Write-off and disposal of intangible and property and equipment assets	5.0	1.6
Interest income from non-customers loans	(8.1)	(7.3)
Interest expense on loans and borrowings and deposits from customers	50.1	56.8
Non-recurring finance income	(11.3)	-
Other non-cash items, including gain/loss on disposals	5.1	0.9
Profit before adjustments for the effect of changes to current assets and short-term liabilities	160.6	259.9
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	7.4	(5.9)
(Increase)/decrease in other assets (including TBI statutory reserve, placements & leases)	(4.3)	10.8
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	(9.0)	(1.1)
Operating cash flow before movements in portfolio and deposits	**154.6**	**263.7**
Increase in loans due from customers	(92.1)	(224.8)
Proceeds from sale of portfolio	28.0	63.2
Increase in deposits (customer and bank deposits)	63.9	47.5
Deposit interest payments	(5.6)	(4.4)
Gross cash flows from operating activities	**148.9**	**145.3**
Corporate income tax paid	(15.0)	(33.3)
Net cash flows from operating activities	**133.9**	**112.0**

In millions of € (continued)	12 months to 31 December	
	2020	**2019**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(6.4)	(8.3)
Net cash from Purchase / Sale of financial instruments	(21.2)	(30.8)
Loans repaid from related parties	-	4.1
Interest received from related parties	9.2	8.2
Disposal of subsidiaries, net of cash disposed	(1.0)	(0.3)
(Acquisition)/Disposal of equity investments	(1.4)	7.9
Acquisition of non-controlling interests	(0.4)	(0.4)
Net cash flows used in investing activities	**(21.2)**	**(19.6)**
Cash flows from financing activities		
Loans received and notes issued	0.1	-
Repayment and repurchase of loans and notes	(35.3)	(84.1)
Interest payments	(39.7)	(49.6)
Costs of notes issuance/amendment	(1.0)	-
FX hedging margin	(11.0)	9.0
Payment of lease liabilities	(4.2)	(4.3)
Dividend payments	-	(14.0)
Net cash flows used in financing activities	**(91.0)**	**(143.0)**
Net increase/(decrease) in cash and cash equivalents	**21.7**	**(50.6)**
Cash and cash equivalents at the beginning of the period	**98.5**	**148.8**
Effect of exchange rate fluctuations on cash	0.4	0.3
Cash and cash equivalents at the end of the period	**120.6**	**98.5**
TBI Bank minimum statutory reserve	**33.6**	**27.2**
Total cash on hand and cash at central banks	**154.2**	**125.7**

Key financial ratios

	12M 2020	12M 2019
Capitalisation		
Equity / assets	15.8%	17.0%
Equity / net receivables	28.6%	28.6%
Adjusted interest coverage	1.8x	2.4x
TBI Bank consolidated capital adequacy	19.4%	18.9%
Profitability		
Net interest margin:		
- Online	60.3%	81.3%
- TBI Bank	24.0%	24.8%
- Overall group	39.7%	54.5%
Cost / income ratio	56.9%	51.3%
Normalised Profit before tax margin	2.2%	11.4%
Normalised Return on average equity	-9.6%	16.1%
Normalised Return on average assets	-1.6%	2.6%
Asset quality		
Cost of risk:		
- Online	24.2%	27.5%
- TBI Bank	6.1%	4.6%
- Overall group	14.2%	17.1%
Net impairment / interest income	31.7%	29.0%
Gross NPL ratio:		
- Online	19.2%	24.9%
- TBI Bank	15.7%	16.2%
- Overall group	17.0%	20.7%
Overall group NPL coverage ratio	106.0%	102.0%

See appendix for definitions of key metrics and ratios

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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