

4finance Holding S.A.

Société anonyme

**Consolidated
Annual Report for the year
ended 31 December 2020**

**Address: 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg
RCS Luxembourg: B171.059**

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Rounding and Percentages

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

In these financial statements, certain percentage figures have been included for convenience purposes in comparing changes in financial and other data over time. However, certain percentages may not sum to 100% due to rounding.

Information on the Company

Name of the Company	<i>4finance Holding S.A.</i>
Legal status	<i>Public limited liability company</i>
Number, place and date of registration	<i>B171.059, Luxembourg, Luxembourg, August 27, 2012</i>
Legal and postal address	<i>8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg RCS Luxembourg: B171.059</i>
Board members and their positions	<i>Kieran Donnelly, Chairman of the Board of Directors, category B director (from 01.10.2020) James Etherington, category B director (from 01.01.2021) Fabrice Hablot, category A director Daniela Roca, category A director Oyvind Oanes, Chairman of the Board of Directors, category B director (from 01.08.2018 to 30.09.2020) Paul Goldfinch, category B director (from 30.12.2016 to 31.12.2020)</i>
Reporting period	<i>01.01.2020–31.12.2020</i>
Information on shareholders	<i>4finance Group S.A. 100%</i>
Auditors	<i>PKF Audit & Conseil Sàrl 37, rue d'Anvers L-1130 Luxembourg</i>

Consolidated Management Report

4finance Holding S.A. (the "Company"), one of Europe's largest digital consumer lending groups, operating in 9 countries in Europe, presents its annual report including its audited annual accounts for the twelve month period ended 31 December 2020 .

The share capital of the Company as at 31 December 2020 was EUR 35 750 thousand (31 December 2019: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2019: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2019: EUR 0.01), fully paid via contribution-in-kind.

The Company is rated B2 by Moody's and B by Standard & Poor's.

Important events in 2020 and future developments

The Company and its subsidiaries (collectively, "the Group") took a proactive business response to Covid-19, providing continuous service to customers throughout 2020 and retaining its market share in key markets. TBI Bank performed well, and the online business was re-focused on core products and markets.

TBI Bank's strong points-of-sale relationships and market leading digital options helped it to grow consumer loan issuance volumes in the second half of 2020.

The Group made the decision to refocus its online business on seven core markets and products where the Group's strong brands and experience can deliver superior unit economics. The decision was taken to stop new lending in Argentina and Mexico, where currency volatility has been an additional hurdle, and in Finland, Armenia and Slovakia. These operations were sold or wound down to exit them in the most efficient manner.

The Group made continued progress in developing the near-prime segment. At the end of 2020 the near-prime segment (including TBI Bank consumer and online) represented 62% of net receivables, up from 48% at the end of 2019. Closer cooperation was established with TBI Bank to ensure development of near-prime lending in the online business is focused on markets with visibility on the funding of those loans via the bank. Initial sales of Lithuanian near-prime loans to TBI Bank commenced in Q1 2021 and are planned to continue. Single payment loans represented 13% of the Group's net receivables at end of 2020.

Near-prime portfolio growth continues in Lithuania, Latvia and Denmark, with issuance in 2020 up 25% in the online business reflecting strong customer demand and the expanded product range. Issuance levels in 2021 will be closely linked to ability to fund via TBI Bank.

TBI Bank loan issuance volume during 2020 grew by 4% year-on-year to EUR 349.8 million from EUR 336.7 million in the prior year period, with increased issuance in the third and fourth quarters in all products.

Subprime loan issuance was reduced significantly in the second quarter as customer demand dropped in April during the initial period of Covid-19 lockdowns in most online markets. The Group also tightened its underwriting criteria, particularly for new customers and in Spain. By the start of the third quarter, issuance volumes had recovered somewhat, supported by a gradual return of demand and strong repayment rates. Issuance volumes were slightly up towards end of 2020 if compared with first two quarters, with issuance volumes of continuing products reaching pre-Covid levels. However the market-wide demand for credit remains subdued, particularly since the reinstatement of 'lockdowns' in many markets towards the end of the year.

Costs were reviewed across the Group with a focus on efficiency and ensuring that cost structure is consistent with the reduced footprint. In the online business, the staff reductions initiated in the second quarter of the year were visible in lower personnel costs quarter-on-quarter throughout the year. Marketing spend was increased selectively in third quarter of 2020 to support increased issuance volumes, but remains below pre-Covid levels.

Consolidated Management Report

Acquisitions

In March 2020, 4finance Holding S.A. purchased a further 30 million shares in BRABank ASA, bringing the Group's overall stake to 11.3%. This purchase was made as part of the Group's participation in a private placement together with other existing BRABank shareholders to strengthen the capitalisation of the bank and support its sustainable growth. Following BRABank's merger with Easybank, the Group's overall stake is 5.7% as of year end.

Significant disposals

In June 2020 a merger between the two Group operating entities in Poland (Zaplo Sp. z o.o. and Vivus Finance Sp. z o.o.) was initiated. The merger was successfully completed as of 30 September 2020 with Vivus Finance Sp. z o.o. being the surviving entity.

At the end of June 2020, following the decision to stop new lending in Mexico, the Group sold its Mexican business to purchasers including Tirona Ltd.

At the end of December 2020, following the decision to stop lending in Finland earlier in the year, the Group sold 4finance Oy (Finland) to 4finance Group S.A. As such, 4finance Oy is no longer a Guarantor of the EUR or USD bonds.

Financing

In June 2020 the Group commenced a formal process to amend its EUR bond terms and conditions to extend the maturity date by 9 months to 23 February 2022. The amendment resolution was successfully passed in July, and the new T&Cs came into force as of 24 August 2020.

The Group's operating entity in the Czech Republic, Zaplo Finance s.r.o. was added to the list of guarantors for its EUR and USD bonds on 25 August 2020.

In March and April 2020, the 4finance Group repurchased \$35.9 million of its USD bonds, this includes a repurchase of USD bonds using EUR bonds as consideration. In July, the 4finance Group bought back a further \$8.7 million of its USD bonds and in October repurchased further \$2.3 million of its USD bonds, bringing the total of USD bonds held in treasury to \$96.9 million and EUR bonds to €1.1 million as of 31 December 2020.

Dividend

The Supervisory Board decided not to recommend a dividend payment by the Group in 2020, further supporting the Group's capital position.

Regulatory changes

In Finland, a temporary 10% annual interest rate cap on consumer loans was approved in Parliament in June 2020. The new regulation came into force on 1 July 2020 with the applicability until the end of December 2020. The Group took the decision to withdraw from the Finnish market.

In Denmark, a new law introducing an APR cap of 35%, overall cost cap of 100% and limitations on marketing came into force on 1 July 2020. The Group's products have been adapted, including additional voluntary services offered to the customers enabling for example faster disbursement.

In Poland, as a response to the Covid-19 pandemic, the government introduced a temporary reduction in non-interest cost caps for a period of one year, then in January 2021 extended until 30 June 2021. Since March 2016, the caps have been 25% fixed cost plus 30% annual cost with a 100% total limit, while the separate cap on nominal annual interest was 10%. The new non-interest cost caps for loans of 30 days or more, effective as of 1 April 2020, are 15% fixed cost plus 6% annual cost with a 45% total limit, and the nominal annual interest cap was lowered to 7.2% as of 29 May 2020. The Group quickly adapted its Vivus short-term loan product to comply with the new pricing and introduced the Zaplo 3 months instalment loan.

In Sweden, in November 2020 the Parliament approved the repealing of the Act on deposit operations as of 1 January 2021 and with the grace period ending on 31 December 2021 during which the companies taking deposits are still allowed to continue operations.

Consolidated Management Report

Changes in management

From June 2020, to streamline the Group's management structure, the roles of Chief Marketing Officer and Chief People Officer are no longer directly represented at the Executive Committee. The marketing and HR functions report to the Chief Commercial Officer and Chief Executive Officer respectively.

The following management team members were appointed in 2020:

- Anton Metochkin joined the Group as Chief Operations Officer in April 2020 replacing Olga Pavlikova
- Kieran Donnelly rejoined the Group as Chief Executive Officer in October 2020 replacing Oyvind Oanes
- Marek Kujawa was appointed Chief Risk Officer in December 2020 replacing Martin Muransky
- James Etherington was appointed Group Chief Financial Officer in December 2020 replacing Paul Goldfinch.

Future developments

Going in to 2021 the Group intends to:

- Continue to optimise its seven core online markets to restore profitability in the online business
- Simplify its corporate structure to become leaner and more efficient
- Develop its near-prime lending in lock-step with TBI Bank and the funding opportunities it presents
- Review opportunities for growth in the subprime business and in adjacent segments
- Continue the profitable growth at TBI Bank.

Whilst the group has no debt maturities in 2021, management notes the two bond maturities in the first half of 2022. Therefore in order to term out its debt maturity profile the Group intends to refinance its bonds in 2021. The group has a strong track record of raising financing in the debt capital markets over the past seven years in a range of formats and currencies. Most recently, in summer 2020 the Group has worked with its investor base on the successful extension to its EUR bonds. The Group's management is confident that a successful refinancing can be achieved. This supports the Group's assessment in presenting its accounts on a going concern basis, as described in Note 2 of the financial statements.

There are of course risks and uncertainties around future business performance, the macro environment and in capital markets. However, management takes confidence from a number of factors: the Group's own strong track record of fundraising, the range of other transactions completed 'post Covid' by other companies in the sector, the Group's good working relationships with its advisers and investor base and management's prior experience working in the capital markets. In addition, should a normal market-based refinancing not be available on suitable terms, management believes the Group has a range of alternative options available, including accessing the direct lending market or monetising its assets, including TBI Bank.

Review and development of the Group's business and financial position

Interest income for the twelve months ended 31 December 2020 amounted to EUR 307 106 thousand, compared with EUR 424 925 thousand in 2019, which represents a decrease of 28%. The reduction in interest income from online lending was 38%, reflecting the 21% decrease in the average balance of net receivables and a lower average interest yield. The TBIF Group loan book resumed growth in the second half, with an increase of 16% in average net receivables year-on-year.

Consolidated Management Report

The TBIF Group interest income growth of 13% was driven by a loan issuance volume increase of 4% comparing to the previous period, contributing a year-on-year increase of EUR 10 864 thousand in interest income.

The balance of outstanding net loans at the end of 2020 was EUR 526 431 thousand, a 9% decrease compared with EUR 578 859 thousand as of 31 December 2019. The decrease was largely due to reductions in online lending origination, particularly in the second quarter. As at 31 December 2020 TBIF Group contributed EUR 352 205 thousand of net receivables, an increase of 12% from prior year end.

The Group's loss before tax for the year ended 31 December 2020 amounted to EUR 401 thousand, a decrease from the profit of EUR 50 668 thousand reported for the twelve months ended 31 December 2019.

Operating costs were reduced significantly, and the 17% decrease year-on-year reflects an ongoing focus on cost discipline, the wind-downs of certain products/markets and the Group's response to Covid-19. In 2020, marketing spend was reduced significantly in second quarter of the year and remained limited until year end. Initiatives to reduce personnel costs were implemented in second quarter with the savings visible later in the year.

Net impairment charges were EUR 97 769 thousand, decreased by 21% compared to the twelve months ended 31 December 2019. Gross impairment charges increased only slightly in the fourth quarter, despite the increased level of loan issuance, with generally good asset quality indicators and an increased proportion of near-prime loans in the online portfolio. The external debt sale market was disrupted in April but began to recover towards the end of the third quarter of 2020.

A review of IT intangibles was conducted at year end to reflect recent commercial decisions, e.g. to stop near-prime lending in Sweden which was associated with a separate IT platform pilot. Overall non-cash write-offs of IT intangible assets totalled nearly EUR 3.3 million.

Foreign exchange movements resulted in a net loss of EUR 5 706 thousand for the year 2020. In the prior year period there was a net FX gain of EUR 4 775 thousand.

Principal risks and uncertainties

4finance applies Group-level policies for overall risk management, and there are Group policies covering specific areas such as credit risk, liquidity risk, market risks, operational risks and capital management risks.

A more detailed description of risk management is available in Note (4) Risk management of these Financial Statements.

Corporate Governance

Strong corporate governance is an integral part of building a sustainable business. The membership of the Supervisory Board of the Group's parent company, 4finance Group S.A., was refreshed by Paul Muhr. Mr. Muhr is an M&A and capital markets advisor and former investment banker with 15 years of professional experience. William Horwitz, Chairman of the Supervisory Board of 4finance Group SA, stepped down at the end of November 2020 and was replaced by David Geovanis, who has been a member of the Supervisory Board since June 2017.

Regulatory compliance is a vital part of the Group's operations and is taken very seriously throughout the business. As a responsible lender, the Group plays an active role in industry associations in several of its markets to support development of appropriate regulation.

The Executive Committee works with the senior leaders across the Group to promote and foster a corporate culture of the highest ethical standards, internal controls and legal compliance.

Consolidated Management Report

Ownership

The Group was informed in July 2020 of a change in one of the minority shareholdings of Tirona Limited. An 8.9% shareholding was purchased in July by Fintech Projects I Ltd, whose ultimate beneficial owners are Florian Fenner (61%) and Carl Mackinder (39%). The Group's significant ultimate beneficial owners remain unchanged, ie Vera Boiko with 49.0% and Edgars Dupats with 29.5%, with minorities holding the remaining 21.5%, each investor owning below 10%.

Important events after the balance sheet date

Financing

In March 2021, the Group repurchased \$8.7 million of its USD bonds. In early April, the Group repurchased a further \$6.0 million of its USD bonds, bringing the total of USD bonds held in treasury as of 8 April 2021 to \$111.5 million.

Reorganization

In December 2020 the Group took the decision to simplify its corporate structure, initiating the wind-down of 4f Sales Inc. and gradually merging 4finance IT SIA and its branches in existing operating markets.

In February 2021, the operating entity Credit Service UAB took over the staff of SIA 4finance IT branch in Lithuania. In March 2021, the staff of SIA 4finance IT branch in Poland was transferred to the operating entities Vivus Finance Sp.z.o.o. and Global Collection Management Sp.z.o.o. It is expected that in April 2021, SIA 4finance IT branch in the Czech Republic will be invested as an enterprise into the share capital of the operating entity in the Czech Republic, Zaplo Finance S.r.o. Later in year, it is planned to merge SIA 4finance IT, SIA 4finance Media, as well as both Latvian operating entities, i.e. SIA Vivus and SIA Ondo, into AS 4finance.

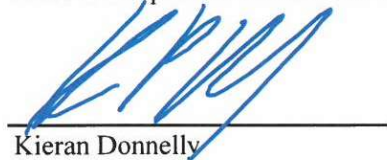
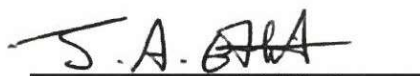
The 4Spar deposit company in Sweden will run down operations by year end 2021. The law rescinding the category of deposit company was passed in November 2020, with all entities being permitted until the end of 2021 to return funds to depositors. This wind down period allows the Group to continue operating the 4spar business until the end of year 2021.

Changes in the regulatory framework

There is still potential for the regulatory landscape to evolve across Europe, mainly in the area of the credit cost limitations and stricter creditworthiness assessment of consumers, as currently proposed in Denmark in the draft instruction for the creditworthiness assessment circulated for public hearing by the Financial Supervisory Authority.

There remains potential for further change in the regulatory framework in some markets as governments and regulators develop their responses to the coronavirus pandemic.

These subsequent events are also shown in the Note (45) Subsequent events.

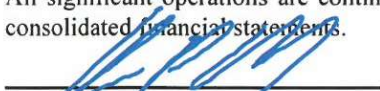

Kieran Donnelly
Chairman of the Board of Directors
James Etherington
Member of the Board of Directors


12 April 2021

Consolidated Statement of Comprehensive Income

	Note	2020 EUR'000	2019 EUR'000
Interest income	6	307 106	424 925
Interest expense	7	(50 055)	(57 343)
Non-recurring finance income	8	10 668	505
Net interest income		267 719	368 087
Fee and commission income	9	17 447	18 211
Fee and commission expense	10	(8 554)	(9 005)
Other operating income	11	11 551	9 329
Non-interest income		20 445	18 535
Operating income		288 164	386 622
Operating costs	12	(180 024)	(217 979)
Other income		1 850	1 198
Non-recurring expense	13	(6 916)	(867)
Net foreign currency gain/ (loss)	14	(5 706)	4 775
Pre-provision operating profit		97 368	173 749
Net impairment losses	15	(97 769)	(123 082)
Profit/(loss) before tax		(401)	50 668
Income tax for the reporting period	16	(24 637)	(22 262)
Profit/(loss) for the period		(25 038)	28 405
<i>Profit or loss attributable to:</i>			
Equity holders of the Group		(25 038)	28 424
Non-controlling interests	44	—	(19)
Profit/(loss)		(25 038)	28 405
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Equity investments at FVOCI – net change in fair value		(877)	(4 724)
		(877)	(4 724)
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Net gains/(losses) on debt instruments at FVOCI		2 142	563
Foreign currency translation differences on foreign operations		7 707	(988)
		9 849	(425)
Other comprehensive income/(loss), net of tax		8 972	(5 149)
Total comprehensive income/(loss) for the period		(16 066)	23 256
<i>Total comprehensive income or loss attributable to:</i>			
Equity holders of the Group		(16 066)	23 281
Non-controlling interests		—	(25)

All significant operations are continuing. The accompanying notes on pages 14 to 92 form an integral part of these consolidated financial statements.


Kieran Donnelly
Chairman of the Board of Directors
12 April 2021


James Etherington
Member of the Board of Directors

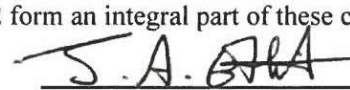
Consolidated Statement of Financial Position

		31.12.2020	31.12.2019
	Note	EUR'000	EUR'000
Assets			
Cash and cash equivalents	17	154 235	125 722
Placements with other banks		10 258	6 402
Derivatives	18	2 068	5 460
Gross receivables due from customers		642 491	733 655
Allowance for impairment		(116 060)	(154 796)
Net receivables due from customers	19	526 431	578 859
Net investment in finance leases	20	4 240	4 654
Debt and equity instruments	21	81 884	56 893
Loans to related parties	22	59 148	60 667
Other assets	23	26 331	21 903
Investments in associates	24	1 552	1 626
Prepaid expenses		3 068	4 539
Property and equipment	25	17 141	17 792
Intangible assets	26	10 137	17 801
Goodwill	26	15 856	16 502
Tax assets		18 729	21 339
Deferred tax assets	27	18 589	32 964
Total assets		949 667	973 125
Liabilities			
Loans and borrowings	28	341 890	397 612
Deposits from customers	29	383 214	322 228
Income tax liabilities	16	5 190	9 477
Derivatives	18	5 733	1 744
Other liabilities	30	63 679	76 293
Total liabilities		799 706	807 354
Share capital	31	35 750	35 750
Retained earnings		140 624	165 734
Other components of equity	31	(26 411)	(35 703)
Total equity attributable to equity holders of the Company		149 963	165 781
Non-controlling interests	44	(2)	(10)
Total equity		149 961	165 771
Total shareholder equity and liabilities		949 667	973 125

The accompanying notes on pages 14 to 92 form an integral part of these consolidated financial statements.


Kieran Donnelly

Chairman of the Board of Directors


James Etherington

Member of the Board of Directors

12 April 2021

Consolidated Statement of Cash Flows

	Note	2020 EUR'000	2019 EUR'000
Cash flows from operating activities			
Profit/ (loss) before taxes		(401)	50 668
Adjustments for:			
Depreciation and amortization		14 843	16 529
Impairment of goodwill and intangible assets		647	(633)
Net (gain) / loss on foreign exchange from borrowings and other monetary items		(4 525)	5 165
Impairment losses on loans		121 045	148 656
Reversal of provision on debt portfolio sales		(11 637)	(12 031)
Write off and disposal of intangible and property and equipment assets		4 703	1 609
Interest income from non-customers loans		(8 134)	(7 273)
Interest expense on loans and borrowings and deposits from customers		50 107	56 838
Non-recurring finance income		(11 255)	—
Other non-cash items		5 224	849
Profit before adjustments for the effect of changes to current assets and short term liabilities		160 617	260 377
Adjustments for:			
Change in financial instruments measured at fair value through profit or loss		7 381	(5 919)
(Increase)/decrease in other assets		(4 349)	10 843
(Decrease) in accounts payable to suppliers, contractors and other creditors		(8 908)	(1 937)
Operating cash flow before movements in portfolio and deposits		154 741	263 364
Increase in loans due from customers		(92 147)	(224 947)
Proceeds from sale of portfolio		28 043	63 245
Increase in deposits (customer and bank deposits)		63 907	47 539
Deposit interest payments		(5 580)	(4 386)
Gross cash flows from operating activities		148 964	144 815
Income tax paid		(15 028)	(32 808)
Net cash flows from operating activities		133 936	112 007
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(6 466)	(8 272)
Purchase of financial instruments		(21 195)	(30 786)
Loans repaid from related parties		—	4 058
Interest received from related parties		9 223	8 182
(Acquisition) / Disposal of equity investments		(1 393)	7 879
Disposal of subsidiaries, net of cash disposed		(1 031)	—
Acquisition of Non-controlling interests		(383)	(356)
Acquisition of subsidiaries, net of cash acquired and disposed		—	(320)
Net cash flows used in investing activities		(21 245)	(19 615)

Consolidated Statement of Cash Flows

	Note	2020 EUR'000	2019 EUR'000
Cash flows from financing activities			
Loans received and notes issued		110	—
Repayment and repurchase of loans and notes		(35 264)	(84 050)
Interest payments		(39 665)	(49 636)
Costs of notes issuance and premium on repurchase of notes		(1 032)	—
FX Hedging margin		(10 980)	9 021
Payment of lease liabilities		(4 208)	(4 291)
Dividend payments		—	(14 010)
<i>Net cash flows from financing activities</i>		<u>(91 039)</u>	<u>(142 966)</u>
Net increase in cash and cash equivalents		21 652	(50 574)
Cash and cash equivalents at the beginning of the period		98 530	148 795
Effect of exchange rate fluctuations on cash held		410	309
Cash and cash equivalents at the end of the period	17	120 592	98 530
Minimum statutory reserve	17	33 643	27 192
Total cash on hand and cash at central banks	17	154 235	125 722

Major Non-Cash Items

Other non-cash items include equity-settled employee compensation program costs of EUR 734 thousand (2019: EUR 835 thousand).

The accompanying notes on pages 14 to 92 form an integral part of these consolidated financial statements.


 Kieran Donnelly
 Chairman of the Board of Directors


 James Etherington
 Member of the Board of Directors

12 April 2021

Consolidated Statement of Changes in Equity

Group	Share capital	Reorganization reserve	Currency translation reserve	Share based payment reserve	Obligatory reserves	Fair value reserve of financial assets at FVOCI	Retained earnings	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
1 January 2019	35 750	(31 240)	(3 760)	373	3 239	—	151 659	156 021	52	156 073
Total comprehensive income										
Profit for the reporting period	—	—	—	—	—	—	28 424	28 424	(19)	28 405
Other comprehensive income (OCI)	—	—	(988)	—	—	(4 162)*	7	(5 143)	(6)	(5 149)
Transactions with shareholders recorded directly in equity										
Share based payment reserve (Note 35)	—	—	—	835	—	—	—	835	—	835
Dividends	—	—	—	—	—	—	(14 000)	(14 000)	(10)	(14 010)
Acquisition of NCI (Note 32)	—	—	—	—	—	—	(356)	(356)	(27)	(383)
31 December 2019	35 750	(31 240)	(4 748)	1 208	3 239	(4 162)	165 734	165 781	(10)	165 771
1 January 2020	35 750	(31 240)	(4 748)	1 208	3 239	(4 162)	165 734	165 781	(10)	165 771
Total comprehensive income										
Profit for the reporting period	—	—	—	—	—	—	(25 038)	(25 038)	—	(25 038)
Other comprehensive income (OCI)	—	—	7 293	—	—	1 265*	414	8 972	5	8 977
Transactions with shareholders recorded directly in equity										
Share based payment reserve (Note 35)	—	—	—	734	—	—	—	734	—	734
Changes in ownership interests										
Acquisition of NCI (Note 32)	—	—	—	—	—	—	(486)	(486)	3	(483)
31 December 2020	35 750	(31 240)	2 545	1 942	3 239	(2 897)	140 624	149 963	(2)	149 961

* From the total amount EUR 877 thousand (2019: EUR 4 724 thousand) are related to revaluation of investment in BRAbank ASA. See also Note 21.

The accompanying notes on pages 14 to 92 form an integral part of these consolidated financial statements.

Kieran Donnelly

Chairman of the Board of Directors

12 April 2021

James Etherington

Member of the Board of Directors

Notes to the Consolidated Financial Statements

(1) Reporting entity

4finance Holding S.A. (the "Company") is registered in Luxembourg. The Company is the holding company for several subsidiaries in Europe and South America (together referred to as the "Group"). The Group entities have provided loans to millions of customers. Currently, the Group operates in Bulgaria, the Czech Republic, Denmark, Latvia, Lithuania, Poland, Romania, Spain and Sweden, with Argentina, Armenia, Finland, Slovakia and Georgia being in wind-down mode. The Mexican business was sold in June.

The Group holds banking subsidiaries in Bulgaria and Romania (together referred to as the "TBIF Group") that focus on banking and retail lending servicing individuals and small to medium-sized enterprises. TBIF Group also includes online business in Bulgaria.

The Group companies, excluding TBIF Group, together are referred to as "4finance Group". Details of 4finance Group and TBIF Group are disclosed separately in these financial statements where appropriate, in-line with how the management of the Group analyses information.

The consolidated financial statements of the Group as at and for the year ended 31 December 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), are available upon request at the Group's registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg.

The Group financial statements form part of the parent company, 4finance Group S.A., consolidated financial statements. The consolidated financial statements of the parent company, 4finance Group S.A., are available at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg.

(2) Basis of preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (further "IFRS").

These consolidated financial statements were approved by the Company's Board of Directors on 12 April 2021. The shareholders have the power to reject the financial statements prepared and presented by the Board of Directors, and the right to request that new financial statements be prepared.

The Company prepares separate financial statements for statutory purposes in accordance with the relevant Luxembourg legislation.

(b) Basis of Measurement

After considering the operating environment and uncertainties in the Group's various countries, management believes the going concern basis of accounting to be appropriate for these financial statements. The conclusion is based on management's review of potential scenarios including base case and stress test scenarios, which demonstrate ability of the Group to continue operations and maintain adequate liquidity. There are of course risks and uncertainties around future business performance, the macro environment and in capital markets. Management plans to address the upcoming bond maturities during the course of 2021 and is confident of the Group's ability to refinance based on its strong track record in the capital markets and the range of alternatives available to it.

The financial statements have been prepared on an historical cost basis, except for the following: debt and equity instruments and financial assets and liabilities measured at fair value through profit or loss or other comprehensive income (including derivative instruments).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the

Notes to the Consolidated Financial Statements

(2) Basis of preparation (continued)

Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5. Management have assessed all the main risks and considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

(c) Functional and presentation currency

The consolidated financial statements are presented in thousands of Euro (EUR), unless stated otherwise. EUR is chosen as the presentation currency since most of the Group's operational activities are based in the European Union. Group companies operate in the functional currencies of Euro (EUR), United States Dollar (USD), Swedish Krona (SEK), Danish Krone (DKK), Polish Zloty (PLN), Georgian Lari (GEL), Czech Koruna (CZK), Bulgarian Lev (BGN), Romanian New Lev (RON), Argentine Peso (ARS), Mexican Peso (MXN), Dominican Peso (DOP), Armenian Dram (AMD) respectively. The Company's functional currency is EUR.

(3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the new standards and pronouncements of the International Accounting Standards Board which are applied when they become effective.

(i) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains/losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises as the difference between consideration transferred and the fair value of identifiable net assets acquired is tested annually for impairment. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition.

(iv) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary and/or associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

Goodwill is allocated to cash-generating units and is stated at cost less accumulated impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Any impairment expense is recognised immediately as an expense and is not subsequently reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

(iii) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the exchange rate published by the Central Bank of the country of operation or the European Central Bank or Bloomberg for euro zone countries at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into EUR using the following exchange rates:

31 December 2020		31 December 2019	
SEK	0.09966	SEK	0.09572
DKK	0.13439	DKK	0.13384
PLN	0.21931	PLN	0.23492
GBP	1.11231	GBP	1.17536
CZK	0.03811	CZK	0.03936
GEL	0.24855	GEL	0.31158
BGN	0.51130	BGN	0.51130
GIP	1.11231	GIP	1.17536
USD	0.81493	USD	0.89015
CAD	0.63967	CAD	0.68503
RON	0.20541	RON	0.20907
AMD	0.00156	AMD	0.00186
ARS	0.00972	ARS	0.01489
MXN	0.03854	MXN	0.04712
DOP	0.01398	DOP	0.01685

The Bulgarian Lev is pegged to the Euro.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into EUR, the Group's presentation currency, exchange rates used at the reporting date are set by the Central Bank of the country of operation or the European Central Bank or Bloomberg for euro zone countries, exchange rates at the reporting dates are specified in the table above. The income and expenses of foreign operations are translated into the Company's functional currency at exchange rates at the transaction date. Foreign currency retranslation differences are recognized in other comprehensive income.

Foreign exchange gains or losses arising from a monetary item receivable from, or payable to, a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised directly in the foreign currency translation reserve.

(iv) Share-based payment transactions

The Parent of the Group operates an equity-settled, share-based compensation plan, under which both the Parent and the Group receive services from employees as consideration for equity instruments (options) of the Parent. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options at the grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Parent of options over its equity instruments to the employees of the Group is treated as an equity contribution presented in Equity position Share based payment reserve.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

(v) Cash and cash equivalents

Group cash and cash equivalents comprise of call deposits in banks that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

For the purposes of the cash flow statement, TBIF Group's cash and cash equivalents comprise cash on hand, cash held with central banks, cash in nostro accounts held with other banks, as well as term deposits with banks with original maturity of less than three months.

(vi) Financial Instruments

(i) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular purchases of financial assets are accounted for at the settlement date.

(ii) Classification and Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

The Group's assessment on particular asset classification is based on the Group's business model on how a particular asset is managed and based on contractual cash flow characteristics of that asset. At initial recognition the Group, as prescribed by IFRS 9, distributes all financial assets into 3 measurement categories:

- Amortised cost (AC) - The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance
- Fair value through other comprehensive income (FVOCI) - Financial asset measured at fair value with unrealized changes in fair value recognized in other comprehensive income
- Fair value through profit or loss (FVTPL) - Financial asset measured at fair value with realized and unrealized changes in fair value recognized in profit or loss.

Purchased or originated credit-impaired financial assets require special AC measurement treatment. For third party purchased credit-impaired financial assets AC measurement, a credit adjusted effective interest rate is applied, meaning that projected future cash-flows need to include expected cash losses compared to contractual cash flow amounts.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables that are measured at amortised cost using the effective interest method.

All financial liabilities, other than those designated at fair value through profit or loss, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iii) Business model assessment

The Group's financial assets are managed together to fulfil the business objectives set by the Group's management team and financial assets are divided into following business models:

- Held to collect - Financial assets are managed to realize cash flows by collecting payments of principal and interest over life of the instrument. Asset sales are very rare or insignificant relative to the size of portfolio

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

- Held to collect and sell - Objectives under this model are achieved by both collecting contractual cash flows and selling of financial assets
- Other - Portfolios of financial assets that are managed with the objective of realizing cash flow through sales whose performance is evaluated on fair value basis or are held-for-trading.

(iv) Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

A financial asset is classified as measured at amortised cost when it meets SPPI criteria and is managed under held to collect business model, or FVOCI when SPPI criteria is met and business model is held to collect and sell unless designated as at FVTPL. The SPPI test requires consideration whether the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payment of principal and interest:

- Principal - is the fair value of the financial asset at initial recognition, that may change over time due to periodic repayments
- Interest - is consideration for:
 - the time value of money
 - the credit risk associated with the principal amount outstanding during a particular period of time
 - consideration for basic lending risks and costs
 - a profit margin.

All of the Group's lending products are tested and meet the SPPI criterion. SPPI tests are mandatory and are performed during new product development or modification of current product features.

(v) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Financial asset or liability contract modifications may result in derecognition, that is assessed according to qualitative and quantitative derecognition criteria. If derecognition criteria is met modified financial asset or liability is derecognised and a new modified financial asset is recognised.

(vi) Modification of financial assets and liabilities

Any modification to financial contract that is measured at amortised cost needs to be either derecognised or appropriately measured if modification is considered as non-substantial. Both qualitative and quantitative factors are considered in order to assess if the modification is substantial or not.

For modifications that do not result in derecognition, the gross carrying amount of the asset is recalculated by discounting the modified contractual cash flows using original EIR that was effective before modification. Any difference between initial gross carrying amount and recalculated gross carrying amount is recognized in the profit or loss as modification gain or loss. Any costs, fees or commissions are part of the modification and also adjust carrying amount of the modified financial contract.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

Qualitative factors

Following qualitative factors indicate that modification is substantial indicating that financial asset needs to be derecognised:

- Currency conversion - Substantial modification is identified when the currency of the contract is changed and the change was not stipulated in the original contract. If the currency change is required by law, e.g. due to conversion to EUR, it is not treated as modification.
- Change of counterparty - Substantial modification is identified if a separate agreement with the new counterparty is signed (associated with new credit risk assessment process). If the counterparty change is recorded solely due to legal reasons and within the rules agreed in the contract (e.g. due to death of borrower, re-assignment to co-borrower), it is not a case qualifying for derecognition.
- Change of product type - Substantial modification is identified when the product type is changed to the different one (e.g. revolving product changed to instalment product).
- Consolidation of debt - Substantial modification is identified when several loans are consolidated under one contract.
- Breach of SPPI test - Substantial modification is identified when the change of contractual terms results in breach of the SPPI test. After SPPI test breach is identified a financial asset is derecognised a new financial asset is recognised and is measured at FVTPL.

Quantitative factors

Financial asset or liability is subject to derecognition if there is a substantial difference between present value of future cash flows before and after modification. For financial assets and liabilities any changes in present value of +/- 10% are considered as substantial.

(vii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Where applicable, the Group measures the fair value of an instrument using a quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Where there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The key financial instruments of the Company and the Group are cash, trade receivables, loans to customers, loans to related parties, equity investments, bonds issued, trade payables, deposits from customers and other creditors arising from the business activities.

(viii) Derivative financial instruments

Derivative financial instruments include foreign exchange swaps or options and forward instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the statement of comprehensive income.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

The Group is engaged in hedging activities of its foreign exchange risk. The Group does not apply hedge accounting. Given the low level of trading activity, the Group has estimated that any valuation adjustments are not material and has therefore not incorporated these into the fair value of derivatives.

(ix) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All Group loans are managed under "held to collect" business model with contractual cash-flows representing solely payments of principal and interest.

For the purposes of these consolidated financial statements, trade receivables and loans to customers are measured at amortised cost using the effective interest rate method. An impairment loss allowance for the expected credit losses is established. The Group's policy is described in Note 3 (xv) and Note 5.

(x) Debt and equity instruments

Debt and equity instruments are those that are to be held over an indefinite period of time and that may be disposed of in response to liquidity needs or changes in interest rates, exchange rates or prices of securities.

Purchases and sales of financial assets are recognised on the settlement date - the date when the Group has transferred or received the asset.

Debt and equity instruments follow classification and measurements requirements as prescribed in Note 3 (vi).

(xi) Investment in associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of the associated entity unless there is evidence to suggest otherwise. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(xii) Property and equipment

(i) Owned assets

Items of property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	25 years
Computer equipment	3 years
Leasehold improvements	5 years
Other property and equipment	5 years
Motor vehicles	4-10 years

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

(xiii) Intangible assets

The Group has a detailed intangible assets ("IA") capitalisation policy covering accounting for development projects. The Group incurs costs for development of computer software and similar items, which may be capitalized. Capitalized expenditure can be either external (for example, IT subcontractors) or generated internally within the entity (for example, employees developing IT software).

Only those assets are capitalised that are separately identifiable, for which the entity has control, and for which probable future economic benefits shall be recognized. No intangible asset costs arising from the research phase of a project are capitalized. Expenditure on research is expensed when incurred.

Amortisation commences once the item is in the location and conditions necessary for it to be capable of operating in the manner intended by management and has been accepted by the business owner.

Intangible assets, other than goodwill, are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to the income statement in operating costs line on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Licenses, trademarks and similar rights	up to 5 years
Software and other intangible assets	up to 3 years

(xiv) Repossessed assets

TBIF Group repossesses certain assets serving as collateral for non-performing loans. These assets are not held for capital appreciation or rental income, but are expected to be sold in the ordinary course of business, and therefore are classified as inventories. Inventories mainly consist of real estate such as land, buildings purchased and held-for-sale in the future. Inventories are accounted at cost. The cost of inventories comprises all purchase costs, costs of conversion and other costs incurred in bringing the inventories to their present condition. Inventories are held at the lower of purchase cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of write-down of inventories to net realizable value is recognized as expense in the period the write-down occurs. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

(xv) Impairment

(i) Financial assets

4finance Group

At each reporting date, the 4finance Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss and not available for sales financial assets are impaired. The expected credit loss model (ECL) under IFRS 9 accelerates the recognition of impairment losses and leads to higher impairment allowances at the date of initial application. The expected credit loss is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD).

Loan portfolio is grouped into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 - Performing loans: part of loan portfolio where no significant increase in credit risk has occurred (delay days ≤ 30 days), 4finance Group recognizes an allowance based on twelve months expected credit losses.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

- Stage 2 - Loans with significant increase in credit risk (delay days >30 days but less than 90 days): when a loan shows a significant increase in credit risk since initial recognition, 4finance Group records an allowance for the lifetime expected credit loss.
- Stage 3 - Defaulted loans: Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (delay days ≥ 90 days). 4finance Group recognizes the lifetime expected credit losses for these loans and in addition, the Group accrues interest income on the amortised cost of the loan net of allowances, when it's probable it will be received.

The 4finance Group for LGD calculation uses recovery rates that are based on discounted historic cash-flows from defaulted loans.

The amount of the expected credit losses is measured as the difference between all contractual cash flows that are due in accordance with the underlying contract and all the cash flows that are expected to be received (including all cash shortfalls), discounted at the original effective interest rate (EIR).

The carrying amount of the asset is reduced through the use of an allowance account and recognition of the loss in Statement of Comprehensive Income. The write-off period for past due loans is 360 days. Allowances for credit losses on loans and receivables are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified.

In assessing collective impairment, the 4finance Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of expected loss, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. Specific individual impairment testing is not undertaken since the loan portfolio consists of a large number of small exposure loans that would make individual impairment testing impractical.

The 4finance Group uses forward looking information to enhance ECL models. The Group incorporated forward looking information into its provisioning model in 2019, and currently forward-looking information is used and is updated regularly. The Group once a year makes a new assessment to define products where the probability of default is sensitive to macro-economic indices changes and calculate coefficients using linear regression for selected products to use them in the model for a 1 year period till next review; once per quarter there is a review and update of forecasted macro variables values and the macro effect is recalculated based on recent macro-economic data outlook by using fixed regression coefficients.

For the assessment of expected credit loss for loans to related parties historic defaults produced by a ratings agency are used.

Impairment losses on portfolios of assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated discounted future cash flows. Impairment losses are recognized in the statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on impaired assets is recognized indirectly through a change in net impairment allowance when repayments are received from impaired loans. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

TBIF Group

Receivables due from customers

TBIF Group recognizes expected credit losses (ECL) for all receivables that are not carried at FVTPL. ECL are based on the difference between the contractual cash flows due under the terms of the contract and all cash flows that TBIF Group expects to receive discounted at the original effective interest rate. Expected cash flows include cash flows from the sale of the collateral provided or other credit enhancements that form an integral part of the contract terms.

ECL are recognized in two stages. For credit exposures for which there is no significant increase in credit risk since initial recognition, ECL are recognized for credit losses that arise as a result of non-performing events that are possible over the next 12 months (12-month ECL). For credit exposures for which there is a significant increase in credit risk since initial recognition, the impairment allowance is determined in respect of the credit losses expected over the entire remaining life of the instrument, irrespective of the occurrence of the default (ECL over the lifetime of the instrument).

Cash, cash equivalents and debt instruments

For amounts due from banks and debt instruments at fair value through other comprehensive income, the Group applies impairment based on the counterparty's credit rating.

At each reporting date, TBIF Group determines whether a debt instrument is considered as a low credit risk using all reasonable and reasoned information that is available without undue cost or effort. In this assessment, TBIF Group reviews the credit rating of the debt instrument. In addition, TBIF Group assesses whether there is a significant increase in credit risk where the contractual payments are past due over 30 days.

TBIF Group's debt instruments in other comprehensive income include only quoted bonds. The policy of TBIF Group is to evaluate the ECL for these instruments on a 12-month basis. However, when there is a significant increase in the credit risk after the occurrence, the provision is based on the ECL for the entire duration of the instrument. TBIF Group uses the ratings to determine whether the credit risk of the debt instrument is significantly increased, as well as to assess the ECL.

Definition of default

TBIF Group considers a financial instrument as defaulted when the contractual payments are overdue more than 90 days. In certain cases, however, a financial asset might be considered as defaulted when internal or external information indicates that it is unlikely that TBIF Group will receive all outstanding contractual cash-flows without taking any debt collection actions.

Write-off policy

TBIF Group removes its risk exposures from the balance sheet depending on the type of the receivable, the number of days in delay of payments and the collateral coverage of the exposure.

Credit exposures in Corporate Banking segment are removed from the TBIF Group's balance sheet by decision of the Impairment Committee based on a specific and substantiated proposal by the SME Collection and Asset Management Department.

Credit exposures in Retail Banking are removed from the TBIF Group's balance sheet at a loan level, automatically, after they become more than 1,080 days past due, for the exposures extended in Bulgaria, 720 days for those extended in Romania, and 360 days for the exposures extended by 4Finance EOOD, and by foreign companies, part of the 4Finance Group, and are 100% impaired.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

Modified financial assets

Under certain circumstances, the renegotiation or modification of the contractual cash flows of a financial asset may result in derecognition of the existing financial asset. Accordingly, the date of the modification is the date of initial recognition of the new financial asset when new ECL is calculated for the modified financial asset.

If the contractual cash flows of a financial asset are renegotiated or otherwise modified but the financial asset is not derecognised, it can not automatically be considered that the financial asset has a lower credit risk. TBIF Group assesses whether there has been a significant increase in credit risk after initial recognition based on reasonable and reasoned information available without incurring unnecessary expense or effort. This includes both past and future period information as well as credit risk assessment for the expected life of the financial asset, incl. information on the circumstances that led to the modification. Evidence that the criteria for recognizing the expected credit losses for the entire duration of the instrument are no longer met may include current and timely data on the fulfilment of the payment obligation under the modified contractual terms.

If there is objective evidence that impairment loss exists for loans and receivables, the loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated cash flows (except future losses that are not accumulated), discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is written down using an allowance account and the impairment loss is recognised in the profit or loss account.

If a loan bears a floating interest rate, the discount rate used to determine the impairment loss is the current effective interest rate set out in the agreement.

The calculation of the present value of the expected future cash flows of secured financial assets takes into account the cash flows which may be received upon disposal of collateral, less costs of acquisition or costs to sell.

When consumer loans are extended to individuals, TBIF Group accrues collective impairment which reflects the expectations of management regarding the future cash flows from the consumer portfolio. When applying collective impairment, the loan portfolio is assessed on a portfolio basis, taking into account the homogeneous nature of the exposure's risk profile. Impairment is based on contractual cash flows and historical experience regarding the losses of assets with similar characteristics of credit risk, adjusted for any data to reflect any current conditions that were not present in the periods of historical information.

Future cash flows for a group of financial assets that are collectively reviewed for impairment are determined based on the contractual cash flows related to the assets and the historical loss experience on credit risk bearing assets similar to those at TBIF Group. The loss assessed, based on historical experience, is adjusted based on current data, in order to reflect the influence of the present conditions which did not impact the period in which the loss assessment was made, as well as to eliminate the effect of conditions in the historical period, which no longer exist.

If in a subsequent period the impairment loss decreases and this decrease may be objectively attributed to an event occurring after the recognition of the loss (i.e. improvement of the credit rating of the debtor), the impairment loss already recognised is reversed through the allowance account. The amount of the adjustment is recognised in the statement of comprehensive income.

Renegotiated loans

Loans which are subject to collective impairment review or which are individually significant and their terms have been renegotiated, are considered performing as of the time of the renegotiation. In subsequent periods the asset is considered in default and is disclosed as such only if the new terms and conditions have been breached.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income in Non-recurring expense line. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(xvi) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(xvii) Contingent liabilities

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

(xviii) Share Capital and reserves

(i) Currency revaluation reserve

The currency revaluation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into the presentation currency.

(ii) Obligatory reserves

Under Luxembourg corporate law, the Company must allocate at least 5% of the statutory annual net profit, based on the stand alone financial statements, to a legal reserve until this reserve reaches 10% of the issued share capital. The legal reserve is not available for dividend distributions.

Under Lithuanian law, an annual allocation to the legal reserve must be made of at least 5% of net profit until the reserve comprises 10% of the share capital. The reserve cannot be distributed, but rather only be used to cover losses.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

Under Bulgarian law in accordance with the requirements of the Commercial Act, TBIF Group is required to provide into a reserve fund equalling at least 1/10 of profit, until the fund reaches 1/10 or more of the share capital. If the amount in the reserve fund falls below the minimum, it is obliged to fill the gap so as to recover the minimum level over a period of two years. Under the provisions of the banking legislation, banks are not allowed to pay dividends before they make the required contributions.

(iii) Revaluation Reserve

The revaluation reserve includes unrealised gains and losses on fair value movements of the instruments classified and measured as available for sale financial instruments before 1 January 2018 and classified and measured as FVOCI after 1 January 2018.

(iv) Reorganization Reserve

The reorganization reserve relates to a number of legal reorganizations. The entity accounted for these reorganizations as common control transactions using net asset values. This reserve arises on consolidation and is not distributable to shareholders.

(v) Share based payment reserves

The Group is part of wider group share-based payment arrangements where settlement for the services received is performed by the parent company. The Group accounts for such transactions as share-based payment transactions and recognizes expenses for services received, unless the services received qualify for recognition as an asset, and an increase in its equity for the contribution received from the parent.

(vi) Fair value reserve of financial assets at FVOCI

The reserve includes changes in fair value of financial instrument classified and measured at FVOCI.

(xviii) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

TBIF Group as a lessor

Leases in which TBIF Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(xix) Financial guarantee contracts

Financial guarantee contracts are relevant for TBIF Group units within the Group. Financial guarantee contracts are contracts that require the issuer to make specified payment to reimburse the holder for a loss the holder incurs because a specified debtor fails to make payments when they fall due in accordance with the terms of the debt instrument. Such financial guarantees are issued to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other bank facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date of issuance of the guarantee. Following initial recognition, the Group's liabilities related to such guarantees are measured at the higher of: (a) the initial measurement less the amortisation calculated to recognise commission income earned on a straight-line basis over the life of the guarantee and (b) the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are based on experience of similar transactions and history of past losses, supplemented by the judgement of management.

(xx) Dividends

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period in which they are declared.

(xxi) Fiduciary assets in custody

The TBIF Group keeps assets on behalf of its customers and in its capacity as an investment intermediary. These assets are not presented in the statement of financial position as they do not represent TBIF Group's assets.

(xxii) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(xxiii) Income and expense recognition

All significant income and expense categories including interest income and expenses are recognized in the statement of comprehensive income on an accrual basis.

(i) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Revenue is not recognized when there is doubt whether the cost of services will be covered.

(ii) Fee and commission income and expenses

Fees and commissions are recognised as the related services are performed and control over a service is transferred to a customer. Fee and commission income comprises mainly money agent's commissions, transfer fees in Bulgarian leva and foreign currency, and treasury transactions, and are recognised under the current accruals principle or on the transfer date, as appropriate. Income may be recognised at a point in time or over the time. Over time revenue recognition is proportional to progress towards satisfying a performance obligation by transferring control of promised services to a customer. Income which does not qualify for recognition over time is recognised at a point in time when the service is rendered. The Group has no material receivables and contract liabilities from contracts with customers as non-refundable up-front fees are not charged to customers upon commencement of contracts with customers.

(iii) Penalty fee income

Income from penalty fees is recognized as received.

(iv) Other income

Income from Insurance broker activities from TBIF Group includes income whereby the bank acts as an agent selling insurance issued from third party companies to the banks' clients. TBIF Group does not bear the insurance risk on these transactions. The income is recognized in line with the above paragraph.

(xxiv) Staff costs and related contributions

The Group pays social security contributions to state-funded insurance and pension schemes as required by the laws and regulations of the various jurisdictions in which the Group operates. The Group is not party to any defined benefit pension scheme.

(xxv) Operating segments

The Group determines and presents operating segments based on the information that is internally provided to the Group's management board, which is the Group's Chief Operating Decision Maker (CODM).

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the CODM to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CODM include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

(xxvi) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. If the economic characteristics and risks of the embedded derivative are closely related to those of the host contract, then the embedded derivative is not separated and accounted for separately.

(xxvii) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 for all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application on 1 January 2020.

- (i) *New standards, amendments to standards and interpretations which did not have a significant effect to the Group:*
- Amendments to References to Conceptual Framework in IFRS Standards
 - Definition of a Business (Amendments to IFRS 3)
 - Definition of Material (Amendments to IAS 1 and IAS 8)
 - Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
 - Covid-19-Related Rent Concessions (Amendment to IFRS 16)

New standards and interpretations not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Annual Improvements to IFRS 2018-2020 Cycle – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- IFRS 17 Insurance Contracts.

Notes to the Consolidated Financial Statements

(4) Risk management

Key financial and non-financial risks related to the Group's financial instruments and operating activities are:

- Credit risk
- Liquidity risk
- Market risk, including
 - Interest rate risk
 - Currency risk
 - Price risk
- Operational risk
- Capital management risk.

Management has implemented procedures to control the key risks.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty/customer fails to meet its contractual obligations, and arises primarily from the Group's loans due from customers.

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position. Exposures are based on net carrying amounts as reported in the Statement of Financial Position.

The Group's maximum credit exposures are shown gross, i.e. without taking into account any collateral or other credit enhancements.

As of 31 December	Maximum exposure	
	2020	2019
	EUR'000	EUR'000
Cash and cash equivalents	154 235	125 722
Placements with other banks	10 258	6 402
Loans to customers:	526 431	578 859
Corporate clients	71 445	67 614
Corporate client impairment	(4 858)	(3 700)
Individual clients	571 046	666 041
Individual client impairment	(111 202)	(151 096)
Investment in finance leases:	4 240	4 654
Gross investment in finance leases	4 543	5 142
Finance lease impairment	(303)	(488)
Loans to related parties	59 148	60 667
Other assets	26 331	21 903
Derivatives	2 068	5 460
Debt and equity instruments	81 884	56 893
Credit risk exposures related to contingent liabilities and irrevocable commitments are as follows:		
Contingent liabilities*	36 263	18 082
Total maximum exposure to credit risk	900 858	878 642

*For more details on contingent liabilities see Note 33

Notes to the Consolidated Financial Statements

(4) Risk management (continued)

The table below presents the maximum credit risk exposure of the 4finance Group and TBIF Group as at 31 December 2020 without taking into account collateral:

	Maximum exposure		
	4finance Group	TBIF Group	Total
	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	78 899	75 336	154 235
Placements with other banks	—	10 258	10 258
Loans to customers:	174 227	352 205	526 432
Corporate clients	—	71 445	71 445
Corporate client impairment	—	(4 858)	(4 858)
Individual clients	237 676	333 370	571 046
Individual client impairment	(63 450)	(47 752)	(111 202)
Investment in finance leases	—	4 240	4 240
Gross investment in finance leases	—	4 543	4 543
Finance lease impairment	—	(303)	(303)
Loans to related parties	59 148	—	59 148
Other assets	13 495	12 835	26 330
Derivatives	971	1 097	2 068
Debt and equity instruments	6 240	75 644	81 884
Total credit risk exposure*	332 980	531 615	864 595

* Excluding contingent liabilities. For more details on contingent liabilities see Note 33

For additional details on loans refer to Note 19 and on finance leases to Note 20.

4finance Group

The 4finance Group's Credit Risk Policy defines lending and loan book management guidelines according to its business strategy and efficient risk management, protecting assets as well as complying with local regulatory requirements. Loan credit risk is managed by the Risk department. Lending rules and scorecards (the 'underwriting process') are implemented for all products, and the customer's risk profile is analysed prior to a loan being issued. During the underwriting process the Group uses multiple attributes including, but not limited to, customer credit history checks and income levels. Current underwriting process has small level of judgement as majority of that is done automatically based on statistical evidence. Underwriting process is adjusted to specific country requirements and tendencies. It is periodically reviewed and if necessary rebuilt.

A Debt Collection policy guiding overall collections process throughout life-cycle of the loan is established. Detailed guidelines for specific collections stages are released as well. 4finance Group has implemented country-specific debt collection processes based on the above mentioned policies and guidelines. All processes comply with local regulations and ensure a smooth collection process. Performance of different customer groups is analysed on a regular basis by the Debt Collection department. Management believes that current procedures and tools are sufficient to effectively manage the credit risk of customer groups. In addition, the structure of the loan portfolio is based on many small value loans, and consequently separate customer exposures cannot individually cause material losses to the 4finance Group. The calculation methodology for loan impairment is described in Note 5. Quantitative information on 4finance Group's credit risk is disclosed in the table below.

Notes to the Consolidated Financial Statements

(4) Risk management (continued)

Credit quality of loan portfolio (4finance Group):

	Gross receivables 31.12.2020	Allowance for doubtful debts 31.12.2020	Net receivables 31.12.2020	Gross receivables 31.12.2019	Allowance for doubtful debts 31.12.2019	Net receivables 31.12.2019
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Not overdue	159 887	(5 868)	154 019	218 313	(12 485)	205 828
Overdue less than 90 days	32 519	(15 697)	16 822	64 501	(32 803)	31 698
Overdue more than 90 days	45 270	(41 884)	3 386	94 599	(69 046)	25 553
	237 676	(63 450)	174 226	377 414	(114 335)	263 079

When reviewing the portfolio and the respective provisions, management concentrates on the quality by ageing buckets as outlined above.

TBIF Group

The TBIF Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Significant changes in the economy or in the situation in a particular industry segment could result in losses other than the losses for which impairment loss allowances are identified by TBIF Group's management as at the balance sheet date.

To manage credit risk, the TBIF Group has developed strict potential borrower analysis and assessment procedures, including scoring procedures and detailed verification of data provided. Loans to corporate clients are mainly secured by collateral. Collateral is valued by obtaining a market value and then further reduced to take into account various risks. They are monitored on a regular basis and the underlying collateral is subject to re-appraisal on an annual basis. For impairment purposes, loans are monitored for Days Past Due ('DPD'), and other impairment triggers. For loans to groups of related party SME's, exposures are assessed collectively.

Loans to individuals are not secured. In addition, the TBIF Group has developed an effective payment monitoring system as well as a procedure for measuring the collection of receivables. Preliminary analysis and subsequent monthly monitoring are in place to detect the concentration of related parties by sectors of the economy and other cross-sections in compliance with TBIF Group's internal rules.

TBIF Group structures the level of credit risk it is exposed to by placing limits on its exposure to one borrower or group of borrowers, geographical region and industry segment. Such risks are monitored regularly and are subject to annual or more frequent review.

TBIF Group's risk exposures are classified in three groups based on the criteria of credit risk level, Stage 1 (with DPD < 30 days), Stage 2 (with DPD<30 days with forbearance measures and exposures with DPD between 31 and 90 DPD), Stage 3 (exposures with DPD>90 and with NPL triggers).

Loans extended to individuals are monitored as per the overdue payments indicator.

The exposure to each borrower, including banks and intermediaries, is further restricted by: sub-limits covering on-balance sheet and off-balance sheet exposures and commitments, and daily delivery risks in relation to trading items such as forwards. The actual exposures against the respective limits are monitored on a daily basis.

Notes to the Consolidated Financial Statements

(4) Risk management (continued)

Collateral

The TBIF Group employs a set of policies and practices to mitigate credit risk. A requirement of the TBIF Group to borrowers (other than consumer loans to individuals), is to provide suitable collateral prior to the disbursement of loans approved. The main types of collateral for loans are as follows:

- cash in Bulgarian levs and foreign currencies
- mortgages on real estate
- pledges on business assets such as receivables, inventory, plant and equipment
- pledges over financial instruments, and
- guarantees issued in favour of the TBIF Group.

In order to minimise credit loss, TBIF Group requires additional collateral from counterparties as soon as impairment indicators are observed. Collateral held as a pledge for financial assets, other than loans and advances, is determined by the nature of the financial instrument.

In view of the specifics of the TBIF Group's business and the increasing portfolio of small consumer loans, the share of unsecured loans within the TBIF Group's portfolio is growing. These types of loans are mostly of average-term (the median term of the portfolio is approximately 24 months) and have low limits (the average receivable amount is approximately BGN 2.2 thousand / around EUR 1 119).

The table below shows the total amount of loans to customers before provisions and impairment losses by type of collateral at 31 December 2020:

	Loans to customers		
	Gross amount EUR'000	Collateral* EUR'000	Coverage**
Mortgages	51 626	50 235	97.3 %
Cash collateral	30	30	100.0 %
Other collateral	2 915	2 789	95.7 %
Unsecured	351 282	—	
Total	405 853	53 054	

* For all collateral, market value is obtained from external appraisers and then further reduced to take into account various risks. Not more than 80% of market value is counted towards the recoverable amount in case of default.

** Coverage of credit risk via collateral, as a percentage of the loan's carrying amount per type of collateral. Collateral values are considered up to the exposures to which these relate.

Contingent liabilities and irrevocable commitments

Guarantees and letters of credit, which represent an irrevocable commitment by the TBIF Group to make the respective payment if the customer fails to discharge its liability to a third party, gives rise to the same type of risk as loans. Documentary and commercial letters of credit, that represent written commitments of the TBIF Group on behalf of a customer, are secured with cash deposits or other pledges in favour of the TBIF Group. Consequently, TBIF Group is exposed to minimal risk.

Commitments to grant loans represents the unutilised portion of the allowed loan amount, guarantees or letters of credit. The TBIF Group controls the maturity of credit commitments since in most cases long-term commitments bear higher credit risk compared to short-term ones.

For more details on TBIF Group's contingent liabilities and irrevocable commitments see Note 33.

Notes to the Consolidated Financial Statements**(4) Risk management (continued)**

For details regarding loans and leases at 31 December 2020 see the table below:

	Loans to corporate clients EUR'000	Loans to individual clients EUR'000	Financial leases EUR'000
Neither past due nor impaired	55 497	229 008	817
Past due less than 30 days*	2 055	37 745	100
Past due 31 to 60 days*	591	9 334	—
Past due 61 to 90 days*	1 827	6 334	—
Past due over 91 days*	5 002	50 525	3 144
Collective provisions	(2 744)	(47 752)	(17)
Past due and individually impaired	6 896	—	482
Individual impairment	(2 114)	—	(286)
Net of loan loss provisions	67 011	285 194	4 240

* Not individually impaired, collective provisioning used

As at 31 December 2020, the carrying amount of financial assets that would otherwise be past due whose terms have been renegotiated is EUR 10 334 thousand (31 December 2019: EUR 9 655 thousand) net of impairment.

Loans to customers that are neither past due, nor impaired

According to its internal rules and policies, TBIF Group individually assesses all corporate loans in its portfolio and books an impairment allowance if objective evidence for impairment exists. Consumer loans are reviewed for indicators of impairment on a portfolio basis. Credit quality is determined based on an analysis of the number of days past due and the amount overdue.

Past due but not impaired

Corporate past due but not impaired loans include past due loans where the recoverable amount of the collateral fully covers the exposure to the respective borrower.

Loans to customers which are past due and are impaired

For individually assessed accounts, loans are treated as impaired as soon as objective evidence indicates that an impairment loss will be incurred.

Group's Expected Credit Losses

The following table provides an explanation of how allowance for impairment (for receivables from customers and finance leases) changed during the year.

	Opening balance 01.01.2020	Origination and acquisition	Derecognition & repayments	Change in credit risk	Write-offs	Other & FX	Closing balance 31.12.2020
Stage 1	30 201	22 634	(27 836)	(862)	(516)	(3 364)	20 258
Stage 2	27 143	3 918	(14 920)	2 681	81	75	18 977
Stage 3	97 904	15 484	(33 712)	65 940	(67 436)	(1 069)	77 111
	155 248						116 346

Notes to the Consolidated Financial Statements

(4) Risk management (continued)

Deposits, placements with other banks and debt and equity instruments

The table below presents an analysis of deposits with other banks and debt and equity instruments at 31 December 2020 based on criteria set by rating agencies as a result of their credit assessments.

Rating	Debt and Equity instruments EUR'000	Placements with other banks EUR'000
A- (S&P)	4 737	—
A3 (Moody's)	422	3 093
A2 (Moody's)	326	—
BBB+ (Fitch)	—	28
BBB (Fitch)	—	231
BBB (BCRA)	—	5 630
Baa2 (Moody's)	21 829	848
Baa3 (Moody's)	14 339	—
BBB- (Fitch)	1 498	—
BBB- (BCRA)	—	23
BB+ (Fitch)	4 753	335
BB+ (S&P)	1 686	—
BB (Fitch)	2 447	—
BB- (Fitch)	3 565	1
Ba1 (Moody's)	406	—
Ba3 (Moody's)	2 587	—
B1 (Moody's)	7 416	19
B2 (Moody's)	1 258	—
B+ (Fitch)	1 246	—
B+ (S&P)	436	—
B (Fitch)	1 196	—
B- (Fitch)	1 681	49
Unrated	3 817	—
	75 644	10 258

The unrated placements with other banks and financial institutions are rated internally based on an analysis of quantitative and qualitative factors.

(b) Liquidity risk

4finance Group

Liquidity risk is the risk that 4finance Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets when due. The liquidity position is managed by the Treasury department. The 4finance Group manages and controls its liquidity position on a day-to-day, short-, medium- and long-term basis by implementing and following relevant procedures, policies and processes. The 4finance Group has established the following processes and procedures - 4finance Group cash flow management procedures, 4finance Group bank account management procedures, and an intra-4finance Group financing process. Management believes that the current processes and procedures are sufficient to effectively monitor and manage the liquidity risk of the 4finance Group. 4finance Group's maturity structure of financial assets and liabilities is presented in Note 40.

Notes to the Consolidated Financial Statements

(4) Risk management (continued)

TBIF Group

The Management Board of the TBIF Group assigns the Asset and Liabilities Management Committee as the primary responsible unit to advise the Management Board on liquidity management strategy. The legal requirement for the bank is to maintain a liquidity ratio (LCR) of at least 100%. For more details see Note 40.

The TBIF Group monitors the liquidity of assets and liabilities by type of currency, amount and interest rates on a daily basis. With respect to the large portion of liabilities comprising term deposits from individuals and legal entities, active measures are taken to encourage customers to renew their deposits. Deposits from legal entities are primarily not in large amounts and historical experience shows that typically the terms and conditions are re-reviewed and agreed immediately prior to their maturity. For more details see Note 29.

(c) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. The Group's market risk arises from open positions in interest rate and currency financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial assets. Management believes that for the Group, with the exception of TBIF Group, interest rate risk is not material since all loans are issued and received at fixed rates and most of the borrowings are long term. Interest rate risk for loans to customers arising from short-term-pricing is not considered part of interest rate risk since an immaterial proportion of the interest rates charged relate directly to interest rate variance risk. All of 4finance Group's borrowings have been received at fixed rates. Re-pricing of interest-bearing liabilities is not expected to take place within the next 12 months. TBIF Group is subject to floating interest rates (Euribor, Soifbor and Robor) and actively manages this risk. Based on analysis, a 100 bp increase/(100) bp decrease change in interest rates would result in EUR 982/(982) thousand effect on the Statement of Comprehensive Income.

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The Group's currency risk is managed centrally by the Group's Treasury Department. The Group has established a Currency risk monitoring and management policy. It is the policy of the Group to hedge its open positions where practical and economically sensible to do so. To manage the Group's open position in foreign currencies, the Group has entered into cross currency swap, forward and option agreements. The purpose of the financial instruments is to limit the Group's exposure to foreign currency fluctuations.

An analysis of sensitivity of the Group's net income for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a 10% change in PLN, USD, CZK, SEK and RON to EUR exchange rates is as follows:

Notes to the Consolidated Financial Statements**(4) Risk management (continued)**

	31.12.2020		31.12.2019	
	Net income	Equity	Net income	Equity
	EUR'000	EUR'000	EUR'000	EUR'000
Appreciation of PLN against EUR	6 443	6 443	11 146	11 146
Depreciation of PLN against EUR	(6 443)	(6 443)	(11 146)	(11 146)
Appreciation of USD against EUR	(15 612)	(15 612)	(21 502)	(21 502)
Depreciation of USD against EUR	15 612	15 612	21 502	21 502
Appreciation of CZK against EUR	1 401	1 401	1 536	1 536
Depreciation of CZK against EUR	(1 401)	(1 401)	(1 536)	(1 536)
Appreciation of SEK against EUR	(273)	(273)	(250)	(250)
Depreciation of SEK against EUR	273	273	250	250
Appreciation of RON against EUR	13 843	13 843	10 597	10 597
Depreciation of RON against EUR	(13 843)	(13 843)	(10 597)	(10 597)

The currency risk analysis above illustrates the effect of an isolated appreciation/depreciation of each significant operating currency at 10% change. The above analysis does not include any assumptions about correlation between these currencies. Refer to Note (42) Currency analysis for further information on the Group's exposure to foreign currency risk. To manage the Group's open position in foreign currencies and limit the exposure to foreign currency fluctuations, the Group has entered into forward and option agreements, for more details refer to Note (18) Derivatives.

*Price risk**4finance Group*

Price risk is the risk that the value of a financial instrument carried at fair value will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the 4finance Group takes a long or short position in a financial instrument.

TBIF Group

In performing its activities, TBIF Group is exposed to price risk as Romanian government treasury bonds are held. TBIF Group's risk management policies are designed to identify and analyse price risks, to set appropriate risk limits and controls, and to monitor adherence to risk limits by means of a reliable and up-to-date information system. TBIF Group regularly reviews its risk management policies and systems to reflect changes in the markets, products and emerging best practice.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's internal control procedures are designed in a manner that manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness, while not unduly restricting initiative and creativity.

Notes to the Consolidated Financial Statements

(4) Risk management (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

The Group is also subject to reputation risk in relation to the lending practices undertaken by each of its operations. Management is fully aware of the scrutiny and interest in the operations of short-term finance institutions by regulators and members of the public. Management seeks to be transparent in the way it markets its business, takes steps to ensure that all operations comply with all relevant legislation and cooperates intensively with regulators, when requested.

(e) Capital management risk

The objectives of the Group's management of capital include:

- compliance with the capital requirements set by regulators as applicable, including the banking markets in which TBIF Group operates
- ensuring the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders
- maintaining a strong capital base which is the basis for the development of the Group's activity.

4finance Group

Capital management of the 4finance Group is not governed by any requirements set by regulatory institutions or international bodies. Management reviews its capital position on a regular basis to ensure positive equity in all subsidiaries of the 4finance Group and to maintain sufficient funds in order to support its medium- and long-term strategic goals.

TBIF Group

Capital adequacy and the use of equity are monitored by TBIF Group's management, employing techniques based on the guidelines developed by the Basel Committee, as well as EU Directives, adopted by the Bulgarian National Bank ('Regulatory Authority') for supervisory purposes. The information required is filed with the Regulatory Authority on a regular basis.

The Regulatory Authority requires each bank or group of banks: (a) to hold minimum level of equity of BGN 10 000 thousand and (b) to maintain a ratio of total regulatory capital to risk-weighted assets of 14.00%, comprising of a total capital adequacy requirement of 8%, protective capital buffer of 2.5%, systemic risk buffer of 3% and countercyclical buffer of 0.5%. Each bank is also required to hold additional Pillar 2 requirement, which is 0.75% for TBI Bank. TBIF Group's capital adequacy ratio as 31 December 2020 was 19.41% (31 December 2019: 18.89%).

The TBIF Group's equity is divided into two tiers in accordance with the definitions and requirements of Regulation No 575 of the European Parliament and of the Council of 26 June 2013.

Notes to the Consolidated Financial Statements

(5) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

4finance Group

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended 31 December 2019. These included determination of the consolidation group and whether embedded derivatives within financial liabilities require separation. It was determined that embedded derivatives do not require separation.

- Allowances for credit losses on loans and receivables (see Note 19).

Total allowances for impairment on loans and advances are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. Collectively assessed impairment allowances also cover credit losses for portfolios of defaulted loans which are defined as being past due by 90 days or more. In assessing the need for collective loss allowances, management considers factors such as probability of default ('PD'), loss given default ('LGD'), exposure at default ('EAD'), portfolio size, delay concentration and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience, current and future economic conditions. To assess collective impairment allowances, the loan portfolio is grouped based on delay days. The significant assumptions used in determining collective impairment losses for the loan portfolio include:

- Management assumes that 4finance Group collected cash from defaulted loans is calculated as discounted cash inflows (interest, penalties, principal, commission) in following 9 months from Default date. External Debts Collection costs should be deducted from incoming cash inflows. Collected cash observation period could be extended if significant collected cash would be observed after 9 month from Default date. All collected cash are discounted to the Default moment by using average last 6 months effective interest rate ('EIR') including contractual interest rate and fees of the specific product.
- Management calculates probability of default (count based) ratios using historic transition matrices which analyses loan portfolio movements between the delinquency buckets over one month period for single payment loans and one year period for instalment loans. The analysis is undertaken on monthly basis, in which the average probability of default ratios of the last six months for single payment loans and of last 3 months for instalment loans are calculated.
- Management calculates repayment rates (part of EAD) based on historical repayments for principal for loans that will default in 4 months' time for single payment loans, and based on historical repayments for principal for loans that will default in 1 year's time for bucket until 30 days past due and accordingly in 2 and 1 months for buckets after 30 days past due for instalment loans. A repayment rate is calculated for each delinquency group individually by comparing actual open principal amount at default date to the initial outstanding principal at observation period.
- Management writes off trade receivables and loans to customers when they are past due more than one year or earlier if deemed to be uncollectable.

Notes to the Consolidated Financial Statements

(5) Use of estimates and judgements (continued)

Management closely follows recoveries from delinquent loans and revises LGD rates for portfolios based on discounted cash inflows. Historical experience supports the use of 9 and 21 months after default as the period over which recoveries are expected to be received. This assumption is used across all countries and is supported by actual past experience across numerous entities within the 4finance Group. Products where debt sales events on non-write-off portfolio are regular (at least twice a year) or where a Forward Flow ('FF') Debt Sales agreement is the effective average realization price is included into the recovery rate calculation. Where there is insufficient past statistical data, projections of recoveries are used based on the data available and benchmarking of comparable data from other markets where the 4finance Group has wider historical data availability. Projected LGD rates vary across the countries depending on the specifics of individual countries.

During the year ended 31 December 2020, management continually reassessed its impairment allowances for credit losses on loans and receivables. This assessment included a review of historical recovery trends impacting the LGD ratios that underlie the impairment loss allowance calculations. As at 31 December 2020, the weighted average LGD rate across portfolios was 74% (31 December 2019: 75%). On product level single payment loan weighted average LGD was 83%, 79% for instalment loans, 68% for lines of credit and 53% for near-prime loans. The weighted average LGD rate change during the year is not significant.

Sensitivity analysis of the Group's net income for the year and equity to changes in LGD rates given a simplified scenario of a 5% increase in the LGD ratio for each operating entity would increase loan loss impairment for EUR 3 274 thousand (31 December 2019: EUR 6 867 thousand). A 5% decrease would lead to a decrease to EUR 3 684 thousand (31 December 2019: EUR 6 868 thousand).

- Separation of embedded derivatives

There is an early redemption option related to the issued debt. These prepayment options are judged to be closely related to the host debt instruments characteristics and, therefore, are not separated from the host debt instrument. 4finance Group does not expect these options to be exercised.

- Capitalisation of internal development costs

During the year, 4finance Group developed certain software solutions. 4finance Group applied IAS 38 to assess expenditure that met the criteria to be capitalized and expenditure to be expensed to profit or loss. Management judgement is required to assess costs falling within 3 specific phases - research and pre-development costs, development costs and maintenance/post-development costs. 4finance Group has set up internal processes allowing it to allocate internal IT costs to the appropriate stage. Only those expenses that have been internally assessed as relating to development are capitalized. In addition, management judgement is required in assessing the useful economic lives of developed projects and performing review of intangible assets carrying value for impairment. Currently, useful life is 3 years. When assessing value in use, estimated future cash flows of cash-generating units are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks associated to the asset. Information in relation to the capitalisation of internal development costs is disclosed in more detail in Note 26.

- Deferred tax asset recognition

Significant management judgement is required in assessing deferred tax assets, in particular projecting taxable profits in current and future years (see Note 27)

- Fair value of financial instruments

Significant management judgement is used for estimating unobservable inputs and valuation adjustments (see Note 38).

- Valuation of related party loans

Significant management judgement is used for estimating market interest rate and expected credit loss (see Note 22).

Notes to the Consolidated Financial Statements

(5) Use of estimates and judgements (continued)

- Impairment of Intangible assets and goodwill measurement

Significant management judgement is required for calculation goodwill and assessing intangible asset, including goodwill, impairment. The main judgemental areas include fair value of assets and liabilities acquired calculation for goodwill calculation and projecting expected free cash flows to equity holders in current and future years, estimating discount rates and estimating terminal growth rates (see Note 26).

- Provisions and contingent liabilities

Significant management judgement is used for estimating provisions and contingent liabilities in relation to legal cases (see Note 37).

TBIF Group

The TBIF Group makes estimates and assumptions that affect the amounts of reported assets and liabilities within the next financial year. Accounting estimates and judgements are consistently applied and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Allowances for credit losses

TBIF Group reviews its loan portfolios to assess the need for impairment on at least a quarterly basis. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, TBIF Group makes an analysis whether objective data exists indicating that there is a significant decrease in the estimated future cash flows from the loan portfolio. Such evidence may include observable data, indicating an adverse change in the borrowers' ability to meet their loan obligations in the respective portfolio, or their national or local economic conditions indicate that the probability of default has increased. When estimating future cash flows, for assets with credit risk features and objective evidence for impairment similar to those in the portfolio, management uses estimates based on historical losses experienced. The methodology and assumptions used to estimate the amount and timing of future cash flows are reviewed regularly in order to reduce differences between loss estimates and actual loss experience. TBIF Group undertakes a credit risk stress test which assumes a static portfolio of the bank and migration of loans with DPD up to 90 days to loans with DPD 90+ with a forecast horizon of 12 months as reflected in the average three years transition matrices per product and domicile in adverse scenario with a total effect of EUR 1 233 thousand as of 31 December 2020 (31 December 2019: EUR 933 thousand). As per EBA requirements the adverse scenario assumptions are performed on a dynamic portfolio with 24 months horizon totalling overall risk estimate of EUR 2 981 thousand (31 December 2019: EUR 2 481 thousand).

(b) Repossessed collateral valuation

The value of real estate collateral is determined by independent expert appraisers, using generally accepted valuation techniques. Such techniques include the revenue method and the discounted cash flow method. In certain cases, fair value is determined based on recent transactions involving real estate with similar features and locations as the collateral.

Non-real estate collateral is measured at the lower of the value upon acquisition and the fair value less costs to make the sale.

The calculation of fair value of collateral involves the use of estimates, including the future cash flows from the assets and the discount rates applicable to these assets. These estimates are based on the conditions in the local market existing at the date of valuation.

TBIF Group management has committed to specific actions aimed at the realisation of these assets through disposal.

Notes to the Consolidated Financial Statements

(5) Use of estimates and judgements (continued)

Assets acquired as collateral on loans are classified as assets held for sale.

TBIF Group undertakes a collateral depreciation stress test, which assumes a devaluation of real estate by 5-15% depending on the type of real estate over a forecast horizon of 12 months. As of 31 December 2020, this test resulted in a sensitivity of EUR 1 424 thousand (31 December 2019: EUR 1 667 thousand).

(6) Interest income

Summary

Interest income represents revenues generated during the reporting period from the Group's basic activities – consumer lending, and in the case of TBIF Group, consumer and SME lending and leasing. Interest income includes loan commission income and penalty fee income.

	2020 EUR'000	2019 EUR'000
Loans to customers:		
4finance Group	212 626	341 309
TBIF Group	94 480	83 616
	307 106	424 925

Interest income by geographic markets:

The 4finance Group

	2020 EUR'000	2019 EUR'000
Poland	66 599	112 381
Spain	56 839	83 407
Denmark	28 232	46 141
Latvia	18 275	25 548
Czech Republic	16 680	19 030
Lithuania	8 198	8 707
Armenia	7 437	10 674
Sweden	3 372	5 351
Other	6 992	30 071
	212 626	341 309

TBIF Group

	2020 EUR'000	2019 EUR'000
Bulgaria	51 964	47 828
Romania	41 760	35 537
Poland	756	251
	94 480	83 616

Notes to the Consolidated Financial Statements**(7) Interest expense**

	2020	2019
	EUR'000	EUR'000
Interest expense on notes	44 268	52 570
Deposits from customers	5 027	4 118
Deposits from banks and financial institutions	614	456
Other	145	199
	50 055	57 343

(8) Non-recurring finance income

The Group repurchased \$46.9 million nominal value of USD bonds in 2020, which generated non-recurring finance income of EUR 10 668 thousand (2019: EUR 505 thousand). The income represents the difference between carrying value of the purchased bond and the purchase price paid.

(9) Fee and commission income

	2020	2019
	EUR'000	EUR'000
Income from insurance broker's activities and agent's commissions	15 936	16 843
Transfer and transaction income	1 219	1 153
Guarantee and letter of credit income	20	25
Other income	272	190
	17 447	18 211

Fees and commissions are related to TBIF Group's operations. Agent's commission income originates from an insurance agency contract.

(10) Fee and commission expense

	2020	2019
	EUR'000	EUR'000
Agent's commission expense	6 757	7 357
Bank transaction expense	1 765	1 633
Other expense	31	15
	8 554	9 005

Fees and commissions are related to TBIF Group's operations. Costs of agent's commissions relate to a credit brokerage contract.

Notes to the Consolidated Financial Statements**(11) Other operating income**

	2020	2019
	EUR'000	EUR'000
Interest income	9 499	8 076
Income from services	2 052	1 253
	11 551	9 329

In 2020, Other operating income includes interest income from related parties of EUR 6 886 thousand (2019: EUR 7 289 thousand), see Note 35.

Interest income year-on-year increase is related to higher interest income from government bonds held by TBIF Group.

(12) Operating costs

	2020	2019
	EUR'000	EUR'000
Personnel costs	82 395	96 804
Marketing and sponsorship	27 495	39 051
Depreciation and amortization	14 888	16 523
IT expenses	14 828	17 967
Legal and consulting	6 995	7 834
Application inspection costs	5 182	6 406
Communication expenses	4 019	4 301
Debt collection costs	3 493	4 650
Bank services	3 329	4 465
Taxes	1 813	3 666
Rent and utilities	1 785	2 253
Travel	957	2 242
Other	12 845	11 817
	180 024	217 979

The year-on-year decrease in operating costs reflects a focus on efficiency and ensuring that operating approach is consistent with the reduced footprint.

Other expenses mainly consist of office expenses, staff event costs, encashment costs and transport costs for TBIF Group and other costs.

Executive Committee and Board member remuneration expenses are disclosed in Note 35.

	2020	2019
	EUR'000	EUR'000
Auditor's fees (part of Legal and consulting)		
Audit fees	1 174	1 144
Audit related fees	7	109
Tax related fees	106	1
	1 287	1 254

Notes to the Consolidated Financial Statements**(12) Operating costs (continued)**

	2020	2019
Average number of employees		
Senior management/Executives	7	9
Employees	2 513	2 846
	2 520	2 855

(13) Non-recurring expense

	2020	2019
	EUR'000	EUR'000
Disposals of subsidiaries	3 764	36
Intangible asset write-off	3 271	1 464
Goodwill impairment	647	1 002
Intangible asset impairment reversal	(766)	(1 634)
	6 916	867

In 2020 disposals of subsidiaries include loss from sold subsidiaries in Georgia, Mexico and Finland.

The Group has reviewed its IT related internally developed intangible assets portfolio to identify assets which either are not used, or which functionality is not aligned with current business strategy and therefore future economic benefit is not expected and has made a decision to write-off several intangible assets.

In 2020 following a decision to exit the Armenia and Argentina markets, the associated EUR 647 thousand of goodwill was impaired, see Note 26. In 2019 goodwill impairment of EUR 1 002 thousand is related to exiting business of Slovakia.

Intangible asset impairment reversal of income EUR 766 thousand (2019: EUR 1 634 thousand) relates to the 4finance Group assets that were written off during the year or as of year end are fully amortised (e.g., net book value is 0).

(14) Net foreign currency gain/ (loss)

	2020	2019
	EUR'000	EUR'000
Net foreign currency gain/ (loss)	(3 000)	(7 500)
Net gain/ (loss) on derivatives	(2 706)	12 275
	(5 706)	4 775

Notes to the Consolidated Financial Statements**(15) Net impairment losses**

	2020	2019
	EUR'000	EUR'000
Impairment losses on loans	121 045	148 673
Reversal of provision on debt portfolio sales	(11 554)	(12 031)
Recovery from written-off loans	(11 722)	(13 560)
	97 769	123 082

In 2020 net change in TBIF Group financial lease impairment allowance resulted in a gain of EUR 190 thousand (2019: EUR 32 thousand gain).

(16) Income tax for the reporting period

	2020	2019
	EUR'000	EUR'000
Current tax	10 886	19 433
Deferred tax	13 752	2 829
	24 637	22 262

Reconciliation of effective income tax:

	2020	2019
	EUR'000	EUR'000
Profit /(loss) before corporate income tax	(401)	50 668
Theoretical corporate income tax, 24.94%	(100)	12 637
Effect of change in deferred tax asset recognition	6 350	4 082
Tax effect of permanent differences related to non-deductible expenses	13 141	5 669
Impact of tax rate in other jurisdictions	5 246	(126)
Corporate income tax for the reporting year	24 637	22 262

The tax charge in 2020 was mainly created and impacted by the following items:

- current tax representing tax payable by Group's biggest profitable entities: Poland, Denmark, Czech Republic, Spain and TBI Bank (Bulgaria);
- de-recognition of Deferred Tax Asset for Armenia, Sweden, Finland and US accumulated as at the end of 2019 (EUR 6 350 thousand in total) as well as no deferred tax recognition in those countries in 2020 (EUR 2 598 thousand in total).

Companies within the Group are subject, from time to-time, to tax inspections by the relevant local tax authorities. Currently, a tax inspection is being undertaken by the local tax authorities in the following Group's companies: Friendly Finance (Georgia), 4f Sales (U.S.), 4finance ApS (Denmark) and Vivus Finance Sp. z o.o. (Poland).

Notes to the Consolidated Financial Statements

(16) Income tax for the reporting period (continued)

In last quarter of 2020, Vivus Finance (Poland) received the corporate tax decision in respect of the year 2013 audit. Vivus Finance (Poland) does not agree with tax administration's view and has appealed against the decision. An adverse outcome in the appeal would have no material impact on the financial statements.

In first quarter of 2021 the Spanish tax administration offered 4Finance Spain Financial Services, S.A.U. (Spain) a corporate tax settlement agreement covering financial year 2015 and financial year 2016. The Company has accepted administration's proposal, the cost of which is reflected in the tax charge for 2020.

(17) Cash and cash equivalents

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Bank balances	86 809	81 438
Cash at central banks other than the minimum statutory reserve	33 783	17 092
Cash and cash equivalents in the statement of cash flows	120 592	98 530
Minimum statutory reserve	33 643	27 192
Total cash on hand and cash at central banks	154 235	125 722

As at 31 December 2020, the statutory minimum reserves held with the Bulgarian National Bank (BNB) by TBIF Group amount to 10% (31 December 2019: 10%) of the deposits attracted, 5% of funds attracted from abroad and 0% of the funds attracted from other local banks.

As at 31 December 2020, the statutory minimum reserves held at the National Bank of Romania (NBR) amounted to 8% of the funds attracted in new Romanian Lei and 8% of the funds attracted in currencies other than new Romanian Lei, not including funds attracted from other local banks and funds attracted with a residual maturity of less than two years without early termination clauses. The statutory minimum reserves are available for use at up to 50% from the required reserves in the Group's day-to-day operations under the condition that the full reserves requirement for the month is covered. The excess of the minimum statutory reserves held with BNB is charged currently with a negative interest rate (-0.70% p.a). Those held in NBR are charged with 0% interest currently.

(18) Derivatives

To manage the Group's open position in foreign currencies, the Group has entered into forward and option agreements. The purpose of the financial instruments is to limit the Group's exposure to foreign currency fluctuations.

The tables below reflect the fair value of each financial instrument type separately as at 31 December 2020.

Notes to the Consolidated Financial Statements**(18) Derivatives (continued)**

Recognized as Assets	Currency	Notional amount '000	Rate	Maturity	31.12.2020 EUR'000
Swap sell EUR, buy USD	USD	49 836	1.17736	May-2021	1 032
Forward sell PLN, buy EUR	EUR	5 081	4.407	Feb-2021	176
Forward sell PLN, buy EUR	EUR	5 000	4.4155	Feb-2021	164
Forward sell PLN, buy EUR	EUR	5 000	4.4053	Feb-2021	175
Forward sell PLN, buy EUR	EUR	5 000	4.4063	Feb-2021	174
Forward sell PLN, buy EUR	EUR	5 000	4.4095	Feb-2021	170
Forward sell PLN, buy EUR	EUR	5 000	4.509	Apr-2021	65
Swap sell EUR, buy PLN	PLN	5 765	4.49525	Feb-2021	53
Forward sell EUR, buy USD	USD	10 000	1.2383	Apr-2022	19
Forward sell PLN, buy EUR	EUR	5 000	4.5522	Mar-2021	17
Swap sell EUR, buy PLN	PLN	9 756	4.5487	Mar-2021	12
Forward sell EUR, buy USD	USD	5 000	1.2385	Apr-2022	10
					2 068
Recognized as Liabilities	Currency	Notional amount '000	Rate	Maturity	31.12.2020 EUR'000
Forward sell EUR, buy USD	USD	50 000	1.1601	Apr-2022	2 653
Swap sell EUR, buy USD	USD	46 476	1.1619	Apr-2022	891
Swap sell EUR, buy USD	USD	46 528	1.1632	Apr-2022	872
Swap sell EUR, buy RON	RON	45 402	4.9135	Mar-2021	213
Swap sell EUR, buy RON	RON	10 137	5.0465	Apr-2021	182
Swap sell EUR, buy RON	RON	39 471	4.9124	Mar-2021	181
Swap sell EUR, buy RON	RON	43 321	4.9014	Feb-2021	149
Swap sell EUR, buy RON	RON	10 044	5	Feb-2021	135
Swap sell EUR, buy RON	RON	10 041	4.9986	Jan-2021	134
Swap sell EUR, buy RON	RON	10 020	4.9881	Feb-2021	123
Option sell EUR buy USD	USD	5 000	1.2	Apr-2022	121
Swap sell EUR, buy NOK	NOK	10 685	10.577	Jan-2021	55
Forward sell PLN, buy EUR	EUR	10 000	4.5796	Mar-2021	26
					5 733

Derivatives value decreased in 2020 mainly for long term derivatives (used for Bond hedges) due to USD currency depreciation against EUR currency.

Notes to the Consolidated Financial Statements**(18) Derivatives (continued)**

The tables below reflect the fair value of each financial instrument type separately as at 31 December 2019.

Recognized as Assets	Currency	Notional amount '000	Rate	Maturity	31.12.2019 EUR'000
Swap sell EUR, buy USD	USD	46 476	1.1619	Apr-2022	2 610
Swap sell EUR, buy USD	USD	46 528	1.1632	Apr-2022	2 603
Forward sell EUR, buy USD	USD	24 494	1.2247	Jun-2020	245
Swap sell EUR, buy RON	RON	8 000	4.8408	May-2020	2
					5 460

Recognized as Liabilities	Currency	Notional amount '000	Rate	Maturity	31.12.2019 EUR'000
Forward sell EUR, buy USD	USD	50 000	1.1601	Apr-2022	699
Forward sell EUR, buy USD	USD	30 000	1.132	Feb-2020	244
Swap sell EUR, buy SEK	SEK	5 520	10.3622	Apr-2020	237
Forward sell EUR, buy PLN	PLN	35 000	4.2813	Jan-2020	186
Forward sell EUR, buy PLN	PLN	35 000	4.2815	Jan-2020	185
Swap sell EUR, buy RON	RON	12 000	4.877	Jun-2020	45
Forward sell EUR, buy PLN	PLN	10 000	4.2725	Jan-2020	44
Forward sell EUR, buy PLN	PLN	10 000	4.2775	Jan-2020	32
Swap sell EUR, buy RON	RON	12 000	4.8473	Apr-2020	22
Swap sell EUR, buy RON	RON	5 000	4.79535	Jan-2020	13
Forward sell EUR, buy PLN	PLN	5 000	4.2672	Jan-2020	9
Swap sell EUR, buy RON	RON	2 850	4.827	Sep-2020	9
Forward sell EUR, buy PLN	PLN	5 000	4.2664	Jan-2020	7
Swap sell EUR, buy PLN	PLN	3 400	4.27621	Feb-2020	5
Swap sell EUR, buy RON	RON	5 000	4.79258	Oct-2020	5
Swap sell EUR, buy RON	RON	5 000	4.79939	Jan-2020	2
					1 744

Notes to the Consolidated Financial Statements**(19) Net receivables due from customers****Summary**

Net receivables due from customers has been divided into two parts below. 4finance Group shows all companies under 4finance Holding S.A. with the exception of TBIF Group, which have been shown separately.

	Gross receivables 31.12.2020 EUR'000	Allowance for impairment 31.12.2020 EUR'000	Net receivables 31.12.2020 EUR'000	Gross receivables 31.12.2019 EUR'000	Allowance for impairment 31.12.2019 EUR'000	Net receivables 31.12.2019 EUR'000
4finance Group	237 676	(63 450)	174 226	377 414	(114 335)	263 079
TBIF Group	404 815	(52 610)	352 205	356 241	(40 461)	315 780
	642 491	(116 060)	526 431	733 655	(154 796)	578 859

4finance Group

	31.12.2020 EUR'000	31.12.2019 EUR'000
Long-term loans due from customers	41 072	54 315
Allowance for impairment of long-term loans due from customers	(6 078)	(13 581)
Long term	34 994	40 734
Short-term loans due from customers	196 604	323 098
Allowance for impairment of short-term loans due from customers	(57 372)	(100 753)
Short term	139 232	222 345
	174 226	263 079

The 4finance Group's long-term and short-term loans consist of loan balances not exceeding EUR 15 000 per loan (31 December 2019: EUR 10 000 and maturity of up to 5 years) with maturity of up to 7 years. The average loan size in 2020 was EUR 220 (2019: EUR 237). The loans are not collateralized.

Short-term loans include the Line of Credit portfolio outstanding of EUR 59 thousand as at 31 December 2020 (31 December 2019: EUR 2 105). The total credit committed under this product, which includes used and unused amounts, is EUR 216 thousand (31 December 2019: EUR 3 043).

Notes to the Consolidated Financial Statements**(19) Net receivables due from customers (continued)**

Movements in the allowance for impairment for 4finance Group for the respective periods are as follows:

	2020 EUR'000	2019 EUR'000
<u>Allowance for impairment</u>		
Balance at the beginning of period	114 335	113 857
Charge for the period	91 022	132 350
Amounts written-off	(77 409)	(63 792)
Derecognised on disposal of portfolio	(60 444)	(67 985)
Currency effect	(4 053)	(95)
Balance at period end	<u>63 450</u>	<u>114 335</u>

The net gain from debt sales of loan portfolios in the 4finance Group is EUR 11 363 thousand (2019: EUR 10 871 thousand).

Loans by country and currency:

	Gross receivables 31.12.2020 EUR'000	Allowance for impairment 31.12.2020 EUR'000	Net receivables 31.12.2020 EUR'000	Gross receivables 31.12.2019 EUR'000	Allowance for impairment 31.12.2019 EUR'000	Net receivables 31.12.2019 EUR'000
Poland (PLN)	65 554	(14 463)	51 091	141 575	(40 978)	100 597
Latvia (EUR)	44 373	(6 289)	38 084	38 551	(4 278)	34 273
Lithuania (EUR)	33 231	(2 266)	30 965	21 379	(842)	20 537
Spain (EUR)	40 366	(19 035)	21 331	69 974	(30 048)	39 926
Denmark (DKK)	23 644	(9 987)	13 657	46 968	(18 860)	28 108
Czech Republic (CZK)	14 741	(3 757)	10 984	17 396	(5 369)	12 027
Sweden (SEK)	8 224	(1 054)	7 170	5 634	(876)	4 758
Other	7 543	(6 599)	944	35 937	(13 084)	22 853
	<u>237 676</u>	<u>(63 450)</u>	<u>174 226</u>	<u>377 414</u>	<u>(114 335)</u>	<u>263 079</u>

Notes to the Consolidated Financial Statements**(19) Net receivables due from customers (continued)****TBIF Group****Loans to customers**

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Loans to customers:		
Individuals	332 181	287 767
Corporate clients	71 867	67 614
Staff	767	860
Total loans to customers	404 815	356 241
Allowance for impairment	(52 610)	(40 461)
Total net loans to customers	352 205	315 780

Loans to customers include accrued interest amounting to EUR 8 745 thousand (2019: EUR 8 086 thousand). Loans to customers bearing floating interest rates amount to EUR 59 773 thousand (2019: EUR 57 959 thousand), and loans to customers bearing fixed interest rates amount to EUR 346 080 thousand (2019: EUR 298 282 thousand).

Allowance for impairment

The movement in allowance for impairment is as follows:

Allowance for impairment for individually assessed financial assets	2020	2019
	EUR'000	EUR'000
Balance at the beginning of period	2 423	2 212
(Reversal)/Charge for the period in continued operations	493	359
Amounts written-off	—	(145)
Currency effect	(168)	(3)
Balance at period end	2 748	2 423

Allowance for impairment for collectively assessed financial assets	2020	2019
	EUR'000	EUR'000
Balance at the beginning of period	38 038	36 091
Charge for the period in continued operations	25 632	18 213
Amounts written-off	(13 955)	(15 766)
Currency effect	147	(500)
Balance at period end	49 862	38 038

Net gain from debt sales of portfolio in TBIF Group is EUR 1 662 thousand (2019: EUR 1 160 thousand).

Notes to the Consolidated Financial Statements**(19) Net receivables due from customers (continued)****Structure of the loan portfolio by economic sectors**

	Gross receivables 31.12.2020 EUR'000	Allowance for impairment 31.12.2020 EUR'000	Net receivables 31.12.2020 EUR'000	Gross receivables 31.12.2019 EUR'000	Allowance for impairment 31.12.2019 EUR'000	Net receivables 31.12.2019 EUR'000
Individuals	332 181	(47 703)	284 478	287 767	(36 721)	251 046
Construction and real estate	34 964	(1 812)	33 152	31 929	(1 610)	30 319
Services	10 431	(1 000)	9 431	10 867	(602)	10 265
Tourism	9 209	(209)	9 000	6 316	(145)	6 171
Commerce	8 262	(1 066)	7 196	8 031	(711)	7 320
Agriculture	4 715	(454)	4 261	5 012	(382)	4 630
Manufacturing	3 586	(305)	3 281	4 382	(233)	4 149
Staff	767	(49)	718	860	(40)	820
Other financial institutions	700	(12)	688	1 077	(17)	1 060
Total loans to customers	404 815	(52 610)	352 205	356 241	(40 461)	315 780

(20) Net investment in finance leases

	31.12.2020 EUR'000	31.12.2019 EUR'000
Gross investment in finance leases:		
Not later than one year	3 483	3 547
Later than one and not later than five years	1 501	2 227
Later than five years	70	199
	5 054	5 973
Unrealised finance income	(511)	(831)
	4 543	5 142
Less allowance for impairment	(303)	(488)
Net investment in finance leases	4 240	4 654
Net investment in finance leases		
Not later than one year	2 948	2 713
Later than one and not later than five years	1 228	1 764
Later than five years	63	177
	4 240	4 654

Leases include mainly contracts with companies and individuals for the lease of vehicles and production equipment.

Notes to the Consolidated Financial Statements**(20) Net investment in finance leases (continued)**

A movement of the allowance for impairment losses for finance leases is as follows:

	2020	2019
	EUR'000	EUR'000
As of 1 January	488	516
Impairment loss allowance charged	74	30
Reversed	(264)	(62)
Foreign exchange difference	5	4
As of 31 December	303	488

(21) Debt and Equity instruments

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Investments in equities	3 626	3 225
Debt securities - listed	78 257	53 668
	81 884	56 893

Investment in equities as at 31 December 2020 mainly consist of a EUR 3 550 thousand participation of 5.65% in Oslo listed Norwegian digital bank BRABank ASA, which was acquired from 2018 to 2020 and is carried at Fair value through other comprehensive income (FVOCI). BRABank ASA, operating in Norway and Finland, is a niche digital bank focusing on consumer finance and has grown in the Nordic region since launch in 2015. In 2020 BRABank ASA was merged with Easybank ASA. BRABank ASA is an advanced digital bank, with highly efficient and scalable operations based on innovative technology. As part of the Group's broader strategy to develop its near-prime business in the Nordic region, this minority stake is the first step in exploring potential cooperation with BRABank ASA.

Debt securities as at 31 December 2020 include EUR 45 523 thousand (31 December 2019: EUR 42 509 thousand) government bonds held by TBIF Group and corporate bonds of EUR 28 830 thousand (31 December 2019: EUR 6 859 thousand) held by TBIF Group and various highly rated corporate bonds of EUR 3 904 thousand (31 December 2019: EUR 4 300 thousand) held by 4finance Group.

(22) Loans to related parties

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Loans to related parties, net of impairment	59 148	60 667
	59 148	60 667

Notes to the Consolidated Financial Statements**(22) Loans to related parties (continued)**

Detailed information regarding net loans to related parties can be seen below:

	Maturity	Interest rate	Principal amount		Accrued interest	
			31.12.2020	31.12.2019	31.12.2020	31.12.2019
			EUR'000	EUR'000	EUR'000	EUR'000
4finance Group S.A.	Feb 2022	13.75 %	47 769	48 120	10 415	11 626
BillFront GmbH	Dec 2021	5 %	852	852	111	69
			48 621	48 972	10 527	11 695

All loans to related parties are unsecured.

The Group has entered into various loan agreements with related parties. These can be grouped into two categories: funding provided to the Group's parent company, 4finance Group S.A., and funding provided to companies the Group has a minority ownership in.

The Group has a minority ownership position in Billfront GmbH, and provided some financing to the company to support its growth.

(23) Other assets

	31.12.2020	31.12.2019
	EUR'000	EUR'000
FX hedging - margin requirements	12 290	1 576
Reposessed real estate	3 885	4 539
- less allowance for impairment	(536)	(369)
Other reposessed assets	863	545
- less allowance for impairment	(317)	(395)
Receivables from suppliers	3 346	7 455
Prepayment	983	1 431
Security deposits	875	1 428
Other receivables	4 942	5 694
	26 331	21 904

FX hedging - margin requirements includes Group's EUR/USD and EUR/PLN currency hedges, where additional margin funds were provided to counterparties.

Reposessed real estate and other reposessed assets are assets held for sale in TBIF Group. Assets are measured at net realizable value.

Other receivables as at 31 December 2020 includes other receivables from related parties of EUR 804 thousand (31 December 2019: EUR 1 653 thousand).

Notes to the Consolidated Financial Statements**(24) Investment in associates**

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Investments in associates	1 552	1 626
	1 552	1 626

Investments in associates measured using equity method consists of EUR 1 552 thousand investment in participation of 24.39% in BillFront GmbH, a non-listed limited liability German company. The Group has significant influence over but does not control the company as the ownership of 24.39% shares does not give power to make important decisions alone. The Group acquired 24.39% of shares for EUR 2 142 thousand in November 2016. As of 31 December 2020, the investment was decreased by EUR 567 thousand (31 December 2019: EUR 516 thousand), the Group's share of the cumulative loss from the acquisition moment. The company is an online platform that offers working capital solutions to digital media businesses. The company is headquartered in London, with offices in Berlin and San Francisco.

(25) Property and equipment

	Buildings and land	Leasehold improvements	Computer equipment	Other property and equipment	Motor Vehicles	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost						
31 December 2018	5 379	1 723	5 460	3 691	452	16 705
Right-of-use assets	18 639	—	—	—	939	19 578
Additions	737	483	406	1 479	61	3 166
Disposals	—	(8)	(475)	(265)	(66)	(814)
Reclassification of fixed assets	(36)	(55)	—	91	—	—
Effect of changes in foreign exchange rates	(94)	(18)	(13)	(44)	(20)	(189)
31 December 2019	24 625	2 125	5 378	4 952	1 366	38 446
Accumulated depreciation						
31 December 2018	379	1 037	4 242	1 940	338	7 936
Right-of-use assets	7 690	—	—	—	336	8 026
Depreciation	3 589	325	570	672	314	5 470
Disposals	—	—	(396)	(223)	(51)	(670)
Reclassification of fixed assets	—	—	—	—	—	—
Effect of changes in foreign exchange rates	(18)	(19)	(15)	(38)	(18)	(108)
31 December 2019	11 640	1 343	4 401	2 351	919	20 654
31 December 2018	5 000	686	1 218	1 751	114	8 769
31 December 2019	12 985	782	977	2 601	447	17 792

Notes to the Consolidated Financial Statements

(25) Property and equipment (continued)

	Buildings and land EUR'000	Leasehold improvements EUR'000	Computer equipment EUR'000	Other property and equipment EUR'000	Motor Vehicles EUR'000	Total EUR'000
Cost						
31 December 2019	24 625	2 125	5 378	4 952	1 366	38 446
Right-of-use assets	(4 460)	—	—	—	350	(4 110)
Additions	22	503	303	385	—	1 213
Disposals	—	(699)	(776)	(366)	(29)	(1 870)
Reclassification of fixed assets	—	—	(164)	164	—	—
Effect of changes in foreign exchange rates	(66)	(49)	(181)	(79)	(15)	(390)
31 December 2020	20 121	1 880	4 560	5 056	1 672	33 289
Accumulated depreciation and impairment						
31 December 2019	11 640	1 343	4 401	2 351	919	20 654
Right-of-use assets	(4 282)	—	—	—	(36)	(4 318)
Depreciation	178	318	410	608	31	1 545
Disposals	—	(492)	(776)	(292)	(24)	(1 584)
Impairment loss	—	31	58	35	—	124
Reclassification of fixed assets	—	—	(109)	109	—	—
Effect of changes in foreign exchange rates	(14)	(30)	(154)	(61)	(14)	(273)
31 December 2020	7 522	1 170	3 830	2 750	876	16 148
31 December 2019	12 985	782	977	2 601	447	17 792
31 December 2020	12 599	710	730	2 306	796	17 141

As of 31 December 2020, property and equipment includes right-of-use assets of EUR 8 802 thousand related to leased branches, office premises and motor vehicles (2019: EUR 8 614 thousand). For details see Note (34) Right-of-use assets and lease liabilities.

Notes to the Consolidated Financial Statements**(26) Intangible assets and goodwill**

	Licenses, trademarks and similar rights EUR'000	Software and other intangible assets EUR'000	Goodwill EUR'000	Development costs EUR'000	Advances EUR'000	Total EUR'000
Cost						
31 December 2018	8 941	29 296	43 353	2 487	14	84 091
Additions	1 767	1 878	—	1 972	274	5 891
Disposals and write-offs	(3 790)	(2 181)	—	(1 498)	(18)	(7 487)
Reclassification	(332)	2 755	—	(2 248)	(84)	91
Effect of changes in foreign exchange rates	(24)	376	—	124	2	478
31 December 2019	6 562	32 124	43 353	837	188	83 064
Accumulated amortisation and impairment						
31 December 2018	6 968	10 593	25 849	920	—	44 330
Amortisation	933	9 766	—	—	—	10 699
Amortisation of disposals	(3 731)	(2 113)	—	—	—	(5 844)
Impairment loss	(82)	(592)	1 002	(920)	—	(592)
Effect of changes in foreign exchange rates	(9)	177	—	—	—	168
31 December 2019	4 079	17 831	26 851	—	—	48 761
31 December 2018	1 973	18 703	17 504	1 567	14	39 761
31 December 2019	2 483	14 293	16 502	837	188	34 303

Notes to the Consolidated Financial Statements**(26) Intangible assets and goodwill (continued)**

	Licenses, trademarks and similar rights EUR'000	Software and other intangible assets EUR'000	Goodwill EUR'000	Development costs EUR'000	Advances EUR'000	Total EUR'000
Cost						
31 December 2019	6 562	32 124	43 353	837	188	83 064
Additions	1 096	1 721	—	2 379	54	5 250
Disposals and write-offs	(1 063)	(23 082)	—	(797)	(6)	(24 948)
Reclassification	1 880	(1 451)	—	(209)	(220)	—
Effect of changes in foreign exchange rates	(125)	(533)	—	(31)	(16)	(705)
31 December 2020	8 350	8 779	43 353	2 179	—	62 661
Accumulated amortisation and impairment						
31 December 2019	4 079	17 831	26 851	—	—	48 761
Amortisation	1 199	8 017	—	—	—	9 216
Amortisation of disposals	(923)	(19 777)	—	—	—	(20 700)
Impairment loss	8	(772)	647	—	—	(117)
Reclassification	44	(44)	—	—	—	—
Effect of changes in foreign exchange rates	(109)	(382)	—	—	—	(491)
31 December 2020	4 298	4 873	27 498	—	—	36 669
31 December 2019	2 483	14 293	16 502	837	188	34 303
31 December 2020	4 052	3 906	15 856	2 179	—	25 993

Software and other intangible assets consist of internally generated and other intangible assets. Development costs largely relate to new IT development projects and significant improvements of existing products.

Impairment test of Software and Development costs capitalized as of 31 December 2020, was performed, taking into consideration future performance of cash generating units. A cash generating unit is a product (instalment loan, single payment loan or line of credit product with separately identifiable loan portfolio and brand name) of each 4finance Group entity, which is the unit that generates cash inflow from continuing use that is largely independent of the cash inflow of other assets. As a result no impairment was recognized. In addition to impairment test results, Group has reviewed IT related intangible assets portfolio to identify assets which either are not used, or which functionality is not aligned with current business strategy and therefore future economic benefit is not expected and has made a decision to write-off such intangible assets and development costs and recognized as Non-recurring expenses, for details see Note (13) Non-recurring expense. Write-off increase in 2020 relates to market exits, product discontinuations as well as new technology that fully or partially replaced the earlier developed intangible assets.

Notes to the Consolidated Financial Statements

(26) Intangible assets and goodwill (continued)

Goodwill

Acquisition of Armenia and Argentina

In 2015, the Group acquired two entities in Armenia and Argentina. Goodwill recognised in connection with these acquisitions totalled EUR 647 thousand. In 2020 it was decided to exit the markets in Armenia and Argentina, therefore goodwill was impaired.

Acquisition of TBIF Group

On 11 August 2016, 4finance Holding S.A. completed the purchase of TBI Bank EAD through the acquisition of 100% of TBIF Financial Services B.V. from its parent company, Kardan Financial Services B.V., following receipt of all regulatory approvals. TBIF Group is a consumer-focused financial group in Bulgaria and Romania. The acquisition is in line with the Group's strategy of product and geographic diversification. In addition, the purchase may lead to lower costs of funding for the Group. The total consideration was paid in cash of EUR 81.8 million where goodwill recognised was EUR 15 855 thousands.

For the twelve months ended 31 December 2020 consolidated TBI Bank EAD revenues amounted to EUR 94.5 million (2019: EUR 84.43 million) and profit to EUR 22.3 million (2019: EUR 22.24 million).

TBIF Group goodwill impairment test

As of 31 December 2020 and 2019, goodwill was tested for impairment. The goodwill impairment test was performed for each cash generating unit separately, where the cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Due to the fact that TBI Bank EAD constitutes the major part of the TBIF Group operations and assets then goodwill was fully allocated to TBI Bank EAD. The recoverable amounts for TBI Bank EAD were calculated based on the value in use. No impairment losses were recognised as the recoverable amounts of these units including goodwill were determined to be higher than their carrying amounts.

The value in use was calculated based on the free cash flows to equity discounted by the cost of equity. The projected growth rate of free cash flows to equity used in the test (average of next three years) was 46% (2019: average of next three years 17%), based on management estimates. In year 2020 and 2019 estimated growth rate reflects management expectations of the development of the bank.

Three years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity was determined as 2% (2019: 2%). The rate was estimated by management based on expected industry and market developments.

The discount rate reflects the current market assessment of the risk specific to TBI Bank EAD. The cost of equity was calculated as 13% (2019: 15%) (rounded to the nearest whole number). Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the units exceeded their recoverable amounts. The results of the sensitivity analysis indicate that for TBI Bank EAD if free cash flows to equity decreased by 72% (2019: 51%), terminal growth rate decreased by 2%, discount rate increased by 2%, then the recoverable amount is slightly below the carrying amount including goodwill (i.e. goodwill would become impaired).

Notes to the Consolidated Financial Statements

(27) Deferred tax assets

Deferred tax relates to the following temporary differences and tax losses carried forward. Movement in temporary differences and tax losses carried forward during the year ended 31 December 2020:

	Net balance 1 January 2020	Recognised in profit or loss of continued operations	Effect of exchange rate fluctuations	Net balance 31 December 2020	Deferred tax assets	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impairment losses on loans and receivables	10 883	(7 930)	(269)	2 684	2 683	—
Property and equipment	(27)	(104)	(5)	(136)		(136)
Other liabilities	13 942	(6 113)	(390)	7 439	7 438	—
Tax loss carry-forwards	8 166	396	41	8 603	8 603	—
Deferred tax assets (liabilities) before set-off	32 964	(13 751)	(623)	18 589	18 724	(136)
Set-off of tax	—	—	—	—	(136)	—
Net deferred tax assets	—	—	—	—	18 589	—

Movement in temporary differences and tax losses carried forward during the year ended 31 December 2019:

	Net balance 1 January 2018	Recognised in profit or loss of continued operations	Effect of exchange rate fluctuations	Net balance 31 December 2019	Deferred tax assets	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impairment losses on loans and receivables	8 892	1 470	521	10 883	10 883	—
Property and equipment	(11)	(7)	(8)	(26)	—	(26)
Other liabilities	17 461	(1 863)	(1 657)	13 941	13 941	—
Tax loss carry-forwards	9 327	(508)	(653)	8 166	8 166	—
Deferred tax assets (liabilities) before set-off	35 669	(908)	(1 797)	32 964	32 990	(26)
Set off of tax	—	—	—	—	(26)	—
Net deferred tax assets	—	—	—	—	32 964	—

The Group has recognized deferred tax assets of EUR 18 589 thousand (31 December 2019: EUR 32 964 thousand) in Bulgaria, Czech Republic, Denmark, Lithuania, Luxembourg, Poland, Spain and the UK.

Deferred tax assets arising from tax losses carried forward as at 31 December 2020 related to Bulgaria, Lithuania, Luxembourg, Spain and UK, totalled EUR 8 603 thousand (31 December 2019: EUR 8 166 thousand). The Group has prepared detailed financial projections for these entities covering next 1-3 years. Based on these projections and the Group's history of utilizing deferred tax assets in other countries, management expects that the Group will be able to fully utilize these tax losses over the forthcoming years.

Notes to the Consolidated Financial Statements

(27) Deferred tax assets (continued)

EUR 8 554 thousand deferred tax asset is recognized on tax losses having expiry period more than 5 years, while EUR 49 thousand deferred tax asset is recognized on tax losses having expiry period within 5 years.

The main reasons for the decrease in the carrying value of deferred tax asset compared to year 2019 are:

- in Vivus Poland (by EUR 7 786 thousand): deferred tax asset released as a result of a significant amount of sale of receivables (recognition of loss upon the sale, previously being taxed);
- deferred tax asset write-offs amounting to EUR 6 348 thousand: in Armenia (EUR 404 thousand), in Sweden (EUR 1 612 thousand), in Finland (EUR 1 905 thousand) and in 4f Sales US (EUR 2 427 thousand);
- other locations with significant deferred tax asset decreases as a result of usual business activities relates to the Czech Republic entity Zaplo Finance s.r.o. (EUR 431 thousand) and Denmark (EUR 131 thousand).

Locations with significant deferred tax asset increases as a result of usual business activities relates to Spain (EUR 365 thousand) and TBI Bank (EUR 235 thousand).

In all other aspects the entities of the Group have trivial changes in the deferred tax asset closing balances.

(28) Loans and borrowings

	31.12.2020 EUR'000	31.12.2019 EUR'000
Long term		
Notes	320 895	383 359
Loans from banks	26	—
	320 921	383 359
Short term		
Other loans	16 110	13 054
Notes	4 858	1 199
	20 968	14 253
Total	341 890	397 612

Notes to the Consolidated Financial Statements**(28) Loans and borrowings (continued)**

Detailed information regarding loans and borrowings can be seen below:

	Currency	Maturity	Interest rate	Principal amount		Accrued interest	
				31.12.2020	31.12.2019	31.12.2020	31.12.2019
				EUR'000	EUR'000	EUR'000	EUR'000
Notes:							
USD Notes	USD	May 2022	10.75%	178 644	233 180	3 227	4 269
EUR Notes	EUR	Feb 2022	11.25%	142 252	145 425	1 631	1 683
Loans from banks:							
Truist Bank	USD	May 2022	1.00%	109	—	1	—
Denmark line of credit	DKK	2020 - 2021	2.00%	3	7	—	—
Other loans in:							
Deposits from banks (TBIF Group)	RON	Jan 2021	2.85%	16 023	13 042	—	—
State Fund Agriculture	BGN	2019 - 2020	2.00%	—	6	—	—
				337 031	391 660	4 859	5 952

As of 31 December 2020, the Group had loans and borrowings of EUR 341 890 thousand, compared with EUR 397 612 thousand as of 31 December 2019. The Group's loans and borrowings accounted for 43% of total liabilities as of 31 December 2020 and 49% of total liabilities as of 31 December 2019. The Group continues to optimise its funding by repaying debt at local subsidiary level and retains the flexibility to use excess liquidity to make limited repurchases of its bonds. In 2020 the Group repurchased USD 47 million of the USD Notes, totally there has been repurchased USD 97 million of the USD Notes.

In May 2016, 4finance S.A. issued EUR 100.0 million of 11.25% notes (the 'EUR Notes') which are senior to all of the Group's future subordinated debt. The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50.0 million of EUR Notes were issued at par. Following a bondholder vote, in August 2020 the maturity of the EUR bonds was extended to February 2022, and they are currently callable at 104%.

In April 2017, 4finance S.A. issued USD 325.0 million of 10.75% notes (the 'USD Notes') which are listed on the Irish Stock Exchange and will mature in May 2022. The 'USD Notes' are currently callable at 102.7%. An IFRS 9 adjustment as of 1 January 2018 resulted in a EUR 5.2 million decrease to the carrying value from the revaluation at the original effective interest rate of a proportion of USD 2022 bond carried over from original USD 2019 bond (to be amortised over remaining life of bond in 'interest expense').

The Group is always considering alternatives for financing, including actively managing liquidity risks and strengthening its long-term capital structure.

Notes to the Consolidated Financial Statements**(28) Loans and borrowings (continued)**

Reconciliation of movements of liabilities to cash flow arising from financing activities is detailed in the table below:

	Notes	Other loans	Retained earnings
Balance at 1 January 2020	384 557	13 055	165 734
Loans received and notes issued	—	3 090	—
Repayment of loans and notes	(35 264)	(10)	—
Total changes from financing cash flows	(35 264)	3 080	—
Other changes			
Liability-related			
Interest payments	(39 661)	—	—
Costs of notes issuance and premium on repurchase of notes	(12 287)	—	—
Interest expense	44 349	—	—
Foreign exchange impact	(15 943)	1	—
Other	3	—	—
Total liability-related other changes	(23 539)	1	—
Total equity-related other changes	—	—	(25 110)
Balance at 31 December 2020	325 754	16 136	140 624

(29) Deposits from customers

	31.12.2020	31.12.2019
	EUR'000	EUR'000
TBIF Group	371 388	307 453
4finance Group	11 827	14 775
Total deposits from customers	383 214	322 228
TBIF Group	31.12.2020	31.12.2019
	EUR'000	EUR'000
Corporate customers		
Term deposits	14 410	13 122
Current/settlement accounts	15 548	13 514
Individuals		
Term deposits	33 131	26 773
Current/settlement accounts	308 299	254 043
	371 388	307 453

As a credit institution, deposits are a normal part of the activity of TBIF Group, it provides only fixed rate deposits, most of which mature within 12 months. The average cost on these deposits for TBIF Group during 2020 was 1.7% (2019: 1.5%) per annum (average costs includes interest expense on deposits divided by current account and term deposit balances regardless of maturity, currency and geographic location).

Notes to the Consolidated Financial Statements

(29) Deposits from customers (continued)

The significant increase in deposits in 2020 was due to a new deposit product in the Romanian market and a new online platform in Romania.

The activity of applying measures against money laundering and terrorist financing in TBIF Group is performed by Compliance Departments in Bulgaria and its Romanian Branch. The departments performs functions of specialized unit for control and prevention of money laundering and terrorist financing (CPMLTF) under the local legislation requirements and properly identifies and verifies the identity of its customers. For the transactions monitoring a specialized software is used, where suspicious transactions and counterparties are assessed and controlled.

4finance Group	31.12.2020	31.12.2019
	EUR'000	EUR'000
Deposits from customers	11 827	14 775
	11 827	14 775

In Sweden, the Group's subsidiary 4Spar AB offers online deposit-taking services to individuals for terms of up to two years, and also offers call deposits. The maximum amount of any deposit that can be accepted from a customer is limited by Swedish law to SEK 50 000 (approximately EUR 4 900). A customer is also limited to have a total of SEK 50 000 in deposits across multiple accounts.

Call deposits are offered for an unlimited term and may be withdrawn by a customer at any time without a fee. Call deposits bear a floating interest rate, that is currently 5.5% per annum. The minimum amount for call deposits is SEK 1 000 (approximately EUR 98).

Deposits on interest accounts are offered for fixed terms of between three months to three years, and may not be withdrawn early by a customer without the loss of accrued interest. Deposits on interest accounts bear a fixed interest rate that is currently between 6.1% and 10% per annum, depending on the term of the deposit. The minimum amount required to be deposited in respect of interest accounts is, in each case, SEK 10 thousand (EUR 980).

Deposits from customers at the end of 2020 includes interest payable amounting to 703 EUR thousand (31 December 2019: EUR 641 thousand).

The 4Spar deposit company in Sweden will run down operations by year end 2021. The law rescinding the category of deposit company was passed in November 2020, with all entities being permitted until the end of 2021 to return funds to depositors. This wind down period allows the Group to continue operating the 4spar business until the end of year 2021.

Notes to the Consolidated Financial Statements**(30) Other liabilities**

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Accrued expenses	13 370	20 967
Prepaid repayment instalments and advances received	10 569	6 819
Lease liabilities	9 590	9 038
Accounts payable to suppliers	6 853	8 050
Taxes payable	4 967	8 508
FX hedging liabilities	4 898	5 350
Salaries payable	3 750	2 888
Overpayments received from clients	2 009	2 608
Provisions for unused vacations	2 004	2 340
Faulty payments received	1 676	1 804
Other liabilities	3 993	7 921
	63 679	76 293

Accrued expenses include expenses for marketing costs, loan application processing costs, communication expenses, debt collection expenses and IT expenses. Decrease year-on-year related to cost optimization.

Prepaid repayment instalments and advances received relate to TBIF Group on loans to individuals and represent instalments that have not yet matured. Upon request by a customer, the TBIF Group is obliged to repay the amounts to the respective borrower. Year-on-year increase is related to new business development in Romania.

Lease liabilities relates to IFRS 16 accounting standard, which the Group adopted from January 2019.

(31) Share capital

The share capital of the Group as at 31 December 2020 was EUR 35 750 thousand (31 December 2019: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2019: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2019: EUR 0.01), fully paid via a contribution-in-kind.

The holders of ordinary shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at annual and general meetings of the Group. All ordinary shares rank equal in their entitlement to the Group's residual assets.

Equity includes a negative reorganization reserve of EUR 31 240 thousand (31 December 2019: EUR 31 240 thousand) which mainly reflects the difference between the share capital of 4finance Holding S.A. and the paid in share capital of AS 4finance prior to the legal reorganization conducted in 2014 and 2015.

As at 31 December 2020, the Company's shareholder was 4finance Group S.A. (100% ownership of ordinary shares, corresponding to 100% of total share capital) owned by Tirona Limited (Cyprus) directly.

The significant beneficial owners of the Group are Edgars Dupats and Vera Boiko, owning 29.5% and 49%, respectively, in Tirona Limited. The remaining 21.5% is owned by minority shareholders, each holding less than 10% of shares in Tirona Limited.

Notes to the Consolidated Financial Statements

(32) Acquisition of additional share in subsidiaries

During the financial year 2020, the Group acquired an additional 1% interest in 4finance AB (Sweden) for EUR 483 thousand in cash, increasing its ownership from 99% to 100%. The carrying amount of 4finance AB net assets in the Group's financial statements on the date of acquisition was negative EUR 2 976 thousand. The Group recognized increase in NCI of EUR 3 thousand.

During the financial year 2019, the Group acquired an additional 1% interest in 4finance AB (Sweden) for EUR 383 thousand in cash, increasing its ownership from 98% to 99%. The carrying amount of 4finance AB net assets in the Group's financial statements on the date of acquisition was EUR 2 661 thousand. The Group recognized decrease in NCI of EUR 27 thousand.

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Carrying amount of NCI acquired	(3)	27
Consideration paid to NCI	(483)	(383)
A decrease in equity attributable to owners of the Group	(486)	(356)

(33) Contingent liabilities and irrevocable commitments

The Group's contingent liabilities, excluding TBIF Group, are related to its commitments such as extended credit lines intended to meet the requirements of customers and others.

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Lines of credit	156	385
	156	385

TBIF Group's contingent liabilities are related to its commitments to extend loans, credit lines, letters of credits and guarantees intended to meet the requirements of the bank's customers. Contingencies on loans and credit lines extended by the TBIF Group represent contractual commitments to unconditionally provide a specified amount to the customer under the provisions of the loan agreement, in the part related to utilisation, as well as an obligation of the TBIF Group to maintain amounts available up to those agreed in the credit line agreements. Upon expiry of the fixed deadline, the obligation, regardless of whether utilised or not, expires as well as the contingency for the TBIF Group.

Guarantees and letters of credit oblige the TBIF Group, if necessary, to make a payment on behalf of the customer, if the customer fails to discharge its obligations within the term of the agreement. At that time, the TBIF Group recognises the provision in its financial statements for the period of the occurred change.

Consolidated Statement of Comprehensive Income

(33) Contingent liabilities and irrevocable commitments (continued)

The contingent liabilities and irrevocable commitments (except operating lease commitments) of the TBIF Group at 31 December 2020 are as follows:

	31.12.2020 EUR'000	31.12.2019 EUR'000
Guarantees		
Corporate clients	458	365
Undrawn credit commitments:		
Corporate clients	10 897	3 890
Individuals	24 752	13 442
	36 107	17 697

Undrawn credit commitments have increased year-on-year due to new business development in Romania. Please also refer to Note (37) Litigations for disclosure of contingent liabilities in relation to litigations.

(34) Right-of-use assets and lease liabilities

The Group leases mainly office premises and vehicles. The leases typically run for a period from 1 to 5 years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rent rates.

Information about leases for which the Group is a lessee is presented as follows:

Right-of-use assets	Building and land EUR'000	Motor Vehicles EUR'000	Total EUR'000
Balance at 1 January 2020	8 193	421	8 614
Depreciation charge for the year	(3 671)	(413)	(4 084)
Additions to right-of-use assets	4 130	859	4 989
Modification of right-of-use assets	1 295	(5)	1 290
Derecognition of right-of-use assets	(1 547)	(70)	(1 617)
Impairment	(261)	—	(261)
Currency revaluation reserve	(126)	(3)	(129)
Balance at 31 December 2020	8 013	789	8 802

Undiscounted operating lease commitments:

	31.12.2020 EUR'000	31.12.2019 EUR'000
Less than one year	2 953	3 520
Between one and five years	6 023	6 958
More than five years	1 143	—
	10 119	10 478

Discounted lease liabilities as at 31 December 2020 amount to EUR 9 590 thousand (31 December 2019: EUR 9 038 thousand) with a 2.43% weighted average incremental borrowing rate.

Notes to the Consolidated Financial Statements

(34) Right-of-use assets and lease liabilities (continued)

In 2020 EUR 4 584 thousand was recognized as a net expense in the income statement in respect of operating leases including EUR 226 thousand of interest expenses and EUR 410 thousand of agreement modification gain (2019: EUR 4 358 thousand).

(35) Related party transactions

(a) Transactions with shareholders and related entities

Income:	2020	2019
	EUR'000	EUR'000
Income from share sales *	550	—
	550	—

* Net result from share sales is included under Non-recurring expense, See Note 13.

Other items	31.12.2020	31.12.2019
	EUR'000	EUR'000
(Loss)/profit from financial instruments at fair value through profit or loss	—	(123)

(b) Transactions with parent and the related entities

Receivables:	31.12.2020	31.12.2019
	EUR'000	EUR'000
Loans issued to related parties (Note 22)	58 184	59 746
Other receivables	117	1 653
	58 301	61 399

Income:	2020	2019
	EUR'000	EUR'000
Interest income (Note 11)	6 843	7 022
Income from share sales *	3 457	—
Income from services rendered	913	823
	11 213	7 845

* Net result from share sales is included under Non-recurring expense, See Note 13.

Expense:	2020	2019
	EUR'000	EUR'000
Expense for services received	581	—
	581	—

Notes to the Consolidated Financial Statements**(35) Related party transactions (continued)***(c) Transactions with associated companies*

Receivables:	31.12.2020	31.12.2019
	EUR'000	EUR'000
Loans issued to related parties (Note 22)	964	921
	964	921
Income:	2020	2019
	EUR'000	EUR'000
Interest income (Note 11)	43	69
	43	69

(d) Transactions with other related parties

Receivables:	31.12.2020	31.12.2019
	EUR'000	EUR'000
Other receivable	687	—
	687	—
Income:	2020	2019
	EUR'000	EUR'000
Interest income (Note 11)	—	198
Income from services rendered	304	14
	304	212
Expense:	2020	2019
	EUR'000	EUR'000
Expense for services received	—	73
	—	73
Total remuneration included in administrative expenses:	2020	2019
	EUR'000	EUR'000
Executive committee and Board members	3 826	3 352

There are no outstanding balances as of 31 December 2020 with members of the Group's Management Board (the Board) or Executive Committee.

There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

On 1 January 2018, the Parent company of the Group has established a share option program that entitles senior management personnel to purchase shares of the Parent, see Note (36) Personnel costs.

As at 31 December 2020, the share based payment reserve totalled EUR 1 942 thousand at year end (31 December 2019: EUR 1 208 thousand). The expense recorded in 2020 totalled EUR 734 thousand (2019 EUR 835 thousand).

Notes to the Consolidated Financial Statements**(36) Personnel costs**

	2020	2019
	EUR'000	EUR'000
Type of costs		
Remuneration	64 062	76 854
Compulsory state social security contributions, pensions and other social security expenses	11 077	12 227
Equity-settled share-based payments	734	835
Other personnel costs	6 523	6 888
	82 395	96 804

Share-based payment arrangements

At 31 December 2020, the Group had the following share-based payment arrangements.

Equity-settled share option program

On 1 January 2018, the Parent company of the Group has established a share option program that entitles senior management personnel to purchase shares of the Parent. In accordance with this program, holders of the vested options are entitled to purchase Parent company shares at their nominal value.

The terms and conditions of the grants are as follows and are settled by physical delivery of shares by the Parent company.

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of the options
Option grant to senior management at 1 January 2018	4,320	Quarterly in equal instalments over a three-year period starting on the grant date, subject to the continued employment	10 years
Option grant to senior management at 1 January 2019	7,838	Quarterly in equal instalments over a three-year period starting on the grant date, subject to the continued employment	10 years
Option grant to senior management at 1 January 2020	5,890	Quarterly in equal instalments over a three-year period starting on the grant date, subject to the continued employment	10 years

Measurement of fair values - share options

The fair value of services received in return for share options granted is based on the fair value of share options at the grant date, which are equal to diluted Parent company's share value, estimated primarily using market multiple approach.

Fair value of share options	Granted 1 Jan 2020	Granted 1 Jan 2019	Granted 1 Jan 2018
Share option fair value at grant date	EUR 127.27	EUR 127.14	EUR 128.14
Parent company share value at grant date	EUR 127.28	EUR 127.15	EUR 128.15
Exercise price	EUR 0.01	EUR 0.01	EUR 0.01

As at 31 December 2020 no options were exercised, expired or forfeited, 820 were cancelled and the total amount of exercisable options was 11,505.

Notes to the Consolidated Financial Statements

(37) Litigations

In Poland the Competition and Consumer Protection Authority (UOKiK) reviewed market practice for treatment of up-front loan fees in cases of early loan repayment in the end of first quarter of 2019. The Group has conducted reviews of its practices in this area, and had already adopted a partial refund approach in its Polish instalment loan product at the start of 2019. In January 2020, the Group received decisions from UOKiK which include a requirement to apply a stricter approach (a refund proportional to the unused term of the loan) in relation to early repayments from new lending. The Group has appealed the decisions, which it believes are unduly harsh and, for example, do not properly reflect its operating costs as a responsible lender. The appeals process is expected to take at least two years to finalise.

However, for the time being, the Group has voluntarily adopted the stricter approach to refunds for all Polish customer early-repayment refund requests, including those relating to relevant periods prior to January 2020.

Management estimates that this decision will result in an incremental number and value of customer claims, and has accrued a provision of EUR 90 thousand as of 31.12.2020 (31.12.2019: EUR 665 thousand). This estimate is based on the initial levels of incremental customer claims observed at the end of 2019 and at the beginning of 2020 and assumes the voluntary refund policy will be in place for the remainder of 2021.

Should the outcome of the court appeal process be negative for the Group, management estimates that the maximum total customer claims against the Group could be up to c. EUR 3.3 million (2019: EUR 4.2 million) (based on present value of future cash flows), with the median estimated outcome to be c. EUR 2.4 million (2019: EUR 3.0 million). This maximum amount represents the outcome of a large number of modelled scenarios, which are based on a combination of assumptions: repayment refunds commencing 2-4 years (2019: 2-5 years) from the end of reporting period, 20-45% (2019: 20-50%) of clients claiming the refund and a discount rate between 11-15%. Based on the Group's experience of customer requests so far, including those claims already refunded during 2020, and responsiveness to other mailings, etc., management does not believe that a probability higher than 45% from currently outstanding claims are appropriate.

4finance Group has recognised EUR 1.5 million net provisions expense in Spain in 2020, relating to a number of customer redress claims mostly for usurious interest rates brought against 4finance Group in 2020. Spain is an unregulated market, and so there is no specific applicable legislation regarding interest rates. However, during 2020, the majority of such cases were decided in favour of customers based on a Spanish Supreme Court ruling from 2015 and another from 2020 about usury in a different segment of consumer lending. As such, the Group took the approach of fully providing for each claim. Starting from 2019 and continuing throughout 2020, with the help of the Spanish Micro Loan Association, who provides the appropriate reference rate for the specific product, 4finance Group now sees more favourable court rulings, including in appellate court instance. The trend towards more favourable rulings is expected to continue.

Notes to the Consolidated Financial Statements**(38) Fair value of financial instruments****(a) Financial instruments measured at fair value**

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 December 2020	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	—	2 068	—	2 068
Debt and Equity instruments	45 523	28 830	3 626	77 980
	45 523	30 898	3 626	80 048
Financial liabilities				
Derivatives	—	5 733	—	5 733
31 December 2019	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	—	5 460	—	5 460
Debt and Equity instruments	42 510	6 881	3 201	52 593
	42 510	12 341	3 201	58 053
Financial liabilities				
Derivatives	—	1 744	—	1 744

Notes to the Consolidated Financial Statements**(38) Fair value of financial instruments (continued)****(b) Financial instruments not measured at fair value**

The table below analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2020	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets					
Cash and cash equivalents	—	—	—	154 235	154 235
Placement in other banks	—	—	10 258	10 258	10 258
Loans due from customers	—	—	505 475	505 475	526 431
Net investment in finance leases	—	—	4 671	4 671	4 240
Debt instruments	3 936	—	—	3 936	3 904
Loans to related parties	—	—	51 666	51 666	59 148
Other financial assets	—	—	22 435	22 435	22 435
Financial liabilities					
Loans and borrowings	—	292 256	15 997	308 253	341 890
Deposits from customers	—	—	386 669	386 669	383 214
Accounts payable to suppliers	—	—	6 853	6 853	6 853
31 December 2019	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets					
Cash and cash equivalents	—	—	—	125 722	125 722
Placement in other banks	—	—	6 402	6 402	6 402
Loans due from customers	—	—	571 933	571 933	578 859
Net investment in finance leases	—	—	5 487	5 487	4 654
Debt instruments	4 319	—	—	4 319	4 300
Loans to related parties	—	—	62 459	62 459	60 667
Other financial assets	—	—	17 584	17 584	17 584
Financial liabilities					
Loans and borrowings	—	417 215	12 945	430 160	397 612
Deposits from customers	—	—	326 213	326 213	322 228
Accounts payable to suppliers	—	—	8 050	8 050	8 050

Notes to the Consolidated Financial Statements

(38) Fair value of financial instruments (continued)

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Financial instruments measured at fair value (Level 2)

Type	Valuation technique	Significant unobservable inputs
Derivatives, Debt and Equity instruments	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments	Not applicable

Financial instruments measured at fair value (Level 3)

Type	Valuation technique	Significant unobservable inputs
Debt and Equity instruments	The fair value of unquoted equity instruments measured at fair value is calculated by: 1) using valuation reports of third parties based on the investee's net assets and management makes no further adjustments, 2) using valuation report made internally based on discounted future net cash flow model or multipliers, and 3) assessment of net assets adjusted, if necessary.	Not applicable

Financial instruments not measured at fair value for Level 3

Type	Valuation technique	Significant unobservable inputs
Other borrowed funds, loans due from customers, deposits due to customers, other assets and other liabilities	Discounted cash flows	Credit spreads

Bonds issued by the Group have been classified as Level 2 fair value measurement given that there are observable market quotations in markets, however, the market for the bonds is not assessed as an active market. Fair value of the bonds has been determined based on observable quotes.

No level of fair value has been assigned for cash and cash equivalents on the basis that these are available on demand and therefore no modelling of fair value is required.

Loans and receivables have been classified as a Level 3 fair value measurement and the fair value is determined based on money market rates adjusted for a relevant credit spread determined by the Group.

The fair value of deposits from customers has been determined with reference to the Group's borrowing costs and has been determined to be a Level 3 fair value measurement.

The remaining financial assets and financial liabilities have been classified as Level 3 fair value measurements. Due to their short term nature, no significant fair value difference from carrying amount is expected.

Notes to the Consolidated Financial Statements

(39) Operating segments

The Group is organised into eight material reportable segments by their geographic location and TBIF Group, all smaller segments are reported under other segments. Each segment is managed separately because they require different marketing strategies. For each of the segments, the Group's Management Board reviews internal management reports on at least a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss, as included in internal management reports that are reviewed by the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results and benchmarking to other entities that operate within these industries.

Analysis by segment

Information about reportable segments

Segment information for the main reportable business segments of the Group for the year ended 31 December 2020 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBIF Group	All other segments	Total
Interest income	18 275	8 198	3 372	28 232	66 599	56 839	16 680	94 480	14 431	307 106
Interest expense	(2 865)	(2 602)	(1 514)	(778)	(11 696)	(6 158)	(1 315)	(4 939)	(70 339)	(102 206)
Internal revenue	27 602	—	—	—	265	—	—	1 617	57 697	87 181
Net impairment losses	(5 054)	(1 549)	(1 390)	(4 488)	(25 895)	(24 490)	(2 000)	(22 727)	(10 176)	(97 769)
Depreciation and amortization	(803)	(56)	(119)	(259)	(878)	(729)	(542)	(3 446)	(8 056)	(14 888)
Income tax expense	(274)	(240)	(2 221)	(3 151)	(7 646)	(920)	(1 698)	(3 304)	(5 183)	(24 637)
Reportable segment profit/(loss) before tax	(6 956)	(1 049)	(5 291)	11 274	1 500	(5 474)	7 342	27 160	(21 842)	6 664

Notes to the Consolidated Financial Statements**(39) Operating segments (continued)**

Segment information for the main reportable business segments of the Group for the year ended 31 December 2019 is set below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBIF Group	All other segments	Total
Interest income	25 548	8 707	5 351	46 141	112 381	83 407	19 030	83 616	40 744	424 925
Interest expense	(3 132)	(2 864)	(998)	(783)	(14 343)	(2 360)	(680)	(3 744)	(87 398)	(116 302)
Internal revenue	76 284	15	19	—	1 437	—	—	1 020	64 130	142 905
Net impairment losses	(993)	1 938	(1 008)	(11 354)	(46 911)	(33 693)	(2 493)	(14 798)	(13 770)	(123 082)
Depreciation and amortization	(871)	(49)	(145)	(255)	(1 980)	(734)	(414)	(2 569)	(9 506)	(16 523)
Income tax expense	204	(382)	262	(4 090)	(10 821)	(2 543)	(350)	(3 125)	(1 417)	(22 262)
Reportable segment profit/ (loss) before tax	65 866	2 409	(2 372)	18 474	5 860	8 566	4 440	24 910	(14 159)	113 994

Notes to the Consolidated Financial Statements

(39) Operating segments (continued)

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2020 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBIF Group	All other segments and unallocated amounts*	Total
Reportable segment assets	177 212	35 559	10 497	17 203	91 242	43 013	16 339	617 336	724 846	1 733 247
Reportable segment liabilities	184 442	36 848	18 009	9 081	97 388	49 407	10 696	593 480	751 868	1 751 219

*The main contributors to All other segments and unallocated amounts are 4F Sales, 4finance IT companies, 4finance Media and 4Spar AB. Key positions for All other segments are receivables from related parties, intangible assets and loans due from customers under assets, loans and borrowings and accounts payable to related parties under Liabilities.

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2019 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBIF Group	All other segments and unallocated amounts	Total
Reportable segment assets	174 056	25 311	9 781	33 848	155 865	59 771	20 337	524 321	561 203	1 564 493
Reportable segment liabilities	170 487	23 284	11 890	19 477	160 826	53 748	16 247	502 536	577 594	1 536 089

Notes to the Consolidated Financial Statements

(39) Operating segments (continued)

A segment breakdown of interest income is divided by products which includes Single Payment Loans (with a term from one day up to 61 days), Instalment Loans (with a term from one month up to 60 months, Lines of Credit (open ended credit line with flexible monthly repayments) and Near Prime (with a term from three months up to 84 months). Products for TBIF Group are split between Retail, Small and Medium-sized Enterprises ('SME's') and Leasing.

A segment breakdown of interest income by products of the Group for the year ended 31 December 2020 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBIF Group	All other segments and unallocated amounts	Total
Single Payment Loans	—	255	—	—	55 517	53 307	14 885	—	4 188	128 152
Instalment Loans	8 522	886	263	7 811	11 082	3 532	1 795	—	5 168	39 059
Lines of Credit	8 229	—	2 431	20 246	—	—	—	—	5 075	35 981
Near Prime	1 524	7 057	678	175	—	—	—	—	—	9 434
Retail (Only TBIF Group)	—	—	—	—	—	—	—	85 123	—	85 123
SME (Only TBIF Group)	—	—	—	—	—	—	—	8 991	—	8 991
Leasing (Only TBIF Group)	—	—	—	—	—	—	—	366	—	366

Notes to the Consolidated Financial Statements

(39) Operating segments (continued)

A segment breakdown of interest income by products of the Group for the year ended 31 December 2019 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBIF Group	All other segments and unallocated amounts	Total
Single Payment Loans	—	533	—	—	79 021	77 370	17 077	—	25 540	199 541
Instalment Loans	11 627	8 174	1 352	8 316	33 360	6 018	1 953	—	10 513	81 313
Lines of Credit	13 916	—	3 841	37 825	—	19	—	—	4 691	60 292
Near Prime	5	—	158	—	—	—	—	—	—	163
Retail (Only TBIF Group)	—	—	—	—	—	—	—	74 689	—	74 689
SME (Only TBIF Group)	—	—	—	—	—	—	—	8 120	—	8 120
Leasing (Only TBIF Group)	—	—	—	—	—	—	—	807	—	807

Notes to the Consolidated Financial Statements**(39) Operating segments (continued)****Reconciliation of reportable segment interest income**

	2020	2019
	EUR'000	EUR'000
Total interest income for reportable segments	292 676	384 181
Interest income for other operating segments	14 430	40 744
Consolidated revenue	307 106	424 925

Reconciliation of reportable segment profit or loss

	2020	2019
	EUR'000	EUR'000
Total profit or loss for reportable segments	28 505	128 154
Profit or loss for other operating segments	(21 841)	(14 159)
Elimination of inter-segment dividends included in inter-segment profits	(7 065)	(63 327)
Consolidated profit before tax from continued operations	(401)	50 668

Reconciliation of reportable segment interest expense

	2020	2019
	EUR'000	EUR'000
Total interest expense for reportable segments	31 868	28 904
Interest expense for other operating segments	70 339	87 397
Elimination of inter-segment transactions	(52 152)	(58 958)
Consolidated interest expense	50 055	57 343

Reconciliation of reportable segment assets

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Total assets for reportable segments	1 008 401	1 003 291
Assets for other operating segments	58 542	120 925
Elimination of inter-group loans, investments and other receivables	(783 581)	(591 369)
Unallocated assets	666 305	440 278
Consolidated total assets	949 667	973 125

Reconciliation of reportable segment liabilities

	31.12.2020	31.12.2019
	EUR'000	EUR'000
Total liabilities for reportable segments	999 350	958 494
Liabilities for other operating segments	751 868	577 594
Elimination of inter-group borrowings and payables	(951 512)	(728 734)
Consolidated total liabilities	799 706	807 354

Notes to the Consolidated Financial Statements

(40) Maturity analysis

The table below shows carrying amounts of financial assets and liabilities by remaining contractual maturity dates as at 31 December 2020.

Assets EUR'000	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Cash and cash equivalents	154 235	—	—	—	—	—	—	154 235
Placements with other banks	4 554	—	5 703	—	—	—	—	10 258
Net receivables due from customers	125 896	32 114	89 244	13 508	245 396	90	20 183	526 431
Net investment in finance leases	130	5	43	—	75	4	3 983	4 240
Loans to related parties	—	—	—	964	58 184	—	—	59 148
Derivatives	—	941	1 097	—	30	—	—	2 068
Debt and Equity instruments	137	1 820	7 881	391	40 114	31 541	—	81 884
Other financial assets	22 435	—	—	—	—	—	—	22 435
Total financial assets	307 387	34 880	103 968	14 863	343 799	31 635	24 166	860 699
Liabilities EUR'000	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Loans and borrowings	20 923	—	39	6	320 922	—	—	341 890
Deposits from customers	75 266	61 269	152 149	6 104	88 426	—	—	383 214
Derivatives	—	1 015	182	—	4 536	—	—	5 733
Accounts payable to suppliers	6 853	—	—	—	—	—	—	6 853
Total financial liabilities	103 042	62 284	152 370	6 110	413 884	—	—	737 690
Net position	204 345	(27 404)	(48 402)	8 753	(70 085)	31 635	24 166	123 009
Net cumulative position	204 345	176 941	128 539	137 292	67 207	98 842	123 008	—

Notes to the Consolidated Financial Statements**(40) Maturity analysis (continued)**

The table below shows financial assets and liabilities by remaining contractual maturity dates as at 31 December 2019.

Assets EUR'000	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Cash and cash equivalents	125 722	—	—	—	—	—	—	125 722
Placements with other banks	2 403	—	3 999	—	—	—	—	6 402
Net receivables due from customers	134 564	35 625	100 199	24 215	226 542	348	57 366	578 859
Net investment in finance leases	129	8	54	—	119	12	4 332	4 654
Loans to related parties	—	—	—	921	59 746	—	—	60 667
Derivatives	—	—	3	245	5 212	—	—	5 460
Debt and Equity instruments	104	3 945	5 976	431	36 545	9 892	—	56 893
Other financial assets	17 584	—	—	—	—	—	—	17 584
Total financial assets	280 506	39 578	110 231	25 812	328 164	10 252	61 698	856 241
Liabilities EUR'000	Demand less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Loans and borrowings	14 248	—	5	—	383 359	—	—	397 612
Deposits from customers	30 141	121 570	96 119	1 341	73 058	—	—	322 228
Liabilities held for sales	—	727	259	59	699	—	—	1 744
Accounts payable to suppliers	8 050	—	—	—	—	—	—	8 050
Total financial liabilities	52 439	122 297	96 383	1 400	457 116	—	—	729 634
Net position	228 067	(82 719)	13 848	24 412	(128 952)	10 252	61 698	126 607
Net cumulative position	228 067	145 348	159 196	183 608	54 656	64 908	126 606	—

Notes to the Consolidated Financial Statements**(41) Analysis of financial liabilities' contractual undiscounted cash flows**

The table below presents the cash flows payable by the Group under contractual financial liabilities, including derivative financial liabilities, by remaining contractual maturities as at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with the carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

The analysis as at 31 December 2020:

31 December 2020	Carrying amount	Total nominal (inflow)/ outflow	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 12 months	More than 1 year
Non-derivative liabilities							
Loans and borrowings	341 890	401 865	32 056	13	17 623	17 643	334 530
Deposits from customers	383 214	391 358	75 980	61 959	155 258	6 305	91 856
Accounts payable to suppliers	6 853	6 853	6 853	—	—	—	—
Total	731 957	800 076	114 889	61 972	172 881	23 948	426 386
Credit related commitments	—	156	156	—	—	—	—

The analysis as at 31 December 2019:

31 December 2019	Carrying amount	Total nominal (inflow)/ outflow	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 12 months	More than 1 year
Non-derivative liabilities							
Loans and borrowings	397 612	491 915	26 096	5	20 714	20 714	424 386
Deposits from customers	322 228	330 527	30 468	123 193	98 689	1 817	76 360
Accounts payable to suppliers	8 050	8 050	8 050	—	—	—	—
Total	727 890	830 492	64 614	123 198	119 403	22 531	500 746
Credit related commitments	—	385	385	—	—	—	—

Notes to the Consolidated Financial Statements**(42) Currency analysis**

The table below shows the currency structure of financial assets and liabilities as at 31 December 2020:

Assets EUR'000	PLN	RON	DKK	CZK	BGN	SEK	EUR	USD	Other	TOTAL
Cash and cash equivalents	12 647	10 598	1 144	2 619	33 164	1 406	86 764	4 321	1 573	154 235
Placements with other banks	1 028	344	5	—	129	469	6 441	1 456	386	10 258
Net receivables due from customers	51 091	197 934	13 657	10 984	139 827	7 170	103 904	—	1 863	526 431
Net investment in finance lease	—	1 094	—	—	—	—	3 146	—	—	4 240
Loans to related parties	—	—	—	—	—	—	59 148	—	—	59 148
Debt and equity instruments	—	—	—	—	47	1	60 699	19 893	1 244	81 884
Other financial assets	273	4 761	1 576	461	3 451	102	14 592	332	783	26 331
Total financial assets	65 038	214 731	16 382	14 064	176 618	9 148	334 694	26 001	5 849	862 526
Off-balance sheet	3 404	34 598	—	—	—	—	45 081	173 450	1 010	257 543

Liabilities EUR'000

	PLN	RON	DKK	CZK	BGN	SEK	EUR	USD	Other	TOTAL
Loans and borrowings	—	—	3	—	16 023	—	143 883	181 981	—	341 890
Deposits from customers	—	76 301	—	—	141 879	11 827	129 553	—	23 654	383 214
Accounts payable to suppliers	603	—	81	52	—	52	5 834	140	90	6 853
Total financial liabilities	603	76 301	84	52	157 902	11 878	279 271	182 121	23 744	731 957
Off-balance sheet	44 230	—	—	—	—	—	220 294	—	—	264 524
Net position (excluding off-balance sheet)	64 435	138 430	16 298	14 012	18 716	(2 730)	55 423	(156 120)	(17 896)	130 569
Net position (including off-balance sheet)	23 608	173 029	16 298	14 012	18 716	(2 730)	(119 790)	17 330	(16 886)	123 588

Currency risk of the open positions in USD, PLN, RON is managed through the use of forward foreign currency contracts which minimize the adverse effects of currency exchange rate fluctuations. The Group monitors its foreign currency exposure to non-Euro based currencies on a regular basis and will, if deemed commercial, consider hedging some or all of any exposure arising.

Notes to the Consolidated Financial Statements**(42) Currency analysis (continued)**

The table below shows the currency structure of financial assets and liabilities as at 31 December 2019:

Assets EUR'000	PLN	RON	DKK	CZK	BGN	SEK	EUR	USD	Other	TOTAL
Cash and cash equivalents	10 204	8 290	1 289	3 153	20 788	7 414	66 555	4 652	3 378	125 722
Placements with other banks	280	470	5	—	4	71	4 982	425	165	6 402
Net receivables due from customers	100 597	140 024	28 108	12 027	157 068	4 758	121 948	—	14 329	578 859
Net investment in finance lease	—	3 502	—	—	—	—	1 152	—	—	4 654
Loans to related parties	—	—	—	—	—	—	60 667	—	—	60 667
Debt and equity instruments	—	—	—	—	47	—	37 545	17 034	2 267	56 893
Other financial assets	985	4 912	3 767	601	2 587	64	5 180	574	3 232	21 903
Total financial assets	112 067	157 198	33 169	15 780	180 494	12 307	298 030	22 685	23 371	855 101
Off-balance sheet	—	—	—	—	—	—	158 770	175 804	—	334 574

Liabilities EUR'000	PLN	RON	DKK	CZK	BGN	SEK	EUR	USD	Other	TOTAL
Loans and borrowings	—	—	—	—	13 047	—	147 116	237 449	—	397 612
Deposits from customers	—	51 223	—	—	140 023	14 776	98 977	—	17 229	322 228
Accounts payable to suppliers	604	—	83	423	13	28	6 341	256	301	8 050
Total financial liabilities	604	51 223	83	423	153 083	14 804	252 434	237 705	17 530	727 889
Off-balance sheet	103 929	50 410	—	—	—	—	169 601	—	5 520	329 461
Net position (excluding off-balance sheet)	111 463	105 975	33 085	15 357	27 411	(2 497)	45 596	(215 020)	5 841	127 212
Net position (including off-balance sheet)	7 534	55 565	33 085	15 357	27 411	(2 497)	34 764	(39 216)	321	132 325

Notes to the Consolidated Financial Statements**(43) Group entities**

As at 31 December 2020 and 31 December 2019 respectively, the Group consisted of the following entities:

Name of entity	Registered office	Ownership 31.12.2020	Ownership 31.12.2019
4f Sales Overseas, Inc.	18851 NE 29TH AVE, STE 410, MIAMI, FL. 33180, USA	100% 4f Sales, Inc.	100% 4f Sales, Inc.
4f Sales, Inc.	18851 NE 29th Avenue, Suite 410, Miami, FL 33180, USA	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4F Servicos de Correspondente Bancario Ltda.	Avenida Engenheiro Luiz Carlos Berrini, 1748, conjunto 2205, sala 5, Jardim Judith, Zip Code 04571-000, City of São Paulo, State of São Paulo, Brazil	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
4finance AB	Hammarby Alle 47, 120 30, Stockholm, Sweden	100% AS 4finance	99% AS 4finance
4finance ApS	Vesterbrogade 1L, 4., DK-1620, Copenhagen, Denmark	100% AS 4finance	100% AS 4finance
4finance EOOD	79 Nikola Gabrovski Str., floor 2, Sofia 1700, Bulgaria	100% TBI Bank EAD	100% TBI Bank EAD
4finance GmbH	Eschenheimer Anlage 1, 60316 Frankfurt am Main, Germany	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4finance IT SIA	Lielirbes 17A-10, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4finance IT SIA Lietuvos filialas	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	branch of SIA 4finance IT	branch of SIA 4finance IT
4finance IT SIA odstepny zavod v Ceske republice	5. května 1746/22, Nusle, 140 00 Praha 4	branch of SIA 4finance IT	branch of SIA 4finance IT
4finance IT SIA spolka z ograniczona	Al. Jerozolimskie 92 street, 00-807 Warsaw, Poland	branch of SIA 4finance IT	branch of SIA 4finance IT
4finance Media SIA	Lielirbes iela 17A-10, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4finance Oy	Mikonkatu 15A, 00100 Helsinki, Finland	-	100% AS 4finance
4finance S.A.	8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg	100% AS 4finance	100% AS 4finance
4finance Spain Financial Services S.A.U (formerly Vivus Finance S.A.U., formerly Vivus Finance SL)	Calle Genova, 27 2ª planta 28004 Madrid, Spain	100% AS 4finance	100% AS 4finance
4finance UAB	Jonavos Street 254a, LT-44132, Kaunas, Lithuania	100% AS 4finance	100% AS 4finance
4finance, Responsabilidad Limitada	Diagonal 6 10-01 Zona 10 Edificio Centro Gerencial Las Margaritas Oficina 402B Torre 2, Guatemala, Guatemala	100% (99% 4finance Holding S.A., 1% AS 4finance)	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
4finance, S.A. de C.V., SOFOM E.N.R.	Av. Insurgentes Sur No. 1647 Piso 4 Col. San José Insurgente, Benito Juárez 03900, Ciudad de México, México	-	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
4Spar AB	Hammarby Alle 47, 120 30, Stockholm, Sweden	100% 4finance AB	100% 4finance AB
AS 4finance	Lielirbes 17A-8, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
BillFront GmbH	Rosa-Luxembourg-Straße 2, 10178 Berlin, Germany	24.39% 4finance Holding S.A.	24.39% 4finance Holding S.A.

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Name of entity	Registered office	Ownership 31.12.2020	Ownership 31.12.2019
BRABank ASA	Starvhusgaten 4, 5014, Bergen, Norway	1,98% TBI Bank EAD; 3,67% 4finance Holding S.A.	5,01% TBI Bank EAD; 3,23% 4finance Holding S.A.
Credit Management LLC	Tsotne Dadiani str.7, Commercial unit No b501, Didube-Chughureti district, Tbilisi, Georgia	100% AS 4finance	100% AS 4finance
Credit Service UAB	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Finansų administravimas UAB	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Fine Line Services Asia Ltd.	Suite 1201, Tower 2, The Gateway 25, Canton Road, TST KLN, Hong Kong	100% Friendly Finance OU	100% Friendly Finance OU
Fine Line Services Ltd.	Ground Floor, Palace Court, Church Street, St Julians STJ 3049, Malta	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Finance Argentina S.R.L.	Avda. del Libertador 498 – piso 23, C1001ABR Buenos Aires, Argentina	90% Friendly Finance OU, 10% 4finance Holding S.A.	90% Friendly Finance OU, 10% Fine Line Services Ltd. (Malta)
Friendly Finance Asia s.r.o.	Olivova 2096/4, Nové Město, 110 00 Praha 1, Czech Republic	Liquidated	100% Friendly Finance OU
Friendly Finance Georgia Ltd	Pekini street N 28, Tbilisi, Georgia	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Finance Nusuntara PT	Eighty Eight@Kasablanka Office Tower Lt. 3 unit A Ji Casablanca Kav. 88, Menteng Dalam, Tebet, Jakarta Seletan, 12870, Indonesia	85% Fine Line Services Asia Ltd.	85% Fine Line Services Asia Ltd.
Friendly Finance OU	Harju maakond, Tallinn, Kesklinna linnaosa, Rotermanni tn 2, 10111	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Friendly Finance Poland Sp. z o.o.	Ul. Zlota 7/18, 00-019 Warsaw, Poland	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Finance s.r.o.	Olivova 2096/4, Nové Město, 110 00 Praha 1, Czech Republic	Liquidated	100% Friendly Finance OU
Friendly Finance Slovakia s.r.o.	Tallerova 4, Stare Mesto, 81102, Bratislava, Slovakia	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Group Spain S.L.	Calle Tusset 32, 3a Planta, 08006, Barcelona, Spain	100% Friendly Finance OU	90% Friendly Finance OU, 10% Fine Line Services Ltd. (Malta)
Platforma Vivus sp. z o.o. Spółka jawna (formerly: GCM Global Collection Management Sp. z o.o. Spółka jawna)	ul. Żwirki i Wigury 16C, building B4, 02-092 Warsaw, Poland	Partner Global Collection Management Sp.z o.o.	Partner Global Collection Management Sp.z o.o.
Global Collection Management Sp.z o.o.	ul. 17 Stycznia, nr 56, 02-146, Warsaw, Poland	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna
GoodCredit Universal Credit Organization CJSC	58/1 Karapet Ulnetsi, 0069 Yerevan, Armenia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Integrated Management Services Mexico S.A. de C.V.	Av. Insurgentes Sur No. 1647 Piso 4 Col. San José Insurgente, Benito Juárez 03900, Ciudad de México, México	-	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2020	Ownership 31.12.2019
Intersales Services Limited	Icom house 1/5 Irish Town, Suite 3, Second Floor, PO Box 883, Gibraltar	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Microfinance Organization 4finance LLC	Georgia, Tbilisi, Saburtalo district, Pekini avenue, N 28, office space N7, floor 3	-	100% AS 4finance
Monetago.pl Sp. z o.o.	Building B4, Żwirki i Wigury street number 16c, 02-092 Warsaw, Poland	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Platforma Vivus sp. z o.o. (formerly: GCM Global Collection Sp.z o.o.)	ul. Żwirki i Wigury 16C, building B4, 02-092 Warsaw, Poland	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna
Prestamo Movil S.A.	Juramento 1475, 1428, CABA, Buenos Aires, Argentina	100% (98.75% 4finance Holding S.A., 1.25% AS 4finance)	100% (98.75% 4finance Holding S.A., 1.25% AS 4finance)
SIA 4finance IT branch in UK	Wework 1 Mark Square, London, EC2A 4EG, UK	branch of SIA 4finance IT	branch of SIA 4finance IT
SIA 4FINANCE IT, SUCURSAL EN ESPAÑA	Genova Street, number 27, Madrid, Spain	branch of SIA 4finance IT	branch of SIA 4finance IT
SIA Debt Solution	Lielirbes iela 17A - 11, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
SIA Ondo	Lielirbes 17A-10, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
SIA Vivus	Lielirbes 17A-9, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
TBI Bank EAD	52-54 Dimitar Hadzhikotsev Str., Lozenets district, 1421 Sofia, Bulgaria	100% TBIF Financial Services B.V.	100% TBIF Financial Services B.V.
TBI Bank EAD Sofia-Bucharest Branch	8-12 Putuli lui Zamfir Str., 4th floor, 1st sector, Bucharest, Romania	Branch of TBI Bank EAD	Branch of TBI Bank EAD
TBI Money IFN S.A. (formerly TBI Credit IFN S.A.)	8-12 Putul lui Zamfir Str., 2nd Floor, District 1, Bucharest, Romania	100% (99.99999863% TBI Bank EAD, 0.00000137% TBIF Financial Services B.V.)	100% (99.99999863% TBI Bank EAD, 0.00000137% TBIF Financial Services B.V.)
TBI Leasing IFN S.A.	8-12 Putul lui Zamfir Str., Ground Floor and First Floor, District 1, Bucharest, Romania	100% (99.9989% TBI Bank EAD, 0.0011% TBIF Financial Services B.V.)	100% (99.9989% TBI Bank EAD, 0.0011% TBIF Financial Services B.V.)
TBIF Financial Services B.V.	Westerdoksdiijk 423, 1013 BX Amsterdam, The Netherlands	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Vivus Finance Sp.z o.o.	ul. 17 Stycznia, nr 56, 02-146 Warsaw, Poland	99,97% AS 4finance, 0,03% 4finance Holding S.A.	100% AS 4finance
Vivus S.A.	46a avenue J.F. Kennedy, 1855, Luxembourg	4finance Holding S.A. has preferred shares	4finance Holding S.A. has preferred shares
VIVUS, S.R.L.	Juan Sanchez Ramirez #40, Ens. Gazcue. Santo Domingo, Dominican Republic	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
Wisemedia OÜ	Tartu maakond, Tartu linn, Tartu linn, Soola tn 3, 51013	Liquidated	100% Friendly Finance OU

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Name of entity	Registered office	Ownership 31.12.2020	Ownership 31.12.2019
Zaplo Finance s.r.o. (formerly Vivus Finance s.r.o.)	Mayhouse Office, 5. května 1746/22, 140 00 Praha 4 - Nusle, Czech Republic	100% AS 4finance	100% AS 4finance
Zaplo S.R.L.	49 Nicolae Caramfil Str., 3rd floor, Bucharest, 014142, Romania	Liquidated	100% (99.9% 4finance Holding S.A., 0.1% AS 4finance)
Zaplo Sp.z o.o. (formerly Palkow Sp.z o.o.)	ul.17 Stycznia, nr 56, 02-146, Warsaw, Poland	Merged with Vivus Finance Sp. z o.o.	100% (70% 4finance Holding S.A., 30% AS 4finance)

(44) Non-controlling interest in subsidiaries

Non-controlling interests in subsidiaries have the same proportion of voting rights as their ownership interest held. There are no material non-controlling interests at 31 December 2020.

The table below summarises the information relating to each of the Group's subsidiaries that have material non-controlling interests (NCI), before any intra-group eliminations as at 31 December 2019:

EUR'000	Sweden
NCI percentage	1%
Cash and cash equivalents	1 335
Loans due from customers	4 758
Property and equipment	21
Intangible assets	22
Deferred tax asset	1 612
Other assets	10 343
Loans and borrowings	(2 570)
Other liabilities	(17 272)
Net assets	(1 751)
Other comprehensive income allocated to NCI	702
Carrying amount of NCI	(10)
Revenue	5 350
Profit	1 859
Total comprehensive income	1 859
Profit/(loss) allocated to NCI	(19)
Cash flows from operating activities	2 252
Cash flows from investment activities	1 353
Cash flows from financing activities, before dividends to NCI	(4 057)
Cash flows from financing activities - cash dividends to NCI	(10)
Net (decrease) in cash and cash equivalents	(462)

Notes to the Consolidated Financial Statements

(45) Subsequent events

Financing

In March 2021, the Group repurchased \$8.7 million of its USD bonds. In early April, the Group repurchased a further \$6.0 million of its USD bonds, bringing the total of USD bonds held in treasury as of 8 April 2021 to \$111.5 million.

Reorganization

In December 2020 was made decision to simplify corporate structure and decentralize winding-down 4f Sales Inc. and gradually merging 4finance IT SIA and its branches in existing operating markets.

In February 2021, the operating entity Credit Service UAB took over the staff of SIA 4finance IT branch in Lithuania. In March 2021, the staff of SIA 4finance IT branch in Poland was transferred to the operating entities Vivus Finance Sp.z.o.o. and Global Collection Management Sp.z.o.o. It is expected that in April 2021, SIA 4finance IT branch in the Czech Republic will be invested as an enterprise into the share capital of the operating entity in the Czech Republic, Zaplo Finance S.r.o. Later in year, it is planned to merge SIA 4finance IT, SIA 4finance Media, as well as both Latvian operating entities, i.e. SIA Vivus and SIA Ondo, into AS 4finance.

Changes in the regulatory framework

There is still potential for the regulatory landscape to evolve across Europe, mainly in the area of the credit costs limitations and stricter creditworthiness assessment of the consumers, as currently proposed in Denmark in the draft instruction for the creditworthiness assessment circulated for the public hearing by the Financial Supervisory Authority.

There is additional potential for change in the regulatory framework in some markets as governments and regulators develop their responses to the coronavirus pandemic.

Independent Auditor's Report

To the Shareholders of
4finance Holding S.A.
8-10, Avenue de la Gare
L-1610 Luxembourg

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 4finance Holding S.A. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the Audit of the Consolidated Financial Statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 (b) Basis of Measurement and Note 28 Loans and Borrowings in the financial statements. Note 28 indicates the Group has loans and borrowings of EUR 326 million with maturities in the first half of 2022. Note 2 (b) indicates there are risks and uncertainties around future business performance, the macro environment and in capital markets, and describes Management's plan to address bond maturities during the course of 2021 and confidence in the Group's ability to refinance. These events or conditions indicate that in case the bond maturities cannot be refinanced, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

PKF Audit & Conseil Sàrl
Cabinet de révision agréé - RC B222994
37, rue d'Anvers L-1130 Luxembourg
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Other Information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our report of the “réviseur d’entreprises agréé” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d’entreprises agréé” for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 12 April 2021

PKF Audit & Conseil Sàrl
Cabinet de révision agréé



Jean Medernach