4finance Holding SA

Investor presentation for three month 2021 results

19 May 2021

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Agenda

- Operational progress
- Review of three month 2021 results
- Loan portfolio and asset quality
- Business summary

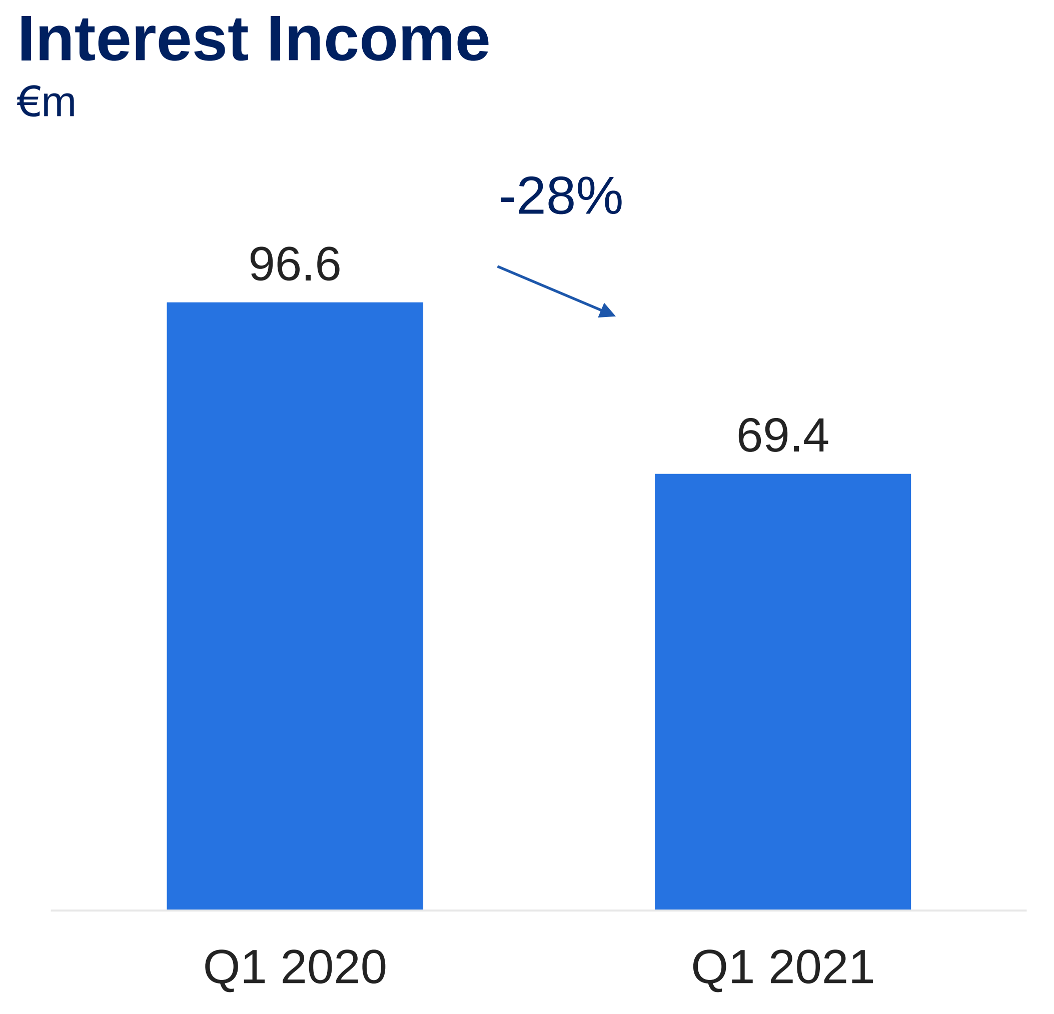
Operational progress

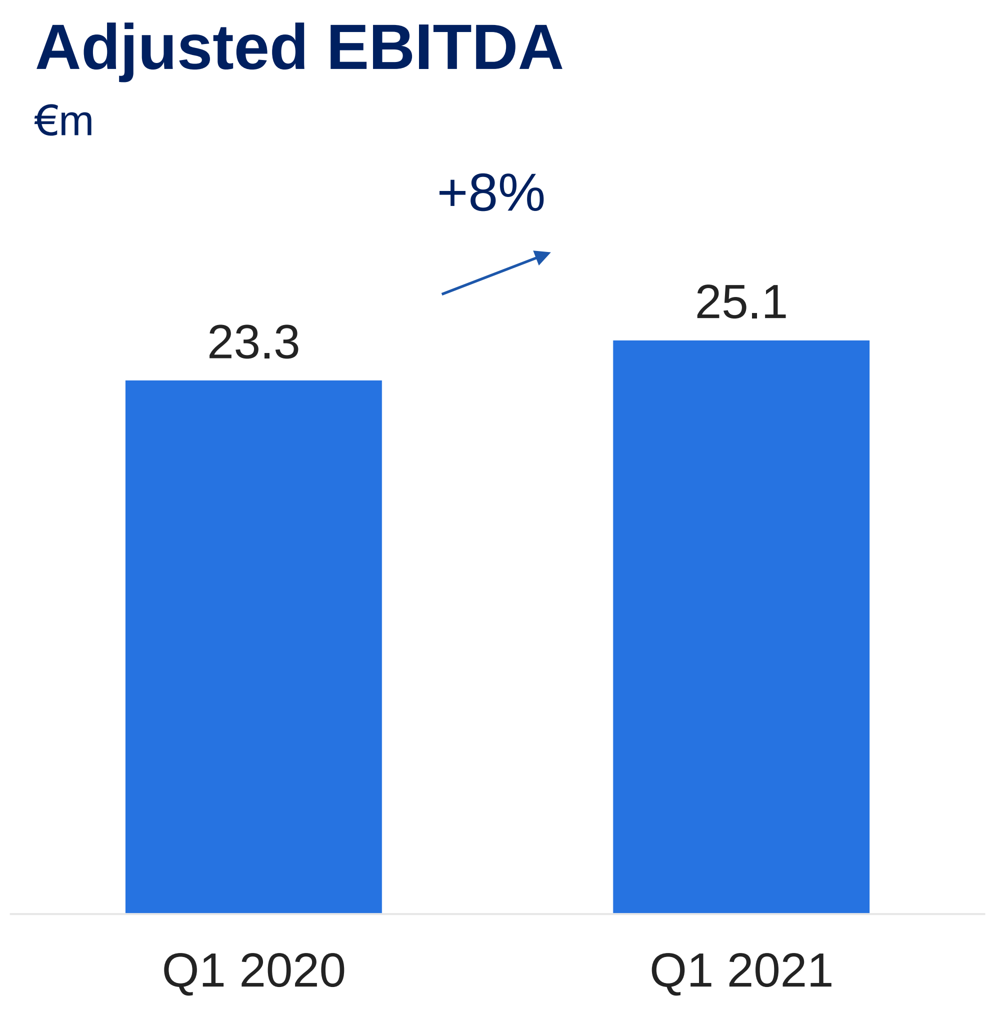
- **Good execution in core online markets:** loan issuance matching prior year pre-Covid levels despite ongoing ‘lockdown’ dynamics
- **Continued to see strong customer repayment behaviour:** also reflecting our underwriting approach
- **Re-energising markets that have underperformed:** management changes and product upgrades in Spain and Sweden
- **Focus on efficiency delivering results:** leaner HQ team, simplified internal corporate structure
- **Automated sales of Lithuanian near-prime loans to TBI underway:** €2.5m already sold, with plan to sell €2m/month by end Q2
- **Record quarterly loan issuance in TBI:** strong organic business growth across consumer and revamped SME e-POS products
- **TiBuy established in TBI:** the beginning of a marketplace as a new client acquisition channel
- **First steps towards APAC market entry:** initial 10% stake in Philippines online lender and funding provision approved

Summary of Q1 2021 results

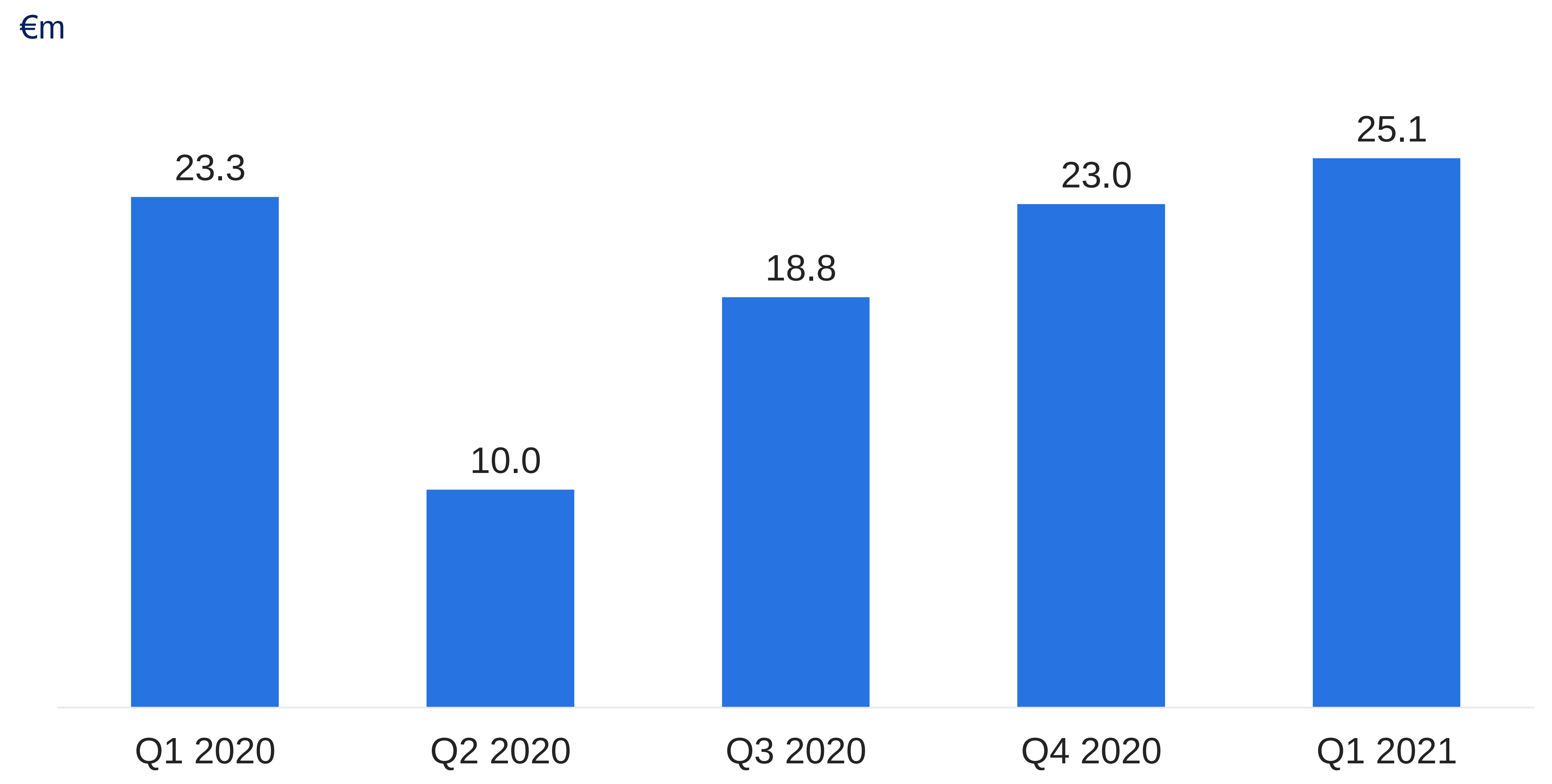
- Interest income for Q1 of €69m, stable overall from past quarters
  - Growth in income from continuing products since Q2 2020
  - Continued steady growth in TBI Bank
  - Clear YoY impact of new regulatory pricing regime in Denmark
  - Some ongoing impact of earlier product wind-downs and market exits
- Further improvement in quarterly Adjusted EBITDA driven by improved risk performance and cost discipline
  - Despite interest income reduction, Adjusted EBITDA at €25.1m is €1.8m up vs Q1 2020
  - Significant decrease in quarterly impairment charge, reflective of current portfolio size and quality
  - Over 20% (€10m) reduction in cost base vs prior year
- Robust cash position, even after deleveraging with bond buybacks
  - $19m nominal value of USD bonds repurchased in 2021 in addition to $47m repurchased in 2020, leaving less than $210m outstanding
  - Current "online" cash levels remain strong at over €80m
  - Automated sales of near-prime loans from Lithuania to TBI Bank underway
- Improved risk performance, with improved customer repayment trends and debt sales reducing NPL ratio significantly
  - Overall gross NPL ratio of 14.9% vs 17.0% as of Dec 2020
  - Online gross NPL ratio at 16.7% vs 19.2% as of Dec 2020
  - Net impairment/interest income at 17.5% for Q1 2021 (vs 32.3% in Q1 2020)
  - Strong portfolio growth at TBI Bank, robust issuance in online core products

Year-on-year comparison





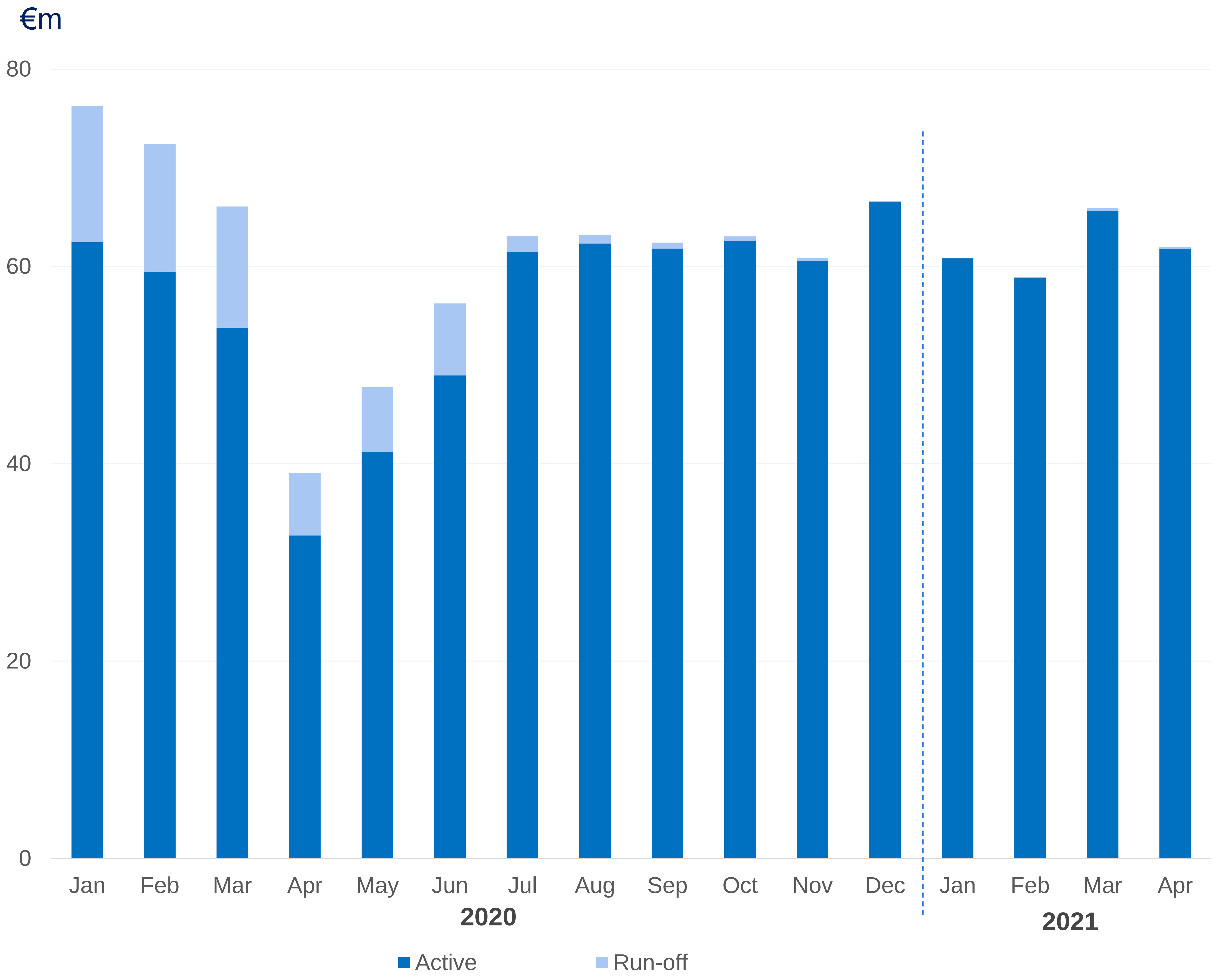
Adjusted EBITDA by quarter in 2020 and Q1 2021



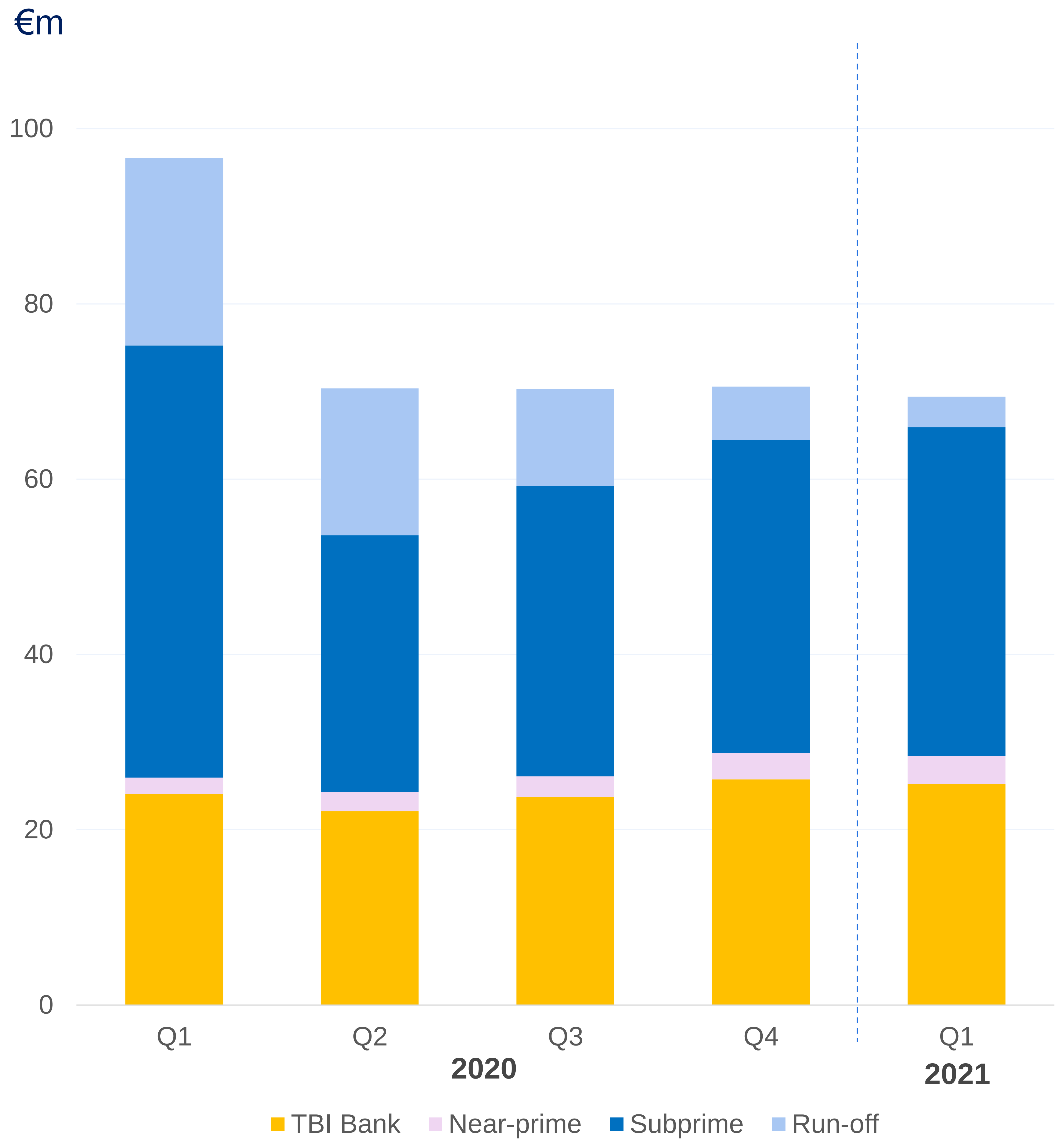
See appendix for definitions of key metrics and ratios

Loan issuance and interest income

Monthly online loan issuance [1]



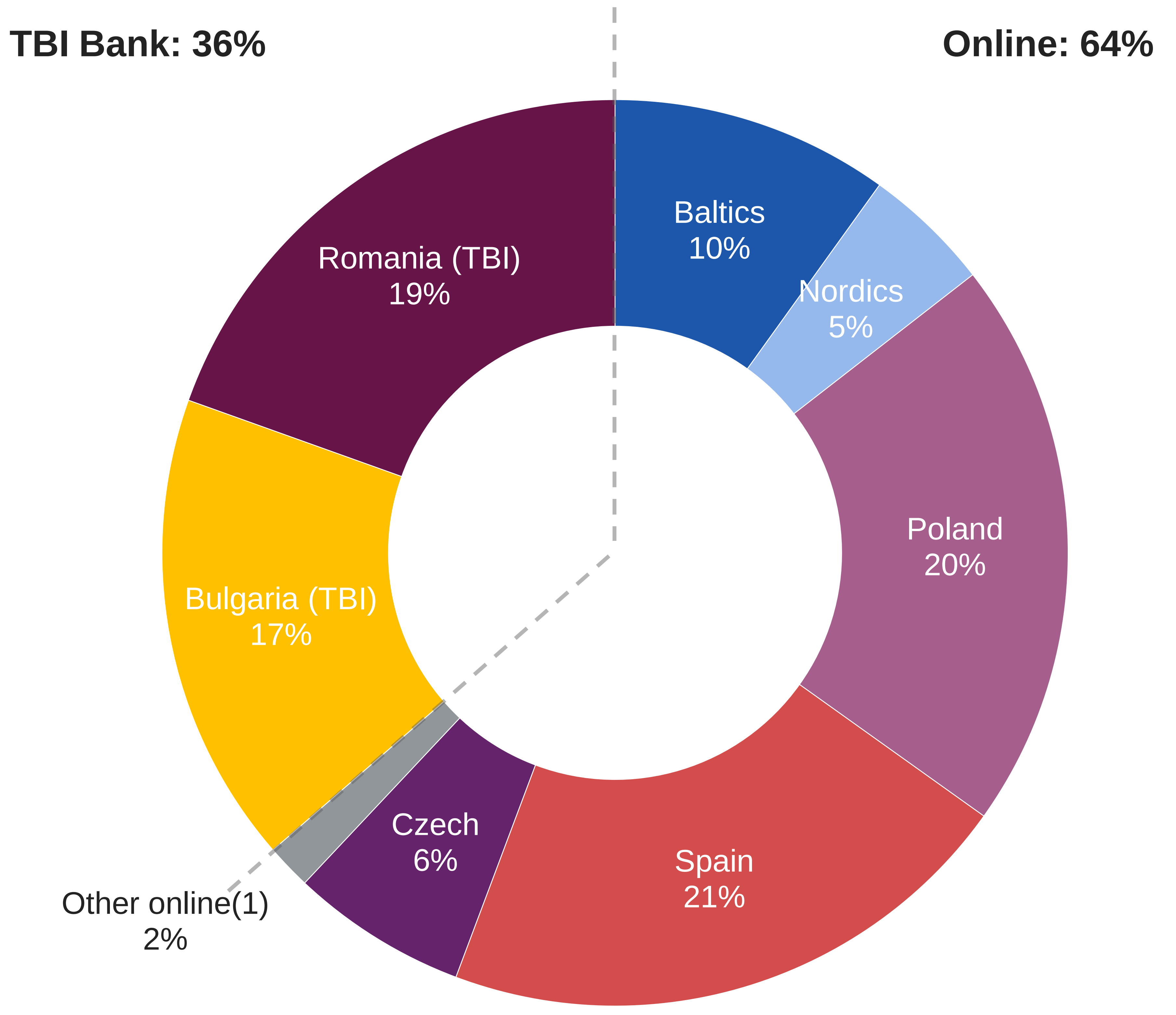
Quarterly interest income



Note (1): Run-off products represent those where issuance has been stopped.

Interest income remains diversified

Q1 2021 interest income by country



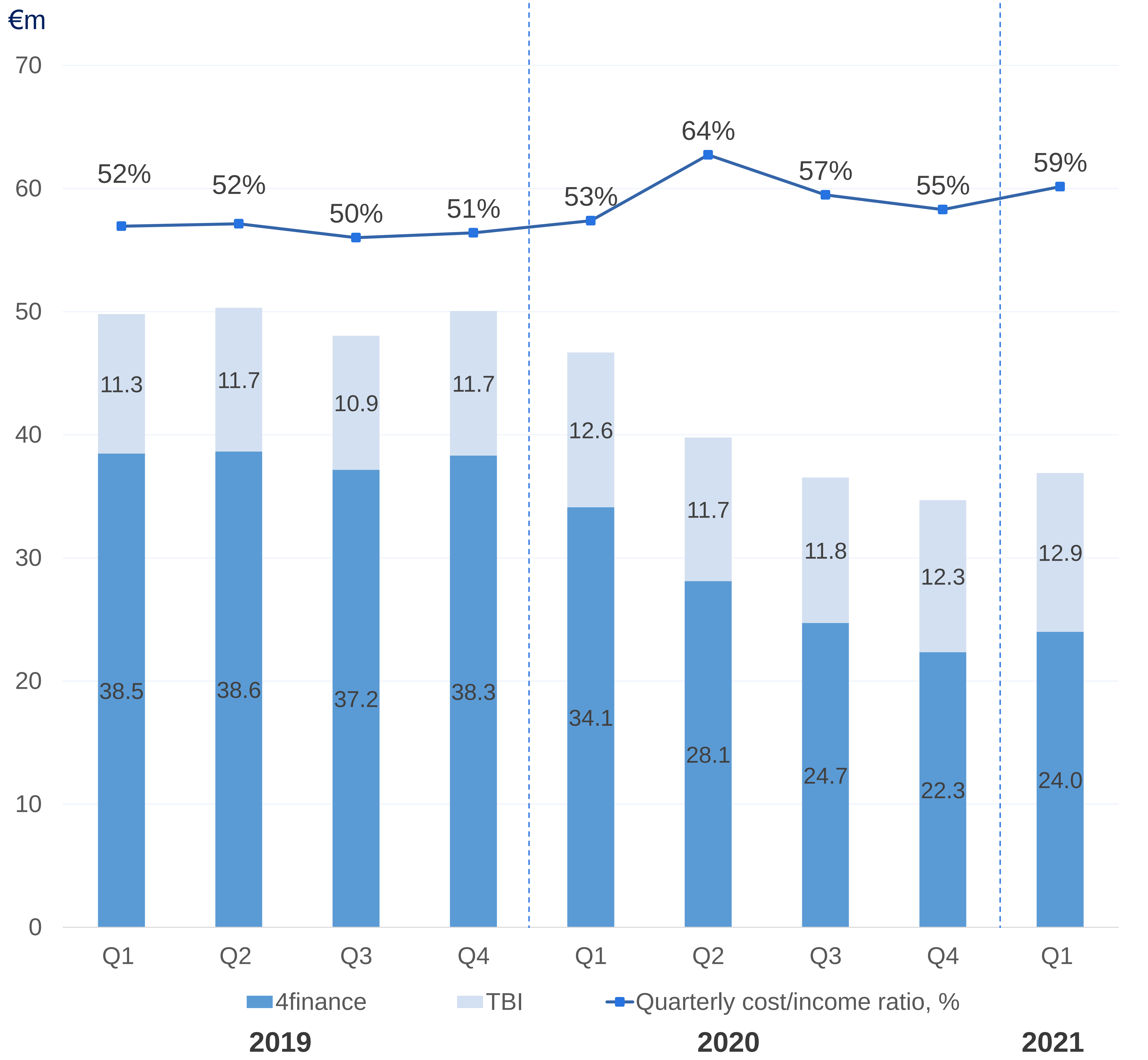
- Focus on 7 online markets plus TBI Bank
  - Baltics: Latvia & Lithuania
  - Nordics: Denmark & Sweden
  - Poland
  - Spain
  - Czech Republic
- Clear regulatory framework in place in most markets
  - Contrast to position of 2-3 years ago
  - Demonstrated ability to adapt and share best practice
- Decisive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

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

Operating cost drivers

- Operating costs down €10m YoY in online business, a 30% reduction, with TBI Bank costs up less than business growth
  - Significant YoY reduction in staff costs of €4.5m
  - 28% YoY reduction in marketing reflects selective spend given operating environment
  - Lower volume related costs (eg application processing) and travel spend
  - Cost increase compared with Q4 due to slightly higher marketing spend and full year adjustments on bonus accruals & taxes reducing fourth quarter costs
- Cost base aligned to current market and product footprint, and able to support future growth in online business
  - Structurally lower HQ costs (staff numbers, overheads, management structure)
  - Accelerated exit of wind-down markets
  - IT efficiencies and automation
  - Firmwide focus on efficiency as an ongoing mindset, not a one-off exercise
- Investment in strategic growth initiatives at TBI Bank planned for 2021

Total operating costs (1)



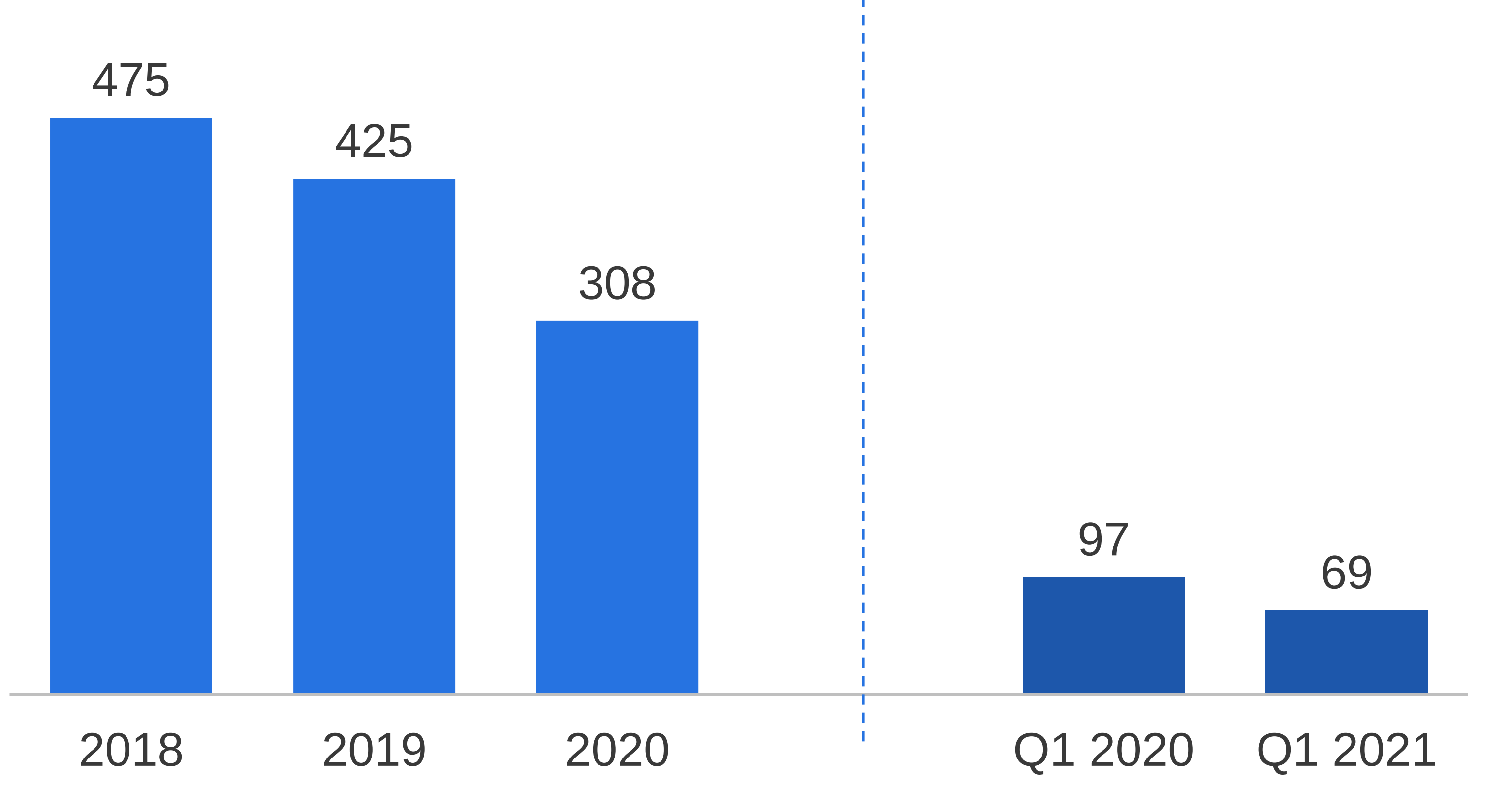
Notes:
(1) Q4 costs for 2019 & 2020 have been adjusted to reflect respective year's audited figures

See appendix for definitions of key metrics and ratios

Resilient financial track record

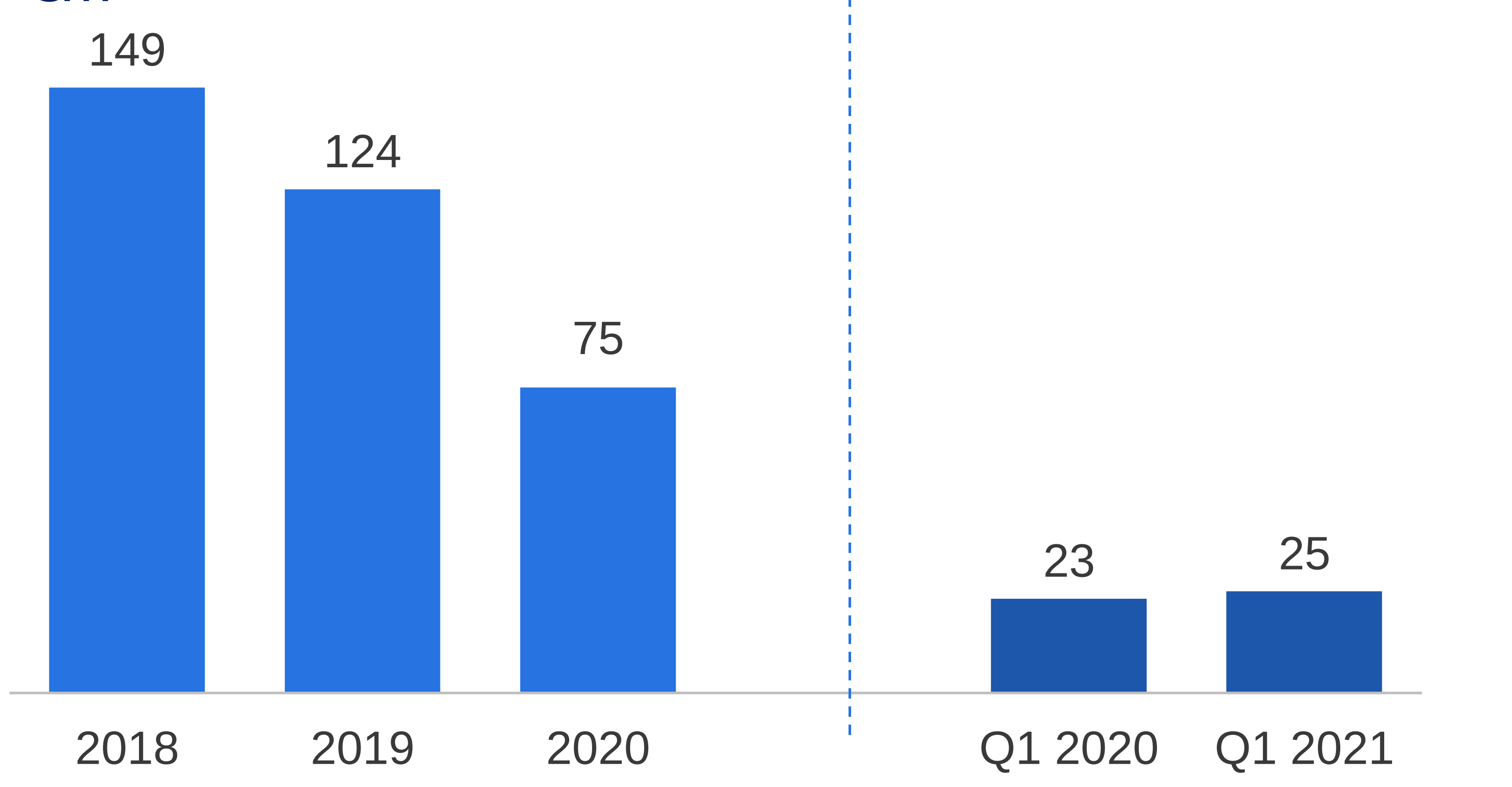
Interest income

€m



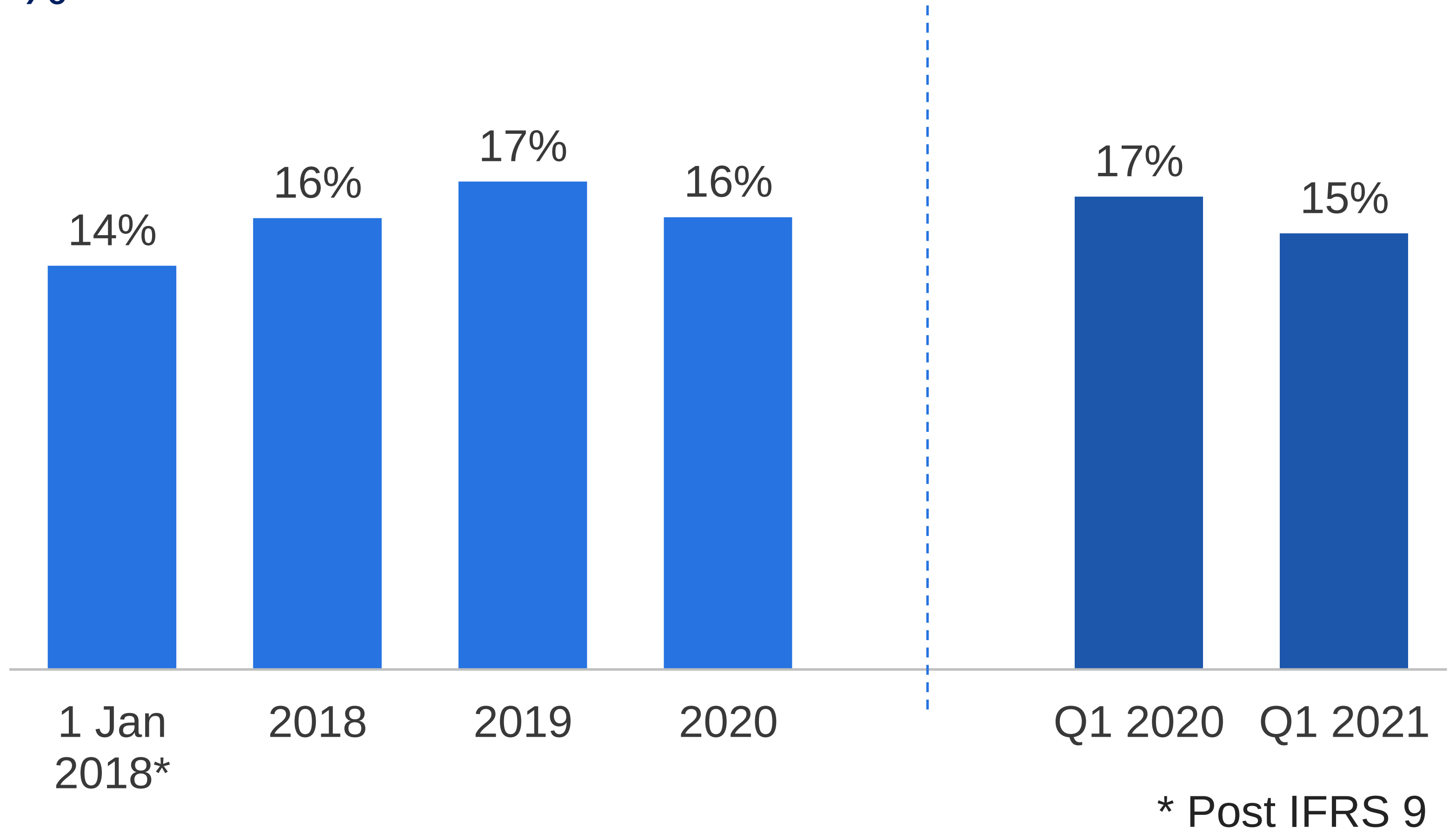
Adjusted EBITDA

€m



Equity / assets ratio

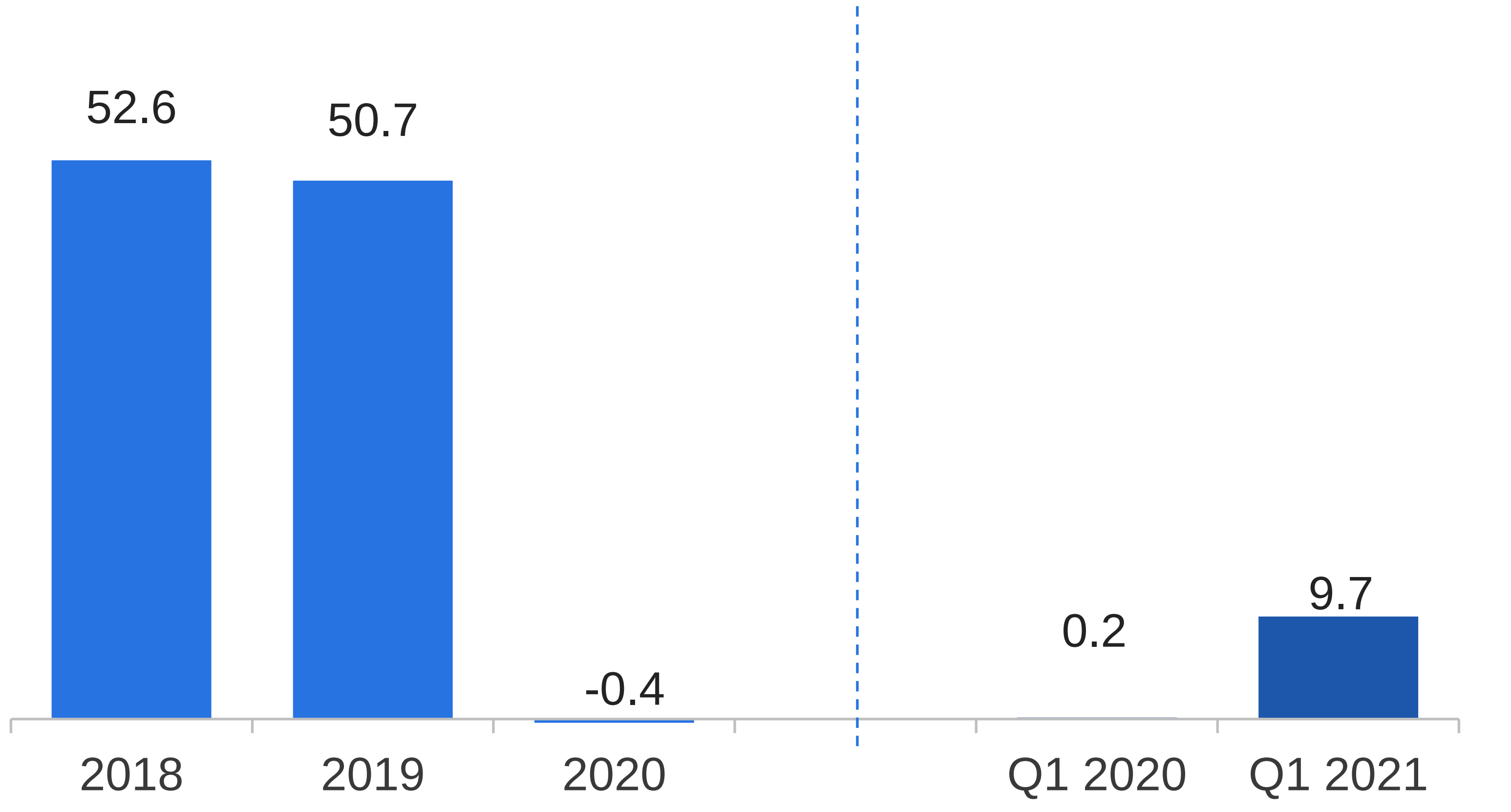
%



* Post IFRS 9

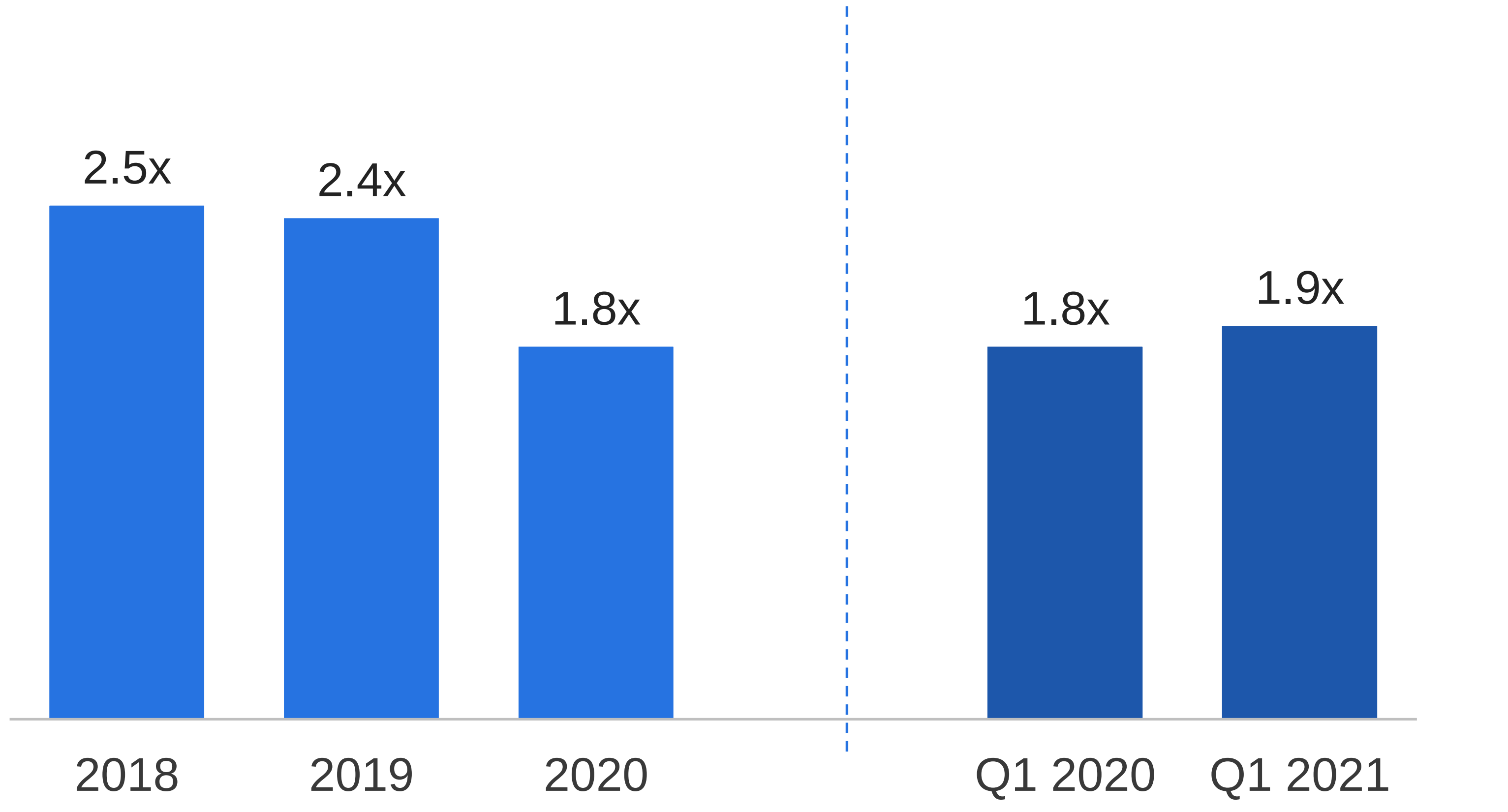
Profit before tax

€m



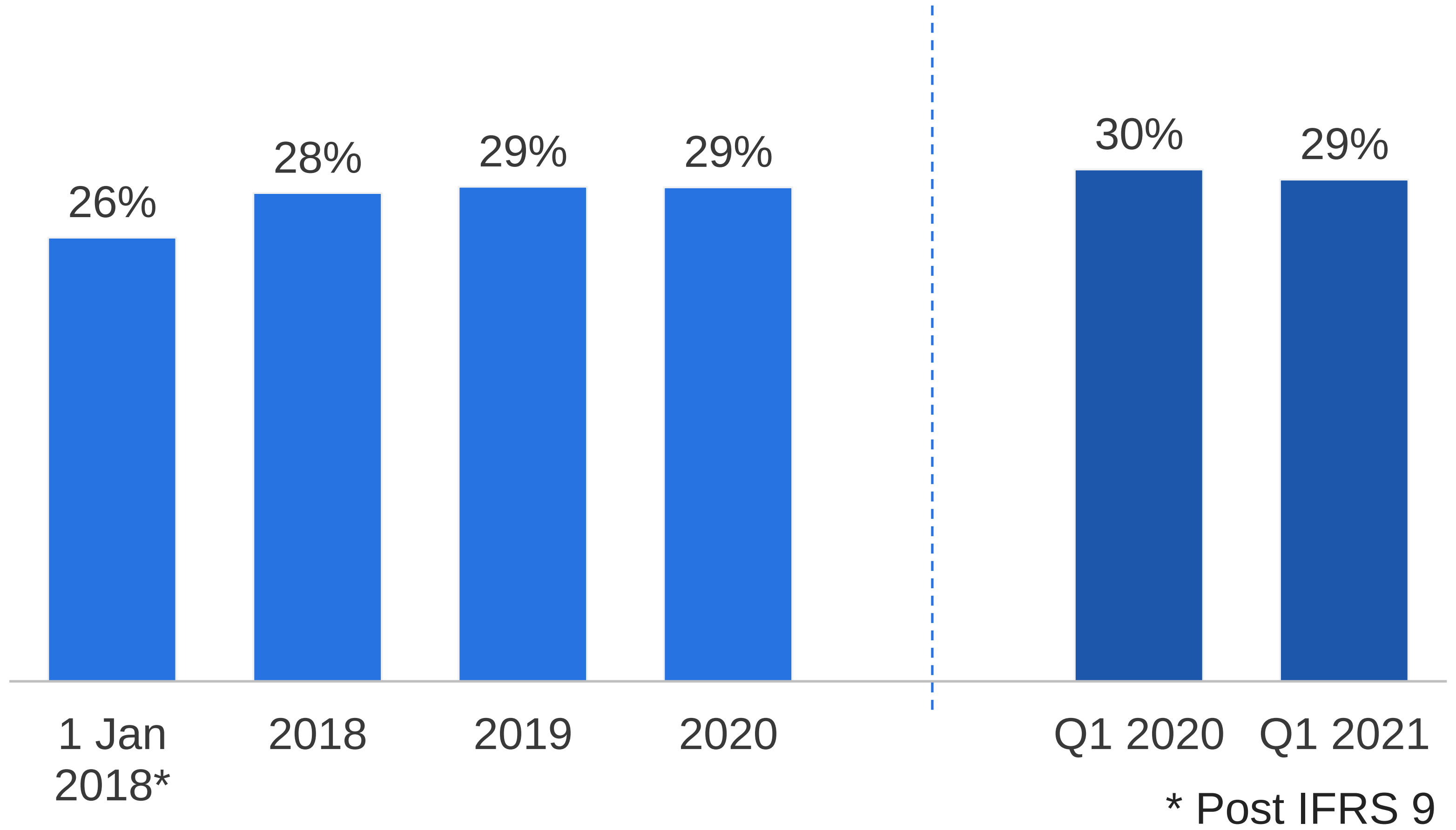
Covenant interest coverage ratio[(1)]

Times



Equity / net receivables [(2)]

%



* Post IFRS 9

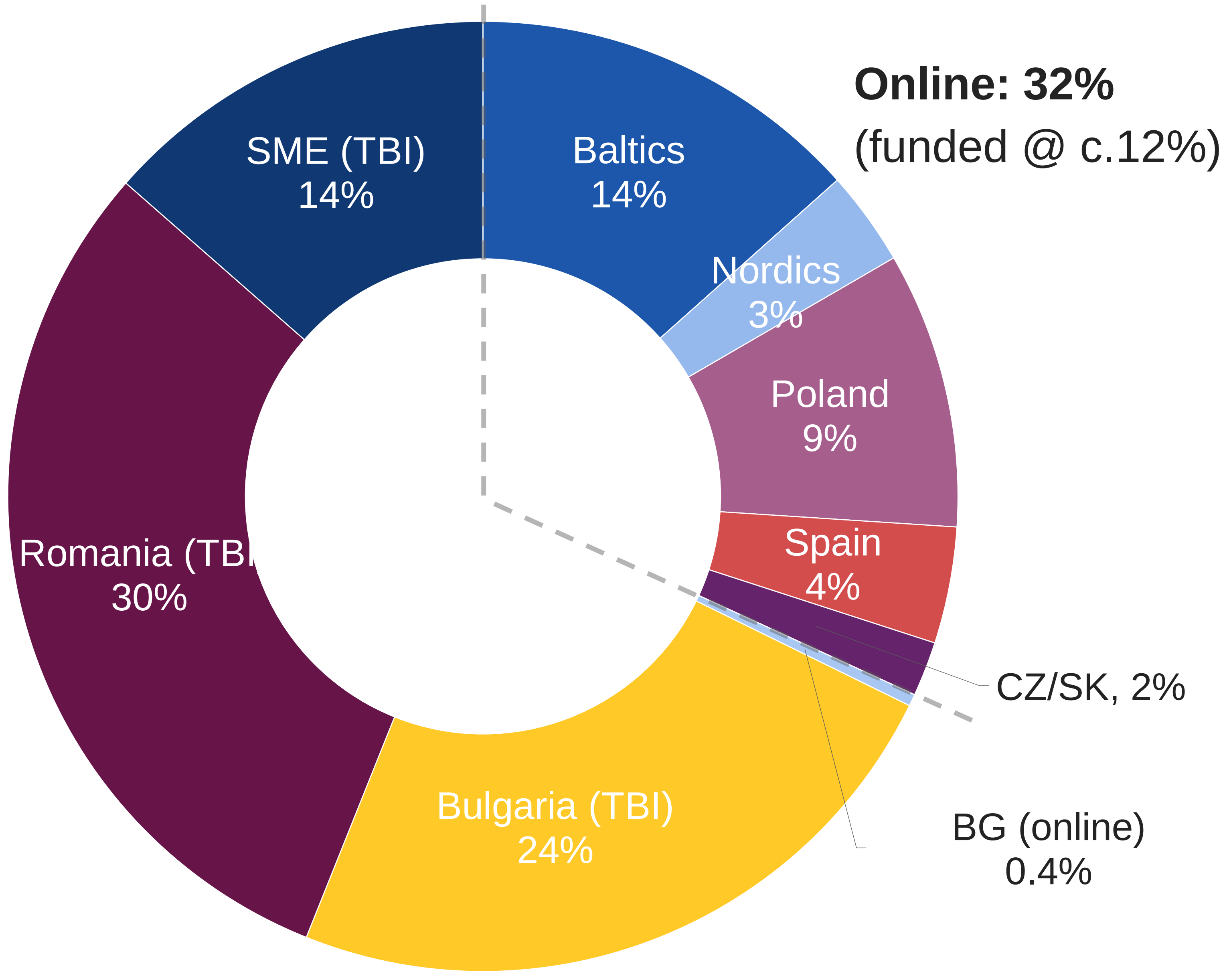
Note (1): The graph is shown based on full covenant calculation of interest coverage ratio, based on proforma last twelve month figures, as at the date of publication of the respective period results. The calculation was updated in Q2 2020 to exclude certain non-cash accruals within interest expense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

(2): The full covenant calculation of equity/net loans includes related party loans and finance leases, and is currently 26%

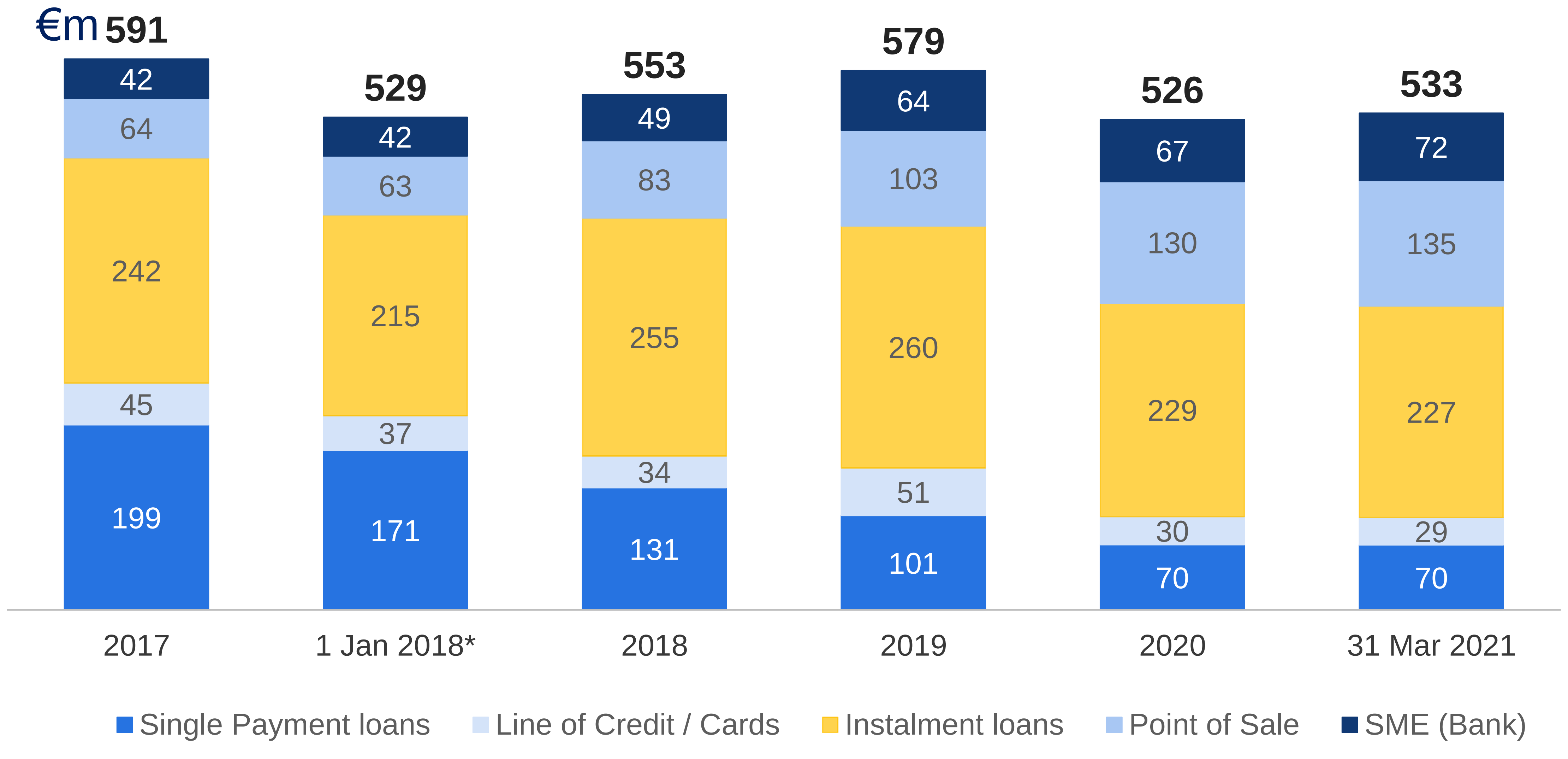
Diversified loan portfolio

- Increased loan issuance in Q1 supported net receivables growth, partly offset by debt sales in the online business
- Overall net receivables totals €533m
  - 1% increase during Q1
  - 86% consumer loans
- NPL ratio improved to 14.9% in Mar ‘21 from 17.0% in Dec ‘20

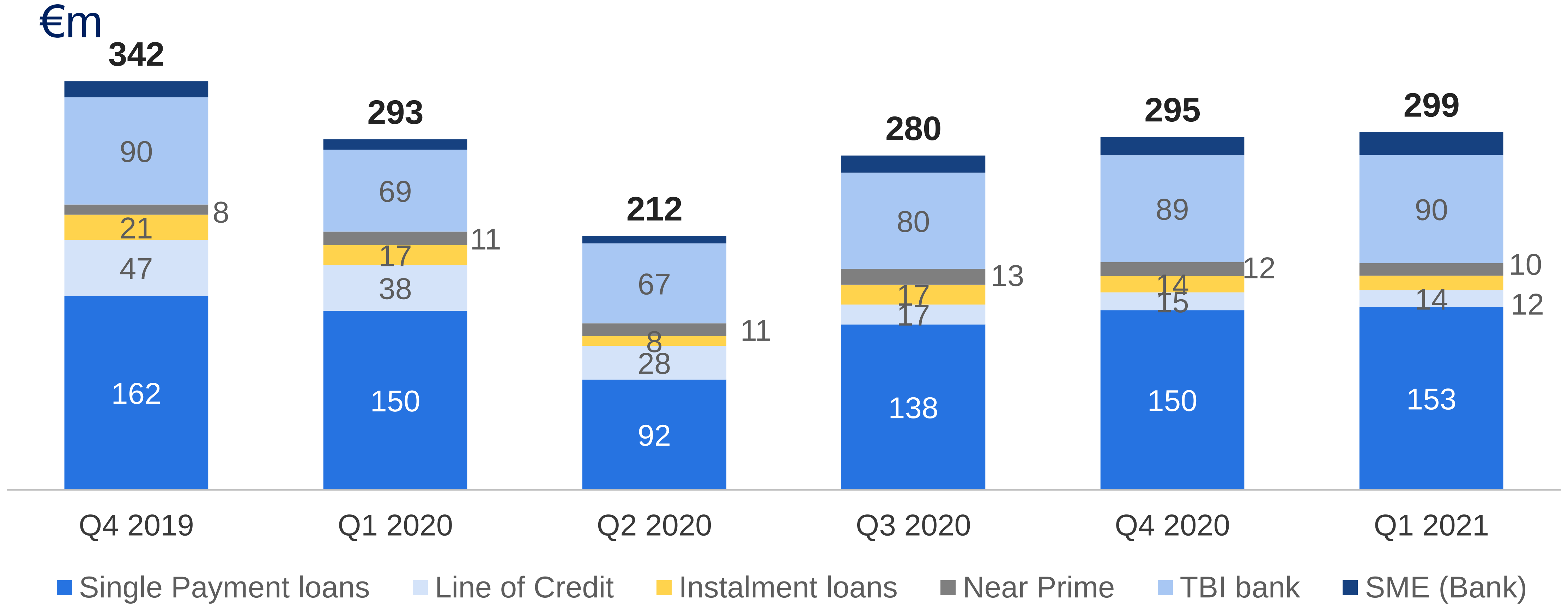
Net receivables, 31 March 2021



Net receivables (1)



Loans issued (1)



Notes:

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

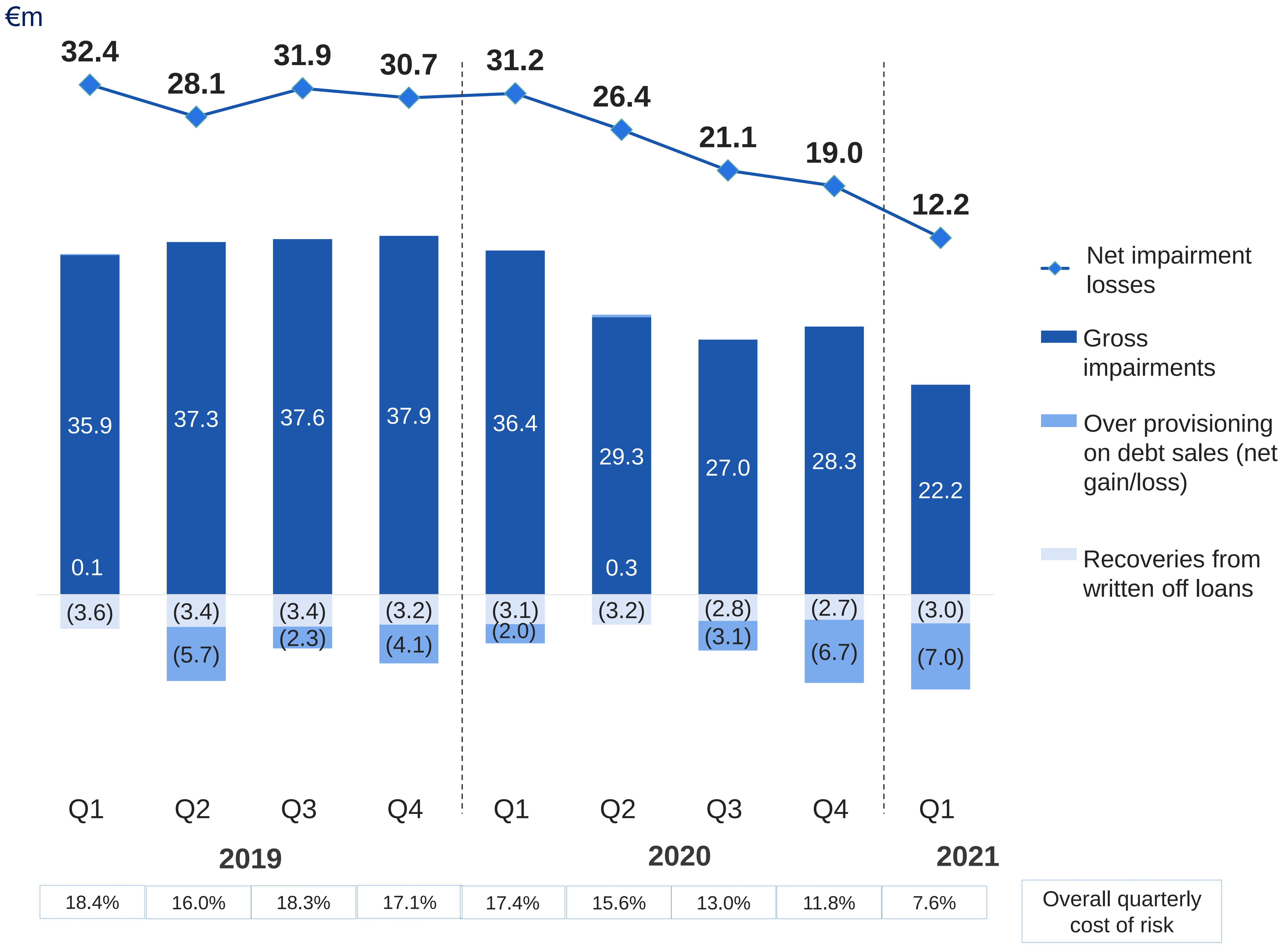
* Introduction of IFRS 9 as of 1-Jan-2018 reduced net receivables by €62 million to €529 million

See appendix for definitions of key metrics and ratios

* Includes TBI bank, BG online and €1.4m of purchased Poland and Lithuania portfolios

Analysis of net impairments and cost of risk

Net impairment charges by quarter [1]



- Reduction in Q1 2021 quarterly net impairment charge driven by:
    - Improvement in asset quality parameters given strong customer repayment dynamics
    - Active forward flow and debt sales market for NPLs
    - Lower portfolio balances in some products
- Quarterly overall cost of risk significantly decreased YoY as a result of improvement in online and increased share of TBI Bank loan receivables in the portfolio
    - Overall cost of risk 7.6% (Q1 2021, including TBI Bank) vs 17.4% (Q1 2020)
    - Online cost of risk in Q1 2021 13.2% vs 29.5% (Q1 2020)
    - Net impairment / interest income 17.5% vs 32.3% (Q1 2020)

Note (1) Q4 2019 and 2020 figures have been adjusted to reflect audited figures

See appendix for definitions of key metrics and ratios

Executing on our “Business summary” from early March

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

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

Operating environment remains challenging ‘now’…

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

…but with upside potential later in the year

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

Solid overall funding and liquidity position

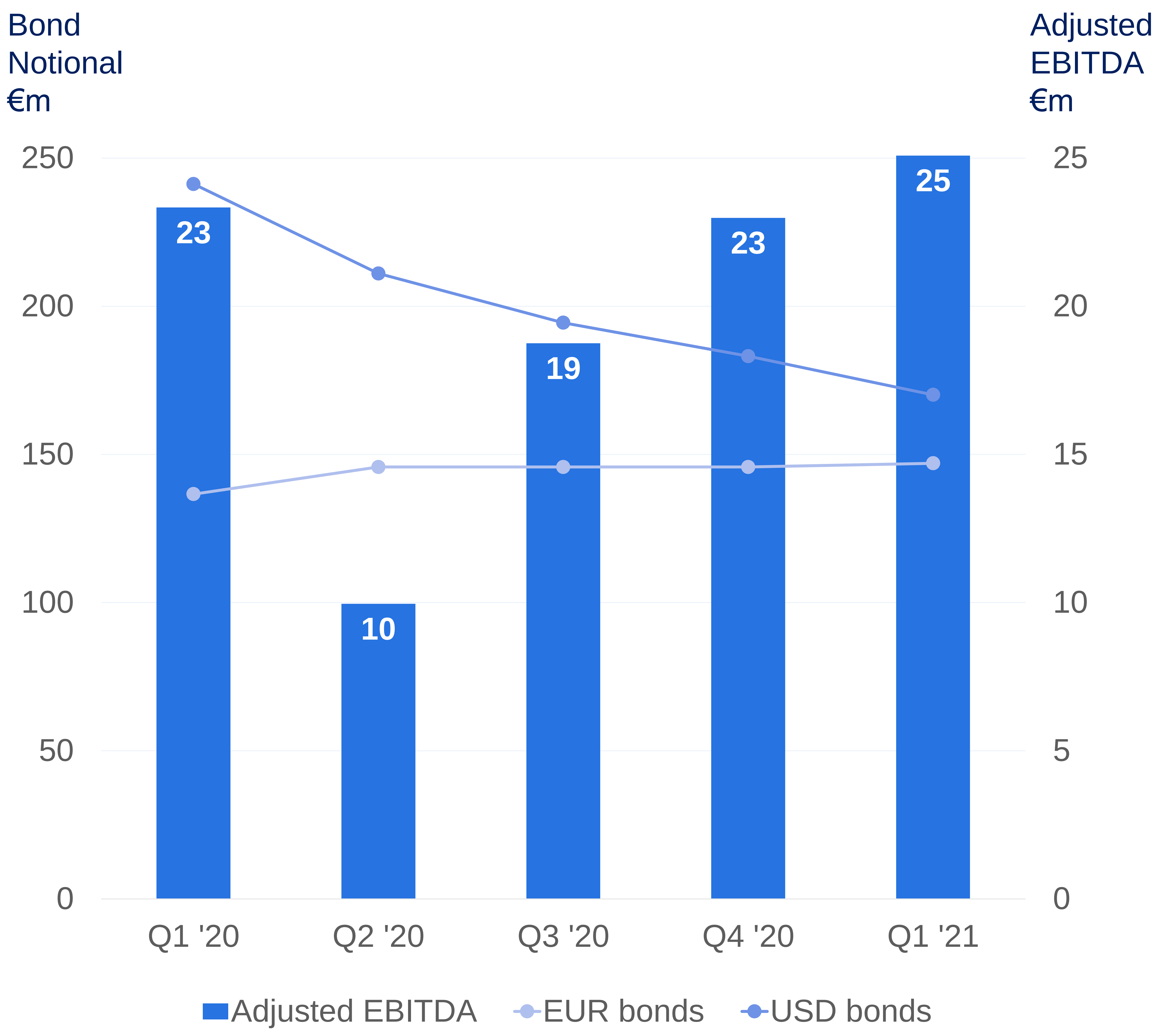
- Continued strong liquidity position in both ‘online’ and TBI Bank
- Sales of near-prime loans from Lithuania to TBI Bank underway
- EUR 15m reserved for dividend from TBI Bank
- Strong track record of working with bondholders to achieve successful refinancings

Slide repeated from Q4 2020 results presentation...

4finance: a strong credit case

- **Improving EBITDA generation:** circa €100m annual 'run-rate'
- **Reduced debt levels:** USD bond notional reduced by over $65m since start of 2020, with efficient use of surplus cash
- **Strong cash management:** optimised run-downs of selected products/markets, focus on cash generation
- **Matching business and funding needs:** online subprime portfolio 'funded by bonds', with near-prime increasingly 'funded by TBI'
- **Dividends from TBI Bank:** €15m reserved, pending regulatory clearance for payments to resume
- **Improved bond prices:** EUR bonds trading at/close to par since amendment, USD bonds at c.90%
- **Relatively low leverage multiples:** net debt to EBITDA c.3x on current 2021 performance, down compared with c.4x at start of 2020 (pre-Covid)

Development of Adjusted EBITDA vs EUR equivalent bond notional outstanding (1)



Note (1) Bond notional in issue minus bonds held in treasury and at TBI Bank. Q1 2021 bond notionals refer to end April 2021

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Thank you and Questions

Appendix – responsible lending and regulatory overview

Sustainability through good governance and responsible lending

Operating as a mainstream consumer finance business

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

Developing meaningful and constructive regulatory relationships

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

Responsible lending: putting customers first

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

Regulatory overview

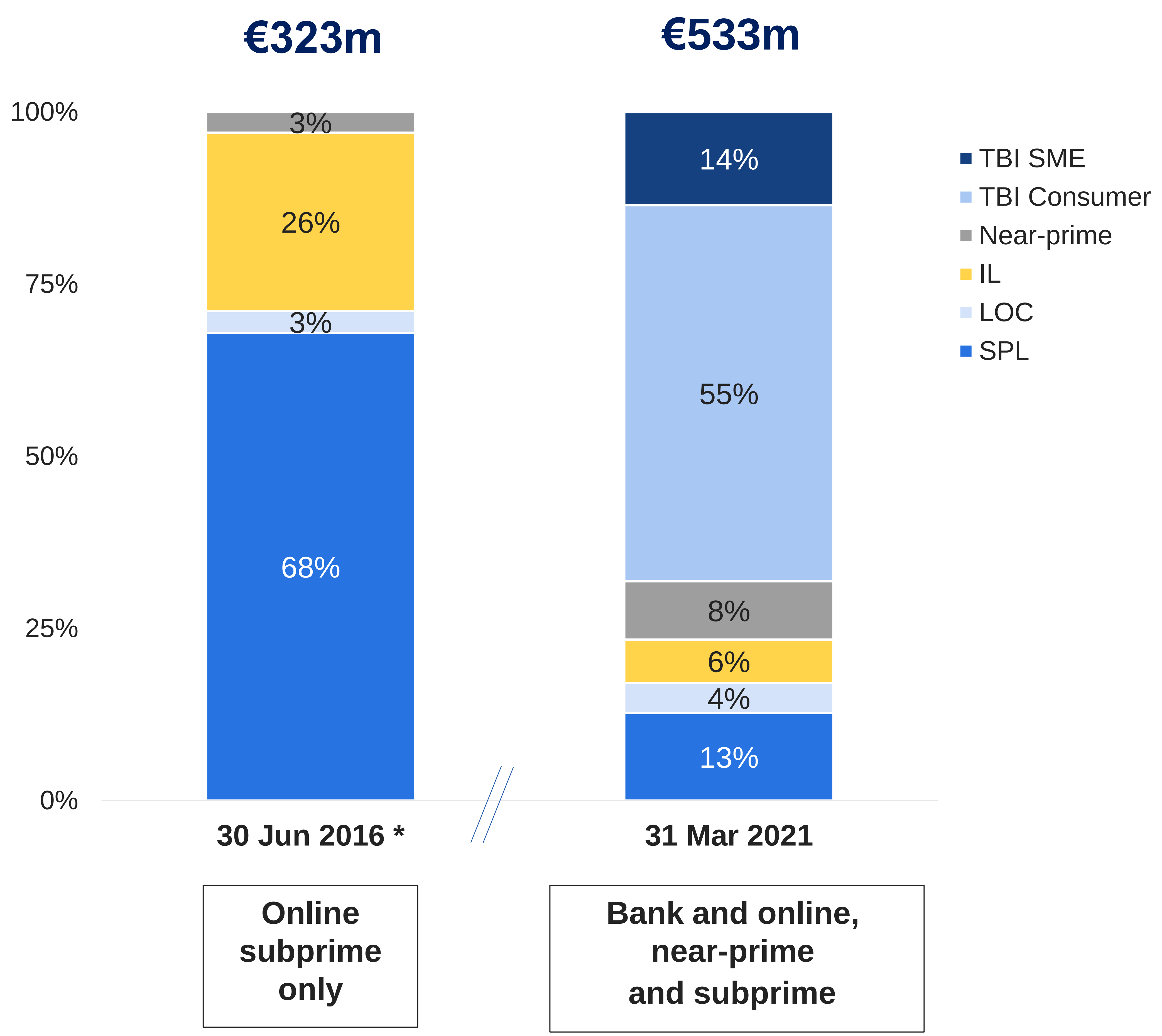
Country	% of interest income (Y2021)	Products [1]	Regulator	CB [2]	License required [3]	Interest rate cap [1]	Status
Bulgaria	17%	SPL (online), IL, LOC, POS, SME	Bulgarian National Bank	Yes	Yes	APR (inc. fees)	Stable framework.
Czech Republic	6%	SPL, IL	Czech National Bank	Yes	Yes	-	Stable framework
Denmark	3%	LOC, IL	FSA and Consumer Ombudsman	Yes	Yes	APR & TCOC	Danish FSA licensing process ongoing. New regulations (35% APR cap, 100% cost of credit cap) since July 2020. Additional creditworthiness checks in 2021
Latvia	7%	MTP, IL	Consumer Rights Protection Centre	-	Yes	Nominal, fees & TCOC	Stable framework since new interest rate caps in July 2019
Lithuania	3%	SPL, IL	Central Bank of Lithuania	Yes	Yes	Nominal, fees & TCOC	Stable framework
Poland	20%	SPL, IL	Office of Competition and Consumer Protection	-	-	Nominal, fees & TCOC	Non-interest cost caps adjusted in April 2020 for one year to 15% fixed and 6% annual with a 45% total limit. Extended until end June 2021
Romania	20%	IL, LOC, POS, SME	National Bank of Romania	Yes	Yes	-	Proposed interest rate cap for >€3k loans was ruled unconstitutional
Spain	21%	SPL, IL	N/A	-	-	-	Lending association code of conduct
Sweden	1%	LOC, IL	Swedish Financial Supervisory Authority	Yes	Yes	Nominal & TCOC	Stable framework since new interest rate caps in September 2018

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

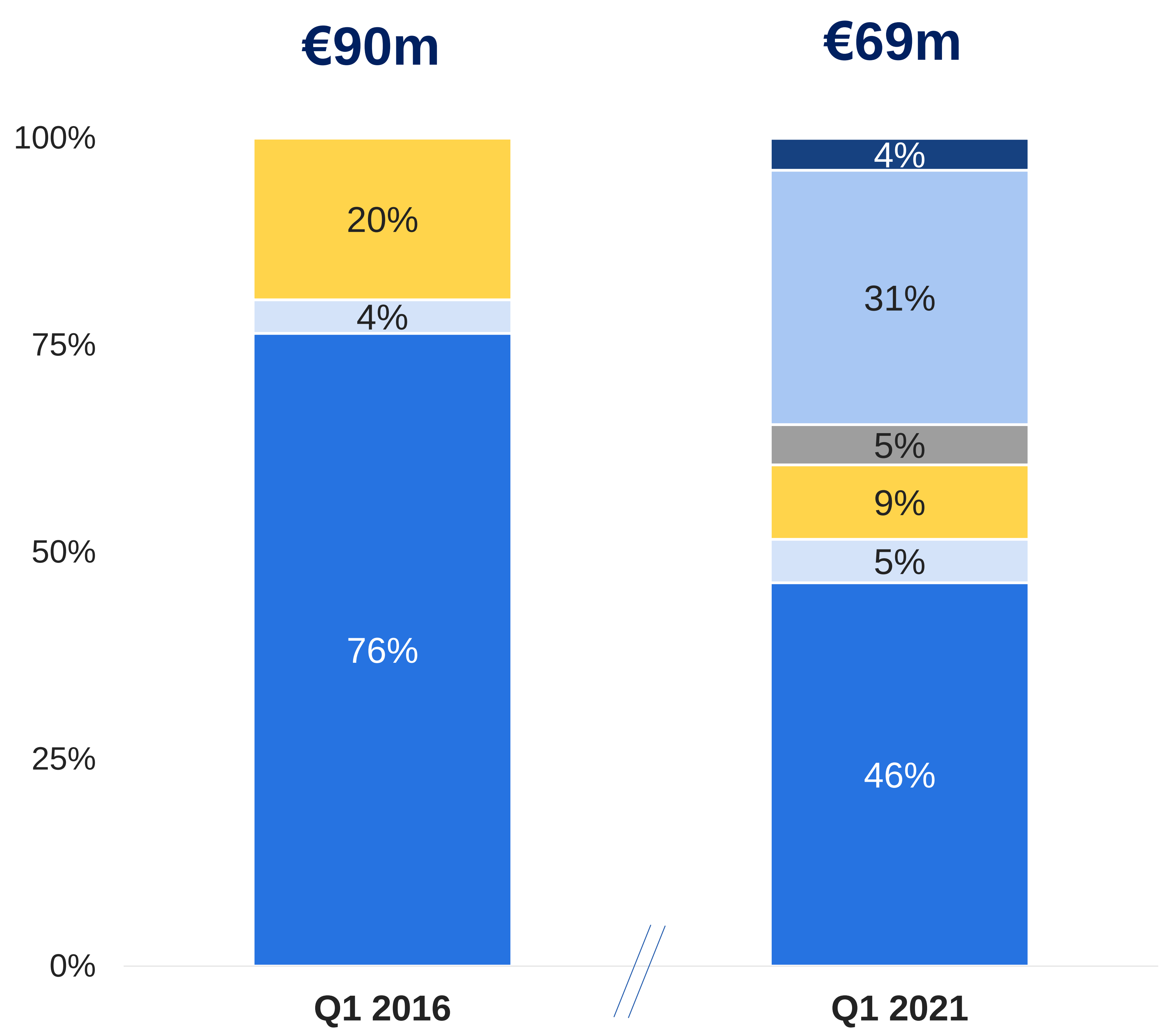
Appendix – strategic evolution of portfolio and funding

Evolution of product mix

Net receivables by product (1)



Interest income by product (1)



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

Note:

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

Funding near-prime growth via TBI Bank

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

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Online acquisition

Initial portfolio development

Early stage customer acquisition and credit metrics monitored and enhanced

Funding Platform

In-house IT funding platform ensuring ongoing automated portfolio transfers

TBIBank

Retail deposit funding

Bringing portfolios to scale

Market specific portfolios grow with ongoing sales to reach scale

Payment of fair market value

True sale of portfolio(s), loan servicing

- **Sales of Polish instalment loans from September 2019 to March 2020**
- **Sales of Lithuanian near-prime loans from February 2021**

Illustrative near-prime "unit economics"(1)

Indicative APRs	20-40%
Cost/Income ratio	c.40%
Cost of Risk	6-8%
Cost of Funds	3-5%
Return on Assets	3-5%(2)

Notes:
(1) Illustrative metrics for near-prime portfolios and not indicative of a specific product or market
(2) Illustrative potential returns in medium-term at scale

Comparison of existing bonds

Characteristic	EUR bonds	USD bonds
Issued / outstanding notional (million)	150 / 150	325 / 209
Interest rate and maturity	11.25%, Feb 2022	10.75%, May 2022
Initial distribution	Reg S	Reg S, 144A
Initial issue context	New issue, first EUR currency bond	Refinancing of USD 2014 bonds via exchange offer
Listing	Frankfurt Prime Standard	Euronext Dublin
Approval required for amendment of terms	75% vote of 50% quorum	90% vote of all outstanding
Exchange traded pricing	Yes	No
Minimum denomination	€1k	$200k
YTD average price and yield (Bloomberg)	97.4%, 14.3%	86.1%, 25.6%
Cumulative coupons and fees paid to participating investors	57% (since May 2016)	78% (since Aug 2014)
Summary: is bond a ‘natural fit’ for company & investor base	**Yes, Yes**	**No, No**

Appendix – financials and key ratios

Income statement

In millions of €	31 March 2021 (unaudited)	31 March 2020 (unaudited)	% change YoY
Interest Income	69.4	96.6	(28)%
Interest Expense	(12.2)	(13.1)	(7)%
Net Interest Income	**57.2**	**83.5**	**(31)%**
Net F&C Income	3.0	2.4	25%
Other operating income	2.4	2.3	6%
Non-Interest Income	**5.4**	**4.7**	**16%**
Operating Income (Revenue)	**62.6**	**88.2**	**(29)%**
Total operating costs	**(36.9)**	**(46.7)**	**(21)%**
Pre-provision operating profit	**25.8**	**41.5**	**(38)%**
Net impairment charges	(12.2)	(31.2)	(61)%
Post-provision operating profit	**13.6**	**10.3**	**32%**
Depreciation and amortisation	(1.8)	(3.2)	(43)%
Non-recurring income/(expense)	0.7	(3.5)	nm
Net FX gain/(loss)	(2.7)	(3.4)	(20)%
Profit before tax	**9.7**	**0.2**	**nm**
Income tax expense	(4.1)	(2.7)	55%
Net profit/(loss) after tax	**5.6**	**(2.5)**	**nm**
Adjusted EBITDA	**25.1**	**23.3**	**8%**

Balance sheet

In millions of €	31 March 2021 (unaudited)	31 December 2020
Cash and cash equivalents, of which:	**196.3**	**154.2**
- Online	96.0	80.5
- TBI Bank	100.3	73.6
Placements with other banks	22.4	10.3
Gross receivables due from customers	634.2	642.5
Allowance for impairment	(101.1)	(116.1)
Net receivables due from customers, of which:	**533.1**	**526.4**
- Principal	516.9	509.1
- Accrued interest	16.2	17.3
Net investments in finance leases	4.1	4.2
Net loans to related parties	59.2	59.3
Property and equipment	16.3	17.1
Financial investments	89.1	81.3
Prepaid expenses	4.1	4.1
Tax assets	19.6	18.7
Deferred tax assets	16.4	18.6
Intangible IT assets	10.3	10.1
Goodwill	15.9	15.9
Other assets	30.7	29.4
Total assets	**1,017.6**	**949.7**
Loans and borrowings	337.1	325.9
Deposits from customers	423.9	383.2
Deposits from banks	26.2	16.0
Corporate income tax payable	3.8	3.1
Other liabilities	71.6	71.5
Total liabilities	**862.7**	**799.7**
Share capital	35.8	35.8
Retained earnings	146.2	146.2
Reserves	(27.1)	(26.4)
Total attributable equity	**154.9**	**155.5**
Non-controlling interests	(0.0)	(0.0)
Total equity	**154.9**	**150.0**
Total shareholders' equity and liabilities	**1,017.6**	**949.7**

Statement of cash flows

In millions of €	3 months to 31 March	
	2021	**2020**
Cash flows from operating activities		
Profit/(loss) before taxes	**9.7**	**0.2**
Adjustments for:		
Depreciation and amortisation	1.8	3.2
Net loss on foreign exchange from borrowings and other monetary items	7.1	13.1
Impairment losses on loans	22.2	36.4
Reversal of provision on debt portfolio sales	(7.0)	(2.0)
Write-off and disposal of intangible and property and equipment assets	0.1	0.1
Interest income from non-customers loans	(2.2)	(1.9)
Interest expense on loans and borrowings and deposits from customers	12.2	13.1
Non-recurring finance (income) / expense	(1.0)	2.7
Other non-cash items, including gain/loss on disposals	0.3	1.4
Profit before adjustments for the effect of changes to current assets and short-term liabilities	43.1	66.3
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(7.1)	(13.7)
(Increase)/decrease in other assets (including TBI statutory reserve, placements & leases)	(17.7)	(0.9)
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	2.2	(3.9)
Operating cash flow before movements in portfolio and deposits	**20.4**	**47.9**
Increase in loans due from customers	(34.3)	(13.2)
Proceeds from sale of portfolio	11.4	7.1
Increase in deposits (customer and bank deposits)	51.4	7.7
Deposit interest payments	(2.1)	(1.5)
Gross cash flows from operating activities	**46.8**	**48.1**
Corporate income tax paid	(1.5)	(0.6)
Net cash flows from operating activities	**45.3**	**47.5**

In millions of € (continued)	3 months to 31 March	
	2021	**2020**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(1.3)	(1.5)
Net cash from Purchase / Sale of financial instruments	(5.7)	3.9
Loans repaid from related parties	-	0.0
Interest received from related parties	2.2	3.1
Disposal of subsidiaries, net of cash disposed	-	(1.3)
(Acquisition)/Disposal of equity investments	-	(1.4)
Acquisition of non-controlling interests	-	(0.4)
Net cash flows used in investing activities	**(4.8)**	**2.5**
Cash flows from financing activities		
Repayment and repurchase of loans and notes	(7.0)	(16.4)
Interest payments	(0.0)	(0.6)
FX hedging margin	6.3	1.4
Payment of lease liabilities	(0.8)	(1.1)
Dividend payments	**-**	-
Net cash flows used in financing activities	**(1.5)**	**(16.7)**
Net increase/(decrease) in cash and cash equivalents	**39.0**	**33.3**
Cash and cash equivalents at the beginning of the period	**120.6**	**98.5**
Effect of exchange rate fluctuations on cash	(0.2)	(0.1)
Cash and cash equivalents at the end of the period	**159.4**	**131.8**
TBI Bank minimum statutory reserve	**37.0**	**24.2**
Total cash on hand and cash at central banks	**196.3**	**156.0**

Key financial ratios

	Q1 2021	Q1 2020
Capitalisation		
Equity / assets	15.2%	16.5%
Tangible common equity / tangible assets	11.5%	10.2%
Equity / net receivables	29.1%	29.6%
Adjusted interest coverage	1.9x	1.8x
TBI Bank consolidated capital adequacy	19.0%	18.8%
Profitability		
Net interest margin:		
- Online	62.5%	76.4%
- TBI Bank	23.8%	24.6%
- Overall group	37.4%	50.0%
Cost / income ratio	58.9%	52.9%
Normalised Profit before tax margin	17.0%	7.3%
Normalised Return on average equity	20.0%	10.8%
Normalised Return on average assets	3.1%	1.8%
Asset quality		
Cost of risk:		
- Online	13.2%	29.5%
- TBI Bank	4.4%	4.7%
- Overall group	7.6%	17.4%
Net impairment / interest income	17.5%	32.3%
Gross NPL ratio:		
- Online	16.7%	28.3%
- TBI Bank	14.0%	16.0%
- Overall group	14.9%	22.2%
Overall group NPL coverage ratio	99.2%	103.5%
Loan loss reserve / gross receivables, %	15.9%	22.9%

See appendix for definitions of key metrics and ratios

Glossary/definitions

- **Adjusted EBITDA** – a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortization) as adjusted by income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS, goodwill write-offs and certain other one-off or non-cash items. Adjusted EBITDA, as presented here, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated. Further details of covenant adjustments can be found in the relevant bond prospectuses, available on our website
- **Adjusted interest coverage** – Adjusted EBITDA / interest expense for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)
- **Cost of risk** – Annualised net impairment loss / average gross receivables (total gross receivables as of the start and end of each period divided by two)
- **Cost / income ratio** – Operating costs / operating income (revenue)
- **Equity / assets ratio** – Total equity / total assets
- **Equity / net receivables** – Total equity / net customer receivables (including accrued interest)
- **Gross NPL ratio** – Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)
- **Gross receivables** – Total amount receivable from customers, including principal and accrued interest, after deduction of deferred income
- **Intangible assets** – consists of deferred tax assets, intangible IT assets and goodwill
- **Interest income** – Interest and similar income generated from our customer loan portfolio
- **Loss given default** – Loss on non-performing receivables (i.e. 1 - recovery rate) based on recoveries during the appropriate time window for the specific product, reduced by costs of collection, discounted at the weighted average effective interest rate
- **Net effective annualised yield** – annualised interest income (excluding penalties) / average net loan principal
- **Net impairment to interest income ratio** – Net impairment losses on loans and receivables / interest income
- **Net interest margin** – Annualised net interest income / average gross loan principal (total gross loan principal as of the start and end of each period divided by two)
- **Net receivables** – Gross receivables (including accrued interest) less impairment provisions
- **Non-performing loans (NPLs)** – Loan principal or receivables (as applicable) that are over 90 days past due (and, for TBI Bank, shown on a customer level basis)
- **Normalised** – Adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets, and for 2018 ratios only, adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects
- **Overall group NPL coverage ratio**– Overall receivables allowance account / non-performing receivables
- **Profit before tax margin** – Profit before tax / interest income
- **Return on Average Assets** – Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)
- **Return on Average Equity** – Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)
- **Return on Average Tangible Equity** – Annualised profit from continuing operations / average tangible equity (tangible equity as of the start and end of each period divided by two)
- **Tangible Equity** – Total equity minus intangible assets
- **TBI Bank Capital adequacy ratio** – (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the Bulgarian National Bank)

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