4 FINANCE

4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE SIX MONTHS ENDING 30 JUNE 2021

Solid H1 2021 performance with net profit of €14.3 million and Adjusted EBITDA of €51.3 million

Asset quality metrics remain at a good level, driven by continued strong customer repayment behaviour

Cancellation of $125 million USD bonds and successful refinancing of EUR bonds adds to strong credit story

27 August 2021. 4finance Holding S.A. (the 'Group' or '4finance'), one of Europe's largest digital consumer lending groups, today announces unaudited consolidated results for the six months ending 30 June 2021 (the 'Period').

Operational Highlights

- Customer repayment dynamics continue to be strong, with fundamental asset quality metrics maintained at a good level across the business.
- Online loan issuance volume of €200.0 million in Q2 2021, up 4% QoQ and up 44% year-on-year. Continued strong performance in Poland and improvements in Spain and Sweden following product and underwriting changes. Market-wide demand for credit improved towards the end of Q2 and into the summer as 'lockdowns' were gradually relaxed in most markets.
- Near-prime portfolio development aligned with ability to fund those loans via TBI Bank. Since March, over EUR 6 million of Lithuanian near-prime loans have been sold to TBI Bank (as of mid-August).
- TBI Bank loan issuance volume during the Period grew by 53% year-on-year to €230.2 million from €150.3 million in the prior year period, with increased issuance in all products.

Financial Highlights

- Interest income of €138.8 million in the Period, down 17% from €167.0 million in the prior year period. Interest income for the second quarter was within 2% of Q2 2020. Interest income from continuing products has grown every quarter since Covid impact in Q2 2020. Overall interest income has been stable at c.€70 million per quarter during that time.
- Despite bringing operating costs down 14% YoY, the cost to income ratio for the Period was 59.1%, vs 57.5% in the prior year period, due to the lower interest income. Costs were reduced reflecting continued cost discipline and focus on operational efficiency.
- Good fundamental asset quality indicators, disciplined lending and an active NPL debt sales market resulted in a significant reduction in net impairment charges (down 58% YoY) and cost of risk (7.4% for the Period vs 16.6% in the prior year period).
- Adjusted EBITDA was €51.3 million for the Period, up 54% year-on-year, with another strong quarterly contribution in Q2. The full interest coverage ratio as of the date of this report is 2.2x.
- Post-provision operating profit for the Period was €27.3 million, benefiting from the 58% year-on-year reduction in net impairment charges, with a profit before tax of €22.4 million.
- Net receivables totaled €567.2 million as of 30 June 2021, up 7.7% year-to-date. During the quarter, TBI Bank grew net receivables another 7% and the online business portfolio returned to growth, up 4% QoQ.
- Improved overall gross NPL ratio at 14.5% as of 30 June 2021 (14.4% for online), compared with 17.0% as of 31 December 2020 (19.2% for online).

Liquidity and funding

- Strong funding position, with €68.8 million of cash in the online business at the end of the Period, even after recent buybacks and coupon payments.
- Robust capital position at TBI Bank (18.9% capital adequacy ratio), enhanced with inaugural Tier 2 issuance in July, with good deposit growth in Q2.
- Successful refinancing of EUR bonds via amendment process with new maturity in February 2025.
- $125 million of May 2022 USD bonds cancelled in June following further buybacks, leaving $200m outstanding. The Group intends to address this maturity by year end. The Group is currently evaluating its financing alternatives, which may include a new bond issue.

Kieran Donnelly, CEO of 4finance, commented:

"We have maintained a sharp focus on execution and efficiency throughout the business as we deliver on the plan we set out in March. Our adjusted EBITDA is up 54% year-on-year, and asset quality remains good, backed by strong repayment behaviour across the portfolio. TBI Bank delivered another record quarter of loan growth, enjoying organic growth across both consumer and SME markets.

"We are encouraged to see increases in online loan issuance towards the end of the quarter continuing into the summer as Covid-19 restrictions were gradually eased. Our Polish business continues to perform very well, and recent changes in products and management in Sweden and Spain are seeing those markets served with a renewed energy."

Contacts

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Conference call

A conference call with management to discuss these results is scheduled for **Wednesday, 1st September at 15:00 UK time**. To register, please visit www.4finance.com/investors.

The conference call will be recorded for transcription and reference purposes. For those participating in the Q&A session, please note that name and institution details provided in the call registration process may appear in the transcript of the conference call that will be made available at www.4finance.com/investors.

About 4finance

Established in 2008, 4finance is one of Europe's largest digital consumer lending groups with operations in 9 countries.

Leveraging a high degree of automation and data-driven insights across all aspects of the business, 4finance has grown rapidly, issuing over €8 billion since inception in single payment loans, instalment loans and lines of credit.

4finance operates a portfolio of market leading brands, through which, as a responsible lender, the firm offers simple, convenient and transparent products to millions of customers who are typically underserved by conventional providers.

4finance has group offices in Riga (Latvia), London and Luxembourg, and currently operates in 9 countries in Europe. The Group also offers deposits, in addition to consumer and SME loans through its TBI Bank subsidiary, an EU licensed institution with operations primarily in Bulgaria and Romania.

Forward looking statements

Certain statements in this document are "forward-looking statements". These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements.

Rounding

Some numerical figures included in this report 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.

Inside information

This announcement contains inside information as stipulated under the Market Abuse Regulation.

Key Financial Ratios

	Six months ending 30 June 2021	Six months ending 30 June 2020	Year Ended 31 December 2020	Year Ended 31 December 2019
Capitalisation				
Net receivables (€m) [(1)]	567.2	502.2	526.4	542.6
Total assets (€m)	991.2	945.1	949.7	972.7
Total equity (€m)	162.7	157.2	150.0	160.8
Equity / assets	16.4%	16.6%	15.8%	16.5%
Tangible common equity / tangible assets [(2)]	12.7%	10.5%	11.6%	10.9%
Equity / net receivables [(3)]	28.7%	31.3%	28.5%	29.6%
Adjusted interest coverage [(4)]	2.2x	1.3x	1.8x	2.4x
TBI Bank consolidated capital adequacy [(5)]	18.9%	20.8%	19.4%	18.9%
Profitability				
Net interest margin: [(6)]				
- Online	62.4 %	65.9 %	60.3 %	81.3 %
- TBI Bank	23.0 %	23.6 %	24.0 %	24.8 %
- Overall group	36.6 %	43.5 %	39.7 %	54.5 %
Cost / income ratio [(7)]	59.1 %	57.5 %	56.9 %	51.3 %
Post-provision operating profit margin [(8)]	19.6 %	3.7 %	7.0 %	15.2 %
Normalised Profit before tax margin [(9)]	17.1 %	(0.5)%	2.2 %	11.4 %
Normalised Return on average equity [(10)]	19.9 %	(7.6)%	(10.1)%	16.1 %
Normalised Return on average assets [(11)]	3.2 %	(1.3)%	(1.7)%	2.6 %
Asset quality				
Cost of risk: [(12)]				
- Online	11.5 %	27.7 %	24.2 %	27.5 %
- TBI Bank	5.2 %	5.8 %	6.1 %	4.6 %
- Overall group	7.4 %	16.6 %	14.2 %	17.1 %
Net impairment / interest income [(13)]	17.5 %	34.5 %	31.7 %	29.0 %
Gross NPL ratio: [(14)]				
- Online	14.4 %	31.6 %	19.2 %	24.9 %
- TBI Bank	14.6 %	17.5 %	15.7 %	16.2 %
- Overall group	14.5 %	24.0 %	17.0 %	20.7 %
Overall group NPL coverage ratio[(15)]	101.8 %	97.0 %	106.0 %	102.0 %
Loan loss reserve / gross receivables, %	14.8 %	23.3 %	18.1 %	21.1 %

Definitions and Notes below. For further definitions please see the appendix. For quarterly asset quality ratios please see page 18.
Normalised ratios are adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets.
(1) Gross receivables (including accrued interest) less impairment provisions
(2) Tangible equity is Total Equity less Intangible Assets. Tangible Assets are Total Assets less Intangible Assets
(3) Total equity / net customer receivables (including accrued interest)
(4) Adjusted EBITDA / interest expense for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)
(5) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the BNB)
(6) Annualised net interest income / average gross loan principal
(7) Operating costs / operating income (revenue)
(8) Post-provision operating profit (which does not include non-recurring items, net FX and D&A) / interest income
(9) Profit before tax / interest income
(10) Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)
(11) Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)
(12) Annualised net impairment charges / average gross receivables (total gross receivables as of the start and end of each period divided by two)
(13) Net impairment charges on loans and receivables / interest income
(14) Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)
(15) Overall receivables allowance account / non-performing receivables

FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated statement of profit or loss for the six months ending 30 June 2021 and 30 June 2020. Additional reference information on the historic quarterly development of our income statement is shown in the appendix. Please note that non-recurring, net FX and D&A items are shown lower down the income statement to better reflect operating results.

	6 months to 30 June		
	2021 (unaudited)	2020 (unaudited)	% change
	(in millions of €)		
Interest Income	138.8	167.0	(17) %
Interest Expense	(24.1)	(25.6)	(6) %
Net Interest Income	**114.6**	**141.4**	**(19)%**
Net F&C Income	6.6	3.9	+69 %
Other operating income	4.9	5.0	(2) %
Non-Interest Income	**11.5**	**8.9**	**+29 %**
Operating Income (Revenue)	**126.2**	**150.4**	**(16)%**
Total operating costs	**(74.6)**	**(86.5)**	**(14)%**
Pre-provision operating profit	**51.6**	**63.9**	**(19)%**
Net impairment charges	(24.3)	(57.7)	(58) %
Post-provision operating profit	**27.3**	**6.2**	**+338 %**
Depreciation and amortisation	(3.6)	(7.0)	(50) %
Non-recurring income/(expense)	0.6	2.6	(78) %
Net FX gain/(loss)	(1.9)	(4.0)	(53) %
Profit/(loss) before tax	**22.4**	**(2.1)**	**nm**
Income tax expense	(8.1)	(7.2)	+12 %
Net profit/(loss) after tax	**14.3**	**(9.4)**	**nm**

Interest income

The table below shows key drivers of interest income, *i.e.* business volumes and interest rates.

	6 months to 30 June		
	2021	2020	% change
Online lending	*(in millions of €, except percentages)*		
Total value of loan principal issued	389.5	353.4	+10 %
Average net receivables, of which:	176.9	231.9	(24)%
- Principal	168.9	212.8	
- Accrued interest	8.0	19.1	
Annualised interest income yield on net portfolio (1)	104 %	116 %	
Interest income from online lending	87.6	123.6	(29)%
Banking operations			
Average net receivables, of which:	369.9	308.6	+20 %
- Principal	360.5	300.6	
- Accrued interest	9.4	8.0	
Annualised interest income yield on net portfolio (1)	28 %	29 %	
Interest income from banking operations (2)	51.2	43.5	+18 %

Notes: (1) Yields are based on interest income divided by average net loan principal only

(2) See appendix for full TBI Bank income statement

Interest income for the Period was €138.8 million, a 17% decrease compared with €167.0 million for the six months ending 30 June 2020. The reduction in interest income from online lending was 29%, reflecting the 24% decrease in the average balance of net receivables and a lower average interest yield. Quarterly interest income from current online markets has however remained stable since Q2 2020.

TBI Bank's loan book has continued to grow, particularly in Romania, with an increase of 20% in average net receivables year-on-year. Its consumer lending (cash lending, point-of-sale lending and credit cards) has average product APRs between 25% and 50% and SME loans with average interest rates of approximately 8-16% p.a.. TBI Bank also generates separate income, which is reported in either the 'net fee and commission' and 'other operating income' lines.

Interest expense

Interest expense for the Period was €24.1 million, a decrease of 6% compared with €25.6 million for the six months ending 30 June 2020. The lower interest expense year-on-year reflects the bond buybacks since the start of last year, partly offset by the growth in deposits at TBI Bank. The one-off gains from bond buybacks at a discount are reflected in the 'non-recurring income/expense' line to show a more consistent 'interest expense' result.

Non-interest income

Non-interest income for the period was €11.5 million, a 29% increase compared with €8.9 million reported for the six months ending 30 June 2020. The net fee and commission income generated by TBI Bank, primarily fees from insurance sales to its customers, was up 69% year-on-year. Other operating income is mainly derived from related party loans.

Total operating costs

Total operating costs reported for the Period were €74.6 million, a 14% decrease compared with €86.5 million reported for the six months ending 30 June 2020. The year-on-year decrease reflects an ongoing focus on cost discipline, the wind-downs of certain products/markets and the Group's response to Covid. Savings in the online business were achieved year-on-year in all cost categories, with the only slight increase in legal and consulting. Overall personnel spend was 14% below that in H1 2020, with growth in TBI and reductions of over 27% in online. IT expenses in the period were 29% lower year-on-year, reflecting optimisation of costs and structure. Marketing spend was flat year-on-year, with continued selective investment in Q2 (up 3% QoQ) to support increasing issuance as economies begin to reopen. Costs in TBI Bank were 10% up year-on-year, in line with its business growth and investment in strategic initiatives.

The table below sets out a breakdown of the Group's total operating costs. Depreciation and amortisation amounts, which include some rental lease amounts per IFRS 16, are shown as a separate line on the income statement.

	6 months to 30 June	
	2021	**2020**
	(in millions of €)	
Personnel costs	39.3	45.6
Marketing and sponsorship	13.4	13.4
IT expenses (including R&D)	5.6	7.9
Legal and consulting	3.9	3.6
Application processing costs	2.0	2.8
Debt collection costs	1.2	2.0
Communication expenses	1.8	2.1
Taxes	1.6	1.9
Bank services	1.5	1.8
Rent and utilities	0.8	1.0
Travel	0.4	0.6
Other	3.1	3.7
Total	**74.6**	**86.5**
- TBI Bank	26.7	24.2
- 4finance 'online' business	47.8	62.2
Total Employees		
- Online	737	1,022
- TBI Bank	1,464	1,389
- Overall group	**2,201**	**2,411**

For the six months of 2021 and 2020, marketing and sponsorship costs accounted for 18% and 16% respectively, and personnel costs accounted for 53% and 53%, respectively, of total operating costs. The cost to income ratio for the Period was 59.1%, an increase from 57.5% for the prior year period, impacted by the reduced income year-on-year. In absolute terms, operating costs in the period have been reduced year-on-year by €11.9 million.

Net impairment charges on loans and receivables

Net impairment charges for the Period were €24.3 million, compared with €57.7 million for the six months ending 30 June 2020. Gross impairment charges reduced significantly vs H1 2020 reflecting better asset quality indicators across the business, the lower portfolio size in the online segment and an increased proportion of near-prime loans in the online portfolio. The external debt sale market has continued its strong recovery, allowing a return to the Group's standard strategy of 'forward flow' and ad hoc debt sales for its non-performing loans. This contributed to strong net gains on portfolio sales in the Period (mainly in Q1) and also lower regular impairments on portfolios where forward flow agreements have been established.

	6 months to 30 June	
	2021	**2020**
	(in millions of €)	
Impairment charges on loans	40.6	65.7
Over provision on debt portfolio (portfolio sale net gains)	(10.3)	(1.7)
Recovery from written-off loans	(5.9)	(6.3)
Net impairment charges	**24.3**	**57.7**

Overall net impairment charges represented 18% of interest income for the Period, a substantial decrease from 35% last year, helping the Group's overall margin profile. The net impairment charges for the online business compared to average online gross receivables, *i.e.* cost of risk, decreased to 12% in the Period from 24% last year.

Non-recurring income/(expense)

For the quarter, the Group had a net non-recurring expense of €0.1 million. This includes approximately €1.2 million of one-off gains due to bond buybacks, and a €1.0 million technical gain from the sale of Friendly Finance (a transfer of FX reserve result from OCI with no net effect on equity). Offsetting these were expenses including €1.6 million in relation to adjustment of income in Denmark for H2 2020 following the mid-year regulatory pricing changes.

Net FX gain/(loss)

Foreign exchange movements resulted in a net loss of €1.9 million for the Period, mainly from PLN and RON depreciation as well as USD appreciation against EUR. In the prior year period there was a net FX loss of €4.0 million.

Profit/(loss) before tax

For the reasons stated above, the Group made a profit before tax for the Period of €22.4 million, compared with a loss of €2.1 million for the six months ending 30 June 2020.

Corporate income tax

The Group's corporate income tax expense was €8.1 million for the Period, compared with €7.2 million for the six months ending 30 June 2020. The following table sets out a breakdown of the Group's corporate income tax.

	6 months to 30 June	
	2021	**2020**
	(in millions of €)	
Current tax	4.2	7.5
Deferred tax	3.9	(0.2)
Total	**8.1**	**7.2**

The higher tax charge in the Period reflects the increase in profit before tax compared to H1 2020.

Profit/(loss) for the period

For the reasons stated above, the profit for the Period was €14.3 million, compared with a loss of €9.4 million for the six months ending 30 June 2020.

Other financial data – EBITDA and Adjusted EBITDA

	Six months ending 30 June 2021	Six months ending 30 June 2020	Year Ended 31 December 2020	Year Ended 31 December 2019
		(in millions of €)		
Profit/(loss) for the period	14.3	(9.4)	(25.0)	28.4
Income tax expense	8.1	7.2	24.6	22.3
Interest expense	24.1	25.6	50.1	56.8
Depreciation and amortisation	3.6	7.0	14.9	16.5
EBITDA	**50.1**	**30.5**	**64.5**	**124.0**
Adjustments	1.2	2.8	10.5	(0.3)
Adjusted EBITDA (1)	**51.3**	**33.3**	**75.0**	**123.7**

	Six months ending 30 June 2021	Six months ending 30 June 2020	Year Ended 31 December 2020	Year Ended 31 December 2019
		(in millions of €)		
Summary breakdown of Adjustments to EBITDA				
Net FX impact	1.9	4.0	5.7	(4.8)
One-off costs and other prescribed adjustments	(0.7)	(1.2)	0.9	3.0
One-off write-down of intangible assets	—	—	3.9	1.5
Total	**1.2**	**2.8**	**10.5**	**(0.3)**

Other financial data – Interest Coverage Ratio

The calculation of the interest coverage ratio for the Group's EUR and USD bonds is shown below. For further details on methodology, please refer to the Q2 2020 results report. The covenants are on an 'incurrence' rather than 'maintenance' basis, so the ratio having been below the 2.0x incurrence threshold in some prior periods only restricted certain specified actions (such as dividend payments or allowed parameters of incurrence of indebtedness).

	As of the date of this report (in millions of €)
Pro-forma last 4 quarters Adjusted EBITDA	92.2
Pro-forma last 4 quarters Fixed Charges	41.6
Bond covenant interest coverage ratio	**2.2x**

Note: (1) Adjusted EBITDA is a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) 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 in this report, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated. Additional limitations prescribed in USD bonds limiting TBI Bank contribution to Adjusted EBITDA not reflected here.

Balance Sheet

The table below sets out the Group's condensed consolidated statement of its financial position.

	30 June 2021	31 December 2020
	(in millions of €)	
Cash and cash equivalents, of which:	**146.5**	**154.2**
- Online	68.8	80.5
- TBI bank	77.7	73.6
Placements with other banks	19.3	10.3
Gross receivables due from customers	665.6	642.5
Allowance for impairment	(98.4)	(116.1)
Net receivables due from customers, of which:	**567.2**	**526.4**
- Principal	549.6	509.1
- Accrued Interest	17.6	17.3
Net investments in finance leases	4.0	4.2
Net loans to related parties	59.2	59.3
Property and equipment	16.8	17.1
Financial investments	86.0	81.3
Prepaid expenses	4.5	4.1
Tax assets	18.0	18.7
Deferred tax assets	14.9	18.6
Intangible IT assets	10.9	10.1
Goodwill	15.9	15.9
Other assets	28.0	29.4
Total assets	**991.2**	**949.7**
Loans and borrowings	309.6	325.9
Deposits from customers	426.1	383.2
Deposits from banks	18.7	16.0
Corporate income tax payable	5.0	3.1
Other liabilities	69.1	71.5
Total liabilities	**828.5**	**799.7**
Share capital	35.8	35.8
Retained earnings	155.0	140.6
Reserves	(28.1)	(26.4)
Total equity	**162.7**	**150.0**
Total shareholders' equity and liabilities	**991.2**	**949.7**

Assets

The Group had total assets of €991.2 million as of 30 June 2021, compared with €949.7 million as of 31 December 2020. The main changes during the Period were increase in net receivables due from customers, financial investments, and placements with other banks at TBI Bank.

Loan portfolio

As of 30 June 2021, the Group's net receivables equaled €567.2 million, compared with €526.4 million as of 31 December 2020, representing an increase of €40.8 million, or 8%, with the majority of growth coming from the bank. TBI Bank contributed €388.1 million of net receivables, including fair value adjustments. Further information on the TBI Bank portfolio is available in the appendix, including its finance leases which are shown as a separate balance sheet line item.

The following section includes a summary of the Group's overall loan portfolio, both online (mainly funded outside of TBI Bank) and banking (funded by TBI Bank). Additional reference information on the historic quarterly development of our online portfolio, split by product, is also shown in the appendix.

Overview of the Group's loan portfolio

The following table sets out the classification of the Group's loan portfolio in terms of performing and non-performing loans (*i.e.* those more than 90 days past due). The 'online' figures in this section as of 30 June 2021 include €5.9 million of net receivables owned by TBI Bank (€2.7 million as of 31 December 2020), *i.e.* the Group's Bulgarian online lending business and Polish & Lithuanian receivables sold to the bank.

	30 June 2021				31 December 2020			
	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount
	(in millions of €, except percentages)				*(in millions of €, except percentages)*			
Online receivables								
Performing	192.7	(17.1)	175.6	85.7 %	193.1	(21.6)	171.5	80.8 %
Non-performing (1)	32.3	(28.8)	3.5	14.4 %	46.0	(42.8)	3.3	19.2 %
Online total	**225.0**	**(45.9)**	**179.1**	**100.0 %**	**239.1**	**(64.4)**	**174.8**	**100.0 %**
TBI Bank receivables								
Performing	376.2	(16.4)	359.8	85.4 %	339.9	(14.8)	325.1	84.3 %
Non-performing (1)	64.4	(36.0)	28.3	14.6 %	63.5	(36.9)	26.6	15.7 %
TBI Bank total	**440.6**	**(52.4)**	**388.1**	**100.0 %**	**403.4**	**(51.7)**	**351.7**	**100.0 %**
Overall receivables								
Performing	568.9	(33.5)	535.4	85.5 %	533.0	(36.4)	496.6	83.0 %
Non-performing (1)	96.7	(64.8)	31.8	14.5 %	109.5	(79.7)	29.8	17.0 %
Overall total	**665.6**	**(98.4)**	**567.2**	**100.0 %**	**642.5**	**(116.1)**	**526.4**	**100.0 %**

Note: (1) Non-performing amounts are over 90 days past due (and, for TBI Bank, shown on a customer level basis)

Online loan portfolio by product

This section presents further detail on the online portfolio and classification by product. The following table shows the Group's performing online gross loan portfolio by product. The Near Prime classification includes the Group's lower APR instalment loan products in Latvia, Lithuania, Spain, Sweden and Denmark.

	30 June 2021		31 December 2020	
	Amount	% of Portfolio	Amount	% of Portfolio
Online performing gross portfolio by product:	*(in millions of €, except percentages)*			
Single Payment Loans	86.0	44.6 %	76.6	39.7 %
Lines of Credit (1)	26.4	13.7 %	24.8	12.9 %
Instalment Loans	35.1	18.2 %	44.4	23.0 %
Near Prime (2)	45.2	23.5 %	47.2	24.5 %
Total online gross performing portfolio	**192.7**	**100.0 %**	**193.1**	**100.0 %**

Notes: (1) Includes Minimum-to-Pay products

(2) Includes the Group's lower APR instalment loan products in Latvia (Vivus), Lithuania (Vivus), Spain (Fintonic), Sweden (Friia) and Denmark (Vivus)

Online non-performing loan portfolio

As of 30 June 2021, the Group's non-performing online portfolio was €32.3 million, a decrease of €13.7 million since 31 December 2020. The gross NPL ratio was 14.4% for online receivables as of 30 June 2021, compared to 19.2% as of 31 December 2020. The NPL ratio reduced significantly in the Period as the result of debt sales and improvement in the asset quality of the portfolio.

The Group accrues interest whilst it is probable it will be received (typically up to 90 DPD for instalment loans). Non-performing accrued interest was €4.3 million, or 13%, of non-performing receivables. Penalties and delay fees are not accrued as receivables and are only recognised as income when payment is received.

The following table sets out an analysis of the Group's online NPL receivables by product.

	30 June 2021	31 December 2020
	(in millions of €, except percentages)	
Non-performing online portfolio by product:		
Single Payment Loans	16.2	19.9
Lines of Credit	4.6	9.8
Instalment Loans	8.5	13.0
Near Prime	3.1	3.3
Total non-performing online portfolio	**32.3**	**46.0**
Allowance for NPL receivables / non-performing receivables	89 %	93 %
Overall receivables allowance / NPL receivables	142 %	140 %
Average Loss Given Default rate	67 %	74 %

Other assets

A breakdown of the Group's other assets is presented in the table below. The 'derivative' and 'FX hedging - funds on margin' lines relate mainly to the Group's EUR/USD, EUR/CZK and EUR/PLN currency hedges, where the balance of margin funds provided to counterparties increased in Q2 2021 back to roughly year end levels.

	30 June 2021	31 December 2020
	(in millions of €)	
FX hedging - funds on margin	12.1	12.3
Derivatives	1.6	2.1
Non-current assets held for sale	2.5	3.9
Receivables from suppliers	3.8	3.3
Investments in associates	2.2	2.1
Security deposits	0.8	0.9
Other non-customer receivables	5.0	4.8
Total	**28.0**	**29.4**

Liabilities

The Group had total liabilities of €828.5 million as of 30 June 2021, compared with €799.7 million as of 31 December 2020, representing an increase of €28.8 million.

Loans and borrowings

As of 30 June 2021, the Group had loans and borrowings of €309.6 million, compared with €325.9 million as of 31 December 2020. The Group's loans and borrowings accounted for 37% of total liabilities as of 30 June 2021 and 41% of total liabilities as of 31 December 2020. The following table sets out the loans and borrowings by type.

In Q2 2021, 4finance S.A. repurchased a further $21.9 million of its USD bonds and €0.9 million of its EUR bonds, and then cancelled $125 million of its USD bonds in June. As of 30 June 2021, $2.4 million of USD bonds and €0.9 million of EUR bonds were held in treasury.

	30 June 2021	31 December 2020
	(in millions of €)	
EUR bonds	145.7	143.9
USD bonds	163.8	181.9
Other	0.1	0.1
Total loans and borrowings (1)	**309.6**	**325.9**

Note: (1) Includes accrued but unpaid interest, net of capitalised issuance costs and Notes owned by the Group

In May 2016, 4finance S.A. issued €100.0 million of 11.25% 5 year notes (the *'EUR bonds'*). The EUR bonds are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further €50.0 million of EUR bonds were issued at par. Following a bondholder vote, in August 2021 the maturity of the EUR bonds was extended to February 2025, with other changes including a call structure that declines to par over time (currently 104%) and interest to become payable quarterly from November 2021 onwards.

In April 2017, 4finance S.A. issued US$325.0 million of 10.75% 5 year notes (the *'USD bonds')* which are listed on the Irish Stock Exchange and will mature in May 2022. An IFRS 9 adjustment as of 1 January 2018 resulted in a €5.2 million decrease to the carrying value from the revaluation at the original effective interest rate of a proportion of US$ 2022 bond carried over from original US$ 2019 bond (to be amortised over remaining life of bond in 'interest expense'). The USD bonds are currently callable at 100%.

Customer deposits

As of 30 June 2021, the Group had total customer deposits of €426.1 million. Banking operations contributed €415.1 million in net deposits at an average all-in cost of approximately 1.6% with the balance from 4spar in Sweden at an average cost of 6.3%. Further details of TBI Bank's deposits are presented in the appendix.

Other liabilities

A breakdown of the Group's other liabilities is presented in the table below.

	30 June 2021	31 December 2020
	(in millions of €, except percentages)	
Accrued expenses	16.3	13.4
FX hedging liability	9.6	10.6
Lease liabilities (IFRS 16)	9.2	9.6
Taxes payable	3.4	7.0
Accounts payable to suppliers	5.0	6.9
Provisions for unused vacations	2.3	2.0
Other liabilities	23.2	22.0
Total	**69.1**	**71.5**

Equity

As of 30 June 2021, the Group's total equity amounted to €162.7 million, compared with €150.0 million as of 31 December 2020, representing an increase of €12.7 million, or 8%. The Group's equity to assets ratio as of 30 June 2021 was 16%.

The equity to net receivables ratio as of 30 June 2021 was 29%, reflecting the Group's strong capitalisation, with good headroom to bond covenants.

Off-balance sheet arrangements

The Group's total off-balance sheet commitments as of 30 June 2021 were €40.9 million. This includes TBI Bank's undrawn lending commitments of €40.6 million and financial guarantees €0.2 million, plus €0.1 million in connection with the Group's online portfolio (LoC product). The Group also enters into currency hedging transactions which may result in additional off-balance sheet assets or liabilities, but are designed to limit overall exposure to currency movements.

Condensed Consolidated Statement of Cash Flows for the Period

	6 months to 30 June	
	2021	2020
Cash flows from operating activities	*(in millions of €)*	
Profit /(loss) before taxes	**22.4**	**(2.1)**
Adjustments for:		
Depreciation and amortisation	3.5	7.0
Net loss on foreign exchange from borrowings and other monetary items	6.4	8.2
Impairment losses on loans	40.6	65.7
Reversal of provision on debt portfolio sales	(10.4)	(1.7)
Write-off and disposal of intangible and property and equipment assets	—	0.2
Interest income from non-customers loans	(4.4)	(4.0)
Interest expense on loans and borrowings and deposits from customers	24.1	25.6
Non-recurring finance (income) / expense	(2.4)	(7.4)
Other non-cash items, including gain/loss on disposals	(0.9)	4.7
Profit before adjustments for the effect of changes to current assets and short-term liabilities	78.9	96.3
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(3.3)	(3.0)
(Increase) in other assets (including TBI statutory reserve, placements & leases)	(14.8)	(3.1)
Increase / (Decrease) in accounts payable to suppliers, contractors and other creditors	0.9	(8.6)
Operating cash flow before movements in portfolio and deposits	**61.7**	**81.7**
Increase in loans due from customers	(91.0)	(3.0)
Proceeds from sale of portfolio	20.7	10.0
Increase in deposits (customer and bank deposits)	46.0	25.0
Deposit interest payments	(3.8)	(2.7)
Gross cash flows from operating activities	**33.6**	**110.9**
Corporate income tax paid	(3.7)	(4.2)
Net cash flows from operating activities	**30.0**	**106.7**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(2.6)	(3.4)
Net cash from Purchase / Sale of financial instruments	(3.5)	(2.5)
Interest received from related parties	4.5	3.6
Disposal of subsidiaries, net of cash disposed	(0.3)	(1.5)
Acquisition of equity investments	—	(1.4)
Acquisition of non-controlling interests	—	(0.4)
Net cash flows used in investing activities	**(2.0)**	**(5.7)**
Cash flows from financing activities		
Loans received and notes issued	—	0.1
Repayment and repurchase of loans and notes	(25.1)	(27.1)
Interest payments	(18.0)	(21.3)
FX hedging margin	2.8	1.0
Payment of lease liabilities	(1.7)	(2.0)
Net cash flows used in financing activities	**(42.1)**	**(49.3)**
Net increase/(decrease) in cash and cash equivalents	**(14.1)**	**51.7**
Cash and cash equivalents at the beginning of the period	**120.6**	**98.5**
Effect of exchange rate fluctuations on cash	—	0.1
Cash and cash equivalents at the end of the period	**106.5**	**150.3**
TBI Bank minimum statutory reserve	**40.0**	**30.2**
Total cash on hand and cash at central banks	**146.5**	**180.5**

Net cash flows from operating activities in the Period were €30.0 million, less than €106.7 million in the same period last year, mainly due to higher levels of net loan issuance. Net cash flows used in investing activities were €2.0 million in the Period, mainly due to purchases of financial instruments at TBI Bank. The Group's cash flows used in financing activities include the repurchases of its bonds and net cash from FX hedging.

TBI Bank Appendix: Income Statement, Balance Sheet and Key Ratios

The Group finalised the purchase of TBI Bank EAD ('TBI Bank'), via the acquisition of TBIF Financial Services B.V., in August 2016. Presented here for illustration and reference are TBI Bank's results for the six months ending 30 June 2021 and six months ending 30 June 2020.

Income statement

The table below sets out the consolidated income statement for TBI Bank, presented on the same basis as the Group's income statement for ease of comparison.

	6 months to 30 June	
	2021	**2020**
	(in millions of €)	
Interest Income	50.3	45.4
Interest Expense	(3.1)	(2.3)
Net Interest Income	**47.3**	**43.2**
Net F&C Income	6.7	4.0
Other operating income	1.3	0.6
Non-Interest Income	**8.0**	**4.6**
Operating Income	**55.2**	**47.8**
Total operating costs	**(27.4)**	**(24.8)**
Pre-provision operating profit	**27.8**	**23.0**
Net impairment charges	(11.0)	(11.0)
Post-provision operating profit	**16.8**	**12.0**
Depreciation and amortisation	(1.0)	(0.8)
Non-recurring income/(expense)	0.4	0.6
Net FX gain/(loss)	(0.5)	(2.0)
Pre-tax profit	**15.6**	**9.8**
Income tax expense	(2.2)	(1.3)
Net profit after tax	**13.5**	**8.4**

Balance sheet

The table below sets out the statement of financial position for TBI Bank. For the purpose of consolidation with the Group's balance sheet, the fair values assessed as part of the Group's updated goodwill calculation under IFRS are used, rather than the book values presented below.

	30 June 2021	31 December 2020
	(in millions of €)	
Cash and cash equivalents	82.0	75.3
Placements with other banks	19.3	10.3
Gross receivables due from customers	449.1	405.9
Allowance for impairment	(53.8)	(52.6)
Net receivables due from customers	**395.3**	**353.3**
Net investments in finance leases	4.6	4.9
Property and equipment	11.1	10.6
Financial assets	85.2	80.8
Tax assets	2.2	2.0
Prepaid expenses	1.9	1.4
Intangible assets	7.2	6.6
Other assets	8.7	10.5
Total assets	**617.6**	**555.6**
Loans and borrowings	0.0	0.0
Deposits from customers	421.0	374.9
Deposits from banks	18.7	16.0
Other liabilities	27.8	29.2
Total liabilities	**468.4**	**420.1**
Share capital	41.7	41.7
Retained earnings	106.4	92.5
Reserves	1.2	1.2
Total equity	**149.3**	**135.4**
Total shareholders' equity and liabilities	**617.6**	**555.6**

Financial assets include mainly government and other bonds held by TBI Bank for liquidity purposes.

Loan portfolio

Below are TBI Bank's receivables, including accrued interest, split by consumer and SME customers.

Gross receivables by type	30 June 2021	31 December 2020	% Change
	(in millions of €)		
Consumer	364.1	333.8	9 %
SME (including financial leases)	89.8	77.3	16 %
Total gross receivables	**453.9**	**411.1**	**10 %**
Provisions	(53.9)	(53.0)	2 %
Total net receivables	**400.0**	**358.1**	**12 %**

As of 30 June 2021, consumer loans made up 80% of TBI Bank's gross loans, slightly down from 81% as of 31 December 2020. Of the overall net loan portfolio, 64% comes from Romania and 35% from Bulgaria, with the remainder from purchased online portfolios (Lithuania & Poland).

The non-performing receivables ratios for the Period by loan type are shown below.

	Consumer	SME (incl. leases)	Overall
Non-performing receivables to gross receivables ratio	13.8 %	20.6 %	15.2 %
Provision coverage [(1)]	96.4 %	28.6 %	77.8 %

Note: (1) In addition to provisions, the SME receivables are backed by collateral with average loan-to-value of c.50%.

Customer deposits

TBI Bank's customer deposits and current accounts by client and type are shown below.

	30 June 2021	31 December 2020	% Change
	(in millions of €)		
Customer accounts of consumers	383.6	341.4	12 %
- Current accounts	39.7	33.1	20 %
- Term deposits	343.9	308.3	12 %
Customer accounts of SMEs	37.4	33.4	12 %
- Current accounts	21.4	17.9	19 %
- Term deposits	16.1	15.5	3 %

TBI Bank increased deposits and liquidity again in Q2 2021 to support business growth. The average interest rate paid on term deposits varies by type and currency, ranging from 0.05% to 4.2%. Deposit costs (excluding the state deposit guarantee fund annual charge) were 1.4% for the Period.

Capital and liquidity ratios

TBI Bank continues to have a strong capital and liquidity position. The table below shows TBI Bank's statutory capital and liquidity ratios as of 30 June 2021. These capital ratios reflect the adoption of some of the FY 2020 audited net profit into capital in Q2, combined with strong loan portfolio growth in the quarter. The Bulgarian National Bank's minimum capital adequacy ratio requirement applicable for TBI Bank is 14.75%.

	Standalone	Consolidated
Common equity Tier 1 ratio	19.1 %	18.9 %
Capital adequacy ratio	19.1 %	18.9 %
Liquidity ratio	31.9 %	
Liquidity coverage ratio	289.3 %	355.4 %

HISTORIC QUARTERLY RESULTS APPENDIX

For ease of reference, a summary income statement by quarter is presented below.

Income statement

(in millions of €)	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Interest Income	**106.9**	**105.7**	**104.8**	**96.6**	**70.4**	**70.3**	**70.6**	**69.4**	**69.3**
Interest Expense	(15.0)	(14.2)	(13.0)	(13.1)	(12.5)	(12.3)	(12.2)	(12.2)	(11.9)
Net Interest Income	**91.9**	**91.5**	**91.9**	**83.5**	**57.9**	**58.0**	**58.4**	**57.2**	**57.4**
Net F&C Income	1.9	2.4	2.8	2.4	1.5	2.7	2.3	3.0	3.7
Other operating income	2.2	2.1	2.3	2.3	2.7	2.9	2.5	2.4	2.5
Non-Interest Income	**4.0**	**4.5**	**5.2**	**4.7**	**4.2**	**5.6**	**4.8**	**5.4**	**6.1**
Operating Income	**95.9**	**96.0**	**97.0**	**88.2**	**62.2**	**63.6**	**63.2**	**62.6**	**63.5**
Total operating costs	**(50.3)**	**(48.1)**	**(49.4)**	**(46.7)**	**(39.8)**	**(36.5)**	**(34.7)**	**(36.9)**	**(37.7)**
Pre-provision operating profit	**45.6**	**48.0**	**47.6**	**41.5**	**22.4**	**27.0**	**28.5**	**25.8**	**25.8**
Net impairment charges	(28.1)	(31.9)	(30.5)	(31.2)	(26.4)	(21.1)	(19.0)	(12.2)	(12.2)
Post-provision operating profit	**17.5**	**16.1**	**17.1**	**10.3**	**(4.0)**	**6.0**	**9.5**	**13.6**	**13.7**
Depreciation and amortisation	(3.9)	(4.5)	(4.9)	(3.2)	(3.8)	(3.8)	(4.1)	(1.8)	(1.7)
Non-recurring income/(expense)	0.3	0.2	(0.8)	(3.5)	6.1	1.8	(2.1)	0.7	(0.1)
Net FX	1.5	(0.4)	2.0	(3.4)	(0.6)	(2.9)	1.1	(2.7)	0.9
One-off adj. of intangible assets	(0.2)	(0.1)	(1.1)	—	—	(0.6)	(3.2)	—	—
Pre-tax profit	**15.2**	**11.3**	**12.3**	**0.2**	**(2.4)**	**0.5**	**1.2**	**9.7**	**12.7**
Income tax expense	(5.8)	(5.4)	(4.9)	(2.7)	(4.6)	(6.6)	(10.8)	(4.1)	(4.0)
Net profit after tax	**9.4**	**5.8**	**7.4**	**(2.5)**	**(6.9)**	**(6.1)**	**(9.5)**	**5.6**	**8.7**
EBITDA	**34.0**	**30.0**	**30.2**	**16.5**	**14.0**	**16.5**	**17.5**	**23.7**	**26.4**
Adjusted EBITDA	**33.1**	**31.2**	**30.0**	**23.3**	**10.0**	**18.8**	**23.0**	**25.1**	**26.2**

Loan issuance
(in millions of €)

Total value of online loans issued	**263.2**	**253.9**	**238.5**	**214.4**	**139.2**	**184.7**	**190.4**	**189.6**	**200.0**
Single Payment Loans [(1)]	169.8	170.9	162.3	148.3	92.2	138.3	150.3	152.9	162.7
Instalment Loans	35.1	23.4	21.2	16.7	8.2	16.7	13.7	12.2	13.5
Near-prime Loans	9.9	12.3	8.4	11.2	10.7	13.2	11.7	10.4	9.1
Lines of Credit	48.5	47.4	46.6	38.2	28.1	16.6	14.8	14.1	14.7
Total value of TBI Bank loans issued	**78.0**	**87.2**	**103.3**	**77.1**	**73.1**	**94.8**	**104.7**	**109.6**	**120.6**
SME	13.4	15.6	13.4	8.7	6.3	14.4	15.3	19.2	18.9
Consumer	64.6	71.5	89.8	68.4	66.8	80.4	89.4	90.4	101.7

Notes: (1) Reflects reclassification of 'Vivus' brand products in Denmark, Sweden and Armenia, and (from Q1 2019 onwards) the 'SMS Credit' and 'Ondo' products in Latvia to Lines of Credit. Also includes vivus.bg online business in Bulgaria.

Loan portfolio (receivables, including accrued interest)

(in millions of €)	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Single payment loans [1]								
- Performing	114.4	113.3	100.8	71.4	76.4	76.6	79.1	86.0
- NPL [2]	42.6	37.8	44.1	40.5	19.4	19.9	15.7	16.2
- Total gross receivables	**157.0**	**151.1**	**145.0**	**111.9**	**95.8**	**96.6**	**94.8**	**102.2**
- Provisions	(54.1)	(49.8)	(55.6)	(46.1)	(26.8)	(28.7)	(25.0)	(25.5)
- Net receivables	**102.9**	**101.3**	**89.3**	**65.9**	**69.0**	**67.8**	**69.8**	**76.6**
- Gross NPL ratio	27.1 %	25.0 %	30.4 %	36.2 %	20.3 %	20.6 %	16.6 %	15.8 %
Instalment loans								
- Performing	110.9	95.5	77.2	59.8	53.7	44.4	35.0	35.1
- NPL [2]	33.2	39.2	36.9	35.6	27.6	13.0	11.2	8.6
- Total gross receivables	**144.1**	**134.7**	**114.1**	**95.3**	**81.3**	**57.4**	**46.2**	**43.7**
- Provisions	(43.5)	(44.4)	(41.0)	(36.0)	(29.5)	(18.6)	(13.5)	(10.1)
- Net receivables	**100.6**	**90.3**	**73.1**	**59.4**	**51.8**	**38.9**	**32.7**	**33.6**
- Gross NPL ratio	23.0 %	29.1 %	32.3 %	37.3 %	33.9 %	22.7 %	24.2 %	19.7 %
Lines of Credit [3]								
- Performing	44.6	45.0	42.2	37.3	29.5	24.8	24.0	26.4
- NPL [2]	12.2	14.7	15.3	14.2	13.0	9.8	7.2	4.6
- Total gross receivables	**56.8**	**59.6**	**57.5**	**51.5**	**42.5**	**34.6**	**31.2**	**30.9**
- Provisions	(14.1)	(15.9)	(16.7)	(15.1)	(14.7)	(11.1)	(7.7)	(4.8)
- Net receivables	**42.7**	**43.7**	**40.8**	**36.4**	**27.8**	**23.5**	**23.5**	**26.2**
- Gross NPL ratio	21.5 %	24.6 %	26.6 %	27.6 %	30.6 %	28.2 %	23.0 %	14.7 %
Near Prime loans								
- Performing	30.8	31.7	35.1	39.0	43.0	47.2	49.0	45.2
- NPL [2]	2.0	3.0	4.4	5.7	5.5	3.3	3.3	2.9
- Total gross receivables	**32.8**	**34.7**	**39.4**	**44.7**	**48.5**	**50.5**	**52.4**	**48.2**
- Provisions	(3.1)	(4.6)	(5.3)	(7.9)	(8.3)	(6.0)	(6.4)	(5.6)
- Net receivables	**29.7**	**30.1**	**34.1**	**36.8**	**40.2**	**44.5**	**46.0**	**42.6**
- Gross NPL ratio	6.1 %	8.6 %	11.1 %	12.8 %	11.3 %	6.5 %	6.4 %	6.1 %
Total Online receivables								
- Performing	300.7	285.5	255.3	207.4	202.6	193.1	187.1	192.7
- NPL [2]	90.0	94.6	100.6	96.0	65.5	46.0	37.4	32.3
- Total gross receivables	**390.6**	**380.1**	**355.9**	**303.5**	**268.0**	**239.1**	**224.6**	**225.0**
- Provisions	(114.7)	(114.7)	(118.7)	(105.0)	(79.2)	(64.4)	(52.6)	(45.9)
- Net receivables	**275.9**	**265.4**	**237.3**	**198.5**	**188.8**	**174.8**	**172.0**	**179.1**
- Gross NPL ratio	23.0 %	24.9 %	28.3 %	31.6 %	24.4 %	19.2 %	16.7 %	14.4 %
TBI Bank								
- Performing	274.8	296.4	292.7	290.0	313.2	339.9	352.5	376.2
- NPL [2]	53.5	57.1	55.6	61.3	62.4	63.5	57.2	64.4
- Total gross receivables	**328.3**	**353.5**	**348.2**	**351.3**	**375.6**	**403.4**	**409.7**	**440.6**
- Provisions	(41.4)	(40.1)	(42.9)	(47.6)	(49.3)	(51.7)	(48.5)	(52.4)
- Net receivables	**286.9**	**313.5**	**305.3**	**303.7**	**326.3**	**351.7**	**361.1**	**388.1**
- Gross NPL ratio	16.3 %	16.2 %	16.0 %	17.5 %	16.6 %	15.7 %	14.0 %	14.6 %

Notes: (1) Single Payment Loan portfolio shown in this table reflects the reclassification of 'Vivus' products in Sweden, Denmark and Armenia, and (from Q1 2019 onwards) the 'SMS Credit' and 'Ondo' products in Latvia to Lines of Credit. Also includes vivus.bg online business in Bulgaria.

(2) Non-performing amounts that are over 90 days past due (and, for TBI, shown on a customer level basis)

(3) Includes Point of Sale Loans

DEFINITIONS

Active customers – Online lending customers with open loans that are up to 30 days past due

Adjusted EBITDA – a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) 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 www.4finance.com

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 charges / average gross receivables (total gross receivables as of the start and end of each period divided by two)

Cost/income ratio – Operating costs / operating income

Equity/assets ratio – Total equity / total assets

Equity/net receivables – Total equity / net customer receivables (including accrued interest)

Gross NPL ratio – Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)

Gross receivables – Total amount receivable from customers, including principal and accrued interest, after deduction of deferred income

Intangible assets – consists of deferred tax assets, intangible IT assets and goodwill

Interest income – Interest and similar income generated from our customer loan portfolio

Loss given default – Loss on non-performing receivables (*i.e.* 1 - recovery rate) based on recoveries during the appropriate time window for the specific product, reduced by costs of collection, discounted at the weighted average effective interest rate

Net effective annualised yield – annualised interest income (excluding penalties) / average net loan principal

Net impairment to interest income ratio – Net impairment charges on loans and receivables / interest income

Net interest margin – Annualised net interest income / average gross loan principal (total gross loan principal as of the start and end of each period divided by two)

Net receivables – Gross receivables (including accrued interest) less impairment provisions

Non-performing loans (NPLs) – Loan principal or receivables (as applicable) that are over 90 days past due

Normalised – Adjusted to remove the effect of 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 provision coverage – Allowance account for provisions / non-performing receivables

Profit before tax margin – Profit before tax / interest income

Return on average assets – Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)

Return on average equity – Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)

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)

RECENT DEVELOPMENTS

Recent developments include significant and material information about the Group's development and any changes since its last quarterly report that was published on 18 May 2021.

Acquisitions and disposals

The sale of Group's Slovakian business, Friendly Finance Slovakia, was concluded in May. The remainder of the Friendly Finance group of companies, all non-operational, were sold to 4finance Group SA in June.

The planned merger of the Group's entities in Latvia was completed in July. This brings all the Group's loan portfolios in Latvia into the surviving AS 4finance entity, which is a guarantor of the Group's bonds.

Supervisory Board

During September 2021, Dmitry Kislyakov will be appointed to the Supervisory Board of 4finance Group SA. Dmitry has 25 years of experience in finance and is the CFO of online lending firm Digital Finance International. Dmitry replaces Evgeny Sytnik, who will step down from the board in September.

Redomicile of holding company

The Group is progressing the planned redomicile of its holding company from Luxembourg to the United Kingdom, including filing for regulatory approvals and the technical changes approved in the recent amendment of its EUR bonds. The process is currently expected to complete towards the end of the fourth quarter.

Regulatory changes

In Denmark: the Group continues to seek constructive engagement with the Consumer Ombudsman and other local authorities regarding its post-regulation products, however the timing and process for this is unclear. Separately, the Danish FSA's review of the Group's licensing application is ongoing.

Financing

Following further market repurchases of bonds, in June the Group cancelled $125 million of its USD bonds that were previously held in treasury. This represents over a third of the original issue, leaving $200 million of USD bonds outstanding. As of the date of this report, the Group holds in treasury $2.4 million of its USD bonds and €0.9 million of its EUR bonds.

In June, the Group began the formal process to amend the terms and conditions of its EUR bonds including extension of the maturity of the EUR bonds by 3 years to February 2025. A bondholder vote was successfully passed in July and the new terms and conditions came into formal effect as of 23 August 2021.

The Group's USD bonds are due in May 2022 and the Group intends to address this maturity by year end. The Group is currently evaluating its financing alternatives, which may include a new bond issue.

In July, TBI Bank completed an inaugural Tier 2 capital subordinated debt issue of €10 million in 10 year (non-call 5) bonds with a coupon of 5.25%. The bonds have been registered for trading on the Bulgarian Stock Exchange.

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