FINANCE

4finance Holding SA

Investor presentation for six month 2021 results

1 September 2021

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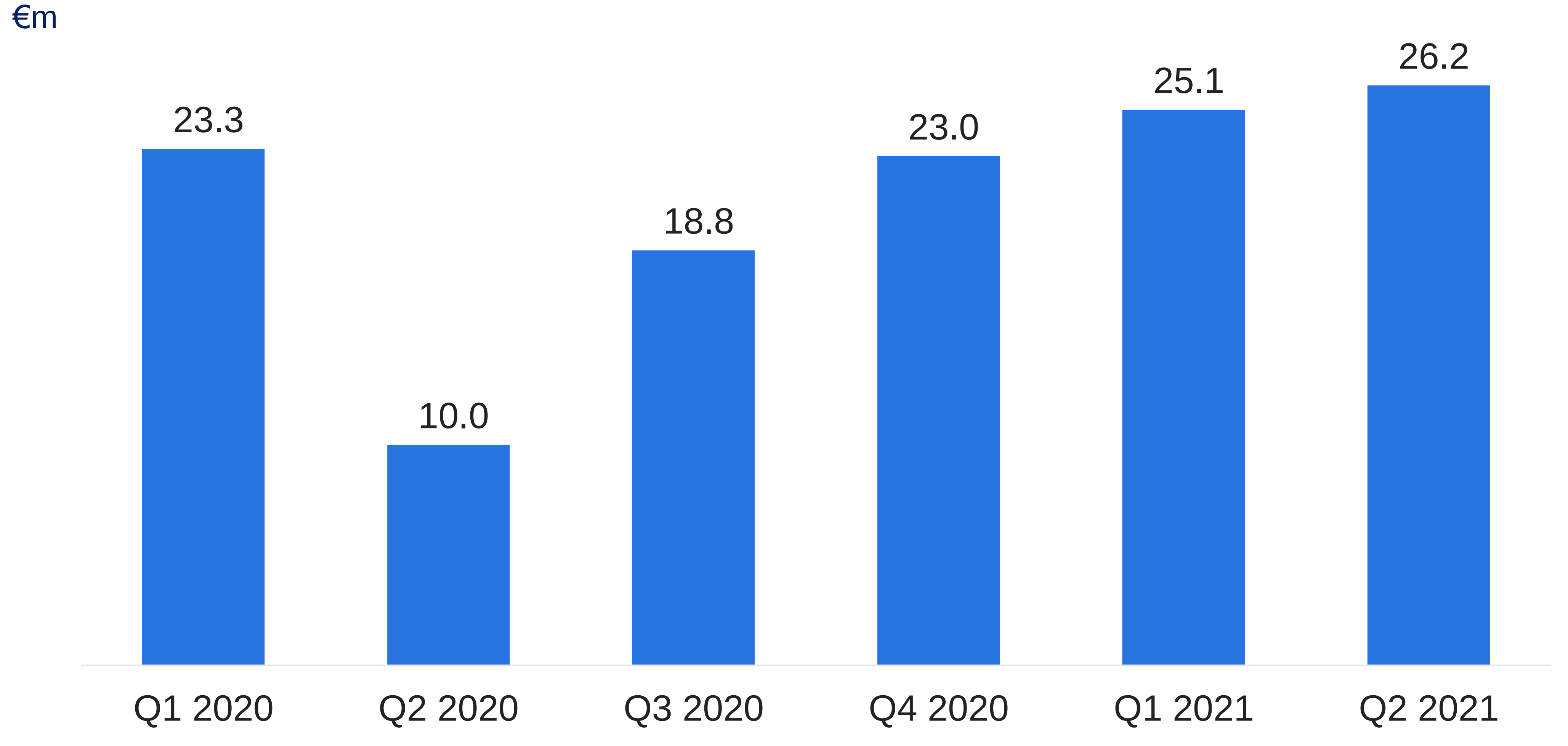
Summary of six month 2021 results

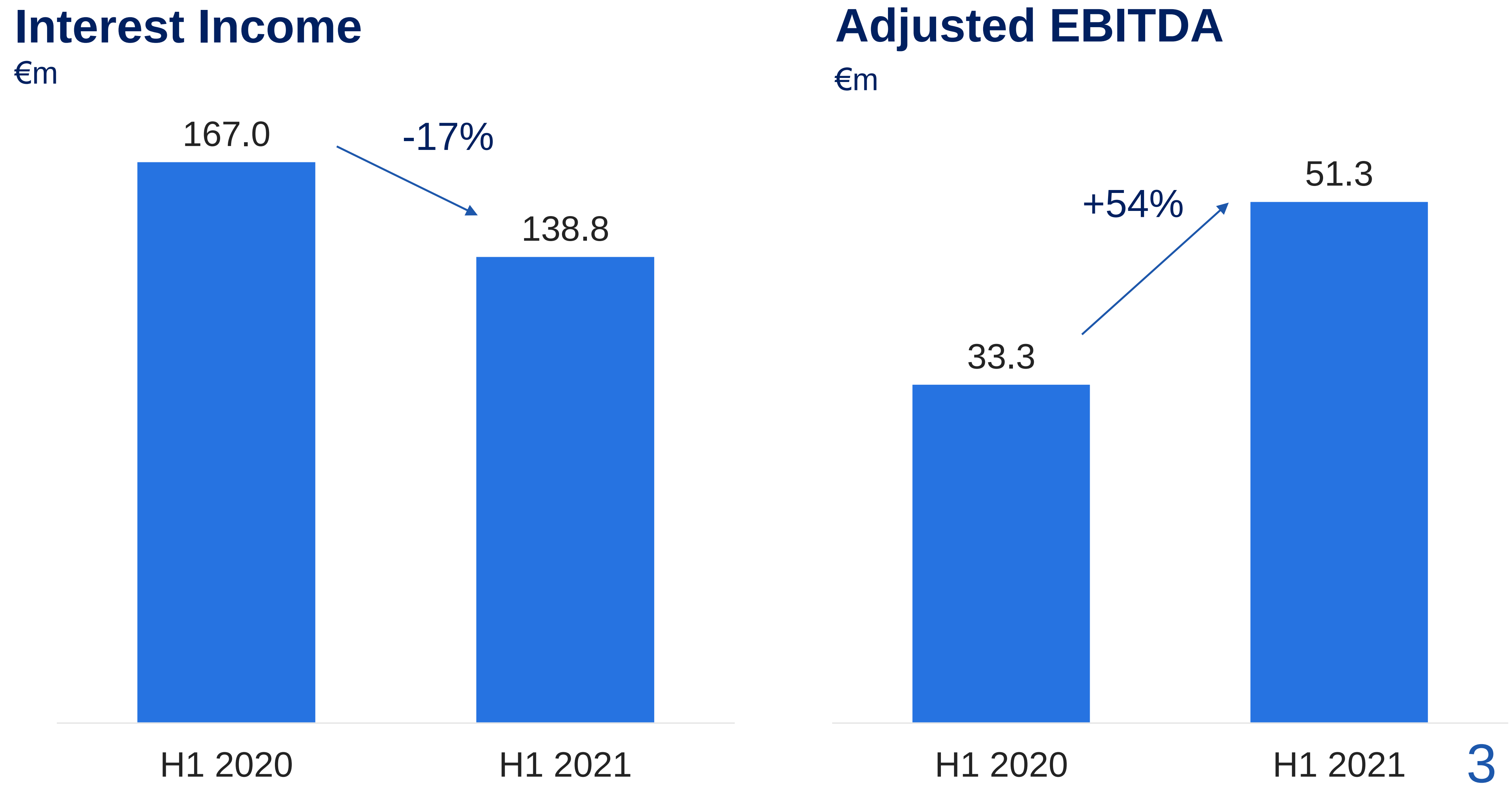
- €26m quarterly Adjusted EBITDA driven by good risk performance and cost discipline
  - Q2 Adjusted EBITDA up €16.0m vs Q2 2020 despite flat interest income, highlighting the successful rebound of the business
  - Stable quarterly impairment charge from Q1, significantly lower than prior year both in absolute terms and cost of risk
  - Over €14m (23%) reduction vs prior year in online cost base
- Interest income for Q2 of €69m, stable overall for past 5 quarters
  - Growth in income from continuing products since Q2 2020
  - Continued steady growth in TBI Bank
  - YoY impact of new regulatory pricing regime in Denmark
- Robust cash position, even after deleveraging with bond buybacks
  - $31m nominal value of USD bonds repurchased in 2021 with $125m nominal of USD bonds cancelled in June
  - Current “online” cash levels remain strong at about €75m
  - Automated sales of near-prime loans from Lithuania to TBI have reached €7m
- Improved risk performance, with improved customer repayment trends and debt sales reducing NPL ratio significantly
  - Overall gross NPL ratio of 14.5% vs 14.9% as of Mar 2021
  - Online gross NPL ratio at 14.4% vs 16.7% as of Mar 2021
  - Net impairment/interest income at 17.5% for H1 2021 (vs 34.5% in H1 2020)
  - Cost of risk at 7.4% for H1 2021 (vs 16.6% in H1 2020)

See appendix for definitions of key metrics and ratios

Adjusted EBITDA by quarter since 2020



Year-on-year comparison

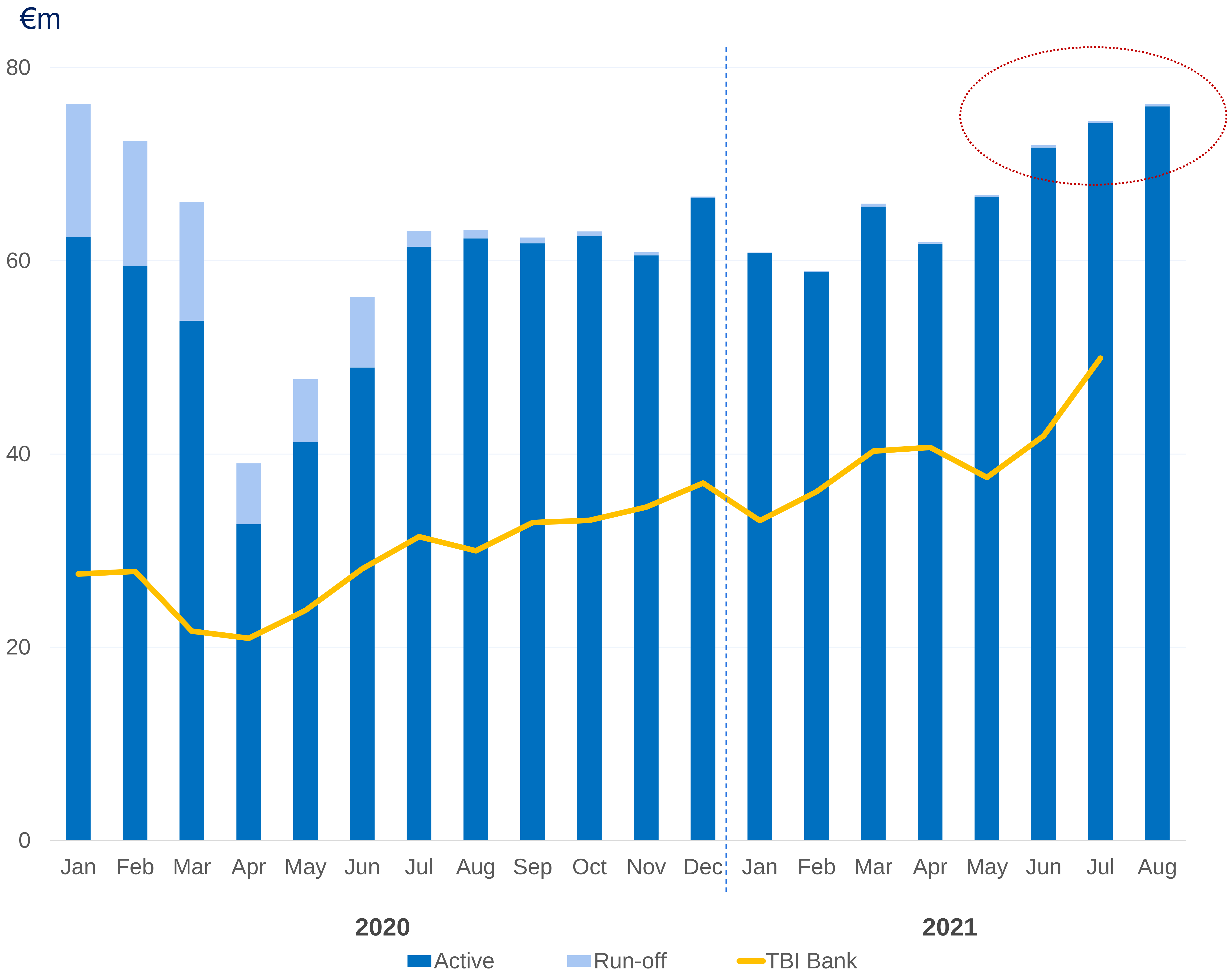


Operational progress

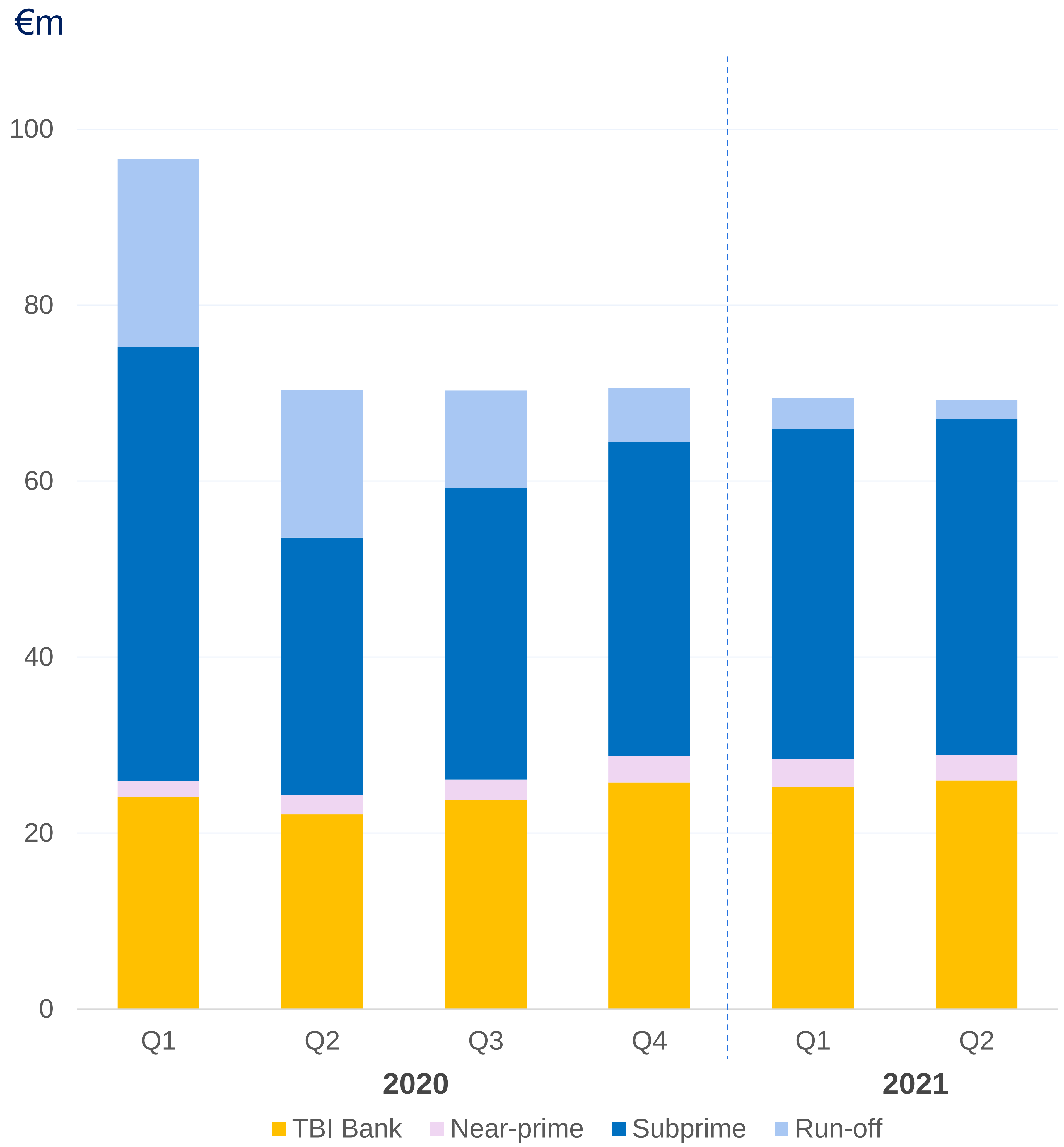
- **Focus and execution in core online markets:** loan issuance increased as economies re-opened from June onwards
- **Continued to see strong customer repayment behaviour:** risk metrics stable despite increased volumes
- **Re-energised markets:** improvements in Spain and Sweden; greater flexibility in Poland from non-interest cost cap reset in July
- **Focus on efficiency delivering results:** leaner HQ team, simplified internal corporate structure
- **Ongoing automated sales of Lithuanian near-prime loans to TBI:** €7m already sold since March, with c.€2m/month planned
- **Record quarterly loan issuance in TBI:** strong organic business growth across consumer and SME products
- **Strategic initiatives at TBI:** TiBuy marketplace in development, inaugural €10m Tier 2 issue and analysing Greek market
- **Potential Philippines acquisition:** diligence underway for online lender in attractive market, aiming to purchase by year end
- **EUR bond refinancing completed:** well positioned to complete refinancing of USD 200m bonds by year end

Loan issuance and interest income

Monthly loan issuance (1)



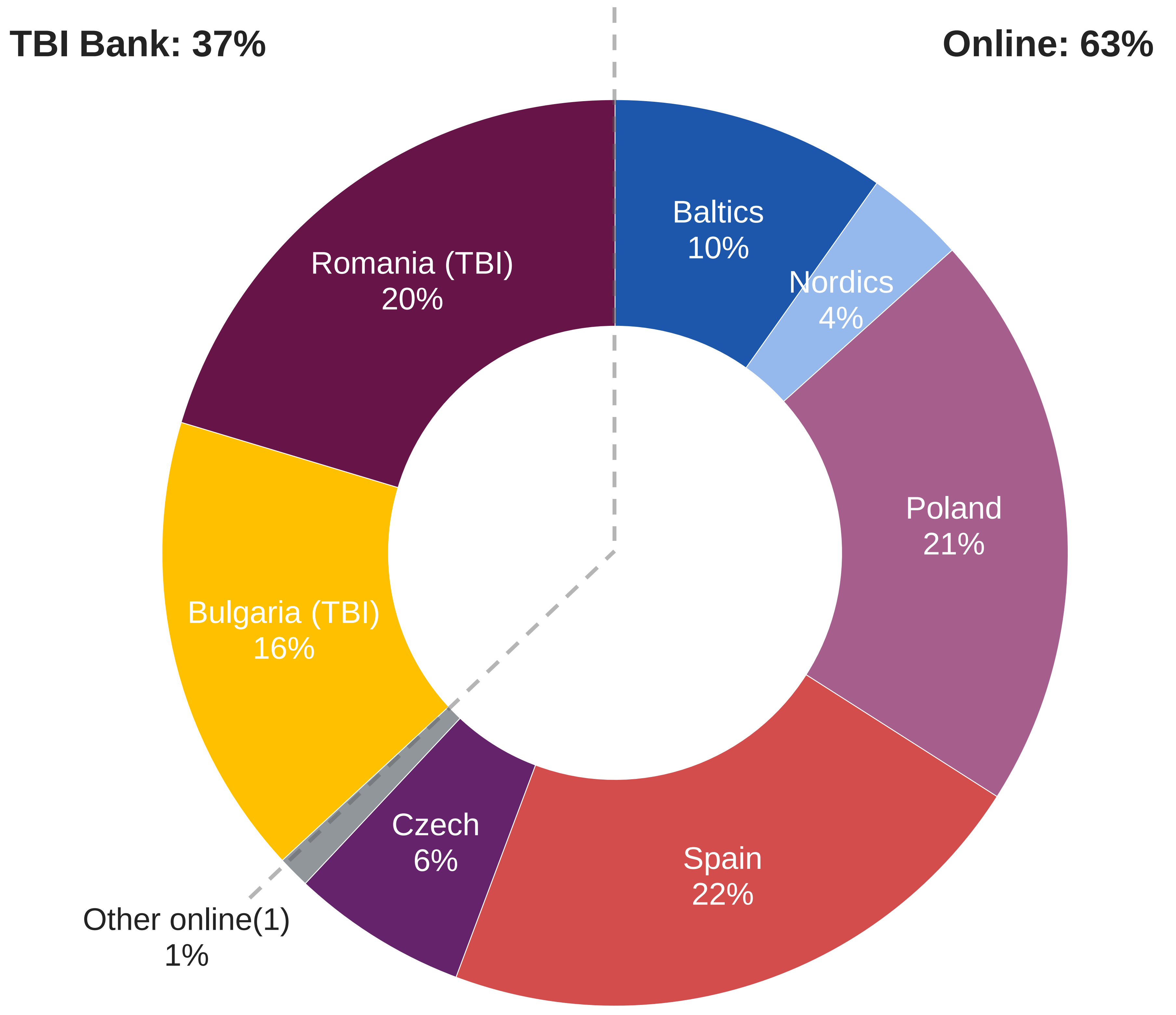
Quarterly interest income



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

Interest income remains diversified

H1 2021 interest income by country



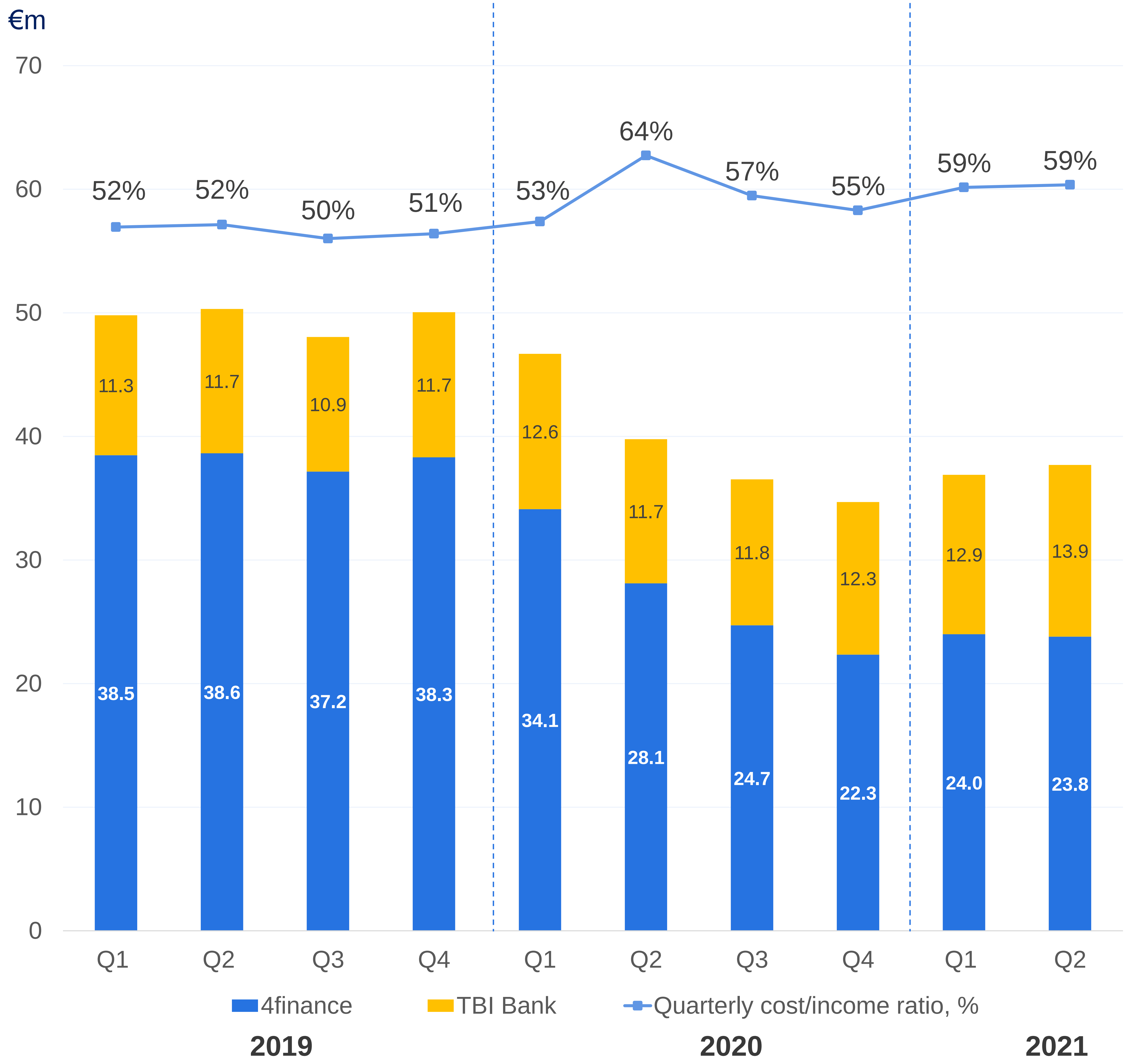
Note (1): Other online represents Armenia, Argentina and Slovakia

- 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
  - Investing for growth at TBI Bank, including TiBuy
  - Reviewing potential for full Philippines acquisition

Operating cost drivers

- Operating costs down €14.4m YoY in online business, a 23% reduction, with TBI Bank costs up in line with business growth
  - Significant YoY reduction in online business staff costs of €8.3m
  - Cost savings YoY in online business across most Opex categories, reflecting lower volume related direct costs and a disciplined approach to overheads and indirect costs
- Online cost base adapted to current business needs, and able to support future growth in online business
  - Structurally lower HQ costs (staff numbers, overheads, management and corporate structure)
  - Focus on efficient exit of wind-down markets
  - Ongoing IT efficiencies and automation leading to €2.4m savings YoY
  - Firmwide focus on operational efficiency as an ongoing mindset
- Investment in strategic growth initiatives at TBI Bank planned for 2021

Total operating costs (1)



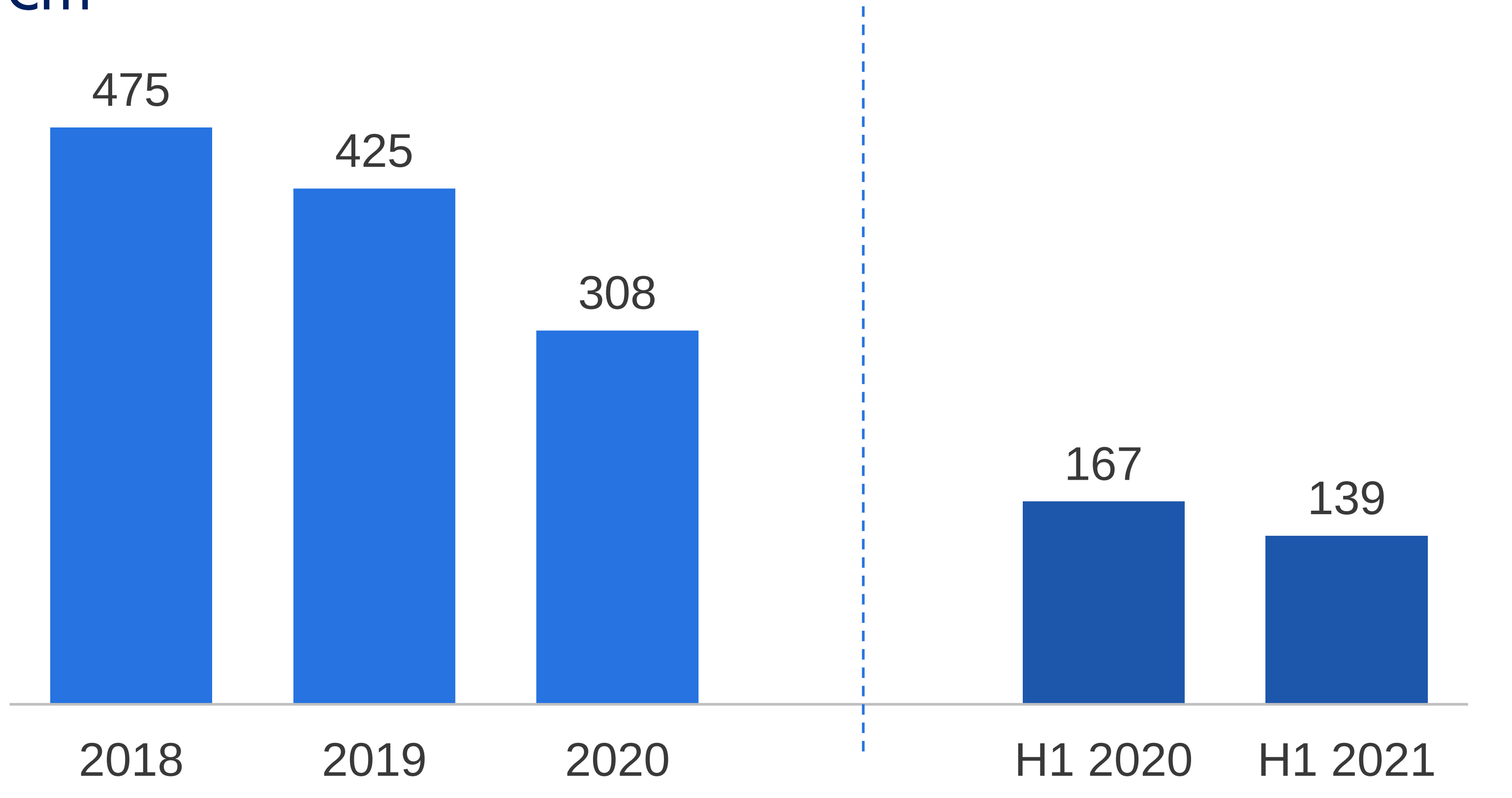
Note (1): Q4 costs for 2019 & 2020 have been adjusted to reflect respective year's audited figures

See appendix for definitions of key metrics and ratios

Resilient financial track record

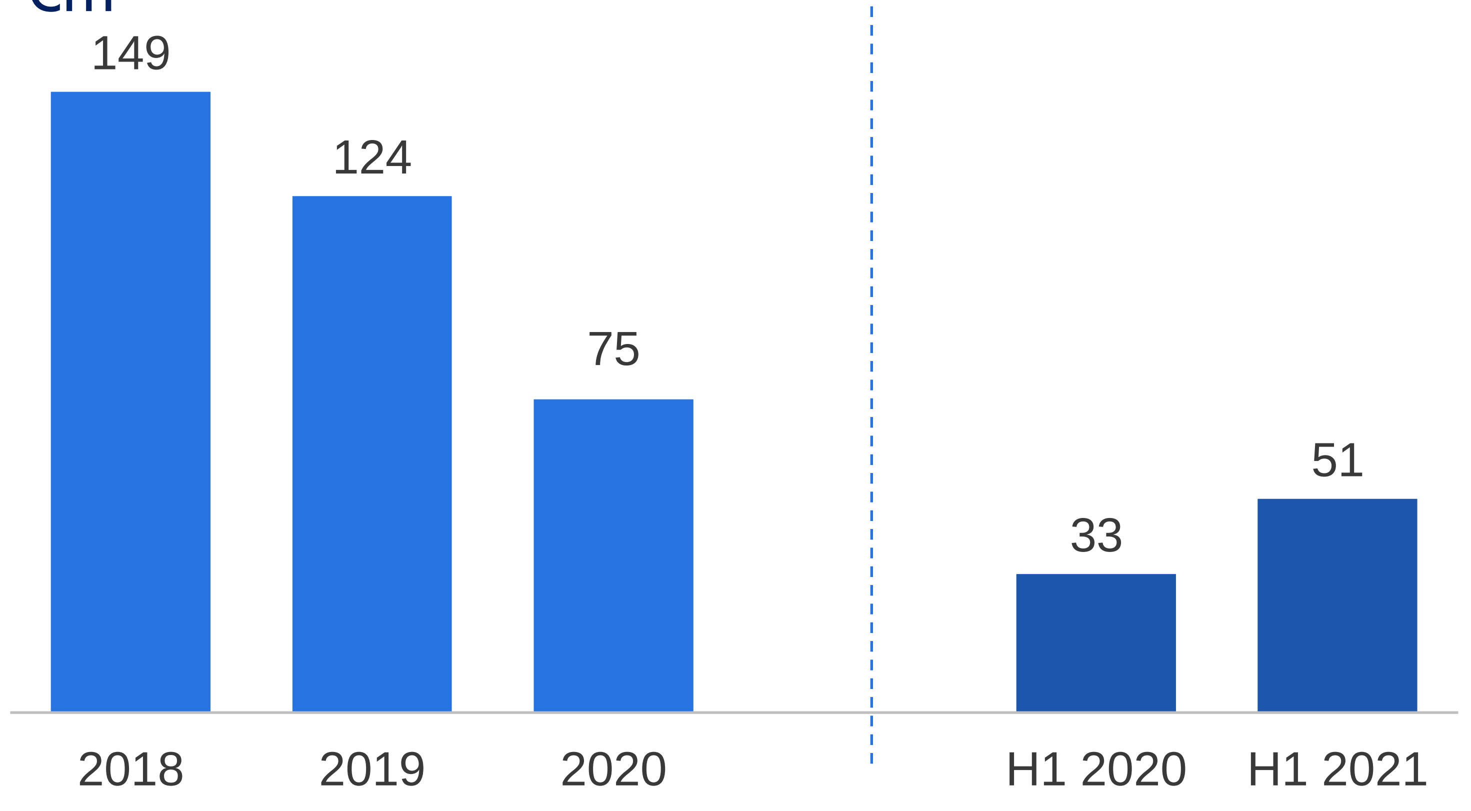
Interest income

€m



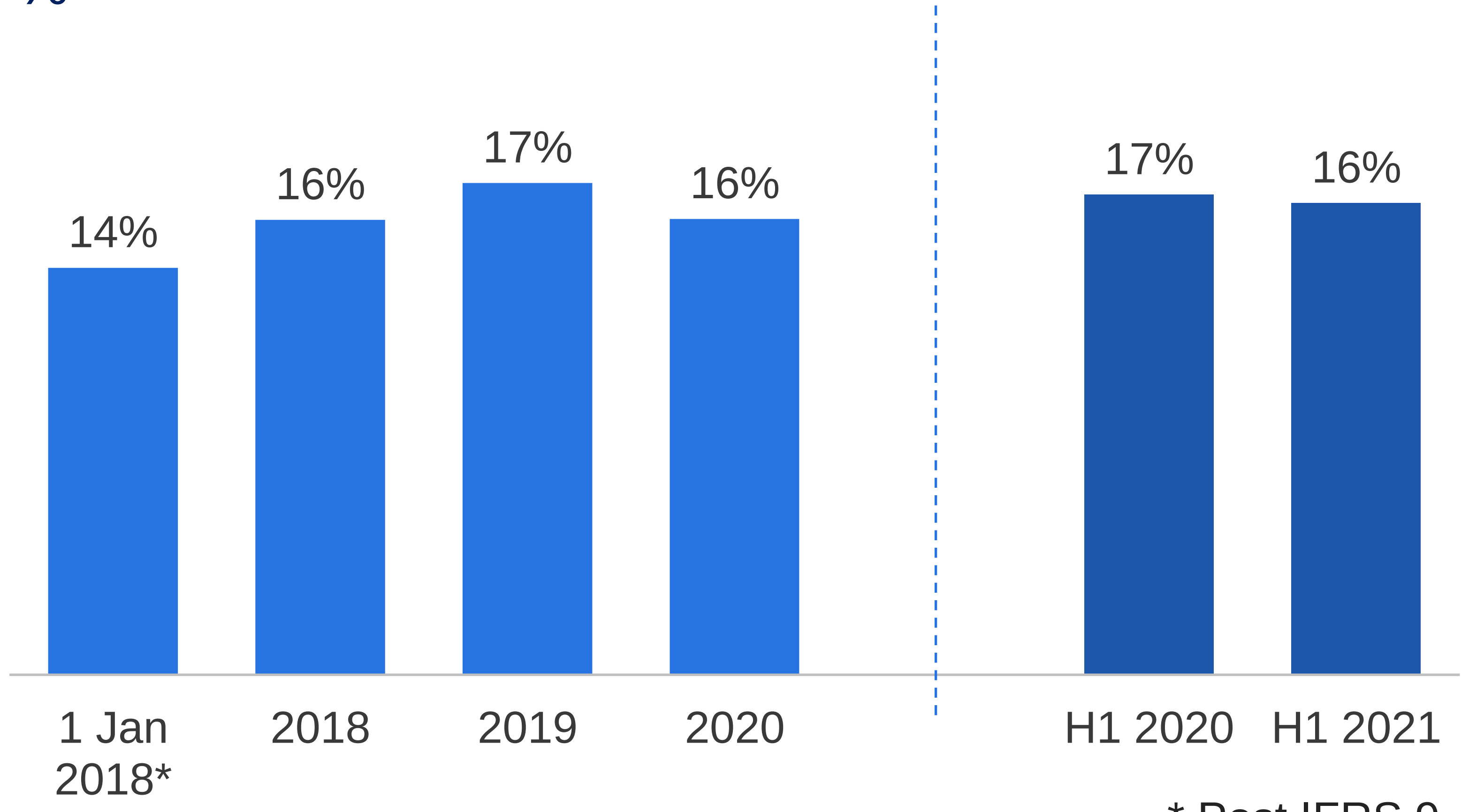
Adjusted EBITDA

€m



Equity / assets ratio

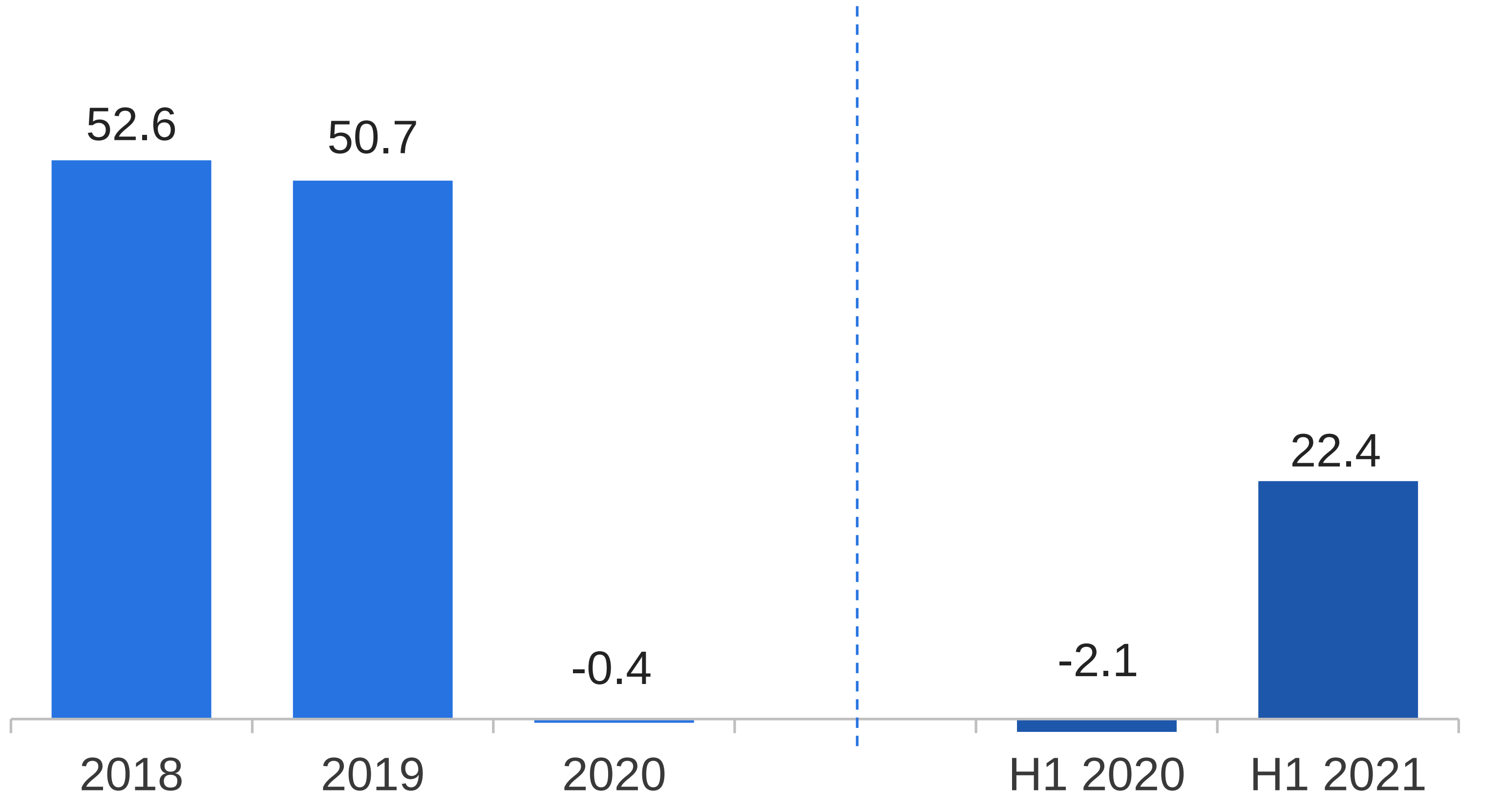
%



* Post IFRS 9

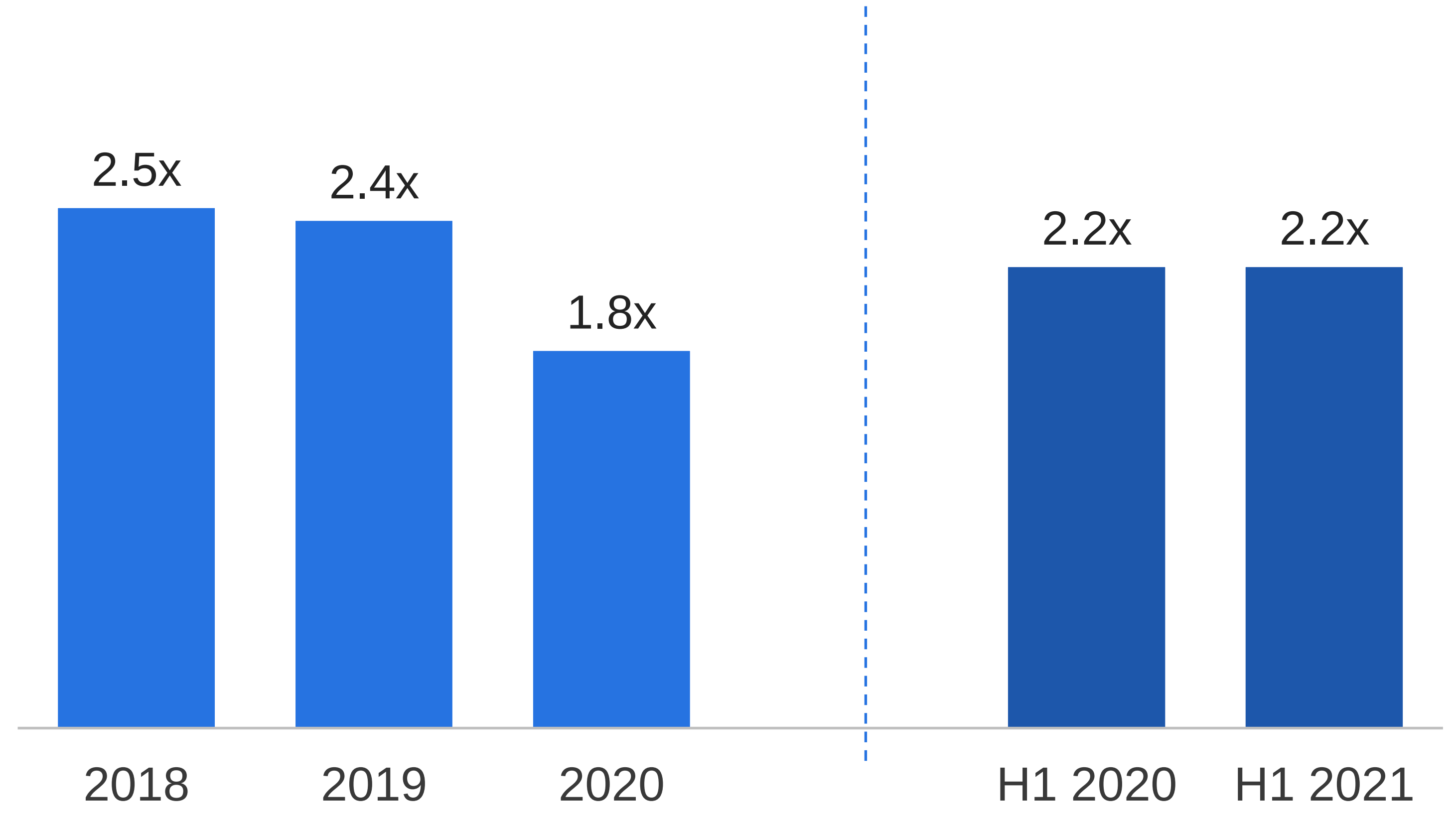
Profit before tax

€m



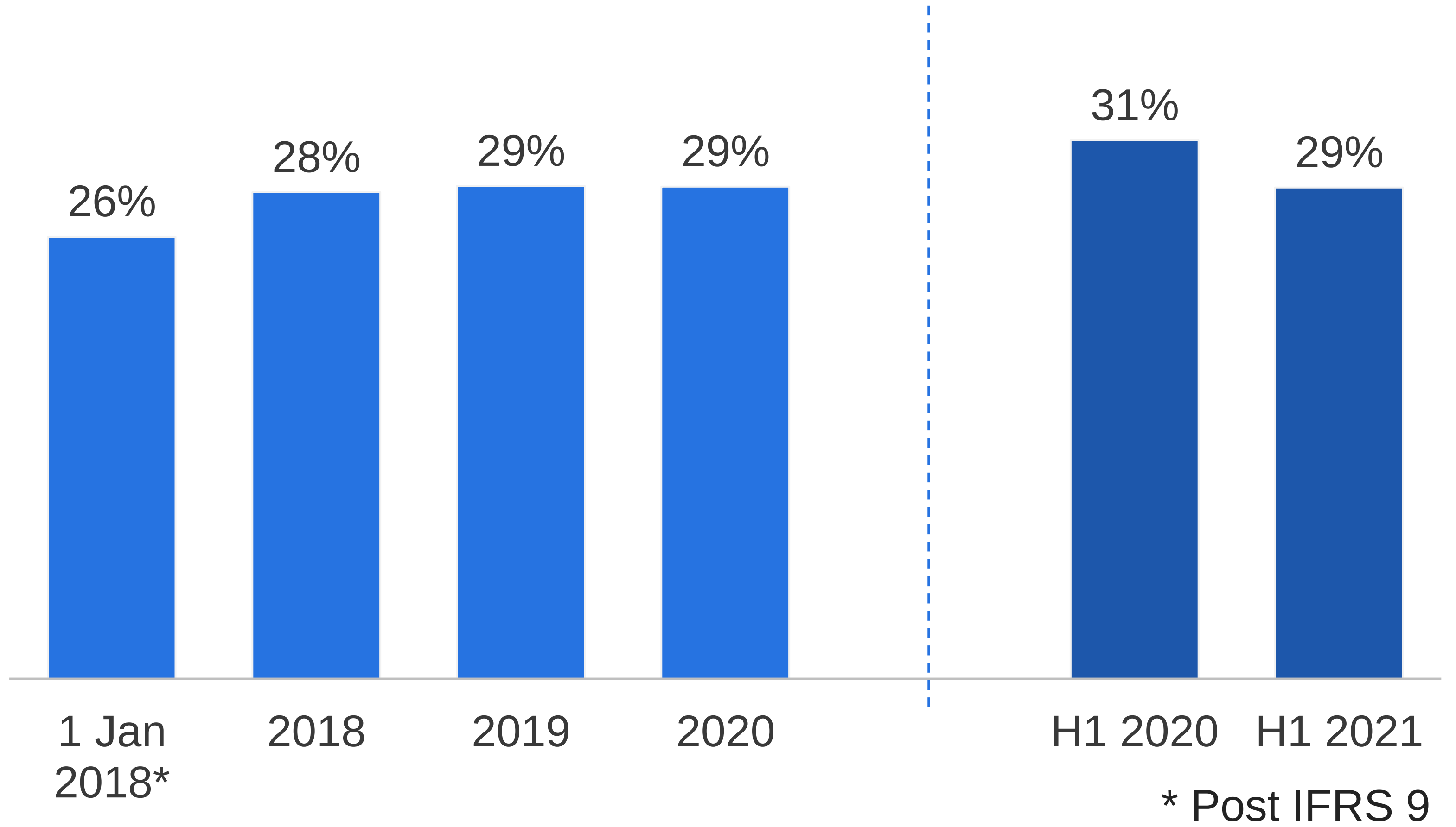
Covenant interest coverage ratio(1)

Times



Equity / net receivables (2)

%



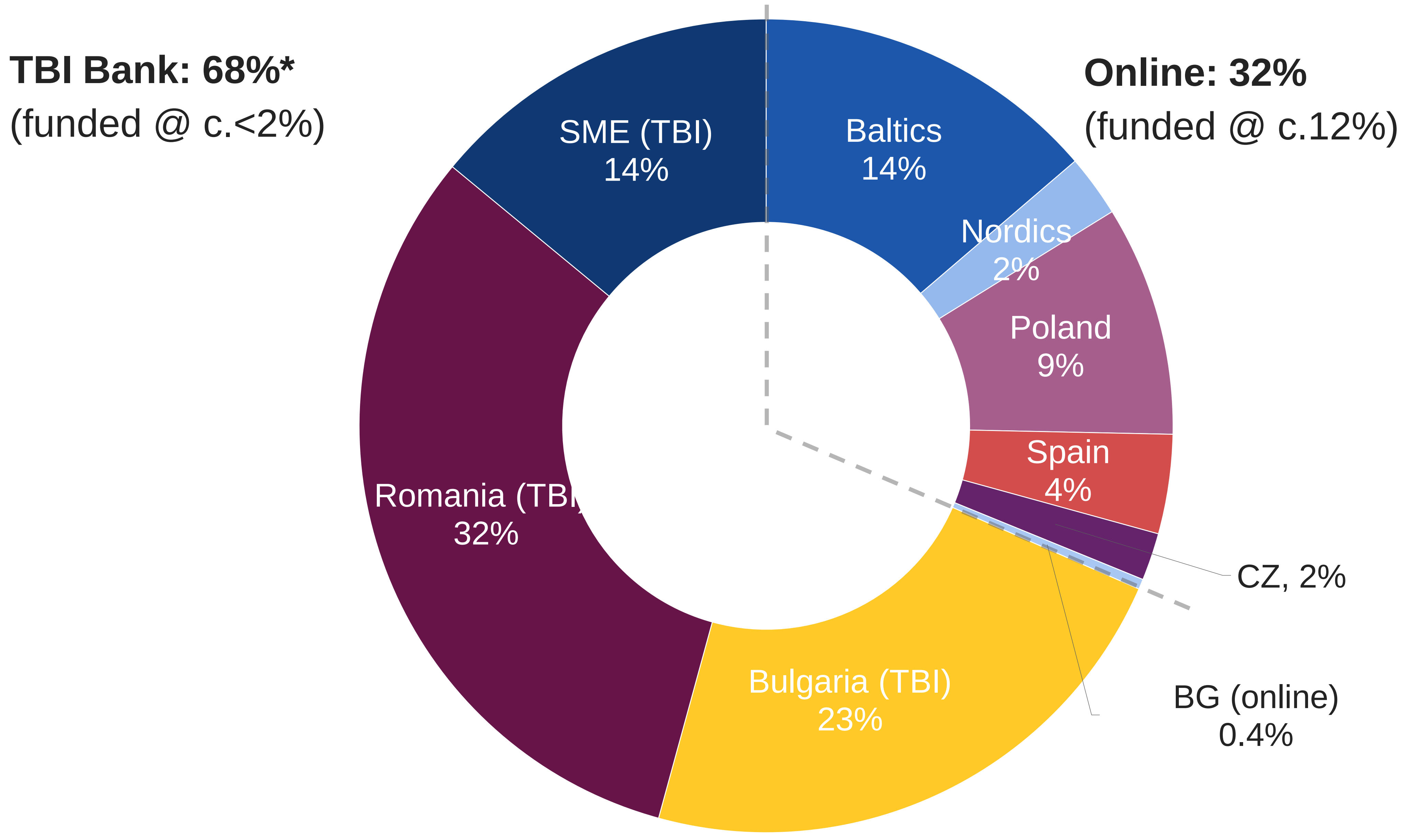
* Post IFRS 9

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%

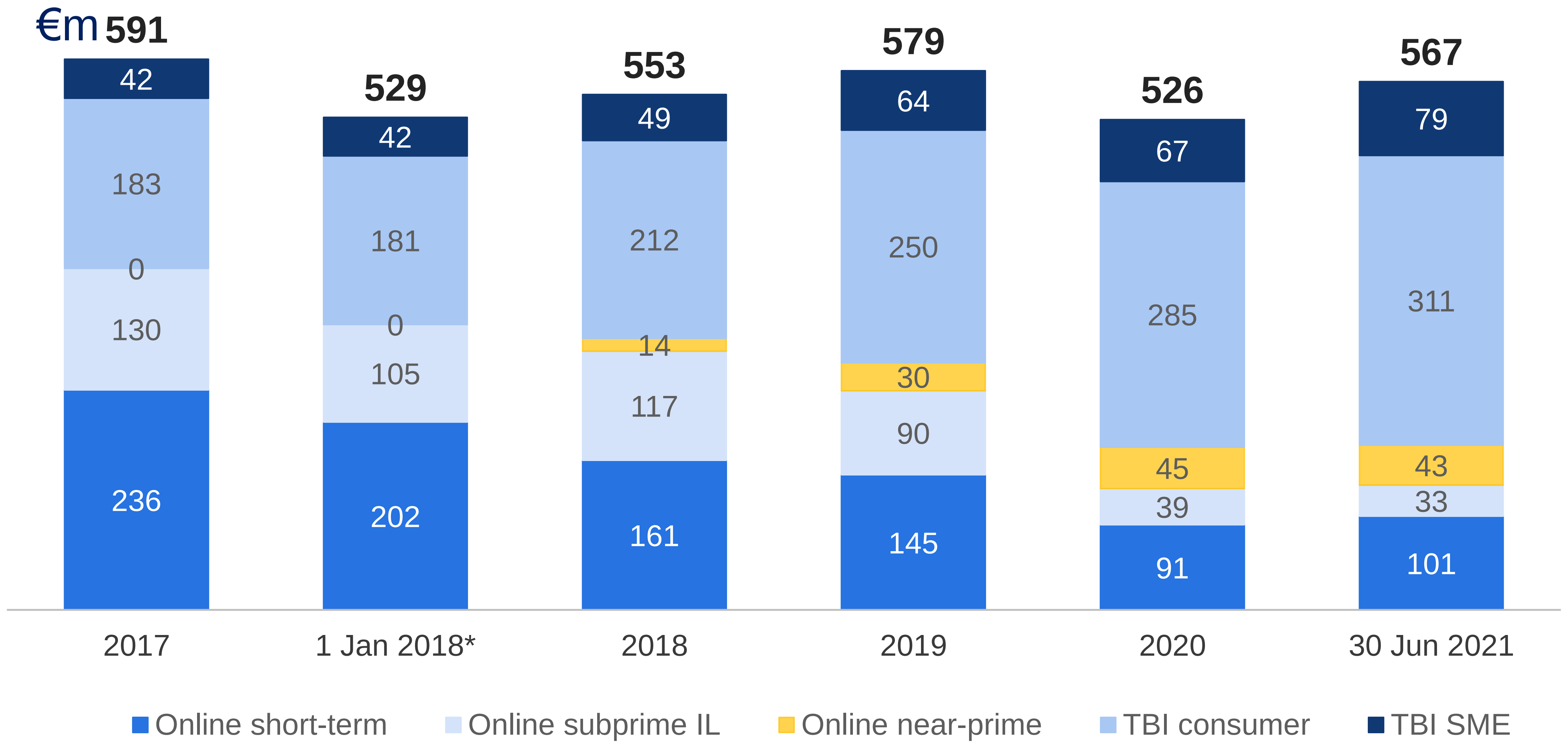
Diversified loan portfolio

- Increased loan issuance in Q2 supported net receivables growth in both online and TBI Bank portfolios
- Overall net receivables totals €567m
  - 6% increase during Q2
  - 86% consumer loans
- NPL ratio improved to 14.5% in Jun ‘21 from 17.0% in Dec ‘20

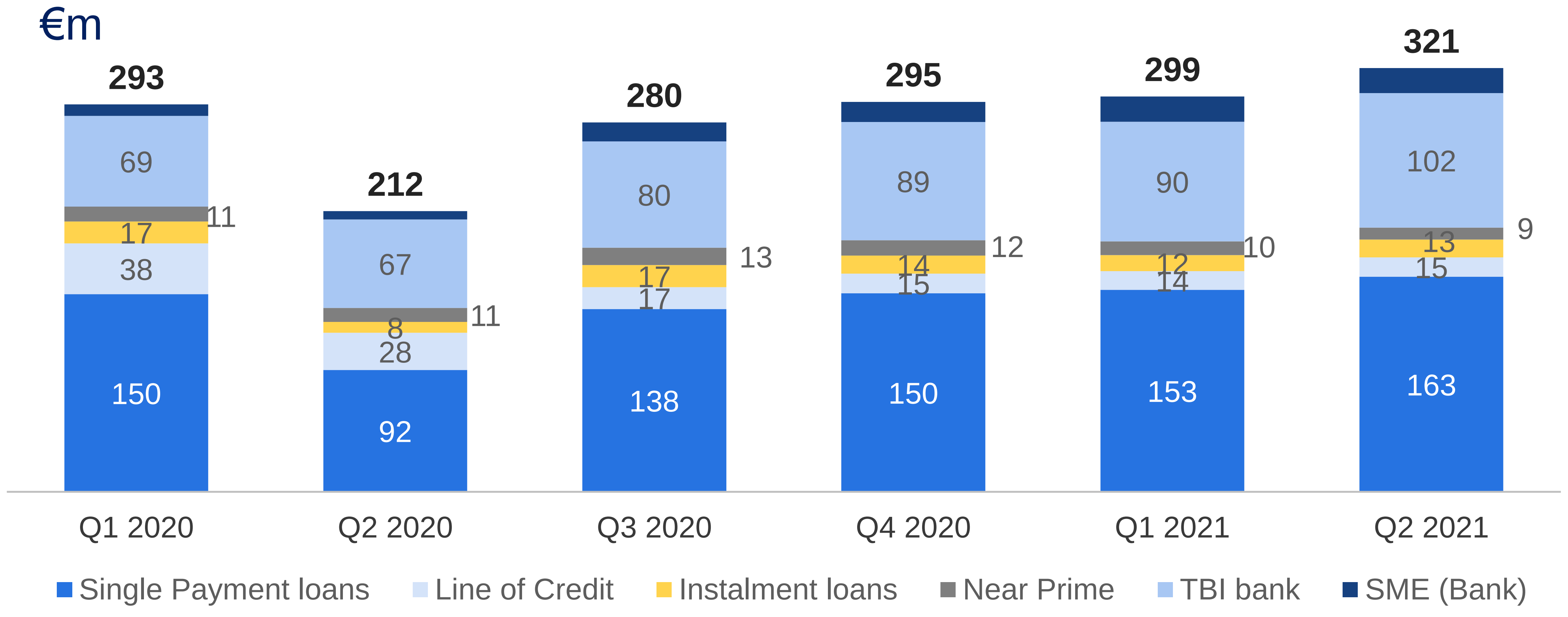
Net receivables, 30 June 2021



Net receivables (1)



Loans issued (1)

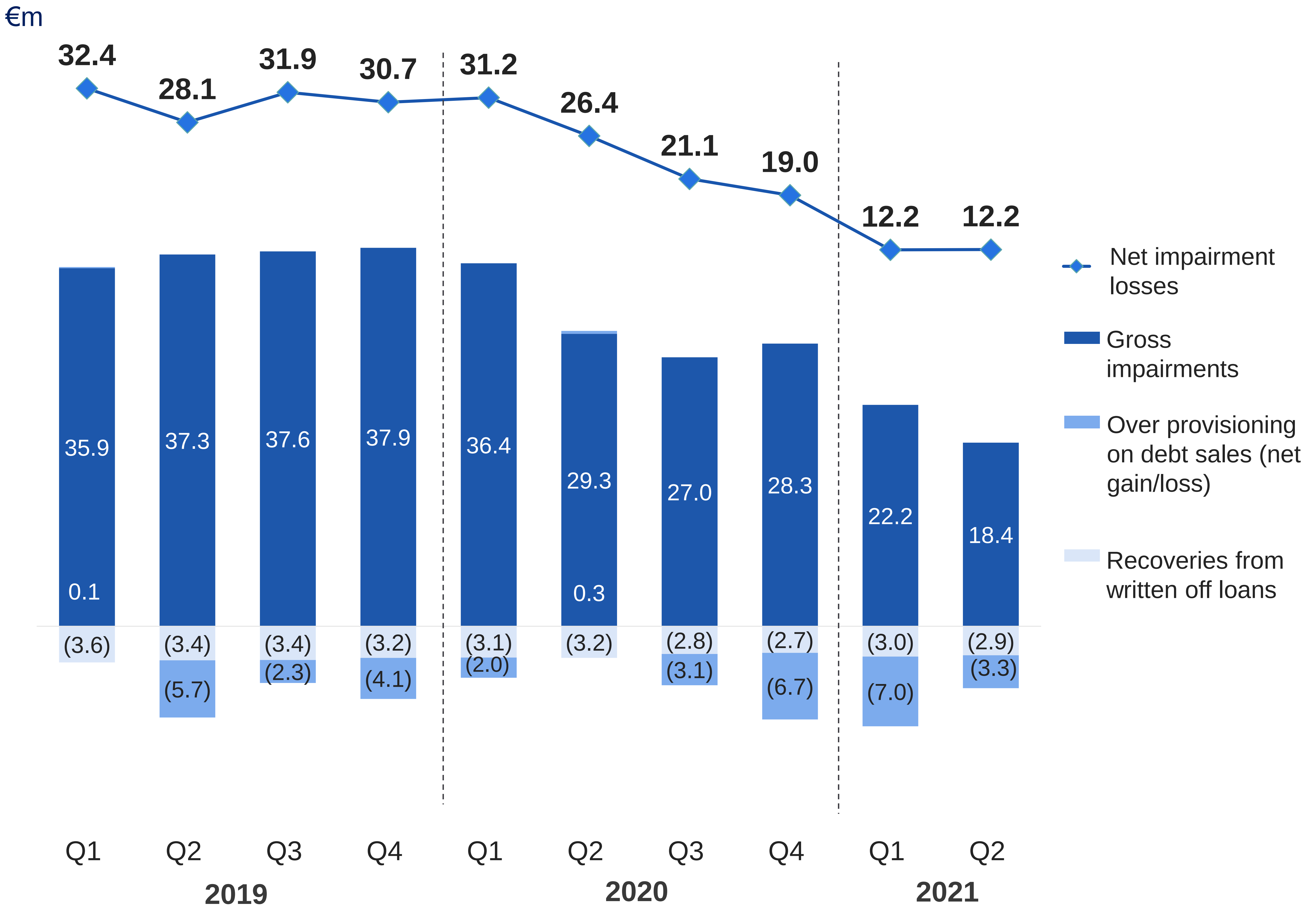


See appendix for definitions of key metrics and ratios
* Includes TBI bank, BG online and €3.6m of purchased Poland and Lithuania portfolios

Note (1): Reflects reclassification of former SPL products in Sweden (from January 2016), Denmark (from January 2017), Armenia (from launch in July 2017) and Latvia (from January 2019) to Lines of Credit
* Introduction of IFRS 9 as of 1-Jan-2018 reduced net receivables by €62 million to €529 million

Analysis of net impairments and cost of risk

Net impairment charges by quarter (1)



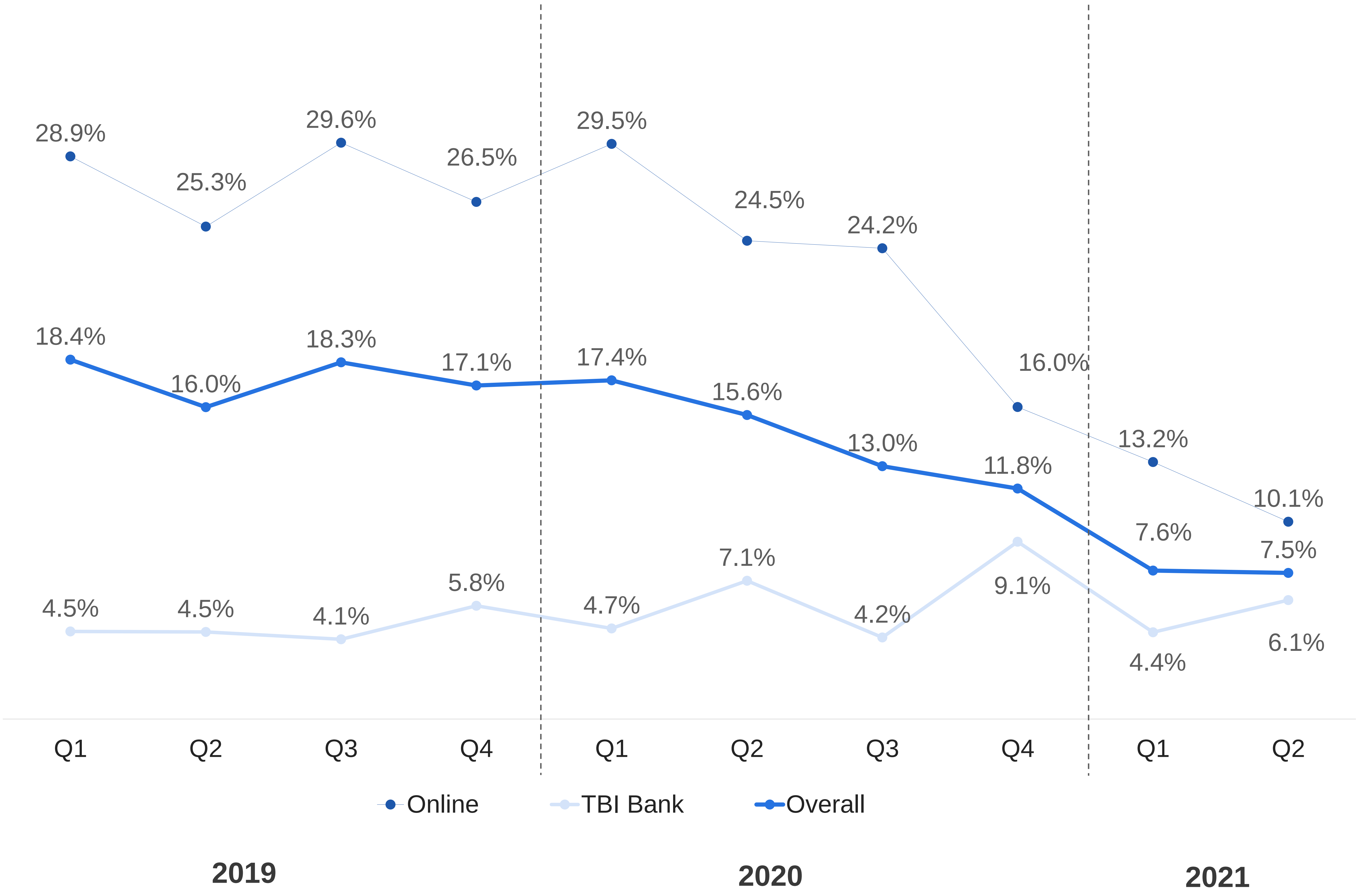
- Stable Q2 2021 quarterly net impairment charge:
  - Improved asset quality parameters leading to lower impairments
  - Continued active forward flow and debt sales market for NPLs
  - Lower portfolio balances in some products
- Quarterly overall cost of risk significantly decreased YoY as a result of improvement in online and increased share of TBI Bank loan receivables in the portfolio
  - Overall cost of risk 7.4% (H1 2021, including TBI Bank) vs 16.6% (H1 2020)
  - Online cost of risk in H1 2021 11.5% vs 27.7% (H1 2020)
  - Net impairment / interest income 17.5% vs 34.5% (H1 2020)

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

See appendix for definitions of key metrics and ratios

Cost of risk evolution over time

Quarterly cost of risk (1)

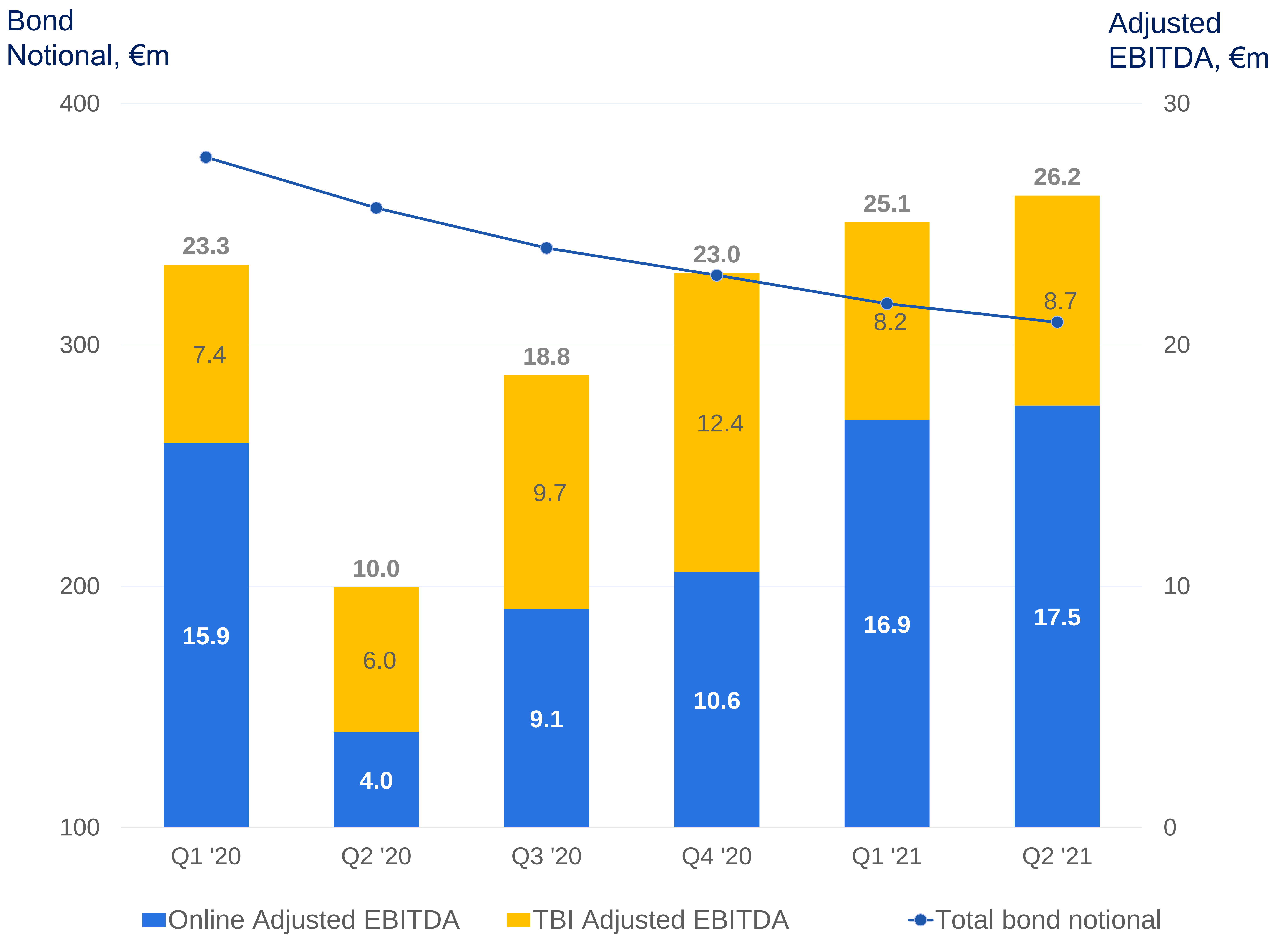


- Overall cost of risk has more than halved since 2019
- Increased share of TBI Bank receivables in the portfolio, with stable asset quality at the bank
- Significant improvement in online cost of risk

Note (1): Annualised net impairment charges / average gross receivables (average total gross receivables as of the start and end of each quarter)

Improvement in EBITDA and leverage metrics

Adjusted EBITDA vs EUR equivalent bond notional outstanding [(1)]



- Rebound in EBITDA from the online business
- Significant reduction in leverage and interest expense during the same period
- Annualised Adjusted EBITDA from online business alone in H1 2021 of c.€70m is c.2x bond interest expense
- TBI Bank poised to resume dividend payments
- Overall credit metrics improved from pre-Covid levels. In approximate run-rate terms:

	Early 2020	Summer 2021
Net debt (€m)	~360	~300
Adj. EBITDA (€m)	~90	~100
Multiple	~4x	~3x

Note (1): Bond notional in issue minus bonds held in treasury. Q2 2021 bond notionals refer to the end of July 2021

4finance: a strong and resilient credit case

Online business back to profitability, driving rebound in EBITDA

- Streamlined footprint and cost base: focus on efficiency and execution
- Good asset quality metrics with strong customer repayment and active debt sales market
- Subprime business back to growth in Q2 with revenue growth opportunities
- Developing near-prime business in line with funding availability (TBI Bank)

TBI Bank continues to deliver profitable growth, with book value reaching €150m

- Strong issuance levels in all products in current markets, including online offering
- Multi-year strategic growth initiatives underway (TiBuy marketplace, Greece market analysis)
- Capital position further bolstered with Tier 2 issuance

Pro-active liquidity management and debt reduction

- Continued strong liquidity position and cash generation in online business
- TBI Bank poised to resume dividend payments, with €15m reserved from capital
- Deleveraged through buybacks: cancellation of $125m of USD bonds leaving only $200m outstanding

Well positioned to finalise medium term capital structure

- Successful refinancing of EUR bonds to new maturity of February 2025 with strong investor support
- USD bonds trading close to par (98.5) and EUR bonds above par (102)
- Lower leverage levels (c.3x net debt / EBITDA for H1 2021) than pre-Covid (c.4x at the start of 2020)

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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 and sharing our ESG approach and credentials

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
- Actively engaged in the discussions surrounding revisions to the EU Consumer Credit Directive as it moves to the trilogue stage

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

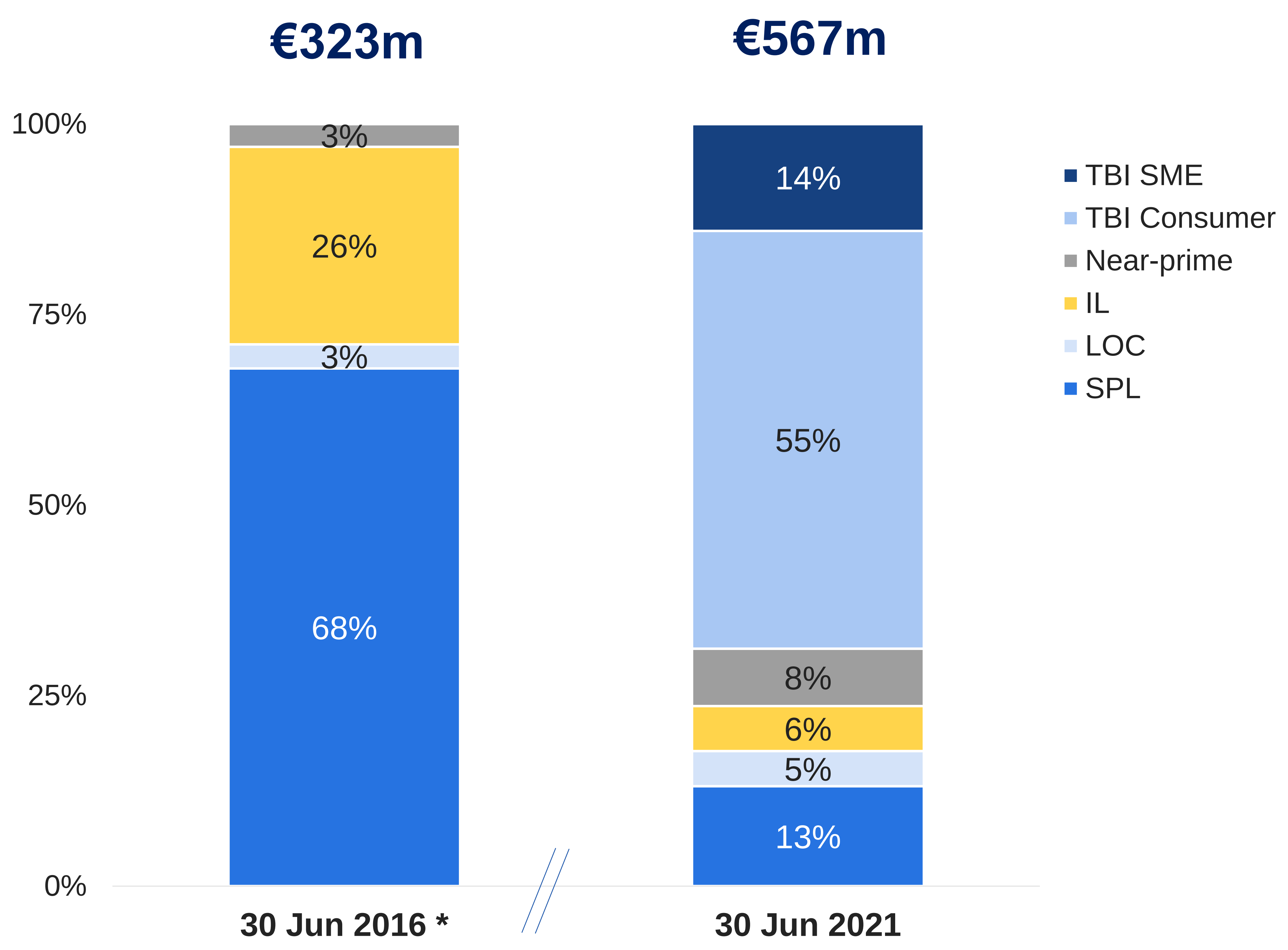
Country	% of interest income (Y2021)	Products [1]	Regulator	CB [2]	License required [3]	Interest rate cap [1]	Status
Bulgaria	17%	SPL (online), IL, LOC, POS, SME	Bulgarian National Bank	Yes	Yes	APR (inc. fees)	Stable framework
Czech Republic	6%	SPL, IL	Czech National Bank	Yes	Yes	-	Stable framework
Denmark	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	21%	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. Starting from 1 July 2021 return to pre-covid non-interest cost cap (25% fixed and 30% annual, 100% limit)
Romania	20%	IL, LOC, POS, SME	National Bank of Romania	Yes	Yes	-	Proposed interest rate cap for >€3k loans was ruled unconstitutional
Spain	22%	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

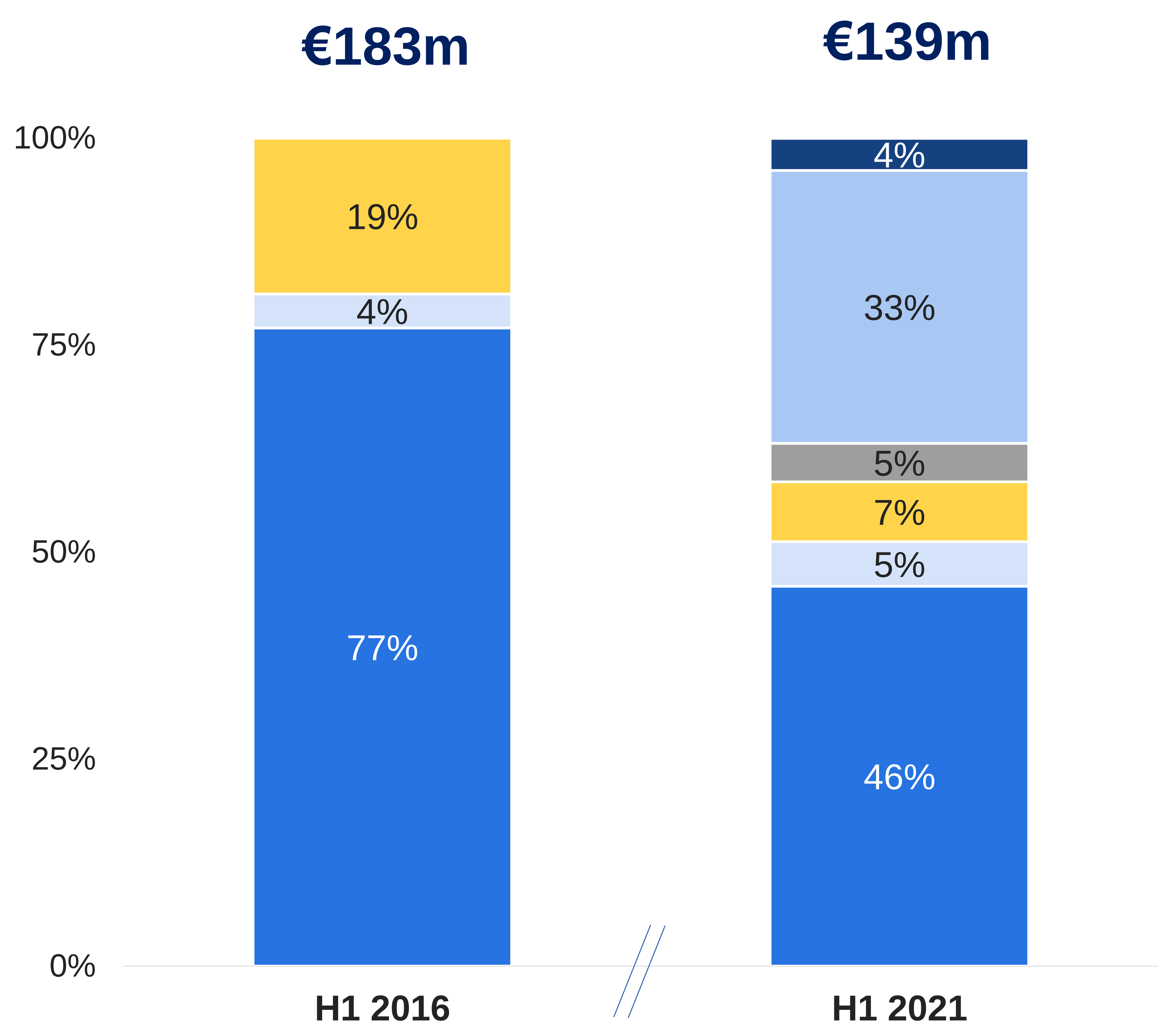
Net receivables by product (1)



Online subprime only

Bank and online, near-prime and subprime

Interest income by product (1)



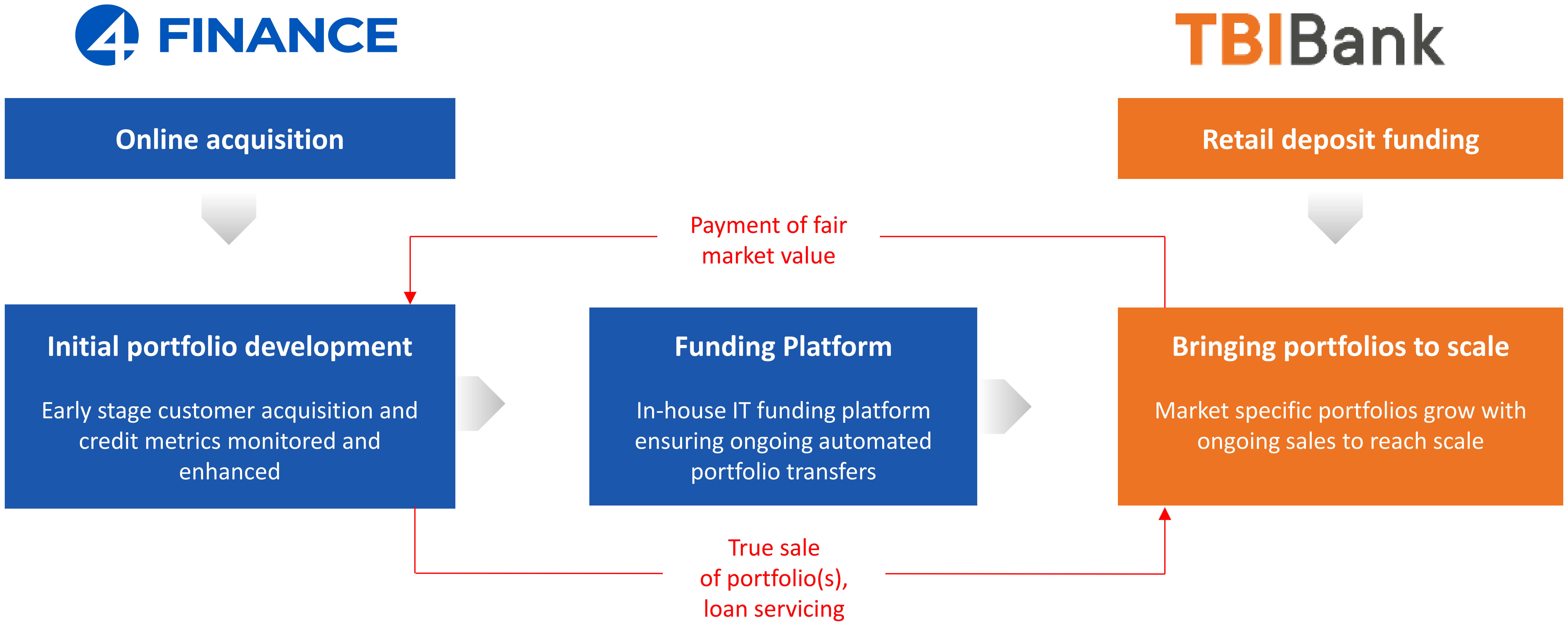
* Date chosen to reflect the composition of loan portfolio immediately prior to purchase of TBI Bank

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 loans via TBI Bank

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



- **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

Appendix – financials and key ratios

Income statement

In millions of €	H1 2021 (unaudited)	H1 2020 (unaudited)	% change YoY
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 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**
Adjusted EBITDA	**51.3**	**33.3**	**54%**

Balance sheet

In millions of €	30 June 2021 (unaudited)	31 December 2020
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	146.2
Reserves	(28.1)	(26.4)
Total attributable equity	**162.7**	**155.5**
Non-controlling interests	—	(0.0)
Total equity	**162.7**	**150.0**
Total shareholders' equity and liabilities	**991.2**	**949.7**

Statement of cash flows

In millions of €	6 months to 30 June	
	2021	**2020**
Cash flows from operating activities		
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	(0.0)	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 decrease 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**

In millions of € (continued)	6 months to 30 June	
	2021	**2020**
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)
Loans repaid from related parties	-	0.1
Interest received from related parties	4.5	3.5
Disposal of subsidiaries, net of cash disposed	(0.3)	(1.5)
(Acquisition)/Disposal of equity investments	(0.0)	(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)
Dividend payments	-	-
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	(0.0)	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**

Key financial ratios

	H1 2021	H1 2020	2020
Capitalisation			
Equity / assets	16.4%	16.6%	15.8%
Tangible common equity / tangible assets	12.7%	10.5%	11.6%
Equity / net receivables	28.7%	31.3%	28.5%
Adjusted interest coverage	2.2x	1.3x	1.8x
TBI Bank consolidated capital adequacy	18.9%	20.8%	19.4%
Profitability			
Net interest margin:			
- Online	62.4%	65.9%	60.3%
- TBI Bank	23.0%	23.6%	24.0%
- Overall group	36.6%	43.5%	39.7%
Cost / income ratio	59.1%	57.5%	56.9%
Normalised Profit before tax margin	17.1%	(0.5)%	2.2%
Normalised Return on average equity	19.9%	(7.6)%	(10.1)%
Normalised Return on average assets	3.2%	(1.3)%	(1.7)%
Asset quality			
Cost of risk:			
- Online	11.5%	27.7%	24.2%
- TBI Bank	5.2%	5.8%	6.1%
- Overall group	7.4%	16.6%	14.2%
Net impairment / interest income	17.5%	34.5%	31.7%
Gross NPL ratio:			
- Online	14.4%	31.6%	19.2%
- TBI Bank	14.6%	17.5%	15.7%
- Overall group	14.5%	24.0%	17.0%
Overall group NPL coverage ratio	101.8%	97.0%	106.0%
Loan loss reserve / gross receivables, %	14.8%	23.3%	18.1%

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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