

4finance Holding S.A.

Société anonyme

**Condensed Consolidated
Interim Financial Statements
for six months ended
30 June 2021**

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

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Rounding and Percentages

Some numerical figures included in these financial statements have been subject to rounding adjustments.

Accordingly, numerical figures shown for the same category presented in different tables may vary slightly, and numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

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

Information on the Company

Name of the Company	<i>4finance Holding S.A.</i>
Legal status	<i>Public limited liability company</i>
Number, place and date of registration	<i>B171.059, Luxembourg, Luxembourg, August 27, 2012</i>
Legal and postal address	<i>8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg RCS Luxembourg: B171.059</i>
Board members and their positions	<i>Kieran Donnelly, Chairman of the Board of Directors, category B director (from 01.10.2020) James Etherington, category B director (from 01.01.2021) Fabrice Hablot, category A director Daniela Roca, category A director Oyvind Oanes, Chairman of the Board of Directors, category B director (from 01.08.2018 to 30.09.2020) Paul Goldfinch, category B director (from 30.12.2016 to 31.12.2020)</i>
Reporting period	<i>01.01.2021 – 30.06.2021</i>
Information on shareholders	<i>4finance Group S.A. 100%</i>
Auditors	<i>PKF Audit & Conseil Sàrl 37, rue d'Anvers L-1130 Luxembourg</i>

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	For the six months ended 30 June	
		2021	2020
		EUR'000	EUR'000
Interest income	6	138 205	166 509
Interest expense	7	(24 121)	(25 584)
Non-recurring finance income	8	2 450	7 356
Net interest income		116 534	148 280
Fee and commission income	9	11 258	7 365
Fee and commission expense	10	(4 620)	(3 443)
Other operating income	11	5 330	5 449
Non-interest income		11 968	9 372
Operating income		128 502	157 652
Operating costs	12	(79 869)	(95 492)
Other income		635	764
Non-recurring income / (expense)	13	(632)	(3 440)
Net foreign currency loss	14	(1 864)	(3 960)
Pre-provision operating profit		46 773	55 524
Net impairment losses	15	(24 339)	(57 662)
Profit/(loss) before tax		22 434	(2 137)
Income tax for the reporting period	16	(8 128)	(7 248)
Profit/(loss) for the period		14 306	(9 386)
<i>Profit or loss attributable to:</i>			
Equity holders of the Group		14 306	(9 386)
Profit/(loss)		14 306	(9 386)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Equity investments at FVOCI – net change in fair value		884	(2 131)
		884	(2 131)
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Net gains/(losses) on debt instruments at FVOCI		(529)	(370)
Foreign currency translation differences on foreign operations		(2 093)	3 242
		(2 622)	2 872
Other comprehensive income/(loss), net of tax		(1 738)	741
Total comprehensive income/(loss) for the period		12 568	(8 645)
<i>Total comprehensive income or loss attributable to:</i>			
Equity holders of the Group		12 568	(8 645)

All significant operations are continuing. The accompanying notes on pages 9 to 36 form an integral part of these condensed consolidated interim financial statements.



Kieran Donnelly
Chairman of the Board of Directors
30 September 2021

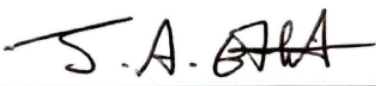

James Etherington
Member of the Board of Directors

Condensed Consolidated Interim Statement of Financial Position

		30.06.2021	31.12.2020
	Note	EUR'000	EUR'000
Assets			
Cash and cash equivalents	17	146 575	154 235
Placements with other banks		19 255	10 258
Derivatives		1 617	2 068
Gross receivables due from customers		665 591	642 491
Allowance for impairment		(98 381)	(116 060)
Net receivables due from customers	18	567 210	526 431
Net investment in finance leases		4 037	4 240
Debt and equity instruments		86 693	81 884
Loans to related parties	19	59 059	59 148
Other assets	20	25 999	26 331
Investments in associates		1 518	1 552
Prepaid expenses		2 857	3 068
Property and equipment		16 757	17 141
Intangible assets		10 854	10 137
Goodwill		15 856	15 856
Tax assets		17 978	18 729
Deferred tax assets	21	14 912	18 589
Total assets		991 177	949 667
Liabilities			
Loans and borrowings	22	328 270	341 890
Deposits from customers	23	426 139	383 214
Income tax liabilities		5 525	5 190
Derivatives		1 946	5 733
Other liabilities	24	66 639	63 679
Total liabilities		828 519	799 706
Share capital	25	35 750	35 750
Retained earnings		154 930	140 624
Other components of equity	25	(28 022)	(26 411)
Total equity attributable to equity holders of the Company		162 658	149 963
Non-controlling interests		—	(2)
Total equity		162 658	149 961
Total shareholder equity and liabilities		991 177	949 667

The accompanying notes on pages 9 to 36 form an integral part of these condensed consolidated interim financial statements.


Kieran Donnelly
Chairman of the Board of Directors


James Etherington
Member of the Board of Directors

30 September 2021

Condensed Consolidated Interim Statement of Cash Flows

	For the six months ended 30 June	
	2021	2020
Note	EUR'000	EUR'000
Cash flows from operating activities		
Profit/ (loss) before taxes	22 434	(2 137)
Adjustments for:		
Depreciation and amortization	3 521	7 033
Net loss on foreign exchange from borrowings and other monetary items	6 389	8 192
Impairment losses on loans	40 554	65 734
Reversal of provision on debt portfolio sales	(10 361)	(1 741)
Write off and disposal of intangible and property and equipment assets	—	238
Interest income from non-customers loans	(4 419)	(3 963)
Interest expense on loans and borrowings and deposits from customers	24 104	25 580
Non-recurring finance income	(2 418)	(7 402)
Other non-cash items	(893)	4 742
Profit before adjustments for the effect of changes to current assets and short term liabilities	78 911	96 276
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(3 336)	(2 983)
Increase in other assets	(14 769)	(3 051)
Increase / (Decrease) in accounts payable to suppliers, contractors and other creditors	974	(8 563)
Operating cash flow before movements in portfolio and deposits	61 780	81 679
Increase in loans due from customers	(90 954)	(3 010)
Proceeds from sale of portfolio	20 722	9 967
Increase in deposits (customer and bank deposits)	46 027	25 041
Deposit interest payments	(3 835)	(2 744)
Gross cash flows from operating activities	33 740	110 933
Income tax paid	(3 678)	(4 246)
Net cash flows from operating activities	30 062	106 687
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	(2 561)	(3 434)
Purchase of financial instruments	(3 496)	(2 449)
Interest received from related parties	4 459	3 498
Acquisition of equity investments	(26)	(1 382)
Disposal of subsidiaries, net of cash disposed	(326)	(1 515)
Acquisition of Non-controlling interests	—	(383)
Net cash flows used in investing activities	(1 950)	(5 665)

Condensed Consolidated Interim Statement of Cash Flows (continued)

	Note	For the six months ended 30 June	
		2021 EUR'000	2020 EUR'000
Cash flows from financing activities			
Loans received and notes issued		—	120
Repayment and repurchase of loans and notes		(25 093)	(27 109)
Interest payments		(18 048)	(21 259)
FX Hedging margin		2 764	956
Payment of lease liabilities		(1 746)	(1 996)
Net cash flows from financing activities		(42 123)	(49 288)
Net increase in cash and cash equivalents		(14 011)	51 734
Cash and cash equivalents at the beginning of the period		120 592	98 530
Effect of exchange rate fluctuations on cash held		(10)	76
Cash and cash equivalents at the end of the period	17	106 571	150 340
Minimum statutory reserve	17	40 004	30 209
Total cash on hand and cash at central banks	17	146 575	180 549

Major Non-Cash Items

Other non-cash items for period of six months include equity-settled employee compensation program costs of EUR 127 thousand (2020: EUR 503 thousand).

The accompanying notes on pages 9 to 36 form an integral part of these condensed consolidated interim financial statements.


 Kieran Donnelly
 Chairman of the Board of Directors


 James Etherington
 Member of the Board of Directors

30 September 2021

Condensed Consolidated Interim Statement of Changes in Equity

Group	Share capital	Reorganization reserve	Currency translation reserve	Share based payment reserve	Obligatory reserves	Fair value reserve of financial assets at FVOCI	Retained earnings	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
1 January 2020	35 750	(31 240)	(4 748)	1 208	3 239	(4 162)	165 734	165 781	(10)	165 771
Total comprehensive income										
Profit for the reporting period	—	—	—	—	—	—	(9 386)	(9 386)	—	(9 386)
Other comprehensive income (OCI)	—	—	3 123	—	—	(2 501)*	119	741	5	746
Transactions with shareholders recorded directly in equity										
Share based payment reserve	—	—	—	503	—	—	—	503	—	503
Acquisition of NCI	—	—	—	—	—	—	(486)	(486)	3	(483)
30 June 2020	35 750	(31 240)	(1 625)	1 711	3 239	(6 663)	155 981	157 153	(2)	157 151
1 January 2021	35 750	(31 240)	2 545	1 942	3 239	(2 897)	140 624	149 963	(2)	149 961
Total comprehensive income										
Profit for the reporting period	—	—	—	—	—	—	14 306	14 306	—	14 306
Other comprehensive income (OCI)	—	—	(2 093)	—	—	355*	—	(1 738)	—	(1 738)
Transactions with shareholders recorded directly in equity										
Share based payment reserve	—	—	—	127	—	—	—	127	—	127
Changes in ownership interests										
Disposal of NCI	—	—	—	—	—	—	—	—	2	2
30 June 2021	35 750	(31 240)	452	2 069	3 239	(2 542)	154 930	162 658	—	162 658

* From the total amount EUR 884 thousand (2020: EUR (2 131) thousand) are related to revaluation of investment in BRABank ASA.

The accompanying notes on pages 9 to 36 form an integral part of these condensed consolidated interim financial statements.

Kieran Donnelly

Chairman of the Board of Directors

30 September 2021

James Etherington

Member of the Board of Directors

Notes to the Condensed Consolidated Interim Financial Statements

(1) Reporting entity

4finance Holding S.A. (the "Company") is registered in Luxembourg. The Company is the holding company for several subsidiaries in Europe and South America (together referred to as the "Group"). The Group entities have provided loans to millions of customers. Currently, the Group operates in Bulgaria, the Czech Republic, Denmark, Latvia, Lithuania, Poland, Romania, Spain and Sweden, with Argentina, Armenia being in wind-down mode. The Group also sold its businesses in Finland, Georgia and Mexico in 2020, and Slovakia in 2021.

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

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

The condensed consolidated interim financial statements for the period 1 January to 30 June 2021 are unaudited. In the opinion of the directors the condensed consolidated interim financial statements for the period present fairly the financial position, and results from operations and cash flows for the period in conformity with generally accepted accounting principles consistently applied. The condensed consolidated interim financial statements incorporate unaudited comparative figures for the interim period 01 January to 30 June 2020 and extracts from the audited financial statements for the year ended 31 December 2020.

The interim report has not been audited by the Company's auditor.

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

(2) Basis of preparation

(a) Statement of Compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Further "IFRS")

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on 30 September 2021.

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

(b) Basis of Measurement

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

Notes to the Condensed Consolidated Interim Financial Statements

(2) Basis of preparation (continued)

markets, the positive response to its EUR bond refinancing earlier in 2021 and the range of alternatives available to it.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5. Management have assessed all the main risks and considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

(c) Functional and presentation currency

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

(3) Significant accounting policies

The Interim Financial Statements have been prepared in accordance with the accounting policies described and adopted in the Group's most recent annual financial statements for the year ended 31 December 2020.

New standards and interpretations

There are no new standards and interpretations which have become effective from 1 January 2021 that have a significant impact on the Group's interim condensed consolidated financial statements.

(4) Risk management

All aspects of the Group's risk management objectives and policies for the six month period ended 30 June 2021 are consistent with those disclosed in the consolidated financial statements of the Group for the year ended 31 December 2020.

(a) Credit risk

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

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

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

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

	Maximum exposure	
	30.06.2021	31.12.2020
	EUR'000	EUR'000
Cash and cash equivalents	146 575	154 235
Placements with other banks	19 255	10 258
Loans to customers:	567 210	526 431
Corporate clients	84 578	71 445
Corporate client impairment	(5 110)	(4 858)
Individual clients	581 013	571 046
Individual client impairment	(93 271)	(111 202)
Investment in finance leases:	4 037	4 240
Gross investment in finance leases	4 202	4 543
Finance lease impairment	(165)	(303)
Loans to related parties	59 059	59 148
Other assets	25 999	26 331
Derivatives	1 617	2 068
Debt and equity instruments	86 693	81 884
Credit risk exposures related to contingent liabilities and irrevocable commitments are as follows:		
Contingent liabilities	40 938	36 263
Total maximum exposure to credit risk	951 383	900 858

Notes to the Condensed Consolidated Interim Financial Statements

(4) Risk management (continued)

The table below presents the maximum credit risk exposure of the 4finance Group and TBIF Group as at 30 June 2021 without taking into account collateral:

	Maximum exposure		
	4finance Group	TBIF Group	Total
	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	64 529	82 046	146 575
Placements with other banks	—	19 255	19 255
Loans to customers:	173 197	394 013	567 210
Corporate clients	—	84 578	84 578
Corporate client impairment	—	(5 110)	(5 110)
Individual clients	217 802	363 210	581 012
Individual client impairment	(44 605)	(48 666)	(93 271)
Investment in finance leases	—	4 037	4 037
Gross investment in finance leases	—	4 202	4 202
Finance lease impairment	—	(165)	(165)
Loans to related parties	59 059	—	59 059
Other assets	18 290	7 709	25 999
Derivatives	1 006	611	1 617
Debt and equity instruments	7 337	79 356	86 693
Total credit risk exposure*	323 418	587 027	910 445

* Excluding contingent liabilities.

For additional details on loans refer to Note 18.

4finance Group

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

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

Notes to the Condensed Consolidated Interim Financial Statements

(4) Risk management (continued)

Credit quality of loan portfolio (4finance Group):

	Gross receivables 30.06.2021	Allowance for doubtful debts 30.06.2021	Net receivables 30.06.2021	Gross receivables 31.12.2020	Allowance for doubtful debts 31.12.2020	Net receivables 31.12.2020
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Not overdue	156 576	(4 205)	152 371	159 887	(5 868)	154 019
Overdue less than 90 days	30 101	(12 633)	17 468	32 519	(15 697)	16 822
Overdue more than 90 days	31 126	(27 767)	3 359	45 270	(41 884)	3 386
	217 803	(44 606)	173 197	237 676	(63 450)	174 226

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

TBIF Group

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

(4) Risk management (continued)

Collateral

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

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

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

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

The table below shows the total amount of loans to customers before provisions and impairment losses by type of collateral at 30 June 2021:

	Loans to customers		
	Gross amount EUR'000	Collateral* EUR'000	Coverage**
Mortgages	63 726	63 790	99.8 %
Cash collateral	19	19	100.0 %
Other collateral	828	720	86.7 %
Unsecured	383 216	—	
Total	447 789	64 529	

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

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

Contingent liabilities and irrevocable commitments

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

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

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

For details regarding loans and leases at 30 June 2021 see the table below:

	Loans to corporate clients EUR'000	Loans to individual clients EUR'000	Financial leases EUR'000
Neither past due nor impaired	13 300	256 546	724
Past due less than 30 days*	934	42 428	6
Past due 31 to 60 days*	432	8 659	3
Past due 61 to 90 days*	184	5 251	72
Past due over 91 days*	2 174	50 114	148
Collective provisions	(2 921)	(48 666)	(136)
Past due and individually impaired	67 755	12	3 249
Individual impairment	(2 189)	—	(29)
Net of loan loss provisions	79 670	314 344	4 037

* Not individually impaired, collective provisioning used

As at 30 June 2021, the carrying amount of financial assets that would otherwise be past due and whose terms have been renegotiated is EUR 12 058 thousand (31 December 2020: EUR 10 334 thousand) net of impairment.

Loans to customers that are neither past due, nor impaired

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

Past due but not impaired

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

Loans to customers which are past due and are impaired

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

Group's Expected Credit Losses

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

	Opening balance 01.01.2021	Origination and acquisition	Derecognition & repayments	Change in credit risk	Write-offs	Other & FX	Closing balance 30.06.2021
Stage 1	20 258	11 981	(10 020)	(4 341)	—	712	18 589
Stage 2	18 977	(2 350)	(5 527)	8 577	—	96	19 773
Stage 3	77 111	7 232	(25 670)	29 976	(28 853)	388	60 184
	116 346						98 546

Notes to the Condensed Consolidated Interim Financial Statements**(4) Risk management (continued)***Deposits, placements with other banks and debt and equity instruments*

The table below presents an analysis of deposits with other banks and debt and equity instruments at 30 June 2021 based on criteria set by rating agencies as a result of their credit assessments.

Rating	Debt and Equity instruments EUR'000	Placements with other banks EUR'000
A- (S&P)	1 058	—
A3 (Moody's)	254	8 053
A1 (Moody's)	174	—
A2 (S&P)	178	—
A- (Fitch)	874	—
BBB+ (S&P)	1 785	—
Baa1 (Moody's)	24 325	40
BBB (Fitch)	1 028	—
Baa2 (Moody's)	1 106	10 299
Baa3 (Moody's)	11 506	19
BBB- (Fitch)	790	—
BB (S&P)	623	—
BB (Fitch)	3 171	—
BB- (Fitch)	181	—
Ba1 (Moody's)	5 050	522
Ba2 (Moody's)	3 122	—
Ba3 (Moody's)	1 578	1
B1 (Moody's)	3 273	10
B2 (Moody's)	920	—
B3 (Moody's)	—	311
B1 (Fitch)	613	—
B2 (Fitch)	962	—
B3 (Fitch)	1 068	—
B+ (Moody's)	448	—
B+ (Fitch)	4 692	—
B+ (S&P)	922	—
B (Fitch)	390	—
B (S&P)	2 906	—
B- (Fitch)	2 405	—
Unrated	3 954	—
	79 356	19 255

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

Notes to the Condensed Consolidated Interim Financial Statements

(4) Risk management (continued)

(b) Currency risk

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

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

An analysis of sensitivity of the Group's net income for the period/year and equity to changes in foreign currency exchange rates based on positions existing as at 30 June 2021 and 31 December 2020 and a simplified scenario of a 10% change in PLN, USD, CZK, SEK and RON to EUR exchange rates is as follows:

	30.06.2021		31.12.2020	
	Net income	Equity	Net income	Equity
	EUR'000	EUR'000	EUR'000	EUR'000
Appreciation of PLN against EUR	6 088	6 088	6 443	6 443
Depreciation of PLN against EUR	(6 088)	(6 088)	(6 443)	(6 443)
Appreciation of USD against EUR	(15 541)	(15 541)	(15 612)	(15 612)
Depreciation of USD against EUR	15 541	15 541	15 612	15 612
Appreciation of CZK against EUR	1 652	1 652	1 401	1 401
Depreciation of CZK against EUR	(1 652)	(1 652)	(1 401)	(1 401)
Appreciation of SEK against EUR	(236)	(236)	(273)	(273)
Depreciation of SEK against EUR	236	236	273	273
Appreciation of RON against EUR	14 879	14 879	13 843	13 843
Depreciation of RON against EUR	(14 879)	(14 879)	(13 843)	(13 843)

The currency risk analysis above illustrates the effect of an isolated appreciation/depreciation of each significant operating currency at 10% change. The above analysis does not include any assumptions about correlation between these currencies. To manage the Group's open position in foreign currencies and limit the exposure to foreign currency fluctuations, the Group has entered into forward and option agreements.

(5) Use of estimates and judgements

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

4finance Group

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended 31 December 2020. These included determination of the consolidation group and whether embedded derivatives within financial liabilities require separation. It was determined that embedded derivatives do not require separation.

- Allowances for credit losses on loans and receivables (see Note 18).

Notes to the Condensed Consolidated Interim Financial Statements

(5) Use of estimates and judgements (continued)

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

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

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

During the period ended 30 June 2021, management continually reassessed its impairment allowances for credit losses on loans and receivables. This assessment included a review of historical recovery trends impacting the LGD ratios that underlie the impairment loss allowance calculations. As at 30 June 2021, the weighted average LGD rate across portfolios was 66% (31 December 2020: 74%). On product level single

Notes to the Condensed Consolidated Interim Financial Statements

(5) Use of estimates and judgements (continued)

payment loan weighted average LGD was 77%, 72% for instalment loans, 52% for lines of credit and 48% for near-prime loans.

- Separation of embedded derivatives

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

- Capitalisation of internal development costs

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

- Deferred tax asset recognition

Significant management judgement is required in assessing deferred tax assets, in particular projecting taxable profits in current and future years

- Fair value of financial instruments

Significant management judgement is used for estimating unobservable inputs and valuation adjustments.

- Valuation of related party loans

Significant management judgement is used for estimating market interest rate and expected credit loss.

- Impairment of Intangible assets and goodwill measurement

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

- Provisions and contingent liabilities

Significant management judgement is used for estimating provisions and contingent liabilities in relation to legal cases (see Note 26).

TBIF Group

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

(a) Allowances for credit losses

TBIF Group reviews its loan portfolios to assess the need for impairment on at least a quarterly basis. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, TBIF Group makes an analysis whether objective data exists indicating that there is a significant decrease in the estimated future cash flows from the loan portfolio. Such evidence may include observable data, indicating an adverse change in the borrowers' ability to meet their loan obligations in the respective portfolio, or their national or local economic conditions indicate that the probability of default has increased.

Notes to the Condensed Consolidated Interim Financial Statements

(5) Use of estimates and judgements (continued)

When estimating future cash flows, for assets with credit risk features and objective evidence for impairment similar to those in the portfolio, management uses estimates based on historical losses experienced.

The methodology and assumptions used to estimate the amount and timing of future cash flows are reviewed regularly in order to reduce differences between loss estimates and actual loss experience. TBIF Group undertakes a credit risk stress test which assumes a static portfolio of the bank and migration of loans with DPD up to 90 days to loans with DPD 90+ with a forecast horizon of 12 months as reflected in the average three years transition matrices per product and domicile in adverse scenario with a total effect of EUR 1 233 thousand as of 31 December 2020. As per EBA requirements the adverse scenario assumptions are performed on a dynamic portfolio with 24 months horizon totalling overall risk estimate of EUR 2 981 thousand (31 December 2020: EUR 2 981 thousand).

(b) Repossessed collateral valuation

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

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

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

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

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

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

(6) Interest income

Summary

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

	For the six months ended 30 June	
	2021 EUR'000	2020 EUR'000
Loans to customers:		
4finance Group	87 595	123 564
TBIF Group	50 610	42 944
	138 205	166 509

Notes to the Condensed Consolidated Interim Financial Statements**(6) Interest income (continued)**

Interest income by geographic markets:

The 4finance Group

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Spain	30 071	31 826
Poland	28 692	37 129
Latvia	9 279	9 290
Czech Republic	8 706	8 412
Lithuania	4 331	4 111
Denmark	3 405	18 728
Sweden	1 520	1 618
Armenia	1 464	4 282
Other	128	8 168
	87 595	123 564

TBIF Group

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Romania	27 633	18 328
Bulgaria	22 623	24 152
Poland	202	464
Lithuania	152	—
	50 610	42 944

(7) Interest expense

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Interest expense on notes	20 628	22 983
Deposits from customers	3 082	2 314
Deposits from banks and financial institutions	297	283
Other	114	4
	24 121	25 584

Notes to the Condensed Consolidated Interim Financial Statements

(8) Non-recurring finance income

The Group repurchased \$30.5 million nominal value of USD bonds and €0.9 million nominal value of EUR bonds for the six months period ended 30 June 2021, which generated non-recurring finance income of EUR 2 450 thousand (for the six months ended 30 June 2020: EUR 7 356 thousand). The income represents the difference between carrying value of the purchased bond and the purchase price paid.

(9) Fee and commission income

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Income from insurance broker's activities and agent's commissions	10 468	6 654
Transfer and transaction income	625	610
Guarantee and letter of credit income	10	10
Other income	154	91
	11 258	7 365

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

(10) Fee and commission expense

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Agent's commission expense	3 728	2 582
Bank transaction expense	883	852
Other expense	9	8
	4 620	3 443

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

(11) Other operating income

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Interest income	4 939	4 423
Income from services	391	1 026
	5 330	5 449

For the six months ended 30 June 2021, Other operating income includes interest income from parent company of EUR 3 384 thousand (for the six months ended 30 June 2020: EUR 3 403 thousand).

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

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Personnel costs	39 276	45 569
Marketing and sponsorship	13 955	13 403
IT expenses	5 601	7 931
Legal and consulting	3 588	3 616
Depreciation and amortization	3 551	7 039
Application inspection costs	2 032	2 775
Communication expenses	1 800	2 074
Taxes	1 637	1 896
Bank services	1 485	1 816
Debt collection costs	1 211	2 006
Rent and utilities	799	1 019
Travel	352	634
Other	4 582	5 713
	79 869	95 492

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

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

(13) Non-recurring income/ (expense)

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Disposals of subsidiaries	1 066	(3 502)
Intangible asset write-off	(158)	(12)
Intangible asset impairment reversal	—	75
Other non-recurring expense	(1 540)	—
	(632)	(3 440)

In 2021 disposals of subsidiaries include the technical gain from the sale of Friendly Finance companies. Other non-recurring expense includes Denmark income adjustment for 2020 following the mid-year regulatory pricing changes. In 2020 disposals of subsidiaries include loss from sold subsidiaries in Georgia and Mexico.

Notes to the Condensed Consolidated Interim Financial Statements**(14) Net foreign currency gain/ (loss)**

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Net foreign currency loss	(6 676)	(11 305)
Net gain on derivatives	4 812	7 345
	<u>(1 864)</u>	<u>(3 960)</u>

(15) Net impairment losses

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Impairment losses on loans	40 554	65 695
Over provision on debt portfolio (portfolio sale net gain)	(10 332)	(1 741)
Recovery from written-off loans	(5 884)	(6 292)
	<u>24 339</u>	<u>57 662</u>

Gross impairment charges for the period reduced significantly, 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 4finance Group portfolio. The recovery in the external debt sale market allowed a return to the Group's standard strategy of 'forward flow' and ad hoc debt sales for its non-performing loans. This contributed to the net gains on portfolio sales in the period and also lower regular impairments on portfolios where forward flow agreements have been established.

(16) Income tax for the reporting period

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
Current tax	4 342	7 753
Deferred tax	3 786	(504)
	<u>8 128</u>	<u>7 248</u>

Notes to the Condensed Consolidated Interim Financial Statements**(17) Cash and cash equivalents**

	30.06.2021	31.12.2020
	EUR'000	EUR'000
Bank balances	71 037	86 809
Cash at central banks other than the minimum statutory reserve	35 535	33 783
Cash and cash equivalents in the statement of cash flows	106 572	120 592
Minimum statutory reserve	40 004	33 643
Total cash on hand and cash at central banks	146 575	154 235

(18) Net receivables due from customers**Summary**

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

	Gross receivables 30.06.2021	Allowance for impairment 30.06.2021	Net receivables 30.06.2021	Gross receivables 31.12.2020	Allowance for impairment 31.12.2020	Net receivables 31.12.2020
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
4finance Group	217 802	(44 605)	173 197	237 676	(63 450)	174 226
TBIF Group	447 789	(53 776)	394 013	404 815	(52 610)	352 205
	665 591	(98 381)	567 210	642 491	(116 060)	526 431

4finance Group

	30.06.2021	31.12.2020
	EUR'000	EUR'000
Long-term loans due from customers	45 431	41 072
Allowance for impairment of long-term loans due from customers	(2 242)	(6 078)
Long term	43 189	34 994
Short-term loans due from customers	172 371	196 604
Allowance for impairment of short-term loans due from customers	(42 363)	(57 372)
Short term	130 008	139 232
	173 197	174 226

The 4finance Group's long-term and short-term loans consist of loan balances not exceeding EUR 15 000 per loan (31 December 2020: EUR 15 000 and maturity of up to 7 years) with maturity of up to 7 years. The average loan size at June 30 2021 was EUR 225 (2020: EUR 220). The loans are not collateralized.

Short-term loans include the Line of Credit portfolio outstanding of EUR 28 thousand as at June 30 2021 (31 December 2020: EUR 59 thousand). The total credit committed under this product, which includes used and unused amounts, is EUR 130 thousand (31 December 2020: EUR 216 thousand).

Notes to the Condensed Consolidated Interim Financial Statements**(18) Net receivables due from customers (continued)**

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

	For the six months ended 30 June	
	2021	2020
	EUR'000	EUR'000
<u>Allowance for impairment</u>		
Balance at the beginning of period	63 450	114 335
Charge for the period	26 023	48 168
Amounts written-off	(16 957)	(40 322)
Derecognised on disposal of portfolio	(27 736)	(17 102)
Currency effect	(175)	(2 000)
Balance at period end	44 605	103 078

The net gain from debt sales of loan portfolios in the 4finance Group is EUR 7 867 thousand (for the six months ended 30 June 2020: EUR 1 056 thousand).

Loans by country and currency:

	Gross receivables 30.06.2021	Allowance for impairment 30.06.2021	Net receivables 30.06.2021	Gross receivables 31.12.2020	Allowance for impairment 31.12.2020	Net receivables 31.12.2020
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Poland (PLN)	63 592	(12 311)	51 281	65 554	(14 463)	51 091
Latvia (EUR)	48 300	(4 851)	43 449	44 373	(6 289)	38 084
Lithuania (EUR)	33 480	(2 044)	31 436	33 231	(2 266)	30 965
Spain (EUR)	36 373	(13 988)	22 385	40 366	(19 035)	21 331
Czech Republic (CZK)	13 302	(2 600)	10 702	14 741	(3 757)	10 984
Denmark (DKK)	13 897	(3 780)	10 117	23 644	(9 987)	13 657
Sweden (SEK)	4 526	(699)	3 827	8 224	(1 054)	7 170
Other	4 332	(4 332)	—	7 543	(6 599)	944
	217 802	(44 605)	173 197	237 676	(63 450)	174 226

Notes to the Condensed Consolidated Interim Financial Statements**(18) Net receivables due from customers (continued)****TBIF Group****Loans to customers**

	30.06.2021	31.12.2020
	EUR'000	EUR'000
Loans to customers:		
Individuals	362 264	332 181
Corporate clients	84 778	71 867
Staff	746	767
Total loans to customers	447 788	404 815
Allowance for impairment	(53 775)	(52 610)
Total net loans to customers	394 013	352 205

Loans to customers include accrued interest amounting to EUR 12 804 thousand (2020: EUR 8 745 thousand). Loans to customers bearing floating interest rates amount to EUR 70 974 thousand (2020: EUR 59 773 thousand), and loans to customers bearing fixed interest rates amount to EUR 378 096 thousand (2020: EUR 346 080 thousand).

Allowance for impairment

The movement in allowance for impairment is as follows:

	For the six months ended 30 June	
Allowance for impairment for individually assessed financial assets	2021	2020
	EUR'000	EUR'000
Balance at the beginning of period	2 748	2 423
(Reversal)/Charge for the period in continued operations	243	(127)
Amounts written-off	(205)	(37)
Currency effect	241	42
Balance at period end	3 027	2 301

	For the six months ended 30 June	
Allowance for impairment for collectively assessed financial assets	2021	2020
	EUR'000	EUR'000
Balance at the beginning of period	49 862	38 038
Charge for the period in continued operations	16 022	12 055
Amounts written-off	(14 889)	(4 391)
Currency effect	(246)	266
Balance at period end	50 749	45 968

Net gain from debt sales of portfolio in TBIF Group is EUR 2 464 thousand (for the six months ended 30 June 2020: EUR 685 thousand).

Notes to the Condensed Consolidated Interim Financial Statements**(18) Net receivables due from customers (continued)****Structure of the loan portfolio by economic sectors**

	Gross receivables 30.06.2021 EUR'000	Allowance for impairment 30.06.2021 EUR'000	Net receivables 30.06.2021 EUR'000	Gross receivables 31.12.2020 EUR'000	Allowance for impairment 31.12.2020 EUR'000	Net receivables 31.12.2020 EUR'000
Individuals	362 265	(48 632)	313 633	332 181	(47 703)	284 478
Construction and real estate	46 524	(1 868)	44 656	34 964	(1 812)	33 152
Services	12 050	(1 093)	10 957	10 431	(1 000)	9 431
Tourism	8 767	(253)	8 514	9 209	(209)	9 000
Commerce	8 694	(1 144)	7 550	8 262	(1 066)	7 196
Agriculture	4 956	(412)	4 544	4 715	(454)	4 261
Manufacturing	2 856	(324)	2 532	3 586	(305)	3 281
Staff	746	(33)	713	767	(49)	718
Other financial institutions	931	(17)	914	700	(12)	688
Total loans to customers	447 789	(53 776)	394 013	404 815	(52 610)	352 205

(19) Loans to related parties

	30.06.2021 EUR'000	31.12.2020 EUR'000
Loans to related parties	59 059	59 148
	59 059	59 148

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

	Maturity	Interest rate	Principal amount		Accrued interest	
			30.06.2021 EUR'000	31.12.2020 EUR'000	30.06.2021 EUR'000	31.12.2020 EUR'000
4finance Group S.A.	Feb 2022	13.75 %	47 767	47 769	10 307	10 415
BillFront GmbH	Dec 2021	5 %	852	852	133	111
			48 619	48 621	10 440	10 527

All loans to related parties are unsecured.

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

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

In August 2021 the maturity of the loan to 4finance Group S.A. was extended to December 2024.

Notes to the Condensed Consolidated Interim Financial Statements**(20) Other assets**

	30.06.2021	31.12.2020
	EUR'000	EUR'000
FX hedging - margin requirements	12 110	12 290
Receivables from suppliers	3 807	3 346
Reposessed real estate	2 723	3 885
- less allowance for impairment	(243)	(536)
Other reposessed assets	308	863
- less allowance for impairment	(260)	(317)
Prepayment	1 659	983
Security deposits	810	875
Other receivables	5 085	4 942
	25 999	26 331

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

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

(21) Deferred tax assets

Deferred tax relates to the following temporary differences and tax losses carried forward. Movement in temporary differences and tax losses carried forward during the period ended 30 June 2021:

	Net balance 1 January 2021	Recognised in profit or loss of continued operations	Effect of exchange rate fluctuations	Net balance Net balance 30 June 2021	Deferred tax assets	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impairment losses on loans and receivables	2 683	(173)	6	2 516	2 516	—
Property and equipment	(136)	(35)	1	(170)	—	(170)
Other liabilities	7 438	(3 914)	112	3 636	3 636	—
Tax loss carry-forwards	8 603	337	(10)	8 930	8 931	—
Deferred tax assets (liabilities) before set-off	18 588	(3 785)	109	14 912	15 083	(170)
Set-off of tax	—	—	—	—	(170)	—
Net deferred tax assets	—	—	—	—	14 912	—

Notes to the Condensed Consolidated Interim Financial Statements**(21) Deferred tax assets (continued)**

Movement in temporary differences and tax losses carried forward during the year ended 31 December 2020:

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

The Group has recognized deferred tax assets of EUR 14 912 thousand (31 December 2020: EUR 18 589 thousand) in Czech Republic, Denmark, Lithuania, Luxembourg, Poland and Spain.

Deferred tax assets arising from tax losses carried forward as at 30 June 2021 related to Lithuania, Luxembourg, Spain and Poland, totalled EUR 8 930 thousand (31 December 2020: EUR 8 603 thousand). The Group has prepared detailed financial projections for these entities covering next 1-3 years. Based on these projections and the Group's history of utilizing deferred tax assets in other countries, management expects that the Group will be able to fully utilize these tax losses over the forthcoming years.

EUR 8 262 thousand deferred tax asset is recognized on tax losses having expiry period more than 5 years, while EUR 668 thousand deferred tax asset is recognized on tax losses having expiry period within 5 years.

The main reasons for the decrease in the carrying value of deferred tax asset compared to year 2020 are:

- in Vivus Poland (by EUR 3 062 thousand): deferred tax asset released as a result of a significant amount of sale of receivables (recognition of loss upon the sale, previously being taxed);
- in Czech Republic (by EUR 548 thousand): deferred tax asset release in result of provision release as well as de-recognition of definite amount of deferred tax asset by taking into account expected write-off deductibility in future;
- in IT branches in Lithuania, Poland and Czech Republic (in total by EUR 91 thousand): deferred tax asset derecognition due to reorganization/liquidation processes.

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

Notes to the Condensed Consolidated Interim Financial Statements**(22) Loans and borrowings**

	30.06.2021 EUR'000	31.12.2020 EUR'000
Long term		
Notes	—	320 895
Other loans	—	26
	<u>—</u>	<u>320 921</u>
Short term		
Notes	309 484	4 858
Other loans	18 785	16 110
	<u>328 270</u>	<u>20 968</u>
Total	<u>328 270</u>	<u>341 890</u>

Detailed information regarding loans and borrowings can be seen below:

	Currency	Maturity	Interest rate	Principal amount		Accrued interest	
				30.06.2021	31.12.2020	30.06.2021	31.12.2020
				EUR'000	EUR'000	EUR'000	EUR'000
Notes							
USD Notes	USD	May 2022	10.75%	160 875	178 644	1 697	3 227
EUR Notes	EUR	Feb 2022	11.25%	144 034	142 252	2 878	1 631
Other loans							
Loans from banks:							
Truist Bank	USD	May 2022	1.00%	113	109	1	1
Denmark line of credit	DKK	Jan 2022	2.00%	1	3	—	—
Deposits from banks:							
Deposits from banks (TBIF Group)	RON	Jul 2021	2.85%	18 670	16 023	—	—
				<u>323 693</u>	<u>337 031</u>	<u>4 576</u>	<u>4 859</u>

As of 30 June 2021, the Group had loans and borrowings of EUR 328 270 thousand, compared with EUR 341 890 thousand as of 31 December 2020. The Group's loans and borrowings accounted for 40% of total liabilities as of 30 June 2021 and 43% of total liabilities as of 31 December 2020. The Group continues to optimise its funding by repaying debt at local subsidiary level and retains the flexibility to use excess liquidity to make limited repurchases of its bonds. In 2021 the Group repurchased USD 30.5 million of the USD Notes and EUR 0.9 million of its EUR bonds, and then cancelled USD 125 million of its USD bonds in June. As of 30 June 2021, USD 2.4 million of USD bonds and EUR 0.9 million of EUR bonds were held in treasury.

In May 2016, 4finance S.A. issued EUR 100.0 million of 11.25% notes (the 'EUR Notes') which are senior to all of the Group's future subordinated debt. The EUR Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50.0 million of EUR

Notes to the Condensed Consolidated Interim Financial Statements**(22) Loans and borrowings (continued)**

Notes were issued at par. Following a bondholder vote, in July 2021 the maturity of the EUR bonds was extended to February 2025, and they are currently callable at 104%.

In April 2017, 4finance S.A. issued USD 325.0 million of 10.75% notes (the 'USD Notes') which are listed on the Irish Stock Exchange and will mature in May 2022. The 'USD Notes' are currently callable at 100%. An IFRS 9 adjustment as of 1 January 2018 resulted in a EUR 5.2 million decrease to the carrying value from the revaluation at the original effective interest rate of a proportion of USD 2022 bond carried over from original USD 2019 bond (to be amortised over remaining life of bond in 'interest expense'). In June the Group cancelled USD 125 million of USD bonds leaving USD 200 million outstanding.

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

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

	Notes	Other loans	Retained earnings
Balance at 1 January 2021	325 754	16 137	140 624
Loans received and notes issued	—	2 648	—
Repayment of loans and notes	(25 093)	—	—
Total changes from financing cash flows	(25 093)	2 648	—
Other changes			
Liability-related			
Interest payments	(18 048)	—	—
Costs of notes issuance and premium on repurchase of notes	(2 418)	—	—
Interest expense	20 623	1	—
Foreign exchange impact	8 665	—	—
Other	1	—	—
Total liability-related other changes	8 823	1	—
Total equity-related other changes	—	—	14 336
Balance at 30 June 2021	309 484	18 786	154 960

(23) Deposits from customers

	30.06.2021	31.12.2020
	EUR'000	EUR'000
TBIF Group	415 124	371 388
4finance Group	11 015	11 827
Total deposits from customers	426 139	383 214

Notes to the Condensed Consolidated Interim Financial Statements**(23) Deposits from customers (continued)**

TBIF Group	30.06.2021	31.12.2020
	EUR'000	EUR'000
Corporate customers		
Current/settlement accounts	15 512	14 410
Term deposits	16 067	15 548
Individuals		
Current/settlement accounts	39 649	33 131
Term deposits	343 896	308 299
	415 124	371 388

As a credit institution, deposits are a normal part of the activity of TBIF Group, it provides only fixed rate deposits, most of which mature within 12 months. The average cost on these deposits for TBIF Group during 2021 was 1.7% (2020: 1.7%) per annum (average costs includes interest expense on deposits divided by current account and term deposit balances regardless of maturity, currency and geographic location).

The significant increase in deposits in 2021 was due to a new deposit product in the Romanian market and a new online platform in Romania.

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

4finance Group	30.06.2021	31.12.2020
	EUR'000	EUR'000
Deposits from customers	11 015	11 827
	11 015	11 827

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

Call deposits are offered for an unlimited term and may be withdrawn by a customer at any time without a fee. Call deposits bear a floating interest rate, that is currently 5.5% per annum. The minimum amount for call deposits is SEK 1 000 (approximately EUR 99).

Deposits on interest accounts were previously offered for fixed terms of between three months to three years, and may not be withdrawn early by a customer without the loss of accrued interest. Deposits on interest accounts bear fixed interest rates between 6.1% and 10% per annum, depending on the term of the deposit. The minimum amount required to be deposited in respect of interest accounts is, in each case, SEK 10 thousand (EUR 987).

Deposits from customers at the end of June 2021 includes interest payable amounting to 247 EUR thousand (31 December 2020: EUR 703 thousand).

Notes to the Condensed Consolidated Interim Financial Statements

(23) Deposits from customers (continued)

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

(24) Other liabilities

	30.06.2021	31.12.2020
	EUR'000	EUR'000
Accrued expenses	16 278	13 370
Prepaid repayment instalments and advances received	11 451	10 569
Lease liabilities	9 223	9 590
FX hedging liabilities	7 644	4 898
Accounts payable to suppliers	5 036	6 853
Taxes payable	2 898	4 967
Salaries payable	2 586	3 750
Provisions for unused vacations	2 327	2 004
Overpayments received from clients	2 037	2 009
Faulty payments received	1 368	1 676
Other liabilities	5 790	3 993
	66 639	63 679

Accrued expenses include expenses for marketing costs, loan application processing costs, communication expenses, debt collection expenses and IT expenses.

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

(25) Share capital

The share capital of the Group as at 30 June 2021 was EUR 35 750 thousand (31 December 2020: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2020: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2020: EUR 0.01), fully paid via a contribution-in-kind.

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

Equity includes a negative reorganization reserve of EUR 31 240 thousand (31 December 2020: EUR 31 240 thousand) which mainly reflects the difference between the share capital of 4finance Holding S.A. and the paid in share capital of AS 4finance prior to the legal reorganization conducted in 2014 and 2015.

As at 30 June 2021, the Company's shareholder was 4finance Group S.A. (100% ownership of ordinary shares, corresponding to 100% of total share capital) owned by Tirona Limited (Cyprus) directly.

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

Notes to the Condensed Consolidated Interim Financial Statements

(26) Litigations

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

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

The remaining accrued provision of EUR 90 thousand as of 31.12.2020 has been released during the first six months of 2021 due to the fact that the number and value of customer claims had fallen back to roughly the values observed at the end of 2019.

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

4finance Group has recognized EUR 1.3 million net expense accrual in Spain for the six month period ended 30 June 2021 (full year 2020: EUR 1.5 million), relating to a number of customer redress claims mostly for usurious interest rates brought against 4finance Group. Spain is an unregulated market, and so there is no specific applicable legislation regarding interest rates. However, during first half of 2021, the majority of such cases were decided in favour of customers based on a Spanish Supreme Court ruling from 2015 and another from 2020 about usury in a different segment of consumer lending. As such, the Group took the approach of fully providing for each claim, except for those from the Madrid region where claims are provided in 80%. Starting from 2019 and continuing throughout 2020 and 2021, with the help of the Spanish Micro Loan Association, who provides the appropriate reference rate for the specific product, 4finance Group now sees more favourable court rulings, including in appellate court instance. The trend towards more favourable rulings is expected to continue.

(27) Group entities

During the six month period ended 30 June 2021 the Group has sold Friendly Finance Georgia Ltd, Friendly Finance OU, Friendly Finance Poland SP. z o.o., Friendly Finance Nusuntana PT, Fine Line Services Ltd. and Friendly Group Spain S.L. to 4finance Group S.A. and Friendly Finance Slovakia s.r.o. to non-related party.

Additionally, the Group has dissolved 4f Sales Overseas Inc., 4F Servicios de Correspondente Bancario Ltda., SIA 4FINANCE IT, SUCURSAL EN ESPAÑA and established TiBuy EAD.

Notes to the Condensed Consolidated Interim Financial Statements

(28) Subsequent events

Financing

In June 2021, 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.

In July 2021, 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.

Reorganization

Following information on changes in corporate structure disclosed in annual consolidated financial statements as at 31 December 2020, in July 2021 merge of SIA 4finance IT, SIA 4finance Media, as well as both Latvian operating entities, i.e. SIA Vivus and SIA Ondo, into AS 4finance was completed.

Changes in the regulatory framework

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.

Changes in management

During September 2021, Dmitry Kislyakov and Ugis Zemturis were 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. Ugis has extensive retail banking sector executive and consulting experience, including 10 years of board-level roles with banks in the Baltic, Nordic and CIS/CEE regions including AlfaBank and Swedbank Latvia (Hansabank). Evgeny Sytnik and Paul Muhr stepped 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.

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

Report on Review of Condensed Consolidated Interim Financial Statements

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of 4finance Holding S.A. and its subsidiaries (the "Group"), which comprise the condensed consolidated interim statement of financial position as at 30 June 2021 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and related notes (collectively, the "interim financial information"). The Board of Directors is responsible for the preparation and fair presentation of the interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 (b) Basis of Measurement and Note 22 Loans and Borrowings in the financial statements. Note 22 indicates that as of 30 June 2021, the Group had loans and borrowings of EUR 310 million with maturities in the first half of 2022. Note 28 indicates that the maturity of EUR 147 million of its EUR bonds has been successfully extended by three years to February 2025. Note 2 (b) indicates there are risks and uncertainties around future business performance, the macro environment and in capital markets, and describes Management's plan to address bond maturities during the course of 2021 and confidence in the Group's ability to refinance. These events or conditions indicate that in case the bond maturities cannot be refinanced, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusion is not qualified in this respect.

PKF Audit & Conseil Sàrl
Cabinet de révision agréé - RC B222994
37, rue d'Anvers L-1130 Luxembourg
+352 28 80 12

Other Matter

We were appointed to review the accompanying interim financial information of the Group for the six-month period ended June 30, 2021 and thus did not review the corresponding figures for the prior period. Corresponding figures as of December 31, 2020 shown in the condensed consolidated interim statement of financial position have been audited.

Luxembourg, 30 September 2021

PKF Audit & Conseil Sàrl
Cabinet de révision agréé



Jean Medernach