FINANCE

4finance Holding SA

Investor presentation for full year 2021 results

2 March 2022

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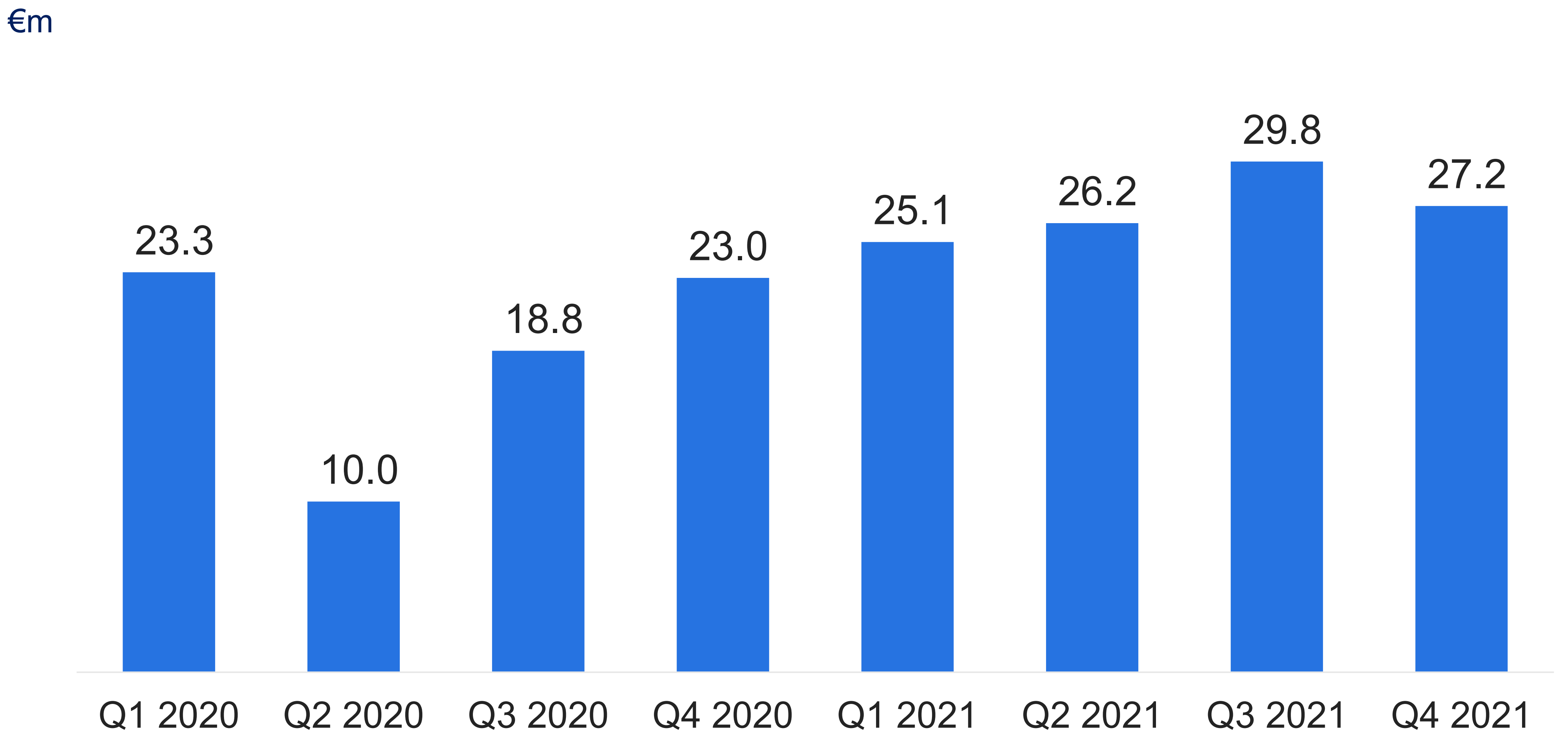
Summary of full year 2021 results

- €27.2m quarterly Adjusted EBITDA, €108m for full year 2021. Highest EBITDA margin for several years
- Interest income up 3.7% in Q4 vs Q3, benefiting from a seasonally strong quarter despite return of some Covid restrictions
- Robust cash position with year-end “online” cash levels €80m
- Stable cost base supporting higher issuance and revenue generation
- Growing business footprint at TBI Bank, with yet another record quarter in origination and portfolio size
- Increase in cost of risk in Q4 as expected, however asset quality indicators remain good with improved portfolio quality vs 2020
- Strong debt profile with a balanced medium-term capital structure

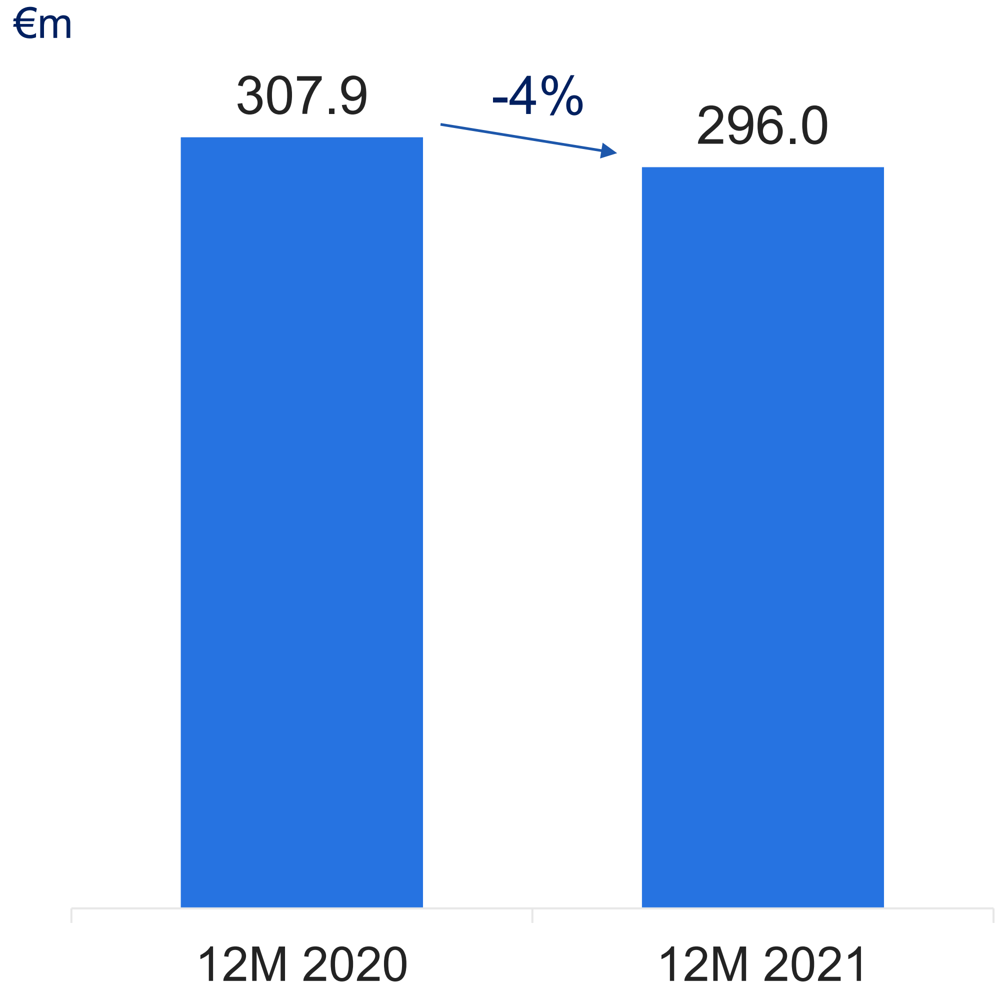
See appendix for definitions of key metrics and ratios

Adjusted EBITDA by quarter since 2020

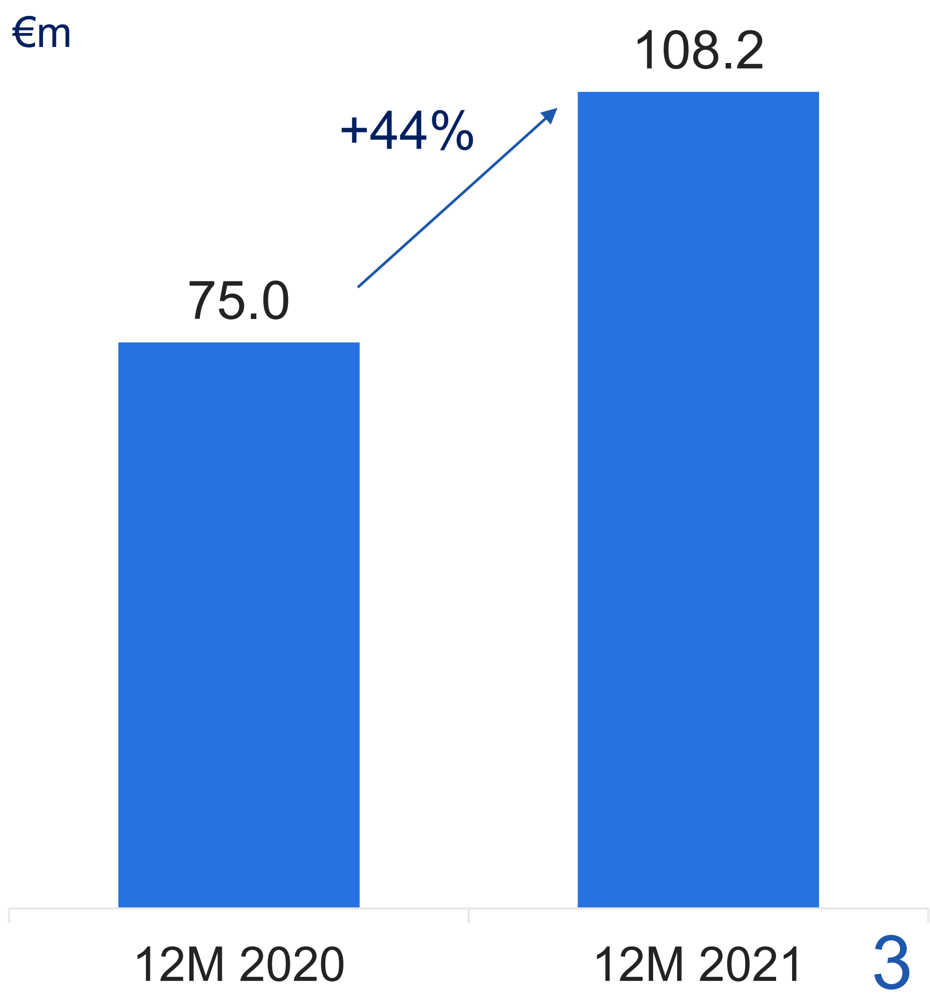


Year-on-year comparison

Interest Income



Adjusted EBITDA

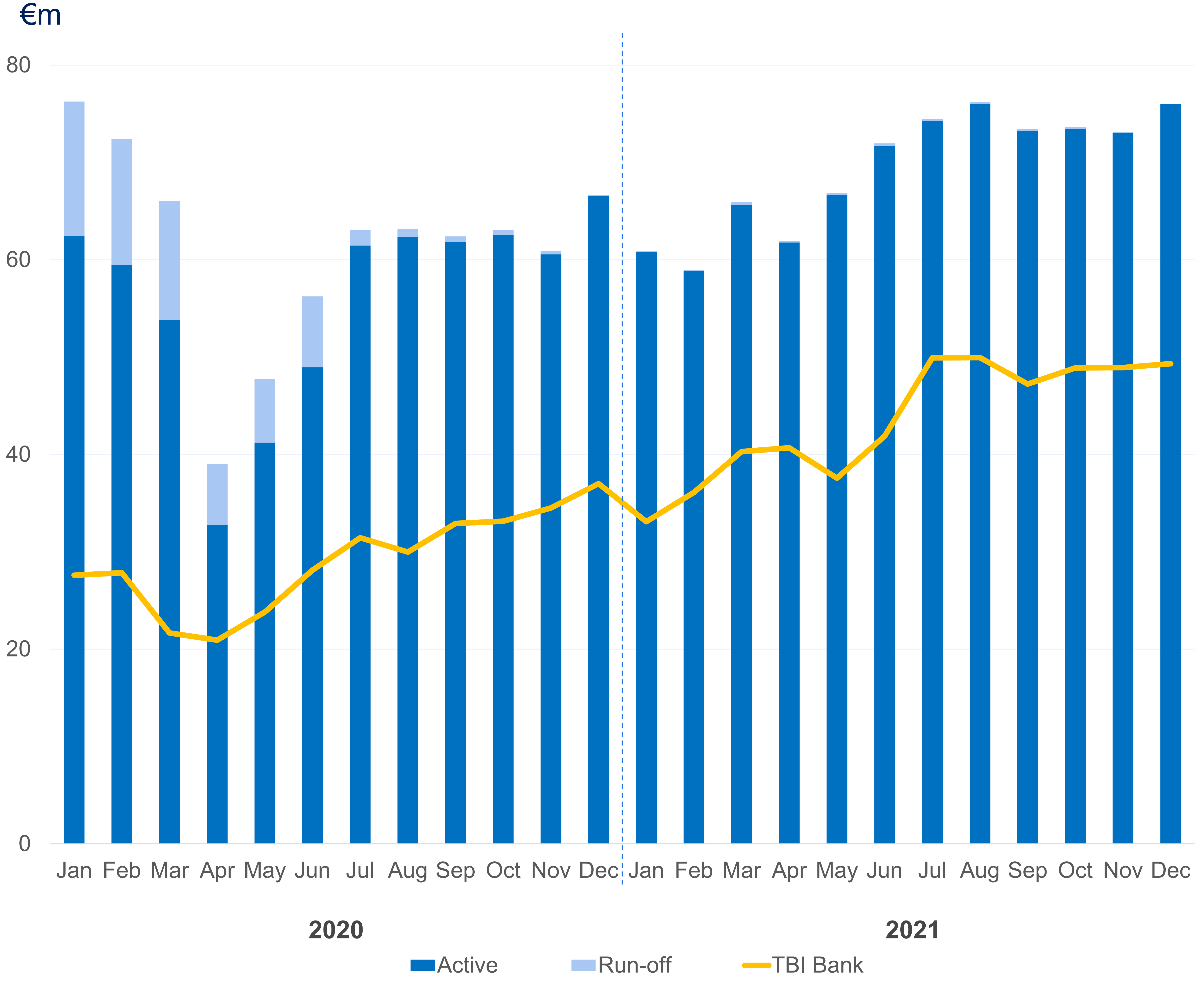


Operational progress

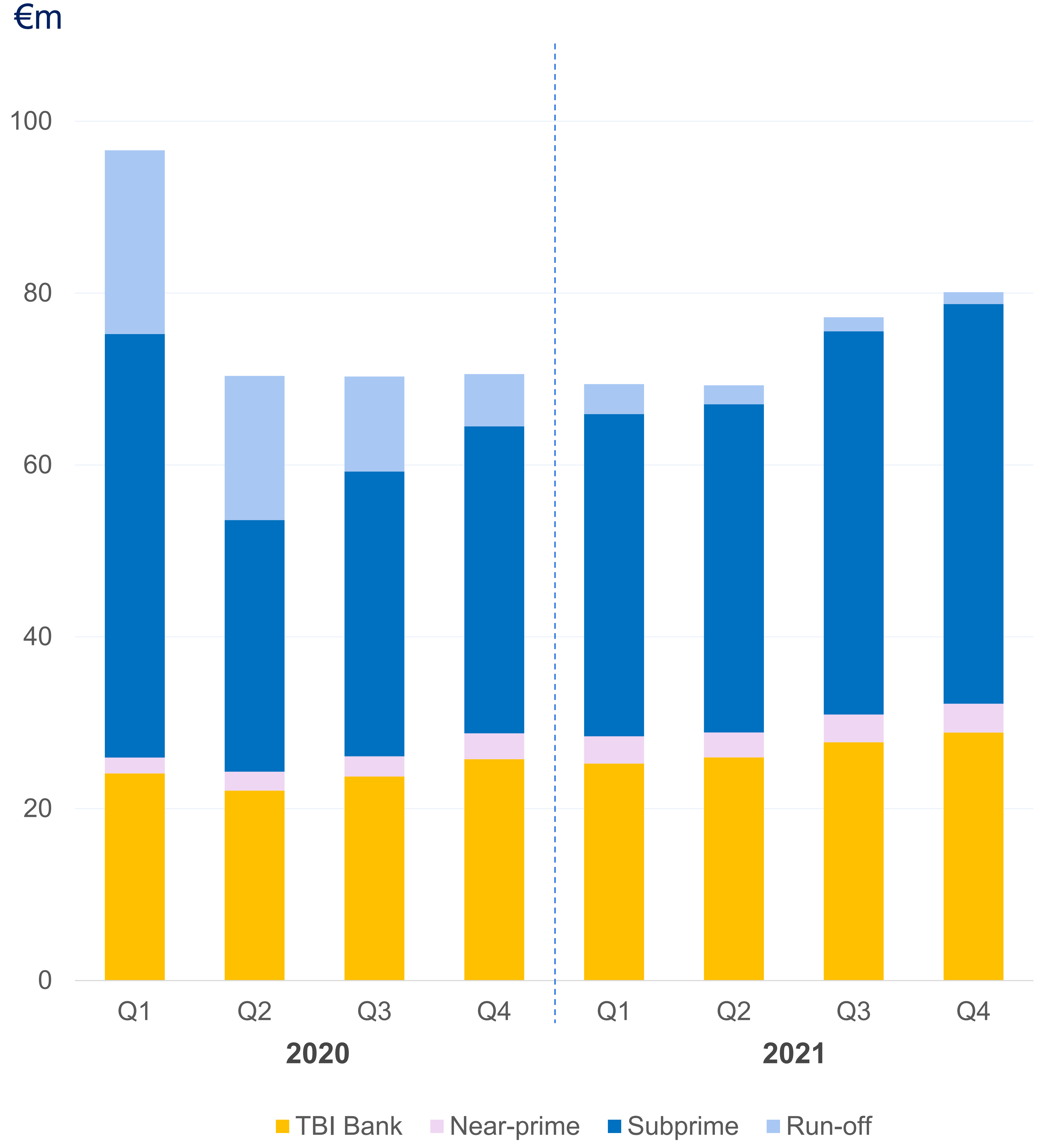
- Focus on profitable markets and products – "back to basics" approach
- Despite a new wave of Covid restrictions, credit appetite remained strong – surpassed €9bn loan issuance in Q4
- Cost efficiency focus in online business with over €13m in year-on-year savings achieved
- Sales of near-prime loans from Lithuania to TBI operating at scale – over €20m of principal sold in 2021
- TBI: organic business growth, investment in strategic initiatives, geographic expansion to Greece approved
- Successfully completed bond refinancing and maintained healthy cash levels
- Decision taken to cease lending in Denmark and focus on monetising portfolio
- Ukraine situation: no operations in Russia or Ukraine, but in many eastern European markets. Supporting Ukrainian employees and donating to refugee charities

Loan issuance and interest income

Monthly loan issuance [1]



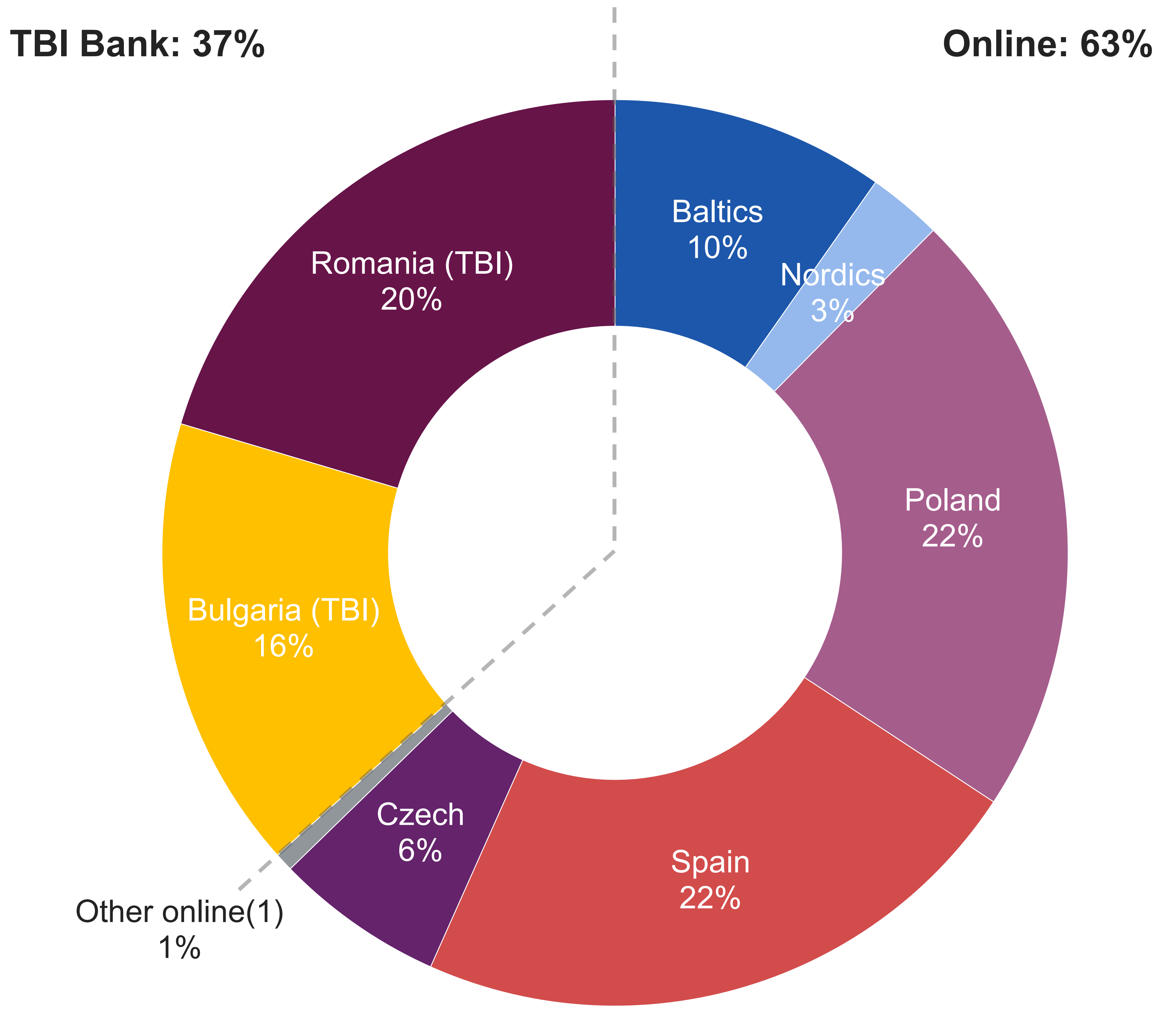
Quarterly interest income



Note (1): Run-off products represent those where issuance has been stopped as of 2021 year end

Interest income remains diversified

2021 interest income by country



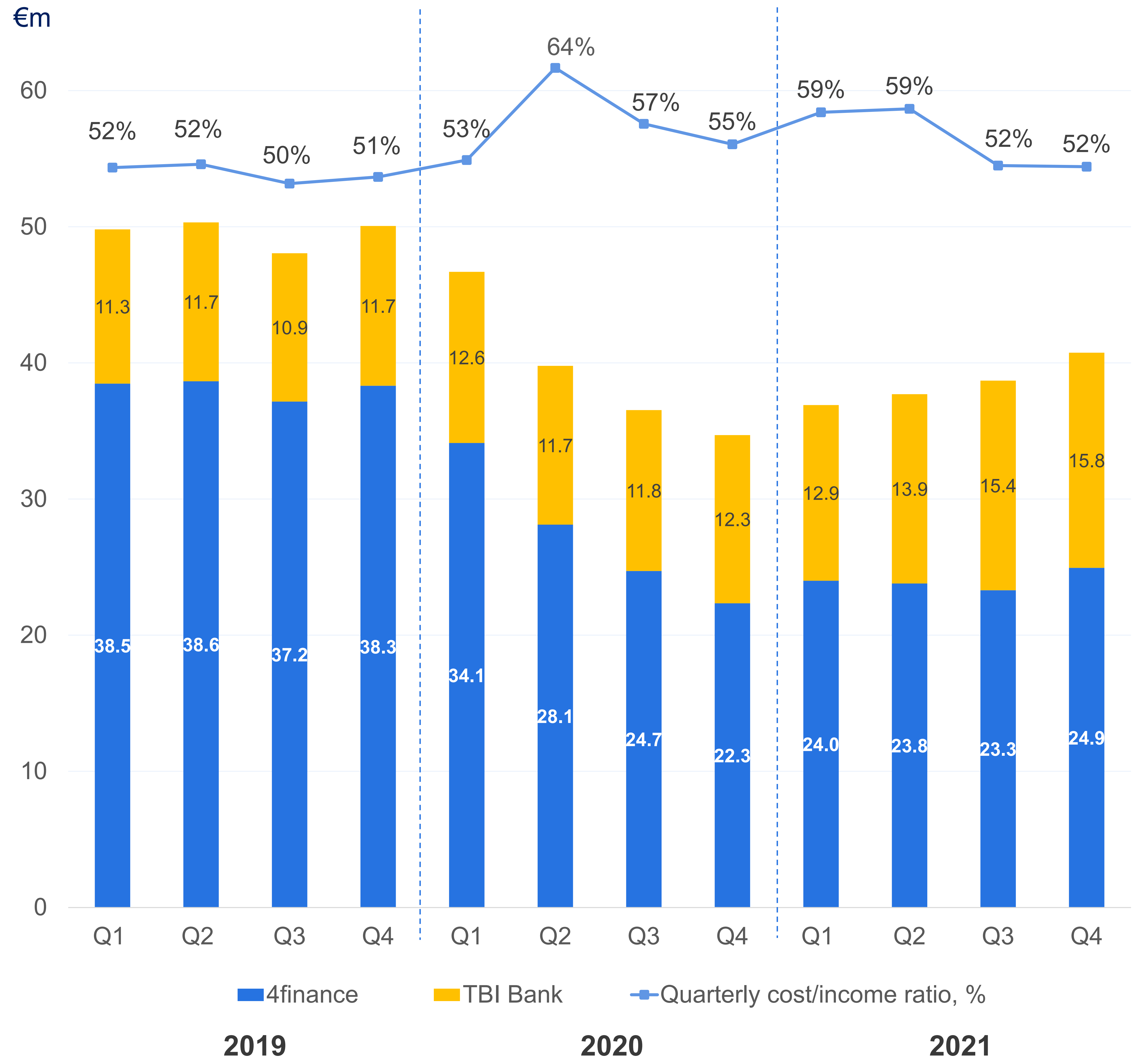
Note (1): Other online represents Armenia, Argentina and Slovakia

- Focus on 7 online markets plus TBI Bank
  - Baltics: Latvia & Lithuania
  - Nordics: Sweden & Denmark
  - Poland
  - Spain
  - Czech Republic
- Clear regulatory framework in place in most markets
  - Contrast to position of 3+ years ago
  - Demonstrated ability to adapt and share best practice
  - Monitoring developments in Poland
- Disciplined approach to further growth opportunities
  - New segment/product pilots
  - Investing for growth at TBI Bank, including TiBuy

Operating cost drivers

- Annual operating costs down over €13m YoY in online business, a 12% reduction, highlighting consistent focus on direct costs control and rightsizing of overheads and indirect costs
- Online - cost savings in most Opex categories: €8.7m YoY in staff costs and lower overall cost base
- Marketing spend increased in Q4 to support seasonally active issuance period. Represents investment in future customer lifetime value
- TBI Bank costs up in line with business growth and investment in strategic growth initiatives. Cost/income ratio at TBI still on flat or improving trend
- Implemented IT efficiencies and automation have led to €3.8m savings YoY in online

Total operating costs (1)



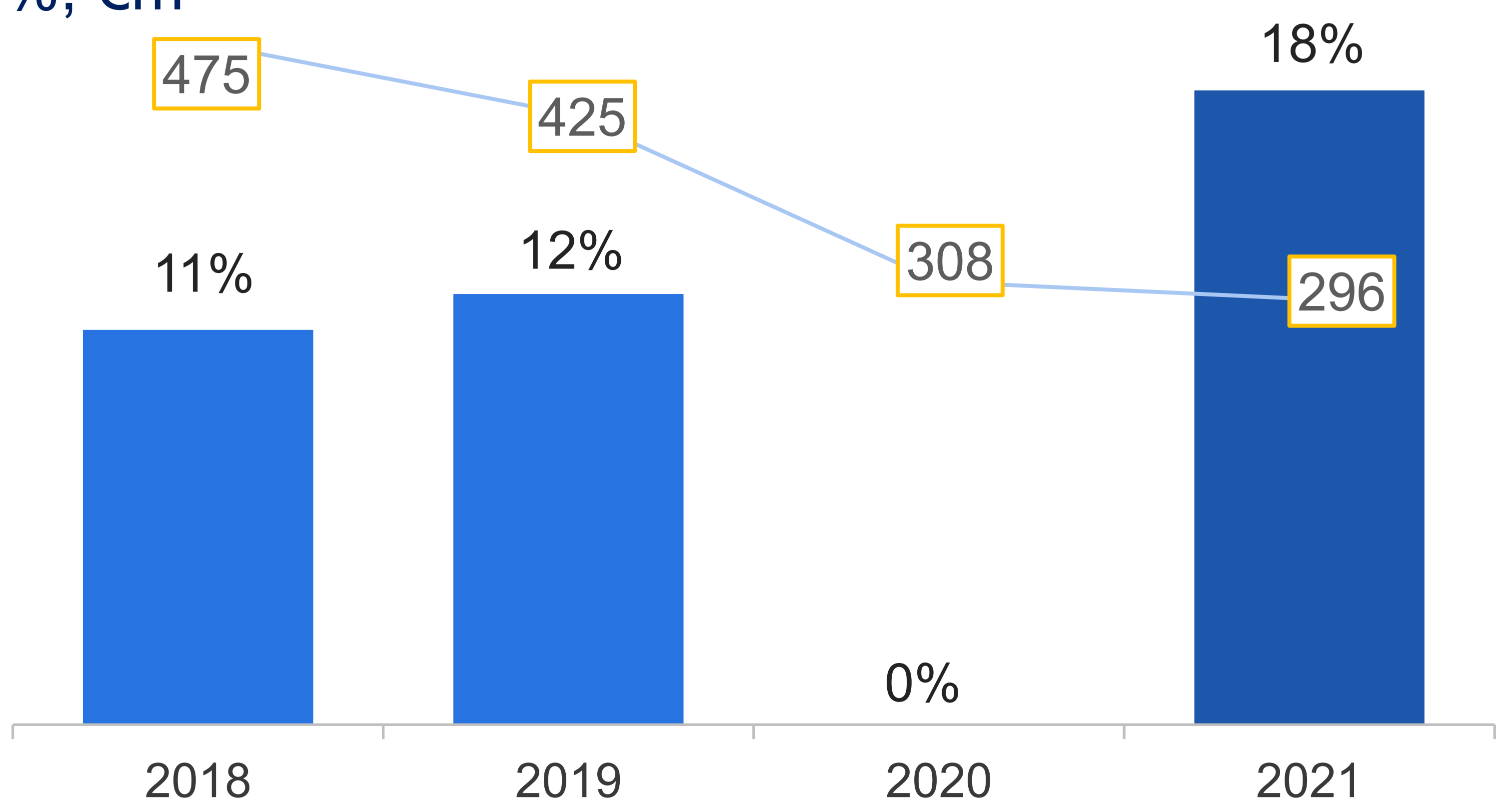
Note (1): Q4 costs for 2019 & 2020 have been adjusted to reflect respective year's audited figures

See appendix for definitions of key metrics and ratios

Resilient financial track record

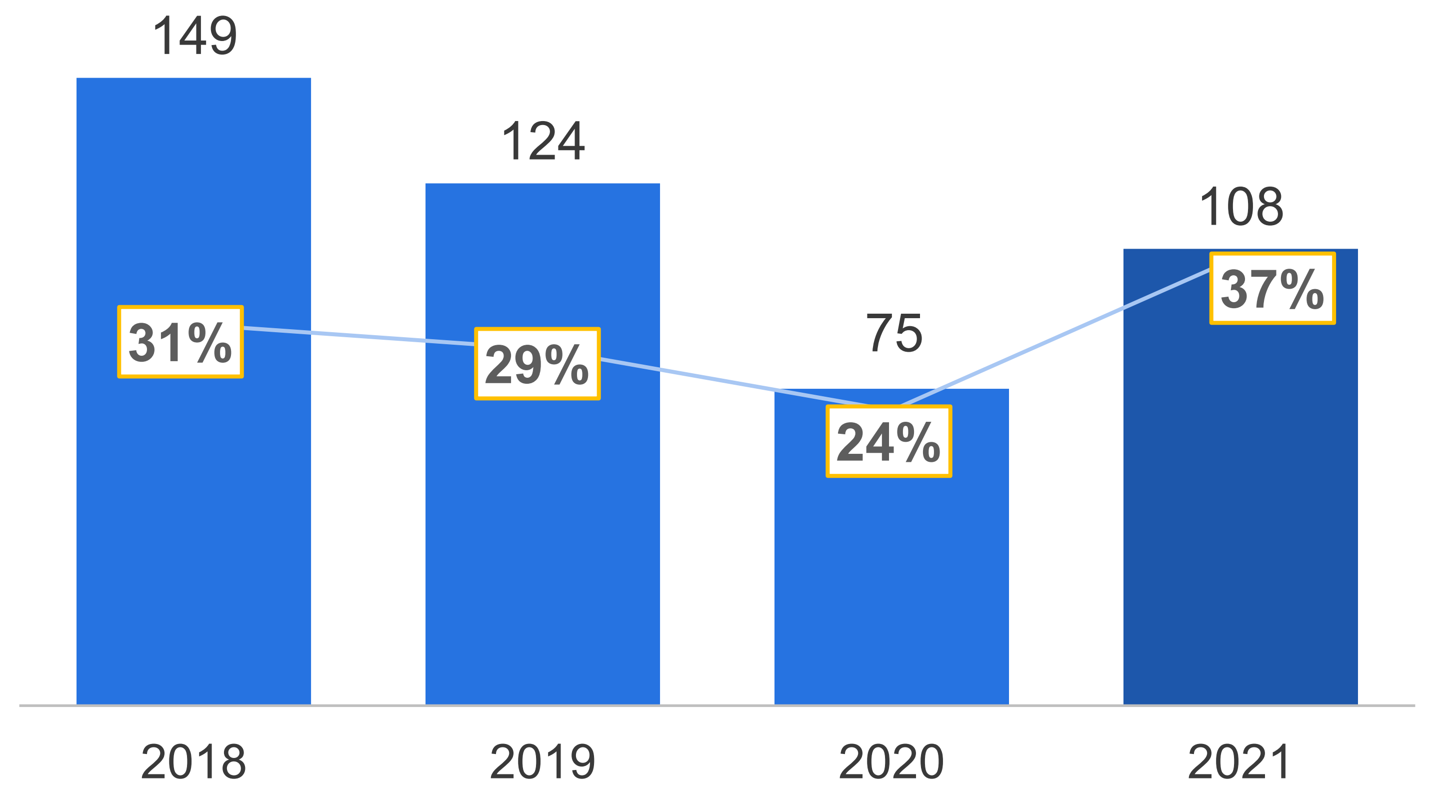
PBT margin (%) / Interest income

%, €m



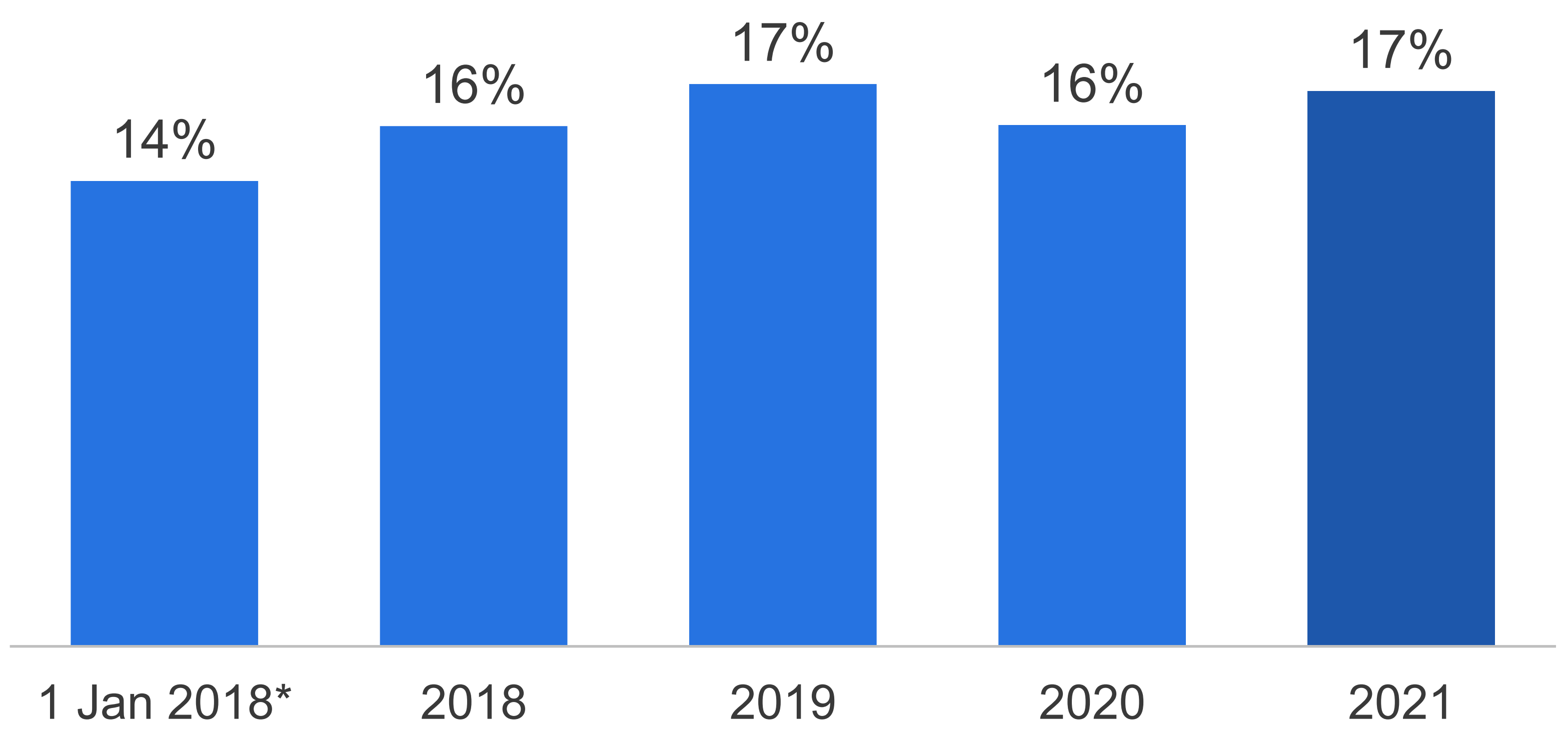
Adj. EBITDA / Adj. EBITDA margin (%)

€m



Equity to assets ratio

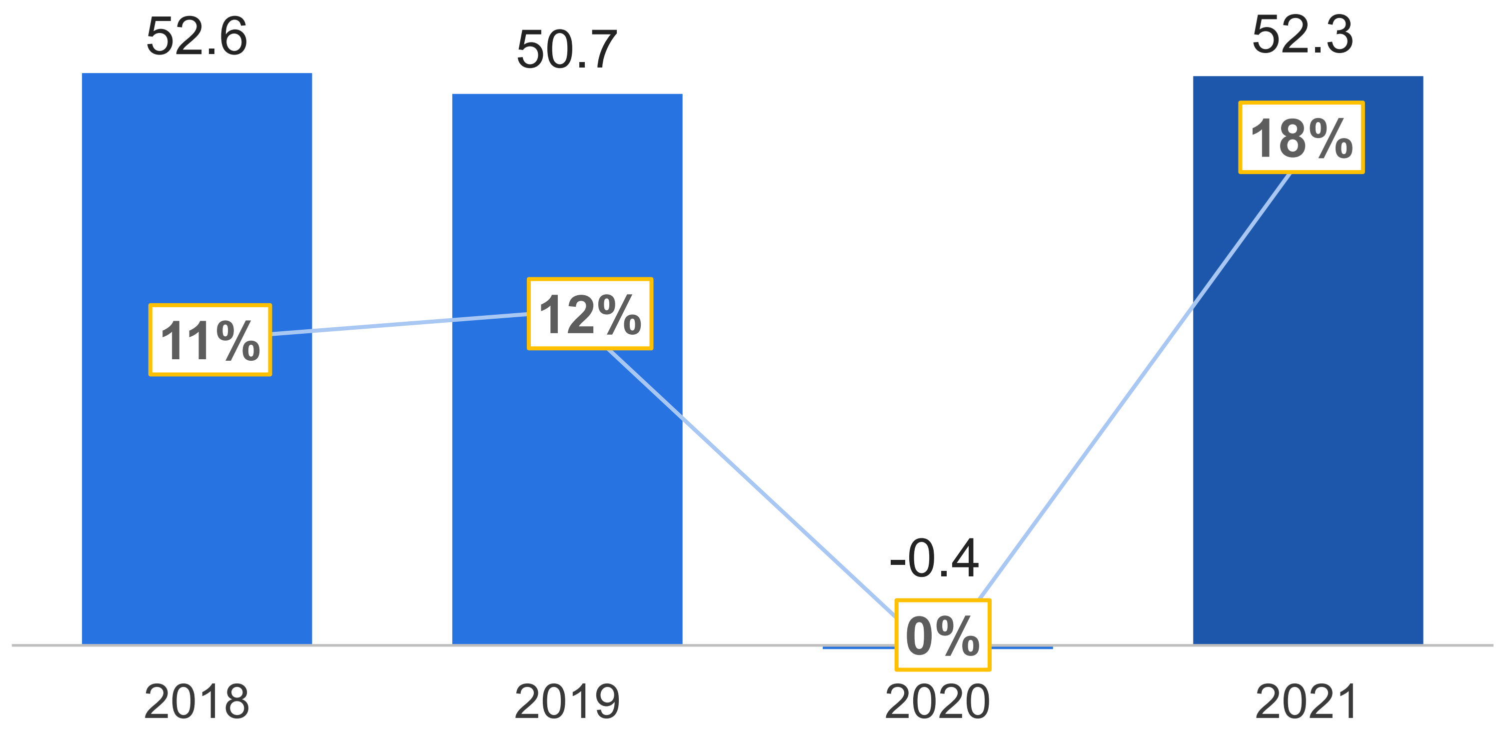
%



* Post IFRS 9

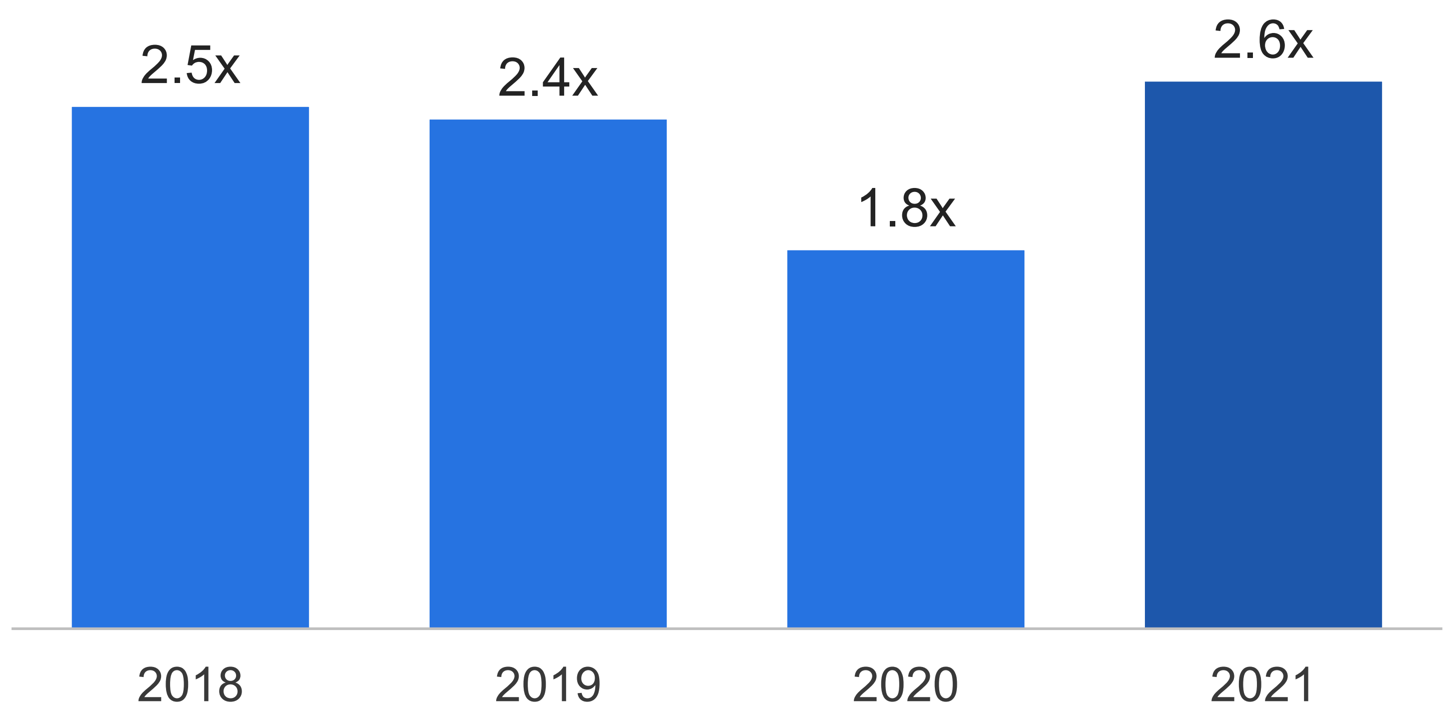
Profit before tax / PBT margin (%)

€m



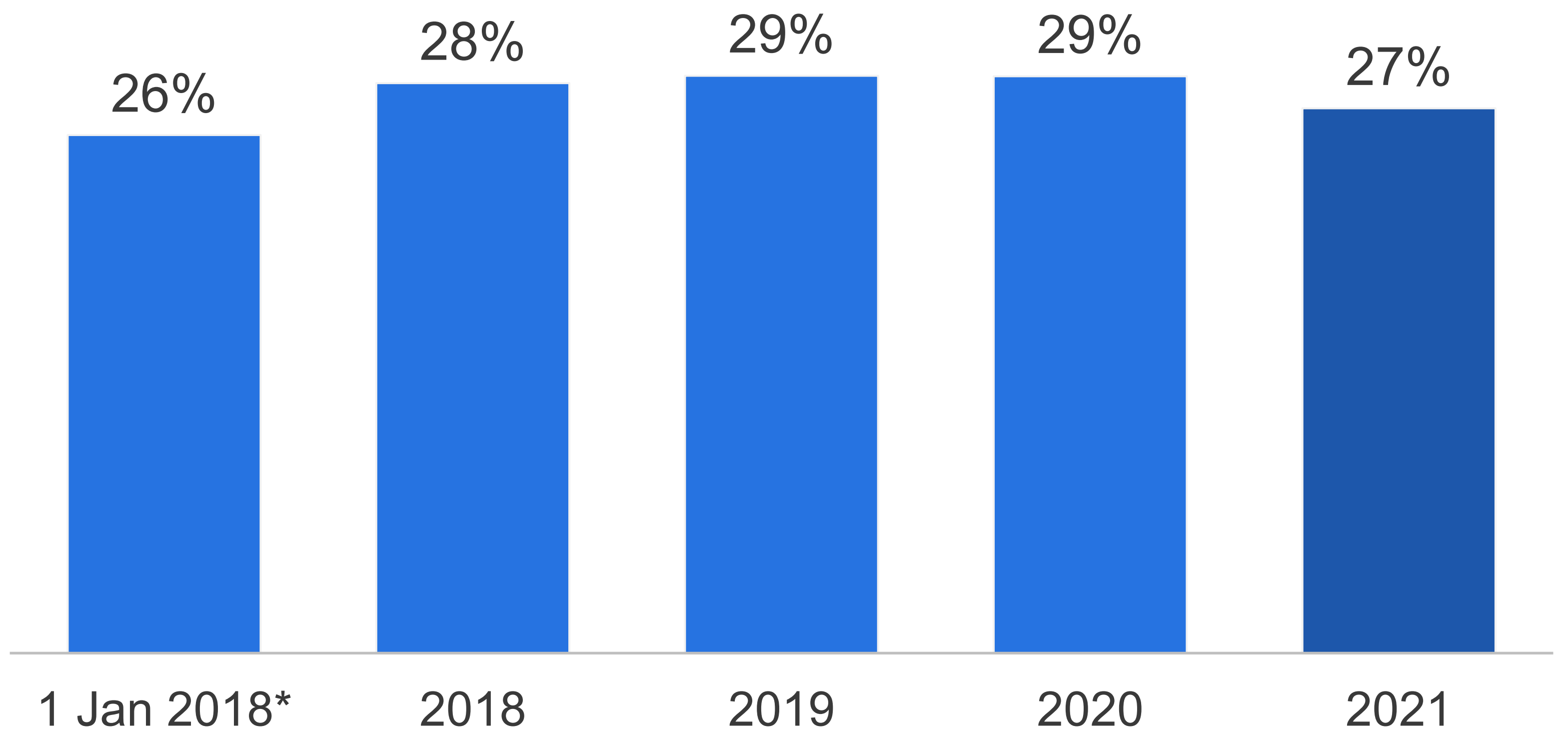
Covenant interest coverage ratio[1]

Times



Equity to net receivables ratio[2]

%



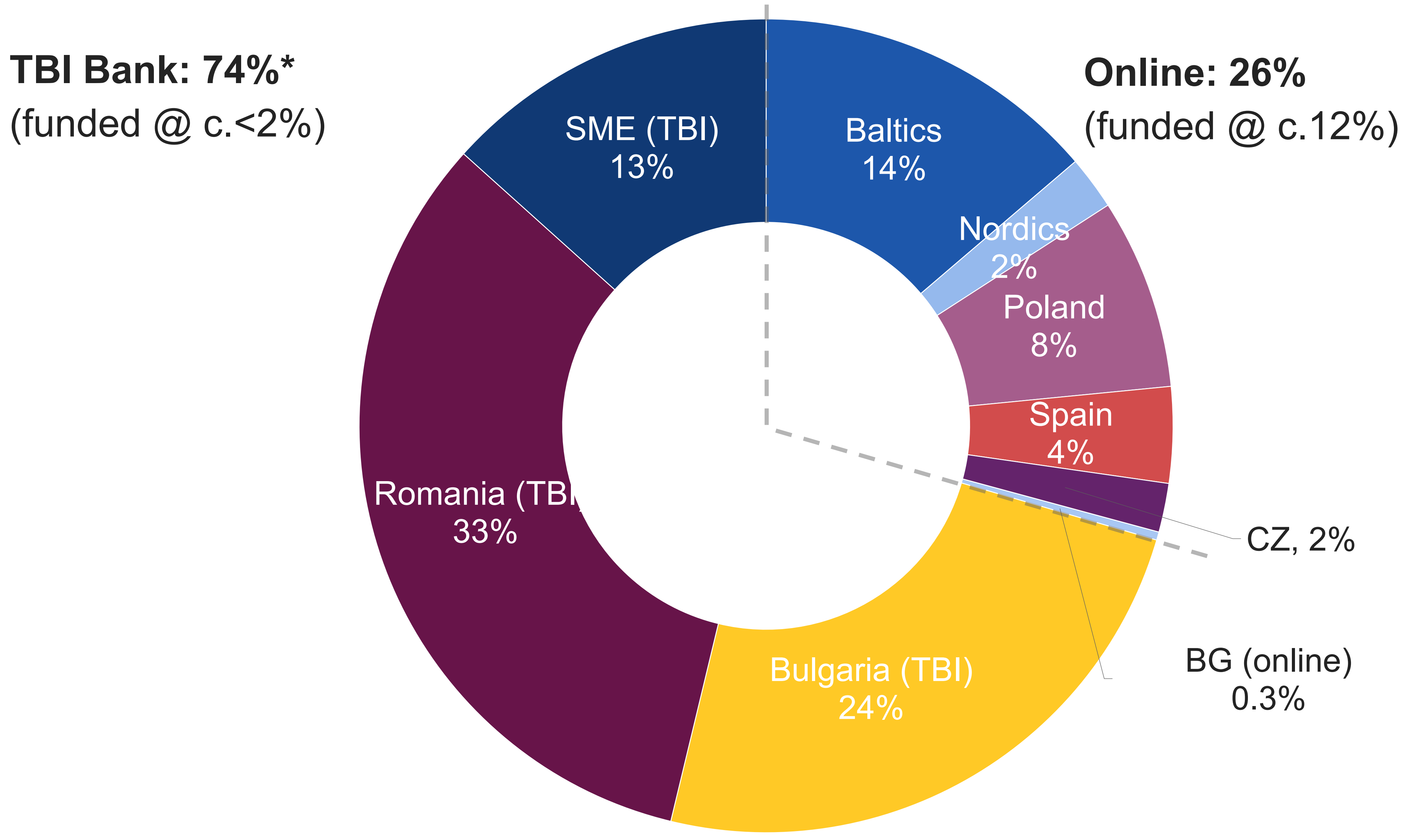
* Post IFRS 9

Notes:
(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 25%

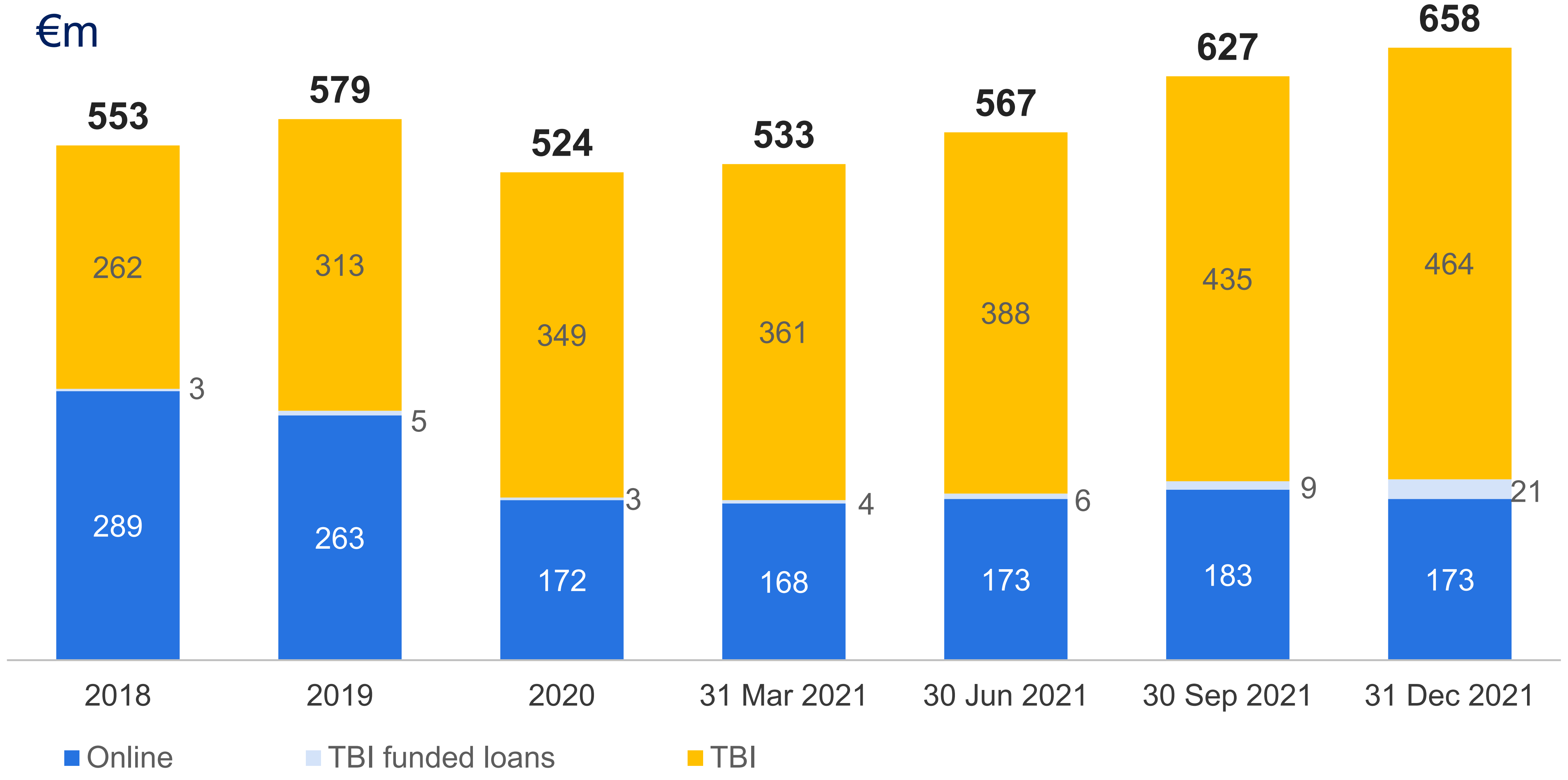
Diversified and growing loan portfolio

- Strong performance in loan issuance in Q4 supported net receivables growth in both online and TBI Bank portfolios
- Overall net receivables totals €658m
  - 5% increase during Q4
  - 87% consumer loans
- NPL ratio improved to 11.3% in Dec '21 from 17.0% in Dec '20

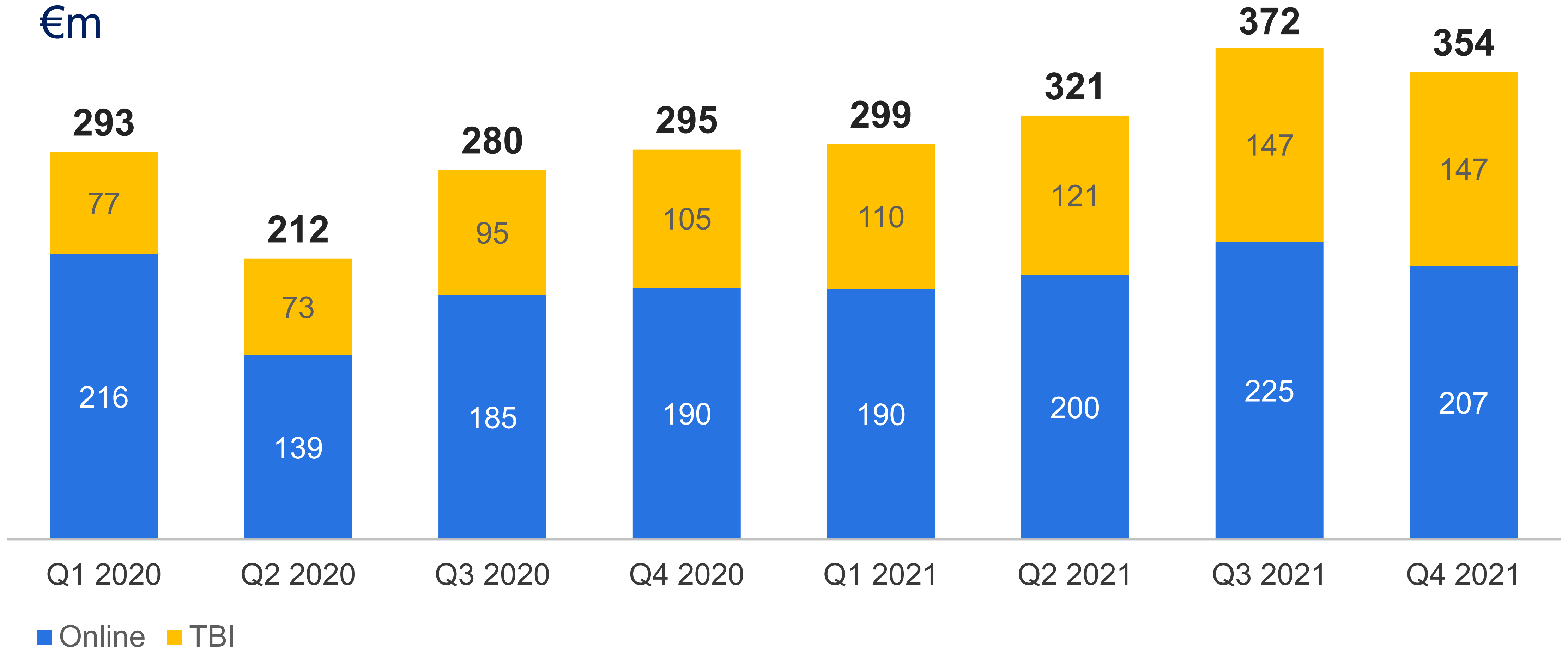
Net receivables, 31 December 2021



Net receivables



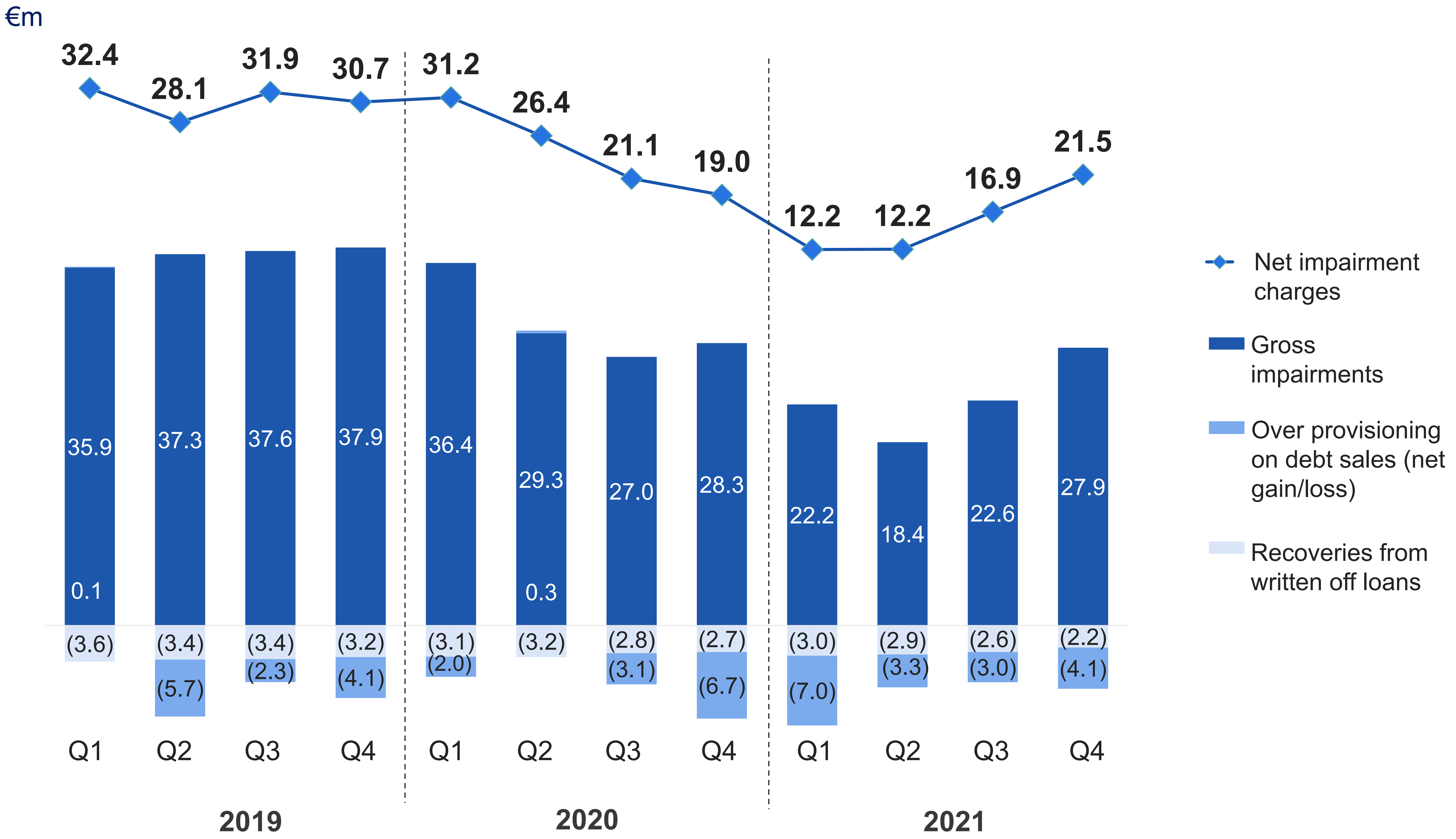
Loans issued



See appendix for definitions of key metrics and ratios
* Includes TBI bank, BG online and €19m of purchased Poland and Lithuania portfolios

Analysis of net impairment charges and cost of risk

Net impairment charges by quarter (1)



Annualised cost of risk (2)			
Online	27.5%	24.2%	15.4%
TBI Bank	4.6%	6.1%	5.7%
Overall	17.1%	14.2%	9.0%

- Q4 2021 quarterly net impairment charges:
  - Stable asset quality (please see slide 11)
  - Q4 online increased due to two significant spot Debt Sales rescheduled to 2022 (one executed in January 2022)
  - Continued active forward flow and debt sales market for NPLs
- 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 9.0% (12M 2021, including TBI Bank) vs 14.2% (12M 2020)
  - Online cost of risk in 12M 2021 15.4% vs 24.2% (12M 2020)
  - Net impairment / interest income 21.2% vs 31.7% (12M 2020)

Notes:
(1): Q4 2019 and 2020 figures have been adjusted to reflect audited figures
(2): Annualised net impairment charges / average gross receivables (average total gross receivables as of the start and end of each period)

See appendix for definitions of key metrics and ratios

Cost of risk evolution over time

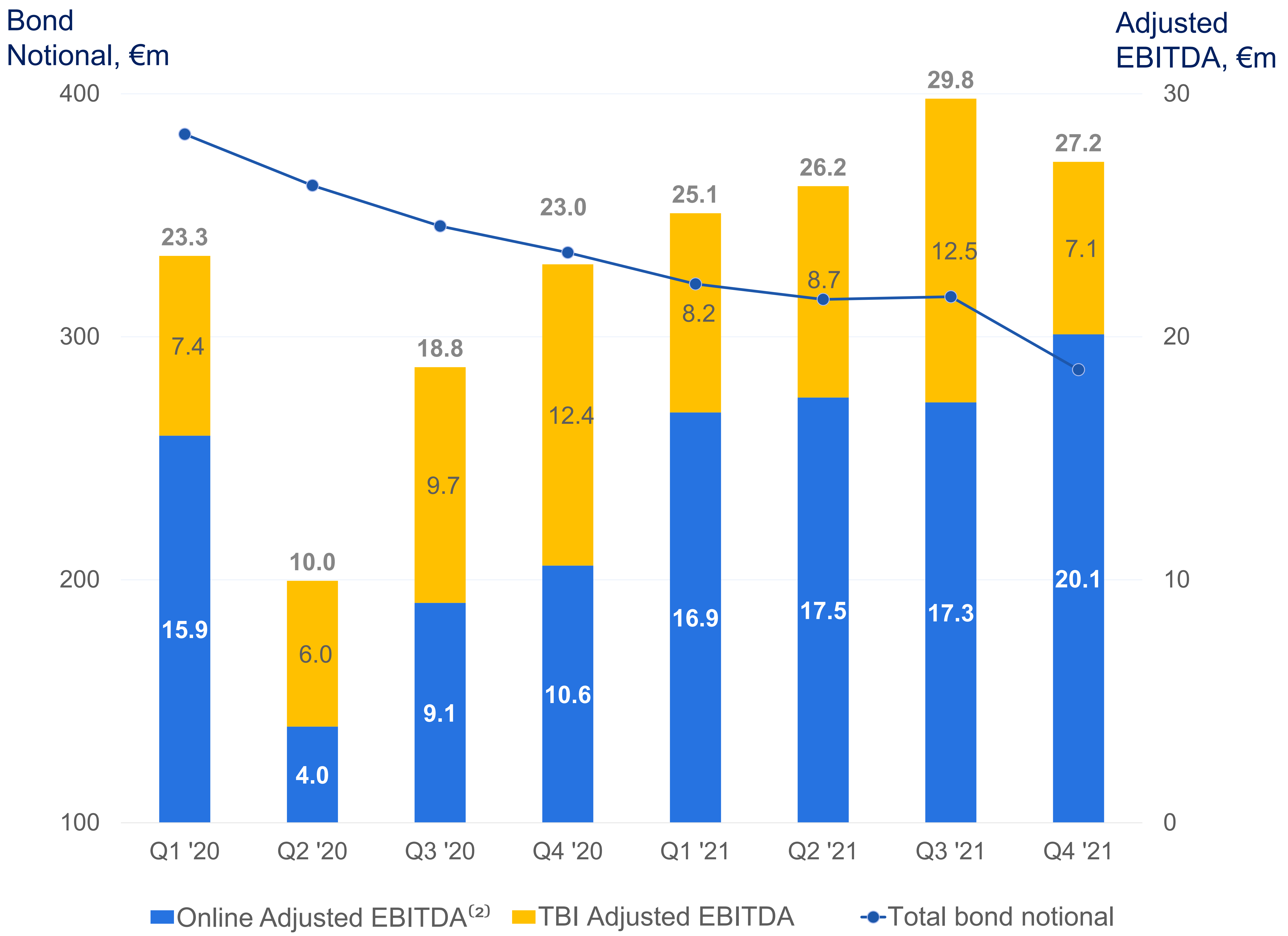
Online portfolio quality - vintage 'ever' 90+ DPD (1)

- Continued good quality after the significant improvement since Q2 2020
- Q3'21 cohort quality on expected level – between Q1 and Q2 at MOB5
- Vintage 90+ is the most relevant measure of quality for online portfolio management

Note (1): Vintages 'ever' = outstanding amount of principal at the moment of entering 90+ DPD to total principal issued for all online loans in the analysed period. MOB = months on book.

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 2021 of c.€72m is c.2x bond interest expense
- Further €27m notional of bonds repurchased since publishing FY 21 results (€13.3m of 2025s, €13.7m 2026s)
- Overall credit metrics improved from pre-Covid levels. In approximate run-rate terms:

	Early 2020	FY 2021
Net debt (€m)	~360	~270
Adj. EBITDA (€m)	~90	~108
Multiple	~4x	~2.5x

Notes:

(1): Bond notional in issue minus bonds held in treasury. Q4 2021 bond notionals are as of 2 March 2022

(2): Online EBITDA includes income from loan sales to TBI that is eliminated on consolidation

Outlook and focus for 2022

	Online business	TBI Bank
Growth opportunities	• Grow and optimise existing business: focus on details of customer journey and unit economics • Pilot/develop new products: 3-6 month loans in Spain and Czech; 'salary-in-advance'; self-employed • Continue to selectively search for high-quality acquisition targets	• Further receivables growth in core markets • Entry into Greece in H1 2022 • TiBuy ecosystem
Key challenges	• Development of regulatory dialogue, eg Poland, Spain and EU-wide Consumer Credit Directive • Inflationary cost pressures, particularly on personnel costs	• Adapting to funding mix requirements from MREL • Managing the growth

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

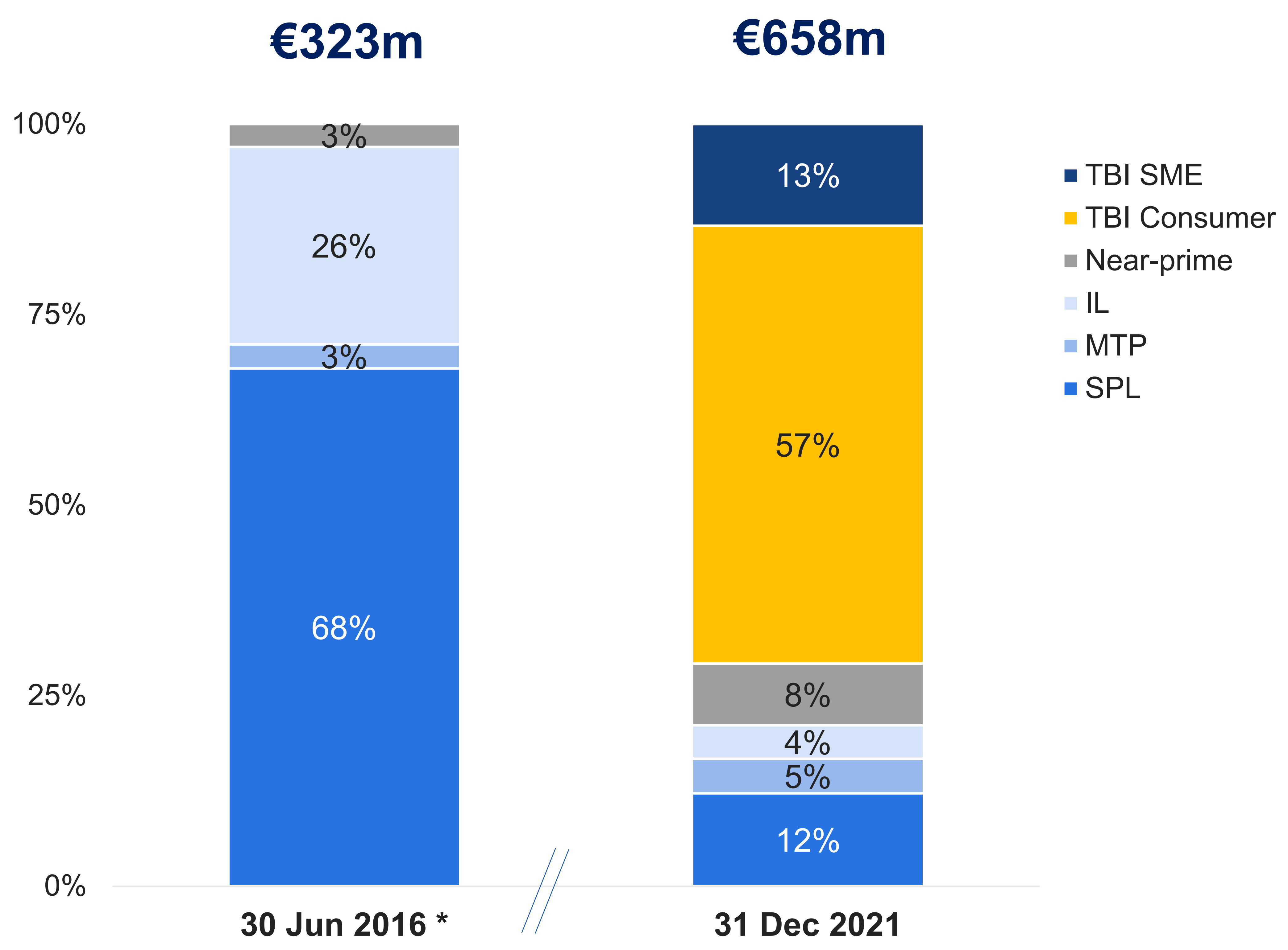
Country	% of interest income (Y2021)	Products [1]	Regulator	CB [2]	License required [3]	Interest rate cap [1]	Status
Bulgaria	16%	SPL (online), IL, LOC, POS, SME	Bulgarian National Bank	Yes	Yes	APR (inc. fees)	Stable framework
Czech Republic	6%	SPL, IL	Czech National Bank	Yes	Yes	-	Stable framework
Denmark	2%	IL	FSA and Consumer Ombudsman	Yes	Yes	APR & TCOC	Ceased offering and lending; managing current portfolio
Latvia	7%	MTP, IL	Consumer Rights Protection Centre	-	Yes	Nominal, fees & TCOC	Stable framework since new interest rate caps in July 2019
Lithuania	3%	IL	Central Bank of Lithuania	Yes	Yes	Nominal, fees & TCOC	Stable framework
Poland	22%	SPL, IL	Office of Competition and Consumer Protection	-	-	Nominal, fees & TCOC	New Anti-Usury Law proposal – non-interest cost caps 10% fixed and 10% annual; FSA supervision; additional creditworthiness checks; new corporate requirements
Romania	20%	IL, LOC, POS, SME	National Bank of Romania	Yes	Yes	-	Stable framework
Spain	22%	SPL, IL	N/A	-	-	-	Stable framework
Sweden	1%	MTP	Swedish Financial Supervisory Authority	Yes	Yes	Nominal & TCOC	Stable framework

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

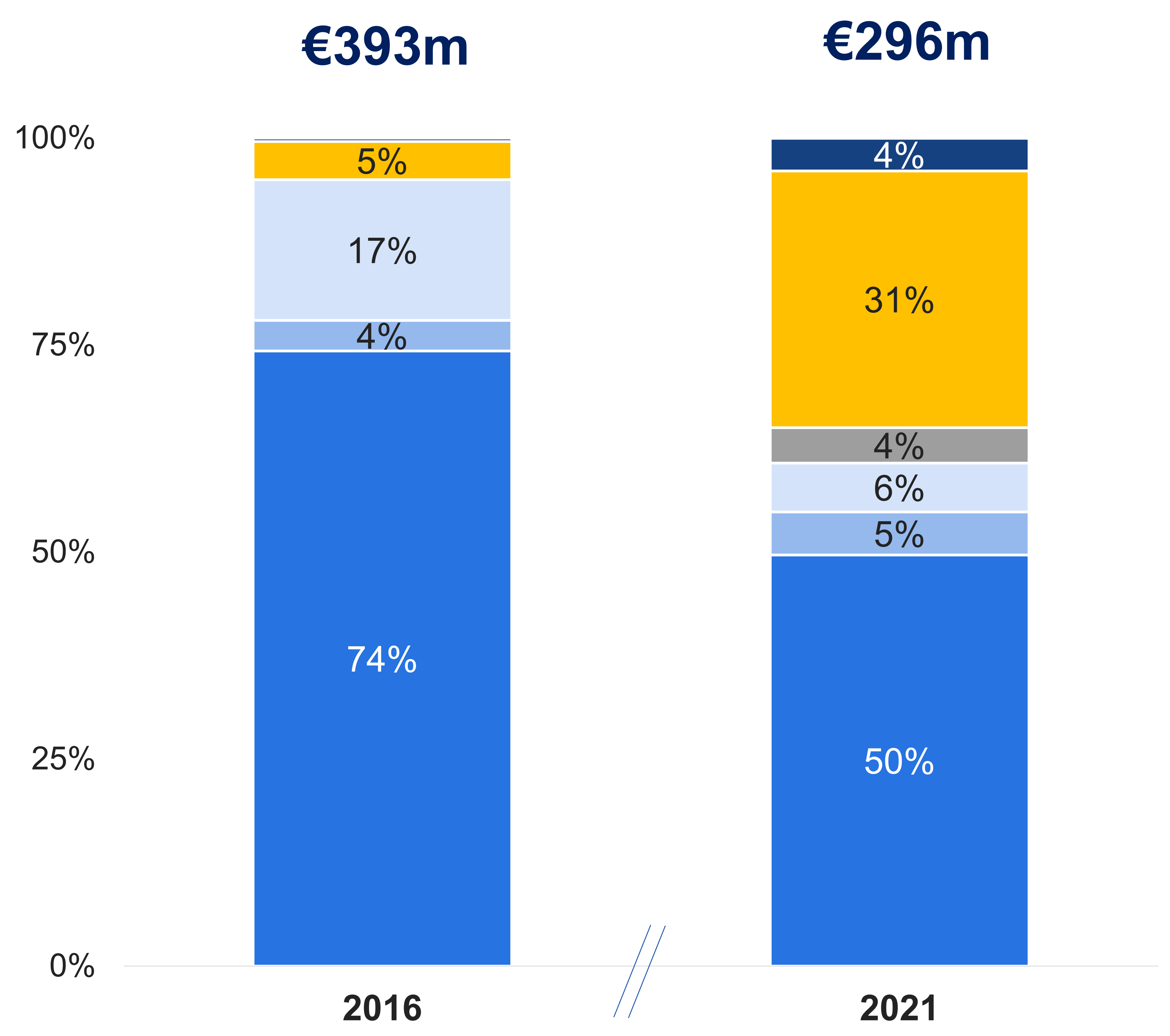
Net receivables by product



Online subprime only

Bank and online, near-prime and subprime

Interest income by product



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

Funding near-prime loans via TBI Bank

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

Online acquisition

Initial portfolio development

Early stage customer acquisition and credit metrics monitored and enhanced

Funding Platform

In-house IT funding platform ensuring ongoing automated portfolio transfers

Retail deposit funding

Bringing portfolios to scale

Market specific portfolios grow with ongoing sales to reach scale

Payment of fair market value

True sale of portfolio(s), loan servicing

- **Sales of Polish instalment loans from September 2019 to March 2020**
- **Sales of Lithuanian near-prime loans from February 2021, over €20m principal sold in 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 €	2021 (unaudited)	2021 (unaudited)	% change
Interest Income	296.0	307.9	(4)%
Interest Expense	(47.5)	(50.1)	(5)%
Net Interest Income	**248.5**	**257.9**	**(4)%**
Net F&C Income	19.8	8.9	122%
Other operating income	9.6	10.3	(7)%
Non-Interest Income	**29.4**	**19.2**	**53%**
Operating Income (Revenue)	**277.9**	**277.1**	**(0)%**
Total operating costs	**(153.9)**	**(157.7)**	**(2)%**
Pre-provision operating profit	**124.0**	**119.4**	**(4%**
Net impairment charges	(62.8)	(97.7)	(36)%
Post-provision operating profit	**61.2**	**21.7**	**182%**
Depreciation and amortisation	(7.2)	(14.9)	(51)%
Non-recurring income/(expense)	3.0	2.3	26%
Net FX gain/(loss)	(3.7)	(5.7)	(36)%
One-off adjustments to intangible assets	(1.0)	(3.9)	(74)%
Profit before tax	**52.3**	**(0.4)**	**nm**
Income tax expense	(19.3)	(24.6)	(22)%
Net profit/(loss) after tax	**33.0**	**(25.0)**	**nm**
Adjusted EBITDA	**108.2**	**75.0**	**44%**

Balance sheet

In millions of €	31 December 2021 (unaudited)	31 December 2020 (unaudited)
Cash and cash equivalents, of which:	**180.0**	**154.2**
- Online	80.1	80.5
- TBI Bank	99.9	73.6
Placements with other banks	16.9	10.3
Gross receivables due from customers	750.7	642.5
Allowance for impairment	(92.5)	(116.1)
Net receivables due from customers, of which:	**658.1**	**526.4**
- Principal	640.0	509.1
- Accrued interest	18.1	17.3
Net investments in finance leases	2.0	4.2
Net loans to related parties	59.0	59.3
Property and equipment	18.1	17.1
Financial investments	52.8	81.3
Prepaid expenses	3.5	4.1
Tax assets	5.8	18.7
Deferred tax assets	12.5	18.6
Intangible IT assets	11.5	10.1
Goodwill	15.9	15.9
Other assets	21.4	29.4
Total assets	**1,057.5**	**949.7**
Loans and borrowings	313.0	325.9
Deposits from customers	482.1	383.2
Deposits from banks	6.7	16.0
Corporate income tax payable	4.3	3.1
Other liabilities	73.6	71.5
Total liabilities	**879.6**	**799.7**
Share capital	35.8	35.8
Retained earnings	169.8	146.2
Reserves	(27.7)	(26.4)
Total attributable equity	**177.9**	**155.5**
Non-controlling interests	—	(0.0)
Total equity	**177.9**	**150.0**
Total shareholders' equity and liabilities	**1,057.5**	**949.7**

Statement of cash flows

In millions of €	12 months to 31 December	
	2021	**2020**
Cash flows from operating activities		
Profit/(loss) before taxes	**52.3**	**(0.4)**
Adjustments for:		
Depreciation and amortisation	7.3	14.8
Impairment of goodwill and intangible assets	(0.4)	0.6
Net loss on foreign exchange from borrowings and other monetary items	11.3	(4.5)
Impairment losses on loans	91.0	121.0
Reversal of provision on debt portfolio sales	(17.6)	(11.6)
Write-off and disposal of intangible and property and equipment assets	0.7	4.7
Interest income from non-customers loans	(7.5)	(8.1)
Interest expense on loans and borrowings and deposits from customers	47.4	50.1
Non-recurring finance (income)	(5.1)	(11.3)
Other non-cash items, including gain/loss on disposals	(1.8)	5.2
Profit before adjustments for the effect of changes to current assets and short-term liabilities	177.5	160.6
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(3.1)	7.4
Increase decrease in other assets (including TBI statutory reserve, placements & leases)	(17.6)	(4.3)
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	10.6	(8.9)
Operating cash flow before movements in portfolio and deposits	**167.4**	**154.7**
Increase in loans due from customers	(240.7)	(92.1)
Proceeds from sale of portfolio	35.8	28.0
Increase in deposits (customer and bank deposits)	90.3	63.9
Deposit interest payments	(7.9)	(5.6)
Gross cash flows from operating activities	**44.9**	**149.0**
Corporate income tax (paid) / received	(1.4)	(15.0)
Net cash flows from operating activities	**43.5**	**133.9**

In millions of € (continued)	12 months to 31 December	
	2021	**2020**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(5.8)	(6.5)
Net cash from (Purchase) / Sale of financial instruments	24.4	(21.2)
Other loans issued	(1.9)	-
Interest received from related parties	7.0	9.2
Disposal of subsidiaries, net of cash disposed	(0.4)	(1.0)
(Acquisition)/Sale of equity investments	5.0	(1.4)
Acquisition of non-controlling interests	-	(0.4)
Net cash flows from / (used in) investing activities	**28.3**	**(21.2)**
Cash flows from financing activities		
Loans received and notes issued	10.0	0.1
Repayment and repurchase of loans and notes	(32.8)	(35.3)
Interest payments	(33.1)	(39.7)
Costs of notes issuance/amendment	(5.5)	(1.0)
FX hedging margin	7.1	(11.0)
Payment of lease liabilities	(3.8)	(4.2)
Net cash flows used in financing activities	**(58.0)**	**(91.0)**
Net increase/(decrease) in cash and cash equivalents	**13.8**	**21.7**
Cash and cash equivalents at the beginning of the period	**120.6**	**98.5**
Effect of exchange rate fluctuations on cash	(0.2)	0.4
Cash and cash equivalents at the end of the period	**134.2**	**120.6**
TBI Bank minimum statutory reserve	**45.8**	**33.6**
Total cash on hand and cash at central banks	**180.0**	**154.2**

Key financial ratios

	2021	2020
Capitalisation		
Equity / assets	16.8%	15.8%
Tangible common equity / tangible assets	13.6%	11.6%
Equity / net receivables	27.0%	28.5%
Adjusted interest coverage	2.6x	1.8x
TBI Bank consolidated capital adequacy	22.9%	19.4%
Profitability		
Net interest margin:		
- Online	65.7%	60.3%
- TBI Bank	22.9%	24.0%
- Overall group	37.1%	39.7%
Cost / income ratio	55.4%	56.9%
Normalised Profit before tax margin	18.2%	2.2%
Normalised Return on average equity	21.1%	(10.1)%
Normalised Return on average assets	3.5%	(1.7)%
Asset quality		
Cost of risk:		
- Online	15.4%	24.2%
- TBI Bank	5.7%	6.1%
- Overall group	9.0%	14.2%
Net impairment / interest income	21.2%	31.7%
Gross NPL ratio:		
- Online	12.7%	19.2%
- TBI Bank	10.7%	15.7%
- Overall group	11.3%	17.0%
Overall group NPL coverage ratio	108.9%	106.0%
Loan loss reserve / gross receivables, %	12.3%	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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