4 FINANCE

4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE YEAR ENDING 31 DECEMBER 2022

Solid FY 2022 performance with net profit of €41.2 million and Adjusted EBITDA of €122.4 million
Strong loan issuance drives organic growth in Q4: quarterly growth of 9% in net receivables and 10% in revenue
Significant deleveraging with over €50 million of bonds repurchased in 2022

28 February 2023. 4finance Holding S.A. (the 'Group' or '4finance'), one of Europe's largest digital consumer lending groups, today announces unaudited consolidated results for the twelve months ending 31 December 2022 (the 'Period').

Operational Highlights

- Customer demand and repayment dynamics remained robust, with fundamental asset quality metrics broadly stable across the business.
- Online loan issuance volume of €629.2 million during the Period, up 19% in continuing products (excluding acquisitions and disposals).
- Near-prime portfolio development aligned with ability to sold those loans to TBI Bank. During the period, over €28 million of Lithuanian near-prime loan principal was sold to TBI Bank.
- TBI Bank loan issuance volume during the Period grew by 35% year-on-year to €706.2 million from €523.4 million in the prior year period, with increased issuance in all products.

Financial Highlights

- For the IFRS full year results, the Poland business segment is reflected separately as 'discontinued operations' in the income statement.
- Interest income of €311.2 million in the Period, up 26% from €246.2 million in the prior year period. Interest income for the fourth quarter increased 7% QoQ, with another strong quarterly contribution from Philippines and TBI. Consistent growth in interest income from continuing products since Q2 2020 Covid impact.
- The cost to income ratio for the Period improved significantly at 47.8% vs 57.6% in the prior year period. Cost discipline and operational efficiency remain a focus both in the online business and TBI. Cost base in the online business grew mainly due to Philippines acquisition and at TBI to support higher issuance, and investment in ongoing initiatives.
- Adjusted EBITDA was €122.4 million for the Period, up 13% year-on-year, delivering 37% adjusted EBITDA margin for the year vs 36% in 2021. The interest coverage ratio as of the date of this report, including proforma effect of acquisitions and disposals, is 2.7x.
- Post-provision operating profit from continuing operations for the Period was €69.6 million, benefiting from the 26% year-on-year increase in interest income and lower interest expense, with total profit after tax of €41.2 million.
- Fundamental asset quality indicators at product level remain good. Net impairment charges of €90.4 million reflect the larger portfolio and different product mix in online. Cost of risk at 11.1% vs 8.0% in the prior year period.
- Net receivables totaled €846.6 million as of 31 December 2022, up 9% quarter-on-quarter and 29% year-on-year. During the quarter, TBI Bank grew net receivables another 10% and the online business portfolio grew 2%.
- Improved overall gross NPL ratio at 8.8% as of 31 December 2022 (9.0% for online), compared with 11.3% as of 31 December 2021 (13.7% for online). TBI NPL ratio has improved to 8.7% as of 31 December 2022, compared with 10.4% as of 31 December 2021.

Liquidity and funding

- The Group made further repurchases of €19.3 million of its EUR 2025 and EUR 2026 bonds in December 2022, bringing total bond repurchases in 2022 to €52.4 million.
- Solid capital position at TBI Bank (22.2% capital adequacy ratio) despite continued growth in risk weighted assets with €20.7 million of MREL eligible instruments issued in Q4.
- TBI Bank paid a dividend of €10.0 million in November, the bank's first dividend payment post-Covid.

Kieran Donnelly, CEO of 4finance, commented:

"We set out a vision of a leaner, more focused and more profitable business, and have worked steadily to achieve that goal. These strong full year results also reflect the efforts of our teams in the online and banking business to respond to the effects of the war on Ukraine and global inflationary pressures.

"4finance was founded 15 years ago this month. As we celebrate this important milestone, we remember that this success has been down to our spirit of adaptability and resilience. This culture remains the key to our future.

"Looking forward, while we keep a close eye on costs and efficiency, we are investing in growth across the business and particularly at TBI Bank and our Philippines business."

Contacts

Contact:	James Etherington, Group Chief Financial Officer
Email:	james.etherington@4finance.com / investorrelations@4finance.com
Website:	www.4finance.com

Conference call

A conference call with management to discuss these results is scheduled for **Thursday, 2 March at 15:00 UK time**. To register, please visit www.4finance.com.

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

About 4finance

Established in 2008, 4finance is one of Europe's largest digital consumer lending groups with operations in 10 countries.

Leveraging a high degree of automation and data-driven insights across all aspects of the business, 4finance has grown rapidly, issuing over €9 billion since inception in single payment loans, instalment loans and lines of credit.

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

4finance has group offices in Riga (Latvia), London and Luxembourg, and currently operates in 10 countries globally. The Group also offers deposits, in addition to consumer and SME loans through its TBI Bank subsidiary, an EU licensed institution with operations primarily in Bulgaria, Romania and Greece.

Forward looking statements

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

Rounding

Some numerical figures included in this report have been subject to rounding adjustments. Accordingly, numerical figures shown for the same category presented in different tables may vary slightly, and numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Inside information

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

Key Financial Ratios

	Year Ended 31 December 2022	Year Ended 31 December 2021	Year Ended 31 December 2020
Capitalisation			
Net receivables (€m) (1)	846.6	658.1	526.4
Total assets (€m)	1,386.0	1,058.1	949.7
Total equity (€m)	198.2	176.8	150.0
Equity / assets	14.3%	16.7%	15.8%
Tangible common equity / tangible assets (2)	10.8%	13.5%	11.6%
Equity / net receivables (3)	23.4%	26.9%	28.5%
Adjusted interest coverage (4)	2.7x	2.6x	1.8x
TBI Bank consolidated capital adequacy (5)	22.2%	22.9%	19.4%
Profitability			
Net interest margin: (6)			
- Online	92.0 %	63.5 %	60.3 %
- TBI Bank	20.1 %	22.4 %	24.0 %
- Overall group	33.6 %	32.5 %	39.7 %
Cost / income ratio (7)	47.8 %	57.6 %	56.9 %
Post-provision operating profit margin (8)	22.4 %	16.8 %	6.9 %
Normalised Profit before tax margin (9)	20.2 %	14.1 %	2.2 %
Normalised Return on average equity (10)	25.3 %	14.6 %	(10.1)%
Normalised Return on average assets (11)	3.9 %	2.4 %	(1.7)%
Asset quality			
Cost of risk: (12)			
- Online	36.1 %	17.0 %	24.2 %
- TBI Bank	5.1 %	5.5 %	6.1 %
- Overall group	11.1 %	8.5 %	14.2 %
Net impairment / interest income (13)	29.0 %	21.7 %	30.9 %
Gross NPL ratio: (14)			
- Online	9.0 %	13.7 %	19.0 %
- TBI Bank	8.7 %	10.4 %	15.9 %
- Overall group	8.8 %	11.3 %	17.0 %
Overall group NPL coverage ratio(15)	117.6 %	108.9 %	106.0 %
Loan loss reserve / gross receivables, %	10.3 %	12.3 %	18.1 %

Definitions and Notes below. For further definitions please see the appendix.
Normalised ratios are adjusted to remove the effect of non-recurring items, discontinued operations, net FX and one-off adjustments to intangible assets. Respective 2021 and 2022 ratios have been adjusted to reflect the continuing operations.

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

FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated statement of profit or loss for the twelve months ending 31 December 2022 and 31 December 2021. Additional reference information on the historic quarterly development of our income statement is shown in the appendix. Please note that some income items have been reclassified between interest income and other operating income, and Poland is reflected separately as discontinued operations.

	12 months to 31 December		
	2022 (unaudited)	2021 (restated)	% change
	(in millions of €)		
Interest Income	311.2	246.2	+26 %
Interest Expense	(44.7)	(47.4)	(6) %
Net Interest Income	**266.5**	**198.8**	**+34 %**
Net F&C Income	32.7	19.8	+65 %
Other operating income	7.5	5.0	+52 %
Non-Interest Income	**40.2**	**24.7**	**+63 %**
Operating Income (Revenue)	**306.7**	**223.5**	**+37 %**
Total operating costs	**(146.6)**	**(128.7)**	**+14 %**
Pre-provision operating profit	**160.0**	**94.8**	**+69 %**
Net impairment charges	(90.4)	(53.4)	+69 %
Post-provision operating profit	**69.6**	**41.4**	**+68 %**
Depreciation and amortisation	(6.8)	(6.6)	+2 %
Non-recurring income/(expense)	(1.2)	1.1	nm
Net FX gain/(loss)	(11.8)	(3.6)	nm
One-off adjustments to intangible assets	(0.2)	(0.9)	(80) %
Profit before tax	**49.7**	**31.3**	**+59 %**
Income tax expense	(15.4)	(10.8)	+42 %
Profit from continuing operations	**34.3**	**20.5**	**+67 %**
Profit from discontinued operations, net of tax	6.9	10.8	(36) %
Profit for the period	**41.2**	**31.3**	**+32 %**

Interest income

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

	12 months to 31 December		
	2022	2021	% change
Online lending (continuing operations)	*(in millions of €, except percentages)*		
Total value of loan principal issued	496.7	374.5	+33 %
Average net receivables, of which:	133.3	123.3	+8 %
- Principal	125.4	120.0	
- Accrued interest	7.9	3.3	
Annualised interest income yield on net portfolio (1)	126 %	99 %	
Interest income from online lending	157.7	121.7	+30 %
Banking operations			
Average net receivables, of which:	596.0	418.6	+42 %
- Principal	585.0	408.6	
- Accrued interest	11.0	10.0	
Annualised interest income yield on net portfolio (1)	24 %	26 %	
Interest income from banking operations (2)	142.2	109.9	+29 %

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

(2) See appendix for full TBI Bank income statement

Interest income for the Period was €311.2 million, a 26% increase compared with €246.2 million for the twelve months ending 31 December 2021. Total online value of loan principal issued (including Philippines) increased by 33% in the Period, delivering growth in the average balance of net receivables and interest income. The income yield increased in 2022 with greater contribution from higher rate shorter-term loans and sale of near-prime loans to TBI Bank. After reclassification, interest income also includes income from loans provided to non-Group companies (primarily Poland) and income from related party loans which was previously included in other operating income.

TBI Bank's loan book has continued to grow, particularly in Romania, with an increase of 42% in average net receivables year-on-year. Its consumer lending (cash lending, point-of-sale lending and credit cards) has average product APRs between 20% and 50% and SME loans with average interest rates of approximately 8-16% p.a.. TBI Bank also generates separate income, which is reported mainly in the 'net fee and commission' line.

Interest expense

Interest expense for the Period was €44.7 million, a decrease of 6% compared with €47.4 million for the twelve months ending 31 December 2021. The lower interest expense year-on-year reflects the bond buybacks since the start of 2021, partly offset by the growth in deposits and increase in deposit rates at TBI Bank, particularly in Q4. The one-off gains from bond buybacks at a discount continue to be reflected in the 'non-recurring income/expense' line to show a more consistent 'interest expense' result.

Non-interest income

Non-interest income for the period was €40.2 million, a 63% increase compared with €24.7 million reported for the twelve months ending 31 December 2021. The net fee and commission income, primarily generated by TBI Bank from insurance sales to its customers, was up 65% year-on-year. Other operating income includes income from services and now also includes non-interest income from the online business such as insurance brokerage.

Total operating costs

Total operating costs reported for the Period were €146.6 million, a 14% increase compared with €128.7 million reported for the twelve months ending 31 December 2021. The costs for the online business increased year-on-year due to acquisition of Philippines, which contributed c.€8 million of costs, with cost reductions for the remainder of the online business. At TBI Bank, higher personnel costs and professional services costs supported growing revenue and geographical expansion.

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

	12 months to 31 December	
	2022	**2021**
	(in millions of €)	
Personnel costs	78.1	72.2
Marketing and sponsorship	21.0	18.6
IT expenses (including R&D)	13.6	11.1
Legal and consulting	9.6	7.6
Application processing costs	3.4	2.8
Communication expenses	3.2	3.0
Taxes	4.8	2.6
Bank services	2.2	2.5
Debt collection costs	1.6	1.2
Rent and utilities	1.8	1.4
Travel	1.3	0.6
Other	6.2	5.2
Total	**146.6**	**128.7**
- TBI Bank	72.8	56.8
- 4finance 'online' business	73.9	71.9
Total Employees		
- Online	593	571
- TBI Bank	1,697	1,592
- Discontinued operations	—	139
- Overall group	**2,290**	**2,302**

For the twelve months of 2022 and 2021, marketing and sponsorship costs accounted for 14% and 14% respectively, and personnel costs accounted for 53% and 56%, respectively, of total operating costs. The cost to income ratio for the Period was 47.8%, a decrease from 56.6% for the prior year period, driven by significant increase in revenue year-on-year.

Net impairment charges on loans and receivables

Net impairment charges for the Period were €90.4 million, compared with €53.4 million for the twelve months ending 31 December 2021. Gross impairment charges increased vs twelve months ending 31 December 2021 due to significantly higher portfolio (gross portfolio increased by 26% year-on-year). Asset quality indicators remain good at product level across the business with changes in impairment charges and cost of risk mainly due to changing portfolio mix. For example, the Philippines business has a higher cost of risk (and portfolio yield) due to different customer segment and shorter write-off period. The Group continues its strategy of 'forward flow' and ad hoc debt sales for its non-performing loans. Net gains on portfolio sales in Q4 were mainly from TBI Bank.

	12 months to 31 December	
	2022	**2021**
	(in millions of €)	
Impairment charges on loans	109.5	73.3
Over provision on debt portfolio (portfolio sale net gains)	(10.6)	(9.5)
Recovery from written-off loans	(8.6)	(10.4)
Net impairment charges	**90.4**	**53.4**

Overall net impairment charges represented 29% of interest income for the Period, an increase from 22% last year.

Non-recurring income/(expense)

For the quarter, the Group had net non-recurring income of €0.4 million. This includes €1.7 million income from bond buybacks, offset partly by impairment for investment in associates and expenses in Spain.

Net FX gain/(loss)

Foreign exchange movements resulted in a net loss of €11.8 million for the Period, mainly from hedging and swap costs in PLN, CZK and RON against EUR. In the prior year period there was a net FX loss of €3.6 million.

Profit before tax

For the reasons stated above, the Group made a profit before tax for the Period of €49.7 million, compared with €31.3 million for the twelve months ending 31 December 2021.

Corporate income tax

The Group's corporate income tax expense was €15.4 million for the Period, compared with €10.8 million for the twelve months ending 31 December 2021. The following table sets out a breakdown of the Group's corporate income tax.

	12 months to 31 December	
	2022	**2021**
	(in millions of €)	
Current tax	13.9	9.2
Deferred tax	1.4	1.7
Total	**15.4**	**10.8**

Profit from continuing operations

For the reasons stated above, the Group's profit from continuing operations for the Period was €34.3 million, compared with €20.5 million for the twelve months ending 31 December 2021.

Profit from discontinued operations, net of tax

In connection with the sale of the Poland business in April 2022, the results of operations in this segment, and of its disposal, are reflected separately as discontinued operations in the consolidated statement of profit or loss for the Period and prior year.

Profit for the period

For the reasons stated above, the profit for the Period was €41.2 million, compared with €31.3 million for the twelve months ending 31 December 2021.

Other financial data – EBITDA and Adjusted EBITDA

	Year Ended 31 December 2022	Year Ended 31 December 2021	Year Ended 31 December 2020
		(in millions of €)	
Profit/(loss) for the period	41.2	31.3	(25.0)
Income tax expense	17.5	20.2	24.6
Interest expense	44.7	47.5	50.1
Depreciation and amortisation	7.0	7.2	14.9
EBITDA	**110.4**	**106.2**	**64.5**
Adjustments	12.0	2.3	10.5
Adjusted EBITDA (1)	**122.4**	**108.5**	**75.0**

	Year Ended 31 December 2022	Year Ended 31 December 2021	Year Ended 31 December 2020
		(in millions of €)	
Summary breakdown of Adjustments to EBITDA			
Net FX impact	11.7	3.7	5.7
One-off costs and other prescribed adjustments	0.1	(2.3)	0.9
One-off write-down of intangible assets	0.2	1.0	3.9
Total	**12.0**	**2.3**	**10.5**

Other financial data – Interest Coverage Ratio

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

	As of the date of this report (in millions of €)
Pro-forma last 4 quarters Adjusted EBITDA	112.8
Pro-forma last 4 quarters Fixed Charges	41.6
Bond covenant interest coverage ratio	**2.7x**

Note: (1) Adjusted EBITDA is a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) as adjusted by income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS, goodwill write-offs and certain other one-off or non-cash items. Adjusted EBITDA, as presented in this report, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated. Additional limitations prescribed in the EUR 2026 bonds limiting TBI Bank contribution to Adjusted EBITDA not reflected here.

Balance Sheet

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

	31 December 2022 (unaudited)	31 December 2021
	(in millions of €)	
Cash and cash equivalents, of which:	**221.6**	**180.0**
- Online	52.5	80.1
- TBI bank	169.1	99.9
Placements with other banks	35.7	16.9
Gross receivables due from customers	943.8	750.7
Allowance for impairment	(97.3)	(92.5)
Net receivables due from customers, of which:	**846.6**	**658.1**
- Principal	826.7	640.0
- Accrued Interest	19.9	18.1
Net investments in finance leases	1.9	2.0
Net loans to related parties	28.8	59.0
Net loans to other parties	29.6	—
Property and equipment	18.2	18.1
Financial investments	67.7	53.4
Prepaid expenses	3.5	3.5
Tax assets	3.8	5.8
Deferred tax assets	10.4	12.5
Intangible IT assets	17.2	11.5
Goodwill	27.6	15.9
Other assets	73.5	21.4
Total assets	**1,386.0**	**1,058.1**
Loans and borrowings	284.8	313.0
Deposits from customers	781.7	482.1
Deposits from banks	—	6.7
Income tax liabilities	6.8	5.1
Other liabilities	114.5	74.4
Total liabilities	**1,187.8**	**881.3**
Share capital	35.8	35.8
Retained earnings	193.2	168.1
Reserves	(30.8)	(27.0)
Total equity	**198.2**	**176.8**
Total shareholders' equity and liabilities	**1,386.0**	**1,058.1**

Assets

The Group had total assets of €1,386.0 million as of 31 December 2022, compared with €1,058.1 million as of 31 December 2021. The main changes during the Period were increases in cash, net receivables due from customers, net loans to other parties (Poland), and other assets. The main decrease was in loans to related parties.

Loan portfolio

As of 31 December 2022, the Group's net receivables equaled €846.6 million, compared with €658.1 million as of 31 December 2021, representing an increase of €188.5 million, or 29%, with the majority of growth coming from the bank. TBI Bank contributed €707.1 million of net receivables, including fair value adjustments. Further information on the TBI Bank portfolio is available in the appendix, including its finance leases which are shown as a separate balance sheet line item.

The following section includes a summary of the Group's overall loan portfolio. This section has been updated to reflect loans originated in the online business but sold to the bank within the TBI Bank section. Additional reference information on the historic quarterly development of our online portfolio, split by product, is also shown in the appendix.

Overview of the Group's loan portfolio

The following table sets out the classification of the Group's loan portfolio in terms of performing and non-performing loans (*i.e.* those more than 90 days past due).

	31 December 2022				31 December 2021			
	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount
	(in millions of €, except percentages)				*(in millions of €, except percentages)*			
Online receivables								
Performing	151.3	(16.2)	135.1	91.0 %	184.7	(18.0)	166.6	86.4 %
Non-performing (1)	14.9	(10.6)	4.4	9.0 %	29.2	(22.6)	6.6	13.7 %
Online total	**166.2**	**(26.8)**	**139.5**	**100.0 %**	**213.8**	**(40.6)**	**173.2**	**100.0 %**
TBI Bank receivables								
Performing	709.9	(28.6)	681.3	91.3 %	481.0	(19.9)	461.1	89.6 %
Non-performing (1)	67.7	(41.9)	25.8	8.7 %	55.8	(32.0)	23.8	10.4 %
TBI Bank total	**777.6**	**(70.5)**	**707.1**	**100.0 %**	**536.8**	**(51.9)**	**484.9**	**100.0 %**
Overall receivables								
Performing	861.2	(44.8)	816.4	91.2 %	665.7	(38.0)	627.7	88.7 %
Non-performing (1)	82.7	(52.5)	30.2	8.8 %	85.0	(54.6)	30.4	11.3 %
Overall total	**943.8**	**(97.3)**	**846.6**	**100.0 %**	**750.7**	**(92.5)**	**658.1**	**100.0 %**

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

Online loan portfolio by product

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

	31 December 2022		31 December 2021	
	Amount	% of Portfolio	Amount	% of Portfolio
Online performing gross portfolio by product:	*(in millions of €, except percentages)*			
Single Payment Loans	47.8	31.6 %	89.1	48.3 %
Minimum to pay	43.1	28.5 %	29.6	16.0 %
Instalment Loans	29.2	19.3 %	30.6	16.6 %
Near Prime (1)	31.2	20.6 %	35.3	19.1 %
Total online gross performing portfolio	**151.3**	**100.0 %**	**184.7**	**100.0 %**

Notes: (1) Includes the Group's lower APR instalment loan products in Latvia (Vivus), Lithuania (Vivus) and Denmark (Vivus)

Online non-performing loan portfolio

As of 31 December 2022, the Group's non-performing online portfolio was €14.9 million, a decrease of €14.3 million since 31 December 2021. The gross NPL ratio was 9.0% for online receivables as of 31 December 2022, compared to 13.7% as of 31 December 2021. The NPL ratio has reduced year-on-year as a result of increased new loan issuance, debt sales and improvement in the asset quality of the portfolio partially due to sale of Poland business. Given the customer segment and local repayment dynamics, the loan portfolio in the Philippines is treated as both non-performing as well as written off at 31 days past due, resulting in a relatively lower gross portfolio on balance sheet with no NPLs.

The Group accrues interest whilst it is probable it will be received (typically up to 90 DPD for instalment loans). Non-performing accrued interest was €1.3 million, or 9%, of non-performing receivables. Penalties and delay fees are not accrued as receivables and are only recognised as income when payment is received.

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

	31 December 2022	31 December 2021
	(in millions of €, except percentages)	
Non-performing online portfolio by product:		
Single Payment Loans	3.5	19.5
Minimum to pay	3.8	2.9
Instalment Loans	3.7	4.2
Near Prime	3.8	2.6
Total non-performing online portfolio	**14.9**	**29.2**
Allowance for NPL receivables / non-performing receivables	71 %	77 %
Overall receivables allowance / NPL receivables	179 %	139 %
Average Loss Given Default rate	57 %	61 %

Other assets

A breakdown of the Group's other assets is presented in the table below. The majority of the 'receivables from suppliers' and 'other non-customer receivables' are at TBI Bank and includes merchant and debt sales counterparties. The 'derivatives' line relate mainly to the Group's EUR/PLN, EUR/CZK, EUR/SEK and EUR/RON currency hedges.

	31 December 2022	31 December 2021
	(in millions of €)	
Receivables from suppliers	26.2	8.9
Poland net purchase price receivable	17.1	—
Derivatives	5.0	2.1
Non-current assets held for sale	4.4	4.7
FX hedging - funds on margin	2.0	0.5
Investments in associates and joint ventures	1.3	1.4
Security deposits	0.6	0.9
Other non-customer receivables	16.8	3.0
Total	**73.5**	**21.4**

Liabilities

The Group had total liabilities of €1,187.8 million as of 31 December 2022, compared with €881.3 million as of 31 December 2021, representing an increase of €306.5 million.

Loans and borrowings

As of 31 December 2022, the Group had loans and borrowings of €284.8 million, compared with €313.0 million as of 31 December 2021. The Group's loans and borrowings accounted for 24% of total liabilities as of 31 December 2022 and 36% of total liabilities as of 31 December 2021. The following table sets out the loans and borrowings by type.

In December 2022, 4finance S.A. repurchased a further €17.1 million of its EUR 2026 bonds and €2.2 million of its EUR 2025 bonds. The majority of these repurchases was as consideration for partial repayment by 4finance Group SA of its related party loan from 4finance Holding SA. As of 31 December 2022, the Group held €47.5 million of its EUR 2026 bonds and €16.4 million of its EUR 2025 bonds in treasury.

	31 December 2022	31 December 2021
	(in millions of €)	
EUR 2026 bonds	122.8	159.0
EUR 2025 bonds	130.0	143.8
Other	32.0	10.1
Total loans and borrowings (1)	**284.8**	**312.9**

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

In May 2016, 4finance S.A. issued €100.0 million of 11.25% 5 year notes (the *'EUR 2025 bonds'*). The bonds are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further €50.0 million of EUR bonds were issued at par. Following a bondholder vote, in August 2021 the maturity of the EUR bonds was extended to February

2025, with other changes including a call structure that declines to par over time (currently 102%) and interest payable quarterly from November 2021 onwards.

In October 2021, 4finance S.A. issued €175.0 million of 10.75% 5 year notes (the *'EUR 2026 bonds'*). The bonds are listed on the Oslo Stock Exchange and will mature in October 2026. The proceeds from the new issue were used to repay the Group's outstanding $200 million USD bonds.

In Q4 2022, TBI Bank issued €20.7 million of MREL eligible instruments with interest rates in range from 5% to 7% and terms from 3 to 4 years. Attraction of these instruments allows the bank to meet the regulatory requirement for the MREL ratio (including capital and other MREL eligible instruments). TBI Bank intends to increase its MREL liabilities in line with balance sheet growth.

Customer deposits

As of 31 December 2022, the Group had total customer deposits of €781.7 million, all of which are now at TBI Bank, at an average all-in cost of approximately 2.9%. Further details of TBI Bank's deposits are presented in the appendix.

Other liabilities

A breakdown of the Group's other liabilities is presented in the table below. The majority of the 'other liabilities' are at TBI Bank and are non-interest bearing.

	31 December 2022	31 December 2021
	(in millions of €, except percentages)	
Prepayments in TBI received on customer loans	22.6	14.5
Accrued expenses	10.7	14.8
Accounts payable to suppliers	11.4	6.3
Salaries payable	11.5	10.4
Lease liabilities (IFRS 16)	9.2	10.2
Philippines acquisition earnout	8.0	—
FX hedging liability	7.5	3.8
Taxes payable	2.6	3.1
Provisions for unused vacations	0.9	1.8
Other liabilities	30.1	9.5
Total	**114.5**	**74.4**

Equity

As of 31 December 2022, the Group's total equity amounted to €198.2 million, compared to €176.8 million as of 31 December 2021, representing an increase of €21.4 million, or 12%. The Group's equity to assets ratio as of 31 December 2022 was 14%. In July, the Group declared and paid a dividend of €15.0 million relating to the 2021 financial year.

The equity to net receivables ratio as of 31 December 2022 was 23%, reflecting the Group's strong capitalisation, with good headroom to bond covenants.

Off-balance sheet arrangements

The Group's total off-balance sheet commitments as of 31 December 2022 were €68.5 million. This represents TBI Bank's undrawn lending commitments of €68.4 million and financial guarantees €0.1 million. The Group no longer has any material Line of Credit products with undrawn limits in its online business. The Group also enters into currency hedging transactions which may result in additional off-balance sheet assets or liabilities, but are designed to limit overall exposure to currency movements.

Condensed Consolidated Statement of Cash Flows for the Period

	12 months to 31 December	
	2022	2021
Cash flows from operating activities	*(unaudited, in millions of €)*	
Profit before tax from continuing operations	49.7	31.3
Profit before tax from discontinued operations	9.1	20.1
Profit before taxes	**58.7**	**51.4**
Adjustments for:		
Depreciation and amortisation	7.1	7.3
Impairment of goodwill and intangible assets	(0.1)	(0.4)
Net loss on foreign exchange from borrowings and other monetary items	0.6	11.3
Impairment losses on loans	115.1	91.0
Reversal of provision on debt portfolio sales	(15.6)	(17.5)
Write-off and disposal of intangible and property and equipment assets	3.9	0.6
Interest income from non-customers loans	(10.1)	(7.5)
Interest expense on loans and borrowings and deposits from customers	44.7	47.4
Non-recurring finance (income)	(2.6)	(5.1)
Other non-cash items, including (gain)/loss on disposals	2.3	(1.8)
Profit before adjustments for the effect of changes to current assets and short-term liabilities	**204.2**	**176.6**
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	1.0	(3.1)
(Increase) in other assets (including TBI statutory reserve, placements & leases)	(72.3)	(17.6)
Increase in accounts payable to suppliers, contractors and other creditors	35.8	11.5
Operating cash flow before movements in portfolio and deposits	**168.7**	**167.4**
Increase in loans due from customers	(370.4)	(240.8)
Proceeds from sale of portfolio	39.8	35.8
Increase in deposits (customer and bank deposits)	292.9	90.3
Deposit interest payments	(11.0)	(7.9)
Gross cash flows from operating activities	**119.9**	**44.7**
Corporate income tax (paid), net of refunds received	(13.0)	(1.4)
Net cash flows from operating activities	**106.8**	**43.4**
Cash flows from / (used in) investing activities		
Purchase of property and equipment and intangible assets	(15.8)	(5.7)
Net cash from (Purchase) / Sale of financial instruments	(18.6)	24.4
Other / related party loans repaid	6.7	—
Other / related party loans issued	(1.1)	(1.9)
Interest received on other / related party loans	20.9	7.0
Acquisition of subsidiaries, net of cash acquired	(10.0)	—
Disposal of subsidiaries, net of cash disposed	(4.2)	(0.4)
Sale / (Acquisition) of equity investments, net	(1.1)	5.0
Net cash flows from / (used in) investing activities	**(23.1)**	**28.5**
Cash flows from / (used in) financing activities		
Loans received and notes issued	21.7	10.0
Repayment and repurchase of loans and notes	(31.8)	(32.8)
Interest payments	(32.0)	(33.1)
Costs of notes issuance/amendment	(0.1)	(5.5)
FX hedging margin	(1.7)	7.1
Payment of lease liabilities	(3.5)	(3.8)
Dividend payments	(15.0)	—
Net cash flows used in financing activities	**(62.5)**	**(58.0)**
Net increase in cash and cash equivalents	**21.2**	**13.8**
Cash and cash equivalents at the beginning of the period	**134.2**	**120.6**
Effect of exchange rate fluctuations on cash	0.2	(0.2)
Cash and cash equivalents at the end of the period	**155.6**	**134.2**
TBI Bank minimum statutory reserve	**66.0**	**45.8**
Total cash on hand and cash at central banks	**221.6**	**180.0**

The key drivers of cashflow movements are described elsewhere in this report.

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

The Group finalised the purchase of TBI Bank EAD ('TBI Bank'), via the acquisition of TBIF Financial Services B.V., in August 2016. Presented here for illustration and reference are TBI Bank's results for the twelve months ending 31 December 2022 and twelve months ending 31 December 2021.

Income statement

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

	12 months to 31 December	
	2022	**2021**
	(in millions of €)	
Interest Income	141.7	109.7
Interest Expense	(11.8)	(6.9)
Net Interest Income	**130.0**	**102.8**
Net F&C Income	32.8	19.8
Other operating income	0.7	2.2
Non-Interest Income	**33.4**	**22.0**
Operating Income	**163.4**	**124.8**
Total operating costs	**(74.3)**	**(57.6)**
Pre-provision operating profit	**89.1**	**67.2**
Net impairment charges	(33.5)	(26.1)
Post-provision operating profit	**55.6**	**41.2**
Depreciation and amortisation	(4.1)	(3.6)
Non-recurring income/(expense)	(1.0)	(1.1)
Net FX gain/(loss)	(7.6)	(1.8)
Pre-tax profit	**42.9**	**34.6**
Income tax expense	(7.8)	(7.1)
Net profit after tax	**35.1**	**27.5**

Balance sheet

The table below sets out the statement of financial position for TBI Bank. For the purpose of consolidation with the Group's balance sheet, the fair values assessed as part of the Group's updated goodwill calculation under IFRS are used, rather than the book values presented below. Receivables amounts include premium paid (€8.4 million) for online purchased loans which is also eliminated in consolidation, and unamortised fair value adjustment (€0.3 million) as at 31 December 2022.

	31 December 2022	31 December 2021
	(in millions of €)	
Cash and cash equivalents	183.8	106.5
Placements with other banks	35.7	16.9
Gross receivables due from customers	786.2	541.7
Allowance for impairment	(70.5)	(51.9)
Net receivables due from customers	**715.7**	**489.8**
Net investments in finance leases	2.1	2.6
Property and equipment	14.6	12.1
Financial assets	68.3	55.3
Tax assets	1.4	1.6
Prepaid expenses	1.3	1.8
Intangible assets	14.0	8.5
Other assets	49.4	15.7
Total assets	**1,086.4**	**710.6**
Loans and borrowings	31.0	10.1
Deposits from customers	796.3	488.6
Deposits from banks	—	6.7
Corporate income tax payable	1.7	2.2
Other liabilities	77.0	40.8
Total liabilities	**906.0**	**547.4**
Share capital	41.7	41.7
Retained earnings	144.9	120.4
Reserves	(6.3)	(0.1)
Total equity	**180.3**	**162.0**
Total shareholders' equity and liabilities	**1,086.4**	**710.6**

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

To aid comparison with the loan portfolio presented on page 9 of the report, the table below shows a reconciliation from TBI 'standalone' net receivables due from customers to TBI's portfolio contribution to consolidated figures.

in millions of €	31 December 2022	31 December 2021
Standalone net receivables due from customers	**715.7**	**489.8**
Balance of premium paid for Online portfolio	(8.4)	(4.5)
Unamortised fair value adjustment	(0.3)	(0.4)
TBI portfolio contribution to consolidation	**707.1**	**484.9**

Loan portfolio

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

	31 December 2022	31 December 2021	% Change
Gross receivables by type	*(in millions of €)*		
Consumer	653.6	449.8	45 %
SME (including financial leases)	135.0	94.9	42 %
Total gross receivables	**788.6**	**544.6**	**45 %**
Provisions	(70.7)	(52.2)	35 %
Total net receivables	**717.9**	**492.4**	**46 %**

As of 31 December 2022, consumer loans made up 83% of TBI Bank's gross loans (83% as of 31 December 2021). Of the overall net loan portfolio, 60% comes from Romania and 35% from Bulgaria, with the remainder from purchased online portfolios (Lithuania).

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

	Consumer	SME (incl. leases)	Overall
Non-performing receivables to gross receivables ratio	8.8 %	9.2 %	9.1 %
Provision coverage (1)	120.5 %	36.9 %	103.3 %

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

Customer deposits

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

	31 December 2022	31 December 2021	% Change
	(in millions of €)		
Customer accounts of consumers	703.3	436.7	61 %
- Current accounts	66.5	49.2	35 %
- Term deposits	636.8	387.5	64 %
Customer accounts of SMEs	93.1	52.0	79 %
- Current accounts	66.4	28.6	132 %
- Term deposits	26.7	23.4	14 %

TBI Bank increased deposits and liquidity again in Q4 2022 to support business growth and to increase local currency funding in Romania. The average interest rate paid on term deposits varies by type and currency, ranging from 0.05% to 10.0%. Deposit costs (excluding the state deposit guarantee fund annual charge) were 2.9% for the Period.

Capital and liquidity ratios

TBI Bank continues to have a strong capital and liquidity position. The table below shows TBI Bank's statutory capital and liquidity ratios as of 31 December 2022. The bank's H1 2022 profit was approved for adoption into capital at the end of 2022 and is included in these ratios. The Bulgarian National Bank's minimum capital adequacy ratio requirement applicable for TBI Bank as of January 2023 is 15.75%, with a further increase to 16.25% expected in October 2023.

	Standalone	Consolidated
Common equity Tier 1 ratio	19.8 %	20.7 %
Capital adequacy ratio	21.3 %	22.2 %
Liquidity ratio	32.1 %	—
Liquidity coverage ratio	402.9 %	557.7 %

HISTORIC QUARTERLY RESULTS APPENDIX

For ease of reference, a summary income statement by quarter is presented below. The reclassifications between interest income and other operating income, described in the Income Statement section, have been applied retrospectively here. To maintain consistency with reported quarterly results, no restatement has been made for Poland.

Income statement

(in millions of €)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Interest Income	**71.6**	**71.6**	**78.0**	**81.9**	**82.6**	**80.8**	**80.7**	**86.6**
Interest Expense	(12.2)	(11.9)	(11.9)	(11.5)	(10.6)	(10.1)	(10.9)	(13.0)
Net Interest Income	**59.4**	**59.6**	**66.1**	**70.4**	**72.0**	**70.6**	**69.8**	**73.6**
Net F&C Income	3.0	3.7	6.2	6.9	6.5	6.8	7.8	11.6
Other operating income	0.2	0.2	1.5	0.6	0.2	2.2	2.2	2.3
Non-Interest Income	**3.2**	**3.9**	**7.7**	**7.6**	**6.7**	**9.0**	**10.0**	**13.9**
Operating Income	**62.6**	**63.5**	**73.8**	**77.9**	**78.7**	**79.6**	**79.8**	**87.4**
Total operating costs	**(36.9)**	**(37.7)**	**(38.6)**	**(39.6)**	**(39.6)**	**(37.2)**	**(37.3)**	**(39.2)**
Pre-provision operating profit	**25.8**	**25.8**	**35.2**	**38.3**	**39.1**	**42.4**	**42.5**	**48.2**
Net impairment charges	(12.2)	(12.2)	(16.9)	(21.5)	(15.3)	(20.4)	(25.8)	(29.3)
Post-provision operating profit	**13.6**	**13.7**	**18.3**	**16.8**	**23.8**	**22.0**	**16.7**	**18.9**
Depreciation and amortisation	(1.8)	(1.7)	(1.7)	(2.0)	(1.8)	(1.6)	(1.5)	(2.0)
Non-recurring income/(expense)	0.7	(0.1)	3.2	(2.8)	(0.4)	(4.2)	0.2	0.6
Net FX	(2.7)	0.9	(0.5)	(1.2)	(2.7)	0.1	(2.9)	(6.2)
One-off adj. of intangible assets	—	—	—	(1.0)	—	—	—	(0.2)
Pre-tax profit	**9.7**	**12.7**	**19.3**	**9.7**	**18.8**	**16.2**	**12.6**	**11.1**
Income tax expense	(4.1)	(4.0)	(5.5)	(6.5)	(5.6)	(3.5)	(3.4)	(5.1)
Net profit after tax	**5.6**	**8.7**	**13.8**	**3.2**	**13.3**	**12.8**	**9.2**	**6.0**
EBITDA	**23.7**	**26.4**	**32.9**	**23.2**	**31.3**	**28.0**	**25.0**	**26.2**
Adjusted EBITDA	**25.1**	**26.2**	**29.8**	**27.4**	**33.5**	**31.0**	**28.0**	**29.9**

Loan issuance
(in millions of €)

Total value of online loans issued	**186.0**	**196.1**	**221.2**	**217.5**	**205.5**	**145.9**	**138.7**	**139.2**
Single Payment Loans	149.3	158.7	176.5	178.7	171.7	107.2	88.1	92.2
Instalment Loans	12.2	13.5	18.3	14.6	10.8	11.9	15.2	14.5
Near-prime Loans	10.4	9.1	9.1	9.8	10.4	10.9	12.1	9.9
Minimum to pay	14.1	14.7	17.3	14.5	12.6	16.0	23.3	22.5
Total value of TBI Bank loans issued	**109.6**	**120.6**	**146.5**	**146.7**	**148.3**	**167.5**	**191.6**	**198.8**
SME	19.2	18.9	23.2	19.3	21.8	25.0	29.7	29.6
Consumer	90.4	101.7	123.3	127.5	126.5	142.5	161.8	169.2

Loan portfolio (receivables, including accrued interest)

Note these tables have been adjusted to include online loans owned by TBI Bank within the TBI Bank portfolio.

(in millions of €)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Single payment loans (1)								
- Performing	76.8	83.5	89.1	89.1	88.1	49.6	50.4	47.8
- NPL (2)	14.9	15.4	16.7	19.5	13.9	6.5	3.4	3.5
- Total gross receivables	**91.7**	**98.9**	**105.8**	**108.6**	**102.0**	**56.1**	**53.8**	**51.3**
- Provisions	(24.0)	(24.7)	(26.9)	(28.4)	(24.1)	(17.6)	(14.0)	(12.4)
- Net receivables	**67.7**	**74.3**	**78.8**	**80.2**	**78.0**	**38.5**	**39.8**	**38.9**
- Gross NPL ratio	16.2 %	15.6 %	15.8 %	17.9 %	13.6 %	11.5 %	6.2 %	6.9 %
Instalment loans								
- Performing	34.0	32.3	34.5	30.6	27.7	26.5	30.4	29.2
- NPL (2)	10.2	8.2	6.0	4.2	4.2	4.3	3.6	3.7
- Total gross receivables	**44.2**	**40.4**	**40.6**	**34.8**	**31.9**	**30.7**	**33.9**	**33.0**
- Provisions	(12.9)	(9.7)	(7.5)	(6.0)	(6.3)	(6.2)	(5.7)	(5.7)
- Net receivables	**31.3**	**30.8**	**33.1**	**28.8**	**25.6**	**24.6**	**28.2**	**27.2**
- Gross NPL ratio	23.2 %	20.3 %	14.9 %	12.1 %	13.3 %	13.9 %	10.5 %	11.3 %
Minimum to pay								
- Performing	24.0	26.4	29.7	29.6	28.4	30.9	39.2	43.1
- NPL (2)	7.2	4.6	2.6	2.9	3.1	3.0	2.6	3.8
- Total gross receivables	**31.2**	**30.9**	**32.4**	**32.5**	**31.5**	**33.9**	**41.7**	**46.9**
- Provisions	(7.7)	(4.8)	(2.8)	(2.7)	(2.7)	(2.7)	(2.9)	(3.7)
- Net receivables	**23.5**	**26.2**	**29.6**	**29.9**	**28.8**	**31.2**	**38.9**	**43.3**
- Gross NPL ratio	23.0 %	14.7 %	8.2 %	8.9 %	9.8 %	8.7 %	6.2 %	8.2 %
Near Prime								
- Performing	49.0	44.5	43.0	35.3	33.2	32.2	31.3	31.2
- NPL (2)	3.3	2.9	2.7	2.6	3.4	2.8	3.2	3.8
- Total gross receivables	**52.4**	**47.4**	**45.7**	**37.9**	**36.6**	**35.0**	**34.5**	**35.0**
- Provisions	(6.4)	(5.5)	(4.1)	(3.5)	(4.0)	(4.2)	(4.2)	(4.9)
- Net receivables	**46.0**	**41.9**	**41.6**	**34.4**	**32.6**	**30.8**	**30.3**	**30.1**
- Gross NPL ratio	6.4 %	6.2 %	5.8 %	6.9 %	9.3 %	8.1 %	9.2 %	11.0 %
Total Online receivables								
- Performing	183.8	186.6	196.3	184.7	177.5	139.2	151.3	151.3
- NPL (2)	35.6	31.1	28.0	29.2	24.6	16.5	12.7	14.9
- Total gross receivables	**219.4**	**217.7**	**224.4**	**213.8**	**202.1**	**155.7**	**164.0**	**166.2**
- Provisions	(51.0)	(44.6)	(41.2)	(40.6)	(37.1)	(30.7)	(26.9)	(26.8)
- Net receivables	**168.4**	**173.1**	**183.2**	**173.2**	**165.0**	**125.0**	**137.1**	**139.5**
- Gross NPL ratio	16.2 %	14.3 %	12.5 %	13.7 %	12.2 %	10.6 %	7.7 %	9.0 %
TBI Bank								
- Performing	355.9	382.3	429.0	481.0	525.2	580.9	640.2	709.9
- NPL (2)	58.9	65.5	72.7	55.8	54.8	60.3	71.3	67.7
- Total gross receivables	**414.8**	**447.8**	**501.7**	**536.8**	**580.1**	**641.1**	**711.5**	**777.6**
- Provisions	(50.1)	(53.8)	(57.4)	(51.9)	(53.6)	(59.5)	(68.8)	(70.5)
- Net receivables	**364.7**	**394.1**	**444.3**	**484.9**	**526.5**	**581.6**	**642.7**	**707.1**
- Gross NPL ratio	14.2 %	14.6 %	14.5 %	10.4 %	9.5 %	9.4 %	10.0 %	8.7 %

Notes: (1)Reduction in Q2 2022 from sale of Polish business

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

DEFINITIONS

Adjusted EBITDA – a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) as adjusted by income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS, goodwill write-offs and certain other one-off or non-cash items. Adjusted EBITDA, as presented here, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated. Further details of covenant adjustments can be found in the relevant bond prospectuses, available on our website www.4finance.com

Adjusted interest coverage – Adjusted EBITDA / interest expense for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)

Cost of risk – Annualised net impairment charges / average gross receivables (total gross receivables as of the start and end of each period divided by two)

Cost/income ratio – Operating costs / operating income (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

MREL – minimum requirement for own funds and eligible liabilities, set by the regulator for TBI Bank

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

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

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

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

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

Normalised – Adjusted to remove the effect of non-recurring items, discontinued operations, net FX and one-off adjustments to intangible assets

Overall provision coverage – Allowance account for provisions / non-performing receivables

Profit before tax margin – Profit before tax / interest income

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

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

Tangible equity – Total equity minus intangible assets

TBI Bank capital adequacy ratio – (Tier One Capital + Tier Two Capital) / risk weighted assets (calculated according to the prevailing regulations of the Bulgarian National Bank)

RECENT DEVELOPMENTS

Recent developments include significant and material information about the Group's development and any changes since its last quarterly report that was published on 21 November 2022.

Acquisitions

In December 2022, the Group entered into a joint venture for online lending in the United Kingdom. Lending operations were commenced in February 2023.

Changes in management

Marek Kujawa, Group's Chief Risk Officer leaves the Group at the end of February 2023 to pursue other opportunities. The various Risk functions will now report to Group Data Monetisation Officer, Chief Financial Officer and Chief Executive Officer. The Group will no longer have the separate role of Chief Risk Officer. The Chief Data Monetisation Officer, Artem Alatortsev, will join the executive committee.

Regulatory changes

The Group had been engaged with the revision of the EU Consumer Credit Directive at multiple levels – at the European level as the process entered the trilogue stage, at the local level through membership of lending and fintech associations and through broad industry initiatives. On 2 December 2022, the European Parliament and the Council of the European Union reached a provisional agreement on the final draft of the Consumer Credit Directive (CCD), which is yet to be made public.

Financing

The Group made further repurchases of €17.1 million of its EUR 2026 bonds and €2.2 million of its EUR 2025 bonds in December 2022, taking the Group's treasury holdings to €47.5 million of its EUR 2026 bonds and €16.4 million of its EUR 2025 bonds. The majority of the December repurchases was as consideration for partial repayment by 4finance Group SA of its related party loan from 4finance Holding SA. Together with significant cash repayments, the loan was reduced to €27 million from €57 million in Q4.

Alongside the implementation of requirements for MREL for banks in Bulgaria, TBI Bank has issued €20.7 million of MREL eligible instruments and intends to develop its MREL liabilities in line with balance sheet growth.

Corporate website: www.4finance.com

4finance Holding S.A.
Address: 8-10 Avenue de la Gare, L-1610, Grand Duchy of Luxembourg