

4finance 9M 2023 unaudited results conference call

Wednesday, 15th November 2023

Participants:

Kieran Donnelly – CEO

James Etherington – CFO

Kieran Donnelly: Thank you everyone for taking the time to call in and participate in this call. The last nine months have been during a time of very interesting market conditions, world events and one of the most important things for us at this period of time was our ability to refinance through an amendment and extension process our bonds that were maturing in February 2025 and now have pushed them out to May of 2028. We had a 74% participation, over 1,200 investors participated. Very grateful for that. And we had a 94% approval rate. And we did a few other things besides just changing the maturity: we also committed that we are going to cancel €15,000,000 of the bonds. So not just buy-back, but buy-back and cancel, so they cannot be reissued to the market, and we also included a put option for €15,000,000 of the bonds at the original maturity date. And we hope these two actions will cover those people that were not able to extend their maturity with us; we updated the call structure so everything kind of stays in line; we're adding the Philippines as a guarantor and that business is important to us and it is growing; the coupon stays the same; and we paid a participation fee of 125 basis points. But I think one of the most important things that has come out of this process is what it has meant to our bond maturity schedule. And if you look at the lower right hand portion of this slide, you'll see what we have in front of us in the coming years for our maturities. But we have that put for the 15,000,000 at the original maturity date in February of 2025. And then we have the remainder of bonds. And as we've reported, as in the numbers, we have purchased back a fair number of the 2026 and the 2028 bonds, now the 2028 bonds. So that gives us €129 million in 2026 and €120 million in 2028, so we have a long time, three years until our next maturity. And if you note that dotted line that's our run rate of EBITDA. So I think this has been very healthy for the company, very healthy for credit and therefore also very good for you, our investors and our backers that we actually have the strongest and best maturity profile that 4finance has had in years. And we thank you for that. And I think that you know this is something that is going to give the company the opportunity to grow over the next few years and improve the credit as we move forward.

So as far as the nine month results and these quarters and I'm actually more excited about the quarter result than the full nine months because in this quarter, if you look at that upper right hand chart you'll see that for the quarter we had EBITDA of 33, just over €33 million. And I think you know, as we discussed in earlier calls, what we had in the first quarter of the second quarter, we've done a lot of work, we've made a lot of adjustments and we're seeing that come through and what we see in this 33 million is really a run rate that we can look at as a normalized, a normalized number for us. We had strong growth in interest income up quarter on quarter at the highest level we've had in three years. And on a year over year basis, the interest income is up of 27%, EBITDA is up 10%. And our cost to income ratio has dropped now to 44.2% and we'll talk a little bit more about that later. Our total receivables on a net basis are now

over €1 billion with strong growth in TBI Bank. Our risks are stable and you know, definition for us of stable, it's within our expectations. It's within what it's been for the last couple of quarters, and it meets the stability of our different markets as we've moved to the Philippines, as we brought in new to bank and that growth, so the stability is in context of all of that. We've already deleveraged a little bit more. We've bought back about another €3 million bonds and as we have historically over the years with our excess cash. We look to, and we will continue to be active in the market, but our preference is to actually find ways to grow our business and to expand our business with that cash we have. But we also are looking at the opportunities with the marketplace and judging those two against each other.

As I mentioned, TBI Bank has been going at a very good pace. Issuance growth is up 29% year on year. The book value is up to €212 million as of September 30th, 2023. The revenue is strong, profits are strong. The return on equity is 20%, the capital is there so you know the Bank's doing very well and it's continuing the drive towards digitalization. And here we particularly pick up on just the Bulgarian part of it because it was the least digitalized part of it. It is now a majority, 51% of what we're getting is through our app rather than through branches or through sales networks. So it's continuing and that pace actually is moving on, everything they're doing in Greece is digital. So it's moving in the right direction-as far as digitalization, as far as growth and as far as the penetration into the market and with the merchants that we have there. They also have gotten a Moody's rating now and it's Ba2 for deposits and Ba3 for senior unsecured debt. You may have seen that they're in the market talking to investors about a potential issue. This is a kind of a liability differentiation exercise. So we're looking to get longer maturity. As you know, the whole business has been funded through retail deposits and so the idea is to get some longer term liabilities on that balance sheet and spread that out and that's what we're looking to do. It's just an opportunity for us to improve the mix of the funding, rather than needing additional funding, it's just changing the mix of the funding.

Our online issuance in our core existing business or we like to look at the, you know, kind of the old markets as I call them, it's up year on year by 6%. So in the markets where some people thought, well there's no more growth available, we continue to find growth and that's even with us kind of pulling back and holding back what we're doing, for example, in the Latvian market. There's still other growth opportunities in the other markets that we have. In our new markets, our joint venture in the UK, which is known as the brand Ondal, we continue to grow that we're now coming close to the point where we're going to pause and see how this beginning pans out, how this risk comes through, make any adjustments necessary before we go further, so we won't see this growth rate continue for a bit because we get close to the point now [where] we've put money into the market, we've made enough loans to have statistically meaningful data and information. We'll be analyzing that and go there. So you won't see continuation in this growth, there'll be a bit of a pause and then we'll see what adjustments need to be made and make decisions about going forward. As I mentioned before our approach now is much more careful, much more measured, much more step by step. In the Philippines, the growth year on year has been 54% and as you can see the addition of the second brand PesoRedee is adding and again that's gone up incrementally bit by bit as we see how that affects the market. James, you want to take it from there please?

James Etherington: Yeah, thanks, Kieran, and good afternoon to everyone. So putting that together for the overall loan issuance and the gross income across the business, you can see it's been another very strong quarter. Yes, seasonally Q3 is very strong, but still it's a lot of hard work by the teams across the business to deliver that result. And it's particularly good to see on the right hand side that gross income

number again reaching at a very high level with a good increase both, yes in the bank as we've seen in the last few quarters, but also in the online business as well. And you can see visually there as Kieran mentioned that that's back to the same level we had in the first quarter last year, when we included Poland in the footprint, so it's good to have that, you know, fully back already now for Q3.

And if we look at the diversification, we've maintained that very broad diversification of revenue, TBI is doing well in all its markets. You can see Greece appearing and growing there, that will continue to grow through next year. In online this quarter we have particularly good growth on the top line side in the Philippines, in Spain and in Latvia. And the others, you know Czech and others, very solid. So I think all the kind of engines really firing if you like, the main engines in the online business this quarter. Mexico nothing in there yet, but there will be a small sliver for Q4 and that will only grow, you know steadily quarter by quarter for next year. So we're maintaining and also building that diversification in for the future.

Then if we look at the cost picture, we've improved that cost income ratio again in the third quarter at 43 percent. That's the lowest ratio actually since we bought the bank back in 2016. Now, yes, TBI is investing still, you can see the absolute number going up, but again that strong revenue increase is more than absorbing that. So the ratio is improving and clearly as we get economies of scale in places like Greece and in the investments we've made in the app, then that can come down in the future. In online the costs in Q3 have come down a bit. That's largely driven by reduced acquisition costs in the Philippines. We worked very hard there to reduce the CPA. I think that's a much better ratio of spend to loans that we're getting in. And alongside the budget process, we're doing a full review of our external systems costs as well in online. So a big thanks to Grigory, our IT head for coordinating and quarterbacking that and we're targeting there at a 20% saving in what is a kind of mid-single digit million annual spend for us and we're making some very good progress towards that target for next year. So you don't see it yet in Q3, but gradually Q4 and quarters of next year that can be an important saving as well. So we want to keep working on that cost income ratio. It's never a done thing, it's an ongoing process for us.

So you put that together and then it's a very solid profit of €10 million again that we've delivered for the quarter. So that's another kind of building block if you like in that resilient financial track record that we continue to build, and the EBITDA, being up 10% year on year after this good quarter result, is very nice to see and, you know margins are a little bit lower than last year, but still at a very good level and we know what we need to do to improve that. On the interest expense side, for that interest coverage ratio, the interest expense at the bank has increased for that given the interest rate environment we're in for the deposits and the term funding that they're doing and actually more than half of the consolidated interest expense now comes from the bank side. But I think in online, where it's sort of more relevant directly for cashflows there, we've been reducing the interest expense obviously with the buybacks and we have very good coverage on that. And then if you look at the balance sheet ratios, just staying on that slide on the right hand side for a moment, then despite the fact that the balance sheet numbers have gone up a lot and receivables reaching over that billion mark, we've had good profitability organically. So the equity to assets and equity and net receivables numbers maintained, you know, pretty constant in the quarter and again at a very good level. So we don't have any concerns there. It's supported by the profit generation we have.

Then just to look at that growing net loan portfolio, you can see particularly on the TBI side, it's grown, but actually we've maintained it pretty well in online, bearing in mind that we're selling loans across from Lithuania for example to the bank as that brokerage model. So we're contributing to the growth in TBI in

that respect and so the portfolio continues to grow and in online, importantly, we've generated incremental growth in the revenue, actually based from even the same receivables amounts. So we're making sure the receivables work hard for us in terms of income generation. Then I'll ask Kieran to talk through the kind of asset quality and impairment aspect.

Kieran Donnelly: Thanks, James. So here are the vintage analysis which we think is the most important way for us to track our risk. And while we're showing here 30 day and 90 day numbers, just to remind everybody, we're looking at these numbers on a week-by-week basis, not waiting for 30 days, not waiting for 90 days to make any necessary changes in our risk. And if you look at the Q2 2023 which is in a green color, you can see that it's now moved back towards the average that we had prior in 21-22. So you see the third quarter of 22, the fourth quarter of 22 and the first quarter, it kind of there's a move up in risk, but now it's reverted back down and we see that both on the 30 day and you can also see in the 90 day it's a little bit harder in the 90 day because it hasn't gotten quite as far yet. But from a vintage point of view, and especially taking into account the fact that we now have more loans in the Philippines, which is a higher risk appetite for us and the more new to bank customers that we've had with the growth we've had this past year with new to bank customers, we're very satisfied with the level of risk that we're seeing on our vintage analysis.

On the next slide, we'll look at it from an accounting point of view as far as impairments are concerned. The impairments have gone up in the quarter in line with the growth of the receivables that we have. And if you look at that, we've talked about this before, but underneath the darker blue bar chart you see the lighter blue, the over provisioning on debt sales and we've again discussed this after the first quarter results. The debt sale market, and this is what impacted our first our first quarter results, pulled back. There was a lot of uncertainty in the market and debt buyers weren't sure what was happening. They were cautious. We relied more on our own collections, which means it's a delayed financial impact. When you sell the debt, you get the immediate financial impact. If you're collecting yourself, it's more over time. But as you can see in the second quarter, the third quarter that debt sales market has come back. We've actually, you know, signed over some of the best agreements that we've had. So that part has come back and that really I think shows that people like our portfolios, they're willing to buy them and we're getting very good prices for those. It also shows that our provisioning is conservative because on our debt sales, we're always reversing and we're getting a gain on those sales. On the cost of risk, looking at TBI Bank in the lower part of the slide there, you see that quarter on quarter it's slightly up in the nine months versus first half of the 2023. I think that's also in line with the growth that we're seeing in the expansion in the Greek market. So again, if we look on vintage basis is where we're satisfied that the risk is within our appetite and what we're working on is that is optimizing our cash flow and our profitability. We're not managing to a cost of risk number, but this is the result that you see here.

James Etherington: OK, I think this graph shows nicely that the quarter was the highest EBITDA €33 million that we've had from the new kind of business footprint from the current footprint and it's particularly pleasing to see a pick-up both in the bank and also in online in Q3. That's the impact of quite a few operational improvements and changes we've made in Spain, in Latvia and Philippines in particular. And I think that puts us in a very good position as we finish the year and as we go into next year that we have this €50 million or so run rate EBITDA in the online business that gives a very good coverage on the interest expense. And remember that we've continued to reduce the debt in this time as well. So we've increased EBITDA and we've reduced debt. So the credit metrics are improving nicely. Even for 2023, we're also missing, about €3 million of EBITDA that in online that we would have had, for the related-party loan

reduction in Q4 last year. But again that's a good thing that allows us to reduce debt. So that again balance sheet quality has been improved. And then on a consolidated basis, our net bond debt to EBITDA you know is only just over two times at this stage. So I think the credit metrics and levels are very encouraging.

Then on the next slide, we've added a new slide here to show this kind of asset coverage concept for the bonds. So that interest coverage credit metrics are very good, but this is an approach that we know some of our analysts and investors use, so we like to track it as well. And I think it's a useful way to see how well supported and backed the principal essentially of the debt is. So, if you just take our real core assets on the left hand side of our net loan receivables in online as €171 million and then the book value of the bank at €212 million, you've got €380 million there of kind of core assets if you like, and a net bond debt against that of just over €250 million. So that's only a 2/3 loan to value ratio, which is, you know, really a very conservative level. And that net debt amount, we continue to deleverage where we have an opportunity, as Kieran said and as we've done, I think over the last, you know, two, three, four years. So from a credit metric point of view there's very good interest coverage on the bonds. Those metrics are good and there's also good asset coverage. So we think we've done a lot to really improve the credit profile of the business.

Kieran Donnelly: We're going to wrap up here so we can get to your questions. But we've had a solid nine month results and I think you know the market conditions, you know the high inflationary impact everyone was worried about the beginning of the year, two wars going on and all this uncertainty around there and we've been able to deliver through that, to stay focused, to worry about execution in the details you know, day in, day out and if we stay focused on keeping our costs under control, making sure that we are efficient in how we deliver our products and that make sure we keep the convenience for our products, that's what we're focusing on day-to-day. If you focus on that, the delivery comes. The bank continues to do well, as James is saying even the book value €212 million and growing, with that it's a great asset that we have. And it mostly operates [separately] besides the Lithuanian part, really we have two businesses under 4finance. The medium term capital structure, as I mentioned in the beginning, we don't have anything to pay for a while, we have strong cash on our balance sheet, we're able to fund our growth. We're able to fund our expansion. I think we will continue to move forward on these points. Will we buy more bonds in the future? We're often asked that question. So we always consider it as a possibility if you look at using the cash we have as efficiently as we can. And as I said, we have a preference to put it to work in growing the business because that's ultimately going to generate more cash than just reducing our leverage, but we do look at those opportunities and compare them as they come to us. Mexico, we just started in October back again, I think so far we've made six or 700 loans. I mean it's really very cautious, very carefully testing systems. We're moving slowly. We'll see where it goes. We're not committing important levels of capital. We are looking for other opportunities, not 100 different opportunities, quite focused so that we can execute. So it's move carefully, move deliberately and be focused and make sure that we do not bite off more than we can chew at any one point. So with that, I think the most important part is to open up and answer your questions that you may have. So let's do that please.

Melisa Larsen: Hi, good morning. Thank you for the presentation and congratulations for the results. In the press release you mentioned some specific situations that drove the impairments growth. Could you provide more color on that and particularly at TBI Bank where the cost of risk increased this quarter? Thank you.

Kieran Donnelly: Besides just the empirical level itself growing because the size of the book has grown that aside, on the cost of risk number, again, with the growth comes, impairments come quickly. There's a bit of a timing mismatch and that's why we prefer to look at vintages to really measure the risk side. But yes, there has been the inflationary impact, I don't think it had the impact a lot of people were worried about, but it certainly did have some impact and there was a slight deterioration in performance. But it was well within our expectations. So there wasn't any particular event that happened. I think it was just as we grew and as the market was there.

Frank Oliver Lehmann: Yes, hi, good afternoon. It's Frank Oliver here and hello, James. Hello, Kieran. Thanks for the presentation, first of all a congratulations to a very well delivered exchange of, not an exchange, an extension, an extend and amend, very well done. So my only question is, you did talk a little bit about the bank, Kieran the bank seems to be exceeding the expectations, at least that I had when I heard that you bought the bank about five or six years ago. Never thought it's going to get to the point where it is right now. So coming back to that question about growth of the bank and whether the cash they generate is better kept with them or whether there will be any dividends upstreamed? I understand there might be a dividend policy in place at TBI, but that doesn't necessarily mean that money has to be upstreamed if the return on equity as you showed is 20% or even better. Just explain that again to me and I have asked that question before: where's the best place right now to stick that excess cash you generate in your business? Is it in the online business? Is it in new markets? Is it just simply kept within the bank? Thank you.

Kieran Donnelly: I think that right now the two separate businesses generate, in themselves, enough cash to run and obviously, you know we're deleveraging, and that cash is all coming from the online side of the business. So, we have €48/49 million in cash in our balance sheet now and we are looking to expand and grow as we mentioned. But we're looking to do that slowly and step by step in a very deliberate way. So, at this point in time the cash we're generating in the online business and the cash we have is enough to support that growth. The bank is generating very strong returns and that growth opportunity is there and it continues. Honestly, it doesn't make sense at this point to take cash out of the bank, when we already have cash now. As you said, "it exceeded expectations when you bought it," well it expectations from when we bought it. But in a different way, though. Because if we go back in time, the bank was purchased because we thought it would be much more integrated in the business, right? So we would have a much more integrated business that there are regulatory opportunities that we could take advantage of by owning a bank and using the bank in a different way and having the online much more integrated. As it's turned out, we're very separate in these two businesses. But as an investment, it's exceeded our expectations with growth levels and that continues, so I think at this point in time the best thing we can do for, 4finance, for our bondholders, is to continue to grow that asset value. You know, a book value €212 million, if you just do some simple math of where that book, even if you cut their growth rates dramatically over the next three years, what the book value would be going forward and the return. So you know, as far as the asset coverage for the bonds are concerned, I think the bank is a very valuable and growing asset that makes sense to support.

Frank Oliver Lehmann: All right, I think I understand where you're coming from and let me ask one more question regarding the bank. The bank is expanding into Greece and if I understand it right, the Greek market, because it's an EU country, has much higher GDP per head, is far more attractive than where you are operating now in Bulgaria and Romania. So that is a fantastic opportunity. The bank is run with the

branch increase, if I understand that correctly. And on the other hand, you do expand into more exotic places, Mexico, Philippines, OK, you've gone to the UK...

Kieran Donnelly:

Which is exotic in its own ways.

Frank Oliver Lehmann: Which is an investment grade country. But is there a logic in expanding on both these separate businesses because you expand with different products? And do you want to keep it that way, or is there anything where you would say, well, the expansion into new countries will be, and I'm just picking one now, much more attractive to do business in Greece in the future out of the bank than say the online to enter Mexico or try our luck in some other exotic places. I think India was once mentioned. You know and that's why I scratched my head a little bit.

Kieran Donnelly: Well, I think you actually touched on it very important point of the differentiation, and that's in the products. So the bank is focused on consumers but in the near prime segment. And the method of also creating this merchant ecosystem where we're acquiring customers through point of sale financing. We're then integrating with these merchants. We're providing data and information to these merchants to help them sell more and therefore we do more and we tie in with the merchant and cement that relationship. We also do provide some merchants some funding as well as part of the whole ecosystem. Then we acquire those customers and then we're upselling, cross selling those customers instalment loan products, credit card and these other things. So it's a very different model to an online lending model where the longest thing we'll do is one year. So, it's a very different model and in Greece we've expanded digitally, led by the merchants. We've signed up many more merchants. The opportunity in the market as you mentioned, yeah, it's the gap of consumer lending since the 2008 crisis. They never really recovered, right? Never came back for the consumer. And you know that's really, you know, the opportunity is that gap where the leading banks have their scars from 2008, 2009 and you know they, it's very fresh in their minds and their memories. And so they've been very hesitant to go back and this is the opportunity that we saw and the opportunity we're taking advantage of. It's also contiguous, so Greece, I mean we're in the same area here geographically. So keeping TBI is a story that makes sense by itself, stand alone. Is it an important part, well of 4finance itself? You know in the online side we have scope as a subprime lender online, you know to go into different markets, focus on a different clientele, a different product. And it's a much lighter footprint that we go in with, right, because we don't have the same regulatory issues that a fully regulated bank in the EU has to comply with.

Frank Oliver Lehmann: Thank you very much Kieran for this discussion best of luck to the team, James, yourself and we speak again in the new year.

Moderator: Thank you, Frank. So we received another question in our chat box: is there an exit strategy for the bank investment?

Kieran Donnelly: Well, we've talked about this a couple times before. We are approached quite regularly with people that see this bank growing at the rate it's growing, with the high return on equity so there will be a point of time when it makes more sense for us, at the right price, to take that investment off the table. Because as I was just mentioning, the original intention was that the bank would be very integrated into the business. As it's played out over time it's very separate and performing very well and has been a great asset for us but, the strategic part of it, as far as the online, as far as our core business, our original

business, that really hasn't come to pass. So it's not strategic. It's in consumer lending, yes, we understand consumer lending, but it's more near prime. It's a regular bank. So, there will come a time, there'll be a right price and a right deal. And if that comes along, we'll we will seriously consider it.

Olivier Spoor: Hi, guys, good afternoon. This is Olivier calling from SingAlliance. Just a couple of questions from me. In terms of cashflow upstream from TBI, does the potential issuance of the subordinated instrument change anything in terms of the capacity to upstream dividend to 4finance? That would be one of the first questions. The second question is regarding the comment from Moody's that you don't have a risk officer at 4finance. And see that as a risk. Can you comment on that and how you handle risk operations for the online business? And the third question would be regarding the Philippines, which is growing nicely. Just wondering if you can give some color on the steepness of the learning curve to understand that market and what you expect in terms of losses, credit losses, potential credit losses and improvement on that matter as you penetrate more that market. Thank you.

Kieran Donnelly: James, you want to take the first, I'll take the second. You can take the third.

James Etherington: Yeah, sure. So I think with the potential bond issue they've got currently it doesn't in of itself change that ability on upstream when the MREL ratio that they need to comply with on the bank side, which is one of the things that this bond you know, the potential bond issue does help with, it does mean if you don't fulfill that in that way or that type of instrument, then you can use capital instead. So it potentially gives a bit more flexibility, but I don't think it changes anything for us in the short term. I think what Kieran covered before about allowing us to grow and growing that asset. is probably the relevant thing there, but it's not totally unrelated. It gives a bit more flexibility. Let's put it that way.

Olivier Spoor: OK.

Kieran Donnelly: And I would just add it goes back to the, do we need the cash on the online side, right? So, if you have a bank that's growing, that's performing, that's giving a great return on equity, and we don't have there, so OK, dividend money out from there and put it on deposit at the bank.

Olivier Spoor: It doesn't make sense when you grow up 20%.

Kieran Donnelly: But if we did have, so we we're always looking at what's the best thing to do, the best return on that capital and right now the best return on the capital is leaving it where it is. But I think it's all about supporting the growth and that MREL eligible issue, that this subordinated bond that they're doing, which is a senior unsecured bond is about supporting the growth we expect to see as we go forward.

Olivier Spoor: The comment from Moody's on the lack of risk officer at 4finance?

Kieran Donnelly: Actually, we had a very interesting call with Moody's just a couple of weeks ago on exactly that issue where we showed them our whole corporate structure. Yes, we do not have someone whose title is the chief risk officer. The person's title is the chief data monetization officer. They are in charge of risk, so I explained to them it's like, you know companies don't have heads of HR anymore. They have chief people officers or these type of things. So we went through the whole structure. We actually over the course of the last, [since] when we did have a chief risk officer we have actually enhanced and strengthened our risk environment as far as governance is concerned. Where the chief risk officer was in charge of not only credit risk but also enterprise risk, we've separated that out. So we have a head of

enterprise risk who reports directly to me, our chief data monetization officer was running just data and on our credit decisioning, it's all statistically driven. So the building of the scorecards was sitting with the data team anyway. So we've focused credit risk with our chief data monetization officer. Enterprise risk is now with our head of enterprise risk. IT security is separated out from IT to report directly to me as well. Across the board our whole risk environment and how we govern our risk, I think actually has been enhanced and hopefully in our meeting with Moody's, we were able to communicate this and explain, and we showed them all the charts. So rather than not have a chief risk officer, I think we actually have a stronger governance situation now than we did a year ago. Your third question was about the Philippines.

Olivier Spoor: Yeah, just understanding how steep the learning curve is over there. Since you're relatively new entrants still and what do you expect in terms of losses and management of that? And if you can improve from where you are, what you expect, just a few views on that?

James Etherington: Yeah, I think in the Philippines, remember we bought an existing, pretty well established business, last year, last April and it's something that we had been following. I think we talked about the potential to acquire probably nine months plus before then. So it's something that the local team are not new to operating and we've had quite a lot of time to get familiar and understand it. I think the newer thing this year certainly compared to results from Philippines last year is developing that second brand, right? And we have invested in that, we've probably invested 1 to 2 million of P&L in terms of building that up and establishing it. But I think in terms of capturing the growth opportunities available in that market, that's been the right thing to do. We're seeing when you start off again you have new customers coming in/ the risk on those is greater, you build up a returning customer base which is what gives you over time the greater profitability and we're really going through that process. We're largely through that I would say with Peso Redee now, but that has impacted a bit on the online results, particularly the first half. I think we talked about that last quarter, but we've seen an uptick this quarter and we are in a good position now I think to really grow that. It's certainly break even as a separate brand and it will start contributing. So that has good potential to pick up into Q4 and into next year, overall for Philippines.

Olivier Spoor: Great. Thank you.

Kieran Donnelly: I would just like to add to that if I may. In kind of a little bit of a twist there. The experience that we've gathered in the Philippines since the acquisition of that team we're actually using a lot of the lessons there in that market to apply to our new efforts in Mexico. So it's interesting if we take our European business, which we did in the past and brought it to Mexico and we know that didn't work out. But now as we go back we're taking lessons, we're learning from this market. So you know there's a learning curve in the Philippines, as James said that has already kind of course, it's never complete. You're always learning the new thing, but lessons there in that market from the local team have actually, they look to be quite applicable and will be helpful for us as we as we try again to expand in Mexico.

Olivier Spoor: All right. Thank you, guys.

Moderator: Thank you, Olivier, for your questions. So we will now move on now with the further questions from our chatbox regarding the TBI Bank, new issuance of senior non Pref. If the market is not supportive in terms of pricing, i.e., expensive coupon, would you consider participating from 4finance Group level?

Kieran Donnelly: As we said there are other options for TBI Bank itself, could be bilateral options in the market. They would like, and I've had long discussions with the management, the Treasury team there, they would like to establish themselves in the bond market. So that they can have that liquidity and that diversification of their funding that gives them the term that the regulators across Europe, well, I guess also the United States, but I'm more familiar with the Europeans, would like to see, so the regulator is saying they want to see a diversification of funding sources and terming of funding across, and that's what this bond is an initial effort to look at. It's exploring the market. If the market's not there at the moment, it's not there, but it is their initial foray into the market and I think if they are successful in placing it at a price that's acceptable, then they will be able to grow on that and build an investor base themselves that will support future growth. So this is something that's being set up for the future rather than something that's urgent at the moment. It's the first step for them in the capital markets.

Moderator: All right. Thank you. And the further question in the chatbox is what is the outlook for the €31 million loan to related parties? When will this be repaid? What is the interest rate on that?

James Etherington: Yeah, let me pick that one up, that line, €27 million of that is the principal on the loan 4finance Group, the parent company, that's a number that used to be €60 million last year. We've had already very significant repayment on that. That's at an interest rate of 14%, so it provides an income in excess of our cost of funds. We actually get the cash interest paid monthly on that, so it's a performing asset and gives us a good profit margin against cost of funds. So we've got no problem with that. It's something I think we can look to work on over the next couple of years, but I think the big significant move happened last year and in the context of the overall balance sheet, size and position, I don't think it's too significant. In that line we also have the funding that we provide to the UK joint venture. So because that's a 50/50 joint venture, it is classified as a related party, so £3 million of principal, which is what we've put in so far, so getting towards three and a half million Euros, which is the balance, is actually the loan to the UK business, so if you see growth in that line, it will be from the UK joint venture and not from the Group loan.

Moderator: Thank you very much James for answering. We have another question in our chatbox. So do you have any plans to slow down the increase in the cost of risk?

Kieran Donnelly: That's going to be a tricky question to answer in a way because the cost of risk, of course is important, but it's not what we're managing to. We're managing to profitability. So if you calculate that the cost of risk, a higher cost of risk actually results in higher profitability, then we will allow for a higher cost of risk. What's important is that we're looking at how all the KPIs interact with each other and how they drop out. So, and I guess this is a big difference between being a regulated bank and not. Now at the bank level itself, yes, the cost of risk is something that's more closely watched because the regulator also more closely watches it. And in that case, as I said, it's important to be managed within expectations and as far as plans on reducing risk, we're always trying to optimize risk. We're always changing our scorecards, updating them on a regular basis, looking to set the cut offs where they are, so as the environment changes we react and change to that. So I think on a natural basis just given our normal course of risk management, the course of risk at TBI will come down. But again cost of risk overall for 4finance isn't the number we manage to. I hope that makes sense to everyone.

Kieran Donnelly: Well, again, I just add my thanks. My thanks to all investors for your support, for your trust. You know we work hard every day to hopefully earn that, and deliver it. I'd like to thank the whole team at 4finance, for all they've done and, you know again, as we mentioned we always are happy to

answer questions. Really appreciate all the questions on this call, very interactive, and you know we're always happy for your questions, for your suggestions, for ideas and we look forward to continuing the dialogue. Thank you, Again. Have a great day.

[END]