4finance Holding S.A.

Société anonyme

Consolidated
Annual Report for the year ended 31 December 2019

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

Contents

Rounding and Percentages

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

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

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

Information on the Company

Name of the Company	*4finance Holding S.A.*
Legal status	*Public limited liability company*
Number, place and date of registration	*B171.059, Luxembourg, Luxembourg, August 27, 2012*
Legal and postal address	*8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg* *RCS Luxembourg: B171.059*
Board members and their positions	*Oyvind Oanes, Chairman of the Board of Directors, category B director* *Paul Goldfinch, category B director* *Fabrice Hablot, category A director* *Daniela Roca, category A director*
Reporting period	*01.01.2019–31.12.2019*
Information on shareholders	*4finance Group S.A. 100%*
Auditors	*PKF Audit & Conseil Sàrl* *37, rue d'Anvers* *L-1130 Luxembourg*

Consolidated Management Report

4finance Holding S.A. (the "Company"), one of Europe's largest digital consumer lending groups, active in 14 countries globally, presents its annual report including its audited annual accounts for the twelve month period ending 31 December 2019 .

The share capital of the Company as at 31 December 2019 was EUR 35 750 thousand (31 December 2018: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2018: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2018: EUR 0.01), fully paid via contribution-in-kind.

The Company is rated B2 by Moody's and B+ by Standard & Poor's.

Important events in 2019 and future developments

During each quarter of the reporting period, the Company and its subsidiaries (collectively, "the Group") showed a fairly consistent and stable financial performance. The contribution from the Group's largest markets (TBI Bank, Poland, Spain and Denmark) was stable year-on-year, but overall year-on-year comparisons remain impacted by markets and products that were rationalised during 2018.

The Group made continued progress in developing the near-prime segment of its online business, with 2019 issuance nearly double that of 2018. Alongside existing pilots in Lithuania, Spain and Sweden, a new product was launched in Latvia in December. At the end of 2019, the near-prime segment (including both TBI Bank and online) represented 48% of net receivables, up from 41% at the end of 2018.

As described later in this report, new regulation was introduced in the Nordics & Baltics region, and the Group successfully adapted its products. This included optional service fees introduced in Latvia in July and Finland in September with an encouraging customer reception.

The Group continued its migration of single payment loan customers to products with more flexible repayment terms, e.g. 'minimum-to-pay' lines of credit or shorter-term 'mini' instalment loans with maturities of under 12 months. As of 31 December 2019, single payment loans represented only 18% of the Group's net receivables compared to 24% at the end of 2018.

Despite this, and the rationalisation of some products during 2018, the Group still issued a total value of online loans in 2019 slightly above EUR 1.0 billion (2018: EUR 1.21 billion). In June 2019, the Group reached the milestone of EUR 7 billion in total online loan issuance since the business was established in 2008.

Significant disposals

In March 2019, the Group agreed to sell the loan made by 4finance SA to Spotcap Global S.a.r.l to Tirona Limited for its outstanding principal value of EUR 4.9 million. In April 2019, the Group further agreed to sell its 19.9% equity interest in Spotcap Global S.a.r.l. to Tirona Limited for its carrying value of EUR 9.9 million.

In April 2019, the 4finance online business in Bulgaria (4finance EOOD) was sold to TBI Bank EAD.

Financing

The Group fully repaid the outstanding USD 68 million of its 2019 Notes at maturity in August 2019. It also had excess liquidity during the reporting period and made market purchases of USD 25 million of its 2022 Notes in 2019. This brought the total nominal amount of 2022 Notes held in treasury as of 31 December 2019 to USD 50 million.

Dividend

The Group declared and paid a EUR 5 million dividend in August and further EUR 9 million dividend in December 2019 in respect of the 2018 financial year.

Changes in accounting policies

The Group applied IFRS 16 with the date of initial application of 1 January 2019. As a result, the Group has changed its operating lease contract recognition and measurement policy.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in the retained earnings at 1 January 2019. For further details, please see note (3) Significant accounting policies.

Regulatory changes

In Latvia, a reduction in the cap on total cost of credit (to 0.07% per day) and limits to loan size, extensions and marketing for consumer lending were approved in Parliament in October 2018. The new regulations with regards to limiting the size and extensions came into force from January 1, 2019, and the changes to the cap on total cost of credit and the marketing limits came into force on 1 July 2019. The Group's products have been adapted, including a 'minimum-to-pay' line of credit and a voluntary fee for amendments to contract to enable faster disbursement.

In Finland, new consumer credit regulations that apply to all loan types and amounts (excluding motor vehicle financing) were approved in Parliament in March 2019. The changes include annual nominal interest rate cap at 20% and specifies limits for various other fees. The new regulations came into force on 1 September 2019.

In Denmark, new regulations on consumer credit companies came into effect on 1 July 2019, including requirement for a license to operate, increased requirements for customer data privacy and switching the relevant supervisory authority in some areas from the consumer ombudsman to the Danish FSA. The Group has filed its license application with the Danish authorities.

In Bulgaria, following the Bulgarian National Bank's supervisory review of the banking sector, the minimum capital adequacy ratio requirement for TBI Bank was increased from 13.5% to 14.25% during Q1 2019. It was increased by a further 50bps in Q4 2019 with the introduction of a counter-cyclical buffer, bringing the minimum requirement to 14.75%. A further increase in the counter-cyclical buffer of 50bps was expected in April 2020, however this was cancelled as part of the Bulgarian National Bank's coronavirus response.

In Poland, the Competition and Consumer Protection Authority (UOKiK) reviewed market practice for treatment of up-front loan fees in cases of early loan repayment in Q4 2019. The Group has conducted reviews of its practices in this area, and had already adopted a partial refund approach in its Polish instalment loan product at the start of 2019. In January 2020 the Group received decisions from UOKiK which include a requirement to apply a stricter approach (a refund proportional to the unused term of the loan) in relation to early repayments from new lending. The Group has appealed the decisions as applicable to prior periods, a process that is expected to take at least two years to finalise. Please see note (37) Litigations for more information.

Changes in management

The following management team members joined the Group in 2019:

- Olivier Frühwirth joined the Group as Chief Legal Officer in June 2019 replacing Sanda Laicēna
- Olga Pavlikova joined the Group as Chief Operations Officer in August 2019 replacing Andrew Zeller
- Hermann Tischendorf joined the Group as Chief Technology Officer in September 2019 replacing Roland Schaar
- Martin Muransky, formerly Chief Credit Officer at TBI Bank, took on the broader role of Chief Risk Officer in September 2019 replacing Jūlija Lebedinska-Ļitvinova.

Future developments

Going in to 2020, the Group intended to pursue its strategy of building a multi-segment, multi-product, consumer credit specialist, based on providing a convenient, responsible and transparent service to its customers. This approach of evolving and broadening the Group's business model would aim to:

- Optimise existing business. To reinforce the Group's leadership in existing markets, optimising its products and adapting to incoming regulation where appropriate.

- Develop future business. Develop next generation of products, including for 'near-prime' customers further up the credit curve, and pursue joint-venture partnerships in selected markets.
- Diversify funding sources. Develop platform to access TBI Bank's deposit-based funding to fund growth in suitable products, particularly in 'near-prime' lending, to lower cost of funding over time and reduce reliance on any one source of funds.

As discussed in more detail at the end of this management report, and in note (45) Subsequent events, the emergence of the coronavirus pandemic in Q1 2020 will likely mean a delay in implementation of some aspects of this strategy, and significant management focus is being devoted to ensuring an appropriate business response.

Review and development of the Group’s business and financial position

Interest income for the twelve months ended 31 December 2019 amounted to EUR 424 925 thousand, compared with EUR 475 190 thousand in 2018, which represents a decrease of 11%. The reduction in interest income from online lending was 15%, reflecting the 7% decrease in the average balance of net receivables and a lower average interest yield. The interest income contribution from largest markets (TBIF Group, Poland, Spain and Denmark) was stable year-on-year, but overall year-on-year comparisons remain impacted by markets and products that were rationalised during 2018.

The TBIF Group interest income growth of 11% was driven by a loan issuance volume increase of 19% comparing to the previous period, contributing a year-on-year increase of EUR 8 392 thousand in interest income. Other main contributors to interest income saw an increase in interest income of 2% in Spain and 6% in Denmark, contributing an increase of EUR 4 372 thousand for 2019 compared with 2018.

The balance of outstanding net loans at the end of 2019 was EUR 578 859 thousand, a 5% increase compared with EUR 553 173 thousand as of 31 December 2018. This increase was largely delivered in the fourth quarter of 2019, driven by strong portfolio growth at TBIF Group, which contributed EUR 315 780 thousand of total net receivables (including purchased Online portfolio from Poland) at end of 2019.

The Group's profit before tax for the year ended 31 December 2019 amounted to EUR 50 668 thousand, a slight decrease from the EUR 52 577 thousand reported for the twelve months ended 31 December 2018. Whilst cost reductions roughly kept pace with the decline in interest income, with total operating costs down 9%, the Group's net impairment charges were flat year-on-year, driven by lower debt sales proceeds in 2019. However the net FX gain in 2019 (compared with a net FX loss in 2018) brought overall profit before tax to similar levels for both years.

Principal risks and uncertainties

4finance applies Group-level policies for overall risk management, and there are Group policies covering specific areas such as credit risk, liquidity risk, market risks, operational risks and capital management risks.

A more detailed description of risk management is available in Note (4) Risk management of these Financial Statements.

Corporate Governance

Strong corporate governance is an integral part of building a sustainable business. The membership of the Supervisory Board of the Group’s parent company, 4finance Group S.A., was refreshed with the appointment of Evgeny Sytnik as member of the Supervisory Board in May 2019, replacing Dmitry Babichev. Vladimer Gurgenidze stepped down from the position as member and chairman of the Supervisory Board at the end of July 2019. William Aaron Horwitz, a founding member of the Supervisory Board, was re-appointed as member in August 2019 and also appointed as the chairman.

In March 2019, Konstantin Ter-Martirosyan was appointed as member of the Group’s Audit Committee. In April 2019, Evgeny Sytnik was appointed as member of the Group’s Audit Committee. In May 2019, Dmitry Babichev stepped down from the Group’s Audit Committee.

Regulatory compliance is a vital part of the Group’s operations and is taken very seriously throughout the business. As a responsible lender, the Group plays an active role in industry associations in several of its markets to support development of appropriate regulation.

The Executive Committee works with the senior leaders across the Group to promote and foster a corporate culture of the highest ethical standards, internal controls and legal compliance.

Ownership

The Group's significant ultimate beneficial owners are Vera Boiko: 49.0% (held in trust) and Edgars Dupats: 29.5%, with the remaining 21.5% held by minority investors, each owning below 10%.

Important events after the balance sheet date

Disposals

Following the decision in 2018 to cease consumer lending in Georgia, to facilitate the full closing of the business, the operating entity MFO 4finance LLC (Georgia) was sold to 4finance Group SA in February 2020. In addition, in accordance with the respective conditions of the EUR 2021 and USD 2022 Notes, the entity was released from its guarantees of the Notes.

Changes in the regulatory framework

The regulatory landscape continues to evolve across Europe, with proposed additional regulations in Denmark as outlined below.

In Denmark, a draft law was published in February 2020 for consultation, including a proposed APR cap of 35%, overall cost cap of 100% and limitations on marketing. The Group continues to participate in the consultation process. Once finalised, the new regulation is expected to come into force in the 3rd quarter of 2020.

There is additional potential for change in the regulatory framework in some markets as governments and regulators develop their responses to the coronavirus pandemic.

In Poland, the government has introduced a temporary reduction in non-interest cost caps for a period of one year. Since March 2016, the caps have been 25% fixed cost plus 30% annual cost with a 100% total limit, while the separate cap on nominal annual interest was 10%. The new non-interest cost caps for loans of 30 days or more, effective as of 1 April 2020, are 15% fixed cost plus 6% annual cost with a 45% total limit, and the nominal annual interest cap was lowered to 8% as of 9 April 2020. The Group has already adapted its Vivus short-term loan product to comply with the new pricing, however the Zaplo instalment loan offering is under review.

Potential impact of the Covid-19 coronavirus pandemic

On 31 December 2019, China reported a cluster of cases of pneumonia in Wuhan, Hubei Province. A novel coronavirus was eventually identified. On 11 March, the WHO made the assessment that Covid-19 can be characterised as a pandemic. By that time, cases of Covid-19 had been registered in many European countries, including many where the Group operates. Countries have chosen different approaches to fight the spread of the virus, however most of the mitigating actions have required citizens to observe physical distancing, with various degrees of severity, up to full 'lockdowns' throughout the emergency situation. Governments are actively reviewing and updating these measures, but they have already negatively affected their respective economies. Many governments therefore have worked on substantial economic support & stimulus packages, particularly for individuals whose income has been disrupted. The situation across all Group markets is still developing and the ultimate impact on countries' GDP and consumer behaviour remains uncertain.

Operationally, the Group rapidly adapted its operations to working from home in mid-March and has been able to provide continuous service to its customers. The executive committee and crisis team meet daily or several times per week to monitor the situation and lead the firm's response.

As a responsible lender, the Group has introduced a range of options to support customers whose plans have been disrupted by the current coronavirus pandemic. These include offering discounted or free payment deferrals of typically 1-3 months or more, depending on the market and product. Regulators are also encouraging or mandating similar, and in some cases additional, forbearance measures in several markets including the Czech Republic, Lithuania, Poland, Romania, Spain and other countries. As of the end of

March, there was not yet a significant impact on overall collections in the online business and a reduction of less than 10% in TBI Bank.

The Group has seen an impact on new loan issuance volumes from mid-March, resulting from both lower customer demand and its own tightening of underwriting criteria, particularly for new customers. Compared with the averages for January and February 2020, loan issuance in March was down by 11% in the online business and by 12% in TBI Bank. The impact has varied widely by market, with the largest impact so far seen in Spain and in offline bank lending.

The Group's liquidity position remains strong, with current cash levels in the online business of over EUR 80 million, slightly above the level at the start of 2020. This is after the repurchase of USD 11.8 million notional of its 2022 Notes and EUR 10.7 million notional of its 2021 Notes since the beginning of March. TBI Bank also has liquidity ratios well above statutory minimums, with an increase in deposits since year end, and no significant reduction of balances or premature withdrawals of deposits seen in recent weeks. The Group management have analysed potential adverse scenarios across all markets and concluded that the Group's cash position remains above minimum operating levels during the forecasting period of next 12 months.

Overall, management expect that the months ahead will be challenging, and the Group's product range and cost structure are being reviewed to ensure the business is best positioned for this. However, management also believes that the crisis will recede, and that as an industry leader in many of its markets, a recovery can also present opportunities for the Group in the medium term.

These subsequent events are also shown in the Note (45) Subsequent events.

Oyvind Oanes
Chairman of the Board of Directors

Paul Goldfinch
Member of the Board of Directors

22 April 2020

Consolidated Statement of Comprehensive Income

	Note	2019 EUR'000	2018 EUR'000 Restated
Interest income	6	424 925	475 190
Interest expense	7	(56 838)	(62 095)
Net interest income		**368 087**	**413 095**
Fee and commission income	8	18 211	15 861
Fee and commission expense	9	(9 005)	(6 245)
Other operating income	10	8 791	9 080
Non-interest income		**17 998**	**18 696**
Operating income		**386 085**	**431 791**
Operating costs	11	**(217 979)**	**(239 074)**
Other income	12	1 700	2 714
Non-recurring expense	13	(831)	(7 353)
Net foreign currency gain/ (loss)	14	4 775	(12 635)
Pre-provision operating profit		**173 749**	**175 443**
Net impairment losses	15	(123 082)	(122 866)
Profit before tax		**50 668**	**52 577**
Income tax for the reporting period	16	(22 262)	(26 003)
Profit for the period		**28 405**	**26 575**
Profit or loss attributable to:			
Equity holders of the Group		28 424	26 548
Non-controlling interests	44	(19)	27
Profit		**28 405**	**26 575**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI – net change in fair value		(4 724)	—
		(4 724)	**—**
Items that are or may be reclassified subsequently to profit or loss			
Net gains /(losses) on debt instruments at FVOCI		563	—
Foreign currency translation differences on foreign operations		(988)	(608)
		(425)	**(608)**
Other comprehensive income/(expenses), net of tax		**(5 149)**	**(608)**
Total comprehensive income/(expenses) for the period		**23 256**	**25 967**
Total comprehensive income or loss attributable to:			
Equity holders of the Group		23 281	25 852
Non-controlling interests		(25)	115

All significant operations are continuing.

The accompanying notes on pages 14 to 97 form an integral part of these consolidated financial statements.

Oyvind Oanes
Chairman of the Board of Directors
22 April 2020

Paul Goldfinch
Member of the Board of Directors

Consolidated Statement of Financial Position

	Note	31.12.2019 EUR'000	31.12.2018 EUR'000 Restated
Assets			
Cash and cash equivalents	17	125 722	172 155
Placements with other banks		6 402	8 753
Derivatives	18	5 460	2 460
Gross receivables due from customers		733 655	705 333
Allowance for impairment		(154 796)	(152 160)
Net receivables due from customers	19	**578 859**	**553 173**
Net investment in finance leases	20	4 654	7 292
Debt and equity instruments	21	56 893	38 356
Loans to related parties	22	60 667	66 176
Other assets	23	21 903	33 445
Investments in associates	24	1 626	1 641
Prepaid expenses		4 539	8 152
Property and equipment	25	17 792	8 769
Intangible assets	26	17 801	22 257
Goodwill	26	16 502	17 504
Tax assets		21 339	16 581
Deferred tax assets	27	32 964	35 670
Total assets		**973 125**	**992 384**
Liabilities			
Loans and borrowings	28	397 612	462 020
Deposits from customers	29	322 228	284 969
Income tax liabilities	16	9 477	18 093
Derivatives	18	1 744	4 605
Other liabilities	31	76 293	66 304
Total liabilities		**807 354**	**835 991**
Share capital	30	35 750	35 750
Retained earnings		165 734	151 979
Other components of equity	30	(35 703)	(31 388)
Total equity attributable to equity holders of the Company		**165 781**	**156 341**
Non-controlling interests	44	(10)	52
Total equity		**165 771**	**156 393**
Total shareholder equity and liabilities		**973 125**	**992 384**

The accompanying notes on pages 14 to 97 form an integral part of these consolidated financial statements.

Oyvind Oanes
Chairman of the Board of Directors
22 April 2020

Paul Goldfinch
Member of the Board of Directors

Consolidated Statement of Cash Flows

	Note	2019 EUR'000	2018 EUR'000
Cash flows from operating activities			
Profit before taxes		50 668	52 577
Adjustments for:			
Depreciation and amortization		16 529	12 061
Impairment of goodwill and intangible assets		(633)	5 698
Net (gain) / loss on foreign exchange from borrowings and other monetary items		5 165	19 891
Impairment losses on loans		148 656	178 868
Reversal of provision on debt portfolio sales		(12 031)	(36 587)
Write off and disposal of intangible and property and equipment assets		1 609	2 884
Interest income from non-customers loans		(7 273)	(8 149)
Interest expense on loans and borrowings and deposits from customers		56 838	62 095
Other non-cash items		849	2 498
Profit before adjustments for the effect of changes to current assets and short term liabilities		**260 377**	**291 836**
Adjustments for:			
Change in financial instruments measured at fair value through profit or loss		(5 919)	(11 294)
Increase in other assets		10 843	(260)
Increase in accounts payable to suppliers, contractors and other creditors		(1 937)	3 717
Operating cash flow before movements in portfolio and deposits		**263 364**	**283 999**
Increase in loans due from customers		(224 947)	(255 079)
Proceeds from sale of portfolio		63 245	81 875
Increase in deposits from customers		47 539	16 480
Deposit interest payments		(4 386)	(3 956)
Gross cash flows from operating activities		**144 815**	**123 319**
Income tax paid		(32 808)	(27 451)
Net cash flows from operating activities		**112 007**	**95 868**
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(8 272)	(8 442)
Purchase of financial instruments		(30 786)	(13 565)
Loans issued to related parties		—	(2 602)
Loans repaid from related parties		4 058	7 434
Interest received from related parties		8 182	2 815
Sales and acquisition of equity investments		7 879	(5 870)
Acquisition of Non-controlling interests		(356)	(4 388)
Acquisition of subsidiaries, net of cash acquired and disposed		(320)	(50)
Prepayment for potential acquisition		—	20 845
Net cash flows used in investing activities		**(19 615)**	**(3 823)**

Consolidated Statement of Cash Flows

	Note	2019 EUR'000	2018 EUR'000
Cash flows from financing activities			
Loans received and notes issued		—	463
Repayment of loans and notes		(84 050)	(27 176)
Interest payments		(49 636)	(52 666)
Costs of notes issuance and premium on repurchase of notes		—	(11)
FX Hedging margin		9 021	4 212
Payment of lease liabilities		(4 291)	—
Dividend payments		(14 010)	(93)
Net cash flows from financing activities		**(142 966)**	**(75 271)**
Net increase in cash and cash equivalents		**(50 574)**	**16 774**
Cash and cash equivalents at the beginning of the period		**148 795**	**131 917**
Effect of exchange rate fluctuations on cash held		309	104
Cash and cash equivalents at the end of the period	17	**98 530**	**148 795**
Minimum statutory reserve	17	27 192	23 360
Total cash on hand and cash at central banks	17	**125 722**	**172 155**

Major Non-Cash Items

Other non-cash items include equity-settled employee compensation program costs of EUR 835 thousand.

The accompanying notes on pages 14 to 97 form an integral part of these consolidated financial statements.

Oyvind Oanes
Chairman of the Board of Directors
22 April 2020

Paul Goldfinch
Member of the Board of Directors

Consolidated Statement of Changes in Equity

Group	Share capital	Reorganiza-tion reserve	Currency translation reserve	Share based payment reserve	Obligatory reserves	Fair value reserve of financial assets at FVOCI	Retained earnings	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
1 January 2018	**35 750**	**(31 240)**	**(3 064)**	**1 739**	**308**	**—**	**133 425**	**136 918**	**(2 367)**	**134 551**
Total comprehensive income										
Profit for the reporting period (restated)	—	—	—	—	—	—	26 547	26 547	27	26 574
Increase of obligatory reserve	—	—	—	—	2 931	—	(2 931)	—	—	—
Other comprehensive income (OCI)	—	—	(696)	—	—	—	—	(696)	88	(608)
Transactions with shareholders recorded directly in equity										
Share based payment reserve (Note 35)	—	—	—	373	—	—	—	373	—	373
Share based payment reserve reclassification (Note 35)	—	—	—	(1 739)	—	—	1 739	—	—	—
Dividends	—	—	—	—	—	—	—	—	(93)	(93)
Acquisition of NCI (Note 32)	—	—	—	—	—	—	(6 802)	(6 802)	2 397	(4 405)
31 December 2018 (restated)	**35 750**	**(31 240)**	**(3 760)**	**373**	**3 239**	**—**	**151 978**	**156 340**	**52**	**156 392**
Adjustment on initial application of IFRS 16 (Note 3, xxvii)	—	—	—	—	—	—	(319)	(319)	—	(319)
1 January 2019	**35 750**	**(31 240)**	**(3 760)**	**373**	**3 239**	**—**	**151 659**	**156 021**	**52**	**156 073**
Total comprehensive income										
Profit for the reporting period	—	—	—	—	—	—	28 424	28 424	(19)	28 405
Increase of obligatory reserve	—	—	—	—	—	—	—	—	—	—
Other comprehensive income (OCI)	—	—	(988)	—	—	(4 162)*	7	(5 143)	(6)	(5 150)
Transactions with shareholders recorded directly in equity										
Share based payment reserve (Note 35)	—	—	—	835	—	—	—	835	—	835
Dividends	—	—	—	—	—	—	(14 000)	(14 000)	(10)	(14 010)
Changes in ownership interests										
Acquisition of NCI (Note 32)	—	—	—	—	—	—	(356)	(356)	(27)	(382)
31 December 2019	**35 750**	**(31 240)**	**(4 748)**	**1 208**	**3 239**	**(4 162)**	**165 734**	**165 781**	**(10)**	**165 771**

* From the total amount (4 724) EUR are related to revaluation of investment in BRAbank ASA (previously named Monobank ASA). See also Note 21.

The accompanying notes on pages 14 to 97 form an integral part of these consolidated financial statements.

Oyvind Oanes
Chairman of the Board of Directors
22 April 2020

Paul Goldfinch
Member of the Board of Directors

(1) Reporting entity

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

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

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), are available upon request at the Group's registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg.

The Group financial statements form part of the parent company, 4finance Group S.A., consolidated financial statements. The consolidated financial statements of the parent company, 4finance Group S.A., are available at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg.

(2) Basis of preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (further "IFRS").

These consolidated financial statements were approved by the Company's Board of Directors on 22 April 2020. The shareholders have the power to reject the financial statements prepared and presented by the Board of Directors, and the right to request that new financial statements be prepared.

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

(b) Basis of Measurement

After considering the operating environment and uncertainties in the Group's various countries, the management believes the going concern basis of accounting to be appropriate for these financial statements. The conclusion is based on management's review of potential scenarios, which demonstrate ability of the Group to continue operations and maintain adequate liquidity. Please refer to Note (45) Subsequent events for more detailed discussion around uncertainty resulting from Covid-19.

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

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

(2) Basis of preparation (continued)

(c) Functional and presentation currency

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

(d) Restatement of comparatives

The comparative figures in the consolidated financial statements are presented as restated. Consolidated Statement of Comprehensive Income for 2018 is restated due to a correction of deferred tax assets in Poland.

	2018		**2018**
	EUR'000	**Restatement**	**EUR'000**
			Restated
Interest income	475 190	—	475 190
Interest expense	(62 095)	—	(62 095)
Net interest income	**413 095**	**—**	**413 095**
Fee and commission income	15 861	—	15 861
Fee and commission expense	(6 245)	—	(6 245)
Other operating income	9 080	—	9 080
Non-interest income	**18 696**	**—**	**18 696**
Operating income	**431 791**	**—**	**431 791**
Operating costs	**(239 074)**	**—**	**(239 074)**
Other income	2 714	—	2 714
Non-recurring expense	(7 353)	—	(7 353)
Net foreign currency gain/ (loss)	(12 635)	—	(12 635)
Pre-provision operating profit	**175 443**	**—**	**175 443**
Net impairment losses	(122 866)	—	(122 866)
Profit before tax	**52 577**	**—**	**52 577**
Income tax for the reporting period	(24 085)	(1 918)	(26 003)
Profit /(loss) for the period	**28 492**	**(1 918)**	**26 575**
Profit or loss attributable to:			
Equity holders of the Group	28 465	(1 918)	26 548
Non-controlling interests	27	—	27
Profit /(loss)	**28 492**	**(1 918)**	**26 575**

(2) Basis of preparation (continued)

The Consolidated Statement of Financial Position as at 31 December 2018 has been restated due to a correction of deferred tax assets in Poland.

	31.12.2018 EUR'000	Restatement	31.12.2018 EUR'000 Restated
Assets			
Deferred tax asset	37 587	(1 918)	35 670
Total assets	**994 301**	**(1 918)**	**992 384**
Equity			
Retained earnings	153 896	(1 918)	151 979
Total shareholder equity and liabilities	**994 301**	**(1 918)**	**992 384**

Restatement in Consolidated Statement of Financial Position made on the 31 December 2018 did not impact Consolidated Statement of Cash Flows for 2018. There is no impact on opening reserves as at 1 January 2018.

(3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the new standards and pronouncements of the International Accounting Standards Board which are applied when they become effective.

(i) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains/losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises as the difference between consideration transferred and the fair value of identifiable net assets acquired is tested annually for impairment. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition.

(3) Significant accounting policies (continued)

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary and/or associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

Goodwill is allocated to cash-generating units and is stated at cost less accumulated impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Any impairment expense is recognised immediately as an expense and is not subsequently reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

(iii) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the exchange rate published by the Central Bank of the country of operation or the European Central Bank or Bloomberg for euro zone countries at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into EUR using the following exchange rates:

31 December 2019		**31 December 2018**	
SEK	0.09572	SEK	0.09752
DKK	0.13384	DKK	0.13392
PLN	0.23492	PLN	0.23248
GBP	1.17536	GBP	1.11791
CZK	0.03936	CZK	0.03887
GEL	0.31158	GEL	0.32572
BGN	0.51130	BGN	0.51130
GIP	1.17536	GIP	1.11791
USD	0.89015	USD	0.87336
CAD	0.68503	CAD	0.64082
RON	0.20907	RON	0.21443
AMD	0.00186	AMD	0.00181
ARS	0.01489	ARS	0.02319
MXN	0.04712	MXN	0.04446
DOP	0.01685	DOP	0.01740

The Bulgarian Lev is pegged to the Euro.

(3) Significant accounting policies (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into EUR, the Group's presentation currency, exchange rates used at the reporting date are set by the Central Bank of the country of operation or the European Central Bank or Bloomberg for euro zone countries, exchange rates at the reporting dates are specified in the table above. The income and expenses of foreign operations are translated into the Company's functional currency at exchange rates at the transaction date. Foreign currency retranslation differences are recognized in other comprehensive income.

Foreign exchange gains or losses arising from a monetary item receivable from, or payable to, a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised directly in the foreign currency translation reserve.

(iv) Share-based payment transactions

The Parent of the Group operates an equity-settled, share-based compensation plan, under which both the Parent and the Group receive services from employees as consideration for equity instruments (options) of the Parent. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options at the grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Parent of options over its equity instruments to the employees of the Group is treated as an equity contribution presented in Equity position Share based payment reserve.

(v) Cash and cash equivalents

Group cash and cash equivalents comprise call deposits in banks that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

For the purposes of the cash flow statement, TBIF Group's cash and cash equivalents comprise cash on hand, cash held with central banks, cash in nostro accounts held with other banks, as well as term deposits with banks with original maturity of less than three months.

(vi) Financial Instruments

(i) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular purchases of financial assets are accounted for at the settlement date.

(ii) Classification and Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

(3) Significant accounting policies (continued)

The Group's assessment on particular asset classification is based on the Group's business model on how a particular asset is managed and based on contractual cash flow characteristics of that asset. At initial recognition the Group, as prescribed by IFRS 9, distributes all financial assets into 3 measurement categories:

- Amortised cost (AC) - The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance
- Fair value through other comprehensive income (FVOCI) - Financial asset measured at fair value with unrealized changes in fair value recognized in other comprehensive income
- Fair value through profit or loss (FVTPL) - Financial asset measured at fair value with realized and unrealized changes in fair value recognized in profit or loss.

Purchased or originated credit-impaired financial assets require special AC measurement treatment. For third party purchased credit-impaired financial assets AC measurement a credit adjusted effective interest rate is applied, meaning that projected future cash-flows need to include expected cash losses compared to contractual cash flow amounts.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables that are measured at amortized cost using the effective interest method.

All financial liabilities, other than those designated at fair value through profit or loss, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iii) Business model assessment

The Group's financial assets are managed together to fulfil the business objectives set by the Group's management team and financial assets are divided into following business models:

- Held to collect - Financial assets are managed to realize cash flows by collecting payments of principal and interest over life of the instrument. Asset sales are very rare or insignificant relative to the size of portfolio
- Held to collect and sell - Objectives under this model are achieved by both collecting contractual cash flows and selling of financial assets
- Other - Portfolios of financial assets that are managed with the objective of realizing cash flow through sales whose performance is evaluated on fair value basis or are held-for-trading.

(iv) Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

A financial asset is classified as measured at amortized cost when it meets SPPI criteria and is managed under held to collect business model or FVOCI when SPPI criteria is met and business model is held to collect and sell unless designated as at FVTPL. The SPPI test requires consideration whether the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payment of principal and interest:

- Principal - is the fair value of the financial asset at initial recognition, that may change over time due to periodic repayments

(3) Significant accounting policies (continued)

- Interest - is consideration for:
  - the time value of money
  - the credit risk associated with the principal amount outstanding during a particular period of time
  - consideration for basic lending risks and costs
  - a profit margin.

All of the Group's lending products are tested and meet the SPPI criterion. SPPI tests are mandatory and are performed during new product development or modification of current product features.

(v) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Financial asset or liability contract modifications may result in derecognition, that is assessed according to qualitative and quantitative derecognition criteria. If derecognition criteria is met modified financial asset or liability is derecognised and a new modified financial asset is recognised.

(vi) Modification of financial assets and liabilities

Any modification to financial contract that is measured at amortised cost needs to be either derecognised or appropriately measured if modification is considered as non-substantial. Both qualitative and quantitative factors are considered in order to assess if the modification is substantial or not.

For modifications that do not result in derecognition, the gross carrying amount of the asset is recalculated by discounting the modified contractual cash flows using original EIR that was effective before modification. Any difference between initial gross carrying amount and recalculated gross carrying amount is recognized in the profit or loss as modification gain or loss. Any costs, fees or commissions are part of the modification and also adjust carrying amount of the modified financial contract.

Qualitative factors

Following qualitative factors indicate that modification is substantial indicating that financial asset needs to be derecognised:

- Currency conversion - Substantial modification is identified when the currency of the contract is changed and the change was not stipulated in the original contract. If the currency change is required by law, e.g. due to conversion to EUR, it is not treated as modification.
- Change of counterparty - Substantial modification is identified if a separate agreement with the new counterparty is signed (associated with new credit risk assessment process). If the counterparty change is recorded solely due to legal reasons and within the rules agreed in the contract (e.g. due to death of borrower, re-assignment to co-borrower), it is not a case qualifying for derecognition.
- Change of product type - Substantial modification is identified when the product type is changed to the different one (e.g. revolving product changed to instalment product).
- Consolidation of debt - Substantial modification is identified when several loans are consolidated under one contract.
- Breach of SPPI test - Substantial modification is identified when the change of contractual terms results in breach of the SPPI test. After SPPI test breach is identified a financial asset is derecognised a new financial asset is recognised and is measured at FVTPL.

(3) Significant accounting policies (continued)

Quantitative factors

Financial asset or liability is subject to derecognition if there is a substantial difference between present value of future cash flows before and after modification. For financial assets and liabilities any changes in present value of +/- 10% are considered as substantial.

(vii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Where applicable, the Group measures the fair value of an instrument using a quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Where there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The key financial instruments of the Company and the Group are cash, trade receivables, loans to customers, loans to related parties, equity investments, bonds issued, trade payables, deposits from customers and other creditors arising from the business activities.

(viii) Derivative financial instruments

Derivative financial instruments include foreign exchange swaps and forward instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the statement of comprehensive income.

The Group is engaged in hedging activities of its foreign exchange risk. The Group does not apply hedge accounting. Given the low level of trading activity, the Group has estimated that any valuation adjustments are not material and has therefore not incorporated these into the fair value of derivatives.

(ix) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All Group loans are managed under "held to collect" business model with contractual cash-flows representing solely payments of principal and interest.

For the purposes of these consolidated financial statements, trade receivables and loans to customers are measured at amortized cost using the effective interest rate method. An impairment loss allowance for the expected credit losses is established. The Group's policy is described in Note 3 *(xv)* and Note 5.

(x) Debt and equity instruments

Debt and equity instruments are those that are to be held over an indefinite period of time and that may be disposed of in response to liquidity needs or changes in interest rates, exchange rates or prices of securities.

(3) Significant accounting policies (continued)

Purchases and sales of financial assets are recognised on the settlement date - the date when the Group has transferred or received the asset.

Debt and equity instruments follow classification and measurements requirements as prescribed in Note 3 *(vi)*.

(xi) Investment in associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of the associated entity unless there is evidence to suggest otherwise. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(xii) Property and equipment

(i) Owned assets

Items of property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	25 years
Computer equipment	3 years
Leasehold improvements	5 years
Other property and equipment	5 years
Motor vehicles	4-10 years

(xiii) Intangible assets

The Group has a detailed intangible assets ("IA") capitalisation policy covering accounting for development projects. The Group incurs costs for development of computer software and similar items, which may be capitalized. Capitalized expenditure can be either external (for example, IT subcontractors) or generated internally within the entity (for example, employees developing IT software).

Only those assets are capitalised that are separately identifiable, for which the entity has control, and for which probable future economic benefits shall be recognized. No intangible asset costs arising from the research phase of a project are capitalized. Expenditure on research is expensed when incurred.

Amortisation commences once the item is in the location and conditions necessary for it to be capable of operating in the manner intended by management and has been accepted by the business owner.

(3) Significant accounting policies (continued)

Intangible assets, other than goodwill, are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to the income statement in operating costs line on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Licenses, trademarks and similar rights	up to 5 years
Software and other intangible assets	up to 3 years

(xiv) Repossessed assets

TBIF Group repossesses certain assets serving as collateral for non-performing loans. These assets are not held for capital appreciation or rental income, but are expected to be sold in the ordinary course of business, and therefore are classified as inventories. Inventories mainly consist of real estate such as land, buildings purchased and held-for-sale in the future. Inventories are accounted at cost. The cost of inventories comprises all purchase costs, costs of conversion and other costs incurred in bringing the inventories to their present condition. Inventories are held at the lower of purchase cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of write-down of inventories to net realizable value is recognized as expense in the period the write-down occurs. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

(xv) Impairment

(i) Financial assets

4finance Group

At each reporting date, the 4finance Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss and not available for sales financial assets are impaired. The expected credit loss model (ECL) under IFRS 9 accelerates the recognition of impairment losses and leads to higher impairment allowances at the date of initial application. The expected credit loss is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD).

Loan portfolio is grouped into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 - Performing loans: part of loan portfolio where no significant increase in credit risk has occurred (delay days ≤30 days), 4finance Group recognizes an allowance based on twelve months expected credit losses.
- Stage 2 - Loans with significant increase in credit risk (delay days >30 days but less than 90 days): when a loan shows a significant increase in credit risk since initial recognition, 4finance Group records an allowance for the lifetime expected credit loss.
- Stage 3 - Defaulted loans: Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (delay days ≥90 days). 4finance Group recognizes the lifetime expected credit losses for these loans and in addition, the Group accrues interest income on the amortized cost of the loan net of allowances, when it’s probable it will be received.

LGD is based on discounted cash flows on defaulted loans.

(3) Significant accounting policies (continued)

The amount of the expected credit losses is measured as the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that are expected to be received (i.e., all cash shortfalls), discounted at the original effective interest rate (EIR).

The carrying amount of the asset is reduced through the use of an allowance account and recognition of the loss in Statement of Comprehensive Income. The write-off period for past due loans is 360 days. Allowances for credit losses on loans and receivables are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified.

In assessing collective impairment, the 4finance Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of expected loss, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. Specific individual impairment testing is not undertaken since the loan portfolio consists of a large number of small exposure loans that would make individual impairment testing impractical.

The 4finance Group uses forward looking information to enhance ECL models. The Group has incorporated forward looking information into provisioning model in 2019, and currently forward-looking information is used and is updated regularly. The Group once a year makes a new assessment to define products where the probability of default is sensitive to macro-economic indices changes and calculate coefficients using linear regression for selected products to use them in the model for a 1 year period till next review; once per quarter there is a review and update of forecasted macro variables values and the macro effect is recalculated based on recent macro-economic data outlook by using fixed regression coefficients.

For the assessment of expected credit loss for loans to related parties historic defaults produced by a ratings agency are used.

Impairment losses on portfolios of assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated discounted future cash flows. Impairment losses are recognized in the statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on impaired assets is recognized indirectly through a change in net impairment allowance when repayments are received from impaired loans. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

TBIF Group

Receivables due from customers

TBIF Group recognizes expected credit losses (ECL) for all receivables that are not carried at FVTPL. ECL are based on the difference between the contractual cash flows due under the terms of the contract and all cash flows that TBIF Group expects to receive discounted at the original effective interest rate. Expected cash flows include cash flows from the sale of the collateral provided or other credit enhancements that form an integral part of the contract terms.

ECL are recognized in two stages. For credit exposures for which there is no significant increase in credit risk since initial recognition, ECL are recognized for credit losses that arise as a result of non-performing events that are possible over the next 12 months (12-month ECL). For credit exposures for which there is a significant increase in credit risk since initial recognition, the impairment allowance is determined in respect of the credit losses expected over the entire remaining life of the instrument, irrespective of the occurrence of the default (ECL over the lifetime of the instrument).

(3) Significant accounting policies (continued)

Cash, cash equivalents and debt instruments

For cash, cash equivalents and FVOCI debt instruments, ECL calculations are based on a counterparty's credit rating.

At each reporting date, TBIF Group determines whether a debt instrument is considered as a low credit risk using all reasonable and reasoned information that is available without undue cost or effort. In this assessment, TBIF Group reviews the credit rating of the debt instrument. In addition, TBIF Group assesses whether there is a significant increase in credit risk where the contractual payments are past due over 30 days.

TBIF Group's debt instruments in other comprehensive income include only quoted bonds. The policy of TBIF Group is to evaluate the ECL for these instruments on a 12-month basis. However, when there is a significant increase in the credit risk after the occurrence, the provision is based on the ECL for the entire duration of the instrument. TBIF Group uses the ratings to determine whether the credit risk of the debt instrument is significantly increased, as well as to assess the ECL.

Definition of default

TBIF Group considers a financial instrument as defaulted when the contractual payments are overdue more than 90 days. In certain cases, however, a financial asset might be considered as defaulted when internal or external information indicates that it is unlikely that TBIF Group will receive all outstanding contractual cash-flows without taking any debt collection actions.

Write-off policy

TBIF Group write-off policy is based on the type of receivable, the number of overdue days and the exposure to collateral value ratio.

Exposures in the Corporate Banking segment are written-off based on the decision of the Impairment Committee, that takes into consideration a specific motivated proposal by the Compliance, SME and Leasing departments.

Exposures in the Retail Banking segment are written-off automatically after reaching over 1080 days past due for exposures granted in Bulgaria, 720 days past due, for exposures granted in Romania and 360 days past due for exposures originated by 4finance Group foreign companies and acquired by TBIF Group, and are 100% impaired.

Modified financial assets

Under certain circumstances, the renegotiation or modification of the contractual cash flows of a financial asset may result in derecognition of the existing financial asset. Accordingly, the date of the modification is the date of initial recognition of the new financial asset when new ECL is calculated for the modified financial asset.

If the contractual cash flows of a financial asset are renegotiated or otherwise modified but the financial asset is not derecognised, it can not automatically be considered that the financial asset has a lower credit risk. TBIF Group assesses whether there has been a significant increase in credit risk after initial recognition based on reasonable and reasoned information available without incurring unnecessary expense or effort. This includes both past and future period information as well as credit risk assessment for the expected life of the financial asset, incl. information on the circumstances that led to the modification. Evidence that the criteria for recognizing the expected credit losses for the entire duration of the instrument are no longer met may include current and timely data on the fulfilment of the payment obligation under the modified contractual terms.

(3) Significant accounting policies (continued)

If there is objective evidence that impairment loss exists for loans and receivables, the loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated cash flows (except future losses that are not accumulated), discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is written down using an allowance account and the impairment loss is recognised in the profit or loss account.

If a loan bears a floating interest rate, the discount rate used to determine the impairment loss is the current effective interest rate set out in the agreement.

The calculation of the present value of the expected future cash flows of secured financial assets takes into account the cash flows which may be received upon disposal of collateral, less costs of acquisition or costs to sell.

When consumer loans are extended to individuals, TBIF Group accrues collective impairment which reflects the expectations of management regarding the future cash flows from the consumer portfolio. When applying collective impairment, the loan portfolio is assessed on a portfolio basis, taking into account the homogeneous nature of the exposure's risk profile. Impairment is based on contractual cash flows and historical experience regarding the losses of assets with similar characteristics of credit risk, adjusted for any data to reflect any current conditions that were not present in the periods of historical information.

Future cash flows for a group of financial assets that are collectively reviewed for impairment are determined based on the contractual cash flows related to the assets and the historical loss experience on credit risk bearing assets similar to those at TBIF Group. The loss assessed, based on historical experience, is adjusted based on current data, in order to reflect the influence of the present conditions which did not impact the period in which the loss assessment was made, as well as to eliminate the effect of conditions in the historical period, which no longer exist.

If in a subsequent period the impairment loss decreases and this decrease may be objectively attributed to an event occurring after the recognition of the loss (i.e. improvement of the credit rating of the debtor), the impairment loss already recognised is reversed through the allowance account. The amount of the adjustment is recognised in the statement of comprehensive income.

Renegotiated loans

Loans which are subject to collective impairment review or which are individually significant and their terms have been renegotiated, are considered performing as of the time of the renegotiation. In subsequent periods the asset is considered in default and is disclosed as such only if the new terms and conditions have been breached.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income in Non-recurring expense line. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(3) Significant accounting policies (continued)

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(xvi) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(xvii) Contingent liabilities

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

(xviii) Share Capital and reserves

(i) Currency revaluation reserve

The currency revaluation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into the presentation currency.

(ii) Obligatory reserves

Under Luxembourg corporate law, the Company must allocate at least 5% of the statutory annual net profit, based on the stand alone financial statements, to a legal reserve until this reserve reaches 10% of the issued share capital. The legal reserve is not available for dividend distributions.

Under Lithuanian law, an annual allocation to the legal reserve must be made of at least 5% of net profit until the reserve comprises 10% of the share capital. The reserve cannot be distributed, but rather only be used to cover losses.

Under Bulgarian law in accordance with the requirements of the Commercial Act, TBIF Group is required to provide into a reserve fund equalling at least 1/10 of profit, until the fund reaches 1/10 or more of the share capital. If the amount in the reserve fund falls below the minimum, it is obliged to fill the gap so as to recover the minimum level over a period of two years. Under the provisions of the banking legislation, banks are not allowed to pay dividends before they make the required contributions.

(iii) Revaluation Reserve

The revaluation reserve includes unrealised gains and losses on fair value movements of the instruments classified and measured as available for sale financial instruments before 1 January 2018 and classified and measured as FVOCI after 1 January 2018.

(iv) Reorganization Reserve

The reorganization reserve relates to a number of legal reorganizations. The entity accounted for these reorganizations as common control transactions using net asset values. This reserve arises on consolidation and is not distributable to shareholders.

(3) Significant accounting policies (continued)

(v) Share based payment reserves

The Group is part of wider group share-based payment arrangements where settlement for the services received is performed by the parent company. The Group accounts for such transactions as share-based payment transactions and recognizes expenses for services received, unless the services received qualify for recognition as an asset, and an increase in its equity for the contribution received from the parent.

(xviii) Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

(i) The Group as a lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(3) Significant accounting policies (continued)

(ii) TBIF Group as a lessor for operating lease transactions

Leases where the TBIF Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. The leased assets are included in 'Property and equipment'. Initial direct costs incurred in negotiation of operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(iii) TBIF Group as a lessor for finance lease transactions

TBIF Group lease contracts are classified as finance leases when all material risks and rewards associated with the leased assets are transferred to the lessee. Finance lease receivables are disclosed as Loans to customers in the balance sheet. TBIF Group applies its accounting policies for impairment of financial assets when finance lease contracts are impaired.

(xix) Financial guarantee contracts

Financial guarantee contracts are relevant for TBIF Group units within the Group. Financial guarantee contracts are contracts that require the issuer to make specified payment to reimburse the holder for a loss the holder incurs because a specified debtor fails to make payments when they fall due in accordance with the terms of the debt instrument. Such financial guarantees are issued to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other bank facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date of issuance of the guarantee. Following initial recognition, the Group's liabilities related to such guarantees are measured at the higher of: *(a)* the initial measurement less the amortisation calculated to recognise commission income earned on a straight-line basis over the life of the guarantee and *(b)* the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are based on experience of similar transactions and history of past losses, supplemented by the judgement of management.

(xx) Dividends

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period in which they are declared.

(xxi) Fiduciary assets in custody

The TBIF Group keeps assets on behalf of its customers and in its capacity as an investment intermediary. These assets are not presented in the statement of financial position as they do not represent TBIF Group's assets.

(xxii) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(3) Significant accounting policies (continued)

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(xxiii) Income and expense recognition

All significant income and expense categories including interest income and expenses are recognized in the statement of comprehensive income on an accrual basis.

(i) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Revenue is not recognized when there is doubt whether the cost of services will be covered.

(ii) Fee and commission income and expenses

Fees and commissions are recognised as the related services are performed and control over a service is transferred to a customer. Fee and commission income comprises mainly money agent’s commissions, transfer fees in Bulgarian levs and foreign currency, and treasury transactions, and are recognised under the current accruals principle or on the transfer date, as appropriate. Income may be recognised at a point in time or over the time. Over time revenue recognition is proportional to progress towards satisfying a performance obligation by transferring control of promised services to a customer. Income which does not qualify for recognition over time is recognised at a point in time when the service is rendered. The Group has no material receivables and contract liabilities from contracts with customers as non-refundable up-front fees are not charged to customers upon commencement of contracts with customers.

(iii) Penalty fee income

Income from penalty fees is recognized as received.

(iv) Other income

Income from Insurance broker activities from TBIF Group includes income whereby the bank acts as an agent selling insurance issued from third party companies to the banks’ clients. TBIF Group does not bear the insurance risk on these transactions. The income is recognized in line with the above paragraph.

(3) Significant accounting policies (continued)

(xxiv) Staff costs and related contributions

The Group pays social security contributions to state-funded insurance and pension schemes as required by the laws and regulations of the various jurisdictions in which the Group operates. The Group is not party to any defined benefit pension scheme.

(xxv) Operating segments

The Group determines and presents operating segments based on the information that is internally provided to the Group's management board, which is the Group's Chief Operating Decision Maker (CODM).

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the CODM to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CODM include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

(xxvi) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. If the economic characteristics and risks of the embedded derivative are closely related to those of the host contract, then the embedded derivative is not separated and accounted for separately.

(xxvii) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 for all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application on 1 January 2019.

(i) *Introduction of IFRS 16: Leases*

The Group applied IFRS 16 with the date of initial application of 1 January 2019. As a result, the Group has changed its operating lease contract recognition and measurement policy.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in the retained earnings at 1 January 2019.

As a lessee, the Group previously classified leases as operating or financial leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16 the Group recognises right-of-use assets and lease liabilities for the most leases with an exemption of operating lease contracts with duration less than 1 year or with undiscounted loan commitments lower than EUR 3 thousand during the life of the contract. As a lessor there were no direct impacts for the Group.

The right-of-use asset at its initial recognition is measured at the amount of the lease liability plus any initial direct cost. Lease liability initially is measured as a discounted value of all future contractual lease payments, that are discounted at incremental borrowing rate. Subsequently the right-of-use assets are measured at cost less accumulated depreciation, lease liabilities are accounted at amortized cost with interest expense calculated applying incremental borrowing rate used as a discount rate at initial recognition.

(3) Significant accounting policies (continued)

For the Group as a lessee the most significant operating lease contracts are rent of premises used for the Group`s operating needs followed by vehicle operating leased and other less important assets. At initial application the amount of right-of-use asset amounted to EUR 11.5 million and corresponding lease liability amounted to EUR 11.8 million with a difference of EUR 0.3 million recognized.in retained earnings.

(ii) *New standards, amendments to standards and interpretations which did not have a significant effect to the Group:*

- IFRIC 23 – Uncertainty over Income Tax Treatment
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 – Plan Amendments, Curtailment or Settlement
- Annual Improvements to IFRS 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

New standards and interpretations not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

(4) Risk management

Key financial and non-financial risks related to the Group’s financial instruments and operating activities are:

- Credit risk
- Liquidity risk
- Market risk, including
  - Interest rate risk
  - Currency risk
  - Price risk
- Operational risk
- Capital management risk.

Management has implemented procedures to control the key risks.

(a) Credit risk

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

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

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

(4) Risk management (continued)

As of 31 December	**Maximum exposure**	
	2019	**2018**
	EUR'000	**EUR'000**
Cash and cash equivalents	125 722	172 155
Placements with other banks	6 402	8 753
Loans to customers:	**578 859**	**553 173**
Corporate clients	67 614	51 660
Corporate client impairment	(3 700)	(2 730)
Individual clients	666 041	653 673
Individual client impairment	(151 096)	(149 430)
Investment in finance leases:	**4 654**	**7 292**
Gross investment in finance leases	5 142	7 808
Finance lease impairment	(488)	(516)
Loans to related parties	60 667	66 176
Other assets	21 903	33 445
Derivatives	5 460	2 460
Debt and equity instruments	56 893	38 356
Credit risk exposures related to contingent liabilities and irrevocable commitments are as follows:		
Contingent liabilities*	18 082	21 387
Total maximum exposure to credit risk	**878 642**	**903 197**

**For more details on contingent liabilities see Note 33*

(4) Risk management (continued)

The table below presents the maximum credit risk exposure of the 4finance Group and TBIF Group as at 31 December 2019 without taking into account collateral:

	Maximum exposure		
	4finance Group	**TBIF Group**	**Total**
	EUR'000	**EUR'000**	**EUR'000**
Cash and cash equivalents	75 790	49 932	**125 722**
Placements with other banks	—	6 402	**6 402**
Loans to customers:	263 079	315 780	**578 859**
Corporate clients	—	67 614	**67 614**
Corporate client impairment	—	(3 700)	**(3 700)**
Individual clients	377 414	288 627	**666 041**
Individual client impairment	(114 334)	(36 761)	**(151 095)**
Investment in finance leases	—	4 654	**4 654**
Gross investment in finance leases	—	5 142	**5 142**
Finance lease impairment	—	(488)	**(488)**
Loans to related parties	60 667	—	**60 667**
Other assets	12 179	9 724	**21 903**
Derivatives	5 458	2	**5 460**
Debt and equity instruments	7 523	49 370	**56 893**
Total credit risk exposure*	**424 696**	**435 864**	**860 560**

** Excluding contingent liabilities. For more details on contingent liabilities see Note 33*

For additional details on loans refer to Note 19 and on finance leases to Note 20.

4finance Group

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

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

(4) Risk management (continued)

Credit quality of loan portfolio (4finance Group):

	Gross receivables 31.12.2019	Allowance for doubtful debts 31.12.2019	Net receivables 31.12.2019	Gross receivables 31.12.2018	Allowance for doubtful debts 31.12.2018	Net receivables 31.12.2018
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Not overdue	218 313	(12 485)	205 828	245 136	(16 929)	228 207
Overdue less than 90 days	64 501	(32 803)	31 698	70 283	(32 823)	37 460
Overdue more than 90 days	94 599	(69 046)	25 553	90 014	(64 105)	25 909
	377 413	**(114 334)**	**263 079**	**405 433**	**(113 857)**	**291 576**

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

TBIF Group

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

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

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

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

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

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

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

(4) Risk management (continued)

Collateral

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

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

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

In view of the specifics of the TBIF Group's business and the increasing portfolio of small consumer loans, the share of unsecured loans within the TBIF Group's portfolio is growing. These types of loans are mostly average-term (the median term of the portfolio is approximately 20 months) and have low limits (the average receivable amount is approximately BGN 1.9 thousand / around EUR 972).

The table below shows the total amount of loans to customers before provisions and impairment losses by type of collateral at 31 December 2019:

	Loans to customers		
	Gross amount	**Collateral***	**Coverage****
	EUR'000	**EUR'000**	
Mortgages	45 547	44 359	97.4 %
Cash collateral	497	497	100.0 %
Other collateral	6 772	6 607	97.6 %
Unsecured	305 791	—	
Total	**358 607**	**51 463**	

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

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

Contingent liabilities and irrevocable commitments

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

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

For more details on TBIF Group's contingent liabilities and irrevocable commitments see Note 33.

(4) Risk management (continued)

For details regarding loans and leases at 31 December 2019 see the table below:

	Loans to corporate clients	Loans to individual clients	Financial leases
	EUR'000	**EUR'000**	**EUR'000**
Neither past due nor impaired	45 907	188 802	1 154
Past due less than 30 days*	5 327	45 023	164
Past due 31 to 60 days*	3 769	9 017	249
Past due 61 to 90 days*	722	4 977	11
Past due over 91 days*	6 300	40 014	3 117
Collective provisions	(1 730)	(36 761)	(36)
Past due and individually impaired	6 382	—	447
Individual impairment	(1 970)	—	(452)
Net of loan loss provisions	**64 708**	**251 072**	**4 654**

* Not individually impaired, collective provisioning used

As at 31 December 2019, the carrying amount of financial assets that would otherwise be past due whose terms have been renegotiated is EUR 9 655 thousand (31 December 2018: EUR 8 704 thousand) net of impairment.

Loans to customers that are neither past due, nor impaired

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

Past due but not impaired

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

Loans to customers which are past due and are impaired

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

Group's Expected Credit Losses

The following table provides an explanation of how allowance for impairment changed during the year.

	Opening balance 01.01.2019	Origination and acquisition	Derecognition & repayments	Change in credit risk	Write-offs	Other & FX	Closing balance 31.12.2019
stage 1	35 053	40 550	(40 034)	(3 349)	—	(2 019)	30 201
stage 2	27 466	3 689	(20 874)	16 403	—	459	27 143
stage 3	90 159	16 482	(49 566)	78 001	(38 441)	1 269	97 904
	152 678						**155 248**

(4) Risk management (continued)

Deposits, placements with other banks and debt and equity instruments

The table below presents an analysis of deposits with other banks and debt and equity instruments at 31 December 2019 based on criteria set by rating agencies as a result of their credit assessments.

Rating	Debt and Equity instruments EUR'000	Placements with other banks EUR'000
A2 (Moody's)	4 988	—
BBB+ (Fitch)	—	—
Baa1 (Moody's)	—	1 614
BBB (Fitch)	—	423
Baa2 (Moody's)	—	—
Baa3 (Moody's)	32 710	15
BBB- (Fitch)	—	—
BBB- (BCRA)	—	4 014
BB+ (Fitch)	—	—
BB+ (BCRA)	—	1
BB (Fitch)	—	323
BB- (Fitch)	—	1
Ba2 (Moody's)	5 931	—
Ba3 (Moody's)	3 868	—
B2 (Moody's)		—
B- (Fitch)	—	12
RD (Fitch)	—	—
Unrated	1 873	—
	49 370	**6 403**

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

(b) Liquidity risk

4finance Group

Liquidity risk is the risk that 4finance Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets when due. The liquidity position is managed by the Treasury department. The 4finance Group manages and controls its liquidity position on a day-to-day, short-, medium- and long-term basis by implementing and following relevant procedures, policies and processes. The 4finance Group has established the following processes and procedures - 4finance Group cash flow management procedures, 4finance Group bank account management procedures, and an intra-4finance Group financing process. Management believes that the current processes and procedures are sufficient to effectively monitor and manage the liquidity risk of the 4finance Group. 4finance Group's maturity structure of financial assets and liabilities is presented in Note 40.

(4) Risk management (continued)

TBIF Group

The Management Board of the TBIF Group assigns the Asset and Liabilities Management Committee as the primary responsible unit to advise the Management Board on liquidity management strategy. The legal requirement for the bank is to maintain a liquidity ratio (LCR) of at least 100%. For more details see Note 40.

The TBIF Group monitors the liquidity of assets and liabilities by type of currency, amount and interest rates on a daily basis. With respect to the large portion of liabilities comprising term deposits from individuals and legal entities, active measures are taken to encourage customers to renew their deposits. Deposits from legal entities are primarily in large amounts and historical experience shows that typically the terms and conditions are re-reviewed and agreed immediately prior to their maturity. For more details see Note 29.

(c) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. The Group's market risk arises from open positions in interest rate and currency financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial assets. Management believes that for the Group, with the exception of TBIF Group, interest rate risk is not material since all loans are issued and received at fixed rates and most of the borrowings are long term. Interest rate risk for loans to customers arising from short-term-pricing is not considered part of interest rate risk since an immaterial proportion of the interest rates charged relate directly to interest rate variance risk. All of 4finance Group's borrowings have been received at fixed rates. Re-pricing of interest-bearing liabilities is not expected to take place within the next 12 months. TBIF Group is subject to floating interest rates (Euribor, Soifbor and Robor) and actively manages this risk. Based on analysis, a 100 bp increase/(100) bp decrease change in interest rates would result in EUR 1 295/(1 295) thousand effect on the Statement of Comprehensive Income.

Currency risk

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

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

An analysis of sensitivity of the Group's net income for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2019 and 31 December 2018 and a simplified scenario of a 10% change in PLN, USD, CZK, GEL, SEK and RON to EUR exchange rates is as follows:

(4) Risk management (continued)

	31.12.2019		31.12.2018	
	Net income EUR'000	**Equity EUR'000**	**Net income EUR'000**	**Equity EUR'000**
Appreciation of PLN against EUR	11 146	11 146	15 045	15 045
Depreciation of PLN against EUR	(11 146)	(11 146)	(15 045)	(15 045)
Appreciation of USD against EUR	(23 205)	(23 205)	(19 187)	(19 187)
Depreciation of USD against EUR	23 205	23 205	19 187	19 187
Appreciation of CZK against EUR	3 309	3 309	3 457	3 457
Depreciation of CZK against EUR	(3 309)	(3 309)	(3 457)	(3 457)
Appreciation of GEL against EUR	237	237	1 074	1 074
Depreciation of GEL against EUR	(237)	(237)	(1 074)	(1 074)
Appreciation of SEK against EUR	(250)	(250)	154	154
Depreciation of SEK against EUR	250	250	(154)	(154)
Appreciation of RON against EUR	10 597	10 597	6 983	6 983
Depreciation of RON against EUR	(10 597)	(10 597)	(6 983)	(6 983)

The currency risk analysis above illustrates the effect of an isolated appreciation/depreciation of each significant operating currency at 10% change. The above analysis does not include any assumptions about correlation between these currencies. Refer to Note (42) Currency analysis for further information on the Group's exposure to foreign currency risk. To manage the Group's open position in foreign currencies and limit the exposure to foreign currency fluctuations, the Group has entered into forward and option agreements, for more details refer to Note (18) Derivatives.

Price risk

4finance Group

Price risk is the risk that the value of a financial instrument carried at fair value will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the 4finance Group takes a long or short position in a financial instrument.

TBIF Group

In performing its activities, TBIF Group is exposed to price risk as Romanian government treasury bonds are held. TBIF Group's risk management policies are designed to identify and analyse price risks, to set appropriate risk limits and controls, and to monitor adherence to risk limits by means of a reliable and up-to-date information system. TBIF Group regularly reviews its risk management policies and systems to reflect changes in the markets, products and emerging best practice.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity.

(4) Risk management (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

(i) requirements for appropriate segregation of duties, including the independent authorisation of transactions
(ii) requirements for the reconciliation and monitoring of transactions
(iii) compliance with regulatory and other legal requirements
(iv) documentation of controls and procedures
(v) requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
(vi) development of contingency plans
(vii) training and professional development
(viii) ethical and business standards
(ix) risk mitigation, including insurance where this is effective.

The Group is also subject to reputation risk in relation to the lending practices undertaken by each of its operations. Management is fully aware of the scrutiny and interest in the operations of short-term finance institutions by regulators and members of the public. Management seeks to be transparent in the way it markets its business, takes steps to ensure that all operations comply with all relevant legislation and cooperates intensively with regulators, when requested.

(e) Capital management risk

The objectives of the Group's management of capital include:

- compliance with the capital requirements set by regulators as applicable, including the banking markets in which TBIF Group operates
- ensuring the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders
- maintaining a strong capital base which is the basis for the development of the Group's activity.

4finance Group

Capital management of the 4finance Group is not governed by any requirements set by regulatory institutions or international bodies. Management reviews its capital position on a regular basis to ensure positive equity in all subsidiaries of the 4finance Group and to maintain sufficient funds in order to support its medium- and long-term strategic goals.

TBIF Group

Capital adequacy and the use of equity are monitored by TBIF Group's management, employing techniques based on the guidelines developed by the Basel Committee, as well as EU Directives, adopted by the Bulgarian National Bank ('Regulatory Authority') for supervisory purposes. The information required is filed with the Regulatory Authority on a regular basis.

The Regulatory Authority requires each bank or group of banks: (a) to hold minimum level of equity of BGN 10 000 thousand and (b) to maintain a ratio of total regulatory capital to risk-weighted assets of 14.00%, comprising of a total capital adequacy requirement of 8%, protective capital buffer of 2.5%, systemic risk buffer of 3% and countercyclical buffer of 0.5%. Each bank is also required to hold additional Pillar 2 requirement, which is 0.75% for TBI Bank. TBIF Group's capital adequacy ratio as 31 December 2019 was 18.89% (31 December 2018: 22.52%).

The TBIF Group's equity is divided into two tiers in accordance with the definitions and requirements of Regulation No 575 of the European Parliament and of the Council of 26 June 2013.

(5) Use of estimates and judgements

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

4finance Group

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended 31 December 2018. These included determination of the consolidation group and whether embedded derivatives within financial liabilities require separation. It was determined that embedded derivatives do not require separation.

- Allowances for credit losses on loans and receivables (see Note 19).

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

- Management assumes as its standard approach in calculating LGD, based on past historical data, that 4finance Group recovers from defaulted loans up to 9 months after default.
- Management calculates probability of default percentages using historic transition matrices which analyse loan portfolio movements between the delinquency buckets over a one month period for single payment loans and over one year period for instalment and line of credit products. The analysis is undertaken on monthly basis, in which the average probability of default percentages of the last six matrices for single payment loans and of last 3 matrices for instalment and line of credit products are calculated.
- Management writes off trade receivables and loans to customers when they are past due more than one year or earlier if deemed to be uncollectable.

Management closely follows recoveries from delinquent loans and revises LGD rates for portfolios based on actual recoveries received. Historical experience supports the use of 9 and 21 months after default as the period over which recoveries are expected to be received. This assumption is used across all countries and is supported by actual past experience across numerous entities within the 4finance Group. Where there is insufficient past statistical data, projections of recoveries are used based on the data available and benchmarking of comparable data from other markets where the 4finance Group has wider historical data availability. Projected LGD rates vary across the countries depending on the specifics of individual countries.

During the year ended 31 December 2019, management continually reassessed its impairment allowances for credit losses on loans and receivables. This assessment included a review of historical recovery trends impacting the LGD ratios that underlie the impairment loss allowance calculations. As at 31 December 2019, the weighted average LGD rate across portfolios was 75% (31 December 2018: 74%). On product level single payment loan weighted average LGD was 86%, but 68% for instalment loans. The weighted average LGD rate change during the year is not significant.

(5) Use of estimates and judgements (continued)

Sensitivity analysis of the Group's net income for the year and equity to changes in LGD rates given a simplified scenario of a 5% increase in the LGD ratio for each operating entity would increase loan loss impairment for EUR 6 867 thousand (31 December 2018: EUR 7 004 thousand). A 5% decrease would lead to a decrease to EUR 6 868 thousand (31 December 2018: EUR 7 004 thousand).

- Separation of embedded derivatives

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

- Capitalisation of internal development costs

During the year, 4finance Group developed certain software solutions. 4finance Group applied IAS 38 to assess expenditure that met the criteria to be capitalized and expenditure to be expensed to profit or loss. Management judgement is required to assess costs falling within 3 specific phases - research and pre-development costs, development costs and maintenance/post-development costs. 4finance Group has set up internal processes allowing it to allocate internal IT costs to the appropriate stage. Only those expenses that have been internally assessed as relating to development are capitalized. In addition, management judgement is required in assessing the useful economic lives of developed projects and performing review of intangible assets carrying value for impairment. Currently, useful lives ranges from 3 to 5 years. When assessing value in use, estimated future cash flows of cash-generating units are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks associated to the asset. Information in relation to the capitalisation of internal development costs is disclosed in more detail in Note 26.

- Deferred tax asset recognition

Significant management judgement is required in assessing deferred tax assets, in particular projecting taxable profits in current and future years (see Note 27)

- Fair value of financial instruments

Significant management judgement is used for estimating unobservable inputs and valuation adjustments (see Note 38).

- Valuation of related party loans

Significant management judgement is used for estimating market interest rate and expected credit loss (see Note 22).

- Impairment of Intangible assets and goodwill measurement

Significant management judgement is required for calculation goodwill and assessing intangible asset, including goodwill, impairment. The main judgemental areas include fair value of assets and liabilities acquired calculation for goodwill calculation and projecting EBITDA in current and future years, projecting expected free cash flows to equity holders in current and future years, estimating discount rates and estimating terminal growth rates (see Note 26).

- Provisions and contingent liabilities

Significant management judgement is used for estimating provisions and contingent liabilities in relation to legal cases (see Note 37).

TBIF Group

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

(5) Use of estimates and judgements (continued)

(a) Allowances for credit losses

TBIF Group reviews its loan portfolios to assess the need for impairment on at least a quarterly basis. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, TBIF Group makes an analysis whether objective data exists indicating that there is a significant decrease in the estimated future cash flows from the loan portfolio. Such evidence may include observable data, indicating an adverse change in the borrowers' ability to meet their loan obligations in the respective portfolio, or their national or local economic conditions indicate that the probability of default has increased. When estimating future cash flows, for assets with credit risk features and objective evidence for impairment similar to those in the portfolio, management uses estimates based on historical losses experienced. The methodology and assumptions used to estimate the amount and timing of future cash flows are reviewed regularly in order to reduce differences between loss estimates and actual loss experience. TBIF Group undertakes a credit risk stress test which assumes a static portfolio of the bank and migration of loans with DPD up to 90 days to loans with DPD 90+ with a forecast horizon of 12 months as reflected in the average three years transition matrices per product and domicile. As of 31 December 2019, this test resulted in a sensitivity of EUR 489 thousand (31 December 2018: EUR 701 thousand). In additional an adverse stress test of static portfolio is performed to reflect increase of migration rates with a total effect of EUR 972 thousand. As per EBA requirements the adverse scenario assumptions are performed on a dynamic portfolio with 24 months horizon totalling overall risk estimate of EUR 6 601 thousand.

(b) Repossessed collateral valuation

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

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

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

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

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

TBIF Group undertakes a collateral depreciation stress test, which assumes a devaluation of real estate by 5-15% depending on the type of real estate over a forecast horizon of 12 months. As of 31 December 2019, this test resulted in a sensitivity of EUR 2 258 thousand (31 December 2018: EUR 2 453 thousand).

(6) Interest income

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

(6) Interest income (continued)

	2019 EUR'000	2018 EUR'000
Loans to customers:		
4finance Group	341 309	399 966
TBIF Group	83 616	75 224
	424 925	**475 190**

Interest income by geographic markets:

The 4finance Group

	2019 EUR'000	2018 EUR'000
Poland	112 381	131 152
Spain	83 407	81 744
Denmark	46 141	43 432
Latvia	25 548	34 199
Czech Republic	19 030	18 943
Armenia	10 674	8 175
Finland	10 129	20 803
Lithuania	8 707	9 041
Sweden	5 351	17 059
Georgia	1 262	11 565
Other	18 680	23 853
	341 309	**399 966**

TBIF Group

	2019 EUR'000	2018 EUR'000
Bulgaria	47 828	41 427
Romania	35 537	33 413
Poland	251	—
Sweden	—	384
	83 616	**75 224**

(7) Interest expense

	2019 EUR'000	2018 EUR'000
Interest expense on notes	52 065	57 853
Deposits from customers	4 118	3 615
Deposits from banks and financial institutions	456	225
Interest expense on other loans	185	379
Interest expense on bank loans	14	23
	56 838	**62 095**

(8) Fee and commission income

	2019 EUR'000	2018 EUR'000
Income from insurance broker's activities and agent's commissions	16 843	14 556
Transfer and transaction income	1 153	650
Guarantee and letter of credit income	25	20
Other income	191	635
	18 212	**15 861**

Fees and commissions are related to TBIF Group's operations. Agent's commission income originates from an insurance agency contract and with TBIF Group's increased operations brokerage fees have grown, especially in Romania.

(9) Fee and commission expense

	2019 EUR'000	2018 EUR'000
Agent's commission expense	7 357	4 906
Bank transaction expense	1 633	1 108
Other expense	15	231
	9 005	**6 245**

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

(10) Other operating income

	2019 EUR'000	2018 EUR'000
Interest income	7 538	8 172
Income from services	1 253	883
Financial Intermediary Services	—	25
	8 791	**9 080**

In 2019, Other operating income includes interest income from related parties of EUR 7 289 thousand (2018: EUR 7 450 thousand), see Note 35.

(11) Operating costs

	2019 EUR'000	2018 EUR'000
Personnel costs	96 804	103 769
Marketing and sponsorship	39 051	43 194
IT expenses	17 967	21 945
Depreciation and amortization	16 523	11 925
Legal and consulting	7 834	11 483
Application inspection costs	6 406	6 896
Debt collection costs	4 650	6 392
Bank services	4 465	3 978
Communication expenses	4 301	3 429
Taxes	3 666	3 373
Rent and utilities	2 253	7 490
Travel	2 242	1 944
Other	11 816	13 256
	217 979	**239 074**

The year-on-year decrease in operating costs reflects a focus on cost discipline and the results of strategic cost initiatives.

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

Executive Committee and Board member remuneration expenses are disclosed in Note 35.

Auditor's fees (part of Legal and consulting)	2019 EUR'000	2018 EUR'000
Audit fees	1 144	1 131
Audit related fees	109	—
Tax related fees	1	19
	1 254	**1 150**

(11) Operating costs (continued)

	2019	2018
Average number of employees		
Senior management/Executives	9	13
Employees	2 846	3 464
	2 855	**3 477**

(12) Other income

	2019	2018
	EUR'000	EUR'000
Rent income	8	21
Proceeds from share sales	—	9
Other income	1 692	2 684
	1 700	**2 714**

(13) Non-recurring expense

	2019	2018
	EUR'000	EUR'000
IA write-off	1 464	1 646
Goodwill impairment	1 002	3 850
IA Impairment	(1 634)	1 857
	831	**7 353**

In 2019 following a decision to exit the Slovakian market, the associated EUR 1 million of goodwill was impaired, see Note 26.

The Group has reviewed IT related internally developed intangible assets portfolio to identify assets which either are not used, or which functionality is not aligned with current business strategy and therefore future economic benefit is not expected and has made a decision to write-off several intangible assets.

During 2019, the 4finance Group has reversed intangible asset impairment for assets where the value as of 31 December 2019 has been written off or fully amortized.

(14) Net foreign currency gain/ (loss)

	2019	2018
	EUR'000	EUR'000
Net foreign currency gain/ (loss)	(7 500)	(23 886)
Net gain/ (loss) on derivatives	12 275	11 251
	4 775	**(12 635)**

(15) Net impairment losses

	2019	2018
	EUR'000	EUR'000
Impairment losses on loans	148 673	178 868
Reversal of provision on debt portfolio sales	(12 031)	(36 587)
Recovery from written-off loans	(13 560)	(19 415)
	123 082	**122 866**

Impairment losses on loans include EUR 32 thousand of TBIF Group impairment on financial leases (2018: EUR 20 thousand).

(16) Income tax for the reporting period

	2019	2018
	EUR'000	EUR'000
		Restated
Current tax	19 433	30 513
Deferred tax	2 829	(4 510)
	22 262	**26 003**

Reconciliation of effective income tax:

	2019	2018
	EUR'000	EUR'000
		Restated
Profit before corporate income tax	50 671	52 577
Theoretical corporate income tax, 24.94%	12 637	13 675
Effect of change in deferred tax asset recognition	4 082	8 838
Tax effect of permanent differences related to non-deductible expenses	5 669	3 723
Impact of tax rate in other jurisdictions	(126)	(233)
Corporate income tax for the reporting year	**22 262**	**26 003**

The effective tax rate in 2019 was 44% (2018: 49%).

The group took a more conservative approach to deferred tax assets in Poland in Q4, resulting in a net EUR 2 million reduction in Polish deferred tax assets. This approach was also retrospectively applied to 2018, resulting in a EUR 1.9 million reduction of Deferred Tax Assets from the 2018 year end balance sheet.

Management utilizes both in-house tax expertise and external consultants to ensure compliance with tax legislation in the countries in which the Group operates.

Companies within the Group are subject, from time to-time, to tax inspections by the relevant local tax authorities. Currently, a tax inspection is being undertaking by the local tax authorities in the following Group's entities: 4finance OY (Finland); Vivus Finance Sp. z o.o. (Poland), 4finance Spain Financial Services, S.A.U. (Spain), 4finance ApS (Denmark), 4f Sales Inc. (US), Friendly Finance Georgia Ltd. (Georgia); 4finance LLC (Georgia).

(17) Cash and cash equivalents

	31.12.2019 EUR'000	31.12.2018 EUR'000
Bank balances	81 438	115 605
Cash at central banks other than the minimum statutory reserve	17 092	33 190
Cash and cash equivalents in the statement of cash flows	**98 530**	**148 795**
Minimum statutory reserve	27 192	23 360
Total cash on hand and cash at central banks	**125 722**	**172 155**

As at 31 December 2019, the statutory minimum reserves held with the Bulgarian National Bank (BNB) by TBIF Group amount to 10% of the deposits attracted, 5% of funds attracted from abroad and 0% of the funds attracted from other local banks.

As at 31 December 2019, the statutory minimum reserves held at the National Bank of Romania (NBR) amounted to 8% of the funds attracted in new Romanian Lei and 8% of the funds attracted in currencies other than new Romanian Lei, not including funds attracted from other local banks and funds attracted with a residual maturity of less than two years without early termination clauses. The statutory minimum reserves are available for use at up to 50% from the required reserves in the Group's day-to-day operations under the condition that the full reserves requirement for the month is covered. The excess of the minimum statutory reserves held with BNB is charged currently with a negative interest rate (-0.70% per a). Those held in NBR are charged with 0% interest currently.

(18) Derivatives

To manage the Group's open position in foreign currencies, the Group has entered into forward and option agreements. The purpose of the financial instruments is to limit the Group's exposure to foreign currency fluctuations.

The tables below reflect the fair value of each financial instrument type separately as at 31 December 2019.

(18) Derivatives (continued)

Recognized as Assets	Currency	Notional amount '000	Rate	Maturity	31.12.2019 EUR'000
Swap sell EUR, buy USD	USD	46 476	1.1619	Apr-2022	2 610
Swap sell EUR, buy USD	USD	46 528	1.1632	Apr-2022	2 603
Forward sell EUR, buy USD	USD	24 494	1.2247	Jun-2020	245
Swap sell EUR, buy RON	RON	8 000	4.8408	May-2020	2
					5 460

Recognized as Liabilities	Currency	Notional amount '000	Rate	Maturity	31.12.2019 EUR'000
Forward sell EUR, buy USD	USD	50 000	1.1601	Apr-2022	699
Forward sell EUR, buy USD	USD	30 000	1.132	Feb-2020	244
Swap sell EUR, buy SEK	SEK	5 520	10.3622	Apr-2020	237
Forward sell EUR, buy PLN	PLN	35 000	4.2813	Jan-2020	186
Forward sell EUR, buy PLN	PLN	35 000	4.2815	Jan-2020	185
Swap sell EUR, buy RON	RON	12 000	4.877	Jun-2020	45
Forward sell EUR, buy PLN	PLN	10 000	4.2725	Jan-2020	44
Forward sell EUR, buy PLN	PLN	10 000	4.2775	Jan-2020	32
Swap sell EUR, buy RON	RON	12 000	4.8473	Apr-2020	22
Swap sell EUR, buy RON	RON	5 000	4.79535	Jan-2020	13
Forward sell EUR, buy PLN	PLN	5 000	4.2672	Jan-2020	9
Swap sell EUR, buy RON	RON	2 850	4.827	Sep-2020	9
Forward sell EUR, buy PLN	PLN	5 000	4.2664	Jan-2020	7
Swap sell EUR, buy PLN	PLN	3 400	4.27621	Feb-2020	5
Swap sell EUR, buy RON	RON	5 000	4.79258	Oct-2020	5
Swap sell EUR, buy RON	RON	5 000	4.79939	Jan-2020	2
					1 744

(18) Derivatives (continued)

The tables below reflect the fair value of each financial instrument type separately as at 31 December 2018.

Recognized as Assets	Currency	Notional amount '000	Rate	Maturity	31.12.2018 EUR'000
Swap sell EUR, buy USD	USD	46 476	1.1619	Apr-2020	689
Swap sell EUR, buy USD	USD	46 528	1.1632	Apr-2022	676
Forward sell EUR, buy USD	USD	24 494	1.2247	Jun-2020	411
Forward sell EUR, buy USD	USD	2 963	1.3388	Aug-2019	362
Forward sell EUR, buy USD	USD	6 050	1.2100	Aug-2019	166
Swap sell EUR, buy NOK	NOK	5 750	9.8125	Mar-2019	99
Swap sell EUR, buy RON	RON	7 068	4.7088	Feb-2019	42
Swap sell EUR, buy RON	RON	10 035	4.6798	Feb-2019	12
Swap sell EUR, buy RON	RON	10 016	4.6708	Jan-2019	2
Swap sell EUR, buy RON	RON	5 007	4.6703	Jan-2019	1
					2 460

Recognized as Liabilities	Currency	Notional amount '000	Rate	Maturity	31.12.2018 EUR'000
Forward sell EUR, buy USD	USD	80 000	1.1432	Nov-2019	2 112
Forward sell EUR, buy USD	USD	40 000	1.1332	Oct-2019	1 313
Forward sell EUR, buy USD	USD	40 000	1.1397	Oct-2019	1 110
Forward sell EUR, buy RON	RON	14 958	4.6503	Jan-2019	47
Forward sell EUR, buy RON	RON	2 928	4.7089	Feb-2019	19
Forward sell EUR, buy SEK	SEK	503	10.3115	Jan-2019	3
Forward sell EUR, buy RON	RON	5 006	4.6694	Jan-2019	1
					4 605

(19) Net receivables due from customers

Summary

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

	Gross receivables 31.12.2019 EUR'000	Allowance for doubtful debts 31.12.2019 EUR'000	Net receivables 31.12.2019 EUR'000	Gross receivables 31.12.2018 EUR'000	Allowance for doubtful debts 31.12.2018 EUR'000	Net receivables 31.12.2018 EUR'000
4finance Group	377 414	(114 335)	263 079	405 433	(113 857)	291 576
TBIF Group	356 241	(40 461)	315 780	299 900	(38 303)	261 597
	733 655	**(154 796)**	**578 859**	**705 333**	**(152 160)**	**553 173**

(19) Net receivables due from customers (continued)

4finance Group

	31.12.2019 EUR'000	31.12.2018 EUR'000
Long-term loans due from customers	54 315	59 016
Impairment of long-term loans due from customers	(13 581)	(14 231)
Long term	**40 734**	**44 785**
Short-term loans due from customers	323 098	346 417
Impairment of short-term loans due from customers	(100 753)	(99 626)
Short term	**222 345**	**246 791**
	263 079	**291 576**

The 4finance Group's long-term and short-term loans consist of loan balances not exceeding EUR 10 000 per loan (31 December 2018: EUR 5 000 and maturity of up to 4 years) with maturity of up to 5 years. The average loan size in 2019 was EUR 237 (2018: EUR 228). The loans are not collateralized.

Short-term loans include the Line of Credit portfolio outstanding of EUR 2 658 thousand as at 31 December 2019 (31 December 2018: EUR 6 549). The total credit committed under this product, which includes used and unused amounts, is EUR 3 043 thousand (31 December 2018: EUR 12 348).

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

	2019 EUR'000	2018 EUR'000
Allowance for doubtful debts		
Balance at the beginning of period	113 857	149 087
Implementation of IFRS 9	—	(15 480)
Charge for the period	132 350	152 174
Amounts written-off	(63 792)	(93 303)
Derecognised on disposal of portfolio	(67 985)	(77 747)
Currency effect	(95)	(874)
Balance at period end	**114 335**	**113 857**

The net gain from debt sales of loan portfolios in the 4finance Group is EUR 10 871 thousand (2018: EUR 31 697 thousand).

(19) Net receivables due from customers (continued)

Loans by country and currency:

	Gross receivables 31.12.2019	Allowance for doubtful debts 31.12.2019	Net receivables 31.12.2019	Gross receivables 31.12.2018	Allowance for doubtful debts 31.12.2018	Net receivables 31.12.2018
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Poland (PLN)	141 575	(40 978)	100 597	158 608	(37 555)	121 053
Spain (EUR)	69 974	(30 048)	39 926	52 708	(20 708)	32 000
Latvia (EUR)	38 551	(4 278)	34 273	49 896	(8 445)	41 451
Denmark (DKK)	46 968	(18 860)	28 108	43 153	(16 932)	26 221
Lithuania (EUR)	21 379	(842)	20 537	19 593	(2 213)	17 380
Czech Republic (CZK)	17 396	(5 369)	12 027	13 824	(3 573)	10 251
Armenia (AMD)	14 376	(6 091)	8 285	14 352	(5 649)	8 703
Other	27 195	(7 869)	19 326	53 299	(18 782)	34 517
	377 414	**(114 335)**	**263 079**	**405 433**	**(113 857)**	**291 576**

TBIF Group

Loans to customers

	31.12.2019	31.12.2018
	EUR'000	**EUR'000**
Loans to customers:		
Individuals	287 767	247 266
Corporate clients	67 614	51 660
Staff	860	974
Total loans to customers	**356 241**	**299 900**
Impairment allowance	(40 461)	(38 303)
Total net loans to customers	**315 780**	**261 597**

Loans to customers include accrued interest amounting to EUR 8 086 thousand (2018: EUR 7 636 thousand). Loans to customers bearing floating interest rates amount to EUR 57 959 thousand (2018: EUR 51 916 thousand), and loans to customers bearing fixed interest rates amount to EUR 298 282 thousand (2018: EUR 258 655 thousand).

(19) Net receivables due from customers (continued)

Impairment loss allowances

The movement in impairment loss allowances is as follows:

Impairment allowance for individually assessed financial assets	**2019 EUR'000**	**2018 EUR'000**
Balance at the beginning of period	**2 212**	**1 154**
Implementation of IFRS 9	—	1 501
(Reversal)/Charge for the period in continued operations	359	(155)
Amounts written-off	(145)	(278)
Currency effect	(3)	(10)
Balance at period end	**2 423**	**2 212**

Impairment allowance for collectively assessed financial assets	**2019 EUR'000**	**2018 EUR'000**
Balance at the beginning of period	**36 091**	**19 872**
Charge for the period in continued operations	18 213	27 109
Amounts written-off	(15 766)	(12 229)
Currency effect	(500)	(99)
Balance at period end	**38 038**	**36 091**

Net gain from debt sales of portfolio in TBIF Group is EUR 1 160 thousand (2018: EUR 4 889 thousand).

Structure of the loan portfolio by economic sectors

	Gross receivables 31.12.2019 EUR'000	**Allowance for doubtful debts 31.12.2019 EUR'000**	**Net receivables 31.12.2019 EUR'000**	**Gross receivables 31.12.2018 EUR'000**	**Allowance for doubtful debts 31.12.2018 EUR'000**	**Net receivables 31.12.2018 EUR'000**
Individuals	287 767	(36 721)	251 046	247 266	(35 528)	211 738
Services	10 867	(602)	10 265	19 428	(626)	18 802
Construction and real estate	31 929	(1 610)	30 319	12 667	(1 203)	11 464
Commerce	8 031	(711)	7 320	7 199	(418)	6 781
Agriculture	5 012	(382)	4 630	5 014	(225)	4 789
Tourism	6 316	(145)	6 171	4 407	(103)	4 304
Manufacturing	4 382	(233)	4 149	2 889	(153)	2 736
Staff	860	(40)	820	974	(45)	929
Other financial institutions	1 077	(17)	1 060	56	(2)	54
Total loans to customers	**356 241**	**(40 461)**	**315 780**	**299 900**	**(38 303)**	**261 597**

(20) Net investment in finance leases

	31.12.2019 EUR'000	31.12.2018 EUR'000
Gross investment in finance leases:		
Not later than one year	3 547	7 008
Later than one and not later than five years	2 227	2 748
Later than five years	199	7
	5 973	**9 763**
Unrealised finance income	(831)	(1 955)
	5 142	**7 808**
Less allowance for impairment losses	(488)	(516)
Net investment in finance leases	**4 654**	**7 292**
Net investment in finance leases		
Not later than one year	2 713	6 055
Later than one and not later than five years	1 764	1 230
Later than five years	177	7
	4 654	**7 292**

Leases include mainly contracts with companies and individuals for the lease of vehicles and production equipment.

A movement of the allowance for impairment losses for finance leases is as follows:

	2019 EUR'000	2018 EUR'000
As of 1 January	516	510
Impairment loss allowance charged	30	480
Reversed	(62)	(431)
Foreign exchange difference	4	(43)
As of 31 December	**488**	**516**

(21) Debt and Equity instruments

	31.12.2019 EUR'000	31.12.2018 EUR'000
Investments in equities	3 225	15 684
Debt securities - listed	53 668	22 672
	56 893	**38 356**

Investment in equities as at 31 December 2019 mainly consist of a EUR 3 034 thousand participation of 8.24% in Oslo listed Norwegian digital bank BRAbank ASA (previously named Monobank ASA), which was acquired in 2018 and 2019 and is carried at Fair value through other comprehensive income (FVOCI). BRAbank ASA, operating in Norway and Finland, is a niche digital bank focusing on consumer finance and has grown in the Nordic region since launch in 2015. It is an advanced digital bank, with highly efficient and scalable operations based on innovative technology. As part of the Group's broader strategy to develop its near-prime business in the Nordic region, this minority stake is the first step in exploring potential cooperation with BRAbank ASA.

Investments in equities as at 31 December 2018 consisted of a participation of 19.9% in Spotcap Global S.a.r.l., a non-listed limited liability company that is an innovative online lender for small and medium sized enterprises. 9.9% of shares were acquired in June 2016 by the Group from Tirona Limited, a related party, for EUR 4.9 million. Additional 10% shares for EUR 5 million were acquired in July 2017 from Tirona Limited. Price valuation was based on expected company performance in future and industry multipliers. As of 31 December 2018 the fair value of the investment was assessed to be EUR 9 890 thousand based on an internally prepared valuation model including a multiplier approach and a discounted future net cash flow approach. In 2019 Group sold its 19.9% equity interest in Spotcap Global S.a.r.l. to Tirona Limited for its carrying value of EUR 9 890 thousand.

Debt securities as at 31 December 2019 include EUR 42 509 thousand (31 December 2018: EUR 22 672 thousand) government bonds held by TBIF Group and corporate bonds of EUR 6 859 thousand held by TBIF Group and various highly rated corporate bonds of EUR 4 300 thousand held by 4finance Group.

Interest accumulated as at 31 December 2019 amounts to EUR 294 thousand (31 December 2018: EUR 203 thousand). Debt securities held by TBIF Group are carried at Fair value through other comprehensive income (FVOCI) based on quoted market prices as at the date of the financial statements. Debt securities held by 4finance Group are carried at amortised costs.

(22) Loans to related parties

	31.12.2019 EUR'000	31.12.2018 EUR'000
Loans to related parties, net of impairment	60 667	66 176
	60 667	**66 176**

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

			Principal amount		Accrued interest	
	Maturity	Interest rate	31.12.2019 EUR'000	31.12.2018 EUR'000	31.12.2019 EUR'000	31.12.2018 EUR'000
4finance Group S.A.	Feb 2022	13.75 %	48 120	48 124	11 626	12 279
BillFront GmbH	Dec 2020	5 %	852	841	69	26
Spotcap Global S.a.r.l.	Mar 2019	16.5 %	—	4 833	—	67
4finance US Holding Company, Inc	Dec 2019	13.75 %	—	—	—	6
			48 972	**53 798**	**11 695**	**12 378**

All loans to related parties are unsecured.

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

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

In 2019, the Group agreed to sell the loan made by 4finance S.A. to Spotcap Global S.a.r.l to Tirona Limited for its outstanding principal value of EUR 4.9 million.

(23) Other assets

	31.12.2019 EUR'000	31.12.2018 EUR'000
Receivables from suppliers	7 455	14 309
Repossessed real estate	4 539	4 656
- less allowance for impairment	(369)	(67)
Other repossessed assets	545	1 073
- less allowance for impairment	(395)	(382)
FX hedging - margin requirements	1 576	4 581
Prepayment	1 431	1 400
Security deposits	1 428	1 306
Other receivables	5 694	6 569
	21 904	**33 445**

(23) Other assets (continued)

Receivables from suppliers include receivables from offline service providers and receivables from debt sales. The main driver for the decrease as at 31 December 2019 compared to 31 December 2018 is debt sales. Offline service providers offer the opportunity for customers to repay loans using other payment channels.

Repossessed real estate and other repossessed assets are assets held for sale in TBIF Group. Assets are measured at fair value less cost of disposal.

Other receivables as at 31 December 2019 includes other receivables from related parties of EUR 1 653 thousand (31 December 2018: EUR 1 429 thousand).

(24) Investment in associates

	31.12.2019	31.12.2018
	EUR'000	EUR'000
Investments in associates	1 626	1 641
	1 626	**1 641**

Investments in associates measured using equity method consists of EUR 1 626 thousand investment in participation of 24.39% in BillFront GmbH, a non-listed limited liability German company. The Group has significant influence over, but does not control, the company as the ownership of 24.39% shares does not give power to make important decisions alone. The Group acquired 24.39% of shares for EUR 2 142 thousand in November 2016. As of 31 December 2019, the investment was decreased by EUR 15 thousand (31.12.2018: EUR 501 thousand), the Group's share of the loss for the twelve month period. The company is an online platform that offers working capital solutions to digital media businesses. The company is headquartered in London, with offices in Berlin and San Francisco.

(25) Property and equipment

	Buildings and land	Leasehold improvements	Computer equipment	Other property and equipment	Motor Vehicles	Total
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Cost						
31 December 2017	**5 364**	**1 790**	**5 490**	**3 730**	**652**	**17 026**
Additions	99	408	604	936	10	2 057
Disposals	(81)	(438)	(541)	(944)	(210)	(2 214)
Reclassification of fixed assets	—	25	—	(25)	—	—
Effect of changes in foreign exchange rates	(3)	(62)	(93)	(6)	—	(164)
31 December 2018	**5 379**	**1 723**	**5 460**	**3 691**	**452**	**16 705**
Accumulated depreciation						
31 December 2017	**211**	**964**	**3 790**	**1 637**	**363**	**6 965**
Depreciation	168	421	975	743	67	2 374
Disposals	—	(290)	(443)	(434)	(92)	(1 259)
Effect of changes in foreign exchange rates	—	(58)	(80)	(6)	—	(144)
31 December 2018	**379**	**1 037**	**4 242**	**1 940**	**338**	**7 936**
31 December 2017	**5 153**	**826**	**1 700**	**2 093**	**289**	**10 061**
31 December 2018	**5 000**	**686**	**1 218**	**1 751**	**114**	**8 769**

(25) Property and equipment (continued)

	Buildings and land	Leasehold improvements	Computer equipment	Other property and equipment	Motor Vehicles	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost						
31 December 2018	**5 379**	**1 723**	**5 460**	**3 691**	**452**	**16 705**
Right-of-use assets	18 639	—	—	—	939	19 578
Additions	737	483	406	1 479	61	3 166
Disposals	—	(8)	(475)	(265)	(66)	(814)
Reclassification of fixed assets	(36)	(55)	—	91	—	—
Effect of changes in foreign exchange rates	(94)	(18)	(13)	(44)	(20)	(189)
31 December 2019	**24 625**	**2 125**	**5 378**	**4 952**	**1 366**	**38 446**
Accumulated depreciation						
31 December 2018	**379**	**1 037**	**4 242**	**1 940**	**338**	**7 936**
Right-of-use assets	7 690	—	—	—	336	8 026
Depreciation	3 589	325	570	672	314	5 470
Disposals	—	—	(396)	(223)	(51)	(670)
Reclassification of fixed assets	—	—	—	—	—	—
Effect of changes in foreign exchange rates	(18)	(19)	(15)	(38)	(18)	(108)
31 December 2019	**11 640**	**1 343**	**4 401**	**2 351**	**919**	**20 654**
31 December 2018	**5 000**	**686**	**1 218**	**1 751**	**114**	**8 769**
31 December 2019	**12 985**	**782**	**977**	**2 601**	**447**	**17 792**

As of 31 December 2019, property and equipment includes right-of-use assets of EUR 8 614 thousand related to leased branches, office premises and motor vehicles. For details see Note (34) Right-of-use assets and lease liabilities.

(26) Intangible assets and goodwill

	Licenses, trademarks and similar rights EUR'000	Software and other intangible assets EUR'000	Goodwill EUR'000	Development costs EUR'000	Advances EUR'000	Total EUR'000
Cost						
31 December 2017 (restated)	**8 791**	**20 262**	**43 353**	**8 237**	**19**	**80 662**
Additions	694	1 535	—	4 057	99	6 385
Disposals and write-offs	(590)	(2 422)	—	(909)	(97)	(4 018)
Reclassification	7	9 172	—	(9 172)	(7)	—
Effect of changes in foreign exchange rates	39	749	—	274	—	1 062
31 December 2018 (restated)	**8 941**	**29 296**	**43 353**	**2 487**	**14**	**84 091**
Accumulated amortisation and impairment						
31 December 2017 (restated)	**4 176**	**3 831**	**22 000**	**661**	**—**	**30 668**
Amortisation	3 240	6 447	—	—	—	9 687
Amortisation of disposals	(567)	(1 522)	—	—	—	(2 089)
Impairment loss	79	1 615	3 850	154	—	5 698
Effect of changes in foreign exchange rates	40	222	(1)	105		366
31 December 2018 (restated)	**6 968**	**10 593**	**25 849**	**920**	**—**	**44 330**
31 December 2017 (restated)	**4 615**	**16 431**	**21 353**	**7 576**	**19**	**49 994**
31 December 2018 (restated)	**1 973**	**18 703**	**17 504**	**1 567**	**14**	**39 761**

(26) Intangible assets and goodwill (continued)

	Licenses, trademarks and similar rights EUR'000	Software and other intangible assets EUR'000	Goodwill EUR'000	Development costs EUR'000	Advances EUR'000	Total EUR'000
Cost						
31 December 2018 (restated)	**8 941**	**29 296**	**43 353**	**2 487**	**14**	**84 091**
Additions	1 767	1 878	—	1 972	274	5 891
Disposals and write-offs	(3 790)	(2 181)	—	(1 498)	(18)	(7 487)
Reclassification	(332)	2 755	—	(2 248)	(84)	91
Effect of changes in foreign exchange rates	(24)	376	—	124	2	478
31 December 2019	**6 562**	**32 124**	**43 353**	**837**	**188**	**83 064**
Accumulated amortisation and impairment						
31 December 2018 (restated)	**6 968**	**10 593**	**25 849**	**920**	**—**	**44 330**
Amortisation	933	9 766	—	—	—	10 699
Amortisation of disposals	(3 731)	(2 113)	—	—	—	(5 844)
Impairment loss	(82)	(592)	1 002	(920)	—	(592)
Effect of changes in foreign exchange rates	(9)	177	—	—	—	168
31 December 2019	**4 079**	**17 831**	**26 851**	**—**	**—**	**48 761**
31 December 2018 (restated)	**1 973**	**18 703**	**17 504**	**1 567**	**14**	**39 761**
31 December 2019	**2 483**	**14 293**	**16 502**	**837**	**188**	**34 303**

Software and other intangible assets consist from internally generated and other intangible assets. As at 31 December 2019 internally developed assets amount to EUR 12 441 thousand and other intangible assets amount to EUR 1 852 thousand. In 2019 additional EUR 2 339 thousand of intangible assets were developed internally.

Development costs largely relate to new IT development projects and significant improvements of existing products.

Impairment test of Software and Development costs capitalized as of 31 December 2019, was performed and took into consideration future performance of cash generating units. Cash generating unit is a product (instalment loan, single payment loan or line of credit product with separately identifiable loan portfolio and brand name) of each 4finance Group entity, which is the unit that generates cash inflow from continuing use that is largely independent of the cash inflow of other assets. As a result no impairment was recognized.

In addition to impairment test results, Group has reviewed IT related intangible assets portfolio to identify assets which either are not used, or which functionality is not aligned with current business strategy and therefore future economic benefit is not expected and has made a decision to write-off several intangible assets and development costs and recognized as Non-recurring expenses, for details see Note (13) Non-recurring expense.

(26) Intangible assets and goodwill (continued)

Goodwill

Acquisition of Armenia and Argentina

In 2015, the Group acquired two entities in Armenia and Argentina. Goodwill recognised in connection with these acquisitions totalled EUR 647 thousand. As of 31 December 2019, there is no impairment recognised as both entities continue to develop their businesses and are anticipated to continue to grow and become profitable in the future.

Acquisition of Friendly Finance

During the year 2016, the Group acquired 80% of Friendly Finance and during the year 2018 additional 20% minority shares were acquired. See Note (32) Acquisition of additional share in subsidiaries. Friendly Finance operated in Poland, Slovakia, the Czech Republic, Spain and Georgia. The purpose for the acquisition was to enable the Group to increase its market share in countries in which it already had a presence (Poland, Czech Republic, Spain and Georgia), enter a new market (Slovakia) and add other brands to its portfolio.

At the time of acquisition of Friendly Finance, each business based on geographic location, was identified as a cash generating unit. Goodwill per unit was allocated based on management's assessment of each unit value, and its expected growth in cash flows. During the year 2017 part of the goodwill was impaired due to worse than expected financial performance by Friendly Finance in 2017, regulatory outlook in certain markets, and the plans for a full integration with our in-country operations. During the year 2018 Friendly Finance in the Czech Republic and Poland was consolidated with 4finance business and associated goodwill was written off. In the year 2019 following a decision to exit the Slovakian market, the associated EUR 1 million of goodwill was impaired.

Friendly Finance goodwill impairment:

	Goodwill 31.12.2019	**Impairment 2019**	**Goodwill 31.12.2018**	**Impairment 2018**	**Goodwill 31.12.2017**
Cash generating unit	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Czech Republic	—	—	—	(2 000)	2 000
Slovakia	—	(1 000)	1 000	—	1 000
Poland	—	—	—	(1 850)	1 850
	—	**(1 000)**	**1 000**	**(3 850)**	**4 850**

Acquisition of TBIF Group

On 11 August 2016, 4finance Holding S.A. completed the purchase of TBI Bank EAD through the acquisition of 100% of TBIF Financial Services B.V. from its parent company, Kardan Financial Services B.V., following receipt of all regulatory approvals. TBIF Group is a consumer-focused financial group in Bulgaria and Romania. The acquisition is in line with the Group's strategy of product and geographic diversification. In addition, the purchase may lead to lower costs of funding for the Group. The total consideration was paid in cash of EUR 81.8 million where goodwill recognised was EUR 15 856 thousands.

For the twelve months ended 31 December 2019 consolidated TBI Bank EAD revenues amounted to EUR 84.43 million (2018: EUR 75.14 million) and profit to EUR 22.24 million (2018: EUR 14.5 million).

(26) Intangible assets and goodwill (continued)

TBIF Group goodwill impairment test

As of 31 December 2018 and 2019, goodwill was tested for impairment. The goodwill impairment test was performed for each cash generating unit separately, where the cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Due to the fact that TBI Bank EAD constitutes the major part of the TBIF Group operations and assets then goodwill was fully allocated to TBI Bank EAD. The recoverable amounts for TBI Bank EAD were calculated based on the value in use. No impairment losses were recognised as the recoverable amounts of these units including goodwill were determined to be higher than their carrying amounts.

The value in use was calculated based on the free cash flows to equity discounted by the cost of equity. The projected growth rate of free cash flows to equity used in the test (average of next three years) was 17% (2018: average of next three years 32%), based on management estimates. In year 2019 and 2018 estimated growth rate reflects management expectations of the development of the bank.

Three years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity was determined as 2% (2018: 2%). The rate was estimated by management based on expected industry and market developments.

The discount rate reflects the current market assessment of the risk specific to TBI Bank EAD. The cost of equity was calculated as 15% (2018: 15%) (rounded to the nearest whole number). Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the units exceeded their recoverable amounts. The results of the sensitivity analysis indicate that for TBI Bank EAD if free cash flows to equity decreased by 51% (2018: 54%), terminal growth rate decreased by 2%, discount rate increased by 2%, then the recoverable amount is slightly below the carrying amount including goodwill (i.e. goodwill would become impaired).

(27) Deferred tax assets

Deferred tax relates to the following temporary differences and tax losses carried forward. Movement in temporary differences and tax losses carried forward during the year ended 31 December 2019:

	Net balance 1 January 2019	Recognised in profit or loss of continued operations	Effect of exchange rate fluctuations	Net balance 31 December 2019	Deferred tax assets	Deferred tax liabilities
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Impairment losses on loans and receivables	8 892	1 470	521	10 883	10 883	—
Property and equipment	(11)	(7)	(8)	(26)	—	(26)
Other liabilities	17 461	(1 863)	(1 657)	13 941	13 941	—
Tax loss carry-forwards	9 327	(508)	(653)	8 166	8 166	—
Deferred tax assets (liabilities) before set-off	**35 669**	**(908)**	**(1 797)**	**32 964**	**32 990**	**(26)**
Set-off of tax	—	—	—	—	(26)	(26)
Net deferred tax assets	**—**	**—**	**—**	**—**	**32 964**	**—**

(27) Deferred tax assets (continued)

Movement in temporary differences and tax losses carried forward during the year ended 31 December 2018:

	Net balance 1 January 2018	Recognised in profit or loss of continued operations	Recognized via balance sheet in result of IFRS9	Effect of exchange rate fluctuations	Net balance 31 December 2018	Deferred tax assets	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impairment losses on loans and receivables	8 030	(201)	1 068	(5)	8 892	8 892	—
Property and equipment	(8)	(2)	—	—	(10)	—	(11)
Other liabilities	10 555	6 250	—	656	17 461	17 462	—
Tax loss carry-forwards	10 869	(1 536)	—	(5)	9 328	9 327	—
Deferred tax assets (liabilities) before set-off	**29 446**	**4 511**	**1 068**	**646**	**35 671**	**35 681**	**(11)**
Set off of tax	—	—	—	—	—	(11)	(11)
Net deferred tax assets	**—**	**—**	**—**	**—**	**—**	**35 670**	**—**

The Group has recognized deferred tax assets of EUR 32 964 thousand (31 December 2018: EUR 35 670 thousand) in Armenia, Bulgaria, Czech Republic, Denmark, Finland, Lithuania, Luxembourg, Poland, Spain, Sweden, UK and US. The Group did not have unrecognized deferred tax asset in 2019.

Deferred tax assets coming from tax losses carried forward as at 31 December 2019 related to Armenia, Bulgaria, Finland, Lithuania, Luxembourg and US (4f Sales Inc.), totalled EUR 8 166 thousand (31 December 2018: EUR 9 237 thousand). The Group has prepared detailed financial projections for these entities covering next 1-3 years. Based on these projections and the Group`s history of utilizing deferred tax assets in other countries, management expects that the Group will be able to fully utilize these tax losses over the forthcoming years.

EUR 7 557 thousand deferred tax asset is recognized on tax loss having expiry period more than 5 years, while EUR 609 thousand deferred tax asset is recognized on tax loss having expiry period within 5 years.

The main reasons for the decrease of deferred tax asset value in the reporting period compared to year 2018 are:

- deferred tax asset decrease in Poland entity Zaplo (EUR 3 866 thousand) mostly due to fact that the group took a more conservative approach to deferred tax assets in Poland in 2019, resulting in a net EUR 2 million reduction in Polish deferred tax assets. This approach was also retrospectively applied to 2018, resulting in a EUR 1.9 million reduction of DTAs from the 2018 year end balance sheet
- due to increased profitability of 4f Sales Inc., US, during 2019 DTA recognized in the previous period (EUR 933 thousand)
- other locations with significant deferred tax asset decreases as a result of usual business activities relates to Sweden (EUR 100 thousand), Lithuania entity Credit Service UAB (EUR 389 thousand), Poland IT branch (EUR 17 thousand) and Bulgaria 4finance entity (EUR 62 thousand).

In all other aspects the entities of the Group are mainly representing decrease in deferred tax asset closing balances.

(28) Loans and borrowings

	31.12.2019 EUR'000	31.12.2018 EUR'000
Long term		
Notes	383 359	395 138
Other loans in TBIF Group	—	22
	383 359	**395 160**
Short term		
Other loans in TBIF Group	13 054	2 609
Notes	1 199	63 867
Loans from banks	—	36
Other loans in 4finance Group	—	348
	14 253	**66 860**
Total	**397 612**	**462 020**

Detailed information regarding loans and borrowings can be seen below:

	Currency	Maturity	Interest rate	Principal amount 31.12.2019 EUR'000	Principal amount 31.12.2018 EUR'000	Accrued interest 31.12.2019 EUR'000	Accrued interest 31.12.2018 EUR'000
Notes:							
2022 Notes	USD	May 2022	10.75%	233 180	246 336	4 269	4 573
2021 Notes	EUR	May 2021	11.25%	145 425	144 428	1 683	1 690
2019 Notes	USD	Aug 2019	11.75%	—	59 331	—	2 648
Loans from banks:							
American CJSC	AMD	Nov 2019	15.00%	—	36	—	—
Other loans in:							
Deposits from banks (TBIF Group)	RON	Jan 2020	2.85%	13 042	2 573	—	—
Denmark line of credit	DKK	2019 - 2020	2.00%	7	—	—	—
State Fund Agriculture	BGN	2019 - 2020	2.00%	6	57	—	—
Harztella Ventures Limited	EUR	Dec 2019	1.50%	—	348	—	—
				391 660	**453 109**	**5 952**	**8 911**

(28) Loans and borrowings (continued)

As of 31 December 2019, the Group had loans and borrowings of EUR 397 612 thousand, compared with EUR 462 020 thousand as of 31 December 2018. The Group's loans and borrowings accounted for 49% of total liabilities as of 31 December 2019 and 55% of total liabilities as of 31 December 2018. The Group continues to optimise its funding by repaying debt at local subsidiary level and retains the flexibility to use excess liquidity to make limited repurchases of its bonds. USD 25 million of the 2022 Notes were repurchased by 4finance S.A. during 2019, totally there has been repurchased USD 50 million of the 2022 Notes.

In August 2014, 4finance S.A. issued USD 200.0 million of 11.75% notes (the '2019 Notes') which were listed on the Irish Stock Exchange. The 2019 Notes matured in August 2019 and were totally repaid.

In May 2016, 4finance S.A. issued EUR 100.0 million of 11.25% notes (the '2021 Notes') which are senior to all of the Group's future subordinated debt. The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50.0 million of 2021 Notes were issued at par. The 2021 Notes will mature in May 2021 and are currently callable at 104%.

In April 2017, 4finance S.A. issued USD 325.0 million of 10.75% notes (the '2022 Notes') which are listed on the Irish Stock Exchange and will mature in May 2022. The `2022 Notes` are currently callable at 105.4%. An IFRS 9 adjustment as of 1 January 2018 resulted in a EUR 5.2 million decrease to the carrying value from the revaluation at the original effective interest rate of a proportion of USD 2022 bond carried over from original USD 2019 bond (to be amortised over remaining life of bond in 'interest expense').

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

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

	Notes	Other loans	Retained earnings
Balance at 1 January 2019	**459 004**	**3 016**	**151 659**
Loans received and notes issued	—	10 098	—
Repayment of loans and notes	(83 614)	—	
Dividend payment	—		(14 010)
Total changes from financing cash flows	**(83 614)**	**10 098**	**(14 010)**
Other changes			
Liability-related			
Interest payments	(49 610)	(26)	—
Interest expense	52 065	199	—
Foreign exchange impact	6 476	8	—
Other	—	(4)	—
Total liability-related other changes	**8 931**	**177**	**—**
Total equity-related other changes	**—**	**—**	**28 085**
Balance at 31 December 2019	**384 321**	**13 291**	**165 734**

(29) Deposits from customers

	31.12.2019 EUR'000	31.12.2018 EUR'000
TBIF Group	307 453	269 973
4finance Group	14 775	14 996
Total deposits from customers	**322 228**	**284 969**

TBIF Group	31.12.2019 EUR'000	31.12.2018 EUR'000
Corporate customers		
Term deposits	13 122	16 600
Current/settlement accounts	13 514	29 284
Individuals		
Term deposits	26 773	21 338
Current/settlement accounts	254 043	202 751
	307 452	**269 973**

As a credit institution, deposits are a normal part of the activity of TBIF Group, it provides only fixed rate deposits, most of which mature within 12 months. The average cost on these deposits for TBIF Group during 2019 was 1.5% (2018: 1.4%) per annum (average costs includes interest expense on deposits divided by current account and term deposit balances regardless of maturity, currency and geographic location).

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

4finance Group	31.12.2019 EUR'000	31.12.2018 EUR'000
Deposits from customers	14 775	14 996
	14 775	**14 996**

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

Call deposits are offered for an unlimited term and may be withdrawn by a customer at any time without a fee. Call deposits bear a floating interest rate, that is currently 5.5% per annum. The minimum amount for call deposits is SEK 1 000 (approximately EUR 98).

Deposits on interest accounts are offered for fixed terms of between three months to three years, and may not be withdrawn early by a customer without the loss of accrued interest. Deposits on interest accounts bear a fixed interest rate that is currently between 7.1% and 10% per annum, depending on the term of the deposit. The minimum amount required to be deposited in respect of interest accounts is, in each case, SEK 10 thousand (EUR 980).

(29) Deposits from customers (continued)

Deposits from customers at the end of 2019 includes interest payable amounting to 641 EUR thousand (31 December 2018: EUR 454 thousand).

(30) Share capital

The share capital of the Group as at 31 December 2019 was EUR 35 750 thousand (31 December 2018: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2018: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2018: EUR 0.01), fully paid via a contribution-in-kind. As at 31 December 2018, 4finance AS, a subsidiary of 4finance Holding S.A., held one hundred thousand (100 000) non-voting preferred shares with nominal value of one of Euro (EUR 0.01) each.

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

Equity includes a negative reorganization reserve of EUR 31 240 thousand (31 December 2018: EUR 31 240 thousand) which mainly reflects the difference between the share capital of 4finance Holding S.A. and the paid in share capital of AS 4finance prior to the legal reorganization conducted in 2014 and 2015.

As at 31 December 2019, the Company's shareholder was 4finance Group S.A. (100% ownership of ordinary shares, corresponding to 100% of total share capital) owned by Tirona Limited (Cyprus) directly.

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

(31) Other liabilities

	31.12.2019	31.12.2018
	EUR'000	EUR'000
Accrued expenses	20 967	22 806
Lease liabilities	9 038	—
Accounts payable to suppliers	8 050	12 563
Taxes payable	8 508	8 110
Prepaid repayment instalments and advances received	6 819	6 865
FX hedging liabilities	5 350	4 605
Salaries payable	2 888	3 746
Overpayments received from clients	2 608	2 810
Provisions for unused vacations	2 340	1 976
Faulty payments received	1 804	1 510
Other liabilities	7 921	1 313
	76 293	**66 304**

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

Lease liabilities relates to IFRS 16 accounting standard, which the Group adopted from January 2019.

(31) Other liabilities (continued)

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

Other liabilities mainly consist of TBIF Group payables to suppliers, which have increased in 2019 due to increased volumes of business throughout the year.

(32) Acquisition of additional share in subsidiaries

During the financial year 2019, the Group acquired an additional 1% interest in 4finance AB (Sweden) for EUR 383 thousand in cash, increasing its ownership from 98% to 99%. The carrying amount of 4finance AB net assets in the Group's financial statements on the date of acquisition was EUR 2 661 thousand. The Group recognized decrease in NCI of EUR 27 thousand.

During the financial year 2018, the Group acquired an additional 20% interest in Friendly Finance group for EUR 3 860 thousand in cash, increasing its ownership from 80% to 100%. The carrying amount of Friendly Finance group net assets in the Group's financial statements on the date of acquisition was EUR (12 035) thousand. As the result of 20% minority acquisition from negative net assets, the Group recognized an increase in non-controlling interest (NCI) of EUR 2 407 thousand.

Also during the financial year 2018, the Group acquired an additional 1% interest in 4finance AB (Sweden) for EUR 545 thousand in cash, increasing its ownership from 97% to 98%. The carrying amount of 4finance AB net assets in the Group's financial statements on the date of acquisition was EUR 1 007 thousand. The Group recognized decrease in NCI of EUR 10 thousand.

	31.12.2019 EUR'000	**31.12.2018 EUR'000**
Carrying amount of NCI acquired	27	(2 397)
Consideration paid to NCI	(383)	(4 405)
A decrease in equity attributable to owners of the Group	**(356)**	**(6 802)**

(33) Contingent liabilities and irrevocable commitments

The Group's contingent liabilities, excluding TBIF Group, are related to its commitments such as extended credit lines intended to meet the requirements of customers and others.

	31.12.2019 EUR'000	**31.12.2018 EUR'000**
Lines of credit	385	5 799
	385	**5 799**

On 27 June 2018 the Company issued a financial guarantee for the benefit of a third party with a maximum liability not exceeding EUR 15 million, where the liability of the Company under this guarantee is limited to the performance of 4finance S.A. arising from derivative transactions.

TBIF Group's contingent liabilities are related to its commitments to extend loans, credit lines, letters of credits and guarantees intended to meet the requirements of the bank's customers. Contingencies on loans and credit lines extended by the TBIF Group represent contractual commitments to unconditionally provide a specified amount to the customer under the provisions of the loan agreement, in the part related to utilisation, as well as an obligation of the TBIF Group to maintain amounts available up to those agreed in

(33) Contingent liabilities and irrevocable commitments (continued)

the credit line agreements. Upon expiry of the fixed deadline, the obligation, regardless of whether utilised or not, expires as well as the contingency for the TBIF Group.

Guarantees and letters of credit oblige the TBIF Group, if necessary, to make a payment on behalf of the customer, if the customer fails to discharge its obligations within the term of the agreement. At that time, the TBIF Group recognises the provision in its financial statements for the period of the occurred change.

The contingent liabilities and irrevocable commitments (except operating lease commitments) of the TBIF Group at 31 December 2019 are as follows:

	31.12.2019 EUR'000	31.12.2018 EUR'000
Guarantees		
Corporate clients	365	480
Undrawn credit commitments:		
Corporate clients	3 890	3 287
Individuals	13 442	11 821
	17 697	**15 588**

Please also refer to Note (37) Litigations for disclosure of contingent liabilities in relation to litigations.

(34) Right-of-use assets and lease liabilities

The Group leases mainly only office premises and vehicles. The leases typically run for a period from 1 to 5 years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rent rates.

Information about leases for which the Group is a lessee is presented as follows:

Right-of-use assets	Building and land EUR'000	Motor Vehicles EUR'000	Total EUR'000
Balance at 1 January 2019	**10 949**	**603**	**11 552**
Depreciation charge for the year	(3 930)	(252)	(4 182)
Additions to right-of-use assets	689	70	759
Modification of right-of-use assets	630	—	630
Derecognition of right-of-use assets	(160)	—	(160)
Currency revaluation reserve	15	—	15
Balance at 31 December 2019	**8 193**	**421**	**8 614**

Undiscounted operating lease commitments:	31.12.2019 EUR'000	31.12.2018 EUR'000
Less than one year	3 520	3 459
Between one and five years	6 958	7 259
More than five years	—	685
	10 478	**11 403**

Discounted lease liabilities as at 31 December 2019 amount to EUR 9 038 thousand.

(34) Right-of-use assets and lease liabilities (continued)

At IFRS 16 initial application EUR 11 871 thousand of lease liabilities were recognized, that is an increase of EUR 468 thousand compared to IAS 17 undiscounted lease commitments, that is due to inclusion of planned lease extensions and discounting of contracted and planned lease commitments at 3.27% weighted average incremental borrowing rate.

In 2019 EUR 4 358 thousand was recognized as an expense in the income statement in respect of operating leases including EUR 176 thousand of interest expenses (2018: EUR 4 083 thousand).

(35) Related party transactions

(a) Transactions with shareholders and related entities

Income:	**2019**	**2018**
	EUR'000	**EUR'000**
Interest income (Note 10)	—	115
	—	**115**

Other items	**31.12.2019**	**31.12.2018**
	EUR'000	**EUR'000**
Financial assets at fair value through profit or loss at the end of the period	—	364
(Loss)/profit from financial instruments at fair value through profit or loss	(123)	(189)

(b) Transactions with parent and the related entities

Receivables:	**31.12.2019**	**31.12.2018**
	EUR'000	**EUR'000**
Loans issued to related parties (Note 22)	59 746	60 409
Other receivables	1 653	1 429
	61 399	**61 838**

Income:	**2019**	**2018**
	EUR'000	**EUR'000**
Interest income (Note 10)	7 022	6 902
Income from services rendered	823	489
	7 845	**7 391**

(c) Transactions with associated companies

Receivables:	**31.12.2019**	**31.12.2018**
	EUR'000	**EUR'000**
Loans issued to related parties (Note 22)	921	867
	921	**867**

Income:	**2019**	**2018**
	EUR'000	**EUR'000**
Interest income (Note 10)	69	26
	69	**26**

(35) Related party transactions (continued)

(d) Transactions with other related parties

Receivables:	**31.12.2019**	**31.12.2018**
	EUR'000	**EUR'000**
Loans issued to related parties (Note 22)	—	4 900
	—	**4 900**

Income:	**2019**	**2018**
	EUR'000	**EUR'000**
Interest income (Note 10)	198	407
Income from services rendered	14	16
	212	**423**

Expense:	**2019**	**2018**
	EUR'000	**EUR'000**
Expense for services received	73	63
	73	**63**

Total remuneration included in administrative expenses:

	2019	**2018**
	EUR'000	**EUR'000**
Executive committee and Board members	3 352	3 584

There are no outstanding balances as of 31 December 2019 with members of the Group's Management Board (the Board) or Executive Committee.

There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

On 1 January 2018, the Parent company of the Group has established a share option program that entitles senior management personnel to purchase shares of the Parent, see Note (36) Personnel costs.

As at 31 December 2019, the share based payment reserve totalled EUR 1 208 thousand at year end (31 December 2018: EUR 373 thousand). The expense recorded in 2019 totalled EUR 835 thousand. During 2019 share based payment reserve previously realized was transferred to retained earnings for total EUR 373 thousand.

(36) Personnel costs

	2019	2018
	EUR'000	EUR'000
Type of costs		
Remuneration	76 854	81 146
Compulsory state social security contributions, pensions and other social security expenses	12 227	13 663
Equity-settled share-based payments	835	373
Other personnel costs	6 888	8 587
	96 804	**103 769**

Share-based payment arrangements

At 31 December 2019, the Group had the following share-based payment arrangements.

Equity-settled share option program

On 1 January 2018, the Parent company of the Group has established a share option program that entitles senior management personnel to purchase shares of the Parent. In accordance with this program, holders of the vested options are entitled to purchase Parent company shares at their nominal value.

The terms and conditions of the grants are as follows and are settled by physical delivery of shares by the Parent company.

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of the options
Option grant to senior management at 1 January 2018	4,320	Quarterly in equal instalments over a three-year period starting on the grant date, subject to the continued employment	10 years
Option grant to senior management at 1 January 2019	7,838	Quarterly in equal instalments over a three-year period starting on the grant date, subject to the continued employment	10 years

Measurement of fair values - share options

The fair value of services received in return for share options granted is based on the fair value of share options at the grant date, which are equal to diluted Parent company`s share value, estimated primarily using market multiple approach.

Fair value of share options	Granted 1 Jan 2019	Granted 1 Jan 2018
Share option fair value at grant date	EUR 127.14	EUR 128.14
Parent company share value at grant date	EUR 127.15	EUR 128.15
Exercise price	EUR 0.01	EUR 0.01

As at 31 December 2019 no options were exercised, expired, cancelled or forfeited, and the total amount of exercisable options was 4,480.

(37) Litigations

In Poland the Competition and Consumer Protection Authority (UOKiK) reviewed market practice for treatment of up-front loan fees in cases of early loan repayment in Q4 2019. The Group has conducted reviews of its practices in this area, and had already adopted a partial refund approach in its Polish instalment loan product at the start of 2019. In January 2020 the Group received decisions from UOKiK which include a requirement to apply a stricter approach (a refund proportional to the unused term of the loan) in relation to early repayments from new lending. The Group has appealed the decisions as applicable to prior periods, which it believes are unduly harsh and, for example, do not properly reflect its operating costs as a responsible lender. The appeals process is expected to take at least two years to finalise.

However, for the time being, the Group has voluntarily adopted the stricter approach to refunds for all Polish customer early-repayment refund requests, including those relating to relevant periods prior to January 2020. Management estimates that this decision will result in an incremental number and value of customer claims, and has accrued a provision of EUR 665 thousand in the 2019 financial year. This estimate is based on the initial levels of incremental customer claims observed so far in 2020 and assumes the voluntary refund policy will be in place for the remainder of 2020. If the volume of customer claims remains constant over a longer period than the Group currently anticipates, the level of provisions could increase twice in value. Should the outcome of the court appeal process be negative for the Group, management estimates that the maximum total customer claims against the Group could be up to c. EUR 4.2 million (based on present value of future cash flows), with the median estimated outcome to be c. EUR 3.0 million. This maximum amount represents the outcome of a large number of modelled scenarios, which are based on a combination of assumptions: repayment refunds commencing 2-5 years from the end of reporting period, 20-50% of clients claiming the refund and a discount rate between 11-15%. Based on the Group’s experience of customer requests so far and responsiveness to other mailings, etc., management does not believe a probability higher than 50% is appropriate.

4finance Group has accrued EUR 858 thousand in provisions in Spain, relating to a number of customer redress claims for usurious interest rates brought against 4finance, particularly in the second half of 2019. Spain is an unregulated market, and so there is no specific applicable legislation regarding interest rates. However, during 2019, the majority of such cases were decided in favour of customers based on a Spanish Supreme Court ruling from 2015 about usury in a different segment of consumer lending. As such, the Group took the approach of fully providing for each claim. In the last quarter of 2019, the Spanish Micro Loan Association hired an independent expert who has started to calculate an average cost rate which members of the association are charging its customers, including historical data, which has been published by the Spanish Micro Loan Association by giving pricing examples. Since then, Spanish courts have started to decide in favour of 4finance and other members of the Spanish Micro Loan Association in cases of usury interest disputes.

(38) Fair value of financial instruments

(a) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

(38) Fair value of financial instruments (continued)

31 December 2019	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	—	5 460	—	5 460
Debt and Equity instruments*	42 510	6 881	3 201	52 593
	42 510	**12 341**	**3 201**	**58 053**
Financial liabilities				
Derivatives	—	1 744	—	1 744

31 December 2018	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	—	2 460	—	2 460
Debt and Equity instruments*	22 672	—	15 684	38 356
	22 672	**2 460**	**15 684**	**40 816**
Financial liabilities				
Derivatives	—	4 605	—	4 605

** Included investment in equity at fair value, but in prior year at cost less any impairment loss, if it exists*

(38) Fair value of financial instruments (continued)

(b) Financial instruments not measured at fair value

The table below analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2019	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total fair values EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and cash equivalents	—	—	—	125 722	125 722
Placement in other banks	—	—	6 402	6 402	6 402
Loans due from customers	—	—	571 933	571 933	578 859
Net investment in finance leases	—	—	5 487	5 487	4 654
Debt instruments	4 319	—	—	4 319	4 300
Loans to related parties	—	—	62 459	62 459	60 667
Other financial assets	—	—	17 584	17 584	17 584
Financial liabilities					
Loans and borrowings	—	417 215	12 945	430 160	397 612
Deposits from customers	—	—	326 213	326 213	322 228
Accounts payable to suppliers	—	—	8 050	8 050	8 050

31 December 2018	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total fair values EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and cash equivalents	—	—	—	172 155	172 155
Placement in other banks	—	—	8 753	8 753	8 753
Loans due from customers	—	—	540 817	540 817	553 173
Net investment in finance leases	—	—	8 804	8 804	7 292
Loans to related parties	—	—	66 229	66 229	66 176
Other financial assets	—	—	28 165	28 165	28 165
Financial liabilities					
Loans and borrowings	—	495 370	2 952	498 322	462 020
Deposits from customers	—	—	283 631	283 631	284 969
Accounts payable to suppliers	—	—	12 563	12 563	12 563

(38) Fair value of financial instruments (continued)

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Financial instruments measured at fair value (Level 2)

Type	Valuation technique	Significant unobservable inputs
Derivatives, Debt and Equity instruments	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments	Not applicable

Financial instruments measured at fair value (Level 3)

Type	Valuation technique	Significant unobservable inputs
Debt and Equity instruments	The fair value of unquoted equity instruments measured at fair value is calculated by: 1) using valuation reports of third parties based on the investee’s net assets and management makes no further adjustments, 2) using valuation report made internally based on discounted future net cash flow model or multipliers, and 3) assessment of net assets adjusted, if necessary.	Not applicable

Financial instruments not measured at fair value for Level 3

Type	Valuation technique	Significant unobservable inputs
Other borrowed funds, loans due from customers, deposits due to customers, other assets and other liabilities	Discounted cash flows	Credit spreads

Bonds issued by the Group have been classified as Level 2 fair value measurement given that there are observable market quotations in markets, however, the market for the bonds is not assessed as an active market. Fair value of the bonds has been determined based on observable quotes.

No level of fair value has been assigned for cash and cash equivalents on the basis that these are available on demand and therefore no modelling of fair value is required.

Loans and receivables have been classified as a Level 3 fair value measurement and the fair value is determined based on money market rates adjusted for a relevant credit spread determined by the Group.

The fair value of deposits from customers has been determined with reference to the Group’s borrowing costs and has been determined to be a Level 3 fair value measurement.

The remaining financial assets and financial liabilities have been classified as Level 3 fair value measurements. Due to their short term nature, no significant fair value difference from carrying amount is expected.

(39) Operating segments

The Group is organised into eight material reportable segments by their geographic location and TBIF Group, all smaller segments are reported under other segments. Each segment is managed separately because they require different marketing strategies. For each of the segments, the Group's Management Board reviews internal management reports on at least a monthly basis.
Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss, as included in internal management reports that are reviewed by the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results and benchmarking to other entities that operate within these industries.

Analysis by segment
Information about reportable segments

Segment information for the main reportable business segments of the Group for the year ended 31 December 2019 is set out below:

EUR'000	Latvia	Lithuania	Finland	Sweden	Denmark	Poland	Georgia	Spain	TBIF Group	All other segments	Total
Interest income	25 548	8 707	10 129	5 351	46 141	112 381	1 262	83 407	83 616	48 383	424 925
Interest expense	(3 132)	(2 864)	(1 346)	(998)	(783)	(14 343)	(584)	(2 360)	(3 744)	(85 643)	(115 797)
Internal revenue	76 284	15	—	19	—	1 437	—	—	1 020	64 130	142 905
Net impairment losses on loans and receivables	(993)	1 938	(2 764)	(1 008)	(11 354)	(46 911)	(198)	(33 693)	(14 798)	(13 301)	(123 082)
Depreciation and amortization	(871)	(49)	(266)	(145)	(255)	(1 980)	(78)	(734)	(2 569)	(9 576)	(16 523)
Income tax expense	204	(382)	0	262	(4 090)	(10 821)	300	(2 543)	(3 125)	(2 067)	(22 262)
Reportable segment profit/ (loss) before tax	65 866	2 409	(765)	(2 372)	18 474	5 860	(2 009)	8 566	24 910	(6 945)	113 994

(39) Operating segments (continued)

Segment information for the main reportable business segments of the Group for the year ended 31 December 2018 is set below:

EUR'000	Latvia	Lithuania	Finland	Sweden	Denmark	Poland*	Georgia	Spain	TBIF Group	All other segments	Total
Interest income	34 199	9 041	18 943	17 058	43 432	131 152	11 565	81 745	75 224	52 831	475 190
Interest expense	(6 624)	(2 755)	(2 020)	(2 060)	(1 570)	(11 001)	(2 025)	(6 949)	(3 116)	(92 978)	(131 098)
Internal revenue	58 250	—	—	—	—	2 072	—	—	536	73 882	134 740
Net impairment losses on loans and receivables	(4 700)	4 189	(5 356)	(4 680)	(10 650)	(36 993)	(4 437)	(25 653)	(21 749)	(12 837)	(122 866)
Depreciation and amortization	(425)	(31)	(44)	(27)	(44)	(747)	(100)	(277)	(1 258)	(8 974)	(11 927)
Income tax expense	(602)	30	(259)	(334)	(3 437)	(13 328)	(832)	(3 640)	(2 444)	(1 157)	(26 003)
Reportable segment profit/ (loss) before tax	48 008	3 153	2 514	1 458	15 868	40 119	(4 363)	11 576	15 016	(33 354)	99 995

*The income tax expense for 2018 is restated due to a correction of deferred tax assets in Poland. For more more details on restatement see Note 2.

(39) Operating segments (continued)

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2019 is set out below:

EUR'000	Latvia	Lithuania	Finland	Sweden	Denmark	Poland	Georgia	Spain	TBIF Group	All other segments and unallocated amounts*	Total
Reportable segment assets	174 056	25 311	10 648	9 781	33 848	155 865	6 659	59 771	524 321	564 233	1 564 493
Reportable segment liabilities	170 487	23 284	11 413	11 890	19 477	160 826	1 099	53 748	502 536	581 329	1 536 089

*The main contributors to All other segments and unallocated amounts are the Czech operating company, 4F Sales, 4finance IT companies, 4finance Media and 4Spar AB. Key positions for All other segments are receivables from related parties, intangible assets and loans due from customers under assets, loans and borrowings and accounts payable to related parties under Liabilities.

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2018 is set out below:

EUR'000	Latvia	Lithuania	Finland	Sweden	Denmark	Poland*	Georgia	Spain	TBIF Group	All other segments and unallocated amounts	Total
Reportable segment assets	190 188	24 487	14 190	15 434	31 339	198 978	12 225	48 503	454 594	211 887	1 201 825
Reportable segment liabilities	190 199	21 304	11 934	14 310	18 919	170 268	17 411	40 568	442 023	750 920	1 677 856

*Reportable segment assets as at 31 December 2018 have been restated due to a correction of deferred tax assets in Poland. For more details on restatement see Note 2.

(39) Operating segments (continued)

A segment breakdown of interest income is divided by products which includes Single Payment Loans (with a term from one day up to 61 days), Instalment Loans (with a term from one month up to 60 months) and Lines of Credit (open ended credit line with flexible monthly repayments). Products for TBIF Group are split between Retail, Small and Medium-sized Enterprises ('SME's') and Leasing.

A segment breakdown of interest income by products of the Group for the year ended 31 December 2019 is set out below:

EUR'000	Latvia	Lithuania	Finland	Sweden	Denmark	Poland	Georgia	Spain	TBIF Group	All other segments and unallocated amounts	Total
Single Payment Loans	—	533	6 238	—	—	79 021	531	77 370	–	35 848	199 541
Instalment Loans	11 632	8 174	406	1 510	8 316	33 360	731	6 018	–	11 329	81 476
Lines of Credit	13 916	—	3 485	3 841	37 825	—	—	19	–	1 206	60 292
Retail (Only TBIF Group)	—	—	—	—	—	—	—	—	74 689	—	74 689
SME (Only TBIF Group)	—	—	—	—	—	—	—	—	8 120	—	8 120
Leasing (Only TBIF Group)	—	—	—	—	—	—	—	—	807	—	807

Note: Single Payment Loan portfolio shown in this table reflects the reclassification of 'Vivus' products in Sweden, Denmark and Armenia, and (from 2019 onwards) the 'SMS Credit' and 'Ondo' products in Latvia to Lines of Credit.

(39) Operating segments (continued)

A segment breakdown of interest income by products of the Group for the year ended 31 December 2018 is set out below:

EUR'000	Latvia	Lithuania	Finland	Sweden	Denmark	Poland	Georgia	Spain	TBIF Group	All other segments and unallocated amounts	Total
Single Payment Loans	19 860	1 133	13 315	—	—	87 699	8 594	73 769	—	43 320	247 690
Instalment Loans	13 722	7 908	65	7 906	9 356	43 453	2 971	7 976	—	8 556	101 913
Lines of Credit	617	—	5 563	9 152	34 076	—	—	—	—	—	50 362
Retail (Only TBIF Group)	—	—	—	—	—	—	—	—	65 855	—	65 855
SME (Only TBIF Group)	—	—	—	—	—	—	—	—	7 651	—	7 651
Leasing (Only TBIF Group)	—	—	—	—	—	—	—	—	1 719	—	1 719

Note: Single Payment Loan portfolio shown in this table reflects the reclassification of 'Vivus' products in Sweden, Denmark and Armenia to Lines of Credit.

(39) Operating segments (continued)

Reconciliation of reportable segment interest income

	2019 EUR'000	2018 EUR'000
Total interest income for reportable segments	376 541	422 360
Interest income for other operating segments	48 384	52 830
Consolidated revenue	**424 925**	**475 190**

Reconciliation of reportable segment profit or loss

	2019 EUR'000	2018 EUR'000
Total profit or loss for reportable segments	120 940	133 349
Profit or loss for other operating segments	(6 945)	(33 354)
Elimination of inter-segment dividends included in inter-segment profits	(63 327)	(47 418)
Consolidated profit before tax from continued operations	**50 668**	**52 577**

Reconciliation of reportable segment interest expense

	2019 EUR'000	2018 EUR'000
Total interest expense for reportable segments	30 153	38 120
Interest expense for other operating segments	85 643	92 977
Elimination of inter-segment transactions	(58 958)	(69 002)
Consolidated interest expense	**56 838**	**62 095**

Reconciliation of reportable segment assets

	31.12.2019 EUR'000	31.12.2018 EUR'000
Total assets for reportable segments	1 000 260	988 019
Assets for other operating segments	123 956	211 888
Elimination of inter-group loans, investments and other receivables	(591 369)	(712 047)
Unallocated assets	440 278	504 524
Consolidated total assets	**973 125**	**992 384**

Reconciliation of reportable segment liabilities

	31.12.2019 EUR'000	31.12.2018 EUR'000
Total liabilities for reportable segments	954 759	926 936
Liabilities for other operating segments	581 329	750 920
Elimination of inter-group borrowings and payables	(728 734)	(841 865)
Consolidated total liabilities	**807 354**	**835 991**

(40) Maturity analysis

The table below shows carrying amounts of financial assets and liabilities by remaining contractual maturity dates as at 31 December 2019.

Assets EUR'000	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Cash and cash equivalents	125 722	—	—	—	—	—	—	125 722
Placements with other banks	2 403	—	3 999	—	—		—	6 402
Loans due from customers	134 564	35 625	100 199	24 215	226 542	348	57 366	578 859
Net investment in finance leases	129	8	54	—	119	12	4 332	4 654
Loans to related parties	—	—	—	921	59 746	—	—	60 667
Derivatives	—	—	3	245	5 212	—	—	5 460
Debt and Equity instruments	104	3 945	5 976	431	36 545	9 892	—	56 893
Other financial assets	17 584	—	—	—	—	—	—	17 584
Total financial assets	**280 506**	**39 578**	**110 231**	**25 812**	**328 164**	**10 252**	**61 698**	**856 241**

Liabilities EUR'000	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Loans and borrowings	14 248	—	5	—	383 359	—	—	397 612
Deposits from customers	30 141	121 570	96 119	1 341	73 058	—	—	322 228
Derivatives	—	727	259	59	699	—	—	1 744
Accounts payable to suppliers	8 050	—	—	—	—	—	—	8 050
Total financial liabilities	**52 439**	**122 297**	**96 383**	**1 400**	**457 116**	**—**	**—**	**729 634**
Net position	**228 067**	**(82 719)**	**13 848**	**24 412**	**(128 952)**	**10 252**	**61 698**	**126 607**
Net cumulative position	**228 067**	**145 348**	**159 196**	**183 608**	**54 656**	**64 908**	**126 606**	**—**

(40) Maturity analysis (continued)

The table below shows financial assets and liabilities by remaining contractual maturity dates as at 31 December 2018.

Assets EUR'000	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Cash and cash equivalents	172 155	—	—	—	—	—	—	172 155
Placements with other banks	4 499	4 254	—	—	—	—	—	8 753
Loans due from customers	136 176	48 201	100 200	26 779	178 377	84	63 356	553 173
Net investment in finance leases	270	217	566	—	240	1	5 997	7 292
Loans to related parties	—	—	—	60 409	5 767	—	—	66 176
Derivatives	—	156	—	528	1 776	—	—	2 460
Debt and Equity instruments	4 681	119	109	—	16 755	16 692	—	38 356
Other financial assets	28 165	—	—	—	—	—	—	28 165
Total financial assets	**345 946**	**52 947**	**100 875**	**87 716**	**202 915**	**16 777**	**69 353**	**876 530**

Liabilities EUR'000	Demand less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Loans and borrowings	7 113	—	32	59 715	395 160	—	—	462 020
Deposits from customers	65 534	43 233	130 673	2 096	43 432	—	—	284 969
Liabilities held for sales	—	70	—	4 535	—	—	—	4 605
Accounts payable to suppliers	12 563	—	—	—	—	—	—	12 563
Total financial liabilities	**85 210**	**43 303**	**130 705**	**66 346**	**438 592**	**—**	**—**	**764 157**
Net position	**260 736**	**9 644**	**(29 830)**	**21 370**	**(235 677)**	**16 777**	**69 353**	**112 373**
Net cumulative position	**260 736**	**270 380**	**240 550**	**261 920**	**26 243**	**43 020**	**112 373**	**—**

(41) Analysis of financial liabilities' contractual undiscounted cash flows

The table below presents the cash flows payable by the Group under contractual financial liabilities, including derivative financial liabilities, by remaining contractual maturities as at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with the carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

The analysis as at 31 December 2019:

31 December 2019	Carrying amount	Total nominal (inflow)/ outflow	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 12 months	More than 1 year
Non-derivative liabilities							
Loans and borrowings	397 612	491 915	26 096	5	20 714	20 714	424 386
Deposits from customers	322 228	330 527	30 468	123 193	98 689	1 817	76 360
Accounts payable to suppliers	8 050	8 050	8 050	—	—	—	—
Total	**727 890**	**830 492**	**64 614**	**123 198**	**119 403**	**22 531**	**500 746**
Credit related commitments	**—**	**385**	**385**	**—**	**—**	**—**	**—**

The analysis as at 31 December 2018:

31 December 2018	Carrying amount	Total nominal (inflow)/ outflow	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 12 months	More than 1 year
Non-derivative liabilities							
Loans and borrowings	462 020	585 306	5 154	3 487	21 713	84 469	470 483
Deposits from customers	284 969	288 642	65 573	43 325	131 948	2 915	44 881
Accounts payable to suppliers	12 563	12 563	12 563	—	—	—	—
Total	**759 552**	**886 511**	**83 290**	**46 812**	**153 661**	**87 384**	**515 364**
Credit related commitments	**—**	**5 799**	**5 799**	**—**	**—**	**—**	**—**

(42) Currency analysis

The table below shows the currency structure of financial assets and liabilities as at 31 December 2019:

Assets EUR'000	**PLN**	**RON**	**DKK**	**GEL**	**BGN**	**SEK**	**EUR**	**USD**	**Other**	**TOTAL**
Cash and cash equivalents	10 204	8 290	1 289	1 861	20 788	7 414	66 555	4 652	4 669	125 722
Placements with other banks	280	470	5	—	4	71	4 982	425	165	6 402
Loans due from customers	100 597	140 024	28 108	345	157 068	4 758	121 948	—	26 011	578 859
Net investment in finance lease	—	3 502	—	—	—	—	1 152	—	—	4 654
Loans to related parties	—	—	—	—	—	—	60 667	—	—	60 667
Other financial assets	985	4 912	3 767	231	2 587	64	5 180	574	3 602	21 903
Total financial assets	**112 067**	**157 198**	**33 169**	**2 437**	**180 447**	**12 307**	**260 485**	**5 651**	**34 447**	**798 208**
Off-balance sheet	—	—	5	—	—	—	158 770	175 804	—	334 574

Liabilities EUR'000	**PLN**	**RON**	**DKK**	**GEL**	**BGN**	**SEK**	**EUR**	**USD**	**Other**	**TOTAL**
Loans and borrowings	—		—	—	13 047	—	147 116	237 449	—	397 612
Deposits from customers	—	51 223	—	—	140 023	14 776	98 977	—	17 229	322 228
Accounts payable to suppliers	604	—	83	68	13	28	6 341	256	655	8 050
Total financial liabilities	**604**	**51 223**	**83**	**68**	**153 083**	**14 804**	**252 434**	**237 705**	**17 884**	**727 889**
Off-balance sheet	103 929	50 410	—	—	—	—	169 601	—	5 520	329 461
Net position (excluding off-balance sheet)	**111 463**	**105 975**	**33 085**	**2 369**	**27 364**	**(2 497)**	**8 051**	**(232 054)**	**16 563**	**70 319**
Net position (including off-balance sheet)	**7 534**	**55 565**	**33 085**	**2 369**	**27 364**	**(2 497)**	**(2 781)**	**(56 250)**	**11 043**	**75 432**

Currency risk of the open positions in USD, GEL, RON is managed through the use of forward foreign currency contracts which minimize the adverse effects of currency exchange rate fluctuations. The Group monitors its foreign currency exposure to non-Euro based currencies on a regular basis and will, if deemed commercial, consider hedging some or all of any exposure arising.

(42) Currency analysis (continued)

The table below shows the currency structure of financial assets and liabilities as at 31 December 2018:

Assets EUR'000	**PLN**	**RON**	**DKK**	**GEL**	**BGN**	**SEK**	**EUR**	**USD**	**Other**	**TOTAL**
Cash and cash equivalents	21 816	4 388	6 931	3 610	17 238	6 075	103 256	4 461	4 379	172 155
Placements with other banks	2	611	4	—	4	380	4 552	2 382	818	8 753
Loan due from customers	121 053	111 945	26 221	6 916	141 720	10 109	113 550	—	21 938	553 451
Net investment in finance lease	—	1 214	—	—	—	—	6 216	—	—	7 430
Loans to related parties	—	—	—	—	—	—	66 170	6	0	66 176
Other financial assets	10 970	1 335	1 506	258	120	44	10 901	28	3 030	28 192
Total financial assets	**153 842**	**119 492**	**34 662**	**10 785**	**159 081**	**16 607**	**304 645**	**6 877**	**30 165**	**836 156**
Off-balance sheet		11 798		—		49		251 975	578	264 399

Liabilities EUR'000	**PLN**	**RON**	**DKK**	**GEL**	**BGN**	**SEK**	**EUR**	**USD**	**Other**	**TOTAL**
Loans and borrowings	—	2 573	57	—	—	—	258 283	201 069	36	462 019
Deposits from customers	—	46 856	—	—	116 975	14 996	96 677	—	9 465	284 969
Accounts payable to suppliers	3 396	97	39	47	36	73	7 292	399	1 184	12 563
Total financial liabilities	**3 396**	**49 526**	**97**	**47**	**117 011**	**15 069**	**362 252**	**201 468**	**10 685**	**759 551**
Off-balance sheet		—		1 779		—	259 994	—		261 773
Net position (excluding off-balance sheet)	150 445	69 967	34 565	10 738	42 070	1 539	(57 608)	(194 591)	19 480	76 606
Net position (including off-balance sheet)	**150 445**	**81 764**	**34 565**	**8 959**	**42 070**	**1 588**	**(317 602)**	**57 383**	**20 058**	**79 232**

(43) Group entities

As at 31 December 2019 and 31 December 2018 respectively, the Group consisted of the following entities:

Name of entity	Registered office	Ownership 31.12.2019	Ownership 31.12.2018
4f Sales Overseas, Inc.	18851 NE 29th Avenue, Suite 410, Miami, FL 33180, USA	100% 4f Sales, Inc.	100% 4f Sales, Inc.
4f Sales, Inc.	18851 NE 29th Avenue, Suite 410, Miami, FL 33180, USA	100%	100%
4F Servicos de Correspondente Bancario Ltda.	Avenida Engenheiro Luiz Carlos Berrini, 1748, conjunto 2205, sala 5, Jardim Judith, Zip Code 04571-000, City of São Paulo, State of São Paulo, Brazil	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
4finance AB	Hammarby Alle 47, 120 30, Stockholm, Sweden	99% AS 4finance	98% AS 4finance
4finance ApS	Vesterbrogade 1L, 4., DK-1620, Copenhagen, Denmark	100% AS 4finance	100% AS 4finance
4finance EOOD	79 Nikola Gabrovski Str., floor 2, Sofia 1700, Bulgaria	100% TBI Bank EAD	100% AS 4finance
4finance GmbH	Eschenheimer Anlage 1, 60316 Frankfurt am Main, Germany	100%	100%
4finance IT SIA	Lielirbes 17A-10, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4finance IT SIA Lietuvos filialas	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	branch of SIA 4finance IT	branch of SIA 4finance IT
4finance IT SIA odstepny zavod v Ceske republice	5. května 1746/22, Nusle, 140 00 Praha 4	branch of SIA 4finance IT	branch of SIA 4finance IT
4finance IT SIA spolka z ograniczona	Al. Jerozolimskie 92 street, 00-807 Warsaw, Poland	branch of SIA 4finance IT	branch of SIA 4finance IT
4finance Malta branch	40, Villa Fairholme, Sir Augustus Bartolo Street, Ta'Xbiex, XBX 1095, Malta	Liquidated	branch of 4finance S.A.
4finance Media SIA	Lielirbes iela 17A-10, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4finance Oy	Mikonkatu 15A, 00100 Helsinki, Finland	100% AS 4finance	100% AS 4finance
4finance S.A.	8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg	100% AS 4finance	100% AS 4finance
4finance Spain Financial Services S.A.U (formerly Vivus Finance S.A.U., formerly Vivus Finance SL)	Calle Genova, 27 2ª planta 28004 Madrid, Spain	100% AS 4finance	100% AS 4finance
4finance UAB	Jonavos Street 254a, LT-44132, Kaunas, Lithuania	100% AS 4finance	100% AS 4finance
4finance, Responsabilidad Limitada	Diagonal 6 10-01 Zona 10 Edificio Centro Gerencial Las Margaritas Oficina 402B Torre 2, Guatemala, Guatemala	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
4finance, S.A. de C.V., SOFOM E.N.R.	Av. Insurgentes Sur No. 1647 Piso 4 Col. San José Insurgente, Benito Juárez 03900, Ciudad de México, México	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
4Spar AB	Hammarby Alle 47, 120 30, Stockholm, Sweden	100% 4finance AB	100% 4finance AB

Name of entity	Registered office	Ownership 31.12.2019	Ownership 31.12.2018
AS 4finance	Lielirbes 17A-8, Riga, LV-1046, Latvia	100%	100%
BillFront GmbH	Rosa-Luxembourg-Straße 2, 10178 Berlin, Germany	24.39% 4finance Holding S.A.	24.39% 4finance Holding S.A.
BRAbank ASA	Starvhusgaten 4, 5014, Bergen, Norway	5,01% TBI Bank EAD; 3,23% 4finance Holding S.A.	9,06% TBI Bank EAD
Credit Management LLC	Tsotne Dadiani str.7, Commercial unit No b501, Didube-Chughureti district, Tbilisi, Georgia	100% AS 4finance	100% AS 4finance
Credit Service UAB	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	100%	100%
Finansų administravimas UAB	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	100% 4finance Holding S.A	100% 4finance Holding S.A
Fine Line Services Asia Ltd.	Suite 1201, Tower 2, The Gateway 25, Canton Road, TST KLN, Hong Kong	100% Friendly Finance OU	100% Friendly Finance OU
Fine Line Services Ltd.	Suites 41/42, Victoria House, 26 Main Street, Gibraltar	Liquidated	100% Friendly Finance OU
Fine Line Services Ltd.	Ground Floor, Palace Court, Church Street, St Julians STJ 3049, Malta	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Finance Argentina S.R.L.	Avda. del Libertador 498 – piso 23, C1001ABR Buenos Aires, Argentina	90% Friendly Finance OU, 10% Fine Line Services Ltd. (Malta)	90% Friendly Finance OU, 10% Fine Line Services Ltd. (Malta)
Friendly Finance Asia s.r.o.	Olivova 2096/4, Nové Město, 110 00 Praha 1, Czech Republic	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Finance Georgia Ltd	Pekini street N 28, Tbilisi, Georgia	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Finance Nusuntara PT	88 Kasablanka Office Tower lt. 3 unit A JI Casablanca Kav. 88, Menteng Dalam, Tebet, Jakarta Seletan, 12870, Indonesia	85% Fine Line Services Asia Ltd.	85% Fine Line Services Asia Ltd.
Friendly Finance OU	Harju maakond, Tallinn, Kesklinna linnaosa, Rotermanni tn 2, 10111	100%	100%
Friendly Finance Poland Sp. z o.o.	Ul. Zlota 7/18, 00-019 Warsaw, Poland	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Finance s.r.o.	Olivova 2096/4, Nové Město, 110 00 Praha 1, Czech Republic	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Finance Slovakia s.r.o.	Tallerova 4, Stare Mesto, 81102, Bratislava, Slovakia	100% Friendly Finance OU	100% Friendly Finance OU
Friendly Group Spain S.L.	Calle Tusset 32, 3a Planta, 08006, Barcelona, Spain	90% Friendly Finance OU, 10% Fine Line Services Ltd. (Malta)	90% Friendly Finance OU, 10% Fine Line Services Ltd. (Malta)
GCM Global Collection Management Sp. z o.o. Spółka jawna	Ul. 17 Stycznia, nr 56, 02-146, Warsaw, Poland	Partner Global Collection Management Sp.z o.o.	Partner Global Collection Management Sp.z o.o.

Name of entity	Registered office	Ownership 31.12.2019	Ownership 31.12.2018
Global Collection Management Sp.z o.o.	ul. 17 Stycznia, nr 56, 02-146, Warsaw, Poland	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna
GoodCredit Universal Credit Organization CJSC	58/1 Karapet Ulnetsi, 0069 Yerevan, Armenia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Integrated Management Services Mexico S.A. de C.V.	Av. Insurgentes Sur No. 1647 Piso 4 Col. San José Insurgente, Benito Juárez 03900, Ciudad de México, México	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
International Risk Management OÜ	Narva mnt 5, Tallinn city, Harju county, 10117, Estonia	Merged with Friendly Finance OÜ	100% AS 4finance
Intersales Services Limited	Icom house 1/5 Irish Town, Suite 3, Second Floor, PO Box 883, Gibraltar	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Microfinance Organization 4finance LLC	Georgia, Tbilisi, Saburtalo district, Pekini avenue, N 28, office space N7, floor 3	100% AS 4finance	100% AS 4finance
Mile High OÜ	Rotermanni tn 2, 10111 Tallinn, Estonia	Liquidated	100% Friendly Finance OU
Monetago.pl Sp. z o o.	Building B4, Żwirki i Wigury street number 16c, 02-092 Warsaw, Poland	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Platforma Vivus sp. z o.o. (formerly: GCM Global Collection Sp.z o.o.)	ul. Żwirki i Wigury 16C, building B4, 02-092 Warsaw, Poland	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna
Prestamo Movil S.A.	Juramento 1475, 1428, CABA, Buenos Aires, Argentina	100% (98.75% 4finance Holding S.A., 1.25% AS 4finance)	100% (98.75% 4finance Holding S.A., 1.25% AS 4finance)
SIA 4finance IT branch in UK	Wework 1 Mark Square, London, EC2A 4EG, UK	branch of SIA 4finance IT	branch of SIA 4finance IT
SIA 4FINANCE IT, SUCURSAL EN ESPAÑA	Genova Street, number 27, Madrid, Spain	branch of SIA 4finance IT	
SIA Debt Solution	Lielirbes iela 17A - 11, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
SIA Ondo	Lielirbes 17A-10, Riga, LV-1046, Latvia	100%	100%
SIA Vivus	Lielirbes 17A-9, Riga, LV-1046, Latvia	100%	100%
Spotcap Global S.a.r.l.	5, Heienhaff, L-1736 Senningerberg H.G.R., Luxembourg	Liquidated	19.90%
TBI Bank EAD	52-54 Dimitar Hadzhikotsev Str., Lozenets district, 1421 Sofia, Bulgaria	100% TBIF Financial Services B.V.	100% TBIF Financial Services B.V.
TBI Bank EAD Sofia-Bucharest Branch	8-12 Putuli lui Zamfir Str., 4th floor, 1st sector, Bucharest, Romania	Branch of TBI Bank EAD	Branch of TBI Bank EAD
TBI Credit IFN S.A.	8-12 Putul lui Zamfir Str., 2nd Floor, District 1, Bucharest, Romania	100% (99.99999863% TBI Bank EAD, 0.00000137% TBIF Financial Services B.V.)	100% (99.99999863% TBI Bank EAD, 0.00000137% TBIF Financial Services B.V.)

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2019	Ownership 31.12.2018
TBI Fleet Managment S.A.	8-12 Putuli lui Zamfir Str., 4th floor, 1st sector, Bucharest, Romania	Merged with TBI Leasing IFN S.A.	100% (99.9433427762% TBI Leasing IFN S.A., 0.0566572238% TBIF Financial Services B.V.)
TBI Leasing IFN S.A.	8-12 Putul lui Zamfir Str., Ground Floor and First Floor, District 1, Bucharest, Romania	100% (99.9989% TBI Bank EAD, 0.0011% TBIF Financial Services B.V.)	100% (99.9989% TBI Bank EAD, 0.0011% TBIF Financial Services B.V.)
TBIF Financial Services B.V.	Westerdoksdijk 423, 1013 BX Amsterdam, The Netherlands	100%	100%
Vivus Finance Sp.z o.o.	ul. 17 Stycznia, nr 56, 02-146 Warsaw, Poland	100% AS 4finance	100% AS 4finance
Vivus S.A.	46a avenue J.F. Kennedy, 1855, Luxembourg	4finance Holding S.A. has preferred shares	
VIVUS, S.R.L.	Juan Sanchez Ramirez #40, Ens. Gazcue. Santo Domingo, Dominican Republic	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
Wisemedia OÜ	Tartu maakond, Tartu linn, Tartu linn, Soola tn 3, 51013	100% Friendly Finance OU	100% Friendly Finance OU
Zaplo Finance s.r.o. (formerly Vivus Finance s.r.o.)	Mayhouse Office, 5. května 1746/22,140 00 Praha 4 - Nusle, Czech Republic	100% AS 4finance	100% AS 4finance
Zaplo S.R.L.	49 Nicolae Caramfil Str., 3rd floor, Bucharest, 014142, Romania	100% (99.9% 4finance Holding S.A., 0.1% AS 4finance)	100% (99.9% 4finance Holding S.A., 0.1% AS 4finance)
Zaplo Sp.z o.o. (formerly Palkow Sp.z o.o.)	ul.17 Stycznia, nr 56, 02-146, Warsaw, Poland	100% (70% 4finance Holding S.A., 30% AS 4finance)	100%

(44) Non-controlling interest in subsidiaries

Non-controlling interests in subsidiaries have the same proportion of voting rights as their ownership interest held. The table below summarises the information relating to each of the Group's subsidiaries that have material non-controlling interests (NCI), before any intra-group eliminations as at 31 December 2019:

EUR'000	**Sweden**
NCI percentage	**1%**
Cash and cash equivalents	1 335
Loans due from customers	4 758
Property and equipment	21
Intangible assets	22
Deferred tax asset	1 612
Other assets	10 343
Loans and borrowings	(2 570)
Corporate income tax payable	—
Other liabilities	(17 272)
Net assets	**(1 751)**
Other comprehensive income allocated to NCI	**702**
Carrying amount of NCI	**(10)**
Revenue	5 350
Profit	1 859
Total comprehensive income	**1 859**
Profit/(loss) allocated to NCI	**(19)**
Cash flows from operating activities	2 252
Cash flows from investment activities	1 353
Cash flows from financing activities, before dividends to NCI	(4 057)
Cash flows from financing activities - cash dividends to NCI	(10)
Net (decrease) in cash and cash equivalents	**(462)**

(44) Non-controlling interest in subsidiaries (continued)

The table below summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations as at 31 December 2018:

EUR'000	**Sweden**
NCI percentage	**2%**
Cash and cash equivalents	1 797
Loans due from customers	10 109
Property and equipment	47
Intangible assets	201
Deferred tax asset	1 711
Other assets	10 345
Loans and borrowings	(5 456)
Corporate income tax payable	(152)
Other liabilities	(16 458)
Net assets	**2 144**
Other comprehensive income allocated to NCI	**456**
Carrying amount of NCI	**52**
Revenue	17 057
Profit/(loss)	1 361
Total comprehensive income	**27**
Profit/(loss) allocated to NCI	
Cash flows from operating activities	9 154
Cash flows from investment activities	1 485
Cash flows from financing activities, before dividends to NCI	(10 769)
Cash flows from financing activities - cash dividends to NCI	(93)
Net (decrease) in cash and cash equivalents	**(223)**

(45) Subsequent events

Disposals

Following the decision in 2018 to cease consumer lending in Georgia, to facilitate the full closing of the business, the operating entity MFO 4finance LLC (Georgia) was sold to 4finance Group SA in February 2020. In addition, in accordance with the respective conditions of the EUR 2021 and USD 2022 Notes, the entity was released from its guarantees of the Notes.

Changes in the regulatory framework

In Denmark, a draft law was published in February 2020 for consultation, including a proposed APR cap of 35%, overall cost cap of 100% and limitations on marketing. The Group continues to participate in the consultation process. Once finalised, the new regulation is expected to come into force in the 3rd quarter of 2020.

In Poland, the government has introduced a temporary reduction in non-interest cost caps for a period of one year. Since March 2016, the caps have been 25% fixed cost plus 30% annual cost with a 100% total limit, while the separate cap on nominal annual interest was 10%. The new non-interest cost caps for loans of 30 days or more, effective as of 1 April 2020, are 15% fixed cost plus 6% annual cost with a 45% total limit, and the nominal annual interest cap was lowered to 8% as of 9 April 2020. The Group has already adapted its Vivus short-term loan product to comply with the new pricing, however the Zaplo instalment loan offering is under review.

(45) Subsequent events (continued)

Covid-19

On 31 December 2019, China reported a cluster of cases of pneumonia in Wuhan, Hubei Province. A novel coronavirus was eventually identified. On 11 March, the WHO made the assessment that Covid-19 can be characterised as a pandemic. By that time, cases of Covid-19 had been registered in many European countries, including many where the Group operates. Countries have chosen different approaches to fight the spread of the virus, however most of the mitigating actions have required citizens to observe physical distancing, with various degrees of severity, up to full 'lockdowns' throughout the emergency situation. Governments are actively reviewing and updating these measures, but they have already negatively affected their respective economies. Many governments therefore have worked on substantial economic support & stimulus packages, particularly for individuals whose income has been disrupted . The situation across all Group markets is still developing and the ultimate impact on countries' GDP and consumer behaviour remains uncertain.

Operationally, the Group rapidly adapted its operations to working from home in mid-March and has been able to provide continuous service to its customers. The executive committee and crisis team daily or several times per week monitor the situation and lead the firm's response.

As a responsible lender, the Group has introduced a range of options to support customers whose plans have been disrupted by the current coronavirus pandemic. These include offering discounted or free payment deferrals of typically 1-3 months or more, depending on the market and product. Regulators are also encouraging or mandating similar, and in some cases additional, forbearance measures in several markets including the Czech Republic, Lithuania, Poland, Romania, Spain and other countries. As of the end of March, there was not yet a significant impact on overall collections in the online business and a reduction of less than 10% in TBI Bank.

The Group has seen an impact on new loan issuance volumes from mid-March, resulting from both lower customer demand and its own tightening of underwriting criteria, particularly for new customers. Compared with the averages for January and February 2020, loan issuance in March was down by 11% in the online business and by 12% in TBI Bank. The impact has varied widely by market, with the largest impact so far seen in Spain and in offline bank lending.

The Group's liquidity position remains strong, with current cash levels in the online business of over EUR 80 million, slightly above the level at the start of the year. This is after the repurchase of USD 11.8 million notional of its USD 2022 Notes and EUR 10.7 million notional of EUR 2021 Notes since the beginning of March. TBI Bank also has liquidity ratios well above statutory minimums, with an increase in deposits since year end, and no significant reduction of balances or premature withdrawals of deposits seen in recent weeks. The Group management have analysed potential adverse scenarios across all markets and concluded that the Group's cash position remains above minimum operating levels during the forecasting period of next 12 months.

Overall, management expect that the months ahead will be challenging, and the Group's product range and cost structure are being reviewed to ensure the business is best positioned for this. However, management also believe that the crisis will recede, and that as an industry leader in many of its markets, a recovery can also present opportunities for the Group in the medium term.

PKF Audit & Conseil

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 4finance Holding S.A. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" ("CSSF"). Our responsibilities under the EU regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "*Réviseur d'Entreprises Agréé*" for the Audit of the Financial Statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – COVID 19

We draw attention to the Management Report and Notes 2 and 45 of the financial statements, which describe the Group's assessment of the COVID-19 impact on its ability to continue as a going concern. The Group has explained that the events arising from the COVID-19 outbreak do not impact its use of the going concern basis of preparation nor do they cast significant doubt about the Group's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorized for issue.

Our opinion is not modified in this respect.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our report of the "*Réviseur d'Entreprises Agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*Réviseur d'Entreprises Agréé*" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*Réviseur d'Entreprises Agréé*". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 4 June 2019 with immediate effect and for a period ending at the next annual general meeting to be held in 2020 in relation to the approval of the annual accounts of the Group as of 31 December 2019.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

We confirm that the audit opinion is consistent with the additional report to those charged with governance.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Luxembourg, 22 April 2020

PKF Audit & Conseil Sàrl
Cabinet de révision agréé

Jean Medernach