4finance Holding S.A.

Société anonyme

Consolidated
Annual Report for the year
ended 31 December 2023

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, July 27, 2012*
Legal and postal address	*8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg*
Board members and their positions	*Kieran Donnelly, Chairman of the Board of Directors, category B director* *James Etherington, category B director* *Fabrice Hablot, category A director* *Daniela Roca, category A director, till 31 March 2024* *Katalin Agune Kato, category A director, from 1 April 2024*
Reporting period	*01.01.2023–31.12.2023*
Information on shareholders	*4finance Group S.A. 100%*
Auditors	*PKF Audit & Conseil Sàrl* *76, Avenue de la Liberte* *L-1930 Luxembourg*

Consolidated Management Report

4finance Holding S.A. (the "Company"), one of Europe's largest digital consumer lending groups, operating in 11 countries globally, presents its annual report including its audited annual accounts for the twelve month period ended 31 December 2023.

The share capital of the Company as at 31 December 2023 was EUR 35 750 thousand (31 December 2022: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2022: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2022: 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 2023 and future developments

The Company and its subsidiaries (collectively, "the Group") had a strong overall performance in 2023, with good customer demand and repayment dynamics and fundamental asset quality metrics that were stable across the business. TBI Financial Services delivered record growth, and the Group started operations through a joint venture in the UK in February 2023, and in Mexico in October 2023 with encouraging initial signs in both markets.

Online loan issuance volume was €569.5 million during the period, up 15% from continuing operations, with yearly issuance growth driven by Czech Republic, Spain and Philippines.

TBI Financial Services loan issuance increased by 28% to €907.3 million year-on-year, compared to €706.2 million in 2022.

The cost to income ratio for the period improved significantly to 43.4% vs 47.9% in the prior year. Cost discipline and operational efficiency remain a focus both in the online business and banking business. Cost base in the online business year-on-year increased mainly due to acquisitions of Philippines in Q2 2022 and Mexico in Q4 2023, and at TBI Financial Services to support growing revenue and geographical expansion.

Significant acquisitions and disposals

In April 2023 and April 2024, the Group received the first two payments in the total amount of €12 million (€6 million each) due for the sale of its Polish business. The remaining amount of €6 million is to be paid in one further instalment in 2025.

In April 2023, the Group made an €8 million earn-out payment for Philippines acquisition in 2022, in line with the amount accrued in the balance sheet at year end 2022.

In September 2023, the Group acquired a recently formed company in Mexico, Wikipro SA de CV, which is owned by 4finance Holding S.A. (90%) and AS 4finance (10%). Lending operations commenced in October 2023.

The sales of two non-operating entities were completed in December 2023. 4finance Holding S.A. divested its shares in Prestamo Movil S.A. (Argentina) for nominal consideration and sold its former Armenian business (Goodcredit Universal Credit Organization Under Liquidation CJSC) for nominal consideration with an earn out, no provision is recognised.

Financing

In October 2023, TBI Bank EAD secured a Ba2 long-term deposit rating from Moody's credit rating agency and a Ba3 rating for the bank's senior unsecured debt with stable outlook.

After a successful bondholder vote in October 2023, the Group technically completed its bond refinancing process in December 2023, which included extending the maturity of the German listed EUR bonds from

February 2025 to May 2028. As part of this refinancing, the Group added its Philippines business as a Guarantor to both EUR bonds. Additionally, the Group cancelled €15 million of its EUR 2028 bonds, leaving €135 million outstanding in issue.

The Group continued to conduct transactions in its own bonds. In June 2023, the Group sold €8 million nominal of its EUR 2028 bonds that were held in treasury to its subsidiary TBI Bank EAD at market prices.

During the period from October to December 2023, the Group purchased net €10.9 million of its EUR 2028 bonds. During the period from October to December 2023, the Group had net sales of €7.9 million of its EUR 2026 bonds, the majority of which was through transactions with TBI Bank at market prices. At the end of 2023, the Group held €39.6 million of its EUR 2026 bonds and €4.3 million of its EUR 2028 bonds in treasury.

Alongside the implementation of requirements for MREL (minimum requirement for own funds and eligible liabilities, set by the regulator for TBI Bank EAD) for banks in Bulgaria, TBI Financial Services has issued €52.7 million of MREL eligible instruments and intends to develop its MREL liabilities in line with balance sheet growth.

Dividend

No dividends were paid by the Company in 2023.

Regulatory changes

On 19 November 2023, CCD2 (Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC) entered into force. The Group has engaged with the process throughout and will continue to provide evidence and insight as the directive moves into national legislation in Member States over the following two years. The new national rules should apply starting from 20 November 2026.

Environment, Social and Governance (ESG)

In March 2023, the Group was evaluated by S&P as being in the top third of businesses in the sector (Diversified Financial Services and Capital Markets, FBN) in the S&P Global Corporate Sustainability Assessment, reflecting its efforts to engage in a more comprehensive way in this area.

In July 2023, the European Commission adopted the final version of the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting Directive.

As part of its growing sustainability focus, in July 2023, the Group committed to the United Nations Global Compact (UNGC) initiative, supporting the Ten Principles of the UNGC on human rights, labour, environment and anti-corruption.

Future developments

Going in to 2024 the Group intends to:

- Grow and optimise its core online markets to retain profitability in the online business
- Pilot and develop new products for core markets
- Continue its deliberate step-by-step approach to geographic expansion, bringing Mexico and UK operations to profitability and establishing a presence in India
- Continue to simplify its corporate structure to become leaner and more efficient
- Manage the profitable growth at and maximise value from TBI Bank.

Consolidated Management Report

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

Interest income for the twelve months ended 31 December 2023 amounted to EUR 385 995 thousand, compared with EUR 311 100 thousand in 2022, which represents an increase of 24%.

Total 4finance Group value of loan principal issued from continuing operations increased by 23% in the period, delivering growth in the average balance of net receivables and interest income. The income yield increased in 2023 with greater contribution from higher rate shorter-term loans and sale of near-prime loans to TBI Financial Services.

TBI Financial Services loan book has continued to grow, particularly in Romania and Greece, with an increase of 34% in net receivables year-on-year.

The TBI Financial Services interest income growth of 40% was driven by a loan issuance volume increase of 28% comparing to the previous period, contributing a year-on-year increase of EUR 56 341 thousand in interest income.

The balance of outstanding net loans at the end of 2023 was EUR 1 084 414 thousand, a 28% increase compared with EUR 846 379 thousand as of 31 December 2022, mainly coming from growth in TBI Financial Services. As at 31 December 2023 TBI Financial Services contributed EUR 949 935 thousand of net receivables, an increase of 34% from prior period end.

Operating costs increased by 13% year-on-year. The costs for the 4finance Group increased year-on-year due to acquisition of Philippines in Q2 2022 and Mexico in Q4 2023, which contributed c.€15.2 million of costs, with cost reductions for the remainder of the online business. At TBI Financial Services, higher personnel costs and professional services costs supported growing revenue and geographical expansion.

Foreign exchange movements resulted in a net loss of EUR 5 030 thousand for the year 2023 mainly from hedging and swap costs in PLN, CZK and RON against EUR. In the prior period there was a net foreign exchange loss of EUR 11 781 thousand.

Net impairment charges were EUR 148 447 thousand compared to EUR 90 652 thousand for the twelve months ended 31 December 2022.

Gross impairment charges increased vs twelve months ended 31 December 2022 due to significantly higher portfolio (gross portfolio increased by 28% year-on-year). Asset quality indicators remain good at product level across the business with changes in impairment charges and cost of risk mainly due to changing portfolio mix.

The Group's profit before tax for the period ended 31 December 2023 amounted to EUR 58 345 thousand, a significant increase from EUR 48 897 thousand profit reported for the twelve months ended 31 December 2022.

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

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.

In January 2023, Inese Kangizere was appointed as a member of the Group's Audit Committee.

Ownership

The Group's significant ultimate beneficial owner was unchanged during the year, i.e. Edgars Dupats with 29.47%, with all other shareholders holding less than 10%.

Important events after the balance sheet date

Disposals

An entity, to be wound down, 4finance UAB (Lithuania) was sold in February 2024.

In April 2024, the Group received the second payment of €6 million due for the sale of its Polish business. The remaining amount of €6 million is to be paid in one further instalment in 2025.

Financing

In March 2024, the Group repurchased €400 thousand notional of its EUR 2026 bonds from TBI Bank EAD, taking the Group's treasury holdings to €40 million of its EUR 2026 bonds as of 31 March 2024.

Changes in management

In April 2024, Katalin Agune Kato replaced Daniela Roca, the previous category A director of 4finance Holding S.A. and 4finance S.A.

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Kieran Donnelly	James Etherington
Chairman of the Board of Directors	*Member of the Board of Directors*

26 April 2024

Consolidated Statement of Comprehensive Income

	Note	2023 EUR'000	2022 EUR'000
Continuing operations			
Interest income	6	385 995	311 100
Interest expense	7	(65 780)	(44 705)
Non-recurring finance income	8	934	2 591
Net interest income		**321 149**	**268 987**
Fee and commission income	9	50 747	40 368
Fee and commission expense	10	(5 704)	(7 695)
Other operating income	11	18 422	7 481
Non-interest income		**63 465**	**40 155**
Operating income		**384 614**	**309 142**
Operating costs	12	**(180 186)**	**(158 907)**
Other income		2 559	1 254
Non-recurring income/(expense)	13	4 835	(159)
Net foreign currency loss	14	(5 030)	(11 781)
Pre-provision operating profit		**206 792**	**139 549**
Net impairment losses	15	(148 447)	(90 652)
Profit before tax		**58 345**	**48 897**
Income tax for the reporting period	16	(14 201)	(14 218)
Profit from continuing operations		**44 144**	**34 679**
Profit from discontinued operations, net of tax	17	-	6 949
Profit for the period		**44 144**	**41 628**
Profit attributable to:			
Equity holders of the Group		44 144	41 628
Profit		**44 144**	**41 628**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI – net change in fair value		-	(1 062)
		-	**(1 062)**
Items that are or may be reclassified subsequently to profit or loss			
Net gains /(losses) on debt instruments at FVOCI		3 260	(5 444)
Foreign currency translation differences on foreign operations		(4 382)	1 622
		(1 122)	**(3 822)**
Other comprehensive income/(loss), net of tax		**(1 122)**	**(4 884)**
Total comprehensive income/(loss) for the period		**43 022**	**36 744**
Total comprehensive income or loss attributable to:			
Equity holders of the Group		43 022	36 744

The accompanying notes on pages 13 to 95 form an integral part of these consolidated financial statements.

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Kieran Donnelly

Chairman of the Board of Directors

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James Etherington

Member of the Board of Directors

26 April 2024

Consolidated Statement of Financial Position

	Note	31.12.2023 EUR'000	31.12.2022 EUR'000 Restated
Assets			
Cash and cash equivalents	18	261 559	221 568
Placements with other banks		48 283	35 712
Derivatives		3 072	5 017
Gross receivables due from customers	19	1 211 671	943 741
Allowance for impairment	19	(127 257)	(97 362)
Net receivables due from customers	19	**1 084 414**	**846 379**
Net investments in finance leases	20	1 341	1 881
Debt and equity investments	21	147 794	67 719
Loans to related parties, net of impairment	22	31 396	28 807
Loans to other parties, net of impairment	23	31 918	29 592
Other assets	24	56 758	52 379
Investments in associates and joint ventures	25	989	1 258
Prepaid expenses		4 128	3 521
Property and equipment	26	18 164	18 211
Intangible assets	27	29 117	17 091
Goodwill	27	27 238	27 582
Tax assets		5 258	6 885
Deferred tax assets	28	13 516	11 537
Total assets		**1 764 945**	**1 375 140**
Liabilities			
Loans and borrowings	29	301 609	284 766
Deposits from customers	30	1 111 462	781 672
Income tax liabilities	16	12 330	9 895
Derivatives		1 134	6 543
Other liabilities	31	96 758	93 635
Total liabilities		**1 523 293**	**1 176 510**
Share capital	32	35 750	35 750
Retained earnings		237 236	193 630
Reserves	32	(31 334)	(30 750)
Total equity attributable to equity holders of the Company		**241 652**	**198 630**
Total equity		241 652	198 630
Total shareholders equity and liabilities		**1 764 945**	**1 375 140**

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James Etherington
Member of the Board of Directors

26 April 2024

Consolidated Statement of Cash Flows

	Note	2023 EUR'000	2022 EUR'000
Cash flows from operating activities			
Profit before tax from continuing operations		58 345	48 897
Profit before tax from discontinued operations		-	9 059
Profit before taxes		**58 345**	**57 955**
Adjustments for:			
Depreciation and amortisation		7 896	7 274
Impairment of goodwill and intangible assets		-	(83)
Net (gain) / loss on foreign exchange from borrowings and other monetary items		(613)	646
Impairment losses on loans		165 570	115 203
Reversal of provision on debt portfolio sales		(7 428)	(15 425)
Write-off and disposal of intangible and property and equipment assets		1 127	3 922
Interest income from non-customers loans		(8 523)	(10 051)
Interest expense on loans and borrowings and deposits from customers		65 783	44 736
Non-recurring finance (income)		(2 011)	(2 591)
Other non-cash items, including loss/(gain) on disposals		(3 414)	2 290
Profit before adjustments for the effect of changes to current assets and short-term liabilities		**276 732**	**203 876**
Adjustments for:			
Change in financial instruments measured at fair value through profit or loss		(3 463)	977
(Increase) in other assets (including TBI statutory reserve, placements & leases)		(87 970)	(57 470)
Increase in accounts payable to suppliers, contractors and other creditors		13 293	21 391
Operating cash flow before movements in portfolio and deposits		**198 592**	**168 774**
Increase in loans due from customers		(425 726)	(366 071)
Proceeds from sale of portfolio		28 883	39 761
Increase in deposits (customer and bank deposits)		325 017	292 857
Deposit interest payments		(33 077)	(11 037)
Gross cash flows from operating activities		**93 689**	**124 284**
Corporate income tax (paid), net of refunds received		(12 072)	(13 021)
Net cash flows from operating activities		**81 617**	**111 263**
Cash flows from / (used in) investing activities			
Purchase of property and equipment and intangible assets		(19 303)	(15 764)
Net cash from (Purchase) / Sale of financial instruments		(78 278)	(18 591)
Other / related party loans issued		(3 538)	(1 082)
Other / related party loans repaid		840	6 715
Interest received on other / related party loans		8 544	20 871
(Acquisition) / Sale of equity investments, net		-	(1 063)
Disposal of subsidiaries, net of cash disposed		(2 528)	(8 668)
Acquisition of subsidiaries, net of cash acquired		(31)	(9 977)
Net cash flows used in investing activities		**(94 294)**	**(27 559)**

Consolidated Statement of Cash Flows

	Note	2023 EUR’000	2022 EUR’000
Cash flows from / (used in) financing activities			
Loans received and notes issued		29 765	21 722
Repayment and repurchase of loans and notes		(7 632)	(31 839)
Interest payments		(29 611)	(32 029)
Costs of notes issuance/amendment		(2 465)	(87)
FX hedging margin		3 700	(1 732)
Payment of lease liabilities		(3 265)	(3 529)
Dividend payments		-	(15 000)
Net cash flows used in financing activities		**(9 508)**	**(62 494)**
Net (decrease) / increase in cash and cash equivalents		**(22 185)**	**21 210**
Cash and cash equivalents at the beginning of the period		**155 550**	**134 161**
Effect of exchange rate fluctuations on cash		138	179
Cash and cash equivalents at the end of the period	18	**133 503**	**155 550**
Minimum statutory reserve	18	128 056	66 018
Total cash on hand and cash at central banks	18	**261 559**	**221 568**

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Member of the Board of Directors

26 April 2024

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	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
1 January 2022	**35 750**	**(31 240)**	**(1 177)**	**2 142**	**3 239**	**59**	**168 064**	**176 837**	**176 837**
Total comprehensive income									
Profit for the reporting period	–	–	–	–	–	–	41 628	41 628	41 628
Other comprehensive income (OCI)	–	–	1 622	–	–	(6 506)	–	(4 884)	(4 884)
Reclassification of Other comprehensive income	–	–	–	–	–	1 062	(1 062)	–	–
Transactions with shareholders recorded directly in equity									
Share based payment reserve (Note 36)	–	–	–	49	–	–	–	49	49
Dividends	–	–	–	–	–	–	(15 000)	(15 000)	(15 000)
31 December 2022	**35 750**	**(31 240)**	**445**	**2 191**	**3 239**	**(5 385)**	**193 630**	**198 630**	**198 630**
1 January 2023	**35 750**	**(31 240)**	**445**	**2 191**	**3 239**	**(5 385)**	**193 630**	**198 630**	**198 630**
Total comprehensive income									
Profit for the reporting period	–	–	–	–	–	–	44 144	44 144	44 144
Other comprehensive income (OCI)	–	–	(4 382)	–	–	3 260	–	(1 122)	(1 122)
Reclassification of reserves	–	–	–	–	644	–	(644)	–	–
Transactions with shareholders recorded directly in equity									
Reclassification of share based payment reserve (Note 36)	–	–	–	(106)	–	–	106	–	–
31 December 2023	**35 750**	**(31 240)**	**(3 937)**	**2 085**	**3 883**	**(2 125)**	**237 236**	**241 652**	**241 652**

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Member of the Board of Directors

26 April 2024

Notes to the Consolidated Financial Statements

(1) Reporting entity

4finance Holding S.A. (the "Company") is incorporated and registered in Luxembourg. The Company is the holding company for several subsidiaries in Europe, Asia and South America (together referred to as the "Group"). The Group entities have provided loans to millions of customers. Currently, the Group operates in Bulgaria, Czech Republic, Latvia, Lithuania, Romania, Greece, Spain, Philippines, Mexico, Sweden and the United Kingdom, with Denmark being in wind-down mode. The Group sold its businesses in Argentina and Armenia in 2023.

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

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

The Group financial statements form part of the parent company, 4finance Group S.A.(the "Parent"), consolidated financial statements. The consolidated financial statements of the parent company, 4finance Group S.A., are available upon request 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 26 April 2024. 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, management believes the going concern basis of accounting to be appropriate for these financial statements.

The financial statements have been prepared on a going concern basis as the directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. Forecasting and stress testing have been performed with various assumptions modelled for a range of scenarios. The stress testing covered credit losses and the level of originations. The directors are of the opinion that the Group continues to be a going concern under both the base and stressed scenario.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's

Notes to the Consolidated Financial Statements

(2) Basis of preparation (continued)

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.

(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), Czech Koruna (CZK), Bulgarian Lev (BGN), Romanian New Lev (RON), Philippine Peso (PHP), Argentine Peso (ARS), British Pound Sterling (GBP), Armenian Dram (AMD) and Mexican Peso (MXN). The Company's functional currency is EUR.

(d) Reclassification of comparatives

There has been a reclassification of Corporate Income Tax advances under Income Tax liabilities to Tax assets in the Consolidated Statement of Financial Position as at 31 December 2022. Reclassification was made on 31 December 2022. The impact on Consolidated Statement of Financial Position is shown in table below. Where minor reclassifications are required to comparative figures to represent balances more accurately this has taken place but only where trivial.

	31.12.2022 EUR'000	Restatement EUR'000	31.12.2022 EUR'000 Restated
Assets			
Tax assets	3 805	3 080	6 885
Total assets	**1 372 060**	**3 080**	**1 375 140**
Liabilities			
Income tax liabilities	6 815	3 080	9 895
Total liabilities	**1 173 430**	**3 080**	**1 176 510**
Total shareholders equity and liabilities	**1 372 060**	**3 080**	**1 375 140**

(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 (see also xxvii).

(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.

(3) Significant accounting policies (continued)

(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.

(iv) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative periods.

(iii) 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.

(iv) 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

(3) Significant accounting policies (continued)

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 translation 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 2023		**31 December 2022**	
SEK	0.09012	SEK	0.08991
DKK	0.13418	DKK	0.13447
PLN	0.23441	PLN	0.21364
GBP	1.15068	GBP	1.12748
CZK	0.04045	CZK	0.04147
GEL	0.33580	GEL	0.34746
BGN	0.51130	BGN	0.51130
GIP	1.15068	GIP	1.12748
USD	0.90498	USD	0.93756
RON	0.20098	RON	0.20204
AMD	0.00224	AMD	0.00238
ARS	0.00112	ARS	0.00527
MXN	0.05341	MXN	-
PHP	0.01632	PHP	0.01686
SGD	0.68535	SGD	0.69930

The Bulgarian Lev is pegged to the Euro.

(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 given by 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 translation 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. There are no new share options granted in the year ended 31 December 2023. The fair value of the

(3) Significant accounting policies (continued)

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 of 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, TBI Financial Services' 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.

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

(3) Significant accounting policies (continued)

(EIR) 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 amortised 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 amortised 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
- 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.

(3) Significant accounting policies (continued)

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.

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

(3) Significant accounting policies (continued)

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 interest rate and foreign exchange swaps or options 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 amortised 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.

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 and joint ventures

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. A

(3) Significant accounting policies (continued)

joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Interests in associates and joint ventures are accounted for using the equity method. Under IAS 28 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 equals or 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	up to 3 years
Leasehold improvements	up to 5 years
Other property and equipment	up to 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.

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.

(3) Significant accounting policies (continued)

The estimated useful lives are as follows:

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

(xiv) Repossessed assets

TBI Financial Services 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 (ECL) model 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 equal or less than 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 over 30 days but equal to or 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 over 90 days). 4finance Group recognizes the lifetime expected credit losses for these loans and in addition, the Group accrues interest income on the amortised cost of the loan net of allowances, when it’s probable it will be received.

For entities in Philippines loans are in Stage 1 till 30 days past due (including) after which the loans default and are written off.

The 4finance Group for LGD calculation uses recovery rates that are based on discounted historic cash-flows from 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 underlying contract and all the cash flows that are expected to be received (including 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 more than 360 days except for entities in Philippines where the write-off period for past due loans is more than 30 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 incorporated forward looking information into its provisioning model, 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 one 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 entities (e.g., related parties or 3rd parties), historic defaults produced by a ratings agency are used.

Impairment losses on portfolios of assets carried at amortised 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.

TBI Financial Services

Receivables due from customers

TBI Financial Services 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 TBI Financial Services 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.

(3) Significant accounting policies (continued)

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).

Cash, cash equivalents and debt instruments

For amounts due from banks and debt instruments at fair value through other comprehensive income, the Group applies impairment based on the counterparty's credit rating.

At each reporting date, TBI Financial Services 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, TBI Financial Services reviews the credit rating of the debt instrument. In addition, TBI Financial Services assesses whether there is a significant increase in credit risk where the contractual payments are past due over 30 days.

TBI Financial Services' debt instruments in other comprehensive income include only quoted bonds. The policy of TBI Financial Services 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. TBI Financial Services 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

TBI Financial Services 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 TBI Financial Services will receive all outstanding contractual cash-flows without taking any debt collection actions.

Write-off policy

TBI Financial Services removes its risk exposures from the balance sheet depending on the type of the receivable, the number of days in delay of payments and the collateral coverage of the exposure.

Credit exposures in Corporate Banking segment are removed from the TBI Financial Services' balance sheet by decision of the Impairment Committee based on a specific and substantiated proposal by the SME Collection and Asset Management Department.

In 2022 credit exposures in Retail Banking are removed from the TBI Financial Services' balance sheet at a loan level, automatically, after they become more than 1 080 days past due, for the exposures extended in Bulgaria, 720 days for those extended in Romania, but as of 31 December 2023 the write off period was changed to 540 days past due. The exposures extended by Vivus.bg EOOD, and by foreign companies, part of the 4finance Group have write off period more than 360 days.

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

(3) Significant accounting policies (continued)

asset. If the contractual cash flows of a financial asset are renegotiated or otherwise modified but the financial asset is not derecognised, it cannot automatically be considered that the financial asset has a lower credit risk.

TBI Financial Services 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.

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, TBI Financial Services 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 TBI Financial Services. 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.

(3) Significant accounting policies (continued)

(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.

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.

(3) Significant accounting policies (continued)

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, TBI Financial Services is required to provide into a reserve fund equaling 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) 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.

(iv) 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.

(v) Fair value reserve of financial assets at FVOCI

The reserve includes changes in fair value of financial instrument classified and measured at FVOCI.

(xviii) Leases

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.

(3) Significant accounting policies (continued)

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.

TBI Financial Services as a lessor

Leases in which TBI Financial Services does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Lease contracts are classified as finance leases when the TBI Financial Services has transferred to the lessee all material risks and rewards associated with the leased assets. Receivables on finance leases are carried in line Net investments in finance leases in the statement of financial position. The 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 TBI Financial Services 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

TBI Financial Services 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 TBI Financial Services' assets.

Notes to the Consolidated Financial Statements

(3) Significant accounting policies (continued)

(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.

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.

(3) Significant accounting policies (continued)

(iii) Penalty fee income

Income from penalty fees is recognized as received.

(iv) Other income

Income from Insurance broker activities from TBI Financial Services includes income whereby the bank acts as an agent selling insurance issued from third party companies to the banks' clients. TBI Financial Services does not bear the insurance risk on these transactions. The income is recognized in line with the above paragraph. Income from insurance broker services performed by Group entity in Philippines is presented in other operating income in line with above paragraph.

(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.

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 management 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 management 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 2023.

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

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8

(3) Significant accounting policies (continued)

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The Pillar Two Model Rules provide for a global minimum tax of 15% applicable to multinational enterprise (MNE) groups with a global turnover of €750 million or more. As the Group currently has a global turnover below this threshold, this requirement is not currently applicable.

(ii) Standards in issue but not yet effective which effects are under review:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - 1 January 2024
- Amendments to IAS 1: Classification of Liabilities as Current or Noncurrent – Deferral of Effective Date - 1 January 2024
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback - 1 January 2024
- Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants - 1 January 2024

(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)

	2023 EUR'000	2022 EUR'000
Cash and cash equivalents	261 559	221 568
Placements with other banks	48 283	35 712
Net receivables due from customers	**1 084 414**	**846 379**
Corporate clients	155 386	132 344
Corporate client impairment	(3 349)	(4 661)
Individual clients	1 056 285	811 398
Individual client impairment	(123 908)	(92 701)
Net investments in finance leases	**1 341**	**1 881**
Gross investment in finance leases	1 858	2 090
Finance lease impairment	(517)	(209)
Loans to related parties, net of impairment	31 396	28 807
Loans to other parties, net of impairment	31 918	29 592
Other assets	56 758	52 379
Derivatives	3 072	5 017
Debt and equity investments	147 794	67 719
Credit risk exposures related to contingent liabilities and irrevocable commitments are as follows:		
Contingent liabilities*	109 687	68 481
Total maximum exposure to credit risk	**1 776 222**	**1 357 535**

**For more details on contingent liabilities see Note (33) Contingent liabilities and irrevocable commitments*

(4) Risk management (continued)

The table below presents the maximum credit risk exposure of the 4finance Group and TBI Financial Services as of 31 December 2023 without taking into account collateral:

	4finance Group EUR'000	TBI Financial Services EUR'000	Total EUR'000
Cash and cash equivalents	42 168	219 391	261 559
Placements with other banks	-	48 283	48 283
Net receivables due from customers	**134 479**	**949 935**	**1 084 414**
Corporate clients	-	155 386	155 386
Corporate client impairment	-	(3 349)	(3 349)
Individual clients	172 055	884 230	1 056 285
Individual client impairment	(37 576)	(86 332)	(123 908)
Net investments in finance leases	**277**	**1 064**	**1 341**
Gross investment in finance leases	277	1 581	1 858
Finance lease impairment	-	(517)	(517)
Loans to related parties, net of impairment	31 396	-	31 396
Loans to other parties, net of impairment	31 918	-	31 918
Other assets	18 736	38 022	56 758
Derivatives	127	2 945	3 072
Debt and equity investments	-	147 794	147 794
Total credit risk exposure*	**259 101**	**1 407 434**	**1 666 535**

** Excluding contingent liabilities. For more details on contingent liabilities see Note (33) Contingent liabilities and irrevocable commitments*

For additional details on loans refer to Note (19) Net receivables due from customers and on finance leases to Note (20) Net investments in finance leases.

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 relevant local teams, supported by the Group's centralized data analytics, data science and collection teams. Lending rules and scorecards (the 'underwriting process') are implemented for all products, and the customer's risk profile is analyzed 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. The current underwriting process is mainly done automatically based on statistical evidence, with very few areas of manual judgement or input. The underwriting process is adjusted to specific country requirements and characteristics. It is periodically reviewed and, if necessary, rebuilt.

A Debt Collection policy guiding overall collections process throughout the 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. The performance of different customer groups is analyzed on a regular basis by the Debt Collection department.

(4) Risk management (continued)

Management believes that current procedures and tools are sufficient to effectively manage the credit risk of different 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) Use of estimates and judgements. Quantitative information on 4finance Group's credit risk is disclosed in the table below.

Credit quality of loan portfolio (4finance Group):

	Gross receivables 31.12.2023	Allowance for doubtful debts 31.12.2023	Net receivables 31.12.2023	Gross receivables 31.12.2022	Allowance for doubtful debts 31.12.2022	Net receivables 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Stage 1 (no more than 30 days past due)	131 638	(10 164)	121 473	135 807	(7 663)	128 144
Stage 2 (past due from 31 to 90 days)	16 007	(9 374)	6 634	15 376	(8 584)	6 792
Stage 3 (past due more than 90 days)	24 410	(18 038)	6 372	14 935	(10 612)	4 323
	172 055	**(37 576)**	**134 479**	**166 118**	**(26 860)**	**139 258**

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

4finance Group's Expected Credit Losses

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

	Allowance for impairment Opening balance	Origination and acquisition	Derecognition & repayments	Change in credit risk	Write-offs	Other & FX	Allowance for impairment Closing balance
	01.01.2023						**31.12.2023**
Stage 1	7 663	10 273	(9 825)	3 629	(1 380)	(197)	10 164
Stage 2	8 584	(196)	(6 866)	7 934	-	(82)	9 374
Stage 3	10 612	721	(3 217)	18 488	(8 365)	(201)	18 038
	26 860						**37 576**

TBI Financial Services

TBI Financial Services 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 TBI Financial Services management as at the balance sheet date.

To manage credit risk, TBI Financial Services has developed strict potential borrower analysis and assessment procedures, including scoring procedures and detailed verification of data provided. Loans to corporate clients

(4) Risk management (continued)

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, TBI Financial Services 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 TBI Financial Services internal rules.

TBI Financial Services 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.

TBI Financial Services risk exposures are classified in three groups based on the criteria of credit risk level, Stage 1 (with DPD <31 days), Stage 2 (with DPD<31 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, 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.

Credit quality of loan portfolio and finance leases (TBI Financial Services):

	Gross receivables 31.12.2023	Allowance for doubtful debts 31.12.2023	Net receivables 31.12.2023	Gross receivables 31.12.2022	Allowance for doubtful debts 31.12.2022	Net receivables 31.12.2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Stage 1 (no more than 30 days past due)	921 963	(27 241)	894 722	692 844	(19 324)	673 520
Stage 2 (past due from 31 to 90 days)	32 366	(12 199)	20 167	23 650	(8 870)	14 780
Stage 3 (past due more than 90 days)	86 867	(50 757)	36 110	63 220	(42 518)	20 702
	1 041 196	**(90 197)**	**950 999**	**779 714**	**(70 712)**	**709 002**

Collateral

TBI Financial Services employs a set of policies and practices to mitigate credit risk. A requirement of the TBI Financial Services 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

Notes to the Consolidated Financial Statements

(4) Risk management (continued)

- guarantees issued in favour of TBI Financial Services.

In order to minimise credit loss, TBI Financial Services requires additional collateral from counterparties as soon as impairment indicators are observed. The 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 TBI Financial Services business and the increasing portfolio of small consumer loans, the share of unsecured loans within the TBI Financial Services portfolio is growing. These types of loans are mostly average-term (the median term of the portfolio is approximately 36 months) and have low limits (the average receivable amount is approximately BGN 2.6 thousand / around EUR 1.3 thousand).

The table below shows the total amount of loans to customers before provisions and impairment losses by type of collateral at 31 December 2023:

	Loans to customers		
	Gross amount EUR'000	**Collateral* EUR'000**	**Coverage****
Mortgages	106 958	107 911	100.89%
Cash collateral	154	105	68.28%
Other collateral	12 882	12 964	100.64%
Unsecured	919 624	-	
Total	**1 039 616**	**120 980**	

* 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 TBI Financial Services 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 TBI Financial Services on behalf of a customer, are secured with cash deposits or other pledges in favour of TBI Financial Services. Consequently, TBI Financial Services is exposed to minimal risk.

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

(4) Risk management (continued)

For more details on TBI Financial Services contingent liabilities and irrevocable commitments see Note (33) Contingent liabilities and irrevocable commitments.

For details regarding loans and leases at 31 December 2023 see the table below:

	Loans to corporate clients EUR'000	Loans to individual clients EUR'000	Financial leases EUR'000
Neither past due nor impaired	128 067	696 666	77
Past due less than 30 days*	2 543	84 240	62
Past due 31 to 60 days*	1 976	19 859	83
Past due 61 to 90 days*	270	10 099	2
Past due over 91 days*	10 714	74 534	514
Collective provisions	(2 982)	(86 331)	(173)
Past due and individually impaired	10 648	-	842
Individual impairment	(368)	-	(343)
Net of loan loss provisions	**150 868**	**799 067**	**1 064**

* Not individually impaired, collective provisioning used

As at 31 December 2023, the carrying amount of financial assets that would otherwise be past due whose terms have been renegotiated is EUR 4 524 thousand (31 December 2022: EUR 7 442 thousand) net of impairment.

Loans to customers that are neither past due, nor impaired

According to its internal rules and policies, TBI Financial Services individually assess 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.

TBI Financial Services Expected Credit Losses

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

(4) Risk management (continued)

	Allowance for impairment Opening balance 01.01.2023	Origination and acquisition	Derecognition & repayments	Change in credit risk	Write-offs	Other & FX	Allowance for impairment Closing balance 31.12.2023
Stage 1	19 324	26 361	(19 921)	1 399	-	78	27 241
Stage 2	8 870	9 848	(9 006)	2 463	-	24	12 199
Stage 3	42 518	39 679	(32 232)	52 908	(51 751)	(364)	50 758
	70 712						**90 198**

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 on 31 December 2023 based on criteria set by rating agencies as a result of their credit assessments.

Rating	Debt and Equity investments EUR'000	Placements with other banks EUR'000
A (S&P)	1 876	-
A (Moody's)	-	6 864
A (Fitch)	10 046	-
Aaa (Moody's)	49 938	-
Baa (Moody's)	27 822	836
BBB (Fitch)	46 875	167
BBB (BCRA)	-	15 504
BB (Fitch)	274	1 245
BB (BCRA)	-	5 224
Ba (Moody's)	6 043	8 372
B (S&P)	1 314	-
B (Fitch)	3 551	26
B (BCRA)	-	10 044
Unrated	47	-
	147 788	**48 283**

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

(4) Risk management (continued)

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) Maturity analysis.

TBI Financial Services

The Management Board of TBI Financial Services 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) Maturity analysis.

TBI Financial Services monitor 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 (30) Deposits from customers.

(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 TBI Financial Services, 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. The large majority 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. TBI Financial Services are subject to floating interest rates (Euribor, Soifbor and Robor) and actively manages this risk. TBI Financial Services are using interest rate swaps. Based on analysis, a 100 bp increase/ (100) bp decrease change in interest rates would result in EUR 6 059/ (6 059) 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.

In TBI Financial Services currency risk is managed by the Management board, which sets limits to control the open foreign currency positions risk, which are monitored daily.

(4) Risk management (continued)

The 4finance Group's currency risk is managed centrally by the Group's Treasury Department. The 4finance Group has established a Currency risk monitoring and management policy. It is the policy to hedge its open positions where practical and economically sensible to do so.

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

An analysis of sensitivity of the Group's net income for the period and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2023 and 31 December 2022 and a simplified scenario of a 10% change in PLN, USD, CZK, PHP and RON to EUR exchange rates is as follows:

	31.12.2023		31.12.2022	
	Net income EUR'000	Equity EUR'000	Net income EUR'000	Equity EUR'000
Appreciation of PLN against EUR	3 196	3 196	3 073	3 073
Depreciation of PLN against EUR	(3 196)	(3 196)	(3 073)	(3 073)
Appreciation of USD against EUR	261	261	(2 652)	(2 652)
Depreciation of USD against EUR	(261)	(261)	2 652	2 652
Appreciation of CZK against EUR	1 725	1 725	1 483	1 483
Depreciation of CZK against EUR	(1 725)	(1 725)	(1 483)	(1 483)
Appreciation of PHP against EUR	1 448	1 448	1 184	1 184
Depreciation of PHP against EUR	(1 448)	(1 448)	(1 184)	(1 184)
Appreciation of RON against EUR	6 890	6 890	10 838	10 838
Depreciation of RON against EUR	(6 890)	(6 890)	(10 838)	(10 838)

The currency risk analysis above illustrates the effect of an isolated appreciation/depreciation of each significant operating currency at 10% change excluding hedges. The Group is hedging majority of exposures in PLN, CZK and SEK. The above analysis does not include any assumptions about the correlation between these currencies. Refer to Note (42) Currency analysis for further information on the Group's exposure to foreign currency risk.

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.

TBI Financial Services

In performing its activities, TBI Financial Services are exposed to price risk as government treasury bonds are held. TBI Financial Services risk management policies are designed to identify and analyze 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. TBI Financial Services regularly review its risk management policies and systems to reflect changes in the markets, products, and emerging best practice.

Notes to the Consolidated Financial Statements

(4) Risk management (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect unexpected 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 risk, such as those arising from Group's dependency on its supply chains and vendors, public infrastructure, and generally accepted standards of corporate relationships. Operational risks arise from all of the Group's operations.

The Group's internal control procedures are designed in a manner that manage operational risk so as to balance the avoidance of financial losses and damage to the Group`s reputation with overall cost effectiveness, while not unduly restricting initiative and creativity.

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:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- 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 TBI Financial Services operate
- 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

(4) Risk management (continued)

in all subsidiaries of the 4finance Group and to maintain sufficient funds to support its medium- and long-term strategic goals.

TBI Financial Services

Capital adequacy and the use of equity are monitored by TBI Financial Services management, employing techniques based on the guidelines developed by the Basel Committee, as well as EU Directives and Regulations, 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 ('RWA'), which for TBI Financial Services as of Dec 2023 is 14.00%. The ratio comprises of a total capital adequacy requirement of 8%, protective capital buffer of 2.5%, systemic risk buffer of 3% for BG RWA exposures (1.29% from the total RWA of Dec 2023) and countercyclical buffer of 1.31% from the total RWA as of Dec 2023 (for BG 2%, for RO 1%, for LT 1%, for GR 0%). Each bank is also required to hold additional Pillar 2 Requirement ('P2R') and Pillar 2 Guidance ('P2G'), which is 0.75% (P2R) and 0.15% (P2G) for TBI Bank. TBI Financial Services capital adequacy ratio as of 31 December 2023 was 22.50% (31 December 2022: 23.98%).

The TBI Financial Services 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 period ended 31 December 2022. 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.

(a) Allowances for credit losses on loans and receivables, see Note (19) Net receivables due from customers

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 more than 90 days, except for the Philippines portfolio where default is set as more than 30 days past due. In assessing the need for collective loss allowances, management considers factors such as probability of default ('PD'), loss given default ('LGD'), exposure at default ('EAD'), portfolio size, delay concentration and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled

Notes to the Consolidated Financial Statements

(5) Use of estimates and judgements (continued)

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 calculates loss given default based on collected cash from defaulted loans based on discounted net cash inflows (interest, penalties, principal, commission) in the 9 months from Default date. External Debt Collection costs are deducted from incoming cash inflows. The collected cash observation period can be extended if significant cash collections are observed after 9 months from Default date. All collected cash are discounted to the Default moment by using the last 6 months average effective interest rate ('EIR') including contractual interest rate and fees of the specific product.
- Management calculates probability of default using historic transition matrices which analyze loan portfolio movements by count of loans between the delinquency buckets over a one month period for single payment loans, a three month period for minimum to pay loans and a six month period annualized for instalment loans. The analysis is undertaken on a monthly basis, in which the average probability of default ratios of the last six months for single payment loans and of the last 3 months for instalment loans and minimum to pay loans are calculated.
- Management calculates repayment rates (part of EAD) based on historical repayments of principal for loans that will default in 4 months' time for single payment loans and minimum to pay loans, and based on historical repayments for principal for loans that will default in 1 years' time for bucket until 30 days past due and accordingly in 2 and 1 months for buckets after 30 days past due for instalment loans. A repayment rate is calculated for each delinquency group individually by comparing the actual open principal amount at default date to the initial outstanding principal at observation period.
- Management writes off trade receivables and loans to customers when they are past due more than one year or earlier if deemed to be uncollectable. For the Philippines portfolio, loans are also written off at the point of Default, i.e. over 30 days past due.

The Group also makes use of debt sales to third parties for its defaulted loans. The proceeds from debt sales are included, where relevant, in the cash recoveries for the LGD calculation. Where a regular 'forward flow' debt sale agreement is effective, the average realization price can be used as the LGD for the appropriate delay buckets where the majority of those loans are eligible for the forward flow debt sale.

For new portfolios, where there is insufficient past statistical data, projections of recoveries are used based on the data available and benchmarking of comparable data from other markets where the 4finance Group has wider historical data availability. Projected LGD rates vary across the countries depending on the specifics of individual countries.

During the period ended 31 December 2023, 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 of 31 December 2023, the weighted average LGD rate across portfolios was 63% (31 December 2022: 61%). On product level single payment loan weighted average LGD was 75%, 61% for instalment loans, 51% for minimum to pay and 65% for near-prime loans.

Notes to the Consolidated Financial Statements

(5) Use of estimates and judgements (continued)

Sensitivity analysis of the Group's net income for the period 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 2 495 thousand (31 December 2022: EUR 1 906 thousand). A 5% decrease would lead to a decrease for EUR 2 701 thousand (31 December 2022: EUR 1 935 thousand).

(b) 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 currently expect these options to be exercised.

(c) Capitalisation of internal development costs

During the period, 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 life is 3-5 years depending on the nature of the development. 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 (27) Intangible assets and goodwill.

(d) 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 (28) Deferred tax assets.

(e) Fair value of financial instruments

Significant management judgement is used for estimating unobservable inputs and valuation adjustments, see Note (38) Fair value of financial instruments.

(f) Valuation of related and other party loans

Significant management judgement is used for estimating market interest rate and expected credit loss, see Notes (22) Net loans to related parties and (23) Net loans to other parties.

(g) Impairment of Intangible assets and goodwill measurement

Significant management judgement is required for calculation goodwill and assessing intangible asset, including goodwill, impairment. The main judgmental areas include fair value of assets and liabilities acquired calculation for goodwill calculation and projecting expected free cash flows to equity holders in current and future years, estimating discount rates and estimating terminal growth rates, see Note (27) Intangible assets and goodwill.

(h) Provisions and contingent liabilities

Significant management judgement is used for estimating provisions and contingent liabilities in relation to legal cases, see Notes (37) Litigations and (27) Intangible assets and goodwill.

(5) Use of estimates and judgements (continued)

TBI Financial Services

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

(a) Allowances for credit losses

TBI Financial Services review 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, TBI Financial Services make 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. TBI Financial Services undertake a credit risk stress test which assumes a static portfolio of the bank and migration of loans with DPD up to 90 days to loans with DPD 90+ with a forecast horizon of 12 months as reflected in the average three years transition matrices per product and domicile in adverse scenario with a total effect of EUR 899 thousand as of 31 December 2023 (31 December 2022: EUR 1 537 thousand). As per EBA requirements the adverse scenario assumptions are performed on a dynamic portfolio with 36 months horizon totaling overall risk estimate of EUR 4 592 thousand (31 December 2022: EUR 4 393 thousand).

(b) Collateral and 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 repossessed 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.

TBI Financial Services management has committed to specific actions aimed at the realization of repossessed assets through disposal.

The assets repossessed against loans are classified as assets acquired from foreclosure on collateral.

TBI Financial Services undertake a collateral depreciation stress test for repossessed assets, 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 2023, this test resulted in a sensitivity of EUR 643 thousand (31 December 2022: EUR 862 thousand).

(5) Use of estimates and judgements (continued)

(c) Analysis of the components of effective interest rate (EIR)

Significant management judgement is used for estimating the components of the effective interest rate of financial instruments carried at amortised cost.

(d) Fair value of financial instruments

Significant management judgement is used for estimating unobservable inputs and valuation adjustments, see Note (38) Fair value of financial instruments.

(e) Provisions and contingent liabilities

Significant management judgement is used for estimating provisions and contingent liabilities in relation to legal cases, see Note (37) Litigations and (33) Contingent liabilities and irrecoverable commitments.

(6) Interest income

Summary

	2023 EUR'000	2022 EUR'000
Loans to customers:		
4finance Group	179 226	157 668
TBI Financial Services	191 452	140 669
Corporate loans:		
4finance Group	8 370	11 252
Due from banks:		
4finance Group	152	1
TBI Financial Services	3 639	851
Financial assets carried at fair value through OCI:		
TBI Financial Services	3 156	659
	385 995	**311 100**

Interest income from Corporate loans includes interest income from related parties of EUR 3 936 thousand (2022: EUR 6 952 thousand) and interest income from other corporate loans EUR 4 434 thousand (2022: EUR 4 300 thousand). In 2022, EUR 4 181 thousand relates to discontinued operations, see Note 35.

(6) Interest income (continued)

Interest income split by geographic markets:

The 4finance Group Loans to customers

	2023 EUR'000	2022 EUR'000
Spain	76 915	75 014
Philippines	36 808	25 765
Latvia	34 112	25 745
Czech	23 814	20 934
Sweden	5 107	4 580
Lithuania	1 369	3 657
Denmark	1 049	1 954
Mexico	8	-
Other	44	20
	179 226	**157 668**

TBI Financial Services

	2023 EUR'000	2022 EUR'000
Romania	102 203	74 861
Bulgaria	76 324	59 849
Lithuania	6 747	5 496
Greece	6 179	376
Poland	1	86
	191 452	**140 669**

(7) Interest expense

	2023 EUR'000	2022 EUR'000
Deposits from customers	32 091	10 479
Interest expense on notes	30 043	32 853
Interest expense on other loans	2 663	810
Other	983	563
	65 780	**44 706**

Interest expense on Deposits from customers increased as a result of TBI Financial Services general policy to attract funds in order to expand their credit activities.

Interest expense from other loans includes interest paid related for MREL eligible instruments, see Note (29) Loans and Borrowings for more details.

(8) Non-recurring finance income

In 2023, the Group repurchased EUR 4.6 million nominal value of its EUR 2028 Notes and EUR 1.3 million of its EUR 2026 Notes, which generated net non-recurring finance income of EUR 61 thousand. In December 2023 there was EUR 2025 bond extension of the maturity to May 2028 that raised a modification adjustment calculated income of EUR 873 thousand. Total non-recurring finance income for the year 2023 is EUR 934 thousand.

In 2022, the Group repurchased EUR 36.9 million nominal value of its EUR 2026 Notes and EUR 15.5 million of its EUR 2025 Notes, which generated non-recurring finance income of EUR 2 591 thousand.

The income or cost represents the difference between the carrying value of the purchased bond and the purchase price paid.

(9) Fee and commission income

	2023 EUR'000	2022 EUR'000
Income from insurance broker's activities and agent's commissions	48 222	38 459
Transfer and transaction income	2 259	1 586
Other income	266	324
	50 747	**40 368**

Fees and commissions are related to TBI Financial Services' operations. Agent's commission income originates from an insurance agency contract. In 2023 the increase of fees and commissions resulted from growing business which includes newly established collaborations with insurance brokers.

(10) Fee and commission expense

	2023 EUR'000	2022 EUR'000
Bank transaction expense	2 958	1 401
Agent's commission expense	2 235	5 764
Other expense	511	530
	5 704	**7 695**

Fees and commissions are related to TBI Financial Services operations. Costs of agent's commissions relate to a credit brokerage contracts. Bank transaction expenses increase coming from fees related to card transactions.

(11) Other operating income

	2023 EUR'000	2022 EUR'000
Income from services	17 054	7 444
Other income	1 267	4
Interest income	101	33
	18 422	**7 481**

Other operating income includes income from services and relevant fee income from the online business (mainly in Philippines and Lithuania) such as income from contracts with customers under IFRS 15.

Increase in other income mainly because of the recognition of historic overpayments from clients in Latvia and Sweden.

(12) Operating costs

	2023 EUR'000	2022 EUR'000
Personnel costs	86 302	78 351
Marketing and sponsorship	23 069	21 567
IT expenses	13 846	13 625
Legal and consulting	11 280	9 040
Depreciation and amortization	7 914	6 915
Taxes	5 892	4 765
Communication expenses	5 506	3 199
Application inspection costs	5 304	3 394
Bank services	2 128	2 153
Debt collection costs	1 515	1 606
Rent and utilities	1 790	1 781
Travel	1 573	1 260
Other	14 067	11 251
	180 186	**158 907**

The year-on-year increase in operating costs is mainly related to the growing business and geographical expansion of TBI Financial Services and acquisition of Online Loans Pilipinas Financing Inc and Peso Redee Financing Co. Inc. in Philippines back in April 2022 and Wikipro S.A de CV in Mexico at the end of 2023. The Group maintains its ongoing focus on cost discipline and efficiency, including the wind-downs of certain products/markets.

Other expenses mainly consist of office expenses, staff event costs, encashment costs and transport costs for TBI Financial Services and other costs.

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

(12) Operating costs (continued)

Auditor's fees (part of Legal and consulting)	**2023 EUR'000**	**2022 EUR'000**
Audit fees	1 289	1 158
Audit related fees	335	121
Tax related fees	1	1
Discontinued operations	-	39
	1 625	**1 319**

	2023	**2022**
Average number of employees		
Senior management/Executives	5	5
Employees	2 389	2 292
	2 394	**2 297**

(13) Non-recurring income/(expense)

	2023 EUR'000	**2022 EUR'000**
Disposals of subsidiaries	3 331	-
Intangible asset write-off	(165)	(162)
Other non-recurring income/(expense)	1 669	3
	4 835	**(159)**

Disposals of subsidiaries include result from sale of subsidiary in Argentina (net gain of EUR 3 429 thousand) and subsidiary in Armenia (net loss of EUR 89).

The Group has reviewed its 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 some intangible assets.

In 2023 other non-recurring income includes reversal of Denmark income adjustment from 2020 which was made following mid-year regulatory changes.

(14) Net foreign currency loss

	2023 EUR'000	**2022 EUR'000**
Net foreign currency loss	4 718	7 696
Net loss on derivatives	312	4 084
	5 030	**11 781**

(15) Net impairment losses

	2023 EUR'000	2022 EUR'000
Impairment losses on loans	165 569	109 640
Reversal of provision on debt portfolio sales	(7 427)	(10 393)
Recovery from written-off loans	(9 695)	(8 594)
	148 447	**90 652**

Net impairment losses in 2023 were significantly higher year-on-year reflecting the larger portfolio and a different geographical and product mix. The market for sales of non-performing loans was also less active in some of the Group's markets during 2023.

In 2023 net change in TBI Financial Services financial lease impairment allowance resulted in a loss of EUR 308 thousand (2022: EUR 29 thousand gain).

(16) Income tax for the reporting period

	2023 EUR'000	2022 EUR'000
Current tax	16 134	14 019
Deferred tax	(1 933)	200
	14 201	**14 218**

Reconciliation of effective income tax:

	2023 EUR'000	2022 EUR'000
Profit before corporate income tax from continuing operations	58 345	48 897
Profit before corporate income tax from discontinued operations	-	9 058
Accounting profit before income tax	**58 345**	**57 955**
Theoretical corporate income tax, 24.94%	14 551	14 454
Corporate income tax relief due to donation, if applicable	-	(318)
Tax effect of permanent differences related to non-deductible expenses/non-taxable income	1 069	103
Impact of tax rate in other jurisdictions	(1 419)	2 089
Corporate income tax for the reporting period	**14 201**	**16 328**
Income tax expense reported in the statement of profit or loss from continuing operations	14 201	14 218
Income tax attributable to a discontinued operation	-	2 109

The tax charge in 2023 was mainly created by our biggest profitable countries and entities: Czech Republic, Spain, Philippines and TBI Financial Services (Bulgaria).

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 undertaken by the local tax authorities in 4finance Spain Financial Services S.A.U. (Spain) and Online Loans Philipinas Financing Inc. (Philippines). The Group expects both audits to finish in 2024 and does not expect any incremental tax provision to be necessary.

(16) Income tax for the reporting period (continued)

Referring to information provided in year 2022 Financial Statement: as a result of the tax audit conducted in year 2022 in 4finance ApS (Denmark) the Tax authorities have issued two decisions on tax assessment. In the year 2022, 4finance ApS appealed the respective decisions to National Tax Tribunal. 4finance ApS management (supported by tax and legal professional advisors) believes that the decision of National Tax Tribunal shall be positive for the company. As a result, no tax provisions were recognized neither in 4finance ApS 2022 figures, nor in 2023 figures.

Income tax liability as of 31 December 2023 was EUR 12 330 thousand (as restated for 31 December 2022: EUR 9 895 thousand), while income tax advances as of 31 December 2023 were EUR 3 589 thousand (as restated for 31 December 2022: EUR 5 743 thousand).

(17) Discontinued operations

There were no discontinued operations in the year 2023.

In early April 2022, proposed legislation has been advanced in the Polish parliament ("Special Solutions Counteracting Supporting Aggression against Ukraine and Serving Protection of National Security in Poland") which would give the Ministry of the Interior sweeping powers to sanction entities directly or indirectly connected to or associated with Russian nationals. In light of this process, the Group took the decision to sell the Polish business on 13 April 2022, Soonly Finance Sp.z.o.o. (formerly Vivus Finance Sp.z.o.o.), to local management for a purchase price of EUR 18 million, being approximately the book value of the business, payable in instalments over 3 years.

In 2022 financial statements, Soonly Finance Sp.z.o.o. was classified as a discontinued operation. The comparative consolidated statement of comprehensive income in 2022 has been restated to show discontinued operations separately from continuing operations.

The contribution to results of Soonly Finance Sp.z.o.o. for the period are presented below:

(a) Results of discontinued operations

	2023	**01.01.2022-13.04.2022**
	EUR'000	**EUR'000**
Interest income	-	20 865
Interest expense	-	(1 345)
Net impairment losses	-	(475)
Net other expenses	-	(7 664)
Results from operating activities	**-**	**11 381**
Income tax for the reporting period	-	(2 109)
Results from operating activities, net of tax	**-**	**9 272**
Loss on sale of discontinued operations	-	(2 323)
Profit for the period from discontinued operations	**-**	**6 949**

(17) Discontinued operations (continued)

(b) Cash flows (used in) discontinued operations

	2023	01.01.2022-13.04.2022
	EUR'000	EUR'000
Net cash from operating activities	-	14 736
Net cash used in investing activities	-	(91)
Net cash flow used in financing activities	-	(11 934)
Net cash flow for the period	**-**	**2 711**

Earnings per share

	2023	01.01.2022-13.04.2022
	EUR	EUR
Basic, profit for the period from discontinued operations	-	0.002
Diluted, profit for the period from discontinued operations	-	0.002

(c) Effect of disposal on the financial position of the Group

	13.04.2022
	EUR'000
Cash and cash equivalents	8 668
Net receivables due from customers	44 683
Other assets	5 994
Loans and borrowings	(31 428)
Other liabilities	(8 846)
Net assets and liabilities	**19 070**
Consideration received, satisfied in cash	—
Cash and cash equivalents disposed of	(8 668)
Net cash outflows	**(8 668)**
Net assets and liabilities	19 070
Discounted purchase price receivable	(16 747)
Loss on sale of discontinued operations	**2 323**

The Poland nominal purchase price receivable of EUR 18 million is shown net of discounting equal to EUR 16.7 million at date of transaction in 2022. Payment is due in equal parts payable yearly over 3 years period, please see note (24) Other assets for values as at 31 December 2023.

(18) Cash and cash equivalents

	31.12.2023 EUR'000	31.12.2022 EUR'000
Bank balances	58 518	61 088
Cash at central banks other than the minimum statutory reserve	74 985	94 462
Cash and cash equivalents in the statement of cash flows	**133 503**	**155 550**
Minimum statutory reserve	128 056	66 018
Total cash on hand and cash at central banks	**261 559**	**221 568**

As at 31 December 2023, the statutory minimum reserves held with the Bulgarian National Bank (BNB) by TBI Financial Services amount to 12% (31 December 2022: 10%) of the deposits attracted, 12% (31 December 2022: 5%) of funds attracted from abroad and 0% of the funds attracted from other local banks.

As at 31 December 2023, the statutory minimum reserves held at the National Bank of Romania (NBR) amounted to 8% of the funds attracted in new Romanian Lei and 5% 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.

(19) Net receivables due from customers

Summary

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

	Gross receivables 31.12.2023 EUR'000	Allowance for impairment 31.12.2023 EUR'000	Net receivables 31.12.2023 EUR'000	Gross receivables 31.12.2022 EUR'000	Allowance for impairment 31.12.2022 EUR'000	Net receivables 31.12.2022 EUR'000
4finance Group	172 055	(37 576)	134 479	166 118	(26 860)	139 258
TBI Financial Services	1 039 616	(89 681)	949 935	777 623	(70 503)	707 121
	1 211 671	**(127 257)**	**1 084 414**	**943 741**	**(97 363)**	**846 379**

(19) Net receivables due from customers (continued)

4finance Group

	31.12.2023 EUR'000	31.12.2022 EUR'000
Long-term loans due from customers	34 838	36 957
Allowance for impairment of long-term loans due from customers	(6 799)	(3 340)
Long term	**28 039**	**33 617**
Short-term loans due from customers	137 217	129 161
Allowance for impairment of short-term loans due from customers	(30 777)	(23 520)
Short term	**106 440**	**105 641**
	134 479	**139 258**

The 4finance Group's long-term and short-term loans consist of loan balances not exceeding EUR 15 000 per loan (31 December 2022: EUR 15 000 and maturity of up to 7 years) with maturity of up to 7 years. The average loan size in 2023 was EUR 159 (2022: EUR 254). The loans are not collateralized.

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

Allowance for impairment	2023 EUR'000	2022 EUR'000
Balance at the beginning of period	26 860	40 627
Charge for the period in continued operations	99 152	68 768
Amounts written-off in continued operations	(50 347)	(29 478)
Derecognised on disposal of portfolio in continued operations	(37 689)	(41 632)
Change in allowance for impairment in discontinued operations	-	(14 851)
Recognised on acquisition	-	3 472
Currency effect in continued operations	(400)	(46)
Balance at period end	**37 576**	**26 860**

The net gain from debt sales of loan portfolios in the 4finance Group is EUR 1 242 thousand (2022: EUR 4 416 thousand) due to less active debt sales markets in the first half of 2023.

Movements in the allowance for impairment include movements of EUR 1 887 thousand (2022: EUR 0) on receivables recognized under IFRS 15, which are included in the balance of Other assets (Note 24).

(19) Net receivables due from customers (continued)

Loans by country and currency:

	Gross receivables 31.12.2023 EUR'000	Allowance for impairment 31.12.2023 EUR'000	Net receivables 31.12.2023 EUR'000	Gross receivables 31.12.2022 EUR'000	Allowance for impairment 31.12.2022 EUR'000	Net receivables 31.12.2022 EUR'000
Latvia (EUR)	86 966	(14 165)	72 801	77 305	(7 027)	70 278
Spain (EUR)	42 919	(15 435)	27 484	36 783	(11 295)	25 488
Czech Republic (CZK)	16 395	(2 596)	13 799	17 988	(2 873)	15 115
Philippines (PHP)	12 770	(2 619)	10 151	10 955	(1 607)	9 348
Lithuania (EUR)	6 331	(1 319)	5 012	12 332	(2 178)	10 154
Sweden (SEK)	5 941	(1 279)	4 662	7 610	(704)	6 906
Denmark (DKK)	633	(99)	534	3 144	(1 175)	1 969
Mexico (MXN)	99	(64)	35	-	-	-
Other	-	-	-	1	(1)	-
	172 055	**(37 576)**	**134 479**	**166 118**	**(26 860)**	**139 258**

TBI Financial Services

Loans to customers

	2023 EUR'000	2022 EUR'000
Individuals	883 070	645 482
Corporate clients	155 386	131 141
Staff	1 161	1 001
Total loans to customers	**1 039 616**	**777 623**
Allowance for impairment	(89 681)	(70 503)
Total net loans to customers	**949 935**	**707 121**

Loans to customers include accrued interest amounting to EUR 19 796 thousand (2022: EUR 14 797). Loans to customers bearing floating interest rates amount to EUR 132 698 thousand (2022: EUR 105 152 thousand), and loans to customers bearing fixed interest rates amount to EUR 916 486 thousand (2022: EUR 681 083 thousand).

(19) Net receivables due from customers (continued)

Allowance for impairment

The movement in allowance for impairment is as follows:

Allowance for impairment for individually assessed financial assets

	2023 EUR'000	2022 EUR'000
Balance at the beginning of period	**988**	**1 392**
Charge for the period in continued operations	402	(333)
Amounts written-off	(553)	(71)
Currency effect	(4)	-
Balance at period end	**833**	**988**

Allowance for impairment for collectively assessed financial assets

	2023 EUR'000	2022 EUR'000
Balance at the beginning of period	**69 515**	**50 522**
Charge for the period in continued operations	70 792	48 235
Amounts written-off	(51 027)	(29 203)
Currency effect	(431)	(39)
Balance at period end	**88 848**	**69 515**

Net gain from debt sales of portfolio in TBI Financial Services is EUR 6 186 thousand (2022: EUR 5 977 thousand).

Notes to the Consolidated Financial Statements

(19) Net receivables due from customers (continued)

Structure of the loan portfolio by economic sectors

	Gross receivables 31.12.2023 EUR'000	Allowance for impairment 31.12.2023 EUR'000	Net receivables 31.12.2023 EUR'000	Gross receivables 31.12.2022 EUR'000	Allowance for impairment 31.12.2022 EUR'000	Net receivables 31.12.2022 EUR'000
Individuals	882 818	(86 292)	796 526	645 482	(65 801)	579 681
Construction and real estate	105 858	(508)	105 350	73 421	(1 191)	72 230
Services	18 302	(673)	17 628	18 066	(1 041)	17 025
Commerce	13 019	(1 156)	11 863	11 998	(1 352)	10 646
Other financial institutions	10 059	(192)	9 866	12 539	(178)	12 361
Tourism	3 468	(275)	3 193	8 815	(185)	8 630
Manufacturing	3 386	(303)	3 083	4 157	(430)	3 727
Agriculture	1 547	(241)	1 306	2 144	(296)	1 848
Staff	1 161	(40)	1 121	1 001	(29)	972
Total loans to customers	**1 039 616**	**(89 681)**	**949 935**	**777 623**	**(70 503)**	**707 121**

(20) Net investments in finance leases

	31.12.2023 EUR'000	31.12.2022 EUR'000
Gross investment in finance leases:		
Not later than one year	237	967
Later than one and not later than five years	208	746
Later than five years	1 425	391
	1 870	**2 104**
Unrealised finance income	(12)	(14)
	1 858	**2 090**
Less allowance for impairment	(517)	(209)
Net investment in finance leases	**1 341**	**1 881**
Net investment in finance leases		
Not later than one year	201	960
Later than one and not later than five years	114	586
Later than five years	1 026	336
	1 341	**1 881**

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

(20) Net investments in finance leases (continued)

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

	2023	2022
	EUR'000	EUR'000
As of 1 January	209	238
Impairment loss allowance charged	477	16
Reversed	(168)	(47)
Foreign exchange difference	-	2
As of 31 December	**517**	**209**

(21) Debt and Equity investments

	31.12.2023	31.12.2022
	EUR'000	EUR'000
Debt securities - listed	147 740	67 667
Investments in equities	54	53
	147 794	**67 719**

Debt securities as at 31 December 2023 include EUR 141 737 thousand (31 December 2022: EUR 62 083 thousand) of government bonds and EUR 6 004 thousand of corporate bonds measured at FVOCI (31 December 2022: EUR 794) held by TBI Financial Services.

Government bonds held by TBI Financial Services increased as at 31 December 2023 mainly due to the purchase of multiple government bonds amounting to EUR 79 653 thousand. As at 31 December 2022 Government bonds held by TBI Financial Services increased mainly due to purchase of two USA government bonds amounting EUR 13 849 thousand.

(22) Net loans to related parties

	Maturity	Interest rate	Principal amount 31.12.2023	Principal amount 31.12.2022	Accrued interest 31.12.2023	Accrued interest 31.12.2022
			EUR'000	EUR'000	EUR'000	EUR'000
4finance Group S.A.	Dec 2024	14.00%	26 475	26 491	-	21
Ondal Finance Ltd	Jan 2024	0.00%	3 497	-	-	-
Vane GmbH	Jan 2025	12.00%	502	474	-	-
Digital Finance International (Cyprus) Limited	Jan 2024	15.00%	490	500	19	19
MKD Digital Finance International d.o.o.	Dec 2023	13.75%	-	700	-	11
Other	Dec 2024	15.00%	398	561	15	30
			31 362	**28 726**	**34**	**81**

All loans to related parties are unsecured.

(22) Net loans to related parties (continued)

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

The Group has a minority ownership position in Vane GmbH and joint venture in Ondal Finance Ltd. The Group has provided financing to the companies to support its growth, see note (25) Investment in associates and joint ventures.

(23) Net loans to other parties

			Principal amount		Accrued interest	
	Maturity	**Interest rate**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
			EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Soonly Finance SP.z o.o	Sep 2026	14.00%	31 918	29 590	-	-
Other	Apr-Dec 2023	13.75%-15.00%	-	2	-	-
			31 918	**29 592**	**-**	**-**

On 13 April 2022, the Group sold its Polish business to local management and the loan extended to Soonly Finance SP.z o.o (formerly Vivus Finance SP.z o.o) remained in place.

(24) Other assets

	31.12.2023	**31.12.2022**
	EUR'000	**EUR'000**
Receivables from trade partners	38 707	26 985
Poland net purchase price receivable	11 570	17 070
Repossessed real estate	3 453	3 708
- less accumulated impairment	(805)	(235)
Other repossessed assets	1 345	1 216
-less accumulated impairment	(240)	(242)
Security deposits	677	630
FX hedging - funds on margin	7	2 027
Other receivables	2 044	1 220
	56 758	**52 379**

The majority of the Receivables from trade partners and Other receivables are at TBI Financial Services and includes merchant and debt sales counterparties.

The Poland nominal purchase price receivable at 31 December 2023 of EUR 12 million is shown net of discounting (31 December 2022: EUR 18 million). Discounting is used because payment is due in equal parts payable yearly over 3 years period.

Repossessed real estate and other repossessed assets are assets held for sale in TBI Financial Services. Assets are measured at net realizable value.

(24) Other assets (continued)

FX hedging – funds on margin includes Group's EUR/PLN, EUR/CZK, EUR/SEK and EUR/RON currency hedges.

Other receivables as at 31 December 2023 includes other receivables from related parties of EUR 118 thousand (31 December 2022: EUR 124 thousand).

(25) Investment in associates and joint ventures

	31.12.2023 EUR'000	31.12.2022 EUR'000
Investments in associates and joint ventures	989	1 258
	989	**1 258**

Investments in associates measured using equity method consists of EUR 989 thousand (31 December 2022: EUR 1 258 thousand) investment in participation of 24.09% in Vane GmbH, a non-listed limited liability German company. The Group has significant influence over but does not control the company as the ownership of 24.09% 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. Afterwards share ownership % has slightly decreased due to share dilution. As of 31 December 2023, the investment was decreased by EUR 1 153 thousand (31 December 2022: EUR 884 thousand), which is the Group's share of the cumulative net loss from the acquisition moment and additional assessed impairment. In 2023 the net reduction of the investment recognized is EUR 270 thousand (2022: loss of EUR 122 thousand). The company is an online platform that offers working capital solutions to digital media businesses.

On 10 February 2023, 4finance Holding S.A. together with 4finance Group S.A. established Ondal Finance Limited. Both companies have each 50% of ownership of Ondal Finance Limited, however a 3rd party has a call option to purchase 50% of 4finance Group S.A. owned shares in accordance with the option agreement. As at 31.12.2023 the call option has not been exercised. 4finance Holding S.A. interest is accounted for using the equity method. Summarized unaudited financial information of the joint venture based on IFRS adopted by EU, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below.

(25) Investment in associates and joint ventures (continued)

Summarized statement of financial position of Ondal Finance Limited:

	31.12.2023 EUR'000
Assets	
Net receivables	2 353
Cash and cash equivalents and other assets	1 214
Total assets	**3 567**
Liabilities	
Loans and borrowings from 4finance Holding S.A.	(3 567)
Other liabilities	-
Total liabilities	**(3 567)**
Total equity	-
Group's share in equity - 50%	-
Goodwill	-
Group's carrying amount of the investment	-

Summarized statement of profit or loss of Ondal Finance Limited:

	10.02.2023 - 31.12.2023 EUR'000
Interest income	2 818
Total operating costs	(1 851)
Net impairment losses	(968)
Profit before tax	-
Income tax expense	-
Net profit after tax	-
Total comprehensive income	-
Group's share of profit - 50%	-

The joint venture had no other contingent liabilities or commitments as of 31 December 2023. The entity cannot distribute its profits without the consent of the two venture partners. In the year 2023 dividends have not been distributed.

(26) 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 2021	**21 042**	**2 380**	**3 712**	**4 560**	**1 628**	**33 322**
Right-of-use assets	(1 280)	—	—	—	10	(1 270)
Additions	207	781	182	2 625	—	3 795
Disposals	—	(656)	(1 102)	(860)	(56)	(2 674)
Reclassification of fixed assets	66	28	—	(94)	—	—
Effect of changes in foreign exchange rates	—	15	56	(39)	—	32
31 December 2022	**20 035**	**2 548**	**2 848**	**6 192**	**1 582**	**33 205**
Accumulated depreciation and impairment						
31 December 2021	**7 757**	**1 502**	**3 132**	**1 838**	**992**	**15 221**
Right-of-use assets	(414)	—	—	—	(37)	(451)
Depreciation	650	285	179	894	1	2 009
Disposals	—	(299)	(996)	(452)	(56)	(1 803)
Impairment loss or reversal	—	(23)	(28)	(14)	—	(65)
Effect of changes in foreign exchange rates	—	4	55	24	—	83
31 December 2022	**7 993**	**1 468**	**2 342**	**2 291**	**900**	**14 994**
31 December 2021	**13 285**	**878**	**580**	**2 722**	**636**	**18 101**
31 December 2022	**12 042**	**1 080**	**506**	**3 901**	**682**	**18 211**

(26) 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 2022	**20 035**	**2 548**	**2 848**	**6 192**	**1 582**	**33 205**
Right-of-use assets	(1 823)	-	-	-	392	(1 431)
Additions	-	641	488	2 356	-	3 486
Disposals	(14)	(106)	(292)	(207)	(197)	(816)
Reclassification of fixed assets	-	(8)	(3)	8	-	(3)
Effect of changes in foreign exchange rates	(19)	(1)	(27)	(18)	(1)	(66)
31 December 2023	**18 179**	**3 074**	**3 014**	**8 331**	**1 776**	**34 375**
Accumulated depreciation and impairment						
31 December 2022	**7 993**	**1 468**	**2 342**	**2 291**	**900**	**14 994**
Right-of-use assets	(69)	-	-	-	164	95
Depreciation	171	432	224	1 112	-	1 939
Disposals	-	(100)	(292)	(177)	(197)	(766)
Reclassification of fixed assets	-	-	(3)	-	-	(3)
Effect of changes in foreign exchange rates	(6)	(1)	(22)	(18)	(1)	(48)
31 December 2023	**8 089**	**1 799**	**2 249**	**3 208**	**866**	**16 211**
31 December 2022	**12 042**	**1 080**	**506**	**3 901**	**682**	**18 211**
31 December 2023	**10 090**	**1 275**	**765**	**5 123**	**910**	**18 164**

As of 31 December 2023, property and equipment includes right-of-use assets of EUR 7 213 thousand related to leased branches, office premises and motor vehicles (2022: EUR 8 738 thousand). For details see Note (34) Right-of-use assets and lease liabilities.

(27) 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	Total EUR'000
Cost					
31 December 2021	**9 212**	**10 400**	**15 856**	**1 803**	**37 271**
Additions	4 688	6 134	12 182	1 170	24 174
Disposals and write-offs	(2 340)	(1 886)	-	(1 401)	(5 627)
Reclassification	268	130	-	(398)	-
Effect of changes in foreign exchange rates	2	161	(456)	6	(287)
31 December 2022	**11 830**	**14 939**	**27 582**	**1 180**	**55 531**
Accumulated amortisation and impairment					
31 December 2021	**4 605**	**5 344**	**-**	**-**	**9 949**
Amortisation	1 233	736	-	-	1 969
Amortisation of disposals	(898)	(321)	-	-	(1 219)
Reclassification	(1)	1	-	-	—
Effect of changes in foreign exchange rates	2	157	-	-	159
31 December 2022	**4 941**	**5 917**	**-**	**-**	**10 858**
31 December 2021	**4 607**	**5 056**	**15 856**	**1 803**	**27 322**
31 December 2022	**6 889**	**9 022**	**27 582**	**1 180**	**44 673**

(27) 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	Total EUR'000
Cost					
31 December 2022	**11 830**	**14 939**	**27 582**	**1 180**	**55 531**
Additions	6 531	6 033	32	3 253	15 849
Disposals and write-offs	(210)	(1 174)	-	(164)	(1 548)
Reclassification	5 631	(3 985)	-	(1 646)	-
Effect of changes in foreign exchange rates	(20)	(93)	(376)	(35)	(524)
31 December 2023	**23 762**	**15 720**	**27 238**	**2 588**	**69 308**
Accumulated amortisation and impairment					
31 December 2022	**4 941**	**5 917**	-	-	**10 858**
Amortisation	1 814	854	-	-	2 668
Amortisation of disposals	(7)	(152)	-	-	(159)
Impairment loss	(9)	(323)	-	-	(332)
Effect of changes in foreign exchange rates	(8)	(73)	-	-	(81)
31 December 2023	**6 730**	**6 223**	-	-	**12 953**
31 December 2022	**6 889**	**9 022**	**27 582**	**1 180**	**44 673**
31 December 2023	**17 032**	**9 497**	**27 238**	**2 588**	**56 355**

Software and other intangible assets consist of internally generated and other intangible assets. 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 2023 was performed, taking into consideration future performance of cash generating units. A cash generating unit is a product (instalment loan, single payment loan or minimum to pay 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 such intangible assets and development costs and recognized as non-recurring expenses, for details see Note (13) Non-recurring expense.

(27) Intangible assets and goodwill (continued)

Goodwill

In September 2023 the Group purchased Wikipro, SA de CV in Mexico which resulted in recognition of goodwill of EUR 32 thousand.

Acquisition of TBI Financial Services

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

For the twelve months ended 31 December 2023 consolidated TBI Bank EAD interest income revenues amounted to EUR 198 937 thousand (2022: EUR 139 113 thousand) and profit to EUR 42.4 million (2022: EUR 36.4 million).

TBI Financial Services goodwill impairment test

As of 31 December 2023, and 2022, goodwill was tested for impairment. The goodwill impairment test was performed for cash generating unit. Due to the fact that TBI Bank EAD constitutes the major part of the TBI Financial Services operations and assets then goodwill was fully allocated to TBI Bank EAD. The recoverable amounts for TBI Bank EAD were calculated based on the market value where market value is estimated using equity coefficient of around 1 and being around EUR 228 million. No impairment losses were recognized as the recoverable amounts including goodwill were determined to be higher than its carrying amounts.

The results of the sensitivity analysis indicate that for TBI Bank EAD, if the equity value would decrease by around EUR 146 million then then the recoverable amount would be slightly below the carrying amount including goodwill (i.e. goodwill would become impaired).

Acquisition of Online Loans Pilipinas Financing, Inc

In 2022 the Group completed the acquisition of digital lender Online Loans Pilipinas Financing, Inc (Philippines) (OLP), effective 1 April 2022, by purchasing its holding company, Betont Pte, Ltd (Singapore). The Group acquired 100% of the business for EUR 6.6 million, with an additional EUR 4.9 million of funding to replace existing debt. The purchase price was paid in cash. An earn-out payment payable subject to 2022 audited IFRS net profit was estimated to be EUR 8 million and was paid in 2023 in full.

OLP is registered as a financing company with the Securities and Exchange Commission of the Philippines and offers both instalment and single payment loans with a range of related services.

The fair value of the purchase price was determined based on estimating future cash flows and using normalized net profit multipliers in range of scenarios. The acquisition was performed to enable the Group to enter a new market, restore geographic diversity and generate additional income. For the twelve months ended 31 December 2023, Online Loans Pilipinas Financing, Inc finance income amounted to EUR 28.0 million (2022: EUR 30.4 million), net profit amounted to EUR 2.7 million (2022: EUR 5.8 million).

(27) Intangible assets and goodwill (continued)

Identifiable assets acquired and liabilities assumed

The following summarises the recognised consolidated amount of assets acquired, and liabilities assumed of Betont Pte, Ltd group at the acquisition date:

	01.04.2022 EUR'000
Net receivables due from customers	7 328
Other assets	1 079
Cash and cash equivalents	1 526
Trade and other liabilities (incl. intercompany loans)	(7 481)
Total identifiable net assets (100%)	2 452

The asset and liability values above are estimated to be fair values. These values did not significantly differ from the net book values presented in the balance sheet because majority of the assets and liabilities are short term.

The fair value of the Betont Pte, Ltd shares acquired is larger than the fair value of the individual net assets acquired, therefore goodwill is recognised.

Goodwill arising from the acquisition was as follows:

	01.04.2022 EUR'000
Fair value of the consideration	14 634
Fair value of identifiable net assets acquired	(2 452)
Goodwill	12 182

Goodwill represents the positive value that Online Loans Pilipinas Financing, Inc is planning to generate in the future by earning revenues and profits. Non-controlling interest was recognised as 0.003% of the recognised amount of the identifiable net assets of the acquired Online Loans Pilipinas Financing, Inc.

Goodwill arising from the acquisitions was EUR 12 182 thousand as of purchase date. The goodwill allocated is revaluated using the period end FX. As of 31 December 2023 the goodwill decreased by EUR 376 thousands (2022: EUR 456 thousands) compared to prior year and amounted to EUR 11 350 thousand (2022: EUR 11 726 thousands).

OLP goodwill impairment test

OLP was assessed as one cash generating unit and goodwill as of period end 2023 was EUR 11 350 thousand (2022: EUR 11 726 thousand). An impairment test was undertaken on this unit based on value in use calculated using future projected cashflows. The company was profitable in last years and is expected to be profitable in the next years. Based on this impairment test, it was found that goodwill was not impaired.

The value in use was calculated based on the free cash flows to entity discounted by the WACC estimated to be 10% (2022: 11%) (rounded to the nearest whole number). Three years of cash flows were included in the discounted cash flow model. Projected revenue growth rates (per cent, compound annual growth rates) used in the goodwill impairment test were 2% (2022: 8%). A long-term growth rate into perpetuity was determined as 2% (2022: 2%).

(27) Intangible assets and goodwill (continued)

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 OLP, if free cash flows to entity decreased by 90% (2022: 76%), discount rate increased by 2% (2022: 2%), then the recoverable amount is slightly below the carrying amount including goodwill (i.e. goodwill would become impaired).

(28) Deferred tax assets

Deferred tax relates to the following temporary differences and tax losses carried forward. Movement in temporary differences and tax losses carried forward during the period ended 31 December 2023:

	Net balance of continued operations 1 January 2023	Recognised in profit or loss of continued operations	Effect of exchange rate fluctuations	Net balance 31 December 2023	Deferred tax assets
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impairment losses on loans and receivables	2 310	1 049	25	3 383	3 383
Property and equipment	5	7	0	13	13
Other liabilities	830	(73)	(1)	755	755
Tax loss carry-forwards	8 392	951	23	9 365	9 365
Net deferred tax assets	**11 537**	**1 934**	**46**	**13 516**	**13 516**

Movement in temporary differences and tax losses carried forward during the period ended 31 December 2022:

	Net balance of continued operations 1 January 2022	Net balance of discontinued operations 1 January 2022	Recognised in profit or loss of continued operations	Recognised in profit or loss of discontinued operations	Derecognized DTA on discontinued operations	Acquired through business combination	Effect of exchange rate fluctuations	Net balance 31 December 2022	Deferred tax assets
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impairment losses on loans and receivables	2 258	-	(690)	-	-	845	(103)	2 310	2 310
Property and equipment	9	15	(4)	27	(41)	-	(1)	5	5
Other liabilities	706	1 775	72	(84)	(1 659)	6	14	830	830
Tax loss carry-forwards	7 742	-	539	-	-	31	80	8 392	8 392
Net deferred tax assets	**10 715**	**1 790**	**(83)**	**(57)**	**(1 700)**	**882**	**(10)**	**11 537**	**11 537**

(28) Deferred tax assets (continued)

The Group has recognized deferred tax assets of EUR 13 516 thousand (31 December 2022: EUR 11 537 thousand) in Bulgaria, Czech Republic, Greece, Lithuania, Luxembourg, Philippines and Spain.

Deferred tax assets coming from tax losses carried forward as at 31 December 2023 related to Luxembourg, Spain, Philippines and TBI Financial Services' Greece entity, totaled EUR 9 365 thousand (31 December 2022: EUR 8 392 thousand). The Group has prepared detailed financial projections for these entities covering the 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 6 405 thousand deferred tax asset is recognized on tax loss having expiry period more than 5 years. And EUR 2 958 thousand deferred tax asset is recognized on tax loss having expiry period within 5 years.

The main reasons for the increase of deferred tax asset value of continued operations in the reporting period compared to year 2022 are:

- DTA increase by EUR 1 167 thousand in TBI Financial Services mainly due to DTA recognition on tax loss in Greece;
- DTA increase by EUR 783 thousand in Peso Redee Financing Co. Inc., Philippines: mainly due to DTA recognition on tax loss and impairments;
- DTA increase by EUR 151 thousand in Online Loans Pilipinas Financing Inc., Philippines: mainly due to DTA recognition on impairments;
- DTA increase by EUR 105 thousand in Zaplo Finance s.r.o., Czech Republic: mainly due to DTA recognition on impairments;
- DTA reduction by EUR 228 thousand in 4finance Spain Financial Services S.A.U., Spain: net DTA movement in result of DTA de-recognition on tax loss usage and DTA recognition on impairments.

(29) Loans and borrowings

	31.12.2023 EUR'000	31.12.2022 EUR'000
Long term		
Notes	275 987	260 966
MREL eligible instruments	22 669	20 722
	298 656	**281 688**
Short term		
Notes	2 609	1992
MREL eligible instruments	343	97
Other loans	0	990
	2 953	**3 078**
Total	**301 609**	**284 766**

(29) Loans and borrowings (continued)

Detailed information regarding loans and borrowings, net of unamortised issuance costs, can be seen below:

			Principal amount		Accrued interest	
	Maturity	Interest rate	31.12.2023	31.12.2022	31.12.2023	31.12.2022
			EUR'000	EUR'000	EUR'000	EUR'000
Notes:						
EUR 2026 Notes	Oct 2026	10.75%	122 292	120 389	2 416	2 391
EUR 2028 Notes	May 2028	11.25%	121 906	128 498	1 480	1 534
TBI Notes	Jun 2026	9.00%	10 000	-	503	-
TBI Notes	Jul 2031	5.25%	10 000	10 000	25	146
TBI Notes	Sep 2026	9.00%	9 973	-	-	-
Notes Total:			**274 172**	**258 887**	**4 424**	**4 071**
MREL eligible instruments:						
MREL eligible instruments	Nov 2025 - Aug 2028	5.00%-7.00%	22 669	20 722	343	97
MREL eligible instruments Total:			**22 669**	**20 722**	**343**	**97**
Other:						
Other loans	Sep 2023	1M EURIBOR +1.20%	0	987	-	2
			296 842	**280 596**	**4 767**	**4 170**

As of 31 December 2023, the Group had loans and borrowings of EUR 301 609 thousand, compared with EUR 284 766 thousand as of 31 December 2022. As of 31 December 2023, the 4finance S.A. holds €39.6 million of its EUR 2026 bonds and €4.3 million of its EUR 2028 bonds in treasury.

In May 2016, 4finance S.A. issued EUR 100.0 million of 11.25% notes (the 'EUR 2028 Notes') which are senior to all of the Group's future subordinated debt. The 2028 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50.0 million of EUR Notes were issued at par, and the maturity was extended in 2020 and 2021. Following a bondholder vote, in December 2023 the maturity of the EUR bonds was extended to May 2028. The Group also cancelled €15.0 million of these bonds. They are currently callable at 104%.

In July 2021, TBI Bank EAD issued €10.0 million of 5.25% 10 year notes, in June 2023 issued €10.0 million of 9.00% 3 year notes and in December 2023 issued €10.0 million of 9.00% 3 year notes (the 'TBI Notes'). The Notes are listed on the Bulgarian Stock Exchange and will mature in July 2031, June 2026 and September 2026.

(29) Loans and borrowings (continued)

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

In Q4 2022, TBI Bank EAD issued €20.7 million of MREL (minimum requirement for own funds and eligible liabilities, set by the regulator for TBI Bank EAD) eligible instruments with interest rates in range from 5% to 7% and terms from 4 to 5 years. Attraction of these instruments allows the bank to meet the regulatory requirement for the MREL ratio (including capital and other MREL eligible instruments).

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 EUR'000	MREL EUR'000	Other loans EUR'000	Retained earnings EUR'000
Balance at 1 January 2023	**262 957**	**20 819**	**990**	**193 630**
Loans received and notes issued	20 000	6 534	3 232	-
Repayment of loans and notes	(3 400)	(4 586)	(4 232)	
Total changes from financing cash flows	**16 600**	**1 948**	**(1 000)**	**-**
Other changes				
Liability-related				
Interest payments	(28 467)	(1 076)	(12)	-
Costs of notes issuance and premium on repurchase of notes	(2 640)	-	-	-
Interest expense	31 133	1 340	14	-
Foreign exchange impact	-	(18)	-	-
Other	(987)	-	9	-
Total liability-related other changes	**(961)**	**246**	**10**	**-**
Total equity-related other changes	**-**	**-**	**-**	**43 606**
Balance at 31 December 2023	**278 596**	**23 013**	**-**	**237 236**

Notes to the Consolidated Financial Statements

(30) Deposits from customers

	31.12.2023 EUR'000	31.12.2022 EUR'000
Corporate customers		
Term deposits	42 133	27 855
Current/settlement accounts	26 588	50 550
Individuals		
Term deposits	938 423	636 767
Current/settlement accounts	104 318	66 501
Total	**1 111 462**	**781 672**

As a credit institution, deposits are a normal part of the activity of TBI Financial Services, it provides only fixed rate deposits, most of which mature within 12 months. The average cost on these deposits for TBI Financial Services during 2023 was 3.6% (2022: 2.9%) per annum (average costs includes interest expense on deposits divided by current account and term deposit balances regardless of maturity, currency and geographic location).

The significant increase in deposits in 2023 was due to TBI Financial Services general policy to attract funds in order to expand their credit activities.

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

(31) Other liabilities

	31.12.2023 EUR'000	31.12.2022 EUR'000
Prepayments in TBI received on customer loans	24 244	22 616
Accounts payable to trade partners	21 288	11 407
Accrued payables to employees	12 963	12 631
Accrued expenses	12 621	10 714
Right-of use liabilities	8 342	9 191
Taxes payable	3 857	2 634
FX hedging liabilities	2 655	975
Faulty payments received	685	1 877
Overpayments received from clients	473	1 611
Philippines acquisition earnout	-	8 000
Other liabilities	9 630	11 979
	96 758	**93 635**

Prepayments in TBI received on customer loans relate to TBI Financial Services on loans to individuals and represent instalments that have not yet matured. Upon request by a customer, TBI Financial Services is obliged to repay the amounts to the respective borrower.

(31) Other liabilities (continued)

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

Philippines acquisition earnout has been fully paid as of 31 December 2023, refer to Note (27).

The majority of the accounts payable to trade partners and other liabilities are at TBI Financial Services and are non-interest bearing.

(32) Share capital

The share capital of the Group as of 31 December 2023 was EUR 35 750 thousand (31 December 2022: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2022: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2022: EUR 0.01), fully paid via a contribution-in-kind.

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

Equity includes a negative reorganization reserve of EUR 31 240 thousand (31 December 2022: 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 2023, 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 owner of the Group is Edgars Dupats owning 29.47% in Tirona Limited (2022: Edgars Dupats 29.47%). The remaining 70.53% (2022: 70.53%) are owned by minority shareholders, each holding less than 10% of shares in Tirona Limited.

(33) Contingent liabilities and irrevocable commitments

The Group's contingent liabilities, excluding TBI Financial Services, are related to its commitments such as extended credit lines intended to meet the requirements of customers and others. There are no outstanding credit line balances at 31 December 2023.

TBI Financial Services 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 TBI Financial Services 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 TBI Financial Services to maintain amounts available up to those agreed in 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 TBI Financial Services. Guarantees and letters of credit oblige TBI Financial Services, 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, TBI Financial Services recognises the provision in its financial statements for the period of the occurred change.

(33) Contingent liabilities and irrevocable commitments (continued)

The contingent liabilities and irrevocable commitments (except operating lease commitments) of TBI Financial Services at 31 December 2023 are as follows:

	31.12.2023 EUR'000	31.12.2022 EUR'000
Guarantees		
Corporate clients	137	124
Undrawn credit commitments:		
Corporate clients	30 147	18 994
Individuals	79 403	49 363
	109 687	**68 481**

Undrawn credit commitments have increased year-on-year due to business development in Romania.

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 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 at 31 December 2023:

Right-of-use asset	**Building and land EUR'000**	**Motor Vehicles EUR'000**	**Total EUR'000**
Balance at 1 January 2023	**8 041**	**696**	**8 738**
Depreciation charge for the period	(2 868)	(434)	(3 303)
Additions to right-of-use assets	2 426	640	3 066
Modification of right-of-use assets	510	36	546
Derecognition of right-of-use assets	(1 804)	(1)	(1 805)
Currency revaluation reserve	(14)	(15)	(29)
Balance at 31 January 2023	**6 291**	**922**	**7 213**

Information about leases for which the Group is a lessee is presented as follows at 31 December 2022:

Right-of-use asset	**Building and land EUR'000**	**Motor Vehicles EUR'000**	**Total EUR'000**
Balance at 1 January 2022	**8 907**	**647**	**9 554**
Depreciation charge for the period	(2 203)	(939)	(3 142)
Additions to right-of-use assets	4 342	2 315	6 657
Modification of right-of-use assets	87	-	87
Derecognition of right-of-use assets	(3 068)	(1 344)	(4 412)
Currency revaluation reserve	(25)	17	(8)
Balance at 31 January 2022	**8 041**	**696**	**8 738**

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

Discounted lease liabilities are presented as follows:

	31.12.2023	31.12.2022
Current	2 985	3 169
Non-current	5 357	6 022
Total	**8 342**	**9 191**

Weighted average incremental borrowing rate in 2023 was 2.48% (2022: 2.23%).

In 2023, EUR 3 616 thousand (2022: EUR 3 350 thousand) was recognized as a net expense in the income statement in respect of operating leases including EUR 219 thousand (2022: EUR 216 thousand) of interest expenses. Sublease income in 2023 was EUR 15 thousand (2022: EUR 0).

In 2023, cash outflow for leases was EUR 3 265 thousand (2022: EUR 3 529 thousand).

(35) Related party transactions

(a) Transactions with parent and the related entities

Receivables:	**31.12.2023**	**31.12.2022**
	EUR'000	**EUR'000**
Loans issued to related parties (Note 22)	26 475	26 512
Other receivable	116	114
	26 591	**26 626**

Payables:	**31.12.2023**	**31.12.2022**
	EUR'000	**EUR'000**
Other payables	6	460
Loans and borrowings	-	719
	6	**1 179**

Income:	**2023**	**2022**
	EUR’000	**EUR’000**
Interest income (Note 6)	3 791	6 707
Income from services rendered	704	875
	4 495	**7 582**

Expense:	**2023**	**2022**
	EUR’000	**EUR’000**
Expense for services received	1 401	2 314
	1 401	**2 314**

(b) Transactions with associated companies

Receivables:	**31.12.2023**	**31.12.2022**
	EUR’000	**EUR’000**
Loans issued to related parties (Note 22)	3 999	474
	3 999	**474**

(35) Related party transactions (continued)

(c) Transactions with other related parties

Receivables:	**31.12.2023 EUR'000**	**31.12.2022 EUR'000**
Loans issued to related parties (Note 22)	922	1 822
Other receivable	2	10
	924	**1 832**

Income:	**2023 EUR'000**	**2022 EUR'000**
Interest income (Note 6)	145	245
Income from services rendered	21	52
	166	**297**

Total remuneration included in administrative expenses:

	2023 EUR'000	**2022 EUR'000**
Executive committee and Board members	3 549	2 426
	3 549	**2 426**

There are no outstanding balances as of 31 December 2023 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 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 2023, the share based payment reserve totaled EUR 2 085 thousand (31 December 2022: EUR 2 191 thousand). There was no expense recorded in 2023 (2022 expense of EUR 49 thousand).

(36) Personnel costs

	2023 EUR'000	**2022 EUR'000**
Type of costs		
Remuneration	70 064	64 629
Compulsory state social security contributions, pensions and other social security expenses	10 843	8 927
Equity-settled share-based payments	-	49
Other personnel costs	5 396	4 747
	86 302	**78 351**

Share-based payment arrangements

At 31 December 2023, the Group had the following share-based payment arrangements.

(36) Personnel costs (continued)

Equity-settled share option program

On 1 January 2018, the Parent company of the Group 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, option grants have initial contractual life of 10 years.

Grant date/employees entitled	Number of instruments	Vesting conditions	Remaining contractual life
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	4 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	5 years
Option grant to senior management at 1 January 2020	5 890	Quarterly in equal instalments over a three-year period starting on the grant date, subject to the continued employment	6 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 2020	Granted 1 Jan 2019	Granted 1 Jan 2018
Share option fair value at grant date	EUR 127.27	EUR 127.14	EUR 128.14
Parent company share value at grant date	EUR 127.28	EUR 127.15	EUR 128.15
Exercise price	EUR 0.01	EUR 0.01	EUR 0.01

As at 31 December 2023 no options were exercised, expired or forfeited (2022: 0), 2,788 were cancelled (2022: 1,958) and the total amount of exercisable options was 15,260 (2022: 15,709).

(37) Litigations

4finance Group has recognised EUR 7.6 million provisions in Spain as of 31.12.2023 (EUR 6.1 million 31.12.2022), relating to a number of customer redress claims mostly for usurious interest rates brought against 4finance Group. In 2023, the provision was increased by EUR 1.5 million net after provision reversal made in amount of EUR 2 million.

Furthermore, the Group expects that in future there could be more claims and considers it as a contingent liability, however there is uncertainty about the amount or timing of it. Consequently, the Group did not recognise a provision for the contingent liability element.

Spain is an unregulated market, and so there is no specific applicable legislation regarding interest rates. However, in the past periods, the majority of such cases were decided in favour of customers based on a Spanish Supreme Court ruling from 2015 and subsequent rulings in 2020, 2022 and 2023 about usury in a different segment of consumer lending.

(37) Litigations (continued)

As such, the Group took the approach of provisioning for each claim based on the average historic amounts paid to the clients and legal fees. On average, it takes longer than 12 months for a legal claim to be heard in court, so starting from 2023, time value discounting of legal claims provision at 14% was introduced. Starting from 2019 and continuing throughout 2023, with the help of the Spanish Micro Loan Association which provides the appropriate reference rate for the specific product, including a recent publication of rates by the Consumer Institute attached to Castilla La-Mancha University, 4finance Group continuously sees favorable court rulings and is applying strong efforts to defend its legal position.

The Spanish Micro Loan Association has been working to raise public awareness of the systematic misapplication of the rates published by the Bank of Spain.

TBI Bank EAD faces a claim for allegedly due but unpaid lawyer fees to Right Decision EOOD for EUR 0.8 million. On 28 October 2020, the first court instance dismissed the claim of Right Decision EOOD in full. On 8 April 2022 Right Decision EOOD won the appeal and TBI Bank EAD subsequently made a complaint to the Supreme Court. A court hearing is scheduled to take place in April 2024. The outcome of the case remains uncertain.

(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.

31 December 2023	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	-	3 072	-	3 072
Debt and Equity investments	147 740	-	54	147 794
	147 740	**3 072**	**54**	**150 866**
Financial liabilities				
Derivatives	**-**	**1 134**	**-**	**1 134**

31 December 2022	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	-	5 017	-	5 017
Debt and Equity investments	62 878	-	53	62 930
	62 878	**5 017**	53	**67 947**
Financial liabilities				
Derivatives	**-**	**6 543**	**-**	**6 543**

(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 2023	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets					
Cash and cash equivalents	-	-	-	261 559	261 559
Placements with other banks	-	-	48 283	48 283	48 283
Net receivables due from customers	-	-	1 085 063	1 085 063	1 084 414
Net investments in finance leases	-	-	1 322	1 322	1 341
Net loans to related parties	-	-	32 199	32 199	31 396
Net loans to other parties	-	-	32 797	32 797	31 918
Investments in associates and joint ventures	-	-	989	989	989
Other financial assets	-	-	53 005	53 005	53 005
Financial liabilities					
Loans and borrowings	-	242 939	53 513	296 453	301 609
Deposits from customers	-	-	1 112 773	1 112 773	1 111 462
Other financial liabilities	-	-	85 307	85 307	85 307

31 December 2022	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets					
Cash and cash equivalents	-	-	-	221 568	221 568
Placements with other banks	-	-	35 712	35 712	35 712
Net receivables due from customers	-	-	863 690	863 690	846 379
Net investments in finance leases	-	-	2 126	2 126	1 881
Debt and equity investments	4 617	-	-	4 617	4 789
Net loans to related parties	-	-	31 654	31 654	28 807
Net loans to other parties	-	-	33 965	33 965	29 592
Investments in associates and joint ventures	-	-	1 258	1 258	1 258
Other financial assets	-	-	47 932	47 932	47 932
Financial liabilities					
Loans and borrowings	-	234 986	31 915	266 901	284 766
Deposits from customers	-	-	795 309	795 309	781 672
Other financial liabilities	-	-	84 895	84 895	84 895

(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 investments	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 investments	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. TBI Bank EAD issued MREL eligible instruments have been classified as Level 3 fair value measurement where fair value is calculated by discounting cash flows with year end market interest rate.

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 TBI Financial Services, all smaller segments are reported under other segments. Each segment is managed separately because they require different market 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 from continuing operations

Segment information for the main reportable business segments of the Group for the period ended 31 December 2023 is set out below:

EUR'000	Spain	Philippines	Latvia	Czech Republic	Sweden	Lithuania	Denmark	TBI Financial Services	All other segments *	Total Segments	Adjustments and eliminations	Consolidated
Interest income	76 950	36 818	34 114	23 842	5 108	1 645	1 048	196 525	8 508	384 558	1 437	**385 995**
Other operating income	46 486	14 688	447	23 145	510	87	173	1135 080	571 119	15 905	2 517	**18 422**
Interest expense	(3 504)	(781)	(5 450)	(1 360)	(955)	(731)	1 398	(36 099)	(30 041)	(78 921)	13 141	**(65 780)**
Net impairment losses on loans and receivables	(37 196)	(35 171)	(16 044)	(2 767)	(2 829)	(791)	1 411	(55 902)	402	(148 887)	439	**(148 447)**
Depreciation and amortization	(585)	(41)	(590)	(575)	(1)	(305)	(8)	(5 708)	(13)	(7 826)	(87)	**(7 914)**
Income tax for the reporting period	(2 541)	(262)	(52)	(1 604)	-	(105)	(405)	(8 162)	(349)	(13 480)	(720)	**(14 201)**
Reportable segment profit/ (loss) before tax from continued operations	10 460	867	4 186	9 401	(1 364)	491	1 960	50 756	(17 242)	59 515	(1 172)	**58 345**
Reportable segments assets	52 226	18 870	213 246	25 838	6 208	9 289	2 905	1 690 920	538 154	2 557 656	(792 711)	**1 764 945**
Reportable segments liabilities	44 097	11 954	65 729	16 675	5 403	6 262	869	1 256 611	444 631	1 852 231	(328 937)	**1 523 293**

*The main contributors to All other segments are 4finance Holding S.A. and 4finance S.A.

Key positions for All other segments are receivables from related parties, intangible assets and loans to related parties under Assets, loans and borrowings and accounts payable to related parties under Liabilities.

(39) Operating segments (continued)

Segment information for the main reportable business segments for continuing operations of the Group for the period ended 31 December 2022 is set below:

EUR'000	Spain	Philippines	Latvia	Czech Republic	Sweden	Lithuania	Denmark	TBI Financial Services	All other segments *	Total Segments	Adjustments and eliminations	Consolidated
Interest income	75 012	25 773	25 588	20 935	4 580	3 604	1 953	141 744	11 271	310 463	638	**311 100**
Other operating income	-	3 925	0	0	-	0	0	-	(0)	3 926	3 555	**7 481**
Interest expense	(3 695)	(335)	(3 610)	(1 264)	(675)	(1 173)	(50)	(11 820)	(32 852)	(55 474)	10 769	**(44 705)**
Net impairment losses on loans and receivables	(34 028)	(15 189)	(7 846)	(1 980)	(1 086)	(1 773)	2 987	(31 540)	571	(89 883)	(769)	**(90 652)**
Depreciation and amortization	(677)	(21)	(655)	(822)	(96)	(114)	(97)	(4 374)	(60)	(6 915)	-	**(6 915)**
Income tax for the reporting period	(2 613)	(1 397)	(155)	(1 554)	11	(88)	247	(7 277)	(1 392)	(14 218)	-	**(14 218)**
Reportable segment profit/ (loss) before tax from continued operations	9 732	5 725	4 889	6 988	(623)	1 024	993	43 475	(18 253)	53 951	(5 054)	**48 897**
Reportable segments assets	46 486	13 904	214 205	23 145	8 413	13 394	5 645	1 135 080	571 119	2 031 390	(659 330)	**1 372 060**
Reportable segments liabilities	38 176	7 132	77 115	14 120	8 736	7 753	1 398	890 516	469 045	1513 991	(340 560)	**1 173 430**

*The main contributors to All other segments are 4finance Holding S.A. and 4finance S.A.

Key positions for All other segments are receivables from related parties, intangible assets and loans due from customers and to related parties under Assets, loans and borrowings and accounts payable to related parties under Liabilities.

(39) Operating segments (continued)

A segment breakdown of interest income is divided by consumer products which include 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), Minimum to Pay Loans (open-ended revolving credit line with a minimum monthly repayment and flexible additional repayment), and Near Prime (with a term from three months up to 84 months) as well as interest income from Corporate Loans and from bank deposits. Products for TBI Financial Services are split between Retail, Small and Medium-sized Enterprises ('SME's') and Leasing.

A segment breakdown of interest income by products from continuing operations of the Group for the period ended 31 December 2023 is set out below:

EUR'000	Spain	Philippines	Latvia	Czech Republic	Sweden	Lithuania	Denmark	TBI Financial Services	All other segments	Total Segments
Single Payment Loans	66 595	32 200	-	20 252	-	24	-	-	8	**119 080**
Instalment Loans	10 321	4 608	10 877	3 535	3	104	450	-	-	**29 898**
Minimum to Pay Loans	-	-	17 753	27	5 105	-	240	-	44	**23 170**
Near Prime	-	-	5 481	-	-	1 240	359	-	-	**7 079**
Retail (Only TBI Financial Services)	-	-	-	-	-	-	-	168 373	-	**168 373**
SME (Only TBI Financial Services)	-	-	-	-	-	-	-	23 013	-	**23 013**
Leasing (Only TBI Financial Services)	-	-	-	-	-	-	-	65	-	**65**
Corporate Loans	-	0	-	-	-	0	-	-	8 370	**8 370**
Interest from banks	34	0	3	27	-	3	-	3 639	85	**3 791**
Total	**76 950**	**36 808**	**34 114**	**23 842**	**5 108**	**1 372**	**1 048**	**195 091**	**8 508**	**382 839**

(39) Operating segments (continued)

A segment breakdown of interest income by products from continuing operations of the Group for the period ended 31 December 2022 is set out below:

EUR'000	**Spain**	**Philippines**	**Latvia**	**Czech Republic**	**Sweden**	**Lithuania**	**Denmark**	**TBI Financial Services**	**All other segments**	**Total Segments**
Single Payment Loans	67 619	22 848	-	17 997	-	48	-	-	-	**108 512**
Instalment Loans	7 395	2 917	7 008	2 937	7	372	872	-	-	**21 508**
Minimum to Pay Loans	-	-	13 536	-	4 573	-	470	-	20	**18 599**
Line of Credit	-	-	1	-	-	-	-	-	-	**1**
Near Prime	-	-	5 200	-	-	3 237	611	-	-	**9 049**
Retail (Only TBI Financial Services)	-	-	-	-	-	-	-	122 368	-	**122 368**
SME (Only TBI Financial Services)	-	-	-	-	-	-	-	18 203	-	**18 203**
Leasing (Only TBI Financial Services)	-	-	-	-	-	-	-	98	-	**98**
Corporate Loans	-	-	-	-	-	-	-	-	11 252	**11 252**
Interest from banks	0	-	-	-	-	-	-	851	1	**852**
Total	**75 014**	**25 765**	**25 745**	**20 934**	**4 580**	**3 657**	**1 954**	**141 520**	**11 272**	**310 441**

(39) Operating segments (continued)

Reconciliation of reportable segment interest income

	2023 EUR'000	2022 EUR'000
Total interest income for reportable segments	376 050	299 190
Interest income for other operating segments	8 508	11 272
Adjustments and eliminations	1 437	638
Consolidated revenue	**385 995**	**311 100**

Reconciliation of reportable segment profit or loss before tax

	2023 EUR'000	2022 EUR'000
Total profit or loss for reportable segments	76 757	72 204
Profit or loss for other operating segments	(17 242)	(18 253)
Adjustments and eliminations	(1 172)	(5 054)
Consolidated profit before tax from continued operations	**58 344**	**48 897**

Reconciliation of reportable segment interest expense

	2023 EUR'000	2022 EUR'000
Total interest expense for reportable segments	48 880	22 622
Interest expense for other operating segments	30 041	32 852
Adjustments and eliminations	(13 141)	(10 769)
Consolidated interest expense	**65 780**	**44 705**

Reconciliation of reportable segment assets

	31.12.2023 EUR'000	31.12.2022 EUR'000
Total assets for reportable segments	2 019 502	1 460 271
Assets for other operating segments	538 154	571 119
Elimination of inter-group loans, investments and other receivables	(792 711)	(659 330)
Consolidated total assets	**1 764 946**	**1 372 060**

Reconciliation of reportable segment liabilities

	31.12.2023 EUR'000	31.12.2022 EUR'000
Total assets for reportable segments	1 407 600	1 044 946
Assets for other operating segments	444 631	469 045
Adjustments and eliminations	(328 937)	(340 560)
Consolidated total liabilities	**1 523 293**	**1 173 430**

Notes to the Consolidated Financial Statements

(40) Maturity analysis

The table below shows carrying amounts of financial assets and liabilities by remaining contractual maturity dates as at 31 December 2023.

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	261 559	-	-	-	-	-	-	261 559
Placements with other banks	19 315	-	1 000	-	27 968	-	-	48 283
Net receivables due from customers	109 765	67 470	174 330	7 623	525 530	36 072	163 623	1 084 414
Net investments in finance leases	48	51	55	104	109	-	975	1 341
Net loans to related parties	-	-	-	3 496	27 900	-	-	31 396
Net loans to other parties	-	-	-	-	31 918	-	-	31 918
Derivatives	106	14	7	71	2 874	-	-	3 072
Investments in associates and joint ventures	-	-	-	-	-	989	-	989
Debt and equity investments	13 020	5 895	69 286	-	59 545	48	-	147 794
Other financial assets	41 435	-	6 000	-	5 570	-	-	53 005
Total financial assets	**445 249**	**73 431**	**250 677**	**11 294**	**681 413**	**37 109**	**164 598**	**1 663 770**

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	2 082	275	832	-	288 683	9 737	-	301 609
Deposits from customers	253 437	158 249	500 281	-	199 495	-	-	1 111 462
Derivatives	536	418	178	1	-	-	-	1 134
Other financial liabilities	40 406	28 866	10 279	954	4 802	-	-	85 307
Total financial liabilities	**296 461**	**187 808**	**511 570**	**956**	**492 980**	**9 737**	**-**	**1 499 512**
Net position	**148 788**	**(114 378)**	**(260 893)**	**10 339**	**188 432**	**27 372**	**164 598**	**164 258**
Net cumulative position	**148 788**	**34 410**	**(226 483)**	**(216 144)**	**(27 712)**	**(340)**	**164 258**	**-**

Notes to the Consolidated Financial Statements

(40) Maturity analysis (continued)

The table below shows financial assets and liabilities by remaining contractual maturity dates as at 31 December 2022.

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	221 568	-	-	-	-	-	-	221 568
Placements with other banks	12 971	196	1 089	-	21 455	-	-	35 712
Net receivables due from customers	151 330	49 130	152 035	7 512	458 843	6 515	21 014	846 379
Net investments in finance leases	20	1	88	-	67	-	1 706	1 881
Net loans to related parties	474	-	-	711	27 623	-	-	28 807
Net loans to other parties	-	-	2	-	29 590	-	-	29 592
Derivatives	-	124	-	-	4 893	-	-	5 017
Investments in associates and joint ventures	-	-	-	-	-	1 258	-	1 258
Debt and equity investments	-	6 991	9 532	469	48 850	1 877	-	67 719
Other financial assets	30 862	-	6 000	-	11 070	-	-	47 932
Total financial assets	**417 225**	**56 442**	**168 746**	**8 692**	**602 391**	**9 650**	**22 720**	**1 285 865**

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	1 836	-	1 242	-	271 688	10 000	-	284 766
Deposits from customers	187 750	119 120	329 717	-	145 086	-	-	781 672
Derivatives	999	583	1 798	3 163	-	-	-	6 543
Other financial liabilities	52 025	21 135	2 657	904	8 120	56	-	84 895
Total financial liabilities	**242 610**	**140 838**	**335 414**	**4 067**	**424 894**	**10 056**	**-**	**1 157 876**
Net position	**174 615**	**(84 396)**	**(166 668)**	**4 625**	**177 497**	**(406)**	**22 720**	**127 987**
Net cumulative position	**174 615**	**90 219**	**(76 449)**	**(71 825)**	**105 673**	**105 267**	**127 987**	**-**

(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 2023:

31 December 2023	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 EUR'000							
Loans and borrowings	301 609	422 941	-	3 858	10 449	13 848	394 786
Deposits from customers	1 111 462	1 138 082	255 772	161 348	510 768	-	210 195
Other financial liabilities	85 307	85 307	40 406	28 866	10 279	954	4 802
Total	**1 498 378**	**1 646 330**	**296 177**	**194 072**	**531 496**	**14 802**	**609 783**

The analysis as at 31 December 2022:

31 December 2022	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 EUR'000							
Loans and borrowings	284 766	397 295	3	3 719	12 087	15 045	366 441
Deposits from customers	781 672	811 178	200 105	130 773	342 295	-	138 004
Other financial liabilities	84 895	84 895	52 025	21 135	2 657	904	8 176
Total	**1 151 333**	**1 293 368**	**252 133**	**155 627**	**357 039**	**15 949**	**512 621**

(42) Currency analysis

The table below shows the currency structure of financial assets and liabilities as at 31 December 2023:

Assets EUR'000	**BGN**	**CZK**	**EUR**	**PHP**	**PLN**	**RON**	**USD**	**Other**	**TOTAL**
Cash and cash equivalents	154 456	5 705	47 304	2 809	4	44 061	5 585	1 636	261 559
Placements with other banks	8 925	-	33 587	-	2	1 987	1 420	2 362	48 283
Derivatives	-	-	3 072	-	-	-	-	-	3 072
Net receivables due from customers	322 121	13 798	323 487	10 151	-	409 625	-	5 233	1 084 414
Net investments in finance leases	-	278	1 040	-	-	23	-	-	1 341
Net loans to related parties	-	-	27 485	-	-	-	414	3 496	31 396
Net loans to other parties	-	-	-	-	31 918	-	-	-	31 918
Debt and equity investments	9 796	-	97 957	-	-	-	40 040	1	147 794
Other financial assets	12 986	426	20 002	3 311	37	14 562	212	1 469	53 005
Investments in associates	-	-	989	-	-	-	-	-	989
Total financial assets	**508 283**	**20 207**	**554 922**	**16 271**	**31 960**	**470 258**	**47 672**	**14 197**	**1 663 769**
Off-balance sheet - FX transactions only	-	-	94 000	-	-	60 689	-	-	154 689

Liabilities EUR'000	**BGN**	**CZK**	**EUR**	**PHP**	**PLN**	**RON**	**USD**	**Other**	**TOTAL**
Loans and borrowings	7 720	-	293 889	-	-	-	-	-	301 609
Deposits from customers	358 512	-	336 607	-	1	370 145	45 027	1 171	1 111 462
Derivatives	-	-	855	-	-	279	-	-	1 134
Other financial liabilities	24 909	2 953	23 600	1 794	1	30 935	38	1 075	85 306
Total financial liabilities	**391 141**	**2 953**	**654 951**	**1 794**	**2**	**401 359**	**45 065**	**2 247**	**1 499 511**
Off-balance sheet - FX transactions only	-	14 908	104 855	-	30 732	-	-	7 299	157 794
Net position (excluding off-balance sheet)	**117 142**	**17 254**	**(100 028)**	**14 477**	**31 958**	**68 899**	**2 606**	**11 951**	**164 258**
Net position (including off-balance sheet)	**117 142**	**2 346**	**(110 883)**	**14 477**	**1 226**	**129 588**	**2 606**	**4 652**	**161 153**

Currency risk of the open positions in CZK, PLN, RON, SEK 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 2022:

Assets EUR'000	**BGN**	**CZK**	**EUR**	**PHP**	**PLN**	**RON**	**USD**	**Other**	**TOTAL**
Cash and cash equivalents	51 224	2 955	111 227	1 501	1 054	47 916	4 392	1 299	221 568
Placements with other banks	7 284	-	19 522	-	85	1 261	1 876	5 684	35 712
Derivatives	-	-	5 017	-	-	-	-	-	5 017
Net receivables due from customers	248 321	15 115	234 773	9 348	-	329 942	-	8 880	846 379
Net investments in finance leases	-	-	1 881	-	-	-	-	-	1 881
Net loans to related parties	-	-	28 215	-	-	-	592	-	28 807
Net loans to other parties	-	-	-	2	29 590	-	-	-	29 592
Debt and equity investments	9 201	-	44 498	-	-	-	14 019	1	67 719
Other financial assets	8 625	383	22 337	2 126	-	13 950	10	501	47 932
Investments in associates	-	-	1 258	-	-	-	-	-	1 258
Total financial assets	**324 655**	**18 453**	**468 728**	**12 977**	**30 729**	**393 069**	**20 889**	**16 365**	**1 285 865**
Off-balance sheet - FX transactions only	-	-	113 000	-	-	127 592	-	-	240 592

Liabilities EUR'000	**BGN**	**CZK**	**EUR**	**PHP**	**PLN**	**RON**	**USD**	**Other**	**TOTAL**
Loans and borrowings	6 144	-	274 007	-	-	4 615	-	-	284 766
Deposits from customers	242 744	-	240 918	-	1	246 309	47 410	4 290	781 672
Derivatives	-	-	3 307	-	-	3 236	-	-	6 543
Other financial liabilities	18 851	3 622	28 402	1 190	-	30 584	-	2 246	84 895
Total financial liabilities	**267 739**	**3 622**	**546 634**	**1 190**	**1**	**284 744**	**47 410**	**6 536**	**1 157 876**
Off-balance sheet - FX transactions only	-	17 558	179 785	-	20 703	-	28 927	4 883	251 856
Net position (excluding off-balance sheet)	**56 916**	**14 831**	**(77 906)**	**11 787**	**30 728**	**108 325**	**(26 521)**	**9 829**	**127 989**
Net position (including off-balance sheet)	**56 916**	**(2 727)**	**(144 691)**	**11 787**	**10 025**	**235 917**	**(55 448)**	**4 946**	**116 725**

Notes to the Consolidated Financial Statements

(43) Group entities

As at 31 December 2023 and 31 December 2022 respectively, the Group consisted of the following entities:

Name of entity	Registered office	Ownership 31.12.2023	Ownership 31.12.2022
4f Sales, Inc.	850 New Burton Road, Suite 201, Dover, DE 19904	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4finance AB	Varuvägen 9, 125 30 Älvsjö, Sweden	100% AS 4finance	100% AS 4finance
4finance ApS	Vesterbrogade 1L, 4., DK-1620, Copenhagen, Denmark	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	Albasanz 14, ground floor, 28037 Madrid, Spain	100% AS 4finance	100% AS 4finance
4finance UAB	Jonavos Street 254a, LT-44132, Kaunas, Lithuania	100% AS 4finance	100% AS 4finance
4Services 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.
AS 4finance	Lielirbes 17A-46, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Bentont Pte Ltd.	149B Telok Ayer Street 3, Singapore, 068607	100% 4finance Holding S.A	100% 4finance Holding S.A
Credit Service UAB	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Friendly Finance Argentina S.R.L.	Av. Córdoba 1309, 3rd Floor Office A, City of Buenos Aires, Argentina	-10% 4finance Holding S.A.	10% 4finance Holding S.A.
GoodCredit Universal Credit Organization Under Liquidation	58/1 Karapet Ulnetsi, 0069 Yerevan, Armenia	-	100% 4finance Holding S.A.
ONDAL FINANCE LIMITED	100 Longwater Avenue, Green Park, Reading, England, RG2 6GP	50% 4finance Holding S.A	-
Online Loans Pilipinas Financing Inc	Unit 1402-1406 14th Floor Tycoon Centre, Pearl Drive, Barangay San Antonio, Pasig City, Philippines	99.997% Bentont Pte Ltd.	100% Bentont Pte Ltd.
Peso Redee Financing Co. Inc.	U204 Pacific Center Condominium, 33 San Miguel Ave Pasig City, Philippines	99.997% Bentont Pte Ltd.	100% Bentont Pte Ltd.
Prestamo Movil S.A.	Av. Córdoba 1309, 3rd Floor Office A, City of Buenos Aires, Argentina	-	100% (98.75% 4finance Holding S.A., 1.25% AS 4finance)
SIA 4finance IT branch in UK	1 Mark Square, London, EC2A 4EG, UK	-	100% AS 4finance
SIA Debt Solution	Lielirbes iela 17A - 11, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2023	Ownership 31.12.2022
TBI ASSET MANAGEMENT AND SERVICING S.A. (formerly: TBI Leasing IFN S.A.)	8-12 Putul lui Zamfir Str., Ground Floor and First Floor, District 1, Bucharest, Romania	100% (99.996709% TBI Bank EAD, 0.003291% TBI Financial Services B.V.)	100% (99.9989% TBI Bank EAD, 0.0011% TBI Financial Services B.V.)
TBI Bank EAD	52-54 Dimitar Hadzhikotsev Str., Lozenets district, 1421 Sofia, Bulgaria	100% TBI Financial Services B.V.	100% TBI Financial Services B.V.
TBI Bank EAD Greece Branch	KIFISIAS AVENUE No: 196, 15231 CHALANDRI R. ATTIKA, MUNICIPALITY OF CHALANDRI, Greece	Branch of TBI Bank EAD	Branch of TBI Bank EAD
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 Buy EAD	52-54 Dimitar Hadzhikotsev Str., Lozenets district, 1421 Sofia, Bulgaria	TBI Buy EAD (Bulgaria) merger with Vivus.bg EOOD (TBI Buy EAD ceased to exist) effective as of 06 December 2023.	100% TBI Bank EAD
TBI Money IFN S.A. (formerly: 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% TBI Financial Services B.V.)	100% (99.99999863% TBI Bank EAD, 0.00000137% TBI Financial Services B.V.)
TBI Financial Services B.V.	Prof. W.H. Keesomlaan 12, 1183DJ Amstelveen, Amsterdam, the Netherlands	100% 4finance Holding S.A.	100% 4finance Holding S.A.
TBI Insurance Intermediaries Praktoreiaki Asfaleion SINGLE MEMBER S.A.	196 Kifisias Avenue, Chalandri, Athens, P.C. 15231, Greece	100% TBI Bank EAD	-
Vane GmbH	Marienburger Str. 1, 10405 Berlin, Germany	24.09% 4finance Holding S.A.	24.39% 4finance Holding S.A.
Vane Finance Technology Inc.	41 Madison, 31st Floor, New York, NY 10010, USA	100% Vane GmbH	100% Vane GmbH
Vane Finance Technology Limited	1 Poultry, London EC2R 8EJ, United Kingdom	100% Vane GmbH	100% Vane GmbH
Vivus.bg EOOD	52-54 Dimitar Hadzhikotsev Str., Lozenets district, 1421 Sofia, Bulgaria	100% TBI Bank EAD	100% TBI Bank EAD
Wikipro S.A de CV	Avenida Insurgentes Sur, 1216, oficina 405, colonia Tlacoquemécatl del Valle, alcaldía Benito Juárez, Ciudad de México, C.P. 03200	4finance Holding S.A (90%) 4finance AS (10%)	-
Zaplo Finance s.r.o.	Mayhouse Office, 5. května 1746/22,140 00 Praha 4 - Nusle, Czech Republic	100% AS 4finance	100% AS 4finance

(44) Subsequent events

Disposals

An entity, to be wound down, 4finance UAB (Lithuania) was sold in February 2024.

In April 2024, the Group received the second payment of €6 million due for the sale of its Polish business. The remaining amount of €6 million is to be paid in one further instalment in 2025.

Financing

In March 2024, the Group repurchased €400 thousand notional of its EUR 2026 bonds from TBI Bank EAD, taking the Group's treasury holdings to €40 million of its EUR 2026 bonds as of 31 March 2024.

Changes in management

In April 2024, Katalin Agune Kato replaced Daniela Roca, the previous category A director of 4finance Holding S.A. and 4finance S.A.

INDEPENDENT AUDITOR'S REPORT

To the Sole Shareholder 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 2023 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 2023 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 Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISA) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISA as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of the "*réviseur d'entreprises agréé*" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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.

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 for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated 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

Our objectives 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 Law of 23 July 2016 and with ISA 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 Law of 23 July 2016 and with ISA 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.

Report on other legal and regulatory requirements

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

Luxembourg, 26 April 2024

PKF Audit & Conseil Sàrl
Cabinet de révision agréé

DocuSigned by:
AA483A15CF014CD...
Jean Medernach