4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE SIX MONTHS ENDING 30 JUNE 2020

Proactive business response to Covid-19, providing continuous service to customers and adapting products.
Consumer demand increasing since mid-May with online issuance in July returning close to normal.
Strong liquidity position following bond extension and further bond buybacks in July.

28 August 2020. 4finance Holding S.A. (the 'Group' or '4finance'), one of Europe's largest digital consumer lending groups, today announces unaudited consolidated results for the six months ending 30 June 2020 (the 'Period').

Operational Highlights

- Maintained strong, proactive operational response to Covid-19. Rapidly adapted operations in March, moving over 2,000 staff across 16 countries to working from home. Ongoing focus on ensuring employee safety and providing continuous service to customers.
- Continued to provide credit to loyal customers, with acceptance rates for returning customers in shorter term products maintained within 5 percentage points of usual levels in most markets in the second quarter. Overall repayment behaviour in April was slightly below normal levels but improved during the quarter, with June above average.
- Supported customers whose plans were disrupted, with early and proactive measures including discounted or free payment deferrals, reinforced by similar regulatory measures in many markets. Requests for payment deferrals were concentrated in TBI Bank, Armenia and the Czech Republic during Q2 and those programmes have either subsequently ended (Armenia) or are expected to end soon.
- Market-wide customer demand for loans reduced during the initial Covid-19 related lockdown periods in many markets from mid-March before recovering from mid-May onwards. The Group reduced its marketing spend in Q2 and tightened aspects of its underwriting criteria, particularly for new customers. Compared to the January-February average, online loan issuance volumes were at 89% in March, 53% in April, 64% in May, 76% in June and 85% in July.
- Development of near-prime lending products continued throughout the period. Good take-up of new launch in Latvia among suitably qualified existing customers. Products in Lithuania and Sweden were significantly enhanced and offered through new channels, with positive customer response. Near-prime issuance was up 12% year-on-year (31% in the online business and 10% in TBI Bank) reflecting strong customer demand and the expanded product range.
- TBI Bank loan issuance volume during the Period grew by 13% year-on-year to €77.1 million from €68.2 million in the prior year period, with consumer volumes holding up well in Q2 but lower in the SME segment. The majority of TBI Bank branches and service points have remained open and are operating in line with local healthcare guidance.

Financial Highlights

- Interest income of €167.0 million in the Period, down 22% from €213.4 million in the prior year period. The significant reduction in online loan issuance since mid-March due to Covid-19 resulted in a lower level of interest income in the second quarter, particularly in Spain and Poland.
- Cost to income ratio for the Period was 57.5%, vs. 52.2% in H1 2019, due to the lower interest income, with operating costs down 14% year-on-year, reflecting cost discipline across the Group and a reduction of marketing spend in the second quarter. Further cost savings from headcount reductions implemented in Q2 will be evident in H2 2020 results.
- Adjusted EBITDA was €33.3 million for the Period, down 47% year-on-year. The full interest coverage ratio as of the date of this report is 2.2x, reflecting a lower quarterly EBITDA contribution in Q2 and a reduced level of proforma interest expense from bond buybacks and exclusion of non-cash charges (see page 8 for further details).
- Post-provision operating profit for the Period was €6.2 million, and a loss before tax of €2.1 million.
- Net receivables totaled €502.2 million as of 30 June 2020, down 13.2% during the Period, given significantly lower origination in the online business in the second quarter.
- Overall gross NPL ratio at 24.0% as of 30 June 2020 (31.6% for online), compared with 20.7% as of 31 December 2019 (24.9% for online), with the increase due to lower new origination and some debt sales being postponed.
- Overall cost of risk was 16.6% for the Period, slightly improved from 17.3% in the prior year period. For the online business it was 27.7% for the Period, compared to 27.2% in H1 2019, and in TBI Bank it was 5.8% for the Period, compared to 4.5% in the prior year period.
- Strong funding position, with €93.5 million of online cash at the end of the Period and no debt maturities until 2022, and solid liquidity and capital adequacy at TBI Bank.

Strategic Highlights

- At the end of Q2 2020, the near-prime segment (including TBI Bank consumer and online) represented 56% of net receivables, up from 48% at the end of 2019. Single payment loans represent only 13% of the Group's net receivables.
- TBI Bank continues to perform well, with its strong points-of-sale relationships and market leading digital options helping to maintain a good level of consumer loan issuance volumes in Q2. However given the regulatory environment, the Group does not expect dividends from TBI to resume until 2021.
- The Group reviewed its product range and cost structure in Q2 as the impact of Covid-19, associated regulatory changes and the pace of resumption in economic activity became clearer. The Mexican business was sold in June, Argentina is only lending to existing customers, and Finland has stopped all loan issuance.
- Costs have been reviewed across the Group. In the online business, staff reductions have been initiated that will result in savings of c.20% of personnel costs, with some reduction visible in Q2 even after severance costs. Marketing spend was reduced in Q2, but is planned to increase selectively in Q3 to support increased issuance volumes.
- Progress on funding diversification projects continues, with planned initial sales of Lithuanian near-prime loans to TBI Bank in the next couple of months, subject to regulatory passport approval.
- The Group made further market repurchases of its USD bonds subsequent to the Period end in July. As of the date of this report, the Group holds €1.1 million of its EUR bonds and $94.6 million of its USD bonds in treasury, whilst its current 'online' cash position, as of late August, is approximately €85 million.
- In June the Group commenced a formal process to amend its EUR bond terms and conditions to extend the maturity date by 9 months to 23 February 2022. The amendment resolution was successfully passed in July, and the new T&Cs came into force as of 24 August.
- The Supervisory Board has decided not to recommend a dividend payment by 4finance Holding S.A. in 2020, further supporting the Group's capital position.

Oyvind Oanes, CEO of 4finance, commented:

"I am proud of the way our people have responded to unprecedented challenges this year. From the customer care teams providing continuous service and support to customers with new features like payment deferrals, to the risk teams analysing how best to adjust our underwriting in a very dynamic environment, to the product and IT teams adapting our products rapidly to regulatory changes. And all the while adjusting to working from home, managing the reductions in some teams and more recently gradually returning to offices.

"This has enabled us to 'stay open' and see an increase in business volumes in recent months. In Poland, for example, despite credit bureau data indicating a reduction in overall market demand, in July we saw the highest level of applications for our short-term Vivus product for over two years. The strong repayment dynamics seen across the business in June and July have also allowed us to relax some of the tightening loan underwriting measures taken in March/April.

"However the operating environment remains difficult with an uncertain outlook. Although loan volumes are increasing again, it will take longer to rebuild our interest income and profitability given the interest rate cap changes in Poland and Denmark, and our decisions to exit some markets & products. Understanding this new profile of our business was part of the rationale for seeking an extension on the maturity of our EUR bonds. We are grateful to our EUR bondholders for their support in this process, and look forward to further positive dialogue with all our investors in due course as we address our longer-term capital structure.

"The increase in demand for our products coupled with good repayment behaviour, and the growing near-prime portfolio, are encouraging signs for us. We remain confident that the business is well placed to weather the storm and build on its industry leading market positions."

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Conference call

A conference call with management to discuss these results is scheduled for **Thursday, 3 September at 15:00 UK time**. To register, please visit www.4finance.com/investors.

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

About 4finance

Established in 2008, 4finance is one of Europe's largest digital consumer lending groups with operations in 13 countries.

Leveraging a high degree of automation and data-driven insights across all aspects of the business, 4finance has grown rapidly, issuing over €8 billion since inception in single payment loans, instalment loans and lines of credit.

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

4finance has group offices in Riga (Latvia), London, Luxembourg and Miami, and currently operates in 12 countries in Europe as well as in Argentina. The Group also offers deposits, in addition to consumer and SME loans through its TBI Bank subsidiary, an EU licensed institution with operations primarily in Bulgaria and Romania.

Forward looking statements

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

Rounding

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

Inside information

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

Key Financial Ratios

	Six months ending 30 June 2020	Six months ending 30 June 2019	Year Ended 31 December 2019	Year Ended 31 December 2018
Capitalisation				
Net receivables (€m), [(1)] of which:	502.2	551.3	578.9	553.2
- Principal	478.9	519.5	548.0	521.6
- Accrued interest	23.3	31.8	30.9	31.6
Total assets (€m)	945.1	1,025.8	973.1	992.4
Total equity (€m)	157.2	175.6	165.8	156.4
Equity / assets [(2)]	16.6%	17.1%	17.0%	15.8%
Equity / net receivables [(3)]	31.3%	31.9%	28.6%	28.3%
Adjusted interest coverage [(4)]	1.3x	2.1x	2.2x	2.4x
TBI Bank consolidated capital adequacy [(5)]	20.8%	20.7%	18.9%	22.4%
Profitability				
Net interest margin: [(6)]				
- Online	65.9 %	81.8 %	81.3 %	88.9 %
- TBI Bank	23.6 %	25.1 %	24.8 %	26.8 %
- Overall group	43.5 %	56.1 %	54.5 %	63.5 %
Cost / income ratio [(7)]	57.5 %	52.2 %	51.3 %	52.1 %
Post-provision operating profit margin [(8)]	3.7 %	14.5 %	15.2 %	17.7 %
Normalised Profit before tax margin [(9)]	(0.5)%	11.2 %	11.4 %	15.2 %
Normalised Return on average equity [(10)]	(7.6)%	14.5 %	16.1 %	31.6 %
Normalised Return on average assets [(11)]	(1.3)%	2.4 %	2.6 %	4.7 %
Asset quality				
Cost of risk: [(12)]				
- Online	27.7 %	27.2 %	27.5 %	24.0 %
- TBI Bank	5.8 %	4.5 %	4.6 %	8.0 %
- Overall group	16.6 %	17.4 %	17.1 %	17.7 %
Net impairment / interest income [(13)]	34.5 %	28.4 %	29.0 %	25.9 %
Gross NPL ratio: [(14)]				
- Online	31.6 %	19.3 %	24.9 %	22.0 %
- TBI Bank	17.5 %	16.2 %	16.2 %	15.9 %
- Overall group	24.0 %	17.9 %	20.7 %	19.4 %
Overall group NPL coverage ratio[(15)]	97.0 %	114.3 %	102.0 %	110.6 %

Definitions and Notes below. For further definitions please see the appendix. For quarterly asset quality ratios please see page 18.

Normalised ratios are adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets, and for 2018 ratios only, adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects.

(1) Gross receivables (including accrued interest) less impairment provisions. Note that reduction in write-off period for online loans as of January 2018 reduces 2018 values in comparison with prior years
(2) Total equity / total assets
(3) Total equity / net customer receivables (including accrued interest)
(4) Adjusted EBITDA / interest expense for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)
(5) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the BNB)
(6) Annualised net interest income / average gross loan principal
(7) Operating costs / operating income (revenue)
(8) Post-provision operating profit (which does not include non-recurring items, net FX and D&A) / interest income
(9) Profit before tax / interest income
(10) Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)
(11) Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)
(12) Annualised net impairment charges / average gross receivables (total gross receivables as of the start and end of each period divided by two)
(13) Net impairment charges on loans and receivables / interest income
(14) Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)
(15) Overall receivables allowance account / non-performing receivables

FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated statement of profit or loss for the six months ending 30 June 2020 and 30 June 2019. Additional reference information on the historic quarterly development of our income statement is shown in the appendix. Please note that non-recurring, net FX and D&A items are shown lower down to better reflect operating results.

	6 months to 30 June		
	2020 (unaudited)	2019 (unaudited)	% change
	(in millions of €)		
Interest Income	167.0	213.4	(22) %
Interest Expense	(25.6)	(30.0)	(15) %
Net Interest Income	**141.4**	**183.4**	**(23)%**
Net F&C Income	3.9	4.0	(2) %
Other operating income	5.0	4.3	+15 %
Non-Interest Income	**8.9**	**8.3**	**+7 %**
Operating Income (Revenue)	**150.4**	**191.7**	**(22)%**
Total operating costs	**(86.5)**	**(100.1)**	**(14)%**
Pre-provision operating profit	**63.9**	**91.5**	**(30)%**
Net impairment charges	(57.7)	(60.5)	(5) %
Post-provision operating profit	**6.2**	**31.0**	**(80)%**
Depreciation and amortisation	(7.0)	(7.1)	(1) %
Non-recurring income/(expense)	2.6	0.2	nm
Net FX gain/(loss)	(4.0)	3.2	nm
One-off adjustments to intangible assets	—	(0.2)	(100) %
Profit before tax	**(2.1)**	**27.1**	**nm**
Income tax expense	(7.2)	(11.9)	(39) %
Net profit/(loss) after tax	**(9.4)**	**15.2**	**nm**

Interest income

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

	6 months to 30 June		
	2020	2019	% change
Online lending	*(in millions of €, except percentages)*		
Total value of loan principal issued	353.4	523.2	(32)%
Average net receivables, of which:	231.9	284.1	(18)%
- Principal	212.8	258.8	
- Accrued interest	19.1	25.3	
Annualised interest income yield on net portfolio (1)	116 %	134 %	
Interest income from online lending	123.6	174.0	(29)%
Banking operations			
Average net receivables, of which:	308.6	265.4	+16 %
- Principal	300.6	259.2	
- Accrued interest	8.0	6.2	
Annualised interest income yield on net portfolio (1)	29 %	30 %	
Interest income from banking operations (2)	43.5	39.4	+10 %

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

(2) See appendix for full TBI Bank income statement

Interest income for the Period was €167.0 million, a 22% decrease compared with €213.4 million for the six months ending 30 June 2019. The reduction in interest income from online lending was 29%, reflecting the 18% decrease in the average balance of net receivables and a lower average interest yield.

TBI Bank's loan book has continued to grow, with an increase of 16% in average net receivables year-on-year. Its consumer lending (cash lending, point-of-sale lending and credit cards) has average product APRs between 20% and 50% and SME loans with average interest rates of approximately 8-14% p.a.. TBI Bank also generates separate income, which is reported in either the 'net fee and commission' and 'other operating income' lines.

Interest expense

Interest expense for the Period was €25.6 million, a decrease of 15% compared with €30.0 million for the six months ending 30 June 2019. The lower interest expense year-on-year reflects the repayment of the remaining $68 million of USD 2019 bonds in August 2019 and the various bond buybacks over the past 18 months.

The bond buybacks conducted at a discount during the second quarter generated a substantial one-off gain. This one-off impact has been reflected in the 'non-recurring income/expense' line (as described below) to show a more consistent 'interest expense' result. The interest expense results for the prior quarterly periods in the appendix have also been adjusted accordingly.

Non-interest income

Non-interest income for the period was €8.9 million, a 7% increase compared with €8.3 million reported for the six months ending 30 June 2019. The net fee and commission income generated by TBI Bank, primarily fees from insurance sales to its customers, was relatively stable year-on-year. Other operating income is mainly derived from related party loans.

Total operating costs

Total operating costs reported for the Period were €86.5 million, a 14% decrease compared with €100.1 million reported for the six months ending 30 June 2019. The year-on-year decrease reflects an ongoing focus on cost discipline, with additional reductions in Q2 2020 as several marketing initiatives were paused given the impact of Covid-19. Other costs such as application processing fees and travel expenses also reduced. Further cost initiatives, particularly in headcount reductions, were implemented in Q2, but the main financial benefits will only be seen in future quarters. Costs in TBI Bank increased in line with business growth and from the purchase of the Group's online business in Bulgaria in April 2019.

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

	6 months to 30 June	
	2020	**2019**
	(in millions of €)	
Personnel costs	45.6	48.5
Marketing and sponsorship	13.4	19.1
IT expenses (including R&D)	7.9	9.5
Legal and consulting	3.6	4.3
Application processing costs	2.8	3.2
Debt collection costs	2.0	2.4
Communication expenses	2.1	2.0
Taxes	1.9	2.5
Bank services	1.8	1.9
Rent and utilities	1.0	1.0
Travel	0.6	1.1
Other	3.7	4.7
Total	**86.5**	**100.1**
Of which:		
TBI Bank	24.2	22.3
4finance 'online' business	62.2	77.8

For the six months of 2020 and 2019, marketing and sponsorship costs accounted for 16% and 19% respectively, and personnel costs accounted for 53% and 48%, respectively, of total operating costs. The cost to income ratio for the Period was 57.5%, an increase from 52.2% for the prior year period, impacted by the reduced income from mid-March related to Covid-19.

Pre-provision operating profit

For the reasons stated above, the Group's pre-provision operating profit for the Period was €63.9 million, a 30% decrease compared with €91.5 million for the six months ending 30 June 2019.

Net impairment charges on loans and receivables

Net impairment charges for the Period were €57.7 million, compared with €60.5 million for the six months ending 30 June 2019. Gross impairment charges decreased in the second quarter given the reduction in online loan origination, although more elevated levels were seen in instalment loans in Spain and Armenia (both portfolios where new origination was restricted in Q4 2019). The external debt sale market was challenging in Q2, with the debt portfolio sales that were closed done at prices closer to, or slightly below, net book value. This has started to recover after the period end, with transactions in July and August generally conducted on better terms.

	6 months to 30 June	
	2020	**2019**
	(in millions of €)	
Impairment charges on loans	65.7	73.2
Over provision on debt portfolio (portfolio sale net gains)	(1.7)	(5.6)
Recovery from written-off loans	(6.3)	(7.0)
Net impairment charges	**57.7**	**60.5**

Overall net impairment charges represented 35% of interest income for the Period, an increase from 28% last year, driven by the reduction in interest income in Q2. The net impairment charges for the online business compared to average online gross receivables, *i.e.* cost of risk, increased to 28% in the Period from 27% last year.

Non-recurring income/(expense)

During the second quarter, the Group had non-recurring income of €6.1 million. This was mainly due to the one-off gains from buybacks of its USD bonds at significant discounts to par in April, a time of significant dislocation in capital markets. These gains more than offset the non-recurring expenses related to the sale of the Georgia business booked in Q1.

Net FX gain/(loss)

Foreign exchange movements resulted in a net loss of €4.0 million for the Period. In the prior year period there was a net FX gain of €3.2 million. The net FX impact in the second quarter was relatively small at under €1 million.

Profit/(loss) before tax

For the reasons stated above, the Group made a loss before tax for the Period of €2.1 million, compared with a profit of €27.1 million for the six months ending 30 June 2019.

Corporate income tax

The Group's corporate income tax expense was €7.2 million for the Period, compared with €11.9 million for the six months ending 30 June 2019.

The following table sets out a breakdown of the Group's corporate income tax.

	6 months to 30 June	
	2020	**2019**
	(in millions of €)	
Current tax	7.5	9.9
Deferred tax	(0.2)	2.0
Total	**7.2**	**11.9**

The Group had positive profit before tax in its larger online operations, and TBI Bank, during the Period, hence there was still a tax charge for the Period. During the second quarter, there was also a write-off of deferred tax assets of €1.9 million related to Finland.

Profit/(loss) for the period

For the reasons stated above, the loss for the Period was €9.4 million, compared with a profit of €15.2 million for the six months ending 30 June 2019.

Other financial data – EBITDA and Adjusted EBITDA

	Six months ending 30 June 2020	Six months ending 30 June 2019	Year Ended 31 December 2019	Year Ended 31 December 2018
		(in millions of €)		
Profit for the period	(9.4)	15.2	28.4	28.5
Income tax expense	7.2	11.9	22.3	26.0
Interest expense	25.6	30.0	56.8	62.1
Depreciation and amortisation	7.0	7.1	16.5	11.9
EBITDA	**30.5**	**64.2**	**124.0**	**128.5**
Adjustments	2.8	(1.6)	(0.3)	22.0
Adjusted EBITDA (1)	**33.3**	**62.5**	**123.7**	**148.6**

	Six months ending 30 June 2020	Six months ending 30 June 2019	Year Ended 31 December 2019	Year Ended 31 December 2018
		(in millions of €)		
Summary breakdown of Adjustments to EBITDA				
Discontinued operations	—	—	—	(0.1)
Net FX impact	4.0	(3.2)	(4.8)	12.6
One-off costs and other prescribed adjustments	(1.2)	1.3	3.0	2.8
One-off write-down of intangible assets	—	0.2	1.5	6.7
Total	**2.8**	**(1.6)**	**(0.3)**	**22.0**

Other financial data – Interest Coverage Ratio

In previous quarterly reports the Group has quoted figures for its bond covenant interest coverage ratio. These ratios were calculated using the full IFRS interest expense, including non-cash amortisation of bond issuance costs. Having reviewed the relevant covenant calculations (specifically the definition of 'Fixed Charges' for USD bonds and 'Finance Charges' for EUR bonds), those non-cash accruals should not be included. The relevant calculation on this basis, which is closer to a 'cash interest coverage' metric, as of the date of this report is shown below:

	As of the date of this report (in millions of €)
Pro-forma last 4 quarters Adjusted EBITDA	95.6
Pro-forma last 4 quarters Fixed Charges	44.0
Bond covenant interest coverage ratio	**2.2x**

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

Balance Sheet

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

	30 June 2020 (unaudited)	31 December 2019
	(in millions of €)	
Cash and cash equivalents, of which:	**180.5**	**125.7**
- Online	93.5	76.7
- TBI bank	87.0	49.0
Placements with other banks	9.8	6.4
Gross receivables due from customers	654.8	733.7
Allowance for impairment	(152.6)	(154.8)
Net receivables due from customers, of which:	**502.2**	**578.9**
- Principal	478.9	548.0
- Accrued Interest	23.3	30.9
Net investments in finance leases	4.3	4.7
Net loans to related parties	61.2	60.7
Property and equipment	19.5	17.8
Financial investments	57.6	56.4
Prepaid expenses	3.2	4.5
Tax assets	12.5	21.3
Deferred tax assets	32.7	33.0
Intangible IT assets	15.8	17.8
Goodwill	16.5	16.5
Other assets	29.1	29.5
Total assets	**945.1**	**973.1**
Loans and borrowings	353.8	384.6
Deposits from customers	347.2	322.2
Deposits from banks	13.0	13.0
Corporate income tax payable	6.7	9.5
Other liabilities	67.3	78.0
Total liabilities	**788.0**	**807.4**
Share capital	35.8	35.8
Retained earnings	156.0	165.7
Reserves	(34.6)	(35.7)
Total attributable equity	**157.1**	**165.8**
Non-controlling interests	—	—
Total equity	**157.2**	**165.8**
Total shareholders' equity and liabilities	**945.1**	**973.1**

Assets

The Group had total assets of €945.1 million as of 30 June 2020, compared with €973.1 million as of 31 December 2019. The main changes during the Period were a reduction in the net loan portfolio, as described below, and an increase in cash in both the online business and TBI Bank.

Loan portfolio

As of 30 June 2020, the Group's net receivables equaled €502.2 million, compared with €578.9 million as of 31 December 2019, representing a decrease of €76.6 million, or 13%. The decrease was largely due to reductions in online lending origination, particularly in the second quarter, and some additional provisioning due to Covid-19. TBI Bank contributed €303.7 million of net receivables, including fair value adjustments. Further information on the TBI Bank portfolio is available in the appendix, including its finance leases which are shown as a separate balance sheet line item.

The following section includes a summary of our overall loan portfolio, both online (mainly funded outside of TBI Bank) and banking (funded by TBI Bank), showing performing vs non-performing classification. In line with feedback from market participants, this section is now shown on a receivables basis (rather than loan principal only) to make it easier to reconcile to the balance sheet figures and NPL ratios. Additional reference information on the historic quarterly development of our online portfolio, split by product, is also shown in the appendix.

Overview of the Group's loan portfolio

The following table sets out the classification of the Group's loan portfolio in terms of performing and non-performing loans (*i.e.* those more than 90 days past due). The Group's Bulgarian online lending operations (vivus.bg) were transferred to TBI Bank in April 2019 and over €3 million of Polish instalment loan gross receivables have been transferred to TBI Bank since September 2019. Both of these portfolios are still classified as 'online' loans in the tables below, and others in this report, to give a more comprehensive picture of asset quality across the online lending products.

	30 June 2020				31 December 2019			
	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount
	(in millions of €, except percentages)				*(in millions of €, except percentages)*			
Online receivables								
Performing	207.4	(29.7)	177.8	68.4 %	285.5	(45.6)	239.9	75.1 %
Non-performing [(1)]	96.0	(75.3)	20.7	31.6 %	94.6	(69.1)	25.5	24.9 %
Online total	**303.5**	**(105.0)**	**198.5**	**100.0 %**	**380.1**	**(114.7)**	**265.4**	**100.0 %**
TBI Bank receivables								
Performing	290.0	(13.7)	276.3	82.5 %	296.4	(12.0)	284.4	83.8 %
Non-performing [(1)]	61.3	(33.9)	27.4	17.5 %	57.1	(28.0)	29.1	16.2 %
TBI Bank total	**351.3**	**(47.6)**	**303.7**	**100.0 %**	**353.5**	**(40.1)**	**313.5**	**100.0 %**
Overall receivables								
Performing	497.5	(43.4)	454.1	76.0 %	581.9	(57.7)	524.2	79.3 %
Non-performing [(1)]	157.3	(109.2)	48.1	24.0 %	151.7	(97.1)	54.6	20.7 %
Overall total	**654.8**	**(152.6)**	**502.2**	**100.0 %**	**733.7**	**(154.8)**	**578.9**	**100.0 %**

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

Online loan portfolio by product

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

	30 June 2020		31 December 2019	
	Amount	% of Portfolio	Amount	% of Portfolio
Online performing gross portfolio by product:	*(in millions of €, except percentages)*			
Single Payment Loans	71.4	34.4 %	113.3	39.7 %
Instalment Loans	59.8	28.8 %	95.5	33.5 %
Lines of Credit [(1)]	37.3	18.0 %	45.0	15.8 %
Near Prime [(2)]	39.0	18.8 %	31.7	11.1 %
Total online gross performing portfolio	**207.4**	**100.0 %**	**285.5**	**100.0 %**

Notes: (1) Includes Minimum-to-Pay products and Point of Sale Loans

(2) Includes the Group's lower APR instalment loan products in Latvia (Vivus), Lithuania (Vivus), Spain (Fintonic) and Sweden (Friia)

Online non-performing loan portfolio

As of 30 June 2020, the Group's non-performing online portfolio was €96.0 million, an increase of €1.4 million since 31 December 2019. The gross NPL ratio was 31.6% for online receivables as of 30 June 2020, compared to 24.9% as of 31 December 2019. This increase in NPL ratio was mainly due to much lower fresh loan origination since mid-March, as well as the delay in some debt sales.

The Group accrues interest whilst it is probable it will be received (typically up to 90 DPD for instalment loans). Non-performing accrued interest was €17.9 million, or 19%, of non-performing receivables. Penalties and delay fees are not accrued as receivables and are only recognised as income when payment is received.

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

	30 June 2020	31 December 2019
	(in millions of €, except percentages)	
Non-performing online portfolio by product:		
Single Payment Loans	40.5	37.8
Instalment Loans	35.6	39.2
Lines of Credit [1]	14.2	14.7
Near Prime	5.7	3.0
Total non-performing online portfolio	**96.0**	**94.6**
Allowance for NPL principal	63.0	59.0
Allowance for NPL principal / non-performing principal	79 %	77 %
Overall receivables allowance / NPL receivables coverage ratio	109 %	121 %
Average Loss Given Default rate [2]	77 %	75 %

Notes: (1) Includes Point of Sale Loans

(2) Average LGD rate for SPL was 86%; IL: 74%; LOC: 73%; Near prime: 63% as of 30/06/2020

Other assets

A breakdown of the Group's other assets is presented in the table below. The 'derivatives' line relates mainly to the Group's EUR/ USD currency hedges, which reduced in value during the second quarter.

	30 June 2020	31 December 2019
	(in millions of €)	
Derivatives	8.0	5.5
Receivables from suppliers	4.7	7.5
Non-current assets held for sale	4.4	4.3
Investments in associates	2.1	2.1
Security deposits	1.3	1.4
FX hedging - funds on margin	0.6	1.6
Other non-customer receivables	8.0	7.1
Total	**29.1**	**29.5**

Liabilities

The Group had total liabilities of €788.0 million as of 30 June 2020, compared with €807.4 million as of 31 December 2019, representing a decrease of €19.4 million.

Loans and borrowings

As of 30 June 2020, the Group had loans and borrowings of €353.8 million, compared with €384.6 million as of 31 December 2019. The Group's loans and borrowings accounted for 45% of total liabilities as of 30 June 2020 and 48% of total liabilities as of 31 December 2019. The following table sets out the loans and borrowings by type.

In April 2020, 4finance S.A. repurchased a further $28.0 million of its USD bonds, bringing the total of USD bonds held in treasury to $85.9 million as of 30 June 2020. This includes a repurchase of USD bonds using EUR bonds as consideration, so as of 30 June 2020 the Group held €1.1 million of its EUR bonds in treasury. The Group bought back a further $8.7 million of its USD bonds in July, bringing the total held in treasury as of the date of this report to $94.6 million. No purchases of EUR bonds were made after the Period end.

	30 June 2020	31 December 2019
	(in millions of €)	
EUR bonds	145.2	147.1
USD bonds	208.4	237.4
Other	0.1	0.0
Total loans and borrowings (1)	**353.8**	**384.6**

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

In May 2016, 4finance S.A. issued €100.0 million of 11.25% 5 year notes (the *'EUR bonds'*). The EUR bonds are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further €50.0 million of EUR bonds were issued at par. Following a bondholder vote, in August 2020 the maturity of the EUR bonds was extended to February 2022, and they are callable at 104% until that date.

In April 2017, 4finance S.A. issued US$325.0 million of 10.75% 5 year notes (the *'USD bonds')* which are listed on the Irish Stock Exchange and will mature in May 2022. An IFRS 9 adjustment as of 1 January 2018 resulted in a €5.2 million decrease to the carrying value from the revaluation at the original effective interest rate of a proportion of US$ 2022 bond carried over from original US$ 2019 bond (to be amortised over remaining life of bond in 'interest expense'). The USD bonds are currently callable at 102.7%.

Customer deposits

As of 30 June 2020, the Group had total customer deposits of €347.2 million. Banking operations contributed €335.3 million in net deposits at an average all-in cost of approximately 1.6% with the balance from 4spar in Sweden at an average cost of 6.5%. Further details of TBI Bank's deposits are presented in the appendix.

Other liabilities

A breakdown of the Group's other liabilities is presented in the table below.

	30 June 2020	31 December 2019
	(in millions of €, except percentages)	
Accrued expenses	15.3	21.0
Lease liabilities (IFRS 16)	10.7	9.0
FX hedging liability	6.7	7.1
Accounts payable to suppliers	6.6	8.0
Taxes payable	3.9	8.5
Provisions for unused vacations	3.1	2.3
Other liabilities	21.0	22.1
Total	**67.3**	**78.0**

Equity

As of 30 June 2020, the Group's total equity amounted to €157.2 million, compared with €165.8 million as of 31 December 2019, representing a decrease of €8.6 million, or 5%. In the second quarter, the reduction in equity from the net loss in Q2 was partially offset by increases in FX reserves and other fair value adjustments. The Group's equity to assets ratio as of 30 June 2020 was 17%.

The equity to net receivables ratio as of 30 June 2020 was 31%, reflecting the Group's strong capitalisation, with good headroom to bond covenants.

Off-balance sheet arrangements

The Group's total off-balance sheet commitments as of 30 June 2020 were €22.4 million. This includes TBI Bank's undrawn lending commitments of €21.3 million and financial guarantees €0.4 million, plus €0.7 million in connection with the Group's online portfolio (LoC product). The Group also enters into currency hedging transactions which may result in additional off-balance sheet assets or liabilities, but are designed to limit overall exposure to currency movements.

Condensed Consolidated Statement of Cash Flows for the Period

	6 months to 30 June	
	2020	**2019**
Cash flows from operating activities	*(in millions of €)*	
Profit before taxes	**(2.1)**	**27.1**
Adjustments for:		
Depreciation and amortisation	7.0	7.1
Impairment of goodwill and intangible assets	—	(0.2)
Net (gain)/loss on foreign exchange from borrowings and other monetary items	8.2	2.7
Impairment losses on loans	65.7	73.2
Reversal of provision on debt portfolio sales	(1.7)	(5.6)
Write-off and disposal of intangible and property and equipment assets	0.2	0.8
Interest income from non-customers loans	(4.0)	(3.8)
Interest expense on loans and borrowings and deposits from customers	25.6	30.0
Non-recurring finance cost/(income)	(7.4)	—
Other non-cash items, including gain/loss on disposals	4.7	0.6
Profit before adjustments for the effect of changes to current assets and short-term liabilities	96.3	131.9
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(3.0)	(2.6)
(Increase)/decrease in other assets (including TBI statutory reserve, placements & leases)	(3.1)	(12.4)
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	(8.6)	(7.2)
Operating cash flow before movements in portfolio and deposits	**81.7**	**109.6**
Increase in loans due from customers	(3.0)	(103.3)
Proceeds from sale of portfolio	10.0	38.7
Increase in deposits (customer and bank deposits)	25.0	20.3
Deposit interest payments	(2.7)	(2.0)
Gross cash flows from operating activities	**110.9**	**63.4**
Corporate income tax paid	(4.2)	(23.3)
Net cash flows from operating activities	**106.7**	**40.1**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(3.4)	(3.1)
Net cash from Purchase / Sale of financial instruments	(2.5)	(30.7)
Loans issued to related parties	—	—
Loans repaid from related parties	0.1	4.0
Interest received from related parties	3.5	0.3
Disposal of subsidiaries, net of cash disposed	(1.5)	(0.3)
(Acquisition)/Disposal of equity investments	(1.4)	4.8
Acquisition of non-controlling interests	(0.4)	(0.4)
Net cash flows used in investing activities	**(5.7)**	**(25.3)**
Cash flows from financing activities		
Loans received and notes issued	0.1	—
Repayment and repurchase of loans and notes	(27.1)	(17.8)
Interest payments	(21.3)	(25.1)
FX hedging margin	1.0	4.5
Payment of lease liabilities	(2.0)	(2.4)
Dividend payments	—	—
Net cash flows used in financing activities	**(49.3)**	**(40.8)**
Net increase/(decrease) in cash and cash equivalents	**51.7**	**(26.0)**
Cash and cash equivalents at the beginning of the period	**98.5**	**148.8**
Effect of exchange rate fluctuations on cash	0.1	—
Cash and cash equivalents at the end of the period	**150.3**	**122.9**
TBI Bank minimum statutory reserve	**30.2**	**34.0**
Total cash on hand and cash at central banks	**180.5**	**156.8**

Net cash flows from operating activities in the Period were €106.7 million compared with €40.1 million in the same period last year, mainly due to lower levels of loan issuance, offsetting the reduced operating profit. Net cash flows used in investing activities were €5.7 million in the Period, mainly due to purchases of financial instruments at TBI Bank in the second quarter. The Group's cash flows used in financing activities include the repurchases of its EUR and USD bonds and coupon payments in the Period.

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

The Group finalised the purchase of TBI Bank EAD ('TBI Bank'), via the acquisition of TBIF Financial Services B.V., in August 2016. Presented here for illustration and reference are TBI Bank's results for the six months ending 30 June 2020 and six months ending 30 June 2019. Following TBI Bank's purchase of the Group's Bulgarian online lending business (vivus.bg) in April 2019, this is included in the consolidation for the 2020 results presented here.

Income statement

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

	6 months to 30 June	
	2020	**2019**
	(in millions of €)	
Interest Income	45.4	39.0
Interest Expense	(2.3)	(1.7)
Net Interest Income	**43.2**	**37.2**
Net F&C Income	4.0	4.4
Other operating income	0.6	0.4
Non-Interest Income	**4.6**	**4.8**
Operating Income	**47.8**	**42.1**
Total operating costs	**(24.8)**	**(22.4)**
Pre-provision operating profit	**23.0**	**19.7**
Net impairment charges	(11.0)	(6.8)
Post-provision operating profit	**12.0**	**12.9**
Depreciation and amortisation	(0.8)	(1.3)
Non-recurring income/(expense)	0.6	1.0
Net FX gain/(loss)	(2.0)	(1.2)
Pre-tax profit	**9.8**	**11.4**
Income tax expense	(1.3)	(1.6)
Net profit after tax	**8.4**	**9.8**

Balance sheet

The table below sets out the statement of financial position for TBI Bank. For the purpose of consolidation with the Group's balance sheet, the fair values assessed as part of the Group's updated goodwill calculation under IFRS are used, rather than the book values presented below.

	30 June 2020	**31 December 2019**
	(in millions of €)	
Cash and cash equivalents	94.2	49.9
Placements with other banks	9.8	6.4
Gross receivables due from customers	358.7	357.8
Allowance for impairment	(49.5)	(40.5)
Net receivables due from customers	**309.2**	**317.3**
Net investments in finance leases	5.3	5.7
Property and equipment	9.7	9.2
Financial assets	58.0	59.9
Tax assets	1.1	1.5
Prepaid expenses	1.0	1.1
Intangible assets	6.1	5.5
Other assets	8.9	7.9
Total assets	**503.3**	**465.2**
Loans and borrowings	0.0	0.0
Deposits from customers	344.2	311.8
Deposits from banks	13.0	13.0
Other liabilities	24.0	23.9
Total liabilities	**381.2**	**348.8**
Share capital	41.7	41.7
Retained earnings	81.6	74.4
Reserves	(1.2)	0.3
Total equity	**122.1**	**116.4**
Total shareholders' equity and liabilities	**503.3**	**465.2**

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

Loan portfolio

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

	30 June 2020	31 December 2019	% Change
Gross receivables by type	*(in millions of €)*		
Consumer	294.0	289.0	2 %
SME (including financial leases)	70.0	75.0	(7) %
Total gross receivables	**364.0**	**364.0**	**— %**
Provisions	(49.5)	(41.0)	21 %
Total net receivables	**314.5**	**323.0**	**(3)%**

As of 30 June 2020, consumer loans made up 81% of TBI Bank's gross loans, slightly up from 79% as of 31 December 2019. The overall loan portfolio has a roughly equal contribution from both Bulgaria and Romania.

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

	Consumer	SME (incl. leases)	Overall
Non-performing receivables to gross receivables ratio	17.1 %	20.2 %	17.7 %
Provision coverage [(1)]	87.9 %	31.7 %	75.3 %

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

Customer deposits

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

	30 June 2020	31 December 2019	% Change
	(in millions of €)		
Customer accounts of consumers	307.9	281.0	10 %
- Current accounts	30.0	27.0	11 %
- Term deposits	277.8	254.0	9 %
Customer accounts of SMEs	36.3	31.0	17 %
- Current accounts	23.0	17.0	35 %
- Term deposits	13.3	14.0	(5)%

TBI Bank increased deposits and liquidity in Q2 2020 to support planned business growth. The average interest rate paid on term deposits varies by type and currency, ranging from 0.1% to 4.4%. Deposit costs (excluding the state deposit guarantee fund annual charge) were 1.2% for the Period.

Capital and liquidity ratios

TBI Bank continues to have a strong capital and liquidity position. The table below shows TBI Bank's statutory capital and liquidity ratios as of 30 June 2020. Following the Bulgarian National Bank's supervisory review of the banking sector, the minimum capital adequacy ratio requirement for TBI Bank was increased from 13.5% to 14.25% during Q1 2019. This increased by a further 50bps to 14.75% in October 2019. A further increase in the counter-cyclical buffer of 50bps was expected in April 2020, however this was cancelled as part of the Bulgarian National Bank's coronavirus response.

	Standalone	Consolidated
Common equity Tier 1 ratio	20.3 %	20.8 %
Capital adequacy	20.3 %	20.8 %
Liquidity ratio	36.0 %	—
Liquidity coverage ratio	188.3 %	202.0 %

HISTORIC QUARTERLY RESULTS APPENDIX

For ease of reference, a summary income statement by quarter is presented below.

Income statement

(in millions of €)	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Interest Income	**122.3**	**116.1**	**113.7**	**106.5**	**106.9**	**105.7**	**104.8**	**96.6**	**70.4**
Interest Expense	(15.5)	(16.0)	(15.7)	(15.0)	(15.0)	(14.2)	(13.0)	(13.1)	(12.5)
Net Interest Income	**106.8**	**100.1**	**98.0**	**91.5**	**91.9**	**91.5**	**91.9**	**83.5**	**57.9**
Net F&C Income	2.3	2.7	2.3	2.1	1.9	2.4	2.8	2.4	1.5
Other operating income	2.3	2.2	2.5	2.2	2.2	2.1	2.3	2.3	2.7
Non-Interest Income	**4.6**	**4.9**	**4.8**	**4.3**	**4.0**	**4.5**	**5.2**	**4.7**	**4.2**
Operating Income	**111.4**	**105.0**	**102.7**	**95.7**	**95.9**	**96.0**	**97.0**	**88.2**	**62.2**
Total operating costs	**(59.0)**	**(51.0)**	**(53.7)**	**(49.8)**	**(50.3)**	**(48.1)**	**(49.4)**	**(46.7)**	**(39.8)**
Pre-provision operating profit	**52.4**	**54.0**	**49.0**	**45.9**	**45.6**	**48.0**	**47.6**	**41.5**	**22.4**
Net impairment charges	(26.9)	(30.5)	(29.1)	(32.4)	(28.1)	(31.9)	(30.5)	(31.2)	(26.4)
Post-provision operating profit	**25.6**	**23.4**	**19.9**	**13.5**	**17.5**	**16.1**	**17.1**	**10.3**	**(4.0)**
Depreciation and amortisation	(2.5)	(3.5)	(3.4)	(3.2)	(3.9)	(4.5)	(4.9)	(3.2)	(3.8)
Non-recurring income/(expense)	0.9	0.2	(1.5)	(0.1)	0.3	0.2	(0.8)	(3.5)	6.1
Net FX	(14.7)	(5.6)	5.3	1.6	1.5	(0.4)	2.0	(3.4)	(0.6)
One-off adj. of intangible assets	—	—	(6.7)	—	(0.2)	(0.1)	(1.1)	—	—
Pre-tax profit	**9.3**	**14.6**	**13.6**	**11.9**	**15.2**	**11.3**	**12.3**	**0.2**	**(2.4)**
Income tax expense	(3.1)	(6.2)	(12.1)	(6.2)	(5.8)	(5.4)	(4.9)	(2.7)	(4.6)
Net profit after tax	**6.1**	**8.3**	**1.5**	**5.7**	**9.4**	**5.8**	**7.4**	**(2.5)**	**(6.9)**
EBITDA	**27.2**	**34.0**	**32.7**	**30.1**	**34.0**	**30.0**	**30.2**	**16.5**	**14.0**
Adjusted EBITDA	**42.1**	**39.9**	**34.5**	**29.4**	**33.1**	**31.2**	**30.0**	**23.3**	**10.0**

Loan issuance

(in millions of €)									
Total value of online loans issued	**305.7**	**289.4**	**276.7**	**260.0**	**263.2**	**253.9**	**238.5**	**214.4**	**139.0**
Single Payment Loans [(1)]	222.1	206.4	195.1	167.2	169.8	170.9	162.3	148.3	92.2
Instalment Loans	45.4	39.0	38.5	39.5	35.1	23.4	21.2	16.7	8.0
Near-prime Loans	4.2	5.0	5.6	6.8	9.9	12.3	8.4	11.2	10.7
Lines of Credit [(2)]	38.2	39.0	37.5	46.5	48.5	47.4	46.6	38.2	28.1
Total value of TBI Bank loans issued	**60.8**	**73.3**	**86.9**	**68.2**	**78.0**	**87.2**	**103.3**	**77.1**	**73.1**
SME	9.4	8.6	9.9	10.1	13.4	15.6	13.4	8.7	6.3
Consumer	51.4	64.6	77.0	58.1	64.6	71.5	89.8	68.4	66.8

Notes: (1) Reflects reclassification of 'Vivus' brand products in Denmark, Sweden and Armenia, and (from Q1 2019 onwards) the 'SMS Credit' and 'Ondo' products in Latvia to Lines of Credit. Also includes vivus.bg online business in Bulgaria.

(2) Includes Point of Sale Loans

Loan portfolio (receivables, including accrued interest)

(in millions of €)	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Single payment loans (1)								
- Performing	153.4	142.0	116.3	116.1	114.4	113.3	100.8	71.4
- NPL (2)	39.7	40.8	31.8	34.7	42.6	37.8	44.1	40.5
- Total gross receivables	**193.1**	**182.8**	**148.1**	**150.8**	**157.0**	**151.1**	**145.0**	**111.9**
- Provisions	(53.1)	(51.2)	(44.1)	(47.1)	(54.1)	(49.8)	(55.6)	(46.1)
- Net receivables	**140.0**	**131.6**	**104.0**	**103.7**	**102.9**	**101.3**	**89.3**	**65.9**
- Provisions to gross receivables	27.5 %	28.0 %	29.8 %	31.2 %	34.4 %	33.0 %	38.4 %	41.2 %
- Gross NPL ratio	20.6 %	22.3 %	21.5 %	23.0 %	27.1 %	25.0 %	30.4 %	36.2 %
Instalment loans (3)								
- Performing	145.0	140.8	144.9	150.2	141.6	127.2	112.3	98.8
- NPL (2)	43.8	38.3	41.8	27.9	35.2	42.1	41.2	41.3
- Total gross receivables	**188.8**	**179.1**	**186.7**	**178.1**	**176.8**	**169.4**	**153.5**	**140.0**
- Provisions	(56.9)	(48.7)	(50.4)	(43.2)	(46.6)	(49.0)	(46.3)	(43.8)
- Net receivables	**131.9**	**130.4**	**136.3**	**134.9**	**130.3**	**120.4**	**107.2**	**96.2**
- Provisions to gross receivables	30.2 %	27.2 %	27.0 %	24.3 %	26.3 %	28.9 %	30.2 %	31.3 %
- Gross NPL ratio	23.2 %	21.8 %	22.4 %	15.7 %	19.9 %	24.9 %	26.9 %	29.5 %
Lines of Credit (4)								
- Performing	34.5	33.4	46.9	44.1	44.6	45.0	42.2	37.3
- NPL (2)	11.6	10.2	17.0	11.5	12.2	14.7	15.3	14.2
- Total gross receivables	**46.2**	**43.6**	**63.9**	**55.6**	**56.8**	**59.6**	**57.5**	**51.5**
- Provisions	(14.9)	(14.0)	(17.3)	(12.9)	(14.1)	(15.9)	(16.7)	(15.1)
- Net receivables	**31.2**	**29.6**	**46.6**	**42.7**	**42.7**	**43.7**	**40.8**	**36.4**
- Provisions to gross receivables	32.4 %	32.1 %	27.0 %	23.3 %	24.8 %	26.7 %	29.1 %	29.3 %
- Gross NPL ratio	25.2 %	23.4 %	26.6 %	20.7 %	21.5 %	24.6 %	26.6 %	27.6 %
Total Online receivables								
- Performing	332.9	316.2	308.1	310.4	300.7	285.5	255.3	207.4
- NPL (2)	95.1	89.3	90.6	74.1	90.0	94.6	100.6	96.0
- Total gross receivables	**428.1**	**405.4**	**398.6**	**384.5**	**390.6**	**380.1**	**355.9**	**303.5**
- Provisions	(125.0)	(113.9)	(111.8)	(103.2)	(114.7)	(114.7)	(118.7)	(105.0)
- Net receivables	**303.1**	**291.6**	**286.9**	**281.3**	**275.9**	**265.4**	**237.3**	**198.5**
- Provisions to gross receivables	29.2 %	28.0 %	28.0 %	26.8 %	29.4 %	30.2 %	33.3 %	34.6 %
- Gross NPL ratio	22.2 %	22.0 %	22.7 %	19.3 %	23.0 %	24.9 %	28.3 %	31.6 %
TBI Bank								
- Performing	229.3	252.3	249.0	258.7	274.8	296.4	292.7	290.0
- NPL (2)	41.7	47.6	52.1	49.8	53.5	57.1	55.6	61.3
- Total gross receivables	**271.0**	**299.9**	**301.1**	**308.5**	**328.3**	**353.5**	**348.2**	**351.3**
- Provisions	(33.2)	(38.3)	(40.3)	(38.5)	(41.4)	(40.1)	(42.9)	(47.6)
- Net receivables	**237.8**	**261.6**	**260.8**	**270.0**	**286.9**	**313.5**	**305.3**	**303.7**
- Provisions to gross receivables	12.2 %	12.8 %	13.4 %	12.5 %	12.6 %	11.3 %	12.3 %	13.5 %
- Gross NPL ratio	15.4 %	15.9 %	17.3 %	16.2 %	16.3 %	16.2 %	16.0 %	17.5 %

Notes: (1) Single Payment Loan portfolio shown in this table reflects the reclassification of 'Vivus' products in Sweden, Denmark and Armenia, and (from Q1 2019 onwards) the 'SMS Credit' and 'Ondo' products in Latvia to Lines of Credit. Also includes vivus.bg online business in Bulgaria.

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

(3) Includes Near Prime Loans

(4) Includes Point of Sale Loans

Additional Key Performance Indicators

Profitability	6 months to 30 June 2020	2019	FY 2019
ROAA, % * [1]	(1.3)%	2.4 %	2.6 %
ROAE, % * [2]	(7.6)%	14.5 %	16.1 %
ROATE, % *	(12.9)%	26.2 %	29.0 %
Interest Income / Average Interest Earning Assets, % [3]	47.6 %	60.3 %	58.4 %
Interest Income / Average Gross Loan Portfolio, %	51.2 %	65.3 %	64.0 %
Interest Income / Average Net Loan Portfolio, %	65.0 %	82.0 %	80.6 %
Interest Expense / Interest Income, %	15.3 %	14.1 %	13.4 %
Cost Of Funds, % [4]	6.4 %	7.1 %	6.9 %
Cost Of Interest Bearing Liabilities, % [5]	7.3 %	8.1 %	7.8 %
Net Spread, % [6]	40.3 %	52.2 %	50.6 %
Net interest margin, % [7]			
- Online	65.9 %	81.8 %	81.3 %
- TBI Bank	23.6 %	25.1 %	24.8 %
- Overall group	43.5 %	56.1 %	54.5 %
Net effective annualised yield [8]	62.4 %	78.0 %	75.9 %
Net Fee & Commission Income / Total Operating Income, %	2.6 %	2.1 %	2.4 %
Earnings Before Taxes / Average Total Assets, % *	(0.2)%	4.7 %	4.9 %
Efficiency			
Total Assets / Employee, (in thousands of €) *	392	374	356
Total Operating Income / Employee, (in thousands of €)	125	140	141
Cost / Income Ratio, % [9]	57.5 %	52.2 %	51.3 %
Total Recurring Operating Costs / Average Total Assets, % *	18.0 %	19.8 %	20.2 %
Total Operating Income / Average Total Assets, % *	31.4 %	38.0 %	39.3 %
Personnel Costs / Total Recurring Operating Costs, %	52.7 %	48.4 %	48.8 %
Personnel Costs / Total Operating Income, %	30.3 %	25.3 %	25.1 %
Net Operating Income / Total Operating Income, % *	42.5 %	47.9 %	49.0 %
Net Income (Loss) / Total Operating Income, % *	(5.0)%	8.0 %	7.7 %
Profit before tax / Interest income, % *	(0.5)%	11.2 %	11.4 %
Liquidity			
Net Loan Receivables / Total Assets, % *	53.0 %	53.7 %	59.4 %
Average Net Loan Receivables / Average Total Assets, % *	56.4 %	54.7 %	57.6 %
Net Loan Receivables / Total Liabilities, %	63.7 %	64.8 %	71.7 %
Interest Earning Assets / Total Assets, % *	70.2 %	68.3 %	75.9 %
Average Interest Earning Assets / Average Total Assets, % *	73.2 %	70.1 %	74.0 %
Liquid Assets / Total Assets, % * [10]	20.1 %	16.0 %	13.6 %
Liquid Assets / Total Liabilities, %	24.2 %	19.3 %	16.4 %
Total Deposits / Total Assets, % *	36.7 %	27.7 %	33.1 %
Total Deposits / Total Liabilities, %	44.1 %	33.4 %	39.9 %
Total Deposits / Shareholders' Equity, Times *	2.2x	1.6x	1.9x
Leverage (Total Liabilities / Equity), Times *	5.0x	4.8x	4.8x
Tangible Common Equity / Tangible Assets * [11]	10.5 %	10.8 %	10.9 %
Tangible Common Equity / Net Receivables	18.3 %	18.6 %	17.0 %
Net Loan Receivables / Equity, Times *	3.2x	3.1x	3.5x

Asset quality	6 months to 30 June 2020	2019	FY 2019
Loan Loss Reserve / Gross Receivables from Clients, %	23.3 %	20.4 %	21.1 %
Average Loan Loss Reserve / Average Gross Receivables from Clients, %	22.1 %	21.0 %	21.3 %
Cost of risk, % (12)			
- Online	27.7 %	27.2 %	27.5 %
- TBI Bank	5.8 %	4.5 %	4.6 %
- Overall Group	16.6 %	17.4 %	17.1 %
Gross NPL ratio, % (13)			
- Online	31.6 %	19.3 %	24.9 %
- TBI Bank	17.5 %	16.2 %	16.2 %
- Overall group	24.0 %	17.9 %	20.7 %
Net impairment / Interest income, % (14)	34.5 %	28.4 %	29.0 %
Credit Metrics			
Total Equity / Total Assets, % *	16.6 %	17.1 %	17.0 %
Total Equity / Net Loan Receivables, %	31.3 %	31.9 %	28.6 %
Interest Coverage ('basic' EBITDA), Times	1.2x	2.1x	2.2x
Adjusted Interest Coverage, Times (15)	1.3x	2.1x	2.2x
TBI Bank consolidated capital adequacy, % (16)	20.8 %	20.7 %	18.9 %

Selected Operating Data	30 June 2020	30 June 2019	31 December 2019
Total Employees	2,411	2,740	2,730

*Normalised ratios are adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets.
All ratios are annualised where appropriate.

(1) Return On Average Total Assets (ROAA) equals Net Income of the period / Average Total Assets for the same period
(2) Return On Average Total Equity (ROAE) equals Net Income of the period / Average Total Equity for the same period
(3) Interest Earning Assets include: Placement with other banks and Gross Loan Receivables
(4) Cost Of Funds equals Interest Expense of the period / Average Total Liabilities for the same period
(5) Cost Of Interest-Bearing Liabilities equals Interest Expense of the period / Average Interest Bearing Liabilities for the same period; Interest bearing Liabilities include Loans and borrowings and Deposits from customers and banks
(6) Net Spread equals Interest Income of the period / Average Interest Earning Assets for the same period less Cost of Interest Bearing Liabilities
(7) Net interest margin equals Net interest income / Average gross loan principal (total gross loan principal as of the start and end of each period divided by two)
(8) Annualised interest income (excluding penalties) / Average net loan principal
(9) Cost to Income ratio equals Operating costs / Operating income (revenue)
(10) Liquid Assets / Total Assets; Liquid assets include Cash and cash equivalents and Placements with other banks
(11) Tangible Common Equity / Tangible Assets. Tangible equity is Total Equity less Intangible Assets. Tangible Assets are Total Assets less Intangible Assets
(12) Cost Of Risk (Receivables only) equals Net impairment charges / Average Gross Receivables for the same period
(13) Gross NPL ratio equals Non-performing receivables (including accrued interest) with a delay of over 90 days / Gross receivables (including accrued interest)
(14) Net impairment charges on loans and receivables / interest income
(15) Adjusted Interest Coverage for the Period equals Adjusted EBITDA / Interest expense for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)
(16) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the BNB)

DEFINITIONS

Active customers – Online lending customers with open loans that are up to 30 days past due

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

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

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

Cost/income ratio – Operating costs / operating income

Equity/assets ratio – Total equity / total assets

Equity/net receivables – Total equity / net customer receivables (including accrued interest)

Gross NPL ratio – Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)

Gross receivables – Total amount receivable from customers, including principal and accrued interest, after deduction of deferred income

Intangible assets – consists of deferred tax assets, intangible IT assets and goodwill

Interest income – Interest and similar income generated from our customer loan portfolio

Loss given default – Loss on non-performing receivables (*i.e.* 1 - recovery rate) based on recoveries during the appropriate time window for the specific product, reduced by costs of collection, discounted at the weighted average effective interest rate

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

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

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

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

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

Normalised – Adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets, and for 2018 ratios only, adjusted to reflect the opening balance of 2018 balance sheet after IFRS 9 effects

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

Profit before tax margin – Profit before tax / interest income

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

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

Tangible equity – Total equity minus intangible assets

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

RECENT DEVELOPMENTS

Recent developments include significant and material information about the Group’s development and any changes since its last quarterly report that was published on 29 May 2020.

Acquisitions and disposals

At the end of June 2020, following the decision to stop new lending in Mexico, the Group sold its Mexican business to purchasers including Tirona Ltd.

Changes in management

From June 2020, to streamline the Group's management structure, the roles of Chief Marketing Officer and Chief People Officer will no longer be directly represented at the Executive Committee. The marketing and HR functions will report to the Chief Commercial Officer and Chief Executive Officer respectively.

Ownership changes

The Group was informed in late July of a change in one of the minority shareholdings of Tirona Limited. An 8.9% shareholding was purchased in July by Fintech Projects I Ltd, whose ultimate beneficial owners are Florian Fenner (61%) and Carl Mackinder (39%). The Group's significant ultimate beneficial owners remain unchanged, ie Vera Boiko with 49.0% and Edgars Dupats with 29.5%, with minorities holding the remaining 21.5%.

Regulatory changes

In Finland: in June, the parliament approved a bill to halve the recently introduced 20% cap on interest rates for consumer lending to 10% with effect from 1 July until the end of this year.

As part of their Covid-19 response, various governments and regulators continue to introduce or update debt forbearance measures such as payment deferrals.

Financing

The Group made further market repurchases of its bonds in July, with a focus on its USD bonds. As of the date of this report, the Group holds €1.1 million of its EUR bonds and $94.6 million of its USD bonds in treasury.

In June the Group commenced a formal process to amend its EUR bond terms and conditions to extend the maturity date by 9 months to 23 February 2022. The amendment resolution was successfully passed in July, and the new T&Cs came into force as of 24 August. The relevant fee payments for EUR bond investors were processed on 26 August.

The Group's operating entity in the Czech Republic, Zaplo Finance s.r.o. was added to the list of guarantors for its EUR and USD bonds on 25 August.

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