4finance Holding S.A.

Société anonyme

Consolidated Annual Report for the year ended 31 December 2021

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

Contents

Rounding and Percentages

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

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

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

Information on the Company

Name of the Company	*4finance Holding S.A.*
Legal status	*Public limited liability company*
Number, place and date of registration	*B171.059, Luxembourg, Luxembourg, August 27, 2012*
Legal and postal address	*8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg*
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*
Reporting period	*01.01.2021–31.12.2021*
Information on shareholders	*4finance Group S.A. 100%*
Auditors	*PKF Audit & Conseil Sàrl* *37, rue d'Anvers* *L-1130 Luxembourg*

Consolidated Management Report

4finance Holding S.A. (the "Company"), one of Europe's largest digital consumer lending groups, operating in 9 countries in Europe, presents its annual report including its audited annual accounts for the twelve month period ended 31 December 2021 .

The share capital of the Company as at 31 December 2021 was EUR 35 750 thousand (31 December 2020: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2020: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2020: 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 2021 and future developments

The Company and its subsidiaries (collectively, "the Group") had an encouragingly good start to 2021 which continued throughout the year, with good customer repayment dynamics and fundamental asset quality metrics that were stable across the business.

TBI Financial Services (banking business in Bulgaria and Romania, see Note 1) performed well, and the online business was re-focused on its core products and markets. In November 2021, the Group's loan issuance since inception surpassed the €9 billion milestone.

TBI Financial Services loan issuance volume during the 2021 grew by 50% year-on-year to €523.4 million from €349.8 million in the prior year period, with increased issuance in all products.

Near-prime portfolio development is aligned with the ability to fund those loans via TBI Bank. During 2021, over €20 million of Lithuanian near-prime loans were sold to TBI Bank.

Online loan issuance volume was growing throughout the year, despite remaining Covid restrictions, up by 15% YoY from €728.8 million to €836.2 million. Demand for credit remained good, with issuance driven by continued strong performance in Poland and recovery in volumes in Spain.

The year-on-year decrease in operating costs reflects an ongoing focus on cost discipline, the wind-downs of certain products/markets and the Group's response to Covid. Savings in the online business were achieved year-on-year in all cost categories, with the only slight increase in marketing expenses.

The cost to income ratio for 2021 improved to 55.4% vs 56.9% in the prior year. Cost discipline and operational efficiency remain in focus both in online business as well as at TBI Financial Services, where the income growth outpaces the increase in costs.

Significant disposals

The sale of Group's Slovakian business, Friendly Finance Slovakia, was concluded in May 2021. The remainder of the Friendly Finance group of companies, all non-operational, were sold to 4finance Group S.A. in June 2021.

The planned merger of the Group's entities in Latvia was completed in July 2021. This brings all the Group's loan portfolios in Latvia into the surviving AS 4finance entity, which is a guarantor of the Group's bonds.

As part of the Group's ongoing efforts to simplify its legal structure, the dormant LLC Credit Management (Georgia) entity was sold to 4finance Group S.A. in August 2021.

In December, all shares of BRAbank ASA owned by 4finance Holding S.A. (Luxembourg) and TBI Bank EAD (Bulgaria) were sold for total amount of €5.0 million.

Financing

During the period from March to September 2021, the Group made further market repurchases of $30.9 million notional of its USD bonds.

In June 2021, the Group cancelled $125 million of its USD bonds that were previously held in treasury. This represented over a third of the original issue, leaving $200 million of USD bonds outstanding at the end of June 2021.

In June 2021, the Group began the formal process to amend the terms and conditions of its EUR bonds including extension of the maturity of the EUR bonds by 3 years to February 2025. A bondholder vote was successfully passed in July and the new terms and conditions came into formal effect as of 23 August 2021.

In July 2021, TBI Bank completed an inaugural Tier 2 capital subordinated debt issue of €10 million in 10 year (non-callable for the first 5 years) bonds with a coupon of 5.25%. The bonds have been registered for trading on the Bulgarian Stock Exchange.

In October 2021, 4finance S.A. issued €175.0 million of 10.75% 5 year bonds maturing October 2026. The proceeds from the new issue were used to repay the Group's outstanding $200 million USD bonds. The EUR 2026 bonds are intended to be listed on the Oslo Stock Exchange in the coming months.

The Group made further market repurchases of €3.0 million notional of its EUR 2026 bonds in December 2021, taking the Group's treasury holdings to €10.6 million of its EUR 2026 bonds and €0.9 million of its EUR 2025 bonds as of 31 December 2021.

Dividend

No dividends were paid in 2021.

Regulatory changes

In Denmark: the Group continues to seek constructive engagement with the Consumer Ombudsman and other local authorities regarding its post-regulation products. In October 2021, the Group's license application was approved by the Danish FSA. See also Subsequent Events.

In Poland: following the expiry of temporary Covid-related measures in mid 2021, the applicable non-interest cost caps reverted to pre-Covid levels. Various proposals to further revise the caps for non-interest costs in Poland continue to be debated in parliament, however the potential timing and outcome of this process is unclear.

In Bulgaria: TBI Bank EAD (Bulgaria) expects a final confirmation by the Bank of Greece to enter Greek banking market based on a license passportization.

Future developments

Going in to 2022 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 to selectively search for high-quality acquisition targets
- Continue to simplify its corporate structure to become leaner and more efficient
- Develop its near-prime lending in lock-step with TBI Bank and the funding opportunities it presents
- Manage the profitable growth at TBI Bank.

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

Interest income for the twelve months ended 31 December 2021 amounted to EUR 296 005 thousand, compared with EUR 308 279 thousand in 2020, which represents a decrease of 4%. The reduction in interest income from online lending was 12%, reflecting the 16% decrease in the average balance of net receivables and a lower average interest yield. TBI Bank's loan book has continued to grow, particularly in Romania, with an increase of 23% in average net receivables year-on-year.

The TBI Financial Services interest income growth of 15% was driven by a loan issuance volume increase of 50% comparing to the previous period, contributing a year-on-year increase of EUR 14 284 thousand in interest income.

The balance of outstanding net loans at the end of 2021 was EUR 658 119 thousand, a 25% increase compared with EUR 526 431 thousand as of 31 December 2020, mainly coming from growth in TBI

Financial Services. As at 31 December 2021 TBI Financial Services contributed EUR 484 897 thousand of net receivables, an increase of 38% from prior year end.

The Group's profit before tax for the year ended 31 December 2021 amounted to EUR 51 439 thousand, a significant turn-around from the loss of EUR 401 thousand reported for the twelve months ended 31 December 2020.

A key driver of year on year improvements are net impairment charges. Net impairment charges were EUR 62 752 thousand compared to EUR 97 769 thousand for the twelve months ended 31 December 2020.

Gross impairment charges reduced significantly reflecting better asset quality indicators across the business and the lower average balance of receivables in the online segment. The external debt sale market normalised during 2021, allowing a return to the Group's standard strategy of 'forward flow' and ad hoc debt sales for its non-performing loans. This contributed to strong net gains on portfolio sales in the period (mainly in Q1) and also lower regular impairments on portfolios where forward flow agreements have been established.

Operating costs were reduced significantly, and the 8% decrease year-on-year reflects an ongoing focus on cost discipline, the wind-downs of certain products/markets and the Group's response to Covid-19. Overall personnel spend was 3% below that in 2020, with growth in TBI Financial Services and reductions of over 17% in online business. IT expenses in the period were 23% lower year-on-year, reflecting optimisation of costs and structure. Marketing spend was increased year-on-year, with further investment in Q4 which is a seasonally important quarter. Costs in TBI Financial Services were 19% up year-on-year, in line with its business growth and investment in strategic initiatives.

Foreign exchange movements resulted in a net loss of EUR 3 650 thousand for the year 2021. In the prior year period there was a net FX loss of EUR 5 706 thousand.

Principal risks and uncertainties

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

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

Corporate Governance

Strong corporate governance is an integral part of building a sustainable business. During September 2021, Dmitry Kislyakov and Ugis Zemturis were appointed to the Supervisory Board of 4finance Group SA. Dmitry has 25 years of experience in finance and is the CFO of online lending firm Digital Finance International. Ugis has extensive retail banking experience, including 10 years of board-level roles with banks in the Baltic, Nordic and CIS/CEE regions including AlfaBank and Swedbank Latvia (Hansabank). Evgeny Sytnik and Paul Muhr stepped down from the Board in September 2021. See also Subsequent Events.

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

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

Ownership

The Group's significant ultimate beneficial owners were unchanged during the year, i.e. Vera Boiko with 49.05% and Edgars Dupats with 29.47%, with minorities holding the remaining 21.48%, each investor owning below 10%. Changes have taken place after year end, as outlined in Note (45) Subsequent events.

Important events after the balance sheet date

Financing

As outlined in the EUR 2025 bond refinancing process in summer 2021, the Group offered EUR 2025 bond investors a put option in February 2022 for up to EUR 15 million at par. No requests were received during the notice period, so no bonds were repurchased.

In February and March 2022, the Group made further market repurchases of €13.3 million notional of its EUR 2025 bonds and €14.8 million notional of its EUR 2026 bonds, taking the Group's treasury holdings to €14.2 million of its EUR 2025 bonds and €25.4 million of its EUR 2026 bonds as of March 2022.

Ownership changes

In February 2022, Vera Boiko, previously the biggest beneficial owner, sold 9.89% of shares in ultimate parent company Tirona Limited to three new minority shareholders, each holding 3.3% after the transaction.

In March 2022, Vera Boiko transferred a further 9.89% of shares in Tirona Limited to a Swiss charitable fund for parasports. At end of March 2022, after both transactions Vera Boiko retains beneficial ownership of 29.27%.

In April 2022, Vera Boiko sold the remainder of her shares to four new minority shareholders, each owning less than 10% after the transaction, and is no longer a beneficial owner of the Group.

Governance

In March, in light of the changes in the shareholding it has been decided to dissolve the Supervisory Board, leaving the Management Board as the top level of corporate governance. When the company re-domiciles, a new singular board is expected to be constituted including executive and non-executive directors.

Changes in the regulatory framework

In Denmark, while the Group continues to seek constructive engagement with the Consumer Ombudsman and other local authorities regarding its post-regulation products, the Group decided in January to cease the offering of loans to customers for commercial reasons. 4finance will continue with servicing and collection/ monetisation activities on the existing portfolio.

In Poland, various proposals to revise the caps for non-interest costs in Poland continue to be debated in parliament, however the potential timing and outcome of this process is unclear.

The Group is engaged with the revision of the EU Consumer Credit Directive at multiple levels. Having been part of the consultation process, as the Directive moves through the committee stages in the European Parliament the Group continues to engage directly at the European level, at the local level through membership of lending and fintech associations and through broad industry initiatives.

Impact on business operations from Russia-Ukraine war

On 24 February 2022, Russia invaded Ukraine. The Group does not have any operations in Russia, Belarus or Ukraine, although it does operate in neighbouring countries and has some Ukrainian employees. Several countries have imposed economic sanctions on Russia, which may be extended, and various private companies have announced voluntary actions to curtail business activities associated with Russia. No sanctions have been applied to 4finance or any of its shareholders, directors or employees. The Group has not so far experienced any material business impact, although risks remain given the volatility of the situation, including the situation in Poland outlined below. The war also brings uncertainty to the general business outlook and adds to the inflationary pressures management were already monitoring.

Consolidated Management Report

Sale of Polish business

In early April, 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, 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. Management expects minimal impact on the Group's consolidated total equity on disposal.

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

14 April 2022

Consolidated Statement of Comprehensive Income

	Note	2021 EUR'000	2020 EUR'000
Interest income	6	296 005	308 279
Interest expense	7	(47 468)	(50 055)
Non-recurring finance income	8	3 730	10 833
Net interest income		**252 268**	**269 057**
Fee and commission income	9	29 537	17 447
Fee and commission expense	10	(9 779)	(8 554)
Other operating income	11	11 030	10 282
Non-interest income		**30 788**	**19 175**
Operating income		**283 056**	**288 233**
Operating costs	12	**(164 313)**	**(177 885)**
Other income		1 968	1 781
Non-recurring expense	13	(2 870)	(9 055)
Net foreign currency loss	14	(3 650)	(5 706)
Pre-provision operating profit		**114 191**	**97 368**
Net impairment losses	15	(62 752)	(97 769)
Profit /(loss) before tax		**51 439**	**(401)**
Income tax for the reporting period	16	(20 152)	(24 637)
Profit/(loss) for the period		**31 287**	**(25 038)**
Profit or loss attributable to:			
Equity holders of the Group		31 287	(25 038)
Profit/(loss)		**31 287**	**(25 038)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI – net change in fair value		1 245	(877)
		1 245	**(877)**
Items that are or may be reclassified subsequently to profit or loss			
Net gains /(losses) on debt instruments at FVOCI		(2 136)	2 142
Foreign currency translation differences on foreign operations		(3 722)	7 712
		(5 858)	**9 854**
Other comprehensive income/(loss), net of tax		**(4 613)**	**8 977**
Total comprehensive income/(loss) for the period		**26 674**	**(16 061)**
Total comprehensive income or loss attributable to:			
Equity holders of the Group		26 674	(16 066)
Non-controlling interests		—	5

All significant operations are continuing. The accompanying notes on pages 14 to 89 form an integral part of these consolidated financial statements.

Kieran Donnelly
Chairman of the Board of Directors
14 April 2022

James Etherington
Member of the Board of Directors

Consolidated Statement of Financial Position

	Note	31.12.2021 EUR'000	31.12.2020 EUR'000
Assets			
Cash and cash equivalents	17	179 995	154 235
Placements with other banks		16 906	10 258
Derivatives		2 053	2 068
Gross receivables due from customers		750 660	642 491
Allowance for impairment		(92 541)	(116 060)
Net receivables due from customers	18	**658 119**	**526 431**
Net investments in finance leases	19	2 033	4 240
Debt and equity investments	20	53 450	81 884
Net loans to related parties	21	58 985	59 147
Other assets	22	17 968	25 348
Investments in associates	23	1 380	1 552
Prepaid expenses		3 541	4 052
Property and equipment	24	18 101	17 141
Intangible assets	25	11 466	10 137
Goodwill	25	15 856	15 856
Tax assets		5 776	18 729
Deferred tax assets	26	12 505	18 589
Total assets		**1 058 133**	**949 667**
Liabilities			
Loans and borrowings	27	312 956	325 867
Deposits from customers	29	482 147	383 214
Deposits from banks	28	6 668	16 023
Income tax liabilities	16	5 115	5 190
Derivatives		2 602	5 733
Other liabilities	30	71 808	63 679
Total liabilities		**881 296**	**799 706**
Share capital	31	35 750	35 750
Retained earnings		168 064	140 624
Other components of equity	31	(26 977)	(26 411)
Total equity attributable to equity holders of the Company		**176 837**	**149 963**
Non-controlling interests	44	—	(2)
Total equity		**176 837**	**149 961**
Total shareholder equity and liabilities		**1 058 133**	**949 667**

The accompanying notes on pages 14 to 89 form an integral part of these consolidated financial statements.

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

14 April 2022

Consolidated Statement of Cash Flows

	Note	2021 EUR'000	2020 EUR'000
Cash flows from operating activities			
Profit/ (loss) before taxes		51 439	(401)
Adjustments for:			
Depreciation and amortization		7 306	14 843
Impairment of goodwill and intangible assets		(372)	647
Net (gain) / loss on foreign exchange from borrowings and other monetary items		11 314	(4 525)
Impairment losses on loans		91 002	121 045
Reversal of provision on debt portfolio sales		(17 514)	(11 637)
Write off and disposal of intangible and property and equipment assets		605	4 703
Interest income from non-customers loans		(7 527)	(8 134)
Interest expense on loans and borrowings and deposits from customers		47 358	50 107
Non-recurring finance (income)		(5 137)	(11 255)
Other non-cash items, including gain/loss on disposals		(1 825)	5 224
Profit before adjustments for the effect of changes to current assets and short term liabilities		**176 649**	**160 617**
Adjustments for:			
Change in financial instruments measured at fair value through profit or loss		(3 116)	7 381
(Increase) in other assets (including TBI statutory reserve, placements & leases)		(17 646)	(4 349)
Increase / (Decrease) in accounts payable to suppliers, contractors and other creditors		11 485	(8 908)
Operating cash flow before movements in portfolio and deposits		**167 372**	**154 741**
Increase in loans due from customers		(240 771)	(92 147)
Proceeds from sale of portfolio		35 752	28 043
Increase in deposits (customer and bank deposits)		90 281	63 907
Deposit interest payments		(7 894)	(5 580)
Gross cash flows from operating activities		**44 740**	**148 964**
Corporate income tax (paid), net of refunds received		(1 378)	(15 028)
Net cash flows from operating activities		**43 362**	**133 936**
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(5 671)	(6 466)
Net cash from (Purchase) / Sale of financial instruments		24 411	(21 195)
Other loans issued		(1 900)	—
Interest received from related parties		7 004	9 223
(Acquisition) / Sale of equity investments		5 004	(1 393)
Disposal of subsidiaries, net of cash disposed		(386)	(1 031)
Acquisition of Non-controlling interests		—	(383)
Net cash flows from / (used in) investing activities		**28 462**	**(21 245)**

Consolidated Statement of Cash Flows

	Note	2021 EUR'000	2020 EUR'000
Cash flows from financing activities			
Loans received and notes issued		10 000	110
Repayment and repurchase of loans and notes		(32 785)	(35 264)
Interest payments		(33 118)	(39 665)
Costs of notes issuance/amendment		(5 504)	(1 032)
FX Hedging margin		7 140	(10 980)
Payment of lease liabilities		(3 756)	(4 208)
Net cash flows used in financing activities		**(58 023)**	**(91 039)**
Net increase in cash and cash equivalents		**13 801**	**21 652**
Cash and cash equivalents at the beginning of the period		**120 592**	**98 530**
Effect of exchange rate fluctuations on cash held		(232)	410
Cash and cash equivalents at the end of the period	17	**134 161**	**120 592**
Minimum statutory reserve	17	45 834	33 643
Total cash on hand and cash at central banks	17	**179 995**	**154 235**

Major Non-Cash Items

Other non-cash items include equity-settled employee compensation program costs of EUR 200 thousand (2020: EUR 734 thousand).

The accompanying notes on pages 14 to 89 form an integral part of these consolidated financial statements.

Kieran Donnelly
Chairman of the Board of Directors

S. A. Eth

James Etherington
Member of the Board of Directors

14 April 2022

Consolidated Statement of Changes in Equity

Group	Share capital	Reorganization reserve	Currency translation reserve	Share based payment reserve	Obligatory reserves	Fair value reserve of financial assets at FVOCI	Retained earnings	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
1 January 2020	**35 750**	**(31 240)**	**(4 748)**	**1 208**	**3 239**	**(4 162)**	**165 734**	**165 781**	**(10)**	**165 771**
Total comprehensive income										
Profit for the reporting period	—	—	—	—	—	—	(25 038)	(25 038)	—	(25 038)
Other comprehensive income (OCI)	—	—	7 293	—	—	1 265	414	8 972	5	8 977
Transactions with shareholders recorded directly in equity										
Share based payment reserve (Note 36)	—	—	—	734	—	—	—	734	—	734
Acquisition of NCI (Note 32)	—	—	—	—	—	—	(486)	(486)	3	(483)
31 December 2020	**35 750**	**(31 240)**	**2 545**	**1 942**	**3 239**	**(2 897)**	**140 624**	**149 963**	**(2)**	**149 961**
1 January 2021	**35 750**	**(31 240)**	**2 545**	**1 942**	**3 239**	**(2 897)**	**140 624**	**149 963**	**(2)**	**149 961**
Total comprehensive income										
Profit for the reporting period	—	—	—	—	—	—	31 287	31 287	—	31 287
Other comprehensive income (OCI)	—	—	(3 722)	—	—	(891)	—	(4 613)	—	(4 613)
Reclassification of Other comprehensive income (OCI)	—	—	—	—	—	3 847	(3 847)	—	—	—
Transactions with shareholders recorded directly in equity										
Share based payment reserve (Note 36)	—	—	—	200	—	—	—	200	—	200
Changes in ownership interests										
Disposal of subsidiary with NCI	—	—	—	—	—	—	—	—	2	2
31 December 2021	**35 750**	**(31 240)**	**(1 177)**	**2 142**	**3 239**	**59**	**168 064**	**176 837**	**—**	**176 837**

The accompanying notes on pages 14 to 89 form an integral part of these consolidated financial statements.

Kieran Donnelly
Chairman of the Board of Directors

J.A. Eth

James Etherington
Member of the Board of Directors

14 April 2022

(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 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, Denmark, Latvia, Lithuania, Poland, Romania, Spain and Sweden, with Argentina and Armenia, being in wind-down mode. The Group also sold its businesses in Finland, Georgia and Mexico in 2020, and Slovakia in 2021.

The Group holds banking subsidiaries in Bulgaria and Romania (together referred to as the "TBI Financial Services", formerly "TBIF Group") 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 consolidated financial statements of the Group as at and for the year ended 31 December 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), are available upon request at the Group's registered office at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg.

The Group financial statements form part of the parent company, 4finance Group S.A., consolidated financial statements. The consolidated financial statements of the parent company, 4finance Group S.A., are available 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 14 April 2022. 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 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 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. Management have assessed all the main risks and considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

(2) Basis of preparation (continued)

(c) Functional and presentation currency

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

(3) Significant accounting policies

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

(i) Basis of Consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(iii) Business combinations

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

(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.

(3) Significant accounting policies (continued)

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 year.

(ii) Goodwill

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

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

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

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

(iii) Foreign currency

(i) Foreign currency transactions

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

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

(3) Significant accounting policies (continued)

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

31 December 2021		31 December 2020	
SEK	0.09756	SEK	0.09966
DKK	0.13447	DKK	0.13439
PLN	0.21754	PLN	0.21931
GBP	1.19008	GBP	1.11231
CZK	0.04023	CZK	0.03811
GEL	0.28539	GEL	0.24855
BGN	0.51130	BGN	0.51130
GIP	1.19008	GIP	1.11231
USD	0.88292	USD	0.81493
RON	0.20206	RON	0.20541
AMD	0.00184	AMD	0.00156
ARS	0.00855	ARS	0.00972
DOP	0.01541	DOP	0.01398

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 Bloomberg for euro zone countries, exchange rates at the reporting dates are specified in the table above. The income and expenses of foreign operations are translated into the Company's functional currency at exchange rates at the transaction date. Foreign currency retranslation differences are recognized in other comprehensive income.

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

(iv) Share-based payment transactions

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

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

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

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

(3) Significant accounting policies (continued)

(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's cash and cash equivalents comprise cash on hand, cash held with central banks, cash in nostro accounts held with other banks, as well as term deposits with banks with original maturity of less than three months.

(vi) Financial Instruments

(i) Recognition

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

(ii) Classification and Measurement

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

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

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

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

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

(3) Significant accounting policies (continued)

- 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.

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.

(3) Significant accounting policies (continued)

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 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.

(3) Significant accounting policies (continued)

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

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

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

(xii) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

The estimated useful lives are as follows:

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

(3) Significant accounting policies (continued)

(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. The estimated useful lives are as follows:

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

(xiv) Repossessed assets

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 model (ECL) under IFRS 9 accelerates the recognition of impairment losses and leads to higher impairment allowances at the date of initial application. The expected credit loss is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD).

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

- Stage 1 - Performing loans: part of loan portfolio where no significant increase in credit risk has occurred (delay days ≤30 days), 4finance Group recognizes an allowance based on twelve months expected credit losses.

(3) Significant accounting policies (continued)

- Stage 2 - Loans with significant increase in credit risk (delay days >30 days but less than 90 days): when a loan shows a significant increase in credit risk since initial recognition, 4finance Group records an allowance for the lifetime expected credit loss.
- Stage 3 - Defaulted loans: Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired (delay days ≥90 days). 4finance Group recognizes the lifetime expected credit losses for these loans and in addition, the Group accrues interest income on the amortised cost of the loan net of allowances, when it's probable it will be received.

The 4finance Group for LGD calculation uses recovery rates that are based on discounted historic cash-flows from defaulted loans.

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 360 days. Allowances for credit losses on loans and receivables are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified.

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

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

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

Impairment losses on portfolios of assets carried at 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.

(3) Significant accounting policies (continued)

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.

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's 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's balance sheet by decision of the Impairment Committee based on a specific and substantiated proposal by the SME Collection and Asset Management Department.

Credit exposures in Retail Banking are removed from the TBI Financial Services's 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, and 360 days for the exposures extended by 4Finance EOOD, and by foreign companies, part of the 4Finace Group, and are 100% impaired.

(3) Significant accounting policies (continued)

Modified financial assets

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

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

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.

(3) Significant accounting policies (continued)

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

(iii) 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.

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.

(3) Significant accounting policies (continued)

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.

(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

The 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's assets.

(xxii) Taxation

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

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

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

(3) Significant accounting policies (continued)

reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(xxiii) Income and expense recognition

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

(i) Interest income and expense

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

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

(ii) Fee and commission income and expenses

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

(iii) Penalty fee income

Income from penalty fees is recognized as received.

(iv) Other income

Income from Insurance broker activities from 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.

(xxiv) Staff costs and related contributions

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

(xxv) Operating segments

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

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

(3) Significant accounting policies (continued)

(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 2021.

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

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

(4) Risk management

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

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

Management has implemented procedures to control the key risks.

(a) Credit risk

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

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

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

(4) Risk management (continued)

As of 31 December	Maximum exposure 2021 EUR'000	2020 EUR'000
Cash and cash equivalents	179 995	154 235
Placements with other banks	16 906	10 258
Loans to customers:	**658 119**	**526 431**
Corporate clients	91 537	71 445
Corporate client impairment	(3 464)	(4 858)
Individual clients	659 123	571 046
Individual client impairment	(89 077)	(111 202)
Net investments in finance leases:	**2 033**	**4 240**
Gross investment in finance leases	2 271	4 543
Finance lease impairment	(238)	(303)
Net loans to related parties	58 985	59 147
Other assets	17 968	25 348
Derivatives	2 053	2 068
Debt and equity investments	53 450	81 884
Credit risk exposures related to contingent liabilities and irrevocable commitments are as follows:		
Contingent liabilities*	53 256	36 263
Total maximum exposure to credit risk	**1 042 765**	**899 874**

**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 at 31 December 2021 without taking into account collateral:

	Maximum exposure		
	4finance Group	**TBI Financial Services**	**Total**
	EUR'000	**EUR'000**	**EUR'000**
Cash and cash equivalents	73 528	106 466	**179 995**
Placements with other banks	—	16 906	**16 906**
Loans to customers:	173 222	484 897	**658 119**
Corporate clients	—	91 537	**91 537**
Corporate client impairment	—	(3 464)	**(3 464)**
Individual clients	213 849	445 274	**659 123**
Individual client impairment	(40 627)	(48 450)	**(89 078)**
Net investments in finance leases	—	2 033	**2 033**
Gross investment in finance leases	—	2 271	**2 271**
Finance lease impairment	—	(238)	**(238)**
Net loans to related parties	58 985	—	**58 985**
Other assets	7 960	10 007	**17 968**
Derivatives	—	2 053	**2 053**
Debt and equity investments	4 401	49 049	**53 450**
Total credit risk exposure*	**318 096**	**671 411**	**989 507**

** 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 (18) Net receivables due from customers and on finance leases to Note (19) Net investments in finance leases.

4finance Group

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

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

(4) Risk management (continued)

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 31.12.2021	Allowance for doubtful debts 31.12.2021	Net receivables 31.12.2021	Gross receivables 31.12.2020	Allowance for doubtful debts 31.12.2020	Net receivables 31.12.2020
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Not overdue	150 540	(4 051)	146 489	159 887	(5 868)	154 019
Overdue less than 90 days	34 110	(13 978)	20 132	32 519	(15 697)	16 822
Overdue more than 90 days	29 199	(22 597)	6 602	45 270	(41 884)	3 386
	213 849	**(40 627)**	**173 222**	**237 676**	**(63 450)**	**174 226**

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

TBI Financial Services

The 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 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's management as at the balance sheet date.

To manage credit risk, the 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 are mainly secured by collateral. Collateral is valued by obtaining a market value and then further reduced to take into account various risks. They are monitored on a regular basis and the underlying collateral is subject to re-appraisal on an annual basis. For impairment purposes, loans are monitored for Days Past Due ('DPD'), and other impairment triggers. For loans to groups of related party SME's, exposures are assessed collectively.

Loans to individuals are not secured. In addition, the 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's 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's risk exposures are classified in three groups based on the criteria of credit risk level, Stage 1 (with DPD < 30 days), Stage 2 (with DPD<30 days with forbearance measures and exposures with DPD between 31 and 90 DPD), Stage 3 (exposures with DPD>90 and with NPL triggers).

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

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

(4) Risk management (continued)

Collateral

The 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
- guarantees issued in favour of the TBI Financial Services.

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

In view of the specifics of the TBI Financial Services's business and the increasing portfolio of small consumer loans, the share of unsecured loans within the TBI Financial Services's portfolio is growing. These types of loans are mostly of average-term (the median term of the portfolio is approximately 30 months) and have low limits (the average receivable amount is approximately BGN 3.0 thousand / around EUR 1 509).

The table below shows the total amount of loans to customers before provisions and impairment losses by type of collateral at 31 December 2021:

	Loans to customers		
	Gross amount	**Collateral***	**Coverage****
	EUR'000	**EUR'000**	
Mortgages	63 617	63 283	98.6 %
Cash collateral	20	17	85.0 %
Other collateral	3 125	2 909	92.2 %
Unsecured	470 047	—	
Total	**536 811**	**66 209**	

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

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

Contingent liabilities and irrevocable commitments

Guarantees and letters of credit, which represent an irrevocable commitment by the 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 the 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. The TBI Financial Services controls the maturity of credit commitments since in most cases long-term commitments bear higher credit risk compared to short-term ones.

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

(4) Risk management (continued)

For details regarding loans and leases at 31 December 2021 see the table below:

	Loans to corporate clients	Loans to individual clients	Financial leases
	EUR'000	EUR'000	EUR'000
Neither past due nor impaired	69 976	345 207	376
Past due less than 30 days*	2 057	42 152	21
Past due 31 to 60 days*	582	9 395	—
Past due 61 to 90 days*	1 940	5 753	102
Past due over 91 days*	6 089	43 153	1 434
Collective provisions	(1 392)	(48 448)	(15)
Past due and individually impaired	10 508	—	338
Individual impairment	(2 074)	—	(223)
Net of loan loss provisions	**87 685**	**397 212**	**2 033**

* Not individually impaired, collective provisioning used

As at 31 December 2021, the carrying amount of financial assets that would otherwise be past due whose terms have been renegotiated is EUR 8 631 thousand (31 December 2020: EUR 10 334 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 assesses all corporate loans in its portfolio and books an impairment allowance if objective evidence for impairment exists. Consumer loans are reviewed for indicators of impairment on a portfolio basis. Credit quality is determined based on an analysis of the number of days past due and the amount overdue.

Past due but not impaired

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

Loans to customers which are past due and are impaired

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

Group's Expected Credit Losses

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

	Opening balance 01.01.2021	Origination and acquisition	Derecognition & repayments	Change in credit risk	Write-offs	Other & FX	Closing balance 31.12.2021
Stage 1	20 258	28 531	(18 707)	(7 252)	(23)	(484)	22 322
Stage 2	18 977	3 862	(11 299)	6 942	(9)	(2 657)	15 817
Stage 3	77 111	11 923	(42 340)	66 765	(62 580)	3 760	54 640
	116 346						**92 779**

(4) Risk management (continued)

Deposits, placements with other banks and debt and equity instruments

The table below presents an analysis of deposits with other banks and debt and equity instruments at 31 December 2021 based on criteria set by rating agencies as a result of their credit assessments.

Rating	Debt and Equity investments	Placements with other banks
	EUR’000	EUR’000
A3 (Moody's)	—	7 050
A2 (Moody's)	183	—
BBB+ (Fitch)	—	17
Baa1 (Moody's)	25 976	—
BBB (Fitch)	—	1 516
BBB (BCRA)	—	5 314
Baa2 (Moody's)	—	2 231
Baa3 (Moody's)	10 729	—
BBB- (BCRA)	—	16
BB+ (Fitch)	—	416
BB (Fitch)	585	—
BB- (Fitch)	—	1
Ba1 (Moody's)	4 534	—
Ba2 (Moody's)	2 155	—
B1 (Moody's)	—	17
B+ (Fitch)	3 049	—
B+ (S&P)	1 389	—
B (Fitch)	397	—
B- (Fitch)	—	328
Unrated	52	—
	49 049	**16 906**

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

(b) Liquidity risk

4finance Group

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

(4) Risk management (continued)

TBI Financial Services

The Management Board of the 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.

The TBI Financial Services monitors the liquidity of assets and liabilities by type of currency, amount and interest rates on a daily basis. With respect to the large portion of liabilities comprising term deposits from individuals and legal entities, active measures are taken to encourage customers to renew their deposits. Deposits from legal entities are primarily not in large amounts and historical experience shows that typically the terms and conditions are re-reviewed and agreed immediately prior to their maturity. For more details see Note (29) 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. All of 4finance Group's borrowings have been received at fixed rates. Re-pricing of interest-bearing liabilities is not expected to take place within the next 12 months. TBI Financial Services is subject to floating interest rates (Euribor, Soifbor and Robor) and actively manages this risk. TBIF Financial Services is using interest rate swaps. Based on analysis, a 100 bp increase/(100) bp decrease change in interest rates would result in EUR 1 781/(1 781) thousand effect on the Statement of Comprehensive Income.

Currency risk

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

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

An analysis of sensitivity of the Group's net income for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2021 and 31 December 2020 and a simplified scenario of a 10% change in PLN, USD, CZK, SEK and RON to EUR exchange rates is as follows:

(4) Risk management (continued)

	31.12.2021		31.12.2020	
	Net income EUR'000	Equity EUR'000	Net income EUR'000	Equity EUR'000
Appreciation of PLN against EUR	4 935	4 935	6 443	6 443
Depreciation of PLN against EUR	(4 935)	(4 935)	(6 443)	(6 443)
Appreciation of USD against EUR	516	516	(15 612)	(15 612)
Depreciation of USD against EUR	(516)	(516)	15 612	15 612
Appreciation of CZK against EUR	1 363	1 363	1 401	1 401
Depreciation of CZK against EUR	(1 363)	(1 363)	(1 401)	(1 401)
Appreciation of SEK against EUR	896	896	(273)	(273)
Depreciation of SEK against EUR	(896)	(896)	273	273
Appreciation of RON against EUR	15 371	15 371	13 843	13 843
Depreciation of RON against EUR	(15 371)	(15 371)	(13 843)	(13 843)

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

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

(d) Operational risk

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

The Group's 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.

(4) Risk management (continued)

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

- requirements for appropriate segregation of duties, including the independent authorisation 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 operates
- ensuring the Group’s ability to continue as a going concern so that it can continue to provide returns for the shareholders
- maintaining a strong capital base which is the basis for the development of the Group’s activity.

4finance Group

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

TBI Financial Services

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

The Regulatory Authority requires each bank or group of banks: (a) to hold minimum level of equity of BGN 10 000 thousand and (b) to maintain a ratio of total regulatory capital to risk-weighted assets of 14.75%, comprising of a total capital adequacy requirement of 8%, protective capital buffer of 2.5%, systemic risk buffer of 3% and countercyclical buffer of 0.5%. Each bank is also required to hold additional Pillar 2 requirement, which is 0.75% for TBI Bank. TBI Financial Services’s capital adequacy ratio as 31 December 2021 was 20.19% (31 December 2020: 19.41%).

The TBI Financial Services’s equity is divided into two tiers in accordance with the definitions and requirements of Regulation No 575 of the European Parliament and of the Council of 26 June 2013.

(5) Use of estimates and judgements

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

4finance Group

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended 31 December 2020. 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 (18) 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 90 days or more. 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 and to determine the required input parameters, based on historical experience, current and future economic conditions. To assess collective impairment allowances, the loan portfolio is grouped based on delay days. The significant assumptions used in determining collective impairment losses for the loan portfolio include:

- Management assumes that 4finance Group collected cash from defaulted loans is calculated as discounted cash inflows (interest, penalties, principal, commission) in following 9 months from Default date. External Debts Collection costs should be deducted from incoming cash inflows. Collected cash observation period could be extended if significant collected cash would be observed after 9 month from Default date. All collected cash are discounted to the Default moment by using average last 6 months effective interest rate ('EIR') including contractual interest rate and fees of the specific product.
- Management calculates probability of default (count based) ratios using historic transition matrices which analyses loan portfolio movements between the delinquency buckets over one month period for single payment loans and one year period for instalment loans. The analysis is undertaken on monthly basis, in which the average probability of default ratios of the last six months for single payment loans and of last 3 months for instalment loans are calculated.
- Management calculates repayment rates (part of EAD) based on historical repayments for principal for loans that will default in 4 months' time for single payment loans, and based on historical repayments for principal for loans that will default in 1 year's 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 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.

(5) Use of estimates and judgements (continued)

Management closely follows recoveries from delinquent loans and revises LGD rates for portfolios based on discounted cash inflows. Historical experience supports the use of 9 and 21 months after default as the period over which recoveries are expected to be received. This assumption is used across all countries and is supported by actual past experience across numerous entities within the 4finance Group. Products where debt sales events on non-write-off portfolio are regular (at least twice a year) or where a Forward Flow ('FF') Debt Sales agreement is the effective average realization price is included into the recovery rate calculation. Where there is insufficient past statistical data, projections of recoveries are used based on the data available and benchmarking of comparable data from other markets where the 4finance Group has wider historical data availability. Projected LGD rates vary across the countries depending on the specifics of individual countries.

During the year ended 31 December 2021, management continually reassessed its impairment allowances for credit losses on loans and receivables. This assessment included a review of historical recovery trends impacting the LGD ratios that underlie the impairment loss allowance calculations. As at 31 December 2021, the weighted average LGD rate across portfolios was 64% (31 December 2020: 74%). On product level single payment loan weighted average LGD was 76%, 63% for instalment loans, 47% for minimum to pay and 41% for near-prime loans. The weighted average LGD rate decrease is due to improvement in LGD ratio by Forward Flow debt sale process introduced in several countries such as Latvia, Lithuania, Spain and Czech Republic.

Sensitivity analysis of the Group's net income for the year and equity to changes in LGD rates given a simplified scenario of a 5% increase in the LGD ratio for each operating entity would increase loan loss impairment for EUR 3 608 thousand (31 December 2020: EUR 3 274 thousand). A 5% decrease would lead to a decrease to EUR 1 970 thousand (31 December 2020: EUR 3 684 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 year, 4finance Group developed certain software solutions. 4finance Group applied IAS 38 to assess expenditure that met the criteria to be capitalized and expenditure to be expensed to profit or loss. Management judgement is required to assess costs falling within 3 specific phases - research and pre-development costs, development costs and maintenance/post-development costs. 4finance Group has set up internal processes allowing it to allocate internal IT costs to the appropriate stage. Only those expenses that have been internally assessed as relating to development are capitalized. In addition, management judgement is required in assessing the useful economic lives of developed projects and performing review of intangible assets carrying value for impairment. Currently, useful life is 3 years. When assessing value in use, estimated future cash flows of cash-generating units are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks associated to the asset. Information in relation to the capitalisation of internal development costs is disclosed in more detail in Note (25) 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 (26) 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.

(5) Use of estimates and judgements (continued)

(f) Valuation of related party loans

Significant management judgement is used for estimating market interest rate and expected credit loss, see Note (21) Net loans to related 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 judgemental 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 (25) 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 Note (37) Litigations.

TBI Financial Services

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

(a) Allowances for credit losses

TBI Financial Services reviews its loan portfolios to assess the need for impairment on at least a quarterly basis. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, TBI Financial Services makes an analysis whether objective data exists indicating that there is a significant decrease in the estimated future cash flows from the loan portfolio. Such evidence may include observable data, indicating an adverse change in the borrowers' ability to meet their loan obligations in the respective portfolio, or their national or local economic conditions indicate that the probability of default has increased. When estimating future cash flows, for assets with credit risk features and objective evidence for impairment similar to those in the portfolio, management uses estimates based on historical losses experienced. The methodology and assumptions used to estimate the amount and timing of future cash flows are reviewed regularly in order to reduce differences between loss estimates and actual loss experience. TBI Financial Services undertakes a credit risk stress test which assumes a static portfolio of the bank and migration of loans with DPD up to 90 days to loans with DPD 90+ with a forecast horizon of 12 months as reflected in the average three years transition matrices per product and domicile in adverse scenario with a total effect of EUR 1 434 thousand as of 31 December 2021 (31 December 2020: EUR 1 233 thousand). As per EBA requirements the adverse scenario assumptions are performed on a dynamic portfolio with 24 months horizon totalling overall risk estimate of EUR 3 929 thousand (31 December 2020: EUR 2 981 thousand).

(b) Repossessed collateral valuation

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

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

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

(5) Use of estimates and judgements (continued)

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

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

TBI Financial Services undertakes a collateral depreciation stress test, which assumes a devaluation of real estate by 5-15% depending on the type of real estate over a forecast horizon of 12 months. As of 31 December 2021, this test resulted in a sensitivity of EUR 591 thousand (31 December 2020: EUR 1 424 thousand).

(6) Interest income

Summary

Interest income represents revenues generated during the reporting period from the Group's basic activities – consumer lending. Interest income includes loan commission income and penalty fee income. In TBI Financial Services not only consumer lending but also SME lending and leasing. In TBI Financial Services there is also income on funds placed with banks and from financial assets carried at fair value through OCI.

	2021 EUR'000	2020 EUR'000
Loans to customers:		
4finance Group	186 068	212 626
TBI Financial Services	109 153	94 428
Due from banks:		
TBI Financial Services	106	119
Financial assets carried at fair value through OCI:		
TBI Financial Services	678	1 106
	296 005	**308 279**

Interest income by geographic markets:

The 4finance Group

	2021 EUR'000	2020 EUR'000
Spain	66 348	56 839
Poland	64 410	66 599
Latvia	19 880	18 275
Czech Republic	17 895	16 680
Lithuania	7 749	8 198
Denmark	4 685	28 232
Sweden	3 138	3 372
Other	1 963	14 429
	186 068	**212 626**

(6) Interest income (continued)

TBI Financial Services

	2021	2020
	EUR’000	EUR’000
Romania	60 421	42 279
Bulgaria	47 955	52 609
Lithuania	1 253	—
Poland	308	765
	109 937	**95 653**

(7) Interest expense

	2021	2020
	EUR’000	EUR’000
Interest expense on notes	39 824	44 268
Deposits from customers	6 492	5 027
Deposits from banks and financial institutions	698	614
Other	453	145
	47 468	**50 055**

(8) Non-recurring finance income

In 2021 the Group repurchased USD 30.9 million nominal value of USD bonds before USD bond repayment in full, EUR 3 million nominal value of EUR 2026 Notes and EUR 2025 Notes (before maturity extension) were sold nominal value EUR 1.3 million and repurchased EUR 0.9 million for the period ended 31 December 2021, which generated non-recurring finance income of EUR 2 248 thousand (2020: EUR 10 833 thousand). The income represents the difference between carrying value of the purchased bond and the purchase price paid.

In August 2021, the EUR 2025 Notes maturity was extended and for the largest part of the bond there was calculated modification gain of EUR 3 845 thousand. For other part of the bond which had been repurchased before sold again, there was recognised derecognition loss of EUR 748 thousand.

In October 2021, the Group incurred non-recurring finance cost of EUR 1 615 thousand due to USD bond derecognition when the bonds were repaid.

(9) Fee and commission income

	2021	2020
	EUR’000	EUR’000
Income from insurance broker’s activities and agent’s commissions	27 801	15 936
Transfer and transaction income	1 410	1 219
Guarantee and letter of credit income	23	20
Other income	304	272
	29 537	**17 447**

(9) Fee and commission income (continued)

Fees and commissions are related to TBI Financial Services's operations. Agent's commission income originates from an insurance agency contract.

(10) Fee and commission expense

	2021 EUR'000	2020 EUR'000
Agent's commission expense	7 826	6 757
Bank transaction expense	1 924	1 765
Other expense	29	31
	9 779	**8 554**

Fees and commissions are related to TBI Financial Services's operations. Costs of agent's commissions relate to a credit brokerage contract.

(11) Other operating income

	2021 EUR'000	2020 EUR'000
Interest income	8 511	8 392
Gain/(loss) on disposal of financial assets	1 410	(165)
Income from services	1 063	2 052
Other income	45	2
	11 029	**10 282**

In 2021, Other operating income includes interest income from related parties of EUR 6 867 thousand (2020: EUR 6 886 thousand), see Note 35.

Gain on disposal of financial assets in 2021 is from TBI Financial Services which sold corporate bonds with net profit of EUR 1 336 thousand and incurred other non-recurring finance income EUR 74 thousand.

(12) Operating costs

	2021 EUR'000	2020 EUR'000
Personnel costs	80 113	82 395
Marketing and sponsorship	29 677	26 689
IT expenses	11 433	14 828
Legal and consulting	7 596	6 995
Depreciation and amortization	7 250	14 888
Application inspection costs	4 415	5 175
Communication expenses	3 842	4 019
Debt collection costs	2 302	3 493
Bank services	3 059	3 329
Taxes	1 896	1 813
Rent and utilities	1 531	1 785
Travel	854	957
Other	10 345	11 519
	164 313	**177 885**

The year-on-year decrease in operating costs reflects an ongoing focus on cost discipline, the wind-downs of certain products/markets and the Group's response to Covid.

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.

Auditor's fees (part of Legal and consulting)	2021 EUR'000	2020 EUR'000
Audit fees	1 152	1 174
Audit related fees	8	7
Tax related fees	13	106
	1 173	**1 287**

	2021	2020
Average number of employees		
Senior management/Executives	5	7
Employees	2 294	2 513
	2 299	**2 520**

(13) Non-recurring expense

	2021	2020
	EUR'000	EUR'000
Disposals of subsidiaries	(1 605)	3 764
Intangible asset write-off	1 163	3 271
Goodwill impairment	—	647
Intangible asset impairment reversal	—	(766)
Other non-recurring expense	3 312	2 138
	2 870	**9 055**

In 2021 disposals of subsidiaries include the technical gain from the sale of Friendly Finance companies. 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 several intangible assets. Intangible assets in Denmark was written off as loan issuance was stopped.

Other non-recurring expense in 2021 mainly consist of Denmark income adjustment for 2020 following the mid-year regulatory pricing changes and a provision in TBI Financial Services for settlement of historic social/personnel taxes, made following a regulatory ruling in 2021. In 2020 reclassification from Operating costs to Other non-recurring expenses were done related to various insignificant items.

In 2020 disposals of subsidiaries include loss from sold subsidiaries in Georgia and Mexico.

(14) Net foreign currency loss

	2021	2020
	EUR'000	EUR'000
Net foreign currency loss	11 558	3 000
Net (gain)/loss on derivatives	(7 908)	2 706
	3 650	**5 706**

(15) Net impairment losses

	2021	2020
	EUR'000	EUR'000
Impairment losses on loans	91 003	121 045
Reversal of provision on debt portfolio sales	(17 514)	(11 554)
Recovery from written-off loans	(10 737)	(11 722)
	62 752	**97 769**

Net impairment losses in 2021 were significantly lower year-on-year due to better asset quality across the business and the lower average balance of loan receivables in the 4finance Group.

In 2021 net change in TBI Financial Services financial lease impairment allowance resulted in a gain of EUR 70 thousand (2020: EUR 190 thousand gain).

(16) Income tax for the reporting period

	2021 EUR'000	2020 EUR'000
Current tax	14 009	10 886
Deferred tax	6 143	13 752
	20 152	**24 637**

Reconciliation of effective income tax:

	2021 EUR'000	2020 EUR'000
Profit /(loss) before corporate income tax	51 439	(401)
Theoretical corporate income tax, 24.94%	12 829	(100)
Effect of change in deferred tax asset recognition	—	6 350
Tax effect of permanent differences related to non-deductible expenses	8 684	13 141
Impact of tax rate in other jurisdictions	(1 361)	5 246
Corporate income tax for the reporting year	**20 152**	**24 637**

The tax charge in 2021 was mainly created and impacted by the following items:

- current tax representing tax payable by Group's biggest profitable entities: Poland, Czech Republic, Spain and TBI Bank (Bulgaria);
- recognition of provision in Poland for payments of EUR 2.4 million which must be made in order to proceed with an appeal against the findings of a historic tax audit. Ultimately, the Group does not expect to be liable for the tax.

Companies within the Group are subject, from time to-time, to tax inspections by the relevant local tax authorities. Currently, a tax inspection is being undertaking by the local tax authorities in the following Group's companies: 4finance ApS (Denmark) and Vivus Finance Sp. z o.o. (Poland).

Income tax liability as of 31 December 2021 was EUR 5 115 thousand (31 December 2020: EUR 5 190 thousand).

(17) Cash and cash equivalents

	31.12.2021 EUR'000	31.12.2020 EUR'000
Bank balances	82 113	86 809
Cash at central banks other than the minimum statutory reserve	52 048	33 783
Cash and cash equivalents in the statement of cash flows	**134 161**	**120 592**
Minimum statutory reserve	45 834	33 643
Total cash on hand and cash at central banks	**179 995**	**154 235**

As at 31 December 2021, the statutory minimum reserves held with the Bulgarian National Bank (BNB) by TBI Financial Services amount to 10% (31 December 2020: 10%) of the deposits attracted, 5% of funds attracted from abroad and 0% of the funds attracted from other local banks.

As at 31 December 2021, 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

(17) Cash and cash equivalents (continued)

residual maturity of less than two years without early termination clauses. The statutory minimum reserves are available for use at up to 50% from the required reserves in the Group's day-to-day operations under the condition that the full reserves requirement for the month is covered. The excess of the minimum statutory reserves held with BNB is charged currently with a negative interest rate (-0.70% per annum). Those held in NBR are charged with 0% interest currently.

(18) Net receivables due from customers

Summary

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

	Gross receivables 31.12.2021	Allowance for impairment 31.12.2021	Net receivables 31.12.2021	Gross receivables 31.12.2020	Allowance for impairment 31.12.2020	Net receivables 31.12.2020
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
4finance Group	213 849	(40 627)	173 222	237 676	(63 450)	174 226
TBI Financial Services	536 811	(51 914)	484 897	404 815	(52 610)	352 205
	750 660	**(92 541)**	**658 119**	**642 491**	**(116 060)**	**526 431**

4finance Group

	31.12.2021	31.12.2020
	EUR'000	**EUR'000**
Long-term loans due from customers	35 888	41 072
Allowance for impairment of long-term loans due from customers	(3 710)	(6 078)
Long term	**32 178**	**34 994**
Short-term loans due from customers	177 961	196 604
Allowance for impairment of short-term loans due from customers	(36 917)	(57 372)
Short term	**141 044**	**139 232**
	173 222	**174 226**

The 4finance Group's long-term and short-term loans consist of loan balances not exceeding EUR 15 000 per loan (31 December 2020: EUR 15 000 and maturity of up to 7 years) with maturity of up to 7 years. The average loan size in 2021 was EUR 225 (2020: EUR 220). The loans are not collateralized.

Short-term loans include the Line of Credit portfolio outstanding of EUR 28 thousand as at 31 December 2021 (31 December 2020: EUR 59 thousand). The total credit committed under this product, which includes used and unused amounts, is EUR 130 thousand (31 December 2020: EUR 216 thousand).

(18) Net receivables due from customers (continued)

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

	2021 EUR'000	2020 EUR'000
Allowance for impairment		
Balance at the beginning of period	63 450	114 335
Charge for the period	57 463	91 022
Amounts written-off	(34 824)	(77 409)
Derecognised on disposal of portfolio	(46 003)	(60 444)
Currency effect	540	(4 053)
Balance at period end	**40 627**	**63 450**

The net gain from debt sales of loan portfolios in the 4finance Group is EUR 11 790 thousand (2020: EUR 11 363 thousand).

Loans by country and currency:

	Gross receivables 31.12.2021 EUR'000	Allowance for impairment 31.12.2021 EUR'000	Net receivables 31.12.2021 EUR'000	Gross receivables 31.12.2020 EUR'000	Allowance for impairment 31.12.2020 EUR'000	Net receivables 31.12.2020 EUR'000
Latvia (EUR)	57 287	(5 267)	52 020	44 373	(6 289)	38 084
Poland (PLN)	64 629	(14 851)	49 778	65 554	(14 463)	51 091
Spain (EUR)	38 581	(13 474)	25 107	40 366	(19 035)	21 331
Lithuania (EUR)	20 997	(1 515)	19 482	33 231	(2 266)	30 965
Czech Republic (CZK)	15 232	(2 446)	12 786	14 741	(3 757)	10 984
Denmark (DKK)	12 655	(2 460)	10 195	23 644	(9 987)	13 657
Sweden (SEK)	4 103	(249)	3 854	8 224	(1 054)	7 170
Other	365	(365)	—	7 543	(6 599)	944
	213 849	**(40 627)**	**173 222**	**237 676**	**(63 450)**	**174 226**

TBI Financial Services

Loans to customers

	31.12.2021 EUR'000	31.12.2020 EUR'000
Loans to customers:		
Individuals	444 862	332 181
Corporate clients	91 147	71 867
Staff	802	767
Total loans to customers	**536 811**	**404 815**
Allowance for impairment	(51 914)	(52 610)
Total net loans to customers	**484 897**	**352 205**

(18) Net receivables due from customers (continued)

Loans to customers include accrued interest amounting to EUR 9 936 thousand (2020: EUR 8 745 thousand). Loans to customers bearing floating interest rates amount to EUR 77 535 thousand (2020: EUR 59 773 thousand), and loans to customers bearing fixed interest rates amount to EUR 464 204 thousand (2020: EUR 346 080 thousand).

Allowance for impairment

The movement in allowance for impairment is as follows:

Allowance for impairment for individually assessed financial assets	**2021**	**2020**
	EUR'000	**EUR'000**
Balance at the beginning of period	**2 748**	**2 423**
(Reversal)/Charge for the period in continued operations	(106)	493
Amounts written-off	(1 232)	—
Currency effect	(18)	(168)
Balance at period end	**1 392**	**2 748**

Allowance for impairment for collectively assessed financial assets	**2021**	**2020**
	EUR'000	**EUR'000**
Balance at the beginning of period	**49 862**	**38 038**
Charge for the period in continued operations	37 932	25 632
Amounts written-off	(36 678)	(13 955)
Currency effect	(594)	147
Balance at period end	**50 522**	**49 862**

Net gain from debt sales of portfolio in TBI Financial Services is EUR 5 724 thousand (2020: EUR 1 662 thousand).

Structure of the loan portfolio by economic sectors

	Gross receivables 31.12.2021	**Allowance for impairment 31.12.2021**	**Net receivables 31.12.2021**	**Gross receivables 31.12.2020**	**Allowance for impairment 31.12.2020**	**Net receivables 31.12.2020**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Individuals	444 862	(48 426)	396 436	332 181	(47 703)	284 478
Construction and real estate	50 968	(1 004)	49 964	34 964	(1 812)	33 152
Services	10 290	(793)	9 497	10 431	(1 000)	9 431
Commerce	10 065	(862)	9 203	8 262	(1 066)	7 196
Other financial institutions	6 325	(65)	6 260	700	(12)	688
Tourism	6 361	(162)	6 199	9 209	(209)	9 000
Manufacturing	3 555	(269)	3 286	3 586	(305)	3 281
Agriculture	3 583	(311)	3 272	4 715	(454)	4 261
Staff	802	(22)	780	767	(49)	718
Total loans to customers	**536 811**	**(51 914)**	**484 897**	**404 815**	**(52 610)**	**352 205**

(19) Net investments in finance leases

	31.12.2021 EUR'000	31.12.2020 EUR'000
Gross investment in finance leases:		
Not later than one year	606	3 483
Later than one and not later than five years	251	1 501
Later than five years	1 717	70
	2 574	**5 054**
Unrealised finance income	(303)	(511)
	2 271	**4 543**
Less allowance for impairment	(238)	(303)
Net investment in finance leases	**2 033**	**4 240**
Net investment in finance leases		
Not later than one year	239	2 948
Later than one and not later than five years	96	1 228
Later than five years	1 699	63
	2 033	**4 240**

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

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

	2021 EUR'000	2020 EUR'000
As of 1 January	303	488
Impairment loss allowance charged	(18)	74
Reversed	(52)	(264)
Foreign exchange difference	5	5
As of 31 December	**238**	**303**

(20) Debt and Equity investments

	31.12.2021 EUR'000	31.12.2020 EUR'000
Investments in equities	54	3 626
Debt securities - listed	53 396	78 257
	53 450	**81 884**

Investment in equities as at 31 December 2020 mainly consist of a EUR 3 550 thousand participation of 5.65% in Oslo listed Norwegian digital bank BRAbank ASA, which was acquired from 2018 to 2020 and is carried at Fair value through other comprehensive income (FVOCI). BRAbank ASA, operating in Norway

(20) Debt and Equity investments (continued)

and Finland, is a niche digital bank focusing on consumer finance and has grown in the Nordic region since launch in 2015. In 2020 BRAbank ASA was merged with Easybank ASA.

In December 2021, all shares of BRAbank ASA were sold for total amount of EUR 5 million, where loss from the sale is recognized in other comprehensive income and on derecognition reclassified to retained earnings.

Debt securities as at 31 December 2021 include EUR 47 831 thousand (31 December 2020: EUR 45 523 thousand) government bonds and corporate bonds measured at FVOCI of EUR 1 165 thousand (31 December 2020: EUR 28 830 thousand) held by TBI Financial Services and various highly rated corporate bonds measured at amortised costs of EUR 4 400 thousand (31 December 2020: EUR 3 904 thousand) held by 4finance Group. In 2021 TBI Financial Services sold most of the corporate bonds to improve capital position.

(21) Net loans to related parties

	31.12.2021	31.12.2020
	EUR'000	EUR'000
Loans to related parties, net of impairment	58 985	59 147
	58 985	**59 147**

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

			Principal amount		Accrued interest	
	Maturity	Interest rate	31.12.2021	31.12.2020	31.12.2021	31.12.2020
			EUR'000	EUR'000	EUR'000	EUR'000
4finance Group S.A.	Dec 2024	13.75 %	47 775	47 769	10 241	10 415
Vane GmbH (previously BillFront GmbH)	Dec 2022	12 %	815	852	154	111
			48 590	**48 621**	**10 395**	**10 527**

All loans to related parties are unsecured.

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

The Group has a minority ownership position in Vane GmbH, and provided some financing to the company to support its growth, see note (23) Investment in associates.

(22) Other assets

	31.12.2021 EUR'000	31.12.2020 EUR'000
Receivables from suppliers	4 999	3 346
Repossessed real estate	4 263	3 885
- less allowance for impairment	(321)	(536)
Other repossessed assets	953	863
- less allowance for impairment	(237)	(317)
Net loans granted to other parties	1 881	—
Security deposits	870	875
FX hedging - margin requirements	547	12 290
Other receivables	5 013	4 942
	17 968	**25 348**

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

FX hedging - margin requirements includes Group's EUR/PLN and EUR/CZK (and USD/EUR for year end 2020) currency hedges, where additional margin funds were provided to counterparties. Year-on-year decrease related to the effect of unwinding USD hedges.

Other receivables as at 31 December 2021 includes other receivables from related parties of EUR 296 thousand (31 December 2020: EUR 804 thousand).

(23) Investment in associates

	31.12.2021 EUR'000	31.12.2020 EUR'000
Investments in associates	1 380	1 552
	1 380	**1 552**

Investments in associates measured using equity method consists of EUR 1 380 thousand investment in participation of 24.39% in Vane GmbH (previously BillFront GmbH), a non-listed limited liability German company. The Group has significant influence over but does not control the company as the ownership of 24.39% shares does not give power to make important decisions alone. The Group acquired 24.39% of shares for EUR 2 142 thousand in November 2016. As of 31 December 2021, the investment was decreased by EUR 762 thousand (31 December 2020: EUR 590 thousand), the Group's share of the cumulative loss from the acquisition moment. In 2021 the share of the loss recognised is EUR 172 thousand. The company is an online platform that offers working capital solutions to digital media businesses. The company is headquartered in London, with offices in Berlin and San Francisco.

(24) 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 2019	**24 625**	**2 125**	**5 378**	**4 952**	**1 366**	**38 446**
Right-of-use assets	(4 460)	—	—	—	350	(4 110)
Additions	22	503	303	385	—	1 213
Disposals	—	(699)	(776)	(366)	(29)	(1 870)
Reclassification of fixed assets	—	—	(164)	164	—	—
Effect of changes in foreign exchange rates	(66)	(49)	(181)	(79)	(15)	(390)
31 December 2020	**20 121**	**1 880**	**4 560**	**5 056**	**1 672**	**33 289**
Accumulated depreciation						
31 December 2019	**11 640**	**1 343**	**4 401**	**2 351**	**919**	**20 654**
Right-of-use assets	(4 282)	—	—	—	(36)	(4 318)
Depreciation	178	318	410	608	31	1 545
Disposals	—	(492)	(776)	(292)	(24)	(1 584)
Impairment loss	—	31	58	35	—	124
Reclassification of fixed assets	—	—	(109)	109	—	—
Effect of changes in foreign exchange rates	(14)	(30)	(154)	(61)	(14)	(273)
31 December 2020	**7 522**	**1 170**	**3 830**	**2 750**	**876**	**16 148**
31 December 2019	**12 985**	**782**	**977**	**2 601**	**447**	**17 792**
31 December 2020	**12 599**	**710**	**730**	**2 306**	**796**	**17 141**

(24) 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 2020	**20 121**	**1 880**	**4 560**	**5 056**	**1 672**	**33 289**
Right-of-use assets	976	—	—	—	23	999
Additions	5	525	152	1 055	—	1 737
Disposals	—	(24)	(1 065)	(1 547)	(62)	(2 698)
Reclassification of fixed assets	—	—	1	1	—	2
Effect of changes in foreign exchange rates	(60)	(1)	64	(5)	(5)	(7)
31 December 2021	**21 042**	**2 380**	**3 712**	**4 560**	**1 628**	**33 322**
Accumulated depreciation and impairment						
31 December 2020	**7 522**	**1 170**	**3 830**	**2 750**	**876**	**16 148**
Right-of-use assets	71	—	—	—	175	246
Depreciation	181	364	331	613	8	1 497
Disposals	—	(34)	(1 061)	(1 515)	(62)	(2 672)
Impairment loss or reversal	—	—	(21)	(6)	—	(27)
Effect of changes in foreign exchange rates	(17)	2	53	(4)	(5)	29
31 December 2021	**7 757**	**1 502**	**3 132**	**1 838**	**992**	**15 221**
31 December 2020	**12 599**	**710**	**730**	**2 306**	**796**	**17 141**
31 December 2021	**13 285**	**878**	**580**	**2 722**	**636**	**18 101**

As of 31 December 2021, property and equipment includes right-of-use assets of EUR 9 554 thousand related to leased branches, office premises and motor vehicles (2020: EUR 8 802 thousand). For details see Note (34) Right-of-use assets and lease liabilities.

(25) Intangible assets and goodwill

	Licenses, trademarks and similar rights	Software and other intangible assets	Goodwill	Development costs	Advances	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost						
31 December 2019	**6 562**	**32 124**	**43 353**	**837**	**188**	**83 064**
Additions	1 096	1 721	—	2 379	54	**5 250**
Disposals and write-offs	(1 063)	(23 082)	—	(797)	(6)	**(24 948)**
Reclassification	1 880	(1 451)	—	(209)	(220)	**—**
Effect of changes in foreign exchange rates	(125)	(533)	—	(31)	(16)	**(705)**
31 December 2020	**8 350**	**8 779**	**43 353**	**2 179**	**—**	**62 661**
Accumulated amortisation and impairment						
31 December 2019	**4 079**	**17 831**	**26 851**	—	**—**	**48 761**
Amortisation	1 199	8 017	—	—	—	**9 216**
Amortisation of disposals	(923)	(19 777)	—	—	—	**(20 700)**
Impairment loss	8	(772)	647	—	—	**(117)**
Reclassification	44	(44)	—	—	—	—
Effect of changes in foreign exchange rates	(109)	(382)	—	—	—	**(491)**
31 December 2020	**4 298**	**4 873**	**27 497**	**—**	**—**	**36 668**
31 December 2019	**2 483**	**14 293**	**16 502**	**837**	**188**	**34 303**
31 December 2020	**4 052**	**3 906**	**15 856**	**2 179**	**—**	**25 993**

(25) Intangible assets and goodwill (continued)

	Licenses, trademarks and similar rights	Software and other intangible assets	Goodwill	Development costs	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost					
31 December 2020	**8 350**	**8 779**	**43 353**	**2 179**	**62 661**
Additions	1 013	2 191	—	742	3 946
Disposals and write-offs	(998)	(486)	(27 497)	(486)	(29 467)
Reclassification	868	(230)	—	(638)	—
Effect of changes in foreign exchange rates	(21)	146	—	6	131
31 December 2021	**9 212**	**10 400**	**15 856**	**1 803**	**37 271**
Accumulated amortisation and impairment					
31 December 2020	**4 298**	**4 873**	**27 497**	**—**	**36 668**
Amortisation	1 221	813	—	—	2 034
Amortisation of disposals	(927)	(470)	—	—	(1 397)
Impairment loss or reversal	—	—	(27 497)	—	(27 497)
Reclassification	14	—	—	—	14
Effect of changes in foreign exchange rates	(1)	128	—	—	127
31 December 2021	**4 605**	**5 344**	—	—	**9 949**
31 December 2020	**4 052**	**3 906**	**15 856**	**2 179**	**25 993**
31 December 2021	**4 607**	**5 056**	**15 856**	**1 803**	**27 323**

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 2021, was performed, taking into consideration future performance of cash generating units. A cash generating unit is a product (instalment loan, single payment loan or line of credit product with separately identifiable loan portfolio and brand name) of each 4finance Group entity, which is the unit that generates cash inflow from continuing use that is largely independent of the cash inflow of other assets. As a result no impairment was recognized. In addition to impairment test results, Group has reviewed IT related intangible assets portfolio to identify assets which either are not used, or which functionality is not aligned with current business strategy and therefore future economic benefit is not expected and has made a decision to write-off such intangible assets and development costs and recognized as Non-recurring expenses, for details see Note (13) Non-recurring expense. Write-off increase in 2021 relates to product discontinuations as well as new technology that fully or partially replaced the earlier developed intangible assets.

(25) Intangible assets and goodwill (continued)

Goodwill

In 2021 4finance Holding S.A. sold Friendly Finance OU and are liquidating businesses in Argentina and Armenia therefore goodwill which was impaired historically has been written off in amount of EUR 27 497 thousands from intangible asset movement table.

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 is a consumer-focused financial group in Bulgaria and Romania. The acquisition is in line with the Group's strategy of product and geographic diversification. In addition, the purchase may lead to lower costs of funding for the Group. The total consideration was paid in cash of EUR 81.8 million where goodwill recognised was EUR 15 856 thousands.

For the twelve months ended 31 December 2021 consolidated TBI Bank EAD revenues amounted to EUR 111.4 million (2020: EUR 96.4 million) and profit to EUR 32.7 million (2020: EUR 19.7 million).

TBI Financial Services goodwill impairment test

As of 31 December 2021 and 2020, goodwill was tested for impairment. The goodwill impairment test was performed for each cash generating unit separately, where the cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Due to the fact that TBI Bank EAD constitutes the major part of the 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 value in use. No impairment losses were recognised as the recoverable amounts of these units including goodwill were determined to be higher than their carrying amounts.

The value in use was calculated based on the free cash flows to equity discounted by the cost of equity. The projected growth rate of free cash flows to equity used in the test (average of next three years) was 6% (2020: average of next three years 46%), based on management estimates. In year 2021 and 2020 estimated growth rate reflects management expectations of the development of the bank.

Three years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity was determined as 2% (2020: 2%). The rate was estimated by management based on expected industry and market developments.

The discount rate reflects the current market assessment of the risk specific to TBI Bank EAD. The cost of equity was calculated as 14% (2020: 13%) (rounded to the nearest whole number). Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the units exceeded their recoverable amounts. The results of the sensitivity analysis indicate that for TBI Bank EAD if free cash flows to equity decreased by 90% (2020: 72%), terminal growth rate decreased by 2%, discount rate increased by 2%, then the recoverable amount is slightly below the carrying amount including goodwill (i.e. goodwill would become impaired).

(26) Deferred tax assets

Deferred tax relates to the following temporary differences and tax losses carried forward. Movement in temporary differences and tax losses carried forward during the year ended 31 December 2021:

(26) Deferred tax assets (continued)

	Net balance 1 January 2021	Recognised in profit or loss of continued operations	Effect of exchange rate fluctuations	Net balance 31 December 2021	Deferred tax assets
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Impairment losses on loans and receivables	2 683	(430)	5	2 258	2 258
Property and equipment	(136)	162	(2)	24	24
Other liabilities	7 438	(5 005)	48	2 481	2 481
Tax loss carry-forwards	8 603	(870)	8	7 741	7 742
Net deferred tax assets	**18 588**	**(6 143)**	**59**	**12 504**	**12 505**

Movement in temporary differences and tax losses carried forward during the year ended 31 December 2020:

	Net balance 1 January 2020	Recognised in profit or loss of continued operations	Effect of exchange rate fluctuations	Net balance 31 December 2020	Deferred tax assets	Deferred tax liabilities
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Impairment losses on loans and receivables	10 883	(7 930)	(269)	2 684	2 683	—
Property and equipment	(27)	(104)	(5)	(136)	—	(136)
Other liabilities	13 942	(6 113)	(390)	7 439	7 438	—
Tax loss carry-forwards	8 166	396	41	8 603	8 604	—
Deferred tax assets (liabilities) before set-off	**32 964**	**(13 751)**	**(623)**	**18 590**	**18 725**	**(136)**
Set off of tax	—	—	—	—	(136)	—
Net deferred tax assets	**—**	**—**	**—**	**—**	**18 589**	**—**

The Group has recognized deferred tax assets of EUR 12 505 thousand (31 December 2020: EUR 18 589 thousand) in Bulgaria, Czech Republic, Denmark, Lithuania, Luxembourg, Poland and Spain.

Deferred tax assets arising from tax losses carried forward as at 31 December 2021 related to Luxembourg and Spain totalled EUR 7 742 thousand (31 December 2020: EUR 8 604 thousand). The Group has prepared detailed financial projections for these entities covering next 1-3 years. Based on these projections and the Group's history of utilizing deferred tax assets in other countries, management expects that the Group will be able to fully utilize these tax losses over the forthcoming years.

EUR 7 741 thousand deferred tax asset is recognized on tax losses having expiry period more than 5 years.

The main reasons for the decrease in the carrying value of deferred tax asset compared to year 2020 are:

- in Vivus Poland (by EUR 4 680 thousand): deferred tax asset released as a result of a significant amount of sale of receivables (recognition of loss upon the sale, previously being taxed) and more conservative approach taken towards deferred tax as deferred tax asset recognition on initial commissions;
- in Spain and Lithuania (by EUR 676 thousand in Spain and by EUR 196 thousand in Lithuania): deferred tax asset release in result of tax loss usage;

(26) Deferred tax assets (continued)

- in Czech Republic (by EUR 504 thousand): mainly due to reduction of impairments and due to derecognition of part of previous year deferred tax asset recognized on impairments;
- in Denmark (by EUR 149 thousand): IT intangibles write-off and reclassification to operating costs taking into account stopping of new loan issuance.

(27) Loans and borrowings

	31.12.2021 EUR'000	31.12.2020 EUR'000
Long term		
Notes	310 082	320 895
Loans from banks	—	26
	310 082	**320 921**
Short term		
Notes	2 874	4 858
Other loans	—	87
	2 874	**4 945**
Total	**312 956**	**325 867**

Detailed information regarding loans and borrowings can be seen below:

				Principal amount		Accrued interest	
	Currency	**Maturity**	**Interest rate**	**31.12.2021 EUR'000**	**31.12.2020 EUR'000**	**31.12.2021 EUR'000**	**31.12.2020 EUR'000**
Notes:							
EUR 2026 Notes	EUR	Oct 2026	10.75%	155 925	—	3 108	—
EUR 2025 Notes	EUR	Feb 2025	11.25%	142 070	142 252	1 714	1 631
USD Notes	USD	May 2022	10.75%	—	178 644	—	3 227
TBI Notes	EUR	Jul 2031	5.75%	9 920	—	219	—
Loans from banks:							
Truist Bank	USD	May 2022	1.00%	—	109	—	1
Denmark line of credit	DKK	2020 - 2021	2.00%	—	3	—	—
				307 915	**321 008**	**5 041**	**4 859**

(27) Loans and borrowings (continued)

As of 31 December 2021, the Group had loans and borrowings of EUR 312 956 thousand, compared with EUR 325 867 thousand as of 31 December 2020. In October 2021 the Group's USD bonds were refinanced with a new issue of 5-year EUR bonds. The Group also closed out its USD/EUR hedges alongside the refinancing. As of 31 December 2021, the Group holds €10.6 million of its EUR 2026 bonds and €0.9m of its EUR 2025 bonds in treasury.

In May 2016, 4finance S.A. issued EUR 100.0 million of 11.25% notes (the 'EUR 2025 Notes') which are senior to all of the Group's future subordinated debt. The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50.0 million of EUR Notes were issued at par. Following a bondholder vote, in August 2021 the maturity of the EUR 2025 bonds was extended to February 2025, with other changes including a call structure that declines to par over time (currently callable at 104%) and interest to become payable quarterly from November 2021 onwards.

In July 2021, TBI Bank EAD issued €10.0 million of 5.75% 10 year notes (the 'TBI Notes'). The Notes are listed on the Bulgarian Stock Exchange and will mature in July 2031.

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 be mature in October 2026. The proceeds from the new issue were used to repay the Group's outstanding $200 million USD bonds.

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

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

	Notes	**Other loans**	**Retained earnings**
Balance at 1 January 2021	**325 755**	**113**	**140 624**
Loans received and notes issued	10 000	—	—
Repayment of loans and notes	(32 785)	—	
Total changes from financing cash flows	**(22 785)**	**—**	**—**
Other changes			
Liability-related			
Interest payments	(33 118)	—	—
Costs of notes issuance and premium on repurchase of notes	(4 377)	—	—
Interest expense	35 033	—	—
Foreign exchange impact	12 448	(1)	—
Other	—	(112)	—
Total liability-related other changes	**9 986**	**(113)**	**—**
Total equity-related other changes	**—**		**29 139**
Balance at 31 December 2021	**312 956**	**—**	**169 763**

(28) Deposits from banks

	31.12.2021	31.12.2020
	EUR'000	EUR'000
Deposits from banks	6 668	16 023
	6 668	**16 023**

Deposits from banks at 31 December 2021 comprise short-term deposits on the interbank money market with residual maturity of 1 month.

(29) Deposits from customers

	31.12.2021	31.12.2020
	EUR'000	EUR'000
TBI Financial Services	482 114	371 388
4finance Group	33	11 827
Total deposits from customers	**482 147**	**383 214**

TBI Financial Services	31.12.2021	31.12.2020
	EUR'000	EUR'000
Corporate customers		
Term deposits	21 442	14 410
Current/settlement accounts	24 052	15 548
Individuals		
Term deposits	49 181	33 131
Current/settlement accounts	387 439	308 299
	482 114	**371 388**

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 2021 was 1.8% (2020: 1.7%) 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 2021 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 performs functions of specialized unit for control and prevention of money laundering and terrorist financing (CPMLTF) under the local legislation requirements and properly identifies and verifies the identity of its customers. For the transactions monitoring a specialized software is used, where suspicious transactions and counterparties are assessed and controlled.

(29) Deposits from customers (continued)

4finance Group	31.12.2021	31.12.2020
	EUR'000	EUR'000
Deposits from customers	33	11 827
	33	**11 827**

In Sweden, the Group's subsidiary 4Spar AB offers online deposit-taking services to individuals for terms of up to two years, and also offers call deposits.

Deposits from customers at the end of 2021 includes interest payable amounting to 0 EUR (31 December 2020: EUR 703 thousand).

The 4Spar started it`s operations run down plan at the end of 2021 and at the date of preparation of these consolidated financial statements all deposits were either returned to customers or transferred to Swedish Country Administrative Board that will held remaining deposit repayments.

(30) Other liabilities

	31.12.2021	31.12.2020
	EUR'000	EUR'000
Accrued expenses	20 492	13 370
Prepaid repayment instalments on loans to individuals	14 505	10 569
Lease liabilities	10 187	9 590
Accounts payable to suppliers	6 321	6 853
Salaries payable	4 652	3 750
Taxes payable	3 104	4 967
Overpayments received from clients	1 857	2 009
Provisions for unused vacations	1 806	2 004
Faulty payments received	1 439	1 676
FX hedging liabilities	1 227	4 898
Other liabilities	6 217	3 993
	71 808	**63 679**

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

Prepaid repayment instalments on loans to individuals relate to TBI Financial Services on loans to individuals and represent instalments that have not yet matured. Upon request by a customer, the TBI Financial Services is obliged to repay the amounts to the respective borrower. Year-on-year increase is related to new business development in Romania.

(31) Share capital

The share capital of the Group as at 31 December 2021 was EUR 35 750 thousand (31 December 2020: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2020: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2020: EUR 0.01), fully paid via a contribution-in-kind.

(31) Share capital (continued)

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 2020: 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 2021, the Company's shareholder was 4finance Group S.A. (100% ownership of ordinary shares, corresponding to 100% of total share capital) owned by Tirona Limited (Cyprus) directly.

The significant beneficial owners of the Group are Edgars Dupats and Vera Boiko, owning 29.47% and 49.05%, respectively, in Tirona Limited. The remaining 21.48% is owned by minority shareholders, each holding less than 10% of shares in Tirona Limited.

(32) Acquisition of additional share in subsidiaries

There has been no acquisition of NCI during 2021.

During the financial year 2020, the Group acquired an additional 1% interest in 4finance AB (Sweden) for EUR 483 thousand in cash, increasing its ownership from 99% to 100%. The carrying amount of 4finance AB net assets in the Group's financial statements on the date of acquisition was negative EUR 2 976 thousand. The Group recognized increase in NCI of EUR 3 thousand.

	31.12.2021 EUR'000	31.12.2020 EUR'000
Carrying amount of NCI acquired	—	(3)
Consideration paid to NCI	—	(483)
A decrease in equity attributable to owners of the Group	**—**	**(486)**

(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.

	31.12.2021 EUR'000	31.12.2020 EUR'000
Lines of credit	15	156
	15	**156**

TBI Financial Services's contingent liabilities are related to its commitments to extend loans, credit lines, letters of credits and guarantees intended to meet the requirements of the bank's customers. Contingencies on loans and credit lines extended by the 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 the 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 the TBI Financial Services. Guarantees and letters of credit oblige the 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, the 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 the TBI Financial Services at 31 December 2021 are as follows:

	31.12.2021	31.12.2020
	EUR'000	EUR'000
Guarantees		
Corporate clients	241	458
Undrawn credit commitments:		
Corporate clients	19 016	10 897
Individuals	33 984	24 752
	53 241	**36 107**

Undrawn credit commitments have increased year-on-year due to new 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:

Right-of-use assets	**Building and land**	**Motor Vehicles**	**Total**
	EUR'000	**EUR'000**	**EUR'000**
Balance at 1 January 2021	**8 013**	**789**	**8 802**
Depreciation charge for the year	(3 309)	(367)	(3 676)
Additions to right-of-use assets	3 815	294	4 109
Modification of right-of-use assets	355	9	364
Derecognition of right-of-use assets	(426)	(83)	(509)
Impairment	334	—	334
Currency revaluation reserve	125	5	130
Balance at 31 December 2021	**8 907**	**647**	**9 554**

Discounted lease liabilities as at 31 December 2021 amount to EUR 10 187 thousand (31 December 2020: EUR 9 590 thousand) with a 0.76% weighted average incremental borrowing rate.

In 2021 EUR 3 620 thousand was recognized as a net expense in the income statement in respect of operating leases including EUR 87 thousand of interest expenses and EUR 294 thousand of agreement modification gain (2020: EUR 4 584 thousand).

Cash outflow for leases EUR 3 756 thousand in 2021.

(35) Related party transactions

(a) Transactions with shareholders and related entities

Income:	**2021**	**2020**
	EUR'000	**EUR'000**
Income from share sales *	—	550
	—	**550**

* Net result from share sales is included under Non-recurring expense, See Note 13.

(b) Transactions with parent and the related entities

Receivables:	**31.12.2021**	**31.12.2020**
	EUR'000	**EUR'000**
Loans issued to related parties (Note 21)	58 017	58 184
Other receivables	273	117
	58 290	**58 301**

Income:	**2021**	**2020**
	EUR'000	**EUR'000**
Interest income (Note 11)	6 824	6 843
Income from share sales *	—	3 457
Income from services rendered	621	913
	7 445	**11 213**

* Net result from share sales is included under Non-recurring expense, See Note 13.

Expense:	**2021**	**2020**
	EUR'000	**EUR'000**
Expense for services received	940	581
	940	**581**

(c) Transactions with associated companies

Receivables:	**31.12.2021**	**31.12.2020**
	EUR'000	**EUR'000**
Loans issued to related parties (Note 21)	969	964
	969	**964**

Income:	**2021**	**2020**
	EUR'000	**EUR'000**
Interest income (Note 11)	43	43
	43	**43**

(35) Related party transactions (continued)

(d) Transactions with other related parties

Receivables:	**31.12.2021**	**31.12.2020**
	EUR'000	**EUR'000**
Other receivable	23	687
	23	**687**

Income:	**2021**	**2020**
	EUR'000	**EUR'000**
Income from services rendered	116	304
	116	**304**

Total remuneration included in administrative expenses:

	2021	**2020**
	EUR'000	**EUR'000**
Executive committee and Board members	1 291	3 826

There are no outstanding balances as of 31 December 2021 with members of the Group's Management Board (the Board) or Executive Committee.

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

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

As at 31 December 2021, the share based payment reserve totalled EUR 2 142 thousand at year end (31 December 2020: EUR 1 942 thousand). The expense recorded in 2021 totalled EUR 200 thousand (2020 EUR 734 thousand).

(36) Personnel costs

	2021	**2020**
	EUR'000	**EUR'000**
Type of costs		
Remuneration	66 131	64 062
Compulsory state social security contributions, pensions and other social security expenses	9 642	11 077
Equity-settled share-based payments	200	734
Other personnel costs	4 141	6 523
	80 113	**82 395**

Share-based payment arrangements

At 31 December 2021, the Group had the following share-based payment arrangements.

Equity-settled share option program

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

(36) Personnel costs (continued)

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	6 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	7 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	8 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 2021 no options were exercised, expired or forfeited (2020: 0), 1,192 were cancelled (2020: 820) and the total amount of exercisable options was 13,025 (2020: 11,505).

(37) Litigations

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

However, for the time being, the Group has voluntarily adopted the stricter approach to refunds for all Polish customer early-repayment refund requests, including those relating to relevant periods prior to January 2020.

Management estimated that this decision will result in an incremental number and value of customer claims, therefore in prior years accrued a provision, e.g., 31.12.2020: EUR 90 thousand. This provision estimate was based on the initial levels of incremental customer claims observed at the end of 2019 and at the beginning of 2020 and assumes the voluntary refund policy will be in place. As of 31.12.2021 there is no provision accrued due to the fact that customer claims are decreasing and are below incremental customer claims observed.

(37) Litigations (continued)

Should the outcome of the court appeal process be negative for the Group, management estimates that the maximum total customer claims against the Group could be up to c. EUR 4.0 million (2020: EUR 3.3 million) (based on present value of future cash flows), with the median estimated outcome to be c. EUR 2.6 million (2020: EUR 2.4 million). This maximum amount represents the outcome of a large number of modelled scenarios, which are based on a combination of assumptions: repayment refunds commencing 1-3 years (2020: 2-4 years) from the end of reporting period, 20-45% (2020: 20-45%) of clients claiming the refund and a discount rate between 11-15%. Based on the Group's experience of customer requests so far, including those claims already refunded during 2020 and 2021, and responsiveness to other mailings, etc., management does not believe that a probability higher than 45% from currently outstanding claims are appropriate.

4finance Group has recognised EUR 4.4 million provisions in Spain as of 31.12.2021 (EUR 2.1 million 31.12.2020), relating to a number of customer redress claims mostly for usurious interest rates brought against 4finance Group. In year 2021 the provision was increased by EUR 3.6 million and provision reversal made in amount of EUR 1.3 million. Spain is an unregulated market, and so there is no specific applicable legislation regarding interest rates. However, during 2020 and 2021, the majority of such cases were decided in favour of customers based on a Spanish Supreme Court ruling from 2015 and another from 2020 about usury in a different segment of consumer lending. As such, the Group took the approach of fully provisioning for each claim except in the Madrid where the court rulings have been more favourable. Starting from 2019 and continuing throughout 2021, with the help of the Spanish Micro Loan Association, who provides the appropriate reference rate for the specific product, 4finance Group continuously sees favourable court rulings and is applying strong efforts to defend its legal position further in order to increase the number of favourable court rulings.

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. Right Decision EOOD appealed, and the case is currently pending decision. It is uncertain whether the court will decide that TBI Bank EAD has committed a wrongdoing.

(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 2021	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	—	2 053	—	2 053
Debt and Equity investments	48 996	—	54	49 049
	48 996	**2 053**	**54**	**51 102**
Financial liabilities				
Derivatives	—	2 602	—	2 602

31 December 2020	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	—	2 068	—	2 068
Debt and Equity investments	45 523	28 830	3 626	77 980
	45 523	**30 898**	**3 626**	**80 048**
Financial liabilities				
Derivatives	—	5 733	—	5 733

(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 2021	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total fair values EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and cash equivalents	—	—	—	179 995	179 995
Placement in other banks	—	—	16 906	16 906	16 906
Loans due from customers	—	—	664 650	664 650	658 119
Net investments in finance leases	—	—	2 509	2 509	2 033
Debt instruments	4 474	—	—	4 474	4 401
Net loans to related parties	—	—	55 087	55 087	58 985
Investments in associates	—	—	1 380	1 380	1 380
Other financial assets	—	—	13 309	13 309	13 309
Financial liabilities					
Loans and borrowings	—	316 613	—	316 613	312 956
Deposits from customers	—	—	488 517	488 517	482 147
Deposits from banks	—	—	6 668	6 668	6 668
Other financial liabilities	—	—	62 020	62 020	62 020

31 December 2020	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total fair values EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and cash equivalents	—	—	—	154 235	154 235
Placement in other banks	—	—	10 258	10 258	10 258
Loans due from customers	—	—	505 475	505 475	526 431
Net investments in finance leases	—	—	4 671	4 671	4 240
Debt instruments	3 936	—	—	3 936	3 904
Net loans to related parties	—	—	51 666	51 666	59 147
Investments in associates	—	—	1 552	1 552	1 552
Other financial assets	—	—	21 449	21 449	21 449
Financial liabilities					
Loans and borrowings	—	292 256	106	292 362	325 867
Deposits from customers	—	—	386 669	386 669	383 214
Deposits from banks	—	—	16 023	16 023	16 023
Other financial liabilities	—	—	56 583	56 583	56 583

(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.

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 marketing strategies. For each of the segments, the Group's Management Board reviews internal management reports on at least a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss, as included in internal management reports that are reviewed by the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results and benchmarking to other entities that operate within these industries.

Analysis by segment
Information about reportable segments

Segment information for the main reportable business segments of the Group for the year ended 31 December 2021 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBI Financial Services	All other segments	Total
Interest income	19 880	7 749	3 138	4 685	64 410	66 348	17 895	109 937	1 963	296 005
Interest expense	(2 849)	(3 086)	(1 014)	(77)	(7 718)	(4 591)	(1 450)	(6 921)	(64 642)	(92 348)
Internal revenue	17 104	1 120	157	129	1 775	151	2 420	668	52 485	76 009
Net impairment losses	(3 868)	(63)	(934)	3 935	(9 338)	(26 113)	(568)	(26 055)	252	(62 752)
Depreciation and amortization	(861)	(107)	(107)	(272)	(634)	(687)	(660)	(3 624)	(298)	(7 250)
Income tax expense	(278)	(536)	(38)	304	(9 327)	(1 404)	(1 968)	(6 554)	(351)	(20 152)
Reportable segment profit/ (loss) before tax	3 587	3 778	(1 106)	(1 310)	19 691	8 423	3 589	35 155	(22 547)	49 260

(39) Operating segments (continued)

Segment information for the main reportable business segments of the Group for the year ended 31 December 2020 is set below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBI Financial Services	All other segments	Total
Interest income	18 275	8 198	3 372	28 232	66 599	56 839	16 680	95 653	14 431	308 279
Interest expense	(2 865)	(2 602)	(1 514)	(778)	(11 696)	(6 158)	(1 315)	(4 939)	(70 339)	(102 206)
Internal revenue	27 602	—	—	—	265	—	—	1 617	57 697	87 181
Net impairment losses	(5 054)	(1 549)	(1 390)	(4 488)	(25 895)	(24 490)	(2 000)	(22 727)	(10 176)	(97 769)
Depreciation and amortization	(803)	(56)	(119)	(259)	(878)	(729)	(542)	(3 446)	(8 056)	(14 888)
Income tax expense	(274)	(240)	(2 221)	(3 151)	(7 646)	(920)	(1 698)	(3 304)	(5 183)	(24 637)
Reportable segment profit/ (loss) before tax	(6 956)	(1 049)	(5 291)	11 274	1 500	(5 474)	7 342	27 160	(21 842)	6 664

(39) Operating segments (continued)

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2021 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBI Financial Services	All other segments and unallocated amounts*	Total
Reportable segment assets	191 262	26 692	8 062	11 736	61 460	51 013	23 139	706 095	680 201	1 759 661
Reportable segment liabilities	82 883	20 533	7 678	3 728	46 937	45 512	16 187	547 916	533 742	1 305 116

*The main contributors to All other segments and unallocated amounts are 4finance Holding S.A., 4finance S.A., GoodCredit Universal Credit Organization Under Liquidation CJSC, and 4Spar AB.
Key positions for All other segments are receivables from related parties, intangible assets and loans due from customers under assets, loans and borrowings and accounts payable to related parties under Liabilities.

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2020 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBI Financial Services	All other segments and unallocated amounts	Total
Reportable segment assets	177 212	35 559	10 497	17 203	91 242	43 013	16 339	557 059	724 846	1 672 970
Reportable segment liabilities	43 996	32 643	13 785	8 194	87 493	46 050	12 414	419 230	608 970	1 272 775

(39) Operating segments (continued)

A segment breakdown of interest income is divided by products which includes Single Payment Loans (with a term from one day up to 61 days), Instalment Loans (with a term from one month up to 60 months), Minimum to Pay Loans (open-ended revolving credit line with a minimum monthly repayment and flexible additional repayment), Lines of Credit (open-ended credit line with flexible monthly repayments) and Near Prime (with a term from three months up to 84 months). 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 of the Group for the year ended 31 December 2021 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBI Financial Services	All other segments and unallocated amounts	Total
Single Payment Loans	—	130	—	—	60 637	65 191	15 703	—	125	141 786
Instalment Loans	6 195	693	26	3 263	3 772	1 157	2 192	—	588	17 886
Minimum to Pay Loans	10 039	—	2 845	1 245	—	—	—	—	1 251	15 380
Lines of Credit	7	—	—	—	—	—	—	—	—	7
Near Prime	3 639	6 926	267	177	—	—	—	—	—	11 009
Retail (Only TBI Financial Services)	—	—	—	—	—	—	—	98 118	—	98 118
SME (Only TBI Financial Services)	—	—	—	—	—	—	—	11 603	—	11 603
Leasing (Only TBI Financial Services)	—	—	—	—	—	—	—	216	—	216

(39) Operating segments (continued)

A segment breakdown of interest income by products of the Group for the year ended 31 December 2020 is set out below:

EUR'000	Latvia	Lithuania	Sweden	Denmark	Poland	Spain	Czech Republic	TBI Financial Services	All other segments and unallocated amounts	Total
Single Payment Loans	—	255	—	—	55 517	53 307	14 885	—	4 188	128 152
Instalment Loans	8 522	886	263	7 811	11 082	3 532	1 795	—	5 168	39 059
Minimum to Pay Loans	5 190	—	2 431	20 246	—	—	—	—	—	27 867
Lines of Credit	3 039	—	—		—	—	—	—	5 075	8 114
Near Prime	1 524	7 057	678	175	—	—	—	—	—	9 434
Retail (Only TBI Financial Services)	—	—	—	—	—	—	—	86 180	—	86 180
SME (Only TBI Financial Services)	—	—	—	—	—	—	—	9 102	—	9 102
Leasing (Only TBI Financial Services)	—	—	—	—	—	—	—	371	—	371

(39) Operating segments (continued)

Reconciliation of reportable segment interest income

	2021	2020
	EUR'000	EUR'000
Total interest income for reportable segments	294 042	293 849
Interest income for other operating segments	1 963	14 430
Consolidated revenue	**296 005**	**308 279**

Reconciliation of reportable segment profit or loss

	2021	2020
	EUR'000	EUR'000
Total profit or loss for reportable segments	71 810	28 505
Profit or loss for other operating segments	(22 550)	(21 841)
Elimination of inter-segment dividends included in inter-segment profits	2 179	(7 065)
Consolidated profit before tax from continued operations	**51 439**	**(401)**

Reconciliation of reportable segment interest expense

	2021	2020
	EUR'000	EUR'000
Total interest expense for reportable segments	27 707	31 868
Interest expense for other operating segments	64 642	70 339
Elimination of inter-segment transactions	(44 881)	(52 152)
Consolidated interest expense	**47 468**	**50 055**

Reconciliation of reportable segment assets

	31.12.2021	31.12.2020
	EUR'000	EUR'000
Total assets for reportable segments	1 079 460	1 008 401
Assets for other operating segments	3 572	58 542
Elimination of inter-group loans, investments and other receivables	(701 529)	(783 581)
Unallocated assets	676 630	666 305
Consolidated total assets	**1 058 133**	**949 667**

Reconciliation of reportable segment liabilities

	31.12.2021	31.12.2020
	EUR'000	EUR'000
Total liabilities for reportable segments	771 374	663 804
Liabilities for other operating segments	533 742	608 970
Elimination of inter-group borrowings and payables	(423 820)	(473 068)
Consolidated total liabilities	**881 296**	**799 706**

(40) Maturity analysis

The table below shows carrying amounts of financial assets and liabilities by remaining contractual maturity dates as at 31 December 2021.

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	179 995	—	—	—	—	—	—	179 995
Placements with other banks	11 372	1 000	—	—	—	4 535	—	16 906
Net receivables due from customers	160 700	36 635	123 590	7 683	302 348	429	26 734	658 119
Net investments in finance leases	—	216	69	—	186	4	1 558	2 033
Net loans to related parties	—	—	—	969	58 017	—	—	58 985
Derivatives	—	36	1 950	—	67	—	—	2 053
Investments in associates	—	—	—	—	—	1 380	—	1 380
Debt and Equity investments	—	443	1 058	1 686	38 844	11 419	—	53 450
Other financial assets	13 309	—	—	—	—	—	—	13 309
Total financial assets	**365 376**	**38 330**	**126 667**	**10 338**	**399 462**	**17 767**	**28 292**	**986 230**

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	2 874	—	—	—	300 163	9 920	—	312 956
Deposits from customers	118 904	55 388	219 547	—	88 309	—	—	482 147
Deposits from banks	6 668	—	—	—	—	—	—	6 668
Derivatives	825	1 034	744	—	—	—	—	2 602
Other financial liabilities	24 060	23 879	4 929	1 734	7 116	301	—	62 020
Total financial liabilities	**153 331**	**80 301**	**225 220**	**1 734**	**395 588**	**10 221**	**—**	**866 393**
Net position	**212 045**	**(41 971)**	**(98 553)**	**8 604**	**3 874**	**7 546**	**28 292**	**119 837**
Net cumulative position	**212 045**	**170 074**	**71 521**	**80 125**	**83 999**	**91 545**	**119 837**	**—**

(40) Maturity analysis (continued)

The table below shows financial assets and liabilities by remaining contractual maturity dates as at 31 December 2020.

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	154 235	—	—	—	—	—	—	154 235
Placements with other banks	4 554	—	5 703	—	—	—	—	10 258
Net receivables due from customers	125 896	32 114	89 244	13 508	245 396	90	20 183	526 431
Net investments in finance leases	130	5	43	—	75	4	3 983	4 240
Net loans to related parties	—	—	—	964	58 184	—	—	59 148
Derivatives	—	941	1 097	—	30	—	—	2 068
Investments in associates	—	—	—	—	—	1 552	—	1 552
Debt and Equity investments	137	1 820	7 881	391	40 114	31 541	—	81 884
Other financial assets	21 449	—	—	—	—	—	—	21 449
Total financial assets	**306 401**	**34 880**	**103 968**	**14 863**	**343 799**	**33 187**	**24 166**	**861 265**

Liabilities EUR'000	Demand less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Loans and borrowings	4 901	—	39	6	320 922	—	—	325 867
Deposits from customers	75 266	61 269	152 149	6 104	88 426	—	—	383 214
Deposits from banks	16 023	—	—	—	—	—	—	16 023
Derivatives	—	1 015	182	—	4 536	—	—	5 733
Other financial liabilities	23 208	15 930	4 010	1 824	11 330	282	—	56 583
Total financial liabilities	**119 398**	**78 215**	**156 380**	**7 934**	**425 214**	**282**	**—**	**787 422**
Net position	**187 003**	**(43 335)**	**(52 411)**	**6 929**	**(81 415)**	**32 906**	**24 166**	**73 842**
Net cumulative position	**187 003**	**143 668**	**91 257**	**98 186**	**16 771**	**49 676**	**73 842**	

(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 2021:

31 December 2021	Carrying amount	Total nominal (inflow)/ outflow	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 12 months	More than 1 year
Non-derivative liabilities							
Loans and borrowings	312 956	449 137	—	3 996	12 377	16 372	416 392
Deposits from customers	482 147	493 696	120 587	56 280	224 986	—	91 844
Deposits from banks	6 668	6 668	6 668	—	—	—	—
Other financial liabilities	62 020	62 020	24 060	23 879	4 929	1 734	7 418
Total	**863 791**	**1 011 521**	**151 315**	**84 155**	**242 292**	**18 106**	**515 654**
Credit related commitments	**—**	**15**	**15**	**—**	**—**	**—**	**—**

The analysis as at 31 December 2020:

31 December 2020	Carrying amount	Total nominal (inflow)/ outflow	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 12 months	More than 1 year
Non-derivative liabilities							
Loans and borrowings	325 867	369 819	10	13	17 623	17 643	334 530
Deposits from customers	383 214	391 358	75 980	61 959	155 258	6 305	91 856
Deposits from banks	16 023	16 023	16 023	—	—	—	—
Other financial liabilities	56 583	56 583	23 208	15 930	4 010	1 824	11 611
Total	**781 687**	**833 783**	**115 221**	**77 902**	**176 891**	**25 772**	**437 997**
Credit related commitments	**—**	**156**	**156**	**—**	**—**	**—**	**—**

(42) Currency analysis

The table below shows the currency structure of financial assets and liabilities as at 31 December 2021:

Assets EUR'000	PLN	RON	DKK	CZK	BGN	SEK	EUR	USD	Other	TOTAL
Cash and cash equivalents	4 977	11 276	628	4 340	40 117	4 258	109 980	2 167	2 251	179 995
Placements with other banks	699	1 885	8	—	1 088	1 937	7 472	1 704	2 115	16 906
Derivatives							102	1 950		2 053
Net receivables due from customers	49 778	274 508	10 194	12 786	165 100	3 854	141 662	—	236	658 119
Net investments in finance leases	—	1 614	—	—	—	—	420	—	—	2 033
Net loans to related parties	—	—	—	—	—	—	58 985	—	—	58 985
Debt and equity investments	—	—	—	—	10 212	1	43 054	183	—	53 450
Other financial assets	267	3 136	781	238	3 736	42	4 927	29	155	13 309
Investments in associates	—	—	—	—	—	—	1 380	—	—	1 380
Total financial assets	**55 721**	**292 419**	**11 611**	**17 364**	**220 253**	**10 092**	**367 982**	**6 033**	**4 757**	**986 230**
Off-balance sheet - FX transactions only	1 248	72 089	—	—	—	—	115 886	65 065	158	254 445

Liabilities EUR'000	PLN	RON	DKK	CZK	BGN	SEK	EUR	USD	Other	TOTAL
Loans and borrowings	—	—	—	—	—	—	312 956	—	—	312 956
Deposits from banks	—	6 668	—	—	—	—	—	—	—	6 668
Deposits from customers	—	120 494	—	—	167 074	33	164 511	—	30 034	482 147
Derivatives	27	353	—	—	—	—	1 369	826	27	2 602
Other financial liabilities	6 346	11 197	823	3 734	18 466	1 096	20 080	47	232	62 020
Total financial liabilities	**6 373**	**138 712**	**823**	**3 734**	**185 540**	**1 129**	**498 916**	**873**	**30 293**	**866 393**
Off-balance sheet - FX transactions only	51 917	—	—	17 477	—	—	869 200	—	—	938 595
Net position (excluding off-balance sheet)	**49 348**	**153 707**	**10 788**	**13 630**	**34 713**	**8 963**	**(130 934)**	**5 160**	**(25 536)**	**119 837**
Net position (including off-balance sheet)	**(1 322)**	**225 797**	**10 787**	**(3 848)**	**34 712**	**8 963**	**(884 247)**	**70 224**	**(25 378)**	**(564 312)**

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

(42) Currency analysis (continued)

The table below shows the currency structure of financial assets and liabilities as at 31 December 2020:

Assets EUR'000	**PLN**	**RON**	**DKK**	**CZK**	**BGN**	**SEK**	**EUR**	**USD**	**Other**	**TOTAL**
Cash and cash equivalents	12 647	10 598	1 144	2 619	33 164	1 406	86 764	4 321	1 573	154 235
Placements with other banks	1 028	344	5	—	129	469	6 441	1 456	386	10 258
Net receivables due from customers	51 091	197 934	13 657	10 984	139 827	7 170	103 904	—	1 863	526 431
Derivatives	65	—	—	—	—	—	941	1 062	—	2 068
Net investment in finance lease	—	1 094	—	—	—	—	3 146	—	—	4 240
Net loans to related parties	—	—	—	—	—	—	59 147	—	—	59 147
Debt and equity investments	—	—	—	—	47	1	60 699	19 893	1 244	81 884
Other financial assets	267	4 761	1 577	304	3 451	102	9 874	332	782	21 451
Investments in associates	—	—	—	—	—	—	1 552	—	—	1 552
Total financial assets	**65 098**	**214 731**	**16 383**	**13 907**	**176 618**	**9 148**	**332 468**	**27 064**	**5 848**	**861 266**
Off-balance sheet - FX transactions only	3 404	34 598	—	—	—	—	45 081	173 450	1 010	257 543

Liabilities EUR'000	**PLN**	**RON**	**DKK**	**CZK**	**BGN**	**SEK**	**EUR**	**USD**	**Other**	**TOTAL**
Loans and borrowings	—	—	3	—	—	—	143 883	181 981	—	325 867
Deposits from customers	—	76 301	—	—	141 879	11 827	129 553	—	23 654	383 214
Deposits from banks	—	16 023	—	—	—	—	—	—	—	16 023
Derivatives	—	1 117	—	—	—	—	26	4 535	55	5 733
Other financial liabilities	8 176	10 430	1 011	1 946	11 937	1 233	19 885	607	1 359	56 583
Total financial liabilities	**8 176**	**103 871**	**1 014**	**1 946**	**153 816**	**13 060**	**293 347**	**187 123**	**25 068**	**787 420**
Off-balance sheet - FX transactions only	44 230	—	—	—	—	—	220 294	—	—	264 524
Net position (excluding off-balance sheet)	**56 922**	**110 860**	**15 369**	**11 961**	**22 802**	**(3 912)**	**39 121**	**(160 059)**	**(19 220)**	**73 846**
Net position (including off-balance sheet)	**16 095**	**145 459**	**15 369**	**11 961**	**22 802**	**(3 912)**	**(136 090)**	**13 389**	**(18 210)**	**66 864**

(43) Group entities

As at 31 December 2021 and 31 December 2020 respectively, the Group consisted of the following entities:

Name of entity	Registered office	Ownership 31.12.2021	Ownership 31.12.2020
4f Sales Overseas, Inc.	18851 NE 29TH AVE, STE 410, MIAMI, FL. 33180, USA	Dissolved	100% 4f Sales, Inc.
4f Sales, Inc.	18851 NE 29th Avenue, Suite 410, Miami, FL 33180, USA	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4F Servicos de Correspondente Bancario Ltda.	Avenida Engenheiro Luiz Carlos Berrini, 1748, conjunto 2205, sala 5, Jardim Judith, Zip Code 04571-000, City of São Paulo, State of São Paulo, Brazil	Liquidated	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
4finance AB	Hammarby Alle 91, 120 30, Stockholm, Sweden	100% AS 4finance	100% AS 4finance
4finance ApS	Vesterbrogade 1L, 4., DK-1620, Copenhagen, Denmark	100% AS 4finance	100% AS 4finance
4finance EOOD	79 Nikola Gabrovski Str., floor 2, Sofia 1700, Bulgaria	100% TBI Bank EAD	100% TBI Bank EAD
4finance GmbH	Eschenheimer Anlage 1, 60316 Frankfurt am Main, Germany	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4finance IT SIA	Lielirbes 17A-10, Riga, LV-1046, Latvia	Merged with AS 4Finance	100% 4finance Holding S.A.
4finance IT SIA Lietuvos filialas	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	Liquidated	branch of SIA 4finance IT
4finance IT SIA odstepny zavod v Ceske republice	5. května 1746/22, Nusle, 140 00 Praha 4	Liquidated	branch of SIA 4finance IT
4finance IT SIA spolka z ograniczona odpowiedzialnoscia Oddzial w Polsce	Al. Jerozolimskie 92 street, 00-807 Warsaw, Poland	Liquidated	branch of SIA 4finance IT
4finance Media SIA	Lielirbes iela 17A-10, Riga, LV-1046, Latvia	Merged with AS 4Finance	100% 4finance Holding S.A.
4finance S.A.	8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg	100% AS 4finance	100% AS 4finance
4finance Spain Financial Services S.A.U	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
4finance, Responsabilidad Limitada	Diagonal 6 10-01 Zona 10 Edificio Centro Gerencial Las Margaritas Oficina 402B Torre 2, Guatemala, Guatemala	100% (99% 4finance Holding S.A., 1% AS 4finance)	100% (99% 4finance Holding S.A., 1% AS 4finance)
4Spar AB	Hammarby Alle 91, 120 30, Stockholm, Sweden	100% 4finance AB	100% 4finance AB
AS 4finance	Lielirbes 17A-8, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Vane GmbH (formerly: BillFront GmbH)	Dircksenstraße 40, 10178 Berlin, Germany	24.39% 4finance Holding S.A.	24.39% 4finance Holding S.A.
BRAbank ASA	Holbergs gate 21 0166, Oslo, Norway	-	1,98% TBI Bank EAD; 3,67% 4finance Holding S.A.
Credit Management LLC	Tsotne Dadiani str.7, Commercial unit No b501, Didube-Chughureti district, Tbilisi, Georgia	-	100% AS 4finance

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2021	Ownership 31.12.2020
Credit Service UAB	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Finansų administravimas UAB	Jonavos Street 254A, LT- 44132, Kaunas, Lithuania	100% 4finance Holding S.A	100% 4finance Holding S.A
Fine Line Services Asia Ltd.	Suite 1201, Tower 2, The Gateway 25, Canton Road, TST KLN, Hong Kong	-	100% Friendly Finance OU
Fine Line Services Ltd.	Ground Floor, Palace Court, Church Street, St Julians STJ 3049, Malta	-	100% Friendly Finance OU
Friendly Finance Argentina S.R.L.	Avda. del Libertador 498 – piso 23, C1001ABR Buenos Aires, Argentina	10% 4finance Holding S.A.	90% Friendly Finance OU, 10% 4finance Holding S.A.
Friendly Finance Georgia Ltd	Pekini street N 28, Tbilisi, Georgia	-	100% Friendly Finance OU
Friendly Finance Nusuntara PT	Eighty Eight@Kasablanka Office Tower lt. 3 unit A JI Casablanca Kav. 88, Menteng Dalam, Tebet, Jakarta Seletan, 12870, Indonesia	-	85% Fine Line Services Asia Ltd.
Friendly Finance OU	Rotermanni 2, 5th floor, 10111 Tallinn, Estonia	-	100% 4finance Holding S.A.
Friendly Finance Poland Sp. z o.o.	Ul. Zlota 7/18, 00-019 Warsaw, Poland	-	100% Friendly Finance OU
Friendly Finance Slovakia s.r.o.	Tallerova 4, Stare Mesto, 81102, Bratislava, Slovakia	-	100% Friendly Finance OU
Friendly Group Spain S.L.	Calle Tusset 32, 3a Planta, 08006, Barcelona, Spain	-	100% Friendly Finance OU
Platforma Vivus sp. z o.o. Spółka jawna (formerly: GCM Global Collection Management Sp. z o.o. Spółka jawna)	Ul. 17 Stycznia, nr 56, 02-146, Warsaw, Poland	Liquidated	Partner Global Collection Management Sp.z o.o.
4F Services sp. z o.o. (formerly: Global Collection Management Sp.z o.o.)	ul. 17 Stycznia, nr 56, 02-146, Warsaw, Poland	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna
GoodCredit Universal Credit Organization Under Liquidation CJSC	58/1 Karapet Ulnetsi, 0069 Yerevan, Armenia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
4Services Limited (formerly: Intersales Services Limited)	Icom house 1/5 Irish Town, Suite 3, Second Floor, PO Box 883, Gibraltar	100% 4finance Holding S.A.	100% 4finance Holding S.A.
Monetago.pl Sp. z o o.	Building B4, Żwirki i Wigury street number 16c, 02-092 Warsaw, Poland	Liquidated	100% 4finance Holding S.A.
Platforma Vivus sp. z o.o. (formerly: GCM Global Collection Sp.z o.o.)	ul. Żwirki i Wigury 16C, building B4, 02-092 Warsaw, Poland	Merged with Vivus Finance Sp.z o.o.	100% Vivus Finance Sp.z o.o., Partner GCM Global Collection Management Sp. z o.o. Spółka jawna
Prestamo Movil S.A.	Juramento 1475, 1428, CABA, Buenos Aires, Argentina	100% (98.75% 4finance Holding S.A., 1.25% AS 4finance)	100% (98.75% 4finance Holding S.A., 1.25% AS 4finance)

Name of entity	Registered office	Ownership 31.12.2021	Ownership 31.12.2020
SIA 4finance IT branch in UK	Wework 1 Mark Square, London, EC2A 4EG, UK	100% AS 4Finance	branch of SIA 4finance IT
SIA 4FINANCE IT, SUCURSAL EN ESPAÑA	Genova Street, number 27, Madrid, Spain	Liquidated	branch of SIA 4finance IT
SIA Debt Solution	Lielirbes iela 17A - 11, Riga, LV-1046, Latvia	100% 4finance Holding S.A.	100% 4finance Holding S.A.
SIA Ondo	Lielirbes 17A-10, Riga, LV-1046, Latvia	Merged with AS 4Finance	100% 4finance Holding S.A.
SIA Vivus	Lielirbes 17A-9, Riga, LV-1046, Latvia	Merged with AS 4Finance	100% 4finance Holding S.A.
TBI Bank EAD	52-54 Dimitar Hadzhikotsev Str., Lozenets district, 1421 Sofia, Bulgaria	100% TBIF Financial Services B.V.	100% TBIF Financial Services B.V.
TBI Bank EAD Sofia-Bucharest Branch	8-12 Putuli lui Zamfir Str., 4th floor, 1st sector, Bucharest, Romania	Branch of TBI Bank EAD	Branch of TBI Bank EAD
TBI 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% TBIF Financial Services B.V.)	100% (99.99999863% TBI Bank EAD, 0.00000137% TBIF Financial Services B.V.)
TBI Leasing IFN S.A.	8-12 Putul lui Zamfir Str., Ground Floor and First Floor, District 1, Bucharest, Romania	100% (99.9989% TBI Bank EAD, 0.0011% TBIF Financial Services B.V.)	99.9989% TBI Bank EAD, 0.0011% TBIF Financial Services B.V.
TBIF Financial Services B.V.	Prof. W.H. Keesomlaan 12, 1183DJ Amstelveen, Amsterdam, the Netherlands	100% 4finance Holding S.A.	100% 4finance Holding S.A.
TiBuy EAD	52-54 Dimitar Hadzhikotsev Str., Lozenets district, 1421 Sofia, Bulgaria	100% TBI Bank EAD	-
Vivus Finance Sp.z o.o.	ul. 17 Stycznia, nr 56, 02-146 Warsaw, Poland	100% AS 4finance	99,97% AS 4finance, 0,03% 4finance Holding S.A.
Vivus S.A.	46a avenue J.F. Kennedy, 1855, Luxembourg	4finance Holding S.A. has preferred shares	4finance Holding S.A. has preferred shares
VIVUS, S.R.L.	Rafael Augusto Sánchez 86, Roble Corporate Center, 9th Floor, Piantini, Santo Domingo, 10148, Dominican Republic	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)
Zaplo Finance s.r.o. (formerly Vivus Finance s.r.o.)	Mayhouse Office, 5. května 1746/22,140 00 Praha 4 - Nusle, Czech Republic	100% AS 4finance	100% AS 4finance

(44) Non-controlling interest in subsidiaries

Non-controlling interests in subsidiaries have the same proportion of voting rights as their ownership interest held. There are no material non-controlling interests at 31 December 2021 and 31 December 2020.

(45) Subsequent events

Financing

As outlined in the EUR 2025 bond refinancing process in summer 2021, the Group offered EUR 2025 bond investors a put option in February 2022 for up to EUR 15 million at par. No requests were received during the notice period, so no bonds were repurchased.

In February and March 2022, the Group made further market repurchases of €13.3 million notional of its EUR 2025 bonds and €14.8 million notional of its EUR 2026 bonds, taking the Group's treasury holdings to €14.2 million of its EUR 2025 bonds and €25.4 million of its EUR 2026 bonds as of March 2022.

Ownership changes

In February 2022, Vera Boiko, previously the biggest beneficial owner, sold 9.89% of shares in ultimate parent company Tirona Limited to three new minority shareholders, each holding 3.3% after the transaction.

In March 2022, Vera Boiko transferred a further 9.89% of shares in Tirona Limited to a Swiss charitable fund for parasports. At end of March 2022, after both transactions Vera Boiko retains beneficial ownership of 29.27%.

In April 2022, Vera Boiko sold the remainder of her shares to four new minority shareholders, each owning less than 10% after the transaction, and is no longer a beneficial owner of the Group.

Governance

In March, in light of the changes in the shareholding it has been decided to dissolve the Supervisory Board, leaving the Management Board as the top level of corporate governance. When the company re-domiciles, a new singular board is expected to be constituted including executive and non-executive directors.

Changes in the regulatory framework

In Denmark, while the Group continues to seek constructive engagement with the Consumer Ombudsman and other local authorities regarding its post-regulation products, the Group decided in January to cease the offering of loans to customers for commercial reasons. 4finance will continue with servicing and collection/ monetisation activities on the existing portfolio.

In Poland, various proposals to revise the caps for non-interest costs in Poland continue to be debated in parliament, however the potential timing and outcome of this process is unclear.

The Group is engaged with the revision of the EU Consumer Credit Directive at multiple levels. Having been part of the consultation process, as the Directive moves through the committee stages in the European Parliament the Group continues to engage directly at the European level, at the local level through membership of lending and fintech associations and through broad industry initiatives.

Impact on business operations from Russia-Ukraine war

On 24 February 2022, Russia invaded Ukraine. The Group does not have any operations in Russia, Belarus or Ukraine, although it does operate in neighbouring countries and has some Ukrainian employees. Several countries have imposed economic sanctions on Russia, which may be extended, and various private companies have announced voluntary actions to curtail business activities associated with Russia. No sanctions have been applied to 4finance or any of its shareholders, directors or employees. The Group has not so far experienced any material business impact, although risks remain given the volatility of the situation, including the situation in Poland outlined below. The war also brings uncertainty to the general business outlook and adds to the inflationary pressures management were already monitoring.

Sale of Polish business

In early April, 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

(45) Subsequent events (continued)

decision to sell the Polish business, 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. Management expects minimal impact on the Group's consolidated total equity on disposal.

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 4finance Holding S.A. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2021, 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 ("ISAs") as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "*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 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 and Those Charged with Governance for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

We assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements maid down in the ESEF Regulation.

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.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to the requirements that:

- The consolidated financial statements are prepared in a valid XHTML format;
- The XBRL mark-up of the consolidated financial statements uses the core taxonomy and the common rules on mark-ups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at 31 December 2021, identified as "4finance Holding 2021 Annual report", have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 14 April 2022

PKF Audit & Conseil Sàrl
Cabinet de révision agréé

Jean Medernach