4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE SIX MONTHS ENDING 30 JUNE 2022

Strong first half of 2022 delivering net profit of €26.1 million and Adjusted EBITDA of €64.5 million
Organic loan issuance growth in both online and banking businesses
Change in geographical footprint with sale of Polish business and Philippines acquisition

31 August 2022. 4finance Holding S.A. (the 'Group' or '4finance'), one of Europe's largest digital consumer lending groups, today announces unaudited consolidated results for the six months ending 30 June 2022 (the 'Period').

Operational Highlights

- Customer repayment dynamics remained robust, with fundamental asset quality metrics stable across the business.
- Online loan issuance volume of €359.3 million during the Period, lower than prior year, but up 24% in continuing products (excluding acquisitions and disposals).
- Near-prime portfolio development aligned with ability to fund those loans via TBI Bank. So far in 2022, over €17 million of Lithuanian near-prime loan principal was sold to TBI Bank.
- TBI Bank loan issuance volume during the Period grew by 37% year-on-year to €315.8 million from €230.2 million in the prior year period, with increased issuance in all products.

Financial Highlights

- Interest income of €160.0 million in the Period, up 15% from €138.8 million in the prior year period. Consistent growth in interest income from continuing products since Q2 2020 Covid impact. Strong contribution from Philippines and TBI brought Q2 interest income close to prior quarters despite the exit from Poland in mid April.
- The cost to income ratio for the Period improved significantly at 48.5% vs 59.1% in the prior year period. Cost discipline and operational efficiency remain a focus both in the online business and TBI. Continued savings in online cost base with €3 million total savings QoQ across most cost categories. Cost base at TBI grew to support higher issuance, and investment in ongoing initiatives.
- Good fundamental asset quality indicators at product level, with net impairment charges at €35.7 million, up 47% on the prior year on larger portfolio and different product mix in online. Cost of risk at 9.2% vs 7.4% in the prior year period.
- Adjusted EBITDA was €64.5 million for the Period, up 26% year-on-year, delivering 40% adjusted EBITDA margin for the period vs 37% in H1 2021. The interest coverage ratio as of the date of this report, including proforma effect of acquisitions and disposals, is 2.8x.
- Post-provision operating profit for the Period was €45.7 million, benefiting from the 15% year-on-year increase in interest income and lower interest expense, with profit after tax of €26.1 million, nearly double that of H1 2021.
- Net receivables totaled €706.7 million as of 30 June 2022, up 7% year-to-date. During the quarter, TBI Bank grew net receivables another 10% and the online business portfolio grew in the Baltics, Spain and Czech Republic.
- Improved overall gross NPL ratio at 9.6% as of 30 June 2022 (9.3% for online), compared with 11.3% as of 31 December 2021 (12.7% for online). TBI NPL ratio has improved at 9.7% as of 30 June 2022, compared with 10.7% as of 31 December 2021.

Liquidity and funding

- Further deleveraging with EUR 3 million notional of 2026 bonds repurchased in June and another EUR 2 million in July.
- Strong capital position at TBI Bank (22.1% capital adequacy ratio) despite continued growth in risk weighted assets.
- Dividend of €15.0 million paid in July in respect of the 2021 financial year, the first such payment since 2019.
- Healthy current cash levels with focus now on loan issuance and growth.

Kieran Donnelly, CEO of 4finance, commented:

"For this second quarter we see an ongoing and sustained improvement in income from continuing products that yielded €160 million in interest income for the first half, up 15% on the same period in 2021. Demand for our relevant and convenient credit products remains strong. TBI Bank continues to grow significantly, while investing in further growth opportunities. This progress is backed by improving the overall gross NPL ratio to 9.6%. Our Philippines business contributed to our results for the whole of the quarter and we are pleased with the dynamic growth from this market."

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Conference call

A conference call with management to discuss these results is scheduled for **Thursday, 1 September at 15:00 UK time**. To register, please visit www.4finance.com.

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

About 4finance

Established in 2008, 4finance is one of Europe's largest digital consumer lending groups with operations in 10 countries.

Leveraging a high degree of automation and data-driven insights across all aspects of the business, 4finance has grown rapidly, issuing over €9 billion since inception in single payment loans, instalment loans and lines of credit.

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

4finance has group offices in Riga (Latvia), London and Luxembourg, and currently operates in 10 countries globally. The Group also offers deposits, in addition to consumer and SME loans through its TBI Bank subsidiary, an EU licensed institution with operations primarily in Bulgaria, Romania and Greece.

Forward looking statements

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

Rounding

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

Inside information

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

Key Financial Ratios

	Six months ending 30 June 2022	Six months ending 30 June 2021	Year Ended 31 December 2021	Year Ended 31 December 2020
Capitalisation				
Net receivables (€m) (1)	706.7	567.2	658.1	526.4
Total assets (€m)	1,157.1	991.2	1,058.1	949.7
Total equity (€m)	198.4	162.7	176.8	150.0
Equity / assets	17.1%	16.4%	16.7%	15.8%
Tangible common equity / tangible assets (2)	13.6%	12.7%	13.5%	11.6%
Equity / net receivables (3)	28.1%	28.7%	26.9%	28.5%
Adjusted interest coverage (4)	2.8x	2.2x	2.6x	1.8x
TBI Bank consolidated capital adequacy (5)	22.1%	18.9%	22.9%	19.4%
Profitability				
Net interest margin: (6)				
- Online	77.6 %	62.4 %	65.7 %	60.3 %
- TBI Bank	22.6 %	23.0 %	22.9 %	24.0 %
- Overall group	37.1 %	36.6 %	37.1 %	39.7 %
Cost / income ratio (7)	48.5 %	59.1 %	55.0 %	56.9 %
Post-provision operating profit margin (8)	28.6 %	19.6 %	21.1 %	7.0 %
Normalised Profit before tax margin (9)	26.4 %	17.1 %	18.6 %	2.2 %
Normalised Return on average equity (10)	35.5 %	19.9 %	21.4 %	(10.1)%
Normalised Return on average assets (11)	6.0 %	3.2 %	3.5 %	(1.7)%
Asset quality				
Cost of risk: (12)				
- Online	22.7 %	11.5 %	15.4 %	24.2 %
- TBI Bank	4.2 %	5.2 %	5.7 %	6.1 %
- Overall group	9.2 %	7.4 %	9.0 %	14.2 %
Net impairment / interest income (13)	22.3 %	17.5 %	21.2 %	31.7 %
Gross NPL ratio: (14)				
- Online	9.3 %	14.4 %	12.7 %	19.2 %
- TBI Bank	9.7 %	14.6 %	10.7 %	15.7 %
- Overall group	9.6 %	14.5 %	11.3 %	17.0 %
Overall group NPL coverage ratio (15)	117.5 %	101.8 %	108.9 %	106.0 %
Loan loss reserve / gross receivables, %	11.3 %	14.8 %	12.3 %	18.1 %

Definitions and Notes below. For further definitions please see the appendix.
Normalised ratios are adjusted to remove the effect of non-recurring items, net FX and one-off adjustments to intangible assets.
(1) Gross receivables (including accrued interest) less impairment provisions
(2) Tangible equity is Total Equity less Intangible Assets. Tangible Assets are Total Assets less Intangible Assets
(3) Total equity / net customer receivables (including accrued interest)
(4) Adjusted EBITDA / interest expense for the relevant period (n.b. not equal to the full covenant coverage ratio calculation)
(5) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the BNB)
(6) Annualised net interest income / average gross loan principal
(7) Operating costs / operating income (revenue)
(8) Post-provision operating profit (which does not include non-recurring items, net FX and D&A) / interest income
(9) Profit before tax / interest income
(10) Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)
(11) Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)
(12) Annualised net impairment charges / average gross receivables (total gross receivables as of the start and end of each period divided by two)
(13) Net impairment charges on loans and receivables / interest income
(14) Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)
(15) Overall receivables allowance account / non-performing receivables

FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated statement of profit or loss for the six months ending 30 June 2022 and 30 June 2021. Additional reference information on the historic quarterly development of our income statement is shown in the appendix. Please note that non-recurring, net FX and D&A items are shown lower down the income statement to better reflect operating results.

	6 months to 30 June		
	2022 (unaudited)	**2021 (unaudited)**	**% change**
	(in millions of €)		
Interest Income	160.0	138.8	+15 %
Interest Expense	(20.7)	(24.1)	(14) %
Net Interest Income	**139.3**	**114.6**	**+22 %**
Net F&C Income	13.3	6.6	+100 %
Other operating income	5.7	4.9	+16 %
Non-Interest Income	**19.0**	**11.5**	**+65 %**
Operating Income (Revenue)	**158.3**	**126.2**	**+25 %**
Total operating costs	**(76.8)**	**(74.6)**	**+3 %**
Pre-provision operating profit	**81.5**	**51.6**	**+58 %**
Net impairment charges	(35.7)	(24.3)	+47 %
Post-provision operating profit	**45.7**	**27.3**	**+68 %**
Depreciation and amortisation	(3.5)	(3.6)	(3) %
Non-recurring income/(expense)	(4.6)	0.6	nm
Net FX gain/(loss)	(2.6)	(1.9)	+42 %
Profit/(loss) before tax	**35.1**	**22.4**	**+56 %**
Income tax expense	(9.0)	(8.1)	+11 %
Net profit/(loss) after tax	**26.1**	**14.3**	**+82 %**

Interest income

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

	6 months to 30 June		
	2022	**2021**	**% change**
Online lending	*(in millions of €, except percentages)*		
Total value of loan principal issued	359.3	389.5	(8)%
Average net receivables, of which:	174.2	176.9	(2)%
- Principal	166.1	168.9	
- Accrued interest	8.1	8.0	
Annualised interest income yield on net portfolio (1)	113 %	104 %	
Interest income from online lending	93.7	87.6	+7 %
Banking operations			
Average net receivables, of which:	508.2	369.9	+37 %
- Principal	498.4	360.5	
- Accrued interest	9.8	9.4	
Annualised interest income yield on net portfolio (1)	27 %	28 %	
Interest income from banking operations (2)	66.3	51.2	+29 %

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

(2) See appendix for full TBI Bank income statement

Interest income for the Period was €160.0 million, a 15% increase compared with €138.8 million for the six months ending 30 June 2021. The increase in interest income from online lending was 7%, reflecting the 2% decrease in the average balance of net receivables and a higher average interest yield.

TBI Bank's loan book has continued to grow, particularly in Romania, with an increase of 37% in average net receivables year-on-year. Its consumer lending (cash lending, point-of-sale lending and credit cards) has average product APRs between 20% and 50% and SME loans with average interest rates of approximately 8-16% p.a.. TBI Bank also generates separate income, which is reported in either the 'net fee and commission' and 'other operating income' lines.

Interest expense

Interest expense for the Period was €20.7 million, a decrease of 14% compared with €24.1 million for the six months ending 30 June 2021. The lower interest expense year-on-year reflects the bond buybacks since the start of 2021, partly offset by the growth in deposits at TBI Bank. The one-off gains from bond buybacks at a discount continue to be reflected in the 'non-recurring income/expense' line to show a more consistent 'interest expense' result.

Non-interest income

Non-interest income for the period was €19.0 million, a 65% increase compared with €11.5 million reported for the six months ending 30 June 2021. The net fee and commission income generated by TBI Bank, primarily fees from insurance sales to its customers, was up 100% year-on-year. Other operating income increased in Q2 as it includes income from services and loans provided to non-Group companies (primarily Poland) as well as income from related party loans.

Total operating costs

Total operating costs reported for the Period were €76.8 million, a 3% increase compared with €74.6 million reported for the six months ending 30 June 2021. The online business achieved savings of €3.0 million vs Q1 2022 in most cost categories, particularly marketing and personnel costs, with some reduction from sale of Poland. Net growth in operational cost base stems from TBI, where higher personnel costs, marketing and professional services costs support growing revenue and investments in geographical expansion.

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

	6 months to 30 June	
	2022	**2021**
	(in millions of €)	
Personnel costs	38.9	39.3
Marketing and sponsorship	12.6	13.4
IT expenses (including R&D)	6.2	5.6
Legal and consulting	5.1	3.9
Application processing costs	1.9	2.0
Communication expenses	1.9	1.8
Taxes	3.0	1.6
Bank services	1.2	1.5
Debt collection costs	0.9	1.2
Rent and utilities	1.1	0.8
Travel	0.6	0.4
Other	3.4	3.1
Total	**76.8**	**74.6**
- TBI Bank	34.6	26.7
- 4finance 'online' business	42.2	47.8
Total Employees		
- Online	605	737
- TBI Bank	1,598	1,464
- Overall group	**2,203**	**2,201**

For the six months of 2022 and 2021, marketing and sponsorship costs accounted for 16% and 18% respectively, and personnel costs accounted for 51% and 53%, respectively, of total operating costs. The cost to income ratio for the Period was 48.5%, a decrease from 59.1% for the prior year period, driven by significant increase in revenue year-on-year.

Net impairment charges on loans and receivables

Net impairment charges for the Period were €35.7 million, compared with €24.3 million for the six months ending 30 June 2021. Gross impairment charges increased slightly vs six months ending 30 June 2021 due to significantly higher portfolio. Asset quality indicators remain good at product level across the business with changes in impairment charges and cost of risk mainly due to changing portfolio mix. For example the Philippines business has a higher cost of risk (and portfolio yield) due to different customer segment and shorter write-off period. The Group continues its strategy of 'forward flow' and ad hoc debt sales for its non-performing loans. This contributed to net gains on portfolio sales in the Period - particularly in Poland in Q1 and TBI Bank and Denmark in Q2 - and also lower regular impairments on portfolios where forward flow agreements have been established.

	6 months to 30 June	
	2022	**2021**
	(in millions of €)	
Impairment charges on loans	51.7	40.6
Over provision on debt portfolio (portfolio sale net gains)	(11.2)	(10.3)
Recovery from written-off loans	(4.7)	(5.9)
Net impairment charges	**35.7**	**24.3**

Overall net impairment charges represented 22% of interest income for the Period, an increase from 18% last year. The net impairment charges for the online business compared to average online gross receivables, *i.e.* cost of risk, increased to 23% in the Period from 12% last year. The overall cost of risk is only marginally higher vs H1 2021 at 9.2% vs 7.4% despite 20% increase in net receivables balance.

Non-recurring income/(expense)

For the quarter, the Group had net non-recurring expense of €4.2 million. This includes €2.2 million technical loss from the sale of Poland, €0.8 million expenses in TBI, €0.3 million IFRS 9 provision for loan to Poland and expenses in Spain and Czech Republic, offset partly by €0.2 million income from bond buybacks.

Net FX gain/(loss)

Foreign exchange movements resulted in a net loss of €2.6 million for the Period, mainly from PLN and RON depreciation against EUR. In the prior year period there was a net FX loss of €1.9 million.

Profit/(loss) before tax

For the reasons stated above, the Group made a profit before tax for the Period of €35.1 million, compared with €22.4 million for the six months ending 30 June 2021.

Corporate income tax

The Group's corporate income tax expense was €9.0 million for the Period, compared with €8.1 million for the six months ending 30 June 2021. The following table sets out a breakdown of the Group's corporate income tax.

	6 months to 30 June	
	2022	**2021**
	(in millions of €)	
Current tax	8.5	4.2
Deferred tax	0.5	3.9
Total	**9.0**	**8.1**

Profit/(loss) for the period

For the reasons stated above, the profit for the Period was €26.1 million, compared with €14.3 million for the six months ending 30 June 2021.

Other financial data – EBITDA and Adjusted EBITDA

	Six months ending 30 June 2022	Six months ending 30 June 2021	Year Ended 31 December 2021	Year Ended 31 December 2020
		(in millions of €)		
Profit/(loss) for the period	26.1	14.3	31.3	(25.0)
Income tax expense	9.0	8.1	20.2	24.6
Interest expense	20.7	24.1	47.5	50.1
Depreciation and amortisation	3.5	3.6	7.2	14.9
EBITDA	**59.2**	**50.1**	**106.2**	**64.5**
Adjustments	5.3	1.2	2.3	10.5
Adjusted EBITDA (1)	**64.5**	**51.3**	**108.5**	**75.0**

	Six months ending 30 June 2022	Six months ending 30 June 2021	Year Ended 31 December 2021	Year Ended 31 December 2020
		(in millions of €)		
Summary breakdown of Adjustments to EBITDA				
Net FX impact	2.6	1.9	3.7	5.7
One-off costs and other prescribed adjustments	2.6	(0.7)	(2.3)	0.9
One-off write-down of intangible assets	—	—	1.0	3.9
Total	**5.3**	**1.2**	**2.3**	**10.5**

Other financial data – Interest Coverage Ratio

The calculation of the interest coverage ratio for the Group's bonds is shown below. For further details on methodology, please refer to the Q2 2020 results report. The covenants are on an 'incurrence' rather than 'maintenance' basis, so the ratio having been below the 2.0x incurrence threshold in some prior periods only restricted certain specified actions (such as dividend payments or allowed parameters of incurrence of indebtedness). The calculation includes the proforma effect of the Poland sale and Philippines acquisition.

	As of the date of this report (in millions of €)
Pro-forma last 4 quarters Adjusted EBITDA	107.6
Pro-forma last 4 quarters Fixed Charges	38.7
Bond covenant interest coverage ratio	**2.8x**

Note: (1) Adjusted EBITDA is a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) as adjusted by income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS, goodwill write-offs and certain other one-off or non-cash items. Adjusted EBITDA, as presented in this report, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated. Additional limitations prescribed in the EUR 2026 bonds limiting TBI Bank contribution to Adjusted EBITDA not reflected here.

Balance Sheet

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

	30 June 2022 (unaudited)	31 December 2021
	(in millions of €)	
Cash and cash equivalents, of which:	**140.5**	**180.0**
- Online	57.2	80.1
- TBI bank	83.3	99.9
Placements with other banks	21.7	16.9
Gross receivables due from customers	796.8	750.7
Allowance for impairment	(90.2)	(92.5)
Net receivables due from customers, of which:	**706.7**	**658.1**
- Principal	688.9	640.0
- Accrued Interest	17.8	18.1
Net investments in finance leases	1.7	2.0
Net loans to related parties	60.2	59.0
Net loans to other parties	31.7	—
Property and equipment	18.1	18.1
Financial investments	69.8	53.4
Prepaid expenses	4.8	3.5
Tax assets	3.7	5.8
Deferred tax assets	11.2	12.5
Intangible IT assets	12.2	11.5
Goodwill	23.7	15.9
Other assets	51.4	21.4
Total assets	**1,157.1**	**1,058.1**
Loans and borrowings	283.4	313.0
Deposits from customers	578.0	482.1
Deposits from banks	—	6.7
Income tax liabilities	5.8	5.1
Other liabilities	91.5	74.4
Total liabilities	**958.7**	**881.3**
Share capital	35.8	35.8
Retained earnings	194.1	168.1
Reserves	(31.5)	(27.0)
Total equity	**198.4**	**176.8**
Total shareholders' equity and liabilities	**1,157.1**	**1,058.1**

Assets

The Group had total assets of €1,157.1 million as of 30 June 2022, compared with €1,058.1 million as of 31 December 2021. The main changes during the Period were increase in net receivables due from customers, net loans to other parties, other assets, financial investments and placements with other banks at TBI Bank and decrease in cash and cash equivalents.

Loan portfolio

As of 30 June 2022, the Group's net receivables equaled €706.7 million, compared with €658.1 million as of 31 December 2021, representing an increase of €48.5 million, or 7%, with the majority of growth coming from the bank. TBI Bank contributed €552.6 million of net receivables, including fair value adjustments. Further information on the TBI Bank portfolio is available in the appendix, including its finance leases which are shown as a separate balance sheet line item.

The following section includes a summary of the Group's overall loan portfolio, both online (mainly funded outside of TBI Bank) and banking (funded by TBI Bank). Additional reference information on the historic quarterly development of our online portfolio, split by product, is also shown in the appendix.

Overview of the Group's loan portfolio

The following table sets out the classification of the Group's loan portfolio in terms of performing and non-performing loans (*i.e.* those more than 90 days past due). The 'online' figures in this section as of 30 June 2022 include €29.0 million of net receivables owned by TBI Bank (€21.1 million as of 31 December 2021), *i.e.* the Group's Bulgarian online lending business and Polish & Lithuanian receivables sold to the bank.

	30 June 2022				31 December 2021			
	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount
	(in millions of €, except percentages)				*(in millions of €, except percentages)*			
Online originated receivables								
Performing	169.1	(18.8)	150.3	90.7 %	206.4	(18.8)	187.7	87.3 %
Non-performing (1)	17.4	(13.7)	3.7	9.3 %	29.9	(23.2)	6.7	12.7 %
Online total	**186.5**	**(32.5)**	**154.0**	**100.0 %**	**236.3**	**(42.0)**	**194.4**	**100.0 %**
Of which, funded at TBI Bank	*30.8*	*(1.8)*	*29.0*		*22.5*	*(1.4)*	*21.1*	
TBI Bank receivables								
Performing	550.9	(22.4)	528.5	90.3 %	459.3	(19.2)	440.1	89.3 %
Non-performing (1)	59.3	(35.2)	24.1	9.7 %	55.0	(31.4)	23.7	10.7 %
TBI Bank total	**610.3**	**(57.7)**	**552.6**	**100.0 %**	**514.3**	**(50.6)**	**463.8**	**100.0 %**
Overall receivables								
Performing	720.1	(41.3)	678.8	90.4 %	665.7	(38.0)	627.7	88.7 %
Non-performing (1)	76.7	(48.9)	27.8	9.6 %	85.0	(54.6)	30.4	11.3 %
Overall total	**796.8**	**(90.2)**	**706.7**	**100.0 %**	**750.7**	**(92.5)**	**658.1**	**100.0 %**

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

Online loan portfolio by product

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

	30 June 2022		31 December 2021	
	Amount	% of Portfolio	Amount	% of Portfolio
Online performing gross portfolio by product:	*(in millions of €, except percentages)*			
Single Payment Loans	51.9	30.7 %	91.4	44.3 %
Minimum to pay	30.9	18.3 %	29.6	14.4 %
Instalment Loans	26.5	15.7 %	30.6	14.8 %
Near Prime (1)	59.8	35.3 %	54.7	26.5 %
Total online gross performing portfolio	**169.1**	**100.0 %**	**206.4**	**100.0 %**

Notes: (1) Includes the Group's lower APR instalment loan products in Latvia (Vivus), Lithuania (Vivus) and Denmark (Vivus)

Online non-performing loan portfolio

As of 30 June 2022, the Group's non-performing online portfolio was €17.4 million, a decrease of €12.5 million since 31 December 2021. The gross NPL ratio was 9.3% for online receivables as of 30 June 2022, compared to 12.7% as of 31 December 2021. The NPL ratio has reduced year-on-year as a result of increased new loan issuance, debt sales and improvement in the asset quality of the portfolio partially due to sale of Poland business. Given the customer segment and local repayment dynamics, the loan portfolio in the Philippines is treated as both non-performing as well as written off at 60 days past due, resulting in a relatively lower gross portfolio on balance sheet without NPLs.

The Group accrues interest whilst it is probable it will be received (typically up to 90 DPD for instalment loans). Non-performing accrued interest was €2.2 million, or 13%, of non-performing receivables. Penalties and delay fees are not accrued as receivables and are only recognised as income when payment is received.

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

	30 June 2022	31 December 2021
	(in millions of €, except percentages)	
Non-performing online portfolio by product:		
Single Payment Loans	7.2	20.1
Minimum to pay	3.0	2.9
Instalment Loans	4.3	4.3
Near Prime	3.0	2.6
Total non-performing online portfolio	**17.4**	**29.9**
Allowance for NPL receivables / non-performing receivables	79 %	78 %
Overall receivables allowance / NPL receivables	152 %	140 %
Average Loss Given Default rate	57 %	61 %

Other assets

A breakdown of the Group's other assets is presented in the table below. The 'derivatives' line relate mainly to the Group's EUR/PLN, EUR/CZK, EUR/SEK and EUR/RON currency hedges. The €18 million receivable for Poland sale is included in 'other non-customer receivables'.

	30 June 2022	31 December 2021
	(in millions of €)	
Receivables from suppliers	9.1	5.0
Non-current assets held for sale	4.6	4.7
Investments in associates	1.4	1.4
Derivatives	3.9	2.1
Security deposits	0.5	0.9
FX hedging - funds on margin	0.5	0.5
Other non-customer receivables	31.5	6.9
Total	**51.4**	**21.4**

Liabilities

The Group had total liabilities of €958.7 million as of 30 June 2022, compared with €881.3 million as of 31 December 2021, representing an increase of €77.4 million.

Loans and borrowings

As of 30 June 2022, the Group had loans and borrowings of €283.4 million, compared with €313.0 million as of 31 December 2021. The Group's loans and borrowings accounted for 30% of total liabilities as of 30 June 2022 and 36% of total liabilities as of 31 December 2021. The following table sets out the loans and borrowings by type.

In June 2022, 4finance S.A. repurchased a further €3.0 million of its EUR 2026 bonds. As of 30 June 2022, the Group held €28.4 million of its EUR 2026 bonds and €14.2m of its EUR 2025 bonds in treasury. A further €2.0 million of EUR 2026 bonds were repurchased in July.

	30 June 2022	31 December 2021
	(in millions of €)	
EUR 2026 bonds	141.5	159.0
EUR 2025 bonds	131.4	143.8
Other	10.4	10.1
Total loans and borrowings (1)	**283.4**	**312.9**

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

In May 2016, 4finance S.A. issued €100.0 million of 11.25% 5 year notes (the *'EUR 2025 bonds'*). The EUR bonds are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further €50.0 million of EUR bonds were issued at par. Following a bondholder vote, in August 2021 the maturity of the EUR bonds was extended to February 2025, with other changes including a call structure that declines to par over time (currently 104%) and interest payable quarterly from November 2021 onwards.

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

Customer deposits

As of 30 June 2022, the Group had total customer deposits of €578.0 million, all of which are now at TBI Bank, at an average all-in cost of approximately 1.6%. Further details of TBI Bank's deposits are presented in the appendix.

Other liabilities

A breakdown of the Group's other liabilities is presented in the table below. Accounts payable to suppliers includes the remaining payment of €8.5 million for the Philippines acquisition; a €4.0 million provision for the earnout relating to the same acquisition is included in other liabilities.

	30 June 2022	**31 December 2021**
	(in millions of €, except percentages)	
Accrued expenses	11.7	20.5
Lease liabilities (IFRS 16)	10.1	10.2
Accounts payable to suppliers	21.5	6.3
FX hedging liability	3.5	3.8
Taxes payable	2.5	3.1
Provisions for unused vacations	1.7	1.8
Other liabilities	40.4	28.7
Total	**91.5**	**74.4**

Equity

As of 30 June 2022, the Group's total equity amounted to €198.4 million, compared to €176.8 million as of 31 December 2021, representing an increase of €21.6 million, or 12%. The Group's equity to assets ratio as of 30 June 2022 was 17%. In July, the Group declared and paid a dividend of €15.0 million relating to the 2021 financial year.

The equity to net receivables ratio as of 30 June 2022 was 28%, reflecting the Group's strong capitalisation, with good headroom to bond covenants.

Off-balance sheet arrangements

The Group's total off-balance sheet commitments as of 30 June 2022 were €56.3 million. This represents TBI Bank's undrawn lending commitments of €56.2 million and financial guarantees €0.1 million. The Group no longer has any material Line of Credit products with undrawn limits in its online business. The Group also enters into currency hedging transactions which may result in additional off-balance sheet assets or liabilities, but are designed to limit overall exposure to currency movements.

Condensed Consolidated Statement of Cash Flows for the Period

	6 months to 30 June	
	2022	2021
	(unaudited)	(unaudited)
Cash flows from operating activities	*(in millions of €)*	
Profit before taxes	**35.1**	**22.4**
Adjustments for:		
Depreciation and amortisation	3.5	3.5
Impairment changes of fixed assets	(0.1)	—
Net (gain) / loss on foreign exchange from borrowings and other monetary items	(1.3)	6.4
Impairment losses on loans	51.7	40.6
Reversal of provision on debt portfolio sales	(11.2)	(10.4)
Write-off and disposal of intangible and property and equipment assets	1.2	—
Interest income from non-customers loans	(4.4)	(4.4)
Interest expense on loans and borrowings and deposits from customers	20.7	24.1
Non-recurring finance (income)	(0.4)	(2.4)
Other non-cash items, including (gain)/loss on disposals	2.3	(0.9)
Profit before adjustments for the effect of changes to current assets and short-term liabilities	**97.1**	**78.9**
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(3.8)	(3.3)
(Increase) in other assets (including TBI statutory reserve, placements & leases)	(31.5)	(14.8)
Increase in accounts payable to suppliers, contractors and other creditors	11.6	0.9
Operating cash flow before movements in portfolio and deposits	**73.5**	**61.7**
Increase in loans due from customers	(155.1)	(91.0)
Proceeds from sale of portfolio	23.6	20.7
Increase in deposits (customer and bank deposits)	89.2	46.0
Deposit interest payments	(3.7)	(3.8)
Gross cash flows from operating activities	**27.4**	**33.6**
Corporate income tax (paid), net of refunds received	(6.2)	(3.7)
Net cash flows from operating activities	**21.2**	**30.0**
Cash flows from / (used in) investing activities		
Purchase of property and equipment and intangible assets	(5.0)	(2.6)
Net cash from (Purchase) / Sale of financial instruments	(18.9)	(3.5)
Other loans repaid	7.7	—
Loans issued to related parties	(0.3)	—
Interest received from related parties	3.6	4.5
Acquisition of subsidiaries, net of cash acquired	(1.5)	—
Disposal of subsidiaries, net of cash disposed	(4.2)	(0.3)
(Acquisition) of equity investments	(1.8)	—
Net cash flows used in investing activities	**(20.4)**	**(2.0)**
Cash flows from / (used in) financing activities		
Repayment and repurchase of loans and notes	(29.4)	(25.1)
Interest payments	(16.3)	(18.0)
FX hedging margin	1.8	2.8
Payment of lease liabilities	(1.7)	(1.7)
Net cash flows used in financing activities	**(45.7)**	**(42.1)**
Net (decrease) in cash and cash equivalents	**(44.9)**	**(14.1)**
Cash and cash equivalents at the beginning of the period	**134.2**	**120.6**
Effect of exchange rate fluctuations on cash	0.2	—
Cash and cash equivalents at the end of the period	**89.4**	**106.5**
TBI Bank minimum statutory reserve	**51.1**	**40.0**
Total cash on hand and cash at central banks	**140.5**	**146.5**

Net cash flows from operating activities in the Period were €21.2 million, less than operating cash flows of €30.0 million in the same period last year, mainly due to higher levels of net loan issuance. Net cash outflows from investing activities were €20.4 million in the Period, mainly due to sale and purchase of financial instruments at TBI. The Group's cash flows used in financing activities include the repurchases of its bonds, interest payments and net cash from FX hedging.

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

The Group finalised the purchase of TBI Bank EAD (‘TBI Bank’), via the acquisition of TBIF Financial Services B.V., in August 2016. Presented here for illustration and reference are TBI Bank’s results for the six months ending 30 June 2022 and six months ending 30 June 2021.

Income statement

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

	6 months to 30 June	
	2022	**2021**
	(in millions of €)	
Interest Income	66.2	50.3
Interest Expense	(4.0)	(3.1)
Net Interest Income	**62.3**	**47.3**
Net F&C Income	13.3	6.7
Other operating income	0.3	1.3
Non-Interest Income	**13.7**	**8.0**
Operating Income	**75.9**	**55.2**
Total operating costs	**(34.8)**	**(27.4)**
Pre-provision operating profit	**41.1**	**27.8**
Net impairment charges	(11.8)	(11.0)
Post-provision operating profit	**29.3**	**16.8**
Depreciation and amortisation	(1.9)	(1.0)
Non-recurring income/(expense)	(1.4)	0.4
Net FX gain/(loss)	(1.6)	(0.5)
Pre-tax profit	**24.4**	**15.6**
Income tax expense	(3.5)	(2.2)
Net profit after tax	**20.9**	**13.5**

Balance sheet

The table below sets out the statement of financial position for TBI Bank. For the purpose of consolidation with the Group's balance sheet, the fair values assessed as part of the Group's updated goodwill calculation under IFRS are used, rather than the book values presented below. Receivables amounts include premium paid (€5.8 million) for online purchased loans which is also eliminated in consolidation, and unamortised fair value adjustment (€0.4 million) as at 30 June 2022.

	30 June 2022	31 December 2021
	(in millions of €)	
Cash and cash equivalents	94.5	106.5
Placements with other banks	21.7	16.9
Gross receivables due from customers	647.4	541.7
Allowance for impairment	(59.5)	(51.9)
Net receivables due from customers	**587.9**	**489.8**
Net investments in finance leases	2.2	2.6
Property and equipment	13.6	12.1
Financial assets	70.0	55.3
Tax assets	2.0	1.6
Prepaid expenses	1.9	1.8
Intangible assets	9.4	8.5
Other assets	27.8	15.7
Total assets	**831.0**	**710.6**
Loans and borrowings	10.4	10.1
Deposits from customers	589.2	488.6
Deposits from banks	—	6.7
Corporate income tax payable	2.2	1.6
Other liabilities	51.6	40.3
Total liabilities	**653.4**	**547.4**
Share capital	41.7	41.7
Retained earnings	141.3	121.6
Reserves	(5.4)	(0.1)
Total equity	**177.6**	**163.2**
Total shareholders' equity and liabilities	**831.0**	**710.6**

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

To aid comparison with the loan portfolio presented on page 9 of the report, the table below shows a reconciliation from TBI 'standalone' net receivables due from customers to TBI's portfolio contribution to consolidated figures.

in millions of €	30 June 2022	31 December 2021
Standalone net receivables due from customers	**587.9**	**489.8**
Online portfolio Funded by TBI	(29.0)	(21.1)
Balance of premium paid for Online portfolio	(5.8)	(4.5)
Unamortised fair value adjustment	(0.4)	(0.4)
TBI portfolio contribution to consolidation	**552.6**	**463.8**

Loan portfolio

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

Gross receivables by type	30 June 2022	31 December 2021	% Change
	(in millions of €)		
Consumer	534.4	449.8	19 %
SME (including financial leases)	115.4	94.9	22 %
Total gross receivables	**649.8**	**544.6**	**19 %**
Provisions	(59.7)	(52.2)	14 %
Total net receivables	**590.1**	**492.4**	**20 %**

As of 30 June 2022, consumer loans made up 82% of TBI Bank's gross loans (83% as of 31 December 2021). Of the overall net loan portfolio, 61% comes from Romania and 34% from Bulgaria, with the remainder from purchased online portfolios (Lithuania & Poland).

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

	Consumer	SME (incl. leases)	Overall
Non-performing receivables to gross receivables ratio	10.3 %	12.2 %	10.6 %
Provision coverage [1]	106.0 %	29.9 %	88.5 %

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

Customer deposits

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

	30 June 2022	31 December 2021	% Change
	(in millions of €)		
Customer accounts of consumers	519.4	436.7	19 %
- Current accounts	59.3	49.2	21 %
- Term deposits	460.1	387.5	19 %
Customer accounts of SMEs	69.9	52.0	35 %
- Current accounts	50.2	28.6	76 %
- Term deposits	19.7	23.4	(16)%

TBI Bank increased deposits and liquidity again in Q2 2022 to support business growth. The average interest rate paid on term deposits varies by type and currency, ranging from 0.05% to 10.0%. Deposit costs (excluding the state deposit guarantee fund annual charge) were 1.4% for the Period.

Capital and liquidity ratios

TBI Bank continues to have a strong capital and liquidity position. The table below shows TBI Bank's statutory capital and liquidity ratios as of 30 June 2022. The bank's inaugural Tier 2 issuance in July 2021 was registered with the BNB in Q4 2021, so it is now included in formal capital for these ratios. The approach to calculating risk weighted assets for operational risk was updated in Q4 2021, moving to the Alternative Standardised Approach method, which reduced RWA usage. The Bulgarian National Bank's minimum capital adequacy ratio requirement applicable for TBI Bank is 14.75%.

	Standalone	Consolidated
Common equity Tier 1 ratio	19.0 %	20.2 %
Capital adequacy ratio	21.0 %	22.1 %
Liquidity ratio	28.1 %	
Liquidity coverage ratio	277.8 %	373.8 %

HISTORIC QUARTERLY RESULTS APPENDIX

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

Income statement

(in millions of €)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Interest Income	**70.4**	**70.3**	**70.6**	**69.4**	**69.3**	**77.2**	**80.1**	**80.9**	**79.1**
Interest Expense	(12.5)	(12.3)	(12.2)	(12.2)	(11.9)	(11.9)	(11.5)	(10.6)	(10.1)
Net Interest Income	**57.9**	**58.0**	**58.4**	**57.2**	**57.4**	**65.3**	**68.6**	**70.3**	**69.0**
Net F&C Income	1.5	2.7	2.3	3.0	3.7	6.2	6.9	6.5	6.8
Other operating income	2.7	2.9	2.5	2.4	2.5	2.3	2.4	1.9	3.8
Non-Interest Income	**4.2**	**5.6**	**4.8**	**5.4**	**6.1**	**8.5**	**9.4**	**8.4**	**10.6**
Operating Income	**62.2**	**63.6**	**63.2**	**62.6**	**63.5**	**73.8**	**77.9**	**78.7**	**79.6**
Total operating costs	**(39.8)**	**(36.5)**	**(34.7)**	**(36.9)**	**(37.7)**	**(38.6)**	**(39.6)**	**(39.6)**	**(37.2)**
Pre-provision operating profit	**22.4**	**27.0**	**28.5**	**25.8**	**25.8**	**35.2**	**38.3**	**39.1**	**42.4**
Net impairment charges	(26.4)	(21.1)	(19.0)	(12.2)	(12.2)	(16.9)	(21.5)	(15.3)	(20.4)
Post-provision operating profit	**(4.0)**	**6.0**	**9.5**	**13.6**	**13.7**	**18.3**	**16.8**	**23.8**	**22.0**
Depreciation and amortisation	(3.8)	(3.8)	(4.1)	(1.8)	(1.7)	(1.7)	(2.0)	(1.8)	(1.6)
Non-recurring income/(expense)	6.1	1.8	(2.1)	0.7	(0.1)	3.2	(2.8)	(0.4)	(4.2)
Net FX	(0.6)	(2.9)	1.1	(2.7)	0.9	(0.5)	(1.2)	(2.7)	0.1
One-off adj. of intangible assets	—	(0.6)	(3.2)	—	—	—	(1.0)	—	—
Pre-tax profit	**(2.4)**	**0.5**	**1.2**	**9.7**	**12.7**	**19.3**	**9.7**	**18.8**	**16.2**
Income tax expense	(4.6)	(6.6)	(10.8)	(4.1)	(4.0)	(5.5)	(6.5)	(5.6)	(3.5)
Net profit after tax	**(6.9)**	**(6.1)**	**(9.5)**	**5.6**	**8.7**	**13.8**	**3.2**	**13.3**	**12.8**
EBITDA	**14.0**	**16.5**	**17.5**	**23.7**	**26.4**	**32.9**	**23.2**	**31.3**	**28.0**
Adjusted EBITDA	**10.0**	**18.8**	**23.0**	**25.1**	**26.2**	**29.8**	**27.4**	**33.5**	**31.0**

Loan issuance

(in millions of €)

Total value of online loans issued	**139.2**	**184.7**	**190.4**	**189.6**	**200.0**	**225.3**	**221.4**	**209.2**	**150.0**
Single Payment Loans (1)	92.2	138.3	150.3	152.9	162.7	180.5	182.5	175.4	111.3
Instalment Loans	8.2	16.7	13.7	12.2	13.5	18.3	14.6	10.8	11.9
Near-prime Loans	10.7	13.2	11.7	10.4	9.1	9.1	9.8	10.4	10.9
Minimum to pay	28.1	16.6	14.8	14.1	14.7	17.3	14.5	12.6	16.0
Total value of TBI Bank loans issued	**73.1**	**94.8**	**104.7**	**109.6**	**120.6**	**146.5**	**146.7**	**148.3**	**167.5**
SME	6.3	14.4	15.3	19.2	18.9	23.2	19.3	21.8	25.0
Consumer	66.8	80.4	89.4	90.4	101.7	123.3	127.5	126.5	142.5

Notes: (1) Includes vivus.bg online business in Bulgaria.

Loan portfolio (receivables, including accrued interest)

(in millions of €)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Single payment loans [1]								
- Performing	76.4	76.6	79.1	86.0	91.5	91.4	90.4	51.9
- NPL [2]	19.4	19.9	15.7	16.2	17.4	20.1	14.6	7.2
- Total gross receivables	**95.8**	**96.6**	**94.8**	**102.2**	**108.9**	**111.5**	**105.0**	**59.1**
- Provisions	(26.8)	(28.7)	(25.0)	(25.5)	(27.7)	(29.2)	(24.9)	(18.4)
- Net receivables	**69.0**	**67.8**	**69.8**	**76.6**	**81.1**	**82.3**	**80.1**	**40.7**
- Gross NPL ratio	20.3 %	20.6 %	16.6 %	15.8 %	15.9 %	18.0 %	13.9 %	12.1 %
Instalment loans								
- Performing	53.7	44.4	35.0	32.8	34.9	30.6	27.8	26.5
- NPL [2]	27.6	13.0	11.2	8.6	6.3	4.3	4.2	4.3
- Total gross receivables	**81.3**	**57.4**	**46.2**	**41.5**	**41.2**	**34.9**	**32.0**	**30.8**
- Provisions	(29.5)	(18.6)	(13.5)	(10.1)	(7.7)	(6.1)	(6.3)	(6.2)
- Net receivables	**51.8**	**38.9**	**32.7**	**31.4**	**33.5**	**28.9**	**25.7**	**24.6**
- Gross NPL ratio	33.9 %	22.7 %	24.2 %	20.8 %	15.2 %	12.2 %	13.3 %	13.9 %
Minimum to pay								
- Performing	29.5	24.8	24.0	26.4	29.7	29.6	28.4	30.9
- NPL [2]	13.0	9.8	7.2	4.6	2.6	2.9	3.1	3.0
- Total gross receivables	**42.5**	**34.6**	**31.2**	**30.9**	**32.4**	**32.5**	**31.5**	**33.9**
- Provisions	(14.7)	(11.1)	(7.7)	(4.8)	(2.8)	(2.7)	(2.7)	(2.7)
- Net receivables	**27.8**	**23.5**	**23.5**	**26.2**	**29.6**	**29.9**	**28.8**	**31.2**
- Gross NPL ratio	30.6 %	28.2 %	23.0 %	14.7 %	8.2 %	8.9 %	9.8 %	8.7 %
Near Prime (incl. loans sold to TBI)								
- Performing	43.0	47.2	49.0	47.5	49.5	54.7	57.1	59.8
- NPL [2]	5.5	3.3	3.3	2.9	2.7	2.6	3.5	3.0
- Total gross receivables	**48.5**	**50.5**	**52.4**	**50.5**	**52.2**	**57.4**	**60.5**	**62.8**
- Provisions	(8.3)	(6.0)	(6.4)	(5.6)	(4.2)	(4.0)	(4.7)	(5.2)
- Net receivables	**40.2**	**44.5**	**46.0**	**44.9**	**48.0**	**53.3**	**55.9**	**57.6**
- Gross NPL ratio	11.3 %	6.5 %	6.4 %	5.8 %	5.1 %	4.6 %	5.8 %	4.8 %
Total Online receivables								
- Performing	202.6	193.1	187.1	192.7	205.7	206.4	203.7	169.1
- NPL [2]	65.5	46.0	37.4	32.3	28.9	29.9	25.4	17.4
- Total gross receivables	**268.0**	**239.1**	**224.6**	**225.0**	**234.6**	**236.3**	**229.1**	**186.5**
- Provisions	(79.2)	(64.4)	(52.6)	(45.9)	(42.4)	(42.0)	(38.6)	(32.5)
- Net receivables	**188.8**	**174.8**	**172.0**	**179.1**	**192.2**	**194.4**	**190.5**	**154.0**
- Gross NPL ratio	24.4 %	19.2 %	16.7 %	14.4 %	12.3 %	12.7 %	11.1 %	9.3 %
TBI Bank								
- Performing	313.2	339.9	352.5	376.2	419.7	459.3	499.0	550.9
- NPL [2]	62.4	63.5	57.2	64.4	71.8	55.0	54.1	59.3
- Total gross receivables	**375.6**	**403.4**	**409.7**	**440.6**	**491.5**	**514.3**	**553.1**	**610.3**
- Provisions	(49.3)	(51.7)	(48.5)	(52.4)	(56.2)	(50.6)	(52.1)	(57.7)
- Net receivables	**326.3**	**351.7**	**361.1**	**388.1**	**435.2**	**463.8**	**501.1**	**552.6**
- Gross NPL ratio	16.6 %	15.7 %	14.0 %	14.6 %	14.6 %	10.7 %	9.8 %	9.7 %

Notes: (1) Single Payment Loan portfolio includes vivus.bg online business in Bulgaria. Reduction in Q2 2022 from sale of Polish business

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

DEFINITIONS

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

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

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

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

Cost/income ratio – Operating costs / operating income (revenue)

Equity/assets ratio – Total equity / total assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Profit before tax margin – Profit before tax / interest income

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

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

Tangible equity – Total equity minus intangible assets

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

RECENT DEVELOPMENTS

Recent developments include significant and material information about the Group's development and any changes since its last quarterly report that was published on 23 May 2022.

Acquisitions and disposals

In July, following the sale of the Group's Polish business to local management, the Polish entity was formally released as a guarantor of the Group's 2025 and 2026 bonds. A separate corporate guarantee has been provided to 4finance SA by the Polish business.

Regulatory changes

In April 2022 a new draft Bill for Amendments in Contracts and Obligations Act was submitted to the parliament in Bulgaria. The draft law includes a proposal to reduce the statutory interest rate for delayed payments, which may impact the APR cap for consumer loans under the Consumer Credit Act. Following the recent dissolution of the parliament, the draft law will have to be re-submitted. We continue to pay close attention to the process.

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

Financing

The Group made further market repurchases in June and July of €5.0 million notional of its EUR 2026 bonds, taking the Group's treasury holdings to €30.4 million of its EUR 2026 bonds and €14.2 million of its EUR 2025 bonds.

4finance Holding SA declared and paid a dividend of €15.0 million in July in respect of the 2021 financial year. The last dividend payment was made in 2019.

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