Unaudited consolidated financial report for the six months ending 30 June 2023

30 August 2023

4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE SIX MONTHS ENDING 30 JUNE 2023

Solid first half of 2023 with net profit of €16.9 million and Adjusted EBITDA of €58.8 million
Robust balance sheet with good cash levels

30 August 2023. 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 2023 (the 'Period').

Operational Highlights

- In July, the Group's online loan issuance since inception surpassed the €10 billion milestone.
- Online loan issuance volume of €275.9 million in the Period compared with €218.9 million in H1 2022, up 26% year-on-year. Demand for credit remains strong in most markets, with yearly issuance growth driven by Czech Republic, Latvia and Philippines.
- Near-prime portfolio development aligned with ability to sell those loans to TBI Bank. Over €19.5 million of Lithuanian near-prime loan principal was sold to TBI Bank from January to August 2023.
- TBI Bank loan issuance volume during the Period grew by 35% year-on-year to €427.9 million from €315.8 million in the prior year period, with increased issuance in all products.

Financial Highlights

- Interest income from continuing operations up 30% year-on-year to €187.9 million in the Period compared with €145.1 million in the prior year period. For the prior period figures, the Polish business is reflected separately in the income statement as a 'discontinued operation'.
- Cost to income ratio for H1 2023 was 44.7%, a significant improvement from 50.3% in H1 2022 (excluding Poland), despite the increase in total operating costs year-on-year.
- Adjusted EBITDA was €58.8 million for the Period, up 6% year-on-year (compared to the proforma EBITDA excluding Poland and including Philippines) delivering a 31% adjusted EBITDA margin. The interest coverage ratio as of the date of this report, including proforma effect of acquisitions and disposals, is 2.2x, impacted by the increased interest expense at TBI Bank in recent quarters.
- Post-provision operating profit from continuing operations for the Period was €29.9 million, benefiting from the 29% year-on-year increase in operating income (revenue), with profit after tax of €16.9 million.
- Fundamental asset quality indicators at product level remain broadly stable. Net impairment charges of €69.6 million reflect the larger portfolio, different product mix in online and reduced debt sales activity. Cost of risk at 13.7%, stable in Q2 compared with Q1, vs 9.5% in the prior year period.
- Net receivables up 15% to €972.1 million as of 30 June 2023 compared with €846.4 million as of 31 December 2022.
- Overall gross NPL ratio at 9.6% as of 30 June 2023 (12.0% for online), compared with 8.8% as of 31 December 2022 (9.0% for online). TBI NPL ratio at 9.1% as of 30 June 2023, compared with 8.7% as of 31 December 2022.

Liquidity and funding

- Strong liquidity position, with €47.0 million of cash in the online business at the end of the Period.
- Solid capital position at TBI Bank (21.5% capital adequacy ratio) despite continued growth in risk weighted assets. Further MREL debt security issue of €10 million in Q2.
- The Group sold nominal €8 million of 2025 bonds that were held in treasury to its subsidiary TBI Bank EAD in June at market price.
- The Group is reviewing alternatives regarding its February 2025 bond maturity.

Kieran Donnelly, CEO of 4finance, commented:

"Last month we surpassed €10bn in online loan issuance since inception, a testament to the business's adaptability and resilience, and a reminder of how our customers value access to responsible, regulated lending. We continue to grow our loan issuance across both our online and banking arms to meet the rebounding demand for credit. Our ongoing focus on running an efficient and focused business has further improved our cost/income ratio, while we grow online in new markets and TBI continues to grow across all areas."

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Conference call

A conference call with management to discuss these results is scheduled for **Thursday, 31 August 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 €10 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

	6 months to 30 June 2023	6 months to 30 June 2022	Year Ended 31 December 2022	Year Ended 31 December 2021
Capitalisation				
Net receivables (€m)	972.1	706.7	846.4	658.1
Total assets (€m)	1,502.3	1,157.1	1,372.1	1,058.1
Total equity (€m)	217.2	198.4	198.6	176.8
Equity / assets	14.5%	17.1%	14.5%	16.7%
Tangible common equity / tangible assets (1)	10.9%	13.6%	10.8%	13.5%
Equity / net receivables	22.3%	28.1%	23.5%	26.9%
Interest coverage ratio (2)	2.2x	2.8x	2.7x	2.6x
TBI Bank consolidated capital adequacy (3)	21.5%	22.1%	22.2%	22.9%
Profitability				
Net interest margin: (4)				
- Online	100.5 %	86.8 %	92.0 %	63.5 %
- TBI Bank	18.7 %	21.6 %	20.1 %	22.4 %
- Overall group	31.7 %	34.5 %	33.6 %	32.5 %
Cost / income ratio (5)	44.7 %	50.3 %	47.9 %	57.6 %
Post-provision operating profit margin (6)	15.9 %	23.5 %	22.2 %	16.8 %
Normalised Profit before tax margin (7)	13.9 %	21.3 %	20.0 %	14.1 %
Normalised Return on average equity (8)	19.1 %	25.5 %	25.5 %	14.6 %
Normalised Return on average assets (9)	2.8 %	4.3 %	3.9 %	2.4 %
Asset quality				
Cost of risk: (10)				
- TBI Bank	6.4 %	4.0 %	5.1 %	5.5 %
- Overall group	13.7 %	9.5 %	11.1 %	8.5 %
Net impairment / interest income (11)	37.0 %	24.3 %	29.1 %	21.7 %
Gross NPL ratio: (12)				
- Online	12.0 %	10.6 %	9.0 %	13.7 %
- TBI Bank	9.1 %	9.4 %	8.7 %	10.4 %
- Overall group	9.6 %	9.6 %	8.8 %	11.3 %
Overall group NPL coverage ratio (13)	109.6 %	117.5 %	117.8 %	108.9 %
Loan loss reserve / gross receivables, %	10.5 %	11.3 %	10.3 %	12.3 %

Definitions and Notes below. For further definitions please see the appendix.

Normalised ratios are adjusted to remove the effect of non-recurring items, discontinued operations, net FX and one-off adjustments to intangible assets. Respective 2021 and 2022 ratios have been adjusted to reflect the continuing operations.

1. Tangible equity is Total Equity less Intangible Assets. Tangible Assets are Total Assets less Intangible Assets
2. Calculated as described later in the report
3. TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the BNB)
4. Annualised net interest income / average gross loan principal
5. Operating costs / operating income (revenue)
6. Post-provision operating profit (which does not include non-recurring items, net FX and D&A) / interest income
7. Profit before tax / interest income
8. Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two)
9. Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two)
10. Annualised net impairment charges / average gross receivables (total gross receivables as of the start and end of each period divided by two)
11. Net impairment charges on loans and receivables / interest income
12. Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)
13. 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 2023 and 30 June 2022. Additional reference information on the historic quarterly development of our income statement is shown in the appendix. Please note that some income items have been reclassified between interest income and other operating income, and Poland is reflected separately as discontinued operations.

	6 months to 30 June		
	2023 (unaudited)	2022 (restated)	% change
	(in millions of €)		
Interest Income	187.9	145.1	+30 %
Interest Expense	(30.9)	(20.7)	+49 %
Net Interest Income	**157.0**	**124.3**	**+26 %**
Net F&C Income	17.9	13.3	+35 %
Other operating income	5.1	1.9	nm
Non-Interest Income	**23.0**	**15.2**	**+52 %**
Operating Income (Revenue)	**180.0**	**139.5**	**+29 %**
Total operating costs	**(80.5)**	**(70.1)**	**+15 %**
Pre-provision operating profit	**99.5**	**69.4**	**+43 %**
Net impairment charges	(69.6)	(35.3)	+97 %
Post-provision operating profit	**29.9**	**34.1**	**(12)%**
Depreciation and amortisation	(3.9)	(3.2)	+19 %
Non-recurring income/(expense)	(0.8)	(2.2)	(65) %
Net FX gain/(loss)	(2.3)	(2.7)	(16) %
Profit before tax	**23.0**	**26.0**	**(11)%**
Income tax expense	(6.2)	(6.9)	(11) %
Profit from continuing operations	**16.9**	**19.1**	**(12)%**
Profit from discontinued operations, net of tax	—	7.0	nm
Profit for the period	**16.9**	**26.1**	**(35)%**

Interest income

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

	6 months to 30 June		
	2023	2022	% change
Online lending (continuing operations)	*(in millions of €, except percentages)*		
Total value of loan principal issued	275.9	218.9	+26 %
Average net receivables, of which:	139.1	124.2	+12 %
- Principal	132.1	118.4	
- Accrued interest	7.0	5.8	
Annualised interest income yield on net portfolio (1)	135 %	123 %	
Interest income from online lending (2)	89.5	73.0	+23 %
Banking operations			
Average net receivables, of which:	770.4	533.2	+44 %
- Principal	756.6	522.8	
- Accrued interest	13.8	10.4	
Annualised interest income yield on net portfolio (1)	25 %	25 %	
Interest income from banking operations (3)	94.3	66.3	+42 %

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

(2) Does not include interest income from corporate loans

(3) See appendix for full TBI Bank income statement

Interest income for the Period was €187.9 million, a 30% increase compared with €145.1 million for the six months ending 30 June 2022. Total online value of loan principal issued (including Philippines) increased by 26% in the Period, delivering growth in the average balance of net receivables and interest income. The income yield increased in H1 2023 with greater contribution from higher rate shorter-term loans and sale of near-prime loans to TBI Bank. After reclassification, interest income also includes income from loans provided to non-Group companies (primarily Poland) and income from related party loans which was previously included in other operating income.

TBI Bank's loan book has continued to grow, particularly in Romania, with an increase of 44% 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 mainly in the 'net fee and commission' line.

Interest expense

Interest expense for the Period was €30.9 million, an increase of 49% compared with €20.7 million for the six months ending 30 June 2022. The higher interest expense year-on-year reflects the growth in deposits and increase in deposit rates at TBI Bank, partly offset by the bond buybacks since the start of 2022. Any 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 €23.0 million, a 52% increase compared with €15.2 million reported for the six months ending 30 June 2022. The net fee and commission income, primarily generated by TBI Bank from insurance sales to its customers, was up 35% year-on-year. Other operating income includes income from services and non-interest income from the online business such as insurance brokerage.

Total operating costs

Total operating costs reported for the Period were €80.5 million, a 15% increase compared with €70.1 million reported for the six months ending 30 June 2022. The costs for the online business increased year-on-year due to acquisition of Philippines, which contributed c.€7.5 million of costs, with cost reductions for the remainder of the online business. At TBI Bank, higher personnel costs and professional services costs supported growing revenue and 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	
	2023	**2022**
	(in millions of €)	
Personnel costs	43.4	36.8
Marketing and sponsorship	11.2	9.9
IT expenses (including R&D)	6.6	6.0
Legal and consulting	4.7	4.7
Application processing costs	2.8	1.5
Communication expenses	2.4	1.7
Taxes	2.0	3.2
Bank services	1.1	1.1
Debt collection costs	0.7	0.7
Rent and utilities	1.1	1.0
Travel	0.7	0.5
Other	3.7	3.1
Total	**80.5**	**70.1**
- TBI Bank	42.4	34.7
- 4finance 'online' business	38.1	35.4
Total Employees		
- Online	622	605
- TBI Bank	1,780	1,598
- Overall group	**2,402**	**2,203**

For the six months of 2023 and 2022, marketing and sponsorship costs accounted for 14% and 14% respectively, and personnel costs accounted for 54% and 53%, respectively, of total operating costs. The cost to income ratio for the Period was 44.7%, a decrease from 50.3% 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 €69.6 million, compared with €35.3 million for the six months ending 30 June 2022. Gross impairment charges increased proportionately due to significantly higher portfolio (gross portfolio increased by 36% year-on-year) and changing product 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. Asset quality indicators remain broadly stable overall, with various product/market specifics being addressed. Net impairment charges for the prior year were also reduced by gains on a large NPL debt sale at TBI Bank in Q1 2022. Within the online business the debt sales market shows signs of recovery in activity in some areas. Levels of NPL sales remain relatively low in Nordics/Baltics while we continue negotiations and review in-house collection strategies for non-performing loans.

	6 months to 30 June	
	2023	**2022**
	(in millions of €)	
Impairment charges on loans	74.3	46.2
Over provision on debt portfolio (portfolio sale net gains)	(1.7)	(6.2)
Recovery from written-off loans	(3.0)	(4.7)
Net impairment charges	**69.6**	**35.3**

Overall net impairment charges represented 37% of interest income for the Period, an increase from 24% last year.

Non-recurring income/(expense)

For the quarter, the Group had net non-recurring expense of €0.1 million. This includes expenses in Spain, partially offset by one-off income in Denmark and Latvia.

Net FX gain/(loss)

Foreign exchange movements resulted in a net loss of €2.3 million for the Period, mainly from hedging and swap costs in PLN, CZK and RON against EUR. In the prior year period there was a net FX loss of €2.7 million.

Profit before tax

For the reasons stated above, the Group made a profit before tax for the Period of €23.0 million, compared with €26.0 million for the six months ending 30 June 2022.

Corporate income tax

The Group's corporate income tax expense was €6.2 million for the Period, compared with €6.9 million for the six months ending 30 June 2022. The following table sets out a breakdown of the Group's corporate income tax.

	6 months to 30 June	
	2023	**2022**
	(in millions of €)	
Current tax	6.3	6.3
Deferred tax	(0.1)	0.6
Total	**6.2**	**6.9**

Profit from continuing operations

For the reasons stated above, the Group's profit from continuing operations for the Period was €16.9 million, compared with €19.1 million for the six months ending 30 June 2022.

Profit from discontinued operations, net of tax

In connection with the sale of the Poland business in April 2022, the results of operations in this segment, and of its disposal, are reflected separately as discontinued operations in the consolidated statement of profit or loss for the respective period in prior year.

Profit for the period

For the reasons stated above, the profit for the Period was €16.9 million, compared with €26.1 million for the six months ending 30 June 2022.

Other financial data – EBITDA and Adjusted EBITDA

	6 months to 30 June		Year Ended 31 December	Year Ended 31 December
	2023	2022	2022	2021
	(in millions of €)			
Profit for the period	16.9	26.1	41.6	31.3
Income tax expense	6.2	9.0	16.3	20.2
Interest expense	30.9	20.7	44.7	47.5
Depreciation and amortisation	3.9	3.5	7.1	7.2
EBITDA	**57.8**	**59.2**	**109.7**	**106.2**
Adjustments	1.0	5.3	12.0	2.3
Adjusted EBITDA (1)	**58.8**	**64.5**	**121.7**	**108.5**

	6 months to 30 June		Year Ended 31 December	Year Ended 31 December
	2023	2022	2022	2021
	(in millions of €)			
Summary breakdown of Adjustments to EBITDA				
Net FX impact	2.3	2.6	11.7	3.7
One-off costs and other prescribed adjustments	(1.2)	2.6	0.1	(2.3)
One-off write-down of intangible assets	—	—	0.2	1.0
Total	**1.0**	**5.3**	**12.0**	**2.3**

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).

	As of the date of this report
	(in millions of €)
Pro-forma last 4 quarters Adjusted EBITDA	116.1
Pro-forma last 4 quarters Fixed Charges	53.0
Bond covenant interest coverage ratio	**2.2x**

Note: (1) Adjusted EBITDA is a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortisation) as adjusted by income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS, goodwill write-offs and certain other one-off or non-cash items. Adjusted EBITDA, as presented in this report, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated. 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 2023 (unaudited)	31 December 2022
	(in millions of €)	
Cash and cash equivalents, of which:	**175.3**	**221.6**
- Online	47.0	52.5
- TBI bank	128.3	169.1
Placements with other banks	34.2	35.7
Gross receivables due from customers	1,086.1	943.7
Allowance for impairment	(114.0)	(97.4)
Net receivables due from customers, of which:	**972.1**	**846.4**
- Principal	951.5	826.6
- Accrued Interest	20.6	19.8
Net investments in finance leases	1.9	1.9
Net loans to related parties	30.6	28.8
Net loans to other parties	32.3	29.6
Property and equipment	17.4	18.2
Financial investments	124.7	67.7
Prepaid expenses	5.7	3.5
Tax assets	2.2	3.8
Deferred tax assets	11.6	11.5
Intangible IT assets	21.4	17.1
Goodwill	27.4	27.6
Other assets	45.4	58.7
Total assets	**1,502.3**	**1,372.1**
Loans and borrowings	295.9	284.8
Deposits from customers	897.5	781.7
Deposits from banks	3.6	—
Income tax liabilities	6.2	6.8
Other liabilities	81.9	100.2
Total liabilities	**1,285.2**	**1,173.4**
Share capital	35.8	35.8
Retained earnings	210.5	193.6
Reserves	(29.1)	(30.7)
Total equity	**217.2**	**198.6**
Total shareholders' equity and liabilities	**1,502.3**	**1,372.1**

Assets

The Group had total assets of €1,502.3 million as of 30 June 2023, compared with €1,372.1 million as of 31 December 2022. The main changes during the Period were increases in net receivables due from customers (see below), financial investments (mainly government bonds for liquidity management, see TBI appendix) and in deposits from customers as well as a decrease in cash.

Loan portfolio

As of 30 June 2023, the Group's net receivables equaled €972.1 million, compared with €846.4 million as of 31 December 2022, representing an increase of €125.7 million, or 15%, with the majority of growth coming from the bank. TBI Bank contributed €833.7 million of net receivables, including fair value adjustments. Further information on the TBI Bank portfolio is available in the appendix, including its finance leases which are shown as a separate balance sheet line item.

The following section includes a summary of the Group's overall loan portfolio. Loans originated in the online business but sold to the bank are shown within the TBI Bank section. 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.

	30 June 2023				31 December 2022			
	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount
	(in millions of €, except percentages)				*(in millions of €, except percentages)*			
Online receivables								
Performing	149.4	(16.3)	133.1	88.0 %	151.2	(16.2)	134.9	91.0 %
Non-performing (1)	20.4	(15.1)	5.4	12.0 %	14.9	(10.6)	4.3	9.0 %
Online total	**169.8**	**(31.4)**	**138.4**	**100.0 %**	**166.1**	**(26.9)**	**139.3**	**100.0 %**
TBI Bank receivables								
Performing	832.7	(33.5)	799.2	90.9 %	709.9	(28.6)	681.3	91.3 %
Non-performing (1)	83.5	(49.0)	34.5	9.1 %	67.7	(41.9)	25.8	8.7 %
TBI Bank total	**916.2**	**(82.5)**	**833.7**	**100.0 %**	**777.6**	**(70.5)**	**707.1**	**100.0 %**
Overall receivables								
Performing	982.1	(49.9)	932.2	90.4 %	861.1	(44.8)	816.2	91.2 %
Non-performing (1)	104.0	(64.1)	39.9	9.6 %	82.7	(52.5)	30.1	8.8 %
Overall total	**1,086.1**	**(114.0)**	**972.1**	**100.0 %**	**943.7**	**(97.4)**	**846.4**	**100.0 %**

Note: (1) Non-performing amounts are over 90 days past due (over 30 DPD in the Philippines) and shown on a customer level basis for TBI bank

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 2023		31 December 2022	
	Amount	% of Portfolio	Amount	% of Portfolio
Online performing gross portfolio by product:	*(in millions of €, except percentages)*			
Single Payment Loans	49.9	33.4 %	47.7	31.5 %
Minimum to pay	43.0	28.8 %	43.1	28.5 %
Instalment Loans	34.4	23.0 %	29.2	19.3 %
Near Prime (1)	22.1	14.8 %	31.2	20.6 %
Total online gross performing portfolio	**149.4**	**100.0 %**	**151.2**	**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 2023, the Group's non-performing online portfolio was €20.4 million, an increase of €5.5 million since 31 December 2022. The gross NPL ratio was 12.0% for online receivables as of 30 June 2023, compared to 9.0% as of 31 December 2022. The NPL ratio has increased due to lower volumes of NPL sales in the Baltics and Sweden. 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 31 days past due, resulting in a relatively lower gross portfolio on balance sheet with no 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 €1.8 million, or 9%, 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 2023	31 December 2022
	(in millions of €, except percentages)	
Non-performing online portfolio by product:		
Single Payment Loans	5.3	3.5
Minimum to pay	6.4	3.8
Instalment Loans	3.9	3.7
Near Prime	4.8	3.8
Total non-performing online portfolio	**20.4**	**14.9**
Allowance for NPL receivables / non-performing receivables	74 %	71 %
Overall receivables allowance / NPL receivables	154 %	180 %
Average Loss Given Default rate	61 %	57 %

Other assets

A breakdown of the Group's other assets is presented in the table below. The majority of the 'receivables from suppliers' are at TBI Bank and includes merchant and debt sales counterparties. The 'derivatives' line relate mainly to the Group's EUR/PLN, EUR/CZK, EUR/SEK and EUR/RON currency hedges.

	30 June 2023	31 December 2022
	(in millions of €)	
Receivables from suppliers	20.8	27.0
Poland net purchase price receivable	11.3	17.1
Non-current assets held for sale	4.7	4.4
Derivatives	4.6	5.0
Investments in associates and joint ventures	1.3	1.3
Security deposits	0.9	0.6
FX hedging - funds on margin	0.3	2.0
Other non-customer receivables	1.5	1.2
Total	**45.4**	**58.7**

Liabilities

The Group had total liabilities of €1,285.2 million as of 30 June 2023, compared with €1,173.4 million as of 31 December 2022, representing an increase of €111.7 million.

Loans and borrowings

As of 30 June 2023, the Group had loans and borrowings of €295.9 million, compared with €284.8 million as of 31 December 2022. The Group's loans and borrowings accounted for 23% of total liabilities as of 30 June 2023 and 24% of total liabilities as of 31 December 2022. The following table sets out the loans and borrowings by type.

As of 30 June 2023, the Group held €47.5 million of its EUR 2026 bonds and €8.4 million of its EUR 2025 bonds in treasury.

	30 June 2023	31 December 2022
	(in millions of €)	
EUR 2026 bonds	123.0	122.8
EUR 2025 bonds	130.7	130.0
TBI Bank (Tier 2 and MREL instruments)	42.2	31.0
Other	0.0	1.0
Total loans and borrowings (1)	**295.9**	**253.8**

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 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 102%) 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 listed on the Oslo Stock Exchange and will mature in October 2026. The proceeds from the new issue were used to repay the Group's outstanding $200 million USD bonds.

In June 2023, TBI Bank issued €10 million debt security, bringing total net outstanding MREL eligible instruments to €31.1 million as of 30 June 2023, with interest rates in range from 5% to 9% and terms from 2 to 4 years. TBI Financial Services BV provided an additional €9.0 million of MREL eligible funding in Q1 2023 which is eliminated on consolidation. Attraction of these instruments allows the bank to meet the regulatory requirement for the MREL ratio (including capital and other MREL eligible instruments). TBI Bank intends to increase its MREL liabilities in line with balance sheet growth.

Customer deposits

As of 30 June 2023, the Group had total customer deposits of €897.5 million, all of which are at TBI Bank, at an average all-in cost of approximately 3.33%. 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. The majority of the 'other liabilities' are at TBI Bank and are non-interest bearing.

	30 June 2023	31 December 2022
	(in millions of €, except percentages)	
Accounts payable to suppliers	15.6	11.4
Accrued expenses	13.0	10.7
Salaries payable	11.0	11.8
Prepayments in TBI received on customer loans	9.3	22.6
Lease liabilities (IFRS 16)	8.7	9.2
FX hedging liability	5.7	7.5
Taxes payable	3.0	2.6
Provisions for unused vacations	1.2	0.9
Philippines acquisition earnout	—	8.0
Other liabilities	14.6	15.5
Total	**81.9**	**100.2**

Equity

As of 30 June 2023, the Group's total equity amounted to €217.2 million, compared to €198.6 million as of 31 December 2022, representing an increase of €18.6 million, or 9%. The Group's equity to assets ratio as of 30 June 2023 was 15%.

The equity to net receivables ratio as of 30 June 2023 was 22%, reflecting the Group's strong capitalisation, with adequate headroom to bond covenants.

Off-balance sheet arrangements

The Group's total off-balance sheet commitments as of 30 June 2023 were €83.8 million. This represents TBI Bank's undrawn lending commitments of €83.7 million and financial guarantees €0.2 million. 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	
	2023	**2022**
Cash flows from operating activities	*(unaudited, in millions of €)*	
Profit before tax from continuing operations	23.0	26.0
Profit before tax from discontinued operations	—	9.1
Profit before taxes	**23.0**	**35.1**
Adjustments for:		
Depreciation and amortisation	3.8	3.5
Impairment of goodwill and intangible assets	(0.0)	(0.1)
Net loss (gain) on foreign exchange from borrowings and other monetary items	(0.9)	(1.3)
Impairment losses on loans	74.3	51.7
Reversal of provision on debt portfolio sales	(1.7)	(11.2)
Write-off and disposal of intangible and property and equipment assets	0.3	1.2
Interest income from non-customers loans	(4.1)	(4.4)
Interest expense on loans and borrowings and deposits from customers	30.9	20.7
Non-recurring finance cost / (income)	0.1	(0.4)
Other non-cash items	(0.1)	2.3
Profit before adjustments for the effect of changes to current assets and short-term liabilities	**125.6**	**97.1**
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	(0.4)	(3.8)
(Increase) in other assets (including TBI statutory reserve, placements & leases)	(3.2)	(31.5)
(Decrease) / Increase in accounts payable to suppliers, contractors and other creditors	(7.5)	11.6
Operating cash flow before movements in portfolio and deposits	**114.4**	**73.5**
Increase in loans due from customers	(209.1)	(155.1)
Proceeds from sale of portfolio	10.5	23.6
Increase in deposits (customer and bank deposits)	114.8	89.2
Deposit interest payments	(14.8)	(3.7)
Gross cash flows from operating activities	**15.9**	**27.4**
Corporate income tax (paid), net of refunds received	(5.2)	(6.2)
Net cash flows from / (used in) operating activities	**10.7**	**21.2**
Cash flows from / (used in) investing activities		
Purchase of property and equipment and intangible assets	(6.9)	(5.0)
Net cash from (Purchase) / Sale of financial instruments	(55.8)	(18.9)
Other / related party loans repaid	0.8	7.7
Other / related party loans issued	(2.3)	(0.3)
Interest received on other / related party loans	2.7	3.6
Acquisition and disposal of subsidiaries, net of cash acquired / disposed	(2.0)	(5.7)
(Acquisition) of equity investments	—	(1.8)
Net cash flows used in investing activities	**(63.4)**	**(20.4)**
Cash flows from / (used in) financing activities		
Loans received and notes issued	18.2	—
Repayment and repurchase of loans and notes	(4.2)	(29.4)
Interest payments	(14.2)	(16.3)
Costs of notes issuance/amendment	0.0	(0.0)
FX hedging margin	0.7	1.8
Payment of lease liabilities	(1.6)	(1.7)
Net cash flows from / (used in) financing activities	**(1.1)**	**(45.7)**
Net decrease in cash and cash equivalents	**(53.9)**	**(44.9)**
Cash and cash equivalents at the beginning of the period	**155.6**	**134.2**
Effect of exchange rate fluctuations on cash	0.0	0.2
Cash and cash equivalents at the end of the period	**101.7**	**89.4**
TBI Bank minimum statutory reserve	**73.6**	**51.1**
Total cash on hand and cash at central banks	**175.3**	**140.5**

The key drivers of cashflow movements are described elsewhere in this report.

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 2023 and six months ending 30 June 2022.

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	
	2023	**2022**
	(in millions of €)	
Interest Income	93.9	66.2
Interest Expense	(16.0)	(4.0)
Net Interest Income	**77.8**	**62.3**
Net F&C Income	17.8	13.3
Other operating income	0.4	0.3
Non-Interest Income	**18.2**	**13.7**
Operating Income	**96.0**	**75.9**
Total operating costs	**(42.4)**	**(34.8)**
Pre-provision operating profit	**53.6**	**41.1**
Net impairment charges	(27.0)	(11.8)
Post-provision operating profit	**26.7**	**29.3**
Depreciation and amortisation	(2.7)	(1.9)
Non-recurring income/(expense)	(0.1)	(1.4)
Net FX gain/(loss)	(1.0)	(1.6)
Pre-tax profit	**22.8**	**24.4**
Income tax expense	(4.3)	(3.5)
Net profit after tax	**18.6**	**20.9**

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 (€7.7 million) for online purchased loans which is also eliminated in consolidation, and unamortised fair value adjustment (€0.3 million) as at 30 June 2023.

	30 June 2023	31 December 2022
	(in millions of €)	
Cash and cash equivalents	142.6	183.8
Placements with other banks	34.2	35.7
Gross receivables due from customers	924.2	786.2
Allowance for impairment	(82.5)	(70.5)
Net receivables due from customers	**841.6**	**715.7**
Net investments in finance leases	1.8	2.1
Property and equipment	14.2	14.5
Financial assets	138.0	68.3
Tax assets	2.5	2.5
Prepaid expenses	2.7	1.3
Intangible assets	17.6	14.0
Other assets	27.0	32.5
Total assets	**1,222.1**	**1,070.6**
Loans and borrowings	51.4	31.0
Deposits from customers	911.8	796.3
Corporate income tax payable	1.6	0.1
Other liabilities	51.1	60.3
Total liabilities	**1,019.6**	**887.7**
Share capital	41.7	41.7
Retained earnings	165.1	146.5
Reserves	(4.3)	(5.4)
Total equity	**202.6**	**182.8**
Total shareholders' equity and liabilities	**1,222.1**	**1,070.6**

Financial assets include mainly government and other bonds held by TBI Bank for liquidity management purposes. Government bond holdings were increased in Q1 due to strong deposit inflows.

To aid comparison with the loan portfolio presented on page 10 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 2023	31 December 2022
Standalone net receivables due from customers	**841.6**	**715.7**
Balance of premium paid for Online portfolio	(7.7)	(8.4)
Unamortised fair value adjustment	(0.3)	(0.3)
TBI portfolio contribution to consolidation	**833.7**	**707.1**

Loan portfolio

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

Gross receivables by type	30 June 2023	31 December 2022	% Change
	(in millions of €)		
Consumer	768.9	653.6	18 %
SME (including financial leases)	157.3	135.0	17 %
Total gross receivables	**926.2**	**788.6**	**17 %**
Provisions	(82.7)	(70.7)	17 %
Total net receivables	**843.5**	**717.9**	**17 %**

As of 30 June 2023, consumer loans made up 83% of TBI Bank's gross loans (83% as of 31 December 2022). Of the overall net loan portfolio, 58% comes from Romania and 33% from Bulgaria, with the remainder from Greece and purchased online portfolios (Lithuania).

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	9.2 %	6.9 %	9.0 %
Provision coverage [(1)]	113.2 %	49.3 %	102.5 %

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 2023	31 December 2022	% Change
	(in millions of €)		
Customer accounts of consumers	834.3	703.3	19 %
- Current accounts	90.3	66.5	36 %
- Term deposits	744.0	636.8	17 %
Customer accounts of SMEs	77.5	93.1	(17)%
- Current accounts	46.5	66.4	(30)%
- Term deposits	31.0	26.7	16 %

TBI Bank increased deposits and liquidity again in Q2 2023 to support business growth and to increase local currency funding in Romania. The average interest rate paid on term deposits varies by type and currency, ranging from 0.05% to 8.45%. Deposit costs (excluding the state deposit guarantee fund annual charge) were 3.33% 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 2023. The bank's audited profit for H2 2022 is not yet included in these capital ratios. The Bulgarian National Bank's minimum capital adequacy ratio requirement applicable for TBI Bank as of January 2023 is 15.75%, with a further increase to 16.25% expected in October 2023.

	Standalone	Consolidated
Common equity Tier 1 ratio	17.7 %	20.1 %
Capital adequacy ratio	19.0 %	21.5 %
Liquidity ratio	29.8 %	
Liquidity coverage ratio	360.7 %	388.5 %

HISTORIC QUARTERLY RESULTS APPENDIX

For ease of reference, a summary income statement by quarter is presented below. The reclassifications between interest income and other operating income, described in the Income Statement section, have been applied retrospectively here. To maintain consistency with reported quarterly results, no restatement has been made for Poland.

Income statement

(in millions of €)	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Interest Income	**71.6**	**78.0**	**81.9**	**82.6**	**80.8**	**80.7**	**86.5**	**91.7**	**96.2**
Interest Expense	(11.9)	(11.9)	(11.5)	(10.6)	(10.1)	(10.9)	(13.0)	(15.1)	(15.7)
Net Interest Income	**59.6**	**66.1**	**70.4**	**72.0**	**70.6**	**69.8**	**73.5**	**76.6**	**80.5**
Net F&C Income	3.7	6.2	6.9	6.5	6.8	7.8	11.6	8.3	9.6
Other operating income	0.2	1.5	0.6	0.2	2.2	2.2	2.3	2.4	2.8
Non-Interest Income	**3.9**	**7.7**	**7.6**	**6.7**	**9.0**	**10.0**	**13.8**	**10.7**	**12.3**
Operating Income	**63.5**	**73.8**	**77.9**	**78.7**	**79.6**	**79.8**	**87.3**	**87.2**	**92.8**
Total operating costs	**(37.7)**	**(38.6)**	**(39.6)**	**(39.6)**	**(37.2)**	**(37.3)**	**(39.5)**	**(40.1)**	**(40.4)**
Pre-provision operating profit	**25.8**	**35.2**	**38.3**	**39.1**	**42.4**	**42.5**	**47.9**	**47.1**	**52.4**
Net impairment charges	(12.2)	(16.9)	(21.5)	(15.3)	(20.4)	(25.8)	(29.6)	(33.5)	(36.1)
Post-provision operating profit	**13.7**	**18.3**	**16.8**	**23.8**	**22.0**	**16.7**	**18.3**	**13.6**	**16.3**
Depreciation and amortisation	(1.7)	(1.7)	(2.0)	(1.8)	(1.6)	(1.5)	(2.2)	(1.9)	(1.9)
Non-recurring income/(expense)	(0.1)	3.2	(2.8)	(0.4)	(4.2)	0.2	0.6	(0.7)	(0.1)
Net FX	0.9	(0.5)	(1.2)	(2.7)	0.1	(2.9)	(6.2)	(2.2)	(0.1)
One-off adj. of intangible assets	—	—	(1.0)	—	—	—	(0.2)	—	—
Pre-tax profit	**12.7**	**19.3**	**9.7**	**18.8**	**16.2**	**12.6**	**10.3**	**8.8**	**14.2**
Income tax expense	(4.0)	(5.5)	(6.5)	(5.6)	(3.5)	(3.4)	(3.9)	(3.2)	(3.0)
Net profit after tax	**8.7**	**13.8**	**3.2**	**13.3**	**12.8**	**9.2**	**6.4**	**5.6**	**11.2**
EBITDA	**26.4**	**32.9**	**23.2**	**31.3**	**28.0**	**25.0**	**25.5**	**25.9**	**31.9**
Adjusted EBITDA	**26.2**	**29.8**	**27.4**	**33.5**	**31.0**	**28.0**	**29.3**	**28.1**	**30.7**

Loan issuance
(in millions of €)

Total value of online loans issued	**196.1**	**221.2**	**217.5**	**205.5**	**145.9**	**138.7**	**139.2**	**137.0**	**138.9**
Single Payment Loans	158.7	176.5	178.7	171.7	107.2	88.1	92.2	93.6	98.0
Instalment Loans	13.5	18.3	14.6	10.8	11.9	15.2	14.5	15.5	15.1
Near-prime Loans	9.1	9.1	9.8	10.4	10.9	12.1	9.9	8.6	7.4
Minimum to pay	14.7	17.3	14.5	12.6	16.0	23.3	22.5	19.3	18.4
Total value of TBI Bank loans issued	**120.6**	**146.5**	**146.7**	**148.3**	**167.5**	**191.6**	**198.8**	**206.4**	**221.4**
SME	18.9	23.2	19.3	21.8	25.0	29.7	29.6	31.0	25.9
Consumer	101.7	123.3	127.5	126.5	142.5	161.8	169.2	175.4	195.6

Loan portfolio (receivables, including accrued interest)

Note these tables have been adjusted to include online loans owned by TBI Bank within the TBI Bank portfolio.

(in millions of €)	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Single payment loans (1)									
- Performing	83.5	89.1	89.1	88.1	49.6	50.4	47.7	49.2	49.9
- NPL (2)	15.4	16.7	19.5	13.9	6.5	3.4	3.5	4.0	5.3
- Total gross receivables	**98.9**	**105.8**	**108.6**	**102.0**	**56.1**	**53.8**	**51.3**	**53.2**	**55.3**
- Provisions	(24.7)	(26.9)	(28.4)	(24.1)	(17.6)	(14.0)	(12.4)	(12.4)	(13.7)
- Net receivables	**74.3**	**78.8**	**80.2**	**78.0**	**38.5**	**39.8**	**38.9**	**40.8**	**41.6**
- Gross NPL ratio	15.6 %	15.8 %	17.9 %	13.6 %	11.5 %	6.2 %	6.9 %	7.5 %	9.7 %
Instalment loans									
- Performing	32.3	34.5	30.6	27.7	26.5	30.4	29.2	31.0	34.4
- NPL (2)	8.2	6.0	4.2	4.2	4.3	3.6	3.7	3.5	3.9
- Total gross receivables	**40.4**	**40.6**	**34.8**	**31.9**	**30.7**	**33.9**	**33.0**	**34.6**	**38.3**
- Provisions	(9.7)	(7.5)	(6.0)	(6.3)	(6.2)	(5.7)	(5.7)	(5.8)	(6.3)
- Net receivables	**30.8**	**33.1**	**28.8**	**25.6**	**24.6**	**28.2**	**27.2**	**28.7**	**32.0**
- Gross NPL ratio	20.3 %	14.9 %	12.1 %	13.3 %	13.9 %	10.5 %	11.3 %	10.2 %	10.3 %
Minimum to pay									
- Performing	26.4	29.7	29.6	28.4	30.9	39.2	43.1	43.3	43.0
- NPL (2)	4.6	2.6	2.9	3.1	3.0	2.6	3.8	5.3	6.4
- Total gross receivables	**30.9**	**32.4**	**32.5**	**31.5**	**33.9**	**41.7**	**46.9**	**48.6**	**49.4**
- Provisions	(4.8)	(2.8)	(2.7)	(2.7)	(2.7)	(2.9)	(3.7)	(5.0)	(5.8)
- Net receivables	**26.2**	**29.6**	**29.9**	**28.8**	**31.2**	**38.9**	**43.3**	**43.5**	**43.6**
- Gross NPL ratio	14.7 %	8.2 %	8.9 %	9.8 %	8.7 %	6.2 %	8.2 %	10.9 %	12.9 %
Near Prime									
- Performing	44.5	43.0	35.3	33.2	32.2	31.3	31.2	29.2	22.1
- NPL (2)	2.9	2.7	2.6	3.4	2.8	3.2	3.8	4.2	4.8
- Total gross receivables	**47.4**	**45.7**	**37.9**	**36.6**	**35.0**	**34.5**	**35.0**	**33.4**	**26.9**
- Provisions	(5.5)	(4.1)	(3.5)	(4.0)	(4.2)	(4.2)	(4.9)	(5.3)	(5.7)
- Net receivables	**41.9**	**41.6**	**34.4**	**32.6**	**30.8**	**30.3**	**30.1**	**28.0**	**21.2**
- Gross NPL ratio	6.2 %	5.8 %	6.9 %	9.3 %	8.1 %	9.2 %	11.0 %	12.5 %	17.8 %
Total Online receivables									
- Performing	186.6	196.3	184.7	177.5	139.2	151.3	151.2	152.7	149.4
- NPL (2)	31.1	28.0	29.2	24.6	16.5	12.7	14.9	17.0	20.4
- Total gross receivables	**217.7**	**224.4**	**213.8**	**202.1**	**155.7**	**164.0**	**166.1**	**169.7**	**169.8**
- Provisions	(44.6)	(41.2)	(40.6)	(37.1)	(30.7)	(26.9)	(26.9)	(28.6)	(31.4)
- Net receivables	**173.1**	**183.2**	**173.2**	**165.0**	**125.0**	**137.1**	**139.3**	**141.1**	**138.4**
- Gross NPL ratio	14.3 %	12.5 %	13.7 %	12.2 %	10.6 %	7.7 %	9.0 %	10.0 %	12.0 %
TBI Bank									
- Performing	382.3	429.0	481.0	525.2	580.9	640.2	709.9	763.6	832.7
- NPL (2)	65.5	72.7	55.8	54.8	60.3	71.3	67.7	82.9	83.5
- Total gross receivables	**447.8**	**501.7**	**536.8**	**580.1**	**641.1**	**711.5**	**777.6**	**846.5**	**916.2**
- Provisions	(53.8)	(57.4)	(51.9)	(53.6)	(59.5)	(68.8)	(70.5)	(81.3)	(82.5)
- Net receivables	**394.1**	**444.3**	**484.9**	**526.5**	**581.6**	**642.7**	**707.1**	**765.1**	**833.7**
- Gross NPL ratio	14.6 %	14.5 %	10.4 %	9.5 %	9.4 %	10.0 %	8.7 %	9.8 %	9.1 %

Notes: (1) 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

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

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)

ESG – Environment, Social and Governance

Gross NPL ratio – Non-performing receivables (including accrued interest) / 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

MREL – minimum requirement for own funds and eligible liabilities, set by the regulator for TBI Bank

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

Net impairment/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 that are over 90 days past due (over 30 DPD in the Philippines)

Normalised – Adjusted to remove the effect of non-recurring items, discontinued operations, net FX and one-off adjustments to intangible assets

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 18 May 2023.

Environment, Social and Governance (ESG)

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

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

Regulatory changes

The latest draft of the EU Consumer Credit Directive has been finalised and submitted to the European Parliament's Committee on the Internal Market and Consumer Protection (IMCO) for approval. A plenary vote in the Parliament is expected to take place in autumn 2023. The Group has engaged with the process throughout and will continue to provide evidence and insight as the directive moves into national legislation in Member States over the following two years. There will be a further 12-months before the laws are applied.

Financing

In June 2023, the Group sold nominal €8 million of 2025 bonds that were held in treasury to its subsidiary TBI Bank EAD at market price.

The Group is reviewing alternatives regarding its February 2025 bond maturity.

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