

4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE NINE MONTHS ENDING 30 SEPTEMBER 2020

*Proactive business response to Covid-19, providing continuous service to customers and adapting products.
Strong performance from TBI Bank and focusing online business on core products & markets.
Solid capital and liquidity position with no maturities until 2022.*

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

Operational Highlights

- Maintained proactive operational response to Covid-19, including recent second wave. Seamless move back to working from home in relevant markets based on process implemented successfully in March. Ongoing focus on ensuring employee safety and providing continuous service to customers.
- Strong customer repayment dynamics observed throughout Q3 enabled underwriting criteria and acceptance rates to be restored close to normal levels for new and existing customers in most products by the end of the quarter.
- Support made available for customers whose plans have been disrupted, with early and proactive measures including discounted or free payment deferrals. New entry to all regulatory-driven programmes has now finished and there is minimal take-up of voluntary measures. No adverse effect seen in performance of customers coming out of payment deferral periods in relevant markets (Czech Republic and TBI Bank) compared to the rest of the portfolio.
- Market-wide customer demand for loans had recovered by early Q3 in most markets, with loan issuance in the third quarter in continuing products reaching pre-Covid levels. The Group made targeted marketing investments in the third quarter to support this, with spend increasing from a low point in Q2.
- Development of near-prime lending products has continued, with the launch of a near-prime product in Denmark under market-leading Vivus brand in August as part of adapting to the new regulatory pricing regime. Near-prime issuance in the Period was up 12% year-on-year (21% in the online business and 11% in TBI Bank) reflecting strong customer demand and the expanded product range.
- TBI Bank loan issuance volume during the Period grew by 5% year-on-year to €245.1 million from €233.4 million in the prior year period, with increased issuance in the third quarter in all products.

Financial Highlights

- Interest income of €237.3 million in the Period, down 26% from €319.1 million in the prior year period. The significant reduction in online loan issuance since mid-March due to Covid-19 resulted in a lower level of interest income in Q2 and Q3, as well as the effect of some product and market exits.
- Cost to income ratio for the Period was 57.5%, vs. 51.5% in 9M 2019, due to the lower interest income, with operating costs down 17% year-on-year, reflecting cost discipline across the Group, the reduction of marketing spend and savings in personnel costs.
- Adjusted EBITDA was €52.0 million for the Period, down 44% year-on-year. The full interest coverage ratio as of the date of this report is 1.9x. The Q3 quarterly EBITDA contribution was up significantly from Q2, and bond buybacks have reduced the proforma interest expense, however the Group is now below its incurrence covenant levels (see page 8 for further details).
- Post-provision operating profit for the Period was €12.2 million, and a loss before tax of €1.7 million.
- Net receivables totaled €515.1 million as of 30 September 2020, down 11.0% year-to-date. During the third quarter, TBI Bank grew net receivables and the online business saw a stabilisation in performing loan levels.
- Overall gross NPL ratio at 19.9% as of 30 September 2020 (24.4% for online), compared with 20.7% as of 31 December 2019 (24.9% for online). The resumption of debt sales in most markets in Q3 drove the significant reduction in NPL ratio during the third quarter, as well as the increased proportion of near-prime lending in the portfolio.
- Overall cost of risk was 15.2% for the Period, improved from 17.3% in the prior year period. For the online business it was 26.6% for the Period, compared to 27.6% in 9M 2019, and in TBI Bank it was 5.2% for the Period, compared to 4.3% in 9M 2019.
- Strong funding position, with €92.6 million of online cash at the end of the Period and no debt maturities until 2022, and solid liquidity and capital adequacy at TBI Bank.

Strategic Highlights

- At the end of Q3 2020, the near-prime segment (including TBI Bank consumer and online) represented 59% of net receivables, up from 48% at the end of 2019. Single payment loans represent only 13% of the Group's net receivables.
- TBI Bank continues to perform well throughout 2020, with its strong points-of-sale relationships and market leading digital options helping to grow consumer loan issuance volumes in Q3. However given the regulatory environment, the Group does not expect dividends from TBI to resume until 2021.
- Refocusing online business on core markets and products where the Group's strong brands and experience can deliver superior unit economics. Decision taken to wind-down the business in Armenia in addition to earlier plans to withdraw from Argentina, Finland and Slovakia.
- Costs are being reviewed across the Group with a focus on efficiency and ensuring our operating approach is consistent with the reduced footprint. In the online business, the staff reductions initiated in Q2 were visible in lower personnel costs quarter-on-quarter throughout the year. Marketing spend was increased selectively in Q3 to support increased issuance volumes, but remains below pre-Covid levels.
- Closer cooperation with TBI Bank to develop near-prime lending across the business. Planned initial sales of Lithuanian near-prime loans to TBI Bank awaiting regulatory passport approval.
- The Group made further market repurchases of its USD bonds subsequent to the Period end in October. As of the date of this report, the Group holds €1.1 million of its EUR bonds and \$96.9 million of its USD bonds in treasury, whilst its current 'online' cash position, as of end October, is approximately €90 million.
- Successful completion of EUR bond maturity extension in Q3 leaves no maturities until 2022, allowing financial results and markets to normalise prior to addressing longer-term capital structure.

Kieran Donnelly, CEO of 4finance, commented:

“Our financial results for Q3 demonstrate that cost efficiency measures implemented by the team in the second quarter are starting to deliver benefits. Our asset quality ratios have also improved, following strong repayment rates, some normalisation in debt sale markets and a greater proportion of higher quality near-prime lending in the portfolio. This led to an encouraging increase in EBITDA quarter-on-quarter in both our online and banking operations.”

“We are optimising our market and product footprint to focus on seven online markets and TBI Bank. We see revenue growth opportunities in the subprime segment across these core markets – not least given changes in the competitive landscape this year. In parallel we can scale our near-prime businesses in the Nordic and Baltic markets, powered by TBI Bank. But we know we must go further and faster in right sizing our infrastructure and cost base to become a more efficient and nimble organisation. This will be critical to delivering an improved performance in 2021 for all our stakeholders.”

“This business remains one of the key players in online consumer lending in Europe with market leading brands and, in TBI Bank, has a strong and growing near-prime lender. The need for a responsive lender, that understands its customers is undiminished and our segments remain underserved.”

“I would like to thank our supervisory board Chairman, Bill Horwitz, who steps down this month, for his strong contribution to 4finance in recent years. The market remains challenging, but reconnecting with people throughout the firm in recent weeks gives me confidence that we can make the most of the undoubted opportunities ahead.”

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Conference call

A conference call with management to discuss these results is scheduled for **Tuesday, 24 November at 15:00 UK time**. To register, please visit www.4finance.com/investors.

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

About 4finance

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

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

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

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

Forward looking statements

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

Rounding

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

Inside information

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

Key Financial Ratios

	Nine months ending 30 September 2020	Nine months ending 30 September 2019	Year Ended 31 December 2019	Year Ended 31 December 2018
Capitalisation				
Net receivables (€m), ⁽¹⁾ of which:	515.1	562.8	578.9	553.2
- Principal	493.3	530.3	548.0	521.6
- Accrued interest	21.8	32.4	30.9	31.6
Total assets (€m)	956.0	979.7	973.1	992.4
Total equity (€m)	155.6	174.2	165.8	156.4
Equity / assets ⁽²⁾	16.3%	17.8%	17.0%	15.8%
Equity / net receivables ⁽³⁾	30.2%	31.0%	28.6%	28.3%
Adjusted interest coverage ⁽⁴⁾	1.9x	2.5x	2.4x	2.5x
TBI Bank consolidated capital adequacy ⁽⁵⁾	20.4%	19.9%	18.9%	22.4%
Profitability				
Net interest margin: ⁽⁶⁾				
- Online	63.1 %	81.1 %	81.3 %	88.9 %
- TBI Bank	22.9 %	24.6 %	24.8 %	26.8 %
- Overall group	41.1 %	55.1 %	54.5 %	63.5 %
Cost / income ratio ⁽⁷⁾	57.5 %	51.5 %	51.3 %	52.1 %
Post-provision operating profit margin ⁽⁸⁾	5.1 %	14.8 %	15.2 %	17.7 %
Normalised Profit before tax margin ⁽⁹⁾	0.6 %	11.1 %	11.4 %	15.2 %
Normalised Return on average equity ⁽¹⁰⁾	(8.7)%	14.6 %	16.1 %	31.6 %
Normalised Return on average assets ⁽¹¹⁾	(1.5)%	2.5 %	2.6 %	4.7 %
Asset quality				
Cost of risk: ⁽¹²⁾				
- Online	26.6 %	27.6 %	27.5 %	24.0 %
- TBI Bank	5.2 %	4.3 %	4.6 %	8.0 %
- Overall group	15.2 %	17.3 %	17.1 %	17.7 %
Net impairment / interest income ⁽¹³⁾	33.2 %	29.0 %	29.0 %	25.9 %
Gross NPL ratio: ⁽¹⁴⁾				
- Online	24.4 %	23.0 %	24.9 %	22.0 %
- TBI Bank	16.6 %	16.3 %	16.2 %	15.9 %
- Overall group	19.9 %	20.0 %	20.7 %	19.4 %
Overall group NPL coverage ratio ⁽¹⁵⁾	100.5 %	108.9 %	102.0 %	110.6 %

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

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

(1) Gross receivables (including accrued interest) less impairment provisions. Note that reduction in write-off period for online loans as of January 2018 reduces 2018 values in comparison with prior years

(2) Total equity / total assets

(3) Total equity / net customer receivables (including accrued interest)

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

(5) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the BNB)

(6) Annualised net interest income / average gross loan principal

(7) Operating costs / operating income (revenue)

(8) Post-provision operating profit (which does not include non-recurring items, net FX and D&A) / interest income

(9) Profit before tax / interest income

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

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

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

(13) Net impairment charges on loans and receivables / interest income

(14) Non-performing receivables (including accrued interest) with a delay of over 90 days / gross receivables (including accrued interest)

(15) Overall receivables allowance account / non-performing receivables

FINANCIAL REVIEW

Income Statement

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

	9 months to 30 September		
	2020	2019	% change
	(unaudited)	(unaudited)	
	<i>(in millions of €)</i>		
Interest Income	237.3	319.1	(26) %
Interest Expense	(37.9)	(44.2)	(14) %
Net Interest Income	199.5	274.9	(27)%
Net F&C Income	6.6	6.4	+4 %
Other operating income	7.8	6.4	+22 %
Non-Interest Income	14.5	12.8	+13 %
Operating Income (Revenue)	213.9	287.7	(26)%
Total operating costs	(123.0)	(148.2)	(17)%
Pre-provision operating profit	90.9	139.5	(35)%
Net impairment charges	(78.7)	(92.4)	(15) %
Post-provision operating profit	12.2	47.1	(74)%
Depreciation and amortisation	(10.8)	(11.6)	(7) %
Non-recurring income/(expense)	4.4	0.5	nm
Net FX gain/(loss)	(6.8)	2.8	nm
One-off adjustments to intangible assets	(0.6)	(0.4)	+71 %
Profit before tax	(1.7)	38.3	nm
Income tax expense	(13.8)	(17.3)	(20) %
Net profit/(loss) after tax	(15.5)	21.0	nm

Interest income

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

	9 months to 30 September		
	2020	2019	% change
	<i>(in millions of €, except percentages)</i>		
Online lending			
Total value of loan principal issued	538.4	775.2	(31)%
Average net receivables, of which:	227.1	283.7	(20)%
- Principal	209.4	258.5	
- Accrued interest	17.7	25.3	
Annualised interest income yield on net portfolio ⁽¹⁾	109 %	134 %	
Interest income from online lending	171.6	259.1	(34)%
Banking operations			
Average net receivables, of which:	319.9	274.2	+17 %
- Principal	311.2	267.5	
- Accrued interest	8.7	6.7	
Annualised interest income yield on net portfolio ⁽¹⁾	28 %	30 %	
Interest income from banking operations ⁽²⁾	65.8	60.0	+10 %

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

(2) See appendix for full TBI Bank income statement

Interest income for the Period was €237.3 million, a 26% decrease compared with €319.1 million for the nine months ending 30 September 2019. The reduction in interest income from online lending was 34%, reflecting the 20% decrease in the average balance of net receivables and a lower average interest yield.

TBI Bank's loan book has continued to grow, with an increase of 17% in average net receivables year-on-year. Its consumer lending (cash lending, point-of-sale lending and credit cards) has average product APRs between 25% 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 €37.9 million, a decrease of 14% compared with €44.2 million for the nine months ending 30 September 2019. The lower interest expense year-on-year reflects the repayment of the remaining \$68 million of USD 2019 bonds in August 2019 and the various bond buybacks over the past two years.

The bond buybacks conducted at a discount since April this year have generated substantial one-off gains. This one-off impact has been reflected in the 'non-recurring income/expense' line (as described below) to show a more consistent 'interest expense' result. As noted in the Q2 report, the interest expense results for earlier quarterly periods in the appendix have also been adjusted accordingly.

Non-interest income

Non-interest income for the period was €14.5 million, a 13% increase compared with €12.8 million reported for the nine months ending 30 September 2019. The net fee and commission income generated by TBI Bank, primarily fees from insurance sales to its customers, was relatively stable year-on-year. Other operating income is mainly derived from related party loans.

Total operating costs

Total operating costs reported for the Period were €123.0 million, a 17% decrease compared with €148.2 million reported for the nine months ending 30 September 2019. The year-on-year decrease reflects an ongoing focus on cost discipline, the wind-downs of certain products/markets and the Group's response to Covid-19. This year, marketing spend was reduced significantly in Q2 and remained limited in Q3. Initiatives to reduce personnel costs were implemented in Q2 with the majority of the savings visible in Q3 results. Other costs such as application processing fees and travel expenses also reduced. Costs in TBI Bank increased in line with business growth and from the purchase of the Group's online business in Bulgaria in April 2019.

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

	9 months to 30 September	
	2020	2019
	<i>(in millions of €)</i>	
Personnel costs	63.8	72.4
Marketing and sponsorship	20.3	28.4
IT expenses (including R&D)	11.6	13.9
Legal and consulting	5.3	6.8
Application processing costs	4.0	4.7
Debt collection costs	2.7	3.5
Communication expenses	3.1	3.1
Taxes	2.5	3.2
Bank services	2.5	2.8
Rent and utilities	1.5	1.3
Travel	0.8	1.6
Other	4.9	6.6
Total	123.0	148.2
Of which:		
TBI Bank	36.1	33.2
4finance 'online' business	87.0	115.0

For the nine months of 2020 and 2019, marketing and sponsorship costs accounted for 17% and 19% respectively, and personnel costs accounted for 52% and 49%, respectively, of total operating costs. The cost to income ratio for the Period

was 57.5%, an increase from 51.5% for the prior year period, impacted by the reduced income from mid-March related to Covid-19. In absolute terms, quarterly costs have been reduced by €10 million in Q3 compared with the first quarter of 2020.

Pre-provision operating profit

For the reasons stated above, the Group's pre-provision operating profit for the Period was €90.9 million, a 35% decrease compared with €139.5 million for the nine months ending 30 September 2019.

Net impairment charges on loans and receivables

Net impairment charges for the Period were €78.7 million, compared with €92.4 million for the nine months ending 30 September 2019. Gross impairment charges decreased again in the third quarter, despite the increased level of loan issuance, with generally good asset quality indicators. Additional impairments were taken in Armenia given macro developments and new lending there was stopped in October. The external debt sale market began to recover in Q3, with several large transactions concluded including in Spain, Poland and the Czech Republic resulting in net gains. This trend has continued post period end, with most markets resuming debt sales activity by November.

	9 months to 30 September	
	2020	2019
	<i>(in millions of €)</i>	
Impairment charges on loans	92.7	110.7
Over provision on debt portfolio (portfolio sale net gains)	(4.9)	(7.9)
Recovery from written-off loans	(9.1)	(10.4)
Net impairment charges	78.7	92.4

Overall net impairment charges represented 33% of interest income for the Period, an increase from 29% last year, with the encouraging result in Q3 bringing the year-to-date ratio closer to last year. The net impairment charges for the online business compared to average online gross receivables, *i.e.* cost of risk, decreased to 27% in the Period from 28% last year.

Non-recurring income/(expense)

During the third quarter, the Group had non-recurring income of €1.8 million. This was mainly due to finance income from bond buybacks of €2.7 million. These gains more than offset the non-recurring expenses, which mainly consist of a €0.6 million goodwill write-off related to Armenia and Argentina following the decision to wind-down business in those markets.

Net FX gain/(loss)

Foreign exchange movements resulted in a net loss of €6.8 million for the Period. In the prior year period there was a net FX gain of €2.8 million. The net FX impact in the third quarter was approximately €3 million, mainly from TBI Bank and Argentina.

Profit/(loss) before tax

For the reasons stated above, the Group made a loss before tax for the Period of €1.7 million, compared with a profit of €38.3 million for the nine months ending 30 September 2019.

Corporate income tax

The Group's corporate income tax expense was €13.8 million for the Period, compared with €17.3 million for the nine months ending 30 September 2019. The following table sets out a breakdown of the Group's corporate income tax.

	9 months to 30 September	
	2020	2019
	<i>(in millions of €)</i>	
Current tax	9.5	16.5
Deferred tax	4.3	0.9
Total	13.8	17.3

The Group had positive profit before tax in its larger online operations, and TBI Bank, during the Period, hence there was still a tax charge for the Period.

Profit/(loss) for the period

For the reasons stated above, the loss for the Period was €15.5 million, compared with a profit of €21.0 million for the nine months ending 30 September 2019.

Other financial data – EBITDA and Adjusted EBITDA

	Nine months ending 30 September 2020	Nine months ending 30 September 2019	Year Ended 31 December 2019	Year Ended 31 December 2018
	<i>(in millions of €)</i>			
Profit for the period	(15.5)	21.0	28.4	28.5
Income tax expense	13.8	17.3	22.3	26.0
Interest expense	37.9	44.2	56.8	62.1
Depreciation and amortisation	10.8	11.6	16.5	11.9
EBITDA	47.0	94.1	124.0	128.5
Adjustments	5.0	(0.4)	(0.3)	22.0
Adjusted EBITDA ⁽¹⁾	52.0	93.7	123.7	148.6

	Nine months ending 30 September 2020	Nine months ending 30 September 2019	Year Ended 31 December 2019	Year Ended 31 December 2018
	<i>(in millions of €)</i>			
Summary breakdown of Adjustments to EBITDA				
Discontinued operations	—	—	—	(0.1)
Net FX impact	6.8	(2.8)	(4.8)	12.6
One-off costs and other prescribed adjustments	(2.5)	2.0	3.0	2.8
One-off write-down of intangible assets	0.6	0.4	1.5	6.7
Total	5.0	(0.4)	(0.3)	22.0

Other financial data – Interest Coverage Ratio

As discussed in the Q2 2020 report, the Group had previously quoted figures for its bond covenant interest coverage ratio calculated using the full IFRS interest expense, including non-cash amortisation of bond issuance costs. Having reviewed the relevant covenant calculations (specifically the definition of 'Fixed Charges' for USD bonds and 'Finance Charges' for EUR bonds), those non-cash accruals should not be included. The relevant calculation on this basis, which is closer to a 'cash interest coverage' metric, as of the date of this report is shown below. The covenants are on an 'incurrence' rather than 'maintenance' basis, so the ratio being below the minimum 2.0x level only restricts 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	83.0
Pro-forma last 4 quarters Fixed Charges	43.2
Bond covenant interest coverage ratio	1.9x

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 USD 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 September 2020	31 December 2019
	<i>(in millions of €)</i>	
Cash and cash equivalents, of which:	163.9	125.7
- Online	92.6	76.7
- TBI bank	71.3	49.0
Placements with other banks	14.7	6.4
Gross receivables due from customers	643.6	733.7
Allowance for impairment	(128.5)	(154.8)
Net receivables due from customers, of which:	515.1	578.9
- Principal	493.3	548.0
- Accrued Interest	21.8	30.9
Net investments in finance leases	4.2	4.7
Net loans to related parties	59.5	60.7
Property and equipment	18.9	17.8
Financial investments	75.0	56.4
Prepaid expenses	3.7	4.5
Tax assets	16.7	21.3
Deferred tax assets	27.5	33.0
Intangible IT assets	14.2	17.8
Goodwill	15.9	16.5
Other assets	26.7	29.5
Total assets	956.0	973.1
Loans and borrowings	345.2	384.6
Deposits from customers	362.0	322.2
Deposits from banks	16.0	13.0
Corporate income tax payable	7.9	9.5
Other liabilities	69.3	78.0
Total liabilities	800.4	807.4
Share capital	35.8	35.8
Retained earnings	149.9	165.7
Reserves	(30.0)	(35.7)
Total attributable equity	155.6	165.8
Non-controlling interests	—	—
Total equity	155.6	165.8
Total shareholders' equity and liabilities	956.0	973.1

Assets

The Group had total assets of €956.0 million as of 30 September 2020, compared with €973.1 million as of 31 December 2019. The main changes during the Period were a reduction in the net loan portfolio, as described below, and an increase in cash in both the online business and TBI Bank.

Loan portfolio

As of 30 September 2020, the Group's net receivables equaled €515.1 million, compared with €578.9 million as of 31 December 2019, representing a decrease of €63.7 million, or 11%. The decrease was largely due to reductions in online lending origination, particularly in the second quarter, and some additional provisioning due to Covid-19. TBI Bank contributed €326.3 million of net receivables, including fair value adjustments. Further information on the TBI Bank portfolio is available in the appendix, including its finance leases which are shown as a separate balance sheet line item.

The following section includes a summary of our overall loan portfolio, both online (mainly funded outside of TBI Bank) and banking (funded by TBI Bank), showing performing vs non-performing classification. In line with feedback from market

participants, this section is now shown on a receivables basis (rather than loan principal only) to make it easier to reconcile to the balance sheet figures and NPL ratios. Additional reference information on the historic quarterly development of our online portfolio, split by product, is also shown in the appendix.

Overview of the Group's loan portfolio

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

	30 September 2020				31 December 2019			
	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount	Gross Amount	Impairment allowance	Net Amount	% of Gross Amount
	<i>(in millions of €, except percentages)</i>				<i>(in millions of €, except percentages)</i>			
Online receivables								
Performing	202.6	(23.7)	178.9	75.6 %	285.5	(45.6)	239.9	75.1 %
Non-performing ⁽¹⁾	65.5	(55.5)	10.0	24.4 %	94.6	(69.1)	25.5	24.9 %
Online total	268.0	(79.2)	188.8	100.0 %	380.1	(114.7)	265.4	100.0 %
TBI Bank receivables								
Performing	313.2	(14.3)	298.9	83.4 %	296.4	(12.0)	284.4	83.8 %
Non-performing ⁽¹⁾	62.4	(35.0)	27.4	16.6 %	57.1	(28.0)	29.1	16.2 %
TBI Bank total	375.6	(49.3)	326.3	100.0 %	353.5	(40.1)	313.5	100.0 %
Overall receivables								
Performing	515.7	(37.9)	477.8	80.1 %	581.9	(57.7)	524.2	79.3 %
Non-performing ⁽¹⁾	127.9	(90.6)	37.3	19.9 %	151.7	(97.1)	54.6	20.7 %
Overall total	643.6	(128.5)	515.1	100.0 %	733.7	(154.8)	578.9	100.0 %

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

Online loan portfolio by product

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

	30 September 2020		31 December 2019	
	Amount	% of Portfolio	Amount	% of Portfolio
	<i>(in millions of €, except percentages)</i>			
Online performing gross portfolio by product:				
Single Payment Loans	76.4	37.7 %	113.3	39.7 %
Lines of Credit ⁽¹⁾	29.5	14.6 %	45.0	15.8 %
Instalment Loans	53.7	26.5 %	95.5	33.5 %
Near Prime ⁽²⁾	43.0	21.2 %	31.7	11.1 %
Total online gross performing portfolio	202.6	100.0 %	285.5	100.0 %

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

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

Online non-performing loan portfolio

As of 30 September 2020, the Group's non-performing online portfolio was €65.5 million, a decrease of €29.1 million since 31 December 2019. The gross NPL ratio was 24.4% for online receivables as of 30 September 2020, compared to 24.9% as of 31 December 2019. Having increased in the first half of the year due to delays in the debt sale market, the NPL ratio was reduced significantly in Q3 as those sales resumed. In addition, near-prime loans have become an increasing part of the online portfolio, improving the overall asset quality mix.

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 €11.7 million, or 18%, 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.

	<u>30 September 2020</u>	<u>31 December 2019</u>
	<i>(in millions of €, except percentages)</i>	
Non-performing online portfolio by product:		
Single Payment Loans	19.4	37.8
Lines of Credit ⁽¹⁾	13.0	14.7
Instalment Loans	27.6	39.2
Near Prime	5.5	3.0
Total non-performing online portfolio	<u>65.5</u>	<u>94.6</u>
Allowance for NPL principal	46.9	59.0
Allowance for NPL principal / non-performing principal	84 %	77 %
Overall receivables allowance / NPL receivables coverage ratio	121 %	121 %
Average Loss Given Default rate ⁽²⁾	73 %	75 %

Notes: (1) Includes Point of Sale Loans

(2) Average LGD rate for SPL was 81%; IL: 75%; LOC: 70%; Near-prime (continuing products): 52% as of 30/09/2020

Other assets

A breakdown of the Group's other assets is presented in the table below. The 'derivative' line relates mainly to the Group's EUR/USD and EUR/PLN currency hedges, which overall reduced in value during the second and third quarters.

	<u>30 September 2020</u>	<u>31 December 2019</u>
	<i>(in millions of €)</i>	
FX hedging - funds on margin	5.2	1.6
Derivatives	4.2	5.5
Non-current assets held for sale	4.1	4.3
Receivables from suppliers	3.4	7.5
Investments in associates	2.1	2.1
Security deposits	0.9	1.4
Other non-customer receivables	6.7	7.1
Total	<u>26.7</u>	<u>29.5</u>

Liabilities

The Group had total liabilities of €800.4 million as of 30 September 2020, compared with €807.4 million as of 31 December 2019, representing a decrease of €7.0 million.

Loans and borrowings

As of 30 September 2020, the Group had loans and borrowings of €345.2 million, compared with €384.6 million as of 31 December 2019. The Group's loans and borrowings accounted for 43% of total liabilities as of 30 September 2020 and 48% of total liabilities as of 31 December 2019. The following table sets out the loans and borrowings by type.

In July 2020, 4finance S.A. repurchased a further \$8.7 million of its USD bonds, bringing the total of USD bonds held in treasury to \$94.6 million as of 30 September 2020. The Group bought back a further \$2.3 million of its USD bonds in October, bringing

the total held in treasury as of the date of this report to \$96.9 million. No purchases of EUR bonds have been made since Q2, so the Group continues to hold €1.1 million of its EUR bonds in treasury.

	<u>30 September 2020</u>	<u>31 December 2019</u>
	<i>(in millions of €)</i>	
EUR bonds	147.3	147.1
USD bonds	197.7	237.4
Other	0.1	0.0
Total loans and borrowings ⁽¹⁾	<u>345.2</u>	<u>384.6</u>

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

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

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

Customer deposits

As of 30 September 2020, the Group had total customer deposits of €362.0 million. Banking operations contributed €350.5 million in net deposits at an average all-in cost of approximately 1.6% with the balance from 4spar in Sweden at an average cost of 6.5%. Further details of TBI Bank's deposits are presented in the appendix.

Other liabilities

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

	<u>30 September 2020</u>	<u>31 December 2019</u>
	<i>(in millions of €, except percentages)</i>	
Accrued expenses	16.2	21.0
Lease liabilities (IFRS 16)	10.5	9.0
FX hedging liability	7.6	7.1
Accounts payable to suppliers	6.8	8.0
Taxes payable	5.1	8.5
Provisions for unused vacations	2.4	2.3
Other liabilities	20.8	22.1
Total	<u>69.3</u>	<u>78.0</u>

Equity

As of 30 September 2020, the Group's total equity amounted to €155.6 million, compared with €165.8 million as of 31 December 2019, representing a decrease of €10.2 million, or 6%. In the third quarter, the reduction in equity from the net loss in Q3 was largely offset by increases in FX reserves and other fair value adjustments. The Group's equity to assets ratio as of 30 September 2020 was 16%.

The equity to net receivables ratio as of 30 September 2020 was 30%, 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 September 2020 were €23.3 million. This includes TBI Ban's undrawn lending commitments of €22.2 million and financial guarantees €0.4 million, plus €0.7 million in connection with the Group's online portfolio (LoC product). The Group also enters into currency hedging transactions which may result in additional off-balance sheet assets or liabilities, but are designed to limit overall exposure to currency movements.

Condensed Consolidated Statement of Cash Flows for the Period

	9 months to 30 September	
	2020	2019
	<i>(in millions of €)</i>	
Cash flows from operating activities		
Profit/(loss) before taxes	(1.7)	38.3
Adjustments for:		
Depreciation and amortisation	10.7	11.6
Impairment of goodwill and intangible assets	0.6	(0.9)
Net loss on foreign exchange from borrowings and other monetary items	3.9	16.9
Impairment losses on loans	92.6	110.7
Reversal of provision on debt portfolio sales	(4.9)	(7.9)
Write-off and disposal of intangible and property and equipment assets	0.4	1.5
Interest income from non-customers loans	(6.1)	(5.7)
Interest expense on loans and borrowings and deposits from customers	37.8	44.2
Non-recurring finance income	(10.6)	—
Other non-cash items, including gain/loss on disposals	5.7	1.2
Profit before adjustments for the effect of changes to current assets and short-term liabilities	<u>128.4</u>	<u>210.1</u>
Adjustments for:		
Change in financial instruments measured at fair value through profit or loss	1.9	(15.8)
(Increase)/decrease in other assets (including TBI statutory reserve, placements & leases)	(3.8)	3.7
Increase/(decrease) in accounts payable to suppliers, contractors and other creditors	(7.4)	(5.4)
Operating cash flow before movements in portfolio and deposits	119.2	192.4
Increase in loans due from customers	(49.6)	(166.9)
Proceeds from sale of portfolio	18.1	52.3
Increase in deposits (customer and bank deposits)	42.8	24.5
Deposit interest payments	(4.1)	(3.1)
Gross cash flows from operating activities	126.4	99.2
Corporate income tax paid	(9.4)	(25.0)
Net cash flows from operating activities	117.0	74.1
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(4.8)	(5.3)
Net cash from Purchase / Sale of financial instruments	(17.7)	(31.4)
Loans repaid from related parties	—	4.0
Interest received from related parties	7.4	5.6
Disposal of subsidiaries, net of cash disposed	(1.0)	(0.3)
(Acquisition)/Disposal of equity investments	(1.4)	3.8
Acquisition of non-controlling interests	(0.4)	(0.4)
Net cash flows used in investing activities	(17.8)	(23.9)
Cash flows from financing activities		
Loans received and notes issued	0.1	—
Repayment and repurchase of loans and notes	(33.1)	(79.1)
Interest payments	(21.3)	(28.7)
Costs of notes issuance/amendment	(1.0)	—
FX hedging margin	(3.1)	10.6
Payment of lease liabilities	(3.1)	(3.7)
Dividend payments	—	(5.0)
Net cash flows used in financing activities	(61.5)	(105.8)
Net increase/(decrease) in cash and cash equivalents	37.7	(55.5)
Cash and cash equivalents at the beginning of the period	98.5	148.8
Effect of exchange rate fluctuations on cash	0.4	0.4
Cash and cash equivalents at the end of the period	136.6	93.6
TBI Bank minimum statutory reserve	27.2	28.8
Total cash on hand and cash at central banks	163.9	122.4

Net cash flows from operating activities in the Period were €117.0 million compared with €74.1 million in the same period last year, mainly due to lower levels of loan issuance, offsetting the reduced operating profit. Net cash flows used in investing activities were €17.8 million in the Period, mainly due to purchases of financial instruments at TBI Bank in the third quarter. The Group's cash flows used in financing activities include the repurchases of its EUR and USD bonds, amendment fees paid on EUR bonds and coupon payments in the Period.

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

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

Income statement

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

	9 months to 30 September	
	2020	2019
	<i>(in millions of €)</i>	
Interest Income	68.7	59.3
Interest Expense	(3.6)	(2.7)
Net Interest Income	65.1	56.6
Net F&C Income	6.8	7.1
Other operating income	1.1	0.7
Non-Interest Income	7.9	7.8
Operating Income	73.0	64.4
Total operating costs	(36.7)	(33.1)
Pre-provision operating profit	36.3	31.3
Net impairment charges	(15.0)	(10.0)
Post-provision operating profit	21.3	21.3
Depreciation and amortisation	(2.3)	(1.9)
Non-recurring income/(expense)	0.2	1.4
Net FX gain/(loss)	(1.9)	(1.6)
Pre-tax profit	17.2	19.3
Income tax expense	(2.3)	(2.7)
Net profit after tax	14.9	16.6

Balance sheet

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

	30 September 2020	31 December 2019
	<i>(in millions of €)</i>	
Cash and cash equivalents	77.9	49.9
Placements with other banks	14.7	6.4
Gross receivables due from customers	382.6	357.8
Allowance for impairment	(51.3)	(40.5)
Net receivables due from customers	331.3	317.3
Net investments in finance leases	5.2	5.7
Property and equipment	9.9	9.2
Financial assets	74.2	59.9
Tax assets	1.0	1.5
Prepaid expenses	1.2	1.1
Intangible assets	6.4	5.5
Other assets	9.1	7.9
Total assets	530.7	465.2
Loans and borrowings	0.0	0.0
Deposits from customers	358.8	311.8
Deposits from banks	16.0	13.0
Other liabilities	26.3	23.9
Total liabilities	401.1	348.8
Share capital	41.7	41.7
Retained earnings	88.0	74.4
Reserves	(0.2)	0.3
Total equity	129.5	116.4
Total shareholders' equity and liabilities	530.7	465.2

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

Loan portfolio

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

	30 September 2020	31 December 2019	% Change
	<i>(in millions of €)</i>		
Gross receivables by type			
Consumer	312.3	289.0	8 %
SME (including financial leases)	75.8	75.0	1 %
Total gross receivables	388.0	364.0	7 %
Provisions	(51.6)	(41.0)	26 %
Total net receivables	336.4	323.0	4 %

As of 30 September 2020, consumer loans made up 80% of TBI Bank's gross loans, slightly up from 79% as of 31 December 2019. The overall loan portfolio has a roughly equal contribution from both Bulgaria and Romania.

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

	Consumer	SME (incl. leases)	Overall
Non-performing receivables to gross receivables ratio	17.0 %	20.0 %	17.6 %
Provision coverage ⁽¹⁾	86.0 %	30.6 %	73.6 %

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 September 2020	31 December 2019	% Change
	<i>(in millions of €)</i>		
Customer accounts of consumers	322.6	281.0	15 %
- Current accounts	39.1	27.0	45 %
- Term deposits	283.4	254.0	12 %
Customer accounts of SMEs	36.3	31.0	17 %
- Current accounts	21.8	17.0	28 %
- Term deposits	14.5	14.0	4 %

TBI Bank increased deposits and liquidity again in Q3 2020 to support planned business growth. The average interest rate paid on term deposits varies by type and currency, ranging from 0.1% to 4.4%. Deposit costs (excluding the state deposit guarantee fund annual charge) were 1.3% 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 September 2020. Following the Bulgarian National Bank's supervisory review of the banking sector, the minimum capital adequacy ratio requirement for TBI Bank was increased from 13.5% to 14.25% during Q1 2019. This increased by a further 50bps to 14.75% in October 2019. A further increase in the counter-cyclical buffer of 50bps was expected in April 2020, however this was cancelled as part of the Bulgarian National Bank's coronavirus response.

	Standalone	Consolidated
Common equity Tier 1 ratio	20.0 %	20.4 %
Capital adequacy	20.0 %	20.4 %
Liquidity ratio	31.8 %	—
Liquidity coverage ratio	275.6 %	315.9 %

HISTORIC QUARTERLY RESULTS APPENDIX

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

Income statement

<i>(in millions of €)</i>	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Interest Income	116.1	113.7	106.5	106.9	105.7	104.8	96.6	70.4	70.3
Interest Expense	(16.0)	(15.7)	(15.0)	(15.0)	(14.2)	(13.0)	(13.1)	(12.5)	(12.3)
Net Interest Income	100.1	98.0	91.5	91.9	91.5	91.9	83.5	57.9	58.0
Net F&C Income	2.7	2.3	2.1	1.9	2.4	2.8	2.4	1.5	2.7
Other operating income	2.2	2.5	2.2	2.2	2.1	2.3	2.3	2.7	2.9
Non-Interest Income	4.9	4.8	4.3	4.0	4.5	5.2	4.7	4.2	5.6
Operating Income	105.0	102.7	95.7	95.9	96.0	97.0	88.2	62.2	63.6
Total operating costs	(51.0)	(53.7)	(49.8)	(50.3)	(48.1)	(49.4)	(46.7)	(39.8)	(36.5)
Pre-provision operating profit	54.0	49.0	45.9	45.6	48.0	47.6	41.5	22.4	27.0
Net impairment charges	(30.5)	(29.1)	(32.4)	(28.1)	(31.9)	(30.5)	(31.2)	(26.4)	(21.1)
Post-provision operating profit	23.4	19.9	13.5	17.5	16.1	17.1	10.3	(4.0)	6.0
Depreciation and amortisation	(3.5)	(3.4)	(3.2)	(3.9)	(4.5)	(4.9)	(3.2)	(3.8)	(3.8)
Non-recurring income/(expense)	0.2	(1.5)	(0.1)	0.3	0.2	(0.8)	(3.5)	6.1	1.8
Net FX	(5.6)	5.3	1.6	1.5	(0.4)	2.0	(3.4)	(0.6)	(2.9)
One-off adj. of intangible assets	—	(6.7)	—	(0.2)	(0.1)	(1.1)	—	—	(0.6)
Pre-tax profit	14.6	13.6	11.9	15.2	11.3	12.3	0.2	(2.4)	0.5
Income tax expense	(6.2)	(12.1)	(6.2)	(5.8)	(5.4)	(4.9)	(2.7)	(4.6)	(6.6)
Net profit after tax	8.3	1.5	5.7	9.4	5.8	7.4	(2.5)	(6.9)	(6.1)
EBITDA	34.0	32.7	30.1	34.0	30.0	30.2	16.5	14.0	16.5
Adjusted EBITDA	39.9	34.5	29.4	33.1	31.2	30.0	23.3	10.0	18.8

Loan issuance

(in millions of €)

Total value of online loans issued	289.4	276.7	260.0	263.2	253.9	238.5	214.4	139.2	184.7
Single Payment Loans ⁽¹⁾	206.4	195.1	167.2	169.8	170.9	162.3	148.3	92.2	138.3
Instalment Loans	39.0	38.5	39.5	35.1	23.4	21.2	16.7	8.2	16.7
Near-prime Loans	5.0	5.6	6.8	9.9	12.3	8.4	11.2	10.7	13.2
Lines of Credit ⁽²⁾	39.0	37.5	46.5	48.5	47.4	46.6	38.2	28.1	16.6
Total value of TBI Bank loans issued	73.3	86.9	68.2	78.0	87.2	103.3	77.1	73.1	94.8
SME	8.6	9.9	10.1	13.4	15.6	13.4	8.7	6.3	14.4
Consumer	64.6	77.0	58.1	64.6	71.5	89.8	68.4	66.8	80.4

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

(2) Includes Point of Sale Loans

Loan portfolio (receivables, including accrued interest)

(in millions of €)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Single payment loans ⁽¹⁾								
- Performing	142.0	116.3	116.1	114.4	113.3	100.8	71.4	76.4
- NPL ⁽²⁾	40.8	31.8	34.7	42.6	37.8	44.1	40.5	19.4
- Total gross receivables	182.8	148.1	150.8	157.0	151.1	145.0	111.9	95.8
- Provisions	(51.2)	(44.1)	(47.1)	(54.1)	(49.8)	(55.6)	(46.1)	(26.8)
- Net receivables	131.6	104.0	103.7	102.9	101.3	89.3	65.9	69.0
- Provisions to gross receivables	28.0 %	29.8 %	31.2 %	34.4 %	33.0 %	38.4 %	41.2 %	28.0 %
- Gross NPL ratio	22.3 %	21.5 %	23.0 %	27.1 %	25.0 %	30.4 %	36.2 %	20.3 %
Instalment loans ⁽³⁾								
- Performing	140.8	144.9	150.2	141.6	127.2	112.3	98.8	96.7
- NPL ⁽²⁾	38.3	41.8	27.9	35.2	42.1	41.2	41.3	33.0
- Total gross receivables	179.1	186.7	178.1	176.8	169.4	153.5	140.0	129.8
- Provisions	(48.7)	(50.4)	(43.2)	(46.6)	(49.0)	(46.3)	(43.8)	(37.8)
- Net receivables	130.4	136.3	134.9	130.3	120.4	107.2	96.2	92.0
- Provisions to gross receivables	27.2 %	27.0 %	24.3 %	26.3 %	28.9 %	30.2 %	31.3 %	29.1 %
- Gross NPL ratio	21.8 %	22.4 %	15.7 %	19.9 %	24.9 %	26.9 %	29.5 %	25.5 %
Lines of Credit ⁽⁴⁾								
- Performing	33.4	46.9	44.1	44.6	45.0	42.2	37.3	29.5
- NPL ⁽²⁾	10.2	17.0	11.5	12.2	14.7	15.3	14.2	13.0
- Total gross receivables	43.6	63.9	55.6	56.8	59.6	57.5	51.5	42.5
- Provisions	(14.0)	(17.3)	(12.9)	(14.1)	(15.9)	(16.7)	(15.1)	(14.7)
- Net receivables	29.6	46.6	42.7	42.7	43.7	40.8	36.4	27.8
- Provisions to gross receivables	32.1 %	27.0 %	23.3 %	24.8 %	26.7 %	29.1 %	29.3 %	34.6 %
- Gross NPL ratio	23.4 %	26.6 %	20.7 %	21.5 %	24.6 %	26.6 %	27.6 %	30.6 %
Total Online receivables								
- Performing	316.2	308.1	310.4	300.7	285.5	255.3	207.4	202.6
- NPL ⁽²⁾	89.3	90.6	74.1	90.0	94.6	100.6	96.0	65.5
- Total gross receivables	405.4	398.6	384.5	390.6	380.1	355.9	303.5	268.0
- Provisions	(113.9)	(111.8)	(103.2)	(114.7)	(114.7)	(118.7)	(105.0)	(79.2)
- Net receivables	291.6	286.9	281.3	275.9	265.4	237.3	198.5	188.8
- Provisions to gross receivables	28.0 %	28.0 %	26.8 %	29.4 %	30.2 %	33.3 %	34.6 %	29.6 %
- Gross NPL ratio	22.0 %	22.7 %	19.3 %	23.0 %	24.9 %	28.3 %	31.6 %	24.4 %
TBI Bank								
- Performing	252.3	249.0	258.7	274.8	296.4	292.7	290.0	313.2
- NPL ⁽²⁾	47.6	52.1	49.8	53.5	57.1	55.6	61.3	62.4
- Total gross receivables	299.9	301.1	308.5	328.3	353.5	348.2	351.3	375.6
- Provisions	(38.3)	(40.3)	(38.5)	(41.4)	(40.1)	(42.9)	(47.6)	(49.3)
- Net receivables	261.6	260.8	270.0	286.9	313.5	305.3	303.7	326.3
- Provisions to gross receivables	12.8 %	13.4 %	12.5 %	12.6 %	11.3 %	12.3 %	13.5 %	13.1 %
- Gross NPL ratio	15.9 %	17.3 %	16.2 %	16.3 %	16.2 %	16.0 %	17.5 %	16.6 %

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

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

(3) Includes Near Prime Loans

(4) Includes Point of Sale Loans

Additional Key Performance Indicators

	9 months to 30 September		
	2020	2019	FY 2019
Profitability			
ROAA, % * ⁽¹⁾	(1.5)%	2.5 %	2.6 %
ROAE, % * ⁽²⁾	(8.7)%	14.6 %	16.1 %
ROATE, % *	(14.3)%	26.5 %	29.0 %
Interest Income / Average Interest Earning Assets, % ⁽³⁾	45.3 %	59.0 %	58.4 %
Interest Income / Average Gross Loan Portfolio, %	49.3 %	64.6 %	64.0 %
Interest Income / Average Net Loan Portfolio, %	62.2 %	81.5 %	80.6 %
Interest Expense / Interest Income, %	16.0 %	13.8 %	13.4 %
Cost Of Funds, % ⁽⁴⁾	6.3 %	7.2 %	6.9 %
Cost Of Interest Bearing Liabilities, % ⁽⁵⁾	7.1 %	8.1 %	7.8 %
Net Spread, % ⁽⁶⁾	38.1 %	50.9 %	50.6 %
Net interest margin, % ⁽⁷⁾			
- Online	63.1 %	81.1 %	81.3 %
- TBI Bank	22.9 %	24.6 %	24.8 %
- Overall group	41.1 %	55.1 %	54.5 %
Net effective annualised yield ⁽⁸⁾	58.4 %	77.1 %	75.9 %
Net Fee & Commission Income / Total Operating Income, %	3.1 %	2.2 %	2.4 %
Earnings Before Taxes / Average Total Assets, % *	0.2 %	4.8 %	4.9 %
Efficiency			
Total Assets / Employee, (in thousands of €) *	404	363	356
Total Operating Income / Employee, (in thousands of €)	120	142	141
Cost / Income Ratio, % ⁽⁹⁾	57.5 %	51.5 %	51.3 %
Total Recurring Operating Costs / Average Total Assets, % *	17.0 %	20.0 %	20.2 %
Total Operating Income / Average Total Assets, % *	29.6 %	38.9 %	39.3 %
Personnel Costs / Total Recurring Operating Costs, %	51.9 %	48.8 %	48.8 %
Personnel Costs / Total Operating Income, %	29.8 %	25.2 %	25.1 %
Net Operating Income / Total Operating Income, % *	42.8 %	48.6 %	49.0 %
Net Income (Loss) / Total Operating Income, % *	(6.0)%	7.4 %	7.7 %
Profit before tax / Interest income, % *	0.6 %	11.1 %	11.4 %
Liquidity			
Net Loan Receivables / Total Assets, % *	53.7 %	57.4 %	59.4 %
Average Net Loan Receivables / Average Total Assets, % *	56.7 %	56.6 %	57.6 %
Net Loan Receivables / Total Liabilities, %	64.4 %	69.9 %	71.7 %
Interest Earning Assets / Total Assets, % *	68.7 %	74.3 %	75.9 %
Average Interest Earning Assets / Average Total Assets, % *	72.5 %	73.2 %	74.0 %
Liquid Assets / Total Assets, % * ⁽¹⁰⁾	18.6 %	13.5 %	13.6 %
Liquid Assets / Total Liabilities, %	22.3 %	16.4 %	16.4 %
Total Deposits / Total Assets, % *	37.8 %	31.1 %	33.1 %
Total Deposits / Total Liabilities, %	45.2 %	37.8 %	39.9 %
Total Deposits / Shareholders' Equity, Times *	2.3x	1.7x	1.9x
Leverage (Total Liabilities / Equity), Times *	5.1x	4.6x	4.8x
Tangible Common Equity / Tangible Assets * ⁽¹¹⁾	10.9 %	11.2 %	10.9 %
Tangible Common Equity / Net Receivables	19.0 %	18.0 %	17.0 %
Net Loan Receivables / Equity, Times *	3.3x	3.2x	3.5x

Asset quality	9 months to 30 September		
	2020	2019	FY 2019
Loan Loss Reserve / Gross Receivables from Clients, %	20.0 %	21.7 %	21.1 %
Average Loan Loss Reserve / Average Gross Receivables from Clients, %	20.6 %	21.6 %	21.3 %
Cost of risk, % ⁽¹²⁾			
- Online	26.6 %	27.6 %	27.5 %
- TBI Bank	5.2 %	4.3 %	4.6 %
- Overall Group	15.2 %	17.3 %	17.1 %
Gross NPL ratio, % ⁽¹³⁾			
- Online	24.4 %	23.0 %	24.9 %
- TBI Bank	16.6 %	16.3 %	16.2 %
- Overall group	19.9 %	20.0 %	20.7 %
Net impairment / Interest income, % ⁽¹⁴⁾	33.2 %	29.0 %	29.0 %
Credit Metrics			
Total Equity / Total Assets, % *	16.3 %	17.8 %	17.0 %
Total Equity / Net Loan Receivables, %	30.2 %	31.0 %	28.6 %
Adjusted Interest Coverage, Times ⁽¹⁵⁾	1.9x	2.5x	2.4x
TBI Bank consolidated capital adequacy, % ⁽¹⁶⁾	20.4 %	19.9 %	18.9 %
Selected Operating Data			
	30 September 2020	30 September 2019	31 December 2019
Total Employees	2,368	2,697	2,730

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

All ratios are annualised where appropriate.

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

DEFINITIONS

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

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

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

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

Cost/income ratio – Operating costs / operating income

Equity/assets ratio – Total equity / total assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Profit before tax margin – Profit before tax / interest income

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

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

Tangible equity – Total equity minus intangible assets

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

RECENT DEVELOPMENTS

Recent developments include significant and material information about the Group's development and any changes since its last quarterly report that was published on 28 August 2020.

Acquisitions and disposals

In June 2020 a merger between the two 4finance operating entities in Poland (Zaplo Sp. z o.o. and Vivus Finance Sp. z o.o.) was initiated. The merger has been successfully completed as of 30 September 2020 with Vivus Finance Sp. z o.o. being the surviving entity.

Changes in management

As announced separately, Kieran Donnelly rejoined the Group as CEO on 1 October 2020. Mr Donnelly was previously CEO of 4finance from January 2014 to May 2016 and Chairman of 4finance Holding S.A. until December 2016. Since then he has been a member of the supervisory board of TBI Bank EAD, which is fully owned by the Group.

William Horwitz, Chairman of the Supervisory Board of 4finance Group SA, will step down at the end of November 2020 and be replaced as Chairman by David Geovanis, who has been a member of the Supervisory Board since June 2017.

Financing

The Group made further market repurchases of \$2.3 million notional of its USD bonds in October. As of the date of this report, the Group holds €1.1 million of its EUR bonds and \$96.9 million of its USD bonds in treasury.

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