

4finance investor presentation

ABG SC High Yield Bond Seminar
13 September, 2016


ABG SUNDAL COLLIER


4finance: what has been achieved already


The European leader in online and mobile consumer lending:

Putting our customers first, providing a convenient and transparent service using cutting edge data-driven technology

 **34%**
1H'2016 return on average equity

 **61%**
2012-15 revenue CAGR

 **79%**
2015 returning customer rate

 **21%**
1H'2016 profit before tax margin

 **16**
Markets launched⁽¹⁾

 **9**
Leading positions in existing markets

 **2,000**
1H'2016 full time employees⁽²⁾

 **400**
Highly qualified IT engineers⁽³⁾

22,500,000+
applications reviewed

€3,400,000,000+
in issued loans since 4finance established in 2008

11,500,000+
loans issued

5,300,000+
registered clients

€1,062,000,000
in issued loans during 2015



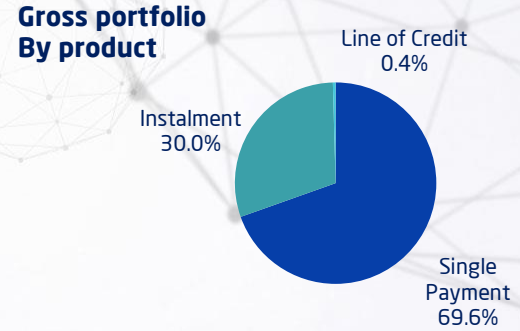
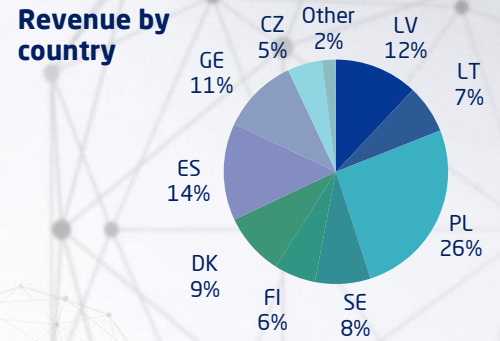
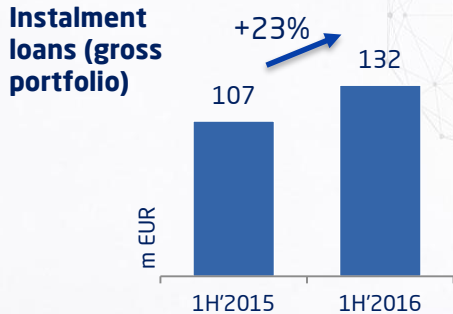
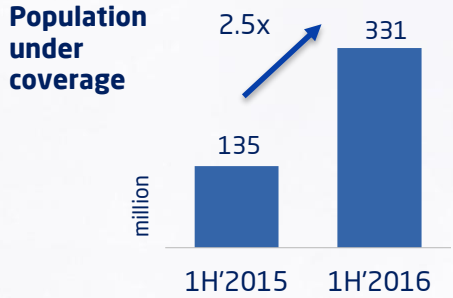
Geographic and product diversification continues

Latin American expansion on track

- Argentina & Mexico volumes still relatively low while scorecards and processes are fine-tuned
- Dominican Republic launched in August
- Pipeline: Guatemala, Brazil...

Instalment loans & line of credit

- H1 2016 portfolio mix influenced by lower instalment loan volumes in Lithuania
- Recent instalment launches in larger markets Poland (relaunch in December), Spain (May) & Romania (August)
- Issuance run-rate of nearly EUR 10m per month, with >50% of volumes to new customers
- Line of Credit launched in Latvia (September)



Clear and simple product structure

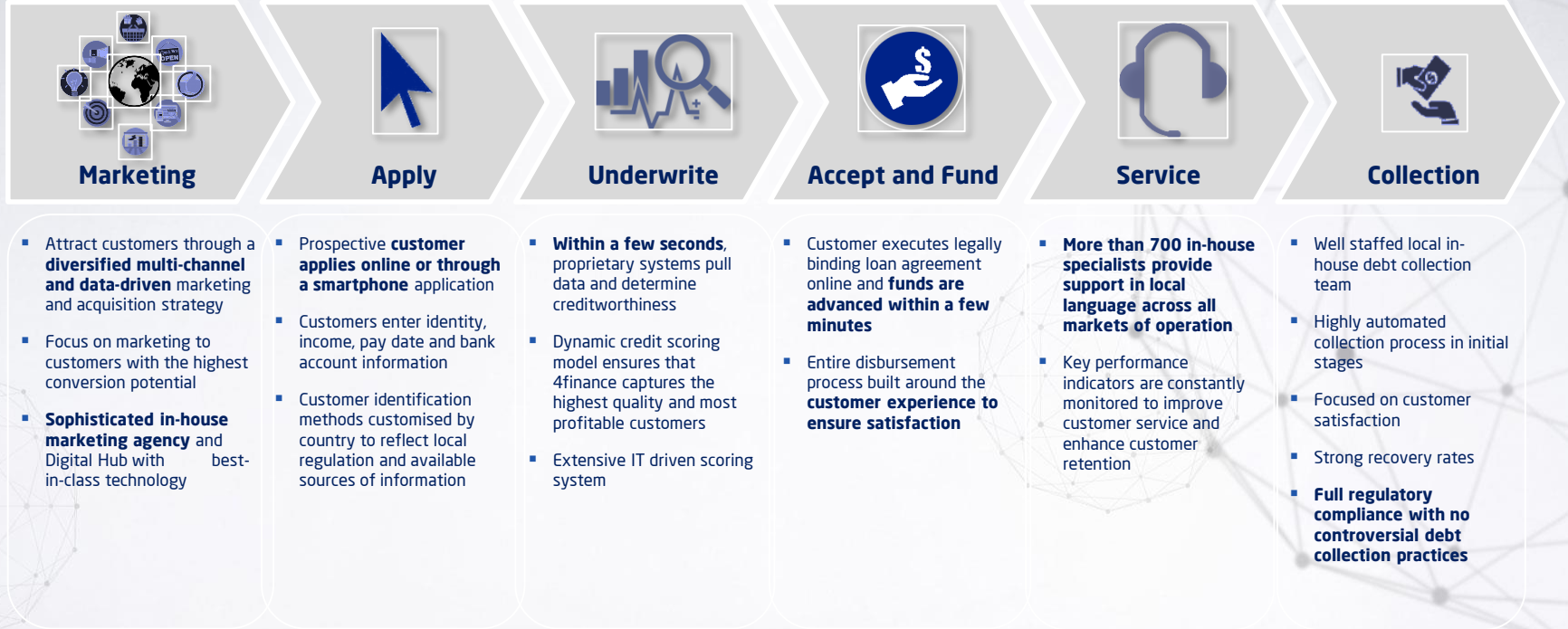
	Single payment loan	Instalment loan	Line of credit
% in portfolio⁽¹⁾	69.6%	30.0%	0.4%
Loan amount	<ul style="list-style-type: none"> EUR 5-2'010 	<ul style="list-style-type: none"> EUR 50-3'245 	<ul style="list-style-type: none"> Limit up to EUR 2'100
Term	<ul style="list-style-type: none"> Up to 30 days 	<ul style="list-style-type: none"> Up to 24 months 	<ul style="list-style-type: none"> Open-ended revolving credit line
Average loan size⁽²⁾	<ul style="list-style-type: none"> 309 EUR 	<ul style="list-style-type: none"> 777 EUR 	<ul style="list-style-type: none"> 1,737 EUR
Fee/payment structure	<ul style="list-style-type: none"> Single fee payable at maturity 	<ul style="list-style-type: none"> Monthly interest payments Repayment in multiple instalments 	<ul style="list-style-type: none"> Minimum monthly repayment (MRP) First withdrawal free Further withdrawals: 11% of amount
Fee amount	<ul style="list-style-type: none"> Loan cost: 7%-29% in Europe; 30%-35% in LatAm⁽³⁾ 	<ul style="list-style-type: none"> Nominal annual interest rate: 62%-108%⁽³⁾ 	<ul style="list-style-type: none"> Monthly interest rate: 8.5%-10.0%
Extension	<ul style="list-style-type: none"> Option to extend up to 30 days Extension fee payable before extension 	<ul style="list-style-type: none"> Option to reset scheduled repayment by a month Extension fee payable before extension 	<ul style="list-style-type: none"> Flexible payment options as long as MRP is met Customers can change their repayment date
Markets	<ul style="list-style-type: none"> Latvia, Lithuania, Finland, Sweden, Poland, Denmark, Georgia, Spain, Czech Republic, Bulgaria, Romania, Argentina, Mexico, Dominican Republic 	<ul style="list-style-type: none"> Latvia, Lithuania, Sweden, Poland, Denmark, Armenia, Spain, Romania 	<ul style="list-style-type: none"> Finland, Latvia
Distribution channels	<ul style="list-style-type: none"> Websites (mobile/tablet/web) Apple & Android native apps Phone call and SMS Offline: agents, loan shops and other partners 		<ul style="list-style-type: none"> Websites (mobile/tablet/web) Apple & Android native apps (servicing only) Call centre, e-mail, webchat and SMS (servicing only)

(1) Gross loan portfolio, as of 30/06/2016

(2) Average size of loan issued (for Single Payment loan and Instalment loan) and average outstanding balance for Line of credit, data on 30/06/2016

(3) Max term and max loan amount pricing

Our lending process: online, efficient, data-driven



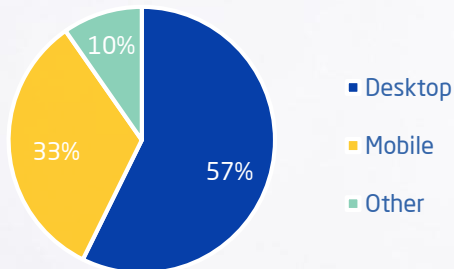
Customer profile

Most common customer characteristics:

- Has a bank account
- Expenditure matches monthly income
- Little or no savings
- Limited credit history
- Employed + self employed
- Uses financing for lifestyle choices or necessities
- Not willing to pay more for value-added services
- 81% of loans are issued to returning customers (1H'2016)

Applications by source

1H'2016



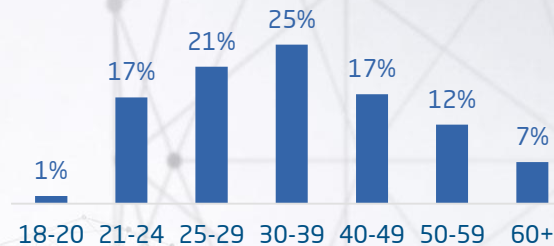
Client split by gender

1H'2016

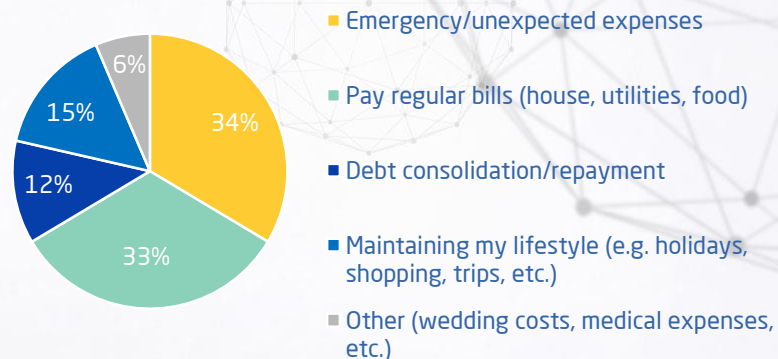


Client split by age

1H'2016



Loan usage⁽¹⁾



Robust credit scoring

Professional approach to underwriting

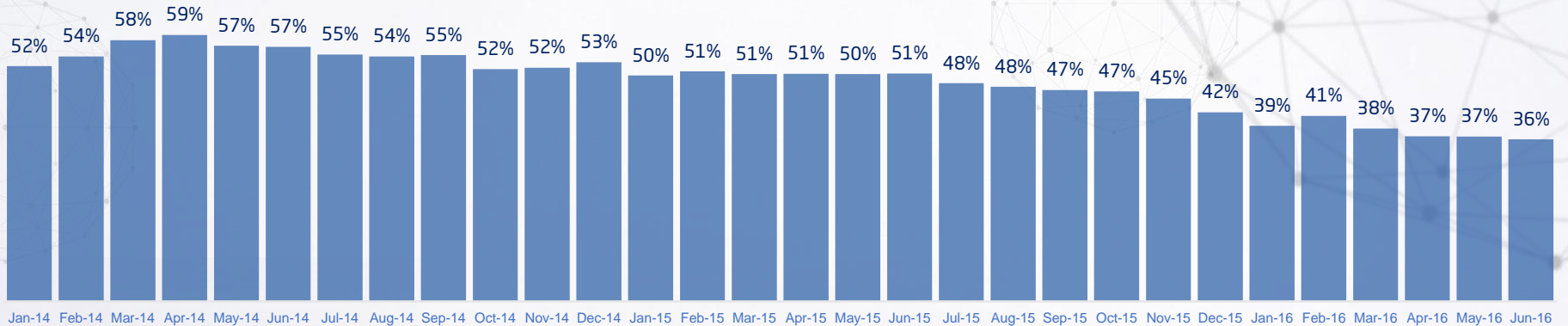
- Both traditional (e.g. credit bureaus) and alternative (e.g. facebook) data used
- Verification through one or more credit bureaus
- Internal customer database
 - Over 11 million loans issued and over 22 million applications reviewed
- External data warehouses & services
- Experian Risk Suite
- Extensive scoring system
 - 32 scorecards in place
 - Data mining and scorecard development tools (e.g., SAS, R, WPS)

Data sources used in approval process



Credit Bureau

Acceptance rate total new applications (all products)



Acquisitions and market changes

Completed acquisition of TBI Bank

TBI acquisition at a glance

- **Small, profitable, consumer-focused bank in existing markets (Bulgaria and Romania)**
- **Track record of profitability**
 - EUR 7 million net profit in H1 2016
 - RoA of 5%, RoE of 23%
- **Strong capitalization**
 - 26% Tier 1 ratio (8.5% minimum)
 - Strong results in recent central bank stress tests
- **Simple, deposit funded balance sheet**
 - EUR 175 million net customer loans
 - EUR 272 million total assets
 - EUR 186 million customer deposits
- Purchase price EUR 69 million + YTD profit adjustment (c.1.25x price/book)
- Consolidated in 4finance financial results from third quarter of 2016

Rationale and strategy for TBI

- **Enhance existing TBI Bank operations**
 - Deploy cutting edge 4finance technology (eg online proposition, marketing and risk management)
 - Gradual integration process
- **Potential to offer consumer loans in other EU markets**
 - Certain EU countries require a banking license for consumer lending
 - Gives greater flexibility in responding to changes in licensing / regulatory regimes for non-bank lenders
- **Potential to diversify funding beyond capital markets**
- **Potential to enhance produce offering, e.g. credit cards**

TBI Bank: positive impact on financial profile

1H'2016	TBI Bank	4finance	Proforma
Key figures (EUR m)			
Revenue	25	183	207
Net profit	7	32	39
Net loan portfolio	175	323	498
Customer deposits	186	11	197
Key financial ratios			
Profit before tax margin	31%	21%	23%
Adjusted interest coverage	6.5x	4.0x	4.3x
Net impairment to revenue ratio	17%	26%	25%
Return on average equity	23%	34%	31%
Capital/net loan portfolio	37%	63%	42%

TBI Impact Highlights

- **Profitable existing business**
 - Strong profit contribution (before any synergies)
 - Improves profit margin
- **Positive for bond covenants**
 - Improvement in interest coverage
 - Substantial headroom on capitalization
- **Diversification**
 - Further diversifies revenue sources

Friendly Finance reinforces the Group's market position

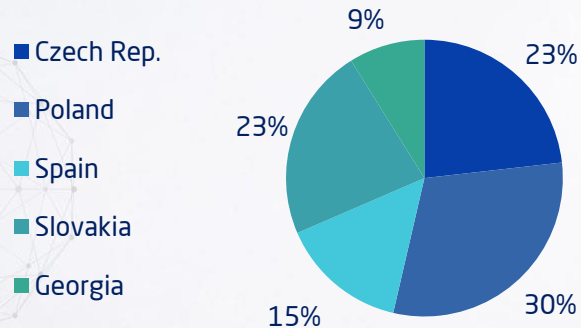
Rationale for acquisition

- Adds strong 'challenger' brands to portfolio and consolidates leading European market position
- Over 1.1 million registered customers, adding to proprietary database
- Profitable business with potential for future synergies from technology platform integration

Friendly Finance at a glance

- Similar online consumer lending business model to 4finance
- 80%+ returning customers, 90% of revenue from interest income
- Single payment loans up to EUR 1,000 in 5 countries
- Instalment loans up to EUR 2,300 in Czech Republic, Spain & Slovakia
- Issued over EUR 220m in loans since launch at end of 2010

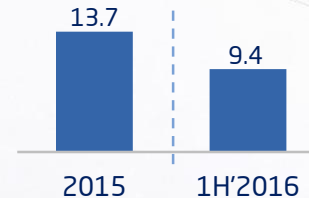
Loans issued by country, 1H'2016



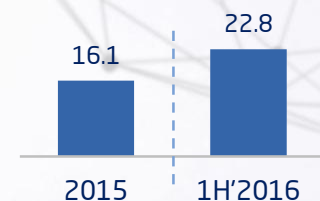
Brands:



Revenue (EUR m)



Total assets (EUR m)



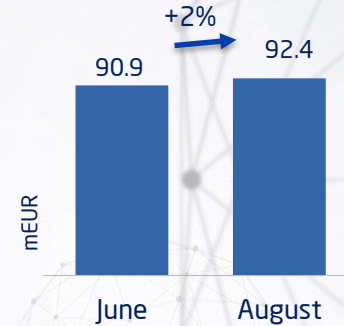
Adapting successfully to regulatory changes

- **As a responsible lender, we welcome appropriate regulation**
 - Active in regulatory / legislative consultations through industry associations
 - Supportive of clear regulatory frameworks
 - Clear, transparent products and pricing with IT/development resources to adapt products where needed
 - Launch of **'responsible borrowing' websites** (www.responsibleborrowing.com)
- **Adapting successfully to regulatory changes in key markets**
 - Poland: revenue up 11%
 - Latvia: revenue up 1%
 - Lithuania: reduced marketing and volumes during regulatory change, now ready to participate strongly
 - Czech Republic: regulations finalized with timeline for licensing process, no significant business impact expected

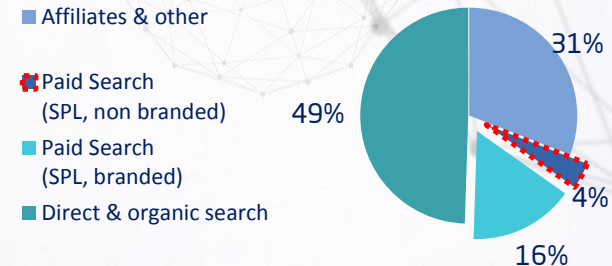
Volumes are stable following Google policy changes

- **Limited business impact so far**
 - Google policy changes implemented at end of July 2016
 - Lending volumes increased in August compared to June
 - Seeing replacement of paid search volumes with organic search and direct traffic
 - Too early to assess longer-term impact
- **Coordinated firmwide planning and response**
 - Already diversified marketing channels to limit reliance on any individual channel (only 4% of overall volumes from non-branded paid search for single payment loans in 2015)
 - Focus on 'above the line' brand marketing, content generation and organic search optimisation
 - Active monitoring as ecosystem develops

Lending volume comparison post implementation



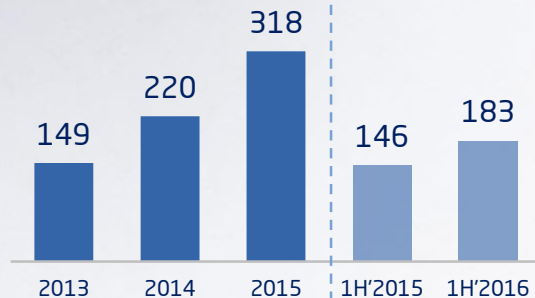
Lending volume by marketing channel, 2015



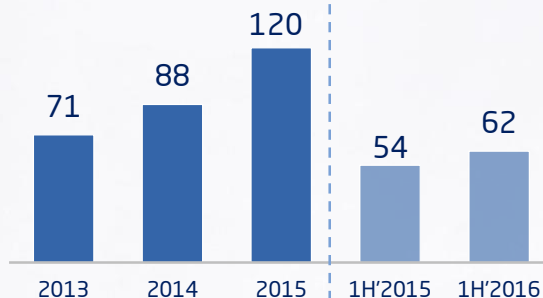
Financial review

Financial highlights - profitable growth

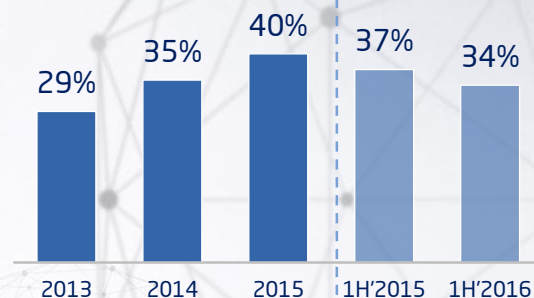
Revenue, m EUR



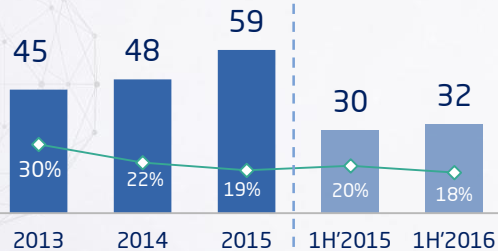
Adjusted EBITDA, m EUR



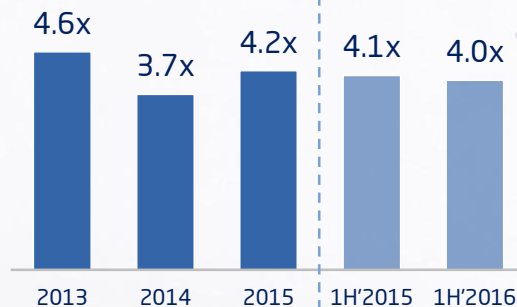
Capital to assets ratio, % ⁽¹⁾



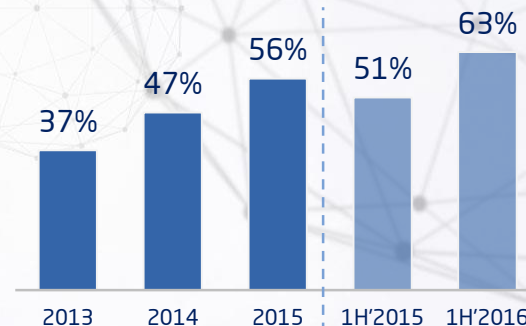
Net profit from continuing operations (m EUR) and net margin



Adjusted interest coverage ratio



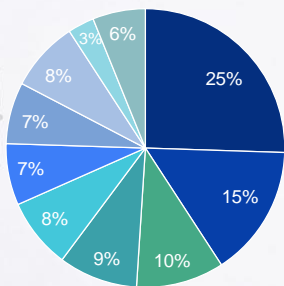
Capital/net loans, %



Diversified loan portfolio

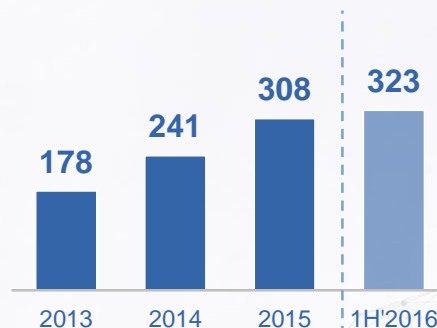
- Total loans issued in 1H'2016: EUR 537.2m
- growth of 6% from 1H'2015
- High velocity of portfolio - total capital turnover 3x
- 53% of portfolio consists of loans below EUR 500

Net loan portfolio by country, 30/06/2016

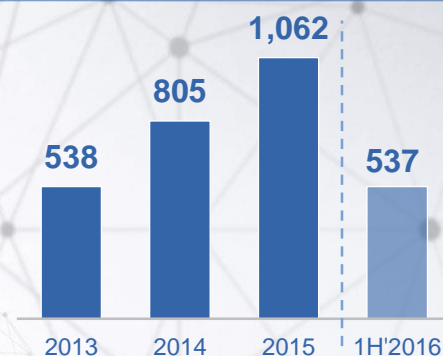


- Poland
- Latvia
- Lithuania
- Sweden
- Georgia
- Finland
- Spain
- Denmark
- Czech Rp.
- Other

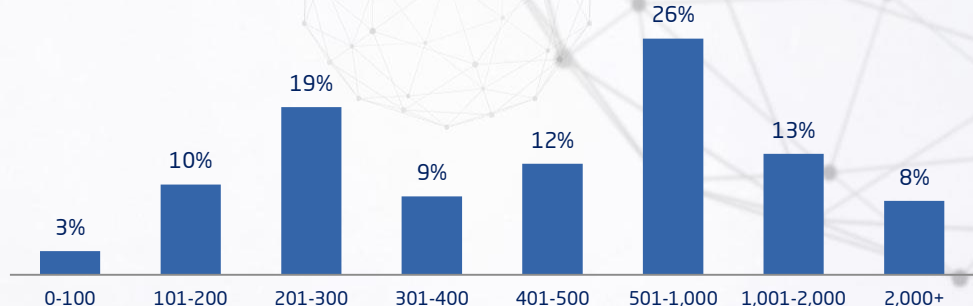
Net loan portfolio⁽¹⁾, mEUR



Total loans issued⁽²⁾, mEUR



Portfolio split by average loan amount, EUR 30/06/2016



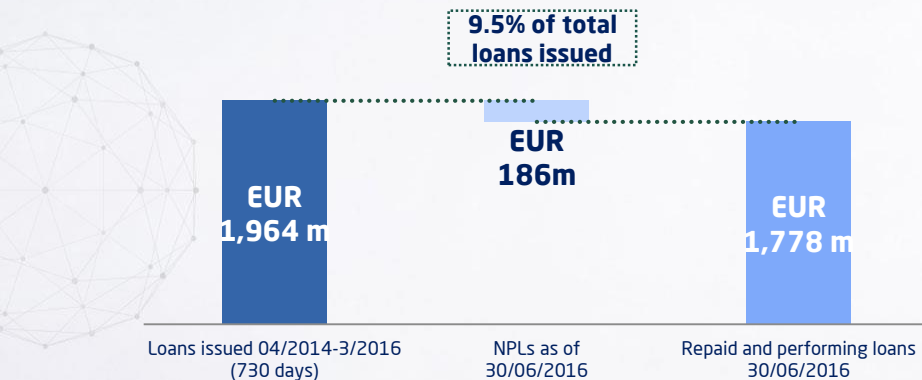
(1) Gross loan portfolio less provisions for bad debts

(2) Continuing operations only

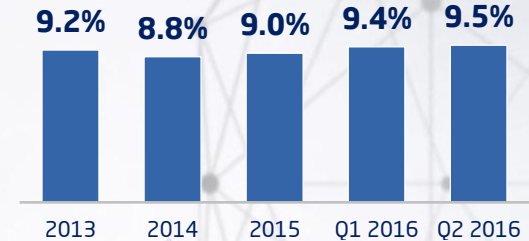
Non-performing loans and provisioning stable

- Loans that are overdue more than 90 days are considered as non-performing (NPLs)
- At the end of Q2 2016 NPLs represented 9.5% of total issued loans over the last 730 days
- Actual loss experienced on NPLs is approximately 50% (52% as of 30/06/2016)
- Provisions for default are typically 5-10 p.p. higher

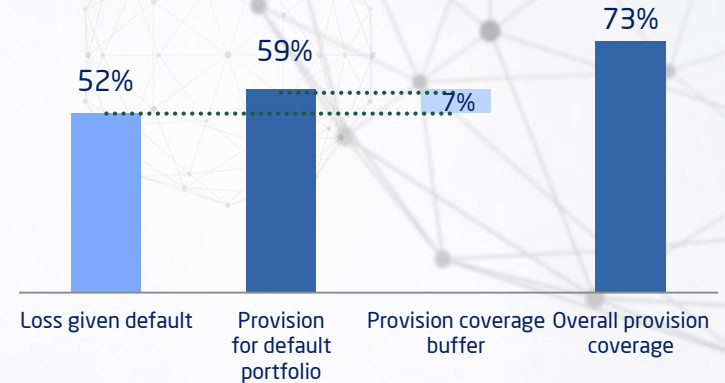
Non-performing loans (NPLs) as % of total loans issued⁽¹⁾



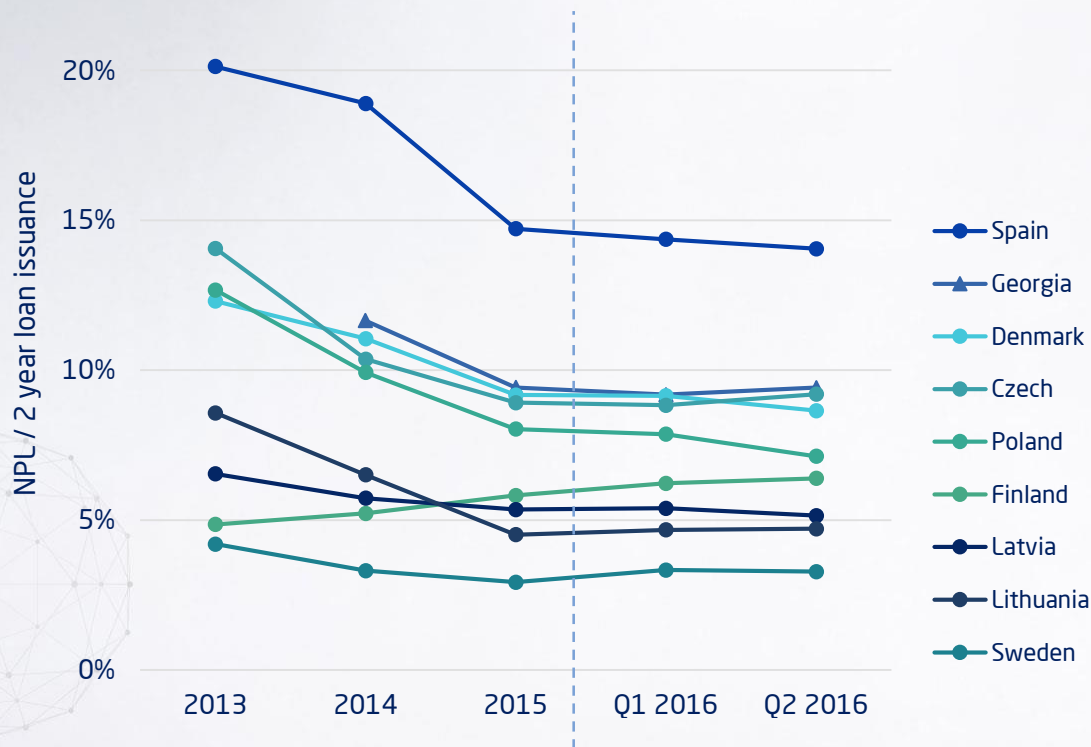
Stable NPLs to issued loans ratio⁽¹⁾



Conservative provision coverage



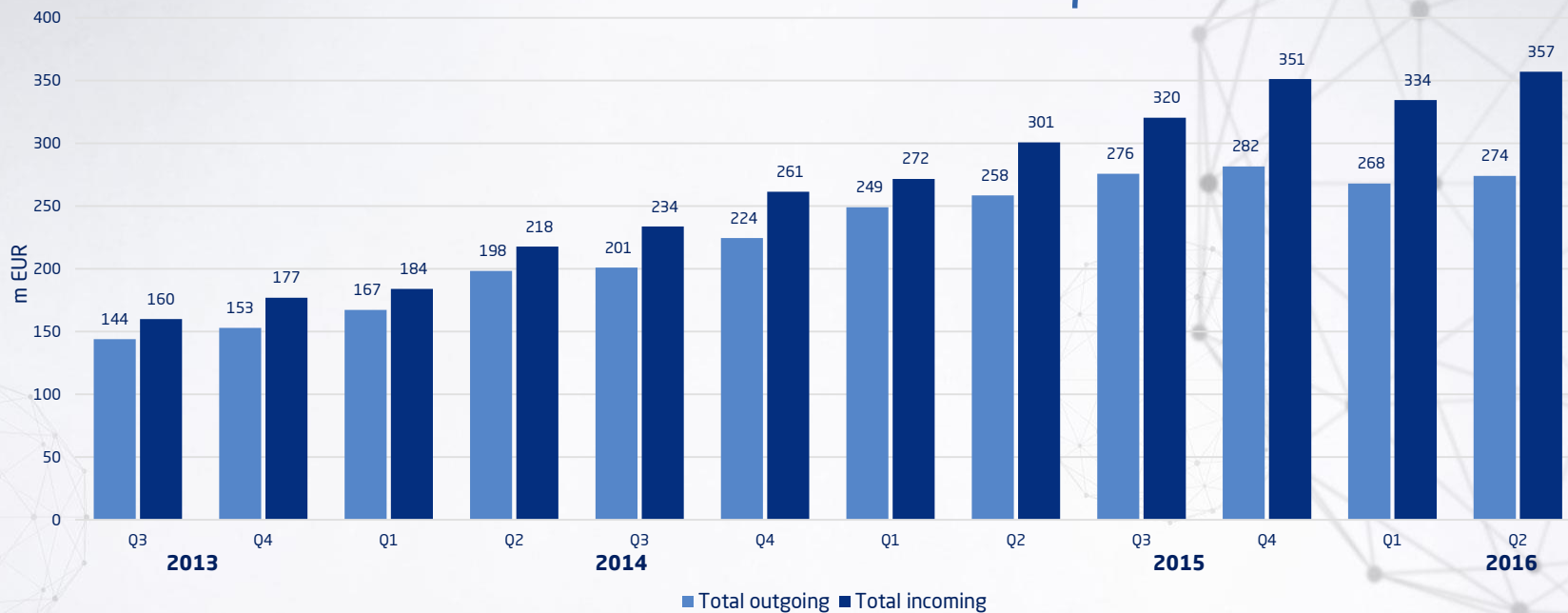
Asset quality trends for single payment loans



- Non-performing loans to loan issuance ratio tends to improve over time in each market
 - More data: better scorecards
 - More experience: better debt collection
 - More returning customers
- Different characteristics for each market
 - Portfolio mix shift drives overall Group NPL/sales ratio (eg growth in Spain)
 - Current trend is in line with expectations
- Higher NPL ratio countries also have higher interest rates and revenue
 - Impairment / revenue ratio stable

Loan portfolio cash flow

Last 12 months net incoming cash* EUR 262



Conclusion

Conclusion

- 4finance has established a leading business with strong growth prospects
- Solid first half results
- Strategic acquisitions enhance overall group profile
- Successfully managing impact of market changes
- New market and product development on track
- Supervisory board established at 4finance Group level in July and EUR 100m 5 year bond issued in May

Appendix – Income statement

INCOME STATEMENT, M EUR	1H'2015	1H'2016	% Change
Interest income	146.1	182.8	25%
Interest expense	(13.4)	(15.4)	15%
Net interest income	132.7	167.4	26%
Net impairment losses on loans and receivables	(37.5)	(46.8)	25%
General administrative expenses	(56.8)	(84.0)	48%
Other income/(expense)	(0.9)	2.5	n.m.
Profit before tax	37.5	39.1	4%
Tax	(7.7)	(7.0)	9%
Profit from continuing operations	29.8	32.1	8%
Discontinued operations, net of tax	5.6	-	(100)%
Net profit	35.4	32.1	(9)%
Net impairment to revenue ratio %	26%	26%	
Cost to income ratio %	39%	46%	
Net profit margin, %	24%	18%	

Appendix - Balance sheet

BALANCE SHEET, M EUR	1H'2015	1H'2016	% Change
Loans and advances	283.3	322.7	14%
Cash and cash equivalents	51.1	116.4	128%
Intangible assets (IT platform)	8.6	26.1	203%
Goodwill	0.6	25.4	n.m.
All other assets	46.9	100.0	164%
Total assets	390.5	590.6	51%
Loans and borrowings	214.7	328.7	53%
All other liabilities	30.4	59.3	95%
Total liabilities	245.1	388.0	58%
Total equity	145.4	202.6	39%
Total equity and liabilities	390.5	590.6	51%
KEY RATIOS	1H'2015	1H'2016	
Capital/assets ratio	37%	34%	
Capital/net loan portfolio	51%	63%	
Adjusted interest coverage ratio	4.1x	4.0x	
Return on average equity ⁽¹⁾	37%	34%	
Return on average assets ⁽¹⁾	16%	12%	

(1) RoAE and RoAA based on net profit from continuing operations

Appendix - Proforma H1 financials including TBI Bank

INCOME STATEMENT ⁽¹⁾ , M EUR, 1H'2016	TBI Bank	4finance	Proforma
Interest income	24.6	182.8	207.4
Interest expense	(1.7)	(15.4)	(17.1)
Net interest income	22.9	167.4	190.3
Net impairment losses on loans and receivables	(4.1)	(46.8)	(50.9)
General administrative expenses	(14.5)	(84.0)	(98.5)
Other income/(expense)	3.3	2.5	5.8
Profit before tax	7.7	39.1	46.8
Corporate income tax for the reporting period	(0.8)	(7.0)	(7.8)
Profit for the period	6.9	32.1	39.0

BALANCE SHEET ⁽¹⁾ , M EUR, 1H'2016	TBI Bank	4finance	Adjustments	Proforma
Loans and advances	175.1	322.7		497.8
Cash and cash equivalents	45.1	116.4	(68.8)	92.7
Property and equipment	14.3	4.9		19.2
Intangible assets	0.7	26.1		26.8
Goodwill	0.2	25.4	10.6	36.2
Loans to related parties	-	28.8		28.8
Other assets	36.5	66.3		102.8
Total assets	272.0	590.6	(58.2)	804.3
Customer deposits	185.9	10.9		196.8
Loans and borrowings	6.1	328.7		334.8
Other liabilities	14.8	48.4		63.2
Total liabilities	206.8	388.0		594.7
Total equity attributable to the Group's equity holders	65.2	201.4	(58.2)	208.4
Non-controlling interests	-	1.2		1.2
Total equity	65.2	202.6	(58.2)	209.6
Total shareholders' equity and liabilities	272.0	590.6	(58.2)	804.3