4finance Holding SA

Investor Presentation for 6 month 2017 results

30 August 2017

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Agenda

- The market opportunity and why 4finance is uniquely positioned
- Near term focus areas
- Review of H1 results
- Conclusion

Compelling market opportunity

- 2.6 billion financially underserved, including large ‘aspirational near-prime’ group
- Breakthroughs in data science, analytics, low cost cloud computing and artificial intelligence are unlocking the ability to credit score and serve the historically underserved
- Ubiquitous/inexpensive mobile internet access allows the delivery of sophisticated mobile financial products anytime and anywhere
- Millennial generation that is changing fundamental expectations around how financial products are designed and served, breaking old conventions

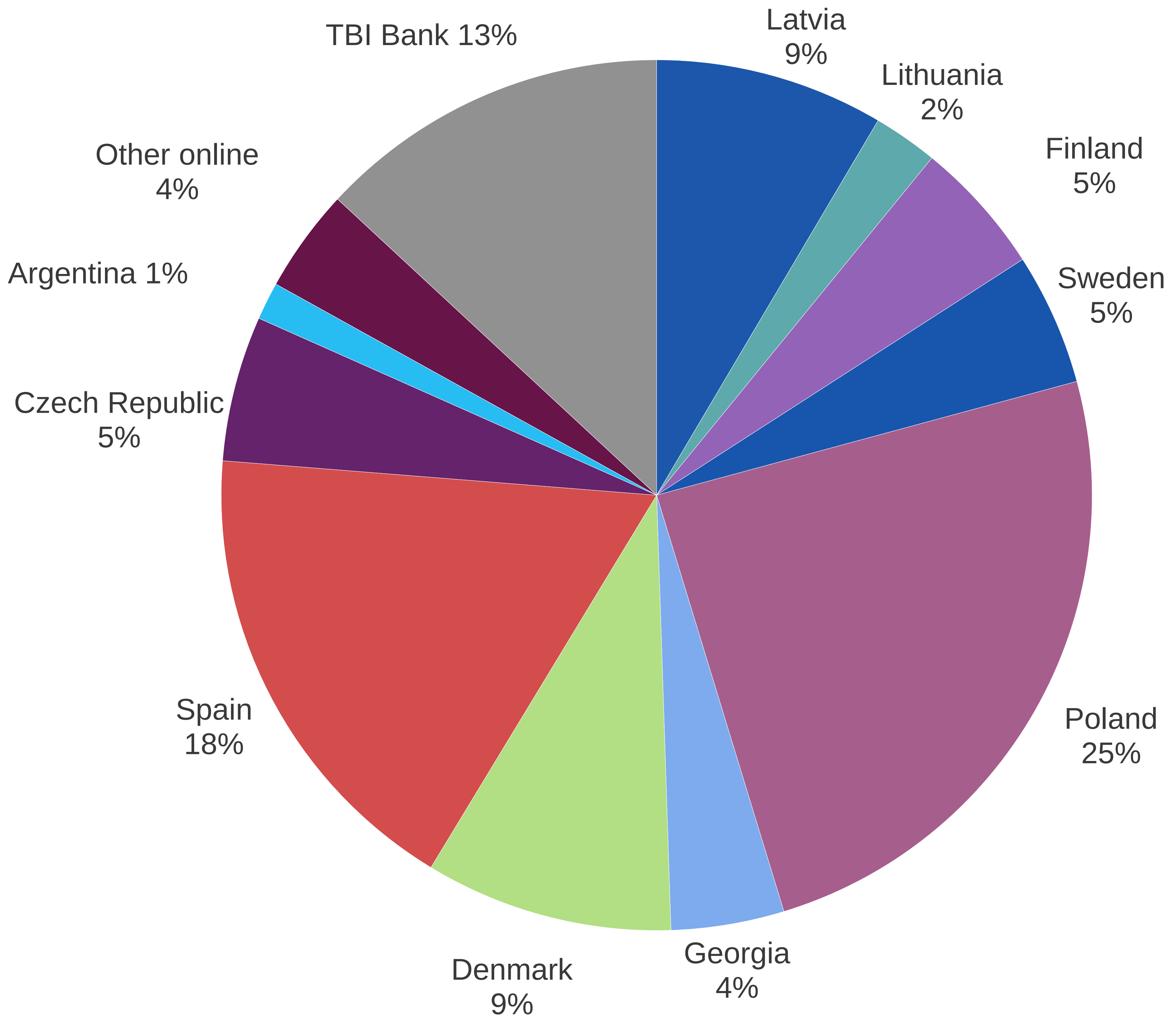
Why 4finance is uniquely positioned

- Unique scale and expertise (millions of customers, multiple markets, huge proprietary database…)
- Well capitalised, disciplined and profitable business
- Convenient, simple & transparent products with a mobile-first focus
- Deep expertise in scoring customers with limited or no credit history
- Established KYC/on-boarding procedures to identify and transact with customers remotely
- Increasingly diverse product suite capable of both helping customers mitigate short term cash flow needs, in addition to funding longer term and more aspirational purchases
- Automation and self service capabilities that allow us to offer small ticket sizes efficiently and economically

Scale and diversification

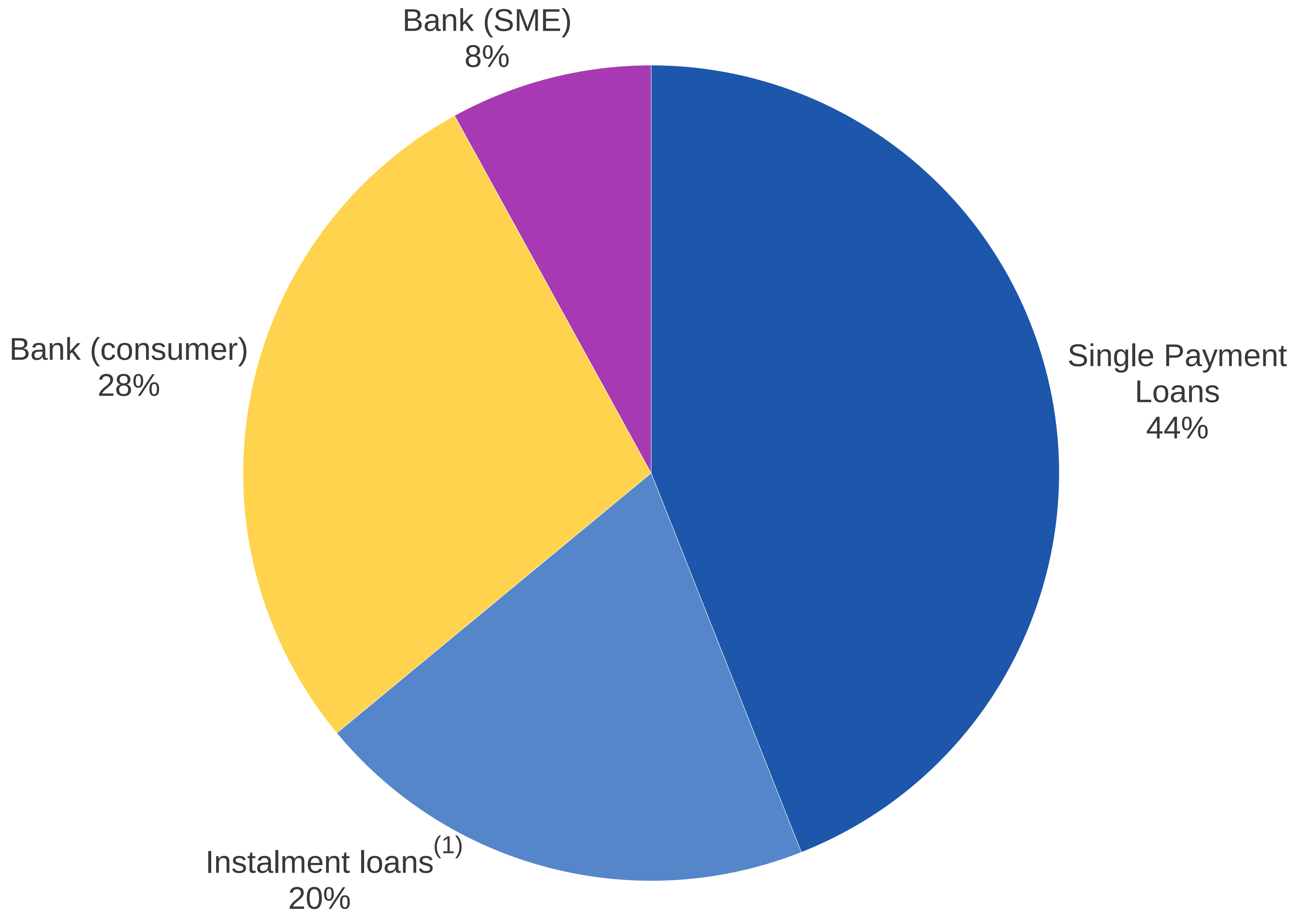
1H’2017 Revenue: EUR 214m

87% online / 13% banking



1H’2017 Net portfolio: 520m

64% online / 36% banking



Note: (1) Instalment loans includes Line of Credit & Point of Sale product

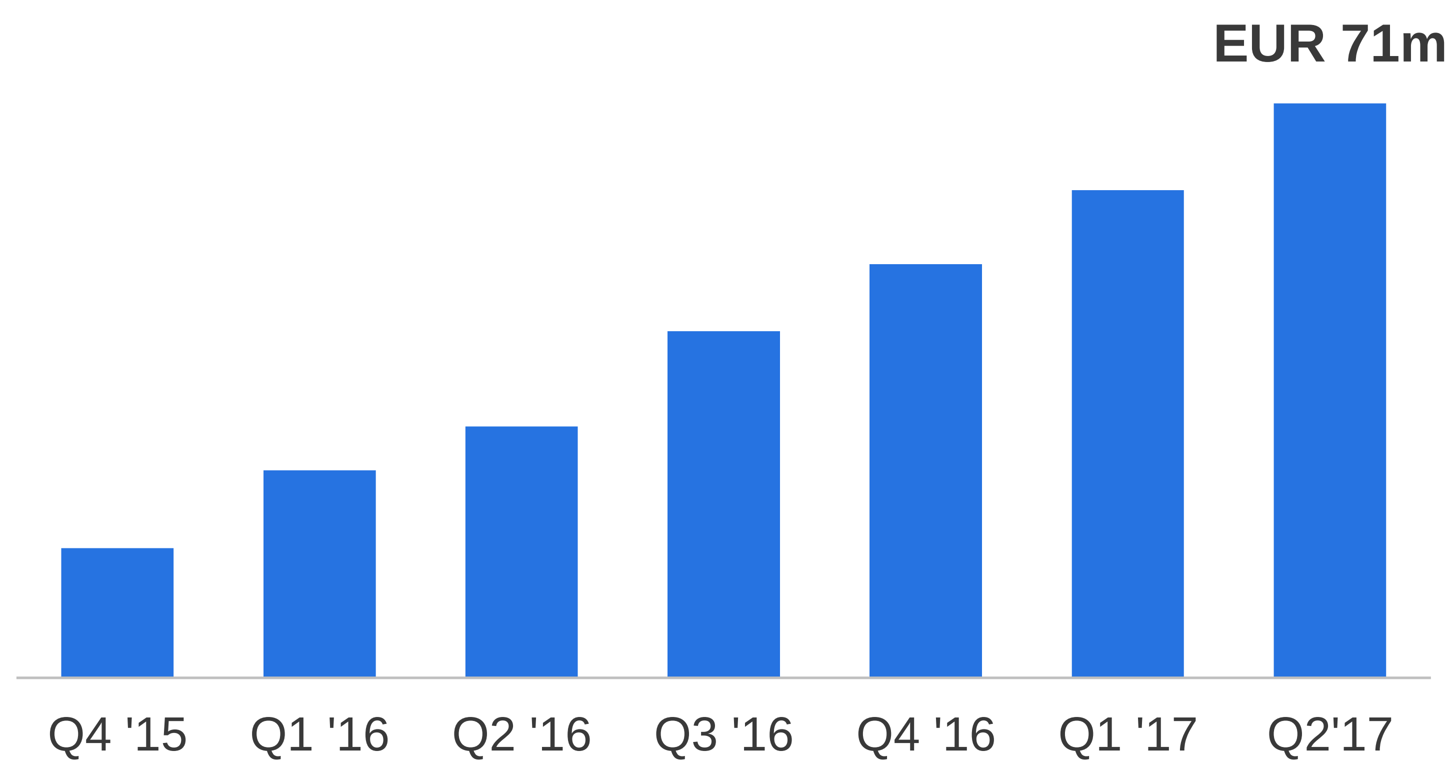
Near term focus areas

- Bolster executive team with focused set of new hires
  - Chief Technology Officer (Roland Schaar – PaySafe, Accenture)
  - Chief Risk Officer (Stephen Buechner – PaySafe, Citi, Barclays, Ingenico)
  - Chief Data Officer (Robin Jose – EMC/Dell, Reliance, Siemens, Cisco)
  - Chief Compliance Officer (Elaine McKinney – AVG Technologies, Logica, Scottish Government)
  - Chief Marketing Officer (Mikah Martin-Cruz – Sony, Microsoft, Samsung, Lebara)
- Refine ‘mission, vision, strategy’
  - Continue multi-market, multi-product approach
  - Optimise existing ‘higher APR’ business (LatAm growth, efficiency initiatives)
  - Accelerate development of near-prime products in Europe, including via TBI Bank, that reflect both customer and regulatory trends
- Drive increased efficiencies in the business, refine HQ/countries operating model and prepare for next level of scale
- Selectively pursue strategic partnerships and/or acquisitions that accelerate our development of near-prime, increase our yield from existing markets or provide critical technology
- Strengthen compliance and deepen strategic regulatory relationships
- Reiterate core principles: customer centric, innovative, mobile first, data and technology driven

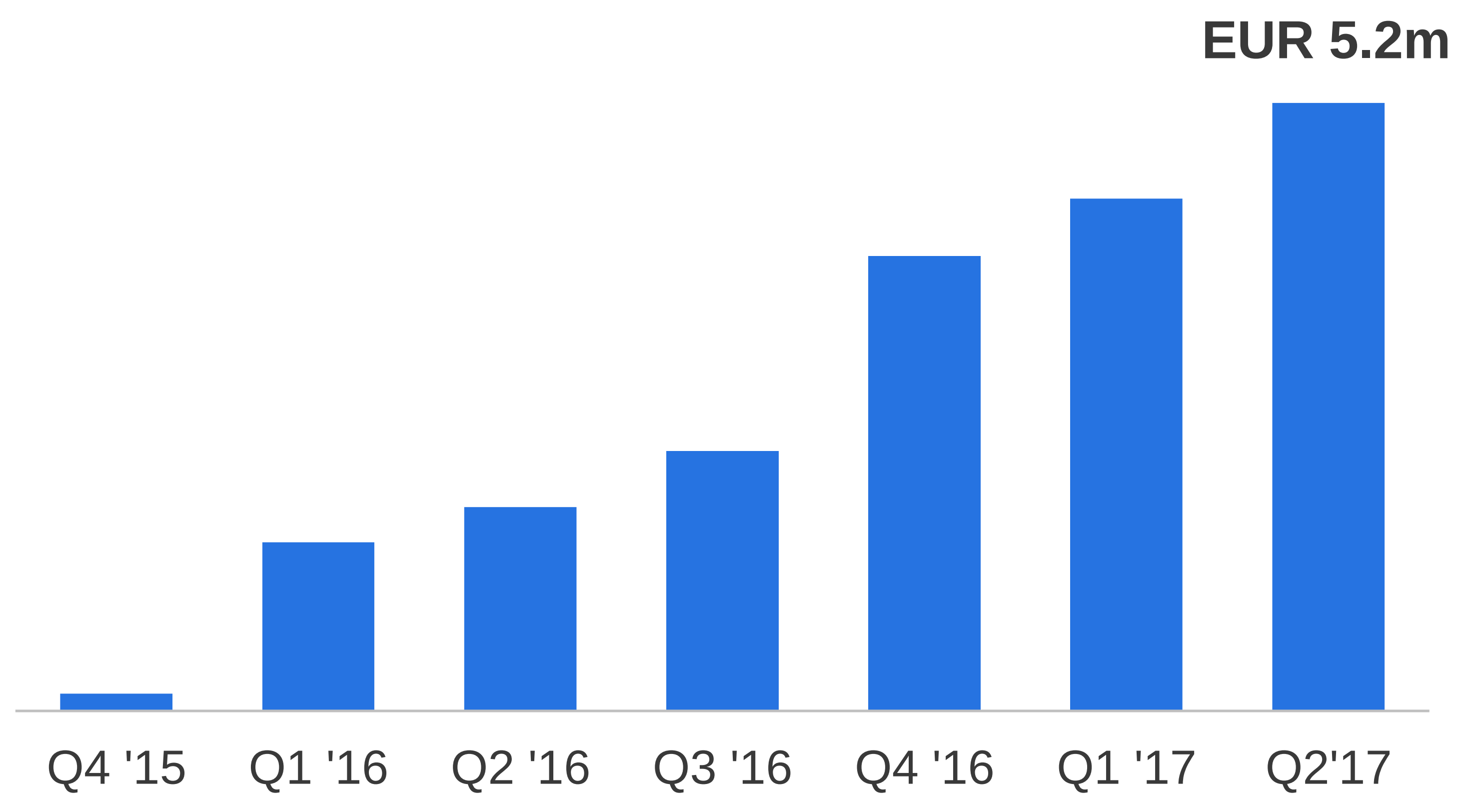
Optimising existing business: growth

- Only half of our product ‘instances’ are mature
  - 33 online product sites live, 15 launched in last two years
  - Focus on optimising this investment
- Instalment loan roll out
  - Recent instalment launches in larger markets Denmark (Q3 ‘15), Poland (relaunch Q4 ‘15), Spain (Q2 ‘16)
- Latin American expansion update
  - Argentina: targeting monthly break-even by end of 2017
  - Mexico: unit economics on track
  - Focus on getting run-rate profitability in major two markets prior to further expansion

Total gross portfolio (recent IL launches)



Quarterly Issuance (Latin America)



Optimising existing business: efficiency and platform

Marketing

- Driving marketing efficiencies and accountability
- Continuing media buying audits

Apply

- Regional IT approach to deliver changes to product sites more efficiently
- Migration of product websites to fully responsive mobile friendly technology

Underwrite

- Experian roll-out allowing new scorecards to be implemented without additional coding

Accept and Fund

- Payments automations
- Payment Hub using TBI Bank capabilities

Service

- Greater ‘self-service’ options to reduce workload for customer care teams and reflect customer preference
- Rollout of improved IVR (interactive voice) functionality
- PCI DSS compliant IVR to allow payments via cards

Collection

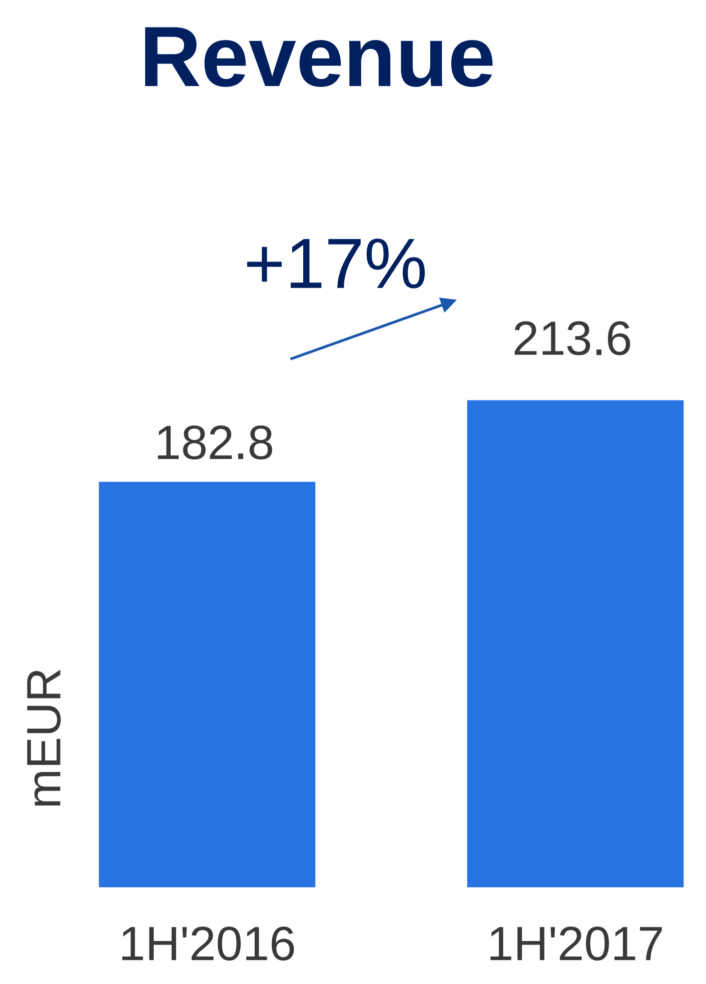
- Continuing rollout of CMC collections management system and collections scorecards
- Greater ‘self-service’ options to improve collections effectiveness and efficiency

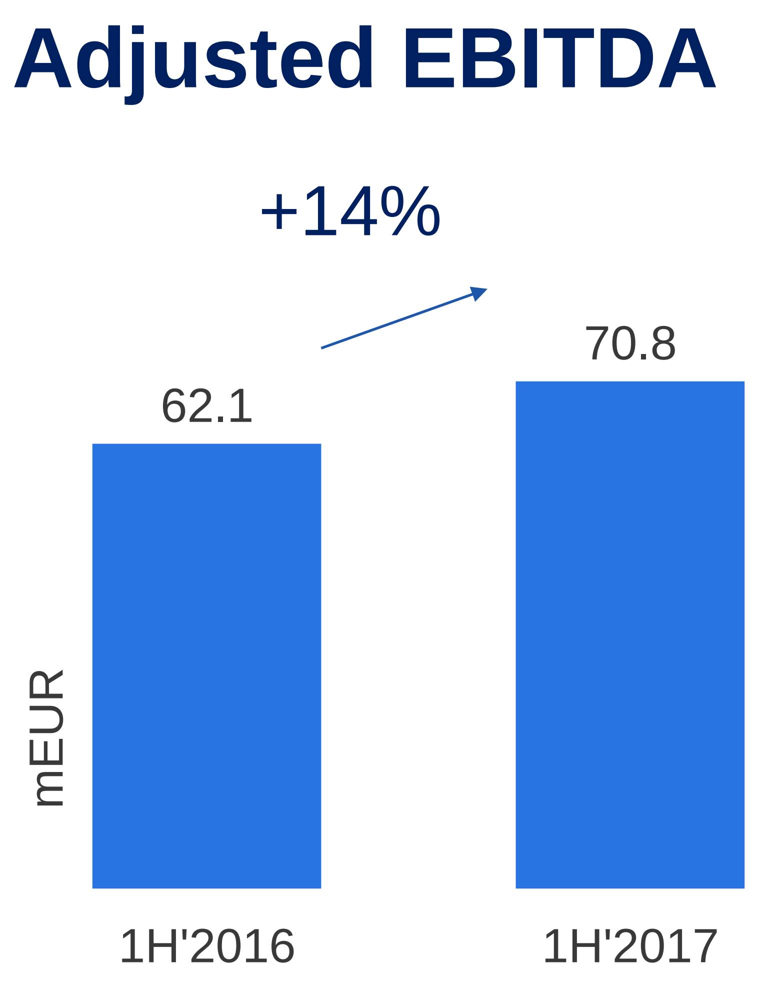
Targeting annualised savings of up to 10% of costs, excluding marketing and D&A

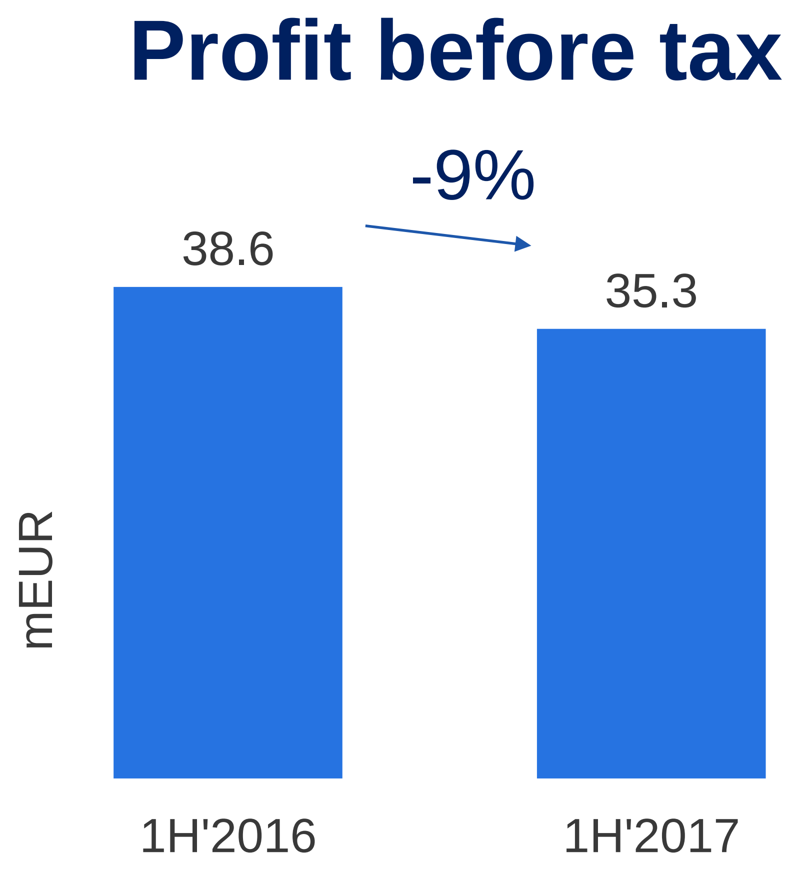
Review of H1 results

Summary of first half 2017 results

- H1 revenue up 17% and adjusted EBITDA up 14% year on year
  - Record EUR 109m quarterly revenue, up 4% from Q1
  - Adjusted EBITDA of EUR 71m, up 14%
  - Profit before tax of EUR 35m, down 9% on last year
- Operational highlights
  - Online loan issuance growth of 13% year on year
  - TBI Bank strong performance plus strategic initiatives to lower funding costs
  - Pilot of near-prime in Lithuania and online Point of Sale product in Spain
  - Strong performance in Poland, Spain, Denmark, Czech vs impact of Georgia and Lithuania regulatory changes
  - Pricing reviews in certain markets for single payment loans
- Continued improvement in asset quality and effective NPL management
  - NPL management programme, both on underwriting and collections, including active debt sale process
  - NPL/sales ratio at 8.5%, improved from 9.3% at year end and 8.9% at Q1
  - Impairment/revenue at 22% compared to 25% for H1 2016
- Cost efficiency initiatives underway
  - Focus on cost efficiency across the lending cycle
  - Cost to revenue ratio reduced in Q2 vs Q1

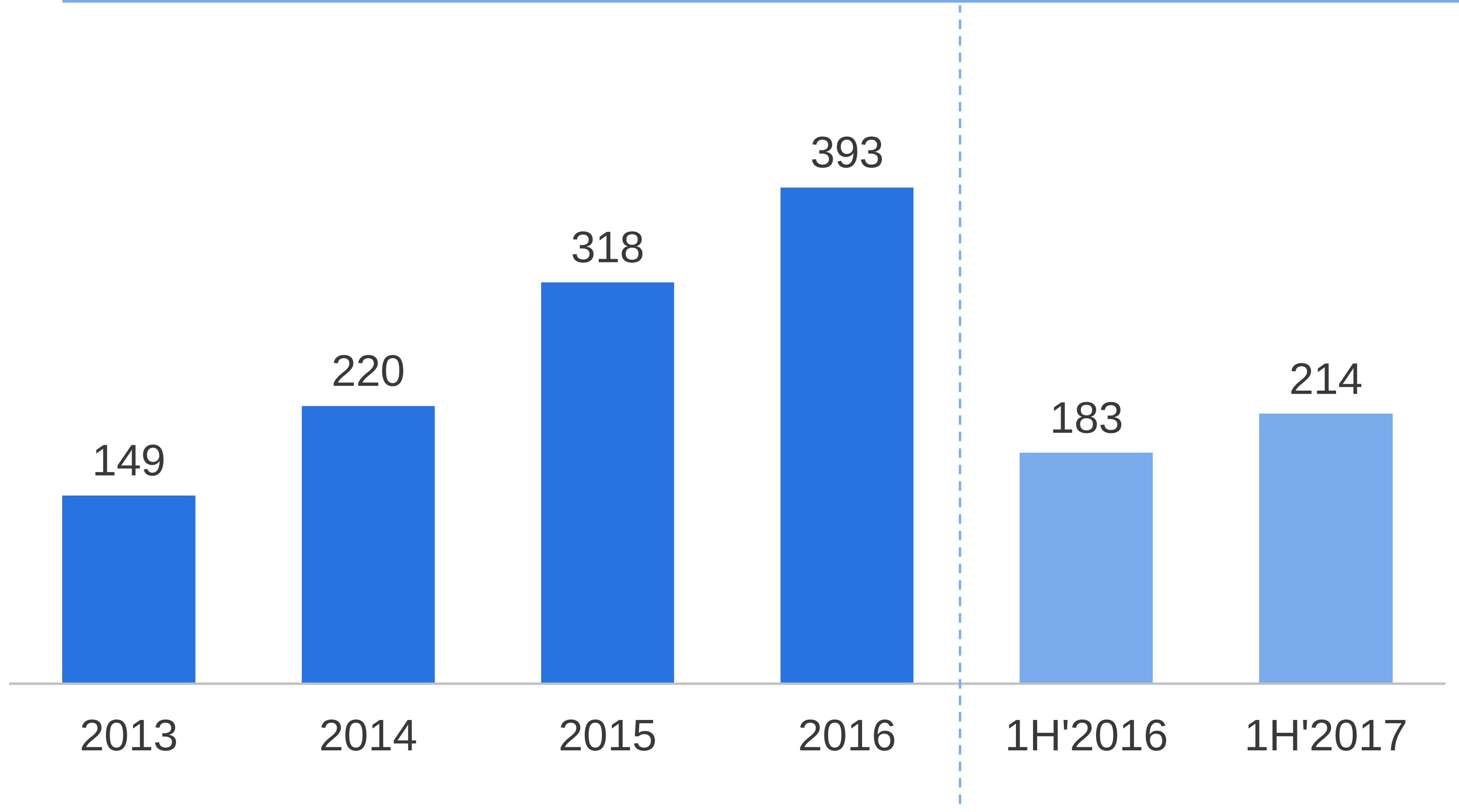




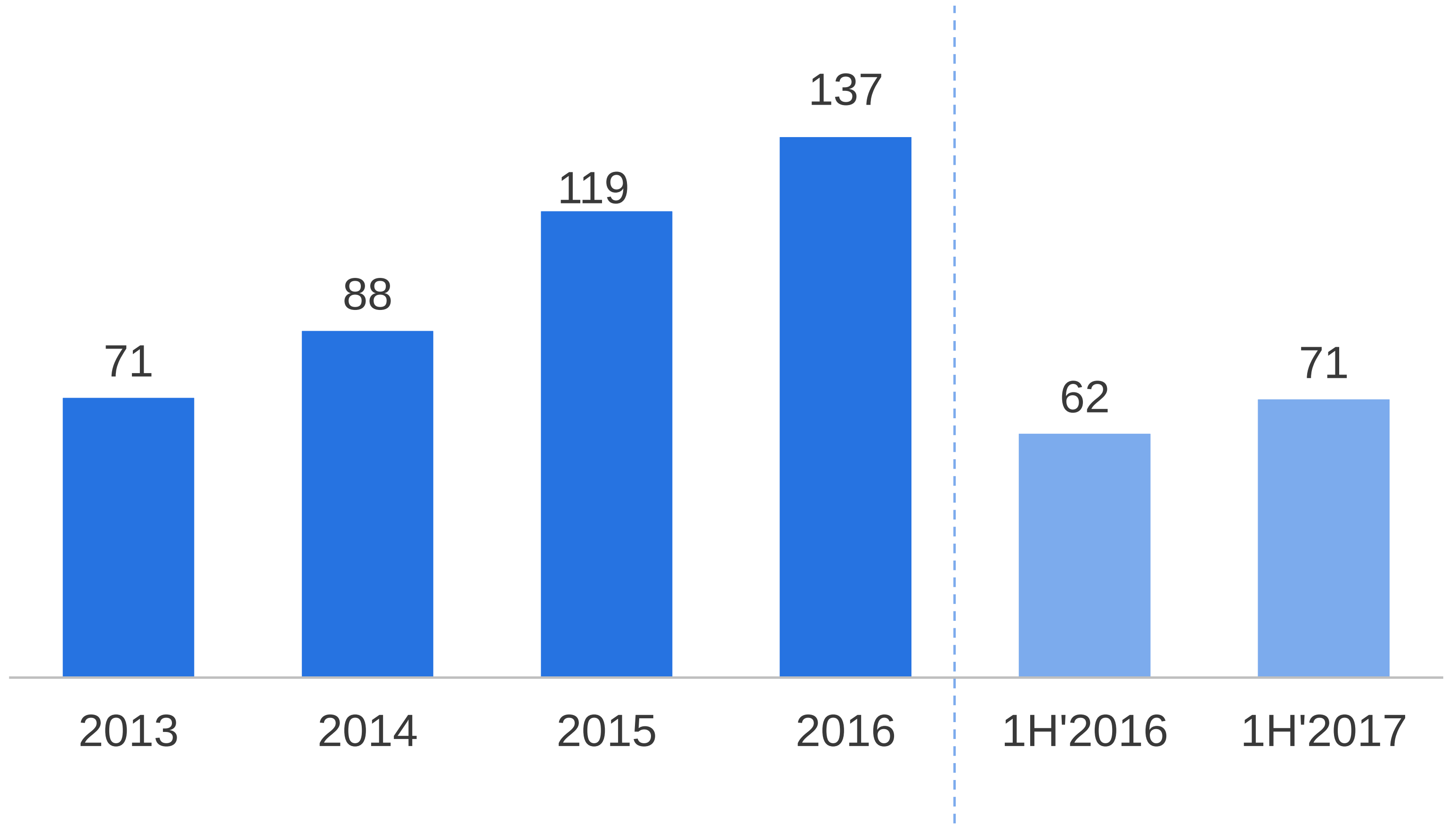


Financial highlights – profitable growth

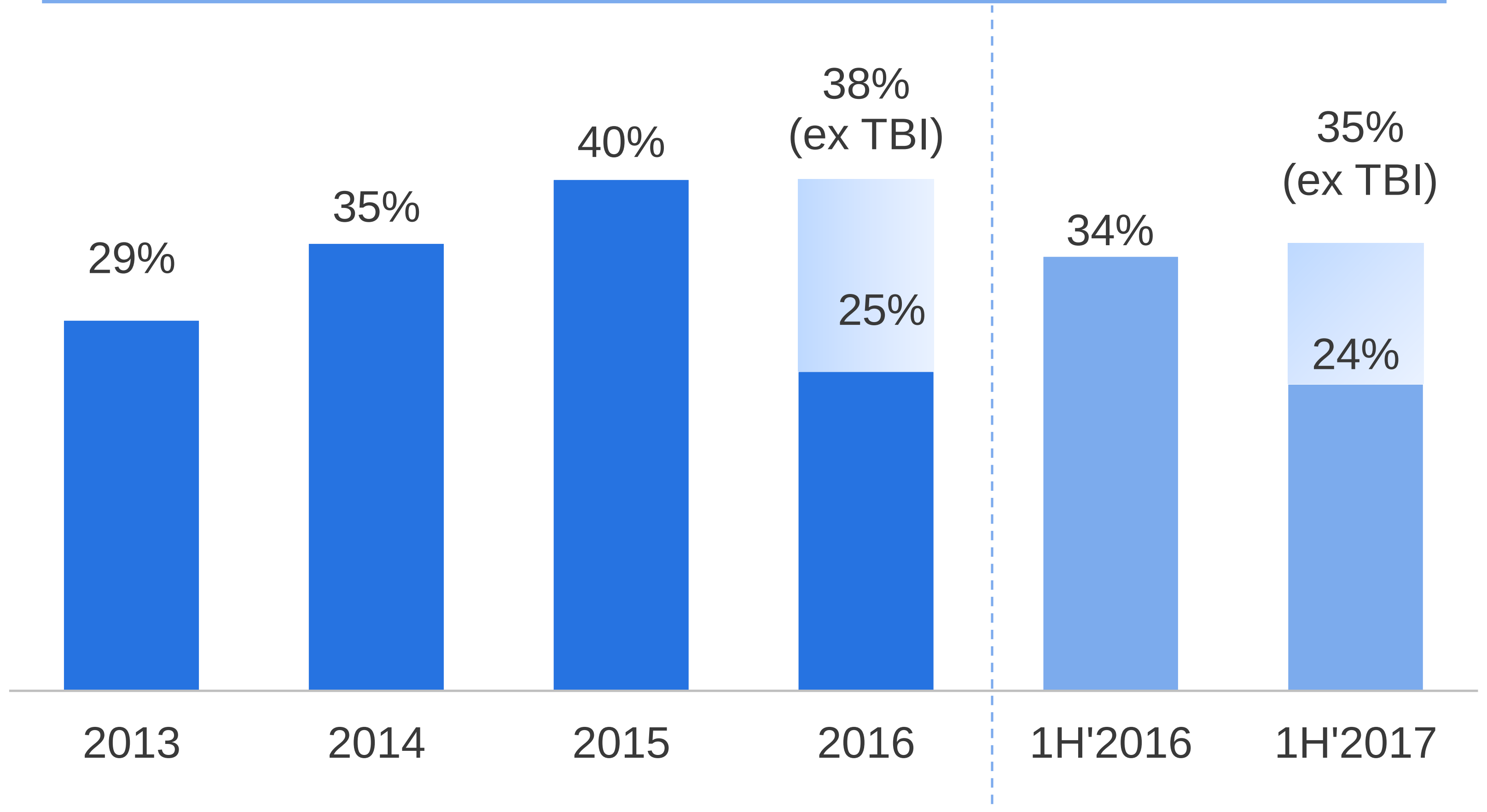
Revenue, m EUR



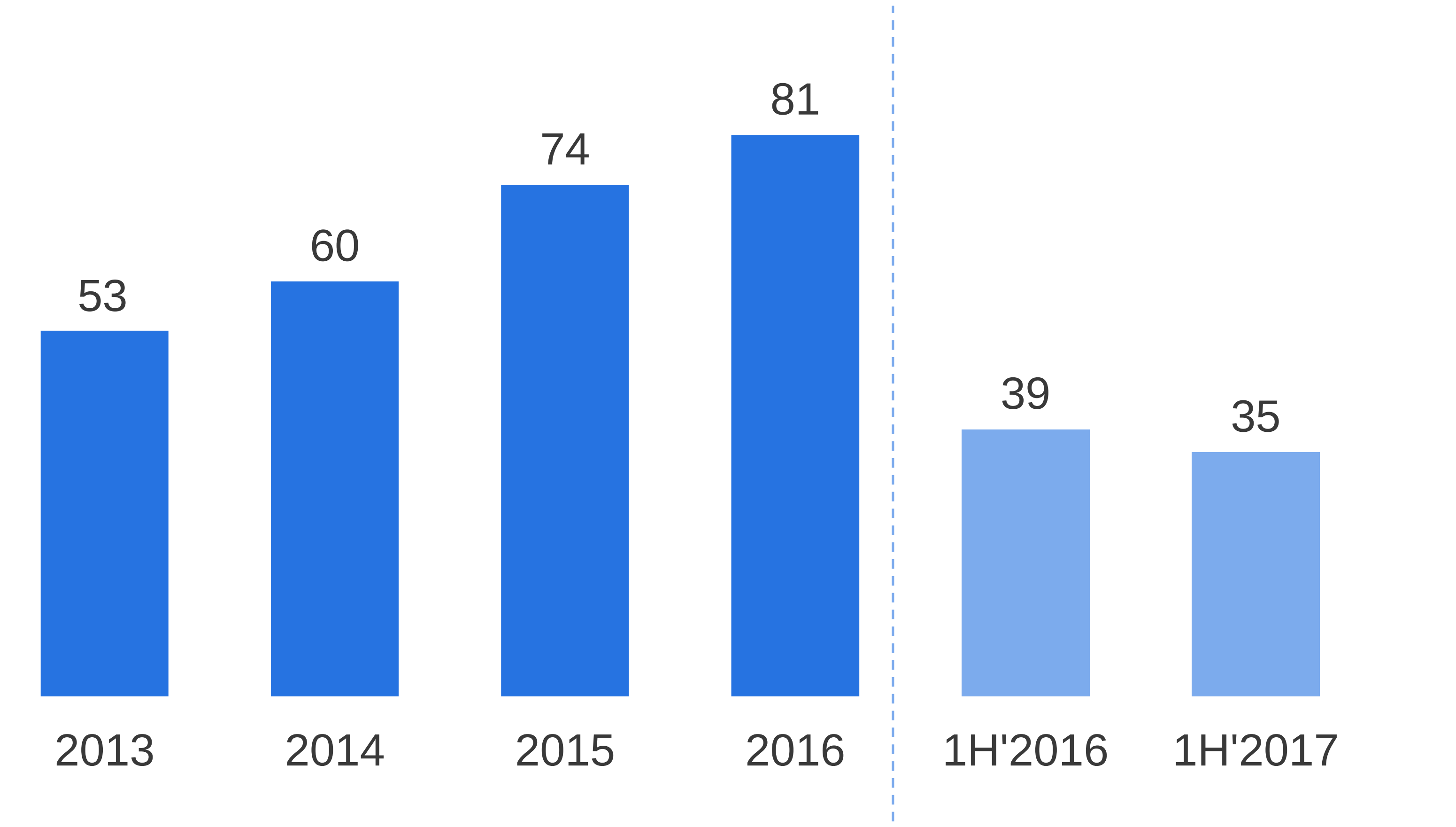
Adjusted EBITDA, m EUR



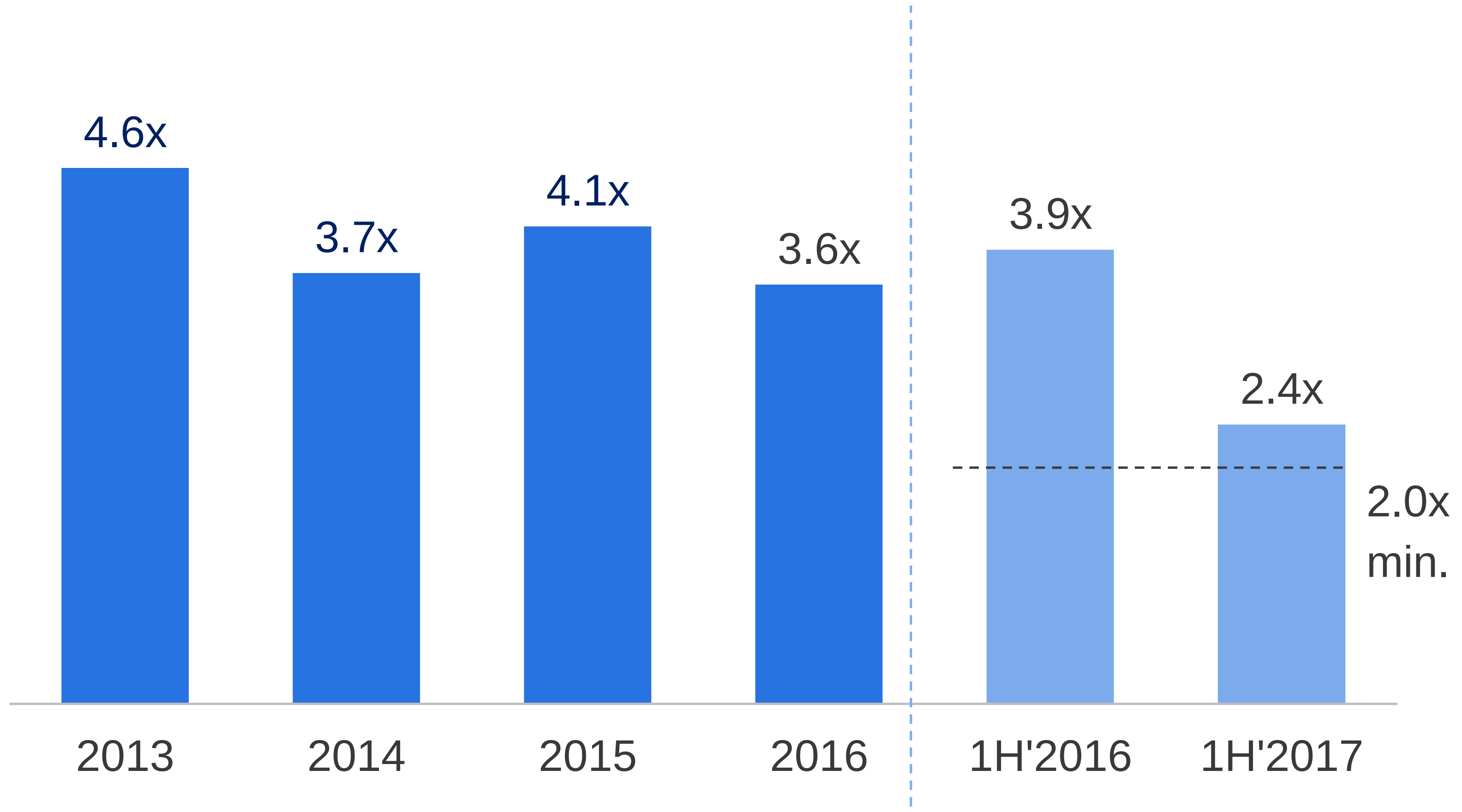
Capital to assets ratio, % (1)



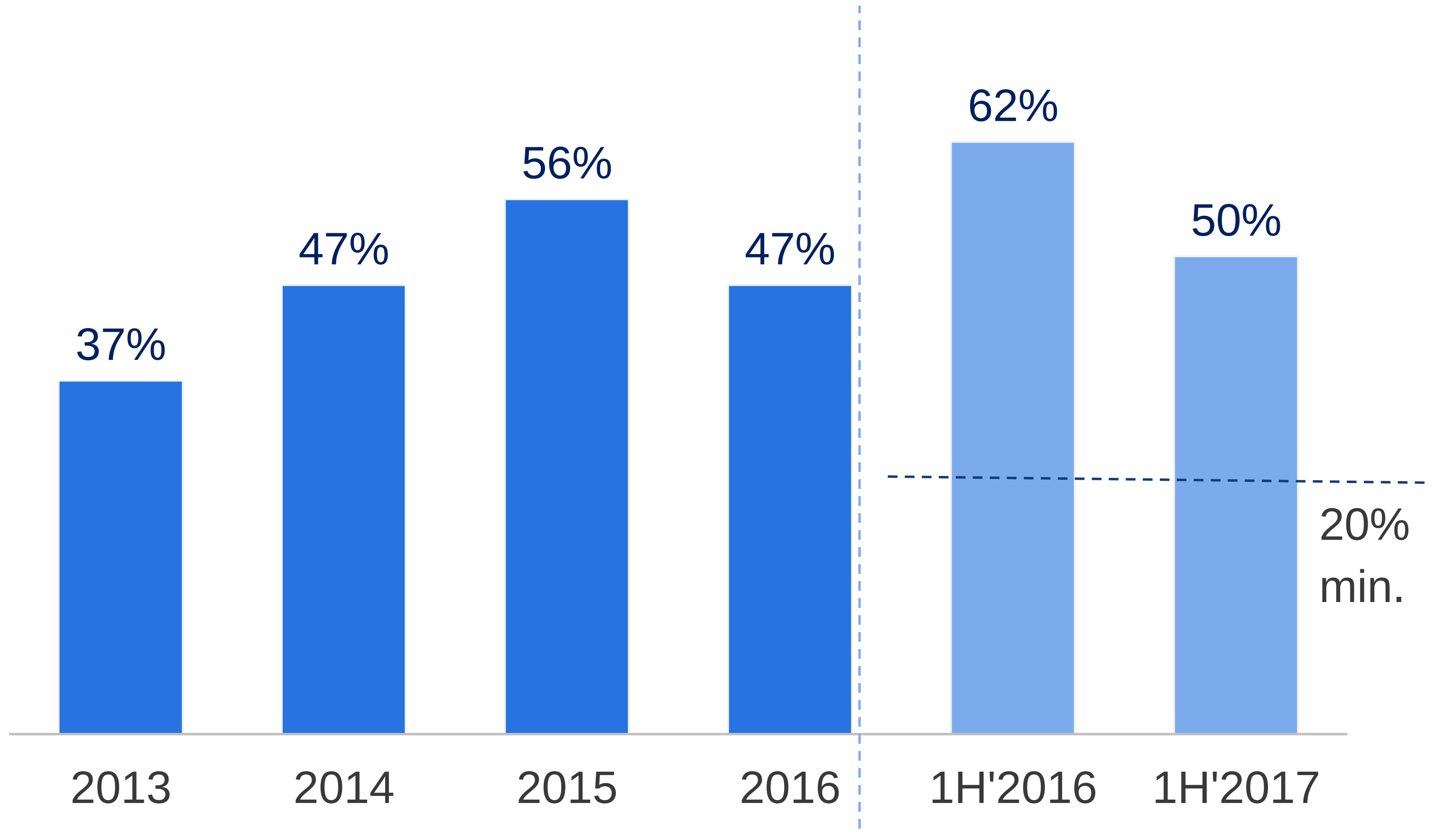
Profit before tax, m EUR



Adjusted interest coverage ratio



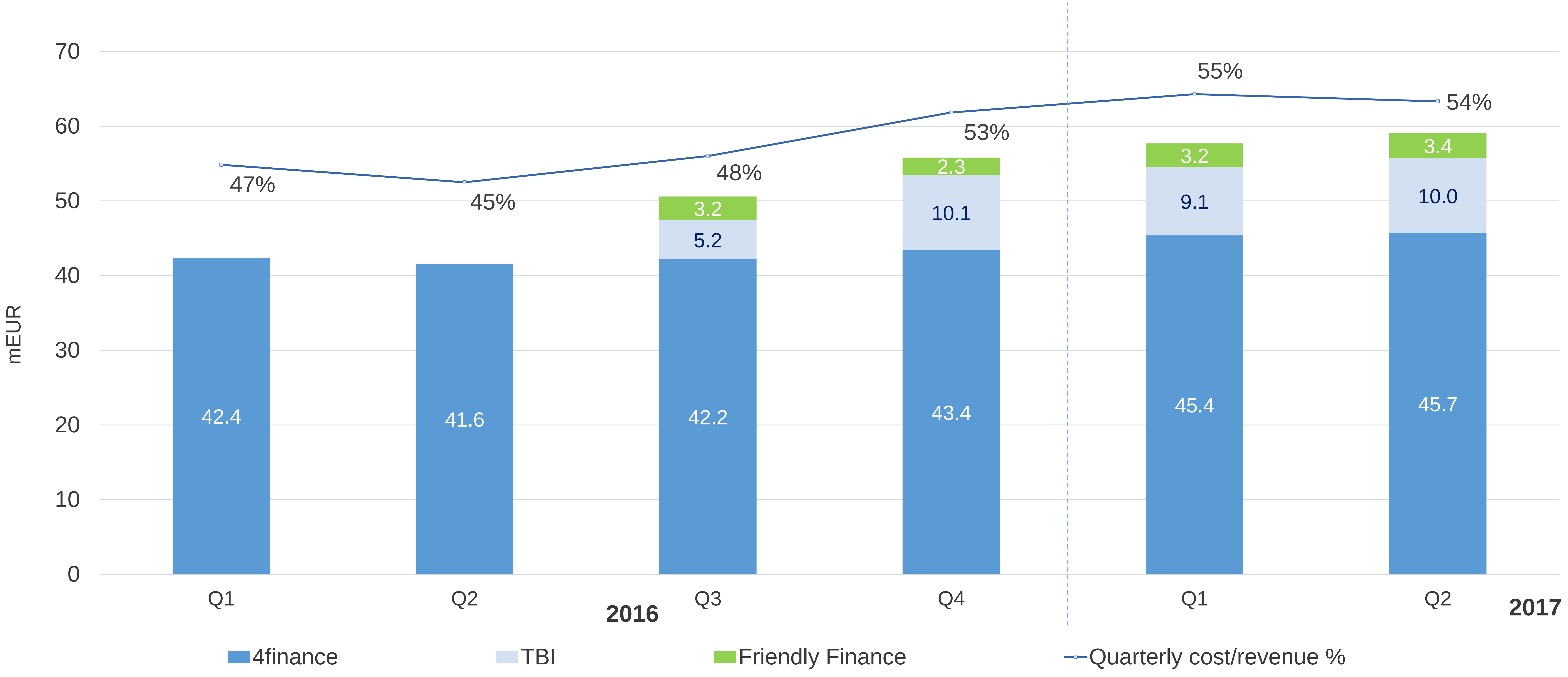
Capital/net loans, %



See appendix for definitions of key metrics and ratios

(1) Total assets figure for 2014 adjusted for the effect of bonds defeasance

Quarterly expenses breakdown



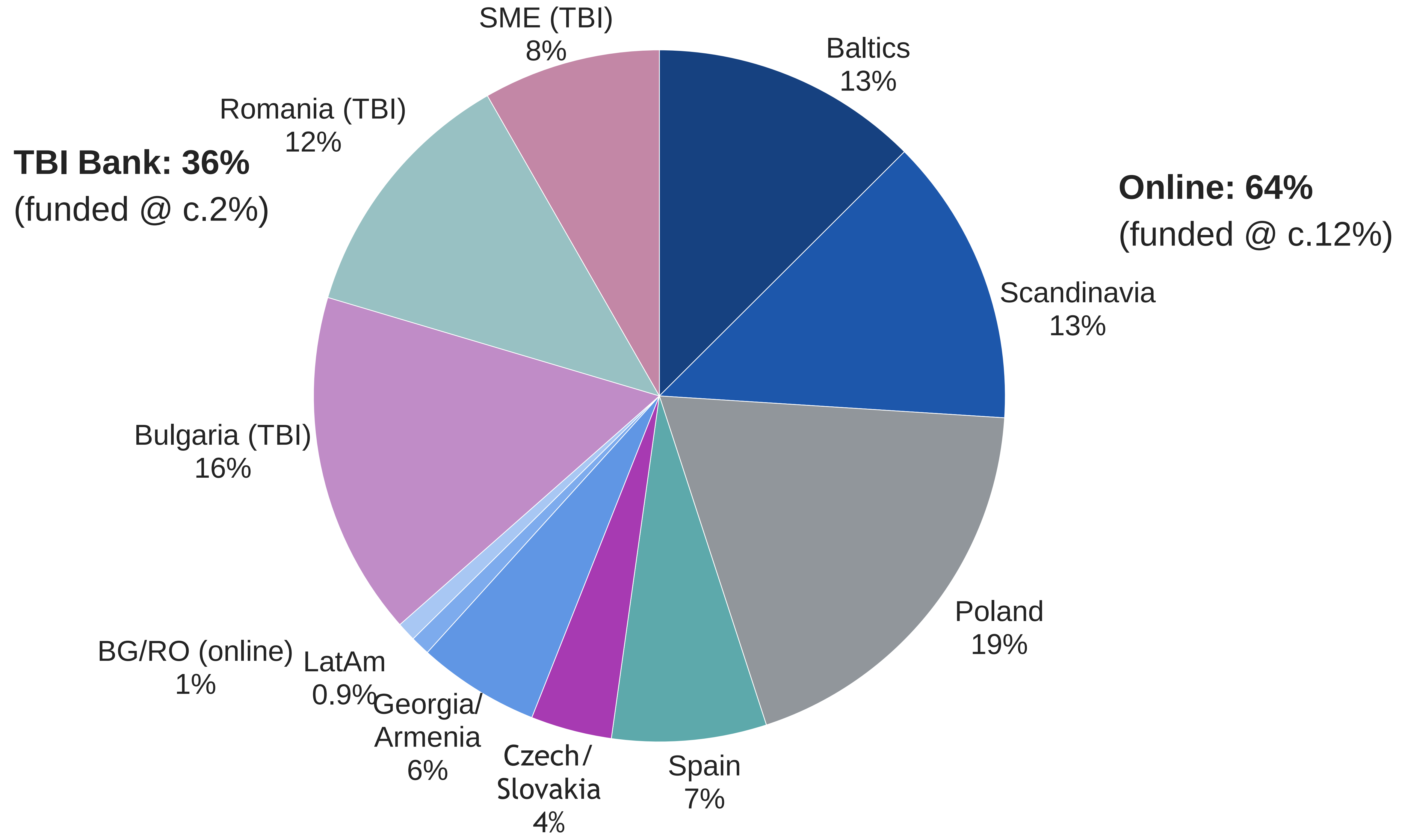
- Limited growth in costs excluding impact of acquired businesses
- Overall cost to revenue ratio a focus: revenue increase from growth in non-mature products plus cost efficiency improvements

Note: Q1-3 figures reflect reported unaudited results and Q4 figures reflect balance to full year audited results

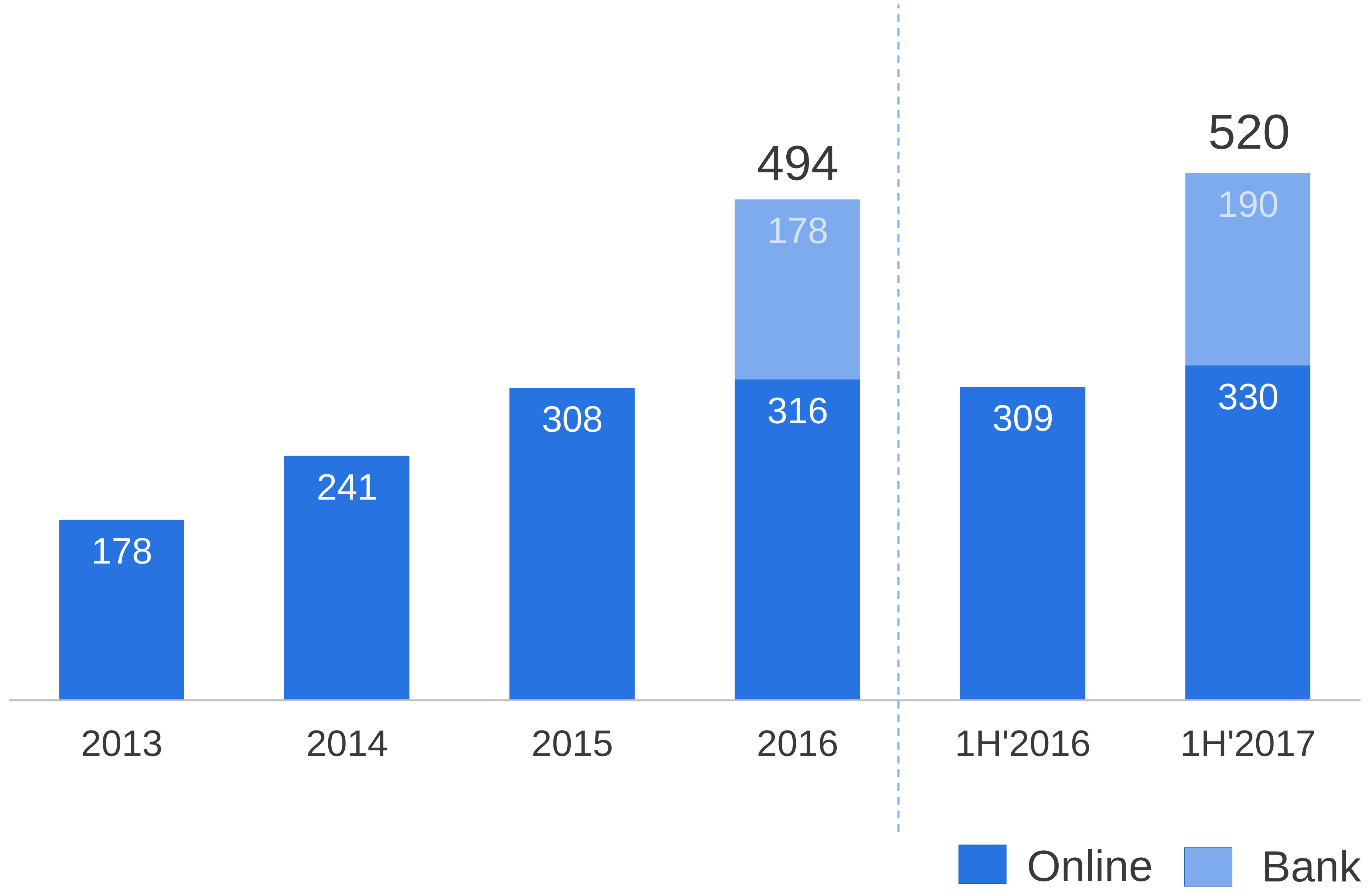
Diversified loan portfolio

- 13% year-on-year growth in online loan issuance to EUR 609m in 1H‘17
- Overall net loan portfolio totals EUR 520m
  - 5% year to date growth
  - 92% consumer loans
  - 64% online loans / 36% banking

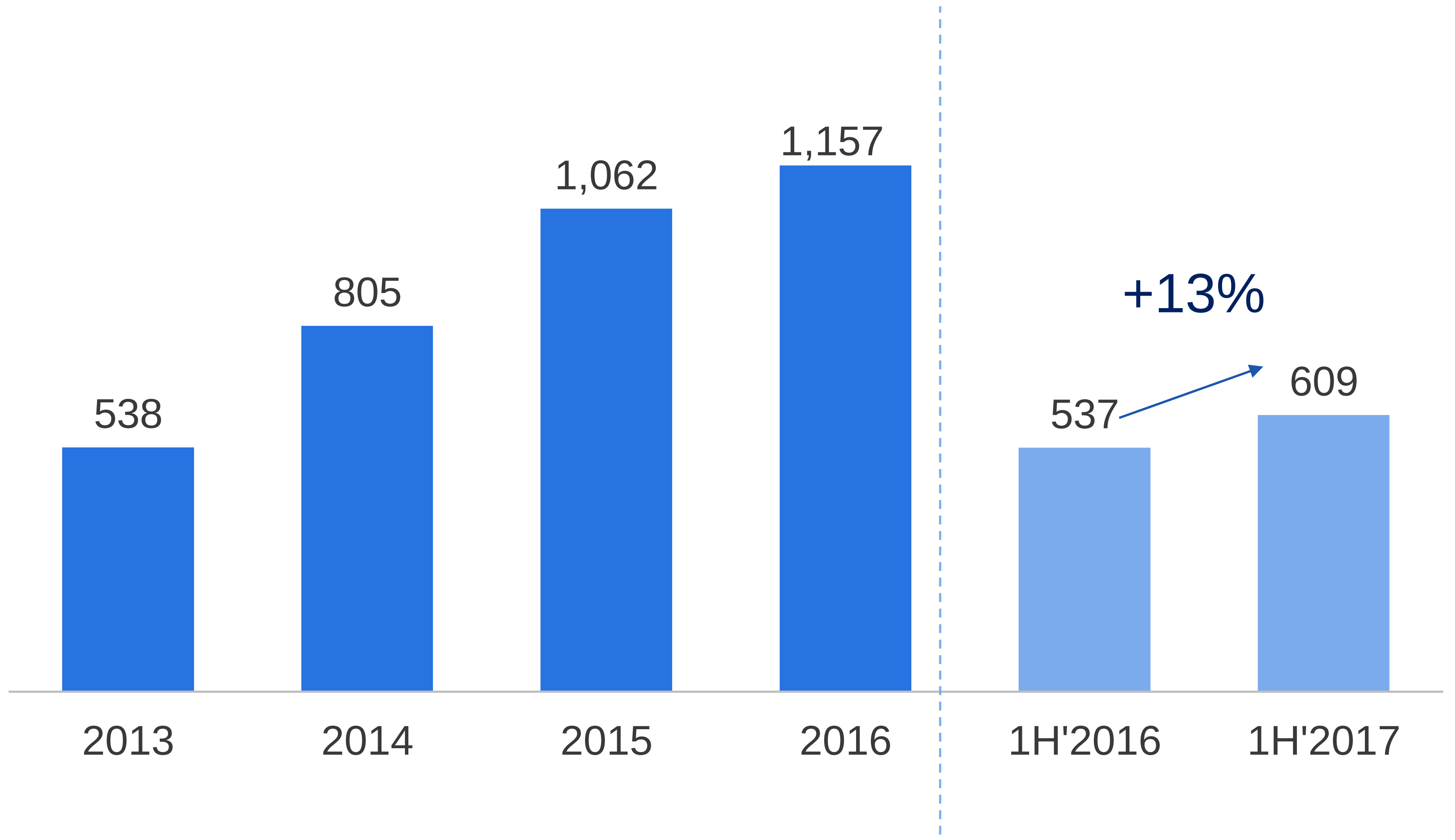
Net loan portfolio, 30/6/2017



Net loan portfolio(1), m EUR



Online loans issued(2), m EUR



(1) Gross loan portfolio less impairment provisions (2) Continuing operations only

Focus on active management of risk across the credit cycle

Underwriting stage

- Continual improvements in underwriting
  - Integration of additional data sources
  - New and refined scorecards
  - Developing risk-based pricing
- Adapting acceptance criteria in response to regulatory changes
  - Pricing limitations introduced in certain markets
  - Acceptance criteria and cut-offs tightened to maintain risk/reward and impairment/revenue metrics
  - Also results in lower NPL formation

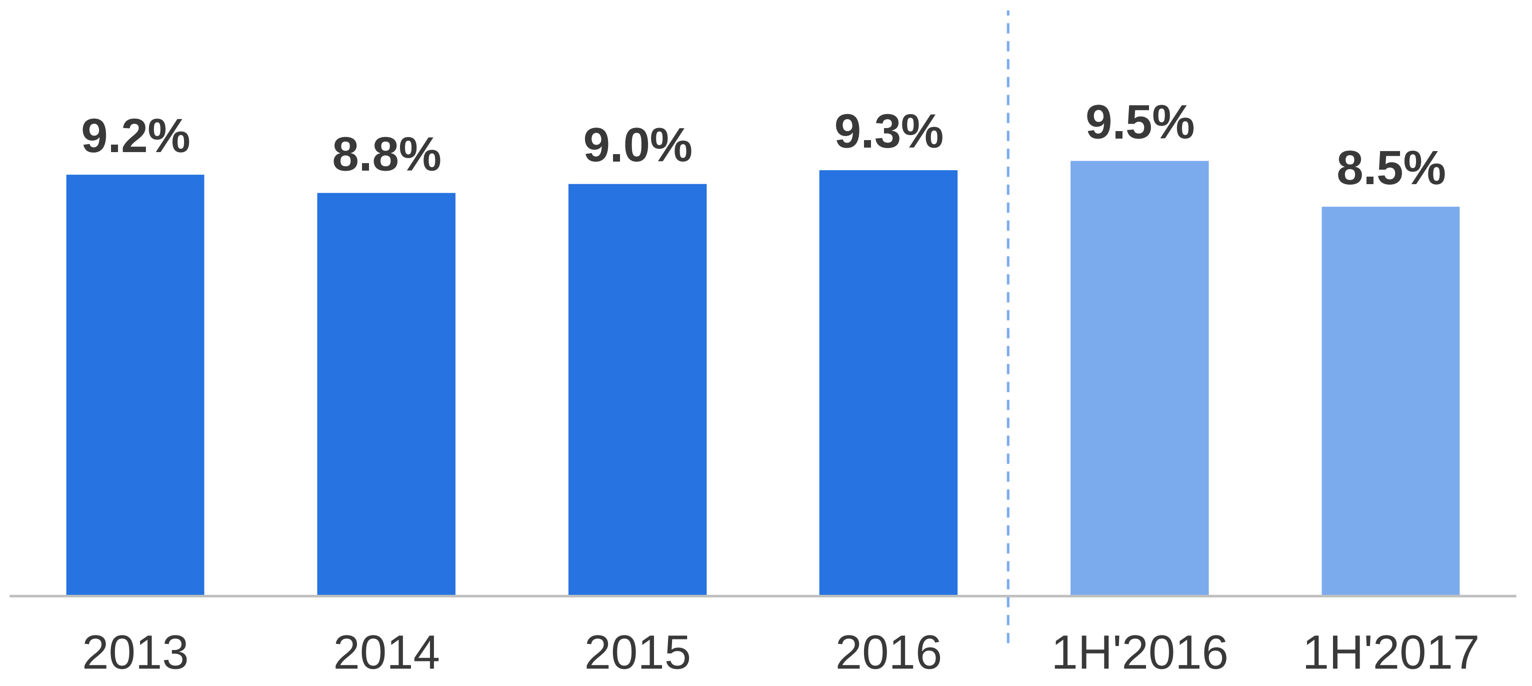
Collections / Sale stage

- Strengthen in-house collection strategies
  - Greater segmentation and risk-based scorecards for collections
  - Focus on LatAm now volumes are increasing
- Increasing NPL debt sales
  - Continual assessment of in-house recoveries vs potential sale price
  - SPL product has attractive, granular characteristics for purchasers
  - Increasing maturity of countries, eg Spain, Poland, gives greater portfolio sale opportunities
  - Forward flow agreements in certain countries

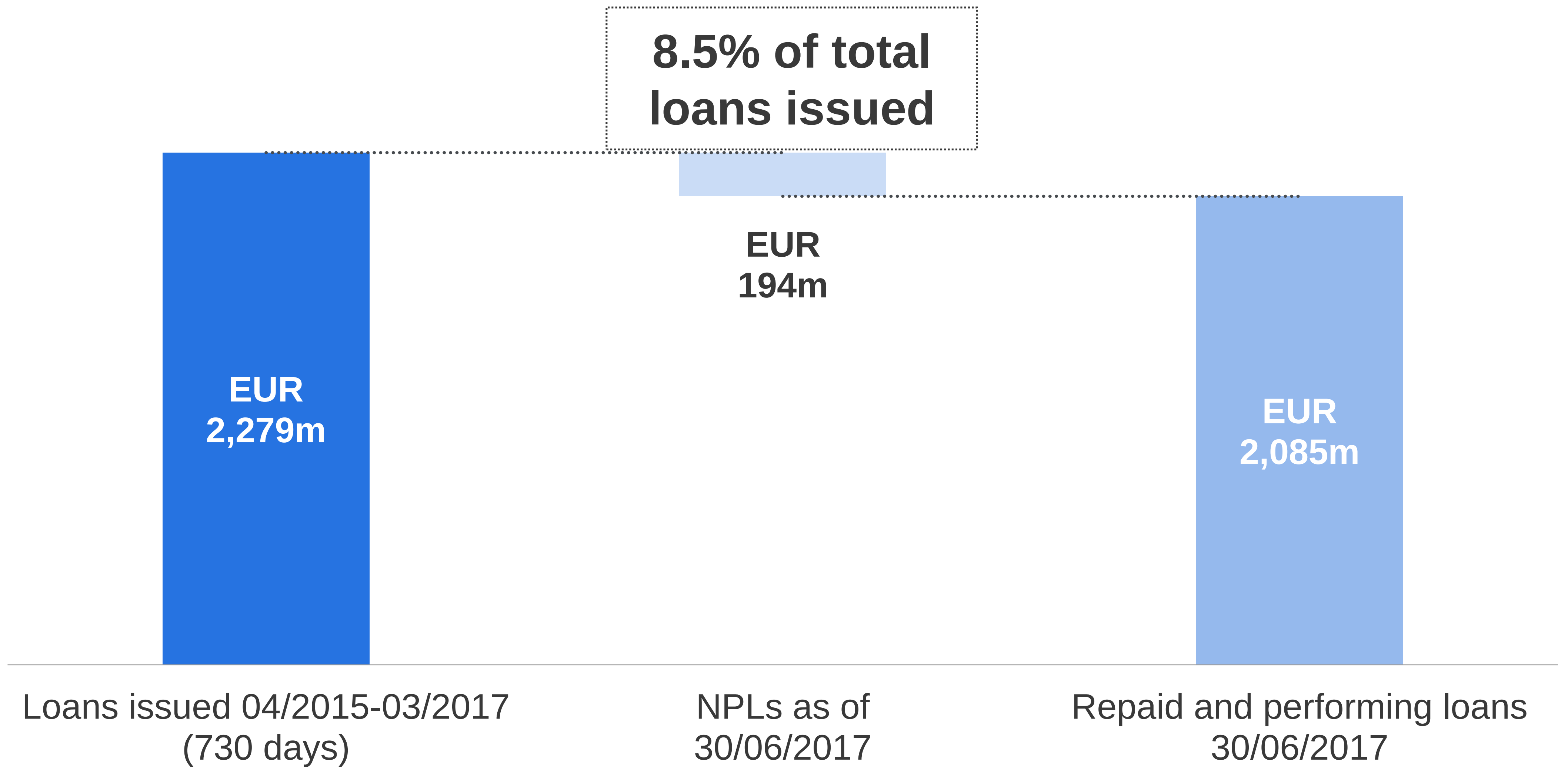
Online: non-performing loans and provisioning stable

- Loans that are overdue more than 90 days are considered as non-performing (NPLs)
- As of 30/06/2017, NPLs represented 8.5% of total online issued loans over the last 730 days (ie the period NPLs remain on balance sheet)
- Actual loss experienced on NPLs is approximately 50%-60% (57% as of 30/06/2017)
- Provisions for default are typically 5-10 p.p. higher

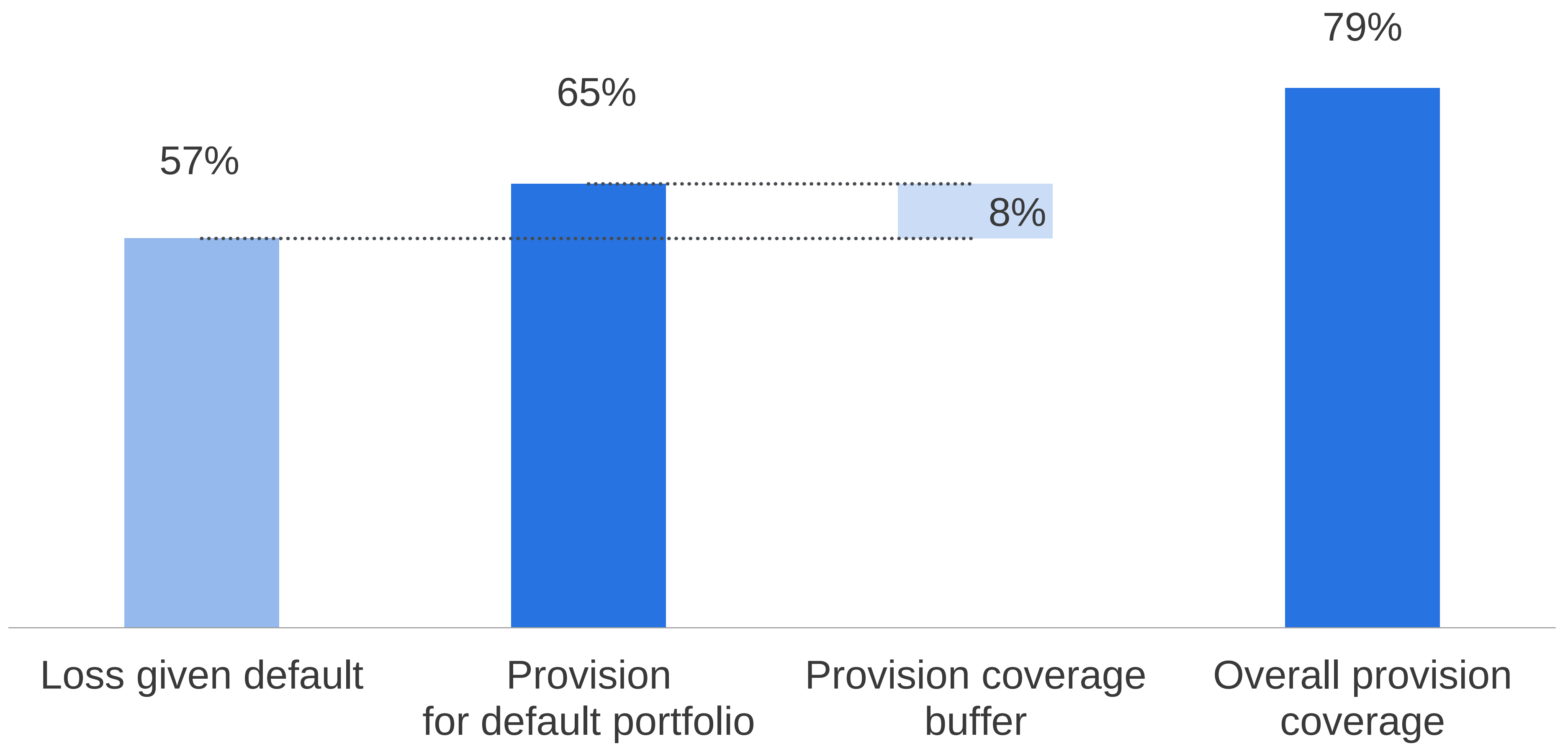
Stable NPLs to issued loans ratio(1)



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

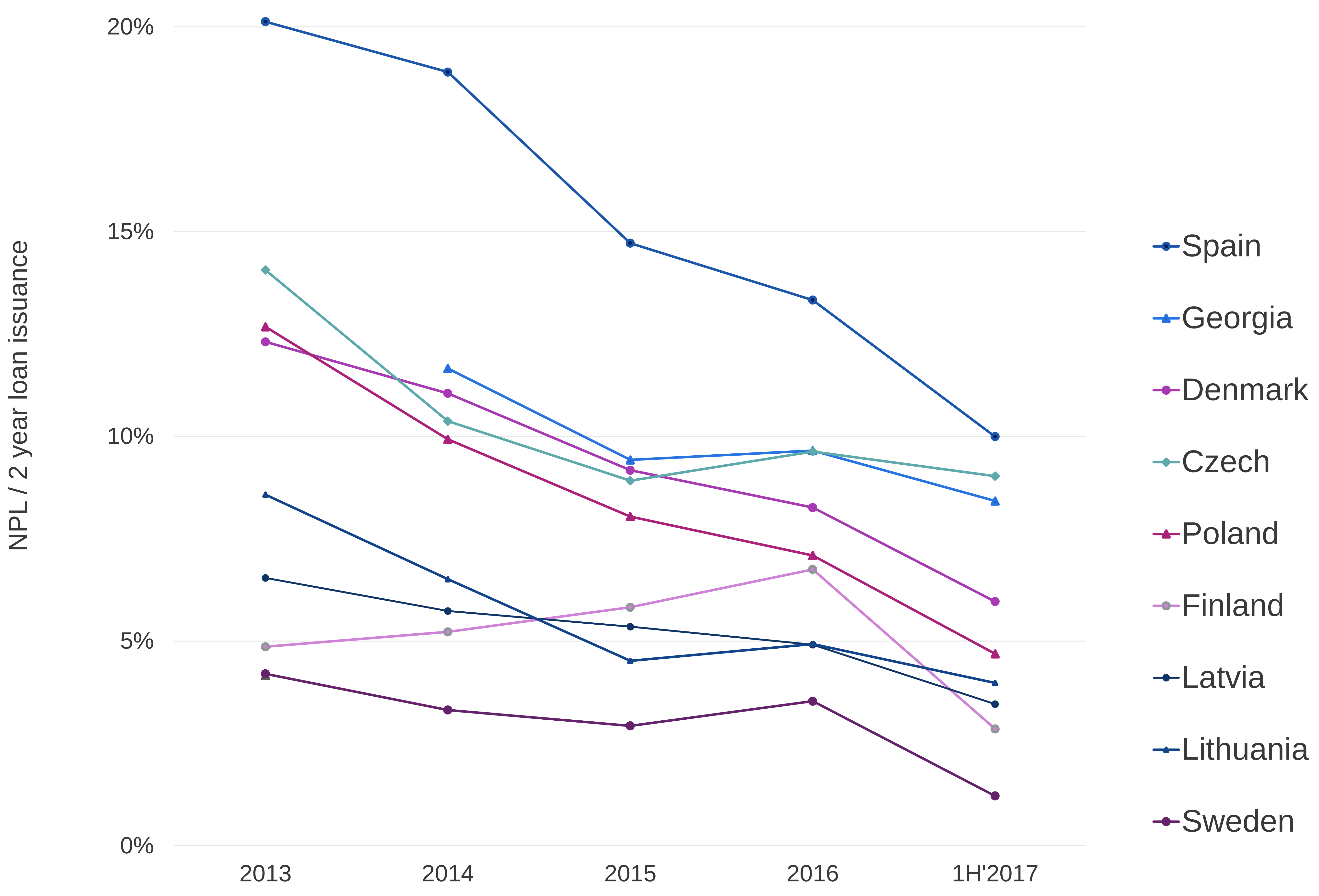


Conservative online loan provision coverage



(1) Total issued loans include the amount of online loans issued, excluding TBI Bank, during 730 days ending 90 days prior to the end of period. See appendix for further definitions.

Online: 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)
  - Impact of debt sales in certain markets (eg Poland, Spain, Sweden, Finland)
- Higher NPL ratio countries also have higher interest rates and revenue
  - Impairment / revenue ratio stable

Responsible lending and regulatory compliance

- What does responsible lending mean to 4finance?
  - **Marketing:** clear, simple and transparent products and terms
  - **Pricing:** position rates at lower end of market to ‘self select’ responsible borrowers who ‘shop around’
  - **Underwriting:** credit check and underwriting for ALL loans, including returning, with 30% average new customer acceptance
  - **Customer care:** local language, well staffed and responsive teams
  - **Extensions:** no ballooning interest (interest paid for prior month) or ‘cycle of debt’
  - **Repayments:** “push” payments from customer to 4finance, no automatic withdrawal from bank accounts

- Regulatory relationships are strategic to our business
  - Appointment of Chief Compliance Officer
  - Good customer outcomes are critical: introducing a Customer Charter
  - Ensuring best practice throughout the business

Conclusion

- Inflection point in financial services = significant market opportunity
- 4finance is uniquely positioned given existing scale and experience
- Solid H1 results continue established track record of delivery
- Optimise existing business: growth and efficiency
- Bridge to the future: develop near-prime products
- Establishing team, board and culture to deliver the next stage of growth

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Thank you and Questions

Appendix

Income statement

M EUR	1H'2016 (unaudited)	1H'2017 (unaudited)	% change
Interest income	**182.8**	**213.6**	**+17%**
Interest expense	(15.8)	(29.2)	+85%
Net interest income	**167.1**	**184.4**	**+10%**
Net fee and commission income	-	4.5	n/a
Net impairment losses on loans and receivables	(45.6)	(47.0)	+3%
General administrative expenses	(84.0)	(116.8)	+39%
Other income/(expense)	1.2	10.1	n/m
Profit before tax	**38.6**	**35.3**	**(9)%**
Tax	(7.5)	(9.2)	+23%
Profit for the period	**31.1**	**26.1**	**(16)%**
Net impairment to revenue ratio %	25%	22%	
Cost to income ratio %	46%	55%	
Profit before tax margin %	21%	17%	

Balance sheet

M EUR	FY'2016 (audited)	1H'2017 (unaudited)
Net loans and advances	**493.9**	**519.8**
Cash and cash equivalents	157.6	278.4
Placements with other banks	4.8	5.3
Assets held for sale	8.6	8.9
Property and equipment (net)	12.3	11.6
Intangible assets (IT platform)	39.8	42.2
Goodwill	43.4	43.4
All other assets	171.0	185.2
Total assets	**931.4**	**1,094.8**
Loans and borrowings	397.2	488.9
Deposits from customers	237.1	263.8
All other liabilities	66.9	80.7
Total liabilities	**701.2**	**833.4**
Total equity	**230.1**	**261.3**
Total equity and liabilities	**931.4**	**1,094.8**

KEY RATIOS	FY'2016 (audited)	1H'2016 (unaudited)	1H'2017 (unaudited)
Capital/assets ratio	25%	34%	24%
Capital/net loan portfolio	47%	62%	50%
Adjusted interest coverage ratio	3.6x	3.9x	2.4x
Return on average equity(1)	31%	33%	21%
Return on average assets(1)	9%	12%	5%

(1) RoAE and RoAA based on net profit and start-and-end-of-period averages

Glossary/Definitions

- **Adjusted EBITDA** – a non-IFRS measure that represents EBITDA (profit for the period plus tax, plus interest expense, plus depreciation and amortization) 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.
- **Adjusted interest coverage** – Adjusted EBITDA/interest expense
- **Capital/assets ratio** – Total equity/total assets
- **Capital/net loan portfolio** – Total equity/net customer loan portfolio
- **Cost/revenue ratio** – General administrative expenses/interest income
- **Interest income** – Interest and similar income generated from our customer loan portfolio
- **Loss given default** – Loss on non-performing loans (i.e. 1 - recovery rate) based on recoveries on 21/36 month window for single payment/instalment loans, reduced by costs of collection, discounted at weighted average cost of capital
- **Net impairment to revenue ratio** – Net impairment losses on loans and receivables/interest income
- **Net loan portfolio** – Gross loan portfolio less impairment provisions
- **Non-performing loans** – Loans that are over 90 days past due
- **Non-performing loans to loan issuance ratio** – Non-performing online loans /value of online loans issued. The value of loans issued represents online loans issued for the two-year period before commencement of the 90 day past-due period, eg for 30 June 2017: 1 April 2015 to 31 March 2017
- **Overall provision coverage** – Allowance account for provisions / non-performing loans
- **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)

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