4FINANCE HOLDING S.A. REPORTS RESULTS FOR THE YEAR ENDING 31 DECEMBER 2017

INTEREST INCOME UP 14%, NORMALISED PRE-TAX PROFIT €57.0 MILLION, STRONG INSTALMENT LOAN GROWTH

28 February 2018. 4finance Holding S.A. (the 'Group' or '4finance'), Europe's largest mobile consumer lending group, today announces unaudited consolidated results for the twelve months ending 31 December 2017 (the 'Period').

Operational Highlights

- 8.3 million online credit decisions made in 2017, resulting in over 6 million loans issued (16.6 thousand loans per day).
- Online loan issuance volume during the Period grew by 10% year-on-year to €1.28 billion from €1.16 billion in 2016.
- Single Payment Loan issuance volume up 6% year-on-year, with LatAm Single Payment Loan issuance volume up 34% quarter-on-quarter.
- Instalment Loan issuance volume up 47% year-on-year, with double digit quarter-on-quarter growth throughout 2017.
- Online lending active customers reached 1.03 million in the Period, up 5% from a year ago.
- TBI Bank loan issuance volume during the Period grew by 31% year-on-year to €0.25 billion from €0.19 billion.
- TBI Bank active borrowing customers reached 0.44 million, up 4% from a year ago, with 0.19 million current accounts as of 31 December 2017, up 23% from a year ago.

Financial Highlights

- Interest income up 14% year-on-year to €448.0 million in the Period compared with €393.2 million in the prior year, delivered despite the €34 million reduction in markets impacted by regulation (Georgia and Lithuania).
- Operating income up 11% year-on-year to €405.9 million in the Period, despite higher interest expense.
- Net receivables reached €593.0 million as of 31 December 2017, up 20% from a year ago.
- Adjusted EBITDA was €135.5 million for the Period, down 1% year-on-year, with adjusted interest coverage of 2.2x.
- Normalised profit before tax for the Period was €57.0 million, decreasing 30% year-on-year from €81.0 million in 2016, driven by higher interest expense and faster growth in operating costs and impairment charges compared to interest income.
- Following a thorough balance sheet review, a decision was taken to write down a number of intangible assets (goodwill, IT and tax) and bond deferred expenses in the fourth quarter. This resulted in one-off non-cash charges of €51.1 million.
- Cost to income ratio for the Period was 57%, vs. 51% for 2016, reflecting staff cost growth and increased investment during 2016 and acquisitions in the latter half of 2016.
- Financial strength remains solid, with equity to assets ratio of 19% (or 14% post IFRS 9 adoption) as of 31 December 2017 and equity / net receivables of 33% (26% post IFRS 9) following the one-off adjustments and ordinary dividend payment of €16 million in December 2017.
- Continued improvement in asset quality, with an overall gross NPL ratio of 26.7% as of 31 December 2017 (33.4% for online) compared with 33.1% as of 31 December 2017 (42.0% for online).
- The cost of risk for the online business was 20.6% for the Period, compared to 19.6% in 2016 and for TBI Bank 3.9% for the Period, compared to 3.1% in 2016.

Strategic Highlights

- Continued momentum in instalment loans, which are now offered in 11 countries following the launch in Georgia in October. Driven by improvements in our scorecards, we were able to increase both tenor and ticket size offered in more established markets.
- Our new IT platform, designed to better support business growth and facilitate IT cost reduction in the medium term, now nearing initial launch.
- Further progress on the early-stage development of near-prime products, with pilot launch in Sweden in 1H 2018.
- Continued strong performance of TBI Bank in standalone consumer business, and initial evidence of Group synergies in areas like payments processing.
- Strategic partnerships initiated in Mexico and Poland to accelerate access to a new customer base.
- Write-off period for past due loans shortened to 360 days (from 730 days) as part of adoption of IFRS 9 accounting standard on 1 January 2018, with expected net receivables reduction of 10% in line with guidance.

Mark Ruddock, CEO of 4finance, commented:

"The last quarter of 2017 was an important one for 4finance. Having clarified our vision and strategy, we undertook a thorough review of our business. As a result of this review, we decided to write down IP we no longer consider to be core, and to reduce intangible assets, such as goodwill on prior acquisitions, that we believe need to be re-set given the performance of those business lines, and the role they will play going forward. These are reflected in one-off non-cash charges in Q4 that resulted in us posting an overall loss for the year. As a management team and Board, we believe this puts us in a more robust position for the future.

"The underlying operating performance of our business remains strong. Record quarterly interest income of over 120 million euros, up 6% from Q3, helped interest income growth reach 14% year-on-year. This is powered by our diversification - we saw quarterly growth in 12 different markets. The positive trends in key growth areas, such as instalment loans and Latin America continue. Quarterly instalment loan receivables growth of nearly 25 million euros is our strongest ever and provides a solid revenue base going forward. Latin America contributed more to our top line in Q4 2017 than in the whole of 2016.

"As well as optimising our existing business, we are also investing for the future. Our new IT platform, which will launch in Q2, will bring significant long-term business benefits in scalability, flexibility, competitiveness and IT cost efficiency. The pilot of next-generation products in the Nordic region and the strategic partnerships we are developing will help us build a truly sustainable business.

"I would like to thank all of our staff across the globe for their hard work in 2017. Our human capital is a vital part of our ongoing success. We are especially excited, therefore, to welcome Daiga Ergle to the newly established ExCo role of Chief People Officer."

Contacts

Contact:	James Etherington, Head of Investor Relations
Email:	james.etherington@4finance.com / investorrelations@4finance.com
Website:	www.4finance.com

Conference call

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

A transcript of the conference call will be made available at www.4finance.com/investors.

About 4finance

Established in 2008, 4finance is the largest mobile consumer lending group in Europe with operations in 16 countries.

Leveraging a high degree of automation and data-driven insights across all aspects of the business, 4finance has grown rapidly, issuing over €5 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 (UK) and Miami (USA), and currently operates in 13 countries in Europe plus Argentina, Mexico and Dominican Republic. The Group also offers deposits, in addition to consumer and SME loans through its TBI Bank subsidiary, an EU licensed institution with operations 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.

Inside information

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

Key Financial Ratios

	Year Ended 31 December 2017	Year Ended 31 December 2016	Year Ended 31 December 2015
	2017	**2016**	**2015**
Capitalisation			
Net receivables (€m)(1)	593.0	493.9	308.3
Total assets (€m)	1,030.4	931.4	438.2
Total equity (€m)	192.7	227.6	173.3
Equity / assets ratio(2)	18.7%	24.4%	39.5%
Equity / net receivables(3)	32.5%	46.1%	56.2%
Adjusted interest coverage(4)	2.2x	3.6x	4.1x
TBI Bank capital adequacy ratio(5)	23.2%	24.0%	19.5%
Profitability			
Net interest margin:(6)			
- Online	65.4%	74.7%	78.0%
- TBI Bank	26.7%	23.6%	—
- Overall group	54.1%	65.0%	78.0%
Cost / income ratio(7)	56.8%	50.8%	45.7%
Normalised Profit before tax margin(8)	12.7%	20.6%	23.2%
Normalised Return on average equity(9)	15.2%	31.5%	44.8%
Normalised Return on average assets(10)	3.6%	9.2%	14.4%
Asset quality			
Cost of risk:(11)			
- Online	20.6%	19.6%	20.7%
- TBI Bank	3.9%	3.1%	—
- Overall group	15.6%	16.5%	20.7%
Gross NPL ratio:(12)			
- Online	33.4%	42.0%	37.0%
- TBI Bank	12.6%	10.9%	—
- Overall group	26.7%	33.1%	37.0%
Net impairment / interest income(13)	24.9%	22.8%	24.2%
Online NPLs to loan issuance ratio(14)	7.3%	9.3%	9.0%

Definitions and Notes below. For further definitions, please see the appendix. Normalised ratios are adjusted to remove the effect of the one-off adjustments to intangible assets in Q4 2017.

(1) Gross receivables (including accrued interest) less impairment provisions.
(2) Total equity/total assets.
(3) Total equity/net customer receivables (including accrued interest).
(4) Adjusted EBITDA/interest expense.
(5) TBI Bank (Tier One Capital + Tier Two Capital) / Risk weighted assets (calculated according to the prevailing regulations of the Bulgarian National Bank).
(6) Annualised net interest income divided by average gross receivables (total gross receivables as of the start and end of each period divided by two).
(7) Operating costs/operating income.
(8) Profit before tax/interest income.
(9) Annualised profit from continuing operations / average equity (total equity as of the start and end of each period divided by two).
(10) Annualised profit from continuing operations / average assets (total assets as of the start and end of each period divided by two).
(11) Annualised net impairment charges / average gross receivables (total gross receivables as of the start and end of each period divided by two). The TBI Bank figure for FY 2016 refers to Q4 2016 annualised.
(12) Non-performing receivables (including accrued interest) with a delay of over 90 days/gross receivables (including accrued interest).
(13) Net impairment charges on loans and receivables/interest income.
(14) Non-performing online receivables / 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 31 December 2017: 1 October 2015 to 30 September 2017.

FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated statement of profit and loss for the twelve months ending 31 December 2017 and 31 December 2016. Additional reference information on the historic quarterly development of our income statement is shown in the appendix to this report.

	12 months to 31 December		
	2017 (unaudited)	2016 (unaudited)	% change
	(in millions of €)		
Interest Income	448.0	393.2	+14 %
Interest Expense	(61.9)	(38.7)	+60 %
Net Interest Income	**386.0**	**354.5**	**+9 %**
Net F&C Income	10.7	3.2	n/m
Other operating income	9.2	6.7	+37 %
Non-Interest Income	**19.9**	**9.9**	**+102 %**
Operating Income	**405.9**	**364.3**	**+11 %**
Total operating costs	**(230.7)**	**(185.1)**	**+25 %**
Non-recurring income/(expense)	6.1	4.1	+49 %
Net FX gain/(loss)	(4.0)	(7.3)	(46)%
Depreciation and amortisation	(8.9)	(5.1)	+73 %
One-off adjustments to intangible assets	(46.1)	—	n/m
Pre-provision operating profit	**122.4**	**170.9**	**(28)%**
Net impairment charges	(111.5)	(89.8)	+24 %
Profit before tax	**10.9**	**81.0**	**(87)%**
Income tax expense, of which:	(26.2)	(17.8)	+47 %
- One-off reduction in deferred tax assets	(5.0)	—	n/m
Net profit/(loss) after tax	**(15.2)**	**63.2**	**n/m**
Normalised profit before tax, excluding one-offs	**57.0**	**81.0**	**(30)%**

Interest income

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

	12 months to 31 December		
	2017	2016	% change
Online lending	*(in millions of €)*		
Total value of loans issued	1,276.0	1,156.5	+10%
Average net receivables	342.5	320.9	+7%
Annualized interest income / average net receivables	113%	116%	
Interest income from online lending	385.9	373.4	+3%
Banking operations			
Average net receivables	200.9	—	
Annualised interest income / average net receivables	31%	—	
Interest income from banking operations (1)	62.0	—	

Note (1) See appendix for full TBI Bank income statement.

Interest income for the Period was €448.0 million, a 14% increase compared with €393.2 million for the twelve months ending 31 December 2016. Growth in interest income from online lending was 3%, reflecting the 7% increase in the average balance of net receivables and a lower average interest yield. The contribution from Georgia and Lithuania was lower by a total of approximately €34 million compared to 2016 following regulatory changes in those markets. Updated product offerings have now been launched in both markets.

TBI Bank's average interest rates increased during 2017 with an increased proportion of consumer lending (cash lending, point-of-sale lending and credit cards) with rates that average 45-50% p.a. compared to SME loans with average interest rates of approximately 8-14% p.a. TBI Bank also generates income which is reported separately in either the 'net fee and commission' and 'other operating income' lines.

Interest expense

Interest expense for the Period was €61.9 million, a 60% increase compared with €38.7 million for the twelve months ending 31 December 2016. This increase is mainly due to the new EUR bonds issued in May and November 2016 and the US$ bond issuance and refinancing in April 2017. As described in the 'loans and borrowings' section, the capitalisation of deferred expenses in respect of the US$ bonds has been adjusted, resulting in an additional €0.3 million of interest expense for 2017.

Non-interest income

Non-interest income for the period was €19.9 million, a 102% increase compared with €9.9 million reported for the twelve months ending 31 December 2016. The increase was mainly due to the net fee and commission generated by TBI Bank, primarily fees from insurance sales to its customers.

Total operating costs

Total operating costs reported for the Period were €230.7 million, a 25% increase compared with €185.1 million reported for the twelve months ending 31 December 2016. The increase primarily reflects the inclusion of a full twelve months of cost base from acquisitions made in mid-2016, i.e. €15.5 million in the Period from Friendly Finance compared with €5.4 million in 2016 and €39.4 million from TBI Bank compared with €14.1 million in 2016. Excluding these acquisitions, operating costs grew by 4% year-on-year.

The increase in personnel costs also reflects the significant staff growth last year, mainly attributable to hiring during 2016 in product development, IT, risk, legal & compliance and finance as well as in newer markets.

Marketing expense has been reduced as a proportion of interest income as a result of media buying efficiencies, economies of scale and greater use of marketing technologies. Additional marketing investments were made in the fourth quarter in some countries.

The table below sets out a breakdown of the Group’s total operating costs. Depreciation and amortisation amounts are now shown as a separate line on the income statement so that operating costs better reflect actual cash costs.

	12 months to 31 December	
	2017	**2016**
	(in millions of €)	
Personnel costs	95.1	68.4
Marketing and sponsorship	56.3	55.7
Legal and consulting	11.4	12.1
Research and development	9.9	7.9
IT expenses	9.1	3.6
Debt collection costs	8.3	8.3
Rent and utilities	7.2	5.2
Application processing costs	7.1	5.0
Bank services	4.3	3.1
Communication expenses	4.3	4.5
Taxes	3.8	2.1
Travel	2.3	2.5
Other	11.6	6.7
Total	**230.7**	**185.1**
Of which:		
Friendly Finance	15.5	5.4
TBI Bank	39.4	14.1
4finance excl. acquisitions	175.7	165.6

For the twelve months of 2017 and 2016, marketing and sponsorship costs accounted for 24% and 30% respectively, and personnel costs accounted for 41% and 37%, respectively, of total operating costs. The cost to income ratio for the Period was 57%, an increase from 51% in 2016.

Non-recurring income

Net non-recurring income for the Period amounted to €6.1 million. For the twelve months ending 31 December 2016, net non-recurring income was €4.1 million. The majority of the non-recurring income in the Period was due to TBI Bank (mainly portfolio sale gains and rental income). The net impact of foreign exchange changes and one-off year end adjustments are shown in separate lines.

One-off adjustment of intangible assets

At year end, write-downs of intangible assets totalling €46.1 million were made to bond deferred expenses, goodwill associated with the Friendly Finance acquisition and IT intangible assets. A further reduction of €5.0 million in deferred tax assets is included in the tax expense line.

As described in the 'loans and borrowings' section, the capitalisation of deferred expenses in respect of the US$ bonds has been adjusted, resulting in a non-recurring finance charge of €6.3 million. The goodwill adjustment of €22.0 million and IT intangible assets adjustment of €17.8 million are described in the 'intangible assets' section.

In the Group's audited 2017 financials it is expected that some of these charges will be included within 'operating costs', however they are shown separately here for clarity and to facilitate comparison of underlying results with prior periods.

Pre-provision operating profit

For the reasons stated above, the Group's pre-provision operating profit for the Period was €122.4 million, a 28% decrease compared with €170.9 million for the twelve months ending 31 December 2016.

Net impairment charges on loans and receivables

Net impairment charges for the Period were €111.5 million, a 24% increase compared with €89.8 million for the twelve months ending 31 December 2016. Increased loan origination during the second half of the year contributed to an increase in impairment charges compared to H1 2017. Together with the lower contribution from debt sales in H2 this drove the increase in net impairment charges.

	12 months to 31 December	
	2017	**2016**
	(in millions of €)	
Impairment charges on loans	136.5	105.9
Over provision on debt portfolio (portfolio sale net proceeds)	(15.0)	(7.6)
Recovery from written-off loans	(10.0)	(8.5)
Net impairment charges	**111.5**	**89.8**

Overall net impairment charges represented 25% of interest income for the Period, a slight increase from 23% last year. The net impairment charges for the online business compared to average online gross receivables, i.e. cost of risk, also increased slightly to 20.6% in the Period from 19.6% last year. This is calculated excluding TBI Bank given the bank was acquired near the end of the prior year period.

Profit before tax

For the reasons stated above, the Group's profit before tax for the Period was €10.9 million, a 87% decrease compared with €81.0 million for the twelve months ending 31 December 2016. The profit before tax margin, was 2% for the Period (or 12.7% on a normalised basis), a reduction from 21% for the twelve months ending 31 December 2016.

Corporate income tax

The Group's corporate income tax expense increased by 47% to €26.2 million for the Period, compared with €17.8 million for the twelve months ending 31 December 2016. A significant part of this increase results from the de-recognition of deferred tax assets of €5.0 million at the end of 2017, as described in the 'intangible assets' section on page 10.

The following table sets out a breakdown of the Group's corporate income tax.

	12 months to 31 December	
	2017	2016
	(in millions of €)	
Current tax	33.5	28.5
Deferred tax	(7.4)	(10.7)
Total	**26.2**	**17.8**

Given the reduced level of profit before tax from one-off adjustments, most of which were non-deductible in nature, the effective tax rate for the Period was 239%, an increase compared with 22% for the twelve months ending 31 December 2016.

Profit/(loss) for the period

For the reasons stated above, the loss for the Period was €15.2 million, compared with a profit of €63.2 million for the twelve months ending 31 December 2016.

Excluding the effects of the one-off non-cash charges taken in the fourth quarter, normalised profit was €57.0 million before tax and €35.9 million after tax.

Other financial data – EBITDA and Adjusted EBITDA

	Year Ended 31 December 2017	Year Ended 31 December 2016	Year Ended 31 December 2015
	2017	**2016**	**2015**
		(in millions of €)	
Profit for the period	(15.2)	63.2	64.1
Provision for corporate income tax	26.2	17.8	15.7
Interest expense	61.9	38.7	28.7
Depreciation and amortisation	8.9	5.1	1.6
EBITDA	**81.7**	**124.9**	**110.0**
Adjustments	53.7	12.5	8.6
Adjusted EBITDA [(1)]	**135.5**	**137.4**	**118.6**

	Year Ended 31 December 2017	Year Ended 31 December 2016	Year Ended 31 December 2015
	2017	**2016**	**2015**
		(in millions of €)	
Summary breakdown of Adjustments to EBITDA			
Discontinued operations	—	—	(5.9)
Net effect of FX hedging	4.0	7.3	7.0
One-off costs and other prescribed adjustments	3.6	5.2	7.5
One-off write-down of intangible assets	46.1	—	—
Total	**53.7**	**12.5**	**8.6**

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.

Balance Sheet

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

	31 December 2017 (unaudited)	31 December 2016 (restated)
	(in millions of €)	
Cash and cash equivalents, of which:	**154.9**	**157.6**
- Online	65.8	73.5
- TBI bank	89.2	84.2
Placement with other banks	7.0	4.8
Gross receivables due from customers	763.1	665.1
Allowance for impairment	(170.1)	(171.2)
Net receivables due from customers	**593.0**	**493.9**
Net investments in finance leases	10.3	13.1
Loans to related parties	66.6	67.2
Property and equipment	10.1	12.3
Financial assets available for sale	18.4	10.6
Prepaid expenses	10.8	5.6
Tax assets	51.4	39.7
Intangible IT assets	28.8	39.8
Goodwill	21.4	43.4
Other assets	57.7	43.4
Total assets	**1,030.4**	**931.4**
Loans and borrowings	470.2	397.2
Deposits from customers	271.0	237.1
Deposits from banks	—	—
Corporate income tax payable	19.5	14.6
Other liabilities	76.9	50.1
Liabilities held for sale	—	4.8
Total liabilities	**837.7**	**703.8**
Share capital	35.8	35.8
Retained earnings	191.0	231.3
Reserves	(32.1)	(40.2)
Total attributable equity	**194.6**	**226.9**
Non-controlling interests	(1.9)	0.7
Total equity	**192.7**	**227.6**
Total shareholders' equity and liabilities	**1,030.4**	**931.4**

Assets

The Group had total assets of €1,030.4 million as of 31 December 2017, an 11% increase compared with €931.4 million as of 31 December 2016. The increase in cash mainly reflects the net proceeds of the US$ bond issue and refinancing exercise conducted in the second quarter.

Loan portfolio

As of 31 December 2017, the Group's net receivables equaled €593.0 million, compared with €493.9 million as of 31 December 2016, representing an increase of €99.1 million, or 20%. The increase was from growth in both online and banking consumer loans. The net receivables include €25.3 million from Friendly Finance and €224.3 million from TBI Bank (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 now includes a summary of our overall loan portfolio, both online (funded outside of TBI Bank) and banking (funded by TBI Bank), showing gross and net receivables and performing vs non-performing classification. 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 receivables in terms of performing and non-performing loans (i.e. those more than 90 days past due), including accrued interest.

Receivables	**31 December 2017**				**31 December 2016**			
	Gross Amount	**Impairment allowance**	**Net Amount**	**% of Gross Amount**	**Gross Amount**	**Impairment allowance**	**Net Amount**	**% of Gross Amount**
	(in millions of €, except percentages)				*(in millions of €, except percentages)*			
Online receivables								
Performing	344.7	(34.6)	310.1	66.6 %	274.7	(27.7)	247.0	58.0 %
Non-performing[1]	173.1	(114.5)	58.6	33.4 %	199.3	(129.9)	69.4	42.0 %
Online total	**517.8**	**(149.1)**	**368.7**	**100.0%**	**474.0**	**(157.6)**	**316.4**	**100.0%**
TBI Bank receivables								
Performing	214.3	(4.4)	209.9	87.4 %	170.3	(1.4)	168.9	89.1 %
Non-performing[1]	31.0	(16.6)	14.4	12.6 %	20.8	(12.2)	8.6	10.9 %
TBI Bank total	**245.3**	**(21.0)**	**224.3**	**100.0%**	**191.1**	**(13.6)**	**177.5**	**100.0%**
Overall receivables								
Performing	559.0	(39.0)	520.0	73.3 %	445.0	(29.1)	415.9	66.9 %
Non-performing[1]	204.1	(131.1)	73.0	26.7 %	220.1	(142.1)	78.0	33.1 %
Overall total	**763.1**	**(170.1)**	**593.0**	**100.0%**	**665.1**	**(171.2)**	**493.9**	**100.0%**

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 receivables by product.

	31 December 2017		**31 December 2016**	
	Amount	**% of Portfolio**	**Amount**	**% of Portfolio**
Online performing receivables by product:	*(in millions of €, except percentages)*			
Single Payment Loans	216.3	62.7 %	190.8	69.5 %
Instalment Loans	121.7	35.3 %	81.0	29.5 %
Line of Credit	5.9	1.7 %	2.9	1.1 %
Point of Sale Loans	0.8	0.2 %	—	—
Total online performing receivables	**344.7**	**100.0%**	**274.7**	**100.0%**

Online non-performing receivables

As of 31 December 2017, the Group's non-performing[1] online receivables were €173.1 million, a decrease of €26.2 million, or 13%, since 31 December 2016. Given the mostly short-term nature of the Group's online lending, the majority of loans issued during a reporting period are repaid prior to the period end, while non-performing receivables are generally accumulated for 730 days. For this reason, the Group calculates a NPL/loans issued ratio for the online business, as shown in the table, alongside the standard gross NPL ratio, which was 33% for the online portfolio as of 31 December 2017.

The Group's policy is to write off any online receivables which have been overdue for more than 730 days, reflecting the length of its collections cycle. The Group accrues interest whilst it is probable it will be received (typically up to 90 DPD for instalment loans). Non-performing accrued interest represented €13.1 million, or 8.6%, of the online NPLs. Penalties and delay fees are not accrued as receivables and are only recognised as income when payment is received.

(1) Non-performing receivables (NPLs) – Receivables that are over 90 days past due.

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

	31 December 2017	31 December 2016
	(in millions of €, except percentages)	
Non-performing online receivables by product:		
Single Payment Loans	116.9	149.6
Instalment Loans	53.1	48.8
Line of Credit	2.9	0.9
Total non-performing online receivables	**173.1**	**199.3**
Allowance for NPL receivables	114.5	129.9
Allowance for NPL receivables / non-performing receivables	66 %	65 %
Overall allowance / NPL coverage ratio	86 %	79 %
Value of online loans issued(1)	2,373	2,133
Ratio of online NPLs to value of online loans issued	**7.3%**	**9.3%**
Average Loss Given Default rate	54 %	57 %

Notes:
(1) The value of loans issued as of a particular date represent loans issued for the two-year period before commencement of the 90 day past-due period. For example, the applicable period for the 31 December 2017 reporting date is 1 October 2015 to 30 September 2017.

Intangible assets

As part of a balance sheet review at year end, the value of goodwill in respect of Friendly Finance was assessed to be worth less than its carrying value, and has been impaired by €22.0 million to a remaining amount of €4.9 million. This is due to worse than expected financial performance by Friendly Finance in 2017, regulatory outlook in certain markets, and the plans for a full integration with our in-country operations, including a withdrawal of the Friendly Finance brands in certain markets.

The Group's IT intangible assets and its capitalisation policy were reviewed in the context of the decision at year end that a new IT platform will be introduced across the Group in 2018-2020, with the legacy IT platform to be phased out by 2020. This has resulted in a total reduction of €17.8 million to intangible assets through a combination of write-offs, impairments and de-recognition of expenses previously capitalised during the course of 2017. This includes €2.0 million of IT assets within Friendly Finance.

Deferred tax assets of €5.0 million were de-recognised in Latvia due to tax rule changes and in Mexico and Romania, given the longer than anticipated time for those markets to breakeven. In addition, an adjustment to opening balance of 2016 equity of €2.6 million was made to recognise an adjustment for historic Polish tax related to CDS transactions in 2013.

Other assets

A breakdown of the Group's other assets is presented in the table below. In October the Group made a prepayment of US$25 million for a potential investment which it decided subsequently not to pursue. This amount is due to be returned in instalments in Q1 and Q2 2018.

	31 December 2017	31 December 2016
	(in millions of €, except percentages)	
Receivable relating to prepayment	21.4	—
FX hedging - funds on margin	8.8	—
Non-current assets held for sale	7.6	16.0
Receivables from suppliers	6.2	5.5
Security deposits	1.7	1.7
Investments in associates	1.7	2.1
Derivatives	0.2	11.2
Other non-customer receivables	10.1	7.0
Total	**57.7**	**43.4**

Liabilities

The Group had total liabilities of €837.7 million as of 31 December 2017, compared with €703.8 million as of 31 December 2016, representing an increase of €133.9 million. Liabilities increased mainly due to the US$ bond issue and refinancing as well as increased customer deposits at TBI Bank.

Loans and borrowings

As of 31 December 2017, the Group had loans and borrowings of €470.2 million, compared with €397.2 million as of 31 December 2016. The Group's loans and borrowings accounted for 56% of total liabilities as of 31 December 2017 and 56% of total liabilities as of 31 December 2016. The following table sets out the loans and borrowings by type as of the dates indicated.

	31 December 2017	31 December 2016
	(in millions of €)	
4finance Notes	465.4	376.3
TBI Bank	0.3	3.5
FF Notes	0.0	2.8
Loans from bank	0.2	0.2
Other(1)	4.3	14.4
Total loans and borrowings(2)	**470.2**	**397.2**

Notes:
(1) 'Other' consists primarily of loans to Friendly Finance.
(2) Includes accrued but unpaid interest, net of capitalised issuance costs.

In August 2014, 4finance S.A. issued US$200.0 million of 11.75% notes (the *'2019 Notes'*) which are listed on the Irish Stock Exchange and are senior to all of the Group's future subordinated debt. The 2019 Notes will mature in August 2019. Following the tender offer conducted in April, an amount of US$68 million remains outstanding.

In May 2016, 4finance S.A. issued €100.0 million of 11.25% notes (the *'2021 Notes'*) which are senior to all of the Group's future subordinated debt. The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further €50.0 million of 2021 Notes were issued at par. The 2021 Notes will mature in May 2021.

In April 2017, 4finance S.A. issued US$325.0 million of 10.75% notes (the *'2022 Notes')* which are listed on the Irish Stock Exchange and will mature in May 2022. Originally, all of the expenses associated with this refinancing, including the unamortised issuance costs and premium to repurchase the tendered 2019 Notes and to redeem the Group's 2018 SEK notes. A total of €8.2 million of deferred expenses have been de-recognised (those associated with the SEK notes and those 2019 Noteholders who did not participate in the 2022 Notes offer), of which €6.3 million is classified as a non-recurring finance charge. The remaining €1.8 million is booked in the interest expense line, partially offset by €1.5 million lower amortisation of the remaining deferred expenses, resulting in a net additional amount of €0.3 million in 2017 interest expense.

In November 2015, Friendly Finance Poland issued PLN 15.0 million of 10% Notes due in May 2018. These were fully repaid in August 2017.

Customer deposits

As of 31 December 2017, the Group had total customer deposits of €271.0 million. Banking operations contributed €257.1 million in deposits at an average cost of approximately 2% with the balance from 4spar in Sweden at an average cost of 8%. 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.

	31 December 2017	31 December 2016
	(in millions of €, except percentages)	
Accrued expenses	19.3	12.4
Accounts payable to suppliers	14.5	11.8
FX forward hedging liability	13.7	—
Taxes payable	6.9	5.7
Provisions for unused vacations	2.0	2.2
Other liabilities	20.5	17.9
Total	**76.9**	**50.1**

Equity

As of 31 December 2017, the Group's total equity amounted to €192.7 million, compared with €227.6 million as of 31 December 2016, representing a decrease of €34.9 million, or 15%, which was attributable to the loss generated in the Period and the dividends paid in July and December. The Group's equity to assets ratio as of 31 December 2017 was 19%. This reflects the significant increase in assets of the Group (for illustration, the equity to assets ratio excluding TBI Bank as of 31 December 2017 was 29%, more comparable with prior periods).

The equity to net receivables ratio as of 31 December 2017 was 33%, reflecting the Group's strong capitalization, even after the one-off intangible asset adjustments. Following the adoption of IFRS9, the equity to net receivables ratio based on the 1 January 2018 opening balance sheet is expected to be 26%, still giving good headroom to bond covenants.

Of the €16 million in dividend paid out in December, €9 million was then received back from 4finance Group as consideration for its purchase, at book value, of loans to the former North American business. This resulted in a reduction in related party loans during the fourth quarter.

Off-balance sheet arrangements

The Group's total off-balance sheet commitments as of 31 December 2017 were €15.6 million. This includes TBI Bank's undrawn lending commitments of €11.0 million and financial guarantees €0.7 million as well as €4.0 million in connection with the Group's online portfolio (line of credit product). The Group also enters into currency hedging transactions which may result in additional off-balance sheet assets or liabilities, but these generally have limited net exposure and are designed to limit overall exposure to currency movements.

Condensed Consolidated Statement of Cash Flows for the Period

	12 months to 31 December	
	2017	2016
Cash flows from operating activities	*(in millions of €)*	
Profit before taxes	**10.9**	**81.0**
Adjustments for:		
Depreciation and amortisation	8.3	5.4
Impairment of goodwill	22.4	—
Net gains on FX	(25.6)	2.1
Impairment charges on loans	136.5	105.8
Write-off and disposal of intangible and property and equipment assets	20.0	1.6
Interest income	(9.2)	(6.7)
Interest expenses	61.9	38.7
Non-recurring finance cost	6.3	—
Equity-settled share-based payment transactions	—	0.3
Profit or loss before adjustments for the effect of changes to current assets and short-term liabilities	231.5	228.2
Adjustments for:		
Increase in loans due from customers	(232.2)	(103.4)
Proceeds from sale of portfolio	54.2	30.7
Net increase in deposits from customers	33.8	37.0
Deposit interest payments	(4.5)	(1.8)
Change in financial instruments measured at fair value through profit or loss	24.6	(3.2)
Increase in other assets (including TBI statutory reserve, placements & finance leases)	(70.6)	(64.8)
Increase in accounts payable to suppliers, contractors and other creditors	10.8	17.4
Increase of obligatory reserve	—	0.2
Gross cash flows from operating activities	**47.6**	**140.2**
Corporate income tax paid	(33.3)	(34.0)
Net cash flows from operating activities	**14.3**	**106.2**
Cash flows used in investing activities		
Purchase of property and equipment and intangible assets	(18.0)	(21.3)
Loans issued to related parties	(4.3)	(65.0)
Loans repaid from related parties	10.9	11.0
Interest received	1.8	1.1
Acquisition of equity investments	(4.5)	(7.0)
Acquisition of NCI	—	(2.1)
Acquisition of subsidiaries, net of cash acquired	—	(67.5)
Prepayment for potential investment	(20.9)	—
Net cash flows used in investing activities	**(35.0)**	**(150.6)**
Cash flows from financing activities		
Loans received and notes issued	292.5	175.5
Repayment and repurchase of loans and notes	(178.5)	(14.3)
Interest payments	(54.5)	(33.1)
Costs of notes issuance and premium on repurchase of notes	(18.9)	(3.1)
Dividend payments	(26.0)	(0.7)
Net cash flows from financing activities	**14.6**	**124.3**
Net increase in cash and cash equivalents	**(6.1)**	**79.9**
Cash and cash equivalents at the beginning of the period	**137.0**	**56.9**
Effect of exchange rate fluctuations on cash	1.0	0.2
Cash and cash equivalents at the end of the period	**131.9**	**137.0**
Minimum statutory reserve	**23.0**	**20.6**
Total cash on hand and cash at central banks	**154.9**	**157.6**

Net cash flows generated in operating activities in the Period was €14.3 million compared with €106.2 million in the same period last year, mainly due to greater loan portfolio growth. Net cash used in investing activities was €35.0 million in the Period, significantly lower than the prior year period. The Group's cash flows from financing activities reflect the proceeds from the new US$ 2022 bond issue and the refinancing of all of its SEK 2018 bonds and part of its US$ 2019 bonds as well as dividend payments.

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 twelve months ending 31 December 2017 and the year ended 31 December 2016.

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.

	31 December 2017	**31 December 2016**
	(unaudited, in millions of €)	***(unaudited, in millions of €)***
Interest Income	62.3	46.9
Interest Expense	(3.8)	(3.3)
Net Interest Income	**58.5**	**43.6**
Net F&C Income	10.7	4.8
Other operating income	0.5	0.0
Non-Interest Income	**11.2**	**4.9**
Operating Income	**69.7**	**48.4**
Total operating costs	**(38.1)**	**(29.1)**
Non-recurring income/(expense)	6.6	8.4
Net FX gain/(loss)	(1.1)	(0.2)
Depreciation and amortisation	(1.9)	(2.8)
Pre-provision operating profit	**35.3**	**24.7**
Net impairment charges	(12.4)	(5.9)
Pre-tax profit	**22.9**	**18.8**
Income tax expense	(3.4)	(2.1)
Net profit after tax	**19.5**	**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.

	31 December 2017	**31 December 2016**
	(unaudited, in millions of €)	***(unaudited, in millions of €)***
Cash and cash equivalents	89.0	84.1
Placement with other banks	7.0	4.7
Gross receivables due from customers	247.7	192.4
Allowance for impairment	(21.0)	(13.6)
Net receivables due from customers	**226.7**	**178.8**
Net investments in finance leases	12.1	15.5
Property and equipment	5.9	6.5
Financial assets	13.6	9.6
Tax assets	0.6	—
Prepaid expenses	0.5	—
Intangible assets	1.8	0.8
Other assets	9.3	18.8
Total assets	**366.5**	**318.9**
Loans and borrowings	0.3	3.5
Deposits from customers	257.1	224.4
Corporate income tax payable	—	0.1
Other liabilities	15.1	11.5
Liabilities held for sale	—	4.7
Total liabilities	**272.5**	**244.3**
Share capital	41.7	41.7
Retained earnings	48.2	29.3
Reserves	4.0	3.6
Total equity	**93.9**	**74.7**
Total shareholders' equity and liabilities	**366.5**	**318.9**

Loan portfolio

Below are TBI Bank's receivables, including accrued interest, split by consumer and SME customers as of the dates indicated.

	31 December 2017	31 December 2016	% Change
	(unaudited, in millions of €)	*(unaudited, in millions of €)*	
Consumer	201	144	39 %
SME (including financial leases)	60	65	(8)%
Total gross receivables	**260**	**209**	**25 %**
Provisions	(22)	(15)	44 %
Total net receivables	**239**	**194**	**23 %**

As of 31 December 2017, consumer receivables made up 77% of TBI Bank's gross receivables, up from 69% as of 31 December 2016. The overall receivables 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	9.4%	23.1%	12.6%
Provision coverage[(1)]	99.4%	19.6%	65.8%

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.

	31 December 2017	31 December 2016	% Change
	(unaudited, in millions of €)	*(unaudited, in millions of €)*	
Customer accounts of consumers	203	176	15 %
- Current accounts	18	13	41 %
- Term deposits	185	163	13 %
Customer accounts of SMEs	54	48	12 %
- Current accounts	20	26	(25)%
- Term deposits	34	22	57 %

The average interest rate paid on term deposits varies by type and currency, ranging from 0.6% to 3.0%. Customer deposits increased slightly during the fourth quarter as funding rates were optimised and term deposits from SMEs increased. The average remaining maturity of consumer term deposits is approximately 6 months.

Capital and liquidity ratios

TBI Bank continues to have a very strong capital and liquidity position. The table below shows TBI Bank's statutory capital and liquidity ratios as of 31 December 2017. The decrease in capital and liquidity ratios during the second half of 2017 reflects the increase in loan portfolio. However, these figures are prior to the adoption of the 2017 retained earnings into capital.

	Standalone	Consolidated
Common equity Tier 1 ratio	24.2%	23.2%
Capital adequacy	24.2%	23.2%
Liquidity ratio	38.1%	

HISTORIC QUARTERLY RESULTS

For ease of reference, a summary income statement by quarter from Q1 2016 is presented below.

Income statement

(in millions of €)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Interest Income	**90.3**	**92.5**	**104.5**	**105.9**	**104.7**	**108.9**	**113.5**	**120.8**
Interest Expense	(7.5)	(8.2)	(10.5)	(12.5)	(13.3)	(15.9)	(16.3)	(16.4)
Net Interest Income	**82.8**	**84.3**	**94.0**	**93.4**	**91.4**	**93.0**	**97.2**	**104.4**
Net F&C Income	—	—	2.1	1.1	2.0	2.4	3.2	3.0
Other operating income	1.4	2.1	1.5	1.8	2.2	2.3	2.4	2.3
Non-Interest Income	**1.4**	**2.1**	**3.5**	**2.9**	**4.2**	**4.7**	**5.6**	**5.4**
Operating Income	**84.1**	**86.4**	**97.5**	**96.3**	**95.6**	**97.7**	**102.8**	**109.8**
Total operating costs	**(41.2)**	**(41.1)**	**(49.1)**	**(53.7)**	**(55.7)**	**(56.9)**	**(54.2)**	**(64.0)**
Non-recurring income/(expense)	(0.2)	0.6	0.9	2.8	4.4	2.0	(0.6)	0.3
Net FX	0.9	(3.5)	(3.2)	(1.5)	(1.6)	0.9	(1.6)	(1.7)
Depreciation and amortisation	(0.8)	(0.9)	(1.5)	(1.9)	(2.0)	(2.2)	(2.2)	(2.4)
One-off adjustments of intangible assets	—	—	—	—	—	—	—	(46.1)
Pre-provision operating profit	**42.8**	**41.4**	**44.7**	**42.0**	**40.7**	**41.5**	**44.3**	**(4.1)**
Net impairment charges	(22.9)	(22.7)	(20.7)	(23.5)	(23.7)	(23.3)	(30.1)	(34.4)
Pre-tax profit	**20.0**	**18.7**	**24.0**	**18.4**	**17.0**	**18.3**	**14.2**	**(38.5)**
Income tax expense	(3.2)	(4.3)	(5.9)	(4.4)	(4.6)	(4.6)	(4.5)	(12.5)
Net profit after tax	**16.7**	**14.4**	**18.1**	**14.0**	**12.4**	**13.7**	**9.7**	**(51.0)**
EBITDA	**28.3**	**27.8**	**36.0**	**32.8**	**32.3**	**36.4**	**32.7**	**(19.7)**
Adjusted EBITDA	**29.8**	**32.3**	**39.7**	**35.6**	**34.9**	**35.8**	**36.3**	**28.4**

Loan issuance

Total value of online loans issued	**267.7**	**271.2**	**302.3**	**315.3**	**302.7**	**301.6**	**323.6**	**348.1**
Single Payment Loans	240.4	244.0	271.9	284.7	272.2	265.0	275.5	290.4
Instalment Loans	26.7	26.2	28.5	28.6	28.3	33.5	45.2	54.2
Line of Credit (1)	0.6	1.1	2.0	1.9	2.2	3.1	2.8	3.6
Total value of TBI Bank loans issued	**37.9**	**48.6**	**48.4**	**57.5**	**51.4**	**59.7**	**67.1**	**72.8**
SME	8.4	12.1	6.6	6.0	5.9	8.3	6.6	7.3
Consumer	29.5	36.5	41.8	51.4	45.6	51.4	60.4	65.6

(1) Includes Point of Sale Loans

Loan portfolio (receivables, including accrued interest)

(in millions of €)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Single payment loans								
- Performing	175.7	187.4	187.4	190.8	199.9	197.2	204.4	216.3
- NPL	129.0	145.0	157.7	149.6	148.3	143.1	130.5	116.9
- Total gross receivables	**304.7**	**332.4**	**345.1**	**340.4**	**348.2**	**340.3**	**334.9**	**333.2**
- Provisions	(94.0)	(104.4)	(115.5)	(119.7)	(118.0)	(113.9)	(105.4)	(101.5)
- Net receivables	**210.7**	**228.1**	**229.6**	**220.7**	**230.2**	**226.4**	**229.5**	**231.6**
- Provisions to gross receivables	30.9%	31.4%	33.5%	35.2%	33.9%	33.5%	31.5%	30.5%
- Gross NPL ratio	42.3%	43.6%	45.7%	43.9%	42.6%	42.0%	39.0%	35.1%
Instalment loans								
- Performing	87.7	80.3	80.3	81.0	82.6	87.9	101.1	121.7
- NPL	46.8	51.5	51.8	48.8	48.3	49.7	49.6	53.1
- Total gross receivables	**134.4**	**131.8**	**132.1**	**129.8**	**131.0**	**137.7**	**150.8**	**174.8**
- Provisions	(36.5)	(38.6)	(37.9)	(36.6)	(36.5)	(37.9)	(38.9)	(43.3)
- Net receivables	**97.9**	**93.2**	**94.1**	**93.3**	**94.4**	**99.8**	**111.8**	**131.6**
- Provisions to gross receivables	27.2%	29.3%	28.7%	28.2%	27.9%	27.5%	25.8%	24.7%
- Gross NPL ratio	34.8%	39.1%	39.2%	37.6%	36.9%	36.1%	32.9%	30.4%
Online receivables[1]								
- Performing	264.2	269.4	269.7	274.7	286.2	290.1	311.1	344.7
- NPL	175.9	196.8	210.1	199.3	197.9	193.9	182.3	173.1
- Total gross receivables	**440.0**	**466.2**	**479.8**	**474.0**	**484.1**	**484.0**	**493.4**	**517.8**
- Provisions	(131.0)	(143.7)	(154.3)	(157.6)	(156.3)	(153.9)	(147.4)	(149.1)
- Net receivables	**309.1**	**322.5**	**325.4**	**316.4**	**327.8**	**330.1**	**346.0**	**368.7**
- Provisions to gross receivables	29.8%	30.8%	32.2%	33.3%	32.3%	31.8%	29.9%	28.8%
- Gross NPL ratio	40.0%	42.2%	43.8%	42.0%	40.9%	40.1%	36.9%	33.4%
TBI Bank								
- Performing	—	—	—	170.3	171.0	180.9	204.0	214.3
- NPL	—	—	—	20.8	24.8	23.6	23.3	31.0
- Total gross receivables	**—**	**—**	**—**	**191.1**	**195.8**	**204.6**	**227.3**	**245.3**
- Provisions	—	—	—	(13.6)	(15.1)	(14.9)	(17.6)	(21.0)
- Net receivables	**—**	**—**	**—**	**177.5**	**180.7**	**189.7**	**209.7**	**224.3**
- Provisions to gross receivables	—	—	—	7.1%	7.7%	7.3%	7.7%	8.6%
- Gross NPL ratio	—	—	—	10.9%	12.7%	11.6%	10.2%	12.6%

(1) Includes Line of Credit and Point of Sale portfolios.

Additional Key Performance Indicators

		12 months to 31 December	
		2017	2016
	Profitability		
1	ROAA, %*	3.6%	9.2%
2	ROAE, %*	15.2%	31.5%
3	Interest Income/Average Interest Earning Assets, %	62.2%	71.8%
	Interest Income/Average Gross Loan Receivables, %	62.7%	72.1%
	Interest Income/Average Net Loan Receivables, %	82.4%	98.0%
	Interest Expense/Interest Income, %	13.8%	9.8%
4	Cost Of Funds, %	8.0%	8.0%
5	Cost Of Interest Bearing Liabilities, %	9.0%	8.9%
6	Net Spread, %	53.2%	62.9%
	Net Interest Margin on Average Gross Loan Receivables, %	54.1%	65.0%
	Net Fee & Commission Income/Total Operating Income, %	2.6%	0.9%
	Net Fee & Commission Income/Average Total Assets, %*	1.1%	0.5%
	Net Non-Interest Income/Total Operating Income,%	4.9%	2.7%
	Net Non-Interest Income/Average Total Assets,% *	2.0%	1.4%
7	Recurring Earning Power,% *	17.6%	25.9%
	Earnings Before Taxes/Average Total Assets*	5.7%	11.8%
	Efficiency		
	Total Assets/Employee, (in thousands of €)*	304	261
	Total Operating Income/Employee, (in thousands of €)	114	102
	Total Recurring Operating Costs/Income Ratio,%	56.8%	50.8%
	Total Recurring Operating Costs/Average Total Assets, %*	22.9%	27.0%
	Total Operating Income/ Average Total Assets, %*	40.3%	53.2%
8	Total Recurring Cash Costs/Average Total Assets, %*	22.9%	27.0%
	Net Income (Loss)/Employee, (in thousands of €)*	10	18
	Personnel Costs/Average Total Assets, %*	9.5%	10.0%
	Personnel Costs/Total Recurring Operating Costs,%	41.2%	36.9%
	Personnel Costs/Total Operating Income,%	23.4%	18.8%
	Net Operating Income/Total Operating Income, %*	41.5%	46.9%
	Net Income (Loss)/Total Operating Income,% *	8.8%	17.3%
	Profit before tax (Loss)/Interest income*	12.7%	20.6%
	Liquidity		
	Net Loan Receivables/Total Assets, %*	54.8%	53.0%
	Average Net Loan Receivables/Average Total Assets, %*	54.0%	58.6%
	Average Net Loan Receivables/Average Client Balances & Deposits,%	213.9%	325.8%
	Net Loan Receivables/Total Deposits,%	218.8%	208.3%
	Net Loan Receivables/Total Liabilities, %	70.8%	70.2%
	Interest Earning Assets/Total Assets, %*	71.2%	71.9%
	Average Interest Earning Assets/Average Total Assets,%*	71.5%	80.0%
9	Liquid Assets/Total Assets,%*	15.0%	17.4%
	Liquid Assets/Total Liabilities,%	19.3%	23.1%
	Total Deposits/Total Assets,%*	25.1%	25.5%
	Total Deposits/Total Liabilities,%	32.4%	33.7%
	Total Deposits/Shareholders' Equity (Times)*	1.11x	1.04x
10	Leverage (Total Liabilities/Equity), Times*	3.44x	3.09x
11	Tangible Common Equity/Tangible Assets*	22.9%	27.2%
	Net Loan Receivables/Equity (Times)*	2.43x	2.17x

		12 months to 31 December	
		2017	2016
	Asset quality		
	Loan Loss Reserve/Gross Receivables from Clients, %	22.3%	25.7%
	Average Loan Loss Reserve/Average Gross Receivables from Clients, %	23.9%	26.4%
12	Total Cost Of Risk, %	15.6%	16.5%
	Credit Metrics		
	Total Equity/Total Assets, %*	22.5%	24.4%
	Total Equity/Net Loan Receivables, %*	41.1%	46.1%
	Interest Coverage ('basic' EBITDA), (in thousands of €)	1.32x	3.23x
13	Adjusted Interest Coverage for the Period	2.19x	3.55x
	TBI Capital Adequacy	23.2%	24.0%
	Selected Operating Data		
	Total Employees	3,561	3,571

*Normalised ratios adjusted to remove the effect of the one-off adjustments to intangible assets in Q4 2017.

Definitions

1 Return On Average Total Assets (ROAA) equals Net Income of the period divided by average Total Assets for the same period

2 Return On Average Total Equity (ROAE) equals Net Income of the period divided by 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 divided by average Total Liabilities for the same period

5 Cost Of Interest-Bearing Liabilities equals Interest Expense of the period divided by 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 divided by Average Interest Earning Assets for the same period less Cost of Interest Bearing Liabilities

7 Recurring Earning Power equals Profit (Pre-discretionary bonus) Before Net impairment losses of the period divided by average Total Assets for the same period

8 Cash Costs/Average Total Assets equals Total Recurring Operating Costs plus Discretionary Bonus Pool less Depreciation & Amortisation of the period divided by Average Total Assets for the same period

9 Liquid Assets divided by Total Assets; Liquid assets include Cash and cash equivalents and Placements with other banks

10 Leverage (Total Liabilities divided by Equity) (Times)

11 Tangible Common Equity/Tangible Assets. Tangible equity is Total Equity less Goodwill and Intangible Assets. Tangible Assets are Total Assets less Goodwill and Intangible Assets

12 Cost Of Risk (Receivables only) equals Net Provision For Loan Receivables Loss divided by Average Gross Receivables for the same period

13 Adjusted Interest Coverage for the Period = Adjusted EBITDA divided by Interest expense

DEFINITIONS

Active customers – online lending customers with open loans that are on balance sheet

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

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

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

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

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

Non-performing receivables (NPLs) – Receivables that are over 90 days past due

Non-performing receivables to loan issuance ratio – Non-performing online receivables / 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 31 December 2017: 1 October 2015 to 30 September 2017

Normalised – Adjusted to remove the effect of the one-off adjustments to intangible assets in Q4 2017

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)

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 21 November 2017.

Acquisitions and disposals

An acquisition of the 20% minority stake in Friendly Finance was agreed in January 2018, with closing subject to regulatory approval.

Changes in management

Daiga Ergle joined the Group as Chief People Officer in December 2017. Daiga has over 20 years of people management and leadership experience from various organizations and industries. Prior to this, Daiga was Senior VP HR at airBaltic, the Latvian national airline. She has also led the Executive Search branch of HR consulting company Fontes.

Loukas Notopoulos, Regional Manager for Europe and the South, stepped down in December 2017.

Regulatory changes

In Slovakia, new regulations governing how credit assessments should be performed came into force in January 2018.

In Romania, a draft bill containing new regulations on APR caps for mortgage and consumer lending was introduced in February 2018.

Financing

In December 2017, an ordinary dividend of €16 million was paid by 4finance Holding S.A. to 4finance Group S.A. from its 2016 audited net profit.

Accounting standard - IFRS 9

On 1 January 2018, the Group adopted accounting standard IFRS 9 Financial Instruments, issued by the IASB in July 2014. The standard provides revised principles for classification and measurement of financial instruments, including introducing the expected credit loss impairment model.

The Group's assessment of the impact of IFRS 9 is ongoing and will be presented in its audited 2017 financial statements. As part of the adoption of IFRS 9, the write-off period for the Group's loan portfolio will move from 730 days past due to 360 days past due. The reduction in net customer receivables is expected to be approximately €60 million, representing 10% of 2017 year-end net receivables, within the guidance range of 7-10%. This, and any other IFRS 9 adjustments, will be made to the 1 January 2018 opening balance sheet.

Corporate website: www.4finance.com

4finance Holding S.A.

Address: 8-10 Avenue de la Gare, L-1610, Grand Duchy of Luxembourg