4FINANCE 9M 2018 RESULTS CONFERENCE CALL

Moderator: Oyvind Oanes
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OPERATOR: This is Conference # 9996055

Operator: Thank you. Good afternoon, ladies and gentlemen, and thank you all for standing by. Welcome to 4finance Unaudited Nine Month 2018 Results Conference Call. I would now like to hand the call over to your speaker, Mr Oyvind Oanes. Thank you. Please go ahead.

Oyvind Oanes: Thank you, Paul, and welcome everyone to the 4finance nine month results call. This is Oyvind Oanes speaking, I'm the CEO of 4finance Group. With me today are as usual, our CFO Paul Goldfinch; our CRO Julija Lebedinska-Litvinova, and James Etherington, our Head of Investor Relations.

On the agenda today, I would like to start with a short business update including the key financial highlights as well as the progress update on our strategic roadmap before going into a deeper review of the nine month results and the loan portfolio.

If you could all please turn to Page 4 of the presentation, you will see that we continue to improve across all key financial indicators. Paul will talk more to these in a few minutes but I believe it's worth pointing out our continued strong growth on interest income, up 10 percent year-over-year driven by a 45 percent year-over-year growth in interest income from our growing instalment loan book in our online businesses as well as at TBI Bank where we have seen 25 percent increase on interest income year-over-year.

The interest income from instalment loans is now contributing over 30 percent of the group's total interest income of above €361 million for the period. The strong growth of interest income coupled with continued focus on controlling costs means our cost to income ratio actually keeps coming down.

We saw a cost to income ratio of 49 percent for the quarter. That translated into the post-provisioning operating profit of €63.8 million for the reporting period. This is up 22 percent year-over-year.

Turning now to Page 5, you will see that the instalment loan and the line of credit book now count for well above 50 percent of our total net receivables, while the single payment loan book has dropped to count for only 26 percent of total. This is a major shift that’s taken place over the past two years or so.

As stated on the previous page, this is also reflected in the interest income contribution by products. On the right-hand side of this page where you can see that the instalment loans are now counting for 30 percent and line of credit for 11 percent of total interest income for the Group.

This leads me to talk a bit more about the strategic evolution of our business. Please turn to Page 6 of the presentation. As indicated on previous calls, we continue to make good progress on the key initiatives on both the ‘optimise existing business’ agenda as well as on the ‘build for the future’ agenda.

This slide is a high-level illustration of how we are evolving and broadening our business model into new segments and products; and it's a page that we use internally to communicate our strategy of becoming a multi-segment, multi-product consumer credit specialist.

We continue to optimise and adapt our strategy in the sub-prime business by moving away from the historic focus on short-term lending to more longer-term lending products like instalment loans and line of credit products. Still serving a need in the underbanked and underserved segments in a fair and transparent way.

We're also making good progress on the second leg of our strategy - moving into the near-prime segments - and if you would now turn to the next page, Page 7, you will find an overview of our key ongoing market initiatives in the near-prime space.

In Lithuania, this is a strategy of evolving existing business with our brand Vivus into new segments, based on a competitive instalment loan offer. This was a journey we started back in 2016, following a change in regulation in the market, and clearly shows our ability to adapt our business model to changing market environments. Our instalment loan portfolio in Lithuania now stands at €15 million, yielding about 40 percent on an annualised basis.

In Spain, we're piloting a partner-led distribution with a Spanish personal finance management platform called Fintonic and seeing some very encouraging results. The near-prime customers coming through this channel are very good quality which is reflected in the high approval rate as well as the strong performance of the growing portfolio.

We talked about our Swedish near-prime product Friia on previous calls. This will be the first product to be launched on our new technology platform in the coming weeks. As always, we will take a prudent approach in the beginning and launch it carefully in the market in a ‘test and learn’ mode.

At the beginning of November, we acquired a 9 percent stake in Norwegian online consumer bank Monobank at a price of around €6 million. This is to be considered a strategic investment for us, and together with the Monobank management we will be exploring joint corporation opportunities in the near-prime segment across the Nordic region.

I look forward to talking more about all these initiatives on the next calls coming into next year. Now, turning to Page 8 of the presentation, the evolution of our business model into new products and segments is a natural strategic step for 4finance as we believe that the opportunities are significant and that we are well equipped to take a leading position.

In addition, we have a strong track record of adapting our products and processes to a changing environment. Currently, this is also impacted by tightening regulation in some of our markets.

On this page, we have laid out the key regulatory changes that we're currently facing. In Sweden, new regulation came into force from 1st of September and we have successfully adjusted our line of credit product accordingly, while we're preparing for our new product Friia.

We're also following the situation in Finland very closely and are in the process of developing a new product for that market on our new platform, ready to launch well in advance of when we expect the new regulation to come into force.

As for Latvia, a new set of regulations were approved by the parliament in October, including an APR cap that will come into effect in July next year. We're now in the process of making the necessary analysis of the situation and making the appropriate adjustments to our products and processes.

In summary, we believe it was another solid quarter for 4finance. We continue to deliver strong financial results while evolving and broadening our business model into new products and segments that will become the core business of the future.

With that, I will now hand it over to Paul. He will talk through the next few pages reviewing the financial performance for the period in more detail.

Paul Goldfinch: Thanks, Oyvind, and good afternoon, good morning to everybody on the call today. We move now to Slide 10.

I'm happy to present a stable set of financial results for the quarter as we continue to execute on our key strategic decisions we have made through the course of the last 12 months. As you have seen, we've changed the layout of our income statement this quarter moving the non-operational elements, such as FX, further down, enabling us to more clearly reflect our underlying operating profit. This metric is up 22 percent year-on-year which is a strong result and one we're pleased with.

We can report another solid quarter of interest income in which we generated over €116 million. The slight decrease in income from the prior quarter is in line with our expectations and reflects the results of some of the market and product decisions we have taken this year. And you can also see the impact this is starting to have on our operating cost base.

Adjusted EBITDA remains at historically high levels with near €40 million quarterly result being 10 percent higher than the prior year. Year-to-date we are also 7 percent higher than the prior year comparative. We continue to see solid performance from all our key markets namely Poland, Spain and Denmark, and TBI Bank again produced a solid set of quarterly results with almost €19 million in interest income, slightly above the prior quarter.

We're also pleased with the results of the closer alignment between TBI and the online business in Bulgaria. We continue to see the benefits of our various cost efficiency and optimisation measures, with a further €8 million reduction in our quarterly cost base which in turn has contributed to a further improvement in our cost/income ratio to 49 percent for the quarter.

We did, however, reflect a further accounting FX loss in Q3, mainly due to weakness in the Argentinian Peso, however this is partially offset by an increase of €3.5 million in our FX reserves in equity.

Because of the FX losses, our net profit before tax remains down on the prior year at €39 million year-to-date. Looking at the balance sheet, we have strong underlying liquidity in our online business, which is a healthy position to be in as we finalise our planning and business development for 2019.

We completed a small buyback of the 2022 bonds in July and retain the flexibility to make further repurchases if we and the supervisory board consider it prudent to do so. Our EUR bonds are callable at the lower price of 104 percent this month, however we have no current plans to do this. Our overall asset quality remains stable and Julija will shortly talk us through all the details here.

If we turn now to Slide 11 which provides the country level breakdown of the Group's interest income. Interest income is up 10 percent year-on-year and remains well diversified with very little change in the composition of the graphs from the last quarter.

Poland remains our largest market generating upwards of 27 percent of the Group's income across the SPL and IL products, with Spain and Denmark also significant contributors in both products.

As we have indicated, our online presence in both Georgia and Romania are in the process of being wound down. However, these two markets combined only generate just over 3 percent of income and very little in terms of overall profitability.

As we enter in 2019, we remain very diligent about which products and markets we support and develop. Each market we operate in carries a group overhead cost and we'll ensure that we can make a meaningful return on each investment.

Turning now to Slide 12. As we indicated on the Q2 call, the savings from the cumulative reductions in headcount and ongoing cost discipline would start to become evident in Q3. And we're pleased to report there has been a further 13 percent reduction in our overall cost base in the third quarter, the third successive quarter of reductions, with operating expenses excluding depreciation, totalling €51 million for the quarter.

The further 6 percent reduction in headcount in Q3 will also ensure we maintain further downward momentum in this cost line going into Q4. Friendly Finance costs will no longer be reported separately from Q4 now that the integration of the business is complete.

With Slovakia now reported within the online business and the various control and support teams fully aligned within our respective functions. As highlighted on prior calls, the changes we’ve made to our policies towards IT capitalisation have impacted our year-on-year comparatives, particularly personnel costs. We consider the year-to-date impact on our operating costs compared to the prior year to be approximately €2.5 million.

While there is seasonality in our marketing spend and therefore this cost will increase in Q4, we continue to improve efficiency in our customer acquisition channels. Overall, I'm happy to say that we're making good progress in our cost targets and expect to exit 2018 with a run-rate cost/income ratio close to 50 percent.

We turn now to Slide 13. As we highlighted on Slide 10, we remain firmly on course to deliver another year of top-line growth in interest income with the

€361 million year-to-date being just over 10 percent higher than the prior year. And the €114 million in adjusted EBITDA for the period is also at record levels, and this in turn has seen our adjusted interest coverage ratio continue to improve with this metric standing at 2.5 times, and we now have good headroom in both key covenant metrics.

As we stated earlier in the year, our equity levels were at a low point post the IFRS 9 adjustments in January this year. We have gradually built up our equity base and improved both of these ratios consistently through the course of the year.

And turning now to Slide 14, our online loan issuance in Q3 totalled €290 million, 5 percent down on the prior quarter. While overall issuance is stable with the prior year comparative, the product mix is clearly pivoted towards instalment loans where issuance is up nearly 50 percent year-on-year and additionally, we're seeing 15 percent growth in LOC issuance against the prior year.

TBI consumer loan issuance is also up 25 percent in the quarter and also 10 percent higher than the prior year. And the mix of the portfolio remains very well balanced between online and TBI.

I'll now ask Julija, the Chief Risk Officer of the Group to take you through the following more detailed slides on our asset quality and the dynamics of the impairment charge.

Julija Lebedinska-Litvinova: Thank you, Paul. Good morning, good afternoon, everyone on the call. I'm now on Slide 15, analysis of net impairments and cost of risk.

Net impairments this quarter is €30.5 million with the following components: gross impairments €42.6 million, and this is the lowest quarterly gross impairments post IFRS 9 adoption. Net debt sale income is €7.8 million, and this includes €2.1 million of TBI debt sale income. It is significantly lower compared to prior quarter, but as we reported on the previous calls, Q2 debt sale results can be considered rather as 'outlier' not as a 'business as usual' for the company.

Recoveries from written-off loans are €4.2 million this quarter, and it's a bit lower compared to previous quarters, and this is due to intensive debt sale execution throughout the year.

Asset quality metrics, net impairment to interest income remained flat at the level of 25.9 percent. Overall cost of risk for the group is flat as well, 18.1 percent. I want to highlight once again that these ratios are not comparable with the previous year ratios because we adopted the IFRS 9 standard and as a result of that, we changed our provisioning methodology.

Underwriting, anti-fraud & collections remain key focus areas for risk management team and those results are demonstrated in all areas. Early key risk indicators demonstrate stable or improved trends across all product lines in Q3. Collections efficiency remains stable, debt sales were executed according to the plan, and debt collection expenses in nine months of 2018 are €1.4 million less than for the nine months of 2017.

I now turn to the next slide, asset quality and provisioning. Increased debt sale activity has reduced non-performing online portfolio by €82.7 million in nine months of 2018 and is significantly higher compared to €58.3 million in the same period of the last year.

As a result of all actions, NPL level at the end of Q3 is 19.6 percent for the Group. It is 22 percent for online operations and is stable compared to prior quarters post IFRS 9 adoption.

Although it's stable on the blended level, we observed a bit different trends across different product groups. Our SPL NPL ratio has dropped to 20 percent due to intensive debt sale execution. For Instalment loans, we observed slight uptake to 23.2 percent and this is a result of slowdown of new originations and continued seasoning of earlier disbursed vintages.

I'm happy to say that NPL ratio for TBI Bank has also dropped this quarter a bit and this is driven by debt sales and by better portfolio performance which resulted also in significant reduction in gross and net impairments of TBI consumer book in Q3 compared to Q1 and Q2.

As we reported on prior calls, we faced a bit of portfolio quality issue in Romanian cash loan portfolio earlier this year, and as soon as we identified it, measures were taken, and although we almost instantly observed improvement of early key risk indicators, it took us some time to see improvement in provisioning, and I'm happy to report that Q3 in terms of provisioning is back on track.

Provisioning coverage remained solid. NPL coverage is 115 percent for the Group. The highest coverage is online operations followed by TBI consumer book. Risk results remain stable and solid.

And that's it for me and I'll hand it back to Oyvind.

Oyvind Oanes: Thank you, Julija. So, before we open it up for questions, let me try and summarise the key takeaways from today's presentation.

We continue to believe that the opportunity for our company is significant. We have a strong platform and we believe we are in a unique position to address the needs of current and new customer segments.

The key financial performance indicators for the first nine months of 2018 show a strong top-line growth, improving our interest income by 10 percent year-over-year and generating a very solid EBITDA for the period, up 7 percent year-over-year.

Our cost/income ratio keeps going in the right direction, and we saw this come down to 49 percent for the third quarter. We're making good progress on our strategic agenda. The new IT platform is well underway and we're carefully piloting new near-prime products and models.

Many thanks for your time and attention and I would now like to open up the floor to questions.

Operator: For the participants over the phone line, if you have any questions, you may press star one on your telephone and wait for your name to be announced. To cancel your request, you may press the hash key. Once again, that is star and one for asking questions.

The first question is from the line of Nikolai Dimitrov from Morgan Stanley. You may ask your question.

Nikolai Dimitrov: Hi, there. Thank you for the call. I have three or four questions. So, the first one is going to be you're obviously trying to reposition the business up in credit quality, emphasising the near-prime segment. Can you give us some colour in terms of where you are in the process?

If I look at your net receivables book, what percentage of it would you define as near-prime and eventually where do you want to see that percentage go? So, that’s going to be the first question.

Oyvind Oanes: OK. Maybe let me try and give some flavour on that. I think we're in the start of a journey and we're carefully moving into the near-prime segment. I think what you've seen is that we are changing our focus into instalment loan products and lines of credits which is predominantly still in the sub-prime segments. But doing certain pilots as I laid out on the page in the presentation in both Lithuania and Spain, and soon also in the Nordics.

I would say currently the percentage of pure near-prime is rather low. We're piloting, we're building a new platform for this. We're launching new products. We're piloting new channels.

So, today, that would be a low single digit number for our core online business. Now, if you take also the TBI Bank business into account, and I would claim that most of TBI Bank’s business is near-prime, then obviously, the picture is slightly different, and I think TBI Bank accounts for now about 40 percent of our total book.

But in our online business, in our core 4finance business is still very, very low. Where we'll go over time, that’s a bit difficult for me to say at this stage. But we believe that it will become over time definitely a core part of our main business.

Nikolai Dimitrov: Got it. Talking about the instalment loans, because that’s what obviously grows these days, when I look at the NPLs there, right, we've seen a spike in NPLs to about 23 percent and that is despite the fact that we have the denominator effect which basically dilutes the NPLs. Is something going on there or you're comfortable with the risk that you're taking?

Julija Lebedinska-Litvinova: Thank you, Nikolai, for your question. This is Julija. I will try to answer it.

Obviously, the instalment book, what we have at the moment, the majority of that is not yet near-prime. This is a sub-prime book which is very challenging from risk perspective, from quality perspective, and we're obviously ready to see not a one-digit cost of risk in NPL: that is definitely a two-digit number.

And this month's increase, this is something what we have expected because we issued quite significant amount of instalments starting Q4 last year as well as in Q1 this year and followed also in Q2, although the sales decreased. And when we look on the profile of our instalment loans, it typically takes six to eight months to show that full maturity from risk perspective, to show like for us the full cycle. So, that’s why we definitely expected this one.

Combined together with the slowdown of issuance in Q3 and also in Q2, I should say, for instalment book, we expected this result. And, yes, this is an uptick, but this is something we expected.

Nikolai Dimitrov: OK. So, it's basically seasoning of the book. So, Julija, a question on cost of risk, so, obviously, in the first three quarters, we had kind of the IFRS 9 effect so cost of risk was a little bit elevated and so on and so on. But can you provide some guidance if you have any in terms of where do you see cost of risk going and is there kind of a number that you're targeting?

Julija Lebedinska-Litvinova: The cost of risk is a bit tricky metric. We definitely follow it, but for our business, it is a bit tricky. So, after IFRS 9 adoption, actually, earlier in the year we were a bit better positioned because we made equity adjustment and we raised provisioning for the legacy book.

So, that’s why from this perspective the beginning of the year, for cost of risk is more beneficial rather than now. So, basically, now, being able to sustain this result, this is an achievement. So, this basically demonstrates that the quality is under control.

But when we say IFRS 9 effect, we mainly refer to the change of provisioning policy in line with IFRS 9 standard which requires recognition of provisioning earlier in the cycle. So, basically, once we issue a loan, we now provision quite a lot - compared to our previous model, it's, on average, two times higher than it was before.

So, basically then, it's not going to go away, I should say. So, that’s why our cost of risk will be always a challenging metric for us but we definitely keep an eye on that. And for us, like, all upticks, this is definitely an alarming sign, but we assume that there will be a bit of volatility related to different product mix, related to smaller or bigger debt sale volumes, and so on and so on.

Nikolai Dimitrov: OK. Got it. One question on efficiency. I happen to look at some of these non-bank financial institutions and I understand than when the business is very granular, it tends to be very cost intense.

With that being said, cost-income ratio of 49 percent is actually a fairly good result. How sustainable is that and is there a way that you guys can keep it considering the fact that you emphasise the digital channels and so on, do you believe that you're going to be able to keep it within that 50 percent or even below 50 percent level?

Paul Goldfinch: Sure. Nik, I'll take that question, if you like.

Yes, certainly, I think strategically, we're targeting a medium-term cost-income ratio below 50 percent. As you can see, in Q3, it's already dropped below 50 percent for the quarter, and we're targeting something around similar levels in Q4 already in terms of that ratio.

You’ve seen – we've made a lot of short-term efficiency gains which we continue to very much focus on and in the medium to long term, I think the key for us is our new IT platform with which we’ve sort of being indicating the several quarters already.

We feel that will unlock material savings in terms of improved efficiency, automation, and ultimately reduction in headcount.

Nikolai Dimitrov: Got it. And my last question is going to be on TBI Bank. Do you happen to have the common equity tier one ratio or you don't disclose it?

Paul Goldfinch: Yes. We do. I think it's in the release that we did couple of days ago. It is 24 percent.

Nikolai Dimitrov: That would be total capital, right?

Paul Goldfinch: Yes.

Nikolai Dimitrov: And do you happen to have the common equity tier one?

Paul Goldfinch: I believe it's the same.

Nikolai Dimitrov: It's the same. OK. And apologies, last question is going to be on the 9 percent stake in Monobank. How should we think about this acquisition? Is this more like a new distribution channel for you or eventually do you have the appetite to acquire a larger stake in the bank? I'm not sure how to think about it.

Oyvind Oanes: At this stage, the way to think about it, is a commitment into a potential partnership, strategic partnership with Monobank across the Nordic region. You would know that our mid-long term strategy for the Nordic region is to move up the credit curve into much more of a near-prime business. Monobank is operating in the prime space. They operate in Norway, Finland, and they've announced that they will launch also Sweden in Q1 next year.

So, the thinking here is more strategic. We made the investment as a commitment to a partnership, but this is a potential strategic partnership for us across the Nordic region and part of our near-prime 'go-to-market' strategy. It's early days, but we will be sitting down with the management of Monobank over the next weeks and months to define it in much more detail.

Nikolai Dimitrov: Understood. Great. Thank you. Thanks a lot.

Operator: Thank you. And the next question is from the line of Otto Dichtl.

Otto Dichtl: My question would have been on Monobank. So, it's been answered, really. Thank you.

Oyvind Oanes: OK. Good. Happy to provide more information if you like. But if you're good, that's also fine.

Operator: Thank you. The next one, it's from John Sykes from Nomura. You may ask your question.

John Sykes: I know this is always kind of difficult for you guys to gauge, but can you just give some colour for the rest of the year in terms of momentum or specific numbers? Is there anything you can tell us about where you think you'll end up in 2018?

Paul Goldfinch: Hi, John. Well, we don't give specific forward-looking statements. I think the word 'stability' is probably the best way to give you some direction on what we're looking at. I think you've seen the results in the third quarter are borderline 'boring' in terms of how stable they are. I think we see that trend definitely develop through Q4 as well.

John Sykes: OK. Yes. Because I mean, I think it seem kind of apparent to me that you're really becoming more and more focused on credit quality, although still growth. Is that what we should expect going forward as well? The same type of positioning?

Paul Goldfinch: Yes, I think. Julija is looking at me saying that she's always focused on credit quality, not just recently. But I think, certainly, you can see in the results, we've been very focused not just on top-line growth, but very much on bottom-line growth and improved efficiency as well. You'll be seeing more of it from us throughout the course of next year as well.

But we still do have very much of growth ambitions in a number of products and markets. We're just being very disciplined about where we invest our money.

John Sykes: OK. And then just lastly, in terms of the cost-savings opportunities, with the personnel reductions, do you have a number for that in terms of how much that might be worth, say, in Q4, maybe next year?

Paul Goldfinch: As I've indicated, I think we're seeing a cost-income ratio in Q4 around the same as what we saw in Q3. There has been a few more headcount reductions made in Q3. So, we'll see some further momentum in the personnel costs throughout the course of Q4. So, I think they should probably drop by another 3 percent or 4 percent across the quarter.

John Sykes: OK. All right. Great. Thank you.

Paul Goldfinch: Thanks, John.

Operator: Thank you. Once again, to ask a question, please press star one. The next one, it's from Rumen Ivanov. You may ask your question.

Rumen Ivanov: Hello and good afternoon and thank you very much for the presentation. I apologise, I missed the start of the call, so I apologise if I ask any question that you might have actually spoken to earlier in the call.

First, I wanted to ask about the FX charges that you took again in the third quarter. Is this mostly related to Argentina and have we seen the last of that or do you expect to take more of these FX charges going forward and is that going to become kind of a recurring issue for the P&L?

Paul Goldfinch: Hi, Rumen. In terms of the FX charges, yes, the headline IFRS P&L charge is about €5 million for the quarter. The majority of that did come from Argentina, but you'll see in the FX reserves there's an offsetting €3.5 million increase in FX reserves which somewhat offset that depreciation of the peso.

In terms of Q4, I noted on the last quarterly call that there was a bounce. There is a bounce again in November in the peso - as you're probably aware, the peso has recovered 15 percent so far in the quarter - but I'm unable to predict, unfortunately, what the peso will be. In terms of our overall exposure to the peso, it's a very low million euro levels at the moment.

Rumen Ivanov: OK. I see. And I saw in the cash flow statement, you actually have to post some margin and you actually an asset of €11.5 million of FX margin. Can you kind of explain what that relates to. Is that relative to hedges for peso or is this for your U.S. dollar bonds?

Paul Goldfinch: It's for our U.S. dollar hedging.

Rumen Ivanov: I see. OK. I noted in your release that you're planning to wind down some businesses and your reviewing some businesses. I believe on the call you mentioned something about Georgia and Romania. Should we expect any material write-downs or any kind of impairments that you may be considering in the fourth quarter?

Paul Goldfinch: No. I think both of those wind downs are well underway and we don't expect any material increases in impairment resulting from that.

Rumen Ivanov: OK. And with respect to liquidity, I saw the online business is kind of building up cash. It's over €100 million now. You obviously have upcoming maturity, August next year of the remaining 2019 notes. Can you kind of give us your thoughts around the refinancing the notes, around liquidity, around cash balance, are you sort of curbing growth to build up liquidity?

Paul Goldfinch: Sure. Firstly, we do have slightly in excess of €100 million in our online business. We sort of consider a level of around €50 million as the operational minimum across the Group in the online business so we do have some surplus cash at the moment. I'm sure you'll be aware, we have coupon payments in our bonds coming up in November which will use some of that surplus cash.

And at the moment, we're finalising our development plans and our budget for 2019 which will then help us crystallise what we want to do in terms of the bond maturity in August next year. So, at this stage, we haven't really firmed up our plans as to what we want to do in that regard.

One option available to us, obviously, is to just simply repay with excess liquidity, but we're still going through the process now and finalising our plans for next year market by market.

Rumen Ivanov: OK. And in terms of loan issuance, I mean, if I look at online loan issuance, it's down about 11 percent year-on-year. It's below €300 million for the quarter. Is that where you feel is like a new normal level or would you like to accelerate that? How do you see that developing over the course of next 12-18 months?

Paul Goldfinch: Well, I think part of the drop that you're seeing, at least in the last nine months, is coming from the Friendly Finance integration. That alone has eased online loan issuance by about 35 million. I think year-on-year, we're slightly up in terms of overall online loan issuance, and on Slide 14 you can see the components of the issuance is definitely pivoted towards instalment loans and I think that's what you'll see going into 2019. That is a greater percentage of instalment loan issuance versus SPL.

Rumen Ivanov: Just to follow up on that. So is there a particular seasonality around instalment loans where in first quarter of 2018 I have here €63 million versus €44 million in the last quarter. Does that reflect seasonality or actually slowdown of the issuance versus earlier in the year?

Paul Goldfinch: Sure. It does reflect the slowdown in issuance but that was a deliberate slowdown on our behalf. In Q1, we exceeded our plans in terms of issuance. We deliberately pulled the reins back a little bit. We wanted to see these portfolios season and see how they continue to perform from a credit perspective.

So, I think what we're seeing now is what we've deliberately done in terms of holding back issuance. I think, in places like Poland, we have very strong underlying consumer demand for this product.

Rumen Ivanov: Yes. Understood. And a final question, in terms of TBI cost of risk which was elevated earlier in the year and now has come back if my math here is correct, something around 5 percent, actually, this quarter which was kind of near the what we're used to – is that kind of the new normal or near the new normal for TBI Bank?

Julija Lebedinska-Litvinova: Thank you for your question. So, it's not definitely the level what we keep in mind because Q3 was exceptional as well for TBI Bank in terms of net impairment because of performed debt sales. And I cannot give you our level of expectations, but definitely it is higher than 5 percent.

Rumen Ivanov: OK. Understood. Thank you very much.

Paul Goldfinch: Thanks, Rumen.

Julija Lebedinska-Litvinova: Thank you.

Oyvind Oanes: Thank you.

Operator: The line of Nikolai wishes to ask a question. Your line is now open again.

Nikolai Dimitrov: Yes. Thank you. Just a quick follow-up, regarding Mexico, if you can give us any information about your Mexican operations, we've seen the new AMLO administration come up with certain legislative measures that will curb the banks' ability to charge certain fees and there's a lot of concerns that the non-bank lenders might be next and I was wondering how material, if at all, that's going to be for you? Thank you.

Oyvind Oanes: The way I'd like to answer that, maybe high level, is that we continue to be committed to the Mexican market. It's a big market. It's an interesting market.

We have some very good partnerships there with distribution partners. We're about to launch another big partnership. I don't think I can disclose with whom that is at the moment, but that would actually be a big improvement and change for our business in terms of distribution power in the market.

We're going to be piloting that in the beginning of next year and ramp it up. So, we remain positive and committed to the market. And as I've said, we're about to launch a major cooperation agreement with a big retail name in that market.

Nikolai Dimitrov: Got it. Thank you.

Operator: And there are no further questions at this time, sir. Please continue.

Oyvind Oanes: OK. So, unless there are any further questions, I'd like to round it off by saying thank you very much for participating and listening in. Wish you all a good end of the year, nice holiday season and look forward to catching up with everyone in the new year.

Operator: Thank you. And that concludes our call for today. You may all disconnect. Thank you all for participating. Have a great day.

END