Home Credit Slovakia, a.s.

Condensed Interim Financial Statements
for the nine month period ended 30 September 2018

(unaudited)

Contents

	Note	30 Sep 2018 TEUR	31 Dec 2017 TEUR
ASSETS			
Cash and cash equivalents	4	13,424	9,341
Loans to customers at fair value through profit or loss	5	27,615	26,942
Current income tax receivable		-	34
Deferred tax assets		5,416	6,439
Intangible assets	6	6,366	6,832
Property and equipment	7	335	463
Other assets	8	6,262	11,652
Total assets		**59,418**	**61,703**
LIABILITIES			
Due to banks and other financial institutions	9	18,577	23,577
Current income tax liability		402	-
Other liabilities	10	18,327	18,789
Total liabilities		**37,306**	**42,366**
EQUITY			
Share capital	11	18,821	18,821
Statutory reserve fund		3,765	3,765
Accumulated losses		(474)	(3,249)
Total equity		**22,112**	**19,337**
Total liabilities and equity		**59,418**	**61,703**

The financial statements as set out on pages 3 to 14 were approved by the Board of Directors on 9 November 2018.

Luděk Jírů
Chairman of the Board of Directors

Zdeněk Šperka
Member of the Board of Directors

	Note	9 months ended 30 Sep 2018 TEUR	9 months ended 30 Sep 2017 TEUR
Interest income	12	2,962	8,423
Interest expense	12	(419)	(1,013)
Net interest income		**2,543**	**7,410**
Fee and commission income	13	3,177	3,363
Fee and commission expense	14	(3,716)	(3,811)
Net fee and commission expense		**(539)**	**(448)**
Net gains on financial assets	15	9,224	4,609
Other operating income	15	1,659	1,852
Operating income		**12,887**	**13,423**
Impairment losses	16	565	(4,223)
General administrative expenses	17	(11,511)	(11,850)
Operating expenses		**(10,946)**	**(16,073)**
Profit / (Loss) before tax		**1,941**	**(2,650)**
Income tax (expense) / benefit	18	(852)	488
Net profit / (loss) for the period		**1,089**	**(2,162)**
Total comprehensive income / (expense) for the period		**1,089**	**(2,162)**

	Share capital TEUR	**Statutory reserve fund TEUR**	**Retained earnings TEUR**	**Total TEUR**
Balance as at 31 December 2017	18,821	3,765	(3,249)	19,337
Transition impact, net of tax	-	-	1,686	1,686
Balance as at 1 January 2018	18,821	3,765	(1,563)	21,023
Net profit for the period	-	-	1,089	1,089
Balance as at 30 September 2018	**18,821**	**3,765**	**(474)**	**22,112**

	Share capital TEUR	**Statutory reserve fund TEUR**	**Retained earnings TEUR**	**Total TEUR**
Balance as at 1 January 2017	18,821	3,765	291	22,877
Net loss for the period	-	-	(2,162)	(2,162)
Balance as at 30 September 2017	**18,821**	**3,765**	**(1,871)**	**20,715**

	Note	9 months ended 30 Sep 2018 TEUR	9 months ended 30 Sep 2017 TEUR
Operating activities			
Profit/(Loss) before tax		1,941	(2,650)
Adjustments for:			
Impairment losses	16	(565)	4,223
Interest expense	12	419	1,013
Depreciation and amortization	17	2,174	267
Net gain on disposal of property, equipment and intangible assets		(34)	(18)
Net operating cash flow before changes in working capital		**3,935**	**2,835**
Change in loans to customers at FVTPL		2,171	11,911
Change in other assets		5,419	(3,755)
Change in other liabilities		(462)	(351)
Cash flows from operations before interest and taxation		**11,063**	**10,640**
Interest paid		(419)	(964)
Income tax received		14	1,921
Cash flows from operating activities		**10,658**	**11,597**
Investing activities			
Proceeds from sale of property, equipment and intangible assets		34	19
Acquisition of property, equipment and intangible assets		(1,609)	(82)
Cash flows used in investing activities		**(1,575)**	**(63)**
Financing activities			
Proceeds from banks and other financial institutions		58,000	94,500
Repayment of amounts due to banks and other financial institutions		(63,000)	(109,000)
Cash flows used in financing activities		**(5,000)**	**(14,500)**
Net increase /(decrease) in cash and cash equivalents		4,083	(2,966)
Cash and cash equivalents at 1 January		9,341	11,301
Cash and cash equivalents at 30 September	4	**13,424**	**8,335**

1. Description of the Company

Home Credit Slovakia, a.s. (the "Company") was incorporated and commenced trading in 1999.

Registered office

Home Credit Slovakia, a.s.
Teplická 7434/147
921 22 Piešťany
Slovak Republic

Shareholders	Country of incorporation	Ownership interest (%) 30 Sep 2018	Ownership interest (%) 31 Dec 2017
Home Credit B.V.	The Netherlands	100.00	100.00

The ultimate controlling entity is PPF Group N.V. registered in the Netherlands.

Board of Directors		Supervisory Board	
Luděk Jírů	Chairman (since February 2018)	Pavel Rozehnal	Chairman
	Member (until January 2018)	David Minol	Member
Zdeněk Šperka	Member	Miroslav Zborovský	Member
Luboš Ondrůj	Member (since March 2018)		
Václav Horák	Chairman (until January 2018)		

Principal activities

The principal activity of the Company is the provision of consumer financing to private individual customers in the Slovak Republic. The main source of financing for the Company's consumer lending activities are onward sales of originated loan receivables and loan participations (refer to Note 5).

2. Basis of preparation

(a) Statement of compliance

The condensed financial statements follow, in the context of measurement, all requirements of International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted for use in the European Union. The disclosures in these interim financial statements have been presented in accordance with IAS 34 *Interim Financial Reporting*, and therefore should be interpreted in conjunction with the Company's financial statements for the year ended 31 December 2017, as these interim financial statements provide an update of previously reported financial information.

(b) Basis of measurement

These condensed interim financial statements are prepared on the historic cost basis except for financial instruments at fair value through profit or loss measured at fair value. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortized cost or historic cost, as appropriate, net of any relevant impairment.

(c) Comparative figures

The comparative figures have been regrouped or reclassified, where necessary, on a basis consistent with the current year.

3. Significant accounting policies

The significant accounting policies applied in the preparation of the interim financial statements are consistent with those used in the preparation of the Company's financial statements for the year ended 31 December 2017. If not stated otherwise, the accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements.

Changes in accounting policies since 1 January 2018

The following revised standard and annual improvements to IFRSs effective from 1 January 2018 are mandatory and relevant for the Company and have been applied by the company since 1 January 2018.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

In May 2014 IASB and the Financial Accounting Standards Board (FASB), responsible for US Generally Accepted Accounting Principles (US GAAP) jointly issued a converged Standard on the recognition of revenue from contracts with customers. The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The adoption of IFRS 15 did not have significant impact on the Company's financial statements because of the nature of the Company's operations and the types of revenues it earns.

In July 2014, the IASB issued the final version of *IFRS 9 Financial Instruments*, effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period. Consequently, for notes disclosures, the comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company.

The impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings amounts to TEUR 1,686 and represents:

- an increase of 2,279 TEUR related to classification and measurement requirements (the value presents fair value of loan receivable),
- a decrease of 593 TEUR related to deferred tax impacts.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

A financial asset is measured at amortised cost if it is not designated as at FVTPL and it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. All financial assets not classified as measured at amortised cost are measured at FVTPL. All the financial instruments are initially measured at fair value decreased or increased by transaction costs, even if the financial asset or liability is not measured at FVTPL.

3. Significant accounting policies (continued)

The impairment model under IFRS 9 replaces incurred credit losses (in accordance with IAS 39) with expected credit losses. The IFRS 9 impairment model applies to financial assets measured at amortised cost and loan commitments where there is a current obligation to provide a loan.

The Company has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	**Carrying amount**	**Measurement category**	**Carrying amount**
Financial assets		TEUR		TEUR
Cash and cash equivalents	Amortised cost	9,341	Amortised cost	9,341
Loans to customers	Amortised cost	26,942	FVTPL	29,221
Other assets	Amortised cost	11,652	Amortised cost	11,652
Financial liabilities	Amortised cost	23,577	Amortised cost	23,577

4. Cash and cash equivalents

	30 Sep 2018 TEUR	**31 Dec 2017 TEUR**
Cash in hand	10	11
Current accounts	13,414	9,330
	13,424	9,341

5. Loans to customers at fair value through profit or loss

	30 Sep 2018 TEUR	**31 Dec 2017 TEUR**
Net amount (including impairments)		
Car loan receivables	13,396	-
Revolving loan receivables	5,956	-
Cash loan receivables	5,840	-
POS loan receivables	950	-
Loans to corporations	1,473	-
	27,615	**-**

5. Loans to customers at fair value through profit or loss (continued)

	30 Sep 2018 TEUR	31 Dec 2017 TEUR
Loans to customers at amortised cost		
Gross amount		
Cash loan receivables	-	41,693
Revolving loan receivables	-	25,881
POS loan receivables	-	23,384
Car loan receivables		19,050
Loans to corporations	-	892
		110,900
Collective allowances for impairment		
Cash loan receivables	-	(34,760)
Revolving loan receivables	-	(18,237)
POS loan receivables	-	(21,569)
Car loan receivables	-	(8,906)
	-	**(83,472)**
Specific allowances for impairment on loans to corporations	-	(486)
	-	**(83,958)**
	-	**26,942**

6. Intangible assets

	30 Sep 2018 TEUR	31 Dec 2017 TEUR
Acquisition cost	9,924	8,358
Accumulated amortization	(3,558)	(1,526)
	6,366	**6,832**

7. Property and equipment

	30 Sep 2018 TEUR	31 Dec 2017 TEUR
Acquisition cost	2,044	2,265
Accumulated depreciation	(1,709)	(1,802)
	335	**463**

8. Other assets

	30 Sep 2018 TEUR	31 Dec 2017 TEUR
Prepaid expenses	4,102	3,630
Outstanding selling price for receivables and participations	1,138	6,399
Accounts receivable	956	1,607
Other	66	16
	6,262	**11,652**

9. Due to banks and other financial institutions

Unsecured loans

	Interest rate	Final maturity	Amount outstanding 30 Sep 2018 TEUR	31 Dec 2017 TEUR
Term loan facility of TEUR 10,000	EURIBOR + margin	November 2018	8,041	10,044
Term loan facility of TEUR 15,000	EURIBOR + margin	June 2019	8,026	13,533
Term loan facility of TEUR 5,000	EURIBOR + margin	December 2018	2,510	-
			18,577	**23,577**

10. Other liabilities

	30 Sep 2018 TEUR	31 Dec 2017 TEUR
Due to customers	9,203	8,839
Accrued expenses	5,148	6,010
Settlements with suppliers	3,336	2,952
Accrued employee compensation	581	722
Other	59	266
	18,327	**18,789**

11. Equity

As at 30 September 2018 the issued share capital comprised 567 ordinary shares (31 December 2017: 567) with a nominal value of EUR 33,194 each. All issued shares have been fully paid and bear equal voting rights. The shareholders are entitled to receive dividends when declared.

12. Interest income and interest expense

	9 months ended 30 Sep 2018 TEUR	9 months ended 30 Sep 2017 TEUR
Interest income		
Revolving loan receivables	1,196	2,540
Car loan receivables	1,152	1,146
Cash loan receivables	432	2,175
POS loan receivables	170	2,505
Other	12	57
	2,962	**8,423**
Interest expense		
Liabilities to banks and other financial institutions	(419)	(1,013)
	(419)	**(1,013)**

13. Fee and commission income

	9 months ended 30 Sep 2018	9 months ended 30 Sep 2017
	TEUR	TEUR
Penalty fees	1,350	1,409
Customer payment processing and account maintenance	1,192	1,261
Cash transactions	471	488
Insurance commissions	164	205
	3,177	**3,363**

14. Fee and commission expense

	9 months ended 30 Sep 2018	9 months ended 30 Sep 2017
	TEUR	TEUR
Commissions to retailers	2,339	2,466
Payment processing and account maintenance	859	814
Cash transactions	377	396
Other	141	135
	3,716	**3,811**

15. Operating income

	9 months ended 30 Sep 2018	9 months ended 30 Sep 2017
	TEUR	TEUR
Gains on disposal of loan receivables		
Net gains on financial assets	9,793	4,609
Net change in FVTPL	(569)	-
	9,224	**4,609**
Other operating income		
Fees for servicing of receivables	1,645	1,852
Other	14	-
	1,659	**1,852**

16. Impairment losses

	9 months ended 30 Sep 2018	9 months ended 30 Sep 2017
	TEUR	TEUR
Loans to corporations	(4)	(4)
POS loan receivables	(29)	1,795
Revolving loan receivables	(43)	976
Cash loan receivables	(231)	1,254
Car loan receivables	(272)	202
Other	14	-
	(565)	**4,223**

17. General administrative expenses

	9 months ended 30 Sep 2018	9 months ended 30 Sep 2017
	TEUR	TEUR
Employee compensation	2,384	2,308
Payroll related taxes (including pension contributions)	760	716
Depreciation and amortization	2,174	267
Professional services	1,985	1,807
Telecommunication and postage	1,286	1,563
Advertising and marketing	1,091	1,606
Information technologies	1,074	2,947
Rental costs	334	334
Travel expenses	215	214
Other	208	88
	11,511	**11,850**

18. Income tax expense / (benefit)

	9 months ended 30 Sep 2018	9 months ended 30 Sep 2017
	TEUR	TEUR
Current tax expense / (benefit)	422	(8)
Deferred tax expense / (benefit)	430	(480)
Total income tax expense / (benefit) in the statement of comprehensive income	**852**	**(488)**

19. Future commitments

The Company has outstanding contractual commitments to extend credit. These commitments take the form of approved credit limits related to customer's revolving loan accounts, POS loan facilities, cash loan facilities and car loan facilities.

	30 Sep 2018 TEUR	31 Dec 2017 TEUR
Revolving loan commitments	46,806	44,428
Car loan commitments	524	529
Cash loan commitments	408	329
POS loan commitments	209	246
	47,947	**45,532**

The total outstanding contractual commitments to extend credit disclosed above do not necessarily represent future cash requirements, as many of these commitments will be terminated or will expire without being drawn.

20. Operating leases

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

	30 Sep 2018 TEUR	31 Dec 2017 TEUR
Less than one year	313	318
Between one and five years	1,039	93
	1,353	**411**

The Company leases premises under operating leases. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the nine month period ended 30 September 2018 TEUR 241 (the nine month period ended 30 September 2017: TEUR 239) was recognized as an expense in the statement of comprehensive income in respect of operating leases.

21. Subsequent events

On 8 October 2018, Home Credit Group B.V., part of PPF Group ultimately controlled by PPF Group N.V., and MONETA Money Bank, a.s. entered into non-binding and preliminary agreement on the sale of Air Bank a.s., Home Credit Slovakia, a.s., Home Credit a.s. and their subsidiaries to MONETA Money Bank, a.s.

The transaction is expected to close on 1 July 2019 and is subject to the satisfactory due diligence findings and prior approvals of the relevant regulatory authorities.