Home Credit a.s.

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

(unaudited)

Contents

	Note	30 Sep 2018 TCZK	31 Dec 2017 TCZK
ASSETS			
Cash and cash equivalents	4	480,975	242,368
Loans to customers at fair value through profit or loss	5	1,568,675	1,444,214
Current income tax receivable		-	12,322
Deferred tax assets		-	23,003
Intangible assets	6	361,515	340,949
Property and equipment	7	40,752	42,904
Other assets	8	989,823	771,247
Total assets		**3,441,740**	**2,877,007**
LIABILITIES			
Due to banks and other financial institutions	9	475,267	488,841
Current income tax liabilities		48,643	-
Deferred tax liabilities		17,868	-
Other liabilities	10	1,425,300	1,235,834
Total liabilities		**1,967,078**	**1,724,675**
EQUITY			
Share capital	11	300,000	300,000
Other capital		344,068	344,068
Retained earnings		830,594	508,264
Total equity		**1,474,662**	**1,152,332**
Total liabilities and equity		**3,441,740**	**2,877,007**

The financial statements as set out on pages 3 to 15 were approved by the Board of Directors on 9 November 2018.

Luděk Jírů
Chairman of the Board of Directors

	Note	9 months ended 30 Sep 2018 TCZK	9 months ended 30 Sep 2017 TCZK
Interest income	12	264,195	257,151
Interest expense	12	(11,450)	(11,877)
Net interest income		**252,745**	**245,274**
Fee and commission income	13	129,592	147,927
Fee and commission expense	14	(252,305)	(239,890)
Net fee and commission expense		**(122,713)**	**(91,963)**
Gains on disposal of loans receivables	15	1,152,117	850,865
Other operating income	15	79,395	119,994
Operating income		**1,361,544**	**1,124,170**
Impairment losses	16	(19,009)	(22,780)
General administrative expenses	17	(878,642)	(871,318)
Operating expenses		**(897,651)**	**(894,098)**
Profit before tax		**463,893**	**230,072**
Income tax expense	18	(90,399)	(55,289)
Net profit for the period		**373,494**	**174,783**
Total comprehensive income for the period		**373,494**	**174,783**

	Share capital TCZK	**Other capital TCZK**	**Retained earnings TCZK**	**Total TCZK**
Balance as at 31 December 2017	300,000	344,068	508,264	1,152,332
Transition impact, net of tax	-	-	198,836	198,836
Balance as at 1 January 2018	300,000	344,068	707,100	1,351,168
Dividends to shareholders	-	-	(250,000)	(250,000)
Net profit for the period	-	-	373,494	373,494
Balance as at 30 September 2018	**300,000**	**344,068**	**830,594**	**1,474,662**

	Share capital TCZK	**Other capital TCZK**	**Retained earnings TCZK**	**Total TCZK**
Balance as at 1 January 2017	300,000	344,068	490,743	1,134,811
Dividends to shareholders	-	-	(200,000)	(200,000)
Net profit for the period	-	-	174,783	174,783
Balance as at 30 September 2017	**300,000**	**344,068**	**465,526**	**1,109,594**

	Note	9 months ended 30 Sep 2018	9 months ended 30 Sep 2017
		TCZK	**TCZK**
Operating activities			
Profit before tax		463,893	230,072
Adjustments for:			
Impairment losses	16	19,009	22,780
Interest expense	12	11,450	11,877
Depreciation and amortization	17	116,729	27,583
Net gain on disposal of property, equipment and intangible assets		1,064	(2,554)
Net operating cash flow before changes in working capital		**612,145**	**289,758**
Change in loans to customers at FVTPL		102,876	161,402
Change in other assets		(218,576)	(8,483)
Change in other liabilities		189,466	(68,086)
Cash flows from the operations		**685,911**	**374,591**
Interest paid		(11,024)	(12,606)
Income tax paid		(36,073)	(22,874)
Cash flows from operating activities		**638,814**	**339,111**
Investing activities			
Proceeds from sale of property, equipment and intangible assets		12,119	2,554
Acquisition of property, equipment and intangible assets		(148,326)	(32,306)
Cash flows used in investing activities		**(136,207)**	**(29,752)**
Financing activities			
Dividends paid to shareholders		(250,000)	(200,000)
Proceeds from banks and other financial institutions		2,450,000)	3,830,000
Repayment of amounts due to banks and other financial institutions		(2,464,000)	(4,144,000)
Cash flows used in financing activities		**(264,000)**	**(514,000)**
Net change in cash and cash equivalents		238,607	(204,641)
Cash and cash equivalents at 1 January		242,368	502,396
Cash and cash equivalents at 30 September	4	**480,975**	**297,755**

1. Description of the Company

Home Credit a.s. (the "Company") was established through demerger of its legal predecessor, Home Credit Finance a.s. The demerger was recorded in the Commercial Register in October 2005 and for financial reporting purposes is effective from 3 January 2005.

Registered office

Home Credit a.s.
Nové sady 996/25
602 00 Brno
Czech Republic

Shareholders	**Country of incorporation**	**Ownership interest (%)**	
		30 Sep 2018	**31 Dec 2017**
Home Credit International a.s.	Czech republic	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 February 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 Czech Republic. The onward sales of originated loan receivables represent the major source of revenues of the Company.

2. Basis of preparation

(a) Statement of compliance

The condensed interim 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 MCZK 199 and represents:

- an increase of 247 MCZK related to classification and measurement requirements (the value presents fair value of loan receivable),
- a decrease of 48 MCZK 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		MCZK		MCZK
Cash and cash equivalents	Amortised cost	242	Amortised cost	242
Loans to customers	Amortised cost	1,444	FVTPL	1,691
Other assets	Amortised cost	771	Amortised cost	771
Financial liabilities	Amortised cost	489	Amortised cost	489

4. Cash and cash equivalents

	30 Sep 2018 TCZK	31 Dec 2017 TCZK
Cash in hand	146	230
Current accounts	480,829	242,138
	480,975	**242,368**

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

	30 Sep 2018 TCZK	31 Dec 2017 TCZK
Net amount (including impairment)		
Cash loan receivables	557,121	-
Car loan receivables	545,643	-
Revolving loan receivables	250,814	-
POS loan receivables	76,298	-
Loans to corporations	138,799	-
	1,568,675	**-**

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

	30 Sep 2018 TCZK	31 Dec 2017 TCZK
Loans to customers at amortised cost		
Gross amount		
Cash loan receivables	-	1,247,414
Car loan receivables	-	655,496
Revolving loan receivables	-	632,266
POS loan receivables	-	393,764
Loans to corporations	-	142,452
	-	**3,071,392**
Collective allowances for impairment		
Cash loan receivables	-	(764,242)
Car loan receivables	-	(290,579)
Revolving loan receivables	-	(336,224)
POS loan receivables	-	(230,965)
	-	**(1,622,010)**
Specific allowances for impairment on loans to corporations	**-**	**(5,168)**
	-	**1,444,214**

6. Intangible assets

	30 Sep 2018 TCZK	31 Dec 2017 TCZK
Acquisition cost	612,107	499,893
Accumulated amortization	(250,592)	(158,944)
	361,515	**340,949**

7. Property and equipment

	30 Sep 2018 TCZK	31 Dec 2017 TCZK
Acquisition cost	119,825	116,992
Accumulated depreciation	(79,073)	(74,088)
	40,752	**42,904**

8. Other assets

	30 Sep 2018 TCZK	31 Dec 2017 TCZK
Outstanding selling price for receivables and participations	621,789	366,739
Prepaid expenses	290,511	264,699
Accounts receivable	78,383	138,771
Other	1,200	1,200
	991,883	**771,409**
Specific allowances for impairment on settlements with suppliers	**(2,060)**	**(162)**
	989,823	**771,247**

9. Due to banks and other financial institutions

Unsecured bank loans	Interest rate	Final maturity	Amount outstanding 30 Sep 2018 TCZK	31 Dec 2017 TCZK
Term loan facility of TCZK 620,000	PRIBOR + margin	December 2018	422,129	401,696
Term loan facility of TCZK 200,000	PRIBOR + margin	October 2018	50,127	50,013
Term loan facility of TCZK 184,000	Fixed rate	November 2018	3,011	37,132
			475,267	**488,841**

10. Other liabilities

	30 Sep 2018 TCZK	31 Dec 2017 TCZK
Liabilities due to customers	633,134	594,227
Accrued expenses	366,892	353,303
Deferred income	200,892	2,697
Accounts payable	130,426	159,589
Accrued employee compensation	89,026	121,438
Other taxes payable	3,910	4,580
Provisions for credit losses from undrawn credit limit	1,020	-
	1,425,300	**1,235,834**

Out of accrued expenses stated above the amount of TCZK 274,746 (31 December 2017: TCZK 295,560) represents accrued client's bonuses dependent on timely repayment of respective POS, cash and revolving loans.

11. Equity

At 30 September 2018 the authorized share capital comprised 300 ordinary shares (31 December 2017: 300) with a nominal value of CZK 1,000,000 each.

All issued shares have been fully paid and bear equal voting rights. The holders of shares are entitled to receive dividends when declared.

In March 2018 the sole shareholder approved the distribution of retained earnings in the form of a dividend in the amount of CZK 833,333 per each share, totaling to TCZK 250,000.

12. Interest income and interest expense

	9 months ended 30 Sep 2018 TCZK	9 months ended 30 Sep 2017 TCZK
Interest income		
Cash loan receivables	123,512	115,538
Revolving loan receivables	58,229	64,655
Car loan receivables	48,443	36,912
POS loan receivables	31,660	36,908
Loans to corporations	2,333	3,126
Due from banks and other financial institutions	18	12
	264,195	**257,151**
Interest expense		
Balances from banks and other financial institutions	11,450	11,877
	11,450	**11,877**

13. Fee and commission income

	9 months ended 30 Sep 2018 TCZK	9 months ended 30 Sep 2017 TCZK
Customer payment processing and account maintenance	66,583	72,768
Penalty fees	26,477	21,527
Cash transactions	22,203	31,661
Insurance commissions	14,329	21,971
	129,592	**147,927**

14. Fee and commission expense

	9 months ended 30 Sep 2018 TCZK	9 months ended 30 Sep 2017 TCZK
Commissions to retailers	196,731	191,791
Cash transactions	26,538	20,695
Payment processing and account maintenance	11,555	11,727
Other	17,481	15,677
	252,305	**239,890**

15. Operating income

	9 months ended 30 Sep 2018 TCZK	9 months ended 30 Sep 2017 TCZK
Gains on disposal of loan receivables		
POS loan, cash loan and car loan receivables	653,967	515,706
Revolving loan receivables	524,860	335,159
Net change in FVTPL	(26,710)	-
	1,152,117	**850,865**

	9 months ended 30 Sep 2018 TCZK	9 months ended 30 Sep 2017 TCZK
Other operating income		
Fees for servicing receivables sold	34,078	79,802
Net foreign exchange income	2,643	2,031
Other	42,674	38,161
	79,395	**119,994**

16. Impairment losses

	9 months ended 30 Sep 2018 TCZK	9 months ended 30 Sep 2017 TCZK
Cash loan receivables	24,444	21,842
POS loan receivables	12,177	15,537
Revolving loan receivables	5,847	10,564
Loans to corporations	(226)	1,866
Car loan receivables	(26,064)	(27,029)
Other	2,831	-
	19,009	**22,780**

17. General administrative expenses

	9 months ended 30 Sep 2018 TCZK	9 months ended 30 Sep 2017 TCZK
Employee compensation	293,885	264,411
Payroll related taxes (including pension contributions)	87,099	80,685
Depreciation and amortization	116,729	27,583
Advertising and marketing	106,414	149,573
Professional services	91,930	90,349
Information technologies	61,856	133,628
Telecommunication and postage	53,706	61,991
Occupancy	24,735	21,770
Travel expenses	11,208	11,858
Other	31,080	29,470
	878,642	**871,318**

18. Income tax expense

	9 months ended 30 Sep 2018 TCZK	9 months ended 30 Sep 2017 TCZK
Income tax for current year	99,280	55,709
Correction related to prior periods	(2,242)	(289)
Current tax expense	97,038	55,420
Deferred tax (income)/expense	(6,639)	(131)
Total income tax expense in the statement of comprehensive income	**90,399**	**55,289**

19. Future commitments

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

	30 Sep 2018 TCZK	31 Dec 2017 TCZK
Revolving loan commitments	2,761,794	2,725,962
Cash loan commitments	52,759	29,549
POS loan commitments	25,446	25,995
Car loan commitments	12,714	5,584
	2,852,713	**2,787,090**

The total outstanding contractual commitments to extend credit indicated above do not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

20. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	30 Sep 2018 TCZK	31 Dec 2017 TCZK
Less than one year	24,876	22,062
Between one and five years	97,782	4,250
	122,658	**26,312**

The Company leases a number of premises and equipment 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 TCZK 27,911 (the nine month period ended 30 September 2017: TCZK 23,146) 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.