

# Proposed acquisition of Air Bank and Home Credit CZ & SK

October 8, 2018

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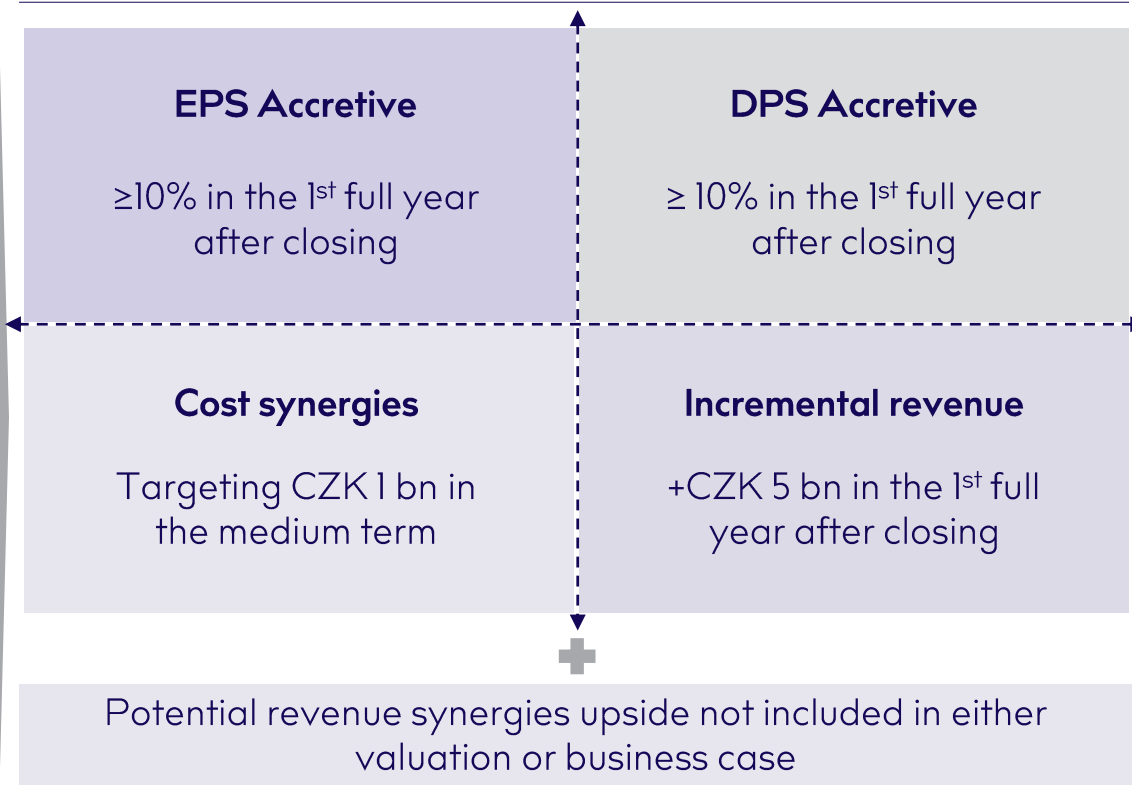
# TRANSACTION RATIONALE

The acquisition of Air Bank and Home Credit represents a transformational opportunity to accelerate growth and returns

## INVESTMENT THESIS

- Establishing a leading Czech retail bank
- Doubling customer base
- Creating the third largest network
- Increasing competitive capabilities
- Targeting 75% retail and small business lending
- Delivering at least 10% cost synergies<sup>1</sup>
- Strengthening shareholder base
- Improving shareholder returns by more than 10%

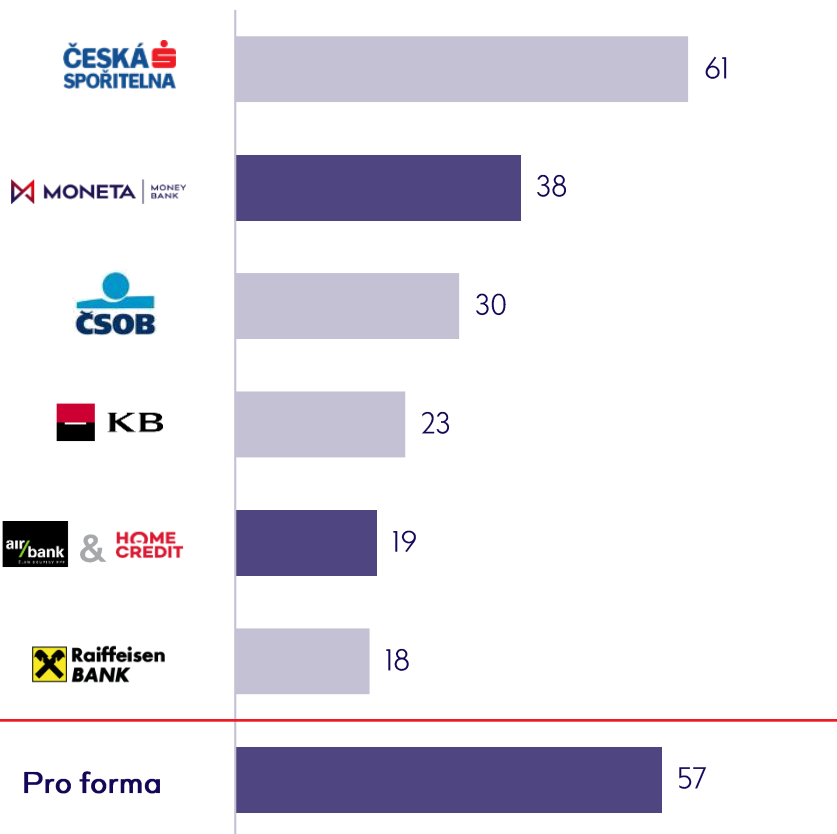
## ANTICIPATED SHAREHOLDER BENEFITS



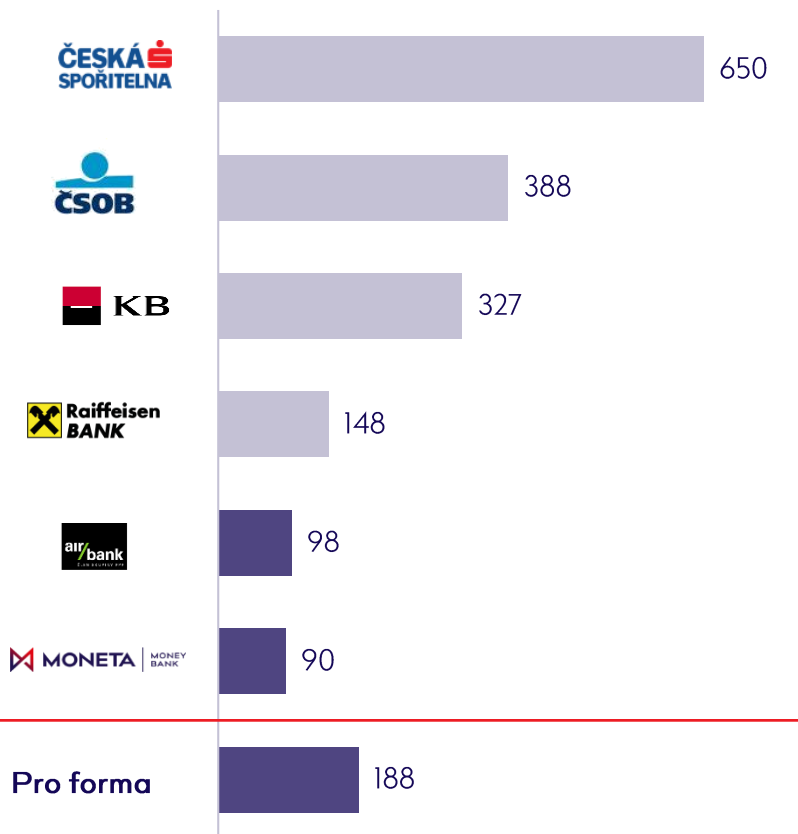
## LEADING RETAIL BANK

The combination will create the strongest challenger bank in retail banking and consumer lending category

GROSS CONSUMER LOANS<sup>1</sup> (Jun-18, CZK bn)

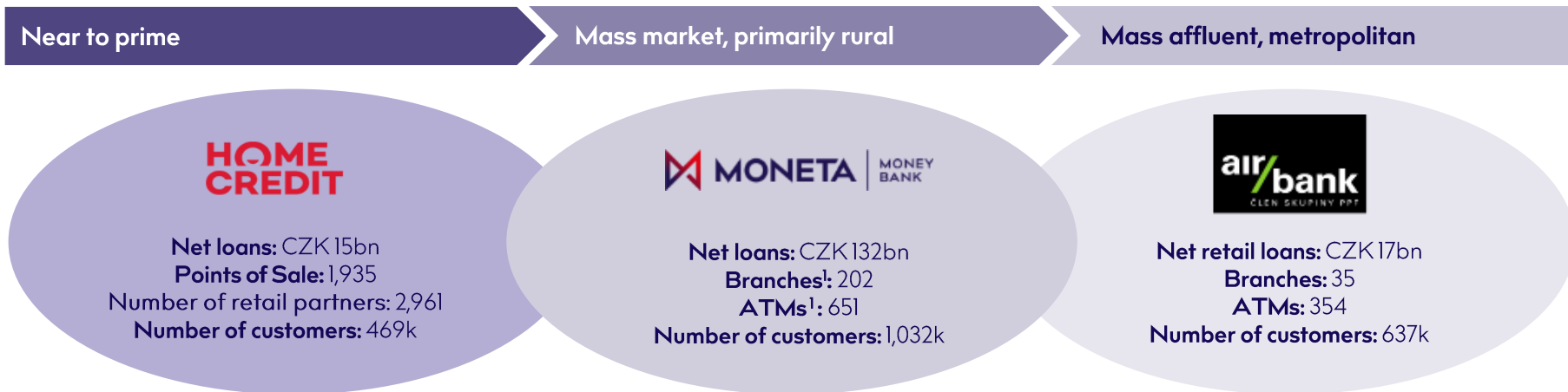


RETAIL DEPOSITS<sup>2</sup> (Jun-18, CZK bn)



# DOUBLING CLIENT BASE

Acquisition will add over 1 million clients, with a minimal overlap, filling existing gaps



## CUSTOMERS (Jun-18, '000)



# INCREASING COMPETITIVE CAPABILITIES

The combined entity will leverage Air Bank's brand to compete against incumbent market players



## RETAIL BANKING

## OTHER RETAIL LENDERS

## LOGIC OF REBRANDING MONETA INTO AIR BANK

Incumbents	• CS
	• KB
	• CSOB
	• Unicredit
	• RZB
	• MONETA
	• Sberbank
Challengers	• Air Bank
	• Equa
	• Fio Bank
	• mBank
	• Hello Bank
	• N26 and other foreign players

Subsidiaries	• S Autoleasing
	• Essox
Others / Independents	• MONETA AUTO
	• Home Credit
	• Profi Credit
	• Provident
	• Fair Credit
	• CFH / Intesa
• Others	

			
NPS <sup>1</sup>	34	NPS <sup>1</sup>	70
Spontaneous brand recognition <sup>1</sup>	39	Spontaneous brand recognition <sup>1</sup>	43
Brand established	2016	Brand established	2011

- Rebranding into Air Bank positions the combined entity as a challenger bank.
- Name change to improve brand affinity and price perception.
- Combining customer experience culture of Air Bank with strong cross-selling capabilities of MONETA.

# THIRD LARGEST NETWORK

## The combined entity will operate a strong retail branch network supported by excellent ATM coverage

### BRANCHES<sup>1</sup>



### ATMs<sup>1</sup>

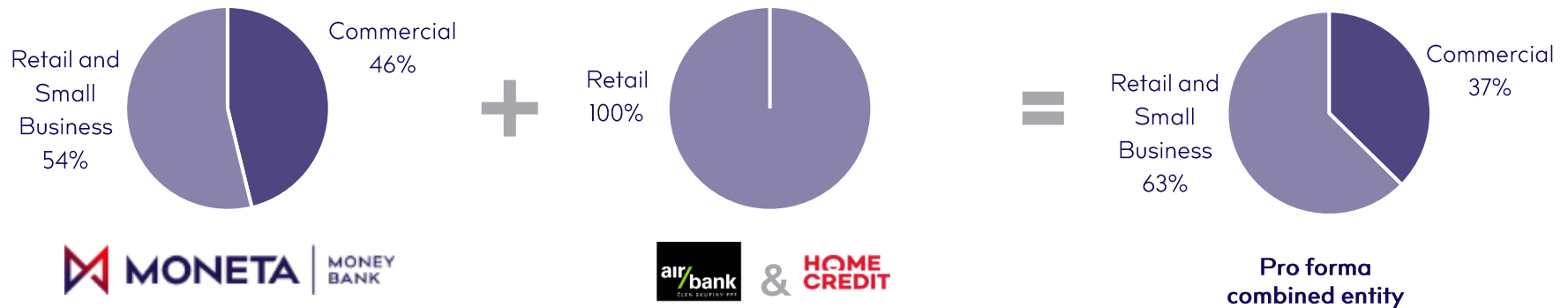




## INCREASING WEIGHT OF RETAIL LENDING

The combined entity will target to achieve 75% of lending activity in highly profitable retail and Small Business segments

### NET LOANS BREAKDOWN (Jun-18)

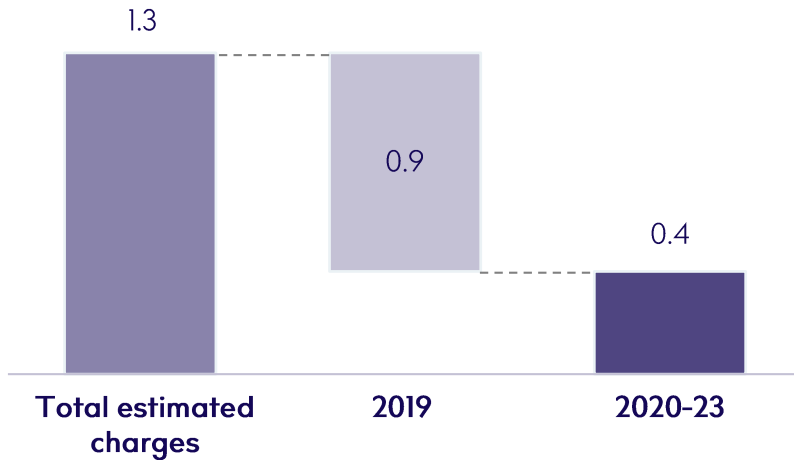


- The combined business model shall aim to have more than 75% of lending in Retail and Small Business segments in the medium term.
- Significant revenue synergy potential exists in the opportunity to serve Air Bank's Small Business customers through MONETA's dedicated product offering.
- Additionally, the combined entity will target 7-8% market share in mortgage category in the medium term.

# TARGETED COST SYNERGIES

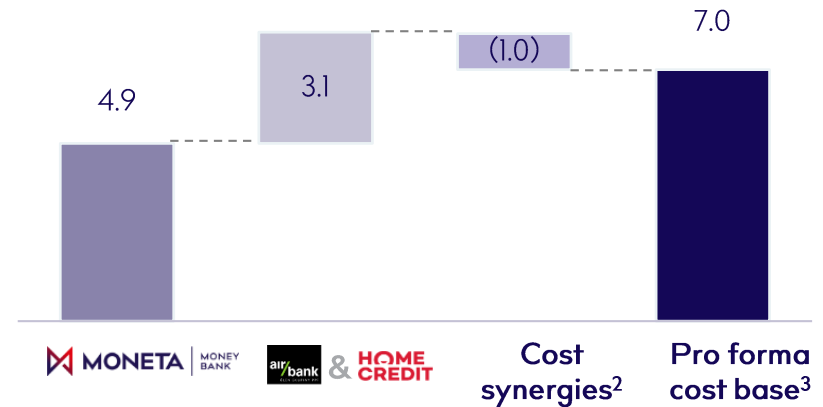
## Delivering at least 10% cost synergies from the combined expense base

BUSINESS CASE PRO FORMA RESTRUCTURING CHARGE (CZK BN)



- Consolidation of products within current IT systems.
- Impairment of redundant IT systems.
- Overlapping premises, branch closures and related charges.
- Network re-branding costs.

BUSINESS CASE PRO FORMA ANNUAL COST SYNERGIES<sup>1</sup> (CZK BN)

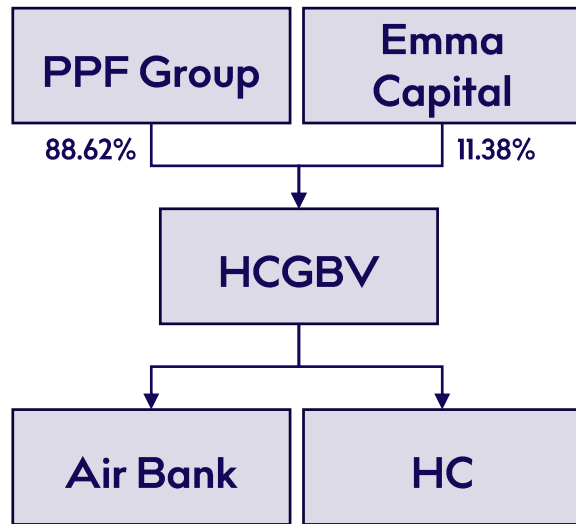


- Marketing budget and corporate center cost optimization for one single entity and brand.
- Network cost savings through rationalisation.
- Reduction of HQ / back office related premises.

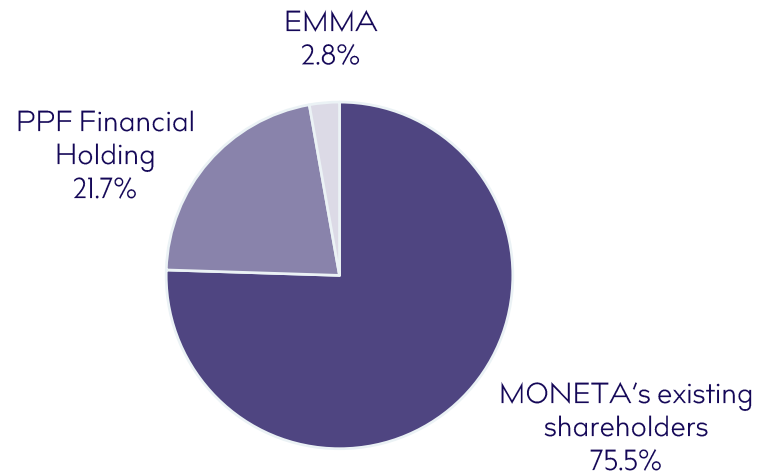
## STRENGTHENING SHAREHOLDER BASE

# Home Credit Group B.V. will hold 24.48% stake in the combined entity and become a strategic partner of MONETA

### SELLING SHAREHOLDERS



### NEW SHAREHOLDER STRUCTURE OF THE COMBINED ENTITY



- PPF (99% owned and controlled by Mr. Petr Kellner) will effectively hold 21.69%, the Group is regulated by Czech National Bank as a diversified financial holding. PPF commands net worth estimated at approximately EUR 7 billion with strong investment experience in insurance, consumer finance and banking.
- Emma Capital (owned and controlled by Mr. Jiri Smejč) will effectively hold 2.79%, the Group owns regulated businesses in the Czech Republic and other jurisdictions. Mr. Jiri Smejč serves as Chairman of HCGBV, global consumer finance lender with presence in the US, China, Russia and other markets. Home Credit Group is regulated in 10 jurisdictions.

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# TRANSACTION STRUCTURE AND PURCHASE CONSIDERATIONS

## The acquisition will be settled through cash and the issue of new MONETA Money Bank shares

**Purchase price  
CZK 19.75  
billion**

Total consideration of CZK 19.75 billion to be paid through the following structure:

- Cash payment of CZK 6.75 billion.
  - Financed through the issuance of Tier 2 and AT1 capital instruments targeting CAR  $\geq$ 17.0%.<sup>1</sup>
- A total of 165.6 million MONETA Money Bank shares to be issued to the selling shareholders of HCCZ.
  - Valued at CZK 13 billion at a price of CZK 78.5 per share for the purposes of value negotiations.
  - The share price is based on the average trading price between 1<sup>st</sup> July and 30<sup>th</sup> September 2018.
  - Newly issued shares will not be entitled to receive 2018 dividend.

**Transaction  
perimeter**

MONETA Money Bank will acquire 100% of the equity of:

- Air Bank a.s. ("Air Bank");
- Home Credit, a.s. ("Home Credit CZ") and Home Credit Slovakia, a.s. ("Home Credit SK");
- Certain subsidiaries / SPVs related to these entities.
- Current intra-group loans outside of HCCZ perimeter and corporate loans are excluded from the transaction.
- The total transaction perimeter is referred to as HCCZ.

**Next steps**

Closing of the Transaction planned for 1<sup>st</sup> July 2019 subject to:

- Fairness opinion and due diligence.
- Share purchase agreement.
- Shareholder approval through General Meeting.
- Regulatory and anti-trust approvals.

# TRANSACTION STRUCTURE AND PURCHASE CONSIDERATIONS

The seller, Home Credit Group B.V. (subsidiary of Czech based PPF Group) will obtain a 24.48% stake in the combined entity

## Home Credit Group B.V. stake

- The new shareholder shall receive 24.48% stake in the combined perimeter:
  - 165.6 million newly issued shares, to be issued after the payment of 2018 dividend.
  - Subject to approval of shareholders of MONETA obtained through General Meeting.
  - General Meeting resolution to also propose existing shareholders waive pre-emptive rights.

## MONETA shares consideration

- The share price consideration has been negotiated on the following basis:
  - Ex 2018 dividend / new shares issued in 2019 post 2018 dividend date.
  - Average trading price between 1st July and 30th September 2018 (negotiated CZK 78.5 vs. actual average CZK 78.1).
- The new number of shares will increase to total 676.6 million from existing 511.0 million.

## Corporate governance

- MONETA shall expand its non-executive supervisory board from 7 to 9 directors, of which minimum 20%<sup>1</sup> will be nominated by Home Credit Group B.V. and 3 must by law be elected employee representatives.
- CEO of Air Bank will join MONETA Management Board as the Board member responsible for Retail banking, increasing the size of the Board from 5 to 6 members.
- Changes in the Supervisory and the Management Boards are subject to shareholder and regulatory approvals (related to changes in the Articles of Association and regulatory approval of individual non-executive directors and new Board member).

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## OVERVIEW OF ACQUIRED ENTITIES

Air Bank and Home Credit have successfully penetrated retail banking and consumer lending in Czech Republic and Slovakia



<b>ESTABLISHED</b>	2011
<b>MARKET FOCUS</b>	Retail banking
<b>CLIENT BASE</b>	>637,000
<b>BRANCH NETWORK</b>	35 units
<b>ATM NETWORK</b>	354 units
<b>BRAND RECOGNITION<sup>1</sup></b>	43%
<b>NET PROMOTER SCORE<sup>1</sup></b>	70
<b>EMPLOYEES</b>	790



<b>ESTABLISHED</b>	1997 CZ 1999 SK
<b>MARKET FOCUS</b>	Consumer finance
<b>CLIENT BASE</b>	>469,000
<b>NUMBER OF RETAIL PARTNERS</b>	2,961
<b>CREDIT CARDS ISSUED</b>	231,000
<b>BRAND RECOGNITION</b>	42% CZ 26% SK
<b>NET PROMOTER SCORE</b>	24 CZ 38 SK
<b>EMPLOYEES</b>	890



## OVERVIEW OF AIR BANK

Air Bank developed the most successful, largest and fastest growing “challenger” brand in the Czech Republic

BALANCE SHEET METRICS <sup>1</sup>		PROFIT & LOSS INDICATORS <sup>1</sup>		5 YEAR CAGR <sup>3</sup>	
CZK m	1H'18	CZK m	1H'18	%	
Total assets	107,602 <sup>2</sup>	Operating income	1,203	Total assets	18%
Total retail loans	16,765	Operating expenses	(699)	Total retail loans	71%
Total customer deposits	98,021	Loan loss provisions	(100)	Total customer deposits	17%
Shareholders' equity	6,962	Net profit	326	Customers	33%

- 1 Complementary, non-overlapping client base, adding over 637k clients.
- 2 Transformational opportunity for growth and improved profitability.
- 3 Customer experience culture of Air Bank resulting in excellent NPS score of 70.<sup>4</sup>
- 4 Strong cross-selling of MONETA to enhance per client revenue and profitability.
- 5 Complementary, up-to date, large cities focused branch and ATM networks.
- 6 Excellent digital and innovation track record to yield better investment returns.

# OVERVIEW OF HOME CREDIT

Home Credit has mature franchise, with over two decades strong track record in high yield consumer finance

## BALANCE SHEET METRICS<sup>1</sup>

CZK m	1H'18
Total assets	17,637
Total loans <sup>2</sup>	14,714
External funding	15,360
Shareholders' equity	782

## PROFIT & LOSS INDICATORS<sup>1</sup>

CZK m	1H'18
Operating income	1,187
Operating expenses	(808)
Loan loss provisions	11
Net profit	308

- 1 Complementary, non-overlapping borrower' base, adding over 469k clients.
- 2 Strong profitability through high margin consumer finance products.
- 3 Opportunity to improve cost base.
- 4 Proven risk management capabilities enhanced by historical profitability.
- 5 Strategic fit with MONETA's existing automotive finance.
- 6 Filling 'near to prime' market space.

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## BUSINESS CASE PRO FORMA FINANCIALS

Business case shows double-digit EPS and DPS accretion potential from 2020, without impacting 2018 dividend

CZK	MONETA STANDALONE			PRO FORMA COMBINED ENTITY		
	2019	2020	2023	2019 <sup>2</sup>	2020	2023
Net loans	≥150bn	≥160bn	≥190bn	≥190bn	≥210bn	≥260bn
Deposits	≥150bn	≥170bn	≥210bn	≥260bn	≥290bn	≥350bn
Net consolidated profit <sup>1</sup>	≥3.6bn	≥3.8bn	≥4.0bn	≥3.3bn	≥5.5bn	≥6.0bn
Earnings per share <sup>1</sup>	≥7.0	≥7.4	≥7.8	≥4.8	≥8.1	≥8.9
Dividend <sup>1</sup>	≥2.5bn	≥2.6bn	≥2.8bn	≥2.3bn	≥3.8bn	≥4.2bn
Dividend per share <sup>1</sup>	≥4.9	≥5.2	≥5.4	≥3.4	≥5.7	≥6.2
Return on investment <sup>1, 3</sup>	n.a.	n.a.	n.a.	n.a.	≥8%	≥10%

**Additionally, MONETA's Management Board intends to propose 2018 dividend of CZK 5.5 per share at 2019 General Meeting as per prior guidance issued, irrespective of the Transaction.**

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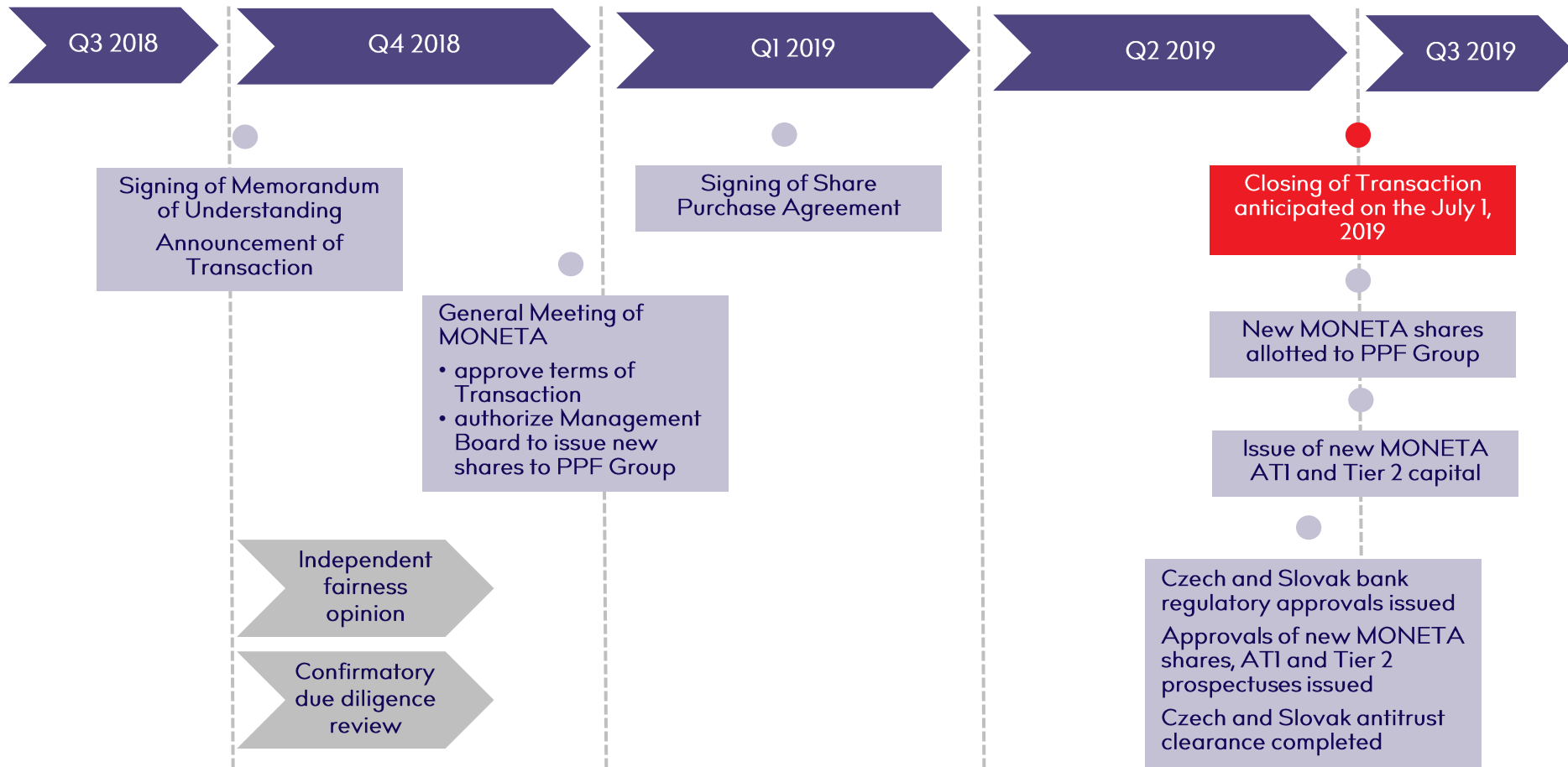
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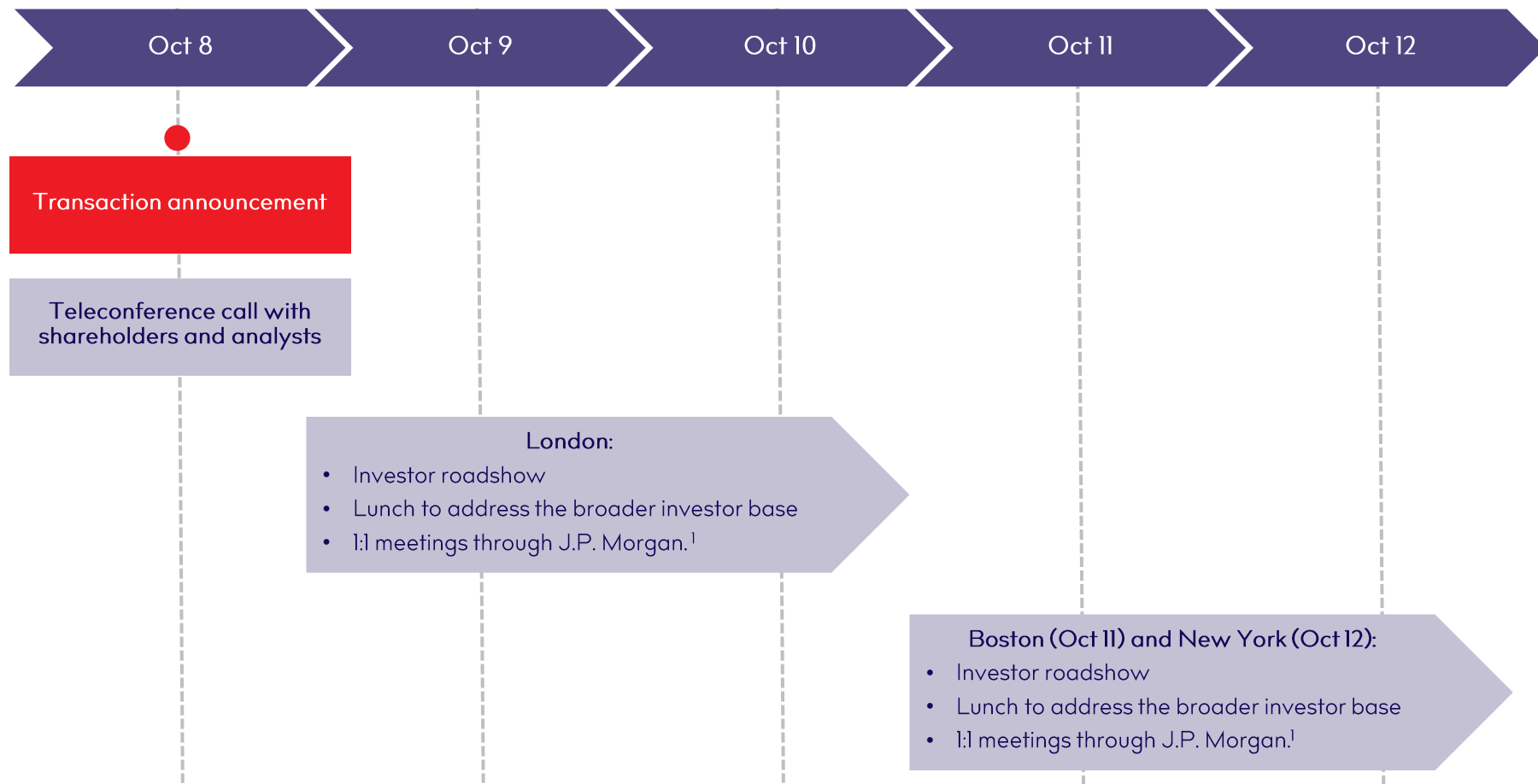
# TRANSACTION TIMELINE

## Transaction is expected to close in Q2 2019



# INVESTORS COMMUNICATION

## Communication schedule with investors



# TRANSACTION RATIONALE

## Key takeaways

### INVESTMENT THESIS

- Establishing a leading Czech retail bank
- Doubling customer base
- Creating the third largest network
- Increasing competitive capabilities
- Targeting 75% retail and small business lending
- Delivering at least 10% cost synergies<sup>1</sup>
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### ANTICIPATED SHAREHOLDER BENEFITS

