MANAGEMENT BOARD REPORT

of

IPF Investments Polska Sp. z o. o.

for the year ended 31 December 2018

Alicja Kopeć
Board Member

Maciej Mikucki
Board Member

Piotr Cybulski
Board Member

Warsaw, 24 April 2019

To the Shareholder,

This report covers the year ended 31 December 2018.

1. Organizational matters

IPF Investments Polska Sp. z o. o. ("the Company") is incorporated in the Republic of Poland. The address of the Company's registered office is ul. Inflancka 4A, Warsaw.

IPF Investments Polska Sp. z o. o. was established on 8 December 2009. On 21 December 2009 the Company was entered into the Register of Entrepreneurs kept by the Business Department of the National Court Register at the District Court in Warsaw, XII Commercial Division of the National Court Registry, under number KRS 0000344995.

The Company was formed as a special purpose entity for the purpose of raising funds mainly from commercial bonds issue and provision of finance to entities owned by International Personal Finance Plc ("IPF Plc" – a UK-based entity listed on London Stock Exchange and Warsaw Stock Exchange/ together called "the Group") to finance their lending business.

As stated in the Company's Memorandum of Association, the Company's operation period is unlimited.

The following persons served as members of the Management Board as at the date of authorization of these report:

Alicja Kopeć	Member since 8 December 2009
Maciej Mikucki	Member since 18 May 2018
Piotr Cybulski	Member since 18 May 2018

During the reporting period and till the date of authorization of these report there were the following changes in the Management Board composition:

- on 18 May 2018 Agnieszka Kłos was recalled from the position of the Management Board Member, which she held since 24 July 2012,
- on 18 May 2018 Maciej Mikucki was appointed for the position of the Management Board Member,
- on 18 May 2018 Piotr Cybulski was appointed for the position of the Management Board Member,
- on 27 March 2019, effective from 29 March 2019, John Dahlgreen resigned from the position of the Management Board Member, which he held since 8 December 2009.

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2. Significant events in 2018

Interest coupon payments on bonds

On 3 June and 3 December 2018 the Company made the sixth and seventh coupon payment of PLN 6.0 million respectively on the floating rate bonds from the 3 June 2015 issue with a maturity date of 3 June 2020 and total par value of PLN 200 million. The interest on the loan is based on floating interest rate

Interest on loan granted to Provident Polska S.A.

On 3 June and 3 December 2018 the Company received the sixth and seventh interest payment in the amount of PLN 6.1 million respectively on the loan granted to Provident Polska S.A.

The loan agreement for PLN 200 million for credit business financing purposes was concluded in June 2015 with Provident Polska S.A. as a borrower and IPF Plc, IPF Holdings Limited, International Personal Finance Investments Limited, IPF International Limited and IPF Digital Group Limited (entities from the Group) as guarantors. The maturity of the loan and interest payments intervals match those of the commercial bonds issued by the Company.

3. Financial position and result

In 2018 the Company made a net profit of PLN 76.5 thousand. As at 31 December 2018 the Company's assets consisted of only one loan, which was issued to a related entity for a period of 5 years, with a nominal value of PLN 200 million, which was financed by debt securities in issue in the same nominal amount and with the same maturity.

The Management Board expects that the Company will continue to operate and generate profits in the future.

4. Risk arising from financial instruments

The Company follows treasury policies approved by the Group Board. The Company's day-to-day operations are managed by delegated employees of Provident Polska S.A. on the basis of a service agreement.

The treasury policies are designed to manage the main financial risks in relation to funding and investment. These policies ensure that the borrowings and investments are with high quality counterparties; are limited to specific instruments; the exposure to a single counterparty or type of instrument is controlled; and the Company's exposure to interest rate risk is maintained within set limits.

Interest rate risk

The Company is exposed to interest rate risk arising on changes in interest rates on loan receivables and debt securities in issue and therefore seeks to limit its exposure. The interest risk in relation to overnights and deposits is assessed as insignificant, trade and other receivables and payables are non-interest bearing.

Minimisation of the interest rate risk is achieved by the perfect matching of the parameters of loans issued to the Group companies with the terms and conditions of the debt securities issued, which means that any changes in market conditions in relation to debt securities in issue will be automatically reflected in loan contract conditions. Therefore, if interest rates increased/ decreased by 50 bps in the period from 1 January to 31 December 2018 and 2017 this would have no significant effect on net interest revenue (revenue less interest expense).

Currency risk

In 2018 and 2017 the Company was not exposed to any currency risk.

Credit risk

The Company is subject to credit risk in respect of the amounts receivable from loans and the cash held on deposit with banks and its equivalents.

Credit quality of cash deposits is good. They are held only with banks with high raitings, which meet the criteria set out within treasury policies to ensure the risk of loss is minimised.

The main lender of the Company, Provident Polska S.A., was subject to tax audits in respect to the years 2008 and 2009. During these audits the Polish tax authorities have challenged an intra-group arrangement with a UK entity, and the timing of the taxation of home collection fee revenues.

These audits culminated with decisions being received from the Polish Tax Chamber and Provident Polska S.A. paid in total ca. PLN 171,9 million of additional tax and accrued interest. These decisions have been appealed to the District Administrative Court. The court cases have been subsequently suspended due to initiation of the Mutual Agreement Procedure (MAP) between Polish and British tax authorities on this case.

In the event that audits for the years 2010-2018 are opened, and similar decisions are reached for each of these subsequent financial years, further amounts of up to circa PLN 633 million may be required to be funded.

The Management of Provident Polska S.A. strongly disagrees with the interpretation of the tax authority having received legal opinions from leading advisors as to the strength of this case and does not consider that there will be any probable loss for the company.

The risk of material unexpected credit losses in respect of amounts receivable from the loan given to Provident Polska S.A. is low, as, irrespective the issue described above, the loan is guaranteed by other Group companies who have Fitch Agency rating BB (Outlook Stable).

Liquidity risk

The Company is not subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth as it has a stable source of long term finance in the form of debt securities. The nature of the Company's business and its policy is that the term and conditions of amounts receivable from loans are matched with those of debt securities in issue.

5. Anticipated development

The Company was formed as a special purpose entity for the purpose of raising funds, mainly from commercial bond issues, and the provision of finance to entities owned by IPF Plc. Therefore its strategy is to sustain long term finance at levels which meet the needs of the Group.

There are no anticipated changes to the nature of the Company over the following period.