PPF Financial Holdings B.V.

Half-year Report 2020

Content:

Description of the Company

PPF Financial Holdings B.V.
Date of inception: 13.11.2014
Seat: Netherlands, Strawinskylaan 933, 1077XX Amsterdam
Telephone: + 31 (0) 208 812 120
Identification number: 61880353
LEI: 31570014BNQ1Q99CNQ35
Authorised capital: EUR 45,000
Issued capital: EUR 45,000
Paid up capital: EUR 45,000
Principal business: Holding company activities and financing thereof

Board of Directors

Jan Cornelis Jansen, Director
Rudolf Bosveld, Director
Paulus Aloysius de Reijke, Director
Lubomír Král, Director
Kateřina Jirásková, Director

General information

The Company is the parent holding company of the group of companies (the "Group") that operates under the name PPF Financial Holdings in the field of financial services. The Group is composed of several main investments: Home Credit Group B.V., PPF banka a.s., ClearBank Ltd and Mobi Banka a.d. Beograd. The Company is a 100% subsidiary of PPF Group N.V. ("PPF Group").

Home Credit Group B.V. and its subsidiaries (referred to hereafter as the "Home Credit" or the "HC Group"), is an international consumer finance provider with operations in 10 countries in Central and Eastern Europe, the C.I.S., Asia and the USA. HC Group focuses on responsible lending primarily to people with little or no credit history. There are both licensed banks and non-banking entities within the HC Group. The HC Group is majority owned by PPF Financial Holdings B.V. (91.12% stake).

PPF banka a.s. (the "Bank") is an integral part of PPF Group and it significantly participates in its domestic and foreign activities. The Bank acts as PPF Group's central treasury bank, conducting international payment operations for companies within PPF Group as well as underwriting and other investment services such as brokering finance in the capital markets. Besides the activities for PPF Group, the bank provides services to corporate, municipal and private clients.

Mobi Banka is a Serbian bank offering a full range of financial services for retail clients that are predominantly the customers of Telenor Serbia, a telecommunication operator that PPF Group acquired in July 2018. The Group acquired a 100% stake in February 2019.

ClearBank Ltd. is a start-up bank licensed in the United Kingdom which is focused on providing clearing services. The Group holds a minority interest in ClearBank Ltd.

For more information, visit www.ppffinancialholdings.eu

Key financial results

Consolidated financial highlights

	1H2020	2019	1H2019
Total assets (BEUR)	30.3	35.1	33.5
Gross loans (BEUR)	19.8	23.1	22.4
Deposits (BEUR)	11.5	11.5	13.4
Equity (BEUR)	3.0	3.8	3.4
Net profit/(loss) (MEUR)	(586)	507	326

During first half of 2020, total assets decreased from MEUR 35,060 to MEUR 30,333 which is attributable mainly to the impact of pandemic on the Home Credit business. As of 30 June 2020, the consolidated shareholders' equity of PPF Financial Holdings B.V. amounted to MEUR 2,960 (31 December 2019: MEUR 3,777). The consolidated loss of the Group for 1H 2020 reached MEUR 586 (1H 2019: profit MEUR 326). Except for the net loss the devaluation of majority of foreign currencies against Euro on the markets where the Group operates contributed to the decrease in currency translation reserve that is part of the total equity.

HC Group – business and financial overview

Key highlights

Consolidated financial highlights

	1H2020	2019	1H2019
Total assets (BEUR)	22.5	26.6	25.9
Gross loans (BEUR)	18.4	21.8	21.2
Deposits (BEUR)	6.8	7.3	7.2
Total equity (BEUR)	2.1	2.8	2.5
Net profit/(loss) (MEUR)	(619)	400	250
Net interest margin	14.9%	15.5%	15.6%
Cost-of-risk ratio	17.8%	8.6%	8.5%
Cost-to-income ratio	46.0%	42.6%	41.6%
Return on average equity (RoAE)	(49.2%)	15.8%	21.2%
Number of distribution points (ths.)	345	478	454
Number of active customers (mil.)	22.8	26.9	27

HC Group description

Home Credit Group B.V. is a holding company which holds investments in the following material companies:

Home Credit N.V., which is a sub-holding company and consumer finance specialist operating in nine countries across Asia and Europe - China, CIS (Russia and Kazakhstan), SSEA (India, Indonesia, Vietnam and the Philippines), and CEE (Czech Republic and Slovakia). The subsidiaries of Home Credit N.V. include both licensed banks and licensed non-banking consumer lending companies. Home Credit N.V. comprises a substantial part of the total assets of the HC Group.

Home Credit US, LLC is a joint venture with T-Mobile U.S. (following the merger of Sprint Corporation with T-Mobile U.S. in April 2020), a leading U.S. mobile network operator.

Benxy s.r.o., which operates a P2P lending platform known as Zonky, and provides online intermediary lending services in the Czech Republic.

The principal activities of the HC Group are: (a) holding equity stakes in consumer finance providers; (b) securing of financing for these companies; and (c) providing strategic guidance in the experience and financial and risk management.

HC Group performance

The pandemic severely impacted the HC Group's new loan volumes across its footprint due to lockdowns, reduced consumption and stricter underwriting criteria across our countries of operation. Lockdown measures curbed consumer spending by limiting access to brick-and-mortar stores. The HC Group's new volumes during the 1H 2020 reduced 44% year-on-year to approximately BEUR 5.8. As a result, the total consolidated net loans declined 20.0% in the six months to 30 June 2020 to BEUR 16.2.

With many economies around the world starting to reopen in late May and early June, Home Credit has started to see signs of improved loan demand across its operations. This positive financial and operational trend continued through July and beyond.

As the anti-pandemic restrictions and loan payment moratoria have taken hold, the HC Group proactively assessed its portfolio and has created reserves to draw a line in the sand and cover expected credit losses. In the first half 2020, impairment provisions rose 105.6% to BEUR 1.79 from MEUR 871. During 2020, the NPL ratio increased slightly to 6.2% from 5.6% at the end of 2019 and the HC Group currently has 10.3% of its loan portfolio subject to payment holidays or moratorium. The coverage ratio for the overall loan portfolio or allowance-to-gross loans increased to 12.2% as of 30 June 2020 from 7.3% at the end of 2019. While allowing for possible flare-up of the pandemic in the coming months, the HC Group is focused on business opportunities in a post Covid environment.

Home Credit was able to limit the year-on-year declines in operating income to BEUR 1.87, down 10.2%, compared to 20.0% decrease of net loans. The HC Group also actively focused on cost control and improving its operating efficiency through the execution of its digital strategy. During the 2Q20, the operating expenses were 17.4% lower compared to 4Q19.

During the period, Home Credit maintained its strong capital position despite the shock to its earnings and operations, with an equity-to-net loans ratio of 12.8%. Ongoing diversification of funding also continued with the HC Group maintaining access to local and international banking partners. Total equity as of 30 June 2020 was BEUR 2.1.

HC Group loan portfolio breakdown

	1H2020	2019	1H2019
Total net loans (BEUR)	16.2	20.2	19.0
Product structure			
Cash loans	70%	69%	71%
Consumer durable loans	23%	25%	24%
Other	7%	6%	5%
Geographic structure			
China	57%	59%	62%
SSEA	18%	19%	12%
CIS	14%	13%	18%
CEE	11%	9%	8%

Loan portfolio quality and risk costs

Due strong headwinds caused by the pandemic and payment moratoria the HC Group's loan portfolio quality deteriorated during first half of 2020. Its NPL ratio rose to 6.2% in Q2 2020 from 5.6% at the end of 2019. Overall, for 1H 2020, the cost-of-risk ratio was 17.8%, compared to 8.5% in the same period in 2019.

Anti-pandemic restrictions and loan payment moratoria have led to reserves the HC Group considers sufficient to the best of its knowledge at this time to fully cover the impact on its loan books. In the first half, impairment losses rose to BEUR 1.79 from MEUR 871. The increased provisioning corresponds with the HC Group's conservative view of the scope for potential loan defaults.

The HC Group therefore boosted its non-performing loan coverage ratio to 197.8% as of 30 June 2020, from 124.1% a year earlier. This prudent approach creates a solid foundation for anticipated business recovery, which has been observed since late 2Q 2020.

Group distribution network

Amid Covid-19 restrictions, the HC Group accelerated the implementation of its global digital strategy. Launched several years ago, the strategy focuses chiefly on introducing paperless sales processing at physical stores, online sales via Home Credit's proprietary mobile app, and the use of voice- and chat-bots at customer care centres. This rapid digitalization is streamlining the HC Group's omni-channel distribution network by making its sales points entirely self-serviced or operated by retailers' staff. The transition has allowed Home Credit to transfer tasks from its own sales teams to external parties, reflecting how existing market trends are being expediated by the pandemic. These adjustments have also allowed the HC Group to reduce its operating, including personnel, costs.

Complemented with other measures the HC Group has implemented, it expects a 25% run rate reduction in operating expenses in the second half of 2020. The number of points of sale, including loan offices, branches, car dealerships and ATMs, declined 24% year on year to 346 thousand in 1H 2020. This corresponds with the staff reduction, namely in the sales network, of 37% year-on-year to 78 thousand full-time employees. In the 2Q 2020 the Home Credit's the operating expenses were lower 17.4% compared to 4Q 2019.

Country market operations

The HC Group's geographical diversification is the company's key strength for the group. Its subsidiary Home Credit N.V. is the market leader in POS lending in most of the countries where it is active. Home Credit N.V. operates across four geographical regions – China, CIS (Russia, Kazakhstan), SSEA (Vietnam, India, Indonesia, Philippines) and CEE (Czech Republic, Slovakia). In addition to the HC Group's shareholding interest in Home Credit N.V, (which comprises a substantial part of the total assets of the HC Group), the HC Group also holds investments in Benxy, a Czech-based start-up operating a P2P lending platform.

<u>Situation in China</u>

In China, the HC Group recorded a 15% year-on-year decrease in operating income in 1H 2020. Through 30 June 2020 Home Credit China has served over 56.2 million customers and had gross loans outstanding of BEUR 10.9. Because of higher impairment losses, the cost-to-income ratio rose to 33.3% in 1H 2020 from 30.4% in 1H 2019, but the increase was contained by productivity improvements driven by accelerated digitalization of the HC Group's operations. Through an overall decline in the quality of the loan portfolio, the cost-of-risk ratio rose from 11.6% for 1H 2019 to 24.3% for 1H 2020.

<u>Online and offline lending network expansion supports Asian growth</u>

In SSEA, the HC Group tackled the adverse business conditions amid the pandemic with growth of 5% year-on-year for 1H 2020 in operating income and growth in gross loans to MEUR 2,463. At the same time, the cost-of-risk ratio rose from 9.9% in 1H 2019 to 16.7% in 1H 2020.

CIS & CEE sustain growth in mature markets

With 20-year leading market positions, Home Credit has continued to integrate its centrally-developed digital solutions to support the life-time value of its long-term customer relationships, supporting operating income of MEUR 291 in CIS and MEUR 83 in CEE for 1H 2020. Cost-of-risk levels picked up from their record lows with CEE growing to 0.7% for 1H 2020, compared to (0.5%) in the previous year, and the CIS cost-to-risk increasing to 5.3% for 1H 2020 from 0.6% in the corresponding period last year.

PPF banka – business and financial overview

The Bank's services are primarily tailored to Czech clients in the municipal and corporate segments. It also operates in premium private banking sector. The Bank's principal activities comprise all types of banking transactions, and the provision of banking and financial services, both in domestic and international markets. The Bank does not compete with large universal banks or operate in the mass market and standard products. The Bank acts as PPF Group's central treasury bank, conducting international payment operations for companies within PPF Group as well as underwriting and other investment services such as brokering finance in the capital markets.

The Bank is the market maker for Czech government bonds, it is very active in the field of corporate bonds, foreign exchange markets and interest rate financial derivatives.

Key highlights

Unconsolidated financial highlights

	1H2020	2019	1H2019
Total assets (BEUR)	8.2	8.9	8.3
Gross loans (BEUR)	1.6	1.6	1.6
Deposits (BEUR)	6.5	6.8	6.4
Total equity (MEUR)	568	562	513
Net profit (MEUR)	45	82	41
Adjusted NPL ratio	5.3%	5.1%	5.4%
Cost-to-income ratio	31.7%	33.1%	37.9%
Return on average equity (RoAE)	16.4%	16.0%	17.0%

*including an 8 MEUR dividend income from its subsidiary

PPF banka performance

PPF bank achieved very solid performance. The profit after tax for 1H 2020 was MEUR 45. Total assets went down to BEUR 8.2 chiefly driven by decrease in Balances at CNB which was partially offset by increase in investment portfolio. Compared with the end of 2019, the volume of loans and advances to customers stayed at comparable level. Customer loan-to-deposit ratio increased to 24.7% caused by decrease in deposits from customers.

The decrease in total liabilities was driven by significant decrease in due to banks by MEUR 574, which was partially offset by increase in due to clients.

Total equity did not change significantly – there was increase in retained earnings due to inclusion of 1H 2020 profit, which was offset by decrease in FVOCI reserve.

In comparison to 1H 2019, operating income increased by 10% to MEUR 94. Result from client business went up by MEUR 3 compared to 1H 2019 and proprietary business went up by almost 10% to MEUR 44 compared to last year. In addition, there was as well dividend from subsidiary amounting to MEUR 8. There was negative result from impairment mainly due to current economic situation.

Expenses went significantly down by 15%. The decrease was attributable to decrease in operating expenses as well as decrease in donations.

In comparison to the end of 2019, capital adequacy ratio increased from 18.3% to 20% caused by decrease of regulatory RWA and increase in regulatory capital. The return on equity was 16.4% in 1H2020. Cost-to-income ratio went down to 31.7%. Liquidity coverage ratio did not change significantly and stayed at around 128%.

Specific balances

Significant assets/liabilities, in billions of EUR

	1H2020	2019	1H2019
Significant assets			
Balances at CNB	4.1	6.2	5.0
Loans to banks	0.4	0.1	0.4
Loans to clients	1.6	1.6	1.6
Investment securities	2.1	1.1	1.4
Significant liabilities			
Due to banks	0.6	1.0	0.6
Due to clients - repayable on demands	2.9	2.9	2.9
Due to clients - other	3.6	3.8	3.6

Loan portfolio, in billions of EUR

	1H2020	2019	1H2019
Export and structured finance	1.2	1.2	1.2
Real estate financing	0.2	0.2	0.2
Large corporates	0.2	0.2	0.2

The Bank identifies three specific segments related to loan to clients. There was no big change in total balance in comparison with year-end 2019.

Deposits, in billions of EUR

	1H2020	2019	1H2019
By deposit type			
Current accounts	2.9	2.9	2.9
Term deposits	1.5	1.4	1.5
Repo operations	2.1	2.5	2.1
By client			
Banks and financial institutions	2.2	3.2	2.7
Large corporates	1.7	1.5	1.0
Municipal	2.0	1.5	2.1
Private clients	0.2	0.2	0.2
SME	0.4	0.4	0.5

Due to clients consists of three important parts – current accounts, term deposits and repo operations. Significant increase occurred in current and term deposits and decrease in repo operations.

Due to clients can be disaggregated by sectors – the biggest portion is attributable to banks and financials and municipal sector. The decrease in banks and financial sector was almost compensated by growth of municipal and large corporate sectors.

Investment securities, in millions of EUR

	1H2020	2019	1H2019
Financial assets held for trading	1,170	282	518
Derivatives	396	182	240
Debt securities	774	100	269
Equity securities	-	-	9
Financial assets at FVOCI	982	691	763
Equity instruments	-	10	8
Debt securities	982	684	755
Financial assets at amortised cost	-	164	163
Debt securities	-	164	163
Total investments	**2,152**	**1,137**	**1,444**

The investment portfolio almost doubled compared to the end of 2019. There was significant increase in positive fair value of derivatives (negative fair value of derivatives increased as well in the same pace). The most significant increase took place in debt securities held for trading – vast majority of increase accounts for Czech governmental securities. The increase is connected with current market situation. Debt securities held for trading as well as FVOCI debt securities increased very considerably as well.

Loan portfolio quality

Portfolio quality, in millions of EUR

	1H2020	2019	1H2019
Performing loans	1,554	1,545	1,548
Impairment	(17)	(7)	(6)
Gross non-performing loans and advances to customers	112	113	133
Impairment	(31)	(33)	(36)
Total loans	**1,618**	**1,618**	**1,639**
Unadjusted NPL ratio	6.6%	7.2%	8.8%
Adjusted NPL ratio (without EGAP*)	5.3%	5.1%	5.4%

* EGAP -Exportní garanční a pojišťovací společnost, a.s.

The gross amount of non-performing loans stayed at the same level as at year end 2019, thus the NPL ratio did not change significantly neither. However, this percentage does not accurately reflect the risk borne by PPF bank, as the category of non-performing loans contains loans covered by EGAP insurance. The non-performing loan ratio is calculated based on gross exposure per client and EGAP insurance is not taken into consideration. After adjusting the volume of non-performing loans by EGAP insurance (for non-performing loans insured by EGAP, the insurance value is deducted from gross exposure), the ratio of non-performing loans to total loans provided was around 5%. The actual credit portfolio exposure was thus significantly lower.

The EGAP portfolio was decreasing steadily. The amount as at 1H2020 was MEUR 24.

Mobi Banka

Mobi Banka (formerly Telenor Banka) acquired in 2019, is a mobile and online bank based in Belgrade that provides its services primarily to retail customers in Serbia. At present, it offers a full range of financial services for retail clients. The bank currently has more than 500,000 clients.

Key highlights

Financial highlights

	1H2020	2019
Total assets (MEUR)	184	170
Total equity (MEUR)	38	40
Net loss (MEUR)	(2)	(3.5)

ClearBank

Since 2017, the Group invested in ClearBank Ltd., a company incorporated in the UK and jointly regulated by the Prudential Regulation Authority and the Financial Conduct Authority. As at 30 June 2020, the Group's holding in ClearBank stood at 43.3%, representing a cumulative investment of MEUR 90. Authorised to accept deposits and operate as a credit institution, ClearBank is the UK's first new clearing bank in more than 250 years and currently provides state of the art clearing and settlement services to regulated financial institutions.

As at 30 June 2020, ClearBank had secured 87 financial regulated customers, up 31 on prior year and generating combined customer balances of MEUR 468. ClearBank's balance sheet closed the period with net assets totalling MEUR 57, this being 16% up from the start of 2020 and with robust regulatory metrics for both capital and liquidity.

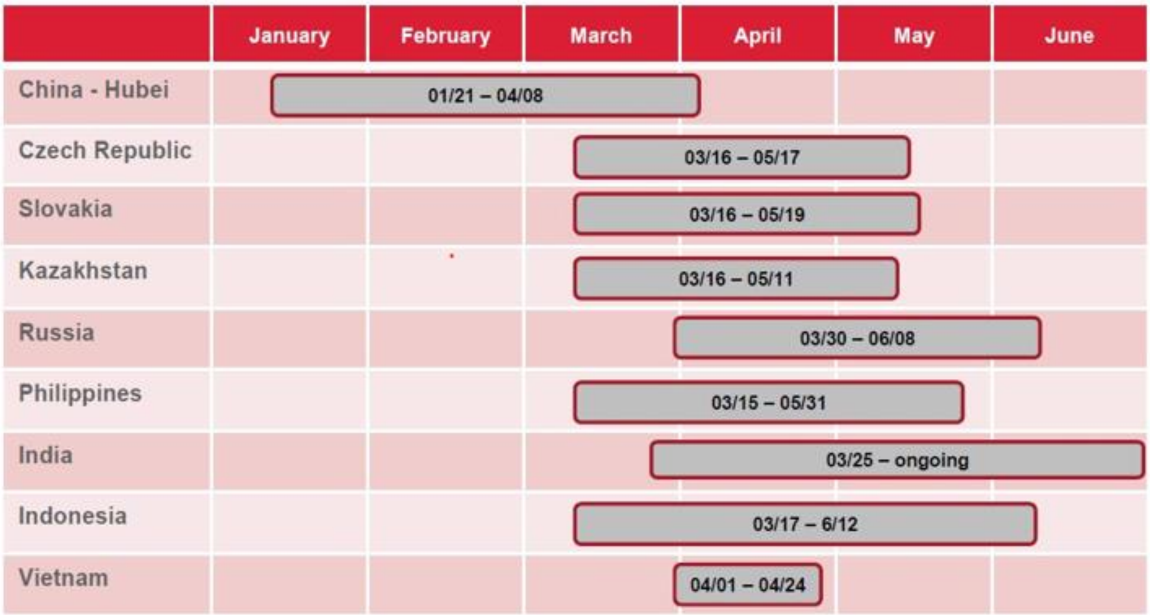
In the last 6 months ClearBank has seen significant growth in transactional volumes and values and at 30 June was processing over 900,000 transactions per month, excluding internal transfers, with the total value processed during the first 6 months of 2020 of BEUR 9.1.

Macroeconomic and regulatory development in countries where the Group operates

In 1H 2020, the Group, especially Home Credit, faced extremely challenging business conditions across all its markets, stemming from various forms of lockdown and limited consumer spending. Although the Group was forced to tackle strong headwinds in all markets simultaneously, their intensity and duration varied in different countries. The pandemic impacted China, the Group's largest market, primarily in February and March, with Covid-induced stress hitting other economies mainly in April. In mid-May, restrictions in most of the Group's countries were gradually lifted. In Russia, India and Indonesia, the problems still lingered through July.

April was the low point in terms of business operations. Major restrictions in underwriting and reduced consumption could be observed in all countries. In the Philippines, India and Kazakhstan, loan issuance dropped to nearly zero during April. The recovery across all markets began emerging only towards the end of 2Q 2020, spearheaded by China, where the Group focused mostly on accelerating deployment of its digitalization strategy.

The following chart summarises the lockdown situation in the markets where the Group operates:



As a reaction on pandemic situation and its impact on the economy the local governments imposed new law introducing payment holidays. See below the summary of country specifics:

Country	Opt in / Opt out	Eligibility criteria	Start date / End date	Maximum length
China	Opt in	Opt in for impacted by Covid-19	February 1, 2020 1 month, in Opt out 3-9 months	6 months
Czech Republic	Opt in	Opt in - Retail loans except Overdraft with DPD <= 30	April 1, 2020 July 31, 2020, ev. October 31, 2020	6 months
Slovakia	Opt in	Opt in – Retail loans with DPD <= 30	April 9, 2020 Until the end of governmental preventive measures	6 months
Kazakhstan	Opt in Opt out	Opt in for clients who lost the job Opt out for socially vulnerable clients	March 15, 2020 June 15, 2020	3 months
Russia	Opt in	Clients who had paid duly before and who lost salaries for over 30% because of quarantine	April 3, 2020 Oct 31, 2020	6 months
Philippines	Opt out	Version 1: All contracts not payed during the moratorium and not 90+ DPD before moratorium eligible for up-to 3 months Payment Holiday Version 2: All contracts current at Sep 15 are eligible for 60 days Grace Period for all instalments until end of Dec'20	Version 1: Mar 17 – May 31, 2020 Version 2: Sep 15 – Dec 31, 2020	V1: 3 months V2: 60 days
IN	Opt out	Clients not delinquent as of March 1, 2020	March 1, 2020 August 31, 2020	6 months
ID	Opt in Opt out	Clients financially (max 10 DPD as of March 1) or medically affected by Covid-19	March 1, 2020 December 2020	6 months
Vietnam	Opt in	Clients impacted by Covid-19 (max 10 DPD)	January 23, 2020 Max 3 months of payment holiday	3 months

Opt-in: client has a right to apply for payment holidays. In some countries, Home Credit is regulatory obliged to approve payment holidays, in other countries, the decision is based on the Group' underwriting process.

Opt-out: In some countries (IN, PH), the group provides payment holidays to all clients, who failed to pay their instalment in time. The Group does not ask for explicit client consent.

Commercial and financial outlook

The Group is mindful of the fact that the spread of Covid-19 and the measures taken by government authorities to contain the disease are a challenging situation for the Group and for the financial sector in general. It affects existing risks and will give rise to new, specific ones.

In Home Credit the business and financial performance beyond 1H 2020 centres on the effects of differences in the duration and form of established loan payment holidays in the HC Group's countries of operation. In the Philippines and India, the moratoria were lifted first (in June and September, respectively), however these two countries have still been heavily impacted since their payment holiday schemes were on the opt-out basis. This affected more than half of the loan book during 2Q 2020. In China and Kazakhstan, the opt-out form of payment holidays was only available to some borrowers. Even though the payment moratoria in the remaining countries are on an opt-in basis, they are still in force and have expiry dates scheduled between later this year and 1Q 2021. Overall, signs of improving business first seen in late June were also observed in July and August. Unless a new and severe wave of the Covid-19 crisis erupts this autumn, recovery is set to continue in the second half of 2020.

Within the corporate banking segment, the Covid-19 epidemic is likely to have negative repercussions not only for banking operations, but also for the Group's financial performance, both in the short and the longer term. The quality of the loan portfolio is expected to be adversely affected, in particular, by the increasing number of clients who indicate a deterioration in their financial situation due to the measures taken by individual governments and seek to negotiate a solution to their predicament. The Group projects that the situation may result in an increase in the number of repayment schedule adjustments in part of the client portfolio, with a rise in the number of defaults and increased risk costs in the longer run. The volume of new business can also be expected to decline.

In addition, the Group is exposed to market risk, i.e. a downturn on global markets. Financial stability may be dented by a further decline on the stock market and limited financing opportunities.

However, high uncertainty surrounding the current spread of Covid-19 and further economic developments means that quantifying all the impacts is difficult to predict.

Assumptions and estimation uncertainties that may have a significant effect on the financial statements for the year ended 31 December 2020 include the inputs for the expected credit loss (ECL) measurement model, which is used for the determination of the impairment of the financial instruments. The actual market information was considered when determining the ECL as of 30 June 2020.

The Group conducted a capital adequacy and 12-month liquidity stress test in Q3 2020 based on the available information. The results of the stress tests indicated that the functioning of the Group in the following 12 months is not threatened.

Statutory Declaration of Persons Responsible for PPF Financial Holdings Group Half-Year Report 2020

With the use of all reasonable care, to the best of our knowledge the consolidated half-year report provides a true and fair view of the financial standing, business activities, and results of operations of the issuer and its consolidated group for the first half of 2020 and of the outlook for the future development of the financial standing, business activities, and results of operations of the issuer and its consolidated group, and no facts have been omitted that could change the meaning of this report.

Amsterdam, September 30, 2020

Kateřina Jirásková	Jan Cornelis Jansen
Director, PPF Financial Holdings B.V.	Director, PPF Financial Holdings B.V.

Alternative Performance Measures

In this report, the Company uses financial measures defined or specified in the applicable financial reporting framework, which relate to the performance of the subsidiaries. Those financial measures may be reconciled with the respective consolidated or individual financial statements of the subsidiaries, if those subsidiaries publish their respective accounting statements, but not with the financial statements of the Company. Note that unlike Home Credit Group B.V. PPF banka a.s. does not publish its 1H 2020 financial statements.

Additionally, the Company uses in this report alternative performance measures. An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The definitions or references to the definitions of the alternative performance measures used in this report are provided below. For each alternative performance measure, it is indicated if the alternative performance measure may be reconciled with the financial measures in the financial statements.

Performance Measure	**Purpose and Definition**
Adjusted NPL ratio	**Purpose:** The NPL ratio is a measure of the portfolio credit quality. Usually, a higher NPL ratio is associated with lower portfolio quality. **Definition:** Gross non-performing loans and advances to customers less Guarantee provided by EGAP to these loans / Gross performing loans and advances to customers **Reconciliation with financial statements:** This measure is used for the description of the performance of PPF banka a.s. It cannot be reconciled with the financial statements of the Company or with the financial statements of PPF banka a.s.
Allowance-to-gross loans ratio	**Purpose:** The allowance-to-gross loans ratio is a measure of the total portfolio credit quality. Usually, a higher allowance-to-gross loans ratio is associated with a higher prudence in creation of loss allowances or with a lower portfolio quality. **Definition:** Allowance-to-gross loans ratio is calculated as loss allowance for loans to customers divided by gross loans. **Reconciliation with financial statements:** This measure is used for the description of the performance of Home Credit Group B.V. on consolidated basis. It cannot be reconciled with the financial statements of the Company. However, it may be reconciled with the financial statements of Home Credit Group B.V.
Cost-of-risk ratio	**Purpose:**

	Cost-of-risk ratio is a measure of credit risk of a loan portfolio. A lower cost-of-risk ratio is associated with lower credit risk of a loan portfolio. **Definition:** Impairment losses on financial assets / Average gross loans to customers The average loans to customers for a given year are calculated as the average of gross loans to customers at the end of Q4 of the previous year and Q1, and Q2 of the respective year. **Reconciliation with financial statements:** This measure is used for the description of the performance of Home Credit Group B.V. It cannot be reconciled with the financial statements of the Company. However, it may be reconciled with the financial statements of Home Credit Group B.V.
Cost-to-income ratio	**Purpose:** Cost-to-income ratio is a measure of operational effectiveness of a company. A lower cost-to-income ratio is associated with better company performance. **Definition:** When used for Home Credit Group B.V.: (Personnel expenses and Other operating expenses + Rental, maintenance and repairs + Depreciation and amortization) / Operating income When used for PPF banka a.s.: Operating expenses (including donations and excluding impairment (loss)/reversal) / Operating income **Reconciliation with financial statements:** This measure is used for the description of the performance of Home Credit Group B.V. and of PPF banka. It cannot be reconciled with the financial statements of the Company. It may be reconciled with the financial statements of Home Credit Group B.V. It cannot be reconciled with the financial statements of PPF banka because PPF banka does not publish its 1H 2020 financial statements.
Deposits	**Definition:** The term is used as a synonym for due to non-banks as used in the financial statements of the Company, as a synonym for current accounts and deposits from customers as used in the financial statements of Home Credit Group B.V., and as a synonym for deposits due to customers as used in the financial statements of PPF banka a.s.
Gross loans	**Purpose:**

	Gross loans is a volume measure which is used to provide information on the amount of loans disbursed in the past and still outstanding at the reporting date before the deduction of the allowance for impairment. **<u>Definition:</u>** Gross amount of loans due from customers – retail + Gross amounts of loans due from corporations – non-retail as these terms are used in financial statements of the Company, Notes E.4. When used for Home Credit Group B.V.: It means the gross loans to external customers as used in the financial statements of Home Credit Group B.V. Note 5. Segment reporting.
Interest earning assets	**<u>Purpose:</u>** The interest earning assets is a volume measure used in the calculation of the net interest margin. **<u>Definition:</u>** The Interest earning assets are defined as assets for which interest is charged such as loans due from customers or loans and receivables due from banks and other financial institutions. **<u>Reconciliation with financial statements:</u>** This measure is used for the description of the performance of Home Credit Group B.V. It cannot be reconciled with the financial statements of the Company or with the financial statements of Home Credit Group B.V.
Loan-to-deposit ratio	**<u>Purpose:</u>** The loan-to-deposit ratio is a measure of the stability of the funding of the loans. **<u>Definition:</u>** Total loans / Deposits **<u>Reconciliation with financial statements:</u>** The measure is used in the description of the performance of PPF banka. PPF banka does not publish its 1H 2020 financial statements. Therefore, the measure cannot be reconciled with the financial statements.
Net interest margin	**<u>Purpose:</u>** The net interest margin is a profitability measure. Although the net interest margin of various loan portfolios is not directly comparable (for example due to the credit risk or administrative costs), a higher net interest margin is usually associated with higher profit.

	Definition: Net interest income / Average interest earning assets The average interest earning assets for a given year are calculated as an average of the interest earning assets at the end of Q4 of the previous year and Q1 and Q2 of the respective year. The interest earning assets are defined as assets for which interest is charged such as loans due from customers or loans and receivables due from banks and other financial institutions. **Reconciliation with financial statements:** This measure is used for the description of performance of Home Credit Group B.V. It cannot be reconciled with the financial statements of the Company or with the financial statements of Home Credit Group B.V.
NPL coverage ratio	**Purpose:** The NPL coverage ratio is a measure of the portfolio credit quality. Usually, a higher NPL coverage ratio is associated with higher portfolio quality. **Definition:** NPL coverage ratio is calculated as loss allowance for loans to customers divided by gross non-performing loans. **Reconciliation with financial statements:** This measure is used for the description of the performance of Home Credit Group B.V. on consolidated basis. It cannot be reconciled with the financial statements of the Company. However, it may be reconciled with the financial statements of Home Credit Group B.V.
Unadjusted NPL ratio or NPL ratio	**Purpose:** The NPL ratio is a measure of the portfolio credit quality. Usually, a higher NPL ratio is associated with lower portfolio quality. **Definition:** When used for PPF banka: Gross non-performing loans and advances to customers / Gross performing loans and advances to customers When used for Home Credit Group B.V.: Gross non-performing loans / total gross loans **Reconciliation with financial statements:** This measure is used for the description of the performance of PPF banka a.s. and in Home Credit Group. It cannot be reconciled with the financial statements of the Company. It cannot be reconciled with the financial statements of PPF banka because PPF banka does not publish its 1H 2020 financial statements. However, it may be

	reconciled with the financial statements of Home Credit Group B.V. notes 5. Segment reporting.
Return on average equity (RoAE)	**<u>Purpose:</u>** The return on average equity is a performance measure. It measures how effectively a company uses its equity. Usually, a higher return on average equity is associated with better company performance. **<u>Definition:</u>** Net profit from continuing operations for the period/ Average equity. The average equity for a given year is calculated as the average of total equity at the end of Q4 of the previous year and Q1 and Q2 of the respective year. **<u>Reconciliation with financial statements:</u>** This measure is used for the description of the performance of Home Credit Group B.V. on a consolidated basis. It cannot be reconciled with the financial statements of the Company. However, it may be reconciled with the financial statements of Home Credit Group B.V.
Total volume of securities trading	**<u>Purpose:</u>** The total volume of securities trading is a measure which expresses the total amount of securities bought/sold as part of proprietary bank´s business and for customers. **<u>Definition:</u>** Total notional amount of securities bought/sold as part of proprietary bank´s business and for customers. **<u>Reconciliation with financial statements:</u>** This measure is used for the description of the performance of PPF banka a.s. It cannot be reconciled with the financial statements of the Company or with the financial statements of PPF banka a.s.
Volume of foreign exchange market transactions	**<u>Purpose:</u>** The total volume of foreign exchange market transactions is a measure which expresses the total amount of foreign exchange market transactions traded as part of proprietary bank´s business and for customers. **<u>Definition:</u>** Total notional amount of foreign exchange market transactions traded as part of proprietary bank´s business and for customers. **<u>Reconciliation with financial statements:</u>** This measure is used for the description of the performance of PPF banka a.s. It cannot be reconciled with the financial statements of the Company or with the financial statements of PPF banka a.s.

PPF Financial Holdings B.V.

Condensed consolidated interim financial statements
for the six months ended 30 June 2020

Review report

To: the Board of Directors of PPF Financial Holdings B.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements as at 30 June 2020 of PPF Financial Holdings B.V. (the 'Company'), based in Amsterdam, the Netherlands, which comprises the condensed consolidated interim statement of financial position as at 30 June 2020, the condensed consolidated interim income statement, the condensed consolidated interim statements of comprehensive income, changes in equity, and cash flows for the six-month period ended 30 June 2020, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union.

The impact of uncertainties due to the COVID-19 on our review

As disclosed in note A.9 tothe financial statements, COVID-19 affects the Company and results in certain uncertainties for the future financial position and performance of the Company. Uncertainties related to the potential effects of COVID-19 are relevant to understanding our review of the the financial statements. All reviews assess and challenge the reasonableness of estimates made by companies, the related disclosures and the appropriateness of the going concern assumption of financial information. The appropriateness of the going concern assumption depends on assessments of the future economic environment and the Company‘s future prospects and performance. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to significant levels of uncertainty.

We have evaluated the situation and uncertainties as described in the aforementioned disclosure and nothing causes us to believe that the disclosure is not adequate. However, a review cannot predict the unknowable factors or all possible future implications and this is particularly the case in relation to COVID-19.

Amstelveen, 25 September 2020

KPMG Accountants N.V.

M.L.M. Kesselaer RA

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Glossary

AC	- amortised cost
EAD	- exposure at default
ECL	- expected credit losses
FLI	- forward-looking information
FVOCI	- fair value through other comprehensive income
FVTPL	- fair value through profit or loss
FX	- foreign exchange
LGD	- loss given default
NCI	- non-controlling interests
OCI	- other comprehensive income
OTC	- over-the-counter
PD	- probability of default
POCI	- purchased or originated credit impaired
PPE	- property, plant and equipment
ROU	- right-of-use asset
SICR	- significant increase in credit risk
UCC	- business combinations under common control

Condensed consolidated interim statement of financial position

In millions of EUR

	Note	30 June 2020	31 December 2019
ASSETS			
Cash and cash equivalents	E1	6,684	9,375
Investment securities	E2	3,571	2,105
Loans and receivables due from banks and other financial institutions	E3	837	553
Loans due from customers	E4	17,526	21,396
Trade and other receivables	E5	52	61
Current tax assets		28	26
Equity-accounted investees	E6	27	48
Property, plant and equipment		278	327
Intangible assets and goodwill		388	389
Deferred tax assets	E26	630	426
Other assets	E7	312	354
TOTAL ASSETS		**30,333**	**35,060**
LIABILITIES			
Financial liabilities at fair value through profit or loss	E8	551	353
Due to non-banks	E9	13,296	14,017
Due to banks and other financial institutions	E10	10,403	13,291
Debt securities issued	E11	2,071	2,389
Subordinated liabilities	E12	260	268
Current tax liabilities		18	39
Trade and other payables	E13	708	844
Provisions	E14	55	62
Deferred tax liabilities		11	20
TOTAL LIABILITIES		**27,373**	**31,283**
EQUITY			
Issued capital*	E15	-	-
Share premium	E15	2,324	2,324
Additional paid-in capital	E16	80	80
Other reserves		(760)	(542)
Retained earnings		1,097	1,609
Total equity attributable to owners of the Parent		2,741	3,471
Non-controlling interests	E17	219	306
Total equity		**2,960**	**3,777**
TOTAL LIABILITIES AND EQUITY		**30,333**	**35,060**

*Issued capital is TEUR 45.

Condensed consolidated interim income statement

For the six months ended 30 June

In millions of EUR

	Note	2020	2019
Interest income		2,543	2,715
Interest expense		(763)	(819)
Net interest income	E18	**1,780**	**1,896**
Fee and commission income		257	323
Fee and commission expense		(100)	(96)
Net fee and commission income	E19	**157**	**227**
Net earned premiums		10	10
Acquisition cost		(2)	(2)
Net insurance income	E22	**8**	**8**
Net gains/(losses) on financial assets/liabilities	E20	(31)	(3)
Other income	E23	56	82
TOTAL OPERATING INCOME		**1,970**	**2,210**
Net impairment losses on financial assets	E21	(1,808)	(869)
Personnel expenses	E24	(526)	(541)
Depreciation and amortisation	E25	(102)	(89)
Other operating expenses	E24	(257)	(263)
Net gain/(loss) on disposals/liquidation of subsidiaries and equity-accounted investees		(2)	(3)
Share of earnings of equity-accounted investees, net of tax	E6	(12)	(10)
PROFIT/(LOSS) BEFORE TAX		**(737)**	**435**
Income tax (expense)/benefit	E26	151	(109)
NET PROFIT/(LOSS) FOR THE PERIOD		**(586)**	**326**
Profit/(loss) attributable to:			
Owners of the Parent		(507)	311
Non-controlling interests		(79)	15

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June

In millions of EUR

	2020	2019
NET PROFIT/(LOSS) FOR THE PERIOD	**(586)**	**326**
Other comprehensive income		
Valuation gains/(losses) on FVOCI equity instruments	(1)	1
Valuation gains/(losses) on FVOCI debt securities*	(11)	19
FVOCI revaluation (gains)/losses transferred to income statement*	(5)	(1)
Foreign operations - currency translation differences*	(230)	103
Cash flow hedge – currency translation differences*	1	-
Disposal of subsidiaries*	7	-
Income tax relating to components of other comprehensive income*	5	(2)
Other comprehensive income/(expense) for the period (net of tax)	**(234)**	**120**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(820)**	**446**
Total comprehensive income/(expense) attributable to		
Owners of the Parent	(721)	420
Non-controlling interests	(99)	26

* Items that are or may be reclassified to income statement.

Condensed consolidated interim statement of changes in equity

In millions of EUR, for the for the six months ended 30 June 2020

	Issued capital*	Share premium	Additional paid-in capital	Revaluation reserve	Legal and statutory reserves	Translation reserve	Reserve for UCC	Hedging reserve	Other equity instru-ments	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
Balance at 1 January 2020	**-**	**2,324**	**80**	**22**	**143**	**(368)**	**(518)**	**(2)**	**181**	**1,609**	**3,471**	**306**	**3,777**
Loss for the period	-	-	-	-	-	-	-	-	-	(507)	(507)	(79)	(586)
Currency translation differences	-	-	-	-	-	(211)	-	-	-	-	(211)	(19)	(230)
FVOCI revaluation gains/(losses) taken to equity	-	-	-	(11)	-	-	-	-	-	-	(11)	(1)	(12)
FVOCI revaluation (gains)/losses transferred to income statement	-	-	-	(5)	-	-	-	-	-	-	(5)	-	(5)
FVOCI revaluation (gains)/losses transferred directly to retained earnings	-	-	-	(4)	-	-	-	-	-	4	-	-	-
Effect of hedge accounting	-	-	-	-	-	-	-	1	-	-	1	-	1
Disposals and deconsolidation of subsidiaries	-	-	-	-	-	7	-	-	-	-	7	-	7
Tax on items taken directly to or transferred from equity	-	-	-	5	-	-	-	-	-	-	5	-	5
Total comprehensive expense for the period	**-**	**-**	**-**	**(15)**	**-**	**(204)**	**-**	**1**	**-**	**(503)**	**(721)**	**(99)**	**(820)**
Dividends to the shareholder	-	-	-	-	-	-	-	-	-	(5)	(5)	-	(5)
Contributions by NCI	-	-	-	-	-	-	-	-	-	-	-	12	12
Other changes in NCI	-	-	-	-	-	-	-	-	-	(4)	(4)	-	(4)
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**	**(9)**	**12**	**3**
Balance at 30 June 2020	**-**	**2,324**	**80**	**7**	**143**	**(572)**	**(518)**	**(1)**	**181**	**1,097**	**2,741**	**219**	**2,960**

* Capital issued is TEUR 45.

In millions of EUR, for the for the six months ended 30 June 2019

	Issued capital*	Share premium	Additional paid-in capital	Revaluation reserve	Legal and statutory reserves	Translation reserve	Reserve for UCC	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
Balance at 1 January 2019	**-**	**2,324**	**80**	**1**	**114**	**(491)**	**(518)**	**1,221**	**2,731**	**239**	**2,970**
Profit for the period	-	-	-	-	-	-	-	311	311	15	326
Currency translation differences	-	-	-	-	-	93	-	-	93	10	103
FVOCI revaluation gains/(losses) taken to equity	-	-	-	19	-	-	-	-	19	1	20
FVOCI revaluation (gains)/losses transferred to income statement	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Tax on items taken directly to or transferred from equity	-	-	-	(2)	-	-	-	-	(2)	-	(2)
Total comprehensive income for the period	**-**	**-**	**-**	**16**	**-**	**93**	**-**	**311**	**420**	**26**	**446**
Net allocation to legal and statutory reserves	-	-	-	-	9	-	-	(9)	-	-	-
Dividends to the shareholder								(5)	(5)	-	(5)
Contributions by NCI	-	-	-	-	-	-	-	-	-	10	10
Other changes in NCI	-	-	-	-	-	-	-	(57)	(57)	4	(53)
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**9**	**-**	**-**	**(71)**	**(62)**	**14**	**(48)**
Balance at 30 June 2019	**-**	**2,324**	**80**	**17**	**123**	**(398)**	**(518)**	**1,461**	**3,089**	**279**	**3,368**

* Capital issued is TEUR 45.

Condensed consolidated interim statement of cash flows

For the six months ended 30 June, prepared using the indirect method

In millions of EUR

	Notes	2020	2019
Cash flows from operating activities			
Profit/(loss) before tax		(737)	435
Adjustments for:			
Losses on disposal of consolidated subsidiaries		2	3
Interest expense	E18	763	819
Interest income	E18	(2,543)	(2,715)
Gain on bargain purchase		-	(38)
Net foreign exchange (gains)/losses		116	811
Impairment losses of current and non-current assets		1,808	867
Other non-cash adjustments		79	(99)
Interest received		2,599	2,851
Change in assets and liabilities		918	(2,499)
Net cash from operating activities		**3,005**	**435**
Cash flows from investing activities			
Purchase of tangible and intangible assets		(83)	(87)
Acquisition of subsidiaries and equity-acc. investees, net of cash acquired (incl. capital increase)	B.2.1	(22)	7
Other movements		(1,439)	125
Net cash from/(used in) investing activities		**(1,544)**	**45**
Cash flows from financing activities			
Proceeds from the issue of debt securities		679	1,079
Repayment of debt securities		(932)	(915)
Interest paid		(792)	(754)
Cash payments for principal portion of lease liabilities		(24)	(22)
Dividends paid to the shareholder		(5)	(5)
Contributions by NCI		12	-
Change in loans due to banks and other financial institutions		(2,652)	(1,032)
Cash flow from financing activities		**(3,714)**	**(1,649)**
Net increase/(decrease) in cash and cash equivalents		**(2,253)**	**(1,169)**
Cash and cash equivalents as at 1 January		**9,375**	**9,738**
Effect of exchange rate changes on cash and cash equivalents		(438)	118
Cash and cash equivalents as at 30 June	E1	**6,684**	**8,687**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Financial Holdings B.V. (the "Parent Company" or the "Parent") is a company domiciled in the Netherlands. It focuses on following market segments: consumer finance, retail banking and corporate banking. Its activities span from Europe to Russian Federation, the US and across Asia.

The Parent Company was incorporated on 13 November 2014 as a 100% subsidiary of PPF Group N.V. and currently holds four main investments: Home Credit Group B.V., PPF banka a.s., Mobi Banka a.d. Beograd and ClearBank Ltd.

The condensed consolidated interim financial statements of the Parent Company for the six months period ended 30 June 2020 comprise the Parent Company, its subsidiaries and the Group's interests in associates and affiliated entities (together referred to as "PPF Financial Holdings Group" or the "Group"). Refer to Section B of these financial statements for a listing of significant Group entities and changes to the Group in 2020 and 2019.

As at 30 June 2020, the sole shareholder of the Parent is PPF Group N.V., the ultimate controlling party is Mr. Petr Kellner.

A.2. Statement of compliance

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 25 September 2020.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2019. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS – EU).

A.3. Basis of measurement

The Group decided to present its condensed consolidated interim statement of its financial position showing assets and liabilities in their broad order of liquidity because this presentation provides reliable and more relevant information than a presentation of current and non-current classifications.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the following assets and liabilities stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss, and financial instruments at fair value through other comprehensive income. Financial assets and liabilities as well as non-financial assets and liabilities measured at historical cost are stated at amortised cost using the effective interest method or historical cost, as appropriate, net of any relevant impairment.

Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (refer to A.5). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, expect if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay a contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent considerations are re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent considerations are recognised in profit or loss.

A.4. Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The following key estimates are based on the information available at the consolidated financial statements date and specifically relate to the determination of:

- provisions recognised under liabilities (refer to E.14);
- the fair value of financial instruments (refer to C.1);
- impairment of investment securities, loans provided, other financial assets and non-financial assets (refer to E.2-E.5 and E.7)

- contingent assets/liabilities (refer to E.27.1)
- useful life of tangible and intangible assets
- lease-term for the lessee accounting whether the Group is reasonably certain to exercise extension options

A.5. Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable or convertible are taken into consideration. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates are entities in which the Group has significant influence but not control over financial and operating policies. Jointly controlled entities are entities over whose activities the Group has joint control established by a contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate or jointly controlled entity, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or jointly controlled entity.

Reorganisations and mergers involving the Group companies under common control are accounted for using consolidated net book values. Consequently, no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

All intra-Group balances, transactions, income and expenses, unrealised gains and losses, and dividends are eliminated in the preparation of the consolidated financial statements.

A.6. Presentation and functional currency

The condensed consolidated interim financial statements are presented in euros (EUR), which is the Company's functional currency and the Group's reporting currency, rounded to the nearest million.

A.7. Change in presentation of collateral deposits for derivatives and certain bills of exchange

In 2019, the Group presented received collateral deposits for derivative instruments of MEUR 68 as other liabilities. In 2020, the Group decided to improve the presentation to better reflect the substance of these items and reclassified MEUR 37 as liabilities due to non-banks and MEUR 31 as liabilities due to banks in the presented comparative numbers as at 31 December 2019.

Further in 2019, the Group presented certain bills of exchange amounting to MEUR 78 as investment securities at amortised cost. As the underlying assets of these bills of exchange are loans to corporations, the Group, to better reflect the substance, reclassified these bills of exchange to loans due from customers in the presented comparative numbers as at 31 December 2019. Related impairment allowance was nil.

A.8. Change in presentation of impairment losses and foreign exchange gains/losses in the statement of cash flows

In the period ending 30 June 2019, the Group presented adjustments for impairment of current and non-current assets as change in assets and liabilities in the condensed consolidated interim statement of cash flows. Considering the below described Covid-19 impact especially on the Group’s provided loan portfolios, the Group decided to present these adjustments for impairment in the separate line in the condensed consolidated interim statement of cash flows for the period ending 30 June 2020. Thus, the adjustments for impairment of current and non-current assets of MEUR 867 were reclassified to a separate line item.

Similarly, net foreign exchange losses of MEUR 811, presented as other non-cash adjustments in the condensed consolidated interim statement of cash flows for the period ending 30 June 2019, were reclassified to a separate line item.

A.9. Covid-19 and its impact on the Group´s financial statements

On 11 March 2020, the World Health Organisation declared the coronavirus outbreak a pandemic. In the countries in which the Group operates, local governments imposed different restrictions on its citizens and businesses. In limiting the effects of any possible operational risks, the Group has followed and observed the business continuity protocols, as the health of the Group’s employees and clients is its first priority. The effect on the Group’s operations is assessed by comparison of the 2020 interim results and assessed quality of loan portfolio to the pre-covid expectations of each business segment, as well as by detailed observation and revaluation of all risks involved.

A slowdown in economic growth and adverse effects on new business were significant. Increased loss events have had an impact on the quality of retail and corporate loan portfolios. Limitations of opening hours and/or complete lock-downs of certain business premises in the individual countries have impacted the volume of new business and the renewal of existing business relationships.

The Group has sufficient available funds and does not expect to have issues in meeting its obligations when they come due.

The Group is continuously monitoring the situation and based on our current knowledge and available information we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future.

The impact on the Group's risk evaluation, risk modelling techniques and accounting policies is described in F.1.1 section.

B. The consolidated group and the main changes for the period

B.1. Group entities

The following list shows only significant holding and operating entities that are subsidiaries or associates of the Parent Company as of 30 June 2020 and 31 December 2019.

Company	Domicile	Effective proportion of ownership interest June 2020	Effective proportion of ownership interest December 2019
PPF Financial Holdings B.V.	Netherlands	Parent Company	Parent Company
Home Credit subgroup - subsidiaries			
Home Credit Group B.V.	Netherlands	91.12%	91.12%
AB 4 B.V.	Netherlands	91.12%	91.12%
Air Bank a.s.	Czech Republic	91.12%	91.12%
Bank Home Credit SB JSC	Kazakhstan	91.12%	91.12%
Benxy s.r.o.	Czech Republic	91.12%	91.12%
Favour Ocean Ltd.	Hong Kong	91.12%	91.12%
Guangdong Home Credit Number Two Information Consulting Co., Ltd.	China	91.12%	91.12%
HC Consumer Finance Philippines, Inc.	Philippines	91.12%	91.12%
HCPH Financing 1, Inc.	Philippines	91.12%	91.12%
Home Credit a.s.	Czech Republic	91.12%	91.12%
Home Credit and Finance Bank LLC	Russia	91.12%	91.12%
Home Credit Asia Ltd.	Hong Kong	91.12%	91.12%
Home Credit N.V.	Netherlands	91.12%	91.12%
Home Credit Consumer Finance Co. Ltd.	China	91.12%	91.12%
Home Credit India Finance Private Ltd.	India	91.12%	91.12%
Home Credit Indonesia PT	Indonesia	77.45%	77.45%
Home Credit Insurance LLC	Russia	91.12%	91.12%
Home Credit International a.s.	Czech Republic	91.12%	91.12%
Home Credit Slovakia, a.s.	Slovakia	91.12%	91.12%
Home Credit US, LLC	USA	45.65%	45.65%
Home Credit Vietnam Finance Company Ltd.	Vietnam	91.12%	91.12%
Shenzhen Home Credit Number One Consulting Co., Ltd.	China	91.12%	91.12%
Shenzhen Home Credit Xinchi Consulting Co., Ltd.	China	91.12%	91.12%
Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd	China	91.12%	91.12%
AB 2 B.V.*	Netherlands	-	91.12%
AB 7 B.V.*	Netherlands	-	91.12%
PPF banka subgroup - subsidiaries			
PPF banka a.s.	Czech Republic	92.96%	92.96%
PPF Co3 B.V.	Netherlands	92.96%	92.96%
Ruconfin B.V.	Netherlands	92.96%	92.96%
Other subsidiaries			
Mobi Banka a.d. Beograd	Serbia	100.00%	100.00%
Associates			
ClearBank Ltd.	United Kingdom	43.27%	39.31%
Eureka Analytics PTE. LTD.**	Singapore	-	22.32%
Nymbus, Inc.**	USA	-	12.68%

*merged with AB 4 B.V.
**reclassified to FVOCI (refer to C.1)

B.2. Changes through business combinations in 2020/2019

There were no significant changes in 2020.

B.2.1. Acquisition of a Serbian bank (2019)

In June 2018, the Parent signed an agreement for the acquisition of a 100% stake in Mobi Banka a.d. Beograd (formerly Telenor Banka a.d. Beograd), a Serbian bank providing consumer loans predominantly to the customers of Telenor Serbia, a telecommunication operator that PPF Group acquired in July 2018. The transaction was subject to regulatory approvals and closed in February 2019.

From the Group's perspective, the acquisition of Mobi Banka is considered a long-term investment on the PPF Group level, combining the telecommunications business with financial services provided to customers.

During the ten-month period ended 31 December 2019, the acquisition contributed revenue of MEUR 11 and a loss of MEUR 3 to the Group's results. If the acquisition had occurred on 1 January 2019, consolidated revenue and loss would have increased insignificantly.

In accordance with IFRS 3, the Group initiated a purchase price allocation (PPA) exercise to identify the fair value of assets and liabilities. The acquired business was identified as a cash-generating unit. Assets and liabilities denominated in foreign currencies were translated using the exchange rate valid as at the acquisition date and subsequently restated to their respective fair values. The difference between the allocated purchase price and the fair values of identified assets and liabilities resulted in the recognition of gains on a bargain purchase.

The following table summarises the recognised amounts of assets and liabilities assumed at the acquisition as the best estimate.

In millions of EUR, as at 20 February 2019

Fair value of assets	**167**
Cash and cash equivalents	68
Investment securities	27
Loans and receivables due from banks and other financial institutions	11
Loans due from customers	54
Property, plant and equipment, intangible assets	7
Fair value of liabilities	**129**
Due to banks and other financial institutions	2
Due to non-banks	117
Subordinated liabilities	5
Other liabilities	5
Fair value of identifiable net assets	**38**

Gain on bargain purchase arising from the acquisition has been recognised as follows:

In millions of EUR

Total consideration	Less than 0.1
Fair value of identifiable net assets	38
Gain on bargain purchase	38

B.2.2. Arrangements between Home Credit shareholders

With effect from 1 July 2019, PPF Financial Holdings B.V. and Emma Omega Ltd. as the direct shareholders of Home Credit Group B.V. entered into an agreement concerning certain transactions with Home Credit Group shares. The agreement was subsequently modified in September 2019 (the “Agreement”).

Under the Agreement, the parties agreed on the following arrangements valid as of 30 June 2020:

PPF Financial Holdings and Emma Omega have agreed that PPF Financial Holdings will sell to Emma Omega a 2.5% shareholding interest in Home Credit Group at the nominal value of a share if PPF Financial Holdings is able to achieve a pre-agreed internal rate of return on its investment in Home Credit Group calculated for the period (a) from 31 December 2018 until 31 December 2023 if Home Credit is not listed, and (b) from the Home Credit listing date until 31 December 2023.

Upon the regular termination of the Agreement which shall occur on 31 December 2023, Emma Omega shall sell all its shares in Home Credit Group for their fair value derived entirely or partially from the average market price of any material listed subsidiary of Home Credit Group, if listed at that time. The contractual arrangements may also be terminated earlier than on the regular termination date (31 December 2023) under the agreed and specified circumstances. The acquirer of the shares is an affiliate of PPF Financial Holdings (outside the Group).

C. Risk exposures, risk management objectives and procedures

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

During the interim period there were no other significant changes in the nature or extent of risks arising from financial instruments except for those described in A.8 and F.1.1. sections. There were no significant transactions influencing liquidity position of the Group.

C.1. Fair value of financial assets and liabilities

The Group has performed a fair-value assessment of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The following table shows the carrying amounts and fair values of financial instruments measured at amortised cost, including their levels in the fair value hierarchy:

In millions of EUR, as at 30 June 2020

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Loans and receivables due from banks and other financial institutions	837	837	-	815	22
Loans due from customers	17,526	17,544	-	-	17,544
Investment securities at amortised cost	997	994	978	-	16
Trade and other receivables*	141	141	-	7	134
Due to non-banks	(13,296)	(13,305)	-	(13,175)	(130)
Due to banks and other financial institutions	(10,403)	(10,402)	-	(10,402)	-
Debt securities issued	(2,071)	(2,066)	(1,436)	(254)	(376)
Subordinated liabilities	(260)	(260)	(7)	-	(253)
Trade and other payables**	(524)	(524)	-	(16)	(508)

*incl. cash collateral for payment cards and other financial assets
**excl. tax and other non-financial liabilities

In millions of EUR, as at 31 December 2019

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Loans and receivables due from banks and other financial institutions	553	553	-	553	-
Loans due from customers	21,396	21,426	-	-	21,426
Investment securities at amortised cost	753	753	714	5	34
Trade and other receivables*	132	132	-	19	113
Due to non-banks	(14,017)	(14,082)	-	(13,963)	(119)
Due to banks and other financial institutions	(13,291)	(13,284)	-	(13,284)	-
Debt securities issued	(2,389)	(2,363)	(1,708)	(280)	(375)
Subordinated liabilities	(268)	(268)	-	-	(268)
Trade and other payables**	(679)	(679)	-	(19)	(660)

*incl. cash collateral for payment cards and other financial assets
**excl. tax and other non-financial liabilities

The Group's fair-value estimates for its other financial assets and liabilities are not materially different from their carrying values.

The following table presents an analysis of financial instruments recorded at fair value, broken down by how the fair value calculation is accomplished: i.e., based on quoted market prices (Level 1), calculated using valuation techniques where all the model inputs are observable in the market (Level 2), or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

In millions of EUR, as at 30 June 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	658	456	-	1,114
Financial assets FVOCI	1,052	384	24	1,460
Financial liabilities at FVTPL	(110)	(441)	-	(551)
Total	**1,600**	**399**	**24**	**2,023**

In millions of EUR, as at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	95	179	-	274
Financial assets FVOCI	938	140	-	1,078
Financial liabilities at FVTPL	(156)	(197)	-	(353)
Total	**877**	**122**	**-**	**999**

The Group uses the following techniques to determine fair value under Level 2 and Level 3:

The Level 2 assets include mainly financial derivatives, corporate bonds and treasury bills. For derivative exposures the fair value is estimated using the present value of the cash flows resulting from the transactions taking into account market inputs like FX spot and forwards rates, benchmark interest rates, swap rates, etc. The fair value of corporate bonds, treasury bills is calculated as the present value of cash flows using the benchmark interest rates.

Level 3 assets include equity instruments not traded on the market where the fair value is calculated using the valuation techniques including expert appraisals.

Level 3 additions represent equity investments of MEUR 10 which were transferred from investments in associates due to a loss of significant influence (refer to B.1). The remaining additions are newly acquired assets. There was no movement in Level 3 in 2019.

C.2. Hedging

Pursuant to its interest rate risk management policy and with the objective to match the interest rate profile of its assets and liabilities, the Group started to hedge changes in fair values of certain loan portfolios and bonds for interest rate risk. The hedged portfolios, which are represented by a part of consumer loans receivables, mortgage and corporate loans receivables, and government bonds, are all denominated in CZK. The hedge of the consumer loans and of the mortgage loans is a portfolio hedge. The hedge of the corporate loans and of the government bonds is either a hedge of a single loan or a single bond issue, or a hedge of a group of loans or bond issues (micro hedge).

The hedged government bonds, corporate loans and the hedged consumer loans carry fixed interest rates. The mortgage loans carry fixed interest rates until the next repricing.

For the fair value hedge of the mortgages and consumer loans portfolios (portfolio hedging), the composition of the hedged portfolios is changed monthly. Existing mortgages and consumer loans are repaid, excluded from the hedged portfolio due to default, and newly originated mortgage loans and consumer loans are added to the portfolio. Additional interest rate swaps may be added to the group of hedging instruments to match the underlying position of the loans.

The objective of the hedging, both loan portfolios and bonds, is to offset the changes in the fair value of the CZK hedged items due to the changes in market interest rates by gains or losses on the hedging instruments (CZK interest rate swaps.). In this way, the Group also matches its assets with its floating rate liabilities. The Group applies hedge accounting for these hedge relationships. The hedge effectiveness is measured either cumulatively (consumer loans, mortgage loans) or in each reporting period (bonds, corporate loans). The hedge effectiveness is measured for each hedge relationship separately with application of the dollar offset method. The hedge ineffectiveness may result from imperfect matching of the hedging instruments with the hedged items (volumes, timing of cash flows).

In the six months period ending 30 June 2020, all fair value hedges were assessed as effective being in the range of 80-125%. A total loss of MEUR 5 from the hedge ineffectiveness is presented in profit or loss as net gains/losses on financial assets/liabilities (refer to E.20), where a loss of MEUR 3 relates to the portfolio hedge and a loss of MEUR 2 relates to the micro hedge.

C.2.1.1. Portfolio hedge

The following table shows the details on the hedging derivatives used for the fair value portfolio hedge relationships:

In millions of EUR, as at 30 June 2020

Fair value hedges - portfolio (interest rate risk)	Notional amount of the hedging instruments (MCZK)	Carrying amount of the hedging instruments		Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
		Assets (refer to E.2.1)	Liabilities (refer to E.8)		
Interest rate swaps	20,450*	-	(22)	Financial liabilities at FVTPL	(22)

* approx. MEUR 765

The following table shows the details on the hedged items subject to the fair value portfolio hedge relationships:

In millions of EUR, as at 30 June 2020

Fair value hedges - portfolio (interest rate risk)	Carrying amount of the hedged assets	Accumulated amount of FV hedge adjustments on the hedged assets incl. in their carrying amount	Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
Consumer loans (refer to E.4)	623	10	Loans due from customers (retail)	10
Mortgage loans (refer to E.4)	245	9	Loans due from customers (retail)	9
Total	**868**	**19**		**19**

C.2.1.2. Micro hedge

The following table shows the details on the hedging derivatives used for the fair value hedge relationships:

In millions of EUR, as at 30 June 2020

Fair value hedges (interest rate risk)	Notional amount of the hedging instruments (MCZK)	Carrying amount of the hedging instruments Assets (refer to E.2.1)	Liabilities (refer to E.8)	Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
Interest rate swaps	12,313*	-	(45)	Financial liabilities at FVTPL	(32)

* approx. MEUR 460

The following table shows the details on the hedged items subject to the fair value hedge relationships:

In millions of EUR, as at 30 June 2020

Fair value hedges (interest rate risk)	Carrying amount of the hedged assets	Accumulated amount of FV hedge adjustments on the hedged assets incl. in their carrying amount	Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
Corporate loans (refer to E.4)	31	1	Loans due from customers (non-retail)	1
Bonds (refer to E.2.2)	555	19	Investment securities	29
Total	**586**	**20**		**30**

C.3. Capital management

As of 30 June 2015, PPF Group restructured its consumer finance and other banking business represented by Home Credit, Air Bank and PPF banka under PPF Financial Holdings B.V., a new holding entity. The Group became a financial holding company and as such became subject to consolidated prudential requirements based on Regulation No 575/2013 of the European Parliament and of the Council. The Czech National Bank acts as the consolidating supervisor of the Group. PPF banka was appointed as the responsible reporting entity for the Group.

The Group is required to fulfil the following capital requirements: a Tier 1 capital adequacy ratio of at least 6% and a total capital adequacy ratio of at least 8%. Moreover, the Group is required to maintain a capital conservation buffer amounting to 2.5% of its risk-weighted assets and an institution-specific countercyclical capital buffer that is currently 0.20% of its risk-weighted assets.

The Group monitors and maintains other regulatory requirements, such as large exposures, liquidity, and leverage ratios.

In the November 2015 decision of the Czech National Bank, the Group was identified as an Other Systemically Important Institution (O-SII). This classification has been confirmed every year since then. No additional capital requirement was imposed due to this classification.

Some of the Group's subsidiaries operating in the banking, consumer finance and insurance sectors maintain capital adequacy in compliance with local regulatory requirements, requiring the respective entities to maintain a ratio of total capital to total risk-weighted assets at or above a certain minimum level. The ratios are calculated based on the entities' financial statements prepared in accordance with local accounting standards. The Group's policy in this respect is to support the subsidiaries with capital as necessary to maintain the subsidiaries' full compliance with the relevant requirements.

The Group complied with all externally imposed capital requirements, large exposure requirements, liquidity requirements, and leverage requirements throughout the reporting period.

D. Segment reporting

The Group recognises reportable segments that are defined in sector terms. These segments offer different products and services and are managed separately because they operate in completely distinct business sectors. The Group's Board of Directors and shareholders (the Chief Operating Decision Maker) review the internal management reports of individual segments on a regular basis.

The following summary describes the operations and geographic focus of each reportable segment.

Reportable segment	Business name/brand	Operations	Geographic focus
Consumer lending	Home Credit	Lending to private individual customers, deposit-taking	Czech Republic, Slovakia, Russia, Asia
	Air Bank* and its subsidiaries	Deposits, loans and other transactions and balances with retail customers	Czech Republic, Slovakia
Corporate banking	PPF banka and its subsidiaries	Loans, deposits and other transactions and balances with corporate customers, trading activities	Czech Republic
	ClearBank *(associate)*	Clearing and settlement services	United Kingdom
Retail banking	Mobi Banka	Deposits, loans and other transactions and balances with retail customers	Serbia

*part of Home Credit Group

The Home Credit Group reports on one global consumer lending segment where all information about similar products, services and customers is presented. This approach suits the global business strategy of having a similar approach to customers, a unique and unified product portfolio, as well as centralised processes that drive operational excellence. The Group also presents additional information for revenue and net interest income based on the division of the countries into four geographic clusters. The Home Credit Group operates in the following principal geographical areas: China, the Russian Federation, the Czech Republic, Vietnam, Kazakhstan, Slovakia, India, Indonesia, the Philippines, and the USA. The Russian and Kazakh Home Credit businesses and Air Bank operate under banking licences allowing for the collection of deposits.

Mobi Banka constitutes a separate segment as it is not related to Home Credit business.

As an associate with insignificant value ClearBank is included in unallocated segment.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment assets and liabilities include all assets and liabilities attributable to segments. Significant non-cash expenses comprise mainly impairment losses on financial and non-financial assets. Eliminations represent intercompany balances among individual reporting segments.

Total segment revenue contains the following categories, which may be reconciled to the income statement as follows:

In millions of EUR, for the six months ended 30 June

	2020	2019
Interest income	2,543	2,715
Fee and commission income	257	323
Net earned premiums	10	10
Total revenue from external customers	**2,810**	**3,048**

The following table shows the main items from the financial statements broken down according to reportable segments for the first half of 2020 and comparative figures for 2019:

In millions of EUR

30 June 2020	Consumer lending						Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	*CIS**	*SEA**	*CEE**	*Other*					
Revenue from customers	2,708	1,605	426	547	122	8	90	7	5	-	2,810
Inter-segment revenue	2	-	-	-	2	-	29	-	9	(40)	-
Total revenue	**2,710**	**1,605**	**426**	**547**	**124**	**8**	**119**	**7**	**14**	**(40)**	**2,810**
Net interest income from external customers	1,731	1,030	249	372	94	(14)	47	3	(1)	-	1,780
Inter-segment net interest income	(34)	-	(1)	(24)	2	(11)	28	-	9	(3)	-
Total net interest income	**1,697**	**1,030**	**248**	**348**	**96**	**(25)**	**75**	**3**	**8**	**(3)**	**1,780**
Income tax expense	164						(13)	-	-	-	151
Net profit/(loss) from continuing operations	**(619)**						**38**	**(2)**	**(3)**	**-**	**(586)**
Other significant non-cash expenses	(1,796)						(14)	-	(3)	-	(1,813)
30 June 2020											
Segment assets (incl. equity accounted investees)	22,506						8,237	184	513	(1,107)	30,333
Segment liabilities	20,433						7,653	146	246	(1,105)	27,373
Segment equity	**2,073**						**584**	**38**	**267**	**(2)**	**2,960**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe

In millions of EUR

30 June 2019	Consumer lending						Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	*CIS**	*SEA**	*CEE**	*Other*					
Revenue from customers	2,953	1,848	467	503	125	10	89	4	2	-	3,048
Inter-segment revenue	1	-	-	-	1	-	29	-	15	(45)	-
Total revenue	**2,954**	**1,848**	**467**	**503**	**126**	**10**	**118**	**4**	**17**	**(45)**	**3,048**
Net interest income from external customers	1,846	1,146	267	349	95	(11)	50	2	(2)	-	1,896
Inter-segment net interest income	(42)	-	(2)	(24)	1	(17)	29	-	15	(2)	-
Total net interest income	**1,804**	**1,146**	**265**	**325**	**96**	**(28)**	**79**	**2**	**13**	**(2)**	**1,896**
Income tax expense	(109)						(14)	-	14	-	(109)
Net profit from continuing operations	**236**						**42**	**(1)**	**50**	**(1)**	**326**
Other significant non-cash expenses	(871)						3	-	(1)	-	(869)
31 December 2019											
Segment assets (incl. equity accounted investees)	26,593						8,932	170	527	(1,162)	35,060
Segment liabilities	23,717						8,346	129	253	(1,162)	31,283
Segment equity	**2,876**						**586**	**41**	**274**	**-**	**3,777**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe

E. Notes to the condensed consolidated financial statements

E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Cash on hand	119	166
Current accounts	929	1,258
Balances with central banks	412	454
Placements with financial institutions due within one month	100	210
Reverse repo operations with central banks	5,124	7,287
Total cash and cash equivalents	**6,684**	**9,375**

As of 30 June 2020, cash and cash equivalents amounting to MEUR 366 (2019: MEUR 809) are restricted by the borrowing agreements contracted by Chinese Home Credit with the creditors either to disbursement of loans to retail clients or repayment of the loans received from the creditors. If the cash is used to provide loans to retail clients, the loans are pledged as collateral.

There are no other restrictions on the availability of cash and cash equivalents.

E.2. Investment securities

Investment securities comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Financial assets at fair value through profit or loss	1,114	274
Financial assets at amortised cost	997*	753
Financial assets at FVOCI	1,460	1,078
Total financial securities	**3,571**	**2,105**

* incl. FV hedge adjustment of MEUR 20 (refer to C.2)

E.2.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss held for trading comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Government and other public-sector bonds	763	90
Corporate bonds	8	7
Positive fair values of trading derivatives	343	173
Positive fair values of hedging derivatives	-	4
Total financial assets at FVTPL	**1,114**	**274**

E.2.2. Financial assets at amortised cost

In millions of EUR, as at 30 June 2020

	Gross amount	Amortised cost
Government bonds	985	985
Corporate bonds	12	12
Total financial assets at amortised cost	**997**	**997**

In millions of EUR, as at 31 December 2019

	Gross amount	Amortised cost
Government bonds	721	721
Corporate bonds	32	32
Total financial assets at amortised cost	**753**	**753**

E.2.3. Financial assets at FVOCI

Financial assets at FVOCI comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Debt securities	1,435	1,070
Government bonds	1,014	571
Corporate bonds	421	499
Equity securities	25	8
Shares	25	8
Total financial assets at FVOCI	**1,460**	**1,078**

E.3. Loans and receivables due from banks and other financial institutions

Loans and receivables due from banks and other financial institutions comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Gross amount	837	554
Allowance for impairment	-	(1)
Total carrying amount	**837**	**553**
Term deposits at banks	176	68
Minimum reserve deposits with central banks	126	139
Loans to banks	50	55
Loans and advances provided under repos	321	198
Cash collateral for derivative instruments	164	93

The minimum reserve deposits are mandatory non-interest bearing deposits whose withdrawals are restricted and which are maintained in accordance with regulations issued by central banks in countries in which the Group’s banking entities operate.

E.4. Loans due from customers

Loans due from customers comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Loans due from customers - retail		
Gross amount	18,449	21,771
Allowance for impairment	(2,235)	(1,582)
Loans due from customers – retail (carrying amounts)	**16,214**	**20,189**
Loans due from customers – non-retail		
Gross amount	1,375	1,263
Allowance for impairment	(63)	(56)
Loans due from customers – non-retail (carrying amounts)	**1,312**	**1,207**
Total loans due from customers (carrying amounts)	**17,526**	**21,396**

In millions of EUR

	30 June 2020	31 December 2019
Cash loans	11,315	13,930
Consumer loans	3,784*	5,071
Revolving loans	714	806
Car loans	145	142
Mortgage loans	256*	240
Loans due from customers – retail (carrying amounts)	**16,214**	**20,189**
Loans to corporations	1,310*	1,194
Loans and advances provided under repo operations	-	10
Other	2	3
Loans due from customers – non-retail (carrying amounts)	**1,312**	**1,207**
Total loans due from customers (carrying amounts)	**17,526**	**21,396**

* incl. FV hedge adjustment of MEUR 9 for consumer loans, MEUR 9 for mortgage loans and MEUR 1 for loans to corporations (refer to C.2)

E.5. Trade and other receivables

Trade and other receivables comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Trade receivables	48	55
Accrued income	5	7
Individual impairment	(1)	(1)
Total trade and other receivables	**52**	**61**

E.6. Equity-accounted investees

The following table shows the breakdown of individual equity-accounted investees:

In millions of EUR

	30 June 2020	31 December 2019
ClearBank Ltd.	25	20
Other	2	28
Total equity-accounted investees	27	**48**

The following table shows the breakdown of the share of earnings of equity-accounted investees, net of fax:

In millions of EUR

	30 June 2020	30 June 2019
ClearBank Ltd.	(16)	(8)
Other	4	(2)
Total share of earnings in equity-accounted investees	**(12)**	**(10)**

<u>ClearBank Ltd. (associate)</u>

ClearBank is an UK bank that, since 2017, has been providing clearing and settlement services. The following table shows the bank's performance:

In millions of EUR

	30 June 2020	31 December 2019
Non-current assets	29	28
Current assets	556	634
Current liabilities	(530)	(615)
Net assets (100%)	55	47
Group's share of net assets (43.27%; 2019: 39.31%)	24	18
Goodwill included in carrying amount	1	2
Carrying amount of investment in associate	**25**	**20**
	30 June 2020	30 June 2019
Total net loss for the period (100%)	(18)	(16)
Group's share on the net loss (43.27%; 2019: 38.53%)	(8)	(6)
Dilution loss	(8)	(2)
Total share in profit/(loss) (43.27%; 2019: 38.53%)	**(16)**	**(8)**

E.7. Other assets

Other assets comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Prepaid expenses and advances	94	111
Cash collateral for payment cards	65	67
Other settlement accounts	106	117
Insurance deposits	-	21
Other taxes receivable	7	6
Assets held for sale	2	2
Inventories	4	3
Other	34	27
Total other assets	**312**	**354**

E.8. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Negative fair values of trading derivatives	371	191
Negative fair values of hedging derivatives	70	6
Liabilities from short sales of securities	110	156
Total financial liabilities at FVTPL	**551**	**353**

E.9. Liabilities due to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Current accounts and demand deposits	8,276	7,843
Term deposits	3,246	3,652
Loans received under repos	1,743	2,474
Loans	11	10
Collateral deposits for derivatives	14	37
Other	6	1
Total liabilities to non-banks	**13,296**	**14,017**

The table shows the liabilities owed to corporate and individual clients of the Group, the bulk of which relates to the banking business of PPF banka, Air Bank and Home Credit and Finance Bank.

E.10. Liabilities due to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Repayable on demand	5	7
Loans received under repos	337	987
Secured loans (other than repos)	6,820	7,424
Unsecured loans	3,156	4,774
Collateral deposits for derivatives	40	31
Other	45	68
Total liabilities to banks	**10,403**	**13,291**

E.11. Debt securities issued

Debt securities issued relate to bonds issued, certificates of deposit, asset-backed security issues and promissory notes except for subordinated items.

The maturities of the debt securities are as follows:

In millions of EUR

	30 June 2020	31 December 2019
Fixed rate debt securities		
Within 1 year	1,566	1,385
1-2 years	168	676
2-3 years	65	82
3-4 years	19	-
4-5 years	63	71
Variable rate debt securities		
Within 1 year	66	28
1-2 years	90	83
2-3 years	34	64
3-4 years	-	-
Total debt securities issued	**2,071**	**2,389**

As at 30 June 2020, debt securities issued of MEUR 934 (2019: MEUR 1,165) were secured by cash loan receivables amounting to MEUR 51 (2019: MEUR 91), consumer loan receivables of MEUR 653 (2019: MEUR 774), and cash and cash equivalents amounting to MEUR 230 (2019: MEUR 300).

E.12. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR

	Interest rate	Maturity	30 June 2020	31 December 2019
Bond issue of MCZK 4,000	Variable	2027	149	157
Bond issue of MEUR 92	Fixed	2028	94	92
Bond issue of MCZK 253	Fixed	2029	10	8
Loan MUSD 7	Variable	2023	7	7
Loan of MRSD 465	Variable	2024	-	4
Total subordinated liabilities			**260**	**268**

The bond issue of MCZK 4,000 was issued in December 2017. The interest rate was determined as a fixed rate for the first two years; subsequently, in 2020, it was changed to a floating rate. The Group has an early redemption option exercisable on or after 18 December 2022.

The bond issue of MEUR 92 was issued in September 2018. The interest rate of 3.6% p.a. is determined as a fixed rate with maturity in September 2028. The Company has an early redemption option exercisable in September 2023.

E.13. Trade and other payables

Other liabilities comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Settlements with suppliers	117	177
Wages and salaries	81	106
Social security and health insurance	7	11
Other taxes payable	29	58
Accrued expenses	64	91
Customer loan overpayments	193	126
Lease liabilities	134	155
Financial settlement and other similar accounts	19	19
Deferred income	4	5
Other liabilities	60	96
Total trade and other payables	**708**	**844**

E.14. Provisions

Provisions comprise insurance and other provisions as follows:

In millions of EUR

	30 June 2020	31 December 2019
Provisions for unearned premiums	31	37
Provisions for insurance commissions return	6	10
Provisions for expected credit losses from loan commitments and financial guarantees	3	3
Provisions for litigation except for tax-related litigation	5	6
Other provisions	10	6
Total provisions	**55**	**62**

E.15. Capital issued and share premium

Capital issued represents capital in respect of which the shareholders' liability for an entity's obligation towards its creditors is limited. The amount is limited to the current nominal capital approved by a shareholder resolution.

The following table provides details of authorised and issued shares:

	30 June 2020	31 December 2019
Number of shares authorised	45,000	45,000
Number of shares issued and fully paid	45,000	45,000
Par value per share	EUR 1	EUR 1

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Parent Company.

During 2020 and 2019, there was no increase in share premium.

E.16. Additional paid-in capital

In June 2018, PPF Financial Holdings B.V. issued additional tier 1 capital (AT1 notes) in EUR with a total nominal value of MEUR 80 that is held by PPF Group N.V. These bonds are classified as equity instruments as, beside other characteristics, payments of interest to the investors and redemption of the original principal amount are at the issuer's discretion. The bonds include non-cumulative coupon payments of 6%. The interest payment on the bonds is carried out once a year on 29 June. These interest payments are presented as dividends in these consolidated financial statements. During 2020 the Group paid a dividend amounting to MEUR 5 (2019: MEUR 5).

E.17. Non-controlling interests

The following subsidiaries of the Group have material non-controlling interests:

Name of subsidiary	Abbr.	Applicable	Country of incorporation
Home Credit Group B.V. (subgroup)	HC	2020/2019	Netherlands
PPF banka, a.s. (subgroup)	PPFB	2020/2019	Czech Republic
Home Credit Indonesia PT	HCID	2020/2019	Indonesia
Home Credit US, LLC	HCUS	2020/2019	USA

The following table summarises the information relating to these subsidiaries:

In millions of EUR

30 June 2020	HC	PPFB	HCID	HCUS	Total
NCI percentage (effective ownership)	**8.88%**	**7.04%**	**22.55%**	**54.35%**	
Total assets	22,506	8,237	408	30	
Total liabilities	(20,432)	(7,653)	(336)	(31)	
Net assets	**2,074**	**584**	**72**	**(1)**	
Net assets attributable to NCI of the sub-group	(11)				
Net assets attributable to owners of the Parent	**2,063**	**584**	**72**	**(1)**	
Carrying amount of NCI	167	42	11	(1)	**219**
NCI percentage during the period	**8.88%**	**7.04%**	**22.55%**	**54.35%**	
Revenue	2,709	129	110	26	
Profit/(loss)	(588)	38	6	(56)	
Other comprehensive income	(191)	(37)	-	-	
Total comprehensive income	(779)	1	6	(56)	
Profit/(loss) allocated to NCI	(52)	3	(1)	(29)	**(79)**
OCI allocated to NCI	(17)	(3)	-	-	**(20)**
Dividends paid to NCI	-	-	-	-	**-**

In millions of EUR

31 December 2019	HC	PPFB	HCID	HCUS	Total
NCI percentage (effective ownership)	**8.88%**	**7.04%**	**22.55%**	**54.35%**	
Total assets	26,590	8,928	430	112	
Total liabilities	(23,717)	(8,345)	(350)	(79)	
Net assets	**2,873**	**583**	**80**	**33**	
Net assets attributable to NCI of the sub-group	(29)	**-**	**-**	**-**	
Net assets attributable to owners of the Parent	**2,844**	**583**	**80**	**33**	
Carrying amount of NCI	236	41	12	17	**306**

In millions of EUR

30 June 2019	HC	PPFB	HCID	HCUS	Total
NCI percentage during the period	**8.88%**	**7.04%**	**22.55%**	**54.35%**	
Revenue	2,951	144	96	9	
Profit/(loss)	261	43	4	(20)	
Other comprehensive income	108	26	-	-	
Total comprehensive income	369	69	4	(20)	
Profit/(loss) allocated to NCI	23	3	-	(11)	15
OCI allocated to NCI	8	3	-	-	11
Dividends paid to NCI	-	-	-	-	-

E.18. Net interest income

Interest income comprises the following:

In millions of EUR, for the six months ended 30 June

	2020	2019
Financial assets at FVTPL	5	4
Financial assets at FVOCI	22	23
Financial assets at AC	5	7
Due from banks and other financial institutions	74	83
Cash loan receivables	1,838	1,989
Consumer loan receivables	473	504
Revolving loan receivables	82	58
Car loan receivables	12	11
Mortgage loan receivables	3	3
Loans to corporations	28	33
Net investment in finance lease	1	-
Total interest income	**2,543**	**2,715**

Interest expense comprises the following:

In millions of EUR, for the six months ended 30 June

	2020	2019
Due to customers	126	132
Due to banks and other financial institutions	541	598
Debt securities issued	84	65
Lease liabilities	4	-
Subordinated liabilities	5	11
Other	3	13
Total interest expenses	**763**	**819**
Total net interest income	**1,780**	**1,896**

E.19. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, for the six months ended 30 June

	2020	2019
Insurance commissions	123	176
Penalty fees	38	63
Customer payment processing and account maintenance	28	26
Cash transactions	17	17
Commission income from partners	34	26
Retailers’ commissions	2	9
Other	15	6
Total fee and commission income	**257**	**323**

Fee and commission expense comprise the following:

In millions of EUR, for the six months ended 30 June

	2020	2019
Commissions to retailers	13	10
Cash transactions	22	14
Payment processing and account maintenance	26	27
Payments to deposit insurance agencies	13	20
Credit and other register expense	16	19
Other	10	6
Total fee and commission expense	**100**	**96**

Total net fee and commission income	**157**	**227**

E.20. Net gains/losses on financial assets/liabilities

In millions of EUR, for the six months ended 30 June

	2020	2019
Net trading income/(expense)	(91)	(13)
Debt securities trading	17	10
FX trading	(16)	11
Derivatives	(68)	(34)
Other	(24)	-
Net realised gains/(losses)	59	10
Financial assets at amortised costs	29	5
Financial assets at FVOCI	5	2
Loan and receivables	25	3
Dividends	1	-
Total net gains/(losses) on financial assets/liabilities	**(31)**	**(3)**

E.21. Net impairment losses on financial assets

In millions of EUR, for the six months ended 30 June

	2020	2019
Financial assets at FVOCI (debt securities)	5	-
Cash loan receivables	1,516	742
Consumer loan receivables	244	121
Revolving loan receivables	30	6
Car loan receivables	3	-
Mortgage loan receivables	-	(1)
Loans to corporations	9	(2)
Due from banks and other financial institutions	1	2
Other financial assets*	-	1
Total net impairment losses on financial assets	**1,808**	**869**

*incl. impairment losses on undrawn credit limit

E.22. Insurance income

In millions of EUR, for the six months ended 30 June

	2020	2019
Gross earned premium	10	10
Gross premium written	8	10
Change in the provisions for unearned premiums	2	-
Acquisition cost	(2)	(2)
Total non-life insurance income	**8**	**8**

E.23. Other income

In millions of EUR, for the six months ended 30 June

	2020	2019
Gain on bargain purchase	-	38
Provision of services to minority partner	10	5
Foreign currency gains	28	-
Other	18	39
Total other income	**56**	**82**

E.24. Personnel expenses and other operating expenses

In millions of EUR, for the six months ended 30 June

	2020	2019
Employee compensation	459	436
Payroll related taxes (including pension contribution)	67	105
Total personnel expenses	**526**	**541**
Rental, maintenance and repair expense	17	16
Telecommunication and postage	41	42
Professional services	53	52
Information technologies	36	31
Advertising and marketing	22	28
Collection agency fee	25	31
Taxes other than income tax	26	21
Travel expenses	5	12
Net impairment losses on other intangible assets	5	-
Net loss on disposal of property, plant and equipment	1	-
Foreign currency losses	-	3
Other	26	27
Total other operating expenses	**783**	**804**

E.25. Depreciation and amortisation

In millions of EUR, for the six months ended 30 June

	2020	2019
Depreciation of property, plant and equipment	30	29
Depreciation of property, plant and equipment - ROU (IFRS 16)	26	24
Amortisation of intangible assets	46	36
Total other operating expenses	**102**	**89**

E.26. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for the six months ended 30 June

	2020	2019
Current tax expense	(74)	(125)
Deferred tax benefit	225	16
Total income tax expense	**151**	**(109)**

Income tax is computed and recognised by entities generating substantial accounting profit for the interim period, either via application of statutory income tax rate on pre-tax income adjusted by, if significant, excluded disregarded revenues and costs. The Group's consolidated effective tax rate for the six months ended 30 June 2020 was 20% (30 June 2019: 25%).

The significant increase in deferred tax assets during the first half of 2020 is due to the significant increase in impairment allowance on loans to customers (refer to E.4) where this increase also deepened the related tax-deductible temporary differences.

E.27. Off-balance sheet items

E.27.1. Commitments and contingent liabilities

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that these amounts have been fully advanced. The amounts set forth in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to meet their contractual obligations.

The Group companies included in the banking segment engage in providing open credit facilities to allow customers quick access to funds in order to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees, whereby the Group might guarantee repayment of a loan taken out by a client with a third party; stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost; documentary letters of credit for obtaining lower cost financing for foreign trade on behalf of a customer; documentary letters of credit reimbursable to a Group company later and debt facilities and revolving underwriting facilities that allow customers to issue short or medium-term debt instruments without engaging in the normal underwriting process on each occasion. Revenue from provided guarantees is recognised under "Fee and commission income" and is determined by applying the agreed rates to the nominal amount of the guarantees.

In millions of EUR

	30 June 2020	31 December 2019
Loan commitments	1,550	1,769
Revolving loan commitments	1,206	1,390
Consumer loan commitments	27	48
Cash loan commitments	23	29
Undrawn overdraft facilities	88	101
Term loan facilities	206	201
Capital expenditure commitments	6	12
Guarantees provided	42	44
Non-payment guarantees	21	21
Payment guarantees	21	23
Other	14	-
Total commitments and contingent liabilities	**1,612**	**1,825**

These commitments and contingent liabilities have an off-balance sheet credit risk because only organisation fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent the expected future cash flows.

The following table shows secured liabilities:

In millions of EUR

	30 June 2020	31 December 2019
Secured bank loans	6,820	7,424
Loans received under repos	2,080	3,460
Debt securities issued	934	1,165
Total secured liabilities	**9,834**	**12,049**

The assets pledged as security were as follows:

In millions of EUR

	30 June 2020	31 December 2019
Cash and cash equivalents	354	809
Financial assets at FVOCI (repos)	368	46
Loans and receivables due from customers	8,702	11,441
Financial assets in off balance sheet (repo operations)	1,710	3,475
Total assets pledged as security	**11,134**	**15,771**

E.27.2. Other contingencies

E.27.2.1. Taxation

The taxation systems in the Russian Federation, India, Kazakhstan, Vietnam, China and some other countries of operations are relatively new and are characterized by frequent changes in legislation which are subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Recent events within the Russian Federation, India, Kazakhstan, Vietnam, China and some other countries of operations suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

The facts mentioned above may create tax risks in respective countries that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian, Indian, Kazakhstani, Vietnamese, Chinese and other countries' tax legislation, official pronouncements and court decisions.

Home Credit and Finance Bank (LLC), HC Consumer Finance Philippines (Inc.) and Home Credit International (JSC) are currently under review of tax inspection. The final output is not known yet.

E.27.3. Guarantee received and off-balance sheet assets

Guarantees received and off-balance sheet assets were as follows:

In millions of EUR

	30 June 2020	31 December 2019
Guarantees received	28	40
Loan commitments received	27	8
Value of assets received as collateral (including repos)	6,886	9,650
Total contingent assets	**6,941**	**9,698**

E.28. Related parties

E.28.1. Transactions with the parent company

During the course of the year the Group incurred interest expense of nil (six months ended 30 June 2019: MEUR 2) from the transactions at arm's length with the parent company.

At the reporting date the Group had the following balances with the parent company:

In millions of EUR

	30 June 2020	31 December 2019
Loans due from customers	-	2
Total assets	**-**	**2**
Due to non-banks	(307)	(586)
Total liabilities	**(307)**	**(586)**

E.28.2. Transactions with affiliates

During the course of the year the Group had the following significant transactions at arm's length with its affiliates:

In millions of EUR, for the six months ended 30 June

	2020	2019
Interest income	5	5
Fee and commission income	7	1
Net gain/(loss) on financial assets	-	4
Total revenue	**12**	**10**
Interest expense	(2)	(1)
Net loss on financial assets	(2)	-
Other operating expenses	(9)	(10)
Total expenses	**(13)**	**(11)**

At the reporting date, the Group had the following balances with its affiliates:

In millions of EUR

	30 June 2020	31 December 2019
Loans due from customers*	194	135
Right of use assets	19	22
Trade and other receivables*	7	6
Intangible assets	5	2
Investment securities	22	50
Other assets	1	-
Total assets	**248**	**215**
Due to non-banks	(1,090)	(667)
Subordinated liabilities	-	(4)
Financial liabilities at fair value through profit and loss	(1)	(3)
Trade and other payables	(24)	(39)
Total liabilities	**(1,115)**	**(713)**

* presented in their gross amounts

During the first half of 2020 and in 2019, the Group acquired participation certificates from telecommunication entities (subsidiaries of PPF Group) in the aggregate acquisition amount of MEUR 81 (2019: MEUR 56), where the underlying assets are consumer loans to retail customers on mobile handsets and other telecommunication equipment. Under the certificates, the Group is an economic owner of all risks and rewards while the telecommunication entities retain rights to receive the related cash and are obliged to pay it to the Group without material delay. As at 30 June 2020, the carrying amount of these loans presented as loans due from customers in the above table amounts to MEUR 95 (2019: MEUR 49).

E.28.3. Other related parties including key management personnel

During the course of the year the Group had the following significant transactions at arm's length with other related parties:

In millions of EUR, for the six months ended 30 June

	2020	2019
Interest income	7	7
Total revenue	**7**	**7**
Other operating expenses	(2)	(4)
Total expenses	**(2)**	**(4)**

At the reporting date the Group had the following balances with other related parties:

In millions of EUR

	30 June 2020	31 December 2019
Loans due from customers*	213	212
Total assets	**213**	**212**
Due to non-banks	(1)	(1)
Total liabilities	**(1)**	**(1)**

* presented in their gross amounts

F. Significant accounting policies

F.1. Changes in accounting policies

The Group applies the same accounting policies in these condensed consolidated interim financial statements as were applied in the recent annual consolidated financial statements for the year ended 31 December 2019, except for the enhancements in the ECL calculation as a result of Covid-19 described below.

F.1.1. Enhancements to the ECL calculation as a result of Covid-19

Identification and measurement of impairment

Due to Covid-19 and its significant impact on consumer finance business, the Home Credit subgroup adjusted its approach to identification and measurement of consumer loan impairments. Following enhancements to the ECL calculation as a result of Covid-19 were performed:

Measurement of ECLs

Due to the Covid-19 pandemic and subsequent events in countries where the subgroup operates (government actions, moratoria, etc.), the current modelling techniques are not fully applicable on some portfolios since purely statistical models can give inaccurate results or it is not possible to calculate the results without undue cost or effort. Main reasons are lock-down of countries or emergency states which do not allow customers to hold their obligations. This usually results in significant unrealistic worsening of historical model statistics and imposed regulatory or governmental reliefs to customers (e.g. in form of payment holidays) also to the situation when contracts are not changing delinquency status for a certain period of time. To ensure the overall methodology works, consumer loan portfolio has been separated into three parts.

The first part of the portfolio, where significant deterioration from current delinquency bucket is observable during the first months of crisis impact (hereafter "COVID portfolio"). The identification is set based on the analysis of contracts falling newly into the delinquency of 30+ days while being under this threshold level for a predefined period of time (typically 3-9 months). The aim is to exclude clients who suddenly started to fall into delinquency with expected assumption of Covid-19 crisis impact on their performance. All contracts included in the COVID portfolio are automatically provisioned by long-term coefficients (i.e. assigned to stage 2 or stage 3 according to the corresponding delinquency bucket).

The second part of portfolio is the part where payment holidays (hereafter "PayHol") were provided during the Covid-19 period (based on moratoria set in individual countries). During the payment holidays period, the subgroup performed qualitative assessments in the countries where it operates (collective analysis of impact on business sectors, impact on different geographical location, data acquired during collections processes, qualitative research etc.). This assessment led to final estimation of SICR for this portfolio. For more information refer to the below section Determining whether credit risk has increased significantly.

The rest of the portfolio is not included in the parts described above (hereafter "non-covid"). This portfolio was evaluated consistently with pre-covid-19 measurement of ECL.

Resulting shares of individual parts on total balance are 2.6% for COVID portfolio, 10.1% for PayHol portfolio and 87.3% for non-COVID portfolio.

Forward-looking information

Due to the Covid-19 pandemic, the methodology was reassessed to better reflect current circumstances and threshold was adjusted to nil therefore FLI is included in final calculation regardless the result. Also, FLI models calculated based on available data are being checked to provide reliable outputs utilizing the macroeconomics data during and post crisis.

The provisions are based on the latest macro-economic forecast. The subgroup uses three scenarios with set weights for evaluation of the impact:

- base scenario – in general, the development according to available macroeconomics forecasts
- adverse scenario – either based on worsening of Base scenario, or on percentile from historical development (depending on reliability of model results)
- optimistic scenario – either based on improving of Base scenario, or based on percentile from historical development (depending on reliability of results)

Scenario weights are set according to the latest expectations (the weight of base scenario is mostly in the range of 60-70%, the rest is being distributed among adverse and optimistic scenarios).

In times of volatility and uncertainty where the portfolio quality and economic environment is rapidly changing, FLI models alone may not be able to accurately predict losses among the subgroup. In these cases, the subgroup management adjustments can be applied to appropriately reflect ECL.

The subgroup management applied further FLI adjustment in SSEA and CIS regions where results did not correspond to the latest expectations.

Determining whether credit risk has increased significantly

In response to Covid-19 pandemic, the subgroup implemented additional procedures related to SICR. In general, each portfolio is divided into several parts (for detailed information on portfolio split refer to the above section Measurement of ECLs). Covid-19 affected portfolio is using long-term coefficients, e.g. whole amount is expected to be subject to SICR. Clients who opted for payment holidays are evaluated on case-by-case basis or based on collective assessment utilising internal or external data available on particular market (qualitative assessments, impact on business sectors, impact on different geographical location, data acquired during collections processes, qualitative research etc.). The rest of the portfolio remained unchanged.

Modified financial assets

Due to Covid-19 pandemic, the subgroup introduced forbearance measures such as payment holidays for affected clients or/and other measures imposed by local governments such as different types of moratoria (both Opt-in and Opt-out). The Group adhered to guidance from several European/supra-national authorities (such as EBA, IASB, etc.) that forbearance measures related to Covid-19 do not automatically lead to SICR. For detailed information of

SICR assessment refer to the above section Determining whether credit risk has increased significantly.

As at 30 June 2020, the Group recognized forborne gross loans of MEUR 1,324 (2019: nil) and related impairment allowances of MEUR 590 (2019: nil).

F.1.2. New effective requirements

All these below amendments have been adopted by the EU and did not have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 3 Definition of Business Combinations (effective from 1 January 2020)

The amendments to IFRS 3 Business Combinations narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 (effective from 1 January 2020)

The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

The amendments are applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or were designated thereafter, and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the amendments.

Amendments to IAS 1 and IAS 8: Definition of material (effective from 1 January 2020)

The amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to References to Conceptual Framework (effective from 1 January 2020)

The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2019, includes a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

F.2. Standards, interpretations and amendments to published standards not yet effective but relevant for the Group's consolidated financial statements

A number of new standards, amendments to standards, and interpretations were not yet effective as of 30 June 2020 and have not been applied in the preparation of these condensed consolidated interim financial statements. Of these pronouncements, the following will have a potential impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

Amendment to IFRS 16 Leases: Covid 19 – Related Rent Concessions (effective 1 June 2020)

This amendment simplifies lessee's accounting for rent concessions in reaction to the impact of Covid-19 global situation and its potential impact on rent relationships. Rent concessions often meet the definition of a lease modification which might result in complex accounting (revised discount rate, adjustment of right-of-use assets). The IASB introduced a practical expedient for lessees under which the lessee is not required to assess whether eligible rent concessions that are a direct consequence of the Covid-19 pandemic are leases modifications. Instead, it accounts for them under other applicable guidance like variable lease payments and are recognised in profit or loss.

This amendment has not yet been adopted by the EU where the expectation for adoption is by the end of 2020. The Group is currently assessing its impact on its annual consolidated financial statement 2020 for the case the amendment is adopted during 2020.

Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020 (effective from 1 January 2022)

These amendments and annual improvements, in general, bring some clarifications in the standards on various guidance and update some references.

These amendments have not yet been adopted by the EU and the Group does not expect them to have a significant impact on its consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statement Classification of Liabilities as Current or Non-current (expected effectiveness from 1 January 2023)

These amendments to IAS 1 affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability.

The amendments further clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

These amendments have not been adopted by the EU and the Group is assessing the potential impact on its consolidated financial statements resulting from the application of these amendments.

G. Subsequent events

There are no significant events after the reporting period.

25 September 2020

Board of Directors:

Jan Cornelis Jansen
Member of the Board of Directors

Rudolf Bosveld
Member of the Board of Directors

Paulus Aloysius de Reijke
Member of the Board of Directors

Kateřina Jirásková
Member of the Board of Directors

Lubomír Král
Member of the Board of Directors