PPF Financial Holdings

PPF Financial Holdings a.s.

Half-year Report 2022

Content:

Non-financial part

Condensed consolidated interim financial statements (unaudited)

Description of the Company

PPF Financial Holdings a.s.
Date of inception: 13.11.2014
Seat: Evropská 2690/17, Dejvice, 160 00 Praha 6, Czech Republic
Telephone: +420 224 174 555
Place of registration: Czech Republic, Praha
Register (registration authority): Commercial Register kept by the Municipal Court in Prague
Registration number: 10907718
LEI: 31570014BNQ1Q99CNQ35
Issued capital: CZK 2,000,000
Paid up capital: CZK 2,000,000
Principal business: Management of own assets

Board of Directors

Jean-Pascal Duvieusart, Director
Kateřina Jirásková, Director
Lubomír Král, Director
Radek Pluhař, 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., Mobi Banka a.d. Beograd, JSC "Bank Home Credit SB", and ClearBank Ltd. The Company is a 100% subsidiary of PPF Group N.V. ("PPF Group").

Home Credit Group B.V. ("Home Credit" or "HC Group") is a global consumer credit provider with a focus on emerging markets. Home Credit is the parent which holds the equity stakes in consumer finance companies in seven countries which are clustered across three regions: Central and Eastern Europe ("CEE") which includes businesses in the Czech Republic and Slovakia; China; and South and South East Asia ("SSEA"), which includes businesses in India, Indonesia, Philippines, and Vietnam. The operating entities are regulated companies, fully licensed by a national government regulatory body and compliant with respective local laws. Home Credit's subsidiary Air Bank a.s. holds a banking licence in the Czech Republic. The HC Group is majority owned by PPF Financial Holdings a.s. (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. The Bank is majority owned by PPF Financial Holdings a.s. (92.96% stake).

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

JSC "Bank Home Credit SB" ("HC Kazakhstan") is a retail bank focused on consumer finance operating in Kazakhstan.

ClearBank Ltd. is a 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

Significant changes during 2022

Until 2022, the Group held equity stakes in the Commonwealth of Independent States ("CIS"), represented by businesses holding banking licences in Russia and Kazakhstan. In May 2022, the Group agreed to sell its Russian operations to a group of individual Russian investors. The sale was conducted in two phases and finalised in the third quarter of 2022. The first 50.5% tranche was executed during May/June, and the remaining 49.5% tranche was completed in August 2022. At the same time, HC Group sold its 74.99% share in HC Kazakhstan, now controlled by PPF Financial Holdings a.s. For this period and going forward, the CIS assets will be fully deconsolidated in HC Group. On the Group level, HC Kazakhstan is fully consolidated without any changes.

The sale of the Russian operations had a significant impact on the financial results of the Group and HC Group during the first half of 2022.

On 31 May 2022, PPF Group and Moneta Money Bank agreed to terminate the planned combination of Air Bank Group and Moneta Money Bank. The year-end 2021 financial statements presented the CEE cluster as held for sale and discontinued operations. As a result of this termination, the CEE cluster is no longer shown as held for sale and discontinued operations and the comparative period presented in the financial statements was restated.

Key financial results

Consolidated financial highlights

	1H2022	2021	1H2021
Total assets (EUR billions)	22.6	25.5	24.1
Net loans (EUR billions)	8.5	11.4	12.0
Deposits (EUR billions)	12.8	13.8	13.1
Equity (EUR billions)	2.2	2.7	2.7
Net profit/(loss) (EUR millions)	(1,171)	(258)	(146)

During the first half of 2022, total assets decreased from EUR 25,454 million to EUR 22,616 million, reflecting mainly the changes in Home Credit, i.e., the sale of its Russian operations and a decrease in the Chinese loan portfolio. As of 30 June 2022, the consolidated shareholders' equity of PPF Financial Holdings a.s. amounted to EUR 2,187 million (31 December 2021: EUR 2,712 million). The consolidated loss of the Group for 1H 2022 reached EUR 1,171 million (1H 2021: loss EUR 146 million). The consolidated loss is predominantly driven by the loss from the disposal of Russian operations amounting to EUR 915 million. Due to a significant strengthening of foreign currencies (especially the Russian rouble) against the euro during the first half of 2022, the decrease in the consolidated equity caused by the net loss was partially mitigated by a positive movement in the foreign translation reserve. Moreover, the final negative translation reserve attributable to Russian operations was reclassified to the income statement (as part of the loss from disposal) with no impact on equity.

Business and financial overview

HC Group

Key highlights

Consolidated financial highlights

	1H2022	2021	1H2021
Total assets (EUR billions)	11.2	16.3	16.9
Net loans (EUR billions)	6.1	9.8	10.7
Deposits (EUR billions)	5.2	7.9	7.3
Total equity (EUR billions)	1.0	1.8	1.9
Net profit/(loss) (EUR millions)	(1,245)	(303)	(178)
Net interest margin	11.2%	12.1%	12.4%
Cost-of-risk ratio	6.7%	9.6%	10.9%
Cost-to-income ratio	59.3%	59.3%	56.3%
NPL ratio	9.6%	9.2%	9.8%
Number of distribution points (ths.)	278	351	347
Number of active customers (mil.)	10.4	14.2	16.4

HC Group description

Home Credit Group B.V. is a holding company which holds investments in Home Credit N.V., which is a sub-holding company with consumer finance specialist operating entities currently in countries across Europe and Asia, including: CEE (Czech Republic and Slovakia), China, and SSEA (India, Indonesia, Vietnam, and the Philippines). 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.

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 to its operations.

HC Group performance

The recovery from the Covid pandemic continues with all Home Credit countries profitable for the six months period except one. During the 1H22, the HC Group granted approximately 29,900 loans per day, excluding CIS, the new volumes in CEE and SSEA grew by 25% over the same period last year to EUR 2.9 billion demonstrating the recovery. The results from most countries are close or ahead of pre-Covid levels.

While all countries are profitable but China, the primary driver for the net loss during the 1H22 period was the implications from the sale of the CIS entities and to a lesser extent the partial write-off of the deferred tax asset in China based on the current reduced size of the business and expected size of operations in the coming years.

The total consolidated net loans declined by 37.6% in the six months to 30 June 2022 to EUR 6.1 billion compared to year end 2021 driven by the deconsolidation of the CIS operations as a result of the sale of Russian operations. On a constant geographical perimeter (excluding the CIS cluster), the total assets declined by 4% to EUR 11.2 billion largely due to the evolution of our loan portfolio in China. The newly originated portfolio continues to be of better quality based on early indicators and the HC Group continues to monitor the potential impact of the raising inflation and interest rates on its customers.

During the period, the net interest margin was 11.2% while Home Credit continued to focus on better quality loan portfolio with shorter tenors in majority of countries. In the meantime, fee business increased by 50% compared to the same period last year on a constant geographical perimeter (excluding the CIS cluster). The HC Group also continues to actively focus on cost control and improving its operating efficiency through the execution of its digital strategy to right size the operations in each cluster. During the 1H22, the operating expenses were 19.0% lower compared to 1H21.

At the same time, Home Credit maintained its strong capital position with an equity-to-net loans ratio standing at 16.4%. The group continued to maintain strong relationships with its funding partners and was able to increase its overall deposit base (excluding Russian business) during the period. Total equity as of 30 June 2022 was EUR 1.0 billion post the implications of the conclusion of the Russian strategic transaction.

Loan portfolio quality and risk costs

While the portfolio geographical distribution shifted as a result of the sale of the CIS cluster, the product structure remains consistent. The portfolio quality continues to show improvement with the risk costs (cost-of-risk ratio) reduced to 6.7% in 1H22 compared to 10.9% in 1H21. At the same time, the NPL increased to 9.6% from 9.2% as a result of the sale of the CIS cluster which had the lowest NPL ratio at the end of 2021. On constant perimeter the NPL ratio decreased from 11.7% at the end of 2021 to 9.6% at the end of June 2022. The HC Group NPL coverage ratio is strong at 117.8% as of 30 June 2022.

HC Group loan portfolio breakdown, in billions of EUR

	1H2022	2021	1H2021
Total gross loans	6.9	10.9	12.0
Total net loans	6.1	9.8	10.7
Product structure			
Cash loans	66%	70%	70%
Consumer durable loans	14%	14%	16%
Other	20%	16%	14%
Geographic structure			
China	22%	25%	39%
CIS	-	33%	25%
SSEA	34%	18%	16%
CEE	44%	24%	20%

Group strategy

The HC Group continues with the implementation of its global digital strategy to improve operating leverage and drive for further customer engagement. The HC Group has served to date more than 146 million borrowers in its 25 years history and currently has more than 102 million registered users of its mobile app across countries of operation (excluding the CIS cluster). Launched several years ago, the strategy focuses chiefly on driving greater customer engagement 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. Through its app, the HC Group customers can also access deals on Home Credit marketplace, purchase insurance products and make payments. These adjustments have also allowed the HC Group to reduce its operating costs with overall staff reductions to approximately 27,000 at the end June 2022 from approximately 31,000 in December 2021 on a constant perimeter basis (excluding the CIS cluster).

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 three geographical regions –CEE (Czech Republic, Slovakia), China and SSEA (Vietnam, India, Indonesia, Philippines).

In CEE, Air Bank alone gained more than 48 thousand new customers in 1H22 and as of end of June 2022, 27% of clients with an account at Air Bank used the My Air mobile app daily, showing the success of its customer engagement strategy. The operating income for 1H22 was EUR 108 million (1H21: EUR 64 million) and net loans amounted to EUR 2,869 million as of 30 June 2022 (2021: EUR 2,440 million).

In China, the first half of 2022 was poised with the reintroduction of extended lock down that impacted consumption across the country. Through 30 June 2022 Home Credit China has served over 57 million customers and had more than 6 million customers signed up for its loyalty program. The company continues to grow its partnerships during the first half of 2022 with other institutions mainly banks and insurance companies to extend loans to customers. Operating income for 1H22 was EUR 127 million (1H21: EUR 462 million) and net loan EUR 1,379 million as of 30 June 2022 (2021: EUR 2,440 million).

In SSEA, online and offline lending network expansion supports its Asian growth strategy. All countries see an improvement from the pandemic from the 2020 low. At the end of June 2022, 15% of Home Credit active customers used additional product the companies offer which is more than 3 points higher than a year ago. All countries in the cluster are profitable in 1H22. Operating income for 1H22 was EUR 412 million (1H21: EUR 333 million) and net loans amounted to EUR 2,059 million as of 30 June 2022 (2021: EUR 1,791 million).

JSC "Bank Home Credit SB" (Kazakhstan)

Throughout 2022, HC Kazakhstan is still controlled and fully consolidated by the Group, but has been outside the HC Group perimeter since June 2022.

HC Kazakhstan sew strong performance in 1H22 despite the unfavourable environment caused by January unrest in Kazakhstan and by Russia Ukraine conflict. Despite the additional headwind due to the new debt-to-income regulations, sales grew by 7.4% year on year led by a strong growth in cash loans. As a result, the net loans increased to EUR 771 million as of 30 June 2022 compared with EUR 617 million in 1H21. The company's focus on distributing the most profitable loan products and higher penetration of additional services supported the growth of operating income to EUR 82 million in 1H22 compared with EUR 68 million in 1H21 despite a rise in funding costs which was caused by HC Kazakhstan rating withdrawal due to the Home Credit Russia shareholding.

PPF banka

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 together with related 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 is also an important financial partner for its minority shareholder, the city of Prague.

The Bank is actively taking advantage of opportunities that occur also outside the Group. As a medium-sized bank, it mainly serves to the segment of small and medium-sized companies with Czech owners. It also uses opportunities in the public sector.

The Bank serves clients from all economic sectors, but mainly focuses on priority sectors in which it has ambitions to become a market leader and a first-choice bank.

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

	1H2022	2021	1H2021
Total assets (EUR billions)	11.2	9.5	7.5
Net loans (EUR billions)	1.6	1.7	1.5
Deposits (EUR billions)	7.6	5.9	5.7
Total equity (EUR millions)	624	665	629
Net profit (EUR millions)	57	68	36
NPL ratio	1.3%	4.1%	5.2%
Cost-to-income ratio	22.9%	35.7%	35.2.%
Return on average equity (RoAE)	17.4%	10.9%	11.9%

PPF banka performance

PPF banka achieved very solid performance. The profit after tax for 1H22 was EUR 57 million. The total equity did not change significantly (a decrease by 6%) – there was an increase in retained earnings due to the inclusion of 1H22 profit, which was offset by the decrease in FVOCI reserve and by the payment of dividends.

In comparison to 1H21, operating income increased by 55% to EUR 100 million. The comparison is influenced by an extraordinary performance of client business in 1H22 (increase by 116%). It was positively affected by increasing interest rates in the economy. Proprietary business went down by 22% to EUR 22 million compared to comparative half year. There was a negative result from allowances and reserves of EUR 4.3 million mainly due to impairment of Russian bonds.

Expenses were on the same level as in the previous year and fully under control.

Total assets went up to EUR 11.2 billion. The increase in comparison to year-end 2021 was chiefly connected with increase of the investment securities by almost 108% to EUR 2.7 billion, especially the Czech government bonds. A new held-to-maturity portfolio was created. Balances with central bank increased slightly as well. Loans to clients went down by 10%.

The increase in total liabilities was driven by a significant growth in current account balances by almost 105% to EUR 4.8 billion. Deposits increased due to higher current account balances.

In comparison to the end of 2021, capital adequacy ratio increased to 22.3% (2021: 20.3%) caused by an increase of the regulatory capital and a decline of the risk weighted assets.

Specific balances

Significant assets/liabilities, in billions of EUR

	1H2022	2021	1H2021
Significant assets			
Balances at CNB	5.2	5.1	3.4
Loans to banks	0.4	0.2	0.3
Loans to clients	1.6	1.7	1.5
Investment securities	2.7	1.3	2.2
Significant liabilities			
Due to banks	1.2	1.7	0.5
Due to clients - repayable on demands	4.8	2.3	3.2
Due to clients - other	2.9	3.5	2.5

Loan portfolio, in billions of EUR

	1H2022	2021	1H2021
Export and structured finance	1.2	1.4	1.2
Real estate financing	0.2	0.2	0.2
Large corporates	0.2	0.1	0.1

The Bank identifies three specific segments related to loan to clients. There was no big change in the total balance in comparison with year-end 2021.

Deposits, in billions of EUR

	1H2022	2021	1H2021
By deposit type			
Current accounts	4.8	2.3	3.2
Term deposits	1.6	1.4	1.0
Repo operations	1.3	2.1	1.5
By client			
Banks and financial institutions	1.7	2.5	1.8
Large corporates	2.7	1.5	1.2
Municipal	2.2	1.2	2.0
Private clients	0.2	0.2	0.2
SME	0.9	0.4	0.5

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

Due to clients can be disaggregated by sectors – the biggest portion is attributable to large corporates and municipal sector. Both sectors went significantly up in comparison with year-end 2021.

Investment securities, in millions of EUR

	1H2022	2021	1H2021
Financial assets held for trading	1,890	1,481	1,191
Derivatives	1,232	662	253
Debt securities	443	390	527
Repo operations	215	428	411
Financial assets at FVOCI – debt securities	1,823	912	999
Financial assets at amortised cost	216	-	-
Total investments	**3,929**	**2,393**	**2,190**

The total investments increased by almost 65% compared to the end of 2021. The most significant increase took place in debt securities – the vast majority of the increase was the Czech governmental securities. The increase is connected with current market situation. FVOCI debt securities increased very considerably. Furthermore, there was an increase in positive fair value of derivatives (negative fair value of derivatives increased as well in the same pace) due to the market situation.

Loan portfolio quality

Portfolio quality, in millions of EUR

	1H2022	2021	1H2021
Performing loans	1,583	1,715	1,511
Impairment	(20)	(21)	(21)
Gross non-performing loans and advances to customers	21	74	82
Impairment	(8)	(25)	(24)
Total loans	**1,576**	**1,744**	**1,548**
NPL ratio	1.3%	4.1%	5.2%

The gross amount of non-performing loans decreased by more than 70% in comparison with year-end 2021, thus the total amount of non-performing loans as well as the NPL ratio decreased significantly.

Mobi Banka

Mobi Banka's strategic commitment is to continue developing innovative digital products through the synergy of telco and banking solutions, which will be available to clients primarily through mobile and online banking in Serbia. Its business synergy with Yettel telecommunications services in Serbia held by PPF Group is also unique. At present, it offers a wide range of financial services for retail clients. In the seventh year of doing business, at the end of June 2022, it has a constantly growing base of 682 thousand clients.

In 2022, by mid of the year, Mobi Banka achieved loan portfolio growth of 12% and maintained stable total assets of EUR 204 million. The bank managed to achieve a net result 98% better than in previous year, finishing the first half of 2022 with a EUR 77 thousand net loss. Mobi Banka funds its growth on a healthy basis and is fully self-funded by its retail deposit portfolio of EUR 146 million, and equity of EUR 30 million.

Key highlights

In millions of EUR

	1H2022	2021	1H2021
Total assets	204	208	204
Total equity	30	30	33
Net profit/(loss)	0	(4)	(2)

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 2022, the Group's holding in ClearBank stood at 48.4%, representing a cumulative investment of EUR 150 million. 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 2022, ClearBank had secured 184 customers, up by 8 from the end of 2021 (up by 25 from 1H21) and generating combined customer balances of EUR 2.6 billion. ClearBank's balance sheet closed the period with net assets totalling EUR 57 million, with robust regulatory metrics for both capital and liquidity.

In the 6 months of the year 2022 ClearBank has seen significant growth in transactional volumes and values. As at 30 June 2022, it was processing around 13 million transactions per month, including internal transfers, with the total value processed during 1H22 of EUR 57 billion.

In February 2022, ClearBank signed a legally binding agreement with each of Apax Digital, CFFI and PPF Financial Holdings for several related primary and secondary transactions up to GBP 175 million, subject to regulatory approval. This funding will be used to expand the business and ensure that the expansion has sufficient capital to do so. After finalisation of the transaction the Group’s share will be diluted and remain classified as an associate.

Macroeconomic and regulatory development in countries where the Group operates

The Czech economic recovery continued in the first half of 2022 despite the unfavourable economic environment. In the first quarter the Czech economy grew by 4.6%, which was more than expected, and the growth was driven mainly by the domestic consumption and investment. Also inventories added to growth considerably. On the contrary, the external trade continued to drag down the overall economy. This was the consequence of high household consumption and investment, both import intensive, while exports were hindered by supply bottlenecks as well as weak external demand. Surprisingly, the economy grew relatively quickly (3.6% y/y) in the second quarter of 2022. The details are yet to be published but according to the Czech Statistical Office comments similarly as in 1Q22 the domestic consumption and investments were the main drives of the economic growth.

The labour market remained overheated in 1H22. The unemployment stayed at the lowest levels in EU (2.5%) and the number of job vacancies continued to significantly surpass the number of unemployed persons (by 70 thousand).

Although the conflict in Ukraine did not affect the real economy strongly in the first half of 2022, the price effect was immediate through higher commodity prices. Higher energy and fuel prices together with strong domestic demand, supported by strong rise of wages in the public sector in pre-covid period as well as generous fiscal spending during pandemic, led to strong rise in overall price level. The inflation in the Czech Republic in the first half of 2022 was one of the highest in EU. In June it reached 17.2%. This unprecedented price rise prompted the central bank to continue in aggressive tightening of the monetary policy, which started in autumn 2021. The Czech National Bank raised rates during first 6 months of 2022 at each monetary-policy meeting cumulatively by 3.25pp to current repo rate 7%.

The unfavourable macroeconomic environment set back plans of the fiscal consolidation in the Czech Republic. Originally approved government deficit of CZK 280 billion (EUR 11.3 billion) was revised in June to CZK 330 billion (EUR 13.3 billion). At the end of June, the deficit amounted to CZK 183 billion (EUR 7.4 billion). The government finances are currently under pressure due to additional expenses in the form of compensation for higher energy prices, valorisation of pensions as well as extra allowances for families with children and also historical first purchases of natural gas to the State Material Reserves. On the other hand, the rising inflation helps to increase nominal GDP and thus lowers debt/GDP ratio. There is no acute risk of reaching 55% debt/GDP limit which would lead to the necessity of sudden savings. The government need not to fear low demand for its bonds. The government issuance activity remains elevated and elevated is also the demand from domestic as well as foreign investors.

Following table summarises the main macroeconomic indicators within all the countries where the Group operates:

	Period	Czech Republic	Slovakia	Kazakhstan	China	Vietnam	India	Indonesia	Philippines
GDP growth	2022 (forecast)	2.5	2.0	3.4	3.8	6.9	7.4	5.2	6.8
	2021	3.4	3.1	4.0	8.1	2.6	8.9	3.7	5.6
Rate of unemployment	1H2022	2.5	6.6	4.9	4.1	2.3	6.8	5.8	6.6
	2021	2.8	6.8	4.9	4.4	3.2	7.9	6.5	7.6
Inflation rate (y/y)	1H2022	15.8	12.5	13.9	2.2	3.4	7.3	3.8	5.5
	2021	3.9	6.7	8	0.9	1.8	5.1	1.6	3.9
Base central bank rate	1H2022	7.0	0.25	9.0	4.35	4.0	4.9	3.5	2.5
	2021	3.75	0.0	9.75	4.35	4.0	4.0	3.5	2.0

*Source – ČSÚ, Bloomberg, Reuters, IMF (debt)

In 1H22, while the number of reported Covid cases remains high, most countries have learned to live with this new disease. However, in China, long lockdowns were reintroduced as the country continues to pursue its dynamic zero Covid policy resulting in a drop in consumption and retail sales in particular, which impacts the entire consumer finance industry. While the total retail sales of consumer goods decreased by 0.2% y/y many months during the period experienced sharp contraction.

There are growing concerns on the macro environment in the near turn as inflation surges and interest rates continue to increase. An increase in food and energy prices may impair individuals' disposable income and debt serviceability of our borrowers. A number of central banks increased rates in the first half of the year and more hikes may follow in the coming months to curb inflation. It is difficult to predict the impact of those interest rates increases and the Group believes that it will differ across markets. The Group has taken precautionary measures in its underwriting.

There have not been any major regulatory changes impacting our operations directly but a number of regulations in China targeting unlicensed players continue to undermine the sentiment toward the consumer finance industry and impacted our operations indirectly. The Group also observes a strengthening of the data privacy laws across its markets and caps on interest rates. All of the Group's operating entities are licensed and in compliance with applicable regulation.

Current development, commercial and financial outlook

The coronavirus pandemic continued to impact the Group´s business in early 2022 however the Group sees a strong recovery in majority of the countries.

In late February 2022 the CIS cluster became subject to the ongoing conflict in Ukraine which will have both local and global implications. The US, UK, EU, and others have imposed simultaneous sanctions against Russia, certain Russian entities and individuals which have disrupted financial markets and led to uncertainties for the global economy. At the same time, Russia has taken a number of counter sanctions and measures which could impact the Group's business.

Reacting to the conflict in Ukraine, the Group decided to leave the Russian market by selling Home Credit's Russian operations. This sale was initiated in April 2022. As at the date of these consolidated financial statements, the Russian operations have been fully disposed of, except for a residual 49.5% stake in two Russian entities (Home Credit Insurance LLC and Kupi ne Kopi LLC), where the final disposal is subject to regulatory approval. The value of these shares classified as associates amounts to approx. EUR 4 million. The purchase price payments relating to all finalised sales has been settled.

For PPF banka, the direct exposure to Russia and Ukraine is insignificant (30 June 2022: EUR 25 million assets, EUR 18 million liabilities). The Bank's direct exposure consists, on the assets side, mainly of financial assets at fair value through other comprehensive income and loans and advances to banks, and, on the liabilities side, mainly of deposits from customers. Responding to the situation over 2022, PPF banka has significantly reduced its exposures to counterparties with Russian risk, by cutting limits on those Russian counterparties and on RUB transactions. As of the date of these financial statements the total exposure is reduced by approximately 50% in comparison with end of June 2022.

The Group realises that the geopolitical situation has significant repercussions for the economy in the Czech Republic and other countries. The full impact of the sanctions, counter sanctions and economic impact are difficult to fully quantify at present.

The Group conducted capital adequacy stress test in 2Q 2022 based on the available information and updated the capital adequacy forecast following the full disposal of the Russian operations in August 2022. The stress test covered horizon until the end of 2023. The results of the stress tests indicated that the functioning of the Group in the horizon until the end of 2023 is not threatened.

Statutory declaration of persons responsible for PPF Financial Holdings Group half-year report 2022

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 2022 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.

Prague, 30 September 2022

Kateřina Jirásková

Director, PPF Financial Holdings a.s.

Radek Pluhař

Director, PPF Financial Holdings a.s.

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 PPF Financial Holdings a.s., Home Credit Group B.V. and PPF banka a.s. do not publish their 1H 2022 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**
Cost-of-risk ratio	**<u>Purpose:</u>** 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. **<u>Definition:</u>** Impairment losses on financial assets/average 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. **<u>Reconciliation with financial statements:</u>** This measure is used for the description of the performance of Home Credit Group B.V. It can neither be reconciled with the financial statements of the Company nor with the financial statements of Home Credit Group B.V.
Cost-to-income ratio	**<u>Purpose:</u>** 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. **<u>Definition:</u>** When used for Home Credit Group B.V.: (Personnel expenses and other operating expenses + rental, maintenance and repairs + depreciation and amortisation)/operating income When used for PPF banka a.s.:

	Operating expenses (including donations and excluding impairment (loss)/reversal)/operating income **<u>Reconciliation with financial statements:</u>** 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. However, it may be reconciled with the financial statements of Home Credit Group B.V. and with the financial statements of PPF banka.
Deposits	**<u>Definition:</u>** 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.
Equity to net loans	**<u>Purpose:</u>** The equity to net loans ratio measures what part of loans to clients is covered by equity. **<u>Definition:</u>** Total equity divided by loans to customers. **<u>Reconciliation with financial statements:</u>** 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 could be reconciled with the financial statements of Home Credit Group B.V.
Gross loans	**<u>Purpose:</u>** 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. 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.

New volume	**Definition:** New volume represents amount of loans provided to customers during given period. The performance measure is used in Home Credit Group. **Definition:** Gross amount of loans provided in the period **Reconciliation with financial statements:** This measure is used for the description of performance of Home Credit Group B.V. It can neither be reconciled with the financial statements of the Company nor with the financial statements of Home Credit Group B.V.
Net interest margin	**Purpose:** 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 can neither be reconciled with the financial statements of the Company nor 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:** Allowance for impairment – retail + allowance for impairment – non-retail divided by Gross loans at Stage 3 – retail + gross loans at Stage 3 – non-retail. **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.
NPL ratio (Home Credit)	**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 loans at Stage 3 – retail + gross loans at Stage 3 – non-retail divided by gross loans – retail + gross loans – non-retail as used in the financial statements of Home Credit Group B.V. **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.
NPL ratio (PPF banka)	**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 / 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. However, it may be reconciled with the financial statements of PPF banka a.s.
Return on average equity (RoAE)	**Purpose:** 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. **Definition:** 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. **Reconciliation with financial statements:** This measure is used for the description of the performance of Home Credit Group B.V. on a consolidated basis. It can neither be reconciled with the financial statements of the Company nor with the financial statements of Home Credit Group B.V.

Total volume of securities trading	**Purpose:** 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. **Definition:** The total notional amount of securities bought/sold as part of proprietary bank´s business and for customers. **Reconciliation with financial statements:** This measure is used for the description of the performance of PPF banka a.s. It can neither be reconciled with the financial statements of the Company nor with the financial statements of PPF banka a.s.
Volume of foreign exchange market transactions	**Purpose:** 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. **Definition:** The total notional amount of foreign exchange market transactions traded as part of proprietary bank´s business and for customers. **Reconciliation with financial statements:** This measure is used for the description of the performance of PPF banka a.s. It can neither be reconciled with the financial statements of the Company nor with the financial statements of PPF banka a.s.

PPF Financial Holdings a.s.

Condensed consolidated interim financial statements
for the six months ended 30 June 2022 (unaudited)

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Glossary

AC	- amortised cost
CET1	- common equity tier 1 capital
ECL	- expected credit losses
FVOCI	- fair value through other comprehensive income
FVTPL	- fair value through profit or loss
FX	- foreign exchange
HFS	- held for sale
NCI	- non-controlling interests
OCI	- other comprehensive income
PL	- profit or loss
PPE	- property, plant and equipment
ROU	- right-of-use asset
UCC	- business combinations under common control

Condensed consolidated interim statement of financial position

In millions of EUR

	Note	30 June 2022	31 December 2021 (restated)**
ASSETS			
Cash and cash equivalents	E1	6,829	7,202
Investment securities and derivatives	E2	5,435	4,218
Loans and receivables due from banks and other financial institutions	E3	386	815
Loans due from customers	E4	8,529	11,400
Trade and other receivables	E5	58	64
Current tax assets		20	41
Assets held for sale	B.2.1	149	-
Equity-accounted investees	E6	70	51
Property, plant and equipment		110	188
Goodwill and other intangible assets		360	422
Deferred tax assets		465	804
Other assets	E7	205	249
TOTAL ASSETS		**22,616**	**25,454**
LIABILITIES			
Financial liabilities at fair value through profit or loss	E8	1,505	1,050
Due to non-banks	E9	12,820	13,828
Due to banks and other financial institutions	E10	4,366	5,745
Debt securities issued	E11	786	1,067
Subordinated liabilities	E12	347	345
Current tax liabilities		7	3
Trade and other payables	E13	580	642
Provisions	E14	15	55
Deferred tax liabilities		3	7
TOTAL LIABILITIES		**20,429**	**22,742**
EQUITY			
Issued capital*	E15	-	-
Share premium	E15	2,458	2,324
Other reserves		141	(312)
Retained earnings		(592)	498
Total equity attributable to owners of the Parent		2,007	2,510
Non-controlling interests	E18	180	202
Total equity		**2,187**	**2,712**
TOTAL LIABILITIES AND EQUITY		**22,616**	**25,454**

*Issued capital is CZK 2 million (2021: CZK 2 million).
**For more details on the restatement refer to A.7 and B.2.2

The notes on pages 11 to 56 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of income

For the six months ended 30 June

In millions of EUR

	Note	2022	2021 (restated)*
Interest income		1,093	1,274
Interest expense		(338)	(364)
Net interest income	E19	**755**	**910**
Fee and commission income		167	142
Fee and commission expense		(57)	(58)
Net fee and commission income	E20	**110**	**84**
Net gains on financial assets/liabilities	E21	31	28
Other income	E23	16	37
TOTAL OPERATING INCOME		**912**	**1,059**
Net impairment losses on financial assets	E22	(259)	(728)
Personnel expenses	E24	(221)	(309)
Depreciation and amortisation	E25	(77)	(89)
Other operating expenses	E24	(205)	(188)
Net loss on disposals of subsidiaries and equity-accounted investees	B2.1	(915)	-
Share of loss of equity-accounted investees, net of tax	E6	(7)	(8)
LOSS BEFORE TAX		**(772)**	**(263)**
Income tax benefit/(expense)	E26	(345)	62
Net loss from continuing operations		**(1,117)**	**(201)**
Net profit/(loss) from discontinued operations, net of tax	B2.1	(54)	55
NET LOSS FOR THE PERIOD		**(1,171)**	**(146)**
Net loss attributable to:			
Owners of the Parent		(1,065)	(133)
Non-controlling interests		(106)	(13)

*The comparative figures have been restated due to the discontinued operations in the Russian Federation (refer to A.8 and B.2.1).

The notes on pages 11 to 56 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June

In millions of EUR

	2022	2021
NET LOSS FOR THE PERIOD	**(1,171)**	**(146)**
Other comprehensive income*		
Valuation losses on FVOCI debt securities	(68)	(10)
FVOCI revaluation gains transferred to profit or loss	15	(5)
Foreign operations - currency translation differences	177	121
Cash flow hedge – effective portion of changes in fair value	(1)	2
Disposal of subsidiaries	562	-
Share of OCI of equity-accounted investees	-	3
Income tax relating to components of other comprehensive income	10	3
Other comprehensive income for the period (net of tax)	**695**	**114**
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(476)**	**(32)**
Total comprehensive expense attributable to:		
Owners of the Parent	(444)	(29)
Non-controlling interests	(32)	(3)

*Items that are or will be reclassified subsequently to profit or loss.

The notes on pages 11 to 56 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

In millions of EUR, for the six months ended 30 June 2022

	Issued capital*	Share premium	Revaluation reserve	Translation reserve	Hedging reserve	Other equity instr.	Retained earnings	Attributable to owners of the Parent	Attributable to NCI	Total
Balance at 1 January 2022	**-**	**2,324**	**-**	**(491)**	**(2)**	**181**	**498**	**2,510**	**202**	**2,712**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,065)**	**(1,065)**	**(106)**	**(1,171)**
Currency translation differences	-	-	-	100	-	-	-	100	77	177
FVOCI revaluation losses taken to equity	-	-	(65)	-	-	-	-	(65)	(3)	(68)
FVOCI revaluation gains transferred to profit or loss	-	-	15	-	-	-	-	15	-	15
Effect of hedge accounting	-	-	-	-	(1)	-	-	(1)	-	(1)
Disposals and deconsolidation of subsidiaries (B.2.1)	-	-	-	562	-	-	-	562	-	562
Tax on items taken directly to or transferred from equity	-	-	10	-	-	-	-	10	-	10
Other comprehensive income for the period	**-**	**-**	**(40)**	**662**	**(1)**	**-**	**-**	**621**	**74**	**695**
Total comprehensive expense for the period	**-**	**-**	**(40)**	**662**	**(1)**	**-**	**(1,065)**	**(444)**	**(32)**	**(476)**
Dividends to NCI	-	-	-	-	-	-	-	-	(4)	(4)
Disposal of shares to NCI	-	-	-	13	-	-	(41)	(28)	37	9
Other changes in NCI	-	-	-	-	-	-	23	23	(23)	-
Increase of share premium	-	134	-	-	-	-	-	134	-	134
Disposal of AT1 subordinated bond (loss of control of the issuing subsidiary) (refer to B.2.1)	-	-	-	-	-	(181)	-	(181)	-	(181)
Other	-	-	-	-	-	-	(7)	(7)	-	(7)
Total transactions with owners of the Parent	**-**	**134**	**-**	**13**	**-**	**(181)**	**(25)**	**(59)**	**10**	**(49)**
Balance at 30 June 2022	**-**	**2,458**	**(40)**	**184**	**(3)**	**-**	**(592)**	**2,007**	**180**	**2,187**

*Issued capital is CZK 2 million.

The notes on pages 11 to 56 are an integral part of these condensed consolidated interim financial statements.

In millions of EUR, for the six months ended 30 June 2021

	Issued capital*	Share premium	Additional paid-in capital	Revaluation reserve	Translation reserve	Hedging reserve	Other equity instr.	Retained earnings	Attributable to owners of the Parent	Attributable to NCI	Total
Balance at 1 January 2021 (restated)**	**-**	**2,324**	**80**	**21**	**(709)**	**(3)**	**181**	**752**	**2,646**	**206**	**2,852**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(133)**	**(133)**	**(13)**	**(146)**
Currency translation differences	-	-	-	-	111	-	-	-	111	10	121
FVOCI revaluation losses taken to equity	-	-	-	(10)	-	-	-	-	(10)	-	(10)
FVOCI revaluation gains transferred to profit or loss	-	-	-	(5)	-	-	-	-	(5)	-	(5)
Effect of hedge accounting	-	-	-	-	-	2	-	-	2	-	2
Share of OCI of equity-accounted investees	-	-	-	-	3	-	-	-	3	-	3
Tax on items taken directly to or transferred from equity	-	-	-	3	-	-	-	-	3	-	3
Other comprehensive income for the period	**-**	**-**	**-**	**(12)**	**114**	**2**	**-**	**-**	**104**	**10**	**114**
Total comprehensive expense for the period	**-**	**-**	**-**	**(12)**	**114**	**2**	**-**	**(133)**	**(29)**	**(3)**	**(32)**
Dividends to the shareholder	-	-	-	-	-	-	-	(4)	(4)	-	(4)
Acquisition of NCI	-	-	-	-	-	-	-	1	1	(1)	-
Distributions for the period	-	-	(80)	-	-	-	-	-	(80)	-	(80)
Other changes in NCI	-	-	-	-	-	-	-	(6)	(6)	-	(6)
Total transactions with owners of the Parent	**-**	**-**	**(80)**	**-**	**-**	**-**	**-**	**51**	**(89)**	**(1)**	**(90)**
Balance at 30 June 2021 (restated)**	**-**	**2,324**	**-**	**9**	**(595)**	**(1)**	**181**	**610**	**2,528**	**202**	**2,730**

*Issued capital is CZK 2 million.
**For more details on the restatement refer to A.9.

The notes on pages 11 to 56 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

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

In millions of EUR

	Notes	2022	2021* (restated)
Cash flows from operating activities			
Loss for the period, net of tax (incl. discontinued operations)		(1,171)	(146)
Adjustments for:			
Depreciation and amortisation		86	98
Interest income	E19	(1,304)	(1,457)
Interest expense	E19	416	406
Net foreign exchange losses		48	17
(Profit)/loss on sale of investment securities		(12)	(24)
Impairment losses of current and non-current assets		361	731
Losses on disposal of subsidiaries	B.2.1	915	-
Other non-cash adjustments		11	1
Income tax expense/(benefit)		332	(48)
Interest received		1,253	1,499
Change in loans and receivables due from banks and other financial institutions		339	37
Change in loans due from customers		593	1,632
Change in trade and other receivables		(217)	(18)
Change in other assets		43	(30)
Change in financial assets at FVTPL		274	(469)
Change in financial liabilities at FVTPL		(47)	(114)
Change in liabilities due to non-banks		811	1,137
Change in trade and other payables		112	(58)
Income tax paid		(56)	(63)
Net cash from operating activities		**2,787**	**3,131**
Cash flows from investing activities			
Purchase of tangible and intangible assets		(54)	(99)
Purchase of financial assets at AC		(253)	(302)
Purchase of financial assets at FVOCI		(1,142)	(768)
Acquisition of subsidiaries and equity-acc. investees, net of cash acquired (incl. capital increase)		(30)	(11)
Dividends received from equity-acc. investees		6	5
Proceeds from disposal of subsidiaries, net of cash disposed (incl. capital decrease in equity-acc. investees)		(73)	-
Proceeds from disposal of PPE and intangible assets		1	25
Proceeds from financial assets at amortised cost		85	106
Proceeds from sale of financial assets at FVOCI		174	507
Net cash used in investing activities		**(1,286)**	**(537)**

	Note	2022	2021 (restated)*
Cash flows from financing activities			
Proceeds from the share premium increase		134	-
Proceeds from the issue of debt securities		197	556
Proceeds from loans due to banks and other financial institutions		1,666	4,290
Repayment of additional paid-in capital instruments	E16	-	(80)
Repayment of debt securities		(238)	(1,137)
Repayment of loans due to banks and other financial institutions		(3,144)	(5,761)
Interest paid		(396)	(475)
Cash payments for principal portion of lease liabilities		(14)	(18)
Dividends paid to the shareholder		(7)	(4)
Dividends paid to NCI		(4)	-
Contributions by NCI		9	-
Net cash used in financing activities		**(1,797)**	**(2,629)**
Net decrease in cash and cash equivalents		**(296)**	**(35)**
Cash and cash equivalents as at 1 January		**7,202**	**5,951**
Effect of exchange rate changes on cash and cash equivalents		(77)	175
Cash and cash equivalents as at 30 June	E1	**6,829**	**6,091**

*For more details on the restatement refer to A.10

The notes on pages 11 to 56 are an integral part of these condensed consolidated interim financial statements.

Cash flow lines directly attributable to the income statement comprise both continuing and discontinued operations. For separate presentation of cash flows from discontinued operations refer to B.2.1.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Financial Holdings a.s. (the "Parent Company" or the "Parent") is a company domiciled in the Czech Republic since 1 June 2021. It focuses on the following market segments: consumer finance, retail banking, and corporate banking. Its activities span from Europe to the Russian Federation, the USA, and across Asia.

The original parent company, PPF Financial Holdings B.V., was incorporated on 13 November 2014 in the Netherlands as a 100% subsidiary of PPF Group N.V. (the ultimate parent). PPF Financial Holdings B.V., a private limited liability company *(besloten vennootschap met beperkte aansprakelijkheid)* under Dutch law, having had its official seat in Amsterdam, the Netherlands, and its registered office address at Strawinskylaan 933, 1077 XX Amsterdam, registered with the Dutch Trade Register under number 61880353, converted from a Dutch law-governed private limited liability company into a Czech law-governed joint stock company *(akciová společnost)* in accordance with the cross-border conversion proposal of the management board of PPF Financial Holdings B.V. dated 11 March 2021 (the "Conversion"). The Conversion became effective on 1 June 2021. Furthermore, the Conversion was carried out as a conversion without the liquidation of PPF Financial Holdings B.V. and by continuing its existence and legal personality as a Czech Republic governed joint stock company, PPF Financial Holdings a.s., a joint stock company under Czech Law, having its official seat in Prague, Czech Republic, and its registered address at Prague 6, Evropská 2690/17, the Czech Republic, identification number 109 07 718, registered in the Czech Commercial Register.

The transfer of PPF Financial Holdings' registered office to the Czech Republic enabled simplification of the financial holding company's supervisory and licensing processes, and consequently created operational savings. The Parent Company currently holds five main investments: Home Credit Group B.V., Bank Home Credit SB JSC, PPF banka, a.s., Mobi Banka a.d. Beograd, and Clear Bank Ltd. Due to the scope and regulatory importance of banking services provided by PPF banka and Air Bank (i.e., banks domiciled in the Czech Republic), the Czech National Bank is the consolidating supervisory authority for entities within the PPF Financial Holdings.

The condensed consolidated interim financial statements of the Parent Company for the six months period ended 30 June 2022 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 list of significant Group entities and changes to the Group in 2022 and 2021.

As of 30 June 2022, the ultimate controlling party is Mrs Renáta Kellnerová who was appointed, during 2021, as an administrator of the inheritance of the late Mr Kellner authorised to manage all the assets belonging to the inheritance in ordinary course of business. The inheritance procedures have been finished during September 2022 (refer to G section).

A.2. Statement of compliance

The condensed consolidated interim financial statements were authorised for issue by the board of directors on 30 September 2022.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021 ("last annual financial statements"). 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 financial statements. 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 FVTPL, and financial instruments at FVOCI. 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). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has the option to apply a 'concentration test' in accordance with IFRS that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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

- functional currency of the parent company (refer to A.6);
- useful life of tangible and intangible assets;
- provisions recognised under liabilities (refer to E.14);
- the fair value of financial instruments (refer to C.1);
- the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits;
- expected credit losses on 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)
- 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. The Group controls an entity if it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if one or more of the elements of control changes. This includes circumstances in which protective rights held (e.g., those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. 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 Group's reporting currency, rounded to the nearest million.

The Group's presentation currency differs from the functional currency of the Parent. The Group decided to apply a different presentation currency to improve comparability of its consolidated financial statements with those of similar groups generally applying EUR as presentation currency.

During 2021, following the redomiciliation of the Parent from the Netherlands to the Czech Republic (refer to A.1), the Parent reassessed, in line with IAS 21, its functional currency. As a conclusion, the Parent assessed that, since 1 June 2021, its functional currency has been the Czech crown. Thus, the Parent's functional currency changed from euro to the Czech crown on 1 June 2021, as it reflects its primary economic environment in which the Parent Company operates since then, as well as the corporate changes connected to the redomiciliation, and other additional relevant factors assessed. The other relevant factors comprise significant change in the corporate governance and the related new organisational structure that was built-up on the Company level following the Conversion to fulfil all regulatory requirements to the management and control system, fulfilment of the conditions with respect to the autonomous entity and increasing relevancy of the Czech currency on the Company and Group level.

Due to Russian-Ukraine conflict resulting in limited trading activity in the EUR/RUB market, the European Central Bank (ECB) stated that the ECB was not in position to set a reference rate that was representative of prevailing market conditions. The ECB therefore decided to suspend its publication of the EUR reference rates for the Russian rouble (RUB) until further notice. The ECB last published the EUR/RUB reference rate on 1 March 2022. For the consolidation purposes, the Group applied ECB's EUR/RUB reference rates for the period from 1 January 2022 to 1 March 2022. Since then, the Group has been applying EUR/RUB reference rate published daily by the Central Bank of the Russian Federation as a good point of reference for the EUR/RUB exchange rate quotation.

A.7. Comparative figures in the condensed consolidated interim statement of financial position

As at 31 December 2021, CEE region was classified as disposal group held for sale and as discontinued operations. Due to the termination of the sale agreement described in B.2.2, for the better understandability and enhancement of the comparability of the condensed consolidated interim statement of financial position, the comparative period presented and the related disclosures in the notes were restated, so as to present CEE region, as if it had never been classified as held-for-sale. The below table shows the comparative figures as they were previously reported and after the restatement:

In millions of EUR

	31 December 2021 (reported)	Restatement due to cancellation of HFS for CEE region	31 December 2021 (restated)
ASSETS			
Cash and cash equivalents	5,941	1,261	7,202
Investment securities and derivatives	2,665	1,553	4,218
Loans and receivables due from banks and other financial institutions	706	109	815
Loans due from customers	8,988	2,412	11,400
Trade and other receivables	51	13	64
Current tax assets	34	7	41
Assets held for sale	5,542	(5,542)	-
Equity-accounted investees	51	-	51
Property, plant and equipment	163	25	188
Goodwill and other intangible assets	363	59	422
Deferred tax assets	795	9	804
Other assets	155	94	249
TOTAL ASSETS	**25,454**	**-**	**25,454**
LIABILITIES			
Financial liabilities at fair value through profit or loss	1,029	21	1,050
Due to non-banks	8,626	5,202	13,828
Due to banks and other financial institutions	5,717	28	5,745
Debt securities issued	1,067	-	1,067
Subordinated liabilities	334	11	345
Liabilities directly associated with assets held for sale	5,355	(5,355)	-
Current tax liabilities	3	-	3
Trade and other payables	551	91	642
Provisions	54	1	55
Deferred tax liabilities	6	1	7
TOTAL LIABILITIES	**22,742**	**-**	**22,742**
EQUITY			
Issued capital*	-	-	-
Share premium	2,324	-	2,324
Other reserves	(312)	-	(312)
Retained earnings	498	-	498
Total equity attributable to owners of the Parent	2,510	-	2,510
Non-controlling interests	202	-	202
Total equity	**2,712**	**-**	**2,712**
TOTAL LIABILITIES AND EQUITY	**25,454**	**-**	**25,454**

*Issued capital is CZK 2 million.

A.8. Comparative figures in the condensed consolidated interim statement of income

The comparative figures for the six-month period ended 30 June 2021 have been restated to present the continuing operations only due to the discontinuance of operations in the Russian Federation (as further described in detail in B.2.1). The below table shows the comparative figures as they were previously reported and after the restatement:

In millions of EUR, for the six months ended 30 June 2021

	2021 (reported)	Restatement due to discontinued operations	2021 (restated)
Interest income	1,457	(183)	1,274
Interest expense	(406)	42	(364)
Net interest income	**1,051**	**(141)**	**910**
Fee and commission income	191	(49)	142
Fee and commission expense	(89)	31	(58)
Net fee and commission income	**102**	**(18)**	**84**
Net earned premiums	9	(9)	-
Net insurance benefits and claims	(1)	1	-
Acquisition costs	(2)	2	-
Net insurance income	**6**	**(6)**	**-**
Net losses on financial assets/liabilities	28	-	28
Other income	38	(1)	37
TOTAL OPERATING INCOME	**1,225**	**(166)**	**1,059**
Net impairment losses on financial assets	(731)	3	(728)
Personnel expenses	(374)	65	(309)
Depreciation and amortisation	(98)	9	(89)
Other operating expenses	(211)	23	(188)
Share of losses of equity accounted investees, net of tax	(5)	(3)	(8)
LOSS BEFORE TAX	**(194)**	**(69)**	**(263)**
Income tax benefit	48	14	62
NET LOSS FROM CONTINUING OPERATIONS	**(146)**	**(55)**	**(201)**

A.9. Comparative figures in the condensed consolidated interim statement of changes in equity

In 2021, the Group changed the presentation of legal and statutory reserves that, in full, represent a non-distributable part of retained earnings. These reserves are no longer presented as a discrete column in the condensed consolidated interim statement of changes in equity and are included in the retained earnings column instead. For details relating to the restated comparative figures see the below tables in this section.

In 2021, the Group also decided to present the retained earnings impact of historical common control transactions, coming notably from the year 2015, no longer as a discrete column in the condensed consolidated interim statement of changes in equity, and merged this part of retained earnings with the original retained earnings column. The separate presentation was evaluated by the Group as being no longer of beneficial information to the user. For details relating to the restated comparative figures see the below tables:

Comparative condensed consolidated interim statement of changes in equity

In millions of EUR

	Legal and statutory reserves	Reserve for UCC	Retained earnings
Balance as at 1 January 2021 (reported)	**149**	**(518)**	**1,121**
Reclassification of legal and statutory reserves	(149)	-	149
Reclassification of reserve for UCC	-	518	(518)
Balance as at 1 January 2021 (restated)	**-**	**-**	**752**
Balance as at 30 June 2021 (reported)	**89**	**(518)**	**1,039**
Reclassification of legal and statutory reserves	(89)	-	89
Reclassification of reserve for UCC	-	518	(518)
Balance as at 30 June 2021 (restated)	**-**	**-**	**610**

A.10. Change in the presentation of cash flows from financial assets at FVTPL

In 2021, the Group reassessed appropriateness of presentation of selected line items within operating, investing and financing activities and concluded that cash-flows from transactions with financial assets at FVTPL better reflect their nature and role within the Group's operations when presented under operating activities instead of investing activities (as previously reported).

Having reached this conclusion, the Group, in the comparative condensed consolidated interim statement of cash flows for the six months ended 2021, changed the presentation and reclassified the purchase of financial assets at FVTPL of negative EUR 479 million and proceeds from financial assets at FVTPL of EUR 10 million from cash flows from investing activities to cash flows from operating activities. This resulted in a total change of the presented net cash from operating activities of EUR 3,600 million to EUR 3,131 million, and in a total change of the presented net cash used in investing activities of EUR 1,006 million (negative) to EUR 537 million (negative), as follows:

In millions of EUR, for the six months ended 30 June 2021

	2021 (reported)	Reclassifi-cation	2021 (restated)
Cash flows from operating activities			
Change in financial assets at FVTPL	-	(469)	(469)
Net cash from operating activities	**3,600**	**(469)**	**3,131**
Cash flows from investing activities			
Purchase of financial assets at FVTPL	(479)	479	-
Proceeds from financial assets at FVTPL	10	(10)	-
Net cash used in investing activities	**(1,006)**	**469**	**(537)**
Net cash used in financing activities	**(2,629)**	**-**	**(2,629)**
Net decrease in cash and cash equivalents	**(35)**	**-**	**(35)**
Cash and cash equivalents as at 30 June 2021	**6,091**	**-**	**6,091**

A.11. Comparative figures of the off-balance sheet items

Due to the same reason as described above in note A.7, for the better understandability and enhancement of the comparability of the condensed consolidated interim statement of financial position, also the comparative period for off-balance sheet items presented and the related disclosures in the notes were restated, so as to present CEE region, as if it had never been classified as held-for-sale. The below table shows the comparative figures as they were previously reported and after the restatement:

In millions of EUR

	31 December 2021 (reported)	Restatement due to cancellation of HFS for CEE region	31 December 2021 (restated)
Loan commitments	1,344	443	1,787
Revolving loan commitments	997	348	1,345
Consumer loan commitments	16	35	51
Cash loan commitments	61	17	78
Undrawn overdraft facilities	80	43	123
Term loan facilities	190	-	190
Capital expenditure commitments	6	-	6
Guarantees provided	46	-	46
of which non-payment guarantees	*33*	-	*33*
Other	-	-	-
Total commitments and contingent liabilities	**1,396**	**443**	**1,839**

In millions of EUR

	31 December 2021 (reported)	Restatement due to cancellation of HFS for CEE region	31 December 2021 (restated)
Guarantees accepted	70	-	70
Loan commitments received	33	1	34
Value of assets received as collateral (including repos)	6,494	2,034	8,528
Total contingent assets	**6,597**	**2,035**	**8,632**

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 2022 and 31 December 2021.

Company	Domicile	Effective proportion of ownership interest	
		30 June 2022	31 December 2021
PPF Financial Holdings a.s. *(until 31 May 2021 PPF Financial Holdings B.V.)**	Czech Republic (previously 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%
Favour Ocean Ltd.	Hong Kong	91.12%	91.12%
Guangdong Home Credit Number Two Information Consulting Co., Ltd.**	China	-	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 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 International a.s.	Czech Republic	91.12%	91.12%
Home Credit Slovakia, a.s.	Slovakia	91.12%	91.12%
Home Credit US, LLC	USA	91.12%	91.12%
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%
PPF banka subgroup - subsidiaries			
PPF banka a.s.	Czech Republic	92.96%	92.96%
PPF Co3 B.V.	Netherlands	92.96%	92.96%
Other subsidiaries			
Mobi Banka a.d. Beograd	Serbia	100.00%	100.00%
Bank Home Credit SB JSC***	Kazakhstan	86.28%	91.12%
Associates			
ClearBank Ltd.	United Kingdom	48.41%	44.78%
Home Credit and Finance Bank LLC****	Russia	45.10%	91.12%
Home Credit Insurance LLC****	Russia	45.10%	91.12%
RTGS Group Limited	United Kingdom	39.40%	39.40%

*On 1 June 2021, the Parent Company changed its seat from the Netherlands to the Czech Republic, and its legal form accordingly (refer to A.1).
**liquidated
***Effective legal ownership is 11.28%, the Group keeps its control over the subsidiary (refer to B.2.1). During July 2022 renamed to Home Credit Bank JSC.
****The effective ownership interest of 46.02% in Home Credit and Finance Bank LLC and Home Credit Insurance LLC, respectively, was sold during June 2022 (refer to B.2.1), the Group lost control and only kept its significant influence, thus, the entities have become associates. As there is an active plan to sell the investments, the associates are classified as held-for-sale (refer to B.2.1).

B.2. Changes in the Group structure related to 2022/2021

B.2.1. Sale of Home Credit and Finance Bank

B.2.1.1. Transaction

On 17 May 2022, the Group announced an agreement to sell 100% of its Russian consumer finance assets (held directly by Home Credit subgroup where the Group effectively holds a 91.12% share) to a group of Russian individual investors. The Russian consumer finance assets are all part of the CIS operating segment and include (i) Home Credit and Finance Bank LLC ("HCFB") (the parent company of the Kazakh subsidiary Joint-Stock Company "Bank Home Credit" ("HC KZ")); (ii) Home Credit Insurance LLC ("HC Ins"), (iii) MCC Kupi ne kopi LLC ("Kupi"); (iv) Forward Leasing LLC; and (v) Vsegda Da LLC.

It was agreed that the divestment of the Russian assets would be executed in two phases:

- Phase 1 - Sale of (a) 50.5% in HCFB, HC Ins and Kupi, and (b) 100% in Vsegda Da LLC and Forward Leasing LLC for the total purchase price of approximately RUB 26.4 billion. Upon the completion of this phase, Home Credit N.V. ceased to control these Russian operations.

- Phase 2 - Forward sale of the remaining 49.5% shares in HCFB, HC Ins and Kupi will have been completed by November 2023 at latest, for the total purchase price of approximately RUB 16.4 billion; subject to a downward adjustment if the Phase 2 is accelerated and completed earlier.

Phase 1 was completed between 25 May and 16 June 2022 when all share transfers were registered with the relevant Russian authorities (the registration of the transfer of 50.5% of HCFB shares was completed on 16 June 2022).

Parallel to the above divestment of the Russian assets, HCFB sold its 74.999% shareholding in HC KZ to private individuals identified as related parties of the Group. The registration of the share transfer with the Kazakh regulatory authority was completed on 23 May 2022.

In addition, HCFB granted a call option on the remaining 25.001% shareholding in HC KZ to parties related to the Group. The call option may be executed at any time before May 2025. This transfer will be subject to Kazakh regulatory authority approval.

B.2.1.2. Accounting consequences

As at 30 June 2022, the Group classifies the residual 49.5% share in HCFB and other partially disposed Russian entities as associates presented as held-for-sale assets. The value of the associates reflects the sale price reached within the Phase 2 of the transaction (see below the subsequent event section in B.2.1.3).

For the six-month period ending 30 June 2022, the Russian entities are classified as discontinued operations and fully consolidated until the Group lost the control over them on 16 June 2022. Comparative figures have been restated accordingly. The financial performance and cash-flows relating to the discontinued operations of the Russian entities are presented below in B.2.1.4).

The Group retained its control over HC KZ throughout the duration of the whole transaction. Until the moment of launching transaction, the Group held control over HC KZ through its indirect 100% interest in HCFB. As at 30 June 2022, as a result of Phase 1, the Group holds an indirect legal ownership interest of 12.38%. Additionally, a 74.999% legal ownership interest is held by individuals related to the Group. PPF Financial Holdings a.s. provided funding for these individuals to purchase their interests in HC KZ and granted them with put options to sell their interests in HC KZ with a fixed strike price. The individuals should repay these loans from the considerations received from the potential future sales of their interests in HC KZ.

The factors and other contract parameters were considered to conclude that the Group is still indirectly exposed to risks and related variable returns implying the retention of control over HC KZ.

B.2.1.3. Implementation of Phase 2- post balance sheet event

On 22 August 2022, the Group entered into an agreement for the accelerated sale of a remaining 49.5% of shares in HCFB, HC Ins and Kupi for the total purchase price of approximately RUB 9.1 billion (approx. EUR 149 million). The sale was accelerated through replacing each of Russian individual investors who had been parties to Phase 1 of the transaction, by HCFB as the purchaser of the remaining shares.

In relation to HCFB, Phase 2 was completed with the registration of the transfer of 49.5% of the HCFB shares with the local authorities on 24 August 2022. The purchase price payment relating to the transfer of 49.5% of the HCFB shares has been settled by the authorisation date of these condensed consolidated interim financial statements.

The transfer of 49.5% of shares in HC Ins and Kupi and the payment of the purchase price is expected to be completed within the forthcoming months and upon obtaining all requisite Russian regulatory approvals.

B.2.1.4. Loss on sale of HCFB and other Russian entities (discontinued operations)

The impact of the sale of Russian entities in Phase 1 recognised in these condensed consolidated interim financial statements is summarised in the following tables:

In millions of EUR

Direct ownership sold*	50.5%
Consideration received in cash (sale price) [a]	382
Fair value of the remaining 49.5% share (classified as HFS)*	149
Net asset value disposed (incl. accumulated translation losses until loss of control)	1,122
of which:	
Accumulated translation losses until loss of control reclassified to profit or loss	*(562)*
Cash and cash equivalents disposed [b]	*455*
Net cash outflow [b-a]	(73)
Total net loss on sale	(915)

*where Vsegda Da LLC and Forward Leasing LLC were disposed in full, i.e., their 100% shares

The following table summarises assets and liabilities of Russian entities when sold:

In millions of EUR

	HCFB	Other Russian entities	Russian entities in total
Cash and cash equivalents	444	11	455
Investment securities and derivatives	117	3	120
Loans and receivables due from banks and other financial institutions	44	7	51
Loans due from customers	2,731	115	2,846
Current tax assets	29	2	31
Property, plant and equipment	78	-	78
Other intangible assets	63	15	78
Deferred tax assets	94	4	98
Other assets	157	39	196
Total assets	**3,757**	**196**	**3,953**
Due to non-banks	(2,291)	(1)	(2,292)
Due to banks	(85)	(43)	(128)
Debt securities issued	(187)	(90)	(277)
Deferred tax liabilities	-	(3)	(3)
Provisions	(13)	(33)	(46)
Other liabilities	(75)	(10)	(85)
Total liabilities	**(2,651)**	**(180)**	**(2,831)**
Net assets value	**1,106**	**16**	**1,122**
out of which:			
AT1 subordinated bond (recorded in equity)	*181*	*-*	*181*
Negative currency translation reserve (reclassified to profit of loss)	*(545)*	*(17)*	*(562)*

Discontinued operations

As described above, the Russian entities' operations presented in the segment reporting (refer to D section) as a part of CIS region were classified as discontinued operations in these condensed consolidated interim financial statements. The results of the discontinued Russian operations are presented below:

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

	2022	2021
Interest income	211	183
Interest expense	(78)	(42)
Net interest income	**133**	**141**
Fee and commission income	40	49
Fee and commission expense	(26)	(31)
Net fee and commission income	**14**	**18**
Net earned premiums	7	9
Net insurance benefits and claims	(1)	(1)
Acquisition costs	(1)	(2)
Net insurance income	**5**	**6**
Net gains/(losses) on financial assets/liabilities	(7)	-
Other income	-	1
TOTAL OPERATING INCOME	**145**	**166**
Net impairment losses on financial assets	(102)	(3)
Personnel expenses	(63)	(65)
Depreciation and amortisation	(9)	(9)
Other operating expenses	(41)	(23)
Share of profit of equity accounted investees, net of tax	2	3
PROFIT BEFORE TAX	**(68)**	**69**
Income tax expense	14	(14)
NET PROFIT FROM DISCONTINUED OPERATIONS	**(54)**	**55**

The net cash flow incurred by the discontinued Russian operations are, as follows:

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

	2022	2021
Cash flows used in operating activities	(182)	(120)
Cash flows from investing activities	316	100
Cash flows from/(used in) financing activities	(5)	63
Net cash flow from discontinued operations	**127**	**43**

B.2.2. Assets classified as held for sale (in 2021)

On 20 December 2021, MONETA Money Bank, a.s. ("MONETA") announced that its general meeting approved the acquisition of shares in Air Bank a.s. ("AB") and the Czech and Slovak Home Credit ("HCAS" and "HCS", respectively). The general meeting granted its approval for MONETA to enter as the purchaser into following agreements:

- the share purchase agreement with Home Credit N.V. ("HCNV"), acting as the seller, under which MONETA will acquire from HCNV the ownership title to a 100% share in Air Bank a.s. ("AB") and Home Credit Slovakia a.s. ("HCS"); and, simultaneously
- the share purchase agreement with Home Credit International a.s. ("HCI"), acting as the seller, under which MONETA will acquire from HCI the ownership title to a 100% share in Home Credit a.s. ("HCAS").

Total purchase price for the above listed entities amounts to CZK 25.9 billion (approx. EUR 1,041 million). The resolution of MONETA's general meeting will be automatically cancelled in the case the above share purchase agreements are not entered into until 20 April 2023.

On 31 May 2022, the Group announced that it signed an agreement with MONETA to terminate the process of combining the assets of Air Bank Group with MONETA. The termination agreement was prompted by macroeconomic changes which radically altered the parameters of the originally planned merger as laid out in the framework agreement signed by the two parties in May 2021 and subsequently updated in November 2021.

As of the agreement on the termination, AB, HCAS and HCS ceased to meet the definition of a disposal group held for sale (having the impact on the comparative condensed consolidated interim statement of financial position – refer to A.7), and discontinued operations (having no impact on the comparative condensed consolidated interim statement of income).

B.2.3. Arrangements between Home Credit shareholders

With effect from 1 July 2019, PPF Financial Holdings 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 2022:

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. Based on the market situation as of 30 June 2022 the fulfilment of the conditions is not probable, therefore the Agreement's value is currently valued to nil.

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 2021.

During the interim period there were no other significant changes in the nature or extent of risks arising from financial instruments. 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 2022

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Loans and receivables due from banks and other financial institutions	386	386	-	386	-
Loans due from customers	8,529	8,440	-	7	8,433
Financial assets at AC (E.2.2)*	1,852	1,596	1,560	-	36
Trade and other receivables**	176	176	-	-	176
Due to non-banks	(12,820)	(12,805)	-	(12,805)	-
Due to banks and other financial institutions	(4,366)	(4,379)	-	(4,379)	-
Debt securities issued	(786)	(776)	-	(322)	(454)
Subordinated liabilities	(347)	(342)	-	-	(342)
Trade and other payables***	(479)	(479)	-	-	(479)

*excl. total FV hedge adjustment of negative EUR 134 million
**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 2021 (incl. CEE region classified previously as held-for-sale, B.2.2)

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Loans and receivables due from banks and other financial institutions	815	815	-	815	-
Loans due from customers	11,400	11,309	-	6	11,303
Financial assets at AC (E.2.2)*	1,714	1,606	1,579	3	24
Trade and other receivables**	209	209	-	-	209
Due to non-banks	(13,828)	(13,803)	-	(13,803)	-
Due to banks and other financial institutions	(5,745)	(5,749)	-	(5,749)	-
Debt securities issued	(1,067)	(1,051)	(210)	(397)	(444)
Subordinated liabilities	(345)	(338)	-	1	(339)
Trade and other payables**	(479)	(479)	-	(5)	(474)

*excl. total FV hedge adjustment of negative EUR 85 million
**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.

Where they are available, the fair value of financial instruments measured at amortised costs is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

To improve accuracy of the valuation estimate for retail loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, life-time value ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates, and default probability.

The fair value of current accounts and deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

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 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	441	1,381	1	1,823
Financial assets FVOCI	862	1,004	28	1,894
Financial liabilities at FVTPL	(256)	(1,138)	(111)	(1,505)
Total	**1,047**	**1,247**	**(82)**	**2,212**

In millions of EUR, as at 31 December 2021 (incl. CEE region classified previously as held-for-sale)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	387	1,111	-	1,498
Financial assets FVOCI	935	141	15	1,091
Financial liabilities at FVTPL	(412)	(638)	-	(1,050)
Total	**910**	**614**	**15**	**1,539**

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. The fair valuation methodology for Level 3 equity instruments is based on discounted cash flow valuation technique. The fair value of equity securities is sensitive to economic development at the businesses in question.

The main unobservable inputs used in measuring fair value of level 3 assets are expected net cash flows and cost of equity. Expected net cash flows are projected cash flows from entity's business plan multiplied by enterprise value-to-sales ratio derived from similar market participants. All of these outputs are estimated to some degree and significant changes would result in changes of fair value.

The following table shows the reconciliation of movements in Level 3:

In millions of EUR, for the six months ended 30 June 2022

	Financial assets FVTPL	Financial assets FVOCI	Financial liabilities FVTPL	Total
Balance as at 1 January 2022	-	15	-	15
Purchases of new financial assets	-	1	-	1
Issues of financial liabilities	-	-	(111)	(111)
Transfers to (+) / from (-) Level 3	1	12	-	13
Balance as at 30 June 2022	1	**28**	**(111)**	**(82)**

There were no transfers between Level 1, 2 and 3 in the year ended 31 December 2021.

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 hedges changes in fair values of certain bonds and corporate loans for interest rate risk. 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 carry fixed interest rates.

The objective of the hedging 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 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).

For the six months ended 30 June 2022, all continuing fair value hedges were assessed as effective being in the range of 80-125%. A total loss of EUR 3 million from the hedge ineffectiveness is presented in profit or loss as net gains/losses on financial assets/liabilities.

During the first half of 2021, the Group decided to terminate several micro hedge relationships, due to a change in the Group's risk management strategy. All discontinued micro fair value hedges were assessed as effective being in the range of 80-125% until the discontinuation date.

Discontinued micro hedge relationships were following:

- Corporate loans with effective date of discontinuance of 31 May 2021 due to repayment. The related cumulative fair value adjustment was released in full in the consolidated statement of income due to its insignificance.

- Government bonds with effective date of discontinuance of April and May 2021, because of a planned termination of the connected hedging instruments (interest rate swaps). The related cumulative fair value hedge adjustment started to be amortised since 1 May 2021 in the consolidated statement of income applying the effective interest rate method.

For the six-months period ending 30 June 2021 (and for the year ending 31 December 2021), all continuing micro fair value hedges were assessed as effective being in the range of 80-125%. A total loss of EUR 3 million from the hedge ineffectiveness is presented in the consolidated statement of income under net gains/losses on financial assets/liabilities caption (for the year ending 31 December 2021, a loss of EUR 3.5 million).

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 2022

Fair value hedges (interest rate risk)	Notional amount of the hedging instruments	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	417*	119	-	Financial assets at FVTPL	(53)

*approx. CZK 10,316 million

In millions of EUR, as at 31 December 2021 (incl. CEE region classified previously as held-for-sale)

Fair value hedges (interest rate risk)	Notional amount of the hedging instruments	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	415*	67	(2)	Financial assets/(liabilities) at FVTPL	(76)

*approx. CZK 10,265 million

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 2022

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
Bonds (refer to E.2.2)	411	(134)	Investment securities	50
Total	**411**	**(134)**		**50**

In millions of EUR, as at 31 December 2021 (incl. CEE region classified previously as held-for-sale)

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
Bonds (refer to E.2.2)	409	(85)	Investment securities	72
Total	**409**	**(85)**		**72**

C.3. Capital management

PPF Group restructured its consumer finance and banking business represented by Home Credit, Air Bank and PPF banka under PPF Financial Holdings B.V., a new holding entity, in 2015. PPF Financial Holdings B.V. was a financial holding company and as such became subject to the consolidated prudential requirements under Regulation (EU) 575/2013 of the European Parliament and of the Council (the “CRR”) and Directive 2013/36/EU of the European Parliament and of the Council (the “CRD”) as transposed in the Czech Republic. The Czech National Bank (“CNB”) acted as the consolidating supervisor of the Group. PPF banka was appointed as the responsible reporting entity for the Group.

Pursuant to the amendments to the CRD (amended by Directive (EU) 2019/878 of the European Parliament and of the Council) and the CRR (amended by Regulation (EU) 2019/876 of the European Parliament and of the Council) as of 20 May 2019, PPF Financial Holdings B.V. was expected to apply for a new special license with the competent authorities in the Czech Republic and, simultaneously, in the Netherlands. To simplify the licensing process, the shareholders of the company decided to conduct a cross-border conversion (refer to A.1).

After the Conversion, PPF Financial Holdings a.s. was subject to the same capital requirements on consolidated basis as PPF Financial Holdings B.V. before the Conversion. The Group is required to fulfil the following minimum capital requirements:

- a Tier 1 capital adequacy ratio of at least 6%; and
- a total capital adequacy ratio of at least 8%.

Additionally, 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 amounting to 0.21% of its risk-weighted assets as of 30 June 2022.

The Group monitored and maintained other regulatory requirements, such as large exposures, liquidity, and leverage ratios.

Due to late transposition of the CRD to the Czech legislation, the authorisation process for financial holdings became effective in the Czech Republic only in October 2021. Following the Conversion, PPF Financial Holdings submitted its formal application to the CNB in November 2021. The application was approved in March 2022. Throughout the reporting period until the approval, the Group maintained all capital requirements and reported them to the CNB as if effective for the Group.

Some of the Group’s subsidiaries operating in the banking, consumer finance and insurance sectors maintain capital adequacy in compliance with local regulations, 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. PPF Financial Holdings is the primary provider of CET1 capital to its subsidiaries and provides them with non-CET1 capital where necessary. As part of its capital management process, PPF Financial Holdings seeks to maintain a balance between the composition of its capital and the capital allocated to its subsidiaries.

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 (disc.)**, 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
Retail banking	Bank Home Credit	Deposits, loans and other transactions and balances with retail customers	Kazakhstan

*part of Home Credit Group
**Russia region (a part of CIS region) is presented as discontinued operations (refer to B.2.1).

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: China, the Commonwealth of Independent States, South East Asia, Central and Eastern Europe. The Home Credit Group operates in the following principal geographical areas: China, the Russian Federation (discontinued), the Czech Republic, Vietnam, Kazakhstan (only 2021 applies), Slovakia, India, Indonesia, and the Philippines. The Russian and Kazakh Home Credit businesses and Air Bank operate under banking licences allowing for the collection of deposits.

On 16 June 2022, the Home Credit Group lost control over Bank Home Credit (Kazakhstan) while the control has been retained by PPF Financial Holdings Group (refer to B.2.1). Since the direct control was transferred to PPF Financial Holdings Group level, the operations of Bank Home Credit started to be directly managed from that level, accordingly. The CIS region comprised both Russia and Kazakhstan in the segment report presentation. As PPF Financial Holdings Group lost control over its Russian operations and the direct management of Kazakh operations changed, CIS region, in the segment report for the six-month period ending 30 June 2022, was split for the presentation purposes to both countries being presented separately, and the Kazakh operations are newly presented as Retail banking segment compared to its previous presentation under Consumer lending.

Therefore, in line with IFRS 8, the Group provides, for the financial statements' users, comparative data for both, the newly established segments structure and the previously original segments establishment.

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 continuing operations that may be reconciled to the consolidated statement of income and discontinued operations (refer to B.2.1). The main categories are presented in the below table:

In millions of EUR, for the six months ended 30 June 2022

	Continuing	Discontinued	Total
Interest income	1,093	211	1,304
Fee and commission income	167	40	207
Net earned premiums	-	7	7
Total revenue from external customers	**1,260**	**258**	**1,518**

In millions of EUR, for the six months ended 30 June 2021

	Continuing	Discontinued	Total
Interest income	1,274	183	1,457
Fee and commission income	142	49	191
Net earned premiums	-	9	9
Total revenue from external customers	**1,416**	**241**	**1,657**

The following table shows the main items from the financial statements broken down according to reportable segments for the first half of 2022 and comparative figures for 2021 (new and previous layout):

In millions of EUR

30 June 2022	Consumer lending						Corporate banking	Retail banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	*Russia (CIS part)* disc.***	*SEA**	*CEE**	*Other*		*Serbia*	*Kazakhstan*			
Revenue from customers	1,164	244	258	474	188	-	215	11	123	5	-	1,518
Inter-segment revenue	7	-	1	-	6	-	20	-	-	14	(41)	-
Total revenue	**1,171**	**244**	**259**	**474**	**194**	**-**	**235**	**11**	**123**	**19**	**(41)**	**1,518**
Net interest income from external customers	703	130	133	319	135	(14)	103	5	81	(4)	-	888
Inter-segment net interest income	(26)	(1)	-	(10)	2	(17)	20	-	-	14	(8)	-
Total net interest income	**677**	**129**	**133**	**309**	**137**	**(31)**	**123**	**5**	**81**	**10**	**(8)**	**888**
Total fee and commission income	**180**	**2**	**40**	**113**	**25**	**-**	**11**	**5**	**11**	**-**	**-**	**207**
Insurance commissions	87	2	9	72	4	-	-	-	7	-	-	94
Customer payment processing and account maintenance	28	-	7	9	12	-	1	5	2	-	-	36
Cash transactions	16	-	10	-	6	-	-	-	-	-	-	16
Penalty fees	14	(3)	5	10	2	-	1	-	2	-	-	17
Commission income from partners	14	-	-	14	-	-	-	-	-	-	-	14
Retailer's commissions	6	-	6	-	-	-	-	-	-	-	-	6
Other	15	3	3	8	1	-	9	-	-	-	-	24
Income tax expense	(303)						(14)	-	(8)	(6)	-	(331)
Net profit/(loss) for the period	**(1,248)**						**56**	**-**	**30**	**(8)**	**(1)**	**(1,171)**
Other significant non-cash expenses	(351)						(8)	(1)	(7)	-	-	(367)
30 June 2022												
Segment assets (incl. equity accounted investees)	11,236						11,242	204	1,007	837	(1,910)	22,616
Segment liabilities	10,248						10,602	174	846	472	(1,913)	20,429
Segment equity	**988**						**640**	**30**	**161**	**365**	**3**	**2,187**

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

**Russia region (refer to the above paragraphs in this section) and its related operations are classified as discontinued as at 30 June 2022, segment reporting is presented as if there were no discontinued operations. The results from discontinued operations are presented in the separate note B.2.1.

In millions of EUR

30 June 2021	Consumer lending						Corporate banking	Retail banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	*Russia (CIS part)* disc.***	*SEA**	*CEE**	*Other*		*Serbia*	*Kazakhstan*			
Revenue from customers	1,490	725	238	405	122	-	49	9	105	4	-	1,657
Inter-segment revenue	-	-	-	-	-	-	20	-	-	12	(32)	-
Total revenue	**1,490**	**725**	**238**	**405**	**122**	**-**	**69**	**9**	**105**	**16**	**(32)**	**1,657**
Net interest income from external customers	954	460	141	277	92	(16)	30	5	62	-	-	1,051
Inter-segment net interest income	(34)	-	-	(14)	(4)	(16)	20	(1)	-	12	3	-
Total net interest income	**920**	**460**	**141**	**263**	**88**	**(32)**	**50**	**4**	**62**	**12**	**3**	**1,051**
Total fee and commission income	**158**	**6**	**49**	**80**	**23**	**-**	**10**	**4**	**19**	**-**	**-**	**191**
Insurance commissions	77	5	14	55	3	-	-	-	15	-	-	92
Customer payment processing and account maintenance	19	-	7	2	10	-	2	4	1	-	-	26
Cash transactions	18	-	14	-	4	-	-	-	1	-	-	19
Penalty fees	16	(3)	6	11	2	-	-	-	2	-	-	18
Commission income from partners	12	2	1	9	-	-	-	-	-	-	-	12
Retailer's commissions	6	-	3	-	3	-	-	-	(1)	-	-	5
Other	10	2	4	3	1	-	8	-	1	-	-	19
Income tax expense	61						(10)	-	(6)	3	-	48
Net profit/(loss) for the period	**(216)**						**36**	**(2)**	**34**	**-**	**2**	**(146)**
Other significant non-cash expenses	(728)						2	-	(2)	(2)	-	(730)
31 December 2021												
Segment assets (incl. equity accounted investees)	15,290						9,518	208	972	549	(1,083)	25,454
Segment liabilities	13,761						8,836	178	685	367	(1,085)	22,742
Segment equity	**1,529**						**682**	**30**	**287**	**182**	**2**	**2,712**

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

**Russia region (refer to the above paragraphs in this section) and its related operations are classified as discontinued as at 30 June 2022, segment reporting is presented as if there were no discontinued operations. The results from discontinued operations are presented in separate note B.2.1.

In millions of EUR

30 June 2021	Consumer lending							Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	_Russia (CIS part)* disc**_	_Kazakhstan (CIS part)*_	_SEA*_	_CEE*_	_Other_					
Revenue from customers	1,595	725	238	105	405	122	-	49	9	4	-	1,657
Inter-segment revenue	-	-	-	-	-	-	-	20	-	12	(32)	-
Total revenue	**1,595**	**725**	**238**	**105**	**405**	**122**	**-**	**69**	**9**	**16**	**(32)**	**1,657**
Net interest income from external customers	1,016	460	141	62	277	92	(16)	30	5	-	-	1,051
Inter-segment net interest income	(34)	-	-	-	(14)	(4)	(16)	20	(1)	12	3	-
Total net interest income	**982**	**460**	**141**	**62**	**263**	**88**	**(32)**	**50**	**4**	**12**	**3**	**1,051**
Total fee and commission income	**177**	**6**	**49**	**19**	**80**	**23**	**-**	**10**	**4**	**-**	**-**	**191**
Insurance commissions	92	5	14	15	55	3	-	-	-	-	-	92
Customer payment processing and account maintenance	20	-	7	1	2	10	-	2	4	-	-	26
Cash transactions	19	-	14	1	-	4	-	-	-	-	-	19
Penalty fees	18	(3)	6	2	11	2	-	-	-	-	-	18
Commission income from partners	12	2	1	-	9	-	-	-	-	-	-	12
Retailer's commissions	5	-	3	(1)	-	3	-	-	-	-	-	5
Other	11	2	4	1	3	1	-	8	-	-	-	19
Income tax expense	55							(10)	-	3	-	48
Net profit/(loss) for the periods	**(182)**							**36**	**(2)**	**-**	**2**	**(146)**
Other significant non-cash expenses	(730)							2	-	(2)	-	(730)
31 December 2021												
Segment assets (incl. equity accounted investees)	16,262							9,518	208	549	(1,083)	25,454
Segment liabilities	14,446							8,836	178	367	(1,085)	22,742
Segment equity	**1,816**							**682**	**30**	**182**	**2**	**2,712**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe
**Russia region (refer to the above paragraphs in this section) and its related operations are classified as discontinued as at 30 June 2022, segment reporting is presented as if there were no discontinued operations. The results from discontinued operations are presented in separate note B.2.1.

E. Notes to the condensed consolidated financial statements

In this whole section E in the disclosures to the condensed consolidated interim statement of financial position and to off-balance sheet items, the comparative figures as at 31 December 2021 have been restated, and include also the balances of CEE region classified previously as held-for-sale in the most recent annual consolidated financial statements for the year ended 31 December 2021 (for more details refer to A.7, A.11 and B.2.2).

Additionally, due to the discontinuance of operations in the Russian region (refer to A.8 and B.2.1), in this whole section E in the disclosures to the condensed consolidated interim statement of income, the comparative figures for the six-month period ended 30 June 2021 have been restated not to reflect the Russian region expenses, losses, revenues or income in the Group's comparative figures as they were presented in the most recent condensed consolidated interim financial statements for the six months ended 30 June 2021.

E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Cash on hand	124	149
Current accounts	518	591
Balances with central banks	193	351
Placements with financial institutions due within three months	30	77
Reverse repo operations with central banks	5,964	6,034
Total cash and cash equivalents	**6,829**	**7,202**

As at 30 June 2022, current accounts comprise EUR 41 million (2021: EUR 95 million) which is to a certain extent restricted to its use. The restricted cash is reported in China. The use of the cash is restricted by the borrowing agreements with the creditors in China to i) disbursement of loans to retail clients or ii) repayment of the loans received from the creditors, respectively.

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

During the six-month period ending 30 June 2022, the decrease in balances with central banks was caused mainly by the disposal of Home Credit and Finance Bank LLC (refer to B.2.1).

E.2. Investment securities and derivatives

Investment securities and derivatives comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Financial assets at FVTPL*	1,823	1,498
Financial assets at AC**	1,718	1,629
Amortised cost	1,852	1,714
FV hedge adjustment**	(134)	(85)
Financial assets at FVOCI	1,894	1,091
Total investment securities and derivatives	**5,435**	**4,218**

*incl. derivatives
**refer to C.2

E.2.1. Financial assets at FVTPL

Financial assets at FVTPL comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Government and other public-sector bonds*	438	384
Corporate bonds*	4	3
Reverse repo operations*	119	435
Other	2	1
Positive fair values of trading derivatives	1,138	608
Positive fair values of hedging derivatives	122	67
Total financial assets at FVTPL	**1,823**	**1,498**

*held for trading

E.2.2. Financial assets at AC

Financial assets at AC (excl. FV hedge adjustment – refer to E.2) comprise the following:

In millions of EUR, as at 30 June 2022

	Gross amount	Amortised cost
Government bonds	1,852	1,852
Corporate bonds	-	-
Total financial assets at AC	**1,852**	**1,852**

In millions of EUR, as at 31 December 2021

	Gross amount	Amortised cost
Government bonds	1,685	1,685
Corporate bonds	29	29
Total financial assets at AC	**1,714**	**1,714**

E.2.3. Financial assets at FVOCI

Financial assets at FVOCI comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Debt securities	1,854	1,051
Government bonds	1,520	663
Corporate bonds	334	388
Equity securities - shares	40	40
Total financial assets at FVOCI	**1,894**	**1,091**

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 2022	31 December 2021
Gross amount	386	815
Loss allowance	-	-
Total carrying amount	**386**	**815**
Term deposits at banks	12	25
Minimum reserve deposits with central banks	146	175
Loans to banks	22	27
Loans and advances provided under repos	-	448
Cash collateral for derivative instruments	206	140

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.

During the six-month period ending 30 June 2022, the decrease in loans and advances provided under repos was caused by the disposal of Home Credit and Finance Bank LLC (refer to B.2.1).

E.4. Loans due from customers

Loans due from customers comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Loans due from customers - retail		
Gross amount	7,810	11,035
Allowance for impairment	(807)	(1,108)
Loans due from customers – retail (carrying amounts)	**7,003**	**9,927**
Loans due from customers – non-retail		
Gross amount	1,544	1,522
Allowance for impairment	(29)	(57)
Loans due from customers – non-retail (carrying amounts)	**1,515**	**1,465**
Total loans due from customers (carrying amounts)	**8,518**	**11,392**

In millions of EUR

	30 June 2022	31 December 2021
Cash loans	4,654	6,894
Consumer loans	1,071	1,514
Revolving loans	523	866
Car loans	200	179
Mortgage moans	555	474
Loans due from customers – retail (carrying amounts)	**7,003**	**9,927**
Loans to corporations	1,515	1,465
Other	11	8
Loans due from customers – non-retail (carrying amounts)	**1,526**	**1,473**
Total loans due from customers (carrying amounts)	**8,529**	**11,400**

E.5. Trade and other receivables

Trade and other receivables comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Trade receivables	50	58
Accrued income	9	9
Individual loss allowance	(1)	(3)
Total trade and other receivables	**58**	**64**

E.6. Equity-accounted investees

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

In millions of EUR

	30 June 2022	31 December 2021
ClearBank Ltd.	62	40
Other	8	11
Total equity-accounted investees	**70**	**51**

The following table shows the breakdown of the share of loss of equity-accounted investees, net of tax:

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

	2022	2021
ClearBank Ltd.	(5)	(9)
Other	(2)	1
Total share of loss of equity-accounted investees	**(7)**	**(8)**

ClearBank Ltd. (associate)

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 2022	31 December 2021
Non-current assets	33	33
Current assets	3,651	3,265
Current liabilities	(3,607)	(3,214)
Net assets (100%)	77	84
Group's share of net assets (48.41%; 2021: 44.78%)	37	38
Goodwill included in carrying amount	25	2
Carrying amount of investment in associate	**62**	**40**
	30 June 2022	30 June 2021
Total net loss for the six-month period (100%)	(11)	(18)
Group's share on the net loss (48.41%; 2021: 41.1%)	(5)	(8)
Dilution loss	-	(1)
Total share on loss for the six-month period (48.41%; 2021 41.1%)	**(5)**	**(9)**

E.7. Other assets

Other assets comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Other settlement accounts*	33	22
Cash collateral for payment cards*	58	79
Prepaid expenses and advances	66	61
Other taxes receivable	3	11
Inventories	2	2
Specific deposits and other specific receivables*	27	43
Other	16	31
Total other assets	**205**	**249**

*represents other financial assets

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

Financial liabilities at fair value through profit of loss (FVTPL) comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Negative fair values of trading derivatives	1,136	633
Negative fair values of hedging derivatives	-	4
Liabilities from short sales of securities	256	411
Other	113	2
Total financial liabilities at FVTPL	**1,505**	**1,050**

E.9. Liabilities due to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Current accounts and demand deposits	9,645	8,559
Term deposits	1,764	3,167
Loans received under repo operations	1,257	2,065
Loans	130	28
Collateral deposits for derivatives	24	8
Other	-	1
Total liabilities to non-banks	**12,820**	**13,828**

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 (Home Credit and Finance Bank in 2021 only).

During the six-month period ending 30 June 2022, the decrease in term deposits was caused by the disposal of Home Credit and Finance Bank LLC (refer to B.2.1).

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 2022	31 December 2021
Secured loans (other than repos)	2,065	2,817
Unsecured loans	1,073	1,240
Collateral deposits for derivatives	236	130
Other	45	18
Repayable on demand	9	-
Loans received under repo operations	938	1,540
Total liabilities to banks	**4,366**	**5,745**

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 2022	31 December 2021
Fixed rate debt securities		
Within 1 year	480	401
1-2 years	216	309
2-3 years	21	143
3-4 years	-	7
4-5 years	-	92
Variable rate debt securities		
Within 1 year	64	88
1-2 years	5	27
Total debt securities issued	**786**	**1,067**

As at 30 June 2022, debt securities issued of EUR 1 million (2021: EUR 11 million) were secured, of which EUR 1 million by cash loan receivables (2021: EUR 9 million), nil by consumer loan receivables (2021: EUR 1 million), nil by cash and cash equivalents (2021: EUR 1 million).

E.12. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR

	Interest rate	Maturity	30 June 2022	31 December 2021
Bond issue of CZK 4,000 million	Variable	2027	161	161
Bond issue of EUR 92 million	Variable	2028	93	92
Bond issue of EUR 80 million	Fixed	2031	81	81
Bond issue of CZK 290 million	Variable	2029	12	11
Total subordinated liabilities			**347**	**345**

The bond issue of CZK 4,000 million was issued in December 2017. The interest rate was determined as a fixed rate for the first two years and subsequently, in 2020 in accordance with the contractual terms, it was changed to a floating rate (variable). The Group has an early redemption option exercisable on or after 18 December 2022.

The bond issue of EUR 92 million was issued in September 2018. The bonds bear a variable coupon rate of 6M EURIBOR + 2.95 p.a., but until September 2021 they bore a fixed coupon rate of 3.6% p.a. Their final maturity is in September 2028. The Group has an early redemption option exercisable in September 2023.

The bond issue of EUR 80 million was issued in July 2021. The bonds bear a fixed coupon rate of 3.6% p.a. and their final maturity is in July 2031. The Group has an early redemption option exercisable in July 2026.

The bond issue of CZK 290 million was issued in October 2019. The bonds bear a variable coupon rate of 12M PRIBOR + 4.87% p.a. and their final maturity is in October 2029. The Group has and early redemption option exercisable in February 2025.

E.13. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Settlements with suppliers*	113	126
Wages and salaries	60	104
Social security and health insurance	6	12
Other taxes payable	16	25
Accrued expenses*	52	67
Customer loan overpayments*	135	144
Lease liabilities*	63	89
Financial settlement and other similar accounts*	64	16
Deferred income	8	10
Other liabilities*	63	49
Total trade and other payables	**580**	**642**

*represents financial liabilities

E.14. Provisions

Provisions comprise insurance and other provisions as follows:

In millions of EUR

	30 June 2022	31 December 2021
Provisions for unearned premiums	-	30
Provisions for outstanding claims	-	1
Provisions for insurance commissions return	1	11
Provisions for expected credit losses from loan commitments and financial guarantees	6	4
Provision for litigation except for tax-related litigation	6	6
Other provisions	2	3
Total provisions	**15**	**55**

E.15. Issued capital and share premium

Issued capital 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.

As at 30 June 2022, the issued capital is represented by 1 registered share with par value CZK 2 million (2021: CZK 2 million).

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 2022, there was an increase in share premium by EUR 134 million.

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 EUR 80 million that was held by PPF Group N.V. These bonds were classified as equity instruments as, beside other characteristics, payments of interest to the investors and redemption of the original principal amount were at the issuer's discretion. The bonds included non-cumulative coupon payments of 6%. The interest payment on the bonds was carried out once a year on 29 June. These interest payments are presented as dividends in these consolidated financial statements. During 2021, the Group paid a dividend amounting EUR 4 million. The additional tier 1 capital was fully repaid on 28 May 2021.

E.17. Reserves

E.17.1. Retained earnings

Retained earnings include legal and statutory reserves representing reserves, the creation and use of which is limited by legislation and the articles of association of each company within the Group, and that are not available for distribution to shareholders. As at 30 June 2022, these non-distributable reserves totalled EUR 92 million (31 December 2021: EUR 92 million).

E.17.2. Revaluation reserve

The revaluation reserve represents the changes, net of deferred tax, in the fair value of financial assets at FVOCI. The revaluation reserve is not available for distribution to shareholders.

E.17.3. Currency translation reserve

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of companies within the Group with a functional currency other than the Group presentation currency, which is the euro. The translation reserve is not available for distribution to shareholders. During the six months ended 30 June 2022, a significant balance of accumulated translation losses totalling EUR 562 million was reclassified to profit or loss with the Group's loss of control over the Russian operations in June 2022 (refer to B.2.1).

E.17.4. Hedging reserve

The hedging reserve, i.e., the cash flow hedge reserve represents the effect of the recognition of the effective portion of changes in the fair value of hedging instruments in other comprehensive income in equity. The cash flow hedge reserve is not available for distribution to shareholders.

E.17.5. Other equity instruments

Other equity instruments comprised a balance of AT1 subordinated bonds issued by one of Home Credit subgroup's subsidiaries. AT1 bonds represented perpetual subordinated loan participation notes with a nominal value of USD 200 million. The notes were non-callable for the first 5 years and 3 months and bore a discretionary fixed interest rate of 8.8% p.a. payable quarterly until 7 February 2025. Balance related to AT1 subordinated bonds was not available for distribution to the shareholders. AT1 subordinated bonds were disposed with the Group's loss of control over the Russian operations in June 2022 (refer to B.2.1).

E.18. 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	2022/2021	Netherlands
PPF banka, a.s. (subgroup)	PPFB	2022/2021	Czech Republic
Home Credit Indonesia PT	HCID	2022/2021	Indonesia
Bank Home Credit SB JSC	HC KZ	2022	Kazakhstan

The following table summarises the information relating to these subsidiaries:

In millions of EUR

30 June 2022	HC	PPFB	HCID	HC KZ	**Total**
NCI percentage (effective ownership)	**8.88%**	**7.04%**	**22.55%**	**13.72%**	
Total assets	11,237	11,242	271	1,004	
Total liabilities	(10,249)	(10,602)	(197)	(734)	
Net assets	**988**	**640**	**74**	**269**	
Net assets attributable to NCI of the sub-group	(11)	-	-	-	
Net assets attributable to owners of the Parent	**977**	**640**	**74**	**269**	
Carrying amount of NCI	87	45	11	37	**180**
NCI percentage during the period	**8.88%**	**7.04%**	**22.55%**	**0.00%***	
Revenue	1,290	211	74	126	
Profit/(loss)	(1,245)	57	4	31	
Other comprehensive income	858	(39)	-	-	
Total comprehensive income	(387)	18	4	-	
Profit/(loss) allocated to NCI	(111)	4	1	-	**(106)**
OCI allocated to NCI	77	(3)	-	-	**74**
Dividends paid to NCI	-	4	-	-	**4**

*refer to B.2.1

In millions of EUR

31 December 2021	HC	PPFB	HCID	**Total**
NCI percentage (effective ownership)	**8.88%**	**7.04%**	**22.55%**	
Total assets	16,262	9,518	211	
Total liabilities	(14,446)	(8,836)	(144)	
Net assets	**1,816**	**682**	**67**	
Net assets attributable to NCI of the sub-group	(10)	-	-	
Net assets attributable to owners of the Parent	**1,806**	**682**	**67**	
Carrying amount of NCI	144	48	10	**202**

In millions of EUR, for the six months ended 30 June 2021

30 June 2021	HC	PPFB	HCID	**Total**
NCI percentage during the period	**8.88%**	**7.04%**	**22.55%**	
Revenue	1,595	82	76	
Profit/(loss)	(179)	36	5	
Other comprehensive income	103	5	-	
Total comprehensive income	(76)	41	5	
Profit/(loss) allocated to NCI	(17)	3	1	**(13)**
OCI allocated to NCI	9	1	-	**10**
Dividends paid to NCI	-	-	-	**-**

E.19. Net interest income

Interest income comprises the following:

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

	2022	2021
Financial assets at FVTPL	12	3
Financial assets at FVOCI	31	11
Financial assets at AC	18	6
Due from banks and other financial institutions	164	14
Cash loan receivables	597	899
Consumer loan receivables	155	218
Revolving loan receivables	57	84
Car loan receivables	13	12
Mortgage loan receivables	6	1
Loans to corporations	40	26
Total interest income*	**1,093**	**1,274**

*Total interest income represents interest income calculated using the effective interest method except for financial assets at FVTPL.

Interest expense comprises the following:

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

	2022	2021
Due to customers	120	23
Due to banks and other financial institutions	174	279
Debt securities issued	31	53
Lease liabilities	2	2
Subordinated liabilities	8	4
Other	3	3
Total interest expenses	**338**	**364**
Total net interest income	**755**	**910**

E.20. Net fee and commission income

Fee and commission income comprises the following:

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

	2022	2021
Insurance commissions	85	78
Penalty fees	11	12
Customer payment processing and account maintenance	30	19
Cash transactions	6	5
Commission income from partners	15	12
Retailers' commissions	-	1
Other	20	15
Total fee and commission income	**167**	**142**

Fee and commission expense comprise the following:

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

	2022	2021
Commissions to retailers	11	11
Cash transactions	8	7
Payment processing and account maintenance	10	14
Payments to deposit insurance agencies	8	8
Credit and other register expense	10	9
Other	10	9
Total fee and commission expense	**57**	**58**
Total net fee and commission income	**110**	**84**

E.21. Net gains/losses on financial assets/liabilities

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

	2022	2021
Net trading income	95	48
Debt securities trading	(8)	10
FX trading	28	7
Derivatives	75	31
Net realised gains/(losses)	(61)	(20)
Financial assets at AC*	(50)	(26)
Financial assets at FVOCI	(13)	5
Loan and receivables	-	1
Financial liabilities measured at amortized cost	2	-
Total net gains on financial assets/liabilities	**34**	**28**

*Net realised gains/losses on financial assets at AC only represent the fair value revaluation related to the application of the fair value hedge accounting.

E.22. Net impairment losses on financial assets

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

	2022	2021
Financial assets at FVOCI (debt securities)	20	(2)
Cash loan receivables	208	686
Consumer loan receivables	32	28
Revolving loan receivables	11	15
Car loan receivables	1	1
Loans to corporations	(14)	(1)
Other financial assets*	1	1
Total net impairment losses on financial assets	**259**	**728**

*incl. impairment losses on undrawn credit limit

E.23. Other income

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

	2022	2021
Income from reimbursement	-	25
Income from other services provided	11	8
Other	5	4
Total other income	**16**	**37**

E.24. Personnel expenses and other operating expenses

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

	2022	2021
Employee compensation	191	265
Payroll related taxes (including pension contribution)	30	44
Total personnel expenses	**221**	**309**
Rental, maintenance and repair expense	9	10
Telecommunication and postage	20	25
Professional services	28	27
Information technologies	29	27
Advertising and marketing	16	16
Collection agency fee	44	44
Taxes other than income tax	13	14
Travel expenses	4	3
Net impairment (gains)/losses on other intangible assets	(2)	(1)
Foreign currency losses	27	14
Other	17	9
Total other operating expenses	**205**	**188**

E.25. Depreciation and amortisation

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

	2022	2021
Depreciation of property, plant and equipment	12	19
Depreciation of property, plant and equipment - ROU (IFRS 16)	15	19
Amortisation of intangible assets	50	51
Total depreciation and amortisation	**77**	**89**

E.26. Income tax benefit/(expense)

Income tax benefit/(expense) comprises the following:

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

	2022	2021
Current tax expense	(51)	(32)
Deferred tax benefit/(expense)	(294)	94
Total income tax benefit/(expense)	**(345)**	**62**

The increase in deferred tax expense was caused mainly by release of deferred tax assets in jurisdiction of the People's Republic of China.

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 2022	31 December 2021
Loan commitments	974	1,787
Revolving loan commitments	647	1,345
Consumer loan commitments	42	51
Cash loan commitments	35	78
Undrawn overdraft facilities	95	123
Term loan facilities	155	190
Capital expenditure commitments	5	6
Guarantees provided	54	46
of which Non-payment guarantees	*39*	*33*
Other	-	-
Total commitments and contingent liabilities	**1,033**	**1,839**

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 2022	31 December 2021
Secured bank loans	2,064	2,817
Loans received under repos	2,195	3,605
Debt securities issued	1	11
Total secured liabilities	**4,260**	**6,433**

The assets pledged as security were as follows:

In millions of EUR

	30 June 2022	31 December 2021
Cash and cash equivalents	36	91
Loans and receivables due from customers	1,707	2,393
Financial assets in off balance sheet (repo operations)	2,094	3,634
Total assets pledged as security	**3,837**	**6,118**

E.27.2. Other contingencies

E.27.2.1. Taxation

The taxation systems in 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 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.

In the respective countries, the facts mentioned above may create tax risks 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 Indian, Kazakh, Vietnamese, Chinese and other countries' tax legislation, official pronouncements and court decisions.

HC Consumer Finance Philippines, Inc. and Home Credit India Finance Private Limited is currently undergoing a tax inspection. The final results are not yet known.

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 2022	31 December 2021
Guarantees accepted	70	70
Loan commitments received	31	34
Value of assets received as collateral (including repos)	8,336	8,528
Total contingent assets	**8,437**	**8,632**

E.28. Related parties

E.28.1. Transactions with the parent company

During the six months ended 30 June 2022, the Group only incurred interest expense with its parent company totalling EUR 3 million (2021: nil). The transactions with the parent company are at arm's length.

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

In millions of EUR

	30 June 2022	31 December 2021
Due to non-banks	(1,060)	(524)
Subordinated liabilities	(147)	(145)
Total liabilities	**(1,207)**	**(669)**

E.28.2. Transactions with affiliates

During the six-month period, 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

	2022	2021
Interest income	7	4
Fee and commission income	8	8
Net gain on financial assets	-	15
Other income	1	-
Total revenue	**(16)**	**27**
Interest expense	(3)	(2)
Net reversals of impairment losses on loans to customers	-	2
Net loss on financial assets	(17)	-
Depreciation and amortisation	(2)	(2)
Other operating expenses	(10)	(10)
Total expenses	**(33)**	**(12)**

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

In millions of EUR

	30 June 2022	31 December 2021
Loans due from customers	153	198
Loans due from customers (loss allowance)	*(1)*	*(6)*
Loans and receivables due from banks and other financial institutions	22	12
Right of use assets	16	17
Trade and other receivables	11	9
Trade and other receivables (loss allowance)	*(3)*	*(2)*
Intangible assets	1	1
Investment securities and derivatives	21	18
Other assets	2	1
Cash and cash equivalents	10	1
Total assets	**232**	**249**
Due to non-banks	(859)	(652)
Financial liabilities at FVTPL	(31)	(25)
Trade and other payables	(19)	(23)
Due to banks and other financial institutions	(2)	(18)
Total liabilities	**(911)**	**(718)**

Since 2019, when these related-party transactions started, the Group has acquired participation certificates from telecommunication entities (subsidiaries of PPF Group), 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 their legal rights to receive the related cash and are obliged to pay it to the Group without material delay. The outstanding balance of all tranches of these participation certificates held by the Group as at 30 June 2022, presented as loans due from customers in the condensed consolidated interim statement of financial position, amounted to EUR 39 million (31 December 2021: EUR 78 million).

E.28.3. Other related parties including key management personnel

During the course of the period, 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

	2022	2021
Interest income	7	7
Total revenue	**7**	**7**
Other operating expenses	-	(2)
Net impairment losses on loans to customers	(1)	-
Total expenses	**(1)**	**(2)**

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

In millions of EUR

	30 June 2022	31 December 2021
Loans due from customers	382	226
Loans due from customers (loss allowances)	*(8)*	*(9)*
Total assets	**374**	**217**
Due to non-banks	(102)	(47)
Financial liabilities at fair value through profit or loss (refer to B.2.1.2)	(111)	-
Total liabilities	**(213)**	**(47)**

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 most recent annual consolidated financial statements for the year ended 31 December 2021, except for the changes described below.

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) (effective from 1 April 2021)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. When there is a change in lease payments, the accounting consequences will depend on whether that change meets the definition of a lease modification, which IFRS 16 Leases defines as "a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)".

Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021).

The amendment had no impact on the Group's consolidated financial statements.

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 had no impact on the Group's consolidated financial statements.

Amendments to IFRS 3 – References to the Conceptual Framework (effective from 1 January 2022)

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no impact on these Group's condensed consolidated interim financial statements but might impact the future accounting for business combinations, should the Group enter any such transactions in future.

Amendment to IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (effective from 1 January 2022)

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment had no material impact on the Group's consolidated financial statements.

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 2022 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.

IFRS 17 Insurance Contracts (effective from 1 January 2023)

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of issued insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with issued discretionary participation features. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for the users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 has been adopted by the EU and is effective for the annual reporting periods beginning on or after 1 January 2023.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17. Given the nature of the Group's operations, this standard is not expected to have significant impact on the consolidated financial statements.

Initial application of IFRS 17 and IFRS 9 – Comparative information (effective from 1 January 2023)
The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities,

and therefore improve the usefulness of comparative information for users of financial statements.

This amendment has been adopted by the EU and the Group is not expecting it to have significant impact on the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies *(effective from 1 January 2023)*

Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates *(effective from 1 January 2023)*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(effective from 1 January 2023)*

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The typical areas impacted are deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related assets.

These amendments to IAS 1, IAS 8 and IAS 12 have been adopted by the EU and are all effective for the annual reporting period beginning 1 January 2023 and after. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these amendments.

Amendments to IAS 1 Presentation of Financial Statement Classification of Liabilities as Current or Non-current *(effective 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 to IAS 1 have not yet been adopted by the EU. The Group is assessing the potential impact on its consolidated financial statements.

G. Subsequent events

On 22 August 2022, the Group entered into an agreement for the accelerated sale of a remaining 49.5% shares of HCFB, HC Ins and Kupi for the total purchase price of approximately RUB 9.1 billion (approx. EUR 153 million). In relation to HCFB, Phase 2 was completed with the registration of the transfer of 49.5% of the HCFB shares with the local authorities on 24 August 2022. The purchase price payment relating to the transfer of 49.5% of the HCFB shares has been settled by the authorisation date of these condensed consolidated interim financial statements. Refer to B.2.1 for more information.

In July and September 2022, the Group fully repaid the outstanding balance of the syndicated loan totalling EUR 522 million (presented in E.10 within the balance of unsecured loans).

The inheritance agreement on the distribution of Petr Kellner's estate approved by the responsible court has taken effect as of 23 September 2022. His widow Renáta Kellnerová and his four children are now the direct and indirect holders of 98.93% of PPF Group N.V. Mrs. Kellnerová is the majority shareholder of PPF Group, with a 59.36% stake.

On 30 September 2022, the Parent Company as the issuer of Tier 2 bonds PPF FIN.H. VAR/27, ISIN CZ0000001011, listed on the Regulated Market of the Prague Stock Exchange announced that it has received approval from the Czech National Bank to redeem the outstanding CZK 4 billion (approx. EUR 162 million) of the bond. The Parent Company exercises its option to redeem the bond in full on 19 December 2022. The redemption complies with article 5.2 of the FIN.H. VAR/27 bond issuance terms and conditions.

There are no other significant events after the reporting period apart from those described in this section in the above paragraphs, and those described in B section.

30 September 2022

The board of directors:

Jean-Pascal Duvieusart
Chairman of board of directors

Kateřina Jirásková
Member of the board of directors

Radek Pluhař
Member of the board of directors

Lubomír Král
Member of the board of directors