# PPF Financial Holdings B.V.

*Half-year Report 2019*

**Content:**

# Description of the Company

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

# Board of Directors

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

# General information

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

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

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

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

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

*For more information, visit [www.ppffinancialholdings.eu](www.ppffinancialholdings.eu)*

# Key financial results

*Consolidated financial highlights*

| | 1H2019 | 2018 | 1H2018 |
|---|---|---|---|
| Total assets (BEUR) | 33.5 | 32.3 | 29.0 |
| Gross loans (BEUR) | 22.4 | 20.7 | 20.0 |
| Deposits (BEUR) | 13.4 | 11.7 | 11.3 |
| Equity (BEUR) | 3.4 | 3.0 | 2.8 |
| Net profit (MEUR) | 326 | 511 | 92 |

As of 30 June 2019, the consolidated shareholders' equity of PPF Financial Holdings B.V. amounted to MEUR 3,368 (31 December 2018: MEUR 2,970). Total assets increased from MEUR 32,316 to MEUR 33,529 which is attributable mainly to the growth of the Home Credit loan portfolio.

The consolidated profit of the Group for 1H 2019 reached MEUR 326 (1H 2018: MEUR 92). The good result follows the positive business development in the second half of 2018 whereas the comparative 1H2018 period was negatively influenced by the market decline in China.

# HC Group – business and financial overview

### Key highlights

*Consolidated financial highlights*

| | 1H2019 | 2018 | 1H2018 |
|---|---|---|---|
| Total assets (BEUR) | 25.9 | 23.6 | 21.8 |
| Gross loans (BEUR) | 21.2 | 19.6 | 18.6 |
| Deposits (BEUR) | 7.2 | 6.8 | 6.7 |
| Total equity(BEUR) | 2.5 | 2.1 | 1.8 |
| Net profit (MEUR) | 250 | 422 | 37 |
| Net interest margin | 15.6% | 15.5% | 15.2% |
| Cost of risk | 9.5% | 10.6% | 12.6% |
| Cost to income ratio | 41.6% | 44.3% | 45.4% |
| Return on average equity (RoAE) | 21.2% | 21.7% | 4.3% |
| Number of distribution points (ths.) | 454 | 437 | 430 |
| Number of active customers (mil.) | 27 | 28 | 29.0 |

### HC Group description

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

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

Home Credit US Holding LLC, which provides consumer finance services in the United States and is part of a joint venture with Sprint Corporation, a leading mobile network operator in the United States.

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

ABDE Holding s.r.o., which is preparing to establish a bank in Germany.

HC Advisory Services s.r.o., which is a fintech start-up which provides IT and consultancy services in the insurance sector in the Czech Republic.

**HC Group performance**

In H1 2019, the HC Group delivered a consolidated net profit of MEUR 250, representing a considerable 522% year-on-year (YoY) increase from H1 2018. Demand for cash loans from repeat borrowers and increased average loan ticket size of the HC Group supported profitability, with the HC Group's consolidated net interest margin rising 0.4 ppt YoY to 15.6% in H1 2019. During the period, the HC Group increased its consolidated profit growth at a higher rate than its expanding lending operations, with consolidated net loans to external customers of the HC Group rising 16% YoY to BEUR 19.

*HC Group loan portfolio breakdown*

| | 1H2019 | 2018 | 1H2017 |
|---|---|---|---|
| Total net loans (BEUR) | 19.0 | 17.5 | 16.4 |
| | | | |
| *Product structure* | | | |
| Consumer durable loans | 71% | 68% | 65% |
| Cash loans | 24% | 26% | 30% |
| Other | 5% | 6% | 5% |
| *Geographic structure* | | | |
| China | 62% | 62% | 63% |
| SSEA | 12% | 11% | 10% |
| CIS | 18% | 18% | 19% |
| CEE | 8% | 9% | 8% |

**Loan portfolio quality and risk costs**

The HC Group's loan portfolio quality improved during first half of 2019, with the NPL ratio falling to 8.2% in Q2 2019 from 8.4% at the end of 2018. Overall for 1H 2019, the cost of risk ratio was 9.5%, compared to 12.6% in the same period in 2018. This reflects successful management of retail lending developments and a significant improvement by Home Credit Group B.V. in the default rate on newer loans in the market over the past six months.

**Cost to income ratio**

The consolidated result for the half-year benefited from the continued improvement in the HC Group's cost to income ratio, which fell to 42% from 45% a year earlier, as a result of the deployment of disruptive technologies, and the successful cross-selling of cash loans.

**Group distribution network**

Physical channels

As at 30 June 2019, Home Credit Group had established approximately 450,000 POS distribution outlets, of which approximately 63,000 were staffed by own employees. The remaining POS distribution outlets were served by the retailers' staff who have been trained to operate the HC Group's POS outlets, leveraging the HC Group's ecosystem of partnerships with major retailers, or the HC Group's own employees on a travelling basis. As at 30 June 2019, the HC Group had its own sales team of over 84,000 employees with nationwide coverage in each of the countries in which it operates. The HC Group has built its distribution network to cater to its customers' shopping habits and consumption needs. The HC Group's retailer partners range from major electronics and consumer goods chains to independent retailer stores, with POS outlets located nationwide and spanning from major to smaller cities. Compared to competitors who tend to focus only on the largest cities and retailer chains, the HC Group's deep geographic penetration and wide partnership network provides superior and easy access to underserved borrowers. The HC Group's extensive physical network also provides the HC Group with a competitive advantage when negotiating with consumer goods manufacturers for partnerships. In addition to POS distribution outlets, the HC Group also has other points of sale including bank branches and ATMs, sales at car dealerships and sales through post offices.

Online channels

The HC Group online presence extends across third party online stores as well as its proprietary platforms. This complements the HC Group's physical presence and enables it to adapt to its customers' evolving shopping habits as online and online-to-offline shopping become more prevalent in the HC Group's markets.Pure Online

The HC Group operates ePOS which are embedded within the online stores of its retailer and product partners, as well as its own online the HC Group Market Place platforms where customers can shop for consumer goods provided by our partners and finance the purchases using its POS loan products. In addition, the HC Group has developed user-friendly mobile and web applications and customer care centre services in each of the countries in which the HC Group operate to provide cash and other loan products as well as convenient customer services.

Online-to-offline

The HC Group's full integration of online application and pre-approval capabilities with its offline network of POS outlets and sales agents enables customers to access its products in the channel which is most convenient for them while enhancing risk control with face-to-face customer interaction. For example, a customer who needs financing to redecorate their house may submit personal information online. If needed, the HC Group's system will then direct them to the nearest physical location where a sales agent will verify their identity and/or assist them to complete their application.

**Country market operations**

The HC Group's geographical diversification is a key strength for the HC Group, and its subsidiary Home Credit N.V. is the market leader in POS lending for majority of countries where it is active in. The HC Group operates in 4 core geographical segments – China, CIS (Russia, Kazakhstan), SSEA (Vietnam, India, Indonesia, Philippines) and CEE (Czech Republic, Slovakia). In addition to the shareholding interest in Home Credit N.V, (which comprises the substantial part of the total assets of the HC Group), the HC Group also holds investments in certain start-ups or early stage investments (see the description of the HC Group businesses above).

Steady growth continues in China

In China, the HC Group has delivered strong growth in operating income from external customers by 3.4% in H1 2019. Since the HC Group commenced its business in China and up to 30 June 2019, it has served over 52.1 million customers and had gross loans to external customers of BEUR 13.3. The cost to income ratio dropped to 30.4% in H1 2019 from 35.5% in H1 2018, due to the HC Group achieving economies of scale, productivity improvements driven by the deployment of disruptive technologies and the successful cross-selling of cash loans. Through an overall improvement to the quality of the loan portfolio, cost of risk ratio was reduced from 15.0% in H1 2018 to 11.6% for H1 2019.

Online and offline lending network expansion supports Asian growth

In SSEA, the HC Group continued its growth from the first quarter into the second, with operating income growing by 28% year-on-year for H1 2019 and gross loans to external customers growing to BEUR 2.4. At the same time the cost of risk ratio improved from 12.3% for first half of 2018 to 9.9% in first half of current year.

CIS & CEE sustain growth in mature markets

With 20-year leading market positions, the HC Group has continued to integrate its centrally-developed digital solutions to support the life-time value of its long-term customer relationships, supporting operating income of MEUR 312 in CIS and MEUR 94 in CEE for H1 2019. Cost of risk levels remained at record lows with CEE falling to (0.5)% for H1 2019, compared to 0.26% the previous year. Following, CIS cost of risk fell to 0.6% for H1 2019, compared 2.0% the previous year.

# PPF banka – business and financial overview

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

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

### Key highlights

*Unconsolidated financial highlights*

| | 1H2019 | 2018 | 1H2018 |
|---|---|---|---|
| Total assets (BEUR) | 8.3 | 9.1 | 7.3 |
| Gross loans (BEUR) | 1.5 | 1.3 | 1.2 |
| Deposits (BEUR) | 6.4 | 5.2 | 5.0 |
| Total equity (MEUR) | 513 | 452 | 413 |
| Net profit (MEUR) | 41 | 85 | 54 |
| Adjusted NPL ratio | 4.9% | 7.7% | 6.3% |
| Cost income ratio | 37.9% | 28.8% | 25.8% |
| Return on average equity (RoAE) | 17.0% | 20.4% | 28.8% |

### PPF banka performance

PPF bank achieved one of its best-ever performance. The net profit for 1H 2019 was MEUR 41, slightly decreased compared to 1H 2018 which was bank's best result in the history. Equity increased by almost 24.3% to MEUR 513. Compared with the end of 2018, the volume of receivables from customers increased by 18.6%. On the other hand, total assets went down to MEUR 8,334 chiefly driven by decrease in due to banks by MEUR 2,020 to MEUR 558. Customer loan to deposit ratio decreased to 23% caused by significant increase in deposits from customers. This significant increase could not be offset by increase in receivables from customers.

In comparison to 1H 2018, operating income decreased by 4% to MEUR 81. Result from client business (MEUR 41) went significantly up by MEUR 7 compared to 1H 2018 but proprietary business went down by almost 21% to MEUR 40. Positive result from impairment was still partially driven by IFRS 9 adoption and creation of impairment as of 1 January 2018 into equity which was partially consequently released in 1H 2019 into profit and loss and chiefly due to decrease in NPL.

Expenses went significantly up by almost 41%. The increase was attributable to increase in operating expenses as well as increase in donations. The increase in expenses was connected with higher contribution to the crisis resolution fund and as well in significant increase in donations compared to 1H 2018.

Total assets went down to MEUR 8,334. The decrease was chiefly connected with decrease of balances at CNB by almost 21% to MEUR 5,027. Loans to banks did not change significantly, loans to clients went up by around 10%.

The decrease in total liabilities was driven by significant decrease in due to banks by MEUR 2,020, which was partially offset by increase due to clients – repayable on demand as well as other due to clients. Debt securities issued increased to MEUR 123.

Total equity went up due to inclusion of 1H 2019 profit and increase in FVOCI reserve.

**Specific balances**

*Significant assets/liabilities, in billions of EUR*

| | 1H2019 | 2018 | 1H2018 |
|---|---|---|---|
| *Significant assets* | | | |
| Balances at CNB | 5.0 | 6.4 | 4.5 |
| Loans to banks | 0.4 | 0.2 | 0.2 |
| Loans to clients | 1.5 | 1.3 | 1.2 |
| Investment securities | 1.4 | 1.2 | 1.5 |
| *Significant liabilities* | | | |
| Due to banks | 0.6 | 2.6 | 1.1 |
| Due to clients - repayable on demands | 2.9 | 2.1 | 2.6 |
| Due to clients - other | 3.6 | 3.1 | 2.4 |

*Loan portfolio, in billions of EUR*

| | 1H2019 | 2018 | 1H2018 |
|---|---|---|---|
| Export and structured finance | 1.0 | 0.9 | 0.8 |
| Real estate financing | 0.2 | 0.2 | 0.2 |
| Large corporates | 0.3 | 0.2 | 0.2 |

The Bank identifies three specific segments related to loan to clients. Increase in loans to clients was driven by significant increase mainly in export and structured finance segment. *Deposits, in billions of EUR*

| | 1H2019 | 2018 | 1H2018 |
|---|---|---|---|
| *By deposit type* | | | |
| Current accounts | 2.9 | 2.1 | 2.6 |
| Term deposits | 1.5 | 1.3 | 1.5 |
| Repo operations | 2.1 | 1.7 | 0.9 |
| | | | |
| *By client* | | | |
| Banks and financial institutions | 2.7 | 2.3 | 1.5 |
| Large corporates | 1.0 | 0.7 | 0.9 |
| Municipal | 2.1 | 1.5 | 2.0 |
| Private clients | 0.2 | 0.2 | 0.2 |
| SME | 0.5 | 0.5 | 0.4 |

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

Due to clients can be disaggregated by sectors – the biggest portion is attributable to banks and financials and municipal sector. The banks and financials went up significantly in comparison to previous periods while municipal sectors returned to very similar level as in 1H2018.

*Investment securities, in millions of EUR*

| | 1H2019 | 2018 | 1H2018 |
|---|---|---|---|
| Financial assets held for trading | 518 | 373 | 539 |
| Derivatives | 240 | 151 | 181 |
| Debt securities | 269 | 222 | 358 |
| Equity securities | 9 | - | - |
| Financial assets at FVOCI | 763 | 730 | 799 |
| Equity instruments | 8 | 29 | 27 |
| Debt securities | 755 | 701 | 772 |
| Financial assets at amortised cost | 163 | 119 | 113 |
| Debt securities | 163 | 119 | 113 |
| **Total investments** | **1,444** | **1,222** | **1,451** |

The investment portfolio increased by more than 18% compared to the end of 2018. There was almost 60% increase in positive fair value of derivatives (negative fair value of derivatives increased as well from MEUR 143 to MEUR 232 in 1H 2018).

Debt securities held for trading increased by nearly 21% to MEUR 269. Financial assets at fair value through other comprehensive income increased by almost 5% to MEUR 763. Financial assets at amortised cost went up by more than 31% to MEUR 163.

**Loan portfolio quality**

*Portfolio quality, in millions of EUR*

| | 1H2019 | 2018 | 1H2018 |
|---|---|---|---|
| Performing loans | 1,385 | 1,211 | 1,111 |
| Impairment | (6) | (7) | (6) |
| Gross non-performing loans and advances to customers | 133 | 179 | 182 |
| Impairment | (36) | (44) | (42) |
| **Total loans** | **1,476** | **1,339** | **1,244** |
| | | | |
| Unadjusted NPL ratio | 8.8% | 12.9% | 14.1% |
| Adjusted NPL ratio (without EGAP*) | 4.9% | 7.1% | 6.3% |

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

The gross amount of non-performing loans and advances to customers decreased very significantly to MEUR 133, compared to MEUR 179 in 2018. The unadjusted non-performing loan ratio went sharply down to less than 9% compared to nearly 13% at the end of 2018. Still, this percentage does not accurately reflect the risk borne by the Bank, as the category of non-performing loans contains loans covered by EGAP insurance. The non-performing loan ratio is calculated based on gross exposure per client and EGAP insurance is not taken into consideration. After adjusting the volume of non-performing loans by EGAP insurance (for non-performing loans insured by EGAP, the insurance value is deducted from gross exposure), the adjusted ratio of non-performing loans to total loans provided was only 4.9%. The actual credit portfolio exposure was thus significantly lower.

The EGAP portfolio was decreasing steadily. The amount as at 1H2019 was MEUR 58.

# 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 2019, the Group's holding in ClearBank stood at 38.53%, representing a cumulative investment of MEUR 57.

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 2019, ClearBank had secured 57 financial regulated customers, up 235% on prior year and generating combined customer balances of MEUR 98.

ClearBank's balance sheet closed the period with net assets totalling MEUR 47, this being 21% up on the same period last year and with robust regulatory metrics for both capital and liquidity.

In the last 6 months ClearBank has seen significant growth in transactional volumes and values and at 30 June was processing a quarter of a million transactions per month, with the total value processed since inception surpassing BEUR 1.

# Telenor Banka

Telenor Banka became part of the Group in February 2019. The bank provide financial services to retails clients in Serbia. As of 30 June 2019, the bank had total balance sheet amounting to MEUR 173 and equity MEUR 42.

# Outlook for 2H 2019

**Macroeconomic and regulatory development in countries where the Group operates**

The Group anticipates that external factors, like U.S. - China tariffs dispute and other international politics issue may adversely impact the global economic growth predictions and, potentially, further slowdown the local economies in the countries where the Group operates. The fundamentals for consumer finance demand in those countries, however, remain solid and are based on the continued rise of the middle class and convergence of local consumption with the one at more developed markets. Should economic downturn prevail globally, Asia's growth fundamentals may adversely change and the Group's operational and financial performance would be impacted.

The regulatory framework for consumer finance across the Group's markets continues to evolve. The HC Group is supervised by national regulators at each of them. Although the evolving trend is largely in line with the best international practice, should significant adverse changes be suddenly introduced, the Group may fully comply with applicable regulations with a slight delay or at higher operational costs.

**Commercial and financial outlook**

The Group's operational and financial performance since 30 June 2019 has been in line with management's expectations and there have been no unusual trends or developments that are material for disclosure.

The Group anticipates that HC Group will continue to grow its portfolio especially in the SSEA region; loans to customers are expected to grow while the Group will continue building on economies of scale and customers' retention. We anticipate consumer demand for the HC Group's lending products to remain stable in the mature markets in CEE and CIS whereas the rate of growth in Asian markets will continue to progress.

As in the previous periods, the HC Group will remain focused on profitability and efficiency of operations to further enhance the sustainability of the business.

The HC Group will continue to develop its distribution network and direct the multichannel distribution network towards more flexible, lower fixed cost channels.

The HC Group aims to further improve the cost income ratio of the entire business compared to 2018. It is hoped that the increased use of advanced technologies throughout the processes in the HC Group will help to further optimise operating and risk costs respectively.

PPF banka expects that the positive development seen in 1H 2019 and the strong performance across all its divisions will continue.

# Statutory Declaration of Persons Responsible for PPF Financial Holdings Group Half-Year Report 2019

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 2019 and of the outlook for the future development of the financial standing, business activities, and results of operations of the issuer and its consolidated group, and no facts have been omitted that could change the meaning of this report.

Amsterdam, September 30, 2019

Kateřina Jirásková

Director, PPF Financial Holdings B.V.

Jan Cornelis Jansen

Director, PPF Financial Holdings B.V.

# Alternative Performance Measures

In this report, the Company uses financial measures defined or specified in the applicable financial reporting framework, which relate to the performance of the subsidiaries. Those financial measures may be reconciled with the respective consolidated or individual financial statements of the subsidiaries, if those subsidiaries publish their respective accounting statements, but not with the financial statements of the Company. Note that unlike Home Credit Group B.V. PPF banka a.s. does not publish its 1H 2019 financial statements.

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

| **Performance Measure** | **Purpose and Definition** |
|---|---|
| Adjusted NPL ratio | **<u>Purpose:</u>**<br><br>The NPL ratio is a measure of the portfolio credit quality. Usually, a higher NPL ratio is associated with lower portfolio quality.<br><br>**<u>Definition:</u>**<br><br>Gross non-performing loans and advances to customers less Guarantee provided by EGAP to these loans / Gross performing loans and advances to customers<br><br>**<u>Reconciliation with financial statements:</u>**<br><br>This measure is used for the description of the performance of PPF banka a.s. It cannot be reconciled with the financial statements of the Company or with the financial statements of PPF banka a.s. |
| Cost of risk ratio | **<u>Purpose:</u>**<br><br>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.<br><br>**<u>Definition:</u>**<br><br>Impairment losses on financial assets / Average loans to customers<br><br>The average loans to customers for a given year are calculated as the average of loans to customers at the end of Q4 of the previous year and Q1, and Q2 of the respective year.<br><br>**<u>Reconciliation with financial statements:</u>** |

| | |
|---|---|
| | This measure is used for the description of the performance of Home Credit Group B.V. It cannot be reconciled with the financial statements of the Company. However, it may be reconciled with the financial statements of Home Credit Group B.V. |
| Cost to income ratio | **Purpose:**<br><br>Cost to income ratio is a measure of operational effectiveness of a company. A lower cost income ratio is associated with better company performance.<br><br>**Definition:**<br><br>When used for Home Credit Group B.V.:<br><br>(Personnel expenses and Other operating expenses + Rental, maintenance and repairs + Depreciation and amortization) / Operating income<br><br>When used for PPF banka a.s.:<br><br>Operating expenses (including donations and excluding impairment (loss)/reversal) / Operating income<br><br>**Reconciliation with financial statements:**<br><br>This measure is used for the description of the performance of Home Credit Group B.V. and of PPF banka. It cannot be reconciled with the financial statements of the Company. It may be reconciled with the financial statements of Home Credit Group B.V. It cannot be reconciled with the financial statements of PPF banka because PPF banka does not publish its 1H 2019 financial statements. |
| Deposits | **Definition:**<br><br>The term is used as a synonym for due to non-banks as used in the financial statements of the Company, as a synonym for current accounts and deposits from customers as used in the financial statements of Home Credit Group B.V., and as a synonym for deposits due to customers as used in the financial statements of PPF banka a.s. |
| Gross loans | **Purpose:**<br><br>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.<br><br>**Definition:**<br><br>When used for the Company in 2018 and 2019:<br><br>Gross amount of loans due from customers – retail + |

| | |
|---|---|
| | Gross amounts of loans due from corporations – non-retail<br><br>as these terms are used in financial statements of the Company, Notes E.4.<br><br>When used for the Company in 2017, the value is a synonym for total gross amount as used in the financial statements of the Company, Note E.4.1.2.<br><br>When used for Home Credit Group B.V.:<br><br>It means the gross loans to external customers as used in the financial statements of Home Credit Group B.V. Note 5. Segment reporting. |
| Interest earning assets | **Purpose:**<br><br>The interest earning assets is a volume measure used in the calculation of the net interest margin.<br><br>**Definition:**<br><br>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.<br><br>**Reconciliation with financial statements:**<br><br>This measure is used for the description of the performance of Home Credit Group B.V. It cannot be reconciled with the financial statements of the Company or with the financial statements of Home Credit Group B.V. |
| Loan to deposit ratio | **Purpose:**<br><br>The loan to deposit ratio is a measure of the stability of the funding of the loans.<br><br>**Definition:**<br><br>Total loans / Deposits<br><br>**Reconciliation with financial statements:**<br><br>The measure is used in the description of the performance of PPF banka. PPF banka does not publish its 1H 2019 financial statements. Therefore, the measure cannot be reconciled with the financial statements. |
| Net interest margin | **Purpose:**<br><br>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:**<br><br>Net interest income / Average interest earning assets<br><br>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.<br><br>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.<br><br>**Reconciliation with financial statements:**<br><br>This measure is used for the description of performance of Home Credit Group B.V. It cannot be reconciled with the financial statements of the Company or with the financial statements of Home Credit Group B.V. |
| Unadjusted NPL ratio or NPL ratio | **Purpose:**<br><br>The NPL ratio is a measure of the portfolio credit quality. Usually, a higher NPL ratio is associated with lower portfolio quality.<br><br>**Definition:**<br><br>When used for PPF banka:<br><br>Gross non-performing loans and advances to customers / Gross performing loans and advances to customers<br><br>When used for Home Credit Group B.V.:<br><br>Gross non-performing loans / total gross loans<br><br>**Reconciliation with financial statements:**<br><br>This measure is used for the description of the performance of PPF banka a.s. and in Home Credit Group. It cannot be reconciled with the financial statements of the Company. It cannot be reconciled with the financial statements of PPF banka because PPF banka does not publish its 1H 2019 financial statements. However, it may be reconciled with the financial statements of Home Credit Group B.V. notes 5. Segment reporting. |
| Return on average equity (RoAE) | **Purpose:**<br><br>The return on average equity is a performance measure. It measures how effectively a company uses its equity. Usually, a higher return on average equity is associated with better company performance. |

| | |
|---|---|
| | **<u>Definition:</u>**<br><br>Net profit from continuing operations for the period/ Average equity.<br><br>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.<br><br>**<u>Reconciliation with financial statements:</u>**<br><br>This measure is used for the description of the performance of Home Credit Group B.V. on a consolidated basis. It cannot be reconciled with the financial statements of the Company. However, it may be reconciled with the financial statements of Home Credit Group B.V. |
| Total volume of securities trading | **<u>Purpose:</u>**<br><br>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.<br><br>**<u>Definition:</u>**<br><br>Total notional amount of securities bought/sold as part of proprietary bank´s business and for customers.<br><br>**<u>Reconciliation with financial statements:</u>**<br><br>This measure is used for the description of the performance of PPF banka a.s. It cannot be reconciled with the financial statements of the Company or with the financial statements of PPF banka a.s. |
| Volume of foreign exchange market transactions | **<u>Purpose:</u>**<br><br>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.<br><br>**<u>Definition:</u>**<br><br>Total notional amount of foreign exchange market transactions traded as part of proprietary bank´s business and for customers.<br><br>**<u>Reconciliation with financial statements:</u>**<br><br>This measure is used for the description of the performance of PPF banka a.s. It cannot be reconciled with the financial statements of the Company or with the financial statements of PPF banka a.s. |

# PPF Financial Holdings B.V.

*Unaudited condensed consolidated interim financial statements*
*for the six months ended 30 June 2019*

# Contents

## Glossary of abbreviations

| | |
|---|---|
| OCI | - other comprehensive income |
| NCI | - non-controlling interests |
| UCC | - business combinations under common control |
| FVTPL | - fair value through profit or loss |
| FVOCI | - fair value through other comprehensive income |
| PPE | - property, plant and equipment |
| FX | - foreign exchange |
| ECL | - expected credit losses |
| PD | - probability of default |
| LGD | - loss given default |

# Unaudited condensed consolidated interim statement of financial position

*In millions of EUR*

| | Note | 30 June 2019 | 31 December 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | E1 | 8,687 | 9,738 |
| Investment securities | E2 | 2,454 | 2,421 |
| Loans and receivables due from banks and other financial institutions | E3 | 641 | 338 |
| Loans due from customers | E4 | 20,182 | 18,513 |
| Trade and other receivables | E5 | 62 | 66 |
| Current tax assets | | 19 | 8 |
| Equity-accounted investees | E6 | 45 | 44 |
| Property, plant and equipment | | 341 | 182 |
| Intangible assets and goodwill | | 329 | 292 |
| Deferred tax assets | | 454 | 429 |
| Other assets | E7 | 315 | 285 |
| **TOTAL ASSETS** | | **33,529** | **32,316** |
| **LIABILITIES** | | | |
| Financial liabilities at fair value through profit or loss | E8 | 477 | 622 |
| Due to non-banks | E9 | 13,425 | 11,696 |
| Due to banks and other financial institutions | E10 | 12,885 | 13,849 |
| Debt securities issued | E11 | 2,083 | 1,700 |
| Subordinated liabilities | E12 | 265 | 447 |
| Current tax liabilities | | 71 | 95 |
| Trade and other payables | E13 | 876 | 877 |
| Insurance and other provisions | E14 | 65 | 51 |
| Deferred tax liabilities | | 14 | 9 |
| **TOTAL LIABILITIES** | | **30,161** | **29,346** |
| **CONSOLIDATED EQUITY** | | | |
| Issued capital* | E15 | - | - |
| Share premium | E15 | 2,324 | 2,324 |
| Additional paid-in capital | E16 | 80 | 80 |
| Other reserves | | (776) | (894) |
| Retained earnings | | 1,461 | 1,221 |
| Total equity attributable to owners of the Parent | | 3,089 | 2,731 |
| Non-controlling interests | E17 | 279 | 239 |
| **Total consolidated equity** | | **3,368** | **2,970** |
| **TOTAL LIABILITIES AND EQUITY** | | **33,529** | **32,316** |

*Issued capital is TEUR 45.

# Unaudited condensed consolidated interim income statement

For the six months ended 30 June

*In millions of EUR*

| | Note | 2019 | 2018 |
|---|---|---|---|
| Interest income | | 2,715 | 2,261 |
| Interest expense | | (819) | (651) |
| **Net interest income** | E18 | **1,896** | **1,610** |
| Fee and commission income | | 323 | 431 |
| Fee and commission expense | | (96) | (83) |
| **Net fee and commission income** | E19 | **227** | **348** |
| Net earned premiums | | 10 | 11 |
| Acquisition cost | | (2) | (2) |
| **Net insurance income** | E22 | **8** | **9** |
| Net gain/(losses) on financial assets/liabilities | E20 | (3) | 33 |
| Other income | E23 | 82 | 23 |
| **TOTAL OPERATING INCOME** | | **2,210** | **2,023** |
| Net impairment losses on financial assets | E21 | (869) | (988) |
| Personnel expenses | E24 | (541) | (575) |
| Depreciation and amortisation | E25 | (89) | (55) |
| Other operating expenses | E24 | (263) | (267) |
| Net gain/(loss) on disposals/liquidation of subsidiaries and equity-accounted investees | | (3) | (13) |
| Share of earnings of equity accounted investees, net of tax | E6 | (10) | (7) |
| **PROFIT BEFORE TAX** | | **435** | **118** |
| Income tax expense | E26 | (109) | (26) |
| **NET PROFIT FOR THE PERIOD** | E17 | **326** | **92** |
| **Profit attributable to:** | | | |
| Owners of the Parent | | 311 | 90 |
| Non-controlling interests | | 15 | 2 |

# Unaudited condensed consolidated interim statement of comprehensive income

For the six months ended 30 June

*In millions of EUR*

| | 2019 | 2018 |
|---|---|---|
| **NET PROFIT FOR THE PERIOD** | **326** | **92** |
| **Other comprehensive income** | | |
| Valuation gains/(losses) on FVOCI* | 20 | (22) |
| FVOCI revaluation gains/(losses) transferred to income statement* | (1) | (10) |
| Foreign operations-currency translation differences* | 103 | (54) |
| Disposal of subsidiaries* | - | 16 |
| Income tax relating to components of other comprehensive income* | (2) | 6 |
| **Other comprehensive income/(expense) for the period (net of tax)** | **120** | **(64)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **446** | **28** |
| **Total comprehensive income attributable to:** | | |
| Owners of the Parent | 420 | (4) |
| Non-controlling interests | 26 | 32 |

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

# Unaudited condensed consolidated interim statement of changes in equity

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

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

* Capital issued is TEUR 45.

*In millions of EUR, for the for the six months ended 30 June 2018*

| | Issued Capital* | Share premium | Additional paid-in capital | Revaluation reserve | Legal and statutory reserves | Translation reserve | Reserve for UCC | Retained earnings | Attributable to owners of the Parent | Attributable to non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2017** | **-** | **2,231** | **-** | **19** | **81** | **(383)** | **(504)** | **1,065** | **2,509** | **274** | **2,783** |
| Adjustment on initial application of IFRS 9 (net of tax; refer to F.2) | - | | - | 2 | - | - | - | (189) | (187) | (24) | (211) |
| **Balance at 1 January 2018 (adjusted)** | **-** | **2,231** | **-** | **21** | **81** | **(383)** | **(504)** | **876** | **2,322** | **250** | **2,572** |
| Profit for the period | - | - | - | - | - | - | - | 90 | 90 | 2 | 92 |
| Currency translation differences | - | - | - | - | - | (50) | - | - | (50) | (4) | (54) |
| Valuation losses taken to equity for FVOCI | - | - | - | (20) | - | - | - | - | (20) | (2) | (22) |
| FVOCI revaluation (gains)/losses transferred to income statement | - | - | - | (10) | - | - | - | - | (10) | - | (10) |
| Disposals and deconsolidation of subsidiaries | - | - | - | - | (2) | 18 | - | - | 16 | - | 16 |
| Tax on items taken directly to or transferred from equity | - | - | - | 6 | - | - | - | - | 6 | - | 6 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(24)** | **(2)** | **(32)** | **-** | **90** | **32** | **(4)** | **28** |
| Net allocation to legal and statutory reserves | - | - | - | - | 6 | - | - | (6) | - | - | - |
| Increase of capital | - | 93 | 80 | - | - | - | - | - | 173 | - | 173 |
| Contributions by NCI | - | - | - | - | - | - | - | - | - | 7 | 7 |
| Other changes in NCI | - | - | - | - | - | - | - | - | - | 2 | 2 |
| **Total transactions with owners of the Company** | **-** | **93** | **80** | **-** | **6** | **-** | **-** | **(6)** | **173** | **9** | **182** |
| **Balance at 30 June 2018** | **-** | **2,324** | **80** | **(3)** | **85** | **(415)** | **(504)** | **960** | **2,527** | **255** | **2,782** |

* Capital issued is TEUR 45.

# Unaudited condensed consolidated interim statement of cash flows

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

*In millions of EUR*

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 435 | 118 |
| Adjustments for: | | | |
| Losses on disposal of consolidated subsidiaries | | 3 | 13 |
| Interest expense | E18 | 819 | 651 |
| Interest income | E18 | (2,715) | (2,261) |
| Bargain purchase | | (38) | - |
| Other | | 712 | 735 |
| Interest received | | 2,851 | 2,460 |
| Change in assets and liabilities | | (1,654) | (3,200) |
| **Net cash from operating activities** | | **413** | **(1,484)** |
| **Cash flows from investing activities** | | | |
| Purchase of tangible assets and intangible assets | | (87) | (99) |
| Acquisition of subsidiaries and associates, net of cash acquired | | (61) | (11) |
| Cash acquired through acquisition of subsidiary | B.2.1 | 68 | - |
| Proceeds from disposal of subsidiaries, net of cash acquired | | - | 4 |
| Other movements | | 125 | 220 |
| **Net cash from/(used in) investing activities** | | **45** | **114** |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital and other capital contributions | | - | 173 |
| Interest paid | | (754) | (819) |
| Change in debt securities issued | | 164 | (157) |
| Dividends paid | | (5) | - |
| Change in loans from banks and other financial institutions | | (1,032) | - |
| **Cash flow from financing activities** | | **(1,627)** | **(803)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(1,169)** | **(2,173)** |
| **Cash and cash equivalents as at 1 January** | | **9,738** | **8,982** |
| Effect of exchange rate changes on cash and cash equivalents | | 118 | (134) |
| **Cash and cash equivalents as at 30 June** | E1 | **8,687** | **6,675** |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

# A. General

## *A.1. Description of the Group*

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

The Parent Company was incorporated on 13 November 2014 as a 100% subsidiary of PPF Group N.V. On 30 June 2015, PPF Group contributed its share in Home Credit B.V. and PPF banka, a.s. to the Parent Company. On 8 May 2018 Home Credit B.V. was contributed to Home Credit Group B.V. that is a new holding company for Home Credit business.

The unaudited condensed consolidated interim financial statements of the Parent Company for the six month period ended 30 June 2019 comprise the Parent Company and its subsidiaries (together referred to as “PPF Financial Holdings Group” or the “Group”) and the Group’s interests in associates and affiliated entities. Refer to Section B of these financial statements for a listing of significant Group entities and changes to the Group in 2019 and 2018.

The registered office address of the Company is Strawinskylaan 933, 1077XX Amsterdam.

As at 30 June 2019, the sole shareholder of the Parent is PPF Group N.V., the ultimate controlling party is Mr. Petr Kellner.

## *A.2. Statement of compliance*

The unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 30 September 2019.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018. These unaudited 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.

This is the first set of the Group’s financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in Note F.1.

## *A.3. Basis of measurement*

The Group decided to present an unaudited 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 unaudited 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 designated upon initial recognition as financial instruments at fair value through profit or loss, and financial instruments at fair value through other comprehensive income. Financial assets and liabilities as well as non-financial assets and liabilities measured at historical cost are stated at amortised cost using the effective interest method or historical cost, as appropriate, net of any relevant impairment.

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

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

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

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

## *A.4. Use of judgements and estimates*

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

- provisions recognised under liabilities (refer to E.14);
- the fair value of financial instruments (refer to C.1);

- impairment of investment securities, loans provided and other financial assets (refer to E.2, E.3, E.4 and E.7)
- contingent liability ( refer to E.27.1)

## *A.5. Basis of consolidation*

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, 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 there are changes to one or more of the elements of control. 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 unaudited condensed consolidated interim financial statements are presented in euros (EUR), which is the Company's functional currency and the Group's reporting currency, rounded to the nearest million.

# B. 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 2019 and 31 December 2018.

| Company | Domicile | Effective proportion of ownership interest June 2019 | Effective proportion of ownership interest December 2018 |
|---|---|---|---|
| PPF Financial Holdings B.V. | Netherlands | Parent Company | Parent Company |
| *Home Credit subgroup - subsidiaries* | | | |
| Home Credit Group B.V. | Netherlands | 91.12% | 91.12% |
| AB 2 B.V. | Netherlands | 91.12% | 91.12% |
| AB 4 B.V. | Netherlands | 91.12% | 91.12% |
| AB 7 B.V. | Netherlands | 91.12% | 91.12% |
| AB Structured Funding 1 DAC | Ireland | 91.12% | 91.12% |
| Air Bank a.s. | Czech Republic | 91.12% | 91.12% |
| Bank Home Credit SB JSC | Kazakhstan | 91.12% | 91.12% |
| Favour Ocean Ltd. | Hong Kong | 91.12% | 91.12% |
| Guangdong Home Credit Number Two Information Consulting Co., Ltd. | China | 91.12% | 91.12% |
| HC Consumer Finance Philippines, Inc. | Philippines | 91.12% | 91.12% |
| HCPH Financing 1, Inc. | Philippines | 91.12% | 91.12% |
| Home Credit a.s. | Czech Republic | 91.12% | 91.12% |
| Home Credit and Finance Bank LLC | Russia | 91.12% | 91.12% |
| Home Credit Asia Ltd. | Hong Kong | 91.12% | 91.12% |
| Home Credit B.V. | Netherlands | 91.12% | 91.12% |
| Home Credit Consumer Finance Co. Ltd. | China | 91.12% | 91.12% |
| Home Credit India Finance Private Ltd. | India | 91.12% | 91.12% |
| Home Credit Indonesia PT | Indonesia | 77.45% | 77.45% |
| Home Credit Insurance LLC | Russia | 91.12% | 91.12% |
| Home Credit International a.s. | Czech Republic | 91.12% | 91.12% |
| Home Credit Slovakia, a.s. | Slovakia | 91.12% | 91.12% |
| Home Credit US, LLC | USA | 45.65% | 45.65% |
| Home Credit Vietnam Finance Company Ltd. | Vietnam | 91.12% | 91.12% |
| Shenzhen Home Credit Number One Consulting Co., Ltd. | China | 91.12% | 91.12% |
| Shenzhen Home Credit Xinchi Consulting Co., Ltd. | China | 91.12% | 91.12% |
| Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd | China | 91.12% | 91.12% |
| Zonky, s.r.o. | Czech Republic | 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% |
| Ruconfin B.V. | Netherlands | 92.96% | 92.96% |
| Usconfin 1 DAC | Ireland | 92.96% | 92.96% |
| *Other subsidiaries* | | | |
| Telenor Banka a.d. Beograd | Serbia | 100.00% | - |
| *Associates* | | | |
| ClearBank Ltd. | United Kingdom | 38.53% | 37.70% |
| Eureka Analytics PTE. LTD. | Singapore | 17.31% | 24.33% |
| Nymbus, Inc. | USA | 18.43% | 18.43% |

## *B.2. Changes through business combinations in 2019/2018*

### B.2.1. Acquisition of a Serbian bank

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

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

During the three month period ended 30 June 2019, contributed revenue of MEUR 4 and loss of MEUR 2 to the Group´s results. If the acquisition had occurred on 1 January 2019, consolidated revenue and loss would have increased insignificantly.

In accordance with IFRS 3, the Group initiated a purchase price allocation ("PPA") exercise to identify the fair value of assets and liabilities. The acquired business was identified as one cash-generating unit. Assets and liabilities denominated in foreign currencies were translated using the exchange rate valid as at the acquisition date and subsequently restated to their respective fair values. The difference between the allocated purchase price and the fair values of identified assets and liabilities resulted in the recognition of gain on a bargain purchase. At the date of these financial statements the Group has not yet finished the exercise and utilises the twelve month period given by IFRS 3 to finalise the PPA.

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

*In millions of EUR, as at 20 February 2019*

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

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

*In millions of EUR*

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

### B.2.2. Acquisition of a 2.5% share in Home Credit Group

On 31 December 2018, the Group acquired a 2.5% stake in Home Credit Group B.V. from a minority shareholder. The Group increased its shareholding in Home Credit Group B.V. from 88.62% to 91.12%. The difference between the purchase price and the net asset value attributable to non-controlling interests acquired was recognised directly in equity.

The following tables summarise the financial aspect of the transaction:

*In millions of EUR*

| | |
|---|---|
| Consideration | 163 |
| Effective ownership acquired | 2.5% |
| Net asset attributable to non-controlling interests acquired | 54 |
| Effect recorded in retained earnings (decrease) | (109) |

The purchase price of a 2.5% stake in Home Credit Group B.V. was payable in three instalments; the first part of the consideration (MEUR 83) was paid on 31 December 2018; the second part (MEUR 80) was initially due in June 2019. The third instalment was defined as an earn-out being equal to 50% of the difference between the current purchase price (the first two instalments) and the market value reached at a possible partial future exit. The earn-out could have been in both directions, i.e. either positive or negative.

In April 2019, both shareholders of Home Credit Group B.V. signed an addendum substituting the initially agreed third instalment with an increase in the second instalment by MEUR 50. Therefore, the total consideration for the stake amounts to MEUR 213. The maturity of the second instalment amounting to MEUR 130 has been changed to May 2019. As the addendum was agreed in 2019, the respective increase in purchase price was recorded in the 2019 accounts as follows:

*In millions of EUR*

| | |
|---|---|
| Additional consideration | 50 |
| Effect recorded in retained earnings (decrease) | (50) |

### B.2.3. Disposal of Home Credit Belarus (in 2018)

On 15 June 2018, the Group disposed its investment in Non-banking Credit and Financial Organization Home Credit (OJSC).

The following table summarises the financial aspect of the transaction:

*In millions of EUR*

| | |
|---|---|
| Consideration | 4 |
| Net asset value disposed | (7) |
| Negative currency translation reserve (reclassified to income statement) | (5) |
| Net loss on sale | (8) |

# 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 2018.

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 2019*

| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Loans and receivables due from banks and other financial institutions | 641 | 641 | - | 641 | - |
| Loans due from customers | 20,182 | 20,353 | - | 1,112 | 19,241 |
| Investment securities at amortised cost | 898 | 894 | 771 | - | 123 |
| Trade and other receivables* | 125 | 125 | - | 13 | 112 |
| Due to non-banks | (13,425) | (13,464) | - | (13,464) | - |
| Due to banks and other financial institutions | (12,885) | (12,884) | - | (12,884) | - |
| Debt securities issued | (2,083) | (2,067) | (1,332) | (331) | (404) |
| Subordinated liabilities | (265) | (265) | - | - | (265) |
| Trade and other payables** | (732) | (732) | - | (69) | (663) |

*In millions of EUR, as at 31 December 2018*

| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Loans and receivables due from banks and other financial institutions | 338 | 338 | - | 338 | - |
| Loans due from customers | 18,513 | 18,724 | - | - | 18,724 |
| Investment securities at amortised cost | 864 | 851 | 749 | - | 103 |
| Trade and other receivables* | 123 | 123 | - | 13 | 110 |
| Due to non-banks | (11,696) | (11,704) | - | (11,704) | - |
| Due to banks and other financial institutions | (13,849) | (13,851) | - | (13,851) | - |
| Debt securities issued | (1,700) | (1,704) | (1,050) | (353) | (301) |
| Subordinated liabilities | (447) | (448) | (141) | - | (307) |
| Trade and other payables** | (672) | (672) | - | (50) | (622) |

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

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

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

*In millions of EUR, as at 30 June 2019*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | 256 | 236 | - | 492 |
| Financial assets FVOCI | 894 | 170 | - | 1,064 |
| Financial liabilities at FVTPL | (246) | (231) | - | (477) |
| **Total** | **904** | **175** | - | **1,079** |

*In millions of EUR, as at 31 December 2018*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | 225 | 140 | - | 365 |
| Financial assets FVOCI | 1,026 | 166 | - | 1,192 |
| Financial liabilities at FVTPL* | (312) | (310) | - | (622) |
| **Total** | **939** | **4** | - | **935** |

* Refer to E10 for more details on the liabilities in Level 3 bucket.

## *C.2. Capital management*

In 2015, the Group became a financial holding company and as such became subject to consolidated prudential requirements based on Regulation No 575/2013 of the European Parliament and of the Council, with the Czech National Bank as a consolidating supervisor. PPF banka is appointed as a responsible reporting entity for the Group.

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

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

In November 2015, by a decision of the Czech National Bank the Group was identified as an Other Systemically Important Institution (O-SII). This classification was confirmed in all subsequent years. No additional capital requirement was imposed as a result of this classification.

The Group and its individually regulated operations complied with all externally imposed capital requirements, liquidity requirements, and leverage requirements throughout the reporting period.

# D. Segment reporting

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

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

| Reportable segment | Business name/brand | Operations | Geographic focus |
|---|---|---|---|
| Consumer lending | Home Credit | Lending to private individual customers, deposit-taking | Czech Republic, Slovakia, Russia, Asia |
| | Air Bank and its subsidiaries | Deposits, loans and other transactions and balances with retail customers | Czech Republic, Slovakia |
| Corporate banking | PPF banka and its subsidiaries | Loans, deposits and other transactions and balances with corporate customers, trading activities | Czech Republic |
| | ClearBank *(associate)* | Clearing and settlement services | United Kingdom |
| Retail banking | Telenor Banka *(since 2019)* | Deposits, loans and other transactions and balances with retail customers | Serbia |

In 2018, the Group decided to change the presentation of segments from a mixture of sector and geographical views to the sector view. The comparative figures has been amended accordingly.

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

Telenor Banka constitutes a separate segment as it does not related to Home Credit business.

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

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

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

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

| | 2019 | 2018 |
|---|---|---|
| Interest income | 2,715 | 2,261 |
| Fee and commission income | 323 | 431 |
| Net earned premiums | 10 | 11 |
| **Total revenue from external customers** | **3,048** | **2,703** |

The following table shows the main items from the financial statements broken down according to reportable segments for the first half of 2019 and comparative figures for 2018:

*In millions of EUR*

| 30 June 2019 | Consumer lending | | | | | | Corporate banking | Retail banking | Unallocated | Eliminations | **Consolidated** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *China* | *CIS** | *SEA** | *CEE** | *Other* | | | | | |
| Revenue from customers | 2,953 | 1,848 | 467 | 503 | 125 | 10 | 89 | 4 | 2 | - | 3,048 |
| Inter-segment revenue | 1 | - | - | - | 1 | - | 29 | - | 15 | (45) | - |
| **Total revenue** | **2,954** | **1,848** | **467** | **503** | **126** | **10** | **118** | **4** | **17** | **(45)** | **3,048** |
| Net interest income from external customers | 1,846 | 1,146 | 267 | 349 | 95 | (11) | 50 | 2 | (2) | - | 1,896 |
| Inter-segment net interest income | (42) | - | (2) | (24) | 1 | (17) | 29 | - | 15 | (2) | - |
| **Total net interest income** | **1,804** | **1,146** | **265** | **325** | **96** | **(28)** | **79** | **2** | **13** | **(2)** | **1,896** |
| Income tax expense | (109) | | | | | | (14) | - | 14 | - | (109) |
| **Net profit from continuing operations** | **236** | | | | | | **42** | **(1)** | **50** | **(1)** | **326** |
| Other significant non-cash expenses | (871) | | | | | | 3 | - | (1) | - | (869) |
| Segment assets (incl. equity accounted investees) | 25,817 | | | | | | 8,335 | 173 | 608 | (1,404) | 33,529 |
| Segment liabilities | 23,374 | | | | | | 7,803 | 131 | 257 | (1,404) | 30,161 |
| **Segment equity** | **2,443** | | | | | | **532** | **42** | **351** | **-** | **3,368** |

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

*In millions of EUR*

| 30 June 2018 | Consumer lending | | | | | | Corporate banking | Unallocated | Eliminations | **Consolidated** |
|---|---|---|---|---|---|---|---|---|---|---|
| | | *China* | *CIS** | *SEA** | *CEE** | *Other* | | | | |
| Revenue from customers | 2,635 | 1,692 | 446 | 384 | 108 | 5 | 61 | 7 | - | 2,703 |
| Inter-segment revenue | (1) | - | - | - | (1) | - | 18 | - | (17) | - |
| **Total revenue** | **2,634** | **1,692** | **446** | **384** | **107** | **5** | **79** | **7** | **(17)** | **2,703** |
| Net interest income from external customers | 1,560 | 979 | 241 | 273 | 82 | (15) | 46 | 4 | - | 1,610 |
| Inter-segment net interest income | (19) | - | (1) | (16) | (1) | (1) | 17 | - | 2 | - |
| **Total net interest income** | **1,541** | **979** | **240** | **257** | **81** | **(16)** | **63** | **4** | **2** | **1,610** |
| Income tax expense | (11) | | | | | | (11) | (4) | - | (26) |
| **Net profit from continuing operations** | **44** | | | | | | **55** | **(6)** | **(1)** | **92** |
| Other significant non-cash expenses | 991 | | | | | | (1) | - | - | 990 |
| 31 December 2018 | | | | | | | | | | |
| Segment assets (incl. equity accounted investees) | 23,593 | | | | | | 9,144 | 734 | (1,155) | 32,316 |
| Segment liabilities | 21,492 | | | | | | 8,675 | 335 | (1,156) | 29,346 |
| **Segment equity** | **2,101** | | | | | | **469** | **399** | **1** | **2,970** |

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

# E. Notes to the consolidated financial statements

## *E.1. Cash and cash equivalents*

Cash and cash equivalents comprise the following:

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Cash on hand | 119 | 151 |
| Current accounts | 1,769 | 1,533 |
| Balances with central banks | 198 | 204 |
| Placements with financial institutions due within one month | 127 | 50 |
| Reverse repo operations with central banks | 6,474 | 7,800 |
| **Total cash and cash equivalents** | **8,687** | **9,738** |

As of 30 June 2019, cash and cash equivalents amounting to MEUR 1,132 (2018: MEUR 792) are restricted by the borrowing agreements contracted by Chinese Home Credit with the creditors either to disbursement of loans to retail clients or repayment of the loans received from the creditors. If the cash is used to provide loans to retail clients, the loans are pledged as collateral.

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

## *E.2. Investment securities*

Investment securities comprise the following:

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Financial assets at fair value through profit or loss | 492 | 365 |
| Financial assets at amortised cost | 898 | 864 |
| Financial assets at FVOCI | 1,064 | 1,192 |
| **Total financial securities** | **2,454** | **2,421** |

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

Financial assets at fair value through profit or loss held for trading (except for the part of government bonds that are non-trading) comprise the following:

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Government and other public-sector bonds | 251 | 169 |
| Corporate bonds | 17 | 52 |
| Equity securities | 10 | - |
| Positive fair values of trading derivatives | 212 | 140 |
| Positive fair values of hedging derivatives | 2 | 4 |
| **Total financial assets at FVTPL** | **492** | **365** |

### E.2.2. Financial assets at amortised cost

*In millions of EUR, as at 30 June 2019*

| | Gross amount | Amortised cost |
|---|---|---|
| Government bonds | 789 | 789 |
| Corporate bonds | 109 | 109 |
| **Total financial assets at amortised cost** | **898** | **898** |

*In millions of EUR, as at 31 December 2018*

| | Gross amount | Amortised cost |
|---|---|---|
| Government bonds | 761 | 761 |
| Corporate bonds | 103 | 103 |
| **Total financial assets at amortised cost** | **864** | **864** |

### E.2.3. Financial assets at FVOCI

Financial assets at FVOCI comprise the following:

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Debt securities | 1,056 | 1,162 |
| Government bonds | 527 | 658 |
| Corporate bonds | 529 | 504 |
| Equity securities | 8 | 30 |
| Shares | 8 | 9 |
| Mutual fund investments | - | 21 |
| **Total financial assets at FVOCI** | **1,064** | **1,192** |

## *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 2019 | 31 December 2018 |
|---|---|---|
| Gross amount | 643 | 338 |
| Allowance for impairment | (2) | - |
| **Total carrying amount** | **641** | **338** |
| Term deposits at banks | 49 | 14 |
| Minimum reserve deposits with central banks | 195 | 133 |
| Loans to banks | 3 | 54 |
| Loans and advances provided under repos | 263 | 64 |
| Cash collateral for derivative instruments | 80 | 73 |
| Other | 51 | - |

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

## _E.4. Loans due from customers_

Loans due from customers comprise the following:

_In millions of EUR_

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| **Loans due from customers - retail** | | |
| Gross amount | 21,152 | 19,435 |
| Allowance for impairment | (2,146) | (2,091) |
| **Loans due from customers – retail (carrying amounts)** | **19,006** | **17,344** |
| **Loans due from customers – non-retail** | | |
| Gross amount | 1,234 | 1,235 |
| Allowance for impairment | (58) | (66) |
| **Loans due from customers – non-retail (carrying amounts)** | **1,176** | **1,169** |
| **Total loans due from customers (carrying amounts)** | **20,182** | **18,513** |

_In millions of EUR_

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Cash loans | 13,450 | 11,938 |
| Consumer loans | 4,578 | 4,559 |
| Revolving loans | 627 | 529 |
| Car loans | 123 | 110 |
| Mortgage loans | 228 | 208 |
| **Loans due from customers – retail (carrying amounts)** | **19,006** | **17,344** |
| Loans to corporations | 1,157 | 1,153 |
| Loans and advances provided under repo operations | 16 | 15 |
| Other | 3 | 1 |
| **Loans due from customers – non-retail (carrying amounts)** | **1,176** | **1,169** |
| **Total loans due from customers (carrying amounts)** | **20,182** | **18,513** |

## _E.5. Trade and other receivables_

Trade and other receivables comprise the following:

_In millions of EUR_

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Trade receivables | 56 | 59 |
| Accrued income | 7 | 8 |
| Individual impairment | (1) | (1) |
| **Total trade and other receivables** | **62** | **66** |

## _E.6. Equity-accounted investees_

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

_In millions of EUR_

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| ClearBank Ltd. | 20 | 17 |
| Other | 25 | 27 |
| **Total equity-accounted investees** | 45 | 44 |

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

_In millions of EUR_

| | 30 June 2019 | 30 June 2018 |
|---|---|---|
| ClearBank Ltd. | (8) | (9) |
| Other | (2) | 2 |
| **Total share of earnings in equity-accounted investees** | **(10)** | **(7)** |

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 2019 | 31 December 2018 |
|---|---|---|
| Non-current assets | 25 | 16 |
| Current assets | 211 | 82 |
| Current liabilities | (188) | (57) |
| Net assets (100%) | 48 | 41 |
| Group's share of net assets (38.53%; 2018: 37.70%) | 19 | 16 |
| Goodwill included in carrying amount | 1 | 1 |
| **Carrying amount of investment in associate** | **20** | **17** |
| | 30 June 2019 | 30 June 2018 |
| Total net loss for the period (100%) | (16) | (7) |
| Group's share on the net loss (38.53%; 2018: 37.70%) | (6) | (3) |
| Dilution loss | (2) | (6) |
| **Total share in profit/(loss) (38.53%; 2018: 37.70%)** | **(8)** | **(9)** |

## _E.7. Other assets_

Other assets comprise the following:

_In millions of EUR_

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Prepaid expenses and advances | 117 | 113 |
| Cash collateral for payment cards | 62 | 57 |
| Other settlement accounts | 86 | 44 |
| Insurance deposits | 17 | 24 |
| Other taxes receivable | 9 | 6 |
| Assets held for sale | 3 | 3 |
| Inventories | 2 | 2 |
| Other | 19 | 34 |
| Deferred acquisition costs – insurance business | - | 2 |
| **Total other assets** | **315** | **285** |

## _E.8. Financial liabilities at fair value through profit or loss_

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

_In millions of EUR_

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Negative fair values of trading derivatives | 228 | 136 |
| Negative fair values of hedging derivatives | 2 | - |
| Liabilities from short sales of securities | 247 | 486 |
| **Total financial liabilities at FVTPL** | **477** | **622** |

## *E.9. Liabilities due to non-banks*

Liabilities to non-banks comprise the following:

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Current accounts and demand deposits | 7,553 | 6,560 |
| Term deposits | 3,760 | 3,372 |
| Loans received under repos | 2,097 | 1,743 |
| Loans | 13 | 19 |
| Other | 2 | 2 |
| **Total liabilities to non-banks** | **13,425** | **11,696** |

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

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

Liabilities to banks and other financial institutions comprise the following:

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Repayable on demand | 7 | 3 |
| Loans received under repos | 515 | 2,580 |
| Secured loans (other than repos) | 7,018 | 6,967 |
| Unsecured loans | 5,272 | 4,223 |
| Other | 73 | 76 |
| **Total liabilities to banks** | **12,885** | **13,849** |

## *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 2019 | 31 December 2018 |
|---|---|---|
| **Fixed rate debt securities** | | |
| Within 1 year | 1,219 | 1,114 |
| 1-2 years | 575 | 239 |
| 2-3 years | 92 | 237 |
| 3-4 years | 22 | 14 |
| **Variable rate debt securities** | | |
| Within 1 year | 51 | - |
| 1-2 years | 66 | 62 |
| 2-3 years | 58 | 28 |
| 3-4 years | - | 7 |
| **Total debt securities issued** | **2,083** | **1,700** |

As at 30 June 2019, debt securities issued of MEUR 948 (2018: MEUR 896) were secured by cash loan receivables amounting to MEUR 51 (2018: MEUR nil), consumer loan receivables of MEUR 516 (2018: MEUR 555), and cash and cash equivalents amounting to MEUR 381 (2018: MEUR 341).

## *E.12. Subordinated liabilities*

Subordinated liabilities comprise the following:

*In millions of EUR*

| | Interest rate | Maturity | 30 June 2019 | 31 December 2018 |
|---|---|---|---|---|
| Bond issue of MCZK 4,000 | Fixed | 2027 | 160 | 155 |
| Bond issue of MEUR 92 | Fixed | 2028 | 94 | 93 |
| Loan (Sprint eBusiness) MUSD 7 | Variable | 2023 | 7 | 7 |
| Loan of MRSD 465 | Variable | 2024 | 4 | - |
| Loan participation notes issue 8 of MUSD 200 | Fixed | 2021 | - | 139 |
| Bond issue of MCZK 2,000 | Fixed | 2024 | - | 53 |
| **Total subordinated liabilities** | | | **265** | **447** |

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

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

Subordinated loan participation notes issue 8 was made in October 2013. The Group used an early redemption option exercisable on 17 April 2019 (the reset date).

The bond issue of MCZK 2,000 was issued in April 2014. The Group used an early redemption option exercisable on 30 April 2019.

## *E.13. Trade and other payables*

Other liabilities comprise the following:

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Settlements with suppliers | 179 | 261 |
| Wages and salaries | 87 | 126 |
| Social security and health insurance | 14 | 13 |
| Other taxes payable | 42 | 85 |
| Accrued expenses | 79 | 86 |
| Customer loan overpayments | 76 | 53 |
| Deferred income | 4 | 4 |
| Advances received | 5 | 18 |
| Lease liabilities | 161 | - |
| Other liabilities | 229 | 231 |
| **Total trade and other payables** | **876** | **877** |

The “Other” category includes blocked accounts of PPF banka amounting to MEUR 195 (2018: MEUR 193) consisting chiefly of collateral deposits for derivatives totalling MEUR 161 (2018: MEUR 154).

## _E.14. Insurance and other provisions_

Provisions comprise the following:

_In millions of EUR_

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Provisions for unearned premiums | 33 | 30 |
| Provisions for insurance commissions return | 10 | 8 |
| Provisions for expected credit losses from loan commitments and financial guarantees | 3 | 2 |
| Provisions for litigation except for tax-related litigation | 6 | 7 |
| Other provisions | 13 | 4 |
| **Total provisions** | **65** | **51** |

## _E.15. Capital issued and share premium_

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

The following table provides details of authorised and issued shares:

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Number of shares authorised | 45,000 | 45,000 |
| Number of shares issued and fully paid | 45,000 | 45,000 |
| Par value per share | EUR 1 | EUR 1 |

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

During 2019, there was no increase in share premium (2018: cash contribution of MEUR 93).

## _E.16. Additional paid-in capital_

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

## _E.17. Non-controlling interests_

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

| Name of subsidiary | Abbr. | Applicable | Country of incorporation |
|---|---|---|---|
| Home Credit Group B.V. (subgroup)* | HC | 2019 | Netherlands |
| PPF banka, a.s. (subgroup) | PPFB | 2019/2018 | Czech Republic |
| Home Credit Indonesia PT | HCID | 2019/2018 | Indonesia |
| Home Credit US, LLC | HCUS | 2019/2018 | USA |

*Home Credit B.V. was contributed to Home Credit Group B.V. in May 2018

The following table summarises the information relating to these subsidiaries:

*In millions of EUR*

| 30 June 2019 | HC | PPFB | HCID | HCUS | Total |
|---|---|---|---|---|---|
| **NCI percentage (effective ownership)** | **8.88%** | **7.04%** | **22.55%** | **54.35%** | |
| Total assets | 25,882 | 8,335 | 354 | 90 | |
| Total liabilities | (23,373) | (7,803) | (283) | (73) | |
| **Net assets** | **2,509** | **532** | **71** | **17** | |
| Net assets attributable to NCI of the sub-group | (20) | - | - | - | |
| **Net assets attributable to owners of the Parent** | **2,489** | **532** | **71** | **17** | |
| Carrying amount of NCI | 221 | 37 | 12 | 9 | **279** |
| **NCI percentage during the period** | **8.88%** | **7.04%** | **22.55%** | **54.35%** | |
| Revenue | 2,951 | 144 | 96 | 9 | |
| Profit/(loss) | 261 | 43 | 4 | (20) | |
| Other comprehensive income | 108 | 26 | - | - | |
| Total comprehensive income | 369 | 69 | 4 | (20) | |
| Profit/(loss) allocated to NCI | 23 | 3 | - | (11) | **15** |
| OCI allocated to NCI | 8 | 3 | - | - | **11** |
| **Dividends paid to NCI** | - | - | - | - | - |

*In millions of EUR*

| 31 December 2018 | HC | PPFB | HCID | HCUS | Total |
|---|---|---|---|---|---|
| **NCI percentage (effective ownership)** | **8.88%** | **7.04%** | **22.55%** | **54.35%** | |
| Total assets | 23,647 | 9,622 | 276 | 91 | |
| Total liabilities | (21,492) | (9,149) | (227) | (72) | |
| **Net assets** | **2,155** | **473** | **49** | **19** | |
| Net assets attributable to NCI of the sub-group | (17) | - | - | - | |
| **Net assets attributable to owners of the Parent** | **2,138** | **473** | **49** | **19** | |
| Carrying amount of NCI | 190 | 33 | 7 | 9 | **239** |

*In millions of EUR*

| 30 June 2018 | HC | PPFB | HCID | HCUS | Total |
|---|---|---|---|---|---|
| **NCI percentage during the period** | **11.38%** | **7.04%** | **24.67%** | **55.6%** | |
| Revenue | 2,632 | 101 | 65 | 1 | |
| Profit/(loss) | 48 | 58 | 5 | (17) | |
| Other comprehensive income | (26) | (32) | - | - | |
| Total comprehensive income | 22 | 26 | 5 | (17) | |
| Profit/(loss) allocated to NCI | 5 | 4 | 1 | (8) | **2** |
| OCI allocated to NCI | (4) | (2) | - | - | **(6)** |
| **Dividends paid to NCI** | - | - | - | - | - |

## *E.18. Net interest income*

Interest income comprises the following:

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

| | 2019 | 2018 |
|---|---|---|
| Financial instruments at FVTPL | 4 | 4 |
| Financial assets at FVOCI | 23 | 29 |
| Financial instruments at AC | 7 | 4 |
| Due from banks and other financial institutions | 83 | 41 |
| Cash loan receivables | 1,989 | 1,634 |
| Consumer loan receivables | 504 | 448 |
| Revolving loan receivables | 58 | 54 |
| Car loan receivables | 11 | 9 |
| Mortgage loan receivables | 3 | 2 |
| Loans to corporations | 33 | 36 |
| **Total interest income** | **2,715** | **2,261** |

Interest expense comprises the following:

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

| | 2019 | 2018 |
|---|---|---|
| Due to customers | 132 | 119 |
| Due to banks and other financial institutions | 598 | 474 |
| Debt securities issued | 65 | 37 |
| Subordinated liabilities | 11 | 18 |
| Other | 13 | 3 |
| **Total interest expenses** | **819** | **651** |
| | | |
| **Total net interest income** | **1,896** | **1,610** |

## *E.19. Net fee and commission income*

Fee and commission income comprises the following:

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

| | 2019 | 2018 |
|---|---|---|
| Insurance commissions | 176 | 290 |
| Penalty fees | 63 | 84 |
| Customer payment processing and account maintenance | 26 | 21 |
| Cash transactions | 17 | 13 |
| Retailers’ commissions | 9 | 6 |
| Other | 32 | 17 |
| **Total fee and commission income** | **323** | **431** |

Fee and commission expense comprises the following:

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

| | 2019 | 2018 |
|---|---|---|
| Commissions to retailers | 10 | 10 |
| Cash transactions | 14 | 13 |
| Payment processing and account maintenance | 27 | 20 |
| Payments to deposit insurance agencies | 20 | 16 |
| Credit and other register expense | 19 | 20 |
| Other | 6 | 4 |
| **Total fee and commission expense** | **96** | **83** |
| | | |
| **Total net fee and commission income** | **227** | **348** |

## *E.20. Net gain/loss on financial assets*

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

| | 2019 | 2018 |
|---|---|---|
| Net trading income/(expense) | (13) | 23 |
| Debt securities trading | 10 | 14 |
| FX trading | 11 | (17) |
| Derivatives | (34) | 26 |
| Net realised gains/(losses) | 10 | 10 |
| Financial assets at amortised costs | 5 | (2) |
| Financial assets at FVOCI | 2 | 12 |
| Loan and receivables | 3 | - |
| **Total net gain/(loss) on financial assets** | **(3)** | **33** |

## *E.21. Net impairment losses on financial assets*

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

| | 2019 | 2018 |
|---|---|---|
| Financial assets at FVOCI | - | 1 |
| Cash loan receivables | 742 | 724 |
| Consumer loan receivables | 121 | 255 |
| Revolving loan receivables | 6 | 5 |
| Car loan receivables | - | (1) |
| Mortgage loan receivables | (1) | (1) |
| Loans to corporations | (2) | 6 |
| Due from banks and other financial institutions | 2 | - |
| Other financial assets* | 1 | (1) |
| **Total net impairment losses on financial assets** | **869** | **988** |

*incl. impairment losses on undrawn credit limit

## *E.22. Insurance income*

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

| | 2019 | 2018 |
|---|---|---|
| Gross earned premium | 10 | 11 |
| Gross premium written | 10 | 13 |
| Change in the provisions for unearned premiums | - | (2) |
| Acquisition cost | (2) | (2) |
| **Total non-life insurance income** | **8** | **9** |

## *E.23. Other income*

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

| | 2019 | 2018 |
|---|---|---|
| Gain on bargain purchase | 38 | - |
| Provision of services to minority partner | 5 | 7 |
| Other | 39 | 16 |
| **Total other income** | **82** | **23** |

In 2019, the other category consists mainly of tax subsidies of MEUR 23 and debt sale proceeds.

## *E.24. Personnel expenses and other operating expenses*

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

| | 2019 | 2018 |
|---|---|---|
| Employee compensation | 436 | 463 |
| Payroll related taxes (including pension contribution) | 105 | 112 |
| **Total personnel expenses** | **541** | **575** |
| Rental, maintenance and repair expense | 16 | 39 |
| Telecommunication and postage | 42 | 37 |
| Professional services | 52 | 34 |
| Information technologies | 31 | 34 |
| Advertising and marketing | 28 | 31 |
| Collection agency fee | 31 | 26 |
| Taxes other than income tax | 21 | 21 |
| Travel expenses | 12 | 12 |
| Foreign currency losses | 3 | - |
| Other | 27 | 32 |
| **Total other operating expenses** | **804** | **841** |

## *E.25. Depreciation and amortisation*

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

| | 2019 | 2018 |
|---|---|---|
| Depreciation of property, plant and equipment | 29 | 25 |
| Depreciation of property, plant and equipment- ROU (IFRS 16)* | 24 | - |
| Amortisation of intangible assets | 36 | 30 |
| **Total other operating expenses** | **89** | **55** |

** right of use*

## *E.26. Income tax expense*

Income tax expense comprises the following:

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

| | 2019 | 2018 |
|---|---|---|
| Current tax expense | (125) | (194) |
| Deferred tax benefit | 16 | 168 |
| **Total income tax expense** | **(109)** | **(26)** |

Income tax is computed and recognised by entities generating substantial accounting profit for the interim period, either via application of statutory income tax rate on pre-tax income adjusted by, if significant, excluded disregarded revenues and costs. The Group's consolidated effective tax rate for the six months ended 30 June 2019 was 25% (30 June 2018: 22%).

## *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 2019 | 31 December 2018 |
|---|---|---|
| Loan commitments | 1,184 | 927 |
| Revolving loan commitments | 947 | 699 |
| Consumer loan commitments | 58 | 68 |
| Cash loan commitments | 31 | 37 |
| Undrawn overdraft facilities | 57 | 51 |
| Term loan facilities | 91 | 72 |
| Capital expenditure commitments | 9 | 7 |
| Guarantees provided | 65 | 63 |
| Non-payment guarantees | 22 | 22 |
| Non-revocable letters of credit | - | 1 |
| Payment guarantees | 43 | 40 |
| **Total commitments and contingent liabilities** | **1,258** | **997** |

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 2019 | 31 December 2018 |
|---|---|---|
| Secured bank loans | 7,018 | 6,967 |
| Loans received under repos | 2,612 | 4,323 |
| Debt securities issued | 948 | 896 |
| **Total secured liabilities** | **10,578** | **12,186** |

The assets pledged as security were as follows:

_In millions of EUR_

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Cash and cash equivalents | 1,132 | 792 |
| Financial assets at FVTPL (repos) | 21 | 172 |
| Financial assets at FVOCI (repos) | 93 | 403 |
| Loans and receivables due from customers | 10,572 | 9,791 |
| Financial assets in off balance sheet (repo operations) | 2,498 | 3,933 |
| **Total assets pledged as security** | **14,316** | **15,091** |

As of 30 June 2019, cash and cash equivalents of MEUR 1,132 (2018: MEUR 792) were restricted by borrowing agreements with the creditors in Chinese Home Credit either to the disbursement of loans to retail clients or to the repayment of the loans received from creditors. If the cash was used to provide loans to retail clients, the loans were pledged as collateral. Thus, the restriction on the cash effectively increases the security of the creditors.

### E.27.2. Other contingencies

*E.27.2.1. Taxation*

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

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

Home Credit and Finance Bank (LLC) is currently under review of tax inspection for period 2014-2016. The final output is not known yet.

In terms of other countries where Group companies operate, several changes in tax legislation have been observed in recent years, especially in Cyprus, the Netherlands, the Czech Republic and Slovakia. However, these changes have had no significant impact on the tax positions of any of the Group companies.

### 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 2019 | 31 December 2018 |
|---|---|---|
| Guarantees received | 61 | 85 |
| Loan commitments received | 20 | 11 |
| Value of assets received as collateral (including repos) | 8,127 | 9,373 |
| **Total contingent assets** | **8,208** | **9,469** |

## *E.28. Related parties*

### E.28.1. Transactions with the parent company

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

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

| | 2019 | 2018 |
|---|---|---|
| Interest income | - | 1 |
| **Total revenue** | **-** | **1** |
| Interest expenses | (2) | (7) |
| Net loss on financial assets | - | (10) |
| **Total expenses** | **(2)** | **(17)** |

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

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Loans due from customers | 18 | 27 |
| **Total assets** | **18** | **27** |
| Due to non-banks | (185) | (201) |
| Subordinated liabilities | - | (51) |
| **Total liabilities** | **(185)** | **(251)** |

### E.28.2. Transactions with affiliates

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

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

| | 2019 | 2018 |
|---|---|---|
| Interest income | 5 | 4 |
| Fee and commission income | 1 | - |
| Net gain/(loss) on financial assets | 4 | - |
| **Total revenue** | **10** | **4** |
| Interest expense | (1) | (2) |
| Net loss on financial assets | - | (18) |
| General administrative expenses | (10) | (11) |
| **Total expenses** | **(11)** | **(31)** |

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

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Loans due from customers | 106 | 111 |
| Trade and other receivables | 2 | 2 |
| Intangible assets | 2 | 2 |
| Financial assets FVOCI | - | 36 |
| Other assets | 1 | 1 |
| **Total assets** | **111** | **152** |
| Due to non-banks | (443) | (139) |
| Subordinated liabilities | (4) | - |
| Financial liabilities at fair value through profit and loss | (2) | (2) |
| Trade and other payables | (12) | (9) |
| **Total liabilities** | **(461)** | **(150)** |

### E.28.3. Other related parties including key management personnel

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

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

| | 2019 | 2018 |
|---|---|---|
| Interest income | 7 | 9 |
| **Total revenue** | **7** | **9** |
| General administrative expenses | (4) | (3) |
| **Total expenses** | **(4)** | **(3)** |

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

*In millions of EUR*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Loans due from customers | 170 | 208 |
| **Total assets** | **170** | **208** |
| Due to non-banks | (28) | (2) |
| Trade and other payables | (1) | (81) |
| **Total liabilities** | **(29)** | **(83)** |

# F. Significant accounting policies

## _F.1. Significant accounting policies_

The Group applies the same accounting policies in these unaudited condensed consolidated interim financial statements as were applied in the recent annual consolidated financial statements for the year ended 31 December 2018, except for the changes described below.

### F.1.1. IFRS 16 Leases (effective from 1 January 2019)

The Group adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

The impact of the transition is shown in the text below. The Group's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment", the same line item as it presents underlying assets of the same nature that it owns.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents lease liabilities in “Other liabilities” in the Consolidated Statements of Financial Position.

The Group has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for some lease contracts that have a lease term of 12 months or shorter and for leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

**Impact of transition to IFRS 16**

Effective from 1 January 2019, the Group adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. The information presented for 2018 remains as previously reported under IAS 17 and related interpretations.

On transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group has also elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4.

The Group applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after 1 January 2019. The following table reconciles the Group’s operating lease obligations at 31 December 2018, as previously disclosed in the Group’s consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 as at 1 January 2019.

*In millions of EUR*

| | 1 January 2019 |
|---|---|
| Right-of-use assets presented in property, plant and equipment | 173 |
| Deferred tax asset | - |
| Lease liabilities | (173) |

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 6.28%.

*In millions of EUR*

| | 1 January 2019 |
|---|---|
| Operating lease commitments at 31 December 2018 as disclosed in the Consolidated Financial Statements of the Group | (207) |
| **Discounted using the incremental borrowing rate at 1 January 2019** | **24** |
| Finance lease liabilities recognised as at 31 December 2018 | - |
| Recognition exemption for leases of low-value asset | - |
| Recognition exemption for leases with less than 12 months of lease term at transition | 10 |
| Extension options reasonably certain to be exercised and other | - |
| **Lease liabilities recognised at 1 January 2019** | **(173)** |

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised MEUR 160 of right-of-use assets and MEUR 161 of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised MEUR 24 of depreciation charges and MEUR 5 of interest costs from these leases.

### F.1.2. Other relevant effective requirements

<u>IFRIC 23 Uncertainty over Income Tax Treatments</u> (effective from 1 January 2019)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by the tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authorities will accept an entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases, and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all relevant information.

These interpretations have been adopted by the EU.

These interpretations did not have a significant impact on the Group's financial statements.

<u>Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation</u> (effective from 1 January 2019)

In October 2018 IASB issued amendments to IFRS 9 Prepayment Features with Negative Compensation. These amendments enable entities to measure some pre-payable financial assets with so-called negative compensation at amortised cost.

These amendments have been adopted by the EU.

These amendments did not have a significant impact on the Group's financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures (effective from 1 January 2019)

The amendments to IAS 28 Investments in Associates and Joint Ventures clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.

These amendments have been adopted by the EU.

These amendments did not have a significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2015-2018 Cycle (effective from 1 January 2019)

In February 2018, the IASB published Annual Improvements to IFRSs 2014-2016 Cycle as part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.

These annual improvements have been adopted by the EU.
These amendments did not have a significant impact on the Group's financial statements.

## *F.2. Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Group's financial statements*

A number of new standards, amendments to standards and interpretations were not yet effective as of 30 June 2019 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its financial statements.

IFRS 17 Insurance Contracts (effective from 1 January 2021)

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for 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 not yet been adopted by the EU.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17.

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

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

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

These amendment have not yet been adopted by the EU.

The Group does not expect these amendments to have a significant impact on its consolidated financial statements.

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

The IASB has issued narrow scope amendments to IFRS 3 aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments, beside other changes, narrow the definition of a business in the standard.

These amendments have not yet been adopted by the EU and are not expected to have any significant impact on the Group's financial statements.

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

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

These amendments have not yet been adopted by the EU and are not expected to have significant impact on the Group's financial statements.

# G. Subsequent events

With effect from 1 July 2019, the Parent Company 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.

On 15 July, 2019, Home Credit N.V. (formerly Home Credit B.V. whose legal form was changed on 27 July 2019) filed a listing application to the Stock Exchange of Hong Kong ("HKSE"). This filing was made in preparation for a contemplated global offering of Home Credit N.V. shares ("IPO"). On 1 September 2019, Home Credit N.V. submitted post hearing information pack to the HKSE. There is no assurance that the listing or any global offering of Home Credit N.V. shares will take place or as to when it may take place.

Under the agreement stated above (the "Agreement") the parties agreed following:

Emma Omega has a put option to sell up to a maximum of 2.5% shareholding interest in Home Credit Group. The put option could be exercised at the earlier of (a) 30 June 2020 or, (b) in case of the successful completion of the listing before 30 June 2020, at the fifth business day before publication of the Home Credit N.V. prospectus. In case the put option is exercised the final acquirer of the shares might be an entity outside the Group. Emma Omega is entitled to acquire from PPF Financial Holdings a 1% or 2% shareholding interest in Home Credit Group in January 2021 at the nominal value of shares. The percentage shareholding of Home Credit Group which may be acquired by Emma Omega depends on whether the Home Credit N.V. listing value achieves certain pre-agreed thresholds agreed by the parties. 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 share if PPF Financial Holdings is able to achieve a pre-agreed internal rate of return on its investment in Home Credit Group at the later of (a) 31 December 2023 and (b) two years following the Home Credit N.V. listing. Under the Agreement, upon regular termination of it 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 average market price of any material listed subsidiary of Home Credit Group if listed at that time. The contractual arrangements can be terminated also earlier than on regular termination date (31 December 2023) upon agreed and specified circumstances. The final acquirer of the shares is an entity outside the Group.

30 September 2019

Board of Directors:

Jan Cornelis Jansen
*Member of the Board of Directors*

Rudolf Bosveld
*Member of the Board of Directors*

Paulus Aloysius de Reijke
*Member of the Board of Directors*

Kateřina Jirásková
*Member of the Board of Directors*

Lubomír Král
*Member of the Board of Directors*