Home Credit Group B.V.

Condensed Interim Financial Report
for the six-month period ended 30 June 2019

Contents

Condensed Consolidated Interim Financial Statements
for the six-month period ended 30 June 2019

	Note	30 June 2019 MEUR	31 Dec 2018 MEUR
ASSETS			
Cash and cash equivalents	7	3,875	3,362
Financial assets at fair value through profit or loss	8	23	21
Financial assets at fair value through other comprehensive income	9	284	462
Due from banks, other financial institutions and holding companies	10	382	314
Loans to customers	11	19,035	17,462
Investment securities at amortized cost	12	775	761
Assets classified as held for sale	13	3	3
Current income tax receivables		18	8
Investments in associates	14	25	27
Property and equipment	15	330	181
Intangible assets and goodwill	16	321	287
Deferred tax assets		450	423
Other assets	17	361	336
Total assets		**25,882**	**23,647**
LIABILITIES			
Financial liabilities at fair value through profit or loss	18	47	21
Current accounts and deposits from customers	19	7,218	6,776
Due to banks, other financial institutions and holding companies	20	13,086	11,966
Debt securities issued	21	2,212	1,795
Subordinated liabilities	22	7	199
Current income tax liabilities		64	82
Deferred tax liabilities		10	9
Insurance and other provisions	23	58	42
Other liabilities	24	671	603
Total liabilities		**23,373**	**21,493**
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	1,000	1,000
Share premium	25	628	628
Statutory reserves	25	123	114
Foreign currency translation	25	(675)	(770)
Reserve for business combinations under common control	25	(153)	(153)
Revaluation reserve	25	-	-
Other reserves	25	1,566	1,318
Total equity attributable to equity holders of the Company		**2,489**	**2,137**
Non-controlling interests	26	**20**	**17**
Total equity		**2,509**	**2,154**
Total liabilities and equity		**25,882**	**23,647**

Continuing operations:	**Note**	**6 months ended 30 June 2019 MEUR**	**6 months ended 30 June 2018 MEUR**
Interest income	27	2,624	2,195
Interest expense	27	(821)	(653)
Net interest income		**1,803**	**1,542**
Fee and commission income	28	318	428
Fee and commission expense	29	(83)	(75)
Net fee and commission income		**235**	**353**
Net insurance income	30	**8**	**9**
Net gains/(losses) on financial assets and liabilities	31	(7)	7
Other operating income	32	43	23
Operating income		**2,082**	**1,934**
Impairment losses on financial assets	33	(871)	(991)
Personnel expenses and Other operating expenses	34	(764)	(789)
Rental, maintenance and repairs		(15)	(38)
Depreciation and amortization		(87)	(54)
Operating expenses		**(1,737)**	**(1,872)**
Losses on disposals/liquidations of associates and subsidiaries		(3)	(14)
Share of earnings in associates		(1)	2
Profit before tax		**341**	**50**
Income tax expense	35	(91)	(13)
Net profit from continuing operations for the period		**250**	**37**
Profit/(loss) attributable to:			
Equity holders of the Company		261	45
Non-controlling interests	26	(11)	(8)
Net profit for the period		**250**	**37**
Other comprehensive (loss)/income which will be subsequently reclassified to profit or loss:			
Currency translation		95	(23)
Revaluation of financial assets at fair value through other comprehensive income		-	(3)
Revaluation of financial assets at fair value through other comprehensive income transferred to profit or loss		-	(1)
Income tax relating to components of other comprehensive income		-	1
Other comprehensive (loss)/income for the period		**95**	**(26)**
Total comprehensive income for the period		**345**	**11**
Total comprehensive income attributable to:			
Equity holders of the Company		356	19
Non-controlling interests		(11)	(8)
Total comprehensive income for the period		**345**	**11**

	Attributable to equity holders of the Company									
	Share capital MEUR	**Share premium MEUR**	**Statutory reserves MEUR**	**Foreign currency translation MEUR**	**Reserve for business combinations under common control MEUR**	**Revaluation reserve MEUR**	**Other reserves MEUR**	**Total MEUR**	**Non-controlling interests MEUR**	**Total equity MEUR**
Balance as at 1 January 2019	1,000	628	114	(770)	(153)	-	1,318	**2,137**	17	**2,154**
Other changes in non-controlling interest	-	-	-	-	-	-	(4)	**(4)**	14	**10**
Transfers	-	-	9	-	-	-	(9)	**-**	-	**-**
Total	**1,000**	**628**	**123**	**(770)**	**(153)**	**-**	**1,305**	**2,133**	**31**	**2,164**
Currency translation	-	-	-	95	-	-	-	**95**	-	**95**
Revaluation gains/ (losses) on financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	**-**	-	**-**
Revaluation of financial assets at fair value through other comprehensive income transferred to profit or loss, net of tax	-	-	-	-	-	-	-	**-**	-	**-**
Profit for the period	-	-	-	-	-	-	261	**261**	(11)	**250**
Total comprehensive income for the period	**-**	**-**	**-**	**95**	**-**	**-**	**261**	**356**	**(11)**	**345**
Total changes	**-**	**-**	**9**	**95**	**-**	**-**	**248**	**352**	**3**	**355**
Balance as at 30 June 2019	**1,000**	**628**	**123**	**(675)**	**(153)**	**-**	**1,566**	**2,489**	**20**	**2,509**

	Attributable to equity holders of the Company									
	Share capital	**Share premium**	**Statutory reserves**	**Foreign currency translation**	**Reserve for business combinations under common control**	**Revaluation reserve**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
	MEUR	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**
Balance as at 31 December 2017	7	-	82	(649)	1,481	(1)	1,100	**2,020**	15	**2,035**
Transition impact, net of tax	-	-	-	-	-	-	(203)	**(203)**	-	**(203)**
Balance as at 1 January 2018	7	-	82	(649)	1,481	(1)	897	**1,817**	15	**1,832**
Total	**7**	**-**	**82**	**(649)**	**1,481**	**(1)**	**897**	**1,817**	**15**	**1,832**
Disposal/deconsolidation of subsidiaries	-	-	(1)	(5)	-	-	1	**(5)**	-	**(5)**
Contribution in kind (reverse acquisition)	993	628	-	-	(1,621)	-	-	**-**	-	**-**
Other changes in non-controling interest	-	-	-	-	-	-	-	**-**	9	**9**
Transfers	-	-	6	-	-	-	(6)	**-**	-	**-**
Currency translation	-	-	-	(23)	-	-	-	**(23)**	-	**(23)**
Revaluation gains/ (losses) on financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	(2)	-	**(2)**	-	**(2)**
Revaluation of financial assets at fair value through other comprehensive income transferred to profit or loss, net of tax	-	-	-	-	-	(1)	-	**(1)**	-	**(1)**
Profit for the period	-	-	-	-	-	-	45	**45**	(8)	**37**
Total comprehensive income for the period	**-**	**-**	**-**	**(23)**	**-**	**(3)**	**45**	**19**	**(8)**	**11**
Total changes	**993**	**628**	**5**	**(28)**	**(1,621)**	**(3)**	**(163)**	**(189)**	**1**	**(188)**
Balance as at 30 June 2018	**1,000**	**628**	**87**	**(677)**	**(140)**	**(4)**	**937**	**1,831**	**16**	**1,847**

	Note	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Operating activities			
Profit before tax		341	50
Adjustments for:			
Interest expense	27	821	653
Interest income	27	(2,624)	(2,195)
Net loss/gain on disposal of property, equipment and intangible assets		2	3
Net loss on disposal of subsidiaries and associates		3	14
Impairment losses	33,34	871	993
Share of earnings in associates		1	(2)
Depreciation and amortization		87	54
Net operating cash flow before changes in working capital		**(498)**	**(430)**
Change in due from banks, other financial institutions and holding companies		(58)	4
Change in loans to customers		(2,175)	(2,474)
Change in financial assets at fair value through profit or loss		-	3
Change in other assets		(25)	2
Change in held for sale assets		-	1
Change in current accounts and deposits from customers		84	127
Change in financial liabilities at fair value through profit or loss		26	9
Change in other liabilities and insurance and other provisions		(92)	(102)
Effects of foreign currency translation on items other than cash and cash equivalents		(24)	374
Cash flows used in the operations		**(2,762)**	**(2,486)**
Interest paid		(770)	(825)
Interest received		2,765	2,397
Income tax paid		(137)	(142)
Cash flows used in operating activities		**(904)**	**(1,056)**
Investing activities			
Proceeds from sale of property, equipment and intangible assets		5	18
Acquisition of property, equipment and intangible assets		(87)	(97)
Proceeds from sale of subsidiaries and associates		-	4
Dividends from associates		-	-
Acquisition of financial assets at fair value through other comprehensive income		(471)	(1,003)
Proceeds from sale of financial assets at fair value through other comprehensive income		693	1,233
Acquisition of Investment securities at amortized cost		(3)	-
Acquisition of investment in associate		2	-
Cash flows from/ (used in) investing activities		**139**	**155**
Financing activities			
Proceeds from the issue of debt securities (included subordinated)		1,081	740
Repayment of debt securities issued (included subordinated)		(884)	(965)
Proceeds from due to banks, other financial institutions and holding companies		14,077	7,376
Repayment of due to banks, other financial institutions and holding companies		(13,038)	(6,931)
Payments of lease liabilities		(6)	-
Cash flows from financing activities		**1,230**	**220**
Net increase/(decrease) in cash and cash equivalents		465	(681)
Cash and cash equivalents as at 1 January		3,362	3,028
Effects of exchange rate changes on cash and cash equivalents		48	(19)
Cash and cash equivalents as at 30 June	7	**3,875**	**2,328**

1. Description of the Group

Home Credit Group B.V. (the "Company") was incorporated on 20 September 2017 in the Netherlands.

Registered office
Strawinskylaan 933
1077 XX Amsterdam
The Netherlands

In reverse acquisition effective 8 May 2018, PPF Financial Holdings B.V. and Emma Omega Ltd. contributed its shares in Home Credit B.V. into equity of Home Credit Group B.V. For accounting purposes, the legal acquiree Home Credit B.V. was identified as the acquiring entity. Consequently, these consolidated financial statements represent the continuation of the financial statements of Home Credit B.V. except the capital structure, which has been adjusted to reflect the capital structure of Home Credit Group B.V.

Home Credit Group B.V. is a subsidiary of PPF Financial Holdings B.V. and Emma Omega Ltd. PPF Financial Holdings B.V. is a subsidiary of PPF Group N.V. The ultimate controlling person of Home Credit Group B.V. is Mr. Petr Kellner, who exercises control through PPF Group N.V. and PPF Financial Holdings B.V.

Principal activities

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are the provision of consumer financing to private individual customers in the Central Europe, the Commonwealth of Independent States (CIS), Asia and the United States of America as well as deposit taking, saving and current bank account service and maintenance, payments, insurance and other services.

Board of Directors

Jiří Šmejc	Chairman
Christoph Glaser	Member
Jean-Pascal Duvieusart	Member
Mel Gerard Carvill	Member
Jan Cornelis Jansen	Member
Rudolf Bosveld	Member
Paulus Aloysius de Reijke	Member
Marcel Marinus van Santen	Member

1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 30 June 2019	31 Dec 2018
Non-banking Credit and Financial Organization "Home Credit" (OJSC) [1]	Belarus	0.00	0.00
Asnova Insurance (CJSIC) [1]	Belarus	0.00	0.00
Guangdong Home Credit Number Two Information Consulting Co., Ltd.	China	100.00	100.00
Home Credit Consumer Finance Co., Ltd.	China	100.00	100.00
Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd.	China	100.00	100.00
Shenzhen Home Credit Xinchi Consulting Co., Ltd.	China	100.00	100.00
Shenzhen Home Credit Number One Consulting Co., Ltd.	China	100.00	100.00
CF Commercial Consulting (Beijing) Co., Ltd. [2]	China	0.00	0.00
Redlione (LLC) [3]	Cyprus	100.00	100.00
Astavedo Limited [3]	Cyprus	100.00	100.00
Enadoco Limited [3]	Cyprus	100.00	100.00
Rhaskos Finance Limited [3]	Cyprus	100.00	100.00
Septus Holding Limited [3]	Cyprus	100.00	100.00
Sylander Capital Limited [3]	Cyprus	100.00	100.00
Talpa Estero Limited [3]	Cyprus	100.00	100.00
Air Bank (JSC)	Czech Republic	100.00	100.00
Zonky (LLC)	Czech Republic	100.00	100.00
Home Credit (JSC)	Czech Republic	100.00	100.00
Home Credit International (JSC)	Czech Republic	100.00	100.00
HC Broker (LLC)	Czech Republic	100.00	100.00
HC Advisory Services (LLC)	Czech Republic	100.00	100.00
Autotým (LLC) [6]	Czech Republic	100.00	100.00
My Air (LLC)	Czech Republic	100.00	100.00
ABDE Holding s.r.o.	Czech Republic	100.00	100.00
Home Credit Egypt Trade S.A.E. [3]	Egypt	100.00	100.00
Innoble GmbH	Germany	100.00	100.00
Favour Ocean Limited	Hong Kong	100.00	100.00
Home Credit Asia Limited	Hong Kong	100.00	100.00
Saint World Limited	Hong Kong	100.00	100.00
Home Credit India Finance Private Limited	India	100.00	100.00
Home Credit India Strategic Advisory Services Private Limited	India	100.00	100.00
PT. Home Credit Indonesia	Indonesia	85.00	85.00
AB Structured Funding 1 Designated Activity Company	Ireland	100.00	100.00
Bank Home Credit SB JSC	Kazakhstan	100.00	100.00
Eurasia Capital S.A. [4]	Luxembourg	0.00	0.00
AB 2 B.V.	Netherlands	100.00	100.00
AB 4 B.V.	Netherlands	100.00	100.00
AB 7 B.V.	Netherlands	100.00	100.00
HC Asia B.V.	Netherlands	100.00	100.00
Home Credit India B.V.	Netherlands	100.00	100.00
Home Credit Indonesia B.V.	Netherlands	100.00	100.00
Vsegda Da N.V.	Netherlands	100.00	100.00
HC Philippines Holdings B.V.	Netherlands	100.00	100.00
Home Credit N.V./Home Credit B.V.[5]	Netherlands	100.00	100.00
Eurasia Structured Finance No.3 B.V. [4]	Netherlands	0.00	0.00
Eurasia Structured Finance No.4 B.V. [4]	Netherlands	0.00	0.00
HC Consumer Finance Philippines, Inc.	Philippines	100.00	100.00
HCPH Financing 1, Inc.	Philippines	100.00	100.00
HCPH2 Financing, Inc.	Philippines	100.00	100.00

[1] The investment was disposed in 2018.
[2] Subsidiary was liquidated in 2018.
[3] Subsidiary was acquired in June 2019.
[4] Special purpose entities established to facilitate the Group's issues of debt securities and subordinated liabilities.
[5] Home Credit B.V. was renamed to Home Credit N.V. in 2019.
[6] Subsidiary was under liquidation as at 30 June 2019.

1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 30 June 2019	31 Dec 2018
Filcommerce Holdings, Inc.	Philippines	100.00	100.00
Home Credit and Finance Bank (LLC)	Russian Federation	100.00	100.00
Financial Innovations (LLC)	Russian Federation	100.00	100.00
MCC Kupi ne kopi (LLC)	Russian Federation	100.00	100.00
Home Credit Online LLC/Forward leasing Limited Liability Company [6] (LLC)	Russian Federation	100.00	100.00
Home Credit Insurance (LLC)	Russian Federation	100.00	100.00
HC Finance (LLC) [5]	Russian Federation	0.00	0.00
Vsegda Da LLC	Russian Federation	98.98	0.00
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00
Homer Software House (LLC) [7]	Ukraine	0.00	0.00
Home Credit US (LLC)	USA	50.10	50.10
Home Credit US Holding (LLC)	USA	100.00	100.00
Home Credit Vietnam Finance Company Limited	Vietnam	100.00	100.00

5) Special purpose entities established to facilitate the Group's issues of debt securities and subordinated liabilities.
6) Home Credit Online LLC was renamed to Forward leasing Limited Liability Company in 2018.
7) The investment was disposed in 2018.

The special purpose entities were established by the Group with the primary objective of raising finance through the issuance of debt securities and subordinated debt including loan portfolio securitizations. These entities are run according to pre-determined criteria that are part of their initial design. The day-to-day servicing is carried out by the Group under servicing contracts; other key decisions are also made by the Group. In addition, the Group is exposed to a variability of returns from the entities through exposure to tax benefits and cost savings related to the funding activities. As a result, the Group concludes that it controls these entities.

Associates	Country of incorporation	Ownership interest (%) 30 June 2019	31 Dec 2018
Společnost pro informační databáze (JSC)	Czech Republic	27.96	27.96
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00
Barion Payment Zrt.	Hungary	20.00	20.00
Nymbus, Inc.	Delaware	20.88	20.23
Eureka Analytics PTE. LTD.	Singapore	19.00	26.70

2. Basis of preparation

The condensed consolidated interim financial statements for the six-month period ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

This is the first set of the Group's financial statements in which IFRS 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 3.

(b) Basis of measurement

These condensed consolidated interim financial statements are prepared on the historic cost basis except for financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortized cost or historic cost, as appropriate, net of any relevant impairment.

(c) Presentation and functional currency

These condensed consolidated interim financial statements are presented in Euro (EUR), which is the Company's functional currency and Group's presentation currency. Financial information presented in EUR has been rounded to the nearest million (MEUR), unless otherwise indicated.

(d) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas where estimates and judgments have the most significant impact are recognition of deferred tax asset and measurement of impairment. In particular, information about significant areas of estimation, uncertainty and critical judgments made by management in preparing these condensed consolidated interim financial statements is described in Note 3(e)(vi), Note 3(j), Note 3(u) and Note 11.

3. Significant accounting policies

If not stated otherwise, the accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and by all Group entities.

(a) Changes in accounting policies from 1 January 2019

The Group has adopted IFRS 16 *Leases* from 1 January 2019. A number of other new standards are also adopted by the Group from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these condensed consolidated interim financial statements.

IFRS 16 Leases (adopted from 1 January 2019)

In January 2016 IASB issued a new standard on leases. The standard requires companies to bring most leases on-balance sheet, recognising new assets and liabilities. IFRS 16 eliminates the classification of leases as either operating or finance for lessees and, instead, introduces a single lessee accounting model. This model reflects that leases result in a company obtaining the right to use an asset (the 'lease asset') at the start of the lease and, because most lease payments are made over time, also obtaining financing. As a result, the new standard requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying IAS 17. IFRS 16 includes two exemptions from recognising assets and liabilities for (a) short-term leases (i.e. leases of 12 months or less) and (b) leases of low-value items.

The Group has adopted IFRS 16 as issued by the IASB in January 2016 with a date of transition of 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 16 in previous periods.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the historical financial information presented for the the fifteen months period ended 31 December 2018 and for has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for the period of time in exchange for consideration.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

3. Significant accounting policies (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

"Property, plant and equipment" stated in the Condensed Consolidated Interim Statement of Financial Position comprise owned and leased assets that do not meet the definition of investment property.

	MEUR
Property, plant and equipment owned	177
Right-of-use assets, except for investment property	153
Balance at 30 June 2019	**330**

The carrying amount of right-of-use assets are as below.

	Right-of-use assets		
in MEUR	**Property**	**Equipment**	**Total**
Balance at 1 January 2019	155	11	**166**
Additions	8	-	**8**
Disposals	(3)	-	**(3)**
Depreciation charge for the period	(21)	(2)	**(23)**
Net FX differences	4	1	**5**
Balance at 30 June 2019	**143**	**10**	**153**

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 carrying amounts of lease liabilities are set below.

	2019 **MEUR**
Maturity analysis – contractual undiscounted cash flows	
Less than one year	40
One to five years	117
More than five years	20
Total undiscounted lease liabilities at 30 June	**177**
Lease liabilities included in the Condensed Consolidated Interim Statement of Financial position at 30 June	**153**
Current	35
Non-current	118

Transition

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

3. Significant accounting policies (continued)

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 leases a number of items of equipment. These leases were classified as finance lease under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings, if relevant. The impact on transition is summarised below.

	1 January 2019
	MEUR
Right-of-use assets presented in property, plant and equipment	166
Right-of-use assets presented in investment property	-
Deferred tax asset	-
Lease liabilities	(166)
Retained earnings	-

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 7.09%.

	1 January 2019
	MEUR
Operating lease commitment at 31 December 2018 as disclosed in the Consolidated Financial Statements	199
Less: total future interest expense	(23)
Discounted using the incremental borrowing rate at 1 January 2019	176
Finance lease liabilities recognised as at 31 December 2018	-
Recognition exemption for leases of low-value assets	-
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	**166**

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised MEUR 153 of right-of-use assets and MEUR 153 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 23 of depreciation charges and MEUR 5 of interest costs from these leases.

3. Significant accounting policies (continued)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are enterprises controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the enterprise and has the ability to affect those returns through its power over the enterprise. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control effectively commences until the date on which control effectively ceases.

Legal restructuring and mergers involving 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.

(ii) Non-controlling interests

Non-controlling interest (NCI) is the portion of equity ownership in a subsidiary not attributable to the Group.

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Net profit allocated to non-controlling interests is that part of the net results of the Group attributable to interests which are not owned, either directly or indirectly through subsidiaries, by the equity holders of the parent company.

Losses applicable to the non-controlling interests, including negative other comprehensive income, are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Associates

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date on which significant influence effectively commences until the date on which significant influence effectively ceases.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iv) Special purpose entities

The Group has established a number of special purpose entities (SPEs) for the purpose of raising finance. The Group does not have any direct or indirect shareholdings in these entities. These SPEs are controlled by the Group through the predetermination of the activities of SPEs, having rights to obtain the majority of benefits of the SPEs, and retaining the majority of the residual risks related to the SPEs.

3. Significant accounting policies (continued)

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the enterprise. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency

(i) Foreign currency transactions

A foreign currency transaction is a transaction that is denominated or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate ruling at the date on which the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate ruling at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the differences arising on the retranslation of financial assets through other comprehensive income which are recognized in other comprehensive income (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss).

(ii) Financial information of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at the exchange rates ruling at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to EUR at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences arising on translation are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of so that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(d) Cash and cash equivalents

The Group considers cash on hand, unrestricted balances with central banks and balances with banks and other financial institutions due within one month to be cash and cash equivalents. Minimum reserve deposits with respective central banks are not considered to be cash equivalents if restrictions on their withdrawal are placed.

3. Significant accounting policies (continued)

(e) Financial assets and liabilities

(i) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognize them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used settlement date accounting.

(ii) Classification and measurement

Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition. See 3(a)(i) for the transition requirements relating to classification of financial assets.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For more details on caption "Loans and receivables" refer to Note 3(f).

3. Significant accounting policies (continued)

Business model assessment

The Group made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that will be considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

All of the Group's retail loans and certain fixed-rate corporate loans contain prepayment features.
A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

3. Significant accounting policies (continued)

Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

(iii) Fair value measurement

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (such as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include a comparison with similar instruments for which market observable prices exist, the net present value and discounted cash flow models, Black-Scholes option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of debt securities available for sale is based on their quoted market price. Fair value of derivative contracts that are not exchange traded is estimated using an arbitrage pricing model, the key parameters of which are the relevant foreign exchange rates and interbank interest rates prevailing at the reporting date.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(iv) Amortized cost measurement principles

The amortized cost of a financial asset or liability is the amount in which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, net of any relevant impairment.

3. Significant accounting policies (continued)

(v) Gains and losses on subsequent measurement

Gains and losses on financial instruments classified as at fair value through profit or loss are recognized in profit or loss. Net gains or net losses on items at fair value through profit or loss exclude interest or dividend income.

Gains and losses on financial instruments classified at fair value through other comprehensive income are recognized in other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vi) Identification and measurement of impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ model (hereafter “ECL”). This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Consequently, more timely information is required to be provided about expected credit losses.

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- loans and receivables due from banks, other financial institutions and holding companies;
- loans to customers;
- trade receivables and accrued income;
- cash and cash equivalents;
- debt instruments at FVOCI; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

Under IFRS 9, no impairment loss is recognised on equity investments.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. The Group measures loss allowance at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECLs are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as “Stage 1 financial instruments”.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as “Stage 2 financial instruments”.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets are credit-impaired (referred to as “Stage 3 financial assets”). The Group classifies financial asset as ‘credit-impaired’ when it exceeds 90 days past due.

3. Significant accounting policies (continued)

The Group also considers other events which can trigger detrimental impact on the estimated future cash flows of the financial asset resulting in credit-impaired classification. Examples of these events are:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive from this commitment; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are – in general – the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived – alone or together – from internally developed statistical models based on own historical data or derived from available market data.

For retail portfolio PD and EAD is usually estimated together using statistical models (stochastic Markov chain based model of simple Roll Rate model) based on internally compiled data. Where it is available, market data may also be used to derive the PD for large corporate counterparties where there is not enough internally available data for statistical modelling.

LGD is estimated based on the history of recovery rates of claims against defaulted counterparties. It is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. For loans secured by retail property, loan-to-value (LTV) ratios are likely to be a key parameter in determining LGD and models will consider the structure, collateral, seniority of the claim, and recovery costs of any collateral that is integral to the financial asset.

For retail overdraft and credit card facilities and certain corporate revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECLs over a period when the Group's ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

3. Significant accounting policies (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- date of remaining term to maturity;

The groupings is subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

Forward-looking information

Under IFRS 9, the Group incorporates forward-looking information (hereafter "FLI") based on both external and internal sources into assessment of whether the credit risk of an instrument has increased significantly since initial recognition and – where possible – also as part of measurement of ECLs. External information used may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, commercial sources (such as Bloomberg or Thomas Reuters), and selected private sector and academic forecasters. Internal information then consists of both portfolio and vintage risk parameters and calibrated clients scoring models and functions.

The Group uses – based on data availability and credibility of sources – an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. The key external drivers may include variables such as interest rates, unemployment rates, inflation rates, GDP growth rates, FX rates and other macroeconomic variables and their forecasts.

As at 31 December 2018 the Group has estimated the overall impact of FLI macro model incorporation into ECL calculation process and the calculated result was reflected in the Consolidated financial Statements.

Definition of default

Under IFRS 9, the Group considers a financial asset to be in default when there is available information that:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on the respective material credit obligation to the Group. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources (e.g. insolvency or bankruptcy loan registers).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

3. Significant accounting policies (continued)

Write-off

Loans and debt securities are generally written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Group uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Credit risk grades and client's score are primary inputs into the determination of the probability of default (PD) development for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction, by type of product and borrower and by credit risk grading. For some portfolios, information purchased from external credit reference agencies may also be used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Group's internal credit risk grades

The Group uses internal credit risk grades for debt instruments and loans provided. The table below provides an indicative mapping of how the Group's internal credit risk grades relate to external long-term rating used by Moody's rating agency:

Internal rating	External rating
Very low risk	Aaa-Aa
Low risk	A-Baa
Medium risk	Ba-B
High risk	Caa-Ca
Default	C and lower

Determining whether credit risk has increased significantly

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis consisting - based on availability and complexity - of the Group's historical experience, expert credit assessment and forward-looking information.

The criteria may vary by portfolio and include a backstop based on delinquency in accordance with IFRS 9. As a backstop, and as required by IFRS 9, the Group presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment – subject to materiality threshold – has not been received.

3. Significant accounting policies (continued)

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

– the remaining probability of default (PD) as at the reporting date; with
– the PD that was estimated on initial recognition of the exposure.

The Group deems the credit risk of a particular exposure to have increased significantly since initial recognition if the remaining PD is determined to have increased – since initial recognition – more than is defined for the respective risk grade.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. credit cards and overdrafts), the date when the facility was firstly used could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

The Group monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that results of assessment are compliant with IFRS 9 and internal guidelines and settings.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified due to borrowers financial difficulties and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly should reflect comparison of:

– the remaining lifetime PD at the reporting date based on the modified terms; with
– the PD estimated based on data on initial recognition and terms of the original contract.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

3. Significant accounting policies (continued)

(vii) Derecognition

Financial assets

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire, or
- the Group transfers substantially all of the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

Financial liabilities

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in the profit or loss.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(ix) Securitization

For securitized financial assets, the Group considers both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Group over the other entity.

When the Group, in substance, controls the entity to which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognized in the consolidated statement of financial position.

When the Group has transferred financial assets to another entity, but has retained substantially all of the risks and rewards relating to the transferred assets, the transferred assets are recognized in the consolidated statement of financial position.

When the Group transfers substantially all the risks and rewards relating to the transferred assets to an entity that it does not control, the assets are derecognized from the consolidated statement of financial position.

If the Group neither transfers nor retains substantially all the risks and rewards relating to the transferred assets, the assets are derecognized if the Group has not retained control over the assets.

3. Significant accounting policies (continued)

(x) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts due to banks, other financial institutions and holding companies or to customers, as appropriate. The difference between the sale and repurchase price represents interest expense and is recognized in the statement of comprehensive income over the terms of the agreement.

Securities purchased under agreements to resell are recorded as due from banks and other financial institutions or from customers as appropriate. The difference between the sale and repurchase considerations is recognized on an accrual basis over the period of the transaction and is included in interest income.

(xi) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk arising from financing activities. However, not all instruments qualify for hedge accounting in accordance with IAS 39/IFRS 9. For derivative instruments where hedge accounting is not applied, any gain or loss on derivatives is recognized immediately in the statement of comprehensive income as net gains/losses on financial assets and liabilities.

(xii) Hedge accounting

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting.

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9. The Group has chosen to apply the new requirements of IFRS 9.

The types of hedge accounting relationships that the Group currently designates meet the requirements of IFRS 9 and are aligned with the entity's risk management strategy and objective.

The Group applies fair value hedges against interest rate risk associated with the Group's available-for-sale assets / assets at FVOCI.

At inception of the hedging relationship the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Where a derivative is designated as a hedge of the variability in fair value attributable to an interest rate risk associated with a recognized asset at FVOCI, the effective portion of changes in the fair value of the asset is recognized in profit or loss. Any ineffective portion of changes in the fair value of the asset remains recognized as other comprehensive income in equity. If the hedging relationship no longer meets the criteria for hedge accounting, or the designation is revoked, hedge accounting is discontinued.

3. Significant accounting policies (continued)

At inception of the hedging relationship the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

In addition, at the inception of the hedge relationship a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed for effectiveness on a monthly basis. A hedge is regarded as highly effective if the changes in the fair value attributable to the hedged risk are expected to offset in a range of 80% to 125% during the hedging period.

Where a derivative is designated as a hedge of the variability in fair value attributable to an interest rate risk associated with a recognized available-for-sale asset, the effective portion of changes in the fair value of the asset is recognized in profit or loss. Any ineffective portion of changes in the fair value of the asset remains recognized as other comprehensive income in equity. If the hedging relationship no longer meets the criteria for hedge accounting, or the designation is revoked, hedge accounting is discontinued.

There was no material impact resulting from the change of the policy.

(f) Loans and receivables

The "Loans to customers" and "Due from banks, other financial institutions and holding companies" captions in the statement of financial position include:

- Loans and advances measured at amortised cost; they are initially measured at fair value plus incremental transaction costs, and subsequently at their amortised cost using the effective interest method;
- Loans and advances mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

(g) Investment securities at amortized cost

The "investment securities" caption in the statement of financial position includes debt securities measured at amortized costs; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(h) Intangible assets and goodwill

(i) Goodwill and negative goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit and loss. Goodwill is stated at cost less accumulated impairment losses (refer to Note 3(j)).

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

3. Significant accounting policies (continued)

(ii) Other intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses (refer to Note 3(j)).

(iii) Amortization

Amortization is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is not amortized; other intangible assets are amortized from the date the asset is available for use. The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a significant technical improvement is made to an asset during the period, its useful life and residual value are reassessed at the time a technical improvement is recognized. The estimated useful lives are as follows:

Software	1 - 10 years
Licenses	1 - 10 years
Other	1 - 10 years

(i) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation (refer below) and accumulated impairment losses (refer to Note 3(j)). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost for self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

(ii) Leased assets

The Group has applied IFRS 16 using the modified retrospective approach and therefore the historical financial information for the years ended 31 December 2018 has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 3(a).

Policy applicable from 1 January 2019

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  - the Group has the right to operate the asset; or

  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

3. Significant accounting policies (continued)

The Group recognises 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 right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements 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 increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group presents lease liabilities in "Other liabilities" in the Condensed Consolidated Interim Statement of Financial Position. For details see Note 24.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lease that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease terms, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (refer below) and accumulated impairment losses (refer to Note 3(j)).

Property and equipment used by the Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, are not recorded in the Group's statement of financial position. Payments made under operating leases to the lessor are charged to the statement of comprehensive income over the period of the lease.

3. Significant accounting policies (continued)

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment and its cost can be measured reliably. All other expenditure is recognized in the statement of comprehensive income as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the individual assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property and equipment are depreciated from the date the asset is available for use. The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a significant technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time a technical improvement is recognized.

The estimated useful lives of significant items of property and equipment are as follows:

IT equipment	2 - 5 years
Vehicles	3 - 8 years
Furniture	2 - 10 years
Leasehold improvements	1 - 20 years
Right of use assets	1 - 20 years
Buildings	5 - 50 years

(j) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment at each reporting date.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The recoverable amount of goodwill is estimated at each reporting date based on cash flow projections for specific cash generating units. Key assumptions are those regarding the expected business volumes, loss rates, budgeted expenses as well as discount rates for subsequent periods. Management estimates discount rates using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

The recoverable amount of other non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in the statement of comprehensive income and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed. On disposal of a subsidiary, the amount of goodwill that is attributable to the subsidiary is included in the determination of the profit or loss on disposal.

3. Significant accounting policies (continued)

(k) Provisions

A provision is recognized in the statement of financial position if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Insurance provisions

(i) Provisions for unearned premiums

Provisions for unearned premiums comprise that part of gross premiums written attributable to subsequent periods, calculated separately for each insurance contract.

(ii) Provisions for outstanding claims and other insurance provisions

Provisions for outstanding claims represent the total estimated cost of settling all claims arising from events which have occurred up to the reporting date, whether reported or not, less amounts already paid in respect of such claims. These provisions include claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

Other insurance provisions contain all other insurance technical provisions not mentioned above, such as the provision for unexpired risks (also referred to as the "premium deficiency"), the provision for contractual non-discretionary bonuses and other similar provisions.

(iii) Deferred acquisition costs of insurance contracts

Direct costs arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition deferred acquisition costs are amortized over the period in which the related revenues are earned. The reinsurers' shares of deferred acquisition costs are amortized in the same manner as the underlying asset amortization is recorded.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of comprehensive income.

Deferred acquisition costs are derecognized when the related insurance contracts are either settled or disposed of.

(m) Other payables

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortized cost, which is normally equal to their nominal or repayment value.

(n) Financial guarantees

A financial guarantee is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable).

Financial guarantee liabilities are included within other liabilities.

3. Significant accounting policies (continued)

(o) Equity

Share capital represents the nominal value of shares issued by the Company.

Share premium decreases and other capital distributions are recognized as a liability provided they are declared before the end of the reporting period. Capital distributions declared after the end of the reporting period are not recognized as a liability but are disclosed in the notes.

Non-controlling interests consist of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

Reserve for business combinations under common control arise in the moment when the Group acquires subsidiary from entity ultimately controlled by the same party. The amount of the reserve is the difference between consideration paid for acquisition and net assets acquired.

(p) Interest income and expense

Effective interest rate

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not Expected Credit Loss (hereafter "ECL"). For purchased or originated credit-impaired financial assets, a credit adjustment effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method orf any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjustment for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustments begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3. Significant accounting policies (continued)

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(q) Fee and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognized as the services are rendered or received.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Group from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognized based on the Group's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Group does not participate on the insurance risk, which is entirely borne by the partner.

Commission income from insurance is recognized in profit or loss when the Group provides the agency service to the insurance company.

(r) Late payment fee

Late payment income is recognized in the statement of comprehensive income when late payment is charged to a customer, taking into account its collectability.

(s) Operating lease payments

Policy applicable from 1 January 2019

For impact and change of accounting policy due to adoption of new standard IFRS 16, *Leases*, refer to Note 3(a).

Policy applicable before 1 January 2019

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Granted lease incentives are recognized as an integral part of the total lease expense.

3. Significant accounting policies (continued)

(t) Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

The governments of the countries the Group operates in are responsible for providing pensions and retirement benefits to the Group's employees. A regular contribution linked to employees' salaries is made by the Group to the governments to fund the national pension plans. Payments under these pension schemes are charged as expenses as they fall due.

(u) Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

3. Significant accounting policies (continued)

(v) Net profit allocated to non-controlling interests

Net profit allocated to non-controlling interests is that part of the net results of the Group attributable to interests which are not owned, directly, or indirectly through subsidiaries, by the equity holders of the Company.

(w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and asses its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and asses its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive Officer and the Executive Committee (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses and tax assets and liabilities.

(x) 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 issued but not yet effective for the accounting period beginning on 1 January 2020 and have not been applied in preparing the Historical Financial Information of the Group of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements as described below. The Group is in the process of analysing the likely impact on its Consolidated Financial Statements.

IFRS 17 Insurance Contracts (adopted 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 held reinsurance contracts and issued investment contracts with discretionary participation features. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of the Consolidated 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 Group.

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

3. Significant accounting policies (continued)

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 2018, 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 amendments 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 Definition of Business Combinations (effective from 1 January 2020)

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

These amendments are not expected to have a significant impact on the Consolidated Financial Statements of the Group.

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 are not expected to have a significant impact on the Consolidated Financial Statements of the Group.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014)

The endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB.

Up to the date of these financial statements, the IASB has issued a number of amendments, new standard and interpretations which are not yet effective for the period ended 30 June 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

4. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- insurance risk
- operational risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and the Group Risk Management Department, which are responsible for developing and monitoring risk management policies in their specified areas. Both bodies report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group's parent company PPF Financial Holdings B.V. is subject to the prudential regulation on consolidated basis as required by the legislation of the European Union. To meet the regulatory requirements on management, PPF Financial Holdings B.V. established PPF Financial Holdings Group Management Committee and PPF Financial Holdings Group Risk Management Committee.

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group's exposure to credit risk arises in connection with the provision of consumer financing to private individual customers, which is the Group's principal business. The Group classifies the loans to individual customers into several classes where the significant ones are POS (point of sale) loans, revolving loans, cash loans, car loans and mortgage loans. As the Group's loan portfolio consists of a large number of loans with relatively low outstanding amounts, the loan portfolio does not include any significant individual exposures. The remaining part of the Group's exposures to credit risk is related to due from banks, other financial institutions and holding companies, financial assets at fair value through profit or loss, financial assets available-for-sale and other assets.

The Board of Directors has delegated responsibility for the management of credit risk to the Group Credit Risk Department. The department is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies in consultation with business units covering credit assessment, underwriting policies, collection policies and risk reporting by business units and loan classes;
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit's management, large exposures and new types of exposures require Group approval. The Group uses one central loan administration system to facilitate loan underwriting;
- Continuous monitoring of performance of individual Group's credit exposures by countries, product classes and distribution channels;
- Limiting concentrations of credit exposures by countries, product classes and distribution channels;
- Approving counterparty limits for financial institutions;
- Reviewing compliance of business units with agreed exposure limits;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

The Group continuously monitors the performance of individual credit exposures both on a business unit and Group level using a number of criteria including delinquency rates, default rates and collection efficiency measures. The Group has an active fraud prevention and detection program. Credit risk developments are reported by the Group Credit Risk Department to the Board of Directors on a regular basis.

4. Financial risk management (continued)

The Group operates its business in multiple geographies. Some of them suffered economic downturns in recent years. The Group developed tools and rapid response guidelines that are expected to significantly limit major credit losses resulting from the economic downturn. These actions include specific adjustments of the underwriting decision making, pricing and collections strategies.

Credit underwriting process

The credit underwriting process involves the verification of customer data, combined with sophisticated scoring models that take into account both risk and profitability to determine whether an applicant is eligible for a product and, if so, at what price.

Information supplied by the applicant may be cross-checked with information in the Group's customer database for the relevant country. POS loans are provided with minimum documentation from the customer. Applications for other products, in particular cash loans, require more supporting documentation and verification. If the standards set by the Group are not being adhered to, the Group discontinues selling through the relevant retailer's employee or the relevant retailer.

Fraud risk management prevention

The Group developed a set of tools that aim at fraud prevention, detection and investigation that facilitate low levels of observed fraud risk. The focus is on the tight monitoring of the sales process and proper design of the incentive models. Other tools include cross checks and verification of the application data as provided by the customer, biometrical ID verification tools and a use of the 3rd party data in the underwriting process. The use of specific tools varies based on availability of such tools on the respective market, legal and regulatory framework.

General loan collection

The Group's loan collection system follows standard steps and procedures, which can vary depending on country specific requirements and the legal or operational tools available for collection.

Pre-collections

Various forms of communication are used to remind customers how and when to pay, e.g. welcome letters or calls and SMS messages are sent to a customer a short time prior to the date of payment.

Early collection

The early collection procedures vary depending on which specific collection segment a customer is assigned to based on exposure, customer account data and previous collection behaviour. They are typically applied to payments which are 5 to 75 days overdue. The Group uses SMS messages, outbound calls, letters and interactive voice response tools to communicate with customers to remind them of, and procure, the overdue amounts.

Administrative and personal collection

The Group sends to the customer written correspondence including a warning that the full amount of the loan could be declared immediately due and payable, if a loan reaches a higher stage of delinquency with outstanding payments typically more than 60 to 90 days overdue (the point in time at which a loan moves from early collection to administrative and personal collection can vary). Letters are then followed by a call explaining to the customer the consequences of not repaying the debt.

Late collection

The late collection procedures usually start when a loan becomes 90 days overdue. Usage of external agencies or internal field collector methods is typically considered.

Legal collection, debt sale

Loans with outstanding repayments that have been overdue above 360 days are referred to the Group's external legal counsel, who informs the customer through formal correspondence that the loan is closed and that legal action will commence against the customer. As an alternative, debt sell to collection agencies may be also considered. The approval authority for any debt sale in the Group rests with the ALCO.

4. Financial risk management (continued)

Exposure to credit risk

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized.

Loans to customers – retail

The Company does not use internal rating grades for segmentation of its retail portfolio. Instead it uses different measures which will help to categorize the portfolio – the main tool being days past due structure. The Company also uses other measures such as scoring against the benchmark which helps to identify staging as well as significant increase in credit risk categorization.

The table below shows the maximum exposure to credit risk based on the Company's period-end stage classification. The amounts presented are gross of impairment allowances.

	As of 30 June 2019				
Loans to customers – retail	**Cash loans MEUR**	**POS loans MEUR**	**Revolving loans MEUR**	**Other [1] MEUR**	**Total MEUR**
Gross amount - Stage 1	12,351	4,363	549	315	**17,578**
Gross amount - Stage 2	1,455	226	80	38	**1,799**
Gross amount - Stage 3	1,322	319	60	23	**1,724**
Past due more than 91 days	1,319	319	60	23	**1,721**
Other reason	3	-	-	-	**3**
Allowance for impairment – Stage 1 (12-month ECL)	(427)	(87)	(12)	(2)	**(528)**
Allowance for impairment – Stage 2 (lifetime ECL)	(324)	(48)	(6)	(1)	**(379)**
Allowance for impairment – Stage 3 (lifetime ECL)	(942)	(224)	(50)	(21)	**(1,237)**
Carrying amount	**13,435**	**4,549**	**621**	**352**	**18,957**

[1] Includes mortgage loans, car loans and other loans.

4. Financial risk management (continued)

Loans to customers – retail	Cash loans MEUR	POS loans MEUR	Revolving loans MEUR	Other [1] MEUR	Total MEUR
	As of 31 December 2018				
Collective ECL					
Gross amount - Stage 1	11,019	4,391	463	284	**16,157**
Gross amount - Stage 2	1,312	220	75	35	**1,642**
Gross amount - Stage 3	1,167	389	57	25	**1,638**
Past due more than 90 days	1,165	389	57	25	**1,636**
Other reason	2	-	-	-	**2**
Allowance for impairment – Stage 1 (12-month ECL)	(393)	(98)	(11)	(2)	**(504)**
Allowance for impairment – Stage 2 (lifetime ECL)	(303)	(53)	(5)	(1)	**(362)**
Allowance for impairment – Stage 3 (lifetime ECL)	(864)	(290)	(50)	(23)	**(1,227)**
Carrying amount	**11,938**	**4,559**	**529**	**318**	**17,344**

ECL allowances for retail loans to customers (consumer lending) are calculated on a collective basis.

The table below shows an analysis of changes in the ECL allowances in relation to Loans to customers – retail between the beginning and the end of the six months period.

In MEUR

Loss allowance – Loans to customers - retail	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loss allowance as at 1 January 2019 (under IFRS 9)	**(504)**	**(362)**	**(1,227)**	**(2,093)**
Changes in the loss allowance	64	173	(703)	(466)
Transfer to stage 1	(5)	15	-	10
Transfer to stage 2	49	(258)	-	(209)
Transfer to stage 3	20	416	(703)	(267)
New originated or purchased	(252)	(51)	(15)	(318)
Net remeasurement	29	(188)	(297)	(456)
Financial assets derecognised	116	54	100	270
Write-offs	27	3	921	951
FX and other movements	(8)	(8)	(16)	(32)
Net change during the period	**(24)**	**(17)**	**(10)**	**(51)**
Loss allowance as at 30 June 2019	**(528)**	**(379)**	**(1,237)**	**(2,144)**

[1] Includes mortgage loans, car loans and other loans.

4. Financial risk management (continued)

The table below shows an analysis of changes in the ECL allowances in relation to Loans to customers – retail between the beginning and the end of the annual period.

In MEUR

Loss allowance – Loans to customers - retail	**Stage 1 12-month ECL**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Loss allowance as at 1 January 2018 (under IFRS 9)	**(562)**	**(261)**	**(854)**	**(1,677)**
Changes in the loss allowance	92	(85)	(865)	(858)
Transfer to stage 1	9	2	1	12
Transfer to stage 2	25	(149)	1	(123)
Transfer to stage 3	58	62	(867)	(747)
New originated or purchased	(489)	(185)	(230)	(904)
Net remeasurement	207	(103)	(226)	(122)
Financial assets derecognised	5	1	-	6
Write-offs	235	264	929	1,428
Modification of contractual cash-flows	-	-	-	-
FX and other movements	8	7	19	34
Net change during the period	**58**	**(101)**	**(373)**	**(416)**
Loss allowance as at 31 December 2018	**(504)**	**(362)**	**(1,227)**	**(2,093)**

Loans to customers – non-retail (loans to corporations)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and period-end stage classification. Details of the Group's internal credit risk grades' system are explained in Note 3(e)(vi). The amounts presented are gross of impairment allowances.

In MEUR

	30 June 2019				**31 December 2018**
Loans to customers – non-retail (corporations)	**Stage 1 12-months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Total**
Very low risk	4	-	-	**4**	**4**
Low risk	1	-	-	**1**	**1**
Medium risk	74	-	-	**74**	**114**
High Risk	-	-	-	**-**	**-**
Default	-	-	16	**16**	**14**
Total gross carrying amount	**79**	**-**	**16**	**95**	**133**
Loss allowance	(1)	-	(16)	**(17)**	**(15)**
Carrying amount	**78**	**-**	**-**	**78**	**118**

ECL allowances for non-retail loans to customers, which represent loans to corporations, are calculated on an individual basis.

4. Financial risk management (continued)

The table below shows an analysis of changes in the ECL allowances in relation to Loans to customers – non-retail (corporations) between the beginning and the end of the six months period:

In MEUR

Loss allowance - Loans to customers - non- retail (corporations)	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loss allowance as at 1 January 2019 (under IFRS 9)	**-**	**-**	**(15)**	**(15)**
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New originated or purchased	-	-	-	-
Net remeasurement	-	-	-	-
Financial assets derecognised	-	-	-	-
Write-offs	-	-	-	-
Modification of contractual cash-flows	-	-	-	-
FX and other movements	-	-	(2)	(2)
Net change during the period	**-**	**-**	**(2)**	**(2)**
Loss allowance as at 30 June 2019	**-**	**-**	**(17)**	**(17)**

The table below shows an analysis of changes in the ECL allowances in relation to Loans to customers – non-retail (corporations) between the beginning and the end of the period:

In MEUR

Loss allowance - Loans to customers - non- retail (corporations)	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loss allowance as at 1 January 2018 (under IFRS 9)	**-**	**-**	**(7)**	**(7)**
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New originated or purchased	-	-	-	-
Net remeasurement	-	-	(9)	(9)
Financial assets derecognised	-	-	-	-
Write-offs	-	-	-	-
Modification of contractual cash-flows	-	-	-	-
FX and other movements	-	-	1	1
Net change during the period	**-**	**-**	**(8)**	**(8)**
Loss allowance as at 31 December 2018	**-**	**-**	**(15)**	**(15)**

4. Financial risk management (continued)

Due from banks, other financial institutions and holding companies

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and period-end stage classification. Details of the Group's internal credit risk grades' system are explained in Note 3(e)(vi). The amounts presented are gross of impairment allowances.

In MEUR

	30 June 2019				31 December 2018
Due from banks, other financial institutions and holding companies	**Stage 1 12-months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Total**
Very low risk	126	-	-	**126**	**72**
Low risk	178	-	-	**178**	**129**
Medium risk	79	-	-	**79**	**113**
High Risk	-	-	-	**-**	**-**
Default	-	-	1	**1**	**-**
Total gross carrying amount	**383**	**-**	**1**	**384**	**314**
Loss allowance	(1)	-	(1)	**(2)**	-
Carrying amount	**382**	**-**	**-**	**382**	**314**

ECL allowances for Due from banks, other financial institutions and holding companies are calculated on an individual basis.

The table below shows an analysis of changes in the ECL allowances in relation to Due from banks, other financial institutions and holding companies between the beginning and the end of the six months period:

In MEUR

Loss allowance - Due from banks, other financial institutions and holding companies	**Stage 1 12-month ECL**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Loss allowance as at 1 January 2019	-	-	-	-
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New originated or purchased	-	-	-	-
Net remeasurement	(1)	-	(1)	(2)
Financial assets derecognised	-	-	-	-
Write-offs	-	-	-	-
Modification of contractual cash-flows	-	-	-	-
FX and other movements	-	-	-	-
Net change during the period	(1)	-	(1)	(2)
Loss allowance as at 30 June 2019	(1)	-	(1)	(2)

4. Financial risk management (continued)

The table below shows an analysis of changes in the ECL allowances in relation to Due from banks, other financial institutions and holding companies between the beginning and the end of the period:

In MEUR

Loss allowance - Due from banks, other financial institutions and holding companies	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loss allowance as at 1 January 2018	(1)	-	-	(1)
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New originated or purchased	-	-	-	-
Net remeasurement	-	-	-	-
Financial assets derecognised	1	-	-	1
Write-offs	-	-	-	-
Modification of contractual cash-flows	-	-	-	-
FX and other movements	-	-	-	-
Net change during the period	**1**	**-**	**-**	**1**
Loss allowance as at 31 December 2018	-	-	-	-

Investment securities at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and period-end stages classification. Details of the Group's internal credit risk grades' system are explained in Note 3(e)(vi). The amounts presented are gross of impairment allowances.

In MEUR

	30 June 2019				31 December 2018
Investments securities at amortised costs	**Stage 1 12-months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Total**
Very low risk	770	-	-	**770**	**761**
Low risk	5	-	-	**5**	**-**
Medium risk	-	-	-	**-**	**-**
High Risk	-	-	-	**-**	**-**
Default	-	-	-	**-**	**-**
Total gross carrying amount	**775**	**-**	**-**	**775**	**761**
Loss allowance	-	-	-	**-**	**-**
Carrying amount	**775**	**-**	**-**	**775**	**761**

ECL allowances for investment securities at amortised cost are calculated on an individual basis.

4. Financial risk management (continued)

An analysis of the changes in the corresponding ECL allowances in relation to Investment securities at amortised costs, as follows:

In MEUR

Loss allowance **Investments securities at amortised cost**	**Stage 1** **12-month ECL**	**Stage 2** **lifetime ECL**	**Stage 3** **lifetime ECL**	**Total**
Loss allowance as at 1 January 2019	-	-	-	-
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New originated or purchased	-	-	-	-
Net remeasurement	-	-	-	-
Financial assets derecognised	-	-	-	-
Write-offs	-	-	-	-
Modification of contractual cash-flows	-	-	-	-
FX and other movements	-	-	-	-
Net change during the period	**-**	**-**	**-**	**-**
Loss allowance as at 30 June 2019	-	-	-	-

In MEUR

Loss allowance **Investments securities at amortised cost**	**Stage 1** **12-month ECL**	**Stage 2** **lifetime ECL**	**Stage 3** **lifetime ECL**	**Total**
Loss allowance as at 1 January 2018	-	-	-	-
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New originated or purchased	-	-	-	-
Net remeasurement	-	-	-	-
Financial assets derecognised	-	-	-	-
Write-offs	-	-	-	-
Modification of contractual cash-flows	-	-	-	-
FX and other movements	-	-	-	-
Net change during the period	-	-	-	-
Loss allowance as at 31 December 2018	-	-	-	-

4. Financial risk management (continued)

Financial assets at FVOCI (debt instruments)

The table below shows the fair value of the Group's debt instruments at FVOCI by credit risk, based on the Group's internal rating system and period-end stage classification. Details of the Group's internal credit risk grades' system are explained in Note 3(e)(vi).

In MEUR

	30 June 2019				31 December 2018
Debt instruments at FVOCI	**Stage 1 12-months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Total**
Very low risk	22	-	-	**22**	**22**
Low risk	243	-	-	**243**	**408**
Medium risk	18	-	-	**18**	**28**
High Risk	-	-	-	**-**	**4**
Default	-	-	-	**-**	**-**
Total gross carrying amount (fair value)	**283**	**-**	**-**	**283**	**462**
Loss allowance	**-**	**-**	**-**	**-**	**(1)**
Carrying amount	**283**	**-**	**-**	**283**	**461**

ECL allowances for debt instruments at FVOCI are calculated on an individual basis.

An analysis of the changes in the corresponding ECL allowances in relation to debt instruments at FVOCI, as follows:

In MEUR

Loss allowance – debt instruments at FVOCI	**Stage 1 12-month ECL**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Loss allowance as at 1 January 2019	**-**	**(1)**	**-**	**(1)**
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New originated or purchased	-	-	-	-
Net remeasurement	-	-	-	-
Financial assets derecognised	-	1	-	1
Write-offs	-	-	-	-
Modification of contractual cash-flows	-	-	-	-
FX and other movements	-	-	-	-
Net change during the period	**-**	**1**	**-**	**1**
Loss allowance as at 30 June 2019	**-**	**-**	**-**	**-**

4. Financial risk management (continued)

In MEUR

Loss allowance – debt instruments at FVOCI	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loss allowance as at 1 January 2018	**-**	**-**	**-**	**-**
Changes in the loss allowance	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New originated or purchased	-	(1)	-	(1)
Net remeasurement	-	-	-	-
Financial assets derecognised	-	-	-	-
Write-offs	-	-	-	-
Modification of contractual cash-flows	-	-	-	-
FX and other movements	-	-	-	-
Net change during the period	**-**	**(1)**	**-**	**(1)**
Loss allowance as at 31 December 2018	**-**	**(1)**	**-**	**(1)**

The amounts in the below table represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed the expected losses, which are included in the allowance for uncollectibility, if any. The table comprises off-balance sheet items and financial assets, except equity securities.

	30 June 2019		**31 December 2018**	
	Portfolio MEUR	**% of loan portfolio**	**Portfolio MEUR**	**% of loan portfolio**
Cash and cash equivalents excluding item “cash in hand”	3,770	14.8	3,212	13.7
Financial assets at fair value through profit or loss	23	0.1	21	0.1
Financial assets at fair value through other comprehensive income	284	1.1	461	2.0
Due from banks, other financial institutions and holding companies	382	1.5	314	1.3
Investment securities at amortized costs	775	3.0	761	3.3
Loans to customers	19,035	74.5	17,462	74.7
Other financial assets	222	0.9	336	1.4
Subtotal of balances from Statements of Financial Position	**24,491**	**95.9**	**22,567**	**96.5**
Loan commitments	1,045	4.1	814	3.5
Subtotal of off-balance sheet balances	**1,045**	**4.1**	**814**	**3.5**
Total	**25,536**		**23,381**	

4. Financial risk management (continued)

Concentration of credit risk

A concentration of credit risk arises as a result of the existence of loans with similar economic characteristics affecting the debtor's ability to meet its obligations.
The following table shows the economic and geographic concentration of credit risk:

In MEUR

	30 June 2019	30 June 2019	31 December 2018	31 December 2018
Economic concentration				
Households/individuals	19,156	75.4%	17,089	74.0%
Financial services	5,213	20.5%	4,495	19.4%
Public sector	819	3.2%	970	4.2%
Corporate sector	191	0.8%	60	0.3%
Construction and real estate	33	0.1%	72	0.3%
Other	11	0.0%	418	1.8%
Total	**25,423**	**100.0%**	**23,104**	**100.0%**
Geographic concentration				
China	13,274	52.2%	12,191	52.7%
Russia	3,937	15.5%	3,538	15.3%
Czech Republic	4,276	16.8%	3,812	16.5%
Vietnam	740	2.9%	716	3.1%
Kazakhstan	859	3.4%	818	3.5%
Other EU countries	74	0.3%	78	0.3%
Slovakia	249	1.0%	249	1.1%
Cyprus	38	0.1%	35	0.2%
Netherlands	10	0.0%	12	0.1%
Other	1,966	7.8%	1,655	7.2%
Total	**25,423**	**100.0%**	**23,104**	**100.0%**

The amounts in the tables represent the maximum accounting loss that would be recognised at the reporting date if the counterparts failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses that are included in the allowance for uncollectibility. The table comprises off-balance sheet items and financial assets, except equity securities.

4. Financial risk management (continued)

Analysis of collateral

The following table provides an analysis of gross loan portfolio by types of collateral as at 30 June 2019 and 31 December 2018:

	30 June 2019		31 December 2018	
	Portfolio MEUR	% of loan portfolio	Portfolio MEUR	% of loan portfolio
Secured assets	444	2.1	455	2.3
Unsecured (no collateral)	20,749	97.9	19,115	97.7
Total	**21,193**		**19,570**	

The amounts shown in the table above represent the gross balance of loans, and do not necessarily represent the fair value of the collateral.

Mortgage loans are secured by underlying housing real estate. Car loans are secured by underlying cars. Certain POS loans are secured by underlying motorbikes. Loans to corporations are secured by equity securities and deposits with banks. The other loan categories are unsecured.

Collateral received for loans and advances

	Loans and receivables due from banks 30 June 2019 MEUR	Loans to customers 30 June 2019 MEUR
Against loans and receivables in Stage 3 – individually impaired	**-**	**-**
Equity securities	-	-
Against loans and receivables in Stage 3 – collectively impaired	**-**	**26**
Property and equipment	-	7
Other	-	19
Against loans and receivables in Stage 1 and Stage 2	**1,710**	**764**
Securities received under reverse repo operations (including cash and cash equivalents)	1,619	-
Property and equipment	-	609
Equity securities	91	26
Deposits with banks	-	5
	-	124
Total	**1,710**	**790**

4. Financial risk management (continued)

Collateral received for loans and advances

	Loans and receivables due from banks 31 December 2018 MEUR	Loans to customers 31 December 2018 MEUR
Against loans and receivables in Stage 3 – individually impaired	**-**	**43**
Equity securities	-	43
Against loans and receivables in Stage 3 – collectively impaired	**-**	**17**
Property and equipment	-	17
Against loans and receivables in Stage 1 and Stage 2	**1,717**	**703**
Securities received under reverse repo operations (including cash and cash equivalents)	1,545	-
Property and equipment	-	673
Equity securities	172	26
Deposits with banks	-	4
Total	**1,717**	**763**

Offsetting financial assets and financial liabilities

The Group's derivative transactions are predominantly entered into under International Derivative Swaps and Dealers Association Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement transactions.

International Derivative Swaps and Dealers Association Master Netting Agreements and similar master netting arrangements do not meet the criteria for offsetting in the condensed consolidated interim statement of financial position. Therefore, as at 30 June 2019 the reported balances of positive and negative fair values of trading derivatives of MEUR 18 (31 December 2018: MEUR 12) and MEUR 43 (31 December 2018: MEUR 21) respectively do not include any amounts offset.

Loans and advances provided and received under repo operations are covered by Global Master Repurchase Agreements and similar agreements with terms similar to those of International Derivative Swaps and Dealers Association Master Netting Agreements.

Global Master Repurchase Agreements and similar agreements do not meet the criteria for offsetting in the condensed consolidated interim statement of financial position. Therefore, as at 30 June 2019 the reported balances of loans and advances provided under repo operations of MEUR 119 (31 December 2018: MEUR 64) did not include any amounts offset. The remaining balance of due from banks, other financial institutions and holding companies of MEUR 263 (31 December 2018: MEUR 250) was not subject to any offsetting arrangements.

As at 30 June 2019 the reported balances of loans received under repo operations of MEUR 21 (31 December 2018: MEUR 31) did not include any amounts offset. The remaining balance of due to banks, other financial institutions and holding companies of MEUR 13,065 (31 December 2018: MEUR 11,935) was not subject to any offsetting arrangements.

4. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. All liquidity policies and procedures as well as liquidity position projections are subject to review and approval by the ALCO.

The Group's Treasury collects information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The individual scenarios focus on liquidity available on markets, the nature of related risks and magnitude of their impact on the Group's business, management tools available as well as preventive actions.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, bank loans, loans from central banks, debt securities, intercompany loans, subordinated debt and contributions by shareholders (refer to Notes 19, 20, 21, 22 and 25). The shareholder's support enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. Management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

4. Financial risk management (continued)

Exposure to liquidity risk

The following table shows financial assets and liabilities by remaining maturity dates. The table does not include prospective cash flows related to loan commitments. Refer to Note 39 for outstanding loan commitments that may impact liquidity requirements.

	30 June 2019					31 December 2018				
	Less than 3 months	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Cash and cash equivalents	3,875	-	-	-	**3,875**	3,362	-	-	-	**3,362**
Financial assets at fair value through profit or loss	4	15	3	1	**23**	2	7	7	5	**21**
Financial assets at FVOCI	256	6	22	-	**284**	394	28	38	2	**462**
Due from banks, other financial institutions and holding companies	286	54	37	5	**382**	146	147	17	4	**314**
Loans to customers	4,224	5,740	8,927	144	**19,035**	4,570	5,170	7,561	161	**17,462**
Investment securities at amortized cost	3	57	403	312	**775**	-	60	395	306	**761**
Other financial assets	123	50	26	23	**222**	141	2	54	-	**197**
Total financial assets	**8,771**	**5,922**	**9,418**	**485**	**24,596**	**8,615**	**5,414**	**8,072**	**478**	**22,579**
Financial liabilities at fair value through profit or loss	14	20	12	1	**47**	2	14	5	-	**21**
Current accounts and deposits from customers	4,781	1,485	805	147	**7,218**	5,505	1,115	156	-	**6,776**
Due to banks, other financial institutions and holding companies	2,062	6,746	4,278	-	**13,086**	2,555	6,880	2,527	4	**11,966**
Debt securities issued*	374	955	883	-	**2,212**	173	1,011	611	-	**1,795**
Subordinated liabilities*	-	-	7	-	**7**	-	142	7	50	**199**
Other financial liabilities	296	78	-	-	**374**	386	85	-	-	**471**
Total financial liabilities	**7,527**	**9,284**	**5,985**	**148**	**22,944**	**8,621**	**9,247**	**3,306**	**54**	**21,228**
Net position	**1,244**	**(3,362)**	**3,433**	**337**	**1,652**	**(6)**	**(3,833)**	**4,766**	**424**	**1,351**

* Debt securities and subordinated liabilities are classified considering early redemption rights (refer to Note 21 and Note 22).

4. Financial risk management (continued)

Exposure to liquidity risk

The following table shows remaining maturities of liabilities on an undiscounted cash flow basis. Only those liability items are shown for which total estimated undiscounted cash flows differ from their book values shown in the consolidated statement of financial position.

	30 June 2019					31 December 2018				
MEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Current accounts and deposits from customers	4,790	1,553	871	147	**7,361**	5,518	1,162	169	-	**6,849**
Due to banks, other financial institutions and holding companies	2,439	7,675	4,600	-	**14,714**	2,818	7,387	2,725	5	**12,935**
Debt securities issued*	393	1,048	976	-	**2,417**	197	1,090	682	-	**1,969**
Subordinated liabilities*	-	2	11	-	**13**	-	147	18	54	**219**
Total	**7,622**	**10,278**	**6,458**	**147**	**24,505**	**8,533**	**9,786**	**3,594**	**59**	**21,972**

* Debt securities and subordinated liabilities are classified considering early redemption rights (refer to Note 21 and Note 22).

4. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The majority of the Group's exposure to market risk arises in connection with the funding of the Group's operations with liabilities denominated in foreign currencies and to the extent the term structure of interest bearing assets differs from that of liabilities.

Exposure to interest rate risk

The principal risk to which the Group is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits. As part of its management of this position, the Group may use interest rate derivatives.

A summary of the Group's interest rate gap position is provided below.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100 basis point parallel fall or rise in all yield curves worldwide. In such case, the net interest income for the six-month period ended 30 June 2019 would be MEUR 86 higher/lower (31 December 2018: MEUR 158) and the revaluation reserve in equity would be MEUR 1 higher/lower (31 December 2018: MEUR 2).

4. Financial risk management (continued)

Interest rate gap position based on re-pricing dates

MEUR	30 June 2019						31 December 2018					
	Effective interest rate	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**	**Effective interest rate**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Interest bearing financial assets												
Cash and cash equivalents	1.5%	3,875	-	-	-	**3,875**	1.5%	3,362	-	-	-	**3,362**
Financial assets at FVOCI	7.2%	256	6	22	-	**284**	7.6%	394	28	37	2	**461**
Due from banks, other financial institutions and holding companies	3.7%	301	54	23	4	**382**	3.6%	168	125	17	4	**314**
Loans to customers, net	30.1%	4,232	5,770	8,972	61	**19,035**	31.1%	4,579	5,216	7,606	61	**17,462**
Investment securities at amortized cost	2.1%	3	495	5	272	**775**	1.0%	-	494	-	267	**761**
Total interest bearing financial assets	**n/a**	**8,667**	**6,325**	**9,022**	**337**	**24,351**	**n/a**	**8,503**	**5,863**	**7,660**	**334**	**22,360**
Interest bearing financial liabilities												
Current accounts and deposits from customers	3.5%	4,781	1,485	805	147	**7,218**	3.5%	5,505	1,115	156	-	**6,776**
Due to banks, other financial institutions and holding companies	9.4%	2,874	6,773	3,439	-	**13,086**	9.2%	3,209	6,230	2,527	-	**11,966**
Debt securities issued	10.8%	374	955	883	-	**2,212**	11.0%	173	1,011	611	-	**1,795**
Subordinated liabilities	10.7%	-	-	7	-	**7**	9.3%	-	141	7	51	**199**
Total interest bearing financial liabilities	**n/a**	**8,029**	**9,213**	**5,134**	**147**	**22,523**	**n/a**	**8,887**	**8,497**	**3,301**	**51**	**20,736**
Net position	**n/a**	**638**	**(2,888)**	**3,888**	**190**	**1,828**	**n/a**	**(384)**	**(2,634)**	**4,359**	**283**	**1,624**

4. Financial risk management (continued)

Exposure to foreign currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency. Foreign currency risk is managed principally through monitoring foreign currency mismatches in the structure of assets and liabilities in the individual Group's country operations. It is the Group's policy to hedge such mismatches by derivative financial instruments to eliminate the foreign currency exposure (refer to Note 36). The ALCO is the monitoring body for compliance with this rule.

Net investments in foreign operations are not hedged. As a result, the Group's financial position is adequately sensitive to movements of the relevant foreign exchange rates. Impact of such exchange rate changes on the Group's net investment in foreign operations is presented as currency translation in the consolidated statement of changes in equity.

The following table shows the largest open foreign currency positions of the Group (excluding foreign currency positions from net investment in foreign operations):

Open foreign currency positions

30 June 2019

In MEUR	EUR	USD	CNY	RUB	CZK	KZT	INR	VND	Other
Financial assets	350	251	-	-	4	-	363	-	120
Financial liabilities	(181)	(645)	-	(72)	(141)	-	(181)	-	(39)
Effect of FX derivatives	(169)	403	-	-	131	-	(193)	-	(59)
Net FX position	**-**	**9**	**-**	**(72)**	**(6)**	**-**	**(11)**	**-**	**n/a**
Effect of 5% depreciation against EUR	n/a	-	-	(4)	-	-	(1)	-	n/a
Net investment in foreign operations	**(932)**	**20**	**1,499**	**784**	**469**	**173**	**330**	**153**	**13**
Effect of 5% appreciation against EUR	n/a	1	75	39	23	9	17	8	n/a
Effect of 5% depreciation against EUR	n/a	(1)	(75)	(39)	(23)	(9)	(17)	(8)	n/a

31 December 2018

In MEUR	EUR	USD	CNY	RUB	CZK	KZT	INR	VND	Other
Financial assets	395	393	-	-	10	-	312	-	588
Financial liabilities	(229)	(739)	-	(38)	(125)	-	(156)	-	(361)
Effect of FX derivatives	(197)	348	-	38	109	-	(166)	-	(50)
Net FX position	**(31)**	**2**	**-**	**-**	**(6)**	**-**	**(10)**	**-**	**n/a**
Effect of 5% depreciation against EUR	n/a	-	-	-	-	-	(1)	-	n/a
Net investment in foreign operations	**(972)**	**23**	**1,462**	**645**	**471**	**146**	**260**	**147**	**(28)**
Effect of 5% appreciation against EUR	n/a	1	73	32	24	7	13	7	n/a
Effect of 5% depreciation against EUR	n/a	(1)	(73)	(32)	(24)	(7)	(13)	(7)	n/a

4. Financial risk management (continued)

(d) Insurance risk

The main risk faced by the Group as part of the insurance business is the difference in actual and expected claims for insurance benefits and claims. Insurance risk on insurance contracts is divided into price risk and the reserve deficiency risk.

Price risk

Price risk arises due to the fact that insurance premiums may not be sufficient to cover future losses and expenses on insurance contracts. To manage price risk the Group regularly analyses profitability in the context of insurance products and makes appropriate adjustments in pricing and underwriting policies of the Group.

Reserve deficiency risk

Reserve deficiency risk arises from the uncertainty regarding the development of loss reserves in the future and takes into account the likelihood that insurance reserves are insufficient to meet the Group's obligations to policyholders. Managing this risk is performed through regular checking adequacy of loss reserves and loss analysis of insurance products including sensitivity analysis of insurance reserves to changes in expected insurance contract loss rates.

Insurance risks are reduced through diversification of a large portfolio of insurance contracts, as well as the allocation of geographic regions, which is the Group's main criterion when determining insurance risk concentrations.

4. Financial risk management (continued)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Group. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The individual subsidiaries have their local internal audit teams which also cooperate with the Group internal audit on PPF Group level. The results of internal audit reviews are discussed with the management of the business unit to which they relate with summaries submitted to the senior management of the Group.

(f) Capital management

The Company considers share capital, share premium, statutory reserves and other reserves as part of the capital. The Company's policy is to maintain capital base adequate to its investments in subsidiaries so as to maintain investor, creditor and market confidence, sustain future development of the business and meet the capital requirements related to its funding operations. There are no regulatory capital requirements for the Company and there have been no significant changes in the Company's management of capital during the period. However, the Company is included in a regulated group of PPF Financial Holdings B.V.

Some of the Company's subsidiaries maintain capital adequacy in compliance with local regulatory requirements which require the respective entities to maintain the ratio of total capital to total risk-weighted assets at or above certain minimum level. The ratios are calculated based on financial statements prepared in accordance with local accounting standards. The Group's policy in this respect is to support the subsidiaries with capital as necessary in order to maintain the subsidiaries' full compliance with capital regulations described above.

5. Segment reporting

Business environment

The Group's operations are primarily located in countries which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in these markets.

Operating segments

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

The 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 centralized processes that drive operational excellence.

Operating segments are reported in a manner consistent with the internal reporting provided to the key operating decision-maker. The senior management team represented by the chief executive officer is our key operating decision-maker.

An operating segment is a component of our Group which satisfies all of the following conditions:

(1) that component can earn revenues and incur expenses from ordinary activities;
(2) the component's operating results are regularly reviewed by the key operating decision-maker to make decisions about resource allocation and performance assessment;
(3) relevant financial information is available to us.

The group reports one Global Consumer Lending segment where all information about similar product, services and customers are presented. This approach suites to global business strategy having similar approach to customers, unique and unified products scale and centralized processes that drives operational excellence.

Segment Other includes servicing and holding operations of the Group.

Financial information

Intra-segment revenue and costs are eliminated. Income and expenses directly associated with each segment are taken into consideration in determining segment performance. The classification of reporting segments is determined based on the operating segments, and the assets and expenses shared by all the segments are allocated according to their scale.

Information about geographical areas are presented separately and took into consideration such aspects as the similarity of the licensing mechanism, the macroeconomics criteria of the grouped areas as well as the current life span of the individual countries where the Group operates.

Information on individual segments is presented before consolidation eliminations (which are presented in a separate column).

5. Segment reporting (continued)

	Consumer Lending	Other	Eliminations	Consolidated
	For the six months ended 30 June,			
	2019 MEUR	2019 MEUR	2019 MEUR	2019 MEUR
Operating income from external customers	**2,096**	**(14)**	**-**	**2,082**
China	*1,276*	*-*	*-*	*1,276*
CIS	*312*	*-*	*-*	*312*
SSEA	*414*	*-*	*-*	*414*
CEE	*94*	*-*	*-*	*94*
Other	*-*	*(14)*	*-*	*(14)*
Inter-segment operating income	**(1)**	**58**	**(57)**	**-**
China	*-*	*-*	*-*	*-*
CIS	*-*	*-*	*-*	*-*
SSEA	*(2)*	*-*	*2*	*-*
CEE	*1*	*-*	*(1)*	*-*
Other	*-*	*58*	*(58)*	*-*
Total operating income	**2,095**	**44**	**(57)**	**2,082**
Net interest income from external customers	**1,831**	**(28)**	**-**	**1,803**
China	*1,146*	*-*	*-*	*1,146*
CIS	*265*	*-*	*-*	*265*
SSEA	*325*	*-*	*-*	*325*
CEE	*95*	*-*	*-*	*95*
Other	*-*	*(28)*	*-*	*(28)*
Inter-segment net interest income	**(1)**	**-**	**1**	**-**
China	*-*	*-*	*-*	*-*
CIS	*-*	*-*	*-*	*-*
SSEA	*(2)*	*-*	*2*	*-*
CEE	*1*	*-*	*(1)*	*-*
Other	*-*	*-*	*-*	*-*
Total net interest income	**1,830**	**(28)**	**1**	**1,803**
Income tax expense	(101)	10	-	(91)
Net segment result	**316**	**(69)**	**3**	**250**
Depreciation and amortization	(85)	(23)	21	(87)
Other significant non-cash expenses[1)]	(862)	(9)	-	(871)
Capital expenditure	(74)	(14)	25	(63)

1) Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.

5. Segment reporting (continued)

	Consumer Lending	Other	Eliminations	Consolidated
	As at 30 June 2019			
	2019 MEUR	2019 MEUR	2019 MEUR	2019 MEUR
Net loans to external customers	**18,991**	**62**	**(18)**	**19,035**
China	*11,696*	-	-	*11,696*
CIS	*3,460*	-	-	*3,460*
SSEA	*2,190*	-	-	*2,190*
CEE	*1,645*	-	-	*1,645*
Other	-	*62*	-	*62*
Eliminations	-	-	*(18)*	*(18)*
Gross loans to external customers	**21,136**	**78**	**(18)**	**21,196**
China	*13,261*	-	-	*13,261*
CIS	*3,640*	-	-	*3,640*
SSEA	*2,411*	-	-	*2,411*
CEE	*1,824*	-	-	*1,824*
Other	-	*78*	-	*78*
Eliminations	-	-	*(18)*	*(18)*
	As at 30 June 2019			
Segment assets[2)]	**25,346**	**731**	**(195)**	**25,882**
Investments in associates	2	23	-	25
Segment liabilities[2)]	**21,887**	**1,684**	**(198)**	**23,373**
Segment equity[2)]	**3,459**	**(953)**	**3**	**2,509**

2) Consolidation adjustments are included in Eliminations.

5. Segment reporting (continued)

	Consumer Lending	Other	Eliminations	Consolidated
	For the six months ended 30 June,			
	2018 MEUR	2018 MEUR	2018 MEUR	2018 MEUR
Operating income from external customers	**1,930**	**4**	**-**	**1,934**
China	*1,234*	*-*	*-*	*1,234*
CIS	*292*	*-*	*-*	*292*
SSEA	*324*	*-*	*-*	*324*
CEE	*80*	*-*	*-*	*80*
Other	*-*	*4*	*-*	*4*
Inter-segment operating income	**(1)**	**45**	**(44)**	**-**
China	*-*	*-*	*-*	*-*
CIS	*-*	*-*	*-*	*-*
SSEA	*(1)*	*-*	*1*	*-*
CEE	*-*	*-*	*-*	*-*
Other	*-*	*45*	*(45)*	*-*
Total operating income	**1,929**	**49**	**(44)**	**1,934**
Net interest income from external customers	**1,558**	**(16)**	**-**	**1,542**
China	*979*	*-*	*-*	*979*
CIS	*240*	*-*	*-*	*240*
SSEA	*257*	*-*	*-*	*257*
CEE	*82*	*-*	*-*	*82*
Other	*-*	*(16)*	*-*	*(16)*
Inter-segment net interest income	**(1)**	**-**	**1**	**-**
China	*-*	*-*	*-*	*-*
CIS	*-*	*-*	*-*	*-*
SSEA	*(1)*	*-*	*1*	*-*
CEE	*-*	*-*	*-*	*-*
Other	*-*	*-*	*-*	*-*
Total net interest income	**1,557**	**(16)**	**1**	**1,542**
Income tax expense	(9)	(4)	-	(13)
Net segment result	**104**	**(75)**	**8**	**37**
Depreciation and amortization	(54)	(14)	14	(54)
Other significant non-cash expenses[1)]	(988)	(5)	-	(993)
Capital expenditure	(89)	(19)	33	(75)

1) Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.

5. Segment reporting (continued)

	Consumer Lending	Other	Eliminations	Consolidated
	As at 31 December,			
	2018 MEUR	2018 MEUR	2018 MEUR	2018 MEUR
Net loans to external customers	**17,431**	**89**	**(58)**	**17,462**
China	*10,920*	-	-	*10,920*
CIS	*3,083*	-	-	*3,083*
SSEA	*1,915*	-	-	*1,915*
CEE	*1,513*	-	-	*1,513*
Other	-	*89*	-	*89*
Eliminations	-	-	*(58)*	*(58)*
Gross loans to external customers	**19,522**	**106**	**(58)**	**19,570**
China	*12,446*	-	-	*12,446*
CIS	*3,245*	-	-	*3,245*
SSEA	*2,128*	-	-	*2,128*
CEE	*1,703*	-	-	*1,703*
Other	-	*106*	-	*106*
Eliminations	-	-	*(58)*	*(58)*
	As at 31 December 2018			
Segment assets[2)]	**23,378**	**494**	**(225)**	**23,647**
Investments in associates	12	15	-	27
Segment liabilities[2)]	**20,294**	**1,427**	**(228)**	**21,493**
Segment equity[2)]	**3,084**	**(933)**	**3**	**2,154**

2) Consolidation adjustments are included in Eliminations.

	30 June 2019	31 December 2018
NPL*	8.2%	8.4%
Cost of Risk	8.5%	9.5%
NPL coverage	124.1%	127.6%

NPL ratio is calculated as gross non-performing loans divided by total gross loans. The Group defines non-performing loans as loans at Stage 3. In 2019 and 2018 collectively impaired loans that are overdue by more than 90 days as well as loans considered individually impaired.

Cost of risk ratio represents impairment losses on the loan portfolio (annualized) divided by average balance of gross loans to customers. Average is calculated based on quarterly numbers.

NPL coverage ratio is calculated as loss allowance for loans to customers divided by gross non-performing loans.

* Non-performing loans

6. Fair values of financial instruments

Fair value measurement methodology is explained in Note 3(e)(iii).

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:

		Carrying amount	Fair Value			
30 June 2019	**Note**	**MEUR**	**Level 1 MEUR**	**Level 2 MEUR**	**Level 3 MEUR**	**Total MEUR**
Cash and cash equivalents	7	3,875	3,875	-	-	3,875
Due from banks, other financial institutions and holding companies	10	382	-	224	158	382
Investment securities at amortised costs	12	775	770	-	-	770
Loans to customers	11	19,035	-	-	19,206	19,206
Current accounts and deposits from customers	19	(7,218)	-	(7,258)	-	(7,258)
Due to banks, other financial institutions and holding companies	20	(13,086)	-	(13,085)	-	(13,085)
Debt securities issued	21	(2,212)	(1,332)	(276)	(586)	(2,194)
Subordinated liabilities	22	(7)	-	-	(7)	(7)
		1,544	**3,313**	**(7,771)**	**6,147**	**1,689**

		Carrying amount	Fair Value			
31 December 2018	**Note**	**MEUR**	**Level 1 MEUR**	**Level 2 MEUR**	**Level 3 MEUR**	**Total MEUR**
Cash and cash equivalents	7	3,362	3,362	-	-	3,362
Due from banks, other financial institutions and holding companies	10	314	-	314	-	314
Investment securities at amortised costs	12	761	749	-	-	749
Loans to customers	11	17,462	-	-	17,674	17,674
Current accounts and deposits from customers	19	(6,776)	-	(6,784)	-	(6,784)
Due to banks, other financial institutions and holding companies	20	(11,966)	-	(11,969)	-	(11,969)
Debt securities issued	21	(1,795)	(1,050)	(269)	(481)	(1,800)
Subordinated liabilities	22	(199)	(141)	-	(59)	(200)
		1,163	**2,920**	**(18,708)**	**17,134**	**1,346**

There were no transfers between Level 1, 2 and 3 in the six-months period ended 30 June 2019 or year ended 31 December 2018.

The Group’s estimates of fair values of its other financial assets and liabilities not measured at fair value are not significantly different from their carrying values.

6. Fair values of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value broken down into those whose fair value is based on quoted market prices (Level 1), calculated using valuation techniques where all the model inputs are observable in the market, typically interest rates and foreign exchange rates (Level 2) and calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

30 June 2019	Note	Level 1 MEUR	Level 2 MEUR	Level 3 MEUR	Total MEUR
Financial assets at fair value through profit or loss	8	-	23	-	23
Financial assets at FVOCI	9	267	17	-	284
Financial liabilities at fair value through profit or loss	19	-	(47)	-	(47)
		267	**(7)**	**-**	**260**

31 December 2018	Note	Level 1 MEUR	Level 2 MEUR	Level 3 MEUR	Total MEUR
Financial assets at fair value through profit or loss	8	-	21	-	21
Financial assets available-for-sale	9	433	29	-	462
Financial liabilities at fair value through profit or loss	19	-	(21)	-	(21)
		433	**29**	**-**	**462**

There were no transfers between Level 1, 2 and 3 in the six-months period ended 30 June 2019 or year ended 31 December 2018.

Reconciliation of movements in Level 3:	**Equity securities at FVOCI MEUR**	**Financial liabilities at fair value through profit or loss MEUR**
Balance at 1 January 2018	9	(313)
Purchases, sales, issues and settlements during the period	-	293
Transfer out of Level 3	(9)	-
Gains/(losses) recognized in profit or loss	-	20
Closing balance at 31 December 2018	**-**	**-**

No movements were noted in Level 3 financial instruments for six-month period ended 30 June 2019.

The fair valuation methodology for Level 3 equity instruments is based on comparable market transactions at the valuation date. The fair value of equity securities is sensitive to economic developments at the businesses in question.

7. Cash and cash equivalents

	30 June 2019 MEUR	31 December 2018 MEUR
Cash on hand	105	150
Current accounts	1,954	1,480
Current accounts with central banks	192	204
Reverse repo operations with central banks	1,510	1,479
Placements with financial institutions due within one month	114	49
	3,875	**3,362**

As at 30 June 2019 current accounts comprise MEUR 1,132 (31 December 2018: MEUR 792) which is restricted to its use. The use of the cash is restricted by the borrowing agreements in China with the creditors to i) disbursement of loans to retail clients; or ii) 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. Thus, the restriction on the cash effectively increases the security of the creditors.

8. Financial assets at fair value through profit or loss

	30 June 2019 MEUR	31 December 2018 MEUR
Positive fair values of trading derivatives	18	12
Positive fair values of hedging derivatives	5	9
	23	**21**

9. Financial assets at FVOCI

	30 June 2019 MEUR	31 December 2018 MEUR
Equity securities	1	1
Government bonds	264	420
Corporate bonds	19	41
	284	**462**

As at 30 June 2019 financial assets at FVOCI of MEUR 22 (31 December 2018: MEUR 33) served as collateral for bank loan facilities (loans received under repo operations and secured loans) (Note 20).

10. Due from banks, other financial institutions and holding companies

	30 June 2019 MEUR	31 December 2018 MEUR
Loans and term deposits with banks, other financial institutions and holding companies due in more than one month	63	140
Loans and advances provided under reverse repo operations	119	64
Minimum reserve deposits with central banks	120	99
Cash collateral for derivative instruments	29	10
Other	51	1
	382	**314**

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.

As at 30 June 2019 term deposit of MEUR 8 (31 December 2018: MEUR 7) served as cash collateral for syndicated loan interest payments.

As at 30 June 2019 margin deposit of MEUR 4 (31 December 2018: MEUR 4) served as cash collateral for foreign exchange derivative contracts.

11. Loans to customers

	30 June 2019 MEUR	31 December 2018 MEUR
Gross amount		
Cash loan receivables	15,128	13,498
POS loan receivables	4,908	5,000
Revolving loan receivables	689	595
Mortgage loan receivables	231	210
Car loan receivables	145	132
Loans to corporations	92	133
Other	3	2
	21,196	**19,570**
Collective allowances for impairment		
Cash loan receivables	(1,693)	(1,560)
POS loan receivables	(359)	(441)
Revolving loan receivables	(68)	(66)
Mortgage loan receivables	(2)	(4)
Car loan receivables	(22)	(22)
	(2,144)	**(2,093)**
Specific allowances for impairment		
Loans to corporations	(17)	(15)
	(17)	**(15)**
	19,035	**17,462**

As at 30 June 2019 cash loan receivables of MEUR 208 (31 December 2018: MEUR nil) and POS loan receivables of MEUR 1,555 (31 December 2018: MEUR 1,046) served as collateral for debt securities issued (Note 21).

As at 30 June 2019 cash loan receivables of MEUR 8,737 (31 December 2018: MEUR 7,877) and POS loan receivables of MEUR 442 (31 December 2018: MEUR 1,162) served as collateral for bank loan facilities (Note 20).

Loan receivables used as collateral as part of these funding activities were pledged under terms that are usual and customary for such activities.

12. Investment securities at amortized cost

Investment securities at amortized cost represent government bonds of the Czech Republic and Romania.

	Interest rate	Final maturity	Amount outstanding 30 June 2019 MEUR	31 December 2018 MEUR
Unsecured CZK bond issue of MCZK 9 850,4 (SD VAR23)	1.77%	April 2023	400	400
Unsecured CZK bond issue of MCZK 1 000 (SD VAR27)	0.89%	November 2027	39	39
Unsecured CZK bond issue of MCZK 2 250 (SD 2,4/25)	2.40%	September 2025	99	97
Unsecured CZK bond issue of MCZK 1 750 (SD 2,5/28)	2.50%	August 2028	80	77
Unsecured CZK bond issue of MCZK 1 800 (SD 4,2/36)	4.20%	December 2036	99	95
Unsecured EUR bond issue of MEUR 51,12 (4,875 Romania 07/11/2019)	4.88%	November 2019	53	53
Unsecured corporate bonds	8.50%	April 2021	5	-
			775	**761**

13. Assets classified as held for sale

Assets classified as held for sale represent assets acquired through court decisions on defaulted mortgages.

In the segment analysis (Note 5), all assets classified as held for sale are presented as part of the CIS segment.

14. Investments in associates

As at 30 June the Group had the following investments in associates:

	Country of incorporation	Ownership interest 2019 (%)	Carrying amount 30 June 2019 MEUR	Ownership interest 2018 (%)	Carrying amount 31 December 2018 MEUR
Barion Payment Zrt.	Hungary	20.00	2	20.00	2
Equifax Credit Services (LLC)	Russian Federation	25.00	-	25.00	3
Společnost pro informační databáze (JSC)	Czech Republic	27.96	-	27.96	-
Nymbus	USA	20.88	15	20.23	15
Eureka Analytics Pte. Ltd.	Singapore	19.00	8	26.70	7
			25		**27**

15. Property and equipment

	30 June 2019 MEUR	31 December 2018 MEUR
Acquisition cost	589	387
Accumulated depreciation	(259)	(206)
Carrying amount	**330**	**181**

Initial application of IFRS 16 *Leases* resulted in recognition of right-of-use assets in the amount of MEUR 153. For more details see Note 3(a).

16. Intangible assets and goodwill

	30 June 2019 MEUR	31 December 2018 MEUR
Acquisition cost	666	586
Accumulated amortization	(345)	(299)
Carrying amount	**321**	**287**

17. Other assets

	30 June 2019 MEUR	31 December 2018 MEUR
Prepaid expenses	116	112
Trade receivables and settlement with suppliers	55	58
Cash collateral for payment cards	55	51
Other taxes receivable	9	6
Inventories	2	2
Accrued income from insurance fees	7	9
Deferred acquisition costs of insurance contracts	1	1
Rental deposit	9	8
Insurance deposit	16	24
Settlement accounts	86	56
Other	6	13
Total gross carrying amount	**362**	**340**
Allowance for impairment	**(1)**	**(4)**
Total net carrying amount	**361**	**336**

18. Financial liabilities at fair value through profit or loss

	30 June 2019 MEUR	31 December 2018 MEUR
Negative fair value of trading derivative instruments	43	21
Negative fair value of hedging derivative instruments	4	-
	47	**21**

19. Current accounts and deposits from customers

	30 June 2019 MEUR	31 December 2018 MEUR
Current accounts and demand deposits	4,912	4,707
Term deposits	2,292	2,048
Borrowings	13	19
Other	1	2
	7,218	**6,776**

20. Due to banks, other financial institutions and holding companies

	30 June 2019 MEUR	31 December 2018 MEUR
Secured loans	7,168	7,100
Unsecured loans	5,823	4,763
Loans received under repo operations	21	31
Other balances	74	72
	13,086	**11,966**

As at 30 June 2019 the balances of loans secured by cash loan receivables, POS loan receivables and term deposits were MEUR 6,083 (31 December 2018: MEUR 5,732), MEUR 334 (31 December 2018: MEUR 881) and MEUR nil (31 December 2018: MEUR nil), respectively.

As at 30 June 2019 the balances of loans secured by cash were MEUR 751 (31 December 2018: MEUR 454) (Note 7).

As at 30 June 2019 the balances of loans secured by guarantees were MEUR nil (31 December 2018: MEUR 33).

As at 30 June 2019 the balance of loans received under repo operations were secured by financial assets at FVOCI.

These amounts represent the balances of loans, and do not necessarily represent the fair value of the collateral.

21. 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:

	30 June 2019 MEUR	31 December 2018 MEUR
Fixed rate debt securities		
Within 1 year	1,266	1,150
1-2 years	646	313
2-3 years	103	237
3-4 years	22	-
Variable rate debt securities		
Within 1 year	51	61
1-2 years	66	28
2-3 years	58	6
	2,212	**1,795**

As at 30 June 2019 the issued securities secured by cash and cash equivalents, cash loan receivables and POS loan receivables were MEUR 1,131 (31 December 2018: MEUR 1,076).

22. Subordinated liabilities

	Interest rate	Final maturity	Amount outstanding 30 June 2019 MEUR	Amount outstanding 31 December 2018 MEUR
Loan participation notes issue of MUSD 200	Fixed	April 2021	-	140
Subordinated bonds issue of MCZK 2,000	Fixed	April 2024	-	53
Loan Sprint eBusiness of MUSD 7,485	Variable	March 2023	7	6
			7	**199**

Subordinated loan participation notes issue of MUSD 200 were issued in October 2013 through Eurasia Capital S.A. (Note 1). The Group had an early redemption option exercisable on 17 April 2019 (the reset date) which was used for early redemption of MUSD 157. After the reset date the interest rate is determined as a variable rate. Before 31 December 2018 the Group bought back part of the loan participation notes. Their cumulative par value were MUSD nil as at 30 June 2019 (31 December 2018: MEUR 43). The participation notes were fully repaid in April 2019.

Subordinated bonds issue of MCZK 2,000 were issued in April 2014. The Group had an early redemption option exercisable on 30 April 2019. As at 30 April 2019 the redemption option was exercised in full.

23. Insurance and other provisions

	30 June 2019 MEUR	31 December 2018 MEUR
Provisions for unearned premiums	33	30
Provisions for outstanding claims	-	-
Provisions for insurance commissions return	10	8
Other provisions	15	4
	58	**42**

24. Other liabilities

	30 June 2019 MEUR	31 December 2018 MEUR
Settlement with suppliers	169	176
Accrued employee compensation	100	138
Accrued expenses	78	85
Customer loan overpayments	76	53
Other taxes payable	42	85
Advances received	5	18
Lease liabilities	153	-
Deferred income and prepayments	4	3
Other	44	45
	671	**603**

25. Equity

Before the reverse acquisition, the authorized share capital of Home Credit B.V. comprised 1,250,000,000 ordinary shares at a par value of EUR 0.57 of which 1,156,174,806 shares were issued and fully paid. In conjunction with the reverse acquisition, Home Credit Group B.V. and Home Credit B.V. agreed to implement a combination, whereby 100% of the shares of Home Credit B.V. were exchanged for shares of Home Credit Group B.V., so as of 30 June 2019 the Group's share capital comprised 175,438,596,491 ordinary shares at a par value of EUR 0.0057, of which all 175,438,596,491 shares were issued and fully paid. All issued shares bear equal voting rights. The holders of the shares are entitled to receive distributions of profits and reserves when declared by the general meeting of the Company. No distributions can be made if the total amount of the reserves to be maintained pursuant to the law or the articles of association exceeds the Company's equity and the management board has not given its approval to such distribution.

The creation and use of statutory reserves is limited by legislation and the articles of each company within the Group. Statutory reserves are not available for distribution to the shareholders.

The foreign currency translation reserve comprises foreign exchange differences arising from translation of the financial statements of companies within the Group with a functional currency other than the presentation currency. The translation reserve is not available for distribution to the shareholders.

The reserve for business combinations under common control was recognized on acquisitions of HC Asia N.V., Home Credit Consumer Finance Co., Ltd., Home Credit Vietnam Finance Company Limited, CF Commercial Consulting (Beijing) Co., Ltd., Air Bank (JSC) and Home Credit B.V. from the Group's shareholders. The reserve for business combinations under common control is not available for distribution to the shareholders.

Other reserves represent retained earnings and profit/ (loss) for the period.

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

26. Non-controlling interests

As at 30 June 2019 the Group reported the following non-controlling interests (NCI) and net loss allocated to non-controlling interests for the six-month period ended 30 June 2019:

	NCI	Total assets	Total liabilities	Carrying amount of NCI	Net loss for the period	Net loss allocated to NCI
	%	MEUR	MEUR	MEUR	MEUR	MEUR
Home Credit US (LLC)	49.90	90	73	9	(20)	(10)
PT. Home Credit Indonesia	15.00	354	283	11	(4)	(1)
				20		**(11)**

As at 31 December 2018 the Group reported the following non-controlling interests (NCI) and net (loss)/profit allocated to non-controlling interests for the six-month period ended 30 June 2018:

	NCI	Total assets	Total liabilities	Carrying amount of NCI	Net profit/(loss) for the period	Net profit/(loss) allocated to NCI
	%	MEUR	MEUR	MEUR	MEUR	MEUR
Home Credit US (LLC)	49.90	91	72	10	(17)	(9)
PT. Home Credit Indonesia	15.00	276	227	7	5	1
				17		**(8)**

27. Interest income and interest expense

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Interest income		
Cash loan receivables	1,988	1,632
POS loan receivables	504	448
Revolving loan receivables	58	54
Mortgage loan receivables	3	2
Car loan receivables	10	9
Due from banks, other financial institutions and holding companies	41	24
Financial assets at FVOCI	10	18
Financial instruments at amortized cost	5	3
Financial assets at FVTPL	2	-
Other	3	5
	2,624	**2,195**
Interest expense		
Current accounts and deposits from customers	104	112
Due to banks, other financial institutions and holding companies	627	480
Debt securities issued	76	47
Subordinated liabilities	6	14
Finance lease	5	-
Other	3	-
	821	**653**

28. Fee and commission income

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Insurance commissions	175	290
Late payment fees	63	83
Customer payment processing and account maintenance	23	19
Cash transactions	17	13
Retailers commissions	9	6
Other	31	17
	318	**428**

29. Fee and commission expense

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Payment processing and account maintenance	26	20
Credit and other register expense	19	19
Commissions to retailers	10	10
Cash transactions	14	13
Payments to deposit insurance agencies	9	9
Stamp duties	1	1
Other	4	3
	83	**75**

30. Net insurance income

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Gross premiums earned	10	11
Acquisition costs	(2)	(2)
	8	**9**

31. Net gains/ (losses) on financial assets and liabilities

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Net foreign currency gains/(losses)	-	(7)
Net trading gains/(losses) on other financial assets and liabilities	10	13
Net (losses)/gains on derivative instruments	(17)	1
	(7)	**7**

32. Other operating income

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Income from other services provided	5	7
Other	38	16
	43	**23**

33. Impairment losses on financial assets

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Cash loan receivables	742	726
POS loan receivables	121	255
Revolving loan receivables	6	5
Mortgage loan receivables	(1)	(1)
Loans to corporations	-	5
Financial assets at FVOCI	-	1
Other financial assets	3	-
	871	**991**

34. Personnel expenses and Other operating expenses

Personnel expenses	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Employee compensation	429	458
Payroll related taxes (including pension contributions)	103	111
Total personnel expenses	**532**	**569**

Other operating expenses	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Telecommunication and postage	42	36
Information technologies	30	33
Advertising and marketing	28	32
Professional services	48	32
Collection agency fee	30	26
Taxes other than income tax	21	21
Travel expenses	12	12
Impairment losses on other non-financial assets	-	2
Loss on disposal of property and equipment and intangible assets	1	3
Net impairment losses on property and equipment	-	-
Other	20	23
Total operating expenses	**232**	**220**

35. Income tax expense

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Current tax expense	(110)	(181)
Deferred tax benefit	19	168
Total income tax benefit/(expense) in the statement of comprehensive income	**(91)**	**(13)**

36. Derivative financial instruments

Interest rate derivatives:	Notional amount 30 June 2019 MEUR	Positive fair values 30 June 2019 MEUR	Negative fair values 30 June 2019 MEUR
Interest rate options (purchase)	4	-	-
Cross currency interest rate swaps	121	4	-
Total interest rate derivatives	**125**	**4**	**-**

Interest rate derivatives:	Notional amount 31 December 2018 MEUR	Positive fair values 31 December 2018 MEUR	Negative fair values 31 December 2018 MEUR
Interest rate swaps	216	2	(2)
Interest rate options (purchase)	4	-	-
Cross currency interest rate swaps	97	2	(2)
Total interest rate derivatives	**317**	**4**	**(4)**

36. Derivative financial instruments (continued)

Currency derivatives:	**Notional amount 30 June 2019 MEUR**	**Positive fair values 30 June 2019 MEUR**	**Negative fair values 30 June 2019 MEUR**
Forward exchange contracts	189	1	(35)
Currency/Cross currency swaps	1,085	13	(8)
Total currency derivatives	**1,274**	**14**	**(43)**

Currency derivatives:	**Notional amount 31 December 2018 MEUR**	**Positive fair values 31 December 2018 MEUR**	**Negative fair values 31 December 2018 MEUR**
Forward exchange contracts	323	-	(15)
Currency/Cross currency swaps	1,047	8	(2)
Total currency derivatives	**1,370**	**8**	**(17)**

Hedging derivatives:	**Notional amount 30 June 2019 MEUR**	**Positive fair values 30 June 2019 MEUR**	**Negative fair values 30 June 2019 MEUR**
Interest rate swaps	499	5	(4)
Total hedging derivatives	**499**	**5**	**(4)**

Hedging derivatives:	**Notional amount 31 December 2018 MEUR**	**Positive fair values 31 December 2018 MEUR**	**Negative fair values 31 December 2018 MEUR**
Interest rate swaps	268	9	-
Total hedging derivatives	**268**	**9**	**-**

37. Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved credit limits related to customer revolving loan accounts, POS loan facilities and cash loan facilities.

	30 June 2019 MEUR	31 December 2018 MEUR
Revolving loan commitments	942	699
POS loan commitments	58	68
Cash loan commitments	31	37
Undrawn overdraft facilities	14	7
Term loans facilities	-	3
	1,045	**814**

The total outstanding contractual commitments to extend credit indicated above do not necessarily represent future cash requirements as many of these commitments will expire or terminate without being funded.

As at 30 June 2019 the Group reported contractual commitments for the acquisition of property and equipment and intangible assets of MEUR 9 (31 December 2018: MEUR 6).

38. Contingencies

Taxation

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

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

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

39. Related party transactions

The Group has a related party relationship with its parent company, which is PPF Financial Holdings B.V., with entities exercising control over the parent company, their subsidiaries, the Group's key management personnel and other related parties. Related party transactions are executed on an arm's length basis. Related party transactions arise primarily from funding and treasury transactions as well as from insurance commissions reported under fee and commission income.

(a) Transactions with the parent company and entities exercising control over the parent company

	30 June 2019 MEUR	31 December 2018 MEUR
Due to banks, other financial institutions and holding companies	(360)	(365)
Subordinated liabilities	-	(51)
	(360)	**(416)**

Amounts included in the statement of comprehensive income in relation to transactions with the parent company and entities exercising control over the parent company are as follows:

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Interest expense	(16)	(5)
	(16)	**(5)**

39. Related party transactions (continued)

(b) Transactions with fellow subsidiaries

Balances included in the statement of financial position in relation to transactions with fellow subsidiaries are as follows:

	30 June 2019 MEUR	31 December 2018 MEUR
Cash and cash equivalents	312	69
Financial assets at fair value through profit or loss	15	13
Due from banks, other financial institutions and holding companies	31	14
Loans to customers	34	38
Intangible assets	2	-
Other assets	3	2
Financial liabilities at fair value through profit or loss	(32)	(15)
Current accounts and deposit from customers	(41)	(9)
Due to banks, other financial institutions and holding companies	(341)	(308)
Debt securities issued	(253)	(196)
Other liabilities	(2)	(3)
	(272)	**(395)**

Amounts included in the statement of comprehensive income in relation to transactions with fellow subsidiaries are as follows:

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Interest income	3	1
Interest expense	(29)	(22)
Fee and commission income	1	-
Fee and commission expense	(1)	(1)
Net gains/ (losses) on financial assets and liabilities	(14)	(1)
Operating income	1	-
Operating expenses	(5)	(7)
	(44)	**(30)**

39. Related party transactions (continued)

(c) Transactions with key management personnel and other related parties

Amounts included in the statement of comprehensive income in relation to transactions with members of key management are long-term benefits of MEUR nil (six-month period ended 30 June 2018: MEUR 1) and short-term benefits of MEUR 13 (six-month period ended 30 June 2018: MEUR 13) comprising salaries, bonuses and non-monetary benefits.

The members of the Board of Directors of the Company and key management of its subsidiaries are considered as the key management of the Group.

The Group pays for consultancy and management services under a consultancy service agreement concluded in 2013 between the Group and an entity controlled by one of the members of its Board of Directors. Consultancy fees charged by the Group over the six-month period ended 30 June 2019 in relation to this agreement amounted to MEUR 4 (six-month period ended 30 June 2018: MEUR 2). Other expenses incurred on behalf of this related party were MEUR nil (six-month period ended 30 June 2018: MEUR 1). All these amounts are recorded under general administrative expenses, while the related liability of MEUR 1 as at 30 June 2019 (31 December 2018: MEUR 1) is reported under other liabilities.

As at 30 June 2019 the balances due from holding companies included secured loans of MEUR 38 (31 December 2018: MEUR 74) provided by the Group to a company controlled by one of the members of its Board of Directors. The weighted average interest rate is 5.74% (31 December 2018: 5.74%) and the repayment date of those loans is 30 June 2024.

40. Subsequent events

In July 2019, Quazbiz partners LLP owned by Vsegda Da N.V. (99.99%) and Forward leasing LLP (0.01%) was incorporated.

In July 2019, Forward leasing LLP (KZ) owned by Vsegda Da N.V. (99.99%) and Forward leasing LLP (0.01%) was incorporated.

On 11 July 2019 Mr. Christoph Glaser stepped down from Board of Directors of the Company.

Condensed Company Interim Financial Statements for the six-month period ended 30 June 2019

	Note	30 June 2019 MEUR	31 December 2018 MEUR
ASSETS			
Cash and cash equivalents	5	151	1
Time deposits with banks	6	12	11
Loans provided	7	49	471
Financial assets at fair value through profit or loss	8	5	2
Investments in subsidiaries	9	3,246	2,349
Other assets	10	28	2
Total assets		**3,491**	**2,836**
LIABILITIES			
Debt securities issued	11	137	94
Financial liabilities at fair value through profit or loss	12	-	2
Loans received and other liabilities	13	1,205	1,086
Provisions		2	3
Total liabilities		**1,344**	**1,185**
EQUITY			
Share capital	14	1,000	1,000
Share premium	14	628	628
Other reserves	14	519	23
Total equity		**2,147**	**1,651**
Total liabilities and equity		**3,491**	**2,836**

	Note	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Continuing operations:			
Interest income	15	4	-
Interest expense	15	(33)	-
Net interest expense		**(29)**	**-**
Dividend income	16	525	-
Fee income	17	5	-
Net foreign exchange result		3	-
Operating income		**504**	**-**
Impairment reversals/(losses)	18	1	-
Other operating expenses	19	(9)	(1)
Operating expenses		**(8)**	**(1)**
(Loss)/profit before tax		**496**	**(1)**
Income tax expense	20	-	-
Net (loss)/profit for the period		**496**	**(1)**
Other comprehensive income for the period		**-**	**-**
Total comprehensive (expense)/income for the period		**496**	**(1)**

	Share capital MEUR	Share premium MEUR	Other reserves MEUR	Total equity MEUR
Balance as at 1 January 2019	1,000	628	23	1,651
Capital increase	-	-	-	-
Total	**1,000**	**628**	**23**	**1,651**
Profit/(loss) for the period	-	-	496	496
Total comprehensive income for the period	**-**	**-**	**496**	**496**
Total changes	**-**	**-**	**496**	**496**
Balance as at 30 June 2019	**1,000**	**628**	**519**	**2,147**

	Share capital MEUR	Share premium MEUR	Other reserves MEUR	Total equity MEUR
Balance as at 1 January 2018	7	-	-	7
Capital increase	993	628	-	1,621
Total	**1,000**	**628**	**-**	**1,628**
Loss for the period	-	-	(1)	(1)
Total comprehensive income for the period	**-**	**-**	**(1)**	**(1)**
Total changes	**993**	**628**	**(1)**	**1,620**
Balance as at 30 June 2018	**1,000**	**628**	**(1)**	**1,627**

	Note	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Operating activities			
Profit/(loss) before tax		496	(1)
Adjustments for:			
Interest income and expense	15	29	-
Dividend income	16	(525)	-
Impairment losses	18	(1)	-
Net loss on revaluation of financial liabilities		-	-
Net loss on sale of subsidiary		-	-
Income/(expenses) not involving movements of cash		-	-
Net operating cash flow before changes in working capital		**(1)**	**(1)**
Change in time deposits with banks		(1)	-
Change in loans provided		415	-
Change in other assets		(4)	(1)
Change in other liabilities and provisions		(5)	1
Effects of foreign currency translation on items other than cash and cash equivalents		4	-
Cash flows from/(used in) the operations		**408**	**(1)**
Interest paid		(32)	-
Interest received		12	-
Cash flows used in operating activities		**388**	**(1)**
Investing activities			
Investments into subsidiaries		(897)	-
Dividends received		500	-
Cash flows used in investing activities		**(397)**	**-**
Financing activities			
Proceeds from the issue of share capital and other capital contributions		-	-
Proceeds from the issue of debt securities		42	-
Repayment of debt securities issued		-	-
Proceeds from due to banks and other financial institutions		1,022	-
Repayments of due to banks and other financial institutions		(905)	-
Cash flows from financing activities		**159**	**-**
Net increase/(decrease) in cash and cash equivalents		150	(1)
Cash and cash equivalents as at 1 January	5	1	7
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at 30 June	5	**151**	**6**

1. Description of the Company

Principal activities

The Company is a direct owner of consumer finance companies ("the Group") operating in the Central Europe, CIS, Asia and the United States of America. The principal activities of the Company are holding of equity stakes in these companies and financing these companies both from the market and from the parent company and related parties.

For further description of the Company see Note 1 of Notes to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2019.

2. Basis of preparation

The financial statements for the six-month period ended 30 June 2019 have been prepared on an unconsolidated basis. Subsidiaries are presented on a cost-less-impairment basis.

The basis of preparation is as described in Note 2 of Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2019.

Presentation and functional currency

These financial statements are presented in Euro (EUR), which is the Company's functional currency and reporting currency. Financial information presented in EUR has been rounded to the nearest million (MEUR).

3. Significant accounting policies

(a) Changes in accounting policies from 1 January 2019

The Company has adopted IFRS 16 *Leases* from 1 January 2019 but it does not have a material effect on the Condensed Company Interim Financial Statements.

(b) Investments in subsidiaries

The Company initially recognises its investments in subsidiaries at cost. Subsequently they are measured at cost less impairment losses.

(c) Other accounting policies

Other significant accounting policies are as described in Note 3 of Notes to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2019.

4. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Group Asset and Liability Committee (ALCO) and the Group Risk Department, which are responsible for developing and monitoring risk management policies in their specified areas. Both bodies report regularly to the Board of Directors on their activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment.

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation. The majority of the Company's exposure to credit risk arises in connection with guarantees issued and with the provision of loans to related parties. The remaining part of the Company's exposures to credit risk is related to investments in debt securities, deposits with banks, loans provided and certain other assets. The loans provided by the Company to controlling entities and to subsidiaries are unsecured, other loans provided are secured.

The carrying amount of financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk by providing loans and guarantees only to related parties, investing to debt securities issued by related parties and placing funds with reputable financial institutions.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. The liquidity position is continuously monitored. All liquidity policies and procedures as well as liquidity position projections are subject to review and approval by the Group ALCO.

The Company's liquidity position as at 30 June 2019 shows liquidity gaps, which the Company will face in 2019. The Company plans refinancing the maturing loans through a diverse funding base to which the Company has access. The Company raises funds both on the market and through related parties. The shareholder's support enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

4. Financial risk management (continued)

Exposure to liquidity risk

The following table shows financial assets and liabilities by remaining contractual maturity dates. The table does not include prospective cash flows related to loan commitments. Refer to Note 21 for outstanding loan commitments that may impact liquidity requirements.

	30 June 2019				
MEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Cash and cash equivalents	151	-	-	-	151
Time deposits with banks	8	-	-	4	12
Loans provided	-	2	47	-	49
Financial assets at fair value through profit or loss	-	4	1	-	5
Investment in subsidiaries	-	-	-	3,246	3,246
Total financial assets	**159**	**6**	**48**	**3,250**	**3,463**
Debt securities issued	-	95	42	-	137
Loans received and other financial liabilities	1	391	813	-	1,205
Total financial liabilities	**1**	**486**	**855**	**-**	**1,342**
Net position	**158**	**(480)**	**(807)**	**3,250**	**2,121**

	31 December 2018				
MEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Cash and cash equivalents	1	-	-	-	1
Time deposits with banks	-	11	-	-	11
Loans provided	354	39	78	-	471
Financial assets at fair value through profit or loss	-	-	2	-	2
Other financial assets	2	-	-	-	2
Total financial assets	**357**	**50**	**80**	**-**	**487**
Debt securities issued	-	-	94	-	94
Financial liabilities at fair value through profit or loss	-	2	-	-	2
Loans received and other financial liabilities	370	662	54	-	1,086
Total financial liabilities	**370**	**664**	**148**	**-**	**1,182**
Net position	**(13)**	**(614)**	**(68)**	**-**	**(695)**

4. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The majority of the Company's exposure to market risk arises in connection with the funding of the Company's operations with liabilities denominated in foreign currencies, and to the extent the term structure of interest bearing assets differs from that of liabilities.

Exposure to foreign currency risk

The Company has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency. Foreign currency risk is managed principally through monitoring foreign currency mismatches in the structure of assets and liabilities and using foreign currency derivatives. The Group ALCO is the monitoring body for this risk.

There are no significant open foreign currency positions as of 30 June 2019.

Exposure to interest rate risk

The Company is exposed the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved Group-wide limits for re-pricing bands. Given the structure of the Company's statement of comprehensive income with the main source of income being dividends received, which are, on a full year basis, considerably more significant than interest expenses, the Company is able to tolerate significant interest rate gaps. The Group ALCO is the monitoring body for compliance with these limits.

4. Financial risk management (continued)

Interest rate gap position

The following tables present interest bearing assets and liabilities by interest rate re-pricing periods.

MEUR	Effective interest rate	30 June 2019 Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest bearing financial assets						
Cash and cash equivalents	0.0%	151	-	-	-	151
Time deposits with banks	(0.4)%	12	-	-	-	12
Loans provided	6.6%	10	39	-	-	49
Total interest bearing financial assets	**n/a**	**173**	**39**	**-**	**-**	**212**
Interest bearing financial liabilities						
Debt securities issued	3.8%	-	95	42	-	137
Loans received and other liabilities	4.8%	814	391	-	-	1,205
Total interest bearing financial liabilities	**n/a**	**814**	**486**	**42**	**-**	**1,342**
Net position	**n/a**	**(641)**	**(447)**	**(42)**	**-**	**(1,130)**

MEUR	Effective interest rate	31 December 2018 Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest bearing financial assets						
Cash and cash equivalents	0.0%	1	-	-	-	1
Time deposits with banks	(0.3%)	11	-	-	-	11
Loans provided	6.9%	405	45	21	-	471
Total interest bearing financial assets	**n/a**	**417**	**45**	**21**	**-**	**483**
Interest bearing financial liabilities						
Debt securities issued	3.8%	1	-	93	-	94
Loans received and other liabilities	5.4%	1,018	13	55	-	1,086
Total interest bearing financial liabilities	**n/a**	**1,019**	**13**	**148**	**-**	**1,180**
Net position	**n/a**	**(602)**	**32**	**(127)**	**-**	**(697)**

4. Financial risk management (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Company. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

(e) Capital management

The Company considers share capital, share premium and capital reserves as a part of the capital. The Company's policy is to maintain the capital base adequate to its investments in subsidiaries so as to maintain investor, creditor and market confidence, sustain future development of the business and meet the capital requirements related to its funding operations. There are no regulatory capital requirements for the Company.

4. Financial risk management (continued)

(f) Fair values of financial instruments

The Company has performed an assessment of fair values of its financial instruments, as required by IFRS 7, to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

Fair values of the following financial instruments differ from their carrying amounts shown in the statement of financial position:

	Note	Carrying amount 30 June 2019 MEUR	Fair value 30 June 2019 MEUR	Carrying amount 31 December 2018 MEUR	Fair value 31 December 2018 MEUR
Debt securities issued	11	137	136	94	97

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices (Level 1) or 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):

30 June 2019	Level 1 MEUR	Level 2 MEUR	Level 3 MEUR	Total MEUR
Financial assets at fair value through profit or loss	-	5	-	5
	-	**5**	**-**	**5**

31 December 2018	Level 1 MEUR	Level 2 MEUR	Level 3 MEUR	Total MEUR
Financial assets at fair value through profit or loss	-	2	-	2
Financial liabilities at fair value through profit or loss	-	(2)	-	(2)
	-	**-**	**-**	**-**

There were no transfers between Level 1, 2 and 3 in the six-month period ended 30 June 2019 or year ended 31 December 2018.

5. Cash and cash equivalents

	30 June 2019 MEUR	31 December 2018 MEUR
Current accounts with related parties	151	1
	151	**1**

6. Time deposits with banks

	30 June 2019 MEUR	31 December 2018 MEUR
Cash collateral for syndicated loan interest payments	8	7
Cash collateral for foreign exchange derivative contracts	4	4
	12	**11**

7. Loans provided

	30 June 2019 MEUR	31 December 2018 MEUR
Loans to subsidiaries	8	429
Other loans provided	41	43
Impairment to loans provided	-	(1)
	49	**471**

8. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent positive fair value of trading derivative instruments.

9. Investments in subsidiaries

Subsidiary	Country of incorporation	Share in issued capital		Net cost of investment	
		30 June 2019	31 December 2018	30 June 2019	31 December 2018
		%	%	MEUR	MEUR
Home Credit N.V.	Netherlands	100.00	100.00	3,151	2,343
ABDE Holding s.r.o.	Czech Republic	100.00	100.00	11	6
Zonky (LLC)	Czech Republic	100.00	-	40	-
Saint World Limited	Hong Kong	100.00	-	-	-
Home Credit US Holding (LLC)	US	100.00	-	20	-
AB-X Project GmBG (formerly Blitz 19-68 GmBH)	Germany	100.00	-	-	-
HC Advisory Services (LLC)	Czech Republic	100.00	-	3	-
Redlione (LLC)	Cyprus	100.00	-	-	-
Astavedo Limited	Cyprus	100.00	-	-	
Enadoco Limited	Cyprus	100.00	-	-	
Rhaskos Finance Limited	Cyprus	100.00	-	-	
Septus Holding Limited	Cyprus	100.00	-	-	
Sylander Capital Limited	Cyprus	100.00	-	-	
Talpa Estero Limited	Cyprus	100.00	-	-	
Nymbus	US	20.88	-	13	
Eureka Analytics Pte. Ltd.	Singapore	19.00	-	8	
				3,246	**2,349**

30 June 2019	Cost of investment	Impairment	Carrying amount
	MEUR	MEUR	MEUR
Balance as at 1 January	**2,349**	**-**	**2,349**
Investments	897	-	897
Divestments	-	-	-
Impairment changes	-	-	-
Balance as at 30 June	**3,246**	**-**	**3,246**

The Company did not have any investment in subsidiaries as at 30 June 2018.

10. Other assets

	30 June 2019 MEUR	31 December 2018 MEUR
Trade receivables	2	1
Estimated receivables	1	1
Receivable for dividend	25	-
	28	**2**

11. Debt securities issued

	Interest rate	Final maturity	Amount outstanding 30 June 2019 MEUR	Amount outstanding 31 December 2018 MEUR
Unsecured CZK bond issue of MCZK 1,998	3.75%	March 2020	79	78
CZK promissory note issue of MCZK 207	Zero-coupon	April 2020	8	8
EUR promissory note issue of MEUR 7.96	Zero-coupon	April 2020	8	8
USD promissory note issue of MUSD 15	Zero-coupon	September 2020	13	-
USD promissory note issue of MUSD 10	Zero-coupon	October 2020	9	
CZK promissory note issued of MCZK 560	Zero-coupon	May 2021	20	
			137	**94**

All the bonds and promissory notes issued are unsecured.

12. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss represent negative fair value of trading derivative instruments.

13. Loans received and other liabilities

	30 June 2019 MEUR	31 December 2018 MEUR
Loans received	1,204	1,083
Settlement with suppliers	1	2
Other accounts payable	-	1
Payable to subsidiary	-	-
	1,205	**1,086**

Loans received

	Interest Rate	Currency	Maturity	Amount outstanding 30 June 2019	31 December 2018 MEUR
Syndicated loan	Variable	EUR	June 2019	813	651
Loan from parent company	Variable	EUR	March 2019	360	364
Loan from other related party	Fixed	CZK	January 2020	31	30
Loan from subsidiary	Fixed	RUB	December 2019	-	13
Loan from subsidiary	Fixed	RUB	November 2021	-	25
				1,204	**1,083**

All loans are unsecured. There were no breaches of loan covenants in the six-month period ended 30 June 2019 or year ended 31 December 2018.

14. Equity

Share capital

Home Credit Group B.V. (hereafter "the Group") was established on 20 September 2017.

As of 30 June 2019 Company's share capital comprised 175,438,596,491 ordinary shares at a par value of EUR 0.0057, of which all 175,438,596,491 shares were issued and fully paid. All issued shares bear equal voting rights. The holders of the shares are entitled to receive distributions of profits and reserves when declared by the general meeting of the Company. No distributions can be made if the total amount of the reserves to be maintained pursuant to the law or the articles of association exceeds the Company's equity and the management board has not given its approval to such distribution.

15. Interest income and interest expense

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Interest income		
Subsidiaries	3	-
Other	1	-
	4	**-**
Interest expense		
Loans received	31	-
Debt securities issued	2	-
	33	**-**

16. Dividend income

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Subsidiary		
Home Credit N.V.	525	-
	525	**-**

17. Fee income

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Fees for services provided	3	-
Guarantee fees	2	-
	5	**-**

18. Impairment reversals/(losses)

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Undrawn credit limit	1	-
	1	**-**

19. Other operating expenses

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Professional services	3	1
Travel expenses	2	-
Other	4	-
	9	**1**

20. Taxation

As at 30 June 2019 the Company incurred accumulated tax losses of MEUR 10 (31 December 2018: MEUR 10) available to be carried forward and off-set against future taxable income. The unutilized tax losses expire in 2027.

There is no expectation of sufficient taxable income, as dividends received are tax exempt in the Netherlands. Therefore, no income tax is accounted for in the profit and loss account apart from withholding taxes, and no deferred tax asset is recorded.

Year of expiration	**30 June 2019 MEUR**	**31 December 2018 MEUR**
2027	10	10
Total	**10**	**10**

21. Commitments and guarantees

As at 30 June 2019 the Company had outstanding commitments to extend credit of MEUR 71 (31 December 2018: MEUR 70).

As at 30 June 2019 the Company had outstanding guarantees of MEUR 385 (31 December 2018: MEUR 343) issued by the Company in favour of financing entities for loans drawn by subsidiaries.

22. Related party transactions

The Company has a related party relationship with its parent company PPF Financial Holdings B.V., with entities exercising control over the parent company, their subsidiaries, the Company's key management personnel and other related parties. Related party transactions are executed on an arm's length basis. Related party transactions arise primarily from funding and treasury transactions.

(a) Transactions with the parent company and entities exercising control over the parent company

Balances included in the statement of financial position in relation to transactions with the parent company and entities exercising control over the parent company are as follows:

	30 June 2019 MEUR	31 December 2018 MEUR
Loans received and other liabilities	(360)	(365)
	(360)	**(365)**

Amounts included in the statement of comprehensive income in relation to transactions with the parent company and entities exercising control over the parent company are as follows:

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Interest expense	(14)	-
	(14)	**-**

(b) Transactions with subsidiaries and fellow subsidiaries

Balances included in the statement of financial position in relation to transactions with subsidiaries and fellow subsidiaries are as follows:

	30 June 2019 MEUR	31 December 2018 MEUR
Cash and cash equivalents	151	1
Time deposits with banks	4	4
Loans provided	12	433
Financial assets at fair value through profit or loss	5	2
Other assets	28	2
Debt securities issued	(58)	(15)
Financial liabilities at fair value through profit or loss	-	(2)
Loans received and other liabilities	(31)	(69)
	111	**356**

22. Related party transactions (continued)

Amounts included in the statement of comprehensive income in relation to transactions with fellow subsidiaries are as follows:

	6 months ended 30 June 2019 MEUR	6 months ended 30 June 2018 MEUR
Interest income	3	-
Interest expense	(1)	-
Dividend income	525	-
Fee income	5	-
Net foreign exchange result	10	-
General administrative expenses	(1)	-
	541	**-**

(c) Transactions with key management personnel

The members of the Board of Directors of the Company are considered to be the Company's key management.

The Company paid for consultancy and management services under a consultancy service agreement that was in May 2018 assigned to the Company from its subsidiary Home Credit B.V. The agreement was concluded in 2013 between Home Credit B.V. and an entity controlled by one of the members of Company´s Board of Directors. Consultancy fees incurred by the Company in the six-month period ended 30 June 2019 in relation to this agreement amounted to MEUR 4 (six-month period ended 30 June 2018: MEUR nil). This amount is recorded under general administrative expenses, while the related liability of MEUR 1 as at 30 June 2019 (31 December 2018: MEUR 1) is reported under other liabilities.

23. Segment information

The Company represents one reportable segment that has central management and follows a common business strategy. All the revenues are attributed to the Company's country of domicile.

24. Subsequent events

In July 2019, the receivable for dividend in amount of MEUR 25 was settled.

In July and August, the Company increased share premium in AB-X Project GmBG totally by MEUR 19.

In August 2019, the Company purchased entity Barion Payment ZRT for MEUR 2.

In July, August and September, the Company increased the share capital of HOME CREDIT US Holding, LLC totally by MEUR 7 equivalent.

In July, August and September, the Company made voluntary equity contributions in Zonky (LLC) totally by MEUR 6 equivalent.

On 11 July 2019 Mr. Christoph Glaser stepped down from Board of Directors of the Company.

The Condensed Consolidated Interim Financial Statements as set out on pages 3 to 86 and the Condensed Company Interim Financial Statements as set out on pages 87 to 107 were approved by the Board of Directors on 26 September 2019.

Jan Cornelis Jansen
Member of the Board of Directors