Home Credit Group B.V.

Condensed Interim Financial Report
for the three-month period ended 31 March 2020

Contents

Condensed Consolidated Interim Financial Statements
for the three-month period ended 31 March 2020
(unaudited)

	Note	31 March 2020 MEUR	31 Dec 2019 MEUR
ASSETS			
Cash and cash equivalents	7	3,581	3,288
Financial assets at fair value through profit or loss	8	43	30
Financial assets at fair value through other comprehensive income	9	336	355
Due from banks, other financial institutions and holding companies	10	477	444
Loans to customers	11	18,460	20,185
Investment securities at amortized cost	12	695	719
Assets classified as held for sale	13	2	2
Current income tax receivables		36	26
Investments in associates	14	11	28
Property and equipment	15	281	316
Intangible assets and goodwill	17	364	380
Deferred tax assets		432	422
Other assets	18	351	395
Total assets		**25,069**	**26,590**
LIABILITIES			
Financial liabilities at fair value through profit or loss	19	91	31
Current accounts and deposits from customers	20	6,589	7,348
Due to banks, other financial institutions and holding companies	21	12,385	12,979
Debt securities issued	22	2,564	2,449
Subordinated liabilities	23	16	15
Current income tax liabilities		30	33
Deferred tax liabilities		15	13
Insurance and other provisions	24	47	54
Other liabilities	25	748	795
Total liabilities		**22,485**	**23,717**
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	26	1,000	1,000
Share premium	26	628	628
Statutory reserves	26	145	144
Foreign currency translation	26	(920)	(658)
Reserve for business combinations under common control	26	(153)	(153)
Hedge reserve	26	1	(2)
Revaluation reserve	26	1	1
Other reserves	26	1,858	1,884
Total equity attributable to equity holders of the Company		**2,560**	**2,844**
Non-controlling interests	27	**24**	**29**
Total equity		**2,584**	**2,873**
Total liabilities and equity		**25,069**	**26,590**

	Note	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Interest income	28	1,323	1,286
Interest expense	28	(401)	(397)
Net interest income		**922**	**889**
Fee and commission income	29	148	156
Fee and commission expense	30	(48)	(43)
Net fee and commission income		**100**	**113**
Net insurance income	31	4	**4**
Net gains/(losses) on financial assets and liabilities	32	23	(2)
Other operating income	33	15	12
Operating income		**1,064**	**1,016**
Impairment losses on financial assets	34	(628)	(430)
Personnel expenses and Other operating expenses	35	(402)	(370)
Rental, maintenance and repairs		(10)	(8)
Depreciation and amortization		(48)	(42)
Operating expenses		**(1,088)**	**(850)**
Losses on disposals/liquidations of associates and subsidiaries		(4)	-
Share of earnings in associates		2	1
Profit before tax		**(26)**	**167**
Income tax expense	36	(6)	(41)
Net profit from continuing operations for the period		**(32)**	**126**
Profit/(loss) attributable to:			
Equity holders of the Company		(22)	132
Non-controlling interests	27	(10)	(6)
Net profit for the period		**(32)**	**126**
Other comprehensive (loss)/income which will be subsequently reclassified to profit or loss:			
Currency translation		(268)	139
Revaluation of financial assets at fair value through other comprehensive income		-	1
Revaluation of financial assets at fair value through other comprehensive income transferred to profit or loss		-	(1)
Cash flow hedge reserve		3	-
Income tax relating to components of other comprehensive income		-	-
Other comprehensive (loss)/income for the period		**(265)**	**139**
Total comprehensive income for the period		**(297)**	**265**
Total comprehensive income attributable to:			
Equity holders of the Company		(287)	271
Non-controlling interests		(10)	(6)
Total comprehensive income for the period		**(297)**	**265**

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	Hedge reserve	Other reserves	Total	Non-controlling interests	Total equity
	MEUR	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**	**MEUR**
Balance as at 1 January 2020	**1,000**	**628**	**144**	**(658)**	**(153)**	**1**	**(2)**	**1,884**	**2,844**	**29**	**2,873**
Interest paid from AT1 subordinated bond	-	-	-	-	-	-	-	(4)	**(4)**	-	**(4)**
Disposal/deconsolidation of subsidiaries	-	-	-	7	-	-	-	-	**7**	-	**7**
Other changes in non-controlling interest	-	-	-	-	-	-	-	-	**-**	5	**5**
Total	**1,000**	**628**	**144**	**(651)**	**(153)**	**1**	**(2)**	**1,880**	**2,847**	**34**	**2,881**
Currency translation	-	-	1	(269)	-	-	-	-	**(268)**	-	**(268)**
Change in cash flow hedge reserve, net of tax	-	-	-	-	-	-	3	-	**3**	-	**3**
Profit for the period	-	-	-	-	-	-	-	(22)	**(22)**	(10)	**(32)**
Total comprehensive income for the period	**-**	**-**	**1**	**(269)**	**-**	**-**	**3**	**(22)**	**(287)**	**(10)**	**(297)**
Total changes	**-**	**-**	**1**	**(262)**	**-**	**-**	**3**	**(26)**	**(284)**	**(5)**	**(289)**
Balance as at 31 March 2020	**1,000**	**628**	**145**	**(920)**	**(153)**	**1**	**1**	**1,858**	**2,560**	**24**	**2,584**

	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 1 January 2019	**1,000**	**628**	**114**	**(770)**	**(153)**	**-**	**1,318**	**2,137**	**17**	**2,154**
Other changes in non-controling interest	-	-	-	-	-	-	-	-	7	**7**
Transfers	-	-	9	-	-	-	(9)	-	-	-
Total	**1,000**	**628**	**123**	**(770)**	**(153)**	**-**	**1,309**	**2,137**	**24**	**2,161**
Currency translation	-	-	-	139	-	-	-	**139**	-	**139**
Revaluation gains/ (losses) on financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	1	-	**1**	-	**1**
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	-	-	-	-	-	-	132	**132**	(6)	**126**
Total comprehensive income for the period	**-**	**-**	**-**	**139**	**-**	**-**	**132**	**271**	**(6)**	**265**
Total changes	**-**	**-**	**9**	**139**	**-**	**-**	**123**	**271**	**1**	**272**
Balance as at 31 March 2019	**1,000**	**628**	**123**	**(631)**	**(153)**	**-**	**1, 441**	**2,408**	**18**	**2,426**

	Note	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Operating activities			
Profit before tax		(26)	167
Adjustments for:			
Interest expense	28	401	397
Interest income	28	(1,323)	(1,286)
Net loss/gain on disposal of property, equipment and intangible assets		-	(1)
Net loss on disposal of subsidiaries and associates		4	-
Impairment losses	34,35	633	430
Share of earnings in associates		(2)	(1)
Depreciation and amortization		48	42
Net operating cash flow before changes in working capital		**(265)**	**(252)**
Change in due from banks, other financial institutions and holding companies		(78)	(191)
Change in loans to customers		419	(1,006)
Change in financial assets at fair value through profit or loss		(11)	2
Change in other assets		44	(15)
Change in held for sale assets		-	3
Change in current accounts and deposits from customers		(12)	(208)
Change in financial liabilities at fair value through profit or loss		60	17
Change in other liabilities and insurance and other provisions		(34)	(59)
Effects of foreign currency translation on items other than cash and cash equivalents		(15)	(378)
Cash flows from/ (used in) the operations		**108**	**(2,087)**
Interest paid		(400)	(339)
Interest received		1,362	1,342
Income tax paid		(37)	(68)
Cash flows from/ (used in) operating activities		**1,033**	**(1,152)**
Investing activities			
Proceeds from sale of property, equipment and intangible assets		18	6
Acquisition of property, equipment and intangible assets		(65)	(39)
Proceeds from sale of subsidiaries and associates		5	-
Acquisition of financial assets at fair value through other comprehensive income		(472)	(111)
Proceeds from sale of financial assets at fair value through other comprehensive income		440	486
Acquisition of investment securities at amortized cost		(25)	-
Proceeds of investment in associate		3	2
Cash flows (used in)/ from investing activities		**(96)**	**344**
Financing activities			
Proceeds from the issue of debt securities (including subordinated)		613	72
Repayment of debt securities issued (including subordinated)		(465)	(217)
Proceeds from due to banks, other financial institutions and holding companies		4,671	6,693
Repayment of due to banks, other financial institutions and holding companies		(5,280)	(5,778)
Payments related to AT1 subordinated bond		(4)	-
Payments of lease liabilities		(10)	(11)
Cash flows (used in)/ from financing activities		**(475)**	**759**
Net increase/(decrease) in cash and cash equivalents		462	(49)
Cash and cash equivalents as at 1 January		3,288	3,362
Effects of exchange rate changes on cash and cash equivalents		(169)	73
Cash and cash equivalents as at 31 March	7	**3,581**	**3,386**

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

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 as well as deposit taking, saving and current bank account service and maintenance, payments, insurance and other services.

The Group operates in 10 countries which are split into five clusters: China; South and South East Asia ("SSEA") which includes our businesses in India, Indonesia, Philippines and Vietnam; Commonwealth of Independent States ("CIS") which includes our businesses in Russia and Kazakhstan; Central and Eastern Europe ("CEE"), which includes our businesses in Czech and Slovakia; and Other which includes our business in the USA as well as other projects or entities which are in early stage of development

Board of Directors

Jiří Šmejc	Chairman
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 (%)* 31 March 2020	31 Dec 2019
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. 1)	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
Redlione (LLC) 1)	Cyprus	100.00	100.00
Astavedo Limited 1)	Cyprus	100.00	100.00
Enadoco Limited	Cyprus	100.00	100.00
Rhaskos Finance Limited 1)	Cyprus	100.00	100.00
Septus Holding Limited 1)	Cyprus	100.00	100.00
Sylander Capital Limited 1)	Cyprus	100.00	100.00
Talpa Estero Limited 1)	Cyprus	100.00	100.00
Air Bank (JSC)	Czech Republic	100.00	100.00
Benxy (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) 1)	Czech Republic	100.00	100.00
HC ITS (LLC) / HC Advisory Services (LLC) 3)	Czech Republic	100.00	100.00
My Air (LLC)	Czech Republic	100.00	100.00
ABDE Holding (LLP) 1)	Czech Republic	100.00	100.00
Velvon GmbH	Germany	100.00	100.00
AB-X Projekt 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 1)	India	100.00	100.00
PT. Home Credit Indonesia	Indonesia	85.00	85.00
Bank Home Credit SB JSC	Kazakhstan	100.00	100.00
Forward leasing LLP	Kazakhstan	100.00	100.00
Qazbiz partners LLP	Kazakhstan	100.00	100.00
Eurasia Capital S.A. 2)	Luxembourg	0.00	0.00
AB 2 B.V. 4)	Netherlands	-	100.00
AB 4 B.V.	Netherlands	100.00	100.00
AB 7 B.V. 4)	Netherlands	-	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
HC Philippines Holdings B.V.	Netherlands	100.00	100.00
Home Credit N.V.	Netherlands	100.00	100.00
Vsegda Da N.V.	Netherlands	100.00	100.00
Eurasia Structured Finance No.3 B.V. 2)	Netherlands	0.00	0.00
Eurasia Structured Finance No.4 B.V. 2)	Netherlands	0.00	0.00
HC Consumer Finance Philippines, Inc.	Philippines	100.00	100.00
HCPH Financing 1, Inc.	Philippines	100.00	100.00
HCPH Insurance Brokerage, Inc.	Philippines	100.00	100.00
Filcommerce Holdings, Inc.	Philippines	100.00	100.00

* The sign "-" means the entity was not yet incorporated, was not yet a subsidiary of the Group or ceased to be a subsidiary of the Group during those financial periods.

1) Subsidiary is under liquidation.
2) Special purpose entities established to facilitate the Group's issues of debt securities and subordinated liabilities.
3) HC Advisory Services (LLC) was renamed and split into HC ITS (LLP) and Rixo (LLP) during the 1Q 2020. Rixo (LLP) was sold.
4) Subsidiary was merged with AB4 during the 1Q 2020.

1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 31 March 2020	31 Dec 2019
Home Credit and Finance Bank (LLC)	Russian Federation	100.00	100.00
Financial Innovations (LLC)	Russian Federation	100.00	100.00
Forward leasing Limited Liability Company (LLC)	Russian Federation	100.00	100.00
MCC Kupi ne kopi (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	100.00	100.00
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00
Home Credit US (LLC)	USA	50.10	50.10
Home Credit US Holding (LLC)	USA	100.00	100.00
HC Finance USA 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.

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 (%) 31 March 2020	31 Dec 2019
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
Eureka Analytics PTE. LTD.	Singapore	20.49	24.50
Nymbus, Inc.*	USA	-	13.92

* Nymbus Inc. was reclassified to the financial assets at fair value through other comprehensive income (Note 9).

2. Basis of preparation

The consolidated financial statements for the three-month period ended 31 March 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Basis of preparation and presentation

The condensed consolidated financial statements set out in this report have been prepared in accordance with Accounting Standard *IAS 34 Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

The condensed consolidated financial statements set out in this report have been prepared in accordance with applicable International Financial Reporting Standards as endorsed by the European Union (the "EU IFRSs"), which collective term includes applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") as endorsed by European Union ("EU") and with Section 2:362(9) of the Netherlands Civil Code (hereafter "NCC"). Further details of the significant accounting policies adopted are set out in Note 3. These accounting policies have been applied consistently to all periods presented in the condensed consolidated financial statements unless otherwise indicated.

EU IFRSs may differ from IFRSs issued by the IASB if, at any reporting time, new or amended IFRSs and Interpretations issued by the IASB have not yet been endorsed by the EU. As at 31 December 2019 and 31 March 2020, there were no unendorsed accounting standards effective for the accounting periods beginning on 1 January 2019 and 1 January 2020, respectively, affecting the condensed consolidated financial statements. As a consequence there was no difference between EU IFRSs and IFRSs issued by the IASB in terms of their application to the Group and the Company.

The Company has also prepared the condensed unconsolidated financial statements for the three-month period ended 31 December 2019 (from 1 January 2020 to 31 March 2020), which have been prepared in accordance with IFRSs, including IASs, promulgated by the IASB and interpretations issued by the IFRIC of the IASB as adopted by the European Union.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group:

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. Amendments to IFRS 3 has not yet been endorsed by the EU.

These amendments had no impact on the condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Amendments to IFRS 7, IFRS 9 and IAS 39 were endorsed by the EU.

2. Basis of preparation (continued)

These amendments had no material impact on the interim consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. Amendments to IAS 1 and IAS 8 were endorsed by the EU.

These amendments had no impact on the interim consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. Amendments to Conceptual Framework were endorsed by the EU.

These amendments had no impact on the condensed consolidated financial statements of the Group.

(b) Basis of measurement

These condensed consolidated 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 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 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 consolidated financial statements is described in Note 3(d)(vi), Note 3(i), Note 3(s), Note 11.

2. Basis of preparation (continued)

During last quarter 2019, the Group also assessed and subsequently revised its estimation of expected credit loss' model. As a result the Group changed the credit loss estimate at the time of the writte-off and aligned the estimate with latest expectation of recoveries.

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 financial statements and by all Group entities.

(a) 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 condensed 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 condensed 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 condensed 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.

3. Significant accounting policies (continued)

(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.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in the condensed 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.

(b) 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.

(c) 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)

(d) 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).

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.

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(e).

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

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 is based on 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 or 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 the magnitude of the likely loss if there is a default. 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 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.

Each estimation of impact of macroeconomic forecast on provisioning is also subject to an internal materiality threshold evaluation to avoid short-term fluctuation in provisioning volumes in cases where the impact of expected macroeconomic situation is considered not material. The materiality threshold is set up to be 2% of total provision for each respective Group Company and respective Reporting date.

In 1Q 2020 we observed only limited impact of COVID-19 on retail portfolio. Our ECL models are not immediately able to adequately reflect all the various government measures implemented in the different countries to support households through this crisis. The Group therefore used an expert judgment in line with IFRS 9 to take into account initial observations and booked management overlay to react on latest development of COVID-19 pandemic situation.

Definition of default

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).

3. Significant accounting policies (continued)

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

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. Due to the nature of the Group's business where the majority of the loans is provided to retail customers, this assessment is carried out at homogeneous portfolio level and applied to the individual financial asset. 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.

During last quarter 2019, the Group assessed and subsequently revised its estimation of expected credit loss' model. As a result the Group changed the credit loss estimate at the time of the writte-off and aligned the estimate with latest expectation of recoveries. The impact of change in estimate was applied prospectively to the financial statements.

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 non-retail 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

3. Significant accounting policies (continued)

Determining whether credit risk has increased significantly

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 has not been received.

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.

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.

3. Significant accounting policies (continued)

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.

(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 condensed 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.

3. Significant accounting policies (continued)

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.

(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

The Group has chosen to apply the requirements of IFRS 9 with the exception of hedging of a portfolio of financial assets or financial liabilities (referred as “fair value macro hedges”) where the Group continues to apply IAS 39 requirements as allowed by IASB.

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.

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 assets at FVOCI. The Group also applies cash flow hedges against variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity.

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. Fair value of the hedging instrument and the fair value (or cash flows) of the hedged items with respect to the risk being hedged have to be reliably measurable in order to reliably measure the hedge effectiveness. The hedge is expected to be highly effective in achieving fair value or cash flow offsets in accordance with the original documented risk management strategy.

3. Significant accounting policies (continued)

Fair value macro hedge

IAS 39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro-hedging may not be used for net positions resulting from the offsetting of assets and liabilities.

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.

(e) 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.

(f) 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.

(g) 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(i)).

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(i)).

(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

(h) 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(i)). 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

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.

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.

3. Significant accounting policies (continued)

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 Consolidated Statement of Financial Position. For details see Note 25.

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.

(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 - 11 years
Buildings	3 - 50 years

3. Significant accounting policies (continued)

(i) 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.

(j) 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.

3. Significant accounting policies (continued)

(k) 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.

(l) 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.

(m) 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)

(n) 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.

(o) 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.

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.

(p) 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 (protection service). Commission income from this 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.

Commission income from insurance is recognized in profit or loss when the performance obligation is satisfied.

- The Group recognize income over the time by measuring the progress towards the complete satisfaction of performance obligation, if one of the following criteria is met:
- The Group simultaneously receive and consumes the benefits provided by group performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance obligation complete to date;
- In other cases, the Group recognizes revenue at a point in time at which a customer obtains control on the provided services.

(q) Late payment fees

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

3. Significant accounting policies (continued)

(r) 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. The Group have no further obligation to pay further amounts if the fund has insufficient assets to pay all employee benefits relating to current and prior service.

(s) 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)

(t) 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.

(u) 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 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.

(v) 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 condensed consolidated financial statements 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 condensed 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 condensed 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 condensed 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 Condensed consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current (adopted from 1 January 2021)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

This amendment have not yet been adopted by the EU.

3. Significant accounting policies (continued)

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 three-month period ended 31 March 2020 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 31 March 2020				
Loans to customers – retail	**Cash loans MEUR**	**POS loans MEUR**	**Revolving loans MEUR**	**Other [1] MEUR**	**Total MEUR**
Collective ECL					
Gross amount - Stage 1	11,146	4,099	599	362	**16,206**
Gross amount - Stage 2	2,140	343	159	21	**2,663**
Gross amount - Stage 3	891	215	61	22	**1,189**
Past due more than 91 days	888	215	61	22	**1,186**
Other reason	3	-	-	-	**3**
Allowance for impairment – Stage 1 (12-month ECL)	(455)	(85)	(21)	(2)	**(563)**
Allowance for impairment – Stage 2 (lifetime ECL)	(429)	(64)	(10)	(2)	**(505)**
Allowance for impairment – Stage 3 (lifetime ECL)	(420)	(101)	(47)	(20)	**(588)**
Carrying amount	**12,873**	**4,407**	**741**	**381**	**18,402**

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

4. Financial risk management (continued)

	As of 31 December 2019				
Loans to customers – retail	**Cash loans MEUR**	**POS loans MEUR**	**Revolving loans MEUR**	**Other [1] MEUR**	**Total MEUR**
Collective ECL					
Gross amount - Stage 1	12,612	4,791	639	342	**18,384**
Gross amount - Stage 2	1,622	239	177	44	**2,082**
Gross amount - Stage 3	912	208	63	22	**1,205**
Past due more than 91 days	910	208	63	22	**1,203**
Other reason	2	-	-	-	**2**
Allowance for impairment – Stage 1 (12-month ECL)	(463)	(95)	(18)	(2)	**(578)**
Allowance for impairment – Stage 2 (lifetime ECL)	(364)	(50)	(11)	(2)	**(427)**
Allowance for impairment – Stage 3 (lifetime ECL)	(406)	(100)	(49)	(20)	**(575)**
Carrying amount	**13,913**	**4,993**	**801**	**384**	**20,091**

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 year.

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 2020 (under IFRS 9)	**(578)**	**(427)**	**(575)**	**(1,580)**
Changes in the loss allowance	72	81	(423)	(270)
Transfer to stage 1	(9)	12	-	3
Transfer to stage 2	77	(313)	1	(235)
Transfer to stage 3	4	382	(424)	(38)
New originated or purchased	(82)	(4)	(31)	(117)
Net remeasurement	(28)	(191)	(178)	(397)
Financial assets derecognised	43	22	47	112
Write-offs	-	4	557	561
FX and other movements	10	10	15	35
Net change during the period	**15**	**(78)**	**(13)**	**(76)**
Loss allowance as at 31 March 2020	**(563)**	**(505)**	**(588)**	**(1,656)**

[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 2019 (under IFRS 9)	**(504)**	**(362)**	**(1,227)**	**(2,093)**
Changes in the loss allowance	108	(4)	(918)	(814)
Transfer to stage 1	(10)	17	-	7
Transfer to stage 2	49	(222)	2	(171)
Transfer to stage 3	69	201	(920)	(650)
New originated or purchased	(414)	(202)	(250)	(866)
Net remeasurement	(31)	(345)	(420)	(796)
Financial assets derecognised	202	101	114	417
Write-offs	71	392	2,149	2,612
FX and other movements	(10)	(7)	(23)	(40)
Net change during the period	**(74)**	**(65)**	**652**	**513**
Loss allowance as at 31 December 2019	**(578)**	**(427)**	**(575)**	**(1,580)**

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(d)(vi). The amounts presented are gross of impairment allowances.

In MEUR

	31 March 2020				**31 December 2019**
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**
Medium risk	54	-	-	**54**	**89**
High Risk	-	-	-	**-**	**-**
Default	-	-	14	**14**	**17**
Total gross carrying amount	**58**	**-**	**14**	**72**	**111**
Loss allowance	-	-	(14)	**(14)**	**(17)**
Carrying amount	**58**	**-**	**-**	**58**	**94**

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 three-month period of the year 2020:

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 2020 (under IFRS 9)	**-**	**-**	**(17)**	**(17)**
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	-	-	3	3
Net change during the period	**-**	**-**	**3**	**3**
Loss allowance as at 31 March 2020	**-**	**-**	**(14)**	**(14)**

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 year 2019:

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 31 December 2019	**-**	**-**	**(17)**	**(17)**

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(d)(vi). The amounts presented are gross of impairment allowances.

In MEUR

	31 March 2020				31 December 2019
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	173	-	-	**173**	**108**
Low risk	187	-	-	**187**	**177**
Medium risk	118	-	-	**118**	**160**
High Risk	-	-	-	**-**	**-**
Default	-	-	-	**-**	**-**
Total gross carrying amount	**478**	**-**	**-**	**478**	**445**
Loss allowance	(1)	-	-	**(1)**	**(1)**
Carrying amount	**477**	**-**	**-**	**477**	**444**

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 three-month period of the year 2020:

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 2020	(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	-	-	-	-
Write-offs	-	-	-	-
Modification of contractual cash-flows	-	-	-	-
FX and other movements	-	-	-	-
Net change during the period	**-**	**-**	**-**	**-**
Loss allowance as at 31 March 2020	**(1)**	**-**	**-**	**(1)**

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 year 2019:

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)
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 2019	**(1)**	**-**	**-**	**(1)**

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(d)(vi). The amounts presented are gross of impairment allowances.

In MEUR

	31 March 2020				31 December 2019
Investments securities at amortised costs	**Stage 1 12-months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Total**
Very low risk	691	-	-	**691**	**714**
Low risk	4	-	-	**4**	**5**
Medium risk	-	-	-	**-**	**-**
High Risk	-	-	-	**-**	**-**
Default	-	-	-	**-**	**-**
Total gross carrying amount	**695**	**-**	**-**	**695**	**719**
Loss allowance	-	-	-	**-**	**-**
Carrying amount	**695**	**-**	**-**	**695**	**719**

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

ECL allowances in relation to Investment securities at amortised costs were nil as at 31 March 2020 and 31 December 2019.

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(d)(vi).

In MEUR

	31 March 2020				31 December 2019
Debt instruments at FVOCI	**Stage 1 12-months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Total**
Very low risk	68	-	-	**68**	**31**
Low risk	3	-	-	**3**	**305**
Medium risk	251	-	-	**251**	**19**
High Risk	-	-	-	**-**	**-**
Default	-	-	-	**-**	**-**
Total gross carrying amount (fair value)	**322**	**-**	**-**	**322**	**355**
Loss allowance	**-**	**-**	**-**	**-**	**-**
Carrying amount	**322**	**-**	**-**	**322**	**355**

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

ECL allowances for debt instruments were nil as at 31 March 2020.

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 31 December 2019	**-**	**-**	**-**	**-**

4. Financial risk management (continued)

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.

	31 March 2020		31 December 2019	
	Portfolio MEUR	**% of loan portfolio**	**Portfolio MEUR**	**% of loan portfolio**
Cash and cash equivalents excluding item "cash in hand"	3,443	13.7	3,137	11.8
Financial assets at fair value through profit or loss	43	0.2	30	0.1
Financial assets at fair value through other comprehensive income	336	1.3	355	1.3
Due from banks, other financial institutions and holding companies	477	1.9	444	1.7
Investment securities at amortized costs	695	2.8	719	2.7
Loans to customers	18,460	73.7	20,185	75.8
Other financial assets	236	0.9	270	1.0
Subtotal of balances from Statements of Financial Position	**23,690**	**94.5**	**25,140**	**94.4**
Loan commitments	1,368	5.5	1,485	5.6
Subtotal of off-balance sheet balances	**1,368**	**5.5**	**1,485**	**5.6**
Total	**25,058**		**26,625**	

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

	31 March 2020	31 March 2020	31 Dec 2019	31 Dec 2019
Economic concentration				
Households/individuals	19,600	78.3%	20,603	77.4%
Financial services	4,411	17.6%	4,966	18.7%
Public sector	762	3.0%	749	2.8%
Corporate sector	235	0.9%	221	0.8%
Construction and real estate	31	0.1%	32	0.1%
Other	19	0.1%	54	0.2%
Total	**25,058**	**100.0%**	**26,625**	**100.0%**
Geographic concentration				
China	12,794	51.0%	13,103	49.2%
Czech Republic	4,051	16.2%	4,125	15.5%
Russia	3,610	14.4%	4,555	17.1%
Other Asian countries	1,068	4.3%	1,120	4.2%
India	1,006	4.0%	1,097	4.1%
Vietnam	972	3.9%	941	3.5%
Kazakhstan	874	3.5%	1,027	3.9%
Slovakia	255	1.0%	253	1.0%
Cyprus	39	0.2%	39	0.1%
Other EU countries	29	0.1%	24	0.1%
Netherlands	20	0.1%	14	0.1%
Other	340	1.3%	327	1.2%
Total	**25,058**	**100.0%**	**26,625**	**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 31 March 2020 and 31 December 2019:

	31 March 2020		31 December 2019	
	Portfolio MEUR	% of loan portfolio	Portfolio MEUR	% of loan portfolio
Secured assets	433	2.2	453	2.1
Unsecured (no collateral)	19,696	97.8	21,329	97.9
Total	**20,129**		**21,782**	

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

	31 March 2020 MEUR	31 Dec 2019 MEUR
Against loans and receivables in Stage 3 – individually impaired	**-**	**-**
Property and equipment	-	-
Against loans and receivables in Stage 3 – collectively impaired	**-**	**-**
Property and equipment	-	-
Against loans and receivables in Stage 1 and Stage 2	**1,592**	**1,708**
Securities received under reverse repo operations (including cash and cash equivalents)	1,496	1,612
Property and equipment	-	-
Equity securities	96	96
Deposits with banks	-	-
Total	**1,592**	**1,708**

4. Financial risk management (continued)

Collateral received for loans and advances

Loans to customers

	31 March 2020 MEUR	31 Dec 2019 MEUR
Against loans and receivables in Stage 3 – individually impaired	**-**	**-**
Property and equipment	-	-
Against loans and receivables in Stage 3 – collectively impaired	**32**	**24**
Property and equipment	32	24
Against loans and receivables in Stage 1 and Stage 2	**757**	**793**
Securities received under reverse repo operations (including cash and cash equivalents)	-	-
Property and equipment	757	763
Equity securities	-	26
Deposits with banks	-	4
Total	**789**	**817**

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 consolidated statement of financial position. Therefore, as at 31 March 2020 the reported balances of positive and negative fair values of trading derivatives and hedging derivatives of MEUR 30 and MEUR 13 (31 December 2019: MEUR 17 and MEUR 13) and MEUR 57 and MEUR 34 (31 December 2019: MEUR 25 and MEUR 6) 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 consolidated statement of financial position. Therefore, as at 31 March 2020 the reported balances of loans and advances provided under repo operations of MEUR 150 (31 December 2019: MEUR 198) did not include any amounts offset. The remaining balance of due from banks, other financial institutions and holding companies of MEUR 327 (31 December 2019: MEUR 246) was not subject to any offsetting arrangements. As at 31 March 2020 the reported balances of reverse repo transactions with central banks of MEUR 1,352 (31 December 2019: MEUR 1,414) did not include any amounts offset.

As at 31 March 2020 the reported balances of loans received under repo operations of MEUR 28 (31 December 2019: MEUR 45) did not include any amounts offset. The remaining balance of due to banks, other financial institutions and holding companies of MEUR 12,357 (31 December 2019: MEUR 12,934) 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 20, 21, 22, 23 and 26). 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 contractual maturity dates. The table does not include prospective cash flows related to loan commitments. Refer to Note 38 for outstanding loan commitments that may impact liquidity requirements.

	31 March 2020					31 December 2019				
	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	3,581	-	-	-	**3,581**	3,288	-	-	-	**3,288**
Financial assets at fair value through profit or loss	2	25	16	-	**43**	10	9	10	1	**30**
Financial assets at FVOCI	272	37	13	14	**336**	300	38	17	-	**355**
Due from banks, other financial institutions and holding companies	257	90	107	23	**477**	315	64	62	3	**444**
Loans to customers	4,256	5,827	8,215	162	**18,460**	4,456	6,264	9,292	173	**20,185**
Investment securities at amortized cost	10	4	373	308	**695**	-	9	403	307	**719**
Other financial assets	149	33	30	24	**236**	183	33	31	23	**270**
Total financial assets	**8,527**	**6,016**	**8,754**	**531**	**23,828**	**8,552**	**6,417**	**9,815**	**507**	**25,291**
Financial liabilities at fair value through profit or loss	3	31	48	9	**91**	6	16	9	-	**31**
Current accounts and deposits from customers	5,195	988	406	-	**6,589**	5,524	1,221	603	-	**7,348**
Due to banks, other financial institutions and holding companies	2,857	5,816	3,712	-	**12,385**	3,197	5,039	4,743	-	**12,979**
Lease liabilities	11	33	78	11	**133**	14	32	88	13	**147**
Debt securities issued*	477	1,147	940	-	**2,564**	482	1,117	850	-	**2,449**
Subordinated liabilities*	-	-	7	9	**16**	-	-	7	8	**15**
Other financial liabilities	372	15	9	7	**403**	303	59	11	7	**380**
Total financial liabilities	**8,915**	**8,030**	**5,200**	**36**	**22,181**	**9,526**	**7,484**	**6,311**	**28**	**23,349**
Net position	**(388)**	**(2,014)**	**3,554**	**495**	**1,647**	**(974)**	**(1,067)**	**3,504**	**479**	**1,942**

* Debt securities and subordinated liabilities are classified considering early redemption rights (refer to Note 22 and Note 23).

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.

	31 March 2020					31 December 2019				
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	5,205	1,034	445	-	**6,684**	5,536	1,275	659	-	**7,470**
Due to banks, other financial institutions and holding companies	3,137	6,345	3,886	-	**13,368**	3,484	5,595	5,030	-	**14,109**
Lease liabilities	13	37	89	13	**152**	16	36	100	17	**169**
Debt securities issued*	537	1,201	1,019	-	**2,757**	508	1,216	931	-	**2,655**
Subordinated liabilities*	-	1	13	11	**25**	1	2	8	10	**21**
Total	**8,892**	**8,618**	**5,452**	**24**	**22,986**	**9,545**	**8,124**	**6,728**	**27**	**24,424**

* Debt securities and subordinated liabilities are classified considering early redemption rights (refer to Note 22 and Note 23).

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 three-months period ended 31 March 2020 would be MEUR 272 higher/lower (31 December 2019: MEUR 277) and the revaluation reserve in equity would be MEUR 2 higher/lower (31 December 2019: MEUR 1).

4. Financial risk management (continued)

Interest rate gap position based on re-pricing dates

MEUR	31 March 2020						31 December 2019					
	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	1.6%	3,581	-	-	-	**3,581**	1.6%	3,288	-	-	-	**3,288**
Financial assets at FVOCI	5.7%	272	37	13	14	**336**	6.1%	300	38	17	-	**355**
Due from banks, other financial institutions and holding companies	1.9%	380	64	19	14	**477**	3.0%	320	91	27	6	**444**
Loans to customers, net	29.5%	4,277	5,807	8,324	52	**18,460**	29.2%	4,510	6,241	9,384	50	**20,185**
Investment securities at amortized cost	1.6%	416	4	4	271	**695**	2.0%	-	446	5	268	**719**
Total interest bearing financial assets	**n/a**	**8,926**	**5,912**	**8,360**	**351**	**23,549**	**n/a**	**8,418**	**6,816**	**9,433**	**324**	**24,991**
Interest bearing financial liabilities												
Current accounts and deposits from customers	3.0%	5,195	988	406	-	**6,589**	3.4%	5,524	1,221	603	-	**7,348**
Due to banks, other financial institutions and holding companies	9.1%	3,996	5,585	2,804	-	**12,385**	9.5%	4,012	5,037	3,930	-	**12,979**
Lease liabilities	6.1%	11	45	68	9	**133**	5.6%	14	46	77	10	**147**
Debt securities issued	9.8%	477	1,147	940	-	**2,564**	9.7%	482	1,117	850	-	**2,449**
Subordinated liabilities	7.0%	-	9	7	-	**16**	7.1%	-	8	7	-	**15**
Total interest bearing financial liabilities	**n/a**	**9,679**	**7,774**	**4,225**	**9**	**21,687**	**n/a**	**10,032**	**7,429**	**5,467**	**10**	**22,938**
Net position	**n/a**	**(753)**	**(1,862)**	**4,135**	**342**	**1,862**	**n/a**	**(1,614)**	**(613)**	**3,966**	**314**	**2,053**

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 37). 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

31 March 2020

In MEUR	EUR	USD	CNY	RUB	CZK	KZT	INR	VND	Other
Financial assets	613	468	-	1	71	-	543	-	60
Financial liabilities	(422)	(729)	-	(35)	(65)	-	(270)	-	(32)
Effect of FX derivatives	(164)	460	-	43	-	-	(296)	-	(28)
Net FX position	**27**	**199**	**-**	**9**	**6**	**-**	**(23)**	**-**	**n/a**
Effect of 5% depreciation against EUR	n/a	10	-	-	-	-	(1)	-	n/a
Net investment in foreign operations	**(920)**	**29**	**1,469**	**803**	**517**	**186**	**311**	**154**	**35**
Effect of 5% appreciation against EUR	n/a	1	73	40	26	9	16	8	n/a
Effect of 5% depreciation against EUR	n/a	(1)	(73)	(40)	(26)	(9)	(16)	(8)	n/a

31 December 2019

In MEUR	EUR	USD	CNY	RUB	CZK	KZT	INR	VND	Other
Financial assets	370	456	-	1	85	-	557	-	71
Financial liabilities	(225)	(831)	-	(36)	(145)	-	(279)	-	(38)
Effect of FX derivatives	(132)	557	-	36	48	-	(304)	-	(33)
Net FX position	**13**	**182**	**-**	**1**	**(12)**	**-**	**(26)**	**-**	**n/a**
Effect of 5% depreciation against EUR	n/a	9	-	-	(1)	-	(1)	-	n/a
Net investment in foreign operations	**(963)**	**33**	**1,521**	**1,020**	**544**	**194**	**318**	**157**	**49**
Effect of 5% appreciation against EUR	n/a	2	76	51	27	10	16	8	n/a
Effect of 5% depreciation against EUR	n/a	(2)	(76)	(51)	(27)	(10)	(16)	(8)	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 its parent company PPF Financial Holdings B.V.

PPF Financial Holdings B.V. on a consolidated level is required to fulfil the following capital requirements: a Tier 1 capital adequacy ratio of at least 6% and a total capital adequacy ratio of at least 8%. Moreover, PPF Financial Holdings on a consolidated level is required to maintain a capital conservation buffer amounting to 2.5% of its risk-weighted assets and an institution-specific countercyclical capital buffer that is currently around 0.1% given the geographical placement of its assets. PPF Financial Holdings B.V. is obliged to allocate the capital among the subsidiaries in a way commensurate with the risks in the subsidiaries. Regarding the effect of the initial application of the IFRS 9 on the regulatory capital, PPF Financial Holdings B.V. used the option provided by the EU prudential regulation and notified the use of the so called dynamic capital adjustment method to its competent authority. Based on the method, the initial impact and any subsequent impacts would be offset as follows: (i) 95% in 2018, (ii) 85% in 2019, (iii) 70% in 2020, (iv) 50% in 2021, and (v) 25% in 2022.

4. Financial risk management (continued)

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

The Group reports on one global consumer lending segment where all information about similar products, services, and customers is presented. This approach suits the global business strategy of having a similar approach to customers, a unique and unified product portfolio, as well as 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 three months ended 31 March,			
	2020 MEUR	2020 MEUR	2020 MEUR	2020 MEUR
Operating income from external customers	**1,061**	**3**	**-**	**1,064**
China	*595*	-	-	*595*
CIS	*193*	-	-	*193*
SSEA	*241*	-	-	*241*
CEE	*32*	-	-	*32*
Other	-	*3*	-	*3*
Inter-segment operating income	**-**	**26**	**(26)**	**-**
China	-	-	-	-
CIS	-	-	-	-
SSEA	*(1)*	-	*1*	-
CEE	*1*	-	*(1)*	-
Other	-	*26*	*(26)*	-
Total operating income	**1,061**	**29**	**(26)**	**1,064**
Net interest income from external customers	**932**	**(10)**	**-**	**922**
China	*560*	-	-	*560*
CIS	*132*	-	-	*132*
SSEA	*188*	-	-	*188*
CEE	*52*	-	-	*52*
Other	-	*(10)*	-	*(10)*
Inter-segment net interest income	**-**	**-**	**-**	**-**
China	-	-	-	-
CIS	-	-	-	-
SSEA	*(1)*	-	*1*	-
CEE	*1*	-	*(1)*	-
Other	-	-	-	-
Total net interest income	**932**	**(10)**	**-**	**922**
Income tax expense	(5)	(1)	-	(6)
Net segment result	**27**	**(62)**	**3**	**(32)**
Depreciation and amortization	(44)	(16)	12	(48)
Other significant non-cash expenses[1)]	(623)	(10)	-	(633)
Capital expenditure	(29)	(21)	11	(39)

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
	For the three months ended 31 March,			
	2020 MEUR	2020 MEUR	2020 MEUR	2020 MEUR
Net loans to external customers	**18,446**	**73**	**(59)**	**18,460**
China	*11,125*	-	-	*11,125*
CIS	*2,996*	-	-	*2,996*
SSEA	*2,560*	-	-	*2,560*
CEE	*1,765*	-	-	*1,765*
Other	-	*73*	-	*73*
Eliminations	-	-	*(59)*	*(59)*
Gross loans to external customers	**20,096**	**93**	**(59)**	**20,130**
China	*12,249*	-	-	*12,249*
CIS	*3,129*	-	-	*3,129*
SSEA	*2,776*	-	-	*2,776*
CEE	*1,942*	-	-	*1,942*
Other	-	*93*	-	*93*
Eliminations	-	-	*(59)*	*(59)*
	As at 31 March 2020			
Segment assets[2)]	**24,703**	**590**	**(224)**	**25,069**
Investments in associates	-	11	-	11
Segment liabilities[2)]	**21,221**	**1,491**	**(227)**	**22,485**
Segment equity[2)]	**3,482**	**(901)**	**3**	**2,584**

2) Consolidation adjustments are included in Eliminations.

5. Segment reporting (continued)

	Consumer Lending	Other	Eliminations	Consolidated
	For the three months ended 31 March,			
	2019	2019	2019	2019
	MEUR	MEUR	MEUR	MEUR
Operating income from external customers	**1,017**	**(1)**	**-**	**1,016**
China	*620*	-	-	*620*
CIS	*151*	-	-	*151*
SSEA	*202*	-	-	*202*
CEE	*44*	-	-	*44*
Other	-	*(1)*	-	*(1)*
Inter-segment operating income	**(1)**	**28**	**(27)**	**-**
China	-	-	-	-
CIS	-	-	-	-
SSEA	*(1)*	-	*1*	-
CEE	-	-	-	-
Other	-	*28*	*(28)*	-
Total operating income	**1,016**	**27**	**(27)**	**1,016**
Net interest income from external customers	**903**	**(14)**	**-**	**889**
China	*564*	-	-	*564*
CIS	*130*	-	-	*130*
SSEA	*162*	-	-	*162*
CEE	*47*	-	-	*47*
Other	-	*(14)*	-	*(14)*
Inter-segment net interest income	**(1)**	**-**	**1**	**-**
China	-	-	-	-
CIS	-	-	-	-
SSEA	*(1)*	-	*1*	-
CEE	-	-	-	-
Other	-	-	-	-
Total net interest income	**902**	**(14)**	**1**	**889**
Income tax expense	(45)	4	-	(41)
Net segment result	**146**	**(23)**	**3**	**126**
Depreciation and amortization	(42)	(10)	10	(42)
Other significant non-cash expenses[1)]	(426)	(4)	-	(430)
Capital expenditure	(40)	(2)	17	(25)

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,			
	2019 MEUR	2019 MEUR	2019 MEUR	2019 MEUR
Net loans to external customers	**20,164**	**74**	**(53)**	**20,185**
China	*11,955*	-	-	*11,955*
CIS	*3,773*	-	-	*3,773*
SSEA	*2,581*	-	-	*2,581*
CEE	*1,855*	-	-	*1,855*
Other	-	*74*	-	*74*
Eliminations	-	-	*(53)*	*(53)*
Gross loans to external customers	**21,743**	**92**	**(53)**	**21,782**
China	*12,992*	-	-	*12,992*
CIS	*3,929*	-	-	*3,929*
SSEA	*2,780*	-	-	*2,780*
CEE	*2,042*	-	-	*2,042*
Other	-	*92*	-	*92*
Eliminations	-	-	*(53)*	*(53)*
	As at 31 December 2019			
Segment assets[2)]	**26,230**	**610**	**(250)**	**26,590**
Investments in associates	4	24	-	28
Segment liabilities[2)]	**22,400**	**1,575**	**(258)**	**23,717**
Segment equity[2)]	**3,830**	**(965)**	**8**	**2,873**

2) Consolidation adjustments are included in Eliminations.

5. Segment reporting (continued)

	31 March 2020	31 December 2019
NPL*	6.0%	5.6%
Cost of Risk**	11.8%	8.6%
NPL coverage***	138.8%	130.6%

* 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.

** Cost of risk ratio represents impairment losses on the loan portfolio (annualised) divided by average balance of gross loans to customers.

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

6. Fair values of financial instruments

Fair value measurement methodology is explained in Note 3(d)(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:

31 March 2020	Note	Carrying amount MEUR	Fair Value Level 1 MEUR	Level 2 MEUR	Level 3 MEUR	Total MEUR
Cash and cash equivalents	7	3,581	3,581	-	-	3,581
Due from banks, other financial institutions and holding companies	10	477	-	477	-	477
Loans to customers	11	18,460	-	-	18,501	18,501
Investment securities at amortised costs	12	695	668	-	-	668
Current accounts and deposits from customers	20	(6,589)	-	(6,653)	-	(6,653)
Due to banks, other financial institutions and holding companies	21	(12,385)	-	(12,389)	-	(12,389)
Debt securities issued	22	(2,564)	(1,830)	(231)	(487)	(2,548)
Subordinated liabilities	23	(16)	-	-	(16)	(16)
		1,659	**2,419**	**(18,796)**	**17,998**	**1,621**

31 December 2019	Note	Carrying amount MEUR	Fair Value Level 1 MEUR	Level 2 MEUR	Level 3 MEUR	Total MEUR
Cash and cash equivalents	7	3,288	3,288	-	-	3,288
Due from banks, other financial institutions and holding companies	10	444	-	444	-	444
Loans to customers	11	20,185	-	-	20,215	20,215
Investment securities at amortised costs	12	719	714	5	-	719
Current accounts and deposits from customers	20	(7,348)	-	(7,413)	-	(7,413)
Due to banks, other financial institutions and holding companies	21	(12,979)	-	(12,972)	-	(12,972)
Debt securities issued	22	(2,449)	(1,708)	(213)	(503)	(2,424)
Subordinated liabilities	23	(15)	-	-	(15)	(15)
		1,845	**2,294**	**(20,149)**	**19,697**	**1,842**

There were no transfers between Level 1, 2 and 3 in the three-months period ended 31 March 2020 nor the year ended 31 December 2019.

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):

31 March 2020	Note	Level 1 MEUR	Level 2 MEUR	Level 3 MEUR	Total MEUR
Financial assets at fair value through profit or loss	8	-	43	-	43
Financial assets at FVOCI	9	308	15	13	336
Financial liabilities at fair value through profit or loss	19	-	(91)	-	(91)
		308	**(33)**	**13**	**288**

31 December 2019	Note	Level 1 MEUR	Level 2 MEUR	Level 3 MEUR	Total MEUR
Financial assets at fair value through profit or loss	8	-	30	-	30
Financial assets at FVOCI	9	337	18	-	355
Financial liabilities at fair value through profit or loss	19	-	(31)	-	(31)
		337	**17**	**-**	**354**

There were no transfers between Level 1, 2 and 3 in the three-months period ended 31 March 2020 or in the year ended 31 December 2019.

Reconciliation of movement in Level 3:

	Equity securities at FVOCI MEUR
Balance at 1 January 2020	-
Additions	13
Closing balance at 31 March 2020	**13**

No movements were noted in Level 3 financial instruments for the year ended 31 December 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

	31 March 2020 MEUR	31 December 2019 MEUR
Cash on hand	138	151
Current accounts	1,741	1,305
Current accounts with central banks	167	208
Reverse repo operations with central banks	1,352	1,414
Placements with financial institutions due within one month	183	210
	3,581	**3,288**

As at 31 March 2020 current accounts comprise MEUR 1,112 (31 December 2019: MEUR 809) 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

	31 March 2020 MEUR	31 December 2019 MEUR
Positive fair values of trading derivatives	30	17
Positive fair values of hedging derivatives	13	13
	43	**30**

9. Financial assets at FVOCI

	31 March 2020 MEUR	31 December 2019 MEUR
Equity securities	14	1
Government bonds	305	335
Corporate bonds	17	19
	336	**355**

As at 31 March 2020 financial assets at FVOCI of MEUR 32 (31 December 2019: MEUR 46) served as collateral for bank loan facilities (loans received under repo operations and secured loans) (Note 21).

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

	31 March 2020 MEUR	31 December 2019 MEUR
Loans and term deposits with banks, other financial institutions and holding companies due in more than one month	136	121
Loans and advances provided under reverse repo operations	150	198
Minimum reserve deposits with central banks	103	112
Cash collateral for derivative instruments	88	13
	477	**444**

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 31 March 2020 term deposit of MEUR 8 (31 December 2019: MEUR 8) served as cash collateral for syndicated loan interest payments.

As at 31 March 2020 margin deposit of MEUR 14 (31 December 2019: MEUR 6) served as cash collateral for foreign exchange derivative contracts.

11. Loans to customers

	31 March 2020 MEUR	31 December 2019 MEUR
Gross amount		
Cash loan receivables	14,177	15,146
POS loan receivables	4,657	5,238
Revolving loan receivables	819	879
Mortgage loan receivables	241	241
Car loan receivables	163	164
Loans to corporations	72	111
Other	1	3
	20,130	**21,782**
Collective allowances for impairment		
Cash loan receivables	(1,304)	(1,233)
POS loan receivables	(250)	(245)
Revolving loan receivables	(78)	(78)
Mortgage loan receivables	(2)	(2)
Car loan receivables	(22)	(22)
	(1,656)	**(1,580)**
Specific allowances for impairment		
Loans to corporations	(14)	(17)
	(14)	**(17)**
	18,460	**20,185**

As at 31 March 2020 cash loan receivables of MEUR 139 (31 December 2019: MEUR 202) and POS loan receivables of MEUR 1,641 (31 December 2019: MEUR 1,994) served as collateral for debt securities issued (Note 22).

As at 31 March 2020 cash loan receivables of MEUR 8,267 (31 December 2019: MEUR 9,133) and POS loan receivables of MEUR 574 (31 December 2019: MEUR 515) served as collateral for bank loan facilities (Note 21).

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 the Russian Federation and corporate bonds of the Russian Federation.

	Interest rate	Final maturity	Amount outstanding 31 March 2020 MEUR	31 December 2019 MEUR
Unsecured government bonds	3.63%	September 2020	1	-
Unsecured corporate bonds	8.50%	April 2021	4	5
Unsecured CZK bond issue of MCZK 9 850,4 (SD VAR23)	2.86%	April 2023	379	405
Unsecured CZK bond issue of MCZK 2 250 (SD 2,4/25)	2.40%	September 2025	95	96
Unsecured CZK bond issue of MCZK 1 000 (SD VAR27)	2.13%	November 2027	37	39
Unsecured CZK bond issue of MCZK 1 750 (SD 2,5/28)	2.50%	August 2028	78	78
Unsecured CZK bond issue of MCZK 1 800 (SD 4,2/36)	4.20%	December 2036	101	96
			695	**719**

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 31 March 2020 and 31 December 2019 the Group had the following investments in associates:

	Country of incorporation	Ownership interest 2020 (%)	Carrying amount 31 March 2020 MEUR	Ownership interest 2019 (%)	Carrying amount 31 December 2019 MEUR
Barion Payment Zrt.	Hungary	20.00	3	20.00	2
Equifax Credit Services (LLC)	Russian Federation	25.00	-	25.00	4
Společnost pro informační databáze (JSC)	Czech Republic	27.96	-	27.96	-
Nymbus Inc.*	USA	-	-	13.92	14
Eureka Analytics Pte. Ltd.	Singapore	20.49	8	24.50	8
			11		**28**

* Nymbus Inc. was reclassified to the financial assets at fair value through other comprehensive income (Note 9).

15. Property and equipment

	31 March 2020 MEUR	31 December 2019 MEUR
Acquisition cost	576	614
Accumulated depreciation	(295)	(298)
Carrying amount	**281**	**316**

Total balance contains right-of-use assets of MEUR 130 (31 December 2019: MEUR 145). For more details see Note 16.

16. Leases

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 Consolidated Statement of Financial Position comprise owned and leased assets that do not meet the definition of investment property.

	31 March 2020 MEUR	31 December 2019 MEUR
Property, plant and equipment owned	151	171
Right-of-use assets, except for investment property	130	145
	281	**316**

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

	31 March 2020 MEUR	31 December 2019 MEUR
Balance at 1 January	145	166
Additions	7	25
Disposals	(1)	(4)
Depreciation charge for the period	(12)	(47)
Net FX differences	(9)	5
Balance at the end of the period	**130**	**145**

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.

16. Leases (continued)

The carrying amounts of lease liabilities are set below.

	31 March 2020 MEUR	31 December 2019 MEUR
Maturity analysis – contractual undiscounted cash flows		
Less than one year	49	53
One to five years	90	100
More than five years	13	17
Total undiscounted lease liabilities	**152**	**170**

	31 March 2020 MEUR	31 December 2019 MEUR
Current	43	46
Non-current	90	101
Lease liabilities included in the Consolidated Statement of Financial position	**133**	**147**

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the three-month period ended 31 March 2020, the Group recognised MEUR 12 of depreciation charges (the three-month period ended 31 March 2019: MEUR 11) and MEUR 2 of interest costs (the three-month period ended 31 March 2019: MEUR 2) from these leases.

17. Intangible assets and goodwill

	31 March 2020 MEUR	31 December 2019 MEUR
Acquisition cost	743	761
Accumulated amortization	(374)	(381)
Impairment	(5)	-
Carrying amount	**364**	**380**

18. Other assets

	31 March 2020 MEUR	31 December 2019 MEUR
Prepaid expenses	103	110
Settlement accounts	92	118
Cash collateral for payment cards	59	61
Trade receivables and settlement with suppliers	48	53
Insurance deposit	21	21
Rental deposit	9	11
Accrued income from insurance fees	7	7
Other taxes receivable	6	6
Inventories	3	3
Other	6	9
Total gross carrying amount	**354**	**399**
Allowance for impairment	**(3)**	**(4)**
Total net carrying amount	**351**	**395**

19. Financial liabilities at fair value through profit or loss

	31 March 2020 MEUR	31 December 2019 MEUR
Negative fair value of trading derivative instruments	57	25
Negative fair value of hedging derivative instruments	34	6
	91	**31**

20. Current accounts and deposits from customers

	31 March 2020 MEUR	31 December 2019 MEUR
Current accounts and demand deposits	4,736	5,039
Term deposits	1,828	2,298
Borrowings	24	10
Other	1	1
	6,589	**7,348**

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

	31 March 2020 MEUR	31 December 2019 MEUR
Secured loans	8,305	7,658
Unsecured loans	3,994	5,208
Loans received under repo operations	28	45
Other balances	58	68
	12,385	**12,979**

As at 31 March 2020 the balances of loans secured by cash loan receivables and POS loan receivables were MEUR 7,016 (31 December 2019: MEUR 6,744) and MEUR 473 (31 December 2019: MEUR 406), respectively.

As at 31 March 2020 the balances of loans secured by cash were MEUR 816 (31 December 2019: MEUR 508).

As at 31 March 2020 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.

Due to holding companies

As at 31 March 2020 the balance of loans due to holding companies was MEUR 253, maturity 30 June 2020, 7.5% (31 December 2019: MEUR 249, maturity 30 June 2020, 7.5%).

22. 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:

	31 March 2020 MEUR	31 December 2019 MEUR
Fixed rate debt securities		
Within 1 year	1,118	1,455
1-2 years	1,115	688
2-3 years	56	59
3-4 years	16	-
4-5 years	58	71
Variable rate debt securities		
Within 1 year	47	28
1-2 years	64	84
2-3 years	90	64
	2,564	**2,449**

As at 31 March 2020 the issued securities secured by cash and cash equivalents, cash loan receivables and POS loan receivables were MEUR 1,428 (31 December 2019: MEUR 1,293).

23. Subordinated liabilities

	Interest rate	Final maturity	Amount outstanding 31 March 2020 MEUR	31 December 2019 MEUR
Subordinated bonds issue of MCZK 200	Fixed	October 2029	9	8
Loan Sprint eBusiness of MUSD 7,485	Variable	March 2023	7	7
			16	**15**

24. Insurance and other provisions

	31 March 2020 MEUR	31 December 2019 MEUR
Provisions for unearned premiums	30	37
Provisions for insurance commissions return	8	10
Other provisions	9	7
	47	**54**

25. Other liabilities

	31 March 2020 MEUR	31 December 2019 MEUR
Customer loan overpayments	199	125
Lease liabilities	133	147
Settlement with suppliers	132	170
Accrued employee compensation	92	117
Accrued expenses	74	89
Other taxes payable	42	58
Deferred income and prepayments	4	5
Other	72	84
	748	**795**

26. Equity

As of 31 March 2020 the authorized share capital of Home Credit Group B.V. comprised 175,438,596,491 ordinary shares (31 December 2019: 175,438,596,491 ordinary shares) at a par value of EUR 0.0057 of which 175,438,596,491 shares (31 December 2019: 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 B.V., Home Credit Consumer Finance Co., Ltd., Home Credit Vietnam Finance Company Limited, Air Bank (JSC) and Home Credit N.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, profit/ (loss) for the period and AT1 subordinated bond issued by one of subsidiaries. Balance related to AT1 subordinated bond is not available for distribution to the shareholders.

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.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

27. Non-controlling interests

As at 31 March 2020 the Group reported the following non-controlling interests (NCI) and net loss allocated to non-controlling interests for the three-month period ended 31 March 2020:

	NCI	Total assets	Total liabilities	Carrying amount of NCI	Net profit/(loss) for the period	Net loss allocated to NCI
	%	MEUR	MEUR	MEUR	MEUR	MEUR
Home Credit US (LLC)	49.90	109	82	13	(20)	(10)
PT. Home Credit Indonesia	15.00	396	322	11	5	-
				24		**(10)**

As at 31 December 2019 the Group reported the following non-controlling interests (NCI) and net loss allocated to non-controlling interests for the three-month period ended 31 March 2019:

	NCI	Total assets	Total liabilities	Carrying amount of NCI	Net profit/(loss) for the period	Net loss allocated to NCI
	%	MEUR	MEUR	MEUR	MEUR	MEUR
Home Credit US (LLC)	49.90	112	79	17	(11)	(6)
PT. Home Credit Indonesia	15.00	430	350	12	(2)	-
				29		**(6)**

28. Interest income and interest expense

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Interest income		
Cash loan receivables	980	977
POS loan receivables	261	246
Revolving loan receivables	44	28
Due from banks, other financial institutions and holding companies	20	19
Car loan receivables	6	5
Financial assets at FVOCI	5	6
Financial instruments at amortized cost	3	2
Financial assets at FVTPL	2	1
Mortgage loan receivables	1	1
Other	1	1
	1,323	**1,286**
Interest expense		
Due to banks, other financial institutions and holding companies	297	303
Current accounts and deposits from customers	55	50
Debt securities issued	45	36
Lease liabilities	2	2
Subordinated liabilities	-	5
Other	2	1
	401	**397**

29. Fee and commission income

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Customer protection fee income	77	88
Late payment fees	26	32
Commission income from partners	16	12
Customer payment processing and account maintenance	13	11
Cash transactions	9	7
Retailers commissions	1	4
Other	6	2
	148	**156**

30. Fee and commission expense

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Payment processing and account maintenance	14	12
Cash transactions	10	7
Credit and other register expense	9	12
Commissions to retailers	6	5
Payments to deposit insurance agencies	5	4
Stamp duties	1	1
Other	3	2
	48	**43**

31. Net insurance income

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Gross premiums earned	5	5
Acquisition costs	(1)	(1)
	4	**4**

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

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Net foreign currency gains	20	-
Net trading gains on other financial assets and liabilities	63	11
Net losses on derivative instruments	(60)	(15)
Other	-	2
	23	**(2)**

33. Other operating income

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Income from other services provided	9	4
Net gain on disposal of loan receivables	-	3
Income from non-current financial assets	-	1
Other	6	4
	15	**12**

34. Impairment losses on financial assets

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Cash loan receivables	532	365
POS loan receivables	84	60
Revolving loan receivables	10	4
Car loan receivables	1	-
Other financial assets	1	1
	628	**430**

35. Personnel expenses and Other operating expenses

Personnel expenses	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Employee compensation	230	208
Payroll related taxes (including pension contributions)	42	53
Total personnel expenses	**272**	**261**

Other operating expenses	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Professional services	33	18
Telecommunication and postage	21	21
Information technologies	17	14
Advertising and marketing	14	12
Taxes other than income tax	12	14
Collection agency fee	10	15
Net impairment losses on other intangible assets	5	-
Travel expenses	4	5
Loss on disposal of property and equipment and intangible assets	-	1
Other	14	9
Total operating expenses	**130**	**109**

36. Income tax expense

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Current tax expense	(24)	(56)
Deferred tax benefit	18	15
Total income tax expense in the statement of comprehensive income	**(6)**	**(41)**

37. Derivative financial instruments

Interest rate derivatives:	**Notional amount 31 March 2020 MEUR**	**Positive fair values 31 March 2020 MEUR**	**Negative fair values 31 March 2020 MEUR**
Interest rate swaps	311	-	(5)
Cross currency interest rate swaps	109	1	(6)
Total interest rate derivatives	**420**	**1**	**(11)**

Interest rate derivatives:	**Notional amount 31 December 2019 MEUR**	**Positive fair values 31 December 2019 MEUR**	**Negative fair values 31 December 2019 MEUR**
Interest rate swaps	77	-	-
Cross currency interest rate swaps	119	6	-
Total interest rate derivatives	**196**	**6**	**-**

Currency derivatives:	**Notional amount 31 March 2020 MEUR**	**Positive fair values 31 March 2020 MEUR**	**Negative fair values 31 March 2020 MEUR**
Forward exchange contracts	403	3	(14)
Currency/Cross currency swaps	1,000	26	(32)
Total currency derivatives	**1,403**	**29**	**(46)**

Currency derivatives:	**Notional amount 31 December 2019 MEUR**	**Positive fair values 31 December 2019 MEUR**	**Negative fair values 31 December 2019 MEUR**
Forward exchange contracts	407	1	(15)
Currency/Cross currency swaps	1,218	10	(10)
Total currency derivatives	**1,625**	**11**	**(25)**

37. Derivative financial instruments (continued)

Hedging derivatives:	**Notional amount 31 March 2020 MEUR**	**Positive fair values 31 March 2020 MEUR**	**Negative fair values 31 March 2020 MEUR**
Forward exchange contracts	96	-	(4)
Foreign currency swap contracts	27	-	(1)
Cross currency interest rate swaps	151	13	(2)
Interest rate swaps	636	-	(27)
Total hedging derivatives	**910**	**13**	**(34)**

Hedging derivatives:	**Notional amount 31 December 2019 MEUR**	**Positive fair values 31 December 2019 MEUR**	**Negative fair values 31 December 2019 MEUR**
Forward exchange contracts	107	-	(4)
Cross currency interest rate swaps	58	-	(2)
Interest rate swaps	624	13	-
Total hedging derivatives	**789**	**13**	**(6)**

38. 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.

	31 March 2020 MEUR	**31 December 2019 MEUR**
Revolving loan commitments	1,302	1,386
Undrawn overdraft facilities	25	22
Cash loan commitments	23	29
POS loan commitments	18	48
	1,368	**1,485**

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 31 March 2020 the Group reported contractual commitments for the acquisition of property and equipment and intangible assets of MEUR 8 (31 December 2019: MEUR 12).

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

40. 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

	31 March 2020 MEUR	31 December 2019 MEUR
Due to banks, other financial institutions and holding companies	(253)	(249)
	(253)	**(249)**

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:

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Interest expense	(4)	(3)
Other operating expense	-	(2)
	(4)	**(5)**

40. 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:

	31 March 2020 MEUR	31 December 2019 MEUR
Cash and cash equivalents	163	120
Financial assets at fair value through profit or loss	29	22
Due from banks, other financial institutions and holding companies	65	9
Loans to customers	-	34
Property, plant and equipment	16	17
Intangible assets	3	2
Other assets	2	5
Financial liabilities at fair value through profit or loss	(55)	(12)
Current accounts and deposit from customers	(33)	(48)
Due to banks, other financial institutions and holding companies	(331)	(419)
Debt securities issued	(199)	(199)
Other liabilities	(30)	(21)
Other reserves (AT1)	(1)	(2)
	(371)	**(492)**

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

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Interest income	2	1
Interest expense	(15)	(13)
Net gains/ (losses) on financial assets and liabilities	(36)	(18)
Operating expenses	(3)	(3)
	(52)	**(33)**

40. 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 (three-month period ended 31 March 2019: MEUR nil) and short-term benefits of MEUR 9 (three-month period ended 31 March 2019: MEUR 7). These benefits consist of fixed and variable salaries, incentive bonuses, contributions to pension and insurance plans as well as cash-settled share-based payment awards granted by the Group or PPF Group.

The members of the Board of Directors of the Company and key management of its subsidiaries (members of Executive Committee of the Group and Executive Committees of individual countries) are considered as the key management of the Group.

The Group paid for consultancy and management services under a consultancy service agreement that was in May 2018 assigned to Home Credit Group B.V. from its subsidiary Home Credit N.V. The agreement was concluded in 2013 between Home Credit N.V. and an entity controlled by one of the members of Company´s Board of Directors. The original contract was terminated in June 2019 and new contract was concluded. Consultancy fees charged by the Group over the three-month period ended 31 March 2020 in relation to this agreement amounted to MEUR 1 (the three-month period ended 31 March 2019: MEUR 2). Other expenses incurred on behalf of this related party were MEUR 1 (the three-month period ended 31 March 2019: MEUR nil). These amounts are recorded under other operating expenses.

As at 31 March 2020 the balances due from holding companies included secured loans of MEUR 40 (31 December 2019: MEUR 39) 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 2019: 5.74%) and the repayment date of those loans is 30 June 2024.

41. Subsequent events

In May the Group disposed Home Credit US, LLC’s (hereafter “HCUS”) credit card loan portfolio. HCUS will continue to service these loans in 2020. HCUS also continues to provide services to third parties when acquiring new customers (such as underwriting and scoring of loan applications).

The World Health Organization declared on 11 March 2020 the coronavirus outbreak a pandemic, and local governments imposed different restrictions in countries in which the Group operates. In limiting the effects of the possible operational risk, the Group follows and observes the business continuity protocols and remains remain extremely attentive to the health and safety of our employees, their relatives, our customers as well as partners.

As the ongoing COVID-19 situation continues to evolve, Home Credit Group is closely monitoring the situation and fully complying with government recommendations or requirements in each of our countries of operation. While preparing the consolidated financial statements, it is impossible to assess and quantify all the effects on the Group’s operations.

Risks related to business operations and business results:

Given the many macroeconomic projections, a slowdown in economic growth and an adverse impact on the new business is probable, with regard to increased loss events, we can expect to have an impact on the quality of the loan portfolio, with regard to the limitation of the opening hours and/or complete lock-down of certain business premises in particular countries, the volume of the new business, as well as renewals of the existing business relationships may be impacted, the Group is considering certain measures in respect of operating expenses should the governments’ restrictions be extended to several months.

41. Subsequent events (continued)

While the situation is different in each of our countries, we have remained operational throughout this period all over the world. Relevant authorities in all countries have suggested or imposed some form of moratorium which we implement or have done beyond to help our customers. During this period, we are also allowed to accrue interest in most of our countries. As a result, we are also informing our customers as to the economic implications of opting for payment holidays.

The Group is assessing expected impact on loss allowances in relation to all measures related to repayment of loans in connection with the COVID-19 pandemic and clients' application for postponement of the loan instalments processed after 31 March 2020. The COVID-19 pandemic and the consequences for the global economy will affect Group's financial performance on expected credit losses. We continue to monitor situation in all countries where we operate very closely and will evaluate it further in following quarters.

Impact on the liquidity and capital:

Our liquidity position continues to remain strong in each of our countries of operation as collections are higher than new volumes disbursed. Our relationship with partners continues to be strong. For example, we successfully issued two ABS in China and six Certificate of Deposit in Vietnam during the first quarter 2020. The balance sheet remains solid, relationship with partners is strong and it has the capacity to manage potential shocks.

Operational risks:

To manage operational risk, the Group follows and observes the business continuity protocols. The Group continues to run the operations using remote access and taking measures to protect the health of the employees working on-site.

While the situation is different in each of our countries, we have remained operational throughout this period all over the world. As the lockdown is lifted in China our staff have fully returned to the office. Outside of China, more than 20,000 of our staff are currently working remotely. As governments start easing the restrictions, our teams will gradually return to the office and it is too early to fully assess the global impact.

Several business premises with the direct physical contact with the clients are closed. However, the significant part of the business is conducted using the electronic channels and the Group is continuing with these operations.

The Group has analyzed all the risks and severe but plausible scenarios and concluded that there is no material uncertainty related to going concern.

Company Interim Financial Statements
for the three-month period ended 31 March 2020

	Note	31 March 2020 MEUR	31 December 2019 MEUR
ASSETS			
Cash and cash equivalents	5	18	6
Time deposits with banks	6	20	12
Loans provided	7	111	121
Financial assets at fair value through profit or loss	8	2	6
Financial assets at fair value through other comprehensive income	9	14	-
Investments in subsidiaries and associates	10	3,227	3,258
Other assets	11	1	2
Total assets		**3,393**	**3,405**
LIABILITIES			
Debt securities issued	12	95	139
Financial liabilities at fair value through profit or loss	13	9	1
Loans received and other liabilities	14	1,165	1,186
Provisions		1	1
Total liabilities		**1,270**	**1,327**
EQUITY			
Share capital	15	1,000	1,000
Share premium	15	628	628
Other reserves	15	495	450
Total equity		**2,123**	**2,078**
Total liabilities and equity		**3,393**	**3,405**

	Note	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Continuing operations:			
Interest income	16	2	3
Interest expense	16	(16)	(16)
Net interest expense		**(14)**	**(13)**
Dividend income	17	92	-
Fee income	18	1	2
Net foreign exchange result		1	1
Operating income		**80**	**(10)**
Impairment losses	19	(33)	-
Other operating expenses	20	(2)	(3)
Operating expenses		**(35)**	**(3)**
Profit/(loss) before tax		**45**	**(13)**
Income tax expense		-	-
Net profit/(loss) for the period		**45**	**(13)**
Other comprehensive income for the period		-	**-**
Total comprehensive income/(expense) for the period		**45**	**(13)**

	Share capital MEUR	Share premium MEUR	Other reserves MEUR	Total equity MEUR
Balance as at 1 January 2020	1,000	628	450	2,078
Total	**1,000**	**628**	**450**	**2,078**
Profit/(loss) for the period	-	-	45	45
Total comprehensive income for the period	**-**	**-**	**45**	**45**
Total changes	**-**	**-**	**45**	**45**
Balance as at 31 March 2020	**1,000**	**628**	**495**	**2,123**

	Share capital MEUR	Share premium MEUR	Other reserves MEUR	Total equity MEUR
Balance as at 1 January 2019	1,000	628	23	1,651
Total	**1,000**	**628**	**23**	**1,651**
Profit/(loss) for the period	-	-	(13)	(13)
Total comprehensive income for the period	**-**	**-**	**(13)**	**(13)**
Total changes	**-**	**-**	**(13)**	**(13)**
Balance as at 31 March 2019	**1,000**	**628**	**10**	**1,638**

	Note	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Operating activities			
Profit/(loss) before tax		45	(13)
Adjustments for:			
Interest income and expense	16	14	13
Dividend income	17	(92)	-
Impairment losses	19	33	-
Net operating cash flow before changes in working capital		**-**	**-**
Change in time deposits with banks		(8)	-
Change in loans provided		6	349
Change in other assets		5	(1)
Change in other liabilities and provisions		7	31
Effects of foreign currency translation on items other than cash and cash equivalents		(11)	2
Cash flows (used in)/from the operations		**(1)**	**381**
Interest paid		(14)	(9)
Interest received		1	7
Cash flows (used in)/from operating activities		**(14)**	**379**
Investing activities			
Investments into subsidiaries and associates		(21)	(453)
Proceeds from subsidiaries and associates		5	-
Dividends received		92	-
Cash flows from/(used in) investing activities		**76**	**(453)**
Financing activities			
Proceeds from the issue of debt securities		40	13
Repayments of debt securities issued		(78)	-
Proceeds from due to banks and other financial institutions		15	63
Repayments of due to banks and other financial institutions		(27)	-
Cash flows (used in)/from financing activities		**(50)**	**76**
Net increase/(decrease) in cash and cash equivalents		12	2
Cash and cash equivalents as at 1 January	5	6	1
Cash and cash equivalents at 31 March	5	**18**	**3**

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 Financial Statements for the three-month period ended 31 March 2020.

2. Basis of preparation

The financial statements for the three-month period ended 31 March 2020 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 Financial Statements for the three-month period ended 31 March 2020.

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) Investments in subsidiaries

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

(b) Other accounting policies

Other significant accounting policies are as described in Note 3 of Notes to the Condensed Consolidated Financial Statements for the three-month period ended 31 March 2020.

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 31 March 2020 shows liquidity gaps, which the Company will face in 2020. 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.

	31 March 2020				
MEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Cash and cash equivalents	18	-	-	-	18
Time deposits with banks	-	-	8	12	20
Loans provided	2	63	46	-	111
Financial assets at fair value through profit or loss	1	1	-	-	2
Financial assets at fair value through other comprehensive income	-	-	-	14	14
Total financial assets	**21**	**64**	**54**	**26**	**165**
Debt securities issued	16	25	54	-	95
Financial liabilities at fair value through profit or loss	3	-	6	-	9
Loans received and other financial liabilities	314	-	851	-	1,165
Total financial liabilities	**333**	**25**	**911**	**-**	**1,269**
Net position	**(312)**	**39**	**(857)**	**26**	**(1,104)**

	31 December 2019				
MEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Cash and cash equivalents	6	-	-	-	6
Time deposits with banks	-	-	8	4	12
Loans provided	-	73	48	-	121
Financial assets at fair value through profit or loss	-	5	1	-	6
Total financial assets	**6**	**78**	**57**	**4**	**145**
Debt securities issued	80	38	21	-	139
Financial liabilities at fair value through profit or loss	1	-	-	-	1
Loans received and other financial liabilities	111	263	812	-	1,186
Total financial liabilities	**192**	**301**	**833**	**-**	**1,326**
Net position	**(186)**	**(223)**	**(776)**	**4**	**(1,181)**

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 31 March 2020.

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.

		31 March 2020				
MEUR	**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	0.0%	18	-	-	-	18
Time deposits with banks	(0.3)%	8	-	-	12	20
Loans provided	5.3%	39	72	-	-	111
Total interest bearing financial assets		**65**	**72**	**-**	**12**	**149**
Interest bearing financial liabilities						
Debt securities issued	4.6%	16	25	54	-	95
Loans received and other liabilities	4.5%	1,129	-	36	-	1,165
Total interest bearing financial liabilities		**1,145**	**25**	**90**	**-**	**1,260**
Net position		**(1,080)**	**47**	**(90)**	**12**	**(1,111)**

		31 December 2019				
MEUR	**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	0.0%	6	-	-	-	6
Time deposits with banks	(0.4)%	8	-	-	4	12
Loans provided	5.2%	9	110	2	-	121
Total interest bearing financial assets		**23**	**110**	**2**	**4**	**139**
Interest bearing financial liabilities						
Debt securities issued	4.3%	80	38	21	-	139
Loans received and other liabilities	4.5%	923	263	-	-	1,186
Total interest bearing financial liabilities		**1,003**	**301**	**21**	**-**	**1,325**
Net position		**(980)**	**(191)**	**(19)**	**4**	**(1,186)**

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 31 March 2020 MEUR	Fair value 31 March 2020 MEUR	Carrying amount 31 December 2019 MEUR	Fair value 31 December 2019 MEUR
Debt securities issued	12	95	94	139	138

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):

31 March 2020	**Level 1 MEUR**	**Level 2 MEUR**	**Level 3 MEUR**	**Total MEUR**
Financial assets at fair value through profit or loss	-	2	-	2
Financial assets at fair value through other comprehensive income	-	-	14	14
Financial liabilities at fair value through profit or loss	-	(9)	-	(9)
	-	**(7)**	**14**	**7**

31 December 2019	**Level 1 MEUR**	**Level 2 MEUR**	**Level 3 MEUR**	**Total MEUR**
Financial assets at fair value through profit or loss	-	6	-	6
Financial liabilities at fair value through profit or loss	-	(1)	-	(1)
	-	**5**	**-**	**5**

There were no transfers between Level 1, 2 and 3 in the three-month period ended 31 March 2020 nor in the year ended 31 December 2019.

5. Cash and cash equivalents

	31 March 2020 MEUR	31 December 2019 MEUR
Current accounts with related parties	18	6
	18	**6**

6. Time deposits with banks

	31 March 2020 MEUR	31 December 2019 MEUR
Cash collateral for foreign exchange derivative contracts	12	4
Cash collateral for syndicated loan interest payments	8	8
	20	**12**

7. Loans provided

	31 March 2020 MEUR	31 December 2019 MEUR
Loans to subsidiaries	70	80
Other loans provided	41	41
	111	**121**

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. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income represent investment in equity shares in Nymbus, Inc.

10. Investments in subsidiaries and associates

Subsidiary / associate	Country of incorporation	Share in issued capital 31 March 2020 %	Share in issued capital 31 December 2019 %	Net cost of investment 31 March 2020 MEUR	Net cost of investment 31 December 2019 MEUR
Redlione (LLC) [1)]	Cyprus	100.00	100.00	-	-
Astavedo Limited [1)]	Cyprus	100.00	100.00	-	-
Enadoco Limited	Cyprus	100.00	100.00	-	-
Rhaskos Finance Limited [1)]	Cyprus	100.00	100.00	-	-
Septus Holding Limited [1)]	Cyprus	100.00	100.00	-	-
Sylander Capital Limited [1)]	Cyprus	100.00	100.00	-	-
Talpa Estero Limited [1)]	Cyprus	100.00	100.00	-	-
ABDE Holding s.r.o.	Czech Republic	100.00	100.00	1	1
Benxy (LLC)	Czech Republic	100.00	100.00	35	33
HC ITS (LLC) / HC Advisory Services (LLC) [2)]	Czech Republic	100.00	100.00	1	6
AB-X Project GmBG	Germany	100.00	100.00	-	20
Saint World Limited	Hong Kong	100.00	100.00	-	-
Home Credit N.V.	Netherlands	100.00	100.00	3,151	3,151
Home Credit US Holding (LLC)	USA	100.00	100.00	29	23
Barion Payment Zrt.	Hungary	20.00	20.00	2	2
Eureka Analytics Pte. Ltd.	Singapore	20.49	24.50	8	8
Nymbus Inc. [3)]	USA	13.36	13.92	-	14
				3,227	**3,258**

[1)] Subsidiary is under liquidation.
[2)] HC Advisory Services (LLC) was renamed and split into HC ITS (LLC) and Rixo (LLC) during the 1Q 2020. Rixo (LLP) was sold.
[3)] Nymbus Inc. was reclassified to the financial assets at fair value through other comprehensive income (Note 9).

31 March 2020	Cost of investment MEUR	Impairment MEUR	Carrying amount MEUR
Balance as at 1 January	**3,299**	**(41)**	**3,258**
Investments	21	-	21
Divestments	(5)	-	(5)
Transfers	(14)	-	(14)
Impairment changes	-	(33)	(33)
Balance as at 31 March	**3,301**	**(74)**	**3,227**

10. Investments in subsidiaries and associates (continued)

31 March 2019	Cost of investment MEUR	Impairment MEUR	Carrying amount MEUR
Balance as at 1 January	**2,349**	**-**	**2,349**
Investments	453	-	453
Balance as at 31 March	**2,802**	**-**	**2,802**

11. Other assets

	31 March 2020 MEUR	31 December 2019 MEUR
Estimated receivables	1	1
Trade receivables	-	1
	1	**2**

12. Debt securities issued

	Interest rate	Final maturity	Amount outstanding 31 March 2020 MEUR	Amount outstanding 31 December 2019 MEUR
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	14	14
USD promissory note issue of MUSD 10	Zero-coupon	October 2020	9	9
CZK promissory note issued of MCZK 560	Zero-coupon	May 2021	20	21
CZK promissory note issue of MCZK 524	Zero-coupon	January 2022	18	-
CZK promissory note issue of MCZK 525	Zero-coupon	January 2024	18	-
Unsecured CZK bond issue of MCZK 1,998	3.75%	March 2020	-	79
			95	**139**

All the bonds and promissory notes issued are unsecured.

13. 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.

14. Loans received and other liabilities

	31 March 2020 MEUR	31 December 2019 MEUR
Loans received	1,165	1,185
Settlement with suppliers	-	1
	1,165	1,186

Loans received

	Interest Rate	Currency	Maturity	Amount outstanding 31 March 2020 MEUR	Amount outstanding 31 December 2019 MEUR
Syndicated loan	Variable	EUR	May 2022	816	814
Loan from parent company	Variable	EUR	June 2020	253	249
Loan from subsidiary	Fixed	EUR	June 2020	60	55
Loan from subsidiary	Fixed	RUB	November 2021	18	22
Loan from subsidiary	Fixed	RUB	April 2022	18	-
Loan from subsidiary	Fixed	RUB	February 2020	-	14
Loan from other related party	Fixed	CZK	January 2020	-	31
				1,165	**1,185**

All loans are unsecured. There were no breaches of loan covenants in the three-month period ended 31 March 2020 nor the year ended 31 December 2019.

15. Equity

Share capital

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

As of 31 March 2020 Company's share capital comprised 175,438,596,491 ordinary shares (31 December 2019: 175,438,596,491 ordinary shares) at a par value of EUR 0.0057, of which all 175,438,596,491 shares (31 December 2019: 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.

16. Interest income and interest expense

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Interest income		
Subsidiaries	1	2
Other	1	1
	2	**3**
Interest expense		
Loans received	14	15
Debt securities issued	2	1
	16	**16**

17. Dividend income

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Subsidiary		
Home Credit N.V.	92	-
	92	**-**

18. Fee income

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Guarantee fees	1	1
Fees for services provided	-	1
	1	**2**

19. Impairment losses

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Investments	33	-
	33	**-**

20. Other operating expenses

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Professional services	2	2
Travel expenses	-	1
	2	**3**

21. Commitments and guarantees

As at 31 March 2020 the Company had outstanding commitments to extend credit of MEUR 4 (31 December 2019: MEUR 4).

As at 31 March 2020 the Company had outstanding guarantees of MEUR 371 (31 December 2019: MEUR 353) 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:

	31 March 2020 MEUR	31 December 2019 MEUR
Loans received and other liabilities	(253)	(249)
	(253)	**(249)**

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:

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Interest expense	(4)	(7)
	(4)	**(7)**

(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:

	31 March 2020 MEUR	31 December 2019 MEUR
Cash and cash equivalents	18	6
Time deposits with banks	12	4
Loans provided	72	82
Financial assets at fair value through profit or loss	2	6
Other assets	1	1
Debt securities issued	(95)	(59)
Financial liabilities at fair value through profit or loss	(9)	(1)
Loans received and other liabilities	(118)	(144)
	(117)	**(105)**

23. Related party transactions (continued)

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

	3 months ended 31 March 2020 MEUR	3 months ended 31 March 2019 MEUR
Interest income	1	2
Interest expense	(2)	(2)
Dividend income	92	-
Fee income	1	2
Net foreign exchange result	(10)	5
Operating expenses	(1)	(1)
	81	**6**

(c) Transactions with other related parties

There were no transactions with other related parties both as at 31 March 2020 and 31 December 2019.

(d) 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 N.V. The agreement was concluded in 2013 between Home Credit N.V. and an entity controlled by one of the members of Company´s Board of Directors. The original contract was terminated in June 2019 and new contract was concluded. Consultancy fees incurred by the Company in the three-month period ended 31 March 2020 in relation to these agreements amounted to MEUR 1 (the three-month period ended 31 March 2019: MEUR 2). Other expenses incurred on behalf of this related party in the three-month period ended 31 March 2020 were MEUR 1 (the three-month period ended 31 March 2019: MEUR nil).

As at 31 March 2020 the balances due from holding companies included secured loans of MEUR 40 (31 December 2019: MEUR 39) 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 2019: 5.74%) and the repayment date of those loans is 30 June 2024.

24. 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.

25. Subsequent events

In April 2020, as per the original agreement, Home Credit Group B.V. requested all 29 lenders in the syndicated loan (each individually) to extend the loan by one year. 12 lenders approved the extension and as a result, MEUR 488 were extended.

The Consolidated Financial Statements as set out on pages 3 to 84 and the Company Financial Statements as set out on pages 85 to 105 were approved by the Board of Directors on 11 June 2020.

Jan Cornelis Jansen
Member of the Board of Directors