Home Credit B.V.

Consolidated Annual Accounts
for the year ended 31 December 2015

Contents

Directors' Report

Description of the Company

Home Credit B.V.

Date of incorporation:	28 December 1999
Registered office:	Netherlands, Strawinskylaan 933, 1077XX Amsterdam
Identification number:	34126597
Authorised capital:	EUR 712,500,000
Issued capital:	EUR 659,019,639
Paid up capital:	EUR 659,019,639
Principal business:	Holding company activities and financing thereof

General information

Home Credit B.V. ("HCBV") is the owner of consumer finance providers ("the Group"). There are both fully licensed banks and non-banking entities within the Group. The principal activities of HCBV are: (a) the holding of equity stakes in consumer finance companies in the countries of Central and Eastern Europe (CEE) and Asia and (b) the securing of the refinancing for these companies from the market and from the ultimate parent company. For detailed description of the Group please refer to Note 1 of the consolidated financial statements.

Companies that are held by HCBV provide in-store lending to eligible mass retail customers, including first-time borrowers, and are the leading providers of such services in most countries in which they operate. They provide non-cash, non-collateralised loans for purchases of durable goods at the point of sale ("POS loans") and, in the majority of countries in which they operate, they also offer credit cards and/or cash loans. In the Czech Republic, Russia, Belarus and Kazakhstan the Group also offers selected retail banking services such as deposit accounts. As at 31 December 2015 the Group actively served 12.5 million customers across its operations: the Czech Republic (operational since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), Belarus (2007), China (2007), India (2012), Indonesia (2013), Philippines (2013) and Vietnam (2014).

The majority shareholder (88.62% stake) of HCBV is PPF Financial Holdings B.V., a wholly owned subsidiary of PPF Group N.V. (hereinafter "PPF"). PPF invests into multiple market segments such as banking and financial services, telecommunications, biotechnology, real estate, retail, insurance, metal mining and agriculture. PPF Group's reach spans from Europe to Russia, the USA and across Asia. PPF Group owns assets of EUR 21.3 billion (as at 30 June 2015). For more information on PPF, visit www.ppf.eu.

A minority stake (11.38%) of HCBV is held by EMMA OMEGA LTD, an investment holding company ultimately owned by Mr. Jiří Šmejc.

Key developments in 2015

The continuing weakness of the macro environment and geopolitical uncertainty in Russia in 2015 impacted the overall performance of the Group, resulting in a net loss for the year 2015.

In 2014 we have addressed the challenges in Russia successfully by moving swiftly and responding effectively; our remedial actions began to bear fruit in 2015. In Russia, we have maintained our policy – established in response to the 2013 credit boom – to tighten lending criteria and reduce loan volumes. We took steps to reduce our cost structure, pacing the reduction in loan volumes. The performance of our Russian operations has been improving during 2015 and eventually returned to a positive net result in the final quarter of 2015. Thanks to our track record navigating the previous economic crisis in Russia, our experienced management team and our supportive shareholders, we have proven that we responded adequately and we maintain a solid position for the future. Our focus in Russia in 2015 remained to provide the best service to our customers, to leverage these strong relationships, to develop remote service channels and to maintain our leading position in the Point of Sale (POS) market, where our lead has actually grown.

Although we are starting to see the benefits of our actions, the reduction in lending in Russia has influenced the Group's operating profit for 2015. Nevertheless, the Group remains strongly capitalized.

Asia has continued to perform well, justifying our decision to diversify into these fast-growth markets and further reducing the significance of Russia on the overall figures. In 2015 China represented 41% of new loan volumes, compared to 18% in 2014, while Asia as a whole accounted for 56% of the Group's new loan volume.

As our businesses in the high-potential markets of Indonesia, India and the Philippines grow out of their pilot stages, and as we consolidate our nation-wide expansion in China, we are optimistic about our prospects for the coming year.

In June 2015, HCBV executed an agreement with its shareholders whereby the shareholders contributed their shareholdings in Air Bank (JSC) to the Company's share premium. As a result, the Group acquired and became a sole shareholder of Air Bank (JSC). Air Bank (JSC) is the Czech Republic's fastest growing bank already profitable two years after its launch. In the period since the acquisition date to 31 December 2015 Air Bank (JSC) and its subsidiaries contributed EUR 62 million and EUR 2 million to the Group`s revenues and profit respectively. The acquisition of Air Bank (JSC) boosted both the Group's retail deposit and loan portfolios. It almost doubled the level of the Group's customer deposits and current accounts, which stood at EUR 4,909 million as at 31 December 2015 (31 December 2014: EUR 2,890 million).

In the second half of the year, HCBV's indirect subsidiary, Home Credit U.S., LLC, opened an office in Kansas, USA, to support its new joint venture with Sprint eBusiness, Inc. The joint venture represents the start of a strategic partnership with Sprint to deliver underwriting services for financing mobile phones and accessories through Sprint's leasing and installment billing program. In the longer term, the partnership aims expand both customer and product coverage.

Customer focus

The Group remains focused on building long-term relationships with its customers by offering them products that suit best their needs while maintaining a solid level of cost efficiency and prudent risk management. Our business philosophy promotes financial inclusion: we often work with clients who have little to no credit history, and who are underserved by traditional banks. We enable them to take advantage of all the benefits that financial services can bring. Our relationship with our clients is built on fairness, transparency and mutual trust. As they build up a solid credit history we provide them with more sophisticated products to suit their gradually growing needs and capabilities. Along the way, we help our clients learn how to manage their finances and develop financial literacy. This is what responsible lending means to us.

Key results

Operating income for 2015 has reflected the decline in Russia falling by 17% to EUR 1,619 million. Although the Group's tightened lending criteria in Russia resulted in a continued decrease in lending volume there, this was tempered by positive performances in Asia.

The effect of the strong performance in Asia, which represents an ever-increasing proportion of the new loan volumes, and the benefit of the tightened lending criteria in Russia is seen in the increased quality of the Group's loan portfolio: as at 31 December 2015, the NPL share (i.e. loans more than 90 days overdue) of the gross loan book was just 10.0% (31 December 2014: 15.3%) while the NPL coverage ratio rose to 115.7% at year-end (31 December 2014: 106.4%).

Impairment losses were EUR 725 million for 2015, substantially down from EUR 1,116 million in 2014, a decline of 35.0% reflecting a consistent reduction period-on-period throughout the year.

General administrative and other operating expenses grew by 2% to EUR 887 million even as the number of distribution points rose by 12% to 185,893. The Group's distribution network as at 31 December 2015 comprised 183,488 POS and loan offices, 439 bank branches, 1,966 post offices. As at 31 December 2015 the ATM network comprised 1,281 ATMs.

Overall, the Group posted a net loss of EUR 42 million in 2015, comparing to a net loss of EUR 60 million in 2014.

Group's net loan portfolio in 2015 grew by 15% to EUR 5,835 million (31 December 2014: EUR 5,060 million).

Group's customer deposits were EUR 4,909 million at 31 December 2015, an almost 70% increase compared to the end of 2014 (31 December 2014: EUR 2,890 million), predominantly as a result of the Group's acquisition of Air Bank (JSC) in the Czech Republic. The share of current account balances and term deposits now comprises 58.0% of total liabilities (31 December 2014: 49.8%).

Group's capitalization remained solid with total equity of EUR 1,196 million and an equity-to-assets ratio of 12.4% (31 December 2014: 17.6%).

Concerning cash flows and funding please refer to Note 4(b) of the consolidated financial statements.

Staff development, environmental influence and research and development

The average number of employees during 2015 was 61,207 (2014: 55,387).
The impact of the Group's operations on the environment is not quantified as it is considered insignificant.
The Group dedicates adequate resources to research and development activities, primarily in the area of the development of consumer finance IT systems.

Composition of the Board of Directors

The size and composition of the Board of Directors and the combined experience and expertise of their members should reflect the best fit for the profile and strategy of the company. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in HCBV currently having a Board of Directors in which all eight members are male. In order to increase gender diversity on the Board of Directors, in accordance with article 2:276 section 2 of the Dutch Civil Code, HCBV pays close attention to gender diversity in the process of recruiting and appointing new members of the Board of Directors. HCBV will retain an active and open attitude as regards selecting female candidates. For changes in Board of Directors in 2015 please refer to Note 1 of the consolidated financial statements.

Financial instruments and risk management

The Group's main strategic risk concerns the appropriateness of the selected business model, i.e. marketing, sales and risk strategies as well as the resources allocated to support the strategy. Such risks are mitigated through careful selection of the markets and calibrating start-up pilot projects on one hand and geographic diversification on the other hand. The Group is exposed to various risks as a result of its activities, primarily credit risk, liquidity risk, market risks (interest rate risk and currency risk), insurance risk and operational risk.

The Group's primary exposure to credit risk arises from the provision of consumer financing to private customers, which is the Group's principal business. Credit risk is managed both at the level of individual Group members and at the Group level.

Liquidity risk arises from the general funding of the Group's activities and from the management of its positions. The Group has access to a diversified funding base. Funds are raised using a broad range of instruments including deposits, debt securities, bank loans, subordinated debt and shareholders' equity.

All financial instruments and positions are subject to market risk: the risk that future changes in market conditions may change the value of the instrument. 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.

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. Price risk arises as insurance premiums may not be sufficient to cover future losses and expenses on insurance contracts. To manage price risk the Group regularly analyses profitability and makes appropriate adjustments in pricing and underwriting policies. 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 of the adequacy of loss reserves and loss analysis of insurance products.

Operational risk is the risk 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, financial reporting and generally accepted standards of corporate behaviour. 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.

For detailed information on risk management see Note 4 of the consolidated financial statements.

Future development

In 2016, HCBV will continue to manage and finance its holdings carefully and use its capital in a disciplined way. HCBV's focus will be on managing the business for the sustainable creation of shareholders' value against an uncertain macroeconomic backdrop. HCBV will aim to maintain a diversified funding base and pursue cost-effectiveness whilst retaining a flexible but disciplined loan origination and distribution approach of its holdings in order to respond effectively to any macroeconomic changes. HCBV will continue to focus on the high growth regions of Asia where it will further expand the geographical roll-out of its franchise, deepening business penetration in order to diversify the Group's footprint. In the Central Europe and CIS region, the Group's objective is to maintain its market positions and continue to improve efficiency and focus on innovation. In Russia, the objective is to continue its cautious policy having imposed stricter lending conditions over the last years with the aim of improving the quality of the loan book.

11 March 2016

Board of Directors:

Jiří Šmejc
Chairman of the Board of Directors

Jan Cornelis Jansen
Vice-Chairman of the Board of Directors

Rudolf Bosveld
Member of the Board of Directors

Petr Kohout
Member of the Board of Directors

Mel Gerard Carvill
Member of the Board of Directors

Marcel Marinus van Santen
Member of the Board of Directors

Paulus Aloysius de Reijke
Member of the Board of Directors

Lubomír Král
Member of the Board of Directors

	Note	2015 TEUR	2014 TEUR
ASSETS			
Cash and cash equivalents	8	1,349,330	865,552
Due from banks, other financial institutions and holding companies	9	407,223	171,829
Loans to customers	10	5,835,110	5,059,514
Positive fair value of derivative instruments	11	112,281	144,846
Debt securities at fair value through profit or loss		176,879	-
Financial assets available-for-sale	12	1,204,608	306,172
Financial assets held-to-maturity		6,118	-
Assets classified as held for sale	5	2,045	5,705
Current income tax receivables		5,723	20,266
Deferred tax assets	13	125,565	66,167
Investments in associates	14	1,524	2,252
Intangible assets	15	136,418	100,466
Property and equipment	16	137,501	157,603
Other assets	17	155,638	136,210
Total assets		**9,655,963**	**7,036,582**
LIABILITIES			
Current accounts and deposits from customers	18	4,908,631	2,889,966
Due to banks and other financial institutions	19	2,330,836	1,434,149
Debt securities issued	20	373,090	575,112
Negative fair value of derivative instruments	21	18,322	5,583
Current income tax liabilities		45,041	33,560
Deferred tax liabilities	13	22,257	3,045
Insurance and other provisions	22	45,819	80,928
Subordinated liabilities	23	427,519	542,297
Other liabilities	24	288,710	233,065
Total liabilities		**8,460,225**	**5,797,705**
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	659,020	659,020
Share premium	25	479,872	299,872
Statutory reserves	25	38,599	24,671
Foreign currency translation	25	(604,427)	(505,114)
Cash flow hedge reserve	25	3,728	12,971
Reserve for business combinations under common control	25	(91,228)	(80,685)
Revaluation reserve	25	23,127	(4,364)
Other reserves	25	682,280	828,682
Total equity attributable to equity holders of the Company		**1,190,971**	**1,235,053**
Non-controlling interests	26	**4,767**	**3,824**
Total equity		**1,195,738**	**1,238,877**
Total liabilities and equity		**9,655,963**	**7,036,582**

Continuing operations	**Note**	**2015 TEUR**	**2014 TEUR**
Interest income	27	1,842,479	1,987,116
Interest expense	27	(649,459)	(609,893)
Net interest income		**1,193,020**	**1,377,223**
Fee and commission income	28	408,591	507,038
Fee and commission expense	29	(89,667)	(86,724)
Net fee and commission income		**318,924**	**420,314**
Insurance income	30	**35,361**	**46,516**
Net gains on financial assets and liabilities	31	1,472	7,086
Other operating income	32	69,883	97,593
Operating income		**1,618,660**	**1,948,732**
Impairment losses on financial assets	33	(725,086)	(1,116,368)
General administrative expenses	34	(795,246)	(771,540)
Other operating expenses	35	(91,281)	(99,804)
Operating expenses		**(1,611,613)**	**(1,987,712)**
Losses on disposals of associates and subsidiaries		(488)	(581)
Share of earnings in associates		1,943	2,251
Profit/(loss) before tax		**8,502**	**(37,310)**
Income tax expense	36	(50,103)	(23,147)
Net loss for the year		**(41,601)**	**(60,457)**
Loss attributable to:			
Equity holders of the Company		(40,355)	(56,933)
Non-controlling interests	26	(1,246)	(3,524)
		(41,601)	**(60,457)**
Other comprehensive income which will be subsequently reclassified to profit or loss:			
Currency translation		(88,011)	(292,143)
Revaluation gains/(losses) on available-for-sale financial assets		3,523	(8,059)
Revaluation of available-for-sale financial assets transferred to profit or loss		11,532	2,065
Cash flow hedge reserve – effective portion of changes in fair value		(19,954)	171,255
Cash flow hedge reserve – net amount transferred to profit or loss		8,400	(154,950)
Income tax relating to components of other comprehensive income		762	(2,062)
Other comprehensive income which will not be subsequently reclassified to profit or loss:			
Remeasurements of the defined benefit liability		61	-
Other comprehensive income for the year		**(83,687)**	**(283,894)**
Total comprehensive income for the year		**(125,288)**	**(344,351)**
Total comprehensive income attributable to:			
Equity holders of the Company		(124,484)	(341,402)
Non-controlling interests		(804)	(2,949)
		(125,288)	**(344,351)**

	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**	**Cash flow hedge reserve**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**
Balance as at 1 January 2015	659,020	299,872	24,671	(505,114)	(80,685)	(4,364)	12,971	828,682	**1,235,053**	3,824	**1,238,877**
Disposal of subsidiaries	-	-	-	(641)	-	-	-	-	**(641)**	-	**(641)**
Acquisition of subsidiaries	-	-	-	(10,219)	(10,543)	13,985	-	(88,952)	**(95,729)**	-	**(95,729)**
Share premium increase	-	180,000	-	-	-	-	-	-	**180,000**	-	**180,000**
Changes in non-controlling interests	-	-	-	-	-	-	-	(3,228)	**(3,228)**	1,747	**(1,481)**
Transfers	-	-	13,928	-	-	-	-	(13,928)	-	-	-
Total	**659,020**	**479,872**	**38,599**	**(515,974)**	**(91,228)**	**9,621**	**12,971**	**722,574**	**1,315,455**	**5,571**	**1,321,026**
Currency translation	-	-	-	(88,453)	-	-	-	-	**(88,453)**	442	**(88,011)**
Revaluation of available-for-sale financial assets, net of tax	-	-	-	-	-	13,506	-	-	**13,506**	-	**13,506**
Change in cash flow hedge reserve, net of tax	-	-	-	-	-	-	(9,243)	-	**(9,243)**	-	**(9,243)**
Defined benefit plan reserve	-	-	-	-	-	-	-	61	**61**	-	**61**
Loss for the year	-	-	-	-	-	-	-	(40,355)	**(40,355)**	(1,246)	**(41,601)**
Total comprehensive income for the year	-	-	-	**(88,453)**	-	**13,506**	**(9,243)**	**(40,294)**	**(124,484)**	**(804)**	**(125,288)**
Total changes	-	**180,000**	**13,928**	**(99,313)**	**(10,543)**	**27,491**	**(9,243)**	**(146,402)**	**(44,082)**	**943**	**(43,139)**
Balance as at 31 December 2015	**659,020**	**479,872**	**38,599**	**(604,427)**	**(91,228)**	**23,127**	**3,728**	**682,280**	**1,190,971**	**4,767**	**1,195,738**

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	Cash flow hedge reserve	Other reserves	Total	Non-controlling interests	Total equity
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Balance as at 1 January 2014	659,020	184,377	11,672	(208,627)	15,106	431	(73)	867,649	**1,529,555**	2,916	**1,532,471**
Share premium increases	-	115,495	-	-	-	-	-	-	**115,495**	-	**115,495**
Acquisition of Home Credit Vietnam Finance Company Limited and Home Credit Consumer Finance Co., Ltd.	-	-	5,108	(5,019)	(95,791)	-	-	27,575	**(68,127)**	-	**(68,127)**
Disposal of subsidiaries	-	-	-	1,250	-	-	-	-	**1,250**	-	**1,250**
Changes in non-controlling interests	-	-	-	-	-	-	-	(1,718)	**(1,718)**	3,857	**2,139**
Transfers	-	-	7,891	-	-	-	-	(7,891)	-	-	-
Total	**659,020**	**299,872**	**24,671**	**(212,396)**	**(80,685)**	**431**	**(73)**	**885,615**	**1,576,455**	**6,773**	**1,583,228**
Currency translation	-	-	-	(292,718)	-	-	-	-	**(292,718)**	575	**(292,143)**
Revaluation of available-for-sale financial assets, net of tax	-	-	-	-	-	(4,795)	-	-	**(4,795)**	-	**(4,795)**
Change in cash flow hedge reserve, net of tax	-	-	-	-	-	-	13,044	-	**13,044**	-	**13,044**
Loss for the year	-	-	-	-	-	-	-	(56,933)	**(56,933)**	(3,524)	**(60,457)**
Total comprehensive income for the year	**-**	**-**	**-**	**(292,718)**	**-**	**(4,795)**	**13,044**	**(56,933)**	**(341,402)**	**(2,949)**	**(344,351)**
Total changes	**-**	**115,495**	**12,999**	**(296,487)**	**(95,791)**	**(4,795)**	**13,044**	**(38,967)**	**(294,502)**	**908**	**(293,594)**
Balance as at 31 December 2014	**659,020**	**299,872**	**24,671**	**(505,114)**	**(80,685)**	**(4,364)**	**12,971**	**828,682**	**1,235,053**	**3,824**	**1,238,877**

	Note	2015 TEUR	2014 TEUR
Operating activities			
Profit/(loss) before tax		8,502	(37,310)
Adjustments for:			
Interest expense	27	649,459	609,893
Net loss on disposal of property, equipment and intangible assets	35	8,871	6,869
Net loss on disposal of subsidiaries and associates		488	581
Net unrealized foreign exchange (gain)/loss		(13,251)	32,281
Impairment losses	33,35	728,702	1,129,537
Share of earnings in associates		(1,943)	(2,251)
Depreciation and amortization	35	78,507	79,638
Net operating cash flow before changes in working capital		**1,459,335**	**1,819,238**
Change in due from banks, other financial institutions and holding companies		(167,120)	258,184
Change in loans to customers		(682,751)	1,213,760
Change in positive fair value of derivative instruments		58,415	(125,938)
Change in other assets		(1,982)	49,106
Change in held for sale assets/liabilities		3,660	(6)
Change in current accounts and deposits from customers		(220,371)	(2,145,106)
Change in negative fair value of derivative instruments		1,736	(12,812)
Change in other liabilities and insurance and other provisions		18,529	(63,187)
Cash flows from the operations		**469,451**	**923,239**
Interest paid		(788,638)	(614,936)
Income tax paid		(75,255)	(49,596)
Cash flows (used in)/from operating activities		**(394,442)**	**328,707**
Investing activities			
Proceeds from sale of property, equipment and intangible assets		4,759	3,005
Acquisition of property, equipment and intangible assets		(94,449)	(94,942)
Proceeds from sale of subsidiaries and associates		56	8,633
Dividends from associates		2,637	2,424
Proceeds from available-for-sale financial assets		1,094,701	541,669
Acquisition of available-for-sale financial assets		(1,137,372)	(694,131)
Acquisition of held-to-maturity financial assets		(6,118)	(3,444)
Acquisition of investment in subsidiaries, net of cash acquired		274,061	(80,764)
Cash flows from/(used in) investing activities		**138,275**	**(317,550)**
Financing activities			
Share premium increase		-	115,495
Proceeds from the issue of debt securities		15,938	104,906
Repayment of debt securities issued		(324,970)	(620,771)
Proceeds from due to banks and other financial institutions		8,616,243	16,398,485
Repayment of due to banks and other financial institutions		(7,506,490)	(15,841,728)
Cash flows from financing activities		**800,721**	**156,387**
Net increase in cash and cash equivalents		544,554	167,544
Cash and cash equivalents as at 1 January		865,552	926,483
Effects of exchange rate changes on cash and cash equivalents		(60,776)	(228,475)
Cash and cash equivalents as at 31 December	8	**1,349,330**	**865,552**

1. Description of the Group

Home Credit B.V. (the "Company") was incorporated on 28 December 1999 in the Netherlands.

Registered office
Strawinskylaan 933
1077 XX Amsterdam
The Netherlands

Shareholders	**Country of incorporation**	**Ownership interest (%) 2015**	**2014**
PPF Financial Holdings B.V.	Netherlands	88.62	-
PPF Group N.V.	Netherlands	-	86.62
EMMA OMEGA LTD	Cyprus	11.38	13.38

In June 2015 PPF Group N.V. acquired a 2.00% stake in the Company from EMMA OMEGA LTD. Subsequently in June 2015 PPF Group N.V. transferred its 88.62% stake in the Company to PPF Financial Holdings B.V.

PPF Financial Holdings B.V. is a subsidiary of PPF Group N.V. The ultimate controlling party is Mr. Petr Kellner, who exercises control through PPF Group N.V. and PPF Financial Holdings B.V.

Principal activities

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

Board of Directors

Jiří Šmejc	Chairman	
Jan Cornelis Jansen	Vice-chairman	
Rudolf Bosveld	Member	
Mel Gerard Carvill	Member	
Marcel Marinus van Santen	Member	
Paulus Aloysius de Reijke	Member	
Lubomír Král	Member	
Petr Kohout	Member	from 1 January 2015

1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 2015	2014
Home Credit Bank (OJSC)	Belarus	100.00	100.00
PPF Insurance (FICJSC)	Belarus	100.00	100.00
Guangdong Home Credit Financing Guarantee Co., Ltd.	China	100.00	100.00
Home Credit Business Management (Tianjin) Co., Ltd.[1)]	China	100.00	100.00
Home Credit Consumer Finance Co., Ltd.	China	100.00	100.00
Sichuan Home Credit Financing Guarantee Co., Ltd.	China	100.00	100.00
Shenzhen Home Credit Financial Service Co., Ltd.	China	100.00	100.00
Shenzhen Home Credit Number One Consulting Co., Ltd.	China	100.00	100.00
CF Commercial Consulting (Beijing) Co., Ltd. [2)]	China	100.00	-
Redlione (LLC)	Cyprus	100.00	100.00
Astavedo Limited	Cyprus	100.00	100.00
Enadoco Limited	Cyprus	100.00	100.00
Rhaskos Finance Limited	Cyprus	100.00	100.00
Septus Holding Limited	Cyprus	100.00	100.00
Sylander Capital Limited	Cyprus	100.00	100.00
Talpa Estero Limited	Cyprus	100.00	100.00
Air Bank (JSC) [2)]	Czech Republic	100.00	-
Click Credit (LLC) [3)]	Czech Republic	-	100.00
Different Money (LLC)	Czech Republic	100.00	100.00
Home Credit (JSC)	Czech Republic	100.00	100.00
Home Credit International (JSC)	Czech Republic	100.00	100.00
HC Broker (LLC)	Czech Republic	100.00	100.00
HC Insurance Services (LLC)	Czech Republic	100.00	100.00
Autotým (LLC)	Czech Republic	100.00	100.00
Home Credit Egypt Trade S.A.E. [1)]	Egypt	100.00	100.00
Favour Ocean Ltd.	Hong Kong	100.00	100.00
Home Credit Asia Limited	Hong Kong	100.00	100.00
Saint World Ltd.	Hong Kong	100.00	100.00
Home Credit India Finance Private Limited	India	100.00	100.00
PT. Home Credit Indonesia	Indonesia	85.00	75.48
Home Credit Kazakhstan (JSC) [1)]	Kazakhstan	100.00	100.00
Home Credit and Finance Bank (SB JSC)	Kazakhstan	100.00	100.00
Eurasia Capital S.A. [4)]	Luxembourg	0.00	0.00
Eurasia Structured Finance No.1 S.A. [1) 4)]	Luxembourg	0.00	0.00
Eurasia Credit Card Company S.A. [4) 5)]	Luxembourg	-	0.00
AB 1 B.V. [2)]	Netherlands	100.00	-
AB 2 B.V. [2)]	Netherlands	100.00	-
AB 3 B.V. [2)]	Netherlands	100.00	-
AB 4 B.V. [2)]	Netherlands	100.00	-
AB 5 B.V. [2)]	Netherlands	100.00	-
AB 6 B.V. [2)]	Netherlands	100.00	-
AB 7 B.V. [2)]	Netherlands	100.00	-
HC Asia N.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
Home Credit Lab N.V.	Netherlands	100.00	100.00
HC Philippines Holdings B.V.	Netherlands	100.00	100.00
Eurasia Structured Finance No.3 B.V. [4)]	Netherlands	0.00	0.00
Eurasia Structured Finance No.4 B.V. [4)]	Netherlands	0.00	0.00
HC Consumer Finance Philippines, Inc. [6)]	Philippines	98.54	95.34
PPF Home Credit IFN S.A. [5)]	Romania	-	100.00

[1)] subsidiaries in the process of liquidation
[2)] subsidiaries acquired in 2015
[3)] subsidiary was merged with Home Credit (JSC)
[4)] special purpose entities established to facilitate the Group's issues of debt securities and subordinated liabilities
[5)] subsidiaries liquidated in 2015
[6)] the Group's share on the voting rights in HC Consumer Finance Philippines, Inc. is 60.00%

1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 2015	2014
Home Credit and Finance Bank (LLC)	Russian Federation	100.00	100.00
Financial Innovations (LLC)	Russian Federation	100.00	100.00
MFO HC Express (LLC) [1)]	Russian Federation	100.00	100.00
Home Credit Online (LLC) [2)]	Russian Federation	100.00	-
Bonus Center Operations (LLC) [3)]	Russian Federation	100.00	100.00
Home Credit Insurance (LLC)	Russian Federation	100.00	100.00
HC Finance (LLC) [4)]	Russian Federation	0.00	0.00
HC Finance No. 2 (LLC) [4)]	Russian Federation	0.00	0.00
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00
Collect-Credit (LLC)	Ukraine	100.00	100.00
Homer Software House (LLC)	Ukraine	100.00	100.00
Home Credit US (LLC) [5)]	USA	50.10	100.00
Home Credit US Holding (LLC)	USA	100.00	100.00
Easy Dreams Company Limited [6)]	Vietnam	-	100.00
Home Credit Vietnam Finance Company Limited	Vietnam	100.00	100.00

[1)] in November 2015 Home Credit Express (LLC) was renamed to MFO HC Express (LLC)
[2)] subsidiary established in 2015
[3)] subsidiary in the process of liquidation
[4)] special purpose entities established to facilitate the Group’s issues of debt securities and subordinated liabilities
[5)] in July 2015 the Group sold 49.9% of its share in Home Credit US (LLC) to Sprint eBusiness, Inc., a strategic partner for the Group`s operations in the US market
[6)] subsidiary sold in 2015

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 (%) 2015	2014
Společnost pro informační databáze (JSC)	Czech Republic	27.96	27.96
Filcommerce Holdings, Inc.	Philippines	40.00	40.00
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00

1. Description of the Group (continued)

Major acquisitions in 2015

Acquisition of Air Bank (JSC)

In June 2015 the Company executed an agreement with its shareholders whereby the shareholders contributed to the Company's share premium their shareholdings in Air Bank (JSC). As a result, the Group acquired and became a controlling party to Air Bank (JSC) and its subsidiaries AB 1 B.V., AB 2 B.V., AB 3 B.V., AB 4 B.V., AB 5 B.V., AB 6 B.V. and AB 7 B.V.

The acquisition date was 30 June 2015. The share premium increase totalled TEUR 180,000.

The main reason for the acquisition was the consolidation of consumer finance entities controlled by PPF Group N.V. under one holding company.

The acquisition date net book values of identifiable assets acquired and liabilities assumed of Air Bank (JSC) and its subsidiaries are presented below:

	TEUR
ASSETS	
Cash and cash equivalents	274,948
Due from banks, other financial institutions and holding companies	178,939
Loans to customers	915,478
Positive fair value of derivative instruments	16,149
Debt securities at fair value through profit or loss	186,580
Financial assets available-for-sale	861,622
Current income tax receivables	375
Deferred tax assets	2,382
Intangible assets	38,672
Property and equipment	9,565
Other assets	30,574
Total assets	**2,515,284**
LIABILITIES	
Current accounts and deposits from customers	2,251,241
Negative fair value of derivative instruments	11,003
Current income tax liabilities	4,239
Deferred tax liabilities	244
Subordinated liabilities	37,182
Other liabilities	36,419
Total liabilities	**2,340,328**

Acquisition date gross balances of loans to customers were TEUR 990,550, and the estimated contractual cash flows not expected to be collected were TEUR 75,072. Acquisition date gross balances of due from banks, other financial institutions and holding companies were TEUR 178,939, and there were no contractual cash flows not expected to be collected.

In the period since the acquisition date to 31 December 2015 Air Bank (JSC) and its subsidiaries contributed TEUR 61,541 and TEUR 2,227 to the Group`s revenues and profit respectively.

The Group's management estimates that if the acquisition date had been as of the beginning of the annual period, Air Bank (JSC) and its subsidiaries would have contributed TEUR 128,636 and TEUR 9,824 to the Group's revenues and profit respectively in 2015.

1. Description of the Group (continued)

Major acquisitions and disposals in 2014

Disposal of PPF Insurance (PSC)
In April 2014 the Group entered into a transaction regarding the sale of its 100% equity stake in PPF Insurance (PSC). The sales proceeds amounted to TEUR 8,633. The result of the transaction was a loss of TEUR 465.

Acquisitions in 2014
In 2012 the Group executed agreements with its shareholder concerning the future acquisition of 100% shares in CF Commercial Consulting (Beijing) Co., Ltd., Home Credit Vietnam Finance Company Limited and Home Credit Consumer Finance Co., Ltd. The transfer of ownership rights was subject to obtaining regulatory approvals by the respective regulators in Vietnam and China. These regulatory approvals were obtained in July and August 2014 for Home Credit Vietnam Finance Company Limited and Home Credit Consumer Finance Co., Ltd. respectively. As a result, the Group exercises control over these two entities.

The main reason for both acquisitions is the geographical expansion and diversification of the Group's business.

As of 31 December 2014 the transfer of ownership rights to CF Commercial Consulting (Beijing) Co., Ltd. was subject to obtaining regulatory approvals by the respective regulators in China. Therefore, as of 31 December 2014 this company was not treated as a consolidated subsidiary.

Acquisition of Home Credit Vietnam Finance Company Limited

The acquisition price of Home Credit Vietnam Finance Company Limited was TEUR 70,000, and the acquisition date was 14 July 2014. In connection with the transaction, PPF Group N.V. increased the Group's share premium by TEUR 70,000.

The acquisition date fair values of identifiable assets acquired and liabilities assumed of Home Credit Vietnam Finance Company Limited are presented below:

	TEUR
ASSETS	
Cash and cash equivalents	40,689
Due from banks, other financial institutions and holding companies	19,514
Loans to customers	175,119
Deferred tax assets	3,222
Intangible assets	7,495
Property and equipment	2,642
Other assets	10,660
Total assets	**259,341**
LIABILITIES	
Due to banks and other financial institutions	181,053
Debt securities issued	3,444
Negative fair value of derivative instruments	433
Current income tax liabilities	2,563
Other liabilities	11,241
Total liabilities	**198,734**

Acquisition date gross balances of loans to customers were TEUR 198,091, and the estimated contractual cash flows not expected to be collected were TEUR 22,972.

In the period since the acquisition date to 31 December 2014 Home Credit Vietnam Finance Company Limited contributed TEUR 67,839 and TEUR 15,794 to the Group's revenues and profit respectively.

The Group's management estimates that if the acquisition date had been as of the beginning of the annual period, Home Credit Vietnam Finance Company Limited would have contributed TEUR 149,168 and TEUR 34,415 to the Group's revenues and profit respectively in 2014.

1. Description of the Group (continued)

Acquisition of Home Credit Consumer Finance Co., Ltd.

The acquisition price of Home Credit Consumer Finance Co., Ltd. was TEUR 84,000, and the acquisition date was 7 August 2014. In connection with the transaction, PPF Group N.V. increased the Group's share premium by TEUR 45,495.

The acquisition date fair values of identifiable assets acquired and liabilities assumed of Home Credit Consumer Finance Co., Ltd. are presented below:

	TEUR
ASSETS	
Cash and cash equivalents	9,323
Due from banks, other financial institutions and holding companies	266
Loans to customers	72,976
Deferred tax assets	677
Intangible assets	4,531
Property and equipment	9,558
Other assets	1,713
Total assets	**99,044**
LIABILITIES	
Due to banks and other financial institutions	57,266
Current income tax liabilities	159
Other liabilities	6,077
Total liabilities	**63,502**

Acquisition date gross balances of loans to customers were TEUR 76,623, and the estimated contractual cash flows not expected to be collected were TEUR 3,647.

In the period since the acquisition date to 31 December 2014 Home Credit Consumer Finance Co., Ltd. contributed TEUR 18,803 and TEUR 2,265 to the Group's revenues and profit respectively.

The Group's management estimates that if the acquisition date had been as of the beginning of the annual period, Home Credit Consumer Finance Co., Ltd. would have contributed TEUR 30,745 and TEUR 1,980 to the Group's revenues and profit respectively in 2014.

2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including International Accounting Standards (IASs), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union and with Section 2:362(9) of the Netherlands Civil Code.

The Company has also prepared the unconsolidated financial statements for the year ended 31 December 2015, 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 and with Part 9 of Book 2 of Netherlands Civil Code.

(b) Basis of measurement

The consolidated financial statements are prepared on the historic cost basis except for financial instruments at fair value through profit or loss and financial assets available-for-sale that 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 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 thousand (TEUR).

(d) Changes in comparative numbers

Credit and other register expenses were previously presented in category "other" within fee and commission expense and under professional services within general administrative expenses. In 2015 they are presented as part of fee and commission expense on a separate line.

Accordingly, credit and other register expenses of TEUR 2,801 charged in 2014 were reclassified from "professional services" in general administrative expenses to fee and commission expense in order to conform to the presentation in 2015. In addition, credit and other register expense of TEUR 2,561 and TEUR 59 charged in 2014 were reclassified from category "other" and "payment processing and account maintenance" in fee and commission expense, respectively, to the separate line.

Collection agency fees were previously presented under "professional services" within general administrative expenses and in category "other" within fee and commission expense. In 2015 they are presented on a separate line in general administrative expense.

Accordingly, collection agency fees of TEUR 8,473 charged in 2014 were reclassified from fee and commission expense to general administrative expenses in order to conform to the presentation in 2015. Further, collection agency fees of TEUR 20,044 charged in 2014 were reclassified from "professional services" to the separate line within general administrative expenses.

The reclassification had no impact on the Group's result or equity.

(e) Use of estimates and judgments

The preparation of the 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.

2. Basis of preparation (continued)

In particular, information about significant areas of estimation, uncertainty and critical judgments made by management in preparing these consolidated financial statements in respect of impairment recognition is described in Note 3(c)(vii), Note 3(f) and Note 10.

(f) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Associates

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

(iii) 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.

(iv) Transactions eliminated on consolidation

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and by all Group entities.

(a) 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 retranslated to 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 retranslated to 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 retranslated using the exchange rate ruling at the date of the transaction.

3. Significant accounting policies (continued)

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the differences arising on the retranslation of available-for-sale equity investments 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

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at exchange rates ruling at the reporting date. 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.

Income and expenses of foreign operations in hyperinflationary economies are translated to EUR at exchange rates ruling at the reporting date. Prior to translation, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

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.

The functional currency of subsidiaries incorporated in the Republic of Belarus is the Belarusian Ruble (BYR). In 2014 this currency was identified as a currency of a hyperinflationary economy. Therefore, requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies were applied.

For the translation of assets and liabilities in Russian Rubles (RUB) the exchange rate published by the Central Bank of Russia has been used. This source has been used in order to harmonise the foreign exchange rates used across the group entities. Assets and liabilities in other foreign currencies were translated using the foreign exchange rate published by the European Central Bank.

(b) 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.

(c) Financial assets and liabilities

(i) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group upon initial recognition designates as at fair value through profit or loss, or those where its initial investment may not be substantially recovered, other than because of credit deterioration.

When the Group is a lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and receivables.

Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are classified as held for trading or those which are upon initial recognition designated by the entity as at fair value through profit or loss. Trading instruments include those that the Group principally holds for the purpose of short-term profit taking and derivative contracts that are not designated as effective hedging instruments. The Group designates financial assets and liabilities at fair value through profit or loss where either the assets or liabilities are managed, evaluated and reported internally on a fair value basis or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the asset or liability contains an embedded derivative that significantly modifies the

3. Significant accounting policies (continued)

cash flows that would otherwise be required under the contract. Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Financial assets held-to-maturity are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than loans and receivables and instruments designated as at fair value through profit or loss or as available-for-sale.

Financial assets available-for-sale are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, financial instruments at fair value through profit or loss or held-to-maturity investments.

(ii) 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 trade date accounting.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables and held-to-maturity investments, which are measured at amortized cost less impairment losses, and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

(iv) Fair value measurement

The Group measures fair values using the following fair value hierarchy that 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.

3. Significant accounting policies (continued)

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond 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 end of the reporting period for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the end of the reporting period.

The fair value of debt and equity securities available-for-sale is based on their quoted market price. Derivative contracts are not exchange traded and their fair value is estimated using arbitrage pricing models where key parameters are relevant foreign exchange rates and interbank interest rates ruling at the end of the reporting period.

(v) 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.

(vi) 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.

Gains and losses on available-for-sale financial assets 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.

(vii) Identification and measurement of impairment

The Group has developed a provisioning policy, which describes in detail the procedures and methodology of the impairment measurement, and a write-off policy. The impairment measurement is dealt with as follows:

The Group assesses on a regular basis whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the financial asset's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows. Financial assets with a short duration are not discounted.

3. Significant accounting policies (continued)

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

Loans and receivables with renegotiated terms are those that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Group makes concessions that it would not otherwise consider. Restructuring is one of indicators of an asset's impairment.

All impairment losses in respect of financial assets are recognized in the statement of comprehensive income and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of amortization, if no impairment loss had been recognized.

The write-off policy of the Group requires that the outstanding amount of a loan shall be written off if there is any installment overdue for 361 or more days. However, the loan shall remain in the company's balance sheet even after 361 days of non-payment if it is probable that the loan will be sold in a near future, or significant recoveries are expected. In such case, the loan outstanding amount shall be derecognized at the moment of the sale or later as soon as no significant recoveries are expected.

(viii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized separately as asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(ix) Offsetting

Financial assets and liabilities are set off 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.

(x) Securitization

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

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

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

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

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

3. Significant accounting policies (continued)

(xi) 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 and other financial institutions 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.

(xii) 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. 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.

(xiii) Hedge accounting

The Group applies cash flow hedges against currency risk. To qualify for hedge accounting in accordance with IAS 39, hedges must be highly effective. Derivatives used for hedging purposes are measured at fair value in the consolidated statement of financial position.

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

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

Where a derivative is designated as a hedge of the variability in cash flow attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized as other comprehensive income in equity. The amount recognized in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, hedge accounting is discontinued and the amount recognized in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognized immediately in profit or loss.

(d) Intangible assets

(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(f)).

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(f)). Expenditure on internally generated goodwill and brands is recognized in the statement of comprehensive income as an expense as incurred.

(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 material 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 are as follows:

Software	1 - 10 years
Licenses	1 - 10 years
Other	2 - 7 years

(e) 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(f)). 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.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Leased assets

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

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

(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 material 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	2 - 10 years
Buildings	5 - 50 years

3. Significant accounting policies (continued)

(f) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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.

(g) 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 material, 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.

(h) 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.

3. Significant accounting policies (continued)

(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.

(i) 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.

(j) 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.

(k) Equity

Share capital represents the nominal value of shares issued by the Company. To the extent such shares remain unpaid as of the end of the reporting period a corresponding receivable is presented in other assets.

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.

(l) Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition and is not revised subsequently.

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

3. Significant accounting policies (continued)

(m) 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.

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

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

(n) Penalty fees

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

(o) Operating lease payments

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

(p) 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.

The Group’s net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

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.

(q) Taxation

Income tax on the profit or loss for the year 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 year, 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 provided for 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 provided 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.

3. Significant accounting policies (continued)

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.

(r) 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.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment revenues include interest income, fee and commission income and gross insurance premiums earned.

(t) Changes in accounting policies and accounting pronouncements adopted since 1 January 2015

The following revised annual improvements to IFRSs are mandatory and relevant for the Group and have been applied by the Group since 1 January 2015.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle (effective from 1 July 2014)[1]

In December 2013 the IASB published two Cycles of the Annual Improvements to IFRSs: "2010-2012 Cycle" and "2011-2013 Cycle". The Annual Improvements to IFRSs are part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycles of improvements contain amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 and IAS 40, with consequential amendments to other standards and interpretations.

Given the nature of the Group's operations, this standard did not have significant impact on the Group's financial statements.

(u) Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Group's financial statements

A number of new Standards, amendments to Standards and Interpretations were not yet effective as of 31 December 2015 and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its financial statements.

Amendments to IAS 27 Equity method in separate financial statements (effective from 1 January 2016)

The Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The Group is not currently considering adoption of this standard.

[1] Annual Improvements "2010-2012 Cycle" have been adopted by the EU on 1 February 2015, with early adoption possible.
Annual Improvements "2011-2013 Cycle" have been adopted by the EU on 1 January 2015.

3. Significant accounting policies (continued)

IFRS 9 Financial Instruments (effective from1 January 2018)

IFRS 9 is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalized and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in a change in the overall level of impairment allowance.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

In May 2014 IASB and the Financial Accounting Standards Board (FASB), responsible for US Generally Accepted Accounting Principles (US GAAP) jointly issued a converged Standard on the recognition of revenue from contracts with customers. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 has not yet been adopted by the EU.

Given the nature of the Group's operations, this standard is not expected to have significant impact on the Group's financial statements.

IFRS 16 Leases (effective from 1 January 2019)

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

Applying IFRS 16, a lessee will:
- recognise lease assets (as a separate line item or together with property, plant and equipment) and lease liabilities in the balance sheet;
- recognise depreciation of lease assets and interest on lease liabilities in the income statement; and
- present the amount of cash paid for the principal portion of the lease liability within financing activities, and the amount paid for the interest portion within either operating or financing activities, in the cash flow statement.

IFRS 16 has not yet been adopted by the EU.

Given the nature of the Group's operations, this standard is not expected to have significant impact on the Group's financial statements.

3. Significant accounting policies (continued)

Amendments to IAS 1 Presentation of Financial Statements (effective from 1 January 2016)

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:
- immaterial information can detract from useful information;
- materiality applies to the whole of the financial statements; and
- materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended, to:
- remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements; and
- clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

This standard is not expected to have significant impact on the Group's financial statements.

Amendments to IAS 7 Statement of Cash Flows (effective from 1 January 2017)

The amendments are part of the IASB's disclosure initiative project and introduce additional disclosure requirements intended to address investors' concerns that financial statements do not currently enable them to understand the entity's cash flows; particularly in respect to the management of financing activities. These Amendments have not yet been adopted by the EU.

This standard is not expected to have significant impact on the Group's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective from 1 January 2017)

In January 2016 IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. These Amendments have not yet been adopted by the EU.

This standard is not expected to have significant impact on the Group's financial statements.

Annual Improvements 2012-2014 Cycle (effective from 1 January 2016)

In September 2014 the IASB published Annual Improvements to IFRSs 2012-2014 Cycle as part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

4. Financial risk management

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

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

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 Credit 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 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.

(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.

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.

4. Financial risk management (continued)

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 five 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 sell

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

	As of 31 December 2015				
	Cash loans	**POS loans**	**Revolving loans**	**Other [1]**	**Total**
	TEUR	TEUR	TEUR	TEUR	**TEUR**
Individually impaired					
Gross amount	-	-	-	2,710	2,710
Allowance for impairment	-	-	-	(826)	(826)
Carrying amount	**-**	**-**	**-**	**1,884**	**1,884**
Not impaired	**-**	**-**	**-**	**61,095**	**61,095**
Collectively impaired					
Gross amount	3,269,051	2,403,597	677,811	188,526	6,538,985
Current	2,700,966	2,156,451	495,878	146,251	5,499,546
Past due 1 – 90 days	201,504	105,787	57,966	13,370	378,627
Past due 91 – 360 days	311,025	118,939	96,517	6,228	532,709
Past due more than 360 days	55,556	22,420	27,450	22,677	128,103
Allowance for impairment	(440,949)	(171,905)	(124,159)	(29,841)	(766,854)
Carrying amount	**2,828,102**	**2,231,692**	**553,652**	**158,685**	**5,772,131**
Total carrying amount	**2,828,102**	**2,231,692**	**553,652**	**221,664**	**5,835,110**

Exposure to credit risk

	As of 31 December 2014				
	Cash loans	**POS loans**	**Revolving loans**	**Other [1]**	**Total**
	TEUR	TEUR	TEUR	TEUR	**TEUR**
Individually impaired					
Gross amount	-	-	-	4,317	4,317
Allowance for impairment	-	-	-	(943)	(943)
Carrying amount	**-**	**-**	**-**	**3,374**	**3,374**
Not impaired	**-**	**-**	**-**	**2,831**	**2,831**
Collectively impaired					
Gross amount	3,508,194	1,691,134	729,782	109,237	6,038,347
Current	2,732,164	1,482,810	490,724	81,163	4,786,861
Past due 1 – 90 days	228,853	23,053	72,019	5,420	329,345
Past due 91 – 360 days	499,659	165,560	140,413	4,266	809,898
Past due more than 360 days	47,518	19,711	26,626	18,388	112,243
Allowance for impairment	(597,515)	(200,246)	(163,001)	(24,276)	(985,038)
Carrying amount	**2,910,679**	**1,490,888**	**566,781**	**84,961**	**5,053,309**
Total carrying amount	**2,910,679**	**1,490,888**	**566,781**	**91,166**	**5,059,514**

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

4. Financial risk management (continued)

Analysis of collateral

The following table provides the analysis of gross loan portfolio by types of collateral as at 31 December:

	2015 Portfolio TEUR	2015 % of loan portfolio	2014 Portfolio TEUR	2014 % of loan portfolio
Secured assets	141,923	2.1	125,858	2.1
Unsecured (no collateral)	6,460,867	97.9	5,919,637	97.9
Total	**6,602,790**		**6,045,495**	

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. The other loan categories are unsecured.

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 December 2015 the reported balances of positive and negative fair values of derivatives of TEUR 112,281 (31 December 2014: TEUR 144,846) and TEUR 18,322 (31 December 2014: TEUR 5,583) 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 December 2015 the reported balances of loans and advances provided under repo operations of TEUR 82,041 (31 December 2014: TEUR 0) did not include any amounts offset. The remaining balance of due from banks, other financial institutions and holding companies of TEUR 325,182 (31 December 2014: TEUR 171,829) was not subject to any offsetting arrangements.

As at 31 December 2015 the reported balances of loans received under repo operations of TEUR 2,118 (31 December 2014: TEUR 102,035) did not include any amounts offset. The remaining balance of due to banks and other financial institutions of TEUR 2,328,718 (31 December 2014: TEUR 1,332,114) 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, inter-company loans, subordinated debt and contributions by shareholders (refer to Notes 18, 19, 20, 23 and 25). The shareholder's support enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. Management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

4. Financial risk management (continued)

Exposure to liquidity risk

The following table shows assets and liabilities by remaining 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.

	2015						2014					
TEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Cash and cash equivalents	1,349,330	-	-	-	-	1,349,330	865,552	-	-	-	-	865,552
Due from banks, other financial institutions and holding companies	129,338	129,747	80,135	676	67,327	407,223	13,588	36,037	69,553	609	52,042	171,829
Loans to customers	2,897,657	1,572,156	1,310,119	55,178	-	5,835,110	1,153,112	2,187,751	1,679,778	38,873	-	5,059,514
Positive fair value of derivative instruments	104,657	5,632	272	1,720	-	112,281	4,799	62,288	77,759	-	-	144,846
Debt securities at fair value through profit or loss	-	1,062	-	175,817	-	176,879	-	-	-	-	-	-
Financial assets available-for-sale	100,556	217,209	140,685	746,158	-	1,204,608	218,862	48,351	11,730	27,229	-	306,172
Financial assets held-to-maturity	6,118	-	-	-	-	6,118	-	-	-	-	-	-
Assets classified as held for sale	-	2,045	-	-	-	2,045	-	5,705	-	-	-	5,705
Current income tax receivables	1,186	4,537	-	-	-	5,723	11	20,243	12	-	-	20,266
Deferred tax assets	268	32,664	14,367	-	78,266	125,565	1,532	10,300	13,193	-	41,142	66,167
Investments in associates	-	-	-	-	1,524	1,524	-	-	-	-	2,252	2,252
Intangible assets	-	-	-	-	136,418	136,418	-	-	-	-	100,466	100,466
Property and equipment	-	-	-	-	137,501	137,501	-	-	-	-	157,603	157,603
Other assets	44,273	6,904	415	-	104,046	155,638	53,631	39,069	33,170	1,799	8,541	136,210
Total assets	**4,633,383**	**1,971,956**	**1,545,993**	**979,549**	**525,082**	**9,655,963**	**2,311,087**	**2,409,744**	**1,885,195**	**68,510**	**362,046**	**7,036,582**
Current accounts and deposits from customers	3,690,477	840,173	377,981	-	-	4,908,631	1,234,931	1,360,154	294,881	-	-	2,889,966
Due to banks and other financial institutions	726,345	951,171	652,836	-	484	2,330,836	669,635	731,186	33,328	-	-	1,434,149
Debt securities issued*	38,312	275,889	58,889	-	-	373,090	3,055	173,448	398,609	-	-	575,112
Negative fair value of derivative instruments	1,892	8,872	7,558	-	-	18,322	2,853	2,064	666	-	-	5,583
Current income tax liabilities	41,249	3,792	-	-	-	45,041	29,553	4,007	-	-	-	33,560
Deferred tax liabilities	-	320	17,067	2,924	1,946	22,257	6	134	1,031	-	1,874	3,045
Insurance and other provisions	-	29,601	16,218	-	-	45,819	-	23,778	55,148	2,002	-	80,928
Subordinated liabilities*	-	8,690	418,829	-	-	427,519	-	9,856	532,441	-	-	542,297
Other liabilities	261,167	15,861	11,620	62	-	288,710	179,646	49,482	3,227	710	-	233,065
Total liabilities	**4,759,442**	**2,134,369**	**1,560,998**	**2,986**	**2,430**	**8,460,225**	**2,119,679**	**2,354,109**	**1,319,331**	**2,712**	**1,874**	**5,797,705**
Net position	**(126,059)**	**(162,413)**	**(15,005)**	**976,563**	**522,652**	**1,195,738**	**191,408**	**55,635**	**565,864**	**65,798**	**360,172**	**1,238,877**

* Debt securities and subordinated liabilities are classified considering early redemption rights (refer to Note 20 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.

	2015					2014				
TEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**No maturity**	**Total**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**No maturity**	**Total**
Current accounts and deposits from customers	3,700,015	894,319	446,491	-	5,040,825	1,255,653	1,449,078	342,399	-	3,047,130
Due to banks and other financial institutions	799,640	1,051,633	697,231	484	2,548,988	691,677	775,820	36,777	-	1,504,274
Debt securities issued*	40,832	292,506	94,493	-	427,831	7,127	194,745	444,944	-	646,816
Subordinated liabilities*	-	41,659	494,420	-	536,079	-	51,924	681,138	-	733,062
Total	**4,540,487**	**2,280,117**	**1,732,635**	**484**	**8,553,723**	**1,954,457**	**2,471,567**	**1,505,258**	**-**	**5,931,282**

* Debt securities and subordinated liabilities are classified considering early redemption rights (refer to Note 20 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 2015 would be TEUR 49,535 higher/lower (2014: TEUR 41,500). The above sensitivity analysis is based on amortized cost of assets and liabilities.

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 on 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. In particular, the depreciation of the Russian Ruble (RUB) was the major contributor to the change in currency translation reserve in 2014.

In 2011 - 2014 the Belarusian Ruble (BYR) was identified as a currency of a hyperinflationary economy. Due to the relatively limited exposure of the Group in BYR, the risk related to its depreciation is considered not to be significant from the Group's perspective.

A summary of the Group's foreign currency position is provided below.

4. Financial risk management (continued)

Interest rate gap position based on re-pricing dates

	2015						2014					
TEUR	**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	0.9%	1,349,330	-	-	-	1,349,330	1.5%	865,552	-	-	-	865,552
Due from banks, other financial institutions and holding companies	7.0%	139,096	166,493	43,389	676	349,654	8.9%	13,588	36,037	69,553	609	119,787
Loans to customers, net	36.7%	2,900,919	1,571,914	1,308,769	53,508	5,835,110	38.3%	1,153,112	2,187,751	1,679,778	38,873	5,059,514
Debt securities at fair value through profit or loss	0.6%	1,062	-	175,817	-	176,879	-	-	-	-	-	-
Financial assets available-for-sale	3.0%	100,555	883,713	140,685	79,655	1,204,608	6.0%	218,862	48,351	11,730	27,229	306,172
Financial assets held-to-maturity	8.1%	6,118	-	-	-	6,118	-	-	-	-	-	-
Total interest bearing financial assets	**24.9%**	**4,497,080**	**2,622,120**	**1,668,660**	**133,839**	**8,921,699**	**31.2%**	**2,251,114**	**2,272,139**	**1,761,061**	**66,711**	**6,351,025**
Interest bearing financial liabilities												
Current accounts and deposits from customers	6.8%	3,690,477	840,173	377,981	-	4,908,631	11.7%	1,234,931	1,360,154	294,881	-	2,889,966
Due to banks and other financial institutions	10.2%	948,812	927,251	454,773	-	2,330,836	10.8%	710,602	690,219	33,328	-	1,434,149
Debt securities issued	8.4%	38,312	275,889	58,889	-	373,090	8.7%	3,055	173,448	398,609	-	575,112
Subordinated liabilities	10.0%	-	8,690	418,829	-	427,519	10.1%	-	9,856	532,441	-	542,297
Total interest bearing financial liabilities	**8.0%**	**4,677,601**	**2,052,003**	**1,310,472**	**-**	**8,040,076**	**11.0%**	**1,948,588**	**2,233,677**	**1,259,259**	**-**	**5,441,524**
Net position		**(180,521)**	**570,117**	**358,188**	**133,839**	**881,623**		**302,526**	**38,462**	**501,802**	**66,711**	**909,501**

4. Financial risk management (continued)

Foreign currency position

TEUR	2015								
	CNY	**RUB**	**CZK**	**KZT**	**VND**	**EUR**	**USD**	**Other currencies**	**Total**
Cash and cash equivalents	309,159	264,084	586,437	6,148	21,301	87,992	60,158	14,051	1,349,330
Due from banks, other financial institutions and holding companies	91,661	129,992	55,851	1,317	-	8,724	114,998	4,680	407,223
Loans to customers	2,219,099	1,939,054	687,830	260,224	249,458	245,932	66,780	166,733	5,835,110
Positive fair value of derivative instruments	-	103,105	6,104	-	-	3,072	-	-	112,281
Debt securities at fair value through profit or loss	-	-	176,879	-	-	-	-	-	176,879
Financial assets available-for-sale	-	181,612	778,443	-	-	106,094	138,459	-	1,204,608
Financial assets held-to-maturity	-	-	-	-	-	1,009	5,109	-	6,118
Assets classified as held for sale	-	2,045	-	-	-	-	-	-	2,045
Current income tax receivables	-	3,859	474	376	-	142	-	872	5,723
Deferred tax assets	24,381	70,293	964	-	3,963	23,056	-	2,908	125,565
Investments in associates	-	1,524	-	-	-	-	-	-	1,524
Intangible assets	3,648	25,286	90,713	2,129	3,848	3,853	549	6,392	136,418
Property and equipment	26,041	67,393	13,894	7,067	4,464	701	2,317	15,624	137,501
Other assets	15,801	30,470	48,043	3,662	13,729	10,080	22,399	11,454	155,638
Total assets	**2,689,790**	**2,818,717**	**2,445,632**	**280,923**	**296,763**	**490,655**	**410,769**	**222,714**	**9,655,963**
Current accounts and deposits from customers	-	2,061,871	2,514,031	61,708	-	78,069	149,505	43,447	4,908,631
Due to banks and other financial institutions	1,847,955	641	26,036	5,659	92,911	219,540	60,556	77,538	2,330,836
Debt securities issued	-	99,963	175,113	37,411	51,759	8,844	-	-	373,090
Negative fair value of derivative instruments	-	3,058	14,199	-	587	478	-	-	18,322
Current income tax liabilities	37,962	22	880	-	3,265	2,912	-	-	45,041
Deferred tax liabilities	16,714	2,179	2,946	418	-	-	-	-	22,257
Insurance and other provisions	-	41,830	-	-	-	192	-	3,797	45,819
Subordinated liabilities	-	-	29,266	-	-	-	398,253	-	427,519
Other liabilities	131,541	30,112	66,376	7,671	11,935	20,616	1,970	18,489	288,710
Total liabilities	**2,034,172**	**2,239,676**	**2,828,847**	**112,867**	**160,457**	**330,651**	**610,284**	**143,271**	**8,460,225**
Effect of foreign currency derivatives	70,750	(166,874)	606,100	(62,989)	(59,555)	(562,625)	176,185	(992)	-
Net position	**726,368**	**412,167**	**222,885**	**105,067**	**76,751**	**(402,621)**	**(23,330)**	**78,451**	**1,195,738**

4. Financial risk management (continued)

Foreign currency position

TEUR	CNY	RUB	CZK	KZT	VND (2014)	EUR	USD	Other currencies	Total
Cash and cash equivalents	262,895	393,029	8,571	9,948	35,102	78,760	59,974	17,273	865,552
Due from banks, other financial institutions and holding companies	13,863	50,772	3,607	14	-	501	90,932	12,140	171,829
Loans to customers	1,056,528	3,090,863	60,910	455,910	200,411	25,730	34,273	134,889	5,059,514
Positive fair value of derivative instruments	-	138,719	-	1,316	-	2,805	-	2,006	144,846
Financial assets available-for-sale	-	116,251	24,348	-	-	-	165,573	-	306,172
Assets classified as held for sale	-	5,705	-	-	-	-	-	-	5,705
Current income tax receivables	-	11,432	4,090	931	-	3,801	-	12	20,266
Deferred tax assets	7,072	37,197	715	-	3,946	16,477	-	760	66,167
Investments in associates	-	2,252	-	-	-	-	-	-	2,252
Intangible assets	2,498	30,514	52,767	2,607	4,370	3,831	-	3,879	100,466
Property and equipment	19,415	109,040	3,309	12,913	3,986	705	4	8,231	157,603
Other assets	6,543	49,305	32,072	5,625	9,625	24,503	735	7,802	136,210
Total assets	**1,368,814**	**4,035,079**	**190,389**	**489,264**	**257,440**	**157,113**	**351,491**	**186,992**	**7,036,582**
Current accounts and deposits from customers	-	2,503,723	-	124,556	-	61,009	145,042	55,636	2,889,966
Due to banks and other financial institutions	706,082	345,098	42,701	32,889	116,850	52,983	118,160	19,386	1,434,149
Debt securities issued	-	190,764	269,321	62,039	44,604	8,384	-	-	575,112
Negative fair value of derivative instruments	-	2,381	-	-	666	2,536	-	-	5,583
Current income tax liabilities	31,326	-	-	-	1,959	-	-	275	33,560
Deferred tax liabilities	-	2,399	109	537	-	-	-	-	3,045
Insurance and other provisions	-	69,289	-	-	-	217	-	11,422	80,928
Subordinated liabilities	-	-	-	-	-	-	542,297	-	542,297
Other liabilities	77,908	50,169	49,660	17,378	9,181	19,191	1,209	8,369	233,065
Total liabilities	**815,316**	**3,163,823**	**361,791**	**237,399**	173,260	**144,320**	806,708	**95,088**	**5,797,705**
Effect of foreign currency derivatives	-	(329,581)	225,475	(123,644)	(17,666)	(373,901)	583,539	35,778	-
Net position	**553,498**	**541,675**	**54,073**	**128,221**	66,514	**(361,108)**	128,322	**127,682**	**1,238,877**

4. Financial risk management (continued)

Foreign currency risk sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2015 and 2014 and a simplified scenario of a 5% change in CNY, RUB, USD, KZT, VND and CZK to EUR exchange rates is shown below:

	Total effect 2015 TEUR	Total effect 2014 TEUR
Effect of 5% CNY depreciation against EUR	(36,318)	(27,675)
Effect of 5% CNY appreciation against EUR	36,318	27,675
Effect of 5% RUB depreciation against EUR	(20,608)	(27,084)
Effect of 5% RUB appreciation against EUR	20,608	27,084
Effect of 5% USD depreciation against EUR	1,167	(6,416)
Effect of 5% USD appreciation against EUR	(1,167)	6,416
Effect of 5% KZT depreciation against EUR	(5,253)	(6,411)
Effect of 5% KZT appreciation against EUR	5,253	6,411
Effect of 5% VND depreciation against EUR	(3,838)	(3,326)
Effect of 5% VND appreciation against EUR	3,838	3,326
Effect of 5% CZK depreciation against EUR	(11,144)	(2,704)
Effect of 5% CZK appreciation against EUR	11,144	2,704

(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 material changes in the Company's management of capital during the year.

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. Some of the subsidiaries also operate its capital adequacy in compliance with the methodology set out by the Bank for International Settlements in connection with commitments arising from funding operations. 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. Assets classified as held for sale

Assets classified as held for sale as at 31 December 2015 represent assets acquired through court decisions on defaulted mortgages.

Assets classified as held for sale as at 31 December 2014 represent items of property and equipment which are subject to sale transactions in connection with branch closures and assets acquired through court decisions on defaulted mortgages.

In the segment analysis (Note 6), assets and liabilities classified as held for sale are presented within the Russian Federation segment.

	2015 TEUR	**2014 TEUR**
ASSETS		
Property and equipment	-	1,932
Other assets	2,045	3,773
Total assets	**2,045**	**5,705**

6. Segment reporting

Segment information is presented in respect of the Group's geographical segments based on the Group's management and internal reporting structure. Segment information in respect of the Group's business segments is not presented as the Group's operations are concentrated in one main business segment only, consumer lending products.

India became a new geographical segment in 2015 following the growth and increasing significance of the Group's operations in Indian market. Related information is therefore presented separately. In 2014 it was included in the segment Other. Comparative figures for 2014 were restated accordingly.

The Group operates in eight principal geographical areas, the Russian Federation, the People's Republic of China, the Republic of Kazakhstan, the Socialist Republic of Vietnam, the Republic of Belarus, the Czech Republic, the Slovak Republic and the Republic of India. The geographical segments are based on the geographical location of assets which corresponds to the geographical location of customers at the same time.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. The Group's senior management is the chief operating decision maker which reviews the Group's internal reporting on a regular basis to assess performance of individual segments and to allocate the Group's resources accordingly.

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

	Russian Federation 2015 TEUR	Czech Republic 2015 TEUR	China 2015 TEUR	Kazakhstan 2015 TEUR	Vietnam 2015 TEUR	Slovak Republic 2015 TEUR	Belarus 2015 TEUR	India 2015 TEUR	Other 2015 TEUR	Unallocated [1] 2015 TEUR	Eliminations 2015 TEUR	Consolidated 2015 TEUR
Revenue from external customers [2]	950,615	85,993	773,593	198,086	155,813	38,664	55,801	22,801	16,198	8,956	-	2,306,520
Inter-segment revenue	15,460	11,687	-	-	-	-	-	-	1,020	1,363	(29,530)	-
Total revenue	**966,075**	**97,680**	**773,593**	**198,086**	**155,813**	**38,664**	**55,801**	**22,801**	**17,218**	**10,319**	**(29,530)**	**2,306,520**
Net interest income from external customers	327,657	54,623	529,380	107,501	104,510	30,298	25,251	12,756	13,075	(12,031)	-	1,193,020
Inter-segment net interest income	11,127	11,219	-	(4,556)	(1,177)	(6,185)	(898)	(309)	703	(12,038)	2,114	-
Total net interest income	**338,784**	**65,842**	**529,380**	**102,945**	**103,333**	**24,113**	**24,353**	**12,447**	**13,778**	**(24,069)**	**2,114**	**1,193,020**

[1] Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.
[2] Revenue from external customers comprises interest income, fee and commission income and gross insurance premiums earned.

6. Segment reporting (continued)

	Russian Federation 2015 TEUR	Czech Republic 2015 TEUR	China 2015 TEUR	Kazakhstan 2015 TEUR	Vietnam 2015 TEUR	Slovak Republic 2015 TEUR	Belarus 2015 TEUR	India 2015 TEUR	Other 2015 TEUR	Unallocated [1] 2015 TEUR	Eliminations 2015 TEUR	Consolidated 2015 TEUR
Income tax benefit/(expense)	37,299	(5,920)	(58,780)	(13,979)	(7,518)	(1,219)	(887)	-	(859)	1,760	-	(50,103)
Segment result	**(145,933)**	**22,541**	**127,601**	**34,394**	**25,767**	**3,664**	**1,365**	**(26,132)**	**(51,101)**	**(27,661)**	**(6,106)**	**(41,601)**
Depreciation and amortization	(32,242)	(4,862)	(8,663)	(6,456)	(5,012)	(393)	(2,610)	(3,489)	(26,691)	-	11,911	(78,507)
Other significant non-cash expenses [2]	(456,980)	(10,412)	(162,560)	(40,039)	(33,952)	(10,249)	(4,090)	(7,040)	(3,380)	-	-	(728,702)
Capital expenditure	(16,349)	(6,893)	(16,992)	(9,757)	(3,441)	(441)	(3,907)	(11,363)	(35,792)	-	16,471	(88,464)
Segment assets [3]	**3,174,421**	**2,881,607**	**2,698,372**	**319,210**	**304,776**	**288,052**	**115,908**	**92,286**	**205,573**	**136,030**	**(560,272)**	**9,655,963**
Investments in associates	1,524	-	-	-	-	-	-	-	-	-	-	1,524
Segment liabilities [3]	**2,756,606**	**2,700,886**	**2,040,767**	**230,430**	**221,854**	**283,082**	**95,020**	**61,331**	**103,986**	**509,188**	**(542,925)**	**8,460,225**
Segment equity [3]	**417,815**	**180,721**	**657,605**	**88,780**	**82,922**	**4,970**	**20,888**	**30,955**	**101,587**	**(373,158)**	**(17,347)**	**1,195,738**

[1] Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.
[2] Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.
[3] Consolidation adjustments are included in Eliminations.

6. Segment reporting (continued)

	Russian Federation 2014 TEUR	Czech Republic 2014 TEUR	China 2014 TEUR	Kazakhstan 2014 TEUR	Vietnam 2014 TEUR	Slovak Republic 2014 TEUR	Belarus 2014 TEUR	India 2014 TEUR	Other 2014 TEUR	Unallocated [1] 2014 TEUR	Eliminations 2014 TEUR	Consolidated 2014 TEUR
Revenue from external customers [2]	1,715,583	15,746	454,578	204,050	71,588	12,230	79,459	7,212	9,132	10,191	-	2,579,769
Inter-segment revenue	12,555	-	-	-	-	8	-	-	449	1,354	(14,366)	-
Total revenue	**1,728,138**	**15,746**	**454,578**	**204,050**	**71,588**	**12,238**	**79,459**	**7,212**	**9,581**	**11,545**	**(14,366)**	**2,579,769**
Net interest income from external customers	871,500	5,541	299,563	110,171	45,379	5,344	33,332	4,055	8,225	(5,887)	-	1,377,223
Inter-segment net interest income	12,514	-	-	(4,861)	(1,196)	8	(969)	(96)	291	(6,437)	746	-
Total net interest income	**884,014**	**5,541**	**299,563**	**105,310**	**44,183**	**5,352**	**32,363**	**3,959**	**8,516**	**(12,324)**	**746**	**1,377,223**
Income tax benefit/(expense)	31,845	(3,369)	(30,744)	(8,410)	(3,508)	(1,610)	(1,426)	-	(1,733)	(4,192)	-	(23,147)
Segment result	**(117,079)**	**10,480**	**63,999**	**34,600**	**12,191**	**5,535**	**2,071**	**(10,650)**	**(38,705)**	**(22,785)**	**(114)**	**(60,457)**
Depreciation and amortization	(51,284)	(1,173)	(4,115)	(6,106)	(1,919)	(403)	(2,922)	(1,674)	(17,781)	-	7,739	(79,638)
Other significant non-cash expenses [3]	(914,351)	(3,655)	(116,990)	(57,130)	(18,916)	(2,111)	(11,553)	(893)	(3,938)	-	-	(1,129,537)
Capital expenditure	(34,536)	(2,405)	(11,755)	(11,431)	(5,568)	(606)	(5,895)	(4,730)	(14,894)	-	18,753	(73,067)
Segment assets [4]	**4,536,901**	**106,609**	**1,375,638**	**505,956**	**278,929**	**68,830**	**149,369**	**33,128**	**144,025**	**160,874**	**(323,677)**	**7,036,582**
Investments in associates	2,252	-	-	-	-	-	-	-	-	-	-	2,252
Segment liabilities [4]	**3,904,213**	**56,849**	**824,396**	**370,623**	**207,852**	**40,708**	**112,747**	**17,950**	**64,393**	**510,209**	**(312,235)**	**5,797,705**
Segment equity [4]	**632,688**	**49,760**	**551,242**	**135,333**	**71,077**	**28,122**	**36,622**	**15,178**	**79,632**	**(349,335)**	**(11,442)**	**1,238,877**

[1] Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.
[2] Revenue from external customers comprises interest income, fee and commission income and gross insurance premiums earned.
[3] Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.
[4] Consolidation adjustments are included in Eliminations.

7. Critical accounting estimates and judgements

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

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

	Note	Carrying amount 2015 TEUR	Fair value 2015 TEUR	Carrying amount 2014 TEUR	Fair value 2014 TEUR
Loans to customers	10	5,835,110	5,812,455	5,059,514	4,815,561
Current accounts and deposits from customers	18	(4,908,631)	(4,926,155)	(2,889,966)	(2,825,535)
Due to banks and other financial institutions	19	(2,330,836)	(2,330,699)	(1,434,149)	(1,436,291)
Debt securities issued	20	(373,090)	(372,171)	(575,112)	(571,728)
Subordinated liabilities	23	(427,519)	(400,274)	(542,297)	(389,725)

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

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):

2015	**Note**	**Level 1 TEUR**	**Level 2 TEUR**	**Level 3 TEUR**	**Total TEUR**
Positive fair value of derivative instruments	11	-	112,281	-	112,281
Debt securities at fair value through profit or loss		176,879	-	-	176,879
Financial assets available-for-sale	12	1,173,233	31,375	-	1,204,608
Negative fair value of derivative instruments	21	-	(18,322)	-	(18,322)
		1,350,112	**125,334**	**-**	**1,475,446**

2014	**Note**	**Level 1 TEUR**	**Level 2 TEUR**	**Level 3 TEUR**	**Total TEUR**
Positive fair value of derivative instruments	11	-	141,524	3,322	144,846
Financial assets available-for-sale	12	279,778	26,394	-	306,172
Negative fair value of derivative instruments	21	-	(5,583)	-	(5,583)
		279,778	**162,335**	**3,322**	**445,435**

There were no transfers between Level 1, 2 and 3 in 2015 or 2014.

7. Critical accounting estimates and judgements (continued)

Reconciliation of movements in Level 3:	**2015**	**2014**
	TEUR	**TEUR**
Financial assets		
Balance as at 1 January	3,322	10,700
Net gains recorded in profit or loss (included in Net gains on financial assets and liabilities)	(3,322)	1,791
Net losses recorded in other comprehensive income	-	(909)
Purchases	-	2,006
Settlements	-	(10,266)
Closing balance	**-**	**3,322**

Fair values of derivative instruments presented in Level 3 as at 31 December 2014 represented foreign currency derivatives. These particular contracts have expired in 2015.

Valuation techniques used for Level 3 financial instruments in 2014 are based on discounted cash flow models where future contractual cash flows are discounted to the present value. The financial instruments presented under the Level 3 category were contracted in Belarus and Kazakhstan. The availability of market data to be used for the determination of the discount rates used for these instruments is limited. Therefore, the Group estimated the discount rates based on official interest rates declared by the National Bank of the Republic of Belarus and official interest rates published on Kazakhstan Stock Exchange.

The effect of change of interest rates by +/- 100 basis points on the fair value of derivative instruments is:

	2015	**2014**
	TEUR	**TEUR**
Financial instruments contracted in Belarus	-	6/(6)
Financial instruments contracted in Kazakhstan	-	272/(107)

The fair value of the foreign currency derivative instruments is sensitive to changes in BYR/EUR and KZT/EUR foreign currency exchange rate. The effect of change of BYR/EUR and KZT/EUR rate for +/- 1% on the fair value of derivative instruments is:

	2015	**2014**
	TEUR	**TEUR**
Financial instruments contracted in Belarus	-	383/(383)
Financial instruments contracted in Kazakhstan	-	1,211/(1,211)

The calculation of fair values of Level 3 is the responsibility of local treasury teams of respective Group entities, which on a monthly basis carry out the calculations based on a pre-determined valuation model and inputs. Heads of the local treasury teams approve the calculation outputs.

8. Cash and cash equivalents

	2015 TEUR	2014 TEUR
Cash on hand	132,240	252,341
Current accounts	480,638	417,974
Current accounts with central banks	134,439	82,212
Placements with financial institutions due within one month	602,013	113,025
	1,349,330	**865,552**

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

	2015 TEUR	2014 TEUR
Loans and term deposits with banks, other financial institutions and holding companies due in more than one month	254,508	142,612
Loans and advances provided under repo operations	82,041	-
Minimum reserve deposits with central banks	60,911	29,203
Other	9,763	14
	407,223	**171,829**

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 December 2015 term deposit of TEUR 12,386 (31 December 2014: TEUR 0) served as collateral for secured loans due to banks (Note 19).

As at 31 December 2015 term deposit of TEUR 4,805 (31 December 2014: TEUR 0) served as cash collateral for syndicated loan interest payments.

As at 31 December 2015 margin deposit of TEUR 3,700 (31 December 2014: TEUR 3,607) served as cash collateral for foreign exchange derivative contracts.

10. Loans to customers

	2015 TEUR	2014 TEUR
Gross amount		
Cash loan receivables	3,269,051	3,508,194
POS loan receivables	2,403,597	1,691,134
Revolving loan receivables	677,811	729,782
Car loan receivables	113,370	34,997
Mortgage loan receivables	73,950	73,033
Loans to corporations	52,422	5,840
Other	12,589	2,515
	6,602,790	**6,045,495**
Collective allowances for impairment		
Cash loan receivables	(440,949)	(597,515)
POS loan receivables	(171,905)	(200,246)
Revolving loan receivables	(124,159)	(163,001)
Car loan receivables	(22,233)	(18,619)
Mortgage loan receivables	(6,412)	(4,506)
Loans to corporations	(762)	(770)
Other	(434)	(381)
	(766,854)	**(985,038)**
Specific allowances for impairment		
Loans to corporations	(826)	(943)
	(826)	**(943)**
	5,835,110	**5,059,514**

The Group regularly sells pools of certain customer loan receivables to a related party. The Group sells the receivables at a fixed price above their face value which is regularly agreed between the parties on arm's length principles.

As at 31 December 2015 cash loan receivables of TEUR 78,874 (31 December 2014: TEUR 91,102) served as collateral for debt securities issued (Note 20). As at 31 December 2015 cash loan receivables of TEUR 54,394 (31 December 2014: TEUR 55,426) and POS loan receivables of TEUR 940,365 (31 December 2014: TEUR 34,469) served as collateral for bank loan facilities (Note 19).

As at 31 December 2014 POS loan receivables of TEUR 160,952 served as collateral for corporate term deposits (Note 18). As at 31 December 2015 no such collateralized deposits were outstanding.

Analysis of movements in allowances for impairment	**Note**	**2015 TEUR**	**2014 TEUR**
Balance as at 1 January		985,981	1,189,131
Balance acquired by business combinations		75,205	26,295
Translation difference		(69,768)	(314,164)
Impairment losses recognized in the statement of comprehensive income	33	725,212	1,116,368
Amount related to loans written off and disposed of		(948,950)	(1,031,649)
Balance as at 31 December		**767,680**	**985,981**

The Group has estimated the impairment on loans to customers in accordance with the accounting policy described in Note 3(c)(vii). Changes in collection estimates could significantly affect the carrying amount of loans to customers and related impairment losses recognized.

11. Positive fair value of derivative instruments

	Note	2015 TEUR	2014 TEUR
Positive fair value of hedging derivative instruments	37	95,711	131,491
Positive fair value of trading derivative instruments	37	16,570	13,355
		112,281	**144,846**

Cash flows from the hedging derivative instruments are expected to occur in 2016.

Cash flows from the hedging derivative instruments stated as at 31 December 2014 were expected to occur in 2015 – 2016.

12. Financial assets available-for-sale

	2015 TEUR	2014 TEUR
Government bonds	864,842	10,160
Corporate bonds	310,234	296,012
Other debt securities	29,532	-
	1,204,608	**306,172**

13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items (netted for all jurisdictions):

	Assets		Liabilities		Net	
	2015 TEUR	2014 TEUR	2015 TEUR	2014 TEUR	2015 TEUR	2014 TEUR
Due from banks, other financial institutions and holding companies	2	-	-	(89)	2	(89)
Loans to customers	94,827	70,383	(16,156)	(2,972)	78,671	67,411
Fair value of financial assets and liabilities	612	476	(20,755)	(27,869)	(20,143)	(27,393)
Carrying value of property and equipment	173	54	(13,070)	(13,186)	(12,897)	(13,132)
Other assets	20,253	22,197	(16,319)	(17,931)	3,934	4,266
Debt securities issued	-	-	(381)	(8,923)	(381)	(8,923)
Tax loss carry forward	43,680	28,112	-	-	43,680	28,112
Other	14,830	17,698	(4,388)	(4,828)	10,442	12,870
Deferred tax assets/(liabilities)	174,377	138,920	(71,069)	(75,798)	103,308	63,122
Net deferred tax assets					**103,308**	**63,122**

As at 31 December 2015 the Group records incurred tax losses from recent years of TEUR 621,300 (31 December 2014: TEUR 477,770) available to be carried forward and off-set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilized, the deferred tax assets are not recognized. The unutilized tax losses expire as follows:

Year of expiration	**2015 TEUR**	**2014 TEUR**
2015	-	16,090
2016	24,432	24,317
2017	8,380	7,677
2018	33,914	20,285
2019	35,150	24,668
2020	33,162	21,611
2021	21,034	20,828
2022	22,158	21,667
2023	170,883	170,600
2024	107,503	-
Tax losses that can be carried forward indefinitely	164,684	150,027
Total	**621,300**	**477,770**

Analysis of movements in net deferred tax assets	**2015 TEUR**	**2014 TEUR**
Net deferred tax asset as at 1 January	63,122	44,696
Deferred tax income for the year	49,450	29,531
Deferred tax recognized directly in equity	762	(2,062)
Additions from business combinations	2,285	3,899
Net foreign exchange differences	(12,311)	(12,942)
Balance as at 31 December	**103,308**	**63,122**

14. Investments in associates

As at 31 December 2015 the Group had the following investments in associates:

	Country of incorporation	Ownership interest	Carrying amount
		2015 (%)	2015 TEUR
Společnost pro informační databáze (JSC)	Czech Republic	27.96	-
Filcommerce Holdings, Inc.	Philippines	40.00	-
Equifax Credit Services (LLC)	Russian Federation	25.00	1,524
			1,524

As at 31 December 2014 the Group had the following investments in associates:

	Country of incorporation	Ownership interest	Carrying amount
		2014 (%)	2014 TEUR
Společnost pro informační databáze (JSC)	Czech Republic	27.96	-
Filcommerce Holdings, Inc.	Philippines	40.00	-
Equifax Credit Services (LLC)	Russian Federation	25.00	2,252
			2,252

15. Intangible assets

2015	Goodwill TEUR	Software TEUR	Present value of future profits TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost					
Balance as at 1 January 2015	3,469	213,710	6,072	1,047	224,298
Additions through business combinations	-	35,042	-	(4)	35,038
Additions	-	53,761	-	381	54,142
Disposals	-	(2,460)	-	(3)	(2,463)
Transfers	-	819	-	-	819
Translation difference	-	(6,278)	(865)	(114)	(7,257)
Balance as at 31 December 2015	**3,469**	**294,594**	**5,207**	**1,307**	**304,577**
Accumulated amortization					
Balance as at 1 January 2015	-	118,706	4,281	649	123,636
Additions through business combinations	-	7,308	-	1	7,309
Charge for the year	-	40,618	970	61	41,649
Disposals	-	(2,084)	-	(2)	(2,086)
Transfers	-	1,304	-	-	1,304
Translation difference	-	(3,049)	(709)	(20)	(3,778)
Balance as at 31 December 2015	**-**	**162,803**	**4,542**	**689**	**168,034**
Impairment					
Balance as at 1 January 2015	-	-	196	-	196
Translation difference	-	-	(71)	-	(71)
Balance as at 31 December 2015	**-**	**-**	**125**	**-**	**125**
Carrying amount					
at 1 January 2015	**3,469**	**95,004**	**1,595**	**398**	**100,466**
at 31 December 2015	**3,469**	**131,791**	**540**	**618**	**136,418**

Present value of future profits represents the net present value of the expected after-tax cash flows of the portfolio of long-term insurance contracts recognized as an intangible asset in connection with the acquisition of insurance companies in 2013.

15. Intangible assets (continued)

2014	Goodwill TEUR	Software TEUR	Present value of future profits TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost					
Balance as at 1 January 2014	3,469	184,076	9,156	1,195	197,896
Additions through business combinations	-	2,352	-	-	2,352
Additions	-	54,396	-	209	54,605
Disposals	-	(2,607)	-	(66)	(2,673)
Transfers	-	337	-	(217)	120
Translation difference	-	(24,844)	(3,084)	(74)	(28,002)
Balance as at 31 December 2014	**3,469**	**213,710**	**6,072**	**1,047**	**224,298**
Accumulated amortization					
Balance as at 1 January 2014	-	98,699	3,596	688	102,983
Additions through business combinations	-	622	-	-	622
Charge for the year	-	30,969	2,610	59	33,638
Disposals	-	(540)	-	(66)	(606)
Transfers	-	1,629	-	(19)	1,610
Translation difference	-	(12,673)	(1,925)	(13)	(14,611)
Balance as at 31 December 2014	**-**	**118,706**	**4,281**	**649**	**123,636**
Impairment					
Balance as at 1 January 2014	-	-	-	-	-
Recognized impairment losses	-	-	196	-	196
Balance as at 31 December 2014	**-**	**-**	**196**	**-**	**196**
Carrying amount					
at 1 January 2014	**3,469**	**85,377**	**5,560**	**507**	**94,913**
at 31 December 2014	**3,469**	**95,004**	**1,595**	**398**	**100,466**

Present value of future profits represents the net present value of the expected after-tax cash flows of the portfolio of long-term insurance contracts recognized as an intangible asset in connection with the acquisition of insurance companies in 2013.

16. Property and equipment

2015	Buildings	Equipment and other tangible assets	Vehicles	Total
	TEUR	TEUR	TEUR	TEUR
Acquisition cost				
Balance as at 1 January 2015	78,337	216,616	5,783	300,736
Additions through business combinations	6,818	8,030	497	15,345
Additions	3,300	36,245	762	40,307
Disposals	(214)	(51,161)	(558)	(51,933)
Transfers and other changes	2	(821)	-	(819)
Translation difference	(11,930)	(15,899)	(558)	(28,387)
Balance as at 31 December 2015	**76,313**	**193,010**	**5,926**	**275,249**
Accumulated depreciation				
Balance as at 1 January 2015	19,370	117,006	3,214	139,590
Additions through business combinations	1,606	3,887	283	5,776
Charge for the year	2,017	33,891	950	36,858
Disposals	(92)	(32,449)	(520)	(33,061)
Transfers and other changes	-	761	-	761
Translation difference	(2,984)	(9,861)	(279)	(13,124)
Balance as at 31 December 2015	**19,917**	**113,235**	**3,648**	**136,800**
Impairment				
Balance as at 1 January 2015	-	3,543	-	3,543
Impairment losses recognized	-	4,635	-	4,635
Reversal of impairment losses	-	(1,463)	-	(1,463)
Disposals	-	(5,619)	-	(5,619)
Translation difference	-	(148)	-	(148)
Balance as at 31 December 2015	**-**	**948**	**-**	**948**
Carrying amount				
at 1 January 2015	**58,967**	**96,067**	**2,569**	**157,603**
at 31 December 2015	**56,396**	**78,827**	**2,278**	**137,501**

16. Property and equipment (continued)

2014	Buildings	Equipment and other tangible assets	Vehicles	Total
	TEUR	TEUR	TEUR	TEUR
Acquisition cost				
Balance as at 1 January 2014	118,530	261,283	6,361	386,174
Additions through business combinations	110	18,990	150	19,250
Additions	1,173	38,110	1,054	40,337
Disposals	(94)	(39,265)	(739)	(40,098)
Transfers and other changes	(2,959)	545	48	(2,366)
Translation difference	(38,423)	(63,047)	(1,091)	(102,561)
Balance as at 31 December 2014	**78,337**	**216,616**	**5,783**	**300,736**
Accumulated depreciation				
Balance as at 1 January 2014	26,986	118,238	3,418	148,642
Additions through business combinations	72	6,913	70	7,055
Charge for the year	6,534	38,472	994	46,000
Disposals	(3,846)	(17,991)	(698)	(22,535)
Transfers and other changes	(427)	759	13	345
Translation difference	(9,949)	(29,385)	(583)	(39,917)
Balance as at 31 December 2014	**19,370**	**117,006**	**3,214**	**139,590**
Impairment				
Balance as at 1 January 2014	-	4,265	-	4,265
Impairment losses recognized	-	12,750	-	12,750
Disposals	-	(9,756)	-	(9,756)
Translation difference	-	(3,716)	-	(3,716)
Balance as at 31 December 2014	**-**	**3,543**	**-**	**3,543**
Carrying amount				
at 1 January 2014	**91,544**	**138,780**	**2,943**	**233,267**
at 31 December 2014	**58,967**	**96,067**	**2,569**	**157,603**

17. Other assets

	2015 TEUR	2014 TEUR
Trade receivables and settlement with suppliers	66,997	24,246
Prepaid expenses	46,878	33,849
Outstanding selling price of receivables	-	26,354
Deferred acquisition costs of insurance contracts	14,841	25,302
Other taxes receivable	6,215	10,083
Accrued income from insurance fees	1,222	1,756
Receivable arising out of insurance and re-insurance operations	-	1,014
Acquisition of subsidiaries	-	1,000
Inventories	631	448
Non-life amounts ceded to reinsurers from insurance provisions	141	189
Other	19,130	12,001
	156,055	**136,242**
Specific allowances for impairment on settlement with suppliers and other assets	(417)	(32)
	155,638	**136,210**

As at 31 December 2014 acquisition of subsidiaries represented the consideration paid for the acquisition of CF Commercial Consulting (Beijing) Co., Ltd., which was acquired in March 2015 (Note 1).

Analysis of movements in allowances for impairment	2015 TEUR	2014 TEUR
Balance as at 1 January	32	189
Net impairment losses recognized in the statement of comprehensive income	444	223
Amounts related to assets sold and written off	9	(354)
Translation difference	(68)	(26)
Balance as at 31 December	**417**	**32**

18. Current accounts and deposits from customers

	2015 TEUR	2014 TEUR
Current accounts and demand deposits	2,946,946	294,848
Term deposits	1,950,331	2,592,858
Loans	8,019	-
Other	3,335	2,260
	4,908,631	**2,889,966**

As at 31 December 2014 the balance of corporate term deposits secured by POS loan receivables was TEUR 84,121 (Note 10). As at 31 December 2015 no such collateralized deposits were outstanding.

19. Due to banks and other financial institutions

	2015 TEUR	2014 TEUR
Unsecured loans	496,294	1,262,586
Secured loans	1,826,967	65,774
Loans received under repo operations	2,118	102,035
Other balances	5,457	3,754
	2,330,836	**1,434,149**

As at 31 December 2015 the balance of loans received under repo operations of TEUR 2,118 (31 December 2014: TEUR 102,035) was secured by financial assets available-for-sale.

As at 31 December 2015 the balances of loans secured by cash loan receivables, POS loan receivables and term deposit were TEUR 37,185 (31 December 2014: TEUR 37,768), TEUR 1,778,516 (31 December 2014: TEUR 23,488) and TEUR 11,266 (31 December 2014: TEUR 0), respectively. As at 31 December 2014 the balances of loans secured by guarantees were TEUR 4,518. As at 31 December 2015 there were no loan balances secured by guarantees. These amounts represent the balances of loans, and do not necessarily represent the fair value of the collateral.

20. Debt securities issued

	Interest rate	Final maturity	Amount outstanding 2015 TEUR	2014 TEUR
Unsecured RUB bonds issue 7 of MRUB 5,000	Variable	April 2015	-	74,495
Unsecured CZK bonds issue 4 of MCZK 2,900	Zero-coupon	September 2015	-	100,118
Stock exchange RUB bonds issue 02 of MRUB 3,000	Fixed	February 2016	37,473	43,603
Unsecured CZK bonds issue 5 of MCZK 3,750	Fixed	June 2016	143,376	140,044
CZK promissory notes issue of MCZK 300	Zero-coupon	July 2016	10,788	9,969
EUR promissory notes issue of MEUR 9.1	Zero-coupon	July 2016	8,844	8,384
Long-term registered Certificate of Deposit, 1st tranche of BVND 250	Fixed	August 2016	11,029	10,024
Long-term registered Certificate of Deposit,2nd tranche of BVND 273	Fixed	September 2016	12,018	10,899
Long-term registered Certificate of Deposit, 3rd tranche of BVND 200	Fixed	October 2016	8,637	7,832
Unsecured KZT bond issue 1 of MKZT 7,000	Fixed	November 2016	18,878	31,193
Long-term registered Certificate of Deposit, 8th tranche of BVND 37	Fixed	April 2017	1,586	-
Long-term registered Certificate of Deposit, 9th tranche of BVND 24	Fixed	April 2017	1,013	-
Long-term registered Certificate of Deposit, 4th tranche of BVND 93	Fixed	November 2017	3,974	3,604
Long-term registered Certificate of Deposit, 5th tranche of BVND 158	Fixed	December 2017	6,698	6,074
Long-term registered Certificate of Deposit, 6th tranche of BVND 61	Fixed	December 2017	2,584	2,344
Long-term registered Certificate of Deposit, 7th tranche of BVND 100	Fixed	December 2017	4,220	3,827
CZK promissory notes issue of MCZK 650	Zero-coupon	March 2018	20,949	19,190
Unsecured KZT bond issue 2 of MKZT 6,769	Fixed	February 2019	18,533	30,846
Cash loan receivables backed notes issue of MRUB 5,000	Fixed	November 2021	62,490	72,666
			373,090	**575,112**

RUB denominated cash loans receivables backed notes were issued in November 2013 through HC Finance (LLC) and Eurasia Structured Finance No.3 B.V. (Note 1) with a fixed coupon rate which is valid until the coupon payment date on 19 January 2017 and capped floating coupon rate from 20 January 2017 till the final maturity. The Group issued the public offer to purchase the outstanding cash loans receivables backed notes on 27 November 2016. As at 31 December 2015 cash loan receivables of TEUR 78,874 (31 December 2014: TEUR 91,102) served as collateral for these notes (Note 10).

21. Negative fair value of derivative instruments

	Note	2015 TEUR	2014 TEUR
Negative fair value of trading derivative instruments	37	18,322	5,583
		18,322	**5,583**

22. Insurance and other provisions

	2015 TEUR	2014 TEUR
Provisions for unearned premiums	39,039	72,196
Provision for litigations	1,641	2,728
Provisions for outstanding claims	956	2,005
Other insurance provisions	310	389
Other provisions	3,873	3,610
	45,819	**80,928**

Other provisions include restructuring provisions in connection with a business optimisation programme in Russia.

	2015 TEUR	2014 TEUR
Provisions for unearned premiums		
Balance as at 1 January	72,196	120,809
Additions through business combinations	-	-
Premiums written during a year	30,554	71,538
Premiums earned during the year	(55,478)	(85,731)
Translation difference	(8,233)	(34,420)
Balance as at 31 December	**39,039**	**72,196**
Provisions for outstanding claims		
Balance as at 1 January	2,005	3,760
Additions through business combinations	-	-
Claims incurred in the current year	3,402	3,395
Adjustments for losses incurred in previous years	(1,334)	(2,620)
Claims paid during the year	(2,784)	(1,767)
Translation difference	(333)	(763)
Balance as at 31 December	**956**	**2,005**

23. Subordinated liabilities

	Interest rate	Final maturity	Amount outstanding 2015 TEUR	2014 TEUR
Loan participation notes issue of MUSD 500	Fixed	April 2020	211,837	374,698
Loan participation notes issue of MUSD 200	Fixed	April 2021	186,416	167,599
Subordinated bonds issue of MCZK 1,000	Fixed	April 2024	29,266	-
			427,519	**542,297**

Subordinated loan participation notes issue of MUSD 500 were issued in October 2012 through Eurasia Capital S.A. (Note 1). The Group has an early redemption option exercisable on 24 April 2018 (the reset date). After the reset date the interest rate is determined as a variable rate. In 2015 the Group bought back the loan participation notes with an aggregate par value of MUSD 272 (2014: aggregate par value of MUSD 51).

Subordinated loan participation notes issue of MUSD 200 were issued in October 2013 through Eurasia Capital S.A. (Note 1). The Group has an early redemption option exercisable on 17 April 2019 (the reset date). After the reset date the interest rate is determined as a variable rate.

Subordinated bonds issue of MCZK 1,000 were issued in April 2014. The Group has an early redemption option exercisable on 30 April 2019.

24. Other liabilities

	2015 TEUR	2014 TEUR
Accrued employee compensation	87,043	56,440
Settlement with suppliers	83,625	60,516
Accrued expenses	41,632	35,539
Other taxes payable	34,730	27,951
Customer loan overpayments	30,152	30,453
Deferred income and prepayments	2,963	5,773
Advances received	1,427	987
Other	7,138	15,406
	288,710	**233,065**

25. Equity

At 31 December 2015 the Group's authorized share capital comprised 1,250,000,000 (31 December 2014: 1,250,000,000) ordinary shares at a par value of EUR 0.57 (31 December 2014: EUR 0.57), of which 1,156,174,806 (31 December 2014: 1,156,174,806) 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.

In June 2015 the Group's shareholders contributed to the Company's share premium their shareholdings in Air Bank (JSC) (Note 1). The share premium increase totalled TEUR 180,000 (EUR 0.16 per one share).

In August 2014 the Group's shareholder PPF Group N.V. increased the Company's share premium by TEUR 45,495 (EUR 0.04 per one share) in connection with the acquisition of Home Credit Consumer Finance Co., Ltd. (Note 1).

In September 2014 the Group's shareholder PPF Group N.V. increased the Company`s share premium by TEUR 70,000 (EUR 0.06 per one share) in connection with the acquisition of Home Credit Vietnam Finance Company Limited (Note 1).

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

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

26. Non-controlling interests

As at 31 December 2015 the Group reported the following non-controlling interests:

	NCI	Total assets	Total liabilities	Carrying amount of NCI	Net profit/ (losses) for the period	Net profit/ (losses) allocated to NCI
	%	TEUR	TEUR	TEUR	TEUR	TEUR
Home Credit US (LLC)	49.90	14,365	10,344	2,006	3,495	1,744
PT. Home Credit Indonesia	15.00	29,747	12,539	2,581	(15,281)	(2,570)
HC Consumer Finance Philippines, Inc.	1.46	27,103	14,795	180	(13,782)	(420)
				4,767		**(1,246)**

In July 2015 the Group sold 49.9% of its 100% share in Home Credit US (LLC) to Sprint eBusiness, Inc., a strategic partner for the Group`s operations in the US market.

In February 2015 the Group`s ownership interest in PT. Home Credit Indonesia increased from 75.48% to 85%.

In May 2015 the Group`s ownership interest in HC Consumer Finance Philippines, Inc. increased from 95.34% to 97.82% and subsequently in December 2015 increased to 98.54%.

As at 31 December 2014 the Group reported the following non-controlling interests:

	NCI	Total assets	Total liabilities	Carrying amount of NCI	Net losses for the period	Net losses allocated to NCI
	%	TEUR	TEUR	TEUR	TEUR	TEUR
PT. Home Credit Indonesia	24.52	22,572	7,638	3,662	(11,373)	(2,937)
HC Consumer Finance Philippines, Inc.	4.66	10,052	6,580	162	(7,069)	(587)
				3,824		**(3,524)**

27. Interest income and interest expense

	2015 TEUR	2014 TEUR
Interest income		
Cash loan receivables	1,053,305	1,229,902
POS loan receivables	496,568	424,667
Revolving loan receivables	180,085	263,647
Mortgage loan receivables	7,149	8,722
Car loan receivables	11,609	1,349
Due from banks, other financial institutions and holding companies	48,289	45,399
Financial assets available-for-sale	39,077	12,726
Financial assets held-to-maturity	278	166
Other	6,119	538
	1,842,479	**1,987,116**
Interest expense		
Deposits from customers	398,772	370,419
Due to banks and other financial institutions	164,823	129,820
Debt securities issued	39,971	57,080
Subordinated liabilities	45,893	52,574
	649,459	**609,893**

28. Fee and commission income

	2015 TEUR	2014 TEUR
Insurance commissions	230,639	303,561
Penalty fees	93,576	109,599
Cash transactions	22,941	44,446
Customer payment processing and account maintenance	32,443	23,860
Retailers commissions	22,293	20,304
Other	6,699	5,268
	408,591	**507,038**

29. Fee and commission expense

	2015 TEUR	2014 TEUR
Commissions to retailers	26,014	16,215
Payment processing and account maintenance	18,180	16,159
Cash transactions	15,765	19,902
Payments to deposit insurance agencies	13,405	16,497
Credit and other register expense	9,860	5,421
Stamp duties	4,141	10,156
Other	2,302	2,374
	89,667	**86,724**

30. Insurance income

	2015 TEUR	2014 TEUR
Gross premiums earned	55,450	85,615
Net insurance benefits and claims	(1,819)	(2,962)
Earned premiums ceded	(54)	(1,167)
Acquisition costs	(18,216)	(34,970)
	35,361	**46,516**

31. Net gains on financial assets and liabilities

	2015 TEUR	2014 TEUR
Net gains/(losses) on trading derivative instruments	47,554	(19,873)
Net gains on debt securities at fair value through profit or loss	14,434	-
Net trading gains on other financial assets and liabilities	8,046	785
Net losses on hedging derivative instruments	(7,866)	(13,162)
Net foreign currency (losses)/gains	(60,696)	39,185
Other	-	151
	1,472	**7,086**

32. Other operating income

	2015 TEUR	2014 TEUR
Gains on disposal of loan receivables	43,862	73,262
Income from other services provided	16,240	15,879
Net gain on early redemption of debt securities issued and subordinated liabilities	8,599	6,801
Loss on monetary position	-	(2,778)
Other	1,182	4,429
	69,883	**97,593**

Gains on disposal of loan receivables relate to sales of customer loan receivables.

33. Impairment losses on financial assets

	2015 TEUR	2014 TEUR
Cash loan receivables	422,113	671,099
POS loan receivables	162,622	210,605
Revolving loan receivables	135,781	233,634
Mortgage loan receivables	4,158	1,878
Car loan receivables	423	(884)
Financial assets available-for-sale	(126)	-
Other financial assets	115	36
	725,086	**1,116,368**

34. General administrative expenses

	2015 TEUR	2014 TEUR
Employee compensation	404,010	363,219
Payroll related taxes (including pension contributions)	89,528	81,063
Rental, maintenance and repairs	57,064	93,013
Taxes other than income tax	50,303	22,606
Professional services	39,534	34,258
Telecommunication and postage	38,381	49,313
Collection agency fee	31,943	28,517
Information technologies	24,880	22,489
Advertising and marketing	24,006	32,194
Travel expenses	17,899	16,791
Other	17,698	28,077
	795,246	**771,540**

35. Other operating expenses

	2015 TEUR	2014 TEUR
Depreciation and amortization	78,507	79,638
Loss on disposal of property and equipment and intangible assets	9,158	6,997
Impairment losses on property and equipment and intangible assets	3,172	12,946
Impairment losses on other non-financial assets	444	223
	91,281	**99,804**

36. Income tax expense

	2015 TEUR	2014 TEUR
Current tax expense	99,553	52,678
Deferred tax benefit	(49,450)	(29,531)
Total income tax expense in the statement of comprehensive income	**50,103**	**23,147**

Reconciliation of effective tax rate	**2015 TEUR**	**2014 TEUR**
Profit/(loss) before tax	**8,502**	**(37,310)**
Income tax using the domestic tax rate of 25%	(2,126)	9,328
Effect of deferred tax assets not recognized	(36,859)	(17,859)
Non-deductible costs	(7,387)	(15,799)
Withholding tax	(3,770)	(4,388)
Non-taxable income	15,215	4,858
Effect of tax rates in foreign jurisdictions	3,463	11,202
Other	(18,639)	(10,489)
Total income tax expense	**(50,103)**	**(23,147)**

37. Derivative financial instruments

As at 31 December 2015 the following derivative contracts were outstanding:

Contract type	Sell/Buy	Maturity	Notional amount (in thousands of purchased currency)	Fair value TEUR
Currency derivatives – trading				
Foreign currency forward contracts				
	KZT/USD	less than 1 month	44,700	4,754
	CZK/EUR	less than 1 month	500	-
	USD/CZK	less than 1 month	458	(1)
	IDR/USD	1 month to 3 months	992	(40)
	EUR/CZK	3 months to 1 year	5,653	(29)
	RUB/CZK	3 months to 1 year	1,637	48
	EUR/CZK	more than 1 year	1,504	(23)
Foreign currency swap contracts				
	EUR/CNY	less than 1 month	70,750	1,811
	USD/RUB	less than 1 month	49,746	(481)
	EUR/USD	less than 1 month	15,248	169
	VND/USD	less than 1 month	13,282	(407)
	VND/USD	1 month to 3 months	36,790	110
	RUB/EUR	1 month to 3 months	21,343	388
	EUR/CZK	1 month to 3 months	20,045	30
	USD/CZK	1 month to 3 months	18,392	29
	USD/RUB	1 month to 3 months	17,032	(1,083)
	RUB/CZK	1 month to 3 months	16,640	950
	CZK/RUB	1 month to 3 months	620	(4)
	EUR/CZK	3 months to 1 year	205,916	(2,868)
	EUR/CZK	3 months to 1 year	152,909	355
	USD/CZK	3 months to 1 year	52,113	(522)
	RUB/CZK	3 months to 1 year	19,183	2,945
	KZT/USD	3 months to 1 year	18,289	999
	VND/USD	3 months to 1 year	9,483	(290)
	USD/RUB	3 months to 1 year	7,479	(1,494)
	EUR/CZK	more than 1 year	107,269	146
	RUB/CZK	more than 1 year	4,285	208
	EUR/CZK	more than 1 year	1,924	(37)
Currency derivatives - hedging				
Foreign currency swap contracts				
	RUB/USD	1 month to 3 months	173,747	90,417
Cross currency interest rate swaps				
	fixed RUB/ floating USD	1 month to 3 months	9,145	5,294
Interest rate derivatives				
Interest rate swap contracts				
	fixed/floating (CZK)	more than 1 year	272,734	(9,056)
	fixed/floating (RUB)	more than 1 year	50,188	1,641
Interest rate options				
	(CZK)	more than 1 year	3,701	-
				93,959

37. Derivative financial instruments (continued)

As at 31 December 2014 the following derivative contracts were outstanding:

Contract type	Sell/Buy	Maturity	Notional amount (in thousands of purchased currency)	Fair value TEUR
Currency derivatives – trading				
Foreign currency forward contracts				
	EUR/USD	less than 1 month	101,778	2,406
	EUR/CZK	1 month to 3 months	4,538	(29)
	EUR/CZK	3 months to 1 year	3,648	(41)
Foreign currency swap contracts				
	KZT/USD	less than 1 month	96,114	-
	KZT/EUR	less than 1 month	2,885	(87)
	USD/EUR	less than 1 month	2,059	(11)
	EUR/BYR	less than 1 month	35,778	2,006
	CZK/USD	1 month to 3 months	17,630	(472)
	RUB/USD	1 month to 3 months	39,654	(1,909)
	RUB/EUR	1 month to 3 months	1,816	345
	EUR/CZK	1 month to 3 months	55,316	(817)
	EUR/CZK	3 months to 1 year	179,603	(1,497)
	KZT/USD	3 months to 1 year	24,645	1,316
	VND/USD	more than 1 year	17,666	(666)
Currency derivatives - hedging				
Foreign currency swap contracts				
	RUB/USD	3 months to 1 year	123,476	56,230
	RUB/USD	more than 1 year	164,635	75,261
Interest rate derivatives				
Interest rate swap contracts				
	fixed/floating (RUB)	1 month to 3 months	4,390	57
	fixed/floating (RUB)	more than 1 year	58,528	7,171
				139,263

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, cash loan facilities and overdraft facilities.

	2015 TEUR	2014 TEUR
Revolving loan commitments	524,584	569,595
POS loan commitments	41,858	34,309
Cash loan commitments	10,201	8,862
Undrawn overdraft facilities	246	585
	576,889	**613,351**

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 December 2015 the Group reported contractual commitments for the acquisition of property and equipment and intangible assets of TEUR 2,599 (31 December 2014: TEUR 1,006).

As at 31 December 2015 the balance of loan guarantees issued by the Group was TEUR 6,274 (31 December 2014: TEUR 194,607).

39. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 TEUR	2014 TEUR
Less than one year	13,721	26,747
Between one and five years	21,038	49,861
More than five years	3,047	4,616
	37,806	**81,224**

The Group leases a number of premises and equipment under operating leases. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During 2015 TEUR 24,977 (2014: TEUR 59,219) was recognized as an expense in the statement of comprehensive income in respect of operating leases.

40. Contingencies

Taxation

The taxation systems in the Russian Federation, the Republic of Belarus, 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 Belarus, 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, Belarusian, Kazakhstani, Vietnamese, Chinese and other countries' tax legislation, official pronouncements and court decisions.

41. Related party transactions

The Group has a related party relationship with its parent company, which was PPF Financial Holdings B.V. as at 31 December 2015 and PPF Group N.V. as at 31 December 2014, with entities exercising control over the parent company, their subsidiaries and associates, 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 sales of loan receivables reported under other operating income and insurance commissions reported under fee and commission income.

(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:

	Note	2015 TEUR	2014 TEUR
Due from banks, other financial institutions and holding companies		21,491	23,716
Other assets	17	-	1,000
Current accounts and deposits from customers		-	(79,466)
Due to banks and other financial institutions		(8,956)	(21,844)
Subordinated liabilities		(133,666)	(96,197)
		(121,131)	**(172,791)**

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:

	2015 TEUR	2014 TEUR
Interest income	3,773	4,832
Interest expense	(16,450)	(8,211)
General administrative expenses	(284)	(284)
	(12,961)	**(3,663)**

41. 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:

	2015 TEUR	**2014 TEUR**
Cash and cash equivalents	61,111	20,889
Due from banks, other financial institutions and holding companies	11,569	3,606
Loans to customers	14,391	11,957
Positive fair value of derivative instruments	13,682	2,925
Financial assets available-for-sale	-	24,348
Other assets	13,580	41,771
Current accounts and deposit from customers	(21,600)	(80,509)
Due to banks and other financial institutions	(27,941)	(123,772)
Debt securities issued	(59,703)	(54,832)
Negative fair value of derivative instruments	(12,450)	(2,536)
Subordinated liabilities	(20,197)	(15,384)
Other liabilities	(2,732)	(9,845)
	(30,290)	**(181,382)**

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

	2015 TEUR	**2014 TEUR**
Interest income	2,702	2,303
Interest expense	(18,500)	(21,140)
Fee and commission income	9,271	4,692
Fee and commission expense	(504)	(1,953)
Acquisition costs (insurance income)	(4,387)	-
Net gains on financial assets and liabilities	24	3,902
Other operating income	93,525	90,209
General administrative expenses	(9,080)	(11,262)
Other operating expenses	(120)	(118)
	72,931	**66,633**

Interest income presented in the table above did not include transaction costs integral to the effective interest rate and incurred with fellow subsidiaries. Such transactions had a negative impact on interest income of TEUR 4,925 (2014: TEUR 5,458).

As disclosed in Note 10, the Group sold receivables to related parties. The related transactions and balances are included in other assets (Note 17) (31 December 2015: TEUR 0, 31 December 2014: TEUR 26,354) and other operating income (Note 32) (2015: TEUR 43,862, 2014: TEUR 73,262).

41. Related party transactions (continued)

(c) Transactions with the parent company's associates

In January 2015 PPF Group N.V. sold its share in an associate company with which the majority of the Group's transactions with the parent company`s associates had been executed in the past. As a result, the Group did not have any transactions with the parent company's associates as at 31 December 2015 or in 2015.

Balances included in the statement of financial position in relation to transactions with the parent company's associates as at 31 December 2014 are as follows:

	2014 **TEUR**
Other assets	77
Debt securities issued	(174,797)
Other liabilities	(125)
	(174,845)

Amounts included in the statement of comprehensive income in relation to transactions with the parent company's associates in 2014 are as follows:

	2014 **TEUR**
Interest expense	(7,245)
Fee and commission income	(1,648)
Insurance income	(1,003)
Other operating income	811
General administrative expenses	(403)
	(9,488)

41. Related party transactions (continued)

(d) 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 TEUR 1,276 (2014: TEUR 2,681) and short-term benefits of TEUR 14,371 (2014: TEUR 22,934) comprising salaries, bonuses and non-monetary benefits.

As at 31 December 2015 the balance of unsecured loans to members of the key management was TEUR 81 (31 December 2014: TEUR 105).

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

In 2013 the Group concluded a consultancy service agreement with a company controlled by one of the members of its Board of Directors. The consultancy fees of TEUR 8,327 charged in 2015 (2014: TEUR 8,059) in relation to this agreement are recorded under general administrative expenses, while the related liability of TEUR 2,827 as of 31 December 2015 (31 December 2014: TEUR 2,559) is recorded under other liabilities.

As at 31 December 2015 the balances due from holding companies included secured loans of TEUR 80,891 (31 December 2014: TEUR 68,174) provided by the Group to a company controlled by one of the members of its Board of Directors. The weighted average interest rate is 6.71% (31 December 2014: 6.89%) and the repayment date of those loans is 30 June 2019.

As at 31 December 2015 the Company had outstanding loan commitments of TEUR 9,186 (31 December 2014: TEUR 0) with other related parties.

42. Workforce

In 2015 the average number of the Group's employees was 61,207 (2014: 55,387 employees), of which two employees were employed in the Netherlands (2014: three employees).

43. Subsequent events

The Group has evaluated the period after the balance sheet date up through March 11, 2016, which is the date that the consolidated financial statements were issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements.

The consolidated financial statements as set out on pages 7 to 76 were approved by the Board of Directors on 11 March 2016.

Jiří Šmejc *Chairman of the Board of Directors*	Jan Cornelis Jansen *Vice-Chairman of the Board of Directors*
Rudolf Bosveld *Member of the Board of Directors*	Petr Kohout *Member of the Board of Directors*
Mel Gerard Carvill *Member of the Board of Directors*	Marcel Marinus van Santen *Member of the Board of Directors*
Paulus Aloysius de Reijke *Member of the Board of Directors*	Lubomír Král *Member of the Board of Directors*

Other Information

Certain information required by Article 392 the Civil Code of the Netherlands, to the extent it is applicable to the Company or the Group, as well as the Auditor's Report is included in this part of the Consolidated Annual Accounts.

1. Provisions in the Articles of Association governing the appropriation of profit

The general meeting is authorised to appropriate the profits that follow from the adoption of the annual accounts or to determine how a deficit will be accounted for, as well as to resolve upon distributions, provided that the Company's equity exceeds the total amount of the reserves to be maintained pursuant to the law or the articles of association. A resolution on any distribution has no consequences if the management board has not given its approval to such distribution (Articles of Association of the Company, Article 21).

2. Subsidiaries

Refer to the Notes to the Consolidated Financial Statements, Note 1.

3. Subsequent events

Refer to the Notes to the Consolidated Financial Statements, Note 43.

4. Auditor's report

The auditor's report with respect to the consolidated financial statements is set out on the next pages.

Independent auditor's report

To: the Board of Directors of Home Credit B.V.

Report on the audit of the consolidated annual financial statements 2015

Opinion

In our opinion the consolidated financial statements give a true and fair view of the financial position of Home Credit B.V. as at 31 December 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the consolidated financial statements 2015 of Home Credit B.V., based in Amsterdam, the Netherlands.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2015;
2. the following consolidated statements for 2015: the statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

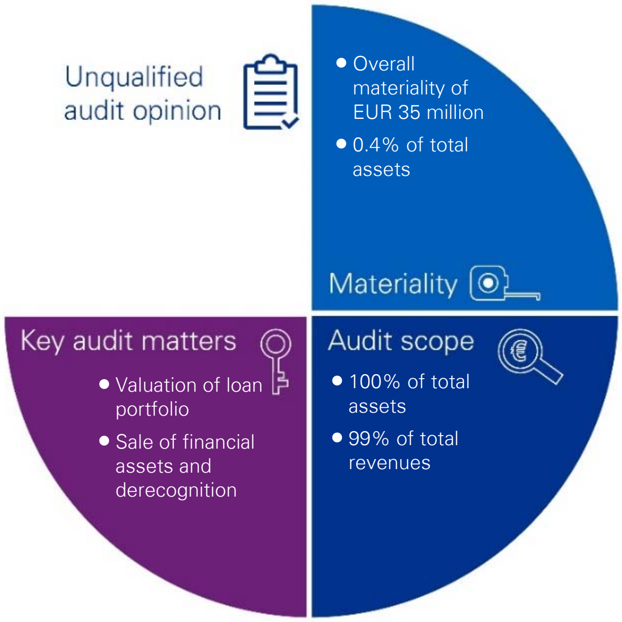
We are independent of Home Credit B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Audit approach

Summary



Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 35 million (2014: EUR 35 million). The materiality is determined with reference to the total assets (0.4% (2014: 0.5%). The percentage applied to the benchmark has decreased since the total assets as at year end were higher than when calculating materiality for planning purposes. We consider total assets the most appropriate benchmark for determining the materiality as the assets are reflecting the extent of activities of Home Credit B.V. and its subsidiaries, which is the source for generating future revenues. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Board of Directors that misstatements in excess of EUR 1.4 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Home Credit B.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Home Credit B.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and the risk profile of the group entities or operations. Where this does not give adequate coverage we used our judgment to scope-in additional components. On this basis, we selected group entities for which an audit had to be carried out on the complete set of financial information or specific items. This resulted in coverage of 99% of total Group revenue and 100% of total Group assets.

KPMG

We have:

- performed audit procedures ourselves at group entity Home Credit B.V.;
- used the work of component auditors when auditing local group entities;
- performed specific audit procedures at other group entities.

The group audit team provided instructions to component auditors, covering the significant audit areas, including the relevant risks of material misstatement and set out the information required to be reported back to the group audit team.

The group audit team has also organised conference calls with auditors of all significant and selected non-significant components and have visited auditors and management of selected significant and non-significant components. During those calls and visits the findings and observations as reported by component auditors were discussed in more detail. Furthermore we have also performed reviews of audit files for all significant and selected non-significant components.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. For this reason we have identified the valuation of loan portfolio and accounting for sales of financial assets as key audit matters. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loan porfolio
Description Certain aspects of the accounting for loan loss impairments require significant judgment, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment and the assessment of the recoverable amount. The use of different estimates and assumptions, such as collection estimates, probability of default rates and changes of the economic conditions could significantly affect the carrying amount of loans and receivables and related impairment losses recognised. The core business of the majority of Home Credit group entities is providing consumer loans, credit cards and other types of loans to private individuals. The majority of the loan portfolio is not collateralised. The impairment is calculated based on the loan loss models, which use a number of assumptions and extract their source data from the loan administration system.
Our response For our audit of loan loss impairments, we have tested the controls related to the estimation of probability of default and recovery rates in models used. We have also tested the sufficiency of the models, challenged the assumptions made (for example in relation to expected future performance of the loan portfolio for the components that do not have sufficient credit history or regarding restructured loans) and data used by the group entities to measure loan loss impairments and its timely transfer from the loan administration systems into the models. For that purpose, we have involved information risk management specialists in our audit team and have also consulted with other specialists (financial risk management or actuaries), when necessary. For a random sample of loans, we have also performed test of details by recalculating the loan loss impairment and examining selected individual loan exposures and challenging management's assessment of the recoverable amount.

Valuation of loan porfolio
Our observation Based on our procedures performed we assessed the loan portfolio to be fairly stated in the context of our audit of the consolidated financial statements as a whole.

Sales of financial assets and accounting for derecognition
Description From time to time group entities sell their loans and receivables to other companies, most often to related parties. In order for those receivables to qualify for derecognition, strict criteria should be met whereas the sale should be considered as a true sale. The appropriate accounting of those sales was a key audit matter for us, considering the complexity of those transactions and their volume and impact on the Company's consolidated results.
Our response We have obtained and analysed the agreements documenting the sales of receivables which took place during the year. Furthermore, we have performed various tests of details, such as validation of illegibility criteria, recalculation of sales prices and premiums of receivables sold, and analysed whether these agreements correctly fulfill the derecognition criteria. Additionally we assessed the arms length character of these transactions (by comparing the conditions of those transactions with similar transactions that took place recently on the local markets) and appropriate disclosure in the notes to the consolidated financial statements.
Our observation We observed that the sales of loans and receivables have been appropriately disclosed in the notes 10 and 41 to the consolidated financial statements and have been derecognised by the Company during the year in accordance with the derecognition criteria as disclosed in note 3(viii).

Consolidated financial statements as part of the (complete) financial statements

The financial statements include the consolidated financial statements and the unconsolidated financial statements. The unconsolidated financial statements have been included in a separate report. For a proper understanding of the financial position and result the consolidated financial statements must be considered in connection with the unconsolidated financial statements. On 11 March 2016 we issued a separate auditor's report on the unconsolidated financial statements.

Responsibilities of management and Board of Directors for the consolidated financial statements

Management of Home Credit B.V. is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Board of Directors report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport.

Report on other legal and regulatory requirements

Report on the Board of Directors Report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Board of Directors Report and other information):

- We have no deficiencies to report as a result of our examination whether the Board of Directors Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Board of Directors Report, to the extent we can assess, is consistent with the consolidated financial statements.

Engagement

We were engaged before 2003 as auditor of Home Credit B.V. and have operated as statutory auditor ever since then.

Amstelveen, 11 March 2016

KPMG Accountants N.V.

B.M. Herngreen RA