Home Credit B.V.

Unconsolidated Annual Accounts
for the year ended 31 December 2015

Contents

Directors' Report

Description of the Company

Home Credit B.V.

Date of registration:	28 December 1999
Registered office:	Netherlands, Strawinskylaan 933, 1077 XX 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 an owner of consumer finance providers ("the Group"). There are both fully licensed banks and non-banking entities in 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.

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 Russia, the Czech Republic, Belarus and Kazakhstan the Group also offers selected retail banking services such as deposit accounts. As at 31 December 2015, the Group served 12.5 million active customers across ten countries of its operations: the Czech Republic (operational since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), Belarus (2007), China (2007), India (2012), Indonesia (2013), the 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 Achievements

In 2015, HCBV reported a net profit of EUR 22 million, a 73% decrease year-on-year mainly due to lower dividend income, higher impairment losses and increase of interest expenses. Dividend income is the major revenue source of the Company; it amounted to EUR 66 million in 2015 (2014: EUR 98 million).

In June 2015, the Company 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 controlling party of Air Bank (JSC).

In 2015, there was a change in the funding structure of the Company. In September 2015, the Company concluded a loan agreement with a syndicate of banks totalling EUR 200 million. The club loan supports the company's plans for further investment. In the same month, the company repaid a CZK bond equivalent to EUR 107 million.

Total assets and total equity were EUR 1,893 million (31 December 2014: EUR 1,703 million) and EUR 1,433 million (31 December 2014: EUR 1,228 million), respectively.

In the second half of the year, HCBV's indirect subsidiary, Home Credit US (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 to expand both customer and product coverage.

Staff development and environmental influence

The average number of employees during 2015 was 1 (2014: 2).

HCBV operations' impact on the environment is considered insignificant.

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 more detail on members of Board of Directors please refer to the Notes to the Unconsolidated Financial Statements, Note 1.

Financial instruments and risk management

HCBV's main strategic risk concerns the appropriateness of investment decisions and ability of its equity investments to provide adequate returns. Such risks are mitigated through careful selection of the markets on one hand and geographic diversification on the other hand, as well as through the proper allocation of resources to the investments.

HCBV is exposed to various risks as a result of its activities, primarily credit risk, liquidity risk, market risks (interest rate risk and currency risk) and operational risk.

HCBV's exposure to credit risk arises primarily from the provision of debt funding and guarantees to related parties.

Liquidity risk arises from the general funding of HCBV's activities and from the management of its positions. HCBV has access to a diversified funding base. Funds are raised using a broad range of instruments including debt securities, bank loans 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 HCBV’s exposure to market risk arises in connection with the funding of HCBV’s operations with liabilities denominated in foreign currencies, and to the extent the term structure of interest-bearing assets differs from that of liabilities.

Operational risk is the risk of arising from a wide variety of causes associated with HCBV’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. HCBV’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to HCBV’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 unconsolidated 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 shareholder value against a macroeconomic backdrop of continuing uncertainty. 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 focus in particular on consolidating its expansion in the high-growth regions of Asia, implementing the geographical roll-out of its franchise and deepening business penetration to further support the global diversification of the Group’s footprint. In Russia, where cost optimization efforts and more stringent underwriting are beginning to bear fruit, the focus will remain on improving the quality of loans against a tough economic backdrop in that region. The overall objective will be to maintain market-leading positions with continued focus on improving efficiency. The Group will also continue to actively pursue opportunities for developing its presence in the USA.

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	5	1,623	4,535
Time deposits with banks	6	20,890	3,607
Loans provided	7	78,535	105,418
Financial assets at fair value through profit or loss	8	3,072	2,805
Financial assets available for sale	9	9,343	24,348
Investments in subsidiaries	10	1,776,765	1,557,669
Other assets	11	2,787	4,587
Total assets		**1,893,015**	**1,702,969**
LIABILITIES			
Debt securities issued	12	183,957	277,705
Financial liabilities at fair value through profit or loss	13	478	2,536
Loans received and other liabilities	14	275,736	195,202
Total liabilities		**460,171**	**475,443**
EQUITY			
Share capital	15	659,020	659,020
Share premium	15	479,872	299,872
Other reserves	15	293,952	268,634
Total equity		**1,432,844**	**1,227,526**
Total liabilities and equity		**1,893,015**	**1,702,969**

	Note	2015 TEUR	2014 TEUR
Continuing operations:			
Interest income	16	10,319	11,545
Interest expense	16	(33,594)	(23,624)
Net interest expense		**(23,275)**	**(12,079)**
Dividend income	17	65,655	98,353
Fee income	18	10,010	10,902
Net foreign exchange result		(637)	(3,539)
Other income, net		(545)	1,138
Operating income		**51,208**	**94,775**
Impairment losses	19	(14,560)	-
General administrative expenses	20	(13,816)	(13,616)
Operating expenses		**(28,376)**	**(13,616)**
Profit before tax		**22,832**	**81,159**
Income tax expense	21	(1,063)	(1,877)
Net profit for the year		**21,769**	**79,282**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**21,769**	**79,282**

	Share capital TEUR	Share premium TEUR	Other reserves TEUR	Total equity TEUR
Balance as at 1 January 2015	659,020	299,872	268,634	1,227,526
Share premium increase	-	180,000	-	180,000
Other contributions	-	-	3,549	3,549
Total transactions with owners of the Company	**659,020**	**479,872**	**272,183**	**1,411,075**
Profit for the year	-	-	21,769	21,769
Total comprehensive income for the year	**-**	**-**	**21,769**	**21,769**
Total changes	**-**	**180,000**	**25,318**	**205,318**
Balance as at 31 December 2015	**659,020**	**479,872**	**293,952**	**1,432,844**

	Share capital TEUR	**Share premium TEUR**	**Other reserves TEUR**	**Total equity TEUR**
Balance as at 1 January 2014	659,020	184,377	189,352	1,032,749
Share premium increase	-	115,495	-	115,495
Total transactions with owners of the Company	**659,020**	**299,872**	**189,352**	**1,148,244**
Profit for the year	-	-	79,282	79,282
Total comprehensive income for the year	**-**	**-**	**79,282**	**79,282**
Total changes	**-**	**115,495**	**79,282**	**194,777**
Balance as at 31 December 2014	**659,020**	**299,872**	**268,634**	**1,227,526**

	Note	2015 TEUR	2014 TEUR
Operating activities			
Profit before tax		22,832	81,159
Adjustments for:			
Interest income and expense	16	23,275	12,079
Dividend income	17	(65,655)	(98,353)
Impairment losses	19	14,560	-
Income / expenses not involving movements of cash		19,073	466
Net operating cash flow before changes in working capital		**14,085**	**(4,649)**
Change in time deposits with banks		(17,190)	14,113
Change in loans provided		31,069	6,102
Change in other assets		1,533	(3,097)
Change in other liabilities		(1,522)	(12,353)
Cash flows from the operations		**27,975**	**116**
Interest paid		(28,203)	(18,041)
Interest received		9,277	10,587
Income tax paid		(1,063)	(1,877)
Cash flows from/(used in) operating activities		**7,986**	**(9,215)**
Investing activities			
Proceeds from available-for-sale assets		16,121	13,383
Acquisition of available-for-sale assets		-	(36,456)
Proceeds from sale of held-for-sale financial assets		-	8,633
Investments into subsidiaries		(173,051)	(337,943)
Proceeds from investments in subsidiaries		122,944	4,444
Dividends received	17	65,655	98,353
Cash flows from/(used in) investing activities		**31,669**	**(249,586)**
Financing activities			
Proceeds from share premium increases		-	115,495
Proceeds from the issue of debt securities		-	37,245
Repayment of debt securities issued		(107,130)	(18,159)
Proceeds from due to banks and other financial institutions		513,283	304,330
Repayments of due to banks and other financial institutions		(448,737)	(181,813)
Cash flows (used in)/from financing activities		**(42,584)**	**257,098**
Net decrease in cash and cash equivalents		(2,929)	(1,703)
Cash and cash equivalents at 1 January	5	4,535	6,244
Effects of exchange rate changes on cash and cash equivalents		17	(6)
Cash and cash equivalents at 31 December	5	**1,623**	**4,535**

1. Description of the Company

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.

Board of Directors

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

Principal activities

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

2. Basis of preparation

The financial statements for the year ended 31 December 2015 have been prepared on an unconsolidated basis. Subsidiaries are presented on a cost-less-impairment basis.

The Company has also prepared the consolidated 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.

(a) Statement of compliance

The 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 Part 9 of Book 2 of the Netherlands Civil Code.

(b) Basis of measurement

The 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 reporting currency. Financial information presented in EUR has been rounded to the nearest thousand (TEUR).

(d) Changes in accounting policies and comparative figures

The comparative figures have been regrouped or reclassified, where necessary, on a basis consistent with the current period.

(e) Use of estimates and judgments

The preparation of the unconsolidated 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.

In particular, information about significant areas of estimation, uncertainty and critical judgments made by management in preparing these unconsolidated financial statements in respect of impairment recognition is described in Note 3(c)(vii), Note 3(e), Note 4(f), Note 10 and Note 19.

3. Significant accounting policies

(a) Foreign currency

(i) Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in 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.

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 recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(b) Cash and cash equivalents

The Company considers cash on hand and unrestricted balances with banks and other financial institutions due within one month to be cash and cash equivalents.

(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 Company intends to sell immediately or in the near term, those that the Company 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.

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 Company as at fair value through profit or loss. Trading instruments include those that the Company principally holds for the purpose of short-term profit taking and derivative contracts that are not designated as effective hedging instruments. The Company 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 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 available-for-sale are those financial assets that are designated as available-for-sale or are not classified as loans and receivables or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Company'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 Company used trade date accounting.

3. Significant accounting policies (continued)

(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 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 principles

The fair value of financial instruments is based on their quoted market price at the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

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 Company uses derivative contracts that are not exchange traded and their fair value is estimated using arbitrage pricing model 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.

3. Significant accounting policies (continued)

(vii) Identification and measurement of impairment

The Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired on a regular basis. 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.

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.

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 Company uses its experience and judgment to estimate the amount of any impairment loss.

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.

(viii) Derecognition

The Company 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 Company is recognized separately as an asset or liability.

The Company 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) Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk arising from financing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. No hedge accounting is applied and any gain or loss on the derivative instruments is recognized immediately in the statement of comprehensive income as part of net foreign exchange result.

3. Significant accounting policies (continued)

(d) Investments in subsidiaries

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

(e) Impairment of non-financial assets

The carrying amounts of the Company'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.

The recoverable amount of 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.

(f) Provisions

A provision is recognized in the statement of financial position if, as a result of a past event, the Company 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.

(g) Other payables

Accounts payable arise when the Company 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.

(h) 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.

3. Significant accounting policies (continued)

(i) 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.

(j) 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 fees for issued guarantees.

(k) 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: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Financial guarantees

A financial guarantee is a contract that requires the Company 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).

Income related to guarantees is recorded under fee income on an accrual basis.

3. Significant accounting policies (continued)

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

The following revised standards effective from 1 January 2015 are mandatory and relevant for the Company and have been applied by the Company since 1 January 2015.

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

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.

(n) Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Company'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 Company's operations. The Company plans to adopt these pronouncements when they become effective. The Company 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 Company is not currently considering adoption of this standard.

IFRS 9 Financial Instruments (effective from 1 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 Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

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

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.

3. Significant accounting policies (continued)

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

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 Company's operations, this standard is not expected to have significant impact on the Company'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 Company's operations, this standard is not expected to have significant impact on the Company's financial statements.

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 Company's financial statements.

3. Significant accounting policies (continued)

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

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Group Asset and Liability Committee (ALCO) and the Group 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 Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment.

(a) Credit risk

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

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

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

(b) Liquidity risk

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

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

The Company's liquidity position as at 31 December 2015 shows liquidity gaps, which the Company will face in 2016. The Company plans refinancing the maturing bonds and loans through a diverse funding base to which the Company has access. The Company raises funds both on the market and through related parties. The shareholder's support enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

4. Financial risk management (continued)

Exposure to liquidity risk

The following table shows assets and liabilities by remaining contractual maturity dates. The table does not include prospective cash flows related to loan commitments. Refer to Note 22 for outstanding loan commitments that may impact liquidity requirements.

TEUR	2015 Less than 3 month	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	1,623	-	-	-	-	1,623
Time deposits with banks	-	12,385	4,805	-	3,700	20,890
Loans provided	1,008	21,491	45,436	10,600	-	78,535
Financial assets at fair value through profit or loss	2,368	704	-	-	-	3,072
Financial assets available for sale	-	-	-	9,343	-	9,343
Investments in subsidiaries	-	-	-	-	1,776,765	1,776,765
Other assets	2,717	-	-	-	70	2,787
Total assets	**7,716**	**34,580**	**50,241**	**19,943**	**1,780,535**	**1,893,015**
Debt securities issued	-	163,008	20,949	-	-	183,957
Financial liabilities at fair value through profit or loss	40	378	60	-	-	478
Loans received and other liabilities	3,512	74,161	198,063	-	-	275,736
Total liabilities	**3,552**	**237,547**	**219,072**	**-**	**-**	**460,171**
Net position	**4,164**	**(202,967)**	**(168,831)**	**19,943**	**1,780,535**	**1,432,844**

TEUR	2014 Less than 3 month	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	4,535	-	-	-	-	4,535
Time deposits with banks	-	-	-	-	3,607	3,607
Loans provided	-	23,716	74,602	7,100	-	105,418
Financial assets at fair value through profit or loss	2,751	54	-	-	-	2,805
Financial assets available for sale	-	-	-	24,348	-	24,348
Investments in subsidiaries	-	-	-	-	1,557,669	1,557,669
Other assets	3,424	-	93	-	1,070	4,587
Total assets	**10,710**	**23,770**	**74,695**	**31,448**	**1,562,346**	**1,702,969**
Debt securities issued	-	100,118	177,587	-	-	277,705
Financial liabilities at fair value through profit or loss	944	1,592	-	-	-	2,536
Loans received and other liabilities	24,820	103,889	66,493	-	-	195,202
Total liabilities	**25,764**	**205,599**	**244,080**	**-**	**-**	**475,443**
Net position	**(15,054)**	**(181,829)**	**(169,385)**	**31,448**	**1,562,346**	**1,227,526**

4. Financial risk management (continued)

(c) Market risk

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

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

Exposure to interest rate risk
The principal risk to which the Company 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. Given the structure of the Company's statement of comprehensive income with the main source of income being dividends received, which are considerably more significant than interest expenses, the Company is able to tolerate significant interest rate gaps. The Group ALCO is the monitoring body for compliance with these limits.

Exposure to foreign currency risk
The Company has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency. Foreign currency risk is managed principally through monitoring foreign currency mismatches in the structure of assets and liabilities and using foreign currency derivatives (refer to Note 8 and Note 13). The Group ALCO is the monitoring body for this risk.

4. Financial risk management (continued)

Interest rate gap position

				2015			
TEUR	**Effective interest rate**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Non specified**	**Total**
Interest bearing financial assets							
Cash and cash equivalents	0.0%	1,623	-	-	-	-	1,623
Time deposits with banks	0.4%	4,805	12,385	-	-	3,700	20,890
Loans provided	10.0%	1,008	64,880	2,047	10,600	-	78,535
Financial assets available-for-sale	6.0%	-	-	-	9,343	-	9,343
Total interest bearing financial assets		**7,436**	**77,265**	**2,047**	**19,943**	**3,700**	**110,391**
Interest bearing financial liabilities							
Debt securities issued	6.2%	-	163,008	20,949	-	-	183,957
Loans received and other liabilities	4.9%	201,575	74,161	-	-	-	275,736
Total interest bearing financial liabilities		**201,575**	**237,169**	**20,949**	**-**	**-**	**459,693**

4. Financial risk management (continued)

Interest rate gap position

TEUR				2014			
	Effective interest rate	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Non specified**	**Total**
Interest bearing financial assets							
Cash and cash equivalents	0.5%	4,535	-	-	-	-	4,535
Time deposits with banks	0.0%	-	-	-	-	3,607	3,607
Loans provided	8.1%	-	23,716	74,602	7,100	-	105,418
Financial assets available-for-sale	6.0%	-	-	-	24,348	-	24,348
Total interest bearing financial assets		**4,535**	**23,716**	**74,602**	**31,448**	**3,607**	**137,908**
Interest bearing financial liabilities							
Debt securities issued	6.9%	-	100,118	177,587	-	-	277,705
Loans received and other liabilities	8.0%	24,820	103,889	66,493	-	-	195,202
Total interest bearing financial liabilities		**24,820**	**204,007**	**244,080**	**-**	**-**	**472,907**

4. Financial risk management (continued)

Foreign currency position

TEUR	2015							
	RUB	**CZK**	**EUR**	**USD**	**VND**	**CNY**	**Other currencies**	**Total**
Cash and cash equivalents	-	100	1,440	76	-	1	6	1,623
Time deposits with banks	-	3,700	4,805	12,385	-	-	-	20,890
Loans provided	21,491	-	10,600	45,436	-	-	1,008	78,535
Financial assets at fair value through profit or loss	-	-	3,072	-	-	-	-	3,072
Financial assets available-for-sale	-	9,343	-	-	-	-	-	9,343
Investments in subsidiaries	466,939	428,055	503,839	7,828	70,000	286,153	13,951	1,776,765
Other assets	-	67	2,720	-	-	-	-	2,787
Total assets	**488,430**	**441,265**	**526,476**	**65,725**	**70,000**	**286,154**	**14,965**	**1,893,015**
Debt securities issued	-	175,113	8,844	-	-	-	-	183,957
Financial liabilities at fair value through profit or loss	-	-	478	-	-	-	-	478
Loans received and other liabilities	-	121	201,454	74,161	-	-	-	275,736
Total liabilities	**-**	**175,234**	**210,776**	**74,161**	**-**	**-**	**-**	**460,171**
Effect of foreign currency derivatives	(21,343)	161,990	(226,645)	16,240	-	70,750	(992)	-
Net position	**467,087**	**428,021**	**89,055**	**7,804**	**70,000**	**356,904**	**13,973**	**1,432,844**

4. Financial risk management (continued)

Foreign currency position

TEUR	RUB	CZK	EUR	USD	VND	CNY	Other currencies	Total
				2014				
Cash and cash equivalents	4	389	4,079	58	-	-	5	4,535
Time deposits with banks	-	3,607	-	-	-	-	-	3,607
Loans provided	-	-	34,316	68,174	-	-	2,928	105,418
Financial assets at fair value through profit or loss	-	-	2,805	-	-	-	-	2,805
Financial assets available-for-sale	-	24,348	-	-	-	-	-	24,348
Investments in subsidiaries	466,939	244,507	527,464	4,720	70,000	214,340	29,699	1,557,669
Other assets	-	-	4,587	-	-	-	-	4,587
Total assets	**466,943**	**272,851**	**573,251**	**72,952**	**70,000**	**214,340**	**32,632**	**1,702,969**
Debt securities issued	-	269,321	8,384	-	-	-	-	277,705
Financial liabilities at fair value through profit or loss	-	-	2,536	-	-	-	-	2,536
Loans received and other liabilities	21,844	85	2,891	170,382	-	-	-	195,202
Total liabilities	**21,844**	**269,406**	**13,811**	**170,382**	**-**	**-**	**-**	**475,443**
Effect of foreign currency derivatives	(1,816)	243,105	(338,123)	99,719	-	-	(2,885)	-
Net position	**443,283**	**246,550**	**221,317**	**2,289**	**70,000**	**214,340**	**29,747**	**1,227,526**

4. Financial risk management (continued)

(d) Operational risk

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

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

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

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

(e) Capital management

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

4. Financial risk management (continued)

(f) Fair values of financial instruments

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

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

	Note	Carrying amount 2015 TEUR	Fair value 2015 TEUR	Carrying amount 2014 TEUR	Fair value 2014 TEUR
Debt securities issued	12	183,957	189,355	277,705	281,958

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices (Level 1) or calculated using valuation techniques where all the model inputs are observable in the market (Level 2) or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

2015	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Financial assets available for sale	-	9,343	-	9,343
Financial assets at fair value through profit or loss	-	3,072	-	3,072
Financial liabilities at fair value through profit or loss	-	(478)	-	(478)
	-	**11,937**	**-**	**11,937**

2014	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Financial assets available for sale	-	24,348	-	24,348
Financial assets at fair value through profit or loss	-	2,805	-	2,805
Financial liabilities at fair value through profit or loss	-	(2,536)	-	(2,536)
	-	**24,617**	**-**	**24,617**

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

5. Cash and cash equivalents

	2015 TEUR	2014 TEUR
Current accounts with related parties	1,601	4,514
Other current accounts	22	21
	1,623	**4,535**

6. Time deposits with banks

	2015 TEUR	2014 TEUR
Deposit held with external banks as cash collateral for bank loans provided to a related party	12,385	-
Cash collateral for syndicated loan interest payment	4,805	-
Cash collateral for foreign exchange derivative contracts	3,700	3,607
	20,890	**3,607**

7. Loans provided

	2015 TEUR	2014 TEUR
Loans to subsidiaries	13,655	13,528
Loans to the controlling entities	21,491	23,716
Other loans provided	43,389	68,174
	78,535	**105,418**

The loans provided by the Company to controlling entities and to subsidiaries are unsecured, other loans provided are secured.

8. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent positive fair values of derivative 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
Foreign currency swap contracts				
	EUR/USD	less than 1 month	15,248	169
	EUR/CNY	less than 1 month	70,750	1,811
	RUB/EUR	1 to 3 months	21,343	388
	EUR/CZK	3 months to 1 year	55,060	704
				3,072

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
Foreign currency forward contracts				
	EUR/USD	Less than 1 month	101,778	2,406
Foreign currency swap contracts				
	RUB/EUR	1 to 3 months	1,816	345
	EUR/CZK	3 months to 1 year	54,698	54
				2,805

9. Financial assets available-for-sale

	2015 TEUR	2014 TEUR
Debt securities	9,343	24,348
	9,343	**24,348**

10. Investments in subsidiaries

Subsidiary	Country of incorporation	Share in issued capital 2015 %	2014 %	Net cost of investment 2015 TEUR	2014 TEUR
Redlione (LLC)	Cyprus	100.00	100.00	17 898	17 898
Enadoco Limited	Cyprus	100.00	100.00	507	507
Rhaskos Finance Limited	Cyprus	100.00	100.00	507	507
Septus Holding Limited	Cyprus	100.00	100.00	508	508
Sylander Capital Limited	Cyprus	100.00	100.00	508	508
Talpa Estero Limited	Cyprus	100.00	100.00	508	508
Astavedo Limited	Cyprus	100.00	100.00	42	42
Home Credit (JSC) [1)]	Czech Republic	100.00	100.00	233 037	232 016
Home Credit International (JSC)	Czech Republic	100.00	100.00	10 685	10 685
Click Credit (LLC)[)]	Czech Republic	-	100.00	-	1 021
HC Insurance Services (LLC)	Czech Republic	100.00	100.00	785	785
Air Bank (JSC) [2)]	Czech Republic	100.00	-	183 548	-
Home Credit Consumer Finance Co., Ltd.	China	100.00	100.00	285 153	214 340
CF Commercial Consulting (Beijing) Co., Ltd. [2)]	China	100.00	-	1 000	-
HC Asia N.V.	Netherlands	100.00	100.00	423 946	450 004
Home Credit Lab N.V.	Netherlands	100.00	100.00	2 976	543
OJSC Home Credit Bank	Republic of Belarus	99.59	99.59	13 697	28 697
PPF Home Credit IFN SA[3)]	Romania	-	99.00	-	748
Home Credit and Finance Bank (LLC)	Russian Federation	99.99	99.99	454 630	454 630
Home Credit Insurance (LLC)	Russian Federation	100.00	100.00	10 300	10 300
MFO HC Express (LLC) [4)]	Russian Federation	100.00	100.00	2 009	2 009
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00	56 439	56 439
Collect Credit, LLC	Ukraine	100.00	100.00	254	254
LLC Homer Software House[5)]	Ukraine	2.78	2.78	-	-
HOME CREDIT US Holding, LLC	USA	100.00	100.00	7 828	4 720
Home Credit Vietnam Finance Company Limited	Vietnam	100.00	100.00	70 000	70 000
				1 776 765	**1 557 669**

[1)] subsidiaries merged in 2015
[2)] subsidiaries acquired in 2015
[3)] subsidiary liquidated in 2015
[4)] in November 2015 Home Credit Express (LLC) was renamed to MFO HC Express (LLC)
[5)] presented as a subsidiary because of the Company's indirect share of 97.22% through Redlione (LLC)

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 Company became an owner of Air Bank (JSC).

10. Investments in subsidiaries (continued)

2015	**Cost of investment**	**Impairment**	**Carrying amount**
	TEUR	**TEUR**	**TEUR**
Balance as at 1 January	**1,633,043**	**(75,374)**	**1,557,669**
Investments	357,788	-	357,788
Distributions from subsidiaries	(124,132)	-	(124,132)
Impairment changes	-	(14,560)	(14,560)
Balance as at 31 December	**1,866,699**	**(89,934)**	**1,776,765**

2014	**Cost of investment**	**Impairment**	**Carrying amount**
	TEUR	**TEUR**	**TEUR**
Balance as at 1 January	**1,266,044**	**(75,374)**	**1,190,670**
Investments	371,443	-	371,443
Distributions from subsidiaries	(4,444)	-	(4,444)
Balance as at 31 December	**1,633,043**	**(75,374)**	**1,557,669**

In 2015 the Company recognised an impairment loss of TEUR 15,000 on its investment in OJSC Home Credit Bank as a response to declining profitability of the Belarusian subsidiary and a significant depreciation of Belarusian Rouble relative to the euro in 2015. The Group management is undertaking measures aimed at recalibrating the subsidiary business model in the light of the newly introduced regulatory changes in Belarus and focusing on preserving the current investment value. Consequently, the impairment charge was determined so as to bring the carrying value of the investment to the subsidiary net asset value translated to EUR. In addition the Company reversed impairment losses of TEUR 440 previously recognised in connection with liquidation of its subsidiary PPF Home Credit IFN SA.

11. Other assets

	2015 TEUR	2014 TEUR
Trade receivables	2,586	3,394
Other receivables	131	123
Trade marks	70	70
Acquisition of subsidiaries	-	1,000
	2,787	**4,587**

Trade receivables balances represent receivables for services provided to related parties.

As at 31 December 2014 acquisition of subsidiaries represented the consideration paid for the acquisition of CF Commercial Consulting (Beijing) Co., Ltd., which was not treated as a subsidiary because the Company was still in the process of obtaining the regulatory approvals for the acquisition of this entity. The company was acquired in March 2015.

12. Debt securities issued

	Interest rate	Final maturity	Amount outstanding 2015 TEUR	Amount outstanding 2014 TEUR
CZK bond issue 4 of MCZK 2,900	Zero-coupon	September 2015	-	100,118
CZK bond issue 5 of MCZK 3,750	6.25%	June 2016	143,376	140,044
CZK promissory note issue of MCZK 300	Zero-coupon	July 2016	10,788	9,969
EUR promissory note issue of MEUR 9.1	Zero-coupon	July 2016	8,844	8,384
CZK promissory note issue of MCZK 650	Zero-coupon	March 2018	20,949	19,190
			183,957	**277,705**

All the bonds and promissory notes issued are unsecured.

13. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss represent negative fair values of derivative 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
Foreign currency forward contracts				
	IDR/USD	1 to 3 months	992	(40)
	EUR/CZK	3 months to 1 year	5,653	(29)
	EUR/CZK	more than 1 year	1,504	(24)
Foreign currency swap contracts				
	EUR/CZK	3 months to 1 year	97,849	(349)
	EUR/CZK	more than 1 year	1,924	(36)
				(478)

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
Foreign currency forward contracts				
	EUR/CZK	1 to 3 months	4,538	(29)
	EUR/CZK	3 months to 1 year	3,648	(41)
Foreign currency swap contracts				
	KZT/EUR	less than 1 month	2,885	(87)
	USD/EUR	less than 1 month	2,059	(11)
	EUR/CZK	1 to 3 months	55,316	(817)
	EUR/CZK	3 months to 1 year	124,905	(1,551)
				(2,536)

14. Loans received and other liabilities

	2015 TEUR	2014 TEUR
Loans received	272,224	192,226
Settlement with suppliers	3,460	2,952
Other accounts payable	52	24
	275,736	**195,202**

Loan received

	Interest Rate	Currency	Maturity	Amount outstanding 2015 TEUR	2014 TEUR
Loan from parent company	Fixed	RUB	February 2015	-	21,844
Loan from subsidiary	Fixed	USD	October 2015	-	103,889
Loan from subsidiary	Fixed	USD	July 2016	74,161	66,493
Syndicated loan	Variable	EUR	September 2017	198,063	-
				272,224	**192,226**

15. Equity

As at 31 December 2015 the Company's share capital comprised 1,250,000,000 (2013: 1,250,000,000) ordinary shares at a par value of EUR 0.57 (2014: EUR 0.57), of which 1,156,174,806 (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 Company's shareholders contributed to the Company's share premium their shareholdings in Air Bank (JSC) (Note 10). The share premium increase totalled TEUR 180,000 (EUR 0.16 per one share).

In August 2014 the Company'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.

In September 2014 the Company'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.

15. Equity (continued)

The difference between the Company's equity and consolidated equity results from the fact that the Company presents its investments in subsidiaries at cost. In consolidated financial statements the subsidiaries are consolidated and their cumulative result is added to the consolidated equity. The Company's net result for 2015 is higher than the consolidated result by MEUR 63,370 (2014: MEUR 139,739).

The reconciliation of equity as per these unconsolidated financial statements and consolidated financial statements is shown below.

	Share capital TEUR	Share premium TEUR	Statutory reserve fund TEUR	Foreign currency translation TEUR	Revaluation reserve TEUR	Hedging reserve TEUR	Reserve for business combinations under common control TEUR	Other reserves TEUR	Total equity attributable to equity holders of the Company TEUR
Individual balance as at 31 December 2015	**659,020**	**479,872**	**-**	**-**	**-**	**-**	**-**	**293,952**	**1,432,844**
Adjustment for:									
Impairment of subsidiaries, current year	-	-	-	-	-	-	-	(14,560)	(14,560)
Impairment of subsidiaries, prior years	-	-	-	-	-	-	-	(75,374)	(75,374)
Dividend income	-	-	-	-	-	-	-	(65,655)	(65,655)
Net result of subsidiaries in 2015	-	-	-	-	-	-	-	2,285	2,285
Reserves related to subsidiaries	-	-	38,599	(604,427)	23,127	3,728	(91,228)	541,632	(88,569)
Consolidated balance as at 31 December 2015	**659,020**	**479,872**	**38,599**	**(604,427)**	**23,127**	**3,728**	**(91,228)**	**682,280**	**1,190,971**

15. Equity (continued)

	Share capital TEUR	Share premium TEUR	Statutory reserve fund TEUR	Foreign currency translation TEUR	Revaluation reserve TEUR	Hedging reserve TEUR	Reserve for business combinations under common control TEUR	Other reserves TEUR	Total equity attributable to equity holders of the Company TEUR
Individual balance as at 31 December 2014	**659,020**	**299,872**	**-**	**-**	**-**	**-**	**-**	**268,634**	**1,227,526**
Adjustment for:									
Impairment of subsidiaries, prior years	-	-	-	-	-	-	-	(75,374)	(75,374)
Dividend income	-	-	-	-	-	-	-	(98,353)	(98,353)
Net result of subsidiaries in 2014	-	-	-	-	-	-	-	(41,386)	(41,386)
Reserves related to subsidiaries	-	-	24,671	(505,114)	(4,364)	12,971	(80,685)	775,161	222,640
Consolidated balance as at 31 December 2014	**659,020**	**299,872**	**24,671**	**(505,114)**	**(4,364)**	**12,971**	**(80,685)**	**828,682**	**1,235,053**

16. Interest income and interest expense

	2015 TEUR	2014 TEUR
Interest income		
Other related parties	5,151	5,333
Controlling entities	3,773	4,853
Subsidiaries	1,386	1,355
Other	9	4
	10,319	**11,545**
Interest expense		
Loans received	18,520	7,668
Debt securities issued	15,074	15,956
	33,594	**23,624**

17. Dividend income

	2015 TEUR	2014 TEUR
Subsidiary		
Home Credit Vietnam Finance Company Limited	20,218	-
Home Credit (JSC)	14,583	36,486
Home Credit and Finance Bank (LLC)	13,447	25,409
Home Credit Insurance (LLC)	6,572	10,585
Home Credit Slovakia (JSC)	4,000	25,409
Septus Holding Limited	1,367	90
Sylander Capital Limited	1,367	90
Enadoco Limited	1,365	94
Talpa Estero Limited	1,365	94
Rhaskos Finance Limited	1,361	96
Astavedo Limited	10	-
	65,655	**98,353**

18. Fee income

Fees for services provided	8,254	8,393
Guarantee fees	1,756	2,509
	10,010	**10,902**

19. Impairment losses

In 2015 the Company recognized impairment losses of TEUR 15,000 on its equity investment in OJSC Home Credit Bank. In the same period the Company reversed impairment losses of TEUR 440 due to liquidation of its subsidiary PPF Home Credit IFN SA.

In 2014 the Company had not recognised any impairment losses.

20. General administrative expenses

	2015 TEUR	2014 TEUR
Professional services	10,726	10,191
Travel expenses	2,426	2,752
VAT	439	395
Personnel expenses	106	106
Bond issue expense	69	75
Other	50	97
	13,816	**13,616**

21. Taxation

Income tax expense of TEUR 1,063 (2014: TEUR 1,877) represented withholding tax from dividends received which was paid in the subsidiary's jurisdiction and withholding tax from interest received.

As at 31 December 2015 the Company incurred accumulated tax losses of TEUR 137,692 (31 December 2014: TEUR 126,233) available to be carried forward and off-set against future taxable income. The unutilized tax losses expire in the period from 2016 to 2024.

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

	2015	2014
Year of expiration	**TEUR**	**TEUR**
2015	-	10,273
2016	20,501	20,501
2017	-	-
2018	15,358	15,358
2019	11,337	11,337
2020	20,659	20,659
2021	17,661	17,661
2022	14,254	14,254
2023	14,569	16,190
2024	23,352	-
Total	**137,691**	**126,233**

Reconciliation of effective tax rate	**2015 TEUR**	**2014 TEUR**
Profit before tax	**22,832**	**81,159**
Income tax using the domestic tax rate of 25%	(5,708)	(20,290)
Non-deductible costs	(311)	(404)
Withholding tax	(1,063)	(1,877)
Non-taxable income	15,607	24,741
Tax losses not recognized	(9,588)	(4,047)
Total income tax expense	**(1,063)**	**(1,877)**

22. Commitments and guarantees

As at 31 December 2015 the Company had outstanding commitments to extend credit of TEUR 58,645 (31 December 2014: TEUR 42,050).

As at 31 December 2015 the Company had outstanding guarantees of TEUR 79,367 (31 December 2014: TEUR 154,404) issued by the Company in favour of the financing banks for bank loans drawn by related parties.

23. Related party transactions

The Company 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 Company's key management personnel and other related parties. Related party transactions are executed on an arm's length basis. Related party transactions arise primarily from funding and treasury transactions.

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

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

	2015 TEUR	**2014 TEUR**
Loans provided	21,491	23,716
Other assets	-	1,000
Loans received and other liabilities	-	(21,844)
	21,491	**2,872**

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	4,853
Interest expense	(1,882)	(94)
General administrative expenses	(250)	(250)
	1,641	**4,509**

23. Related party transactions (continued)

(b) Transactions with subsidiaries and fellow subsidiaries

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

	2015 TEUR	2014 TEUR
Cash and cash equivalents	1,602	4,514
Time deposits with banks	3,700	3,607
Loans provided	13,655	13,528
Financial assets at fair value through profit or loss	3,072	2,805
Financial assets available for sale	9,343	24,348
Other assets	2,586	3,394
Debt securities issued	(59,065)	(53,779)
Financial liabilities at fair value through profit or loss	(478)	(2,536)
Loans received and other liabilities	(100,293)	(170,466)
	(125,878)	**(174,585)**

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

	2015 TEUR	2014 TEUR
Interest income	2,050	2,482
Interest expense	(16,787)	(9,647)
Dividend income	65,655	98,353
Fee income	10,010	10,902
Net foreign exchange result	16,376	(3,977)
General administrative expenses	(1,400)	(1,337)
	75,904	**96,776**

As at 31 December 2015 the Company had outstanding guarantees of TEUR 79,367 (31 December 2014: TEUR 154,404) issued by the Company in favour of the financing banks for bank loans drawn by its subsidiaries.

As at 31 December 2015 the Company had outstanding loan commitments of TEUR 49,459 (31 December 2014: TEUR 42,050) with its subsidiaries.

23. 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 Company's transactions with the parent company's associates had been executed in the past. As a result, the Company did not have any transactions with the parent company's associates as at 31 December 2015 or in the year ended 31 December 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
Debt securities issued	(179,151)
	(179,151)

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

	2014 TEUR
Interest expense	(6,703)
	(6,703)

(d) Transactions with other related parties

In 2013 the Company 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 in relation to this agreement (2014: TEUR 8,059) are recorded under general administrative expenses, while the related liability of TEUR 2,827 as at 31 December 2015 (31 December 2014: TEUR 2,559) is recorded under loans received and other liabilities.

As at 31 December 2015 the balance of Loans provided included secured loans of TEUR 43,389 (31 December 2014: TEUR 68,174) provided by the Company to a company controlled by one of the members of its Board of Directors. The weighted average interest rate is 6.52% (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.

(e) Transactions with key management personnel

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

Amounts included in the statement of comprehensive income in relation to transactions with members of the key management comprise the following salaries and bonuses.

	2015 TEUR	**2014 TEUR**
Short-term benefits expenses	106	106
	106	**106**

Total remuneration paid to members of the Company's Board of Directors by the Company and all its subsidiaries was TEUR 851 (2014: TEUR 1,319).

24. Audit expenses

The Company and its subsidiaries incurred expenses for the following services provided by KPMG Accountants N.V. and its affiliates:

2015	**KPMG Accountants N.V.**	**Other KPMG network**	**Total**
	TEUR	**TEUR**	**TEUR**
Audit of financial statements	172	1,030	**1,202**
Other audit engagements	118	202	**320**
Tax advisory	-	493	**493**
Other non-audit services	-	295	**295**
Total	**290**	**2,020**	**2,310**

2014	**KPMG Accountants N.V.**	**Other KPMG network**	**Total**
	TEUR	**TEUR**	**TEUR**
Audit of financial statements	140	862	**1,002**
Other audit engagements	77	217	**294**
Tax advisory	-	35	**35**
Other non-audit services	-	18	**18**
Total	**217**	**1,132**	**1,349**

25. Segment information

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

26. Subsequent events

In January and February 2016 the Company increased share premium in HC Asia N.V. by TEUR 22,130.

In January 2016 the Company increased share capital of Home Credit Consumer Finance Co., Ltd. by TEUR 69,578 equivalent.

In February 2016 the Company received dividends from Home Credit Slovakia (JSC) of TEUR 4,000.

In March 2016 the Company received dividends from Home Credit (JSC) of TEUR 18,488 equivalent.

The unconsolidated financial statements as set out on pages 6 to 44 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, as well as the Auditor's Report is included in this part of the Unconsolidated 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).

During 2015 there were no decreases of the Company's share premium reserves or other distributions. No decision or proposal on the appropriation of the net profit available for distribution has been taken as of the date of the issue of these financial statements.

2. Subsidiaries

Refer to the Notes to the Unconsolidated Financial Statements, Note 10.

3. Subsequent events

Refer to the Notes to the Unconsolidated Financial Statements, Note 26.

4. Auditor's report

The auditor's report with respect to the Company's 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 annual unconsolidated financial statements 2015

Opinion

In our opinion the unconsolidated 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 unconsolidated financial statements 2015 of Home Credit B.V., based in Amsterdam, the Netherlands.

The unconsolidated financial statements comprise:

1 the unconsolidated statement of financial position as at 31 December 2015;
2 the following statements for 2015: the unconsolidated 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

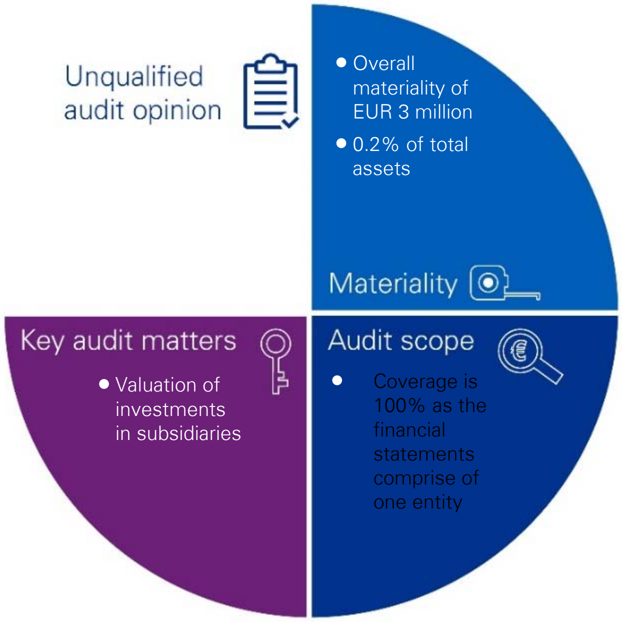
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

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.

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 3,000,000 (2014: EUR 4,000,000). The materiality is determined with reference to the total assets (0.2% (2014: 0.2%)). We consider the total assets the most appropriate benchmark as the assets are reflecting the extent of activities of the Company 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 150,000, 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. for the year ended 31 December 2015, on which we issued a separate audit opinion on 11 March 2016.

KPMG

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements. We have communicated the key audit matter to the Board of Directors. The key audit matter is not a comprehensive reflection of all matters discussed.

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

Valuation of investments in subsidiaries
Description The company is a holding company with no business operations other than investments in subsidiaries. The financial performance of the Company going forward will be dependent on the financial performance and related dividend income from its subsidiaries. The investments in subsidiaries are initially recognised at cost and subsequently they are measured at cost less impairment losses. If there are impairment indicators identified, the amount of loss is measured by using discounted cash flows or other appropriate methods. The impairment assessment of investments in subsidiaries, is subject to management's judgement, since a number of assumptions have to be made when assessing the existence of impairment indicators and performing the related calculation of the impairment charge in line with the accounting policy as disclosed in note 3(d). As investment in subsidiaries is the main asset of the company we consider the valuation of investment in subsidiaries a key audit matter.
Our response Management of the Company has assessed the existence of impairment indicators as of 31 December 2015. We have assessed management's analysis and have verified the data and financial information used in this analysis to the relevant source data. Our assessment was corroborated by the audit of the individual underlying group entities that were all in scope for group reporting by KPMG member firms. The Company's management has identified impairment indicators regarding its investment in OJSC Home Credit Bank (Belarus). These included declining profitability, caused amongst other factors by significant depreciation of the local currency in 2015. Therefore management has recognized an impairment charge of EUR 15 million. There were no indications for an impairment charge identified for any of the other investments in subsidiaries as at 31 December 2015.
Our observation We found the valuation of investments in subsidiaries to be appropriate in the context of our audit of the unconsolidated financial statements as a whole.

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

The statutory financial statements 2015 of Home Credit B.V. include the unconsolidated financial statements and the consolidated financial statements. The consolidated financial statements have been included in a separate report. For a proper understanding of the financial position and result the unconsolidated financial statements must be considered in connection with the consolidated financial statements. On 11 March 2016 we issued a separate auditor's report on the consolidated financial statements.

Responsibilities of Management and Board of Directors of Home Credit B.V. for the unconsolidated financial statements

Management of Home Credit B.V. is responsible for the preparation and fair presentation of the unconsolidated 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 financial statements.

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

Our responsibilities for the audit of unconsolidated 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 unconsolidated financial statements.

Engagement

We were engaged before 2003 by the Board of Directors 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