Home Credit Annual Report

2016

HOME CREDIT

Table of contents

1. Information about the Group

Company:	Home Credit B.V. (the "Company")
Legal form:	Besloten Vennootschap (Private Limited Liability Company)
Registered office:	The Netherlands, Strawinskylaan 933, 1077 XX Amsterdam
Place of registration:	The Netherlands, Chamber of Commerce and Industries in Amsterdam (Kamer van Koophandel Amsterdam)
Registration No.:	34126597
VAT number:	NL 8086.95.976.B01
Date of incorporation:	28 December 1999
Duration:	Incorporated for an indefinite period of time
Applicable law:	Laws of the Netherlands
Country of incorporation:	The Netherlands
Issued capital:	EUR 659,019,639
Paid up capital:	EUR 659,019,639
Authorised capital:	EUR 712,500,000
Contact address:	Home Credit B.V. Strawinskylaan 933, 1077 XX Amsterdam, The Netherlands Tel.: +31 (0)20 88 13 120 Fax: +31 (0)20 88 13 121
Contact address in the Czech Republic:	Zdeňka Kohoutová Senior Controller Home Credit International a.s. Evropská 2690/17 P.O.Box 177 160 41 Prague 6 Tel.: +420 224 174 375
Contact for investors:	Alena Tomanová Tel.: +420 224 174 319
Company's website:	www.homecredit.net

2. Who we are

We are Home Credit, a leading global consumer finance group operating in a range of markets, including some of the fastest-growing in the world. We were founded and are rooted in the Czech Republic.

We focus on responsible lending to people with little or no credit history who seek small loans to purchase durable goods and who may be underserved by traditional banks. We help these first-time borrowers establish a credit history. We also provide cash loans to existing customers with good repayment records and to new customers with strong credit profiles.

Our services are simple, easy and fast.

We are market-leading lenders in most markets where we operate, keenly focused on offering industry-leading products, including deposit-gathering and insurance products in selected markets. We also put great effort into educating our customers about the principles of financial literacy.

Since our founding in 1997 we have lent to over 70 million customers. Today we operate in 11 countries serving 20.1 million active clients through 271,000 physical distribution points, as well a growing online presence.

We are well-regarded for our approach to responsible lending; the Group is known for offering a cooling-off period to its customers globally – even in markets where it is not required. We also make a considerable effort to educate not only our customers but also their communities about financial services and money management. For doing so, we have been recognised and won awards from regulators in numerous countries including the China Banking Regulatory Commission, the Central Bank of Russia and the Central Bank of Kazakhstan, and by non-profit organisations such as the Commission for Financial Capabilities and Money Week Magazine.

As at 31 December 2016, Home Credit actively operates in the Czech Republic (since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), China (2007), India (2012), Indonesia (2013), the Philippines (2013), Vietnam (2014) and the United States of America (2015).

3. Statement of Management

I declare that, to the best of my knowledge and belief, the information stated in the Annual report of Home Credit B.V., for the year ended 31 December 2016 reflects the true state of its financial position, business operations, results and prospects of future development and that no material circumstances that may have an impact on the accurate and correct assessment of Home Credit B.V., have been omitted.

Date: 28 April 2017

Jiří Šmejc
Chairman of the Board of Directors
and CEO

The Annual report of Home Credit B.V., for the period from 1 January 2016 to 31 December 2016 was published at www.homecredit.net and delivered to the Czech National Bank and the Prague Stock Exchange in the statutory period.

4. Foreword

I want to take the publication of our latest annual report as an opportunity to provide you with an overview of Home Credit Group and to talk about our journey. Home Credit is the world's largest consumer finance provider at point of sale – a leader in its field in numerous geographies, with a solid performance, cutting-edge ideas and a clear commitment to work towards financial inclusion for the world's unbanked population. I am convinced that over 20 years of our existence we have accumulated unique expertise and know-how. It enabled us to successfully open new markets, sustainably grow our footprint there and flexibly change in response to fast changing external environments. I believe you will come away with an understanding of both the scale of our work and our ambition, as well as our prospects.

2016 proved a difficult year around the world, dominated by social and economic changes. Against this backdrop, Home Credit once more demonstrated the strength of its business model, balancing the high growth and strong customer acquisition of the Asian operations with the solid performance and sustained profits from the European ones. Our established businesses including Russia, Kazakhstan, China and Vietnam contributed to the full-year profit while our more nascent operations such as India, Indonesia and the Philippines, which are still in their investment phase, are well on track to profitability.

We almost doubled our active client base while decreasing our cost of risk ratio. This enabled us to continue expanding our business with sustainable growth and strong financial fundamentals. We continued to grow in China and maintained our leading position in China's consumer finance market. Innovative products and paperless technologies increased productivity, and a well-developed point of sale presence in over 300 major cities. We continued our investments and expansion in Vietnam, Indonesia, India and the Philippines. Our scale has already made us an attractive partner for manufacturers seeking to obtain new, untapped consumers. Working with companies such as OPPO and Samsung, we have been able to offer zero or low-interest products, bringing us many new customers and enabling our retail and manufacturing partners to extend their reach in key markets.

In Russia, where until recently we were weighed down by the macroeconomic crisis, we proved that our wide cost base restructuring is bringing encouraging revenue streams. We maintained our leadership in point of sale lending while halving the level of non-performing loans to mid-single digits. Having weathered this macroeconomic turmoil in Russia, the Group has returned to profit. This is testament to our ability to adapt in an era of fast change.

We built our strategy around our customers' needs for a responsive customer value proposition with plenty of innovation. This strategy is leading us to deliver a strong performance, with fast and tailored execution. We have already established our leadership in physical bricks-and-mortar distribution across many markets; we keep innovating on product design, pricing approach and processes, in order to strengthen value, fairness and borrowing safety for our customers; and we focus on distribution over online channels to give borrowers more choice on where they want to shop with us. We strive for simplicity, something that is highly appreciated by our many first-time borrowers. Last, but not least, we have altered the dynamic of entire markets by introducing zero or low-interest products which offer much higher value for customers. It is efforts like these that make our company so unique.

I am especially proud that our continually evolving credit-scoring model, a core tool for risk management that we have further enhanced by plugging in different sources of data, has confirmed its excellent predictive power in developed and complex markets such as the United States.

The 2016 results are the fruit of the hard work and commitment of over 120 thousand employees worldwide. Living our core values while adapting our corporate culture to local customs to become truly appealing across our geographies is what distinguishes us as a customer-centric, entrepreneurial and winning team.

As we enter 2017, we are well-positioned for the future. We are focused on offering industry-leading products to our customers. We remain able to adapt quickly while being vigilant about our risk and costs. So while we are delivering good results today, we believe we have even greater potential for the future.

Jiří Šmejc
Chairman of the Board of Directors
and Group Chief Executive Officer,
Home Credit B.V.

3

continents

5. Group Description

5.1. General Information

Home Credit B.V. ("HCBV") is the owner of consumer finance providers in eleven markets in Central and Eastern Europe, the C.I.S. and Asia (referred to hereafter as "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 providers; (b) the securing of refinancing for these companies from the market and from the ultimate parent company; and (c) the guiding of the companies on and being vigilant to risks, costs, specific know-how and customer experience.

5.2. Group Business Model

Our core business is to support household consumption largely through in-store product sales financing to qualified, mass market retail customers. We provide this service while customers are shopping in the form of "point-of-sale loans". We also focus on facilitating cross-selling opportunities across our product base and enhancing our customer experience to increase retention rates. Thus, reliable customers, who have already established their creditworthiness with us, can benefit from broader consumer credit products; ultimately, we progress to providing fully fledged consumer lending like cash loans, credit cards, and revolving loans. In selected markets we offer deposits and other retail banking services.

As retailing in general and our customers move online, we continue to grow our digital offering. Our ambition is to offer a truly online customer experience, not simply an online copy of the offline process. This means having short, simple application forms and the extensive use of Big Data; for example, in some countries we process the data from over 25 different sources. Thus, as the development of unified commerce progresses, Home Credit is in a powerful position to reap its rewards.

The Group's companies practice a distinctive business model of providing consumer finance products.

Products

We are focused on providing the following products:

- **Point of sale or POS loans** which assist customers who are purchasing durable consumer goods, including mobile phones, home appliances and motorbikes.

  These are generally small loans with a short maturity – on average, a standard POS loan amounts to EUR 320, and may be as little as EUR 68. We can often offer these loans with a low or zero percent interest rate thanks to cooperation with retailers or manufacturers.

- **Cash loans** which are made to existing customers with good repayment records ("cross--selling") and to new customers with strong credit profiles.

  Up to two-thirds of our original POS customers are eligible for cross-selling and 20% of customers are up-sold a cash loan or credit card. These are typically for a larger amount and longer duration than the original loan. Our cross-sell cash loans average an amount of EUR 1,750 and have average term of 38 months.

  In 2016 we disbursed EUR 6.5 billion euros of POS and walk-in cash loans and cross-sold EUR 4.5 billion of loans.

- **Credit cards** are offered in selected markets, primarily (but not exclusively) by our banking entities (the Czech Republic, Russia and Kazakhstan).

  Our strategy, however, foresees an extensive introduction of card-type products across our markets. They may be issued, depending on local regulations, as plastic or virtual cards, taking advantage of the explosively growing usage of mobile applications. Currently, the average credit card limit from cross-selling is EUR 1,100.

- **Current Accounts and Deposits** are made available in three countries where we have a banking licence (the Czech Republic, Russia and Kazakhstan).

  The balances of the current accounts and deposits amounted to EUR 5.4 billion at the end of 2016. They help us diversify our funding sources and make our core consumer finance business more efficient.

Partnering with Retailers

In order to provide a true one-stop lending experience, we partner with both independent and nationwide retailers, and include hypermarkets, electrical retailers, motorbike and car dealerships, and furniture shops. Our long-term relationship with all types of retailers translates into a "while-you-shop" lending service which is an essential part of our competitive advantage. Our in-store presence is provided by full-time Home Credit employees or contractors employed by the retailer, who can use our state-of-the-art IT systems to assess and process loan requests in minutes.

Partnering with durable goods manufacturers

As we grow, our increasing scale makes us an attractive partner for manufacturers seeking to make their products affordable and attractive, and who wish to reach new consumers.

For example, we cooperate with the fourth and the fifth-largest smartphone producers in the world - OPPO and VIVO - and we are piloting similar cooperation with Huawei, Gionee and Samsung. We sell their products through our points of sale network, often exclusively, which has considerably boosted their sales. This has allowed them to increase their shares in key markets, in some countries significantly. We often have exclusive rights for consumers to purchase some of their flagship products only through taking Home Credit loans. All these make us the leading financing partner to these global manufacturers.

Our Key Competitive Advantages

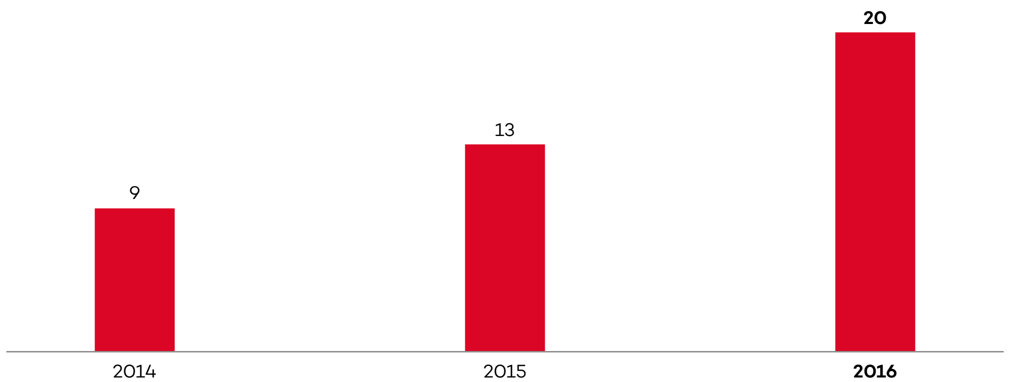
With two decades of experience in establishing and successfully growing businesses in developing markets, we now have a number of key competitive advantages:

- **Our origination capabilities** using a multi-channel customer-centric distribution model, which gives us a leading position in Point of Sale lending in most of our markets and gives us a strong base for cross selling.

  We originate business through partnerships with retailers, e-shops, manufacturers and directly with customers. Our initial contact with customers often develops into a fruitful long-term relationship. Since our founding we have lent to over 70 million customers. In 2016 we were serving 20.1 million active clients.

Home Credit Group's active clients rise

Number of active customers over time (in millions)



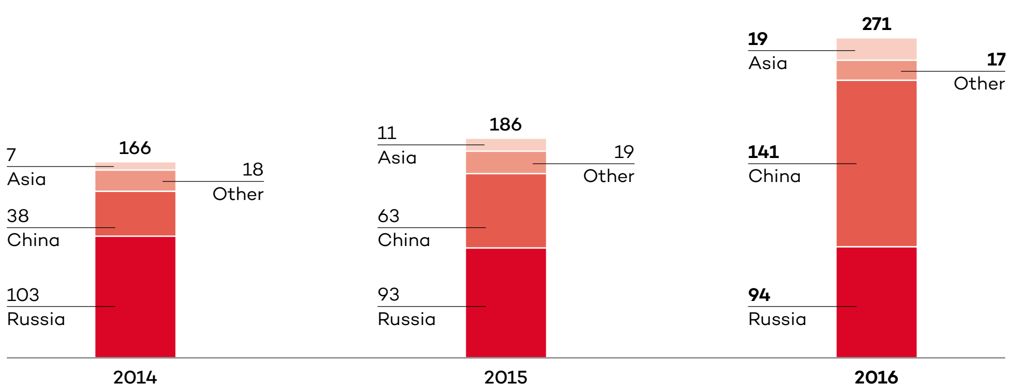
- **Our expanding offline footprint and rapidly growing online distribution capabilities**

  Our subsidiaries use a variety of direct and indirect distribution channels to optimise accessibility to end customers. We have a broad network of retail partners in each country with a total of over 271,000 distribution points across our business. We believe this makes us the world's largest Point of Sale lender on this metric.

  We have been testing and honing our online capacity. We are now well placed to benefit from the global trend to merge online and offline shopping services. Our world-leading offline capabilities, together with our online presence makes us the perfect partner to deliver a better overall shopping experience across channels.

Home Credit Group's network development

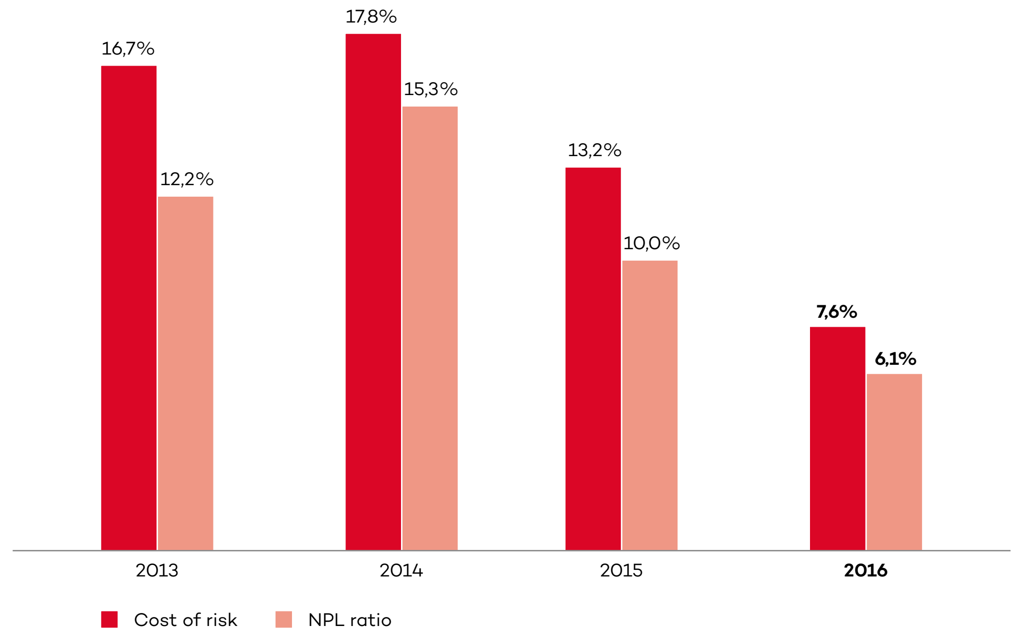
Number of points of sale (in thousands)



- **Our leading-edge risk management driven by our superior data capture and analysis, leveraging Big Data and biometrics.**

  We use highly automated processes to make quick, effective decisions on 5.2 million applications in average per month. Our median time to a 'yes' decision is a brief 1.04 minutes and our risk metrics demonstrate that we are not only growing our business, but constantly improving our ability to 'get it right' in terms of borrower selection. The Cost of Risk ratio and NPL ratio have significantly fallen year-on-year.

The Cost of Risk ratio and NPL ratio



The Group's operations are managed through a centralised risk management and IT system featuring an automated underwriting system with dynamic credit-scoring and pricing as well as continuous lifecycle risk assessment. The Group's credit-scoring system is specifically designed to optimise profit through finding the right balance between sales, pricing and risk. This system enables the Group to actively manage its risk and optimise risk pricing on a mass scale. The Group also benefits from an extensive proprietary customer database. The Group utilises multi-stage pre-collection and collection procedures to enhance collection of loans. The procedures aim to optimise the collection of current and overdue loans and vary depending on the specific risk group each customer is assigned to.

- **Our diversified funding and effective liquidity risk management.**

  We have a strong funding position from a diverse range sources:

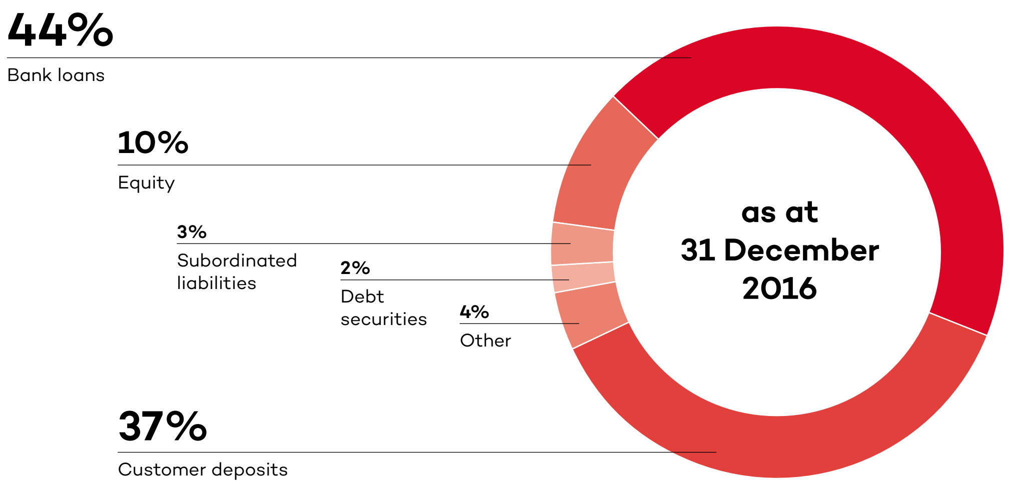
  - both wholesale and retail,
  - of varying maturities,
  - they include a range of bank facilities from a wide range of banks.

  We have banking licences in the Czech Republic, Russia, and Kazakhstan, and are thus able to benefit from customer deposits. A notable development in 2016 has been a further significant diversification of the funding basis, substantially increasing the number of relationships we have with banks and financial institutions.

  Importantly, Home Credit Group has also been instrumental in developing new funding channels in our markets such as Vietnam with the use of Certificates of Deposit, and in China, where in October 2016 we issued our first asset-backed securities (ABS), with a total size of over RMB 1.3 billion, marking a further contribution to the development of the country's capital markets.

Home Credit Group's funding sources

Home Credit Group's funding sources



- **Our leading positions** in some of the most attractive markets, particularly in Asia.

5.3. Innovations

The Group continues to innovate in multiple ways. We are major users of Big Data. Home Credit uses advanced data science to better inform its decision-making processes.

These include:

- Data enrichment – using data from beyond the client application, such as demographic data and credit bureau information to improve our scoring models' performance;
- We use feature engineering, which is the process of using domain knowledge of the data to create features that make machine learning algorithms work, using available data to distil the best quality information;
- We use advanced tooling which uses non-structured data analytical tools to outperform logistics regression.

We've been developing, advancing and fine-tuning our systems for many years. We also use advanced anti-fraud processes with robust prevention and identification elements.

At the end of 2016, Home Credit International, the Group's management company launched "Home Credit Venture Capital", a brand within the Group for investing into promising start-ups whose developments in the field of financial technology ("FinTech") complement or refine our own existing capabilities. The first investment has been made into Nymbus, a U.S.-based start-up, which develops a cloud-based banking software.

These innovations in processes make the Group well-positioned in moving forward.

5.4. Sustainability

Financial inclusion and our business model

Home Credit's business model of making financial services accessible to people with lower incomes is a major part of the Group's understanding of sustainability. Financial inclusion is a key pillar of our work. Those who are excluded from the formal financial system are still producers and consumers who need access to finance; having this access can help them build assets, create and sustain livelihoods, manage risks, overcome liquidity constraints and smooth consumption. Without access to the formal financial system, informal systems that are often unreliable and very expensive can hinder societal development and block individual potential.

Globally, it is estimated that there are some 2.5 billion "unbanked" individuals – people without a credit or savings account at a formal financial institution. This does not, however, imply that they cannot pay back a loan. Consumer finance – Home Credit's core business – closes this gap. Our business includes these communities from the outset. Our pre-contractual lending offer and the written loan contract are designed to give a transparent and easy-to-understand description of the cost and obligations of a loan, thereby giving potential customers all the information they need to make qualified decisions about borrowing. We have been able to provide loans to over 70 million customers, the majority of them first-time borrowers.

Financial literacy

Financial literacy refers to the set of skills and knowledge that allows an individual to make informed and effective decisions about their financial resources. The connection between financial inclusion and financial literacy is fundamental, but is often overlooked. Studies have shown that consumers around the world display limited knowledge and understanding of financial products and concepts. They also have difficulty making long-term informed financial decisions and selecting financial products that match their needs. This can adversely affect not only the future financial well-being of individuals and households, but also the long-term stability of financial and economic systems.

At Home Credit, we have devised a wide-ranging programme of financial literacy education. We run competitions, media and online campaigns; we have roadshows, theatre, workshops and seminars, and public teach-ins in supermarkets. We also work with young people, teaching them how to use money responsibly through classes in school and educational material designed in concert with local and national educational authorities. These programs accompany us wherever we open a new operation.

Corporate Social Responsibility

The Group recognises the value of formalised corporate social responsibility (CSR) programmes that provide direct benefits to the communities in which we operate. The aims of individual CSR initiatives are closely linked to the Group's overall objectives of broadening financial inclusion, increasing financial literacy levels and promoting responsible lending.

For example, in Russia, Home Credit runs a university scholarship programme called Sinaya Ptitsa (The Blue Bird) for talented children from disadvantaged families.

Tuition for students from disadvantaged backgrounds is also offered in Vietnam, while Kazakhstan runs the "Start Smart" project – a combination of work and training opportunities for graduates.

The Group also contributes to local emergency relief efforts whenever there is cause to do so in its communities; this takes the form of both funds to support relief efforts, volunteering, and loan waivers for customers in distress.

Talent management

We are committed to providing all of our employees with the foundation that they need to grow within Home Credit and to fulfil their career goals. We provide a creative and dynamic working environment and a corporate culture that fosters an atmosphere of congeniality and progression.

The Group runs a number of talent management courses across all its operations. The core of these is formed by the Odyssey Senior and Odyssey Junior programmes. Odyssey Senior is an intense curriculum focused on empirical learning. The course invites participants from Home Credit Group's countries to work in international project teams to develop innovative ideas relevant to the Group's business.

Odyssey Junior helps new managers build up the core skills they need to rapidly advance through a series of modules that provide both theoretical lessons and practical team work.

Young talent is nurtured through fast-track graduate programmes.

Diversity

The Group is committed to diversity throughout its operations. Hiring is done internationally for both our Group headquarters and country headquarters.

While employee qualifications should aim to be the best fit for the company, the Group is actively seeking ways to increase the proportion of women within its top management. This includes fostering initiatives across the whole hierarchy for working conditions that go beyond national requirements with respect to maternity leave, flexible and distance working arrangements.

270 thousand

distribution points

6. Group milestones

6.1. History

The Group was established originally in the Czech Republic and has a 20-year long history. The key milestones in the history of the business are highlighted below:

1997

Home Credit was established in the Czech Republic.

1999

Greenfield operations established in Slovakia; Home Credit became the first consumer finance (non-banking) entity on the market.

2002

Home Credit acquired a small bank in Russia, "Innovation Bank Technopolis", which it converted into a consumer lending-driven bank.

2004

Home Credit's parent company, PPF Group, opened a representative office in Beijing, to evaluate opportunities for establishing a consumer finance entity in China.

2005

Home Credit's parent company, PPF Group, piloted consumer finance through local partners in Vietnam.

2005

Home Credit founded a greenfield, non-banking lender in Kazakhstan.

2006

Home Credit entered Ukraine by acquiring "Agrobank" and "Private Credit", two small local entities. The business was sold five years later when Home Credit exited the country.

2012

The Group became 100% owner of Home Credit Bank JSC (Kazakhstan).

2012

Through acquisition of 100% share in HC Asia N.V. the Group became the owner of consumer finance operations in China and India.

2013

The shareholder structure of the Group was changed (86.62% PPF Group N.V., 13.38% EMMA OMEGA LTD). Two years later PPF Group N.V. acquired further 2% stake in the Group from EMMA OMEGA LTD.

2013

Home Credit introduced a joint venture with "PT SL Trio" in order to be able to start consumer lending in Indonesia. This marked the first joint venture in Home Credit's history.

2013

Home Credit joined forces with "Filcommerce Holdings, Inc." in a venture for consumer lending in the Philippines.

2014

The Group became the 100% owner of PPF Vietnam Finance Company (LLC) and subsequently renamed it to Home Credit Vietnam Finance Company Limited.

2014

After obtaining the regulatory approvals Home Credit Consumer Finance Co., Ltd. became 100% subsidiary of the Group.

2015

Air Bank (JSC) has been transferred into the Home Credit Group by the decision of its shareholders.

2015

PPF Group N.V. transferred its stake in the Group to PPF Financial Holdings B.V., a 100% subsidiary of PPF Group N.V.

2015

Home Credit partnered with Sprint, a major U.S. telecoms operator, in a joint venture which aims to extend inclusive financing options for near-prime customers.

6.2. The Group in 2016

The year 2016 demonstrated the strength of Home Credit's business model, balancing the high-growth and strong customer acquisition across our Asian operations with the solid performance and sustained profits from Russia. All of our established businesses including Russia, Kazakhstan, China and Vietnam contributed positively to the full-year profit while our more nascent operations such as in India and Indonesia, which are still in their investment phase remain on track.

Not only did Russia deliver a profitable performance every quarter last year and maintain its leadership in point of sale (POS) lending, but it has also halved the level of non-performing loans. It is also making major inroads into the online arena for sales, payments and services. This was reflected in Moody's rating agency changing its outlook to 'stable' for our Russia's operations.

China has solidified its standing as the Group's largest operation; at the same time the Group also continues to successfully develop its business in Vietnam, Indonesia, India and the Philippines. Our scale has made us an attractive partner for manufacturers seeking to obtain new, untapped consumers. Working with electronics manufacturers such as OPPO of China and Samsung of South Korea, the Group has been able to offer zero or low-interest products, bringing us many new customers while enabling partners to extend their reach in key markets. This has been a core driver of the Group's growth in the region.

The Group sustained market-leading positions in eight key markets, including Russia despite a tough macroeconomic backdrop, and some of the most important countries in Asia. The Group has also developed a promising foothold in the US. At the same time, the Group remains able to adapt quickly while being vigilant on risk and costs.

Key Results of 2016

Quarterly earnings growth accelerated throughout 2016 with fourth-quarter net profit of EUR 78.9 million the strongest of the year resulting in a net profit for the full year of EUR 210.2 million. This marks a return to full-year profitability following a loss of EUR 41.6 million in 2015 and reflects greatly improved risk performance against the background of a diversified funding base and growth of our asset base. The growing contribution from Asia and the recovery in Russia following the steps taken there to re-align the business with the changed economic environment had a positive impact on the results as well. While the operational situation in Russia has stabilised, consumer lending remains under pressure as real disposal income continues to fall. However, Home Credit is now well adapted to this operational context.

Importantly, the Return on Average Equity rose strongly to 16.2% in the fourth quarter from minus 3.3% a year earlier, marking the sixth consecutive positive quarter for the Group. The Cost to Income ratio increased to 55.7% (2015: 54.8%) reflecting the different mix of products, in particular the impact of the successful zero interest loans, which in turn substantially reduced the Cost of Risk ratio to 7.6% from 13.2% a year earlier. The improving performance in Russia and careful management of the loan portfolio also benefited the overall non-performing loans ratio which was solidly in single digits throughout the year falling to its lowest level in five years at 6.1% in the fourth quarter (Q4 2015: 10.0%).

Home Credit Group's basic data and ratios

	2014	2015	2016
Deposits (bn)	2.9	4.9	**5.4**
Gross loans (bn)	6.0	6.6	**10.7**
Equity (bn)	1.2	1.2	**1.5**
Net income (m)	(60.5)	(41.6)	**210.2**
Net interest margin	18.0%	15.6%	**14.0%**
Cost of risk	17.8%	13.2%	**7.6%**
RoAE	(4.3%)	(3.3%)	**16.2%**
# of distribution points (000)	166	186	**271**
# of active customers (m)	9.1	12.5	**20.1**

The introduction of innovative products based on a zero-percent interest rate with support from commodities manufacturers boosted sales. New loans granted in 2016 totalled EUR 11,536 million, representing an increase of 76% compared to 2015, with the Group having 20.1 million active customers at the end of 2016. Home Credit's global POS network incorporates 270,537 sites worldwide, provides access to customers in areas where bank and post office branches are more limited and continues to be a key pillar of the Group's distinctive distribution model.

6.3. Subsequent events

January, February, March and April 2017

The Company increased its share premium in HC Asia N.V. by EUR 69.88 million.

January and February 2017

The Company increased its share capital in Home Credit Lab N.V. by EUR 3.968 million equivalent.

February, March and April 2017

The Company increased its share capital in Home Credit US Holding LLC by EUR 5.123 million equivalent.

February 2017

The Company issued a bond in nominal value of MEUR 73.945 million equivalent maturing in March 2020.

March 2017

The Company increased its share capital of Home Credit Consumer Finance Co., Ltd. by EUR 151.973 million equivalent.

March 2017

Mr. Jean-Pascal Duvieusart, a minority shareholder of PPF Group, our parent company, became a Board Member of Home Credit B.V. Mr. Duvieusart replaces Mr. Lubomir Kral.

March 2017

Home Credit a.s. declared dividends of CZK 100 million that was recognised by the Company as income in the amount of EUR 3.701 million.

April 2017

Home Credit Vietnam Finance Company Limited declared dividends of EUR 5.218 million.

April 2017

Home Credit and Finance Bank LLC declared dividends of RUB 4.134 billion that were recognized by the Company as income in the amount of EUR 68.349 million of which EUR 3.417 million was paid as withholding tax.

April 2017

The Company increased its capital of Air Bank a.s. by EUR 9.339 million equivalent.

6.4. Business policy and strategy for 2017

In 2017, the Group will continue to manage and finance its holdings carefully, pursuing organic growth, whilst managing its risk and capital in a prudent and disciplined manner. The Group's focus will remain on managing the business for long-term sustainability, aiming to maintain a strong, diversified funding base and cost-efficient operations whilst retaining high flexibility to effectively respond to challenges stemming from macroeconomic cycles. In moving forward, the Group will continue complementing its offline "point-of-sale dominance" with a strong online presence. This will become a self-standing business with a unique value proposition, not just an additional distribution channel.

As customer experience is becoming a key brand differentiator, the Group will continue to strive to engender a distinct and truly customer-centric culture, and offer high value-added products and cutting-edge innovations. Our strategy has placed our customers at the heart of everything we do:

- We strive to be where our customers want us to assist them while they shop.
- We bring customers enhanced value through the introduction of zero interest rate products and individualised risk-based pricing.
- We offer our clients comfort by enabling them to apply for loans at their convenience thanks to our dominant and wide-spread offline presence, our shortened credit application enabled by our effective use of Big Data, and through the introduction of a credit card (whether plastic or virtual based on QR-code) for our top customers.
- Last but not least, our strategy provides our customers with extended borrowing safety, thanks to improved collection processes and flexible solutions offered in case of unexpected life difficulties.
- We regularly measure customer experience and customer satisfaction. Throughout the last 18 months, each of our Group companies has introduced a dedicated customer experience team at the heart of their decision-making processes, whose role is to ensure that our clients have smooth and positive interactions with us at each touch point.

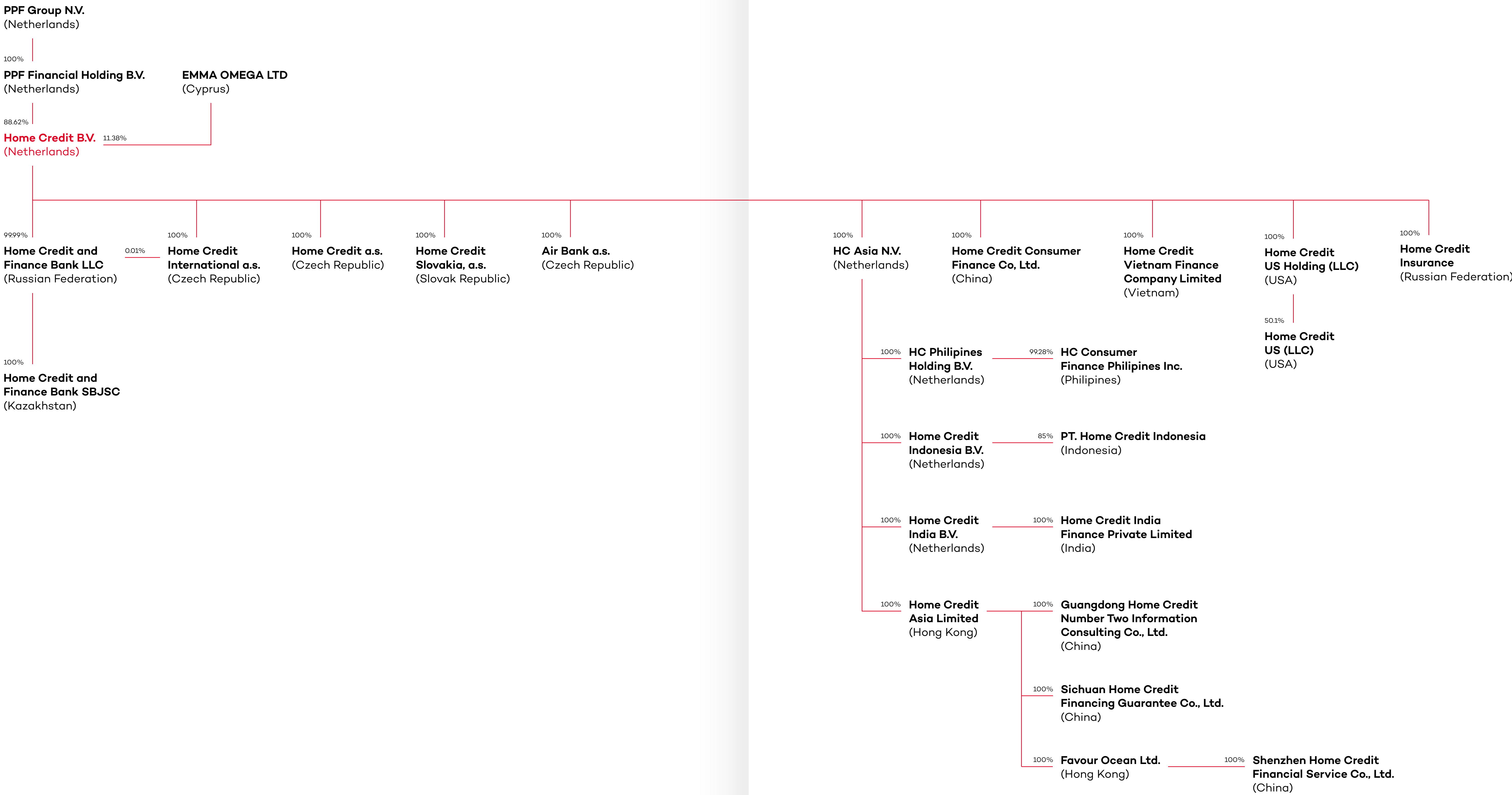
In Asia, 2017 represents the year when HCBV's operations in the continent became the driving force of the Group's profitability. The Group will continue rolling-out its geographical footprint in India and increasing the density of its presence throughout China.

120 thousand

employees

7. Group Shareholders, Management and Entities

7.1. Group Chart as at 31 December 2016 (simplified)



7.2. Group Shareholders

Home Credit was founded in 1997 as a minor investment of Ceska Pojistovna (the Czech Republic's largest insurance company), which used its excess liquidity to finance lending to retail customers, but without building the business on a meaningful national scale.

When PPF Group took over management control of the insurer, it began systematically developing Home Credit. **PPF Group** became its **majority owner, with a current stake of 88.62%**.

Over time, PPF Group has become one of the largest investment groups in Central and Eastern Europe, and Home Credit has expanded outside the Czech Republic with its support. PPF Group today invests into multiple market segments such as banking and financial services, telecommunications, biotechnology, real estate, insurance and agriculture. PPF's reach spans 16 countries: from Europe to Russia, the USA and across Asia. Its strategy is to seek out business opportunities that others have overlooked and where it sees hidden value. PPF Group aims to achieve superior investment returns through its driving values of responsibility, determination and successful execution.

The 25-year history of PPF Group is founded on the discipline, innovation and professionalism of a team led by the Czech founder and majority shareholder of PPF Group N.V. Petr Kellner, who holds a stake of 98.92%.

Two minority shareholders, Mr. Ladislav Bartonicek and Mr. Jean-Pascal Duvieusart, each have a stake of 0.54% in PPF Group N.V. alongside Mr. Kellner. Mr. Jean-Pascal Duvieusart is also a current Board Member of Home Credit B.V, since joining in March 2017.

PPF Group N.V. controls Home Credit B.V. through PPF Financial Holdings B.V., an investment arm consolidating the major shareholder's assets in the financial services industry. PPF Financial Holdings B.V. falls under E.U. regulation overseen by the Czech National Bank. It is considered by the Czech National Bank to be a systemically important entity for the local financial sector.

PPF Financial Holdings B.V. is a limited liability company incorporated under the laws of the Netherlands, with its registered office in Amsterdam, the Netherlands. Its registered address is Amsterdam, Strawinskylaan 933, 1077 XX, the Netherlands, and it is registered in the Dutch Commercial Register under number 61880353.

Basic financial information on PPF Group N.V. are as follows:

MEUR	2014	1H 2015	2015	1H 2016
Total assets	21,893	21,288	21,611	**24,220**
Total equity attributable to shareholders	4,879	5,321	5,163	**5,412**
Total revenues and other income	7,576	3,084	6,292	**3,037**
Net profit	372	198	352	**248**

More information on PPF Group is available at www.ppf.eu.

The minority shareholder of Home Credit B.V. is **EMMA OMEGA LTD**, which **holds an 11.38%** stake. EMMA is an investment holding company ultimately owned by Mr. Jiří Šmejc. Mr. Šmejc simultaneously acts in the capacity of Chairman of the Board of Directors, Home Credit B.V., and as Group Chief Executive Officer.

EMMA was founded in 2012 on the initiative of Mr. Šmejc. At that time, he held a five percent stake in Petr Kellner's PPF Group and had just agreed on a division of their assets. As compensation for his former stake in PPF Group, Jiří Šmejc increased his shareholding in Home Credit B.V. and by mutual agreement he became its Group CEO.

EMMA OMEGA LTD is a company established and existing under the laws of Cyprus with its registered office at: Esperidon 12, fourth floor, 1087 Nicosia, Cyprus, under registration number HE 319479.

More information on Emma Capital is available at www.emmacapital.cz.

At 31 December 2015 the authorised share capital of the Company comprised 1,250,000,000 ordinary registered shares having a par value of EUR 0.57 each, of which 1,156,174,806 shares were issued and fully paid. All issued shares have equal voting rights.

There are no shareholders with special rights. Other rights and obligations relating to shares are set out in the Articles of Association of the Company.

7.3. Group Management

The strategic management of individual Group companies is overseen by the Board of Directors and a group of top managers. The centralisation of some of its functions helps to increase the efficiency of the Group's expansion, and facilitates the sharing of knowledge and expertise in all markets where the Group is present.

The Board of Directors is responsible for the strategic management and business affairs of the Group, which include financial accounting and controls, capital and risk management, and the principal operating activities of the Group subsidiaries.

The Board of Directors is supported in its decision-making by Strategy, Operating, HR, Government Relations and PR Committees made up by Home Credit Group's top managers. At their regular meetings (occurring at least monthly), the committees review day-to-day developments within individual businesses and respective areas of their focus, discuss aspects of the Group strategy and formulate recommendations for the Board of Directors.

The Board of Directors has set a diversity policy under which the Company recognises and embraces the benefits of having a diverse Board of Directors, and sees increasing diversity as an essential element of maintaining a competitive advantage. The Company does not tolerate any form of discrimination when selecting members of the Board of Directors. The Board of Directors is composed in such a way that its members as a team possess the knowledge, ability and expert experience required to properly perform its tasks. The members of the Board of Directors represent various different professions, educational backgrounds, nationalities, ages and many of them have a multinational background. The diverse composition of the Board of Directors has certainly contributed to the solid performance of the Company, as well as of the Group as a whole. The Company declares that it is not aware of any conflicts of interest between the duties of the persons referred to above towards the Company and their private interests or other duties.

There are no special rules for appointing or discharging members of the Board of Directors or changing the Articles of Association of the Company.

There are no special competences or authorities of members of the Board of Directors.

Board of Directors

Jiří Šmejc
Chairman

Jan Cornelis Jansen
Vice-chairman

Paulus Aloysius de Reijke
Member

Mel Gerard Carvill
Member

Lubomír Král
Member (until 7 March 2017)

Rudolf Bosveld
Member

Jean-Pascal Duvieusart
Member (from 7 March 2017)

Marcel Marinus van Santen
Member

Petr Kohout
Member

Mr. Jiří Šmejc
Chairman of the Board of Directors, Home Credit B.V.

Jiří Šmejc became Chairman of the Board of Directors of Home Credit B.V. and CEO of Home Credit Group in September 2012. Mr. Šmejc joined PPF Group in 2004 and became a shareholder in 2005. Among other positions, he has been a member of the Board of Directors of Generali PPF Holding B.V. since January 2008. He went into business in 1992 and in 1993 he became the Executive Officer and Director of PUPP Consulting s.r.o. In 1995 he served as Sales Director at Middle Europe Finance s.r.o., a securities trader focusing on acquisitions. He was a 34% owner of the TV NOVA Group till the end of 2004. Jiří Šmejc graduated from Charles University, Prague, Faculty of Mathematics and Physics, with a Master's degree in mathematical economics.

Mr. Jan Cornelis Jansen

Vice-Chairman of the Board of Directors, Home Credit B.V.

Jan Cornelis Jansen became Vice-Chairman of the Board of Directors of Home Credit B.V. in October 2012 after several years as legal counsel and company secretary for PPF Group. He joined PPF Group in 2007, after spending three years at De Hoge Dennen Holding as legal counsel and company secretary for social investment funds. Prior to this, he held legal positions within various companies. Mr. Jansen holds an LL.M in Dutch Law, specialising in economic, public and business law, from the Universiteit Utrecht. He also has two post-graduate qualifications in company & corporate law, and employment law from the Grotius Academie (Nijmegen) and Vrije Universiteit Law Academy (Amsterdam) respectively.

Mr. Mel Gerard Carvill

Member of the Board of Directors, Home Credit B.V.

Mel Carvill has been a member of PPF Group's top executive team since 2009 and a member of the Board of Directors of Home Credit B.V. since 2012. Before joining PPF, Mel Carvill worked across a range of sectors in the European financial services industry. From 1985 until 2009 he worked at Generali where he held a number of senior positions in the Group, including Head of Western Europe, Americas and Middle East, Head of M&A and Head of International Regulatory Affairs, Head of Risk Management and Head of Corporate Finance. He is a Fellow of the Institute of Chartered Accountants in England and Wales, holds the Advanced Diploma in Corporate Finance, and is an Associate of the Chartered Insurance Institute, a Chartered Insurer and a Fellow of the Chartered Institute for Securities & Investment.

Mr. Rudolf Bosveld

Member of the Board of Directors, Home Credit B.V.

Rudolf Bosveld, a member of the Board of Directors of Home Credit B.V., since October 2012, is also a member of the PPF Group N.V. Board of Directors with more than 20 years of experience in financial services and financial markets. He has held many top executive positions in the financial sector, including that of Executive Director for Corporate Finance and Capital Markets at MeesPierson N.V., Director for Corporate Development, Mergers and Acquisitions at Nuon, and Managing Director of Rabobank International. He is a graduate of the Erasmus University in Rotterdam, where he was awarded a Master's degree in Management specialising in corporate finance.

Mr. Petr Kohout

Member of the Board of Directors, Home Credit B.V.

Petr Kohout, a member of the Board of Directors of Home Credit B.V. since 1 January 2015, joined Home Credit Group from ALD Automotive, s.r.o., a Société Générale company, where he served as Chief Executive Officer (March 2012 to September 2014). Mr. Kohout has a long track record of experience in the consumer finance industry and financial services more generally, having started out in the Prague branch of Société Générale in 1996. He then worked for PricewaterhouseCoopers, and later re-joined Société Générale Group as Chief Financial and Operations Officer for ESSOX (its consumer finance arm) in the Czech Republic. Mr. Kohout's career also includes the position of Chief Executive Officer of SG Viet Finance, a SG consumer finance company operating in Vietnam.

Mr. Marcel Marinus van Santen

Member of the Board of Directors,
Home Credit B.V.

Marcel van Santen joined Home Credit's Board of Directors in June 2014 after seven years in senior financial roles with PPF Group N.V. Before joining PPF in 2007, he served as a Financial Executive in leading international IT companies. His career includes over 15 years' experience in financial analysis, accounting and project management in the Netherlands and EMEA. Mr. van Santen studied finance and accounting.

Mr. Paulus Aloysius de Reijke

Member of the Board of Directors,
Home Credit B.V.

Paul de Reijke became a Member of the Home Credit B.V. Board of Directors in June 2014 after two years working as an accounting and reporting manager for PPF Group N.V. Before joining PPF in 2012, he held various key positions in financial management, control and regulatory reporting both for Dutch and leading European energy companies. Mr. de Reijke holds a Bachelor in Economics degree and a post-Bachelor degree as a Qualified Controller.

Mr. Lubomír Král

Member of the Board of Directors,
Home Credit B.V. until 7 March 2017

Lubomir Kral joined Home Credit's Board of Directors in June 2014 after fifteen years with PPF headquarters (PPF, a.s.). Starting his career as a lawyer, he worked in the legal department for the settlement centre of the Prague Stock Exchange from 1997 to 1999. He then worked as General Counsel of PPF Group and, since March 2007, he has also been a Member of the Board of Directors of PPF, a.s. From March 2013 to December 2014 he was also a Member of the Board of Directors of Generali PPF Holding B.V. Lubomir Kral graduated from the Faculty of Law of Charles University in Prague and also attended the University of Economics, Prague.

Mr. Jean-Pascal Duvieusart

Member of the Board of Directors,
Home Credit B.V. from 7 March 2017

Jean-Pascal Duvieusart joined Home Credit Group in March 2017. As a share-holder of Home Credit's parent, PPF Group, N.V., he has had intimate knowledge of Home Credit and its operations for a long time. Mr Duvieusart is a graduate of the University of Chicago (MBA) and Catholic University of Louvain, Belgium, with a degree in Commercial Engineering. He joined McKinsey in 1992 and worked initially in Brussels and New York and later in Central Europe. He was Managing Partner at McKinsey Prague between 1999 and 2005 and then he took the reins of McKinsey's business for the CIS and Central European region. He has worked as an advisor to banks, insurers and various industrial companies in Russia, the Czech Republic, Slovakia, Hungary, Poland and Romania. He has been a shareholder of PPF Group since 2010.

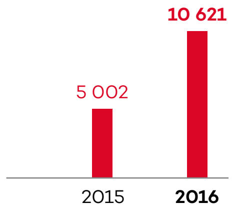
70

million

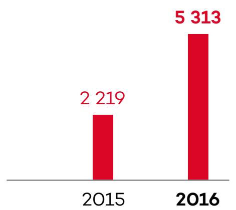
clients served
since inception

7.4. Group entities

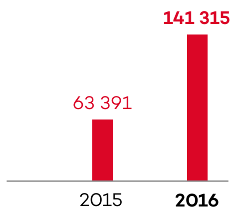
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



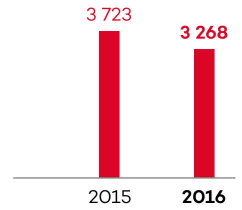
China

Home Credit Consumer Finance Co., Ltd. Floor 27, Building C1 - MSD-C District, No. 79, First Avenue, TEDA, Tianjin	Company No. 91120116636067462H. The registered capital: CNY 3,300 million. The company focuses on consumer loans for private individuals.
Guangdong Home Credit Number Two Information Consulting Co., Ltd., H-K Room, 12F, Oriental Plaza, No.39-40 Xiniu Road, Yuexiu District, Guangzhou Guangdong Province, China	Company No. 76732894-1. The registered capital: CNY 500 million
Sichuan Home Credit Financing Guarantee Co., Ltd. Room 07-08, 17F, No. 1 Fuxing Street, Jinjiang District, Chengdu, Sichuan Province, China	Company No. 66046758-9. The registered capital: USD 16 million
Shenzhen Home Credit Financial Service Co., Ltd., Unit 2-8 of 10th and 11th floors, Duty Free Building, Yitian Road, Futian District, Shenzhen, China	Company No. 79663852-7. The registered capital: USD 190 million The main activity of the company is to provide customer service in relation to consumer financing in China.

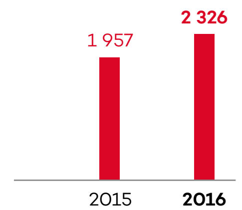
Our Chinese business has become the primary contributor to the Group's profitability. As pioneers in China's consumer finance market since 2008, we established ourselves as true leaders in in-store lending and a major contributor to the local consumption-driven economy, employing sixty-four thousand people in China alone. China is also the Group's biggest market; the Group operated in over 141 thousand retail outlets at the end of 2016, while also serving as an important partner for major manufacturers seeking access to a wider customer base.

The Group's footprint and scale in China makes the business attractive to manufacturers and retailers. Alongside these partners, we have been able to offer zero-interest and low--interest loans that have proven to be real growth drivers for our business as well as theirs. This strategy to lower acquisition loan pricing, while decreasing the interest margin, has led to a 150% increase in newly disbursed loans, with net new loans climbing to EUR 5.3 billion. Over the course of 2016, the number of active customers more than doubled to 10.6 million. In addition, profit attributable to China on an IFRS basis for 2016 was EUR 196 million. Based on the cost-to-income ratio, efficiency improved, albeit slowly, as the Group is continuing to invest into geographical expansion and new online channels.

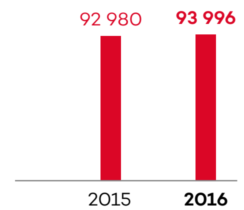
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



Russia

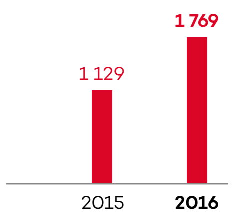
Home Credit and Finance Bank LLC 8/1 Pravda str., 125040, Moscow, the Russian Federation	Company No. 1027700280937. The registered capital: RUB 4,173 million. The products offered by the bank include POS loans, cash loans, debit and credit cards, current and savings accounts and deposits to retail customers in Russia. The bank also offers limited corporate banking services including payroll services to some of its retail partners.
Home Credit Insurance LLC 8/1 Pravda str., 125040, Moscow, the Russian Federation	Company No. 1027739236018. The registered capital: RUB 120 million. The company operates under NL licence C № 3507 77 with focus on bancassurance for the clients of Home Credit and Finance Bank LLC (insurance to POS and Cash loans borrowers covering personal accident, health and job-loss insurance). It also provides stand-alone products which cover accident and financial risks. The company works only within the partners' premises, not in its own branches.

Following the crisis in Russia that started in 2013, last year marked the completion of Home Credit's turnaround plan in the country. While consumer lending remains under pressure as real disposal income of citizens continues to fall, the Group has reduced its cost base over the past year and is thus well-positioned in this new environment. Against the backdrop of the Russian crisis, which combined macroeconomic difficulties with a credit bubble, we introduced a concept of "sustainability room" across all our markets. This entails a more conservative approach to our lending operations. Our profit must now always be in line with our risk costs, which should ensure that we have a sufficient cushion to remain profitable even in the worst crisis.

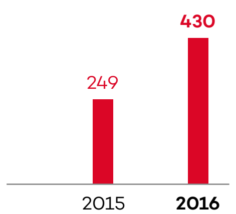
In Russia, we are now well adapted to the changed macroeconomic context. In 2016, the business further benefited from the decline in retail deposit rates, which lowered the overall cost of funding, while a focus on securing new loans from higher-quality customers stabilised the loan book in the second half with newly underwritten loans of EUR 2,160 million. Measures to stringently manage risk resulted in a further significant decline in the overall risk metrics, with risk cost falling to 7.3% (2015: 17.0%) while NPLs dropped to 6.6% of total gross loans (2015: 13.3%). These measures have yielded the required effect, with Home Credit and Finance Bank returning to profitability in 2016 with a net profit of almost EUR 60 million for the full year after two previous years of losses.

Throughout the crisis, we were able to strengthen our leading position in the offline POS market in Russia with a market share of 26.3%. A special focus of the Russian operation is in developing its online presence which presents opportunities for both growth and efficiency and where it is already ahead of its peers. Home Credit now has more than 1 million online users with 20% of active customers making online payments.

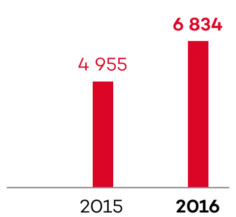
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



Vietnam

Home Credit Vietnam Finance Company Limited
194 Golden Building,
473 Dien Bien Phu Street,
Ward 25, Binh Thanh District, Ho Chi Minh City,
Vietnam

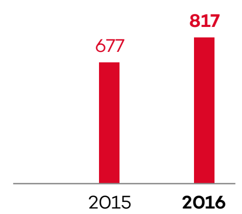
The registered capital of the company is VND 550,000 million.
The company focuses on providing consumer loans to private individuals in Vietnam.

Operations in Vietnam continued to perform strongly last year. The volume of newly disbursed loans amounted to EUR 786.5 million, representing a year-on-year increase of 95%. This was predominantly attributed to successful cooperation with consumer durables manufacturers. Operating income grew by about 30% while Operational Expenses increased at less than half that pace, rising 13% and reflecting in part the benefits of economies of scale. Increased revenues and significant improvement in the risk cost led to a substantial hike in net profit to EUR 46.3 million (from EUR 25.8 million in 2015).

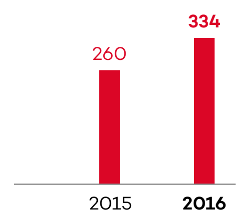
Almost twenty-five percent of all clients in Vietnam were repeat customers, which is a further testament to the quality of Home Credit's service.

The funding base of our Vietnamese operations is now fully independent and no longer relies on the Group's financial resources. As it is well-diversified and consists of both onshore and offshore funding facilities, it has become more flexible in its scalability. This gives our Vietnamese operation considerably greater freedom to adapt its business to market demand and any changes in the macroeconomic environment. Given the housing boom in the country, it is likely that an expansion in white goods sales and demand for cash loans will follow.

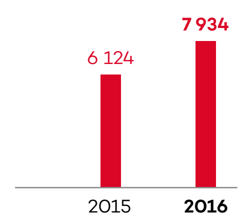
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



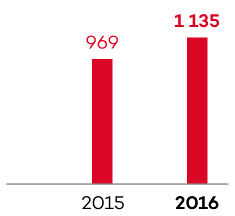
Kazakhstan

Home Credit and Finance Bank (SB JSC)
248 Furmanov str.,
050059 Almaty,
Kazakhstan

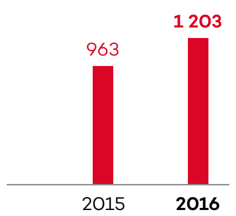
Company No. 513-1900-AO(IU).
The registered capital of the company is KZT 5,197 million.
The bank provides a full range of consumer lending (which includes POS loans, cash loans and credit card loans) and deposit products and is active in all major cities across the country through partner networks (POS), KazPost offices and through the bank's own branches.

Our Kazakh subsidiary proved its resilience during the recent crisis. Despite a difficult macroeconomic environment there, exacerbated by a substantial devaluation of the local currency, we achieved profit consistently over the past year and maintained a healthy return on equity. A profit of EUR 46 million in 2016 was driven by a very low risk cost, with NPLs halved to just 5.2% in 2016. This shows the effectiveness of our underwriting and scoring systems. We had also applied lessons from Russia in Kazakhstan pre-emptively, and moved to shrink the company's fixed cost base before the crisis was fully felt in the country. Our bank in Kazakhstan thus ranks amongst the most profitable banks in the country when measured by return on equity.

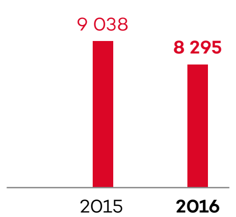
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



Czech Republic and Slovakia

Home Credit a.s. Nové sady 996/25 602 00 Brno the Czech Republic	Company No. 269 78 636. The registered capital: CZK 300 million. The company focuses on providing consumer financing to private individual customers in the Czech Republic. The main products offered by this company are POS loans, car loans, cash loans and credit cards.
Air Bank a.s. Hráského 2231/25 Post Code: 148 00 Prague	Company No. 290 45 371. The registered capital: CZK 500 million. The principal activity of the Bank is the provision of banking products and services to individual customers in the Czech Republic such as deposits, savings and current accounts, payments, debit and credit cards, loans.
Home Credit Slovakia, a.s. Teplická 7434/147 921 22 Piešťany the Slovak Republic	Company No. 362 34 176. The registered capital: EUR 18,821 thousand. The main activity of the company is the provision of financing through POS loans, cash loans, car loans and credit cards in the Slovak Republic.

While there has been a favorable macroeconomic backdrop in the Czech Republic and Slovakia, growth opportunities have been more constrained than in prior years. As our Czech and Slovakian business is managed by a joint management team, it is easier to respond to both opportunities and challenges presented by both markets.

However, the Czech Republic - a relatively small, mature market of 10 million people - remains an important test bed for our latest innovations, both in terms of product offers and in online distribution, before these are rolled out to more populated markets.

Slovakia's business experienced some limits stemming from changes to the regulatory framework, which requires all lenders to have a trustworthy proof of income from each applicant. While local banks have been given an access to the state-run, obligatory pension system database which greatly facilitates the checking of a citizens' income, non-banking lenders still strive to get it. The 'while you shop' business model in points of sale is therefore somewhat complicated.

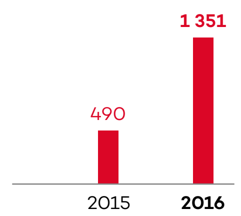
Air Bank continues to redefine retail banking in the Czech Republic and has already become profitable on a standalone basis.

Overall, performance of the Czech and Slovakian business has remained strong and stable, leveraging its two self-standing brands - Home Credit, the non-banking lending company, and Air Bank, the retail bank with a full banking licence in the Czech Republic and in Slovakia, we strongly leverage a historical cross-sell database.

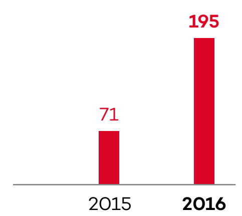
Air Bank, which continues to redefine retail banking through the concept of "being the first bank that people actually like", has been very successful in gathering retail deposits. It has also successfully underwritten loans to more affluent customers, and it has gradually grown its cash loan portfolio and its number of active clients, which rose to 520,000 customers at the end of the year.

Air Bank has also been successful in developing its online disbursement of cash loans: out of CZK 8.5 billion of new volumes in 2016, only 0.8% was underwritten at brick branches. Air Bank also moved into refinancing mortgages and into travel insurance during the year. Air Bank continues to fund Home Credit retail receivables on a limited scale.

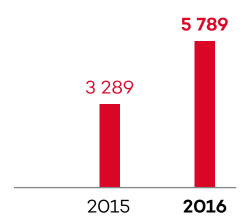
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



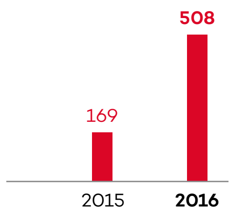
India

Home Credit India Finance Private Limited Tower C, DLF Infinity Towers, DLF Cyber City Phase II, Gurgaon, Haryana 122002, India	Company No. U65910HR1997PTC047448. The authorised registered capital: INR 21,000 million. The main activity:provision of POS and cash loans to retail customers in India.

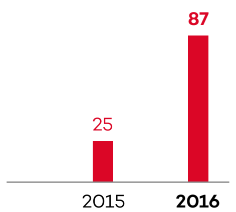
The Group sees India as the next big growth market for its consumer lending business and therefore is developing its footprint in this country at a rapid but steady pace. Our distribution network included almost 6,000 points of sale in 70 cities across 15 Indian states at the end of 2016. Home Credit in India hit a landmark of 1 million customers in the middle of 2016. The business has seen an acceleration in new loans, which rose almost 178.0% year-on-year; its net loans stood at EUR 195 million at the end of 2016, up from just EUR 11 million in the last three years.

As we are still in the investment phase, our Indian operations still require a significant amount of capital from the Group. This is being used both for maintaining the required capital adequacy and for providing refinancing as external funding is less available at this stage.

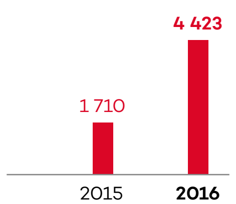
Number of Active Clients* (thousands):



Net loans to clients* (MEUR):



Number of points of sale:



* including assets under management

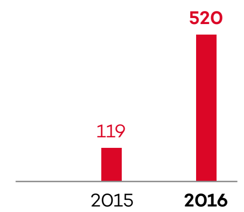
Indonesia

PT. Home Credit Indonesia
8th and 9th Floors, Plaza Oleos,
Jl. TB Simatupang No. 53A,
Jakarta 12520, Indonesia

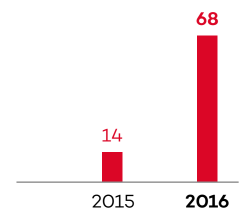
Company No. NPWP 03.193.870.7-021.000.
The authorised registered capital: IDR 800,000 million.
The main activity: provision of POS loans to retail customers in Indonesia.

In 2016, our Indonesian business registered growth in newly underwritten loan volumes of 251% year-on-year. The year also saw an important investment milestone: we grew our market share from about 3% at the beginning of the year to 31% by the end of December, and more than doubled our POS network which now covers 37 cities. We have reasons to believe that we have already become the second largest POS lender in the country. This is reflected in the growth of our customer base: we went up from tens of thousands of clients in 2013 to more than half a million people at the end of 2016. The business is on track to hit the one million customer mark over the course of 2017 and is well on its way to delivering a strong performance in the near future.

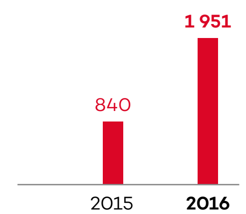
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



The Philippines

HC Consumer Finance Philippines, Inc.
Union Bank Plaza, Meralco Ave. cor. Onyx Road,
Ortigas Central Business District,
Pasig City, The Philippines

Company No. CS201301354.
The authorised registered capita: PHP 5,000 million.
The main activity:provision of POS and cash loans to retail customers in Philippines.

In the Philippines, the company expanded its distribution network from thirteen to twenty one provinces in 2016 and aims to cover all provinces by the end of 2017. The volume of newly disbursed loans increased by 433.8% year on year. We have increased our presence up to 2,000 points of sale from less than 60 in 2013. Our close partnership with manufacturers translated into a nearly five-fold increase in net loans and a more than four-fold increase in our active customer base, to 520,000 borrowers. Today, our business is already absorbing its overhead costs, putting it on track for breaking even.

United States of America

Home Credit US, LLC 3500 S. Dupont Highway, Doves, Delaware 199901, The United States of America	Company No. 5482663. The authorised capital: USD 9,495,000. The main activity (currently): providing underwriting services for Sprint, our joint venture partner.

Home Credit's 2016 mission in the United States was to assist Sprint in credit-scoring and underwriting loans for near-prime customers to help expand Sprint's customer base and increase take-up rates without compromising the existing level of risk.

Our ability to do so, thanks to the unique predictive power of our proprietary scorecards, has proved the validity of our business model in the world's most demanding consumer lending market. Before we entered the joint venture with Sprint, they evaluated customer risk using systems provided by leading credit scorers in the U.S. Sprint's migration to our risk evaluation and management system enabled the telecoms operator to improve its credit products without increasing risk. Sprint's customer pool has grown by as much as 19 percent and we enabled the company to add hundreds of thousands of new clients in just one year while maintaining the same risk level.

Servicing entities

Home Credit Asia Limited 36/F, Tower Two, Times Square, 1 Matheson Street, CAUSEWAY BAY, Hong Kong	Company No. 890063. The registered capital: EUR 221,564 thousand

This company founded as a legal entity in 2006 and domiciled in Hong Kong, is primarily a holding and financing company consolidating selected Chinese and Hong Kong operations of the Home Credit Group. Home Credit Asia Limited currently provides funding to its subsidiaries through equity investments.

Home Credit Asia Limited serves as a management company providing shareholder and consultancy services to the Home Credit Group businesses operating in Asian markets. Since early 2012, it has provided support to Home Credit Group companies in China, Vietnam, India, Indonesia, and the Philippines and it also cooperates on other Group business development projects in Asia.

Home Credit International a.s. Evropská 2690/17, 160 41 Prague The Czech Republic	Company No. 601 92 666 The registered capital: CZK 160 million

This company conducts business in the area of data processing, databank services, administration of networks, provision of software and consulting in the area of hardware and software and its main activity is the provision of core business operations for the IS/IT system infrastructure as well as providing advisory services to other Group companies.

22.6

million

signed contracts in 2016

8. Other information

8.1. Issued bonds

ISIN:	CZ0000000831
Listed on:	Prague Stock Exchange
Issue date:	10 February 2017
Aggregate principal amount:	CZK 1,998,000,000
Denomination of each Note:	CZK 3,000,000
Redemption of principal amount:	30 March 2020
Interest rate:	3.75% p.a.
Interest paid:	Semi-annually on 30 March and 30 September of each year (the first interest payment shall be deferred to and become due on 30 September 2018)
Other information:	Bearer securities in book-entry form, in accordance with Czech law

8.2. List of significant contracts

The Group companies entered into the following significant agreements in 2016:

Parties	Subject Matter	Date
Home Credit B.V. + Merrill Lynch International + HSBC Bank plc acting through HSBC Bank plc – pobočka Praha + ING Bank N.V., Prague Branch + ING Bank N.V., London Branch + Komerční banka, a.s. + SOCIETE GENERALE, Frankfurt Branch + PPF banka a.s. + Sberbank CZ, a.s. + CREDIT BANK OF MOSCOW + Raiffeisenbank a.s. + Expobank CZ a.s. + VTB Bank (Austria) AG	Amendment Agreement relating to the Term Facility Agreement	27/6/2016
Home Credit Asia Limited + Home Credit Asia N.V.	Loan agreement	16/12/2016
Home Credit B.V. + Home Credit US, LLC	Amendment to loan agreement	23/12/2016
Home Credit B.V. + Home Credit Slovakia, a.s.	Loan agreement	19/12/2016
Home Credit B.V. + PPF Group N.V.	Amendment to loan agreement	26/8/2016
	Loan agreement	28/12/2016
Home Credit B.V. + Shenzhen Home Credit Financial Service Co., Ltd.	Loan agreement	17/11/2016
Home Credit & Finance Bank LLC + Home Credit B.V.	Loan agreement	15/1/2016
	Loan agreement	7/7/2016
	Loan agreement	5/12/2016
	Loan agreement	8/12/2016
	Loan agreement	7/7/2016
Home Credit B.V. + PPF banka a.s.	Loan agreement	8/7/2016
Home Credit B.V. + PPF Financial Holdings B.V.	Loan agreement	14/1/2016
	Loan agreement, as amended	15/3/2016
	Loan agreement, as amended	14/6/2016
Home Credit Indonesia B.V. + Mrs. Wanda Ariestiani Evans + PT Home Credit Indonesia	Joint Venture Agreement	15/7/2016

8.3. Audit fees

TEUR	2016	2015
HOME CREDIT BV		
Statutory audit	152	149
Other audit services	104	102
Total	**256**	**251**
CONSOLIDATED		
Statutory audit	1,182	1,202
Other audit services	254	320
Tax advisory	139	493
Other services	108	295
Total	**1,683**	**2,310**

8.4. Monetary and non-monetary income of key management personnel

The overall consolidated monetary and non-monetary income in relation to transactions with members of key management personnel in 2016 was TEUR 23,880 (2015: TEUR 15,647).

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

Monetary and non-monetary income of key management personnel in 2016

TEUR	Total	Paid by Company	Paid by subsidiaries
Total income of Statutory bodies	**19,212**	**107**	**19,105**
Monetary	**18,473**	107	18,366
for membership in Statutory bodies	**735**	-	735
from employment	**17,738**	107	17,631
Non-monetary from employment	**739**	-	739
Total income of Supervisory bodies	**1,210**	**-**	**1,210**
Monetary	**1,191**	-	1,191
for membership in Supervisory bodies	**10**	-	10
from employment	**1,181**	-	1,181
Non-monetary from employment	**19**	-	19
Total income of Other governing bodies	**3,458**	**-**	**3,458**
Monetary from employment	**3,302**	-	3,302
Non-monetary from employment	**156**	-	156
Total	**23,880**	**107**	**23,773**

Monetary and non-monetary income of key management personnel in 2015

TEUR	Total	Paid by Company	Paid by subsidiaries
Total income of Statutory bodies	**13,328**	**106**	**13,222**
Monetary	**12,120**	106	12,014
for membership in Statutory bodies	**16**	-	16
from employment	**12,104**	106	11,998
Non-monetary from employment	**1,208**	-	1,208
Total income of Supervisory bodies	**559**	**-**	**559**
Monetary	**551**	-	551
for membership in Supervisory bodies	**8**	-	8
from employment	**543**	-	543
Non-monetary from employment	**8**	-	8
Total income of Other governing bodies	**1,760**	**-**	**1,760**
Monetary from employment	**1,619**	-	1,619
Non-monetary from employment	**141**	-	141
Total	**15,647**	**106**	**15,541**

Monetary income is the total monetary earnings provided by the Company and the entities controlled by the Company to the key management personnel, i.e. remuneration for membership in statutory bodies and income from employment, including salaries and bonuses.

Non-monetary income is the total value of all non-monetary income provided by the Company and the entities controlled by the Company to the key management personnel, i.e. a company car, pension insurance and other benefits.

8.5. Remuneration principles

Members of the Board of Directors (i.e. members of the statutory body) of the Company receive their remuneration based on a contract concluded either with the Company, PPF Group N.V., or another Group Company. All employment contracts have been negotiated with the respective employer and concluded on an individual basis. The remuneration of the members of the Board of Directors consists of a fixed remuneration only. The remuneration is paid to the members of the Board of Directors for the performance of their competencies for which they are responsible pursuant to Section 7.3 of this report, i.e. for the performance of their role as members of the Board of Directors of the Company only. No remuneration committee on the Company level has been established.

8.6. Exposure to risks

The most significant risks faced by the Company and its subsidiaries as well as the management of the risks are described in Note 4 included in the Appendix "Home Credit B.V., Consolidated Annual Accounts for the year ended 31 December 2016" and in Note 4 included in the Appendix "Home Credit B.V., Unconsolidated Annual Accounts for the year ended 31 December 2016".

The risk related specifically to the financial reporting process is managed through a number of internal controls. The Company and its subsidiaries set and update their internal policies in accordance with the latest recommendations of the regulatory bodies, international professional organisations and auditors. The companies use standard internal controls described in a set of internal guidelines. The most significant internal controls are as follows:

- Clear document flow (specific approval limits and responsibilities for individual management levels and areas of expertise).
- Clear accounting workflow, with clearly defined responsibilities and deadlines, including strict rules for corrections of accounting entries and clearly tracking them.
- Limited access to accounting systems and reporting tools.
- International Financial Reporting Standards as a base for both external and internal reporting of the whole Group. This simplifies the reconciliations between more detailed internal reports and reports for external use and also ensures the greater reliability of external reports.
- Accounting policies and measurement methods of individual assets and liabilities defined in the "Reporting and Accounting Manual", which is valid for the whole PPF Group. Specific issues and more details are described in the "Financial Reporting Manual" of the Group.
- Regular reporting of individual companies to the Chief Financial Officer of the Group and his team. The financial reports of individual companies are overseen by the Group finance team and submitted to the Group Executive Committee monthly.
- The Group finance team coordinates accounting methods and policies used across the whole Group.

Individual (stand-alone) IFRS financial statements of the Company are prepared quarterly and are audited annually. Consolidated IFRS financial statements of the Company are prepared quarterly. Semi-annual and annual consolidated financial statements of the Company are subject to an auditor's review and audit respectively.

Significant Home Credit B.V.'s subsidiaries prepare annual financial statements, which are audited. In addition, certain subsidiaries prepare unaudited interim financial statements quarterly.

8.7. Legal, administrative and arbitration proceedings

As at the date of the publication of this report the Company is not involved in any legal, administrative or arbitration proceedings that could have a material negative impact on the financial situation or business of the Company.

8.8. Decision making process of statutory and supervisory bodies

The strategic management of individual Group companies is overseen by the Board of Directors and a group of top managers. The centralisation of some of its functions helps to increase the efficiency of the Group's expansion, and facilitates the sharing of knowledge and expertise in all markets where the Group is present.

The Board of Directors is responsible for the management and business affairs of the Group, which includes financial accounting and controls, capital and risk management, and the principal operating activities of the Group subsidiaries.

The activity of the Board of Directors is supported in its management and decision-making process by Strategy, Operating, HR, Government Relations and PR Committees made up by Home Credit Group's top managers. At their regular meetings (occurring at least monthly), the committees review day-to-day developments within individual businesses and respective areas of their focus, discuss aspects of the Group strategy and formulate recommendations for the Board of Directors.

8.9. Decision making process and scope of authority of General meeting

The General Meeting of the shareholders is the supreme authority within the company. All powers that are not exclusively attributed to any other corporate body can be exercised by the General Meeting within the limitations set by the law and the articles of association in addition to those powers that are expressly designated to the General Meeting pursuant to the law. The General Meeting may make certain decisions of the Board of Directors subject to its consent.

At least once a year a physical meeting of the General Meeting will be convened. The agenda of such a meeting will be determined by the Board of Directors. Furthermore, the General Meeting may also adopt decisions outside meetings in writing. Unless otherwise required the General Meeting resolves by a majority of votes cast in a meeting without a quorum being required. Each share in the share capital of the company represents in principle one vote in the General Meeting.

8.10. Codes of corporate governance

The Company is not bound to any corporate governance code. However, as the Company recognises the importance of proper and effective corporate governance, the Company observes and draws inspiration from the best practice, recommendations and broadly recognised standards of sound corporate governance to the extent these are appropriate and practicable having regard to the size and nature of the Company.

8.11. Research and development

The Company had no activities in the field of research and development (as understood under the relevant tax and accounting rules) during the year ended 31 December 2016.

8.12. Activities in area of environmental protection

The Company is fully aware of the importance of maintaining a healthy and intact environment for both present and future generations. Thus, the Company complies with all regulations relating to the protection of the environment.

8.13. Information on other significant contracts

The Company has not entered into any significant contracts that will enter into force, change or expire in the event of change of control of the Company as a result of a takeover bid.

The Company has no policy, based on which the employees or directors are eligible to acquire shares of the Company, share options or any other rights to the shares, under advantageous conditions.

11.5 **billion Euros**

lent to our customers in 2016

KPMG

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Praha 8
Česká republika
+420 222 123 111
www.kpmg.cz

Report to the Shareholders of Home Credit B.V.

KPMG Accountants N.V. issued auditor's reports on Home Credit B.V.'s ("Company") consolidated and unconsolidated financial statements on 28 February 2017, which are included in this consolidated annual report.

Basis for Opinion

We conducted our procedures in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

KPMG Accountants N.V.'s opinion on the financial statements does not cover the other information. In connection with the audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený Městským soudem v Praze oddíl C, vložka 24185

IČO 49619187
DIČ CZ699001996
ID datové schránky: 8h3gtra

KPMG

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

Prague
28 April 2017

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Registration number 71

Jindřich Vašina
Partner
Registration number 2059

9. Financial information

9.1. Consolidated financial information of the Company

Consolidated financial information is included in the appendix "Home Credit B.V., Consolidated Annual Accounts for the year ended 31 December 2016".

9.2. Unconsolidated financial information of the Company

Unconsolidated financial information is included in the appendix "Home Credit B.V., Unconsolidated Annual Accounts for the year ended 31 December 2016".

Appendix

Consolidated Annual Accounts

for the year ended 31 December 2016

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 practice a distinctive business model of providing consumer finance products which are easily accessible even at the lower end of the economic scale. This is a formula which has been successfully rolled out across a number of countries in Central & Eastern Europe and Asia. Companies held by HCBV are market leaders in most markets they operate in, namely in Russia and major Asian countries such as China and Vietnam, and have a promising foothold in India, Indonesia and the Philippines. These companies are keenly focused on offering industry-leading products to customers, including first-time borrowers, putting great effort into educating them in the principles of financial literacy. HCBV is vigilant on companies' risks and costs.

As at 31 December 2016, Companies held by HCBV served 20.1 million active customers (2015: 12.5 million) across its operations: the Czech Republic (operational since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), China (2007), Belarus (2007), Vietnam (2009), India (2012), Indonesia (2013), the Philippines (2013) and the United States of America (2015).

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 24.2 billion (as at 30 June 2016).

For more information on PPF, visit www.ppf.eu.

The remaining 11.38% minority stake in HCBV is held by EMMA OMEGA LTD, an investment holding company ultimately owned by Mr. Jiří Šmejc.

Highlights

The year 2016 demonstrated the strength of Home Credit's business model, balancing the high-growth and strong customer acquisition of our Asian operations with the solid performance and sustained profits from Russia. All of our established businesses including Russia, Kazakhstan, China and Vietnam contributed positively to the full-year profit while our more nascent operations, such as in India and Indonesia, which are still in their investment phase, remain on track.

Not only did Russia deliver a profitable performance every quarter last year ("Profit before tax") and maintained its leadership in point of sale (POS) lending, but it has halved the level of non-performing loans. It is also making major inroads into the online arena for sales, payments and services. This was reflected in ratings agencies changing their outlook to 'stable' for our Russia's operations.

China has solidified its standing as the Group's biggest operation; at the same time the Group also continues to successfully develop its business in Vietnam, Indonesia, India and the Philippines. Our scale has made us an attractive partner for manufacturers seeking to obtain new, untapped consumers. Working with electronics manufacturers such as OPPO of China and Samsung of South Korea, the Group has been able to offer zero or low interest products, bringing us many new customers while enabling partners to extend their reach in key markets. This has been a core driver of the Group’s growth in the region.

The Group sustained market-leading positions in key markets, including some of the most important countries in Asia, and has a promising foothold in the US. At the same time, the Group remains able to adapt quickly while being vigilant on risk and costs.

Key Results

Quarterly earnings growth accelerated throughout 2016 with fourth-quarter net profit of EUR 78.9 million the strongest of the year resulting in a net profit for the full year of EUR 210.2 million. This marks a return to full-year profitability following a loss of EUR 41.6 million in 2015 and reflects much improved risk performance against the background of a diversified funding base and growth of our asset base. The growing contribution from Asia and the recovery in Russia following the steps taken there to re-align the business with the changed economic environment have a positive impact on the results as well. While the operational situation in Russia has stabilized, consumer lending remains under pressure as real disposal income continues to fall. However, Home Credit is now well adapted to this operational context.

Importantly, the Return on Average Equity rose strongly to 16.2% in the fourth quarter from minus 3.3% a year earlier. The Cost to Income ratio increased to 55.7% (2015: 54.8%) reflecting the different mix of products, in particular the impact of the successful zero interest loans, which in turn substantially reduced the Cost of Risk ratio to 7.6% from 13.2% a year earlier. The improving performance in Russia and careful management of the loan portfolio also benefited the overall non-performing loans ratio which was solidly in single digits throughout the year falling to its lowest level in five years at 6.1% in the fourth quarter (Q4 2015: 10.0%).

Home Credit’s distinctive business model of providing consumer finance products which are easily accessible even at the lower end of the economic scale, and the Group’s size, make it attractive to manufacturers and retailers in a number of its markets who are seeking a consumer finance partner. This in turn supports Home Credit’s rapid development, particularly in Asia, with innovative products based on zero-percent interest rate. New loans granted in 2016 totaled EUR 11,536 million, representing an increase of 76% compared to 2015, with the Group having 20.1 million active customers at the end of 2016.

Home Credit’s global POS network is a key pillar of its successful distribution model and incorporates 270,537 sites worldwide and provides access to customers in areas where bank and post office branches are more limited. The expansion of the POS network was strongest in Asia, where the success in particular of zero-interest rate products has supported the increase to 160,312 sites.

The Group also continued to diversify its sources of funding and in October, issued its first asset-backed securities (ABS) in China’s interbank bond market, with a total size of over RMB 1.3 billion (equivalent of EUR 177.6 million), marking a further contribution to the development of China’s consumer finance industry.

Staff development, environmental influence and research and development

The average number of employees during 2016 was 90,958.

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 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.

28 February 2017

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

Consolidated Statement of Financial Position

as at 31 December 2016

TEUR	Note	2016	2015
Assets			
Cash and cash equivalents	7	2,412,280	1,343,301
Debt securities at fair value through profit or loss	8	201,091	176,879
Financial assets available-for-sale	9	1,045,188	1,204,608
Positive fair value of derivative instruments	10	3,290	112,281
Due from banks, other financial institutions and holding companies	11	396,853	391,150
Loans to customers	12	9,865,840	5,835,110
Financial assets held-to-maturity		-	6,118
Assets classified as held for sale	13	1,972	2,045
Current income tax receivables		6,692	5,723
Investments in associates	14	2,150	1,524
Property and equipment	15	161,004	137,501
Intangible assets	16	171,318	136,418
Deferred tax assets	17	179,884	125,565
Other assets	18	256,263	177,740
Total assets		**14,703,825**	**9,655,963**
Liabilities			
Negative fair value of derivative instruments	19	28,142	18,322
Current accounts and deposits from customers	20	5,401,130	4,908,631
Due to banks, other financial institutions and holding companies	21	6,427,274	2,330,836
Debt securities issued	22	319,738	373,090
Subordinated liabilities	23	416,198	427,519
Current income tax liabilities		117,779	45,041
Deferred tax liabilities	17	12,130	22,257
Insurance and other provisions	24	42,134	45,819
Other liabilities	25	437,937	288,710
Total liabilities		**13,202,462**	**8,460,225**
Equity attributable to equity holders of the Company			
Share capital	26	659,020	659,020
Share premium	26	479,872	479,872
Statutory reserves	26	57,878	38,599
Foreign currency translation	26	(505,576)	(604,427)
Cash flow hedge reserve	26	-	3,728
Reserve for business combinations under common control	26	(91,228)	(91,228)
Revaluation reserve	26	22,434	23,127
Other reserves	26	872,621	682,280
Total equity attributable to equity holders of the Company		**1,495,021**	**1,190,971**
Non-controlling interests	**27**	**6,342**	**4,767**
Total equity		**1,501,363**	**1,195,738**
Total liabilities and equity		**14,703,825**	**9,655,963**

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

TEUR	Note	2016	2015
Continuing operations			
Interest income	28	2,196,563	1,856,954
Interest expense	28	(664,969)	(649,459)
Net interest income		**1,531,594**	**1,207,495**
Fee and commission income	29	514,114	394,116
Fee and commission expense	30	(96,179)	(89,667)
Net fee and commission income		**417,935**	**304,449**
Insurance income	**31**	**21,969**	**35,361**
Net (losses)/gains on financial assets and liabilities	32	(10,087)	1,472
Other operating income	33	38,976	69,883
Operating income		**2,000,387**	**1,618,660**
Impairment losses on financial assets	34	(562,587)	(725,086)
General administrative expenses	35	(1,028,662)	(795,246)
Other operating expenses	36	(86,035)	(91,281)
Operating expenses		**(1,677,284)**	**(1,611,613)**
Losses on disposals of associates and subsidiaries		(77)	(488)
Share of earnings in associates		1,886	1,943
Profit before tax		**324,912**	**8,502**
Income tax expense	37	(114,679)	(50,103)
Net profit/(loss) from continuing operations for the year		**210,233**	**(41,601)**
Profit/(loss) attributable to:			
Equity holders of the Company		212,797	(40,355)
Non-controlling interests	27	(2,564)	(1,246)
		210,233	**(41,601)**
Other comprehensive income/(loss) which will be subsequently reclassified to profit or loss:			
Currency translation		95,744	(88,011)
Revaluation gains on available-for-sale financial assets		6,132	3,523
Revaluation of available-for-sale financial assets transferred to profit or loss		(6,985)	11,532
Cash flow hedge reserve – effective portion of changes in fair value		3,369	(19,954)
Cash flow hedge reserve – net amount transferred to profit or loss		(3,993)	8,400
Income tax relating to components of other comprehensive income		285	762
Other comprehensive income/(loss) which will not be subsequently reclassified to profit or loss:			
Remeasurements of the defined benefit liability		(47)	61
Other comprehensive income/(loss) for the year		**94,505**	**(83,687)**
Total comprehensive income/(loss) for the year		**304,738**	**(125,288)**
Total comprehensive income attributable to:			
Equity holders of the Company		307,170	(124,484)
Non-controlling interests		(2,432)	(804)
		304,738	**(125,288)**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

2016 TEUR	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	2016 TEUR
	Atributable to equity holders of the Company											
Balance as at 1 January 2016	659,020	479,872	38,599	(604,427)	(91,228)	23,127	3,728	682,280	**1,190,971**	4,767	**1,195,738**	Balance as at 1 January 2016
Disposal of subsidiaries	-	-	-	10	-	-	-	-	**10**	-	**10**	Disposal of subsidiaries
Changes in non-controlling interests	-	-	-	-	-	-	-	(3,130)	**(3,130)**	4,007	**877**	Changes in non-controlling interests
Transfers	-	-	19,279	-	-	-	-	(19,279)	**-**	-	**-**	Transfers
Total	**659,020**	**479,872**	**57,878**	**(604,417)**	**(91,228)**	**23,127**	**3,728**	**659,871**	**1,187,851**	**8,774**	**1,196,625**	**Total**
Currency translation	-	-	-	98,841	-	-	(3,229)	-	**95,612**	132	**95,744**	Currency translation
Revaluation gains on available-for-sale financial assets, net of tax	-	-	-	-	-	5,006	-	-	**5,006**	-	**5,006**	Revaluation gains on available-for-sale financial assets, net of tax
Revaluation of available-for-sale financial assets transferred to profit or loss, net of tax	-	-	-	-	-	(5,699)	-	-	**(5,699)**	-	**(5,699)**	Revaluation of available-for-sale financial assets transferred to profit or loss, net of tax
Change in cash flow hedge reserve, net of tax	-	-	-	-	-	-	(499)	-	**(499)**	-	**(499)**	Change in cash flow hedge reserve, net of tax
Defined benefit plan reserve	-	-	-	-	-	-	-	(47)	**(47)**	-	**(47)**	Defined benefit plan reserve
Profit/(loss) for the year	-	-	-	-	-	-	-	212,797	**212,797**	(2,564)	**210,233**	Profit/(loss) for the year
Total comprehensive income for the year	**-**	**-**	**-**	**98,841**	**-**	**(693)**	**(3,728)**	**212,750**	**307,170**	**(2,432)**	**304,738**	**Total comprehensive income for the year**
Total changes	**-**	**-**	**19,279**	**98,851**	**-**	**(693)**	**(3,728)**	**190,341**	**304,050**	**1,575**	**305,625**	**Total changes**
Balance as at 31 December 2016	**659,020**	**479,872**	**57,878**	**(505,576)**	**(91,228)**	**22,434**	**-**	**872,621**	**1,495,021**	**6,342**	**1,501,363**	**Balance as at 31 December 2016**

2015 TEUR	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	2015 TEUR
	Atributable to equity holders of the Company											
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**	Balance as at 1 January 2015
Disposal of subsidiaries	-	-	-	(641)	-	-	-	-	**(641)**	-	**(641)**	Disposal of subsidiaries
Acquisition of subsidiaries	-	-	-	(10,219)	(10,543)	13,985	-	(88,952)	**(95,729)**	-	**(95,729)**	Acquisition of subsidiaries
Share premium increase	-	180,000	-	-	-	-	-	-	**180,000**	-	**180,000**	Share premium increase
Changes in non-controlling interests	-	-	-	-	-	-	-	(3,228)	**(3,228)**	1,747	**(1,481)**	Changes in non-controlling interests
Transfers	-	-	13,928	-	-	-	-	(13,928)	**-**	-	**-**	Transfers
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**	**Total**
Currency translation	-	-	-	(88,453)	-	-	-	-	**(88,453)**	442	**(88,011)**	Currency translation
Revaluation of available-for-sale financial assets, net of tax	-	-	-	-	-	13,506	-	-	**13,506**	-	**13,506**	Revaluation of available-for-sale financial assets, net of tax
Change in cash flow hedge reserve, net of tax	-	-	-	-	-	-	(9,243)	-	**(9,243)**	-	**(9,243)**	Change in cash flow hedge reserve, net of tax
Defined benefit plan reserve	-	-	-	-	-	-	-	61	**61**	-	**61**	Defined benefit plan reserve
Loss for the year	-	-	-	-	-	-	-	(40,355)	**(40,355)**	(1,246)	**(41,601)**	Loss for the year
Total comprehensive loss for the year	**-**	**-**	**-**	**(88,453)**	**-**	**13,506**	**(9,243)**	**(40,294)**	**(124,484)**	**(804)**	**(125,288)**	**Total comprehensive loss for the year**
Total changes	**-**	**180,000**	**13,928**	**(99,313)**	**(10,543)**	**27,491**	**(9,243)**	**(146,402)**	**(44,082)**	**943**	**(43,139)**	**Total changes**
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**	**Balance as at 31 December 2015**

Consolidated Statement of Cash Flow

for the year ended 31 December 2016

TEUR	Note	2016	2015
Operating activities			
Profit before tax		324,912	8,502
Adjustments for:			
Interest expense	28	664,969	649,459
Net loss on disposal of property, equipment and intangible assets	36	1,078	8,871
Net loss on disposal of subsidiaries and associates		77	488
Net unrealized foreign exchange loss		283,062	13,012
Impairment losses	34,36	564,609	728,702
Share of earnings in associates		(1,886)	(1,943)
Depreciation and amortization	36	82,633	78,507
Net operating cash flow before changes in working capital		**1,919,454**	**1,485,598**
Change in due from banks, other financial institutions and holding companies		18,150	(158,835)
Change in loans to customers		(4,361,424)	(981,589)
Change in positive fair value of derivative instruments		108,991	48,714
Change in debt securities at fair value through profit or loss		(24,212)	9,701
Change in other assets		(79,321)	(24,084)
Change in held for sale assets		73	3,660
Change in current accounts and deposits from customers		(24,296)	59,992
Change in negative fair value of derivative instruments		9,820	1,736
Change in other liabilities and insurance and other provisions		130,659	18,529
Cash flows (used in)/from the operations		**(2,302,106)**	**463,422**
Interest paid		(706,015)	(788,638)
Income tax paid		(92,473)	(75,255)
Cash flows used in operating activities		**(3,100,594)**	**(400,471)**
Investing activities			
Proceeds from sale of property, equipment and intangible assets		2,600	4,759
Acquisition of property, equipment and intangible assets		(128,417)	(94,449)
Proceeds from sale of subsidiaries and associates		10	56
Dividends from associates		1,616	2,637
Proceeds from available-for-sale financial assets		1,163,903	1,094,701
Proceeds from held-to-maturity financial assets		6,118	-
Acquisition of available-for-sale financial assets		(1,005,176)	(1,137,372)
Acquisition of held-to-maturity financial assets		-	(6,118)
Acquisition of investment in subsidiaries, net of cash acquired	1	-	274,061
Cash flows from investing activities		**40,654**	**138,275**
Financing activities			
Proceeds from the issue of debt securities		269,974	15,938
Repayment of debt securities issued		(335,402)	(324,970)
Proceeds from due to banks, other financial institutions and holding companies		12,717,173	8,616,243
Repayment of due to banks, other financial institutions and holding companies		(8,588,044)	(7,506,490)
Cash flows from financing activities		**4,063,701**	**800,721**
Net increase in cash and cash equivalents		1,003,761	538,525
Cash and cash equivalents as at 1 January		1,343,301	865,552
Effects of exchange rate changes on cash and cash equivalents		65,218	(60,776)
Cash and cash equivalents as at 31 December	7	**2,412,280**	**1,343,301**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2016

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

		Ownership interest (%)	
Shareholders	**Country of incorporation**	**2016**	**2015**
PPF Financial Holdings B.V.	Netherlands	88.62	88.62
EMMA OMEGA LTD	Cyprus	11.38	11.38

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

1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 2016	Ownership interest (%) 2015
Non-banking Credit and Financial Organization "Home Credit" (OJSC)[1)]	Belarus	100.00	100.00
Asnova Insurance (CJSIC)[2)]	Belarus	100.00	100.00
Guangdong Home Credit Number Two Information Consulting Co., Ltd.[3)]	China	100.00	100.00
Home Credit Business Management (Tianjin) Co., Ltd.[4)]	China	-	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 FinancialService 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.[5)]	China	100.00	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)	Czech Republic	100.00	100.00
Zonky (LLC)[6)]	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.[5)]	Egypt	100.00	100.00
Favour Ocean Limited	Hong Kong	100.00	100.00
Home Credit Asia Limited	Hong Kong	100.00	100.00
Saint World Limited	Hong Kong	100.00	100.00
Home Credit India Finance Private Limited	India	100.00	100.00
PT. Home Credit Indonesia	Indonesia	85.00	85.00
Home Credit Kazakhstan (JSC)[5)]	Kazakhstan	100.00	100.00
Home Credit and Finance Bank (SB JSC)	Kazakhstan	100.00	100.00
Eurasia Capital S.A.[7)]	Luxembourg	0.00	0.00
Eurasia Structured Finance No.1 S.A.[4) 7)]	Luxembourg	-	0.00
AB 1 B.V.[8)]	Netherlands	-	100.00
AB 2 B.V.	Netherlands	100.00	100.00
AB 3 B.V.[8)]	Netherlands	-	100.00
AB 4 B.V.	Netherlands	100.00	100.00
AB 5 B.V.[8)]	Netherlands	-	100.00
AB 6 B.V.[8)]	Netherlands	-	100.00
AB 7 B.V.	Netherlands	100.00	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.[7)]	Netherlands	0.00	0.00
Eurasia Structured Finance No.4 B.V.[7)]	Netherlands	0.00	0.00
HC Consumer Finance Philippines, Inc.[9)]	Philippines	99.28	98.54
Home Credit and Finance Bank (LLC)	Russian Federation	100.00	100.00
Financial Innovations (LLC)	Russian Federation	100.00	100.00
MCC Kupi ne kopi (LLC)[10)]	Russian Federation	100.00	100.00
Home Credit Online (LLC)	Russian Federation	100.00	100.00
Bonus Center Operations (LLC)11)	Russian Federation	100.00	100.00
Home Credit Insurance (LLC)	Russian Federation	100.00	100.00
HC Finance (LLC)[12)]	Russian Federation	0.00	0.00
HC Finance No. 2 (LLC)[12)]	Russian Federation	0.00	0.00
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00
Collect-Credit (LLC)[13)]	Ukraine	-	100.00
Homer Software House (LLC)	Ukraine	100.00	100.00
Home Credit US (LLC)	USA	50.10	50.10
Home Credit US Holding (LLC)	USA	100.00	100.00
Home Credit Vietnam Finance Company Limited	Vietnam	100.00	100.00

1) in July 2016 Home Credit Bank (OJSC) was renamed to Non-banking Credit and Financial Organization "Home Credit" (OJSC)
2) in September 2016 PPF Insurance (FICJSC) was renamed to Asnova Insurance (CJSIC)
3) in September 2016 Guangdong Home Credit Financing Guarantee Co., Ltd. was renamed to Guangdong Home Credit Number Two Information Consulting Co., Ltd.
4) subsidiaries were liquidated
5) subsidiaries in the process of liquidation
6) in March 2016 Different Money (LLC) was renamed to Zonky (LLC)
7) special purpose entities established to facilitate the Group's issues of debt securities and subordinated liabilities
8) in October 2016 subsidiaries AB 1 B.V., AB 2 B.V., AB 3 B.V. merged into subsidiary AB 2 B.V. and subsidiaries AB 4 B.V., AB 5 B.V., AB 6 B.V. merged into subsidiary AB 4 B.V.
9) the Group's share on the voting rights in HC Consumer Finance Philippines, Inc. is 60.00%
10) in May 2016 MFO HC Express (LLC) was renamed to MCC Kupi ne kopi (LLC)
11) subsidiary in the process of liquidation
12) special purpose entities established to facilitate the Group's issues of debt securities and subordinated liabilities
13) subsidiary was sold in June 2016

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 (%) 2016	Ownership interest (%) 2015
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 2016 and 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.

Acquisition date balances of cash and cash equivalents amounting to TEUR 274,948 are presented as part of Acquisition of investment in subsidiaries, net of cash acquired in the consolidated statement of cash flows for the year ended 31 December 2015.

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.

2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2016 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 2016, 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

Cash collateral for derivative instruments was previously presented in category "other" and "loans and term deposits with banks, other financial institutions and holding companies due in more than one month" within due from banks, other financial institutions and holding companies, under "placements with financial institutions due within one month" within cash and cash equivalents and under "other assets". In 2016 it is presented as part of due from banks, other financial institutions and holding companies on a separate line.

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

2. Basis of preparation (continued)

Cash collateral for payment cards was previously presented in category "trade receivables and settlement with suppliers" within other assets, under "loans and term deposits with banks, other financial institutions and holding companies due in more than one month" within due to banks, other financial institutions and holding companies and under "current accounts" within cash and cash equivalents. In 2016 it is presented as part of other assets on a separate line.

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

In the past the cash collaterals were presented under multiple categories of assets and the Group decided to unify their presentation in order to provide more reliable and relevant information.

2015 TEUR	Amount as per previous report	Amount of restatements of cash collateral for payment cards	Amount of restatements of cash collateral for derivative instruments	Amount after restatement
Cash and cash equivalents - Placements with financial institutions due within one month	602,013	-	(2,139)	599,874
Cash and cash equivalents - Current accounts	480,638	(92)	-	480,546
Due from banks, other financial institutions and holding companies - Loans and term deposits with banks, other financial institutions and holding companies due in more than one month	254,508	(22,037)	(3,700)	228,771
Due from banks, other financial institutions and holding companies - Cash collateral for derivative instruments	-	-	15,623	15,623
Due from banks, other financial institutions and holding companies - Other	9,763	-	(9,757)	6
Other assets - Trade receivables and settlement with suppliers	66,997	(16,613)	-	50,384
Other assets - Prepaid expenses	46,878	-	(27)	46,851
Other assets - Cash collateral for payment cards	-	38,742	-	38,742

Minimum reserve deposits with central bank of the Republic of Kazakhstan were previously presented within cash and cash equivalents. In 2016 it was moved to due from banks, other financial institutions and holding companies. Accordingly, as at 31 December 2015 the balance of minimum reserve deposits with central bank of the Republic of Kazakhstan of TEUR 3,798 was reclassified from cash and cash equivalents to due from banks, other financial institutions and holding companies.

Minimum reserve deposits with central bank of the Republic of Kazakhstan have restrictions on their withdrawal placed. Therefore, their classification as due from banks provides better representation of their nature.

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

Statement of Cash Flows
The Group changed the presentation of unrealised foreign exchange gains/(losses) related to certain balance sheet items - Loans to customers, Due from banks and other financial institutions, Current accounts and deposits from customers - previously part of a change in the said category. The net unrealised foreign exchange gains/(losses) are newly presented under a separate line within net operating cash flow before changes in working capital.

Retailers commissions
Retailers commissions included in 2015 in fee and commission income in amount of TEUR 14,475 were moved to interest income from POS loan receivables, as they represent an integral part of the effective interest rate of the related loans and should, therefore, be recognized as income over the expected life of the loan receivables.

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.

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 9.

(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.

2. Basis of preparation (continued)

(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.

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.

(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.

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 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.

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 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.

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. Net gains or net losses on items at fair value through profit or loss exclude interest or dividend income.

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. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

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.

(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, other financial institutions and holding companies or to customers, as appropriate. The difference between the sale and repurchase price represents interest expense and is recognized in the statement of comprehensive income over the terms of the agreement.

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

(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.

3. Significant accounting policies (continued)

(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.

(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	1 – 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

(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.

3. Significant accounting policies (continued)

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.

(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.

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 2016

The following revised standard and annual improvements to IFRSs effective from 1 January 2016 are mandatory and relevant for the Group and have been applied by the Group since 1 January 2016.

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 does not have significant impact on the Group's financial statements.

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

3. Significant accounting policies (continued)

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.

(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 2016 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 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 2014-2016 Cycle (effective from 1 January 2017 and from 1 January 2018)

In November 2015 the IASB published Annual Improvements to IFRSs 2014-2016 Cycle as part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to IFRS 1, IFRS 12 and IAS 28.

These Annual Improvements have not yet been adopted by the EU.

IFRS 9 Financial Instruments (effective from 1 January 2018)

IFRS 9 Financial Instruments, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement, and includes requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

(i) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the whole hybrid instrument is assessed for classification. Equity investments are measured at fair value.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortized cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. The new impairment model generally requires to recognize expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Under IFRS 9, impairment is measured as either expected credit losses resulting from default events on the financial instrument that are possible within the next 12 months ('12-month ECL') or expected credit losses resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Initial amount of expected credit losses recognized for a financial asset is equal to 12-month ECL (except for certain trade and lease receivables, and contract assets, or purchased or originated credit-impaired financial assets). If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

Financial assets for which 12-month ECL is recognized are considered to be in stage 1; financial assets that have experienced a significant increase in credit risk since initial recognition, but are not defaulted are considered to be in stage 2; and financial assets that are in default or otherwise credit-impaired are considered to be in stage 3.

Measurement of expected credit losses is required to be unbiased and probability-weighted, should reflect the time value of money and incorporate reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. Under IFRS 9, credit losses are recognized earlier than under IAS 39, resulting in increased volatility in profit or loss. It will also tend to result in an increased impairment allowance, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population with objective evidence of impairment identified under IAS 39.

Calculation of expected credit losses is likely to be based on the approach (at least for some portfolios), depending on the type of the exposure, stage at which the exposure is classified under IFRS 9, collective or individual assessment, etc.

(iii) Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, aligning the hedge accounting more closely with risk management strategies. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project. IFRS 9 includes an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39.

(iv) Transition

The classification and measurement and impairment requirements are generally applied retrospectively (with some exemptions) by adjusting the opening retained earnings and reserves at the date of initial application, with no requirement to restate comparative periods.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption of the standard is permitted. The Group does not intend to adopt the standard earlier.

3. Significant accounting policies (continued)

Based on its preliminary assessment, the Group, as a consumer financing provider, expects that substantially all of financial assets classified as loans and receivables under IAS 39 will continue to be measured at amortized cost under IFRS 9.

It is expected that most of the Group's debt securities will be measured at FVOCI but the final determination will depend on the outcome of the business model test.

It is expected that deposits from customers will be continued to be measured at amortized cost under IFRS 9.

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, it is expected that the new expected credit loss model under IFRS 9 will accelerate the recognition of impairment losses and lead to higher impairment allowances at the date of initial application. The Group has not yet finalized the impairment methodologies that it will apply under IFRS 9 and is, therefore, not yet able to quantify the expected impact that the initial application of IFRS 9 will have on its 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.

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*.

In April 2016 IASB issued amendments to IFRS 15 clarifying some requirements and providing additional transitional relief for companies that are implementing the new Standard. The clarification have 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.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. This standard is expected to have an impact on the Group's financial statements.

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 Risk Management Department, which are responsible for developing and monitoring risk management policies in their specified areas. Both bodies report regularly to the Board of Directors on their activities.

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

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

(a) Credit risk

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

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

4. Financial risk management (continued)

- 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.

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.

Exposure to credit risk

As of 31 December 2016 TEUR	Cash loans	POS loans	Revolving loans	Other [1]	Total
Individually impaired					
Gross amount	-	-	-	15,989	**15,989**
Allowance for impairment	-	-	-	(2,827)	**(2,827)**
Carrying amount	-	-	-	**13,162**	**13,162**
Not impaired	-	-	-	**164,904**	**164,904**
Collectively impaired					
Gross amount	5,452,402	4,260,857	584,455	227,923	**10,525,637**
Current	4,867,679	3,880,993	467,595	185,117	**9,401,384**
Past due 1 – 90 days	262,278	169,666	41,710	10,929	**484,583**
Past due 91 – 360 days	255,280	184,962	46,687	7,789	**494,718**
Past due more than 360 days	67,165	25,236	28,463	24,088	**144,952**
Allowance for impairment	(457,297)	(263,712)	(86,208)	(30,646)	**(837,863)**
Carrying amount	**4,995,105**	**3,997,145**	**498,247**	**197,277**	**9,687,774**
Total carrying amount	**4,995,105**	**3,997,145**	**498,247**	**375,343**	**9,865,840**

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

4. Financial risk management (continued)

As of 31 December 2015 TEUR	Cash loans	POS loans	Revolving loans	Other [1]	Total
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**

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

Other classes of financial assets such as cash equivalents, due from banks, other financial institutions and holding companies, debt securities at fair value through profit or loss, financial assets available-for-sale and other financial assets were not impaired as of 31 December 2016 and 2015.

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

	2016		2015	
	Portfolio TEUR	% of credit exposure	Portfolio TEUR	% of credit exposure
Cash and cash equivalents	2,412,280	16.3	1,343,301	13.7
Debt securities at fair value through profit or loss	201,091	1.4	176,879	1.8
Debt securities available-for-sale	1,045,188	7.1	1,204,608	12.3
Positive fair value of derivative instruments	3,290	0.0	112,281	1.1
Due from banks, other financial institutions and holding companies	396,853	2.7	391,150	4.0
Loans to customers	9,865,840	66.7	5,835,110	59.4
Financial assets held-to-maturity	-	0.0	6,118	0.0
Other assets	256,263	1.7	177,740	1.8
Loan commitments and guarantees	603,734	4.1	583,163	5.9
Total	**14,784,539**		**9,830,350**	

Analysis of collateral

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

	2016		2015	
	Portfolio TEUR	% of loan portfolio	Portfolio TEUR	% of loan portfolio
Secured assets	329,037	3.1	141,923	2.1
Unsecured (no collateral)	10,377,493	96.9	6,460,867	97.9
Total	**10,706,530**		**6,602,790**	

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

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

Collateral received for loans and advances

	Loans and receivables due from banks		Loans to customers	
TEUR	2016	2015	2016	2015
Against collectively impaired	**-**	-	**461,337**	**314,032**
Property and equipment	-	-	442,363	314,032
Debt securities	-	-	-	-
Equity securities	-	-	18,905	-
Deposits with banks	-	-	-	-
Other	-	-	69	-
Against neither past due nor impaired	**335,951**	**239,774**	**59,117**	**-**
Securities received under reverse repo operations	119,763	92,967	-	-
Property and equipment	-	-	56,129	-
Debt securities	-	-	-	-
Equity securities	216,188	146,807	19	-
Deposits with banks	-	-	2,969	-
Other	-	-	-	-
Total	**335,951**	**239,774**	**520,454**	**314,032**

4. Financial risk management (continued)

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 2016 the reported balances of positive and negative fair values of derivatives of TEUR 3,290 (31 December 2015: TEUR 112,281) and TEUR 28,142 (31 December 2015: TEUR 18,322) 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 2016 the reported balances of loans and advances provided under repo operations of TEUR 109,232 (31 December 2015: TEUR 82,041) did not include any amounts offset. The remaining balance of due from banks, other financial institutions and holding companies of TEUR 287,621 (31 December 2015: TEUR 309,109) was not subject to any offsetting arrangements.

As at 31 December 2016 the reported balances of loans received under repo operations of TEUR 95 (31 December 2015: TEUR 2,118) did not include any amounts offset. The remaining balance of due to banks, other financial institutions and holding companies of TEUR 6,427,179 (31 December 2015: TEUR 2,328,718) was not subject to any offsetting arrangements.

(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 20, 21, 22, 23 and 26). The shareholder's support enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. Management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

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 39 for outstanding loan commitments that may impact liquidity requirements.

2016 TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	2,412,280	-	-	-	-	**2,412,280**
Debt securities at fair value through profit or loss	-	1,193	-	199,898	-	**201,091**
Financial assets available-for-sale	76,353	310,420	137,846	520,569	-	**1,045,188**
Positive fair value of derivative instruments	2,578	349	363	-	-	**3,290**
Due from banks, other financial institutions and holding companies	196,580	64,863	105,178	1,578	28,654	**396,853**
Loans to customers	2,655,146	3,692,993	3,391,613	126,088	-	**9,865,840**
Financial assets held-to-maturity	-	-	-	-	-	**-**
Assets classified as held for sale	-	1,972	-	-	-	**1,972**
Current income tax receivables	3,098	3,594	-	-	-	**6,692**
Investments in associates	-	-	-	-	2,150	**2,150**
Property and equipment	-	-	-	-	161,004	**161,004**
Intangible assets	-	-	-	-	171,318	**171,318**
Deferred tax assets	346	89,846	6,330	611	82,751	**179,884**
Other assets	68,104	6,119	5	-	182,035	**256,263**
Total assets	**5,414,485**	**4,171,349**	**3,641,335**	**848,744**	**627,912**	**14,703,825**
Negative fair value of derivative instruments	1,734	7,052	5,029	14,327	-	**28,142**
Current accounts and deposits from customers	3,697,892	1,361,787	341,451	-	-	**5,401,130**
Due to banks, other financial institutions and holding companies	1,237,164	3,814,220	1,375,889	1	-	**6,427,274**
Debt securities issued*	619	78,450	240,669	-	-	**319,738**
Subordinated liabilities*	-	8,623	370,571	37,004	-	**416,198**
Current income tax liabilities	113,629	4,150	-	-	-	**117,779**
Deferred tax liabilities	21	5,158	147	4,322	2,482	**12,130**
Insurance and other provisions	-	33,528	8,575	31	-	**42,134**
Other liabilities	377,766	42,967	15,643	1,561	-	**437,937**
Total liabilities	**5,428,825**	**5,355,935**	**2,357,974**	**57,246**	**2,482**	**13,202,462**
Net position	**(14,340)**	**(1,184,586)**	**1,283,361**	**791,498**	**625,430**	**1,501,363**

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

4. Financial risk management (continued)

2015 TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	1,343,301	-	-	-	-	**1,343,301**
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**
Positive fair value of derivative instruments	104,657	5,632	272	1,720	-	**112,281**
Due from banks, other financial institutions and holding companies	129,338	129,747	80,135	-	51,930	**391,150**
Loans to customers	1,652,133	2,377,385	1,750,414	55,178	-	**5,835,110**
Financial assets held-to-maturity	6,118	-	-	-	-	**6,118**
Assets classified as held for sale	-	2,045	-	-	-	**2,045**
Current income tax receivables	1,186	4,537	-	-	-	**5,723**
Investments in associates	-	-	-	-	1,524	**1,524**
Property and equipment	-	-	-	-	137,501	**137,501**
Intangible assets	-	-	-	-	136,418	**136,418**
Deferred tax assets	268	32,664	14,367	-	78,266	**125,565**
Other assets	44,273	6,904	415	676	125,472	**177,740**
Total assets	**3,381,830**	**2,777,185**	**1,986,288**	**979,549**	**531,111**	**9,655,963**
Negative fair value of derivative instruments	1,892	8,872	7,558	-	-	**18,322**
Current accounts and deposits from customers	3,690,477	840,173	377,981	-	-	**4,908,631**
Due to banks, other financial institutions and holding companies	726,345	951,171	652,836	-	484	**2,330,836**
Debt securities issued*	38,312	275,889	58,889	-	-	**373,090**
Subordinated liabilities*	-	8,690	418,829	-	-	**427,519**
Current income tax liabilities	41,249	3,792	-	-	-	**45,041**
Deferred tax liabilities	-	320	17,067	2,924	1,946	**22,257**
Insurance and other provisions	-	29,601	16,218	-	-	**45,819**
Other liabilities	261,167	15,861	11,620	62	-	**288,710**
Total liabilities	**4,759,442**	**2,134,369**	**1,560,998**	**2,986**	**2,430**	**8,460,225**
Net position	**(1,377,612)**	**642,816**	**425,290**	**976,563**	**528,681**	**1,195,738**

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

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.

2016 TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Current accounts and deposits from customers	3,712,657	1,456,558	385,581	-	**5,554,796**
Due to banks, other financial institutions and holding companies	1,358,934	4,061,061	1,514,053	1	**6,934,049**
Debt securities issued*	8,084	101,195	269,775	-	**379,054**
Subordinated liabilities*	-	38,760	414,079	43,666	**496,505**
Total	**5,079,675**	**5,657,574**	**2,583,488**	**43,667**	**13,364,404**

2015 TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Current accounts and deposits from customers	3,700,015	894,319	446,491	-	**5,040,825**
Due to banks, other financial institutions and holding companies	799,640	1,051,633	697,231	484	**2,548,988**
Debt securities issued*	40,832	292,506	94,493	-	**427,831**
Subordinated liabilities*	-	41,659	494,420	-	**536,079**
Total	**4,540,487**	**2,280,117**	**1,732,635**	**484**	**8,553,723**

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

(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.

4. Financial risk management (continued)

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 2016 would be TEUR 85,355 higher/lower (2015: TEUR 49,602) and the revaluation reserve in equity would be TEUR 13,164 higher/lower (2015: TEUR 13,852). 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 38). 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.

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

Interest rate gap position based on re-pricing dates

2016 TEUR	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	0.7%	2,412,280	-	-	-	**2,412,280**
Debt securities at fair value through profit or loss	0.6%	1,193	-	199,898	-	**201,091**
Financial assets available-for-sale	3.3%	76,353	745,520	137,846	85,469	**1,045,188**
Due from banks, other financial institutions and holding companies	3.8%	231,004	86,609	52,653	-	**370,266**
Loans to customers, net	36.0%	2,661,770	3,736,366	3,402,051	65,653	**9,865,840**
Financial assets held-to-maturity	-	-	-	-	-	**-**
Total interest bearing financial assets	**26.0%**	**5,382,600**	**4,568,495**	**3,792,448**	**151,122**	**13,894,665**
Interest bearing financial liabilities						
Current accounts and deposits from customers	4.7%	3,697,892	1,361,787	341,451	-	**5,401,130**
Due to banks, other financial institutions and holding companies	9.9%	1,276,964	3,774,421	1,375,889	-	**6,427,274**
Debt securities issued	10.3%	619	78,450	240,669	-	**319,738**
Subordinated liabilities	9.8%	-	8,623	370,571	37,004	**416,198**
Total interest bearing financial liabilities	**7.7%**	**4,975,475**	**5,223,281**	**2,328,580**	**37,004**	**12,564,340**
Net position		**407,125**	**(654,786)**	**1,463,868**	**114,118**	**1,330,325**

2015 TEUR	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%	1,343,301	-	-	-	**1,343,301**
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**
Due from banks, other financial institutions and holding companies	7.0%	139,096	166,493	43,389	-	**348,978**
Loans to customers, net	36.7%	1,655,395	2,377,143	1,749,064	53,508	**5,835,110**
Financial assets held-to-maturity	8.1%	6,118	-	-	-	**6,118**
Total interest bearing financial assets	**24.9%**	**3,245,527**	**3,427,349**	**2,108,955**	**133,163**	**8,914,994**
Interest bearing financial liabilities						
Current accounts and deposits from customers	6.8%	3,690,477	840,173	377,981	-	**4,908,631**
Due to banks, other financial institutions and holding companies	10.2%	948,812	927,251	454,773	-	**2,330,836**
Debt securities issued	8.4%	38,312	275,889	58,889	-	**373,090**
Subordinated liabilities	10.0%	-	8,690	418,829	-	**427,519**
Total interest bearing financial liabilities	**8.0%**	**4,677,601**	**2,052,003**	**1,310,472**	**-**	**8,040,076**
Net position		**(1,432,074)**	**1,375,346**	**798,483**	**133,163**	**874,918**

4. Financial risk management (continued)

Foreign currency position

2016 TEUR	CNY	RUB	CZK	KZT	VND	EUR	USD	Other currencies	Total	2016 TEUR
Cash and cash equivalents	1,121,336	174,408	918,085	38,100	40,222	64,224	23,739	32,166	**2,412,280**	Cash and cash equivalents
Debt securities at fair value through profit or loss	-	-	201,091	-	-	-	-	-	**201,091**	Debt securities at fair value through profit or loss
Financial assets available-for-sale	-	177,980	550,580	-	-	114,392	202,236	-	**1,045,188**	Financial assets available-for-sale
Positive fair value of derivative instruments	-	336	400	-	-	2,554	-	-	**3,290**	Positive fair value of derivative instruments
Due from banks, other financial institutions and holding companies	39,859	52,459	86,650	2,085	-	12,883	197,831	5,086	**396,853**	Due from banks, other financial institutions and holding companies
Loans to customers	5,313,784	2,282,012	849,165	334,025	430,100	293,735	53,998	309,021	**9,865,840**	Loans to customers
Financial assets held-to-maturity	-	-	-	-	-	-	-	-	**-**	Financial assets held-to-maturity
Assets classified as held for sale	-	1,972	-	-	-	-	-	-	**1,972**	Assets classified as held for sale
Current income tax receivables	-	183	3,363	-	-	2,395	-	751	**6,692**	Current income tax receivables
Investments in associates	-	2,150	-	-	-	-	-	-	**2,150**	Investments in associates
Property and equipment	41,343	69,450	13,506	7,467	3,545	535	2,123	23,035	**161,004**	Property and equipment
Intangible assets	4,762	28,354	115,454	3,690	2,920	3,914	1,289	10,935	**171,318**	Intangible assets
Deferred tax assets	81,349	74,439	2,341	566	4,204	16,973	-	12	**179,884**	Deferred tax assets
Other assets	46,832	49,625	82,434	5,963	24,361	12,743	9,107	25,198	**256,263**	Other assets
Total assets	**6,649,265**	**2,913,368**	**2,823,069**	**391,896**	**505,352**	**524,348**	**490,323**	**406,204**	**14,703,825**	**Total assets**
Negative fair value of derivative instruments	-	-	25,396	603	1,289	829	25	-	**28,142**	Negative fair value of derivative instruments
Current accounts and deposits from customers	-	2,171,390	2,854,553	192,210	-	86,854	94,442	1,681	**5,401,130**	Current accounts and deposits from customers
Due to banks, other financial institutions and holding companies	5,302,633	3,806	49,850	45,216	116,285	692,273	70,183	147,028	**6,427,274**	Due to banks, other financial institutions and holding companies
Debt securities issued	-	7,647	29,033	20,544	197,986	6,996	-	57,532	**319,738**	Debt securities issued
Subordinated liabilities	-	-	38,612	-	-	-	377,586	-	**416,198**	Subordinated liabilities
Current income tax liabilities	108,545	3,530	-	1,697	3,377	620	-	10	**117,779**	Current income tax liabilities
Deferred tax liabilities	5,016	2,791	4,324	-	-	-	-	(1)	**12,130**	Deferred tax liabilities
Insurance and other provisions	-	39,230	-	-	-	115	-	2,789	**42,134**	Insurance and other provisions
Other liabilities	205,952	57,758	72,750	14,446	19,592	24,280	6,982	36,177	**437,937**	Other liabilities
Total liabilities	**5,622,146**	**2,286,152**	**3,074,518**	**274,716**	**338,529**	**811,967**	**549,218**	**245,216**	**13,202,462**	**Total liabilities**
Effect of foreign currency derivatives	-	(12,304)	541,141	(19,256)	(57,291)	(381,153)	3,889	(75,026)	**-**	Effect of foreign currency derivatives
Net position	**1,027,119**	**614,912**	**289,692**	**97,924**	**109,532**	**(668,772)**	**(55,006)**	**85,962**	**1,501,363**	**Net position**

4. Financial risk management (continued)

Foreign currency position

2015 TEUR	CNY	RUB	CZK	KZT	VND	EUR	USD	Other currencies	Total	2015 TEUR
Cash and cash equivalents	309,159	261,945	586,437	2,258	21,301	87,992	60,158	14,051	**1,343,301**	Cash and cash equivalents
Debt securities at fair value through profit or loss	-	-	176,879	-	-	-	-	-	**176,879**	Debt securities at fair value through profit or loss
Financial assets available-for-sale	-	181,612	778,443	-	-	106,094	138,459	-	**1,204,608**	Financial assets available-for-sale
Positive fair value of derivative instruments	-	103,105	6,104	-	-	3,072	-	-	**112,281**	Positive fair value of derivative instruments
Due from banks, other financial institutions and holding companies	91,661	132,131	55,851	5,142	-	8,224	93,461	4,680	**391,150**	Due from banks, other financial institutions and holding companies
Loans to customers	2,219,099	1,939,054	687,830	260,224	249,458	245,932	66,780	166,733	**5,835,110**	Loans to customers
Financial assets held-to-maturity	-	-	-	-	-	1,009	5,109	-	**6,118**	Financial assets held-to-maturity
Assets classified as held for sale	-	2,045	-	-	-	-	-	-	**2,045**	Assets classified as held for sale
Current income tax receivables	-	3,859	474	376	-	142	-	872	**5,723**	Current income tax receivables
Investments in associates	-	1,524	-	-	-	-	-	-	**1,524**	Investments in associates
Property and equipment	26,041	67,393	13,894	7,067	4,464	701	2,317	15,624	**137,501**	Property and equipment
Intangible assets	3,648	25,286	90,713	2,129	3,848	3,853	549	6,392	**136,418**	Intangible assets
Deferred tax assets	24,381	70,293	964	-	3,963	23,056	-	2,908	**125,565**	Deferred tax assets
Other assets	15,801	30,470	48,043	3,727	13,729	10,580	43,936	11,454	**177,740**	Other assets
Total assets	**2,689,790**	**2,818,717**	**2,445,632**	**280,923**	**296,763**	**490,655**	**410,769**	**222,714**	**9,655,963**	**Total assets**
Negative fair value of derivative instruments	-	3,058	14,199	-	587	478	-	-	**18,322**	Negative fair value of derivative instruments
Current accounts and deposits from customers	-	2,061,871	2,514,031	61,708	-	78,069	149,505	43,447	**4,908,631**	Current accounts and deposits from customers
Due to banks, other financial institutions and holding companies	1,847,955	641	26,036	5,659	92,911	219,540	60,556	77,538	**2,330,836**	Due to banks, other financial institutions and holding companies
Debt securities issued	-	99,963	175,113	37,411	51,759	8,844	-	-	**373,090**	Debt securities issued
Subordinated liabilities	-	-	29,266	-	-	-	398,253	-	**427,519**	Subordinated liabilities
Current income tax liabilities	37,962	22	880	-	3,265	2,912	-	-	**45,041**	Current income tax liabilities
Deferred tax liabilities	16,714	2,179	2,946	418	-	-	-	-	**22,257**	Deferred tax liabilities
Insurance and other provisions	-	41,830	-	-	-	192	-	3,797	**45,819**	Insurance and other provisions
Other liabilities	131,541	30,112	66,376	7,671	11,935	20,616	1,970	18,489	**288,710**	Other liabilities
Total liabilities	**2,034,172**	**2,239,676**	**2,828,847**	**112,867**	**160,457**	**330,651**	**610,284**	**143,271**	**8,460,225**	**Total liabilities**
Effect of foreign currency derivatives	70,750	(166,874)	606,100	(62,989)	(59,555)	(562,625)	176,185	(992)	**-**	Effect of foreign currency derivatives
Net position	**726,368**	**412,167**	**222,885**	**105,067**	**76,751**	**(402,621)**	**(23,330)**	**78,451**	**1,195,738**	**Net position**

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 2016 and 2015 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	
TEUR	**2016**	**2015**
Effect of 5% CNY depreciation against EUR	(51,356)	(36,318)
Effect of 5% CNY appreciation against EUR	51,356	36,318
Effect of 5% RUB depreciation against EUR	(30,746)	(20,608)
Effect of 5% RUB appreciation against EUR	30,746	20,608
Effect of 5% USD depreciation against EUR	2,750	1,167
Effect of 5% USD appreciation against EUR	(2,750)	(1,167)
Effect of 5% KZT depreciation against EUR	(4,896)	(5,253)
Effect of 5% KZT appreciation against EUR	4,896	5,253
Effect of 5% VND depreciation against EUR	(5,477)	(3,838)
Effect of 5% VND appreciation against EUR	5,477	3,838
Effect of 5% CZK depreciation against EUR	(14,485)	(11,144)
Effect of 5% CZK appreciation against EUR	14,485	11,144

(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.

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.

(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.

4. Financial risk management (continued)

(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. However, the Company is included in a regulated group of its parent company PPF Financial Holdings B.V.

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

5. Segment reporting

Business environment

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

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

The consolidated financial statements reflect management's assessment of the impact of business environment of these markets on the operations and financial position of the Group. The future business environment may differ from management's assessment.

Segment information

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.

Segment Belarus is no more significant for Group`s operations and from second quarter 2016 is included in the segment Other. Comparative figures for 2015 were restated accordingly.

The Group operates in seven principal geographical areas, the People's Republic of China, the Russian Federation, the Czech Republic, the Socialist Republic of Vietnam, the Republic of Kazakhstan, 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).

5. Segment reporting (continued)

2016 TEUR	China	Russian Federation	Czech Republic	Vietnam	Kazakhstan	Slovak Republic	India	Other	Unallocated [1]	Eliminations	Consolidated
Revenue from external customers [2]	1,350,738	694,848	151,393	197,939	145,026	63,046	57,866	80,233	5,662	-	**2,746,751**
Inter-segment revenue	-	15,859	17,313	-	128	-	-	629	910	(34,839)	**-**
Total revenue	**1,350,738**	**710,707**	**168,706**	**197,939**	**145,154**	**63,046**	**57,866**	**80,862**	**6,572**	**(34,839)**	**2,746,751**
Net interest income from external customers	782,763	316,478	108,076	128,807	75,081	54,143	42,014	49,123	(24,891)	-	**1,531,594**
Inter-segment net interest income	-	13,477	17,070	(276)	(6,621)	(12,332)	(2,441)	(2,098)	(8,926)	2,147	**-**
Total net interest income	**782,763**	**329,955**	**125,146**	**128,531**	**68,460**	**41,811**	**39,573**	**47,025**	**(33,817)**	**2,147**	**1,531,594**
Income tax expense	(57,838)	(16,571)	(5,700)	(11,800)	(11,604)	(84)	-	(2,740)	(8,342)	-	**(114,679)**
Segment result	**195,976**	**67,282**	**33,208**	**46,289**	**45,772**	**4,230**	**(61,089)**	**(71,032)**	**(47,004)**	**(3,399)**	**210,233**
Depreciation and amortization	(10,637)	(22,088)	(9,952)	(5,435)	(5,165)	(387)	(7,194)	(35,394)	-	13,619	**(82,633)**
Other significant non-cash expenses [3]	(311,485)	(151,446)	(6,715)	(36,890)	(2,655)	(17,549)	(25,711)	(12,158)	-	-	**(564,609)**
Capital expenditure	(32,609)	(9,514)	(10,971)	(4,566)	(8,267)	(63)	(17,721)	(22,332)	(89)	(14,097)	**(92,035)**
Segment assets [4]	**6,641,108**	**3,337,936**	**3,274,830**	**514,751**	**409,846**	**300,749**	**248,434**	**460,724**	**159,357**	**(643,910)**	**14,703,825**
Investments in associates	-	2,150	-	-	-	-	-	-	-	-	**2,150**
Segment liabilities [4]	**5,673,470**	**2,748,441**	**3,079,133**	**397,872**	**304,187**	**295,548**	**203,146**	**247,826**	**878,940**	**(626,101)**	**13,202,462**
Segment equity [4]	**967,638**	**589,495**	**195,697**	**116,879**	**105,659**	**5,201**	**45,288**	**212,898**	**(719,583)**	**(17,809)**	**1,501,363**

2015 TEUR	China	Russian Federation	Czech Republic	Vietnam	Kazakhstan	Slovak Republic	India	Other	Unallocated [1]	Eliminations	Consolidated
Revenue from external customers [2]	773,593	950,615	85,993	155,813	198,086	38,664	22,801	71,999	8,956	-	**2,306,520**
Inter-segment revenue	-	15,460	11,687	-	-	-	-	1,020	1,363	(29,530)	**-**
Total revenue	**773,593**	**966,075**	**97,680**	**155,813**	**198,086**	**38,664**	**22,801**	**73,019**	**10,319**	**(29,530)**	**2,306,520**
Net interest income from external customers	529,380	342,132	54,623	104,510	107,501	30,298	12,756	38,326	(12,031)	-	**1,207,495**
Inter-segment net interest income	-	11,127	11,219	(1,177)	(4,556)	(6,185)	(309)	(195)	(12,038)	2,114	**-**
Total net interest income	**529,380**	**353,259**	**65,842**	**103,333**	**102,945**	**24,113**	**12,447**	**38,131**	**(24,069)**	**2,114**	**1,207,495**
Income tax benefit/(expense)	(58,780)	37,299	(5,920)	(7,518)	(13,979)	(1,219)	-	(1,746)	1,760	-	**(50,103)**
Segment result	**127,601**	**(145,933)**	**22,541**	**25,767**	**34,394**	**3,664**	**(26,132)**	**(49,736)**	**(27,661)**	**(6,106)**	**(41,601)**
Depreciation and amortization	(8,663)	(32,242)	(4,862)	(5,012)	(6,456)	(393)	(3,489)	(29,301)	-	11,911	**(78,507)**
Other significant non-cash expenses [3]	(162,560)	(456,980)	(10,412)	(33,952)	(40,039)	(10,249)	(7,040)	(7,470)	-	-	**(728,702)**
Capital expenditure	(16,992)	(16,349)	(6,893)	(3,441)	(9,757)	(441)	(11,363)	(39,699)	-	16,471	**(88,464)**
Segment assets [4]	**2,698,372**	**3,174,421**	**2,881,607**	**304,776**	**319,210**	**288,052**	**92,286**	**321,481**	**136,030**	**(560,272)**	**9,655,963**
Investments in associates	-	1,524	-	-	-	-	-	-	-	-	**1,524**
Segment liabilities [4]	**2,040,767**	**2,756,606**	**2,700,886**	**221,854**	**230,430**	**283,082**	**61,331**	**199,006**	**509,188**	**(542,925)**	**8,460,225**
Segment equity [4]	**657,605**	**417,815**	**180,721**	**82,922**	**88,780**	**4,970**	**30,955**	**122,475**	**(373,158)**	**(17,347)**	**1,195,738**

[1] Unallocated items represent items of revenue, operating expense, assets and liabilities which cannot be reasonably allocated to the geographical segments. Unallocated equity represents the difference between unallocated assets and unallocated liabilities and does not represent equity of holding companies included in this segment.
[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.

6. Fair values of financial instruments

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

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments measured using: market prices quoted in active markets for similar instruments; prices quoted 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 measured based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

The following table shows the carrying amounts and fair values of financial instruments measured at amortised cost, including their levels in the fair value hierarchy:

2016 TEUR	Note	Carrying amount	Level 1	Level 2	Level 3	Fair Value Total
Due from banks, other financial institutions and holding companies	11	396,853	-	396,860	-	**396,860**
Loans to customers	12	9,865,840	-	-	9,879,193	**9,879,193**
Current accounts and deposits from customers	20	(5,401,130)	-	(5,409,648)	-	**(5,409,648)**
Due to banks, other financial institutions and holding companies	21	(6,427,274)	-	(6,429,670)	-	**(6,429,670)**
Debt securities issued	22	(319,738)	(7,647)	(310,856)	-	**(318,503)**
Subordinated liabilities	23	(416,198)	(389,813)	(38,612)	-	**(428,425)**
		(2,301,647)	**(397,460)**	**(11,791,926)**	**9,879,193**	**(2,310,193)**

2015 TEUR	Note	Carrying amount	Level 1	Level 2	Level 3	Fair Value Total
Due from banks, other financial institutions and holding companies	11	391,150	-	391,150	-	**391,150**
Loans to customers	12	5,835,110	-	-	5,812,455	**5,812,455**
Financial assets held-to-maturity		6,118	-	6,215	-	**6,215**
Current accounts and deposits from customers	20	(4,908,631)	-	(4,926,155)	-	**(4,926,155)**
Due to banks, other financial institutions and holding companies	21	(2,330,836)	-	(2,330,699)	-	**(2,330,699)**
Debt securities issued	22	(373,090)	(71,002)	(301,169)	-	**(372,171)**
Subordinated liabilities	23	(427,519)	(363,355)	(36,919)	-	**(400,274)**
		(1,807,698)	**(434,357)**	**(7,197,577)**	**5,812,455**	**(1,819,479)**

There were no transfers between Level 1, 2 and 3 in 2016 or 2015.

The Group's estimates of fair values of its other financial assets and liabilities not measured at fair value 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):

2016 TEUR	Note	Level 1	Level 2	Level 3	Total
Debt securities at fair value through profit or loss	8	201,091	-	-	**201,091**
Financial assets available-for-sale	9	944,631	100,557	-	**1,045,188**
Positive fair value of derivative instruments	10	-	3,290	-	**3,290**
Negative fair value of derivative instruments	19	-	(28,142)	-	**(28,142)**
		1,145,722	**75,705**	**-**	**1,221,427**

6. Fair values of financial instruments (continued)

2015 TEUR	Note	Level 1	Level 2	Level 3	Total
Debt securities at fair value through profit or loss	8	176,879	-	-	**176,879**
Financial assets available-for-sale	9	1,173,233	31,375	-	**1,204,608**
Positive fair value of derivative instruments	10	-	112,281	-	**112,281**
Negative fair value of derivative instruments	19	-	(18,322)	-	**(18,322)**
		1,350,112	**125,334**	**-**	**1,475,446**

There were no transfers between Level 1, 2 and 3 in 2016 or 2015.

Reconciliation of movements in Level 3 TEUR	2016	2015
Financial assets		
Balance as at 1 January	-	3,322
Net losses recorded in profit or loss (included in Net (losses)/gains on financial assets and liabilities)	-	(3,322)
Closing balance	**-**	**-**

7. Cash and cash equivalents

TEUR	2016	2015
Cash on hand	89,688	128,442
Current accounts	1,304,714	480,546
Current accounts with central banks	137,394	134,439
Placements with financial institutions due within one month	880,484	599,874
	2,412,280	**1,343,301**

As at 31 December 2016 current accounts comprise TEUR 984,908 (31 December 2015: nil) which is restricted to its use. The use of the cash is restricted by the borrowing agreements in China with the creditors to i) disbursement of loans to retail clients; or ii) repayment of the loans received from the creditors. If the cash is used to provide loans to retail clients, the loans are pledged as collateral. Thus, the restriction on the cash effectively increases the security of the creditors.

8. Debt securities at fair value through profit or loss

TEUR	2016	2015
Government bonds	201,091	176,879
	201,091	**176,879**

9. Financial assets available-for-sale

TEUR	2016	2015
Government bonds	647,456	864,842
Corporate bonds	368,174	310,234
Other debt securities	29,558	29,532
	1,045,188	**1,204,608**

As at 31 December 2016 financial assets available-for-sale of TEUR 10,829 (31 December 2015: nil) served as collateral for bank loan facilities (Note 21).

10. Positive fair value of derivative instruments

TEUR	Note	2016	2015
Positive fair value of hedging derivative instruments	38	-	95,711
Positive fair value of trading derivative instruments	38	3,290	16,570
		3,290	**112,281**

Cash flows from the hedging derivative instruments stated as at 31 December 2015 occurred in 2016.

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

TEUR	2016	2015
Loans and term deposits with banks, other financial institutions and holding companies due in more than one month	177,304	228,771
Loans and advances provided under repo operations	109,232	82,041
Minimum reserve deposits with central banks	76,173	64,709
Cash collateral for derivative instruments	31,732	15,623
Other	2,412	6
	396,853	**391,150**

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 2016 term deposit of TEUR 18,533 (31 December 2015: TEUR 12,386) served as collateral for secured loans due to banks (Note 21).

As at 31 December 2016 term deposit of TEUR 7,229 (31 December 2015: TEUR 4,805) served as cash collateral for syndicated loan interest payments.

As at 31 December 2016 margin deposit of TEUR 3,701 (31 December 2015: TEUR 3,700) served as cash collateral for foreign exchange derivative contracts.

12. Loans to customers

TEUR	2016	2015
Gross amount		
Cash loan receivables	5,452,402	3,269,051
POS loan receivables	4,260,857	2,403,597
Revolving loan receivables	584,455	677,811
Car loan receivables	116,804	113,370
Mortgage loan receivables	111,069	73,950
Loans to corporations	177,942	52,422
Other	3,001	12,589
	10,706,530	**6,602,790**
Collective allowances for impairment		
Cash loan receivables	(457,297)	(440,949)
POS loan receivables	(263,712)	(171,905)
Revolving loan receivables	(86,208)	(124,159)
Car loan receivables	(22,632)	(22,233)
Mortgage loan receivables	(7,964)	(6,412)
Loans to corporations	-	(762)
Other	(50)	(434)
	(837,863)	**(766,854)**
Specific allowances for impairment		
Loans to corporations	(2,827)	(826)
	(2,827)	**(826)**
	9,865,840	**5,835,110**

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 agreed between the parties on arm's length principles.

As at 31 December 2016 cash loan receivables of TEUR nil (31 December 2015: TEUR 78,874) and POS loan receivables of TEUR 66,260 (31 December 2015: nil) served as collateral for debt securities issued (Note 22).

As at 31 December 2016 cash loan receivables of TEUR 2,783,426 (31 December 2015: TEUR 54,394) and POS loan receivables of TEUR 1,580,112 (31 December 2015: TEUR 940,365) served as collateral for bank loan facilities (Note 21).

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

12. Loans to customers (continued)

Analysis of movements in allowances for impairment TEUR	Note	2016	2015
Balance as at 1 January		767,680	985,981
Balance acquired by business combinations		-	75,205
Translation difference		53,530	(69,768)
Impairment losses recognized in the statement of comprehensive income	34	561,865	725,212
Amount related to loans written off and disposed of		(542,385)	(948,950)
Balance as at 31 December		**840,690**	**767,680**

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.

13. Assets classified as held for sale

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

In the segment analysis (Note 5), all assets classified as held for sale are presented within the Russian Federation segment.

14. Investments in associates

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

		2016		2015	
	Country of incorporation	Ownership interest (%)	Carrying amount TEUR	Ownership interest (%)	Carrying amount TEUR
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	2,150	25.00	1,524
			2,150		**1,524**

15. Property and equipment

2016 TEUR	Buildings	Equipment and other tangible assets	Vehicles	Total
Acquisition cost				
Balance as at 1 January 2016	76,313	193,010	5,926	**275,249**
Additions	634	46,033	887	**47,554**
Disposals	(415)	(16,524)	(932)	**(17,871)**
Transfers and other changes	-	(119)	119	**-**
Translation difference	15,820	15,804	438	**32,062**
Balance as at 31 December 2016	**92,352**	**238,204**	**6,438**	**336,994**
Accumulated depreciation				
Balance as at 1 January 2016	19,917	113,235	3,648	**136,800**
Charge for the year	2,293	30,584	971	**33,848**
Disposals	(164)	(13,450)	(864)	**(14,478)**
Transfers and other changes	-	399	22	**421**
Translation difference	4,417	12,931	295	**17,643**
Balance as at 31 December 2016	**26,463**	**143,699**	**4,072**	**174,234**
Impairment				
Balance as at 1 January 2016	-	948	-	**948**
Impairment losses recognized	7	1,213	4	**1,224**
Disposals	-	(589)	-	**(589)**
Translation difference	-	173	-	**173**
Balance as at 31 December 2016	**7**	**1,745**	**4**	**1,756**
Carrying amount				
at 1 January 2016	**56,396**	**78,827**	**2,278**	**137,501**
at 31 December 2016	**65,882**	**92,760**	**2,362**	**161,004**

15. Property and equipment (continued)

2015 TEUR	Buildings	Equipment and other tangible assets	Vehicles	Total
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. Intangible assets

2016 TEUR	Goodwill	Software	Present value of future profits	Other intangible assets	Total
Acquisition cost					
Balance as at 1 January 2016	3,469	294,594	5,207	1,307	**304,577**
Additions	-	79,583	-	1,232	**80,815**
Disposals	-	(1,589)	-	(359)	**(1,948)**
Transfers and other changes	-	(1,159)	-	1,315	**156**
Translation difference	-	14,631	1,247	138	**16,016**
Balance as at 31 December 2016	**3,469**	**386,060**	**6,454**	**3,633**	**399,616**
Accumulated amortization					
Balance as at 1 January 2016	-	162,803	4,542	689	**168,034**
Charge for the year	-	47,665	486	634	**48,785**
Disposals	-	(1,074)	-	-	**(1,074)**
Transfers and other changes	-	2,041	-	424	**2,465**
Translation difference	-	8,700	1,162	70	**9,932**
Balance as at 31 December 2016	**-**	**220,135**	**6,190**	**1,817**	**228,142**
Impairment					
Balance as at 1 January 2016	-	-	125	-	**125**
Translation difference	-	-	31	-	**31**
Balance as at 31 December 2016	**-**	**-**	**156**	**-**	**156**
Carrying amount					
at 1 January 2016	**3,469**	**131,791**	**540**	**618**	**136,418**
at 31 December 2016	**3,469**	**165,925**	**108**	**1,816**	**171,318**

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. Intangible assets (continued)

2015 TEUR	Goodwill	Software	Present value of future profits	Other intangible assets	Total
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 and other changes	-	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 and other changes	-	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.

17. Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
TEUR	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Due from banks, other financial institutions and holding companies	-	2	-	-	-	2
Loans to customers	160,489	94,827	-	(16,156)	160,489	78,671
Fair value of financial assets and liabilities	121	612	(67)	(20,755)	54	(20,143)
Carrying value of property and equipment	1,608	173	(11,685)	(13,070)	(10,077)	(12,897)
Other assets	15,124	20,253	(16,541)	(16,319)	(1,417)	3,934
Debt securities issued	-	-	(259)	(381)	(259)	(381)
Tax loss carry forward	4,788	43,680	-	-	4,788	43,680
Other	20,296	14,830	(6,120)	(4,388)	14,176	10,442
Deferred tax assets/(liabilities)	202,426	174,377	(34,672)	(71,069)	167,754	103,308
Net deferred tax assets					**167,754**	**103,308**

As at 31 December 2016 the Group records incurred tax losses from recent years of TEUR 523,902 (31 December 2015: TEUR 621,300) 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	2016 TEUR	2015 TEUR
2016	-	24,432
2017	9,621	8,380
2018	32,440	33,914
2019	26,244	35,150
2020	33,140	33,162
2021	39,562	21,034
2022	22,205	22,158
2023	34,935	170,883
2024	50,224	107,503
2025	83,284	-
Tax losses that can be carried forward indefinitely	192,247	164,684
Total	**523,902**	**621,300**

17. Deferred tax assets and liabilities (continued)

Analysis of movements in net deferred tax assets TEUR	2016	2015
Net deferred tax asset as at 1 January	103,308	63,122
Deferred tax income for the year	49,563	49,450
Deferred tax recognized directly in equity	285	762
Additions from business combinations	77	2,285
Net foreign exchange differences	14,521	(12,311)
Balance as at 31 December	**167,754**	**103,308**

18. Other assets

TEUR	2016	2015
Prepaid expenses	90,413	46,851
Trade receivables and settlement with suppliers	66,799	50,384
Cash collateral for payment cards	50,558	38,742
Other taxes receivable	9,431	6,215
Accrued income from insurance fees	7,650	1,222
Deferred acquisition costs of insurance contracts	6,788	14,841
Inventories	1,110	631
Receivable arising out of insurance and re-insurance operations	73	-
Non-life amounts ceded to reinsurers from insurance provisions	64	141
Other	23,650	19,130
	256,536	**178,157**
Specific allowances for impairment on settlement with suppliers and other assets	(273)	(417)
	256,263	**177,740**

Analysis of movements in allowances for impairment TEUR	2016	2015
Balance as at 1 January	417	32
Net impairment losses recognized in the statement of comprehensive income	798	444
Amounts related to assets sold and written off	(947)	9
Translation difference	5	(68)
Balance as at 31 December	**273**	**417**

19. Negative fair value of derivative instruments

TEUR	Note	2016	2015
Negative fair value of trading derivative instruments	38	28,142	18,322
		28,142	**18,322**

20. Current accounts and deposits from customers

TEUR	2016	2015
Current accounts and demand deposits	3,390,552	2,946,946
Term deposits	1,984,342	1,950,331
Loans	23,168	8,019
Other	3,068	3,335
	5,401,130	**4,908,631**

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

TEUR	2016	2015
Unsecured loans	1,010,529	492,037
Secured loans	5,360,343	1,826,967
Loans received under repo operations	95	2,118
Other balances	56,307	9,714
	6,427,274	**2,330,836**

As at 31 December 2016 the balance of loans received under repo operations of TEUR 95 (31 December 2015: TEUR 2,118) was secured by financial assets available-for-sale.

As at 31 December 2016 the balances of loans secured by cash loan receivables, POS loan receivables, term deposit and financial assets available-for-sale were TEUR 2,777,261 (31 December 2015: TEUR 37,185), TEUR 1,557,659 (31 December 2015: TEUR 1,778,516), TEUR 20,878 (31 December 2015: TEUR 11,266) and TEUR 10,024 (31 December 2015: nil), respectively.

As at 31 December 2016 the balances of loans secured by cash were TEUR 984,908 (31 December 2015: nil) (Note 7).

As at 31 December 2016 the balances of loans secured by guarantees were TEUR 9,612 (31 December 2015: nil).

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

22. Debt securities issued

TEUR	Interest rate	Final maturity	Amount outstanding 2016	Amount outstanding 2015
Stock exchange RUB bonds issue 02 of MRUB 3,000	Fixed	February 2016	-	37,473
Unsecured CZK bonds issue 5 of MCZK 3,750	Fixed	June 2016	-	143,376
CZK promissory notes issue of MCZK 300	Zero-coupon	July 2016	-	10,788
EUR promissory notes issue of MEUR 9.1	Zero-coupon	July 2016	-	8,844
Long-term registered Certificate of Deposit, 1st tranche of BVND 250	Fixed	August 2016	-	11,029
Long-term registered Certificate of Deposit, 2nd tranche of BVND 273	Fixed	September 2016	-	12,018
Long-term registered Certificate of Deposit, 3rd tranche of BVND 200	Fixed	October 2016	-	8,637
Unsecured KZT bond issue 1 of MKZT 7,000	Fixed	November 2016	-	18,878
Long-term registered Certificate of Deposit, 8th tranche of BVND 36.6	Fixed	April 2017	1,621	1,586
Long-term registered Certificate of Deposit, 9th tranche of BVND 23.5	Fixed	April 2017	1,035	1,013
Long-term registered Certificate of Deposit, 20th tranche of BVND 100	Fixed	September 2017	4,417	-
Long-term registered Certificate of Deposit, 23th tranche of BVND 700	Fixed	October 2017	30,837	-
Long-term registered Certificate of Deposit, 4th tranche of BVND 93	Fixed	November 2017	4,065	3,974
Long-term registered Certificate of Deposit, 25th tranche of BVND 50	Fixed	November 2017	2,180	-
Long-term registered Certificate of Deposit, 26th tranche of BVND 200	Fixed	November 2017	8,707	-
Long-term registered Certificate of Deposit, 27th tranche of BVND 200	Fixed	November 2017	8,694	-
Long-term registered Certificate of Deposit, 5th tranche of BVND 158	Fixed	December 2017	6,850	6,698
Long-term registered Certificate of Deposit, 6th tranche of BVND 61	Fixed	December 2017	2,642	2,584
Long-term registered Certificate of Deposit, 7th tranche of BVND 100	Fixed	December 2017	4,315	4,220
Long-term registered Certificate of Deposit, 29th tranche of BVND 150	Fixed	December 2017	6,499	-
Certificates of deposit issue of MKZT 315	Fixed	December 2017	904	-
CZK promissory notes issue of MCZK 650	Zero-coupon	March 2018	22,301	20,949
Long-term registered Certificate of Deposit, 28th tranche of BVND 50	Fixed	June 2018	2,171	-
Long-term registered Certificate of Deposit, 13th tranche of BVND 300	Fixed	July 2018	13,566	-
Long-term registered Certificate of Deposit, 14th tranche of BVND 350	Fixed	July 2018	15,846	-
Long-term registered Certificate of Deposit, 15th tranche of BVND 350	Fixed	July 2018	15,845	-
Long-term registered Certificate of Deposit, 16th tranche of BVND 45.2	Fixed	September 2018	9,340	-
Long-term registered Certificate of Deposit, 21th tranche of BVND 330	Fixed	October 2018	14,576	-
Long-term registered Certificate of Deposit, 22th tranche of BVND 550	Fixed	October 2018	24,287	-
Long-term registered Certificate of Deposit, 24th tranche of BVND 70	Fixed	November 2018	3,068	-
Unsecured KZT bond issue 2 of MKZT 6,769	Fixed	February 2019	19,640	18,533
Long-term registered Certificate of Deposit, 17th tranche of BVND 50	Fixed	September 2019	2,224	-
Long-term registered Certificate of Deposit, 18th tranche of BVND 210	Fixed	September 2019	2,006	-
Long-term registered Certificate of Deposit, 19th tranche of BVND 200	Fixed	September 2019	8,869	-
Secured INR bond issue of MINR 1,875	Fixed	September 2019	26,082	-
Secured INR bond issue of MINR 1,875	Fixed	October 2019	31,449	-
Long-term registered Certificate of Deposit, 30th tranche of BVND 100	Fixed	December 2019	4,327	-
Stock exchange RUB bonds issue 001P-01 of MRUB 1,500	Fixed	December 2019	7,647	-
CZK promissory notes issue of MCZK 181	Fixed	April 2020	6,733	-
CZK promissory notes issue of MEUR 7	Fixed	April 2020	6,995	-
Cash loan receivables backed notes issue of MRUB 5,000	Fixed	November 2021	-	62,490
			319,738	**373,090**

As at 31 December 2016 POS loan receivables of TEUR 66,260 (31 December 2015: nil) served as collateral for Secured INR bond issue of MINR 1,875 (Note 12).

As at 31 December 2016 cash loan receivables of TEUR nil (31 December 2015: TEUR 78,874) served as collateral for Cash loan receivables backed notes issue of MRUB 5,000 (Note 12).

23. Subordinated liabilities

TEUR	Interest rate	Final maturity	Amount outstanding 2016	Amount outstanding 2015
Loan participation notes issue of MUSD 500	Fixed	April 2020	218,686	211,837
Loan participation notes issue of MUSD 200	Fixed	April 2021	158,900	186,416
Subordinated bonds issue of MCZK 2,000	Fixed	April 2024	38,612	29,266
			416,198	**427,519**

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. As at 31 December 2016 the Group bought back the loan participation notes with a cumulative par value of MUSD 272 (31 December 2015: cumulative par value of MUSD 272).

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. As at 31 December 2016 the Group bought back the loan participation notes with a cumulative par value of MUSD 35 (31 December 2015: nil).

Subordinated bonds issue of MCZK 2,000 were issued in April 2014. The Group has an early redemption option exercisable on 30 April 2019.

24. Insurance and other provisions

TEUR	2016	2015
Provisions for unearned premiums	30,968	39,039
Provision for litigations	1,070	1,641
Provisions for outstanding claims	883	956
Other insurance provisions	305	310
Other provisions	8,908	3,873
	42,134	**45,819**

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

TEUR	2016	2015
Provisions for unearned premiums		
Balance as at 1 January	39,039	72,196
Premiums written during a year	21,549	30,554
Premiums earned during the year	(36,074)	(55,478)
Translation difference	6,454	(8,233)
Balance as at 31 December	**30,968**	**39,039**
Provisions for outstanding claims		
Balance as at 1 January	956	2,005
Claims incurred in the current year	2,105	3,402
Adjustments for losses incurred in previous years	(466)	(1,334)
Claims paid during the year	(1,858)	(2,784)
Translation difference	146	(333)
Balance as at 31 December	**883**	**956**

25. Other liabilities

TEUR	2016	2015
Settlement with suppliers	161,405	83,625
Accrued employee compensation	148,964	87,043
Accrued expenses	47,903	41,632
Customer loan overpayments	31,107	30,152
Other taxes payable	21,867	34,730
Advances received	2,570	1,427
Deferred income and prepayments	1,448	2,963
Other	22,673	7,138
	437,937	**288,710**

26. Equity

At 31 December 2016 the Group's authorized share capital comprised 1,250,000,000 (31 December 2015: 1,250,000,000) ordinary shares at a par value of EUR 0.57 (31 December 2015: EUR 0.57), of which 1,156,174,806 (31 December 2015: 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). The share premium increase totalled TEUR 180,000 (EUR 0.16 per one share).

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 represented 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.

27. Non-controlling interests

As at 31 December 2016 the Group reported the following non-controlling interests (NCI) and net losses allocated to non-controlling interests for the year ended 31 December 2016:

	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	30,868	25,692	2,583	976	487
PT. Home Credit Indonesia	15.00	55,730	32,029	3,555	(19,170)	(2,876)
HC Consumer Finance Philippines, Inc.	0.72	93,534	65,034	204	(15,989)	(175)
				6,342		**(2,564)**

In April 2016 the Group's ownership interest in HC Consumer Finance Philippines, Inc. increased from 98.54% to 98.86% and subsequently in November 2016 increased to 99.28%.

As at 31 December 2015 the Group reported the following non-controlling interests and net losses allocated to non--controlling interests for the year ended 31 December 2015:

	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%.

28. Interest income and interest expense

TEUR	2016	2015
Interest income		
Cash loan receivables	1,288,824	1,053,305
POS loan receivables	664,715	511,043
Revolving loan receivables	140,987	180,085
Mortgage loan receivables	4,799	7,149
Car loan receivables	20,101	11,609
Due from banks, other financial institutions and holding companies	33,329	48,289
Financial assets available-for-sale	31,212	39,077
Financial assets held-to-maturity	1,984	278
Other	10,612	6,119
	2,196,563	**1,856,954**
Interest expense		
Deposits from customers	213,791	398,772
Due to banks, other financial institutions and holding companies	381,081	164,823
Debt securities issued	31,681	39,971
Subordinated liabilities	38,414	45,893
Other	2	-
	664,969	**649,459**

29. Fee and commission income

TEUR	2016	2015
Insurance commissions	330,084	230,639
Penalty fees	105,535	93,576
Customer payment processing and account maintenance	32,880	32,443
Cash transactions	18,101	22,941
Retailers commissions	9,911	7,818
Other	17,603	6,699
	514,114	**394,116**

30. Fee and commission expense

TEUR	2016	2015
Payment processing and account maintenance	28,178	18,180
Commissions to retailers	24,344	26,014
Credit and other register expense	16,405	9,860
Cash transactions	15,660	15,765
Payments to deposit insurance agencies	10,105	13,405
Stamp duties	234	4,141
Other	1,253	2,302
	96,179	**89,667**

31. Insurance income

TEUR	2016	2015
Gross premiums earned	36,074	55,450
Net insurance benefits and claims	(1,663)	(1,819)
Earned premiums ceded	(71)	(54)
Acquisition costs	(12,371)	(18,216)
	21,969	**35,361**

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

TEUR	2016	2015
Net foreign currency gains/(losses)	29,723	(60,696)
Net trading gains on other financial assets and liabilities	15,146	8,046
Net gains on debt securities at fair value through profit or loss	3,531	14,434
Net (losses)/gains on trading derivative instruments	(57,440)	47,554
Net losses on hedging derivative instruments	(1,047)	(7,866)
	(10,087)	**1,472**

33. Other operating income

TEUR	2016	2015
Income from other services provided	26,319	15,615
Net gain on early redemption of debt securities issued and subordinated liabilities	2,792	8,599
Gains on disposal of loan receivables	117	43,862
Tax subsidy	9,748	1,807
	38,976	**69,883**

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

34. Impairment losses on financial assets

TEUR	2016	2015
Cash loan receivables	289,088	422,113
POS loan receivables	222,132	162,622
Revolving loan receivables	42,971	135,781
Mortgage loan receivables	3,613	4,158
Car loan receivables	2,084	423
Loans to corporations	1,977	89
Financial assets available-for-sale	-	(126)
Other financial assets	722	26
	562,587	**725,086**

35. General administrative expenses

TEUR	2016	2015
Employee compensation	582,280	404,010
Payroll related taxes (including pension contributions)	110,135	89,528
Rental, maintenance and repairs	53,460	57,064
Professional services	47,683	39,534
Telecommunication and postage	45,495	38,381
Advertising and marketing	42,851	24,006
Taxes other than income tax	36,849	50,303
Information technologies	31,799	24,880
Collection agency fee	31,494	31,943
Travel expenses	24,092	17,899
Other	22,524	17,698
	1,028,662	**795,246**

36. Other operating expenses

TEUR	2016	2015
Depreciation and amortization	82,633	78,507
Loss on disposal of property and equipment and intangible assets	1,380	9,158
Impairment losses on property and equipment and intangible assets	1,224	3,172
Impairment losses on other non-financial assets	798	444
	86,035	**91,281**

37. Income tax expense

TEUR	2016	2015
Current tax expense	164,242	99,553
Deferred tax benefit	(49,563)	(49,450)
Total income tax expense in the statement of comprehensive income	**114,679**	**50,103**

Reconciliation of effective tax rate

TEUR	2016	2015
Profit before tax	**324,912**	**8,502**
Income tax using the domestic tax rate of 25%	(81,228)	(2,126)
Effect of deferred tax assets not recognized	(45,769)	(36,859)
Non-deductible costs	(18,954)	(7,387)
Withholding tax	(10,937)	(3,770)
Non-taxable income	17,539	15,215
Effect of tax rates in foreign jurisdictions	19,526	3,463
Other	5,144	(18,639)
Total income tax expense	**(114,679)**	**(50,103)**

38. Derivative financial instruments

As at 31 December 2016 the following derivative contracts were outstanding:

Contract type	Sell/Buy	Maturity	Notional (in thousands of purchased currency)	Fair value TEUR
Currency derivatives – trading				
Foreign currency forward contracts	USD/EUR	less than 1 month	68,320	715
	EUR/CZK	less than 1 month	1,480	(5)
	INR/EUR	3 months to 1 year	2,927	(348)
	IDR/EUR	3 months to 1 year	2,255	54
	PHP/USD	3 months to 1 year	4,821	(25)
	INR/EUR	more than 1 year	60,226	(4,288)
	EUR/CZK	more than 1 year	7,104	13
Foreign currency swap contracts	CZK/EUR	less than 1 month	9,000	13
	EUR/USD	less than 1 month	73,634	1,464
	EUR/CZK	less than 1 month	6,033	(26)
	CZK/EUR	less than 1 month	11,621	(6)
	VND/USD	less than 1 month	18,274	(383)
	EUR/CZK	1 month to 3 months	14,977	(38)
	USD/CZK	1 month to 3 months	39,449	(349)
	EUR/CZK	1 month to 3 months	7,328	(19)
	RUB/EUR	1 month to 3 months	6,605	(743)
	VND/USD	1 month to 3 months	9,617	(115)
	EUR/CZK	3 months to 1 year	326,579	(3,486)
	USD/CZK	3 months to 1 year	40,594	(91)
	RUB/CZK	3 months to 1 year	4,286	(1,426)
	KZT/USD	3 months to 1 year	19,256	(603)
	USD/EUR	3 months to 1 year	2,372	12
	VND/USD	3 months to 1 year	29,400	(790)
	EUR/CZK	more than 1 year	67,932	(576)
	EUR/CZK	more than 1 year	35,122	320
Interest rate derivatives				
Interest rate swap contracts	fixed/floating (CZK)	more than 1 year	306,055	(14,462)
	fixed/floating (RUB)	more than 1 year	62,208	336
Interest rate options	(CZK)	more than 1 year	7,402	-
				(24,852)

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

Contract type	Sell/Buy	Maturity	Notional (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

39. 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.

TEUR	2016	2015
Revolving loan commitments	527,681	524,584
POS loan commitments	57,993	41,858
Cash loan commitments	17,972	10,201
Undrawn overdraft facilities	88	246
	603,734	**576,889**

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 2016 the Group reported contractual commitments for the acquisition of property and equipment and intangible assets of TEUR 4,786 (31 December 2015: TEUR 2,599).

As at 31 December 2016 the balance of loan guarantees issued by the Group was nil (31 December 2015: TEUR 6,274).

40. Operating leases

Non-cancellable operating lease rentals are payable as follows:

TEUR	2016	2015
Less than one year	13,984	13,721
Between one and five years	28,774	21,038
More than five years	8,377	3,047
	51,135	**37,806**

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 2016 TEUR 19,110 (2015: TEUR 24,977) was recognized as an expense in the statement of comprehensive income in respect of operating leases.

41. 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.

42. 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:

TEUR	2016	2015
Due from banks, other financial institutions and holding companies	7,049	21,491
Other assets	13	-
Due to banks, other financial institutions and holding companies	(357,800)	(8,956)
Subordinated liabilities	(137,950)	(133,666)
	(488,688)	**(121,131)**

42. Related party transactions (continued)

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:

TEUR	2016	2015
Interest income	2,833	3,773
Interest expense	(21,704)	(16,450)
General administrative expenses	(316)	(284)
	(19,187)	**(12,961)**

(b) Transactions with fellow subsidiaries

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

TEUR	2016	2015
Cash and cash equivalents	54,614	61,111
Due from banks, other financial institutions and holding companies	26,267	11,569
Loans to customers	-	14,391
Positive fair value of derivative instruments	3,016	13,682
Other assets	9,551	13,580
Current accounts and deposit from customers	(24,514)	(21,600)
Due to banks, other financial institutions and holding companies	(57,931)	(27,941)
Debt securities issued	(93,847)	(59,703)
Negative fair value of derivative instruments	(20,351)	(12,450)
Subordinated liabilities	(24,051)	(20,197)
Other liabilities	(1,897)	(2,732)
	(129,143)	**(30,290)**

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

TEUR	2016	2015
Interest income	10,640	10,435
Interest expense	(15,289)	(18,500)
Fee and commission income	221	1,538
Fee and commission expense	(908)	(504)
Acquisition costs (insurance income)	(5,434)	(4,387)
Net (losses)/gains on financial assets and liabilities	(27,989)	24
Other operating income	418	93,525
General administrative expenses	(10,292)	(9,080)
Other operating expenses	(133)	(120)
	(48,766)	**72,931**

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 10,493 (2015: TEUR 5,797).

As disclosed in Note 12, the Group sold receivables to related party. The related transactions and balances are included in other operating income (Note 33) (2016: TEUR 117, 2015: TEUR 43,862).

(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 2016 or in 2015.

(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 4,336 (2015: TEUR 1,276) and short-term benefits of TEUR 19,544 (2015: TEUR 14,371) comprising salaries, bonuses and non-monetary benefits.

As at 31 December 2016 the balance of unsecured loans to members of the key management was TEUR 33 (31 December 2015: TEUR 81).

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 8,604 charged in 2016 (2015: TEUR 8,327) in relation to this agreement are recorded under general administrative expenses, while the related liability of TEUR 3,104 as of 31 December 2016 (31 December 2015: TEUR 2,827) is recorded under other liabilities.

42. Related party transactions (continued)

As at 31 December 2016 the balances due from holding companies included secured loans of TEUR 83,476 (31 December 2015: TEUR 80,891) provided by the Group to a company controlled by one of the members of its Board of Directors. The weighted average interest rate is 6.95% (31 December 2015: 6.71%) and the repayment date of those loans is 30 June 2019.

As at 31 December 2016 the Company had outstanding loan commitments of TEUR 9,478 (31 December 2015: TEUR 9,186) with other related parties.

43. Workforce

In 2016 the average number of the Group's employees was 90,958 (2015: 61,207 employees), of which two employees were employed in the Netherlands (2015: two employees).

44. Subsequent events

In February 2017 the Group issued bond in nominal value of MEUR 73,945 equivalent maturing in March 2020.

The consolidated financial statements as set out on pages 4 to 82 were approved by the Board of Directors on 28 February 2017.

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. Auditor's report

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

KPMG

Independent auditor's report

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

Report on the accompanying consolidated financial statements

Our opinion

We have audited the consolidated financial statements 2016 of Home Credit B.V., based in Amsterdam, the Netherlands.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of Home Credit B.V. as at 31 December 2016 and of its result and its cash flows for 2016 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.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2016;

2 the following consolidated statements for 2016: 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 consolidated 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, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

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

The consolidated financial statements included in this report form part of the financial statements of the company. The financial statements include the consolidated financial statements and the company financial statements. The company financial statements have been included in a separate report. For a proper understanding of the financial position and the result the consolidated financial statements must be considered in connection with the company financial statements. On 28 February 2017 we issued a separate auditor's report on the company financial statements.

KPMG

Report on the other information included in the annual report

In addition to the consolidated financial statements and our auditor's report thereon, the annual report contains other information that consists of:

— management board's report;

— other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code;

Based on the following procedures performed, we conclude that the other information:

— is consistent with the consolidated financial statements and does not contain material misstatements;

— contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the consolidated financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the consolidated financial statements.

Management is responsible for the preparation of the other information, including the management board's report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Description of the responsibilities for the consolidated financial statements

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU-IFRS and 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 management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the consolidated 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 the consolidated financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us 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 material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated 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.

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): https://www.nba.nl/Documents/Tools%20Vaktechniek/Standaardpassages/Standaardpassage_nieuwe_controletekst_niet_oob_variant_%20Engels.docx

Amstelveen, 28 February 2017

KPMG Accountants N.V.

B.M. Herngreen RA

Unconsolidated Annual Accounts

for the year ended 31 December 2016

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 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 practice a distinctive business model of providing consumer finance products which are easily accessible even at the lower end of the economic scale. This is a formula which has been successfully rolled out across a number of countries in Central and Eastern Europe and Asia. Companies held by HCBV are market leaders in most markets they operate in, namely in Russia and major Asian countries such as China and Vietnam, and have a promising foothold in India, Indonesia and the Philippines. These companies are keenly focused on offering industry-leading products to customers, including first-time borrowers, putting great effort into educating them in the principles of financial literacy. HCBV is vigilant on companies' risks and costs.

As at 31 December 2016, Companies held by HCBV served 20.1 million active customers (2015: 12.5 million) across its operations: the Czech Republic (operational since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), China (2007), Belarus (2007), Vietnam (2009), India (2012), Indonesia (2013), the Philippines (2013) and the United States of America (2015).

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's reach spans from Europe to Russia, the USA and across Asia. PPF owns assets of EUR 24.2 billion (as at 30 June 2016).

For more information on PPF, visit www.ppf.eu.

The remaining 11.38% minority stake in HCBV is held by EMMA OMEGA LTD, an investment holding company ultimately owned by Mr. Jiří Šmejc.

Key Achievements

In 2016 HCBV reported, on an unconsolidated basis, net profit of EUR 62 million, a 185% increase year-on-year mainly influenced by higher dividend income. Total assets and total equity were EUR 2,300 million and EUR 1,495 million respectively.

Quarterly earnings growth of companies held by HCBV accelerated throughout 2016 with fourth-quarter consolidated net profit of EUR 78.9 million, the strongest of the year, resulting in a net profit for the full year of EUR 210.2 million. This marks a return to full-year profitability following a loss of EUR 41.6 million in 2015 and reflects much improved risk performance, against the background of a diversified funding base and successful growth of the companies' asset base.

HCBV successfully completed a private placement of a Czech crown-denominated bond issue worth CZK 1,998 million, its first since 2012. The issue date of the bond was 10 February 2017. The bond bears interest at a fixed rate of 3.75 per cent per year, and interest will be payable semiannually on 30 March and 30 September, however the first interest payment will be deferred to 30 September 2018. The bond will be repaid at nominal value on 30 March 2020. The bond has the status of a listed security on the Regulated Market of the Prague Stock Exchange. The proceeds from the issue were used by HCBV for general corporate purposes.

Staff development and environmental influence

The average number of employees during 2016 was 2 (2015: 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 changes in Board of Directors please refer to 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 resource allocation 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, repo operations 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 behavior. 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.

Subsequent events

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

Future development

In 2017, HCBV will maintain its policies of careful management and management for its holdings and disciplined use of its capital. HCBV's focus will be on managing the business for the sustainable creation of shareholders' value. HCBV will continue 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 lead the companies toward rapid increases of the share of business done online in order to extend its market leadership to this emerging area of consumer lending.

The overall objective in CEE 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.

28 February 2017

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

Unconsolidated Statement of Financial Position

as at 31 December 2016

TEUR	Note	2016	2015
Assets			
Cash and cash equivalents	5	3,059	1,623
Time deposits with banks	6	27,056	20,890
Loans provided	7	78,793	78,535
Financial assets at fair value through profit or loss	8	2,554	3,072
Financial assets available for sale	9	11,824	9,343
Investments in subsidiaries	10	2,108,382	1,776,765
Other assets	11	68,441	2,787
Total assets		**2,300,109**	**1,893,015**
Liabilities			
Debt securities issued	12	36,029	183,957
Financial liabilities at fair value through profit or loss	13	829	478
Loans received and other liabilities	14	768,285	275,736
Total liabilities		**805,143**	**460,171**
Equity			
Share capital	15	659,020	659,020
Share premium	15	479,872	479,872
Other reserves	15	356,074	293,952
Total equity		**1,494,966**	**1,432,844**
Total liabilities and equity		**2,300,109**	**1,893,015**

Unconsolidated Statement of Comprehensive Income

for the year ended 31 December 2016

TEUR	Note	2016	2015
Continuing operations			
Interest income	16	6,577	10,319
Interest expense	16	(39,864)	(33,594)
Net interest expense		**(33,287)**	**(23,275)**
Dividend income	17	148,246	65,655
Fee income	18	10,102	10,010
Net foreign exchange result		(1,516)	(637)
Other income, net		(30)	(545)
Operating income		**123,515**	**51,208**
Impairment losses	19	(45,800)	(14,560)
General administrative expenses	20	(13,478)	(13,816)
Operating expenses		(59,278)	(28,376)
Profit before tax		**64,237**	**22,832**
Income tax expense	21	(2,115)	(1,063)
Net profit for the year		**62,122**	**21,769**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**62,122**	**21,769**

Unconsolidated Statement of Changes in Equilty

for the year ended 31 December 2016

TEUR	Share capital	Share premium	Other reserves	Total equity
Balance as at 1 January 2016	659,020	479,872	293,952	**1,432,844**
Profit for the year	-	-	62,122	**62,122**
Total changes	**-**	**-**	**62,122**	**62,122**
Balance as at 31 December 2016	**659,020**	**479,872**	**356,074**	**1,494,966**
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**
Profit for the period	-	-	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**

Unconsolidated Statement of Cash Flows

for the year ended 31 December 2016

TEUR	Note	2016	2015
Operating activities			
Profit before tax		64,237	22,832
Adjustments for:			
Interest income and expense	16	33,287	23,275
Dividend income	17	(148,246)	(65,655)
Impairment losses	19	45,800	14,560
Income / expenses not involving movements of cash		(14,874)	19,073
Net operating cash flow before changes in working capital		**(19,796)**	**14,085**
Change in time deposits with banks		(6,165)	(17,190)
Change in loans provided		5,959	31,069
Change in other assets		(136)	1,533
Change in other liabilities		2,850	(1,522)
Cash flows (used in)/from the operations		**(17,288)**	**27,975**
Interest paid		(33,362)	(28,203)
Interest received		7,197	9,277
Income tax paid		(2,115)	(1,063)
Cash flows (used in)/from operating activities		**(45,568)**	**7,986**
Investing activities			
Proceeds from available-for-sale assets		9,696	16,121
Acquisition of available-for-sale assets		(11,103)	-
Investments into subsidiaries		(377,671)	(173,051)
Proceeds from investments in subsidiaries		-	122,944
Dividends received		83,246	65,655
Cash flows (used in)/from investing activities		**(295,832)**	**31,669**
Financing activities			
Proceeds from the issue of debt securities		13,636	-
Repayment of debt securities issued		(147,630)	(107,130)
Proceeds from due to banks and other financial institutions		896,610	513,283
Repayments of due to banks and other financial institutions		(419,782)	(448,737)
Cash flows from/(used in) financing activities		**342,834**	**(42,584)**
Net increase/(decrease) in cash and cash equivalents		1,434	(2,929)
Cash and cash equivalents at 1 January	5	1,623	4,535
Effects of exchange rate changes on cash and cash equivalents		2	17
Cash and cash equivalents at 31 December	**5**	**3,059**	**1,623**

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 (%) 2016	2015
PPF Financial Holdings B.V.	Netherlands	88.62	88.62
EMMA OMEGA LTD	Cyprus	11.38	11.38

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

2. Basis of preparation

The financial statements for the year ended 31 December 2016 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 2016, 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.

(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.

3. Significant accounting policies (continued)

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 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.

(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.

3. Significant accounting policies (continued)

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.

(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.

(m) Changes in Accounting policies and accounting pronouncements adopted since 1 January 2016

The following revised standards effective from 1 January 2016 are mandatory and relevant for the Company and have been applied by the Company since 1 January 2016.

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 did not 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.

(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 2016 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 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.

3. Significant accounting policies (continued)

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.

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 currently plans to apply IFRS 9 initially on 1 January 2018.

The Company is assessing the potential impact of adopting IFRS 9 on its consolidated financial statements.

The actual impact of adopting IFRS 9 on the Company's unconsolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, given the nature of the Company's operations, this standard is not expected to have significant impact on the Company's unconsolidated 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.

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.

In April 2016 IASB issued clarifications to IFRS 15 clarifying some requirements and providing additional transitional relief for companies that are implementing the new Standard. This clarifications have 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.

Annual improvements 2014-2016 Cycle (effective from 1 January 2018 and 1 January 2017)

In December 2016, the IASB issued its annual Improvements to IFRSs 2014-2016 Cycle as part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The amendments relate to IFRS 1, IFRS 12 and IAS 28. This Cycle has not yet been adopted by EU.

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.

4. Financial risk management

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

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

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

The Company's risk management policies are established to identify and 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.

4. Financial risk management (continued)

(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 2016 shows liquidity gaps, which the Company will face in 2017. The Company plans refinancing the maturing loans through a diverse funding base to which the Company has access. The Company raises funds both on the market and through related parties. The shareholder's support enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

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.

2016 TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	3,059	-	-	-	-	**3,059**
Time deposits with banks	9,784	13,571	-	-	3,701	**27,056**
Loans provided	7,018	11,813	49,362	10,600	-	**78,793**
Financial assets at fair value through profit or loss	2,179	12	363	-	-	**2,554**
Financial assets available for sale	-	-	-	11,824	-	**11,824**
Investments in subsidiaries	-	-	-	-	2,108,382	**2,108,382**
Other assets	68,282	-	-	-	159	**68,441**
Total assets	**90,322**	**25,396**	**49,725**	**22,424**	**2,112,242**	**2,300,109**
Debt securities issued	-	-	36,029	-	-	**36,029**
Financial liabilities at fair value through profit or loss	799	-	30	-	-	**829**
Loans received and other liabilities	363,811	299,314	105,160	-	-	**768,285**
Total liabilities	**364,610**	**299,314**	**141,219**	**-**	**-**	**805,143**
Net position	**(274,288)**	**(273,918)**	**(91,494)**	**22,424**	**2,112,242**	**1,494,966**

2015 TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	1,623	-	-	-	-	**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**

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.

Interest rate gap position

2016 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	0.1%	3,059	-	-	-	-	**3,059**
Time deposits with banks	0.4%	17,013	6,342	-	-	3,701	**27,056**
Loans provided	8.1%	7,018	11,813	49,362	10,600	-	**78,793**
Financial assets available for sale	6.0%	-	-	-	11,824	-	**11,824**
Total interest bearing financial assets		**27,090**	**18,155**	**49,362**	**22,424**	**3,701**	**120,732**
Interest bearing financial liabilities							
Debt securities issued	5.7%	-	-	36,029	-	-	**36,029**
Loans received and other liabilities	6.2%	734,305	-	33,980	-	-	**768,285**
Total interest bearing financial liabilities		**734,305**	**-**	**70,009**	**-**	**-**	**804,314**

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)

Foreign currency position

2016 TEUR	RUB	CZK	EUR	USD	VND	CNY	Other currencies	Total
Cash and cash equivalents	1	24	2,819	210	-	2	3	**3,059**
Time deposits with banks	-	3,701	7,229	16,126	-	-	-	**27,056**
Loans provided	7,049	2,299	17,618	51,827	-	-	-	**78,793**
Financial assets at fair value through profit or loss	-	-	2,554	-	-	-	-	**2,554**
Financial assets available for sale	-	11,824	-	-	-	-	-	**11,824**
Investments in subsidiaries	466,939	428,055	626,072	23,036	70,000	491,383	2,897	**2,108,382**
Other assets	-	-	68,441	-	-	-	-	**68,441**
Total assets	**473,989**	**445,903**	**724,733**	**91,199**	**70,000**	**491,385**	**2,900**	**2,300,109**
Debt securities issued	-	29,034	6,995	-	-	-	-	**36,029**
Financial liabilities at fair value through profit or loss	-	-	829	-	-	-	-	**829**
Loans received and other liabilities	-	34,179	660,808	73,295	-	3	-	**768,285**
Total liabilities	**-**	**63,213**	**668,632**	**73,295**	**-**	**3**	**-**	**805,143**
Effect of foreign currency derivatives	(6,605)	45,447	(41,784)	2,942	-	-	-	**-**
Net position	**467,384**	**428,137**	**14,317**	**20,846**	**70,000**	**491,382**	**2,900**	**1,494,966**

2015 TEUR	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)

(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.

(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:

TEUR	Note	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Debt securities issued	12	36,029	35,312	183,957	189,355

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):

2016 TEUR	Level 1	Level 2	Level 3	Total
Financial assets available for sale	-	11,824	-	**11,824**
Financial assets at fair value through profit or loss	-	2,554	-	**2,554**
Financial liabilities at fair value through profit or loss	-	(829)	-	**(829)**
	-	**13,549**	**-**	**13,549**

2015 TEUR	Level 1	Level 2	Level 3	Total
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**

5. Cash and cash equivalents

TEUR	2016	2015
Current accounts with related parties	3,042	1,601
Other current accounts	17	22
	3,059	**1,623**

6. Time deposits with banks

TEUR	2016	2015
Deposit held with external banks as cash collateral for bank loans provided to a related party	16,126	12,385
Cash collateral for syndicated loan interest payments	7,229	4,805
Cash collateral for foreign exchange derivative contracts	3,701	3,700
	27,056	**20,890**

7. Loans provided

TEUR	2016	2015
Loans to subsidiaries	27,549	13,655
Loans to controlling entities	7,049	21,491
Other loans provided	44,195	43,389
	78,793	**78,535**

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 2016 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				
	USD/EUR	less than 1 month	68,979	715
	EUR/CZK	more than 1 year	4,208	35
Foreign currency swap contracts				
	EUR/USD	less than 1 month	72,253	1,464
	USD/EUR	3 months to 1 year	2,392	12
	EUR/CZK	more than 1 year	33,185	328
				2,554

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				
	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

9. Financial assets available-for-sale

TEUR	2016	2015
Debt securities issued by a related party	11,824	9,343
	11,824	**9,343**

10. Investments in subsidiaries

		Share in issued capital		Net cost of investment	
Subsidiary	Country of incorporation	2016 %	2015 %	2016 TEUR	2015 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)	Czech Republic	100.00	100.00	233,037	233,037
Home Credit International (JSC)	Czech Republic	100.00	100.00	10,685	10,685
HC Insurance Services (LLC)	Czech Republic	100.00	100.00	785	785
Air Bank (JSC)	Czech Republic	100.00	100.00	183,548	183,548
Home Credit Consumer Finance Co., Ltd.	China	100.00	100.00	490,383	285,153
CF Commercial Consulting (Beijing) Co., Ltd.	China	100.00	100.00	1,000	1,000
HC Asia N.V.	Netherlands	100.00	100.00	576,776	423,946
Home Credit Lab N.V.	Netherlands	100.00	100.00	7,379	2,976
Non-banking Credit and Financial Organization "Home Credit" (OJSC) [1]	Republic of Belarus	99.59	99.59	2,897	13,697
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
MCC Kupi ne kopi (LLC) [2]	Russian Federation	100.00	100.00	2,009	2,009
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00	21,439	56,439
Collect Credit, LLC [3]	Ukraine	100.00	100.00	-	254
LLC Homer Software House [4]	Ukraine	2.78	2.78	-	-
HOME CREDIT US Holding, LLC	USA	100.00	100.00	23,036	7,828
Home Credit Vietnam Finance Company Limited	Vietnam	100.00	100.00	70,000	70,000
				2,108,382	**1,776,765**

[1] in July 2016 Home Credit Bank (OJSC) was renamed to Non-banking Credit and Financial Organization "Home Credit" (OJSC)
[2] in May 2016 MFO HC Express (LLC) was renamed to MCC Kupi ne kopi (LLC)
[3] subsidiary was sold
[4] presented as a subsidiary because of the Company's indirect share of 97.22% through Redlione (LLC)

10. Investments in subsidiaries (continued)

2016 TEUR	Cost of investment	Impairment	Carrying amount
Balance as at 1 January	**1,866,699**	**(89,934)**	**1,776,765**
Investments	377,671	-	377,671
Divestments	(254)	-	(254)
Impairment changes	-	(45,800)	(45,800)
Balance as at 31 December	**2,244,116**	**(135,734)**	**2,108,382**

2015 TEUR	Cost of investment	Impairment	Carrying amount
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**

In 2016 the Company recognised an impairment loss of TEUR 35,000 on its investment in Home Credit Slovakia (JSC) as a response to declining profitability of the Slovak subsidiary due to changes in the legislation in 2016. The impairment charge was determined so as to bring the carrying value of the investment to the subsidiary to the fair value based on an independent appraisal.

In addition in 2016 the Company recognised an impairment loss of TEUR 10,800 on its investment in Non-banking Credit and Financial Organization "Home Credit" (OJSC) as a response to declining profitability of the Belarusian subsidiary. The impairment charge was determined so as to bring the carrying value of the investment to the subsidiary net asset value translated to EUR.

11. Other assets

TEUR	2016	2015
Dividend receivable	65,000	-
Trade receivables	3,078	2,586
Other receivables	204	131
Trade marks	159	70
	68,441	**2,787**

Dividend receivable represents receivable from HC Asia N.V. for dividend declared in December 2016. The Company received this amount in January 2017.

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

12. Debt securities issued

			Amount outstanding	
TEUR	Interest rate	Final maturity	2016	2015
CZK bond issue 5 of MCZK 3,750	6.25%	June 2016	-	143,376
CZK promissory note issue of MCZK 300	Zero-coupon	July 2016	-	10,788
EUR promissory note issue of MEUR 9.1	Zero-coupon	July 2016	-	8,844
CZK promissory note issue of MCZK 650	Zero-coupon	March 2018	22,301	20,949
CZK promissory note issue of MCZK 207	Zero-coupon	April 2020	6,733	-
EUR promissory note issue of MEUR 7.96	Zero-coupon	April 2020	6,995	-
			36,029	**183,957**

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 2016 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	less than 1 month	1,486	(5)
	EUR/CZK	more than 1 year	2,959	(22)
Foreign currency swap contracts				
	CZK/EUR	less than 1 month	11,621	(6)
	EUR/CZK	less than 1 month	6,034	(26)
	EUR/CZK	1 to 3 months	7,326	(19)
	RUB/EUR	1 to 3 months	5,925	(743)
	EUR/CZK	more than 1 year	1,924	(8)
				(829)

13. Financial liabilities at fair value through profit or loss (continued)

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)

14. Loans received and other liabilities

TEUR	2016	2015
Loans received	762,274	272,224
Settlement with suppliers	3,857	3,460
Other accounts payable	2,154	52
	768,285	**275,736**

				Amount outstanding	
TEUR	Interest Rate	Currency	Maturity	2016	2015
Loans received					
Loan from subsidiary	Fixed	USD	July 2016	-	74,161
Loan from controlling party	Fixed	EUR	January 2017	79,274	-
Loan from parent company	Variable	EUR	January 2017	278,526	-
Syndicated loan	Variable	EUR	September 2017	299,314	198,063
Loan from subsidiary	Variable	USD	July 2018	71,180	
Loan from subsidiary	Fixed	CZK	December 2018	7,478	-
Loan from other related party	Fixed	CZK	January 2020	26,502	-
				762,274	**272,224**

All loans are unsecured. There were no breaches of loan covenants in 2015 and 2016.

15. Equity

As at 31 December 2016 the Company's share capital comprised 1,250,000,000 (2015: 1,250,000,000) ordinary shares at a par value of EUR 0.57 (2015: EUR 0.57), of which 1,156,174,806 (2015: 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.

There were no changes in share capital and share premium in 2016.

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

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 2016 is lower than the consolidated result by MEUR 148,111 (2015: higher by MEUR 63,370).

15. Equity (continued)

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

TEUR	Share capital	Share premium	Statutory reserve fund	Foreign currency translation	Revaluation reserve	Reserve for business combinations under common control	Other reserves	Total equity attributable to equity holders of the Company	TEUR
Individual balance as at 31 December 2016	**659,020**	**479,872**	**-**	**-**	**-**	**-**	**356,074**	**1,494,966**	**Individual balance as at 31 December 2016**
Adjustment for:									Adjustment for:
Impairment of subsidiaries, current year	-	-	-	-	-	-	45,800	**45,800**	Impairment of subsidiaries, current year
Impairment of subsidiaries, prior years	-	-	-	-	-	-	89,934	**89,934**	Impairment of subsidiaries, prior years
Dividend income	-	-	-	-	-	-	(148,246)	**(148,246)**	Dividend income
Net result of subsidiaries in 2016	-	-	-	-	-	-	296,357	**296,357**	Net result of subsidiaries in 2016
Reserves related to subsidiaries	-	-	57,878	(505,576)	22,434	(91,228)	232,702	**(283,790)**	Reserves related to subsidiaries
Consolidated balance as at 31 December 2016	**659,020**	**479,872**	**57,878**	**(505,576)**	**22,434**	**(91,228)**	**872,621**	**1,495,021**	**Consolidated balance as at 31 December 2016**

TEUR	Share capital	Share premium	Statutory reserve fund	Foreign currency translation	Revaluation reserve	Hedging reserve	Reserve for business combinations under common control	Other reserves	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**	**Individual balance as at 31 December 2015**
Adjustment for:										Adjustment for:
Impairment of subsidiaries, current year	-	-	-	**-**	-	-	-	14,560	**14,560**	Impairment of subsidiaries, current year
Impairment of subsidiaries, prior years	-	-	-	**-**	-	-	-	75,374	**75,374**	Impairment of subsidiaries, prior years
Dividend income	-	-	-	**-**	-	-	-	(65,655)	**(65,655)**	Dividend income
Net result of subsidiaries in 2015	-	-	-	**-**	-	-	-	2,285	**2,285**	Net result of subsidiaries in 2015
Reserves related to subsidiaries	-	-	38,599	**(604,427)**	23,127	3,728	(91,228)	361,764	**(268,437)**	Reserves related to subsidiaries
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**	**Consolidated balance as at 31 December 2015**

16. Interest income and interest expense

TEUR	2016	2015
Interest income		
Controlling entities	2,832	3,773
Other related parties	2,755	5,151
Subsidiaries	911	1,386
Other	79	9
	6,577	**10,319**
Interest expense		
Loans received	33,734	18,517
Debt securities issued	6,123	15,074
Current accounts	7	3
	39,864	**33,594**

17. Dividend income

TEUR	2016	2015
Subsidiary		
HC Asia N.V.	65,000	-
Home Credit and Finance Bank (LLC)	34,037	13,447
Home Credit (JSC)	18,481	14,583
Home Credit Vietnam Finance Company Limited	15,068	20,218
Home Credit Insurance (LLC)	8,135	6,572
Home Credit Slovakia (JSC)	4,000	4,000
Septus Holding Limited	703	1,367
Sylander Capital Limited	703	1,367
Enadoco Limited	703	1,365
Talpa Estero Limited	703	1,365
Rhaskos Finance Limited	703	1,361
Astavedo Limited	10	10
	148,246	**65,655**

18. Fee income

TEUR	2016	2015
Fees for services provided	8,268	8,254
Guarantee fees	1,834	1,756
	10,102	**10,010**

19. Impairment losses

In 2016 the Company recognized impairment losses of TEUR 35,000 on its equity investment in Home Credit Slovakia (JSC). In the same period the Company recognized impairment losses of TEUR 10,800 on its equity investment in Non--banking Credit and Financial Organization “Home Credit” (OJSC) (previously Home Credit Bank (OJSC).

In 2015 the Company recognized impairment losses of TEUR 15,000 on its equity investment in Non-banking Credit and Financial Organization “Home Credit” (OJSC) (previously Home Credit Bank (OJSC). In the same period the Company reversed impairment losses of TEUR 440 due to liquidation of its subsidiary PPF Home Credit IFN SA.

20. General administrative expenses

TEUR	2016	2015
Professional services	10,589	10,726
Travel expenses	2,244	2,426
VAT	403	439
Personnel expenses	107	106
Bond issue expense	28	69
Other	107	50
	13,478	**13,816**

21. Taxation

Income tax expense of TEUR 2,115 (2015: TEUR 1,063) represented withholding tax from dividends received which was paid in the subsidiary’s jurisdiction and withholding tax from interest received.

As at 31 December 2016 the Company incurred accumulated tax losses of TEUR 157,221 (31 December 2015: TEUR 137,691) available to be carried forward and off-set against future taxable income. The unutilized tax losses expire in the period from 2018 to 2025.

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.

21. Taxation (continued)

Year of expiration	2016 TEUR	2015 TEUR
2016	-	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	14,569
2024	26,546	23,352
2025	36,837	-
Total	**157,221**	**137,691**

Reconciliation of effective tax rate	2016 TEUR	2015 TEUR
Profit before tax	**64,237**	**22,832**
Income tax using the domestic tax rate of 25%	(16,059)	(5,708)
Non-deductible costs	(11,882)	(311)
Withholding tax	(2,115)	(1,063)
Non-taxable income	37,150	15,607
Tax losses not recognized	(9,209)	(9,588)
Total income tax expense	**(2,115)**	**(1,063)**

22. Commitments and guarantees

As at 31 December 2016 the Company had outstanding commitments to extend credit of TEUR 18,974 (31 December 2015: TEUR 58,645).

As at 31 December 2016 the Company had outstanding guarantees of TEUR 127,321 (31 December 2015: TEUR 79,367) issued by the Company in favour of the financing banks for bank loans drawn by subsidiaries.

23. Related party transactions

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

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

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

TEUR	2016	2015
Loans provided	7,049	21,491
Loans received and other liabilities	(357,800)	-
	(350,751)	**21,491**

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:

TEUR	2016	2015
Interest income	2,832	3,773
Interest expense	(9,853)	(1,882)
General administrative expenses	(250)	(250)
	(7,271)	**1,641**

(b) Transactions with subsidiaries and fellow subsidiaries

TEUR	2016	2015
Cash and cash equivalents	3,042	1,602
Time deposits with banks	3,701	3,700
Loans provided	27,549	13,655
Financial assets at fair value through profit or loss	2,554	3,072
Financial assets available for sale	11,824	9,343
Other assets	68,077	2,586
Debt securities issued	(36,029)	(59,065)
Financial liabilities at fair value through profit or loss	(829)	(478)
Loans received and other liabilities	(133,577)	(100,293)
	(53,688)	**(125,878)**

23. Related party transactions (continued)

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

TEUR	2016	2015
Interest income	910	2,050
Interest expense	(13,719)	(16,787)
Dividend income	148,246	65,655
Fee income	10,102	10,010
Net foreign exchange result	(2,622)	16,376
General administrative expenses	(1,157)	(1,400)
	141,760	**75,904**

As at 31 December 2016 the Company had outstanding guarantees of TEUR 127,321 (31 December 2015: TEUR 79,367) 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 9,478 (31 December 2015: TEUR 49,459) with its subsidiaries.

(c) 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 8,604 charged in 2016 in relation to this agreement (2015: TEUR 8,327) are recorded under general administrative expenses, while the related liability of TEUR 3,104 as at 31 December 2016 (31 December 2015: TEUR 2,827) is recorded under loans received and other liabilities.

As at 31 December 2016 the balance of Loans provided included secured loans of TEUR 44,195 (31 December 2015: TEUR 43,389) provided by the Company to a company controlled by one of the members of its Board of Directors. The weighted average interest rate is 6.94% (31 December 2015: 6.52%) and the repayment date of those loans is 30 June 2019.

As at 31 December 2016 the Company had outstanding loan commitments of TEUR 9,478 (31 December 2015: TEUR 9,186) with other related parties.

(d) Transactions with key management personnel

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

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

TEUR	2016	2015
Short-term benefits expenses	107	106
	107	**106**

Total remuneration paid to members of the Company's Board of Directors by the Company and all its subsidiaries was TEUR 1,287 (2015: TEUR 851).

24. Audit expenses

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

2016 TEUR	KPMG Accountants N.V.	Other KPMG network	Total
Audit of financial statements	229	953	1,182
Other audit engagements	123	131	254
Tax advisory	-	139	139
Other non-audit services	-	108	108
Total	**352**	**1,331**	**1,683**

2015 TEUR	KPMG Accountants N.V.	Other KPMG network	Total
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**

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 2017 the Company increased share premium in HC Asia N.V. by TEUR 40,750.

In January and February 2017 the Company increased share capital in Home Credit Lab N.V. by TEUR 3,968 equivalent.

In February 2017 the Company increased share capital in Home Credit US Holding LLC by TEUR 2,525 equivalent.

In February 2017 the Company issued bond in nominal value of MEUR 73,945 equivalent maturing in March 2020.

The unconsolidated financial statements as set out on pages 4 to 40 were approved by the Board of Directors on 28 February 2017.

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 2016 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. 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 accompanying unconsolidated financial statements

Our opinion

We have audited the unconsolidated financial statements 2016 of Home Credit B.V., based in Amsterdam, the Netherlands.

In our opinion the accompanying unconsolidated financial statements give a true and fair view of the financial position of Home Credit B.V. as at 31 December 2016 and of its result and its cash flows for 2016 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.

The unconsolidated financial statements comprise:

1 the unconsolidated statement of financial position as at 31 December 2016;

2 the following unconsolidated statements for 2016: 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 unconsolidated 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, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

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

The company financial statements included in this report form part of the financial statements of the company. The financial statements include the company 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 the result the company financial statements must be considered in connection with the consolidated financial statements. On 28 February 2017 we issued a separate auditor's report on the consolidated financial statements.

Report on the other information included in the annual report

In addition to the unconsolidated financial statements and our auditor's report thereon, the annual report contains other information that consists of:

— management board's report;

— other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code;

Based on the following procedures performed, we conclude that the other information:

— is consistent with the unconsolidated financial statements and does not contain material misstatements;

— contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the unconsolidated financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the unconsolidated financial statements.

Management is responsible for the preparation of the other information, including the management board's report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Description of the responsibilities for the unconsolidated financial statements

Responsibilities of Management and the Board of Directors for the unconsolidated financial statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with EU-IFRS and 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 management determines is necessary to enable the preparation of the unconsolidated financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the unconsolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the unconsolidated 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 unconsolidated financial statements.

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

Our responsibilities for the audit of the unconsolidated financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us 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 material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the unconsolidated 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.

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): https://www.nba.nl/Documents/Tools%20Vaktechniek/Standaardpassages/Standaardpassage_nieuwe_controletekst_niet_oob_variant_%20Engels.docx

Amstelveen, 28 February 2017

KPMG Accountants N.V.

B.M. Herngreen RA

Home Credit B.V.
World Trade Center
Strawinskylaan 933
1077 XX Amsterdam
Netherlands
+31 0 208 813 120
info@homecredit.eu
www.homecredit.net

Home Credit International a.s.
Evropská 2690/17
PO Box 177
160 41 Prague 6
Czech Republic
+420 224 174 375
info@homecredit.eu
www.homecredit.net

Annual Report 2016

Design and production: Dynamo design s.r.o.

HOME
CREDIT