Annual

REPORT

2017

Home Credit B.V.
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Annual Report 2017

Design and production: Dynamo design

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1. Who we are

Home Credit is a global consumer finance provider driven by state-of-the-art financial technology. Founded in 1997, we operate in a range of high growth markets across three continents.

Our mission is to transform the way the world shops by making the things that matter most to our customers more affordable. In today's fast-paced, digital world, we provide the financial enablers that make life comfortable, connected, and convenient.

We practice financial inclusion. Over two decades, our consumer finance products have ensured that our customers, even first-time borrowers with no credit history, can afford things to make their lives better with access to simple and reliable credit. Traditional lenders often do not adequately cater to the needs of those on lower incomes or first-time borrowers. The need for a developed credit history and collateralization are common barriers for individuals who would benefit from using formal financial services. This exclusion can have a detrimental effect on their financial and personal well-being, and hinders economic and social development.

We invest in financial literacy. Educating our customers and the communities in which we operate is the foundation of our sustainability programmes.

We focus on providing a safe and flexible lending experience for our customers. To help ensure customers make the right borrowing decisions based on their own circumstances, we have introduced a cooling-off period as a standard. Our Safety Guarantee provides repayment options for clients by offering additional time for repayment, payment holidays, late penalty waivers, and other measures.

We offer a superior borrowing experience for those consumers who are looking for alternatives to traditional banking. We provide a seamless online and in-store service to consumers across all our markets.

We ensure that we are accessible to our customers in locations that are convenient to them. Through our advanced technology, global reach and embedded local presence at the points of sale – in store or online – we ultimately bring goods and services to customers faster than others, contributing to their wellbeing.

As a result of these factors, we are a top lender in most of the markets where we operate, offering industry-leading products.

Since our founding, we have lent to over 97 million customers. Today we operate in ten countries, serving nearly 30 million active clients through 399,228 physical distribution points, as well a fast growing online offering.

As at 31 December 2017, Home Credit is active in the Czech Republic (since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), Vietnam (2005), China (2007), India (2012), Indonesia (2013), the Philippines (2013), and the United States of America (2015).

2. Chairman and CEO Introduction

In this first year of the third decade of our business, I'm proud to say that Home Credit continues to set the benchmark for a successful, responsible and innovative consumer finance lender. We remain the market leader in almost every country where we operate, and we continue to consolidate this leadership even as we also pursue efficiency improvements.

Our major business focus remains unchanged. We provide small loans to consumers through a multi-channel distribution strategy – specifically in retailers' stores, online, and by inviting customers to take up offers through our own mobile apps and other remote channels. These loans may be small – our average loan for consumer durables is EUR 321, but can be as little as around EUR 60 – but they play a vital role in many people's lives, raising their quality of life, their prosperity and their prospects.

We are confident in our strategic positioning; we have developed some significant competitive advantages which are difficult to replicate: our origination capacity through our multi-channel distribution model and cross-selling capabilities; our leading scale positions in some of the most attractive markets for consumer finance, particularly in Asia; our leading-edge risk management systems; our diversified funding platform and effective liquidity risk management; and finally our customer-centric approach that puts responsible lending at the heart of our practices.

During the year we continued to leverage these strengths, rolling out leading edge technologies such as risk-based pricing, paperless processes and biometric identification, which resulted in another period of fast growth and strong financial performance. We have a leading position in mobile phone financing that we maintain through joint marketing promotions with mobile phone producers and key retailers.

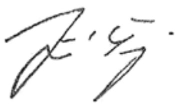
In 2017, the Group continued to build substantial scale, with net loans increasing 57% and generating a net profit of EUR 244 million, up 16%. Net profit attributable to equity holders of the parent rose by 20% to EUR 256 million.

I would particularly like to highlight Russia, which performed very strongly through the year and delivered an excellent increase in profitability. Meanwhile, in China, we have now successfully established a scale position, and although recent market challenges there will have a short-term impact on our profitability, we remain very well positioned in this significant growth market. In our other Asian start-ups, Indonesia achieved run-rate profitability during the fourth quarter and India is expected to break even in 2018.

A major theme for this year was the shift to online channels. Our ambition is to offer a truly online experience, not simply an online copy of the offline process. Accordingly, we have significantly enhanced our mobile and online offerings; our mobile apps continue to gain in users, won multiple awards and, in Indonesia, have even attracted thousands of users who are not our clients. In Russia, we launched an online marketplace for tens of thousands of consumer durables available from multiple retailers, all of which can be bought using Home Credit loans from the site. In the Czech Republic, our peer-to-peer lender, Zonky, has mediated EUR 97 million in loans, making it the most successful such platform in the country.

Finally, in 2017 we rebranded all around the world. The old Home Credit logo with the fridge from the late 1990s has been phased out and in its place is a dynamic new symbol – an open smile – representing all that we stand for: customer satisfaction with transparent, cutting--edge products and services. The new branding is also a symbol of our journey towards becoming the undisputed leader in our field. We now have over 157,000 employees all striving towards this goal, living shared corporate values while working in highly localized environments where they adopt to local customs.

Last year, I stated that while we were already delivering good results, we had more potential for the future. I believe that our performance in 2017 bears this out, and I look forward to continuing in leading the way consumer lending develops again next year.



Jiří Šmejc

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

No need for printed contracts any more. We have replaced all the paperwork by a digitized process with e-signature.


All you need is
ONE
mobile app

3. Group Description

3.1. General Information

Home Credit B.V. ("HCBV") is the owner of consumer finance providers in ten markets in the Central and Eastern Europe, the C.I.S., Asia and the USA (referred to hereafter as "the Group"). There are both 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) securing of financing for these companies; and (c) providing strategic guidance in terms of customer experience and financial and risk management.

3.2. Group Business Model

Our core business is to improve the way our customers shop largely through online and offline product sales financing to mass market retail customers. We provide this service while customers are shopping in the form of "point-of-sale loans". We also focus on forging meaningful relationships with our existing clients through cross-selling and up-selling opportunities.

Ultimately, we progress to providing a full range of consumer lending products such as cash loans, credit cards, and revolving loans as a means for our customers to be able to afford the things that matter in their lives. In selected markets, we offer deposits and other retail banking services.

As retailing in general and our customers move online, we continue to evolve into a relevant online brand. 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, further integration into relevant shopping platforms and online support in most touchpoints of the consumer journey.

We use Big Data to improve the customer experience and our risk performance.

Products

We are focused on providing the following products:

- **"Point-of-sale" or POS loans** to 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 321, and may be as little as EUR 60. 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 approximately 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 EUR 2,036 and have average term of 35 months.

- **Credit cards** are offered in many markets – in the Czech Republic, Slovakia, Russia and Kazakhstan, and in the fourth quarter of 2017 they were also successfully launched in Vietnam and USA.

Cards are issued to both our existing customers through cross-sell campaigns as well as to new customers through partner sales points or bank branches where these exist.

The average issued limit depends on the market and channel, but is generally up to EUR 2,000. Across most of our channels, around 90% of newly-issued cards are used within the first three months. Overall, more than 300,000 cards were used for POS or ATM transactions in 2017 across our markets.

Our strategy 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.

- **Current accounts and deposits** are available in the three countries where we have a banking license (the Czech Republic, Russia and Kazakhstan).

  The balance of all current accounts and deposits amounted to EUR 6.4 billion at the end of 2017. These current accounts and deposits help us diversify our funding sources and make our core consumer finance business more efficient.

Partnering with retailers

In order to provide a well-rounded shopping experience for our customers, we keep innovating our shopping cards with zero percent interest rates, cashbacks, extended grace periods and loyalty schemes which provide true added value. Therefore we continuously work on expanding and strengthening our partnerships with retailers who participated in bringing such benefits to our borrowers.

Partnering with durable goods manufacturers

Our scale presence in a number of markets enables us to partner with established manufacturers, such as Samsung, Oppo, Vivo, and Huawei. We sell their products at points of sale, often leading to an increased market share for them; this also allows our customers to purchase some of the best available mobile technology.

Our key competitive advantages

With two decades of experience our key competitive advantages are clear:

1. **Customer-centric multichannel distribution with strong cross-sell**
2. **Leading positions in attractive markets**
3. **Leading-edge risk management**
4. **Strong and diversified funding**
5. **Responsible lending at the heart of our practices**

3. Group Description

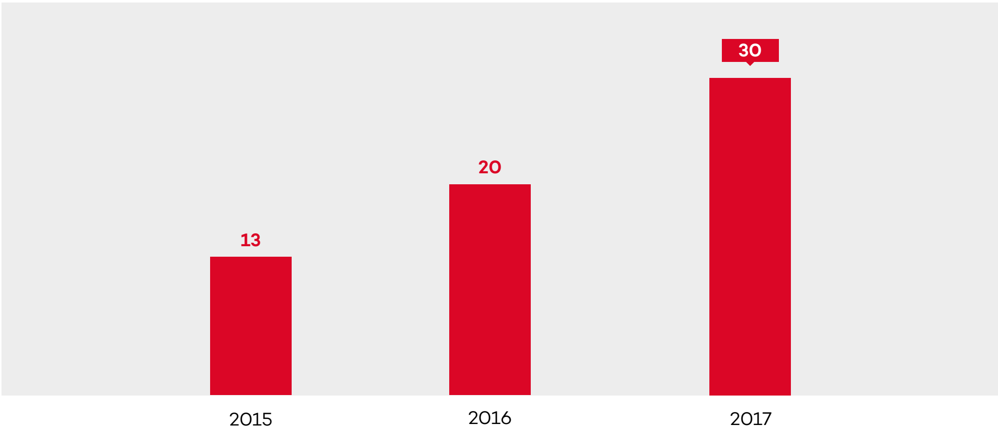
1. Multi-channel distribution and strong cross-sell:

Our subsidiaries use a variety of direct and indirect distribution channels to optimise access to end customers. We have a broad network of retail partners in each country with a total of almost 400 thousand distribution points around the world. We believe this makes us the world's largest point-of-sale lender on this metric.

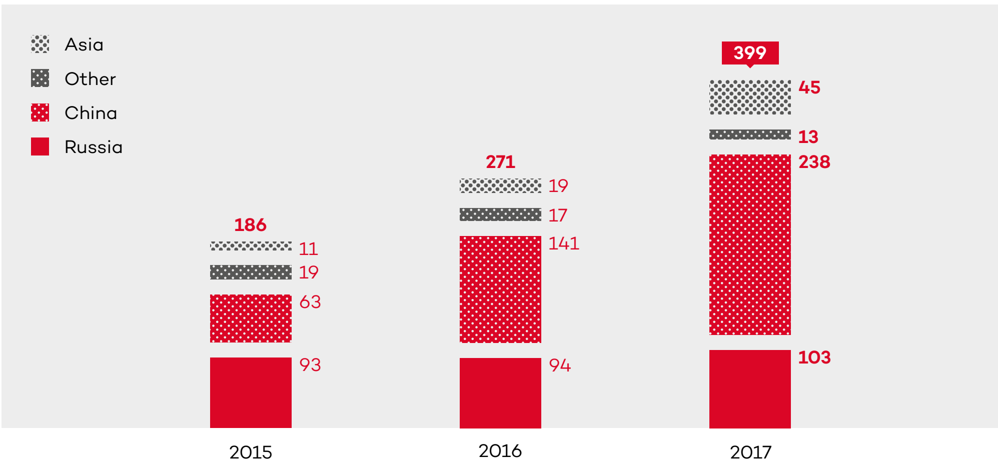
We have been testing and honing our online capacity. We are now well-placed to benefit from the global trend to merge online and offline shopping services. Our world-leading offline capabilities, together with our online presence, makes us the perfect partner to deliver a better overall shopping experience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

2. We are category leaders in many markets:

Home Credit Group's increasing number of active clients
Number of active customers over time (in millions)



Home Credit Group's network development
Number of points of sale (in thousands)



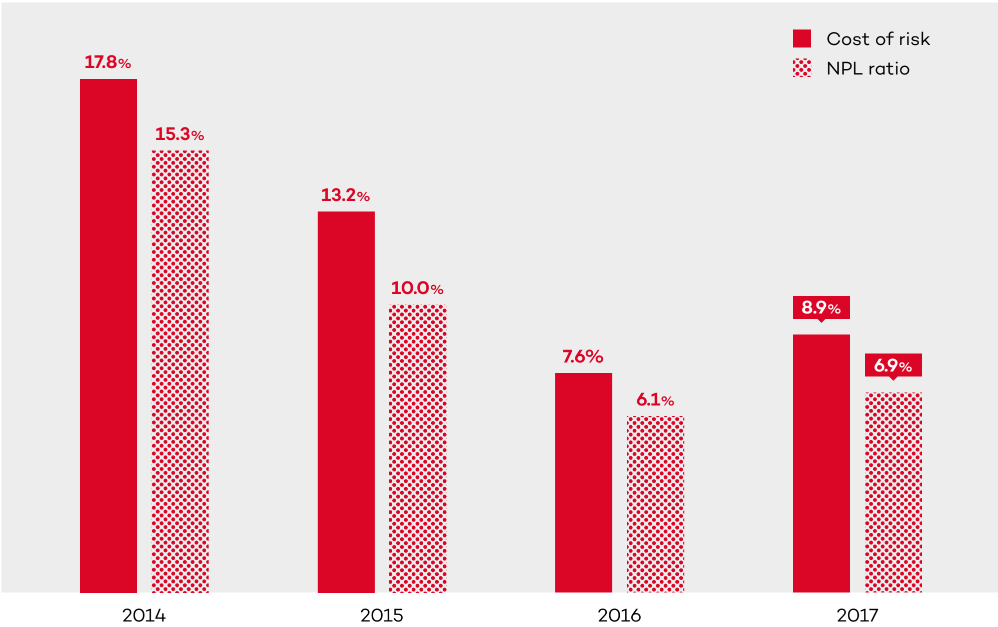
3. Our leading-edge risk management driven by our superior data capture and analysis, leveraging Big Data and biometrics:

We use highly automated processes to make quick, effective decisions on loan applications – of which, in the fourth quarter of 2017, we processed 6.3 million. Our median time to a 'yes' decision is just above one minute 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. During 2017 we have continued the rollout of risk-based pricing. We introduced the concept last year, and it has led to improved market penetration and a better overall risk-return profile of our loan portfolio.

Cost of risk has fallen from a high, in 2014, of 17.8% to 8.9% and the NPL ratio has fallen from a high in 2014, of 15.3% to 6.9% however both increased marginally over the prior year.

There are a number of factors, beyond the large portfolio growth that are behind the marginal increase; short term challenges in China as regulatory reforms lead to a much more stable growth market offset by better risk selection from lower priced Point of Sale products.

The Cost of Risk ratio and the 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 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.

Buy now, pay later with zero interest rate. Take advantage of the great offers by carefully selected partners at our own e-shop.


Learn how to
SHOP
the easy way

4. Our diversified funding and effective liquidity risk management

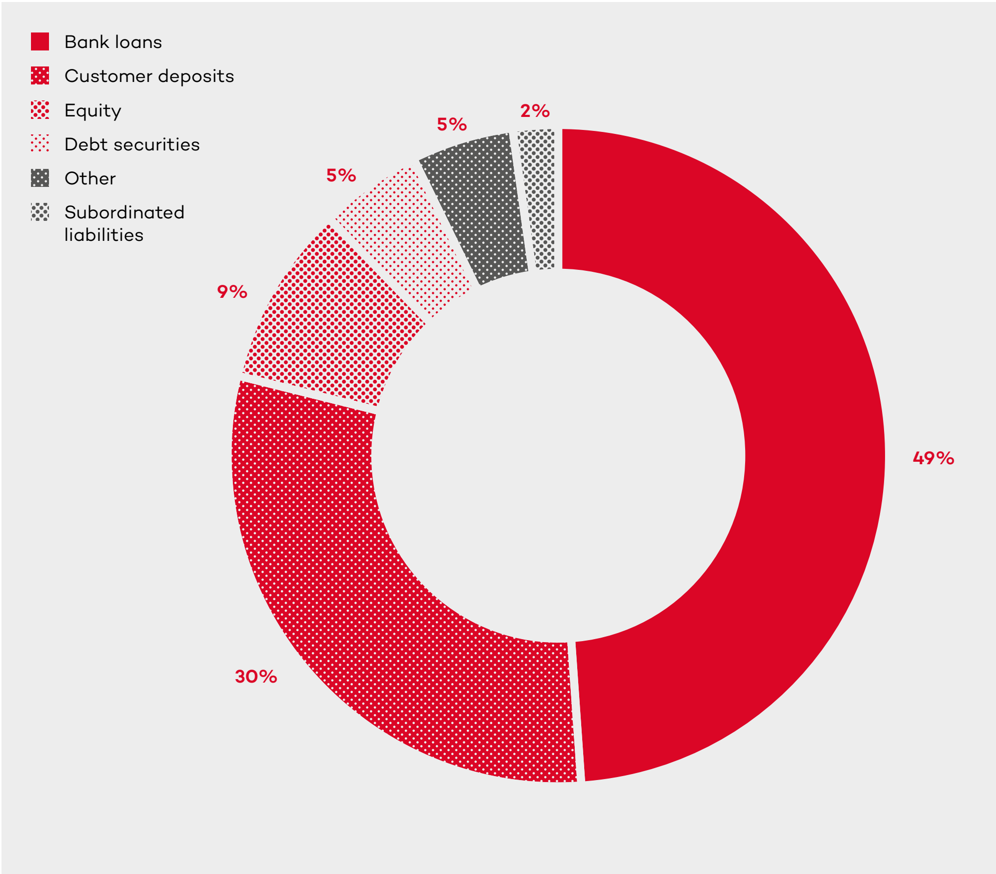
We have a strong funding position from a diverse range sources:

- both wholesale and retail,
- of varying maturities,
- including an array of bank facilities from a wide range of banks.

We have banking licenses in the Czech Republic, Russia, and Kazakhstan, and thus benefit from customer deposits as an additional source of funding.

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, China with the use of asset-backed securities (ABS), and India, where in July 2017 we issued our first asset-backed securities (ABS) with a total size of over INR 430 million, marking a further contribution to the development of the country's capital markets.

Home Credit Group's funding sources
as at 31 December 2017



5. Responsible lending at the heart of our practises

Home Credit continues to be highly rated for responsible lending, transparency and excellent customer experience in prestigious surveys in different countries. The surveys recognize Home Credit's strong commitment to fair and accessible financial services for the unbanked.

- In China, the Tsinghua University report notes that 80% of Home Credit clients are first--time borrowers, which is a testament to our inclusive lending policies and our drive to empower those neglected by traditional banks.
- In the Czech Republic, independent experts awarded Home Credit a silver medal in the Safe Loan category and a bronze for Responsible Lending.
- In India, we were rated "Excellent" for transparency in our lending offers, scored "Good" in financial inclusion and "Good" for affordability in the Navigator for Responsible Lending study.

3.3. Innovation

The Group continues to innovate and most recently introduced enhanced data analytics and the use of biometrics across the Group.

The Group continuously seeks to innovate; the initiatives include knowledge sharing across the Group, improving existing product development efficiency, productivity and competitive differentiation, and revolutionary innovation around new product development. Within Home Credit, innovation is largely led by the businesses and can be seen in many contexts. Knowledge sharing is facilitated by Regional Executive Directors and functional teams. Moreover, there are innovation labs in the Czech Republic, Russia and China and we have rolled out successful local initiatives from these labs across the Group.

In addition, the venture investment arm of the Home Credit Group, Home Credit Venture Capital, makes minority investments in start-ups which can provide insights and strategic synergies with the Home Credit Group's businesses.

3.4. Sustainability

Financial inclusion and our business model

Home Credit's aspiration to make financial services accessible to those consumers who have historically not had access to traditional banks or other consumer finance providers is directly linked to sustainable economic development.

By offering consumer finance products, often to first-time borrowers, we help consumers to enter the formal financial system, establish a credit score and access a range of opportunities, goods and services. These small loans with short maturities that we provide can help customers improve their quality of life, support household spending for consumer durables, and contribute to sustainable economic growth.

Financial literacy

Home Credit prides itself on being a responsible lender and an active participant in the communities in which it operates. We invest a lot of efforts in financial literacy. We educate communities in which we operate to ensure our customers make the well-informed borrowing decisions based on their own circumstances. Our honest and upfront practices put the customers' best interest at the heart of everything we do.

The linkage between financial inclusion and financial literacy is fundamental.

At Home Credit, we have devised a detailed financial literacy learning programme for our customers. We host relevant competitions and run media and online campaigns. We hold community roadshows, workshops and seminars, and public teach-ins in supermarkets and other easily accessible locations. We also work with young people across our markets, 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 is committed to developing 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. Home Credit China has joined forces with the People's Bank Of China Foundation in promoting financial literacy across provinces. In Vietnam, we provide school aids for children from unprivileged rural regions and medical check-ups for sellers at so-called "wet markets" - programs that effectively combat poverty.

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. In addition, the Group invests into more long-term support efforts in this field, for example by sponsoring extensive training and knowledge exchange from the Prague Air Ambulance Service to Chinese hospitals and air ambulances.

4. Group Milestones

4.1. History

Important Milestones

The Group was originally established in the Czech Republic and has a 20-year long history. Selected historical milestones 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 in the market.

2002

Home Credit entered Russia through the acquisition of "Innovation Bank Technopolis".

2005

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

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

2012

Home Credit started its business in India.

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

2012

Home Credit started its consumer finance company in China. The previous “guarantee company model” of lending to consumers, which was operational since 2007, was discontinued.

2013

Home Credit started its business in Indonesia and the Philippines.

2015

Air Bank (JSC) was incorporated into Home Credit Group.

Home Credit partnered with Sprint, a major U.S. telecoms operator, in a joint venture.

2017

Home Credit’s businesses in Vietnam and the United States introduced credit card products.

The venture capital arm of Home Credit Group was established; it invested into Nymbus, Inc., a U.S. developer of modern core banking technologies for community banks, credit unions and fintech disruptors, and into Barion, a Hungarian mobile payments start-up.

Zonky, Home Credit´s peer-to-peer lending platform in the Czech Republic and the leader in its field in the country, significantly grew its volumes and launched a secondary market for its investors.

↓ To be continued

4.2. The Group in 2017

The Group delivered a strong performance in 2017, balancing more growth, strong customer acquisition, enhanced customer experience and an increase in profitability. The Group continues to evolve into a fintech-driven consumer lender which leverages digitized processes and new technologies to benefit its risk management techniques, improves its cross-selling capabilities and provides a fast and easy-to-use service for its customers.

Our customers like the simplicity of our processes and offerings, both online and offline. Customer experience, as evidenced by our net promoter score tracking, continues to develop encouragingly. Our rebranding, which completed across all our markets in 2017, is also resonating well with consumers and has won plaudits from reputable industry rankings and prizes.

China, Russia, Kazakhstan and Vietnam all produced especially strong financial performances in 2017. Meanwhile, our businesses in India, Indonesia, the Philippines and the U.S. continue to rapidly establish themselves in very promising high-growth markets. This progress paves the way for a broader-based and thus more diversified and sustainably profitable high-growth business.

Operationally, the Group consolidated its market-leadership positions and market shares across its markets. It has also developed a promising foothold: both geographically in the US and technically in the online space among fintech-driven lenders. At the same time, the Group has remained highly focused on risk management and has implemented a series of efficiency improvement measures.

4.3. Business policy and strategy for 2018

The Group will continue complementing its offline “point-of-sale excellence” with a strong online presence. The goal is to further develop online offering as a self-standing business with a unique value proposition, not just an additional distribution channel. In 2018, the Group will continue to manage its holdings carefully, pursuing organic growth, whilst managing risk and capital in a prudent and disciplined manner. The Group’s focus will remain on managing the business for long-term sustainability. We aim to increase the number of active clients and give them more value through loyalty and partner schemes.

As customer experience is becoming a key brand differentiator, the Group will continue to strive to nurture a distinct and truly customer-centric culture, and offer high value-added products and cutting-edge innovations.

Our strategy is to continue to improve and transform the way our customers purchase; we strive to make things that matter in their life affordable.

We are reliable brand; upfront and honest with our customers.

We strive to have seamless experience for our customers, predominantly driven by our self--care digital platforms and online propositions.

We empower our customers to live better by enabling them to be savvier consumers, be financially educated and provide them with an overall peace of mind experience.

Express loan approval

With others, it may take days.

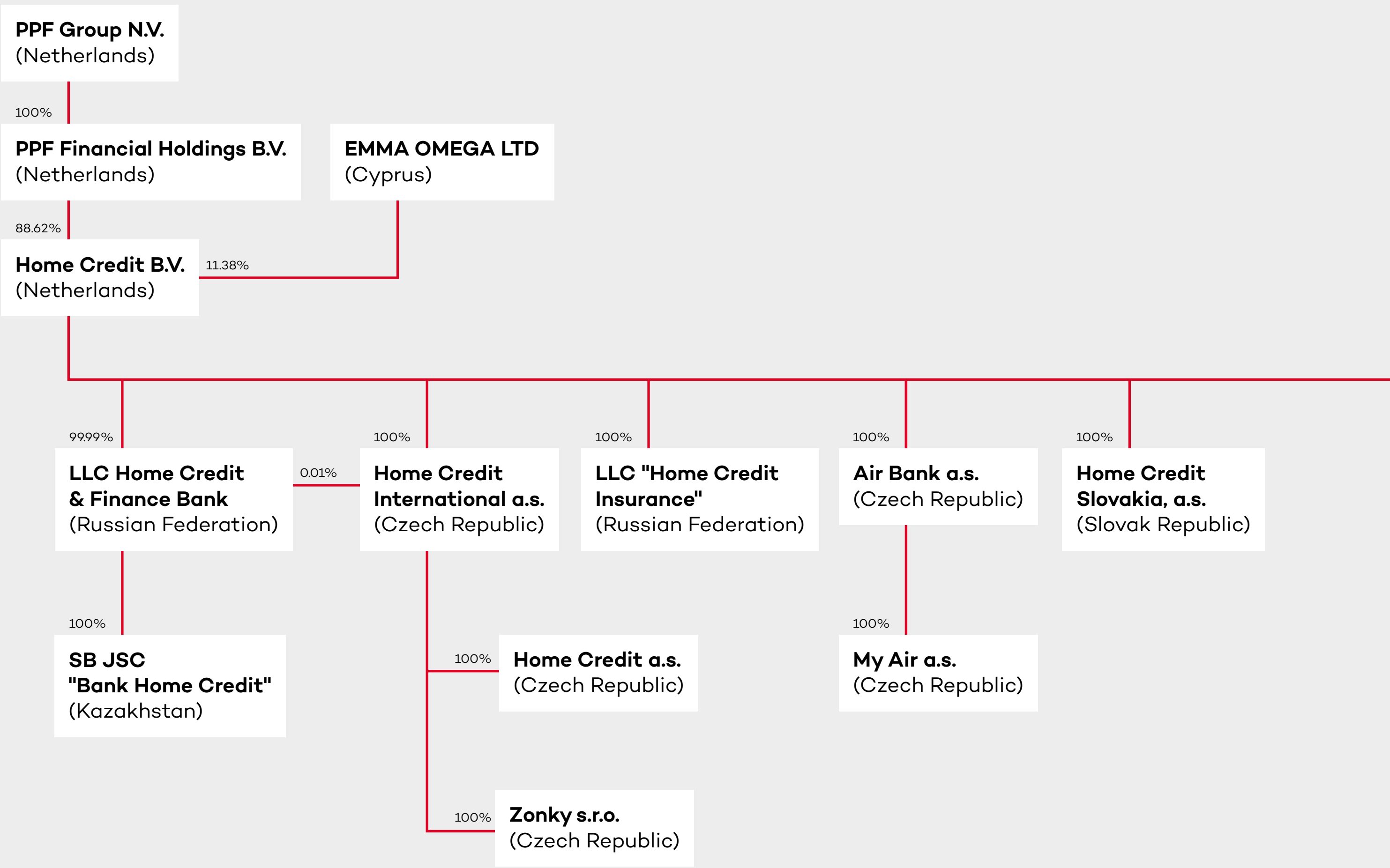
With us, processing time is not an issue.


Ready, steady,
GO!

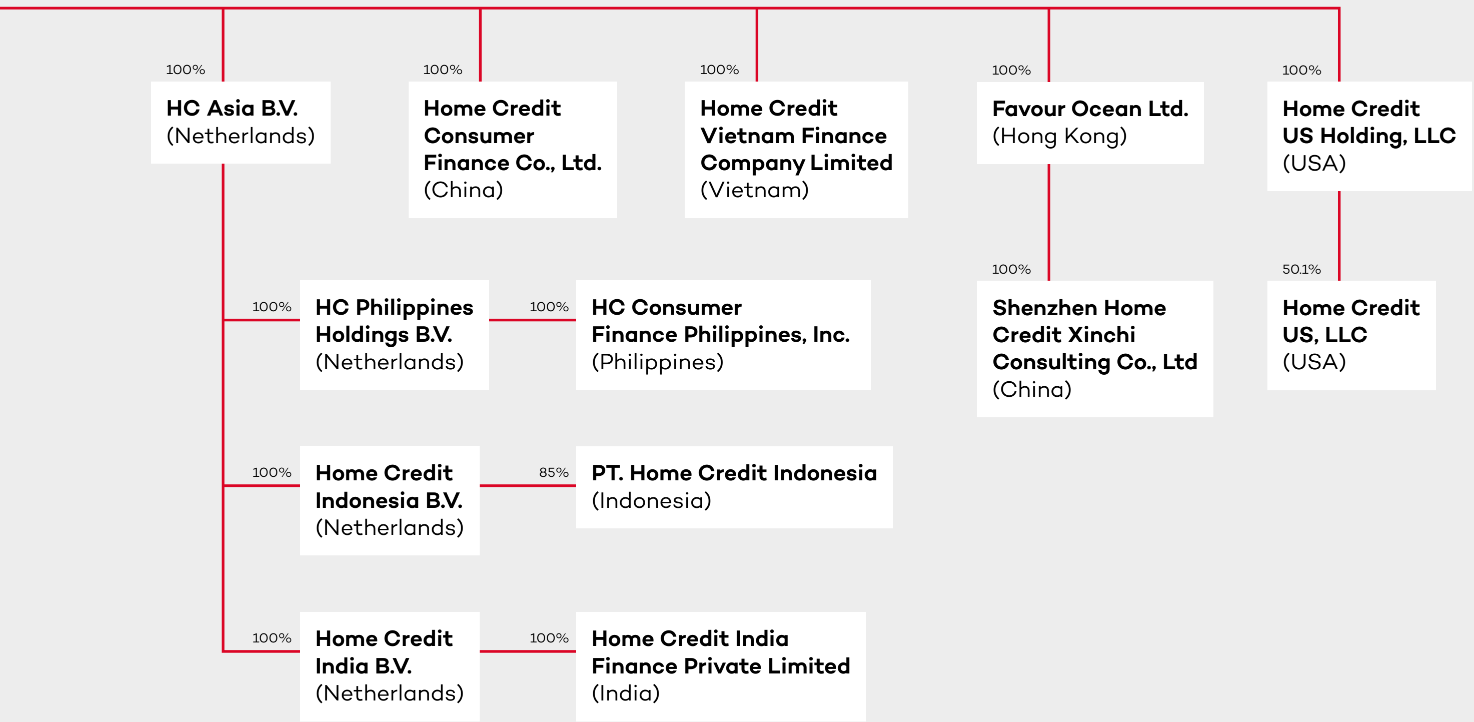
5. Group Shareholders, Management and Entities

5.1. Group Organizational Chart (simplified)

as at 31 December 2017



The chart comprises the most important companies of the Group.


100%
HC Asia B.V.
(Netherlands)
100%
Home Credit Consumer Finance Co., Ltd.
(China)
100%
Home Credit Vietnam Finance Company Limited
(Vietnam)
100%
Favour Ocean Ltd.
(Hong Kong)
100%
Home Credit US Holding, LLC
(USA)
100%
HC Philippines Holdings B.V.
(Netherlands)
100%
HC Consumer Finance Philippines, Inc.
(Philippines)
100%
Shenzhen Home Credit Xinchi Consulting Co., Ltd
(China)
50.1%
Home Credit US, LLC
(USA)
100%
Home Credit Indonesia B.V.
(Netherlands)
85%
PT. Home Credit Indonesia
(Indonesia)
100%
Home Credit India B.V.
(Netherlands)
100%
Home Credit India Finance Private Limited
(India)

5. Group Shareholders, Management and Entities

5.2. Group Shareholders

Home Credit B.V., the Netherlands-based holding company for all Home Credit's global operations is controlled by PPF Financial Holdings B.V., which holds an 88.62% stake. PPF Financial Holdings B.V. is an investment arm of PPF Group N.V., consolidating its assets in the financial services industry. PPF Financial Holdings B.V. falls under E.U. regulation and is supervised 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 Group N.V. is an investment company founded by Petr Kellner in 1991 which invests into multiple sectors such as banking and financial services, telecommunications, biotechnology, real estate, insurance and agriculture across 17 countries. Mr. Kellner as founder and majority shareholder of PPF Group holds a controlling stake of 98.92%, while Mr. Ladislav Bartoníček and Mr. Jean-Pascal Duvieusart, minority shareholders, each have a stake of 0.54%. Mr. Jean-Pascal Duvieusart is also a current Board Member of Home Credit B.V, since March 2017. More information on PPF Group N.V. 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 OMEGA LTD, founded in 2012, is an investment holding company ultimately owned by Mr. Jiří Šmejc. Mr. Šmejc simultaneously acts in the capacity of the Chairman of the Board of Directors of Home Credit B.V., and as Group Chief Executive Officer. More information on Emma Capital is available at www.emmacapital.cz.

5.3. Group Management

Board of Directors

Jiří Šmejc
Chairman

Jan Cornelis Jansen
Vice-chairman

Mel Gerard Carvill
Member

Paulus Aloysius de Reijke
Member

Rudolf Bosveld
Member

Jean-Pascal Duvieusart
Member

Marcel Marinus van Santen
Member

Christoph Glaser
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. 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 until the end of 2004. Jiří Šmejc graduated from Charles University, Prague, from the Faculty of Mathematics and Physics, with a Master's degree in mathematical economics.

Mr. Jan Cornelis Jansen

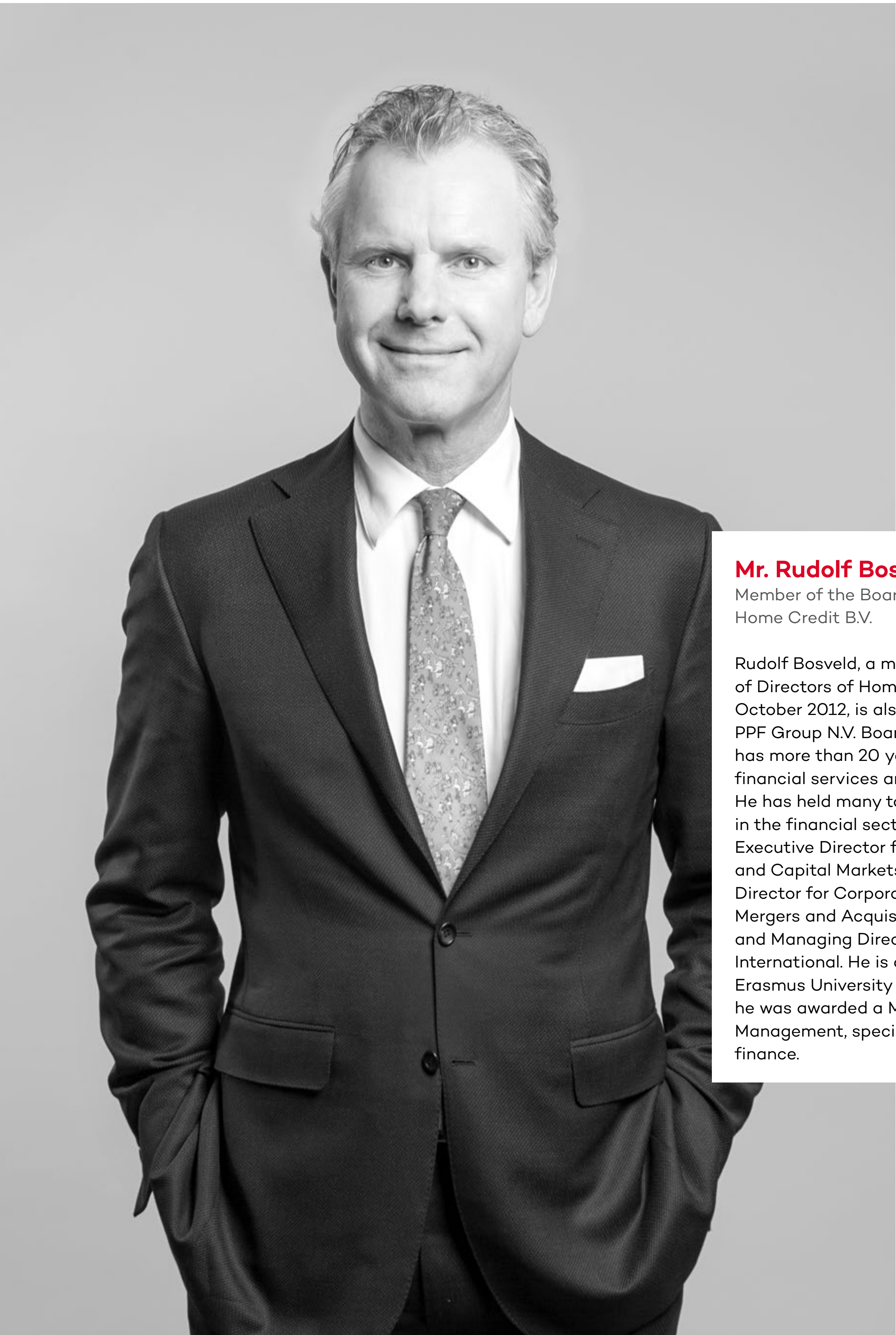
Vice-Chairman of the Board of Directors,
Home Credit B.V.

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 and 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 the 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, and has 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. 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. 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 shareholder 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 the 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, before taking 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.

Mr. Christoph Glaser

Member of the Board of Directors,
Home Credit B.V. from 1 October 2017

Christoph Glaser comes from a position of advising several internet-based trade, service and artificial intelligence--deploying start-up companies, in some of which he also co-invests. Prior to that, he spent 20 years with GE in a number of senior finance and commercial roles across its financial services and renewable energy businesses and thus gathered multi-functional expertise as well as leadership experience across several cultural environments. He brings a wealth of finance, capital markets, and operating experience gained within large listed businesses in addition to recent innovative and entrepreneurial activity. Christoph Glaser graduated from Free University Berlin, majoring in Economics and International Management and Law, and also from Humboldt University Berlin, majoring in Contemporary Chinese Studies. He speaks German, English, Russian and Mandarin.

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.

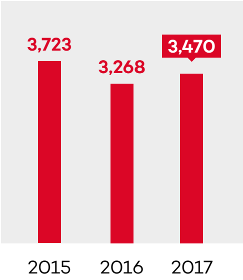
There are no special competences or authorities of members of the Board of Directors.

Don’t show your ID. Show yourself. Use your fingerprint or retina scan for secure and fast identification.

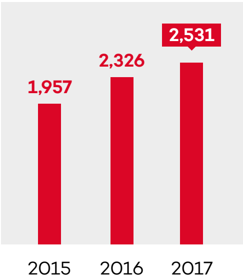

One
TOUCH
is enough

Russia

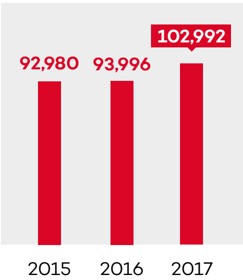
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



Home Credit & Finance Bank ("HCFB" or "the Bank" here) is our entity in Russia. In addition to a range of lending products, HCFB has a banking license, enabling it to issue credit cards, hold deposits and offer other retail banking products.

Our Russian segment delivered a strong performance in 2017, recording a net profit of EUR 162 million, compared to EUR 67 million in 2016. This performance clearly demonstrates that our Russian operation is back to being a sustainable, profitable growth business.

HCFB maintained its leading position in terms of market share in POS lending, its core business. It increased its footprint by 10% and the number of active customers by 6% compared to the previous year. These leading positions helped the bank to grow its net loan book by 9% to more than EUR 2.5 billion.

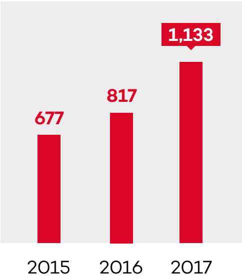
2017 also saw HCFB record new volumes in terms of POS lending, continuing double-digit growth in cash loan lending, and higher-than-expected deposit inflows.

Alongside these positive operational results, the Bank invested in an improved online and offline product offering and distribution channels, as well as technology-based productivity enhancements across the business. New products aimed at providing benefits for frequent use were introduced. The company also made a concerted marketing effort in line with its rebranding, and saw a marked increase in potential customers' openness towards the brand (up from 28% to 46% over the course of a campaign in the second half of the year).

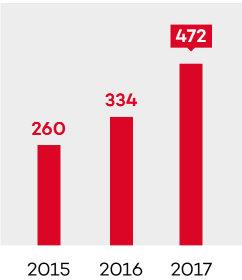
Due to the company's progress, Fitch upgraded HCFB's Long-Term Issuer Default Rating from B+ to "BB- with a stable outlook".

Kazakhstan

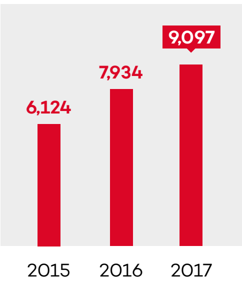
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



Home Credit's operation in Kazakhstan is Home Credit Bank ("HCB" here). Like HCFB in Russia (under whose ownership HCB falls), HCB in Kazakhstan holds a banking license and offers retail banking products as well as a range of specialized consumer lending products.

HCB continued to deliver, posting a net profit of EUR 60 million in 2017, compared to EUR 46 million the previous year.

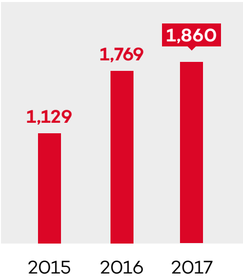
The Bank maintained its leading position in terms of market share in POS lending in Kazakhstan. The POS footprint increased by 15%, while active customers grew by a significant 39%. The loan book grew substantially by 41% to EUR 472 million. Cross-selling metrics also improved significantly.

The increasingly stable macro-economic environment meant that HCB broke new records in its POS lending volumes and strong deposit inflows.

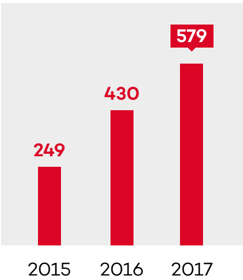
HCB was best-in-class with regards to "time-to-yes" performance. The business also introduced a new shopping card, improved its mobile application and introduced risk-based pricing.

Vietnam

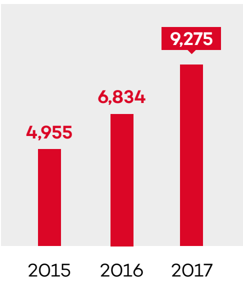
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



Home Credit Vietnam Finance Company Limited is one of the top consumer finance lenders in the country and the market leader in POS lending. Besides loans for consumer products such as white and brown goods, it also offers loans for motorbikes.

In Vietnam, 2017 was another year of good performance for the company. Net profit was EUR 64 million, compared to EUR 46 million in 2016.

Business operations saw significant growth: a 36% increase in the POS footprint and 5% more active customers than in 2016, which allowed the net loan book to grow by 35% to more than EUR 579 million.

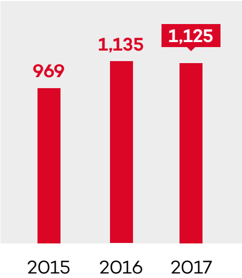
Risk management also helped the cash loan business grow substantially. Among other factors our focus on enhanced partnerships with Big Data providers such as telecom operators also helped boost our cash loan business, both for existing customers and walk-ins. The company launched a credit card product in the fourth quarter of 2017, which should enable the company to continue expand its customer offering in the coming year.

In Vietnam, Home Credit enjoys good relationships with its customers and maintains a smooth cooperation with both large and small retailers. This was recognized through several awards in reputable industry rankings, including “Best Consumer Finance Company”, “Most Innovative Consumer Finance Company”, and an award for “Best Consumer Finance Mobile Application.”

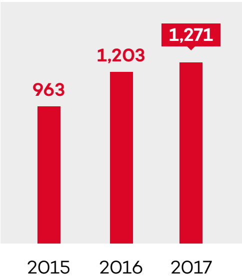
Vietnam’s capital markets also continue to support the company’s evolution, helping Home Credit Vietnam broaden and diversify its funding, most recently through the issuance of a syndicated loan for an amount of USD 80 million.

Czech Republic and Slovakia

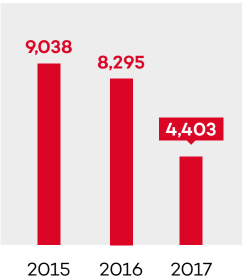
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



Home Credit's businesses in the Czech Republic and Slovakia are the oldest in the Group's portfolio and operate in mature markets. In view of market similarities, both businesses are run by a joint management team to maximize efficiencies.

The Czech Republic segment's net profit for 2017 was EUR 28 million, a slight decrease from the EUR 33 million recorded in 2016.

The Czech Republic delivers sustainable long-term profitability and serves as an incubator for piloting new innovations, concepts and solutions. Improved customer service continues to be a focus, with multiple optimizations to customer touchpoints undertaken throughout the year.

In the Czech Republic, Air Bank – a retail challenger bank whose mission is to redefine customer experience in retail banking – is in its fifth year of operation. Air Bank continued to attract new clients, exceeding 596,000 customers by the end of the 2017; it remains the fastest-growing bank in a country of 10 million people. Air Bank currently generates around 10% of all new cash loan volume in the market. Its "MyAir" mobile app is regularly awarded as a best-in-class product. The app enables Air Bank to sell and service its banking products while providing customers access to non-bank products and services.

Zonky, a peer-to-peer online lending platform, is a notable success. Since its founding in 2015, it has mediated EUR 97 million in loans; in 2017, borrowers raised EUR 77 million. Ten thousand investors, out of a 17,000-strong investor community, actively participate in lending each month, with their individual exposure averaging EUR 1,800. Since the third quarter of 2017, Zonky also offers investors a secondary market where they can buy or sell their shares in individual loans.

Air Bank, Zonky and Home Credit all scored highly in the NGO "People in Need" ranking of responsible lenders; ranking first, second and third, respectively.

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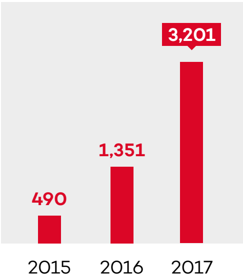
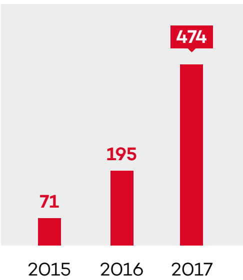
VOICE
is the key

India

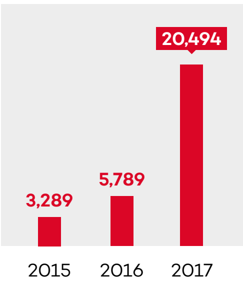
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



Home Credit's Indian business was founded in 2012 and is in the investment phase. The business has received substantial upfront support to develop scale in this very large market.

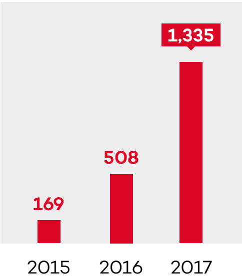
The company's POS presence almost quadrupled in 2017 to 20,494 points of sale. This was delivered by optimizing the presence of Home Credit's own staff at an increasing number of retailers, as well as by increasingly using retailers' own staff to sell Home Credit's POS lending products. This two-pronged approach secures fast, as well as efficient network growth. One of the main priorities for the business in the coming year is to balance business and profit growth. Home Credit India recently processed 90,000 loan applications in one day.

The number of active customers in India more than doubled in 2017, reaching more than 3.2 million. A key driver of the growth of the customer base is the company's ability to finance low-cost mobile phones at zero interest – an important market for large segments of Indian customers, and one that demonstrates how Home Credit can successfully serve those who were previously under-served and under-banked.

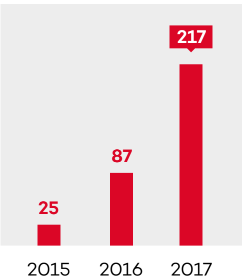
Customers increasingly appreciate Home Credit's tablet-based in-store processes, as well as its mobile application-based offers. These allow Home Credit to increase its cash loan business in addition to POS lending. POS lending itself has become less vulnerable to fraud thanks to the introduction of new biometric technologies, such as retina scans and other measures aimed at preventing fraud, while complying with customer identification requirements.

Indonesia

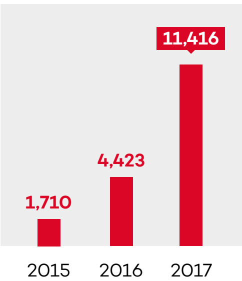
Number of Active Clients (thousands):



Net loans to clients* (MEUR):



Number of points of sale:



* including assets under management

Home Credit entered Indonesia in 2013 and the business is in the investment phase.

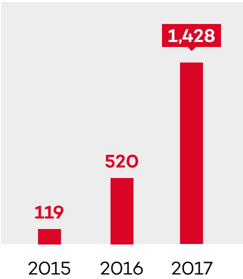
Indonesia saw the Group's investment efforts continue in 2017. The business generated a loss of EUR 19 million. However, Indonesia recorded its first profitable month at the end of 2017.

Operationally, the company more than doubled its POS presence to 11,416 points of sale. The number of active customers almost tripled to more than 1.3 million, and loans to clients grew to EUR 217 million (including assets under management).

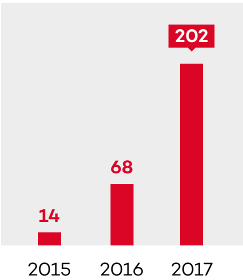
Home Credit Indonesia now covers all Tier-1, Tier-2 and Tier-3 cities in the country. It is the clear leader in POS lending. A recent brand awareness campaign reached four million people. Home Credit's mobile applications boast more than 400,000 users, which validates a successful multi--channel business model, combining the best of traditional offline sales finance and fintech-based online business.

The Philippines

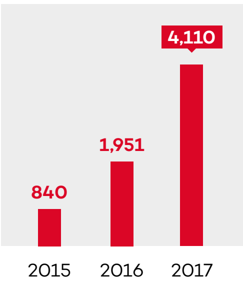
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



The Philippines is another investment-stage business for Home Credit. The Group launched operations in the country in 2013.

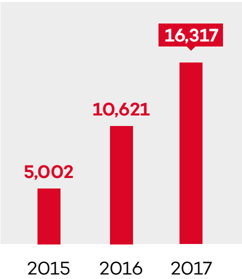
The business progressed well and posted a loss of EUR 2 million in 2017 compared to loss of EUR 16 million a year ago, almost breaking even. On a statutory basis the business was already profitable for the entire year.

The company's active customers almost tripled to more than 1.4 million and the balance of outstanding net loans rose to EUR 202 million, which is three times the figure as at the end of 2016.

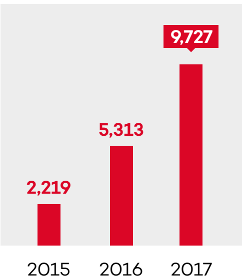
Home Credit Philippines is already the market leader in its segment. It is well known in the Philippines, with brand awareness measured at 80%. Customer experience is best-in-class, as measured by Net Promoter Scores. The company enjoys stable partnerships with key retailers and original equipment manufacturers. It has implemented risk-based pricing and is now focusing on product offer enhancements and further improvements to customer experience both offline and online.

China

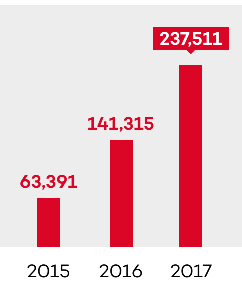
Number of Active Clients (thousands):



Net loans to clients (MEUR):



Number of points of sale:



Home Credit's business in China was one of the first four consumer finance companies in China to gain a nationwide consumer finance license. China has since become a core part of the Group's global business.

In 2017, regulations aimed at curbing the growth of unregulated microfinance companies and P2P platforms led to these short-term market challenges, as well as a short-term increase in risk cost. The Group nevertheless believes that these changes will be beneficial in the mid- and long-term for both the market and Home Credit.

Net profit in China for 2017 was EUR 123 million, compared to EUR 196 million in the previous year. The company has now successfully established a scale position, and although the recent market challenges will have a short-term impact on profitability, it remains very well positioned in this significant growth market.

In China, Home Credit's POS presence almost doubled in 2017. Market reach grew substantially, in line with the company's strategic plans, and it is now present at 237,511 points of sale. In the wake of this growth of market reach, the portfolio of active clients grew by more than 50% to over 16.3 million.

The net loan balance almost doubled, reaching EUR 9.7 billion, driven by the issuance of more than EUR 13.3 billion of new loans in 2017.

The company continued to build its online capabilities; a new mobile application already has 10 million users and features contract servicing, communication channels and a self-service signing process enabling cross-selling.

United States of America

Home Credit is present in the United States through a joint venture with Sprint, one of the country's leading telecommunications operators. Home Credit U.S., LLC. is 50.1%-owned by the Group, which also has management control. The business launched in 2015.

In the United States, Home Credit's goal in its first year, 2016, 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. Home Credit's scorecards, tailored specifically for the U.S. near-prime and sub-prime segments, demonstrated uniquely strong predictive power in this regard, enabling Sprint to increase take-up rates by 20% without compromising its portfolio risk profile.

Having succeeded this original goal, the company was able move on to the next stage of its development by introducing a credit card in the fourth quarter of 2017, co-branded with Sprint. This product is now being offered to Sprint customers throughout Sprint's distribution network. Unlike the loans underwritten for Sprint, the outstanding balances from these credit cards are recorded in Home Credit U.S.'s own loan book.

6. Consolidated financial information of the Company

Consolidated Statement of Financial Position

as at 31 December 2017

MEUR	Note	2017	2016
Assets			
Cash and cash equivalents		3,021	2,412
Financial assets at fair value through profit or loss		35	204
Financial assets available-for-sale	4	1,495	1,045
Due from banks, other financial institutions and holding companies	5	403	397
Loans to customers	6	15,452	9,866
Assets classified as held for sale		3	2
Current income tax receivables		16	7
Investments in associates		3	2
Property and equipment		190	161
Intangible assets and goodwill		242	171
Deferred tax assets		330	180
Other assets		336	257
Total assets		**21,526**	**14,704**
Liabilities			
Financial liabilities at fair value through profit or loss		322	28
Current accounts and deposits from customers	7	6,356	5,401
Due to banks, other financial institutions and holding companies	8	10,598	6,428
Debt securities issued	9	998	320
Subordinated liabilities	10	383	416
Current income tax liabilities		197	118
Deferred tax liabilities		6	12
Insurance and other provisions		37	42
Other liabilities		601	438
Total liabilities		**19,498**	**13,203**
Equity			
Equity attributable to equity holders of the Company			
Share capital		659	659
Share premium	11	913	480
Statutory reserves	11	82	58
Foreign currency translation	11	(649)	(506)
Reserve for business combinations under common control		(91)	(91)
Revaluation reserve		(1)	22
Other reserves		1,100	873
Total equity attributable to equity holders of the Company		**2,013**	**1,495**
Non-controlling interests		**15**	**6**
Total equity		**2,028**	**1,501**
Total liabilities and equity		**21,526**	**14,704**

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

MEUR	Note	2017	2016
Continuing operations			
Interest income	12	3,519	2,196
Interest expense	12	(1,102)	(665)
Net interest income		**2,417**	**1,531**
Fee and commission income	13	790	514
Fee and commission expense		(124)	(96)
Net fee and commission income		**666**	**418**
Insurance income		**25**	**22**
Net losses on financial assets and liabilities		(11)	(10)
Other operating income		26	39
Operating income		**3,123**	**2,000**
Impairment losses on financial assets	14	(1,124)	(562)
General administrative expenses		(1,531)	(1,029)
Other operating expenses		(95)	(86)
Operating expenses		**(2,750)**	**(1,677)**
Losses on disposals of associates and subsidiaries		(3)	-
Share of earnings in associates		3	2
Profit before tax		**373**	**325**
Income tax expense		(129)	(115)
Net profit from continuing operations for the year		**244**	**210**
Profit attributable to:			
Equity holders of the Company		256	213
Non-controlling interests		(12)	(3)
		244	**210**
Other comprehensive (loss)/income which will be subsequently reclassified to profit or loss:			
Currency translation		(143)	96
Revaluation (losses)/gains on available-for-sale financial assets		(45)	6
Revaluation of available-for-sale financial assets transferred to profit or loss		17	(7)
Cash flow hedge reserve – effective portion of changes in fair value		-	3
Cash flow hedge reserve – net amount transferred to profit or loss		-	(4)
Income tax relating to components of other comprehensive income		5	-
Other comprehensive (loss)/income for the year		**(166)**	**94**
Total comprehensive income for the year		**78**	**304**
Total comprehensive income attributable to:			
Equity holders of the Company		90	307
Non-controlling interests		(12)	(3)
		78	**304**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Attributable to equity holders of the Company

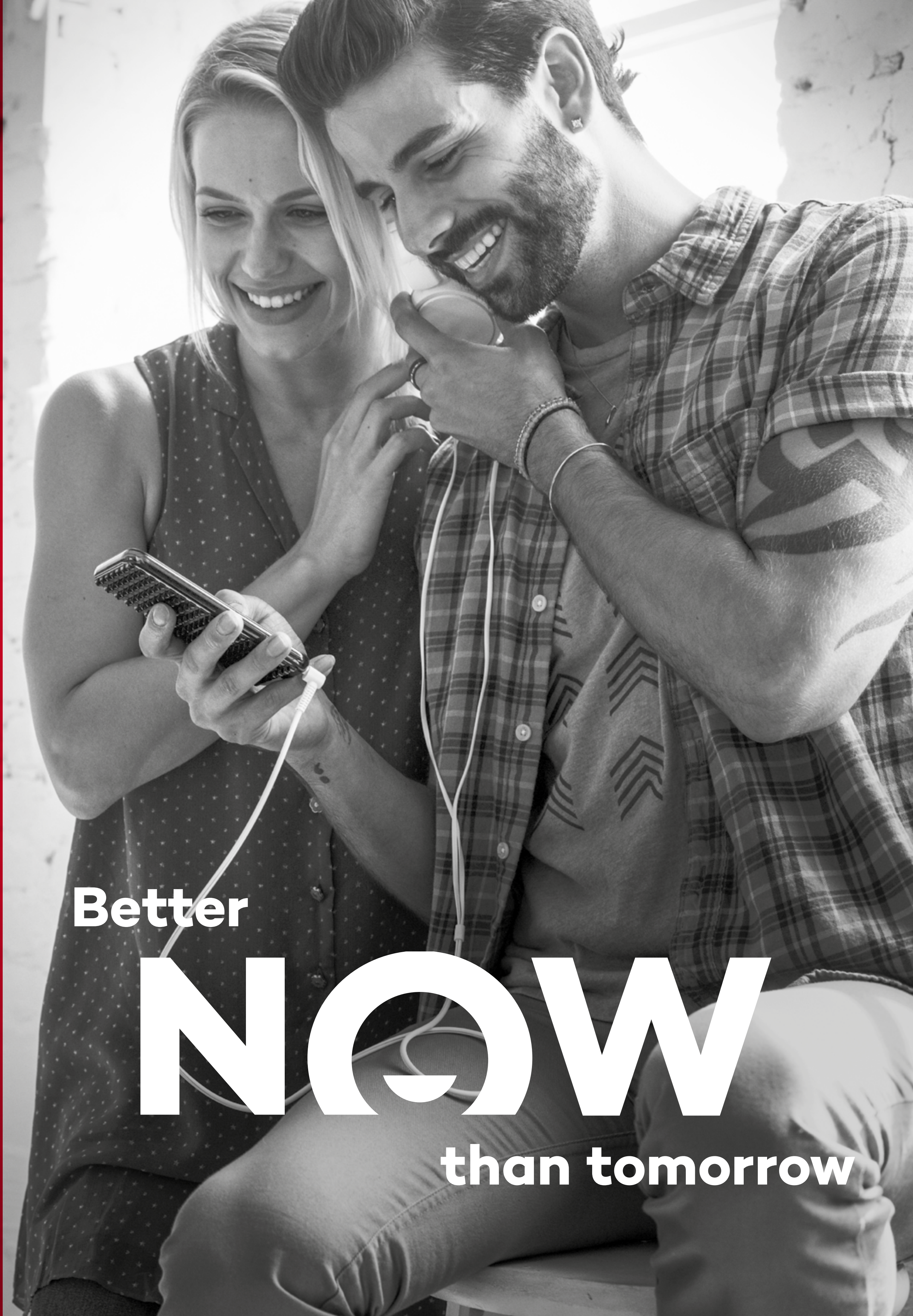
2017 **MEUR**	**Share capital**	**Share premium**	**Statutory reserves**	**Foreign currency translation**	**Reserve for business combinations under common control**
Balance as at 1 January 2017	659	480	58	(506)	(91)
Share premium increase	-	433	-	-	-
Changes in non-controlling interests	-	-	-	-	-
Transfers	-	-	24	-	-
Total	**659**	**913**	**82**	**(506)**	**(91)**
Currency translation	-	-	-	(143)	-
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	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(143)**	**-**
Total changes	**-**	**433**	**24**	**(143)**	**-**
Balance as at 31 December 2017	**659**	**913**	**82**	**(649)**	**(91)**

2016 **MEUR**	**Share capital**	**Share premium**	**Statutory reserves**	**Foreign currency translation**	**Reserve for business combinations under common control**
Balance as at 1 January 2016	659	480	39	(605)	(91)
Changes in non-controlling interests	-	-	-	-	-
Transfers	-	-	19	-	-
Total	**659**	**480**	**58**	**(605)**	**(91)**
Currency translation	-	-	-	99	-
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	-	-	-	-	-
Change in cash flow hedge reserve, net of tax	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**99**	**-**
Total changes	**-**	**-**	**19**	**99**	**-**
Balance as at 31 December 2016	**659**	**480**	**58**	**(506)**	**(91)**

Revaluation reserve	Other reserves	Total	Non-controlling interests	Total equity	2017 MEUR
22	873	1,495	6	1,501	Balance as at 1 January 2017
-	-	433	-	433	Share premium increase
-	(5)	(5)	21	16	Changes in non-controlling interests
-	(24)	-	-	-	Transfers
22	**844**	**1,923**	**27**	**1,950**	**Total**
-	-	(143)	-	(143)	Currency translation
(37)	-	(37)	-	(37)	Revaluation gains on available-for-sale financial assets, net of tax
14	-	14	-	14	Revaluation of available-for-sale financial assets transferred to profit or loss, net of tax
-	256	256	(12)	244	Profit/(loss) for the year
(23)	**256**	**90**	**(12)**	**78**	**Total comprehensive income for the year**
(23)	**227**	**518**	**9**	**527**	**Total changes**
(1)	**1,100**	**2,013**	**15**	**2,028**	**Balance as at 31 December 2017**

Revaluation reserve	Cash flow hedge reserve	Other reserves	Total	Non-controlling interests	Total equity	2016 MEUR
23	4	682	1,191	5	1,196	Balance as at 1 January 2016
-	-	(3)	(3)	4	1	Changes in non-controlling interests
-	-	(19)	-	-	-	Transfers
23	**4**	**660**	**1,188**	**9**	**1,197**	**Total**
-	(3)	-	96	-	96	Currency translation
5	-	-	5	-	5	Revaluation gains on available-for-sale financial assets, net of tax
(6)	-	-	(6)	-	(6)	Revaluation of available-for-sale financial assets transferred to profit or loss, net of tax
-	(1)	-	(1)	-	(1)	Change in cash flow hedge reserve, net of tax
-	-	213	213	(3)	210	Profit/(loss) for the year
(1)	**(4)**	**213**	**307**	**(3)**	**304**	**Total comprehensive income for the year**
(1)	**(4)**	**191**	**304**	**1**	**305**	**Total changes**
22	**-**	**873**	**1,495**	**6**	**1,501**	**Balance as at 31 December 2016**

Satisfied with the speed of the money transfer? Just a sec. Submit. Confirm. Done!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Notes to the Consolidated Financial Statements – Extract

for the year ended 31 December 2017

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**	**2017**	**2016**
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 the Central Europe, the Commonwealth of Independent States (CIS), Asia and the United States of America as well as deposit taking, saving and current bank account service and maintenance, payments, insurance and other services.

2. Financial risk management

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

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

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

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

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

Credit risk

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

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

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

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

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

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 selling

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 selling 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 2017 MEUR	Cash loans	POS loans	Revolving loans	Other	Total
Individually impaired					
Gross amount	-	-	-	23	**23**
Allowance for impairment	-	-	-	(7)	**(7)**
Carrying amount	**-**	**-**	**-**	**16**	**16**
Not impaired	**-**	**-**	**-**	**141**	**141**
Collectively impaired					
Gross amount	9,960	5,959	524	264	**16,707**
Not past due	8,810	5,341	427	227	**14,805**
Past due 1–90 days	486	226	37	10	**759**
Past due 91–360 days	587	362	30	4	**983**
Past due more than 360 days	77	30	30	23	**160**
Allowance for impairment	(881)	(440)	(64)	(27)	**(1,412)**
Carrying amount	**9,079**	**5,519**	**460**	**237**	**15,295**
Total carrying amount	**9,079**	**5,519**	**460**	**394**	**15,452**

As of 31 December 2016 MEUR	Cash loans	POS loans	Revolving loans	Other	Total
Individually impaired					
Gross amount	-	-	-	16	**16**
Allowance for impairment	-	-	-	(3)	**(3)**
Carrying amount	**-**	**-**	**-**	**13**	**13**
Not impaired	**-**	**-**	**-**	**165**	**165**
Collectively impaired					
Gross amount	5,453	4,261	584	228	**10,526**
Not past due	4,868	3,881	467	185	**9,401**
Past due 1–90 days	262	170	42	11	**485**
Past due 91–360 days	255	185	47	8	**495**
Past due more than 360 days	68	25	28	24	**145**
Allowance for impairment	(457)	(264)	(86)	(31)	**(838)**
Carrying amount	**4,996**	**3,997**	**498**	**197**	**9,688**
Total carrying amount	**4,996**	**3,997**	**498**	**375**	**9,866**

Other classes of financial assets such as cash equivalents, 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 financial assets were not impaired as of 31 December 2017 and 2016.

Notes to the Consolidated Financial Statements – Extract

Analysis of collateral

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

	2017		2016	
	Portfolio MEUR	**% of loan portfolio**	**Portfolio MEUR**	**% of loan portfolio**
Secured assets	370	2.2	329	3.1
Unsecured (no collateral)	16,501	97.8	10,378	96.9
Total	**16,871**		**10,707**	

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	
MEUR	**2017**	**2016**	**2017**	**2016**
Against individually impaired	**-**	**-**	**81**	**-**
Property and equipment	-	-	81	-
Against collectively impaired	**-**	**-**	**520**	**461**
Property and equipment	-	-	502	442
Debt securities	-	-	18	-
Equity securities	-	-	-	19
Against neither past due nor impaired	**269**	**336**	**64**	**59**
Securities received under reverse repo operations (including cash and cash equivalents)	134	120	-	-
Property and equipment	-	-	59	56
Equity securities	135	216	-	-
Deposits with banks	-	-	5	3
Total	**269**	**336**	**665**	**520**

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 audits. The individual subsidiaries have their local internal audit teams which also cooperate with the Group internal audit at 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.

3. 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.

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, namely consumer lending products.

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

Notes to the Consolidated Financial Statements – Extract

2017 MEUR	China	Czech Republic	Russian Federation	Vietnam	India	Kazakhstan
Revenue from external customers[2]	2,639	156	738	249	145	186
Inter-segment revenue	-	23	6	-	-	-
Total revenue	**2,639**	**179**	**744**	**249**	**145**	**186**
Net interest income from external customers	1,450	114	361	161	107	106
Inter-segment net interest income	-	23	3	-	(12)	-
Total net interest income	**1,450**	**137**	**364**	**161**	**95**	**106**
Income tax expense	(40)	(14)	(41)	(16)	-	(16)
Segment result	**123**	**28**	**162**	**64**	**(69)**	**60**
Depreciation and amortization	(23)	(13)	(19)	(4)	(13)	(7)
Other significant non-cash expenses[3]	(965)	4	(37)	(41)	(41)	2
Capital expenditure	(85)	(26)	(13)	(4)	(25)	(8)
Segment assets[4]	**11,440**	**3,926**	**3,834**	**656**	**572**	**568**
Investments in associates	-	-	1	-	-	-
Segment liabilities[4]	**9,939**	**3,667**	**3,172**	**518**	**458**	**451**
Segment equity[4]	**1,501**	**259**	**662**	**138**	**114**	**117**

2016 MEUR	China	Czech Republic	Russian Federation	Vietnam	India	Kazakhstan
Revenue from external customers[2]	1,351	151	695	198	58	145
Inter-segment revenue	-	17	16	-	-	-
Total revenue	**1,351**	**168**	**711**	**198**	**58**	**145**
Net interest income from external customers	783	108	316	129	42	75
Inter-segment net interest income	-	17	13	-	(2)	(7)
Total net interest income	**783**	**125**	**329**	**129**	**40**	**68**
Income tax expense	(58)	(6)	(16)	(12)	-	(12)
Segment result	**196**	**33**	**67**	**46**	**(61)**	**46**
Depreciation and amortization	(11)	(10)	(22)	(6)	(7)	(5)
Other significant non-cash expenses[3]	(311)	(7)	(151)	(37)	(26)	(3)
Capital expenditure	(33)	(11)	(9)	(5)	(18)	(8)
Segment assets[4]	**6,641**	**3,275**	**3,338**	**515**	**248**	**410**
Investments in associates	-	-	2	-	-	-
Segment liabilities[4]	**5,673**	**3,079**	**2,749**	**398**	**203**	**304**
Segment equity[4]	**968**	**196**	**589**	**117**	**45**	**106**

[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.

Slovak Republic	Philippines	Indonesia	Other	Unallocated[1]	Eliminations	Consolidated	2017 MEUR
55	83	80	8	4	-	4,343	Revenue from external customers[2]
-	-	-	3	2	(34)	-	Inter-segment revenue
55	**83**	**80**	**11**	**6**	**(34)**	**4,343**	**Total revenue**
48	68	45	4	(47)	-	2,417	Net interest income from external customers
(8)	(3)	(3)	2	(5)	3	-	Inter-segment net interest income
40	**65**	**42**	**6**	**(52)**	**3**	**2,417**	**Total net interest income**
(1)	5	-	-	(6)	-	(129)	Income tax expense
8	**(2)**	**(19)**	**(39)**	**(87)**	**15**	**244**	**Segment result**
(1)	(3)	(5)	(23)	-	21	(90)	Depreciation and amortization
(13)	(19)	(20)	2	-	-	(1,128)	Other significant non-cash expenses[3]
(7)	(10)	(15)	20	-	6	(167)	Capital expenditure
256	**249**	**187**	**660**	**249**	**(1,071)**	**21,526**	**Segment assets[4]**
-	-	-	2	-	-	3	Investments in associates
243	**194**	**156**	**489**	**1,285**	**(1,074)**	**19,498**	**Segment liabilities[4]**
13	**55**	**31**	**171**	**(1,036)**	**3**	**2,028**	**Segment equity[4]**

Slovak Republic	Philippines	Indonesia	Other	Unallocated[1]	Eliminations	Consolidated	2016 MEUR
63	27	27	26	5	-	2,746	Revenue from external customers[2]
-	-	-	1	1	(35)	-	Inter-segment revenue
63	**27**	**27**	**27**	**6**	**(35)**	**2,746**	**Total revenue**
54	23	12	14	(25)	-	1,531	Net interest income from external customers
(12)	(1)	-	(1)	(9)	2	-	Inter-segment net interest income
42	**22**	**12**	**13**	**(34)**	**2**	**1,531**	**Total net interest income**
-	-	-	(3)	(8)	-	(115)	Income tax expense
4	**(16)**	**(19)**	**(35)**	**(47)**	**(4)**	**210**	**Segment result**
(1)	(1)	(3)	(32)	-	15	(83)	Depreciation and amortization
(17)	(6)	(5)	(1)	-	-	(564)	Other significant non-cash expenses[3]
-	(6)	(7)	(3)	-	8	(92)	Capital expenditure
301	**94**	**56**	**323**	**159**	**(656)**	**14,704**	**Segment assets[4]**
-	-	-	-	-	-	2	Investments in associates
296	**65**	**32**	**161**	**879**	**(636)**	**13,203**	**Segment liabilities[4]**
5	**29**	**24**	**162**	**(720)**	**(20)**	**1,501**	**Segment equity[4]**

4. Financial assets available-for-sale

MEUR	2017	2016
Government bonds	1,029	647
Corporate bonds	457	368
Equity securities	9	-
Other debt securities	-	30
	1,495	**1,045**

As at 31 December 2017 financial assets available-for-sale of MEUR 96 (31 December 2016: MEUR 11) served as collateral for bank loan facilities (loans received under repo operations and secured loans).

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

MEUR	2017	2016
Loans and term deposits with banks, other financial institutions and holding companies due in more than one month	144	177
Loans and advances provided under repo operations	130	109
Minimum reserve deposits with central banks	75	76
Cash collateral for derivative instruments	7	32
Other	47	3
	403	**397**

6. Loans to customers

MEUR	2017	2016
Gross amount		
Cash loan receivables	9,960	5,452
POS loan receivables	5,959	4,261
Revolving loan receivables	524	585
Mortgage loan receivables	147	111
Car loan receivables	117	117
Loans to corporations	163	178
Other	1	3
	16,871	**10,707**
Collective allowances for impairment		
Cash loan receivables	(881)	(457)
POS loan receivables	(440)	(264)
Revolving loan receivables	(64)	(86)
Mortgage loan receivables	(5)	(8)
Car loan receivables	(22)	(23)
	(1,412)	**(838)**
Specific allowances for impairment		
Loans to corporations	(7)	(3)
	(7)	**(3)**
	15,452	**9,866**

As at 31 December 2017 cash loan receivables of MEUR 398 (31 December 2016: MEUR nil) and POS loan receivables of MEUR 855 (31 December 2016: MEUR 66) served as collateral for debt securities issued.

As at 31 December 2017 cash loan receivables of MEUR 4,475 (31 December 2016: MEUR 2,784) and POS loan receivables of MEUR 2,530 (31 December 2016: MEUR 1,580) served as collateral for bank loan facilities.

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

During 2017, the Group has enhanced its credit risk predicting model to limit the volatility of the risk costs. As a result, the Group released a part of its existing collective impairment allowances in the amount of MEUR 71. The change was recognized in the statement of comprehensive income for the year ended 31 December 2017.

Analysis of movements in allowances for impairment

MEUR	2017	2016
Balance as at 1 January	841	768
Translation difference	(54)	54
Impairment losses recognized in the statement of comprehensive income	1,124	562
Amount related to loans written off and disposed of	(492)	(543)
Balance as at 31 December	**1,419**	**841**

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

7. Current accounts and deposits from customers

MEUR	2017	2016
Current accounts and demand deposits	4,138	3,391
Term deposits	2,195	1,984
Borrowings	21	23
Other	2	3
	6,356	**5,401**

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

MEUR	2017	2016
Secured loans	6,881	5,361
Unsecured loans	3,555	1,011
Loans received under repo operations	88	-
Other balances	74	56
	10,598	**6,428**

9. Debt securities issued

MEUR	Interest rate	Final maturity	Amount outstanding 2017	Amount outstanding 2016
Long-term registered Certificate of Deposit, VND	Fixed	2017	-	82
Certificates of deposit issue of MKZT 314.6	Fixed	2017	-	1
Asset-Backed Security issue 4 (2017-2) in CNY, tranche B	Fixed	2018	19	-
Asset-Backed Security issue 5 (2017-3) in CNY, tranche A	Fixed	2018	36	-
Asset-Backed Security issue 5 (2017-3) in CNY, tranche B	Fixed	2018	45	-
Asset-Backed Security issue 6 (2017-4) in CNY, tranche A	Fixed	2018	63	-
Asset-Backed Security issue 6 (2017-4) in CNY, tranche B	Fixed	2018	30	-
Asset-Backed Security issue 7 (2017-5) in CNY, tranche A	Fixed	2018	106	-
Asset-Backed Security issue 7 (2017-5) in CNY, tranche B	Fixed	2018	50	-
CZK promissory note issue of MCZK 650	Zero-coupon	2018	25	22
Secured INR bond issue of MINR 1,535	Fixed	2018	12	-
Certificates of deposit issue of MKZT 116.5	Fixed	2018	2	-
Long-term registered Certificate of Deposit, VND	Fixed	2018	92	99
Short-term registered Certificate of Deposit, VND	Fixed	2018	51	-
Long-term registered Certificate of Deposit, VND	Fixed	2019	58	17
Short-term registered Certificate of Deposit, VND	Fixed	2019	2	-
Secured INR bond issue of MINR 2,250	Fixed	2019	30	31
Secured INR bond issue of MINR 1,875	Fixed	2019	25	26
Secured INR bond issue of MINR 1,000	Fixed	2019	13	-
Secured INR bond issue of MINR 413	Fixed	2019	3	-
Stock exchange RUB bonds issue 001P-01 of MRUB 1,500	Fixed	2019	22	8
Unsecured KZT bond issue 1 of MKZT 6,769	Fixed	2019	17	20
Unsecured KZT bond issue 4 of MKZT 5,000	Fixed	2019	13	-
Unsecured CZK bond issue of MCZK 1,998	Fixed	2020	81	-
Secured INR bond issue of MINR 2,500	Fixed	2020	33	-
Secured INR bond issue of MINR 3,750	Fixed	2020	49	-
Secured INR bond issue of MINR 4,000	Fixed	2020	52	-
Secured INR bond issue of MINR 500	Fixed	2020	6	-
Secured INR bond issue of MINR 453	Fixed	2020	4	-
Unsecured KZT bond issue 2 of MKZT 10,000	Fixed	2020	25	-
CZK promissory note issue of MCZK 207	Zero-coupon	2020	7	7
EUR promissory note issue of MEUR 7.96	Zero-coupon	2020	7	7
Long-term registered Certificate of Deposit, VND	Fixed	2020	20	-
			998	**320**

As at 31 December 2017, the secured INR bond issues listed above secured by cash loan receivables and POS loan receivables were MEUR 227 (31 December 2016: MEUR 57).

As at 31 December 2017, the asset-backed security in CNY listed above secured by cash loan receivables and POS loan receivables were MEUR 349 (31 December 2016: nil).

10. Subordinated liabilities

MEUR	Interest rate	Final maturity	Amount outstanding 2017	2016
Loan participation notes issue of MUSD 500	Fixed	April 2020	190	218
Loan participation notes issue of MUSD 200	Fixed	April 2021	140	159
Subordinated bonds issue of MCZK 2,000	Fixed	April 2024	53	39
			383	**416**

Subordinated loan participation notes issue of MUSD 500 were issued in October 2012 through Eurasia Capital S.A. 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 2017 the Group bought back the loan participation notes with a cumulative par value of MUSD 276 (31 December 2016: cumulative par value of MUSD 272).

Subordinated loan participation notes issue of MUSD 200 were issued in October 2013 through Eurasia Capital S.A. 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 2017 the Group bought back the loan participation notes with a cumulative par value of MUSD 35 (31 December 2016: MUSD 35).

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

11. Equity

In August 2017, the Group's shareholders increased the Company's share premium by MEUR 158 (EUR 0.14 per one share).

In November 2017, the Group's shareholders increased the Company's share premium by MEUR 275 (EUR 0.24 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.

Notes to the Consolidated Financial Statements – Extract

12. Interest income and interest expense

MEUR	2017	2016
Interest income		
Cash loan receivables	2,431	1,289
POS loan receivables	844	665
Revolving loan receivables	130	141
Mortgage loan receivables	4	5
Car loan receivables	18	20
Due from banks, other financial institutions and holding companies	42	33
Financial assets available-for-sale	37	31
Financial assets held-to-maturity	-	2
Other	13	10
	3,519	**2,196**
Interest expense		
Current accounts and deposits from customers	226	214
Due to banks, other financial institutions and holding companies	766	381
Debt securities issued	73	32
Subordinated liabilities	37	38
	1,102	**665**

13. Fee and commission income

MEUR	2017	2016
Insurance commissions	528	330
Penalty fees	171	106
Customer payment processing and account maintenance	36	33
Cash transactions	21	18
Retailers commissions	9	10
Other	25	17
	790	**514**

14. Impairment losses on financial assets

MEUR	2017	2016
Cash loan receivables	706	289
POS loan receivables	409	222
Revolving loan receivables	6	43
Mortgage loan receivables	(1)	4
Car loan receivables	-	2
Loans to corporations	4	2
	1,124	**562**

15. Commitments

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

MEUR	2017	2016
Revolving loan commitments	379	528
POS loan commitments	80	58
Cash loan commitments	34	18
	493	**604**

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 2017, the Group reported contractual commitments for the acquisition of property and equipment and intangible assets of MEUR 22 (31 December 2016: MEUR 5).

16. Subsequent events

The Group has evaluated the period after the balance sheet date up through March 7, 2018, which is the date that the consolidated financial statements were issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in these consolidated financial statements.

17. Basis of preparation

The summary financial statement comprises the Home Credit B.V. statement of financial position as at 31 December 2017, the summary statements of comprehensive income and changes in equity and the summary of accompanying other explanatory information and basis of preparation. These include the same information as the full annual financial statements which are available on the Company site, except for the part related to statements of cash flow, the significant accounting policies and some other disclosure notes. The summary financial information presented within the Financial Section part of the Home Credit B.V. Annual Report does not constitute the full financial statements of the Home Credit B.V. for the financial year ended 31 December 2017 but represents an extract from them. Reading the financial statements, therefore, is not a substitute for reading the audited financial statements of Home Credit B.V., prepared in accordance with IFRS (as adopted by the EU). The independent auditor of the Home Credit B.V., KPMG Accountants N.V., has issued an unqualified audit opinion on the full financial statements for the year ended 31 December 2017.

KPMG

Report of the independent auditor

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

Our opinion

The summary financial statements of Home Credit B.V. for 2017 (hereafter 'the financial statements') are derived from the audited financial statements of Home Credit B.V. for 2017.

In our opinion the accompanying financial statements are consistent, in all material respects, with those audited financial statements, on the basis described in note 17.

The financial statements comprise:

1 the summary statement of financial position as at 31 December 2017;

2 the following statements for 2017: the summary statements of comprehensive income and changes in equity; and

3 the accompanying other explanatory information.

The financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union and Part 9 of Book 2 of the Netherlands Civil Code. Reading the financial statements, therefore, is not a substitute for reading the audited financial statements of Home Credit B.V. and our report thereon.

The financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements of 7 March 2018.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements of Home Credit B.V. for 2017 in our report dated 7 March 2018.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements on the basis described in note 17.

Our responsibilities for the audit of the financial statements

Our responsibility is to express an opinion on whether the financial statements are consistent, in all material respect, with the audited financial statements based on our procedures, which we conducted in accordance with Dutch law, including the Dutch Standard 810 'Opdrachten om te rapporteren betreffende samengevatte financiële overzichten' (Engagements to report on summary financial statements).

Amstelveen, 16 May 2018

KPMG Accountants N.V.

M. Frikkee RA

HOME CREDIT

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