Annual Report 2015

PPF

Contents

Foreword

Dear Friends,

The Annual Report for 2015 is quite special in one important respect: we are publishing it in the year when PPF celebrates its 25th anniversary. Our traditional business review of the past year therefore sees us look back upon aspects from PPF's entire history. In fact, in a way our story is part of the history of the Czech Republic and its path towards capitalism.

Over the years, thousands – indeed, tens of thousands – of people have been involved with PPF and its companies. Together, we have experienced successes and major achievements, but also several blows and setbacks. Looking back, besides a great deal of hard work and personal commitment, I can see that, above all, we have always aspired to do things our own way, to think for ourselves, and not to be seduced by the fashions of the day. This is ingrained in our DNA! And this is how PPF should remain in the future.

Crunching the numbers, 2015 ranks among one of PPF Group's more successful years: we reported a similar operating profit as last year, while our assets are currently worth more than EUR 21 billion. This was accompanied by a focus on diversifying our markets as well as on strengthening our principal business activities, with the spotlight on Home Credit's Asian expansion and, in telecommunications, on the unique demerger of O2 into an infrastructure company and a telecommunications operator.

Home Credit Group, our biggest asset, skyrocketed in China over the last year. One statistic in particular speaks volumes: 41% of all Home Credit loans worldwide were granted in China in 2015 (for comparison, in 2014 the figure was 18%). In China, we served almost 15 million customers in 261 towns and cities across 24 provinces, and these figures are rising all the time. Home Credit's expansion in Asia is not limited to China. We have long been achieving positive results in Vietnam, too, while in Indonesia and in Philippines our operations are growing apace as well.

In India, we have hundreds of thousands of clients. Taken as a whole, the Asian arm of Home Credit accounted for 56% of the total volume of all lending last year and outperformed what used to be our biggest market, Russia. Although our results in the Russian market remained subdued in 2015, we are confident that profitability here will soon bounce back.

Home Credit's expansion did not only head eastwards last year. For the first time in its history, it also looked west to the USA where we co-operate with Sprint mobile operator. On home turf in the Czech Republic, we did a lot of experimenting with fresh approaches, concentrating in particular on the various forms of online consumer lending and on peer-to-peer loans. Needless to say, everywhere that Home Credit operates it continues to spearhead awareness campaigns promoting financial literacy and responsible lending practices.

We made a truly innovative move with our telecommunication assets last year by splitting – on our own initiative – the biggest Czech operator into an infrastructure part (creating a new company called CETIN) and a telecommunications service provider for end-customers (O2 Czech Republic). This decision is without precedent, at least in Europe. CETIN is fully controlled by PPF Group, while the publicly-listed O2 remains a long-term financial investment for PPF and we stand apart from its day-to-day operations. The market has every confidence in us, as exemplified by the increasing value of O2's shares on the Prague Stock Exchange. Guided by new management, the company is turning in a really positive financial performance and has managed to reverse a long-time trend of declining profits back to profitability. CETIN is also growing and its customers now even include O2's competitors. We are currently planning a massive overhaul of CETIN's transmission network, with plans to invest CZK 22 billion in the coming years.

We also should not miss mentioning our two banks in the Czech Republic: the Group's treasury, PPF banka, and the retail Air Bank, both of which reported their best-ever results last year in a tightened EU regulatory environment. Then there is also SOTIO, our biotechnology company that last year progressed with its clinical studies involving new treatments for prostate, ovarian and lung cancer patients. The product that has advanced furthest here is designed to treat prostate cancer and has reached phase III clinical trials, i.e. the final stage prior to product approval and sale. Nevertheless, we remain cautious of raising expectations too high, as we know that the road to success in the pharmacy can be very long and requires a healthy dose of fortune.

One important retail asset in 2015 was Russia's Eldorado chain of consumer electronics shops. Responding to the country's economic crisis, it opted for well-considered expansion and entry into smaller Russian towns, introducing the concept of a general store offering not only electronics, but also a range of household supplies, DIY goods, gardening equipment and furniture. Online retail expansion has also been successful, with Eldorado now jockeying among the Russian market leaders in this field.

Our Russian life insurance company also held its own in the past year. PPF Life Insurance, serving more than 100,000 clients at almost 80 branches across Russia, is reporting robust economic performance.

The real estate business is another area where – not only in Russia – we maintain mainly profitable projects, such as the South Gate logistics park just outside Moscow and the Yarmarka shopping centre in Astrakhan. Comcity, one of Moscow's largest office parks, is now nearly at full occupancy. Major acquisitions worth mentioning from 2015 include a stake in office space at the Metropolis shopping centre in Moscow and the takeover of the Marriott Hotel building in the heart of Rotterdam.

In the countries in which we do business, we paid taxes equal to billions of crowns last year. At home in the Czech Republic, we were once again one of the largest tax payers. But that's not all – THE KELLNER FAMILY FOUNDATION also disbursed almost CZK 90 million to its projects last year. Besides the traditional sponsorship we channel into arts projects such as the annual Summer Shakespeare Festival, last year we also purchased several first-class musical instruments for the Czech Philharmonic Orchestra.

Looking back at this year's work and the past 25 years as a whole, it seems natural to me to ask: what will PPF look like in the next 25 years? I believe it will stay true to its core values – like our ability to think outside the box, to know that there are always several paths to reaching our goals, and our ability to marshal all our resources and energies in the right direction at the right time. Indeed, to understand that nothing is forever.

PPF will always be backed by loyal employees who are proud of their work.

I would like to thank to all those who have built and who continue to build PPF with me.

Petr Kellner

Petr Kellner

Founder and Majority Shareholder, PPF Group N.V.

PPF Group

Group Profile

PPF Group's investments are diversified into various sectors, such as banking and financial services, telecommunications, biotechnology, insurance, real estate, precious metals mining, agriculture and retail. PPF has operations in Europe, Asia and North America. As at 31 December 2015, the aggregate value of PPF Group's assets was EUR 21.6 billion.

For 25 years now, the founder and majority shareholder of PPF Group N.V. and his team have been the driving force behind the professionalism and determination of PPF Group.

PPF Group's corporate ownership and management structure is based in the Netherlands: PPF Group N.V. with its registered office in Amsterdam, is the key holding company of PPF Group, where the strategic decisions governing the operations of the entire Group are made.

Shareholders

Petr Kellner

Founder and Majority Shareholder, PPF Group N.V.
(share of voting rights: 98.92%)

Born in 1964; a graduate of the University of Economics, Prague, Faculty of Industrial Economics in 1986. He is one of PPF Group's founders and was Chairman of the Board of Directors of PPF a.s. from January 1998 till March 2007. He was a Member of the Board of Directors of Assicurazioni Generali from April 2007 till March 2013. Petr Kellner oversees the Group's strategic development and its future direction.

Ladislav Bartoníček

Shareholder, PPF Group N.V.
(share of voting rights: 0.54%)

Born in 1964; a graduate of the Czech Technical University in Prague, Faculty of Electrical Engineering. He joined PPF investiční společnost a.s. in 1991 as Executive Director and was awarded an MBA by the Rochester Institute of Technology, New York, in 1993. From 1996 till September 2006 he served as Chief Executive Officer of Česká pojišťovna a.s. insurance company. In 2007 he was appointed CEO and a member of the Board of Directors of Generali PPF Holding N.V. (GPH), one of the largest insurance groups in Central and Eastern Europe, which was established as a joint venture of PPF Group and Assicurazioni Generali. He held his CEO position at GPH till March 2013. As of March 2014 he has been CEO of SOTIO a.s., PPF Group's biotechnology company. Ladislav Bartoníček has been a shareholder of PPF Group N.V. since 2007.

Jean-Pascal Duvieusart

Shareholder, PPF Group N.V.
(share of voting rights: 0.54%)

Born in 1966; a graduate of the University of Chicago (MBA) and the Catholic University of Louvain, Belgium (specialisation in Commercial Engineering). He joined McKinsey in 1992 and worked in Brussels and New York prior to moving to Central Europe. He was Managing Partner at McKinsey Prague between 1999 and 2005, when he assumed leadership of McKinsey CIS and Central Europe. He has advised banks and insurance companies as well as various industrial companies in Russia, the Czech Republic, Slovakia, Hungary, Poland, and Romania. Jean-Pascal Duvieusart has been a shareholder of PPF Group N.V. since 2010.

Selected Financial Highlights PPF Group

EUR millions, based on IFRS	2015	2014	2013
Assets	21,611	21,893	20,903
Equity	5,163	4,879	5,062
Revenue	5,941	7,007	6,232
Profit after tax	315	356	450

Description of the Company PPF Group N.V.

Date of incorporation	29 December 1994
Registered office	Strawinskylaan 933, 1077XX Amsterdam, The Netherlands
Registration number	33264887
Share capital	EUR 624,010
Business	Holding company for the Group, financing

Governing Bodies

PPF Group N.V.

Aleš Minx

Chairman of the Board of Directors and CEO

Born in 1964; a graduate of the University of Economics, Prague, Faculty of Industrial Economics. He worked at PAL a.s. from 1987 to 1992 as Head of the Economic Department. He joined PPF in 1992 and served as its CFO until June 2001. From July 2001 to May 2005 he was CEO of PPF a.s. He served as Vice Chairman of PPF a.s. Supervisory Board until March 2007 and currently is Chairman of the Board of Directors of PPF Group N.V.

Wilhelmus Jacobus Meyberg

Member of the Board of Directors (until July 1, 2015)

Born in 1965; his previous roles included Financial Analyst and CFO at Mattel Europe B.V. and ECsoft Nederland B.V. He is a former Member of the Board of Directors of Deutsche International Trust Company N.V. and REWE International Finance B.V. He joined PPF Group as a Director of PPF Group N.V. in 2004.

Jan Cornelis Jansen

Member of the Board of Directors (from July 1, 2015)

Born in 1972; he holds an LL.M in Dutch Law, specialising in economic, public and business law, from the Universiteit Utrecht. He also has two post graduate qualifications in company & corporate law, and employment law from the Grotius Academie (Nijmegen) and Vrije Universiteit Law Academy (Amsterdam). He joined PPF Group in 2007 after having spent 3 years with de Hoge Dennen Holding as corporate counsel and corporate secretary for social investment funds. He has also worked in the legal departments of several other companies. Subsequently, he worked for PPF Group as corporate counsel and corporate secretary. He became Vice Chairman of the Board of Directors of Home Credit B.V. in 2012.

Rudolf Bosveld

Member of the Board of Directors

Born in 1958; he graduated from Erasmus University in Rotterdam where he was awarded a Master's Degree in management with a specialisation in Corporate Finance. He has more than 20 years of experience in financial services and financial markets, having held many top executive positions, including 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.

Ladislav Bartoníček

Shareholder, PPF Group N.V.

PPF a.s.

Kateřina Jirásková

Chairwoman of the Board of Directors

Born in 1974; having graduated from the University of Economics in Prague, she worked as a securities trader at Conseq, and joined PPF Group in 2000 as a portfolio manager. For eight years she was in charge of Generali PPF Asset Management where she was responsible for the management of one of the largest portfolios in Central and Eastern Europe. She was also responsible for the performance of investments made by Generali PPF Holding's 27 firms in 14 countries; their assets amounted to EUR 15 billion. With effect from January 2013, she became the Chief Financial Officer and Chairwoman of the Board of Directors of PPF a.s. Since November 2014 she has been a Member of the Board of Directors of PPF Financial Holdings B.V.

Martin Štefunko

Member of the Board of Directors (until June 1, 2015)

Born in 1977; he holds a PhD in Economic Theory and the History of Economic Thought from the University of Economics in Bratislava, from where he also obtained his Master's Degree in Finance, Banking and Investments. He then studied Banking and Finance at the Johannes Kepler University in Austria and Economic Theory at the Mises Institute of Auburn University in the US. In 2001 he joined Penta Investments, where from 2004 he was in charge of investment project management as Chief Investment Officer. In this position, he managed a series of Penta's major acquisitions and business development projects in retail, healthcare, energy, and mechanical engineering. He came to PPF Group in 2009 as a member of the Group's top executive team. Since January 2014, he has been Chairman of the Supervisory Board of O2 Czech Republic.

Vladimír Mlynář

Member of the Board of Directors (from June 1, 2015)

Born in 1966; he has been a member of PPF Group's top executive team since August 2010 with responsibility for Public Relations and Public Affairs. Prior to 1989, he was an active member of the anti-Communist opposition movement. From 1990 he worked as a journalist and then Editor-in-Chief of the Czech political weekly, Respekt. After entering politics in 1998, he served twice as an MP and Minister, until 2005. He then worked for O2 Czech Republic in 2008 and 2009, before becoming chief advisor to the Czech Prime Minister in 2010.

Lubomír Král

Member of the Board of Directors

Born in 1972; he graduated from the Faculty of Law of Charles University in Prague and also attended the University of Economics, Prague. Starting his career as a lawyer, he worked in the legal department for the settlement centre of the Prague Stock Exchange from 1997 to 1999. He has been with PPF Group since 1999 as General Counsel of PPF a.s. and, since March 2007, also a Member of the Board of Directors of PPF a.s. Since June 2014, he has been a Member of the Board of Directors at Home Credit B.V., and since November 2014 he has been a Member of the Board of Directors of PPF Financial Holdings B.V.

Home Credit B.V.

Jiří Šmejc

Chairman of the Board of Directors

Born in 1971; a graduate of the Charles University in Prague, Faculty of Mathematics and Physics with a specialisation in Mathematical Economics. He started his own investment business in 1992 and became Managing Director and CEO of PUPP Consulting s.r.o. in 1993. In 1995 he worked as Sales Manager for Middle Europe Finance s.r.o., a securities trader focusing on acquisitions. Until the end of 2004 he was a 34% owner of TV NOVA Group. He joined PPF Group in 2004 and became a shareholder in 2005. In 2013 he ceased to be a PPF Group N.V. shareholder and, based on a transaction with PPF Group, obtained direct shareholdings in certain Group assets.

Jan Cornelis Jansen

Vice-Chairman of the Board of Directors

Mel Carvill

Member of the Board of Directors

Born in 1962; he has been a member of PPF Group's top executive team since 2009 and member of the Board of Directors of Home Credit B.V. since 2012. Before joining PPF, he worked across a range of sectors in the European financial services industry. From 1985 until 2009 he worked at Generali where he held a number of senior positions in the Group, including Head of Western Europe, Americas and Middle East, Head of M&A and Head of International Regulatory Affairs, Head of Risk Management and Head of Corporate Finance. He is a Fellow of the Institute of Chartered Accountants in England and Wales, holds the Advanced Diploma in Corporate Finance, and is an Associate of the Chartered Insurance Institute, a Chartered Insurer and a Fellow of the Securities Institute.

Petr Kohout

Member of the Board of Directors

Born in 1972; he started his career in 1996 at the Prague Branch of Société Générale (SG). Later, in 2000–2001 he was also part of the team responsible for restructuring ŠKODA HOLDING. He then worked for PricewaterhouseCoopers, and later rejoined Société Générale Group as Chief Financial and Operations Officer for ESSOX (its consumer finance arm) in the Czech Republic. His career also includes the position of Chief Executive Officer of SG Viet Finance, another SG consumer finance company. He joined Home Credit Group from ALD Automotive, s.r.o., a Société Générale company, where he served as Chief Executive Officer (March 2012 to September 2014).

Marcel van Santen

Member of the Board of Directors

Born in 1971; he studied finance and accounting. He became a member of the Home Credit B.V. Board of Directors after seven years in financial executive positions 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 year experience in financial analysis, accounting and project management in the Netherlands and EMEA.

Paul de Reijke

Member of the Board of Directors

Rudolf Bosveld

Member of the Board of Directors

Lubomír Král

Member of the Board of Directors

PPF banka a.s.

Petr Jirásko

Chairman of the Board of Directors

Born in 1973; a graduate of the University of Economics in Prague. During his university studies he was employed part time at Budějovický Budvar, Investa Příbram, Credit Lyonnais Prague and Tabák Kutná Hora. In 1998 he joined Credit Lyonnais Bank as an FX dealer. Between 2000 and 2002 he worked at Komerční banka, a.s., as an FX Option Dealer and later as the Head of the Derivatives Desk. He joined PPF Group in 2002 – working until 2004 at PPF burzovní společnost (as a Bond Dealer and Chief Dealer). In 2004 he moved to PPF banka a.s. where he served as Managing Director of Financial Markets. He has been in the role of PPF banka's Chief Executive Officer since October 2013.

Pavel Fuchs

Vice-Chairman of the Board of Directors
(until April 30, 2016)

Born in 1974; a graduate of the Faculty of Economics and Administration of Masaryk University in Brno, specialising in Financial Business. He worked as a broker with various companies (including Stratego Invest a.s., J&T Securities (Czech Republic), s.r.o., and ABN AMRO Bank N.V.) from 1996. Between 1998 and 1999 he worked at the Czech Securities Commission. He became an Executive Director of PIF – 1. Privatizační investiční fond a.s. in 2001. He has worked at PPF Group since 2003. In 2006 he joined Česká pojišťovna as an adviser and then held various positions in Generali PPF Holding (GPH); prior to leaving GPH in May 2013 he held the positions of Deputy Chief Executive Officer and member of the Board of Directors of Česká pojišťovna as well as being the Chief Investment Officer of GPH. He was appointed Managing Director, Risk Management at PPF banka a.s. in October 2013.

Jaroslava Studenovská

Member of the Board of Directors

Born in 1968; a graduate of the University of Economics, Prague, specialising in General Economics. From 1992 to 1998 she worked at Česká spořitelna a.s. in various positions within the investment banking division: most recently as Settlement Director. In 1999 to 2001 she worked as Settlement Director with IPB/ČSOB Bank. Since 2001 until 2005 she worked as Back-Office Treasury Director at Raiffeisenbank a.s. Since 2006 she joined PPF banka a.s. as Group Treasury Specialist. Since 2007 she has been Director of the Operations Division. She was elected a Member of the Board of Directors in 2012.

Miroslav Hudec

Member of the Board of Directors (from May 1, 2016)

Born in 1966; a graduate in Industry Economics and Management from the Institute of Chemical Technology in Pardubice. He worked as the head of finance departments at Monokrystaly Turnov a.s. and Šroubárna Turnov a.s., later joining Česká spořitelna as head of the company's internal bank before holding various positions in finance division. Prior to joining PPF banka a.s., Mr Hudec worked as the head of controlling and deputy chief financial officer at Credit Lyonnais bank Praha and held the same position at the Credit Agricole bank Praha organisational unit. He has worked for PPF banka as an adviser to the Chief Executive Officer since 1 September 2012.

Jean-Pascal Duvieusart

Shareholder, PPF Group N.V.

PPF Real Estate Holding B.V.

Paul de Reijke

Member of the Board of Directors (from June 1, 2015)

Born in 1959; he holds a Bachelor in Economics degree and a post-Bachelor degree Qualified Controller. He became a member of the Home Credit B.V. Board of Directors after two years working as an accounting and reporting specialist for PPF Group N.V. Before joining PPF in 2012, he gained experience from various key positions in financial management, controlling and regulatory reporting both for Dutch and leading European energy companies.

Jan Cornelis Jansen

Member of the Board of Directors (from June 1, 2015)

Česká telekomunikační infrastruktura a.s. (CETIN)

Martin Vlček

Chairman of the Board of Directors

Born in 1977; Martin Vlček has extensive experience in the areas of finance and investments. Prior to his appointment as O2 Slovakia's CEO, he was PPF Investment Director and had also been responsible for finance at O2 Czech Republic. He has previously served as an external Adviser to PPF and PMU CZ. Between 2002 and 2011, he worked as an investment manager for Penta Investments.

Petr Slováček

Vice-Chairman of the Board of Directors

Born in 1959; he graduated in Telecommunications from the Faculty of Electrical Engineering, Czech Technical University, Prague, before taking a Master of Business Telecommunications (MBT) postgraduate course at Delft University of Technology, Netherlands. On completing his studies, he started his career at the Telecommunications Research Institute in Prague. In 1989, he joined SPT TELECOM (O2 Czech Republic's legal predecessor) where he occupied different roles in communication technology, technology development, network management projects and OSS. In June 2003, he was appointed 2nd Vice Chairman of the Board of ČESKÝ TELECOM, later serving as Vice President for Operations and Vice Chairman of the Board of Directors of O2 Czech Republic. He is currently CEO of Česká telekomunikační infrastruktura a.s. (CETIN).

Michal Frankl

Member of the Board of Directors

Born in 1963; he graduated from the College of Banking (BIVŠ), Prague, and Janko Jesensky Faculty of Law, Danubius University, Sládkovičovo. After 1989, he ran his own business developing economic software. In 1996, he was elected a Czech MP and went on to become the Deputy Minister for Finance responsible for tax, customs and IT. He also had a stint as Deputy Minister for Informatics, a post where he was primarily in charge of electronic communications and mailing services. He was a member of the Board of Directors of the Czech Telecommunications Office between 2005 and 2009. In 2014 and 2015, he served as a member of the Board of Directors of O2 Czech Republic. He is currently CETIN's Security, Regulation and PR Director.

Aleš Minx

Chairman of the Board of Directors, PPF Group N.V.

PPF Advisory (Russia) Limited

Martin Schaffer

Executive Director

Born in 1971; a graduate of the Charles University in Prague, of both the Faculty of Medicine and the Faculty of Law. He worked at Prague General Hospital as doctor of otolaryngology. After graduating from the Faculty of Law he started working in the area of corporate law, initially as Chief of Legal Department at TV NOVA (2002–2005). He joined PPF Investments, a private equity company, in 2005 as Corporate Secretary. Since 2006 he has been at Home Credit and Finance Bank in Russia acting as Board Advisor, Director of Legal Department and most recently, Deputy Chairman of the Board. Since 2010 he has been Executive Director of PPF Advisory (Russia) Limited.

Advisory Committee to PPF Group N.V.*

Štěpán Popovič

Member

Born in 1945; he graduated from Jan Evangelista Purkyně University earning a Dr. H. C. degree. During his career to date, he has held the positions of Chairman of the Board and CEO at Glavunion and CEO of Sklo Union, a state-owned company. He also served as director of the Řetenice (Sklotas) and Lesní Brána (Obas) glass plants. He was Chairman of PPF a.s. Supervisory Board from June 2006 until December 2010.

Milan Maděryč

Member

Born in 1955; he graduated from industrial secondary school and Brno Technical University. He worked at the technical and investment development section of ZPS a.s. in Zlín from 1980, and later as head of the Trading division. He has been with PPF Group since 1994. He served as a Member of the Board of PPF a.s. and was Chairman of the Supervisory Board of Česká pojišťovna a.s. from June 2007 to September 2013.

* The Advisory Committee was established by a decision of the Board of Directors of PPF Group N.V. as of 30 April 2008, as a body comprised of experienced professionals, providing advice and support to the company's management for their strategic decisions as well as representing the interests of the entire Group in relation to regulatory and other authorities.

PPF Group Major Assets Overview

PPF Group Major Assets Chart

Petr Kellner	98.92%
Ladislav Bartoníček	0.54%
Jean-Pascal Duvieusart	0.54%

Share of voting rights, as at 31 December 2015

PPF Group N.V.
The Netherlands

PPF Arena 2 B.V.

PPF A3 B.V.

O2 Czech Republic a.s. (CZ)

O2 Slovakia, s.r.o. (SK)

PPF A4 B.V.

Česká telekomunikační infrastruktura a.s. – CETIN (CZ)

Fodina B.V. (NL)

Polymetal International Plc (JE)

Facipero Investments Limited (CY)

LLC Eldorado (RU)

Bavella B.V. (NL)

RAV Agro LLC (RU)

RAV Molokoprodukt LLC (RU)

SOTIO N.V. (NL)

Sotio a.s. (CZ)

Sotio Medical Research (Beijing) Co., Ltd. (CN)

Sotio, LLC (US)

PPF Life Insurance LLC (RU)

PPF Real Estate Holding B.V. (NL)

PPF Real Estate s.r.o. (CZ)

LLC PPF Real Estate Russia (RU)

PPF a.s. (CZ)

Czech PPF Beijing Representative Office (CN)

PPF Art a.s. (CZ)

PPF Advisory (Russia) Limited (CY)

PPF Financial Holdings B.V.

Home Credit B.V. (NL)

Home Credit and Finance Bank LLC (RU)

Home Credit a.s. (CZ)

Home Credit Slovakia, a.s. (SK)

OJSC Home Credit Bank (BY)

Bank Home Credit SB JSC (KZ)

Home Credit International a.s. (CZ)

Home Credit Consumer Finance (China), Ltd (CN)

Home Credit Vietnam Finance Company Ltd (VN)

Air Bank a.s. (CZ)

PPF banka a.s. (CZ)

HC Asia N.V. (NL)

Home Credit Asia Limited (HK)

Home Credit India B.V. (NL)

Home Credit Indonesia B.V. (NL)

HC Consumer Finance Philippines, INC. (PH)

Ladislav Chvátal

Chairman of the Supervisory Board, CETIN,
Chairman of the Supervisory Board, PPF banka a.s.
Chief of Special Situations

Selected PPF Group Companies

Home Credit B.V.

Consolidated Financial Highlights

	2015	2014
PPF Group holding	88.62%	86.62%
Operating income (EUR millions)	1,619	1,949
Net profit (EUR millions)	(42)	(60)
Total assets (EUR millions)	9,656	7,037
Total equity (EUR millions)	1,196	1,239
Number of employees at year end	72,904	58,300

Home Credit B.V., along with its subsidiaries (hereinafter "the Group"), is an international consumer finance provider with operations in countries offering high growth potential.

Founded in 1997, the Group focuses on responsible lending, particularly to people with little or no credit history. The Group nurtures a concept of financial inclusion for those unable to access banking services by providing them with a constructive, safe borrowing experience – the first for many of its customers. In doing so, the Group helps to raise living standards and caters to borrowers' financial needs. In tandem with simple, convenient and fast services, this gives the Group an edge over its competitors and, in selected countries, makes it a leading provider of consumer finance.

The Group is currently active in the Czech Republic (where it has maintained a presence since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), Belarus (2007), China (2007), India (2012), Indonesia (2013), the Philippines (2013), Vietnam (2014) and the US (2015). While the Group specialises in multichannel consumer finance lending, offering a variety of products, the backbone of its operations lies in "in-store lending". At points of sale (POS) operating from local retailers' shops, the Group offers local currency loans for the purchase of durables and other types of consumer financing.

In countries where Home Credit B.V.'s subsidiaries hold banking licences, the Group also offers transactional banking to individuals and accepts deposits, which are an important source of local funding. The Group's product portfolio differs from one country to another as market dynamics and customer needs vary from market to market.

As at 31 December 2015, HCBV's multichannel network consisted of 185,893 distribution points, up 11.7% year on year, with 183,488 POS and loan offices, 1,966 post offices and 439 bank branches. At year end, the Group had 72,904 employees.

The net loan portfolio rose to EUR 5,835 million (31 December 2014: EUR 5,060 million), largely driven by strong growth across the Group's Asian operations, spearheaded by China, and the acquisition of Air Bank in June 2015.

HCBV's customer deposits at 31 December 2015 climbed almost 70% on 2014 to EUR 4,909 million (31 December 2014: EUR 2,890 million), predominantly as a result of the Group's acquisition of Air Bank in the Czech Republic. Current account balances and term deposits now make up 58.0% of total liabilities (31 December 2014: 49.8%).

In 2015, Home Credit Group continued to manage and finance its holdings carefully in the pursuit of organic growth while managing risk and capital in a prudent and disciplined manner. The Group cultivated the geographic balance of its business to give Asia an ever greater share of the total with Russia assuming a less dominant role.

The Group's business management focus is on fostering a long term sustainable future in a multitude of varying economic climates in order to maintain a diversified funding base and cost efficient operations while retaining a flexible approach that is readily responsive to any macroeconomic changes that evolve. As it steers the business forwards, HCBV considers the critical components of its strategy to be customer experience, leadership in point of sales business, value sharing partnerships with those who make and sell durables, and the expansion of online operations into a separate, self-standing setup.

In China, where the Group is now present in 24 provinces, Home Credit continued expanding its distribution network, building its separate online distribution, while maintaining risk management and compliance capacities to underpin its growth. In India, Indonesia and the Philippines, the Group continued the geographical roll out of its franchise and developed key business functions geared towards deeper market penetration. Across the continent, the Group started to build earnestly on its high profile partnerships with leading retailers and product manufacturers to deliver unique, trailblazing offerings to its customers.

In Russia, the focus remained on improving the quality of loans against the tough economic backdrop in this region. The overall objective in CEE is to maintain market leading positions with a continued focus on enhancing customer experience and improving efficiency while serving as an innovation laboratory for new products and services. Finally, in the US, the Group successfully leveraged its partnership with the mobile operator Sprint to deliver new lending solutions uniquely tailored to previously underserved groups of customers through Sprint's vast existing distribution network.

Financial literacy remains the cornerstone of the Group's approach. With 12.5 million active customers across the Group, Home Credit is broadening financial inclusion and improving customers' understanding of how to borrow responsibly. In China, the Group was recognised by the first major independent report on consumer finance as the country's leader in financial inclusion in 2015. As consumer credit expands rapidly in Asia, having grown fivefold in Vietnam over the past five years, for instance, Home Credit's commitment to responsible lending with a focus on affordability is a key differentiator, especially among first time borrowers.

Air Bank a.s.

Consolidated Financial Highlights

	2015	2014
PPF Group holding	88.62%	86.62%
Operating income (EUR millions)	91	125
Net profit (EUR millions)	9.8	11.4
Total assets (EUR millions)	2,859	2,272
Total equity (EUR millions)	189	170
Number of employees at year end	669	563

Air Bank, a member of PPF Group, is a 21st century retail bank created as a greenfield operation officially launched in the Czech Republic in November 2011. Aiming to be the first bank that people can actually like it competes against traditional banks with simple, innovative services on the one hand, and an open and friendly approach to customers on the other.

Air Bank reported upbeat results once again in 2015, posting a net profit of CZK 268 million. The profit declined 14% year on year, a fact attributable mainly to a combination of low interest rates and the rapidly growing volume of deposits.

Air Bank continued to expand fast in 2015. By the end of last year, the number of clients had risen by 33% to 424,000. The volume of deposits in current and savings accounts climbed by 27% to CZK 69.4 billion. The volume of loans in Air Bank's portfolio increased by 8% to CZK 27 billion.

Kateřina Jirásková

Chairwoman of the Board of Directors, PPF a.s.
Chief Financial Officer

Česká telekomunikační infrastruktura (CETIN)

Česká telekomunikační infrastruktura a.s. (CETIN) was formed when it was spun off from O2 Czech Republic a.s. Assets from the divided company were transferred to it under the division project drawn up by that company on 13 March 2015. CETIN was incorporated by entry into the Commercial Register on 1 June 2015. As the reference date for the division was set as 1 January 2015, CETIN reports its financial results for the full calendar year of 2015.

CETIN manages and operates the Czech Republic's largest telecommunications network, covering the entire country. An independent wholesale player, it has no ties to any particular provider, instead pursuing a principle of open network access for all operators on fair and equitable terms.

CETIN telecommunications network covers 99.6% of the population with a mix of GSM, UMTS, LTE and CDMA mobile technologies disseminated by nearly 6,000 base stations, along with SDH, WDM, Ethernet and IP fixed technologies. CETIN's network encompasses 20 million km of copper cable pairs and connects almost all households and businesses. The company owns 38,000 km of fibre optic cables across the Czech Republic, with more being added by the day. On the international stage, the Company maintains a presence via physical network nodes in London, Vienna, Bratislava, Frankfurt and – soon – Hong Kong.

CETIN's experienced staff and extensive infrastructure make it the country's most efficient, most reliable and safest wholesale service provider. CETIN's more than 1,200 employees ensure that customers can effectively and quickly deploy their networks, while facilitating their operations and availability throughout the Czech Republic. They manage major projects for operators and telecommunications service providers in order to secure the most efficient deployment of best-in-class infrastructure.

The CETIN Group comprises Česká telekomunikační infrastruktura a.s. and its subsidiaries CZECH TELECOM Germany GmbH and CZECH TELECOM Austria GmbH, but has no branches abroad. In 2015, the CETIN Group provided the bulk of its services over communication networks and related Group facilities in the Czech Republic. Subsidiaries primarily allow the Company to operate points of presence abroad with a view to providing foreign operators with international transit services.

National network services consist mainly of mobile network services, mass fixed network services – a network access service, xDSL, IPTV and voice services, data services, data centres and other services. The major customers are service providers on the Czech telecommunications market. The Company generates large profits from these services and makes substantial investments in the development of infrastructure designed to support them.

International transit services tend to focus on the transmission of international voice traffic for international operators worldwide. This type of service typically generates handsome revenues. While the margins are wafer thin, operating and investment costs are minimal.

Consolidated financial results

As the CETIN Group is reporting the results for its first year of operation, previous-year figures are not available for comparison. The CETIN Group's total consolidated revenue in 2015 amounted to CZK 20.6 billion. Consolidated operating costs totalled CZK 12.6 billion last year, with the lion's share eaten up by the cost of sales in the international transit segment. Other major cost items were the running of property and the maintenance and operation of network technology. The CETIN Group channelled CZK 1.2 billion into salary costs.

The consolidated operating profit in 2015, CZK 2.3 billion, was mainly generated by national network services. The CETIN Group's post-tax profit for 2015 was CZK 1.8 billion.

Upon inception, the Company acquired property, plant and equipment necessary for its operation with a total net book value of CZK 54.0 billion. This value was determined by an expert opinion as the market value of these assets as at 1 January 2015, established by a formation-based legal obligation[1] and the start of financial reporting according to Czech accounting standards, as the Company's accounts had previously been drawn up in line with International Financial Reporting Standards (IFRS). Excluding depreciation and other adjustments during the year, the net value of property, plant and equipment as at 31 December 2015 was CZK 51.1 billion.

During 2015, the Company was granted a CZK 32.2 billion syndicated loan by an international syndicate of banks. It was split into two tranches, one of CZK 10.2 billion and maturing in three years, the other of CZK 22 billion and repayable in seven years. In the course of 2015, the Company prepaid CZK 3.4 billion out of its own free cash flow to reduce its debt to CZK 28.9 billion. The syndicated loan was taken out so that credit could be provided to PPF Arena 2 B.V. in the form of seven year financial assistance worth CZK 32.2 billion.

In 2015, the CETIN Group acquired capital goods amounting to CZK 2.8 billion, intended for the most part as investment in telecommunications infrastructure development. Frontline investment projects included the ongoing construction of the 4G/LTE mobile network and the consolidation of the existing 2G/3G mobile networks into a network shared with T-Mobile Czech Republic a.s.

1 Required under Section 253(2) of Act No 125/2008 on the transformation of companies and cooperatives.

O2 Czech Republic a.s.

Financial and Operating Highlights

	2015	2014
Financials[1] (EUR millions)		
Revenues[2]	1,370	1,357
EBITDA – Earnings before depreciation and amortisation	372	295
Operating profit	242	167
Profit before taxes	236	164
Profit from continuing operations	186	128
Total assets	1,120	2,679
Property, plant and equipment	172	1,305
Total equity	679	1,953
Financial debts (long-term and short-term)	110	253
Capital expenditure[3] (additions to fixed assets)	122	342
Operating indicators (at end of period)		
Fixed voice lines (thousands)	840	928
xDSL connections – retail (thousands)	795	793
Pay TV – O2 TV (thousands)	202	184
Mobile customers in the Czech Republic (thousands)	4,896	5,069
– of which: contract customers	3,237	3,294
prepaid customers	1,659	1,775
Mobile customers in Slovakia (thousands)	1,809	1,684
Number of O2 Group employees (at year-end)[4]	3,908	3,656
Ratios		
EBITDA margin (EBITDA/revenues) (%)	27.1	21.8
Profit from continuing operations/revenues (%)	13.6	9.4
Capital expenditure/revenues (%)	8.8	25.4
ROA (profit from continuing operations/total assets) (%)	16.8	4.7
ROE (profit from continuing operations/equity) (%)	27.7	6.5
Gross gearing (financial debts/total equity) (%)	16.3	12.9
Net debt (financial debt less cash and cash equivalents)/EBITDA	0.1	0.5

1 Certain amounts shown in comparatives do not correspond to the consolidated financial statements for the year ended 31 December 2014. The reason for that is the spin-off of the Company as of 1 January 2015 and adjustments to reflect continuing and discontinued operations were made in comparatives.

2 Excluding revenues from non-telecommunications services

3 Excluding discontinued operations

4 As at 31 December 2014, excluding 1,236 employees of Infrastructure and Wholesale division of O2 CZ which were transferred to Česká telekomunikační infrastruktura a.s. (CETIN) as part of the separation of the Company as of 1 June 2015.

The O2 Group comprises O2 CZ and its subsidiaries. The O2 Group provided the bulk of its services in the Czech Republic in 2015. Since 2007, the Group has provided its mobile services to customers in Slovakia. In 2015, the Company also established a foreign branch in Slovakia to promote sales of fixed access telecommunications services in that country.

The Company is the largest integrated telecommunications service provider in the Czech Republic, offering an end to end range of retail fixed and mobile voice, data and internet services. It also offers the unique digital O2 TV, the fastest growing service on the pay TV market in the Czech Republic. The O2 Group's portfolio of Professional Services and Managed Services also makes it one of the country's leading ICT service providers.

The O2 network also provides a platform for the services offered by mobile virtual network operators, the largest of which (by size of customer base) are O2 Family, BLESKmobil, Tesco Mobile and MOBIL OD ČEZ.

In Slovakia, O2 Slovakia has continued to make headway in all of the financial and operating indicators tracked. The swelling ranks of contract customers have been the driving force behind the growth in the customer base.

Responding to in depth analyses and a feasibility study, on 13 March 2015 the O2 CZ Board of Directors gave the go ahead for the Company to be divided in the form of a spin off that would see the emergence of a new business. In pursuit of this goal, it drew up and approved a spin off project, including the attendant accounting documentation. The division of the Company was also endorsed by the Supervisory Board on the same day. The General Meeting then authorised the Company separation on 28 April 2015. The reference date for the division was set as 1 January 2015. The division became legally effective upon entry into the Commercial Register on 1 June 2015.

Since 1 June 2015, both O2 CZ and CETIN have operated independently of each other, with CETIN in the position of a O2 CZ supplier. As of that date, the administrative bodies, business management and managerial control of the two companies, including their security, information and control systems, have been completely separated.

There are no above the line relations between O2 CZ and its subsidiaries, on the one hand, and CETIN and other PPF Group companies, on the other, that could negate the purpose of the division and the resultant independence. Following the division, PPF Group publicly stated that it viewed O2 CZ as a long term investment. In its role as a financial investor, it has no intention of working towards the withdrawal of shares from the Prague Stock Exchange, increasing its effective ownership interest in O2 CZ or attempting to squeeze out smaller shareholders. On the contrary, it intends to promote public tradability, increase liquidity and expand the free float. It also declared that, as an O2 CZ shareholder, it was principally pursuing a durable rise in the fundamental value of O2 CZ shares.

Lubomír Král

Member of the Board of Directors, PPF a.s.
General Counsel

PPF banka a.s.

Unconsolidated Financial Highlights

	2015	2014
PPF Group holding	92.96%	92.96%
Net profit (EUR millions)	47.5	25.4
Total assets (EUR millions)	3,815	3,903
Total equity (EUR millions)	273	213
Number of employees at year end	210	204

PPF banka's performance in 2015 is epitomised in particular by its surge in net profit. Although total assets in 2015 dipped by CZK 5.1 billion (to CZK 103 billion), net profit for the year was a record CZK 1,295 million, up CZK 595 million on 2014.

Net interest income slipped 18% year on year to CZK 1,740 million. The decline, reported at uniform levels for both interest income and expense, is linked to interest rate movements. Net fee and commission income was 10% down at CZK 253 million in 2015. In 2015, PPF banka posted a profit on financial operations of CZK 482 million. Growth compared to 2014 was attributable to the sizeable securities trading outcome and has also been boosted by interest income.

Total net income from banking operations (less the cost of adjustments to loans granted) came to CZK 2.4 billion, exceeding the 2014 level by CZK 400 million.

The volume of non performing loans amounted to CZK 4.6 billion, i.e. CZK 628 million more than at the end of 2014. The current ratio of non performing loans, in excess of 17%, does not entirely accurately reflect the true risk run by PPF banka as the NPL category includes a high volume of export loans covered by EGAP state owned insurer. To calculate the NPL ratio, gross exposure to clients is included, but EGAP insurance is disregarded. Once the volume of non performing loans has been adjusted to factor in EGAP insurance (in relation to NPLs, the value of insurance for EGAP insured loans is subtracted from the gross exposure), the ratio of NPLs to total loans granted is effectively 5.4%. Consequently, the actual loan portfolio risk is much lower and is easily below the upper limit stipulated in the risk appetite.

In 2015, PPF banka made a profit before tax of CZK 1,583 million, which is CZK 689 million more than in 2014. Last year, PPF banka paid CZK 288 million in income tax.

Receivables from customers grew by 10% year on year to CZK 25.8 billion and accounted for 25% of total assets. During 2015, there were increases in corporate, structured and export financing.

Cash and deposits with central banks in 2015 amounted to CZK 31.9 billion, as opposed to CZK 27.4 billion in 2014. Balances with banks fell to CZK 4.6 billion, down from CZK 16.3 billion at the end of 2014.

The main source of financing remained amounts owed to customers. The volume of resources in customer accounts decreased to CZK 59 billion, due to the management of the base for the calculation of the contribution under the EU's Bank Recovery and Resolution Directive (BRRD).

The return on equity (ROE) in 2015 was 19.05%. The return on average assets (ROAA) was 1.17%. The total capital adequacy ratio at 31 December 2015 was 14.85%.

In the past year, PPF banka was an active player on the financial and capital markets; in most areas, the range of services provided was successfully expanded and the volume of instruments traded was up to some extent.

In its securities trading, PPF banka was an active bond market maker. In 2015, PPF banka once again acted as a leading primary dealer for Czech government bonds. Here, the Czech Ministry of Finance ranked PPF banka a.s. third in the summary rating. (To be more precise, PPF banka came fourth in terms of primary market transactions and third in the secondary market.) Apart from government bonds, as a market maker PPF banka also list selected corporate bond issues in the Bloomberg system and on other trading platforms.

In 2015, PPF banka continued to provide comprehensive services on capital markets. On the stock market, PPF banka (as an agent) administered the purchase of O2 Czech Republic a.s. shares in two voluntary buyouts. PPF banka had a similar mandate for three purchases of shares in Česká telekomunikační infrastruktura a.s. (CETIN). In the corporate bond area, PPF banka was the deal manager in a tender for the redemption of the bonds of Home Credit and Finance Bank.

PPF bank's high degree of individualisation and stability, hand in hand with highly-specialised bankers and newly-devised products have contributed to the establishment of a new public-sector strategy, to be gradually rolled out from 2016. For several years, a niche team of bankers provides special services for clients in church segment, which is slowly weaning itself off primary, simple banking products and moving increasingly towards the idea of regular investment and looking for new opportunities on financial markets.

PPF banka's principal business is conducting all types of banking operations and providing banking and financial services, along with related services, both in the Czech Republic and in relation to foreign countries. Its service offering is tailored primarily for Czech municipal and corporate customers. The bank specialises in financial and capital markets trading in the scope set forth by applicable laws and regulations and on the basis of licenses issued by the Czech National Bank. In 2015, PPF banka continued successfully to develop its operations in export finance, project finance, and financing of mergers & acquisitions. For PPF Group companies, it conducts international payment transactions, as well as providing hedging and other investment services, e.g. capital markets financing. As in previous years, during 2015 PPF banka continued to play a key role as a treasury bank for PPF Group.

PPF banka is a member of the:
— Czech Banking Association
— Czech Institute of Internal Auditors
— Union of Banks and Insurance Companies
— Prague Economic Chamber
— Prague Stock Exchange
— Chamber for Economic Relations with CIS

Shareholder structure:
PPF Group N.V. — 92.96% (until June 30, 2015)
PPF Financial Holdings B.V. – 92.96%
(as at June 30, 2015)
City of Prague — 6.73%
Others — 0.31%

PPF Real Estate Holding B.V.

Financial Highlights

	2015	2014
PPF Group holding	100%	100%
Total assets (market valuation) (EUR millions)	1,986	1,912
Total shareholder equity (EUR millions)	451	361
Number of employees	303	252

PPF Real Estate Holding B.V. is a developer, investor and professional consultant in the real estate sector. PPF Real Estate Holding manages real estate assets for companies in the PPF Group portfolio and other clients. The company operates in the Netherlands, Russia, the Czech Republic, and more widely across Europe.

In 2015, PPF Real Estate Holding focused on the long term stabilisation of its developed assets across the markets, acquired properties in the Netherlands and Russia, and successfully exited two fully-valued properties, one in the Czech Republic and one in the Netherlands. The company consolidated its Czech portfolio by selling several projects in the development stage. In Russia, PPF Real Estate Holding B.V. was challenged by the overall economic situation, with – in general – historically the highest vacancy rates and the lowest rental rates on the real estate market across all segments.

In July 2015, the company increased its presence in the Russian office sector by acquiring 49.9% stake in two Metropolis Office buildings in partnership with Hines Russia & Poland Fund, an affiliate of global real estate investment firm Hines. These two buildings are located on a principal route from Sheremetyevo Airport to Moscow city centre and offer over 56,000 m^2 of high quality class A office space with almost 100% occupancy.

Phase One of the Comcity Office Park in "New Moscow", not far from the Moscow ring road, has accommodated three major tenants from the IT and telecommunications sectors, accounting for almost 80% of the leasable 107,500 m^2 of office space. This initial phase of Comcity project also offers 7,400 m^2 of retail space.

In cooperation with its partner, Radius Group, PPF Real Estate is participating in the development of one of the largest logistics parks in the southern part of the Greater Moscow area. South Gate Industrial Park occupies 144 hectares and, with its capacity of 653,000 m^2, is one of the largest in the region. Despite the current difficult economic environment in Russia, Radius Group managed to secure a 100,000 m^2 distribution centre built to suit sale with a major French DIY retailer. Construction of the distribution centre will be completed in 2016.

Today, PPF's portfolio of real estate investments in the Netherlands comprises ten properties: nine office buildings and one shopping centre. These assets, with a total leasable area exceeding 200,000 m^2, are located in high profile areas such as the famous high rise Millennium Tower and Wilhelmina Tower office buildings in Rotterdam, attracting high quality tenants on the extremely competitive Dutch market. In late 2015, the company sold one of the fully valued buildings from the Dutch portfolio and acquired one office building in the centre of Rotterdam.

Super luxury residential houses at the UK capital's premier addresses saw significant progress in their refurbishment and are close to completion. All three buildings on Bishopswood Road, while retaining their impressive Victorian red brick design, have been modernised for 21st century living and refurbishment offer around 1,000 m^2 of accommodation each.

The ArtGen project in Prague, the capital of the Czech Republic, which was commissioned in late 2014, offers approximately 23,000 m^2 of modern office and retail space in two buildings. In 2015 and throughout Q1 2016, over 50% of the leasable area has successfully been taken up. This LEED certified property uses intelligent building management systems and environmentally friendly technologies. ArtGen is a great example of how one of Prague's originally industrial districts is transforming into a modern office, retail and residential location.

Over the year, occupancy at the Parkside Office Gallery in central Berlin exceeded 95% and featured strong, respected tenants such as Konrad Adenauer Stiftung and government institutions. Other fully-stabilised assets in the German portfolio are located in Monheim/Düsseldorf and Langen/ Frankfurt areas.

Martin Schaffer

Director, PPF Advisory (Russia) Limited

O2 arena

The O2 arena, one of the safest and most modern multipurpose halls in Europe, has completed investments in large scale reconstruction and security that have amounted to almost CZK 180 million in the last two years. The shareholders of Bestsport, the owner and operator of the O2 arena, decided to use the operating profit accumulated in previous years to finance these investments. In preparation for the European Athletics Indoor Championships and Ice Hockey World Championships in 2015, investment plans for 2014 were compiled with an emphasis on ensuring the safety of spectators at these events, which attract large scale attendances over a short period of time. In 2015, the arena was given a full security check. A final inspection was conducted in cooperation with Czech Police and Prague Fire Brigade, and all systems were configured for the smooth course of the events. In 2015, other investments amounting to CZK 35 million were channelled primarily into a visitor information system, including display devices, and into the arena's control technology. The O2 arena broke visitor records in 2015 by welcoming more than a million people to the over a hundred of sports, cultural and social events here.

Eldorado

Financial Highlights

	2015	2014
PPF Group holding	80%*	100%*
Total revenues excluding VAT (EUR millions)	1,488	2,214
Gross profit (EUR millions)	412	550
Gross profit margin	27.7%	24.8%

* In June 2015 it was announced that PPF Group and Emma Capital, an investment company, reached an agreement according to which Emma Capital became an owner of 20% of Eldorado LLC.

Eldorado is one of Russia's largest consumer electronics and household appliance retailers.

The company maintains a presence in almost all Russian regions. Eldorado develops multi channel sales and operates over 600 stores throughout the country. In 2015, the company opened 45 stores, mainly in small towns with populations of 50–70,000 people. In 2016, 50 new shops will be opened.

In 2014, the company launched B2B sales and expanded its range to include new categories, such as homewares, garden and DIY products, and products for parents and children. The company pursues a multi-category retail strategy both online and in its bricks and mortar shops. In 2016, the range was expanded to encompass perfumes and cosmetics.

Eldorado is a four time Consumer Rights and Quality of Service Award winner in the best retail chain category, a two time winner of the People's Brand (2012, 2014), and was named the Company of the Year 2012 and 2013 HR Brand.

In 2015, Eldorado won the EMEA Channel Academy Award: Russia & CIS, earned the title of Retailer of the Year and the Best Prices award in a competition organised by Hi Tech.Mail.ru expert project, and was a winner in the Online Retail Russia Awards in the category of Best Online Shop in the consumer electronics and household appliances segment.

In 2016, the company won EMEA Channel Academy and Online Retail Russia Awards for the second time.

Eldorado builds customer loyalty through the Eldorado Club, which currently has over 15 million members.

PPF Life Insurance

Financial Highlights

	2015	2014
PPF Group holding	100%	100%
Gross written premiums (EUR millions)	92	156
Net profit (EUR millions)	2.4	8.6
Number of employees	660	634

PPF Group acquired a life insurance company in Russia as a result of a 2013 transaction with Generali. In September 2013, PPF took a strategic decision to develop insurance in Russia under two brands: PPF Life Insurance, specialising in classic life insurance, and Home Credit Insurance, focusing on non life segments, which is part of the Home Credit Group.

PPF Life Insurance, one of the largest companies in its field on the Russian market, generated premiums written of RUB 2.8 billion in 2015, up 4.4% year on year. The lion's share of this amount, RUB 2.2 billion, was secured through the insurer's own network of agents. The company continued to expand its regional network, opening new branches in Stavropol, Chita, Omsk, and Angarsk and the Russian capital, Moscow.

The company posted annual growth in all key directions of its business. Its product portfolio is dominated by long term endowment insurance schemes (accounting for RUB 2.3 billion of total written premiums, a 6% increase), with special pension based life insurance schemes generating RUB 464 million (+1.5%). In 2015, the company paid out more than RUB 1 billion in claims (8.3% growth). The company's insurance reserves are approximately RUB 7 billion roubles and its equity is to almost RUB 1.4 billion.

PPF Life Insurance reported a profit on financial operations of RUB 164 million in 2015 (according to International Accounting Standards).

PPF Life Insurance again retained its leader status in the specific segment of retirement life insurance in 2015 with a 31.5% market share.

Polymetal

Financial Highlights

	2015	2014
PPF Group holding	17.9%	18.4%
Gold production (Koz)	861	945
Silver production (Moz)	32.1	28.7
Revenues (USD millions)	1,441	1,690
Net profit (USD millions)	221	(210)
Number of employees	9,292	8,853

Polymetal is a precious metals mining group with a strong track record of stable operating performance and new project delivery. The company's performance in 2015 generated robust operating and financial results. The development of Kyzyl, its largest project in Kazakhstan, will strengthen Polymetal's position and deliver sustainable value to all its stakeholders.

In 2015, Polymetal continued to post solid production results, producing 1.27 Moz of gold equivalent. The production guidance was exceeded by 4%; this was the fourth year in a row in which Polymetal had exceeded its annual estimates. It achieved this despite depressed gold and silver prices and continued macroeconomic instability.

During the year, Polymetal expanded its portfolio of near mine advanced exploration projects by acquiring Primorskoye, a silver/gold site, and Lichkvaz, its first asset in Armenia. At the end of 2015, an exciting new joint venture with Polyus Gold at Nezhdaninskoye, the fourth largest gold deposit in Russia, was announced.

Strong free cash flow generation remains a key differentiator for Polymetal. Generating a healthy free cash flow of USD 263 million during the year, coupled with a strong balance sheet, the company paid out USD 127 million in special dividends in 2015. This brings the total amount of dividends declared during 2015 to USD 216 million, an increase of almost 25% on last year's total of USD 173 million. Despite global and local challenges, Polymetal remains fully committed to delivering value to its shareholders.

Vladimír Mlynář

Member of the Board of Directors, PPF a.s.
Chief of Government and Public Affairs

RAV Agro

RAV Agro is an agricultural holding company headquartered in Voronezh, Russia and focused on livestock and crop farming. It is one of the largest agricultural companies in the Chernozem area of central and southern Russia. It farms 111,000 hectares of land in the Voronezh and Oryol regions, making it one of the top 10 agricultural enterprises in the area.

The holding's revenues in 2015 exceeded RUB 1.6 billion, while EBITDA exceeded RUB 300 million. The holding's companies reaped 87,500 tonnes of wheat and produced more than 12 million litres of milk. The company now has more than 6,000 heads of beef and dairy cattle. Investments in 2015 amounted to RUB 250 million. In particular, they were used to purchase modern agricultural machinery and to construct a new dryer and a new complex for livestock production. The holding will continue to focus on optimising the use of arable land and on investing in its core businesses, with a planned outlay of RUB 100 million.

SOTIO

SOTIO, a biotechnology company, continues to implement a long-term strategy for the clinical development of new therapies for oncology diseases based on active cellular immunotherapy. In 2015 ten clinical studies were running in Europe and in the USA, focusing on patients with prostate, ovarian and lung cancer. The company also conducts several joint research projects with leading hospitals in China. Besides their own clinical development program, SOTIO is also actively seeking investment opportunities and joint projects in the field of innovative approaches to treat cancer diagnoses.

In 2014, SOTIO launched the VIABLE study – a Phase III international clinical trial of an active cellular immunotherapy treatment for patients with prostate cancer. This is the first time in modern history that a company from the Czech Republic has reached this level of clinical development. SOTIO is also the first company from Central and Eastern Europe to initiate a Phase III clinical trial in the area of cellular immunotherapy. The target enrolment for the VIABLE study is 1,170 patients, recruiting from 20 European countries and the USA.

In addition to the VIABLE study, there is currently a further five Phase II clinical trials in prostate cancer being conducted in the Czech Republic and three Phase II clinical trials in ovarian cancer patients being conducted in Germany and Poland as well as in the Czech Republic. Recruitment of patients in these studies has been completed and studies are currently under evaluation.

The latest addition to the SOTIO clinical trial pipeline is active cellular immunotherapy for lung cancer patients (DCVAC/LuCa). The first patient was enrolled in the Phase I/II study at the end of 2014. The study is ongoing in the Czech and Slovak Republic. The Company also prepares to launch two new studies focused on patients with prostate cancer.

The SOTIO laboratories in Prague are GMP (Good Manufacturing Practice) certified and are one of the largest cell therapy laboratories with clean room facilities in Europe. Thanks to their location and in-house logistics, they can produce therapies for evaluation in clinical trials ongoing in both Europe and the USA. The company also has similar laboratories in Beijing, China.

The company also carries out and finances independent scientific research – the most extensive of its kind in the Czech Republic. SOTIO puts into practice discoveries of Czech scientists who are currently researching new methods for the treatment of other serious oncological and autoimmune disorders. In research and development, SOTIO cooperates closely with the Institute of Immunology of the Second Medical Faculty of Charles University and with the Motol University Hospital in Prague.

SOTIO is part of PPF Group and serves as its hub for further expansion in the biotechnology industry, searching for investment opportunities and partnership projects. PPF with the support of SOTIO acquired in 2014 a majority stake in the French company OriBase Pharma, which focuses on developing new cancer treatment methods. SOTIO also acquired another affiliate in 2014: Accord Research, an independent Contract Research Organization (CRO) which provides clinical research services in several of SOTIO's clinical trials, as well as for external pharmaceutical companies. Early in 2015, PPF also acquired a significant minority stake in Cytune Pharma SAS, a French biotechnology company involved in the research and development of new therapeutic procedures focusing on boosting immune response to cancers and infectious diseases.

Important Events at PPF Group

2015

January

Under an agreement between PPF Group and Assicurazioni Generali signed in early 2013, PPF Group completed the sale of its stake in the joint venture, GPH, to the Italian insurance group. PPF received a sum of EUR 1.246 billion in return for its remaining 24% stake. The completion of the Generali transaction brought to a successful conclusion PPF's nearly 20 year involvement in the insurance industry in the Czech Republic as well as in other countries of Central Europe. Since GPH sold its insurance companies in countries of the Commonwealth of Independent States as part of the transaction, the Group continues to leverage its insurance business expertise.

February

An additional tender offer to buy shares of O2 Czech Republic a.s. was accepted by approximately 2,500 small shareholders who sold PPF roughly 360,000 shares, or 0.12% of O2's share capital. The amount paid to purchase this number of shares was approximately CZK 100 million. Thus, PPF gave small shareholders a second chance to sell their O2 shares. This step was designed to benefit those who acquired shares in voucher privatisation, and to narrow the playing field for speculators who might try to profit from the margin between the price in the regulated market and that offered by PPF. At the beginning of 2015, PPF Group owned 84% of the shares of O2 Czech Republic a.s.

March

PAO Rostelekom and Antemona Limited (a member of PPF Group) signed a long-term lease for space in the Comcity office park. Other Comcity tenants, including the Russian IT group Sistematika and the international IT company Oracle Corporation, had already moved into their Comcity premises.

June

The division of O2, an operation seldom seen in the Czech telecommunications sector, and not yet anywhere in Europe took effect. The existing telecommunications company O2 was divided into an infrastructure unit, CETIN, and an operator, O2, providing retail services to customers. From the point of view of PPF Group, O2 is purely a financial investment, and PPF does not take part in its business management.

PPF Group and EMMA Group signed an agreement on the partial sale of shareholdings in Home Credit B.V., Air Bank a.s. and Eldorado Ltd. PPF Group purchased stakes in Home Credit B.V. and Air Bank a.s. – at 2% apiece – from EMMA Group. PPF Group sold a 20% share in the Russian retail chain Eldorado to the EMMA Group.

July

PPF Real Estate Holding B.V. acquired a 49.9% stake in two office buildings within Metropolis Shopping Centre in Moscow, in partnership with Hines Russia & Poland Fund, an affiliate of global real estate investment firm Hines.

2016

January

PPF Group became the sole shareholder in Česká telekomunikační infrastruktura a.s. (CETIN). In accordance with legislation, minority shareholders' ownership rights attached to all company shares passed to the main shareholder. In return for their CETIN shares, the majority shareholder provided minority shareholders with consideration that, combined with their O2 shares, reflected a significant rise in the value of the telecoms assets since 2014, when PPF Group entered the company. CETIN, incorporated into PPF Group as a strategic asset, will invest CZK tens of billions in the development of next-generation telecommunications networks in the coming years.

March

Several divisions of one of Europe's largest telecommunications operators, PAO Rostelecom, moved into the Comcity office park at the New Moscow site. This completed the relocation of all of the largest tenants in Comcity's initial (Alpha) stage. The retail gallery in Comcity's basement continues to open new restaurants, cafés and shops. Over 7,000 people come to work at Comcity every day.

May

On 1st May, Home Credit branches and POS in China received 88,000 loan applications, an unprecedented amount for one day. Throughout 2015, the daily average number of loan applications was 19,000, and as at 30th April 2016 Home Credit in China served more than 6.6 million active clients.

Jiří Šmejc

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

Social Responsibility

PPF Group and its individual companies have traditionally been strongly committed to corporate social responsibility (CSR) projects. These activities have long centred primarily on education and the development of the Czech education system. In 2015, support also continued to be channelled into scientific projects set up to engage in cancer research. Although PPF has historically concentrated most of its financial and organisational assistance on CSR projects in the Czech Republic, such activities are gradually taking root in other countries where the Group's companies operate (Russia, Kazakhstan, China, Vietnam, the Philippines and Indonesia). In 2015, companies from PPF Group in the Czech Republic donated almost CZK 201 million to charities and good causes. In the 25 years since its formation, PPF Group has supported education, science and culture with funds amounted to CZK 1.8 billion.

THE KELLNER FAMILY FOUNDATION

The Foundation sets out to further the development of society, improve the quality of life and help others on the path to success. For the most part, the Foundation's activities and financial assistance pursue the support of long term educational projects devised for primary school pupils and their teachers, secondary school students, undergraduates and postgraduates.

Since its formation, THE KELLNER FAMILY FOUNDATION has contributed more than CZK 444 million to these and other projects. In 2015, the Foundation donated CZK 89 million to organisations, municipalities and private individuals.

Primary school and eight year grammar school – Open Gate

Open Gate is a primary school and grammar school run by OPEN GATE – gymnázium a základní škola, s.r.o. Open Gate provides an education to boarders and to day pupils from the surrounding area around Prague.

Open Gate, situated in Babice near Prague, is one of the Czech Republic's top ranking schools, as evidenced, for example, by the fact that every year the grammar school students achieve some of the best national results in the maturita school leaving exams, and their results in the International Baccalaureat place them among the higher echelons worldwide.

At the end of 2015, the grammar school had 215 students, 94 of whom received a maintenance grant from The KELLNER FAMILY FOUNDATION. In 2015, the students receiving assistance comprised seven children from children's homes, eight foster children, one child from the Klokánek at risk children's fund, 38 students from two parent families and 40 from the lone parent families whose social circumstances otherwise prevented them from securing a high quality education for their children matching their talents and determination to study.

In 2015, THE KELLNER FAMILY FOUNDATION awarded grants amounting to CZK 38.8 million to Open Gate grammar school students.

Universities Project

Universities is another project that champions education. Under this scheme, financial grants support Czech students during their studies at prestigious foreign and Czech universities. Students who have excelled academically but whose difficult social background impedes their access to education may apply for a grant under the Universities Project.

In the 2014/2015 academic year, the Foundation assisted 57 students, from secondary schools across the Czech Republic, during their studies at the world's foremost universities. In the current 2015/2016 academic year, there are 52 such beneficiaries, 12 of whom are newcomers to the scheme and 40 are grantees continuing the studies on which they embarked in previous years.

In 2015, the Foundation earmarked approximately CZK 9 million to be disbursed as financial grants to university students.

"Helping Schools Succeed" Project

This project is financed by THE KELLNER FAMILY FOUNDATION, which initiated it in 2010. Project implementation is in the hands of the autonomous public benefit company Pomáháme školám k úspěchu o.p.s., established precisely for this purpose by the Foundation.

The project enjoys the backing of the Ministry of Education, Youth and Sports. In 2015, project assistance was granted to approximately 400 teachers, via whom it filtered through to more than 6,000 pupils from 10 project schools in eight regions of the Czech Republic. THE KELLNER FAMILY FOUNDATION channelled CZK 30.8 million into this project in 2015.

Science Project

The Science Project is an opportunity for gifted and successful scientists and scientific teams to work on various research projects in top-quality conditions in the Czech Republic. The Foundation's financial donations guarantee a stable backdrop for scientific work.

The first beneficiaries of the grants – in support of scientific research into cancer biology – were selected by the Foundation in late 2012. The Science Project's expert panel, working with the Foundation's board of trustees, selected three out of the 59 research projects put forward in the two round tendering procedure. The research teams were granted four and five year grants with the opportunity to start drawing on funds in early 2013.

In 2015, the Foundation donated CZK 8.5 million to the Science Project.

Examples of charity work in other countries

PPF Group companies make contributions to charity work in various countries in line with the Group's overall approach, with a particular focus on national education projects, but also playing a role in the lives of the local communities in the midst of which they carry out their operations. Last year in China, for example, Home Credit donated the equivalent of approximately CZK 10 million in support of those affected by a massive explosion of hazardous substances in the north western Chinese city of Tianjin, where Home Credit is headquartered and many of its employees work.

In Russia, Home Credit pushed ahead with the seventh year of its successful Sinyaya Ptica project, geared towards the support of talented university students. Last year saw the scheme's very first scholarship holders graduate from various universities. Today, 60 students are involved in the project and the Russian bank HCFB has announced a competition seeking applications from those interested in taking part in the project in a number of new regions in Russia that had not previously been covered.

Eldorado, one of Russia's largest retail chains, has long made donations to the charity Give Life! Besides a basic financial contribution, every year Eldorado also donates money to the fund that it would otherwise have spent on the production of Christmas and New Year greetings. Instead of those cards, it sends business partners emails explaining what it has done.

One interesting project was launched last year by PPF's life insurer in Russia, PPF Life Insurance, in tandem with the acclaimed Cancer Prevention Fund. This scheme covers the postgraduate fees required by top candidates to study oncology related medicine. After its announcement last year, the competition attracted 250 applications from Russia and the surrounding countries. In the final, held directly at a specialised medical faculty in Saint Petersburg, the 11 best candidates were whittled down to six winners, who will spend two years studying under the very best specialists. This year, the scheme elicited even greater interest, with 280 applicants competing for eight grants.

Martin Vlček

Chairman of the Board of Directors, CETIN

PPF Group and Culture

In the Czech Republic, PPF Group was one of the first private corporations in the early 1990s to begin systematically supporting the arts and helping to save monuments, art projects and works.

In 1995, the dedicated subsidiary PPF Art was set up to coordinate PPF Group's activities in support of culture and the arts. Over the next two years, Group established the bedrock of its sponsorship strategy when the decision was taken to funnel long term support into education and art projects.

At the end of the 1990s, two of the first projects in this sphere to receive assistance (which continues until now) were the Jára Cimrman Theatre in Prague and the Summer Shakespeare Festival, hosted every year by Prague Castle and other Czech and Slovak cities. Over 25 years of doing business in the Czech Republic, PPF Group has developed mutually beneficial cooperation with national cultural institutions, the National Gallery and the Czech Philharmonic. The latest venture in PPF Group's art sponsorship strategy is a partnership between CETIN, the infrastructure telecommunications company, and the Prague Spring music festival. CETIN became the festival's general sponsor in the second half of 2015 and has helped to spice up the festival programme 2016 with live broadcast of a concert screened in Kampa Island, Prague, and in seven cinemas in cities across the Czech Republic and Slovakia.

PPF Group and fine art

PPF Art's activities are structured in particular around care for valuable art collections. The unique collection of Czechoslovak and Czech photography managed by PPF Art today numbers 1,802 works by 150 artists. It started compiling the collection in 2000 following the renovation of the studio used by the famous photographer Josef Sudek. Today, it is the largest private collection of a fine art photography. It encompasses the period from the start of the 20th century to the present. The collection aims to seek out and exhibit the photography of leading figures shaping exceptional cultural values in the past hundred years, such as František Drtikol, Jaromír Funke, and Jaroslav Rössler, as well as contemporary artists such as Tono Stano, Ivan Pinkava and representatives of the emerging young generation of Czech photographers.

However, the jewel of the collection is a particular set of photographs by Josef Sudek, particularly his most significant work. PPF Art runs a gallery bearing his name – the Josef Sudek Studio in Újezd street, Prague. PPF played a major role in the restoration of this studio. In 1985, a fire broke out in the studio and wrecked much of what was already a rather dilapidated structure. The remnants of the building were in such a state that, to recreate the original studio, the only solution was to build a perfect replica. PPF Group was the restoration project partner and the investor behind the building works and subsequent operation of the studio. The replica studio was built in 2000 under the auspices of the then mayor of Prague and borough of Praha 1. In September 2015, this gallery celebrated its 15th anniversary. Over the years, 108 exhibitions had been held here, with the work of 105 artists on display. Interestingly, in 2015 – once the Karlovy Vary Film Festival had ended – the gallery was visited by the big fine art photography fan and famous American actor Richard Gere, who admired the examples of photography on display and the genius loci of the Josef Sudek Studio.

PPF Art also produces publications to accompany art collections and current exhibitions, including Earth Photography by Lukáš Jasanský and Martin Polák, Privatissima – devoted to images by Josef Sudek – and the Anthology of Czech Photography (from PPF Group's collection). PPF Art also backs the production of documentaries on Josef Sudek and, during 2015, preparations were made for the world renowned photographer's anniversary in 2016 (marking 120 years since his birth and 40 since his death).

PPF Group also looks after 270 art works from Česká pojišťovna's "Golden Fund", which it purchased in 2014, and since 2010 has run Prague's iconic Václav Špála Gallery, which specialises in exhibiting top class living Czech artists, sculptors and photographers from the middle generation.

PPF Group and Czech Philharmonic partnership

Thanks to PPF Group, the Czech Philharmonic Orchestra has acquired a richer sound, with the addition of six first-class stringed musical instruments worth a total of CZK 20 million. The instruments include violins made by Giovanni Maria Valenzano in 1825, Pietro Messori in 1924, the Italian violin maestro Giovanni Cavani and Onorato Gragnani in the early 19th century, a 1927 viola designed by Ettore Soffritti and an 1844 cello by the best French violin-maker of all time, Jean-Baptiste Vuillaume. A special committee, headed by the Czech Philharmonic's principal conductor, Jiří Bělohlávek, was put together to select these fine instruments.

Interlinking of cultural and educational activities supported by PPF Group

In 2015, PPF Group redoubled its efforts to interlink educational projects supported by THE KELLNER FAMILY FOUNDATION and activities in the fields of fine art and classical music sponsored by PPF Group companies. Open Gate School students regularly attend performances at the Shakespeare Summer Festival. Last year, they took part in an instructional workshop on traditional Chinese ink painting with the artist Jiří Straka, whose work was being exhibited at the Václav Špála Gallery. Open Gate students and the pupils of primary schools involved in the Helping Schools Succeed Project went to see a dress rehearsal of the Czech Radio Symphonic Orchestra ahead of a performance at the Prague Spring international music festival.

25 Years of PPF Group

1991

In September 1991, Petr Kellner and his partners set up the company named Správa Prvního privatizačního fondu in readiness for the forthcoming voucher privatisation. The company registered an office at Seifertova 93, Praha 3 – Žižkov, as its place of business. The initial registered capital was 100,000 Czechoslovak crowns.

The company borrowed 20 million crowns from Sklo Union Teplice company to fire up its voucher privatisation campaign. The first four PPF privatisation funds were registered at the end of the year.

1992

PPF's advertising campaign for its privatisation funds starred the popular actor Josef Dvořák.

PPF investment funds netted more than 3% of all investment points in the first wave of voucher privatisation, as more than 186,000 people opted to invest with them. The funds themselves later held shares in 202 enterprises with an aggregate nominal value of 4.9 billion crowns, ranking them sixth by volume of assets under management.

Správa Prvního privatizačního fondu was transformed into PPF investiční společnost a.s. in keeping with the law. It had seven employees and relocated to offices in the Emmaus Monastery complex in Prague.


vždycky něco navíc

1993

At the beginning of the year, PPF-R (Russia) was established to capitalise on the experience gained by PPF from the Czech voucher privatisation and take part in the Russian Federation's privatisation process.

PPF relocated to Oldřichova Street, Praha-Nusle district. Number of employees: 18.

PPF purchased one of the first mobile phones in the Czech Republic, weighing in at 4.5 kg and offering a 30-minute battery life.

1994

PPF burzovní společnost a.s., specialising in securities trading and asset management, was established.

PPF set up two mutual funds for the second wave of voucher privatisation, which bagged a further 140,000 shareholders and shares in 45 enterprises with a nominal value of CZK 2.4 billion.

In Russia, PPF established the Association of Peter the Great Funds. In the privatisation process, it took over the management of major interests in 80 Russian industrial and construction companies with an estimated market value of USD 50 million.

The PPF headcount reached the 50-employee mark.


РОССИЙСКАЯ ФЕДЕРАЦИЯ
ГОСУДАРСТВЕННАЯ ЦЕННАЯ БУМАГА
Действителен по 31 декабря 1993 года.
Подделка чеков преследуется по закону.
1992
ПРИВАТИЗАЦИОННЫЙ ЧЕК
10 000
РУБЛЕЙ
08 3295573

1995

PPF Capital Management a.s. was formed primarily to seek out investors for enterprises from the PPF portfolio that were not designated as strategic holdings.

PPF kick-started the process of acquiring Česká pojišťovna, the largest company on the insurance market in the Czech Republic, by purchasing a 20% stake.

Česká pojišťovna became the general sponsor of the Velká pardubická steeplechase.

1996

PPF Investiční holding arose from a merger of four original privatisation funds from the initial wave of voucher privatisation.

Under a shareholder agreement, PPF was made responsible for the management of Česká pojišťovna and spearheaded its root-and-branch restructuring and modernisation. Ladislav Bartoníček was appointed as the insurer's CEO.

PPF majetková a.s. was established to develop and manage real estate projects. Total investments for clients came to CZK 1 billion during the first year of its operations.

„Cokoli můžeme, uděláme“ je motto České pojišťovny několik měsíců po vstupu PPF.

LADISLAV BARTONÍČEK
Předseda představenstva a generální ředitel České pojišťovny, a. s.

České pojišťovna je nejstarší a největší universální pojišťovací instituci v České republice.
Základní jmění vyšší než 3 miliardy korun, předepsané pojistné kolem 26 miliard korun, rezervy téměř nad 70 miliardami korun, počet spravovaných pojistných smluv přesahující 10 milionů kusů, dvourčetinový podíl na českém pojistném trhu a tradice, která letos dosahuje 170 let.
Těchto několik základních ukazatelů ilustruje sílu a stabilitu naší pojišťovny na českém trhu.
Dnes začíná Česká pojišťovna měnit svou vnitřní strukturu tak, aby mohla klientům maximálně vyjít vstříc. Uděláme vše, abychom poskytovali kvalitní služby pohotově, pružně a rychle. Díky dostatečné výši rezerv a dobré spolupráci v mezinárodní síti renomovaných zajistitelů dokážeme pokrýt i ta nejvyšší rizika stejně dobře jako rizika malá a střední. Změnou prochází i vnější tvář České pojišťovny. Už nechceme být jen tradiční pojišťovnou, ale máme v úmyslu také stát se moderní evropskou finanční institucí v tom nejlepším slova smyslu. Konkrétní kroky naštěstí byly odstartovány díky jednoznačné podpoře Skupiny PPF jako nového významného akcionáře.
Jsme přesvědčeni, že tento obrovský potenciál společně s kvalifikovaným lidmi pracujícími v České pojišťovně povede ke spokojenosti zákazníků, k dlouhodobé prosperitě a k dlouhodobé prosperitě a k nadprůměrnému výnosu pro všechny akcionáře.

L. Bartoníček

1997

Česká pojišťovna's restructuring saw the formation of Home Credit as a platform for providing consumer finance services.

Česká pojišťovna, with PPF at the helm, made the grade in the face of adversity when it successfully handled claims stemming from disastrous flooding in Moravia.

The number of employees at PPF rose above 100.

1998

The Czech economy suffered a GDP setback and double-figure inflation and plunged into crisis. In Russia, the rouble's tailspin and the harsh economic crisis pushed PPF into the red. The Group pulled out of the Russian market temporarily, selling off its remaining assets there.

Czech assets under PPF management were in excess of CZK 10 billion.

PPF relocated to offices in Na Pankráci street, Praha 4.

PPF had a total headcount of 145 employees.


PPF
ČESKÁ POJIŠŤOVNA

1999

A Home Credit branch was opened in Slovakia.

PPF sold shares in several industrial enterprises and started to implement a basic change in its business strategy, veering towards retail financial services.

Acquisition of Expandia banka (subsequently eBanka), the first electronic bank in the Czech Republic.

PPF started sponsoring the Jára Cimrman Theatre in Prague.

2000

PPF exercised an agreed option to purchase further shares and gain a majority in Česká pojišťovna.

Assets managed by PPF burzovní společnost rose year-on-year by 37%. Those assets were worth CZK 13 billion.

PPF became the general sponsor of the Summer Shakespeare Festival for the first time.

PPF started financing the restoration and construction of a public gallery, fashioned out of the Prague studio of the world-renowned photographer Josef Sudek.

2001

The Czech Government decided to sell the state-owned 30% stake in Česká pojišťovna to PPF Group, which ended up with a shareholding in excess of 90% as it progressed towards 100% ownership of the insurance company.

PPF purchased a majority of shares in První městská banka, now PPF banka, from the City of Prague.

PPF reported consolidated assets of EUR 4.3 billion.

The Brumloboys, a band featuring – among others – PPF's top managers, took to the stage at the annual Christmas party.


BRUMLO

2002

PPF took control of TV Nova, the first private television station in the Czech Republic.

PPF returned to Russia, where it started offering consumer finance services (Home Credit) and insurance services on the local market.

PPF's consolidated assets came to EUR 5.3 billion.

Petr and Renáta Kellner set up the Educa Foundation to promote education.

2003

PPF Asset Management was formed, gradually establishing itself as the investment hub for all companies within PPF Group.

PPF's consolidated assets came to almost EUR 5.5 billion. The Group reported a net profit of EUR 66 million.

The Group had 10,248 employees.

PPF changed the logo and overall visual presentation of the Group.


PPF
PPF
PPF
PPF
PPF

2004

PPF Group opened a branch office in Beijing.

PPF banka was licensed to trade in securities and became a member of the Prague Stock Exchange.

PPF sold TV NOVA to multinational media corporation CME.

PPF's consolidated assets came to more than EUR 6.5 billion and the Group reported a net profit of EUR 80 million.

Work started on the construction of the Open Gate boarding school in Babice, near Prague, financed by the Educa Foundation.


PPF GROUP 是捷克共和国最著名的财政集团公司之一。
我们在中欧和东欧地区提供财政服务。
我们在以下方面提供综合服务:
■ 资产管理
■ 债权管理
■ 不动产管理及发展
■ 分期付款销售
■ 保险服务
■ 银行服务
■ 分期付款和养老保鲜
PPF
PPF 股份公司
Na Pankráci 121, P.O.Box 28
140 21 Prague 4, 捷克共和国
电话.: +420 224 559 011, 传真: +420 224 559 222
电子邮件: info@ppf.cz, http://www.ppf.cz

2005

Jiří Šmejc became a 5% shareholder in PPF.

Home Credit issued its first international Eurobonds – to the value of USD 275 million.

PPF's consolidated assets exceeded EUR 7.7 billion and the Group reported a net profit of EUR 183 million.

The Open Gate private boarding school opened its doors. Gifted children from children's homes and less fortunate families study here – with the support of the Kellners' family foundation – alongside the children of families paying tuition fees.

2006

Home Credit launched consumer finance services in Kazakhstan, Ukraine and Belarus. PPF Group also started offering insurance on these markets.

PPF sold eBanka to the Raiffeisenbank Group.

PPF's consolidated assets exceeded EUR 8 billion and the Group reported a net profit of EUR 387 million.

The Group's headcount was verging on 20,000.

Petr Kellner became the first Czech to feature on the prestigious Forbes list of global billionaires.


САУДА ОРТАЛЫҒЫ
HOME CREDIT
ХОУМ КРЕДИТ БАНК
Кафе
сыра пиво
Мы открылись!

2007

Home Credit started consumer finance operations in China.

PPF and Italy's Assicurazioni Generali became the joint founders of Generali PPF Holding, one of the largest insurance groups in Central and Eastern Europe and the CIS.

Petr Kellner became a member of the Board of Directors of Assicurazioni Generali.

PPF Group obtained a significant minority stake in the large Russian bank Nomos.

Ladislav Bartoníček became a minority PPF Group shareholder.

PPF's consolidated assets came to more than EUR 10 billion and the Group reported a net profit of EUR 244 million.


ASSICURAZIONI GENERALI
MDCCCXX

2008

PPF became an important shareholder in Polymetal, one of the leading Russian silver and gold mining companies.

PPF was prepared to global financial crisis by restructuring the Group as a whole and streamlining its headcount.

PPF's consolidated assets exceeded EUR 10.7 billion and the Group reported a record net profit of almost EUR 2.5 billion (as a result of the transaction with Generali).

PPF relocated to the new PPF GATE building in the Dejvice district of Prague.

Number of employees: 35,546.

2009

PPF entered into Eldorado, one of the largest domestic appliance and electronics retail chains in Russia.

PPF, along with J&T and Daniel Křetínský, formed Energetický a průmyslový holding, giving it access to the energy sector and industry.

PPF's consolidated assets came to more than EUR 10.8 billion and the Group reported a net profit of EUR 271 million.

The Kellner Family Foundation was established and gradually took over the support of all of the Kellners' educational and charity activities.


ЭЛЬDOPADO
БУДУЩЕЕ
СЕГОДНЯ
Супер!

2010

PPF Group became the first foreign entity to be licensed by the Chinese regulator to provide consumer finance services.

PPF's consolidated assets exceeded EUR 12 billion and the Group reported a net profit of EUR 327 million.

Jean-Pascal Duvieusart became a minority shareholder in PPF Group.

Number of employees: 53,154.

2011

PPF acquired a majority stake in the Rav Agro-Pro holding in Russia.

PPF and the KKCG Group bought the collapsing lottery company Sazka.

Establishment of Air Bank, a new retail bank specialising in online services.

PPF Group became the sole shareholder of Eldorado, the Russian retail chain.

PPF's consolidated assets came to more than EUR 14 billion and the Group reported a net profit of EUR 221 million.

British singer Sting performed at the PPF Christmas party as part of the Group's 20th anniversary celebrations.

2012

Jiří Šmejc sold his 5% share in PPF Group to other shareholders and became a minority shareholder in Home Credit and Air Bank.

PPF sold off its stake in the Russian bank Nomos.

PPF sold off its 50% stake in Sazka to KKCG partners.

Home Credit entered the Indian market and started rolling out branches in Indonesia and the Philippines.

SOTIO, the biotechnology company developing new therapies for oncology diseases, became a part of PPF Group.

PPF's consolidated assets exceeded EUR 21.5 billion and the Group reported a net profit of EUR 809 million.

2013

In a two-part transaction, PPF sold its 49% stake in Generali PPF Holding (GPH) to the Generali Group and kept selected GPH insurance assets in Russia.

PPF bought Bestsport Arena company, becoming the owner of Prague's O2 arena, which is one of the most modern multipurpose halls in Europe.

PPF's consolidated assets came to almost EUR 21 billion and the Group reported a net profit of EUR 470 million.

The number of employees at PPF Group companies stood at more than 85,000.


O2 arena

2014

PPF purchased O2 Czech Republic, the largest Czech telecommunications operator, and the number-three on the Slovak mobile market, O2 Slovakia.

PPF was granted a national licence to provide consumer finance services in China.

Russian economy experienced a sharp decline, causing Home Credit losses running to tens of millions of euros.

PPF sold off its stake in EPH.

Biotech company SOTIO launched a phase III international clinical trial in the treatment of prostate cancer patients.

PPF's consolidated assets came to almost EUR 22 billion and the Group reported a net profit of EUR 372 million.


O2
Telefónica

2015

PPF became the first in Europe to make a voluntary optional separation in the telecommunications sector by splitting O2 Czech Republic into two: into Česká telekomunikační infrastruktura (CETIN), the owner and manager of the fixed and mobile network, and the purely retail operator O2. This demerger and the restructuring of the telecommunications companies pushed up the value of both of them.

Home Credit entered into an agreement with US-based Sprint and started offering consumer finance services to that telecommunications operator's customers in the US.

The Czech National Bank named PPF Group a systemically important financial institution.

PPF's consolidated assets exceeded EUR 21.6 billion and the Group reported a net profit of EUR 352 million.

The number of employees at PPF Group companies stood at more than 81,000.

Financial Section

Independent Auditor's Report

To: the Board of Directors of PPF Group N.V.

The accompanying summary financial statements, which comprise the summary statement of financial position as at 31 December 2015, the summary statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information, are derived from the audited financial statements of PPF Group N.V. 2015. We expressed an unqualified audit opinion on those financial statements in our report dated 25 May 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary 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 summary financial statements, therefore, is not a substitute for reading the audited financial statements of PPF Group N.V.

The Board of Directors' responsibility

The Board of Directors is responsible for the preparation of a summary of the audited financial statements on the basis described in note A.3.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Dutch law, including the Dutch Standard on Auditing 810 'Engagements to report on summary financial statements'.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of PPF Group N.V. 2015 are consistent, in all material respects, with those financial statements, on the basis described in note A.3.

Amstelveen, 11 July 2016

KPMG Accountants N.V.

B.M. Herngreen RA

Contents

Glossary of Abbreviations

OCI	other comprehensive income
NCI	non-controlling interests
AFS	available for sale
FVTPL	fair value through profit or loss
HTM	held to maturity
OTC	over the counter
PPE	property, plant and equipment
PVFP	present value of future profits
IPRD	in-progress research and development
FX	foreign exchange
FV	fair value
CGU	cash generating unit
LAT	liability adequacy test
RBNS	provision for claims reported but not settled
IBNR	provision for claims incurred but not reported
LTV	loan to value

Consolidated Financial Statements

for the year ended 31 December 2015

Consolidated statement of financial position

As at 31 December

In millions of EUR	Note	2015	2014
ASSETS			
Cash and cash equivalents	E.1.	2,732	2,148
Investment securities	E.2.	3,032	2,707
Positive fair value of hedging derivatives	E.3.	96	131
Loans and receivables due from banks and other financial institutions	E.4.	549	695
Loans due from customers	E.5.	7,153	7,060
Trade and other receivables	E.6.	432	355
Current tax assets		11	23
Inventories	E.8.	481	358
Assets held for sale	E.9.	12	1,177
Investments in associates and joint ventures	E.10.	617	577
Investment property	E.11.	1,507	1,596
Property, plant and equipment	E.12.	2,417	2,458
Intangible assets	E.13.	2,157	2,199
Other assets	E.14.	235	272
Deferred tax assets	E.7.2	180	137
TOTAL ASSETS		**21,611**	**21,893**
LIABILITIES			
Financial liabilities at fair value through profit or loss	E.2.2.	299	262
Due to non-banks	E.15.	6,756	6,587
Due to banks and other financial institutions	E.16.	5,342	5,301
Debt securities issued	E.17.	1,056	1,077
Subordinated liabilities	E.18.	335	502
Liabilities held for sale	E.9.	5	10
Current tax liabilities		59	58
Trade and other payables	E.20.	1,436	1,675
Provisions	E.19.	178	267
Deferred tax liabilities	E.7.2.	465	460
TOTAL LIABILITIES		**15,931**	**16,199**
CONSOLIDATED EQUITY			
Capital issued	E.21.	1	1
Share premium		677	677
Other reserves	E.22.	(737)	(1,216)
Retained earnings		5,222	5,417
Total equity attributable to owners of the Parent		**5,163**	**4,879**
Non-controlling interests	E.23.	517	815
Total consolidated equity		**5,680**	**5,694**
TOTAL LIABILITIES AND EQUITY		**21,611**	**21,893**

Consolidated income statement

For the year ended 31 December

In millions of EUR	Note	2015	2014
Interest income		2,083	2,470
Interest expense		(802)	(785)
Net interest income	E.24.	**1,281**	**1,685**
Fee and commission income		437	560
Fee and commission expense		(121)	(138)
Net fee and commission income	E.25.	**316**	**422**
Net gain on financial assets	E.26.	37	6
Net impairment losses on financial assets	E.27.	(758)	(1,281)
Other banking result		**(721)**	**(1,275)**
NET BANKING INCOME		**876**	**832**
Net earned premiums		147	241
Net insurance benefits and claims		(32)	(35)
Acquisition costs		(60)	(126)
NET INSURANCE INCOME	E.28.	**55**	**80**
Net rental and related income	E.29.	147	89
Property operating expenses		(46)	(27)
Net valuation gain/(loss) on investment property	E.11.	17	93
Net income related to construction contracts		2	–
Profit on disposal of investment property		27	–
NET REAL ESTATE INCOME		**147**	**155**
Sales of goods		1,415	2,111
Cost of goods sold		(1,061)	(1,588)
Other income on retail operations		33	47
NET INCOME ON RETAIL OPERATIONS		**387**	**570**
Telecommunication income		1,670	1,488
Telecommunication expenses		(583)	(473)
NET TELECOMMUNICATION INCOME	E.30.	**1,087**	**1,015**
Net agriculture income	E.31.	7	1
Other income	E.32.	73	86
OTHER OPERATING INCOME		**80**	**87**
General administrative expenses	E.33.	(1,702)	(1,914)
Other operating expenses	E.34.	(631)	(754)
OPERATING EXPENSES		**(2,333)**	**(2,668)**
Net gain from sale of subsidiaries and associates		104	367
Share of earnings of associates/joint ventures	E.10.	93	17
PROFIT BEFORE TAX		**496**	**455**
Income tax expense	E.7.1.	(144)	(83)
NET PROFIT FOR THE PERIOD		**352**	**372**
Net profit attributable to non-controlling interests	E.23.	37	16
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**315**	**356**

Consolidated statement of comprehensive income

For the year ended 31 December

In millions of EUR	2015	2014
NET PROFIT FOR THE PERIOD	**352**	**372**
Other comprehensive income*		
Valuation gains/(losses) on available-for-sale financial assets	19	(2)
AFS revaluation gains/(losses) transferred to income statement	7	(5)
Currency translation differences	(156)	(403)
Effect of movement in equity of associates	38	(37)
Disposal of associates	23	65
Cash flow hedge – effective portion of changes in fair value	(19)	170
Cash flow hedge – net amount transferred to profit or loss	8	(155)
Income tax relating to components of other comprehensive income	(3)	(2)
Other comprehensive income/(loss) for the period (net of tax)	**(83)**	**(369)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**269**	**3**
Total comprehensive income attributable to non-controlling interests	38	(22)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	**231**	**25**

* Items that are or may be reclassified to income statement.

The consolidated financial statements were approved by the Board of Directors on 25 May 2016.

Consolidated statement of cash flows

For the year ended 31 December, prepared using the indirect method

In millions of EUR	2015	2014
Cash flows from operating activities		
Profit before tax	496	455
Adjustments for:		
Depreciation and amortisation	484	501
Impairment losses on goodwill	–	18
Impairment and reversal of impairment of current and non-current assets	754	1,312
Profit on disposal of PPE, intangible assets and investment property	(18)	8
Profit/loss on sale of investment securities	48	(238)
Gains on disposal of consolidated subsidiaries and associates	(104)	(367)
Interest expense	802	785
Interest income	(2,083)	(2,470)
Other income/expenses not involving movements of cash	(865)	(1,713)
Negative goodwill	–	(13)
Change in loans and receivables due from banks and other financial institutions	148	510
Change in loans due from customers	(820)	1,697
Change in trade and other receivables	(77)	(245)
Change in other assets	(93)	710
Change in liabilities due to non-banks	478	(709)
Change in trade and other payables	(329)	(674)
Income tax paid	(182)	(68)
Net cash from operating activities	**(1,361)**	**(501)**
Cash flows from investing activities		
Interest received	2,102	2,544
Dividends received	53	87
Purchase of tangible assets and intangible assets	(404)	(431)
Purchase of financial assets at FVTPL	(19,085)	(765)
Proceeds from financial assets at FVTPL	19,018	378
Proceeds from sale of financial assets at FVTPL not held for trading	22	–
Purchase of financial assets held to maturity	(6)	(8)
Purchase of financial assets available for sale	(2,226)	(1,081)
Purchase of investment property	(54)	(313)
Acquisition of subsidiaries and associates, net of cash acquired	(126)	(2,412)
Proceeds from disposals of PPE and intangible assets	16	13
Proceeds from financial assets held to maturity	18	35
Proceeds from sale of financial assets available for sale	1,942	697
Proceeds from sale of investment property	98	7
Proceeds from disposal of subsidiaries and associates, net of cash disposed	1,359	1,088
Acquisition of treasury shares	–	(109)
Net cash from investing activities	**2,727**	**(270)**
Cash flows from financing activities		
Proceeds from the issue of debt securities	1,258	1,071
Proceeds from loans due to banks and other financial institutions	18,414	21,811
Payment of debt securities	(1,432)	(1,606)
Repayment of loans due to banks and other financial institutions	(18,037)	(19,080)
Interest paid	(902)	(809)
Dividends paid to non-controlling interests	(36)	(73)
Cash flow from financing activities	**(735)**	**1,314**
Net increase in cash and cash equivalents	**631**	**543**
Cash and cash equivalents as at 1 January	**2,148**	**1,875**
Effect of exchange rate movements on cash and cash equivalents	(47)	(270)
Cash and cash equivalents as at 31 December	**2,732**	**2,148**

Consolidated statement of changes in equity

For the year ended 31 December

In millions of EUR	Capital issued	Share premium	Available-for-sale reserve	Legal and statutory reserves
Balance at 1 January 2015	**1**	**677**	**21**	**28**
Profit for the period	–	–	–	–
Currency translation differences	–	–	–	–
Valuation gains/(losses) taken to equity for AFS	–	–	19	–
AFS revaluation gains transferred to income statement	–	–	7	–
Effect of hedge accounting	–	–	–	–
Effect of movement in equity of associates	–	–	–	–
Disposal of associates	–	–	(27)	–
Tax on items taken directly to or transferred from equity	–	–	(5)	–
Total comprehensive income	**–**	**–**	**(6)**	**–**
Net allocation to legal and statutory reserves	–	–	–	16
Acquisition of NCI in HCBV and Air Bank	–	–	–	–
Sale of NCI in Eldorado	–	–	–	–
Dividends paid to NCI	–	–	–	–
Other changes in NCI	–	–	–	–
Cancellation of treasury shares	–	–	–	–
Total transactions with owners of the Company	**–**	**–**	**–**	**16**
Balance at 31 December 2015	**1**	**667**	**15**	**44**

Consolidated statement of changes in equity

For the year ended 31 December

In millions of EUR	Capital issued	Share premium	Available-for-sale reserve	Legal and statutory reserves
Balance at 1 January 2014	**1**	**677**	**29**	**24**
Profit for the period	–	–	–	–
Currency translation differences	–	–	–	–
Valuation gains/(losses) taken to equity for AFS	–	–	(4)	–
AFS revaluation gains transferred to income statement	–	–	(5)	–
Effect of hedge accounting	–	–	–	–
Effect of movement in equity of associates	–	–	(1)	–
Disposal of associates	–	–	1	–
Tax on items taken directly to or transferred from equity	–	–	1	–
Total comprehensive income	**–**	**–**	**(8)**	**–**
Net allocation to legal and statutory reserves	–	–	–	4
Acquisition of subsidiaries with NCI	–	–	–	–
Dividends paid to NCI	–	–	–	–
Other changes in NCI	–	–	–	–
Acquisition of treasury shares	–	–	–	–
Total transactions with owners of the Company	**–**	**–**	**–**	**4**
Balance at 31 December 2014	**1**	**677**	**21**	**28**

Translation reserve	Treasury share reserve	Hedging reserve	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
(704)	**(567)**	**6**	**5,417**	**4,879**	**815**	**5,694**
–	–	–	315	315	37	352
(158)	–	1	–	(157)	1	(156)
–	–	–	–	19	–	19
–	–	–	–	7	–	7
–	–	(11)	–	(11)	–	(11)
–	–	–	38	38	–	38
50	–	–	–	23	–	23
–	–	2	–	(3)	–	(3)
(108)	**–**	**(8)**	**353**	**231**	**38**	**269**
–	–	–	(16)	–	–	–
–	–	–	(49)	(49)	(29)	(78)
18	–	–	59	77	21	98
–	–	–	–	–	(36)	(36)
–	–	–	25	25	(292)	(267)
–	567	–	(567)	–	–	–
18	**567**	**–**	**(548)**	**53**	**(336)**	**(283)**
(794)	**–**	**(2)**	**5,222**	**5,163**	**517**	**5,680**

Translation reserve	Treasury share reserve	Hedging reserve	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
(357)	**(458)**	**(35)**	**5,181**	**5,062**	**428**	**5,490**
–	–	–	356	356	16	372
(358)	–	(3)	–	(361)	(42)	(403)
–	–	–	–	(4)	2	(2)
–	–	–	–	(5)	–	(5)
–	–	13	–	13	2	15
(18)	–	(1)	(17)	(37)	–	(37)
29	–	35	–	65	–	65
–	–	(3)	–	(2)	–	(2)
(347)	**–**	**41**	**339**	**25**	**(22)**	**3**
–	–	–	(4)	–	–	–
–	–	–	–	–	472	472
–	–	–	–	–	(73)	(73)
–	–	–	(99)	(99)	10	(89)
–	(109)	–	–	(109)	–	(109)
–	**(109)**	**–**	**(103)**	**(208)**	**409**	**201**
(704)	**(567)**	**6**	**5,417**	**4,879**	**815**	**5,694**

Notes to the Consolidated Financial Statements

A. General

A.1. Description of the Group

PPF Group N.V. (the "Parent Company" or the "Parent") is a company domiciled in the Netherlands. It invests in multiple market segments such as banking and financial services, telecommunications, real estate, retail, insurance, metal mining, agriculture and biotechnology. Its activities span from Europe to Russia, the US and across Asia.

The consolidated financial statements of the Parent Company for the year ended 31 December 2015 comprise the Parent Company and its subsidiaries (together referred to as "PPF Group" or the "Group") and the Group's interests in associates, joint ventures and affiliated entities. Refer to Section B of these consolidated financial statements for a listing of significant Group entities and changes to the Group in 2015 and 2014.

The registered office address of the Company is Strawinskylaan 933, 1077XX Amsterdam.

As at 31 December 2015, the ultimate shareholder structure was as follows:

Petr Kellner – 98.92% (directly and indirectly)

Ladislav Bartoníček – 0.54% (indirectly)

Jean-Pascal Duvieusart – 0.54% (indirectly)

A.2. Statement of compliance

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

A.3. Basis of preparation

Dutch accounting legislation enables the Group to prepare these consolidated financial statements in accordance with IFRS (as adopted by the EU).

The consolidated financial statements are presented in euros (EUR), which is the Company's functional currency and the Group's reporting currency, rounded to the nearest million.

The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments designated upon initial recognition as financial instruments at fair value through profit or loss, financial instruments classified as available-for-sale, investment property and biological assets. Financial assets and liabilities and non-financial assets and liabilities which are measured at historical cost are stated at amortised cost using the effective interest method or historical cost, as appropriate, net of any relevant impairment.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

A.4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The following key estimates are based on the information available at the consolidated financial statements date and they specifically relate to the determination of:

— initial value of goodwill for each business combination (refer to B);

— the fair value of tangible and intangible assets identified during the purchase price allocation exercise (refer to B);

— provisions recognised under liabilities (refer to E.19); and

— the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits (refer to E.7).

The judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements are described as follows:

Classification of investment in Polymetal Plc. as an associate

Since 2014, the investment in Polymetal has decreased below 20% mainly due to capital increases in which the Group did not participate. The Group assessed the significant qualitative features of the ability to apply significant control such as representation on the board of directors and concentration of other shareholders. Based on this assessment, the Group retained the initial classification of Polymetal as "investment in associate".

Classification of real estate acquisitions as a business combination or purchase of individual assets and liabilities

Most of the Group's real estate acquisitions are structured as purchases of legal entities with assets and liabilities rather than individual asset deals. In these cases, the Group evaluates if the acquired entity represents a business consisting of inputs and processes which lead to the ability to create outputs in the form of rental income. The core feature leading to identification of a business combination is the existence of lease agreements, property management and administration service agreements that are part of the acquired business. If this core feature is not present, the acquisition is treated as a purchase of individual assets and liabilities.

Classification of leased property occupied by the Group and external tenants

The Group holds in its portfolio several office and retail buildings which are occupied by the Group and also by external tenants. If a significant portion of space is occupied by the Group, the property is classified as operating property and stated at cost less depreciation. Otherwise, the building is classified as investment property, which is stated at fair value.

A.5. Basis of consolidation

Subsidiaries are those entities that are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate or jointly controlled entity, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or jointly controlled entity.

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

Derecognition of subsidiaries, associates and joint ventures follows the applicable contractual arrangements and statutory terms.

All intra-Group balances, transactions, income and expenses as well as unrealised gains and losses and dividends, are eliminated in the preparation of the consolidated financial statements.

B. Consolidated Group and the main changes for the period

B.1. Group entities

The following list shows only significant holding and operating entities that are subsidiaries, associates or joint ventures of the Parent Company as of 31 December 2015 and 2014.

Company	Domicile	Effective proportion of ownership interest 2015	Effective proportion of ownership interest 2014
PPF Group N.V.	Netherlands	Parent Company	Parent Company
Home Credit subgroup – subsidiaries			
Home Credit B.V.	Netherlands	88.62%	86.62%
Bank Home Credit SB JSC	Kazakhstan	88.62%	86.62%
CF Commercial Consulting (Beijing) Co., Ltd.	China	88.62%	100.00%
Favour Ocean Ltd.	Hong Kong	88.62%	86.62%
Guangdong Home Credit Financing Guarantee Co., Ltd.	China	88.62%	86.62%
HC Consumer Finance Philippines, Inc.	Philippines	87.32%	82.58%
Home Credit a.s.	Czech Republic	88.62%	86.62%
Home Credit and Finance Bank LLC	Russia	88.62%	86.62%
Home Credit Asia Ltd.	Hong Kong	88.62%	86.62%
Home Credit Bank OJSC	Belarus	88.62%	86.62%
Home Credit Consumer Finance China Ltd.	China	88.62%	86.62%

Company	Domicile	Effective proportion of ownership interest 2015	Effective proportion of ownership interest 2014
Home Credit India Finance Private Ltd.	India	88.62%	86.62%
Home Credit Indonesia PT	Indonesia	75.33%	65.38%
Home Credit Insurance LLC	Russia	88.62%	86.62%
Home Credit International a.s.	Czech Republic	88.62%	86.62%
Home Credit Slovakia, a.s.	Slovakia	88.62%	86.62%
Home Credit US, LLC	USA	44.40%	86.62%
Home Credit Vietnam Finance Company Ltd.	Vietnam	88.62%	86.62%
Homer Software House LLC	Ukraine	88.62%	86.62%
PPF Insurance FICJSC	Belarus	88.62%	86.62%
Shenzen Home Credit Financial Service Co., Ltd.	China	88.62%	86.62%
Shenzen Home Credit Number One Consulting Co., Ltd.	China	88.62%	86.62%
Sichuan Home Credit Financing Guarantee Co. Ltd.	China	88.62%	86.62%
Air Bank a.s.	Czech Republic	88.62%	86.62%
AB 1 B.V.	Netherlands	88.62%	86.62%
AB 2 B.V.	Netherlands	88.62%	86.62%
AB 3 B.V.	Netherlands	88.62%	86.62%
AB 4 B.V.	Netherlands	88.62%	86.62%
AB 5 B.V.	Netherlands	88.62%	86.62%
AB 6 B.V.	Netherlands	88.62%	86.62%
AB 7 B.V.	Netherlands	88.62%	86.62%
PPF Home Credit IFN S.A.	Romania	–	86.62%
Other banking subgroup – subsidiaries			
PPF banka, a.s.	Czech Republic	92.96%	92.96%
Ruconfin B.V.	Netherlands	92.96%	92.96%
Real estate subgroup – subsidiaries			
PPF Real Estate Holding B.V.	Netherlands	100.00%	100.00%
Alrik Ventures Ltd.	Cyprus	100.00%	100.00%
Anthemona Ltd.	Cyprus	100.00%	100.00%
Areál Ďáblice s.r.o.	Czech Republic	100.00%	–
Art Office Gallery a.s.	Czech Republic	100.00%	100.00%
Boryspil Project Management Ltd.	Ukraine	100.00%	100.00%
BTC-Invest LLC	Russia	100.00%	100.00%
Bucca Properties Ltd.	BVI	100.00%	100.00%
Capellalaan B.V.	Netherlands	100.00%	100.00%
Celestial Holdings Group Ltd.	BVI	100.00%	100.00%
City Tower a.s.	Czech Republic	100.00%	100.00%
Dadrin Ltd.	Cyprus	100.00%	100.00%
De Reling (Dronten) B.V.	Netherlands	100.00%	100.00%
Donskoe LLC	Russia	100.00%	100.00%
Eusebius BS (Arnhern) B.V.	Netherlands	100.00%	100.00%
Fantom LLC	Russia	100.00%	100.00%
Gen Office Gallery a.s.	Czech Republic	100.00%	100.00%
German Properties B.V.	Netherlands	100.00%	100.00%
Glancus Investments Inc.	BVI	100.00%	100.00%
Gorod Molodovo Pokoleniya CJSC	Russia	73.00%	73.00%
Hofplein Offices (Rotterdam) B.V.	Netherlands	100.00%	–
In Vino LLC	Russia	99.90%	99.90%
In Vino Natukhaevskoe LLC	Russia	64.94%	64.94%

Company	Domicile	Effective proportion of ownership interest 2015	Effective proportion of ownership interest 2014
Intrust NN CJSC	Russia	66.67%	66.67%
Investitsionny Trust CJSC	Russia	75.24%	75.24%
ISK Klokovo LLC	Russia	100.00%	80.00%
Johan H (Amsterdam) B.V.	Netherlands	100.00%	100.00%
Karperstraat (Amsterdam) B.V.	Netherlands	100.00%	100.00%
Karta Realty Ltd.	Cayman Islands	60.07%	60.07%
Kvartal Togliatti LLC	Russia	100.00%	100.00%
Langen Property B.V.	Netherlands	100.00%	100.00%
Logistics-A LLC	Russia	100.00%	100.00%
LvZH (Rijswijk) B.V.	Netherlands	100.00%	100.00%
Millennium Tower (Rotterdam) B.V.	Netherlands	100.00%	100.00%
Mitino Sport City LLC	Russia	100.00%	80.00%
Monheim Property B.V.	Netherlands	100.00%	100.00%
Monchyplein (Den Haag) B.V.	Netherlands	100.00%	100.00%
Office Star Five spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Nine spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Two spol. s r. o.	Czech Republic	100.00%	100.00%
Pompenburg (Rotterdam) B.V.	Netherlands	100.00%	100.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
Retail Star 22, spol. s r.o.	Czech Republic	100.00%	100.00%
Roko LLC	Russia	100.00%	100.00%
Ryazan Shopping Mall Ltd.	Cyprus	100.00%	100.00%
Skolkovo Gate LLC	Russian	100.00%	–
Slovak Trade Company, s.r.o.	Slovakia	57.50%	57.50%
Spektr LLC	Russia	100.00%	100.00%
Tanaina Holdings Ltd.	Cyprus	100.00%	100.00%
Telistan Ltd.	Cyprus	99.90%	–
TK Lipetskiy LLC	Russia	100.00%	100.00%
Trigon Berlin B.V.	Netherlands	100.00%	100.00%
Velthemia Ltd.	Cyprus	60.07%	60.07%
Vítězné náměstí a.s.	Czech Republic	100.00%	100.00%
Wilhelminaplein B.V.	Netherlands	100.00%	100.00%
Yugo-Vostochnaya promyshlennaya companiya “Kartontara” LLC	Russia	100.00%	100.00%
Aranciata a.s.	Czech Republic	–	100.00%
Longoria a.s.	Czech Republic	–	100.00%
Midataner a.s.	Czech Republic	–	100.00%
Retail Star 3, spol. s r.o.	Czech Republic	–	100.00%
Real estate subgroup – associates			
Bohemia LLC	Russia	35.00%	35.00%
Circle Slovakia, s.r.o.	Slovakia	24.50%	24.50%
Flowermills Holding B.V.	Netherlands	49,99%	–
Gilbey Ltd.	Cyprus	40.00%	40.00%
Kendalside Ltd.	United Kingdom	49.00%	49.00%
Komodor LLC	Ukraine	40.00%	40.00%
Marisana Enterprises Ltd.	Cyprus	49.99%	–
Moravia LLC	Russia	35.00%	35.00%
Sigurno Ltd.	Cyprus	40.00%	40.00%
Syner NN LLC	Russia	35.00%	35.00%

Company	Domicile	Effective proportion of ownership interest 2015	Effective proportion of ownership interest 2014
Other significant subsidiaries			
Anthiarose Ltd.	Cyprus	100.00%	100.00%
Bavella B.V.	Netherlands	100.00%	100.00%
Bestsport, a.s. (formerly Bestsport Arena)	Czech Republic	100.00%	80.97%
Bestsport Services, a.s. v likvidaci	Czech Republic	88.03%	82.89%
Česká telekomunikační infrastruktura a.s. ("CETIN")	Czech Republic	94.90%	–
Eldorado Licensing Ltd.	Cyprus	80.00%	100.00%
Eldorado LLC	Russia	80.00%	100.00%
Facipero Investments Ltd.	Cyprus	80.00%	100.00%
Fodina B.V.	Netherlands	100.00%	100.00%
Invest-Realty LLC	Russia	80.00%	100.00%
Lindus Services Ltd.	Cyprus	100.00%	50.00%
Moranda a.s.	Czech Republic	100.00%	100.00%
O2 Czech Republic a.s.*	Czech Republic	84.06%	84.61%
O2 IT Services s.r.o. (formerly PPF IT Services)	Czech Republic	84.06%	99.99%
O2 Slovakia, s.r.o.	Slovakia	84.06%	84.61%
Oribase Pharma SAS	France	52.32%	52.43%
PPF a.s.	Czech Republic	99.99%	99.99%
PPF A3 B.V.	Netherlands	100.00%	100.00%
PPF Arena 1 B.V.	Netherlands	100.00%	100.00%
PPF Arena 2 B.V.	Netherlands	100.00%	100.00%
PPF Co1 B.V.	Netherlands	100.00%	100.00%
PPF Co3 B.V.	Netherlands	100.00%	100.00%
PPF Financial Holdings B.V.	Netherlands	100.00%	100.00%
PPF Life Insurance LLC	Russia	100.00%	100.00%
RAV Agro LLC	Russia	100.00%	100.00%
RAV Molokoproduct LLC	Russia	100.00%	100.00%
Rentol LLC	Russia	80.00%	100.00%
Sotio a.s.	Czech Republic	88.32%	84.64%
Sotio Medical Research (Beijing) Co., Ltd.	China	92.00%	92.00%
Sotio N.V.	Netherlands	92.00%	92.00%
GIM Invest Co. Ltd	Jersey	–	100.00%
GIM Ltd.	Jersey	–	92.38%
Maraflex s.r.o.	Czech Republic	–	100.00%
Other significant associates			
Polymetal International Plc**	Jersey	17.85%	18.42%
Generali PPF Holding B.V.	Netherlands	–	24.00%

* Due to the existence of treasury shares held by O2 Czech Republic a.s. in 2014, the direct stake in the registered capital of this company was 83.16%.
** This associate comprises a group of entities.

The principal place of business corresponds to the domicile of the respective entity with the following exceptions: Ryazan Shopping Mall Ltd. and Anthemona Ltd. have their place of business in Russia; Alrik Ventures Ltd., Dadrin Ltd. and Tanaina Holdings Ltd. in the UK; Langen Property B.V., Monheim Property B.V. and Trigon Berlin B.V. in Germany.

B.2. Acquisitions and disposals through business combinations in 2015/2014

B.2.1. Sale of Generali PPF Holding in 2015

On 8 January 2013, the Group, acting through its subsidiary PPF Co1 B.V., signed an agreement with Assicurazioni Generali for the future sale of its 49% stake in Generali PPF Holding B.V. ("GPH") through two partial disposals. On 28 March 2013, Assicurazioni Generali acquired a 25% shareholding in GPH, then held by the Group. At the same moment the Group repaid a 51% portion of the Calyon facility (a syndicated bank loan facility of MEUR 2,099 obtained in January 2008) in the amount of MEUR 1,071 and redeemed MEUR 192 of a MEUR 400 bond issued in November 2009.

On 16 January 2015, the Group sold its residual 24% shareholding in Generali PPF Holding B.V. for consideration of MEUR 1,246. At the same moment the outstanding amount of the Calyon facility (MEUR 1,028) and the bond notes (MEUR 208) were repaid. During 2015 (in January and June), the Group received dividend payments of MEUR 18, which are included in the net profit from the sale. The impact of the transaction on the 2015 income statements is as follows:

In millions of EUR	
Consideration	1,246
Carrying value of GPH stake as of 31 December 2014	1,144
Dividend received during 2015	(18)
Carrying value of GPH stake at disposal	1,126
AFS reserve (reclassified to the income statement)	27
Currency translation reserve (reclassified to the income statement)	(50)
Net profit from the sale	97

B.2.2. O2 Czech Republic – telecommunication business

B.2.2.1. Initial acquisition in 2014

On 5 November 2013 the Group, acting through its subsidiary PPF Arena 2 B.V., signed an agreement with Telefónica S.A. for the purchase of a 65.93% stake in Telefónica Czech Republic, a.s. The acquiree was subsequently renamed O2 Czech Republic a.s. ("O2 CR"). O2 CR is a Czech publicly listed telecommunication company also operating in the Slovak Republic through its 100% subsidiary O2 Slovakia, s.r.o. (previously named Telefónica Slovakia, s.r.o.). The transaction, which was subject to approval by the European Commission, was concluded in January 2014. The following table shows the key non-financial parameters of the transaction:

Date of acquisition	28 January 2014
Stake acquired (proportion of the registered capital)	65.93%
Effective share of voting rights (after elimination of treasury shares held by O2 CR)	67.09%

The Group financed the transaction partially through a syndicated loan facility provided by a consortium led by Société Générale (the "SG facility"), for more information refer to E.16. The SG facility also involved a loan commitment for the funding of the acquisition of shares through a mandatory tender offer ("MTO"). The MTO process was launched in June and additional shares were acquired in August 2014.

In the eleven months to 31 December 2014, the consolidated O2 CR contributed revenue of MEUR 1,488 and profit of MEUR 127 to the Group's results. If the acquisition had occurred on 1 January 2014, consolidated revenue would have been increased by MEUR 134 and profit by MEUR 11.

The following table provides a breakdown of the purchase price:

In millions of EUR	
Initial instalment (paid in CZK and EUR)	1,969
Deferred instalments (to be paid in CZK)	379
Deferred period	4 years/8 equal instalments
Net present value of deferred instalments	357
Total purchase price	2,326

The Group incurred acquisition-related costs of approximately MEUR 2 in legal fees and due diligence costs. These costs were presented under professional service costs, mostly in the 2013 income statement.

In accordance with IFRS 3, the Group performed a purchase price allocation exercise ("PPA") over its Czech and Slovak operations (two separate cash generating units) pro rata, based on the enterprise values of the individual units. Consequently, the acquired assets and assumed liabilities of the individual units were restated to their respective fair values. The difference between the allocated purchase price and the fair values of the assets and liabilities identified resulted in the recognition of goodwill.

The following table summarises the recognised amounts of assets and liabilities assumed in the acquisition, taking into consideration the facts stated above:

In millions of EUR, as at 28 January 2014	
Fair value of assets	**3,775**
Cash and cash equivalents	157
Investment securities	1
Loans due from non-banks	1
Trade and other receivables	230
Inventories	18
Property, plant and equipment	2,173
of which:	
Land, buildings and construction	336
Ducts, cables and related plant	1,441
Telecommunication technology and related equipment	348
Other tangible assets	48
Intangible assets	1,136
of which:	
Software	132
Licences	397
Customer relationship	602
Other intangibles assets	5
Other assets	44
Deferred tax assets	15

In millions of EUR, as at 28 January 2014	
Fair value of liabilities	**1,072**
Due to banks and other financial institutions	109
Current tax liabilities	9
Trade and other payables	574
of which:	
Trade payables	504
Deferred income	34
Wages and salaries	19
Social security and health insurance	7
Other	10
Provisions	1
Deferred tax liabilities	379
Fair value of identifiable net assets	**2,703**

Trade receivables comprise gross contractual amounts due of MEUR 374, of which collection of MEUR 144 was expected to be doubtful at the acquisition date.

Goodwill arising from the acquisition has been recognised as follows:

In millions of EUR	
Total consideration	2,326
Effective ownership (share of voting rights)	67.09%
Fair value of identifiable net assets	2,703
Net asset value attributable to non-controlling interests	(889)
Goodwill	512

Non-controlling interests are measured as a proportionate interest in the recognised amount of the identifiable net assets. The goodwill is attributable to the established position of O2 CR in the market, potential synergies with other Group operations affecting revenue growth and the assembled workforce. None of the goodwill recognised is expected to be deducted for tax purposes.

B.2.2.2. Increase in shareholding in 2014 and 2015 (until 1 June 2015)

On 2 June 2014 the Group, acting through its subsidiary PPF Arena 2 B.V., published a mandatory tender offer concerning the shares issued by O2 CR. The offer period ended on 30 June 2014. As a result of the MTO and later independent transactions, the Group (through its subsidiaries PPF Arena 2 B.V. and the newly established PPF A3 B.V.) acquired 54.4 million shares representing 17.53% of the voting rights in O2 CR (17.22% of the registered capital). The acquisitions occurred in the second half of 2014 and were financed by drawing down the SG facility and other banking facilities, as well as from own equity. The difference between the purchase price and the net asset value attributable to non-controlling interests acquired was recognised directly in equity.

The following table summarises the financial aspects of the transactions described above:

In millions of EUR	
Total consideration (paid in cash)	538
Effective ownership (share of voting rights)	17.53%
Net asset value attributable to non-controlling interests acquired	(450)
Effect recorded in retained earnings (decrease)	(88)

On 27 February 2015, the Company acquired an additional 362,000 O2 CR shares for MEUR 4 as a result of a voluntary offer made to individual O2 CR shareholders. The shares acquired represented 0.12% of effective voting rights.

B.2.2.3. Business restructuring in 2015

On 28 April 2015, the Annual General Meeting of O2 Czech Republic approved the company's demerger into O2 Czech Republic a.s. and Česká telekomunikační infrastruktura, a.s. ("CETIN"). The infrastructure part of the current business, including both the fixed and mobile networks, was spun-off to CETIN, while O2 CR remained a publicly listed operator providing voice, data and TV services. Having been approved by the court of registration, the demerger took effect as at 1 June 2015. The main business purpose of this step was to separate the telecommunication operator from the regulated infrastructure provider, which can then also offer its services to other clients on the market in a more efficient way. Since the demerger, O2 CR and CETIN have acted as two independent business partners with no benefits accruing from PPF Group's common control. The Group also ceased to apply its active shareholder role in O2 CR and considers its position to be that of a financial investor not interfering in the running of the company. Nevertheless, this has not curbed the Group's ability to control O2 CR, hence O2 CR is still fully consolidated in accordance with IFRS requirements.

The restructuring process has no impact on the Group's consolidated financial statements. As the whole telecommunication business was acquired in January 2014, the fair values of acquired assets and assumed liabilities were allocated to the respective entities and no revaluation was performed. Allocation of the initial goodwill between O2 CR and CETIN is described in section E.13.1.

B.2.2.4. Increase in shareholding after the spin-off

Since 1 June 2015, the Group has made several acquisition and sale transactions, on aggregate selling 2.1 million shares in O2 CR, which resulted in a net decrease of 0.67% in voting rights in O2 CR, and purchasing 31.5 million shares in CETIN, equal to 10.17% of voting rights in CETIN. The O2 CR shares were sold to increase the free float and support their market liquidity on the Prague Stock Exchange, which is in line with the Group strategy described above.

The following tables summarise the financial aspects of the transactions described above:

In millions of EUR	
Total net consideration received	58
Net effective ownership in O2 CR decreased	0.67%
Net asset value attributable to non-controlling interests sold	6
Effect recorded in retained earnings (gain)	52
Total consideration (paid in cash)	205
Effective ownership acquired in CETIN	10.17%
Net asset attributable to non-controlling interests acquired	(171)
Effect recorded in retained earnings (decrease)	(34)

B.2.3. Acquisition of a 2% share in Home Credit and Air Bank

On 17 June 2015, the Group acquired a 2% stake in Home Credit B.V. and Air Bank a.s. from former PPF Group shareholder Mr Šmejc's affiliate. The Group increased its shareholding in both companies from 86.62 to 88.62%. The difference between the purchase price and the net asset value attributable to non-controlling interests acquired was recognised directly in equity.

The following tables summarise the financial aspect of the transaction:

In millions of EUR	
Consideration	74
Effective ownership acquired in Home Credit	2%
Net asset attributable to non-controlling interests acquired	25
Effect recorded in retained earnings (decrease)	49
Consideration	4
Effective ownership acquired in Air Bank	2%
Net asset attributable to non-controlling interests acquired	4
Effect recorded in retained earnings	–

B.2.4. Sale of a 20% share in Eldorado

On 17 June 2015, the Group sold a 20% stake in Facipero Investments Ltd., the sole shareholder of Eldorado LLC, to Mr Šmejc's affiliate. The difference between the sale price and the net asset value attributable to non-controlling interests sold was recognised directly in equity.

The following table summarises the financial aspect of the transaction:

Consideration	98
Effective ownership sold	20%
Net asset attributable to non-controlling interests sold	21
Currency translation reserve (attributable to NCI)	(18)
Effect recorded in retained earnings (gain)	59

B.2.5. New real estate projects (in 2015/2014)

In July 2015, the Group acquired a 49.99% stake in entities holding two up-and-running Moscow office buildings (the Metropolis project). The investment is classified as associate.

During 2014, the Group acquired two significant real estate projects treated as business combinations. In the second acquisition, the Group gained control through its acquisition of a minority stake in a logistics project and changed the classification from associate to subsidiary. All acquisitions follow the Group's strategy of building a stable portfolio of office premises and warehouses.

The following table summarises the financial aspect of the transactions:

	Flowermills Holding B.V., Marisana Enterprises Ltd.	City Tower, a.s.	Investitsionny Trust CJSC
Transaction date	July 2015	May 2014	October 2014
Type of investment property	2 office buildings	Office building	Warehouse
Location	Russia	Czech Republic	Russia
Stake acquired	49.99%	100%	24.76%*
In millions of EUR			
Purchase price (paid in cash)	37	49	11
Fair value of assets acquired	360	147	123
of which:			
Investment property	339	130	113
Fair value of liabilities acquired	(285)	(89)	(78)
Non-controlling interests at acquisition	–	–	14
Negative goodwill	–	9	–

* Increase to 75.24%

Negative good will was recognised within other income in the income statement.

B.2.6. "O2 Arena" sports hall in Prague (in 2014)

In 2013, the Group held a 50% stake in Lindus Services Ltd., the entity controlling Bestsport Arena a.s. (which owns and operates the "O2 Arena" sports hall in Prague) and Bestsport Services a.s. In October 2013, the Group agreed, with a joint venture partner, to acquire the remaining 50%. The transaction was concluded on 23 January 2014 on receipt of regulatory approval. Since then the Group has been the controlling shareholder of all three entities in question.

The following table summarises the financial aspect of the transaction described above:

In millions of EUR	
Transaction date	23 January 2014
Total purchase price (paid in cash)	22
Stake acquired (in Lindus Services Ltd.)	50%
Fair value of assets acquired	92
Fair value of liabilities acquired	(61)
Net asset value attributable to NCI (Bestsport Arena a.s. and Bestsport Services a.s.)	(23)
Goodwill (fully impaired)	18
Gain on revaluation of previous 50% shareholding	4

B.2.7. Sale of Energetický a průmyslový holding (in 2014)

In the first half of 2014, the Group fully disposed of its 44.44% share in Energetický a průmyslový holding, a.s. ("EP Holding") through two partial sales completed in February (4.44%) and June (40%). In addition, EP Holding fully repaid a MEUR 235 loan owed to the Group in January 2014.

The following table summarises the financial aspect of the transaction:

In millions of EUR	
Date of disposal	5 February/20 June 2014
Equity stake sold	44.44%
Consideration	1,080
Carrying value of associate at disposal	653
AFS reserve (reclassified to income statement)	(1)
Currency translation reserve (reclassified to income statement)	(29)
Cash flow hedge reserve (reclassified to income statement)	(35)
Net profit from the sale	362
Share of earnings in associates (in 2014 until disposal)	26

B.3. Other changes

B.3.1. Change in shareholding structure of Air Bank

On 30 June 2015, the Group and Mr Šmejc's affiliate (as the non-controlling shareholder) contributed their Air Bank shares to Home Credit B.V. Home Credit B.V. became the sole direct shareholder of Air Bank a.s. whereas the effective ownership of both ultimate shareholders did not change (88.62%/11.38%). The transaction has no impact on the Group's consolidated financial statements.

B.3.2. Transfers of Home Credit Vietnam and China (in 2014)

In September 2012, PPF Group N.V. and Home Credit B.V. entered into an agreement for the purchase and sale of 100% stakes in Home Credit Vietnam Finance Company Ltd. and Home Credit Consumer Finance China Ltd. The transfers to Home Credit B.V. were subject to several regulatory approvals, which were essential to conclude the two transactions. The regulatory approvals were obtained in July and August 2014, respectively. Since then, Home Credit B.V. has controlled both companies, with the Group's effective ownership decreasing to 86.62%.

The following table summarises the financial aspect of the transactions described above:

In millions of EUR	
Home Credit Vietnam	
Total consideration (paid in cash)	70
Effective ownership indirectly lost	13.38%
Net asset value attributable to non-controlling interests at transfer	(7)
Home Credit China	
Total consideration (paid in cash)	84
Effective ownership indirectly lost	13.38%
Net asset value attributable to non-controlling interests at transfer	(5)

C. Risk exposures, risk management objectives and procedures

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk, market risk and insurance risk. Market risk includes currency risk, interest rate risk and equity price risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Due to the varying nature of the Group's businesses and associated risks the senior management of each business segment is responsible for setting up and monitoring the risk management policies. The Board of Directors and the Group's senior management, including shareholders, regularly perform business reviews of individual business segments, including an assessment of the risk management.

The Home Credit subgroup, as the most significant part of the Group's financial operations, has established an Asset Liability Committee (ALCO) and a Credit Risk Department, which are responsible for developing and monitoring risk management policies in their specified areas. A similar structure is used by other Group banks – PPF banka a.s. and Air Bank a.s. O2 CR has its own separate unit called the Credit Management Unit.

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

Management of risk arising from participation in foreign subsidiaries and from financial instruments is fundamental to the Company's business and is an essential element of its operations. Major risks related to participation in foreign subsidiaries include the risk of impairment due to adverse economic conditions, movements in foreign exchange rates, and liquidity risk given the strong growth in emerging markets. Those risks are managed by the Company by monitoring developments in foreign markets, using a robust investment decision-making process, and exercising prudence in liquidity management. The Company faces financial instrument risk in conjunction with credit exposures, movements in interest rates and foreign exchange rates.

Risk management policies at other significant associates are determined by the controlling shareholder(s) and/or other major shareholders. The Group regularly monitors and analyses the situation at said associates as a minority shareholder exercising its significant influence through its existing representatives in the respective executive bodies.

C.1. Derivative financial instruments

The Group holds a variety of derivative financial instruments for trading and risk management purposes. This note describes the derivatives used by the Group. Further details of the Group's objectives and strategies in the use of derivatives are set out in the following sections. The nature of the derivative instruments outstanding at the reporting date is described in the following sections of this note.

Derivative financial instruments used by the Group include swaps, futures, forwards, options and other similar contracts whose value changes in response to changes in interest rates, foreign exchange rates, security prices and/or price indices. Derivatives are either standardised contracts transacted through regulated exchanges (referred to as exchange-traded products) or individually negotiated over-the-counter contracts (referred to as OTC products). The principal types of derivative instruments used by the Group are described below.

C.1.1. Swaps

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. The swaps most commonly used by the Group are interest rate and cross-currency interest rate swaps. Under interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency swaps require an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit risk arising from default of the respective counterparties. Market risk arises from potentially unfavourable movements in interest rates relative to the rates set in the contract, or from movements in foreign exchange rates.

C.1.2. Futures and forwards

Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counterparty and exposure to market risk based on changes in market prices relative to the contracted amounts.

C.1.3. Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Group enters into interest rate options, foreign exchange options, equity and index options and credit failure options (swaps). Interest rate options, including caps and floors, may be used as hedges against a rise or fall in interest rates. They provide protection against changes in interest rates of floating rate instruments above or below a specified level. Foreign currency options may also be used (commensurate with the type of option) to hedge against rising or falling currency rates. As a buyer of over-the-counter options, the Group is subject to market risk and credit risk since the counterparty is obliged to make payments under the terms of the contract if the Group exercises the option. As a writer of over-the-counter options, the Group is subject to market risk, as it is obliged to make payments if the option is exercised by the counterparty.

C.1.4. Other derivatives

In connection with some significant acquisitions, the Group negotiated various over-the-counter contracts. Those existing at the reporting date are recognised at fair value using external or internal valuations.

C.2. 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. Other significant businesses affected by credit risk are retail banking (Air Bank), corporate banking (PPF banka) and telecommunication business (O2 CR).

C.2.1. Home Credit Group

For risk management purposes, the Home Credit Group classifies the loans made to individual customers into several classes, the most significant of which are cash loans, consumer loans, revolving loans, car loans and mortgage loans. This core part of the Group's loan portfolio consists of a large number of loans with relatively low outstanding amounts.

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

— formulation, in consultation with the business, of credit policies concerning credit assessment, underwriting policies, collection policies, and risk reporting by business unit and loan class;

— establishment of an authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the management of the various business units, while large exposures and new types of exposures require Home Credit Group approval. The Home Credit Group uses one central loan administration system to facilitate loan underwriting;

— continuous monitoring of performance of the Home Credit Group's individual credit exposures by country, product class and distribution channel;

— limiting of concentrations of credit exposures by country, product class and distribution channel;

— review of business units' compliance with agreed exposure limits;

— provision of advice, guidance and specialist skills to business units to promote best practice throughout the Home Credit Group in the management of credit risk.

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

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. Consumer 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 prevention

The Group has developed a set of tools aimed at fraud prevention, detection and investigation that keep the levels of fraud risk observed low. The focus is on the tight monitoring of the sales process and proper design of the incentive models. Other tools include cross checks and the verification of application data provided by the customer, biometrical ID verification tools and use of third-party data in the underwriting process. The use of specific tools varies, based on their availability in the respective market and on the legal and regulatory framework.

General loan collection

The Group's loan collection system follows standard steps and procedures, which may vary depending on country-specific requirements and the legal and operational tools available for collection.

Pre-collection measures

Various forms of communication are used to remind customers how and when to pay – e.g. welcome letters (or calls) – and SMS reminders are sent to customers a short time prior to payment due dates.

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. These procedures are typically applied to payments which are 5 to 75 days overdue. The Group uses SMS messages, outbound calls, letters and interactive voice response tools to communicate with customers to remind them of, and procure, the overdue amounts.

Administrative and personal collection

The Group sends 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 may vary). Letters are then followed by a call explaining to the customer the consequences of not repaying the debt.

Late collection

Late collection procedures are usually initiated when a loan becomes 90 days overdue. Usage of external agencies or internal field collector methods is typically considered.

Legal collection, debt sale

Loans with outstanding repayments that have been overdue for more than 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 also be considered. The approval authority for any debt sale in the Group rests with the ALCO.

C.2.2. PPF banka (the "Bank")

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Credit Department, reporting to the Credit Committee, is responsible for oversight of the Bank's credit risk similar to the Home Credit Group procedures mentioned above, but with the following business specifics:

— limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities);

— developing and maintaining the Bank's grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grades are subject to regular reviews by the Bank's risk department;

— reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided on the credit quality of local portfolios and appropriate corrective action is taken.

Since 2014, the Bank has calculated the capital requirement for the credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard and the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

C.2.3. O2 CR

For telecommunications, business credit risk is managed by the Credit Management Unit and is based on three main activities:

— monitoring of accounts receivable: regular monitoring of the payment morale of existing customers and monitoring and analysing of the receivable aging structure (internal and external indicators of any potential bad debts). Those activities are processed in the integrated system solution for the scoring, maintenance and collection of receivables;

— prevention: scoring of new customers – checking procedures (integrated Black List, Solus Debtor Register, other external information databases), limits and/or deposits applied based on the customer segments or the product. Credit limits for indirect sales partners (dealers, distributors, retailers, franchises) for the purchase of our products, collateral security (deposits, receivables insurance, bills of exchange, pledges of real estate, bank guarantees, etc.);

— collection process: Credit Management cooperates with Customer Care on the setting-up of a reasonable, effective and continual collection process. Collection process competences are divided. Collection from active customers is in the competence of Customer Care; subsequent collection (after the contract is cancelled) is the responsibility of Credit Management.

Loans with renegotiated terms and the Group's forbearance policy (applicable to PPF banka)

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Group has implemented new forbearance methodology according to the EBA regulation. Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to its financial difficulties and the Group has decided to grant a concession to the debtor. A forbearance measure may be either a modification of terms and conditions or the refinancing of the contract. The modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

The Group renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor has made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

Concentration of credit risks (applicable to PPF banka)

The concentration of credit risks arises as a result of the existence of loans with similar economic characteristics affecting the debtor's ability to meet its obligations. The Bank treats a receivable from a debtor or an economically connected group of debtors that exceeds 25% of the Bank's capital as a significant exposure. At the balance sheet date the Group did not have any significant concentration of credit risks with respect to any individual debtor and the limits were not exceeded in relation to individual debtors and to related parties.

The following tables show the economic and geographic concentration of credit risk:

In millions of EUR, as at 31 December	2015	2015	2014	2014
Economic concentration				
Households/individuals	6,522	53.91%	6,703	55.59%
Financial services	1,485	12.27%	2,836	23.52%
Public sector	2,116	17.49%	1,081	8.97%
Corporate sector	1,577	13.03%	861	7.14%
Construction and real estate	287	2.37%	292	2.42%
Other	112	0.93%	284	2.36%
Total	**12,099**	**100.00%**	**12,057**	**100.00%**
Geographic concentration				
Russia	3,130	25.87%	4,559	37.81%
Czech Republic	3,848	31.81%	3,962	32.87%
China	2,320	19.18%	1,074	8.91%
Slovak Republic	745	6.16%	461	3.82%
Kazakhstan	280	2.31%	466	3.86%
Cyprus	413	3.41%	310	2.57%
Vietnam	286	2.36%	235	1.95%
Netherlands	109	0.90%	118	0.98%
Other EU countries	590	4.88%	610	5.06%
Other	378	3.12%	262	2.17%
Total	**12,099**	**100.00%**	**12,057**	**100.00%**
Of which:				
Investment securities (except for equity securities)	2,964	24.50%	2,672	22.16%
Positive fair value of hedging derivatives	96	0.79%	131	1.09%
Loans and receivables due from banks and other financial institutions	549	4.54%	695	5.76%
Loans due from customers	7,153	59.12%	7,060	58.56%
Trade and other receivables	432	3.57%	355	2.94%
Loan commitments and guarantees	905	7.48%	1,144	9.49%

The amounts in the tables represent the maximum accounting loss that would be recognised at the reporting date if the counterparts failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed the expected losses, which are included in the allowance for uncollectibility. The table comprises off-balance sheet items (refer to E.37.1) and financial assets, except equity securities.

The following table provides information about the credit quality of the Group's loan exposure:

In millions of EUR, as at 31 December	Loans due from customers		Trade and other receivables	
	2015	2014	2015	2014
Individually impaired				
Gross amount	268	222	58	102
Allowance for impairment	(79)	(85)	(25)	(14)
Carrying amount	**189**	**137**	**33**	**88**
Collectively impaired				
Current	5,597	5,677	–	–
1–90 days past due	389	428	–	–
91–365 past due	555	899	–	–
>365 past due	128	114	–	–
Gross amount	6,669	7,118	–	–
Allowance for impairment	(788)	(1,101)	–	–
Carrying amount	**5,881**	**6,017**	**–**	**–**
Unimpaired				
Current	1 070	906	371	252
1–90 days past due	13	–	25	14
91–365 past due	–	–	3	1
Carrying amount	**1,083**	**906**	**399**	**267**
Total carrying amount	**7,153**	**7,060**	**432**	**355**

The Group holds collateral for loans and advances to non-banks in the form of mortgage interests over property, debt and/or equity securities and received guarantees. Collateral for loans and advances to banks is held mainly under reverse repos and as a part of securities borrowing activity. There are no overdue loans to banks.

All these transactions are conducted at arm's length.

The following table shows the fair value of collateral received in respect of loans and receivables:

In millions of EUR, as at 31 December	Loans and receivables due from banks		Loans and receivables due from customers	
	2015	2014	2015	2014
Against individually impaired	–	–	93	34
Property	–	–	81	25
Debt securities	–	–	5	4
Deposits with banks	–	–	2	1
Other	–	–	5	4
Against collectively impaired	–	–	314	200
Property	–	–	314	199
Other	–	–	–	1
Against neither past due nor impaired	161	328	446	511
Securities received under reverse repo	161	328	38	66
Property	–	–	108	111
Debt securities	–	–	21	23
Equity securities	–	–	262	162
Deposits with banks	–	–	6	3
Other	–	–	11	146
Total collateral received	**161**	**328**	**853**	**745**

The total value of assets held as collateral is MEUR 1,011 (2014: MEUR 1,012; refer to E.37.3) and consists of the collateral stated above (2015: MEUR 1,014; 2014: MEUR 1,073) less securities received under reverse repos that were repledged or sold in an amount of MEUR 68 (2014: MEUR 201), plus collateral received for the guarantees provided.

No collateral is held for trade and other receivables.

C.3. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of its positions. It includes the risk of being unable to fund assets using instruments with appropriate maturities and rates, the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount, and the risk of being unable to meet obligations as they become due.

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

The Group's Treasury Department collects information from business units and holding companies regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. A portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The individual scenarios focus on liquidity available on specific markets and facilities, the nature of the related risks and the magnitude of their impact on the Group's business, management tools available and preventive actions.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, bank loans, loans from central banks, debt securities and subordinated debt. Management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

The following tables show exposure to liquidity risk:

In millions of EUR, as at 31 December 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	2,732	–	–	–	–	2,732
Investment securities	139	406	951	1,467	69	3,032
Financial assets at FVTPL	17	78	368	264	12	739
Financial assets AFS	116	328	583	1,203	57	2,287
Financial assets HTM	6	–	–	–	–	6
Positive FV of hedging derivatives	96	–	–	–	–	96
Loans and receivables due from banks and other financial institutions	357	115	–	12	65	549
Loans due from customers	3,047	1,783	2,022	301	–	7,153
Trade and other receivables	373	40	2	–	17	432
Total financial assets	**6,744**	**2,344**	**2,975**	**1,780**	**151**	**13,994**

In millions of EUR, as at 31 December 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Financial liabilities at FVTPL	7	6	17	260	9	299
Due to non-banks	5,261	1,086	409	–	–	6,756
Due to banks and other financial institutions	1,014	1,038	2,101	1,189	–	5,342
Debt securities issued	227	711	118	–	–	1,056
Subordinated liabilities	–	8	275	52	–	335
Trade and other payables	1,132	219	29	26	30	1,436
Total financial liabilities	**7,641**	**3,068**	**2,949**	**1,527**	**39**	**15,224**
Net liquidity position 2015	**(897)**	**(724)**	**26**	**253**	**112**	**(1,230)**

The negative excess of financial liabilities over financial assets reflects the fact that the Group financed the acquisition of its significant investments (O2 CR/CETIN, in 2014 Generali PPF Holding) and investment property using bank financing. The Group repays such loans by proceeds from future dividends, rental income or the sale of assets, or is able to refinance such facilities at their maturities.

The interval "Less than three months" within due to non-banks contains banking deposits, most of which are repayable on demand.

In millions of EUR, as at 31 December 2014	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	2,148	–	–	–	–	2,148
Investment securities	447	305	639	1,279	37	2,707
Financial assets at FVTPL	56	84	309	247	1	697
Financial assets AFS	375	221	330	1,032	36	1,994
Financial assets HTM	16	–	–	–	–	16
Positive FV of hedging derivatives	–	56	75	–	–	131
Loans and receivables due from banks and other financial institutions	539	18	1	14	123	695
Loans due from customers	1,490	2,532	2,647	391	–	7,060
Trade and other receivables	322	22	–	10	1	355
Total financial assets	**4,946**	**2,933**	**3,362**	**1,694**	**161**	**13,096**

In millions of EUR, as at 31 December 2014	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Financial liabilities at FVTPL	11	16	102	124	9	262
Due to non-banks	4,636	1,653	298	–	–	6,587
Due to banks and other financial institutions	1,990	820	2,164	327	–	5,301
Debt securities issued	164	486	427	–	–	1,077
Subordinated liabilities	–	11	491	–	–	502
Trade and other payables	1,052	330	264	24	5	1,675
Total financial liabilities	**7,853**	**3,316**	**3,746**	**475**	**14**	**15,404**
Net liquidity position 2014	**(2,907)**	**(383)**	**(384)**	**1,219**	**147**	**(2,308)**

The interval "Less than three months" in 2014 contained the MEUR 1,028 Calyon facility and a MEUR 208 bond issue, which were repaid in January 2015 from proceeds from the sale of GPH.

The following tables show the residual maturities of balance sheet and off-balance sheet liabilities on an undiscounted cash flow basis. Only those liability items are shown for which the total estimated undiscounted cash flows differ from the book values shown in the consolidated statement of the financial position.

In millions of EUR, as at 31 December 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	5,271	1,140	477	–	–	6,888
Due to banks and other financial institutions	1,114	1,191	2,408	1,249	–	5,962
Debt securities issued	230	727	151	–	–	1,108
Subordinated liabilities	–	29	334	65	–	428
Trade and other payables	1,132	220	30	37	30	1,449
Loan commitments	352	18	174	15	211	770
Payment guarantees provided	16	5	26	35	–	82
Total	**8,115**	**3,330**	**3,600**	**1,401**	**241**	**16,687**

In millions of EUR, as at 31 December 2014	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	4,655	1,739	343	–	–	6,737
Due to banks and other financial institutions	2,023	914	2,335	359	–	5,631
Debt securities issued	168	519	471	–	–	1,158
Subordinated liabilities	–	49	621	–	–	670
Trade and other payables	1,052	332	280	40	6	1,710
Loan commitments	353	75	77	21	281	807
Payment guarantees provided	30	175	36	19	–	260
Total	**8,281**	**3,803**	**4,163**	**439**	**287**	**16,973**

The expected cash outflows and inflows related to trading and hedging derivatives are as follows:

In millions of EUR, as at 31 December 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Outflows					
Interest rate derivatives held for trading	(3)	(98)	(159)	(68)	(328)
Currency derivatives held for trading	(1,774)	(519)	(2,039)	–	(4,332)
Hedging derivatives	(89)	–	–	–	(89)
Inflows					
IR derivatives held for trading	3	95	153	79	330
Currency derivatives held for trading	1,777	519	2,042	–	4,338
Hedging derivatives	183	–	–	–	183
Net position	**97**	**(3)**	**(3)**	**11**	**102**

In millions of EUR, as at 31 December 2014	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Outflows					
Interest rate derivatives held for trading	–	–	(1)	(27)	(28)
Currency derivatives held for trading	(133)	(101)	(45)	–	(279)
Hedging derivatives	(1)	–	–	–	(1)
Inflows					
IR derivatives held for trading	1	7	4	10	22
Currency derivatives held for trading	210	137	18	–	365
Hedging derivatives	–	53	85	–	138
Net position	**77**	**96**	**61**	**(17)**	**217**

C.4. Market risk

Market risk is the risk that changes in market rates, such as interest rates, foreign exchange rates, and prices of equity securities will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposure and keep it within acceptable limits.

The bulk of the Group's exposure to market risk arises in connection with the use of liabilities denominated in foreign currencies to finance the Group's operations, and to the extent the term structure of interest-bearing assets differs from that of liabilities. Exposure to market risk is formally managed by buying or selling instruments or entering into offsetting positions subject to risk limits or frameworks set by senior management.

C.4.1. Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating-rate assets and liabilities the Group is also exposed to interest rate cash-flow risk, which varies depending on the different repricing characteristics of the various floating-rate instruments.

Interest rate risk is managed principally by monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Group's senior management monitors compliance with these limits. Interest rate derivatives (refer to E.2.2) are one of the tools the Group uses to manage this position.

Interest rate derivatives are primarily used to bridge the repricing mismatch between assets and liabilities. In addition, the Group enters into interest rate swaps to fix the interest rates on its floating-rate debts at a certain level.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring of the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100-basis-point parallel fall or rise in all yield curves worldwide. In such a case, the net interest income for the year ended 31 December 2015 would be approximately MEUR 56 higher/lower (2014: MEUR 62).

The tables below summarise the interest rate repricing gap of the Group's financial assets and liabilities at the reporting date. The carrying amounts of interest-rate-sensitive assets and liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they mature or in which the interest rates will next be fixed. To reflect anticipated prepayments, certain asset and liability categories are included in the table based on estimated rather than contractual maturity dates. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the expected maturity date.

The following tables present an analysis of the interest rate gap position:

In millions of EUR, as at 31 December 2015	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	0.5%	2,732	–	–	–	–	2,732
Investment securities	2.1%	269	1,477	789	386	111	3,032
Financial assets at FVTPL	1.7%	22	69	337	257	54	739
Financial assets AFS	2.3%	241	1,408	452	129	57	2,287
Financial assets HTM	8.1%	6	–	–	–	–	6
Positive FV of hedging derivatives	–	–	–	–	–	96	96
Loans and receivables due from banks and other financial institutions	3.7%	372	115	–	1	61	549
Loans due from customers	30.7%	3,477	1,895	1,674	69	38	7,153
Trade and other receivables	–	373	40	3	–	16	432
Total financial assets	**–**	**7,223**	**3,527**	**2,466**	**456**	**322**	**13,994**

In millions of EUR, as at 31 December 2015	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Financial liabilities at FVTPL	–	12	1	6	244	36	299
Due to non-banks	5.0%	5,261	1,086	409	–	–	6,756
Due to banks and other financial institutions	6.2%	2,896	1,402	882	162	–	5,342
Debt securities issued	3.0%	227	711	118	–	–	1,056
Subordinated liabilities	9.2%	–	8	275	52	–	335
Trade and other payables	–	1,132	219	29	26	30	1,436
Total financial liabilities	**–**	**9,528**	**3,427**	**1,719**	**484**	**66**	**15,224**
Net position 2015		**(2,305)**	**100**	**747**	**(28)**	**256**	**(1,230)**

In millions of EUR, as at 31 December 2014	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	0.8%	2,148	–	–	–	–	2,148
Investment securities	2.1%	583	1,208	420	250	246	2,707
Financial assets at FVTPL	3.6%	10	20	288	213	166	697
Financial assets AFS	1.9%	557	1,188	132	37	80	1,994
Financial assets HTM	4.6%	16	–	–	–	–	16
Positive FV of hedging derivatives	–	–	–	–	–	131	131
Loans and receivables due from banks and other financial institutions	1.2%	553	18	1	–	123	695
Loans due from customers	32.4%	1,823	2,623	2,509	101	4	7,060
Trade and other receivables	–	322	22	–	10	1	355
Total financial assets	**–**	**5,429**	**3,871**	**2,930**	**361**	**505**	**13,096**

In millions of EUR, as at 31 December 2014	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Financial liabilities at FVTPL	0.4%	10	9	91	101	51	262
Negative FV of hedging derivatives	–	–	–	–	–	–	–
Due to non-banks	5.2%	4,636	1,653	298	–	–	6,587
Due to banks and other financial institutions	5.0%	3,308	1,045	804	144	–	5,301
Debt securities issued	5.9%	164	486	427	–	–	1,077
Subordinated liabilities	9.6%	–	11	491	–	–	502
Trade and other payables	0.5%	1,052	330	264	24	5	1,675
Total financial liabilities		**9,170**	**3,534**	**2,375**	**269**	**56**	**15,404**
Net position 2014		**(3,741)**	**337**	**555**	**92**	**449**	**(2,308)**

C.4.2. Equity price risk

Equity price risk is the risk that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Group manages its use of equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

C.4.3. Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. Foreign currency risk arises when the actual or forecast assets denominated in a given foreign currency are either greater or less than the liabilities denominated in that currency. It is the Group's policy to hedge such mismatches with derivative financial instruments to eliminate the foreign currency exposure.

The Group's main foreign exposures are to European and Asian countries in which the Group operates. Its exposures are measured mainly in US dollars, Russian roubles, Czech crowns and Chinese yuan. As the currency in which the Group presents its consolidated financial statements is the euro, movements in the exchange rates between these currencies and the euro affect the Group's consolidated financial statements.

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

Net investments in foreign operations are not hedged. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary assets and monetary liabilities of the Group companies that are not denominated in the functional currency of the respective Group company. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or through short-term FX trades. The Group also has investments in foreign operations whose net assets are exposed to foreign currency translation risk.

The following tables show the distribution of financial assets and liabilities among the main currencies (but do not include non-financial assets and liabilities):

In millions of EUR, as at 31 December 2015	EUR	USD	CZK	RUB	CNY	KZT	Other	Total
Cash and cash equivalents	201	93	1,749	301	314	6	68	2,732
Investment securities	382	319	2,047	284	–	–	–	3,032
Positive FV of hedging derivatives	–	–	–	96	–	–	–	96
Loans and receivables due from banks and other financial institutions	79	50	176	146	92	1	5	549
Loans due from customers	780	418	998	2,054	2,219	260	424	7,153
Trade and other receivables	122	30	198	62	7	2	11	432
Total financial assets	**1,564**	**910**	**5,168**	**2,943**	**2,632**	**269**	**508**	**13,994**

In millions of EUR, as at 31 December 2015	EUR	USD	CZK	RUB	CNY	KZT	Other	Total
Financial liabilities at FVTPL	9	–	289	–	–	–	1	299
Due to non-banks	587	361	3,620	2,048	–	62	78	6,756
Due to banks and other financial institutions	764	550	1,906	99	1,848	4	171	5,342
Debt securities issued	9	4	855	99	–	37	52	1,056
Subordinated liabilities	–	243	83	9	–	–	–	335
Trade and other payables	217	23	474	547	133	8	34	1,436
Total financial liabilities	**1,586**	**1,181**	**7,227**	**2,802**	**1,981**	**111**	**336**	**15,224**
Effect of foreign currency derivatives	**(619)**	**109**	**763**	**(229)**	**71**	**(18)**	**(61)**	**16**
Net foreign currency position	**(641)**	**(162)**	**(1,296)**	**(88)**	**722**	**140**	**111**	**(1,214)**

In millions of EUR, as at 31 December 2014	EUR	USD	CZK	RUB	CNY	KZT	Other	Total
Cash and cash equivalents	111	114	1,157	438	264	10	54	2,148
Investment securities	223	274	2,029	178	–	1	2	2,707
Positive FV of hedging derivatives	–	–	–	131	–	–	–	131
Loans and receivables due from banks and other financial institutions	63	105	438	31	14	–	44	695
Loans due from customers	722	267	892	3,326	1,057	456	340	7,060
Trade and other receivables	74	17	191	60	1	3	9	355
Total financial assets	**1,193**	**777**	**4,707**	**4,164**	**1,336**	**470**	**449**	**13,096**

In millions of EUR, as at 31 December 2014	EUR	USD	CZK	RUB	CNY	KZT	Other	Total
Financial liabilities at FVTPL	10	–	249	2	–	–	1	262
Negative FV of hedging derivatives	–	–	–	–	–	–	–	–
Due to non-banks	287	379	3,349	2,354	–	125	93	6,587
Due to banks and other financial institutions	1,638	517	1,898	406	706	–	136	5,301
Debt securities issued	226	20	534	190	–	62	45	1,077
Subordinated liabilities	–	436	66	–	–	–	–	502
Trade and other payables	233	44	648	635	77	17	21	1,675
Total financial liabilities	**2,394**	**1,396**	**6,744**	**3,587**	**783**	**204**	**296**	**15,404**
Effect of foreign currency derivatives	**(76)**	**525**	**273**	**(515)**	**–**	**(148)**	**19**	**78**
Net foreign currency position	**(1,277)**	**(94)**	**(1,764)**	**62**	**553**	**118**	**172**	**(2,230)**

The following tables present an analysis of the sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2015 and 2014 and a simplified scenario of a 5% change in USD, CZK, RUB, CNY and KZT to EUR exchange rates:

In millions of EUR, as at 31 December 2015	USD	CZK	RUB	CNY	KZT
Effect of 5% currency depreciation against EUR	(9)	(114)	(76)	(36)	(8)
Effect of 5% currency appreciation against EUR	9	114	76	36	8

In millions of EUR, as at 31 December 2014	USD	CZK	RUB	CNY	KZT
Effect of 5% currency depreciation against EUR	(16)	(75)	(73)	(28)	(6)
Effect of 5% currency appreciation against EUR	16	75	73	28	6

C.4.4. Hedging

The Group uses derivative financial instruments to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instruments are used for this purpose, including interest rate swaps and currency swaps, options, forward contracts and other derivatives. The purpose of the Group's hedging activities is to protect the Group from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Group enters into transactions to ensure that it is economically hedged in accordance with its asset-liability risk management policies.

Interest rate hedging derivatives are designated as economic hedges of benchmark interest rates for specified assets or groups of similar assets, as well as liabilities or groups of similar liabilities, or anticipated transactions. The Group's risk management activities concentrate on economic hedging of the Group's net exposure based on its asset and liability positions. Therefore the Group monitors its interest rate risk exposures by reviewing the net asset or liability gaps within the relevant repricing bands.

When the Group economically hedges a portfolio of loans or liabilities in respect of the interest rate risk, it classifies the loans in question into homogenous groups, each with specific maturities.

The Group manages its use of hedging derivatives in response to changing market conditions, as well as to changes in the characteristics and mix of the related assets, liabilities and firm commitments.

C.5. Insurance risk

The main risk faced by the Group under insurance contracts is that the actual claims and benefit payments, or the timing thereof, will differ from expectations. This is influenced by the frequency of claims, severity of claims, claims settlement period, etc. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover current and future liabilities under insurance contracts. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company uses reinsurance agreements as a part of its risk mitigation programme. Insurance risk is transferred to reinsurance on a pro rata and disproportional basis. Most reinsurance contracts are proportional reinsurance (quota/surplus reinsurance) combined with excess of loss reinsurance.

C.5.1. Life insurance

Insurance risks related to life insurance contracts include biometric risks arising from events related to mortality trends, longevity, morbidity, etc., as well as risks related to trends in lapses and acquisition and maintenance expenses from insurance contracts.

The vast majority of life insurance contracts offered by the Group have two components: the main programme, which is a savings (endowment/pure endowment) component, and riders that may include pure risks cover, such as accident cover or critical illness cover. One of the Group's products also includes a pension annuity. All of the Group's life insurance contracts have a guaranteed interest rate. In order to fulfil its obligations to policyholders, the Group uses the concept of asset-liability matching, which means that the Group invests in assets with a rate of return equal to or more than the minimum interest guaranteed under insurance contracts.

Risks associated with the savings component of insurance contracts are screened (i.e. assessed and analysed) regularly in light of the principle of prudence. Such screening includes, inter alia, analysing the prevailing conditions on financial markets and any regulatory restrictions. The screening results are used to shape the underwriting and pricing policies of the Group.

As of 31 December 2015, the mathematical provision for products with guaranteed interest of 4% amounted to MEUR 16 (2014: MEUR 20); for products with 3% guaranteed interest it was MEUR 49 (2014: MEUR 44).

For the quantitative analysis of the underwriting risk under life insurance agreements, the Group performs analyses of the sensitivity of life insurance reserves to changes in several variables having the most significant impact on reserves value. The sensitivity analysis shows the impact on life insurance reserves of a change in one variable, while all other assumptions are kept constant. This analysis is used by the Group in order to make management decisions regarding different measures, such as cost cutting, the improvement of lapse rates and the revision of insurance tariffs.

Life insurance reserve sensitivity analysis shows the following results as of the reporting date:

Mortality – increase by 10% – 0.1% increase in life insurance reserves

Mortality – decrease by 10% – no changes in life insurance reserves

Morbidity – increase by 10% – 0.2% increase in life insurance reserves

Morbidity – decrease by 10% – 0.2% decrease in life insurance reserves

Technical interest rate – increase by 1% – 4.0% decrease in life insurance reserves

Technical interest rate – decrease by 1% – 6.3% increase in life insurance reserves

As regards the lapse rate, a reduction may have either a positive or a negative effect on insurance reserves. Whether the effect is positive or negative depends primarily on the amount of fines imposed for early lapse of the contract, and this depends on several factors such as contract duration and other terms of the contract.

Key assumptions

One of the basic assumptions used to calculate insurance tariffs is the mortality table. The mortality tables used by the Company reflect experience of previous years as well as a prudential margin. The mortality tables are reviewed on a regular basis by taking into consideration factors such as gender, age, the sum insured, etc. A particular emphasis is placed on the underwriting process. As a part of the underwriting process, the Group has developed procedures, limits, instructions, manuals and forms. In order to mitigate the Group's exposure to mortality and morbidity risks, the Group has also entered into a surplus reinsurance agreement.

C.5.2. Non-life insurance

Non-life insurance business comprises mainly loan and accident insurance. Insurance risk on non-life insurance contracts is divided into price risk and reserve deficiency risk. The Group's portfolio of accident insurance is not subject to catastrophe risk.

Price risk arises due to the fact that insurance premiums may not be sufficient to cover future losses and expenses on insurance contracts. To manage price risk, the Group regularly analyses profitability in the context of insurance products and makes appropriate adjustments in its pricing and underwriting policies. The Group also uses reinsurance contracts as a part of its risk management programme. The Group uses quota reinsurance for its higher-risk products.

Reserve deficiency risk arises from uncertainty regarding the future development of loss reserves and takes into account the likelihood that insurance reserves are insufficient to meet the Group's obligations to policyholders. This risk is managed by regularly checking the adequacy of loss reserves and conducting loss analyses of insurance products, including the analysis of the sensitivity of insurance reserves to changes in expected insurance contract loss rates. The Group analyses its assumptions against publicly available market data. The uncertainty associated with the analysis of incurred but not reported (IBNR) provisions is greater than that of the reported but not settled (RBNS) analysis. The identification of claims generated by the Group's insurance portfolio is of a short-term nature. Therefore, most claims are settled within one year of the loss incident. Refer to section E.19.1 for quantitative information related to insurance provision.

C.6. Risks specific to real estate business

C.6.1. Concentration risk

Several years ago the Group might have been exposed to a geographical asset concentration risk ensuing predominantly from its primary focus on the Russian and Czech real estate markets. In 2012 the real estate group started to invest in new geographic areas – the Netherlands and Germany – which led to better geographic diversification. The potential concentration risk is also managed through: careful selection of real estate projects; their segmentation into retail, logistics and office real estate projects; and internal project management controls.

C.6.2. Valuation risk

Given the nature of the assets and the requirement that they be measured at fair market value, the Group uses only reputable and internationally well-known independent experts to establish fair market values. In the event a valuation is made based on internal calculations, it is always subject to several rounds of discussions between internal real estate analysts and the Group's senior management, with strict emphasis on taking a justifiable, conservative approach as opposed to merely boosting value.

C.6.3. Occupancy risk

The Group is exposed to an occupancy risk stemming from the possibility of losing the tenant or the need to provide for significant incentives either to keep the current tenant or to obtain a new one. In the current buyers' market environment, when faced with such requirements the Group's position is not very strong. To partially mitigate such adverse conditions, the Group tries to offset the immediate negative impact in the long term, e.g. to negotiate long rental agreements incorporating the unilateral option to renew the agreement or to impose significant penalties if the contract is broken by the tenant.

C.7. Fair value of financial assets and liabilities

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

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments measured using: market prices quoted in active markets for similar instruments; prices quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are measured based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

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

In millions of EUR, as at 31 December 2015	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets held to maturity	6	6	–	6	–
Loans and receivables due from banks and other financial institutions	549	549	–	549	–
Loans due from customers	7,153	7,130	–	617	6,513
Due to non-banks	(6,756)	(6,773)	–	(6,773)	–
Due to banks and other financial institutions	(5,342)	(5,344)	–	(5,344)	–
Debt securities issued	(1,056)	(1,052)	(99)	(953)	–
Subordinated liabilities	(335)	(338)	(243)	(95)	–

In millions of EUR, as at 31 December 2014	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets held to maturity	16	16	16	–	–
Loans and receivables due from banks and other financial institutions	695	695	–	695	–
Loans due from customers	7,060	6,813	–	555	6,258
Due to non-banks	(6,587)	(6,526)	–	(6,526)	–
Due to banks and other financial institutions	(5,301)	(5,301)	–	(5,301)	–
Debt securities issued	(1,077)	(1,133)	(116)	(1,017)	–
Subordinated liabilities	(502)	(379)	(313)	(66)	–

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

The following table presents an analysis of financial instruments recorded at fair value, broken down by how the fair value calculation is accomplished: i.e. based on quoted market prices (Level 1), calculated using valuation techniques where all the model inputs are observable in the market (Level 2), or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

In millions of EUR, as at 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	559	105	75	739
Financial assets AFS	2,059	144	84	2,287
Positive FV of hedging derivatives	–	96	–	96
Financial liabilities at FVTPL	(254)	(36)	(9)	(299)
Total	**2,364**	**309**	**150**	**2,823**

In millions of EUR, as at 31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	545	148	4	697
Financial assets AFS	1,622	310	62	1,994
Positive FV of hedging derivatives	–	131	–	131
Financial liabilities at FVTPL	(202)	(51)	(9)	(262)
Total	**1,965**	**538**	**57**	**2,560**

The following table shows the reconciliation of movements in Level 3:

In millions of EUR, for the year ended 31 December 2015	Financial assets at FVTPL	Financial assets AFS	Financial liabilities FVTPL	Total
Balance at 1 January	4	62	(9)	57
Net gains/(losses) recorded in profit or loss (included in "Net gain/(loss) on financial assets")	(3)	–	1	(2)
Purchases of financial assets	77	75	–	152
Additions of financial liabilities	–	–	(1)	(1)
Settlements	(3)	–	–	(3)
Transfer out of Level 3	–	(53)	–	(53)
Balance at 31 December 2015	**75**	**84**	**(9)**	**150**

In 2015, certain available-for-sale assets were transferred out of Level 3 of the fair value hierarchy due to a change in the valuation model, where significant inputs used in their fair value measurements, such as certain credit spreads, that were not previously used, are observable.

In millions of EUR, for the year ended 31 December 2014	Financial assets at FVTPL	Financial assets AFS	Financial liabilities FVTPL	Total
Balance at 1 January	27	100	(12)	115
Net gains/(losses) recorded in profit or loss (included in "Net gain/(loss) on financial assets")	15	1	4	20
Net gains/(losses) recorded in other comprehensive income	(1)	(3)	–	(4)
Purchases of financial assets	2	31	–	33
Additions of financial liabilities	–	–	(1)	(1)
Settlements	(39)	(67)	–	(106)
Balance at 31 December 2014	**4**	**62**	**(9)**	**57**

The financial assets at fair value through profit or loss presented in Level 3 above include corporate bonds of MEUR 75 (2014: positive fair values of currency derivatives in BYR of MEUR 2 and interest rate derivatives in KZT of MEUR 1). The fair value of debt securities is sensitive to market interest rates. The fair value of the derivative instruments is sensitive to changes in the BYR/EUR foreign currency exchange rate and to changes in interest rates. The effect of a +/-10% change in the BYR/EUR rate on the positive fair value of derivative instruments in 2014 was MEUR 4/(4).

The financial assets available for sale presented in Level 3 consist of debt securities of MEUR 76 (2014: MEUR 33) and equity securities of MEUR 8 (2014: MEUR 29). The fair value of debt securities is sensitive to market interest rates. The fair value of equity securities is sensitive to economic developments at the businesses in question.

C.8. Offsetting financial assets and liabilities

The Group's derivative transactions are predominantly entered into under International Derivative Swaps and Dealers Association Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement transactions.

International Derivative Swaps and Dealers Association Master Netting Agreements and similar master netting arrangements do not meet the criteria for offsetting in the consolidated statement of the financial position. Therefore, as at 31 December 2015 the reported balances of positive and negative fair values of derivatives do not include any amounts offset.

Loans and advances provided and received under repo operations are covered by Global Master Repurchase Agreements and similar agreements with terms similar to those of International Derivative Swaps and Dealers Association Master Netting Agreements.

Those agreements do not meet the criteria for offsetting in the consolidated statement of the financial position. Therefore, as at 31 December 2015 the reported balances of loans and advances provided under repo operations do not include any amounts offset. The remaining balances of liabilities due from banks and non-banks are not subject to any offsetting arrangements.

C.9. Capital management

In January 2015, following the Generali PPF Holding divestment, the Group ceased to be a financial conglomerate and became a mixed holding company. As such, the Group is no longer subject to supplementary prudential rules applicable to financial conglomerates.

As of 30 June 2015, the Group restructured its consumer finance and other banking business represented by Home Credit, Air Bank and PPF banka under the new holding entity PPF Financial Holdings B.V. ("the Subgroup"). The Subgroup became a financial holding company and as such became subject to consolidated prudential requirements based on Regulation No 575/2013 of the European Parliament and of the Council, with the Czech National Bank as consolidating supervisor. PPF banka was appointed as a responsible reporting entity for this Subgroup.

The Subgroup is required to fulfil the following capital requirements: a Tier 1 capital adequacy ratio of at least 6% and a total capital adequacy ratio of at least 8%. Moreover, the Subgroup is required to maintain a capital conservation buffer amounting to 2.5% of its risk weighted assets. The institution-specific countercyclical capital buffer is immaterial given the geographical placement of its assets.

The Subgroup also monitors and maintains other regulatory limits such as large exposure limits and the liquidity coverage ratio. The Subgroup further monitors the leverage ratio and net stable funding ratio.

In November 2015, by a decision of the Czech National Bank the Subgroup was identified as an "Other Systemically Important Institution" (O-SII). No additional capital requirement was imposed as a result of this classification.

The following table presents the composition of the Subgroup's regulatory capital:

In millions of EUR, as at 31 December 2015	
Issued capital	0.05
Share premium	1,888
Retained earnings	(168)
Accumulated other comprehensive income	(129)
Other reserves	50
Minority interest on CET 1	13
(-) Additional valuation adjustment	(3)
(-) Intangible assets	(126)
(-) Deferred tax assets carry loss forward	(43)
Total Tier 1 Capital	**1,482**
Total Tier 2 Capital	**21**
Total Capital	**1,503**

The total regulatory capital of the Subgroup consists of Tier 1 capital and Tier 2 capital. Tier 1 capital comprises the following items: issued capital, share premium, retained earnings, accumulated other comprehensive income, other reserves and minority interest. Tier 1 capital is subsequently decreased by intangible assets, the additional valuation adjustment and deferred tax assets directly deductible from capital. The Subgroup has no additional Tier 1 capital.

Tier 2 capital consists only of the eligible portion of Tier 2 instruments issued by PPF banka and Air Bank.

Some of the Group's subsidiaries operating in the banking, consumer finance and insurance sectors maintain capital adequacy in compliance with local regulatory requirements which require the respective entities to maintain a ratio of total capital to total risk-weighted assets at or above a certain minimum level. The ratios are calculated based on financial statements prepared in accordance with local accounting standards. Furthermore, some of the subsidiaries are subject to capital adequacy requirements set by the Bank for International Settlements in connection with commitments arising from funding operations. The Group's policy in this respect is to support the subsidiaries with capital as necessary in order to maintain the subsidiaries' full compliance with the relevant requirements.

The Group and its individually regulated operations complied with all externally imposed capital requirements throughout the reporting period.

D. Segment reporting

The Group recognises reportable segments that are defined in both geographical and sector terms. These segments offer different products and services, and are managed separately because they operate in completely distinct business sectors. The Group's Board of Directors and shareholders (the Chief Operating Decision Maker) review the internal management reports of individual segments on a regular basis.

The following summary describes the operations and geographic focus of each reportable segment.

Reportable segment	Business name/brand	Operations	Geographic focus
Consumer finance	Home Credit	Lending to private individual customers, deposit-taking	Czech Republic, Slovak Republic, Russia, Asia
	subsidiaries of PPF banka and Air Bank	Lending to private individual customers	Czech Republic, Slovak Republic, Russia
Other banking	PPF banka	Loans, deposits and other transactions and balances with corporate customers, trading activities	Czech Republic
	Air Bank	Deposits, loans and other transactions and balances with retail customers	Czech Republic
Real estate	PPF Real Estate Holding	Developing, investing and professional consulting in the property sector	Central and Western Europe, Russia, Ukraine
Retail	Eldorado	Retailing in consumer electronic and domestic appliances	Russia
Telecommunications	O2	Telecommunication operator providing a range of voice and data services (CZ), mobile operator (SK)	Czech Republic, Slovak Republic
	CETIN	Administration and operation of data and communication network	Czech Republic
Insurance	PPF Insurance	Provision of life insurance products	Russia
	Generali PPF Holding (sold in 2015)	Provision of life and non-life insurance products	Central and Eastern Europe
Other	Polymetal (associate)	Gold and silver mining	Russia, Kazakhstan
	RAV Holding	Grain and livestock production, storage and trade	Russia
	Sotio	Development of new medical therapies, focusing on the treatment of cancer and autoimmune diseases	Czech Republic, USA, China
	O2 Arena	Operation of multipurpose hall hosting mainly sports and cultural events	Czech Republic

Since 30 June 2015, Air Bank has legally been part of the Home Credit Group (refer to B.3.1), but continues to be presented within the other banking segment together with PPF banka. Subsidiaries of both banks are now included in the consumer finance segment, based on their geographical focus. The comparative figures have been restated accordingly.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment assets and liabilities include all assets and liabilities attributable to segments. Significant non-cash expenses comprise mainly impairment losses on financial and non-financial assets. Eliminations represent intercompany balances among individual reporting segments.

Total segment revenue contains the following categories, which may be reconciled to the income statement as follows:

In millions of EUR, for the year ended 31 December	2015	2014
Interest income	2,083	2,470
Fee and commission income	437	560
Net earned premiums	147	241
Net rental and related income	147	89
Net income related to construction contracts	2	–
Sales of goods	1,415	2,111
Other income from retail operations	33	47
Revenues from telecommunication business	1,670	1,488
Net agriculture income	7	1
Total revenue from external customers	**5,941**	**7,007**

The following table shows the main items from the financial statements broken down according to reportable segments for 2015 and 2014:

In millions of EUR

2015	Consumer finance	Other banking	Real estate
Revenue from external customers	2,418	112	154
Inter-segment revenue	10	77	1
Total revenue from continuing operations	**2,428**	**189**	**155**
Segment share of earnings of associates	2	–	53
Net profit from continuing operations	**(46)**	**41**	**40**
Net profit for the year			
Capital expenditure	(106)	(12)	(1)
Depreciation and amortisation	(76)	(8)	(2)
Other significant non-cash expenses	(770)	8	(5)
Segment assets	7,654	6,591	1,938
Investments in associates	2	–	47
Total assets			
Segment liabilities	6,650	6,141	1,534
Total liabilities			
Segment equity	**1,006**	**450**	**451**

In millions of EUR

2014	Consumer finance	Other banking	Real estate
Revenue from external customers	2,970	103	91
Inter-segment revenue	3	99	1
Total revenue from continuing operations	**2,973**	**202**	**92**
Segment share of earnings of associates	2	–	(1)
Net profit from continuing operations	**(25)**	**36**	**(98)**
Net profit for the year			
Capital expenditure	(102)	(10)	–
Depreciation and amortisation	(81)	(7)	(2)
Other significant non-cash expenses	(1,264)	(30)	(2)
Segment assets	7,849	6,044	1,911
Investments in associates	2	–	–
Total assets			
Segment liabilities	6,696	5,676	1,551
Total liabilities			
Segment equity	**1,155**	**368**	**360**

D.1. Consumer finance segment

The Home Credit consumer finance business is divided into segments based on geographical regions corresponding to the geographical location of customers. The Group operates in ten principal geographical areas: the Russian Federation, the Czech Republic, the Slovak Republic, Belarus, Kazakhstan, China, Vietnam, India, Indonesia, and Philippines.

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

Retail	Insurance	Telecommunications	Other	Unallocated	Eliminations	Consolidated
1,465	98	1,671	9	14	–	5,941
13	3	10	–	36	(150)	–
1,478	**101**	**1,681**	**9**	**50**	**(150)**	**5,941**
–	–	–	38	–	–	93
48	**98**	**224**	**36**	**(89)**	**–**	**352**
						352
(27)	–	(236)	(33)	(1)	26	(390)
(21)	(3)	(369)	(5)	(1)	1	(484)
19	–	(3)	(3)	–	–	(754)
889	147	5,244	466	1,637	(3,572)	20,994
–	–	2	566	–	–	617
						21,611
661	120	1,993	315	2,074	(3,557)	15,931
						15,931
228	**27**	**3,253**	**717**	**(437)**	**(15)**	**5,680**

Retail	Insurance	Telecommunications	Other	Unallocated	Eliminations	Consolidated
2,170	164	1,488	4	17	–	7,007
14	3	2	2	84	(208)	–
2,184	**167**	**1,490**	**6**	**101**	**(208)**	**7,007**
–	–	–	16	–	–	17
34	**5**	**127**	**335**	**(48)**	**6**	**372**
						372
(25)	–	(264)	(26)	(4)	29	(402)
(29)	(6)	(371)	(5)	(1)	1	(501)
(6)	–	(8)	(19)	–	–	(1,329)
847	1,341	4,105	274	2,180	(3,235)	21,316
–	–	1	574	–	–	577
						21,893
846	175	1,000	189	3,309	(3,243)	16,199
						16,199
1	**1,166**	**3,106**	**659**	**(1,129)**	**8**	**5,694**

The following table supplements the information presented for the consumer finance business in the previous table. Eliminations represent intercompany balances among individual reporting segments within Home Credit. Inter-segment revenue represents revenue realised with other core segments outside the consumer finance segment.

In millions of EUR

2015	Russian Federation	Czech Republic	Slovak Republic	Belarus
Revenue from customers	1,020	110	65	56
Inter-segment revenue	15	–	–	–
Total revenue	**1,035**	**110**	**65**	**56**
Net interest income from external customers	365	69	43	25
Inter-segment net interest income	15	–	–	(1)
Total net interest income	**380**	**69**	**43**	**24**
Income tax expense	32	(6)	(1)	(1)
Net profit from continuing operations	**(148)**	**19**	**5**	**1**
Capital expenditure	(16)	(1)	–	(4)
Depreciation and amortisation	(32)	(1)	–	(3)
Other significant non-cash expenses	(494)	(8)	(17)	(4)
Segment assets	3,287	485	288	116
Segment liabilities	2,875	485	283	95
Segment equity	**414**	**–**	**5**	**21**

In millions of EUR

2014	Russian Federation	Czech Republic	Slovak Republic	Belarus
Revenue from customers	1,860	121	68	79
Inter-segment revenue	13	–	–	–
Total revenue	**1,873**	**121**	**68**	**79**
Net interest income from external customers	966	76	42	33
Inter-segment net interest income	13	–	–	(1)
Total net interest income	**979**	**76**	**42**	**32**
Income tax expense	32	(6)	–	(1)
Net profit from continuing operations	**(108)**	**20**	**4**	**2**
Capital expenditure	(35)	(2)	(1)	(6)
Depreciation and amortisation	(51)	(1)	–	(3)
Other significant non-cash expenses	(993)	(20)	(17)	(12)
Segment assets	4,785	483	282	149
Segment liabilities	4,155	479	268	113
Segment equity	**632**	**4**	**14**	**36**

Kazakhstan	China	Vietnam	India	Other	Unallocated	Eliminations	Consolidated
198	774	156	23	17	9	–	2,428
–	–	–	–	1	1	(17)	–
198	**774**	**156**	**23**	**18**	**10**	**(17)**	**2,428**
106	529	105	13	13	(12)	–	1,256
(3)	–	(1)	–	–	(12)	2	–
103	**529**	**104**	**13**	**13**	**(24)**	**2**	**1,256**
(14)	(59)	(8)	–	–	(2)	–	(59)
34	**124**	**26**	**(26)**	**(34)**	**(45)**	**(2)**	**(46)**
(10)	(17)	(3)	(11)	(16)	(28)	–	(106)
(6)	(9)	(5)	(3)	(4)	(25)	12	(76)
(40)	(163)	(34)	(7)	(3)	–	–	(770)
319	2,701	305	92	124	212	(275)	7,654
230	2,040	222	61	40	584	(265)	6,650
89	**661**	**83**	**31**	**84**	**(372)**	**(10)**	**1,006**

Kazakhstan	China	Vietnam	India	Other	Unallocated	Eliminations	Consolidated
204	466	149	7	9	10	–	2,973
–	–	–	–	1	–	(14)	–
204	**466**	**149**	**7**	**10**	**10**	**(14)**	**2,973w**
110	309	99	4	8	(7)	–	1,640
(5)	–	(4)	–	1	(7)	2	(1)
105	**309**	**95**	**4**	**9**	**(14)**	**2**	**1,639**
(8)	(31)	(8)	–	–	(3)	–	(25)
35	**64**	**27**	**(11)**	**(22)**	**(37)**	**1**	**(25)**
(11)	(15)	(9)	(5)	(7)	(11)	–	(102)
(6)	(6)	(3)	(2)	(2)	(17)	10	(81)
(57)	(119)	(40)	(1)	(4)	(1)	–	(1,264)
506	1,377	278	33	70	213	(327)	7,849
371	820	208	18	11	568	(315)	6,696
135	**557**	**70**	**15**	**59**	**(355)**	**(12)**	**1,155**

D.2. Telecommunication segment

The telecommunication segment, represented by O2 CR and CETIN, is further divided into two segments based on geographical regions corresponding to the geographical location of customers. The business was acquired in January 2014; therefore the income statement information comprises only eleven months performance.

The following table supplements the information presented for the telecommunications business in the previous table. Eliminations represent intercompany balances among individual reporting segments within the segment. Inter-segment revenue represents revenue realised with other core segments outside the telecommunication segment.

In millions of EUR

2015	Czech Republic	Slovak Republic	Eliminations	Consolidated
Revenue from customers	1,440	241	–	1,681
Inter-segment revenue	10	4	(14)	–
Total revenue	**1,450**	**245**	**(14)**	**1,681**
Cost related to telecommunication business	(487)	(104)	8	(583)
Net telecommunication income	943	137	8	1,088
Segment result	**230**	**29**	**(35)**	**224**
Capital expenditure	(217)	(19)	–	(236)
Depreciation and amortisation	(325)	(44)	–	(369)
Other significant non-cash expenses	(1)	(2)	–	(3)
Segment assets	5,009	475	(240)	5,244
Segment liabilities	1,919	115	(41)	1,933
Segment equity	**3,092**	**360**	**(199)**	**3,235**

In millions of EUR

2014	Czech Republic	Slovak Republic	Eliminations	Consolidated
Revenue from customers	1,285	205	–	1,490
Inter-segment revenue	22	3	(25)	–
Total revenue	**1,307**	**208**	**(25)**	**1,490**
Cost related to telecommunication business	(401)	(83)	12	(472)
Net telecommunication income	906	122	(12)	1,018
Segment result	**143**	**16**	**(32)**	**127**
Capital expenditure	(237)	(26)	(1)	(264)
Depreciation and amortisation	(333)	(38)	–	(371)
Other significant non-cash expenses	(7)	(1)	–	(8)
Segment assets	3,863	472	(230)	4,105
Segment liabilities	901	110	(11)	1,000
Segment equity	**2,963**	**362**	**(219)**	**3,106**

E. Notes to the consolidated financial statements

E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR, as at 31 December	2015	2014
Cash on hand	137	265
Current accounts	698	679
Balances with central banks	1,252	1,030
Placements with financial institutions due within one month	645	174
Total cash and cash equivalents	**2,732**	**2,148**

As of 31 December 2014, in accordance with the SG facility (refer to E.16) the cash balance of MEUR 102 could be primarily used to repay the following liabilities in the order as stated: taxes, operating and interest expenses and loan principal related to PPF Arena 2 B.V. The SG facility was repaid in August 2015.

There are no other restrictions on the availability of cash and cash equivalents.

E.2. Investment securities

Investment securities comprise the following:

In millions of EUR, as at 31 December	2015	2014
Financial assets at fair value through profit or loss	739	697
Financial assets available for sale	2,287	1,994
Financial assets held to maturity	6	16
Total financial securities	**3,032**	**2,707**

E.2.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss held for trading (except for part of government bonds which are non-trading) comprise the following:

In millions of EUR, as at 31 December	2015	2014
Government and other public-sector bonds	585	478
Corporate bonds	100	86
Shares	2	–
Mutual fund investments	9	–
Interest rate derivatives	15	18
Currency derivatives	28	114
Other derivatives	–	1
Total financial assets at FVTPL	**739**	**697**

In 2015, the government bonds include non-trading 10-year fixed-interest bonds in an amount of MEUR 177 (2014: MEUR 191). The fixed interest income from these bonds is economically hedged by interest rate swaps.

E.2.2. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise the following:

In millions of EUR, as at 31 December	2015	2014
Negative fair values of derivatives	37	51
Interest rate derivatives	23	30
Currency derivatives	14	21
Liabilities from short sales of securities	253	201
Other	9	10
Total financial liabilities at FVTPL	**299**	**262**

Details of derivatives are provided in the following tables:

In millions of EUR, as at 31 December 2015	Notional amount	Positive fair values	Negative fair values
Interest rate derivatives			
OTC products:			
Interest rate swaps	2,085	12	(23)
Other interest rate contracts	347	3	–
Total	**2,432**	**15**	**(23)**
Currency derivatives			
OTC products:			
Forward exchange contracts	1,031	8	–
Currency/cross currency swaps	3,362	20	(14)
Total	**4,393**	**28**	**(14)**

In millions of EUR, as at 31 December 2014	Notional amount	Positive fair values	Negative fair values
Interest rate derivatives			
OTC products:			
Interest rate swaps	711	15	(30)
Interest rate options (purchase)	21	–	–
Other interest rate contracts	787	1	–
Exchange-traded products:			
Interest rate futures	40	2	–
Total	**1,559**	**18**	**(30)**
Currency derivatives			
OTC products:			
Forward exchange contracts	52	5	–
Currency/cross currency swaps	2,074	109	(21)
Total	**2,126**	**114**	**(21)**

E.2.3. Financial assets available for sale

Financial assets available for sale comprise the following:

In millions of EUR, as at 31 December 2015	Carrying amount	Amortised cost
Debt securities	2,230	2,192
Government bonds	1,485	1,433
Corporate bonds	671	683
Other debt securities	74	76
Equity securities	57	75
Shares	57	74
Mutual fund investments	–	1
Loans and receivables	–	7
Total AFS assets	**2,287**	**2,274**

In millions of EUR, as at 31 December 2014	Carrying amount	Amortised cost
Debt securities	1,958	1,950
Government bonds	1,410	1,384
Corporate bonds	500	515
Other debt securities	48	51
Equity securities	35	44
Shares	35	43
Mutual fund investments	–	1
Loans and receivables	1	6
Total AFS assets	**1,994**	**2,000**

Movements in allowances for impairment may be broken as follows:

In millions of EUR	2015	2014
Balance at 1 January	21	16
Impairment recognised in the income statement	(4)	5
Amount related to assets disposed of	(1)	–
Balance at 31 December	**16**	**21**

E.2.4. Financial assets held to maturity

Financial assets held to maturity comprise the following:

In millions of EUR, as at 31 December 2015	Carrying amount	Cumulative impairment	Amortised cost
Debt securities			
Government bonds	6	–	6
Total HTM assets	**6**	**–**	**6**

In millions of EUR, as at 31 December 2014	Carrying amount	Cumulative impairment	Amortised cost
Debt securities			
Corporate bonds	16	–	16
Total HTM assets	**16**	**–**	**16**

E.3. Hedging derivative instruments

The following table shows details of the hedging derivatives:

In millions of EUR, as at 31 December 2015	Sell/Buy	Notional amount	Positive fair values	Negative fair values
Foreign currency swap contracts	RUB/USD	174	91	–
Cross currency interest rate swaps		9	5	–
Total		**183**	**96**	**–**

In millions of EUR, as at 31 December 2014	Sell/Buy	Notional amount	Positive fair values	Negative fair values
Foreign currency swap contracts	RUB/USD	288	131	–
Total		**288**	**131**	**–**

Cash flows from the hedging derivative instruments were realised in the first quarter of 2016.

E.4. Loans and receivables due from banks and other financial institutions

Loans and receivables due from banks and other financial institutions comprise the following:

In millions of EUR, as at 31 December	2015	2014
Term deposits at banks	130	199
Minimum reserve deposits with central banks	124	135
Loans to banks	11	13
Loans and advances provided under repos	149	330
Other	135	18
Total loans and receivables due from banks and other financial institutions	**549**	**695**

The minimum reserve deposits are mandatory non-interest-bearing deposits calculated in accordance with regulations issued by central banks. Their withdrawability is restricted.

E.5. Loans and receivables due from customers

Loans and receivables due from non-banks comprise the following:

In millions of EUR, as at 31 December	2015	2014
Gross amount		
Cash loan receivables	3,363	4,158
Consumer loan receivables	2,440	1,802
Revolving loan receivables	678	975
Car loan receivables	113	109
Mortgage loan receivables	74	73
Loans to corporations	1,277	1,041
Loans and advances provided under repos	25	52
Loans to associates	36	33
Other	14	3
Total gross amount	**8,020**	**8,246**
Collective allowances for impairment		
Cash loan receivables	(460)	(683)
Consumer loans receivables	(175)	(213)
Revolving loan receivables	(124)	(176)
Car loan receivables	(22)	(23)
Mortgage loan receivables	(6)	(5)
Other	(1)	(1)
Total collective impairment	**(788)**	**(1,101)**
Individual allowances for impairment		
Loans to corporations	(45)	(60)
Loans to associates	(34)	(25)
Total individual impairment	**(79)**	**(85)**
Total carrying amount	**7,153**	**7,060**

Loans to associates represent mainly the provision of funds used to finance several real estate projects. Of the associates, two small real estate projects have a negative net asset value. Impairment of loans to associates contains the negative share in the associates attributable to the Parent. The share in the associates in question is presented at nil.

Movements in allowances for impairment may be broken down as follows:

In millions of EUR, for the year ended 31 December	2015	2014
Balance as at 1 January	1,186	1,359
Impairment losses recognised in the income statement	762	1,276
Change in impairment of loans to associates (negative share)	11	9
Amount related to loans written off and disposed of	(1,022)	(1,116)
Translation difference	(70)	(342)
Balance as at 31 December	**867**	**1,186**

E.6. Trade and other receivables

Trade and other receivables comprise the following:

In millions of EUR, for the year ended 31 December	2015	2014
Gross amount		
Trade receivables	456	367
Accrued income	1	2
Individual impairment	(25)	(14)
Balance as at 31 December	**432**	**355**

Movements in allowances for impairment may be broken down as follows:

In millions of EUR, for the year ended 31 December	2015	2014
Balance as at 1 January	(14)	(4)
Impairment losses recognised in the income statement	(8)	(10)
Amount related to receivable written off	(4)	–
Release of impairment losses on written off items	1	–
Balance as at 31 December	**(25)**	**(14)**

E.7. Income taxes

E.7.1. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for the year ended 31 December	2015	2014
Current tax expense	(195)	(150)
Deferred tax expense	51	67
Total income tax expense	**(144)**	**(83)**

The following table reconciles the tax expense:

In millions of EUR, for the year ended 31 December	2015	2014
Tax rate	25.0%	25.0%
Profit from continuing operations (before taxation)	496	455
Computed taxation using applicable tax rate	(124)	(114)
Tax non-deductible expenses	(47)	(46)
Non-taxable income	80	63
Non-taxable share of earnings of associates	23	4
Tax rate differences on foreign results	(23)	34
Utilised tax loss not previously recognised	3	18
Tax loss carry forward not recognised	(59)	(44)
Withholding tax on intra-group dividends	(3)	(4)
Other	6	6
Total income tax expense/income	**(144)**	**(83)**

E.7.2. Deferred tax

Deferred tax assets and liabilities comprise the following:

In millions of EUR, as at 31 December	2015 Deferred tax liabilities	2015 Deferred tax assets	2014 Deferred tax liabilities	2014 Deferred tax assets
Investment securities	(34)	1	(42)	5
Loans	(17)	95	(4)	80
Inventories	–	5	–	4
Investment property	(100)	–	(109)	7
Property, plant and equipment	(249)	9	(242)	11
Intangible assets	(162)	1	(176)	1
Other assets	(7)	17	(10)	15
Debt securities issued	–	–	(9)	–
Trade and other payables	(2)	20	(1)	16
Provisions	(3)	8	(3)	13
Other temporary differences	(6)	50	(7)	46
Value of loss carry-forwards recognised	–	89	–	82
Deferred tax assets/(liabilities)	**(580)**	**295**	**(603)**	**280**
Net deferred tax assets/(liabilities)	**(465)**	**180**	**(460)**	**137**

The table below shows the roll-forward of net deferred taxes:

In millions of EUR, for the year ended 31 December	2015	2014
Net deferred tax assets/(liabilities) at 1 January	(323)	(20)
Deferred tax (expense)/income for the period	51	67
Deferred tax recognised directly in equity	(3)	(2)
Additions from business combinations	(2)	(386)
Disposals resulting from business combinations	2	2
Net exchange differences	(10)	16
Net deferred tax assets/(liabilities) at 31 December	**(285)**	**(323)**

Addition from business combination in 2014 relates to the telecommunication business acquisition. Deferred tax assets arising from other temporary differences consist mainly of uneven balance sheet eliminations from intra-group transactions.

E.7.3. Tax losses

As at 31 December 2015 the Group incurred tax losses from recent years of MEUR 2,175 (2014: MEUR 2,112) available to be carried forward and off-set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilised, the deferred tax assets are not recognised. The unrecognised deferred tax assets amount to MEUR 425 (2014: MEUR 409). The unutilised tax losses can be claimed in the period from 2016 to 2024 in the Netherlands (2016 to 2020 in the Czech Republic and Cyprus, 2016 to 2025 in the Russian Federation, and for an indefinite time in Hong Kong) and they expire as follows:

In millions of EUR, as at 31 December 2015	2015	2014
2015	–	44
2016	34	47
2017	28	26
2018	124	142
2019	267	286
2020	373	349
2021	252	243
2022	409	476
2023	209	68
2024	292	281
2025	22	–
Tax losses that can be carried forward indefinitely	165	150
Total	**2,175**	**2,112**

E.8. Inventories

Goods are attributable mainly to the retail business of Eldorado and comprise the following:

In millions of EUR, as at 31 December	2015	2014
Goods/merchandise for resale	405	301
Trading property	71	52
Agricultural inventories	4	3
Other inventory	1	2
Total inventories	**481**	**358**

During 2015, a MEUR 1 write-down of inventories was reversed (2014: reversal of a write-down of MEUR 3).

E.9. Assets and liabilities held for sale

Assets and liabilities held for sale as at 31 December are as follows:

In millions of EUR, as at 31 December	2015	2014
Cash and cash equivalents	1	–
Investments in associates	1	1,144
Investment property	8	–
Property, plant and equipment	–	29
Other assets	2	4
Total assets held for sale	**12**	**1,177**
Due to banks and other financial institutions	4	8
Deferred tax liabilities	–	2
Other liabilities	1	–
Total liabilities held for sale	**5**	**10**

The held-for-sale investment in associates in 2014 represents a 24% share in Generali PPF Holding. The investment was sold in January 2015.

E.10. Investments in associates and joint ventures

The following table shows the breakdown of individual investments in associates and joint ventures:

In millions of EUR, as at 31 December	2015	2014
Polymetal	561	574
Metropolis	47	–
Other	9	3
Total investments in associates/joint ventures	**617**	**577**

The following table shows the breakdown of the share of earnings of associates and joint ventures:

In millions of EUR, for the year ended 31 December	2015	2014
Polymetal	37	(10)
Metropolis	58	–
EP Holding	–	26
Other real estate projects	(5)	(1)
Other	3	2
Total share of earnings in associates/joint ventures	**93**	**17**

The difference between the total investment and the Group's share in equity comprises goodwill.

Polymetal

Since 2008 the Group has held a stake in Polymetal International Plc, the Russian precious metals mining company. As of 31 December 2014, the Group held 18.42%. During 2015, the share in Polymetal was decreased to 17.85% mainly due to dilution caused by a Polymetal capital increase in which the Group did not participate. The company is listed on the London Stock Exchange. As of 31 December 2015, the share price of Polymetal was GBP 5.85 (2014: GBP 5.76); the Group holds 75.8 million shares.

As the investment in Polymetal fell below 20%, the Group continuously assesses the significant qualitative features of the ability to apply significant control such as representation on the board of directors and the concentration of other shareholders. Based on this assessment, the Group retains its initial classification of Polymetal as an "investment in associate".

In millions of EUR, as at 31 December	2015	2014
Percentage ownership interest	**17.85%**	**18.42%**
Non-current assets	1,432	1,837
Current assets	494	632
Non-current liabilities	(1,092)	(902)
Current liabilities	(386)	(851)
Net assets (100%)	448	716
Adjustment for share-based compensation reserve	(6)	(2)
Adjusted net assets (100%)	442	714
Group's share of net assets (17.85%; 2014: 18.42%)	79	132
Goodwill included in carrying amount	482	442
Carrying amount of investment in associate	**561**	**574**
Total revenue	1,299	1,272
Total net profit/(loss) for the period (100%)	199	(158)
Group's share of profit/(loss) (inclusive changes in ownership interest and changes in FX rates)	36	(28)
Dilution gain and other changes in equity of Polymetal	1	18
Total share in profit/(loss)	**37**	**(10)**
Dividends received by the Group	35	22

Metropolis

In July 2015, the Group acquired a 49.99% stake in entities holding two up-and-running Moscow office buildings (the Metropolis project; refer to B.2.5). Since the acquisition, the project has made a significant profit due to a revaluation of investment property in Russian roubles, although the EUR value of the property has not changed significantly. The profit is set off by a translation loss of MEUR 48 recorded directly in equity.

In millions of EUR, as at 31 December	2015
Percentage ownership interest	**49.99%**
Non-current assets	363
Current assets	14
Non-current liabilities	(268)
Current liabilities	(15)
Net assets (100%)	94
Carrying amount of investment in associate (49.99%)	**47**
Total revenue	125
Total net profit/(loss) for the period (100%)	116
Total share in profit/(loss) (49.99%)	**58**
Dividends received by the Group	–

Other real estate projects

The Group invests in several real estate projects, with ownership participations ranging from 24.5% to 50%. Two small projects with a negative net asset value of MEUR 26 (2014: three projects with negative net asset value of MEUR 23) are valued at nil.

EP Holding

In February 2014, EP Holding acquired 7.41% of its own shares from the Group for MEUR 54. After the transaction, the effective ownership held by the Group decreased from 44.44% to 40%. In June 2014, the Group disposed of its entire stake in EP Holding (refer to B.2.7). The figures presented for 2014 represent financial performance up to the moment of disposal.

In millions of EUR, as at 31 December	2014
Total revenue	1,835
Total net profit	190
Group's share in net profit (40%)	76
Non-controlling interests at subholding level	(50)
Group's share in profit (40%)	**26**

Generali PPF Holding

Since 2008, investments in associates have included a 49% share in Generali PPF Holding B.V., an insurance group focusing on the insurance and pension fund business within the CEE region. In March 2013, the Group sold a 25% shareholding in Generali PPF Holding to Assicurazioni Generali. The residual 24% stake was sold in January 2015, which is why the investment in associates is classified as a held-for-sale asset in 2014. Due to the reclassification of the investment to the held-for-sale category, no share in 2014 profit or dividend income was recognised in the income statement. During 2014 the Group received total dividend income of MEUR 65, which is recorded as a decrease in the value of the held-for-sale asset.

E.11. Investment property

Investment property includes all projects acquired through several acquisitions during the last three years. The projects, located in the Russian Federation, the Czech Republic, the Netherlands, Germany, the Slovak Republic, Romania, Ukraine and India, consist mainly of finished office premises already rented out, land plots and projects under construction.

The following table shows the breakdown of investment property by category and country:

In millions of EUR, as at 31 December 2015	Russia	Czech Republic	Netherlands	Germany	Other	Total
Land plot	140	9	–	–	–	149
Office	269	174	245	88	–	776
Office under development	–	2	–	–	–	2
Warehouse	400	–	–	–	–	400
Retail	111	12	34	–	–	157
Other	22	1	–	–	–	23
Total investment property	**942**	**198**	**279**	**88**	**–**	**1,507**

In millions of EUR, as at 31 December 2014	Russia	Czech Republic	Netherlands	Germany	Other	Total
Land plot	98	42	–	–	1	141
Office	337	138	254	73	–	802
Office under development	–	35	–	–	–	35
Warehouse	384	1	–	–	–	385
Retail	140	38	35	–	–	213
Other	19	1	–	–	–	20
Total investment property	**978**	**255**	**289**	**73**	**1**	**1,596**

The following table shows the roll-forward of investment property:

In millions of EUR, for the year ended 31 December	2015	2014
Balance at 1 January	1,596	1,209
Additions resulting from business combination	–	256
Disposals resulting from business combination	(26)	–
Additions – acquisition through asset deal	21	114
Additions – capitalised costs	30	199
Disposals	(71)	(6)
Transfer to/from non-current assets held for sale	(5)	(18)
Transfer to/from PPE	–	2
Unrealised gains from investment property	95	203
Unrealised losses from investment property	(78)	(110)
Net FX differences	(55)	(253)
Balance at 31 December	**1,507**	**1,596**

Except for the acquisitions commented on in sections B.2.5 the most significant developments in real estate segment in 2015 and 2014 were as follows:

— acquisition of an office building in the Netherlands (Rotterdam) in 2015;

— sale of an office building in the Netherlands (Amsterdam), a building rented in the retail business segment and land plots (all located in Prague) in 2015;

— acquisition of two office buildings in Germany (close to Frankfurt and Düsseldorf), two buildings in the Netherlands (both in Rotterdam) in 2014;

— finalisation of the construction of the Moscow office building project ComCity in 2014.

E.11.1. Techniques used for valuing investment property

Residual calculation

The residual method takes into consideration the level of revenues or sales that could be achieved by disposing of the development properties. The total sum of these revenues or sales is known as the Gross Development Value ("GDV") and includes all of the separate areas that comprise the entire development, including residential and/or commercial areas (apartment areas, terraces/balconies, garages, parking, cellars and any garden areas).

From the GDV figure, the total development costs associated with the development of the project are deducted to arrive at the "residual" or Market Value of the land. These deductions typically include construction costs together with any contingency element, ancillary costs, legal/agency and professional fees, purchaser costs, financing costs and the developer's profit or required rate of return for the risk of undertaking the project.

Income approach – Discounted Cash Flow ("DCF") calculation

The income approach is used to value commercial and investment properties. Because it is intended to directly reflect or model the expectations and behaviours of typical market participants, this approach is generally considered the most applicable valuation technique for income-producing properties, where sufficient market data exists.

In a commercial income-producing property, this approach capitalises an income stream into a present value. This can be done using revenue multipliers or capitalisation rates applied to Net Operating Income.

The DCF methodology reflects the market's perception of a relationship between a property's potential income and its Market Value, a relationship expressed as a capitalisation rate or yield. This approach converts the anticipated benefits in terms of income (cash flow) or amenity to be derived from the ownership of the property into a value indication through capitalisation. This approach is widely used when appraising either income-producing properties or properties capable of producing an income. The property is valued by capitalising the future cash flow produced by the building at the end of the assumed holding period. These future cash flows (both rental and capital receipts from an assumed sale, and assumed expenditure required to realise same) are then discounted back at a discount rate that reflects a typical investor's overall target rate of return.

Sales comparable approach

This method relies on direct evidence from the market of sales and/or offers on properties with similar characteristics. As it is difficult to find evidence of comparables which are identical to any given property which is to be valued, the evidence must be adjusted to align it with the property in question. This allows the comparable evidence to be utilised in a calculation. The adjustments made will vary depending on the drivers of value in any given market and the specific differences between the property being valued and the comparables. The amount of adjustment depends on the judgement and knowledge of the valuer, and relies on his skill and understanding of the market.

The following table summarises valuation methods used for different categories of investment property:

Country	Category	Valuation method
Netherlands	office/retail	Income approach
Germany	office	Income approach
Czech Republic	office/retail	Income approach
Czech Republic	office under development	Residual
Russia	office (including under development)	Income approach
Russia	warehouse (including under development)	Income approach
All locations	land	Sales comparison

The following table summarises the significant inputs used in measuring the fair value of investment property used in the valuation of income-generating properties:

For the year ended 31 December 2015	Germany	Netherlands	Czech Republic	Russia
Current income per sqm	EUR 10.09–12.82	EUR 0.37–17.76	EUR 9.37–16.80	EUR 7.0–25.1
Market rent per sqm	EUR 8.5–16.0	EUR 9.58–16.18	EUR 8.14–25	EUR 7.67–24
Initial yield	4.7%–9.19%	6%–10.75%	(1.29%)–13.06%	2.7%–11.1%
Reversionary yield	5.01%–7.36%	7.97%–24.39%	5.67%–9.74%	n/a
Inflation (long-term average)	1.5%	1.74%	2%	3%

For the year ended 31 December 2014	Germany	Netherlands	Czech Republic	Russia
Current income per sqm	EUR 9.07–12.82	EUR 8.23–22.22	EUR 9.14–65	EUR 8–32.2
Market rent per sqm	EUR 8.5–14.5	EUR 10.42–17.5	EUR 4–150	EUR 10–30.5
Initial yield	4.21%–9.01%	6.25%–11.5%	(2.08%)–12.54%	7%–14.5%
Reversionary yield	5.91%–7.34%	7.38%–20.24%	4.65%–9.79%	n/a
Inflation (long-term average)	2%	2.08%	2%	3%

The Group categorised investment property within Level 3 of the fair value hierarchy, as certain inputs for the assessment of the fair value are unobservable.

E.12. Property, plant and equipment

The following table shows the roll-forward of property, plant and equipment:

In millions of EUR, for the year ended 31 December 2015	Land and buildings	Ducts, cables and related plant	Telecom. technology and related equipment	Vehicles	Other tangible assets and equipment	Total
Carrying amount						
Balance at 1 January	625	1,385	259	5	184	2,458
Additions	12	22	101	4	80	219
Disposals	(1)	–	(6)	–	(15)	(22)
Other movements	1	–	9	–	(13)	(3)
Depreciation charge	(33)	(77)	(71)	(2)	(66)	(249)
Depreciation included in cost of sales (agriculture)	–	–	–	–	(2)	(2)
Impairment charge	(2)	–	(1)	–	(6)	(9)
Impairment reversal	–	–	–	–	3	3
Net FX differences	(11)	36	7	(1)	(9)	22
Total	**591**	**1,366**	**298**	**6**	**156**	**2,417**
Cost	685	1,511	478	13	386	3,073
Accumulated depreciation and impairment	(94)	(145)	(180)	(7)	(230)	(656)
Of which: Not in use	6	11	61	–	10	88

In millions of EUR, for the year ended 31 December 2014	Land and buildings	Ducts, cables and related plant	Telecom. technology and related equipment	Vehicles	Other tangible assets and equipment	Total
Carrying amount						
Balance at 1 January	318	–	–	7	230	555
Additions resulting from business combinations	394	1,438	348	1	52	2,233
Additions	18	24	32	2	80	156
Disposals	(3)	–	(1)	–	(13)	(17)
Other movements	7	–	–	–	(6)	1
Depreciation charge	(28)	(67)	(117)	(3)	(98)	(313)
Depreciation included in cost of sales (agriculture)	–	–	–	–	(2)	(2)
Impairment charge	(1)	–	–	–	(15)	(16)
Impairment reversal	1	–	–	–	2	3
Net FX differences	(81)	(10)	(3)	(2)	(46)	(142)
Total	**625**	**1,385**	**259**	**5**	**184**	**2,458**
Cost	686	1,452	375	12	408	2,933
Accumulated depreciation and impairment	(61)	(67)	(116)	(7)	(224)	(475)
Of which: Not in use	8	5	20	–	16	49

The increase in all categories of PPE during 2014 is caused by the acquisitions of a telecommunication business and a sports arena in Prague. Tangible assets related to the telecommunication business comprise mainly technical installation, machinery and structures used for three main business lines – fixed, mobile and internet services.

E.13. Intangible assets

Intangible assets comprise the following:

In millions of EUR, as at 31 December	2015	2014
Goodwill	680	690
Software	294	266
Trademark	194	217
Licences	341	365
Customer relationships	501	544
In-process research and development	127	93
Present value of future profits from portfolios acquired	12	18
Other	8	6
Total intangible assets	**2,157**	**2,199**

Licences (including spectrum licences) facilitate the roll-out of mobile services. Customer relationships are an asset ensuring a long-term revenue stream from customers who have made commitments to purchase specific amounts of products or services. In the case of O2 CR, they comprise individuals, small/home offices and corporations.

E.13.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, for the year ended 31 December	2015	2014
Balance at 1 January	690	261
Additions resulting from business combinations	–	534
Impairment losses recognised	–	(18)
Net FX differences	(10)	(87)
Balance at 31 December	**680**	**690**

Goodwill consists of three significant items arising from the acquisition of Eldorado in 2009 and O2 CR in 2014. Following the demerger of O2 CR (refer to B.2.2.3) the initial goodwill was allocated to the newly established CGUs not existing at the time of acquisition based on the proportion of external revenues generated by both businesses (O2 CR: 80.3%, CETIN: 19.7%)

As of 31 December 2015, the carrying value of Eldorado goodwill amounts to MEUR 138 (2014: MEUR 143), the carrying of O2 CR goodwill MEUR 413 (2014 prior to the demerger: MEUR 508) and the carrying amount of CETIN goodwill MEUR 104. Goodwill is tested annually for impairment. In 2015 and 2014, no impairment except for the goodwill related to the acquisition of O2 Arena (refer to B.2.6) was recognised in the income statement.

Eldorado

The impairment test involves determining the recoverable amount for the Eldorado cash-generating unit, which corresponds to the value in use, i.e. the present value of future cash flows expected to be derived from the CGU.

Value in use is determined on the basis of an enterprise valuation model and is assessed from a Group-internal perspective. Value in use is derived from the medium-term forecast for a period of four years, which has been prepared by the management and is the most recent at the time of the impairment test. The medium-term forecast is based on past experience, as well as on future market trends. Furthermore, the medium-term forecast is based on general economic data derived from macroeconomic and financial studies. Cash flows beyond the five-year period are extrapolated using appropriate growth rates. Key assumptions on which the management has based its business plan and growth rates include the trend in the gross domestic product, interest rates, nominal wages, capital expenditures, market share, growth rates and discount rates.

The calculations of value in use for the CGU are most sensitive to the following assumptions:

Estimated growth rate – the Group uses a growth rate of 5.0%, i.e. the anticipated rouble inflation rate in Russia, thus assuming flat revenue in real terms.

Discount rate – discount rates reflect management's estimate of the risk specific to the CGU. The weighted average of cost of capital forms the basis for determining the discount rate. This rate is calculated using the capital asset pricing model ("CAPM"); the Group also uses relevant data taken from independent financial analysts as a benchmark.

O2 CR

The impairment test involves determining the recoverable amount of the consolidated entity, which corresponds to the value in use. Value in use is the present value of future cash flows expected to be derived from the company (CGU).

Value in use is determined on the basis of a discounted cash flow enterprise valuation model. Value in use is derived from cash flow forecasts based on the analyst mean forecast sourced from Thomson Reuters Eikon (the years 2016 to 2019). Cash flows beyond the forecast period were extrapolated (the years 2020 to 2022) using appropriate growth rates, based on general economic data derived from macroeconomic and financial studies.

The calculation of value in use is most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A 0% growth rate is used.

Discount rate – the discount rate reflects the Group's estimate of the risk and related expected return specific to the CGU. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from financial independent financial analysts as a benchmark for the weighted average cost of capital were used to determine the discount rate. The resulting discount rate and its effect on value in use were tested for sensitivity. The current methodology used as of 31 December 2015 will be subject to regular reassessment and, potentially, adjustment.

Discounted cash flow valuation was supported by valuation using a market approach based on publicly traded guideline companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of the guideline public companies for 2015.

CETIN

The impairment test involves determining the recoverable amount of the CETIN cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from the CGU.

Value in use is determined on the basis of an enterprise valuation model and is assessed from a Group-internal perspective. Value in use is derived from the medium-term forecast for a period of seven years, which has been prepared by the management and is the most recent at the time of the impairment test. The medium-term forecast is based on past experience, as well as on future market trends. Further, the medium-term forecast is based on general economic data derived from macroeconomic and financial studies. Key assumptions, on which the management has based its business plan and growth rates, include trends in the gross domestic product, interest rates, nominal wages, capital expenditures, market share, growth rates and discount rates.

The calculations of value in use for CGU are most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A 1.0% growth rate is used.

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from financial independent financial analysts as a benchmark for the weighted average cost of capital were used to determine the discount rate. The resulting discount rate and its effect on value in use were tested for sensitivity. The current methodology used as of 31 December 2015 will be subject to regular reassessment and, potentially, adjustment.

E.13.2. Other intangible assets

The following table shows the roll-forward of the remaining categories of intangible assets:

In millions of EUR, for the year ended 31 December 2015	Software	Trademarks	Licences	Customer relationships	IPRD	PVFP	Other intangible assets	Total
Carrying amount								
Balance at 1 January	266	217	365	544	93	18	6	1,509
Additions	120	–	18	1	25	–	7	171
Additions from internal development	8	–	–	–	6	–	–	14
Disposal	(3)	–	–	–	–	–	–	(3)
Other changes	5	–	1	1	–	–	(4)	3
Amortisation charge	(94)	(32)	(48)	(56)	–	(4)	(1)	(235)
Impairment charge	(6)	–	–	–	–	–	–	(6)
Impairment reversal	–	23	–	–	–	–	–	23
Net FX differences	(2)	(14)	5	11	3	(2)	–	1
Balance at 31 December	**294**	**194**	**341**	**501**	**127**	**12**	**8**	**1,477**
Cost	585	234	419	610	127	26	10	2,011
Accumulated amortisation and impairment losses	(291)	(40)	(78)	(109)	–	(14)	(2)	(534)
Of which: Not in use	49	–	18	–	–	–	–	67

In millions of EUR, for the year ended 31 December 2014	Software	Trademarks	Licences	Customer relationships	IPRD	PVFP	Other intangible assets	Total
Carrying amount								
Balance at 1 January	139	129	–	–	72	36	1	377
Additions resulting from business combinations	132	–	397	602	–	–	5	1,136
Additions	93	136	–	–	17	–	1	247
Additions from internal development	24	–	–	–	5	–	–	29
Disposal	(4)	–	–	–	–	–	–	(4)
Other changes	1	–	–	–	–	–	–	1
Amortisation charge	(89)	(5)	(32)	(54)	–	(8)	–	(188)
Impairment charge	(4)	–	–	–	–	–	–	(4)
Net FX differences	(26)	(43)	–	(4)	(1)	(10)	(1)	(85)
Balance at 31 December	**266**	**217**	**365**	**544**	**93**	**18**	**6**	**1,509**
Cost	462	247	395	598	93	30	8	1,833
Accumulated amortisation and impairment losses	(196)	(30)	(30)	(54)	–	(12)	(2)	(324)
Of which: Not in use	70	–	–	–	–	–	–	70

E.14. Other assets

Other assets comprise the following:

In millions of EUR, as at 31 December	2015	2014
Prepaid expenses and advances	104	111
Other taxes receivable	52	32
Biological assets	6	6
Insurance related other assets	31	83
Deferred acquisition costs – insurance business	28	79
Non-life amounts ceded to reinsurers from insurance provisions	1	1
Receivables arising out of direct insurance operations	2	3
Other	47	45
Subtotal other assets (gross)	**240**	**277**
Individual allowances for impairment		
Prepaid expenses and advances	(2)	(2)
Other	(3)	(3)
Total other assets (net)	**235**	**272**

E.14.1. Deferred acquisition costs – insurance business

The following table shows the roll-forward of the "Deferred acquisition costs" related to the insurance business:

In millions of EUR, for the year ended 31 December	2015	2014
Balance at 1 January	79	234
Acquisition costs incurred during the period	14	24
Amortisation (charged in the income statement)	(60)	(126)
Net FX differences	(5)	(53)
Balance at 31 December	**28**	**79**

E.15. Liabilities to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR, as at 31 December	2015	2014
Current accounts and demand deposits	4,170	3,490
Term deposits	2,347	2,921
Loans	17	11
Loans received under repos	215	163
Other	7	2
Total liabilities to non-banks	**6,756**	**6,587**

The table shows the liabilities owed to corporate and individual clients of the Group, the bulk of which relates to the banking business of PPF banka, Home Credit and Finance Bank and Air Bank.

E.16. Liabilities to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR, as at 31 December	2015	2014
Repayable on demand	3	30
Loans received under repos	206	335
Secured loans (other than repos)	4,522	3,531
Unsecured loans	580	1,394
Other	31	11
Total liabilities to banks	**5,342**	**5,301**

Secured loans include four significant loan facilities. The syndicated loan facility (the "Calyon facility") had a maximum limit of MEUR 1,028 (from March 2013) and was secured with a 24% stake in GPH. In January 2015, the facility was repaid at the time of GPH disposal.

The second syndicated loan facility was provided by a consortium led by Société Générale (the "SG facility") in connection with the acquisition of O2 CR in January 2014. It comprised a MEUR 1,300 term loan, financing the initial acquisition price and additional shares acquired during the MTO, and a MEUR 63 revolving loan used to cover debt service costs. The SG facility had an original maturity of November 2018 and was secured by a pledge of the Group's share in O2 CR and CETIN (following the demerger of O2 CR). In August 2015, the facility was fully repaid and replaced by a new facility. In August 2015, the Group obtained a new syndicated loan facility through its subsidiary CETIN, which was provided by a bank consortium and totalled MEUR 1,181. On 5 August 2015, the facility – drawn to the maximum amount – fully replaced the SG facility provided for the acquisition of O2 CR in January 2014. The facility, denominated in Czech crowns, consists of a three-year term loan amounting to MEUR 374 and a seven-year term loan amounting to MEUR 807. It is secured by a pledge of the CETIN share held by PPF Arena 2 and with fixed assets held by CETIN (refer to E.37.1).

In connection with additional direct purchases of O2 CR shares, the Group received another secured loan of MEUR 270, initially maturing in October 2020 (refer to B.2.2.2). In 2015, the facility was renegotiated in a move that saw the maturity extended until October 2021. The facility is secured by a pledge of O2 CR and CETIN shares (following the demerger of O2 CR) in a proportion financed by the facility.

In November 2015, the Group received a new senior loan facility from a group of banks consisting of a term loan of MEUR 370 and a revolving credit facility of MEUR 10. The term loan was fully drawn to finance the deferred purchase price owed to Telefonica S.A. and for recapitalisation purposes. The facility, denominated in Czech crowns, matures in December 2020 and is secured by a pledge of O2 CR shares (refer to E.37.1).

As of 31 December 2014, the Company complied with all covenants related to the loan facilities except for two Russian real estate projects – the construction of the ComCity Moscow office building and a shopping mall in Ryazan. In the case of ComCity, in 2015 the Group signed a new pledge agreement reflecting the finalisation of the construction phase, during which new covenants are fulfilled. In relation to the Ryazan project and loan amounting to MEUR 70, the Group negotiated a two-year restructuring period, over which the Group has been granted a grace period for the repayment of the loan.

In general, the situation in Russia has worsened significantly due to the deeper-than-expected continuation of the economic crisis and the further devaluation of the local currency. This has influenced the underlying market values of individual assets. While all the assets are doing fine in terms of cash flow performance and all the loans are being serviced properly, we are facing LTV (loan-to-value covenant) issues with most of the Russian projects. The Group is in earnest discussions with all the banks and is actively trying to find a mutual solution to this. The most likely solution will be LTV waivers provided by banks. However, the discussions remain open. As of 31 December 2015, the LTV covenants for the Tomilino and South Gate logistic projects had not been fulfilled.

E.17. Debt securities issued

The following table shows details of bonds issued by the Group:

In millions of EUR, as at 31 December	Interest rate	Maturity	2015	2014
Unsecured RUB bond issue 2 of MRUB 3,000	Variable	2016	37	44
Unsecured CZK bond issue 5 of MCZK 3,750	Fixed	2016	125	124
Cash loan receivables backed note issue of MRUB 5,000	Variable	2016	62	73
Unsecured bond issue of MKZT 7,000	Fixed	2016	19	31
Unsecured CZK bond issue of MCZK 920	Fixed	2017	32	29
Unsecured bond issue of MKZT 6,769	Fixed	2019	19	31
Unsecured RUB bond issue 7 of MRUB 5,000	Variable	2015	–	74
Unsecured CZK bond issue 4 of MCZK 2,900	Fixed	2015	–	100
Bond notes MEUR 208	Fixed	2015	–	209
Deposit bill of exchange; zero-coupon rate	Fixed	2016	684	28
Long-term registered certificate of deposit; rate 14%	Fixed	2016	32	29
Deposit bills of exchange; rates (0.45%–0.71%)	Fixed	2017	4	–
Long-term registered certificates of deposit; rates (13–13.5%)	Fixed	2017	20	16
Deposit bill of exchange; zero-coupon rate	Fixed	2018	22	20
Deposit bills of exchange; rates (0%–1.4%)	Fixed	2015	–	269
Total debt securities issued			**1,056**	**1,077**

In January 2015, the Group made an early repayment of MEUR 208 bond notes (the maturity was set to November 2015) in connection with the sale of Generali PPF Holding.

RUB denominated cash loans receivables backed notes were issued in November 2013 with a fixed coupon rate valid until the coupon payment date on 19 January 2017 and with a capped floating coupon rate from 20 January 2017 until final maturity. The Group issued a public offer to purchase the outstanding cash loans receivables backed notes in November 2016. As at 31 December 2015, cash loan receivables of MEUR 79 (2014: MEUR 91) served as collateral for these notes.

E.18. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR, as at 31 December	Interest rate	Maturity	2015	2014
Loan of MRUB 681	Fixed	2017	9	–
Loan participation notes issue 7 of MUSD 500	Fixed	2020	94	283
Loan participation notes issue 8 of MUSD 200	Fixed	2021	149	153
Bond issue of MCZK 1,400	Fixed	2023	54	53
Bond issue of MCZK 1,000	Fixed	2024	29	13
Total subordinated liabilities			**335**	**502**

Subordinated loan participation notes issue 7 was made in October 2012. 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. During 2015 the Group bought back the loan participation notes with a cumulative par value of MUSD 272 (2014: a cumulative par value of MUSD 51).

Subordinated loan participation notes issue 8 was made in October 2013. 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.

The bond issue of MCZK 1,400 was issued in April 2013. The Group has an early redemption option exercisable on 4 July 2018.

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

E.19. Provisions

Provisions comprise the following:

In millions of EUR, as at 31 December	2015	2014
Insurance provisions	152	239
Goods returns	5	7
Provision for litigation except for tax-related litigation	4	5
Other provisions	17	16
Total provisions	**178**	**267**

Movements in non-insurance provisions can be analysed as follows:

In millions of EUR, for the year ended 31 December 2015	Goods returns	Provision for litigation except for tax issues	Other provisions	Total
Balance at 1 January	7	5	16	28
Additions resulting from business combinations				
Provisions created during the year	4	4	22	30
Provisions used during the year	(4)	(2)	(19)	(25)
Provisions released during the year	–	(3)	(2)	(5)
Net FX differences	(2)	–	–	(2)
Balance at 31 December	**5**	**4**	**17**	**26**
Non-current (>1 year)	–	1	10	11
Current (<1 year)	5	3	7	15
Total provisions	**5**	**4**	**17**	**26**

In millions of EUR, for the year ended 31 December 2014	Goods returns	Provision for litigation except for tax issues	Other provisions	Total
Balance at 1 January	8	4	6	18
Additions resulting from business combinations	–	1	1	2
Provisions created during the year	8	9	34	51
Provisions used during the year	(5)	(4)	(19)	(28)
Provisions released during the year	(1)	(4)	(2)	(7)
Net FX differences	(3)	(1)	(4)	(8)
Balance at 31 December	**7**	**5**	**16**	**28**
Non-current (>1 year)	–	1	9	10
Current (<1 year)	7	4	7	18
Total provisions	**7**	**5**	**16**	**28**

Provisions for goods returns relate to the retail business. The Group has assessed that it is more likely than not that it will have to pay back sales revenues with respect to a certain number of products returned by customers either within two weeks after the sale date unconditionally, or later due to quality issues with the goods. The Group creates a provision for such returns of goods based on historical information on returns, on average accounting for 0.4% of sales for the years ended 31 December 2015 and 2014.

E.19.1. Insurance provisions

Insurance provisions comprise the following:

In millions of EUR, for the year ended 31 December 2015	Direct insurance	Accepted reinsurance	Total
Non-life insurance provisions	78	(1)	77
Provisions for unearned premiums	72	–	72
Provisions for outstanding claims	6	(1)	5
RBNS provisions	6	(1)	5
Life insurance provisions	74	–	74
Provisions for outstanding claims	3	–	3
Mathematical provisions	65	–	65
Provisions for profit participation allocated to policyholders	6	–	6
Total insurance provisions	**152**	**(1)**	**151**

In millions of EUR, for the year ended 31 December 2014	Direct insurance	Accepted reinsurance	Total
Non-life insurance provisions	170	(1)	169
Provisions for unearned premiums	162	–	162
Provisions for outstanding claims	8	(1)	7
RBNS provisions	6	(1)	5
IBNR provisions	2	–	2
Life insurance provisions	69	–	69
Provisions for outstanding claims	2	–	2
Mathematical provisions	64	–	64
Provisions for profit participation allocated to policyholders	3	–	3
Total insurance provisions	**239**	**(1)**	**238**

Movements in provisions for unearned premiums can be analysed as follows:

In millions of EUR, for the year ended 31 December 2015	Gross amount	Reinsurers' share	Net amount
Balance as at 1 January 2015	162	–	162
Premiums written during the year	32	–	32
Premiums earned during the year	(108)	–	(108)
Net FX differences	(14)	–	(14)
Balance at 31 December 2015	**72**	**–**	**72**

In millions of EUR, for the year ended 31 December 2014	Gross amount	Reinsurers' share	Net amount
Additions resulting from business combinations	376	(2)	374
Premiums written during the year	73	(1)	72
Premiums earned during the year	(194)	3	(191)
Net FX differences	(93)	–	(93)
Balance at 31 December 2014	**162**	**–**	**162**

Movements in provisions for outstanding claims were as follows:

In millions of EUR, for the year ended 31 December 2015	Gross amount	Reinsurers' share	Net amount
Balance as at 1 January 2015	8	(1)	7
Claims incurred in the current year	6	(1)	5
Adjustments for losses incurred in previous years	(2)	–	(2)
Claims paid during the year	(5)	1	(4)
Net FX differences	(1)	–	(1)
Balance at 31 December 2015	**6**	**(1)**	**5**

In millions of EUR, for the year ended 31 December 2014	Gross amount	Reinsurers' share	Net amount
Balance as at 1 January 2014	13	(4)	9
Claims incurred in the current year	10	(1)	9
Adjustments for losses incurred in previous years	(3)	1	(2)
Claims paid during the year	(9)	2	(7)
Net FX differences	(3)	1	(2)
Balance at 31 December 2014	**8**	**(1)**	**7**

Movements in selected life insurance provisions (gross amount) were as follows:

In millions of EUR, for the year ended 31 December	2015	2014
Balance as at 1 January 2015	67	79
Mathematical provision for contracts concluded in previous years, and cancelled in the current reporting year	(8)	(6)
Mathematical provision for contracts maturing in the current reporting year	(3)	(2)
Increase in mathematical provision for active contracts concluded in previous years	18	21
Provision for insurance contracts concluded in the current period	3	4
Bonuses (profit) credited to policyholders	4	(1)
Net FX differences	(10)	(28)
Balance at 31 December 2015	**71**	**67**

The estimated timing of the net cash outflows resulting from recognised insurance liabilities is as follows:

In millions of EUR, for the year ended 31 December 2015	Less than 1 year	1 to 3 years	3 to 5 years	5 to 15 years	More than 15 years	Non-specified	Total
Non-life insurance provisions	5	–	–	–	–	1	6
Life insurance provisions	6	9	8	33	18	–	74

In millions of EUR, for the year ended 31 December 2014	Less than 1 year	1 to 3 years	3 to 5 years	5 to 15 years	More than 15 years	Non-specified	Total
Non-life insurance provisions	6	–	–	–	–	2	8
Life insurance provisions	5	8	9	32	15	–	69

The following table shows the roll-forward of policyholder claims (RBNS and IBNR):

In millions of EUR	before 2010	2010	2011	2012	2013	2014	2015	Total
Estimated ultimate cumulative claims costs								
at the end of underwriting year	4	4	4	7	16	9	5	
one year later	4	4	4	9	15	7		
two years later	4	4	4	8	11			
three years later	4	3	4	6				
four years later	3	3	3					
five years later	3	2						
six years later	3							
Estimated ultimate cumulative claims costs at the end of the reporting period	**3**	**2**	**3**	**6**	**11**	**7**	**5**	**37**
Cumulative claim payments								
at the end of underwriting year	3	2	2	5	8	5	3	
one year later	3	3	3	7	12	5		
two years later	3	3	3	7	9			
three years later	3	3	3	6				
four years later	3	3	3					
five years later	3	2						
six years later	3							
Cumulative payments to date	**3**	**2**	**3**	**6**	**9**	**5**	**3**	**31**
Provision recognised in the statement of financial position					2	2	2	6
Provisions for outstanding claims								6

E.20. Trade and other payables

Other liabilities comprise the following:

In millions of EUR, as at 31 December	2015	2014
Settlements with suppliers	902	842
Wages and salaries	112	92
Social security and health insurance	28	20
Other taxes payable	68	69
Finance lease liabilities	5	9
Accrued expenses	44	38
Deferred income	88	110
Advance received	33	51
Customer loan overpayments	30	30
Deferred acquisition payment	–	315
Other	126	99
Total other liabilities	**1,436**	**1,675**

In 2014, the deferred acquisition payment represented the net present value of the deferred payment for the acquisition of O2 CR, initially payable in equal instalments up to January 2018 (refer to B.2.2.1). The outstanding amount was fully repaid in 2015.

The "Other" category includes clearing accounts of PPF banka in an amount of MEUR 110 (2014: MEUR 72).

E.20.1. Finance lease liabilities

Finance lease liabilities comprise the following:

In millions of EUR, as at 31 December 2015	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
less than one year	2	1	1
between one and five years	3	2	1
more than five years	13	10	3
Total finance lease liabilities	**18**	**13**	**5**

In millions of EUR, as at 31 December 2014	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
less than one year	2	1	1
between one and five years	4	3	1
more than five years	24	17	7
Total finance lease liabilities	**30**	**21**	**9**

E.21. Capital issued

Capital issued represents capital in respect of which the shareholders' liability for an entity's obligation towards its creditors is limited. The amount is limited to the current nominal capital approved by a shareholder resolution.

The following table provides details of authorised and issued shares:

	2015	2014
Number of shares authorised	250,000	250,000
Number of shares issued and fully paid	62,401	66,738
Par value per share	EUR 10	EUR 10

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Parent Company.

On 1 May 2015, the Group cancelled 6.5% shares held as treasury shares. The effective ownership stake of the Group's shareholders, as stated in section A, did not change.

E.22. Reserves

E.22.1. Available-for-sale reserve

The AFS reserve represents the changes, net of deferred tax, in the fair value of financial assets available for sale. The AFS reserve is not available for distribution to the shareholders.

E.22.2. Legal and statutory reserves

The creation and use of legal and statutory reserves is limited by legislation and the articles of association of each company within the Group. Legal and statutory reserves are not available for distribution to the shareholders.

E.22.3. Currency translation reserve

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of companies within the Group with a functional currency other than the Group presentation currency, which is the euro. The translation reserve is not available for distribution to the shareholders.

E.22.4. Cash flow hedge reserve

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

E.23. Non-controlling interests

The following subsidiaries of the Group have a material non-controlling interest:

Name of subsidiary*	Abbr.	Applicable	Country of incorporation
O2 Czech Republic a.s. (subgroup)	O2 CR	2015/2014	Czech Republic
Česká telekomunikační infrastruktura a.s.	CETIN	2015	Czech Republic
Home Credit B.V. (subgroup)	HC	2015/2014	Netherlands
Air Bank a.s. (in 2015 part of HC)	AirB	2014	Czech Republic
PPF banka, a.s.	PPFB	2015/2014	Czech Republic
Facipero Investments Ltd. (subgroup)	FACI	2015	Cyprus
Velthemia Ltd. (subgroup)	VELT	2015/2014	Cyprus
GIM Ltd.	GIM	2014	Jersey

* For the place of business, refer to B.1.

The following table summarises the information relating to these subsidiaries:

In millions of EUR

2015	O2 CR	CETIN	HC	AirB	PPFB	FACI	VELT	Other	Total
NCI percentage (ownership)	**15.94%**	**5.10%**	**11.38%**	**–**	**7.04%**	**20.00%**	**39.93%**		
Total assets	1,555	3,227	9,656	–	3,813	767	395		
Total liabilities	(552)	(1,497)	(8,460)	–	(3,542)	(661)	(218)		
Net assets	**1,003**	**1,730**	**1,196**	**–**	**271**	**106**	**177**		
Net assets attributable to NCI of the sub-group	–	–	(5)	–	–	–	–		
Net assets attributable to owners of the Parent	**1,003**	**1,730**	**1,191**	**–**	**271**	**106**	**177**		
Carrying amount of NCI	160	88	136	–	19	21	71	22	517
NCI percentage during the period*	**15.27%**	**11.22%**	**13.38%/ 11.38%**	**13.38%**	**7.04%**	**20.00%**	**39.93%**		
Revenue	1,373	701	2,286	69	148	852	57		
Profit/(loss)	115	113	(42)	8	42	30	5		
Other comprehensive income	–	–	(83)	(6)	7	–	–		
Total comprehensive income	115	113	(125)	2	49	30	5		
Profit/(loss) allocated to NCI**	18	13	(6)	1	3	6	2	–	37
OCI allocated to NCI	–	–	2	(1)	–	–	–	–	1
Dividends paid to NCI	**(22)**	**–**	**–**	**–**	**–**	**–**	**(14)**	**–**	**(36)**

* The NCIs for some subsidiaries changed during the period as follows: O2 CR and CETIN – due to several transactions the average NCI percentage during the period was used; the HC – NCI percentage decreased on 17 June 2015;

** AirB – NCI calculated up to the transfer of the bank to Home Credit B.V. on 30 June 2015; Facipero – the NCI on profit applies from 17 June 2015.

In millions of EUR

2014	O2 CR	HC	AirB	PPFB	GIM	VELT	Other	Total
NCI percentage (ownership)	**16.84%**	**13.38%**	**13.38%**	**7.04%**	**7.62%**	**39.93%**		
Voting rights held by NCI (if different)	15.39%	–	–	–	–	–		
Total assets	3,598	7,037	2,272	3,926	1,312	415		
Total liabilities	(1,000)	(5,798)	(2,102)	(3,711)	–	(228)		
Net assets	**2,598**	**1,239**	**170**	**215**	**1,312**	**187**		
Net assets attributable to NCI of the sub-group	–	(4)	–	–	–	–		
Net assets attributable to owners of the Parent	**2,598**	**1,235**	**170**	**215**	**1,312**	**187**		
Carrying amount of NCI	400	165	23	15	100	75	37	815
NCI percentage during the period*	**28.39%**	**13.38%**	**13.38%**	**7.04%**	**7.62%**	**39.93%**		
Revenue	1,488	2,541	156	179	2	25		
Profit/(loss)	127	(60)	11	30	2	4		
Other comprehensive income	–	(284)	16	2	–	–		
Total comprehensive income	127	(344)	27	32	2	4		
Profit/(loss) allocated to NCI	35	(8)	1	2	–	2	(16)	16
OCI allocated to NCI	–	(37)	2	–	–	–	(3)	(38)
Dividends paid to NCI	**(67)**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(73)**

E.24. Net interest income

Interest income comprises the following:

In millions of EUR, for the year ended 31 December	2015	2014
Financial instruments at FVTPL	14	13
Financial instruments available for sale	60	36
Financial instruments held to maturity	–	1
Due from banks and other financial institutions	48	42
Cash loan receivables	1,143	1,450
Consumer loan receivables	520	510
Revolving loan receivables	207	323
Car loan receivables	21	24
Mortgage loan receivables	7	9
Loans to corporations	59	62
Other	4	–
Total interest income	**2,083**	**2,470**

Interest expense comprises the following:

In millions of EUR, for the year ended 31 December	2015	2014
Due to customers	411	399
Due to banks and other financial institutions	299	250
Debt securities issued	42	72
Subordinated liabilities	1	49
Finance lease liabilities	35	1
Other	14	14
Total interest expenses	**802**	**785**
Total net interest income	**1,281**	**1,685**

E.25. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, for the year ended 31 December	2015	2014
Penalty fees	100	127
Insurance commissions	232	314
Cash transactions	24	46
Customer payment processing and account maintenance	41	36
Retailers' commissions	27	24
Other	13	13
Total fee and commission income	**437**	**560**

Fee and commission expense comprises the following:

In millions of EUR, for the year ended 31 December	2015	2014
Commissions to retailers	34	31
Cash transactions	18	23
Payment processing and account maintenance	30	26
Payments to deposit insurance agencies	18	22
Credit and other register expense	10	3
Other	11	33
Total fee and commission expense	**121**	**138**
Total net fee and commission income	**316**	**422**

E.26. Net gain/loss on financial assets

In millions of EUR, for the year ended 31 December	2015	2014
Net trading income	36	(24)
Debt securities trading	18	(7)
Equity securities trading	–	2
FX trading	20	(24)
Derivatives	(2)	5
Net gains on financial assets at FVTPL	6	17
Debt securities	5	14
Other	1	3
Net realised gains/(losses)	(3)	5
HTM financial assets	–	1
AFS financial assets	6	6
Loans and receivables	(12)	(2)
Financial liabilities measured at amortised cost	3	–
Dividends	1	8
Other income/(expenses) from financial assets	(3)	–
Total net gain/(loss) on financial assets	**37**	**6**

E.27. Net impairment losses on financial assets

In millions of EUR, for the year ended 31 December	2015	2014
Financial instruments available for sale	(4)	5
Cash loan receivables	463	781
Consumer loan receivables	170	233
Revolving loan receivables	137	240
Car loan receivables	2	3
Mortgage loan receivables	4	2
Loans to corporations	(14)	17
Total net impairment losses on financial assets	**758**	**1,281**

E.28. Insurance income

In millions of EUR, for the year ended 31 December 2015	Non-life	Life	Total
Gross earned premiums	108	40	148
Gross premiums written	32	40	72
Change in the provisions for unearned premiums	76	–	76
Earned premiums ceded	(1)	–	(1)
Ceded reinsurance premiums	(1)	–	(1)
Net insurance benefits and claims	(4)	(28)	(32)
Claims paid	(5)	(12)	(17)
Change in provisions for outstanding claims	1	(1)	–
Change in mathematical provisions	–	(11)	(11)
Change in life provisions for profit participation allocated to policyholders	–	(4)	(4)
Acquisition cost	(50)	(10)	(60)
Total insurance income	**53**	**2**	**55**

In millions of EUR, for the year ended 31 December 2014	Non-life	Life	Total
Gross earned premiums	194	50	244
Gross premiums written	73	50	123
Change in the provisions for unearned premiums	121	–	121
Earned premiums ceded	(3)	–	(3)
Ceded reinsurance premiums	(1)	–	(1)
Change in the provisions for unearned premiums	(2)	–	(2)
Net insurance benefits and claims	(23)	(12)	(35)
Claims paid	(6)	(11)	(17)
Change in provisions for outstanding claims	(1)	(1)	(2)
Change in mathematical provisions	(16)	–	(16)
Change in life provisions for profit participation allocated to policyholders	1	–	1
Change in other provisions	(1)	–	(1)
Acquisition cost	(109)	(17)	(126)
Total insurance income	**59**	**21**	**80**

E.29. Net rental and related income

In millions of EUR, for the year ended 31 December	2015	2014
Gross rental income	131	78
Service income	10	4
Service charge income	17	16
Service charge expense	(11)	(9)
Total net rental and related income	**147**	**89**

E.30. Net telecommunication income

Telecommunication income comprises the following:

In millions of EUR, for the year ended 31 December	2015	2014
Revenues from voice services	865	789
Revenues from data services	419	379
Other telecommunication services	386	320
Telecommunication income	**1,670**	**1,488**

Telecommunication expenses comprise the following:

In millions of EUR, for the year ended 31 December	2015	2014
Interconnection and roaming	363	298
Cost of goods sold	104	72
Commissions	46	43
Sub-deliveries	35	26
Other costs	35	34
Telecommunication expenses	**583**	**473**
Net telecommunication income	**1,087**	**1,015**

E.31. Net agricultural income

In millions of EUR, for the year ended 31 December	2015	2014
Sales of goods	23	25
Cost of sales	(16)	(22)
Other revenue	1	1
Change in fair value of biological assets	(1)	(3)
Total net agriculture income	**7**	**1**

E.32. Other income

In millions of EUR, for the year ended 31 December	2015	2014
Rental income	22	22
Other retail income – sublease charges	4	9
Gain on disposal of property, plant, equipment and intangible assets	3	1
Negative goodwill	–	13
Other	44	41
Total other income	**73**	**86**

E.33. General administrative expenses

In millions of EUR, for the year ended 31 December	2015	2014
Employee compensation	683	730
Payroll related taxes (including pension contribution)	166	166
Advertising and marketing	92	112
Professional services	78	76
Telecommunication and postage	59	76
Travel expenses	23	23
Taxes other than income tax	71	42
Information technologies	105	113
Rental, maintenance and repair expense	261	341
Distribution, transport and storage of goods	26	40
Collection agency fee	32	21
Other	106	174
Total general administrative expenses	**1,702**	**1,914**

The average rounded number of employees during the year 2015 was 85,000 (2014: 83,000), of which 8 employees were employed in the Netherlands (2014: 10 employees).

E.34. Other operating expenses

In millions of EUR, for the year ended 31 December	2015	2014
Depreciation of property, plant and equipment	249	313
Amortisation of intangible assets	235	188
Net impairment losses on goodwill	–	18
Net impairment losses on other intangible assets	(17)	4
Net impairment losses on property, plant and equipment	6	13
Net impairment losses on trading property	(1)	3
Loss on disposal of property, plant, equipment, and intangible assets	12	9
Net impairment (gains)/losses on other assets	10	11
Loss on monetary position	–	3
Foreign currency losses	137	192
Total other operating expenses	**631**	**754**

"Loss on monetary position" in 2014 represents the effect of the application of IAS 29 – Financial Reporting in Hyperinflationary Economies on Home Credit Bank (OJSC), which is incorporated in the Republic of Belarus.

E.35. Operating leases

E.35.1. Lessee

Under operating leases, the Group mainly leases shops within the Eldorado business, as well as a few office buildings. The leases typically run for an initial period of between one and five years, with an option to renew the lease after that date. Rents are adjusted annually to reflect prevailing market rates.

The table below shows payables in respect of non-cancellable operating leases:

In millions of EUR, as at 31 December	2015	2014
Less than one year	143	167
Between one and five years	281	313
More than five years	165	172
Total payables in respect of non-cancellable operating leases	**589**	**652**

The lease and sublease payments recognised as expenses in the income statement were as follows:

In millions of EUR, as at 31 December	2015	2014
Minimum lease payments	173	237
Contingent rent	1	3
Sublease payments	(1)	(1)
Total lease and sublease payments	**173**	**239**

E.35.2. Lessor

As a lessor, the Group leases mainly office and retail premises. The following table shows minimum lease payments under non-cancellable operating leases:

In millions of EUR, as at 31 December	2015	2014
Less than one year	78	107
Between one and five years	293	342
More than five years	332	489
Future minimum lease payments under non-cancellable operating leases	**703**	**938**

E.36. Repurchase agreements and reverse repurchase agreements

The Group raises funds by selling financial instruments under agreements to repurchase them at future dates at the same price plus interest at a predetermined rate ("repos").

As at 31 December, assets sold under repos were as follows:

In millions of EUR, as at 31 December	2015 Fair value of underlying assets	2015 Carrying amount of corresponding liabilities	2014 Fair value of underlying assets	2014 Carrying amount of corresponding liabilities
Financial assets at FVTPL	224	223	71	67
Financial assets available for sale	10	10	110	102
Financial assets held to maturity	2	2	–	–
Investment in associates	302	186	302	166
Financial assets received in reverse repos	–	–	160	163
Total assets	**538**	**421**	**643**	**498**

"Financial assets as off-balance sheet item" is the portion of financial instruments received under reverse repos (see below) that were subsequently sold under repos.

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repos"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repos are entered into as a facility to provide funds to customers. As at 31 December, assets purchased subject to agreements to resell them were as follows:

In millions of EUR, as at 31 December	2015 Fair value of assets received as collateral (total)	2015 of which: Fair value of assets repledged or sold	2015 Carrying amount of receivables	2014 Fair value of assets received as collateral (total)	2014 of which: Fair value of assets repledged or sold	2014 Carrying amount of receivables
Loans and advances to banks	161	68	149	328	326	330
Loans and advances to non-banks	38	–	26	65	–	52
Total loans and advances	**199**	**68**	**175**	**393**	**326**	**382**

E.37. Off-balance sheet items

E.37.1. Commitments and contingent liabilities

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that these amounts have been fully advanced. The amounts set forth in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to meet their contractual obligations.

The Group companies included in the banking segment engage in the provision of open credit facilities to allow customers quick access to funds in order to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees, whereby the Group might guarantee repayment of a loan taken out by a client with a third party; stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost; documentary letters of credit for obtaining lower cost financing for foreign trade on behalf of a customer; documentary letters of credit reimbursable to a Group company later and debt facilities and revolving underwriting facilities that allow customers to issue short or medium-term debt instruments without engaging in the normal underwriting process on each occasion. Revenue from the guarantees provided is recognised under "Fee and commission income" and is determined by applying the agreed rates to the nominal amount of the guarantees.

In millions of EUR, as at 31 December	2015	2014
Loan commitments	770	807
Revolving loan commitments	525	570
Consumer loan commitments	42	34
Cash loan commitments	10	11
Undrawn overdraft facilities	60	76
Term loan facilities	133	116
Capital expenditure commitments	55	67
Guarantees provided	135	337
Non-payment guarantees	52	75
Non-revocable letters of credit	1	2
Payment guarantees	82	260
Total commitments and contingent liabilities	**960**	**1,211**

These commitments and contingent liabilities have an off-balance sheet credit risk because only organisation fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent the expected future cash flows.

The following table shows secured liabilities:

In millions of EUR, as at 31 December	2015	2014
Secured bank loans	4,522	3,531
Debt securities issued	62	73
Total secured liabilities	**4,584**	**3,604**

The secured bank loans include a loan to the Ryazan project (refer to E.16) which is not fully covered by the investment property pledged: the fair value of the property in 2015 was MEUR 53 lower (2014: MEUR 33 lower).

The assets pledged as security were as follows:

In millions of EUR, as at 31 December	2015	2014
Cash and cash equivalents	2	30
Financial assets at fair value through profit and loss (repos)	224	71
Financial assets available for sale (repos)	10	110
Financial assets held to maturity (repos)	2	–
Loans and receivables due from banks and other financial institutions	38	1
Loans and receivables due from customers	1,074	181
Inventories	161	84
Investment in associates (repos)	302	302
Investments in associates (held for sale)	–	1,144
Investment property	1,284	1,097
Property, plant and equipment	1,056	79
Financial assets as off-balance sheet items (repos)	–	160
Total assets pledged as security	**4,153**	**3,259**

In 2014 a significant portion of secured liabilities was attributable to the Calyon facility, secured by a share in Generali PPF Holding (2014: held-for-sale asset).

In addition, the Group pledges certain shares in O2 CR and CETIN. As of 31 December 2015, a 60.27% share in O2 CR and a 84.73% share in CETIN were used as collateral for several funding facilities (refer to E.16). As of 31 December 2014, the whole stake in O2 CR (before the demerger) was pledged.

E.37.2. Other contingencies

E.37.2.1. Litigation

The Group (as a former sole shareholder of Česká pojišťovna a.s.) is involved in litigation (formally consisting of five disputes merged procedurally into one) in which the adequacy of the consideration paid to minority shareholders arising from the decision of the general meeting of Česká pojišťovna a.s. adopted in July 2005, approving a squeeze-out of minority shareholders, is being challenged in court. Based on legal analyses carried out by external legal counsel, management believes that it is unlikely that this case will be concluded in favour of the plaintiffs.

Furthermore, the Group (through its subsidiary PPF A4 B.V.) will be involved in litigations connected to a squeeze-out of minority shareholders in Česká telekomunikační infrastruktura a.s. (CETIN), approved by general meeting of this company on 3 December 2015. Several former minority shareholders filed their actions with the relevant court and asked the court to decide on adequate consideration (i.e. higher than that originally paid by PPF A4 B.V.) for their shares in CETIN. No hearing has been scheduled yet.

The following legal cases related to O2 CR are significant from the Group's perspective:

On 28 March 2011, VOLNÝ, a.s. filed a legal action with the Municipal Court in Prague against O2 CR for an amount exceeding MEUR 146, regarding alleged abuse of a dominant position in the market of broadband internet access for households via ADSL technology. Allegedly, this is due to a margin squeeze applied by O2 CR on the fixed broadband market. O2 CR replied to the petition in July 2011 by noting that both the claim and the calculations submitted by the claimant were unsubstantiated and by pointing at discrepancies in the petition claims. The court started hearings of this case and the hearings continued in 2013, including hearings of experts and witnesses. The most recent hearing took place in February 2014, when the court indicated that a revised expert opinion might be considered by the court. The exact wording of the question for the expert is yet not known.

A legal action for MEUR 113, filed by České Radiokomunikace a.s. (ČRa), was served on O2 CR in October 2012. The claimant states that O2 CR allegedly caused it damage by abusing a dominant position on the xDSL market, thereby impacting ČRa's ability to reach an "equitable position on the retail xDSL market". On 7 February 2013, the Municipal Court in Prague interrupted the proceedings pending the end of the administrative proceedings held by the Office for the Protection of Competition. After O2 CR appealed, the High Court in Prague changed the decision in June 2013 and ordered the resumption of the proceedings. ČRa filed an extraordinary appeal but it was declined by the Supreme Court on 29 April 2014. Therefore the court will have to decide on the merits without waiting for the outcome of the proceedings led by the Office. Oral hearings took place in October and November 2014 and January 2015, where all evidence on paper was put forward. At a further hearing in April 2016, the Municipal court in Prague dismissed the ČRa legal action in its entirety because of a lack of facts and evidence to support the claim in the legal action.

The legal action under which Vodafone Czech Republic a.s. claimed MEUR 14 was served on O2 CR on 2 April 2015. Vodafone Czech Republic a.s. claims that O2 CR allegedly breached the competition rules regarding broadband internet connection via xDSL technology during the years 2009 to 2014. The legal action was filed less than a week after the two-page pre-litigation letter had been delivered to O2 CR. According to O2 CR, the legal action is an artificially created case primarily aimed at damaging O2 CR with adverse media coverage. Vodafone Czech Republic a.s. claims that lost profit was caused by the failure to acquire 200,000 xDSL customers. O2 CR sent a statement to the court pointing out that the legal action was not based on the facts. An oral hearing has yet to be scheduled.

No provision has been created with respect to the legal disputes discussed above. The Group believes that all litigation risk has been faithfully reflected in the consolidated financial statements.

E.37.2.2. Taxation

The taxation systems in the Russian Federation, Belarus, Kazakhstan, Vietnam and China are characterised by frequent changes in legislation which are subject to varying interpretation by diverse tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the power to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Common practice in the Russian Federation, Belarus, Kazakhstan, Vietnam, China, India, Indonesia and Philippines suggests that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

The facts mentioned above may create tax risks in the respective countries that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities and that outstanding tax receivables are recoverable based on its interpretations of applicable tax legislation, official pronouncements and court decisions within each country in question.

In terms of other countries where Group companies operate, several changes in tax legislation have been observed in recent years, especially in Cyprus, the Netherlands, the Czech Republic and the Slovak Republic. However, these changes have had no significant impact on the tax positions of any companies.

E.37.3. Guarantee received and off-balance sheet assets

Guarantees received and off-balance sheet assets were as follows:

In millions of EUR, as at 31 December	2015	2014
Guarantees received	227	556
Loan commitments received	377	100
Value of assets received as collateral (including repos)	1,011	1,012
Total contingent assets	**1,615**	**1,668**

E.38. Related parties

E.38.1. Identity of related parties

The Group has a related party relationship with its associates, joint ventures and non-consolidated subsidiaries.

Furthermore, the key management personnel of the Group and the close family members of such personnel; other parties which are controlled, jointly controlled or significantly influenced by such individuals and entities in which such individuals hold significant voting power are also considered related parties.

The key management personnel of the Group comprises members of the Board of Directors and key executive officers.

E.38.2. Transactions with governing bodies and executive officers

Income of the governing bodies and key executive officers received from the Group:

In millions of EUR, for the year ended 31 December	2015	2014
Board of Directors of the Parent Company	0.5	0.5
Key executive officers	26	31

The income includes financial and non-financial income as follows:

Financial income includes all financial income that has been accepted by a member of a board from the Group during the financial year (especially allowances provided for membership of statutory bodies, salaries, wages, bonuses and benefits, income under other arrangements and group life insurance).

Non-financial income includes all non-monetary income (benefits) that has been accepted by a member of a board from the Group during the financial year.

E.38.3. Transactions with associates

During the course of the year the Group had the following significant transactions at arm's length with associates:

In millions of EUR, for the year ended 31 December	2015	2014
Interest income	2	3
Fee and commission income	–	1
Net gain/(loss) on financial assets	(1)	5
Rental and related income	–	1
Operating income	–	1
Total revenue	**1**	**11**
Interest expense	–	(7)
Fee and commission expense	–	(2)
Net earned premiums	–	(1)
Operating expense	–	(1)
Total expense	**–**	**(11)**

At the reporting date the Group had the following balances with associates and joint ventures:

In millions of EUR, as at 31 December	2015	2014
Financial assets at FVTPL	–	5
Loans due from customers	36	33
Trade and other receivables	–	3
Property, plant and equipment	–	2
Other assets	–	13
Total assets	**36**	**56**
Due to non-banks	–	(187)
Debt securities issued	–	(175)
Total liabilities	**–**	**(362)**

E.38.4. Other related parties including key management personnel

During the course of the year the Group had the following significant transactions at arm's length with other related parties:

In millions of EUR, for the year ended 31 December	2015	2014
Interest income	21	18
Other income	1	1
Total revenue	**22**	**19**
Net gain/(loss) on financial assets	–	(3)
General administrative expenses	(14)	(14)
Total expenses	**(14)**	**(17)**

At the reporting date the Group had the following balances with other related parties:

In millions of EUR, as at 31 December	2015	2014
Loans due from customers	366	322
Trade and other receivables	–	1
Intangible assets	4	3
Total assets	**370**	**326**
Due to non-banks	(4)	(5)
Trade and other payables	(5)	(3)
Total liabilities	**(9)**	**(8)**

In December 2014, the Group acquired 1.5% of treasury shares from the controlling shareholder for MEUR 109. Refer also to B.2.3, B.2.4. and B.3.1 for other related-party transactions.

F. Significant accounting policies

F.1. Significant accounting policies

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

F.1.1. Foreign currency

F.1.1.1. Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the exchange rate effective at the date of the transaction and announced by the bank authority ("BA") for the respective country in which the entity operates. At the reporting date:

— monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the exchange rate at that date (announced by the BA);

— non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated using the exchange rates (announced by the BA) prevailing at the date that the fair value was determined;

— non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate (announced by the BA) at the date of the original transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of available-for-sale equity investments which are recognised in other comprehensive income (except for impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

F.1.1.2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at the exchange rates prevailing at the reporting date and announced by European Central Bank. In order to harmonise the foreign exchange rates used across the group entities, the Group uses the rouble/euro exchange rate as published by the Central Bank of Russia for the translation of the current year end balances.

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions.

Income and expenses of foreign operations in hyperinflationary economies (Belarus until 2014) are translated to euro at the exchange rates prevailing at the reporting date. Prior to translation, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of with loss of control, significant influence or joint control, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

From 2011 to 2014, the Belarusian ruble (BYR) was identified as a currency of a hyperinflationary economy. Therefore, the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies were applied to the Belarusian subsidiary Home Credit Bank OJSC.

F.1.2. Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Mandatory minimum reserves as the part of balances with central banks are classified under loans and receivables due to banks.

F.1.3. Financial assets

Financial assets include financial assets at fair value through profit or loss, financial assets available for sale, financial assets held to maturity, loans and receivables, cash and cash equivalents.

Financial assets are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognise them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used trade date accounting. Financial instruments, with the exception of financial instruments at fair value through profit or loss, are measured initially at fair value plus transaction costs directly attributable to the acquisition or issue of the financial instrument.

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are exercised, or when the rights expire or are surrendered.

F.1.3.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or non-trading financial assets that are designated, upon initial recognition, as financial assets at fair value through profit or loss.

Financial assets held for trading are assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in their price or the dealer's margin. Financial assets are classified as held for trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held for trading include investments and certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at fair value through profit or loss.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value based on the market prices quoted on an active market, except for derivative instruments that are not exchange-traded and financial assets that are not quoted on an active market, which are measured based on generally accepted valuation techniques depending on the product. Gains and losses arising from changes in the fair values of financial assets at fair value through profit or loss are recognised in the income statement.

F.1.3.2. Financial assets available for sale

Available-for-sale financial assets are non-derivative financial assets that are not classified as other categories of financial assets. Available-for-sale investments comprise equity securities and debt securities.

After initial recognition, the Group measures financial assets available for sale at their fair values, with the exception of instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured. The latter are stated at cost, including transaction costs, less impairment losses.

Any revaluation gain or loss on a financial asset available for sale is recognised in other comprehensive income with the exception of impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When available-for-sale assets are derecognised, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Where these instruments are interest-bearing, interest calculated using the effective interest rate method is recognised in the income statement.

F.1.3.3. Financial assets held to maturity

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold to maturity.

Financial assets held to maturity are stated at amortised cost less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees.

The fair value of an individual security within the held-to-maturity portfolio can temporarily fall below its carrying value. However, provided there is no risk that the security may be impaired, the security in question is not written down in such a case.

F.1.3.4. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those classified as at fair value through profit or loss or classified as available for sale.

Loans and receivables are measured at amortised cost using the effective interest rate method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

F.1.3.5. Repurchase agreements

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price ("repos"). Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or non-banks. The receivables are shown as collateralised by the underlying security. Investments sold under repos continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy as either assets held for trading or available for sale, as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or non-banks.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is treated as interest.

F.1.3.6. Lease transactions

Loans and receivables include the Group's net investment in finance leases where the Group is acting as the lessor. The net investment in finance leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Lease payments include repayment of the finance lease principal and interest income. Recognition of the interest is based on a variable interest rate, which is applied to the net investment (principal) outstanding in respect of the finance lease. Income from finance leases is allocated over the lease term on a systematic basis.

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

F.1.4. Derivatives and hedge accounting

At the inception of a financial derivative contract, the Group designates the derivative instrument as either held for trading or hedging.

Hedging derivatives are derivatives that the Group uses to hedge against interest rate and foreign exchange rate risks to which it is exposed as a result of its financial market transactions. The Group designates a derivative as hedging only if the criteria set out under IFRS are met at the designation date, i.e. if, and only if, all of the following conditions are met:

— there is compliance with the Group's risk management objective and strategy in undertaking the hedge;

— at inception of the hedge there is formal designation and documentation of the hedging relationship which includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;

— the hedge is expected to be highly effective at inception and throughout the period;

— the effectiveness of the hedge can be reliably measured; and

— changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80% to 125%.

Hedging derivatives are accounted for according to the type of hedging relationship, which can be one of the following:

— a hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and that could affect profit or loss (fair value hedge); or

— a hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss (cash flow hedge).

Changes in the fair value of a derivative that is designated and qualified as a cash flow hedge and that proves to be highly effective in relation to hedged risk are recognised in OCI and they are transferred to the income statement and classified as income or expense in the periods during which the hedged assets and liabilities affect the income statement.

On this basis, the Group hedges the interest rate risk and foreign currency risk associated with selected portfolios of assets or liabilities or individually significant assets or liabilities. The effectiveness of the hedge is regularly tested through prospective and retrospective tests on a quarterly basis. If the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, the entity revokes the designation and the hedge accounting is discontinued prospectively.

Financial derivatives representing economic hedges under the Group's risk management positions but not qualifying for hedge accounting under the specific rules of IAS 39 are treated as derivatives held for trading.

An embedded derivative is a component of a combined instrument that also includes a non-derivative host contract – with the effect that some of the cash flows or other characteristics of a combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative may be separated from the host contract and accounted for as a separate derivative if, and only if:

— the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

— a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

— the host instrument is not measured at fair value with changes in fair value recognised in profit or loss or the host instrument is measured at fair value, but changes in fair value are recognised in the statement of financial position.

F.1.5. Impairment

F.1.5.1. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

— significant financial difficulty of the issuer or debtor;

— a breach of contract, such as default on interest or principal payments;

— the disappearance of an active market for a security; or

— observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

The Group considers evidence of impairment for loans, receivables and held-to-maturity securities at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between the loss estimates and the actual loss experience.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Receivables with a short duration are not discounted. Losses are recognised in the income statement and reflected in an allowance account. When the Group determines that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the income statement.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to the income statement. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

F.1.5.2. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, deferred acquisition costs, the present value of future profits on acquired insurance portfolio and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

F.1.6. Inventories

Inventories are stated at the lower of cost and net realisable value (being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). Where the net realisable value is below cost, inventories are written down to the lower value, and the impairment loss is recorded in the income statement.

Trading property is a special kind of inventory comprising land and buildings constructed or acquired by the Group for future sale. Trading property is measured at the lower of cost and net realisable value.

F.1.7. Biological assets

Biological assets are measured at fair value less estimated point-of-sale costs, with any change therein recognised as profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. The fair value of biological assets is determined based on market prices of similar biological assets in local areas.

Agricultural produce is transferred to inventory at its fair value less estimated point-of-sale costs at the date of harvest.

F.1.8. Assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) we would expect to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before being classified as held for sale, the assets (or components of a disposal group) are measured in accordance with the applicable IFRS. Thereafter, the assets (or disposal groups) are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventory, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets; these continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

F.1.9. Deferred acquisition costs of insurance contracts

Direct costs arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' shares of deferred acquisition costs are amortised in the same manner as the underlying asset amortisation is recorded.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of comprehensive income.

Deferred acquisition costs are derecognised when the related insurance contracts are either settled or disposed of.

F.1.10. Investment property

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both. A property owned by the Group is treated as an investment property if it is not occupied by a Group company or if only an insignificant portion of the property is occupied by a Group company.

Subsequent to initial recognition all investment properties are measured at fair value. The fair value is determined annually based on appraisals by an independent external expert or based on internal valuations in the case of projects with immaterial value.

The external valuations are always obtained from leading market experts such as Colliers International, Cushman & Wakefield or CBRE. All the valuation reports are based on a generally worldwide accepted RICS (Royal Institute of Chartered Surveyors) valuation methodology, which is one of the best methods used to obtain the fair market valuation of the given property, especially in the absence of any actual transactions. All the valuation reports produced by external experts are then subject to several rounds of discussions and challenges before the final figures are obtained and agreed.

When the Group applies internal valuations the fair value of investment property is determined using the discounted cash flow or comparable method. Such valuations require the use of judgment and assumptions about future market conditions.

Property that is being built or developed for future use as investment property is classified as investment property and recognised at fair value. In case the fair value is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the lease term.

When an item of property, plant and equipment becomes an investment property following a change in its use, any gain arising at the date of transfer between the carrying amount of the item and its fair value, and the related deferred tax thereon, is recognised directly in equity. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

Subsequent expenditures relating to investment properties are capitalised if they extend the useful life of the assets; otherwise, they are recognised as an expense.

F.1.11. Property, plant and equipment

Property, plant and equipment is stated at purchase price or production cost, less accumulated depreciation (except for freehold land) and any accumulated impairment losses.

Property, plant and equipment include all costs directly attributable to bringing the asset to working condition for its intended use. With respect to the construction of the network, this comprises every expenditure up to the customer premises, including the cost of contractors, material, direct labour costs and interest cost incurred during the course of construction.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other operating income/other operating expenses in profit or loss.

Depreciation is provided on a straight-line basis using the following useful lives:

Buildings and constructions	up to 50 years
Ducts and cables	up to 40 years
Telecommunication technology and equipment	up to 20 years
Vehicles	5–10 years
Other tangible assets and equipment	up to 10 years

Component parts of an asset which have different useful lives or provide benefits in a different pattern are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time the technical improvement is recognised.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

F.1.12. Intangible assets

F.1.12.1. Goodwill and negative goodwill

The Group accounts for all business combinations, except business combinations determined to be reorganisations involving group companies under common control (refer to A.5), as acquisitions.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units at the date of the acquisition and is not amortised but instead tested for impairment, annually or more frequently if events or changes in circumstances indicate that it might be impaired. Negative goodwill arising on the acquisition is recognised immediately in the income statement.

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

F.1.12.2. Trademarks

Trademarks that were acquired separately are initially measured at cost, while trademarks acquired through a business combination are measured at fair value. Trademarks with finite useful life are depreciated on a straight-line basis over their useful life. Trademarks with infinite useful life are not amortised but they are tested for impairment annually or whenever there is an indication that the trademark may be impaired.

F.1.12.3. Present value of future profits from portfolio acquired

On the acquisition of a portfolio of long-term insurance contracts or investment contracts, either directly or through the acquisition of an enterprise, the net present value of the shareholders' interest in the expected cash flows of the portfolio acquired is capitalised as an asset. This asset, referred to as the present value of future profits ("PVFP"), is calculated on the basis of an actuarial computation taking into account assumptions for future premium income, contributions, mortality, morbidity, lapses and returns on investments. PVFP is recognised separately for insurance segments and for the respective companies.

The PVFP is amortised over the average effective life of the contracts acquired, using an amortisation pattern reflecting the expected future profit recognition. The assumptions used in the development of the PVFP amortisation pattern are consistent with the ones applied in its initial measurement.

F.1.12.4. In-process research and development assets

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends, and has sufficient resources, to complete development and use or sell the asset. In-process research and development ("IPRD") assets consist of biotech licence deals acquired in a business combination. These assets are measured at fair value at initial recognition.

Subsequent IPRD expenditures are capitalised on the basis of technical feasibility as indefinite-lived intangible assets and remain in the balance sheet, subject to impairment, until completion. Amortisation over their useful life commences when research and development is complete. Alternatively, if the project in question is abandoned, the carrying value of the associated IPRD assets is expensed.

F.1.12.5. Other intangible assets

Other intangible assets, including software, licences and customer relationships, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Such categories of assets with finite useful lives are amortised on a straight-line basis. The estimated useful lives are as follows:

Software	up to 8 years
Trademark	indefinite/4 years
Licences	12–20 years
Customer relationships	5–12 years
PVFP	5/35 years (non-life/life portfolio)
Other	up to 20 years

The amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time the technical improvement is recognised.

As for the life and non-life portfolio, the recoverable amount of the value of the "in-force business acquired" is determined by conducting the liability adequacy test ("LAT") on the insurance provisions, taking into account the deferred acquisition costs, if any, recognised in the statement of financial position. Any impairment losses are recognised in the income statement.

Where there is any indication that an impairment loss recognised for PVFP in prior years no longer exists, the carrying amount of PVFP is increased to its estimated recoverable amount. The increased carrying amount of PVFP due to reversal of impairment loss may not exceed the carrying amount that would be determined if no impairment loss had been recognised for PVFP in prior years, net of any amortisation accounted for in the meantime.

F.1.13. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

F.1.13.1. Current tax

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group does not offset current tax assets and current tax liabilities unless it has a legally enforceable right to set off the recognised amounts or intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

F.1.13.2. Deferred tax

A deferred tax position is recognised in cases when temporary differences arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: the initial recognition of goodwill arising from a business combination, the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Recognised deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group offsets deferred income tax assets and deferred income tax liabilities only if it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same taxation authority and relate to the same taxable entity.

F.1.13.3. Tax exposure

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

F.1.14. Deposits, loans, debt securities issued and subordinated liabilities

Liabilities due to non-banks and due to banks, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

Deposits, loans, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

F.1.15. Other liabilities and provisions

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which is normally equal to their nominal or repayment value.

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

F.1.16. Insurance provisions

F.1.16.1. Provisions for unearned premiums

Provisions for unearned premiums comprise that part of gross premium revenue attributable to subsequent periods, calculated separately for each insurance contract.

F.1.16.2. Life insurance provisions

Life insurance provisions comprise the actuarially estimated value of the liabilities under life insurance contracts. The provisions remain unchanged unless a liability inadequacy arises. A liability adequacy test ("LAT") is performed at each reporting date by the Group's actuaries using current estimates of the future cash flows under the insurance contracts.

F.1.16.3. Provisions for outstanding claims

Provisions for outstanding claims represent the total estimated cost of settling all claims arising from events that occurred up to the reporting date, whether reported or not, less amounts already paid in respect of such claims. These provisions include claims reported by policyholders but not settled ("RBNS") and claims incurred but not reported ("IBNR"). Provisions for outstanding claims are not discounted for time value of money.

F.1.16.4. Other insurance provisions

Other insurance provisions contain all other insurance technical provisions not mentioned above, such as the provision for unexpired risks (also referred to as the "premium deficiency") in non-life insurance, the ageing provision in health insurance, the provision for contractual non-discretionary bonuses in non-life business and other similar provisions.

F.1.17. Equity

F.1.17.1. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

F.1.17.2. Dividends

Dividends on share capital are recognised as a liability provided they are declared before the reporting date. Dividends declared after the reporting date are not recognised as a liability but are disclosed in the notes.

F.1.17.3. Non-controlling interests

Non-controlling interests consist of the minority shareholders' proportion of the subsidiary's recognised net assets at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

Net profit allocated to non-controlling interests is that part of the net results of the Group attributable to interests which are not owned, either directly or indirectly through subsidiaries, by the equity holders of the Parent Company.

Losses applicable to the non-controlling interests, including negative other comprehensive income, are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

F.1.18. Interest income and interest expense

Interest income and interest expense are recognised in the income statement on an accrual basis, taking into account the effective yield of the asset or liability in question, or the applicable floating rate. Interest income and interest expenses include the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate method.

F.1.19. Net fee and commission income

Fee and commission income arises from financial services provided by the Group, including cash management services, payment clearing, investment advice and financial planning, investment banking services, and asset management services. Fee and commission expenses arise on financial services provided to the Group including brokerage services, payment clearing, and asset management services. Fee and commission income and expenses are recognised when the corresponding service is provided or received. A penalty fee is recognised when a penalty is charged to a customer, taking into account its collectability.

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

F.1.20. Net gain/loss on financial assets

Net gain/loss on financial assets comprises net trading income, net gains on financial assets at fair value through profit or loss that are not held for trading, net realised gains, and dividends.

Net trading income arises from the subsequent measurement of "Trading assets" and "Trading liabilities" at fair value or from their disposal. The amount of trading income to be recorded represents the difference between the latest carrying value and the sale price or between the latest carrying value and the fair value as of the date of the consolidated financial statements.

Net gains on financial assets at fair value through profit or loss that are not held for trading arise from their subsequent measurement at fair value or from their disposal.

A realised gain/loss arises on de-recognition of financial assets other than financial assets at fair value through profit or loss. The amount of the realised gain/loss represents the difference between the carrying value of the financial asset and the sale price adjusted for any cumulative gain or loss that had been recognised directly in equity.

Dividends from financial assets are recorded in the income statement once declared and approved by the shareholders' meeting of the respective company.

F.1.21. Net insurance premium revenue

Net insurance premium revenue includes gross premium revenue from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

F.1.22. Net insurance benefits and claims

Insurance technical charges include claims (benefit) expenses, the change in technical provisions and rebates, and profit sharing. Claims expenses consist of benefits and surrenders, net of reinsurance. Benefits and claims comprise all payments made in respect of the financial year: annuities, surrenders, additions and releases of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs.

F.1.23. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts and include direct costs, such as acquisition commissions, as well as indirect costs, such as advertising costs and administrative expenses. After initial recognition, the acquisition costs for non-life contracts are amortised over the expected life of the contracts.

F.1.24. Net real estate income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Rent increases calculated with reference to an underlying index are recognised in income as they are determined. Rental income from investment properties is included in the net rental income, while rental income from other operating leases is included in other income.

Property operating expenses include expenses directly attributable to rental income and other expenses related to investment property.

F.1.25. Net income on retail operations

Sales of goods consist of retail and wholesale revenues from sales of goods and from related services such as loyalty programmes and an additional service programme. Revenue from the sale of goods and the associated cost of sales are recognised in the income statement when the significant risks and rewards of ownership are transferred to the buyer. Sales of goods are decreased by the value of returned goods provided the customers have a right to return the goods during the warranty period. The Group creates provisions for returns of goods.

The Group uses customer loyalty programmes in the retail business. Customers are awarded bonuses (points) for buying goods in the Group's shops. The bonus points are initially recorded at fair value as a decrease in sales of goods and an increase in deferred income. The fair value is based on the discount that the customers will obtain upon redemption of the points in exchange for goods and also reflects the proportion of points expected to be redeemed.

Cost of goods sold includes:

— the value of inventories expensed in the period when revenue from sales is recognised; goods are measured using the weighted average method;

— inventory losses and inventory surpluses;

— changes in allowances for slow-moving and damaged items;

— supplier bonuses received (reduction of cost of goods sold); supplier bonuses are allocated between inventories and cost of goods sold on pro rata basis; and

— repair cost to be incurred after sales (shipment) of goods.

Other income on retail operations includes income specific to the retail business, such as franchise fees and revenues from services rendered to customers.

F.1.26. Net telecommunication income

Telecommunication revenue, shown net of value added tax and any discounts, comprises goods sold and services provided. Revenue is measured at the fair value of the consideration received or receivable.

Revenue and expenses are recognised on an accrual basis; i.e. when the flow of goods or services takes place, regardless of when the payment or collection is made.

Revenue from voice, data and internet services includes a tariff fee component as well as a variable rate. Both wireline and wireless traffic is recognised as revenue as the related service is provided.

The Group offers customers free minutes with their choice of price plan. At the end of the month, unused free minutes can be rolled over to the following month. The Group is not obliged to reimburse the customer for unused minutes and the option of rolling over any unused minutes is valid for only one month.

The Group recognises revenue for free minutes in the period when the related services are provided and consumed, if material. Any rollover minutes are deferred and recognised when the minutes are used or the option expires.

Revenue arising from prepaid call cards is deferred until the customer uses the credit on the card to pay for calls or other services. Revenue from prepaid cards is recognised at the time of usage of airtime and other services.

The mobile segment generates roaming revenue when airtime and other services are used by the mobile segment's customers roaming on partners' networks in other countries and vice versa. Amounts receivable from and payable to roaming partners are netted and settled on a regular basis. Revenue is recognised when services are provided.

Interconnection revenue results from calls and other traffic that originate in other domestic and foreign operators' networks but terminate in or transit the Group's network. Such revenue is recognised in the income statement at the time when the relevant calls are received in the Group's network. The Group pays a proportion of the call revenue it collects from its customers to the other domestic and foreign operators for calls and other traffic originating in the Group's network that use other domestic and foreign operators' networks. Amounts receivable from and payable to other domestic and foreign operators are netted and settled on a regular basis.

F.1.27. Net agriculture income

Net agriculture income comprises sales of agricultural produce, related cost of sales, other revenue from services provided in agriculture, and any change in the fair value of biological assets.

Sales of goods are presented net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Cost of goods includes:

— the value of agricultural inventories expensed in the period when the revenue from sales is recognised; these inventories are accounted for on a first-in, first-out basis;

— personnel expenses;

— depreciation of property, plant and equipment used in the agricultural production and amortisation of land lease rights; and

— other expenses such as repairs, utilities, agricultural services and other services.

F.1.28. Other income and other expenses

F.1.28.1. Income for services rendered

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

F.1.28.2. Operating lease payments

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

F.1.29. General administrative expenses

General administrative expenses include expenses relating to the running of the Group. These include personnel costs, office rental expenses and other operating expenses. Staff costs include employees' salaries and wages, management remuneration and bonuses, and social insurance.

Within banking operations, administrative expenses include the costs of processing payments, maintaining customer accounts and records, and dealing with customers.

F.1.30. Pensions

The governments of the countries the Group operates in are responsible for providing pensions and retirement benefits to the Group's employees. A regular contribution linked to employees' salaries is made by the Group to the governments to fund the national pension plans. Payments under these pension schemes are charged as expenses as they fall due.

F.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2015

The following published Standards, Amendments and Interpretations of existing standards are mandatory and relevant for the Group's accounting periods and have been applied by the Group since 1 January 2015:

Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle (effective from 1 July 2014) and Annual Improvements 2012–2014 Cycle (effective from 1 January 2016)

In December 2013, the IASB published two Cycles of the Annual Improvements to IFRSs: "2010–2012 Cycle" and "2011–2013 Cycle". The Annual Improvements to IFRSs are part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycles of improvements contain amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 and IAS 40, with consequential amendments to other standards and interpretations. The Annual Improvements "2010–2012 Cycle" were adopted by the EU on 1 February 2015, with early adoption possible. The Annual Improvements "2011–2013 Cycle" were adopted by the EU on 1 January 2015.

F.3. Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Group's consolidated financial statements

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

IFRS 9 Financial Instruments (effective from 1 January 2018)

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

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

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2017)

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

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

IFRS 16 Leases (effective from 1 January 2019)

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

Applying IFRS 16, a lessee will:

— recognise lease assets (as a separate line item or together with property, plant and equipment) and lease liabilities in the balance sheet;

— recognise depreciation of lease assets and interest on lease liabilities in the income statement; and

— present the amount of cash paid for the principal portion of the lease liability within financing activities, and the amount paid for the interest portion within either operating or financing activities, in the cash flow statement.

IFRS 16 has not yet been adopted by the EU.

Amendments to IAS 1 Disclosure Initiative (effective from 1 January 2016)

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

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

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

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

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

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

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

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

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

G. Subsequent events

G.1. CETIN squeeze-out

On 11 January 2016, as a result of a squeeze-out of minority shareholders, the Group became the sole shareholder of CETIN. The total price for the residual 5.1% stake amounts to MEUR 101, equating to CZK 172.4 per share. The Group started to settle the relevant part of the consideration with eligible individual former shareholders in February.

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25

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