4finance Holding S.A.

Consolidated Financial Statements for the year ended 31 December 2016

Address: 9, Allée Scheffer, L-2520, Luxembourg, Grand Duchy of Luxembourg
RCS Luxembourg: B171.059

Contents

Information on the Company

Name of the Company	*4finance Holding S.A.*
Legal status	*Public limited liability company*
Number, place and date of registration	*B171.059, Luxembourg, Luxembourg, August 27, 2012*
Legal and postal address	*9, Allée Scheffer, L-2520, Luxembourg, Grand Duchy of Luxembourg*
Board members and their positions	*Georgios Georgakopoulos, Chairman of the Board of Directors, category B director (from 30.12.2016)* *Paul Goldfinch, category B director (from 30.12.2016)* *Kieran Patrick Donnelly, category B director, Chairman of the Board (from 28.02.2014 - 30.12.2016)* *Mārtiņš Baumanis, category B director (from 20.10.2014 until 30.12.2016)* *Stephane Sabella, category A director (from 08.02.2016)* *Philip Cesar Pascual (from 08.02.2016)* *Livio Gambardella, category A director (from 20.10.2014 until 08.02.2016)* *Marc Chong Kan, category A director (from 27.02.2015 until 08.02.2016)*
Reporting period	*01.01.2016–31.12.2016*
Information on shareholders	*4finance Group S.A. holding 100%** **from voting stock* *Total share capital of 4finance Holding S.A. consists of:* *3,575,000,000 ordinary shares with voting rights (99.997%)* *100,000 von-voting preferred shares held by AS 4finance (0.003%)*
Auditors	*KPMG Luxembourg* *Société coopérative* *39, Avenue John F. Kennedy* *L-1855 Luxembourg*

Management Report

4finance Holding S.A. (the "Company"), one of Europe's largest online and mobile consumer lending groups, active in 16 countries globally, presents its annual report including its audited annual accounts for the twelve month period ending 31 December 2016 .

The share capital of the Company as at 31 December 2016 was EUR 35 750 thousand (31 December 2015: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2015: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2015: EUR 0.01), fully paid via contribution-in-kind. As at 31 December 2016 and 31 December 2015, 4finance AS, a subsidiary of 4finance Holding S.A., held one hundred thousand (100 000) non-voting preferred shares with nominal value of one cent of Euro (EUR 0.01) each.

The Company is rated B3 by Moody's and B+ by Standard & Poor's,

Important events in 2016 and future developments

During the reporting period, the Company and its subsidiaries (collectively, "the Group") achieved strong growth in business volumes which has driven an increase in revenues and profitability. The total value of loans issued by the Group in the reporting period reached EUR 1,157 million, exceeding EUR 4 billion in total since the business was established in 2008.

Acquisitions and disposals

In August 2016, the Group acquired TBIF Financial Services B.V. and its subsidiaries (collectively, "TBIF Group"). TBIF Group is a consumer-focused bank operating in Bulgaria and Romania. This acquisition enhanced the scale of our operations in these two existing markets. TBIF Group maintains a consumer portfolio, including small-size loans of a similar profile to our instalment loans (in terms of size and maturity), point of sale financing and credit cards, as well as an SME portfolio, including leasing. In 2016, the consumer portfolio and SME portfolio accounted for approximately 69% and 31%, respectively, of TBI Bank's net loan portfolio, i.e., gross loan portfolio less provisions for bad debts. In 2015, these figures were 63% and 37%, respectively. Management believes that having an entity with a banking license in an EU member state will enable the Group to mitigate the effects of increased regulation in our existing markets (such as a requirement for a banking license for consumer lending), diversify funding and lower funding costs by accepting deposits, and enable the Group to enter into the credit card sector.

In June 2016, the Group acquired 80% of the share capital of Friendly Finance OU ("Friendly Finance"), an online consumer lender active in the Czech Republic, Poland, Spain, Slovakia and Georgia for a purchase price of EUR 28.8 million. The acquisition of Friendly Finance added additional brands to the Group's portfolio and an additional database of over one million registered customers, reinforcing our position as the leading online and mobile consumer lender in Europe.

The Group acquired 9.9% of Spotcap Global SARL, an online SME lender, at the end of June 2016 from Tirona for the sum of EUR 4.9 million.

In December 2016, the Group invested in 24.4% in Billfront, a fintech lender to digital marketing companies.

Financing

In May 2016, the Group issued EUR 100.0 million of 11.25% notes (the "2021 Notes") which are senior to all of the Group's future subordinated debt. The 2021 Notes were listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange in August 2016. The 2021 Notes will mature in May 2021.

In November 2016, the Group issued a successful tap issue of EUR 50 million of its 2021 Notes, priced at par. Together with the EUR 100 million issued in May 2016, this brings the total issued amount to EUR 150 million, which is the maximum amount under the terms and conditions of the bond.

Changes in management

In May 2016, the decision was taken to separate the roles of Chairman and CEO. Kieran Donnelly took on the role of Chairman of the Management Board, and George Georgakopoulos joined the Group as Chief Executive Officer. Kieran Donnelly stepped down as Chairman of the 4finance management boards at the end of December 2016. He remains a member of the supervisory board of TBI Bank.

In September 2016, Paul Goldfinch joined 4finance as Group Chief Financial Officer. At the same time, Martins Baumanis took on the role of Executive Vice President Loans, with global product responsibility for single payment, instalment and line of credit loans.

Future developments

In 2017, the Group will continue to pursue its strategy of building one of the world's leading digital consumer finance businesses based on providing a convenient and transparent service to its customers. In particular, the Group aims to:

- Strengthen its foundation. To reinforce the Group's leadership in existing markets, optimizing its products and adapting to incoming regulation where appropriate.

- Leveraging technology. Deploy best-in-class technology across the business with a particular focus on marketing technology and risk management tools to improve credit scoring.

- Product roll-out. Focus on growing instalment loan and line of credit portfolios by rolling them out to further markets, as well as selectively piloting new products.

- Geographic expansion. Selective expansion into additional geographies, particularly Latin America, to further diversify the Group's revenue sources.

Review and development of the Group's business and financial position

Interest income for the twelve months ended 31 December 2016 amounted to EUR 393 155 thousand , compared with EUR 318 285 thousand in 2015, which represents an increase of 24%. Growth in interest income from online lending was 17%, reflecting the 14% increase in the average balance of the net loan portfolio, driven by the addition of the Friendly Finance portfolio, and the 4 percentage point increase in average interest rates. Relatively higher growth in loan issuance continues to be seen in Spain, Denmark and Poland. Those three countries saw an increase in interest income of 57% in Spain, 58% in Denmark and 16% in Poland respectively, an increase of EUR 46 059 thousand for 2016 compared with 2015. Interest income growth was mainly driven by an increase in the net loan portfolio. The balance of outstanding net loans at the end of 2016 was EUR 493 897 thousand, a 60% increase compared with EUR 308 288 thousand as of 31 December 2015. Growth in the net loan portfolio was also driven by Spain, Denmark and Poland. The increase includes EUR 26 220 thousand in net loans from Friendly Finance and EUR 177 513 thousand from TBIF Group.

The Group generated profit during the reporting period. Profit from continuing operations for the year ended 31 December 2016 amounted to EUR 63 207 thousand, a 9% increase compared to EUR 58 155 thousand for the twelve months ended 31 December 2015. The profit for the year will be invested into the future growth and development of the Group.

Principal risks and uncertainties

The Group applies Group policies for overall risk management, and there are Group policies covering specific areas such as credit risk, liquidity risk, market risks, operational risks and reputation risks. Since acquisition, management have undertaken steps to align TBIF Group and Friendly Finance with Group policies. This is a process that will continue in 2017.

A more detailed description of risk management is available in Note (4) Risk management of these Financial Statements.

Research and development

The Group Product Development department continues to invest in information technology. The total amount invested for the reporting period was EUR 43.9 million, of which EUR 22.3 million was expensed in the income statement. The remaining EUR 21.6 million was capitalized as intangible assets, representing product and platform development.

Corporate Governance

Strong corporate governance is an integral part of building a sustainable business. In July 2016, a Supervisory Board was established at 4finance Group S.A. level, the beneficial owner of the Company. The three members are Nicholas Jordan (Chairman), William Horwitz and Dr. Cornelius Boersch. All bring a considerable range and depth of expertise in this important oversight role.

Regulatory compliance is a vital part of the Group's operations and is taken very seriously throughout the business. The Group plays an active role in industry associations in several of its markets to support development of appropriate regulation.

The Executive Committee is composed of a team that works with the senior leaders across the Group to promote and foster a corporate culture of the highest ethical standards, internal controls, and legal compliance.

New licenses and establishments

In December 2016, the Group's Vivus business in Georgia received its microfinance organisation license from the National Bank of Georgia. The MyCredit (Friendly Finance) business in Georgia is also in the process of going through the same license application process.

The Group has applied for a license in the Czech Republic for both its Zaplo and Friendly Finance businesses under the new licensing regime.

In June 2016, the Group established a subsidiary in Guatemala to facilitate pre-opening activities in that market. In August, the Group commenced operations in the Dominican Republic. In addition, the Group established a subsidiary in Kazakhstan to facilitate potential entry into that market via Friendly Finance.

Important events after the balance sheet date

Changes in management

In 2017, George Georgakopoulos, CEO, took over the role as Chairman of the Management Board of 4finance Group SA and the Board of Directors of 4finance Holding SA. Paul Goldfinch, CFO, took over as Chairman of the Board of Directors of 4finance SA. In addition, in February 2017, Mark Ruddock was appointed to the Supervisory Board.

Changes in the regulatory framework

Finland: the Ministry of Justice in Finland published a proposal in February 2017 to amend online lending legislation. This includes extending the 50% APR cap to cover all loans (currently it only applies to loans under EUR 2,000). The Group is contributing to the ongoing consultation process. The rules are expected to be finalised by the end of 2017, with implementation in mid-2018.

Poland: the Ministry of Justice in Poland published a draft bill in December 2016 that seeks to reduce the non-interest caps introduced in March 2016 to 10% fixed plus 10% annual (from the current levels of 25% fixed plus 30% annual). Given the strong reaction to the proposed changes, the consultation process was extended and is still ongoing with unclear timing and outcome.

Georgia: new legislation came into force in January 2017 implementing a 100% effective interest rate cap on consumer lending. Previously there was no cap. Our operations in Georgia through Vivus and MyCredit brands are compliant with the new rules.

Management Report

Financing

The Group actively manages its liquidity risks and aims to strengthen its long-term capital structure. This ongoing process includes addressing the effects of the potential exercise by bondholders in summer 2017 of the put option embedded in the 2019 Notes. Management is currently reviewing a range of options to manage the possible exercise of that put, including refinancing and/or modifying the terms of its existing indebtedness, and accessing additional capital in the international capital markets.

Georgios Georgakopoulos
Chairman of the Board of Directors

22 March 2017

Consolidated Statement of Comprehensive Income

	Note	2016 EUR'000	2015 EUR'000
Continuing operations			
Interest income	7	393 155	318 285
Interest expense	8	(38 684)	(28 657)
Net interest income		**354 471**	**289 628**
Fee and commission income	9	2 901	—
Fee and commission expense	10	(809)	—
Net fee and commission income		**2 092**	—
Net trading loss	11	(7 337)	(6 988)
Other income	12	14 314	3 813
Other expense	13	(2 446)	(1 752)
Net impairment losses	14	(89 672)	(76 964)
General administrative expenses	15	(190 383)	(133 899)
Profit before taxes		**81 039**	**73 838**
Income tax for the reporting period	16	(17 832)	(15 683)
Profit from continuing operations		**63 207**	**58 155**
Discontinued operations			
Profit from discontinued operations, net of tax	6	—	5 910
Profit for the period		**63 207**	**64 065**
Profit attributable to:			
Equity holders of the Group		62 823	63 470
Non-controlling interests		384	595
PROFIT		**63 207**	**64 065**
Other comprehensive income that is or may be transferred to profit or loss			
Net gain on available for sale financial assets		5	—
Reclassification of foreign currency differences on disposal of subsidiaries		—	(728)
Foreign currency translation differences on foreign operations		(4 404)	(5 318)
Other comprehensive income		**(4 399)**	**(6 046)**
Total comprehensive income for the period		**58 808**	**58 019**
Total comprehensive income attributable to:			
Equity holders of the Group		58 400	57 414
Non-controlling interests		408	605

The accompanying notes on pages 13 to 92 form an integral part of these consolidated financial statements.

Georgios Georgakopoulos
Chairman of the Board of Directors

22 March 2017

Consolidated Statement of Financial Position

Assets	**Note**	**31.12.2016 EUR'000**	**31.12.2015 EUR'000**
Cash and cash equivalents	17	157 641	56 862
Placements with other banks		4 752	—
Derivatives	18	11 166	10 503
Loans due from customers	19	493 897	308 288
Net investment in finance leases	20	13 082	—
Financial assets available for sale	21	10 589	—
Loans to related parties	22	67 198	13 732
Other assets	23	21 531	5 382
Investments in associates	24	2 080	—
Prepaid expenses		5 602	2 675
Property and equipment	25	12 345	4 328
Non-current assets held for sale	26	8 576	—
Intangible assets and goodwill	27	83 175	18 030
Income tax assets		16 053	5 465
Deferred tax asset	28	23 697	12 941
Total assets		**931 384**	**438 206**
Liabilities			
Loans and borrowings	29	397 183	229 462
Deposits from customers	30	237 119	9 121
Income tax liabilities		14 633	7 358
Other liabilities	32	47 495	19 002
Liabilities held for sale	26	4 809	—
Total liabilities		**701 239**	**264 943**
Share capital	31	35 750	35 750
Retained earnings		232 420	171 048
Reserves		(38 753)	(34 646)
Total equity attributable to equity holders of the Company		**229 417**	**172 152**
Non-controlling interests		728	1 111
Total equity		**230 145**	**173 263**
Total shareholder equity and liabilities		**931 384**	**438 206**

The accompanying notes on pages 13 to 92 form an integral part of these consolidated financial statements.

Georgios Georgakopoulos
Chairman of the Board of Directors

22 March 2017

Consolidated Statement of Cash Flows

	Note	2016 EUR'000	2015 EUR'000
Cash flows from operating activities			
Profit before taxes		81 039	79 748
Adjustments for:			
Depreciation and amortization		5 430	1 716
Net losses on foreign exchange from borrowings and other monetary items		2 081	12 656
Increase in impairment allowance		105 770	85 140
Write offs and disposal of intangible and property and equipment assets		1 578	1 149
Interest income		(6 710)	(2 050)
Interest expenses		38 684	28 657
Equity-settled share-based payment transactions		300	1 352
Profit or loss before adjustments for the effect of changes to current assets and short term liabilities		228 172	208 368
Adjustments for:			
Increase in loans due from customers		(103 363)	(150 777)
Increase in deposits from customers		37 011	—
Change in financial instruments measured at fair value through profit or loss		(3 198)	7 983
(Increase)/decrease in other assets		(64 779)	11 371
Gains from sale of portfolio		30 683	4 023
Deposit interest payments		(1 825)	—
Increase in obligatory reserve		152	—
Increase in accounts payable to suppliers, contractors and other creditors		17 383	10 655
Gross cash flows from operating activities		140 236	91 623
Income tax paid		(34 012)	(17 607)
Net cash flows from operating activities		**106 224**	**74 016**
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(21 264)	(20 292)
Loans issued to related parties		(64 975)	(59 053)
Loans repaid from related parties		11 000	26 134
Interest received		1 146	1 700
Acquisition if equity investments		(6 980)	—
Disposal of subsidiaries, net of cash disposed		—	189
Acquisition of NCI		(2 052)	—
Acquisition of subsidiaries, net of cash acquired and disposed		(67 500)	(1 423)
Net cash flows used in investing activities		**(150 625)**	**(52 745)**

Consolidated Statement of Cash Flows

	Note	2016 EUR'000	2015 EUR'000
Cash flows from financing activities			
Loans received and notes issued		175 529	78 987
Repayment of loans and notes		(14 292)	(49 352)
Interest payments		(36 236)	(27 257)
Dividend payments		(678)	(608)
Net cash flows from financing activities		**124 323**	**1 770**
Net increase in cash and cash equivalents		**79 922**	**23 041**
Cash and cash equivalents at the beginning of the period		**56 862**	**34 442**
Effect of exchange rate fluctuations on cash		236	(621)
Cash and cash equivalents at the end of the period	17	137 020	56 862
Minimum statutory reserve		20 621	—
Total cash on hand and cash at central banks		**157 641**	**56 862**

The accompanying notes on pages 13 to 92 form an integral part of these consolidated financial statements.

Georgios Georgakopoulos
Chairman of the Board of Directors

22 March 2017

Consolidated Statement of Changes in Equity

Group	Share capital EUR'000	Reorganiza-tion reserve EUR'000	Currency translation reserve EUR'000	Share based payment reserve EUR'000	Obligatory reserves EUR'000	Revaluation reserve on available for sale financial instruments EUR'000	Retained earnings EUR'000	Total equity attributable to shareholders of the Company EUR'000	Non-controlling interests EUR'000	Total equity EUR'000
1 January 2015	**35 750**	**(32 584)**	**919**	**87**	**145**	**—**	**107 578**	**111 895**	**1 114**	**113 009**
Total comprehensive income										
Profit for the reporting period	—	—	—	—	—	—	63 470	63 470	595	64 065
Other comprehensive income (OCI)	—	—	(6 056)	—	—	—	—	(6 056)	10	(6 046)
Transactions with shareholders recorded directly in equity										
Share based payment reserve (Note 36)	—	—		1 352	—	—	—	1 352	—	1 352
Increase in obligatory reserve	—	—	—	—	11	—	—	11	—	11
Contribution in kind	—	1 480	—	—	—	—	—	1 480	—	1 480
Dividends	—	—	—	—	—	—	—	—	(608)	(608)
1 January 2016	**35 750**	**(31 104)**	**(5 137)**	**1 439**	**156**	**—**	**171 048**	**172 152**	**1 111**	**173 263**
Total comprehensive income										
Profit for the reporting period	—	—	—	—	—	—	62 823	62 823	384	63 207
Other comprehensive income (OCI)	—	—	(4 428)	—	—	5	—	(4 423)	24	(4 399)
Transactions with shareholders recorded directly in equity										
Share based payment reserve (Note 36)	—	—	—	300	—	—	—	300	—	300
Dividends	—	—	—	—	—	—	—	—	(678)	(678)
Changes in ownership interests										
Other reserves	—	(136)	—	—	—	—	—	(136)	—	(136)
Acquisition of additional shares in subsidiaries (Note 27)	—	—	—	—	—	—	—	—	488	488
Acquisition of additional share in subsidiaries (Note 33)	—	—	—	—	—		(1 451)	(1 451)	(601)	(2 052)
Increase in obligatory reserve (Note 4)	—	—	—	—	152	—	—	152	—	152
31 December 2016	**35 750**	**(31 240)**	**(9 565)**	**1 739**	**308**	**5**	**232 420**	**229 417**	**728**	**230 145**

The accompanying notes on pages 13 to 92 form an integral part of these consolidated financial statements.

Georgios Georgakopoulos
Chairman of the Board of Directors

22 March 2017

(1) Reporting entity

4finance Holding S.A. (the "Company") is registered in Luxembourg. The Company, which does not have any operating activities, is the holding company for several subsidiaries in Europe, North America and South America (together referred to as the "Group"). The Group entities provide consumer loans to millions of customers. Currently, the Group operates in Argentina, Armenia, Bulgaria, the Czech Republic, Denmark, the Dominican Republic, Finland, Georgia, Latvia, Lithuania, Mexico, Poland, Romania, Spain, Slovakia and Sweden.

The Group holds banking subsidiaries in Bulgaria and Romania (together referred to as the "TBIF Group") that pursues investment opportunities in the field of financial services, focusing on banking and retail lending (financial leases, mortgage and consumer financing) with a key focus on servicing individuals and small and medium-sized enterprises.

The Group acquired Friendly Finance OÜ and its subsidiaries (together referred to as "Friendly Finance") which provides IT-based business solutions for the finance sector and short-term credits to individuals in the Czech Republic, Slovakia, Poland, Spain, Georgia and Argentina. Friendly Finance recently opened a subsidiary in Kazakhstan and is expecting to start operation in the next financial year.

The Group companies, excluding TBIF Group and Friendly Finance subsidiaries, together are referred to as "4finance Group". Details of 4finance Group, TBIF Group and Friendly Finance are disclosed separately in these financial statements where appropriate, in-line with how the management of the Group views information.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), are available upon request at the Group's registered office at 9, Allée Scheffer, L-2520, Luxembourg, Grand Duchy of Luxembourg.

The Group financial statements will form part of the parent company, 4finance Group S.A., consolidated financial statements. The consolidated financial statements of the parent company, 4finance Group S.A., are available at 9, Allée Scheffer, L-2520, Luxembourg, Grand Duchy of Luxembourg.

(2) Basis of preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (further "IFRSs") .

These consolidated financial statements were approved by the Company's Board of Directors on 22 March 2017. The shareholders have the power to reject the financial statements prepared and presented by the Board of Directors, and the right to request that new financial statements be prepared.

The Company prepares separate financial statements for statutory purposes in accordance with the relevant Luxembourg legislation.

(b) Basis of Measurement

The financial statements have been prepared on an historical cost basis, except for the following:

- Available for sale financial assets and financial assets and liabilities measured through profit or loss (including derivative instruments), and;
- Assets held for sale - measured at fair value less cost of disposal.

(c) Functional and presentation currency

The consolidated financial statements are presented in thousands of Euro (EUR), unless stated otherwise. EUR is chosen as the presentation currency since most of the Group's operational activities are based in the European Union. Group companies operate in the functional currencies of Euro (EUR), United States Dollar (USD), Swedish Krona (SEK), Danish Krone (DKK), Polish Zloty (PLN), Georgian Lari (GEL), Czech Koruna (CZK), Bulgarian Lev (BGN), Romanian New Lev (RON), Argentine Peso (ARS), Mexican Peso (MXN), Dominican Peso (DOP) and Armenian Dram (AMD) respectively. The Company's functional currency is EUR.

(3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the new standards and pronouncements of the International Accounting Standards Board which are applied when they become effective.

The accounting policies related to Financial assets available for sale, Assets carried at amortised cost, Impairment of Available-for-sale financial assets, Impairment of Renegotiated loans, Financial guarantee contracts, Group as a lessor, Fiduciary assets in custody, Fee and commission income and expenses and Other income include new elements as a result of the TBIF Group acquisition.

(i) Basis of Consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised gains/losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises as the difference between consideration transferred and the fair value of identifiable net assets acquired is tested annually for impairment. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associates or joint venture.

Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

(iii) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the exchange rate set by the Central Bank of the country of operation or the European Central Bank for euro zone countries at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into EUR using the following exchange rates:

31 December 2016		**31 December 2015**	
SEK	0.10468	SEK	0.10882
DKK	0.13451	DKK	0.13400
PLN	0.22674	PLN	0.23453
GBP	1.16798	GBP	1.36249
CZK	0.03701	CZK	0.03701
GEL	0.35944	GEL	0.37025
BGN	0.51130	BGN	0.51130
GIB	1.16798	GIB	1.36249
USD	0.94868	USD	0.91853
CAD	0.70482	CAD	0.66155
RON	0.22031	RON	0.22104
AMD	0.00195	AMD	0.00189
ARS	0.05970	ARS	0.07060
MXN	0.04593	MXN	0.05287
DOP	0.02035	DOP	0.01882

The Bulgarian Lev is pegged to the Euro.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into EUR, the Group's presentation currency, at exchange rates set by the European Central Bank at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at exchange rates at the transaction date. Foreign currency retranslation differences are recognized in other comprehensive income.

Foreign exchange gains or losses arising from a monetary item receivable from, or payable to, a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised directly in the foreign currency translation reserve.

(iv) Share-based payment transactions

The grant date fair value of share-based payment awards granted to senior management of subsidiaries is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on a number of awards that meet the related service and non-market conditions at the vesting time.

(v) Cash and cash equivalents

4finance Group cash and cash equivalents comprise call deposits in banks that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

TBIF Group, for the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank accounts, cash held with central banks, as well as cash in nostro accounts held with other banks, as well as deposits with banks with original maturity of less than three months.

Financial Instruments

(i) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular purchases of financial assets are accounted for at the settlement date.

(ii) Measurement

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

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables that are measured at amortized cost using the effective interest method, and;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iii) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(iv) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Where applicable, the Group measures the fair value of an instrument using a quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Where there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The key financial instruments of the Company and the Group are cash, trade receivables, loans to customers, loans to related parties, equity investments, bonds issued, trade payables, deposits from customers and other creditors arising from the business activities.

(v) Derivative financial instruments

Derivative financial instruments include foreign exchange swaps, options and forward instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the profit or loss.

The Group is engaged in hedging activities of its foreign exchange risk. The Group does not apply hedge accounting. Given the low level of trading activity, the Group has estimated that any credit valuation adjustment or debit valuation adjustment would be immaterial and has not incorporated these into the fair value of derivatives due to materiality.

(vi) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

For the purposes of these consolidated financial statements, trade receivables and loans to customers are measured at amortized cost using the effective interest rate method. An impairment loss allowance for credit losses is established. The Group's policy is described in Note 5.

(vii) Financial assets available for sale

Available-for-sale investments are those that are to be held over an indefinite period of time and that may be disposed of in response to liquidity needs or changes in interest rates, exchange rates or prices of securities. Purchases and sales of financial assets held-for-trading, held-to-maturity and available-for-sale are recognised on the trade date - the date when the Group has committed to purchase or sell the asset.

Financial assets not carried at fair value through profit or loss, are initially recognised at fair value plus the related transaction costs. Available-for-sale financial assets are subsequently carried at fair value, and when they cannot be measured reliably - at the cost of equity instruments or at the amortised cost of debt instruments.

Gains and losses arising on revaluation are recognised directly in other comprehensive income and in revaluation reserves, except impairment losses. Interest income determined under the effective interest rate method and foreign exchange gains and losses are recognised in the current financial result. Upon disposal of available-for-sale investments, the Group includes the accumulated revaluation reserve in the financial result for the current period.

Equity investments of 4finance Group (that are not associates) that are traded in an active market are measured at fair values. Equity investments that are not traded in an active market and whose fair value cannot be reliably measured are carried at cost less any impairment loss, if it exists. Dividends are recognised in the statement of comprehensive income in the period in which the Group becomes entitled to receive them.

(vii) Investment in associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of the associated entity. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(viii) Property and equipment

(i) Owned assets

Items of property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	25 years
Computer equipment	3 years
Long-term leasehold improvements	5 years
Other property and equipment	5 years
Motor Vehicle	4 years

(viii) Intangible assets

The Group has a detailed Intangible Assets Capitalisation Policy covering accounting for development projects. The Group incurs costs for development of computer software and similar items, which may be capitalized. Capitalized expenditure can be either external (for example, IT subcontractors) or generated internally within the entity (for example, IT employees developing IT software).

Only assets are capitalised that are separately identifiable, for which the entity has control, and for which probable future economic benefits shall be recognized. No intangible asset costs arising from the research phase of a project are capitalized. Expenditure on research is expensed when incurred.

Amortisation commences once the item is in the location and conditions necessary for it to be capable of operating in the manner intended by management and has been accepted by the business owner.

Intangible assets, other than goodwill, are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Licenses, trademarks and similar rights	5 years
Software and other intangible assets	3 years

(ix) Non-current assets classified as held-for-sale

TBIF Group classifies non-current assets as held-for-sale if their carrying amount is to be recovered through a sale transaction rather than continuing use. There must exist an active plan to sell the assets and it is expected that the plan will result in a complete sale of the asset in the near future. This group of assets is measured at the lower of the asset's fair value less the costs to make the sale and their carrying amounts. The assets are measured at cost upon initial recognition, which is the fair value as at the acquisition date. Each reporting year, the Group assesses, whether the value of the non-current assets classified as held-for-sale is impaired. The impairment loss, if any, or reversal of such loss, is recognized in the statement of comprehensive income.

(x) Repossessed assets

TBIF Group repossesses certain assets serving as collateral for non-performing loans. These assets are not held for capital appreciation or rental income, but are expected to be sold in the ordinary course of business, and therefore are classified as inventories. Inventories mainly consist of real estate such as land, buildings purchased and held-for-sale in the future. Inventories are accounted at cost. The cost of inventories comprises all purchase costs, costs of conversion and other costs incurred in bringing the inventories to their present condition. Inventories are held at the lower of purchase cost or net realizable value. Net realizable value is 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. The amount of write-down of inventories to net realizable value is recognized as expense in the period the write-down occurs. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

(xi) Impairment

(i) Financial assets

4finance Group and Friendly Finance

At each reporting date, the 4finance Group and Friendly Finance assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

In assessing collective impairment, the 4finance Group and Friendly Finance use statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. Specific impairment testing is not undertaken since the loan portfolio consists of a large number of small exposure loans that would make individual impairment testing impractical.

Impairment losses on portfolios of assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated discounted future cash flows. Impairment losses are recognized in the statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on impaired assets is recognized indirectly through a change in net impairment allowance when repayments are received from impaired loans. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

TBIF Group

(a) Assets carried at amortised cost

At the date of the financial statements, TBIF Group assesses whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset or group of financial assets is impaired and impairment loss exists if, and only if, objective evidence for impairment exists as a result of one or more events occurring after the asset's initial recognition (impairment loss event), and this event (or events) impacts the estimated future cash flows from the asset or the group of financial assets which can be measured reliably. Objective evidence that a financial asset or group of assets is impaired may include objective data that the TBIF Group becomes aware of in respect of the following circumstances leading to a loss:

- non-performance of contractual payments on principal or interest;
- financial difficulties of the debtor;
- breach of clauses or provisions of the contract;
- filing of bankruptcy procedures;
- deterioration of the competitive positions of the debtor;
- decrease in the value of the loan collateral;
- deterioration of the credit rating below the investment level.

TBIF Group initially estimates whether objective evidence for impairment exists separately for individually significant financial assets, and individually or on a portfolio basis for financial assets that are not significant individually. If TBIF Group assesses that no objective evidence for impairment exists for a financial asset, whether individually significant or not, it includes this asset in a group of financial assets with similar risk features and assesses the whole group for impairment on a portfolio basis. Assets that are reviewed for impairment individually and for which impairment loss is recognised and continues to be recognised, are excluded from the assessment of the impairment on a portfolio basis.

If there is objective evidence that impairment loss exists for loans and receivables, the loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated cash flows (except future losses that are not accumulated), discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is written down using an allowance account and the impairment loss is recognised in the profit or loss account.

If a loan bears a floating interest rate, the discount rate used to determine the impairment loss is the current effective interest rate set out in the agreement.

The calculation of the present value of the expected future cash flows of secured financial assets takes into account the cash flows which may be received upon disposal of collateral, less costs of acquisition or costs to sell.

When consumer loans are extended to individuals, TBIF Group accrues collective impairment which reflects the expectations of management regarding the future cash flows from the consumer portfolio. When applying collective impairment, the loan portfolio is assessed on a portfolio basis, taking into account the homogeneous nature of the exposure's risk profile. Impairment is based on contractual cash flows and historical experience regarding the losses of assets with similar characteristics of credit risk, adjusted for any data to reflect any current conditions that were not present in the periods of historical information.

Future cash flows for a group of financial assets that are collectively reviewed for impairment are determined based on the contractual cash flows related to the assets and the historical loss experience on credit risk bearing assets similar to those at TBIF Group. The loss assessed, based on historical experience, is adjusted based on current data, in order to reflect the influence of the present conditions which did not impact the period in which the loss assessment was made, as well as to eliminate the effect of conditions in the historical period, which no longer exist.

If in a subsequent period the impairment loss decreases and this decrease may be objectively attributed to an event occurring after the recognition of the loss (i.e. improvement of the credit rating of the debtor), the impairment loss already recognised is reversed through the allowance account. The amount of the adjustment is recognised in the profit or loss account.

(b) Available-for-sale financial assets

At each balance sheet date, TBIF Group assesses whether objective data exists that a financial asset or group of financial assets should be impaired. For equity investments classified as investments available for sale, a prolonged or significant decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

(c) Renegotiated loans

Loans which are subject to collective impairment review or which are individually significant and their terms have been renegotiated, are considered performing as of the time of the renegotiation. In subsequent periods the asset is considered in default and is disclosed as such only if the new terms and conditions have been breached.

(ii) Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(xi) Provisions

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, can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(xii) Share Capital and reserves

(i) Currency revaluation reserve

The currency revaluation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into the presentation currency.

(ii) Obligatory reserves

Under Luxembourg corporate law, the Company must allocate at least 5% of the statutory annual net profit, based on the stand alone financial statements, to a legal reserve until this reserve reaches 10% of the issued share capital. The legal reserve is not available for dividend distributions.

Under Lithuanian law, an annual allocation to the legal reserve must be made of at least 5% of net profit until the reserve comprises 10% of the share capital. The reserve cannot be distributed, but rather only be used to cover losses.

Under Bulgarian law in accordance with the requirements of the Commercial Act, TBIF Group is required to provide into a reserve fund equalling at least 1/10 of profit, until the fund reaches 1/10 or more of the share capital. If the amount in the reserve fund falls below the minimum, it is obliged to fill the gap so as to recover the minimum level over a period of two years. Under the provisions of the banking legislation, banks are not allowed to pay dividends before they make the required contributions.

(iii) Revaluation Reserve on Available for Sale financial instruments

The revaluation reserve on available for sale financial instruments includes unrealised gains and losses on fair value movements of the instruments.

(iv) Reorganization Reserve

The reorganization reserve relates to a number of legal reorganizations that took place before 1 January 2016. The entity accounted for these reorganizations as common control transactions using net asset values. This reserve arises on consolidation and is not distributable to shareholders. There are no other reserves.

(v) Share based payment reserves

The Group is part of wider group share-based payment arrangements where settlement for the services received is performed by the parent company. The Group accounts for such transactions as equity-settled share-based payment transactions and recognizes expenses for services received, unless the services received qualify for recognition as an asset, and an increase in its equity for the contribution received from the parent.

(xiii) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

(i) The Group as a lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(ii) TBIF Group as a lessor

Leases where the TBIF Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. The leased assets are included in "Property and equipment". Initial direct costs incurred in negotiation of operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(iii) TBIF Finance leases

TBIF Group lease contracts are classified as finance leases when all material risks and rewards associated with the leased assets are transferred to the lessee. Finance lease receivables are disclosed as Loans to customers in the balance sheet. TBIF Group applies its accounting policies for impairment of financial assets when finance lease contracts are impaired.

(xiv) Financial guarantee contracts

Financial guarantee contracts are relevant for TBIF Group units within the Group. Financial guarantee contracts are contracts that require the issuer to make specified payment to reimburse the holder for a loss the holder incurs because a specified debtor fails to make payments when they fall due in accordance with the terms of the debt instrument. Such financial guarantees are issued to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other bank facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date of issuance of the guarantee. Following initial recognition, the Group's liabilities related to such guarantees are measured at the higher of: *(a)* the initial measurement less the amortisation calculated to recognise commission income earned on a straight-line basis over the life of the guarantee and *(b)* the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are based on experience of similar transactions and history of past losses, supplemented by the judgement of management.

(xv) Dividends

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period in which they are declared.

(xvi) Fiduciary assets in custody

The TBIF Group keeps assets on behalf of its customers and in its capacity as an investment intermediary. These assets are not presented in the statement of financial position as they do not represent TBIF Group's assets.

(xvii) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(xviii) Income and expense recognition

All significant income and expense categories including interest income and expenses are recognized in the statement of comprehensive income on an accrual basis.

(i) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Revenue is not recognized when there is doubt whether the cost of services will be covered.

(ii) Fee and commission income and expenses

Fees and commissions are recognised based on the accruals principle upon the rendering of the service. Fee and commission income comprises mainly money agent's commissions, transfer fees in Bulgarian levs and foreign currency, and treasury transactions, and are recognised under the current accruals principle or on the transfer date, as appropriate.

(iii) Penalty fee income

Income from penalty fees is recognized as received.

(iv) Other income

Rent income is the income from operating leases and rent-a-car activities from TBIF Group in Bulgaria (TBI Rent) and Romania (TBI Fleet Management). The income is recognized using the general rules of IFRS and in particular the principal of accruals.

Income from Insurance broker activities from TBIF Group includes income whereby the bank acts as an agent selling insurance issued from third party companies to the banks' clients. TBI Group does not bear the insurance risk on these transactions. The income is recognized in line with the above paragraph.

(xix) Staff costs and related contributions

The Group pays social security contributions to state-funded insurance and pension schemes as required by the laws and regulations of the various jurisdictions in which the Group operates. The Group is not party to any defined benefit pension scheme.

(xx) Operating segments

The Group determines and presents operating segments based on the information that is internally provided to the Group's management board, which is the Group's Chief Operating Decision Maker (CODM).

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the CODM to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CODM include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

(xxi) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represent a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- are operations that are ceased.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income (OCI) is presented as if the operation had been discontinued from the start of the comparative year.

(xxii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. If the economic characteristics and risks of the embedded derivative are closely related to those of the host contract, then the embedded derivative is not separated and accounted for separately.

(xxiii) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 for all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application on 1 January 2016:

- IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- IAS 1 – Presentation of Financial Statements
- IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets
- IAS 19 – Defined Benefit Plans: Employee Contributions
- IAS 27 – Separate Financial Statements
- Annual Improvements to IFRSs.

These have not had a material impact on the Group's financial statements.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) *IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)*

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL") – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The actual impact of adopting IFRS 9 on the Group's consolidated financial 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time, as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

It is expected that the new standard, when initially applied, will have an impact on the financial statements, since the classification and the measurement of the Group’s financial instruments can change. Based on its preliminary assessment, the Group expects that substantially all of financial assets classified as loans and receivables under IAS 39 will continue to be measured at amortised cost under IFRS 9 except for purchased loan portfolios where classification may differ. It is expected that deposits from customers will continue to be measured at amortised cost under IFRS 9.

It is anticipated that the new expected credit loss model under IFRS 9 will accelerate the recognition of impairment losses and lead to higher impairment allowances at the date of initial application.

The Group is planning to group its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognised, the Group recognises an allowance based on twelve months expected credit losses. Under IAS 39, the Group has been recording an allowance for Incurred But Not Identified (IBNI) impairment losses. The change is expected to increase the impairment allowance compared to the current IBNI approach.
- Stage 2 – Loans with significant increase in credit risk: when a loan shows a significant increase in credit risk since initial recognition, the Group records an allowance for the lifetime expected credit loss. Since this is a new concept compared to IAS 39, it will result in an increase in the allowance as most such assets are not considered to be credit-impaired under IAS 39. The Group intends to evaluate the increase in credit risk by comparing the lifetime probability of default upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period.
- Stage 3 – Impaired loans: Financial assets will be recognized in Stage 3 when there is objective evidence that the loan is impaired. The Group recognizes the lifetime expected credit losses for these loans and in addition, the Group accrues interest income on the amortised cost of the loan net of allowances. The criteria of objective evidence are the same as under the current IAS 39 methodology, and accordingly, the Group expects the population to be generally the same under both standards. The individual impairment allowance will continue to be calculated on the same basis as under IAS 39, and collateral values will be adjusted to reflect the amounts that can be expected to be realised.

The Group will record impairment for FVOCI debt securities depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statements of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

For FVOCI debt securities considered to be ‘low risk’, the Group intends to apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition, and will calculate ECL as explained in Stage 1 above. Such instruments will generally include trade, investment grade securities where the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Changes in accounting policies resulting from the adoption of IFRS 9 can generally be applied retrospectively. However, the Group can take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

The Group has commenced the process of assessing the IFRS 9 impact on credit losses. However, the Group is not yet able to quantify the expected impact that the application of IFRS 9 will have on its financial statements.

(ii) IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. The Group will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity’s performance; or

- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Management has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Group's financial statements. The Group is not yet able to quantify the expected impact that the initial application of IFRS 15 will have on its IFRS statements.

(iii) IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.). This pronouncement is not yet endorsed by the EU.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value (‘small-ticket’ leases).

Lessor accounting shall remain largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be retained.

The Group currently plans to apply IFRS 16 commencing on 1 January 2019. As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group have not yet determined which transition approach to apply. As a lessor, the Group is not required to make any adjustments for leases except where it is an intermediate lessor in a sub-lease.

The Group have not yet quantified the impact on its reported assets and liabilities of the adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group use the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

(iv) Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted.) This pronouncement is not yet endorsed by the EU.

The amendments clarify share-based payment accounting in the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and

a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of amendments in the standard.

(v) Amendments to IAS 7 (Effective for annual periods beginning on or after 1 January 2017, to be applied prospectively. Early application is permitted.) This pronouncement is not yet endorsed by the EU.

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of amendments in this standard.

(vi) Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2017; to be applied prospectively. Early application is permitted.) This pronouncement is not yet endorsed by the EU.

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of amendments in this standard.

(vii) Amendments to IAS 40 Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively.) This pronouncement is not yet endorsed by the EU.

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments, a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of amendments in this standard.

(viii) IFRIC 22 Foreign Currency Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018). This pronouncement is not yet endorsed by the EU.

The interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of amendments in this standard.

(ix) Annual Improvements to IFRSs

The improvements introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. These amendments are applicable to annual periods beginning on or after either 1 January 2017 or 1 January 2018; to be applied retrospectively.

None of these amendments are expected to have a significant impact on the consolidated financial statements of the Group.

(4) Risk management

Key financial and non-financial risks related to the Group’s financial instruments and operating activities are:

- Credit risk
- Liquidity risk
- Market risk, including
    - Interest rate risk
    - Currency risk
    - Price risk
- Operational risk
- Capital management risk

Management has implemented procedures to control the key risks.

(4) Risk management (continued)

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty/customer fails to meet its contractual obligations, and arises primarily from the Group's loans due from customers.

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position. Exposures are based on net carrying amounts as reported in the Statement of Financial Position.

The Group's maximum credit exposures are shown gross, i.e. without taking into account any collateral or other credit enhancement.

As of 31 December	**Maximum exposure**	
	2016	**2015**
	EUR'000	**EUR'000**
Cash and cash equivalents	157 641	56 862
Placements with other banks	4 752	—
Loans to customers:	493 897	308 288
Corporate clients	44 940	—
Corporate client impairment	(1 842)	—
Individual clients	620 167	425 495
Individual client impairment	(169 368)	(117 207)
Investment in finance leases	13 082	—
Gross investment in finance leases	13 812	—
Finance lease impairment	(730)	—
Loans to related parties	67 198	13 732
Other assets	21 531	5 382
Derivatives	11 166	10 503
Financial assets available for sale	10 589	—
Credit risk exposures related to contingent liabilities and irrevocable commitments are as		
Contingent liabilities*	9 588	138
Total maximum exposure to credit risk	**789 444**	**394 905**

**For more details on contingent liabilities see Note 34*

(4) Risk management (continued)

The table below presents the maximum credit risk exposure of the 4finance Group, TBIF Group and Friendly Finance as at 31 December 2016 without taking into account collateral:

As of 31 December	Maximum exposure			
	4finance Group	**TBIF Group**	**Friendly Finance**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Cash and cash equivalents	70 505	84 167	2 969	**157 641**
Placements with other banks	—	4 752	—	**4 752**
Loans to customers:	290 164	177 513	26 220	**493 897**
Corporate clients	—	44 940	—	**44 940**
Corporate client impairment	—	(1 842)	—	**(1 842)**
Individual clients	430 440	146 158	43 569	**620 167**
Individual client impairment	(140 276)	(11 743)	(17 349)	**(169 368)**
Investment in finance leases	—	13 082	—	**13 082**
Gross investment in finance leases	—	13 812	—	**13 812**
Finance lease impairment	—	(730)	—	**(730)**
Loans to related parties	67 198	—	—	**67 198**
Other assets	11 810	9 356	365	**21 531**
Derivatives	11 166	—	—	**11 166**
Financial assets available for sale	5 085	5 504	—	**10 589**
Total credit risk exposure*	**455 928**	**294 374**	**29 554**	**779 856**

** Excluding contingent liabilities. For more details on contingent liabilities see Note 34*

For additional details on loans refer to Note 19 and on finance leases to Note 20.

4finance Group

The 4finance Group's Credit Policy defines lending guidelines according to its business strategy and efficient risk management, protecting assets as well as complying with local regulatory requirements. Loan credit risk is managed by the Risk department. Lending rules and scorecards (the "Credit Scoring Models") are implemented for all products, and the customer's risk profile is analysed prior to a loan being issued. The Credit Scoring Models use multiple triggers including, but not limited to, customer credit history checks and income levels. The use of the Credit Scoring Models reduces judgemental input, as scoring is done automatically and based on statistical evidence. Specific Credit Scoring Models are adjusted to specific country requirements and tendencies. The Credit Scoring Models are periodically reviewed and if necessary adjusted to follow market and specific client group tendencies. A Debt Collection policy is established. 4finance Group has implemented country-specific debt collection procedures to ensure the smooth collection of debts. Performance of different customer groups is analysed on a regular basis by the Debt Collection department. Management believes that current procedures are sufficient to effectively monitor the credit risk of customer groups. In addition, the structure of the loan portfolio is based on many small value loans, and consequently separate customer exposures cannot individually cause material losses to the 4finance Group. The calculation methodology for loan impairments is described in Note 5. Quantitative information on 4finance Group's credit risk is disclosed in the table below.

(4) Risk management (continued)

Credit quality of loan portfolio (4finance Group):

	Gross receivables 31.12.2016	Allowance for doubtful debts 31.12.2016	Net receivables 31.12.2016	Gross receivables 31.12.2015	Allowance for doubtful debts 31.12.2015	Net receivables 31.12.2015
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Not overdue	201 580	(5 674)	195 906	215 438	(5 922)	209 516
Overdue less than 90 days	49 306	(18 393)	30 913	53 008	(18 368)	34 640
Overdue more than 90 days	179 554	(116 209)	63 345	157 049	(92 917)	64 132
	430 440	**(140 276)**	**290 164**	**425 495**	**(117 207)**	**308 288**

When reviewing the portfolio and the respective provisions, management concentrates on the quality by ageing buckets as outlined above.

TBIF Group

The TBIF Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Significant changes in the individual counterparty, the economy or in the situation in a particular industry segment could result in losses other than the losses for which impairment loss allowances are identified by TBIF Group's management as at the balance sheet date.

To manage credit risk, the TBIF Group has developed strict potential borrower analysis and assessment procedures, including scoring procedures and detailed verification of data provided. Loans to corporate clients are mainly secured by collateral. Collateral is valued by obtaining a market value and then further reduced to take into account various risks. They are monitored on a regular basis and the underlying collateral is subject to re-appraisal on an annual basis. For impairment purposes, loans are monitored for Days Past Due ("DPD"), and other impairment triggers. For loans to groups of related party SME's, exposures are assessed collectively.

Loans to individuals are not secured. In addition, the TBIF Group has developed an effective payment monitoring system as well as a procedure for measuring the collection of receivables. Preliminary analysis and subsequent monthly monitoring are in place to detect the concentration of related parties by sectors of the economy and other cross-sections in compliance with TBIF Group's internal rules.

TBIF Group structures the level of credit risk it is exposed to by placing limits on its exposure to one borrower or group of borrowers, geographical region and industry segment. Such risks are monitored regularly and are subject to annual or more frequent review.

TBIF Group's risk exposures are classified in four groups based on the criteria of credit risk level, Standard, Watch, Non-Performing and Loss.

Loans extended to individuals are monitored as per the overdue payments indicator.

The exposure to each borrower, including banks and intermediaries, is further restricted by: sub-limits covering on-balance sheet and off-balance sheet exposures and commitments, and daily delivery risks in relation to trading items such as forwards. The actual exposures against the respective limits are monitored on a daily basis.

(4) Risk management (continued)

Collateral

The TBIF Group employs a set of policies and practices to mitigate credit risk. A requirement of the TBIF Group to borrowers (other than consumer loans to individuals), is to provide suitable collateral prior to the disbursement of loans approved. The main types of collateral for loans are as follows:

- cash in Bulgarian levs and foreign currencies;
- mortgages on real estate;
- pledges on business assets such as receivables, inventory, plant and equipment;
- pledges over financial instruments, and;
- guarantees issued in favour of the TBIF Group.

In order to minimise credit loss, TBIF Group requires additional collateral from counterparties as soon as impairment indicators are observed. Collateral held as a pledge for financial assets, other than loans and advances, is determined by the nature of the financial instrument.

In view of the specifics of the TBIF Group's business and the increasing portfolio of small consumer loans, the share of unsecured loans within the TBIF Group's portfolio is growing. These types of loans are mostly short-term (the average term of the portfolio is approximately 31 months) and have low limits (the average receivable amount is approximately BGN 1 thousand / around EUR 500).

The table below shows the total amount of loans to customers before provisions and impairment losses by type of collateral at 31 December 2016:

As of 31 December	**Loans to customers**		
	Gross EUR'000	**Collateral* EUR'000**	**Coverage****
Mortgages	38 547	37 794	98%
Cash collateral	41	15	37%
Other collateral	11 557	10 180	88%
Unsecured	140 953	—	N/A
Total	**191 098**	**47 989**	

* For all collateral, market value is obtained from external appraisers and then further reduced to take into account various risks. Not more than 80% of market value is counted towards the recoverable amount in case of default.

** Coverage of credit risk via collateral, as a percentage of the loan's carrying amount per type of collateral. Collateral values are considered up to the exposures to which these relate.

Contingent liabilities and irrevocable commitments

Guarantees and letters of credit, which represent an irrevocable commitment by the TBIF Group to make the respective payment if the customer fails to discharge its liability to a third party, gives rise to the same type of risk as loans. Documentary and commercial letters of credit, that represent written commitments of the TBIF Group on behalf of a customer, are secured with cash deposits or other pledges in favour of the TBIF Group. Consequently, TBIF Group is exposed to minimal risk.

Commitments to grant loans represents the unutilised portion of the allowed loan amount, guarantees or letters of credit. The TBIF Group controls the maturity of credit commitments since in most cases long-term commitments bear higher credit risk compared to short-term ones.

For more details on TBIF Group's contingent liabilities and irrevocable commitments see Note 34.

(4) Risk management (continued)

For details regarding loans and leases at 31 December 2016 see the table below:

	Loans to corporate clients	Loans to individual clients	Financial leases
	EUR'000	EUR'000	EUR'000
Neither past due nor impaired	28 235	107 102	6 849
Past due less than 30 days*	3 103	22 716	1 787
Past due 31 to 60 days*	3 371	4 683	2 121
Past due 61 to 90 days*	881	1 768	744
Past due over 91 days*	4 044	9 869	1 509
Collective provisions	(277)	(11 723)	(156)
Past due and individually impaired	5 306	20	802
Individual impairment	(1 565)	(20)	(574)
Net of loan loss provisions	**43 098**	**134 415**	**13 082**

* Not individually impaired, collective provisioning used

As at 31 December 2016, the carrying amount of financial assets that would otherwise be past due whose terms have been renegotiated is EUR 1 368 thousand (net of impairment).

Loans to customers that are neither past due, nor impaired

According to its internal rules and policies, TBIF Group individually assesses all corporate loans in its portfolio and books an impairment allowance if objective evidence for impairment exists. Consumer loans are reviewed for indicators of impairment on a portfolio basis. Credit quality is determined based on an analysis of the number of days past due and the amount overdue.

Past due but not impaired

Corporate past due but not impaired loans include past due loans where the recoverable amount of the collateral fully covers the exposure to the respective borrower.

Loans to customers which are past due and are impaired

For individually assessed accounts, loans are treated as impaired as soon as objective evidence indicates that an impairment loss will be incurred.

Deposits, placements with other banks and available for sale financial assets

The table below presents an analysis of deposits with other banks and available for sale financial assets at 31 December 2016 based on criteria set by rating agencies as a result of their credit assessments.

(4) Risk management (continued)

Rating	Available for sale financial assets	Placements with other banks
	EUR'000	EUR'000
BBB+ (Fitch)	—	113
Baa1 (Moody's)	—	274
BBB (Fitch)	—	40 221
Baa2 (Moody's)	—	1 241
BBB- (Fitch)	5 458	22
BBB- (BCRA)	—	484
BB+ (Fitch)	—	11
BB+ (BCRA)	—	1
BB (Fitch)	—	322
BB- (Fitch)	—	12 193
Ba3 (Moody's)	—	2
B- (Fitch)	—	66
RD (Fitch)	—	4
Unrated	46	—
	5 504	**54 954**

The unrated placements with other banks and financial institutions are rated internally based on an analysis of quantitative and qualitative factors.

Friendly Finance

To manage credit risk, Friendly Finance has established procedures to ensure that services are provided and loans are issued to customers with an appropriate credit history only. The most important factor is the customer's ability to adhere to settlement terms. Friendly Finance provides loans to all reliable customers to the extent of the credit limit assigned to the customer. Loans provided which have been recognised in Friendly Finance's Statement of Financial Position are not secured by collateral.

The carrying amount of loans to customers and cash and cash equivalents represents the maximum amount exposed to credit risk.

	Gross receivables 31.12.2016	Allowance for doubtful debts 31.12.2016	Net receivables 31.12.2016
	EUR'000	EUR'000	EUR'000
Not overdue	15 165	(628)	14 537
Overdue less than 90 days	8 662	(2 985)	5 677
Overdue more than 90 days	19 742	(13 736)	6 006
	43 569	**(17 349)**	**26 220**

Friendly Finance's loan portfolio is made up of a large number of small loans that have been provided to a large number of individuals. Accordingly, there are no significant concentrations of credit risk. However, general economic factors may affect the borrowers' ability to discharge their obligations. In newer markets, management's professional judgement is used due to lack of available historical statistical information. A statistical provisioning approach is used whenever sufficient historic data becomes available.

4finance Group's provisioning methodology is being introduced into Friendly Finance in 2017.

(4) Risk management (continued)

(a) Liquidity risk

4finance Group

Liquidity risk is the risk that 4finance Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets when due. The liquidity position is managed by the Treasury department. The 4finance Group manages and controls its liquidity position on a day-to-day, short-, medium- and long-term basis by implementing and following relevant procedures, policies and processes. The 4finance Group has established the following processes and procedures - 4finance Group cash flow management procedures, 4finance Group bank account management procedures, and an intra-4finance Group financing process. Management believes that the current processes and procedures are sufficient to effectively monitor and manage the liquidity risk of the 4finance Group. 4finance Group's maturity structure of financial assets and liabilities is presented in Note 41.

TBIF Group

The Management Board of the TBIF Group assigns the Asset and Liabilities Management Committee as the primary responsible unit to advise the Management Board on liquidity management strategy. The legal requirement for the bank is to maintain a liquidity ratio of at least 20%. For more details see Note 41.

The TBIF Group monitors the liquidity of assets and liabilities by type of currency, amount and interest rates on a daily basis. With respect to the large portion of liabilities comprising term deposits from individuals and legal entities, active measures are taken to encourage customers to renew their deposits. Deposits from legal entities are primarily in large amounts and historical experience shows that typically the terms and conditions are re-reviewed and agreed immediately prior to their maturity. For more details see Note 30.

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group’s income or the value of its portfolios. The Group’s market risk arises from open positions in interest rate and currency financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

(c) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group’s income or the value of its portfolios of financial assets. Management believes that for the Group, with the exception of TBIF Group, interest rate risk is not material since all loans are issued and received at fixed rates and most of the borrowings are long term. Interest rate risk for loans to customers arising from short-term-pricing is not considered part of interest rate risk since an immaterial proportion of the interest rates charged relate directly to interest rate variance risk. All of 4finance Group’s borrowings have been received at fixed rates. Re-pricing of interest-bearing liabilities is not expected to take place within the next 12 months. TBIF Group is subject to floating interest rates (Euribor, Soifbor and Robor) and actively manages this risk. Based on analysis, a 100 bp increase/(100) bp decrease change in interest rates would result in EUR 151/(151) thousand effect on the Statement of Comprehensive Income.

(4) Risk management (continued)

(d) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The Group's currency risk is managed centrally by the Group's Treasury Department. The Group has established a Currency risk monitoring and management policy. It is the policy of the Group to hedge its open positions where practical and economically sensible to do so. To manage the Group's open position in foreign currencies, the Group has entered into cross currency swap, forward and option agreements. The purpose of the financial instruments is to limit the Group's exposure to foreign currency fluctuations.

An analysis of sensitivity of the Group's net income for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2016 and 31 December 2015 and a simplified scenario of a 10% change in PLN, USD, CZK, GEL, SEK and RON to EUR exchange rates is as follows:

	31.12.2016		31.12.2015	
	Net income EUR'000	**Equity EUR'000**	**Net income EUR'000**	**Equity EUR'000**
Appreciation of PLN against EUR	2 921	2 921	(188)	(188)
Depreciation of PLN against EUR	(29)	(29)	1 742	1 742
Appreciation of USD against EUR	(17 707)	(17 707)	(1 260)	(1 260)
Depreciation of USD against EUR	44 977	44 977	11 749	11 749
Appreciation of CZK against EUR	513	513	(62)	(62)
Depreciation of CZK against EUR	(66)	(66)	373	373
Appreciation of GEL against EUR	52	52	(618)	(618)
Depreciation of GEL against EUR	(52)	(52)	682	682
Appreciation of SEK against EUR	(4 142)	(4 142)	(4 079)	(4 079)
Depreciation of SEK against EUR	4 142	4 142	4 079	4 079
Appreciation of RON against EUR	3 625	3 625	—	—
Depreciation of RON against EUR	(3 625)	(3 625)	—	—

The currency risk analysis above illustrates the effect of an isolated appreciation/depreciation of each significant operating currency at 10% change. The above analysis does not include any assumptions about correlation between these currencies. Refer to Note (43) Currency analysis for further information on the Group's exposure to foreign currency risk.

(e) Price risk

4finance Group

Price risk is the risk that the value of a financial instrument carried at fair value will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the 4finance Group takes a long or short position in a financial instrument.

TBIF Group

In performing its activities, TBIF Group is exposed to price risk as Romanian government treasury bonds are held. TBIF Group's risk management policies are designed to identify and analyse price risks, to set appropriate risk limits and controls, and to monitor adherence to risk limits by means of a reliable and up-to-date information system. TBIF Group regularly reviews its risk management policies and systems to reflect changes in the markets, products and emerging best practice.

(4) Risk management (continued)

(f) Operational risk

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

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

The Group is also subject to reputational risk in relation to the lending practices undertaken by each of its operations. Management is fully aware of the scrutiny and interest in the operations of short-term finance institutions by regulators and members of the public. Management seeks to be transparent in the way it markets its business, takes steps to ensure that all operations comply with all relevant legislation and cooperates intensively with regulators, when requested.

(h) Capital management risk

The objectives of the Group's management of capital include:

- compliance with the capital requirements set by regulators as applicable, including the banking markets in which TBIF Group operates;
- ensuring the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders; and
- maintaining a strong capital base which is the basis for the development of the Group's activity.

4finance Group

Capital management of the 4finance Group is not governed by any requirements set by regulatory institutions or international bodies. Management reviews its capital position on a regular basis to ensure positive equity in all subsidiaries of the 4finance Group and to maintain sufficient funds in order to support its medium- and long-term strategic goals.

(4) Risk management (continued)

TBIF Group

Capital adequacy and the use of equity are monitored by TBIF Group's management, employing techniques based on the guidelines developed by the Basel Committee, as well as EU Directives, adopted by the Bulgarian National Bank ("Regulatory Authority") for supervisory purposes. The information required is filed with the Regulatory Authority on a regular basis.

The Regulatory Authority requires each bank or group of banks: *(a)* to hold minimum level of equity of BGN 10 000 thousand and *(b)* to maintain a ratio of total regulatory capital to risk-weighted assets of 13.5%, comprising of a total capital adequacy requirement of 8%, protective capital buffer of 2.5% and systemic risk buffer of 3%. TBIF Group's capital adequacy ratio as 31 December 2016 was 22.38%.

The TBIF Group's equity is divided into two tiers in accordance with the definitions and requirements of Regulation No 575 of the European Parliament and of the Council of 26 June 2013.

(5) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The 4finance Group

In preparing these consolidated financial statements, the significant judgements made by management in applying the 4finance Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the 4 finance Group for the year ended 31 December 2015. These included determination of the consolidation group and whether embedded derivatives within financial liabilities require separation. It was determined that embedded derivatives do not require separation. Key sources of estimation uncertainty within 4finance Group are:

- Allowances for credit losses on loans and receivables (see Note 19)

Total allowances for impairment on loans and advances are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. Collectively assessed impairment allowances also cover credit losses for portfolios of defaulted loans which are defined as past due 90 days or more. In assessing the need for collective loss allowances, management considers factors such as probability of default, loss given default ("LGD"), portfolio size, delay concentration and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. To assess collective impairment allowances, the loan portfolio is grouped based on delay days. The significant assumptions used in determining collective impairment losses for the loan portfolio include:

Management assumes that 4finance Group collects cash from defaulted loans up to 21 months after default for single payment loans and up to 36 months after default for instalment loans.

Management calculates probability of default ratios using historic transition matrices which analyse loan portfolio movements between the delinquency buckets over one month periods. This analysis is undertaken on a monthly basis, in which the average probability of default ratios of the last six months are recalculated.

Management writes off trade receivables and loans to customers when they are past due more than two years or earlier if deemed to be uncollectable.

Management closely follows recoveries from delinquent loans and revises LGD rates for portfolios based on actual recoveries received. Historical experience supports the use of 21 and 36 months after default as the period over which recoveries are expected to be received. This assumption is used across all countries and is supported

(5) Use of estimates and judgements (continued)

by actual past experience across numerous entities within the 4finance Group. Where there is insufficient past statistical data, projections of recoveries are used based on the data available and benchmarking of comparable data from other markets where the 4finance Group has wider historical data availability. Projected LGD rates vary across the countries depending on the specifics of individual countries.

During the year ended 31 December 2016, management continually reassessed its impairment allowances for credit losses on loans and receivables. This assessment included a review of historical recovery trends impacting the LGD ratios that underlie the impairment loss allowance calculations. As at 31 December 2016, the weighted average LGD rate across portfolios was 57% (31 December 2015: 53%). The weighted average LGD rate increased due to the relative increase in portfolio exposure to countries with larger LGD ratios such as Poland, Spain, Denmark and the growth of the individual LGD ratio in Georgia. In addition, during 2016 the delinquent portfolio more than 1 year for countries launched in 2015 (including Mexico and Argentina) contributed more to the LGD 360 bucket and consequently to the total weighted average LGD. Sensitivity analysis of the Group's net income for the year and equity to changes in LGD rates given a simplified scenario of a 5% increase in the LGD ratio for each operating entity would increase loan loss impairment by EUR 11 165 thousand (31 December 2015: EUR 10 237 thousand). A 5% decrease would lead to a decrease of the same amount.

- Separation of embedded derivatives

4finance Group's USD borrowing notes issued in 2014 and maturing in 2019 have a prepayment option for bond holders to request early redemption in 2017. There is also an early redemption option from 4finance Group's perspective. These prepayment options are judged to be closely related to the host debt instruments characteristics and, therefore, are not separated from the host debt instrument. 4finance Group does not expect these options to be exercised.

- Capitalisation of internal development costs (see Note 27)

During the year, 4finance Group developed certain software solutions. 4finance Group applied IAS 38 to assess expenditure that met the criteria to be capitalized and expenditure to be expensed to profit or loss. Management judgement is required to assess costs falling within 3 specific phases - research and pre-development costs, development costs and maintenance/post-development costs. 4finance Group has set up internal processes allowing management to allocate internal IT costs to the appropriate stage. Only those expenses that have been internally assessed as relating to development are capitalized. In addition, management judgement is required in assessing the useful economic lives of developed projects. Currently, this ranges from 3 to 5 years. Information in relation to the capitalisation of internal development costs is disclosed in more detail in Note 27.

- Deferred tax asset recognition

Significant management judgement is required in assessing deferred tax assets, in particular projecting taxable profits in current and future years (see Note 28).

- Fair value of financial instruments (see Note 39)
- Valuation of related party loans (see Note 22)
- Goodwill measurement and goodwill impairment testing

Significant management judgement is required for assessing goodwill impairment. The main judgemental areas include projecting EBITDA in current and future years, projecting expected free cash flows to equity holders in current and future years, estimating discount rates and estimating terminal growth rates (see Note 27).

TBIF Group

The TBIF Group makes estimates and assumptions that affect the amounts of reported assets and liabilities within the next financial year. Accounting estimates and judgements are consistently applied and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(5) Use of estimates and judgements (continued)

TBIF Group reviews its loan portfolios to assess the need for impairment on at least a quarterly basis. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, TBIF Group makes an analysis whether objective data exists indicating that there is a significant decrease in the estimated future cash flows from the loan portfolio. Such evidence may include observable data, indicating an adverse change in the borrowers' ability to meet their loan obligations in the respective portfolio, or their national or local economic conditions indicate that the probability of default has increased. When estimating future cash flows, for assets with credit risk features and objective evidence for impairment similar to those in the portfolio, management uses estimates based on historical losses experienced. The methodology and assumptions used to estimate the amount and timing of future cash flows are reviewed regularly in order to reduce differences between loss estimates and actual loss experience. TBIF Group undertakes a credit risk stress test which assumes a static portfolio of the bank and a 20% migration of loans with DPD up to 90 days to loans with DPD 90+ wit ha forecast horizon of 12 months. As of 31 December 2016, this test resulted in a sensitivity of EUR 2 860 thousand.

The value of real estate collateral is determined by independent expert appraisers, using generally accepted valuation techniques. Such techniques include the revenue method and the discounted cash flow method. In certain cases, fair value is determined based on recent transactions involving real estate with similar features and locations as the collateral. Non-real estate collateral is measured at the lower of the value upon acquisition and the fair value less costs to make the sale.

The calculation of fair value of collateral involves the use of estimates, including the future cash flows from the assets and the discount rates applicable to these assets. These estimates are based on the conditions in the local market existing at the date of valuation.

TBIF Group management has committed to specific actions aimed at the realisation of these assets through disposal.

Assets acquired as collateral on loans are classified as non-current assets held for sale.

TBIF Group undertakes a collateral depreciation stress test, which assumes a devaluation of real estate by 5-15% depending on the type of real estate over a forecast horizon of 12 months. As of 31 December 2016, this test resulted in a sensitivity of EUR 1 890 thousand.

(6) Discontinued operations

There were no discontinued operations in 2016.

In January 2015, a decision to discontinue operations in Estonia was made (4finance OÜ).

In December 2014, a decision to sell the Group’s operations in the Russian Federation was made. The decision was primarily driven by political and economic uncertainties in the market. On 1 January 2015, the Russian Federation business segment was sold to a related party outside the reporting group and all related sales transactions were completed in the first half of 2015. This resulted in a total gain of EUR 6 383 thousand.

Also on 1 January 2015, the Group sold 85% of its effectively ceased operations in the United Kingdom. Total loss from the sale of the United Kingdom operations amounted to EUR 240 thousand.

The table below includes the operating results of discontinued business segments. All of the discontinued operations results are attributable to shareholders of the Company.

(6) Discontinued operations (continued)

(a) Results of discontinued operation

	2016 EUR'000	2015 EUR'000
Interest income		280
Interest expenses		(1)
Impairment allowance	—	(392)
Net other expenses	—	(120)
Results from operating activities	**—**	**(233)**
Income tax	—	—
Results from operating activities, net of tax	**—**	**(233)**
Gain on sale of discontinued operations	—	6 143
Profit for the period	**—**	**5 910**

(b) Cash flows from (used in) discontinued operations

	2016 EUR'000	2015 EUR'000
Net cash from operating activities	—	339
Net cash used in investing activities	—	(330)
Net cash flow from financing activities	—	8
Net cash flow for the year	**—**	**17**

(7) Interest income

Interest income represents revenues generated during the reporting period from the Group's basic activities – consumer lending, and in the case of TBIF Group, consumer and SME lending and leasing. Interest income includes loan commission income and penalty fee income.

	2016 EUR'000	2015 EUR'000
Loans to customers:		
4finance Group	359 503	318 285
TBIF Group	19 712	—
Friendly Finance	13 940	—
	393 155	**318 285**

(7) Interest income (continued)

Interest income by geographic markets and acquisitions:

The 4finance Group

	2016 EUR'000	2015 EUR'000
Poland	94 024	81 217
Spain	56 007	35 580
Latvia	43 086	44 234
Denmark	34 799	21 974
Georgia	34 309	39 653
Sweden	25 190	26 170
Finland	21 958	21 622
Lithuania	21 729	35 195
Czech Republic	17 550	9 853
Other	10 851	2 787
	359 503	**318 285**

TBIF Group

	2016 EUR'000	2015 EUR'000
Bulgaria	10 040	—
Romania	9 672	—
	19 712	**—**

Friendly Finance

	2016 EUR'000	2015 EUR'000
Spain	3 950	—
Georgia	2 987	—
Czech Republic	2 779	—
Other	4 224	—
	13 940	**—**

(8) Interest expense

	2016 EUR'000	2015 EUR'000
Interest expense on notes	34 780	26 383
Deposits from customers	1 898	526
Interest expense on other loans	1 372	1 387
Interest expense on bank loans	515	361
Deposits from banks and financial institutions	119	—
	38 684	**28 657**

(9) Fee and commission income

	2016 EUR'000	2015 EUR'000
Insurance agents' commissions	2 056	—
Transfers and transactions	747	—
Other	98	—
	2 901	**—**

Fees and commissions are related to TBIF Group's operations.

(10) Fee and commission expense

	2016 EUR'000	2015 EUR'000
Agents' commissions	434	—
Bank transactions	349	—
Other	26	—
	809	**—**

Fees and commissions are related to TBIF Group's operations.

(11) Net trading loss

	2016 EUR'000	2015 EUR'000
Net foreign currency loss	7 989	17 661
Net gain on derivatives	(652)	(10 673)
	7 337	**6 988**

(12) Other income

	2016 EUR'000	2015 EUR'000
Interest income	6 710	2 050
Income from services	1 674	1 160
Rental income	1 561	—
Income from insurance broker activities	1 068	—
Other income from clients	1 022	—
Proceeds from share sales	223	—
Other income	2 056	603
	14 314	**3 813**

In 2016, interest income includes interest income from related parties of EUR 6 643 thousand (2015: EUR 1503 thousand) (see Note 36).

(13) Other expense

	2016	2015
	EUR'000	EUR'000
Cost of services rendered	1 974	1 140
Impairment of other assets	51	—
Other expense	421	612
	2 446	**1 752**

(14) Net impairment losses

	2016	2015
	EUR'000	EUR'000
Impairment losses on loans	105 770	84 748
Reversal of provision on debt portfolio sales	(7 610)	(2 827)
Recovery from written-off loans	(8 488)	(4 957)
	89 672	**76 964**

In 2016, a change in classification treatment was made regarding net income from debt sales. Income from debt sales in excess of net book value is treated as a reversal in the excess provision on debt sold. This resulted in a reversal of EUR 7 610 thousand in the provision on debt portfolio sales in 2016 and a reclassification of EUR 2 827 thousand from net income from debt sales to net impairment losses on loans and receivables in 2015. Impairment losses on loans include EUR 121 thousand of TBIF Group impairment on financial leases.

(15) General administrative expenses

	2016	2015
	EUR’000	EUR’000
Personnel costs	68 359	39 378
Marketing and sponsorship	55 406	50 128
Legal and consulting	12 051	7 458
Debt collection costs	8 469	6 975
Research and development expenses	7 934	4 318
Application inspection costs	5 358	3 972
Rent and utilities	5 193	2 481
Depreciation and amortization	5 138	1 585
Communication expenses	4 496	3 167
IT expenses	3 584	6 900
Bank services	3 122	1 943
Travel	2 466	1 734
Other	8 807	3 860
	190 383	**133 899**

The increase reflects both the Group's investment in growth of existing businesses as well as the impact of including the cost base of Friendly Finance and TBIF Group. The increase in personnel costs reflects the significant growth in staff numbers, mainly attributable to hiring in product development, IT, risk, legal & compliance and finance as well as in new markets. Other expenses mainly consist of office expenses, taxes, encashment costs and transport costs for TBIF Group and other costs.

(15) General administrative expenses (continued)

Auditor’s fees (part of Legal and consulting)	**2016 EUR’000**	**2015 EUR’000**
Audit fees	545	424
Audit related fees	38	33
Tax related fees	127	634
	710	**1 091**

	2016 EUR’000	**2015 EUR'000**
Average number of employees		
Senior management/Executives	9	8
Employees	3 403	1 238
	3 412	**1 246**

(16) Income tax for the reporting period

	2016 EUR’000	**2015 EUR’000**
Current tax	28 503	17 794
Deferred tax	(10 671)	(2 111)
	17 832	**15 683**

Reconciliation of effective income tax:

	2016 EUR’000	**2015 EUR’000**
Profit before corporate income tax	81 039	73 838
Theoretical corporate income tax, 29%	23 501	21 413
CIT relief due to donations	(73)	(709)
Effect of change in deferred tax asset recognition	(283)	1 059
Tax effect of permanent differences related to non-deductible expenses	2 738	1 821
Non-taxable gain on sale of discontinued operations	—	(1 781)
Impact of tax rate in other jurisdictions	(8 051)	(6 120)
Corporate income tax for the reporting year	**17 832**	**15 683**

The effective tax rate in 2016 was 22% (2015: 21%).

The main countries that contribute to the impact of tax rate in other jurisdictions above are Georgia, Poland and Sweden.

Management utilises both in-house tax expertise and external consultants to ensure compliance with tax legislation in the countries in which the Group operates. Companies within the Group are subject, from time-to-time, to tax inspections by the relevant local tax authorities. Currently, a tax inspection of the Group's Polish operations is being undertaken by the local Polish tax authorities.

(17) Cash and cash equivalents

	31.12.2016 EUR'000	31.12.2015 EUR'000
Bank balances	79 333	56 862
Placements with other banks	50 216	—
Cash at central banks other than the minimum statutory reserve	7 471	—
Cash and cash equivalents in the statement of cash flows	**137 020**	**56 862**
Minimum statutory reserve	20 621	—
Total cash on hand and cash at central banks	**157 641**	**56 862**

As at 31 December 2016, the statutory minimum reserves held with the Bulgarian National Bank (BNB) by TBIF Group amount to 10 % of the deposits attracted, not including 5% of funds attracted from abroad. As at 31 December 2016, the statutory minimum reserves held at the National Bank of Romania (NBR) amounted to 8% of the funds attracted in new Romanian Lei and 14% of the funds attracted in currencies other than new Romanian Lei, not including funds attracted from other local banks and funds attracted with a residual maturity of less than two years without early termination clauses. The statutory minimum reserves are not available for use in the Group's day-to-day operations. Cash on hand and minimum statutory reserves and balances with BNB are not interest bearing. Those held in NBR are interest bearing.

(18) Derivatives

To manage the Group's open position in foreign currencies, the Group has entered into forward and option agreements. The purpose of the financial instruments is to limit the Group's exposure to foreign currency fluctuations.

The tables below reflect the fair value of each financial instrument type separately as at 31 December 2016.

	Currency	Notional amount '000	Rate	Maturity	31.12.2016 EUR'000
European style Put EUR/USD option	USD	90 000	1.1305	Feb 2017	6 554
EUR to USD forward agreements (Note 36)	USD	2 963	1.3388	Aug 2019	632
European style Put EUR/USD option	USD	10 000	1.0853	Mar 2017	303
European style Call EUR/CZK option	EUR	135 258	27.0515	Mar 2017	19
European style Call EUR/GBP option	EUR	14 509	0.9068	Apr 2017	62
European style Put EUR/USD option	USD	72 500	1.0944	May 2017	2 969
European style Call USD/PLN option	USD	30 000	4.1705	Feb 2017	627
					11 166

(18) Derivatives (continued)

The tables below reflect the fair value of each financial instrument type separately as well as a bond held by the Group as at 31 December 2015.

	Currency	Notional amount ’000	Rate	Maturity	31.12.2015 EUR’000
EUR to USD forward agreements (Note 36)	USD	22 500	1.3388	Aug 2019	4 190
European style Put EUR/USD option	USD	72 500	1.0883	Feb 2016	744
European style Put EUR/USD option	USD	90 000	1.1305	Feb 2017	4 163
European style Call EUR/PLN option	PLN	130 800	4.36	May 2016	302
European style Call EUR/CZK option	CZK	135 620	27.124	Oct 2016	64
American style Call USD/GEL option	GEL	10 751	2.1503	Feb 2016	506
American style Call USD/GEL option	GEL	10 673	2.1346	Feb 2016	534
					10 503

(19) Loans due from customers

Summary

Loans due from customers has been divided into three parts below. 4finance Group shows all companies under 4finance Holding S.A. with the exceptions of TBIF Group and Friendly Finance, which have been shown separately.

	Gross receivables 31.12.2016	Allowance for doubtful debts 31.12.2016	Net receivables 31.12.2016	Gross receivables 31.12.2015	Allowance for doubtful debts 31.12.2015	Net receivables 31.12.2015
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
4finance Group	430 440	(140 276)	290 164	425 495	(117 207)	308 288
TBIF Group	191 098	(13 585)	177 513	—	—	—
Friendly Finance	43 569	(17 349)	26 220	—	—	—
	665 107	**(171 210)**	**493 897**	**425 495**	**(117 207)**	**308 288**

4finance Group

	31.12.2016 EUR’000	31.12.2015 EUR’000
Long-term loans due from customers	21 629	20 890
Impairment of long-term loans due from customers	(6 281)	(4 625)
Long term	**15 348**	**16 265**
Short-term loans due from customers	408 811	404 605
Impairment of short-term loans due from customers	(133 995)	(112 582)
Short term	**274 816**	**292 023**
	290 164	**308 288**

(19) Loans due from customers (continued)

The 4Finance Group's long-term and short-term loans consist of loan balances not exceeding EUR 3 061 per loan (31 December 2015: EUR 3 265) with maturity of up to 3 years. The average outstanding individual loan balance in 2016 was EUR 185 (2015: EUR 184). The loans are not collateralized.

Short-term loans include the Line of Credit portfolio outstanding of EUR 3 738 thousand as at 31 December 2016 (31 December 2015: EUR 463). The total credit committed under this product, which includes used and unused amounts, is EUR 4 508 thousand (31 December 2015: EUR 569).

Movements in the allowance for doubtful debts for 4Finance Group for the respective periods are as follows:

	2016 EUR'000	2015 EUR'000
<u>**Allowance for doubtful debts**</u>		
Balance at the beginning of period	117 207	75 418
Charge for the period in continued operations	97 443	84 748
Amounts written-off	(51 232)	(36 315)
Derecognised on disposal of portfolio	(20 588)	(2 839)
Charge for the period in discontinued operations	—	(392)
Currency effect	(2 555)	(3 413)
Balance at period end	**140 275**	**117 207**

Loans by country and currency:

	Gross receivables 31.12.2016 EUR'000	Allowance for doubtful debts 31.12.2016 EUR'000	Net receivables 31.12.2016 EUR'000	Gross receivables 31.12.2015 EUR'000	Allowance for doubtful debts 31.12.2015 EUR'000	Net receivables 31.12.2015 EUR'000
Poland (PLN)	113 959	(32 580)	81 379	102 699	(33 594)	69 105
Latvia (EUR)	59 817	(11 153)	48 664	61 744	(11 495)	50 249
Denmark (DKK)	46 256	(13 766)	32 490	31 312	(7 575)	23 737
Spain (EUR)	53 416	(27 157)	26 259	37 428	(17 310)	20 118
Lithuania (EUR)	34 312	(11 900)	22 412	63 181	(10 822)	52 359
Sweden (SEK)	28 865	(6 495)	22 370	43 253	(11 244)	32 009
Finland (EUR)	27 499	(8 244)	19 255	31 536	(9 430)	22 106
Georgia (GEL)	36 410	(18 344)	18 066	37 993	(11 517)	26 476
Other	29 906	(10 637)	19 269	16 349	(4 220)	12 129
	430 440	**(140 276)**	**290 164**	**425 495**	**(117 207)**	**308 288**

During 2016, there was a decrease in loans due from customers in Lithuania following the Bank of Lithuania's decision to remove the Group's local operating entity, 4finance UAB, from the list of consumer credit lenders in Lithuania at the end of 2015. Following successful discussions with the Lithuanian authorities on the steps

(19) Loans due from customers (continued)

required to resume issuing new loans, operations were re-started at the beginning of 2016. 2016 saw a lower volume of lending compared to 2015 due to the more restrictive legislation and our reduced marketing during this period of regulatory adjustment. The Group also faced increased competition and regulation in both Georgia and Sweden in 2016. The Group has adjusted its product offering in these markets and plans to introduce new products and broaden its target market in 2017.

TBIF Group

Loans to customers

	31.12.2016 EUR'000
Loans to customers:	
Individuals	139 930
Corporate clients	50 935
Staff	233
Total loans to customers	**191 098**
Impairment allowance	(13 585)
Total net loans to customers	**177 513**

Loans to customers include accrued interest amounting to EUR 2 556 thousand. Loans to customers bearing floating interest rates amount to EUR 40 838 thousand, and loans to customers bearing fixed interest rates amount to EUR 137 976 thousand.

Impairment loss allowances

The movement in impairment loss allowances is as follows:

Impairment allowance for individually assessed financial assets	**2016 EUR'000**
Balance at the beginning of period (**At 1 August)**	1 393
Charge for the period in continued operations	42
Amounts written-off	(3)
Derecognised on disposal of portfolio	—
Currency effect	—
	1 432

Impairment allowance for collectively assessed financial assets	**2016 EUR'000**
Balance at the beginning of period (**At 1 August)**	11 752
Charge for the period in continued operations	1 525
Amounts written-off	(1 071)
Derecognised on disposal of portfolio	—
Currency effect	(53)
As of 31 December	**12 153**

(19) Loans due from customers (continued)

Structure of the loan portfolio by economic sectors

	Gross receivables 31.12.2016 EUR'000	Allowance for doubtful debts 31.12.2016 EUR'000	Net receivables 31.12.2016 EUR'000
Individuals	141 988	(11 724)	130 264
Construction and real estate	19 836	(1 263)	18 572
Commerce	7 370	(148)	7 222
Agriculture	6 921	(143)	6 778
Tourism	6 195	0	6 195
Services	5 120	(280)	4 840
Manufacturing	2 787	(27)	2 760
Staff	839	0	840
Other financial institutions	42	0	42
Total loans to customers	**191 098**	**(13 585)**	**177 513**

Friendly Finance

	31.12.2016 EUR'000
Short-term loans due from customers	43 569
Impairment of short-term loans due from customers	(17 349)
Short term	**26 220**
	26 220

Movements in the allowance for doubtful debts for Friendly Finance are as follows:

	2016 EUR'000
<u>**Allowance for doubtful debts**</u>	
Balance at the beginning of period (**At 1 July)**	10 328
Charge for the period in continued operations	6 880
Amounts written-off	(286)
Currency effect	427
As of 31 December	**17 349**

Friendly Finance loans consist of loan balances not exceeding EUR 2 365 per loan with maturity of up to 7 months. The average outstanding individual loan balance in 2016 was EUR 230. The loans are not collateralized.

(19) Loans due from customers (continued)

Loans by country and currency:

	Gross receivables 31.12.2016	Allowance for doubtful debts 31.12.2016	Net receivables 31.12.2016
	EUR'000	EUR'000	EUR'000
Czech Republic (CZK)	10 181	(5 017)	5 164
Spain (EUR)	9 876	(3 860)	6 016
Georgia (GEL)	9 316	(2 381)	6 935
Poland (PLN)	7 455	(3 890)	3 565
Slovakia (EUR)	5 818	(2 080)	3 738
Other	923	(121)	802
	43 569	**(17 349)**	**26 220**

(20) Net investment in finance leases

	31.12.2016
	EUR'000
Gross investment in finance leases:	
Not later than one year	4 745
Later than one and not later than five years	10 337
Later than five years	3 582
	18 664
Unrealised finance income	(4 851)
	13 813
Less allowance for impairment losses	(731)
Net investment in finance leases	**13 082**
Net investment in finance leases	
Not later than one year	2 523
Later than one and not later than five years	7 545
Later than five years	3 014
	13 082

Leases include mainly contracts with companies and individuals for the lease of vehicles and production equipment.

(20) Net investment in finance leases (continued)

A movement of the allowance for impairment losses for finance leases is as follows:

	2016
	EUR'000
As of 1 August 2016	835
Impairment loss allowance charged	373
Reversed	(494)
Foreign exchange difference	17
As of 31 December	**731**

(21) Financial assets available for sale

	31.12.2016
	EUR'000
Investments in equities	5 131
Debt securities - listed	5 458
	10 589

Investment in equities mainly consists of a EUR 4 900 thousand investment in participation of 9.9% in Spotcap Global S.à r.l., a non-listed limited liability company that is an innovative online lender for small and medium sized enterprises.

Debt securities as at 31 December 2016 represent two types of issued Romanian government bonds: in EUR with a maturity on 21 January 2019 and coupon of 3.40 % per annum; in RON with a maturity on 11 June 2017 and coupon of 6.75 % per annum. Interest accumulated as at 31 December 2016 amounts to EUR 162 thousand. Debt securities are carried at fair value based on quoted market prices as at the date of the financial statements.

(22) Loans to related parties

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Loans to related parties	67 198	13 732
	67 198	**13 732**

(22) Loans to related parties (continued)

Detailed information regarding loans to related can be seen below:

			Principal amount		Accrued interest	
	Maturity	Interest rate	31.12.2016	31.12.2015	31.12.2016	31.12.2015
			EUR'000	EUR'000	EUR'000	EUR'000
Piressa Holdings Limited	May 2018	13.75 %	5 100	5 100	713	539
V7 Limited	Oct 2018	13.75 %	18 491	3 508	1 637	181
4finance Group S.A.	Jul 2019	13.75 %	31 524	1 375	48	28
4finance US Holding Company, Inc	Dec 2019	13.75 %	4 046	1 781	854	347
0973915 B.C. Ltd	Nov 2018	13.75 %	3 743	—	1 042	804
Credit Service UAB	Dec 2020	13.75 %	—	68	—	1
			62 904	**11 832**	**4 294**	**1 900**

All loans to related parties are unsecured.

The Group has entered into various loan agreements with related parties. These can be grouped into two categories: funding for businesses formerly owned and consolidated by the Group which were sold to related parties, and funding provided to the Group's parent company, 4finance Group S.A..

The loan to Piressa Holdings Limited was part of the agreement on divestment of operations in Russia. The principal amount of this loan is fixed and has remained the same since disposal. The loans to 4finance US Holding Company Inc and 0973915 B.C. Ltd relate to operations in North America, which are now owned by 4finance Group S.A.. The loan to V7 Limited relates to the Group's minority interest in UK operations, which were in pilot phase during 2016 (following receipt of a full Financial Conduct Authority license in February 2016), and majority funded via this loan facility. Subsequent to 2016 year end, this loan has been restructured and is now a liability of 4finance Group S.A. to the Company. These loans relating to formerly owned businesses total EUR 35.6 million in principal plus accrued interest.

The EUR 31.5 million loan to 4finance Group S.A. represents approximately half of the Group's 2016 net profit and qualifies as a distribution for the purposes of the Group's bond covenants.

(23) Other assets

	31.12.2016 EUR'000	31.12.2015 EUR'000
Repossessed real estate	7 528	—
- less accumulated impairment	(114)	—
Receivables from suppliers	5 505	1 533
Security deposits	1 650	1 303
Other receivables	6 962	2 546
	21 531	**5 382**

Repossessed real estate is from TBIF Group.

Receivables from suppliers includes receivables from offline service providers, which is the main driver for the increase as at 31 December 2016 compared to 31 December 2015. Offline service providers offer the opportunity for customers to repay loans via payment terminals. These providers are used mainly in Poland, Spain, Georgia and Denmark, the increase being driven by market growth in these countries.

Other receivables as at 31 December 2016 includes EUR 2 074 thousand from 4finance Group S.A. and AS 4finance Ltd. for legal and other consulting services. It also includes faulty payments of EUR 1 194 thousand and other receivables related to acquisitions of EUR 1 674 thousand.

(24) Investment in associates

	31.12.2016 EUR'000	31.12.2015 EUR'000
Investments in associates	2 080	—
	2 080	**—**

Investments in associates consists of a EUR 2 080 thousand investment in participation of 24.4% in BillFront GmbH, a non-listed limited liability German company. The Group has significant influence over, but does not control, the company as the ownership of 24.4% shares does not give power to make important decisions alone. The Group acquired 24.4% of shares for EUR 2 142 thousand in November 2016. As of 31 December 2016, the investment was decreased by EUR 62 thousand, the Group's share of the loss for the two month period. The company is an online platform that offers working capital solutions to digital media businesses. The company is headquartered in London, with offices in Berlin and San Francisco.

(25) Property and equipment

	Leasehold improvements	Computer equipment	Other property and equipment	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Cost				
31 December 2014	**353**	**2 455**	**882**	**3 690**
Additions	1 135	2 282	807	4 224
Acquisition through business combination	19	9	10	38
Disposals and write-offs	(227)	(632)	(106)	(965)
Effect of changes in foreign exchange rates	(67)	(176)	1	(242)
31 December 2015	**1 213**	**3 938**	**1 594**	**6 745**
Accumulated depreciation				
31 December 2014	**204**	**1 119**	**259**	**1 582**
Depreciation	184	897	214	1 295
Disposals and write-offs	(17)	(360)	(23)	(400)
Effect of changes in foreign exchange rates	(24)	(26)	(10)	(60)
31 December 2015	**347**	**1 630**	**440**	**2 417**
Balance as at 31 December 2014	**149**	**1 336**	**623**	**2 108**
Balance as at 31 December 2015	**866**	**2 308**	**1 154**	**4 328**

	Buildings and land	Leasehold improvem ents	Computer equipment	Other property and equipment	Motor Vehicles	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost						
31 December 2015	**—**	**1 213**	**3 938**	**1 594**	**—**	**6 745**
Additions	5	562	1 747	1 130	691	4 135
Additions through business combinations (Note 27)	6 332	113	130	849	7 305	14 729
Disposals	(510)	(78)	(174)	(209)	(189)	(1 160)
Reclassified to assets held for sale (Note 26)	—	—	—	(52)	(6 647)	(6 699)
Reclassification	—	41	—	(41)	—	—
Effect of changes in foreign exchange rates	(68)	(68)	(74)	(72)	(25)	(307)
31 December 2016	**5 759**	**1 783**	**5 567**	**3 199**	**1 135**	**17 443**
Accumulated depreciation						
31 December 2015	**—**	**347**	**1 630**	**440**	**—**	**2 417**
Depreciation	77	294	1 281	564	766	2 982
Disposals	—	(60)	(80)	(26)	—	(166)
Reclassified to assets held for sale	—	—	—	(29)	—	(29)
Effect of changes in foreign exchange rates	(7)	(16)	(32)	(33)	(19)	(107)
31 December 2016	**70**	**565**	**2 799**	**916**	**747**	**5 097**
Balance as at 31 December 2015	**—**	**866**	**2 308**	**1 154**	**—**	**4 328**
Balance as at 31 December 2016	**5 689**	**1 218**	**2 767**	**2 283**	**388**	**12 345**

(26) Non-current assets and disposal groups held for sale

As of 31 December 2016, the TBIF Group was in the process of actively searching for a buyer of one of its fully owned subsidiaries operating in rent-a-car activities in Bulgaria. In accordance with the requirements of IFRS 5, the assets and liabilities of the subsidiary have been presented as held for sale as of the date of these consolidated financial statements. Since the TBIF Group continues its involvement with the geographical segment (Bulgaria) as well as with the business segment (rent-a-car) through other subsidiaries, the company in question has not been treated as a discontinued operation.

The TBIF Group subsidiary's major classes of assets and liabilities included in the disposal group as of 31 December 2016 are as follows:

	31.12.2016 EUR'000
Vehicles	6 647
Other assets	1 118
Total assets	**7 765**
Borrowings*	(5 480)
Other liabilities	(783)
Total liabilities	**(6 263)**
Net from assets and liabilities	**1 502**

* includes intercompany borrowings

TBIF Group's non-current assets held for sale are as follows (includes rent-a-car subsidiary held for sale):

	31.12.2016 EUR'000
Vehicles	7 362
- less accumulated impairment	(51)
Other	1 753
- less accumulated impairment	(488)
	8 576

As at 31 December 2016, TBIF Group did not recognize additional impairment (for the five month period since acquisition), and the repossessed assets are presented net of the impairment charged.

In the last five months of 2016, TBIF Group sold assets classified in this category amounting to zero. Impairment written off in relation to these assets amounted to zero. In the last five months of 2016, the Group repossessed assets amounting to EUR 219 thousand classified as held for sale.

The Group intends to realise non-current assets held for sale through disposal over the next reporting period.

(26) Non-current assets and disposal groups held for sale (continued)

The movement in the impairment of non-current assets held for sale is as follows:

	2016
	EUR'000
As at 1 August	647
Impairment charged for the period	35
Impairment written off for the period	(134)
Foreign exchange difference	(9)
Balance at period end	**539**

TBIF Group's non-current liabilities held for sale are as follows:

	31.12.2016
	EUR'000
Borrowings	4 026
Other liabilities	783
	4 809

(27) Intangible assets and goodwill

	Licenses, trademarks and similar rights EUR'000	Software and other intangible assets EUR'000	Goodwill EUR'000	Development costs EUR'000	Advances EUR'000	Total EUR'000
Cost						
31 December 2014	**744**	**277**	**—**	—	**2 268**	**3 289**
Additions	1 334	328	—	6 220	2 154	10 036
Additions - internally developed	—	—	—	6 032	—	6 032
Acquisitions through business combinations	—	117	647	—	—	764
Disposals and write-offs	(112)	(423)	—	(81)	(48)	(664)
Reclassification	—	5 991	—	(3 770)	(2 221)	—
Effect of changes in foreign exchange rates	8	(210)	—	(203)	(46)	(451)
31 December 2015	**1 974**	**6 080**	**647**	**8 198**	**2 107**	**19 006**
Accumulated amortisation and impairment						
31 December 2014	**325**	**213**	**—**	—	—	**538**
Amortisation	335	86	—	—	—	421
Disposals and write offs	(80)	—	—	—	—	(80)
Amortization of acquisitions through business combinations	—	68	—	—	—	68
Effect of changes in foreign exchange rates	(7)	36	—	—	—	29
31 December 2015	**573**	**403**	**—**	—	—	**976**
Balance as at 31 December 2014	**419**	**64**	**—**	**—**	**2 268**	**2 751**
Balance as at 31 December 2015	**1 401**	**5 677**	**647**	**8 198**	**2 107**	**18 030**

(27) Intangible assets and goodwill (continued)

	Licenses, trademarks and similar rights EUR'000	Software and other intangible assets EUR'000	Goodwill EUR'000	Development costs EUR'000	Advances EUR'000	Total EUR'000
Cost						
31 December 2015	**1 974**	**6 080**	**647**	**8 198**	**2 107**	**19 006**
Additions	857	317	—	20 114	2 132	23 420
Acquisitions through business combinations	702	54	42 706	—	35	43 497
Disposals and write-offs	(18)	(102)	—	—	—	(120)
Reclassification	19	7 038	—	(4 950)	(2 107)	—
Effect of changes in foreign exchange rates	(2)	153	—	598	—	749
31 December 2016	**3 532**	**13 540**	**43 353**	**23 960**	**2 167**	**86 552**
Accumulated amortisation and impairment						
31 December 2015	**573**	**403**	**—**	**—**	**—**	**976**
Amortisation	954	1 494	—	—	—	2 448
Disposals and write offs	(62)	(63)	—	—	—	(125)
Effect of changes in foreign exchange rates	12	66	—	—	—	78
31 December 2016	**1 477**	**1 900**	**—**	—	—	**3 377**
Balance as at 31 December 2015	**1 401**	**5 677**	**647**	**8 198**	**2 107**	**18 030**
Balance as at 31 December 2016	**2 055**	**11 640**	**43 353**	**23 960**	**2 167**	**83 175**

Development costs and Advances largely relate to new IT development projects. During 2015 and 2016, the Group's IT function was expanded to support new countries and products, focusing on in-house development. A new development site was opened, and the Group invested in new IT personnel. New software developments included a new Risk Tool, a new Debt Collection tool, several enhancements to existing solutions, Web Design and building new websites based on User Experience (UX). Projects put in use in 2016, include, but not limited to: IT intangible assets related to instalment loan products in Spain, Sweden, Poland and Romania; IT intangible assets related to line of credit products in Latvia and Finland; websites in Bulgaria, Sweden and Lithuania, and; IT regulatory compliance projects in Lithuania, Sweden and Latvia. In addition, a significant number of projects are in the latter stages of development and due for completion in early 2017.

Goodwill

Acquisitions in year 2015

During year 2015, the Group acquired two entities in Armenia and Argentina. Goodwill recognised in connection with these acquisitions totalled EUR 647 thousand. As of 31 December 2016, there are no indications of impairment for the goodwill recognised, as the entities in Armenia and Argentina are still developing their businesses. These companies are anticipated to continue to grow and become profitable in the future.

(27) Intangible assets and goodwill (continued)

Acquisitions in year 2016

Acquisition of Friendly Finance

During the year 2016, the Group acquired 80% of Friendly Finance. The acquisition was completed on 30 June 2016 for EUR 28.8 million. The purchase price was determined based on two methods: EBITDA ratios and Price/Earnings ratios for similar companies. The net present value of discounted future cash flows was also calculated, to determine that the net present value was larger than the purchase price of the entity. Friendly Finance operates in Poland, Slovakia, the Czech Republic, Spain and Georgia. This acquisition will enable the Group to increase its market share in countries in which it already has a presence (Poland, Czech Republic, Spain and Georgia), enter a new market (Slovakia) and add other brands to its portfolio. The Group is also anticipating being able to realise synergies in the areas of underwriting, debt collection and IT platforms. For the twelve months ended 31 December 2016, Friendly Finance group revenues amounted to EUR 23 942 thousands and loss amounted to EUR 2 661 thousands (unaudited data).

Identifiable assets acquired and liabilities assumed

The following summarises the recognised amount of assets acquired and liabilities assumed of Friendly Finance at the acquisition date.

	30.06.2016 EUR'000
Property and equipment	224
Intangible assets	275
Loans due from customers	16 452
Other receivables	401
Deferred tax asset	268
Cash and cash equivalents	1 621
Loans and borrowings	(13 448)
Trade and other liabilities	(3 355)
Total identifiable net assets (100%)	**2 438**
Total identifiable net assets (80%)	**1 950**

The asset and liability values above are estimated to be fair values. These values did not significantly differ from the net book values except for loans due from customers for which fair value was determined to be lower than the net carrying amount.

As of 30 June 2016, the net portfolio carrying amount in Friendly Finance consolidated financial information was EUR 19 313 thousand. The fair value of the loan portfolio was estimated based on discounted future cash flows. Discounted cash flows included such input data as the use of average portfolio interest rates and expected net cash flows from portfolios.

The fair value of the portfolio was estimated to be lower than net book value at EUR 16 452 thousand. Other receivables amounted to EUR 401 thousands and, given their short term nature, the fair value was assumed to approximate the contractual amount. Deferred tax assets totalling EUR 268 thousand was recognised due to the difference in the net book value and fair value of loans due from customers. Short term loans and borrowings (not including the Friendly Finance OÜ loan from 4Finance S.A.) were EUR 1 795 thousands, long term loans and borrowings (not including Friendly Finance OÜ loan from 4Finance S.A.) were EUR 6 804 thousands and loans and borrowings of Friendly Finance OÜ from 4Finance S.A. were EUR 4 849 thousands. These are estimated to be fair value amounts in which interest rates are equal to market interest rates.

(27) Intangible assets and goodwill (continued)

Goodwill arising from the acquisitions was as follows:

	30.06.2016
	EUR'000
Total consideration transferred	28 800
Fair value of identifiable net assets acquired	(1 950)
Goodwill	**26 850**

Goodwill consists of the positive value that Friendly Finance will generate in the future by earning revenues and profits. Non-controlling interest was recognised as 20% of the recognised amount of the identifiable net assets of the acquired entity.

Acquisition of TBIF Group

On 11 August 2016, 4finance Holding S.A. completed the purchase of TBI Bank EAD through the acquisition of 100% of TBIF Financial Services B.V. from its parent company, Kardan Financial Services B.V., following receipt of all regulatory approvals. The acquisition is in line with the Group's strategy of product and geographic diversification. In addition, the purchase may lead to lower costs of funding for the Group. The total consideration was in cash of EUR 81.8 million, which has been paid in full.

TBIF Group is a consumer-focused financial group in Bulgaria and Romania with consolidated assets of EUR 272 million as of 31 July 2016, including EUR 176 million of customer loans at net book value. Funding is predominantly through customer deposits and customer accounts of EUR 177 million, representing 85% of total liabilities, as of 31 July 2016.

The following summarises the estimated fair values of assets acquired and liabilities assumed of the acquired TBIF Financial Services B.V. group as of the acquisition date (financial information as of 31 July 2016 is used).

	31.07.2016
	EUR'000
Cash and cash equivalents	46 395
Placements with other banks	19 182
Loans due from customers	173 825
Other assets	18 423
Property and equipment	14 604
Intangible assets	840
Deferred tax asset	720
Deposits from banks	(14 038)
Deposits from customers	(176 897)
Other liabilities	(16 577)
Deferred tax liability	(519)
Total identifiable net assets	**65 958**

As of time of the acquisition, TBIF Group assets mainly consisted of cash, cash equivalents, placements with other banks, loans due from customers, and property and equipment. For short term assets, net book values were used as an approximation of fair values. Fair values of loans due from customers were estimated based on discounted future cash flows. Discounted cash flows included such input data as the use of expected net cash flows of the principal values and interest income. The expected contractual gross cash flows from loans due from customers to be received are expected to be EUR 262 million and net cash flows decreased by losses are expected to be EUR 248 million.

(27) Intangible assets and goodwill (continued)

Property and equipment were divided into land and buildings, leasing and other fixed assets. To estimate the fair value for land and buildings, third party valuation reports not older than one year were used. The fair value for land and buildings was higher than net book value. Fair values for leasing and other fixed assets did not significantly differ from net book values. Other assets included prepaid expenses, trade receivables, repossessed collateral and available for sale financial assets.

TBIF Group liabilities mainly consisted of deposits from banks, for which the net book values represented fair values, deposits from customers where fair value estimations were made, and other liabilities that mainly included other borrowings, trade payables and other payables. For deposits from customers, fair values were estimated based on discounted cash flows. Cash flows were presented based on deposit payments per terms and expected interest payments.

In the course of identifying differences between net book values and fair values, deferred tax assets and deferred tax liabilities were calculated. These were included in Other assets and Other liabilities.

Based on the assessment as described above, the estimated fair values of total identifiable net assets of TBIF Group acquired was EUR 65 958 thousand.

Goodwill arising from the acquisitions was as follows:

	31.07.2016 **EUR'000**
Total consideration transferred	81 814
Fair value of identifiable net assets acquired	(65 958)
Goodwill	**15 856**

For the twelve months ended 31 December 2016, consolidated TBI Bank EAD revenues amounted to EUR 46.9 million and profit to EUR 16.6 million (unaudited data). The financial information is not presented for TBIF Group due to the fact that until the time of acquisition, TBIF Group had a different structure compared to post acquisition. Consequently, financial information of consolidated TBI Bank EAD for the twelve months provides more representative information.

Goodwill impairment test

As of 31 December 2016, goodwill was tested for impairment. The goodwill impairment test was performed for each cash generating unit separately, where the cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The goodwill identified when Friendly Finance and TBIF Group was acquired was EUR 26 850 and 15 856 thousands, respectively.

Friendly Finance

For Friendly Finance, each business based on geographic location was identified as a cash generating unit despite the fact management of the Group views Friendly Finance as one operating segment (see Note 40). For the purposes of impairment testing, acquired goodwill of EUR 26 850 thousands was allocated as follows:

Cash generating unit	**EUR'000**
Spain	8 054
Czech Republic	6 713
Slovakia	2 685
Poland	9 398
	26 850

(27) Intangible assets and goodwill (continued)

Goodwill per unit was allocated based on management's assessment of each unit value, and its expected growth in cash flows.

The recoverable amounts for each unit was calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of the units. No impairment losses were recognised because the recoverable amounts of these units including the goodwill allocated were determined to be higher than their carrying amounts.

The calculations of value-in-use were based on free cash flows to each unit respectively, discounted by the weighted average costs of capital ("WACC"). The value-in-use calculations are most sensitive to projected profit before tax, interest expense, depreciation and amortization ("EBITDA"), terminal growth rates used to extrapolate cash flows beyond the budget period, and discount rates.

Projected EBITDA figures were based on detailed financial models. 2016 actual figures were used as a starting point in these models, and took into account management's expectations of the future performance of each unit.

Projected EBITDA growth rates (average of next four years) used in the Friendly Finance goodwill impairment test were:

Cash generating unit	Per cent
Spain	84
Czech Republic	17
Slovakia	22
Poland	49

The average projected EBITDA growth rate for Spain is higher than for other units due to currently observed market trends and expected industry developments. For Poland, the average projected EBITDA growth rate is expected to be 49% based on market size, market development and on the expected synergies between 4finance Group and Friendly Finance.

Four years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity was determined to be 4% for Friendly Finance units. The rate was estimated by management based on historical trends observed in existing markets, and expected company and industry developments.

Discount rates reflect the current market assessment of the risk specific to each unit. The discount rate was determined on a pre-tax basis. The rate was measured based on the rate of government bonds (including country risk), adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific cash generating unit.

Discount rates for Friendly Finance units, estimated as the WACC (rounded to the nearest whole number), are:

Cash generating unit	Per cent
Spain	12
Czech Republic	12
Slovakia	12
Poland	13

Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the units exceeded their recoverable amounts. The results of this analysis indicate that for Friendly Finance units, the recoverable amount would be slightly below the carrying amount including goodwill (i.e. goodwill would become impaired), if terminal growth rates decreased by 2%, discount rates increased by 2% and EBITDA decreased by:

(27) Intangible assets and goodwill (continued)

Cash generating unit	Per cent
Spain	40
Czech Republic	48
Slovakia	31
Poland	40

TBIF Group

Following acquisition, the cash generating units of TBIF Group are still under assessment. For the preliminary impairment test of goodwill acquired for TBIF Group, the test was performed for TBIF Group as a whole, as TBI Bank EAD constitutes the major part of the TBIF Group operations and assets.

The recoverable amounts for TBIF Group were calculated based on the value in use. No impairment losses were recognised as the recoverable amounts of these units including goodwill were determined to be higher than their carrying amounts.

The value in use was calculated based on the free cash flows to equity discounted by the cost of equity. The projected growth rate of free cash flows to equity used in the test (average of next four years) was 4%, based on management estimates.

Four years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity was determined as 2%. The rate was estimated by management based on expected industry and market developments.

The discount rate reflects the current market assessment of the risk specific to TBIF Group. The cost of equity was calculated as 17% (rounded to the nearest whole number). Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the units exceeded their recoverable amounts. The results of the sensitivity analysis indicate that for TBIF Group if free cash flows to equity decreased by 21%, terminal growth rates decreased by 2%, discount rates increased by 2%, then the recoverable amount is slightly below the carrying amount including goodwill (i.e. goodwill would become impaired).

(28) Deferred tax asset

Deferred tax relates to the following temporary differences and tax losses carried forward. Movement in temporary differences and tax losses carried forward during the year ended 31 December 2016:

	Net balance 1 January 2016	Recognised in profit or loss of continued operations	Acquired through business combination	Effect of exchange rate fluctuations	Net balance 31 December 2016	Deferred tax asset	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impairment losses on loans and receivables	8 815	2 187	—	(79)	10 923	10 923	—
Property and equipment	41	(151)	—	5	(105)	—	(105)
Other liabilities	2 008	3 679	469	(132)	6 024	6 024	—
Tax losses carried forward	2 077	4 956	—	(178)	6 855	6 855	—
Deferred tax assets (liabilities) before set-off	**12 941**	**10 671**	**469**	**(384)**	**23 697**	**23 802**	**(105)**
Set-off of tax						(105)	—
Net deferred tax assets						**23 697**	—

(28) Deferred tax asset (continued)

Movement in temporary differences and tax losses carried forward during the year ended 31 December 2015:

	Net balance 1 January 2015	Recognised in profit or loss of continued operations	Acquired through business combination	Effect of exchange rate fluctuations	Net balance 31 December 2015	Deferred tax asset	Deferred tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impairment losses on loans and receivables	8 526	275	—	14	8 815	8 815	—
Property and equipment	(100)	134	—	7	41	41	—
Other liabilities	1 267	707	—	34	2 008	2 008	—
Tax losses carried forward	1 034	995	161	(113)	2 077	2 077	—
Deferred tax assets (liabilities) before set-off	**10 727**	**2 111**	**161**	**(58)**	**12 941**	**12 941**	**—**
Set off of tax						—	—
Net deferred tax assets						**12 941**	**—**

The Group has recognized deferred tax assets of EUR 23 697 thousand (31 December 2015: EUR 12 941 thousand) in Latvia, Lithuania, Sweden, Finland, Poland, Georgia, the Czech Republic, Spain, Bulgaria, Romania, UK, Armenia, Argentina, Mexico and United States.

Deferred tax assets coming from tax losses carried forward as at 31 December 2016 related to Argentina, Armenia, Bulgaria, Latvia (4finance AS), Lithuania (Credit service UAB), Mexico, Romania, UK and US (4f Sales), total EUR 6 855 thousand (31 December 2015: EUR 2 077 thousand). The Group has prepared detailed financial projections for these entities covering the next 4 years. Based on these projections and the Group's history of utilizing deferred tax assets in other countries, management expects that the Group will be able to fully utilise these tax losses over the forthcoming years.

EUR 21 128 thousand of the tax losses have an expiry period in excess of 5 years, while EUR 10 592 thousand of the tax losses have an expiry period within 5 years. The majority of tax losses are expected to be utilised by 2019.

As at 31 December 2016, the Group has not recognized a deferred tax asset relating to tax losses of EUR 4 919 thousand (2015: EUR 960 thousand) due to uncertainty around utilisation of these tax benefits.

The main reasons for the increase of the deferred tax asset value in the reporting period compared to 2015 are:

- Significant investments have been made into the development of start-up companies in Argentina and Mexico, creating higher tax losses in 2016. As at 31 December 2016, deferred tax assets in Argentina and Mexico were EUR 1,851 thousand and EUR 1,910 thousand respectively. This was the first year in which deferred tax assets were recognised. It is estimated that these countries shall be able to commence utilizing these accumulated tax losses in 2018-2019.
- Significant investments have also been made in Romania in order to introduce a new product (instalment loans) to the market. This has created tax losses in 2016. As at 31 December 2016, the deferred tax asset for Romania was EUR 592 thousand (2015: EUR 237 thousand). It is estimated that the company shall be able to utilize these tax losses in year 2018 and year 2019.
- Due to the strong business development in other Group companies, deferred tax assets have also increased in value. This is due to increases in provisions for doubtful debts, items following the tax deductibility on cash bases, deferred income and expense, as well as other items having timing differences for recognition for accounting and tax purposes.
- Acquisitions of new companies creating additional deferred tax assets for the Group.

(29) Loans and borrowings

	31.12.2016 EUR'000	31.12.2015 EUR'000
Long term		
Notes	181 766	208 018
Loans from banks	246	4 709
Loans from related parties	700	700
Other loans in Friendly Finance	1 605	—
Other loans in TBIF Group	2 665	—
	186 982	**213 427**

	31.12.2016 EUR'000	31.12.2015 EUR'000
Short term		
Notes	197 246	8 993
Loans from banks	3	1 225
Loans from related parties	3 045	3 045
Other loans in Friendly Finance	5 156	—
Other loans in TBIF Group	858	—
Other loans in 4finance Group	3 893	2 772
	210 201	**16 035**
Total	**397 183**	**229 462**

Detailed information regarding loans and borrowings can be seen below:

Loan provider / type of loan	Currency	Maturity	Interest rate	Principal amount 31.12.2016 EUR'000	Principal amount 31.12.2015 EUR'000	Accrued interest 31.12.2016 EUR'000	Accrued interest 31.12.2015 EUR'000
Notes:							
2019 Notes	USD	Aug 2019	11.75 %	185 768	167 210	8 484	7 747
2018 Notes	SEK	Mar 2018	11.75 %	38 407	40 807	1 192	1 247
2021 Notes	EUR	May 2021	11.25 %	140 605	—	1 769	—
Friendly Finance Notes	PLN	May 2021	10%	2 754	—	33	—
Loans from related parties:	EUR	2017 - 2019	14%-15%	3 700	3 700	45	45
Loans from banks:							
AS Trasta komercbanka	EUR	Nov 2016	7%	—	5 909	—	25
Ameriabank CJSC	AMD	Mar 2019	15%	246	—	3	—
Other loans in:							
4finance Group	EUR	Jan 2017	3%-9%	3 892	2 759	1	13
Friendly Finance	EUR	2017 - 2019	12%-15%	6 760	—	1	—
TBIF Group	BGN	2017 - 2029	2%	3 518	—	5	—
				385 650	**220 385**	**11 533**	**9 077**

(29) Loans and borrowings (continued)

2019 Notes are classified as short-term due to a prepayment option for bond holders to request early redemption in 2017.

In May 2016, 4finance S.A. issued EUR 140 605 thousand of 11.25% notes which are due in May 2021 ("2021 Notes"). The 2021 Notes are subject to a number of restrictive covenants and are senior to all future subordinated debt. The 2021 Notes were listed on the Frankfurt Stock Exchange. The Group was compliant with all the covenants of the new notes and those previously issued throughout the period.

On 30 June 2016, the Group acquired Friendly Finance. In November 2015, its subsidiary, Friendly Finance Poland, issued PLN 15 000 thousand (EUR 3 381 thousand) 10% notes due in May 2018.

The Group has obtained loans from related parties to finance expansion of its operating activities with annual interest rates between 14% and 15% and maturity in 2017 and 2019.

The Group is always considering alternatives for financing, including actively managing liquidity risks and strengthening its long-term capital structure. This ongoing process includes addressing the potential exercise of the put option embedded in the 2019 Notes by bondholders in summer 2017. Management is currently reviewing a range of options to manage the possible exercise of this put, including refinancing and/or modifying the terms of its existing indebtedness, and accessing additional capital in the international capital markets.

(30) Deposits from customers

	31.12.2016 EUR'000	31.12.2015 EUR'000
TBIF Group	224 611	—
4finance Group	12 508	9 121
Total deposits from customers	**237 119**	**9 121**

TBIF Group	31.12.2016 EUR'000	31.12.2015 EUR'000
Corporate customers		
Current/settlement accounts	26 490	—
Term deposits	21 928	—
Individuals		
Current/settlement accounts	12 916	—
Term deposits	163 277	—
	224 611	**—**

As a credit institution, deposits are a normal part of the activity of TBIF Group. It provides only fixed rate deposits, most of which mature within 12 months. The average cost on these deposits for TBIF Group during the five month period post-acquisition was 1.6% per annum (average costs includes interest expense on deposits divided by current account and term deposit balances regardless of maturity, currency and geographic location).

4finance Group	31.12.2016 EUR'000	31.12.2015 EUR'000
Deposits from customers	12 508	9 121
	12 508	**9 121**

(30) Deposits from customers (continued)

In Sweden, the Group's subsidiary 4Spar AB offers online deposit-taking services to individuals for terms of up to three years, and also offers call deposits. The maximum amount of any deposit that can be accepted from a customer is limited by Swedish law to SEK 50 000 (approximately EUR 5 400).

Call deposits are offered for an unlimited term and may be withdrawn by a customer at any time without a fee. Call deposits bear a floating interest rate, that is currently 6.5% per annum. The minimum amount for call deposits is SEK 1 000 (approximately EUR 115).

Deposits on interest accounts are offered for fixed terms of between three months to three years, and may not be withdrawn early by a customer without the loss of accrued interest. Deposits on interest accounts bear a fixed interest rate that is currently between 7.1% and 10% per annum, depending on the term of the deposit. The minimum amount required to be deposited in respect of interest accounts is, in each case, SEK 10 thousand (EUR 1 156).

Deposits from customers at the end of 2016 includes interest payable amounting to EUR 1 898 thousand.

(31) Share capital

The share capital of the Group as at 31 December 2016 was EUR 35 750 thousand (31 December 2015: EUR 35 750 thousand), divided into 3 575 000 000 ordinary shares (31 December 2015: 3 575 000 000 shares) with nominal value of EUR 0.01 each (31 December 2015: EUR 0.01), fully paid via a contribution-in-kind. As at 31 December 2016 and 31 December 2015, 4finance AS, a subsidiary of 4finance Holding S.A., held one hundred thousand (100 000) non-voting preferred shares with nominal value of one cent of Euro (EUR 0.01) each.

The holders of ordinary shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at annual and general meetings of the Group. All ordinary shares rank equal in their entitlement to the Group's residual assets.

Equity includes a negative reorganization reserve of EUR 31 240 thousand (31 December 2015: EUR 31 104 thousand) which mainly reflects the difference between the share capital of 4finance Holding S.A. and the paid in share capital of AS 4finance prior to the legal reorganization conducted in 2014 and 2015. The change in reorganization reserve EUR 136 thousand is due to the transfer of Credit Service UAB from 4finance Group S.A. to the Company on 14 January 2016. Net asset value was negative on the transaction date for Credit Service UAB at EUR 80 thousand and the contribution was EUR 56 thousand.

As at 31 December 2016, the Company’s shareholders were 4finance Group S.A. (100% ownership of ordinary shares, corresponding to 99.9997% of total share capital) and AS 4finance (100% ownership of non-voting preferred shares, corresponding to 0.003% of total share capital), both owned by Tirona Limited (Cyprus) - 4finance Group S.A. directly and AS 4finance indirectly through 4finance Group S.A. and the Company.

The beneficial owners of the group are Uldis Arnicāns, Edgars Dupats and Vera Boiko, owning 25.5%, 25.5% and 49%, respectively, in Tirona Limited.

(32) Other liabilities

	31.12.2016 EUR'000	31.12.2015 EUR'000
Accrued expenses	12 429	6 683
Accounts payable to suppliers	11 835	6 016
Taxes payable	5 694	1 315
Advances received	3 345	—
Prepaid repayment instalments	2 493	—
Provisions for unused vacations	2 199	2 394
Other liabilities	9 500	2 594
	47 495	**19 002**

Accrued expenses include expenses for marketing costs, loan application processing costs, communication expenses, debt collection expenses and IT expenses. The increase in the balance relates mainly to the Group's largest operating entities in Poland, Spain, Denmark, Latvia and the Czech Republic.

Prepaid repayment instalments relate to TBIF Group on loans to individuals represent instalments that have not yet matured. Upon request by a customer, the Group is obliged to repay the amounts to the respective borrower.

Other liabilities have increased mainly due to the TBIF Group and Friendly Finance acquisition. TBIF Group's Other liabilities are EUR 3 488 thousand and Friendly Finance EUR 751 thousand respectively. Other liabilities mainly consists of salaries payable of EUR 2 601 thousand, overpayments received from clients EUR 1 475 thousand, faulty payments received of EUR 1 119 thousand and accounts payable to related parties of EUR 832 thousand.

(33) Acquisition of additional share in subsidiaries

During the financial year 2016, the Group acquired an additional 3% interest in 4finance UAB and Credit Service UAB for EUR 2 052 thousand in cash, increasing its ownership from 97% to 100%. The carrying amount of 4Finance UAB net assets in the Group's financial statements on the date of acquisition was EUR 21 090 thousand and Credit Service UAB EUR (1 073) thousand respectively. The Group recognized a decrease in NCI of EUR 601 thousand.

	31.12.2016 EUR’000
Carrying amount of NCI acquired (20 017 x 3%)	601
Consideration paid to NCI	(2 052)
A decrease in equity attributable to owners of the Group	**(1 451)**

(34) Contingent liabilities and irrevocable commitments

The Group's contingent liabilities, excluding TBIF Group, are related to its commitments to extend credit lines intended to meet the requirements of customers.

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Line of credit	770	138
	770	**138**

TBIF Group's contingent liabilities are related to its commitments to extend loans, credit lines, letters of credits and guarantees intended to meet the requirements of the bank's customers. Contingencies on loans and credit lines extended by the TBIF Group represent contractual commitments to unconditionally provide a specified amount to the customer under the provisions of the loan agreement, in the part related to utilisation, as well as an obligation of the TBIF Group to maintain amounts available up to those agreed in the credit line agreements. Upon expiry of the fixed deadline, the obligation, regardless of whether utilised or not, expires as well as the contingency for the TBIF Group.

Guarantees and letters of credit oblige the TBIF Group, if necessary, to make a payment on behalf of the customer, if the customer fails to discharge its obligations within the term of the agreement. At that time, the TBIF Group recognises the provision in its financial statements for the period of the occurred change.

The contingent liabilities and irrevocable commitments (except operating lease commitments) of the TBIF Group at 31 December 2016 are as follows:

	31.12.2016
	EUR'000
Guarantees	
Corporate clients	519
Undrawn credit commitments:	
Corporate clients	3 020
Individuals	5 279
	8 818

(35) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Less than one year	4 979	1 169
Between one and five years	11 753	4 214
More than five years	2 081	2 384
	18 813	**7 767**

The Group entities lease a number of premises and equipment under operating lease. The leases typically run for an initial period up to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rent rates.

(35) Operating leases (continued)

In 2016, EUR 4 815 thousand was recognized as an expense in the income statement in respect of operating leases (2015: EUR 1 067 thousand). The majority of Group entity operating lease expenses in 2016 were from six entities - TBIF Financial Services B.V., AS 4finance, Vivus Finance SAU, Vivus Finance Sp.z.o.o, SIA 4finance IT branch in the Czech Republic, SIA 4finance IT branch in the UK, totalling EUR 3 129 thousand.

(36) Related party transactions

(a) Transactions with shareholders and related entities

Receivables from related parties:	**31.12.2016**	**31.12.2015**
	EUR’000	**EUR'000**
Loans issued to related parties	5 813	5 639
Other receivables	255	132
	6 068	**5 771**

Income from related parties:	**2016**	**2015**
	EUR’000	**EUR’000**
Interest income	3 452	989
Income from services rendered	304	235
	3 756	**1 224**

(36) Related party transactions (continued)

Borrowings and payables to related parties:	**31.12.2016**	**31.12.2015**
	EUR'000	**EUR'000**
Loans and borrowings		
- Borrowings and payables at the end of the period	3 745	3 745

Interest expense to related parties:	**2016**	**2015**
	EUR'000	**EUR'000**
Interest expense	534	1 285

Gain on sale of North American entities*:	**2016**	**2015**
	EUR'000	**EUR'000**
Gain on sale of discontinued operations	—	1 480

Financial instruments at fair value through profit or loss	**31.12.2016**	**31.12.2015**
	EUR'000	**EUR'000**
Financial assets at fair value through profit or loss at the end of the period	632	4 190

Gain/loss from revaluing derivatives with related parties:	**2016**	**2015**
	EUR'000	**EUR'000**
(Loss)/profit from financial instruments at fair value through profit or loss	(588)	1 746

*In 2015, it was decided to expand operational activities to North America. During this time, 4finance Group S.A. became the parent company of the Group, and it was further decided that these operations will be structured under 4finance Group S.A., but outside 4finance Holding S.A. At that point in time, 4finance Holding S.A. owned two operational entities - 4finance US Holding Company (USA) and 0973915 B.C. (Canada) - which in turn held interests in companies located in the USA and Canada. In order to facilitate expansion into North America, 4finance Group S.A. purchased these entities from 4finance Holding S.A. for nominal share value. Given that the entities had operated with accumulated losses, then on sale of the shares, 4finance Holding S.A. booked a gain on disposal.

(b) Transactions with parent and the related entities

Receivables from related parties:	**31.12.2016**	**31.12.2015**
	EUR'000	**EUR'000**
Loans issued to related parties	41 257	4 279
Other receivable	2 074	27
	43 331	**4 306**

Income from related parties:	**2016**	**2015**
	EUR’000	**EUR’000**
Interest income	1 683	331
Income from services rendered	691	71
	2 374	**402**

(36) Related party transactions (continued)

(c) Transactions with other related parties

Receivables from related parties:	**31.12.2016**	**31.12.2015**
	EUR'000	**EUR'000**
Loans issued to related parties	20 128	3 814
Other receivable	458	910
	20 586	**4 724**

Income from related parties:	**2016**	**2015**
	EUR'000	**EUR'000**
Interest income	1 508	183
Income from services rendered	571	822
	2 079	**1 005**

Total remuneration included in administrative expenses:

	2016	**2015**
	EUR'000	**EUR'000**
Executive committee and Board members	3 286	3 712

There are no outstanding balances as of 31 December 2016 with members of the Group's management board or executive committee.

There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

During 2015, 4finance Group S.A., parent company of the Group, launched a long-term management incentive scheme linking incentives to the future profitability of 4finance Group S.A. The management incentive scheme is structured in a way that payments are to be settled by 4finance Group S.A. based on the value of its share value, which in turn is linked to the consolidated profits of 4finance Group S.A. Since the Group received the benefit from these services, the related expense of EUR 300 thousand for 2016 (2015: EUR 1 352 thousand) was recognised in profit or loss of the Group with a corresponding entry in share based payment reserve in equity. As at 31 December 2016, the share based premium reserve totalled EUR 1 652 thousand at year end (2015: EUR 1 352 thousand). The expense recorded for the long-term management incentive scheme is based on the estimated future profitability of the Group and 4finance Group S.A. over the period ending on 31 December 2017 and 31 December 2018.

(37) Personnel costs

	2016	**2015**
	EUR'000	**EUR'000**
Type of costs		
Remuneration	53 861	29 068
Compulsory state social security contributions, pensions and other social security expenses	11 053	6 440
Other personnel costs	3 445	3 870
	68 359	**39 378**

(38) Litigation

In the ordinary course of business, the Group is subject to legal actions. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial condition or the financial results of the Group.

(39) Fair value of financial instruments

(a) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 December 2016	Level 1	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	—	11 166	—	11 166
Financial assets available for sale	5 458	—	46	5 504
	5 458	**11 166**	**46**	**16 670**

31 December 2015	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Derivatives	—	10 503	—	10 503
	—	**10 503**	**—**	**10 503**

(39) Fair value of financial instruments (continued)

(b) Financial instruments not measured at fair value

The table below analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2016	**Level 1 EUR'000**	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair values EUR'000**	**Total carrying amount EUR'000**
Financial assets					
Cash and cash equivalents	—	—	—	157 641	157 641
Placement in other banks			4 752	4 752	4 752
Loans due from customers	—	—	505 489	505 489	493 897
Net investment in finance leases	—	—	15 752	15 752	13 082
Loans to related parties	—	—	67 414	67 414	67 198
Other financial assets	—	—	14 117	14 117	14 117
Financial liabilities					
Loans and borrowings	—	387 983	20 657	408 640	397 183
Deposits from customers	—	—	237 002	237 002	237 119
Liabilities held for sale	—	—	4 809	4 809	4 809
Accounts payable to suppliers	—	—	11 835	11 835	11 835

31 December 2015	**Level 1 EUR'000**	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total fair values EUR'000**	**Total carrying amount EUR'000**
Financial assets					
Cash and cash equivalents	—	—	—	56 862	56 862
Loans due from customers	—	—	319 562	319 562	308 288
Loans to related parties	—	—	14 193	14 193	13 732
Other financial assets	—	—	1 443	1 443	1 443
Financial liabilities					
Loans and borrowings	—	221 942	11 982	233 924	229 462
Deposits from customers	—	—	8 974	8 974	9 121
Accounts payable to suppliers	—	—	6 016	6 016	6 016

(39) Fair value of financial instruments (continued)

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Financial instruments measured at fair value (Level2)

Type	Valuation technique	Significant unobservable inputs
Derivatives, financial assets available for sale	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments	Not applicable

Financial instruments measured at fair value (Level3)

Type	Valuation technique	Significant unobservable inputs
Financial assets available for sale	The fair value of unquoted equity instruments available for sale is calculated by: 1) using valuation reports of third parties based on the investee's net assets and management makes no further adjustments, and 2) assessment of net assets adjusted, if necessary.	Not applicable

Financial instruments not measured at fair value for level 3

Type	Valuation technique	Significant unobservable inputs
Other borrowed funds, loans due from customers, deposits due to customers, other assets and other liabilities	Discounted cash flows	Credit spreads

Bonds issued by the Group have been classified as Level 2 fair value measurement given that there are observable market quotations in markets, however, the market for the bonds is not assessed as an active market. Fair value of the bonds has been determined based on observable quotes.

No level of fair value has been assigned for cash and cash equivalents on the basis that these are available on demand and therefore no modelling of fair value is required.

Loans and receivables have been classified as a Level 3 fair value measurement and the fair value is determined based on money market rates adjusted for a relevant credit spread determined by the Group.

The fair value of deposits from customers has been determined with reference to the Group's borrowing costs and has been determined to be a Level 3 fair value measurement.

The remaining financial assets and financial liabilities have been classified as Level 3 fair value measurements. Due to their short term nature, no significant fair value difference from carrying amount is expected.

No asset or liability was moved between levels between 2015 and 2016.

(40) Operating segments

During 2015, the Group was organised into eight material reportable segments which are the Group's main strategic segments (all smaller segments are reported under Other segments). In addition, during 2016, the Group acquired two new companies - TBIF Group and Friendly Finance, that are shown as separate segments. Each segment is managed separately because they require different marketing strategies. For each of the strategic segments, the Group's Management Board reviews internal management reports on at least a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss, as included in internal management reports that are reviewed by the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results and benchmarking to other entities that operate within these industries.

Analysis by segment
Information about reportable segments

Segment information for the main reportable business segments of the Group for the year ended 31 December 2016 is set out below:

EUR'000	Latvia	Lithuania	Finland	Sweden	Denmark	Poland	Georgia**	Spain	Friendly Finance	TBIF Group	All other segments	Total
Interest income	43 086	21 729	21 958	25 190	34 799	94 024	34 309	56 007	13 940	19 712	28 401	393 155
Interest expense	(10 388)	(1 330)	(1 757)	(2 716)	(1 647)	(5 130)	(361)	(3 252)	(1 521)	(1 352)	(10 628)	(40 082)
Internal revenue*	47 431	459	—	—	183	1 738	812	230	—	43	59 877	110 773
Net impairment losses on loans and receivables	(5 331)	(7 792)	(4 896)	(3 927)	(9 610)	(19 204)	(14 843)	(17 378)	(6 880)	(1 498)	(8 469)	(99 828)
Reportable segment profit before tax	41 777	10 210	7 160	12 224	13 398	31 640	10 670	7 317	199	8 435	34 120	177 150

*Internal revenue has significantly increased in year 2016 as 4Finance AS paid dividends to the sole shareholder 4Finance Holding S.A. from the retained earnings of previous years.

**In Georgia, interest income and profit reduced in 2016 due to increased competition and regulatory changes in that market.

(40) Operating segments (continued)

Segment information for the main reportable business segments of the Group for the year ended 31 December 2015 is set below:

EUR'000	Latvia	Lithuania*	Finland	Sweden	Denmark	Poland	Georgia	Spain	All other segments	Total
Interest income	44 234	35 195	21 622	26 170	21 974	81 217	39 653	35 580	12 920	318 565
Interest expense	(14 192)	(2 010)	(2 564)	(3 645)	(847)	(4 548)	(2 160)	(3 107)	(3 881)	(36 954)
Internal revenue	43 108	—	—	—	—	—	—	—	1 013	44 121
Net impairment losses on loans and receivables	(11 693)	(8 402)	(5 474)	(7 790)	(5 801)	(15 893)	(8 316)	(10 992)	(3 886)	(78 247)
Reportable segment profit/ (loss) before tax	35 988	11 680	5 647	9 950	9 264	31 736	26 510	3 183	(23 016)	110 942

*4Finance UAB closed lending operations in December 2015. The Group has re-started lending operations in Lithuania through its subsidiary UAB Credit Service, an approved consumer credit provider, using the Group's internationally recognised brands Vivus and SMSCredit.

(40) Operating segments (continued)

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2016 is set out below:

EUR'000	Latvia	Lithuania	Finland	Sweden	Denmark	Poland	Georgia	Spain	Friendly Finance	TBIF Group	All other segments and unallocated amounts*	Total
Reportable segment assets	188 704	43 120	24 121	27 259	36 224	106 877	34 746	38 415	36 909	316 849	207 682	1 060 906
Reportable segment liabilities	116 316	13 093	14 863	16 621	16 759	48 516	9 158	37 301	29 956	247 819	221 841	772 243

*The main contributors to All other segments and unallocated amounts are the Czech operating company, 4F Sales, 4Finance IT companies, 4Finance Media and 4Spar AB. Key positions for All other segments are receivables from related parties, intangible assets and loans due from customers under Assets and loans and borrowings and accounts payable to related parties under Liabilities.

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2015 is set out below:

EUR'000	Latvia	Lithuania*	Finland	Sweden	Denmark	Poland	Georgia	Spain	All other segments and unallocated amounts	Total
Reportable segment assets	211 890	56 735	25 416	38 228	27 028	110 587	33 381	23 555	84 689	611 509
Reportable segment liabilities	122 442	30 547	17 223	30 167	18 108	53 290	9 666	28 792	89 572	399 807

*4Finance UAB closed lending operations in December 2015. The Group has re-started lending operations in Lithuania through its subsidiary UAB Credit Service, an approved consumer credit provider, using the Group's internationally recognised brands Vivus and SMSCredit.

(40) Operating segments (continued)

A segment breakdown of interest income is divided by products which includes Single Payment Loans (with a term from one day up to 35 days), Instalment Loans (with a term from one month up to 24 months) and Lines of Credit (open ended credit line with flexible monthly repayments). Products for TBIF Group are split between Retail, Small and Medium-sized Enterprises ("SME's") and Leasing.

A segment breakdown of interest income by products of the Group for the year ended 31 December 2016 is set out below:

EUR'000	Latvia	Lithuania	Finland	Sweden	Denmark	Poland	Georgia	Spain	Friendly Finance	TBIF Group	All other segments and unallocated amounts	Total
Single Payment Loans	26 631	6 317	18 251	12 978	25 904	82 800	34 309	55 366	13 936	_	29 638	306 130
Instalment Loans	16 346	15 412	1 258	12 212	8 895	11 224	—	641	4	_	(1 237)	64 755
Lines of Credit	109	—	2 449	—	—	—	—	—	—	_	—	2 558
Retail (Only TBIF Group)	—	—	—	—	—	—	—	—	—	15 205	—	15 205
SME (Only TBIF Group)	—	—	—	—	—	—	—	—	—	3 985	—	3 985
Leasing (Only TBIF Group)	—	—	—	—	—	—	—	—	—	522	—	522

A segment breakdown of interest income by products of the Group for the year ended 31 December 2015 is set out below:

EUR'000	Latvia	Lithuania*	Finland	Sweden	Denmark	Poland	Georgia	Spain	All other segments and unallocated amounts	Total
Single Payment Loans	27 103	14 514	18 560	14 746	20 355	76 348	39 653	35 581	12 505	259 365
Instalment Loans	17 131	20 681	3 014	11 424	1 619	4 869	—	—	415	59 153
Lines of Credit	—	—	48	—	—	—	—	—	—	48

*4Finance UAB closed lending operations in December 2015. The Group has re-started lending operations in Lithuania through its subsidiary UAB Credit Service, an approved consumer credit provider, using the Group's internationally recognised brands Vivus and SMSCredit.

(40) Operating segments (continued)

Reconciliation of reportable segment interest income

	2016 EUR'000	2015 EUR'000
Total interest income for reportable segments	364 754	305 645
Interest income for other operating segments	28 401	12 920
Elimination of discontinued operations	—	(280)
Consolidated revenue	**393 155**	**318 285**

Reconciliation of reportable segment profit or loss

	2016 EUR'000	2015 EUR'000
Total profit or loss for reportable segments	143 030	133 958
Profit or loss for other operating segments	34 120	(23 016)
Elimination of inter-segment dividends included in inter-segment profits	(96 111)	(31 194)
Elimination of discontinued operations	—	(5 910)
Consolidated profit before tax from continued operations	**81 039**	**73 838**

Reconciliation of reportable segment interest expense

	2016 EUR'000	2015 EUR'000
Total interest expense for reportable segments	29 454	33 073
Interest expense for other operating segments	10 628	3 881
Elimination of inter-segment transactions	(1 398)	(8 296)
Elimination of discontinued operations	—	(1)
Consolidated interest expense	**38 684**	**28 657**

Reconciliation of reportable segment assets

	31.12.2016 EUR'000	31.12.2015 EUR'000
Total assets for reportable segments	853 224	526 820
Assets for other operating segments	207 682	84 689
Elimination of inter-group loans, investments and other receivables	(172 035)	(217 400)
Unallocated assets	42 513	44 097
Consolidated total assets	**931 384**	**438 206**

Reconciliation of reportable segment liabilities

	31.12.2016 EUR'000	31.12.2015 EUR'000
Total liabilities for reportable segments	550 402	310 235
Liabilities for other operating segments	221 841	89 572
Elimination of inter-group borrowings and payables	(70 997)	(134 864)
Consolidated total liabilities	**701 246**	**264 943**

Notes to the Consolidated Financial Statements

(41) Maturity analysis

The table below shows carrying amounts of financial assets and liabilities by remaining contractual maturity dates as at 31 December 2016.

Assets EUR'000	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Cash and cash equivalents	157 641	—	—	—	—	—	—	157 641
Placements with other banks	4 752	—	—	—	—	—	—	4 752
Loans due from customers	155 481	45 056	62 909	20 710	101 088	4 863	103 790	493 897
Net investment in finance leases	1 088	397	2 216	—	7 983	—	1 398	13 082
Loans to related parties	—	—	—	—	67 198	—	—	67 198
Derivatives	—	7 502	3 032	—	632	—	—	11 166
Financial assets available for sale	—	—	516	4 942	—	47	—	5 458
Other financial assets	14 117	—	—	—	—	—	—	14 117
Total financial assets	**333 079**	**52 955**	**68 673**	**25 652**	**176 901**	**4 910**	**105 188**	**767 311**

Liabilities EUR'000	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Loans and borrowings	15 420	3 026	4 193	225 935	148 610	—	—	397 183
Deposits from customers	63 744	36 122	121 007	1 423	14 823	—	—	237 119
Liabilities held for sales	108	276	4 392	33	—	—	—	4 809
Accounts payable to suppliers	11 835	—	—	—	—	—	—	11 835
Total financial liabilities	**91 107**	**39 424**	**129 592**	**227 391**	**163 433**	**—**	**—**	**650 946**
Net position	**241 972**	**13 531**	**(60 919)**	**(201 739)**	**13 468**	**4 910**	**105 188**	**116 365**
Net cumulative position	**241 972**	**255 503**	**194 584**	**(7 155)**	**6 313**	**11 223**	**116 411**	**—**

(41) Maturity analysis (continued)

The table below shows financial assets and liabilities by remaining contractual maturity dates as at 31 December 2015.

Assets EUR'000	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Cash and cash equivalents	56 862	—	—	—	—	—	—	56 862
Loans due from customers	152 006	8 130	10 938	17 552	20 890	—	98 772	308 288
Loans to related parties	—	—	—	—	13 732	—	—	13 732
Derivatives	—	1 785	302	64	8 352	—	—	10 503
Other financial assets	1 303	—	—	—	140	—	—	1 443
Total financial assets	**210 171**	**9 915**	**11 240**	**17 616**	**43 114**	**—**	**98 772**	**390 828**

Liabilities EUR'000	Demand less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Overdue	TOTAL
Loans and borrowings	9 159	3 300	3 059	600	213 344	—	—	229 462
Deposits from customers	4 713	1 322	1 012	889	1 185	—	—	9 121
Accounts payable to suppliers	6 016	—	—	—	—	—	—	6 016
Total financial liabilities	**19 888**	**4 622**	**4 071**	**1 489**	**214 529**	**—**	**—**	**244 599**
Net position	**190 283**	**5 293**	**7 169**	**16 127**	**(171 415)**	**—**	**98 772**	**146 229**
Net cumulative position	**190 283**	**195 576**	**202 745**	**218 872**	**47 457**	**47 457**	**146 229**	**—**

(42) Analysis of financial liabilities' contractual undiscounted cash flows

The table below presents the cash flows payable by the Group under contractual financial liabilities, including derivative financial liabilities, by remaining contractual maturities as at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with the carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

The analysis as at 31 December 2016 was as follows:

31 December 2016	Carrying amount	Total nominal (inflow)/ outflow	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 12 months	More than 1 year
Non-derivative liabilities							
Loans and borrowings	397 183	592 307	51 393	16 458	12 338	219 856	292 261
Deposits from customers	237 119	240 041	63 987	35 548	122 296	2 172	16 038
Liabilities held for sales	4 809	5 705	124	324	4 458	—	799
Accounts payable to suppliers	11 835	11 835	11 835	—	—	—	—
Total	**650 946**	**849 888**	**127 339**	**53 018**	**139 092**	**222 028**	**309 098**
Credit related commitments	**—**	**1 089**	**1 089**	**—**	**—**	**—**	**—**

The analysis as at 31 December 2015 was as follows:

31 December 2015	Carrying amount	Total nominal (inflow)/ outflow	On demand/ less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 12 months	More than 1 year
Non-derivative liabilities							
Loans and borrowings	229 462	316 261	163	13 178	3 504	16 364	283 052
Deposits from customers	9 121	9 409	333	6 614	433	782	1 247
Accounts payable to suppliers	6 016	6 016	6 016	—	—	—	—
Total	**244 599**	**331 686**	**6 512**	**19 792**	**3 937**	**17 146**	**284 299**
Credit related commitments	**—**	**1 316**	**1 316**	**—**	**—**	**—**	**—**

(43) Currency analysis

The table below shows the currency structure of financial assets and liabilities as at 31 December 2016:

Assets EUR'000	**GEL**	**DKK**	**EUR**	**SEK**	**PLN**	**USD**	**BGN**	**RON**	**Other**	**TOTAL**
Cash and cash equivalents	3 806	1 956	105 944	2 541	13 211	1 767	20 602	4 523	3 291	157 641
Placements with other banks	—	—	4 752	—	—	—	—	—	—	4 752
Loans due from customers	25 001	32 490	143 932	22 370	84 944	—	93 398	73 551	18 211	493 897
Net investment in finance leases	—	—	11 695	—	—	—	—	1 387	—	13 082
Loans to related parties	—	—	37 384	—	—	9 574	—	—	20 240	67 198
Other financial assets	1 147	992	7 083	198	1 228	30	471	1 322	1 646	14 117
Total financial assets	**29 954**	**35 438**	**310 790**	**25 109**	**99 383**	**11 371**	**114 471**	**80 783**	**43 388**	**750 687**
Off-balance sheet			61 426			182 458			5 000	248 884

Liabilities EUR'000	**GEL**	**DKK**	**EUR**	**SEK**	**PLN**	**USD**	**BGN**	**RON**	**Other**	**TOTAL**
Loans and borrowings	—	—	159 175	42 990	—	194 252	517	—	249	397 183
Deposits from customers	—	—	90 353	12 508	—	—	96 338	36 760	1 160	237 119
Accounts payable to suppliers	290	126	3 270	689	621	560	1 937	48	4 294	11 835
Total financial liabilities	**290**	**126**	**252 798**	**56 187**	**621**	**194 812**	**98 792**	**36 808**	**5 703**	**646 137**
Off-balance sheet	—	—	157 284	—	28 460	—	—	32 966	21 952	207 696
Net position (excluding off-balance sheet)	**29 664**	**35 312**	**57 992**	**(31 078)**	**98 762**	**(183 441)**	**15 679**	**43 975**	**37 685**	**104 550**
Net position (including off-balance sheet)	**29 664**	**35 312**	**(37 866)**	**(31 078)**	**70 302**	**(983)**	**15 679**	**11 009**	**20 733**	**145 738**

Currency risk of the open positions in USD, PLN, CZK and GBP is managed through the use of option agreements and forward foreign currency contracts which minimize the adverse effects of currency exchange rate fluctuations. Currency risk of the open positions in RON is managed through the use of swap agreements. The Group monitors its foreign currency exposure to non-Euro based currencies on a regular basis and will, if deemed commercial, consider hedging some or all of any exposure arising.

(43) Currency analysis (continued)

The table below shows the currency structure of financial assets and liabilities as at 31 December 2015:

Assets EUR'000	**GEL**	**DKK**	**EUR**	**SEK**	**PLN**	**USD**	**Other**	**TOTAL**
Cash and cash equivalents	2 161	1 684	36 729	2 451	5 030	7 693	1 114	56 862
Loans due from customers	26 476	23 737	144 832	32 009	69 105	—	12 129	308 288
Loans from related parties	—	—	7 110	—	—	2 129	4 493	13 732
Other financial assets	977	650	2 217	51	214	—	1 273	5 382
Total financial assets	**29 614**	**26 071**	**190 888**	**34 511**	**74 349**	**9 822**	**19 009**	**384 264**
Off-balance sheet	—	—	30 000	—	—	175 557	5 000	210 557

Liabilities EUR'000	**GEL**	**DKK**	**EUR**	**SEK**	**PLN***	**USD**	**Other**	**TOTAL**
Loans and borrowings	—	—	9 679	44 826	—	174 957	—	229 462
Deposits from customers	—	—	—	9 121	—	—	—	9 121
Accounts payable to suppliers	217	218	2 752	94	91	608	2 036	6 016
Total financial liabilities	**217**	**218**	**12 431**	**54 041**	**91**	**175 565**	**2 036**	**244 599**
Off-balance sheet	8 518	—	163 035	—	31 264	—	4 971	207 788
Net position (excluding off-balance sheet)	**29 397**	**25 853**	**178 457**	**(19 530)**	**74 258**	**(165 743)**	**16 973**	**139 665**
Net position (including off-balance sheet)	**20 879**	**25 853**	**45 422**	**(19 530)**	**42 994**	**9 814**	**17 002**	**142 434**

(44) Group entities

As at 31 December 2016 and 31 December 2015 respectively, the Group consisted of the following entities:

Name of entity	Registered office	Ownership 31.12.2016	Ownership 31.12.2015
AS 4finance	Lielirbes 17A-8, Rîga, LV-1046, Latvia	100%	100%
4finance EOOD	79 Nikola Gabrovski Str., floor 2, Sofia 1700, Bulgaria	100% AS 4finance	100%
Zaplo Finance s.r.o. (formerly Vivus Finance s.r.o.)	Jankovcova 1037/49, Holešovice, 170 00 Prague 7, Czech Republic	100% AS 4finance	100%
4finance UAB	Kauno m. sav. Kauno m. Jonavos g., 254 A, Lithuania	100% AS 4finance	97%
4finance Oy	Mikonkatu 15A, 00100 Helsinki, Finland	100% AS 4finance	100%
4finance AB	Hammarby Alle 47, 120 30, Stockholm, Sweden	97% AS 4finance	97%
4finance ApS	Vesterbrogade 1L, 4., DK-1620, Copenhagen, Denmark	100% AS 4finance	100%
4finance OÜ	Kreutzwaldi 6-1, Tallinn, 10124 Estonia	100% AS 4finance	100%
Intersales Services Limited	Icom house 1/5 Irish Town, Suite 3, Second Floor, Gibraltar	100%	100%
International Risk Management OÜ	Kreutzwaldi 6-1, Tallinn, 10124 Estonia	100% AS 4finance	100%
Vivus Finance Sp.z o.o.	ul. 17 Stycznia, nr 56, 02-146 Warsaw, Poland	100% AS 4finance	100%
Vivus Finance SAU (formerly Vivus Finance SL)	Calle Genova, 27 2 planta 28004 Madrid, Spain	100% AS 4finance	100%
4finance LLC	Ts. Dadiani str.7, Commercial unit N b506, Tbilisi, Georgia	100% AS 4finance	100%
4finance Malta branch	40, Villa Fairholme, Sir Augustus Bartolo Street, Ta'Xbiex, XBX 1095, Malta	100% 4finance S.A. (branch)	100%
Global Collection Management Sp.z o.o. SKA (formerly Palkow Sp.z o.o. SKA)	Ul. 17 Stycznia, nr 56, 02-146, Warsaw, Poland	100% Vivus Finance Sp. z o.o.	100%
Zaplo Sp.z o.o. (formerly Palkow Sp.z o.o.)	ul.17 Stycznia, nr 56, 02-146, Warsaw, Poland	100%	100%
Global Collection Management Sp.z o.o.	ul. 17 Stycznia, nr 56, 02-146, Warsaw, Poland	100% Vivus Finance Sp. z o.o.	100%
4Spar AB	Hammarby Alle 47, 120 30, Stockholm, Sweden	100% 4finance AB	97%
4finance S.A.	9, Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg	100% AS 4finance	100%
SIA Ondo	Lielirbes 17A-10, Rîga, LV-1046, Latvia	100%	100%
SIA Vivus	Lielirbes 17A-9, Rîga, LV-1046, Latvia	100%	100%
4finance IT SIA	Lielirbes 17A-10, Riga, LV-1046, Latvia	100%	100%
4finance IT SIA odštěpný závod v České republice	Jankovcova 1037/49, Holešovice, 170 00 Prague 7, Czech Republic	100% 4finance IT SIA (branch)	100%

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2016	Ownership 31.12.2015
4finance IT SIA spólka z ograniczona odpowiedzialnoœcia Oddzial w Polsce	ul. 17 Stycznia, nr 56, 02-146, Warsaw, Poland	100% 4finance IT SIA (branch)	100%
4finance IT SIA Lietuvos filialas	Kauno m. sav. Kauno m. Jonavos g., 254 A, Lithuania	100% 4finance IT SIA (branch)	100%
Zaplo IFN S.A	49 Nicolae Caramfil Str., 3rd floor, Bucharest, 014142, Romania	100% (99.9% 4finance Holding S.A., 0.1% AS 4finance)	100%
4f Sales, Inc.	18851 NE 29th Avenue, Suite 410, Miami, FL 33180, USA	100%	100%
4finance Media SIA	Lielirbes iela 17A-10, Riga, LV-1046, Latvia	100%	100%
GoodCredit Universal Credit Organization CJSC (Armenia)	58/1 K. Ulnecu str., Yerevan, Armenia	100%	100%
VIVUS, S.R.L.	Juan Sanchez Ramirez #40, Ens. Gazcue. Santo Domingo, Dominican Republic	100% (99.9% 4finance Holding S.A., 0.1% AS 4finance)	100% (99.9% 4Finance Holding S.A., 0.1% AS 4finance)
4F Serviços de Correspondente Bancário Ltda.	Avenida Engenheiro Luiz Carlos Berrini, 1748, conjunto 2205, sala 5, Jardim Judith, Zip Code 04571-000, City of So Paulo, State of So Paulo	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (99% 4Finance Holding S.A., 1% AS 4finance)
Global Collection Management Sp. z o.o. komandytowo - akcyjna spólka jawna	ul. 17 Stycznia, nr 56, 02-146 Warsaw, Poland	100% limited partnership with 2 partners - Global Collection Management Sp.z o.o. SKA and Global Collection Management Sp.z o.o.	100%
Credit Management LLC	T. Dadiani str. N7, commercial unit N b501, Tbilisi, Georgia	100% AS 4finance	100%
4finance, S.A. de C.V., SOFOM E.N.R.	Av. Insurgentes Sur No. 1647 Piso 4 Col. San Jos Insurgente, Benito Jurez 03900, Ciudad de Mxico, Mxico	100% (99.99% 4finance Holding S.A., 0.01% AS 4finance)	100% (98% 4Finanance Holding S.A., 2% AS 4finance)
Prestamo Movil S.A.	Juramento 1475, 1428, CABA, Buenos Aires, Argentina	100% (98.75% 4finance Holding S.A., 1.25% AS 4finance)	100% (90% 4Finance Holding S.A., 10% AS 4finance)
SIA 4finance IT	80 Great Eastern Street, London, EC2A 3JL, UK	100% 4finance IT SIA (branch)	100%
Credit Service UAB	Jonavos str. 254A, LT- 44132, Kaunas, Lithuania	100%	
Finansu Administravimas UAB	Jonavos str. 254A, LT- 44132, Kaunas, Lithuania	100%	
4finance, Resposabilidad Limitad	Diagonal 6 10-01 Zona 10 Edificio Centro Gerencial Las Margaritas Oficina 402B Torre 2, Guatemala, Guatemala	100% (99% 4finance Holding S.A., 1% AS 4finance)	
Friendly Finance OÜ	Rotermanni 2, 10111 Tallinn, Estonia	80%	
Friendly Finance Slovakia s.r.o.	Hlavna 104, Košice 04001, Bratislava, Slovakia	100% Friendly Finance OÜ	

Notes to the Consolidated Financial Statements

Name of entity	Registered office	Ownership 31.12.2016	Ownership 31.12.2015
Friendly Finance Poland Sp. z o.o.	Zlota 7/18, 00-019 Warsaw, Poland	100% Friendly Finance OÜ	
Fine Line Services Ltd.	Suites 41/42, Victoria House, 26 Main Street, Gibraltar	100% Friendly Finance OÜ	
Fine Line Services Asia Ltd.	Suite 1201, Tower 2, The Gateway 25, Canton, RdTST KLN Hong Kong	100% Friendly Finance OÜ	
Friendly Finance Asia s.r.o.	Praha 1, Stare Mesto, Narodni 341/23, PSÈ 11000, Czech Republic	100% Friendly Finance OÜ	
Friendly Finance Kazakhstan LLC	050013 Kazahstan, Almati, bulv. Buhar Zhirau No. 26/1, office No.7	100% Friendly Finance OÜ	
Friendly Finance s.r.o.	Praha 1, Stare Mesto, Narodni 341/23, PSČ 11000, Czech Republic	100% Friendly Finance OÜ	
Friendly Finance Georgia Ltd	Pekini street N 28, Tbilisi, Georgia	100% Friendly Finance OÜ	
Friendly Finance Argentina S.R.L.	Avda. del Libertador 498 - piso 23, C1001ABR Buenos Aires, Argentina	90% Friendly Finance OÜ, 10% Fine Line Services Ltd.	
Fine Line Services Ltd.	Ground Floor, Palace Court, Church Street, St Julians STJ 3049, Malta	100% Friendly Finance OÜ	
Friendly Group Spain S.L.	Ronda Sant Pere 33-3a/3b, 08010 Barcelona, Spain	90% Friendly Finance OÜ, 10% Fine Line Services Ltd	
Wisemedia OÜ	Raatuse tn 20, 51009 Tartu, Estonia	100% Friendly Finance OÜ	
Mile High OÜ	Rotermanni 2, 10111 Tallinn, Estonia	100% Friendly Finance OÜ	
Integrated Management Services Mexico S.A. de C.V.	Av. Insurgentes Sur No. 1647 Piso 4 Col. San Jos Insurgente, Benito Jurez 03900, Ciudad de Mxico, Mxico	100% (99% 4finance Holding S.A., 1% AS 4finance)	
TBIF Financial Services B.V.	Westerdoksdijk 423, 1013 BX Amsterdam, The Netherlands	100%	
TBI Bank EAD	52-54 Dimitar Hadzhikotsev Str., Lozenets district, 1421 Sofia, Bulgaria	100% TBIF Financial Services B.V.	
TBI Bank EAD Sofia - Bucharest Branch	8-12 Putuli lui Zamfir Str., 4th floor, 1st sector, Bucharest, Romania	100% TBI Bank EAD (branch)	
TBI Rent EAD	52-54 Dimitar Hadzhikotsev Str., Lozenets district, 1421 Sofia, Bulgaria	100% TBI Bank EAD	
TBI Credit IFN S.A.	8-12 Putul lui Zamfir Str., 2nd Floor, District 1, Bucharest, Romania	100% (99.99999863% TBI Bank EAD, 0.00000137% TBIF Financial Services B.V.)	
TBI Leasing IFN S.A.	8-12 Putul lui Zamfir Str., Ground Floor and First Floor, District 1, Bucharest, Romania	100% (99.9989% TBI Bank EAD, 0.0011% TBIF Financial Services B.V.)	
TBI Call Center S.R.L.	8-12 Putul lui Zamfir Str., 3rd Floor, District 1, Bucharest, Romania	100% TBI Credit IFN S.A.	
TBI Insurance Agent Asigurare S.R.L.	8-12 Putul lui Zamfir Str., Ground Floor and First Floor, District 1, Bucharest, Romania	100% TBI Leasing IFN S.A.	

Name of entity	Registered office	Ownership 31.12.2016	Ownership 31.12.2015
TBI Fleet Management S.A.	8-12 Putuli lui Zamfir Str., 4th floor, 1st sector, Bucharest, Romania	100% (99.9433427762% TBI Leasing IFN S.A., 0.0566572238% TBIF Financial Services B.V.	

All new subsidiaries, except for the subsidiaries Credit Service UAB, TBIF Group and Friendly Finance, acquired during the year, were established by the Group. Friendly Finance and its subsidiaries were acquired in the first half of 2016. TBIF Group and its subsidiaries were acquired in the second half of 2016. Credit Service UAB was acquired in January 2016. No goodwill was recognised on the acquisition of Credit Service UAB.

(45) Non-controlling interest in subsidiaries

Non-controlling interests in subsidiaries have the same proportion of voting rights as their ownership interest held. The table below summarises the information relating to each of the Group's subsidiaries that have material non-controlling interests (NCI), before any intra-group eliminations as at 31 December 2016:

EUR'000	Friendly Finance	Sweden	Total
NCI percentage	**20%**	**3%**	
Cash and cash equivalents	2 969	2 167	5 136
Loans due from customers	26 220	22 370	48 590
Property and equipment	346	79	425
Intangible assets	2 412	21	2 433
Deferred tax asset	—	1 795	1 795
Other assets	1 332	11 492	12 824
Loans and borrowings	(28 391)	(9 948)	(38 339)
Corporate income tax payable	(1 029)	(924)	(1 953)
Other liabilities	(1 726)	(17 016)	(18 742)
Net assets	**2 133**	**10 036**	**12 169**
Carrying amount of NCI	**427**	**301**	**728**
Revenue	13 940	25 190	39 130
Profit	429	9 937	10 366
Other comprehensive income	(735)	—	(735)
Total comprehensive income	**(306)**	**9 937**	**9 631**
Profit allocated to NCI	**86**	**298**	**384**
Other comprehensive income allocated to NCI	**(147)**	**—**	**(147)**
Cash flows from operating activities	(7 152)	18 837	11 685
Cash flows from investment activities	(2 886)	(10 798)	(13 684)
Cash flows from financing activities, before dividends to NCI	11 386	(7 626)	3 760
Cash flows from financing activities - cash dividends to NCI	—	(678)	(678)
Net increase / (decrease) in cash and cash equivalents	**1 348**	**(265)**	**1 083**

(45) Non-controlling interest in subsidiaries (continued)

The table below summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations as at 31 December 2015:

EUR'000	Lithuania	Sweden	Total
NCI percentage	**3%**	**3%**	
Cash and cash equivalents	1 522	2 432	3 954
Loans due from customers	52 359	32 009	84 368
Property and equipment	113	97	210
Intangible assets	1	8	9
Deferred tax asset	67	2 492	2 559
Other assets	117	118	235
Loans and borrowings	(21 408)	(15 797)	(37 205)
Corporate income tax payable	(923)	(1 966)	(2 889)
Other liabilities	(2 956)	(11 251)	(14 207)
Net assets	**28 892**	**8 142**	**37 034**
Carrying amount of NCI	**867**	**244**	**1 111**
Revenue	35 195	26 170	61 365
Profit	12 005	7 842	19 847
Total comprehensive income	**12 005**	**7 842**	**19 847**
Profit allocated to NCI	**360**	**235**	**595**
Cash flows from operating activities	(3 003)	7 667	4 664
Cash flows from investment activities	(68)	(67)	(135)
Cash flows from financing activities, before dividends to NCI	4 238	(7 604)	(3 366)
Cash flows from financing activities - cash dividends to NCI	(399)	(209)	(608)
Net increase in cash and cash equivalents	**768**	**(213)**	**555**

(46) Subsequent events

Changes in management

In 2017, George Georgakopoulos, CEO, took over the role as Chairman of the Management Board of 4finance Group SA and the Board of Directors of 4finance Holding SA. Paul Goldfinch, CFO, took over as Chairman of the Board of Directors of 4finance SA. In addition, in February 2017, Mark Ruddock was appointed to the Supervisory Board.

Changes in the regulatory framework

Finland: the Ministry of Justice in Finland published a proposal in February 2017 to amend online lending legislation. This includes extending the 50% APR cap to cover all loans (currently it only applies to loans under EUR 2,000). The Group is currently contributing to the ongoing consultation process. The rules are expected to be finalised by the end of 2017, with implementation in mid-2018.

Poland: the Ministry of Justice in Poland published a draft bill in December 2016 that seeks to reduce the non-interest caps introduced in March 2016 to 10% fixed plus 10% annual (from the current levels of 25% fixed plus 30% annual). Given the strong reaction to the proposed changes, the consultation process was extended and is still ongoing with unclear timing and outcome.

(46) Subsequent events (continued)

Georgia: new legislation came into force in January 2017 implementing a 100% effective interest rate cap on consumer lending. Previously there was no cap. Our operations in Georgia through Vivus and MyCredit brands are compliant with the new rules.

No other significant subsequent events have occurred that would materially impact the consolidated financial statements.

KPMG

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To the Shareholders of
4finance Holding S.A.
9, Allée Scheffer
L-2520 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of 4finance Holding S.A., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of 4finance Holding S.A. as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of réviseur d'entreprises agréé thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The consolidated management report, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 22 March 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

M. Weber