Home Credit B.V.

Annual Report

for the year ended 31 December 2012

(consolidated)

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Report to the Shareholder of Home Credit B.V.

KPMG Accountants N.V. issued an auditor's report on the Company's consolidated and unconsolidated financial statements on 5 March 2013, which are included in this consolidated annual report. We have audited the consistency of the consolidated annual report with the consolidated and unconsolidated financial statements audited by KPMG Accountants N.V. This consolidated annual report is the responsibility of Company's management. Our responsibility is to express our opinion on the consistency of the consolidated annual report with the audited consolidated and unconsolidated financial statements based on audit of KPMG Accountants N.V.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the consolidated annual report describing matters that are also presented in the consolidated and unconsolidated financial statements is, in all material respects, consistent with the audited consolidated and unconsolidated financial statements. We believe that the audit we have conducted provides a reasonable basis for the audit opinion.

In our opinion, the information disclosed in the consolidated annual report is, in all material respects, consistent with the Company's consolidated and unconsolidated financial statements.

Prague
29 April 2013

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

Jindřich Vašina
Partner
Licence number 2059

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APPENDIX

1. INFORMATION ABOUT THE COMPANY

1.1. Basic data about HCBV

Company:	Home Credit B.V. (the “Company”)
Legal form:	Besloten Vennootschap (Private Limited Liability Company)
Registered office:	The Netherlands, Strawinskylaan 933, Tower B, Level 9, 1077 XX Amsterdam
Place of registration:	The Netherlands, Chamber of Commerce and Industries in Amsterdam (Kamer van Koophandel Amsterdam)
Registration No.:	34126597
VAT number:	NL 8086.95.976.B01
Date of incorporation:	28 December 1999
Length of time:	Incorporated for an indefinite period of time
Applicable law:	Laws of the Netherlands
Country of incorporation:	The Netherlands
Issued capital:	EUR 659,019,639
Paid up capital:	EUR 659,019,639
Authorized capital:	EUR 712,500,000
Contact address:	Home Credit B.V. Strawinskylaan 933, Tower B, Level 9 1077 XX Amsterdam, The Netherlands Tel.: +31 (0)20 88 13 120 Fax: +31 (0)20 88 13 121
Contact address in the Czech Republic:	Lukáš Rakušan Finance Controller Home Credit International a.s. Evropská 2690/17 P.O.Box 177 160 41 Prague 6 Tel.: +420 224 174 459
Contact for investors:	František Kalivoda Tel.: +420 2241 74705
Company’s website:	www.homecredit.eu

1.2. Bonds issued

ISIN:	CZ0000000245
Listed on:	Prague Stock Exchange
Issue date:	22 September 2010
Aggregate principal amount:	CZK 2,900,000,000
Denomination of each Note:	CZK 1,450,000
Redemption of principal amount:	22 September 2015
Interest rate:	zero-coupon note
Other information:	book-entry securities in bearer form, in accordance with Czech law

ISIN:	CZ0000000260
Listed on:	Prague Stock Exchange
Issue date:	22 June 2012
Aggregate principal amount:	CZK 3,750,000,000
Denomination of each Note:	CZK 3,000,000
Redemption of principal amount:	22 June 2016
Interest rate:	6.25% p.a.
Interest paid:	annually in arrears on 22 June of each year
Other information:	book-entry securities in bearer form, in accordance with Czech law

1.3. Principal activities of the Company

Article 3, Chapter II of the Company's Articles of Association states that the subject of the Company's activity is:

- acquisition of shares or other interests in companies and enterprises, cooperation with them and their management;
- acquisition and management of property – including rights arising from intellectual property, and investing capital;
- lending capital in particular, though not exclusively, to subsidiaries, entities in the group and/or those with an ownership interest in the company – in accordance with Section 9 (5) of the Company's Articles of Association, – and provision of loans/credit or of financing for acquisitions;
- conclusion of contracts, in which the Company as a provider of a security or a joint and several debtor guaranteeing or binding itself with or for a third party, enters into an engagement in particular but not exclusively in relation to companies and enterprises, as specified above.

Home Credit B.V. and its subsidiaries (hereinafter "the Group") are a leading multi-channel provider of consumer finance in Central and Eastern Europe (CEE) and Commonwealth of Independent States (CIS) with a strong foothold in Asia.

The Group is currently active in the Czech Republic (since 1997), the Slovak Republic (since 1999), the Russian Federation (since 2002), Kazakhstan (since 2005), Belarus (since 2007), China (since 2007), India (since 2012) and Indonesia (since 2013).

The Group specialises in multi-channel consumer finance lending, offering a variety of products, including "in-store" point of sale ("POS") loans for purchases of durable goods and cash loans, as well as revolving loans and other types of consumer financing provided in local currency. Historically, the Group was primarily a provider of POS loans and later expanded into cash loans, credit cards / revolving loans and other products. Cash loans and credit cards / revolving loans were initially cross-sold to the Group's existing customers acquired through POS loans. However, with the growth of the Group's branch network and the development of more innovative distribution methods, the Group subsequently began to issue cash loans and credit cards / revolving loans to new, as opposed to cross-sell, customers. In countries where Home Credit B.V.'s subsidiaries hold banking licences, the Group also offers retail banking services. The Group's product portfolio is different in each country, as market dynamics and customer needs vary from market to market.

Descriptions of the main products offered by the Group are set out below.

a) POS Loans

POS loans are the Group's key product and are offered in all the countries where the Group operates. POS loans are offered to finance purchases of consumer goods (electronics, computers, office electronics, furniture, building material, sports equipment and other items) by individuals. POS loans are thus considered special purpose loans. In addition, the Group uses POS loans as an efficient tool to acquire customers to whom the Group can then cross-sell additional finance products. POS loans are offered through point of sale locations established in retail stores pursuant to agreements entered into between the Group and retailers. The Group aims to offer a "one-stop shop" service to customers who visit retail stores to purchase consumer goods. POS loans are provided with minimum documentation from the customer and the Group relies on its advanced risk management systems to ensure that POS loans are provided only to persons who meet certain credit criteria.

b) Cash Loans

Cash loans are offered in the majority of countries in which the Group operates. Cash loans are not conditional on the purchase of goods or services and can be used for any purpose. Compared to POS loans, cash loans have longer terms and higher principal amounts. The Group is increasingly focused on the cash loan market due to its significant size and much greater capacity for growth than on the POS loan market and because of the Group's strategy aiming at the diversification of its loan portfolio.

The Group relies on two principal ways of distributing cash loans: cross-selling to the Group's existing POS customers with good credit history and direct origination to new customers primarily via the Group's branch network/POS's/ post offices or via sales by phone and the Internet.

c) Revolving Loans and Credit Cards

Revolving loans, which provide a line of credit to customers up to the approved credit limit, are typically offered to existing Home Credit customers who prefer to have the same regular monthly payment (unlike credit cards where the payment varies on a month by month basis) and who value the flexibility of a card. Revolving loans are usually sold through direct marketing channels and bank branches.

Credit cards allow money to be borrowed or products and services to be bought on credit, repeatedly, up to the approved credit limit and use benefits of a grace period, loyalty scheme, etc. (subject to local conditions). Credit cards are typically offered to existing Home Credit customers who have built a relationship with the company through POS or cash loans and have made successful loan repayments. New customers can also use the advantages of credit cards and apply through a variety of different sales channels as well. Typical distribution channels include bank branches, direct marketing, telemarketing, external call centres, internet applications, brokers, partner organizations (e.g., insurance companies) and POS's.

d) Car Loans

Car loans provide customers with the easy financing of cars. The loan is typically a 3-4 year product issued at car dealerships and collateralised by the Security Ownership Transfer of the financed car.

e) Insurance

To complement its consumer lending products, the Group makes insurance products available to customers in each jurisdiction in which it operates, such as life insurance, income protection insurance, providing a replacement income if the customer becomes unable to work due to an accident or sickness resulting in total disability, and other insurance products including goods insurance and insurance covering debit card usage (e.g., loss of the card). The Group cooperates with various insurance companies and it has recently acquired 100% stakes in Russian and Belarus insurance companies from Generali PPF Holding B.V. (For more information on the transaction please refer to 1.7 Subsequent events section).

f) Deposits

With its banking licences in Russia, Belarus and Kazakhstan, the Group is able to utilise its branch network to raise retail deposits in order to support lending growth and diversify its funding base. Although the Group offers both retail and corporate deposits, the Group's main focus is on retail deposits. To increase market share, the Group offers competitive interest rates and places a significant emphasis on customer service. In Russia, Belarus and Kazakhstan, the Group participates in the national deposit insurance systems established by the governments to reduce the risk of sudden deposit outflows and provide stability for depositors.

g) Current accounts

Comprehensive current accounts for individuals were initially introduced in Russia in autumn 2009 as part of the deposit program. They allow customers to manage their deposits and loan products more efficiently. Current accounts provide the Group with the opportunity to effectively identify the needs and behaviour of its clients and thus offer a more tailored service and the most appropriate well selected products. Customers can open and manage their accounts using Home Credit branches as well as via the internet banking application (available in selected countries).

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

The collection procedures are further described in the appendix “Home Credit B.V. Consolidated Annual Accounts for the year ended 31 December 2012” on page 30 in section – 4. Financial Risk Management.

1.4. Solvency of the Company

Dividend income represents the Company´s main income source. Therefore, the Company´s solvency largely depends on the business performance of its subsidiaries.

At 31 December 2012 the authorised share capital of the Company comprised 1,250,000,000 ordinary registered shares having a par value of EUR 0.57 each, of which 1,156,174,806 shares were issued and fully paid. All issued shares have equal voting rights.

As of 31 December 2012 all 1,156,174,806 issued shares in the share capital of the Company were held by PPF Group N.V., a limited liability company incorporated under the laws of the Netherlands, with its registered office in Amsterdam, the Netherlands, and address at Amsterdam, Strawinskylaan 933, Tower B, 1077 XX, the Netherlands, registered in the Dutch Commercial Register under number 33264887.

1.5. History and development of the Company

The Group started its business in 1997 upon the acquisition of the legal predecessor of Home Credit a.s., the legal entity that now operates the Home Credit business in the Czech Republic. Following the acquisition, the Home Credit business was developed primarily in the Czech Republic and Slovakia within the group of Ceska Pojistovna a.s., an affiliate of PPF at the time. Subsequently, due to business and territorial expansion, the activities of Home Credit were separated from the activities of the group of Ceska Pojistovna a.s. by a series of corporate restructurings. HCBV was incorporated in the Netherlands in 1999 under Dutch law and since then it has served as the holding company of a number of subsidiaries. Through the years, the Group has expanded in the CEE, CIS and Asia regions through a combination of greenfield operations and a number of acquisitions of licenses or operating companies.

The following list sets out the key milestones of the Group since its establishment in 1997:

1997	The Group was established in the Czech Republic
1999	The Group launched operations in Slovakia
2002	Entry into Russia via the acquisition of Innovation Bank Technopolis
2005	Entry into Kazakhstan through a greenfield strategy
2006	Entry into the Ukraine via the acquisition of Agrobank and Privat Kredit
2007	Entry into Belarus through the acquisition of a controlling stake in OJSC Lorobank
2008	The Group acquired a 9.99% interest in Home Credit Bank JSC (Kazakhstan)
2011	Exit from Ukraine via the 100% sale of PJSC “Home Credit Bank” (Ukraine) to Platinum Bank on 31 January 2011 In August 2011 the Group entered into a call option agreement enabling it to purchase the remaining 90.01% stake in Home Credit Bank JSC (Kazakhstan) from its current shareholder. However, due to regulatory uncertainties which arose in connection with changes to the banking legislation of the Republic of Kazakhstan, the ability of the Group to meet the conditions required to exercise the option was remote.
2012	In January 2012 HC Asia N.V. launched operations in India. In July 2012 the Group purchased a 100% share in HC Asia N.V., a holding entity incorporated in the Netherlands which holds equity stakes in consumer finance companies in Asian countries. In December 2012 a change in the banking legislation of the Republic of Kazakhstan took place which enabled the Group to meet the conditions required to exercise the option to purchase the remaining 90.01% stake in Home Credit Bank JSC (Kazakhstan) referred to above. Therefore, as at 31 December 2012 the Group exercised control over Home Credit Bank JSC (Kazakhstan).

2013 In January 2013 the Group became the 100% owner of Home Credit Bank JSC (Kazakhstan) following the exercise of the option referred to above.

In January 2013 the Group entered into share purchase agreements whereby it would acquire equity stakes in a number of insurance companies operating in the CIS region.

In February 2013 the Group launched operation in Indonesia.

1.6. Most important events in 2012

In February 2012, the Company recognised dividend income of TCZK 1,300,000 (TEUR 52,363) from its subsidiary Home Credit a.s.

In March 2012, the Company recognised dividend income of TCZK 36,971 (TEUR 1,492) from its subsidiary Home Credit International a.s.

In March 2012, the Company recognised dividend income of TRUB 2,799,772 (TEUR 72,030) from its subsidiary LLC Home Credit and Finance Bank of which TRUB 139,989 (TEUR 3,601) was paid as withholding tax.

In April 2012, the Company recognised dividend income of TEUR 8,000 from its subsidiary Home Credit Slovakia, a.s.

In May 2012, the Company paid to its sole shareholder PPF Group N.V., a 2011 dividend of TEUR 7,476 and a 2012 interim dividend of TEUR 100,000.

In May 2012, Ivan Svitek was recalled from his position on the Company's Board of Directors based on his own request. Mel Carvill was appointed to the Board of Directors instead of Ivan Svitek, effective 3 May 2012.

In June 2012, the Company issued fixed coupon notes, ISIN CZ0000000260, with a principal amount of CZK 3,750,000,000, at a fixed rate of 6.25% per annum, due in June 2016.

In June 2012, the Company duly repaid a former issue of bonds, ISIN CZ0000000237, with a principal amount of CZK 2,500,000,000 at its maturity.

In July 2012, the Company entered into a transaction with its shareholder (PPF Group N.V.) whereby it purchased a 100% share in HC Asia N.V., a holding entity incorporated in the Netherlands which holds equity stakes in consumer finance companies in Asian countries.

In July and September 2012, the Company's share premium was increased by TEUR 249,000 and TEUR 6,481 respectively.

In September 2012, the Company executed agreements with its shareholder (PPF Group N.V.) concerning the future acquisition of 100% shares in CF Commercial Consulting (Beijing) Co., Ltd, Home Credit Consumer Finance Co., Ltd and PPF Vietnam Finance Company LLC. The transfer of ownership rights is subject to obtaining regulatory approvals by the respective regulators in China and Vietnam.

In September 2012, the Company recognised dividend income of TEUR 8,500 from its subsidiary Home Credit Slovakia, a.s.

Effective 1 October 2012, new members of the Board of Directors of HCBV were appointed:

- Mr. Jiří Šmejc, Chairman
- Mr. Jan Cornelis Jansen, Vice-Chairman
- Mr. Jean-Pascal Duvieusart, Member
- Mr. Pavel Horák, Member
- Mr. Rudolf Bosveld, Member

The new members of the Board of Directors replaced Mr. Alexander Labak and Ms. Sonia Slavtcheva. Mr. Mel Carvill remained in his position.

In November 2012, the Company's share premium was decreased by TEUR 11,765 in a form of a 2012 interim dividend.

During 2012, the Company increased the share premium of its subsidiary HC Asia N.V., cumulatively by TEUR 35,800.

As at 31 December 2012 the Company´s subsidiary LLC Home Credit and Finance Bank being a holder of a call option to purchase a majority stake in Home Credit Bank JSC (Kazakhstan) exercised control over Home Credit Bank JSC and treated Home Credit Bank JSC as a consolidated subsidiary because of LLC Home Credit and Finance Bank's potential voting rights in Home Credit Bank JSC.

1.7. Subsequent events

In January 2013, the Company sold its 9.99% share in Home Credit Bank JSC, which represents Home Credit operations in Kazakhstan, to its subsidiary Home Credit and Finance Bank LLC.

In January 2013, the Company´s subsidiary Home Credit and Finance Bank LLC exercised the call option to purchase the 90.01% equity stake in Home Credit Bank JSC and became the 100% owner of Home Credit Bank JSC.

In January 2013 the Company entered into a number of share purchase agreements whereby it would acquire equity stakes in the following companies:

- 100% stake in Limited liability company “Generali PPF General Insurance” (a Russian entity)
- 100% stake in Limited liability company “Generali PPF Life Insurance” (a Russian entity)
- 100% stake in Public Stock Company “Generali PPF Insurance” (a Russian entity)
- 19.9% stake in YU – ID Systems B.V. (a Dutch entity)
- 100% stake in Foreign Insurance Joint-Stock Company “Generali” (a Belarusian entity)

The transactions were approved by the respective regulators in Russia and Belarus and the agreements were settled in March 2013.

In February 2013, the Company recognised dividend income of TCZK 400,000 (TEUR 15,498) from its subsidiary Home Credit a.s.

In March 2013, the Company’s share premium was decreased by TEUR 9,800 in a form of a 2013 interim dividend.

In March 2013, the Company recognised dividend income of TRUB 2,420,867 (TEUR 60,636) from its subsidiary LLC Home Credit and Finance Bank of which TRUB 121,043 (TEUR 3,032) was paid as withholding tax.

In March 2013, the Company recognised dividend income of TEUR 17,758 from its subsidiary Home Credit Slovakia, a.s.

In March 2013, PPF Group N.V. announced execution of agreements regarding asset division following Jiří Šmejc's departure from the position of shareholder of PPF Group N.V. Upon completion Jiří Šmejc shall gain, among others, a direct shareholding of 13.37% in Home Credit B.V. The remaining 86.63% stake will be owned by PPF Group N.V. The completion of the transaction is subject to approval by appropriate regulatory authorities. Following the settlement of the transaction the shareholding of PPF Group N.V. will be divided as follows: Petr Kellner 98.94%, Ladislav Bartoníček 0.53% and J.-P. Duvieusart 0.53%.

In March and April 2013, the Company increased the share premium of its subsidiary HC Asia N.V., by TEUR 57,100.

In April 2013, the Company increased the share premium of its subsidiary HC Africa N.V., by TEUR 1,250.

In April 2013 the Company sold its shares in the following companies:

- 100% stake in Limited liability company „PPF Life Insurance“ (name as at purchase date „Generali PPF Life Insurance“)
- 19.9% stake in YU – ID Systems B.V.

The transactions were approved by relevant regulators.

In April 2013, the Company´s share premium was decreased by TEUR 39,280.

1.9. Business policy and strategy in 2013

In 2013, HCBV will continue to manage and finance its holdings carefully, use its capital in a disciplined way and continue to pursue both organic growth and to develop new operations.

The Group's focus will be on managing the business for the future against an uncertain economic backdrop, aiming to maintain a diversified funding base and pursue cost-effectiveness whilst retaining a flexible approach in order to respond effectively to any macroeconomic changes as they happen. In Russia, the objective will be to drive the success in retail banking ensuring profitability and to continue to grow and utilise its expanding distribution network to cross sell and offer more specific services that focus on customer needs. In the Czech Republic and Slovakia, the aim will be to defend market position and maintain profit levels. In Belarus, the goal is to strengthen the market position both in consumer loans and deposits and to expand the branch network while rigorously managing costs in order to ensure a return on investment for its shareholders. In Kazakhstan, the Group will continue to expand and open new branches with a focus on pursuing an increase in customer deposits and cash loans. In China, the aim is to strengthen the Group's position and penetration in the current provinces where it operates, to increase profitability and to be prepared for the possible roll-out of services in new provinces. In India, the Group will build its market position and roll out services to new cities and take steps to further improve processes and efficiency. In Indonesia, the aim is to establish the business successfully and to roll out the business model efficiently, establishing the correct processes and risk management. The Group will strive to consolidate the remaining Home Credit-branded assets in China and Vietnam into the Group (subject to obtaining regulatory approvals) and it also continues to explore further opportunities to enter new markets in other high-potential markets in Asia.

2. ORGANISATIONAL STRUCTURE

2.1. The Group

The Company is a holding company of the companies that operate in the Czech Republic, the Slovak Republic, the Russian Federation, Belarus, Kazakhstan, China, India and Indonesia.

The following text includes data on these companies, which belong to the same concern as the Company and which are important in terms of the business activities of the Company.

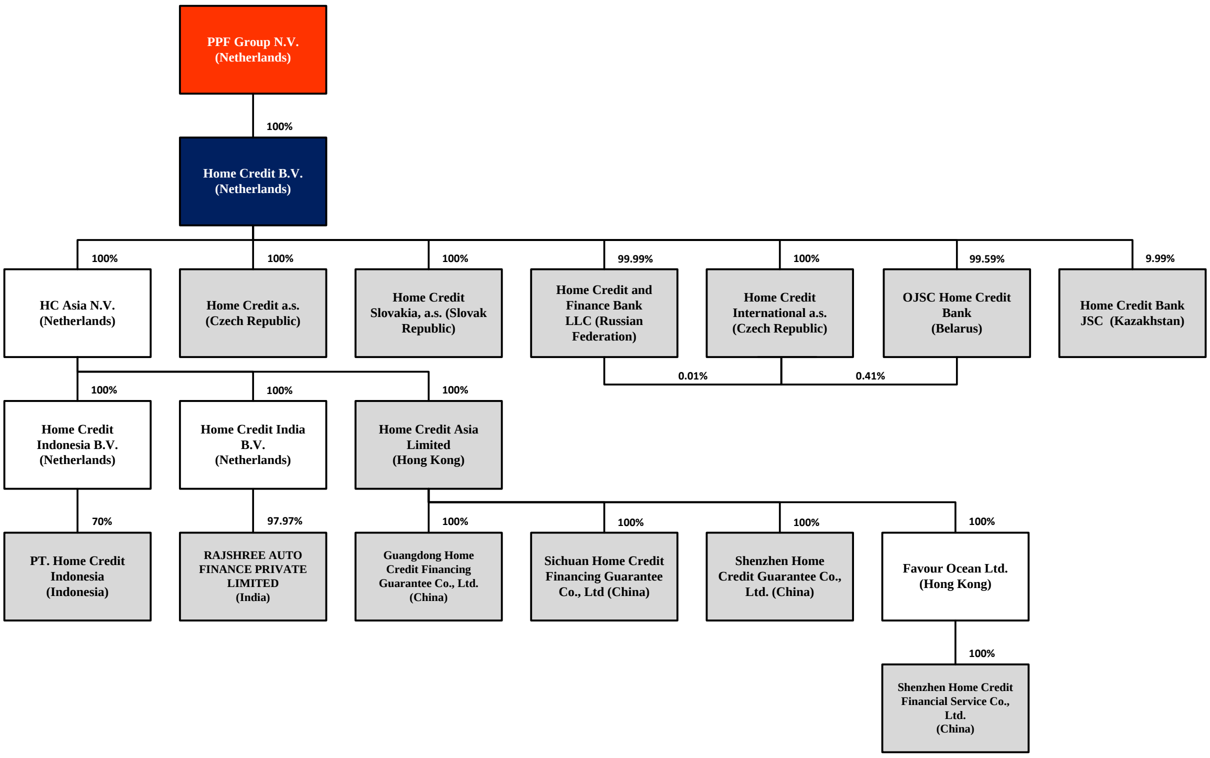
The extent of the data stated on individual companies is determined by the significance which the relevant company has within the Company's business.

The ultimate controlling entity is PPF Group N.V. (the Netherlands). As of 31 December 2012, the ultimate owners of PPF Group N.V., were Mr. Petr Kellner with a participation interest of 94.25%, Mr. Jiří Šmejc with an interest of 5.00%, Mr. Ladislav Bartoníček, with an interest of 0.50% and Mr. Jean-Pascal Duvieusart with an interest of 0.25%.

As of 31 December 2012, the Company was owned directly by PPF Group N.V.

Certain agreements were signed between PPF Group N.V. and Mr Jiří Šmejc in March 2013 which would result in a change in the shareholding structure of PPF Group N.V. and Home Credit B.V. (Please refer to 1.7 Subsequent events section for further details on the transactions).

Organisation Chart (simplified) – key companies as at 31 December 2012



The chart comprises the most important companies of the Group from the consumer finance area.

Certain acquisitions and disposals were exercised in 2013 which would result in a change in the organization structure of Home Credit B.V. (Please refer to 1.7 Subsequent events section for further details on the transactions.)

2.2. Home Credit a.s., Czech Republic

Home Credit a.s., is registered in Brno, Moravské náměstí 249/8, district of Brno-City, Post Code: 602 00, Company No. 269 78 636. The registered capital of the company is CZK 300 million.

Home Credit a.s., focuses on the provision of consumer financing to private individual customers in the Czech Republic. The main products offered by this company are POS loans, revolving loans, car loans and cash loans.

2.3. Home Credit Slovakia, a.s., Slovak Republic

Home Credit Slovakia, a.s., is registered in Piešťany, Teplická 7434/147, Post Code: 921 22, the Slovak Republic, Company No. 362 34 176. The registered capital of the company is EUR 18,821 thousand.

The main activity of this company is the provision of financing through POS loans, cash loans, revolving loans and car loans on the market in the Slovak Republic.

2.4. LLC Home Credit and Finance Bank, Russian Federation

LLC Home Credit and Finance Bank is registered at Moscow, 8/1 Pravda str., Post Code: 125040, the Russian Federation, Company No. 1027700280937. The registered capital of the company is RUB 4,173 million.

The products offered by the company include POS loans, cash loans, credit card loans, current and savings accounts, retail deposits and debit cards to retail customers in Russia. The company also offers limited corporate banking services such as lending, deposit taking and payroll services to some of its retail partners.

2.5. OJSC Home Credit Bank, Belarus

OJSC Home Credit Bank (formerly OJSC Lorobank) is registered in Minsk, 129 Odoevskogo str., Post Code: 220 018, Belarus, Company No. 807000056. The registered capital of the company is BYR 144,787 million.

The principal activity of the Bank is the provision of consumer financing (which includes POS loans, cash loans and revolving loans) in the Republic of Belarus as well as taking retail deposits.

2.6. Home Credit Bank JSC, Kazakhstan

Home Credit Bank JSC (formerly AO International Bank Alma-Ata) is registered in Almaty, 248 Furmanov Str., Post Code: 050059, Kazakhstan, Company No. 513-1900-AO(IU). The registered capital of the company is KZT 5,197 million.

In April 2013, Home Credit Bank JSC changed its business name to Subsidiary Bank Joint-Stock Company "Home Credit and Finance Bank", according to local regulatory requirements following the acquisition by LLC Home Credit and Finance Bank in January 2013.

Home Credit Bank JSC provides a comprehensive range of consumer lending (which includes POS loans, cash loans and credit card loans) and deposit products and is active in all major cities across the country through partner networks (POS), KazPost offices and through the bank's own branches.

2.7. Guangdong Home Credit Financing Guarantee Co., Ltd., China

Guangdong Home Credit Financing Guarantee Co., Ltd., is registered in H-K Room, 12F, East Plaza, No.417 Huanshi East Road, Yuexiu District, Guangzhou, Guangdong Province, China, Company No. 76732894-1. The registered capital of the company is CNY 300,000 thousand.

The main activity of this company is the provision of guarantee on POS loans, cash loans, car loans and motorbike loans to retail customers in China.

2.8. Sichuan Home Credit Financing Guarantee Co., Ltd., China

Sichuan Home Credit Financing Guarantee Co., Ltd., is registered in 9F, No. 1, Fuxing Road, Jinjiang District, Chengdu, Sichuan Province, China, Company No. 66046758-9. The registered capital of the company is USD 16,000 thousand.

The main activity of this company is the provision of guarantee on POS loans, cash loans, car loans and motorbike loans to retail customers in China.

2.9. Shenzhen Home Credit Guarantee Co., Ltd., China

Shenzhen Home Credit Guarantee Co., Ltd., is registered in Unit 1, 10F, Duty Free Building, Yitian Road, Futian District, Shenzhen, China, Company No. 66417425-7. The registered capital of the company is USD 16,000 thousand.

The main activity of this company is the provision of guarantee on POS loans, cash loans, car loans and motorbike loans to retail customers in China.

2.10. Shenzhen Home Credit Financial Service Co., Ltd., China

Shenzhen Home Credit Financial Service Co., Ltd., is registered in Unit 2-8 of 10th, 11th, and 12th floors, Duty Free Building, Yitian Road, Futian District, Shenzhen, China, Company No. 79663852-7. The registered capital of the company is USD 145,163 thousand.

The main activity of this company is to provide customer service in China.

2.11. Rajshree Auto Finance Private Limited, India

Rajshree Auto Finance Private Limited is registered in Plot No.105, Sector 44, Gurgaon, Haryana-122003, India, Company No. U65910GJ1997PTC033096. The registered capital of the company is INR 143,125 thousand.

The main activity of this company is the provision of POS loans to retail customers in India.

2.12. PT. Home Credit Indonesia, Indonesia

PT. Home Credit Indonesia is registered in Jl. Kebon Sirih No. 63, Jakarta Pusat, Indonesia, Company No. NPWP 03.193.870.7-021.000. The registered capital of the company is IDR 100,000 million.

The main activity of this company is the provision of POS loans to retail customers in Indonesia.

2.13. Home Credit International a.s., Czech Republic

Home Credit International a.s., Company No. 601 92 666, has its registered office at Prague 6, Evropská 2690/17, Post Code: 160 41, Czech Republic. The registered capital of the company is CZK 160 million.

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

2.14. Home Credit Asia Limited, Hong Kong

Home Credit Asia Limited is registered in 36/F, Tower Two, Times Square, 1 Matheson Street, CAUSEWAY BAY, Hong Kong. The registered capital of the company is USD 365,913 thousand.

The main activity of this company is the provision of advisory services to the above-mentioned companies forming the Group's Asian operations.

2.15. Ownership interests of the Company

The detailed specifications of the consolidated subsidiaries are listed in the appendix "Home Credit B.V., Consolidated Annual Accounts for the year ended 31 December 2012" on page 11 and 12 in section – 1. Description of the Group.

3. MANAGING AND SUPERVISORY BODIES

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

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

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

Board of Directors

Jiří Šmejc	Chairman	from 1 October 2012
Alexander Labak	Chairman	until 31 August 2012
Jan Cornelis Jansen	Vice-chairman	from 1 October 2012
Rudolf Bosveld	Member	from 1 October 2012
Pavel Horák	Member	from 1 October 2012
Jean-Pascal Duvieusart	Member	from 1 October 2012
Mel Gerard Carvill	Member	from 3 May 2012
Sonia Mihaylova Slavtcheva	Member	until 1 October 2012
Ivan Svitek	Member	until 3 May 2012

3.1. Mr. Jiří Šmejc

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

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

3.2. Mr. Jan Cornelis Jansen

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

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

3.3. Mr. Jean-Pascal Duvieusart

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

Jean-Pascal Duvieusart has been a shareholder of PPF Group since 2010 and became a Member of the Home Credit B.V., Board of Directors in October 2012. He joined McKinsey in 1992, working initially in Brussels and New York and later in Central Europe. He was a Managing Partner at McKinsey Prague between 1999 and 2005, and then took the reins of McKinsey's business throughout the CIS and Central European region. He has worked as an advisor to banks, insurers and various industrial companies in Russia, the Czech Republic, Slovakia, Hungary, Poland and Romania. He has an MBA from the University of Chicago and a degree in Commercial Engineering from the Catholic University of Louvain, Belgium.

3.4. Mr. Mel Carvill

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

Mr. Carvill is President and co-founder of PPF Partners – the PPF Group-backed international private equity firm focused on Emerging Europe and CIS. He has been a member of PPF Group's top executive team since 2009 and a member of the board of directors of Home Credit B.V., since May 2012.

Before joining PPF Group, Mr. Carvill was Deputy General Manager of Assicurazioni Generali. As the company's Head of Western Europe, the Americas, and the Middle East, he was responsible for the Group's M&A activities as well as for Research and Corporate Development and International Regulatory Affairs. He worked with the Generali Group for 23 years holding various accounting, technical and general management positions, and joined the Head Office in 2000. Mr. Carvill was responsible for transactions amounting to over EUR 10 billion during his time at Generali. He is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate of the Chartered Insurance Institute and a Fellow of the UK's Securities & Investment Institute.

3.5. Mr. Pavel Horák

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

Before joining Home Credit B.V., as a member of the Board of Directors of Home Credit B.V., and the Group's CFO in October 2012, Pavel Horák was Chief Financial Officer of PPF Group since 2006. Mr. Horák gained experience in financial management as an auditor at Deloitte & Touche, and later during his tenure as CFO of TV NOVA from 2001 to 2006. He is a Chartered Certified Accountant and a member of the Association of Chartered Certified Accountants (ACCA, UK). He is a graduate of the Faculty of Economics of Masaryk University in Brno and the Faculty of Finance of the University of Economics in Prague.

3.6. Mr. Rudolf Bosveld

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

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

3.7. Conflicts of interest

The Company declares that it is not aware of any conflicts of interest between the duties of the persons referred to in Articles 3.1-3.6 towards the Company and their private interests or other duties.

4. MOST SIGNIFICANT CONTRACTS

In 2012, the Group entered into the following significant agreements:

Parties	Subject Matter	Date
Home Credit B.V. and **Home Credit and Finance Bank LLC**	Loan Facility Agreement	24/08/2012
	Amendment No. 1 to Loan Facility Agreement	21/11/2012
Home Credit B.V. and **Home Credit International a.s.**	Loan Agreement	08/11/2012
	Loan Agreement	12/11/2012
Home Credit B.V. and **PPF banka a.s.**	Agreement on provision of the issue of the notes	29/05/2012
	Agreement with administrator	29/05/2012
	Special arrangement to the agreement with the administrator	22/06/2012
Home Credit B.V. and **PPF Group N.V.**	Amendment No.3 to the Loan Agreement	24/02/2012
	Loan Agreement	28/06/2012
	Deed of Sale and transfer of shares of HC Asia N.V.	02/07/2012
	Loan Agreement	24/08/2012
	Loan Agreement	24/08/2012
	Amendment No.5 to the Loan Agreement	21/09/2012
	Capital Assignment Agreement (PPF Vietnam Finance Company LLC)	27/09/2012

Home Credit B.V. and **PPF Group N.V.**	Equity Interest Purchase Agreement (Home Credit Consumer Finance Co., Ltd)	27/09/2012
	Equity Interest Purchase Agreement (CF Commercial Consulting (Beijing) Co., Ltd)	27/09/2012
	Amendment No. 1 to Loan Agreement	13/12/2012
	Amendment No.4 to the Loan Agreement	21/12/2012
Home Credit B.V. and **HC Asia N.V.**	Facility Agreement	26/12/2012

5. FINANCIAL INFORMATION

5.1. Consolidated financial information of the Company

Consolidated financial information is included in the appendix "Home Credit B.V., Consolidated Annual Accounts for the year ended 31 December 2012".

5.2. Unconsolidated financial information of the Company

Unconsolidated financial information is included in the appendix "Home Credit B.V., Unconsolidated Annual Accounts for the year ended 31 December 2012".

6. OTHER INFORMATION

6.1. Audit fees

In TEUR	2012	2011
HC BV		
Audit services	195	251
Other services	151	2,220
	346	**2,471**
CONSOLIDATED		
Audit services	1,256	1,230
Other services	401	2,488
	1,657	**3,718**

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

The overall consolidated monetary and non-monetary income in relation to transactions with members of key management personnel in 2012 was EUR 37,540 thousand (2011: EUR 23,950 thousand).

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

Monetary and non-monetary income of key management personnel in 2012

In TEUR	Total	Paid by Company	Paid by subsidiaries
Total income of Statutory bodies	**32,006**	**2,419**	**29,587**
Monetary	31,654	2,351	29,303
for membership in Statutory bodies	13	-	13
from employment	31,641	2,351	29,290
Non-monetary from employment	352	68	284
Total income of Supervisory bodies	**925**	**-**	**925**
Monetary	819	-	819
for membership in Supervisory bodies	6	-	6
from employment	813	-	813
Non-monetary from employment	106	-	106
Total income of Other governing bodies	**4,609**	**-**	**4,609**
Monetary from employment	4,609	-	4,609
TOTAL	**37,540**	**2,419**	**35,121**

Monetary and non-monetary income of key management personnel in 2011

In TEUR	Total	Paid by Company	Paid by subsidiaries
Total income of Statutory bodies	**21,346**	**5,747**	**15,599**
Monetary	21,169	5,591	15,578
for membership in Statutory bodies	14	-	14
from employment	21,155	5,591	15,564
Non-monetary from employment	177	156	21
Total income of Supervisory bodies	**464**	**-**	**464**
Monetary	456	-	456
for membership in Supervisory bodies	6	-	6
from employment	450	-	450
Non-monetary from employment	8	-	8
Total income of Other governing bodies	**2,140**	**-**	**2,140**
Monetary from employment	2,140	-	2,140
TOTAL	**23,950**	**5,747**	**18,203**

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

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

6.3. Remuneration principles

Remuneration of the members of the statutory body, under an employment contract concluded with the Company, is set and reviewed annually by the shareholders. The total remuneration consists of a fixed part, variable part and benefits.

- Fixed part – the basic salary is set in the employment contract and paid monthly.
- Variable part principles:
  - Performance bonuses are agreed and paid yearly based on the fulfilment of evaluation criteria (Key Performance Indicators: KPI).
  - KPIs are defined by shareholders annually.
  - KPIs usually consist of financial targets (e.g., net profit, costs structure, market share) and key development projects (e.g. product development, new market acquisitions).
  - KPIs evaluation is carried out by shareholders after the close of the financial year, based on audited results.
  - Bonus amounts are calculated with respect to individual employment contracts (salary) and KPI evaluation.
  - Payments are made after they are approved by the shareholders (general meeting), usually at the end of the first quarter of the next year.
- Long-term bonuses – a program has started for the 2010-2012 period and bonuses were paid in 2013 after achieving the three-year target set by the shareholders. Since 2010 the program is introduced every year for a new 3-years period.
- Allowances – costs reimbursement related to business activities (e.g., travel).

Statutory body members are paid a monthly remuneration, which is set by shareholders (annual meeting) and paid during their appointment, without other conditions applying.

Remuneration of the members of the statutory body, without an employment contract, is governed by the decision of the shareholders.

6.4. Legal, administrative and arbitration proceedings

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

6.5. Information on shares and owners' rights

There are no restrictions imposed on the transferability of shares except for the mandatory blocking clause in Article 12 of the Articles of Association, subjecting, in principle, any transfer of shares to the approval of the general meeting of shareholders. There are no known contractual agreements between shareholders that may result in restrictions on the disposal of shares or the voting rights attached to those shares.

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

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

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

6.6. Information on other significant contracts

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

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

6.7. Internal controls

The most significant risks faced by the Company, and its subsidiaries and their management are described in Note 4, included in the Appendix "Home Credit B.V., Consolidated Annual Accounts for the year ended 31 December 2012".

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

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

Individual IFRS financial statements of the Company are prepared and audited on an annual basis. Consolidated IFRS financial statements of the Company are prepared on a quarterly basis. Semi-annual and annual consolidated financial statements of the Company are subject to an auditor's review and audit respectively.

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

6.8. Decision-making process of statutory and supervisory bodies

Management decisions of the Company's Board of Directors consisting of the persons referred to in Articles 3.1-3.6 may be made at meetings of the Board by a majority of all Directors present. The decisions can also be taken outside meetings, provided that all Directors are able to take note of the proposal and have no objection to adopting it in such a manner. The Company does not have a supervisory board.

6.9. Codes of corporate governance

The Company has not adopted a code of corporate governance because it is not required to do so by the applicable legal regulations.

DIRECTORS' REPORTS

Directors' Reports are included in the Appendix "Home Credit B.V., Consolidated Annual Accounts for the year ended 31 December 2012" in the "Directors´ Report" section and in the Appendix "Home Credit B.V., Unconsolidated Annual Accounts for the year ended 31 December 2012" in the "Directors´ Report" section.

Information about the persons responsible for the Annual report

Declaration

I declare that, to the best of my knowledge and belief, the information stated in the Annual report of Home Credit B.V., for the year ended 31 December 2012 reflects the true state of its financial position, business operations, its result and prospects of the future development and that no material circumstances that may have an impact on the accurate and correct assessment of Home Credit B.V., have been omitted.

Date: 29 April 2013

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Jiří Šmejc

Chairman of the Board of Directors and CEO

The Annual report of Home Credit B.V., for the period from 1 January 2012 to 31 December 2012 was published at www.homecredit.eu and delivered to the Czech National Bank and the Prague Stock Exchange in the statutory period.

Home Credit B.V.

Consolidated Annual Accounts
for the year ended 31 December 2012

Contents

Directors´ Report

Description of the Company

Home Credit B.V.
Date of inception: 28 December 1999
Registered office: Netherlands, Strawinskylaan 933 Tower B Level 9, 1077XX Amsterdam
Identification number: 34126597
Authorised capital: EUR 712,500,000
Issued capital: EUR 659,019,639
Paid up capital: EUR 659,019,639
Principal business: Holding company activities and financing thereof

General information

Home Credit B.V. (‘HCBV’) is the direct owner of several consumer finance providers (‘the Group’). There are both fully licensed banks and non-banking entities within the Group. The principal activities of HCBV are: (a) the holding of equity stakes in consumer finance companies in the countries of Central and Eastern Europe, Commonwealth of Independent States (CIS) and Asia and (b) the securing of the refinancing for these companies either from the market or from the parent company.

Companies that are held by HCBV provide “in-store” lending to eligible mass retail customers, including first-time borrowers, and are the leading providers of such services in most countries in which they operate. They provide non-cash, non-collateralised loans for purchases of durable goods at the point of sale (“POS loans”) and, in the majority of countries in which they operate, they also offer credit cards and/or cash loans. In more mature markets, such as Russia, the Group also offers retail banking services such as deposit-gathering products and current accounts. As at 31 December 2012, the Group had served over 32 million customers across its operations: the Czech Republic (operational since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), Belarus (2007), China (2007), India (2012) and Indonesia (2013).

The beneficiary owner of HCBV is PPF Group N.V. (hereinafter “PPF”). PPF invests in multiple market segments such as banking and financial services, insurance, real estate, energy, metal mining, agriculture, retail and biotechnology. PPF's reach spans from Central and Eastern Europe to Russia and across Asia. PPF Group owns assets amounting to EUR 17.6 billion (as at 30 June 2012). Founded in 1991, PPF is a regulated financial conglomerate (as defined by the EU Directive) headquartered in the Netherlands.

For more information, visit www.ppf.eu.

While the economic backdrop has remained challenging, the Group has succeeded in continuing to implement its strategy of using its capital in a disciplined way, driving organic growth as well as building new businesses in the potential high growth markets of Asia. The Group has also continued to manage successfully the transition from being a specialised consumer finance provider to developing a retail banking offering, notably in the markets of Russia, Kazakhstan and Belarus, where it already holds a banking licence. The Group has seen strong operational results in the majority of its mature markets. In Russia, the business effectively utilised its vast distribution network and focused on building long-term relationships with customers by offering them additional and more specialised financial products, thereby achieving its aim of further cross-selling while keeping its focus on the customer. The Group managed to retain its market share and profitability in the highly competitive markets of the Czech Republic and Slovakia. In Belarus, the business increased the level of customer deposits and kept operational costs under control despite the turbulent economic situation in the country.

HCBV acquired a 100% stake in HC Asia N.V. from PPF as part of an overall move to consolidate all Home Credit-branded companies under one holding entity. HCBV also executed agreements with PPF concerning the future acquisition of 100% of the shares in "Home Credit Consumer Finance Co., Ltd." [China], "CF Commercial Consulting (Beijing) Co. Ltd." [China] and "PPF Vietnam Finance Company LLC" [Vietnam]. The completion of the transactions is subject to obtaining regulatory approval from the respective regulators in China and Vietnam. As at 31 December 2012 the Group exercised control over Home Credit Bank JSC (Kazakhstan) being a holder of an option to purchase a majority stake in the bank and treated Home Credit Bank JSC as a consolidated subsidiary, while the option was exercised and the Group became the 100% owner of the bank in January 2013.

Key Achievements

In 2012 the net loan portfolio grew by 117.2% to EUR 6,531 million, while net profit more than doubled to EUR 506 million. Operating income for 2012 reflected this growth across the business rising by 95.9% to EUR 1,773 million. Growth came from the large increase in cash loans due to the expansion of the distribution network in Russia, the growing presence of the POS business in China and the acquisitions made in 2012. Despite these high levels of growth, HCBV continued to maintain the quality of its loan portfolio with the NPL ratio (gross non-performing loans to total gross loans) again reduced to 7.6% (8.5% as at 31 December 2011). The NPL coverage ratio (total allowance for impairment to gross non-performing loans) was strengthened to 118.9%.

HCBV's continuing focus on boosting the level of retail deposits saw success as retail deposits in 2012 nearly tripled to EUR 4,724 million. Share of current account balances and term deposits now comprises 59.6% of total liabilities (31 December 2011: 49.2%). To facilitate this growth, the Group has continued adding distribution points across the Group and now reaches over 6.3 million active customers through 104,896 POS and loan offices, 952 bank branches, 3,097 post offices and 1,279 ATMs.

In 2012 the Group paid the parent company (PPF) a final dividend of EUR 7 million for 2011 and interim dividend of EUR 112 million for 2012.

Staff development and environmental influence

The average number of employees reached 31.8 thousand during 2012 (2011: 17.3 thousand).

The impact of the Group's operations on the environment is not measured as it is considered insignificant.

Financial instruments and risk management

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

The Group's primary exposure to credit risk arises from the provision of consumer financing to private customers, which is the Group's principal business. Credit risk is managed both at the individual HCBV company level and Group level.

Liquidity risk arises from the general funding of the Group's activities and from the management of its positions. The Group has access to a diversified funding base. Funds are raised using a broad range of instruments including deposits, debt securities, bank loans and shareholders' equity.

All financial instruments and positions are subject to market risk: the risk that future changes in market conditions may change the value of the instrument. The majority of the Group's exposure to market risk arises in connection with the funding of the Group's operations with liabilities denominated in foreign currencies, and to the extent the term structure of interest-bearing assets differs from that of liabilities.

For detailed information on risk management see Note 4 of the consolidated financial statements.

Future development

In 2013 the Group's focus will be on managing the business for the future against an uncertain economic backdrop, aiming to maintain a diversified funding base and pursue cost-effectiveness whilst retaining a flexible approach in order to respond effectively to any macroeconomic changes as they happen. In Russia, the objective will be to drive the success in retail banking ensuring profitability and to continue to grow and utilise its expanding distribution network to cross sell and offer more specific services that focus on customer needs. In the Czech Republic and Slovakia, the aim will be to defend market position and maintain profit levels. In Belarus, the goal is to strengthen the market position both in consumer loans and deposits and to expand the branch network while rigorously managing costs in order to ensure a return on investment for its shareholders. In Kazakhstan, the Group will continue to expand and open new branches with a focus on pursuing an increase in customer deposits and cash loans. In China, the aim is to strengthen the Group's position and penetration in the current provinces where it operates, to increase profitability and to be prepared for the possible roll-out of services in new provinces. In India, the Group will build its market position and roll out services to new cities and take steps to further improve processes and efficiency. In Indonesia, the aim is to establish the business successfully and to roll out the business model efficiently, establishing the correct processes and risk management. The Group plans to consolidate the remaining Home Credit-branded assets in China and Vietnam into the Group (subject to obtaining regulatory approval) and it also continues to explore further opportunities to enter new markets in other high-potential markets in Asia.

	Note	2012 TEUR	2011 TEUR
ASSETS			
Cash and cash equivalents	8	1,210,087	409,961
Due from banks, other financial institutions and holding companies	9	394,271	154,413
Loans to customers	10	6,530,641	3,006,903
Financial assets at fair value through profit or loss	11	19,590	35,416
Financial assets available-for-sale	12	701,504	323,795
Held-to-maturity financial assets		3,667	-
Current income tax receivables		2,431	11,471
Deferred tax assets	13	19,605	8,569
Investments in associates	14	2,537	2,056
Intangible assets	15	60,656	38,776
Property and equipment	16	237,258	173,014
Other assets	17	244,066	117,571
Total assets		**9,426,313**	**4,281,945**
LIABILITIES			
Current accounts and deposits from customers	18	4,723,571	1,697,277
Due to banks and other financial institutions	19	1,310,979	528,135
Debt securities issued	20	1,559,901	1,081,431
Financial liabilities at fair value through profit or loss	21	11,435	7,195
Current income tax liabilities		29,138	244
Deferred tax liabilities	13	947	6,321
Other liabilities	22	285,743	130,091
Total liabilities		**7,921,714**	**3,450,694**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	23	659,020	659,020
Share premium	23	303,969	60,253
Statutory reserves	23	4,853	3,754
Foreign currency translation	23	(54,590)	(86,504)
Hedging reserve	23	(971)	-
Reserve for business combinations under common control	23	15,106	-
Revaluation reserve	23	462	(95)
Other reserves		473,962	194,823
		1,401,811	**831,251**
Non-controlling interests		**102,788**	**-**
Total equity		**1,504,599**	**831,251**
Total liabilities and equity		**9,426,313**	**4,281,945**

Home Credit B.V.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	Note	2012 TEUR	2011 TEUR
Continuing operations			
Interest income	24	1,486,012	809,992
Interest expense	24	(429,033)	(182,624)
Net interest income		**1,056,979**	**627,368**
Fee and commission income	25	654,556	268,214
Fee and commission expenses	26	(57,998)	(30,278)
Net fee and commission income		**596,558**	**237,936**
Net losses on financial assets and liabilities	27	(6,993)	(9,636)
Other operating income	28	126,852	49,590
Operating income		**1,773,396**	**905,258**
Impairment losses on financial assets	29	(478,428)	(167,024)
General administrative expenses	30	(603,888)	(367,254)
Other operating expenses	31	(50,694)	(36,124)
Operating expenses		**(1,133,010)**	**(570,402)**
Gain/(loss) on disposals of associates and subsidiaries		1,732	(547)
Share of earnings in associates		2,375	1,761
Profit before tax from continuing operations		**644,493**	**336,070**
Income tax expense for continuing operations	32	(138,810)	(95,418)
Net profit for the year from continuing operations		**505,683**	**240,652**
Discontinued operations			
Loss from discontinued operations (net of income tax)		-	(9,326)
Net profit for the year		**505,683**	**231,326**
Profit attributable to:			
Equity holders of the parent company		506,032	231,326
Non-controlling interests		(349)	-
		505,683	231,326
Currency translation		25,676	(18,111)
Reclassification of currency translation on subsidiary disposals		-	7,941
Revaluation of available-for-sale financial assets		921	(5,866)
Effect of hedge accounting		(971)	-
Income tax relating to revaluation of available-for-sale financial assets		(364)	153
Other comprehensive income for the year		**25,262**	**(15,883)**
Total comprehensive income for the year		**530,945**	**215,443**
Total comprehensive income attributable to:			
Equity holders of the parent company		531,547	215,443
Non-controlling interests		(602)	-
		530,945	215,443

The consolidated financial statements as set out on pages 6 to 67 were approved by the Board of Directors on 5 March 2013.
Pavel Horák
Member of the Board of Directors

Attributable to equity holders of the parent company

	Share capital TEUR	Share premium TEUR	Statutory reserves TEUR	Foreign currency translation TEUR	Reserve for business combinations under common control TEUR	Revaluation reserve	Hedging reserve	Other reserves TEUR	Total TEUR	Non-controlling interest TEUR	Total equity TEUR
Balance as at 1 January 2012	659,020	60,253	3,754	(86,504)	-	(95)	-	194,823	**831,251**	-	**831,251**
Share premium increase	-	255,481	-	-	-	-	-	-	**255,481**	-	**255,481**
Acquisition of HC Asia, N.V. (Note 1)	-	-	29	5,985	15,106	-	-	(118,949)	**(97,829)**	3,233	**(94,596)**
Acquisition of Home Credit Bank JSC (Note 1)	-	-	-	-	-	-	-	-	-	100,759	100,759
Acquisition of non-controlling interest	-	-	-	-	-	-	-	602	**602**	(602)	-
Dividends paid	-	(11,765)	-	-	-	-	-	(107,476)	**(119,241)**	-	**(119,241)**
Transfers	-	-	1,070	-	-	-	-	(1,070)	-	-	-
Total	**659,020**	**303,969**	**4,853**	**(80,519)**	**15,106**	**(95)**	-	**(32,070)**	**870,264**	**103,390**	**973,654**
Currency translation	-	-	-	25,929	-	-	-	-	**25,929**	(253)	**25,676**
Revaluation of available-for-sale financial assets	-	-	-	-	-	557	-	-	**557**	-	**557**
Effect of hedge accounting	-	-	-	-	-	-	**(971)**	-	**(971)**	-	**(971)**
Profit for the year	-	-	-	-	-	-	-	506,032	**506,032**	(349)	**505,683**
Total comprehensive income for the year	-	-	-	**25,929**	-	**557**	**(971)**	**506,032**	**531,547**	**(602)**	**530,945**
Total changes	-	**243,716**	**1,099**	**31,914**	**15,106**	**557**	**(971)**	**279,139**	**570,560**	**102,788**	**673,348**
Balance as at 31 December 2012	**659,020**	**303,969**	**4,853**	**(54,590)**	**15,106**	**462**	**(971)**	**473,962**	**1,401,811**	**102,788**	**1,504,599**

Attributable to equity holders of the parent company

	Share capital TEUR	Share premium TEUR	Statutory reserves TEUR	Foreign currency translation TEUR	Revaluation reserve TEUR	Other reserves TEUR	Total TEUR	Non-controlling interest TEUR	Total equity TEUR
Balance as at 1 January 2011	659,020	60,253	2,887	(76,334)	5,618	284,364	935,808	-	935,808
Dividends paid	-	-	-	-	-	(320,000)	(320,000)	-	(320,000)
Transfers	-	-	867	-	-	(867)	-	-	-
Total	**659,020**	**60,253**	**3,754**	**(76,334)**	**5,618**	**(36,503)**	**615,808**	**-**	**615,808**
Currency translation	-	-	-	(18,111)	-	-	(18,111)	-	(18,111)
Reclassification of currency translation on subsidiary disposals	-	-	-	7,941	-	-	7,941	-	7,941
Revaluation of available-for-sale financial assets	-	-	-	-	(5,713)	-	(5,713)	-	(5,713)
Profit for the year	-	-	-	-	-	231,326	231,326	-	231,326
Total comprehensive income for the year	**-**	**-**	**-**	**(10,170)**	**(5,713)**	**231,326**	**215,443**	**-**	**215,443**
Total changes	**-**	**-**	**867**	**(10,170)**	**(5,713)**	**(89,541)**	**(104,557)**	**-**	**(104,557)**
Balance as at 31 December 2011	**659,020**	**60,253**	**3,754**	**(86,504)**	**(95)**	**194,823**	**831,251**	**-**	**831,251**

	Note	2012 TEUR	2011 TEUR
Operating activities			
Profit before tax		644,493	326,744
Adjustments for:			
Interest expense	24	429,033	182,624
Net loss on disposal of property, equipment and intangible assets		1,308	1,997
Net loss on disposal of subsidiaries and associates		-	8,895
Net unrealized foreign exchange loss/(gain)		1,483	(6,110)
Impairment losses	29	478,430	167,016
Depreciation and amortization	31	49,152	33,957
Net operating cash flow before changes in working capital		**1,603,899**	**715,123**
Change in due from banks and other financial institutions		(221,284)	(20,761)
Change in loans to customers		(3,448,969)	(997,026)
Change in financial assets at fair value through profit or loss		16,805	(32,593)
Change in other assets		(112,406)	(45,207)
Change in current accounts and deposits from customers		2,782,858	1,090,635
Change in financial liabilities at fair value through profit or loss		4,015	574
Change in other liabilities		110,970	20,683
Cash flows from the operations		**735,888**	**731,428**
Interest paid		(297,023)	(171,342)
Income tax paid		(119,961)	(92,994)
Cash flows from operating activities		**318,904**	**467,092**
Investing activities			
Proceeds from sale of property, equipment and intangible assets		15,313	10,110
Acquisition of property, equipment and intangible assets		(129,738)	(76,675)
Proceeds from sale of subsidiaries and associates		2,209	31,517
Proceeds from available-for-sale financial assets		953,616	3,589,078
Acquisition of available-for-sale financial assets		(1,339,768)	(3,738,821)
Acquisition of held-to-maturity financial assets		(3,667)	-
Acquisition of investment in subsidiaries, net of cash acquired		(165,239)	(126)
Cash flows used in investing activities		**(667,274)**	**(184,917)**
Financing activities			
Increase of capital		255,481	-
Proceeds from the issue of debt securities		774,567	617,589
Repayment of debt securities issued		(319,531)	(548,728)
Proceeds from due to banks and other financial institutions		16,231,441	4,614,155
Repayment of due to banks and other financial institutions		(15,686,426)	(4,429,700)
Dividends paid		(119,241)	(320,000)
Cash flows from/(used in) financing activities		**1,136,291**	**(66,684)**
Net increase in cash and cash equivalents		787,921	215,491
Cash and cash equivalents at 1 January		409,961	201,024
Effects of exchange rate changes on cash and cash equivalents		12,205	(6,554)
Cash and cash equivalents at 31 December	8	**1,210,087**	**409,961**

1. Description of the Group

Home Credit B.V. (the "Company") was incorporated on 28 December 1999 in the Netherlands.

Registered office
Strawinskylaan 933
1077 XX Amsterdam
The Netherlands

Shareholders	**Country of incorporation**	**Ownership interest (%) 2012**	**2011**
PPF Group N.V.	Netherlands	100.00	100.00

The ultimate controlling party of PPF Group N.V. and of the Company is Mr. P. Kellner.

Consolidated subsidiaries	**Country of incorporation**	**Ownership interest (%) 2012**	**2011**
Guangdong Home Credit Financing Guarantee Co., Ltd. [4)]	China	100.00	-
Home Credit Business Management (Tianjin) Co., Ltd. [2), 4)]	China	100.00	-
Sichuan Home Credit Financing Guarantee Co., Ltd. [4)]	China	100.00	-
Shenzhen Credis Business Consultation Co., Ltd. [2),4)]	China	100.00	-
Shenzhen Home Credit Financial Service Co.,Ltd. [4)]	China	100.00	-
Shenzhen Home Credit Guarantee Co., Ltd. [4)]	China	100.00	-
Redlione (LLC)	Cyprus	100.00	100.00
Home Credit (JSC)	Czech Republic	100.00	100.00
Home Credit Advisory Asia (LLC) [4)]	Czech Republic	100.00	-
Home Credit International (JSC)	Czech Republic	100.00	100.00
HC Broker (LLC)	Czech Republic	100.00	100.00
Home Credit Egypt Trade S.A.E. [5)]	Egypt	100.00	-
Rajshree Auto Finance Private Limited. [4)]	India	97.97	-
PT. Home Credit Indonesia [4)]	Indonesia	70.00	-
Credis Invest (Hong Kong) Ltd. [4)]	Hong Kong	100.00	-
Favour Ocean Ltd. [4)]	Hong Kong	100.00	-
Home Credit Asia Limited. [4)]	Hong Kong	100.00	-
Saint World Ltd. [4)]	Hong Kong	100.00	-
JSC Home Credit Kazakhstan [4)]	Kazakhstan	100.00	-
Home Credit Bank JSC [6)]	Kazakhstan	9.99	9.99
Eurasia Capital S.A. [1)]	Luxemburg	0.00	0.00
Eurasia Structured Finance No.1 S.A. [1), 2)]	Luxemburg	0.00	0.00
Eurasia Credit Card Company S.A. [1), 2)]	Luxemburg	0.00	0.00
HC Asia N.V. [4)]	Netherlands	100.00	-
Home Credit India B.V. [4)]	Netherlands	100.00	-
Home Credit Indonesia B.V. [4)]	Netherlands	100.00	-
Home Credit Africa N.V. [5)]	Netherlands	100.00	-
HC Kazakh Holdings B.V. [5)]	Netherlands	100.00	-
Home Credit Bank (OJSC)	Republic of Belarus	100.00	100.00
PPF Home Credit IFN S.A.	Romania	100.00	100.00
Home Credit and Finance Bank (LLC)	Russian Federation	100.00	100.00
Financial Innovations (LLC)	Russian Federation	100.00	100.00
Inko Technopolis (LLC)	Russian Federation	100.00	100.00
Bonus Center Operations (LLC) [3)]	Russian Federation	100.00	-
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00
Collect-Credit (LLC)	Ukraine	100.00	100.00

1. Description of the Group (continued)

Homer Software House (LLC)	Ukraine	100.00	100.00
Easy Dreams Company Limited	Vietnam	100.00	100.00

Associates	**Country of incorporation**	**Ownership interest (%)**	
		2012	**2011**
Equifax Credit Services (LLC)	Russian Federation	30.72	38.14
Spolecnost pro informacni database (JSC)	Czech Republic	26.00	26.00

1) special purpose entities established to facilitate the Group's issues of debt securities (refer to Note 20)
2) subsidiaries in the process of liquidation
3) subsidiary established in 2012
4) subsidiary acquired in 2012 in the course of HC Asia N.V. acquisition
5) subsidiary acquired in 2012 in the course of HC Africa N.V. acquisition
6) subsidiary over which the Group began to exercise control as at 31 December 2012, whereas as at 31 December 2011 no control was exercised, and the investment was reported under assets available for sale

Acquisitions in 2012

HC Asia N.V.

In July 2012 the Group entered into a transaction with its shareholder whereby it purchased a 100% share in HC Asia N.V., a holding entity incorporated in the Netherlands which holds equity stakes in consumer finance companies in Asian countries. On this transaction, a reserve for business combinations under common control of TEUR 15,106 was recognized in the Group's equity.

The acquisition was part of the parent company's strategy to consolidate entities with Home Credit brand in one group.

The acquisition date fair value of identifiable assets acquired and liabilities assumed of HC Asia N.V. group are presented below:

	TEUR
ASSETS	
Cash and cash equivalents	48,920
Due from banks, other financial institutions and holding companies	10,239
Loans to customers	217,565
Financial assets at fair value through profit or loss	88
Current income tax receivables	403
Deferred tax assets	64
Investments in associates	632
Intangible assets	1,891
Property and equipment	3,920
Other assets	4,864
Total assets	**288,586**
LIABILITIES	
Due to banks and other financial institutions	107,984
Current income tax liabilities	2,301
Other liabilities	25,501
Total liabilities	**135,786**

Acquisition date gross balances of loans to customers were TEUR 227,604, and the estimated contractual cash flows not expected to be collected were TEUR 10,039.

1. Description of the Group (continued)

Home Credit Bank (JSC)

As at 31 December 2011 and 2012 the Group held a direct 9.99% equity stake in Home Credit Bank (JSC), a bank incorporated in the Republic of Kazakhstan. In addition, August 2011 the Group entered into a call option agreement enabling it to purchase the remaining 90.01% stake in Home Credit Bank (JSC) from its current shareholder. As at 31 December 2011 due to regulatory uncertainties which arose in connection with changes to the banking legislation of the Republic of Kazakhstan, the ability of the Group to meet the conditions required to exercise the option was remote and not within the Group's control. Therefore, no control over Home Credit Bank (JSC) existed as at 31 December 2011. The Group reported its direct 9.99% equity stake as an available for sale asset.

In December 2012 a change in the banking legislation of the Republic of Kazakhstan took place which enabled the Group to meet the conditions required to exercise the option. Therefore, as at 31 December 2012 the Group exercised control over Home Credit Bank (JSC) and treated Home Credit Bank (JSC) as a consolidated subsidiary because of the Group's potential voting rights in Home Credit Bank (JSC). The option was exercised in January 2013 whereby the Group became the 100% owner of Home Credit Bank (JSC).

The acquisition was part of the Group's strategic plan in the CIS (the Commonwealth of Independent States) region to continue strengthening the Group's position, leverage business synergies, facilitate the transfer of expertise and increase business efficiency.

The acquisition date fair value of identifiable assets acquired and liabilities assumed of Home Credit Bank (JSC) are presented below:

	TEUR
ASSETS	
Cash and cash equivalents	34,841
Due from banks, other financial institutions and holding companies	8,335
Loans to customers	335,632
Financial assets at fair value through profit or loss	891
Intangible assets	1,883
Property and equipment	3,403
Other assets	11,917
Total assets	**396,902**
LIABILITIES	
Current accounts and deposits from customers	143,359
Due to banks and other financial institutions	121,346
Financial liabilities at fair value through profit or loss	225
Current income tax liabilities	104
Deferred tax liabilities	417
Subordinated liabilities	3,216
Other liabilities	16,285
Total liabilities	**284,952**

Acquisition date gross balances of loans to customers were TEUR 356,138, and the estimated contractual cash flows not expected to be collected were TEUR 20,506.

1. Description of the Group (continued)

Other

In November 2012 the Group entered into a transaction with its shareholder whereby it purchased a 100% share in Home Credit Africa N.V., a holding entity incorporated in the Netherlands which holds equity stakes in HC Kazakh Holdings B.V. and Home Credit Egypt Trade S.A.E.

The acquisition was part of the parent company's strategy to consolidate entities with Home Credit brand under one group. Home Credit Africa N.V. and its subsidiaries are currently dormant companies with no material assets or liabilities.

In September 2012 the Group executed agreements with its shareholder concerning the future acquisition of 100% shares in CF Commercial Consulting (Beijing) Co., Ltd, Home Credit Consumer Finance Co., Ltd and PPF Vietnam Finance Company LLC. The transfer of ownership rights is subject to obtaining regulatory approvals by the respective regulators in China and Vietnam. Therefore, as at 31 December 2012 the three companies were not treated as consolidated subsidiaries.

Board of Directors

Jiří Šmejc	Chairman	from 1 October 2012
Alexander Labak	Chairman	until 31 August 2012
Jan Cornelis Jansen	Vice-chairman	from 1 October 2012
Rudolf Bosveld	Member	from 1 October 2012
Pavel Horák	Member	from 1 October 2012
Jean-Pascal Duvieusart	Member	from 1 October 2012
Mel Gerard Carvill	Member	from 3 May 2012
Sonia Mihaylova Slavtcheva	Member	until 1 October 2012
Ivan Svitek	Member	until 3 May 2012

Principal activities

The principal activities of the Company and its subsidiaries are the provision of consumer financing to private individual customers in Central European, CIS and Asian countries as well as deposit taking, saving and current bank account service and maintenance, payments and other services.

2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including International Accounting Standards (IASs), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union.

(b) Basis of measurement

The consolidated financial statements are prepared on the historic cost basis except for financial instruments at fair value through profit or loss and financial assets available-for-sale that are measured at fair value. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortized cost or historic cost, as appropriate, net of any relevant impairment.

(c) Presentation and functional currency

These financial statements are presented in Euro (EUR), which is the Company's functional currency and Group's reporting currency. Financial information presented in EUR has been rounded to the nearest thousand (TEUR).

(d) Changes in accounting policies and comparative figures

Compared to 2011, net income related to credit insurance is no longer presented as a separate financial statement caption but is included in other operating income.

In 2012 share of earnings in associates is presented as a separate financial statement caption. Previously it was reported as part of other operating income.

In 2011 gains and losses on disposals of associates were reported as part of other operating income, whereas gains and losses on disposals of subsidiaries were presented under a separate financial statement caption. In 2012 gains and losses on disposals of both associates and subsidiaries are presented under Gain/(loss) on disposals of associates and subsidiaries.

In 2012 the Group assessed certain transaction costs related to the origination of loans to customers as integral part of the effective interest rate and decided to improve the financial statement presentation by showing them as part of interest income. Such costs were formerly presented under fee and commission expenses and general administrative expenses and therefore, a corresponding adjustment to comparative numbers was made: interest income, fee and commission expenses and general administrative expenses were reduced by TEUR 69,517, TEUR 27,713 and TEUR 41,804 respectively without any impact on net profit for the year or equity.

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

(e) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2. Basis of preparation (continued)

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

(f) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control effectively commences until the date on which control effectively ceases.

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

(ii) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date on which significant influence effectively commences until the date on which significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Special purpose entities

The Group has established a number of special purpose entities (SPEs) for the purpose of raising finance. The Group does not have any direct or indirect shareholdings in these entities. These SPEs are controlled by the Group through the predetermination of the activities of SPEs, having rights to obtain the majority of benefits of the SPEs, and retaining the majority of the residual risks related to the SPEs.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the enterprise. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Foreign currency

(i) Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date on which the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are retranslated using the exchange rate ruling at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the differences arising on the retranslation of available-for-sale equity investments which are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Financial information of foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at exchange rates ruling at the reporting date. Income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to EUR at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Income and expenses of foreign operations in hyperinflationary economies are translated to EUR at exchange rates ruling at the reporting date. Prior to translation, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences arising on translation are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of so that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

The functional currency of Home Credit Bank (OJSC) incorporated in the Republic of Belarus is Belarusian Ruble (BYR). In 2011 and 2012 this currency was identified as a currency of a hyperinflationary economy. Therefore, requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies were applied for Home Credit Bank (OJSC).

(b) Cash and cash equivalents

The Group considers cash on hand, unrestricted balances with central banks and balances with banks and other financial institutions due within one month to be cash and cash equivalents. The minimum reserve deposits with the Central Bank of the Russian Federation (the "CBR"), the National Bank of the Republic of Kazakhstan (the "NBRK") and with the National Bank of the Republic of Belarus (the "NBRB") are not considered to be cash equivalents due to restrictions on their withdrawal.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities

(i) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group upon initial recognition designates as at fair value through profit or loss, or those where its initial investment may not be substantially recovered, other than because of credit deterioration.

When the Group is a lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and receivables.

Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are classified as held for trading or those which are upon initial recognition designated by the entity as at fair value through profit or loss. Trading instruments include those that the Group principally holds for the purpose of short-term profit taking and derivative contracts that are not designated as effective hedging instruments. The Group designates financial assets and liabilities at fair value through profit or loss where either the assets or liabilities are managed, evaluated and reported internally on a fair value basis or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract. Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Held-to-maturity investments are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than loans and receivables and instruments designated as at fair value through profit or loss or as available-for-sale.

Financial assets available-for-sale are those financial assets that are designated as available-for-sale or are not classified as loans and receivables or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognize them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used trade date accounting.

(iii) Measurement

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

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables, which are measured at amortized cost less impairment losses, and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

3. Significant accounting policies (continued)

(iv) Fair value measurement

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

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

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

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

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

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

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

The fair value of debt securities available for sale as well as foreign currency futures is based on their quoted market price. The other derivative contracts are not exchange traded and their fair value is estimated using arbitrage pricing model where key parameters are relevant foreign exchange rates and interbank interest rates ruling at the end of the reporting period.

(v) Amortized cost measurement principles

The amortized cost of a financial asset or liability is the amount in which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, net of any relevant impairment.

3. Significant accounting policies (continued)

(vi) Gains and losses on subsequent measurement

Gains and losses on financial instruments classified as at fair value through profit or loss are recognized in profit or loss.

Gains and losses on available-for-sale financial assets are recognized in other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vii) Identification and measurement of impairment

The Group has developed a provisioning policy, which describes in detail the procedures and methodology of the impairment measurement, and a write-off policy. The impairment measurement is dealt with as follows:

The Group assesses on a regular basis whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the financial asset's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows. Financial assets with a short duration are not discounted.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of financial assets are recognized in the statement of comprehensive income and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of amortization, if no impairment loss had been recognized.

The write-off policy of the Group requires that the outstanding amount of a loan shall be written off if there is any installment overdue for 361 or more days. However, the loan shall remain in the company's balance sheet even after 361 days of non-payment if it is probable that the loan will be sold in a near future, or significant recoveries are expected. In such case, the loan outstanding amount shall be derecognized at the moment of the sale or later as soon as no significant recoveries are expected.

3. Significant accounting policies (continued)

(viii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized separately as asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(ix) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(x) Securitization

For securitized financial assets, the Group considers both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Group over the other entity.

When the Group, in substance, controls the entity to which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognized in the consolidated statement of financial position.

When the Group has transferred financial assets to another entity, but has retained substantially all of the risks and rewards relating to the transferred assets, the transferred assets are recognized in the consolidated statement of financial position.

When the Group transfers substantially all the risks and rewards relating to the transferred assets to an entity that it does not control, the assets are derecognized from the consolidated statement of financial position.

If the Group neither transfers nor retains substantially all the risks and rewards relating to the transferred assets, the assets are derecognized if the Group has not retained control over the assets.

(xi) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts due to banks and other financial institutions or to customers, as appropriate. The difference between the sale and repurchase price represents interest expense and is recognized in the statement of comprehensive income over the terms of the agreement.

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

(xii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk arising from financing activities. However, not all instruments qualify for hedge accounting in accordance with IAS 39. For derivative instruments where hedge accounting is not applied, any gain or loss on derivatives is recognized immediately in the statement of comprehensive income as net gains/losses on financial assets and liabilities.

3. Significant accounting policies (continued)

(xiii) Hedge accounting

The Group applies cash flow hedges against currency risk. To qualify for hedge accounting in accordance with IAS 39, hedges must be highly effective. Derivatives used for hedging purposes are measured at fair value in the consolidated statement of financial position.

At inception of the hedging relationship the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

In addition, at the inception of the hedge relationship a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed for effectiveness on a monthly basis. A hedge is regarded as highly effective if the changes in the fair value of cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the hedging period.

Where a derivative is designated as a hedge of the variability in cash flow attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised as other comprehensive income in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

(d) Intangible assets

(i) Goodwill and negative goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit and loss. Goodwill is stated at cost less accumulated impairment losses (refer to Note 3(f)).

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

(ii) Other intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortization and accumulated impairment losses (refer to Note 3(f)). Expenditure on internally generated goodwill and brands is recognized in the statement of comprehensive income as an expense as incurred.

(iii) Amortization

Amortization is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is not amortized; other intangible assets are amortized from the date the asset is available for use. The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time a technical improvement is recognized. The estimated useful lives are as follows:

Software	1-10 years
Licenses	1-10 years
Other	2-7 years

3. Significant accounting policies (continued)

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation (refer below) and accumulated impairment losses (refer to Note 3(f)). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost for self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

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

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (refer below) and accumulated impairment losses (refer to Note 3(f)).

Property and equipment used by the Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, are not recorded in the Group's statement of financial position. Payments made under operating leases to the lessor are charged to the statement of comprehensive income over the period of the lease.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment and its cost can be measured reliably. All other expenditure is recognized in the statement of comprehensive income as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the individual assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property and equipment are depreciated from the date the asset is available for use. The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time a technical improvement is recognized. The estimated useful lives are as follows:

Computers and equipment	1-4 years
Vehicles	3-7 years
Furniture	1-7 years
Leasehold improvement	1-10 years
Buildings	7-50 years

3. Significant accounting policies (continued)

(f) Impairment of non-financial assets

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

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The recoverable amount of goodwill is estimated at each reporting date based on cash flow projections for specific cash generating units. Key assumptions are those regarding the expected business volumes, loss rates, budgeted expenses as well as discount rates for subsequent periods. Management estimates discount rates using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

The recoverable amount of other non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in the statement of comprehensive income and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed. On disposal of a subsidiary, the amount of goodwill that is attributable to the subsidiary is included in the determination of the profit or loss on disposal.

(g) Provisions

A provision is recognized in the statement of financial position if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) Other payables

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortized cost, which is normally equal to their nominal or repayment value.

(i) Financial guarantees

A financial guarantee is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable).
Financial guarantee liabilities are included within other liabilities.

3. Significant accounting policies (continued)

(j) Equity

Share capital represents the nominal value of shares issued by the Company. To the extent such shares remain unpaid as of the end of the reporting period a corresponding receivable is presented in other assets.

Dividends on share capital are recognized as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognized as a liability but are disclosed in the notes.

Non-controlling interests consist of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

(k) Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(l) Fee and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognized as the services are rendered or received.

(m) Penalty fees

Penalty income is recognized in the statement of comprehensive income when penalty is charged to a customer, taking into account its collectability.

(n) Operating lease payments

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Granted lease incentives are recognized as an integral part of the total lease expense.

(o) Pensions

The governments of the countries the Group operates in are responsible for providing pensions and retirement benefits to the Group's employees. A regular contribution linked to employees' salaries is made by the Group to the governments to fund the national pension plans. Payments under these pension schemes are charged as expenses as they fall due.

3. Significant accounting policies (continued)

(p) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

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

(q) Net profit allocated to non-controlling interests

Net profit allocated to non-controlling interests is that part of the net results of the Group attributable to interests which are not owned, directly, or indirectly through subsidiaries, by the equity holders of the parent company.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment revenues include interest income, fee and commission income and other operating income.

3. Significant accounting policies (continued)

(s) Changes in accounting policies and accounting pronouncements adopted since 1 January 2012

No material changes in accounting policies resulted from new Standards becoming effective in 2012.

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

A number of new Standards, amendments to Standards and Interpretations were not yet effective as of 31 December 2012, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its financial statements.

Annual Improvements 2009-2011 Cycle (effective from 1 January 2013)

In May 2012 the IASB published Annual Improvements to IFRSs 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34, with consequential amendments to other standards and interpretations.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2013)

The Amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position; or subject to master netting arrangements or similar agreements.

IFRS 9 Financial Instruments (effective from 1 January 2015)

This new standard was published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39. It deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities while most of the requirements in IAS 39 were carried forward unchanged to IFRS 9. IFRS 9 has not yet been adopted by the EU.

Amendment to *IAS 1 Presentation of Financial Statements* (effective from 1 July 2012)

The amendments to IAS 1 titled *Presentation of Items of Other Comprehensive Income:*
- require that an entity present separately items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

3. Significant accounting policies (continued)

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)
IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

In May 2011 the IASB issued these two new standards as improvements to the accounting requirements for off balance sheet activities and joint arrangements.

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.

An investor controls an investee when:
- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is reassessed as facts and circumstances change.

IFRS 10 supersedes *IAS 27 Consolidated and Separate Financial Statements* (as amended in 2008) and SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:
- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

IAS 27 Separate Financial Statements was issued concurrently with IFRS 10. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IAS 28 Investments in Associates and Joint Ventures (effective from 1 January 2013)

This amended standard supersedes IAS 28 Investments in Associates (2008). IAS 28 (2011) makes the following amendments:
- IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa,* the entity does not remeasure the retained interest.

IFRS 13 Fair Value Measurement (effective from 1 January 2013)

This new standard was issued in May 2011. It replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

4. Financial risk management

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

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

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

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

(a) Credit risk

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

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

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

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

As a result of recent negative development on financial markets, the credit environment in certain countries in which the Group operates has deteriorated. The Group has taken strict measures in its underwriting and collection policies in order to limit the negative impact of such market changes.

4. Financial risk management (continued)

Credit underwriting process

The credit underwriting process involves the verification of customer data, combined with complex scoring models that take into account both risk and profitability to determine whether an applicant is eligible for a product and, if so, at what price.

Information supplied by the applicant may be cross-checked with information in the Group's customer database for the relevant country. POS loans are provided with minimum documentation from the customer. Applications for other products, in particular cash loans, require more supporting documentation and verification. If the standards set by the Group are not being maintained, the Group discontinues selling through the relevant retailer's employee or the relevant retailer.

Loan collection and fraud prevention

The Group utilises multi-stage pre-collection and collection procedures to enhance collection of loans. The Group takes a pro-active approach to collection and applies a number of measures to pre-empt its accounts from entering a collection stage such as expediting repayments once accounts are overdue.

General loan collection

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

Pre-collections

Various forms of communication are used to remind customers how and when to pay, e.g. welcome letters or calls and SMS messages are sent to a customer a short time prior to the date of payment.

Early collection

The early collection procedures vary depending on which specific collection segment a customer is assigned to based on exposure, customer account data and previous collection behaviour. They are typically applied to payments which are five to 75 days overdue. The Group uses SMS messages, outbound calls, letters and interactive voice response tools to communicate with customers to remind them of, and procure, the overdue amounts.

Administrative and personal collection

The Group sends to the customer written correspondence including a warning that the full amount of the loan could be declared immediately due and payable, if a loan reaches a higher stage of delinquency with outstanding payments typically more than 60 to 90 days overdue (the point in time at which a loan moves from early collection to administrative and personal collection can vary). Letters are then followed by a call explaining to the customer the consequences of not repaying the debt.

Legal collection

Loans with outstanding repayments that have been overdue for between 270 and 360 days or more are referred to the Group's external legal counsel, who informs the customer through formal correspondence that the loan is closed and that legal action will commence against the customer.

4. Financial risk management (continued)

Exposure to credit risk

	As of 31 December 2012				
	POS loans	**Cash loans**	**Revolving card loans**	**Other[1)]**	**Total**
	TEUR	TEUR	TEUR	TEUR	**TEUR**
Individually impaired					
Gross amount	-	-	-	2,123	2,123
Allowance for impairment	-	-	-	(1,432)	(1,432)
Carrying amount	**-**	**-**	**-**	**691**	**691**
Not impaired	**-**	**-**	**-**	**2,429**	**2,429**
Collectively impaired					
Gross amount	1,945,888	4,299,859	716,690	209,048	7,171,485
Current	1,711,902	3,687,617	558,658	177,527	6,135,704
Past due 1 – 90 days	102,972	292,456	84,707	14,812	494,947
Past due 91 – 360 days	112,883	269,396	46,933	5,310	434,522
Past due more than 360 days	18,131	50,390	26,392	11,399	106,312
Allowance for impairment	(149,743)	(401,791)	(70,474)	(21,956)	(643,964)
Carrying amount	**1,796,145**	**3,898,068**	**646,216**	**187,092**	**6,527,521**
Total carrying amount	**1,796,145**	**3,898,068**	**646,216**	**190,212**	**6,530,641**

Exposure to credit risk

	As of 31 December 2011				
	POS loans	**Cash loans**	**Revolving card loans**	**Other[1)]**	**Total**
	TEUR	TEUR	TEUR	TEUR	**TEUR**
Individually impaired					
Gross amount	-	-	-	3,705	3,705
Allowance for impairment	-	-	-	(1,220)	(1,220)
Carrying amount	**-**	**-**	**-**	**2,485**	**2,485**
Not impaired	**-**	**-**	**-**	**1,161**	**1,161**
Collectively impaired					
Gross amount	1,156,028	1,469,589	485,841	203,385	3,314,843
Current	1,001,789	1,259,850	370,724	174,127	2,806,490
Past due 1 – 90 days	59,911	100,238	62,815	8,380	231,344
Past due 91 – 360 days	77,055	61,765	27,734	7,226	173,780
Past due more than 360 days	17,273	47,736	24,568	13,652	103,229
Allowance for impairment	(99,509)	(142,785)	(49,149)	(20,143)	(311,586)
Carrying amount	**1,056,519**	**1,326,804**	**436,692**	**183,242**	**3,003,257**
Total carrying amount	**1,056,519**	**1,326,804**	**436,692**	**186,888**	**3,006,903**

1) Includes mortgage loans, car loans, loans to corporations and other loans.

4. Financial risk management (continued)

Analysis of collateral

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

	2012		2011	
	Portfolio TEUR	% of loan portfolio	Portfolio TEUR	% of loan portfolio
Pledged assets	210,193	2.9	202,692	6.1
Unsecured (no collateral)	6,965,844	97.1	3,117,017	93.9
Total	**7,176,037**		**3,319,709**	

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

Mortgage loans are secured by underlying housing real estate. Car loans are secured by underlying cars. The other loan categories are unsecured.

(b) Liquidity risk

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

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

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

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, bank loans, loans from CBR, bond issues, inter-company loans and contributions by shareholders (refer to Notes 18, 19, 20 and 23). The shareholder's support enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. Management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

4. Financial risk management (continued)

Exposure to liquidity risk

The following table shows assets and liabilities by remaining maturity dates. The table does not include prospective cash flows related to loan commitments. Refer to Note 34 for outstanding loan commitments that may impact liquidity requirements.

TEUR	2012 Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total	2011 Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	1,210,087	-	-	-	-	-	1,210,087	409,961	-	-	-	-	-	409,961
Due from banks, other financial institutions and holding companies	167,465	19,582	65,140	64,215	557	77,312	394,271	-	37,549	61,139	11,536	697	43,492	154,413
Loans to customers	481,859	933,097	2,853,766	2,205,082	56,837	-	6,530,641	205,912	439,185	1,279,106	991,426	91,274	-	3,006,903
Financial assets at fair value through profit or loss	831	2,666	5,555	10,538	-	-	19,590	2,470	3,264	8,725	20,957	-	-	35,416
Financial assets available-for-sale	10,742	267,214	423,548	-	-	-	701,504	-	62,487	251,408	-	-	9,900	323,795
Held-to-maturity financial assets	3,667	-	-	-	-	-	3,667	-	-	-	-	-	-	-
Current income tax receivables	-	132	455	1,844	-	-	2,431	-	1,512	9,959	-	-	-	11,471
Deferred tax assets	-	128	16,827	2,650	-	-	19,605	-	-	-	8,077	-	492	8,569
Investments in associates	-	-	-	-	-	2,537	2,537	-	-	-	-	-	2,056	2,056
Intangible assets	-	-	-	-	-	60,656	60,656	-	-	-	-	-	38,776	38,776
Property and equipment	-	-	-	-	-	237,258	237,258	-	-	-	-	-	173,014	173,014
Other assets	99,251	45,515	36,239	53,804	61	9,196	244,066	58,191	2,344	41,395	10,407	15	5,219	117,571
Total assets	**1,973,902**	**1,268,334**	**3,401,530**	**2,338,133**	**57,455**	**386,959**	**9,426,313**	**676,534**	**546,341**	**1,651,732**	**1,042,403**	**91,986**	**272,949**	**4,281,945**
Current accounts and deposits from customers	892,862	589,206	2,612,632	628,871	-	-	4,723,571	327,451	91,721	868,436	409,669	-	-	1,697,277
Due to banks and other financial institutions	702,891	223,279	344,745	40,064	-	-	1,310,979	85,846	236,324	101,037	104,928	-	-	528,135
Debt securities issued*	6,728	8,004	204,762	967,147	373,260	-	1,559,901	5,635	8,092	407,874	659,830	-	-	1,081,431
Financial liabilities at fair value through profit or loss	785	3,740	2,945	3,965	-	-	11,435	751	2,417	3,432	595	-	-	7,195
Current income tax liabilities	-	-	29,138	-	-	-	29,138	-	-	244	-	-	-	244
Deferred tax liabilities	-	-	22	925	-	-	947	-	5,508	331	482	-	-	6,321
Other liabilities	131,055	117,829	33,171	3,426	262	-	285,743	66,018	49,105	8,859	5,173	936	-	130,091
Total liabilities	**1,734,321**	**942,058**	**3,227,415**	**1,644,398**	**373,522**	**-**	**7,921,714**	**485,701**	**393,167**	**1,390,213**	**1,180,677**	**936**	**-**	**3,450,694**
Net position	**239,581**	**326,276**	**174,115**	**693,735**	**(316,067)**	**386,959**	**1,504,599**	**190,833**	**153,174**	**261,519**	**(138,274)**	**91,050**	**272,949**	**831,251**

* Debt securities are classified based on their contractual maturity regardless of redemption rights (refer to Note 20).

4. Financial risk management (continued)

Exposure to liquidity risk

The following table shows remaining maturities of liabilities on an undiscounted cash flow basis. Only those liability items are shown for which total estimated undiscounted cash flows differ from their book values shown in the consolidated statement of financial position.

	2012							2011						
TEUR	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Current accounts and deposits from customers	894,140	597,440	2,756,535	738,325	-	-	4,986,440	328,140	93,046	910,195	489,562	-	-	1,820,943
Due to banks and other financial institutions	703,730	227,029	364,874	47,700	-	-	1,343,333	86,677	239,154	110,385	110,032	-	-	546,248
Debt securities issued*	8,778	16,069	277,654	1,203,415	464,826	-	1,970,742	8,274	15,804	449,286	738,455	-	-	1,211,819
Total	**1,606,648**	**840,538**	**3,399,063**	**1,989,440**	**464,826**	**-**	**8,300,515**	**423,091**	**348,004**	**1,469,866**	**1,338,049**	**-**	**-**	**3,579,010**

* Debt securities are classified based on their contractual maturity regardless of redemption rights (refer to Note 20).

4. Financial risk management (continued)

(c) Market risk

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

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

Exposure to interest rate risk
The principal risk to which the Group is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits. As part of its management of this position, the Group may use interest rate derivatives. A summary of the Group's interest rate gap position is provided below.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100 basis point parallel fall or rise in all yield curves worldwide. In such case, the net interest income for the year ended 31 December 2012 would be TEUR 53,622 higher/lower (year ended 31 December 2011: TEUR 24,876). The above sensitivity analysis is based on amortized costs of assets and liabilities.

Exposure to foreign currency risk
The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency. Foreign currency risk is managed principally through monitoring foreign currency mismatches in the structure of assets and liabilities in the individual Group's country operations. It is the Group's policy to hedge such mismatches by derivative financial instruments to eliminate the foreign currency exposure (refer to Note 33). The ALCO is the monitoring body for compliance with this rule.

Net investments in foreign operations are not hedged. As a result, the Group's financial position is adequately sensitive on movements of the relevant foreign exchange rates. Impact of such exchange rate changes on the Group's net investment in foreign operations is presented as currency translation in the consolidated statement of changes in equity.

In 2011 and 2012 the Belarusian Ruble (BYR) was identified as a currency of a hyperinflationary economy. Due to the relatively limited exposure of the Group in BYR, the risk related to its depreciation is considered not to be significant from the Group's perspective.

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

4. Financial risk management (continued)

Interest rate gap position based on re-pricing dates

TEUR	2012							2011						
	Effective interest rate	**Less than 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total**	**Effective interest rate**	**Less than 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total**
Interest bearing financial assets														
Cash and cash equivalents	0.2%	1,210,087	-	-	-	-	1,210,087	1.0%	405,173	-	-	-	-	405,173
Due from banks, other financial institutions and holding companies	7.8%	180,468	71,719	64,088	127	557	316,959	5.8%	37,549	61,139	-	11,536	697	110,921
Loans to customers, net	36.2%	1,414,957	2,853,767	1,369,845	835,235	56,837	6,530,641	33.9%	645,098	1,279,105	552,183	439,243	91,274	3,006,903
Financial assets available-for-sale	8.3%	277,956	423,548	-	-	-	701,504	9.0%	32,575	251,407	-	-	-	283,982
Held-to-maturity financial assets	9.0%	3,667	-	-	-	-	3,667	-	-	-	-	-	-	-
Total interest bearing financial assets	**27.9%**	**3,087,135**	**3,349,034**	**1,433,933**	**835,362**	**57,394**	**8,762,858**	**27.7%**	**1,120,395**	**1,591,651**	**552,183**	**450,779**	**91,971**	**3,806,979**
Interest bearing financial liabilities														
Current accounts and deposits from customers	10.7%	1,482,069	2,612,632	615,912	12,958	-	4,723,571	8.8%	419,172	868,436	408,962	707	-	1,697,277
Due to banks and other financial institutions	5.8%	1,012,091	278,258	296	20,334	-	1,310,979	6.9%	433,084	79,445	6,621	8,985	-	528,135
Debt securities issued	8.4%	14,732	204,762	592,426	374,721	373,260	1,559,901	8.2%	13,727	407,874	188,941	470,889	-	1,081,431
Total interest bearing financial liabilities	**9.4%**	**2,508,892**	**3,095,652**	**1,208,634**	**408,013**	**373,260**	**7,594,451**	**8.3%**	**865,983**	**1,355,755**	**604,524**	**480,581**	**-**	**3,306,843**

4. Financial risk management (continued)

Foreign currency position

TEUR	2012							
	RUB	**CZK**	**EUR**	**USD**	**CNY**	**KZT**	**Other currencies**	**Total**
Cash and cash equivalents	535,620	9,336	57,987	534,766	49,178	13,211	9,989	1,210,087
Due from banks, other financial institutions and holding companies	232,942	92,251	4,989	21,349	27,422	8,335	6,983	394,271
Loans to customers	5,497,858	108,256	133,597	51,564	329,277	335,632	74,457	6,530,641
Financial assets at fair value through profit or loss	5,721	-	2,444	-	-	891	10,534	19,590
Financial assets available-for-sale	548,882	-	-	152,622	-	-	-	701,504
Held-to-maturity financial assets	-	-	-	-	-	-	3,667	3,667
Current income tax receivables	-	1,771	88	-	-	-	572	2,431
Deferred tax assets	8,574	967	10,053	-	-	-	11	19,605
Investments in associates	2,537	-	-	-	-	-	-	2,537
Intangible assets	30,264	23,026	379	6	927	4,847	1,207	60,656
Property and equipment	223,904	1,785	350	110	3,145	3,403	4,561	237,258
Other assets	104,777	66,392	63,684	1,441	873	4,538	2,361	244,066
Total assets	**7,191,079**	**303,784**	**273,571**	**761,858**	**410,822**	**370,857**	**114,342**	**9,426,313**
Current accounts and deposits from customers	4,451,795	-	26,817	71,852	-	122,931	50,176	4,723,571
Due to banks and other financial institutions	830,487	82,243	124,604	2	202,112	71,531	-	1,310,979
Debt securities issued	527,742	269,083	-	763,076	-	-	-	1,559,901
Financial liabilities at fair value through profit or loss	10,670	-	506	-	-	225	34	11,435
Current income tax liabilities	16,267	10,003	2,674	-	88	104	2	29,138
Deferred tax liabilities	-	-	-	-	-	417	530	947
Other liabilities	157,623	52,413	25,172	1,257	30,695	16,103	2,480	285,743
Total liabilities	**5,994,584**	**413,742**	**179,773**	**836,187**	**232,895**	**211,311**	**53,222**	**7,921,714**
Effect of foreign currency derivatives	(37,563)	152,163	(162,152)	79,172	-	(45,201)	13,581	-
Net position	**1,158,932**	**42,205**	**(68,354)**	**4,843**	**177,927**	**114,345**	**74,701**	**1,504,599**

4. Financial risk management (continued)

Foreign currency position

TEUR	2011					
	RUB	**CZK**	**EUR**	**USD**	**Other currencies**	**Total**
Cash and cash equivalents	298,457	9,481	9,870	79,897	12,256	409,961
Due from banks, other financial institutions and holding companies	18,514	30,397	42,549	50,784	12,169	154,413
Loans to customers	2,634,484	94,347	171,030	67,086	39,956	3,006,903
Financial assets at fair value through profit or loss	14,569	-	-	-	20,847	35,416
Financial assets available-for-sale	264,462	29,912	-	19,521	9,900	323,795
Current income tax receivables	9,612	347	1,024	-	488	11,471
Deferred tax assets	-	492	8,077	-	-	8,569
Investments in associates	2,056	-	-	-		2,056
Intangible assets	18,146	19,751	301	-	578	38,776
Property and equipment	166,930	2,461	509	-	3,114	173,014
Other assets	69,435	37,496	9,763	357	520	117,571
Total assets	**3,496,665**	**224,684**	**243,123**	**217,645**	**99,828**	**4,281,945**
Current accounts and deposits from customers	1,615,591	-	13,304	56,402	11,980	1,697,277
Due to banks and other financial institutions	282,325	49,089	144,408	49,510	2,803	528,135
Debt securities issued	505,765	184,755	-	390,911	-	1,081,431
Financial liabilities at fair value through profit or loss	1,923	-	5,166	-	106	7,195
Current income tax liabilities	-	244	-	-	-	244
Deferred tax liabilities	331	5,508	-	-	482	6,321
Other liabilities	73,464	36,572	18,885	513	657	130,091
Total liabilities	**2,479,399**	**276,168**	**181,763**	**497,336**	**16,028**	**3,450,694**
Effect of foreign currency derivatives	(297,927)	166,958	(183,895)	282,819	32,045	-
Net position	**719,339**	**115,474**	**(122,535)**	**3,128**	**115,845**	**831,251**

4. Financial risk management (continued)

Foreign currency risk sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2012 and 2011 and a simplified scenario of a 5% change in RUB, USD, CZK, CNY and KZT to EUR exchange rates is shown below:

	2012 Total effect TEUR	2011 Total effect TEUR
Effect of 5% RUB depreciation against EUR	(57,947)	(35,967)
Effect of 5% RUB appreciation against EUR	57,947	35,967
Effect of 5% USD depreciation against EUR	(242)	(156)
Effect of 5% USD appreciation against EUR	242	156
Effect of 5% CZK depreciation against EUR	(2,110)	(5,774)
Effect of 5% CZK appreciation against EUR	2,110	5,774
Effect of 5% CNY depreciation against EUR	(8,896)	-
Effect of 5% CNY appreciation against EUR	8,896	-
Effect of 5% KZT depreciation against EUR	(6,633)	-
Effect of 5% KZT appreciation against EUR	6,633	-

(d) Operational risk

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

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

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

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

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The individual subsidiaries have their local internal audit teams which also cooperate with the Group internal audit on PPF Group level. The results of internal audit reviews are discussed with the management of the business unit to which they relate with summaries submitted to senior management of the Group.

4. Financial risk management (continued)

(e) Capital management

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

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

5. Discontinued operations

The Group's 100% ownership interest in Home Credit Bank (PJSC) was subject to a sales transaction entered into on 3 December 2010 and completed on 31 January 2011.

Net loss from discontinued operations of TEUR 9,326 for the year ended 31 December 2011 represents the loss on the sale of Home Credit Bank (PJSC). The loss on the sale includes the transfer of negative foreign currency translation attributable to Home Credit Bank (PJSC) from equity to net loss from discontinued operations of TEUR 7,941.

6. Segment reporting

Segment information is presented in respect of the Group's geographical segments based on the Group's management and internal reporting structure. Segment information in respect of the Group's business segments is not presented as the Group's operations are concentrated in one main business segment only, consumer lending products.

The Group operates in seven principal geographical areas, the Russian Federation, the Czech Republic, the Slovak Republic, the Republic of Belarus, the Republic of Kazakhstan, Ukraine and the People's Republic of China. The geographical segments are based on the geographical location of assets which corresponds to the geographical location of customers at the same time.

The People's Republic of China and the Republic of Kazakhstan became the Group's new segments of operation in 2012 after the Group began to exercise control over entities operating in these geographical locations in July and December 2012 respectively.

CF Commercial Consulting (Beijing) Co., Ltd, Home Credit Consumer Finance Co., Ltd and PPF Vietnam Finance Company LLC, which as of 31 December 2012 were not treated as consolidated subsidiaries (Note 1), are not included in the segment reporting.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. The Group's senior management is the chief operating decision maker which reviews the Group's internal reporting on a regular basis to assess performance of individual segments and to allocate the Group's resources accordingly.

Information on individual segments is presented before consolidation eliminations (which are presented in a separate column). Current and deferred income tax assets and liabilities are excluded from segment assets and liabilities.

	Russian Federation 2012 TEUR	Czech Republic 2012 TEUR	Slovak Republic 2012 TEUR	Belarus 2012 TEUR	Kazakhstan 2012 TEUR	Ukraine 2012 TEUR	China 2012 TEUR	Other 2012 TEUR	Unallocated [1] 2012 TEUR	Eliminations 2012 TEUR	Consolidated 2012 TEUR
Revenue from external customers [2]	1,919,258	33,467	48,518	39,420	-	7	90,246	1,311	8,341	-	2,140,568
Inter-segment revenue	696	-	-	-	-	-	-	48	2,526	(3,270)	-
Total revenue	**1,919,954**	**33,467**	**48,518**	**39,420**	**-**	**7**	**90,246**	**1,359**	**10,867**	**(3,270)**	**2,140,568**
Net interest income from external customers	928,612	19,051	37,251	16,728	-	7	62,416	1,092	(8,178)	-	1,056,979
Inter-segment net interest income	696	-	(1,858)	(862)	-	-	-	43	1,946	35	-
Total net interest income	**929,308**	**19,051**	**35,393**	**15,866**	**-**	**7**	**62,416**	**1,135**	**(6,232)**	**35**	**1,056,979**

1 Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.
2 Revenue from external customers comprises interest income, fee and commission income.

6. Segment reporting (continued)

	Russian Federation 2012	Czech Republic 2012	Slovak Republic 2012	Belarus 2012	Kazakhstan 2012	Ukraine 2012	China 2012	Other 2012	Unallocated [1] 2012	Eliminations 2012	Consolidated 2012
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Income tax expense	(124,605)	(9,177)	(3,027)	(234)	-	(29)	(98)	307	(1,947)	-	(138,810)
Segment result	**477,256**	**32,612**	**19,608**	**(4,195)**	**-**	**(165)**	**16,529**	**(20,957)**	**(13,215)**	**(1,790)**	**505,683**
Depreciation and amortization	(35,553)	(920)	(355)	(1,963)	-	(487)	(1,150)	(12,578)	-	3,854	(49,152)
Other significant non-cash expenses [3]	(446,854)	(7,632)	(9,987)	(1,339)	-	30	(12,598)	(50)	-	-	(478,430)
Capital expenditure	(96,908)	(1,426)	(421)	(1,762)	-	(1,187)	(505)	(14,452)	(70)	3,889	(112,842)
Segment assets [4]	**8,005,922**	**184,895**	**163,863**	**120,418**	**399,866**	**2,774**	**411,054**	**72,623**	**197,375**	**(154,513)**	**9,404,277**
Investments in associates	2,537	-	-	-	-	-	-	-	-	-	2,537
Segment liabilities	**6,837,236**	**97,119**	**124,507**	**98,190**	**284,431**	**471**	**240,559**	**46,103**	**308,096**	**(145,083)**	**7,891,629**
Segment equity [4]	**1,160,993**	**78,405**	**44,320**	**21,852**	**114,914**	**2,303**	**170,407**	**29,054**	**(108,219)**	**(9,430)**	**1,504,599**

1 Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.
3 Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.
4 Consolidation adjustments are included in Eliminations.

6. Segment reporting (continued)

	Russian Federation 2011 TEUR	Czech Republic 2011 TEUR	Slovak Republic 2011 TEUR	Belarus 2011 TEUR	Ukraine 2011 TEUR	Other 2011 TEUR	Unallocated [1] 2011 TEUR	Eliminations 2011 TEUR	Consolidated 2011 TEUR
Revenue from external customers [2]	966,825	30,105	46,605	24,787	30	543	9,311	-	1,078,206
Inter-segment revenue	655	-	-	-	-	-	2,554	(3,209)	-
Total revenue	**967,480**	**30,105**	**46,605**	**24,787**	**30**	**543**	**11,865**	**(3,209)**	**1,078,206**
Net interest income from external customers	564,139	16,962	35,165	18,127	30	543	(7,598)	-	627,368
Inter-segment net interest income	655	(686)	(1,740)	(759)	-	-	2,554	(24)	-
Total net interest income	**564,794**	**16,276**	**33,425**	**17,368**	**30**	**543**	**(5,044)**	**(24)**	**627,368**
Income tax expense	(70,386)	(5,362)	(1,585)	(1,640)	(14)	(551)	(15,880)	-	(95,418)
Segment result	**263,033**	**17,981**	**6,305**	**(8,310)**	**(9,049)**	**(6,229)**	**(35,850)**	**3,445**	**231,326**
Depreciation and amortization	(18,797)	(548)	(355)	(1,119)	(417)	(12,923)	-	202	(33,957)
Other significant non-cash expenses [3]	(150,735)	(4,558)	(11,473)	(263)	13	-	-	-	(167,016)
Capital expenditure	(49,178)	(1,295)	(599)	(1,386)	(85)	(12,822)	-	307	(65,058)
Segment assets [4]	**3,718,059**	**169,097**	**182,880**	**74,451**	**2,773**	**43,717**	**121,225**	**(50,297)**	**4,261,905**
Investments in associates	2,056	-	-	-	-	-	-	-	2,056
Segment liabilities	**2,995,954**	**68,860**	**149,230**	**51,863**	**221**	**25,845**	**196,113**	**(43,957)**	**3,444,129**
Segment equity	**731,386**	**95,076**	**41,211**	**22,594**	**2,552**	**18,120**	**(73,348)**	**(6,340)**	**831,251**

1 Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.
2 Revenue from external customers comprises interest income, fee and commission income.
3 Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.
4 Consolidation adjustments are included in Eliminations.

7. Critical accounting estimates and judgements

(a) Fair values of financial instruments

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

The fair value of the following financial instrument differs from its carrying amount shown in the statement of financial position:

	Note	Carrying amount 2012 TEUR	Fair Value 2012 TEUR	Carrying amount 2011 TEUR	Fair Value 2011 TEUR
Current accounts and deposits from customers	18	(4,723,571)	(4,726,542)	(1,697,277)	(1,697,277)
Due to banks and other financial institutions	19	(1,310,979)	(1,314,816)	(528,135)	(528,135)

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

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

2012	Note	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Financial assets at fair value through profit or loss	11	-	9,056	10,534	19,590
Financial assets available-for-sale	12	680,447	21,057	-	701,504
Financial liabilities at fair value through profit or loss	21	-	(11,401)	(34)	(11,435)
		680,447	**18,712**	**10,500**	**709,659**

2011	Note	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Financial assets at fair value through profit or loss	11	-	14,569	20,847	35,416
Financial assets available-for-sale	12	283,982	-	39,813	323,795
Financial liabilities at fair value through profit or loss	21	-	(7,089)	(106)	(7,195)
		283,982	**7,480**	**60,554**	**352,016**

There were no transfers between Level 1, 2 and 3 in 2012 or 2011.

7. Critical accounting estimates and judgements (continued)

Reconciliation of movements in Level 3:	**2012**	**2011**
	TEUR	**TEUR**
Financial assets		
Balance as at 1 January	60,660	40,364
Net gains recorded in profit or loss (included in Other operating income/(expense))	(40,327)	9,272
Net losses recorded in other comprehensive income	(900)	(6,146)
Purchases	-	20,847
Settlements	(8,899)	(3,677)
Closing balance	**10,534**	**60,660**

Financial assets at fair value through profit and loss presented in Level 3 represent positive fair value of derivative instruments of TEUR 10,534 (31 December 2011: TEUR 20,847). As at 31 December 2011 Level 3 financial assets also included available for sale financial assets comprising contingent part of sales price for loan receivables sold of TEUR 29,913 and equity investment of TEUR 9,900.

Financial liabilities at fair value through profit and loss presented in Level 3 above represent negative fair value of derivative instruments of TEUR 34 (31 December 2011: TEUR 106).

Fair values of derivative instruments presented in Level 3 represent foreign currency derivatives, refer to Note 11.

The fair value of the foreign currency derivative instruments is sensitive to changes in BYR/EUR foreign currency exchange rate and to changes in interest rates. The effect of change of BYR/EUR rate for +/- 1% on positive fair value of derivative instruments is TEUR 218/ (158) (31 December 2011: TEUR 478/(493)), the effect of change of interest rate for +/- 100 basis points is TEUR 55/ (56) (31 December 2011: TEUR 58/(60)).

(b) Taxation

The taxation systems in the Russian Federation, the Republic of Belarus, the Republic of Kazakhstan and the People's Republic of China are relatively new and are characterized by frequent changes in legislation which are subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Recent events within the Russian Federation, the Republic of Belarus, the Republic of Kazakhstan and the People's Republic of China suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

The facts mentioned above may create tax risks in respective countries that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian, Belarusian, Kazakhstan and Chinese tax legislation, official pronouncements and court decisions.

8. Cash and cash equivalents

	2012 TEUR	2011 TEUR
Cash on hand	245,279	149,639
Current accounts	564,984	114,891
Current accounts with central banks	201,434	130,110
Placements with financial institutions due within one month	198,390	15,321
	1,210,087	**409,961**

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

	2012 TEUR	2011 TEUR
Loans and term deposits with banks, other financial institutions and holding companies due in more than one month	169,558	135,870
Loans and advances provided under repo operations	167,464	-
Minimum reserve deposits with central banks	57,242	18,543
Other	7	-
	394,271	**154,413**

The minimum reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by the Central Bank of the Russian Federation, the National Bank of the Republic of Kazakhstan and the National Bank of the Republic of Belarus and whose withdrawals are restricted.

10. Loans to customers

	2012 TEUR	2011 TEUR
Gross amount		
Cash loan receivables	4,299,859	1,469,589
POS loan receivables	1,945,888	1,156,028
Revolving loan receivables	716,690	485,841
Car loan receivables	112,565	81,909
Mortgage loan receivables	95,725	120,783
Loans to corporations	3,812	4,561
Other	1,498	998
	7,176,037	**3,319,709**
Collective allowances for impairment		
Cash loan receivables	(401,791)	(142,785)
POS loan receivables	(149,743)	(99,509)
Revolving loan receivables	(70,474)	(49,149)
Car loan receivables	(15,998)	(10,116)
Mortgage loan receivables	(5,226)	(9,383)
Loans to corporations	(310)	(233)
Other	(422)	(411)
	(643,964)	**(311,586)**
Specific allowances for impairment		
Loans to corporations	(1,432)	(1,220)
	(1,432)	**(1,220)**
	6,530,641	**3,006,903**

In 2009 the Group started regular sales of pools of certain customer loan receivables to related parties. The sales continued in 2010, 2011 and 2012. The receivables sold were derecognized by the Group and the right to receive the contingent part of the sales price was recognized as an available-for-sale asset and was measured at fair value.

In January 2012 the receivables sale agreements were amended. Based on the amendments, the Group sells its future receivables at a fixed price above their face value which is regularly agreed between the parties on arm's length principles. The future contingent purchase price is no longer paid for future receivables or receivables sold in the past by the Group. The Group obtained the right to receive TEUR 56,152 in cash as a compensation for the future sales price component for the receivables assigned prior to the amendments. The gain of TEUR 26,239 recognized in connection with the amendment of agreements is reported under other operating income, refer to Note 28.

In August and September 2012 the Group executed further agreements on sales of pools of loan receivables to related parties whereby the Group sells its future receivables at a fixed price above their face value which is regularly agreed between the parties on arm's length principles.

POS loan receivables and cash loan receivables of TEUR 0 (31 December 2011: TEUR 100,077), revolving loan receivables of TEUR 78,897 (31 December 2011: TEUR 73,010), car loans receivables of TEUR 82,868 (31 December 2011: TEUR 29,384) and mortgage loan receivables of TEUR 0 (31 December 2011: TEUR 17,471) were pledged as collaterals for bank loan facilities (refer to Note 19).

10. Loans to customers (continued)

Analysis of movements in allowances for impairment	**Note**	**2012 TEUR**	**2011 TEUR**
Balance as at 1 January		312,806	254,490
Balance acquired by business combinations		30,415	-
Translation difference		5,019	(6,335)
Impairment losses recognized in the statement of comprehensive income	29	478,428	167,024
Amount related to loans written off and disposed of		(181,272)	(102,373)
Closing balance		**645,396**	**312,806**

The Group has estimated the impairment on loans to customers in accordance with the accounting policy described in Note 3(c)(vii). Changes in collection estimates could significantly affect the carrying amount of loans to customers and related impairment losses recognized.

11. Financial assets at fair value through profit or loss

	2012 TEUR	**2011 TEUR**
Positive fair value of trading derivative instruments	17,491	35,416
Positive fair value of hedging derivative instruments	2,099	-
	19,590	**35,416**

12. Financial assets available-for-sale

	2012 TEUR	**2011 TEUR**
Debt securities	701,504	283,982
Contingent part of the sales price for loan receivables sold	-	29,913
Equity securities	-	9,900
	701,504	**323,795**

The balance of the contingent part of the sales price for loan receivables sold was zero as at 31 December 2012 as the receivables sales agreements were amended in January 2012 (refer to Note 10).

13. Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Due from banks, other financial institutions and holding companies	10,015	5,870	(1,415)	(1,425)	8,600	4,445
Loans to customers	9,707	15,314	(7,893)	(7,515)	1,814	7,799
Fair value of financial assets and liabilities	2,134	-	(1,462)	(4,601)	(672)	(4,601)
Carrying value of property and equipment	14	18	(15,528)	(9,738)	(15,514)	(9,720)
Other assets	10,385	5,086	(7,933)	(9,947)	(2,452)	(4,861)
Debt securities issued	-	-	(907)	(533)	(907)	(533)
Tax loss carry forward	374	-	-	-	374	-
Other	24,568	16,326	(3,401)	(6,607)	21,167	9,719
Deferred tax assets/(liabilities)	57,197	42,614	(38,539)	(40,366)	18,658	2,248
Net deferred tax assets					**18,658**	**2,248**

As at 31 December 2012 the Group incurred tax losses in recent years in amount of TEUR 221,419 (31 December 2011: TEUR 81,991) available to be carried forward and off-set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilized, the deferred tax assets are not recognized. The unutilized tax losses expire in the period from 2014 to 2021.

	2012	2011
Year of expiration	**TEUR**	**TEUR**
2014	8,906	-
2015	19,732	10,273
2016	20,501	20,501
2017	1,967	-
2018	15,358	15,358
2019	11,337	11,917
2020	24,371	23,942
2021	119,247	-
Total	**221,419**	**81,991**

	2012	2011
Analysis of movements in net deferred tax assets	**TEUR**	**TEUR**
Net deferred tax asset at 1 January	2,248	7,567
Deferred tax income/(expense) for the year	17,083	(6,000)
Deferred tax recognized directly in equity	(123)	286
Additions from business combinations	(347)	-
Net foreign exchange differences	(203)	395
Closing balance	**18,658**	**2,248**

14. Investments in associates

As at 31 December 2012 the Group had the following investments in associates:

	Country of Incorporation	Ownership interest 2012 (%)	Carrying amount 2012 TEUR
Equifax Credit Services (LLC)	Russian Federation	30.72	2,537
Společnost pro informační databáze a.s.	Czech Republic	26.00	-
			2,537

As at 31 December 2011 the Group had the following investments in associates:

	Country of Incorporation	Ownership interest 2011 (%)	Carrying amount 2011 TEUR
Equifax Credit Services (LLC)	Russian Federation	38.14	2,056
Společnost pro informační databáze a.s.	Czech Republic	26.00	-
			2,056

15. Intangible assets

2012	Goodwill TEUR	Software TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost				
Balance at 1 January 2012	-	89,983	7,644	97,627
Additions through business combinations	3,469	3,688	1,894	9,051
Additions	-	31,707	14,517	46,224
Disposals	-	(273)	(14,403)	(14,676)
Transfers	-	1,913	45	1,958
Translation difference	-	2,284	175	2,459
Balance at 31 December 2012	**3,469**	**129,302**	**9,872**	**142,643**
Accumulated amortization				
Balance at 1 January 2012	-	58,265	586	58,851
Additions through business combinations	-	2,500	4	2,504
Charge for the year	-	19,193	64	19,257
Disposals	-	(273)	(36)	(309)
Transfers to/from other categories	-	181	23	204
Translation difference	-	1,472	8	1,480
Balance at 31 December 2012	**-**	**81,338**	**649**	**81,987**
Carrying amount				
at 1 January 2012	**-**	**31,718**	**7,058**	**38,776**
at 31 December 2012	**3,469**	**47,964**	**9,223**	**60,656**

2011	Goodwill TEUR	Software TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost				
Balance at 1 January 2011	-	76,736	1,973	78,709
Additions	-	17,608	14,731	32,339
Disposals	-	(1,494)	(8,735)	(10,229)
Translation difference	-	(2,867)	(325)	(3,192)
Balance at 31 December 2011	**-**	**89,983**	**7,644**	**97,627**
Accumulated amortization				
Balance at 1 January 2011	-	45,698	565	46,263
Charge for the year	-	15,390	35	15,425
Disposals	-	(1,020)	-	(1,020)
Translation difference	-	(1,803)	(14)	(1,817)
Balance at 31 December 2011	**-**	**58,265**	**586**	**58,851**
Carrying amount				
at 1 January 2011	**-**	**31,038**	**1,408**	**32,446**
at 31 December 2011	**-**	**31,718**	**7,058**	**38,776**

16. Property and equipment

2012	Buildings TEUR	Equipment TEUR	Vehicles TEUR	Other tangible assets TEUR	Total TEUR
Acquisition cost					
Balance at 1 January 2012	129,664	122,665	6,116	281	258,726
Additions through business combinations	-	19,123	427	-	19,550
Additions	254	81,840	692	728	83,514
Disposals	-	(5,969)	(934)	(802)	(7,705)
Transfers – other movements	(4,413)	4,454	(41)	-	-
Translation difference	4,685	3,301	190	5	8,181
Balance at 31 December 2012	**130,190**	**225,414**	**6,450**	**212**	**362,266**
Accumulated depreciation					
Balance at 1 January 2012	24,305	57,631	3,776	-	85,712
Additions through business combinations	-	12,266	-	-	12,266
Charge for the year	2,628	26,459	808	-	29,895
Disposals	-	(4,519)	(932)	-	(5,451)
Transfers – other changes	(146)	239	(1)	-	92
Translation difference	841	1,545	108	-	2,494
Balance at 31 December 2012	**27,628**	**93,621**	**3,759**	**-**	**125,008**
Carrying amount					
at 1 January 2012	**105,359**	**65,034**	**2,340**	**281**	**173,014**
at 31 December 2012	**102,562**	**131,793**	**2,691**	**212**	**237,258**

2011	Buildings TEUR	Equipment TEUR	Vehicles TEUR	Other tangible assets TEUR	Total TEUR
Acquisition cost					
Balance at 1 January 2011	127,995	93,169	6,096	198	227,458
Additions	7,292	35,381	921	742	44,336
Disposals	(2,613)	(3,004)	(782)	(614)	(7,013)
Translation difference	(3,010)	(2,881)	(119)	(45)	(6,055)
Balance at 31 December 2011	**129,664**	**122,665**	**6,116**	**281**	**258,726**
Accumulated depreciation					
Balance at 1 January 2011	19,740	49,546	3,934	-	73,220
Charge for the year	5,886	11,784	862	-	18,532
Disposals	(767)	(2,420)	(928)	-	(4,115)
Translation difference	(554)	(1,279)	(92)	-	(1,925)
Balance at 31 December 2011	**24,305**	**57,631**	**3,776**	**-**	**85,712**
Carrying amount					
at 1 January 2011	**108,255**	**43,623**	**2,162**	**198**	**154,238**
at 31 December 2011	**105,359**	**65,034**	**2,340**	**281**	**173,014**

17. Other assets

	2012 TEUR	2011 TEUR
Accrued income from insurance fees	76,964	32,817
Outstanding selling price for receivables	52,522	18,820
Prepaid expenses	37,475	23,450
Acquisition of subsidiaries	34,500	-
Trade receivables and settlement with suppliers	25,643	30,169
Goods held for resale	8,047	5,113
Other taxes receivable	4,994	4,196
Other	3,973	3,075
	244,118	**117,640**
Specific allowances for impairment on settlement with suppliers and other assets	(52)	(69)
	244,066	**117,571**

Acquisition of subsidiaries represents the consideration paid for the acquisition of shares in CF Commercial Consulting (Beijing) Co., Ltd and Home Credit Consumer Finance Co., Ltd, which are not treated as consolidated subsidiaries because the Group is still in the process of obtaining the regulatory approvals for the acquisition of those entities (Note 1).

Analysis of movements in allowances for impairment	2012 TEUR	2011 TEUR
Balance as at 1 January	69	134
Additions resulting from business combinations	1	-
Translation difference	1	-
Impairment losses recognized in the statement of comprehensive income	2	(8)
Amounts related to assets sold and written off	(21)	(57)
Closing balance as at 31 December	**52**	**69**

18. Current accounts and deposits from customers

	2012 TEUR	2011 TEUR
Term deposits	4,241,569	1,450,349
Current accounts and demand deposits	480,943	246,928
Other	1,059	-
	4,723,571	**1,697,277**

19. Due to banks and other financial institutions

	2012 TEUR	2011 TEUR
Unsecured loans	755,997	365,188
Loans received under repo operations	410,456	-
Secured loans	136,184	151,153
Other balances	8,342	11,794
	1,310,979	**528,135**

The following table provides an analysis of secured loans shown above by types of collateral as at 31 December:

	2012 TEUR	2011 TEUR
Car loan receivables	68,698	27,671
Revolving loan receivables	55,286	49,925
POS and cash loan receivables	13	58,325
Mortgage loan receivables	-	15,232
Other collateral	12,187	-
	136,184	**151,153**

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

20. Debt securities issued

	Interest rate	Final maturity	Amount outstanding 2012 TEUR	2011 TEUR
Unsecured CZK bond issue 3 of MCZK 4,000	Variable	June 2012	-	97,153
Unsecured RUB bond issue 5 of MRUB 4,000	Variable	April 2013	100,917	94,417
Loan participation notes issue 6 of MUSD 500	Fixed	March 2014	383,329	390,912
Stock exchange RUB bond issue 01 of MRUB 3,000	Variable	April 2014	75,606	73,060
Stock exchange RUB bond issue 03 of MRUB 4,000	Variable	April 2014	100,576	96,967
Unsecured RUB bond issue 6 of MRUB 5,000	Variable	June 2014	124,616	119,727
CZK promissory note issue of MCZK 500	Fixed	September 2014	18,169	-
Unsecured RUB bond issue 7 of MRUB 5,000	Variable	April 2015	126,027	121,593
Unsecured CZK bond issue 4 of MCZK 2,900	Fixed	September 2015	96,751	87,602
Unsecured CZK bond issue 5 of MCZK 3,750	Fixed	June 2016	154,163	-
Loan participation notes issue 7 of MUSD 500	Fixed	April 2020	379,747	-
			1,559,901	**1,081,431**

RUB denominated bonds issue 5 were issued in April 2008 with a coupon rate resettable at option dates. In October 2011 the Group reset a new coupon rate till the final maturity date.

Loan participation notes issue 6 were issued in March 2011 through Eurasia Capital S.A. (refer to Note 1).

RUB denominated stock exchange bonds issue 01 were issued in April 2011 with a coupon rate resettable at coupon dates. In October 2012 the Group reset a new coupon rate till the final maturity date.

RUB denominated stock exchange bonds issue 03 were issued in April 2011 with a coupon rate set for the next 30 months. The bondholders are entitled to require early redemption of the bond at par in October 2013.

RUB denominated bonds issue 6 were issued in June 2009 with a coupon rate resettable at option dates. In December 2012 the Group reset a new coupon rate till the final maturity date.

CZK promissory note issue of MCZK 500 were issued in September 2012 and represent zero-coupon instruments.

RUB denominated bonds issue 7 were issued in April 2010 with a coupon rate set for two years. In April 2012 the Group reset a new coupon rate till the final maturity date.

CZK denominated bonds issue 4 were issued in September 2010 and represent zero-coupon bonds.

Subordinated loan participation notes issue 7 were issued in October 2012 at a fixed rate through Eurasia Capital S.A. (refer to Note 1). The bondholders are entitled to require early redemption of the bond at par in April 2018 (the reset date). After the reset date the interest rate is determined as a variable rate.

21. Financial liabilities at fair value through profit or loss

	2012 TEUR	2011 TEUR
Negative fair value of trading derivative instruments	3,465	7,195
Negative fair value of hedging derivative instruments	7,970	-
	11,435	**7,195**

22. Other liabilities

	2012 TEUR	2011 TEUR
Accrued employee compensation	114,638	49,485
Settlement with suppliers	53,770	34,946
Other taxes payable	44,190	13,337
Customer loan overpayments	25,998	14,265
Deferred income and prepayments	16,934	10,539
Accrued expenses	15,964	5,811
Advances received	445	-
Other	13,804	1,708
	285,743	**130,091**

23. Equity

At 31 December 2012 the share capital of the Group comprised 1,250,000,000 (31 December 2011: 1,250,000,000) ordinary shares at a par value of EUR 0.57 (31 December 2011: EUR 0.57), of which 1,156,174,806 (31 December 2011: 1,156,174,806) shares were issued and fully paid. All issued shares bear equal voting rights. The holders of shares are entitled to receive dividends when declared. No dividends can be distributed if distributable reserves are negative.

In July and September 2012 the Group's share premium was increased by TEUR 249,000 and TEUR 6,481 respectively. In November 2012 the Group's share premium was decreased by TEUR 11,765 in a form of a 2012 interim dividend with an amount of EUR 0.01 per one share.

In May 2012 the Company paid to its sole shareholder a 2011 dividend of TEUR 7,476 and 2012 interim dividend of TEUR 100,000 with amounts per one share of EUR 0.01 and EUR 0.09 respectively.

In April 2011 the Company paid to its sole shareholder a 2010 dividend of TEUR 49,359 and 2011 interim dividend of TEUR 270,641 with amounts per one share of EUR 0.04 and EUR 0.23 respectively.

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

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

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

The reserve for business combinations under common control was recognized on the acquisition of HC Asia N.V. (Note 1).

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

24. Interest income and interest expense

	2012 TEUR	2011 TEUR
Interest income		
Cash loan receivables	902,172	316,886
POS loan receivables	315,597	303,349
Revolving loan receivables	172,543	128,717
Car loan receivables	24,162	18,176
Mortgage loan receivables	12,031	15,923
Financial instruments available-for-sale	38,067	14,028
Due from banks, other financial institutions and holding companies	20,976	12,155
Financial instruments held-to-maturity	68	-
Other	396	758
	1,486,012	**809,992**

	2012 TEUR	2011 TEUR
Interest expense		
Deposits from customers	301,916	58,198
Debt securities issued	96,168	100,902
Due to banks and other financial institutions	30,949	23,524
	429,033	**182,624**

25. Fee and commission income

	2012 TEUR	2011 TEUR
Insurance commissions	500,880	155,765
Penalty fees	60,602	42,121
Cash transactions	59,455	37,893
Customer payment processing and account maintenance	23,517	24,380
Retailers commissions	9,393	7,603
Other	709	452
	654,556	**268,214**

26. Fee and commission expenses

	2012 TEUR	2011 TEUR
Commissions to retailers	20,701	11,876
Cash transactions	18,226	9,609
Payment processing and account maintenance	7,215	5,507
Other	11,856	3,286
	57,998	**30,278**

27. Net losses on financial assets and liabilities

	2012 TEUR	2011 TEUR
Net (losses)/gains on derivatives	(9,355)	40,036
Net foreign currency gains/(losses)	3,039	(47,299)
Net trading gains/(losses) on other financial assets	2,976	(2,373)
Other losses on financial assets	(3,653)	-
	(6,993)	**(9,636)**

28. Other operating income

	2012 TEUR	2011 TEUR
Gains on disposal of loan receivables	111,381	41,238
Income from other services provided	9,533	11,656
Recognized income from excess of acquired net fair value over costs	-	4,079
Loss on monetary position	(3,711)	(16,347)
Other	9,649	8,964
	126,852	**49,590**

Gains on disposal of loan receivables relate to sales of customer loan receivables. In 2012 they included the gain of TEUR 26,239 recognized in connection with the amendment of the receivables sale agreements (see Note 10).

Income from excess of acquired net fair value over costs was recognized on an acquisition of a subsidiary in 2011.

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

29. Impairment losses on financial assets

	2012 TEUR	2011 TEUR
Cash loan receivables	348,689	79,375
POS loan receivables	87,824	74,344
Revolving loan receivables	37,893	13,169
Car loan receivables	6,597	3,222
Mortgage loan receivables	(3,109)	(1,245)
Other financial assets	534	(1,841)
	478,428	**167,024**

30. General administrative expenses

	2012 TEUR	2011 TEUR
Employee compensation	290,243	168,715
Rental, maintenance and repair expense	74,391	35,147
Payroll related taxes (including pension contributions)	55,144	32,190
Telecommunication and postage	43,884	33,206
Advertising and marketing	40,277	28,396
Professional services	29,199	25,315
Information technologies	19,457	11,997
Travel expenses	14,498	8,106
Taxes other than income tax	10,387	5,471
Other	26,408	18,711
	603,888	**367,254**

31. Other operating expenses

	2012 TEUR	2011 TEUR
Depreciation and amortization	49,152	33,957
Loss on disposal of property, plant, equipment, and intangible assets	1,540	2,175
Impairment losses/(reversals) on other assets	2	(8)
	50,694	**36,124**

32. Income tax expense

	2012 TEUR	2011 TEUR
Current tax expense	155,893	89,418
Deferred tax (benefit)/expense	(17,083)	6,000
Total income tax expense from continuing operations in the statement of comprehensive income	**138,810**	**95,418**

Reconciliation of effective tax rate	2012 TEUR	2011 TEUR
Profit before tax from continuing operations	**644,493**	**336,070**
Income tax using the domestic tax rate of 25%	(161,123)	(84,018)
Effect of deferred tax assets not recognized	(7,515)	(6,161)
Non-deductible costs	(7,072)	(10,384)
Withholding tax on dividends	(3,710)	(16,450)
Non-taxable income	1,191	1,711
Effect of tax rates in foreign jurisdictions	35,328	20,057
Other	4,091	(173)
Total income tax expense from continuing operations	**(138,810)**	**(95,418)**

33. Derivative financial instruments

As at 31 December 2012 the following derivative contracts were outstanding:

Contract type	Sell/Buy	Maturity	Notional amount (in thousands of purchased currency)	Fair value TEUR
Currency derivatives – trading				
Foreign currency forward contracts				
	RUB/USD	less than 1 month	6	-
	EUR/CZK	1 month to 3 months	277	1
Foreign currency swap contracts				
	CZK/EUR	3 months to 1 year	25,780	26
	EUR/BYR	less than 1 month	7,436	15
	EUR/BYR	more than 1 year	5,290	9,969
	EUR/KZT	1 month to 3 months	8,252	(387)
	KZT/EUR	3 months to 1 year	14,251	891
	EUR/CZK	less than 1 month	19,551	174
	EUR/CZK	1 month to 3 months	30,988	38
	EUR/CZK	3 months to 1 year	127,127	2,149
	EUR/USD	less than 1 month	9,993	18
	EUR/RUB	3 months to 1 year	4,242	230
	KZT/USD	1 month to 3 months	28,229	(282)
	USD/BYR	3 months to 1 year	564	(34)
	USD/BYR	more than 1 year	291	550
	USD/RUB	less than 1 month	223,672	573
	USD/RUB	1 month to 3 months	103,479	2,491
	RUB/USD	1 month to 3 months	103,479	(2,495)
	KZT/EUR	1 month to 3 months	10,973	(119)
Currency derivatives - hedging				
Foreign currency forward contracts				
	RUB/USD	1 month to 3 months	13,179	(170)
	RUB/USD	3 months to 1 year	3,766	(4)
Foreign currency swap contracts				
	RUB/USD	3 months to 1 year	75,312	2,099
	RUB/USD	more than 1 year	105,434	(4,249)
Cross currency interest rate swaps				
	fixed RUB/ floating USD	more than 1 year	67,780	(3,547)
Interest rate derivatives				
Interest rate swap contracts				
	fixed/floating (RUB)	3 months to 1 year	37,193	253
	fixed/floating (RUB)	more than 1 year	44,632	(35)
				8,155

33. Derivative financial instruments (continued)

As at 31 December 2011 the following derivative contracts were outstanding:

Contract type	Sell/Buy	Maturity	Notional amount (in thousands of purchased currency)	Fair value TEUR
Foreign currency forward contracts				
	RUB/USD	1 month to 3 months	7,709	529
	KZT/EUR	less than 1 month	11,530	(571)
Foreign currency swap contracts				
	EUR/CZK	1 month to 3 months	31,166	(2,096)
	EUR/CZK	3 months to 1 year	128,469	(2,499)
	EUR/BYR	less than 1 month	3,114	(82)
	EUR/BYR	1 month to 3 months	3,716	2,316
	EUR/BYR	3 months to 1 year	18,883	6,954
	EUR/BYR	more than 1 year	15,066	10,245
	USD/BYR	less than 1 month	777	(24)
	USD/BYR	3 months to 1 year	1,165	739
	USD/BYR	more than 1 year	854	591
	RUB/USD	less than 1 month	208,143	2,370
	RUB/USD	more than 1 year	77,086	9,481
	RUB/EUR	less than 1 month	4,989	101
	USD/CZK	less than 1 month	7,323	(74)
Interest rate swap contracts				
	floating/ fixed (RUB)	more than 1 year	23,944	241
				28,221

34. Commitments

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

	2012 TEUR	2011 TEUR
Revolving loan commitments	1,403,059	836,629
POS loan commitments	37,684	23,680
Cash loan commitments	37,460	6,281
Undrawn overdraft facilities	8,877	-
	1,487,080	**866,590**

The total outstanding contractual commitments to extend credit indicated above do not necessarily represent future cash requirements as many of these commitments will expire or terminate without being funded.

As at 31 December 2012 the balance of loan guarantees issued by the Group was TEUR 136,427 (31 December 2011: TEUR 0).

35. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2012 TEUR	2011 TEUR
Less than one year	48,872	34,650
Between one and five years	103,732	74,967
More than five years	12,973	11,877
	165,577	**121,494**

The Group leases a number of premises and equipment under operating leases. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During 2012 TEUR 58,787 (2011: TEUR 25,940) was recognized as an expense in the statement of comprehensive income in respect of operating leases.

36. Related party transactions

The Group has related party relationships with its ultimate parent company PPF Group N.V., its subsidiaries and associates, the Group's key management personnel and other related parties. Related party transactions are executed on an arm's length basis.

(a) Transactions with the parent company

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

	Note	2012 TEUR	2011 TEUR
Financial assets at fair value through profit or loss		230	-
Due from banks and other financial institutions		114,809	64,070
Intangible assets		70	-
Other assets	17	34,500	-
Debt securities issued		(115,768)	-
Other liabilities		(441)	(298)
		33,400	**63,772**

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

	2012 TEUR	2011 TEUR
Interest income	7,750	8,325
Interest expense	(2,245)	-
Net gain on financial assets	221	-
Other operating income	(6,962)	
General administrative expenses	(302)	(250)
	(1,538)	**8,075**

36. Related party transactions (continued)

(b) Transactions with fellow subsidiaries

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

	2012 TEUR	2011 TEUR
Cash and cash equivalents	10,968	10,897
Due from banks and other financial institutions	7,718	8,879
Loans to customers	4,165	4,886
Financial assets at fair value through profit or loss	4,993	576
Financial assets available-for-sale	-	29,911
Held-to-maturity financial assets	3,667	-
Other assets	57,192	22,483
Due to non-banks	(2,723)	(23,952)
Due to banks and other financial institutions	(108,720)	(33,006)
Debt securities issued	(89,092)	(41,745)
Financial liabilities at fair value through profit or loss	(738)	(4,664)
Other liabilities	(12,370)	(7,168)
	(124,940)	**(32,903)**

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

	2012 TEUR	2011 TEUR
Interest income	(9,134)	(8,803)
Interest expense	(5,058)	(5,987)
Fee and commission income	2,118	1,479
Fee and commission expense	(306)	(316)
Net gain/(loss) on financial assets	5,770	(7,064)
Other operating income	128,079	55,598
General administrative expenses	(8,160)	(6,649)
Other operating expenses	-	(94)
	113,309	**28,164**

As disclosed in Note 10, the Group sold receivables to related parties. The related transactions and balances are included in available-for-sale assets (31 December 2012: TEUR 0, 31 December 2011: TEUR 29,913), other assets (31 December 2012: TEUR 52,522, 31 December 2011: TEUR 18,820) and other operating income (2012: TEUR 111,381, 2011: TEUR 41,238).

36. Related party transactions (continued)

(c) Transactions with the parent company's associates

Balances included in the statement of financial position in relation to transactions with the parent company's associates are as follows:

	2012 TEUR	2011 TEUR
Cash and cash equivalents	-	8
Financial assets available-for-sale	-	1,568
Other assets	57,212	27,656
Current accounts and deposits from customers	(43,069)	(39,534)
Debt securities issued	(181,292)	(222,377)
Other liabilities	(1,396)	(329)
	(168,545)	**(233,008)**

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

	2012 TEUR	2011 TEUR
Interest income	198	435
Interest expense	(17,458)	(18,741)
Fee and commission income	340,358	133,763
Other operating income	94	669
General administrative expenses	(2,425)	(1,520)
	320,767	**114,606**

36. Related party transactions (continued)

(d) Transactions with other related parties

As at 31 December 2012 balances included in the statement of financial position in relation to transactions with other related parties were other liabilities of TEUR 1,164 (31 December 2011: TEUR 0).

As at 31 December 2012 amounts included in the statement of comprehensive income in relation to transactions with other related parties were general administrative expenses of TEUR 3,164 (2011: TEUR 0).

(e) Transactions with key management personnel

Amounts included in the statement of comprehensive income in relation to transactions with members of key management are long-term benefits of TEUR 14,910 (2011: TEUR 5,046) and short-term benefits of TEUR 22,630 (2011: TEUR 18,904), comprising salaries and bonuses.

As at 31 December 2012 the balance of loans to members of the key management was TEUR 8 (31 December 2011: TEUR 48).

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

37. Subsequent events

In January 2013 the Group exercised the call option to purchase the 90.01% equity stake in Home Credit Bank (JSC) and became the 100% owner of Home Credit Bank (JSC), refer to Note 1.

In January 2013 the Group entered into a number of share purchase agreements whereby it would acquire equity stakes in the following companies:

- 100% stake in Generali PPF Insurance, a limited liability company (a Russian entity)
- 100% stake in Limited Liability Company „Generali PPF Life Insurance“ (a Russian entity)
- 100% stake in Public Stock Company „Generali PPF Insurance“ (a Russian entity)
- 19.9% stake in YU – ID Systems B.V. (a Dutch entity)
- 100% stake in Foreign Insurance Joint-Stock Company "Generali" (a Belarusian entity)

The settlement of the agreements is expected to take place in March 2013. The completion of the acquisitions is contingent on obtaining certain regulatory approvals in the respective countries.

Other Information

Certain information required by Article 392 the Civil Code of the Netherlands, to the extent it is applicable to the Company or the Group, as well as the Auditor's Report is included in this part of the Consolidated Annual Accounts.

1. Profit appropriation

The general meeting is authorised to appropriate the profits that follow from the adoption of the annual accounts or to determine how a deficit will be accounted for, as well as to resolve upon distributions, provided that the company's equity exceeds the total amount of the reserves to be maintained pursuant to the law or the articles of association. A resolution on any distribution has no consequences if the management board has not given its approval to such distribution.

In May 2012 the Company paid to its sole shareholder a 2011 dividend of TEUR 7,476 and 2012 interim dividend of TEUR 100,000. In November 2012 the Company's share premium was decreased by TEUR 11,765 in a form of a 2012 interim dividend. No decision or proposal on the appropriation of the remaining part of net profit has been taken as of the date of the issue of the unconsolidated financial statements.

2. Subsequent events

Refer to the Notes to the Consolidated Financial Statements, Note 37.

KPMG

Independent auditor's report

To: the directors of Home Credit B.V.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements for the year ended 31 December 2012 which are part of the financial statements of Home Credit B.V., Amsterdam, which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires 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 auditor's judgment, 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 auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 financial position of Home Credit B.V. as at 31 December 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 5 March 2013

KPMG Accountants N.V.

B.M. Herngreen RA

Home Credit B.V.

Unconsolidated Annual Accounts
for the year ended 31 December 2012

Contents

Directors´ Report

Description of the Company

Home Credit B.V.
Date of inception: 28 December 1999
Registered office: Netherlands, Strawinskylaan 933 Tower B Level 9, 1077XX Amsterdam
Identification number: 34126597
Authorised capital: EUR 712,500,000
Issued capital: EUR 659,019,639
Paid up capital: EUR 659,019,639
Principal business: Holding company activities and financing thereof

General information

Home Credit B.V. (‘HCBV’) is the direct owner of several consumer finance providers (‘the Group’). There are both fully licensed banks and non-banking entities within the Group. The principal activities of HCBV are: (a) the holding of equity stakes in consumer finance companies in the countries of Central and Eastern Europe (CEE), Commonwealth of Independent States (CIS) and Asia and (b) the securing of the refinancing for these companies either from the market or from the parent company.

Companies that are held by HCBV provide “in-store” lending to eligible, mass retail customers, including first-time borrowers, and are the leading providers of such services in most countries in which they operate. They provide non-cash, non-collateralised loans for purchases of durable goods at the point of sale (“POS loans”) and, in the majority of countries in which they operate, they also offer credit cards and/or cash loans. In more mature markets, such as Russia, the Group also offers retail banking services such as deposit-gathering products and current accounts. As at 31 December 2012, the Group had served over 32 million customers across its operations: the Czech Republic (operational since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), Belarus (2007), China (2007), India (2012) and Indonesia (2013).

The beneficiary owner of HCBV is PPF Group N.V. (hereinafter “PPF”). PPF invests in multiple market segments such as banking and financial services, insurance, real estate, energy, metal mining, agriculture, retail and biotechnology. PPF's reach spans from Central and Eastern Europe to Russia and across Asia. PPF Group owns assets amounting to EUR 17.6 billion (as at 30 June 2012). Founded in 1991, PPF is a regulated financial conglomerate (as defined by the EU Directive) headquartered in the Netherlands.

For more information, visit www.ppf.eu.

Key Achievements

In 2012 HCBV reported net profit of EUR 129 million, a 53.5% decrease year-on-year mainly due to a drop in the dividend income to EUR 142 from an extraordinary EUR 338 million in the prior year. Operating expenses shrank to EUR 9 million from EUR 42 million in 2011 as result of a new group-wide cost allocation formula and impairment loss reversal of EUR 6.2 million on equity holdings.

In 2012 the Company paid to the parent company (PPF) a final dividend of EUR 7 million for 2011 and an interim dividend of EUR 112 million for 2012.

In July 2012, HCBV acquired a 100% stake in HC Asia N.V. from PPF as part of an overall move to consolidate all Home Credit-branded companies under one holding entity.

In September 2012 HCBV executed agreements with its beneficiary owner, PPF, concerning the future acquisition of 100% of the shares in CF Commercial Consulting (Beijing) Co., Ltd, Home Credit Consumer Finance Co., Ltd and PPF Vietnam Finance Company LLC. The transfer of ownership rights is subject to obtaining regulatory approval from the respective regulators in China and Vietnam.

In January 2013 HCBV sold its 9.99% share in Home Credit Bank (JSC), which represents Home Credit operations in Kazakhstan, to its subsidiary Home Credit & Finance Bank (LLC).

Staff development and environmental influence

The average number of employees during 2012 was 1 (2011: 1).

HCBV operations' impact on the environment is not measured as it is considered insignificant.

Financial instruments and risk management

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

HCBV's exposure to credit risk arises primarily from the provision of loans to related parties.

Liquidity risk arises from the general funding of HCBV's activities and from the management of its positions. HCBV has access to a diversified funding base. Funds are raised using a broad range of instruments including debt securities, bank loans and shareholders' equity.

All financial instruments and positions are subject to market risk: the risk that future changes in market conditions may change the value of the instrument. The majority of HCBV's exposure to market risk arises in connection with the funding of HCBV's operations with liabilities denominated in foreign currencies, and with the extent to which the term structure of interest-bearing assets differs from that of liabilities.

For detailed information on risk management see Note 4 of the financial statements.

Future development

In 2013, HCBV will continue to manage and finance its holdings carefully, use its capital in a disciplined way and continue to pursue both organic growth and to develop new operations. Across its businesses in the CEE and CIS regions HCBV will fully utilise its expanding distribution network and further grow the level of retail deposits of the business, focusing on cross-selling high-margin products through a customer-centric approach. In Asia, the Group will ensure that its processes and risk management model are effectively established and will continue to increase its penetration of current markets, ensuring it is ready to enter new markets in this fast-growing region.

	Note	2012 TEUR	2011 TEUR
ASSETS			
Cash and cash equivalents	5	261	1,554
Time deposits with banks	6	3,978	8,876
Loans provided	7	150,890	99,565
Financial assets at fair value through profit or loss	8	2,444	-
Financial assets available-for-sale	9	-	9,900
Investments in subsidiaries	10	1,085,544	802,554
Assets held for sale	11	16,900	-
Other assets	12	42,255	1,313
Total assets		**1,302,272**	**923,762**
LIABILITIES			
Debt securities issued	13	269,083	184,755
Financial liabilities at fair value through profit or loss	14	506	5,166
Loans received and other liabilities	15	32,361	6,192
Total liabilities		**301,950**	**196,113**
EQUITY			
Share capital	16	659,020	659,020
Share premium	16	303,969	60,253
Revaluation reserve	16	7,900	900
Other reserves	16	29,433	7,476
Total equity		**1,000,322**	**727,649**
Total liabilities and equity		**1,302,272**	**923,762**

	Note	2012 TEUR	2011 TEUR
Interest income	17	10,867	11,865
Interest expense	17	(17,127)	(16,909)
Net interest expense		**(6,260)**	**(5,044)**
Dividend income	18	142,385	337,674
Fee income	19	7,140	8,150
Net foreign exchange result		(815)	(1,525)
Other income, net		2	(2,441)
Operating income		**142,452**	**336,814**
Impairment reversals/(losses)	20	6,202	(16,564)
General administrative expenses	21	(15,511)	(25,450)
Operating expenses		**(9,309)**	**(42,014)**
Profit before tax		**133,143**	**294,800**
Income tax expense	22	(3,710)	(16,683)
Net profit for the year		**129,433**	**278,117**
Change in revaluation reserve, net of tax		7,000	(5,100)
Other comprehensive income/(expense) for the year		**7,000**	**(5,100)**
Total comprehensive income for the year		**136,433**	**273,017**

The unconsolidated financial statements as set out on pages 5 to 37 were approved by the Board of Directors on 5 March 2013.

Jiří Šmejc
Chairman of the Board of Directors

Jan Cornelis Jansen
Vice- Chairman of the Board of Directors

Rudolf Bosveld
Member of the Board of Directors

Pavel Horák
Member of the Board of Directors

Jean-Pascal Duvieusart
Member of the Board of Directors

Mel Gerard Carvill
Member of the Board of Directors

	Share capital TEUR	Share premium TEUR	Revaluation reserve TEUR	Other reserves TEUR	Total equity TEUR
Balance as at 1 January 2012	659,020	60,253	900	7,476	727,649
Share premium increase	-	255,481	-	-	255,481
Dividend payment	-	(11,765)	-	(107,476)	(119,241)
Total	**659,020**	**303,969**	**900**	**(100,000)**	**863,889**
Change in revaluation reserve	-	-	7,000	-	7,000
Profit for the year	-	-	-	129,433	129,433
Total comprehensive income for the year	**-**	**-**	**7,000**	**129,433**	**136,433**
Total changes	**-**	**243,716**	**7,000**	**21,957**	**272,673**
Balance as at 31 December 2012	**659,020**	**303,969**	**7,900**	**29,433**	**1,000,322**

	Share capital TEUR	**Share premium TEUR**	**Revaluation reserve TEUR**	**Other reserves TEUR**	**Total equity TEUR**
Balance as at 1 January 2011	659,020	60,253	6,000	49,359	774,632
Dividend payment	-	-	-	(320,000)	(320,000)
Total	**659,020**	**60,253**	**6,000**	**(270,641)**	**454,632**
Change in revaluation reserve	-	-	(5,100)	-	(5,100)
Profit for the year	-	-	-	278,117	278,117
Total comprehensive income for the year	**-**	**-**	**(5,100)**	**278,117**	**273,017**
Total changes	**-**	**-**	**(5,100)**	**(41,883)**	**(46,983)**
Balance as at 31 December 2011	**659,020**	**60,253**	**900**	**7,476**	**727,649**

	Note	2012 TEUR	2011 TEUR
Operating activities			
Profit before tax		133,143	294,800
Adjustments for:			
Interest income and expense	17	6,260	5,044
Dividend income	18	(142,385)	(337,674)
Impairment (reversals)/losses	20	(6,202)	16,564
Other		4,475	(5,074)
Net operating cash flow before changes in working capital		**(4,709)**	**(26,340)**
Change in time deposits with banks		4,996	5,238
Change in loans provided		(45,460)	(15,457)
Change in other assets		(43,386)	3,215
Change in other liabilities		(4,910)	4,437
Cash flows used in the operations		**(93,469)**	**(28,907)**
Interest paid		(4,557)	(10,327)
Interest received		5,102	9,880
Income tax paid		(3,710)	(16,683)
Cash flows used in operating activities		**(96,634)**	**(46,037)**
Investing activities			
Proceeds from (acquisition of)/ disposals of investments in subsidiaries		(276,788)	27,691
Dividends received	18	142,385	337,674
Cash flows (used in)/from investing activities		**(134,403)**	**365,365**
Financing activities			
Proceeds from capital increase		255,481	-
Dividends paid		(119,241)	(320,000)
Net proceeds from the issue of debt securities		67,593	-
Proceeds from due to banks and other financial institutions		25,912	-
Cash flows from/(used in) financing activities		**229,745**	**(320,000)**
Net decrease in cash and cash equivalents		(1,292)	(672)
Cash and cash equivalents at 1 January	5	1,554	2,349
Effects of exchange rate changes on cash and cash equivalents		(1)	(123)
Cash and cash equivalents at 31 December	5	**261**	**1,554**

1. Description of the Company

Home Credit B.V. (the "Company") was incorporated on 28 December 1999 in the Netherlands.

Registered office
Strawinskylaan 933
1077 XX Amsterdam
The Netherlands

Shareholders	Country of incorporation	Ownership interest (%) 2012	2011
PPF Group N.V.	Netherlands	100.00	100.00

The ultimate controlling party of PPF Group N.V. and of the Company is Mr. P. Kellner.

Board of Directors

Jiří Šmejc	Chairman	from 1 October 2012
Alexander Labak	Chairman	until 31 August 2012
Jan Cornelis Jansen	Vice-chairman	from 1 October 2012
Rudolf Bosveld	Member	from 1 October 2012
Pavel Horák	Member	from 1 October 2012
Jean-Pascal Duvieusart	Member	from 1 October 2012
Mel Gerard Carvill	Member	from 3 May 2012
Sonia Mihaylova Slavtcheva	Member	until 1 October 2012
Ivan Svitek	Member	until 3 May 2012

Principal activities

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

2. Basis of preparation

The financial statements for the year ended 31 December 2012 have been prepared on an unconsolidated basis. Subsidiaries are presented on a cost-less-impairment basis. The reconciliation of equity as per these unconsolidated financial statements and consolidated financial statements is shown below.

	Share capital TEUR	Share premium TEUR	Statutory reserve fund TEUR	Foreign currency translation TEUR	Fair value reserve TEUR	Hedging reserve TEUR	Reserve for business combinations under common control TEUR	Other reserves TEUR	Total equity attributable to equity holders of the Company TEUR
Individual balance as at 31 December 2012	**659,020**	**303,969**	**-**	**-**	**7,900**	**-**	**-**	**29,433**	**1,000,322**
Adjustment for:									
Impairment of subsidiaries, current year	-	-	-	-	-	-	-	(6,202)	(6,202)
Impairment of subsidiaries, prior years	-	-	-	-	-	-	-	86,153	86,153
Dividend income	-	-	-	-	-	-	-	(142,385)	(142,385)
Net result of subsidiaries in 2012	-	-	-	-	-	-	-	524,837	524,837
Reserves related to subsidiaries	-	-	4,853	(54,590)	(7,438)	(971)	15,106	(17,874)	(60,914)
Consolidated balance as at 31 December 2012	**659,020**	**303,969**	**4,853**	**(54,590)**	**462**	**(971)**	**15,106**	**473,962**	**1,401,811**

2. Basis of preparation (continued)

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including International Accounting Standards (IASs), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union.

(b) Basis of measurement

The financial statements are prepared on the historic cost basis except for financial instruments at fair value through profit or loss and financial assets available-for-sale that are measured at fair value. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortized cost or historic cost, as appropriate, net of any relevant impairment.

(c) Presentation and functional currency

These financial statements are presented in Euro (EUR), which is the Company's functional and reporting currency. Financial information presented in EUR has been rounded to the nearest thousand (TEUR).

(d) Changes in accounting policies and comparative figures

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

(e) Use of estimates and judgments

The preparation of the unconsolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments made by management in preparing these unconsolidated financial statements in respect of impairment recognition is described in Note 3(c)(vii), Note 3(e), Note 4(f), Note 10 and Note 20.

3. Significant accounting policies

(a) Foreign currency

(i) Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to EUR at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to EUR at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on retranslation are recognized in profit or loss.

(b) Cash and cash equivalents

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

(c) Financial assets and liabilities

(i) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the near term, those that the Company upon initial recognition designates as at fair value through profit or loss, or those where its initial investment may not be substantially recovered, other than because of credit deterioration.

When the Company is a lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and receivables.

Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are classified as held for trading or those which are upon initial recognition designated by the entity as at fair value through profit or loss. Trading instruments include those that the Company principally holds for the purpose of short-term profit taking and derivative contracts that are not designated as effective hedging instruments. The Company designates financial assets and liabilities at fair value through profit or loss where either the assets or liabilities are managed, evaluated and reported internally on a fair value basis or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract. Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Financial assets available-for-sale are those financial assets that are designated as available-for-sale or are not classified as loans and receivables or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Company's policy is to recognize them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Company used trade date accounting.

3. Significant accounting policies (continued)

(iii) Measurement

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

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables which are measured at amortized cost less impairment losses and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

(iv) Fair value measurement principles

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

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

The fair value of debt securities available for sale as well as foreign currency futures is based on their quoted market price. The other derivative contracts are not exchange traded and their fair value is estimated using arbitrage pricing model where key parameters are relevant foreign exchange rates and interbank interest rates ruling at the end of the reporting period.

(v) Amortized cost measurement principles

The amortized cost of a financial asset or liability is the amount in which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, net of any relevant impairment.

(vi) Gains and losses on subsequent measurement

Gains and losses on financial instruments classified as at fair value through profit or loss are recognized in profit or loss.

Gains and losses on available-for-sale financial assets are recognized in other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

3. Significant accounting policies (continued)

(vii) Identification and measurement of impairment

The Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired on a regular basis. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the financial asset's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows. Financial assets with a short duration are not discounted.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Company uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of financial assets are recognized in the statement of comprehensive income and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of amortization, if no impairment loss had been recognized.

(viii) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized separately as asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(ix) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3. Significant accounting policies (continued)

(x) Derivative financial instruments

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

(d) Investments in subsidiaries

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

(e) Impairment of non-financial assets

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

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in the statement of comprehensive income and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Provisions

A provision is recognized in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) Other payables

Accounts payable arise when the Company has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortized cost, which is normally equal to their nominal or repayment value.

(h) Equity

Share capital represents the nominal value of shares issued by the Company. To the extent such shares remain unpaid as of the end of the reporting period a corresponding receivable is presented in other assets.

Dividends on share capital are recognized as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognized as a liability but are disclosed in the notes.

3. Significant accounting policies (continued)

(i) Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(j) Operating lease payments

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Granted lease incentives are recognized as an integral part of the total lease expense.

(k) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

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

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

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

3. Significant accounting policies (continued)

(l) Changes in Accounting policies and accounting pronouncements adopted since 1 January 2012

No material changes in accounting policies resulted from new Standards becoming effective in 2012.

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

A number of new Standards, amendments to Standards and Interpretations were not yet effective as of 31 December 2012 and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's operations. The Company plans to adopt these pronouncements when they become effective. The Company is in the process of analysing the likely impact on its financial statements.

Annual Improvements 2009-2011 Cycle (effective from 1 January 2013)

In May 2012 the IASB published Annual Improvements to IFRSs 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34, with consequential amendments to other standards and interpretations.

IFRS 9 Financial Instruments (effective from 1 January 2015)

This new standard was published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39. It deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities while most of the requirements in IAS 39 were carried forward unchanged to IFRS 9. IFRS 9 has not yet been adopted by the EU.

Amendment to *IAS 1 Presentation of Financial Statements* (effective from 1 July 2012)

The amendments to IAS 1 titled *Presentation of Items of Other Comprehensive Income:*
- require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

3. Significant accounting policies (continued)

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:
- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

IAS 27 Separate Financial Statements

The standard was issued concurrently with IFRS 10 Consolidated Financial Statements (effective from 1 January 2013). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IFRS 13 Fair Value Measurement (effective from 1 January 2013)

This new standard was issued in May 2011. It replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

4. Financial risk management

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

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

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

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

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Company. The majority of the Company's exposure to credit risk arises in connection with the provision of loans to related parties. The remaining part of the Company's exposures to credit risk is related to due from banks and other financial institutions and certain other assets.

4. Financial risk management (continued)

(b) Liquidity risk

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

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

The Group has access to a diverse funding base. Funds are raised on the market and through related parties. The shareholder's support enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

4. Financial risk management (continued)

Exposure to liquidity risk
The following table shows assets and liabilities by remaining contractual maturity dates. The table does not include prospective cash flows related to loan commitments. Refer to Note 23 for outstanding loan commitments that may impact liquidity requirements.

TEUR	2012 Less than 1 month	2012 1 to 3 months	2012 3 months to 1 year	2012 1 to 5 years	2012 No maturity	2012 Total	2011 Less than 1 month	2011 1 to 3 months	2011 3 months to 1 year	2011 1 to 5 years	2011 No maturity	2011 Total
Cash and cash equivalents	261	-	-	-	-	261	1,554	-	-	-	-	1,554
Time deposits with banks	-	-	-	-	3,978	3,978	-	-	-	-	8,876	8,876
Loans provided	-	-	69,067	81,823	-	150,890	-	37,549	39,880	22,136	-	99,565
Financial assets at fair value through profit or loss	-	39	2,405	-	-	2,444	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-	9,900	9,900
Investments in subsidiaries	-	-	-	-	1,085,544	1,085,544	-	-	-	-	802,554	802,554
Assets held for sale	16,900	-	-	-	-	16,900	-	-	-	-	-	-
Other assets	7,441	-	-	34,744	70	42,255	709	507	72	25	-	1,313
Total assets	**24,602**	**39**	**71,472**	**116,567**	**1,089,592**	**1,302,272**	**2,263**	**38,056**	**39,952**	**22,161**	**821,330**	**923,762**
Debt securities issued	-	-	-	269,083	-	269,083	-	-	97,153	87,602	-	184,755
Financial liabilities at fair value through profit or loss	506	-	-	-	-	506	571	2,096	2,499	-	-	5,166
Loans received and other liabilities	5,942	-	26,419	-	-	32,361	2,283	513	3,396	-	-	6,192
Total liabilities	**6,448**	**-**	**26,419**	**269,083**	**-**	**301,950**	**2,854**	**2,609**	**103,048**	**87,602**	**-**	**196,113**
Net position	**18,154**	**39**	**45,053**	**(152,516)**	**1,089,592**	**1,000,322**	**(591)**	**35,447**	**(63,096)**	**(65,441)**	**821,330**	**727,649**

4. Financial risk management (continued)

(c) Market risk

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

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

Exposure to interest rate risk
The principal risk to which the Company is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. Given the structure of the Company's statement of comprehensive income with the main source of income being dividends received, which are considerably more significant than interest expenses, the Company is able to tolerate significant interest rate gaps. The Group ALCO is the monitoring body for compliance with these limits.

Exposure to foreign currency risk
The Company has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency. Foreign currency risk is managed principally through monitoring foreign currency mismatches in the structure of assets and liabilities (refer to Note 8 and Note 14). The Group ALCO is the monitoring body for compliance with this rule.

4. Financial risk management (continued)

Interest rate gap position

				2012			
TEUR	**Effective interest rate**	**Less than 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 5 years**	**Non specified**	**Total**
Interest bearing financial assets							
Cash and cash equivalents	0.4%	261	-	-	-	-	261
Time deposits with banks	0.0%	-	-	-	-	3,978	3,978
Loans provided	8.7%	-	69,067	78,593	3,230	-	150,890
Total interest bearing financial assets		**261**	**69,067**	**78,593**	**3,230**	**3,978**	**155,129**
Interest bearing financial liabilities							
Debt securities issued	6.8%	-	-	18,169	250,914	-	269,083
Loans received and other liabilities	6.9%	5,942	26,419	-	-	-	32,361
Total interest bearing financial liabilities		**5,942**	**26,419**	**18,169**	**250,914**	**-**	**301,444**

4. Financial risk management (continued)

Interest rate gap position

	2011						
TEUR	**Effective interest rate**	**Less than 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 5 years**	**Non specified**	**Total**
Interest bearing financial assets							
Cash and cash equivalents	0.1%	1,554	-	-	-	-	1,554
Time deposits with banks	0.3%	-	-	-	-	8,876	8,876
Loans provided	8.6%	37,549	39,880	400	21,736	-	99,565
Total interest bearing financial assets		**39,103**	**39,880**	**400**	**21,736**	**8,876**	**109,995**
Interest bearing financial liabilities							
Debt securities issued	8.9%	-	97,153	-	87,602	-	184,755
Total interest bearing financial liabilities		**-**	**97,153**	**-**	**87,602**	**-**	**184,755**

4. Financial risk management (continued)

Foreign currency position

TEUR	2012 RUB	2012 CZK	2012 EUR	2012 Other currencies	2012 Total	2011 RUB	2011 CZK	2011 EUR	2011 Other currencies	2011 Total
Cash and cash equivalents	-	36	173	52	261	-	376	878	300	1,554
Time deposits with banks	-	3,978	-	-	3,978	-	3,876	5,000	-	8,876
Loans provided	21,934	88,273	37,453	3,230	150,890	-	21,944	66,085	11,536	99,565
Financial assets at fair value through profit or loss	-	-	2,444	-	2,444					
Financial assets available-for-sale	-	-	-	-	-	-	-	-	9,900	9,900
Investments in subsidiaries	454,630	237,846	363,369	29,699	1,085,544	454,630	245,868	78,559	23,497	802,554
Assets held for sale	-	-	16,900	-	16,900					
Other assets	-	-	42,255	-	42,255	-	-	1,313	-	1,313
Total assets	**476,564**	**330,133**	**462,594**	**32,981**	**1,302,272**	**454,630**	**272,064**	**151,835**	**45,233**	**923,762**
Debt securities issued	-	269,083	-	-	269,083	-	184,755	-	-	184,755
Financial liabilities at fair value through profit or loss	-	-	506	-	506	-	-	5,166	-	5,166
Loans received and other liabilities	26,419	3,596	2,320	26	32,361	-	-	6,192	-	6,192
Total liabilities	**26,419**	**272,679**	**2,826**	**26**	**301,950**	**-**	**184,755**	**11,358**	**-**	**196,113**
Effect of foreign currency derivatives	4,242	132,612	(134,133)	(2,721)	-	-	(159,635)	148,105	11,530	-
Net position	**454,387**	**190,066**	**325,635**	**30,234**	**1,000,322**	**454,630**	**(72,326)**	**288,582**	**56,763**	**727,649**

4. Financial risk management (continued)

(d) Operational risk

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

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

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

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

(e) Capital management

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

4. Financial risk management (continued)

(f) Fair values of financial instruments

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

The Company's estimates of fair values of its financial assets and liabilities are not materially different from their carrying values.

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

2012	**Level 1 TEUR**	**Level 2 TEUR**	**Level 3 TEUR**	**Total TEUR**
Financial assets at fair value through profit or loss	-	2,444	-	2,444
Financial liabilities at fair value through profit or loss	-	(506)	-	(506)
	-	**1,938**	**-**	**1,938**

2011	**Level 1 TEUR**	**Level 2 TEUR**	**Level 3 TEUR**	**Total TEUR**
Financial assets available-for-sale	-	-	9,900	9,900
Financial liabilities at fair value through profit or loss	-	(5,166)	-	(5,166)
	-	**(5,166)**	**9,900**	**4,734**

There were no transfers between Level 1, 2 and 3 during the period.

4. Financial risk management (continued)

Reconciliation of movements in Level 3:	**2012 TEUR**	**2011 TEUR**
Balance as at 1 January	9,900	15,000
Net gains/(losses) recorded in other comprehensive income	7,000	(5,100)
Transfer to assets held for sale	(16,900)	-
Balance as at 31 December	**-**	**9,900**

5. Cash and cash equivalents

	2012 TEUR	**2011 TEUR**
Current accounts with subsidiaries	-	10
Current accounts with other related parties	234	1,504
Other current accounts	27	40
	261	**1,554**

6. Time deposits with banks

As at 31 December 2012 time deposits with banks represented balances of TEUR 3,978 (2011: 8,876) that served as a collateral for foreign exchange derivative contracts with a related party.

7. Loans provided

	2012 TEUR	**2011 TEUR**
Loans to subsidiaries	32,851	28,536
Loans to the parent company	114,809	59,492
Other loans provided	3,230	11,537
	150,890	**99,565**

8. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent positive fair values of derivative instruments.

As at 31 December 2012 the following derivative contracts were outstanding:

Contract type	**Sell/Buy**	**Maturity**	**Notional amount (in thousands of purchased currency)**	**Fair value TEUR**
Foreign currency forward contracts				
	EUR/CZK	1 to 3 months	277	1
Foreign currency swap contracts				
	EUR/CZK	1 to 3 months	30,988	38
	EUR/CZK	3 months to 1 year	127,127	2,149
	CZK/EUR	3 months to 1 year	25,780	26
	EUR/RUB	3 months to 1 year	4,242	230
				2,444

9. Financial assets available-for-sale

As at 31 December 2012 the balance of the equity securities was TEUR 16,900. It was reclassified to assets held for sale (Note 11). The Company's 9.99% share in Home Credit Bank (JSC) was subject to a sales transaction exercised by the Company on 28 January 2013 with its subsidiary Home Credit & Finance Bank (LLC).

As at 31 December 2011 financial assets available-for-sale represented equity securities of TEUR 9,900.

10. Investments in subsidiaries

Subsidiary	Country of incorporation	Share in issued capital 2012 %	2011 %	2012 TEUR	2011 TEUR
Redlione (LLC)	Cyprus	100.00	100.00	18,138	18,138
Home Credit (JSC)	Czech Republic	100.00	100.00	232,016	232,016
Home Credit International (JSC) [4]	Czech Republic	100.00	100.00	5,830	13,852
Home Credit Africa N.V. [2]	Netherlands	100.00	-	10	-
HC Asia N.V [1]	Netherlands	100.00	-	284,800	-
Home Credit Bank (OJSC)	Republic of Belarus	99.59	99.59	28,697	22,495
PPF Home Credit IFN S.A.	Romania	99.00	99.00	748	748
Home Credit and Finance Bank (LLC)	Russian Federation	99.99	99.99	454,630	454,630
InkoTechnopolis (LLC)	Russian Federation	100.00	100.00	-	-
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00	60,421	60,421
Collect-Credit (LLC)	Ukraine	100.00	100.00	254	254
Homer Software House (LLC) [3]	Ukraine	2.78	2.78	-	-
				1,085,544	**802,554**

[1] subsidiary acquired in 2012 (on 3 July 2012 the Group entered into a transaction with its shareholder whereby it purchased a 100% share in HC Asia N.V., a holding entity incorporated in the Netherlands which holds equity stakes in consumer finance companies in Asian countries)
[2] subsidiary acquired in 2012 (on 20 November 2012 the Group entered into a transaction with its shareholder whereby it purchased a 100% share in Home Credit Africa N.V., a holding entity incorporated in the Netherlands which holds equity stakes in HC Kazakh Holdings B.V. and Home Credit Egypt Trade S.A.E.)
[3] presented as a subsidiary because of the Company's indirect share of 97.22% through Redlione (LLC)
[4] Home Credit International (JSC) reduced its share capital on 10 October 2012

On 27 September 2012 the Company executed agreements with its shareholder concerning the future acquisition of 100% shares in CF Commercial Consulting (Beijing) Co., Ltd, Home Credit Consumer Finance Co., Ltd and PPF Vietnam Finance Company LLC. The transfer of ownership rights is subject to obtaining regulatory approvals by the respective regulators in China and Vietnam. Therefore, as at 31 December 2012 the three companies were not presented as subsidiaries.

10. Investments in subsidiaries (continued)

2012	**Participating interest** **TEUR**
Balance as at 1 January 2012	802,554
Changes:	
Investments	284,810
Divestments	(8,022)
Impairment reversals	6,202
Balance as at 31 December 2012	**1,085,544**
Accumulated impairment as at 31 December 2012	**(79,951)**

2011	**Participating interest** **TEUR**
Balance as at 1 January 2011	846,809
Changes:	
Investments	8,733
Divestments	(36,424)
Impairment	(16,564)
Balance as at 31 December 2011	**802,554**
Accumulated impairment as at 31 December 2011	**(86,153)**

11. Assets held for sale

As at 31 December 2012 financial assets held for sale of TEUR 16,900 represented Company's 9.99% share in Home Credit Bank (JSC) that was subject to a sales transaction entered into on 28 January 2013 with its subsidiary Home Credit & Finance Bank (LLC).

The equity securities were reclassified from financial assets available-for-sale (Note 9).

12. Other assets

	2012 TEUR	2011 TEUR
Trade receivables	7,392	626
Other receivables	293	687
Acquisition of subsidiaries	34,500	-
Trade marks	70	-
	42,255	**1,313**

Trade receivables balances represent receivables for services provided primarily from related parties.

Acquisition of subsidiaries represents the consideration paid for the acquisition of shares in CF Commercial Consulting (Beijing) Co., Ltd and Home Credit Consumer Finance Co., Ltd (Note 10). The transfer of ownership rights is subject to obtaining regulatory approvals by the respective regulators in China. Therefore, as at 31 December 2012 the two companies were presented as Other assets.

13. Debt securities issued

	Interest rate	Final maturity	Amount outstanding 2012 TEUR	2011 TEUR
Unsecured CZK bond issue 3 of MCZK 4,000	Variable	June 2012	-	97,153
CZK promissory note issue of MCZK 500	Fixed	September 2014	18,169	-
Unsecured CZK bond issue 4 of MCZK 2,900	Fixed	September 2015	96,751	87,602
Unsecured CZK bond issue 5 of MCZK 3,750	Fixed	June 2016	154,163	-
			269,083	**184,755**

CZK promissory note issue of MCZK 500 were issued in September 2012 and represent zero-coupon instruments.

CZK denominated bonds issue 4 were issued in September 2010 and represent zero-coupon bonds.

14. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss represent negative fair values of derivative instruments.

As at 31 December 2012 the following derivative contracts were outstanding:

Contract type	Sell/Buy	Maturity	Notional amount (in thousands of purchased currency)	Fair value TEUR
Foreign currency swap contracts				
	KZT/EUR	1 to 3 months	10,973	(119)
	EUR/KZT	1 to 3 months	8,252	(387)
				(506)

As at 31 December 2011 the following derivative contracts were outstanding:

Contract type	Sell/Buy	Maturity	Notional amount (in thousands of purchased currency)	Fair value TEUR
Foreign currency forward contracts				
	EUR/KZT	less than 1 month	11,530	(571)
Foreign currency swap contracts				
	CZK/EUR	1 to 3 months	31,166	(2,096)
	CZK/EUR	3 months to 1 year	128,469	(2,499)
				(5,166)

15. Loans received and other liabilities

	2012 TEUR	2011 TEUR
Loans received	26,419	-
Settlement with suppliers	5,942	2,796
Accounts payable to employees	-	3,396
	32,361	**6,192**

Loans received represent a loan in Russian roubles from a related party with a fixed interest rate.

16. Equity

As at 31 December 2012 the share capital of the Company comprised 1,250,000,000 (2011: 1,250,000,000) ordinary shares at a par value of EUR 0.57 (2011: EUR 0.57), of which 1,156,174,806 (2011: 1,156,174,806) shares were issued and fully paid. All issued shares bear equal voting rights. The holders of shares are entitled to receive dividends when declared. No dividends can be distributed if distributable reserves are negative.

In July and September 2012 the Company's share premium was increased by TEUR 249,000 and TEUR 6,481 respectively. In November 2012 the Company's share premium was decreased by TEUR 11,765 in a form of a 2012 interim dividend with an amount of EUR 0.01 per one share.

In May 2012 the Company paid to its sole shareholder a 2011 dividend of TEUR 7,476 and 2012 interim dividend of TEUR 100,000 with amounts per one share of EUR 0.01 and EUR 0.09 respectively.

In April 2011 the Company paid to its sole shareholder a 2010 dividend of TEUR 49,359 and 2011 interim dividend of TEUR 270,641 with amounts per one share of EUR 0.04 and EUR 0.23 respectively.

Fair value reserve represents the revaluation surplus recognized on changes in the fair value of financial assets available for sale. The fair value reserve is not available for distribution to the shareholder.

17. Interest income and interest expense

	2012 TEUR	2011 TEUR
Interest income		
Parent company	7,631	8,157
Subsidiaries	2,526	2,554
Other	710	1,154
	10,867	**11,865**
Interest expense		
Debt securities issued	16,620	16,908
Other	507	1
	17,127	**16,909**

18. Dividend income

	2012 TEUR	2011 TEUR
Subsidiary		
Home Credit and Finance Bank (LLC)	72,030	330,673
Home Credit (JSC)	52,363	-
Home Credit Slovakia (JSC)	16,500	-
Home Credit International (JSC)	1,492	6,857
HC Kazakh Holdings B.V.	-	144
	142,385	**337,674**

19. Fee income

Fee income represents service fees received primarily from related parties.

20. Impairment reversals/(losses)

In 2012 the Company released impairment losses of TEUR 6,202 on its equity investment in Home Credit Bank (OJSC).

In 2011 the Company recognized impairment losses of TEUR 6,202 and TEUR 10,751 on its equity investments in Home Credit Bank (OJSC) and Redlione (LLC) respectively and released impairment losses of TEUR 389 on its equity investment in Homer Software House (LLC).

21. General administrative expenses

	2012 TEUR	2011 TEUR
Professional services	11,280	17,988
Personal expenses	2,419	6,140
VAT	1,011	856
Travel expenses	667	196
Bond issue expense	87	98
Bank charges	2	150
Other	45	22
	15,511	**25,450**

22. Taxation

Income tax expense of TEUR 3,710 (2011: TEUR 16,683) represented withholding tax from dividends received which was paid in the subsidiary's jurisdiction and withholding tax from interest received.

As at 31 December 2012 the Company incurred accumulated tax losses of TEUR 92,128 (31 December 2011: TEUR 81,329) available to be carried forward and off-set against future taxable income. The unutilized tax losses expire in the period from 2015 to 2021.

These however can only be offset for a limited period against taxable income. There is no expectation of sufficient taxable income, as dividends received are tax exempt in the Netherlands. Therefore, no income tax is accounted for in the profit and loss account apart from withholding taxes and no deferred tax asset is recorded.

	2012	2011
Year of expiration	**TEUR**	**TEUR**
2015	10,273	10,273
2016	20,501	20,501
2017	-	-
2018	15,358	15,358
2019	11,337	11,337
2020	20,659	23,860
2021	14,000	-
Total	**92,128**	**81,329**

23. Commitments

As at 31 December 2012 the Company had outstanding commitments to extend credit to its subsidiaries of TEUR 425,444 (2011: 454,702).

24. Related party transactions

The Company has a related party relationship with its parent company PPF Group N.V., with the Company's subsidiaries and fellow subsidiaries, with the parent company's associates, with the Company's key management personnel and other related parties.

(a) Transactions with the parent company

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

	2012 TEUR	2011 TEUR
Financial assets at fair value through profit or loss	230	-
Loans provided	114,809	59,492
Other assets	34,500	-
Intangible assets	70	-
Other liabilities	(379)	(298)
	149,230	**59,194**

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

	2012 TEUR	2011 TEUR
Interest income	7,631	8,157
Interest expense	(177)	-
Net foreign exchange result	221	-
General administrative expenses	(250)	(250)
	7,425	**7,907**

(b) Transactions with subsidiaries and fellow subsidiaries

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

	2012 TEUR	2011 TEUR
Cash and cash equivalents	234	1,504
Time deposits with banks	3,978	8,876
Loans provided	36,002	28,536
Financial assets at fair value through profit or loss	2,214	-
Other assets	7,637	748
Debt securities issued	(39,530)	-
Financial liabilities at fair value through profit or loss	(506)	(5,166)
Loans received and other liabilities	(29,873)	(718)
	(19,844)	**33,780**

24. Related party transactions (continued)

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

	2012 TEUR	2011 TEUR
Interest income	2,613	2,661
Interest expense	(1,339)	-
Dividend income	142,385	337,674
Fee income	7,140	7,899
Net foreign exchange result	(759)	(6,857)
General administrative expenses	(6,945)	(11,835)
	143,095	**329,542**

(c) Transactions with the parent company's associates

Balances included in the statement of financial position in relation to transactions with the parent company's associates are as follows:

	2012 TEUR	2011 TEUR
Debt securities issued	(90,447)	(96,906)
	(90,447)	**(96,906)**

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

	2012 TEUR	2011 TEUR
Interest expense	(7,312)	(9,658)
	(7,312)	**(9,658)**

(d) Transactions with other related parties

As at 31 December 2012 balances included in the statement of financial position in relation to transactions with other related parties were other liabilities of TEUR 1,164 (31 December 2011: TEUR 0).

As at 31 December 2012 amounts included in the statement of comprehensive income in relation to transactions with other related parties were general administrative expenses of TEUR 3,164 (2011: TEUR 0).

(e) Transactions with key management personnel

The members of the Board of Directors of the Company are considered as the key management of the Company.

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

	2012 TEUR	2011 TEUR
Long-term benefits (reversals)/expenses	(976)	488
Short-term benefits expenses	3,395	5,259
	2,419	**5,747**

25. Audit expenses

Home Credit B.V. and its subsidiaries incurred expenses for the following services provided by KPMG Accountants N.V. and its affiliates:

	2012 **TEUR**	**2011** **TEUR**
Audit of financial statements	1,134	1,149
Other audit services	375	2,477
	1,509	**3,626**

26. Segment information

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

27. Subsequent events

On 28 January 2013 the Company entered into a transaction whereby its 9.99% share in Home Credit Bank (JSC) was sold and transferred to its subsidiary Home Credit & Finance Bank (LLC), refer to Note 11.

In January 2013 the Company entered into a number of share purchase agreements whereby it would acquire equity stakes in the following companies:

- 100% stake in Generali PPF Insurance, a limited liability company (a Russian entity)
- 100% stake in Limited Liability Company „Generali PPF Life Insurance" (a Russian entity)
- 100% stake in Public Stock Company „Generali PPF Insurance" (a Russian entity)
- 19.9% stake in YU – ID Systems B.V. (a Dutch entity)

The settlement of the agreements is expected to take place in March 2013. The completion of the acquisitions is contingent on obtaining certain regulatory approvals in the respective countries.

Other Information

Certain information required by Article 392 the Civil Code of the Netherlands, to the extent it is applicable to the Company, as well as the Auditor’s Report is included in this part of the Unconsolidated Annual Accounts.

1. Profit appropriation

The general meeting is authorised to appropriate the profits that follow from the adoption of the annual accounts or to determine how a deficit will be accounted for, as well as to resolve upon distributions, provided that the company's equity exceeds the total amount of the reserves to be maintained pursuant to the law or the articles of association. A resolution on any distribution has no consequences if the management board has not given its approval to such distribution.

In May 2012 the Company paid to its sole shareholder a 2011 dividend of TEUR 7,476 and 2012 interim dividend of TEUR 100,000. In November 2012 the Company’s share premium was decreased by TEUR 11,765 in a form of a 2012 interim dividend. No decision or proposal on the appropriation of the remaining part of net profit has been taken as of the date of the issue of the unconsolidated financial statements.

2. Subsequent events

Refer to the Notes to the Unconsolidated Financial Statements, Note 27.

Independent auditor's report

To: the directors of Home Credit B.V.

Report on the company financial statements

We have audited the accompanying company financial statements for the year ended 31 December 2012 of Home Credit B.V., Amsterdam, which comprise the company statement of financial position as at 31 December 2012, the company statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the company 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company 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 company financial statements give a true and fair view of the financial position of Home Credit B.V. as at 31 December 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the directors' report, to the extent we can assess, is consistent with the company financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 5 March 2013

KPMG Accountants N.V.

B.M. Herngreen R.A.