

# **Home Credit B.V.**

**Condensed Consolidated Interim Financial Report  
for the three-month period ended 31 March 2014**

**(unaudited)**

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	Note	31 Mar 2014 TEUR	31 Dec 2013 TEUR
<b>ASSETS</b>			
Cash and cash equivalents	8	1,040,148	926,483
Due from banks, other financial institutions and holding companies	9	244,077	410,233
Loans to customers	10	6,387,145	7,171,284
Positive fair value of derivative instruments	11	59,737	18,908
Financial assets available-for-sale	12	143,282	158,505
Financial assets held-to-maturity		3,488	3,440
Assets classified as held for sale	5	14,271	14,724
Current income tax receivables		25,010	15,898
Deferred tax assets		65,866	49,710
Investments in associates		803	3,589
Intangible assets	13	96,027	94,913
Property and equipment	14	220,897	233,267
Other assets	15	183,903	212,413
<b>Total assets</b>		<b><u>8,484,654</u></b>	<b><u>9,313,367</u></b>
<b>LIABILITIES</b>			
Current accounts and deposits from customers	16	4,528,218	5,105,402
Due to banks and other financial institutions	17	894,369	604,421
Debt securities issued	18	744,551	1,120,915
Negative fair value of derivative instruments	19	14,537	17,962
Liabilities classified as held for sale	5	1,463	1,574
Current income tax liabilities		30,247	27,287
Deferred tax liabilities		4,752	5,014
Insurance and other provisions	20	114,680	130,335
Subordinated liabilities	21	530,912	511,461
Other liabilities	22	250,657	256,525
<b>Total liabilities</b>		<b><u>7,114,386</u></b>	<b><u>7,780,896</u></b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	23	659,020	659,020
Share premium	23	184,377	184,377
Statutory reserves	23	12,290	11,672
Foreign currency translation	23	(314,357)	(208,627)
Cash flow hedge reserve	23	6,605	(73)
Reserve for business combinations under common control	23	15,106	15,106
Revaluation reserve	23	(1,334)	431
Other reserves		805,505	867,649
<b>Total equity attributable to equity holders of the parent company</b>		<b><u>1,367,212</u></b>	<b><u>1,529,555</u></b>
<b>Non-controlling interests</b>		<b><u>3,056</u></b>	<b><u>2,916</u></b>
<b>Total equity</b>		<b><u>1,370,268</u></b>	<b><u>1,532,471</u></b>
<b>Total liabilities and equity</b>		<b><u>8,484,654</u></b>	<b><u>9,313,367</u></b>

*Home Credit B.V.*  
*Condensed Consolidated Interim Statement of Comprehensive Income*  
*for the three-month period ended 31 March 2014*

	Note	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Interest income	24	545,771	576,531
Interest expense	24	<u>(156,533)</u>	<u>(167,877)</u>
<b>Net interest income</b>		<b>389,238</b>	<b>408,654</b>
Fee and commission income	25	120,230	173,238
Fee and commission expenses	26	<u>(22,667)</u>	<u>(25,157)</u>
<b>Net fee and commission income</b>		<b>97,563</b>	<b>148,081</b>
<b>Insurance income</b>	27	<b>8,041</b>	<b>-</b>
Net losses on financial assets and liabilities	28	(1,525)	(2,663)
Other operating income	29	<u>25,011</u>	<u>57,263</u>
<b>Operating income</b>		<b>518,328</b>	<b>611,335</b>
Impairment losses on financial assets	30	(368,639)	(250,696)
General administrative expenses	31	(192,315)	(185,430)
Other operating expenses	32	<u>(20,863)</u>	<u>(16,543)</u>
<b>Operating expenses</b>		<b>(581,817)</b>	<b>(452,669)</b>
Gains on disposals of associates and subsidiaries		-	2,580
Share of earnings in associates		<u>-</u>	<u>1,349</u>
<b>(Loss)/profit before tax</b>		<b>(63,489)</b>	<b>162,595</b>
Income tax benefit/(expense)	33	<u>1,273</u>	<u>(34,885)</u>
<b>Net (loss)/profit for the period</b>		<b>(62,216)</b>	<b>127,710</b>
(Loss)/profit attributable to:			
Equity holders of the parent company		(61,369)	128,028
Non-controlling interests		<u>(847)</u>	<u>(318)</u>
		<b>(62,216)</b>	<b>127,710</b>
<b>Other comprehensive income which will be subsequently reclassified to profit or loss:</b>			
Currency translation		(104,900)	25,938
Revaluation losses on available-for-sale financial assets		(2,335)	(13,936)
Revaluation gains on available-for-sale financial assets transferred to profit or loss		128	11,934
Cash flow hedge reserve – effective portion of changes in fair value		8,347	1,198
Income tax relating to components of other comprehensive income		<u>(1,227)</u>	<u>160</u>
<b>Other comprehensive income for the period</b>		<b>(99,987)</b>	<b>25,294</b>
<b>Total comprehensive income for the period</b>		<b>(162,203)</b>	<b>153,004</b>
Total comprehensive income attributable to:			
Equity holders of the parent company		(162,186)	153,324
Non-controlling interests		<u>(17)</u>	<u>(320)</u>
		<b>(162,203)</b>	<b>153,004</b>

The condensed consolidated interim financial statements as set out on pages 3 to 34 were approved by the Board of Directors on 30 May 2014.

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 TEUR	Cash flow hedge reserve TEUR	Other reserves TEUR	Total TEUR	Non-controlling interests TEUR	Total equity TEUR
Balance as at 1 January 2014	659,020	184,377	11,672	(208,627)	15,106	431	(73)	867,649	1,529,555	2,916	1,532,471
Changes in non-controlling interests	-	-	-	-	-	-	-	(157)	(157)	157	-
Transfers	-	-	618	-	-	-	-	(618)	-	-	-
<b>Total</b>	<b>659,020</b>	<b>184,377</b>	<b>12,290</b>	<b>(208,627)</b>	<b>15,106</b>	<b>431</b>	<b>(73)</b>	<b>866,874</b>	<b>1,529,398</b>	<b>3,073</b>	<b>1,532,471</b>
Currency translation	-	-	-	(105,730)	-	-	-	-	(105,730)	830	(104,900)
Revaluation of available-for-sale financial assets, net of tax	-	-	-	-	-	(1,765)	-	-	(1,765)	-	(1,765)
Change in cash flow hedge reserve, net of tax	-	-	-	-	-	-	6,678	-	6,678	-	6,678
Profit for the period	-	-	-	-	-	-	-	(61,369)	(61,369)	(847)	(62,216)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(105,730)</b>	<b>-</b>	<b>(1,765)</b>	<b>6,678</b>	<b>(61,369)</b>	<b>(162,186)</b>	<b>(17)</b>	<b>(162,203)</b>
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>618</b>	<b>(105,730)</b>	<b>-</b>	<b>(1,765)</b>	<b>6,678</b>	<b>(62,144)</b>	<b>(162,343)</b>	<b>140</b>	<b>(162,203)</b>
<b>Balance as at 31 March 2014</b>	<b>659,020</b>	<b>184,377</b>	<b>12,290</b>	<b>(314,357)</b>	<b>15,106</b>	<b>(1,334)</b>	<b>6,605</b>	<b>805,505</b>	<b>1,367,212</b>	<b>3,056</b>	<b>1,370,268</b>

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 TEUR	Cash flow hedge reserve TEUR	Other reserves TEUR	Total TEUR	Non-controlling interests TEUR	Total equity TEUR
Balance as at 1 January 2013	659,020	303,969	4,853	(54,590)	15,106	462	(971)	473,962	1,401,811	102,788	1,504,599
Dividends paid	-	(9,800)	-	-	-	-	-	-	(9,800)	-	(9,800)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	73,786	73,786	(100,786)	(27,000)
Transfers	-	-	1,961	-	-	-	-	(1,961)	-	-	-
<b>Total</b>	<b>659,020</b>	<b>294,169</b>	<b>6,814</b>	<b>(54,590)</b>	<b>15,106</b>	<b>462</b>	<b>(971)</b>	<b>545,787</b>	<b>1,465,797</b>	<b>2,002</b>	<b>1,467,799</b>
Currency translation	-	-	-	25,940	-	-	-	-	25,940	(2)	25,938
Revaluation of available-for-sale financial assets, net of tax	-	-	-	-	-	(1,602)	-	-	(1,602)	-	(1,602)
Change in cash flow hedge reserve, net of tax	-	-	-	-	-	-	958	-	958	-	958
Profit for the period	-	-	-	-	-	-	-	128,028	128,028	(318)	127,710
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,940</b>	<b>-</b>	<b>(1,602)</b>	<b>958</b>	<b>128,028</b>	<b>153,324</b>	<b>(320)</b>	<b>153,004</b>
<b>Total changes</b>	<b>-</b>	<b>(9,800)</b>	<b>1,961</b>	<b>25,940</b>	<b>-</b>	<b>(1,602)</b>	<b>958</b>	<b>199,853</b>	<b>217,310</b>	<b>(101,106)</b>	<b>116,204</b>
<b>Balance as at 31 March 2013</b>	<b>659,020</b>	<b>294,169</b>	<b>6,814</b>	<b>(28,650)</b>	<b>15,106</b>	<b>(1,140)</b>	<b>(13)</b>	<b>673,815</b>	<b>1,619,121</b>	<b>1,682</b>	<b>1,620,803</b>

*Home Credit B.V.*  
*Condensed Consolidated Interim Statement of Cash Flows*  
*for the three-month period ended 31 March 2014*

	Note	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Net operating cash flow before changes in working capital		479,434	580,070
Cash flows from operations		467,210	594,018
<b>Cash flows from operating activities</b>		<b>283,756</b>	<b>397,611</b>
<b>Cash flows used in investing activities</b>		<b>(26,734)</b>	<b>(200,439)</b>
<b>Cash flows used in financing activities</b>		<u><b>(83,273)</b></u>	<u><b>(467,443)</b></u>
Net increase/(decrease) in cash and cash equivalents		173,749	(270,271)
Cash and cash equivalents as at 1 January		926,483	1,210,087
Effects of exchange rate changes on cash and cash equivalents		<u>(60,084)</u>	<u>18,775</u>
<b>Cash and cash equivalents as at 31 March</b>	<b>8</b>	<u><u><b>1,040,148</b></u></u>	<u><u><b>958,591</b></u></u>

## 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 (%)	
		31 Mar 2014	31 Dec 2013
PPF Group N.V.	Netherlands	86.62	86.62
EMMA OMEGA LTD	Cyprus	13.38	13.38

The ultimate controlling entity is Mr. Petr Kellner, who exercises control through PPF Group N.V.

### Principal activities

The principal activities of the Company and its subsidiaries (together referred to as the “Group”) are the provision of consumer financing to private individual customers in Central European, Commonwealth of Independent States (CIS) and Asian countries as well as deposit taking, saving and current bank account service and maintenance, payments and other services.

### Board of Directors

Jiří Šmejce	Chairman
Jan Cornelis Jansen	Vice-chairman
Rudolf Bosveld	Member
Pavel Horák	Member
Jean-Pascal Duvieusart	Member
Mel Gerard Carvill	Member

## 1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Ownership interest (%)	
		31 Mar 2014	31 Dec 2013
Home Credit Bank (OJSC)	Belarus	100.00	100.00
PPF Insurance (FICJSC)	Belarus	100.00	100.00
Guangdong Home Credit Financing Guarantee Co., Ltd.	China	100.00	100.00
Home Credit Business Management (Tianjin) Co., Ltd. <sup>1)</sup>	China	100.00	100.00
Sichuan Home Credit Financing Guarantee Co., Ltd.	China	100.00	100.00
Shenzhen Home Credit Financial Service Co., Ltd.	China	100.00	100.00
Shenzhen Home Credit Guarantee Co., Ltd.	China	100.00	100.00
Redlione (LLC)	Cyprus	100.00	100.00
Astavedo Limited	Cyprus	100.00	100.00
Enadoco Limited	Cyprus	100.00	100.00
Rhaskos Finance Limited	Cyprus	100.00	100.00
Septus Holding Limited	Cyprus	100.00	100.00
Sylander Capital Limited	Cyprus	100.00	100.00
Talpa Estero Limited	Cyprus	100.00	100.00
Click Credit (LLC)	Czech Republic	100.00	100.00
Home Credit (JSC)	Czech Republic	100.00	100.00
Home Credit Advisory Asia (LLC) <sup>1)</sup>	Czech Republic	100.00	100.00
Home Credit International (JSC)	Czech Republic	100.00	100.00
HC Broker (LLC)	Czech Republic	100.00	100.00
HC Insurance Services (LLC)	Czech Republic	100.00	100.00
Home Credit Egypt Trade S.A.E. <sup>1)</sup>	Egypt	100.00	100.00
Credis Invest (Hong Kong) Ltd. <sup>2)</sup>	Hong Kong	-	100.00
Favour Ocean Ltd.	Hong Kong	100.00	100.00
Home Credit Asia Limited	Hong Kong	100.00	100.00
Saint World Ltd.	Hong Kong	100.00	100.00
Home Credit India Finance Private Limited	India	100.00	100.00
PT. Home Credit Indonesia	Indonesia	75.00	70.00
JSC Home Credit Kazakhstan	Kazakhstan	100.00	100.00
Home Credit and Finance Bank (SB JSC)	Kazakhstan	100.00	100.00
Eurasia Capital S.A. <sup>3)</sup>	Luxemburg	0.00	0.00
Eurasia Structured Finance No.1 S.A. <sup>1)3)</sup>	Luxemburg	0.00	0.00
Eurasia Credit Card Company S.A. <sup>1)3)</sup>	Luxemburg	0.00	0.00
HC Asia N.V.	Netherlands	100.00	100.00
Home Credit India B.V.	Netherlands	100.00	100.00
Home Credit Indonesia B.V.	Netherlands	100.00	100.00
Home Credit Africa N.V.	Netherlands	100.00	100.00
HC Philippines Holdings B.V.	Netherlands	100.00	100.00
Eurasia Structured Finance No.3 B.V. <sup>3)</sup>	Netherlands	0.00	0.00
HC Consumer Finance Philippines, Inc. <sup>4)</sup>	Philippines	85.72	85.59
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
Online Technologies (LLC) <sup>5)</sup>	Russian Federation	100.00	100.00
Bonus Center Operations (LLC)	Russian Federation	100.00	100.00
Home Credit Insurance (LLC)	Russian Federation	100.00	100.00
PPF Insurance (PSC)	Russian Federation	100.00	100.00
HC Finance (LLC) <sup>3)</sup>	Russian Federation	0.00	0.00
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00
Collect-Credit (LLC)	Ukraine	100.00	100.00
Homer Software House (LLC)	Ukraine	100.00	100.00
Home Credit US (LLC) <sup>6)</sup>	USA	100.00	-
Home Credit US Holding (LLC) <sup>6)</sup>	USA	100.00	-
Easy Dreams Company Limited	Vietnam	100.00	100.00

<sup>1)</sup> subsidiaries in the process of liquidation

<sup>2)</sup> subsidiaries liquidated in 2014

<sup>3)</sup> special purpose entities established to facilitate the Group's issues of debt securities and subordinated liabilities

<sup>4)</sup> the Group's share on the voting rights in HC Consumer Finance Philippines is 60.00%

<sup>5)</sup> in February 2014 the Group's subsidiary Inko Technopolis (LLC) was renamed to Online Technologies (LLC)

<sup>6)</sup> subsidiaries established in 2014



## 1. Description of the Group (continued)

The special purpose entities were established by the Group with the primary objective of raising finance through the issuance of debt securities and subordinated debt including loan portfolio securitizations. These entities are run according to pre-determined criteria that are part of their initial design. The day-to-day servicing is carried out by the Group under a servicing contract; other key decisions are also made by the Group. In addition, the Group is exposed to a variability of returns from the entities through exposure to tax benefits and cost savings related to the funding activities. As a result, the Group concludes that it controls these entities.

In 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 of 31 March 2014 the three companies were not treated as consolidated subsidiaries.

Associates	Country of incorporation	Ownership interest (%)	
		31 Mar 2014	31 Dec 2013
Společnost pro informační databáze (JSC)	Czech Republic	26.00	26.00
Filcommerce Holdings, Inc.	Philippines	40.00	40.00
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00



## **2. Basis of preparation**

The condensed consolidated interim financial statements for the three-month period ended 31 March 2014 comprise the Company and its subsidiaries.

### **(a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2013. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

### **(b) Basis of measurement**

The condensed consolidated interim 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) Use of estimates and judgments**

The preparation of the condensed consolidated interim 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.

### **(e) Basis of consolidation**

#### **(i) Subsidiaries**

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

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

#### **(ii) Associates**

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

## **2. Basis of preparation (continued)**

### **(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 significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

The accounting policies have been applied consistently by all Group entities and to all periods presented in these condensed consolidated interim financial statements.

### **(a) *Changes in accounting policies and accounting pronouncements adopted since 1 January 2014***

The following revised standards effective from 1 January 2014 are mandatory and relevant for the Group and have been applied by the Group since 1 January 2014.

#### *IFRS 10 Consolidated Financial Statements* *IFRS 12 Disclosure of Interests in Other Entities*

In May 2011 IASB issued these two new standards as improvements to the accounting requirements for off balance sheet activities and joint arrangements. IASB has declared the efficiency of the standards, inclusive related standards IAS 27 and IAS 28, from 1 January 2013 but the EU requires the application from 1 January 2014.

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.



### **3. Significant accounting policies (continued)**

#### IAS 28 Investments in Associates and Joint Ventures

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.

#### **(b) 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 March 2014, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following one will have an impact on the Group's operations. The Group plans to adopt this pronouncement when it becomes effective. The Group is in the process of analysing the likely impact on its financial statements.

#### IFRS 9 Financial Instruments (effective date: to be decided)

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.

### **4. Financial risk management**

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the Group's consolidated financial statements for the year ended 31 December 2013.

During the interim period there were no other significant changes in the nature or extent of risks arising from financial instruments.

## 5. Assets and liabilities classified as held for sale

Non-current assets and liabilities classified as held for sale as at 31 March 2014 represent all assets and liabilities of PPF Insurance (PSC) and assets acquired through court decisions on defaulted mortgages (reported under other assets in the table below). In the segment analysis (Note 6), non-current assets and liabilities classified as held for sale are presented within the Russian Federation segment.

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
<b>ASSETS</b>		
Cash and cash equivalents	903	571
Due from banks, other financial institutions and holding companies	1,861	2,444
Financial assets available-for-sale	3,495	3,761
Deferred tax assets	580	624
Intangible assets	583	628
Property and equipment	14	15
Other assets	6,835	6,681
<b>Total assets</b>	<b>14,271</b>	<b>14,724</b>
<b>LIABILITIES</b>		
Due to banks and other financial institutions	1	1
Insurance and other provisions	1,329	1,431
Other liabilities	133	142
<b>Total liabilities</b>	<b>1,463</b>	<b>1,574</b>

## 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 six principal geographical areas, the Russian Federation, the Czech Republic, the Slovak Republic, the Republic of Belarus, the Republic of Kazakhstan 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.

CF Commercial Consulting (Beijing) Co., Ltd., Home Credit Consumer Finance Co., Ltd. and PPF Vietnam Finance Company LLC, which as of 31 March 2014 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		Czech Republic		Slovak Republic		Belarus		Kazakhstan		China		Other Unallocated <sup>1</sup>		Eliminations		Consolidated
	3 months ended 31 Mar 2014	TEUR	3 months ended 31 Mar 2014	TEUR	3 months ended 31 Mar 2014	TEUR	3 months ended 31 Mar 2014	TEUR	3 months ended 31 Mar 2014	TEUR	3 months ended 31 Mar 2014	TEUR	3 months ended 31 Mar 2014	TEUR	3 months ended 31 Mar 2014	TEUR	TEUR
Revenue from external customers <sup>2</sup>	497,704	4,508	1,985	1,551	21,197	53,017	102,417	2,964	2,915	-	687,949	-	342	(3,573)	-	-	-
Inter-segment revenue	3,137	-	-	-	-	-	-	94	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>500,841</b>	<b>4,508</b>	<b>1,985</b>	<b>1,551</b>	<b>21,197</b>	<b>53,017</b>	<b>102,417</b>	<b>3,058</b>	<b>3,257</b>	<b>(3,573)</b>	<b>687,949</b>	<b>(3,573)</b>	<b>342</b>	<b>(3,573)</b>	<b>687,949</b>	<b>687,949</b>	<b>687,949</b>
Net interest income from external customers	278,013	1,985	1,551	1,551	6,550	29,152	70,671	2,308	(992)	-	389,238	-	-	-	-	-	-
Inter-segment net interest income	3,137	-	-	-	(248)	(1,783)	-	24	(1,131)	1	-	-	-	-	-	-	-
<b>Total net interest income</b>	<b>281,150</b>	<b>1,985</b>	<b>1,551</b>	<b>1,551</b>	<b>6,302</b>	<b>27,369</b>	<b>70,671</b>	<b>2,332</b>	<b>(2,123)</b>	<b>1</b>	<b>389,238</b>	<b>(2,123)</b>	<b>1</b>	<b>(2,123)</b>	<b>389,238</b>	<b>389,238</b>	<b>389,238</b>

<sup>1</sup> Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.

<sup>2</sup> Revenue from external customers comprises interest income, fee and commission income and gross insurance premiums earned.

## 6. Segment reporting (continued)

	Russian Federation	Czech Republic	Slovak Republic	Belarus	Kazakhstan	China	Other	Unallocated <sup>1</sup>	Eliminations	Consolidated
	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2014 TEUR
Income tax benefit/(expense)	16,876	(989)	(1,152)	(275)	(2,262)	(9,131)	(11)	(1,783)	-	1,273
<b>Segment result</b>	<b>(80,550)</b>	<b>3,897</b>	<b>3,922</b>	<b>1,249</b>	<b>8,190</b>	<b>13,396</b>	<b>(6,433)</b>	<b>(5,610)</b>	<b>(277)</b>	<b>(62,216)</b>
Depreciation and amortization	(13,888)	(257)	(87)	(604)	(1,179)	(535)	(3,639)	-	1,154	(19,035)
Other significant non-cash expenses <sup>2</sup>	(321,841)	(606)	65	(3,083)	(18,486)	(25,861)	(530)	-	-	(370,342)
Capital expenditure	(16,475)	(877)	(122)	(1,578)	(1,418)	(885)	(18,677)	-	3,563	(36,469)
<b>Segment assets<sup>3</sup></b>	<b>6,603,654</b>	<b>97,953</b>	<b>60,805</b>	<b>203,591</b>	<b>489,409</b>	<b>869,463</b>	<b>123,466</b>	<b>203,110</b>	<b>(257,673)</b>	<b>8,393,778</b>
Investments in associates	803	-	-	-	-	-	-	-	-	803
<b>Segment liabilities<sup>3</sup></b>	<b>5,717,722</b>	<b>41,205</b>	<b>27,080</b>	<b>169,564</b>	<b>368,629</b>	<b>571,340</b>	<b>60,593</b>	<b>371,095</b>	<b>(247,841)</b>	<b>7,079,387</b>
<b>Segment equity<sup>3</sup></b>	<b>941,141</b>	<b>61,737</b>	<b>37,900</b>	<b>33,961</b>	<b>122,523</b>	<b>274,801</b>	<b>64,900</b>	<b>(156,863)</b>	<b>(9,832)</b>	<b>1,370,268</b>

<sup>1</sup> Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.

<sup>2</sup> Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.

<sup>3</sup> Consolidation adjustments are included in Eliminations.



## 6. Segment reporting (continued)

	Russian Federation	Czech Republic	Slovak Republic	Belarus	Kazakhstan	China	Other	Unallocated <sup>1</sup>	Eliminations	Consolidated
	3 months ended 31 Mar 2013 TEUR	3 months ended 31 Mar 2013 TEUR	3 months ended 31 Mar 2013 TEUR	3 months ended 31 Mar 2013 TEUR	3 months ended 31 Mar 2013 TEUR	3 months ended 31 Mar 2013 TEUR	3 months ended 31 Mar 2013 TEUR	3 months ended 31 Mar 2013 TEUR	3 months ended 31 Mar 2013 TEUR	3 months ended 31 Mar 2013 TEUR
Revenue from external customers <sup>2</sup>	614,720	8,926	9,853	13,873	41,126	58,799	601	1,871	-	749,769
Inter-segment revenue	1,294	-	-	-	-	-	-	1,193	(2,487)	-
<b>Total revenue</b>	<b>616,014</b>	<b>8,926</b>	<b>9,853</b>	<b>13,873</b>	<b>41,126</b>	<b>58,799</b>	<b>601</b>	<b>3,064</b>	<b>(2,487)</b>	<b>749,769</b>
Net interest income from external customers	326,883	5,419	7,555	7,774	21,908	40,968	443	(2,296)	-	408,654
Inter-segment net interest income	1,294	-	(377)	(263)	(826)	-	(11)	177	6	-
<b>Total net interest income</b>	<b>328,177</b>	<b>5,419</b>	<b>7,178</b>	<b>7,511</b>	<b>21,082</b>	<b>40,968</b>	<b>432</b>	<b>(2,119)</b>	<b>6</b>	<b>408,654</b>
Income tax expense	(21,165)	(1,625)	(3,387)	(531)	(2,984)	(2,096)	(50)	(3,047)	-	(34,885)
<b>Segment result</b>	<b>75,766</b>	<b>5,575</b>	<b>11,160</b>	<b>1,121</b>	<b>9,925</b>	<b>16,391</b>	<b>(7,562)</b>	<b>15,580</b>	<b>(246)</b>	<b>127,710</b>
Depreciation and amortization	(11,977)	(277)	(74)	(540)	(458)	(513)	(3,314)	-	1,015	(16,138)
Other significant non-cash expenses <sup>3</sup>	(226,751)	(1,840)	(1,737)	(760)	(10,801)	(8,813)	6	-	-	(250,696)
Capital expenditure	(15,113)	(101)	(158)	(694)	(845)	(142)	(20,584)	-	2,225	(35,412)

<sup>1</sup> Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.

<sup>2</sup> Revenue from external customers comprises interest income and fee and commission income.

<sup>3</sup> Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.

## 6. Segment reporting (continued)

	Russian Federation	Czech Republic	Slovak Republic	Belarus	Kazakhstan	China	Other	Unallocated <sup>1</sup>	Eliminations	Consolidated
	31 Dec 2013 TEUR	31 Dec 2013 TEUR	31 Dec 2013 TEUR	31 Dec 2013 TEUR	31 Dec 2013 TEUR	31 Dec 2013 TEUR	31 Dec 2013 TEUR	31 Dec 2013 TEUR	31 Dec 2013 TEUR	31 Dec 2013 TEUR
Segment assets <sup>2</sup>	7,512,335	105,731	77,281	169,755	552,089	775,990	104,345	188,828	(238,595)	9,247,759
Investments in associates	3,589	-	-	-	-	-	-	-	-	3,589
Segment liabilities <sup>2</sup>	6,448,585	34,154	29,491	133,540	417,286	489,835	58,534	366,206	(229,036)	7,748,595
Segment equity <sup>2</sup>	1,093,021	76,100	51,978	33,619	135,311	268,846	47,642	(164,487)	(9,559)	1,532,471

<sup>1</sup> Unallocated items represent items of revenue, operating expense, assets, liabilities and equity which cannot be reasonably allocated to the geographical segments.

<sup>2</sup> Consolidation adjustments are included in Eliminations.

## 7. Fair values of financial instruments

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

Fair values of the following financial instruments differ from their carrying amounts shown in the statement of financial position:

	Note	Carrying amount 31 Mar 2014 TEUR	Fair Value 31 Mar 2014 TEUR	Carrying amount 31 Dec 2013 TEUR	Fair Value 31 Dec 2013 TEUR
Loans to customers	10	6,387,145	6,376,444	7,171,284	7,155,421
Current accounts and deposits from customers	16	4,528,218	4,516,020	(5,105,402)	(5,086,384)
Debt securities issued	18	744,551	741,271	(1,120,915)	(1,124,688)
Subordinated liabilities	21	530,912	486,468	(511,461)	(515,300)

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 broken down into those whose fair value is based on quoted market prices (Level 1), calculated using valuation techniques where all the model inputs are observable in the market, typically interest rates and foreign exchange rates (Level 2) and calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

	Note	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
<b>31 Mar 2014</b>					
Positive fair value of derivative instruments	11	-	48,792	10,945	59,737
Financial assets available-for-sale	12	141,812	1,470	-	143,282
Negative fair value of derivative instruments	19	-	(14,493)	(44)	(14,537)
		<b>141,812</b>	<b>35,769</b>	<b>10,901</b>	<b>188,482</b>

	Note	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
<b>31 Dec 2013</b>					
Positive fair value of derivative instruments	11	-	8,208	10,700	18,908
Financial assets available-for-sale	12	158,505	-	-	158,505
Negative fair value of derivative instruments	19	-	(17,928)	(34)	(17,962)
		<b>158,505</b>	<b>(9,720)</b>	<b>10,666</b>	<b>159,451</b>

There were no transfers between Level 1, 2 and 3 in the three-month period ended 31 March 2014 or year ended 31 December 2013.

## 7. Fair values of financial instruments (continued)

Reconciliation of movements in Level 3:	31 Mar 2014	31 Mar 2013
	TEUR	TEUR
<b>Financial assets</b>		
Balance as at 1 January	10,700	10,534
Net gains/(losses) recorded in profit or loss (included in Net losses on financial assets and liabilities)	534	(442)
Net losses recorded in other comprehensive income	(289)	239
Purchases	-	3,558
<b>Closing balance</b>	<b>10,945</b>	<b>13,889</b>

Valuation techniques used for Level 3 financial instruments are based on discounted cash flow models where future contractual cash flows are discounted to the present value. All the financial instruments presented under the Level 3 category were contracted in the Republic of Belarus. The availability of market data to be used for the determination of the discount rates used for these instruments is limited. Therefore, the Group estimated the discount rates based on official interest rates declared by the National Bank of the Republic of Belarus. If the level of the discount rates as of 31 March 2014 had been higher or lower than the discount rates estimated by the Group, the fair values of Level 3 assets and liabilities would have been lower or higher respectively.

The calculation of fair values of Level 3 is the responsibility of local treasury teams of respective Group entities, which on a monthly basis carry out the calculations based on a pre-determined valuation model and inputs. Heads of the local treasury teams approve the calculation outputs.

## 8. Cash and cash equivalents

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Cash on hand	139,659	216,895
Current accounts	222,863	429,596
Current accounts with central banks	182,795	155,293
Placements with financial institutions due within one month	494,831	124,699
	<u>1,040,148</u>	<u>926,483</u>

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

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Loans and term deposits with banks, other financial institutions and holding companies due in more than one month	196,369	166,750
Loans and advances provided under repo operations	-	190,937
Minimum reserve deposits with central banks	47,700	52,536
Other	8	10
	<u>244,077</u>	<u>410,233</u>

The minimum reserve deposits are mandatory non-interest bearing deposits whose withdrawals are restricted and which are maintained in accordance with regulations issued by central banks in countries in which the Group's banking entities operate.



## 10. Loans to customers

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Gross amount		
Cash loan receivables	4,633,069	5,009,642
POS loan receivables	1,932,079	2,212,836
Revolving loan receivables	960,343	994,790
Mortgage loan receivables	89,171	92,411
Car loan receivables	31,882	44,315
Loans to corporations	4,514	4,504
Other	3,722	1,917
	<u>7,654,780</u>	<u>8,360,415</u>
Collective allowances for impairment		
Cash loan receivables	(857,842)	(808,836)
POS loan receivables	(226,527)	(219,114)
Revolving loan receivables	(159,212)	(136,319)
Mortgage loan receivables	(3,146)	(3,119)
Car loan receivables	(18,387)	(19,112)
Loans to corporations	(939)	(981)
Other	(385)	(386)
	<u>(1,266,438)</u>	<u>(1,187,867)</u>
Specific allowances for impairment		
Loans to corporations	(1,197)	(1,264)
	<u>(1,197)</u>	<u>(1,264)</u>
	<u><u>6,387,145</u></u>	<u><u>7,171,284</u></u>

The Group regularly sells pools of certain customer loan receivables to related parties. Under the present contractual setup, the Group sells the receivables at a fixed price above their face value which is regularly agreed between the parties on arm's length principles.

As at 31 March 2014 cash loan receivables of TEUR 124,334 served as collateral for debt securities (31 December 2013: TEUR 135,048), refer to Note 18.



## 11. Positive fair value of derivative instruments

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Positive fair value of hedging derivative instruments	35,454	7,642
Positive fair value of trading derivative instruments	<u>24,283</u>	<u>11,266</u>
	<u><b>59,737</b></u>	<u><b>18,908</b></u>

Cash flows from the hedging derivative instruments are expected to occur in 2014-2016.

## 12. Financial assets available-for-sale

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Debt securities	143,128	152,791
Equity securities	<u>154</u>	<u>5,714</u>
	<u><b>143,282</b></u>	<u><b>158,505</b></u>

## 13. Intangible assets

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Acquisition cost	204,121	197,896
Accumulated amortization	<u>(108,094)</u>	<u>(102,983)</u>
Carrying amount	<u><b>96,027</b></u>	<u><b>94,913</b></u>

## 14. Property and equipment

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Acquisition cost	371,886	386,174
Accumulated depreciation	(147,402)	(148,642)
Impairment	<u>(3,587)</u>	<u>(4,265)</u>
Carrying amount	<u><b>220,897</b></u>	<u><b>233,267</b></u>

## 15. Other assets

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Deferred acquisition costs of insurance contracts	46,436	60,504
Trade receivables and settlement with suppliers	38,715	39,965
Acquisition of subsidiaries	34,500	34,500
Outstanding selling price for receivables	26,574	32,976
Prepaid expenses	18,316	22,199
Other taxes receivable	8,059	7,103
Accrued income from insurance fees	2,096	3,025
Receivables arising out of insurance and re-insurance operations	1,484	2,915
Non-life amounts ceded to reinsurers from insurance provisions	561	4,254
Goods held for resale	503	526
Other	8,497	4,635
	<b>185,741</b>	<b>212,602</b>
Specific allowances for impairment on settlement with suppliers and other assets	(1,838)	(189)
	<b>183,903</b>	<b>212,413</b>

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).

## 16. Current accounts and deposits from customers

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Term deposits	4,148,527	4,632,272
Current accounts and demand deposits	373,309	471,352
Other	6,382	1,778
	<b>4,528,218</b>	<b>5,105,402</b>

## 17. Due to banks and other financial institutions

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Unsecured loans	808,940	594,649
Loans received under repo operations	71,654	-
Secured loans	6,528	3,636
Other balances	7,247	6,136
	<u>894,369</u>	<u>604,421</u>

As at 31 March 2014 the balance of loans received under repo operations of TEUR 71,654 (31 December 2013: TEUR 0) was secured by financial assets available-for-sale.

The secured loans shown above were secured by guarantees.

## 18. Debt securities issued

	Interest rate	Final maturity	Amount outstanding 31 Mar 2014 TEUR	31 Dec 2013 TEUR
Loan participation notes issue 6 of MUSD 500	Fixed	March 2014	-	368,154
Stock exchange RUB bonds issue 01 of MRUB 3,000	Variable	April 2014	62,547	67,291
Unsecured RUB bonds issue 6 of MRUB 5,000	Variable	June 2014	103,025	110,908
CZK promissory notes issue of MCZK 500	Zero-coupon	September 2014	17,759	17,543
Unsecured RUB bonds issue 7 of MRUB 5,000	Variable	April 2015	104,269	112,231
Unsecured CZK bonds issue 4 of MCZK 2,900	Zero-coupon	September 2015	96,443	94,952
Stock exchange RUB bonds issue 02 of MRUB 3,000	Fixed	February 2016	60,970	66,494
Unsecured CZK bonds issue 5 of MCZK 3,750	Fixed	June 2016	143,509	141,450
Unsecured KZT bond issue 1 of MKZT 7,000	Fixed	November 2016	28,092	32,432
Unsecured KZT bond issue 2 of MKZT 6,769	Fixed	February 2019	26,682	-
Cash loan receivables backed notes of MRUB 5,000	Variable	November 2021	101,255	109,460
			<u>744,551</u>	<u>1,120,915</u>

## 19. Negative fair value of derivative instruments

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Negative fair value of trading derivative instruments	14,537	16,095
Negative fair value of hedging derivative instruments	-	1,867
	<u>14,537</u>	<u>17,962</u>

## 20. Insurance and other provisions

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Provisions for unearned premiums	109,280	120,809
Provision for litigations	3,041	3,397
Provisions for outstanding claims	1,538	3,760
Other insurance provisions	76	176
Other provisions	745	2,193
	<u>114,680</u>	<u>130,335</u>

## 21. Subordinated liabilities

	Final maturity	Amount outstanding	
		31 Mar 2014 TEUR	31 Dec 2013 TEUR
Loan participation notes issue of MUSD 500	April 2020	378,536	364,925
Loan participation notes issue of MUSD 200	April 2021	152,376	146,536
		<u>530,912</u>	<u>511,461</u>

Subordinated loan participation notes issue of MUSD 500 were issued in October 2012 through Eurasia Capital S.A. (refer to Note 1). The Group has an early redemption option exercisable on 24 April 2018 (the reset date). After the reset date the interest rate is determined as a variable rate.

Subordinated loan participation notes issue of MUSD 200 were issued in October 2013 through Eurasia Capital S.A. (refer to Note 1). The Group has an early redemption option exercisable on 17 April 2019 (the reset date). After the reset date the interest rate is determined as a variable rate.

## 22. Other liabilities

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Accrued employee compensation	96,450	84,999
Settlement with suppliers	60,502	67,933
Customer loan overpayments	26,463	30,235
Other taxes payable	23,231	24,634
Accrued expenses	17,549	19,877
Deferred income and prepayments	14,314	12,927
Advances received	903	663
Other	11,245	15,257
	<u>250,657</u>	<u>256,525</u>

## **23. Equity**

At 31 March 2014 the Group's share capital comprised 1,250,000,000 (31 December 2013: 1,250,000,000) ordinary shares at a par value of EUR 0.57 (31 December 2013: EUR 0.57), of which 1,156,174,806 (31 December 2013: 1,156,174,806) shares were issued and fully paid. All issued shares bear equal voting rights. The holders of the shares are entitled to receive distributions of profits and reserves when declared by the general meeting of the Company. No distributions can be made if the total amount of the reserves to be maintained pursuant to the law or the articles of association exceeds the Company's equity and the management board has not given its approval to such distribution.

In January 2013 the Group's sole shareholder PPF Group N.V. resolved to increase the Group's share premium by TEUR 70,000. The contribution is payable upon earlier of the fulfilment of the conditions for the completion of the purchase of PPF Vietnam Finance Company LLC (Note 1) or 31 December 2015. The increase in the share premium has not been recorded in equity since the conditions related to purchase of PPF Vietnam have not been met.

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

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

The reserve for business combinations under common control was recognized on the acquisition of HC Asia N.V. in 2012. The reserve for business combinations under common control is not available for distribution to the shareholders.

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



## 24. Interest income and interest expense

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
<b>Interest income</b>		
Cash loan receivables	346,946	373,734
POS loan receivables	116,982	115,576
Revolving loan receivables	69,118	57,333
Car loan receivables	902	7,046
Mortgage loan receivables	2,233	2,583
Financial assets available-for-sale	1,698	13,324
Due from banks, other financial institutions and holding companies	7,735	6,784
Financial assets held-to-maturity	48	74
Other	109	77
	<u>545,771</u>	<u>576,531</u>
<b>Interest expense</b>		
Deposits from customers	102,748	120,462
Due to banks and other financial institutions	20,687	15,528
Debt securities issued	20,436	22,826
Subordinated liabilities	12,662	9,061
	<u>156,533</u>	<u>167,877</u>

## 25. Fee and commission income

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Insurance commissions	78,724	136,583
Penalty fees	15,570	12,869
Cash transactions	11,417	13,970
Customer payment processing and account maintenance	6,716	5,784
Retailer commissions	5,854	3,384
Other	1,949	648
	<u>120,230</u>	<u>173,238</u>

## 26. Fee and commission expense

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Cash transactions	5,315	7,396
Commissions to retailers	4,253	6,196
Payments to deposit insurance agencies	4,406	7,447
Payment processing and account maintenance	3,648	2,450
Other	5,045	1,668
	<u>22,667</u>	<u>25,157</u>



## 27. Insurance income

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Gross premiums earned	21,948	-
Earned premiums ceded	(7)	-
Net insurance benefits and claims	(931)	-
Acquisition costs	(12,969)	-
	<u>8,041</u>	<u>-</u>

Insurance income was recognized during the three-month period ended 31 March 2014 following the acquisition by the Group of certain insurance operations.

## 28. Net losses on financial assets and liabilities

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Net foreign currency gains	2,692	8,861
Net trading gains on other financial assets and liabilities	515	784
Net losses on trading derivative instruments	(736)	(7,943)
Net losses on hedging derivative instruments	(3,996)	(4,184)
Other	-	(181)
	<u>(1,525)</u>	<u>(2,663)</u>

## 29. Other operating income

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Gains on disposal of loan receivables	18,455	32,686
Income from excess of acquired net fair value over costs	-	22,110
Income from other services provided	2,449	1,622
Loss on monetary position	-	(968)
Other	4,107	1,813
	<u>25,011</u>	<u>57,263</u>

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

Income from excess of acquired net fair value over costs was recognized in the three-month period ended 31 March 2013 on acquisitions of Home Credit Insurance (LLC), PPF Insurance (PSC) and PPF Insurance (FICJSC).

### 30. Impairment losses on financial assets

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Cash loan receivables	248,613	175,824
POS loan receivables	64,557	49,935
Revolving loan receivables	57,201	23,086
Car loan receivables	(744)	1,974
Mortgage loan receivables	(978)	(217)
Other financial assets	(10)	94
	<u>368,639</u>	<u>250,696</u>

### 31. General administrative expenses

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Employee compensation	94,207	86,963
Rental, maintenance and repairs	24,839	23,448
Payroll related taxes (including pension contributions)	22,864	19,957
Telecommunication and postage	11,725	13,664
Professional services	11,069	10,261
Taxes other than income tax	7,862	5,377
Information technologies	5,096	5,418
Advertising and marketing	3,999	7,454
Travel expenses	3,286	4,194
Other	7,368	8,694
	<u>192,315</u>	<u>185,430</u>

### 32. Other operating expenses

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Depreciation and amortization	19,035	16,138
Impairment losses on other non-financial assets	1,703	-
Loss on disposal of property and equipment and intangible assets	125	405
	<u>20,863</u>	<u>16,543</u>

### 33. Income tax

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Current tax expense	17,874	31,816
Deferred tax (benefit)/expense	(19,147)	3,069
<b>Total income tax (benefit)/expense</b>	<b>(1,273)</b>	<b>34,885</b>

### 34. Commitments

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

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Revolving loan commitments	978,031	964,884
POS loan commitments	40,136	39,777
Cash loan commitments	21,758	18,810
	<b>1,039,925</b>	<b>1,023,471</b>

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 March 2014 the Group reported contractual commitments for the acquisition of property and equipment and intangible assets of TEUR 3,983 (31 December 2013: TEUR 385).

As at 31 March 2014 the balance of loan guarantees issued by the Group was TEUR 128,983 (31 December 2013: TEUR 120,554).

### 35. Contingencies

#### 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, Kazakhstani and Chinese tax legislation, official pronouncements and court decisions.

### 36. Related party transactions

The Group has a related party relationship 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. Related party transactions arise primarily from funding and treasury transactions as well as from sales of loan receivables reported under other operating income (Note 29) and insurance commissions reported under fee and commission income.

#### (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	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Due from banks, other financial institutions and holding companies		82,083	85,679
Other assets	15	34,500	34,500
Subordinated liabilities		(80,686)	(78,424)
Other liabilities		(63)	-
		<u>35,834</u>	<u>41,755</u>

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

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Interest income	2,001	1,848
Interest expense	(1,880)	(2,936)
Net gains on financial assets and liabilities	-	290
General administrative expenses	(63)	(63)
	<u>58</u>	<u>(861)</u>

### 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:

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Cash and cash equivalents	16,313	39,064
Due from banks, other financial institutions and holding companies	22,463	20,157
Loans to customers	3,063	7,249
Positive fair value of derivative instruments	299	660
Financial assets held-to-maturity	3,488	3,440
Other assets	35,275	41,143
Current accounts and deposits from customers	(35,243)	(38,616)
Due to banks and other financial institutions	(136,573)	(125,486)
Debt securities issued	(45,351)	(92,398)
Negative fair value of derivative instruments	(14,268)	(14,959)
Subordinated liabilities	(2,133)	(2,065)
Other liabilities	(20,563)	(18,356)
	<u>(173,230)</u>	<u>(180,167)</u>

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

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Interest income	451	254
Interest expense	(5,456)	(3,095)
Fee and commission income	828	648
Fee and commission expense	(84)	(53)
Net losses on financial assets and liabilities	(2,920)	(3,213)
Other operating income	22,785	37,872
General administrative expenses	(2,340)	(2,759)
Other operating expenses	(28)	-
	<u>13,236</u>	<u>29,654</u>

Interest income presented in the table above does not include transaction costs integral to the effective interest rate and incurred with fellow subsidiaries. Such transactions had an impact on interest income of TEUR (104) (three months ended 31 March 2013: TEUR 3,600).

As disclosed in Note 10, the Group sold receivables to related parties. The related transactions and balances are included in other assets (31 March 2014: TEUR 26,574, 31 December 2013: TEUR 32,976) and other operating income (three months ended 31 March 2014: TEUR 16,994, three months ended 31 March 2013: TEUR 32,686).



### 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:

	31 Mar 2014 TEUR	31 Dec 2013 TEUR
Other assets	73	971
Debt securities issued	(181,399)	(262,265)
Other liabilities	(191)	(856)
	<u>(181,517)</u>	<u>(262,150)</u>

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

	3 months ended 31 Mar 2014 TEUR	3 months ended 31 Mar 2013 TEUR
Interest expense	(2,639)	(2,938)
Fee and commission income	(142)	24,587
Insurance income	(1,057)	-
Other operating income	801	3
General administrative expenses	(8)	(263)
	<u>(3,045)</u>	<u>21,389</u>

#### (d) Transactions with key management personnel and other related parties

Amounts included in the statement of comprehensive income in relation to transactions with members of key management are long-term benefits of TEUR 862 (three months ended 31 March 2013: TEUR 925) and short-term benefits of TEUR 5,868 (three months ended 31 March 2013: TEUR 6,336) comprising salaries, bonuses and non-monetary benefits.

As at 31 March 2014 the balance of loans to members of the key management was TEUR 192 (31 December 2013: TEUR 10).

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

In 2013 the Group concluded a consultancy service agreement with a company controlled by one of the members of its Board of Directors. The consultancy fees of TEUR 1,500 charged over the three-month period ended 31 March 2014 in relation to this agreement are recorded under general administrative expenses, while the related liability of TEUR 500 as of 31 March 2014 is recorded under other liabilities.

As at 31 March 2014 the balances due from holding companies included a loan of TEUR 52,196 (31 December 2013: TEUR 22,287) provided by the Group to a company controlled by one of the members of its Board of Directors.

### 37. Subsequent events

In April 2014 the Group entered into a transaction regarding the sale of its 100% equity stake in PPF Insurance (PSC). The settlement of the transaction took place in May 2014. The sales proceeds amounted to TEUR 8,122.