Home Credit B.V.

Consolidated Annual Accounts
for the year ended 31 December 2014

Contents

Directors' Report

Description of the Company

Home Credit B.V.

Date of incorporation:	28 December 1999
Registered office:	Netherlands, Strawinskylaan 933, 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 owner of 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) and Asia and (b) the securing of the refinancing for these companies from the market and from the ultimate parent company. For detailed description of the Group please refer to Note 1 of the consolidated financial statements.

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 Russia, Belarus and Kazakhstan the Group also offers selected retail banking services such as deposit accounts. As at 31 December 2014 the Group actively served 9.1 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), Indonesia (2013), Philippines (2013) and Vietnam (2014).

PPF Group N.V. (hereinafter "PPF") is the majority shareholder (86.62%) of HCBV. PPF invests in multiple market segments and is present in sectors such as banking and financial services, telecommunications, 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 of EUR 24.2 billion (as at 30 June 2014). 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

A minority stake (13.38%) of HCBV is held by EMMA OMEGA LTD, an investment holding company ultimately owned by Mr. Jiří Šmejc.

The worsening macro environment and geopolitical uncertainty in Russia in 2014 impacted the overall performance, resulting in a net loss for the year.

Throughout 2014 we were able to address the challenges in Russia successfully by moving swiftly and responding effectively. In Russia, we have maintained our policy – established over a year ago in response to the 2013 credit boom – to tighten lending criteria and reduce loan volumes. We have taken steps to reduce our cost structure, pacing the reduction in loan volumes. Thanks to our track record navigating the previous economic crisis in Russia, our experienced management team and our supportive shareholders we have responded adequately and maintain a solid position for the future. Our focus in Russia remains to provide the best service to our customers, to leverage these strong relationships, to develop remote service channels and to maintain our leading position in the Point of Sale (POS) market.

Although we are starting to see the benefits of our actions, the reduction in lending in Russia necessarily reduced operating profit. We are in no doubt that 2015 will be another challenging year, but we are well-prepared and able to act nimbly. The Group remains strongly capitalized.

Asia has continued to perform well, justifying our decision to diversify into these fast-growth markets and reducing the significance of Russia on the overall figures. Incorporating the Vietnamese business into operations in 2014 also provided a positive impact.

In the third quarter of 2014 HCBV acquired businesses in China and Vietnam (Home Credit Consumer Finance China Ltd. and PPF Vietnam Finance Company (LLC), subsequently renamed to Home Credit Vietnam Finance Company Limited, respectively) from PPF and both companies were consolidated into HCBV's financial results from the acquisition dates.

The Group remains focused on building long-term relationships with its customers by offering them products that suit best their needs while maintaining a solid level of cost efficiency and prudent risk management. Our business philosophy promotes financial inclusion: we often work with clients who have little to no credit history, and who are underserved by traditional banks. We enable them to take advantage of all the benefits that financial services can bring. Our relationship with our clients is built on fairness, transparency and mutual trust. As they build up a solid credit history we provide them with more sophisticated products to suit their gradually growing needs and capabilities. Along the way, we help our clients learn how to manage their finances and develop financial literacy. This is what responsible lending means to us.

Key Results

As a result of the decision to decrease the size of the loan book in Russia, but also due to the significant devaluation of the Russian Ruble, the net loan portfolio in 2014 fell by 29% to EUR 5,060 million (31 December 2013: EUR 7,171 million). Operating income for 2014 reflected this decline in Russia falling by 24% to EUR 1,943 million. The decline in Russia, where our lending decreased by nearly one third, was tempered by positive performances in China, Kazakhstan and Vietnam. Operating expenses fell by 6% to EUR 1,982 million even as the number of distribution points rose by 19% to 166,272. The Group's distribution network now comprises 162,692 POS and loan offices, 853 bank branches, 2,727 post offices. As at 31 December 2014 the ATM network comprised 1,383 ATMs.

Overall, the Group posted a net loss of EUR 60 million, down from a net profit of EUR 324 million in 2013.

Concerning cash flows and funding please refer to Note 4(b) of the consolidated financial statements.

The decline was mainly driven by the business performance in Russia where the decision was taken over a year ago to impose tighter lending conditions and reduce business volumes although Asia has continued to perform well and the incorporation of Vietnam into the Group in the third quarter has also benefited the results.

Given the continued negative market backdrop in Russia, there was an impact on the Non-Performing Loan (NPL) ratio (gross loans overdue by more than 90 days to total gross loans) which rose to 15.3% (12.2% as at 31 December 2013). Nonetheless, in line with the Group's approach to risk management, the Group NPL coverage ratio (total allowance for impairment to gross non-performing loans) was 106.4% (116.9% as at 31 December 2013).

In Russia in the fourth quarter of 2014, we saw significant outflows of deposits across the country's banking system as a result of the one-off reaction to the sharp currency movements. This has since stabilised, but nevertheless the sharp drop in the Rouble's value against the Euro translates to a lower Euro value of our overall deposit base in Russia. In addition, we also reduced the level of retail deposits in Russia in line with its lower lending volumes.

The share of current account balances and term deposits at 31 December 2014 comprised 49.8% of total liabilities (31 December 2013: 65.6%).

Staff development, environmental influence and research and development

The average number of employees during 2014 was 55,387.
The impact of the Group's operations on the environment is not quantified as it is considered insignificant.
The Group dedicates adequate resources to research and development activities, primarily in the area of the development of consumer finance IT systems.

Composition of the Board of Directors

The size and composition of the Board of Directors and the combined experience and expertise of their members should reflect the best fit for the profile and strategy of the company. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in HCBV currently having a Board of Directors in which all eight members are male. In order to increase gender diversity on the Board of Directors, in accordance with article 2:276 section 2 of the Dutch Civil Code, HCBV pays close attention to gender diversity in the process of recruiting and appointing new members of the Board of Directors. HCBV will retain an active and open attitude as regards selecting female candidates. For changes in Board of Directors in 2014 please refer to Note 1 of the consolidated financial statements.

Financial instruments and risk management

The Group's main strategic risk concerns the appropriateness of the selected business model, i.e. marketing, sales and risk strategies as well as the resources allocated to support the strategy. Such risks are mitigated through careful selection of the markets and calibrating start-up pilot projects on one hand and geographic diversification on the other hand. The Group is exposed to various risks as a result of its activities, primarily credit risk, liquidity risk, market risks (interest rate risk and currency risk), insurance risk and operational 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 level of individual Group members and at the 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, subordinated debt 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.

The main risk faced by the Group as part of the insurance business is the difference in actual and expected claims for insurance benefits and claims. Price risk arises as insurance premiums may not be sufficient to cover future losses and expenses on insurance contracts. To manage price risk the Group regularly analyses profitability and makes appropriate adjustments in pricing and underwriting policies. Reserve deficiency risk arises from the uncertainty regarding the development of loss reserves in the future and takes into account the likelihood that insurance reserves are insufficient to meet the Group's obligations to policyholders. Managing this risk is performed through regular checking of the adequacy of loss reserves and loss analysis of insurance products.

Operational risk is the risk 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, financial reporting and generally accepted standards of corporate behaviour. 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.

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

Future development

In 2015, HCBV will continue to manage and finance its holdings carefully and use its capital in a disciplined way. HCBV's focus will be on managing the business for the sustainable creation of shareholders' value against an uncertain macroeconomic backdrop. HCBV will aim to maintain a diversified funding base and pursue cost-effectiveness whilst retaining a flexible but disciplined loan origination and distribution approach of its holdings in order to respond effectively to any macroeconomic changes. HCBV will continue to focus on the high growth regions of Asia where it will further expand the geographical roll-out of its franchise, deepening business penetration in order to diversify the Group's footprint. In the Central Europe and CIS region, the Group's objective is to maintain its market positions and continue to improve efficiency and focus on innovation. In Russia, the objective is to continue its cautious policy having imposed stricter lending conditions over the last year with the aim of improving the quality of the loan book.

11 March 2015

Board of Directors:

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

Petr Kohout
Member of the Board of Directors

Mel Gerard Carvill
Member of the Board of Directors

Marcel Marinus van Santen
Member of the Board of Directors

Paulus Aloysius de Reijke
Member of the Board of Directors

Lubomír Král
Member of the Board of Directors

	Note	2014 TEUR	2013 TEUR
ASSETS			
Cash and cash equivalents	8	865,552	926,483
Due from banks, other financial institutions and holding companies	9	171,829	410,233
Loans to customers	10	5,059,514	7,171,284
Positive fair value of derivative instruments	11	144,846	18,908
Financial assets available-for-sale	12	306,172	158,505
Financial assets held-to-maturity		-	3,440
Assets classified as held for sale	5	5,705	14,724
Current income tax receivables		20,266	15,898
Deferred tax assets	13	66,167	49,710
Investments in associates	14	2,252	3,589
Intangible assets	15	100,466	94,913
Property and equipment	16	157,603	233,267
Other assets	17	136,210	212,413
Total assets		**7,036,582**	**9,313,367**
LIABILITIES			
Current accounts and deposits from customers	18	2,889,966	5,105,402
Due to banks and other financial institutions	19	1,434,149	604,421
Debt securities issued	20	575,112	1,120,915
Negative fair value of derivative instruments	21	5,583	17,962
Liabilities classified as held for sale	5	-	1,574
Current income tax liabilities		33,560	27,287
Deferred tax liabilities	13	3,045	5,014
Insurance and other provisions	22	80,928	130,335
Subordinated liabilities	23	542,297	511,461
Other liabilities	24	233,065	256,525
Total liabilities		**5,797,705**	**7,780,896**
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	659,020	659,020
Share premium	25	299,872	184,377
Statutory reserves	25	24,671	11,672
Foreign currency translation	25	(505,114)	(208,627)
Cash flow hedge reserve	25	12,971	(73)
Reserve for business combinations under common control	25	(80,685)	15,106
Revaluation reserve	25	(4,364)	431
Other reserves	25	828,682	867,649
Total equity attributable to equity holders of the Company		**1,235,053**	**1,529,555**
Non-controlling interests	26	**3,824**	**2,916**
Total equity		**1,238,877**	**1,532,471**
Total liabilities and equity		**7,036,582**	**9,313,367**

	Note	2014 TEUR	2013 TEUR
Interest income	27	1,987,116	2,483,490
Interest expense	27	(609,893)	(721,006)
Net interest income		**1,377,223**	**1,762,484**
Fee and commission income	28	507,038	723,291
Fee and commission expense	29	(92,396)	(104,965)
Net fee and commission income		**414,642**	**618,326**
Insurance income	30	**46,516**	**19,975**
Net gains/(losses) on financial assets and liabilities	31	7,086	(16,422)
Other operating income	32	97,593	158,107
Operating income		**1,943,060**	**2,542,470**
Impairment losses on financial assets	33	(1,116,368)	(1,185,949)
General administrative expenses	34	(765,868)	(844,445)
Other operating expenses	35	(99,804)	(79,926)
Operating expenses		**(1,982,040)**	**(2,110,320)**
(Losses)/gains on disposals of associates and subsidiaries		(581)	2,708
Share of earnings in associates		2,251	3,853
(Loss)/profit before tax		**(37,310)**	**438,711**
Income tax expense	36	(23,147)	(114,274)
Net (loss)/profit for the year		**(60,457)**	**324,437**
(Loss)/profit attributable to:			
Equity holders of the Company		(56,933)	326,597
Non-controlling interests	26	(3,524)	(2,160)
		(60,457)	**324,437**
Other comprehensive income which will be subsequently reclassified to profit or loss:			
Currency translation		(292,143)	(153,714)
Revaluation losses on available-for-sale financial assets		(8,059)	(8,015)
Revaluation of available-for-sale financial assets transferred to profit or loss		2,065	7,976
Cash flow hedge reserve – effective portion of changes in fair value		171,255	11,693
Cash flow hedge reserve – net amount transferred to profit or loss		(154,950)	(10,570)
Income tax relating to components of other comprehensive income		(2,062)	(217)
Other comprehensive income for the year		**(283,894)**	**(152,847)**
Total comprehensive income for the year		**(344,351)**	**171,590**
Total comprehensive income attributable to:			
Equity holders of the Company		(341,402)	173,427
Non-controlling interests		(2,949)	(1,837)
		(344,351)	**171,590**

Attributable to equity holders of the Company

	Share capital	Share premium	Statutory reserves	Foreign currency translation	Reserve for business combinations under common control	Revaluation reserve	Cash flow hedge reserve	Other reserves	Total	Non-controlling interests	Total equity
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	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**
Share premium increases	-	115,495	-	-	-	-	-	-	**115,495**	-	**115,495**
Acquisition of Home Credit Vietnam Finance Company Limited and Home Credit Consumer Finance Co., Ltd.	-	-	5,108	(5,019)	(95,791)	-	-	27,575	**(68,127)**	-	**(68,127)**
Disposal of subsidiaries	-	-	-	1,250	-	-	-	-	**1,250**	-	**1,250**
Changes in non-controlling interests	-	-	-	-	-	-	-	(1,718)	**(1,718)**	3,857	**2,139**
Transfers	-	-	7,891	-	-	-	-	(7,891)	-	-	-
Total	**659,020**	**299,872**	**24,671**	**(212,396)**	**(80,685)**	**431**	**(73)**	**885,615**	**1,576,455**	**6,773**	**1,583,228**
Currency translation	-	-	-	(292,718)	-	-	-	-	**(292,718)**	575	**(292,143)**
Revaluation of available-for-sale financial assets, net of tax	-	-	-	-	-	(4,795)	-	-	**(4,795)**	-	**(4,795)**
Change in cash flow hedge reserve, net of tax	-	-	-	-	-	-	13,044	-	**13,044**	-	**13,044**
Loss for the year	-	-	-	-	-	-	-	(56,933)	**(56,933)**	(3,524)	**(60,457)**
Total comprehensive income for the year	**-**	**-**	**-**	**(292,718)**	**-**	**(4,795)**	**13,044**	**(56,933)**	**(341,402)**	**(2,949)**	**(344,351)**
Total changes	**-**	**115,495**	**12,999**	**(296,487)**	**(95,791)**	**(4,795)**	**13,044**	**(38,967)**	**(294,502)**	**908**	**(293,594)**
Balance as at 31 December 2014	**659,020**	**299,872**	**24,671**	**(505,114)**	**(80,685)**	**(4,364)**	**12,971**	**828,682**	**1,235,053**	**3,824**	**1,238,877**

Attributable to equity holders of the Company

	Share capital	Share premium	Statutory reserves	Foreign currency translation	Reserve for business combinations under common control	Revaluation reserve	Cash flow hedge reserve	Other reserves	Total	Non-controlling interests	Total equity
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	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**
Share premium increases	-	97,000	-	-	-	-	-	-	**97,000**	-	**97,000**
Share premium reductions	-	(216,592)	-	-	-	-	-	-	**(216,592)**	-	**(216,592)**
Acquisition of non-controlling interests	-	-	-	-	-	-	-	73,759	**73,759**	(100,759)	**(27,000)**
Other changes in non-controlling interests	-	-	-	-	-	-	-	150	**150**	2,724	**2,874**
Transfers	-	-	6,819	-	-	-	-	(6,819)	-	-	-
Total	**659,020**	**184,377**	**11,672**	**(54,590)**	**15,106**	**462**	**(971)**	**541,052**	**1,356,128**	**4,753**	**1,360,881**
Currency translation	-	-	-	(154,037)	-	-	-	-	**(154,037)**	323	**(153,714)**
Revaluation of available-for-sale financial assets, net of tax	-	-	-	-	-	(31)	-	-	**(31)**	-	**(31)**
Effect of hedge accounting, net of tax	-	-	-	-	-	-	898	-	**898**	-	**898**
Profit for the year	-	-	-	-	-	-	-	326,597	**326,597**	(2,160)	**324,437**
Total comprehensive income for the year	**-**	**-**	**-**	**(154,037)**	**-**	**(31)**	**898**	**326,597**	**173,427**	**(1,837)**	**171,590**
Total changes	**-**	**(119,592)**	**6,819**	**(154,037)**	**-**	**(31)**	**898**	**393,687**	**127,744**	**(99,872)**	**27,872**
Balance as at 31 December 2013	**659,020**	**184,377**	**11,672**	**(208,627)**	**15,106**	**431**	**(73)**	**867,649**	**1,529,555**	**2,916**	**1,532,471**

	Note	2014 TEUR	2013 TEUR
Operating activities			
Profit before tax		(37,310)	438,711
Adjustments for:			
Interest expense	27	609,893	721,006
Net loss on disposal of property, equipment and intangible assets	35	6,869	2,023
Net loss/(gain) on disposal of subsidiaries and associates		581	(2,708)
Net unrealized foreign exchange loss		32,281	16,146
Impairment losses	33,35	1,129,537	1,190,425
Recognized income from excess of acquired net fair value over costs	32	-	(30,451)
Share of earnings in associates		(2,251)	(3,853)
Depreciation and amortization	35	79,638	73,071
Net operating cash flow before changes in working capital		**1,819,238**	**2,404,370**
Change in due from banks, other financial institutions and holding companies		258,184	(8,456)
Change in loans to customers		1,213,760	(1,826,592)
Change in positive fair value of derivative instruments		(125,938)	682
Change in other assets		49,106	144,058
Change in held for sale assets/liabilities		(6)	(3,798)
Change in current accounts and deposits from customers		(2,145,106)	374,870
Change in negative fair value of derivative instruments		(12,812)	6,527
Change in other liabilities and insurance and other provisions		(63,187)	(35,081)
Cash flows from the operations		**923,239**	**1,056,580**
Interest paid		(614,936)	(671,012)
Income tax paid		(49,596)	(161,018)
Cash flows from operating activities		**328,707**	**224,550**
Investing activities			
Proceeds from sale of property, equipment and intangible assets		3,005	286
Acquisition of property, equipment and intangible assets		(94,942)	(135,396)
Proceeds from sale of subsidiaries and associates		8,633	3,033
Dividends from associates		2,424	-
Proceeds from available-for-sale financial assets		541,669	2,029,774
Acquisition of available-for-sale financial assets		(694,131)	(1,459,488)
Acquisition of held-to-maturity financial assets		(3,444)	-
Acquisition of investment in subsidiaries, net of cash acquired		(80,764)	(33,341)
Cash flows (used in)/from investing activities		**(317,550)**	**404,868**
Financing activities			
Share premium increase		115,495	-
Share premium reduction		-	(119,592)
Proceeds from the issue of debt securities		104,906	371,513
Repayment of debt securities issued		(620,771)	(311,607)
Proceeds from due to banks and other financial institutions		16,398,485	20,206,342
Repayment of due to banks and other financial institutions		(15,841,728)	(20,932,758)
Cash flows from/(used in) financing activities		**156,387**	**(786,102)**
Net increase/(decrease) in cash and cash equivalents		167,544	(156,684)
Cash and cash equivalents as at 1 January		926,483	1,210,087
Effects of exchange rate changes on cash and cash equivalents		(228,475)	(126,920)
Cash and cash equivalents as at 31 December	8	**865,552**	**926,483**

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

The ultimate controlling party 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, insurance and other services.

Board of Directors

Jiří Šmejc	Chairman	
Jan Cornelis Jansen	Vice-chairman	
Rudolf Bosveld	Member	
Pavel Horák	Member	until 31 December 2014
Jean-Pascal Duvieusart	Member	until 31 May 2014
Mel Gerard Carvill	Member	
Marcel Marinus van Santen	Member	from 1 June 2014
Paulus Aloysius de Reijke	Member	from 1 June 2014
Lubomír Král	Member	from 1 June 2014

Petr Kohout was appointed a Member of the Board of Directors on 1 January 2015.

1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 2014	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.[1)]	China	100.00	100.00
Home Credit Consumer Finance Co., Ltd. [2)]	China	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 Number One Consulting Co., Ltd.[3)]	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
Different Money (LLC) [4)]	Czech Republic	100.00	-
Home Credit (JSC)	Czech Republic	100.00	100.00
Home Credit Advisory Asia (LLC) [5)]	Czech Republic	-	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
Autotým (LLC) [2)]	Czech Republic	100.00	-
Home Credit Egypt Trade S.A.E. [1)]	Egypt	100.00	100.00
Credis Invest (Hong Kong) Ltd. [5)]	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	75.48	70.00
Home Credit Kazakhstan (JSC)	Kazakhstan	100.00	100.00
Home Credit and Finance Bank (SB JSC)	Kazakhstan	100.00	100.00
Eurasia Capital S.A. [6)]	Luxemburg	0.00	0.00
Eurasia Structured Finance No.1 S.A. [1) 6)]	Luxemburg	0.00	0.00
Eurasia Credit Card Company S.A. [1) 6)]	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 Lab N.V. [7)]	Netherlands	100.00	100.00
HC Philippines Holdings B.V.	Netherlands	100.00	100.00
Eurasia Structured Finance No.3 B.V. [6)]	Netherlands	0.00	0.00
Eurasia Structured Finance No.4 B.V. [6) 4)]	Netherlands	0.00	-
HC Consumer Finance Philippines, Inc. [8)]	Philippines	95.34	85.59
PPF Home Credit IFN S.A. [1)]	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
Home Credit Express (LLC) [9)]	Russian Federation	100.00	100.00
Bonus Center Operations (LLC)	Russian Federation	100.00	100.00

[1)] subsidiaries in the process of liquidation
[2)] subsidiaries acquired in 2014
[3)] in October 2014 Shenzhen Home Credit Guarantee Co., Ltd. was renamed to Shenzhen Home Credit Number One Consulting Co., Ltd.
[4)] subsidiary established in 2014
[5)] subsidiaries liquidated in 2014
[6)] special purpose entities established to facilitate the Group's issues of debt securities and subordinated liabilities
[7)] in August 2014 Home Credit Africa N.V. was renamed to Home Credit Lab N.V.
[8)] the Group's share on the voting rights in HC Consumer Finance Philippines, Inc. is 60.00%
[9)] in February 2014 Inko Technopolis (LLC) was renamed to Online Technologies (LLC) and in November 2014 to Home Credit Express (LLC)

1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 2014	2013
Home Credit Insurance (LLC)	Russian Federation	100.00	100.00
PPF Insurance (PSC) [1)]	Russian Federation	-	100.00
HC Finance (LLC) [2)]	Russian Federation	0.00	0.00
HC Finance No. 2 (LLC) [2) 3)]	Russian Federation	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) [3)]	USA	100.00	-
Home Credit US Holding (LLC) [3)]	USA	100.00	-
Easy Dreams Company Limited	Vietnam	100.00	100.00
Home Credit Vietnam Finance Company Limited [4)]	Vietnam	100.00	-

[1)] subsidiary sold in 2014
[2)] special purpose entities established to facilitate the Group's issues of debt securities and subordinated liabilities
[3)] subsidiaries established in 2014
[4)] PPF Vietnam Finance Company (LLC) was acquired in July 2014 and in November 2014 renamed to Home Credit Vietnam Finance Company Limited

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 servicing contracts; 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.

Associates	Country of incorporation	Ownership interest (%) 2014	2013
Společnost pro informační databáze (JSC)	Czech Republic	27.96	26.00
Filcommerce Holdings, Inc.	Philippines	40.00	40.00
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00

1. Description of the Group (continued)

Major acquisitions and disposals in 2014

Disposal of PPF Insurance (PSC)
In April 2014 the Group entered into a transaction regarding the sale of its 100% equity stake in PPF Insurance (PSC). The sales proceeds amounted to TEUR 8,633. The result of the transaction was a loss of TEUR 465.

Acquisitions in 2014
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 Vietnam Finance Company Limited and Home Credit Consumer Finance Co., Ltd. The transfer of ownership rights was subject to obtaining regulatory approvals by the respective regulators in Vietnam and China. These regulatory approvals were obtained in July and August 2014 for Home Credit Vietnam Finance Company Limited and Home Credit Consumer Finance Co., Ltd. respectively. As a result, the Group exercises control over these two entities.

The main reason for both acquisitions is the geographical expansion and diversification of the Group's business.

The transfer of ownership rights to CF Commercial Consulting (Beijing) Co., Ltd. is still subject to obtaining regulatory approvals by the respective regulators in China. Therefore, as of 31 December 2014 this company was not treated as a consolidated subsidiary.

Acquisition of Home Credit Vietnam Finance Company Limited

The acquisition price of Home Credit Vietnam Finance Company Limited was TEUR 70,000, and the acquisition date was 14 July 2014. In connection with the transaction, PPF Group N.V. increased the Group's share premium by TEUR 70,000.

The acquisition date fair values of identifiable assets acquired and liabilities assumed of Home Credit Vietnam Finance Company Limited are presented below:

	TEUR
ASSETS	
Cash and cash equivalents	40,689
Due from banks, other financial institutions and holding companies	19,514
Loans to customers	175,119
Deferred tax assets	3,222
Intangible assets	7,495
Property and equipment	2,642
Other assets	10,660
Total assets	**259,341**
LIABILITIES	
Due to banks and other financial institutions	181,053
Debt securities issued	3,444
Negative fair value of derivative instruments	433
Current income tax liabilities	2,563
Other liabilities	11,241
Total liabilities	**198,734**

Acquisition date gross balances of loans to customers were TEUR 198,091, and the estimated contractual cash flows not expected to be collected were TEUR 22,972.

In the period since the acquisition date to 31 December 2014 Home Credit Vietnam Finance Company Limited contributed TEUR 67,839 and TEUR 15,794 to the Group's revenues and profit respectively.

The Group's management estimates that if the acquisition date had been as of the beginning of the annual period, Home Credit Vietnam Finance Company Limited would have contributed TEUR 149,168 and TEUR 34,415 to the Group's revenues and profit respectively in 2014.

1. Description of the Group (continued)

Acquisition of Home Credit Consumer Finance Co., Ltd.

The acquisition price of Home Credit Consumer Finance Co., Ltd. was TEUR 84,000, and the acquisition date was 7 August 2014. In connection with the transaction, PPF Group N.V. increased the Group's share premium by TEUR 45,495.

The acquisition date fair values of identifiable assets acquired and liabilities assumed of Home Credit Consumer Finance Co., Ltd. are presented below:

	TEUR
ASSETS	
Cash and cash equivalents	9,323
Due from banks, other financial institutions and holding companies	266
Loans to customers	72,976
Deferred tax assets	677
Intangible assets	4,531
Property and equipment	9,558
Other assets	1,713
Total assets	**99,044**
LIABILITIES	
Due to banks and other financial institutions	57,266
Current income tax liabilities	159
Other liabilities	6,077
Total liabilities	**63,502**

Acquisition date gross balances of loans to customers were TEUR 76,623, and the estimated contractual cash flows not expected to be collected were TEUR 3,647.

In the period since the acquisition date to 31 December 2014 Home Credit Consumer Finance Co., Ltd. contributed TEUR 18,803 and TEUR 2,265 to the Group's revenues and profit respectively.

The Group's management estimates that if the acquisition date had been as of the beginning of the annual period, Home Credit Consumer Finance Co., Ltd. would have contributed TEUR 30,745 and TEUR 1,980 to the Group's revenues and profit respectively in 2014.

Major acquisitions in 2013

In January 2013 the Group entered into a series of transactions whereby it acquired certain insurance operations in the CIS region. On 28 March 2013 the transactions were settled, and the following subsidiaries were acquired:

- Generali (FICJSC) (subsequently renamed to PPF Insurance (FICJSC))
- Generali PPF General Insurance (LLC) (subsequently renamed to PPF General Insurance (LLC) and then to Home Credit Insurance (LLC))
- Generali PPF Insurance (PSC) (subsequently renamed to PPF Insurance (PSC))
- Generali PPF Life Insurance (LLC) (subsequently renamed to PPF Life Insurance (LLC))

The acquisition of PPF Insurance (FICJSC) and Home Credit Insurance (LLC) was part of the Group's strategy to support the core Group's business by offering insurance services on selected markets.

PPF Insurance (PSC) and PPF Life Insurance (LLC) were not considered to be supporting the Group's strategy. However, the selling party's offer included all four companies, and the Group's decision was to accept the offer and subsequently re-sell PPF Insurance (PSC) and PPF Life Insurance (LLC).

In April 2013 the Group completed the sale of PPF Life Insurance (LLC) to the Group's parent company. The sale price was equal to the acquisition price; the transaction had no impact on the Group's profit or loss.

As at 31 December 2013 assets and liabilities of PPF Insurance (PSC) were reported as assets and liabilities classified as held for sale (Note 5). The sale of PPF Insurance (PSC) was completed in 2014.

1. Description of the Group (continued)

Acquisition of Home Credit Insurance (LLC)

The acquisition price of Home Credit Insurance (LLC) was TEUR 10,300. The acquisition date fair values of identifiable assets acquired and liabilities assumed of Home Credit Insurance (LLC) are presented below:

	TEUR
ASSETS	
Cash and cash equivalents	14,180
Due from banks, other financial institutions and holding companies	11,569
Financial assets available-for-sale	27,318
Financial assets held-to-maturity	3
Current income tax receivables	583
Deferred tax assets	18,670
Intangible assets	11,234
Property and equipment	30
Other assets	118,417
Total assets	**202,004**
LIABILITIES	
Deferred tax liabilities	22,629
Insurance and other provisions	126,650
Other liabilities	15,452
Total liabilities	**164,731**

In the period since the acquisition date to 31 December 2013 Home Credit Insurance (LLC) contributed TEUR 77,327 and TEUR 10,022 to the Group's revenues and profit respectively.

The Group's management estimates that if the acquisition date had been as of the beginning of the annual period, Home Credit Insurance (LLC) would have contributed TEUR 100,675 and TEUR 11,541 to the Group's revenues and profit respectively in 2013.

1. Description of the Group (continued)

Acquisition of PPF Insurance (FICJSC) and PPF Insurance (PSC)

The aggregate acquisition price of PPF Insurance (FICJSC) and PPF Insurance (PSC) was TEUR 10,420. The acquisition date fair values of identifiable assets acquired and liabilities assumed of PPF Insurance (FICJSC) and PPF Insurance (PSC) are presented below:

	TEUR
ASSETS	
Cash and cash equivalents	1,355
Due from banks, other financial institutions and holding companies	13,132
Financial assets available-for-sale	586
Deferred tax assets	629
Intangible assets	854
Property and equipment	67
Other assets	1,980
Total assets	**18,603**
LIABILITIES	
Current accounts and deposits from customers	817
Current income tax liabilities	63
Insurance and other provisions	3,657
Other liabilities	168
Total liabilities	**4,705**

In the period since the acquisition date to 31 December 2013 PPF Insurance (FICJSC) and PPF Insurance (PSC) contributed in aggregate TEUR 7,100 and TEUR 2,200 to the Group's revenues and profit respectively.

The Group's management estimates that if the acquisition date had been as of the beginning of the annual period, PPF Insurance (FICJSC) and PPF Insurance (PSC) would have contributed in aggregate TEUR 8,091 and TEUR 2,865 to the Group's revenues and profit respectively in 2013.

Income from excess of acquired net fair value over costs of Home Credit Insurance (LLC), PPF Insurance (FICJSC) and PPF Insurance (PSC) was recognized as part of other operating income (Note 32). Such excess of acquired net fair value over costs was primarily attributable to the recognition as of the acquisition date of intangible assets representing the fair value of contractual rights and obligations acquired as well as to the dependence of the acquired entities' business on Group entities.

2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries.

(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.

The Company has also prepared the unconsolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRSs, including IASs, promulgated by the IASB and interpretations issued by the 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 presentation currency. Financial information presented in EUR has been rounded to the nearest thousand (TEUR).

(d) Changes in comparative numbers

Stamp duties paid were previously presented as an item reducing penalty fee income. In 2014 they are presented as part of fee and commission expense.

Accordingly, stamp duties of TEUR 7,429 charged in 2013 were reclassified from penalty fees in fee and commission income to fee and commission expense in order to conform to the presentation in 2014.

The reclassification had no impact on the Group's result or equity.

(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.

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.

2. Basis of preparation (continued)

(f) 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.

(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 by all Group entities.

(a) Foreign currency

(i) Foreign currency transactions

A foreign currency transaction is a transaction that is denominated 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 recognized in other comprehensive income (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss).

3. Significant accounting policies (continued)

(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 subsidiaries incorporated in the Republic of Belarus is the Belarusian Ruble (BYR). In 2013 and 2014 this currency was identified as a currency of a hyperinflationary economy. Therefore, requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies were applied.

While in the previous year the Group translated assets and liabilities in Russian Rubles (RUB) using the foreign exchange rate as published by the European Central Bank, for the translation of the current year end balances, the exchange rate as published by the Central Bank of Russia has been used. This source has been used in order to harmonise the foreign exchange rates used across the group entities.

(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. Minimum reserve deposits with respective central banks are not considered to be cash equivalents if restrictions on their withdrawal are placed.

(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.

3. Significant accounting policies (continued)

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 held-to-maturity 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, financial instruments at fair value through profit or loss or held-to-maturity investments.

(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 and held-to-maturity investments, 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

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.

3. Significant accounting policies (continued)

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist 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 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 and equity securities available-for-sale is based on their quoted market price. Derivative contracts are not exchange traded and their fair value is estimated using arbitrage pricing models 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.

(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.

3. Significant accounting policies (continued)

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.

Loans and receivables with renegotiated terms are those that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Group makes concessions that it would not otherwise consider. Restructuring is one of indicators of an asset's impairment.

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.

(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.

3. Significant accounting policies (continued)

(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.

(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 recognized 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 recognized as other comprehensive income in equity. The amount recognized 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 recognized 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 recognized 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 recognized 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.

3. Significant accounting policies (continued)

(ii) Other intangible assets

Intangible assets 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	1 - 7 years

(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	2 - 5 years
Vehicles	3 - 8 years
Furniture	2 - 10 years
Leasehold improvements	1 - 10 years
Buildings	10 - 50 years

3. Significant accounting policies (continued)

(f) Impairment of non-financial assets

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

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) Insurance provisions

(i) Provisions for unearned premiums

Provisions for unearned premiums comprise that part of gross premiums written attributable to subsequent periods, calculated separately for each insurance contract.

(ii) Provisions for outstanding claims and other insurance provisions

Provisions for outstanding claims represent the total estimated cost of settling all claims arising from events which have occurred up to the reporting date, whether reported or not, less amounts already paid in respect of such claims. These provisions include claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

Other insurance provisions contain all other insurance technical provisions not mentioned above, such as the provision for unexpired risks (also referred to as the "premium deficiency"), the provision for contractual non-discretionary bonuses and other similar provisions.

3. Significant accounting policies (continued)

(iii) Deferred acquisition costs of insurance contracts

Direct costs arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition deferred acquisition costs are amortized over the period in which the related revenues are earned. The reinsurers' shares of deferred acquisition costs are amortized in the same manner as the underlying asset amortization is recorded.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of comprehensive income.

Deferred acquisition costs are derecognized when the related insurance contracts are either settled or disposed of.

(i) 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.

(j) 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.

(k) 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.

Share premium decreases and other capital distributions are recognized as a liability provided they are declared before the end of the reporting period. Capital distributions 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.

(l) 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.

3. Significant accounting policies (continued)

(m) 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.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Group from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognized based on the Group's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Group does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognized in profit or loss when the Group provides the agency service to the insurance company.

(n) Penalty fees

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

(o) 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.

(p) Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

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.

(q) 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.

3. Significant accounting policies (continued)

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.

(r) 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 Company.

(s) 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 gross insurance premiums earned.

(t) 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 effectiveness 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.

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.

3. Significant accounting policies (continued)

(u) 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 2014, 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.

IFRS 9 Financial Instruments (effective date: 1 January 2018)

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.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2017)

In May 2014 IASB and the Financial Accounting Standards Board (FASB), responsible for US Generally Accepted Accounting Principles (US GAAP) jointly issued a converged Standard on the recognition of revenue from contracts with customers. The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 has not yet been adopted by the EU.

Amendments to IAS 1 Presentation of Financial Statements (effective from 1 January 2016)

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:
- immaterial information can detract from useful information;
- materiality applies to the whole of the financial statements; and
- materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended, to:
- remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements; and
- clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

3. Significant accounting policies (continued)

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle (effective from 1 July 2014) and Annual Improvements 2012-2014 Cycle (effective from 1 January 2016)

In December 2013 the IASB published two Cycles of the Annual Improvements to IFRSs: "2010-2012 Cycle" and "2011-2013 Cycle". And in September 2014 the "2012-2014 Cycle" was finalised. The Annual Improvements to IFRSs are part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The first two new cycles of improvements contain amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 and IAS 40, with consequential amendments to other standards and interpretations. The "2012-2014 Cycle" contains amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. All these Annual Improvements have not yet been adopted by the EU.

4. Financial risk management

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

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

(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, other financial institutions and holding companies, financial assets at fair value through profit or loss, financial assets available-for-sale and other assets.

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

- Formulating credit policies in consultation with business units covering credit assessment, underwriting policies, collection policies and risk reporting by business units and loan classes;
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit's management, large exposures and new types of exposures require Group approval. The Group uses one central loan administration system to facilitate loan underwriting;
- Continuous monitoring of performance of individual Group's credit exposures by countries, product classes and distribution channels;

4. Financial risk management (continued)

- 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.

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.

4. Financial risk management (continued)

Administrative and personal collection

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

Late collection

The late collection procedures usually start when a loan becomes 90 days overdue. Usage of external agencies or internal field collector methods is typically considered.

Legal collection, debt sell

Loans with outstanding repayments that have been overdue above 360 days are referred to the Group's external legal counsel, who informs the customer through formal correspondence that the loan is closed and that legal action will commence against the customer. As an alternative, debt sell to collection agencies may be also considered. The price setup must be approved by the ALCO.

4. Financial risk management (continued)

Exposure to credit risk

	As of 31 December 2014				
	POS loans	**Cash loans**	**Revolving loans**	**Other[1)]**	**Total**
	TEUR	TEUR	TEUR	TEUR	**TEUR**
Individually impaired					
Gross amount	-	-	-	4,317	4,317
Allowance for impairment	-	-	-	(943)	(943)
Carrying amount	**-**	**-**	**-**	**3,374**	**3,374**
Not impaired	**-**	**-**	**-**	**2,831**	**2,831**
Collectively impaired					
Gross amount	1,691,134	3,508,194	729,782	109,237	6,038,347
Current	1,482,810	2,732,164	490,724	81,163	4,786,861
Past due 1 – 90 days	23,053	228,853	72,019	5,420	329,345
Past due 91 – 360 days	165,560	499,659	140,413	4,266	809,898
Past due more than 360 days	19,711	47,518	26,626	18,388	112,243
Allowance for impairment	(200,246)	(597,515)	(163,001)	(24,276)	(985,038)
Carrying amount	**1,490,888**	**2,910,679**	**566,781**	**84,961**	**5,053,309**
Total carrying amount	**1,490,888**	**2,910,679**	**566,781**	**91,166**	**5,059,514**

Exposure to credit risk

	As of 31 December 2013				
	POS loans	**Cash loans**	**Revolving loans**	**Other[1)]**	**Total**
	TEUR	TEUR	TEUR	TEUR	**TEUR**
Individually impaired					
Gross amount	-	-	-	2,835	2,835
Allowance for impairment	-	-	-	(1,264)	(1,264)
Carrying amount	**-**	**-**	**-**	**1,571**	**1,571**
Not impaired	**-**	**-**	**-**	**2,171**	**2,171**
Collectively impaired					
Gross amount	2,212,836	5,009,642	994,790	138,141	8,355,409
Current	1,885,555	3,891,297	734,614	111,251	6,622,717
Past due 1 – 90 days	135,075	464,613	112,570	6,246	718,504
Past due 91 – 360 days	174,066	606,113	121,908	8,772	910,859
Past due more than 360 days	18,140	47,619	25,698	11,872	103,329
Allowance for impairment	(219,114)	(808,836)	(136,319)	(23,598)	(1,187,867)
Carrying amount	**1,993,722**	**4,200,806**	**858,471**	**114,543**	**7,167,542**
Total carrying amount	**1,993,722**	**4,200,806**	**858,471**	**118,285**	**7,171,284**

[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:

	2014 Portfolio TEUR	2014 % of loan portfolio	2013 Portfolio TEUR	2013 % of loan portfolio
Pledged assets	125,858	2.1	146,437	1.8
Unsecured (no collateral)	5,919,637	97.9	8,213,978	98.2
Total	**6,045,495**		**8,360,415**	

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

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

Offsetting financial assets and financial liabilities

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

International Derivative Swaps and Dealers Association Master Netting Agreements and similar master netting arrangements do not meet the criteria for offsetting in the consolidated statement of financial position. Therefore, as at 31 December 2014 the reported balances of positive and negative fair values of derivatives of TEUR 144,846 (31 December 2013: TEUR 18,908) and TEUR 5,583 (31 December 2013: TEUR 17,962) respectively do not include any amounts offset.

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

Global Master Repurchase Agreements and similar agreements do not meet the criteria for offsetting in the consolidated statement of financial position. Therefore, as at 31 December 2014 the reported balances of loans and advances provided under repo operations of TEUR 0 (31 December 2013: TEUR 190,937) did not include any amounts offset. The remaining balance of due from banks, other financial institutions and holding companies of TEUR 171,829 (31 December 2013: TEUR 219,296) was not subject to any offsetting arrangements.

As at 31 December 2014 the reported balances of loans received under repo operations of TEUR 102,035 (31 December 2013: TEUR 0) did not include any amounts offset. The remaining balance of due to banks and other financial institutions of TEUR 1,332,114 (31 December 2013: TEUR 604,421) was not subject to any offsetting arrangements.

4. Financial risk management (continued)

(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 the 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 central banks, debt securities, inter-company loans, subordinated debt and contributions by shareholders (refer to Notes 18, 19, 20, 23 and 25). 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 38 for outstanding loan commitments that may impact liquidity requirements.

	2014						2013					
TEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Cash and cash equivalents	865,552	-	-	-	-	865,552	926,483	-	-	-	-	926,483
Due from banks, other financial institutions and holding companies	13,588	36,037	69,553	609	52,042	171,829	207,823	92,322	22,413	534	87,141	410,233
Loans to customers	1,153,112	2,187,751	1,679,778	38,873	-	5,059,514	1,691,207	3,138,113	2,291,723	50,241	-	7,171,284
Positive fair value of derivative instruments	4,799	62,288	77,759	-	-	144,846	275	11,039	7,594	-	-	18,908
Financial assets available-for-sale	218,862	48,351	11,730	27,229	-	306,172	125,631	2,915	17,266	6,979	5,714	158,505
Financial assets held-to-maturity	-	-	-	-	-	-	-	3,440	-	-	-	3,440
Assets classified as held for sale	-	5,705	-	-	-	5,705	-	14,724	-	-	-	14,724
Current income tax receivables	11	20,243	12	-	-	20,266	1,068	5,245	9,585	-	-	15,898
Deferred tax assets	1,532	10,300	13,193	-	41,142	66,167	546	11,894	13,616	-	23,654	49,710
Investments in associates	-	-	-	-	2,252	2,252	-	-	-	-	3,589	3,589
Intangible assets	-	-	-	-	100,466	100,466	-	-	-	-	94,913	94,913
Property and equipment	-	-	-	-	157,603	157,603	-	-	-	-	233,267	233,267
Other assets	53,631	39,069	33,170	1,799	8,541	136,210	62,593	47,941	96,519	2,464	2,896	212,413
Total assets	**2,311,087**	**2,409,744**	**1,885,195**	**68,510**	**362,046**	**7,036,582**	**3,015,626**	**3,327,633**	**2,458,716**	**60,218**	**451,174**	**9,313,367**
Current accounts and deposits from customers	1,234,931	1,360,154	294,881	-	-	2,889,966	2,126,969	2,734,876	243,557	-	-	5,105,402
Due to banks and other financial institutions	669,635	731,186	33,328	-	-	1,434,149	115,846	442,965	45,610	-	-	604,421
Debt securities issued*	3,055	173,448	398,609	-	-	575,112	373,270	194,032	553,613	-	-	1,120,915
Negative fair value of derivative instruments	2,853	2,064	666	-	-	5,583	8,268	9,690	4	-	-	17,962
Liabilities classified as held for sale	-	-	-	-	-	-	-	1,574	-	-	-	1,574
Current income tax liabilities	29,553	4,007	-	-	-	33,560	24,643	2,644	-	-	-	27,287
Deferred tax liabilities	6	134	1,031	-	1,874	3,045	5,014	-	-	-	-	5,014
Insurance and other provisions	-	6,493	3	-	74,432	80,928	-	8,994	25	-	121,316	130,335
Subordinated liabilities*	-	9,856	532,441	-	-	542,297	-	9,283	358,710	143,468	-	511,461
Other liabilities	179,646	49,482	3,227	710	-	233,065	186,027	62,955	6,119	1,424	-	256,525
Total liabilities	**2,119,679**	**2,336,824**	**1,264,186**	**710**	**76,306**	**5,797,705**	**2,840,037**	**3,467,013**	**1,207,638**	**144,892**	**121,316**	**7,780,896**
Net position	**191,408**	**72,920**	**621,009**	**67,800**	**285,740**	**1,238,877**	**175,589**	**(139,380)**	**1,251,078**	**(84,674)**	**329,858**	**1,532,471**

* Debt securities and subordinated liabilities are classified considering early redemption rights (refer to Note 20 and Note 23).

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.

TEUR	2014 Less than 3 months	2014 3 months to 1 year	2014 1 to 5 years	2014 More than 5 years	2014 Total	2013 Less than 3 months	2013 3 months to 1 year	2013 1 to 5 years	2013 More than 5 years	2013 Total
Current accounts and deposits from customers	1,255,653	1,449,078	342,399	-	3,047,130	2,142,670	2,872,615	275,531	-	5,290,816
Due to banks and other financial institutions	691,677	775,820	36,777	-	1,504,274	125,936	489,680	53,358	-	668,974
Debt securities issued*	7,127	194,745	444,944	-	646,816	384,129	220,704	625,661	-	1,230,494
Subordinated liabilities*	-	51,924	681,138	-	733,062	-	49,016	540,192	152,003	741,211
Total	**1,954,457**	**2,471,567**	**1,505,258**	**-**	**5,931,282**	**2,652,735**	**3,632,015**	**1,494,742**	**152,003**	**7,931,495**

* Debt securities and subordinated liabilities are classified considering early redemption rights (refer to Note 20 and Note 23).

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 2014 would be TEUR 41,500 higher/lower (2013: TEUR 59,364). 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 37). 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 particular, the depreciation of the Russian Ruble (RUB) was the major contributor to the change in currency translation reserve in 2014.

In 2011 - 2014 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	2014 Effective interest rate	2014 Less than 3 months	2014 3 months to 1 year	2014 1 to 5 years	2014 More than 5 years	2014 Total	2013 Effective interest rate	2013 Less than 3 months	2013 3 months to 1 year	2013 1 to 5 years	2013 More than 5 years	2013 Total
Interest bearing financial assets												
Cash and cash equivalents	1.5%	865,552	-	-	-	865,552	0.5%	926,483	-	-	-	926,483
Due from banks, other financial institutions and holding companies	8.9%	13,588	36,037	69,553	609	119,787	6.4%	207,823	114,609	126	534	323,092
Loans to customers, net	38.3%	1,153,112	2,187,751	1,679,778	38,873	5,059,514	36.3%	1,113,805	1,962,418	3,995,130	99,931	7,171,284
Financial assets available-for-sale	6.0%	218,862	48,351	11,730	27,229	306,172	4.4%	125,631	2,915	17,266	6,979	152,791
Financial assets held-to-maturity	-	-	-	-	-	-	5.6%	-	3,440	-	-	3,440
Total interest bearing financial assets	**31.2%**	**2,251,114**	**2,272,139**	**1,761,061**	**66,711**	**6,351,025**	**30.7%**	**2,373,742**	**2,083,382**	**4,012,522**	**107,444**	**8,577,090**
Interest bearing financial liabilities												
Current accounts and deposits from customers	11.7%	1,234,931	1,360,154	294,881	-	2,889,966	9.2%	2,126,969	2,734,846	243,557	-	5,105,372
Due to banks and other financial institutions	10.8%	710,602	690,219	33,328	-	1,434,149	11.3%	133,334	425,477	45,610	-	604,421
Debt securities issued	8.7%	3,055	173,448	398,609	-	575,112	8.1%	373,270	194,032	553,613	-	1,120,915
Subordinated liabilities	10.1%	-	9,856	532,441	-	542,297	10.1%	-	9,283	358,710	143,468	511,461
Total interest bearing financial liabilities	**11.0%**	**1,948,588**	**2,233,677**	**1,259,259**	**-**	**5,441,524**	**9.3%**	**2,633,573**	**3,363,638**	**1,201,490**	**143,468**	**7,342,169**

4. Financial risk management (continued)

Foreign currency position

TEUR	2014								
	RUB	**CZK**	**EUR**	**USD**	**CNY**	**KZT**	**VND**	**Other currencies**	**Total**
Cash and cash equivalents	393,029	8,571	78,760	59,974	262,895	9,948	35,102	17,273	865,552
Due from banks, other financial institutions and holding companies	50,772	3,607	501	90,932	13,863	14	-	12,140	171,829
Loans to customers	3,090,863	60,910	25,730	34,273	1,056,528	455,910	200,411	134,889	5,059,514
Positive fair value of derivative instruments	7,573	54	2,006	135,213	-	-	-	-	144,846
Financial assets available-for-sale	116,251	24,348	-	165,573	-	-	-	-	306,172
Assets classified as held for sale	5,705	-	-	-	-	-	-	-	5,705
Current income tax receivables	11,432	4,090	3,801	-	-	931	-	12	20,266
Deferred tax assets	37,197	715	16,477	-	7,072	-	3,946	760	66,167
Investments in associates	2,252	-	-	-	-	-	-	-	2,252
Intangible assets	30,514	52,767	3,831	-	2,498	2,607	4,370	3,879	100,466
Property and equipment	109,040	3,309	705	4	19,415	12,913	3,986	8,231	157,603
Other assets	49,305	32,072	24,503	735	6,543	5,625	9,625	7,802	136,210
Total assets	**3,903,933**	**190,443**	**156,314**	**486,704**	**1,368,814**	**487,948**	**257,440**	**184,986**	**7,036,582**
Current accounts and deposits from customers	2,503,723	-	61,009	145,042	-	124,556	-	55,636	2,889,966
Due to banks and other financial institutions	345,098	42,701	52,983	118,160	706,082	32,889	116,850	19,386	1,434,149
Debt securities issued	190,764	269,321	8,384	-	-	62,039	44,604	-	575,112
Negative fair value of derivative instruments	-	2,438	-	2,392	-	87	666	-	5,583
Current income tax liabilities	-	-	-	-	31,326	-	1,959	275	33,560
Deferred tax liabilities	2,399	109	-	-	-	537	-	-	3,045
Insurance and other provisions	69,289	-	217	-	-	-	-	11,422	80,928
Subordinated liabilities	-	-	-	542,297	-	-	-	-	542,297
Other liabilities	50,169	49,660	19,191	1,209	77,908	17,378	9,181	8,369	233,065
Total liabilities	**3,161,442**	**364,229**	**141,784**	**809,100**	**815,316**	**237,486**	**173,260**	**95,088**	**5,797,705**
Effect of foreign currency derivatives	(329,581)	225,475	(373,901)	583,539	-	(123,644)	(17,666)	35,778	-
Net position	**412,910**	**51,689**	**(359,371)**	**261,143**	**553,498**	**126,818**	**66,514**	**125,676**	**1,238,877**

4. Financial risk management (continued)

Foreign currency position

TEUR	2013							
	RUB	**CZK**	**EUR**	**USD**	**CNY**	**KZT**	**Other currencies**	**Total**
Cash and cash equivalents	409,338	27,372	42,903	306,761	108,693	16,764	14,652	926,483
Due from banks, other financial institutions and holding companies	176,827	46,641	28,160	109,936	12,989	29,441	6,239	410,233
Loans to customers	5,790,855	65,405	33,732	39,471	644,497	481,305	116,019	7,171,284
Positive fair value of derivative instruments	8,185	-	-	-	-	24	10,699	18,908
Financial assets available-for-sale	49,675	-	-	108,830	-	-	-	158,505
Financial assets held-to-maturity	-	-	-	-	-	-	3,440	3,440
Assets classified as held for sale	14,724	-	-	-	-	-	-	14,724
Current income tax receivables	10,631	4,754	1	-	-	491	21	15,898
Deferred tax assets	23,654	1,282	19,722	-	4,579	356	117	49,710
Investments in associates	3,589	-	-	-	-	-	-	3,589
Intangible assets	47,852	38,534	3,857	-	1,100	2,330	1,240	94,913
Property and equipment	206,681	2,106	526	-	3,458	13,831	6,665	233,267
Other assets	99,734	28,620	68,419	953	5,204	5,380	4,103	212,413
Total assets	**6,841,745**	**214,714**	**197,320**	**565,951**	**780,520**	**549,922**	**163,195**	**9,313,367**
Current accounts and deposits from customers	4,683,116	-	53,922	114,802	-	193,719	59,843	5,105,402
Due to banks and other financial institutions	26,522	19,161	25,480	1,880	436,455	93,752	1,171	604,421
Debt securities issued	466,385	253,945	-	368,153	-	32,432	-	1,120,915
Negative fair value of derivative instruments	3,238	14,689	-	-	-	-	35	17,962
Liabilities classified as held for sale	1,574	-	-	-	-	-	-	1,574
Current income tax liabilities	-	-	2,643	-	21,888	1	2,755	27,287
Deferred tax liabilities	5,014	-	-	-	-	-	-	5,014
Insurance and other provisions	125,077	-	-	-	-	-	5,258	130,335
Subordinated liabilities	-	-	-	511,461	-	-	-	511,461
Other liabilities	101,851	49,446	30,227	938	50,962	14,000	9,101	256,525
Total liabilities	**5,412,777**	**337,241**	**112,272**	**997,234**	**509,305**	**333,904**	**78,163**	**7,780,896**
Effect of foreign currency derivatives	(388,118)	231,753	(248,405)	437,989	-	(53,860)	20,641	-
Net position	**1,040,850**	**109,226**	**(163,357)**	**6,706**	**271,215**	**162,158**	**105,673**	**1,532,471**

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 2014 and 2013 and a simplified scenario of a 5% change in RUB, USD, CZK, CNY, KZT and VND to EUR exchange rates is shown below:

	Total effect 2014 TEUR	Total effect 2013 TEUR
Effect of 5% RUB depreciation against EUR	(20,645)	(52,043)
Effect of 5% RUB appreciation against EUR	20,645	52,043
Effect of 5% USD depreciation against EUR	(13,057)	(335)
Effect of 5% USD appreciation against EUR	13,057	335
Effect of 5% CZK depreciation against EUR	(2,584)	(5,461)
Effect of 5% CZK appreciation against EUR	2,584	5,461
Effect of 5% CNY depreciation against EUR	(27,675)	(13,561)
Effect of 5% CNY appreciation against EUR	27,675	13,561
Effect of 5% KZT depreciation against EUR	(6,341)	(8,108)
Effect of 5% KZT appreciation against EUR	6,341	8,108
Effect of 5% VND depreciation against EUR	(3,326)	-
Effect of 5% VND appreciation against EUR	3,326	-

(d) Insurance risk

The main risk faced by the Group as part of the insurance business is the difference in actual and expected claims for insurance benefits and claims. Insurance risk on insurance contracts is divided into price risk and the reserve deficiency risk.

Price risk

Price risk arises due to the fact that insurance premiums may not be sufficient to cover future losses and expenses on insurance contracts. To manage price risk the Group regularly analyses profitability in the context of insurance products and makes appropriate adjustments in pricing and underwriting policies of the Group.

Reserve deficiency risk

Reserve deficiency risk arises from the uncertainty regarding the development of loss reserves in the future and takes into account the likelihood that insurance reserves are insufficient to meet the Group's obligations to policyholders. Managing this risk is performed through regular checking adequacy of loss reserves and loss analysis of insurance products including sensitivity analysis of insurance reserves to changes in expected insurance contract loss rates.

Insurance risks are reduced through diversification of a large portfolio of insurance contracts, as well as the allocation of geographic regions, which is the Group's main criterion when determining insurance risk concentrations.

4. Financial risk management (continued)

(e) 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 the senior management of the Group.

(f) Capital management

The Company considers share capital, share premium, statutory reserves and other reserves as 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 Bank for International Settlements in connection with commitments arising from funding operations. The Group's policy in this respect is to support the subsidiaries with capital as necessary in order to maintain the subsidiaries' full compliance with capital regulations described above.

5. Assets and liabilities classified as held for sale

Assets classified as held for sale as at 31 December 2014 represent items of property and equipment which are subject to sale transactions in connection with branch closures and assets acquired through court decisions on defaulted mortgages.

Assets and liabilities classified as held for sale as at 31 December 2013 represent all assets and liabilities of PPF Insurance (PSC) and assets acquired through court decisions on defaulted mortgages.

In the segment analysis (Note 6), assets and liabilities classified as held for sale are presented within the Russian Federation segment.

	2014 TEUR	2013 TEUR
ASSETS		
Cash and cash equivalents	-	571
Due from banks, other financial institutions and holding companies	-	2,444
Financial assets available-for-sale	-	3,761
Deferred tax assets	-	624
Intangible assets	-	628
Property and equipment	1,932	15
Other assets	3,773	6,681
Total assets	**5,705**	**14,724**
LIABILITIES		
Due to banks and other financial institutions	-	1
Insurance and other provisions	-	1,431
Other liabilities	-	142
Total liabilities	**-**	**1,574**

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, the Socialist Republic of Vietnam 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.

Vietnam became a new geographical segment in July 2014 following the acquisition of Home Credit Vietnam Finance Company Limited (Note 1).

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 2014 TEUR	**Czech Republic 2014 TEUR**	**Slovak Republic 2014 TEUR**	**Belarus 2014 TEUR**	**Kazakhstan 2014 TEUR**	**Vietnam 2014 TEUR**	**China 2014 TEUR**	**Other 2014 TEUR**	**Unallocated [1] 2014 TEUR**	**Eliminations 2014 TEUR**	**Consolidated 2014 TEUR**
Revenue from external customers [2]	1,715,583	15,746	12,230	79,459	204,050	71,588	454,578	16,344	10,191	-	2,579,769
Inter-segment revenue	12,555	-	8	-	-	-	-	449	1,354	(14,366)	-
Total revenue	**1,728,138**	**15,746**	**12,238**	**79,459**	**204,050**	**71,588**	**454,578**	**16,793**	**11,545**	**(14,366)**	**2,579,769**
Net interest income from external customers	871,500	5,541	5,344	33,332	110,171	45,379	299,563	12,280	(5,887)	-	1,377,223
Inter-segment net interest income	12,514	-	8	(969)	(4,861)	(1,196)	-	195	(6,437)	746	-
Total net interest income	**884,014**	**5,541**	**5,352**	**32,363**	**105,310**	**44,183**	**299,563**	**12,475**	**(12,324)**	**746**	**1,377,223**

[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 and gross insurance premiums earned.

6. Segment reporting (continued)

	Russian Federation	Czech Republic	Slovak Republic	Belarus	Kazakhstan	Vietnam	China	Other	Unallocated [1]	Eliminations	Consolidated
	2014 TEUR	2014 TEUR	2014 TEUR	2014 TEUR	2014 TEUR	2014 TEUR	2014 TEUR	2014 TEUR	2014 TEUR	2014 TEUR	2014 TEUR
Income tax benefit/(expense)	31,845	(3,369)	(1,610)	(1,426)	(8,410)	(3,508)	(30,744)	(1,733)	(4,192)	-	(23,147)
Segment result	**(117,079)**	**10,480**	**5,535**	**2,071**	**34,600**	**12,191**	**63,999**	**(49,695)**	**(22,785)**	**226**	**(60,457)**
Depreciation and amortization	(51,284)	(1,173)	(403)	(2,922)	(6,106)	(1,919)	(4,115)	(18,619)	-	6,903	(79,638)
Other significant non-cash expenses [2]	(914,351)	(3,655)	(2,111)	(11,553)	(57,130)	(18,916)	(116,990)	(4,831)	-	-	(1,129,537)
Capital expenditure	(34,536)	(2,405)	(606)	(5,895)	(11,431)	(5,568)	(11,755)	(16,949)	-	16,078	(73,067)
Segment assets [3]	**4,488,272**	**103,125**	**59,128**	**148,609**	**505,339**	**274,983**	**1,368,566**	**171,019**	**150,298**	**(319,190)**	**6,950,149**
Investments in associates	2,252	-	-	-	-	-	-	-	-	-	2,252
Segment liabilities [3]	**3,901,814**	**56,849**	**40,708**	**112,472**	**370,086**	**205,893**	**793,070**	**78,516**	**510,209**	**(308,517)**	**5,761,100**
Segment equity [3]	**632,688**	**49,760**	**28,122**	**36,622**	**135,333**	**71,077**	**551,242**	**94,041**	**(349,335)**	**(10,673)**	**1,238,877**

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

6. Segment reporting (continued)

	Russian Federation 2013 TEUR	Czech Republic 2013 TEUR	Slovak Republic 2013 TEUR	Belarus 2013 TEUR	Kazakhstan 2013 TEUR	China 2013 TEUR	Other 2013 TEUR	Unallocated [1] 2013 TEUR	Eliminations 2013 TEUR	Consolidated 2013 TEUR
Revenue from external customers [2]	2,640,055	32,478	26,781	60,585	215,770	290,140	5,113	8,134	-	3,279,056
Inter-segment revenue	7,233	-	-	-	-	-	327	2,252	(9,812)	-
Total revenue	**2,647,288**	**32,478**	**26,781**	**60,585**	**215,770**	**290,140**	**5,440**	**10,386**	**(9,812)**	**3,279,056**
Net interest income from external customers	1,382,593	18,230	18,164	34,662	109,606	203,646	4,138	(8,555)	-	1,762,484
Inter-segment net interest income	7,233	(102)	(634)	(962)	(4,499)	-	(60)	(812)	(164)	-
Total net interest income	**1,389,826**	**18,128**	**17,530**	**33,700**	**105,107**	**203,646**	**4,078**	**(9,367)**	**(164)**	**1,762,484**
Income tax expense	(67,231)	(5,672)	(8,150)	(2,696)	(14,836)	(19,247)	30	3,528	-	(114,274)
Segment result	**164,454**	**19,730**	**25,416**	**7,799**	**60,908**	**72,706**	**(43,235)**	**18,347**	**(1,688)**	**324,437**
Depreciation and amortization	(54,243)	(1,096)	(327)	(2,117)	(2,546)	(1,932)	(13,702)	-	2,892	(73,071)
Other significant non-cash expenses [3]	(1,074,931)	(6,319)	(4,237)	(4,840)	(50,541)	(47,003)	(2,554)	-	-	(1,190,425)
Capital expenditure	(80,771)	(1,169)	(410)	(4,099)	(14,215)	(2,439)	(31,583)	-	6,602	(128,084)
Segment assets [4]	**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 [4]	**6,448,585**	**34,154**	**29,491**	**133,540**	**417,286**	**489,835**	**58,534**	**366,206**	**(229,036)**	**7,748,595**
Segment equity [4]	**1,093,021**	**76,100**	**51,978**	**33,619**	**135,311**	**268,846**	**47,642**	**(164,487)**	**(9,559)**	**1,532,471**

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 and gross insurance premiums earned.
3 Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.
4 Consolidation adjustments are included in Eliminations.

7. Critical accounting estimates and judgements

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 2014 TEUR	Fair value 2014 TEUR	Carrying amount 2013 TEUR	Fair value 2013 TEUR
Loans to customers	10	5,059,514	4,815,561	7,171,284	7,155,421
Current accounts and deposits from customers	18	(2,889,966)	(2,825,535)	(5,105,402)	(5,086,384)
Due to banks and other financial institutions	19	(1,434,149)	(1,436,291)	604,421	604,421
Debt securities issued	20	(575,112)	(633,767)	(1,120,915)	(1,124,688)
Subordinated liabilities	23	(542,297)	(389,725)	(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):

2014	Note	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Positive fair value of derivative instruments	11	-	141,524	3,322	144,846
Financial assets available-for-sale	12	279,778	26,394	-	306,172
Negative fair value of derivative instruments	21	-	(5,583)	-	(5,583)
		279,778	**162,335**	**3,322**	**445,435**

2013	Note	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
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	21	-	(17,928)	(34)	(17,962)
		158,505	**(9,720)**	**10,666**	**159,451**

There were no transfers between Level 1, 2 and 3 in 2014 or 2013.

7. Critical accounting estimates and judgements (continued)

Reconciliation of movements in Level 3:	2014	2013
	TEUR	TEUR
Financial assets		
Balance as at 1 January	10,700	10,534
Net gains recorded in profit or loss (included in Net gains/losses on financial assets and liabilities)	1,791	1,603
Net losses recorded in other comprehensive income	(909)	(1,437)
Purchases	2,006	2,379
Settlements	(10,266)	(2,379)
Balance as at 31 December	**3,322**	**10,700**

Fair values of derivative instruments presented in Level 3 represent foreign currency derivatives, refer to Note 11 and 21.

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. The financial instruments presented under the Level 3 category were contracted in Belarus and Kazakhstan (31 December 2013: all the Level 3 financial instruments were contracted in 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 and official interest rates published on Kazakhstan Stock Exchange.

The effect of change of interest rates for +/- 100 basis points on the positive fair value of derivative instruments is:

	2014	2013
	TEUR	TEUR
Financial instruments contracted in Belarus	6/(6)	31/(32)
Financial instruments contracted in Kazakhstan	272/(107)	-

The fair value of the foreign currency derivative instruments is sensitive to changes in BYR/EUR foreign currency exchange rate. The effect of change of BYR/EUR rate for +/- 1% on positive fair value of derivative instruments is TEUR 383/ (383) (31 December 2013: TEUR 277/ (173)).

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

	2014 TEUR	2013 TEUR
Cash on hand	252,341	216,895
Current accounts	417,974	429,596
Current accounts with central banks	82,212	155,293
Placements with financial institutions due within one month	113,025	124,699
	865,552	**926,483**

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

	2014 TEUR	2013 TEUR
Loans and term deposits with banks, other financial institutions and holding companies due in more than one month	142,612	166,750
Loans and advances provided under repo operations	-	190,937
Minimum reserve deposits with central banks	29,203	52,536
Other	14	10
	171,829	**410,233**

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

	2014 TEUR	2013 TEUR
Gross amount		
Cash loan receivables	3,508,194	5,009,642
POS loan receivables	1,691,134	2,212,836
Revolving loan receivables	729,782	994,790
Mortgage loan receivables	73,033	92,411
Car loan receivables	34,997	44,315
Loans to corporations	5,840	4,504
Other	2,515	1,917
	6,045,495	**8,360,415**
Collective allowances for impairment		
Cash loan receivables	(597,515)	(808,836)
POS loan receivables	(200,246)	(219,114)
Revolving loan receivables	(163,001)	(136,319)
Mortgage loan receivables	(4,506)	(3,119)
Car loan receivables	(18,619)	(19,112)
Loans to corporations	(770)	(981)
Other	(381)	(386)
	(985,038)	**(1,187,867)**
Specific allowances for impairment		
Loans to corporations	(943)	(1,264)
	(943)	**(1,264)**
	5,059,514	**7,171,284**

The Group regularly sells pools of certain customer loan receivables to related parties. 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 December 2014 cash loan receivables of TEUR 91,102 (31 December 2013: TEUR 135,048) served as collateral for debt securities issued (Note 20). As at 31 December 2014 cash loan receivables of TEUR 55,426 (31 December 2013: TEUR 0) and POS loan receivables of TEUR 34,469 (31 December 2013: TEUR 0) served as collateral for bank loan facilities (Note 19). As at 31 December 2014 POS loan receivables of TEUR 160,952 (31 December 2013: TEUR 0) served as collateral for corporate term deposits (Note 18).

Analysis of movements in allowances for impairment	**Note**	**2014 TEUR**	**2013 TEUR**
Balance as at 1 January		1,189,131	645,396
Balance acquired by business combinations		26,295	-
Translation difference		(314,164)	(98,721)
Impairment losses recognized in the statement of comprehensive income	33	1,116,368	1,185,949
Amount related to loans written off and disposed of		(1,031,649)	(543,493)
Balance as at 31 December		**985,981**	**1,189,131**

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. Positive fair value of derivative instruments

	Note	2014 TEUR	2013 TEUR
Positive fair value of trading derivative instruments	37	13,355	11,266
Positive fair value of hedging derivative instruments	37	131,491	7,642
		144,846	**18,908**

Cash flows from the hedging derivative instruments are expected to occur in 2015-2016.

12. Financial assets available-for-sale

	2014 TEUR	2013 TEUR
Debt securities	306,172	152,791
Equity securities	-	5,714
	306,172	**158,505**

13. Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2014 TEUR	2013 TEUR	2014 TEUR	2013 TEUR	2014 TEUR	2013 TEUR
Due from banks, other financial institutions and holding companies	-	285	(89)	(5,247)	(89)	(4,962)
Loans to customers	70,383	47,075	(2,972)	(6,801)	67,411	40,274
Fair value of financial assets and liabilities	476	648	(27,869)	(1,826)	(27,393)	(1,178)
Carrying value of property and equipment	54	99	(13,186)	(23,679)	(13,132)	(23,580)
Other assets	22,197	25,814	(17,931)	(23,133)	4,266	2,681
Debt securities issued	-	86	(8,923)	(746)	(8,923)	(660)
Tax loss carry forward	28,112	6	-	-	28,112	6
Other	17,698	35,579	(4,828)	(3,464)	12,870	32,115
Deferred tax assets/(liabilities)	138,920	109,592	(75,798)	(64,896)	63,122	44,696
Net deferred tax assets					**63,122**	**44,696**

As at 31 December 2014 the Group incurred tax losses from recent years of TEUR 477,770 (31 December 2013: TEUR 261,058) 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 as follows:

Year of expiration	**2014 TEUR**	**2013 TEUR**
2014	-	119
2015	16,090	10,675
2016	24,317	24,009
2017	7,677	1,376
2018	20,285	18,667
2019	24,668	11,447
2020	21,611	23,492
2021	20,828	18,412
2022	21,667	20,977
2023	170,600	-
Tax losses that can be carried forward indefinitely	150,027	131,884
Total	**477,770**	**261,058**

Analysis of movements in net deferred tax assets	**2014 TEUR**	**2013 TEUR**
Net deferred tax asset as at 1 January	44,696	18,658
Deferred tax income for the year	29,531	31,947
Deferred tax recognized directly in equity	(2,062)	(233)
Additions from business combinations	3,899	(3,810)
Net foreign exchange differences	(12,942)	(1,866)
Balance as at 31 December	**63,122**	**44,696**

14. Investments in associates

As at 31 December 2014 the Group had the following investments in associates:

	Country of incorporation	Ownership interest 2014 (%)	Carrying amount 2014 TEUR
Společnost pro informační databáze (JSC)	Czech Republic	27.96	-
Filcommerce Holdings, Inc.	Philippines	40.00	-
Equifax Credit Services (LLC)	Russian Federation	25.00	2,252
			2,252

As at 31 December 2013 the Group had the following investments in associates:

	Country of incorporation	Ownership interest 2013 (%)	Carrying amount 2013 TEUR
Společnost pro informační databáze (JSC)	Czech Republic	26.00	-
Filcommerce Holdings, Inc.	Philippines	40.00	-
Equifax Credit Services (LLC)	Russian Federation	25.00	3,589
			3,589

15. Intangible assets

2014	Goodwill TEUR	Software TEUR	Present value of future profits TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost					
Balance as at 1 January 2014	3,469	184,076	9,156	1,195	197,896
Additions through business combinations	-	2,352	-	-	2,352
Additions	-	54,396	-	209	54,605
Disposals	-	(2,607)	-	(66)	(2,673)
Transfers	-	337	-	(217)	120
Translation difference	-	(24,844)	(3,084)	(74)	(28,002)
Balance as at 31 December 2014	**3,469**	**213,710**	**6,072**	**1,047**	**224,298**
Accumulated amortization					
Balance as at 1 January 2014	-	98,699	3,596	688	102,983
Additions through business combinations	-	622	-	-	622
Charge for the year	-	30,969	2,610	59	33,638
Disposals	-	(540)	-	(66)	(606)
Transfers	-	1,629	-	(19)	1,610
Translation difference	-	(12,673)	(1,925)	(13)	(14,611)
Balance as at 31 December 2014	**-**	**118,706**	**4,281**	**649**	**123,636**
Impairment					
Balance as at 1 January 2014	-	-	-	-	-
Recognized impairment losses	-	-	196	-	196
Balance as at 31 December 2014	**-**	**-**	**196**	**-**	**196**
Carrying amount					
at 1 January 2014	**3,469**	**85,377**	**5,560**	**507**	**94,913**
at 31 December 2014	**3,469**	**95,004**	**1,595**	**398**	**100,466**

Present value of future profits represents the net present value of the expected after-tax cash flows of the portfolio of long-term insurance contracts recognized as an intangible asset in connection with the acquisition of insurance companies in 2013.

15. Intangible assets (continued)

2013	Goodwill TEUR	Software TEUR	Present value of future profits TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost					
Balance as at 1 January 2013	3,469	136,313	-	2,861	142,643
Additions through business combinations	-	1,533	9,802	29	11,364
Additions	-	62,942	-	397	63,339
Disposals	-	(1,653)	-	(121)	(1,774)
Transfers	-	1,149	-	(1,838)	(689)
Translation difference	-	(16,208)	(646)	(133)	(16,987)
Balance as at 31 December 2013	**3,469**	**184,076**	**9,156**	**1,195**	**197,896**
Accumulated amortization					
Balance as at 1 January 2013	-	81,338	-	649	81,987
Charge for the year	-	25,883	3,850	83	29,816
Disposals	-	(880)	-	-	(880)
Transfers	-	978	-	10	988
Translation difference	-	(8,620)	(254)	(54)	(8,928)
Balance as at 31 December 2013	**-**	**98,699**	**3,596**	**688**	**102,983**
Carrying amount					
at 1 January 2013	**3,469**	**54,975**	**-**	**2,212**	**60,656**
at 31 December 2013	**3,469**	**85,377**	**5,560**	**507**	**94,913**

16. Property and equipment

2014	Buildings	Equipment and other tangible assets	Vehicles	Total
	TEUR	TEUR	TEUR	TEUR
Acquisition cost				
Balance as at 1 January 2014	118,530	261,283	6,361	386,174
Additions through business combinations	110	18,990	150	19,250
Additions	1,173	38,110	1,054	40,337
Disposals	(94)	(39,265)	(739)	(40,098)
Transfers and other changes	(2,959)	545	48	(2,366)
Translation difference	(38,423)	(63,047)	(1,091)	(102,561)
Balance as at 31 December 2014	**78,337**	**216,616**	**5,783**	**300,736**
Accumulated depreciation				
Balance as at 1 January 2014	26,986	118,238	3,418	148,642
Additions through business combinations	72	6,913	70	7,055
Charge for the year	2,269	42,737	994	46,000
Disposals	(3,846)	(17,991)	(698)	(22,535)
Transfers and other changes	(427)	759	13	345
Translation difference	(9,949)	(29,385)	(583)	(39,917)
Balance as at 31 December 2014	**15,105**	**121,271**	**3,214**	**139,590**
Impairment				
Balance as at 1 January 2014	-	4,265	-	4,265
Impairment losses recognized	-	12,750	-	12,750
Disposals	-	(9,756)	-	(9,756)
Translation difference	-	(3,716)	-	(3,716)
Balance as at 31 December 2014	**-**	**3,543**	**-**	**3,543**
Carrying amount				
at 1 January 2014	**91,544**	**138,780**	**2,943**	**233,267**
at 31 December 2014	**63,232**	**91,802**	**2,569**	**157,603**

16. Property and equipment (continued)

2013	**Buildings TEUR**	**Equipment TEUR**	**Vehicles TEUR**	**Total TEUR**
Acquisition cost				
Balance as at 1 January 2013	130,190	225,626	6,450	362,266
Additions through business combinations	15	91	16	122
Additions	2,777	67,880	1,400	72,057
Disposals	(8)	(6,283)	(953)	(7,244)
Transfers and other changes	31	432	50	513
Translation difference	(14,475)	(26,463)	(602)	(41,540)
Balance as at 31 December 2013	**118,530**	**261,283**	**6,361**	**386,174**
Accumulated depreciation				
Balance as at 1 January 2013	27,628	93,621	3,759	125,008
Charge for the year	2,574	39,773	908	43,255
Disposals	(1)	(4,897)	(931)	(5,829)
Transfers and other changes	(3)	553	11	561
Translation difference	(3,212)	(10,812)	(329)	(14,353)
Balance as at 31 December 2013	**26,986**	**118,238**	**3,418**	**148,642**
Impairment				
Balance as at 1 January 2013	-	-	-	-
Impairment losses recognized	-	4,566	-	4,566
Translation difference	-	(301)	-	(301)
Balance as at 31 December 2013	**-**	**4,265**	**-**	**4,265**
Carrying amount				
at 1 January 2013	**102,562**	**132,005**	**2,691**	**237,258**
at 31 December 2013	**91,544**	**138,780**	**2,943**	**233,267**

17. Other assets

	2014 TEUR	2013 TEUR
Prepaid expenses	33,849	22,199
Outstanding selling price for receivables	26,354	32,976
Deferred acquisition costs of insurance contracts	25,302	60,504
Trade receivables and settlement with suppliers	24,246	39,965
Other taxes receivable	10,083	7,103
Accrued income from insurance fees	1,756	3,025
Receivable arising out of insurance and re-insurance operations	1,014	2,915
Acquisition of subsidiaries	1,000	34,500
Goods held for resale	448	526
Non-life amounts ceded to reinsurers from insurance provisions	189	4,254
Other	12,001	4,635
	136,242	**212,602**
Specific allowances for impairment on settlement with suppliers and other assets	(32)	(189)
	136,210	**212,413**

As at 31 December 2014 acquisition of subsidiaries represented the consideration paid for the acquisition of CF Commercial Consulting (Beijing) Co., Ltd., which is not treated as a consolidated subsidiary because the Group is still in the process of obtaining the regulatory approvals for the acquisition of this entity. As at 31 December 2013 the balance also included the consideration paid for the acquisition of Home Credit Consumer Finance Co., Ltd., which was acquired in 2014 (Note 1).

Analysis of movements in allowances for impairment	2014 TEUR	2013 TEUR
Balance as at 1 January	189	52
Additions resulting from business combinations	-	12
Impairment losses recognized in the statement of comprehensive income	796	415
Reversal of impairment losses recognized in the statement of comprehensive income	(573)	(505)
Amounts related to assets sold and written off	(354)	227
Translation difference	(26)	(12)
Balance as at 31 December	**32**	**189**

18. Current accounts and deposits from customers

	2014 TEUR	2013 TEUR
Term deposits	2,592,858	4,632,272
Current accounts and demand deposits	294,848	471,352
Other	2,260	1,778
	2,889,966	**5,105,402**

As at 31 December 2014 the balance of corporate term deposits secured by POS loan receivables was TEUR 84,121 (31 December 2013: TEUR 0) (Note 10).

19. Due to banks and other financial institutions

	2014 TEUR	2013 TEUR
Unsecured loans	1,262,586	594,649
Secured loans	65,774	3,636
Loans received under repo operations	102,035	-
Other balances	3,754	6,136
	1,434,149	**604,421**

As at 31 December 2014 the balance of loans received under repo operations of TEUR 102,035 (31 December 2013: TEUR 0) was secured by financial assets available-for-sale.

As at 31 December 2014 the balances of loans secured by cash loan receivables, POS loan receivables and guarantees were TEUR 37,768 (31 December 2013: TEUR 0), TEUR 23,488 (31 December 2013: TEUR 0) and TEUR 4,518 (31 December 2013: TEUR 3,636) respectively. These amounts 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 2014 TEUR	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	-	67,291
Unsecured RUB bonds issue 6 of MRUB 5,000	Variable	June 2014	-	110,908
CZK promissory notes issue of MCZK 500	Zero-coupon	September 2014	-	17,543
Unsecured RUB bonds issue 7 of MRUB 5,000	Variable	April 2015	74,495	112,231
Unsecured CZK bonds issue 4 of MCZK 2,900	Zero-coupon	September 2015	100,118	94,952
Stock exchange RUB bonds issue 02 of MRUB 3,000	Fixed	February 2016	43,603	66,494
Unsecured CZK bonds issue 5 of MCZK 3,750	Fixed	June 2016	140,044	141,450
CZK promissory notes issue of MCZK 300	Zero-coupon	July 2016	9,969	-
EUR promissory notes issue of MEUR 9.1	Zero-coupon	July 2016	8,384	-
Long-term registered Certificate of Deposit, 1st tranche of BVND 250	Fixed	August 2016	10,024	-
Long-term registered Certificate of Deposit, 2nd tranche of BVND 273	Fixed	September 2016	10,899	-
Long-term registered Certificate of Deposit, 3nd tranche of BVND 200	Fixed	October 2016	7,832	-
Unsecured KZT bond issue 1 of MKZT 7,000	Fixed	November 2016	31,193	32,432
Long-term registered Certificate of Deposit, 4nd tranche of BVND 93	Fixed	November 2017	3,604	-
Long-term registered Certificate of Deposit, 5nd tranche of BVND 158	Fixed	December 2017	6,074	-
Long-term registered Certificate of Deposit, 6nd tranche of BVND 61	Fixed	December 2017	2,344	-
Long-term registered Certificate of Deposit, 7nd tranche of BVND 100	Fixed	December 2017	3,827	-
CZK promissory notes issue of MCZK 650	Zero-coupon	March 2018	19,190	-
Unsecured KZT bond issue 2 of MKZT 6,769	Fixed	February 2019	30,846	-
Cash loan receivables backed notes of MRUB 5,000	Variable	November 2021	72,666	109,460
			575,112	**1,120,915**

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 valid till the final maturity date.

RUB denominated cash loans receivables backed notes were issued in November 2013 through HC Finance (LLC) and Eurasia Structured Finance No.3 B.V. (Note 1) with a fixed coupon rate which is valid until the coupon payment date on 19 January 2017 and capped floating coupon rate from 20 January 2017 till the final maturity. The bondholders are entitled to require early redemption of the bonds in November 2016. As at 31 December 2014 cash loan receivables of TEUR 91,102 (31 December 2013: TEUR 135,048) served as collateral for these notes (Note 10).

21. Negative fair value of derivative instruments

	Note	2014 TEUR	2013 TEUR
Negative fair value of trading derivative instruments	37	5,583	16,095
Negative fair value of hedging derivative instruments	37	-	1,867
		5,583	**17,962**

22. Insurance and other provisions

	2014 TEUR	2013 TEUR
Provisions for unearned premiums	72,196	120,809
Provision for litigations	2,728	3,397
Provisions for outstanding claims	2,005	3,760
Other insurance provisions	389	176
Other provisions	3,610	2,193
	80,928	**130,335**

Other provisions represent restructuring provisions and provisions for closure of offices in connection with a business optimisation programme in Russia.

	2014 TEUR	2013 TEUR
Provisions for unearned premiums		
Balance as at 1 January	120,809	-
Additions through business combinations	-	120,108
Premiums written during a year	71,538	81,344
Premiums earned during the year	(85,731)	(72,451)
Translation difference	(34,420)	(8,192)
Balance as at 31 December	**72,196**	**120,809**
Provisions for outstanding claims		
Balance as at 1 January	3,760	-
Additions through business combinations	-	475
Claims incurred in the current year	3,395	6,768
Adjustments for losses incurred in previous years	(2,620)	(347)
Claims paid during the year	(1,767)	(2,896)
Translation difference	(763)	(240)
Balance as at 31 December	**2,005**	**3,760**

23. Subordinated liabilities

	Interest rate	Final maturity	Amount outstanding 2014 TEUR	2013 TEUR
Loan participation notes issue of MUSD 500	Fixed	April 2020	374,698	364,925
Loan participation notes issue of MUSD 200	Fixed	April 2021	167,599	146,536
			542,297	**511,461**

Subordinated loan participation notes issue of MUSD 500 were issued in October 2012 through Eurasia Capital S.A. (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. As of December 2014 the Group bought back the loan participation notes with a cumulative par value of MUSD 51.

Subordinated loan participation notes issue of MUSD 200 were issued in October 2013 through Eurasia Capital S.A. (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.

24. Other liabilities

	2014 TEUR	2013 TEUR
Settlement with suppliers	60,516	67,933
Accrued employee compensation	56,440	84,999
Accrued expenses	35,539	19,877
Customer loan overpayments	30,453	30,235
Other taxes payable	27,951	24,634
Deferred income and prepayments	5,773	12,927
Advances received	987	663
Other	15,406	15,257
	233,065	**256,525**

25. Equity

At 31 December 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 August 2014 the Group's shareholder PPF Group N.V. increased the Group's share premium by TEUR 45,495 (EUR 0.04 per one share) in connection with the acquisition of Home Credit Consumer Finance Co., Ltd. (Note 1).

In September 2014 the Group's shareholder PPF Group N.V. increased the Group`s share premium by TEUR 70,000 (EUR 0.06 per one share) in connection with the acquisition of Home Credit Vietnam Finance Company Limited (Note 1).

In September 2013 the Group's shareholder PPF Group N.V. increased the Company's share premium by TEUR 97,000 (EUR 0.08 per one share).

During 2013 several reductions of the Group's share premium took place:

Month	**Amount of reduction TEUR**	**Amount per one share EUR**
March	9,800	0.01
April	39,280	0.03
May	7,726	0.01
July	28,901	0.02
September	11,622	0.01
November	112,000	0.10
December	7,263	0.01
	216,592	

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 acquisitions of HC Asia N.V., Home Credit Consumer Finance Co., Ltd and Home Credit Vietnam Finance Company Limited from the Group's shareholder. 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.

26. Non-controlling interests

As at 31 December 2014 the Group reported the following non-controlling interests:

	NCI %	Total assets	Total liabilities	Carrying amount of NCI	Net losses for the year	Net losses allocated to NCI
	%	TEUR	TEUR	TEUR	TEUR	TEUR
PT. Home Credit Indonesia	24.52	22,572	7,638	3,662	(11,373)	(2,937)
HC Consumer Finance Philippines, Inc.	4.66	10,052	6,580	162	(7,069)	(587)
				3,824		**(3,524)**

As at 31 December 2013 the Group reported the following non-controlling interests:

	NCI %	Total assets	Total liabilities	Carrying amount of NCI	Net losses for the year	Net losses allocated to NCI
	%	TEUR	TEUR	TEUR	TEUR	TEUR
PT. Home Credit Indonesia	30.00	10,515	1,912	2,581	(5,586)	(1,676)
HC Consumer Finance Philippines, Inc.	14.41	5,201	2,875	335	(3,682)	(531)
Home Credit India Finance Private Limited	0.00	-	-	-	-	47
				2,916		**(2,160)**

27. Interest income and interest expense

	2014 TEUR	2013 TEUR
Interest income		
Cash loan receivables	1,229,902	1,645,958
POS loan receivables	424,667	468,169
Revolving loan receivables	263,647	262,830
Mortgage loan receivables	8,722	9,998
Car loan receivables	1,349	21,974
Due from banks, other financial institutions and holding companies	45,399	33,780
Financial assets available-for-sale	12,726	40,048
Financial assets held-to-maturity	166	396
Other	538	337
	1,987,116	**2,483,490**
Interest expense		
Deposits from customers	370,419	531,016
Debt securities issued	57,080	84,683
Due to banks and other financial institutions	129,820	65,856
Subordinated liabilities	52,574	39,451
	609,893	**721,006**

The Group's measures taken in response to the recent increase in customer loan delinquencies across the Russian consumer loan market included a reduction of new loan volumes. This was the main reason for the decrease in net interest income.

28. Fee and commission income

	2014 TEUR	2013 TEUR
Insurance commissions	303,561	511,678
Penalty fees	109,599	87,536
Cash transactions	44,446	61,402
Customer payment processing and account maintenance	23,860	23,385
Retailers commissions	20,304	18,710
Other	5,268	20,580
	507,038	**723,291**

The Group's measures taken in response to the recent increase in customer loan delinquencies across the Russian consumer loan market included a reduction of new loan volumes. This was the main reason for the decrease in fee and commission income.

29. Fee and commission expense

	2014 TEUR	2013 TEUR
Cash transactions	19,902	31,127
Payments to deposit insurance agencies	16,497	22,785
Payment processing and account maintenance	16,218	12,806
Commissions to retailers	16,215	24,825
Stamp duties	10,156	7,429
Other	13,408	5,993
	92,396	**104,965**

30. Insurance income

	2014 TEUR	2013 TEUR
Gross premiums earned	85,615	72,275
Net insurance benefits and claims	(2,962)	(2,096)
Earned premiums ceded	(1,167)	(3,448)
Acquisition costs	(34,970)	(46,756)
	46,516	**19,975**

31. Net gains/(losses) on financial assets and liabilities

	2014 TEUR	2013 TEUR
Net losses on trading derivative instruments	(19,873)	(24,470)
Net losses on hedging derivative instruments	(13,162)	(19,510)
Net foreign currency gains	39,185	27,900
Net trading gains/(losses) on other financial assets and liabilities	785	(319)
Other	151	(23)
	7,086	**(16,422)**

32. Other operating income

	2014 TEUR	2013 TEUR
Gains on disposal of loan receivables	73,262	109,534
Recognized income from excess of acquired net fair value over costs	-	30,451
Income from other services provided	15,879	8,374
Net gain on early redemption of debt securities issued	6,801	-
Loss on monetary position	(2,778)	(3,037)
Other	4,429	12,785
	97,593	**158,107**

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 2013 on acquisitions of Home Credit Insurance (LLC), PPF Insurance (PSC) and PPF Insurance (FICJSC).

33. Impairment losses on financial assets

	2014 TEUR	2013 TEUR
Cash loan receivables	671,099	834,355
POS loan receivables	210,605	217,009
Revolving loan receivables	233,634	130,423
Mortgage loan receivables	1,878	(690)
Car loan receivables	(884)	4,198
Other financial assets	36	654
	1,116,368	**1,185,949**

34. General administrative expenses

	2014 TEUR	2013 TEUR
Employee compensation	363,219	407,933
Rental, maintenance and repairs	93,013	106,262
Payroll related taxes (including pension contributions)	81,063	80,898
Professional services	57,103	53,222
Telecommunication and postage	49,313	54,368
Advertising and marketing	32,194	38,150
Taxes other than income tax	22,606	20,005
Information technologies	22,489	21,648
Travel expenses	16,791	19,456
Other	28,077	42,503
	765,868	**844,445**

35. Other operating expenses

	2014 TEUR	2013 TEUR
Depreciation and amortization	79,638	73,071
Impairment losses on property and equipment and intangible assets	12,946	4,566
Loss on disposal of property and equipment and intangible assets	6,997	2,379
Impairment losses/(reversals) on other non-financial assets	223	(90)
	99,804	**79,926**

36. Income tax expense

	2014 TEUR	2013 TEUR
Current tax expense	52,678	146,221
Deferred tax benefit	(29,531)	(31,947)
Total income tax expense in the statement of comprehensive income	**23,147**	**114,274**

Reconciliation of effective tax rate	**2014 TEUR**	**2013 TEUR**
Profit before tax	**(37,310)**	**438,711**
Income tax using the domestic tax rate of 25%	9,328	(109,678)
Effect of deferred tax assets not recognized	(17,859)	(11,738)
Non-deductible costs	(15,799)	(27,721)
Withholding tax	(4,388)	(10,296)
Non-taxable income	4,858	8,721
Effect of tax rates in foreign jurisdictions	11,202	20,522
Other	(10,489)	15,916
Total income tax expense	**(23,147)**	**(114,274)**

37. Derivative financial instruments

As at 31 December 2014 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				
	EUR/USD	less than 1 month	101,778	2,406
	EUR/CZK	1 month to 3 months	4,538	(29)
	EUR/CZK	3 months to 1 year	3,648	(41)
Foreign currency swap contracts				
	KZT/USD	less than 1 month	96,114	-
	KZT/EUR	less than 1 month	2,885	(87)
	USD/EUR	less than 1 month	2,059	(11)
	EUR/BYR	less than 1 month	35,778	2,006
	CZK/USD	1 month to 3 months	17,630	(472)
	RUB/USD	1 month to 3 months	39,654	(1,909)
	RUB/EUR	1 month to 3 months	1,816	345
	EUR/CZK	1 month to 3 months	55,316	(817)
	EUR/CZK	3 months to 1 year	179,603	(1,497)
	KZT/USD	3 months to 1 year	24,645	1,316
	VND/USD	more than 1 year	17,666	(666)
Currency derivatives - hedging				
Foreign currency swap contracts				
	RUB/USD	3 months to 1 year	123,476	56,230
	RUB/USD	more than 1 year	164,635	75,261
Interest rate derivatives				
Interest rate swap contracts				
	fixed/floating (RUB)	1 month to 3 months	4,390	57
	fixed/floating (RUB)	more than 1 year	58,528	7,171
				139,263

37. Derivative financial instruments (continued)

As at 31 December 2013 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	1 month to 3 months	6,499	12
	EUR/CZK	1 month to 3 months	195	(13)
	RUB/USD	3 months to 1 year	7,221	35
	KZT/USD	3 months to 1 year	35,528	(308)
Foreign currency swap contracts				
	RUB/USD	less than 1 month	57,768	147
	USD/RUB	less than 1 month	18,053	1
	EUR/BYR	less than 1 month	14,841	(23)
	KZT/EUR	less than 1 month	3,168	24
	EUR/CZK	1 month to 3 months	100,462	(6,096)
	KZT/USD	1 month to 3 months	15,164	(322)
	EUR/BYR	1 month to 3 months	464	21
	USD/BYR	1 month to 3 months	516	12
	EUR/CZK	3 months to 1 year	131,096	(8,580)
	RUB/USD	3 months to 1 year	67,120	(395)
	USD/RUB	3 months to 1 year	66,772	78
	EUR/BYR	3 months to 1 year	4,569	10,128
	USD/BYR	3 months to 1 year	251	528
	USD/EUR	3 months to 1 year	54	-
Currency derivatives - hedging				
Foreign currency forward contracts				
	RUB/USD	1 month to 3 months	2,166	48
Foreign currency swap contracts				
	RUB/USD	1 month to 3 months	64,989	(1,754)
	RUB/USD	3 months to 1 year	14,442	(113)
	RUB/USD	more than 1 year	180,526	5,137
Cross currency interest rate swaps				
	fixed RUB/ floating USD	more than 1 year	72,210	2,456
Interest rate derivatives				
Interest rate swap contracts				
	fixed/floating (RUB)	3 months to 1 year	33,095	(72)
	fixed/floating (RUB)	more than 1 year	6,619	(5)
				946

38. Commitments

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

	2014 TEUR	2013 TEUR
Revolving loan commitments	569,595	964,884
POS loan commitments	34,309	39,777
Cash loan commitments	8,862	18,810
Undrawn overdraft facilities	585	-
	613,351	**1,023,471**

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 2014 the Group reported contractual commitments for the acquisition of property and equipment and intangible assets of TEUR 1,006 (31 December 2013: TEUR 385).

As at 31 December 2014 the balance of loan guarantees issued by the Group was TEUR 194,607 (31 December 2013: TEUR 120,554).

39. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2014 TEUR	2013 TEUR
Less than one year	26,747	55,515
Between one and five years	49,861	116,787
More than five years	4,616	11,521
	81,224	**183,823**

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 2014 TEUR 59,219 (2013: TEUR 77,441) was recognized as an expense in the statement of comprehensive income in respect of operating leases.

40. Contingencies

Taxation

The taxation systems in the Russian Federation, the Republic of Belarus, the Republic of Kazakhstan, the Socialist Republic of Vietnam 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, the Socialist Republic of Vietnam 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, Vietnamese and Chinese tax legislation, official pronouncements and court decisions.

41. 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 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	2014 TEUR	2013 TEUR
Due from banks, other financial institutions and holding companies		23,716	85,679
Other assets	17	1,000	34,500
Current accounts and deposits from customers		(79,466)	-
Due to banks and other financial institutions		(21,844)	-
Subordinated liabilities		(96,197)	(78,424)
		(172,791)	**41,755**

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

	2014 TEUR	2013 TEUR
Interest income	4,832	7,550
Interest expense	(8,211)	(9,947)
Net losses on financial assets and liabilities	-	(351)
General administrative expenses	(284)	(308)
	(3,663)	**(3,056)**

41. 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:

	2014 TEUR	2013 TEUR
Cash and cash equivalents	20,889	39,064
Due from banks, other financial institutions and holding companies	3,606	20,157
Loans to customers	11,957	7,249
Positive fair value of derivative instruments	2,925	660
Financial assets available-for-sale	24,348	-
Financial assets held-to-maturity	-	3,440
Other assets	41,771	41,143
Current accounts and deposit from customers	(80,509)	(38,616)
Due to banks and other financial institutions	(123,772)	(125,486)
Debt securities issued	(54,832)	(92,398)
Negative fair value of derivative instruments	(2,536)	(14,959)
Subordinated liabilities	(15,384)	(2,065)
Other liabilities	(9,845)	(18,356)
	(181,382)	**(180,167)**

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

	2014 TEUR	2013 TEUR
Interest income	2,303	1,065
Interest expense	(21,140)	(19,305)
Fee and commission income	4,692	56,837
Fee and commission expense	(1,953)	(325)
Net gains/(losses) on financial assets and liabilities	3,902	(21,179)
Other operating income	90,209	132,349
General administrative expenses	(11,262)	(11,864)
Other operating expenses	(118)	-
	66,633	**137,578**

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 a negative impact on interest income of TEUR 5,458 (2013: TEUR 8,345).

As disclosed in Note 10, the Group sold receivables to related parties. The related transactions and balances are included in other assets (Note 17) (31 December 2014: TEUR 26,354, 31 December 2013: TEUR 32,976) and other operating income (Note 32) (2014: TEUR 73,262, 2013: TEUR 109,534).

41. 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:

	2014 TEUR	2013 TEUR
Other assets	77	971
Debt securities issued	(174,797)	(262,265)
Other liabilities	(125)	(856)
	(174,845)	**(262,150)**

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

	2014 TEUR	2013 TEUR
Interest expense	(7,245)	(10,724)
Fee and commission income	(1,648)	17,695
Insurance income	(1,003)	(1,303)
Other operating income	811	14
General administrative expenses	(403)	(1,026)
	(9,488)	**4,656**

41. Related party transactions (continued)

(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 2,681 (2013: TEUR 4,116) and short-term benefits of TEUR 22,934 (2013: TEUR 23,942) comprising salaries, bonuses and non-monetary benefits.

As at 31 December 2014 the balance of unsecured loans to members of the key management was TEUR 105 (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 8,059 charged in 2014 (2013: TEUR 7,998) in relation to this agreement are recorded under general administrative expenses, while the related liability of TEUR 2,559 as of 31 December 2014 (31 December 2013: TEUR 2,498) is recorded under other liabilities.

As at 31 December 2014 the balances due from holding companies included secured loans of TEUR 68,174 (31 December 2013: TEUR 22,287) provided by the Group to a company controlled by one of the members of its Board of Directors. The weighted average interest rate is 6.89% (31 December 2013: 8.40%) and the repayment date of those loans is 30 June 2016.

42. Workforce

In 2014 the average number of the Group’s employees was 55,387 (2013: 44,674 employees), of which three employees were employed in the Netherlands (2013: three employees).

43. Subsequent events

In February 2015 the Group`s subsidiary Easy Dreams Company Limited was sold. The sales proceeds amounted to TEUR 102.

The consolidated financial statements as set out on pages 7 to 77 were approved by the Board of Directors on 11 March 2015.

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

Petr Kohout
Member of the Board of Directors

Mel Gerard Carvill
Member of the Board of Directors

Marcel Marinus van Santen
Member of the Board of Directors

Paulus Aloysius de Reijke
Member of the Board of Directors

Lubomír Král
Member of the Board of Directors

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. Provisions in the Articles of Association governing the appropriation of profit

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 (Articles of Association of the Company, Article 21).

During 2014 there were no decreases of the Company's share premium reserves or other distributions. No decision or proposal on the appropriation of the net profit available for distribution has been taken as of the date of the issue of these financial statements.

2. Subsidiaries

Refer to the Notes to the Consolidated Financial Statements, Note 1.

3. Subsequent events

Refer to the Notes to the Consolidated Financial Statements, Note 43.

4. Auditor's report

The auditor's report with respect to the consolidated financial statements is set out on the next pages.

Independent auditor's report

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

Report on the audit of the consolidated financial statements 2014

Our opinion

We have audited the consolidated financial statements 2014 which are part of the financial statements of Home Credit B.V. (the company), based in Amsterdam, the Netherlands.

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 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2014;
2. the following consolidated statements for 2014: the statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of Home Credit B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the consolidated financial statements as a whole at EUR 35,000,000, which is 0.5% of total assets. Total assets is considered to be an appropriate benchmark for determining the materiality of Home Credit B.V., since the assets are reflecting the extent of activities of the Company which is the source for generating the future revenues. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the consolidated financial statements.

We agreed with the Board of Directors that unadjusted misstatements in excess of EUR 1,400,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Home Credit B.V. is the parent company of the Home Credit Group. The financial information of this group is included in the consolidated financial statements of Home Credit B.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities (components). We scoped components of Home Credit B.V. into the Group audit where they are of significant size, have significant risks to the Group or are considered significant for other reasons. Where this does not give adequate coverage we used our judgment to scope-in additional components. Applying these scoping criteria led to a full scope audit for 18 components, in total covering 9 countries. This resulted in coverage of 99% of total Group revenue and 100% of total Group assets. Furthermore, we performed, amongst others, analytical procedures at the aggregated Group level on the remaining components in order to corroborate our assessment that there are no significant risks of material misstatement within these remaining components.

All components in scope for group reporting are audited by KPMG member firms. The Group audit team sent detailed instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported back to the Group audit team. The Group audit team visited component locations and performed detailed file reviews in Russia, China, Kazakhstan, Belarus and Czech Republic. Conference call meetings were held with the auditors of the significant components that were not physically visited. At these visits and meetings, the findings and observations reported to the group audit team were discussed in full detail. Any further work deemed necessary was performed.

By implementing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation uncertainty of loans and receivables

Certain aspects of the accounting for loan loss impairments require significant judgment, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment and the assessment of the recoverable amount. The use of different estimates and assumptions, such as collection estimates, and changes of the economic conditions could significantly affect the carrying amount of loans and receivables and related impairment losses recognised.

The core business of the majority of Home Credit group entities is providing consumer loans, credit cards and other types of loans to private individuals. The majority of the loan portfolio is not collateralised. The impairment is calculated based on the loan loss models, which use a number of assumptions and extract their source data from the Homer system.

For our audit of loan loss impairments, we have tested the controls related to the calculation of default rates in models used. We have also tested the sufficiency of the models, assumptions and data used by the components to measure loan loss impairments and the timely transfer of loan related data from the loan administration systems into the models. We have also performed tests of details by recalculating the loan loss impairment.

Observations: Based on our procedures performed we assessed the loans and receivables to be fairly stated in the context of our audit of the consolidated financial statements as a whole.

Sales of financial assets and accounting for derecognition

From time to time group entities sell their loans and receivables to other companies, most often to related parties as explained in note 10. In order for those receivables to qualify for derecognition, strict criteria should be met whereas the sale should be considered as a true sale as explained in note 3.

We have obtained and analysed the agreements documenting the sales of receivables which took place during the year. Furthermore, we have performed various tests of details, such as validation of illegibility criteria, recalculation of sales prices and premiums of receivables sold, and analysed whether these agreements correctly fulfill the derecognition criteria. Additionally we assessed the arms length character of these transactions and appropriate disclosure as included in note 41.

Observations: In the context of our audit of the consolidated financial statements as a whole we assessed that the loans and receivables sold during the financial year have been correctly treated as a true sale meeting the requirements of derecognition as set out in note 3.

Consolidated financial statements as part of the (complete) financial statements

The financial statements include the consolidated financial statements and the company financial statements. The company financial statements have been included in a separate report. For a proper understanding of the financial position and result the consolidated financial statements must be considered in connection with the company financial statements. On 11 March 2015 we issued a separate auditor's report on the company financial statements.

Responsibilities of management and the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Board of Directors report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the consolidated financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the consolidated financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and
- Evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the Board of Directors report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Board of Directors report and other information):

- We have no deficiencies to report as a result of our examination whether the Board of Directors report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Board of Directors report, to the extent we can assess, is consistent with the consolidated financial statements.

Engagement

We were appointed before 2008 for the first time as auditor of Home Credit B.V. by the Board of Directors and operated as statutory auditor since then.

Amstelveen, 11 March 2015

KPMG Accountants N.V.

B.M. Herngreen RA