Home Credit B.V.

Consolidated Annual Accounts
for the year ended 31 December 2010

Contents

Directors´ Report

Description of the Company

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

General information

Home Credit B.V. (‘HCBV’) is the direct owner of several consumer finance providers (‘Home Credit companies’ or ‘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 and CIS and (b) the securing of the refinancing for these companies either from the market or from the parent company.

Companies that are held by HCBV are leading providers of “in-store” lending to eligible, mass retail customers, including first-time borrowers, in their respective countries. They primarily provide non-cash, non-collateralized loans for purchases of durable goods at the point of sale (“POS loans”) and, in some countries, they also offer credit cards and/or cash loans to customers who have a proven repayment track record (“cross-sell lending products”). In the more mature markets, for example Russia, the Group offers retail banking services such as deposit gathering products and current accounts as well as consumer finance lending. As at 31 December 2010, the Group had served over 23 million customers across the countries in which it operates: **the Czech Republic** (operational since 1997), **Slovakia** (1999), **the Russian Federation** (2002), **Belarus** (2007).

On 31 January 2011, HCBV successfully finalized the sale of Home Credit Bank (Ukraine) to Platinum Bank, a local retail banking institution.

The Home Credit brand has been present in Kazakhstan since September 2008 through HCBV´s minority stake (9.99%) in “Home Credit Bank” (formerly “International Bank Almaty”). The beneficiary owner of HCBV is PPF Group N.V. (hereinafter “PPF”), a privately owned financial and investment group, one of the largest in Central & Eastern Europe. As of 30 June 2010, PPF Group’s assets amounted to EUR 12 billion and its share capital amounted to over EUR 4 billion. PPF’s mission is to “create additional value through further development of the assets it has founded or acquired”. PPF’s core investments cover retail financial services (banking, insurance), retail sales (home appliances & electronics) energy, real estate, and precious metals & mining. Founded in 1991, PPF Group N.V. is a regulated financial conglomerate (as defined by the EU Directive) headquartered in the Netherlands with operations across Central & Eastern Europe (CEE), Russia, the Commonwealth of Independent States (CIS), China and South East Asia.

For more information, visit www.ppf.eu.

After the consumer finance sector was considerably impacted by the global downturn, with consumer demand plummeting across the markets, in 2010 it showed tentative signs of a weak but promising recovery. Thanks to timely actions taken by management during the global economy deterioration to reduce costs and mitigate risks, HCBV was in a strong position to benefit from the recovery in its chosen emerging markets. Following a decline in 2009, the Group loan portfolio exceeded pre-crisis levels demonstrating a year-on-year increase of 29.4% which is higher than the market average, while its risk costs decreased dramatically. This was the case especially in the Russian Federation, followed by the Czech Republic and Slovakia. Through a financially prudent, disciplined and flexible approach to the burgeoning market, the Group companies, with the exception of Ukraine, won business from their local competitors and achieved excellent performance and profitability.

Key Achievements

In 2010 the Group granted loans worth a total of EUR 2.7 million and announced its second consecutive record result with a 331% year-on-year increase in net profit. The Group risk metrics dramatically improved owing to continuous improvements and adjustments made by the risk management team and an effective ALM performance, which led to a reduction in the cost of funds. These combined factors resulted in the significant increase to net profit.

The transformation of Home Credit companies into retail banks from consumer lending businesses continued apace in selected markets where this strategy is being pursued, with the Group's customer deposits comprising over a quarter of total liabilities. Russia is spearheading this drive and has again contributed strongly to the Group's overall result. The Group banks in Russia and Belarus continued to build up a unique distribution network of new format offices and an agents' network, which enabled them to continue expanding their regional penetration to further increase sales whilst maintaining cost levels.

Overall, the Group succeeded in managing its profitability objectives by reporting the highest net profit in its history of EUR 234.2 million in 2010, after the previous peak in 2009.

In order to optimize the Group's capital structure, in October 2010 the shareholder of the Group made a decision to reduce the share capital of HCBV by EUR 196.5 million of which EUR 124.0 million was distributed to the shareholder and the remaining part was transferred to share premium and other reserves.

Exceptional financial and operational results have been produced by the Group's winning business model. Based on prime-class risk management and supported by market-leading debt collections, it has proven its success throughout the economic cycle. The Group has also been successful in further diversifying its loan portfolio by increasing its share of alternative low-risk products in its POS portfolio and increasing its share of cash loans.

After stabilizing its banking franchise in Ukraine during the financial crisis in 2008-2009, the continued local economy imbalances, banking sector instability and overall turmoil led the Group to make the decision to seek other opportunities outside the country. The sales transaction with a local retail banking institution, Platinum Bank, resulted in an exchange of a customer base, deposit and loan balances and a network, for the cash equivalent. The share purchase agreement was signed in December 2010, and the transaction was finalized on 31 January 2011 providing both parties with a mutually beneficial solution. As a consequence, Home Credit Group withdrew its Ukrainian banking franchise.

Staff development and environmental influence

The average number of employees during 2010 reached 14.1 thousand (2009: 14.3 thousand).

The Group's operations did not have any significant impact on the environment.

Financial instruments and risk management

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

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

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

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

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

Future development

In 2011, HCBV will continue to manage and finance its holdings. In the current environment HCBV will continue using its capital in a disciplined way and rather to continue the organic growth, which was restarted in 2010 in its existing markets and core products of expertise.

Overall, HCBV considers retail banking to be an opportunity to move the Group forward, particularly in Russia and Belarus where it already holds a banking license and where the first fruits of retail banking development are already visible for example through the retail deposit growth in Russia.

	Note	2010 TEUR	2009 TEUR
ASSETS			
Cash and cash equivalents	8	201,024	315,118
Due from banks and other financial institutions	9	133,652	95,063
Loans to customers	10	2,176,901	1,682,126
Financial assets at fair value through profit or loss	11	2,823	31,217
Financial assets available-for-sale	12	179,765	338,723
Assets classified as held for sale	6	108,156	-
Current income tax receivables		8,475	12,298
Deferred tax assets	13	11,326	12,911
Investments in associates	14	1,533	590
Investment property		-	980
Intangible assets	15	32,446	34,314
Property and equipment	16	154,238	158,800
Other assets	17	73,233	54,161
Total assets		**3,083,572**	**2,736,301**
LIABILITIES			
Current accounts and deposits from customers	18	590,022	377,479
Due to banks and other financial institutions	19	341,569	502,227
Debt securities issued	20	1,020,019	958,012
Financial liabilities at fair value through profit or loss	21	6,621	7,418
Liabilities classified as held for sale	6	76,097	-
Current income tax liabilities		824	2,182
Deferred tax liabilities	13	3,759	4,089
Other liabilities	22	108,853	101,831
Total liabilities		**2,147,764**	**1,953,238**
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	23	659,020	855,569
Share premium	23	60,253	19,194
Statutory reserves	23	2,887	2,465
Foreign currency translation	23	(76,334)	(117,741)
Revaluation reserve	23	5,618	1,518
Other reserves		284,364	22,005
		935,808	**783,010**
Non-controlling interest		**-**	**53**
Total equity		**935,808**	**783,063**
Total liabilities and equity		**3,083,572**	**2,736,301**

	Note	2010 TEUR	2009 TEUR
Continuing operations			
Interest income	24	762,407	799,469
Interest expense	24	(172,269)	(231,968)
Net interest income		**590,138**	**567,501**
Fee and commission income	25	212,726	188,196
Fee and commission expense	26	(40,639)	(43,049)
Net fee and commission income		**172,087**	**145,147**
Net gains/(losses) on financial assets	27	1,961	(145,482)
Other operating income	28	18,078	169,811
Operating income		**782,264**	**736,977**
Impairment losses on financial assets	29	(108,924)	(262,883)
Net income/(expense) related to credit risk insurance	30	42	(17,639)
General administrative expenses	31	(316,664)	(277,699)
Other operating expenses	32	(36,405)	(72,965)
Operating expenses		**(461,951)**	**(631,186)**
Net gain/(loss) from investments in subsidiaries	5	15	(2,651)
Profit before tax from continuing operations		**320,328**	**103,140**
Income tax expense for continuing operations	33	(76,141)	(43,593)
Net profit for the year from continuing operations		**244,187**	**59,547**
Discontinued operations			
Loss from discontinued operations (net of income tax)	6	(10,016)	(5,192)
Net profit for the year		**234,171**	**54,355**
Currency translation		41,407	(18,697)
Revaluation of available-for-sale financial assets, net of tax		4,100	1,519
Other comprehensive income/(expense) for the year		**45,507**	**(17,178)**
Total comprehensive income for the year		**279,678**	**37,177**
Attributable to:			
Equity holders of the parent		279,659	37,165
Non-controlling interest		19	12
		279,678	**37,177**

The consolidated financial statements as set out on pages 6 to 55 were approved by the Board of Directors on 23 March 2011.

Alexander Labak *Chairman of the Board of Directors*	Sonia Mihaylova Slavtcheva *Member of the Board of Directors*	Ivan Svitek *Member of the Board of Directors*

	Attributable to equity holders of the parent							Non-controlling interest	Total equity
	Share capital TEUR	**Share premium TEUR**	**Statutory reserves TEUR**	**Foreign currency translation TEUR**	**Fair value reserve TEUR**	**Other reserves TEUR**	**Total TEUR**	**TEUR**	**TEUR**
Balance as at 1 January 2010	855,569	19,194	2,465	(117,741)	1,518	22,005	783,010	53	783,063
Decrease of share capital	(196,549)	41,059	-	-	-	31,501	(123,989)	-	(123,989)
Acquisition of non-controlling interest	-	-	-	-	-	(2,872)	(2,872)	(72)	(2,944)
Transfers	-	-	422	-	-	(422)	-	-	-
Total	**659,020**	**60,253**	**2,887**	**(117,741)**	**(1,518)**	**(50,212)**	**656,149**	**(19)**	**656,130**
Currency translation	-	-	-	41,407	-	-	41,407	-	41,407
Revaluation of available-for-sale financial assets	-	-	-	-	4,100	-	4,100	-	4,100
Profit for the year	-	-	-	-	-	234,152	234,152	19	234,171
Total comprehensive income and expense for the year	**-**	**-**	**-**	**41,407**	**4,100**	**234,152**	**279,659**	**19**	**279,678**
Total changes	**(196,549)**	**41,059**	**422**	**41,407**	**4,100**	**262,359**	**152,798**	**(53)**	**152,745**
Balance as at 31 December 2010	**659,020**	**60,253**	**2,887**	**(76,334)**	**5,618**	**284,364**	**935,808**	**-**	**935,808**

	Attributable to equity holders of the parent							Non-controlling interest	Total equity
	Share capital TEUR	**Share premium TEUR**	**Statutory reserves TEUR**	**Foreign currency translation TEUR**	**Fair value reserve TEUR**	**Other reserves TEUR**	**Total TEUR**	**TEUR**	**TEUR**
Balance as at 1 January 2009	1,156,175	-	2,378	(99,044)	(1)	(173,663)	885,845	41	885,886
Decrease of share capital	(300,606)	19,194	-	-	-	141,412	(140,000)	-	(140,000)
Transfers	-	-	87	-	-	(87)	-	-	-
Total	**855,569**	**19,194**	**2,465**	**(99,044)**	**(1)**	**(32,338)**	**745,845**	**41**	**745,886**
Currency translation	-	-	-	(18,697)	-	-	(18,697)	-	(18,697)
Revaluation of available-for-sale financial assets	-	-	-	-	1,519	-	1,519	-	1,519
Profit for the year	-	-	-	-	-	54,343	54,343	12	54,355
Total comprehensive income and expense for the year	**-**	**-**	**-**	**(18,697)**	**1,519**	**54,343**	**37,165**	**12**	**37,177**
Total changes	**(300,606)**	**19,194**	**87**	**(18,697)**	**1,519**	**195,668**	**(102,835)**	**12**	**(102,823)**
Balance as at 31 December 2009	**855,569**	**19,194**	**2,465**	**(117,741)**	**1,518**	**22,005**	**783,010**	**53**	**783,063**

	Note	2010 TEUR	2009 TEUR
Operating activities			
Profit before tax		311,483	99,409
Adjustments for:			
Interest expense		181,565	239,318
Net loss on disposal of property, equipment and intangible assets		1,153	3,873
Net unrealized foreign exchange loss		12,615	13,483
Impairment losses		111,804	314,791
Depreciation and amortization		35,152	33,458
Net operating cash flow before changes in working capital		**653,772**	**704,332**
Change in due from banks and other financial institutions		(40,124)	39,053
Change in loans to customers		(647,322)	581,229
Change in financial assets at fair value through profit or loss		(3,472)	210,964
Change in other assets		(20,052)	(729)
Change in current accounts and deposits from customers		279,031	103,441
Change in financial liabilities at fair value through profit or loss		(797)	(6,370)
Change in other liabilities		6,769	22,952
Cash flows from the operations		**223,664**	**1,654,872**
Interest paid		(184,725)	(219,882)
Income tax paid		(73,530)	(36,915)
Cash flows (used in)/from operating activities		**(27,022)**	**1,398,075**
Investing activities			
Proceeds from sale of property, equipment and intangible assets		15,353	17,050
Acquisition of property, equipment and intangible assets		(36,113)	(53,339)
Net proceeds from/(acquisition of) available-for-sale financial assets		163,058	(319,099)
Acquisition of investment property		(23)	(454)
Acquisition of investment in subsidiary, net of cash acquired		(2,944)	-
Cash flows from/(used in) investing activities		**139,331**	**(355,842)**
Financing activities			
Repayment of capital		(123,989)	(140,000)
Proceeds from the issue of debt securities		270,482	500,691
Proceeds from due to banks and other financial institutions		2,256,127	2,137,505
Repayment of debt securities issued		(198,327)	(1,275,609)
Repayment of due to banks and other financial institutions		(2,415,798)	(2,501,595)
Cash flows used in financing activities		**(211,505)**	**(1,279,008)**
Net decrease in cash and cash equivalents		(102,624)	(236,775)
Cash as a part of assets held for sale		(29,387)	-
Cash and cash equivalents at 1 January		315,118	575,955
Effects of exchange rate changes on cash and cash equivalents		17,917	(24,062)
Cash and cash equivalents at 31 December	8	**201,024**	**315,118**

1. Description of the Group

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

Registered office
Stravinskylaan 933
1077 XX Amsterdam
The Netherlands

Shareholders	Country of incorporation	Ownership interest (%) 2010	2009
PPF Group N.V.	Netherlands	100.00	100.00

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

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 2010	2009
Donmera (LLC)	Cyprus	100.00	100.00
Redlione (LLC)	Cyprus	100.00	100.00
Home Credit (JSC)	Czech Republic	100.00	100.00
Home Credit International (JSC)	Czech Republic	100.00	100.00
HC Broker (LLC) [2)]	Czech Republic	100.00	-
Eurasia Capital S.A. [3)]	Luxemburg	0.00	0.00
Eurasia Structured Finance No.1 S.A. [3)]	Luxemburg	0.00	0.00
Eurasia Credit Card Company S.A. [3), 4)]	Luxemburg	0.00	0.00
Eurasia Credit Card Funding I S.A. [3), 4)]	Luxemburg	0.00	0.00
HC Kazakh Holdings B.V.	Netherlands	100.00	100.00
HC Fin3 B.V. [6)]	Netherlands	0.00	100.00
Home Credit Bank (OJSC)	Republic of Belarus	100.00	100.00
Home Credit Kazakhstan (JSC)	Republic of Kazakhstan	100.00	100.00
PPF Home Credit IFN S.A.	Romania	100.00	100.00
Home Credit and Finance Bank (LLC)	Russian Federation	100.00	99.99
Financial Innovations (LLC) [1)]	Russian Federation	100.00	99.99
Infobos (LLC) [1), 4)]	Russian Federation	100.00	99.99
Inko Technopolis (LLC)	Russian Federation	100.00	100.00
Liko – Technopolis (LLC) [1), 4)]	Russian Federation	100.00	99.99
Home Credit Slovakia (JSC)	Slovak Republic	100.00	100.00
Collect-Credit (LLC)	Ukraine	100.00	100.00
Home Credit Bank (PJSC) [5)]	Ukraine	100.00	100.00
Homer Software House (LLC)	Ukraine	100.00	100.00

Associates	Country of incorporation	Ownership interest (%) 2010	2009
Equifax Credit Services (LLC)	Russian Federation	42.00	42.00

[1)] subsidiaries of Home Credit and Finance Bank (LLC)
[2)] subsidiary established in 2010
[3)] special purpose entities established to facilitate the Group's issues of debt securities (refer to Note 20)
[4)] subsidiary in the process of liquidation
[5)] formerly Home Credit Bank (CJSC)
[6)] subsidiary sold in 2010

1. Description of the Group (continued)

Board of Directors	
Alexander Labak	Chairman
Sonia Mihaylova Slavtcheva	Member
Ivan Svitek	Member

Principal activities

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

2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Presentation and functional currency

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

(d) Changes in accounting policies and comparative figures

The comparative figures have been regrouped or reclassified, where necessary, on a basis consistent with the current period. In particular, discontinued operations' comparative figures were restated so as to be presented separately from continuing operations. In addition, the comparative statement of comprehensive income has been re-presented as if the operations discontinued during the current year had been discontinued from the beginning of the comparative year (refer to Note 6).

(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 3c(vii), Note 3f, and Note 10.

2. Basis of preparation (continued)

(f) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Associates

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

(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 preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. 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

(a) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial information of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations are translated to EUR at foreign exchange rates ruling at the end of the reporting period. The revenues and expenses of foreign operations are translated to EUR at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in equity as a foreign currency translation.

(b) Cash and cash equivalents

The Group considers cash on hand, unrestricted balances with central banks and balances with banks and other financial institutions due within one month to be cash and cash equivalents. The minimum reserve deposit with the Central Bank of Russian Federation (the "CBR"), with the National Bank of Ukraine (the "NBU") and with the National Bank of the Republic of Belarus (the "NBRB") is not considered to be a cash equivalent due to restrictions on its withdrawal.

(c) Financial assets and liabilities

(i) Classification

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

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

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

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

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

3. Significant accounting policies (continued)

(ii) Recognition

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

(iii) Measurement

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

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

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

(iv) Fair value measurement principles

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

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

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

(v) Amortized cost measurement principles

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

(vi) Gains and losses on subsequent measurement

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

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

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

3. Significant accounting policies (continued)

(vii) Identification and measurement of impairment

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

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

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

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

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

(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.

3. Significant accounting policies (continued)

(x) Securitization

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

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

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

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

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

(xi) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts due to other banks 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 or 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.

(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. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. No hedge accounting is applied and any gain or loss on the hedging instrument is recognized immediately in the statement of comprehensive income as foreign exchange income/(expense) or interest income/(expense).

(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) below).

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

(ii) Other intangible assets

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

3. Significant accounting policies (continued)

(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 a residual value is reassessed at the time a technical improvement is recognized. The estimated useful lives are as follows:

Software	1-10 years
Licenses	1-10 years
Other	2-10 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) below). 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 labor 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) below).

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 a residual value is reassessed at the time a technical improvement is recognized. The estimated useful lives are as follows:

Computers and equipment	1-12 years
Vehicles	3-6 years
Furniture	1-7 years
Leasehold improvement	1-10 years
Buildings	10-50 years

3. Significant accounting policies (continued)

(f) Impairment of non-financial assets

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

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

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

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

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

(g) Provisions

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

(h) Other payables

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

(i) Financial guarantees

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

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

Financial guarantee liabilities are included within other liabilities.

3. Significant accounting policies (continued)

(j) Equity

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

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

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

(k) Interest income and expense

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

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

Interest income and expense include also fair value changes on other derivatives held for risk management purposes and related hedged items when interest rate risk is the hedged risk.

(l) Fee and commission income and expenses

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

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

(m) Penalty fees

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

(n) Operating lease payments

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

(o) Pensions

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

3. Significant accounting policies (continued)

(p) Taxation

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

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

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

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

(q) Net profit allocated to non-controlling interests

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

(r) Segment reporting

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

3. Significant accounting policies (continued)

(s) Amendments and interpretations of IFRS standards adopted since 1 January 2010

The following published amendments and interpretations to existing standards are mandatory and relevant for the Group's accounting periods and have been applied by the Group since 1 January 2010:

Amendment to IAS 17 *Leases* (effective from 1 January 2010)

The previous version of IAS 17 stated that a lease of land with an indefinite economic life was normally classified as an operating lease, unless at the end of the lease term title was expected to pass to the lessee. Under the amendment, a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to the lessee and the present value of the leased asset is considered negligible. The Group applies this amendment from the annual period beginning 1 January 2010.

Amendment to IAS 36 *Impairment of Assets* (effective from 1 January 2010)

This amendment specifies allocation of goodwill to cash-generating units. The largest unit to which goodwill should be allocated is the operating segment as defined in IFRS 8 before applying the aggregation criteria of IFRS 8.

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

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2010, 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 from 1 January 2013)

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.

The Group recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued.

IAS 24 *Related Party Disclosures* (effective from 1 January 2011)

The revised standard provides a disclosure exemption in respect of related party relationships that arise through common control by the State, unless indicators of influence exist between the entities. The revised IAS 24 also amends the definition of a related party to:
• exclude situations in which two entities are related because a person has significant influence over an entity and a close family member of that person has significant influence over another entity; and
• include other entities in which a significant investor of the reporting entity is a member of key management personnel.

3. Significant accounting policies (continued)

The amendments to IAS 24 have not yet been adopted by the EU.

Amendment to IFRS 7 *Financial Instruments: Disclosures* (effective from 1 July 2011)

The amendments to IFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Group will apply these amendments prospectively from 1 January 2011.

4. Financial risk management

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

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

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

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

(a) Credit risk

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

4. Financial risk management (continued)

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

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

The Group continuously monitors the performance of individual credit exposures both on business units and Group level using number of criteria including delinquency rates, default rates or 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.

Exposure to credit risk

	Note	Loans to customers 2010 TEUR	Loans to customers 2009 TEUR
Individually impaired			
Gross amount		6,145	10,258
Allowance for impairment	10	(4,902)	(1,937)
Carrying amount		**1,243**	**8,321**
Not impaired		**39,230**	**9,952**
Collectively impaired			
Gross amount		2,386,016	1,974,999
Current		1,976,515	1,460,740
Past due 1 – 90 days		171,191	190,758
Past due 91 – 360 days		139,690	253,168
Past due more than 360 days		98,620	70,333
Allowance for impairment	10	(249,588)	(311,146)
Carrying amount		**2,136,428**	**1,663,853**
Total carrying amount	10	**2,176,901**	**1,682,126**

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:

	2010		2009	
	Portfolio TEUR	**% of loan portfolio**	**Portfolio TEUR**	**% of loan portfolio**
Pledged assets	234,048	9.6	268,955	13.5
Guarantees	-	0.0	460	0.0
Deposits with banks	-	0.0	1,557	0.1
Unsecured (no collateral)	2,197,343	90.4	1,724,237	86.4
Total	**2,431,391**		**1,995,209**	

The amounts shown in the table above represent the gross amount of the 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. Other customer loan categories are unsecured.

(b) Liquidity risk

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

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

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

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, bank loans, loans from CBR, bond issues, securitizations, inter-company loans and contributions by shareholders (refer to Notes 18, 19, 20 and 23). 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 contractual maturity dates. The table does not include prospective cash flows related to loan commitments. Refer to Note 35 for outstanding loan commitments that may impact liquidity requirements.

TEUR	2010							2009						
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Cash and cash equivalents	201,024	-	-	-	-	-	201,024	315,118	-	-	-	-	-	315,118
Due from financial institutions	3,847	48,137	39,298	12,153	11,483	18,734	133,652	34,577	9,074	27,834	17,089	143	6,346	95,063
Loans to customers	202,216	421,474	990,331	492,636	70,244	-	2,176,901	179,594	253,703	641,579	421,939	185,311	-	1,682,126
Financial assets at fair value through profit or loss	7	330	2,433	53	-	-	2,823	3,593	13,921	10,141	3,562	-	-	31,217
Financial assets available-for-sale	9,708	1,486	148,452	4,433	686	15,000	179,765	-	7,997	300,923	-	-	29,803	338,723
Assets classified as held for sale	-	108,156	-	-	-	-	108,156	-	-	-	-	-	-	-
Current income tax receivables	-	1,574	6,901	-	-	-	8,475	-	5,242	7,056	-	-	-	12,298
Deferred tax assets	-	-	-	11,326	-	-	11,326	-	-	-	12,911	-	-	12,911
Investments in associates	-	-	-	-	-	1,533	1,533	-	-	-	-	-	590	590
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	980	980
Intangible assets	-	-	-	-	-	32,446	32,446	-	-	-	-	-	34,314	34,314
Property and equipment	-	-	-	-	-	154,238	154,238	-	-	-	-	-	158,800	158,800
Other assets	49,797	6,831	12,648	3,229	1	727	73,233	38,315	1,310	10,120	3,947	-	469	54,161
Total assets	**466,599**	**587,988**	**1,200,063**	**523,830**	**82,414**	**222,678**	**3,083,572**	**571,197**	**291,247**	**997,653**	**459,448**	**185,454**	**231,302**	**2,736,301**
Current accounts and deposits from customers	210,812	109,168	260,196	9,846	-	-	590,022	156,892	38,092	180,294	2,201	-	-	377,479
Due to financial institutions	103,070	109,708	95,295	32,211	1,285	-	341,569	254,664	125,930	121,633	-	-	-	502,227
Debt securities issued*	4,551	11,113	577,020	427,335	-	-	1,020,019	3,485	80,867	602,108	271,552	-	-	958,012
Financial liabilities at fair value through profit or loss	4,202	584	912	923	-	-	6,621	1,622	-	4,502	1,294	-	-	7,418
Liabilities classified as held for sale	-	76,097	-	-	-	-	76,097	-	-	-	-	-	-	-
Current income tax liabilities	500	-	324	-	-	-	824	653	1,529	-	-	-	-	2,182
Deferred tax liabilities	-	-	-	3,530	229	-	3,759	339	-	1,027	2,424	299	-	4,089
Other liabilities	56,223	42,596	5,611	4,423	-	-	108,853	69,118	14,331	16,429	1,953	-	-	101,831
Total liabilities	**379,358**	**349,266**	**939,358**	**478,268**	**1,514**	**-**	**2,147,764**	**486,773**	**260,749**	**925,993**	**279,424**	**299**	**-**	**1,953,238**
Net position	**87,241**	**238,722**	**260,705**	**45,562**	**80,900**	**222,678**	**935,808**	**84,424**	**30,498**	**71,660**	**180,024**	**185,155**	**231,302**	**783,063**

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

4. Financial risk management (continued)

(c) Market risk

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

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

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100 basis point parallel fall or rise in all yield curves worldwide. In such case, the net interest income for the year ended 31 December 2010 would be approximately TEUR 14,927 higher/lower (the year ended 31 December 2009: TEUR 11,015). 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 34). 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.

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

4. Financial risk management (continued)

Interest rate gap position

TEUR	2010 Effective interest rate	2010 Less than 3 months	2010 3 to 12 months	2010 1 to 2 years	2010 2 to 5 years	2010 More than 5 years	2010 Total	2009 Effective interest rate	2009 Less than 3 months	2009 3 to 12 months	2009 1 to 2 years	2009 2 to 5 years	2009 More than 5 years	2009 Total
Interest bearing financial assets														
Cash and cash equivalents	0.7%	200,904	-	-	-	-	200,904	1.1%	315,118	-	-	-	-	315,118
Due from financial institutions	5.9%	51,984	39,298	-	12,153	11,499	114,934	6.9%	43,651	27,834	9,022	8,067	143	88,717
Loans to customers, net*	37.7%	623,690	990,331	324,260	168,376	70,244	2,176,901	40.8%	432,310	641,579	312,527	109,412	185,311	1,681,139
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	20.8%	16,541	6,900	-	-	-	23,441
Financial assets available-for-sale	9.8%	-	143,083	-	-	-	143,083	12.5%	7,997	300,923	-	-	-	308,920
Total interest bearing financial assets	**32.0%**	**876,578**	**1,172,712**	**324,260**	**180,529**	**81,743**	**2,635,822**	**30.6%**	**815,617**	**977,236**	**321,549**	**117,479**	**185,454**	**2,417,335**
Interest bearing financial liabilities														
Current accounts and deposits from customers	7.2%	319,980	260,196	9,846	-	-	590,022	9.9%	194,984	180,294	98	2,103	-	377,479
Due to banks and other financial institutions	6.1%	212,778	95,295	20,667	11,544	1,285	341,569	10.3%	380,594	121,633	-	-	-	502,227
Debt securities issued	9.9%	15,664	577,020	343,999	83,336	-	1,020,019	13.3%	84,352	602,108	170,830	100,722	-	958,012
Total interest bearing financial liabilities	**8.4%**	**548,422**	**932,511**	**374,512**	**94,880**	**1,285**	**1,951,610**	**11.8%**	**659,930**	**904,035**	**170,928**	**102,825**	**-**	**1,837,718**

*These assets bear interest at a fixed rate.

4. Financial risk management (continued)

Foreign currency position

TEUR	2010 RUB	2010 CZK	2010 EUR	2010 USD	2010 Other currencies	2010 Total	2009 RUB	2009 CZK	2009 EUR	2009 USD	2009 Other currencies	2009 Total
Cash and cash equivalents	129,690	13,484	5,563	48,770	3,517	201,024	118,156	19,028	19,385	146,745	11,804	315,118
Due from financial institutions	7,843	45,617	20,676	39,031	20,485	133,652	9,488	30,427	7,294	27,722	20,132	95,063
Loans to customers	1,762,011	75,425	160,804	119,431	59,230	2,176,901	1,260,517	65,498	158,425	129,481	68,205	1,682,126
Financial assets at fair value through profit or loss	337	-	-	-	2,486	2,823	4,214	-	-	-	27,003	31,217
Financial assets available-for-sale	143,083	21,682	14,982	18	-	179,765	194,394	20,799	15,573	107,953	4	338,723
Assets classified as held for sale	-	-	-	-	108,156	108,156	-	-	-	-	-	-
Current income tax receivables	5,022	1,508	1,574	-	371	8,475	5,242	3,661	-	-	3,395	12,298
Deferred tax assets	3,485	-	7,841	-	-	11,326	6,305	-	6,606	-	-	12,911
Investments in associates	-	-	-	-	1,533	1,533	-	-	-	-	590	590
Investment property	-	-	-	-	-	-	-	-	-	-	980	980
Intangible assets	14,403	17,126	55	-	862	32,446	14,327	18,447	38	-	1,502	34,314
Property and equipment	146,826	3,523	518	-	3,371	154,238	147,710	4,977	610	-	5,503	158,800
Other assets	22,926	43,976	4,832	243	1,256	73,233	17,469	24,741	10,036	549	1,366	54,161
Total assets	**2,235,626**	**222,341**	**216,845**	**207,493**	**201,267**	**3,083,572**	**1,777,822**	**187,578**	**217,967**	**412,450**	**140,484**	**2,736,301**
Current accounts and deposits from customers	568,312	-	10,368	6,133	5,209	590,022	307,592	-	13,465	28,775	27,647	377,479
Due to financial institutions	181,397	10,018	137,658	348	12,148	341,569	351,864	9,809	118,228	22,298	28	502,227
Debt securities issued	420,590	183,361	-	416,068	-	1,020,019	417,238	100,722	-	439,884	168	958,012
Financial liabilities at fair value through profit or loss	2,333	-	3,365	-	923	6,621	3,293	-	3,831	-	294	7,418
Liabilities classified as held for sale	-	-	-	-	76,097	76,097	-	-	-	-	-	-
Current income tax liabilities	-	324	-	-	500	824	-	-	1,529	-	653	2,182
Deferred tax liabilities	-	3,477	-	-	282	3,759	-	2,666	339	-	1,084	4,089
Other liabilities	61,335	35,351	8,917	1,953	1,297	108,853	38,187	53,434	7,842	1,216	1,152	101,831
Total liabilities	**1,233,967**	**232,531**	**160,308**	**424,502**	**96,456**	**2,147,764**	**1,118,174**	**166,631**	**145,234**	**492,173**	**31,026**	**1,953,238**
Effect of foreign currency derivatives	(192,432)	115,347	(106,582)	211,567	(27,900)	-	(21,025)	(85,087)	39,909	81,148	(14,945)	-
Net position	**809,227**	**105,157**	**(50,045)**	**(5,442)**	**76,911**	**935,808**	**638,623**	**(64,140)**	**112,642**	**1,425**	**94,513**	**783,063**

4. Financial risk management (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the 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 behavior. 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.

(e) Capital management

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

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

4. Financial risk management (continued)

(f) Fair values of financial instruments

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

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

	Note	Carrying amount 2010 TEUR	Fair Value 2010 TEUR	Carrying amount 2009 TEUR	Fair Value 2009 TEUR
Loans to customers	10	2,176,901	2,176,901	1,682,126	1,644,592
Debt securities issued	20	(1,020,019)	(1,039,371)	(958,012)	(967,280)

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

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

2010	Note	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Financial assets at fair value through profit or loss	11	-	2,823	-	2,823
Financial assets available-for-sale	12	139,401	-	40,364	179,765
Financial liabilities at fair value through profit or loss	21	-	(6,621)	-	(6,621)
		139,401	**(3,798)**	**40,364**	**175,967**

2009	Note	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Financial assets at fair value through profit or loss	11	-	31,217	-	31,217
Financial assets available-for-sale	12	305,678	-	33,045	338,723
Financial liabilities at fair value through profit or loss	21	-	(7,418)	-	(7,418)
		305,678	**23,799**	**33,045**	**362,522**

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

4. Financial risk management (continued)

Reconciliation of movements in Level 3:	**2010 TEUR**	**2009 TEUR**
Balance as at 1 January	33,045	18,105
Net (losses)/gains recorded in profit or loss	(287)	10,247
Net gains recorded in other comprehensive income	7,352	1,519
Purchases	3,733	3,174
Settlements	(3,475)	-
Transfers out of Level 3	(4)	-
Balance as at 31 December	**40,364**	**33,045**

The financial assets available-for-sale presented in Level 3 above comprise contingent part of sales price for loan receivables sold of TEUR 21,682, debt securities of TEUR 3,682 and equity investment of TEUR 15,000 (refer to Note 12). The fair value of the contingent part of sales price for loan receivables sold is estimated based on repayments statistics of relevant receivable pools and is sensitive to actual repayment behavior of customers; gains and losses resulting from changes in underlying cash flows are presented as other income in the consolidated statement of comprehensive income, other gains and losses are presented in the consolidated statement of changes in equity. The fair value of the debt securities is estimated based on discounted cash flows. The fair value of the equity investment is estimated based on discounted equity flows and is by nature sensitive to real economic developments; related impairment losses are presented as impairment losses on financial assets in the consolidated statement of comprehensive income.

5. Net gain/(loss) from investments in subsidiaries

	2010 TEUR	**2009 TEUR**
Net (loss)/gain on liquidation of subsidiaries	(4)	1,260
Net gain/(loss) on disposal of subsidiary	19	(3,911)
	15	**(2,651)**

6. Discontinued operations and non-current assets and liabilities held for sale

The Group's 100% ownership interest in Home Credit Bank (PJSC) was subject to a sales transaction entered into on 3 December 2010 and completed on 31 January 2011, refer to Note 39.

Non-current assets and liabilities held for sale as at 31 December 2010 represent all assets and liabilities of Home Credit Bank (PJSC).

	2010
	TEUR
Cash and cash equivalents	29,387
Due from banks and other financial institutions	1,535
Loans to customers	40,792
Financial assets at fair value through profit or loss	31,866
Current income tax receivables	882
Investment property	1,003
Intangible assets	117
Property and equipment	1,196
Other assets	1,378
Non-current assets total	**108,156**
Current accounts and deposits from customers	73,476
Due to banks and other financial institutions	987
Deferred tax liabilities	588
Other liabilities	1,046
Non-current liabilities total	**76,097**

6. Discontinued operations and non-current assets and liabilities held for sale (continued)

Net loss from discontinued operations represents income and expenses of Home Credit Bank (PJSC).

	2010 TEUR	2009 TEUR
Discontinued operations		
Interest income	11,621	22,017
Interest expense	(9,296)	(7,350)
Net interest income	**2,325**	**14,667**
Fee and commission income	4,175	7,050
Fee and commission expense	(283)	(240)
Net fee and commission income	**3,892**	**6,810**
Net gains on financial assets	95	67
Other operating income	194	573
Operating income	**6,506**	**22,117**
Impairment losses on financial assets	(2,831)	(14,017)
General administrative expenses	(10,146)	(9,471)
Other operating expenses	(2,374)	(2,360)
Operating expenses	**(15,351)**	**(25,848)**
Loss before tax	**(8,845)**	**(3,731)**
Income tax expense	(1,171)	(1,461)
Net loss from discontinued operations	**(10,016)**	**(5,192)**

Cash flow from discontinued operations

	2010 TEUR	2009 TEUR
Cash flows from operating activities	5 913	13 476
Cash flows used in investing activities	(251)	(1 490)
Cash flows from financing activities	1 964	(9 094)
Net cash flow from discontinued operations	**7 626**	**2 892**

7. 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 five principal geographical areas, the Czech Republic, the Slovak Republic, the Russian Federation, Ukraine and the Republic of Belarus. The geographical segments are based on the geographical location of assets which corresponds to the geographical location of customers at the same time.

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 Executive Committee is the chief operating decision maker. The Committee reviews the Group's internal reporting on a regular basis to assess performance of individual segments and to allocate Group's resources accordingly. Current and deferred income tax assets and liabilities are excluded from segment assets and liabilities.

	Czech Republic 2010 TEUR	Slovak Republic 2010 TEUR	Russian Federation 2010 TEUR	Ukraine 2010 TEUR	Other* 2010 TEUR	Unallocated** 2010 TEUR	Eliminations 2010 TEUR	Consolidated 2010 TEUR
Revenue from external customers	29,457	44,639	866,616	15,808	25,632	8,789	-	990,941
Inter-segment revenue	548	-	3,071	-	441	3,247	(7,307)	-
Total revenue	**30,005**	**44,639**	**869,687**	**15,808**	**26,073**	**12,036**	**(7,307)**	**990,941**
Segment result	**18,053**	**6,066**	**233,750**	**(10,815)**	**8,937**	**(21,820)**	**-**	**234,171**
Depreciation and amortization	(14,841)	(345)	(18,726)	(1,441)	(687)	-	-	(36,040)
Other significant non-cash expenses***	(6,255)	(13,511)	(88,591)	(85)	(569)	-	-	(109,011)
Capital expenditure	(23,654)	(339)	(10,407)	(479)	(1,636)	-	-	(36,515)
Segment assets	**197,327**	**168,346**	**2,468,221**	**121,302**	**100,692**	**961,749**	**(954,748)**	**3,062,889**
Investments in associates	-	-	1,533	-	-	-	-	1,533
Segment liabilities	**93,594**	**142,118**	**1,667,841**	**87,797**	**52,507**	**186,953**	**(88,217)**	**2,142,593**
Segment equity	**101,440**	**34,906**	**808,887**	**33,799**	**47,774**	**774,794**	**(865,792)**	**935,808**

* Other is represented mainly by items located in Republic of Belarus.

** Unallocated items represent items of revenue, operating expense, assets and liabilities which cannot be reasonably allocated to the geographical segments.

*** Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.

7. Segment reporting (continued)

	Czech Republic 2009 TEUR	Slovak Republic 2009 TEUR	Russian Federation 2009 TEUR	Ukraine 2009 TEUR	Other* 2009 TEUR	Unallocated** 2009 TEUR	Eliminations 2009 TEUR	Consolidated 2009 TEUR
Revenue from external customers	82,821	49,741	830,842	29,099	16,786	7,443	-	1,016,732
Inter-segment revenue	1,081	-	2,513	60	4,900	11,394	(19,948)	-
Total revenue	**83,902**	**49,741**	**833,355**	**29,159**	**21,686**	**18,837**	**(19,948)**	**1,016,732**
Segment result	**14,473**	**2,489**	**117,337**	**(52,868)**	**(5,462)**	**(21,614)**	**-**	**54,355**
Depreciation and amortization	(12,662)	(321)	(17,329)	(2,542)	(604)	-	-	(33,458)
Other significant non-cash expenses***	(29,073)	(22,712)	(201,025)	(51,319)	(1,557)	(9,105)	-	(314,791)
Capital expenditure	(25,938)	(123)	(21,666)	(2,768)	(307)	-	-	(50,802)
Segment assets	**189,836**	**164,552**	**2,224,086**	**120,984**	**87,433**	**1,003,915**	**(1,079,714)**	**2,711,092**
Investments in associates	-	-	590	-	-	-	-	590
Segment liabilities	**78,433**	**156,289**	**1,613,864**	**93,500**	**65,232**	**160,792**	**(221,145)**	**1,946,965**
Segment equity	**112,398**	**13,340**	**621,769**	**29,623**	**22,585**	**843,619**	**(860,269)**	**783,065**

* Other is represented mainly by items located in Republic of Belarus.

** Unallocated items represent items of revenue, operating expense, assets and liabilities which cannot be reasonably allocated to the geographical segments.

*** Other significant non-cash expenses are represented by impairment losses on financial and non-financial assets.

8. Cash and cash equivalents

	2010 TEUR	2009 TEUR
Cash on hand	35,005	39,235
Current accounts	43,288	82,488
Current accounts with central banks	44,402	46,626
Placements with financial institutions due within one month	78,329	146,769
	201,024	**315,118**

9. Due from banks and other financial institutions

	2010 TEUR	2009 TEUR
Loans and term deposits with financial institutions due in more than one month	89,592	56,278
Loans and advances provided under repo operations	39,442	34,577
Minimum reserve deposits with central banks	4,618	4,208
	133,652	**95,063**

The minimum reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by the CBR, the NBU and the NBRB and whose withdrawals are restricted.

As at 31 December 2010 term deposits of TEUR 6,696 (2009: TEUR 9,012) were pledged as a collateral for bank loan facilities.

10. Loans to customers

	2010 TEUR	2009 TEUR
Gross amount		
Consumer loan receivables	1,158,794	758,552
Cash loan receivables	590,454	377,437
Revolving loan receivables	402,068	541,938
Mortgage loan receivables	164,228	195,942
Car loan receivables	69,820	72,618
Secured personal loans	-	19,409
Loans to corporations	44,760	19,015
Other	1,267	10,298
	2,431,391	**1,995,209**
Collective allowances for impairment		
Consumer loan receivables	(88,773)	(84,240)
Cash loan receivables	(82,488)	(98,700)
Revolving loan receivables	(54,082)	(94,979)
Mortgage loan receivables	(13,279)	(19,463)
Car loan receivables	(10,417)	(8,625)
Other	(424)	(1,813)
Loans to corporations	(125)	(39)
Secured personal loans	-	(3,287)
	(249,588)	**(311,146)**
Specific allowances for impairment		
Loans to corporations	(4,902)	(1,660)
Other	-	(277)
	(4,902)	**(1,937)**
	2,176,901	**1,682,126**

In April 2009 the Group sold a pool of revolving loan receivables in gross amount of TCZK 5,769,161 (TEUR 218,240) to a related party. The proceeds from the sale were used to repay the Group's CZK securitization funding. The receivables sale agreement provides for the sale of both present receivables and future receivables arising on certain nominated revolving loan accounts, and the sales continued in 2010. The price for the receivables consists of two components, a fixed component equal to face value of sold receivables and a future component contingent on the receivables pool performance. The pool of receivables sold was derecognized by the Group and the right to receive the contingent part of the sales price was recognized as an available-for-sale asset and is measured at fair value (refer to Note 12).

In August 2009 the Group sold a pool of consumer loan and cash loan receivables in gross amount of TCZK 4,389,084 (TEUR 166,034) to a related party. The proceeds from the sale were used to repay part of the Group's CZK bank financing. The receivables sale agreement provides for the sale of both present receivables and future receivables generated by the Group, and the sales continued in 2010.. The price for the receivables consists of two components, a fixed component equal to face value of sold receivables and a future component contingent on the receivables pool performance. The pool of receivables sold was derecognized by the Group and the right to receive the contingent part of the sales price was recognized as an available-for-sale asset and is measured at fair value (refer to Note 12).

Consumer loan receivables and cash loan receivables of TEUR 84,631 (2009: TEUR 74,871), revolving loan receivables of TEUR 72,238 (2009: TEUR 77,028) and mortgage loan receivables of TEUR 22,797 (2009: TEUR 60,528) were pledged as collaterals for bank loan facilities (refer to Note 19).

10. Loans to customers (continued)

Analysis of movements in allowances for impairment	**Note**	**2010 TEUR**	**2009 TEUR**
Balance as at 1 January		313,083	356,993
Transfer to held-for-sale		(19,115)	-
Translation difference		14,693	(8,980)
Impairment losses recognized in the statement of comprehensive income	29	108,924	276,900
Amount related to loans disposed off		(161,469)	(112,954)
Amount related to loans written off		(1,626)	(198,876)
Balance as at 31 December		**254,490**	**313,083**

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

11. Financial assets at fair value through profit or loss

	2010 TEUR	**2009 TEUR**
Debt securities	-	23,441
Positive fair value of derivative instruments	2,823	7,776
	2,823	**31,217**

12. Financial assets available-for-sale

	2010 TEUR	**2009 TEUR**
Debt securities	143,083	308,920
Contingent part of sales price for loan receivables sold	21,682	20,799
Equity securities	15,000	9,004
	179,765	**338,723**

As at 31 December 2010 no debt securities available-for-sale (2009: TEUR 91,552) served as a collateral for secured bank loans (refer to Note 19).

As at 31 December 2010 debt securities available-for-sale of TEUR 5,635 (2009: TEUR 0) served as a collateral for loans received under repo operations (refer to Note 19).

The equity securities shown above represent a 9.99% equity interest in a company which was a related party to the Group but ceased to be a related party in September 2010.

13. Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2010 TEUR	2009 TEUR	2010 TEUR	2009 TEUR	2010 TEUR	2009 TEUR
Due from financial institutions	946	9,782	-	(6,778)	946	3,004
Loans to customers	14,100	8,495	(8,456)	(3,238)	5,644	5,257
Fair value of financial assets and liabilities	467	659	(67)	(897)	400	(238)
Carrying value of property and equipment	70	116	(7,920)	(9,093)	(7,850)	(8,977)
Other assets	3,273	3,472	(7,030)	(478)	(3,757)	2,994
Debt securities issued	838	130	-	(2)	838	128
Other	14,578	9,569	(3,232)	(2,915)	11,346	6,654
Deferred tax assets/(liabilities)	34,272	32,223	(26,705)	(23,401)	7,567	8,822
Net deferred tax assets					**7,567**	**8,822**

As of 31 December 2010 the Group incurred tax losses in recent years in amount of TEUR 64,238 (2009: 46,670) 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 can be utilized in the period from 2011 to 2019.

14. Investment in associates

At 31 December 2010 the Group had the following investments in associates:

	Country of Incorporation	Ownership interest 2010 (%)	Carrying amount 2010 TEUR	Income from associate 2010 TEUR
Equifax Credit Services (LLC)	Russian Federation	42.00	1,533	-
			1,533	**-**

At 31 December 2009 the Group had the following investments in associates:

	Country of Incorporation	Ownership interest 2009 (%)	Carrying amount 2009 TEUR	Income from associate 2009 TEUR
Equifax Credit Services (LLC)	Russian Federation	42.00	590	-
			590	**-**

15. Intangible assets

2010	Goodwill TEUR	Software TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost				
Balance at 1 January 2010	73,641	59,387	5,677	138,705
Transfer to held for sale	(73,641)	(432)	(3,187)	(77,260)
Additions	-	14,670	10,066	24,736
Disposals	-	(250)	(10,722)	(10,972)
Translation difference	-	3,361	139	3,500
Balance at 31 December 2010	**-**	**76,736**	**1,973**	**78,709**
Accumulated amortization				
Balance at 1 January 2010	-	27,996	2,754	30,750
Transfer to held for sale	-	(342)	(2,261)	(2,603)
Charge for the year	-	16,525	84	16,609
Disposals	-	(230)	(47)	(277)
Translation difference	-	1,749	35	1,784
Balance at 31 December 2010	**-**	**45,698**	**565**	**46,263**
Impairment				
Balance at 1 January 2010	73,641	-	-	73,641
Transfer to held for sale	(73,641)	-	-	(73,641)
Balance at 31 December 2010	**-**	**-**	**-**	**-**
Carrying amount				
at 1 January 2010	**-**	**31,391**	**2,923**	**34,314**
at 31 December 2010	**-**	**31,038**	**1,408**	**32,446**

15. Intangible assets (continued)

2009	**Goodwill TEUR**	**Software TEUR**	**Other intangible assets TEUR**	**Total TEUR**
Acquisition cost				
Balance at 1 January 2009	78,087	36,823	6,042	120,952
Additions	-	22,987	11,703	34,690
Disposals	(4,446)	(223)	(12,111)	(16,780)
Translation difference	-	(200)	43	(157)
Balance at 31 December 2009	**73,641**	**59,387**	**5,677**	**138,705**
Accumulated amortization				
Balance at 1 January 2009	-	13,923	1,849	15,772
Charge for the year	-	14,020	900	14,920
Disposals	-	(45)	-	(45)
Translation difference	-	98	5	103
Balance at 31 December 2009	**-**	**27,996**	**2,754**	**30,750**
Impairment				
Balance at 1 January 2009	39,762	-	-	39,762
Impairment losses recognized	38,325	-	-	38,325
Impairment losses disposed	(4,446)	-	-	(4,446)
Balance at 31 December 2009	**73,641**	**-**	**-**	**73,641**
Carrying amount				
at 1 January 2009	**38,325**	**22,900**	**4,193**	**65,418**
at 31 December 2009	**-**	**31,391**	**2,923**	**34,314**

16. Property and equipment

2010	Buildings TEUR	Equipment TEUR	Vehicles TEUR	Other tangible assets TEUR	Total TEUR
Acquisition cost					
Balance at 1 January 2010	141,069	69,787	5,183	1,086	217,125
Transfer to held for sale	(271)	(6,170)	(146)	(65)	(6,652)
Additions	2,367	6,897	1,205	908	11,377
Disposals	(1)	(4,240)	(379)	(1,780)	(6,400)
Transfers	(23,508)	23,760	-	-	252
Translation difference	8,339	3,135	233	49	11,756
Balance at 31 December 2010	**127,995**	**93,169**	**6,096**	**198**	**227,458**
Accumulated depreciation					
Balance at 1 January 2010	15,768	39,272	3,194	-	58,234
Transfer to held for sale	(16)	(4,074)	(59)	-	(4,149)
Charge for the year	3,471	14,106	966	-	18,543
Disposals	-	(2,389)	(315)	-	(2,704)
Transfers	(431)	730	1	-	300
Translation difference	948	1,901	147	-	2,996
Balance at 31 December 2010	**19,740**	**49,546**	**3,934**	**-**	**73,220**
Impairment					
Balance at 1 January 2010	91	-	-	-	91
Transfer to held for sale	(91)	-	-	-	(91)
Balance at 31 December 2010	**-**	**-**	**-**	**-**	**-**
Carrying amount					
at 1 January 2010	**125,210**	**30,515**	**1,989**	**1,086**	**158,800**
at 31 December 2010	**108,255**	**43,623**	**2,162**	**198**	**154,238**

16. Property and equipment (continued)

2009	**Buildings TEUR**	**Equipment TEUR**	**Vehicles TEUR**	**Other tangible assets TEUR**	**Total TEUR**
Acquisition cost					
Balance at 1 January 2009	157,762	64,751	7,246	5,132	234,891
Additions	1,889	11,959	143	2,121	16,112
Disposals	(6,477)	(9,601)	(2,018)	(5,921)	(24,017)
Transfers	(5,116)	5,116	-	-	-
Translation difference	(6,989)	(2,438)	(188)	(246)	(9,861)
Balance at 31 December 2009	**141,069**	**69,787**	**5,183**	**1,086**	**217,125**
Accumulated depreciation					
Balance at 1 January 2009	13,948	35,022	3,735	-	52,705
Charge for the year	5,080	12,364	1,094	-	18,538
Disposals	(1,258)	(8,271)	(1,570)	-	(11,099)
Transfers	(1,314)	1,314	-	-	-
Translation difference	(688)	(1,157)	(65)	-	(1,910)
Balance at 31 December 2009	**15,768**	**39,272**	**3,194**	**-**	**58,234**
Impairment					
Balance at 1 January 2009	3,608	-	-	433	4,041
Disposals	(3,517)	-	-	(433)	(3,950)
Balance at 31 December 2009	**91**	**-**	**-**	**-**	**91**
Carrying amount					
at 1 January 2009	**140,206**	**29,729**	**3,511**	**4,699**	**178,145**
at 31 December 2009	**125,210**	**30,515**	**1,989**	**1,086**	**158,800**

17. Other assets

	2010 TEUR	**2009 TEUR**
Outstanding selling price for receivables	31,046	15,231
Settlements with suppliers	11,944	14,424
Prepaid expenses	11,954	9,547
Other taxes receivable	2,812	4,822
Other	15,611	10,396
	73,367	**54,420**
Specific allowances for impairment on settlement with suppliers	(123)	(240)
Specific allowances for impairment on goods held for resale	(11)	-
Specific allowances for impairment on other assets	-	(19)
	(134)	**(259)**
	73,233	**54,161**

17. Other assets (continued)

Analysis of movements in allowances for impairment	**Note**	**2010 TEUR**	**2009 TEUR**
Balance as at 1 January		259	1,070
Translation difference		12	17
Impairment losses recognized in the statement of comprehensive income	32	(10)	(428)
Amount related to assets written off		(127)	(400)
Balance as at 31 December		**134**	**259**

18. Current accounts and deposits from customers

	2010 TEUR	**2009 TEUR**
Term deposits	408,899	250,208
Current accounts and demand deposits	181,123	127,271
	590,022	**377,479**

19. Due to banks and other financial institutions

	2010 TEUR	**2009 TEUR**
Unsecured loans	183,892	320,163
Secured loans	122,531	174,380
Loans received under repo operations	4,531	-
Other balances	30,615	7,684
	341,569	**502,227**

Out of the secured loans stated above, the balance of TEUR 51,488 (2009: TEUR 54,465) was secured by pledge of revolving loan receivables, the balance of TEUR 50,501 (2009: TEUR 50,430) was secured by pledge of consumer loan receivables and cash loan receivables, the balance of TEUR 20,542 (2009: TEUR 41,953) was secured by pledge of mortgage loan receivables and no loan balance (2009: TEUR 27,532) was collateralized by financial assets available-for-sale.

As at 31 December 2010 loans received under repo operations were collateralized by financial assets available-for-sale of TEUR 5,635 (2009: TEUR 0).

As at 31 December 2010 other balances included deposits of the NBRB of TEUR 16,636 (2009: TEUR 0).

20. Debt securities issued

	Interest rate	Final maturity	Amount outstanding 2010 TEUR	2009 TEUR
USD loan participation notes 4 of TUSD 500,000	Fixed	June 2011	167,736	171,554
USD loan participation notes 3 of TUSD 200,000	Fixed	August 2011	116,367	136,787
USD loan participation notes 5 of TUSD 300,912	Fixed	August 2011	131,965	131,714
Unsecured RUB bond issue 6 of MRUB 6,000	Variable	June 2014	122,054	116,167
Unsecured CZK bond issue 3 of MCZK 4,000	Variable	June 2012	99,761	100,722
Unsecured RUB bond issue 5 of MRUB 4,000	Variable	April 2013	99,751	94,562
Unsecured RUB bond issue 4 of MRUB 3,000	Variable	October 2011	74,613	72,234
Unsecured RUB bond issue 3 of MRUB 3,000	Variable	September 2010	-	69,807
Unsecured RUB bond issue 2 of MRUB 3,000	Variable	May 2010	-	64,465
Unsecured RUB bond issue 7 of MRUB 3,000	Variable	April 2015	124,172	-
Unsecured CZK bond issue 4 of MCZK 2,900	Fixed	September 2015	83,600	-
			1,020,019	**958,012**

The USD loan participation notes were issued by the Group through Eurasia Capital S.A. (refer to Note 1).

The RUB denominated bonds issue 6 were issued by the Group in June 2009 with a fixed coupon rate resettable at option dates. In December 2010 the Group reset a new coupon rate for the subsequent two year period. Bondholders are entitled to require early redemption of the bond at par in December 2012.

The RUB denominated bonds issue 5 were issued by the Group in April 2008 with a fixed coupon rate resettable at option dates. In April 2010 the Group reset coupon rates for the eighteen month period. Bondholders are entitled to require early redemption of the bond issue at par in October 2011.

The RUB denominated bonds issue 4 were issued by the Group in October 2006 with a fixed coupon rate resettable at option dates. In October 2010 the Group reset a new coupon rate through the final maturity date.

The RUB denominated bonds issue 3 were issued by the Group in September 2005 with a fixed coupon rate resettable at option dates. In May 2010 the Group repaid the bonds at par.

The RUB denominated bonds issue 2 were issued by the Group in May 2005 with a fixed coupon rate resettable at option dates. In May 2010 the Group repaid the bonds at par.

The RUB denominated bonds issue 7 were issued by the Group in April 2010 with a fixed coupon rate set for two years. Bondholders are entitled to require early redemption of the bond at par in May 2012.

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

21. Financial liabilities at fair value through profit or loss

	2010 TEUR	2009 TEUR
Negative fair value of derivative instruments	6,621	7,418
	6,621	**7,418**

22. Other liabilities

	2010 TEUR	2009 TEUR
Settlements with suppliers	43,468	41,014
Accrued employee compensation	43,319	26,352
Other taxes payable	10,305	6,449
Provisions	666	-
Insurance liability, net	6	19,496
Other	11,089	8,520
	108,853	**101,831**

23. Equity

At 31 December 2010 the share capital of the Group comprised 1,250,000,000 (2009: 1,250,000,000) ordinary shares at a par value of EUR 0.57 (2009: EUR 0.74), of which 1,156,174,806 (2009: 1,156,174,806) shares were issued and fully paid. All issued shares bear equal voting rights. The holders of shares are entitled to receive dividends when declared. No dividends can be distributed if distributable reserves are negative.

In October 2010 the shareholder of the Company made a decision to reduce share capital of the Company by TEUR 196,549 of which TEUR 123,989 was distributed to the shareholder and the remaining part was transferred to share premium and other reserves.

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

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

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

24. Interest income and interest expense

	2010 TEUR	2009 TEUR
Interest income		
Consumer loan receivables	377,304	330,131
Cash loan receivables	157,573	163,647
Revolving loan receivables	148,203	211,167
Financial assets available-for-sale	23,502	21,612
Mortgage loan receivables	20,820	24,005
Car loan receivables	15,821	15,840
Due from banks and other financial institutions	4,661	26,727
Other	14,523	6,340
	762,407	**799,469**
Interest expense		
Debt securities issued	110,524	140,845
Current accounts and deposits from customers	41,363	11,957
Balances from banks and other financial institutions	20,382	79,160
Finance leases	-	6
	172,269	**231,968**

25. Fee and commission income

	2010 TEUR	2009 TEUR
Insurance commissions	104,358	64,235
Penalty fees	44,335	73,354
Cash transactions	28,996	30,761
Customer payment processing and account maintenance	23,178	13,914
Retailers commissions	11,585	5,094
Other	274	838
	212,726	**188,196**

26. Fee and commission expense

	2010 TEUR	2009 TEUR
Commissions to retailers	25,623	26,993
Cash transactions	6,757	9,431
Payment processing and account maintenance	5,644	5,633
Other	2,615	992
	40,639	**43,049**

27. Net gains/(losses) on financial assets

	2010 TEUR	2009 TEUR
Net trading gains on other financial assets	8,758	5,559
Net trading losses on derivatives	(6,797)	(151,041)
	1,961	**(145,482)**

28. Other operating income

	2010 TEUR	2009 TEUR
Gains on disposal of loan receivables	40,460	31,201
Net foreign currency income	5,420	107,987
Net gain on early redemption of debt securities issued	-	13,534
Loss on origination of loans at non-market interest rates	(51,436)	-
Other	23,634	17,089
	18,078	**169,811**

Gains on disposals of loan receivables represent contingent part of sales price for the receivables pools sold (refer to Note 10).

In 2010 the Group granted consumer loans in Russia under special terms of a marketing campaign with an average contractual interest rate of 7.8%, which was below the market rate. The volume of loans granted was adjusted to fair value at the market interest rate of 29.9%. The effect of this adjustment of TEUR 51,436 is shown within other operating income.

29. Impairment losses on financial assets

	2010 TEUR	2009 TEUR
Consumer loan receivables	51,282	64,885
Cash loan receivables	21,867	82,475
Revolving loan receivables	21,069	90,522
Mortgage loan receivables	6,645	8,398
Car loan receivables	3,812	6,721
Financial assets available-for-sale	-	9,105
Other financial assets	4,249	777
	108,924	**262,883**

30. Net income/(expense) related to credit risk insurance

	2010 TEUR	2009 TEUR
Commission income for collecting defaulted receivables	42	31,413
Cash loan receivables	-	(33,126)
Consumer loan receivables	-	(15,849)
Revolving loan receivables	-	(77)
	42	**(17,639)**

In 2009 the Group terminated its credit risk insurance agreement with the insurance company.

31. General administrative expenses

	2010 TEUR	2009 TEUR
Employee compensation	168,064	142,376
Payroll related taxes (including pension contributions)	27,024	23,115
Telecommunication and postage	28,340	29,147
Professional services	25,722	27,593
Occupancy	21,609	23,525
Advertising and marketing	13,831	5,908
Information technologies	12,026	12,189
Taxes other than income tax	4,776	2,378
Travel expenses	4,488	3,972
Other	10,784	7,496
	316,664	**277,699**

32. Other operating expenses

	2010 TEUR	2009 TEUR
Depreciation and amortization	35,152	31,476
Loss on disposal of property, plant, equipment, and intangible assets	1,263	3,517
Impairment losses on goodwill	-	38,325
Reversal of losses on other assets	(10)	(353)
	36,405	**72,965**

33. Income tax expense

	2010 TEUR	2009 TEUR
Current tax expense	73,198	34,517
Deferred tax expense	2,943	9,076
Total income tax expense from continuing operations in the statement of comprehensive income	**76,141**	**43,593**

Reconciliation of effective tax rate	2010 TEUR	2009 TEUR
Profit before tax from continuing operations	**320,328**	**103,140**
Income tax using the domestic tax rate of 25.5% (2009: 25.5%)	(81,684)	(26,301)
Effect of deferred tax assets not recognized	(4,757)	(1,894)
Non-deductible costs and non-taxable income	(4,777)	(20,759)
Effect of income taxed at lower tax rates	14	-
Effect of tax rates in foreign jurisdictions	15,105	9,395
Other	(42)	(4,034)
Total income tax expense from continuing operations	**(76,141)**	**(43,593)**

34. Derivative financial instruments

At 31 December 2010 the following derivative contracts were outstanding:

Contract type	Sell/Buy	Maturity	Notional amount (in thousands of purchased currency)	Fair value TEUR
Foreign currency forward contracts				
	CZK/ USD	less than 1 month	1,245	(28)
	USD/ EUR	less than 1 month	30,491	(167)
	UAH/USD	less than 1 month	31,276	(786)
	EUR/ KZT	less than 1 month	4,087	(45)
	KZT/USD	less than 1 month	21,967	(213)
	RUB/USD	1 month to 3 months	7,466	(5)
Foreign currency swap contracts				
	EUR/CZK	less than 1 month	41,534	365
	USD/ CZK	less than 1 month	21,407	(1,455)
	RUB/USD	less than 1 month	141,858	(1,652)
	USD/EUR	less than 1 month	11,073	(206)
	EUR/RUB	less than 1 month	2,470	(8)
	EUR/ CZK	1 month to 3 months	79,933	(124)
	CZK/RUB	1 month to 3 months	11,726	219
	RUB/USD	1 month to 3 months	57,304	(334)
	USD/CZK	1 month to 3 months	11,498	(10)
	CZK/ USD	3 months to 1 year	26,054	(912)
	EUR/BYR	3 months to 1 year	9,410	2,433
	EUR/BYR	more than 1 year	10,712	(923)
	USD/BYR	more than 1 year	1,134	53
				(3,798)

At 31 December 2009 the following derivative contracts were outstanding:

Contract type	Sell/Buy	Maturity	Notional amount (in thousands of purchased currency)	Fair value TEUR
Foreign currency forward contracts				
	KZT/USD	more than 1 year	20,213	(35)
Foreign currency swap contracts				
	CZK/USD	less than 1 month	53,672	787
	CZK/EUR	less than 1 month	51,389	(791)
	RUB/USD	less than 1 month	21,025	91
	USD/CZK	less than 1 month	14,575	(779)
	EUR/USD	less than 1 month	6,578	43
	USD/RUB	3 months to 1 year	42,261	2,923
	RUB/USD	3 months to 1 year	42,261	(2,923)
	USD/CZK	3 months to 1 year	24,292	(1,261)
	CZK/USD	more than 1 year	18,893	(965)
	EUR/BYR	more than 1 year	4,902	3,285
	USD/BYR	more than 1 year	366	(17)
				358

35. Commitments

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

	2010 TEUR	2009 TEUR
Revolving loan commitments	579,529	527,537
Consumer loan commitments	35,992	32,631
Undrawn overdraft facilities	61	19,158
Term loan facilities	-	2,675
Cash loan commitments	4,710	921
	620,292	**582,922**

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.

36. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2010 TEUR	2009 TEUR
Less than one year	15,172	15,505
Between one and five years	23,503	35,884
More than five years	461	-
	39,136	**51,389**

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

During the year TEUR 12,954 (2009: TEUR 15,541) was recognized as an expense in the statement of comprehensive income in respect of operating leases.

37. Contingencies

The taxation systems in the Russian Federation, in the Republic of Belarus and in Ukraine 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 and Ukraine 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 and Ukrainian tax legislation, official pronouncements and court decisions.

38. Related party transactions

The Group has a related party relationship with its ultimate parent company PPF Group N.V., its subsidiaries and with a former related party referred to in Note 12.

(a) Transactions with the parent

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

	2010 **TEUR**	**2009** **TEUR**
Due from banks and other financial institutions	47,364	33,690
Debt securities issued	-	(1,611)
Other liabilities	(4,505)	(238)
	42,859	**31,841**

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

	2010 **TEUR**	**2009** **TEUR**
Interest income	471	2,944
Interest expense	(6,277)	(3,683)
General administrative expenses	(240)	(200)
	(5,566)	**(939)**

38. Related party transactions (continued)

(b) Transactions with fellow subsidiaries and other related parties

Amounts included in the statement of financial position in relation to transactions with fellow subsidiaries and other related parties are as follows:

	2010 TEUR	2009 TEUR
Cash and cash equivalents	18,121	24,748
Due from banks and other financial institutions	14,115	20,868
Loans to customers	4,527	5,384
Financial assets available-for-sale	21,682	20,799
Financial assets at fair value through profit or loss	225	-
Other assets	35,863	23,173
Due to banks and other financial institutions	(16,599)	(1,850)
Debt securities issued	(25,423)	(2,275)
Financial liabilities at fair value through profit or loss	(2,457)	(3,830)
Other liabilities	(4,529)	(2,371)
	45,525	**84,646**

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

	2010 TEUR	2009 TEUR
Interest income	5,599	6,278
Interest expense	(2,352)	(6,900)
Fee and commission income	1,011	731
Fee and commission expense	(262)	(180)
Net gain on financial assets	2,616	16,698
Other operating income	59,336	48,580
Impairment losses on financial assets	-	(9,105)
General administrative expenses	(9,818)	(9,753)
	56,130	**46,349**

As disclosed in Note 10, the Group sold receivables to a related party. The related transactions and balances are included in available-for-sale assets (TEUR 21,682), other assets (TEUR 31,046) and other operating income (TEUR 40,460).

38. Related party transactions (continued)

(c) Transactions with key management personnel

Amounts included in the statement of comprehensive income in relation to transactions with members of key management are short-term benefits comprising salaries and bonuses in amount of TEUR 21,413 (2009: TEUR 11,721). The members of Board of Directors of the Company and key management of its subsidiaries are considered as the key management of the Group.

39. Subsequent events

On 3 December 2010 the Group entered into a transaction whereby its 100% ownership interest in Home Credit Bank (PJSC) was sold. On 31 January 2011 the transaction was completed and the control over Home Credit Bank (PJSC) was transferred to the purchasing party, refer to Note 6.

Other Information

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

1. Profit appropriation

Profits and Distributions are given by Article 23 of the Company's Articles of Associations. The allocation of profits accrued in a financial year shall be determined by the Shareholders' Body. Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts. The Shareholders' Body may resolve to make interim distributions and/or to make distributions at the expense of any reserve of the Company on proposal of the management board. Distributions may be made only up to an amount which does not exceed the amount of the Distributable Equity and, if it concerns an interim distribution, the compliance with the requirement is evidenced by an interim statement of assets and liabilities as referred to in section 2:216 subsection 4, of the Dutch Civil Code.

No decision or proposal on the profit appropriation has been taken as of the date of the issue of the consolidated financial statements.

2. Subsequent events

Refer to the Notes to the Consolidated Financial Statements, Note 39.

Independent auditor’s report

To: The directors of Home Credit B.V.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements for the year ended 31 December 2010 which are part of the financial statements of Home Credit B.V., Amsterdam and comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management’s responsibility

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

Auditor’s responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Home Credit B.V. as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Amstelveen, 23 March 2011

KPMG ACCOUNTANTS N.V.

M. Frikkee RA