PPF GROUP N.V.

Annual accounts 2013

Content:

Board of Directors report

Description of the Company

PPF Group N.V.
Date of inception: 29 December 1994
Seat: Netherlands, Strawinskylaan 933, 1077XX Amsterdam
Identification number: 33264887
Basic share capital: 667,380 EUR
Principal business: Holding company activities and financing thereof

General information

PPF Group (the "Group") invests in multiple market sectors such as banking and financial services, telecommunications, insurance, real estate, energy, metal mining, agriculture, retail and biotechnology. PPF Group's reach spans from Central and Eastern Europe to Russia and across Asia. PPF Group owns assets amounting to EUR 20.9 billion (as at 31 December 2013).

PPF Group N.V., with its registered office in Amsterdam, is the key holding company of the Group that makes the strategic decisions governing the entire Group's activity. The company owns a 86.62% interest in Home Credit B.V., the holding company for the Home Credit Group companies, providing a global consumer finance business. It also owns 100% of PPF Real Estate Holding B.V., a Group company specialised in real estate projects, and 100% of Eldorado LLC, Russia's consumer electronic and domestic appliances retailer. Through its subsidiary, PPF Co1 B.V., PPF Group N.V. is a 24% shareholder of Generali PPF Holding B.V. Other major investments, in which the company applies significant influence, are Polymetal Plc. and Energetický a průmyslový holding, a.s. In addition, it is the majority shareholder of PPF banka a.s., Air Bank a.s. and PPF a.s., the principal consulting business for the entire PPF Group.

Significant events in 2013

January

On 8 January, PPF Group came to an agreement with Assicurazioni Generali ("Generali") concerning the future sale of its 49% stake in the insurance Generali PPF Holding ("GPH"). As part of the deal, PPF Group agreed to acquire from GPH a 100% stake in its insurance assets in Russia, Belarus and Ukraine.

February

Energetický a průmyslový holding, a.s. ("EP Holding") undertook the largest Czech foreign investment ever by acquiring a 49% stake in Slovakia's Slovenský plynárenský priemysel, a.s. ("SPP") – along with management control of the company – for EUR 2.6 billion. The largest gas group in Slovakia, SPP is a key transporter of Russian natural gas to Europe and the leader in the market of natural gas supply.

March

The first tranche of the transaction between PPF Group and Generali was completed under the terms of the agreement announced in January 2013. Generali therefore holds 76% of GPH, taking full management control of the company. Closing of the second tranche of the acquisition, for the remaining 24% of GPH, is scheduled to take place in January 2015, as previously announced. When the first tranche was settled, PPF Group acquired selected GPH companies in CIS countries.

The relevant agreements related to a division of assets among the PPF Group's shareholders was finalised, following Jiří Šmejc's leaving the position of PPF Group shareholder. Jiří Šmejc gained a direct 13.38% stake in Home Credit B.V., which is a holding company for Home Credit Group operations, as well as in AirBank a.s. The remaining 86.62% in both companies is owned by PPF Group N.V. All the transfers became effective in September 2013, after all regulatory approvals were obtained.

July

PPF Real Estate Holding in Russia finished the engineering documentation for the second stage of the Comcity multipurpose complex in so-called New Moscow. Construction-related investment in the first stage (total area of 125,000 square meters) during 2014 amounted to approximately EUR 230 million. The first tenants, telecommunications and hi-tech companies, are expected to move into the office park in the second half of 2014.

November

PPF Group agreed to acquire a 65.93% shareholding in telecommunications operator Telefónica Czech Republic, a.s. ("Telefónica CR"), including its 100%-owned subsidiary Telefónica Slovakia, s.r.o., from Telefónica, S.A. for total consideration of CZK 63.6 billion (EUR 2,348 million; CZK 305.6 per share). PPF Group will finance the transaction through a CZK 35.5 billion (EUR 1.3 billion) equity tranche and a syndicated loan facility provided by a consortium led by Société Générale.

Following a bidding process, PPF Group agreed to acquire KKCG Group's 50% stake in the company which controls Bestsport Arena a.s., operator of the "O2 Arena" multipurpose venue in Prague. PPF Group sees this step as a long-term investment and intends to continue the venue's development programme. The name "O2 Arena" will be retained. The transaction closed in January 2014.

Significant events in 2014

January

The acquisition by PPF Group of a 65.93% shareholding in Telefónica CR was cleared by the European Commission and subsequently closed on. As the acquirer of the shareholding, PPF Group is obliged to launch a mandatory tender offer for the shares of Telefónica CR held by minority shareholders – according to a schedule compliant with relevant legislation of the Czech Republic.

Financial performance

At the end of 2013 the consolidated shareholders' equity of PPF Group N.V. amounted to MEUR 5,062 (31 December 2012: MEUR 5,327).

The consolidated profit attributable to equity shareholders of the Group for 2013 reached MEUR 450 (2012: MEUR 727).

On 29 September 2005 the EU Financial Conglomerates directive was incorporated into the Czech legislation in the form of the Act on Financial Conglomerates. In a Czech Ministry of Finance decision of March 2006, PPF Group was identified as a financial conglomerate. By 30 September 2006, PPF Group had to comply with the supplementary prudential rules specified by the Act. As at 31 December 2013 PPF Group reported supplementary capital adequacy totalling MEUR 2,405 of capital surplus (31 December 2012: MEUR 1,001).

Workforce

The average number of employees during the year 2013 was 69,000 (2012: 52,000).

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

Composition of the Board of Directors

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

Financial instruments and risk management

The Group is exposed to various risks as a result of its activities: liquidity risk, market risks (interest rate risk, equity price risk, currency risk) and credit risk. In 2008 the Group lost control over all entities engaged in insurance business by signing the closing agreement related to the creation of Generali PPF Holding B.V. In 2013 the Group acquired insurance business in CIS countries so insurance risk is newly relevant as well.

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, other liabilities evidenced by paper, bank loans and shareholders' equity.

All financial instruments and positions are subject to market risk: i.e., the risk that future changes in market conditions may make an instrument more or less valuable. Exposure to market risk is formally managed by buying or selling instruments or entering into offsetting positions in accordance with risk limits or frameworks set by senior management.

The Group is subject to credit risk through its trading, lending and investing activities and where it acts as an intermediary on behalf of third parties. The Group's primary exposure to credit risk arises through the purchase of debt securities and through the provision of loans and advances. Credit risk is managed at the level of the individual Group companies.

The Group carries an inventory of capital market instruments to manage those risks. Positions are opened in the money market, foreign exchange markets, debt and credit markets and equity markets based on expectations of future market conditions. As at 31 December 2013 the Group held financial instruments in an amount of MEUR 12,943 (excluding assets relating to the associates). Of this amount, financial assets at fair value through profit or loss amounted to MEUR 265, financial assets available for sale MEUR 1,671, held to maturity financial assets MEUR 41 and loans and receivables

MEUR 10,966. The financial liabilities held by the Group include, in particular, liabilities due to non-banks in totalling MEUR 8,776, liabilities due to banks of MEUR 2,365, debt securities issued amounting to MEUR 1,661 and financial liabilities at fair value through profit or loss of MEUR 274.

The Group holds derivative financial instruments for trading and for risk management purposes: swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates, security prices or price indices.

For detailed information on risk management, see Section D of notes to the consolidated financial statements.

Description of core business segments and their development in 2013

Home Credit Group

The Home Credit Group ("Home Credit") is a leading multi-channel provider of consumer finance in Europe, with a strong foothold in Asia. The first Home Credit company was established in 1997 in the Czech Republic. Initially, Home Credit grew in its domestic markets: the Czech Republic and Slovakia. Since 2002, the Home Credit Group has been successfully undertaking a programme of international expansion. Home Credit Group is currently focused on the ten key consumer finance markets of the Czech Republic, Slovakia, the Russian Federation, Belarus, Kazakhstan, China, Vietnam, India, Indonesia and Philippines. Its 51,000 employees have so far served 37.4 million customers across all geographies under the Home Credit brand (as at 31 December 2013).

Home Credit focuses on responsible lending to people with little or no credit history, who may be underserved by a traditional bank. Customers are mainly from the low-middle income segment with a higher risk profile. By using Home Credit's products, they are able to learn to manage their finances effectively and build a credit history.

Products and their distribution

Home Credit's core business is to provide consumer finance lending to qualified mass market retail customers, often first-time borrowers. This largely takes the form of in-store financing, i.e. non-collateralized non-cash loans to customers seeking purchases of consumer durable goods; Home Credit provides this service directly in shops as point-of-sale loans. In more mature markets, Home Credit also provides cash loans, credit cards, revolving loans or car loans, predominantly to existing customers who have already established a good track record with the company. As business expands Home Credit also selectively adds retail banking services in countries where it possesses a banking license.

Currently Home Credit Group has a multichannel distribution network with a relatively low cost base consisting of 139,600 distribution points (as at 31 December 2013) including branches, points of sale, and post offices where Home Credit products are offered, as well as ATMs and such communication channels as telephone and Internet.

Home Credit B.V. consolidated financial highlights

In millions of EUR

	2013	2012
PPF Group’s share	86.62%	100%
Operating income	2,542	1,773
Net profit	324	506
Total assets	9,313	9,426
Total equity	1,532	1,505

PPF banka

Despite the continuing unfavourable economic backdrop, PPF banka achieved record-breaking net banking earnings in 2013. The bank managed to respond to the changing market environment and the economic developments in the Czech Republic and worldwide with flexibility. Among major achievements was PPF banka’s active involvement in the preparation of several large, unique bond operations, both for PPF Group in co-operation with Russia’s Home Credit and Finance Bank, and for Kofola Group in the Central European financial markets.

The bank’s total assets grew by CZK 28 billion to CZK 105 billion in 2013, exceeding CZK 100 billion for the first time in the bank’s history. Receivables from clients grew 24% in 2013 to CZK 31.4 billion on 31 December 2013. Liabilities towards clients remained the principal source of financing, increasing by CZK 21.3 billion to CZK 75.9 billion in 2013 and representing 72.4% of the total assets at the end of 2013.

Total net earnings from banking operations (excluding the cost of provisions) grew 3.5% year on year, exceeding CZK 2 billion for the first time in the bank’s history. The increase was influenced primarily by the net interest revenue of CZK 1.9 billion in 2013, compared with CZK 1.4 billion in 2012. Net earnings from fees and commissions decreased 3.1% year on year to CZK 288 million.

Due to the bank’s highly prudent approach to credit classification, the amount of classified credit grew CZK 1.3 billion to CZK 4.4 billion in 2013, with a ratio to total credit of 13.4% on 31 December 2013. The ratio of NPL to total credit was 9.4% on the same date. The bank achieved profit after tax of CZK 572 million in 2013, despite making major provisions for classified profit.

The return on average equity (ROAE) was 10.3% and return on average assets (ROAA) was 0.63% in 2013. The total capital adequacy on 31 December 2013 was 11.7%, up 1.2 percentage points over year-end 2012.

The bank took advantage of favourable conditions in certain financial market segments in 2013 and issued subordinated debt of CZK 1.5 billion.

The General Meeting decided to pay a dividend of almost CZK 1.4 billion in respect of the 2013 year.

The bank provides financial, investment, and advisory services to select customers who, due to the character of their business, require an individual approach in addressing their needs, while maintaining maximum effectiveness of the Bank’s services. In view of its strategy, PPF banka specialises primarily in investment services and structured finance. Most of PPF banka’s customers are financial institutions, medium and large corporations with Czech capital, and entities in the municipal segment.

PPF banka also continued to develop its export and structured finance business. In the investment banking field, the Bank specialises in securities trading in the majority of markets of Europe, the USA, Russia, and certain Asian countries, mostly for professional investors. For PPF Group companies, it conducts international payment transactions, as well as hedging and other investment services – e.g. arranging for financing on capital markets. As in previous years, during 2013 PPF banka continued to play a key role as a treasury bank for PPF Group.

Unconsolidated financial highlights

In millions of EUR

	2013	2012
PPF Group's share	92.96%	92.96%
Net profit	22	37.6
Total assets	3,822	3,055
Total equity	187	236

Air Bank

Air Bank, a member of the PPF Group from 2010, is a new retail bank. Air Bank was created as a green field operation and officially started its operations in the Czech Republic in November 2011. From the start, Air Bank has offered current accounts with minimal fees and saving accounts with an interest rate that is always among the top three highest on the market. From 2012, it also offers consumer loans under advantageous conditions.

The year 2013 was one big business success for Air Bank. It almost tripled its customer base, to over 213,000. Current accounts and deposits from customers increased by 43%, to CZK 43.8 billion. The bank also succeeded on the highly competitive lending market with a new consumer loan, driving lending volume to reach CZK 3.1 billion in 2013.

In 2013, Air Bank also significantly improved its financial performance. The consolidated net loss fell from CZK 340 million in 2012 to CZK 80 million in 2013. Year-to-year, its net loss was 76% lower. Thanks to that, Air Bank expects to be profitable already in 2014.

Consolidated financial highlights

In millions of EUR

	2013	2012
PPF Group's share	86.62%	100%
Operating income	89	34.8
Net loss	(3.1)	(13.5)
Total assets	1 902	1 454
Total equity	144	103

Generali PPF Holding B.V.

Generali PPF Holding is a leading insurance group in Central and Eastern Europe. It provides know-how and a professional and operational base for its insurance companies in 10 countries: Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. The Group's companies in these countries take care of more than 11 million customers and manage EUR 15 billion in assets. In 2013, premium income amounted to almost EUR 3 billion.

In January 2013, Generali and PPF Group agreed to change the ownership structure. According to the deal Generali held 76% of GPH after the first tranche on 28 March 2013, and is set to acquire 100% of the CEE business at the beginning of 2015.

Generali PPF Holding B.V. is registered in the Netherlands and its main organisational unit is based in Prague, Czech Republic.

Consolidated financial highlights

In billions of EUR

	2013	2012
PPF Group's share	24%	49%
Insurance premium revenue	3	3.3
Consolidated shareholders' equity	5.0	5.6
Number of employees (in thousands)	12.6	13.1

PPF Life Insurance (Russia)

In March, 2013 PPF Group has acquired Generali PPF Holding's ("GPH") insurance companies in Russia and other CIS countries. In line with the agreement previously announced regarding the sale of PPF Group's 49% stake in GPH to Generali, PPF Group has also acquired a 100% stake in each of the Russian insurance companies operating under the PPF Insurance brand.

PPF Group has been active in the insurance market in Central and Eastern Europe and the CIS for 18 years. It is an experienced and professional player in the market, with the restructuring of Česká pojišťovna, one of Europe's oldest insurers, among its most successful projects. PPF Life Insurance has also achieved considerable success over the 12 years it has been in operation in Russia. Since starting from scratch as a Česká pojišťovna subsidiary in 2002, it has evolved into a leading player in the life insurance market there.

PPF Life Insurance is number 12 in the overall ranking of life insurers in Russia (in terms of gross premium income). The company's high rate of growth is fuelled by its focus on the retail insurance business, developed through its own network of agents and through a partner network of Russian insurance brokerage firms. PPF Life Insurance's network of agents and partners in Russia currently numbers over 4,000 people.

In September, 2013 PPF Group took a decision to develop its insurance business in Russia under two brands Home Credit Insurance and PPF Life Insurance. Home Credit Insurance, a member of Home Credit Group, will focus on non-life insurance while PPF Life Insurance will continue working in its core market. which includes the life insurance segment: savings and pension life insurance as well as accident and health insurance.

PPF Life Insurance's gross written premiums (GWP) in 2013 amounted to RUB 8.5 billion and claim settlement totalled RUB 809 million. In line with its strategy, the company continued to operate with success in the highly competitive and dynamically developing Russian life insurance market: GWP for long-term products of savings and pension life products totalled RUB 2.3 billion, up 37% from 2012. Of this figure, life insurance collected through a network of agents – the company's primary sales channel – grew by 28% to RUB 1.5 billion. PPF Life Insurance actively expanded into Russia's regions, opening 13 new offices in 8 new regions in 2013.

PPF Life Insurance has been rated A++, the highest reliability rating given by Expert RA, Russia's leading domestic rating agency.

Financial highlights

In millions of EUR

	2013	2012
PPF Group's share	100%	49%
Insurance premium revenue	228.3	190.4
Net profit	14.7	10.8
Total equity	48.7	57.9

Real Estate

PPF Real Estate Holding B.V. was established in 2010 in the wake of consolidation PPF Group's real estate activities. As a result, it functions as a developer, owner and professional adviser. PPF Real Estate Holding manages the real estate assets of the companies in PPF Group's portfolio as well as those of new incoming business clients. The company operates in the Czech Republic, Central, Western and Eastern Europe as well as in Russia. PPF Real Estate Holding is one of the largest market players both in the Czech Republic and across the CEE region. At present, the company provides comprehensive services to 63 projects and manages over EUR 1.5 billion in assets. It is split into two branches: first, PPF Real Estate CEE, which manages projects in the Czech Republic, Central, Western and Eastern Europe and, second, PPF Real Estate Russia managing the Russian portfolio. The real estate projects it is involved in are increasing in scale and taking on strategic importance for the whole PPF Group.

Real Estate highlights for PPF Group in 2013:

Russia

— ComCity – PPF Real Estate started the construction phase of this major office park in Moscow with a core tenant, Rostelecom, for which it has obtained a EUR 185 million loan facility from Sberbank, the largest Russian bank

— Southgate Logistics – the expansion of the large logistics park in Moscow south area continued in 2013 with several key lease contracts signed during that period and phase II delivered.

— Shopping malls in Ryazan and Astrakhan finished the second year of their operations

Czech Republic

— Work continued on a commercial development project in cooperation with the Prague 6 district municipality

— Construction work is fully underway on the ArtGen development in Prague 7 district

— The Pařížská street project moved into the construction phase

Germany

— Following the acquisition of an office building in Berlin, the Group is evaluating several investment opportunities in Germany, which the company still considers a strategic geographic location

— Remodelling of office building in Berlin

Netherlands

— 2013 saw the acquisition of 7 portfolios as well as the purchase of two more assets, Sanoma Building in Amsterdam and Wilhemina Tower, in Rotterdam (finalised in January 2014)

— Continuous search for new potential acquisitions across the four major cities in Netherlands.

Eldorado

Eldorado, one of Russia's major consumer electronic and domestic appliances retailers, maintained its strong position among industry leaders in Russia.

In 2013, Eldorado developed its multichannel sales strategy, significantly strengthened its position in the regions of Russia due to online expansion and launched a wide range of new products and services.

Despite consumer electronics market stagnation and decrease in trade area, Eldorado managed to increase its revenues by 0.7% compared to 2012. Online sales were up 425.5%.

In 2013, Eldorado presented a brand new format of internet-hypermarket, a combination of traditional and internet store, and continued to open order-and-pickup points. During the year Eldorado opened 13 internet hypermarkets, 130 order-and-pickup points, 9 new brick-and-mortar stores, 12 new internet stores. Thus, by the end of 2013 the company comprises 374 brick-and-mortar stores, 140 order-and-pickup points, 25 internet stores and 13 internet hypermarkets in 208 cities of Russian Federation. The trading area of Eldorado shops decreased to 554,000 square meters, while total area decreased to 709,000 square meters on optimising of trading areas.

Financial highlights

In millions of EUR

	2013	2012
PPF Group's share	100%	100%
Total revenues	2,278	2,398
Gross profit	575	661
Gross profit margin %	25.2%	27.6%

EP Holding

EP Holding is a leading Central European energy group operating mainly in the Czech Republic, Slovakia, Germany and Poland. It is a vertically integrated energy utility covering the complete value chain in the energy sector. It includes 40 companies operating in coal extraction, electricity and heat production from conventional and renewable sources, including electricity and heat distribution, trading in electricity and gas, supply of electricity and gas to end customers and, last but not least, in the gas industry. The companies in the group (including Slovak Gas Company - SPP) employ more than 8,000 people.

Through SPP, EP Holding is the gas industry leader in Slovakia and the key shipper of natural gas from Russia to the European Union. EP Holding is one of the most important producers of cogenerated heat in the Czech Republic and the largest supplier of thermal energy to customers in the Czech Republic. It is also the second largest Czech producer of electricity.

Currently, EP Holding's generating plants have a total installed electrical capacity of almost 1,500 MW and their annual output totals approximately 6.5 TWh.

Supply of thermal energy (heat) to customers in the categories of households, businesses and various organisations exceeds 19 PJ every year. In the Czech Republic, the group's CHP (combined heat and power) plants supply thermal energy for Prague (the capital of the Czech Republic), the regional capitals Hradec Králové, Pardubice and Plzeň, and the towns of Most, Litvínov and Chrudim.

In Germany, EP Holding (through its wholly-owned subsidiary MIBRAG) holds the position as the third largest coal extraction company.

Consolidated financial highlights

In millions of EUR

	2013	2012
PPF Group's share	44.44%	44.44%
Total assets	13,127	3,229
Total revenues	3,190	1,422
Net profit attributable to equity holders of parent	344	377

Polymetal

Polymetal is a leading gold and silver producer in Russia and Kazakhstan. The company's shares are listed on the London and Moscow Stock Exchanges. Polymetal is a constituent of FTSE 250, FTSE Gold mines, and STOXX 600 indexes.

In 2013 Polymetal demonstrated strong operational performance despite a reduced level of commodity prices. This robust achievement was driven by the successful ramp-up of the Amursk POX and Mayskoye deposits. Polymetal's ability to respond dynamically to the changing market environment has enabled it to maintain FCF generation and to sustain a significant dividend stream to its shareholders.

Polymetal's aim is to become the leading precious metals mining group in Russia and the CIS, delivering sustainable value to all its stakeholders. The company remains strongly committed to its strategy and business model, and to the principles of capital discipline and development of high-quality assets. This approach is combined with a focus on high standards of corporate governance and responsibility.

Consolidated financial and production highlights

	2013	2012
PPF Group's legal share	20.1%	20.8%
Gold production (Koz)	805	589
Silver production (Moz)	27.2	26.5
Revenues (USD millions)	1,707	1,854
Net profit/(loss) (USD millions)	(198)	401
Number of employees (in thousands)	9	9

Research and development

SOTIO is a biotechnology company that is developing new medical therapies, focusing on the treatment of cancer and autoimmunity diseases. SOTIO became part of PPF Group at the end of 2012.

SOTIO undertakes research into its own immunotherapy platform based on activated dendritic cells, as well as clinical trials with the view to introducing new medicinal products into the market.

SOTIO has built its own cell therapy manufacturing and research facility in Prague, which is among the largest and most modern in Europe. At the beginning of 2014, SOTIO also launched a similarly-equipped facility in Beijing, China, which meets strict GMP manufacturing standards. SOTIO's product pipeline includes different stages in the development of medicinal products for the treatment of prostate cancer, ovarian cancer and lung cancer. The company's scientific and clinical teams are looking for other opportunities to further expand its product portfolio.

Outlook

The primary goal of PPF Group's activities is to generate returns on its investments in the most efficient manner. The investment strategy of PPF Group is based on two pillars. The first is expansion – constantly seeking out new investment opportunities where we can add value by conducting operational restructuring with tried and tested business models, implementing strict financial and corporate discipline, and engendering leadership and expertise through excellent management.

Beside the development of PPF Group through expansion into new markets, a no less important element in the investment policy is stabilising and reinforcing the existing position of companies (investments) in markets where the Group already has a presence. This also means improving and expanding the existing offer of financial services and products. In this manner, modern financial products are being produced throughout the Group, assuring comprehensive client service and satisfying client needs to the maximum extent possible.

We aim to continue to grow, innovate and leverage the extensive background of our knowledge and experience to achieve success. Over the 20 years of its existence, PPF has gained a proven track record in business restructuring in Central and Eastern Europe, Russia and Asia, and we will continue to focus on achieving investment opportunities in these key regions.

Social responsibility

PPF Group is aware of its wider social responsibility wherever it operates and invests. Each of the companies of the Group pursues its own corporate social responsibility projects in the countries where it operates. From the beginning, PPF Group has been focusing its support primarily on two areas: art and education.

PPF Group has a national association with art projects and works of art in the Czech Republic. PPF Group possesses what is probably the largest private art collection in the country and, in addition, supports many top-ranked cultural events and operates several art galleries. In addition, it is behind the Summer Shakespeare Festival and contributes every year to the operation of the Jára Cimrman Theatre in Prague.

The decision to focus PPF Group's supporting efforts on education is associated with the Group's general emphasis on human capital. PPF Group feels it is the Group's responsibility to help those who, not of their doing, find themselves in difficult situations in life yet have the will, determination and ability to change their life through education. Several projects have been developed on the basis of this idea, all focused on improving the quality of education in the Czech Republic.

PPF GROUP N.V.

Consolidated financial statements for the year ended 31 December 2013

Contents

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

As at 31 December

In millions of EUR

	Note	2013	2012
ASSETS			
Cash and cash equivalents	F1	1,875	1,873
Financial assets at fair value through profit or loss	F2.1	265	510
Financial assets available for sale	F2.2	1,671	2,223
Financial assets held to maturity	F2.3	41	64
Loans and receivables due from banks and other financial institutions	F2.4	1,203	907
Loans and receivables due from non-banks	F2.5	9,219	8,086
Other loans and receivables	F2.7	544	934
Current income tax receivable		23	10
Deferred tax assets	F3	112	62
Inventories	F4	471	467
Biological assets	F5	12	8
Non-current assets held for sale	F6	19	-
Other assets	F7	541	357
Investments in associates and joint ventures	F8	2,505	4,089
Investment property	F9	1,209	716
Property, plant and equipment	F10	555	595
Intangible assets	F11	638	637
TOTAL ASSETS		**20,903**	**21,538**
LIABILITIES			
Due to non-banks	F12	8,776	7,991
Due to banks and other financial institutions	F13	2,365	4,231
Debt securities issued	F14	1,661	1,644
Financial liabilities at fair value through profit or loss	F15	274	236
Liabilities held for sale	F6	2	-
Current income tax liability		33	36
Deferred tax liabilities	F3	132	128
Provisions	F16	489	23
Other liabilities	F17	1,196	1,240
Subordinated liabilities	F19	485	263
TOTAL LIABILITIES		**15,413**	**15,792**
CONSOLIDATED EQUITY			
Issued capital	F20	1	1
Share premium		677	677
Other reserves	F21	(797)	211
Retained earnings		5,181	4,438
Total equity attributable to equity holders of Parent		5,062	5,327
Non-controlling interest		428	419
Total consolidated equity		**5,490**	**5,746**
TOTAL LIABILITIES AND EQUITY		**20,903**	**21,538**

Consolidated income statement

For the year ended 31 December

In millions of EUR

	Note	2013	2012
Interest income		2,960	1,883
Interest expense		(911)	(687)
Net interest income	F22	**2,049**	**1,196**
Fee and commission income		739	737
Fee and commission expense		(131)	(88)
Net fee and commission income	F23	**608**	**649**
Net gain/(loss) on financial assets	F24	(22)	(48)
Net impairment losses on financial assets	F25	(1,306)	(675)
Other banking result		**(1,328)**	**(723)**
NET BANKING INCOME		**1,329**	**1,122**
Net earned premiums		245	-
Net insurance benefits and claims		(29)	-
Acquisition costs		(174)	-
INSURANCE INCOME	F26	**42**	**-**
Rental and related income		53	22
Property operating expenses		(15)	(7)
Net valuation gain on investment property		71	77
Profit on disposal of investment property		-	1
Profit on disposal of trading property		-	8
NET REAL ESTATE INCOME	F27	**109**	**101**
Sales of goods		2,181	2,289
Cost of goods sold		(1,704)	(1,737)
Other income on retail operations		51	54
NET INCOME ON RETAIL OPERATIONS		**528**	**606**
Net agriculture income/(loss)	F28	3	(4)
Other income	F29	134	95
OTHER OPERATING INCOME		**137**	**91**
General administrative expenses	F30	(1,576)	(1,330)
Other operating expenses	F31	(206)	(113)
OPERATING EXPENSE		**(1,782)**	**(1,443)**
Net gain from sale of subsidiaries, associates and joint ventures		28	224
Share of earnings in associates and joint ventures	F8	200	275
PROFIT BEFORE TAX		**591**	**976**
Income tax expense	F32	(121)	(167)
NET PROFIT FOR THE PERIOD		**470**	**809**
Net profit attributable to non-controlling interest		20	82
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		**450**	**727**

Consolidated statement of comprehensive income

For the year ended 31 December

In millions of EUR

	2013	2012
NET PROFIT FOR THE PERIOD	**470**	**809**
Other comprehensive income		
Valuation gains/(losses) on available-for-sale financial assets	(32)	62
AFS revaluation gains/(losses) transferred to income statement	(8)	(5)
Currency translation differences	(292)	71
Effect of movement in equity of associates	(236)	190
Effect of cash flow hedge accounting	1	(1)
Income tax relating to components of other comprehensive income	2	(6)
Other comprehensive income/(loss) for the period (net of tax)	**(565)**	**311**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(95)**	**1,120**
Total comprehensive income attributable to non-controlling interest	**12**	**84**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	**(107)**	**1,036**

The consolidated financial statements were approved by the Board of Directors on 19 May 2014.

Consolidated statement of changes in equity

In millions of EUR, for the year ended 31 December

	Issued capital	Share premium	Available for sale reserve	Legal and statutory reserves	Translation reserve	Reserve for treasury shares	Cash flow hedge reserve	Retained earnings	Attributable to equity holders of Parent	Attributable to non-controlling interest	Total
Balance at 1 January 2013	**1**	**677**	**122**	**15**	**75**	**-**	**(1)**	**4,438**	**5,327**	**419**	**5,746**
Profit for the period	-	-	-	-	-	-	-	450	450	20	470
Valuation losses taken to equity for AFS	-	-	(32)	-	-	-	-	-	(32)	-	(32)
AFS revaluation losses transferred to income statement	-	-	(8)	-	-	-	-	-	(8)	-	(8)
Currency translation	-	-	-	-	(284)	-	-	-	(284)	(8)	(292)
Effect of movement in equity of associates	-	-	(18)	-	(168)	-	(35)	(15)	(236)	-	(236)
Tax on items taken directly to or transferred from equity	-	-	2	-	-	-	-	-	2	-	2
Effect of hedge accounting	-	-	-	-	-	-	1	-	1	-	1
Total comprehensive income for the period	**-**	**-**	**(56)**	**-**	**(452)**	**-**	**(34)**	**435**	**(107)**	**12**	**(95)**
Net allocation to legal and statutory reserves	-	-	-	9	-	-	-	(9)	-	-	-
Disposal of associates	-	-	(36)	-	(2)	-	-	-	(38)	-	(38)
Acquisition of own shares	-	-	-	-	-	(458)	-	-	(458)	-	(458)
Sale of non-controlling interests in Home Credit and Air Bank	-	-	(1)	-	22	-	-	246	267	243	510
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	(11)	(11)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	70	70	(111)	(41)
Other changes in non-controlling interest	-	-	-	-	-	-	-	1	1	(124)	(123)
Total changes	**-**	**-**	**(93)**	**9**	**(432)**	**(458)**	**(34)**	**743**	**(265)**	**9**	**(256)**
Balance at 31 December 2013	**1**	**677**	**29**	**24**	**(357)**	**(458)**	**(35)**	**5,181**	**5,062**	**428**	**5,490**

Consolidated statement of changes in equity

In millions of EUR, for the year ended 31 December

	Issued capital	Share premium	Available for sale reserve	Legal and statutory reserves	Translation reserve	Cash flow hedge reserve	Retained earnings	Attributable to equity holders of Parent	Attributable to non-controlling interest	Total
Balance at 1 January 2012	**1**	**677**	**(43)**	**13**	**(100)**	**-**	**3,720**	**4,268**	**224**	**4,492**
Profit for the period	-	-	-	-	-	-	727	727	82	809
Valuation gains taken to equity for AFS	-	-	62	-	-	-	-	62	-	62
AFS revaluation losses transferred to income statement	-	-	(5)	-	-	-	-	(5)	-	(5)
Currency translation	-	-		-	69	-	-	69	2	71
Effect of movement in equity of associates	-	-	115	-	82	-	(7)	190	-	190
Tax on items taken directly to or transferred from equity	-	-	(6)	-	-	-	-	(6)	-	(6)
Effect of hedge accounting	-	-	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the period	**-**	**-**	**166**	**-**	**151**	**(1)**	**720**	**1,036**	**84**	**1,120**
Net allocation to legal and statutory reserves	-	-	-	2	-	-	(2)	-	-	-
Effect of acqusition and disposal of subsidiaries and associates	-	-	(1)	-	24	-	-	23	111	134
Total changes	**-**	**-**	**165**	**2**	**175**	**(1)**	**718**	**1,059**	**195**	**1,254**
Balance at 31 December 2012	**1**	**677**	**122**	**15**	**75**	**(1)**	**4,438**	**5,327**	**419**	**5,746**

Consolidated statement of cash flows

For the year ended 31 December, prepared using the indirect method

In millions of EUR

	2013	2012
Cash flows from operating activities		
Profit before tax	591	976
Adjustments for:		
Depreciation and amortisation	125	91
Impairment losses on goodwill	4	4
Impairment and reversal of impairment of current and non-current assets	1,345	690
Profit on disposal of PPE, intangible assets and investment property	(3)	(23)
Profit/loss on sale of financial assets	(34)	8
Consolidated gains on disposal of consolidated subsidiaries and associates	(28)	(224)
Interest expense	911	687
Interest income	(2,960)	(1,883)
Other income/expenses not involving movements of cash	(1,520)	183
Recognised income from excess of acquired net fair value over costs	(81)	-
Change in loans and receivables due from banks and other financial institutions	(242)	215
Change in loans and receivables due from non-banks	(1,822)	(4,199)
Change in other assets	234	(141)
Change in financial liabilities at fair value through profit or loss	-	(115)
Change in liabilities due to non-banks	2,027	4,428
Change in other liabilities	(92)	497
Cash flows taxes paid	(196)	(147)
Net cash from operating activities	**(1,741)**	**1,047**
Cash flows from investing activities		
Interest received	2,800	1,585
Dividends received	191	4
Purchase of tangible assets and intangible assets	(237)	(240)
Purchase of financial assets at fair value through profit or loss	(513)	(230)
Proceeds from financial assets at fair value through profit or loss	645	249
Purchase of financial assets at fair value through profit or loss not held for trading	-	(1)
Purchase of financial assets held to maturity	(2)	(63)
Purchase of financial assets available for sale	(2,459)	(3,131)
Purchase of investment property	(376)	(170)
Acquisition of subsidiaries and associates, net of cash acquired	(366)	(371)
Proceeds from disposals of PPE and intangible assets	39	79
Proceeds from financial assets held to maturity	22	-
Proceeds from sale of financial assets available for sale	3,020	1,888
Proceeds from sale of investment property	25	6
Proceeds from sale of biological assets	21	24
Proceeds from disposal of subsidiaries and associates, net of cash disposed	1,881	234
Acquisition of own shares	(458)	-
Net cash from investing activities	**4,233**	**(137)**

	2013	2012
Cash flows from financing activities		
Proceeds from the issue of debt securities	1,802	1,318
Proceeds from loans by banks and other financial institutions	22,664	24,161
Payment of debt securities	(1,444)	(988)
Repayment of loans from banks and other financial institutions	(24,471)	(23,761)
Interest paid	(847)	(508)
Dividends paid to non-controlling interest	(11)	-
Cash flow from financing activities	**(2,307)**	**222**
Net increase in cash and cash equivalents	**185**	**1,132**
Cash and cash equivalents as at 1 January	**1,873**	**721**
Effect of exchange rate movements on cash and cash equivalents	(183)	20
Cash and cash equivalents as at 31 December	**1,875**	**1,873**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Group N.V. (the "Parent Company" or the "Parent") is a company domiciled in the Netherlands. The consolidated financial statements of the Parent Company for the year ended 31 December 2013 comprise the Parent Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates, joint ventures and affiliated entities.

Refer to Section B of these financial statements for a listing of significant Group entities and changes to the Group in 2013 and 2012.

Structure of Ultimate Shareholders:
As at 31 December 2013, the shareholder structure was as follows:

Petr Kellner 98.94% (directly and indirectly)
Ladislav Bartoníček 0.53% (indirectly)
Jean-Pascal Duvieusart 0.53% (indirectly)

The effective ownership percentages of the individual shareholders include the allocation of a 5% stake held by PPF Group N.V. as own shares (refer to B.5.1).

Registered Office:
Strawinskylaan 933
1077XX Amsterdam

A.2. Statutory bodies of the Parent Company

The Board of Directors:
Aleš Minx, Chairman of the Board of Directors
Wilhelmus Jacobus Meyberg, Director
Rudolf Bosveld, Director

On 26 August 2013, the shareholders approved a resolution to dissolve the Supervisory Board, which ceased to exist as of the same date.

A.3. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as adopted by the International Accounting Standards Board (IASB) and the European Union (EU) in accordance with the IAS Regulation (EC 1606/2002).

The management has reviewed those standards and interpretations adopted by the EU at the date of issue of the financial statements which were not effective at that date. An assessment of the expected impact of these standards and interpretations on the Company is shown in note C.3.

A.4. Basis of preparation

Dutch accounting legislation enables the Group to prepare these consolidated financial statements in accordance with IFRS (as adopted by the EU – refer to A.3).

The financial statements are presented in Euros (EUR), which is the Company's functional currency and the Group's reporting currency, rounded to the nearest million.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments designated upon initial recognition as financial instruments at fair value through profit or loss, financial instruments classified as available-for-sale, investment property and biological assets. Financial assets and liabilities and non-financial assets and liabilities which are measured at historical cost are stated at amortised cost or historical cost, as appropriate, net of any relevant impairment.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of the 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, liabilities, income and expenses. The estimates and associated assumptions are based on historical 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 the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in both the period of the revision and future periods if the revision affects both the current and future periods.

Judgments made by management in the application of those IFRSs having a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in notes C.1.2, C.1.4, C.1.12, C.1.33 and D.9.

B. Consolidation

B.1. Basis of consolidation

Subsidiaries are those entities that are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into consideration. The Group may hold investments in certain mutual funds which are administered by a subsidiary controlled by the Group. Such funds are consolidated in the Group's financial statements when the Group holds more than an insignificant interest in the fund, regardless of the Group's percentage ownership. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate or jointly controlled entity, the carrying amount 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 or jointly controlled entity.

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

Derecognition of subsidiaries, associates and joint ventures follows the applicable contractual arrangements and statutory terms.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment in the associate or joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

B.2. Group entities

The following list shows only significant holding and operating entities that are subsidiaries, associates or joint ventures of the Parent Company as of 31 December 2013.

Company	Domicile	Effective proportion of ownership interest	Effective proportion of voting interest
PPF Group N.V.	Netherlands	Parent Company	Parent Company
Home Credit subgroup			
Home Credit B.V.	Netherlands	86.62%	86.62%
HC Asia N.V.	Netherlands	86.62%	86.62%
CF Commercial Consulting (Beijing) Co., Ltd.	China	100.00%	100.00%
Favour Ocean Ltd.	Hong Kong	86.62%	86.62%
Guangdong Home Credit Financing Guarantee Co., Ltd.	China	86.62%	86.62%
HC Consumer Finance Philippines, Inc.	Philippines	65.83%	65.83%
Home Credit a.s.	Czech Republic	86.62%	86.62%
Home Credit and Finance Bank LLC	Russia	86.62%	86.62%
Home Credit Asia Ltd.	Hong Kong	86.62%	86.62%
Home Credit Bank JSC	Kazakhstan	86.62%	86.62%
Home Credit Bank OJSC	Belarus	86.62%	86.62%
Home Credit Consumer Finance China Ltd.	China	100.00%	100.00%
Home Credit India Finance Private Ltd.	India	86.62%	86.62%
Home Credit Indonesia PT	Indonesia	60.63%	60.63%
Home Credit Insurance LLC	Russia	86.62%	86.62%
Home Credit International a.s.	Czech Republic	86.62%	86.62%
Home Credit Slovakia, a.s.	Slovakia	86.62%	86.62%
Homer Software House LLC	Ukraine	86.62%	86.62%
PPF Home Credit IFN S.A.	Romania	86.62%	86.62%
PPF Insurance FICJSC	Belarus	86.62%	86.62%
PPF Insurance PSC	Russia	86.62%	86.62%
PPF Vietnam Finance Company LLC	Vietnam	100.00%	100.00%
Shenzen Home Credit Financial Service Co., Ltd.	China	86.62%	86.62%
Shenzen Home Credit Guarantee Co., Ltd	China	86.62%	86.62%
Sichuan Home Credit Financing Guarantee Co. Ltd.	China	86.62%	86.62%
Real Estate subgroup - subsidiaries			
PPF Real Estate Holding B.V.	Netherlands	100.00%	100.00%
Alrik Ventures Ltd.	Cyprus	100.00%	100.00%
Anthemona Ltd.	Cyprus	100.00%	100.00%
Aranciata a.s.	Czech Republic	100.00%	100.00%
Art Office Gallery a.s.	Czech Republic	100.00%	100.00%
Boryspil Project Management Ltd.	Ukraine	100.00%	100.00%
BTC-Invest LLC	Russia	100.00%	100.00%
Bucca Properties Ltd.	BVI	100.00%	100.00%
Capellalaan B.V.	Netherlands	100.00%	100.00%
Celestial Holdings Group Ltd.	BVI	100.00%	100.00%
De Reling (Dronhen) B.V.	Netherlands	100.00%	100.00%
Donskoe LLC	Russia	100.00%	100.00%
EusebiusBS (Arnhern) B.V.	Netherlands	100.00%	100.00%
Fantom LLC	Russia	100.00%	100.00%
Gen Office Gallery a.s.	Czech Republic	100.00%	100.00%
Glancus Investments Inc.	BVI	100.00%	100.00%
Gorod Molodovo Pokoleniya CJSC	Russia	73.00%	73.00%
In Vino LLC	Russia	99.90%	99.90%
In Vino Natukhaevskoe LLC	Russia	64.94%	64.94%
ISK Klokovo LLC	Russia	80.00%	80.00%
Johan II (Amsterdam) B.V.	Netherlands	100.00%	100.00%

Karperstraat (Amsterdam) B.V.	Netherlands	100.00%	100.00%
Karta Realty Ltd.	Cayman Islands	60.07%	60.07%
Kvartal Togliatti LLC	Russia	100.00%	100.00%
Logistics-A LLC	Russia	100.00%	100.00%
Longoria a.s.	Czech Republic	100.00%	100.00%
LvZH (Rijswijk) B.V.	Netherlands	100.00%	100.00%
Midataner a.s.	Czech Republic	100.00%	100.00%
Mitino Sport City LLC	Russia	80.00%	80.00%
Monchyplein (Den Haag) B.V.	Netherlands	100.00%	100.00%
Office Star Five spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Nine spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Two spol. s r. o.	Czech Republic	100.00%	100.00%
Pompenburg (Rotterdam) B.V.	Netherlands	100.00%	100.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
Retail Star 3, spol. s r.o.	Czech Republic	100.00%	100.00%
Retail Star 22, spol. s r.o.	Czech Republic	100.00%	100.00%
Roko LLC	Russia	100.00%	100.00%
Ryazan Shopping Mall Ltd.	Cyprus	100.00%	100.00%
Slovak Trade Company, s.r.o.	Slovakia	57.50%	57.50%
Tanaina Holdings Ltd.	Cyprus	100.00%	100.00%
TK Lipetskiy LLC	Russia	100.00%	100.00%
Trigon Berlin B.V.	Netherlands	100.00%	100.00%
Vítězné náměstí a.s.	Czech Republic	100.00%	100.00%
Yugo-Vostochnaya promyshlennaya companiya “Kartontara” LLC	Russia	100.00%	100.00%
Real Estate subgroup – associates and joint ventures			
Bohemia LLC	Russia	35.00%	35.00%
Circle Slovakia, s.r.o.	Slovakia	24.50%	24.50%
Feliston Enterprises Ltd.	Cyprus	50.00%	50.00%
Gilbey Ltd.	Cyprus	40.00%	40.00%
Intrust NN	Russia	33.33%	33.33%
Investitsionny Trust ZAO	Russia	50.00%	50.00%
Kendalside Ltd.	United Kingdom	49.00%	49.00%
Komodor LLC	Ukraine	40.00%	40.00%
Moravia LLC	Russia	35.00%	35.00%
Sigurno Ltd.	Cyprus	40.00%	40.00%
Stinctum Holdings Ltd.	Cyprus	33.33%	33.33%
Syner NN LLC	Russia	35.00%	35.00%
Other significant subsidiaries			
Air Bank a.s.	Czech Republic	86.62%	86.62%
AB 1 B.V.	Netherlands	86.62%	86.62%
AB 2 B.V.	Netherlands	86.62%	86.62%
AB 3 B.V.	Netherlands	86.62%	86.62%
AB 4 B.V.	Netherlands	86.62%	86.62%
AB 5 B.V.	Netherlands	86.62%	86.62%
AB 6 B.V.	Netherlands	86.62%	86.62%
AB 7 B.V.	Netherlands	86.62%	86.62%
Anthiarose Ltd.	Cyprus	100.00%	100.00%
Bavella B.V.	Netherlands	100.00%	100.00%
Beringov Proliv Delta LLC	Russia	100.00%	100.00%
Eldorado Licensing Ltd.	Cyprus	100.00%	100.00%
Eldorado LLC	Russia	100.00%	100.00%
Facipero Investments Ltd.	Cyprus	100.00%	100.00%
Fodina B.V.	Netherlands	100.00%	100.00%
GIM Invest Co. Ltd.	Jersey	100.00%	100.00%
Invest-Realty LLC	Russia	100.00%	100.00%
Maraflex s.r.o.	Czech Republic	100.00%	100.00%
Moranda a.s.	Czech Republic	100.00%	100.00%
Pearlmoon Ltd.	Cyprus	100.00%	100.00%
PPF a.s.	Czech Republic	99.99%	99.99%

PPF Arena 1 B.V.	Netherlands	100.00%	100.00%
PPF Arena 2 B.V.	Netherlands	100.00%	100.00%
PPF banka, a.s.	Czech Republic	92.96%	92.96%
PPF Co1 B.V.	Netherlands	100.00%	100.00%
PPF Co3 B.V.	Netherlands	100.00%	100.00%
PPF Healthcare N.V.	Netherlands	100.00%	100.00%
PPF Life Insurance LLC	Russia	100.00%	100.00%
PPF Partners 1 GP Ltd.	Guernsey	100.00%	100.00%
PPF Partners Ltd.	Guernsey	100.00%	100.00%
RAV Agro LLC	Russia	100.00%	100.00%
RAV Molokoproduct LLC	Russia	100.00%	100.00%
Rentol LLC	Russia	100.00%	100.00%
Ruconfin B.V.	Netherlands	92.96%	92.96%
Sotio N.V.	Netherlands	92.00%	92.00%
Sotio a.s.	Czech Republic	84.64%	84.64%
Sotio Medical Research (Beijing) Co., Ltd.	China	92.00%	92.00%
Timeworth Ltd.	Cyprus	100.00%	100.00%
Other significant associates			
Bestsport Arena, a.s.	Czech Republic	36.06%	36.06%
Polymetal International Plc*	Jersey	20.05%	20.05%
Lindus Sevices Ltd.	Cyprus	50.00%	50.00%
Generali PPF Holding B.V.	Netherlands	24.00%	24.00%
Česká pojišťovna a.s.**	Czech Republic	100.00%	100.00%
Delta Generali Osiguranje a.d.**	Serbia	50.02%	50.02%
Generali Pojistovna a.s.**	Czech Republic	100.00%	100.00%
Generali Slovensko Poisťovňa, a.s.**	Slovakia	100.00%	100.00%
Generali Towarzystwo Ubezpiec.**	Poland	100.00%	100.00%
Generali Zycie S.A.**	Poland	100.00%	100.00%
Generali-Providencia Biztosító**	Hungary	100.00%	100.00%
GP Reinsurance EAD**	Bulgaria	100.00%	100.00%
Penzijní společnost České pojišťovny, a.s.**	Czech Republic	96.70%	96.70%
Generali Romania Asigurare Reasigurare S.A.**	Romania	99.99%	99.99%
Energetický a průmyslový holding, a.s.	Czech Republic	44.44%	44.44%
Elektrárny Opatovice, a.s. ***	Czech Republic	100.00%	100.00%
EP Energy Trading, a.s.***	Czech Republic	100.00%	100.00%
Mitteldeutsche Braukohlen Gesselschaft GmbH***	Germany	100.00%	100.00%
Plzeňská energetika a.s.***	Czech Republic	100.00%	100.00%
POWERSUN a.s.***	Czech Republic	100.00%	100.00%
Pražská teplárenská a.s. ***	Czech Republic	73.26%	73.26%
Przedsiębiorstwo Górnicze Silesia***	Poland	99.91%	99.91%
Slovenský plynárenský priemysel, a.s.***	Slovakia	49.00%	49.00%
Stredoslovenská energetika a.s.***	Slovakia	49.00%	49.00%
United Energy, a.s.***	Czech Republic	100.00%	100.00%

* This associate comprises a group of entities.

** The entities listed below Generali PPF Holding B.V. (a holding company) are the most significant entities within this insurance group; effective proportions of ownership and voting interest presented relate to Generali PPF Holding B.V. itself.

*** The entities listed below Energetický a průmyslový holding a.s. (a holding company) are the most significant entities within this group; effective proportions of ownership and voting interest presented relate to Energetický a průmyslový holding a.s. itself.

B.3. Acquisitions

B.3.1. Home Credit Bank in Kazakhstan

Since 2011 the Group held a direct, 9.99% equity stake in Home Credit Bank (JSC), a bank incorporated in the Republic of Kazakhstan. In December 2012, a change in the banking legislation of the Republic of Kazakhstan took place which enabled the Group to meet the conditions required to exercise a call option on the remaining 90.01% stake in Home Credit Bank. Therefore, at 31 December 2012 the Group exercised control over Home Credit Bank and treated it as a consolidated subsidiary due to the existence of potential Group voting rights in Home Credit Bank.

The following table shows the main financial aspects of the transactions described above:

In millions of EUR

Transaction date - December 2012	
Fair value of assets acquired	397
Fair value of liabilities acquired	(285)
Effective voting interest	100%
Effective ownership	9.99%
Net assets value attributable to non-controlling interest	101
Goodwill	3

In January 2013, the Group exercised the option for acquisition of a 90.01% equity stake in Home Credit Bank (JSC) and became the sole shareholder of the bank. The Group started to fully consolidate this entity in December 2012 due to existence of potential Group voting rights in Home Credit Bank.

In millions of EUR

Transaction date – January 2013	
Total purchase price (paid in cash)	27
Non-controlling interest derecognised	(101)
Effect recorded in retained earnings (increase)	74

B.3.2. Acquisition of CIS insurance businesses

In March 2013, as a part of the agreement with Assicurazioni Generali, the Group acquired several entities operating in the CIS region that were previously owned by Generali PPF Holding B.V. The following tables summarise the main non-financial and financial information related to the acquisition.

Acquired entity	Renamed	Domicile	Effective ownership	Description
Generali PPF Life Insurance LLC	PPF Life Insurance LLC	Russia	100.00%	Life insurance
Generali PPF General Insurance LLC	Home Credit Insurance LLC	Russia	100.00%	Non-life insurance
Generali PPF Insurance PSC	PPF Insurance PSC	Russia	100.00%	Non-life insurance
Generali FICJSC	PPF Insurance FICJSC	Belarus	100.00%	Non-life insurance
Generali Life Insurance PrJSC	PPF Life Insurance PrJSC	Ukraine	99.98%	Life insurance

In millions of EUR

	PPF Life Insurance LLC	Home Credit Insurance LLC	Other
Total purchase price (paid in cash)	51	10	10
Fair value of assets	**577**	**202**	**24**
out of which			
Cash and cash equivalents	25	14	
Due from banks, other financial institutions	47	12	
Financial assets available for sale	140	27	
Deferred tax assets	4	19	
Intangible assets	44	11	
Deferred acquisition costs	303	106	
Other assets	14	13	
Fair value of liabilities	**483**	**165**	**6**
out of which			
Insurance provisions	438	127	
Deferred tax liabilities	12	23	
Other liabilities	33	15	
Badwill	43	27	8

Income from the excess of acquired net fair value over costs (badwill) is recognised within other income in the income statement. Such excess of acquired net fair value over costs was attributable primarily to the recognition, as of the acquisition date, of intangible assets representing the fair value of contractual rights and obligations acquired as well as to the dependence of the acquired entities' business on Group entities.

Two non-life insurance companies Home Credit Insurance LLC and PPF Insurance FICJSC serve mainly to support the consumer finance business by offering insurance services in selected markets. As of 31 December 2013, the assets and liabilities of PPF Insurance PSC are reported as assets and liabilities held for sale. PPF Life Insurance PrJSC was sold in November 2013 for a price close to the net asset value of the business.

The following table summarises the contribution of significant entities to the Group's revenues and net profit in the period from the acquisition date to 31 December 2013, as well as providing an estimation of the contribution to the same categories as if the acquisition date had been the first day of the accounting period.

In millions of EUR

	PPF Life Insurance LLC	Home Credit Insurance LLC	Other
From acquisition date to 31 December			
Revenue	194	72	5
Net profit	7	4	--
1 January to 31 December			
Revenue	257	95	6
Net profit	9	6	1

B.3.3. New real estate projects in 2013

During 2013 the Group acquired one Czech and several Russian real estate projects, concerning which the following table provides a summary of significant non-financial and financial information. Projects classified as investment property ("IP") are land plots for potential development, while projects classified as property, plant and equipment ("PPE") are shops in which Eldorado operates. Fantom LLC is an entity operating a shopping mall in Astrakhan.

In millions of EUR

Entity	Acquired	Price	Project classification	Fair value of assets	Fair value of liabilities
KEPS LLC	April 2013	1	IP	1	1
Trust Invest LLC	June 2013	0.1	PPE+IP	21	25
Tower LLC	June 2013	4	PPE	5	1
Maraflex Ltd. (the Czech project)	June 2013	0.1	IP	44	44
Fantom LLC	July 2013	25	IP	106	80
Gorod Molodogo Pokoleniya CJSC (73% stake)	July 2013	3	IP	11	5
TK Lipetskiy LLC	August 2013	5	IP	5	2
BTC Invest LLC	August 2013	0.3	IP	4	3

Any goodwill arising on the acquisition of an individual project was immediately impaired, and any income from excess of acquired net fair value over costs (badwill) was recognised as a part of other income in the income statement.

B.3.4. Residential projects in London

In July 2013 the Group acquired, through its 100% subsidiaries Alrik Ventures Ltd. and Tanaina Holdings Ltd., two residential houses in London for MEUR 13 and MEUR 22, respectively. Both assets, which are earmarked for reconstruction and future sale, are classified as trading property.

B.3.5. New Dutch real estate projects

In July 2013, the Group acquired a portfolio of seven buildings, located in various places in the Netherlands, for MEUR 140, and in September 2013 the Group acquired an additional Dutch office building for MEUR 47. The buildings were acquired as individual assets by newly established subsidiaries of PPF Real Estate Holding B.V. All the buildings are in operation and occupied by external tenants.

B.3.6. Eastfield projects – acquisition of minority stakes

In September 2013, the Group acquired minority 28% and 35% stakes in two Russian real estate projects: ISK Klokovo LLC and In Vino LLC. The consideration paid was MEUR 4 and MEUR 0.5, respectively.

B.3.7. Full acquisition of RAV Agro

On 26 September 2013, the Group acquired the remaining 20% stake in Bavella B.V., becoming the sole shareholder of the Russian agriculture group RAV Agro. The consideration paid for the stake was MEUR 7. The negative difference between the purchase price and the net assets acquired, MEUR 6, was recorded directly in retained earnings.

B.3.8. Changes in PPF Partners and EP Holding

PPF Partners, an international private equity group, was established in late 2008 by PPF Group in cooperation with Generali. Until December 2013 the ownership structure of PPF Partners (the management company) was as follows: PPF Group owned 72.5% and Generali 27.5%. On 20 December 2013, PPF Group acquired the minority stake in PPF Partners for consideration of MEUR 2.

PPF Partners manage a private equity fund, PPF Partners 1 Fund L.P., which was initially launched with MEUR 615 in commitments from PPF Group, PPF shareholders and Generali. As of 31 December 2013 the fund contains only one substantial investment: a loan provided to EP Holding in which PPF Group is the sole investor. The EP Holding loan was fully repaid in January 2014 (refer to G.3).

<u>Financial aspects</u>

As at 31 December 2013 and 2012, the breakdown of financial investments in PPF Partners 1 Fund L.P. is as follows:

In millions of EUR, as at 31 December

	All limited partners 2013	PPF Group 2013	All limited partners 2012	PPF Group 2012
Total commitment	385	373	385	120
Cumulative contributions	847	710	838	189
Cumulative distributions	(490)	(378)	(405)	(86)
Net assets attributable to limited partners	370	360	426	109

<u>Accounting aspects</u>

Until December 2013, PPF Group controlled the fund's management company, PPF Partners, but due to the existence of substantial kick-off rights assigned to the other investors it did not control the fund itself. PPF Group applied significant influence in the fund, applying the venture capital exemption in accordance with IAS 28.1. The investment in the fund was recognised in the category "fair value through profit or loss" and carried at fair value with change in fair value recognised in the income statement (refer to F.24). After the changes described above, PPF Group started to consolidate PPF Partners using the method of full consolidation. The share of the remaining limited partner in PPF Partners 1 Fund L.P. is recorded as a non-controlling interest of MEUR 10.

B.3.9. Russian retail chain (2012 acquisition)

In January 2012, Eldorado acquired a 100% share in Beringov Proliv Delta LLC and Verdena LLC, representing a retail chain of 28 stores operating in the Central Region of the Russian Federation. The following table shows the main financial aspects of the transaction. Goodwill represented that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised and reflected the result of the purchase price allocation.

In millions of EUR	
Total purchase price (paid in cash)	22
Fair value of assets acquired	27
Fair value of liabilities acquired	(35)
Goodwill	30

B.3.10. Russian real estate portfolio (2012 acquisition)

In March 2012, Eldorado acquired a 100% share in Invest-Realty LLC and Rentol LLC for total consideration of MEUR 243. The acquired entities hold Russian real estate portfolios, the majority of which is occupied by Eldorado. The following table shows the main financial aspects of the transaction. Goodwill in the amount of MEUR 4 related to the acquisition of Invest-Realty LLC and badwill in the amount of MEUR 5 related to the acquisition of Rentol LLC represented that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised and reflected the result of the purchase price allocation. The goodwill was fully impaired and the badwill was recognised in the income statement at the moment of acquisition.

In millions of EUR	
Total purchase price (paid in cash)	243
Fair value of assets acquired	418
Fair value of liabilities acquired	(174)
Goodwill	4
Badwill	(5)

B.3.11. Sotio (2012 acquisition, 2013 change)

In December 2012, the Group acquired a 92% share in Sotio N.V., the Dutch entity holding a 86% stake in Sotio a.s. Sotio is a biotechnology company developing a new immunotherapy for the treatment of cancer and autoimmune diseases. Together with a direct 10% stake, the Group held in total a 89% effective stake in Sotio a.s. The following table shows the main financial aspects of the transaction. Goodwill represented that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised and reflected the result of the purchase price allocation.

In millions of EUR	
Total purchase price (paid in cash)	50
Fair value of assets acquired	66
Fair value of liabilities acquired	(28)
Net asset value attributable to non-controlling interest	4
Goodwill	16

In December 2013, the Group internally restructured its shareholding in Sotio a.s. This included the sale of a non-controlling interest, which caused the effective ownership to decrease to 84.64%.

B.3.12. New real estate projects (2012 acquisitions)

B.3.12.1. Trigon Berlin

In September 2012 the Group, through its newly incorporated entity Trigon Berlin B.V., acquired an office building located in Berlin for consideration of MEUR 43. The transaction was concluded as an asset deal.

B.3.12.2. Kartontara (entity Yugo-Vostochnaya promyshlennaya companiya "Kartontara")

In December 2012 the Group acquired a long-term lease with the local Moscow municipality on a land plot located in the direct vicinity of the planned fourth City ring road. In the future, this land plot might be used for a large-scale office project. Total consideration paid for the acquisition was below MEUR 1 and corresponded to the fair value of acquired assets.

B.3.12.3. Checkov (entity Logistics-A LLC)

In December 2012 the Group acquired a future logistics project located in the Moscow region in a phase when all necessary permits have been obtained and construction is about to commence. Total consideration paid for the acquisition was below MEUR 1 and corresponded to the fair value of acquired assets.

B.4. Disposals

B.4.1. Generali transaction

On 8 January 2013 the Group, acting through its subsidiary PPF Co1 B.V., signed an agreement with Assicurazioni Generali on the future sale of its 49% stake in Generali PPF Holding B.V. ("Generali PPF Holding") through two partial disposals. On 28 March 2013, Assicurazioni Generali acquired a 25% shareholding in Generali PPF Holding, then held by the Group, for consideration of MEUR 1,286. At the same moment the Group repaid a 51% portion of the Calyon facility in an amount of MEUR 1,071 and redeemed MEUR 192 of a MEUR 400 bond issued in November 2009. The remaining balance of the Calyon facility after said repayment is secured by pledge of a 24% share in Generali PPF Holding and the maximum amount that may be drawn was decreased to MEUR 1,028.

The agreement also required PPF Generali Holding to pay a dividend of MEUR 172 to the Group in January and March 2013, which duly took place on the stipulated dates. In January 2015, PPF Group expects to receive consideration of MEUR 1,235 for its outstanding 24% shareholding in Generali PPF Holding and the remaining obligations on the Calyon facility will be reimbursed at the same time. The sale of the residual stake is expected to be initiated by exercise of a put option in the second half of 2014. Until the transaction closes in 2015, the Group retains its significant influence in Generali PPF Holding.

The following table summarises the financial aspect of the transaction:

In millions of EUR

Date of disposal	28 March 2013
Equity stake sold	25%
Consideration	1,286
Net asset attributable to the Group	1,303
Available-for-sale reserve derecognised	(36)
Translation reserve derecognised	(2)
Net profit from the sale	21

B.4.2. Eastfield projects

In 2013 the Group sold three Russian real estate projects; the following table summarises the financial aspect of the transaction:

Entity	Date of sale	Consideration	Net profit/(loss)
Eastfield Kazan LLC	June 2013	1	1
Agriko LLC and Agriko Plus LLC	June 2013	28	(8)
Winterstar Ltd.	July 2013	3	5

B.4.3. Rural companies (2012 disposal)

In March 2012, the Group disposed of a Romanian real estate project by selling four Romanian entities for consideration of MEUR 1. The effect of the sale on the income statement was insignificant.

B.4.4. Czech real estate project (2012 disposal)

In April 2012, the Group decided to dispose of a real estate project located in Prague. A 100% share in Office Star Six spol. s r.o. was sold for consideration of MEUR 1. The net loss from the sale amounted to MEUR 1 and was included in the income statement.

B.4.5. Euronews (2012 disposal)

In April 2012, the Group disposed of Euronews, a.s. for consideration of MEUR 1. The effect of the sale on the income statement was insignificant.

B.4.6. PSJ (2012 disposal)

On 29 June 2012 the Group entered into a transaction whereby its 50% ownership interest in PSJ a.s. was sold for consideration of MEUR 28. Goodwill in an amount of MEUR 6 was derecognised. The net loss from the sale, MEUR 3, was included in the income statement.

At the same time, the Group acquired the remaining shares of the holding company PSJ New N.V., bringing its stake to 100%. As a consequence of this transaction, the Group derecognised the related investment in joint ventures and this entity was fully consolidated as of the aforementioned date. No goodwill arose on the transaction.

B.4.7. Nomos-Bank (2012 disposal)

In June 2012, the Group entered into a transaction that led to the exchange of the Group's entire share in Nomos-Bank for shares in Uralkali, a Russian fertiliser producer whose shares are publicly traded. The transaction was settled on 7 August 2012. Section F.8 shows the estimated financial performance of the bank until its disposal. A MEUR 129 impairment loss, which was included in the overall share in the profit of this associate, represented the difference between the carrying value of the associate and the fair value of Uralkali's shares at the moment of the exchange. As of 31 December 2012 the Group's investment in the shares of Uralkali was included in the portfolio available for sale.

B.4.8. SAZKA enterprise (2012 disposal)

In November 2011 the Group, through its joint venture (Starbrite Investments Ltd.) with financial group KKCG SE, won a public tender for the sale of the enterprise of SAZKA, the Czech lottery and betting company. The public tender was organised by the insolvency trustee, as the legal entity SAZKA, a.s. had fallen into bankruptcy. The total acquisition price was BCZK 3.81 (approximately MEUR 152), the acquiring entity was SAZKA sázková kancelář, a.s. and the Group's share in the joint venture was 50%. The acquisition was accomplished by acquiring individual assets and liabilities of the entity SAZKA, a.s. The fair value of assets acquired was MEUR 171, while the fair value of liabilities was MEUR 32. Goodwill in the amount of MEUR 13 represented that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised and reflected the result of the purchase price allocation.

In December 2012 the Group sold its 50% share in Starbrite Investments Ltd. for consideration of MEUR 211. The net gain from the sale amounted to MEUR 209 and was included in the income statement under the net gain from sale of joint ventures.

B.5. Other changes

B.5.1. Change in shareholder structure

In March 2013, a wholly owned subsidiary of Jiří Šmejc entered into an agreement for repurchase of its 5.0% stake in PPF Group N.V. After this transaction, the remaining shareholders increased their effective shareholding in PPF Group N.V. proportionally. The agreement also included the acquisition, by an affiliate of Mr. Šmejc, of a direct, 13.38% stake in Home Credit B.V., a holding company for Home Credit Group operations, as well as a direct, 13.38% stake in Air Bank a.s. As the change of ownership in Home Credit B.V. and Air Bank a.s. was subject to regulatory approval, the settlement of both transfers occurred on 20 September 2013. As of 31 December, from a legal perspective PPF Group N.V. holds 5.0% of its own shares. As a part of the deal, PPF Group provided long term financing to the affiliate of Mr. Šmejc, secured by his stake in Home Credit.

The following table summarises the financial aspect of the transaction:

In millions of EUR	
Purchase price of a 5% stake in PPF Group (paid in cash)	458
Sale price of a 13.38% stake in Home Credit	494
Non-controlling interest recognised at acquisition	222
Translation reserve derecognised	22
Profit recorded in retained earnings (increase)	250
Sale price of a 13.38% stake in Airbank	16
Non-controlling interest recognised at acquisition	21
AFS reserve derecognised	(1)
Loss recorded in retained earnings (decrease)	(4)

In 2012, PPF Group N.V. entered into an agreement with Home Credit B.V. regarding sale of 100% stakes in PPF Vietnam Finance Company LLC and Home Credit Consumer Finance China Ltd. The legal transfers of both entities are still pending due to outstanding regulatory approvals; however, the sale price for 13.38% of Home Credit already anticipated the future ownership of both entities by Home Credit. If such transfer had occurred before the transaction with Mr. Šmejc, the opening non-controlling interest would have increased by MEUR 10.

B.5.2. Incorporation of Home Credit Indonesia in 2012

Home Credit Indonesia PT was established in February 2012 with the aim of launching a consumer finance business in Indonesia. The Group holds a 70% share.

B.5.3. Incorporation of Argentinská Hvězda in 2012

In February 2012, the Group established two entities, Argentinská hvězda – budova A, a.s. (renamed to Art Office Gallery a.s.) and Argentinská hvězda – budova B, a.s. (renamed to Gen Office Gallery a.s.), to which the Group contributed real estate projects previously held in Office Star Eight spol. s r. o.

B.5.4. Newly established entities

The following table shows the other significant entities established by the Group during 2013 and 2012:

Company	Description	Date of incorporation	Percentage of effective ownership interest
Ruconfin B.V.	consumer finance	21 May 2012	92.96%
Trigon Berlin B.V.	real estate	5 June 2012	100.00%
AB1 B.V.	consumer finance	5 September 2012	100.00%
AB2 B.V.	consumer finance	14 February 2013	100.00%
AB7 B.V.	consumer finance	14 February 2013	100.00%
De Reling (Dronhen) B.V.	real estate	18 June 2013	100.00%
EusebiusBS (Arnhern) B.V.	real estate	18 June 2013	100.00%
Johan H (Amsterdam) B.V.	real estate	18 June 2013	100.00%
Karperstraat (Amsterdam) B.V.	real estate	18 June 2013	100.00%
LvZH (Rijswijk) B.V.	real estate	18 June 2013	100.00%
Monchyplein (Den Haag) B.V.	real estate	18 June 2013	100.00%
Pompenburg (Rotterdam) B.V.	real estate	18 June 2013	100.00%
Capellalaan B.V.	real estate	17 July 2013	100.00%
AB3 B.V.	consumer finance	22 July 2013	100.00%
AB6 B.V.	consumer finance	22 July 2013	100.00%
PPF Arena 1 B.V.	holding company	16 November 2013	100.00%
PPF Arena 2 B.V.	holding company	17 November 2013	100.00%
Fodina B.V.	holding company	9 December 2013	100.00%
Maraflex s.r.o.	real estate	11 December 2013	100.00%

C. Significant accounting policies and assumptions

C.1. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note C.4, which addresses changes in accounting policies.

C.1.1. Foreign currency

C.1.1.1. 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 exchange rate effective at the date of the transaction. At the reporting date:

- monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the exchange rate at that date;
- non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated using the exchange rates prevailing at the date that the fair value was determined;
- non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the original transaction.

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

C.1.1.2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Euro at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Euro at exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions.

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

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

When a foreign operation is disposed with loss of control, significant influence or joint control, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interest. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In 2012 and 2013, the Belarusian Ruble (BYR) was identified as a currency of a hyperinflationary economy. Therefore, the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies were applied for the Belarusian subsidiary Home Credit Bank OJSC.

C.1.2. Impairment

The carrying amounts of the Group’s assets, other than investment property (refer to C.1.12), inventories (C.1.6), deferred tax assets (C.1.33), deferred acquisition costs (C.1.10) and the present value of future profits on an acquired insurance portfolio (C.1.14.3), are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

Objective evidence that a loan or receivable, or a group of loans or receivables, is impaired includes observable data that comes to the attention of the Group indicating one or more of the following loss events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default on interest or principal payments;
- the disappearance of an active market for that financial asset due to financial difficulties of the issuer or debtor.

The Group first assesses whether objective evidence of impairment exists individually for any loan or receivable that is individually significant, and individually or collectively for any loans or receivables that are not individually significant. For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics.

If any such indication of impairment exists, the asset’s recoverable amount is estimated. The recoverable amount is measured annually regardless of any indication of impairment in the case of intangible assets with an indefinite useful life and intangible assets not yet available for use.

Goodwill (including goodwill that is part of investments in associates) is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

An impairment loss is recognised to the extent that the carrying amount of an asset, or the relevant cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are first allocated to reduce the carrying amount of any goodwill allocated to those cash-generating units (or groups of units) and then, to reduce the carrying amount of the other assets in the units (groups of units) on a pro rata basis.

Individual impairment losses are losses which are specifically identified. General impairment losses are losses which are present in a portfolio of loans or receivables but not specifically identified.

The recoverable amount of the Group’s investments in held-to-maturity securities, loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Future cash flows from loans and receivables are estimated on the basis of contractual cash flows and the historical loss experience of loans and receivables with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between the loss estimates and the actual loss experience.

Loans and advances are reported net of allowances for loan losses to reflect the estimated recoverable amounts. Receivables are stated at their cost less impairment losses.

The recoverable amount of an available-for-sale asset is its current fair value. When there is objective evidence that it is impaired, the reduction in fair value originally recognised in equity is recognised in the income statement.

The recoverable amount of other assets is the greater of their fair value less the cost to sell and their value in use. In assessing the 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.

An impairment loss in respect of a held-to-maturity security, loan, advance or receivable, or an available-for-sale debt instrument is reversed through the income statement (up to the amount of the amortised cost) if the subsequent increase in the recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of available-for-sale equity instruments is not reversed through the income statement and any subsequent increase in fair value is recognised in equity.

Impairment losses in respect of goodwill are not reversible in any subsequent period, subject to the following exception: impairment losses in respect of goodwill included in investments in associates and joint ventures can be reversed.

In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and the increase can be objectively attributed to an event occurring after the date of the impairment. 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 depreciation or amortisation, if no impairment loss had been recognised.

C.1.3. Cash and cash equivalents

Cash consists of cash on hand and demand deposits with banks and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C.1.4. Financial assets

Financial assets include financial assets at fair value through profit or loss, financial assets available for sale, financial assets held to maturity, loans and receivables, cash and cash equivalents.

Financial assets are recognised 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 recognise 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. Financial instruments, with the exception of financial instruments at fair value through profit or loss, are measured initially at fair value plus transaction costs directly attributable to the acquisition or issue of the financial instrument.

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

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

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

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

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

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

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

The fair value of debt securities available for sale and 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 an arbitrage pricing model, the key parameters of which are the relevant foreign exchange rates and interbank interest rates prevailing at the reporting date.

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are exercised, or when the rights expire or are surrendered.

C.1.4.1. Financial assets available for sale

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss. Available-for-sale financial assets include equity securities whose fair value cannot be reliably measured and selected bonds.

After initial recognition, the Group measures financial assets available for sale at their fair values, without any deduction of the transaction costs that might be incurred upon their sale or other disposal, with the exception of instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured, which are stated at cost, including transaction costs, less impairment losses.

Any revaluation gain or loss on a financial asset available for sale is recognised in other comprehensive income with the exception of impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When available-for-sale assets are derecognised, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Where these instruments are interest-bearing, interest calculated using the effective interest rate method is recognised in the income statement.

C.1.4.2. Financial assets held to maturity

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold to maturity.

Financial assets held to maturity are stated at amortised cost less any impairment losses. Premiums and discounts are amortised over the life of the instrument using the effective interest rate method. The amortisation of premiums and discounts is recorded as interest income or an interest expense.

The fair value of an individual security within the held-to-maturity portfolio can temporarily fall below its carrying value. However, provided there is no risk that the security may be impaired, the security in question is not written down in such a case.

C.1.4.3. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or non-trading financial assets that are designated, upon initial recognition, as financial assets at fair value through profit or loss.

Financial assets held for trading are assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in their price or the dealer's margin. Financial assets are classified as held for trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held for trading include investments and certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at fair value through profit or loss.

Group companies engaged in insurance business designate non-trading financial assets according to their investment strategy as financial assets at fair value through profit or loss, provided there is an active market and the fair value can be reliably measured (fair value option). The fair value option is applied only if it results in more relevant information, because it significantly reduces a measurement or recognition inconsistency ("accounting mismatch").

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value based on the market prices quoted on an active market, except for derivative instruments that are not exchange-traded and financial assets that are not quoted on an active market, which are measured based on generally accepted valuation techniques depending on the product. Gains and losses arising from changes in the fair values of financial assets at fair value through profit or loss are recognised in the income statement.

C.1.4.4. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those classified as at fair value through profit or loss or classified as available for sale.

Loans and receivables are measured at amortised cost using the effective interest rate method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price (“repos”). Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or non-banks. The receivables are shown as collateralised by the underlying security. Investments sold under repos continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy as either assets held for trading or available for sale, as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or non-banks.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

C.1.4.5. Lease transactions

Loans and receivables include the Group’s net investment in finance leases where the Group is acting as the lessor. The net investment in finance leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Lease payments include repayment of the finance lease principal and interest income. Recognition of the interest is based on a variable interest rate, which is applied to the net investment (principal) outstanding in respect of the finance lease. Income from finance leases is allocated over the lease term on a systematic basis.

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 income statement over the period of the lease.

C.1.5. Hedge accounting

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

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

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

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

C.1.6. Inventories

Inventories are stated at the lower of cost and net realisable value (being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). Where the net realisable value is below cost, inventories are written down to the lower value, and the impairment loss is recorded in the income statement.

C.1.7. Trading property

Trading property is a special kind of inventory comprising land and buildings constructed or acquired by the Group for future sale. Trading property is measured at the lower of cost and net realisable value.

C.1.8. Biological assets

Biological assets are measured at fair value less estimated point-of-sale costs, with any change therein recognised as profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. The fair value of biological assets is determined based on market prices of similar biological assets in local areas.

Agricultural produce is transferred to inventory at its fair value less estimated point-of-sale costs at the date of harvest.

C.1.9. Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before being classified as held for sale, the assets (or components of a disposal group) are measured in accordance with the applicable IFRS. Thereafter, the assets (or disposal groups) are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventory, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets; these continue to be measured in accordance with the Group’s accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

C.1.10. Deferred acquisition costs

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

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

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

C.1.11. Reinsurance assets

Reinsurance assets comprise the actual or estimated amounts which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions.

C.1.12. Investment property

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both. A property owned by the Group is treated as an investment property if it is not occupied by a Group company or if only an insignificant portion of the property is occupied by a Group company.

Subsequent to initial recognition all investment properties are measured at fair value. The fair value is determined annually based on appraisals by an independent external expert or based on internal valuations in the case of projects with immaterial value.

The external valuations are always obtained from leading market experts such as Colliers International, Cushman & Wakefield or CBRE. All the valuation reports are based on a generally worldwide accepted RICS (Royale Institute of Chartered Surveyors) valuation methodology, which is one of the best methods used to obtain the fair market valuation of the given property, especially in the absence of any actual transactions. All the valuation reports produced by external experts are then subject to several rounds of discussions and challenges before the final figures are obtained and agreed.

When the Group applies internal valuations the fair value of investment property is determined using the discounted cash flow method. Such valuations require the use of judgment and assumptions about future market conditions.

Property that is being built or developed for future use as investment property is classified as investment property and recognised at fair value. In case the fair value is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the lease term.

When an item of property, plant and equipment becomes an investment property following a change in its use, any gain arising at the date of transfer between the carrying amount of the item and its fair value, and the related deferred tax thereon, is recognised directly in equity. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

Subsequent expenditures relating to investment properties are capitalised if they extend the useful life of the assets; otherwise, they are recognised as an expense.

Techniques used for valuing investment property

The main valuation techniques used are the following:

Residual calculation
The residual method takes into consideration the level of revenues or sales that could be achieved by disposing of the development properties. The total sum of these revenues or sales is known as the Gross Development Value ("GDV") and includes all of the separate areas that comprise the entire development, including residential and/or commercial areas (apartment areas, terraces/balconies, garages, parking, cellars and any garden areas).

From the GDV figure, the total development costs associated with the development of the project are deducted to arrive at the 'residual' or Market Value of the land. These deductions typically include construction costs together with any contingency element, ancillary costs, legal/agency and professional fees, purchaser's costs, financing costs and the developer's profit or required rate of return for the risk of undertaking the project.

Income approach – Discounted Cash Flow ("DCF") calculation
The income approach is used to value commercial and investment properties. Because it is intended to directly reflect or model the expectations and behaviours of typical market participants, this approach is generally considered the most applicable valuation technique for income-producing properties, where sufficient market data exists.

In a commercial income-producing property this approach capitalises an income stream into a present value. This can be done using revenue multipliers or capitalisation rates applied to a Net Operating Income.

The DCF methodology reflects the market's perception of a relationship between a property's potential income and its Market Value, a relationship expressed as a capitalisation rate or yield. This approach converts the anticipated benefits in terms of income (cash flow) or amenity to be derived from the ownership of the property into a value indication through capitalisation. This approach is widely used when appraising either income-producing properties or properties capable of producing an income. The property is valued by means of capitalising the future cash flow produced by the building at the end of the assumed holding period. These future cash flows (both rental and capital receipts from an assumed sale, and assumed expenditure required to realise same) are then discounted back at a discount rate that reflects a typical investor's overall target rate of return.

Sales comparable approach

This method relies on direct evidence from the market of sales and/or offers on properties with similar characteristics. As it is difficult to find evidence of comparables which are identical to any given property which is to be valued, the evidence must be adjusted to align it with the property in question. This allows the comparable evidence to be utilised in a calculation. The adjustments made will vary depending on the drivers of value in any given market and the specific differences between the property being valued and the comparables. The amount of adjustment depends upon the judgement and knowledge of the valuer, and relies upon his skill and understanding of the market.

C.1.13. Property, plant and equipment

Property, plant and equipment is stated at purchase price or production cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis using the following rates:

Item	Depreciation period
Land	-
Buildings	10 - 100 years
Other tangible assets and equipment	3 - 15 years

Component parts of an asset which have different useful lives or provide benefits in a different pattern are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time the technical improvement is recognised.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other operating income/other operating expenses in profit or loss.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of a 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 the inception of the lease, less accumulated depreciation and impairment losses.

C.1.14. Intangible assets

C.1.14.1. Goodwill and negative goodwill (badwill)

The Group accounts for all business combinations, except business combinations determined to be reorganisations involving group companies under common control (refer to B.1), as acquisitions. Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired in a subsidiary as of the date of the exchange transaction is described as goodwill and recognised as an asset.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units at the date of the acquisition and is not amortised but instead tested for impairment, annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Any excess, as of the date of the exchange transaction, of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition, is re-assessed and any excess remaining after that reassessment (negative goodwill) is recognised immediately in the income statement.

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

C.1.14.2. Trademarks

Internally generated trademarks are recognised as an intangible asset when they meet the definition of an intangible asset. Such assets are initially measured at cost which is the sum of expenditures incurred since the date when the intangible asset first meets the recognition criteria. Previously recognised expenses cannot be reclassified to the cost of the asset.

Trademarks that were acquired separately are initially measured at cost, while trademarks acquired through a business combination are measured at fair value. Trademarks with finite useful life are depreciated on a straight-line basis over their useful life. Trademarks with infinite useful life are not depreciated but they are tested for impairment annually or whenever there is an indication that the trademark may be impaired.

C.1.14.3. Present value of future profits from portfolio acquired

On the acquisition of a portfolio of long-term insurance contracts or investment contracts, either directly or through the acquisition of an enterprise, the net present value of the shareholders’ interest in the expected cash flows of the portfolio acquired is capitalised as an asset. This asset, referred to as the Present Value of Future Profits (“PVFP”), is calculated on the basis of an actuarial computation taking into account assumptions for future premium income, contributions, mortality, morbidity, lapses and returns on investments. PVFP is recognised separately for insurance segments and for the respective companies.

The PVFP is amortised over the average effective life of the contracts acquired, using an amortisation pattern reflecting the expected future profit recognition. The assumptions used in the development of the PVFP amortisation pattern are consistent with the ones applied in its initial measurement. The amortisation period varies from 5 to 35 years for individual portfolios.

As for the life and non-life portfolio, the recoverable amount of the value of the “in-force business acquired” is determined by conducting the liability adequacy test (“LAT”) on the insurance provisions, taking into account the deferred acquisition costs, if any, recognised in the statement of financial position. Any impairment losses are recognised in the income statement.

The amortisation and potential impairment of the PVFP are recognised in the income statement under the item “Other operating expenses”.

Where there is any indication that an impairment loss recognised for PVFP in prior years no longer exists, the carrying amount of PVFP is increased to its estimated recoverable amount. The increased carrying amount of PVFP due to reversal of impairment loss may not exceed the carrying amount that would be determined if no impairment loss had been recognised for PVFP in prior years, net of any amortisation accounted for in the meantime.

C.1.14.4. In-process research and development assets

In-process research and development ("IPRD") assets consist of biotech licence deals acquired in a business combination. These assets are measured at fair value at initial recognition.

IPRD assets are capitalised on the basis of technical feasibility as indefinite-lived intangible assets and remain in the balance sheet, subject to impairment, until completion. Amortisation over their useful life commences when research and development is complete. Alternatively, if the project in question is abandoned, the carrying value of the associated IPRD assets is expensed.

C.1.14.5. Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditures on internally generated goodwill are recognised as expenses in the income statement as they are incurred.

Other intangible assets with finite useful lives, software included, are amortised on a straight-line basis over an average period of 3–5 years. The amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time the technical improvement is recognised.

Other intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, or whenever there is an indication that the intangible asset may be impaired.

C.1.15. Equity

C.1.15.1. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

C.1.15.2. Dividends

Dividends on share capital are recognised as a liability provided they are declared before the reporting date. Dividends declared after the reporting date are not recognised as a liability but are disclosed in the notes.

C.1.15.3. Non-controlling interest

The non-controlling interest consists of the minority shareholders' proportion of the subsidiary's recognised net assets at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

Losses applicable to the non-controlling interest, including negative other comprehensive income, are allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

C.1.16. Debt securities issued

Debt securities issued are recognised initially at fair value, net of transaction costs, and subsequently carried at amortised cost. Amortisation of discounts or premiums and interest is recognised in interest expenses and similar charges using the effective interest rate method.

C.1.17. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include liabilities classified as held for trading and non-trading liabilities. The trading liabilities include derivative liabilities that are not hedging instruments and obligations to deliver securities borrowed by a short seller. The non-trading liabilities include hedging derivatives. Financial liabilities at fair value through profit or loss are measured at fair value and the relevant gains and losses from this revaluation are included in the income statement.

C.1.18. Liabilities due to non-banks and due to banks

Liabilities due to non-banks and due to banks are recognised initially at fair value, net of transaction costs, and subsequently stated at their amortised cost. The amortised cost of a financial liability is the amount at which the financial liability was measured upon initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

C.1.19. Other liabilities and provisions

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

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reasonable estimate can be made of the amount of 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.

C.1.20. Insurance provisions

C.1.20.1. Provisions for unearned premiums

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

C.1.20.2. Life insurance provisions

Life insurance provisions comprise the actuarially estimated value of the liabilities under life insurance contracts. The provisions remain unchanged unless a liability inadequacy arises. A liability adequacy test ("LAT") is performed at each reporting date by the Group's actuaries using current estimates of the future cash flows under the insurance contracts.

C.1.20.3. Provisions for outstanding claims

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

C.1.20.4. Other insurance provisions

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

C.1.21. Interest income and interest expense

Interest income and interest expense are recognised in the income statement on an accrual basis, taking into account the effective yield of the asset or liability in question, or the applicable floating rate. Interest income and interest expenses include the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate method.

C.1.22. Net fee and commission income

Fee and commission income arises from financial services provided by the Group including cash management services, payment clearing, investment advice and financial planning, investment banking services, and asset management services. Fee and commission expenses arise on financial services provided to the Group including brokerage services, payment clearing, and asset management services. Fee and commission income and expenses are recognised when the corresponding service is provided or received. A penalty fee is recognised when a penalty is charged to a customer, taking into account its collectability.

C.1.23. Net gain/loss on financial assets

Net gain/loss on financial assets comprises net trading income, net gains on financial assets at fair value through profit or loss that are not held for trading, net realised gains, and dividends.

Net trading income arises from the subsequent measurement of "Trading assets" and "Trading liabilities" at fair value or from their disposal. The amount of trading income to be recorded represents the difference between the latest carrying value and the sale price or between the latest carrying value and the fair value as of the date of the financial statements.

Net gains on financial assets at fair value through profit or loss that are not held for trading arise from their subsequent measurement at fair value or from their disposal.

A realised gain/loss arises on de-recognition of financial assets other than financial assets at fair value through profit or loss. The amount of the realised gain/loss represents the difference between the carrying value of the financial asset and the sale price adjusted for any cumulative gain or loss that had been recognised directly in equity.

Dividends from financial assets are recorded in the income statement once declared and approved by the shareholders' meeting of the respective company.

C.1.24. Net insurance premium revenue

Net insurance premium revenue includes gross premium revenue from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

C.1.25. Net insurance benefits and claims

Insurance technical charges include claims (benefit) expenses, the change in technical provisions and rebates, and profit sharing. Claims expenses consist of benefits and surrenders, net of reinsurance. Benefits and claims comprise all payments made in respect of the financial year: annuities, surrenders, additions and releases of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs.

C.1.26. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts and include direct costs, such as acquisition commissions, as well as indirect costs, such as advertising costs and administrative expenses.

C.1.27. Net real estate income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Rental income from investment properties is included in the net rental income, while rental income from other operating leases is included in other income.

Property operating expenses include expenses directly attributable to rental income and other expenses related to investment property.

C.1.28. Net income on retail operations

Sales of goods consist of retail and wholesale revenues from sales of goods and from related services such as loyalty programmes and an additional service programme. Revenue from the sale of goods and the associated cost of sales are recognised in the income statement when the significant risks and rewards of ownership are transferred to the buyer. Sales of goods are decreased by the value of returned goods provided the customers have a right to return the goods during the warranty period. The Group creates provisions for returns of goods.

The Group uses customer loyalty programmes in the retail business. Customers are awarded bonuses (points) for buying goods in the Group's shops. The bonus points are initially recorded at fair value as a decrease in sales of goods and deferred income. The fair value is based on the discount that the customers will obtain upon redemption of the points in exchange for goods and also reflects the proportion of points expected to be redeemed.

Cost of goods sold includes:

- the value of inventories expensed in the period when revenue from sales is recognised; goods are measured using the weighted average method;
- inventory losses and inventory surpluses;
- changes in allowances for slow-moving and damaged items;
- supplier bonuses received (reduction of cost of goods sold); supplier bonuses are allocated between inventories and cost of goods sold on pro-rata basis; and
- repair cost to be incurred after sales (shipment) of goods.

Other income on retail operations includes income specific to the retail business, such as franchise fees and revenues from services rendered to customers.

C.1.29. Net agriculture income

Net agriculture income comprises sales of agricultural produce, related cost of sales, other revenue from services provided in agriculture, and any change in the fair value of biological assets.

Sales of goods are presented net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Cost of goods includes:

- the value of agricultural inventories expensed in the period when the revenue from sales is recognised; these inventories are accounted for on a first-in, first-out basis;
- personnel expenses;
- depreciation of property, plant and equipment used in the agricultural production and amortisation of land lease rights; and
- other expenses such as repairs, utilities, agricultural services and other services.

C.1.30. Other income and other expenses

C.1.30.1. Income for services rendered

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

C.1.30.2. Operating lease payments

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

C.1.31. General administrative expenses

General administrative expenses include expenses relating to the running of the Group. These include personnel costs, office rental expenses and other operating expenses. Staff costs include employees’ salaries and wages, management remuneration and bonuses, and social insurance.

Within banking operations, administrative expenses include the costs of processing payments, maintaining customer accounts and records, and dealing with customers.

C.1.32. 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.

C.1.33. Income tax

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

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

A deferred tax position is recognised in cases when temporary differences arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: the initial recognition of goodwill arising from a business combination, the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Recognised deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

C.1.34. Net profit allocated to non-controlling interest

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

C.1.35. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment), or in providing products or services within a particular economic environment (a geographical segment), and is subject to risks and rewards that are different from other segments.

C.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2013

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 2013:

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

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

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

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

In accordance with the transitional provisions of IFRS 13, the Group applied the new fair value measurement guidance prospectively and did not provide any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

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

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

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

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

C.3. 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 and amendments to Standards and Interpretations have been promulgated, but were not in effect in the year ended 31 December 2013 and have not been applied in preparing these financial statements. Of these pronouncements, the following may 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. In case of IFRS 10, IFRS 11 and IFRS 12, the application of new standards will affect mostly disclosures.

IFRS 9 Financial Instruments (effective from 1 January 2015)

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

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)
IFRS 11 Joint Arrangements (effective from 1 January 2013)
IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

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

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.
An investor controls an investee when:
- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is reassessed as facts and circumstances change.

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

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It:
- distinguishes joint arrangements between joint operations and joint ventures; and
- always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 11 supersedes IAS 31 and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers.*

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

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

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

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

C.4. Changes in accounting policies and comparative figures

Subordinated debt securities issued are presented as a separate item in the financial statements. Previously they were reported within debt securities issued. The comparative numbers have been regrouped to be consistent with the current period.

D. Risk exposures, risk management objectives and procedures

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk, market risk, insurance risk and operational risk. Market risk includes currency risk, interest rate risk and equity price risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Home Credit subgroup has established an Asset Liability Committee (ALCO) and a Credit Risk Department, which are responsible for developing and monitoring risk management policies in their specified areas. A similar structure is used by PPF banka a.s. and Air Bank a.s. For the rest of the Group the Board has established a Group Asset Liability Committee (ALCO). However, due to the financial crisis, in the second half of 2008 this body was replaced by day-to-day joint management implemented by the Group's top management, the Board, and all the shareholders. This arrangement made it possible to respond immediately to rapid market changes and its flexibility affords the Group a competitive advantage. The arrangement remained in place in 2012 and 2013.

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

Management of risk arising from participation in foreign subsidiaries and from financial instruments is fundamental to the Company's business and is an essential element of its operations. Major risks related to participation in foreign subsidiaries include the risk of impairment due to adverse economic conditions, movements in foreign exchange rates, and liquidity risk given the strong growth in emerging markets. Those risks are managed by the Company by monitoring development in foreign markets, using a robust investment decision making process, and exercising prudence in liquidity management. The Company faces financial instrument risk in conjunction with credit exposures, movements in interest rates and foreign exchange rates.

Risk management policies at other significant associates are determined by the controlling shareholder(s) and/or other major shareholders. The Group regularly monitors and analyses the situation at said associates as a minority shareholder exercising its significant influence through its existing representatives in the respective executive bodies.

D.1. Derivative financial instruments

The Group holds a variety of derivative financial instruments for trading and risk management purposes. This note describes the derivatives used by the Group. Further details of the Group's objectives and strategies in the use of derivatives are set out in the following sections. The nature of the derivative instruments outstanding at the reporting date is described in the following sections of this note.

Derivative financial instruments used by the Group include swaps, futures, forwards, options and other similar contracts whose value changes in response to changes in interest rates, foreign exchange rates, security prices and/or price indices. Derivatives are either standardised contracts transacted through regulated exchanges (referred to as exchange-traded products) or individually negotiated over-the-counter contracts (referred to as OTC products). The principal types of derivative instruments used by the Group are described below.

D.1.1. Swaps

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. The swaps most commonly used by the Group are interest rate and cross-currency interest rate swaps. Under interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency swaps require an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit risk arising from default of the respective counterparties. Market risk arises from potentially unfavourable movements in interest rates relative to the rates set in the contract, or from movements in foreign exchange rates.

D.1.2. Futures and forwards

Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counterparty and exposure to market risk based on changes in market prices relative to the contracted amounts.

D.1.3. Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Group enters into interest rate options, foreign exchange options, equity and index options and credit failure options (swaps). Interest rate options, including caps and floors, may be used as hedges against a rise or fall in interest rates. They provide protection against changes in interest rates of floating rate instruments above or below a specified level. Foreign currency options may also be used (commensurate with the type of option) to hedge against rising or falling currency rates. As a buyer of over-the-counter options, the Group is subject to market risk and credit risk since the counterparty is obliged to make payments under the terms of the contract if the Group exercises the option. As a writer of over-the-counter options, the Group is subject to market or credit risk, as it is obliged to make payments if the option is exercised by the counterparty.

D.1.4. Other derivatives

In connection with some significant acquisitions the Group negotiated various over-the-counter contracts. Those existing at the reporting date are recognised at fair value using external or internal valuations.

D.2. 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. For risk management purposes, the Group classifies the loans made to individual customers into several classes, the most significant of which are consumer loans, revolving loans, cash loans, car loans and mortgage loans. This core part of the Group's loan portfolio consists of a large number of loans with relatively low outstanding amounts. Other individual significant credit exposures to third parties are monitored by the Group's top management, Board of Directors and shareholders on a case-by-case basis. Monitoring and assessment is not carried out by individual exposures only, but also by country and sector concentration.

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

- formulation, in consultation with the business, of credit policies concerning credit assessment, underwriting policies, collection policies, and risk reporting by business unit and loan class;
- establishment of an authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the management of the various business units, while 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 the Group's individual credit exposures by country, product class and distribution channel;
- limiting of concentrations of credit exposures by country, product class and distribution channel;
- review of business units' compliance with agreed exposure limits;
- provision of advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

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

Credit underwriting process

The following section describes processes used in the Home Credit Group as the most significant business segment within the Group. Other banking and financial entities of the Group apply credit underwriting processes on an individual basis, taking into consideration the specific circumstances and character of their business.

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

Information supplied by the applicant may be cross checked with information in the Group's customer database for the relevant country. Consumer loans are provided with minimum documentation from the customer. Applications for other products, in particular cash loans, require more supporting documentation and verification. If a retail employee or retailer fails to meet the standards set by the Group, the Group discontinues selling through the employee or retailer in question.

Loan collection and fraud prevention

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

General loan collection

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

Pre-collection measures

Various forms of communication are used to remind customers how and when to pay – e.g. welcome letters (or calls) – and SMS reminders are sent to customers a short time prior to payment due dates.

Early collection

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

Administrative and personal collection

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

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

All other banking institutions in the PPF Group (PPF banka and Air Bank) have their own independent credit risk management procedures similar to Home Credit Group's.

Concentrations of credit risk arise where groups of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions.

The following tables show the economic and geographic concentration of credit risk:

In millions of EUR, as at 31 December

	2013	2013	2012	2012
Economic concentration				
Households/Individuals	9,414	63.46%	8,433	57.22%
Financial services	2,470	16.65%	3,010	20.43%
Public sector	783	5.28%	688	4.67%
Construction and real estate	353	2.38%	321	2.18%
Other	1,814	12.23%	2,284	15.50%
Total	**14,834**	**100.00%**	**14,736**	**100.00%**
Geographic concentration				
Russia	8,107	54.65%	8,458	57.40%
Czech Republic	3,714	25.04%	3,259	22.11%
China	702	4.73%	381	2.59%
Slovak Republic	504	3.40%	502	3.41%
Cyprus	302	2.04%	219	1.49%
Vietnam	234	1.57%	200	1.36%
Netherlands	29	0.20%	153	1.04%
Other EU countries	457	3.08%	570	3.86%
Other	785	5.29%	994	6.74%
Total	**14,834**	**100.00%**	**14,736**	**100.00%**
Thereof:				
Financial assets excluding equity securities	13,382	90.21%	12,499	84.82%
Commitments and contingent liabilities*	1,452	9.79%	2,237	15.18%

* Excluding capital expenditure commitments

The amounts in the tables represent the maximum accounting loss that would be recognised at the reporting date if the counterparts failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed the expected losses, which are included in the allowance for uncollectibility. The table comprises off-balance sheet items (refer to F.35.1) and financial assets except equity securities.

The following table shows the Group's exposure to credit risk:

In millions of EUR, as at 31 December

	Loans and receivables due to non-banks and Other loans and receivables		Settlements with suppliers and Prepaid expenses	
	2013	2012	2013	2012
Individually impaired				
Gross amount	190	200	10	25
Allowance for impairment	(54)	(86)	(9)	(25)
Carrying amount	136	114	1	-
Collectively impaired				
Current	7,704	6,801	-	-
1-90 past due	855	596	-	-
91-365 past due	986	482	-	-
>365 past due	104	106	-	-
Gross amount	9,649	7,985	-	-
Allowance for impairment	(1,291)	(710)	-	-
Carrying amount	8,358	7,275	-	-
Unimpaired				
Current	1,264	1,619	173	165
1-90 past due	4	-	-	-
91-365 past due	1	6	1	-
>365 past due	-	6	-	-
Carrying amount	1,269	1,631	174	165
Total carrying amount	**9,763**	**9,020**	**175**	**165**

The Group holds collateral for loans and advances to non-banks in the form of mortgage interests over property, debt and/or equity securities and received guarantees. Collateral for loans and advances to banks is held mainly under reverse repos and as a part of securities borrowing activity. There are no overdue loans to banks.

All these transactions are conducted at arm's length.

The following table shows the fair value of collateral received in respect of loans and receivables:

In millions of EUR, as at 31 December

	Loans and receivables due from banks		Loans and receivables due from non-banks		Other loans and receivables	
	2013	2012	2013	2012	2013	2012
Against individually impaired	-	-	238	53	-	-
Property	-	-	218	19	-	-
Debt securities	-	-	3	-	-	-
Equity securities	-	-	-	2	-	-
Deposits with banks	-	-	1	1	-	-
Other	-	-	16	31	-	-
Against collectively impaired	-	-	33	322	-	-
Property	-	-	33	306	-	-
Other	-	-	-	16	-	-
Against neither past due nor impaired	485	381	458	471	-	254
Securities received under reverse repo	485	381	101	78	-	-
Property	-	-	157	112	-	-
Debt securities	-	-	81	57	-	-
Equity securities	-	-	-	41	-	-
Deposits with banks	-	-	5	63	-	-
Other	-	-	114	120	-	254
Total collateral received	**485**	**381**	**729**	**846**	**-**	**254**

The total value of assets held as collateral is MEUR 1,289 (2012: MEUR 1,338; refer to F.35.3) and consists of the collateral stated above (2013: MEUR 1,214; 2012: MEUR 1,481) less securities received under reverse repos that were repledged or sold in an amount of MEUR 209 (2012: MEUR 143), plus collateral received for provided guarantees.

No collateral is held for settlement with suppliers and prepaid expenses.

D.3. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of its positions. It includes the risk of being unable to fund assets using instruments with appropriate maturities and rates, the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount, and the risk of being unable to meet obligations as they become due.

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

The Group's Treasury Department collects information from business units and holding companies regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. A 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 specific markets and facilities, the nature of the related risks and the magnitude of their impact on the Group's business, management tools available, and preventive actions.

The Group has access to a diverse financing base. Funds are raised using a broad range of instruments including deposits, bank loans, bond issues and securitisations. In January 2008 the Group gained a syndicated loan facility of MEUR 2,099 and in November 2009 the Group issued a MEUR 400 bond. Both of these developments significantly influenced the Group's liquidity position. As of 31 December 2012 the facility had been drawn in the full amount. In March 2013 the Group repaid MEUR 1,071 of the facility and the residual amount became the new maximum drawing limit. At the same time the Group redeemed MEUR 192 of the MEUR 400 bond (refer to B.4.1). The current situation still enhances financing 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 financing and flexibility through the use of liabilities with a range of maturities.

The following tables show exposure to liquidity risk:

In millions of EUR, as at 31 December 2013

	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	1,875	-	-	-	-	1,875
Financial assets at fair value through profit or loss	14	18	102	115	16	265
Held for trading	14	18	94	115	16	257
Not held for trading	-	-	8	-	-	8
Financial assets available for sale	184	66	338	1,021	62	1,671
Financial assets held to maturity	1	26	14	-	-	41
Loans and receivables due from banks and other financial institutions	1,069	49	-	16	69	1,203
Loans and receivables due from non-banks	2,014	3,555	3,178	472	-	9,219
Other loans and receivables	331	21	42	164	(14)*	544
Other assets	118	122	239	9	53	541
Total financial assets	**5,606**	**3,857**	**3,913**	**1,797**	**186**	**15,359**

*Presentation of a negative share in associates (refer to F.8)

In millions of EUR, as at 31 December 2013

	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	5,437	3,003	335	1	-	8,776
Due to banks and other financial institutions	247	539	1,408	171	-	2,365
Debt securities issued	596	274	791	-	-	1,661
Financial liabilities at fair value through profit or loss	11	40	73	139	11	274
Other liabilities	1,017	120	38	16	5	1,196
Subordinated liabilities	-	10	295	180	-	485
Total financial liabilities	**7,308**	**3,986**	**2,940**	**507**	**16**	**14,757**

The negative liquidity position in the "Less than 3 months" interval is affected by the increase in banking deposits, most of which are payable on demand.

In millions of EUR, as at 31 December 2012

	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	1,873	-	-	-	-	1,873
Financial assets at fair value through profit or loss	22	48	224	83	133	510
Held for trading	22	46	224	83	24	399
Not held for trading	-	2	-	-	109	111
Financial assets available for sale	281	463	286	699	494	2,223
Financial assets held to maturity	1	23	40	-	-	64
Loans and receivables due from banks and other financial institutions	780	39	2	12	74	907
Loans and receivables due from non-banks	1,668	3,159	2,843	402	14	8,086
Other loans and receivables	165	528	244	11	(14)*	934
Other assets	201	105	32	8	11	357
Total financial assets	**4,991**	**4,365**	**3,671**	**1,215**	**712**	**14,954**

*Presentation of a negative share in associates (refer to F.8)

In millions of EUR, as at 31 December 2012

	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	3,963	3,012	1,005	6	5	7,991
Due to banks and other financial institutions	2,191	699	1,265	76	-	4,231
Debt securities issued	227	286	1,131	-	-	1,644
Financial liabilities at fair value through profit or loss	25	9	134	59	9	236
Other liabilities	1,058	143	27	5	7	1,240
Subordinated liabilities	-	4	-	259	-	263
Total financial liabilities	**7,464**	**4,153**	**3,562**	**405**	**21**	**15,605**

As of 31 December 2012, the negative liquidity position in the “Less than 3 months” interval is affected by the increase in banking deposits, most of which are payable on demand, and by the repayment of a loan and bonds, related to the Generali transaction (refer to B.4.1), which were financed by proceeds from the sale of GPH.

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

In millions of EUR, as at 31 December 2013

	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	5,453	3,143	368	2	-	8,966
Due to banks and other financial institutions	276	639	1,498	195	-	2,608
Debt securities issued	610	308	874	-	-	1,792
Other liabilities	1,017	121	42	40	5	1,225
Subordinated liabilities	-	45	461	204	-	710
Total	**7,356**	**4,256**	**3,243**	**441**	**5**	**15,301**

In millions of EUR, as at 31 December 2012

	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	3,973	3,160	1,117	5	108	8,363
Due to banks and other financial institutions	2,226	768	1,320	87	-	4,401
Debt securities issued	241	342	1,253	-	-	1,836
Other liabilities	1,058	143	28	12	7	1,248
Subordinated liabilities	-	24	95	321	-	440
Total	**7,498**	**4,437**	**3,813**	**425**	**115**	**16,288**

D.4. Market risk

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

The bulk of the Group's exposure to market risk arises in connection with the use of liabilities denominated in foreign currencies to finance the Group's operations, and to the extent the term structure of interest-bearing assets differs from that of liabilities. The Group manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed by buying or selling instruments or entering into offsetting positions subject to risk limits or frameworks set by senior management.

D.4.1. Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating-rate assets and liabilities the Group is also exposed to interest rate cash-flow risk, which varies depending on the different repricing characteristics of the various floating-rate instruments.

Interest rate risk is managed principally by monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits. Interest rate derivatives (refer to F.2.1) are one of the tools the Group uses to manage this position.

Interest rate derivatives are primarily used to bridge the repricing mismatch between assets and liabilities. In addition, the Group enters into interest rate swaps to fix the interest rates on its floating-rate debts at a certain level.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring of 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 a case, the net interest income for the year ended 31 December 2013 would be approximately MEUR 57 (2012: MEUR 64).

The tables below summarise the interest rate sensitivity of the Group's financial assets and liabilities at the reporting date. The carrying amounts of interest-rate-sensitive assets and liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they mature or in which the interest rates will next be fixed. To reflect anticipated prepayments, certain asset and liability categories are included in the table based on estimated rather than contractual maturity dates. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the expected maturity date.

The following tables present an analysis of the interest rate gap position:

In millions of EUR, as at 31 December 2013

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	0.4%	1,875	-	-	-	-	1,875
Financial assets at fair value through profit or loss	2.4%	2	25	70	114	54	265
Held for trading	2.4%	2	25	70	114	46	257
Not held for trading	-	-	-	-	-	8	8
Financial assets available for sale	2.3%	364	1,005	132	92	78	1,671
Financial assets held to maturity	4.2%	1	26	14	-	-	41
Loans and receivables due from banks and other financial institutions	1.2%	1,085	44	-	5	69	1,203
Loans and receivables due from non-banks	33.1%	2,353	3,748	2,996	121	1	9,219
Other loans and receivables	10.7%	340	36	18	164	(14)*	544
Other assets	-	118	122	239	9	53	541
Total financial assets	**-**	**6,138**	**5,006**	**3,469**	**505**	**241**	**15,359**

*Presentation of a negative share in associates (refer to F.8)

In millions of EUR, as at 31 December 2013

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	5.7%	5,437	3,003	335	1	-	8776
Due to banks and other financial institutions	6.2%	1,319	595	358	93	-	2,365
Debt securities issued	6.0%	596	274	791	-	-	1,661
Financial liabilities at fair value through profit or loss	1.4%	27	69	57	110	11	274
Other liabilities	0.1%	1,017	120	38	16	5	1,196
Subordinated liabilities	9.7%	-	10	295	180	-	485
Total financial liabilities	**-**	**8,396**	**4,071**	**1,874**	**400**	**16**	**14,757**

In millions of EUR, as at 31 December 2012

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	0.2%	1,873	-	-	-	-	1,873
Financial assets at fair value through profit or loss	2.3%	10	46	271	6	177	510
Held for trading	2.3%	10	46	271	6	66	399
Not held for trading	-	-	-	-	-	111	111
Financial assets available for sale	4.3%	469	1,146	103	2	503	2,223
Financial assets held to maturity	4.1%	1	23	40	-	-	64
Loans and receivables due from banks and other financial institutions	3.4%	781	50	2	1	73	907
Loans and receivables due from non-banks	32.5%	2,188	3,277	2,498	108	15	8,086
Other loans and receivables	7.2%	165	528	244	11	(14)*	934
Other assets	-	201	105	32	8	11	357
Total financial assets	**-**	**5,688**	**5,175**	**3,190**	**136**	**765**	**14,954**

*Presentation of a negative share in associates (refer to F.8)

In millions of EUR, as at 31 December 2012

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	7.2%	3,963	3,012	1,005	6	5	7,991
Due to banks and other financial institutions	4.7%	3,359	688	184	-	-	4,231
Debt securities issued	6.9%	227	286	1,131	-	-	1,644
Financial liabilities at fair value through profit or loss	1.0%	13	3	113	27	80	236
Other liabilities	0.1%	1,058	143	27	5	7	1,240
Subordinated liabilities	9.4%	-	4	-	259	-	263
Total financial liabilities	**-**	**8,620**	**4,136**	**2,460**	**297**	**92**	**15,605**

D.4.2. Equity price risk

Equity price risk is the risk that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Group manages its use of equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

D.4.3. Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. Foreign currency risk arises when the actual or forecast assets denominated in a given foreign currency are either greater or less than the liabilities denominated in that currency.

The Group’s main foreign exposures are to European and Asian countries in which the Group operates. Its exposures are measured mainly in US Dollars, Russian Roubles, Czech Korunas and Chinese Yuan. As the functional currency in which the Group presents its consolidated financial statements is the Euro, movements in the exchange rates between these currencies and the Euro affect the Group's financial statements.

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

Net investments in foreign operations are not hedged. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary assets and monetary liabilities of the Group companies that are not denominated in the functional currency of the respective Group company. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or through short-term FX trades. The Group also has investments in foreign operations whose net assets are exposed to foreign currency translation risk.

The following tables show the distribution of financial assets and liabilities among the main currencies (but do not include non-financial assets such as fixed assets and investments in associates):

In millions of EUR, as at 31 December 2013

	EUR	USD	CZK	RUB	CNY	KZT	Other	Total
Cash and cash equivalents	114	348	714	548	114	17	20	1,875
Financial assets at fair value through profit or loss	44	48	154	8	-	-	11	265
Financial assets available for sale	93	138	1,275	165	-	-	-	1,671
Financial assets held to maturity	21	19	-	-	-	-	1	41
Loans and receivables due from banks and other financial institutions	275	296	375	194	13	-	50	1,203
Loans and receivables due from non-banks	550	135	971	6,138	679	481	265	9,219
Other loans and receivables	389	110	28	17	-	-	-	544
Other assets	285	(204)*	301	137	6	(33)*	49	541
Total financial assets	**1,771**	**890**	**3,818**	**7,207**	**812**	**465**	**396**	**15,359**

*Negative amounts represent settlement accounts in PPF banka containing various currencies that could be netted and they are deemed an overall asset.

In millions of EUR, as at 31 December 2013

	EUR	USD	CZK	RUB	CNY	KZT	Other	Total
Due to non-banks	683	235	2,877	4,692	-	194	95	8,776
Due to banks and other financial institutions	1,411	82	82	216	453	-	121	2,365
Debt securities issued	222	348	592	466	-	32	1	1,661
Financial liabilities at fair value through profit or loss	15	-	256	3	-	-	-	274
Other liabilities	63	20	83	946	52	14	18	1,196
Subordinated liabilities	-	432	53	-	-	-	-	485
Total financial liabilities	**2,394**	**1,117**	**3,943**	**6,323**	**505**	**240**	**235**	**14,757**
Effect of foreign currency derivatives	**(242)**	**177**	**897**	**(727)**	**-**	**(139)**	**23**	**(11)**
Net foreign currency position	**(865)**	**(50)**	**772**	**157**	**307**	**86**	**184**	**591**

In millions of EUR, as at 31 December 2012

	EUR	USD	CZK	RUB	CNY	KZT	Other	Total
Cash and cash equivalents	188	555	415	631	52	13	19	1,873
Financial assets at fair value through profit or loss	157	64	274	3	-	1	11	510
Financial assets available for sale	188	474	1,012	549	-	-	-	2,223
Financial assets held to maturity	22	42	-	-	-	-	-	64
Loans and receivables due from banks and other financial institutions	90	252	268	239	25	8	25	907
Loans and receivables due from non-banks	514	128	891	5,706	352	336	159	8,086
Other loans and receivables	846	35	22	31	-	-	-	934
Other assets	39	44	44	217	1	4	8	357
Total financial assets	**2,044**	**1,594**	**2,926**	**7,376**	**430**	**362**	**222**	**14,954**

In millions of EUR, as at 31 December 2012

	EUR	USD	CZK	RUB	CNY	KZT	Other	Total
Due to non-banks	575	185	2,561	4,486	-	123	61	7,991
Due to banks and other financial institutions	2,349	332	138	1,145	202	-	65	4,231
Debt securities issued	406	336	374	528	-	-	-	1,644
Financial liabilities at fair value through profit or loss	22	-	203	11	-	-	-	236
Other liabilities	142	297	(364)*	1,071	31	16	47	1,240
Subordinated liabilities	-	263	-	-	-	-	-	263
Total financial liabilities	**3,494**	**1,413**	**2,912**	**7,241**	**233**	**139**	**173**	**15,605**

*Negative amounts represent settlement accounts in PPF banka containing various currencies that could be netted and they are deemed an overall liability.

Effect of foreign currency derivatives	**(236)**	**(210)**	**920**	**(356)**	**-**	**(119)**	**13**	**12**
Net foreign currency position	**(1,686)**	**(29)**	**934**	**(221)**	**197**	**104**	**62**	**(639)**

The following tables present an analysis of the sensitivity of the Group’s equity to changes in currency exchange rates based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 5% change in USD, CZK, RUB and CNY to EUR exchange rates:

In millions of EUR, as at 31 December 2013

	USD	CZK	RUB	CNY	KZT
Effect of 5% currency depreciation against EUR	(9)	(86)	(115)	(16)	(5)
Effect of 5% currency appreciation against EUR	9	86	115	16	5

In millions of EUR, as at 31 December 2012

	USD	CZK	RUB	CNY	KZT
Effect of 5% currency depreciation against EUR	(7)	(88)	(115)	(11)	(5)
Effect of 5% currency appreciation against EUR	7	88	115	11	5

D.4.4. Hedging

The Group uses derivative financial instruments to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instruments are used for this purpose, including interest rate swaps and currency swaps, options, forward contracts and other derivatives. The purpose of the Group’s hedging activities is to protect the Group from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Group enters into transactions to ensure that it is economically hedged in accordance with its asset-liability risk management policies.

Interest rate hedging derivatives are designated as economic hedges of benchmark interest rates for specified assets or groups of similar assets as well as liabilities or groups of similar liabilities, or anticipated transactions. The Group's risk management activities concentrate on economic hedging of the Group's net exposure based on its asset and liability positions. Therefore the Group monitors its interest rate risk exposures by reviewing the net asset or liability gaps within the relevant repricing bands.

When the Group economically hedges a portfolio of loans or liabilities in respect of the interest rate risk, it classifies the loans in question into homogenous groups, each with specific maturities.

The Group manages its use of hedging derivatives in response to changing market conditions as well as to changes in the characteristics and mix of the related assets, liabilities and firm commitments.

D.5. Insurance risk

The presence of insurance risk is a direct consequence of the insurance business acquisition in March 2013. The main risk faced by the Group under insurance contracts is that the actual claims and benefit payments or the timing thereof, will differ from expectations. This is influenced by the frequency of claims, severity of claims, claims settlement period, etc. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover current and future liabilities under insurance contracts. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company uses reinsurance agreement as a part of its risks mitigation programme. Insurance risk is transferred to reinsurance on a pro-rata and disproportional basis. Most reinsurance contracts are proportional (quota/surplus reinsurance) reinsurance combined with excess of loss reinsurance.

D.5.1. Life insurance

Insurance risks related to life insurance contracts include biometric risks arising from events related to mortality trends, longevity, morbidity, etc., as well as risks related to trends in lapses and acquisition and maintenance expenses from insurance contracts.

The vast majority of life insurance contracts offered by the Group have two components: the main program, which is a savings (endowment/pure endowment) component, and riders that may include pure risks cover, such as for example accident cover or critical illness cover. One of Group's products includes pension annuity as well. All of the Groups' life insurance contracts have a guaranteed interest rate. In order to fulfil its obligations to policyholders, the Group uses the concept of asset-liability matching, which means that the Group invests in assets with rate of return being equal or above the minimum interests guaranteed under insurance contracts.

Risks associated with the savings component of insurance contracts are screened (i.e., assessed and analysed) regularly in light of the principle of prudence. Such screening includes, *inter alia*, analysing the prevailing conditions on financial markets and any regulatory restrictions. The screening results are used to shape the underwriting and pricing policies of the Group.

As of 31 December 2013, the mathematical provision for products with guaranteed interest of 4% amounted to MEUR 26; for products with 3% guaranteed interest it was MEUR 49.

For quantitative analysis of underwriting risk under life insurance agreements the Group performs Embedded Value ("EV") sensitivities. Embedded Value is an actuarially determined estimate of life insurance company value for its shareholders, net of any value attributable to new business. The sensitivity analysis shows the impact on Embedded Value from a change in one variable, while all other assumptions are kept constant. Such analysis is used by the Group in order to make management decisions regarding different measures, such as cost cutting, improvement of lapse rates, as well as revision of insurance tariffs.

Life Embedded Value sensitivity analysis as of reporting date shows following results:

Expenses - decrease by 10% - 6.4% increase in EV
Lapse rate - decrease by 10% - 3.4% increase in EV
Mortality - decrease by 5% - 0.5% increase in EV

As regards to the lapse rate, a reduction in it may have either a positive or a negative effect on Embedded Value. Whether the effect is positive or negative depends primarily on the amount of fines imposed for early lapse of the contract, and this depends on several factors such as contract duration and other terms of the contract.

Key assumptions

One of the basic assumptions used to calculate insurance tariffs is the mortality table. The mortality tables used by the Company reflect experience of previous years as well as a prudential margin. The mortality tables are reviewed on regular basis by taking into consideration such factors, as gender, age, sum insured, etc. Particular emphasis is placed on the underwriting process. As a part of the underwriting process, the Group has developed procedures, limits, instructions, manuals and forms. In order to mitigate the Group's exposure to mortality and morbidity risks the Group also entered into a surplus reinsurance agreement.

D.5.2. Non-life insurance

Non-life insurance business comprises mainly loan and accident insurance. Insurance risk on non-life insurance contracts is divided into price risk and reserve deficiency risk. The Group's portfolio of accident insurance is not subject to catastrophe risk.

Price risk arises due to the fact that insurance premiums may not be sufficient to cover future losses and expenses on insurance contracts. To manage price risk the Group regularly analyses profitability in the context of insurance products and makes appropriate adjustments in its pricing and underwriting policies. The Group also uses reinsurance contracts as a part of its risk management programme. The Group uses quota reinsurance for its higher-risk products.

Reserve deficiency risk arises from uncertainty regarding the future development of loss reserves and takes into account the likelihood that insurance reserves are insufficient to meet the Group's obligations to policyholders. This risk is managed by regularly checking the adequacy of loss reserves and conducting loss analyses of insurance products, including sensitivity analysis of insurance reserves to changes in expected insurance contract loss rates. The Group analyses its assumptions against publicly available market data. The uncertainty associated with the analysis of incurred but not reported (IBNR) provisions is greater than that of the reported but not settled (RBNS) analysis. Identification of claims generated by the Group's insurance portfolio is of a short-term nature. Therefore, most claims are settled within one year of the loss incident. Refer to section F.16.1 for quantitative information related to insurance provision.

D.6. 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 risk, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Group's operations and is 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 developing and implementing controls to address operational risk is borne by the Group's senior management. In order to support this function, operational risk management standards have been developed to ensure:

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

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The individual subsidiaries (especially Home Credit and the "other banking" segment) each have their own local internal audit teams which also cooperate with the Group's internal audit department. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to senior management of the Group.

D.7. Risks specific to real estate business

D.7.1. Concentration risk

In the years to come, the company might be exposed to a geographical asset concentration risk ensuing predominantly from its primary focus on the Russian and Czech real estate markets. In 2012 and 2013 the real estate group started to invest in new geographic areas: the Netherlands and Germany. The potential concentration risk is also managed through: careful selection of real estate projects; their segmentation into retail, logistics and office real estate projects; and internal project management controls.

D.7.2. Valuation risk

Given the nature of the assets and the requirement that they be measured at fair market value, the company uses only reputable and internationally well-known independent experts to establish fair market values. In the event a valuation is made based on internal calculations, it is always subject to several rounds of discussions between internal real estate analysts and the company's top management, with strict emphasis on taking a justifiable, conservative approach as opposed to merely boosting value.

D.7.3. Occupancy risk

The Company is exposed to an occupancy risk stemming from the possibility of losing the tenant or the need to provide for significant incentives to either keep the current tenant or to obtain a new one. In the current situation, when faced with such requirements the company's position is not very strong as it is clearly a buyer's market at the moment. To at least mitigate such adverse conditions, the company is always trying the best to offset the immediate negative impact in the long-term run, e.g. negotiate long rental agreements, having the one-side option to prolong the contract agreement or to impose significant penalties if such contract would be broken from the tenant side.

D.8. Risks specific to agriculture business

D.8.1. Regulatory and environmental risks

The Group is subject to laws and regulations in Russia in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

D.8.2. Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of its biological assets. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

D.8.3. Climate and other risks

The Group is exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections and industry pest and disease surveys. The Group also insures itself against natural disasters such as floods and hurricanes.

D.9. Fair value of financial assets and liabilities

The Group has performed a fair-value assessment 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, either in 2013 or in 2012:

In millions of EUR, as at 31 December

	2013 Carrying amount	2013 Fair value	2012 Carrying amount	2012 Fair value
Financial assets held to maturity	41	41	64	65
Loans and receivables due from non-banks	9,219	9,203	8,086	8,086
Due to non-banks	(8,776)	(8,757)	(7,991)	(7,994)
Due to banks and other financial institutions	(2,365)	(2,366)	(4,231)	(4,233)
Debt securities issued	(1,661)	(1,665)	(1,907)	(1,915)

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

The following table presents an analysis of financial instruments recorded at fair value, broken down by how the fair value calculation is accomplished: i.e., based on quoted market prices (Level 1), 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):

In millions of EUR, as at 31 December 2013

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	192	46	27	265
Financial assets available for sale	1,562	9	100	1,671
Financial liabilities at fair value through profit or loss	(209)	(53)	(12)	(274)
Total	**1,545**	**2**	**115**	**1,662**

In millions of EUR, as at 31 December 2012

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	312	166	32	510
Financial assets available for sale	2,107	26	90	2,223
Financial liabilities at fair value through profit or loss	(143)	(71)	(22)	(236)
Total	**2,276**	**121**	**100**	**2,497**

There were no transfers of financial statements between the three valuation categories.

The following table shows the reconciliation of movements in Level 3:

In millions of EUR, for the year ended 31 December

	2013	2012
Balance at 1 January	100	152
Net (losses)/gains recorded in profit or loss (included in "Net gain/(loss) on financial assets")	5	(18)
Net gains recorded in other comprehensive income	(11)	(2)
Purchases of financial assets	41	25
Additions of financial liabilities	(2)	(14)
Settlements	(18)	(43)
Balance at 31 December	**115**	**100**

The financial assets at fair value through profit or loss presented in Level 3 above include positive fair values of currency derivatives in BYR of MEUR 11 (2012: MEUR 11) and other derivatives of MEUR 16 (2012: MEUR 21). The fair value of the derivative instruments is sensitive to changes in the BYR/EUR foreign currency exchange rate and to changes in interest rates. The effect of a +/–1% change in the BYR/EUR rate on the fair value is below MEUR 1.

The financial assets available for sale presented in Level 3 consist of debt securities of MEUR 66 (2012: MEUR 54), equity securities of MEUR 30 (2012: MEUR 33) and loans and receivables of MEUR 4 (2012: MEUR 3). The fair value of debt securities is sensitive to market interest rates. The fair value of equity securities is sensitive to economic developments in the countries in which the companies in question operate (i.e. Russia, Kazakhstan, India and Slovakia).

D.10. Capital management

In a Czech Ministry of Finance decision of March 2006, the Group was defined as a financial conglomerate. As such, since 30 September 2006 the Group has been required to comply with the supplementary prudential rules specified by the Act on Financial Conglomerates. As at 31 December 2013, the Group reported supplementary capital adequacy totalling MEUR 2,405 of capital surplus (MEUR 1,001 as at 31 December 2012). The Group's capital adequacy is calculated as regulatory capital eligible according to prudential rules totalling MEUR 4,355 as at 31 December 2013 (MEUR 2,477 as at 31 December 2012) minus the solvency requirement of MEUR 1,950 as at 31 December 2013 (MEUR 1,476 as at 31 December 2012).

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Since the actual regulatory capital base is 223% of the capital requirements, this objective is met. The impact of the level of capital on shareholders' return is also taken into account and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Some of the Group's subsidiaries operating in the banking, consumer finance and insurance sectors 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 a certain minimum level. The ratios are calculated based on financial statements prepared in accordance with local accounting standards. Also, some of the subsidiaries are subject to capital adequacy requirements set out by the Bank for International Settlements (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 the relevant requirements.

The Group and its individually regulated operations complied with all externally imposed capital requirements throughout the reporting period.

E. Segment reporting

In accordance with IFRS 8 the Group recognises reportable segments that are defined in both geographical and sector terms. The Chief Operating Decision Maker is the Board of Directors and the shareholders. In the case of the Home Credit Group, information is provided to the CODM as a whole and separately for individual countries; other banking operations, retail and real estate are not differentiated by region. Business results of the associates and joint ventures are reported and reviewed separately.

The Home Credit consumer finance and real estate businesses are described in more detail in separate sections.

The retail business consists of Eldorado, Russia's largest electronics and domestic appliances retailer.

The insurance business reflects the Group's share in Generali PPF Holding B.V., which operates in the CEE region, and also Russian life-insurance operations acquired in March 2013 (refer to B.3.2). Russian and Belarusian non-life operations are included in the Home Credit segment based on their national market focus.

The "other banking" segment comprises the operations of PPF banka a.s., Air Bank a.s., AB1 B.V., AB2 B.V., AB3 B.V., AB4 B.V., AB5 B.V., AB6 B.V., AB7 B.V., Ruconfin B.V. and Nomos-Bank (sold in 2012).

The agriculture segment represents Russian agriculture group RAV Agro.

The "other" segment includes investments in associates and joint ventures related to Polymetal, EP Holding and SAZKA (sold in 2012). Sotio as a new business acquired in 2012 is included in the "other" segment as well.

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.

Total segment revenue contains interest income, fee and commission income, rental income, sales of goods, other income on retail operations and agriculture income.

Segment assets and liabilities include all assets and liabilities attributable to segments except income tax due and deferred.

Significant non-cash expenses are comprised mainly of impairment losses on financial and non-financial assets.

Eliminations represent intercompany balances among individual reporting segments.

The following table shows the main items from the financial statements broken down according to reportable segments for 2013 and 2012:

In millions of EUR

2013	Home Credit	Real Estate	Retail	Insurance	Other banking	Agriculture	Other	Eliminations	**Consolidated 2013**
Revenue from external customers	3,327	62	2,257	192	346	31	68	-	6,283
Inter-segment revenue	55	12	10	3	(76)	-	46	(50)	-
Total revenue from continuing operations	**3,382**	**74**	**2,267**	**195**	**270**	**31**	**114**	**(50)**	**6,283**
Segment share of earnings of associates	4	(3)	-	64	-	-	135	-	200
Net profit from continuing operations	**331**	**51**	**(61)**	**89**	**18**	**(8)**	**120**	**(70)**	**470**
Net profit for the year									**470**
Capital expenditure	(143)	(25)	(33)	(1)	(11)	(5)	(22)	18	(222)
Depreciation and amortisation	(75)	(3)	(34)	(7)	(7)	-	-	1	(125)
Other significant non-cash expenses	(1,213)	(5)	(33)	-	(95)	(2)	(3)	-	(1,351)
Segment assets	9,507	1,484	1,241	452	5,629	45	2,034	(2,129)	18,283
Investments in associates	4	25	-	1,209	-	-	1,267	-	2,505
Unallocated assets									135
Total assets									**20,903**
Segment liabilities	7,929	966	1,169	356	5,302	49	1,442	(1,965)	15,248
Unallocated liabilities									165
Total liabilities									**15,413**
Segment equity	**1,603**	**474**	**91**	**1,297**	**329**	**(4)**	**1,864**	**(164)**	**5,490**

In millions of EUR

2012	Home Credit	Real Estate	Retail	Insurance	Other banking	Agriculture	Other	Eliminations	**Consolidated 2012**
Revenue from external customers	2,270	27	2,375	-	236	35	90	-	5,033
Inter-segment revenue	1	9	6	-	(40)	-	26	(2)	-
Total revenue from continuing operations	**2,271**	**36**	**2,381**	**-**	**196**	**35**	**116**	**(2)**	**5,033**
Segment share of earnings of associates	2	13	-	81	(73)	-	252	-	275
Net profit from continuing operations	**519**	**60**	**6**	**81**	**(40)**	**3**	**257**	**(77)**	**809**
Net profit for the year									**809**
Capital expenditure	(118)	-	(77)	-	(27)	(1)	(1)	3	(221)
Depreciation and amortisation	(52)	(3)	(30)	-	(5)	-	(1)	-	(91)
Other significant non-cash expenses	(505)	(3)	(17)	-	(54)	(1)	(114)	-	(694)
Segment assets	9,537	917	1,367	-	4,489	55	2,677	(1,665)	17,377
Investments in associates	3	28	-	2,751	-	-	1,307	-	4,089
Unallocated assets									72
Total assets									**21,538**
Segment liabilities	7,957	513	1,142	-	4,148	49	3,377	(1,558)	15,628
Unallocated liabilities									164
Total liabilities									**15,792**
Segment equity	**1,573**	**370**	**196**	**2,751**	**339**	**6**	**618**	**(107)**	**5,746**

E.1. Home Credit business

The Home Credit consumer finance business is divided into segments based on geographical regions corresponding to the geographical location of customers. The Group operates in ten principal geographical areas: the Russian Federation, the Czech Republic, the Slovak Republic, the Republic of Belarus, China, Vietnam, India, Indonesia, Kazakhstan (an acquisition of January 2013, refer to B.3.1) and Philippines.

The following table supplements the information presented for the Home Credit business in the previous table. Eliminations represent intercompany balances among individual reporting segments within Home Credit. Revenue from customers includes revenue realised with other core segments presented in the table above.

In millions of EUR

2013	Russian Federation	Czech Republic	Slovak Republic	Belarus	Kazakhstan	China	Vietnam	Other	Unallocated	Eliminations	**Consolidated 2013**
Revenue from customers	2,632	32	27	61	216	305	96	5	8	-	3,382
Inter-segment revenue	8	-	-	-	-	-	-	1	1	(10)	-
Total revenue	**2,640**	**32**	**27**	**61**	**216**	**305**	**96**	**6**	**9**	**(10)**	**3,382**
Net interest income from external customers	1,382	18	18	35	110	216	66	4	(9)	1	1,841
Inter-segment net interest income	8	-	(1)	(1)	(4)	-	(2)	1	(1)	-	-
Total net interest income	**1,390**	**18**	**17**	**34**	**106**	**216**	**64**	**5**	**(10)**	**1**	**1,841**
Income tax expense	(67)	(6)	(8)	(3)	(15)	(19)	(5)	-	(7)	-	(130)
Net profit from continuing operations	**164**	**20**	**25**	**8**	**61**	**47**	**14**	**(17)**	**10**	**(1)**	**331**
Capital expenditure	(81)	(1)	-	(4)	(14)	(5)	(6)	(6)	(26)	-	(143)
Depreciation and amortisation	(54)	(1)	-	(2)	(3)	(4)	(2)	(2)	(12)	5	(75)
Other significant non-cash expenses	(1,075)	(6)	(4)	(5)	(51)	(49)	(20)	(3)	-	-	(1,213)
Segment assets	7,509	106	77	170	552	832	224	56	235	(254)	9,507
Segment liabilities	6,449	34	29	134	417	516	177	9	407	(243)	7,929
Segment equity	**1,093**	**77**	**52**	**33**	**136**	**299**	**47**	**47**	**(170)**	**(11)**	**1,603**

In millions of EUR

2012	Russian Federation	Czech Republic	Slovak Republic	Belarus	Kazakhstan	China	Vietnam	Other	Unallocated	Eliminations	**Consolidated 2012**
Revenue from customers	1,919	33	49	39	-	158	63	1	9	-	2,271
Inter-segment revenue	1	-	-	-	-	-	-	-	2	(3)	-
Total revenue	**1,920**	**33**	**49**	**39**	**-**	**158**	**63**	**1**	**11**	**(3)**	**2,271**
Net interest income from external customers	929	19	37	17	-	108	41	1	(8)	-	1,144
Inter-segment net interest income	1	-	(2)	(1)	-	-	-	-	2	-	-
Total net interest income	**930**	**19**	**35**	**16**	**-**	**108**	**41**	**1**	**(6)**	**-**	**1,144**
Income tax expense	(125)	(9)	(3)	-	-	-	(2)	-	(3)	-	(142)
Net profit from continuing operations	**477**	**33**	**20**	**(4)**	**-**	**8**	**5**	**(5)**	**(11)**	**(4)**	**519**
Capital expenditure	(97)	(1)	-	(2)	-	(5)	(3)	(2)	(13)	5	(118)
Depreciation and amortisation	(35)	(1)	-	(2)	-	(3)	(2)	(1)	(12)	4	(52)
Other significant non-cash expenses	(447)	(8)	(10)	(1)	-	(19)	(20)	-	-	-	(505)
Segment assets	8,003	185	164	120	400	450	107	34	234	(160)	9,537
Segment liabilities	6,837	97	125	98	284	251	72	4	340	(151)	7,957
Segment equity	**1,161**	**79**	**44**	**22**	**115**	**199**	**35**	**30**	**(103)**	**(9)**	**1,573**

E.2. Real estate business

The real estate segment is comprised investment property projects located in the Russian Federation, the Czech Republic, the Slovak Republic, the Netherlands, Germany, Ukraine, Romania and India. It encompasses completed projects used for rental income, projects under development and unused land plots for future development or sale.

The following table supplements the information presented for the real estate business in the previous table. Eliminations represent intercompany balances among the individual reporting segments within real estate. Revenue from customers includes revenue realised with other core segments presented in the table above.

In millions of EUR

2013	Russian Federation	Czech Republic	Netherlands	Other	Unallocated	Eliminations	**Consolidated 2013**
Revenue from customers	43	14	9	4	4	-	74
Inter-segment revenue	-	-	-	-	11	(11)	-
Total revenue	**43**	**14**	**9**	**4**	**15**	**(11)**	**74**
Rental and related income	38	3	9	3	-	-	53
Net valuation gains/losses	**97**	**6**	**(6)**	**(4)**	**-**	**-**	**93**
Segment share of earnings of associates	(2)	-	-	(1)	-	-	(3)
Income tax expense	(15)	(2)	1	-	-	-	(16)
Segment result	**58**	**10**	**(3)**	**-**	**(14)**	**-**	**51**
Capital expenditure	(25)	-	-	-	-	-	(25)
Depreciation and amortisation	(1)	(2)	-	-	-	-	(3)
Other significant non-cash expenses	(1)	-	-	(3)	(1)	-	(5)
Segment assets	983	177	207	79	415	(377)	1,484
Investments in associates	25	-	-	-	-	-	25
Segment liabilities	608	106	190	89	350	(377)	966
Segment equity	**340**	**59**	**19**	**(9)**	**65**	**-**	**474**

In millions of EUR

2012	Russian Federation	Czech Republic	Netherlands	Other	Unallocated	Eliminations	**Consolidated 2012**
Revenue from customers	19	14	-	1	2	-	36
Inter-segment revenue	-	-	-	-	5	(5)	-
Total revenue	**19**	**14**	**-**	**1**	**7**	**(5)**	**36**
Rental and related income	19	14	-	-	-	-	33
Net valuation gains/losses	**80**	**6**	**-**	**(4)**	**-**	**-**	**82**
Segment share of earnings of associates	13	1	-	(1)	-	-	13
Income tax expense	(29)	(2)	-	1	-	-	(30)
Segment result	**60**	**8**	**-**	**(2)**	**(6)**	**-**	**60**
Capital expenditure	-	-	-	-	-	-	-
Depreciation and amortisation	-	(3)	-	-	-	-	(3)
Other significant non-cash expenses	(3)	-	-	-	-	-	(3)
Segment assets	636	172	-	58	280	(229)	917
Investments in associates	27	-	-	1	-	-	28
Segment liabilities	368	107	-	75	200	(237)	513
Segment equity	**246**	**52**	**-**	**(16)**	**80**	**8**	**370**

F. Notes to the consolidated financial statements

F.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Current accounts	641	799
Current accounts with central banks	815	539
Placements with financial institutions due within one month	191	279
Cash on hand	228	256
Total cash and cash equivalents	**1,875**	**1,873**

There are no restrictions on the availability of cash and cash equivalents.

F.2. Financial instruments

Financial instruments comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Financial assets at fair value through profit or loss	265	510
Financial assets available for sale	1,671	2,223
Financial assets held to maturity	41	64
Loans and receivables due from banks and other financial institutions	1,203	907
Loans and receivables due from non-banks	9,219	8,086
Other loans and receivables	544	934
Total financial instruments	**12,943**	**12,724**

F.2.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss held for trading (except for Other equity securities and Hedging derivatives which are non-trading) comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Debt securities	211	333
Government and other public-sector bonds	140	237
Corporate bonds	71	96
Equity securities	-	112
Shares	-	3
Other equity securities	-	109
Positive fair values of derivatives	54	65
Interest rate derivatives	6	5
Currency derivatives	24	37
Hedging derivatives	8	2
Other derivatives	16	21
Total FVTPL	**265**	**510**

In 2012, the “Other equity securities” category, amounting to MEUR 109, represented the fair value of PPF Group’s share as an investor in PPF Partners 1 Fund L.P., derived using generally accepted valuation techniques. All other financial instruments held for trading are stated at quoted market prices, except for derivatives, which are measured using generally accepted valuation techniques depending on the product (i.e. discounted expected future cash flows, Black-Scholes model, etc.).

Details of derivatives are provided in the following tables:

In millions of EUR, as at 31 December 2013

Interest rate derivatives	Notional amount	Positive fair values	Negative fair values
OTC products:			
Interest rate swaps	1,313	2	(26)
Other interest rate contracts	1	1	-
Exchange-traded products:			
Interest rate futures	84	3	-
Total	**1,398**	**6**	**(26)**

In millions of EUR, as at 31 December 2012

Interest rate derivatives	Notional amount	Positive fair values	Negative fair values
OTC products:			
Interest rate swaps	1,215	3	(49)
Interest rate options (purchase)	39	-	-
Exchange-traded products:			
Interest rate futures	26	2	-
Total	**1,280**	**5**	**(49)**

In millions of EUR, as at 31 December 2013

Currency derivatives	Notional amount	Positive fair values	Negative fair values
OTC products:			
Forward exchange contracts	205	2	(1)
Cross currency swaps	2,478	22	(24)
Foreign exchange options (purchase)	14	-	-
Foreign exchange options (sale)	15	-	-
Total	**2,712**	**24**	**(25)**

In millions of EUR, as at 31 December 2012

Currency derivatives	Notional amount	Positive fair values	Negative fair values
OTC products:			
Forward exchange contracts	258	1	(3)
Cross currency swaps	3,313	36	(11)
Foreign exchange options (purchase)	26	-	-
Total	**3,597**	**37**	**(14)**

In millions of EUR, as at 31 December 2013

Hedging derivatives	Notional amount	Positive fair values	Negative fair values
Forward exchange contracts	2	-	-
Cross currency swaps	332	8	(2)
Total	**334**	**8**	**(2)**

In millions of EUR, as at 31 December 2012

Hedging derivatives	Notional amount	Positive fair values	Negative fair values
Forward exchange contracts	17	-	-
Cross currency swaps	180	2	(4)
Other	68	-	(4)
Total	**265**	**2**	**(8)**

F.2.2. Financial assets available for sale

Financial assets available for sale comprise the following:

In millions of EUR, as at 31 December 2013

	Carrying amount	Unrealised gains/(losses) recognised in equity	Cumulative impairment	Amortised cost
Debt securities	1,606	14	(9)	1,601
Government bonds	1,304	12	1	1,291
Corporate bonds	239	2	(9)	246
Other debt securities	63	-	(1)	64
Equity securities	61	(3)	(1)	65
Shares	61	(3)	(1)	65
Loans and receivables	4	-	(6)	10
Total AFS	**1,671**	**11**	**(16)**	**1,676**

In millions of EUR, as at 31 December 2012

	Carrying amount	Unrealised gains/(losses) recognised in equity	Cumulative impairment	Amortised cost
Debt securities	1,753	26	(10)	1,737
Government bonds	960	24	-	936
Corporate bonds	766	2	(10)	774
Other debt securities	27	-	-	27
Equity securities	467	24	(78)	521
Shares	466	24	(78)	520
Mutual funds investments	1	-	-	1
Loans and receivables	3	-	(7)	10
Total AFS	**2,223**	**50**	**(95)**	**2,268**

As of 31 December 2012 the most significant equity securities within this category were shares of Assicurazioni Generali and Uralkali (the latter acquired in 2012). Both holdings were fully disposed during 2013.

F.2.3. Financial assets held to maturity

Financial assets held to maturity comprise the following:

In millions of EUR, as at 31 December 2013

	Carrying amount	Impairment recognised	Amortised cost
Debt securities			
Government bonds	22	-	22
Corporate bonds	19	(2)	21
Total HTM	**41**	**(2)**	**43**

In millions of EUR, as at 31 December 2012

	Carrying amount	Amortised cost
Debt securities		
Government bonds	22	22
Corporate bonds	42	42
Total HTM	**64**	**64**

F.2.4. Loans and receivables due from banks and other financial institutions

Loans and receivables due from banks and other financial institutions comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Term deposits at banks	498	330
Minimum reserve deposits with central banks	158	134
Loans to banks	34	38
Loans and advances provided under repos	460	357
Other	53	48
Total loans and receivables due from banks and other financial institutions	**1,203**	**907**

The minimum reserve deposits are mandatory non-interest-bearing deposits calculated in accordance with regulations issued by central banks and whose withdrawability is restricted.

F.2.5. Loans and receivables due from non-banks

Loans and receivables due from non-banks comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Gross amount		
Consumer loan receivables	2,348	2,039
Cash loan receivables	5,826	4,809
Revolving loan receivables	1,266	928
Car loan receivables	116	113
Mortgage loan receivables	92	95
Loans to corporations	814	769
Loans and advances provided under repos	79	51
Other	2	2
Total gross amount	**10,543**	**8,806**
Collective allowances for impairment		
Consumer loans receivables	(229)	(156)
Cash loan receivables	(883)	(447)
Revolving loan receivables	(151)	(84)
Car loan receivables	(23)	(16)
Mortgage loan receivables	(3)	(5)
Other	(2)	-
Total collective impairment	**(1,291)**	**(708)**
Loans to corporations	(33)	(12)
Total individual impairment	**(33)**	**(12)**
Total carrying amount	**9,219**	**8,086**

Movements in allowances for impairment may be broken down as follows:

In millions of EUR, for the year ended 31 December

	2013	2012
Balance as at 1 January	720	399
Balance acquired by business combinations	-	20
Net FX differences	(104)	6
Impairment losses recognised in the income statement	1,303	558
Amount related to loans disposed of	(498)	(201)
Amount related to loans written off	(97)	(62)
Balance as at 31 December	**1,324**	**720**

F.2.6. Net investment in finance leases

The net investment in finance leases is apportioned as follows:

In millions of EUR, as at 31 December

	2013	2012
Net investment in finance leases to non-banks	1	1
Total net investment in finance leases	**1**	**1**

The structure of the net investment in finance leases is as follows:

In millions of EUR, as at 31 December

	2013	2012
Gross investment in finance leases	1	1
Unearned finance income	-	-
Total net investment in finance leases	**1**	**1**

The following table presents a breakdown of the Group's investment in finance leases by residual maturity:

In millions of EUR, as at 31 December

	2013	2012
Gross investment in finance leases, with remaining maturities of:		
less than one year	-	-
between one and five years	1	1
Total gross investment in finance leases	1	1
Total net investment in finance leases	1	1

F.2.7. Other loans and receivables

The following table provides details on other loans and receivables:

In millions of EUR, as at 31 December

	2013	2012
Gross amount	579	1,022
Individual allowances for impairment	(21)	(74)
Investments in associates and joint ventures*	(14)	(14)
Total other loans and receivables	**544**	**934**

*Presentation of negative share in two real estate projects which are financed by a Group loan presented in this section

Movements in allowances for impairment were as follows:

In millions of EUR, for the year ended 31 December

	2013	2012
Balance as at 1 January	74	46
Balance acquired by business combinations	7	5
Net FX difference	(2)	(1)
Impairment losses recognised in the income statement	2	31
Amount related to loans written off	(60)	(7)
Balance as at 31 December	**21**	**74**

"Other loans" represent mainly the provision of funds outside the Group's core banking business. This category also includes loans to the Group's associates that were used to finance several real estate projects. As of 31 December 2013 the total amount of such loans was MEUR 54 (2012: MEUR 37). In 2012, Timeworth Ltd. granted a loan facility to EP Holding in a total amount of MEUR 325. The loan consisted of a MEUR 100 subordinated loan facility and a MEUR 225 subordinated loan facility convertible into shares of EP Holding at pre-defined terms. In August 2012, the Group swapped a MEUR 90 portion of the loan for EP Holding shares. The loan was repaid in January 2014 (refer to G.3).

As noted above, these financing arrangements contain embedded options to swap outstanding loan principal amounts for EP Holding shares, under pre-defined conditions. The Group's management believes that the fair value of the options cannot be reasonably measured due to the fact that it is impossible to reliably determine the time value of the embedded options, which is expected to represent a significant portion of the overall options' fair value. As a consequence, the embedded derivatives shall be subsequently measured at cost, i.e. nil.

F.3. Deferred tax

The table below shows the roll-forward of net deferred taxes:

In millions of EUR, for the year ended 31 December

	2013	2012
Net deferred tax asset/(liability) at 1 January	(66)	(51)
Disposals resulting from business combinations	10	-
Deferred tax (expense)/income for the period	47	13
Deferred tax recognised directly in equity	2	(6)
Additions from business combinations	(23)	(21)
Net FX differences	10	(1)
Net deferred tax asset/(liability) at 31 December	**(20)**	**(66)**

Deferred tax assets and liabilities comprise the following:

In millions of EUR, as at 31 December

	2013 Deferred tax liabilities	2013 Deferred tax assets	2012 Deferred tax liabilities	2012 Deferred tax assets
Intangible assets	(44)	-	(55)	-
Financial assets	(19)	51	(16)	21
Financial assets at fair value through profit or loss	(3)	1	(1)	-
Financial assets available for sale	(3)	-	(5)	1
Loans and receivables	(13)	50	(10)	20
Investment property	(89)	4	(65)	-
Property, plant and equipment	(37)	2	(31)	1
Inventories	-	5	-	5
Other assets	(65)	14	-	7
Financial liabilities	(2)	70	(1)	31
Debt securities issued	(1)	-	(1)	-
Other liabilities	(1)	68	-	29
Financial liabilities at fair value through profit and loss	-	-	-	2
Liabilities to banks	-	1	-	-
Liabilities due to non-banks	-	1	-	-
Provisions	-	19	-	3
Other temporary differences	(3)	2	-	-
Value of loss carry-forwards recognised	-	26	-	16
Value of tax credits	-	46	-	18
Deferred tax assets/(liabilities)	**(259)**	**239**	**(168)**	**102**
Net deferred tax assets/(liabilities)	**(132)**	**112**	**(128)**	**62**

The following table shows the unrecognised deferred tax assets:

In millions of EUR, as at 31 December

	2013	2012
Tax effect from unused tax losses	311	274
Unrecognised potential deferred tax assets	**311**	**274**

In recent years, several Group companies have incurred tax losses which are 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 utilised, the deferred tax asset is not recognised. The unutilised tax losses can be claimed in the period from 2014 to 2022 in the Netherlands (2014 to 2018 in the Czech Republic and China, and 2014 to 2023 in the Russian Federation).

F.4. Inventories

Inventories relate mainly to the retail business of Eldorado and comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Goods/merchandise for resale	478	462
Other inventory	-	10
Allowance for slow-moving and damaged items	(14)	(13)
Agriculture - Finished goods and goods for resale	1	2
Agriculture - Work in progress	2	1
Agriculture - Raw materials and consumables	4	5
Total inventories	**471**	**467**

Movements in allowances for impairment of inventories may be broken down as follows:

In millions of EUR, for the year ended 31 December

	2013	2012
Balance as at 1 January	13	14
Impairment losses recognised in the income statement	3	(2)
Net FX difference	(2)	1
Balance as at 31 December	**14**	**13**

F.5. Biological assets

Biological assets relate to the agricultural business of RAV Agro acquired in July 2011 and comprise the following:

In millions of EUR, for the year ended 31 December

	2013	2012
Non-current		
Balance at 1 January	3	11
Change in fair value of biological assets	6	(8)
Balance at 31 December	**9**	**3**
Current		
Balance at 1 January	**5**	**4**
Additions due to growing	21	22
Change in fair value of biological assets	(1)	2
Harvested assets transferred to inventory	(21)	(23)
Net FX difference	(1)	-
Balance at 31 December	**3**	**5**
Total biological assets	**12**	**8**

Dairy cattle comprise the bulk of non-current biological assets. In the year ended 31 December 2013, the Group produced 11,967 tons of milk (2012: 14,920 tons). As of 31 December 2013 the Group held 8,009 head of livestock (2012: 10,671 head).

Current biological assets consist of winter wheat, barley, corn, sunflower, summer wheat, soybean, and triticale crops to be harvested in the following year. In the year ended 31 December 2013, the Group harvested 148,262 tons of agricultural produce (2012: 163,641 tons). As of 31 December 2013 the Group had planted 20,998 hectares of winter wheat, barley, corn, sunflower, summer wheat, soybean, and triticale (2012: 30,610 hectares).

F.5.1. Measurement of fair values

The fair value of young cattle and beef cows (non-current biological assets), MEUR 1, is categorised as Level 2 in the fair value hierarchy.

The models used to remeasure crops and the fair value of the dairy herd are based on market and non-market factors such as expenses related to cattle maintenance and crop harvesting (Level 3).

The following table shows the reconciliation of movements in Level 3:

In millions of EUR, for the year ended 31 December

	2013
Balance at 1 January	6
Change in fair value (realised)	7
Change in fair value (unrealised)	(1)
Net increase due to additions, births, deaths	21
Transfers from/to another level	(21)
Net FX difference	(1)
Balance at 31 December	11

F.6. Assets and liabilities held for sale

Assets and liabilities held for sale as at 31 December 2013 are as follows:

In millions of EUR, as at 31 December

	2013
Cash and cash equivalents	1
Financial assets available for sale	4
Loans and receivables due from banks and other financial institutions	2
Other assets	6
Deferred tax assets	1
Intangible assets	1
Property, plant and equipment	4
Total assets held for sale	**19**
Insurance provisions	2
Total liabilities held for sale	**2**

The held-for-sale assets and liabilities relate mainly to the activities of PPF Insurance PSC and PPF Life Insurance PrJSC (refer to B.3.2).

F.7. Other assets

Other assets comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Settlements with suppliers	112	95
Prepaid expenses	72	95
Other taxes receivable	58	48
Accrued income from insurance fees	3	77
Trading property	35	-
Insurance related other assets	248	-
Deferred acquisition costs – insurance	234	-
Non-life amounts ceded to reinsurers from insurance provisions	6	-
Receivables arising out of direct insurance operations	5	-
Receivables arising out of reinsurance operations	3	-
Other	29	77
Subtotal other assets (gross)	**557**	**392**
Specific allowances for impairment on settlement with suppliers	(4)	(4)
Specific allowances for impairment on prepayments and other deferrals	(5)	(21)
Specific allowances for impairment on trading property	(3)	-
Specific allowances for impairment on other assets	(4)	(10)
Total other assets (net)	**541**	**357**

F.7.1. Trading property

The following table shows the roll-forward of trading property:

In millions of EUR, for the year ended 31 December

	2013
Balance at 1 January	-
Acquisition	43
Disposal	(9)
Impairment	(3)
Net FX difference	1
Balance at 31 December (net)	**32**

Trading property consists of two residential houses in London (refer to B.3.4).

F.7.2. Deferred acquisition costs - insurance

The following table shows the roll-forward of the "Deferred acquisition costs" related to the insurance business acquired in March 2013:

In millions of EUR, for the year ended 31 December

	2013
Balance at 1 January	-
Additions resulting from business combinations	364
Acquisition costs incurred during the period	62
Amortisation (charged in the income statement)	(174)
Net FX differences	(18)
Balance at 31 December	**234**

F.8. Investments in associates and joint ventures

The following table shows a break-down of individual investments in associates and joint ventures:

In millions of EUR, as at 31 December

	2013	2012
Generali PPF Holding	1,209	2,751
Polymetal	631	735
EP Holding	636	572
Real estate projects	25	28
Lindus (including Bestsport)	-	-
Other	4	3
Total investments in associates/joint ventures	**2,505**	**4,089**

The following table shows a break-down of the share of earnings of associates and joint ventures, including gains or losses arising from changes in the Group's shares in the respective undertakings:

In millions of EUR, for the year ended 31 December

	2013	2012
Generali PPF Holding	64	81
Polymetal	(17)	92
EP Holding	153	153
Real estate projects	(3)	13
Nomos-Bank	-	(73)
SAZKA	-	7
Other	3	2
Total share of earnings in associates/joint ventures	**200**	**275**

The difference between the total investment and the Group's share in equity comprises goodwill. The difference between the total share in earnings and the Group's share in profit comprises gains or losses arising from changes in the Group's share (e.g. dilution). The negative shares of some associates are presented under Other loans (refer to F.2.7).

Generali PPF Holding

Since 17 January 2008, investments in associates have included a 49% share in Generali PPF Holding B.V., an insurance group focusing on the insurance and pension fund business within the CEE region. In March 2013, the Group sold a 25% shareholding in Generali PPF Holding to Assicurazioni Generali (refer to B.4.1).

In millions of EUR, as at 31 December

	2013	2012
Total assets	15,607	17,152
Total liabilities	(10,525)	(11,500)
Group's share in total equity (24%; 2012: 49%)	1,220	2,769
Non-controlling interest at subholding level	(11)	(18)
Group's share in equity (24%; 2012: 49%)	**1,209**	**2,751**
Total revenue	3,495	3,871
Total net profit	175	169
Group's share in net profit (49%/24%; 2012: 49%)	66	83
Non-controlling interest at subholding level	(2)	(2)
Group's share in profit (49%/24%; 2012: 49%)*	**64**	**81**

*The share in profit is calculated using different ownership during the period.

Polymetal

Since 10 June 2008 the Group has held a stake in Polymetal, the Russian precious metals mining company. In December 2012, the Group's share was 20.83% (20.86% as of 30 June 2012). In 2013, the Group's share was further diluted to 20.05%. The company is listed on the London Stock Exchange. As of 31 December 2013, the share price of Polymetal International Plc was GBP 5.75 (2012: GBP 11.75).

In millions of EUR, as at 31 December

	2013	2012
Total assets	2,360	2,731
Total liabilities	(1,064)	(1,121)
Group's share in total equity (20.05%; 2012: 20.83%)	260	335
Non-controlling interest at subholding level	-	-
Group's share in equity (20.05%; 2012: 20.83%)	**260**	**335**
Total revenue	1,285	1,443
Total net profit	(129)	312
Group's share in net profit (20.05%; 2012: 20.86%)	(26)	65
Dilution gain and other changes in equity of Polymetal	9	27
Total share in profit (20.05%; 2012: 20.86%)	**(17)**	**92**

EP Holding

In September 2011, the Group increased its effective economic share in EP Holding from 29% to a direct 40% interest by acquiring shares from PPF Partners. In August 2012, the Group swapped a MEUR 90 portion of an existing loan for EP Holding shares, thereby increasing its economic share in EP Holding from 40% to 44.44%.

In millions of EUR, as at 31 December

	2013	2012
Total assets	12,434	3,177
Total liabilities	(8,173)	(1,838)
Group's share in total equity (44.44%)	1,894	595
Non-controlling interest at subholding level	(1,352)	(126)
Group's share in equity (44.44%)	**542**	**469**
Total revenue	3,190	1,422
Total net profit	524	376
Group's share in net profit (44.44%; 2012: 44.44%/40%)	233	153
Non-controlling interest at subholding level	(80)	-
Group's share in profit (44.44%; 2012: 44.44%/40%)*	**153**	**153**

*The share in profit is calculated using different ownership during the period.

Nomos-Bank

As of 1 January 2012 the Group held a 27.34% share in Nomos-Bank. In August 2012 the Group disposed the entire stake. The following table summarises the financial performance of the bank up until its disposal. A MEUR 129 impairment loss, which was a part of total share in profit of this associate, represented the difference between the carrying value of the associate and the fair value of the Uralkali stake at the moment of disposal (refer to B.4.7).

In millions of EUR, for the year ended 31 December

	2012
Total revenue	1,162
Total net profit	241
Group's share in profit (27.33%)	66
Non-controlling interest at subholding level	(10)
Impairment loss	(129)
Total share in profit (27.33%)	**(73)**

Real estate

This investment consists of several projects, with ownership participations ranging from 24.5% to 50 %. The aggregate total assets of the entities in question at 31 December 2013 are MEUR 193 (2012: MEUR 203), while the aggregate total liabilities are MEUR 182 (2012: MEUR 190). Two projects with negative net asset value of MEUR 14 (2012: MEUR 14) are presented under Other loans (refer to F.2.7).

SAZKA

In December 2012 the Group sold its 50% share in the SAZKA business. The following table shows the financial performance of the business for the twelve months of 2012 (until its disposal).

In millions of EUR, for the year ended 31 December

	2012
Total revenue	136
Total net profit	14
Group's share in profit (50.00%)	**7**

LINDUS

The Group holds an indirect (through Lindus Services Ltd.) stake in Bestsport Arena a.s., an entity that owns the Prague sports hall "O2 Arena". Lindus is a jointly-controlled entity. The Group applies significant influence in both Lindus Services Ltd. and Bestsport Arena a.s.; the latter was acquired gradually, during the first half of 2013, as a part of Bestsport's reorganisation plan. In 2014 the Group became the sole shareholder of Lindus Services Ltd. (refer to G.1)

F.9. Investment property

Investment property includes all projects acquired through several acquisitions during the last three years. The projects, located in the Russian Federation, the Czech Republic, the Netherlands, Germany, the Slovak Republic, Romania, Ukraine and India, consist mainly of finished office premises already rented, land plots and projects under construction.

The following table shows the break-down of investment property by category and country:

In millions of EUR, as at 31 December 2013

	Russia	Czech Republic	Netherlands	Germany	Other	Total
Land plot	140	13	-	-	2	155
Office	-	15	164	43	-	222
Office under development	225	16	-	-	-	241
Warehouse	188	-	-	-	-	188
Warehouse under development	65	-	-	-	-	65
Retail	242	36	32	-	-	310
Other	7	21	-	-	-	28
Total investment property	**867**	**101**	**196**	**43**	**2**	**1,209**

In millions of EUR, as at 31 December 2012

	Russia	Czech Republic	Netherlands	Germany	Other	Total
Land plot	162	14	-	-	2	178
Office	-	16	-	47	-	63
Office under development	98	7	-	-	-	105
Warehouse	189	-	-	-	-	189
Warehouse under development	10	-	-	-	-	10
Retail	129	34	-	-	-	163
Other	7	1	-	-	-	8
Total investment property	**595**	**72**	**-**	**47**	**2**	**716**

The following table shows the roll-forward of investment property:

In millions of EUR, for the year ended 31 December

	2013	2012
Balance at 1 January	716	438
Additions	556	206
Disposal	(55)	(9)
Unrealised gains from investment property	124	144
Unrealised losses from investment property	(53)	(67)
Net FX differences	(79)	4
Balance at 31 December	**1,209**	**716**

The following table summarises valuation methods used for different categories of investment property:

Country	Category	Valuation method
Netherlands	office/retail	Income approach
Germany	office	Income approach
Czech republic	office/retail	Income approach
Czech republic	office under development	Residual
Russia	office under development	Income approach
Russia	warehouse/warehouse under development	Income approach
All locations	land	Sales comparison

The following table summarises the significant inputs used in measuring the fair value of investment property:

For the year ended 31 December 2013

	Netherlands	Czech Republic	Russia
Current income per sqm	EUR 3.63-21.96	EUR 9.2-83.3	EUR13.76-24.63
Market rent per sqm	EUR 10.42-14.17	EUR 8-128	EUR 19.9-26.6
Initial yield	7.25%-10.5%	1.79%-12.4%	11.14-12%
Reversionary yield	8.48%-10.5%	4.57%-9.27%	n/a
Inflation rate	2.04%	1.4%	3%

For the year ended 31 December 2012

	Czech Republic	Russia
Current income per sqm	EUR 9.6-90.0	EUR 78.2-142.1
Market rent per sqm	EUR 3.5-180	EUR 10.9-180.6
Initial yield	2.8%-11.9%	8.3%-9.8%
Reversionary yield	5.0%-8.5%	5.9%-9.8%
Inflation rate	2.0%	6.6%

The Group categorised Investment property within Level 3 of the fair value hierarchy, as certain inputs for the assessment of the fair value are unobservable.

F.10. Property, plant and equipment

The following table shows the roll-forward of property, plant and equipment:

In millions of EUR, for the year ended 31 December 2013

	Land and buildings	Other tangible assets and equipment	Advances and tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	403	395	15	813	10
Additions resulting from business combinations	5	1	-	6	-
Additions	32	79	30	141	1
Disposals	(34)	(23)	(3)	(60)	(5)
Other movements	-	30	(31)	(1)	-
Net FX differences	(42)	(44)	(1)	(87)	-
Balance at 31 December	364	438	10	812	6
Accumulated depreciation and impairment losses					
Balance at 1 January	(51)	(165)	(2)	(218)	(2)
Depreciation included in Cost of sales (Agriculture)	-	(3)	-	(3)	-
Depreciation charge for the period	(9)	(73)	-	(82)	(1)
Impairment losses recognised	(5)	(5)	-	(10)	-
Reversal of impairment losses	-	4	-	4	-
Disposals	-	18	-	18	1
Net FX differences	14	19	1	34	-
Balance at 31 December	(51)	(205)	(1)	(257)	(2)
Carrying amount	**313**	**233**	**9**	**555**	**4**

In millions of EUR, for the year ended 31 December 2012

	Land and buildings	Other tangible assets and equipment	Advances and tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	230	274	12	516	2
Additions resulting from business combinations	166	12	-	178	5
Disposal resulting from business combinations	-	(7)	-	(7)	-
Additions	6	121	40	167	4
Disposals	(1)	(15)	(37)	(53)	(1)
Other movements	(4)	4	-	-	-
Net FX differences	6	6	-	12	-
Balance at 31 December	403	395	15	813	10
Accumulated depreciation and impairment losses					
Balance at 1 January	(33)	(110)	(2)	(145)	(1)
Disposal resulting from business combinations	1	-	-	1	-
Depreciation included in Cost of sales (Agriculture)	(1)	(4)	-	(5)	-
Depreciation charge for the period	(8)	(58)	-	(66)	(2)
Impairment losses recognised	(9)	(4)	-	(13)	-
Disposals	-	13	-	13	1
Other movements	(1)	1	-	-	-
Net FX differences	-	(3)	-	(3)	-
Balance at 31 December	(51)	(165)	(2)	(218)	(2)
Carrying amount	**352**	**230**	**13**	**595**	**8**

F.11. Intangible assets

Intangible assets comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Goodwill	261	292
Software	111	79
Trademark	129	185
In-process research and development (“IPRD”)	72	61
Present value of future profits from portfolios acquired (“PVFP”)	36	-
Other	29	20
Total intangible assets	**638**	**637**

In-process research and development relates to the acquisition of the biotechnology company Sotio in 2012.

F.11.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, for the year ended 31 December

	2013	2012
Balance at 1 January	292	235
Additions resulting from business combinations	4	53
Disposals resulting from business combinations	-	-
Impairment losses	(4)	(4)
Net FX differences	(31)	8
Balance at 31 December	**261**	**292**

In 2012, MEUR 30 in goodwill arose from the acquisition of a Russian retail chain (refer to B.3.9), MEUR 16 arose from the acquisition of a biotechnology company (refer to B.3.11) and MEUR 3 arose from the full consolidation of Kazakh Home Credit Bank.

MEUR 223 in goodwill arose in 2009 from the Eldorado acquisition. As of 31 December 2013 and 2012, this goodwill was tested for impairment. As of 31 December 2013 and 2012, no impairment of goodwill was identified. The recoverable amount of this cash-generating unit was determined by the discounted cash flow valuation method using management projections.

F.11.2. Other intangible assets

The following table shows the roll-forward of the remaining categories of intangible assets:

In millions of EUR, for the year ended 31 December 2013

	Software	Trade-marks	IPRD	PVFP	Other intangible assets	Total
Cost						
Balance at 1 January	182	184	61	-	23	450
Additions resulting from business combinations	4	-	-	49	-	53
Additions	35	-	12	-	35	82
Additions from internal development	9	-	4	-	-	13
Disposal	(2)	-	-	-	-	(2)
Other changes	22	-	-	-	(22)	-
Transfers to held-for-sale assets	(1)	-	-	-	-	(1)
Net FX differences	(13)	(21)	(5)	(4)	(3)	(46)
Balance at 31 December	236	163	72	45	33	549
Accumulated amortisation and impairment losses						
Balance at 1 January	(103)	1	-	-	(3)	(105)
Amortisation charge for the year	(33)		-	(10)	-	(43)
Impairment losses recognised	-	(36)	-	-	-	(36)
Disposal	1	-	-	-	-	1
Other changes	(1)	-	-	-	-	(1)
Net FX differences	11	1	-	1	(1)	12
Balance at 31 December	(125)	(34)	-	(9)	(4)	(172)
Carrying amount	**111**	**129**	**72**	**36**	**29**	**377**

In millions of EUR, for the year ended 31 December2012

	Software	Trade-marks	IPRD	Other intangible assets	Total
Cost					
Balance at 1 January	129	180	-	14	323
Additions resulting from business combinations	-	-	61	2	63
Additions	40	-	-	13	53
Additions from internal development	8	-	-	8	16
Disposal	-	-	-	(14)	(14)
Other changes	2	-	-	-	2
Net FX differences	3	4	-	-	7
Balance at 31 December	182	184	61	23	450
Accumulated amortisation and impairment losses					
Balance at 1 January	(77)	-	-	(3)	(80)
Amortisation charge for the year	(25)	-	-	-	(25)
Net FX differences	(1)	1	-	-	-
Balance at 31 December	(103)	1	-	(3)	(105)
Carrying amount	**79**	**185**	**61**	**20**	**345**

F.12. Liabilities to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Current accounts and demand deposits	2,955	2,709
Term deposits	5,265	4,912
Loans	52	370
Loans received under repos	503	-
Other	1	-
Total liabilities to non-banks	**8,776**	**7,991**

The table shows the liabilities owed to corporate and individual clients of the Group, the bulk of which relates to the banking business of PPF banka, Home Credit and Finance Bank and Air Bank.

In 2012, the “Loans” category contained a MEUR 325 loan provided by PPF Partners which is onlent to EP Holding. As of December 2013, PPF Partners is a fully consolidated entity, therefore, the balance is eliminated.

F.13. Liabilities to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Repayable on demand	12	1
Loans received under repos	3	417
Secured loans (other than repos)	1,689	2,959
Unsecured loans	625	827
Other	36	27
Total liabilities to banks	**2,365**	**4,231**

In 2008 the Group obtained a syndicated loan facility (the "Calyon Facility") provided by a group of banks led by Calyon (now renamed to "Credit Agricole Corporate and Investment Bank") in a maximum amount of MEUR 2,099 available until January 2015 (the maximum amount was decreased in 2013; refer to section B.4.1). Pricing is set as applicable EURIBOR+2.40% (EURIBOR+0.70/0.90% valid until 17 July 2012). Following the downgrade of Assicurazioni Generali S.p.A in 2012 the company renegotiated the facility's conditions with the Caylon Consortium. This resulted in new pricing conditions which became effective as from 17 July 2012. The loan can be drawn in 1-, 3- or 6-month tranches and is secured by a pledge of PPF Group's share in Generali PPF Holding B.V. Under the loan agreement, the total amount of the Calyon facility is linked to the value of the investment in Generali PPF Holding B.V.

In March 2013, a part of the Calyon Facility was repaid in connection with the sale of a 25% stake in Generali PPF Holding, and the maximum amount of the facility that may be drawn was decreased to MEUR 1,028. After the sale, the loan facility is secured by the remaining 24% stake in Generali PPF Holding. As of 31 December 2013 the total amount drawn was MEUR 1,028 (2012: MEUR 2,099).

In 2012, a MEUR 292 portion of the secured loans consisted of a USD-denominated loan provided by Sberbank to finance residual consideration for the acquisition of Polymetal. The loan matured in 2013 and was secured by a pledge of PPF Group's share in Polymetal. The interest rate was 6.8% p.a.

MEUR 432 (2012: MEUR 169) of the other secured loans stated above was secured by pledge of investment property, MEUR 44 (2012: MEUR 107) was secured by pledge of inventories, MEUR 43 (2012: MEUR 50) was secured by pledge of property, MEUR 54 (2012: MEUR 29) was secured by a pledge of consumer loan receivables and cash loan receivables, MEUR 0 (2012: MEUR 55) was secured by pledge of revolving loan receivables, and MEUR 0 (2012: MEUR 69) was secured by pledge of car loan receivables.

F.14. Debt securities issued

The following table shows details of bonds issued by the Group:

In millions of EUR, as at 31 December

	Interest rate	Date of maturity	2013	2012
Notes MEUR 208	Fixed	November 2015	209	403
Unsecured CZK bond issue 4 of MCZK 2,900	Fixed	September 2015	76	97
Unsecured RUB bond issue 7 of MRUB 5,000	Variable	April 2015	111	126
Unsecured RUB bond issue 6 of MRUB 5,000	Variable	June 2014	113	125
Unsecured RUB bond issue 5 of MRUB 4,000	Variable	April 2013	-	101
Unsecured RUB bond issue 1 of MRUB 3,000	Variable	April 2014	67	76
Unsecured RUB bond issue 3 of MRUB 4,000	Variable	October 2013	-	101
Unsecured RUB bond issue 2 of MRUB 3,000	Variable	February 2016	66	-
USD loan participation notes 6 of MUSD 500	Fixed	March 2014	314	335
Unsecured CZK bond issue 5 of MCZK 3,750	Fixed	June 2016	141	133
Cash loan receivables-backed note issue of MRUB 5,000	Variable	November 2016	109	-
Unsecured bond issue of MKZT 7,000	Fixed	November 2016	32	-
Deposit bills of exchange; rates (1.1% - 4.25%)	Fixed	January 2013-September 2013	-	106
Deposit bill of exchange; rate (0% - 7.6%)	Fixed	January 2014-December 2014	374	31
Deposit bill of exchange; rate 0%	Fixed	February 2015	18	-
Deposit bill of exchange; rate 0%	Fixed	November 2015	19	-
Deposit bill of exchange; rate 4.00%	Fixed	June 2016	12	10
Total debt securities issued			**1,661**	**1,644**

Notes in the amount of MEUR 400 were issued in November 2009. In 2013 there was a partial repayment in connection with Generali transaction decreasing the total amount to MEUR 208.

RUB-denominated stock exchange bond issue 1 was issued by the Group in April 2011 with a coupon rate resettable at coupon dates. In October 2012 the Group reset a new coupon rate through the final maturity date.

RUB-denominated bond issue 6 was issued by the Group in June 2009 with a coupon rate resettable at option dates. In December 2012 the Group reset a new coupon rate through the final maturity date.

RUB-denominated bond issue 7 was issued by the Group in April 2010 with a coupon rate set for two years. In April 2012 the Group reset a new coupon rate through the final maturity date.

RUB-denominated cash loan receivables-backed notes were issued in November 2013 with a fixed coupon rate which is valid until the coupon payment date on 19 January 2017 and a capped floating coupon rate from 20 January 2017 to the final maturity. The bondholders are entitled to require early redemption of the bonds in November 2016. As at 31 December 2013, cash loan receivables of MEUR 135 served as collateral for these notes.

F.15. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Negative fair values of derivatives	53	71
Interest rate derivatives	26	49
Currency derivatives	25	14
Hedging derivatives	2	8
Obligation to deliver securities	210	143
Other	11	22
Total financial liabilities at FVTPL	**274**	**236**

F.16. Provisions

Provisions comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Insurance provisions	471	-
Goods returns	8	10
Provision for litigation except for tax-related litigation	4	1
Other provisions	6	12
Total provisions	**489**	**23**

Movements in non-insurance provisions can be analysed as follows:

In millions of EUR, for the year ended 31 December 2013

	Goods returns	Provision for litigation except for tax issues	Other provisions	Total
Balance at 1 January	10	1	12	23
Disposals resulting from business combinations				
Provisions created during the year	7	9	6	22
Provisions used during the year	(7)	(3)	-	(10)
Provisions released during the year	-	(3)	(12)	(15)
Net FX differences	(2)	-	-	(2)
Balance at 31 December	**8**	**4**	**6**	**18**
Non-current (> 1 year)	-	-	1	1
Current (< 1 year)	8	4	5	17
Total provisions	**8**	**4**	**6**	**18**

In millions of EUR, for the year ended 31 December 2012

	Goods returns	Provision for litigation except for tax issues	Other provisions	Total
Balance at 1 January	9	1	20	30
Disposals resulting from business combinations	-	-	(3)	(3)
Provisions created during the year	9	1	1	11
Provisions used during the year	(9)	(1)	(4)	(14)
Provisions released during the year	-	-	(1)	(1)
Net FX differences	1	-	(1)	-
Balance at 31 December	**10**	**1**	**12**	**23**
Non-current (> 1 year)	-	-	-	-
Current (< 1 year)	10	1	12	23
Total provisions	**10**	**1**	**12**	**23**

Provisions for goods returns relate to the retail business. The Group assesses that it is more likely than not, that it will have to pay back sales revenues with respect to a certain number of products returned by customers either within two weeks after the sale date unconditionally, or later due to quality issues of goods. The Group creates a provision for such returns of goods based on historical information of returns, which were on average 0.4% of sales for the year ended 31 December 2013. Inventory return provision is accounted for as a short-term liability as the Group is obligated to return the cash back to customers on demand.

F.16.1. Insurance provisions

Insurance provisions comprise the following:

In millions of EUR

	Direct insurance	Accepted reinsurance	Total
Non-life insurance provisions	389	(6)	383
Provisions for unearned premiums	376	(2)	374
Provisions for outstanding claims	13	(4)	9
RBNS provisions	10	(3)	7
IBNR provisions	3	(1)	2
Life insurance provisions	82	-	82
Provisions for outstanding claims	2	-	2
Mathematical provisions	75	-	75
Provisions for profit participation allocated to policyholders	4	-	4
Other insurance provisions	1	-	1
Total insurance provisions	**471**	**(6)**	**465**

Movements in provisions for unearned premiums can be analysed as follows:

In millions of EUR

	Gross amount	Reinsurers' share	Net amount
Additions resulting from business combinations	453	(4)	449
Premiums written during the year	162	(13)	149
Premiums earned during the year	(212)	15	(197)
Net FX differences	(27)	-	(27)
Balance at 31 December 2013	**376**	**(2)**	**374**

Movements in provisions for outstanding claims were as follows:

In millions of EUR

	Gross amount	Reinsurers' share	Net amount
Additions resulting from business combinations	7	-	7
Claims incurred in the current year	18	(15)	3
Claims paid during the year	(11)	11	-
Net FX differences	(1)	-	(1)
Balance at 31 December 2013	**13**	**(4)**	**9**

Movements in selected life insurance provisions were as follows:

In millions of EUR

	Gross amount
Additions resulting from business combinations	70
Mathematical provision for contracts concluded in previous years, and cancelled in the current reporting year	(5)
Mathematical provision for contracts maturing in the current reporting year	(2)
Increase in mathematical provision for active contracts concluded in previous years	13
Provision for insurance contracts concluded in the current period	6
Bonuses (profit) credited to policyholders	2
Net FX differences	(5)
Balance at 31 December 2013	**79**

The estimated timing of the net cash outflows resulting from recognised insurance liabilities is as follows:

In millions of EUR

	Less than 1 year	1 to 3 years	3 to 5 years	5 to 15 years	More than 15 years	Non specified	Total
Non-life insurance provisions	12	-	-	-	-	1	13
Life insurance provisions	5	8	12	40	17	-	82

The following table shows the roll-forward of policyholder claims (RBNS and IBNR):

In millions of EUR

	2009	2010	2011	2012	2013	Total
Estimated ultimate cumulative claims costs						
at the end of underwriting year	6	4	5	9	19	
one year later	5	5	5	11		
two years later	5	5	5			
three years later	5	4				
four years later	4					
Estimated ultimate cumulative claims costs at the end of the reporting period	4	4	5	11	19	43
Cumulative claim payments						
at the end of underwriting year	4	3	3	6	9	0
one year later	4	4	4	8		0
two years later	4	4	5			0
three years later	4	4				0
four years later	4					0
Cumulative payments to date	4	4	5	8	9	30
Provision recognised in the statement of financial position	-	-	-	3	10	13
Provisions for outstanding claims						13

F.17. Other liabilities

Other liabilities comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Settlements with suppliers	836	667
Wages and salaries	97	125
Social security and health insurance	15	21
Other taxes payable	41	69
Finance lease liabilities	15	8
Accrued expenses	29	25
Deferred income	61	53
Insurance payable, net	4	-
Advance received	40	35
Customer loan overpayments	31	26
Other	27	211
Total other liabilities	**1,196**	**1,240**

The “Other” category includes clearing accounts of PPF banka in an amount of MEUR 2 (2012: MEUR 135).

F.18. Finance lease liabilities

Finance lease liabilities comprise the following:

In millions of EUR, as at 31 December 2013

	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
less than one year	3	1	2
between one and five years	5	4	1
more than five years	36	24	12
Total finance lease liabilities	**44**	**29**	**15**

In millions of EUR, as at 31 December 2012

	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
less than one year	3	1	2
between one and five years	3	1	2
more than five years	11	7	4
Total finance lease liabilities	**17**	**9**	**8**

F.19. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR, as at 31 December

	Interest rate	Date of maturity	2013	2012
Loan participation notes issue 7 of MUSD 500	Fixed	April 2020	300	263
Loan participation notes issue 8 of MUSD 200	Fixed	April 2021	132	-
Bond issue (rate 6.5%)	Fixed	April 2023	53	-
Total debt securities issued			**485**	**263**

Subordinated loan participation notes issue 7 was issued in October 2012. The Group has an early redemption option exercisable on 24 April 2018 (the reset date). After the reset date the interest rate is determined as a variable rate.

Subordinated loan participation notes issue 8 was issued in October 2013. The Group has an early redemption option exercisable on 17 April 2019 (the reset date). After the reset date the interest rate is determined as a variable rate.

F.20. Issued capital

Issued capital represents capital in respect of which the shareholders' liability for an entity's obligation towards its creditors is limited. The amount is limited to the current nominal capital approved by shareholders' resolution.

The following table provides details of authorised and issued shares:

	2013	2012
Number of shares authorised	250,000	250,000
Number of shares issued and fully paid	66,738	66,738
Par value per share	EUR 10	EUR 10

As at 31 December 2013 and 2012 the authorised share capital consisted of 250,000 registered shares, 66,738 of which were issued and fully paid. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Parent Company.

F.21. Reserves

F.21.1. Revaluation reserve

The revaluation reserve represents the revaluation surplus, net of deferred tax, recognised on property transferred from property, plant and equipment to investment property following a change in use of the property and changes in the fair value of financial assets available for sale. The revaluation reserve is not available for distribution to the shareholders.

F.21.2. Cash flow hedge reserve

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

F.21.3. Legal and statutory reserves

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

F.21.4. Translation reserve

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

F.22. Net interest income

Interest income comprises the following:

In millions of EUR, for the year ended 31 December

	2013	2012
Financial instruments at fair value through profit or loss	16	13
Financial instruments available for sale	67	56
Financial instruments held to maturity	2	1
Due from banks and other financial institutions	38	43
Consumer loan receivables	534	409
Cash loan receivables	1,838	995
Revolving loan receivables	325	222
Car loan receivables	29	24
Mortgage loan receivables	10	12
Loans to corporations and other loans and receivables	99	108
Other	2	-
Total interest income	**2,960**	**1,883**

Interest expense comprises the following:

In millions of EUR, for the year ended 31 December

	2013	2012
Due to customers	599	379
Due to banks and other financial institutions	172	183
Debt securities issued	100	115
Subordinated liabilities	32	4
Finance lease liabilities	1	1
Other	7	5
Total interest expenses	**911**	**687**
Total net interest income	**2,049**	**1,196**

F.23. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, for the year ended 31 December

	2013	2012
Penalty fees	97	83
Insurance commissions	470	513
Cash transactions	62	60
Customer payment processing and account maintenance	33	30
Retailers’ commissions	24	16
Other	53	35
Total fee and commission income	**739**	**737**

Fee and commission expense comprises the following:

In millions of EUR, for the year ended 31 December

	2013	2012
Commissions to retailers	33	26
Cash transactions	33	19
Payment processing and account maintenance	23	17
Payments to deposit insurance agencies	25	-
Other	17	26
Total fee and commission expense	**131**	**88**

Total net fee and commission income	**608**	**649**

F.24. Net gain/loss on financial assets

In millions of EUR, for the year ended 31 December

	2013	2012
Net trading income	(63)	(42)
Securities trading	2	(2)
Debt securities	3	5
Equity securities	(1)	(7)
FX trading	(5)	4
Derivatives	(60)	(44)
Net gains on financial assets at fair value through profit or loss not held for trading	16	6
Equity securities	18	6
Other	(2)	-
Net realised gains/(losses)	11	(4)
Financial assets available for sale	11	(3)
Loans and receivables	-	(1)
Dividends	16	4
Other income/(expenses) from financial assets	(2)	(12)
Total net gain/(loss) on financial assets	**(22)**	**(48)**

F.25. Net impairment losses on financial assets

In millions of EUR, for the year ended 31 December

	2013	2012
Held to maturity	2	-
Financial instruments available for sale	(1)	11
Consumer loan receivables	228	107
Cash loan receivables	907	397
Revolving loan receivables	138	50
Car loan receivables	9	7
Mortgage loan receivables	(1)	(3)
Loans to corporations	22	75
Other loans and other financial assets	2	31
Total net impairment losses on financial assets	**1,306**	**675**

F.26. Insurance income

In millions of EUR, for the year ended 31 December

	Non-life	Life	Total 2013
Gross earned premium	212	44	256
Gross premium written	162	44	206
Change in the provisions for unearned premiums	50	-	50
Earned premiums ceded	(11)	-	(11)
Ceded reinsurance premiums	(10)	-	(10)
Change in the provisions for unearned premiums	(1)	-	(1)
Net insurance benefits and claims	(7)	(22)	(29)
Claims paid	(1)	(7)	(8)
Change in provisions for outstanding claims	(6)	-	(6)
Change in mathematical provisions	-	(12)	(12)
Change in life provisions for profit participation allocated to policyholders	-	(2)	(2)
Change in other provisions	-	(1)	(1)
Acquisition cost			(174)
Total insurance income			**42**

F.27. Net real estate income

Rental and related income comprises the following:

In millions of EUR, for the year ended 31 December

	2013	2012
Gross rental income	45	18
Service income	1	-
Service charge income	16	10
Service charge expense	(9)	(6)
Total rental and related income	**53**	**22**

Property operating expenses comprise the following:

In millions of EUR, for the year ended 31 December

	2013	2012
Repairs and maintenance	1	-
Operating lease expenses	2	-
Employee compensation	1	1
Other expenses	11	6
Total property operating expense	**15**	**7**

Net valuation gain/loss on investment property comprises the following:

In millions of EUR, for the year ended 31 December

	2013	2012
Valuation gains on investment property	124	144
Valuation losses on investment property	(53)	(67)
Total net valuation gain/(loss) on investment property	**71**	**77**

F.28. Net agricultural income

In millions of EUR, for the year ended 31 December

	2013	2012
Sales of goods	29	34
Cost of sales	(32)	(34)
Other revenue	1	2
Change in fair value of biological assets	5	(6)
Total net agriculture income	**3**	**(4)**

F.29. Other income

In millions of EUR, for the year ended 31 December

	2013	2012
Rental income	14	12
Other retail income – sublease charges	12	13
Gain on disposal of property, plant, equipment and intangible assets	1	-
Foreign currency gains	-	13
Recognised income from excess of acquired net fair value over costs (badwill)	81	27
Loss on monetary position	(3)	(3)
Other	29	33
Total other income	**134**	**95**

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

F.30. General administrative expenses

In millions of EUR, for the year ended 31 December

	2013	2012
Employee compensation	643	536
Payroll related taxes (including pension contribution)	133	109
Advertising and marketing	90	87
Professional services	95	59
Telecommunication and postage	63	51
Travel expenses	25	21
Taxes other than income tax	25	21
Information technologies	37	32
Rental, maintenance and repair expense	281	248
Distribution, transport and storage of goods	43	44
Other	141	122
Total general administrative expenses	**1,576**	**1,330**

The average number of employees during the year 2013 was 69 thousand (2012: 52 thousand), of which ten employees were employed in the Netherlands (2012: 9).

F.31. Other operating expenses

In millions of EUR, for the year ended 31 December

	2013	2012
Depreciation of property, plant and equipment	82	66
Amortisation of intangible assets	43	25
Net impairment losses on goodwill	4	4
Net impairment losses on other intangible assets	36	-
Net impairment losses on property, plant and equipment	6	13
Net impairment losses on trading property	3	-
Loss on disposal of property, plant, equipment, and intangible assets	4	3
Net impairment (gains)/losses on other assets	(4)	2
Foreign currency losses	32	-
Total other operating expenses	**206**	**113**

Impairment of other intangible assets comprises an impairment charge for Eldorado trademark, as a result of an internal valuation.

F.32. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for the year ended 31 December

	2013	2012
Current tax expense	(168)	(180)
Deferred tax expense	47	13
Total income tax expense	**(121)**	**(167)**

F.32.1. Reconciliation of effective tax rate

The following table reconciles the tax expense:

In millions of EUR, for the year ended 31 December

	2013	2012
Tax rate	25.0%	25.0%
Profit from continuing operations (before taxation)	591	976
Computed taxation using applicable tax rate	(148)	(244)
Tax non-deductible expenses	(64)	(70)
Non-taxable income	54	95
Non-taxable share of earnings of associates	50	69
Tax rate differences on foreign results	6	20
Utilised tax loss not previously recognised	10	-
Tax loss carry forward not recognised	(31)	(22)
Withholding tax on intra-group dividends	(10)	(4)
Other	12	(11)
Total income tax expense/income	**(121)**	**(167)**

F.33. Operating leases

Under operating leases, the Group mainly leases shops within the Eldorado business, as well as a few office buildings. The leases typically run for an initial period of between one and five years, with an option to renew the lease after that date. Rents are adjusted annually to reflect prevailing market rates.

The table below shows payables in respect of non-cancellable operating leases:

In millions of EUR, as at 31 December

	2013	2012
Less than one year	182	177
Between one and five years	396	380
More than five years	131	80
Total payables in respect of non-cancellable operating leases	**709**	**637**

The lease and sublease payments recognised as expenses in the income statement were as follows:

In millions of EUR, as at 31 December

	2013	2012
Minimum lease payments	226	205
Contingent rent	1	1
Sublease payments	(1)	(1)
Total lease and sublease payments	**226**	**205**

Rental income to be received by the Group as a lessor under operating leases is immaterial.

F.34. Repurchase agreements and reverse repurchase agreements

The Group raises funds by selling financial instruments under agreements to repurchase them at future dates at the same price plus interest at a predetermined rate ("repos").

As at 31 December assets sold under repos were as follows:

In millions of EUR, as at 31 December

	2013 Fair value of underlying assets	2013 Carrying amount of corresponding liabilities	2012 Fair value of underlying assets	2012 Carrying amount of correspondin g liabilities
Financial assets at fair value through profit and loss	390	390	6	6
Financial assets available for sale	-	-	485	411
Financial assets as off-balance sheet item	111	116	-	-
Total assets	**501**	**506**	**491**	**417**

"Financial assets as off-balance sheet item" is the portion of financial instruments received under reverse repos (see below) that were subsequently sold under repos.

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repos"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repos are entered into as a facility to provide funds to customers. As at 31 December assets purchased subject to agreements to resell them were as follows:

In millions of EUR, as at 31 December

	2013 Fair value of assets received as collateral (total)	2013 whereof: Fair value of assets repledged or sold	2013 Carrying amount of receivables	2012 Fair value of assets received as collateral (total)	2012 whereof: Fair value of assets repledged or sold	2012 Carrying amount of receivables
Loans and advances to banks	485	321	460	381	143	357
Loans and advances to non-banks	100	-	79	78	-	51
Total loans and advances	**585**	**321**	**539**	**459**	**143**	**408**

F.35. Off-balance sheet items

F.35.1. Commitments and contingent liabilities

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that these amounts have been fully advanced. The amounts set forth in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to meet their contractual obligations.

The Group companies included in the banking segment engage in providing open credit facilities to allow customers quick access to funds in order to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees, whereby the Group might guarantee repayment of a loan taken out by a client with a third party; stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost; documentary letters of credit for obtaining lower cost financing for foreign trade on behalf of a customer; documentary letters of credit reimbursable to a Group company later; and debt facilities and revolving underwriting facilities that allow customers to issue short or medium-term debt instruments without engaging in the normal underwriting process on each occasion. Revenue from provided guarantees is recognised under “Fee and commission income” and is determined by applying the agreed rates to the nominal amount of the guarantees.

In millions of EUR, as at 31 December

	2013	2012
Loan commitments	1,304	1,929
Revolving loan commitments	965	1,403
Consumer loan commitments	41	39
Cash loan commitments	22	39
Undrawn overdraft facilities	73	86
Term loan facilities	203	362
Capital expenditure commitments	199	218
Guarantees provided	148	308
Non-payment guarantees	102	79
Non-revocable letters of credit	6	5
Payment guarantees	40	224
Other	2,404	11
Total commitments and contingent liabilities	**4,055**	**2,466**

These commitments and contingent liabilities have an off-balance sheet credit risk because only organisation fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent the expected future cash flows.

Other commitments contain the consideration agreed for acquisitions of Telefónica Czech Republic, a.s. (MEUR 2,348) and Lindus Services Ltd. (MEUR 22); both transactions closed in January 2014 (refer to section G).

The following table shows secured liabilities:

In millions of EUR, as at 31 December

	2013	2012
Secured bank loans	1,689	2,959
Debt securities issued	110	-
Total secured liabilities	**1,799**	**2,959**

The assets pledged as security were as follows:

In millions of EUR, as at 31 December

	2013	2012
Financial assets at fair value through profit and loss (repos)	390	6
Financial assets available for sale (repos)	-	485
Loans and receivables due from banks and other financial institutions	-	2
Loans and receivables due from non-banks	214	215
Inventories	84	139
Biological assets	1	3
Investments in subsidiaries, associates and joint ventures	1,209	2,984
Investment property	867	335
Property, plant and equipment	83	95
Financial assets as off-balance sheet items (repos)	112	-
Total assets pledged as security	**2,960**	**4,264**

A significant portion of secured liabilities is attributable to the Calyon facility and financing of the Polymetal shares acquisition (in 2012), which are secured by the share in Generali PPF Holding and the share in Polymetal, respectively.

F.35.2. Other contingencies

F.35.2.1. Litigation

The Group (as a former sole shareholder of Česká pojišťovna a.s.) is involved in litigation (formally consisting of five disputes merged procedurally into one) in which the adequacy of the consideration paid to minority shareholders arising from the decision of the general meeting of Česká pojišťovna a.s. adopted in July 2005 approving a squeeze-out of minority shareholders is being challenged in court. Based on legal analyses carried out by external legal counsel, management believes that it is unlikely that this case will be concluded in favour of the plaintiff.

In March 2012, a tribunal in Bucharest ruled on an appeal brought by the initial owner (Mr. Bleanca Petru) from whom the Group acquired land (the “Bavaria” project) against a decision of the court of first instance annulling Mr. Bleanca Petru’s ownership title to the land. The ruling dismissed the appeal, upholding the decision of the Bucharest First District Court. This effectively means that the initial owner would not be considered to be the owner of the land. Further court proceedings are pending (motion of unconstitutionality) but do not have any immediate, direct impact on the decision of the Bucharest tribunal. Despite that, Mr. Petru still possesses a restitution claim on other non-specified land of the same size, or a non-specified amount of shares of the Romanian National Land Fund. As a consequence of this situation, the Group decided to decrease the fair value of this land plot from MEUR 13 in 2010 to nil in 2011. In February 2013 the Group and the minority shareholder of Bavaria Complex S.R.L. concluded an agreement on sale and transfer of all shares in Bavaria Complex S.R.L. and loan receivables towards Bavaria Complex S.R.L. by the Group to the minority shareholder.

F.35.2.2. Taxation

The taxation systems in the Russian Federation, the Republic of Belarus, Kazakhstan, Vietnam and China are characterised by frequent changes in legislation which are subject to varying interpretation by diverse tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the power to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Common practice in the Russian Federation, the Republic of Belarus, Kazakhstan, Vietnam and China suggests 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 the respective countries that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities and that outstanding tax receivables are recoverable based on its interpretations of applicable Russian, Belarusian, Kazakh, Vietnamese and Chinese tax legislation, official pronouncements and court decisions.

In terms of other countries where Group companies operate, several changes in tax legislation have been observed in recent years, especially in Cyprus, the Netherlands, the Czech Republic and the Slovak Republic. However, these changes have had no significant impact on the tax positions of any companies.

F.35.3. Guarantee received and off-balance sheet assets

Guarantees received and off-balance sheet assets were as follows:

In millions of EUR, as at 31 December

	2013	2012
Guarantees received	348	878
Loan commitments received	2,166	33
Value of assets received as collateral	1,289	1,338
Total contingent assets	**3,803**	**2,249**

Accepted loan commitments contain include a financing agreement entered into in relation to the acquisition of Telefónica Czech Republic a.s. (MEUR 2,160).

F.36. Related parties

F.36.1. Identity of related parties

The Group has a related party relationship with its associates, joint ventures and non-consolidated subsidiaries.

Furthermore, the key management personnel of the Group and the close family members of such personnel; other parties which are controlled, jointly controlled or significantly influenced by such individuals; and entities in which such individuals hold significant voting power are also considered related parties.

The key management personnel of the Group comprise the members of the Board of Directors and key executive officers.

F.36.2. Transactions with statutory bodies and executive officers

Income of the statutory bodies and key executive officers received from the Group:

In millions of EUR, for the year ended 31 December

	2013	2012
Board of Directors of the Parent Company	0.5	0.5
Key executive officers	33	42

The income includes financial and non-financial income as follows:

Financial income includes all financial income that has been accepted by a member of a board from the Group during the financial year (especially allowances provided for membership of statutory bodies, salaries, wages, bonuses and benefits, income under other arrangements and group life insurance).

Non-financial income includes all non-monetary income (benefits) that has been accepted by a member of a board from the Group during the financial year.

F.36.3. Transactions with associates

During the course of the year the Group had the following significant transactions at arm's length with associates:

In millions of EUR, for the year ended 31 December

	2013	2012
Interest income	34	43
Fee and commission income	73	345
Net gain/(loss) on financial assets	2	-
Rental and related income	1	1
Operating income	2	3
Total revenue	**112**	**392**
Interest expense	(31)	(50)
Net gain/(loss) on financial assets	-	(2)
Net earned premiums	(1)	-
Operating expense	(5)	(6)
Total expense	**(37)**	**(58)**

At the reporting date the Group had the following balances with associates and joint ventures:

In millions of EUR, as at 31 December

	2013	2012
Financial assets available for sale	55	25
Loans and receivables due from non-banks	39	1
Other loans and receivables	314	278
Other assets	4	93
Total assets	**412**	**397**
Current accounts, deposits and loans from non-banks	(301)	(714)
Liabilities due to banks and other financial institutions	-	(292)
Debt securities issued	(262)	(181)
Financial liabilities at fair value through profit or loss	(2)	(2)
Other liabilities	(3)	(4)
Total liabilities	**(568)**	**(1,193)**

F.36.4. Other related parties including key management personnel

During the course of the year the Group had the following significant transactions at arm’s length with other related parties:

In millions of EUR, for the year ended 31 December

	2013	2012
Interest income	12	-
Net gain/(loss) on financial assets	5	-
Other income	-	1
Total revenue	**17**	**1**
Acquisition costs and other operating expenses	-	(1)
General administrative expenses	(17)	-
Total expenses	**(17)**	**(1)**

At the reporting date the Group had the following balances with other related parties:

In millions of EUR, as at 31 December

	2013	2012
Loans and receivables due from non-banks	52	1
Other loans and receivables	227	-
Intangible assets	5	-
Total assets	**284**	**1**
Current accounts, deposits and loans from non-banks	(4)	(1)
Other liabilities	(20)	(8)
Total liabilities	**(24)**	**(9)**

G. Subsequent events

G.1. Acquisition of Prague sports hall "O2 Arena"

During 2013 the Group held a 50% stake in Lindus Ltd., an entity controlling Bestsport Arena a.s. which operates Prague sports hall "O2 Arena". In October 2013 the Group agreed with the joint venture partner to acquire the remaining 50% stake for MEUR 22. The transaction was completed on 23 January 2014 after receipt of a regulatory approval. Since then the Group has been the controlling shareholder of Bestsport Arena a.s.

G.2. Acquisition of Telefónica CR

On 5 November the Group, acting through its subsidiary PPF Arena 1 B.V., signed an agreement with Telefonica S.A. on the sale of a 65.93% stake in Telefónica Czech Republic, a.s. ("Telefónica CR"). Telefónica CR is a Czech publicly listed telecommunication company operating also in the Slovak Republic through its subsidiary Telefónica Slovakia, s.r.o. The closing of the transaction, which was subject to approval by European Commission, occurred in January 2014. Upon completion of the transaction, the Group will launch a mandatory tender offer ("MTO") for the remaining shares of Telefónica CR. The Group is financing the transaction partially through a syndicated loan facility provided by a consortium led by Société Générale. As of the date these financial statements were signed, the Group has not performed a purchase price allocation exercise to identify the fair value of assets and liabilities acquired.

The following table shows the main financial aspects of the transaction:

In millions of EUR, for the year ended 31 December

Acquisition*	
Date of acquisition	28 January 2014
Stake acquired	65.93%
Total purchase price	2,348
Initial instalment (paid in CZK and EUR)	1,969
Deferred instalments	379
Deferred period	8 even instalments within 4 years
Syndicated loan facility	
Term loan financing the initial instalment (drawn in CZK and EUR)	1,066
Maturity	5 years
Revolving loan commitment (to be drawn in CZK and EUR)	94
Maturity	5 years
Term loan commitment financing MTO (to be drawn in CZK and EUR)	1,000
Maturity	4 years

*The transaction was agreed in Czech Korunas, the Euro equivalents were translated at the exchange rate as at 31 December 2013.

G.3. Changes in ownership and funding of EP Holding

In January 2014, EP Holding fully repaid a MEUR 235 loan that initially matured in 2016. Subsequently, on 10 February 2014, EP Holding acquired 7.41% of its own shares from the Group for MEUR 54. After the transaction, the effective ownership held by the Group decreased from 44.44% to 40%.

G.4. Acquisition of OriBase Pharma

In March 2014, the Group entered into investment agreement for acquisition of a minority stake in OriBase Pharma, a French biotechnology company which specialises in the development of new therapies in oncology. The agreement anticipates a gradual increase in the Group's shareholding through further purchases of shares and/or capital injections to up to 83% within three years. As of the date these financial statements were signed the Group holds a 42.4% stake acquired for a total investment of MEUR 4.

G.5. Real estate acquisitions

During the first half of 2014, the Group added two assets, located in Rotterdam and Prague, to its portfolio of office buildings. The first transaction was an acquisition of an individual asset, while the second represented the acquisition of a leveraged entity. The acquisition prices were MEUR 29 and MEUR 49, respectively.

Date:	Signature of the Board of Directors:
19 May 2014	

PPF GROUP N.V.

Unconsolidated financial statements for the year ended 31 December 2013

Content

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

In millions of EUR

	Note	2013	2012
Assets			
Investments in subsidiaries, associates and joint ventures	A1	6,034	7,154
Cash and cash equivalents	A2	617	402
Receivables and other assets	A3	1,441	2,119
Total assets		**8,092**	**9,675**
Shareholders' equity and liabilities			
Issued capital		**1**	**1**
Share premium		**677**	**677**
Other reserves		**4,384**	**4,649**
Total shareholders' equity	A4	**5,062**	**5,327**
Liabilities			
Loans and other liabilities	A5	3,030	4,348
Total liabilities		**3,030**	**4,348**
Total shareholders' equity and liabilities		**8,092**	**9,675**

UNCONSOLIDATED INCOME STATEMENT

For the year ended 31 December

In millions of EUR

	2013	2012
Result of group companies after taxation	221	958
Other results after taxation	229	(231)
Net profit for the year	**450**	**727**

GENERAL INFORMATION

Unconsolidated financial statements of PPF Group N.V. (the "Company") should be read in conjunction with the consolidated financial statements.

Accounting principles

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and endorsed by the European Union (hereinafter referred to as EU-IFRS). Please, refer to section C of the consolidated financial statements.

The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Netherlands Civil Code. With reference to the income statement of the company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

The Board of Directors authorised the unconsolidated financial statements for issue on 19 May 2014.

Identification

PPF Group N.V. was incorporated on 29 December 1994. The objectives of the company are to manage, finance and participate in other companies.

Basis of presentation

All amount are stated in Euros ("EUR"), rounded to the nearest million.

Result from participating interest

The share in the result from participating interest of participating interests consists of the share of the company in the result of these participating interests. Results on transactions, with transfer of assets and liabilities between the company and its participating interests and between participating interests are not recorded if unrealised.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

A.1 Investments in subsidiaries, associates and joint ventures

Movements in subsidiaries, associates and joint ventures comprise the following:

In millions of EUR, for the period ended 31 December

	2013	2012
Opening balance	**7,154**	**5,728**
Additional investments in group companies, including restructuring	978	1,068
Decrease of investments in group companies	(142)	(467)
Disposal of group companies	(171)	(219)
Dividend distribution	(1,749)	(246)
Other movements in shareholders' equity, other income and expense	(257)	332
Result of group companies	221	958
Closing balance	**6,034**	**7,154**

For details of the Company's, financial interests and statutory locations refer to note B.2 of the consolidated financial statements.

A.2 Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Bank accounts	617	402
Total cash and cash equivalents	**617**	**402**

There are no restrictions on the availability of cash and cash equivalents.

A.3 Receivables and other assets

The other assets comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Receivables from the group companies	1,120	1,555
Other loans and receivables	242	434
Financial assets available for sale – equity securities	-	3
Financial assets available for sale – debt securities	76	115
Other assets (prepayments)	3	12
Total other assets	**1,441**	**2,119**

Debt securities represent subordinated loan participation notes issued by Home Credit and Finance Bank (a Russian subsidiary). The notes are denominated in USD at the fixed rate 9.375% and the maturity is April 2020.

For details on other loans and receivables, refer to note F.2.7 of the consolidated financial statements.

The following table shows maturity of receivables and loans:

In millions of EUR, as at 31 December

	Receivables from the group companies		Other loans and receivables	
	2013	2012	2013	2012
Less than 1 year	499	1,275	58	387
More than one year	621	280	164	3
Non-specified	-	-	20	44
Total	**1,120**	**1,555**	**242**	**434**

A.4 Capital and reserves

The capital and reserves comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Issued capital	1	1
Share premium	677	677
Other reserves	4,384	4,649
Out of which		
Legal and statutory reserves	24	15
Hedging reserve	(35)	(1)
Available for sale reserve	29	122
Translation reserve	(357)	75
(Statutory) revaluation reserve	243	144
Retained earnings	4,480	4,294
Total shareholders' equity	**5,062**	**5,327**

Information on the legal, revaluation, cash flow hedge and translation reserves is included in note F.21 of the consolidated financial statements. Those categories of equity arise on consolidated level and they are un-distributable. At least EUR 4,331 (2012: EUR 4,437) of the retained earnings can be considered as freely distributable. In 2013, the Company acquired a 5% own stake for MEUR 458 which is recorded as a direct decrease in retained earnings.

The revaluation reserve relates to real estate investments and consists of the cumulative positive (unrealised) revaluations of these investments. The (statutory) revaluation reserve is an un-distributable reserve in accordance with the Dutch Civil Code. As of 31 December 2013 and 2012, the revaluation reserve was determined at property level.

Following tables show the roll-forward of shareholders' equity:

In millions of EUR, for the year ended 31 December 2013

	Issued capital	Share premium	Other reserves	Total
Balance at 1 January	**1**	**677**	**4,649**	**5,327**
Change in revaluation of subsidiaries	-	-	(257)	(257)
Acquisition of own shares	-	-	(458)	(458)
Total gains/(losses) recognised directly in equity	**-**	**-**	**(751)**	**(751)**
Net profit for the year	-	-	450	450
Balance at 31 December	**1**	**677**	**4,384**	**5,062**

In millions of EUR, for the year ended 31 December 2012

	Issued capital	Share premium	Other reserves	Total
Balance at 1 January	**1**	**677**	**3,590**	**4,268**
Change in revaluation of subsidiaries	-	-	332	332
Total gains/(losses) recognised directly in equity	**-**	**-**	**332**	**332**
Net profit for the year	-	-	727	727
Balance at 31 December	**1**	**677**	**4,649**	**5,327**

Reconciliation of shareholders' equity to the consolidated equity is as follows:

In millions of EUR, as at 31 December

	2013	2012
The shareholder's equity	5,062	5,327
Non-controlling interest:		
Home Credit B.V.	192	-
GIM Ltd.	100	207
Velthemia Ltd.	64	53
Air Bank a.s.	20	-
PPF banka a.s.	13	17
Sotio N.V.	5	4
Mitino Sport City LLC	4	6
Home Credit Bank AO	-	101
Bavella B.V.	-	2
Other (mainly real estate projects)	11	29
Total consolidated equity	**5,471**	**5,746**

In millions of EUR, for the period ended 31 December

	2013	2012
The Group's net profit	450	727
Net profit attributable to non-controlling interest:		
GIM Ltd.	8	37
PPF banka, a.s.	1	3
Velthemia Ltd	12	23
Eldorado	-	-
Timeworth Ltd..	-	-
Home Credit B.V.	4	-
Sotio	(1)	-
Mitino Sport City LLC	(2)	-
Other (mainly real estate projects)	(2)	19
Consolidated net profit	**470**	**809**

A.5 Loans and other liabilities

The category comprises the following:

In millions of EUR, as at 31 December

	2013	2012
Loans from group companies (including associates)	1,653	1,558
Financial liabilities at fair value through profit or loss	1,339	2,712
Other	38	78
Total other liabilities	**3,030**	**4,348**

On 6 December 2011 the Group concluded a transaction with GIM Ltd, a private equity fund domiciled in Jersey, with the purpose to exchange the future floating amount for a fixed amount over the expected sales result in the investment Generali PPF Holding. Financial liabilities at fair value through profit or loss (2013: MEUR 1,309; 2012: MEUR 2,661) represent the fair value of the floating amount and the decrease in 2013 correspond to the partial disposal of the investment in Generali PPF Holding. The maturity of this liability is linked to full disposal of Generali PPF Holding which is expected to happen in January 2015.

The following table shows maturity of loans from group companies:

In millions of EUR, as at 31 December

	2013	2012
Less than 1 year	1,090	823
More than one year	563	735
Total	**1,653**	**1,558**

The category "Other" comprises only liabilities payable within one year.

A.6 Commitments and contingent liabilities

Commitments and contingent liabilities comprise the following:

In millions of EUR, as at 31 December

	2013	2012
Loan commitments		
Revocable with original maturity less than 1 year (within the Group)	50	109
Revocable with original maturity over 1 year (within the Group)	96	100
Other	56	10
Total commitments and contingent liabilities	**202**	**219**

A.7 Audit and related services

PPF Group N.V. and its subsidiaries incurred expenses for the following services provided by KPMG Accountants N.V. and its affiliates:

In thousands of EUR, as at 31 December

	2013	2012
Audit of financial statements	4,453	3,730
Other services	800	754
Total expenses	**5,253**	**4,484**

A.8 Financial instruments

General

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

- Credit risk
- Liquidity risk
- Market risk
- Insurance risk

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the company financial statements of PPF Group N.V.

Fair value

The fair value of most of the financial instruments stated on the balance sheet, including accounts receivable, securities, cash and cash equivalents, and current liabilities, is close to the carrying amount. For details on fair value principles, refer to C.1.4 of the consolidated financial statements.

A.9 Share in results from participating interests

An amount of MEUR 200 (2012: MEUR 275) of share in results from participating interests relates to group companies.

A.10 Related parties

For details of the related parties transactions of the Company, refer to F.36 of the consolidated financial statements.

A. 11 Transactions with key management personnel

For details of transactions with key management personnel, refer to F.36.2 of the consolidated financial statements.

OTHER INFORMATION

Content:

Auditor s' report

Independent auditor's report

To: the Board of Directors of PPF Group N.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of PPF Group N.V. , Amsterdam . The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, 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. The company financial statements comprise the company balance sheet as at 31 December 2013, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of these 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 annual report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2013 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.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2013 and of its result for the year then ended in accordance 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 annual report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the annual report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 19 May 2014

KPMG Accountants N.V.

B.M. Herngreen RA

Profit appropriation

Profits and Distributions are given by Article 21 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. 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 2:105 subsection 4, of the Dutch Civil Code.

Profit appropriation for the 2013

The Board of Directors proposes the profit for 2013 to be retained.

Number of employees

The company had average number of 8 employees during 2013.

Subsidiaries

The main statutory seats of the Company are in the Czech Republic, Russia, the Netherlands and other Eastern European countries. For details in this respect, please refer to note B.2 of the consolidated statements.

PPF Group has a 100% shareholding in PPF Advisory (UK) Limited, a company registered in England and Wales under company registration number 05539859 and HC Europe Plc., a company registered in England and Wales under company registration number 07744459. Both entities were entitled to, and have opted to take, exemption from the requirement to have an audit of its financial statements for the year ended 31 December 2013 under section 479A of the Companies Act 2006 (UK) relating to subsidiary companies.

Post balance sheet events

For post balance sheet events refer to note G of the consolidated financial statements of PPF Group N.V. for the year ended 31 December 2013.

Cautionary statement with respect to forward-looking statements

Certain statements contained in this annual report are statement of future expectations and other forward-looking statements that are based on management's current view, estimates and assumptions about future events.

These forward-looking statements are subject to certain risks, uncertainties and special circumstances or events that may cause results to differ materially from those expressed or implied in such statements.