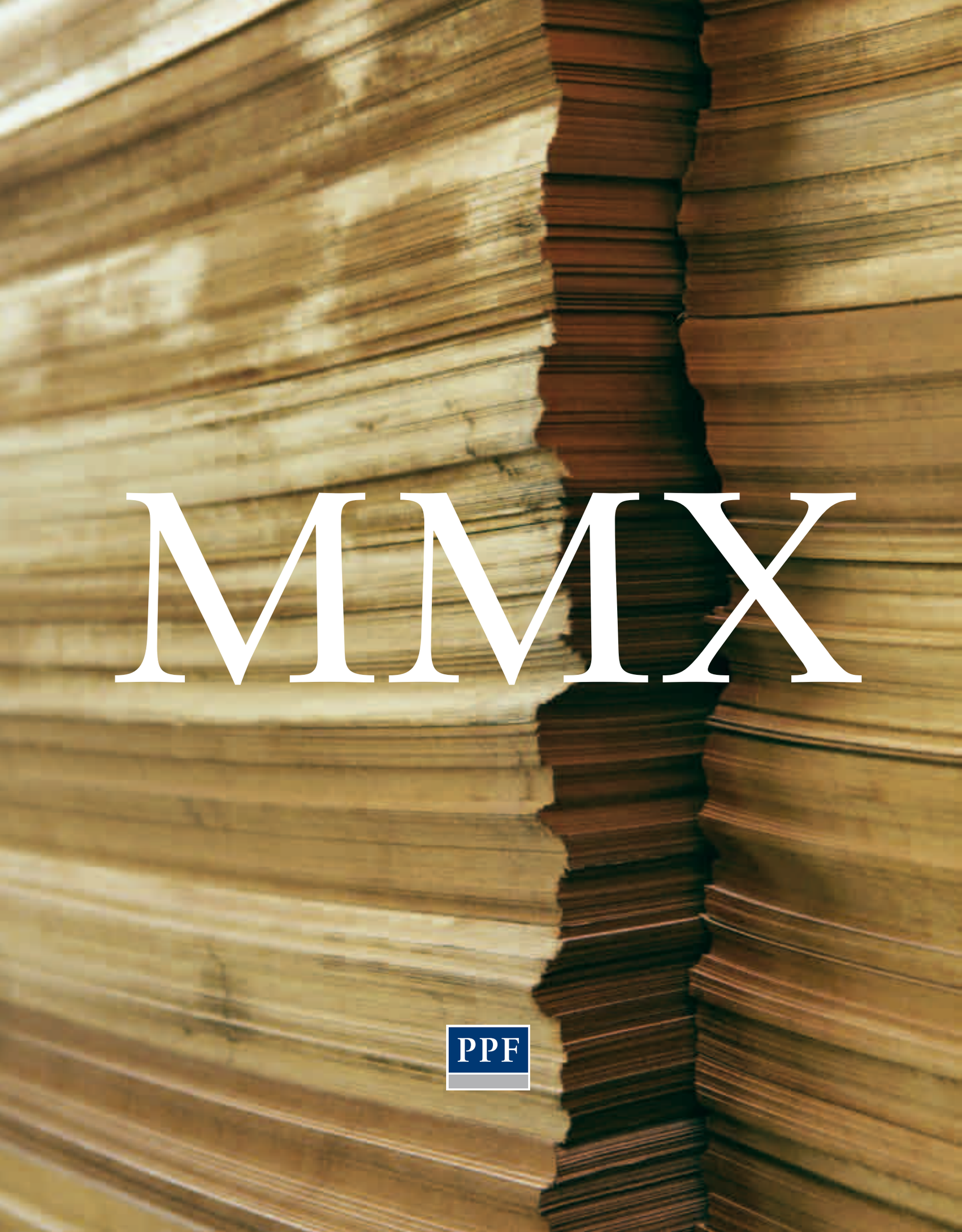
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PPF

PPF Annual Report 2010

PPF

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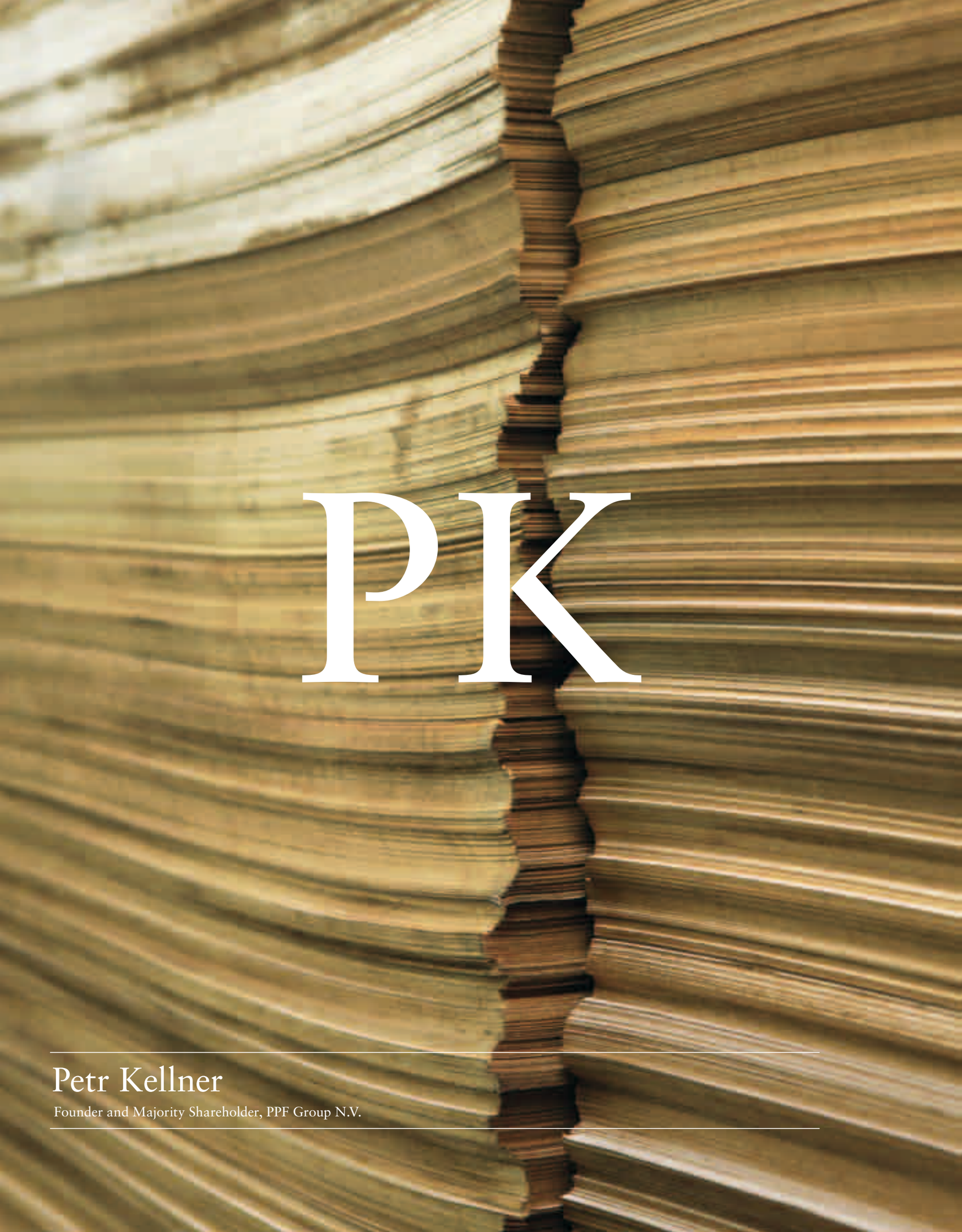


Petr Kellner

Founder and Majority Shareholder, PPF Group N.V.

Foreword

F

Dear friends,

The forecasts that the global economic recession would end in 2010 proved to be too optimistic. However, it was not a bad year for PPF at all. It was a year of consolidation for our assets as well as continued expansion into other countries. We also started implementing a new investment strategy focused on large projects. The most substantial fact, however, is that while the entire PPF Group's profit grew as a whole, we also enjoyed our work during the year.

Russia remained a priority market for PPF in 2010. Our assets there are currently valued at nearly USD 8 billion and our portfolio ranges from banking (Nomos-Bank and Home Credit) to mining for precious metals (Polymetal) to consumer electronics retailing (Eldorado). Nomos-Bank made use of an opportunity that arose in the consolidation of the banking sector to continue on its way towards becoming Russia's second largest private bank. Home Credit maintained its position as the strongest player in the Russian consumer credit market. It currently operates in eighty regions of Russia, has expanded its branch network in cities with more than 100,000 inhabitants, and posted its highest profit to date. Our investment in the Polymetal silver and gold mines has appreciated due to the market prices of commodities, a successful exploration strategy, and the acquisition of new deposits. Our restructuring of Eldorado was also very successful: the company has regained its position among the undisputed market leaders. Finally, we consolidated our property projects in Russia and transferred them to PPF Real Estate Holding, and we began building and operating commercial centres in Russia's regions.

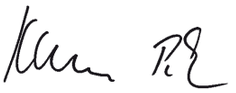
2010 also brought a strengthening of our position in Asia, particularly in China. Together with its local partners, PPF has operated in China – the world's fastest-growing economy and the second largest economy after the US – for four years now, in the consumer credit market and under the Home Credit brand. Nonetheless, 2010 was a major breakthrough for us, since we are now the first and only foreign entity to obtain our own pilot licence for the provision of consumer credit in this important market. Furthermore, our comprehensive approach to Asia can be seen in our growth in the Vietnamese market and our active pursuit of additional investment opportunities in Asia.

We also invested in Europe. We did so in line with our new investment strategy, which calls for us to focus particularly on large investments over the long term. We are actively pursuing our own projects in the fields of banking, property, and consumer retailing, and we intend to develop investments in insurance, energy, and mineral mining together with partners. In 2010, we developed investments predominantly through the Generali PPF Holding insurance business as well as Energy and Industrial Holding (EPH). The latter entity has worked its way up to become the second largest player in the domestic energy market and, more importantly, it has started expanding into the wider Central European region, namely by means of investments in Slovakia, Poland, and Germany. It also successfully continued its preparation for the issue of international bonds. Finally, looking back on 2010 we should also mention our entry to the Greek market. Preparations for the acquisition of a stake in Piraeus Bank began in late 2010.

Of course, not everything went according to plan in 2010. For example, we abandoned Our Address, our media project, and withdrew from the Ukrainian consumer finance market by selling our Home Credit banking business there. However, we see these developments as valuable experience. One of the traits that differentiates PPF Group from other major finance companies is our ability to respond to new challenges quickly and efficiently, and this has held true in 2010.

Finally, I should not forget to mention our sponsorship and educational programmes – in particular the Open Gate project. This school, founded and financed by the Educa Foundation, was the first in the Czech Republic to obtain the International Baccalaureate accreditation recognised by prestigious universities the world over. In addition, we opened a primary school at Open Gate. These developments, too, are part of our review of 2010 from PPF's perspective.

2010 was a successful year for PPF, and for that I thank all our co-workers, our business partners, and of course our customers.



Petr Kellner

JSM

Jiří Šmejc

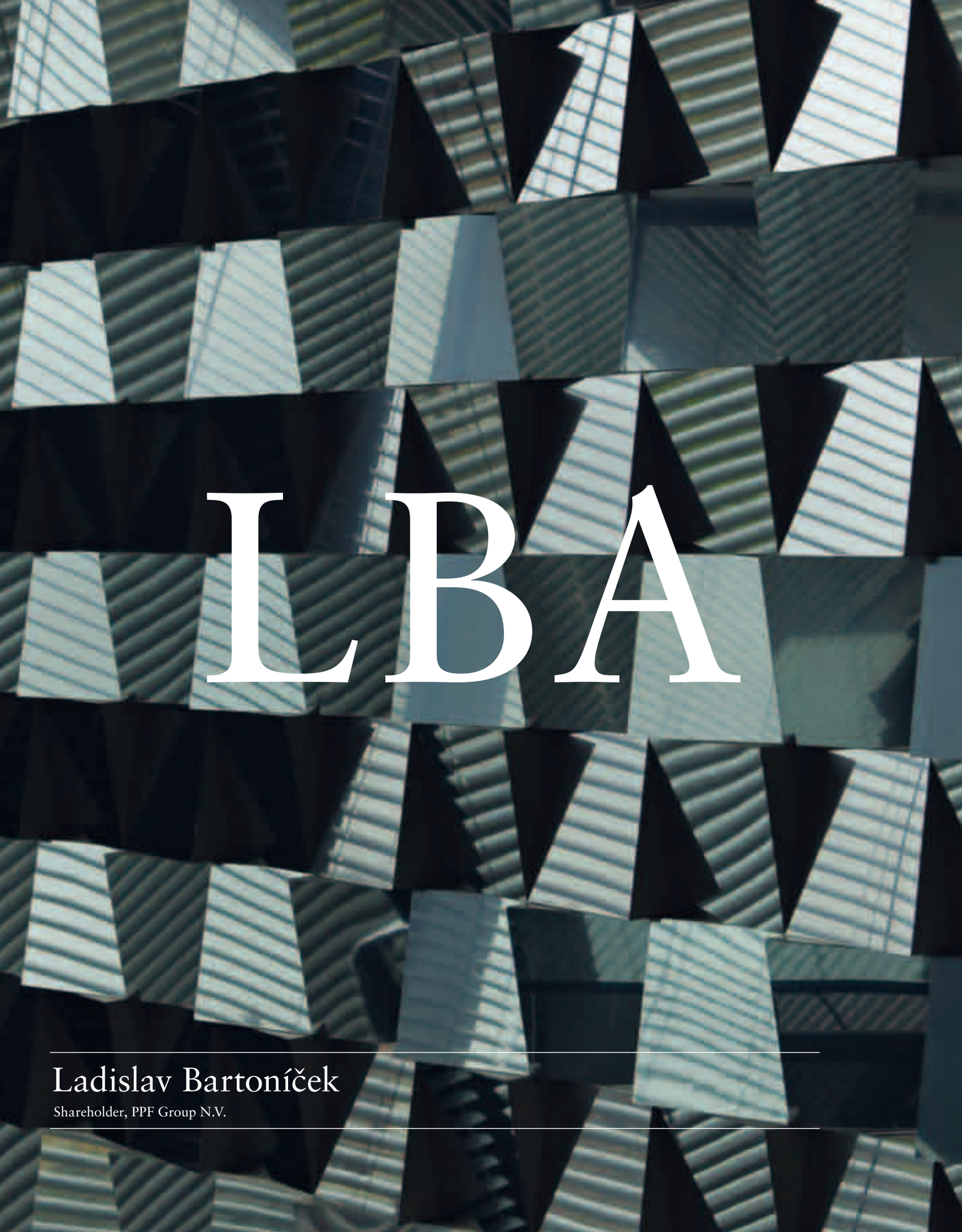
Shareholder, PPF Group N.V.

PPF Group Profile

PPF Group, a privately owned finance and investment group, is one of the largest conglomerates of its kind in the Central and Eastern European region. It currently owns assets valued at approximately EUR 12 billion, in industries ranging from banking and insurance to real estate, to energy and metal mining, to Russia's largest consumer electronics retail chain. PPF Group's reach spans from Central and Eastern Europe to Russia and beyond – to Asia. PPF Group's corporate ownership and management structure resides in the Netherlands. PPF Group N.V. with its registered office in Amsterdam is the key holding company of PPF Group that adopts the strategic decisions governing the entire Group's activity. The company owns a 100% interest in Home Credit B.V. (the holding company for the Home Credit Group companies, part of the consumer finance business arm in Central and Eastern Europe), and a 100% interest in HC Asia N.V. (the holding company encompassing the emerging structure of the consumer finance business in Asia). PPF Group N.V. owns 100% of PPF Real Estate Holding B.V., a Group company specialised in real estate projects. Through its subsidiary, PPF Co1 B.V., PPF Group N.V. is a 49% shareholder of Generali PPF Holding B.V. In addition, it is the majority shareholder of PPF banka a.s. and PPF a.s., the principal consulting business for the entire PPF Group. PPF Group N.V. owns a 72.5% interest in PPF Partners Limited, the management company of PPF Partners Group, a private equity entity focusing on investments in the CEE and CIS regions.

PPF Group, selected highlights

EUR millions, based on IFRS	2010	2009	2008
Assets	12,383	10,802	10,730
Equity	4,424	4,000	3,703
Revenue	3,357	1,760	1,525
Profit after tax	336	289	2,489



LBA

Ladislav Bartoníček

Shareholder, PPF Group N.V.

Important Events at PPF Group

I

2010

January

Following the completion of all relevant agreements among the shareholders of PPF Group N.V., Jean-Pascal Duvieusart becomes a minority shareholder by indirectly purchasing a 0.25% stake in PPF Group N.V. Ladislav Bartoníček, another minority shareholder, reduces his stake by 0.14% in a decision related to his private family investments. As a consequence of these changes, the ownership of PPF Group N.V. is: Petr Kellner, 94.25%; Jiří Šmejc, 5.00%; Ladislav Bartoníček, 0.50% and J.-P. Duvieusart, 0.25%.

February

A subsidiary of PPF Group N.V. successfully settles a transaction with ArcelorMittal regarding the sale of PPF's 13.88% stake in ArcelorMittal Ostrava a.s., for CZK 6,879,524,000 (approximately EUR 260 million at the current exchange rate). ArcelorMittal thus increases its stake in ArcelorMittal Ostrava a.s. to approximately 96.4%, and PPF Group steps out of the Czech steelmaker's shareholding structure.

March

PPF Group N.V. receives approval from the China Banking Regulatory Commission to establish a Consumer Finance Company ("CFC") in Tianjin, northern China, clearing the way for PPF Group to establish the first CFC in China to be fully owned by a foreign investor, in accordance with new consumer finance legislation adopted in China in August 2009.

April

Directly and indirectly through its 100% subsidiary Anthiarose Ltd., PPF Group N.V. completes a purchase of 31,448,841 shares in Assicurazioni Generali, giving PPF Group a 2.02% interest in the share capital of the leading Italian insurer.

August

PPF Group discontinues its media project, Our Address, which had focused on building a network of hyper-local media in the Czech Republic, and sells the project to entrepreneur Richard Benýšek.

December

PPF Group completes the process of re-branding its property management-focused organisations and development projects under the PPF Real Estate brand. PPF Real Estate Holding B.V., a holding company managing PPF Group's activities in the field, is incorporated in the Netherlands.

2011

January

The Tomilino Logistics Park near Moscow, in which PPF Group is a major investor, executes agreements with large tenants, effectively filling up the facility's storage and distribution capacity.

A consortium of companies led by PPF Advisory withdraws from the Czech state's environmental cleanup tender, declaring that it is overly politicised.

February

PPF Group settles a transaction with Platinum Bank concerning the sale of its assets in Ukraine – the Home Credit bank.

March

Home Credit & Finance Bank successfully places a USD 500 million Eurobond issue: the demand from 120 investors in 18 countries was more than double the supply.

PPF Group assumes a portion of Radovan Vítek's position as a creditor of the lottery company Sazka, a.s. and is prepared to participate in the salvaging, financial consolidation, and subsequent development of Sazka, a.s. while co-ordinating its steps with other creditors, most notably Karel Komárek's KKCG.

April

PPF Group sells a 100% stake in PPF Healthcare to the private equity fund Tuffieh Funds SICAV.

JPD

Jean-Pascal Duvieusart

Shareholder, PPF Group N.V.

PPF Group Operations

as at 31 December 2010

Petr Kellner	**(94.25%)**
Jiří Šmejc	**(5.00%)**
Ladislav Bartoníček	**(0.50%)**
Jean-Pascal Duvieusart	**(0.25%)**

PPF Group N.V.
Netherlands

PPF a.s.
Czech Republic

PPF Art a.s.
Czech Republic

EURONEWS, a.s.
Czech Republic

Consulting and other services

PPF Advisory Russia Ltd.
Cyprus

Brusson a.s.
Czech Republic

Financial services

PPF banka a.s.
Czech Republic

Home Credit B.V.
Netherlands

Home Credit Bank, JSC*
Kazakhstan

Home Credit a.s.
Czech Republic

Home Credit Bank, CJSC
Ukraine

Home Credit Bank, OJSC
Belarus

Home Credit & Finance Bank, LLC
Russia

Home Credit Slovakia, a.s.
Slovakia

Home Credit International a.s.
Czech Republic

PPF Co1 B.V.
Netherlands

Generali PPF Holding B.V.*
Netherlands

Russia Finance Corp. B.V.
Netherlands

Nomos-Bank, OJSC*
Russia

HC Asia N.V.
Netherlands

HC CHINA
China

Pearlmoon Ltd.
Cyprus

Polymetal, OJSC*
Russia

Other strategic interests

PPF Healthcare a.s.
Czech Republic

Euroclinicum a.s.
Czech Republic

Facipero Investments Ltd.
Cyprus

Eldorado, LLC
Russia

PPF Real Estate Holding B.V.
Netherlands

PPF Real Estate s.r.o.

PPF Real Estate Russia

PPF Partners Ltd.
Guernsey

PPF Partners 1 GP Limited
Guernsey

Fund management

Energetický a průmyslový holding a.s.* (EPH)
Czech Republic

*Minority interests

P

AAD ABA ABE AJA AKO ALU AME AMI AMY ANO AVA AVE AVE BKŘ BVA CEN DJA DP
JBO JBU JDO JFL JFR JGA JHL JKO JLE JMA JMA JMR JPA JPE JPE JRE JŘE JSA JSK JŠM JŠ
LCHO LCHV LKR LKU LMI LNO LNO LPA LRE LSI LSK LŠA LTŮ LTY LVE MAD MBR MCA
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HA PHA PHE PHO PHO PJA PK PKA PKO PLA PPÁ PPÁ PRA PRY PST PŠR PŠT PVI RČT RDR
TPE TŠA VHA VHE VHO VJA VKE VKO VLU VML VRO VŠO VŠR ZŠP ZŠT ZŠT ZŽA ZŽÁ

MŠT

Martin Štefunko

Member of the Top Executive Team, PPF

Description of the Company

D

PPF Group N.V.

Date of incorporation	29 December 1994
Registered office	Strawinskylaan 933 Tower B Level 9, 1077XX Amsterdam, The Netherlands
Registration number	33264887
Share capital	EUR 667,380
Business	holding company for the Group, financing

AMI

Aleš Minx

Chairman of the Board of Directors and Chief Executive Officer, PPF Group N.V.

Governing Bodies

Shareholders

Petr Kellner

Founder and Majority Shareholder, PPF Group N.V.

Born in 1964; a graduate of the Faculty of Industrial Economics of the University of Economics in Prague in 1986. One of the founders of PPF Group, Petr Kellner manages the strategic development and future direction of the Group. From January 1998 to March 2007 he was Chairman of the Board of Directors of PPF a.s. He has been a Member of the Board of Directors of Assicurazioni Generali S.p.A. since April 2007 and a Member of the Board of Directors of Generali PPF Holding B.V. since January 2008.

Jiří Šmejc

Shareholder, PPF Group N.V.

Born in 1971; a graduate of the Charles University in Prague, Faculty of Mathematics and Physics with a specialisation in mathematical economics. He started his own investment business in 1992 and became Managing Director and CEO of PUPP Consulting s.r.o. in 1993. In 1995 he worked as Sales Manager for Middle Europe Finance s.r.o., a securities trader focusing on acquisitions. Until the end of 2004 he was a 34.0% owner of TV NOVA Group. He joined PPF Group in 2004 and became a shareholder in 2005. He is responsible for managing the Group's activities in Russia and has been a Member of the Board of Directors of Generali PPF Holding B.V. since January 2008.

Ladislav Bartoníček

Shareholder, PPF Group N.V.

Born in 1964; a graduate of the Czech Technical University in Prague, Faculty of Electrical Engineering. He joined PPF investiční společnost, a.s. in 1991 as Executive Director and graduated from the Rochester Institute of Technology in New York in 1993. From 1996 to September 2006 he served as CEO of Česká pojišťovna a.s. and from June 2000 as Chairman of the Board of Directors of Česká pojišťovna a.s. He was appointed CEO and member of the Board of Directors of Generali PPF Holding B.V., the joint venture between PPF Group and Assicurazioni Generali, in 2007. Ladislav Bartoníček has been a PPF Group shareholder since 2007.

Jean-Pascal Duvieusart

Shareholder, PPF Group N.V.

Born in 1966; a graduate of the University of Chicago (MBA) and the Catholic University of Louvain, Belgium (specialisation in Commercial Engineering). He joined McKinsey in 1992 and worked in Brussels and New York prior to moving to Central Europe. He was Managing Partner at McKinsey Prague between 1999 and 2005, when he assumed leadership of McKinsey CIS and Central Europe. He has advised banks and insurance companies as well as various industrial companies in Russia, the Czech and Slovak Republics, Hungary, Poland, and Romania.

PPF Group N.V.

Aleš Minx

Chairman of the Board of Directors and CEO

Born in 1964; a graduate of the University of Economics, Prague, Faculty of Industrial Economics. He worked at PAL a.s. from 1987 to 1992 as Head of the Economic Department. He joined PPF in 1992 and served as its CFO until June 2001. Then, from July 2001 to May 2005 he was the CEO of PPF a.s. , Vice-Chairman of the PPF a.s. Supervisory Board until March 2007 and is now the Chairman of the Board of Directors of PPF Group N.V. Since January 2008 he has also been a member of the Board of Directors of Generali PPF Holding B.V.

Wilhelmus Jacobus Meyberg

Member of the Board of Directors

Born in 1965; his previous roles included Financial Analyst and CFO at Mattel Europe B.V. and ECsoft Nederland B.V. He is a former member of the Board of Directors of Deutsche International Trust Company N.V. and REWE International Finance B.V. He joined PPF Group in 2004 as a director.

Rudolf Bosveld

Member of the Board of Directors

Born in 1958; he graduated from Erasmus University in Rotterdam where he was awarded a Master's Degree in management with a specialisation in Corporate Finance. He has more than 20 years of experience in financial services and financial markets, having held many top executive positions, including that of Executive Director for Corporate Finance and Capital Markets at MeesPierson N.V., Director for Corporate Development, Mergers and Acquisitions at Nuon, and Managing Director of Rabobank International.

PPF a.s.

Pavel Horák

Chairman of the Board of Directors

Born in 1972; he graduated from Masaryk University, Brno, Economics Department and the University of Economics, Prague, Faculty of Finance. He gained experience in financial management at Deloitte & Touche, where he worked as an auditor, and later during his long-term tenure at TV NOVA where he held the position of Financial Manager between 2001 and 2006. He is a Chartered Certified Accountant and a member of the Association of Chartered Certified Accountants (ACCA, UK). He joined PPF Group in 2006 and currently works as the CFO of PPF Group.

Martin Štefunko

Member of the Board

Born in 1977; he holds a PhD in Economic Theory and the History of Economic Thought from the University of Economics in Bratislava, where he also obtained his Master's Degree in Finance, Banking, and Investments. He further studied Banking and Finance at the Johannes Kepler University in Austria and Economic Theory at the Mises Institute of Auburn University in the US. Martin Štefunko worked at Penta Investments from 2001 and from 2004 he was in charge of investment project management as Chief Investment Officer. In this position, he managed a series of Penta's major acquisitions and business developments in retail, healthcare, energy, and mechanical engineering. He joined PPF Group in 2009 as a member of the Group's top executive team and currently holds the position of the Chief Investment Officer. He was appointed to the Board in November 2010.

Evžen Hart

Member of the Board

Born in 1958; he graduated from the Academy of Performing Arts, Prague, Faculty of Theatre, specialisation in Production. He worked at the Kolin Regional Theatre in 1982 and at the Central TV News Department of Czechoslovak TV from 1983. He joined Young & Rubicam in 1992 and was quickly promoted from account manager to sales director. He then left for BBK Advertising in 1993 and worked as its sales director, CEO and partner. In 2000, after BBK was sold to Ogilvy Group, he was appointed CEO of Ogilvy's Czech branch. He worked as non-executive chairman at Ogilvy Group from 1 January 2006 and then joined PPF Group. He was a member of the Board of Directors of PPF a.s. from March 2007 to November 2010.

Lubomír Král

Member of the Board

Born in 1972; he graduated from the Faculty of Law of Charles University in Prague and also attended the University of Economics, Prague. Starting his career as a lawyer, he worked in the legal department for the settlement centre of the Prague Stock Exchange from 1997 to 1999. He has been with PPF since 1999 as Director of the PPF a.s. legal department and, since March 2007, also a member of the Board of Directors of PPF a.s. Since October 13, 2010, he has been a member of the Board of Directors of PPF Partners Limited.

PHO

Pavel Horák

Chairman of the Board of Directors, PPF a.s.

PPF banka a.s.

Petr Milev

Chairman of the Board of Directors

Born in 1968; a graduate of the Faculty of Mathematics and Physics of Charles University in Prague. Worked in investment banking and capital markets from 1993 to 2000, consecutively at Komercni banka, a.s., BNP – Dresdner Bank CR a.s., and Conseq Finance s.r.o. He has worked at PPF Group and held various managerial positions (starting with Česká pojišťovna) since 2000, and is a member of the Exchange Chamber of the Prague Stock Exchange. He has been the CEO of PPF banka a.s. since June 2005 and was appointed Chairman of the Board in March 2010.

Josef Zeman

Vice-Chairman of the Board

Born in 1966; a graduate of the Czech University of Life Sciences, Prague, Faculty of Economics and Management. He has worked in finance, both in the corporate world (Carborundum Electrite, TOS Čelákovice) and in banking (IPB, ČSOB, and since 2002 in První městská banka – today's PPF banka a.s.). Has been a member of PPF banka's top executive team in charge of the risk management division since 2006 and was appointed Vice-Chairman of the Board in March 2010.

Pavel Langr

Vice-Chairman of the Board

Born in 1971; a graduate of the University of Economics, Prague, specialisation in Finance, he obtained his CIA (Certified Internal Auditor) degree in 2002. He worked at Pragobanka, a.s., Česká pojišťovna a.s. and later at eBanka, a.s. where he was the head of internal audit. In 2002 he was elected a member of the Board of PPF banka. Since joining PPF banka in October 2002, he has been the head of the Operations and IT division.

PPF Partners Limited

Mel Carvill

Member of the Board

Born in 1962; he was awarded an Advanced Diploma in Corporate Finance from the Institute of Chartered Accountants of England and Wales (ICAEW). One of the founders of PPF Partners, he has been a member of PPF Group's top executive team since 2009. Prior to joining PPF Partners as the President and CFO, he worked as Deputy General Manager of Assicurazioni Generali and the company's Head of Western Europe, the Americas, and the Middle East. He was responsible for the Generali Group's M&A activities as well as for Research and Corporate Development and International Regulatory Affairs. He worked with the Generali Group for 23 years, holding various accounting, technical and general management positions, and joined the Head Office in 2000. He was responsible for over EUR 10 billion of transactions during his time at Generali. He is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate of the Chartered Insurance Institute, and a Fellow of UK's Securities & Investment Institute.

Ladislav Chvátal

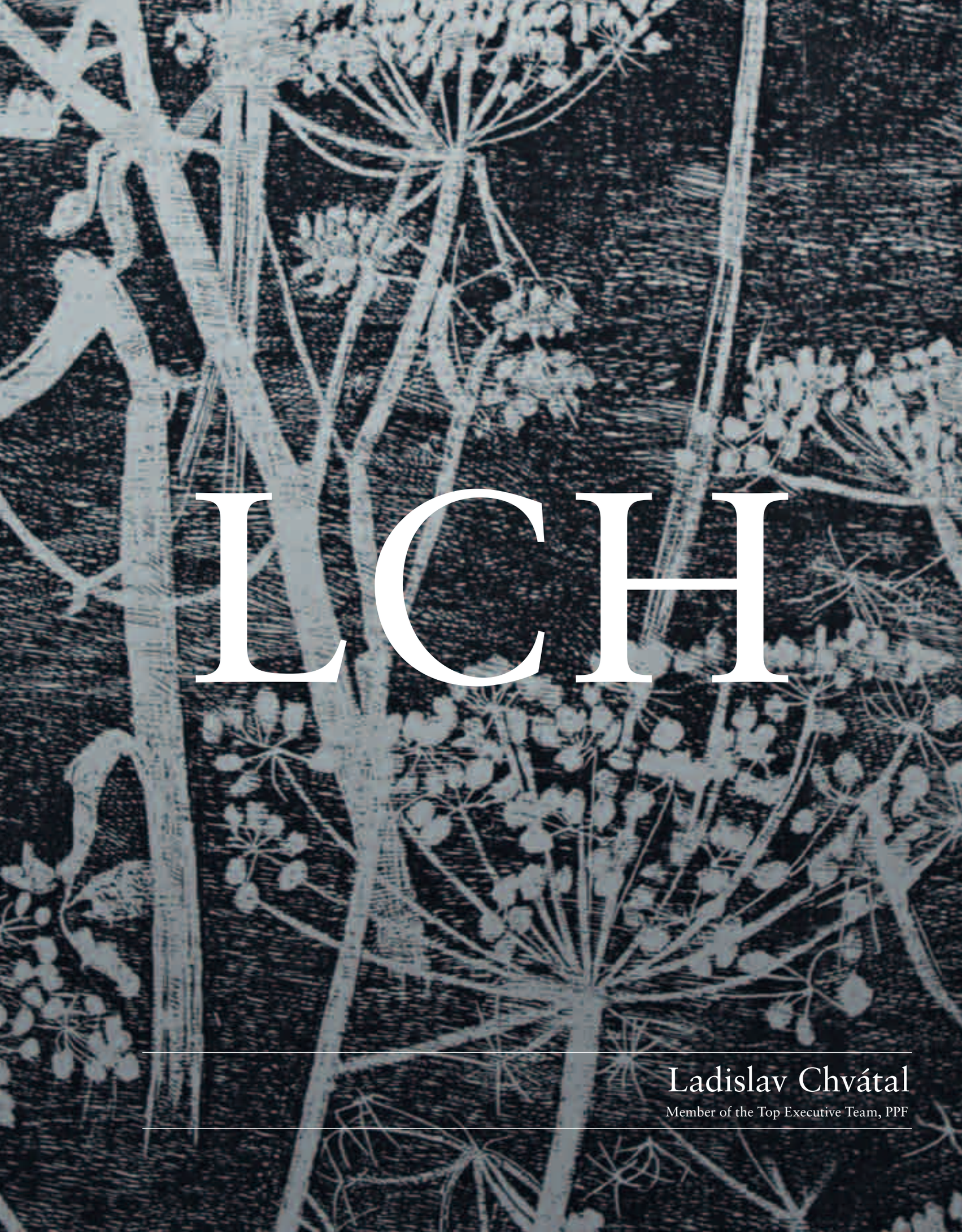
Member of the Board

Born in 1963; a graduate of the University of Economics, Prague, specialisation in automated management systems in economics. He joined PPF Partners in January 2009, having come to PPF Group in 1994. He has held several top executive positions at PPF Group and later at Home Credit Group. He became PPF Group's Executive Director for Retail Banking and Consumer Finance on 1 June 2005 and was a member of the Board of Directors of Home Credit B.V. from January 2007 to December 2008.

Iain Stokes

Member of the Board

Born in 1964; he graduated from Trent University in Commerce and later became a licensed accountant at BDO Binder on the Isle of Guernsey. Afterwards, he spent seven years at Guernsey International Fund Managers, a member of Barings. He joined Mourant in 2003 as the head of the Guernsey branch, and currently is in charge of private equity fund management across Europe. He specialises in private equity and real estate funds, has provided advice to a number of leading financial groups in the field and has been a member of the Board of PPF Partners Limited since August 2008.



LCH

Ladislav Chvátal

Member of the Top Executive Team, PPF

Home Credit B.V.

Alexander Labak

Chairman of the Board of Directors

Born in 1962; a Fulbright scholar, he was awarded an MBA from Wharton Business School and completed a graduate course at the Vienna University of Economics and Business. Prior to joining Home Credit in 2006, he held executive positions in a number of prestigious financial service companies, such as the President of MasterCard Europe and Head of Marketing at Deutsche Bank. During tenures at Johnson & Johnson and Henkel, he focused on consumer issues. Over the course of his career, he was in charge of business on a pan-European as well as global scale and obtained experience in direct operational management on the markets in the US, Canada, Germany, Italy, Belgium, and Austria. Alexander Labak has held the position of the Chairman of the Board at Home Credit B.V. since 26 January 2007.

Sonia Slavtcheva

Member of the Board

Born in 1965; in 1988 she completed her Master's Degree at the University of National and World Economy in Sofia, Bulgaria, specialising in transportation management and economy. She then obtained an MBA degree in Finance at the University of Pittsburgh. She joined Home Credit in July 2008. Prior to that, she had worked at GE Money for more than ten years, holding a number of positions in Europe and the US and gaining considerable experience in financial transactions. She was appointed a member of the Board at Home Credit B.V. in January 2009.

Ivan Svítek

Member of the Board

Born in 1967; he was awarded a Bachelor's degree from Claremont McKenna College in California, USA, in Economics and Political Science, and an MBA in Finance from INSEAD in France. He joined Home Credit Group in September 2008 and prior to joining Home Credit & Finance Bank in Russia, he worked for five years at GE Money in Brazil, as President and CEO. During tenures in various areas of Europe and Latin America with GE and PepsiCola, he gathered more than 15 years' worth of experience in strategic and operational management in the fields of financial services and fast-moving consumer goods. He was appointed a member of the Board of Home Credit B.V. in January 2009.

PPF Real Estate Holding, B.V.

Kamil Ziegler

Managing Director

Born in 1962; a graduate of the University of Economics, Prague, Faculty of Commerce, and the Southern Methodist University in Dallas, Texas. He has held many major positions in the banking sector, such as executive director and CFO at Komerční banka a.s., Deputy CEO and member of the Board at Česká spořitelna a.s., CEO and Chairman of the Bank Council at Konsolidační banka Praha s.p.u., and Chairman and CEO of Raiffeisenbank a.s. He joined PPF Group in April 2004 and until April 2008 held a number of positions in the governing bodies of PPF a.s. He has been a member of the Supervisory Board of PPF a.s. and the Advisory Committee to PPF Group N.V. since 2008, Executive Vice-president, Finance at ECM Real Estate Investments, k.s. since July 2008 and Managing Director and CFO of PPF Real Estate Holding, B.V. since December 2010. He also holds the position of a Vice-President of the CFO Club of the Czech Republic.

Advisory Committee to PPF Group N.V.*

Štěpán Popovič

Member

Born in 1945; he graduated from Jan Evangelista Purkyně University, earning a Dr. H. C. degree. During his career to date, he held the positions of the Chairman of the Board and CEO at Glavunion and the CEO of Sklo Union, a state enterprise. He was the director of the Řetenice (Sklotas) and Lesní Brána (Obas) glass plants. He was Chairman of the PPF a.s. Supervisory Board from June 2006 until December 2010.

Milan Maděryč

Member

Born in 1955; he graduated from an industrial secondary school and a graduate course at Brno Technical University. He worked at the technical and investment development section of ZPS a.s. in Zlín from 1980, and later as the head of the Trading division. He has been with PPF Group since 1994. He served as a member of the Board of PPF a.s. and has been the Chairman of the Supervisory Board of Česká pojišťovna a.s. since June 2007.

Kamil Ziegler

Member

* The Advisory Committee was established by a decision of the Board of Directors of PPF Group N.V. as of 30 April 2008, as a body comprised of experienced professionals, providing advice and support to the company's management for their strategic decisions as well as representing the interests of the entire Group in relation to regulatory and other authorities.

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AKL AKO AKO AKO AMO APL APO ASV ATO AYU AZI BBR BBY BDO BKR BVE DGÁ DHA
ESCH EŠT FKO FLA FVA GST HCHR HSH HTĚ IBO IDI IKO IPI ISM ISM IŠM IVO IŽÁ JBL JČ
JMA JMA JMI JMI JMO JNO JPR JRE JRZ JSI JSK JSK JSL JST JŠN JŠP JTA JTA JVE JVO JVO JV
LHE LHO LKH LKH LKL LKO LKO LKU LKU LLA LLA ÍLLA LMA LMI LNO LPA LPO LPO LR
MGR MHR MCHO MJI MJU MKA MKO MKO MKR MKR MKŘ MLE MLO MLY MMA MM
MST MSU MSV MSV MŠI MŠM MŠP MŠU MTE MTO MUR MVA MVO MWA MZD OKO OM
PHU PHY PJA PJU PKO PKO PKO PKU PKV PLA PLO PMA PMO PMU PMU PMU PNĚ PPL PPO
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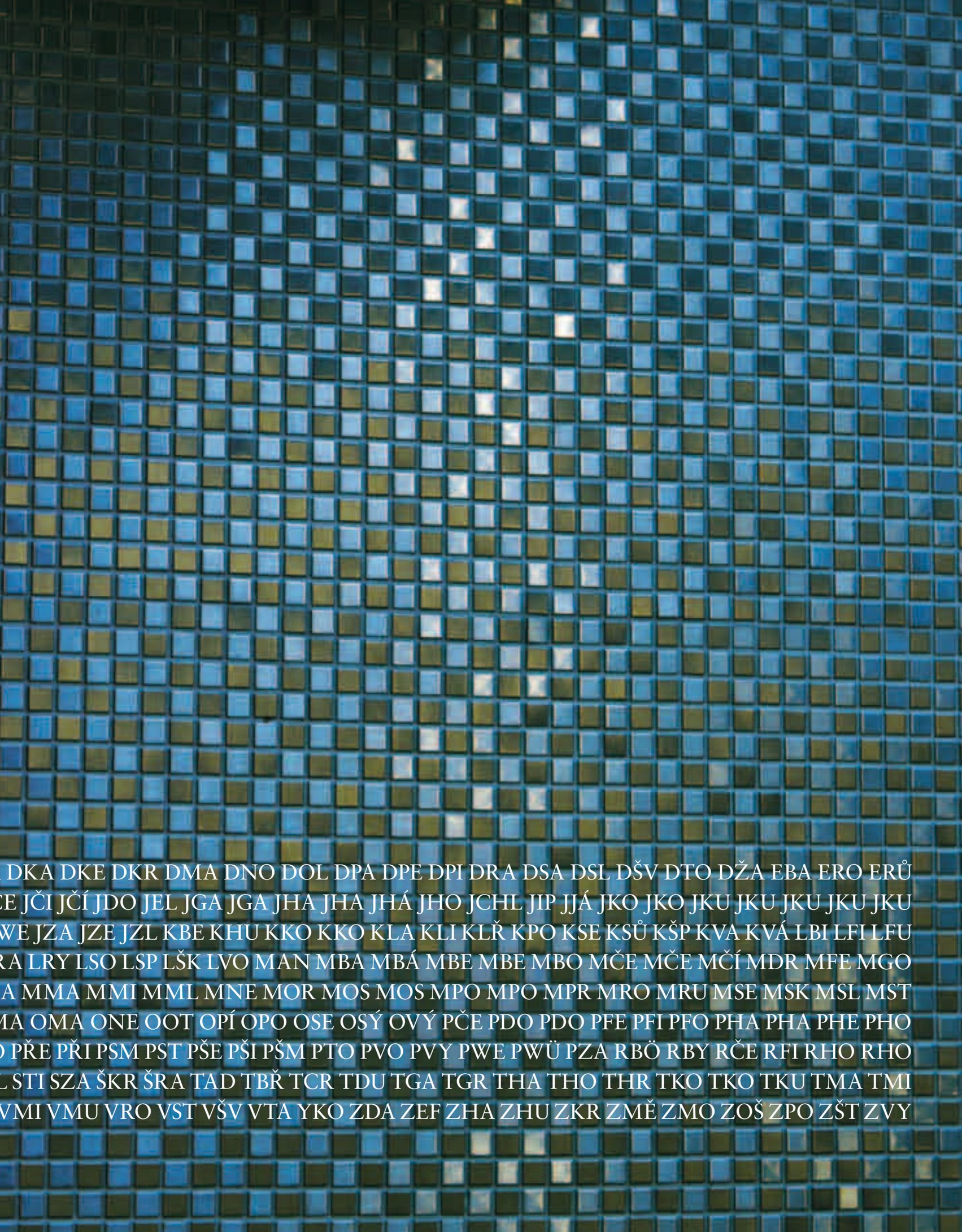
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ALA

Alexander Labak

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

Descriptions of Selected PPF Group Companies

D

Home Credit

Consolidated Financial Highlights

EUR millions	2010	2009	Year-on-year change
PPF Group's share	100%	100%	–
Operating income	782.3	737.0	6.1%
Net profit	234.2	54.4	330.8%
Total assets	3,083.6	2,736.3	12.7%
Total equity	935.8	783.0	19.5%
Number of employees	15,776	14,600	10.6%

Home Credit B.V. is a holding company, 100% owned by PPF Group N.V. Home Credit B.V. is the platform for PPF's consumer finance operations in Central & Eastern Europe and the Commonwealth of Independent States.

Home Credit B.V. operates in the Czech Republic, Slovakia, Russia, Belarus, and Kazakhstan.

The Home Credit Group comprises the following companies:

1. Home Credit & Finance Bank LLC: banking and consumer lender in the Russian Federation
2. Home Credit a.s.: consumer lender in the Czech Republic
3. Home Credit Slovakia a.s.: consumer lender in the Slovak Republic
4. OJSC Home Credit Bank: consumer lender in Belarus
5. Home Credit International a.s.: strategic business consulting, including IT support, for Home Credit Group companies
6. Home Credit B.V.: direct owner of the consumer finance companies listed above
7. several other, smaller companies

Home Credit B.V. is also a minority shareholder (with a 9.99% stake) of JSC Home Credit Bank in Kazakhstan, which has fully adopted the business model of the Home Credit brand. JSC Home Credit Bank is an independent bank and is not managed by Home Credit Group.

The first Home Credit company was established in 1997 in the Czech Republic. Initially, Home Credit grew in its domestic markets, i.e. the Czech Republic and Slovakia. Since 2002, Home Credit Group has been developing its operations in the Russian market, and at present Home Credit & Finance Bank is both a leader in the consumer finance segment and one of the most successful privately-owned retail banks. During the 2005–2007 period, Home Credit entered the new markets of Kazakhstan, Ukraine, and Belarus.

In selected markets, Home Credit made the strategic decision to move towards retail banking and today, customer deposits account for over one quarter of the Group's total liabilities. In Russia and Belarus, Home Credit has continued to build a unique distribution network of new-format branches and an agents' network which are enabling Home Credit to expand its regional reach and subsequently, grow sales while maintaining the current level of expenses.

In view of the Ukrainian market's lacklustre performance and the lack of growth opportunities to be found there, in 2010 Home Credit B.V. decided to sell its 100% stake in PJSC "Home Credit Bank" (Ukraine) to Platinum Bank; the transaction closed on 31 January 2011. As a result, PJSC "Home Credit Bank" (Ukraine) is now fully controlled by Platinum Bank, and Home Credit B.V. no longer provides any banking services in Ukraine.

In recent years PPF Group has commenced operations – under the Home Credit brand – in the Chinese market as well, through HC Asia N.V., a subsidiary of PPF Group N.V. In 2010, PPF Group obtained a permit to establish a consumer finance company under a new Chinese law applicable to non-bank finance companies. In this way, Home Credit Consumer Finance Company Co Ltd., which opened for business in late 2010, became the first and only company under full foreign ownership to hold this licence.

In 2009 the PPF Group, through PPF Vietnam Finance Limited, launched its consumer finance operations in Vietnam, also under the Home Credit brand.

PPF Group continues to explore opportunities for the Home Credit brand in other emerging markets.

Key Financial Indicators of Home Credit B.V.

Financial Performance of Key Companies, 2010

EUR millions	Home Credit and Finance Bank	Home Credit	Home Credit Slovakia	Home Credit Bank	Home Credit Bank
	Russia	Czech Republic	Slovakia	Belarus	Ukraine
Year established/acquired	2002	1997	1999	2006	2006
Net loans to customers	1,844.1	75.4	160.8	59.1	40.8
Operating income	613.6	67.4	33.0	22.0	5.9
Net profit/(loss)	233.7	18.2	6.1	8.8	(7.5)

Net Loans by Product, 2010

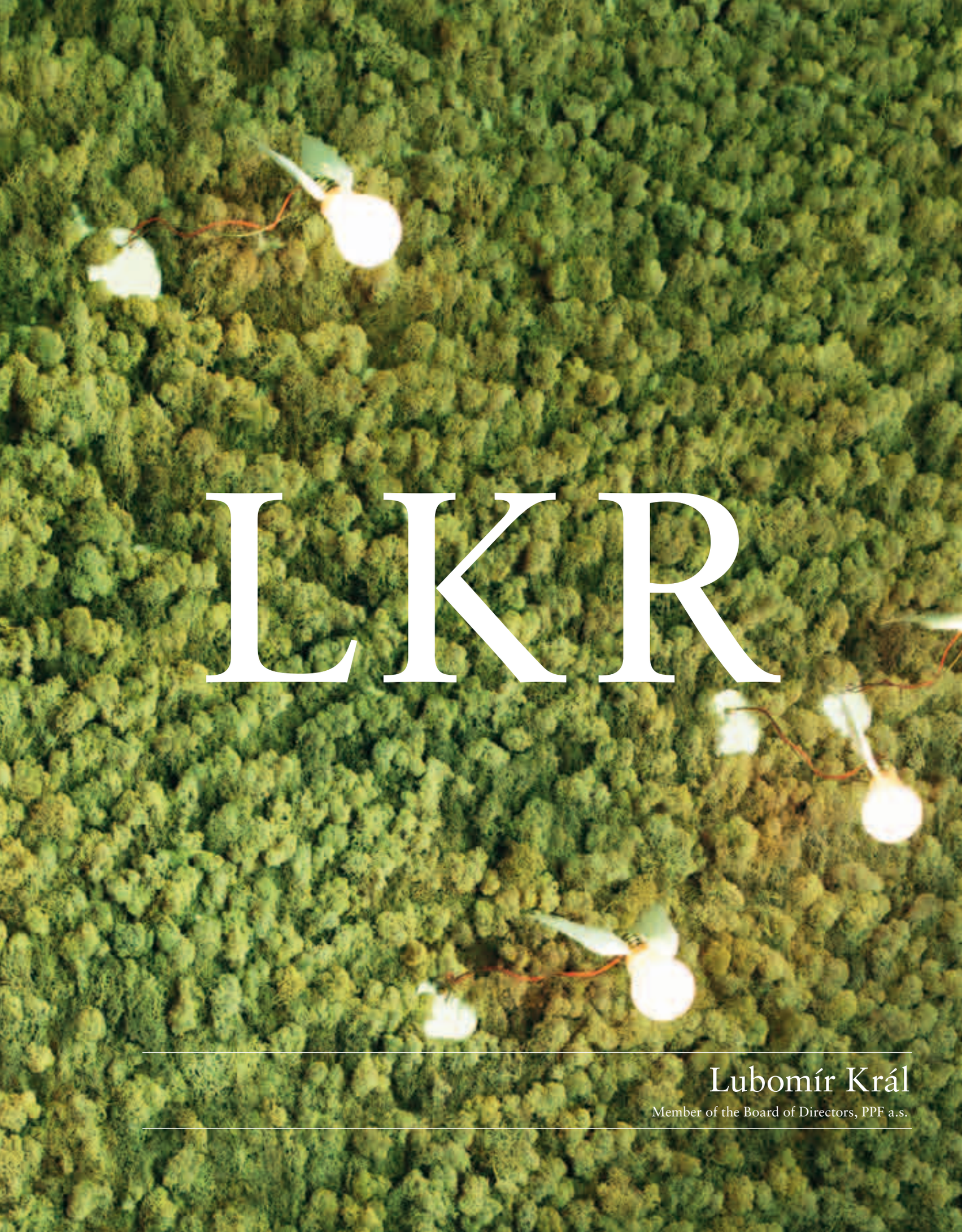
EUR millions	POS loans	Cash loans	Cards	Other
Net loans to customers	1,070.0	508.0	348.0	250.9

The principal product category is POS (point of sale) loans, which account for 49.2% of the overall product portfolio. Cash loans and credit cards comprise 23.3% and 16.0%, respectively, of total net loans.

Home Credit B.V. – Consolidated Statement of Financial Position

as at 31 December 2010

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



LKR

Lubomír Král

Member of the Board of Directors, PPF a.s.

Home Credit B.V. – Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2010

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

P

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PPF banka

Unconsolidated Financial Highlights

EUR thousands	2010	2009	2008
PPF Group's share	92.96%	92.96%	92.96%
Net profit	26,107	30,686	21,780
Total assets	2,089,417	1,633,953	1,663,617
Total equity	166,414	132,680	99,496
Loans-to-deposits ratio	51%	46%	25%
Number of employees	151	124	113

Activities in the Czech Republic in 2010

PPF banka posted excellent performance results in 2010, despite a challenging economy. Although it did not beat its 2009 record, it did exceed the 2008 result by 21%. Since the 2009 results were influenced by extraordinary revenues from securities trading, they made a tough comparable. Overall, however, PPF banka is seeing a continuing growth trend in both total assets and operating income, while maintaining a reasonably low level of risk. Profit before tax according to Czech Accounting Standards (CAS) exceeded CZK 800 million. PPF banka net profit in 2010 reached CZK 660.3 million, down from CZK 811.2 million in 2009.

PPF banka's total assets grew by a substantial 21% year-on-year to CZK 52.36 billion in 2010 from CZK 43.3 billion in the previous year. In order to diversify revenues, PPF banka used a portion of its free cash to enter the export and structured finance market, and as a result lending volume grew 37% to CZK 18.7 billion. The 19% increase in PPF banka's equity had a positive impact on the equity-to-assets ratio, which was unchanged at 8%.

The ratio of classified loans according to Czech National Bank (CNB) criteria to total receivables from customers fell year-on-year to 5.36% in 2010 from 10.28% as at 31 December 2009. This was due to PPF banka's prudent strategy and an improvement of the loan portfolio credit profile.

Return on Average Equity (ROAE) exceeded 20%, Return on Average Assets (ROAA) was 1.30%, and management kept the efficiency indicator, CIR, under 40%.

The Bank provides financial, investment, and advisory services to selected 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. As of 2010, PPF banka is successfully developing an export finance business with support from state-owned export insurance company EGAP. In the investment banking field, the bank specialises in securities trading in most markets of Europe, the USA, Russia, and certain Asian countries, mostly for professional investors. PPF banka also acts as the central treasury bank of PPF Group. 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 2010 PPF banka continued to play a key role in PPF Group – particularly for companies from the Home Credit Group, the Generali PPF Holding, and latterly for the Energy and Industrial Holding as well.

PPF banka is a member of:

– Czech Banking Association

– Czech Institute of Internal Auditors

– Union of Banks and Insurance Companies

– Prague Economic Chamber

– Prague Stock Exchange

– Chamber for Economic Relations with CIS

PPF banka shareholder structure

PPF Group N.V.	92.96%
City of Prague	6.73%
Others	0.31%

Unconsolidated Financial Statements According to Czech Accounting Standards

EUR thousands	2010[1]	2009	2008
Cash in hand and balances with central banks	22,292	23,770	232,382
Receivables from banks	888,716	786,339	750,786
Receivables from customers	744,416	512,712	328,870
Securities	383,842	251,850	291,484
Other assets	50,151	59,282	60,094
Total assets	**2,089,417**	**1,633,953**	**1,663,617**
Payables to banks	75,748	2,544	14,273
Payables to customers	1,449,781	1,116,663	1,300,380
Payables from debt securities	250,455	281,358	128,866
Share capital	30,678	29,048	28,614
Other equity components	135,727	103,631	70,883
Other liabilities	147,019	100,709	120,602
Total liabilities and equity	**2,089,417**	**1,633,953**	**1,663,617**
Net interest income	36,811	39,437	44,284
Net fee and commission income	8,632	5,420	(1,992)
Income from shares and equity interests	4	15	979
Gain/(loss) from financial operations	5,576	20,100	5,564
Administrative expenses	(17,876)	(16,129)	(15,232)
Depreciation and amortization	(1,177)	(1,022)	(2,209)
Write-offs and write-downs of receivables	260	(7,952)	(8,430)
Other operating income/(expenses), net	(437)	(685)	(61)
Income tax	(5,685)	(8,498)	(1,123)
Net profit/(loss) for the accounting period	**26,107**	**30,686**	**21,780**

Basic Ratios

Classified customer loans/Total customer loans	5.36%	10.28%	7.42%
Capital adequacy [2]	11.15%	10.14%	10.74%
ROAA [2]	1.30%	1.72%	1.71%
ROAE [2]	20.68%	32.36%	26.51%
Assets per employee [2]	13,837	13,177	14,722
Administrative expenses per employee [2]	118	130	135
Net profit per employee	2,173	247	193

[1] As at 31 December 2010, 2009, and 2008 the following exchange rates were used:

	31 December 2010	31 December 2009	31 December 2008
CZK/EUR	0.03990	0.037774	0.037209
Average exchange rate for the entire year, CZK/EUR	0.039541	0.037829	0.040086

[2] According to Czech National Bank methodology.

MCA

Mel Carvill

Member of the Top Executive Team, PPF

PPF Partners

PPF Group's share in the management company	72.5%

PPF Partners is an international private equity firm focused on the emerging markets of Central and Eastern Europe and the CIS (Commonwealth of Independent States). PPF Partners was established in 2008 as a joint venture between PPF Group and Assicurazioni Generali. The founders – PPF Group and Generali – co-invest jointly in the deals. The economic shares of the partners in the individual funds may differ. The first private equity fund, PPF Partners Fund 1 LP with EUR 615 million in commitments from PPF Group, PPF shareholders and Assicurazioni Generali, has already been launched (see the table below). As of year-end 2008, the Fund had initiated contracts under which it invested part of its commitments in an initial portfolio that includes stakes in waste-to-energy, hotels and media businesses in the Czech Republic, Romania and in Ukraine. All the new acquisitions were completed in 2009.

PPF Partners Fund 1 LP – Fund overview

Closing date	3 December 2008
Year of inception	2008
Total commitment	EUR 615 million
Term	5 + 5 years
Investment period	5 years, i.e. until the end of December 2013
Fund's domicile	United Kingdom
Legal form	Limited partnership
Structure	One general partner and three limited partners
Management company	PPF Partners Limited
Investment focus by stage	A generalist fund:
	– Early stage
	– Development capital
	– Buyout investments
Investment focus by geography	Central and Eastern Europe, Commonwealth of Independent States

Generali PPF Holding

PPF Group's share	49%
Premium revenue, gross	EUR 3.3 billion
Consolidated shareholders' equity	EUR 5.4 billion
Number of employees	13,000

Generali PPF Holding B.V. operates in the markets of the Czech Republic, Slovakia, Poland, Hungary, Romania, Slovenia, Bulgaria, Croatia, Serbia, Montenegro, Russia, Ukraine, Belarus and Kazakhstan.

Generali PPF Holding is an entity established by the Generali and PPF Groups as a holding company for the insurance operations of both Groups in Central and Eastern Europe. The company commenced operations on 17 January 2008, after it obtained the necessary regulatory permits. Generali PPF Holding has operations in 14 countries of Central and Eastern Europe, its total assets under management amount to EUR 14.9 billion, and it serves more than 10 million customers across the entire region.

In 2010 Generali PPF Holding's companies continued expanding into new market segments and extending and improving their product portfolios and client services. A new outpatient clinic was opened in Belgrade, the capital of Serbia, providing top quality health care and offering commercial health insurance. Generali PPF Holding has successfully launched direct insurance operations in Slovakia under the Genertel brand, based on positive experience in Hungary.

Generali PPF Holding B.V. is registered in the Netherlands and has established its principal organisational unit in Prague, Czech Republic, from which its operations are managed.

P

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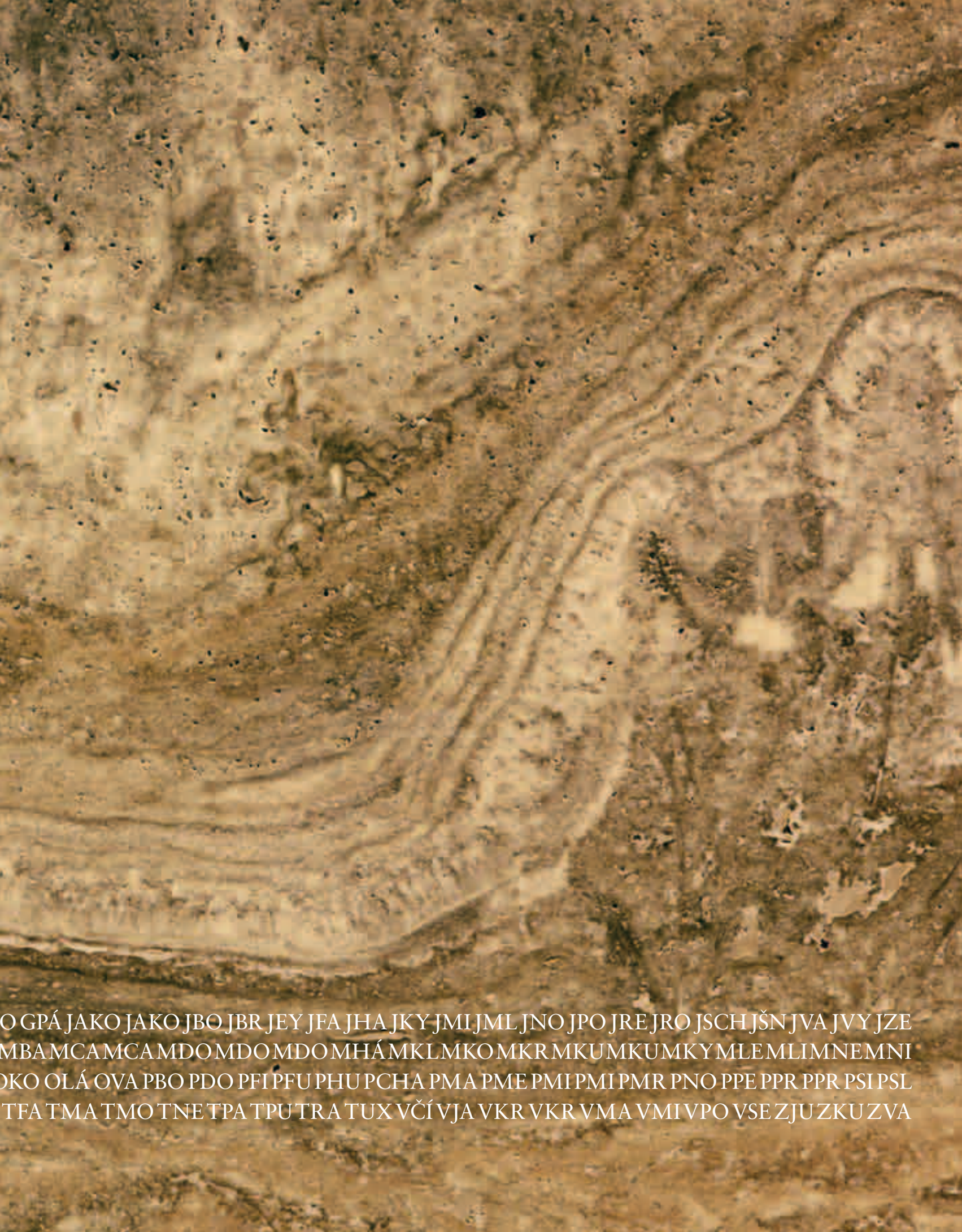

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Energy and Industrial Holding (Energetický a průmyslový holding – EPH)

PPF Group's share	40%/29%*
Sales revenue	CZK 25 billion
Assets	CZK 51.6 billion
Number of employees	over 4,000

* Total voting share/effective economic share

Energy and Industrial Holding (EPH) is a vertically integrated structure, established in 2009 and comprised of a wide portfolio of companies, encompassing coal mining, power and heat generation, electricity distribution and trading as well as electricity supply to end customers. EPH is also an important investor in selected industry assets, focusing on energy and other sectors. In 2010 EPH acquired, among other assets, a majority interest in Pražská teplárenská, one of the major heat generators and distributors in the Czech Republic.

EPH is the second largest player in the Czech Republic's energy sector, and one of the country's ten largest industrial structures. EPH's power plants in the Czech Republic have an aggregate total installed capacity of 1,195 MW_e, of which renewable resources represent 11 MW_e. Further development of EPH's energy business is based primarily on leveraging acquisition opportunities in the markets of the Czech Republic and neighbouring countries such as Poland. Thus EPH has acquired a majority interest in the Silesia coal mine in Poland near the Czech border.

PPF Real Estate Holding

PPF Group's share	100%
Total shareholders' equity	EUR 235 million
Total assets	EUR 633 million
Number of employees	97

PPF Real Estate Holding B.V. was established at the end of 2010 to consolidate PPF Group's real estate activities and functions as a real estate 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 outside clients. The company operates in the Czech Republic, Central and Eastern Europe and Russia. Development opportunities are also monitored in other territories such as Asia.

PPF Real Estate Holding is among the largest market players both in the Czech Republic and across the CEE region. At present it provides comprehensive services to 77 projects and the volume of assets under its management is more than EUR 600 million. It is split into two branches: PPF Real Estate CEE, which manages projects in the Czech Republic and Central and Eastern Europe, and PPF Real Estate Russia.

PPF Real Estate's know-how as well as its team of experienced employees with extensive expertise in their field guarantee top-quality services for clients, encompassing project preparation, project management, acquisition, financing, feasibility studies, sale, lease, and marketing in respect of individual buildings as well as larger real estate complexes.

Real Estate highlights for the PPF Group in 2010:

Russia

– Tomilino – Lease of all the space in the logistics park near Moscow (110,000 sq. metres).

– Ryazan – successful construction of a shopping mall, preparations for opening in September, 2011.

– Astrakhan – completion of a shopping mall at an attractive site in the city, preparations for opening in autumn 2011.

– Work continued on preparing urban development studies for various locations in Russia.

Czech Republic

– Work continued on a commercial real estate development project in cooperation with the Prague 6 Municipality.

– Argentine Star Project – PPF RE takes part in the tender for the construction of a new Town Hall for Prague 7.

Romania

– Part of the company's land in Romania was successfully sold.

Ukraine

– Komodor – successful lease transaction for space in this logistics complex near Kiev (68,940 sq. metres).

José Garza

Member of the Top Executive Team, PPF

Nomos-Bank

Consolidated Financial Statements*

RUB millions	2010	2009	Year-on-year change
PPF Group's economic share	28.24%	29.92%	–
Total equity	57,935	36,612	58.2%
Total assets	530,217	277,111	91.3%
Net profit	10,445	4,261	145.1%
Number of employees	9,408	4,640	103%

*Consolidated data, also including Khanty-Mansyisk Bank. A 51.29% interest in this bank was acquired by Nomos-Bank in December 2010.

Nomos-Bank is one of the top privately-owned Russian banks. After the acquisition of a majority interest in another major regional bank, the Khanty-Mansyisk Bank, it is the number-two privately-owned bank in terms of assets and overall it is one of the top ten Russian banks in terms of asset volume. Over the last five years its assets have been growing much faster than the average for the entire market (48% increase).

The bank is highly profitable, with an RoAE coefficient of 21.2%. Its capital position is also strong with a Tier 1 ratio of 10.6%. Strict risk management enabled the bank to significantly reduce non-performing loans to 2.4%.

The bank's diversified business strategy comprises operations in corporate, investment and retail banking not just in the key cities, Moscow and St. Petersburg, but also in a number of regions, with emphasis on development in the Urals and in Siberia and the Far East. As of 31 December 2010, the bank's network included more than 300 branches and departments in 41 of the economically most advanced and fastest growing regions of Russia. The bank provided its services to 8,900 corporate clients (for the most part, medium-size companies), 64,000 small businesses and 1.4 million retail clients.

Polymetal

	2010	2009	Year-on-year change
PPF Group's legal share	19.99%	19.6%	–
Gold production (Koz)	444.0	311.0	43%
Silver production (Moz)	17.3	17.3	–
Revenues (USD millions)	925	561	65%
Net income (USD millions)	250	94	166%
Number of employees	7,491	6,386	17%

Polymetal is a leading Russian gold and silver mining company with a long-term portfolio of high-quality assets, which has been listed on the London Stock Exchange (LSE) since 2007. Polymetal is the number-one primary silver producer in Russia (and among the top five world producers) and the number-four gold producer in Russia. In recent years it has been focusing primarily on gold, which generates about 60% of Polymetal's revenue.

Last year, Polymetal's share price performed very well. Due to favourable circumstances and pricing in the precious metals market, the share price nearly doubled in comparison with December 2009. Polymetal's shares were included in the FTSE Gold Mines index at the London Stock Exchange.

The company is continuing in its strategy of expansion and acquisition of new high-quality deposit sites of gold, silver and other precious metals in Russia and Kazakhstan. Having acquired six new high-quality assets for its portfolio, Polymetal now possesses a total audited resources amount of 17 Moz in gold equivalent.

Eldorado

RUB millions	2010
PPF Group's share	50% + 1 share
Total revenues	82,897.0
Gross profit	22,775.2
Gross profit margin	27.5%

Eldorado, one of Russia's leading consumer electronic and domestic appliances retailers, maintained its leading position in the industry. In terms of geographical coverage, Eldorado is the clear industry leader with 650 stores (including franchises) in 452 cities throughout the country. Its total revenues exceeded RUB 82 million.

In 2010, Eldorado's strategy focused primarily on shifting its business emphasis from being primarily a chain of low-price stores (for those who prefer low-price goods) to becoming a network that addresses customers who seek good value for their money. The Eldorado brand has undergone a revitalisation process under the new advertising slogan "It's so easy to live better". In July 2010, after a three-year pause, Eldorado re-launched the hire-purchase financing concept, based on the "0-0-24" formula (zero upfront, zero increase, payments spread over 24 months). As a result, instalment sales grew from the previous 20% to 70%. An innovative programme enabling old appliances to be exchanged for new ones also contributed to the increases in sales and market share.

The company also continued to restructure its store network. Less profitable and non-standard format stores were gradually closed, while new-generation stores were opened at attractive locations all over Russia. In March 2011, a new standard was set with the opening in Moscow of a store based on the new "ideal shop" concept. This concept will be extended to all locations in Russia. Eldorado also improved its shopping area lease terms: initially there were contracts for less than a year but the company has now managed to agree five-year lease contracts and all leases are denominated in roubles.

Price and margin control has also increased, thanks to an over-all improvement of the entire supply chain from supplier to customer. This is reflected in a higher margin, better credit terms, and an improved situation in goods supply.

Keeping costs under control remains the primary task for the company. Efforts in this area are having a positive impact on financial performance and EBITDA.

VML

Vladimír Mlynář
Member of the Top Executive Team, PPF

History of the PPF Group

2010

– Through the indirect purchase of a 0.25% interest in PPF Group N.V., Jean-Pascal Duvieusart becomes a minority shareholder of the company.

– PPF Group N.V. receives approval from the China Banking Regulatory Commission to form a Consumer Finance Company (CFC) in Tianjin, in the north of China. This clears the way for PPF Group to establish the first CFC in China to be fully owned by a foreign investor, in accordance with new consumer finance legislation enacted in China in August 2009.

– PPF Group N.V. acquires 31,448,841 shares of Assicurazioni Generali (both directly and indirectly). As a result, PPF obtains a 2.02% stake in the leading Italian insurer.

– PPF Group completes the process of rebranding its real estate management organisations under PPF Real Estate.

2009

– PPF Group and Igor Yakovlev agree to a debt capitalisation deal, in which PPF Group acquires a majority interest of share in Eldorado, Russia's largest home appliance and electronics retail chain. The transaction closes in September 2009.

– The J&T and PPF Groups and Daniel Křetínský form Energy and Industrial Holding, a joint venture in the field of energy and industry, which commences operations in October 2009.

– PPF Group formally launches its consumer financing business in Vietnam, making the country the eighth market in its Europe and Asia emerging markets portfolio. PPF Vietnam Finance Company Ltd. is a wholly owned subsidiary of PPF Group N.V., which provides product purchase loans to the qualified mass market under the Home Credit brand.

2008

– PPF Group becomes a significant shareholder in Russia-based Polymetal, a leader in silver and gold mining.

– PPF Group provides a loan to Eldorado, Russia's retail giant and business partner, through Home Credit & Finance Bank.

– PPF Group and Assicurazioni Generali S.p.A. form PPF Partners, a private equity company specialised in investments in the developing CEE and CIS markets.

2007

– PPF Group N.V. executes an agreement with Assicurazioni Generali S.p.A., leading to the formation of Generali PPF Holding B.V., which goes on to officially launch its insurance business in Central and Eastern Europe and the CIS.

– PPF Group N.V. acquires an interest in Nomos-Bank, one of the leading banks in the Russian Federation.

– Home Credit Group launches consumer financing activities in China.

2006

– PPF Group sells eBanka to Raiffeisen Group.

2005

– Home Credit lays the foundation for offering consumer finance services in Kazakhstan.

– PPF Group opens a representational office in Vietnam, aiming to capitalise on opportunities in the region's consumer financing market.

– PPF Group sells ČP Leasing to the Agricole – Sofinco group.

2004

– Following a successful restructuring, PPF Group sells its majority interest in TV NOVA to CME, the international media company.

– PPF Group opens a representational office in Beijing to explore opportunities in the region's consumer financing market.

2002

– PPF Group establishes businesses that offer insurance and consumer finance services in the Russian market.

– Acquisition and successful restructuring of PPF banka, the former První městská banka (partly owned by the City of Prague).

1999

– Acquisition of Expandia Banka a.s. (later eBanka), a pioneer of e-banking in the Czech Republic.

– Regional expansion of Home Credit.

1997

– Foundation of Home Credit as a platform for providing consumer finance services.

1996

– PPF Group acquires a major interest in Česká pojišťovna, the largest business in the Czech Republic insurance market, and launches its restructuring.

1995

– Foundation of special purpose vehicles, PPF majetková a.s. and PPF Capital Management a.s., expanding the Group's reach into real estate management and strategic investments.

1994

– PPF Group launches security trading and asset management activities.

1993

– PPF's investment funds acquire equity shares with a nominal value of CZK 4.9 billion. PPF Group ranks sixth among Czech investment companies in terms of the number of investment points collected in mass voucher privatisation.

1992

– Foundation of PPF investiční společnost a.s.

1991

– Foundation of PPF Group as a privatisation fund and launch of privatisation-related collective investment activities.

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 its foundation, PPF Group has been focusing its support primarily on two areas: art and education.

PPF Group and culture

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.

Václav Špála Gallery

This exhibition hall is among the best in Prague, due primarily to its prestigious location in the very centre of Prague. Its collections are spread over three floors. PPF Art, which won a tender launched by the Prague 1 Municipality in spring 2010, became the new operator of the Václav Špála Gallery for the following ten-year period. The Gallery has a glorious past and now it has returned, under the PPF brand, to present the best of the contemporary art scene. It re-opened to the public on 10 September 2010 and first exhibition, by renowned Czech artist Jiří Černický, generated much interest among the public.

Josef Sudek Studio

PPF Group initiated the renovation of the studio of the world-famous Czech photographer in Prague's Újezd Street. The construction work to return the historic studio to its original form commenced in 2000 and since then the studio has become a major gallery, presenting the photographic works of respected Czech and foreign artists, as well as emerging young artists. To date, exhibitions in the studio have included photographs by Josef Sudek, František Drtikol, Emila Medková, Jan Lukas, Ivan Pinkava, Jaroslav Rössler and Gábina Fárová.

Česká pojišťovna Gallery

PPF is also responsible for the programme of the Česká pojišťovna Gallery, whose exhibition space is composed of several rooms on the ground floor of the Art nouveau building of Česká pojišťovna in Spálená Street in the centre of Prague. The gallery presents the works of contemporary Czech artists in a series of exhibitions entitled "Painting trends in Czech art". Every summer, the gallery shows works from Česká pojišťovna's extensive art collections as well as from PPF Group's collection of Czech and Slovak photography.

PPF Group's collection of Czech and Slovak photography

With more than 1,150 works by 69 authors, this is probably the largest private collection of Czech and Slovak photography. Several unique works are added to the collection every year. The photographers represented in the collection include, for example, Josef Sudek, Ivan Pinkava, Tono Stano, Emila Medková, Jaroslav Rössler, Václav Jirásek, Jaromír Funke and others.

Summer Shakespeare Festival

PPF Group has been the sponsor partner of these traditional outdoor events since 2000. Over the period of its existence, this drama festival has grown substantially and is now considered to be the largest of its kind in Europe. In 2010, the open-air theatres in the Czech Republic and Slovakia were visited by about 87,000 people.

Jára Cimrman Theatre in Prague

The plays of the Jára Cimrman Theatre have become a cult phenomenon in the Czech Republic. The spoken word is the main tool used by the authors of these plays to achieve their trademark poetic mystification. PPF Group provides a financial contribution to the theatre to support its continued operation.

PPF Group and education

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.

Open Gate Boarding School: Eight-Year High School (Gymnasium) and Primary School

This is a unique project in the Czech Republic, which compares favourably with schools of a similar type in the UK and Germany. Besides housing boarding students, the school also has day students from nearby areas.

The mission of the school is to provide opportunities to all young people to develop their potential, irrespective or their family background or personal situation (if they are talented and have the capability to study at the school), and to prepare them for the Czech and international school-leaving examinations. Financial support to students from socially disadvantaged backgrounds is provided by the Educa Foundation, established for this purpose by Renáta and Petr Kellner. The eight-year Gymnasium opened its first classes in 2005 and since then the Educa Foundation has paid the tuition fee in full or in part for about 80% of the students. Many of these students come from orphanages, foster families or single-parent homes.

In this school year (2010/2011), the Open Gate Gymnasium has almost 140 boarding students. Students who have completed the last year continue in a two-year cycle of preparation for the International Baccalaureate (IB), which represents a high standard of world secondary education. The first IB graduates will leave Open Gate in 2011.

Forty-five students have already taken their school-leaving exams in the past two years, 2009 and 2010; 98 per cent of them are currently studying at prestigious foreign and Czech universities.

In the 2010/2011 school year, one Czech-English primary school class (4th grade) was opened on the Open Gate premises for a total of 16 pupils. The primary school will be in full operation from the next school year. Work commenced in 2010 on an extension of the Open Gate premises to house the Primary School and the Gymnasium. The architectural design documentation was prepared and the process of selecting teachers for the primary school commenced.

The University Project

2010 was the third year of the Educa Foundation's project of providing grants to exceptionally talented Czech students who themselves are unable to pay tuition fees at foreign universities. For the academic year of 2010/2011 the Foundation included in the project 18 students who received the grants, which enabled them to study at prestigious European and U.S. universities such as the University of Chicago, Columbia University, the London Metropolitan University and others.

The Kellner Family Foundation

The aim of the Kellner Family Foundation is to help develop society and improve people's lives. In 2010, the Foundation launched a long-term education project for public primary schools in the Czech Republic under the heading "Helping schools succeed". The project had been in preparation for two years. In 2010, two primary schools were included in the pilot stage of the project and received five-year support. The number of schools supported will be gradually increased. Long-term educational, financial and staff support helps teachers in public schools better identify pupils' needs and adapt teaching methods in order to achieve the best possible educational results.

In addition to launching and financing its main educational project, the Foundation also provided contributions to municipalities in the Czech Republic to alleviate the consequences of summer floods and gave donations to other individuals and institutions engaged in projects in the areas of education, culture and healthcare.

Support for Gifted Students in Russia

In late 2009, Home Credit & Finance Bank (HCFB), which is one of the largest banks in Russia and is owned by PPF Group, commenced a unique project to support gifted children from disadvantaged families in their university studies. The project, named "Sinyaya ptitsa" after a popular theatre play about a quest for happiness, was piloted in the cities of Murmansk, Kaluga, and Sverdlovsk, and then gradually expanded to other areas throughout Russia (Volgograd, Altay, Bashkortostan, Saint Petersburg and environs). The aim of the project is to provide gifted young people from disadvantaged family backgrounds not just funding (scholarships) to study at prestigious universities, but also to offer them personal development courses, internship opportunities at local HCFB branches, and gifts (books, study materials). Today, dozens of students are involved in the program and will receive scholarships from HCFB for the entire duration of their studies at university.

Financial Section

F

Independent Auditor's Report

To: the director's of PPF Group N.V.

The accompanying summary financial statements, which comprise the summary statement of financial position as at 31 December 2010, the summary 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, are derived from the audited financial statements of PPF Group N.V. for the year ended 31 December 2010. We expressed an unqualified audit opinion on those financial statements in our report dated 16 May 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of PPF Group N.V.

Management's Responsibility

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in note A.4.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Dutch Law, including the Dutch Standard on Auditing 810 "Engagements to report on summary financial statements".

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of PPF Group N.V. for the year ended 31 December 2010 are consistent, in all material respects, with those financial statements, on the basis described in note A.4.

Amstelveen, 8 June 2011

KPMG Accountants N.V.

M. Frikkee RA

Consolidated Financial Statements

for the Year Ended 31 December 2010

Consolidated Statement of Financial Position

In millions of EUR, as at 31 December	Note	2010	2009
ASSETS			
Cash and cash equivalents	F.1.	345	406
Financial assets at fair value through profit or loss	F.2.1.	262	250
Financial assets available-for-sale	F.2.2.	835	506
Loans and receivables due from banks and other financial institutions	F.2.3.	1,015	1,033
Loans and receivables due from non-banks	F.2.4.	3,065	2,261
Other loans and receivables	F.2.6.	579	803
Current income tax receivable		14	23
Deferred tax assets	F.3.	43	37
Other assets	F.4.	231	432
Inventories	F.5.	452	325
Non-current assets held for sale	A.5.	108	–
Investments in associates and joint ventures	F.6.	4,278	3,628
Investment property	F.7.	317	342
Property, plant and equipment	F.8.	351	312
Intangible assets	F.9.	488	444
TOTAL ASSETS		**12,383**	**10,802**
LIABILITIES			
Due to non-banks	F.10.	2,063	1,559
Due to banks and other financial institutions	F.11.	3,169	2,718
Debt securities issued	F.12.	1,526	1,518
Financial liabilities at fair value through profit or loss	F.13.	163	173
Liabilities held for sale	A.5.	76	–
Current income tax liability		5	8
Deferred tax liabilities	F.3.	77	40
Provisions	F.14.	19	24
Other liabilities	F.15.	831	807
TOTAL LIABILITIES		**7,929**	**6,847**
CONSOLIDATED EQUITY			
Issued capital	F.17.	1	1
Share premium		677	677
Other reserves	F.18.	(72)	(243)
Retained earnings		3,818	3,565
Total equity attributable to equity holders of Parent Company		**4,424**	**4,000**
Non-controlling interest		30	(45)
Total consolidated equity		**4,454**	**3,955**
TOTAL LIABILITIES AND EQUITY		**12,383**	**10,802**

Consolidated Income Statement

In millions of EUR, for the year ended 31 December	Note	2010	2009 restated
Interest income		989	973
Interest expense		(322)	(353)
Net interest income	**F.19.**	**667**	**620**
Fee and commission income		263	207
Fee and commission expense		(56)	(49)
Net fee and commission income	**F.20.**	**207**	**158**
Net gain/(loss) on financial assets	F.21.	(53)	(123)
Net impairment losses on financial assets	F.22.	(295)	(339)
Net expense related to credit risk insurance	F.23.	–	(18)
Other banking result		**(348)**	**(480)**
NET BANKING INCOME		**526**	**298**
Rental and related income		26	19
Property operating expenses		(4)	(5)
Net valuation gain/loss on investment property		(42)	(20)
Profit on disposal of investment property		–	1
NET REAL ESTATE INCOME	**F.24.**	**(20)**	**(5)**
Sales of goods		2,031	526
Cost of goods sold		(1,533)	(425)
Other income on retail operations		48	22
NET INCOME ON RETAIL OPERATIONS		**546**	**123**
Other income		42	183
OTHER OPERATING INCOME	**F.25.**	**42**	**183**
General administrative expenses	F.26.	(922)	(491)
Other operating expenses	F.27.	(66)	(114)
OPERATING EXPENSE		**(988)**	**(605)**
Net gain/loss from sale of investments in subsidiaries		(6)	(3)
Share of earnings of associates		358	338
PROFIT/(LOSS) BEFORE TAX		**458**	**329**
Income tax expense	F.28.	(121)	(53)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**337**	**276**
Profit from discontinued operations	A.5.	(10)	(5)
NET PROFIT FOR THE PERIOD		**327**	**271**
Net profit attributable to non-controlling interest		(9)	(18)
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		**336**	**289**
Weighted average number of shares	F.17.	66,738	66,738
Basic and Diluted earnings per share for profit for the period (EUR)	F.33.	5,035	4,330
Basic and Diluted earnings per share for profit from continuing operations (EUR)	F.33.	5,184	4,405

Consolidated Statement of Comprehensive Income

In millions of EUR, for the year ended 31 December	2010	2009
NET PROFIT FOR THE PERIOD	**327**	**271**
Other comprehensive income		
Fair value gains on available-for-sale financial assets	(107)	2
Currency translation differences	158	(47)
Share of other comprehensive income of associates	108	54
Income tax relating to components of other comprehensive income	(2)	(1)
Other comprehensive income for the period (net of tax)	**157**	**8**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**484**	**279**
Total comprehensive income attributable to non-controlling interest	**(12)**	**(18)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	**496**	**297**

The consolidated financial statements were approved by the Board of Directors and the Supervisory Board of the Company on 16 May 2011.

Consolidated Statement of Cash Flows

In millions of EUR, for the year ended 31 December, prepared using the indirect method	2010	2009
Cash flows from operating activities		
Profit before tax	458	329
Adjustments for:		
Depreciation and amortisation	67	48
Amortisation of PVFP and impairment losses on goodwill and PVFP	18	38
Impairment and reversal of impairment of current and non-current assets	180	345
Profit/loss on disposal of PPE, intangible assets and investment property	(7)	3
Profit/loss on sale of financial assets	(24)	89
Consolidated gains/losses on disposal of consolidated subsidiaries and associates	(1)	(45)
Interest expense	322	360
Interest income	(995)	(995)
Other income/expenses not involving movements of cash	(278)	(238)
Purchase of financial assets at fair value through profit or loss	(369)	(118)
Proceeds from financial assets at fair value through profit or loss trading	363	364
Change in loans and receivables due from banks and other financial institutions	19	(274)
Change in loans and receivables due from non-banks	(752)	708
Change in other assets	90	(345)
Change in financial liabilities at fair value through profit or loss	(10)	80
Change in liabilities due to non-banks	504	(36)
Change in other liabilities	20	107
Cash flows arising from taxes on income	(80)	(29)
Change in assets and liabilities held for sale	–	97
Net cash from operating activities	**(475)**	**488**
Cash flows from investing activities		
Interest received	961	989
Dividends received	62	123
Purchase of tangible assets and intangible assets	(125)	(85)
Purchase of financial assets at fair value through profit or loss not held for trading	(98)	(327)
Purchase of financial assets available for sale	(3,598)	(991)
Purchase of investment property	(7)	(131)
Acquisition of subsidiaries and associates, net of cash acquired	(89)	(270)
Proceeds from disposals of PPE and intangible assets	26	31
Proceeds from sale of financial assets at fair value through profit or loss not held for trading	86	348
Proceeds from sale of financial assets available for sale	3,206	683
Proceeds from sale of investment property	9	–
Proceeds from disposal of subsidiaries and associates, net of cash disposed	6	–
Net cash from investing activities	**439**	**370**
Cash flows from financing activities		
Proceeds from the issue of debt securities	826	1,668
Proceeds from loans by banks and other financial institutions	5,192	2,322
Payment of debt securities	(936)	(1,904)
Repayment of loans from banks and other financial institutions	(4,797)	(2,967)
Interest paid	(353)	(403)
Cash flow from financing activities	**(68)**	**(1,284)**
Net increase (decrease) in cash and cash equivalents	**(104)**	**(426)**
Cash and cash equivalents as at 1 January	**406**	**852**
Effect of exchange rate movements on cash and cash equivalents	43	(20)
Cash and cash equivalents as at 31 December	**345**	**406**

Consolidated Statement of Changes in Equity

In millions of EUR, for the year ended 31 December	Issued capital	Share premium	Available for sale reserve
Balance at 1 January 2010	**1**	**677**	**19**
Profit for the period	–	–	–
Valuation gains (losses) taken to equity for AFS	–	–	(118)
AFS revaluation gains transferred to income statement	–	–	11
Currency translation	–	–	–
Effect of movement in equity of associates	–	–	23
Tax on items taken directly to or transferred from equity	–	–	(2)
Total comprehensive income for the period	**–**	**–**	**(86)**
Net allocation to legal and statutory reserves	–	–	–
Effect of acquisition of subsidiaries	–	–	–
Effect of changes of interest in associates	–	–	–
Effect of acquisition of non-controlling interest	–	–	–
Total changes	**–**	**–**	**(86)**
Balance at 31 December 2010	**1**	**677**	**(67)**

In millions of EUR, for the year ended 31 December	Issued capital	Share premium	Available for sale reserve
Balance at 1 January 2009	**1**	**677**	**(33)**
Profit for the period	–	–	–
Valuation gains (losses) taken to equity for AFS	–	–	(2)
AFS revaluation gains transferred to income statement	–	–	4
Currency translation	–	–	–
Effect of movement in equity of associates	–	–	51
Tax on items taken directly to or transferred from equity	–	–	(1)
Total comprehensive income for the period	**–**	**–**	**52**
Net allocation to legal and statutory reserves	–	–	–
Effect of acquisition of subsidiaries	–	–	–
Total changes	**–**	**–**	**52**
Balance at 31 December 2009	**1**	**677**	**19**

Legal and statutory reserves	Translation reserve	Retained earnings	Attributable to equity holders of Parent	Attributable to non-controlling interest	Total
9	**(271)**	**3,565**	**4,000**	**(45)**	**3,955**
–	–	336	336	(9)	327
–	–	–	(118)	–	(118)
–	–	–	11	–	11
–	161	–	161	(3)	158
–	94	(9)	108	–	108
–	–	–	(2)	–	(2)
–	**255**	**327**	**496**	**(12)**	**484**
2	–	(2)	–	–	–
–	–	–	–	(1)	(1)
–	–	–	–	63	63
–	–	(72)	(72)	25	(47)
2	**255**	**253**	**424**	**75**	**499**
11	**(16)**	**3,818**	**4,424**	**30**	**4,454**

Legal and statutory reserves	Translation reserve	Retained earnings	Attributable to equity holders of Parent	Attributable to non-controlling interest	Total
8	**(236)**	**3,286**	**3,703**	**19**	**3,722**
–	–	289	289	(18)	271
–	–	–	(2)	–	(2)
–	–	–	4	–	4
–	(47)	–	(47)	–	(47)
–	12	(9)	54	–	54
–	–	–	(1)	–	(1)
–	**(35)**	**280**	**297**	**(18)**	**279**
1	–	(1)	–	–	–
–	–	–	–	(46)	(46)
1	**(35)**	**279**	**297**	**(64)**	**233**
9	**(271)**	**3,565**	**4,000**	**(45)**	**3,955**

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 2010 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 C. of these financial statements for a listing of significant Group enterprises and changes to the Group in 2010 and 2009.

Structure of Ultimate Shareholders:

As at 31 December 2010, the shareholder structure was as follows:
Petr Kellner 94.25% (directly and indirectly)
Jiří Šmejc 5% (indirectly)
Ladislav Bartoníček 0.50% (indirectly)
Jean-Pascal Duvieusart 0.25% (indirectly)

Registered Office:

Strawinskylaan 933 Tower B Level 9
1077XX Amsterdam

The Board of Directors and the Supervisory Board authorised the financial statements for issue on 16 May 2011.

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

The Supervisory Board:

Jiří Šmejc, Chairman of the Supervisory Board
Petr Kellner, Director
Ladislav Bartoníček, Director
Jean-Pascal Duvieusart, Director
Martin Štefunko, Director

The Supervisory Board was established on 1 July 2010.

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 D.4.

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), 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 valued at fair value through profit or loss, financial instruments classified as available-for-sale and investment property. Financial assets and liabilities and non-financial assets and liabilities which are valued at historical cost are stated at amortised cost or historic 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 note F.35.

A.5. Assets and liabilities held for sale and discontinued operations

Sale of Ukrainian Home Credit Bank

The Group's 100% ownership interest in Home Credit Bank (PJSC) was the subject matter of a sales transaction entered into on 3 December 2010 and completed on 31 January 2011. Non-current assets and liabilities held for sale as at 31 December 2010 represent all assets and liabilities of Home Credit Bank. Discontinued operations in 2010 and 2009 represent the financial performance of the bank; the 2009 consolidated income statement was restated accordingly.

Details of assets and liabilities held for sale are as follows:

In millions of EUR, as at 31 December	2010
Property, plant and equipment	1
Investment property	1
Financial assets at fair value through profit and loss	32
Loans and receivables due from banks and other financial institutions	2
Loans and receivables due from non-banks	41
Other assets	1
Current income tax receivables	1
Cash and cash equivalents	29
Total assets held for sale	**108**
Liabilities to banks	1
Liabilities to non-banks	73
Other liabilities	1
Deferred tax liabilities	1
Total liabilities held for sale	**76**

Details of discontinued operations are as follows:

In millions of EUR, for the year ended 31 December	2010	2009
Interest income	11	22
Interest expense	(9)	(7)
Fee and commission income	4	7
Net impairment losses on financial assets	(3)	(14)
General administrative expenses	(10)	(10)
Other operating expenses	(2)	(2)
Loss before tax	(9)	(4)
Income tax expense	(1)	(1)
Net loss from discontinued operations	**(10)**	**(5)**

Cash flows from discontinued operations were as follows:

In millions of EUR, for the year ended 31 December	2010	2009
Cash flows from operating activities	6	13
Cash flows from investing activities	–	(1)
Cash flows from financing activities	2	(9)
Net cash inflow from discontinued operations	**8**	**3**

B. Segment Reporting

In accordance with IFRS 8 the Group recognizes 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 associate Nomos-Bank is considered part of the Group's banking operations and included in the "other banking" segment.

The Home Credit consumer finance business is divided into segments based on geographical regions corresponding to the geographical location of customers.

The insurance business reflects the Group's share in Generali PPF Holding B.V., which operates in the CEE region.

The real estate segment covers investment property projects mainly in the CEE region. The construction business comprises a 50% share in PSJ a. s. and is considered a joint venture.

The retail business consists of Eldorado, Russia's largest electronics and domestic appliances retailer, acquired in 2009, as well as Retail Value Stores, a. s., which operates supermarkets in the Slovak republic and was acquired in July 2010.

The "other banking" segment comprises the operations of PPF Banka a. s., PPF B1 B.V., PPF B2 B.V. and Nomos-Bank.

The other segment includes investments in associates related to Polymetal and EP Holding.

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, fees and commission income, rental income, sales of goods and other retail income.

Segment assets and liabilities include all assets and liabilities attributable to segments excluding 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 2010 and 2009:

In millions of EUR 2010	Czech Republic	Slovak Republic	Russian Federation	East Euro/ Asian countries	China/ Vietnam	**Subtotal Home Credit**	Insurance	Real estate & Construction	Other banking	Other	Retail	Eliminations	Consolidated 2010
Revenue from external customers	28	45	863	25	48	1,009	–	31	162	57	2,098	–	3,357
Inter-segment revenue	2	–	6	1	–	9	–	1	4	18	7	(39)	–
Total revenue from continuing operations	**30**	**45**	**869**	**26**	**48**	**1,018**	**–**	**32**	**166**	**75**	**2,105**	**(39)**	**3,357**
Segment share of earnings of associates	–	–	–	–	–	–	114	(2)	64	182	–	–	358
Segment result from continuing operations	**26**	**8**	**215**	**11**	**(18)**	**242**	**114**	**(56)**	**94**	**101**	**(2)**	**(35)**	**458**
Income tax expense													(121)
Net profit from continuing operations													**337**
Segment result from discontinued operations													(10)
Net profit for the year													**327**
Capital expenditure	(5)	–	(10)	(2)	(8)	(25)	–	(1)	(10)	(8)	(29)	–	(73)
Depreciation and amortization	(15)	–	(19)	(1)	(4)	(39)	–	(3)	(1)	(4)	(21)	–	(68)
Other significant non-cash expenses	(6)	(14)	(89)	(1)	(5)	(115)	–	(24)	(50)	(20)	(82)	–	(291)
Segment assets	194	168	2,469	196	166	3,193	–	578	2,165	752	1,890	(530)	8,048
Investments in associates	–	–	–	–	–	–	2,683	40	539	1,016	–	–	4,278
Unallocated assets													57
Total assets													**12,383**
Segment liabilities	91	142	1,668	129	86	2,116	–	353	1,987	2,901	991	(501)	7,847
Unallocated liabilities													82
Total liabilities													**7,929**
Segment equity	**103**	**26**	**801**	**67**	**80**	**1,077**	**2,683**	**265**	**717**	**(1,133)**	**899**	**(29)**	**4,454**

In millions of EUR 2009	Czech Republic	Slovak Republic	Russian Federation	East Euro/ Asian countries	China/ Vietnam	**Subtotal Home Credit**	Insurance	Real estate	Other banking	Other	Retail	Eliminations	Consolidated 2009
Revenue from external customers	82	50	829	30	13	1,004	–	23	110	72	551	–	1,760
Inter-segment revenue	2	–	4	2	1	9	–	–	6	26	1	(42)	–
Total revenue from continuing operations	**84**	**50**	**833**	**32**	**14**	**1,013**	**–**	**23**	**116**	**98**	**552**	**(42)**	**1,760**
Segment share of earnings of associates	–	–	–	–	–	–	183	(14)	103	66	–	–	338
Segment result from continuing operations	25	3	149	(51)	(29)	97	183	(31)	141	(56)	(5)	–	329
Income tax expense													(53)
Net profit from continuing operations													**276**
Segment result from discontinued operations													**(5)**
Net profit for the year													**271**
Capital expenditure	(11)	–	(22)	(3)	(3)	(39)	–	(6)	(3)	(3)	(5)	–	(56)
Depreciation and amortization	(13)	–	(17)	(3)	(4)	(37)	–	(3)	(1)	(2)	(6)	–	(49)
Other significant non-cash expenses	(29)	(23)	(201)	(62)	(3)	(318)	–	(4)	(29)	(63)	1	(2)	(415)
Segment assets	188	165	2,224	157	106	2,840	–	544	1,689	909	1,749	(617)	7,114
Investments in associates	–	–	–	–	–	–	2,511	4	457	656	–	–	3,628
Unallocated assets													60
Total assets													**10,802**
Segment liabilities	77	156	1,614	106	41	1,994	–	262	1,551	2,721	892	(620)	6,800
Unallocated liabilities													47
Total liabilities													**6,847**
Segment equity	**111**	**9**	**610**	**51**	**65**	**846**	**2,511**	**286**	**595**	**(1,156)**	**857**	**3**	**3,955**

C. Consolidation

C.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.

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.

C.2. Group entities

In 2009 and 2010 the Group significantly expanded through new acquisitions. 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 2010.

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	100.00%	100.00%
HC Asia N.V.	Netherlands	100.00%	100.00%
CF Commercial Consulting (Beijing) Co., Ltd.	China	100.00%	100.00%
Favour Ocean Ltd.	Hong Kong	100.00%	100.00%
Guangdong Home Credit Guarantee Co., Ltd.	China	100.00%	100.00%
Home Credit a.s.	Czech Republic	100.00%	100.00%
Home Credit Asia Ltd.	Hong Kong	100.00%	100.00%
Home Credit Bank PJSC	Ukraine	100.00%	100.00%
Home Credit Bank OJSC	Belarus	100.00%	100.00%
Home Credit Business Management (Tianjin) Co., Ltd.	China	100.00%	100.00%
Home Credit and Finance Bank LLC	Russia	100.00%	100.00%
Home Credit Consumer Finance (China) Co., Ltd.	China	100.00%	100.00%
Home Credit International a.s.	Czech Republic	100.00%	100.00%
Home Credit Kazakhstan JSC	Kazakhstan	100.00%	100.00%
Home Credit Slovakia, a.s.	Slovakia	100.00%	100.00%
Homer Software House LLC	Ukraine	100.00%	100.00%
PPF Home Credit IFN S.A.	Romania	100.00%	100.00%
PPF Vietnam Finance Company LLC	Vietnam	100.00%	100.00%
Shenzen Home Credit Financial Service Co., Ltd.	China	100.00%	100.00%
Shenzen Home Credit Guarantee Co., Ltd	China	100.00%	100.00%
Sichuan Home Credit Guarantee Co., Ltd.	China	100.00%	100.00%
Real Estate subgroup, including construction			
PPF Real Estate Holding B.V.	Netherlands	100.00%	100.00%
PPF Property Ltd.	Jersey	100.00%	100.00%
Agriko LLC	Russia	65.00%	65.00%
Agriko Plus LLC	Russia	65.00%	65.00%
Bastion office center s.r.o.	Slovakia	24.50%	24.50%
Bavaria Complex S. R. L.	Romania	50.39%	50.39%
Bucca Properties Ltd.	BVI	100.00%	100.00%
Bukovec Park, s.r.o.	Czech Republic	100.00%	100.00%
Celestial Holdings Group Ltd.	BVI	100.00%	100.00%
Circle Slovakia, s.r.o.	Slovakia	24.50%	24.50%
DOMUS EVENTIS project One, s.r.o.	Czech Republic	100.00%	100.00%

Company	Domicile	Effective proportion of ownership interest	Effective proportion of voting interest
DOMUS EVENTIS project Two, s.r.o.	Czech Republic	100.00%	100.00%
Eastfield Kazan LLC	Russia	65.00%	65.00%
Feliston Enterprises Ltd.	Cyprus	50.00%	50.00%
Garnet Holding B. V.	Netherlands	100.00%	100.00%
Gilbey Ltd.	Cyprus	40.00%	40.00%
Glancus Investments Inc.	BVI	100.00%	100.00%
In Vino LLC	Russia	64.94%	64.94%
In Vino Anapa 2 LLC	Russia	64.94%	64.94%
In Vino Natukhaevskoe LLC	Russia	64.94%	64.94%
Intrust NN	Russia	33.33%	33.33%
Investitsionny Trust ZAO	Russia	50.00%	50.00%
Kendalside Ltd.	United Kingdom	49.00%	49.00%
KLP LLC	Russia	45.50%	45.50%
Komodor LLC	Ukraine	40.00%	40.00%
Kvartal Togliatti LLC	Russia	100.00%	100.00%
Logistika Ural LLC	Russia	45.50%	45.50%
Nivy Rezidence, s.r.o.	Czech Republic	100.00%	100.00%
Office Star Eight spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Five spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Four spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Fourteen 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 One spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Seven spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Six spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Ten spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Thirteen spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Three spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Two spol. s r. o.	Czech Republic	100.00%	100.00%
Pacific Outlets Business	China	90.00%	90.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
PSJ a. s.	Czech Republic	50.00%	50.00%
PSJ New N. V.	Netherlands	50.00%	50.00%
Rezidence Chýně, s.r.o.	Czech Republic	100.00%	100.00%
Ryazan Shopping Mall Ltd.	Cyprus	89.32%	50.00%
Rural Capital S. R. L.	Romania	98.50%	98.50%
Rural Capital Doi S. R. L.	Romania	98.50%	98.50%
Rural Dobrogea S. R. L.	Romania	98.50%	98.50%
Rural Moldova S. R. L.	Romania	98.50%	98.50%
Rural Oltenia S. R. L.	Romania	98.50%	98.50%
Russkiy Val LLC	Russia	64.35%	64.35%
Sigurno Ltd.	Cyprus	40.00%	40.00%
Slovak Trade Company, s.r.o.	Slovakia	24.50%	24.50%
Stinctum Holdings Ltd.	Cyprus	33.33%	33.33%
Other significant subsidiaries			
Aliatros, spol. s r. o.	Czech Republic	100.00%	100.00%
Anthiarose Ltd.	Cyprus	100.00%	100.00%
Dunmow Ltd.	BVI	100.00%	100.00%
Eldorado Licensing Ltd.	Cyprus	50.01%	50.01%
Eldorado LLC	Russia	50.01%	50.01%
EUROCLINICUM a.s.	Czech Republic	100.00%	100.00%
Facipero Investments Ltd.	Cyprus	50.01%	50.01%
HC SE	Netherlands	100.00%	100.00%
HemaLab, s.r.o.	Czech Republic	100.00%	100.00%
Kotyla Holding Ltd.	Cyprus	100.00%	100.00%
MEDIPONT s.r.o.	Czech Republic	100.00%	100.00%
Nemocnice ATLAS, a.s.	Czech Republic	100.00%	100.00%

Company	Domicile	Effective proportion of ownership interest	Effective proportion of voting interest
Pearlmoon Ltd.	Cyprus	100.00%	100.00%
PPF a.s.	Czech Republic	100.00%	100.00%
PPF B1 B.V.	Netherlands	92.96%	92.96%
PPF B2 B.V.	Netherlands	92.96%	92.96%
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 Partners 1 GP Ltd.	Guernsey	72.50%	72.50%
PPF Partners Ltd.	Guernsey	72.50%	72.50%
Přeloučská poliklinika a.s.	Czech Republic	100.00%	100.00%
Retail Value Stores, a.s.	Slovakia	65.00%	65.00%
Russia Finance Corporation B.V.	Netherlands	100.00%	100.00%
Timeworth Ltd.	Cyprus	72.50%	72.50%
Tsar Holding B. V.	Netherlands	65.00%	65.00%
ÚSTECKÁ POLIKLINIKA, s.r.o.	Czech Republic	100.00%	100.00%
Other significant associates			
Polymetal, OJSC	Russia	22.09%	22.09%
Nomos-Bank, OJSC	Russia	28.24%	28.24%
Accord Invest LLC	Russia	40.00%	40.00%
Generali PPF Holding B.V.	Netherlands	49.00%	49.00%
Česká pojišťovna a.s.*	Czech Republic	100.00%	100.00%
Delta Generali Osiguranje a.d.*	Serbia	100.00%	100.00%
Generali Pojišťovna a.s.*	Czech Republic	100.00%	100.00%
Generali PPF Life Insurance*	Russia	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 fond České pojišťovny, a.s.*	Czech Republic	100.00%	100.00%
Energetický a průmyslový holding, a.s.	Czech Republic	29.00%	40.00%
United Energy, a.s.**	Czech Republic	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	72.98%	72.98%
První energetická a.s.**	Czech Republic	100.00%	100.00%
Przedsiębiorstwo Górnicze Silesia**	Poland	91.43%	91.43%
SOR Libchavy spol. s r.o.**	Czech Republic	100.00%	100.00%
United Energy Trading, a.s.**	Czech Republic	100.00%	100.00%
EGEM, s.r.o.**	Czech Republic	88.00%	88.00%
Elektrárny Opatovice, a.s. **	Czech Republic	100.00%	100.00%
Elektrizace železnic Praha a.s.	Czech Republic	100.00%	100.00%
MSEM, a.s.**	Czech Republic	88.00%	88.00%
VČE - montáže, a.s.**	Czech Republic	88.00%	88.00%
KMOTR - Masna Kroměříž, a.s.**	Czech Republic	100.00%	100.00%

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

C.3. Acquisitions

C.3.1. Acquisition of Euroclinicum in 2010

On 4 January 2010 the Group, through its holding company PPF Healthcare a.s., acquired a 100% share in Euroclinicum a.s. – a chain of clinics and hospitals in the Czech Republic. Total consideration to be paid for the acquisition was MEUR 17. The fair value of assets acquired was MEUR 31, while the fair value of liabilities was MEUR 17. Goodwill in the amount of MEUR 3 represents that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised and reflects the result of the purchase price allocation. During 2010 Euroclinicum acquired further two small healthcare operations for MEUR 3.

C.3.2. Acquisition of real estate projects in 2010 and 2009

On 29 June 2010 the Group acquired, through its subsidiary BORACORA Limited., three real estate projects located in Russia, one of which was sold during the second half of the year. At 31 December 2010 the Group effectively holds a 35% stake in the two remaining projects. Total consideration paid for the acquisition was below MEUR 1. No goodwill arose on the acquisition. The acquired projects are accounted for using the equity method of consolidation.

On 25 June 2009 the Group acquired, through its subsidiary Celestial Holdings Group Ltd., several real estate projects located in Slovakia and Russia. Effectively the Group holds a 65% stake in the Russian projects and a 24.5% stake in the Slovakian projects. Total consideration paid for the acquisition was MEUR 72. No goodwill arose on the acquisition. The fair value of the assets acquired was MEUR 87, the bulk of which was investment property, while the fair value of liabilities, including non-controlling interests, was MEUR 15.

On 27 August 2009 the Group acquired, through the same company, another two Russian real estate projects which it controls and in which it holds an effective stake of 45.5%. Total consideration paid for the acquisition was MEUR 19. No goodwill arose on the acquisition. The fair value of the assets acquired was MEUR 33, the bulk of which was investment property, while the fair value of liabilities, including non-controlling interests, was MEUR 14.

C.3.3. Acquisition of Eldorado in 2010 and 2009

On 9 October 2009, the Group closed a transaction with Russian businessman Mr. Igor Yakovlev. Through a debt/equity swap, PPF Group together with Generali Finacial Holdings FCP – FIS SUB-FUND 1 (an entity that is part of Generali Group – hereinafter referred to as "Generali"), as a minority partner, acquired for MUSD 300 (MUSD 65 of which was attributable to Generali) a controlling stake of 50% plus one share in Facipero Investments Ltd., the holding company of Eldorado LLC, Russia's largest electronics and domestic appliances retailer. As of 31 December 2009 PPF Group controlled Eldorado with an effective ownership interest of 40% (Generali's effective stake was 10%).

The total cost of the investment included goodwill arising from the acquisition. Goodwill in the amount of MEUR 223 represented that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised and reflected the results of purchase price allocation.

During the period from the acquisition till 31 December 2009, Eldorado contributed revenue totalling MEUR 559 and a net loss of MEUR 8. If the acquisition had occurred on 1 January 2009, management estimated that consolidated revenue would have been higher by MEUR 1,148, and consolidated profit for the period would have been lower by MEUR 89. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2009.

The fair value of assets acquired was MEUR 777, while the fair value of liabilities acquired was MEUR 925. Due to the negative equity position of Eldorado as of the acquisition date, a negative MEUR 90 non-controlling interest arose on the acquisition.

Identifiable assets acquired and liabilities assumed were as follows:

In millions of EUR, as at acquisition date	
Cash and cash equivalents	24
Loans and receivables due from non-banks	10
Other loans and receivables	85
Current income tax receivable	10
Deferred tax assets	68
Other assets	75
Inventories	301
Property, plant and equipment	32
Intangible assets	172
Due to non-banks	(138)
Due to banks and other financial institutions	(211)
Deferred tax liabilities	(44)
Provisions	(20)
Other liabilities	(512)
Net assets attributable to equity holders	**(148)**
Non-controlling interest	90
Cost of acquisition (excluding Generali's share)	165
Goodwill	223

In 2009, the consolidated financial statements included the financial performance of Eldorado from 9 October till 31 December 2009 using the method of full consolidation.

In December 2010 Generali sold its 10% effective share in Eldorado for MEUR 46 to the Group, which now owns a controlling stake of 50% plus one share. The acquisition of the minority stake resulted in a MEUR 25 decrease in the negative non-controlling interest.

C.3.4. PPF Partners and EP Holding

PPF Partners is an international private equity group focused on the transitional economies of Emerging Europe and the CIS region. PPF Partners was established in late 2008 by PPF Group in cooperation with Generali. The ownership structure of PPF Partners (the management company) is as follows: PPF Group owns 72.5% and Generali 27.5%.

PPF Partners administrate a private equity fund, PPF Partners 1 Fund L.P., which was launched with MEUR 615 in commitments from PPF Group, PPF shareholders and Generali. In late 2008 the fund invested a part of its commitments in an initial portfolio that includes stakes in waste-to-energy businesses, fuel distribution, hotels and media companies in the Czech Republic, Romania and Ukraine. All necessary regulatory approvals related to the individual acquisitions were obtained in 2009.

In 2009 and 2010, the fund continued to invest in further projects, one of the biggest of which was the establishment of Energetický a průmyslový holding a.s. ("EP Holding") together with J&T Group. EP Holding aims to become a long-term strategic investor in the energy sector and a major investor in industry. EP Holding's business lines include generation of electricity and heat, their distribution and sale to final customers, as well as trading in electricity and natural gas.

Financial aspects

As of 31 December 2010 and 2009, 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 2010	PPF Group 2010	All limited partners 2009	PPF Group 2009
Total commitment	615	123	615	123
Commitment called	510	80	467	74
Recallable distributions	(66)	(2)	–	–
Net assets attributable to limited partners	419	75	463	73

Accounting aspects

PPF Group controls the fund's management company, PPF Partners, but due to the existence of substantial kick-off rights assigned to the investors it does not control the fund itself. From the position of one of the investors in the fund, there is no project in which PPF Group holds a stake exceeding 50% and applies control. As a consequence, PPF Group applies significant influence in the fund and decided to apply the venture capital exemption in accordance with IAS 28.1. The investment in the fund is 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.21.).

Initially PPF Group's total investment in EP Holding consisted of a 10% effective direct stake and a 10% effective indirect stake through PPF Partners 1 Fund L.P. In addition, a residual effective 20% indirect stake through the fund is held by Generali. Due to the combination of the direct and indirect stakes, this investment is not valued at fair value but accounted for using the equity method of consolidation (refer to F.6.).

The total acquisition price for the whole 40% stake in EP Holding was MEUR 201. The total cost of the investment included goodwill arising from the acquisition. Goodwill in the amount of MEUR 93 represented that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised.

In March 2010 the Group increased its effective economic share from 20% to 29% by acquiring shares from PPF Partners. Generali's economic share decreased to 11%. Simultaneously, Timeworth Ltd. granted a MCZK 5,000 loan to EP Holding, funded by both partners on back-to-back basis. The purpose of this loan was to provide funding for further acquisitions. The loan agreement was terminated in April 2011.

C.3.5. Transaction with ECM (Mr. Janků)

In June 2009 the Group signed a framework agreement with Czech businessman Milan Janků concerning the formation of a new holding group named "PPF ECM Holding" to include over 40 projects of both partners, mainly in the real estate business. On 1 July 2010 the two partners closed the transaction. After that, the Group owned 75% and Mr. Janků 25% of the voting rights in the new holding structure. The exact share in the economic rights after the closing was 91% for PPF Group and 9% for the partner.

In December 2010 the Group agreed with Mr. Janků to terminate the collaboration, resulting in the sale of the latter's minority stake in PPF ECM Holding which was then renamed to PPF Real Estate Holding and has been fully controlled by the Group since 3 December 2010. All projects initially contributed by both partners to the Holding – except for a few minor ones – remained in the holding. No consideration was paid in the final settlement.

The following list comprises significant entities acquired and owned as of 31 December 2010:

Acquired company	Description of entities	Percentage of ownership interest	Consolidation method
Garnet Holding B.V.	holding company	100.00%	full method
Bukovec Park, s. r. o.	real estate	100.00%	full method
DOMUS EVENTIS project One s.r.o.	real estate	100.00%	full method
DOMUS EVENTIS project Two s.r.o.	real estate	100.00%	full method
Nivy Rezidence s.r.o.	real estate	100.00%	full method
Rezidence Chýně s.r.o.	real estate	100.00%	full method
Ryazan Shopping Mall Ltd.*	real estate	89.32%	equity method
PSJ New N.V.	holding company	50.00%	equity method
PSJ a.s.	construction	50.00%	equity method
Tsar Holding B.V.	holding company	65.00%	full method
Retail Value Stores, a.s.	retail	65.00%	full method

* Ryazan Shopping Mall is a real estate project in which the Group applies significant influence only, whereas it holds an 89.32% economic share.

Net assets acquired as of 1 July 2010 were as follows:

In millions of EUR, as at 1 July 2010	
Net assets acquired (91% of net assets contributed by partner)	13
Net assets exchanged (9% of net assets contributed by the Group)	23
Capital increase paid by the Group	27
Total goodwill	**37**
allocated to:	
Investment in associates – PSJ a.s.	6
Retail Value Stores, a.s.	13
Unallocated	18
Goodwill impaired as of 31 December 2010	**(18)**

C.4. Other changes

The following table shows the companies established by the Group during 2010 and 2009:

Established company	Description of entities	Date of first consolidation	Percentage of ownership interest
Home Credit Consumer Finance (China) Co., Ltd.	company providing consumer finance	28 July 2010	100.00%
PPF Vietnam Finance Company LLC	company providing consumer finance	5 March 2009	100.00%
PPF Co3 B.V.	holding company	13 October 2009	100.00%

D. Significant Accounting Policies and Assumptions

D.1. Significant accounting policies

D.1.1. Foreign currency translation

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 end of each reporting period:

– foreign currency monetary items are translated using the closing foreign exchange rate;

– non-monetary items denominated in a foreign currency and which are carried at historical cost are translated using the foreign exchange rate at the date of the original transaction;

– non-monetary items denominated in a foreign currency, which are carried at fair value, are translated using the foreign exchange rates prevailing at the dates the fair values were determined.

Exchange differences arising from the settlement of monetary items or from translation of the Group's monetary items at rates different from those at which they were initially recorded, or reported in previous financial statements, are recognised as Operating income/expense in the period in which they arise.

For entities within the Group which have a functional currency different from the Group's presentation currency, the following procedures are used for translation into the presentation currency for reporting purposes:

– the assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing exchange rate;

– income and expenses of the foreign entity are translated at exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions;

– all resulting exchange differences arising from the translation of foreign entities are classified under "translation reserve" as a separate component of equity until disposal of the net investment in the entity.

D.1.2. Impairment

The carrying amounts of the Group's assets, other than investment property (refer to D.1.7.), inventories (D.1.5.), deferred tax assets (D.1.22.), deferred acquisition costs (refer to D.2.4.) and the present value of future profits on an acquired insurance portfolio (D.2.2.), are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication 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 is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

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.

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.

D.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.

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

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

The fair value of derivatives that are not exchange-traded is the estimated amount that the Group would receive or pay to terminate the contract at the end of the reporting period, taking into account current market conditions and the current creditworthiness of the counterparties.

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.

D.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.

D.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 valued 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.

D.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 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 valued 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.

D.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 ("repo operations"). 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 repo operations 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.

D.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.

D.1.5. Inventory

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.

D.1.6. 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 inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which 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.

D.1.7. 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. Fair value is determined annually based on an independent expert's opinion. 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.

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.

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.

D.1.8. Property, plant and equipment

Property, plant and equipment is valued 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 rate (%)
Land	–
Buildings	1.00–10.00
Other tangible assets and equipment	6.67–33.33

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 is reassessed at the time a technical improvement is recognised.

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.

D.1.9. Intangible assets

D.1.9.1. Goodwill and negative goodwill

The Group accounts for all business combinations, except business combinations determined to be reorganisations involving group companies under common control (refer to C.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 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.

D.1.9.2. 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 losses.

D.1.9.3. Other intangible assets

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

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

D.1.10. Equity

D.1.10.1. 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.

D.1.10.2. Dividends

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

D.1.10.3. Non-controlling interests

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

Losses applicable to non-controlling interests, 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.

D.1.11. 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.

D.1.12. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are liabilities classified as held for trading, which include derivative liabilities that are not hedging instruments and obligations to deliver securities borrowed by a short seller. 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.

D.1.13. 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 valued 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.

D.1.14. 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.

D.1.15. 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.

D.1.16. 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.

D.1.17. 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.

D.1.18. Net rental 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.

D.1.19. 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.

The additional service programme constitutes the sale of certificates entitling customers to receive repair services on purchased goods for two or three years. The cash consideration received is treated as deferred income, depending on the validity period of the certificate. Subsequently, the deferred income is recognised as revenue in the income statement on a straight-line basis over the certificate's validity period.

Cost of goods sold includes:

– the value of inventories expensed in the period when revenue from sales is recognised; goods are valued 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.

The Group makes the following provisions for repair costs:

– warranty repair reserve - warranty costs are accounted for when revenue (sales of goods) is recognised;

– provision for additional service - the costs of the additional service programme are recognised in expenses over the period for which the related revenue was recognised and also include the cost of spare parts used in the repair process and direct payroll costs.

Other income on retail operations includes income specific to the retail business, such as franchise fees, revenues from services rendered to customers, marketing and listing fees paid by suppliers of goods etc.

D.1.20. Other income and other expenses

D.1.20.1. 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 end of the reporting period. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

D.1.20.2. 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.

D.1.21. 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.

D.1.22. 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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: 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 end of the reporting period.

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 utilized. Recognised deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

D.1.23. 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.

D.1.24. 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.

D.2. Significant accounting policies applicable to insurance business

Till 15 January 2008 the Group controlled CZIH Group, an insurance business comprising a significant part of the Group's activities. As a result of the Generali transaction the insurance business, which is now part of an insurance holding structure, represents the Group's biggest investment in an associate accounted for using the equity method. The following chapters describe the most significant policies affecting the accounting treatment of the insurance business (the "Insurance Group").

D.2.1. Discretionary participation features (DPF)

A discretionary participation feature (DPF) represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits constituting a significant portion of the total contractual benefits, the amount or timing of which is at the discretion of the Insurance Group. As the amount of the bonus to be allocated to policyholders is irrevocably fixed at the end of the reporting period, the amount is presented as a guaranteed liability in the financial statements.

D.2.2. Present value of future profits

On acquisition of a portfolio of long-term insurance contracts, the net present value of the shareholders' interest in the expected after-tax cash flows of the portfolio acquired is capitalised as an asset. This asset is referred to as the Present Value of Future Profits ("PVFP").

D.2.3. Reinsurance assets

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

D.2.4. Deferred acquisition costs

Acquisition costs are costs that are incurred in connection with the acquisition of new insurance contracts and the renewal of existing contracts. Only certain ("deferrable") acquisition costs are deferred, such as agents' commissions and other variable underwriting and policy issue costs.

In respect of non-life insurance, a portion of the related acquisition costs is deferred. Acquisition costs in respect of life insurance contracts and investment contracts with DPF are charged directly to the income statement as incurred.

D.2.5. Insurance liabilities

D.2.5.1. Provision for unearned premiums

The provision for unearned premiums comprises that part of gross premiums written attributable to the following financial year or to subsequent financial years, calculated separately for each insurance contract. A provision for unearned premiums is created for both life insurance and non-life insurance.

D.2.5.2. Life insurance provision

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

D.2.5.3. Provision for outstanding claims

The provision for outstanding claims represents the total estimated cost of settling all claims arising from events which have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims. The provision includes claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

D.2.5.4. DPF liability for insurance contracts

The DPF (Discretionary Participation Feature) liability represents the contractual liability to provide significant benefits in addition to the guaranteed benefits, which are based on the performance of a defined pool of assets, the profit or loss of the company or the achieved investment returns.

D.2.5.5. 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.

D.2.5.6. Financial liabilities for investment contracts with DPF

Financial liabilities for investment contracts with DPF represent liabilities to policyholders under contracts entered into by insurance companies or pension funds which include DPF but which are considered investment contracts because they do not lead to the transfer of significant insurance risk from the policyholder to the Insurance Group and do not therefore meet the definition of an insurance contract.

D.2.6. Hedge accounting

The Insurance Group introduced the hedge accounting method, thus accounting for the cash flow hedge on interest expense rates and exchange rates. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholder's equity. The ineffective portion is recognised in the income statement.

D.2.7. Net assets attributable to unit-holders

Net assets attributable to unit-holders represent third-party unit-holders' residual interests in the net assets of open-end mutual funds. Since the units may be sold back to the issuer in exchange for an amount of cash or other financial assets at any time, this amount represents a liability of the Insurance Group.

D.2.8. Net insurance premium revenue

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

D.2.9. Net insurance claims and benefits

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.

D.2.10. Investment contract benefits

Investment contract benefits represent the changes in financial liabilities resulting from investment contracts. The change in financial liabilities from investment contracts with DPF includes the guaranteed benefits credited, the change in DPF liabilities from investment contracts, and the change in the liability resulting from the liability adequacy test of investment contracts with DPF.

D.2.11. Acquisition costs

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

In non-life insurance, acquisition costs that vary with and are directly related to the acquisition of new policies or the renewal of existing policies are deferred. For life insurance policies and investment contracts with DPF, acquisition costs are charged to the income statement as incurred.

D.2.12. Reinsurance commissions and profit participations

Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

D.2.13. Non-uniform accounting policies of subsidiaries

The Insurance Group has taken advantage of the exemption available under IFRS 4.25(c) to continue using non-uniform accounting policies for insurance contracts (and investment contracts with DPF) of subsidiaries. Accordingly, amounts received from policyholders under investment contracts with DPF issued by Czech pension fund subsidiaries continue to be recognised as deposits.

D.3. Changes in accounting policies and accounting pronouncements adopted since 1 January 2010

D.3.1. Amendments and interpretations of IFRS adopted since 1 January 2010

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

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

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

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

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

D.4. Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Group's financial statements

A number of new Standards, amendments to Standards and Interpretations are not yet effective as of 31 December 2010, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

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

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

The revised standard provides a disclosure exemption in respect of related party relationships that arise through common control by the State, unless indicators of influence exist between the entities. The revised IAS 24 also amends the definition of a related party to:

– exclude situations in which two entities are related because a person has significant influence over an entity and a close family member of that person has significant influence over another entity; and

– include other entities in which a significant investor of the reporting entity is a member of key management personnel.

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

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

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

E. Risk Exposures, Risk Management Objectives and Procedures

This section provides details of the Group's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and equity price 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. and insurance risk is therefore not relevant anymore.

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. For the rest of the Group the Board has established 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 three shareholders. This arrangement made it possible to respond immediately to rapid market changes and due to its flexibility it affords the Group a competitive advantage. The arrangement remained in place in 2009 and 2010.

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, as well as in the products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Management of the risk arising from participating in the foreign subsidiaries and as well as that arising from financial instruments is fundamental to the Company's business and is an essential element of its operations. Major risks related to participating 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 Company by monitoring development in foreign markets, using a robust investment decision process, and proper liquidity management. The Company faces financial instrument risk in conjunction with credit exposures, movements in interest rates and foreign exchange rates.

All the facts mentioned in the following sections relate to PPF Group N.V. and all entities under its control. Risk management at the insurance holding Generali PPF Holding B.V. uses the rules and principles of Generali. The Group (PPF Group N.V.) regularly monitors and analyses the situation in the insurance holding as a minority shareholder exercising its significant influence through the corporate governance rules agreed with Generali.

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

E.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 end of the reporting period is described in the following sections of this note.

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

E.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 interest rate 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.

E.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.

E.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 counter party 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.

E.1.4. Other derivatives

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

E.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 the 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.

All other banking institutions in the PPF Group (PPF banka and Nomos-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	2010	2010	2009	2009
Economic concentration				
Households/Individuals	3,226	49.72%	2,660	44.92%
Financial services	1,650	25.42%	1,813	30.62%
Public sector	255	3.93%	179	3.02%
Construction and real estate	105	1.62%	26	0.44%
Other	1,254	19.31%	1,243	21.00%
Total	**6,490**	**100.00%**	**5,921**	**100.00%**
Geographic concentration				
Russia	2,667	41.09%	2,398	40.50%
Czech Republic	2,064	31.81%	1,949	32.92%
Slovak Republic	386	5.95%	294	4.97%
Cyprus	296	4.56%	216	3.65%
Other EU countries	129	1.98%	149	2.52%
China	124	1.92%	34	0.57%
Netherlands	98	1.50%	135	2.28%
Other	726	11.19%	746	12.59%
Total	**6,490**	**100.00%**	**5,921**	**100.00%**
Thereof:				
Financial assets excluding equity securities	5,397	83.16%	5,136	86.74%
Commitments and contingent liabilities	1,093	16.84%	785	13.26%

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the end of the reporting period 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.31.1.) and financial assets except equity securities.

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

	Loans and advances to customers and Other loans and receivables		Settlements with suppliers and Prepaid expenses	
In millions of EUR, as at 31 December	2010	2009	2010	2009
Individually impaired				
Gross amount	231	172	14	75
Allowance for impairment	(172)	(100)	(14)	(75)
Carrying amount	**59**	**72**	**–**	**–**
Collectively impaired				
Current	2,384	1,809	–	–
1–90 past due	239	245	–	–
91–365 past due	191	263	–	2
>365 past due	99	70	–	–
Gross amount	2,913	2,387	–	2
Allowance for impairment	(310)	(344)	–	(2)
Carrying amount	**2,603**	**2,043**	**–**	**–**
Unimpaired				
Carrying amount	**982**	**949**	**107**	**79**
Total carrying amount	**3,644**	**3,064**	**107**	**79**

The "Unimpaired" line includes mainly receivables neither past due nor impaired and receivables past due but not impaired in amount of MEUR 2.

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 repo operations 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:

	Loans and advances to banks		Loans and advances to non-banks		Other loans and receivables	
In millions of EUR, as at 31 December	2010	2009	2010	2009	2010	2009
Against individually impaired	–	–	22	28	26	29
Property	–	–	13	28	–	–
Equity securities	–	–	–	–	26	29
Other	–	–	9	–	–	–
Against collectively impaired	–	–	332	270	–	–
Property	–	–	290	218	–	–
Deposits with banks	–	–	–	1	–	–
Other	–	–	42	51	–	–
Against neither past due nor impaired	489	416	370	198	3	146
Securities received under reverse repo operations	489	416	159	59	–	–
Property	–	–	60	43	–	–
Equity securities	–	–	–	–	3	146
Deposits with banks	–	–	62	1	–	–
Other	–	–	89	95	–	–
Total collateral received	**489**	**416**	**724**	**496**	**29**	**175**

The total value of property held as collateral is MEUR 1,159 (MEUR 1,011 in 2009; refer to F.31.3.) and consists of the collateral stated above (2010: MEUR 1,242; 2009: MEUR 1,087) less securities received under reverse repo operations that were repledged or sold in an amount of MEUR 123 (2009: MEUR 109) plus collateral received for provided guarantees.

There are no collaterals held for settlement with suppliers and prepaid expenses.

E.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 400 MEUR bond. Both of these developments significantly influenced the Group's liquidity position. As of 31 December 2010 the total amount drawn from the facility reached MEUR 1,750. This 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 2010	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	345	–	–	–	–	–	345
Financial assets at fair value through profit or loss	9	14	12	83	94	50	262
Held for trading	9	14	12	83	94	33	245
Not held for trading	–	–	–	–	–	17	17
Financial assets available for sale	20	20	167	83	–	545	835
Loans and receivables due from banks and other financial institutions	817	78	34	12	48	26	1,015
Loans and receivables due from non-banks	456	540	1,230	725	114	–	3,065
Other loans and receivables	57	90	345	87	–	–	579
Other assets	30	55	52	21	1	72	231
Total financial assets	**1,734**	**797**	**1,840**	**1,011**	**257**	**693**	**6,332**

In millions of EUR, as at 31 December 2010	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	1,278	225	528	32	–	–	2,063
Due to banks and other financial institutions	204	207	461	2,119	178	–	3,169
Debt securities issued	79	11	609	827	–	–	1,526
Financial liabilities at fair value through profit or loss	130	18	2	9	1	3	163
Other liabilities	323	353	112	33	–	10	831
Total financial liabilities	**2,014**	**814**	**1,712**	**3,020**	**179**	**13**	**7,752**

In millions of EUR, as at 31 December 2009	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	406	–	–	–	–	–	406
Financial assets at fair value through profit or loss	6	34	23	43	101	43	250
Held for trading	3	21	16	43	101	21	205
Not held for trading	3	13	7	–	–	22	45
Financial assets available for sale	8	19	327	49	–	103	506
Loans and receivables due from banks and other financial institutions	723	72	9	22	181	26	1,033
Loans and receivables due from non-banks	259	283	826	683	210	–	2,261
Other loans and receivables	116	42	527	118	–	–	803
Other assets	299	38	65	21	1	8	432
Total financial assets	**1,817**	**488**	**1,777**	**936**	**493**	**180**	**5,691**

In millions of EUR, as at 31 December 2009	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	880	207	228	55	91	98	1,559
Due to banks and other financial institutions	333	137	261	332	1,655	–	2,718
Debt securities issued	40	126	680	272	400	–	1,518
Financial liabilities at fair value through profit or loss	124	11	11	25	2	–	173
Other liabilities	172	485	114	28	–	8	807
Total financial liabilities	**1,549**	**966**	**1,294**	**712**	**2,148**	**106**	**6,775**

The Calyon facility is drawn in 1-, 3-, and 6-month tranches; however, the facility is available till January 2015. Therefore, the amount drawn as at 31 December 2010 is included in the interval “Between 1 and 5 years” (“More than 5 years” in 2009; in the line “Due to banks and other financial institutions”).

E.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.

E.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 2010 would be approximately MEUR 28 higher/lower (2009: MEUR 15). The above sensitivity analysis is based on amortised costs of assets and liabilities.

The tables below summarize 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 the estimated rather than the 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 2010	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	0.67%	345	–	–	–	–	–	345
Financial assets at fair value through profit or loss	5.16%	33	12	3	80	94	40	262
Held for trading	5.16%	33	12	3	80	94	23	245
Not held for trading	–	–	–	–	–	–	17	17
Financial assets available for sale	6.02%	52	186	3	49	–	545	835
Loans and receivables due from banks and other financial institutions	1.61%	923	26	–	12	49	5	1,015
Loans and receivables due from non-banks	33.15%	1,053	1,242	397	281	92	–	3,065
Other loans and receivables	6.06%	147	341	76	15	–	–	579
Other assets	–	79	52	7	14	1	78	231
Total financial assets	**–**	**2,632**	**1,859**	**486**	**451**	**236**	**668**	**6,332**

In millions of EUR, as at 31 December 2010	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	2.91%	1,503	528	32	–	–	–	2,063
Due to banks and other financial institutions	3.95%	2,352	449	59	308	1	–	3,169
Debt securities issued	8.10%	90	609	340	487	–	–	1,526
Financial liabilities at fair value through profit or loss	2.49%	155	4	1	–	–	3	163
Other liabilities	0.21%	655	111	29	5	–	31	831
Total financial liabilities	**–**	**4,755**	**1,701**	**461**	**800**	**1**	**34**	**7,752**

In millions of EUR, as at 31 December 2009	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	0.88%	406	–	–	–	–	–	406
Financial assets at fair value through profit or loss	9.02%	60	24	20	103	–	43	250
Held for trading	6.87%	44	17	20	103	–	21	205
Not held for trading	20.82%	16	7	–	–	–	22	45
Financial assets available for sale	10.34%	27	362	14	–	–	103	506
Loans and receivables due from banks and other financial institutions	3.53%	805	9	4	8	181	26	1,033
Loans and receivables due from non-banks	35.73%	606	797	460	199	199	–	2,261
Other loans and receivables	5.48%	158	527	39	79	–	–	803
Other assets	–	337	65	9	12	1	8	432
Total financial assets	**–**	**2,399**	**1,784**	**546**	**401**	**381**	**180**	**5,691**

In millions of EUR, as at 31 December 2009	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	4.44%	1,087	228	49	6	91	98	1,559
Due to banks and other financial institutions	5.04%	2,148	255	26	289	–	–	2,718
Debt securities issued	10.13%	166	680	171	101	400	–	1,518
Financial liabilities at fair value through profit or loss	4.13%	135	13	2	23	–	–	173
Other liabilities	0.01%	658	114	20	8	–	7	807
Total financial liabilities	**–**	**4,194**	**1,290**	**268**	**427**	**491**	**105**	**6,775**

E.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.

E.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 financial statements.

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 using 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 composition of financial assets and liabilities with respect to the main currencies (but do not contain non-financial assets like fixed assets and investments in associates):

In millions of EUR, as at 31 December 2010	EUR	USD	CZK	RUB	Other	Total
Cash and cash equivalents	43	60	36	168	38	345
Financial assets at fair value through profit or loss	73	17	143	26	3	262
Financial assets available for sale	505	–	187	143	–	835
Loans and receivables due from banks and other financial institutions	102	281	559	45	28	1,015
Loans and receivables due from non-banks	208	293	621	1,768	175	3,065
Other loans and receivables	458	31	5	85	–	579
Other assets	99	3	28	92	9	231
Total financial assets	**1,488**	**685**	**1,579**	**2,327**	**253**	**6,332**

In millions of EUR, as at 31 December 2010	EUR	USD	CZK	RUB	Other	Total
Due to non-banks	249	195	1,038	573	8	2,063
Due to banks and other financial institutions	1,976	289	310	517	77	3,169
Debt securities issued	426	410	289	401	–	1,526
Financial liabilities at fair value through profit or loss	3	–	157	2	1	163
Other liabilities	45	48	64	656	18	831
Total financial liabilities	**2,699**	**942**	**1,858**	**2,149**	**104**	**7,752**
Effect of foreign currency derivatives	**191**	**(15)**	**96**	**(233)**	**(39)**	**–**
Net foreign currency position	**(1,020)**	**(272)**	**(183)**	**(55)**	**110**	**(1,420)**

In millions of EUR, as at 31 December 2009	EUR	USD	CZK	RUB	Other	Total
Cash and cash equivalents	28	156	41	153	28	406
Financial assets at fair value through profit or loss	65	26	128	4	27	250
Financial assets available for sale	93	125	94	194	–	506
Loans and receivables due from banks and other financial institutions	162	296	538	14	23	1,033
Loans and receivables due from non-banks	208	154	543	1,254	102	2,261
Other loans and receivables	554	66	99	84	–	803
Other assets	76	3	279	71	3	432
Total financial assets	**1,186**	**826**	**1,722**	**1,774**	**183**	**5,691**

In millions of EUR, as at 31 December 2009	EUR	USD	CZK	RUB	Other	Total
Due to non-banks	224	150	849	307	29	1,559
Due to banks and other financial institutions	1,667	323	229	472	27	2,718
Debt securities issued	420	436	245	417	–	1,518
Financial liabilities at fair value through profit or loss	–	23	146	4	–	173
Other liabilities	50	37	204	505	11	807
Total financial liabilities	**2,361**	**969**	**1,673**	**1,705**	**67**	**6,775**
Effect of foreign currency derivatives	**102**	**(154)**	**90**	**(23)**	**(15)**	**–**
Net foreign currency position	**(1,073)**	**(297)**	**139**	**46**	**101**	**(1,084)**

E.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.

E.5. 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.

E.6. 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 to comply with the supplementary prudential rules specified by the Act on Financial Conglomerates. As at 31 December 2010, the Group reported supplementary capital adequacy totalling MEUR 353 of capital surplus (MEUR 366 as at 31 December 2009). The Group's capital adequacy is calculated as regulatory capital eligible according to prudential rules totalling MEUR 1,381 as at 31 December 2010 (MEUR 1,213 as at 31 December 2009) minus the solvency requirement of MEUR 1,028 as at 31 December 2010 (MEUR 847 as at 31 December 2009).

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. The actual regulatory capital base is 134% of the capital requirements which satisfies this objective. 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.

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

F.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR, as at 31 December	2010	2009
Current accounts	186	175
Current accounts with central banks	44	47
Placements with financial institutions due within one month	75	141
Cash on hand	40	43
Total cash and cash equivalents	**345**	**406**

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

F.2. Financial instruments

Financial instruments comprise the following:

In millions of EUR, as at 31 December	2010	2009
Financial assets at fair value through profit or loss	262	250
Financial assets available-for-sale	835	506
Loans and receivables due from banks and other financial institutions	1,015	1,033
Loans and receivables due from non-banks	3,065	2,261
Other loans and receivables	579	803
Total financial instruments	**5,756**	**4,853**

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 which are non-trading) comprise the following:

In millions of EUR, as at 31 December	2010	2009
Debt securities	184	152
Government and other public-sector bonds	120	107
Corporate bonds	64	45
Equity securities	40	43
Shares	23	20
Mutual fund investments	–	1
Other equity securities	17	22
Positive fair values of derivatives	38	55
Interest rate derivatives	3	21
Currency derivatives	24	34
Other derivatives	11	–
Total FVTPL	**262**	**250**

Other equity securities amounting to MEUR 17 (MEUR 22 in 2009) represent 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 valued based on quoted market prices, except for derivatives, which are valued based on 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:

Interest rate derivatives	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2010	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC products:					
Interest rate swaps	1	5	1,140	–	(9)
Other interest rate contracts	16	–	–	–	–
Exchange-traded products:					
Interest rate futures	20	63	–	3	–
Total	**37**	**68**	**1,140**	**3**	**(9)**

Interest rate derivatives	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2009	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC products:					
Interest rate swaps	–	–	1,136	20	(3)
Exchange-traded products:					
Interest rate futures	41	33	–	1	–
Total	**41**	**33**	**1,136**	**21**	**(3)**

Currency derivatives	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2010	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC products:					
Forward exchange contracts	129	48	31	2	(2)
Currency/cross currency swaps	2,028	118	12	22	(26)
Total	**2,157**	**166**	**43**	**24**	**(28)**

Currency derivatives	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2009	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC products:					
Forward exchange contracts	178	30	31	11	(1)
Currency/cross currency swaps	840	377	25	23	(25)
Total	**1,018**	**407**	**56**	**34**	**(26)**

F.2.2. Financial assets available for sale

Financial assets available for sale comprise the following:

In millions of EUR, as at 31 December 2010	Carrying amount	Unrealised gains/ (losses) recognised in equity	FX differences recognised through profit and loss	Impairment recognised directly in profit and loss	Amortised cost
Debt securities	290	–	–	(7)	297
Government bonds	96	–	–	–	96
Corporate bonds	146	–	–	(7)	153
Other debt securities	48	–	–	–	48
Equity securities	545	(111)	–	(9)	665
Shares	538	(111)	–	(9)	658
Mutual funds investments	7	–	–	–	7
Total AFS	**835**	**(111)**	**–**	**(16)**	**962**

In April 2010 the Group completed a purchase of 31.4 million shares of Assicurazioni Generali, whereby the Group gained a 2.02% interest in the share capital of that company. As of 31 December 2010 the total value of Generali shares was MEUR 445. A MEUR 117 loss, caused by a decrease in the market value of the shares, was recognized in other comprehensive income.

In millions of EUR, as at 31 December 2009	Carrying amount	Unrealised gains/ (losses) recognised in equity	FX differences recognised through profit and loss	Impairment recognised directly in profit and loss	Amortised cost
Debt securities	403	2	–	–	401
Government bonds	57	–	–	–	57
Corporate bonds	309	2	–	–	307
Other debt securities	37	–	–	–	37
Equity securities	103	(5)	–	(9)	117
Shares	96	(5)	–	(9)	110
Mutual funds investments	7	–	–	–	7
Total AFS	**506**	**(3)**	**–**	**(9)**	**518**

F.2.3. 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	2010	2009
Term deposits at banks	403	342
Minimum reserve deposits with central banks	26	27
Loans to banks	70	198
Loans and advances provided under repo operations	477	412
Other	39	54
Total loans and receivables due from banks and other financial institutions	**1,015**	**1,033**

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.2.4. 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	2010	2009
Gross amount		
Consumer loan receivables	1,290	823
Cash loan receivables	814	519
Revolving loan receivables	625	763
Car loan receivables	69	73
Mortgage loan receivables	164	196
Personal loan receivables (secured)	–	19
Loans to corporations	313	166
Loans and advances provided under repo operations	112	47
Other	3	11
Total gross amount	**3,390**	**2,617**
Collective allowances for impairment		
Consumer loan receivables	(96)	(88)
Cash loan receivables	(117)	(112)
Revolving loan receivables	(73)	(110)
Car loan receivables	(10)	(9)
Mortgage loan receivables	(13)	(20)
Personal loan receivables (secured)	–	(3)
Other	(1)	(2)
Total collective impairment	**(310)**	**(344)**
Loans to corporations	(15)	(12)
Total individual impairment	**(15)**	**(12)**
Total carrying amount	**3,065**	**2,261**

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

In millions of EUR, for the year ended 31 December	2010	2009
Balance as at 1 January	356	379
Balance acquired by business combinations	–	8
Translation difference	16	(9)
Transfer to held-for-sale	(19)	–
Impairment losses recognised in the income statement	164	311
Amount related to loans disposed of	(162)	(119)
Amount related to loans written off	(30)	(214)
Balance as at 31 December	**325**	**356**

F.2.5. Net investment in finance leases

The net investment in finance leases is apportioned as follows:

In millions of EUR, as at 31 December	2010	2009
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	2010	2009
Gross investment in finance leases	1	1
Unearned finance income	–	–
Allowance for uncollectible lease payments receivable	–	(1)
Total net investment in finance leases	**1**	**–**

The following table shows investment in finance leases according to their remaining maturities:

In millions of EUR, as at 31 December	2010	2009
Gross investment in finance leases, with remaining maturities of:		
less than one year	–	1
between one and five years	1	–
Total gross investment in finance leases	**1**	**1**
Total net investment in finance leases	**1**	**–**

F.2.6. Other loans and receivables

The following table provides a breakdown of other loans and receivables:

In millions of EUR, as at 31 December	2010	2009
Loans and receivables	736	891
Individual allowances for impairment	(157)	(88)
Total other loans and receivables	**579**	**803**

Movements in allowances for impairment were as follows:

In millions of EUR, for the year ended 31 December	2010	2009
Balance as at 1 January	88	–
Balance acquired by business combinations	8	44
Translation difference	1	2
Impairment losses recognised in the income statement	127	42
Amount related to loans disposed of	(1)	–
Amount related to loans written off	(66)	–
Balance as at 31 December	**157**	**88**

Other loans represent mainly the provision of funds outside the Group's core banking business. This category also includes loans granted to the Group's associates that were used to finance several real estate projects. As of 31 December 2010, the total amount of such loans was MEUR 37 (MEUR 44 in 2009). In 2010, Timeworth Ltd. also granted a loan facility to EP Holding (refer to C.3.4.) in a total amount of MEUR 200, of which MEUR 57 had been drawn at year-end. The loan facility agreement was terminated in April 2011.

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	2010	2009
Net deferred tax asset/(liability) at 1 January	(3)	5
Transfer to held for sale	1	–
Deferred tax (expense)/income for the period	(37)	(8)
Deferred tax recognised directly in equity	–	(8)
Additions from business combinations	(2)	7
Net exchange differences	7	1
Net deferred tax asset/(liability) at 31 December	**(34)**	**(3)**

The recognised deferred tax assets and liabilities comprise the following:

In millions of EUR, as at 31 December	2010 Deferred tax liabilities	2010 Deferred tax assets	2009 Deferred tax liabilities	2009 Deferred tax assets
Intangible assets	(39)	–	(35)	–
Financial assets	(13)	17	(11)	33
Financial assets at fair value through profit or loss	–	–	(1)	–
Financial assets available-for-sale	(4)	–	–	1
Loans and receivables	(9)	17	(10)	32
Investment property	(18)	–	(21)	–
Property, plant and equipment	(20)	–	(19)	–
Inventories	–	7	(2)	5
Other assets	(8)	3	(2)	5
Financial liabilities	(1)	24	(3)	18
Debt securities issued	–	1	–	–
Other liabilities	–	21	(2)	16
Financial liabilities at fair value through profit or loss	–	–	–	1
Liabilities to banks	(1)	2	–	1
Liabilities to non-banks	–	–	(1)	–
Provisions	–	3	–	5
Other temporary differences	(2)	–	(2)	–
Value of loss carry-forwards recognised	–	6	–	26
Value of tax credits	–	7	–	–
Deferred tax assets/(liabilities)	**(101)**	**67**	**(95)**	**92**
Net deferred tax assets/(liabilities)	**(77)**	**43**	**(40)**	**37**

The following table shows the unrecognised deferred tax assets:

In millions of EUR, as at 31 December	2010	2009
Tax effect from unused tax losses	125	50
Unrecognised potential deferred tax assets	**125**	**50**

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 unutilized tax losses can be claimed in the period from 2011 to 2019 (to 2015 in the Czech Republic and to 2020 in Russia).

As at 31 December 2010, MEUR 7 in deferred tax liabilities related to post-acquisition undistributed earnings of associates were recognised for Polymetal and Nomos-Bank (MEUR 2 in 2009).

F.4. Other assets

Other assets comprise the following:

In millions of EUR, as at 31 December	2010	2009
Settlements with suppliers	62	104
Prepaid expenses	59	51
Other taxes receivable	30	29
Other	99	352
Subtotal other assets (gross)	**250**	**536**
Specific allowances for impairment on settlement with suppliers	(10)	(64)
Specific allowances for impairment on prepayments and other deferrals	(4)	(13)
Specific allowances for impairment on other assets	(5)	(27)
Total other assets	**231**	**432**

In 2009, the selling price of a minority stake in ArcelorMittal Ostrava a.s. in an amount of MEUR 260 was included in the "Other" category. The contract was signed in October with settlement in January 2010. Half of this amount was owed to the external partner in the transaction, and was included in other liabilities.

Moreover, in December 2008 the Group acquired a 82% share in PPF Investments Ltd. for MEUR 70. As the closing of the transaction is subject to fulfilment of significant conditions precedent, at year-end 2010 the change of control necessary to consider the entity a subsidiary had not yet occurred. As of 31 December 2010 impairment in an amount of MEUR 5 was recognised in relation to this asset (MEUR 27 in 2009).

F.5. Inventories

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

In millions of EUR, as at 31 December	2010	2009
Goods/merchandise for resale	470	351
Other inventory	1	1
Allowance for slow-moving and damaged items	(19)	(27)
Total inventories	**452**	**325**

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

In millions of EUR, for the year ended 31 December	2010	2009
Balance as at 1 January	27	–
Additions resulting from business combinations	–	36
Impairment losses recognised in the income statement	(10)	(10)
Creation and reversal of impairment losses	–	–
Translation difference	2	1
Balance as at 31 December	**19**	**27**

F.6. Investments in associates and joint ventures

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

In millions of EUR, as at 31 December	2010	2009
Nomos-Bank	539	457
Generali PPF Holding	2,683	2,511
Polymetal	645	551
EP Holding	371	105
PSJ	26	–
Real estate projects	14	4
Total investments in associates	**4,278**	**3,628**

Nomos-Bank

Since 17 April 2008 investments in associates have included a 29.92% share in Nomos-Bank, the Russian banking group. In December 2010 the economic share held by the Group was diluted to 28.24% by an increase in Nomos-Bank's capital in which the Group did not participate. The following table summarises the consolidated financial information related to this associate:

In millions of EUR, as at 31 December	2010	2009
Total assets	12,989	6,421
Total liabilities	(11,570)	(5,573)
Group's share in total equity (28.24%; in 2009 29.92%)	401	254
Non-controlling interest at subholding level (28.24%; in 2009 29.92%)	(77)	–
Group's share in equity (28.24%; in 2009 29.92%)	**324**	**254**
Total revenue	811	882
Total net profit	184	97
Group's share in profit (29.92% in both periods)	**55**	**29**
Reversal of impairment of associates	–	73
Total share in profit	**55**	**102**

In 2009, an impairment loss previously recognised in 2008 was reversed following an improvement in the situation in Russia.

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. The following table summarises the consolidated financial information related to this associate:

In millions of EUR, as at 31 December	2010	2009
Total assets	15,981	14,811
Total liabilities	(10,469)	(9,648)
Group's share in total equity (49%)	2,701	2,530
Non-controlling interest at subholding level (49%)	(18)	(19)
Group's share in equity (49%)	**2,683**	**2,511**
Total revenue	4,051	3,955
Total net profit	235	374
Group's share in net profit (49%)	115	183
Non-controlling interest at subholding level (49%)	(1)	–
Group's share in profit (49%)	**114**	**183**

Polymetal

Since 10 June 2008 the Group has held a 24.9% stake in Polymetal, the Russian precious metals mining company. In the second half of 2009, the Group's share was diluted to 21.92%; in July 2010 the Group increased its economic share to 22.09% through an acquisition. (However, due to the existence of treasury shares in the Polymetal group, legally the stake is 19.99% of the registered capital.) The company is traded on the London and Moscow Stock Exchanges. As of 31 December 2010, the share price of Polymetal was USD 18.31 (USD 9.17 as at 31 December 2009).

In millions of EUR, as at 31 December	2010	2009
Total assets	1,717	1,196
Total liabilities	(803)	(560)
Group's share in equity (22.09%; in 2009 21.92%)	**202**	**139**
Total revenue	698	402
Total net profit	188	69
Group's share in net profit (22.09%; in 2009 21.92%)	**42**	**15**
Gain on dilution of interest	–	51
Total share in profit	**42**	**66**

EP Holding

Since 8 October 2009 PPF Group held, both directly and indirectly, a 20% share in Energetický a průmyslový holding a.s. (Energy and Industrial Holding – hereinafter referred to as "EP Holding"). In March 2010, the Group increased its effective economic share in EP Holding from 20% to 29% by acquiring shares from PPF Partners. EP Holding aims to become a long-term strategic investor in the energy sector and a major investor in industry. Its business lines include the generation of electricity and heat, their distribution and sale to final customers, and trading in electricity and natural gas.

The following table summarises the consolidated financial information related to this associate:

In millions of EUR, as at 31 December	2010	2009
Total assets	2,058	1,151
Total liabilities	(1,391)	(870)
Group's share in equity (29.00%; in 2009 20.00%)	**267**	**56**
Total revenue (in 2009 since establishment)	991	245
Total net profit (in 2009 since establishment)	351	1
Group's share in profit (29.00%; in 2009 20.00%)	**140**	**–**

In 2010, EP Holding is primarily consolidated at 40% and part of equity is then allocated to the non-controlling interest, which yields the final effective 29% share on profit and equity (20% in 2009).

PSJ

As a part of the transaction with ECM (refer to C.3.5.), the Group acquired a 50% share in PSJ a.s., the Czech construction group. The following table summarizes the consolidated financial information related to this joint venture since its acquisition in July 2010:

In millions of EUR, as at 31 December	2010
Total assets	158
Total liabilities	(117)
Group's share in equity (50.00%)	**20**
Total revenue (since acquisition)	93
Total net profit (since acquisition)	2
Group's share in profit (50.00%.)	**1**

Real estate

This investment consists of several projects, with ownership participations ranging from 24.5% to 50%. Moreover, one project, acquired in 2010 (refer to C.3.5.), with effective ownership of 89.32% is accounted for using the equity method. The aggregate total assets of the entities in question at 31 December 2010 are MEUR 287 (MEUR 170 in 2009), while the aggregate total liabilities are MEUR 295 (MEUR 173 in 2009).

F.7. Investment property

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

In millions of EUR, as at 31 December	2010	2009
Investment property	302	331
Investment property under construction	15	11
Total investment property	**317**	**342**

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

In millions of EUR, for the year ended 31 December	2010	2009
Balance at 1 January	342	253
Additions	6	131
Disposal	(9)	–
Transfer to/from property, plant & equipment	–	(20)
Unrealised gains from investment property	4	31
Unrealised losses from investment property	(46)	(56)
Net exchange differences	20	3
Balance at 31 December	**317**	**342**

F.8. 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 2010	Land and buildings	Other tangible assets and equipment	Tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	255	129	8	392	5
Additions resulting from business combinations	25	4	1	30	–
Transfer to held-for-sale	(1)	(7)	–	(8)	–
Additions	5	42	7	54	1
Disposals	–	(10)	(5)	(15)	(1)
Other movements	(24)	24	–	–	–
Net foreign exchange differences	14	8	–	22	–
Balance at 31 December 2010	274	190	11	475	5
Accumulated depreciation and impairment losses					
Balance at 1 January	(21)	(58)	(1)	(80)	(2)
Additions resulting from business combinations	–	(1)	–	(1)	–
Transfer to held-for-sale	–	4	–	4	–
Depreciation charge for the period	(7)	(38)	–	(45)	–
Impairment losses recognised	(2)	(1)	(1)	(4)	(1)
Disposals	–	7	–	7	–
Net foreign exchange differences	(1)	(4)	–	(5)	–
Balance at 31 December 2010	(31)	(91)	(2)	(124)	(3)
Carrying amount	**243**	**99**	**9**	**351**	**2**

In millions of EUR, for the year ended 31 December 2009	Land and buildings	Other tangible assets and equipment	Tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	248	94	9	351	3
Additions resulting from business combinations	–	28	8	36	3
Additions	5	18	7	30	–
Disposals	(7)	(13)	(16)	(36)	(1)
Other movements	15	6	–	21	–
Net foreign exchange differences	(6)	(4)	–	(10)	–
Balance at 31 December 2009	255	129	8	392	5
Accumulated depreciation and impairment losses					
Balance at 1 January	(23)	(48)	(1)	(72)	(2)
Depreciation charge for the period	(7)	(24)	–	(31)	(1)
Impairment losses recognised	(1)	–	–	(1)	–
Reversal of impairment losses	3	1	–	4	–
Disposals	5	12	–	17	1
Other movements	1	(1)	–	–	–
Net foreign exchange differences	1	2	–	3	–
Balance at 31 December 2009	(21)	(58)	(1)	(80)	(2)
Carrying amount	**234**	**71**	**7**	**312**	**3**

F.9. Intangible assets

Intangible assets comprise the following:

In millions of EUR, as at 31 December	2010	2009
Goodwill	257	227
Software	41	39
Trademark	185	174
Other	5	4
Total intangible assets	**488**	**444**

F.9.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, for the year ended 31 December	2010	2009
Balance at 1 January	227	38
Additions resulting from business combinations	36	223
Impairment losses	(18)	(38)
Net exchange differences	12	4
Balance at 31 December	**257**	**227**

In 2010, MEUR 31 in goodwill arose from the transaction with ECM (refer to C.3.5.). Of this amount, MEUR 13 was attributed to a 65% share in Retail Value Stores, and tested for impairment at the year end. The remaining MEUR 18 was recognised as an impairment loss.

The MEUR 223 goodwill amount in 2009 arose upon the acquisition of Eldorado. As of 31 December 2010 and 2009, this goodwill was tested for impairment. The recoverable amount of this cash-generating unit was determined using a combination of different valuation techniques based mainly on management projections for 2010 and the enterprise value of a direct competitor.

As of 31 December 2009, due to the continuing economic downturn in Ukraine the Group further reassessed the recoverable amount of this cash generating unit to reflect a significant decline of related revenues forecasted for the 2009–2013 period and recognised an impairment loss of MEUR 38.

F.9.2. 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 December2010	Software	Other intangible assets	Trademarks	Total
Cost				
Balance at 1 January	78	9	174	261
Additions resulting from business combinations	1	–	–	1
Transfer to held-for-sale	–	(4)	–	(4)
Additions	10	8	1	19
Additions from internal development	9	9	–	18
Disposal	–	(14)	–	(14)
Other changes	1	–	–	1
Net foreign exchange differences	4	–	10	14
Balance at 31 December 2010	103	8	185	296
Accumulated amortisation and impairment losses				
Balance at 1 January	(39)	(5)	–	(44)
Transfer to held-for-sale	–	2	–	2
Amortisation charge for the year	(20)	–	(1)	(21)
Other changes	(1)	–	–	(1)
Net foreign exchange differences	(2)	–	1	(1)
Balance at 31 December 2010	(62)	(3)	–	(65)
Carrying amount	**41**	**5**	**185**	**231**

In millions of EUR, for the year ended 31 December2009	Software	Other intangible assets	Trademarks	Total
Cost				
Balance at 1 January	38	8	3	49
Additions resulting from business combinations	5	–	168	173
Additions	20	6	–	26
Additions from internal development	7	8	–	15
Other changes	9	–	–	9
Disposal	(1)	(13)	–	(14)
Net foreign exchange differences	–	–	3	3
Balance at 31 December 2009	78	9	174	261
Accumulated amortisation and impairment losses				
Balance at 1 January	(19)	(4)	–	(23)
Additions resulting from business combinations	(1)	–	–	(1)
Amortisation charge for the year	(16)	(1)	–	(17)
Other changes	(4)	–	–	(4)
Disposal	1	–	–	1
Balance at 31 December 2009	(39)	(5)	–	(44)
Carrying amount	**39**	**4**	**174**	**217**

F.10. Liabilities to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR, as at 31 December	2010	2009
Current accounts and demand deposits	528	455
Term deposits	1,117	689
Loans	137	255
Loans received under repo operations	281	160
Total liabilities to non-banks	**2,063**	**1,559**

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.

F.11. 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	2010	2009
Repayable on demand	–	2
Loans received under repo operations	148	–
Secured loans (other than repo)	2,622	2,390
Unsecured loans	346	319
Other	53	7
Total liabilities to banks	**3,169**	**2,718**

In 2008 the Group obtained a syndicated loan facility provided by a group of banks led by Calyon in a maximum amount of MEUR 2,099 available till January 2015. The pricing is set as applicable EURIBOR+0.70/0.90 bps. 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. As of 31 December 2010 the total amount drawn was MEUR 1,750 (MEUR 1,480 in 2009).

A MEUR 289 (MEUR 254 in 2009) portion of the secured loans consists of a USD denominated loan provided by Sberbank to finance residual consideration for the acquisition of Polymetal. The loan matures in 2013 and is secured by a pledge of PPF Group's share in Polymetal. The loan is provided to the Group through its associate Accord Invest Ltd. The interest rate is floating.

MEUR 51 (MEUR 50 in 2009) of the other secured loans stated above was secured by a pledge of consumer loan receivables and cash loan receivables, while another MEUR 51 (MEUR 54 in 2009) was secured by a pledge of revolving loan receivables and MEUR 161 (MEUR 163 in 2009) was secured by pledge of investment property.

F.12. 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	2010	2009
Notes MEUR 400	Fixed	November 2015	404	403
Unsecured CZK bond issue 4 of MCZK 2,900	Fixed	September 2015	84	–
Unsecured RUB bond issue 7 of MRUB 5,000	Variable	April 2015	120	–
Unsecured RUB bond issue 6 of MRUB 5,000	Variable	June 2014	122	116
Unsecured RUB bond issue 5 of MRUB 4,000	Variable	April 2013	99	95
Unsecured CZK bond issue 3 of MCZK 4,000	Fixed	June 2012	100	101
Unsecured RUB bond issue 4 of MRUB 3,000	Variable	October 2011	60	72
USD loan participation notes 5 of MUSD 301	Fixed	August 2011	129	130
USD loan participation notes 3 of MUSD 200	Fixed	August 2011	116	135
USD loan participation notes 4 of MUSD 500	Fixed	June 2011	164	170
Unsecured RUB bond issue 3 of MRUB 3,000	Variable	September 2010	–	70
Unsecured RUB bond issue 2 of MRUB 3,000	Variable	May 2010	–	64
Deposit bill of exchange; rate 0.55%	Fixed	January 2011	40	–
Deposit bill of exchange; rate 0.52%	Fixed	January 2011	22	–
Deposit bill of exchange; rate 0.25%	Fixed	January 2011	12	–
Deposit bill of exchange; rate 1.93%	Fixed	May 2011	13	–
Deposit bill of exchange; rate 1.85%	Fixed	June 2011	40	–
Deposit bill of exchange; rate 2.35%	Fixed	November 2011	1	–
Deposit bill of exchange; rate 2.25%	Fixed	January 2010	–	20
Deposit bill of exchange; rate 2.4%	Fixed	January 2010	–	11
Deposit bill of exchange; rate 2.05%	Fixed	January 2010	–	6
Deposit bill of exchange; rate 1.98%	Fixed	February 2010	–	19
Deposit bill of exchange; rate 2.23%	Fixed	February 2010	–	15
Deposit bill of exchange; rate 2.23%	Fixed	February 2010	–	11
Deposit bill of exchange; rate 3.75%	Fixed	May 2010	–	12
Deposit bill of exchange; rate 3.57%	Fixed	May 2010	–	12
Deposit bill of exchange; rate 2.32%	Fixed	June 2010	–	38
Deposit bill of exchange; rate 1.5%	Fixed	December 2010	–	17
Deposit bill of exchange; rate 1.5%	Fixed	December 2010	–	1
Total debt securities issued			**1,526**	**1,518**

Notes in the amount of MEUR 400 were issued in November 2009.

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

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

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

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

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

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

CZK-denominated bond issue 4 was issued by the Group in September 2010 and consists of zero-coupon bonds.

F.13. 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	2010	2009
Negative market values of derivatives	37	52
Interest rate derivatives	9	3
Currency derivatives	28	26
Equity derivatives	–	–
Other derivatives	–	23
Obligation to deliver securities	123	121
Other	3	–
Total financial liabilities at FVTPL	**163**	**173**

F.14. Provisions

Provisions comprise the following:

In millions of EUR, as at 31 December	2010	2009
Warranty repair reserve	1	2
Goods returns	16	16
Provision for litigations except for tax issues	1	1
Other provisions	1	5
Total provisions	**19**	**24**

Analysis of movements in provisions is as follows:

In millions of EUR, for the year ended 31 December 2010	Warranty repair reserve	Goods returns	Provision for litigation except for tax issues	Other provisions	Total
Balance at 1 January	2	16	1	5	24
Provisions created during the year	1	41	1	1	44
Provisions used during the year	(2)	(42)	(1)	(5)	(50)
Net exchange difference	–	1	–	–	1
Balance at 31 December	**1**	**16**	**1**	**1**	**19**
Non-current (> 1 year)	–	–	–	–	–
Current (< 1 year)	1	16	1	1	19
Total provisions	**1**	**16**	**1**	**1**	**19**

F.15. Other liabilities

Other liabilities comprise the following:

In millions of EUR, as at 31 December	2010	2009
Settlements with suppliers	549	448
Wages and salaries	83	52
Social security and health insurance	11	5
Other tax payable	14	10
Finance lease liabilities	3	5
Accrued expenses	14	5
Deferred income	73	74
Insurance payable, net	–	19
Advance received	23	18
Other liabilities	61	171
Total other liabilities	**831**	**807**

F.16. Finance lease liabilities

Finance lease liabilities comprise the following:

In millions of EUR, as at 31 December 2010	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
less than one year	2	–	2
between one and five years	1	–	1
Total finance lease liabilities	**3**	**–**	**3**

In millions of EUR, as at 31 December 2009	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
less than one year	3	–	3
between one and five years	2	–	2
Total finance lease liabilities	**5**	**–**	**5**

F.17. 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:

	2010	2009
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

The following table reconciles the number of shares outstanding at the beginning and at the end of the year:

	2010	2009
Balance at 1 January	66,738	66,738
Balance at 31 December	**66,738**	**66,738**

As at 31 December 2010 and 2009 the authorised share capital comprised 250,000 registered shares, out of which 66,738 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.18. Reserves

F.18.1. 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 fund is not available for distribution to the shareholders.

F.18.2. 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 reserve are not available for distribution to the shareholders.

F.18.3. 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 fund is not available for distribution to the shareholders.

F.19. Net interest income

Interest income comprises the following:

In millions of EUR, for the year ended 31 December	2010	2009
Financial instruments at fair value through profit or loss	13	12
Financial instruments available-for-sale	27	24
Due from banks and other financial institutions	23	51
Consumer loan receivables	420	340
Cash loan receivables	204	178
Revolving loan receivables	203	246
Car loan receivables	16	16
Mortgage loan receivables	21	24
Loans to corporations and other loans and receivables	62	72
Other	–	10
Total interest income	**989**	**973**

Interest expense comprises the following:

In millions of EUR, for the year ended 31 December	2010	2009
Due to customers	73	75
Due to banks and other financial institutions	109	131
Debt securities issued	135	144
Finance lease liabilities	1	–
Other	4	3
Total interest expenses	**322**	**353**
Total net interest income	**667**	**620**

F.20. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, for the year ended 31 December	2010	2009
Penalty fees	59	75
Insurance commissions	105	64
Cash transactions	29	30
Customer payment processing and account maintenance	24	14
Retailers' commissions	13	6
Other	33	18
Total fee and commission income	**263**	**207**

Fee and commission expense comprises the following:

In millions of EUR, for the year ended 31 December	2010	2009
Commissions to retailers	29	28
Cash transactions	10	10
Payment processing and account maintenance	11	8
Other	6	3
Total fee and commission expense	**56**	**49**
Total net fee and commission income	**207**	**158**

F.21. Net gain/loss on financial assets

In millions of EUR, for the year ended 31 December	2010	2009
Net trading income	(69)	(131)
Securities trading	7	17
Debt securities	7	26
Equity securities	–	(9)
FX trading	(3)	(17)
Derivatives	(73)	(132)
Other	–	1
Net gains on financial assets at fair value through profit or loss not held for trading	(10)	–
Equity securities	(11)	–
Other	1	–
Net realized gains	13	7
Financial assets available-for-sale	31	7
Loans and receivables	(18)	–
Dividends	13	1
Total net gains/(losses) on financial assets	**(53)**	**(123)**

The significant negative results from derivatives in 2009 relate to the hedging of FX positions visible in foreign currency gains (refer to F.25.).

F.22. Net impairment losses on financial assets

In millions of EUR, for the year ended 31 December	2010	2009
Financial instruments available-for-sale	4	9
Consumer loan receivables	56	69
Cash loan receivables	54	95
Revolving loan receivables	39	97
Car loan receivables	4	7
Mortgage loan receivables	7	9
Loans to corporations and other loans and receivables	131	49
Other financial assets	–	4
Total net impairment losses on financial assets	**295**	**339**

F.23. Net expense related to credit risk insurance

In millions of EUR, for the year ended 31 December	2010	2009
Consumer loan receivables	–	16
Cash loan receivables	–	33
Commission income for collecting defaulted receivables	–	(31)
Total net expense related to credit risk insurance	**–**	**18**

F.24. Net real estate income

Rental and related income comprise the following:

In millions of EUR, for the year ended 31 December	2010	2009
Gross rental income	18	15
Service income	8	4
Total rental and related income	**26**	**19**

Property operating expenses comprise the following:

In millions of EUR, for the year ended 31 December	2010	2009
Repairs and maintenance	1	2
Material and energy consumed	2	2
Other expenses	1	1
Total property operating expense	**4**	**5**

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

In millions of EUR, for the year ended 31 December	2010	2009
Valuation gains on investment property	4	36
Valuation losses on investment property	(46)	(56)
Total net valuation gains/(losses) on investment property	**(42)**	**(20)**

F.25. Other operating income

In millions of EUR, for the year ended 31 December	2010	2009
Rental income	21	6
Gain on disposal of property, plant, equipment, and intangible assets	–	2
Foreign currency gains	12	139
Other income	37	36
Healthcare income	23	–
Loss on origination of loan at non-market interest rate	(51)	–
Total operating income	**42**	**183**

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

The significant foreign currency gains and losses in 2009 are mitigated by hedging of FX positions (refer to F.21.).

F.26. General administrative expenses

General administrative expenses comprise the following:

In millions of EUR, for the year ended 31 December	2010	2009
Employee compensation	376	221
Payroll related taxes (including pension contribution)	69	34
Advertising and marketing	55	25
Professional services	53	46
Telecommunication and postage	34	32
Travel expenses	10	7
Taxes other than income tax	2	7
Information technologies	21	16
Rental, maintenance and repair expense	153	55
Distribution, transport and storage of goods	56	18
Other	93	30
Total general administrative expenses	**922**	**491**

F.27. Other operating expenses

Other operating expenses comprise the following:

In millions of EUR, for the year ended 31 December	2010	2009
Depreciation of property, plant and equipment	45	30
Amortisation of intangible assets	21	16
Net impairment losses on goodwill recognised	18	38
Net impairment losses on property, plant and equipment recognised	3	(3)
Loss on disposal of property, plant, equipment, and intangible assets	4	5
Net impairment (gains)/losses on other assets	(25)	28
Total other operating expenses	**66**	**114**

F.28. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for the year ended 31 December	2010	2009
Current tax expense	(84)	(45)
Deferred tax expense	(37)	(8)
Total income tax expense	**(121)**	**(53)**

F.28.1. Reconciliation of effective tax rate

The following table reconciles the tax expense:

In millions of EUR, for the year ended 31 December	2010	2009
Tax rate	25.5%	25.5%
Profit from continuing operations (before taxation)	458	325
Computed taxation using applicable tax rate	(117)	(83)
Tax non-deductible expenses	(42)	(32)
Non-taxable income	12	4
Non-taxable share of earnings of associates	86	84
Tax rate differences on foreign results	7	(6)
Utilised tax loss not previously recognised	5	–
Tax loss carry forward not recognised	(74)	(18)
Other	2	(2)
Total income tax expense/income	**(121)**	**(53)**

F.29. Operating leases

The Group mainly leases shops within the Eldorado business and a few office buildings under operating leases. The leases typically run for an initial period of between one and five years, with an option to renew the lease after that date.

Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals.

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

In millions of EUR, as at 31 December	2010	2009
Less than one year	131	88
Between one and five years	158	121
More than five years	44	16
Total payables in respect of non-cancellable operating leases	**333**	**225**

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

In millions of EUR, as at 31 December	2010	2009
Minimum lease payments	140	40
Contingent rent	1	–
Total lease and sublease payments	**141**	**40**

F.30. Repo and reverse repo operations

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

As at 31 December assets sold under repo operations were as follows:

In millions of EUR, as at 31 December	2010 Fair value of underlying assets	2010 Carrying amount of corresponding liabilities	2009 Fair value of underlying assets	2009 Carrying amount of corresponding liabilities
Financial assets at fair value through profit or loss	276	280	159	160
Financial assets available for sale	177	148	–	–
Total assets	**453**	**428**	**159**	**160**

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repo operations"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repo operations 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	2010 Fair value of assets received as collateral	2010 Fair value of assets repledged or sold	2010 Carrying amount of receivables	2009 Fair value of assets received as collateral	2009 Fair value of assets repledged or sold	2009 Carrying amount of receivables
Loans and advances to banks	93	396	477	162	253	412
Loans and advances to non-banks	156	3	112	45	15	47
Total loans and advances	**249**	**399**	**589**	**207**	**268**	**459**

F.31. Off-balance sheet items

F.31.1. 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 reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the end of the reporting period 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 the Group company later, debt facilities and revolving underwriting facilities which 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	2010	2009
Loan commitments	982	662
Revolving loan commitments	634	540
Consumer loan commitments	37	33
Cash loan commitments	5	1
Undrawn overdraft facilities	40	36
Term loan facilities	266	52
Guarantees provided	111	123
Non-payment guarantees	10	98
Non-revocable letters of credit	19	–
Payment guarantees	82	25
Total commitments and contingent liabilities	**1,093**	**785**

One of the factors contributing to the increase in loan commitments was an undrawn credit facility provided to EP Holding (refer to C.3.4.).

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.

The following table shows secured liabilities:

In millions of EUR, as at 31 December	2010	2009
Secured bank loans	2,622	2,389
Total secured liabilities	**2,622**	**2,389**

The assets pledged as security were as follows:

In millions of EUR, as at 31 December	2010	2009
Financial assets at fair value through profit or loss (repo operations)	277	159
Financial assets available-for-sale	177	92
Loans and receivables due from non-banks	180	212
Inventories	217	150
Investments in subsidiaries, associates and joint ventures	3,331	3,066
Investment property	226	225
Property, plant and equipment	132	111
Total assets pledged as security	**4,540**	**4,015**

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

F.31.2. Other contingencies

F.31.2.1. Legal

The Group (as a former sole shareholder of Česká pojišťovna a.s.) is involved in one case 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 of the company believes that it is unlikely that this case will be concluded in favour of the plaintiff.

F.31.2.2. Taxation

The taxation systems in the Russian Federation, the Republic of Belarus and Ukraine are relatively new and are characterised by frequent changes in legislation which are subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the 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. Recent events within the Russian Federation, the Republic of Belarus and Ukraine suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

F.31.3. Guarantees received and off-balance sheet assets

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

In millions of EUR, as at 31 December	2010	2009
Guarantees – received	456	516
Loan commitments – received	390	653
Value of property received as collateral	1,159	1,011
Total contingent assets	**2,005**	**2,180**

F.32. Related parties

F.32.1. 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, as well as the close family members of such personnel and 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.32.2. 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	2010	2009
Board of Directors of the Parent Company	0.5	0.5
Key executive officers	27	14

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.32.3. 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	2010	2009
Interest income	30	28
Fee and commission income	106	64
Net gain/loss on financial assets	1	–
Net expense related to credit risk insurance	–	8
Rental and related income	10	9
Operating income	9	6
Total revenue	**156**	**115**
Interest expense	(62)	(51)
Fee and commission expense	–	(2)
Net gain/loss on financial assets	–	(4)
Net impairment losses on financial assets	–	(6)
Operating expense	(2)	–
Total expense	**(64)**	**(63)**

At the end of the reporting period the Group has the following balances with associates and joint ventures:

In millions of EUR, as at 31 December	2010	2009
Cash and cash equivalents	4	2
Financial assets at fair value through profit or loss	–	14
Financial assets available for sale	–	129
Loans and receivables due from banks and other financial institutions	74	255
Loans and receivables due from non-banks	101	14
Other loans and receivables	–	25
Other assets	15	9
Total assets	**194**	**448**
Current accounts, deposits and loans from non-banks	(602)	(355)
Liabilities due to banks and other financial institutions	(461)	(379)
Debt securities issued	(165)	(113)
Financial liabilities at fair value through profit or loss	(2)	(9)
Other liabilities	(3)	(33)
Total liabilities	**(1,233)**	**(889)**

F.32.4. Other related parties

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	2010	2009
Interest income	1	5
Other income	4	–
Total revenue	**5**	**5**
Acquisition costs and other operating expenses	(3)	(3)
Total expenses	**(3)**	**(3)**

At the end of the reporting period the Group had the following balances with other related parties:

In millions of EUR, as at 31 December	2010	2009
Loans and receivables due from banks and other financial institutions	24	17
Loans and receivables due from non-banks	–	1
Other assets	2	2
Total assets	**26**	**20**
Current accounts, deposits and loans from non-banks	(2)	(2)
Other liabilities	(7)	(10)
Total liabilities	**(9)**	**(12)**

F.33. Earnings per share

The next table shows the earnings per share:

In millions of EUR, for the year ended 31 December	2010	2009
Net profit for the year attributable to equity holders of the Parent	336	289
Net profit from continuing operations attributable to equity holders of the Parent Company	346	294
Net profit from discontinued operations	(10)	(5)
Weighted average number of shares	66,738	66,738
Basic and Diluted earnings per share for profit for the year (EUR)	5,035	4,330
Basic and Diluted earnings per share for profit from continuing operations (EUR)	5,184	4,405
Basic and Diluted earnings per share for profit from discontinued operations (EUR)	(150)	(75)

The earnings per share figure is calculated by dividing the consolidated net income by the weighted average number of common shares outstanding.

The diluted earnings per share figures were not calculated because there were no dilutive securities.

F.34. Fair value of financial assets and liabilities

The fair values of the following financial instruments differ from their carrying amounts shown in the statement of financial position, either in 2010 or in 2009:

In millions of EUR, as at 31 December	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
Loans and receivables due from non-banks	3,065	3,065	2,261	2,223
Due to banks and other financial institutions	(3,169)	(3,152)	(2,718)	(2,715)
Debt securities issued	(1,526)	(1,545)	(1,518)	(1,527)

The fair value of a financial instrument is defined as the amount for which a financial instrument could be exchanged between two willing parties in the ordinary course of business. The fair value is based on market prices.

For financial assets which are carried at fair value in the financial statements and for which market prices are not available, the fair value is calculated using the present value of future cash flows method. The discount rate used is calculated by applying an appropriate risk margin to the risk-free rate for the currency of the financial instrument. For financial assets and liabilities with maturities of less than one year, the fair value is assumed to be equal to the carrying amount.

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

In millions of EUR, as at 31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	166	66	30	262
Financial assets available-for-sale	724	35	76	835
Financial liabilities at fair value through profit or loss	(123)	(37)	(3)	(163)
Total	**767**	**64**	**103**	**934**

In millions of EUR, as at 31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	106	124	20	250
Financial assets available-for-sale	363	37	106	506
Financial liabilities at fair value through profit or loss	(121)	(52)	–	(173)
Total	**348**	**109**	**126**	**583**

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

In millions of EUR, for the year ended 31 December	2010	2009
Balance at 1 January	126	65
Net (losses)/gains recorded in profit or loss	17	(8)
Net gains recorded in other comprehensive income	10	(7)
Purchases of financial assets	41	109
Issues of financial liabilities	(3)	–
Settlements	(88)	(33)
Balance at 31 December	103	126

Level 3 valuation is used for investments in equity securities. These are sensitive to the economic developments in the countries in which the companies in question operate; i.e. Russia, Kazakhstan and India.

F.35. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of loans and receivables

At the end of each reporting period, the Group assesses whether there is objective evidence that any loan or receivable, or group of loans or receivables, is impaired. Impairment arises as a result of one or more events that occurred subsequent to initial recognition of the loan or receivable, or group of loans or receivables, with an impact on the estimated future cash flows that can be reliably estimated.

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.

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.

Estimated impairment of goodwill (including goodwill that is part of investments in associates)

The Group tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note D.1.2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

Income taxes

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.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded on an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses its judgment to select a variety of methods and to determine appropriate assumptions that are mainly based on market conditions existing at the end of each reporting period.

Fair value of investment property

The fair value of the investment property portfolio has been principally determined based on appraisals by an independent external expert. For other investment properties, fair value is calculated internally using the discounted cash flow method. Such valuations require the use of judgment and assumptions about future market conditions. For more details, refer to F.7.

G. Subsequent Events

G.1. Sale of Ukrainian Home Credit Bank

On 3 December 2010 the Group entered into a transaction whereby its 100% ownership interest in Home Credit Bank was sold. On 31 January 2011 the transaction was completed and the control over Home Credit Bank was transferred to the purchasing party (refer to A.5.).

G.2. Sale of Euroclinicum

In 2011 the Group decided to dispose of its healthcare business represented by a chain of clinics and hospitals. A 100% share in PPF Healthcare a.s., the holding company for the whole structure, was sold on 31 March 2011 for consideration of MEUR 23.

G.3. Acquisition of 5.72% stake in Piraeus Bank S.A.

In late 2010, the Group began investing in shares of the publicly listed Greek bank Piraeus Bank S.A. The total value of the investment at 31 December was MEUR 1. During 2011 the purchases continued and by April 2011 the Group had increased its stake in the bank to 5.72% (for total consideration of MEUR 92). Piraeus Bank is a major Greek financial institution, which is headquartered in Athens and has operations in several countries of the Mediterranean and south-eastern Europe.

G.4. Initial public offering of shares of Nomos-Bank

Nomos-Bank, one of the Group's associates, announced in March 2011 its intention to conduct an initial public offering of ordinary shares and global depositary receipts ("GDRs"). In April 2011 Nomos-Bank announced that the offer price for the offering would be USD 35 per ordinary share, corresponding to a price of USD 17.5 per GDR. The offer price implies a market capitalisation for Nomos-Bank of USD 3.2 billion following the expected capital increase via closed subscription. The offering represents 22% of Nomos-Bank's total post-capital increase share capital. As a strategic shareholder, the Group remains fully committed to developing of Nomos-Bank and does not intend to reduce its current shareholding.

G.5. Sale of real estate portfolio

On 15 April, the Group signed a framework agreement with an external counterparty concerning the sale of a real estate portfolio of Czech office buildings. The Group will receive MEUR 56, closing of the transaction is subject to regulatory approval.

Notes

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