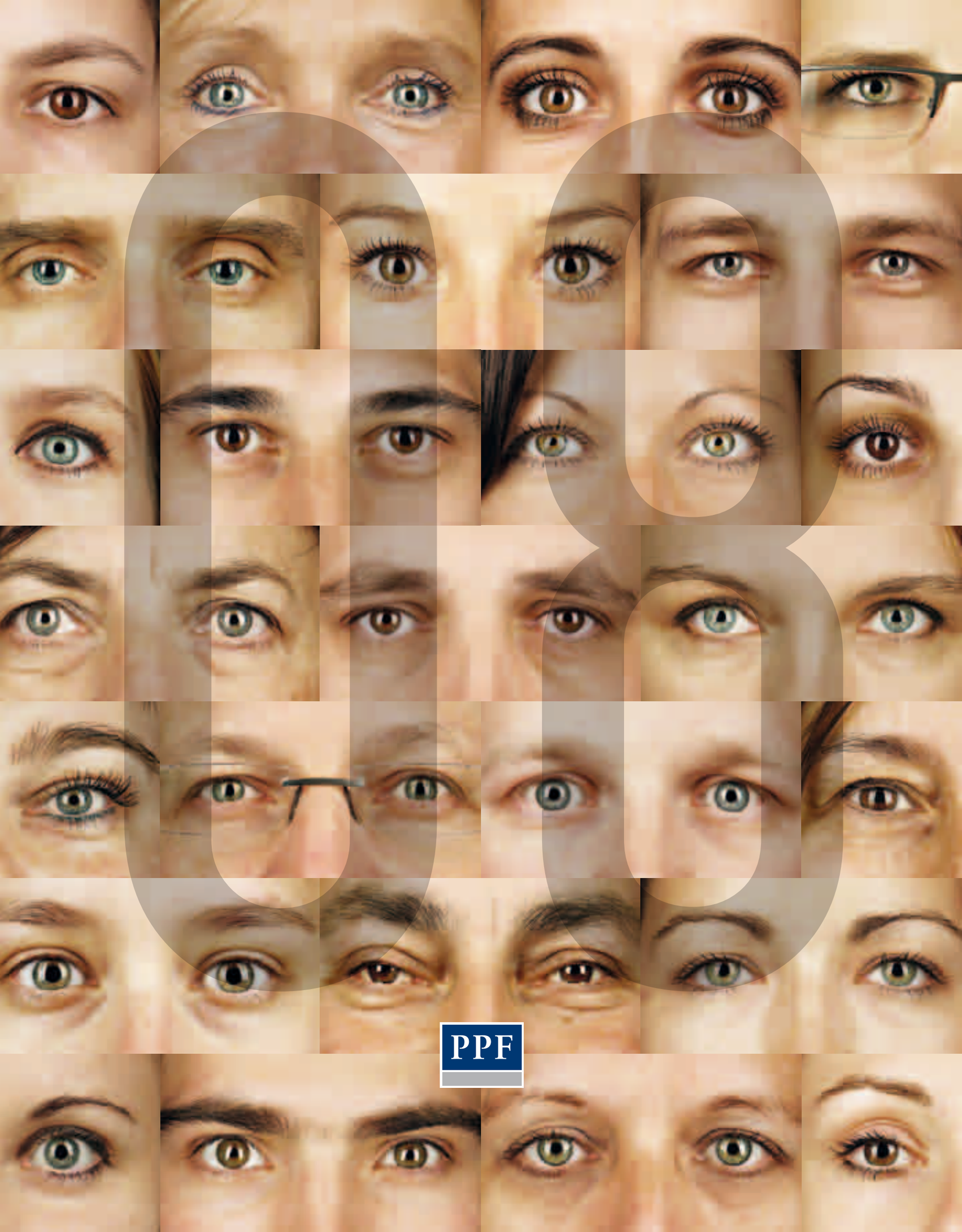
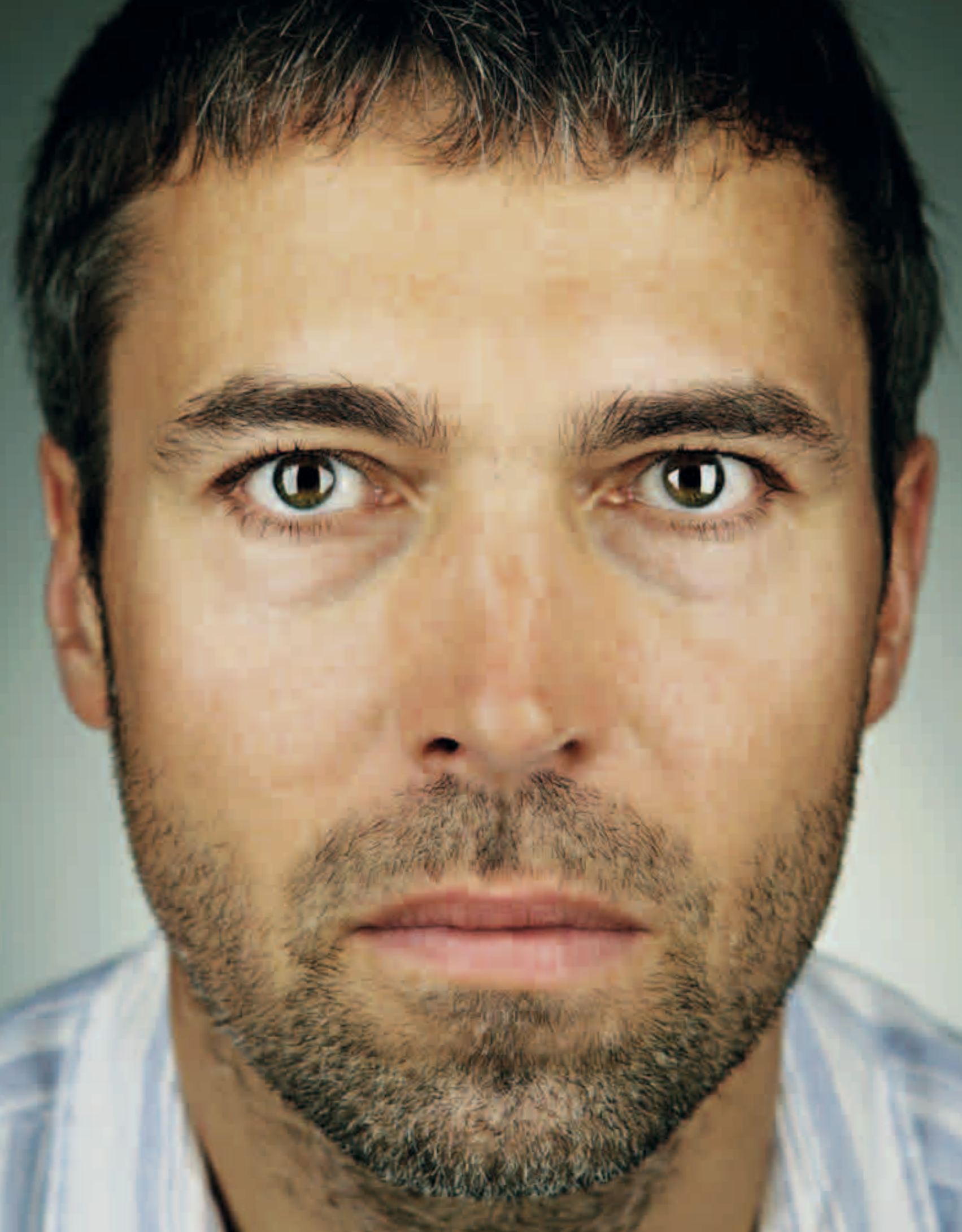

PPF

PPF GROUP ANNUAL REPORT 2008

CONTENTS

PETR KELLNER

Founder and Majority Shareholder of PPF Group N.V.



INTRODUCTION

Dear friends:

In the area of business and finance, the past year was symbolised by crisis. Frankly speaking, this is not the first difficult situation PPF Group has faced in its nearly 20 years in business. For example, we have experienced (and survived) sharp drops in foreign currency exchange rates and stock markets, as well as various problems in the banking and financial sector. What we are going through today, though, is much more serious. On the other hand, to a certain extent the crisis is a healthy, purgative phenomenon because it forces us to think differently and reassess a number of things.

We hereby present to you our Group's annual report for a year that brought many changes – a year that put open labels on many things in the financial world, without the usual phrases about steady growth, top performance, safety and security. From the very beginning, we have been up-front with our opinions on the crisis and how to deal with it. We were the first in our sector to react, decisively and quickly, to the signs of the emerging economic recession. As early as the autumn of last year, we scaled back our offering of financial services, cut our work force, and reviewed a number of projects. Those who overlooked the signs of danger in the run-up to the crisis didn't understand why we did that: a couple of months later, they were taking similar measures.

At the end of 2008 we were leaner, more flexible, and focused on new activities. As a result, we are now able and ready to invest in attractive assets throughout Central & Eastern Europe, the CIS and Asia. We brought our strategic partnership with one of the largest financial institutions in Europe, Generali, to a new level – expanding it from just insurance into the private equity segment as well.

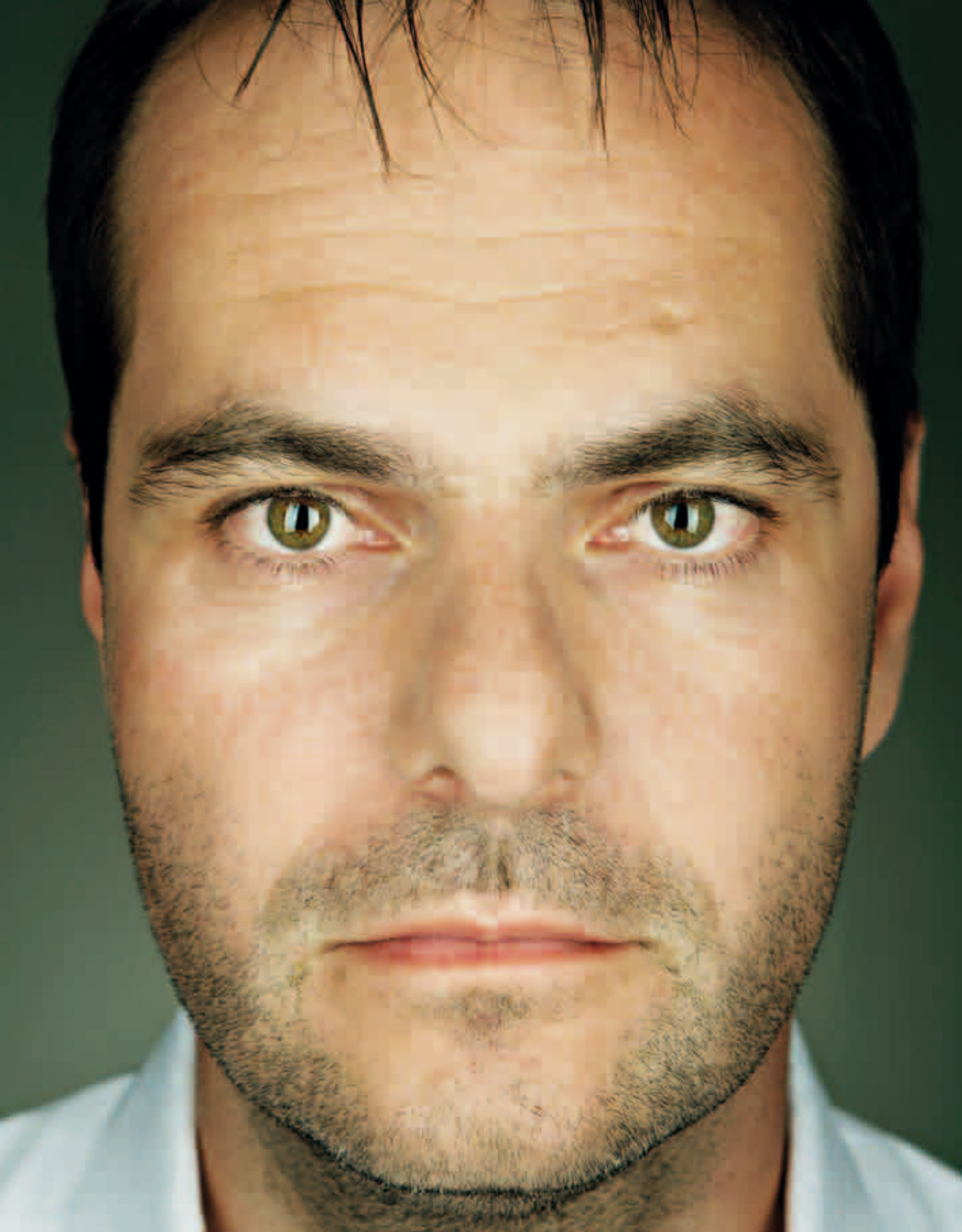
In 2008, PPF Group once again demonstrated that it is a sought-after and trustworthy partner for promising investments – a strong capital group capable of ensuring a diversified portfolio and protecting its assets from the negative impacts of the crisis. We have sufficient knowledge, skills and a strong international team to seek out more attractive investment opportunities and successfully establish ourselves in new, strategic business segments.

Dear co-workers and partners, thank you for your support and the trust you have placed in our joint business. I am confident that we will be able to build on our past accomplishments, overcome obstacles and move forward in developing our activities. Today's market climate, though very tough, is replete with opportunities for brave and far-sighted investors. Let us capitalise on them together.

Petr Kellner

JIŘÍ ŠMEJC

Shareholder of PPF Group N.V.



PPF GROUP PROFILE

PPF Group is one of the largest international finance and investment groups in Central & Eastern Europe. With assets in excess of EUR 10 billion, PPF Group focuses on retail services (banking and insurance), private equity and real estate. The Group actively seeks out investment opportunities in the emerging markets of Central & Eastern Europe, Russia, the Commonwealth of Independent States (CIS) and the Far East.

PPF Group's corporate ownership and management structure is located in the Netherlands. The key holding company of PPF Group, where strategic decisions are made regarding the group as a whole, is PPF Group N.V. with its seat in Amsterdam. This company owns 100% of Home Credit B.V. (the holding company for all Home Credit Group companies in the consumer finance business segment), 100% of HC Asia N.V. (the holding company in a structure currently being built for an Asian consumer finance business) and through its subsidiary, PPF Co1 B.V., 49% of Generali PPF Holding B.V.). It is also the majority shareholder of the companies PPF banka a.s. and PPF a.s., the latter of which is the principal advisory company to the entire PPF Group. PPF Group N.V. owns a 72.5% stake in PPF Partners Limited, the management company of PPF Partners, a newly-established structure focused on private equity in the region of Central & Eastern Europe and the CIS. In 2008, PPF Group N.V. acquired a 100% stake in PPF Real Estate Ltd., which controls a consulting company for real estate project management, as well as Class A shares representing 100% of the voting rights in the company PPF PROPERTY LIMITED (a real estate fund). Class B shares representing 100% of economic benefits were acquired by PPF Group N.V. later in 2008.

PPF is a well-respected financial group whose business is built on values such as professionalism, stability, responsibility, flexibility, and credibility. The corporate culture is built on tradition, experience and, most of all, on our highly qualified, loyal employees.

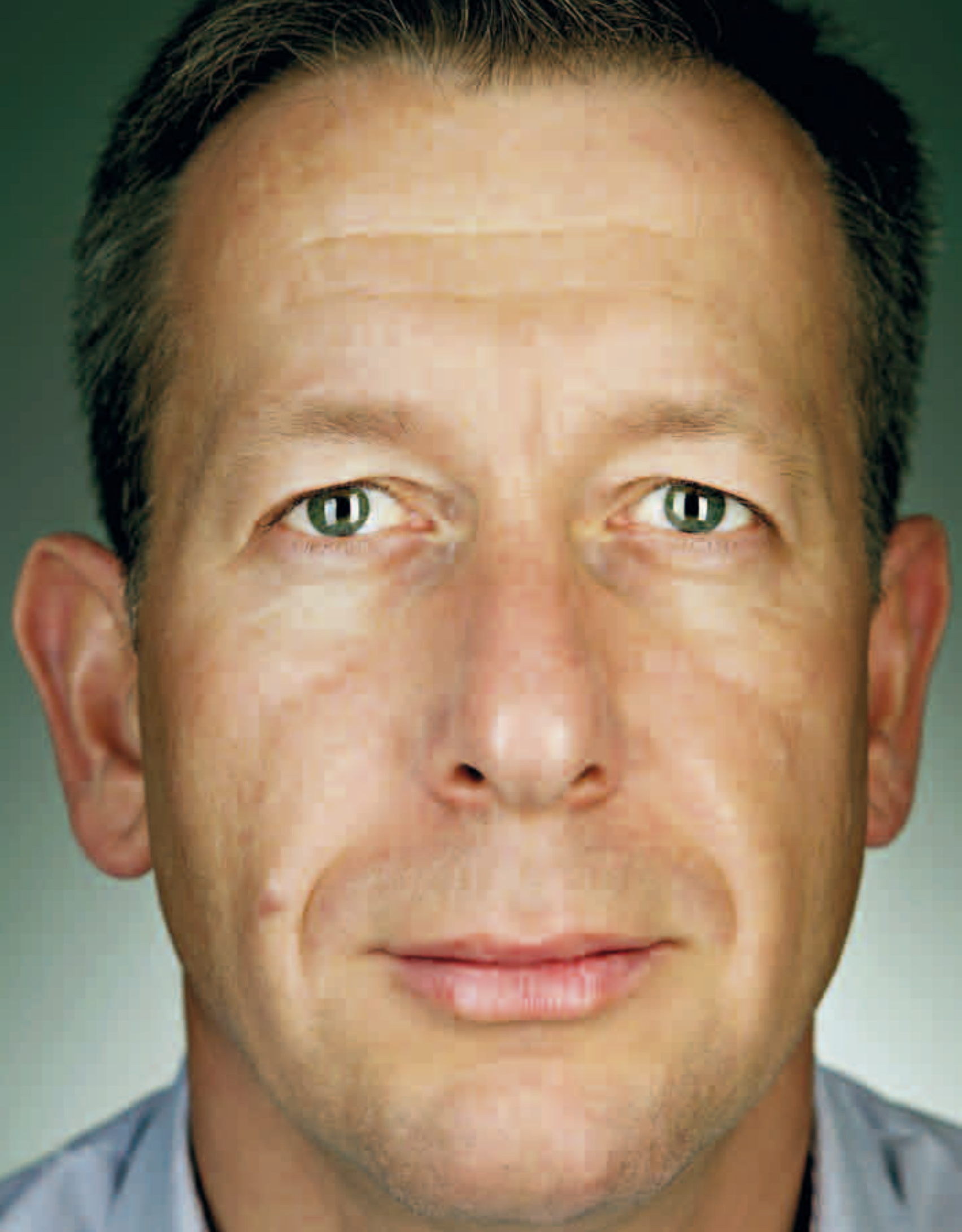
SELECTED INDICATORS OF PPF GROUP

In millions of EUR, according to IFRS	2008	2007	2006
Assets	10,730	10,076	8,177
Shareholders' equity	3,703	1,426	1,233
Revenue*	1,525	2,674	2,414
Non-insurance revenue	1,525	1,042	724
Insurance revenue	–	1,632	1,690
Net earnings	2,489	244	387

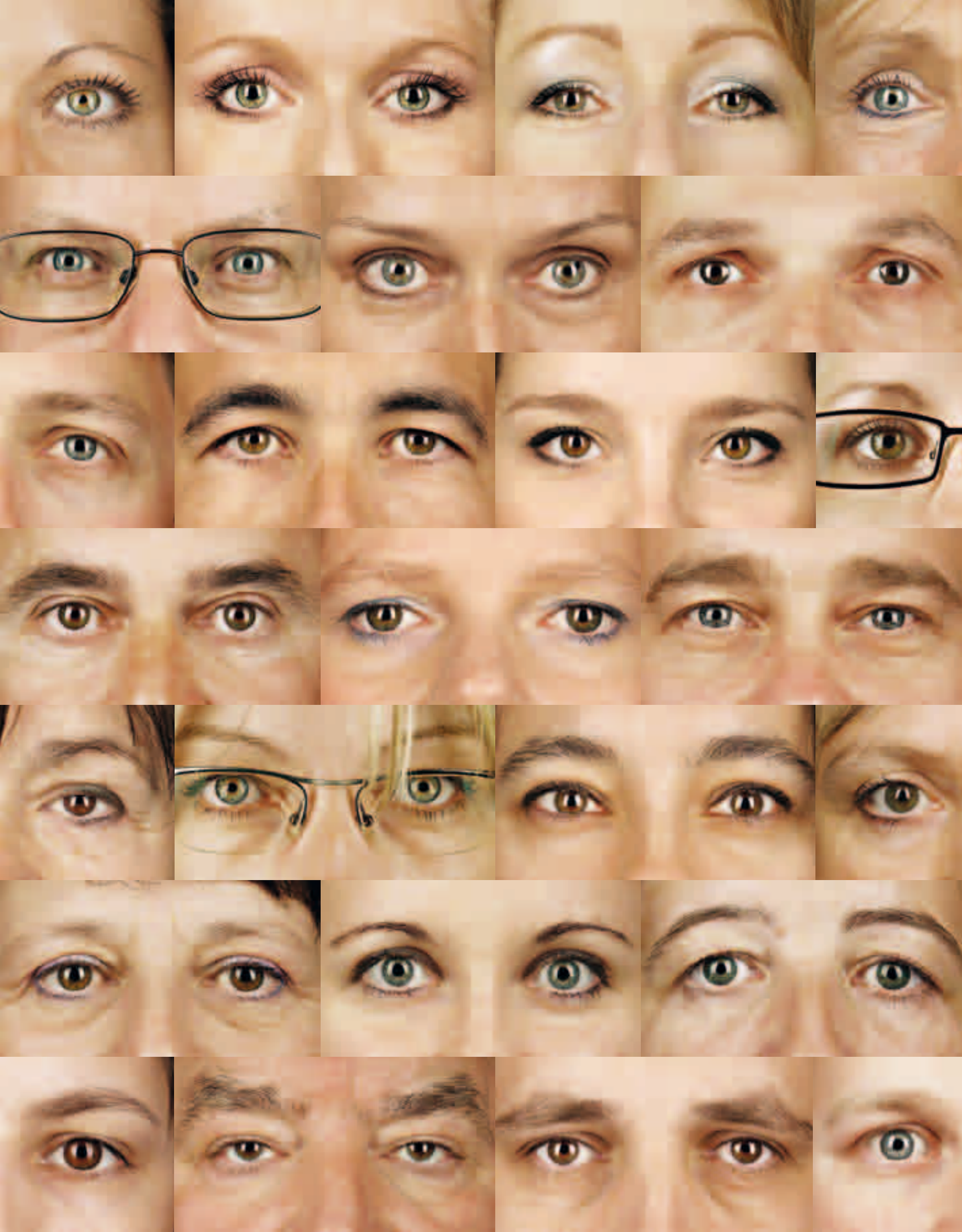
* As the Group lost control over its insurance business, it is not consolidated in 2008. Figures for 2007 and 2006 (insurance revenue) represent discontinued operations (before presentation change).

LADISLAV BARTONÍČEK

Shareholder of PPF Group N.V.



PEOPLE OF PPF



IMPORTANT EVENTS IN PPF GROUP

2008

JANUARY

- After obtaining all necessary regulatory consents, a transaction is settled between Assicurazioni Generali S.p.A. and PPF Group N.V., which had originally been announced on 10 July 2007. Subsequently Generali PPF Holding B.V. commences operations and decides to establish an organisational unit in the Czech Republic (Prague).

FEBRUARY

- PPF Group increases its stake in Nomos-Bank to 17.89%.

MARCH

- Pavel Horák appointed Executive Director Finance of PPF a.s. In his new position, he will be responsible for the financial management of all PPF Group activities.

APRIL

- PPF Group receives a license from the State Bank of Vietnam, allowing it to begin building a financial services company there.
- PPF Group increases its stake in Russia-based Nomos-Bank to 29.91%.
- In Ostrava, Home Credit opens its second IT development centre, which will support IT systems in the eight countries in which Home Credit has operations.

MAY

- Jan Blaško, who headed up the PPF representation office in Beijing, takes on the newly created position Chief of Strategic Business Development, in which he is responsible for seeking out new, strategic business opportunities. At the same time, as a member of the executive management, he will continue to coordinate PPF Group's activities in Asia – especially in China.
- PPF Group N.V. completes acquisition of Cyprus-based Pearlmoon Ltd., which owns a 24.9% stake in the Russian company Polymetal – a leading gold and silver mining and processing company.

JUNE

- Anthiarose Limited, a 100% subsidiary of PPF Group N.V., announces a voluntary takeover offer to all holders of shares and Global Depositary Shares (GDS) of Zentiva N.V. The consideration set forth in the takeover offer is 950 CZK per share and 950 CZK per GDS.

JULY

- Anthiarose Limited, a 100% subsidiary of PPF Group N.V., announces its intent to withdraw the voluntary takeover offer on Zentiva N.V. announced on 17 June 2008, because it does not wish to get involved in a bidding war with another Zentiva shareholder, Sanofi Aventis Europe, which fielded a counter-offer.

2008

AUGUST

- Josef Zeman elected Chairman of the Board of Directors of PPF banka. The previous chairman, Petr Milev, resigned in conjunction with his election to the Supervisory Board of Russia-based Nomos-Bank. Petr Milev remains Chief Executive Officer of PPF banka.

SEPTEMBER

- PPF Group N.V. extends a commercial loan to Eldorado, the biggest white goods and electronics shop chain in Russia. The objective of the USD 500 million loan, which will be provided in two tranches, is to reinforce Eldorado's working capital. Primarily, it will be used to settle past-due payables to suppliers.

NOVEMBER

- PPF Group, as one of the first finance and investment companies in the region, begins to take aggressive measures in response to signs of an emerging economic crisis. It flexibly adapts its operations in key markets to the changing conditions and cuts costs significantly across the Group.

DECEMBER

- Crestfallen/Office Star 14 from the PPF Group obtains a CZK 1.6 billion loan from ČSOB to finance the already completed Česká pojišťovna Head Office building in Prague's Pankrác district.
- PPF Group acquires PPF Real Estate s.r.o. and fully integrated it into its structure as a platform for the Group's further expansion in the real estate sector.

2009

JANUARY

- PPF Group obtains the permit from the Federal Antimonopoly Service (FAS) of the Russian Federation necessary to acquire a stake in Eldorado, the biggest electronics and white goods retail chain in Russia.

FEBRUARY

- The J&T and PPF Groups sign an agreement on formation of a joint venture in the areas of energy and industry.
- A consortium of four leading Czech and international corporations enters a tender for a public contract to clean up certain environmental burdens that arose prior to privatization. The members of the consortium are: AVE CZ odpadové hospodářství s.r.o., DEKONTA, a.s., ECOSOIL Süd GmbH and PPF Advisory (CR) a.s.
- The PPF and Generali PPF Holding Groups, acting in concert and owning securities of Zentiva N.V., decide to accept the voluntary offer to take over shares of Zentiva announced by Sanofi-Aventis Europe.

MARCH

- PPF Group N.V. and the businessman Milan Janků agree to form a joint holding company that will manage and develop selected real estate assets of both groups.

APRIL

- PPF Group and Russian businessman Igor Jakovlev agree on a debt-to-capital conversion that will enable PPF Group to acquire a majority stake of 50% + 1 share in Eldorado, the biggest white goods and electronics retail chain in Russia. The transaction is expected to close during 3Q 2009.

OVERVIEW OF PPF GROUP BUSINESSES

PPF VIETNAM FINANCE COMPANY L.L.C. (VIETNAM)

HC SE (NETHERLANDS)

HOME CREDIT B.V. (NETHERLANDS)

- HOME CREDIT KAZAKHSTAN (KAZAKHSTAN)
- HOME CREDIT A.S. (CZECH REPUBLIC)
- HOME CREDIT SLOVAKIA, A.S. (SLOVAKIA)
- HOME CREDIT & FINANCE BANK (RUSSIA)
- HOME CREDIT INTERNATIONAL A.S. (CZECH REPUBLIC)
- HOME CREDIT BANK, CJSC (UKRAINE)
- HOME CREDIT BANK, OJSC (BELARUS)

HC ASIA N.V. (NETHERLANDS)

HC CHINA (CHINA)

RUSSIA FINANCE CORPORATION B.V. (NETHERLANDS)

NOMOS-BANK, OJSC (RUSSIA)

PPF BANKA A.S. (CZECH REPUBLIC)

PPF C01 B.V. (NETHERLANDS)

GENERALI PPF HOLDING B.V. (NETHERLANDS)

FINANCIAL SERVICES

PETR KELLNER
(94.36%)

JIŘÍ ŠMEJC
(5%)

LADISLAV BARTONÍČEK
(0.64%)

PPF GROUP N.V.
(NETHERLANDS)

PPF PARTNERS LTD.
(GUERNSEY)

PPF PARTNERS 1 GP LTD. (GUERNSEY)

PPF PARTNERS A.S.
(CZECH REPUBLIC)

PEARLMOON LTD.
(CYPRUS)

POLYMETAL, OJSC
(RUSSIA)

PRIVATE EQUITY

PPF REAL ESTATE S.R.O.
(CZECH REPUBLIC)

PPF GATE A.S.
(CZECH REPUBLIC)

PPF PROPERTY LTD.
(JERSEY)

REAL ESTATE

PPF A.S.
(CZECH REPUBLIC)

PPF ART A.S.
(CZECH REPUBLIC)

PPF MEDIA A.S.
(CZECH REPUBLIC)

DESCRIPTION OF THE COMPANY

PPF GROUP N.V.

Date of inception	29 December 1994
Seat	Strawinskylaan 933 Tower B Level 9, 1077XX Amsterdam, The Netherlands
Identification number	33264887
Share capital	EUR 667,380
Principal businesses	Group holding company, financing

DIRECTORS AND OFFICERS

SHAREHOLDERS

PETR KELLNER

Founder and Majority Shareholder of PPF Group N.V.

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

JIŘÍ ŠMEJC

Shareholder of PPF Group N.V.

Born in 1971; he graduated from the Department of Mathematics and Physics of Charles University in Prague, where he specialised in mathematical economics. He started a 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., which traded securities, specialising in acquisitions. Until 2004 he was a 34% owner of the TV NOVA Group. He started cooperating with the PPF Group in 2004 and became a shareholder in 2005. He is responsible for managing the Group's activities in Russia. Amongst other positions, as of January 2008 Mr. Šmejc is a Member of the Board of Directors of Generali PPF Holding B.V.

LADISLAV BARTONÍČEK

Shareholder of PPF Group N.V.

Born in 1964; he graduated from 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. He has been Chairman of the Board of Directors of Česká pojišťovna a.s. since June 2000. He was appointed CEO and Member of the Board of Directors of Generali PPF Holding N.V., the joint-venture between the PPF Group and Assicurazioni Generali in 2007. Mr. Bartoníček has been a shareholder in the PPF Group since 2007.

PPF GROUP N.V.

ALEŠ MINX

Chairman of the Board of Directors and CEO

Born in 1964; he graduated from the Faculty of Industrial Economics of the University of Economics in Prague. From 1987 to 1992 he worked as Head of the Economic Department at PAL a.s. He joined PPF in 1992 and was its Finance Director from 1992 to June 2001. From July 2001 to May 2005 he served as CEO of PPF a.s. He was Vice-Chairman of the Supervisory Board of PPF a.s. until March 2007, and is now the Chairman of Board of Directors of PPF Group N.V. As of January 2008 he is 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 positions included Financial Analyst and Financial Manager of Mattel Europe B.V. and ECsoft Nederland BV. 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 the PPF Group in 2004 as Company Director.

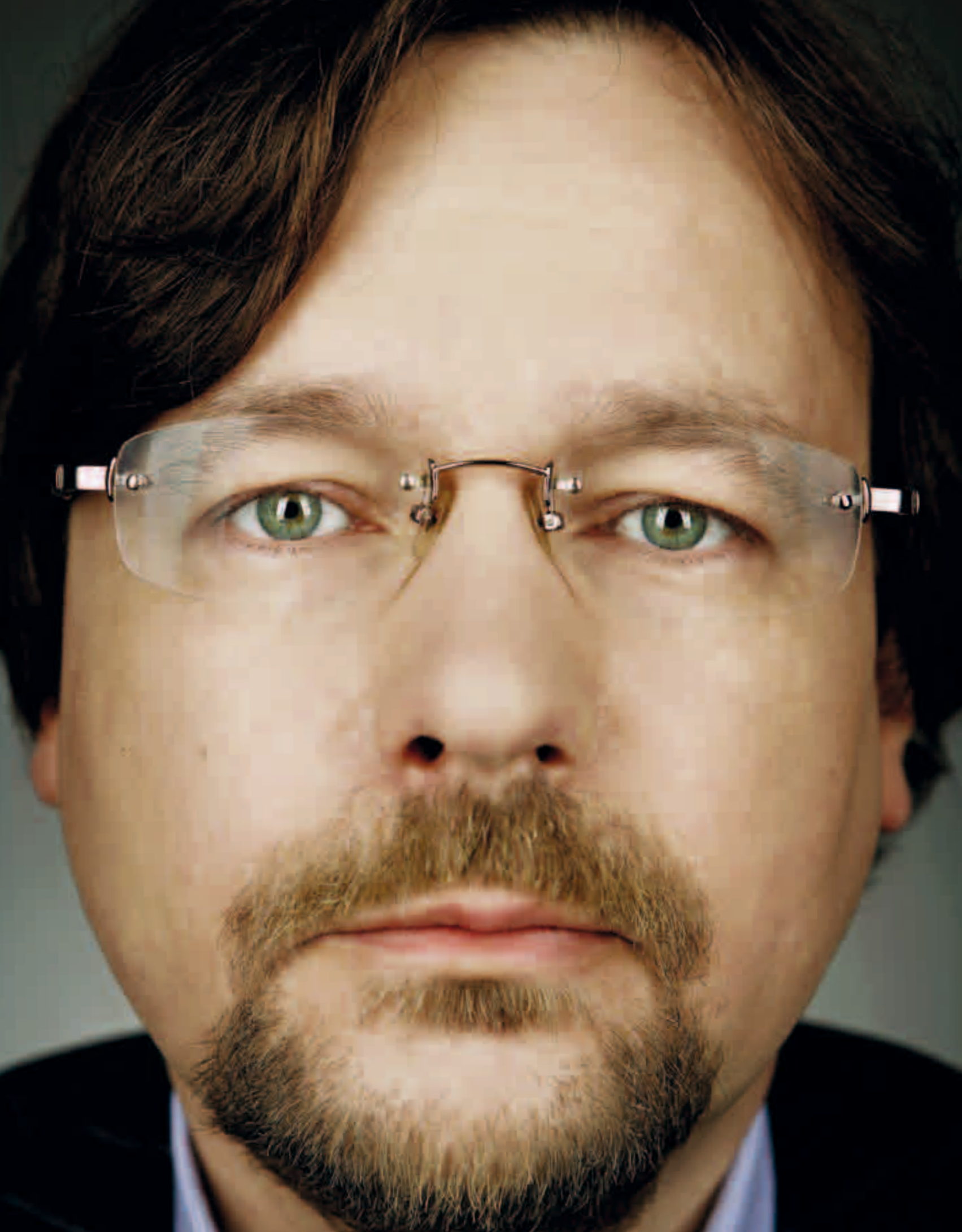
RUDOLF BOSVELD

Member of the Board of Directors

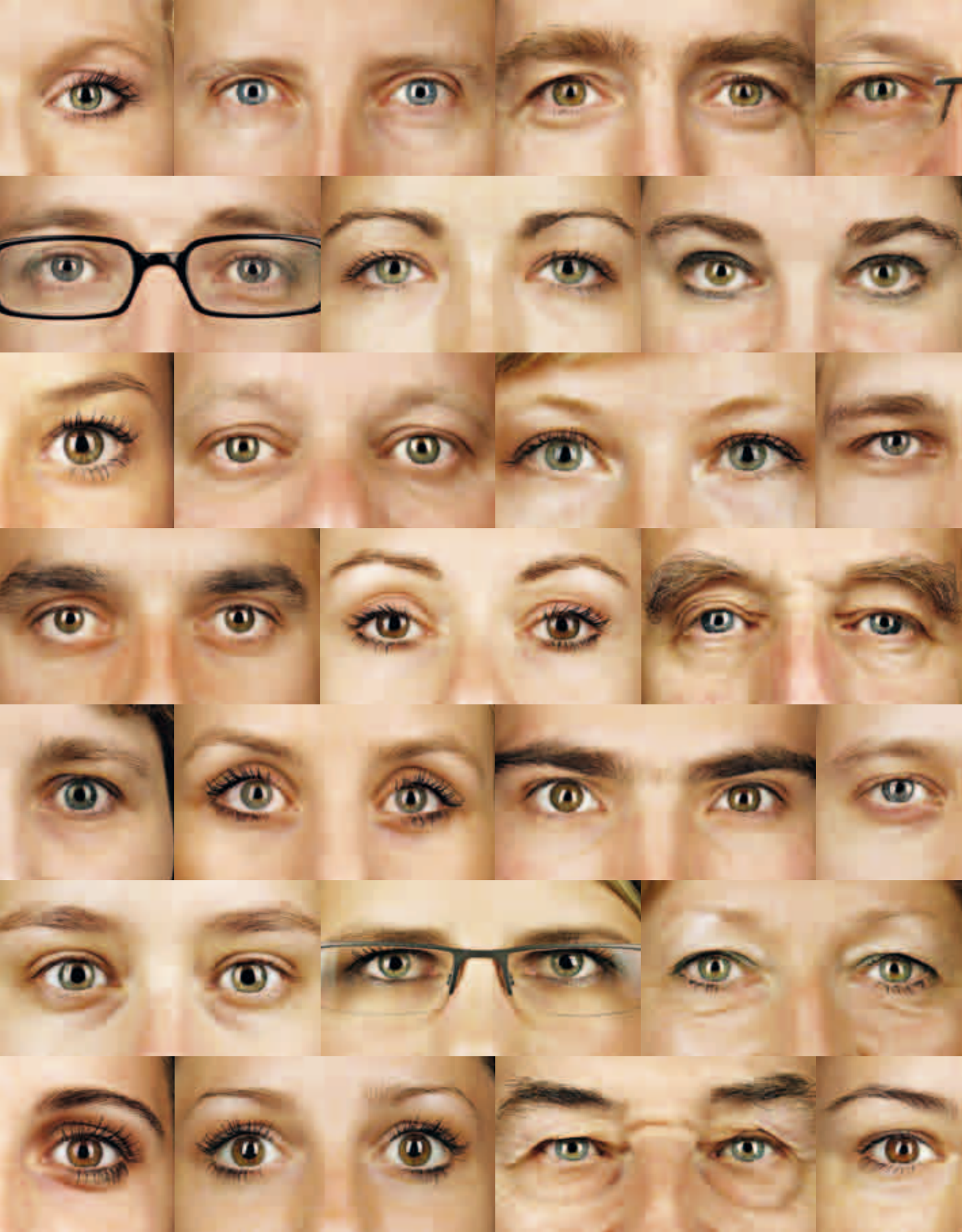
Born in 1958; he graduated from Erasmus University in Rotterdam, where he was awarded a masters degree, with a specialisation in corporate finance. He has more than 20 years of experience in financial services and financial markets. He has held many top positions in the financial sector, including that of Executive Director for Corporate Finance and Capital Markets of MeesPierson N.V., Director for Corporate Development, Mergers and Acquisitions of Nuon and Managing Director of Rabobank International.

ALEŠ MINX

Chairman of the Board of Directors and CEO,
PPF Group N.V.

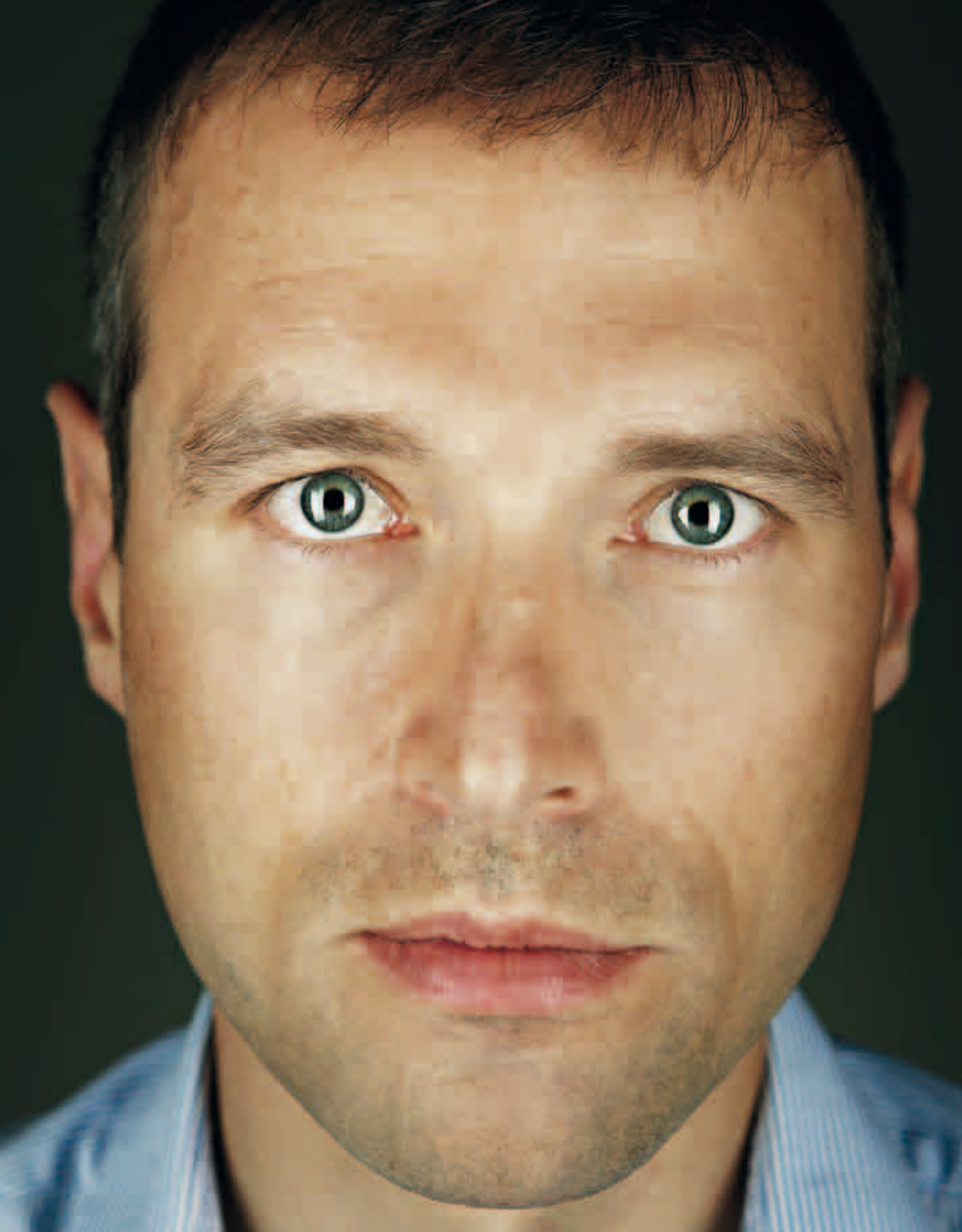


PEOPLE OF PPF



PAVEL HORÁK

Chairman of the Board of Directors, PPF a.s.
(from 21 February 2009)



PPF A.S.

PAVEL HORÁK

Chairman of the Board of Directors (from 21 February 2009)

Born in 1972; he graduated from the Economics Department of Masaryk University in Brno and the Faculty of Finance of the University of Economics in Prague. He gained financial management experience at Deloitte & Touche, where he worked as an auditor, and later during his tenure at TV NOVA, where he held the position of Financial Manager from 2001 to 2006. He is a Chartered Certified Accountant and is a member of the Association of Chartered Certified Accountants (ACCA, UK). Currently he serves as Executive Financial Director and Chairman of the Board of Directors of PPF a.s. From 16 April 2008 to 20 February 2009 he was Vice Chairman of the Board of Directors of PPF a.s.

EVŽEN HART

Member of the Board of Directors

Born in 1958; he graduated from the Theatre Department of the Academy of Performing Arts in Prague, with a specialisation in production. In 1982 he started working at the Regional Theatre in Kolín, and in 1983 in the News Department of Czechoslovak Television. He joined the Young & Rubicam advertising agency in 1992 and soon moved from Account Manager to Sales Manager. He joined BBK Advertising in 1993 as the Sales Manager and was later CEO and Partner. In 2000, following the acquisition of BBK by the Ogilvy Group, he was appointed the CEO of Ogilvy Czech Republic. He has become Ogilvy Group's non-executive Chairman since 1 January 2006 when he joined PPF Group. Since March 2007, he has been Member of the Board of PPF a.s. At the same time, he is Executive Director for human resources and communication of PPF a.s.

LUBOMÍR KRÁL

Member of the Board of Directors

Born in 1972; he graduated from the Faculty of Law of Charles University in Prague and also studied at the University of Economics in Prague. He started his practice as a solicitor. From 1997 to 1999 he worked as a lawyer for the Settlement Centre of the Prague Stock Exchange. He has been with PPF since 1999. He is the head of the Legal Department of PPF a.s. and in addition, as of March 2007 he is also a Member of the Board of Directors of PPF a.s.

TOMÁŠ SPURNÝ

Chairman of the Board of Directors (until 20 February 2009)

Born in 1965; a graduate of the Stern School of Business, which is a part of New York University, he was awarded an MBA from Columbia University in New York. He commenced his career in 1994 with the consulting firm McKinsey & Company, where he served in various positions until 1999. Afterwards he was CEO and Chairman of the Board of Directors of the payment cards company CCS Česká společnost pro platební karty. He spent another two years as a Member of the Board of Directors of Komerční banka. In 2002–2007 he was Chairman of the Board of Directors and CEO of Všeobecná úvěrová banka. He was Chairman of the Board of Directors of PPF a.s. from August 2007 to February 2009.

KAMIL ZIEGLER

Vice Chairman of the Board of Directors (until 15 April 2008)

PPF BANKA A.S.

JOSEF ZEMAN

Chairman of the Board of Directors (since 8 August 2008)

Born in 1966; he graduated from the Operating Economics Faculty of the University of Agriculture in Prague. 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.). Since 2006 he has been a member of the senior management of PPF banka as Managing Director, Risk Management.

PAVEL LANGR

Vice Chairman of the Board of Directors

Born in 1971; he graduated with a degree in Finance from the University of Economics in Prague and became a Certified Internal Auditor in 2002. He previously worked at Pragobanka, a.s., Česká pojišťovna a.s. and later at eBanka, a.s., where he was the head of internal audits. He was elected to the Board of Directors of PPF banka a.s. in 2002. Since joining PPF banka in October 2002 he has also been the Bank's Managing Director, ICT.

FRANTIŠEK DOMBEK

Member of the Board of Directors

Born in 1967; he graduated from the Technical University of Ostrava. He worked at a subsidiary of Československá obchodní banka, a. s. from 1992 to 1993. From 1993 to 1997 he was Head of the branch office and later Deputy Branch Manager at Moravia Banka, a.s. He joined PPF banka a.s. (then První městská banka, a.s.) in 1997, and was a member of its Board of Directors from 1999 to 2002 and again from 2004 to 2006. He is also a member of the Prague Chamber of Commerce. He has been Managing Director, Sales & Marketing of PPF banka a.s. since 2002.

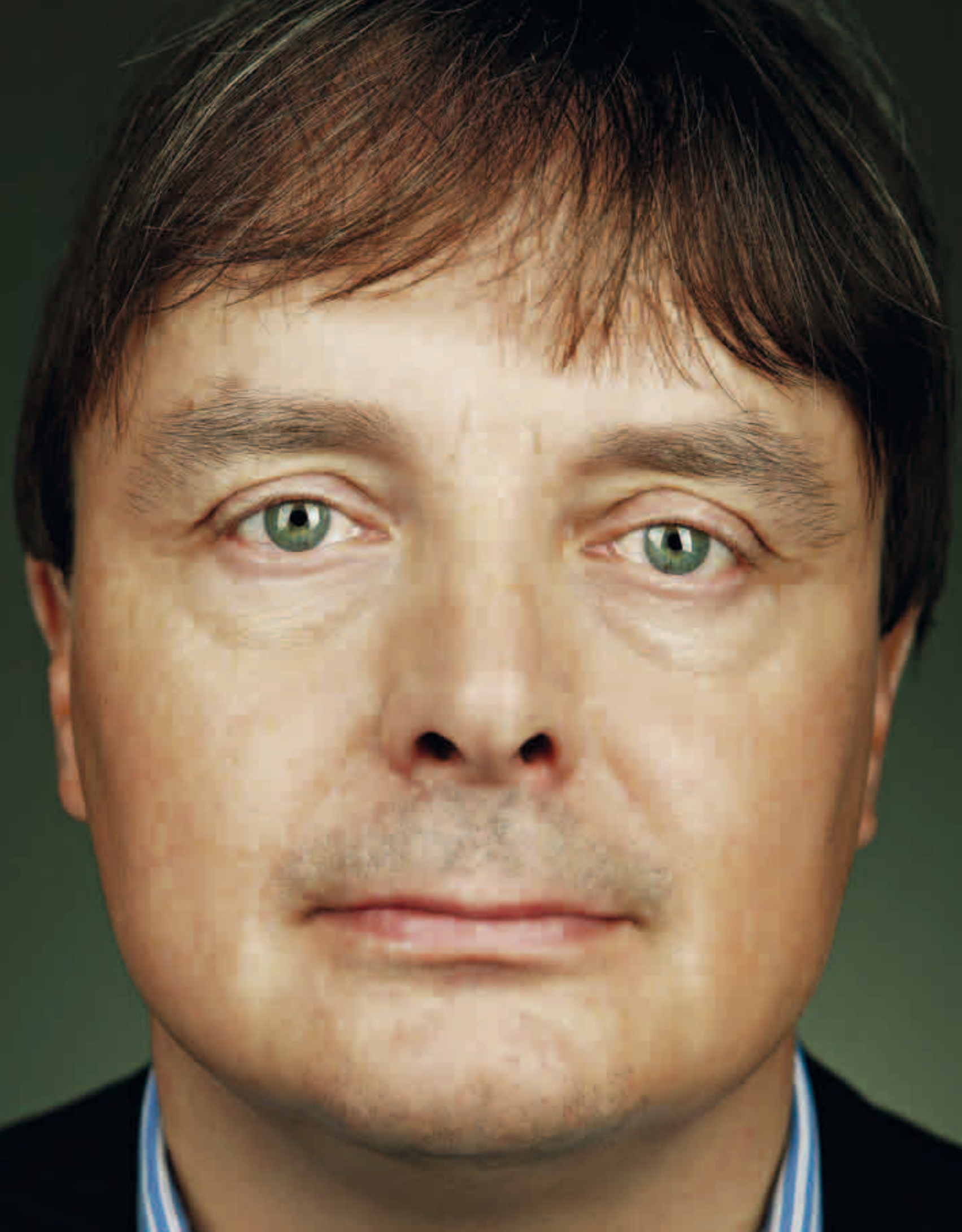
PETR MILEV

Chairman of the Board of Directors (until 26 June 2008)

Born in 1968; he graduated from the Faculty of Mathematics and Physics of Charles University in Prague. From 1993–2000 he worked in the investment banking and capital market sector at Komerční banka a.s., BNP – Dresdner Bank ČR a.s. and Conseq Finance s.r.o. He joined PPF Group in 2000, and since then has held a variety of management positions (first at Česká pojišťovna). He is a member of the Prague Stock Exchange's Exchange Chamber. In June 2005 he was appointed the CEO of PPF banka a.s. Currently, as of 2008, he is a member of the Supervisory Board of Nomos-Bank.

LADISLAV CHVÁTAL

Member of the Board of Directors,
PPF Partners Limited



PPF PARTNERS LIMITED

TOMÁŠ BRZOBOHATÝ

Chairman of the Board of Directors

Born in 1968; he is a graduate of the Charles University Faculty of Law in Prague, where in 1998 he completed a doctorate in financial law and was awarded a Ph.D. He is one of the founders of the PPF Partners group. Prior to the formation of PPF Partners, he was a founder and principal shareholder of the PPF Investments group, where he served as Chairman of the Board of Directors. Before the establishment of PPF Investments, he was the member of the PPF Group management team in charge of corporate finance, private equity, real estate and investment banking. Before that he worked in the law offices of Brzobohatý, Brož & Honsa, v.o.s. as Managing Partner and at the Prague office of Burns & Schwarz as an attorney. He is CEO of PPF Partners.

MEL CARVILL

Member of the Board of Directors

Born in 1962; he was awarded an Advanced Diploma in Corporate Finance from the Institute of Chartered Accountants of England and Wales (ICAEW). He is a founder of PPF Partners Group. Prior to joining PPF Partners, where he currently serves as President and Chief Financial Officer, he worked for Assicurazioni Generali as Deputy General Manager and Regional Head of Western Europe, the Americas, and the Middle East. He was also responsible for the Group's M&A activities, the Research & Corporate Development Office 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, a Chartered Insurer and a Fellow of the Securities & Investment Institute.

LADISLAV CHVÁTAL

Member of the Board of Directors

Born in 1963; he graduated from the University of Economics in Prague with a specialisation in automated management systems in economics. He joined PPF Partners Group in January 2009, and the PPF Group in 1994. Within PPF Group and later Home Credit Group, he has held a number of key managerial positions. On 1 June 2005, he became Executive Director for Retail Banking and Consumer Finance at PPF Group. He 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 of Directors

Born in 1964; graduated from Nottingham Trent University in 1986 with a major in Business Studies and subsequently qualified as a chartered certified accountant with BDO Binder in Guernsey. After that he spent seven years with Guernsey International Fund Managers, part of Barings, before joining Mourant in 2003 as head of its Guernsey office. Currently he oversees private equity fund administration for Mourant throughout Europe. He specialises in third party private equity and real estate fund administration and has acted on behalf of a number of high profile groups. He has been a Member of the Board of Directors of PPF Partners Limited since August 2008.

HOME CREDIT B.V.

ALEXANDER LABAK

Chairman of the Board of Directors

Born in 1962; he obtained an MBA degree at the Wharton School of Business as a Fulbright scholar and completed his graduate study at the Vienna University of Economics and Business Administration. Before joining the Home Credit Group in 2006, he held executive positions at leading financial services companies such as MasterCard Europe where he served as President, and Deutsche Bank where he was Chief Marketing Officer. While working at Johnson & Johnson and Henkel, he established a strong consumer focused track record. During his career, he has been responsible for business activities in all of Europe and worldwide and has also gained valuable experience with direct management in the US, Canada, Germany, Italy, Belgium and Austria. He has been Chairman of the Board of Directors of Home Credit B.V. since 26 January 2007.

SONIA SLAVTCHEVA

Member of the Board of Directors (since 1 January 2009)

Born in 1965; in 1988 she gained a Master's Degree from the University of National and World Economy, Sofia, Bulgaria majoring in Management and Economy of Transport. She then completed an MBA in Finance at the University of Pittsburgh. She joined Home Credit Group in July 2008. Prior to that she worked at GE Money, where she held a number of positions within Europe and the US in a career spanning over 10 years, during which she gained considerable experience with financial transactions. She was appointed a Member of the Board of Directors of Home Credit B.V. in January 2009.

IVAN SVÍTEK

Member of the Board of Directors (since 1 January 2009)

Born in 1967; he is a graduate of Claremont McKenna College in California, USA with a Bachelor of Arts in Economics and Political Science, and gained an MBA in Finance at INSEAD, France. He joined Home Credit Group in September 2008. He joined Home Credit & Finance Bank in Russia having held the position as President and CEO of GE Money, Sao Paolo for the previous five years. During his career he has gained over 15 years of strategic and operational experience in financial services and consumer products across Europe and Latin America at GE and, before that, with Pepsi-Cola International. He was appointed a Member of the Board of Directors of Home Credit B.V. in January 2009.

LADISLAV CHVÁTAL

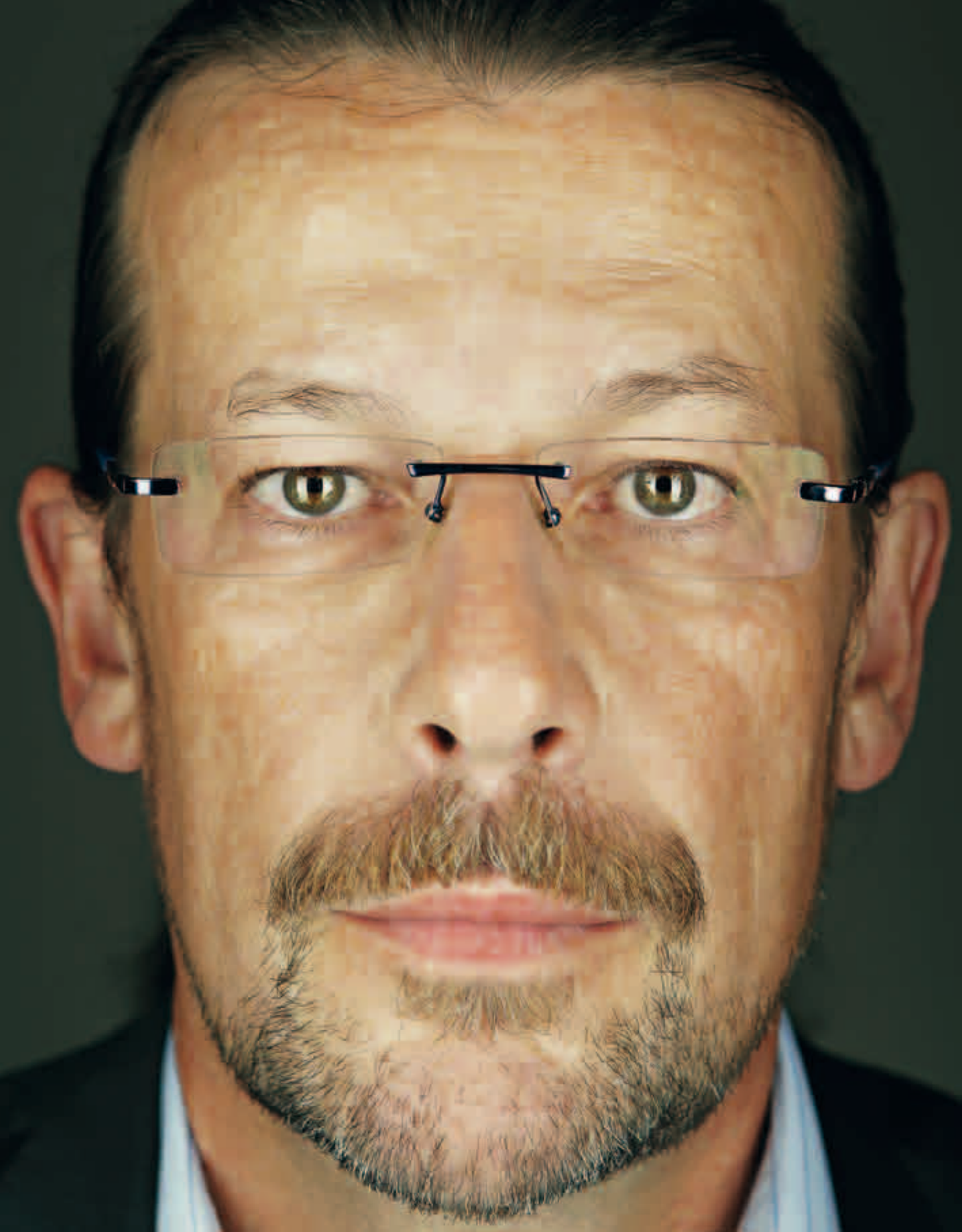
Member of the Board of Directors (until 31 December 2008)

DECLAN McSWEENEY

Member of the Board of Directors (until 31 December 2008)

EVŽEN HART

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



PPF REAL ESTATE S.R.O.

PAVEL HORÁK

Managing Director (since 19 May 2009)

TOMÁŠ KRONES

Managing Director

Born in 1973; a graduate of the University of Economics, Prague, Faculty of Finance and Accounting. He is Executive Director responsible for the Real Estate business of PPF Group. He has been working for PPF Group since 2002 and from 2003 to 2005 as Chairman of the Board and CEO of PPF Majetková. Prior to PPF, he worked for leading financial institutions including Komerční banka, Konsolidační banka and Raiffeisenbank, in various managerial positions. He has accumulated over 14 years of professional experience, of which six years in real estate.

ADVISORY COMMITTEE TO PPF GROUP N.V.*

ŠTĚPÁN POPOVIČ

Member

Born in 1945; he graduated from the Jan Evangelista Purkyně University in Ústí nad Labem, where he was awarded the degree of Dr.h.c. During his career he has worked as Chairman of the Board of Directors and CEO of Glavunion and CEO of Sklo Union s.p. He was also plant manager at the Řetenice plant of Sklotas and the Lesní Brána plant at Obas. He is currently the Chairman of the Board of Directors and the CEO for the CEE region at AGC Flat Glass Czech a.s. and has also been the Chairman of the Supervisory Board of PPF a.s. since June 2006.

MILAN MADĚRYČ

Member

Born in 1955; he is a secondary industrial school graduate and did post-graduate studies at the Technical University of Brno. Starting 1980, he worked in the Technical and Investment Development Department of ZPS, a.s. in Zlín and later as the Head of its Trading Division. He joined the PPF Group in 1994. Here he served as a Member of the Board of Directors of PPF a.s. and since June 2007 he has been Chairman of the Supervisory Board of Česká pojišťovna a.s.

KAMIL ZIEGLER

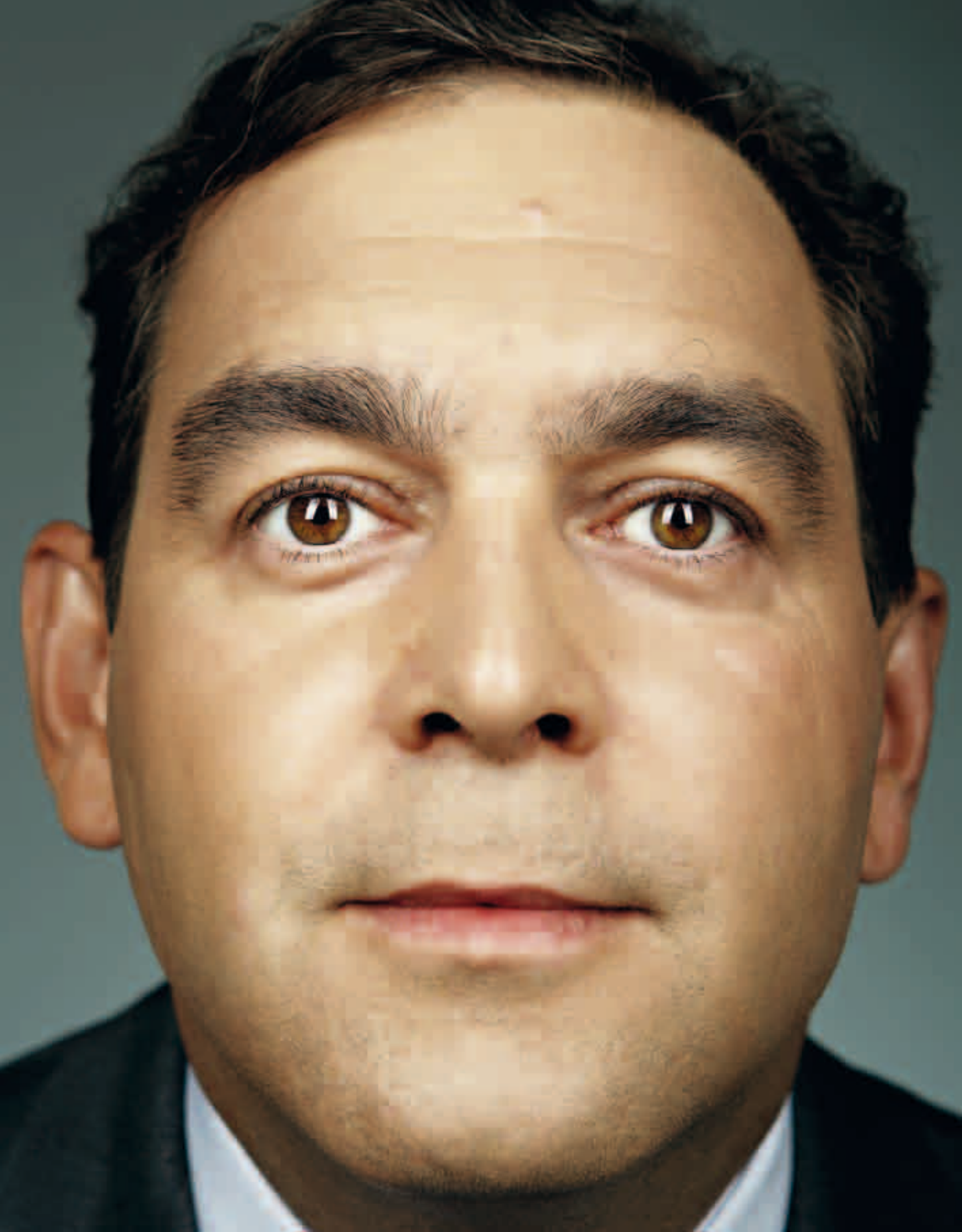
Member

Born in 1962; he graduated from the Faculty of Commerce of the University of Economics in Prague and also Southern Methodist University in Dallas. He has held a number of important managerial positions in the banking sector – from Executive and Financial Manager of Komerční banka, a.s., to Deputy General Manager and member of the Board of Directors of Česká spořitelna, a.s., CEO and Chairman of the Bank Board of Konsolidační banka Praha, s.p.ú., and the CEO and Chairman of the Board of Directors of Raiffeisenbank a.s. He joined the PPF Group in April 2004 and until April 2008 he held various positions in the statutory bodies of PPF a.s. Since April 2008 he has been a Member of the Supervisory Board of PPF a.s. and a Member of the Advisory Committee of PPF Group N.V. Since July 2008 he has been Executive Vice President for Finance with ECM Real Estate Investments, k.s. He is also Vice President of the CFOs Club of the Czech Republic.

* 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 and also representing the interests of the entire group in relation to regulatory and other authorities.

TOMÁŠ SPURNÝ

Chairman of the Board of Directors, PPF a.s.
(until 20 February 2009)



DESCRIPTION

OF SELECTED PPF GROUP COMPANIES

HOME CREDIT GROUP

	2008	2007	Y-o-Y Change (%)
PPF's share	100%	100%	–
Operating revenue	EUR 1,160 m	EUR 655 m	77
Net earnings	EUR 41.7 m	EUR 32.1 m	30
Total consolidated assets	EUR 3,841 m	EUR 3,548 m	8
Consolidated shareholders' equity	EUR 879 m	EUR 922 m	(5)
Number of employees	18,600	23,500	(21)

Operates in the Czech Republic, Slovakia, Russia, Ukraine, Kazakhstan, Belarus.

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

THE HOME CREDIT GROUP CONSISTS OF THE FOLLOWING:

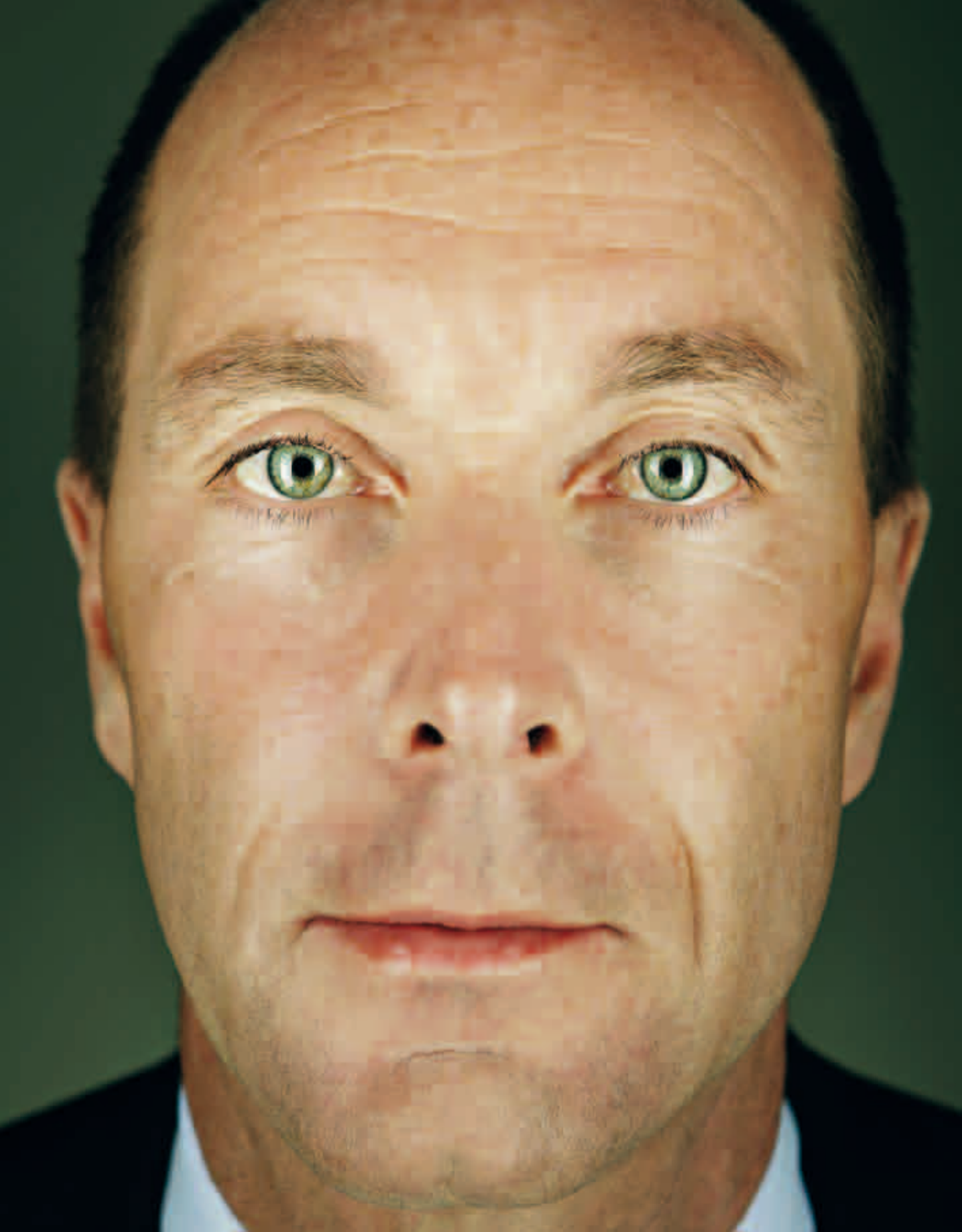
1. Home Credit a.s.: consumer lending in the Czech Republic
2. Home Credit Slovakia, a.s.: consumer lending in the Slovak Republic
3. CJSC Home Credit Bank: banking in Ukraine
4. LLC Home Credit Finance: consumer lending in Ukraine
5. OJSC Home Credit Bank: consumer lending in Belarus
6. Home Credit & Finance Bank Llc.: banking and consumer lending in Russia
7. Home Credit Kazakhstan JSC: consumer lending in Kazakhstan (active until November 2008)
8. Home Credit International a.s.: commercial strategic consulting including IT support, exclusively for Home Credit Group companies
9. several other, smaller companies

The first Home Credit company was established in 1997 in the Czech Republic. At first, Home Credit grew in its domestic markets, i.e. the Czech Republic and Slovakia. Since 2002, Home Credit Group has been developing operations in the Russian market, where at present Home Credit & Finance Bank is one of the leaders in the consumer finance segment. During the period 2005–2007, Home Credit newly entered the markets of Kazakhstan, Ukraine and Belarus.

In September 2008, Home Credit B.V. acquired a minority stake in a local bank in Kazakhstan – AO International Bank Almaty. The remaining, majority stake was acquired by Jiří Šmejc, a minority shareholder of PPF Group N.V., which is the corporate parent of Home Credit B.V. In November 2008, the bank changed its business name to Home Credit Bank JSC, substantially raised its capital and adopted a new development strategy based on close commercial cooperation with the company's shareholders. All business operations of Home Credit Kazakhstan JSC (a subsidiary of Home Credit B.V.) were transferred to Home Credit Bank JSC, which also implemented the Home Credit Group sales model. The result of these steps is the presence of Home Credit B.V. in Kazakhstan through a minority stake in Home Credit Bank JSC as well as through close commercial cooperation with the majority shareholder of Home Credit Bank JSC.

ALEXANDER LABAK

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



However, Home Credit Group's core markets are Russia, the Czech Republic, and Slovakia, where the Group generates nearly 90% of its revenue. Of the CIS countries where the Group has operations, the financial crisis and related global recession hit Ukraine the hardest. There, a fall in commodity prices and a crisis in the financial sector were exacerbated by political instability. Kazakhstan is coping with the crisis better thanks to oil revenue; however, its banking sector, which is considerably financed from abroad, suffered in the crisis. Within the CIS region, Russia is in the best position thanks to its low indebtedness, high foreign currency reserves, and the fact that it has the most diversified economy. By the end of 2009, the countries mentioned may well have passed through the worst phase of the recession (Ukraine poses the biggest risk), but any visible improvement in the economic situation is expected to take two years. In the medium term, the present trends are expected to continue in all the countries – e.g., consumer habits are moving toward the standards seen in European countries, including a high degree of financial services utilisation.

Not long ago, PPF Group 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 2008, the PPF Group, through PPF Vietnam Finance Limited, obtained a licence to engage in consumer finance operations in Vietnam.

Home Credit offers three basic types of products: point of sale (POS) loans, revolving loans (revolving cards and credit cards) and non-purpose-bound cash loans. In addition, it offers as an agent an accompanying insurance program for each of these three basic products. In selected markets, Home Credit also offers car loans and mortgages and accepts deposits from customers. Products are marketed and distributed through direct distribution channels (i.e. directly contacting potential customers by mail, through telemarketing campaigns and product activation through contact centres), a network of 41,500 shops, 221 bank branches (in Russia and Ukraine) and 3,000 post offices (in Russia, Kazakhstan and the Czech Republic).

SALES OPERATIONS ARE SUPPORTED BY CENTRALISED MANAGEMENT:

- risk management: centralised know-how and risk vetting, advanced automated tools and procedures, expert team;
- shared services and IT platform: sales operations are cost effective, with a short time from approval of concept to product launch; enables successful concepts to be ramped up relatively quickly and offered to a large number of potential customers, at the same time subject to close supervision thanks to centralisation of IT and other processes, sharing of best practices and selective outsourcing;
- effective decision-making: Group senior management consists of an international team of first-class experts who are capable, at any time, of filling management positions in newly established branches until local successors are trained.

HOME CREDIT GROUP – KEY FINANCIAL INDICATORS

FINANCIAL PERFORMANCE BY COUNTRY, 2008

EUR millions	Russia	Czech Republic	Slovakia	Ukraine	Kazakhstan	Belarus
Year established/acquired	2002	1997	1999	2006	2006	2006
Net loans to clients	1,788	432	163	124	0	30
Operating revenue	946	101	32	39	23	7
Net earnings	100	30	0	(19)	(9)	(1)

Of all countries where Home Credit is present, its operations are by far the most extensive in Russia, which generated 70% of overall net loans and 82% of total operating revenue.

NET LOANS BY PRODUCT, 2008

EUR millions	POS Loans	Cash Loans	Cards	Other
Net loans	888	497	813	339

The principal product category is POS loans, which account for 35% of the overall product portfolio. Credit cards are a close second, at 32% of overall net lending, while cash loans account for 20%.

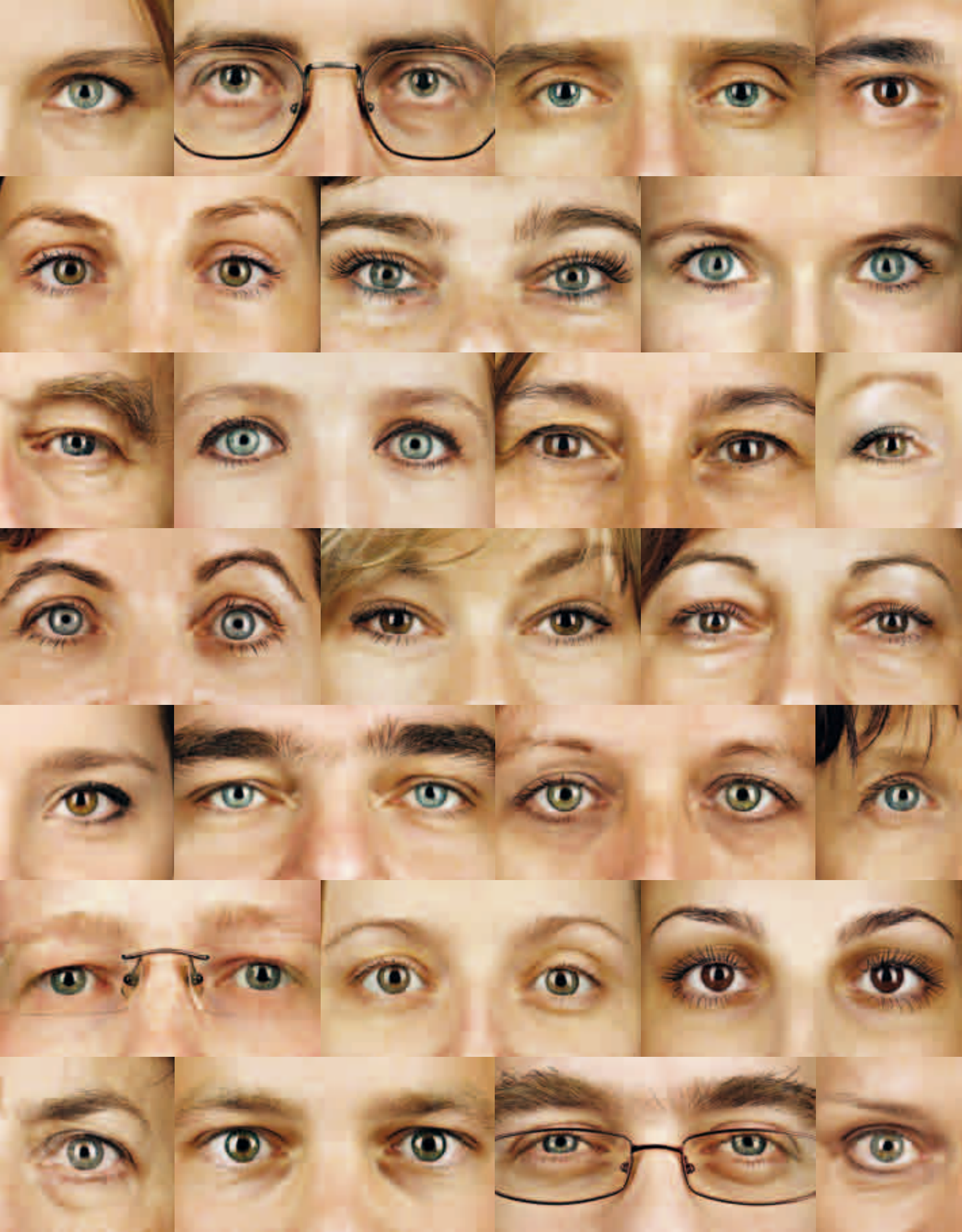
HOME CREDIT B.V. – CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

EUR '000	2008	2007
Assets		
Cash and cash equivalents	575,955	390,085
Due from banks and other financial institutions	134,116	121,417
Loans to customers	2,537,448	2,407,581
Financial assets at fair value through profit and loss	242,181	19,259
Financial assets available-for-sale	18,105	215,640
Assets classified as held for sale	–	7,360
Current income tax receivables	21,949	568
Deferred tax assets	20,553	21,716
Investments in associates	494	42
Investments in real estate	526	–
Intangible assets	58,585	90,582
Property, plant and equipment	178,145	192,338
Other assets	52,831	81,673
Total assets	**3,840,888**	**3,548,261**
Liabilities		
Current accounts and deposits from customers	274,038	325,629
Due to banks and other financial institutions	866,317	779,436
Debt securities issued	1,713,494	1,413,227
Financial liabilities at fair value through profit and loss	13,788	24,853
Liabilities classified as held for sale	–	2,582
Current income tax liabilities	3,694	10,165
Deferred tax liabilities	1,875	304
Other liabilities	88,629	70,330
Total liabilities	**2,961,835**	**2,626,526**
Equity attributable to equity holders of the parent company		
Share capital	1,156,175	1,156,175
Share premium	–	–
Statutory reserve fund	2,378	2,126
Foreign currency translation	(98,361)	(13,950)
Revaluation reserve	(1)	(1)
Other provisions	(181,179)	(222,648)
	879,012	**921,702**
Minority shares	**41**	**33**
Total equity	**879,053**	**921,735**
Total liabilities and equity	**3,840,888**	**3,548,261**

HOME CREDIT B.V. – CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

EUR '000	2008	2007
Continuing operations		
Interest income	1,033,044	676,799
Interest expense	(224,290)	(149,923)
Net interest income	**808,754**	**526,876**
Fee and commission income	228,411	162,708
Fee and commission expense	(73,445)	(53,171)
Net fee and commission income	**154,966**	**109,537**
Gain/(loss) from financial assets, net	174,460	(15,784)
Other operating income	21,941	33,952
Operating income	**1,160,121**	**654,581**
Impairment losses	(301,684)	(244,923)
Net expense related to credit risk insurance	(19,157)	(9,996)
General administrative expenses	(481,210)	(328,796)
Other operating expenses	(259,915)	(8,913)
Operating expenses	**(1,061,966)**	**(592,628)**
Profit before tax	**98,155**	**61,953**
Income taxes	(56,426)	(29,890)
Net profit for the year	**41,729**	**32,063**
Attributable to:		
Majority equity holders of the parent	41,721	32,057
Minority interest	8	6
	41,729	**32,063**

PEOPLE OF PPF



PPF BANKA A.S.

PPF's share	92.96%
Profit or loss after taxation	EUR 20.2 million
Total consolidated assets	EUR 1,660.2 million
Consolidated equity	EUR 99.3 million
Loans-to-deposits ratio	25%
Number of employees	113

ACTIVITIES IN THE CZECH REPUBLIC

In 2008 – in spite of the emerging financial and economic crisis – PPF banka achieved growth in both net profit and total assets. This attests to customers' faith in the Bank's services at a very difficult time for the financial sector.

The Bank provides financial, investing and consulting services to selected clients, offering them an individualised approach tailored to their business. This approach is designed to meet the client's needs while maintaining maximum effectiveness of the Bank's services.

In view of its strategy, PPF banka focuses primarily on corporate, project and acquisition financing and the provision of investment services. In the investment banking field, it specialises in securities trading in most markets of Europe, the USA, Russia and certain Asian countries, primarily for professional investors. PPF banka's clients include mainly financial institutions, medium and large corporations with Czech capital and municipal entities.

PPF banka acts as the central treasury bank of PPF Group. For companies within PPF Group, it conducts international payment transactions as well as providing hedging and other investment services such as arranging for financing in the capital markets. In addition to companies from Home Credit Group, the Bank began to more actively serve companies related to PPF Group and Generali PPF, the new insurance group. As a leading trader for financing Home Credit & Finance Bank in Russia, PPF banka successfully intermediated the placement of two Eurobond issues in a total volume of USD 950 million.

The liquidity crisis in the second half of 2008 had a serious impact on the financial markets and banking institutions. Thanks to its flexibility, however, PPF banka remained highly liquid and continued to place surplus liquidity in the market. Thus, it helped to maintain a functional financial system in the Czech Republic. Thanks among other things to its global reach as a part of PPF Group, the Bank's management grasped the depth of the problems in time to execute a quick change in the Bank's strategy. PPF banka focused on deposit transactions, restricted lending and at year end made allowances even for stable clients whose economic expectations had deteriorated. The dramatic developments in the world economy brought reduced income from trading in shares and bonds, but this shortfall was fully offset by the sale of Prague Stock Exchange shares owned by PPF banka. PPF banka was the first PSE shareholder to initiate this sale in the first half of 2008. Thanks to this foresight, a high selling price was achieved and the transaction was successfully completed by the end of of 2008, resulting in profit CZK 509 million.

Despite the unfavourable conditions in the financial and capital markets in 2008, PPF banka posted improved overall performance results even compared to the very successful year 2007. The Bank's net profit was up 2.74%, to CZK 543.3 million from CZK 528.8 million in 2007. The Bank's total assets jumped 63% to CZK 44.7 billion in 2008, from CZK 27.4 billion in the preceding year. In 2008 the Bank did not pay its shareholders any dividends; 2008 earnings were retained to bolster the Bank's equity. As at 31 December 2008, the return on average equity (ROAE) was 26.51%, the return on average assets (ROAA) was 1.71%, and capital adequacy stood at 10.74%.

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*

* The Bank was both a member and a shareholder of the Prague Stock Exchange from 2004 to 8 December 2008.

PPF BANKA SHAREHOLDER STRUCTURE:

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

BASIC UNCONSOLIDATED ECONOMIC FIGURES ACCORDING TO CZECH ACCOUNTING STANDARDS (CAS)

EUR '000	2008[1]	2007[2]
Cash on hand and deposits with central banks	231,910	12,738
Receivables from banks	749,259	571,249
Receivables from clients	328,201	284,103
Securities	290,891	128,777
Other assets	59,972	33,067
Total assets	1,660,233	1,029,934
Liabilities to banks	14,244	21,160
Liabilities to clients	1,297,735	785,038
Liabilities in connection with debt securities	128,604	100,018
Issued capital	28,556	28,888
Other equity components	70,738	52,674
Other liabilities	120,356	42,156
Total liabilities and equity	1,660,233	1,029,934
Net interest income	41,022	31,375
Net fee and commission income	(1,846)	2,641
Income from shares and ownership interests	907	878
Gain/(loss) on financial transactions	5,154	7,190
Administration costs	(14,110)	(13,118)
Depreciation and amortisation	(2,046)	(2,145)
Write-offs and write-downs of receivables	(7,493)	(13)
Other revenue	526	541
Other expenses	(899)	(1,334)
Income taxes	(1,040)	(6,149)
Net profit/(loss) for the accounting period	20,175	19,866
Basic ratios		
Classified client loans/Total client loans	7.42%	0.93%
Capital adequacy*	10.74%	13.49%
ROAA*	1.71%	1.84%
ROAE*	26.51%	35.75%
Assets per employee (CZK '000)*	14,692	8,728
Administration costs per employee (CZK '000)*	125	111
Net profit per employee (CZK '000)*	179	168

[1] 2008 figures are translated using exchange rate of 26.93 CZK : 1 EUR.
[2] 2007 figures are translated using exchange rate of 26.62 CZK : 1 EUR.
* According to Czech National Bank methodology.

PPF PARTNERS

PPF's share in management company	72.5%

ACTIVITIES IN THE CZECH REPUBLIC

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 Assicurazioni Generali.

The ownership structure of PPF Partners is as follows: PPF Group owns 72.5% and Generali 27.5%.

PPF Partners aims to achieve assets under management worth EUR 5 billion within five years and become the leading private equity firm in the region.

PPF Group's two decades of experience in Central & Eastern Europe gives to the joint venture a clear advantage in identifying companies with high growth potential throughout the region it considers its home market. The two founders, PPF Group and Generali, co-invest in deals, sharing the benefits and risks with third-party investors. The partner's economic share in individual funds may differ.

The first private equity fund, PPF Partners 1 LP, with EUR 615 million in commitments from PPF Group, PPF shareholders and Assicurazioni Generali, has been launched (see table at right). As of year end 2008, the Fund has initiated contracts, under which it invested 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 the new acquisitions were completed in 2009.

PPF PARTNERS 1 LP – FUND OVERVIEW

Closing date	3 December 2008
Vintage year	2008
Total commitment	EUR 615 million
Term	5 + 5 years
Investment period	5 years, i.e. 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	Generalist fund: – Early stage – Development capital – Buyout investments
Investment focus by geography	CEE, CIS

Subsequent funds will be opened to third-party investors, both institutional and private, from 2009. Both partners intend to invest up to a total of EUR 2 billion in PPF Partners Funds.

GENERALI PPF HOLDING B.V.

PPF's share	49%
Premium revenue, gross	EUR 3.3 billion
Consolidated shareholders' equity	EUR 5 billion
Number of employees	15,620

Operations in: Czech Republic, Slovakia, Poland, Hungary, Romania, Slovenia, Bulgaria, Croatia, Serbia, Montenegro, Russia, Belarus, Ukraine, Kazakhstan.

Generali PPF Holding B.V. is an entity established by the Generali and PPF Groups as a holding company for the insurance operations of both groups in Central & 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 & Eastern Europe, over EUR 12 billion in assets under management, and more than 10 million customers across the entire region.

In 2008, Generali PPF Holding entered the Belarus market and, in late 2008/early 2009, the Montenegro market as well. In Russia and Romania, the Holding successfully expanded its operations into pension funds. The year 2008 saw the closing of a deal for the purchase of majority stakes in ARDAF and RAI, both Romanian insurance companies, which was settled in February 2009.

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

NOMOS-BANK

USD millions (or %)	2008	2007	2006	Y-o-Y Change (%)
PPF's share	29.9%	15.7%	0%	90.4
Shareholders' equity	1,106	997	584	10.9
Consolidated total assets	9,455	8,107	4,159	16.6
Profit or loss after taxation	119	140	80	(15.6)
Number of employees	3,724	2,688	2,068	38.5

Nomos-Bank has seen dynamic growth over the past four years. During the crisis of 2008–2009 the Bank, thanks to the strong support of its shareholders and the Russian Government, played a role in measures designed to prevent a systemic failure in the Russian banking industry. As part of this exercise, Nomos-Bank has acquired three small and mid-sized banks through deals assisted by the Government and/or the Deposit Insurance Agency.

Nomos-Bank is one of the top privately owned Russian banks and ranks as Number 5 in terms of assets. Its diversified business strategy includes corporate, investment and retail banking. Sound, conservative risk management is reflected in the Bank's historically low level of non-performing loans.

NOMOS-BANK'S KEY BUSINESS ACHIEVEMENTS:

- Corporate lending, targeted to both corporations and SMEs, resulted in a strong and stable base of ~28,000 corporate customers (including SMEs);
- Conservative approach to lending resulted in reasonably low NPLs figure despite the difficult economic environment (83.46% of the gross loan portfolio is collateralised; NPLs amounted to about 1.58% of the gross loan portfolio as at 31 December 2008);
- High quality borrowers such as companies of federal importance, strong government enterprises and miners of precious metals top the client list;
- Successfully evolving retail banking franchise supported the Bank's stable growth and further diversification of its customer deposit base (corporate deposits account for 63% of total deposits with a healthy share of state-owned corporations in the deposit structure);
- During the reporting year, Nomos-Bank was one of the three top gold and silver traders in Russia;
- Gradual development of retail and SME business continued;
- Strong presence in 34 regions of the Russian Federation has been further developed.

A wide platform of diversified financial services is a solid foundation for the further business development of Nomos-Bank and enables it to focus on the Russian regions. The Bank continued to develop its client portfolio by contacting SMEs segment and private individuals. In conjunction with this strategy, the Bank made some improvements in its banking technologies.

Prudent risk management has given the Bank a sustainably high asset quality vis-à-vis existing and potential risks in the very turbulent Russian market. In order to assist the Bank in responding to growth opportunities in the quickly-changing competitive landscape, Nomos-Bank's shareholders, including PPF Group, have provided it with a notable capital injections in addition to a ~USD 180 million (RUB 5 billion) subordinated loan extended by the Government of Russian Federation through Vneshekonombank. Consistent shareholder support has enabled the Bank to increase its relative market position in SME and retail segments, that used to be non-traditional for Nomos-Bank, by participating in "depositor rescue operations" assisted by Russia's governmental agencies.

POLYMETAL

	2008	2007	Y-o-Y Change (%)
PPF's share	24.9%	0%	
Gold produced (Koz)	285.0	242.0	18
Silver produced (Moz)	17.2	15.9	8
Revenues, USD millions	502.7	308.7	63
Adjusted EBITDA, USD millions	192.6	73.7	161
Number of employees	4,818	4,764	1

Polymetal is a leading Russian gold and silver mining company with a long-term portfolio of high-quality assets, listed at the London Stock Exchange since 2007. Polymetal is the number-one primary silver producer and number-three gold producer in Russia. The company's strategy is focused on three key areas: investment in existing assets to extend their mine life; investment in the development of centralised processing facilities; and exploration aimed at identifying a new generation of Polymetal assets.

Polymetal has a very favourable split of active and inactive resources as 61% of its resource base is currently in production. The company has vast experience in green-field mines development; it has built and manages all of its five operating mines. According to company estimates, future exploration work on the flanks of existing mines and at new prospective sites will allow Polymetal to increase by 2012 its gold production by over 100% to 630 Koz and its silver production by over 50% to 25.6 Moz. The life expectancy of Polymetal's production sites ranges from ten to 20 years.

Despite the turmoil in the market Polymetal has delivered strong financial performance, including USD 80.8 million in cash flow from operating activities. Currently Polymetal has no hedge contracts, allowing it to participate in gold and silver prices appreciation. Polymetal's adjusted EBITDA rose by 161% to USD 192.6 million.

During 2008 the Company completed several major acquisitions that have added new deposit sites to its portfolio and led to new, very promising exploration and development activities. Sites newly acquired and/or developed included the following:

- Kubaka site in the Magadan Region;
- Degtyarskoye site in the Sverdlovsk Region;
- Yurievskoye site in the Khabarovsk Region;
- Voro and Dukat sites came into utilisation;
- Albazino reserves site: feasibility study for utilisation completed; construction of processing plant at Albazino is planned for 2009 in order to bring this site into production in 2010;
- Closed deal to acquire Goltsovoye in the Magadan Region which would add silver ores supplies to Dukat processing plant.

POLYMETAL SHAREHOLDERS STRUCTURE

PPF Group N.V.	24.9%
Quotan International Limited	24%
Inure Enterprises Limited	19%
MBC Development Limited	5%
Free float	25.1%
Employees	2%

POLYMETAL ORE RESERVES IN ACCORDANCE WITH JORC CODE AS OF 31 DECEMBER 2008 [1, 2]

	Tonnage	**Quality**	**Quality**		**Au content**		**Ag content**
Deposit	(Mt)	(Au, g/t)	(Ag, g/t)	(t)	(Koz)	(Kt)	(Moz)
Dukat[3]	23.8	0.9	405.1	22.0	685	10.0	310.5
Lunnoje[4]	3.8	1.4	406.2	5.2	163	1.6	49.2
Khakandža[5]	3.7	6.1	270.9	20.6	641	0.9	28.9
Voro	19.2	2.8	3.2	55.0	1,712	0.1	2.0
Albazino	15.1	4.3	0.0	67.4	2,095	0.0	0.0
Total	**65.5**	**2.5**	**185.5**	**170.3**	**5,296.0**	**12.6**	**390.5**

[1] Unless otherwise stated all ore reserves are quoted on an equity attributable basis assuming 100% ownership as at 31 December 2008.
[2] All references to ore reserves are stated in accordance with the JORC Code.
[3] Includes Nachalnoe-2 ore reserves.
[4] Includes Arylakh ore reserves.
[5] Includes Yurievskoye ore reserves.

PPF REAL ESTATE

PPF's share in PPF Real Estate s.r.o. (management entity)	100%
Shareholders' equity	CZK 1,900,000
Total assets	CZK 23,325,000
Profit or loss after taxation	CZK 1,709,000
Number of employees	15

The real estate business has emerged as one of the PPF Group's three core businesses as a response to ongoing restructuring in the markets of Emerging Europe including the Czech Republic. The moves we witnessed at the eve of the global recession have created attractive opportunities for investments in real estate projects. Therefore PPF Group has redefined its real estate business model as acquiring, managing and disposing of real estate operating companies in particular. Newly defined activities include building added value equity and making real estate-related investments.

After full integration of PPF Real Estate s.r.o., the Group's real estate assets have been significantly increased. As of year-end 2008 PPF Real Estate s.r.o. (limited liability company) managed a portfolio owned by PPF Group and comprised of various commercial and residential projects in five Emerging Europe countries – the Czech Republic, Slovakia, Romania, Russia and Ukraine. PPF Real Estate s.r.o. continued making investments across a broad range of property types, throughout every stage of the real estate cycle. The company's ambition was to refine the investment structure and focus on sophisticated, marketable investment products.

Leveraging its strong capital position, PPF Group sought acquisition opportunities with the aspiration to become one of the major real estate players in Central & Eastern Europe.

Major real estate assets in the past year:

- Modern office building in Prague, the Czech Republic, completed in autumn 2008, with total area over 34,000 m^2;
- 22 projects of office and trade space in the Czech Republic with rentable area of over 100,000 m^2 that can be enlarged up to 155,000 m^2;
- Office building in Prague, the Czech Republic, completed in 2008, with area over 40,000 m^2;
- Warehouse complex development with total area over 110,000 m^2 in Tomilino near Moscow;
- Warehouse facility near Kiev, Ukraine with area of 69,000 m^2, completed in 2008 and operational;
- Two logistics developments in Russia, with estimated start of construction during 2009/2010;
- Residential and multifunctional projects in the cities of Bratislava and Kosice, Slovakia.

SEGMENTATION BY TYPE OF PREMISES

as at 31 December 2008 (according to internal valuation)

Office	28%
Industrial	18%
Residential	12%
Mixed-use	2%
Hotels	6%
Land acquisition	34%

SEGMENTATION BY STATUS OF PROJECTS

as at 31 December 2008 (according to internal valuation)

Operation	25%
Development preparation	18%
Development	14%
Land bank	44%

GEOGRAPHICAL SEGMENTATION

as at 31 December 2008 (according to internal valuation)

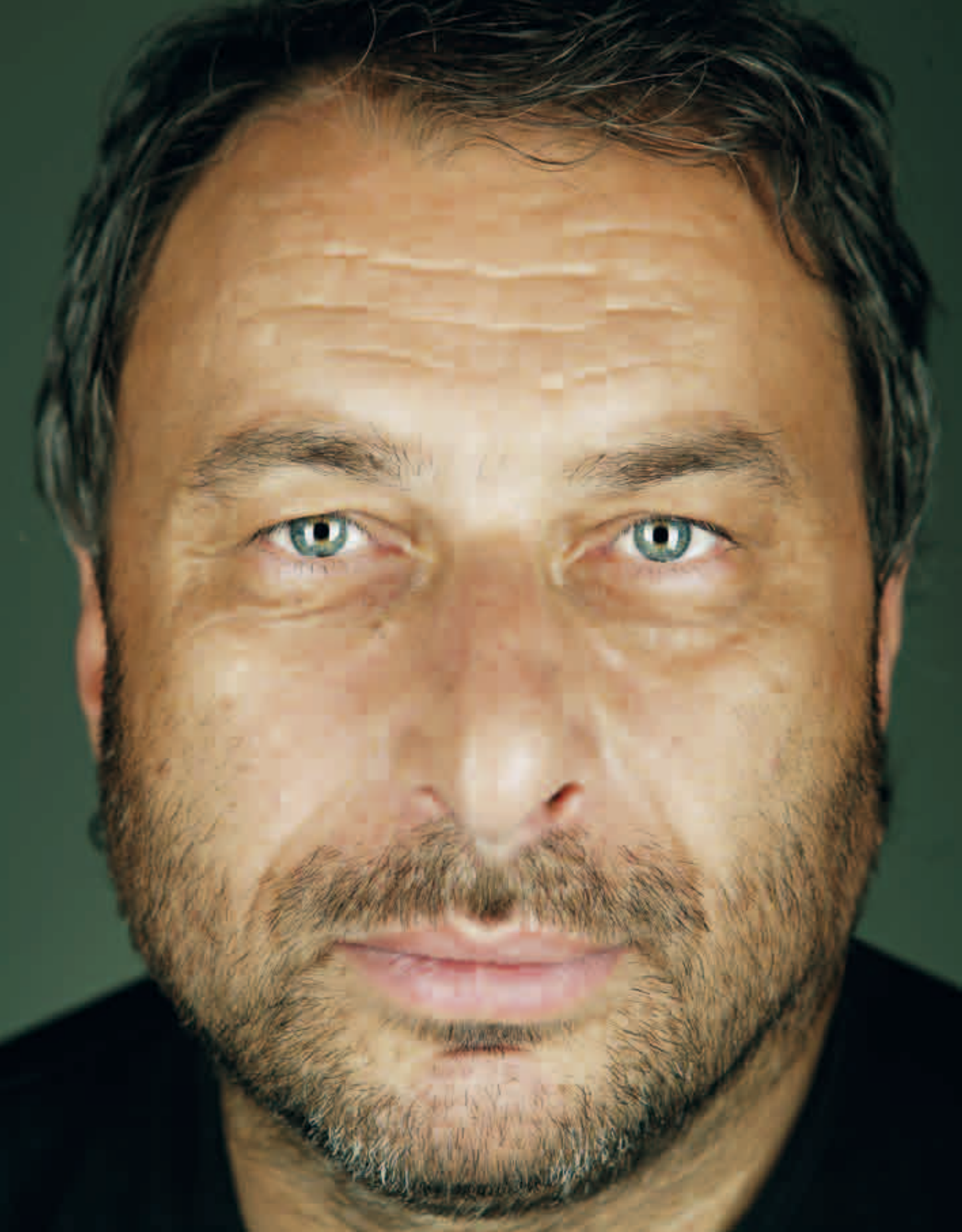
Czech Republic	35%
Slovakia	4%
Romania	8%
Russia	41%
Ukraine	8%
Other	35%

ŠTĚPÁN POPOVIČ

Member of the Advisory Committee to PPF Group N.V.

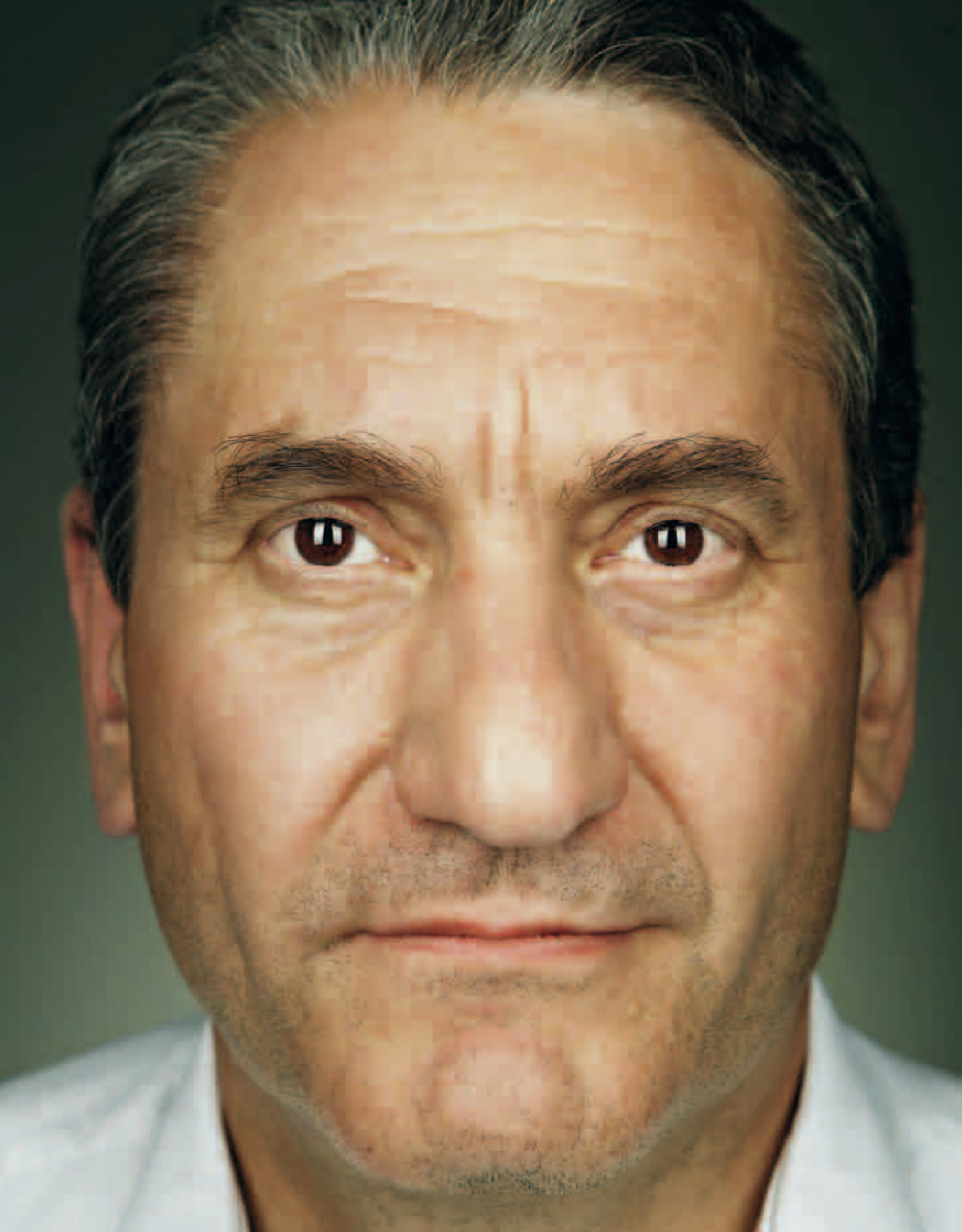
MILAN MADĚRYČ

Member of the Advisory Committee to PPF Group N.V.



KAMIL ZIEGLER

Member of the Advisory Committee to PPF Group N.V.



PPF GROUP HISTORY

2008

- Upon obtaining necessary regulatory permits, Generali PPF Holding commences insurance business activities in Central & Eastern Europe and the CIS.
- PPF Group becomes an important shareholder in Russia-based Polymetal, a leader in the silver and gold mining industry there.
- PPF Group provides loan to Eldorado, the Russian retail network with which it had done business before, through Home Credit & Finance Bank.
- As one of the first in the region to do so, PPF Group responds in a timely and pro-active fashion to the emerging financial and economic crisis, taking a number of measures to adapt the business and increase its effectiveness.

2007

- PPF Group N.V. signs agreement with Assicurazioni Generali S.p.A. on forming Generali PPF Holding B.V., to provide insurance services in Central & Eastern Europe and the CIS.
- PPF Group N.V. enters into partnership with Nomos-Bank, an important bank in the Russian Federation.
- Home Credit Group commences consumer financing activities in China and Belarus.

2006

- Acquisition of Agrobank (currently the CJSC Home Credit Bank) and PrivatKredit consumer credit company (currently LLC Home Credit Finance) as basis for Group's activities in Ukrainian market.
- eBanka sold to Raiffeisen Group.

2005

- Home Credit creates platform enabling it to commence consumer finance activities in Kazakhstan.
- PPF Group opens a representative office in Vietnam to evaluate local consumer finance market opportunities.
- ČP Leasing sold to Agricole Group – Sofinco.

2004

- Following a successful restructuring, PPF Group sells its majority share in TV NOVA to CME.
- PPF Group opens a representative office in Beijing to evaluate local consumer finance market opportunities.

2002

- PPF Group commences activities in Russia – in insurance and consumer finance.

2001

- Acquisition and successful restructuring of PPF banka (part-owned by the City of Prague).

1999

- Acquisition of Expandia Banka a.s. (later eBanka), pioneer of electronic banking in the Czech Republic.
- Regional expansion of Home Credit commenced.

1997

- Home Credit company founded as platform for consumer finance activities.

1996

- PPF Group acquires Česká pojišťovna, the largest insurer in the Czech Republic, and commences its restructuring.

1991

- PPF founded as a privatisation fund – collective investment activities commenced as part of the coupon privatisation, assets valued at USD 225 million managed.

Unless otherwise indicated, all information is as of 27 May 2009.

PPF GROUP PHILANTHROPY

PPF Group aims to be a long-term partner to exceptional arts and charity projects, to respond with sensitivity to the needs of society and, in so doing, to base our actions on recognised standards of corporate social responsibility. PPF Group has a tradition of supporting culture & the arts; for a number of years we have partnered with major projects in this area. We do not, however, wish to be a passive partner – we actively seek out projects as well as offering our ideas on how to continually develop them.

PPF GROUP: AN ACTIVE PARTNER TO TOP-BILLED CULTURAL EVENTS

The connection with culture arises out of PPF Group's tradition, its position and the history of its activities in the Czech Republic. Especially strong is our support of theatre, visual arts and photography, with Group investments running into the tens of millions of Czech Korunas each year. Yet our support is not limited to money alone; we always act with initiative as a partner for the long run, developing projects and firmly establishing them as traditional contributions to the local arts scene.

SUMMER SHAKESPEARE FESTIVAL

PPF Group has been General Partner of the Summer Shakespeare Festival for ten years running. This traditional summer drama festival has a firm place in the cultural offering and is well-known to lovers of high-quality theatre both in the Czech Republic and Slovakia.

JOSEF SUDEK STUDIO

PPF Group's philanthropy effort often has it coming forward with its own proposals for enriching the Czech arts scene. One such project began in 2000 with the renewal of late Czech photographer Josef Sudek's studio in the Újezd district of Prague. PPF Group became not only the organiser in charge of restoring the studio to its original form, but also the developer for its renovation and, subsequently, its operator. Thanks to PPF Group, the crumbling studio of the most famous Czech photographer has been transformed into a major gallery with its own special place the Prague arts scene. The care dedicated to the Josef Sudek studio has a firm link to PPF Group's art collecting activity.

JÁRA CIMRMAN THEATRE

The mystifying poetry of the Jára Cimrman Theatre is a unique feature of Czech drama. The plays by Ladislav Smoljak and Zdeněk Svěrák have been associated with this theatre for over 40 years now and their popularity continues to grow. Thanks to support from PPF Group, the Žižkov Theatre in Prague has hosted premiere performances of several new plays by this ground-breaking troupe.

HELPING CHILDREN

PIPAN

We have been supporting the PIPAN bilingual pre-school for the hearing impaired since 1998. The school uses both sign language and spoken/written Czech. The aim is to provide small children with severe hearing defects with a chance for spontaneous psychological development using both languages. PPF Group provides financial assistance for the basic construction, school equipment and field trips.

INVESTING IN EDUCATION

OPEN GATE BOARDING SCHOOL

As part of its activities focused on the development of education the PPF Group supports the Educa Foundation and its project, the Open Gate Boarding School.

Open Gate Boarding School in the village of Babice u Prahy was opened four years ago as the first of its kind in the Czech Republic. Thanks to sponsorship contributions from the Educa Foundation of Renáta and Petr Kellner, the school is open to talented students from varying backgrounds, including socially disadvantaged families. The Foundation provides up to 100% scholarships for talented children from orphanages, foster families, or socially disadvantaged families. Its budget covers all educational equipment, room & board, after-school activities, school uniforms and, to a certain degree, transportation as well. Scholarships are awarded based on successful completion of the entrance examination and enrolment in the school. Both the school and the Foundation recruit potential students from orphanages across the Czech Republic.

In early 2009, Open Gate became the first purely Czech secondary school to become certified to teach according to the International Baccalaureate (IB) system. IB is the "gold standard" of world secondary education – with an IB diploma, students from the Czech Republic will be welcomed at all international universities. The first Open Gate students to take the IB exams in six subjects, including an essay and a research thesis, will do so in 2011. Of course, they will be able to choose between the IB Diploma and the Czech school-leaving exams.

Also in 2009, the first 21 Open Gate graduates took the school-leaving exams. All were accepted to university. More than half of them successfully applied at prestigious universities abroad. Educa Foundation also decided to provide scholarships to qualifying Open Gate graduates during their university studies abroad. The Foundation already has some experience supporting Czech socially disadvantaged students at universities in the United Kingdom and the USA, and plans to continue to develop co-operation with the world's leading institutions of higher education.

FINANCIAL SECTION

AUDITOR'S REPORT

INTRODUCTION

We have audited whether the accompanying abbreviated financial statements of PPF Group N.V., Amsterdam, for the year 2008 (as set out on pages 76 to 164) have been derived consistently from the audited financial statements of PPF Group N.V., for the year 2008. In our auditors' report dated 27 May 2009 we expressed an unqualified opinion on these financial statements. Management is responsible for the preparation of the abbreviated financial statements in accordance with the accounting policies as applied in the 2008 financial statements of PPF Group N.V. Our responsibility is to express an opinion on these abbreviated financial statements.

SCOPE

We conducted our audit in accordance with Dutch law. This law requires that we plan and perform the audit to obtain reasonable assurance that the abbreviated financial statements have been derived consistently from the financial statements.

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

OPINION

In our opinion, these abbreviated financial statements have been derived consistently, in all material respects, from the financial statements.

EMPHASIS OF MATTER

For a better understanding of the company's financial position and results and the scope of our audit, we emphasize that the abbreviated financial statements should be read in conjunction with the unabridged financial statements, from which the abbreviated financial statements were derived and our unqualified auditors' report thereon dated 27 May 2009. Our opinion is not qualified in respect of this matter.

Amstelveen, 24 July 2009

KPMG Accountants N.V.

M. F. Frikkee

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

CONSOLIDATED BALANCE SHEET

In MEUR, as at 31 December	Note	2008	2007
ASSETS			
Cash and cash equivalents	F.1.	852	499
Financial assets at fair value through profit or loss	F.2.1.	605	114
Financial assets available-for-sale	F.2.2.	164	244
Loans and receivables due from banks and other financial institutions	F.2.3.	758	421
Loans and receivables due from non-banks	F.2.4.	2,850	2,602
Other loans and receivables	F.2.6.	953	–
Current income tax receivable		26	1
Deferred tax assets	F.3.	22	28
Other assets	F.4.	283	53
Non-current assets held for sale	A.5.3.	364	5,735
Investments in associates	F.5.	3,257	–
Investment property	F.6.	253	–
Property, plant and equipment	F.7.	279	277
Intangible assets	F.8.	64	102
TOTAL ASSETS		**10,730**	**10,076**
LIABILITIES			
Due to non-banks	F.9.	1,456	712
Due to banks and other financial institutions	F.10.	3,193	866
Debt securities issued	F.11.	1,783	1,458
Financial liabilities at fair value through profit or loss	F.12.	93	50
Liabilities held for sale	A.5.3.	267	5,443
Current income tax liability		5	14
Deferred tax liability	F.3.	17	9
Other liabilities	F.13.	194	92
TOTAL LIABILITIES		**7,008**	**8,644**
CONSOLIDATED EQUITY			
Issued capital	F.15.	1	1
Share premium		677	677
Other reserves		(261)	(41)
Retained earnings		3,286	789
Total equity attributable to equity holders of the Parent Company		3,703	1,426
Minority interests		19	6
Total consolidated equity		**3,722**	**1,432**
TOTAL LIABILITIES AND EQUITY		**10,730**	**10,076**

CONSOLIDATED INCOME STATEMENT

In MEUR, for the year ended 31 December	Note	2008	2007
Interest income		1,132	685
Interest expense		(302)	(133)
Net interest income	F.17.	**830**	**552**
Fee and commission income		235	169
Fee and commission expense		(75)	(33)
Net fee and commission income	F.18.	**160**	**136**
Net gain/(loss) on financial assets	F.19.	151	(8)
Net impairment losses on financial assets	F.20.	(321)	(238)
Net expense related to credit risk insurance	F.21.	(19)	(10)
Other banking result		**(189)**	**(256)**
NET BANKING INCOME		**801**	**432**
Operating income	F.22.	**7**	**30**
General administrative expenses	F.23.	(569)	(397)
Other operating expense	F.24.	(280)	(28)
Operating expense		**(849)**	**(425)**
Share of earnings of associates		(105)	–
PROFIT/(LOSS) BEFORE TAX		**(146)**	**37**
Income tax expense	F.25.	(59)	(24)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(205)**	**13**
Profit from discontinued operations	A.5.4.	2,696	232
NET PROFIT FOR THE PERIOD		**2,491**	**245**
Net profit attributable to minority interests		2	1
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		**2,489**	**244**
Weighted average number of shares	F.15.	66,738	66,738
Basic and Diluted earnings per share for profit for the period (EUR)	F.30.	37,295	3,656
Basic and Diluted earnings per share for profit from continuing operations (EUR)	F.30.	(3,102)	180

The consolidated financial statements were approved by the Board of Directors of the Company on 22 May 2009.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In MEUR, for the year ended 31 December 2008	Issued capital	Share premium	Available for sale reserve	Other revaluation reserve
Balance at 1 January	**1**	**677**	**(25)**	**–**
Currency translation differences	–	–	–	–
Revaluation of land and buildings	–	–	–	–
Valuation gains (losses) taken to equity for AFS	–	–	(5)	–
Total gains and losses recognised directly in equity	**–**	**–**	**(5)**	**–**
Net profit for the year	–	–	–	–
Total recognised income (expense) for the period	**–**	**–**	**(5)**	**–**
Effect on acquisition and disposal of subsidiaries	–	–	25	–
Changes in equity of associates	–	–	(28)	–
Net allocation to legal and statutory reserves (other than from Net profit)	–	–	–	–
Balance at 31 December	**1**	**677**	**(33)**	**–**

In MEUR, for the year ended 31 December 2007	Issued capital	Share premium	Available for sale reserve	Other revaluation reserve
Balance at 1 January	**1**	**677**	**20**	**5**
Currency translation differences	–	–	–	–
Revaluation of land and buildings	–	–	–	(5)
Valuation gains (losses) taken to equity for AFS	–	–	(34)	–
AFS revaluation gains transferred to income statement	–	–	(19)	–
Tax on items taken directly to or transferred from equity	–	–	10	1
Total gains and losses recognised directly in equity	**–**	**–**	**(43)**	**(4)**
Net profit for the year	–	–	–	–
Total recognised income (expense) for the period	**–**	**–**	**(43)**	**(4)**
Net allocation to legal and statutory reserves (other than from Net profit)	–	–	–	–
Changes in catastrophe and equalisation reserves	–	–	–	–
Difference due to change in presentation currency (D.3.2.)	–	–	(2)	(1)
Balance at 31 December	**1**	**677**	**(25)**	**–**

Legal and statutory reserves	Translation reserve	Catastrophe and equalisation reserves	Retained earnings	Attributable to equity holders of Parent Company	Attributable to Minority interests	Total
28	**(74)**	**30**	**789**	**1,426**	**6**	**1,432**
–	(122)	–	–	(122)	–	(122)
–	–	–	–	–	–	–
–	–	–	–	(5)	–	(5)
–	**(122)**	**–**	**–**	**(127)**	**–**	**(127)**
–	–	–	2,489	2,489	2	2,491
–	**(122)**	**–**	**2,489**	**2,362**	**2**	**2,364**
(21)	17	(30)	9	–	11	11
–	(57)	–	–	(85)	–	(85)
1	–	–	(1)	–	–	–
8	**(236)**	**–**	**3,286**	**3,703**	**19**	**3,722**

Legal and statutory reserves	Translation reserve	Catastrophe and equalisation reserves	Retained earnings	Attributable to equity holders of Parent Company	Attributable to Minority interests	Total
19	**(69)**	**20**	**558**	**1,231**	**5**	**1,236**
–	(53)	–	–	(53)	–	(53)
–	–	–	5	–	–	–
–	–	–	–	(34)	–	(34)
–	–	–	–	(19)	–	(19)
–	–	–	–	11	–	11
–	**(53)**	**–**	**5**	**(95)**	**–**	**(95)**
–	–	–	244	244	1	245
–	**(53)**	**–**	**249**	**149**	**1**	**150**
8	–	–	(8)	–	–	–
–	–	9	(9)	–	–	–
1	48	1	(1)	46	–	46
28	**(74)**	**30**	**789**	**1,426**	**6**	**1,432**

CONSOLIDATED STATEMENT OF CASH FLOWS

In MEUR, for the year ended 31 December, prepared using the indirect method	2008	2007
Cash flows from operating activities		
Profit before tax	2,550	342
Adjustments for:		
Depreciation and amortisation	41	59
Amortisation of PVFP and impairment losses on goodwill and PVFP	44	(57)
Impairment and reversal of impairment of current and non-current assets	289	263
Profit/loss on disposal of PPE, intangible assets and investment property	2	(5)
Profit/loss on sale of financial assets	(343)	44
Consolidated gains/losses on disposal of consolidated subsidiaries and associates	(2,697)	–
Interest expense	302	46
Interest income	(1,132)	(814)
Other income/expenses not involving movements of cash	(9)	(111)
Purchase of financial assets at fair value through profit or loss	(201)	(722)
Proceeds from financial assets at fair value through profit or loss trading	76	759
Change in loans and receivables due from banks and other financial institution	(328)	(329)
Change in loans and receivables due from non-banks	(1,082)	(1,015)
Change in other assets	(163)	9
Change in financial liabilities at fair value through profit or loss	44	22
Change in liabilities due to non-banks	682	31
Change in other liabilities	25	366
Cash flows arising from taxes on income	(93)	(144)
Change in assets and liabilities held for sale	(708)	(5)
Net cash from operating activities	**(2,701)**	**(1,261)**

In MEUR, for the year ended 31 December, prepared using the indirect method	2008	2007
Cash flows from investing activities		
Interest received	887	810
Purchase of tangible assets and intangible assets	(136)	(240)
Purchase of financial assets at fair value through profit or loss not held for trading	(69)	(828)
Purchase of financial assets available for sale	(150)	(1,191)
Purchase of investment property	–	(2)
Purchase of assets and liabilities held for sale	–	(7)
Acquisition of subsidiaries and associates, net of cash acquired	(592)	–
Proceeds from disposals of PPE and intangible assets	49	122
Proceeds from sale of financial assets at fair value through profit or loss not held for trading	–	1,204
Proceeds from sale of financial assets available for sale	33	283
Proceeds from sale of investment property	–	72
Proceeds from disposal of subsidiaries and associates, net of cash disposed	1,100	–
Other investing activities	–	(4)
Net cash from investing activities	**1,122**	**219**
Cash flows from financing activities		
Proceeds from the issue of debt securities	1,448	976
Proceeds from loans by banks and other financial institution	7,710	1,504
Payment of debt securities	(1,119)	(415)
Repayment of loans from banks and other financial institution	(5,787)	(935)
Interest paid	(284)	(79)
Cash flow from financing activities	**1,968**	**1,051**
Net increase (decrease) in cash and cash equivalents	**389**	**9**
Cash and cash equivalents as at 1 January	**499**	**410**
Effect of exchange rate changes on cash and cash equivalents	(36)	14
Cash and cash equivalents as at 31 December	**852**	**433**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL

A.1. DESCRIPTION OF THE GROUP

PPF Group N.V. ("the Parent Company") is a company domiciled in the Netherlands. The consolidated financial statements of the Parent Company for the year ended 31 December 2008 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 2008 and 2007.

Structure of Ultimate shareholders:

As at 31 December 2008, the shareholder structure was as follows:
Petr Kellner 94.36% (directly and indirectly)
Jiří Šmejc 5% (indirectly)
Ladislav Bartoníček 0.64% (indirectly)

Registered Office:

Strawinskylaan 933 Tower B Level 9
1077XX Amsterdam

The Directors authorised the financial statements for issue on 22 May 2009.

A.2. STATUTORY BODIES OF THE PARENT COMPANY

The Board of Directors:

Aleš Minx, Chairman of the Board of Directors – Den Haag, Netherlands
Wilhelmus Jacobus Meyberg, Director – Naarden, Netherlands
Rudolf Bosveld, Director – Velp, Netherlands

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). One amendment of IFRSs was adopted prior to its effective date (refer to D.4.).

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.5.

A.4. BASIS OF PREPARATION

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

These financial statements do not constitute financial statements for statutory purposes. Financial statements for statutory purposes, prepared in accordance with Dutch GAAP were approved by the directors on 22 May 2009 and filed with the Chamber of Commerce in Amsterdam.

The financial statements are presented in Euros (EUR), rounded to the nearest million.

Until 31 December 2007 the Group presented consolidated financial statements in CZK (Czech Crowns), domestic currency of the Czech Republic. In 2008 the Group decided to change its presentation currency (refer to D.3.2.) as this better reflects the international character of current activities. This change was mainly affected by significant movement in business and regional focus when whole insurance group represented by CZI Holdings N.V. (with majority of activities based in the Czech Republic) was disposed of and consequently 49% share in newly established insurance holding Generali PPF Holding was acquired (with focus on region of Central and Eastern Europe). Moreover further growth of consumer finance business within all regions weakened the overall weight of business done in the Czech Republic. From the same reasons the Parent Company changed its functional currency from CZK to EUR commencing 1 January 2008.

The financial statements have been prepared on a historic 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 and loss, financial instruments classified as available-for-sale and investment properties. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic 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 and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to 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 IFRSs that have 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.31.

A.5. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

A.5.1. Generali transaction

Assets and liabilities held for sale as at 31 December 2007 represent all assets and liabilities of CZIH Group (an insurance group of entities under CZI Holdings N.V.) which were subject to the Generali transaction occurred on 17 January 2008.

The whole transaction is from the Parent Company's point of view regarded a sale of 100% ownership interest in CZIH Group and acquisition for 49% ownership interest in Generali PPF Holding B.V.

Profit from the transaction amounted MEUR 2,697 and it is recorded as profit from discontinued operations (refer to C.4. for calculation of profit).

After this transaction PPF Group does not control any other companies providing insurance business, CZIH Group ceased to be consolidated by the full method of consolidation and Generali PPF Holding B.V. starts to be accounted for by using the equity method.

For the purpose of comparative figures companies providing insurance business represent a separate major line of business and it also meets the definition of discontinued operations.

In 2007 companies from CZIH Group that provide insurance business and are disclosed as discontinued operations and non-current assets held for sale in the comparative figures are:

- Česká pojišťovna a.s.
- Česká poisťovna - Slovensko, a.s.
- Česká pojišťovna ZDRAVÍ a.s.
- ČPI Globálních značek
- CP Kazakhstan AO
- CP Reinsurance Company Ltd.
- Czech Insurance Company Ltd.
- Penzijní fond České pojišťovny, a.s.

Companies belonging to the CZIH Group which do not provide insurance business do not represent a separate major line of business and do not meet the definition of discontinued operations. During 2007 until the disposal they meet only the definition of non-current assets held for sale. The companies are:

- CZI Holdings N.V.
- ČP DIRECT, a.s.
- ČP INVEST investiční společnost, a.s.
- CP Strategic Investments B.V.
- PPF Asset Management a.s.
- První Callin agentura a.s.
- Univerzální správa majetku a.s.

In 2007 residual assets and liabilities held for sale represent assets and liabilities of Privat Invest (LLC), the Ukrainian subsidiary acquired by the Group in November 2007 with a view to sale within one year. In 2008 the company was reclassified and fully consolidated as it does not meet the definition of a held-for-sale entity.

A.5.2. Acquisition of CPRe

On 15 December 2008 the Group acquired 100% share in CP Reinsurance Company Ltd. (CPRe), the Cypriot reinsurance company previously transferred to Generali PPF Holding B.V. as a part of the Generali transaction.

On 1 January 2009 CP Reinsurance Company Ltd. terminated all the reinsurance contracts with members of Generali PPF Holding B.V. Group. The termination was initiated by these companies. In the first quarter of 2009 CP Reinsurance Company Ltd. worked on smooth settlement of the terminations. As of date of issuance of these financial statements there is no reinsurance contract in place. The Group's plan is to sell the company, so assets and liabilities as of 31 December 2008 are classified as assets and liabilities held for sale.

Profit and loss for the period from the acquisition till 31 December 2008 is classified as profit from discontinued operations.

A.5.3. Financial details

In 2007 assets and liabilities held for sale comprise all assets and liabilities of the CZIH Group and also assets and liabilities of Privat Invest (LLC).

In 2008 assets and liabilities held for sale comprise all assets and liabilities of CPRe.

The following table shows details of assets and liabilities disclosed as non-current assets and liabilities held for sale in the balance sheet.

In MEUR, as at 31 December	2008	2007
Cash and cash equivalents	85	112
Financial assets at fair value through profit or loss	253	3,256
Financial assets available-for-sale	–	940
Financial assets held to maturity	–	79
Loans and receivables	–	913
Reinsurance assets	26	50
Deferred tax assets	–	5
Other assets	–	53
Non-current assets held for sale	–	2
Investment property	–	20
Property, plant and equipment	–	42
Intangible assets	–	263
Total assets held for sale	**364**	**5,735**
Debt securities issued	–	19
Financial liabilities at fair value through profit or loss	–	17
Insurance liabilities	259	3,493
Financial liabilities for investment contracts with DPF	–	1,477
Deferred tax liabilities	–	53
Other liabilities	8	374
Net assets attributable to unit-holders	–	10
Total liabilities held for sale	**267**	**5,443**

Balance sheet tables in the Notes (F.1.–F.14.) contain balances excluding held-for-sale items.

A.5.4. Discontinued operations

Tables in the Notes (F.17.–F.25.) which contain a detailed breakdown of the income or expenses balances refer to the relevant continuing operations.

The following table shows income and expenses of discontinued operations. In 2008 figures represent financial performance of CPRe, in 2007 performance of CZIH Group.

In MEUR, for the twelve months ended 31 December	2008	2007
Net insurance premium revenue	37	1,413
Interest and similar income	2	130
Other income from financial assets	–	9
Income from investment property	–	2
Net fee and commission income, and income from service activities	–	5
Other income	2	69
Total revenue	**41**	**1,628**
Net insurance claims and benefits	(14)	(797)
Investments contracts benefits	–	(34)
Other expenses from financial assets	(2)	(7)
Expenses from investment property	–	(14)
Other operating expenses	(10)	(429)
Amortisation of PVFP	–	58
Other expenses	(14)	(99)
Total expenses	**(40)**	**(1,322)**
Profit from discontinued operations	1	306
Income tax expense	(2)	(74)
Profit after tax	(1)	232
Net profit for the period	**(1)**	**232**
Profit from disposal of CZIH Group	2,697	–
Net profit attributable to equity holders	**2,696**	**232**

Cash flows from discontinued operations were as follows:

In MEUR, for the twelve months ended 31 December	2008	2007
Cash flows from operating activities	(29)	185
Cash flows from investing activities	19	(49)
Cash flows from financing activities	(53)	(181)
Net cash inflow/outflow from discontinued operations	**(63)**	**(45)**

B. SEGMENT REPORTING

Since 2008 the Group significantly changed its business structure, mainly after the disposal of CZIH Group. Insurance business, previously the core segment, changed its position within the Group structure and is accounted for using an equity method of consolidation. During the year the majority of the Group business consists of a consumer finance business. At the end of the year the Group acquired real estate structure however this has no impact on revenues in 2008 and also does not significantly change the structure of segment assets.

From those reasons the Group decided to present segment information as a mix of geographical and industry information as the strict distinction between primary and secondary segment does not give the most appropriate view on the Group activities.

The most significant Group business segment is the consumer finance business. It is operated in five major geographical areas, the Czech Republic, the Slovak Republic, the Russian Federation, the other Eastern European/Asian Countries (Ukraine, Kazakhstan, Belorussia) and China. The geographical segments are based on the geographical location of assets which corresponds to the geographical location of customers at the same time.

Insurance business segment represents in 2007 discontinued activities of CZIH Group, in 2008 the effect on disposal of this Group, reinsurance entity CP Reinsurance Company Ltd. and a financial position of newly established Generali PPF Holding.

Real estate business segment consists of newly acquired real estate structure in 2008 and PPF GATE a.s., an entity holding the Group headquarter premises. All real estate projects are located in the region of Central and Eastern Europe.

Assets and share of earnings of significant associates Nomos-Bank and Polymetal, both located in Russia are included in segment Other banking, resp. Other. Other balances in the segment Other represent mainly holding companies providing on-lending within the Group and investment interests of these holding companies. Total assets and liabilities related to segment Other represent mainly external financing and transfer of funds within the Group and majority of eliminations relate to this segment.

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.

Segment assets and liabilities includes all assets and liabilities attributable to segments excluding deferred and income tax position.

Total segment revenue contain interest income, fees and commission income and operating income.

The following table shows main items from the financial statements broken down according to the geographical segment for 2008 and 2007.

In MEUR, 2008	Czech Republic	Slovak Republic	Russian Federation	East Euro/ Asian countries	China	**Subtotal Home Credit**	Insur-ance	Real Estate	Other banking	Other	Elimi-nations	**Consoli-dated 2008**
Revenue from external customers	131	45	985	96	6	1,263	–	2	60	49	–	1,374
Inter-segment revenue	45	–	–	4	4	53	–	2	16	214	(285)	–
Total revenue from continuing operations	**176**	**45**	**985**	**100**	**10**	**1,316**	**–**	**4**	**76**	**263**	**(285)**	**1,374**
Segment share of earnings of associates	–	–	–	–	–	–	(42)	–	(53)	(10)	–	(105)
Segment result from continuing operations	**19**	**–**	**142**	**(46)**	**(46)**	**69**	**(42)**	**(8)**	**(30)**	**(143)**	**8**	**(146)**
Income tax expense												(59)
Net profit from continuing operations												**(205)**
Segment result from discontinued operations	–	–	–	–	–		2,696	–	–	–	–	2,696
Net profit for the year												**2,491**
Capital expenditure	(11)	(1)	(55)	(7)	(2)	(77)	–	(49)	(1)	(5)	–	(131)
Depreciation and amortization	(6)	–	(22)	(4)	(3)	(35)	–	(2)	(2)	(2)	–	(41)
Other significant non-cash expenses	(10)	(15)	(239)	(47)	(14)	(325)	–	(4)	(8)	(40)	3	(374)
Segment assets	510	167	2,712	221	324	3,934	378	561	1,659	5,978	(5,085)	7,425
Investments in associates	–	–		–	–		2,394	3	398	462	–	3,257
Unallocated assets												48
Total assets												**10,730**
Segment liabilities	429	158	2,249	184	85	3,105	267	508	1,564	6,630	(5,088)	6,986
Unallocated liabilities												22
Total liabilities												**7,008**
Segment equity	**82**	**9**	**463**	**36**	**239**	**829**	**2,504**	**56**	**566**	**(262)**	**3**	**3,722**

In MEUR, 2007	Czech Republic	Slovak Republic	Russian Federation	East Euro/ Asian countries	China	**Subtotal Home Credit**	Insur-ance	Real Estate	Other banking	Other	Elimi-nations	**Consoli-dated 2007**
Revenue from external customers	104	32	628	55	1	820	–	3	43	18	–	884
Inter-segment revenue	35	–	47	9	–	91	–	–	13	77	(181)	(25)
Total revenue from continuing operations	**139**	**32**	**675**	**64**	**1**	**911**	**–**	**3**	**56**	**95**	**(181)**	**859**
Segment share of earnings of associates	–	–	–	–	–	–	–	–	–	–	–	–
Segment result from continuing operations	**19**	**1**	**76**	**(19)**	**(22)**	**55**	**–**	**(1)**	**25**	**(54)**	**12**	**37**
Income tax expense												(24)
Net profit from continuing operations												**13**
Segment result from discontinued operations	–	–	–	–	–	–	232	–	–	–	–	232
Net profit for the year												**245**
Capital expenditure	(13)	–	(79)	(9)	(9)	(110)	–	(1)	(1)	(5)	–	(117)
Depreciation and amortization	(4)	–	(11)	(4)	(1)	(20)	–	–	(2)	(2)	–	(24)
Other significant non-cash expenses	(11)	(9)	(208)	(10)	(1)	(239)	–	–	–	–	–	(239)
Segment assets	434	128	2,241	277	112	3,192	6,865	106	1,030	2,154	(3,300)	10,047
Investments in associates	–	–		–	–	–	–	–	–	–	–	–
Unallocated assets												29
Total assets												**10,076**
Segment liabilities	361	122	1,842	223	20	2,568	5,928	55	945	2,390	(3,265)	8,621
Unallocated liabilities												23
Total liabilities												**8,644**
Segment equity	**73**	**6**	**399**	**54**	**92**	**624**	**937**	**51**	**85**	**(236)**	**(35)**	**1,432**

C. CONSOLIDATION

C.1. BASIS OF CONSOLIDATION

Subsidiaries are those entities 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 holds 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, consequently no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

Derecognition of subsidiaries and associates follows the contractual arrangements and law conditions.

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.

The list of significant subsidiaries is presented in note C.2.

C.2. GROUP ENTITIES

The significant subsidiaries as at 31 December 2008 are the following:

Company	Country of residence	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%
HCA N.V	Netherlands	100.00%	100.00%
Eurasia Capital S.A.	Luxembourg	0.00%	0.00%
Eurasia Structured Finance No.1 S.A.	Luxembourg	0.00%	0.00%
Favour Ocean Ltd.	Hong Kong	100.00%	100.00%
Financial Innovations LLC	Russia	99.99%	99.99%
Foshan Hengfeng Credit Guarantee Co. Ltd.	China	100.00%	100.00%
Guangdong Home Credit Guarantee Co. Ltd.	China	100.00%	100.00%
HC Fin2 B.V.	Netherlands	100.00%	100.00%
HC Fin3 B.V.	Netherlands	100.00%	100.00%
HC Kazakh Holdings B.V.	Netherlands	100.00%	100.00%
HCF Funding No.1 B.V.	Netherlands	0.00%	0.00%
Home Credit a.s.	Czech Republic	100.00%	100.00%
Home Credit Asia Ltd. (former Union Wealth Engineering Ltd.)	Hong Kong	100.00%	100.00%
Home Credit Bank, CJSC	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 Finance Bank o.o.o.	Russia	99.99%	99.99%
Home Credit Finance LLC	Ukraine	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%
Chongqing Home Credit Guarantee Co. Ltd.	China	100.00%	100.00%
INFOBOS LLC	Russia	99.99%	99.99%
Jiagsu Home Credit Guarantee Co Ltd.	China	100.00%	100.00%
Liaoning Home Credit Guarantee Co. Ltd.	China	100.00%	100.00%
LIKO-Technopolis LLC	Russia	99.99%	99.99%
Privat Invest PCJSB	Ukraine	99.74%	99.74%
REDLIONE Ltd.	Cyprus	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%
Zhejiang Home Credit Guarantee Co. Ltd.	China	100.00%	100.00%

Company	Country of residence	Effective proportion of ownership interest	Effective proportion of voting interest
Real Estate subgroup			
PPF GATE a.s.	Czech Republic	100.00%	100.00%
PPF Real Estate Ltd.	Jersey	100.00%	100.00%
PPF Real Estate Ltd.	Cyprus	100.00%	100.00%
Bucca Properties Ltd.	BVI	100.00%	100.00%
Celestial Holdings Group Ltd.	BVI	100.00%	100.00%
Crestfallen Ltd.	Cyprus	100.00%	100.00%
Feliston Enterprises Ltd.	Cyprus	33.33%	33.33%
Flogesco Ltd.	Cyprus	100.00%	100.00%
Gilbey Ltd.	Cyprus	40.00%	40.00%
Intrust NN	Russia	33.33%	33.33%
Investitslonny Trust ZAO	Russia	33.33%	33.33%
Komodor LLC	Ukraine	40.00%	40.00%
Kvartal Togliatti LLC	Russia	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%
PPF Property Ltd.	Cyprus	100.00%	100.00%
Rural Capital S. R. L.	Romania	98.50%	98.50%
Rural Dobrogea S. R. L.	Romania	98.50%	98.50%
Rural Moldava S. R. L.	Romania	98.50%	98.50%
Rural Oltenia S. R. L.	Romania	98.50%	98.50%
S. C. Bavaria Complex S. R. L.	Romania	50.39%	50.39%
S. C. Rural Capital Dol S. R. L.	Romania	98.50%	98.50%
S. C. Rural Capital Unu S. R. L.	Romania	98.50%	98.50%
Salemonto Ltd.	Cyprus	100.00%	100.00%
Sigurno Ltd.	Cyprus	100.00%	100.00%
Stinctum Holdings Ltd.	Cyprus	33.33%	33.33%
Tenacity Ltd.	Cyprus	100.00%	100.00%
Yarisalto Ltd.	Cyprus	100.00%	100.00%

Company	Country of residence	Effective proportion of ownership interest	Effective proportion of voting interest
Other significant subsidiaries			
Anthiarose Ltd.	Cyprus	100.00%	100.00%
CF Commercial Consulting Ltd.	China	100.00%	100.00%
CP Reinsurance Company Ltd.	Cyprus	100.00%	100.00%
Dunmow Ltd.	Cyprus	100.00%	100.00%
HC Fin1 B.V.	Netherlands	100.00%	100.00%
HC SE	Netherlands	100.00%	100.00%
Marksamy B.V.	Netherlands	100.00%	100.00%
Pearlmoon Ltd.	Cyprus	100.00%	100.00%
PPF a.s.	Czech Republic	100.00%	100.00%
PPF banka a.s.	Czech Republic	92.96%	92.96%
PPF Co1 B.V.	Netherlands	100.00%	100.00%
PPF Co2 B.V.	Netherlands	100.00%	100.00%
PPF Partners Ltd.	Guernsey	72.50%	72.50%
Russia Finance Corporation B.V.	Netherlands	100.00%	100.00%
Torpera Ltd.	Cyprus	100.00%	100.00%
Other significant associates			
Polymetal, OJSC	Russia	24.90%	24.90%
Nomos-Bank, OJSC	Russia	29.92%	29.92%
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 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%
Penzijní fond České pojišťovny, a.s.*	Czech Republic	100.00%	100.00%

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

On 8 January 2008 the Board of Directors of PPF GATE a.s. and the Board of Directors of E-GATE a.s. approved an intention of merger. According to the intention of merger PPF GATE a.s. is the successor company and E-GATE a.s. ceases to exist. The effective date of the merger was determined to 1 January 2008. The merger was concluded on 26 June 2008 when the Commercial Court incorporated it in a register.

C.3. ACQUISITIONS

C.3.1. Associates

The following table shows the significant acquisitions during 2008:

Acquired company	Description of entities	Method of accounting for combination	Effective date of the combination	Percentage of ownership interest obtained	Cost of acquisition (in MEUR)
Generali PPF Holding B.V.	insurance holding	acquisition	17 January 2008	49.00%	2,500
Nomos-Bank, OJSC	bank	acquisition	17 April 2008	29.92%	443
Pearlmoon Ltd.	holding company	acquisition	11 June 2008	100.00%	481
Polymetal, OJSC*	precious metals mining company	acquisition	11 June 2008	24.90%	n/a*
Accord Invest LLC	service company	acquisition	28 August 2008	40.00%	–

* Acquired through Pearlmoon Ltd.

Generali PPF Holding B.V.

The details of the transaction are described in note A.5.1.

Nomos-Bank, OJSC

As at 31 December 2007 the Parent Company held indirectly 15.66% stake in Open Joint-Stock Company "Nomos-Bank" that was acquired for MEUR 213 during 2007 through 100% subsidiary Russia Finance Corporation B.V. ("RFC"). The Group could not exercise significant influence in Nomos-Bank during 2007 and the investment was classified as financial asset available-for-sale in the consolidated financial statements for the year ended 31 December 2007.

On 14 January 2008 the Group acquired an additional 2.02% stake in Nomos-Bank via increase bank's share capital.

On 17 April 2008 the new SPAs for purchase of an additional 12.24% stake have been signed and RFC became shareholder with total 29.92% shareholding in Nomos-Bank. Since 17 April 2008, the Group is considered exercising significant influence in Nomos-Bank, hence the investment in Nomos-Bank has been accounted for by using the equity method of consolidation since that date.

Total cost of the investment MEUR 443 contains goodwill arising from the acquisition. Goodwill in amount MEUR 236, representing part of the cost of the investment for assets that are not capable of being individually identified and separately recognized, involves in this case potential intangible assets not recorded in the financial statements of Nomos-Bank that could not be measured reliably. The Group has not identified any significant intangible asset apart from the goodwill.

In June the Group participated in capital increase of Nomos-Bank proportionally to its share in amount of MEUR 38.

Polymetal, OJSC

On 10 June 2008, the Parent Company signed SPA for the purchase of 99.9% issued capital of Cyprus entity Pearlmoon Ltd. (whole issued capital except one B share), which holds a 24.9% stake in Russian company Polymetal, one of the leading precious metals mining company, which produces gold and silver. Closing date of the transaction occurred on 11 June 2008.

24.9% share in Polymetal was contributed to Pearlmoon Ltd. just before the transaction. The value of the contribution corresponds with the total fixed part of consideration paid for 100% stake in Pearlmoon Ltd.

The total consideration consisted of immediate payments and deferred payments payable in November 2008 and March 2009. Whole deferred price payable was settled in December 2008 using bank loan provided to Russian entity Accord Invest LLC in which the Group has significant influence.

The Group holds 24.9% stake and is considered exercising significant influence, hence the investment in Polymetal has been accounted for by using equity method of consolidation.

Total cost of the investment MEUR 481 contains goodwill arising from the acquisition. The goodwill in amount MEUR 381 represents part of the cost of the investment for assets that are not capable of being individually identified and separately recognized. We have not sufficient information to properly determine the fair value of the associate as per the date of acquisition, however, based on our assessment of the company the effect of any adjustments would not be material to the financial statements.

C.3.2. Real estate structure

On 1 September 2008 the Group acquired 100% in PPF Real Estate Ltd. This entity holds A shares (representing 100% voting rights) in PPF Property Limited, real estate fund investing into several real estate projects. On 28 December the Group acquired also B shares in PPF Property Limited transferring all economic benefits to the Group, so the Group controls this real estate structure from this date. The total consideration for the structure was MEUR 110. There is no goodwill arising from the acquisition. Fair value of assets acquired is MEUR 393, fair value of liabilities and minority interest acquired is MEUR 283.

The following summary summarize acquisition of other significant subsidiaries in 2008:

Acquired company	Description of entities	Method of accounting for combination	Effective date of the combination	Percentage of ownership interest obtained	Cost of acquisition (in MEUR)
CP Reinsurance Company Ltd.	reinsurance company	acquisition	15 December 2008	100.00%	305
Anthiarose Ltd.	holding company	acquisition	17 April 2008	100.00%	2
Dunmow Ltd.	holding company	acquisition	27 November 2008	100.00%	172
Marksamy B. V.*	finance company	acquisition	27 November 2008	100.00%	–

* Subsidiary of Dunmow Ltd.

The following table shows the significant acquisitions during 2007:

Acquired company	Description of entities	Method of accounting for combination	Effective date of the combination	Percentage of ownership interest	Cost of acquisition (in MEUR)
E-GATE a.s.	real estate holder	acquisition	11 July 2007	100.00%	32
Guangdong Hengfeng Financing Guarantee Co., Ltd.	guarantee company	acquisition	15 August 2007	100.00%	5
Guangzhou Yinghuen Economy Energy Equipments Co., Ltd.	guarantee company	acquisition	15 August 2007	100.00%	–
Lorobank OAO	bank	acquisition	2 February 2007	100.00%	5
PPF GATE a.s.	property lease	acquisition	25 April 2007	100.00%	7
Russia Finance Corporation B.V.	holding company	acquisition	28 June 2007	100.00%	–

The following table shows details of significant companies acquired in 2008:

Acquired company In MEUR	Fair value of assets acquired	From which cash and cash equivalents	Fair value of liabilities undertaken	Goodwill arising on acquisition	Net profit (loss) for the period included in consolidated 2008 result
CP Reinsurance Company Ltd.	586	148	281	–	(1)
Anthiarose Ltd.	2	–	–	–	1
Dunmow Ltd.*	172	–	–	–	(22)

* Including acquisition of Marksamy B.V.

The following table shows details of significant companies acquired in 2007:

Acquired company In MEUR	Fair value of assets acquired	From which cash and cash equivalents	Fair value of liabilities undertaken	Goodwill arising on acquisition	Net profit (loss) for the period included in consolidated 2007 result
E-GATE a.s.	64	–	31	(1)*	(1)
Guangdong Hengfeng Financing Guarantee Co., Ltd.	11	1	6	–	(1)
Guangzhou Yinghuen Economy Energy Equipments Co., Ltd.**	–	–	–	–	–
Lorobank OAO	6	–	–	(1)*	–
PPF GATE a.s.	7	7	–	–	(1)
Russia Finance Corporation B.V.	–	–	–	–	1

* Negative goodwill (included in the income statement).

** The company was acquired as a subsidiary of Guangdong Hengfeng Financing Guarantee Co., Ltd.

The above acquisitions were settled by cash or cash equivalents.

The following table shows the companies established by the Group during 2008:

Established company	Description of entities	Date of first consolidation	Percentage of ownership interest
Home Credit Business Management (Tianjin) Co., Ltd.	consulting	7 July 2008	100.00%
Shenzen Home Credit Guarantee Co., Ltd	guarantee company	1 April 2008	100.00%
PPF Partners Ltd.	holding company	12 November 2008	100.00%

The following table shows the companies established by the Group during 2007:

Established company	Description of entities	Date of first consolidation	Percentage of ownership interest
Ceska Pojistovna Ukraine Life Insurance	insurance company	1 January 2007	100.00%
CP Kazakhstan AO	insurance company	2 February 2007	100.00%
Chongqing Home Credit Guaranty Co. Ltd.	guarantee company	22 January 2007	100.00%
HC Fin1 B.V.	holding company	7 June 2007	100.00%
Jiangsu Home Credit Guaranty Co Ltd.	guarantee company	13 April 2007	100.00%
Liaoning Home Credit Guaranty Co. Ltd.	guarantee company	30 January 2007	100.00%
Shenzhen Xin Chi Commercial Consulting Co. Ltd.	consulting	18 January 2007	100.00%
Sichuan Home Credit Guaranty Co. Ltd.	guarantee company	22 May 2007	100.00%
Zhejiang Home Credit Guaranty Co. Ltd.	guarantee company	23 January 2007	100.00%
PPF Co1 B.V.	holding company	1 June 2007	100.00%
PPF Co2 B.V.	holding company	1 June 2007	100.00%

C.4. DISPOSALS

The only significant disposal occurred in 2008 relates to the Generali transaction (refer to A.5.1.) – disposal of CZIH Group.

The impact of the transaction is following:

In MEUR	17 January 2008
Book value of assets sold (of which cash equivalents MEUR 125)	6,354
Goodwill derecognized	27
Book value of liabilities transferred	(5,478)
Consideration (of which cash assumed MEUR 1,100)	3,600
Profit on disposal	**2,697**

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 each balance sheet date:

- 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 ruling 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 enterprises 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 to the foreign exchange rates ruling at the dates of the transactions;
- all resulting exchange differences arising from the translation of foreign subsidiaries are classified under "foreign currency translation adjustments" as a separate component of equity until disposal of the net investment in the subsidiary.

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.1.20.), 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 each balance sheet date 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 for intangible assets with an indefinite useful life and for 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 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.

An impairment loss in respect of goodwill is not reversed in a subsequent period.

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 related 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 balance sheet 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 balance sheet date 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 balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, the inputs are based on market indicators as at the balance sheet date.

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 balance sheet date 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 directly in equity 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 fall temporarily below its carrying value, however, provided there is no risk that the security may be impaired, the security would not be written down in value.

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.

The Group designates non-trading financial assets according to its investment strategy as at fair value through profit or loss if there is an active market and the fair value can be reliably measured.

Group companies providing insurance business designate as non-trading financial assets as at fair value through profit or loss equity securities whose fair value can be reliably measured and selected bonds not held for trading.

Companies within the Group providing non-insurance business designate as at fair value through profit or loss all financial assets other than those designated as held to maturity and loans and receivables.

Subsequent to initial recognition all financial assets at fair value through profit or loss, except for derivative instruments that are not exchange traded and financial assets that are not quoted on an active market, are measured at fair value based on the market price quoted on an active market. 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. 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 repurchase agreements continue to be recognised in the balance sheet 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. The 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 balance sheet. 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 generally the assets (or disposal group) are 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 by 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 constructed or developed for future use as investment property is classified as investment property and is measured at fair value. In case that 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 capitalized 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 are 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 reorganizations 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 at 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 at 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. 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 and brands 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 a residual value is 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 balance sheet date. Dividends declared after the balance sheet date are not recognised as a liability but are disclosed in the notes.

D.1.10.3. Minority interests

Minority 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.

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

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 balance sheet 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, or the applicable floating rate. Interest income and interest expenses includes 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 arise 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 by 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.

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" to 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 at 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 to 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. Other income and other expenses

D.1.18.1. Goods sold and services rendered

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 have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of the goods.

D.1.18.2. Rental income

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

D.1.18.3. 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. Granted lease incentives are recognised as an integral part of the total lease expense.

D.1.19. 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 insurance operations, administrative expenses include the costs of premium collection, portfolio administration and the processing of inward and outward reinsurance.

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

D.1.20. 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 balance sheet date, 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 balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be 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.1.21. Net profit allocated to minority interests

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

D.1.22. Segment reporting

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

D.2. SIGNIFICANT ACCOUNTING POLICIES APPLICABLE FOR INSURANCE BUSINESS

Till 15 January 2008 the Group controlled CZIH Group representing insurance business as a significant part of the Group activities. As a result of the Generali transaction the insurance business, that is now part of new insurance holding, represents the biggest investment in associate accounted for using equity method. The following chapters describe the most significant policies affecting accounting treatment of 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 the guaranteed benefits, additional benefits that constitute a significant portion of the total contractual benefits, whose amount or timing is at the discretion of the Insurance Group. As the amount of bonus to be allocated to policyholders is irrevocably fixed at the balance sheet date, 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 capitalized 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 proportion of the related acquisition costs are 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 any other insurance technical provision 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 has introduced the hedge accounting method, thus accounting for the cash flow hedge on interest expense rates and exchange rate. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in shareholders' equity reserves. The ineffective portion is recognized in profit or loss.

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 are represented by 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. As such 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 2008

D.3.1. Amendments and interpretations of IFRS adopted since 1 January 2008

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 2008:

IFRIC 12 Service Concession Arrangements (effective from 1 January 2008)

Service concessions are arrangements whereby a government or other public sector entity grants contracts for the supply of public services (such as roads, airports, energy and water supply and distribution facilities) to private sector operators. Control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. IFRIC 12 addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements. This treatment was not previously relevant for the Group and it will be applied for newly occurring events.

IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective from 1 July 2008)

The amendments deal separately with reclassifications of loans and receivables and with reclassifications of other financial assets. The amendments permit loans and receivables to be reclassified from the held for trading or available for sale categories if the entity has the intent and ability to hold the financial asset for the foreseeable future. The amendments also allow non-derivative financial assets classified as held for trading to be reclassified in rare circumstances. Assets designated as fair value through profit and loss upon initial recognition may not be reclassified. The amendment was not used by the Group in 2008.

D.3.2. Change in presentation currency

As described in A.3. the Group changed its presentation currency from CZK to EUR since 1 January 2008. This change has been applied retrospectively and comparative figures have been restated.

Comparative figures from the income statement have been translated by using average foreign exchange rate for 2007.

Comparative balance sheet figures as at 31 December 2007 have been translated by using foreign exchange rate as at 31 December 2007. In the statement of changes in equity 2008 to balances as of 1 January 2008 have been translated in the same way as balance sheet figures with the exception of profit for the year 2007 that has been translated by using average foreign exchange rate for the year 2007.

In the statement of changes in equity 2007 the total equity has been translated using appropriate closing rates for each balance sheet date however the individual items have been translated using conversion rate (closing rate 2007) with corresponding change in the translation reserve.

D.4. APPLICATION OF STANDARDS AND INTERPRETATIONS BEFORE THE EFFECTIVE DATE

The Group has taken advantage of applying amendment to IAS 40 Investment Property before the effective date. The Improvements to IFRSs 2008 issued in May 2008 amended IAS 40 to include within its scope property under construction or development for future use as an investment property. This amendment is mandatory from 1 January 2009 and the Group applied this amendment prospectively from 1 January 2008.

D.5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE GROUP'S FINANCIAL STATEMENTS

The following new standards, amendments and interpretations to existing standards have been published and are mandatory and relevant for the Group's accounting periods beginning on or after 1 January 2008 but have not been applied earlier by the Group:

IFRIC 13 Customer Loyalty Programmes (effective from 1 July 2008)

IFRIC 13 addresses how companies, that grant their customers loyalty award credits (often called "points") when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. IFRIC 13 is based on a view that customers are implicitly paying for the points they receive when they buy other goods or services, and hence that some revenue should be allocated to the points. IFRIC 13 requires companies to estimate the value of the points to the customer and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards. This treatment was not previously relevant for the Group and it will be applied for newly occurring events.

IFRS 8 – Operating segments (effective from 1 January 2009)

This standard requires an entity to adopt the "management approach" to reporting on the financial performance of its operating segments. Generally, the information to be reported would be that which management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. The standard therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. This standard replaces IAS 14 Segment reporting and applies only to listed entities. The Group will apply IFRS 8 from the annual period beginning 1 January 2009.

Amendment to IAS 23, Borrowing Costs (effective from 1 January 2009)

This amendment removes the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised standard requires that an entity capitalises such borrowing costs as part of the cost of that asset. This was a permitted alternative treatment under IAS 23. This treatment was not previously relevant for the Group and it will be applied for newly occurring events.

Amendment to IAS 1 Presentation of Financial Statements (effective from 1 January 2009)

This revision especially introduces a statement of comprehensive income. This will enable users of the financial statements to analyse changes in a company's equity resulting from transactions with its owners in their capacity as owners (such as dividends and share repurchases) separately from "non-owner" changes (such as transactions with third parties. The revised standard allows items of income and expense and components of other comprehensive income either to be presented in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group will apply this amendment from the annual period beginning 1 January 2009.

Amendment to IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Statements, revised in February 2008 (effective from 1 January 2009)

Prior to this amendment, IAS 32 required shareholders' interests in limited liability companies to be classified as liabilities because such companies are obliged to pay a withdrawing shareholder its share of the company's net assets. Following amendment, IAS 32 requires such interests to be classified as equity, rather than liabilities, because they represent a residual interest in the entity.

Amendment to Appendix of IAS 18 Revenue (effective from 1 January 2009)

This amendment eliminates the mismatch in the definition of transaction costs (as defined in IAS 39 Financial Instruments: Recognition and Measurement) and related direct costs (as previously defined in IAS 18). Under the amended standard only related transaction costs (as defined in IAS 39) can be deferred and recognized as an adjustment to the effective interest rate.

Amendment to IFRS 3 Business Combinations and related revisions to IAS 27 Consolidated and Separate Financial Statements (effective from 1 January 2009)

In the new version of IFRS 3, transaction costs directly attributable to the acquisition are no longer included in the cost of the business combination. Furthermore, under IFRS 3 the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by transaction basis.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 financial statements.

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 providing insurance business by signing the closing agreement related to the creation of Generali PPF Holding B.V. and insurance risk is therefore not relevant.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Home Credit subgroup has established the Asset Liability Committee (ALCO) and the Credit Risk Department, which are responsible for developing and monitoring risk management policies in their specified areas. Similar structure works for PPF banka a.s. For the rest of the Group the Board has established Group Asset Liability Committee (ALCO) however in the second half of 2008 its existence was replaced by day to day joint management of the Group top management, the Board and also all three shareholders implemented due to financial crisis. This solution enables immediate reaction on rapid market changes and due to its flexibility it gives competitive advantage for the Group. The situation continues in early 2009.

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

Management of the risk arising from participating in the foreign subsidiaries and risk arising from financial instruments is fundamental to the Company's business and is an essential element of the Company's operations.
The major risks related to participating in foreign subsidiaries is the risk of impairment due to adverse economic conditions, movements in foreign exchange rates and liquidity risk given the strong growth in the emerging markets. Those risks are managed by Company by monitoring the development on foreign markets, using robust investment decision process and proper liquidity management. Financial instrument risks faced by the Company are those related to credit exposures, movements in interest rates and foreign exchange rates.

All the facts mentioned in the following sections relates to PPF Group N.V. and all entities under its control. The risk management of newly established insurance holding Generali PPF Holding B.V. uses the rules and principles of Generali Group. The Group (PPF Group N.V.) regularly monitors and analyses the situation in the insurance holding from the position of the minority shareholder executing its significant influence through the corporate governance rules agreed with Generali.

The risk management of other significant associates is driven by controlling or major shareholders. The Group (PPF Group N.V.) regularly monitors and analyses the situation in the companies from the position of the minority shareholder executing its significant influence through existing representatives in executive bodies.

E.1. DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds a variety of derivative financial instruments for trading and for 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 balance sheet date is described in the following sections of this note.

Derivative financial instruments used by the Group include swaps, futures, forwards, options and other similar 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. 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 counter parties. Market risk arises from potentially unfavourable movements in interest rates relative to the contractual rates of 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 an 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 counter party 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. The Group as a buyer of over-the-counter options 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 the 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 to some significant acquisitions the Group negotiated different over-the-counter contracts. Those existing at the balance sheet date are described in F.2.1. and valued 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 to individual customers into several classes where the significant ones are consumer loans, revolving loans, cash loans, car loans and mortgage loans. As the Group's loan portfolio consists of large amount of loans with relatively low outstanding amounts, the loan portfolio does not comprise any significant individual items. The remaining part of Group's exposures to credit risk is related to financial assets at fair value through profit or loss and financial assets available-for-sale.

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

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

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

As a result of recent negative development on financial markets credit environment in some of the countries the Home Credit Group's operates in has deteriorated. The Home Credit Group has taken adequate measures in its underwriting and collection policies in order to limit the negative impact of such market changes. Consequently, the impact of the negative credit development on the Home Credit Group's financial position is insignificant.

All other banking institutions being part of the PPF Group (PPF banka and Nomos-Bank) have their own independent Credit risk management procedures similar to Home Credit Group.

Other individual significant credit exposures to third parties are monitored by the Group top management, Board of Directors and also shareholders on individual basis. The monitoring and assessment does not include only monitoring of individual exposures, but also country and sector concentration.

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

In MEUR, as at 31 December	Loans and advances to customers and Other loans and receivables 2008	2007
Individually impaired		
Gross amount	27	8
Allowance for impairment	(6)	–
Carrying amount	**21**	**8**
Collectively impaired		
Current	2,166	2,093
1–90 days after maturity	361	301
91–365 days after maturity	255	211
>365 days after maturity	100	141
Gross amount	2,882	2,746
Allowance for impairment	(373)	(367)
Carrying amount	**2,509**	**2,379**
Neither past due nor impaired		
Carrying amount	**1,273**	**215**
Total carrying amount	**3,803**	**2,602**

The Group has no receivables past due but not impaired.

The Group holds collateral for loans and advances to non-banks in the form of mortgage interests over property, debt or equity securities and received guarantees. Collateral for loans and advances to banks are held only as part of reverse repurchase agreement or securities borrowing activity.

These transactions are conducted under usual terms and conditions of standard lending and securities borrowing or lending activities.

The following table shows the fair value of collateral held:

In MEUR, as at 31 December	Loans and advances to banks 2008	Loans and advances to banks 2007	Loans and advances to customers 2008	Loans and advances to customers 2007	Other loans and receivables 2008
Against individually impaired	–	–	4	65	–
Property	–	–	4	1	–
Other	–	–	–	64	–
Against collectively impaired	–	–	434	71	–
Property	–	–	368	–	–
Deposits with banks	–	–	1	–	–
Other	–	–	65	–	–
Against neither past due nor impaired	283	141	336	440	212
Securities received under reverse repo operations	283	108	105	22	71
Property	–	–	78	–	–
Debt securities	–	–	–	–	141
Deposits with banks	–	–	3	–	–
Other	–	33	150	418	–
Total	**283**	**141**	**774**	**576**	**212**

The total value of property received as collateral in amount of MEUR 1,305 (refer to F.28.3.) consists of the fair value stated above (MEUR 1,269), the residual amount represents collateral received for provided guarantees.

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 MEUR, for the year ended 31 December	2008	2008	2007	2007
Economic concentration				
Financial services	1,826	23.57%	459	10.59%
Public sector	188	2.42%	52	1.20%
Information and communication technologies producers	4	0.05%	72	1.66%
Telecom providers	–	–	28	0.65%
Construction	17	0.23%	122	2.81%
Households/Individuals	4,396	56.75%	3,289	75.87%
Other	1,316	16.98%	313	7.22%
Total	**7,747**	**100.00%**	**4,335**	**100.00%**
Geographic concentration				
Czech Republic	2,278	29.40%	1,173	27.06%
Slovak Republic	463	5.97%	224	5.17%
Russia	3,459	44.66%	2,330	53.74%
Netherlands	45	0.58%	19	0.44%
Cyprus	124	1.60%	14	0.32%
Other EU countries	194	2.50%	28	0.65%
Other	1,184	15.29%	547	12.62%
Total	**7,747**	**100.00%**	**4,335**	**100.00%**
Thereof:				
Financial assets excluding equity securities	5,464	70.52%	3,168	73.08%
Commitments and contingent liabilities	1,663	21.47%	1,167	26.91%
Assets pledged as securities (excluding investments in associates)	620	8.01%	–	–

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the balance sheet date if the counter parties 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.28.1.) and financial assets except equity securities.

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 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. Portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The individual scenarios focus on liquidity available on markets and facilities, the nature of related risks and magnitude of their impact on the Group's business, management tools available as well as preventive actions.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, bank loans, bond issues and securitizations. In January 2008 the Group gained syndicated loan facility of MEUR 2,099 significantly influencing its liquidity position. As of 31 December 2008 the total amount drawn from the facility reached MEUR 1,850. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. Management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

In November 2008, Home Credit & Finance Bank (LLC) became eligible for unsecured credit facilities granted by CBR. The available credit limit is recalculated on monthly basis based on the company's equity calculated in accordance with the Russian Banking Accounting Standards, and as of 31 December 2008 amounted to MEUR 465.

The liquidity risk analysis as at 31 December 2008 stated below indicates several facilities maturing in 2009 (refer also to F.10. and F.11.). The management is currently in the process of negotiating refinancing of these facilities.

In MEUR, for the year ended 31 December 2008	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	852	–	–	–	–	–	852
Financial assets at fair value through profit or loss	88	20	226	74	52	145	605
Held for trading	19	20	226	74	52	145	536
Not held for trading	69	–	–	–	–	–	69
Financial assets available for sale	22	24	–	–	–	118	164
Loans and receivables due from banks and other financial institutions	566	67	54	56	–	15	758
Loans and receivables due from non-banks	252	390	1,095	889	224	–	2,850
Other loans and receivables	86	–	394	44	–	429	953
Other assets	23	5	145	16	2	92	283
Total financial assets	**1,889**	**506**	**1,914**	**1,079**	**278**	**799**	**6,465**

In MEUR, for the year ended 31 December 2008	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	947	204	304	1	–	–	1,456
Due to banks and other financial institutions	197	165	517	306	2,008	–	3,193
Debt securities issued	31	19	412	1,120	201	–	1,783
Financial liabilities at fair value through profit or loss	34	12	20	22	5	–	93
Other liabilities	135	17	34	1	–	7	194
Total financial liabilities	**1,344**	**417**	**1,287**	**1,450**	**2,214**	**7**	**6,719**

The Calyon facility is drawn in 1, 3, 6 months tranches, however the facility is available till 2013. Therefore the amount drawn as at 31 December 2008 is included in the interval "More than 5 years" (line Due to banks and other financial institutions).

In MEUR, for the year ended 31 December 2007	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	499	–	–	–	–	–	499
Financial assets at fair value through profit or loss	3	3	20	41	10	37	114
Held for trading	3	3	20	41	10	37	114
Financial assets available for sale	2	19	–	–	–	223	244
Loans and receivables due from banks and other financial institutions	299	56	40	7	–	19	421
Loans and receivables due from non-banks	126	191	1,147	968	170	–	2,602
Other assets	7	24	3	–	–	19	53
Total financial assets	**936**	**293**	**1,210**	**1,016**	**180**	**298**	**3,933**

In MEUR, for the year ended 31 December 2007	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	580	18	64	42	–	8	712
Due to banks and other financial institutions	473	27	319	5	42	–	866
Debt securities issued	647	105	340	366	–	–	1,458
Financial liabilities at fair value through profit or loss	29	9	12	–	–	–	50
Other liabilities	35	16	24	1	–	16	92
Total financial liabilities	**1,764**	**175**	**759**	**414**	**42**	**24**	**3,178**

E.4. MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates, 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 and control market risk exposures within acceptable parameters.

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

The Group manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits or frameworks set by senior management by buying or selling instruments or entering into offsetting positions.

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 reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to an 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 through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits. As part of its management of this position, the Group uses interest rate derivatives (refer to F.2.1.).

Interest rate derivatives are primarily used to bridge the mismatch in the repricing of 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 the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100 basis point parallel fall or rise in all yield curves worldwide. In such case, the net interest income for the year ended 31 December 2008 would be approximately MEUR 18 higher/lower (the year ended 31 December 2007: MEUR 16). The above sensitivity analysis is based on amortized 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.

In MEUR, for the year ended 31 December 2008	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	8.74%	852	–	–	–	–	–	852
Financial assets at fair value through profit or loss	5.76%	125	217	28	39	51	145	605
Held for trading	4.33%	56	217	28	39	51	145	536
Not held for trading	9.89%	69	–	–	–	–	–	69
Financial assets available for sale	–	46	–	–	–	–	118	164
Loans and receivables due from banks and other financial institutions	3.95%	725	17	12	1	–	3	758
Loans and receivables due from non-banks	32.33%	767	1,053	555	290	185	–	2,850
Other loans and receivables	8.31%	86	823	–	44	–	–	953
Other assets	–	28	145	5	11	2	92	283
Total financial assets	**–**	**2,629**	**2,255**	**600**	**385**	**238**	**358**	**6,465**

In MEUR, for the year ended 31 December 2008	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	5.38%	1,151	304	1	–	–	–	1,456
Due to banks and other financial institutions	5.79%	2,283	609	1	300	–	–	3,193
Debt securities issued	11.48%	702	714	367	–	–	–	1,783
Financial liabilities at fair value through profit or loss	–	49	22	–	22	–	–	93
Other liabilities	–	154	33	–	–	–	7	194
Total financial liabilities	**–**	**4,339**	**1,682**	**369**	**322**	**–**	**7**	**6,719**

In MEUR, for the year ended 31 December 2007	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	2.15%	499	–	–	–	–	–	499
Financial assets at fair value through profit or loss	6.90%	16	24	10	17	10	37	114
Held for trading	6.90%	16	24	10	17	10	37	114
Financial assets available for sale	4.03%	21	–	–	–	–	223	244
Loans and receivables due from banks and other financial institutions	4.18%	355	40	7	–	–	19	421
Loans and receivables due from non-banks	33.59%	451	1,083	600	303	165	0	2,602
Other assets	–	31	2	–	–	–	20	53
Total financial assets	**–**	**1,373**	**1,149**	**617**	**320**	**175**	**299**	**3,933**

In MEUR, for the year ended 31 December 2007	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	2.19%	598	63	43	–	–	8	712
Due to banks and other financial institutions	7.04%	503	316	1	4	42	–	866
Debt securities issued	8.30%	951	340	78	89	–	–	1,458
Financial liabilities at fair value through profit or loss	2.04%	38	12	–	–	–	–	50
Other liabilities	–	56	20	–	–	–	16	92
Total financial liabilities	–	**2,146**	**751**	**122**	**93**	**42**	**24**	**3,178**

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 in a foreign currency are either greater or less than the liabilities 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 Crowns, Slovakian Crowns, Ukrainian Hryvnias and Chinese Yuan. As the functional currency in which the Group presents its consolidated financial statements is EUR, movements in the exchange rates between these currencies and the EUR affect the Group financial statements.

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 operations. 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:

In MEUR, for the year ended 31 December 2008	EUR	USD	CZK	SKK	RUB	Other	Total
Cash and cash equivalents	50	56	261	1	466	18	852
Financial assets at fair value through profit or loss	7	115	322	–	152	9	605
Financial assets available for sale	54	–	110	–	–	–	164
Loans and receivables due from banks and other financial institutions	233	145	285	–	40	55	758
Loans and receivables due from non-banks	17	218	677	163	1,656	119	2,850
Other loans and receivables	669	262	22	–	–	–	953
Other assets	209	15	31	2	23	3	283
Total financial assets	**1,239**	**811**	**1,708**	**166**	**2,337**	**204**	**6,465**

In MEUR, for the year ended 31 December 2008	EUR	USD	CZK	SKK	RUB	Other	Total
Due to non-banks	187	155	944	6	148	16	1,456
Due to banks and other financial institutions	1,998	324	284	117	419	51	3,193
Debt securities issued	140	676	446	–	521	–	1,783
Financial liabilities at fair value through profit or loss	–	22	67	–	4	–	93
Other liabilities	7	2	134	7	35	9	194
Total financial liabilities	**2,332**	**1,179**	**1,875**	**130**	**1,127**	**76**	**6,719**
Net foreign currency position	**(1,093)**	**(368)**	**(167)**	**36**	**1,210**	**128**	**(254)**

In MEUR, for the year ended 31 December 2007	EUR	USD	CZK	SKK	RUB	Other	Total
Cash and cash equivalents	24	71	202	–	182	20	499
Financial assets at fair value through profit or loss	9	14	76	–	5	10	114
Financial assets available for sale	232	–	10	–	–	2	244
Loans and receivables due from banks and other financial institutions	93	155	137	2	8	26	421
Loans and receivables due from non-banks	4	169	514	122	1,640	153	2,602
Other assets	1	–	27	2	22	1	53
Total financial assets	**363**	**409**	**966**	**126**	**1,857**	**212**	**3,933**

In MEUR, for the year ended 31 December 2007	EUR	USD	CZK	SKK	RUB	Other	Total
Due to non-banks	10	65	373	–	212	52	712
Due to banks and other financial institutions	682	2	93	77	5	7	866
Debt securities issued	116	392	480	–	470	–	1,458
Financial liabilities at fair value through profit or loss	–	–	26	–	24	–	50
Other liabilities	6	3	52	6	18	7	92
Total financial liabilities	**814**	**462**	**1,024**	**83**	**729**	**66**	**3,178**
Net foreign currency position	**(451)**	**(53)**	**(58)**	**43**	**1,128**	**146**	**755**

The following table summarises, by major currency, the contractual amounts of the Group's forward exchange, futures and option contracts with the remaining periods to maturity. Foreign currency amounts are translated at the rates ruling at the balance sheet date.

In MEUR, for the year ended 31 December	2008	2007
Buy EUR		
Less than three months	284	385
Between three months and one year	326	504
Total	610	889
Sell EUR		
Less than three months	172	523
Between three months and one year	7	516
More than one year	9	–
Total	188	1,039
Buy USD		
Less than three months	215	580
Between three months and one year	699	357
Total	914	937
Sell USD		
Less than three months	187	449
Between three months and one year	359	557
Total	546	1,006
Buy RUB		
Less than three months	83	5
Between three months and one year	37	7
Total	120	12
Sell RUB		
Less than three months	317	596
Between three months and one year	752	323
Total	1,069	919
Buy SKK		
Less than three months	–	–
Between three months and one year	–	–
Total	–	–
Sell SKK		
Less than three months	11	9
Between three months and one year	9	30
Total	20	39

In MEUR, for the year ended 31 December	2008	2007
Buy other		
Less than three months	252	–
Between three months and one year	102	–
More than one year	9	–
Total	363	–
Sell other		
Less than three months	147	49
Between three months and one year	37	35
Total	184	84

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.

Where the Group economically hedges a portfolio of loans or liabilities in respect of the interest rate risk it classifies the loans 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 RISKS

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Group. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

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

E.6. CAPITAL MANAGEMENT

The Group was defined as a financial conglomerate based on the Czech Ministry of Finance decision from March 2006. Since 30 September 2006, the Group has to comply with the supplementary prudential rules specified by the Act. As at 31 December 2008 the Group reported supplementary capital adequacy totalling MEUR 279 of capital surplus (MEUR 436 as at 31 December 2007). Capital adequacy of the Group is calculated as regulatory capital eligible according to prudential rules MEUR 1,220 at 31 December 2008 (MEUR 1,126 as at 31 December 2007) minus solvency requirement MEUR 941 at 31 December 2008 (MEUR 690 as at 31 December 2007).

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 130% of the capital requirements which satisfies this objective. The impact of the level of capital on shareholders' return is also recognised 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. NOTES TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

F.1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

In MEUR, as at 31 December	2008	2007
Current accounts	210	303
Current accounts with central banks	284	34
Placements with financial institutions due within one month	358	162
Total cash and cash equivalents	**852**	**499**

F.2. FINANCIAL INSTRUMENTS

Financial instruments comprise the following:

In MEUR, as at 31 December	2008	2007
Financial assets at fair value through profit or loss	605	114
Financial assets available-for-sale	164	244
Loans and receivables due from banks and other financial institutions	758	421
Loans and receivables due from non-banks	2,850	2,602
Other loans and receivables	953	–
Total financial instruments	**5,330**	**3,381**

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

Financial assets at fair value through profit or loss held for trading comprise the following:

In MEUR, as at 31 December	2008	2007
Debt securities	268	52
Government and other public-sector bonds	172	29
Corporate bonds	96	23
Equity securities	28	37
Shares	28	37
Positive fair values of derivatives	309	25
Interest rate derivatives	8	1
Currency derivatives	180	24
Other derivatives	121	–
Total	**605**	**114**

All financial instruments held for trading are valued based on quoted the 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 In MEUR, as at 31 December 2008	Notional amount with remaining life of Less than 3 months	Between 3 months and 1 year	More than 1 year	Fair values Assets	Liabilities
OTC-products					
Interest rate swaps	859	343	37	8	(10)
Other interest rate contracts	19	6	–	–	–
Total	**878**	**349**	**37**	**8**	**(10)**

Interest rate derivatives In MEUR, as at 31 December 2007	Notional amount with remaining life of Less than 3 months	Between 3 months and 1 year	More than 1 year	Fair values Assets	Liabilities
OTC-products					
Interest rate swaps	1,708	758	–	1	(1)
Other interest rate contracts	–	2	6	–	–
Exchange-traded products					
Interest rate futures	21	–	–	–	–
Total	**1,729**	**760**	**6**	**1**	**(1)**

Currency derivatives In MEUR, as at 31 December 2008	Notional amount with remaining life of Less than 3 months	Between 3 months and 1 year	More than 1 year	Fair values Assets	Liabilities
OTC-products					
Forward exchange contracts	123	760	–	149	(3)
Currency/cross currency swaps	711	390	9	31	(47)
Other foreign exchange contract	–	–	8	–	–
Subtotal	**834**	**1,150**	**17**	**180**	**(50)**
Foreign exchange futures	–	14	–	–	–
Total	**834**	**1,164**	**17**	**180**	**(50)**

Currency derivatives In MEUR, as at 31 December 2007	Notional amount with remaining life of Less than 3 months	Between 3 months and 1 year	More than 1 year	Fair values Assets	Liabilities
OTC-products					
Forward exchange contracts	399	234	–	–	(18)
Currency/cross currency swaps	804	971	–	24	(8)
Subtotal	**1,203**	**1,205**	–	**24**	**(26)**
Exchange-traded products					
Foreign exchange futures	13	–	–	–	–
Total	**1,216**	**1,205**	–	**24**	**(26)**

Other derivatives contain a total return swap contract representing a right to receive 50% of net proceedings related to ownership of minority share in mining company ArcelorMittal Ostrava a.s. acquired by external counterpart in the deal. Fair value of the swap in amount MEUR 117 was derived from market valuation of the share prepared by an external appraisal.

Financial assets at fair value through profit or loss – decomposition with respect to valuation method

In MEUR, as at 31 December	2008	2007
Market price	289	71
Net present value of future cash flows	7	18
Positive market values of derivatives	309	25
Total	**605**	**114**

For puttable instruments such as open-ended mutual funds where the Group has the right to redeem its interest in the fund at any time for cash equal to its proportionate share of the fund's asset value, this redemption price is considered to be the fair value of the instrument.

F.2.2. Financial assets available for sale

Financial assets available for sale comprise the following:

In MEUR, as at 31 December 2008	Carrying amount	Unrealized gains/(losses) recognized in equity	FX differences recognized through profit and loss	Impairment recognized directly in profit and loss	Amortized cost
Debt securities	22	–	–	–	22
Government bonds	22	–	–	–	22
Equity securities	118	(4)	–	–	122
Shares	94	(3)	–	–	97
Mutual funds investments	6	(1)	–	–	7
Other	18	–	–	–	18
Loans and receivables	24	–	–	–	24
Total	**164**	**(4)**	–	–	**168**

As at 31 December 2008 equity securities contain 5.12% in Zentiva N.V., finally sold in February 2009 (refer to G.1.).

In MEUR, as at 31 December 2007		Carrying amount	Unrealized gains/(losses) recognized	FX differences recognized through profit and loss	Impairment recognized directly in profit and loss	Amortized cost
Bonds		21	–	–	–	21
	Government bonds	21	–	–	–	21
Shares		223	–	–	–	223
	Equity securities	215	–	–	–	215
	Mutual funds investments	8	–	–	–	8
Total		**244**	–	–	–	**244**

As at 31 December 2007 the Group held 15.67% stake in Nomos-Bank acquired for MEUR 213. In 2008 acquisition of further stake transformed the participation in an associate.

Financial assets available for sale – decomposition with respect of valuation method

In MEUR, as at 31 December	2008	2007
Market price	116	213
Expected selling price/redemption price	–	2
Other	48	29
Total	**164**	**244**

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 MEUR, as at 31 December	2008	2007
Term deposits at banks	357	212
Minimum reserve deposits with the central banks	15	22
Loans to banks	42	8
Loans and advances provided under repo operations	287	167
Other	57	12
Total loans and receivables due from banks and other financial institutions	**758**	**421**

The minimum reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by central banks and whose withdrawability is restricted. Term deposits of MEUR 9 (MEUR 31 in 2007) were pledged as a collateral for secured loan drawn by the Group.

F.2.4. Loans and receivables due from non-banks

Loans and receivables due from customers comprise the following:

In MEUR, as at 31 December	2008	2007
Consumer loans receivables	899	1,050
Cash loan receivables	497	363
Revolving loan receivables	750	749
Car loan receivables	69	22
Mortgage loan receivables	214	131
Personal loan receivables (secured)	20	27
Loans to corporations	240	201
Loans and advances provided under repo operations	82	14
Other	79	45
Total loans and receivables due from non-banks	**2,850**	**2,602**

Analysis of movements in allowances for impairment is following:

In MEUR	2008	2007
Balance as at 1 January	367	233
Translation difference	(37)	(6)
Impairment losses recognized in the income statement	321	245
Amount related to loans disposed of	(158)	(47)
Amount related to loans written off	(114)	(58)
Balance as at 31 December	**379**	**367**

F.2.5. Net investment in finance leases

The net investment in finance leases is apportioned as follows:

In MEUR, as at 31 December	2008	2007
Net investment in the finance leases to non-banks	–	–
Total net investment in finance leases	–	–

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

In MEUR, as at 31 December	2008	2007
Gross investment in finance leases	1	1
Unearned finance income	–	–
Allowance for uncollectible lease payments receivable	(1)	(1)
Total net investment in finance leases	–	–

The investment in finance leases according to their remaining maturities is as follows:

In MEUR, as at 31 December	2008	2007
Gross investment in finance leases, with remaining maturities		
Less than one year	1	1
Between one and five years	–	–
Total gross investment in finance lease	**1**	**1**
Total net investment in finance lease	**–**	**–**

F.2.6. Other loans and receivables

The following table shows breakdown of other loans and receivables:

In MEUR, as at 31 December	2008	2007
Loans and receivables	930	–
Loans and advances provided under repo operations	23	–
Total other loans and receivables	**953**	**–**

In 2008 The Group evaluated several opportunities occurred in the market that ended in providing the funds to the third parties outside of its core banking business. One of such cases is funding of Eldorado, the Russia's largest electronics and domestic appliances retailer. As at 31 December 2008 total loan owed by Eldorado amounted MEUR 348, out of which Generali Group contributed MEUR 140 under a participation agreement (recorded as Liabilities to non-banks). In April 2009 the Group concluded a contract transferring the loan into an equity share (see G.3.)

Loans provided under repo operations represent a loan in amount MEUR 23 that is financed by a bank loan received under repo operation in the same value.

F.3. DEFERRED TAX

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

In MEUR, as at 31 December	2008	2007
Net deferred tax asset/(liability) at 1 January	19	(43)
Transfer to held for sale	–	49
Deferred tax (expense)/income for the period	1	20
Additions from business combinations	(13)	(6)
Net exchange differences	(2)	(1)
Net deferred tax asset/(liability) at 31 December	**5**	**19**

The recognised deferred tax assets and liabilities comprise the following:

In MEUR, as at 31 December	2008 Deferred tax liabilities	2008 Deferred tax assets	2007 Deferred tax liabilities	2007 Deferred tax assets
Intangible assets	(2)	–	(1)	–
Financial assets	(7)	23	–	24
Financial assets at fair value through profit or loss	(6)	–	–	–
Loans and receivables	(1)	23	–	24
Investment property	(7)	1	–	–
Property, plant and equipment	(14)	1	(21)	–
Other assets	–	7	–	11
Financial liabilities	(5)	7	(2)	1
Debt securities issued	(1)	–	(2)	–
Other liabilities	(2)	6	–	1
Financial liabilities at fair value through profit or loss	–	1	–	–
Liabilities to banks	(1)	–	–	–
Liabilities to non-banks	(1)	–	–	–
Other temporary differences	(1)	–	–	7
Value of loss carry-forwards recognised	–	2	–	–
Deferred tax assets/(liabilities)	**(36)**	**41**	**(24)**	**43**
Net deferred tax assets/(liabilities)	**(17)**	**22**	**(9)**	**28**

The following table shows the unrecognised deferred tax assets:

In MEUR, as at 31 December	2008	2007
Tax effect from unrecognised deductible tax differences	–	–
Tax effect from unused tax losses	–	14
Unrecognised potential deferred tax assets	**–**	**14**

Some of the Group companies have incurred tax losses in recent years available to be carried forward and off-set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilized, the deferred tax asset is not recognised. The unutilized tax losses can be claimed in the period from 2009 to 2013.

As at 31 December 2008 and 2007 deferred tax liabilities relating to the undistributed earnings of subsidiaries have not been recognised as the Group controls the timing of such liabilities and is satisfied that they will not be incurred in the foreseeable future.

F.4. OTHER ASSETS

Other assets comprise the following:

In MEUR, as at 31 December	2008	2007
Settlements with suppliers	24	32
Prepaid expenses	32	13
Goods held for resale supplies and other inventories	2	3
Other taxes receivable	16	2
Insurance receivable net	–	1
Other	210	3
Subtotal other assets (gross)	**284**	**54**
Specific allowances for impairment on settlement with suppliers	(1)	(1)
Other assets	**283**	**53**

Line Other contains two significant items. In December 2008 the Group acquired 82% share in PPF Investments Ltd. for MEUR 70. The closing of the transaction is subject of fulfilment of significant conditions precedent so the change of control has not occurred yet to consider the entity as a subsidiary.

In December 2008 the Group acquired control over the real estate. As the final price has been determined after finalization of all necessary expert valuations on 31 December 2008 other assets contain a final overpayment of the price in amount MEUR 80 that will be remitted in 2009.

F.5. INVESTMENTS IN ASSOCIATES

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

In MEUR, as at 31 December	2008
Nomos-Bank	398
Generali PPF Holding	2,394
Polymetal	462
Real Estate projects	3
Total investments in associates	**3,257**

Nomos-Bank

Since 17 April 2008 investments in associates comprise 29.92% share in Nomos-Bank (refer to C.3.1.). It represents the banking group comprising 13 entities. The following table summarizes the consolidated financial information related to this associate:

In MEUR, as at 31 December	2008
Total assets	6,729
Total liabilities	(5,942)
Group's share in equity (29.92%)	**235**
Total revenue (since acquisition)	628
Total net profit (since acquisition)	66
Group's share in profit (29.92%)	**20**

Based on the impairment testing as at 31 December 2008 the value of Nomos-Bank was decreased by MEUR 73. Impairment is included in share of earnings of associates.

Generali PPF Holding

Since 17 January 2008, investments in associates comprise 49% share in Generali PPF Holding B.V. (refer to A.5.1.). It represents the insurance group focusing on insurance and pension fund business within the Central and Eastern European region.

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

In MEUR, as at 31 December	2008
Total assets	13,884
Total liabilities	(8,961)
Group's share in total equity (49%)	2,412
Minority interests on subholding level (49%)	(18)
Group's share in equity (49%)	**2,394**
Total revenue	3,440
Total net profit	(90)
Group's share in net profit (49%)	(44)
Minority interests on subholding level (49%)	2
Group's share in profit (49%)	**(42)**

Polymetal

Since 10 June the Group holds 24.9% stake in Polymetal, the Russian precious metals mining company (refer to C.3.1.). The company is traded on London and Moscow Stock Exchange. As of 31 December 2008 the share price of Polymetal was USD 4.5. The management did not consider this price relevant for the purposes of valuation of the associates, mainly due to volume of shares traded on the market and high volatility of the Russian stock market in relation to the financial crisis.

In MEUR, as at 31 December	2008
Total assets	629
Total liabilities	(306)
Group's share in equity (24.9%)	**80**
Total revenue (since acquisition)	166
Total net profit (since acquisition)	(40)
Group's share in profit (24.9%)	**(10)**

Real Estate

Investment in associate consists of two projects owned by 33% and one owned by 40%. The total assets of those entities are MEUR 104, total liabilities MEUR 98.

F.6. INVESTMENT PROPERTY

Investment property represent all projects acquired through acquisition of real estate structure (refer to C.3.2.). The projects, located in the Czech Republic, Romania, Russia and Ukraine, consist mainly of finished office premises already rented, land plots and projects under construction.

F.7. PROPERTY, PLANT AND EQUIPMENT

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

In MEUR, as at 31 December 2008	Land and buildings	Other tangible assets and equipment	Tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	223	97	4	324	2
Additions	50	25	44	119	1
Disposals	–	(15)	(42)	(57)	–
Other movements	–	(4)	4	–	–
Net foreign exchange differences	(25)	(9)	(1)	(35)	–
Balance at 31 December 2008	248	94	9	351	3
Accumulated depreciation and impairment losses					
Balance at 1 January	(4)	(43)	–	(47)	(1)
Depreciation charge for the period	(14)	(20)	–	(34)	(1)
Impairment losses recognized	(8)	(1)	(1)	(10)	–
Disposals	–	9	–	9	–
Other movements	–	2	–	2	–
Net foreign exchange differences	3	5	–	8	–
Balance at 31 December 2008	(23)	(48)	(1)	(72)	(2)
Carrying amount at 31 December 2008	**225**	**46**	**8**	**279**	**1**

In MEUR, as at 31 December 2007	Land and buildings	Other tangible assets and equipment	Tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	265	172	11	448	5
Transfer to held for sale	(166)	(110)	(10)	(286)	(3)
Acquisition through business combinations	67	2	–	69	–
Additions	61	30	7	98	1
Disposals	–	(11)	(1)	(12)	(1)
Other movements	–	4	(4)	–	–
Net exchange differences	(4)	10	1	7	–
Balance at 31 December	223	97	4	324	2
Accumulated depreciation and impairment losses					
Balance at 1 January	(68)	(115)	–	(183)	(2)
Transfer to held for sale	68	88	–	156	1
Depreciation charge for the year	(4)	(15)	–	(19)	–
Disposals	–	9	–	9	1
Net foreign exchange differences	–	(10)	–	(10)	(1)
Balance at 31 December	(4)	(43)	–	(47)	(1)
Carrying amount at 31 December	**219**	**54**	**4**	**277**	**1**

F.8. INTANGIBLE ASSETS

Intangible assets comprise the following:

In MEUR, as at 31 December	2008	2007
Goodwill	38	78
Software	19	17
Customers lists and relationship	1	2
Trademark	3	3
Other intangible assets	1	1
Intangible assets not in use	2	1
Total intangible assets	**64**	**102**

F.8.1. Goodwill

The following table shows the roll-forward of goodwill:

In MEUR, as at 31 December	2008	2007
Balance at 1 January	78	101
Transfer to held for sale	–	(27)
Additions from business combination	4	1
Impairment losses	(44)	–
Other movements	–	1
Net exchange differences	–	2
Balance at 31 December	**38**	**78**

The amount of goodwill of MEUR 38 is allocated to the Group's business in Ukraine. The current economic downturn in this country resulted in restriction of the Group's activities in this region. As a consequence, the Group revised the recoverable amount of this cash-generating unit assuming significant decline of related revenues in 2009–2010 with gradual recovery expected in 2011–2013. The growth rate used to extrapolate cash flow projections beyond 2013 was 10%, the discount rate applied to the cash flow projections was 20%. As a result, impairment loss of MEUR 40 was recognized.

The amount of goodwill of MEUR 4 relates to the Group acquisition of Privatinvest (LLC) registered in Ukraine, the goodwill is fully impaired.

F.8.2. Other intangible assets

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

In MEUR, as at 31 December 2008	Software	Other intangible assets	Customer list and relationship	Total
Cost				
Balance at 1 January	32	8	3	43
Additions	11	1	–	12
Disposal	(4)	–	–	(4)
Net exchange differences	(2)	–	–	(2)
Balance at 31 December	37	9	3	49
Accumulated amortization and impairment losses				
Balance at 1 January	(16)	(2)	(1)	(19)
Amortization charge for the year	(6)	–	(1)	(7)
Disposal	1	–	–	1
Net exchange differences	1	–	–	1
Balance at 31 December	(20)	(2)	(2)	(24)
Total	**17**	**7**	**1**	**25**

In MEUR, as at 31 December 2007	Software	Other intangible assets	Customer list and relationship	PVFP from portfolios acquired	Total
Cost					
Balance at 1 January	133	6	3	543	685
Transfer to held for sale	(106)	(2)	–	(539)	(647)
Additions	10	9	–	–	19
Disposal	(5)	(5)	–	–	(10)
Net exchange differences	–	–	–	(4)	(4)
Balance at 31 December	32	8	3	–	43
Accumulated amortization and impairment losses					
Balance at 1 January	(68)	(1)	–	(426)	(495)
Transfer to held for sale	55	1	(1)	422	477
Amortization charge for the year	(4)	(1)	–	–	(5)
Impairment losses recognized	–	(1)	–	–	(1)
Disposal	2	–	–	–	2
Net exchange differences	(1)	–	–	4	3
Balance at 31 December	(16)	(2)	(1)	–	(19)
Total	**16**	**6**	**2**	**0**	**24**

F.9. LIABILITIES TO NON-BANKS

Liabilities to non-banks comprise the following:

In MEUR, as at 31 December	2008	2007
Current accounts and demand deposits	478	473
Term deposits	728	239
Loans	149	–
Other	101	–
Total liabilities due to non-banks	**1,456**	**712**

The table shows the liabilities to corporate and individual clients of the Group, increased volume of term deposits relates to PPF banka. Other liabilities represent deferred payment for acquisition of CP Reinsurance Company Ltd. payable in 2009.

F.10. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Liabilities to banks and other financial institutions comprise the following:

In MEUR, as at 31 December	2008	2007
Repayable on demand	10	–
Loans received under repo operations	23	–
Secured loans (other than repo)	2,573	579
Unsecured loans	573	274
Other	14	13
Total liabilities to banks	**3,193**	**866**

In 2007 secured loan contained a short term loan facility in amount MEUR 400 connected to the Generali transaction. In 2008 this loan was repaid and substituted with syndicated loan facility provided by the group banks lead by Calyon in maximum amount MEUR 2,099 available till January 2015. The pricing is set as applicable EURIBOR+0.70/0.99 bsp. The loan is drawn in 1, 3 or 6 months tranches and it is secured by pledge of PPF Group's share in Generali PPF Holding B.V. Following the loan contract stipulations the total amount of the Calyon facility is linked to the value of investment in Generali PPF Holding B.V. As of 31 December 2008 the total amount drawn is 1,850 MEUR.

In 2008 part of the secured loans in amount MEUR 263 represents loan provided by Sberbank for financing of a residual consideration for the acquisition of Polymetal. The loan matures in 2013 and it is secured by pledge of PPF Group's share in Polymetal. The loan is provided to the Group through its associate Accord Invest LLC.

Out of the other secured loans stated above the amount of MEUR 163 (MEUR 81 in 2007) was secured by pledge of consumer loan receivables and cash loan receivables, the amount of MEUR 54 (MEUR 42 in 2007) was secured by pledge of revolving loan receivables and the amount of MEUR 9 (MEUR 93 in 2007) was collateralized by a cash deposit.

F.11. DEBT SECURITIES ISSUED

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

In MEUR, as at 31 December	Interest rate	Date of maturity	2008	2007
RUB loan participation notes of TRUB 8,200,000	Variable	March 2014	201	227
Unsecured RUB bond issue 5 of TRUB 4,000,000	Variable	April 2013	99	–
Class A1 loan note of TEUR 100,000	Variable	May 2012	99	98
Class A2 loan note of TEUR 13,500	Variable	May 2012	10	2
Class B loan note of TEUR 13,000	Variable	May 2012	6	–
Unsecured RUB bond issue 4 of MRUB 3,000	Variable	October 2011	75	85
USD loan participation notes 5 of TUSD 300,912	Fixed	August 2011	202	–
USD loan participation notes 4 of TUSD 500,000	Fixed	June 2011	338	–
Unsecured RUB bond issue 3 of MRUB 3,000	Variable	September 2010	73	81
Unsecured RUB bond issue 2 of MRUB 3,000	Variable	May 2010	74	78
USD loan participation notes of TUSD 200,000	Fixed	April 2010	145	113
Unsecured CZK bond issue 1 of MCZK 3,000	Variable	July 2009	115	58
Unsecured CZK bond issue 2 of MCZK 3,000	Variable	June 2009	112	–
CZK senior variable loan notes of MCZK 5,000	Variable	April 2009	131	132
CZK junior variable loan notes of TCZK 779,221	Variable	April 2009	7	10
USD loan participation notes 2 of TUSD 275,000	Fixed	June 2008	–	174
USD loan participation notes of TUSD 150,000	Fixed	February 2008	–	106
Deposit bill of exchange; rate 3.5%	Fixed	December 2009	16	–
Deposit bill of exchange; rate 4.73%	Fixed	October 2009	11	–
Deposit bill of exchange; rate 4.02%	Fixed	April 2009	19	–
Deposit bill of exchange; rate 3.74%	Fixed	March 2009	19	–
Deposit bill of exchange; rate 3.67%	Fixed	January 2009	19	–
Deposit bill of exchange; rate 4.18%	Fixed	January 2009	11	–
Deposit bill of exchange; rate 2.67%	Fixed	January 2009	1	–
Deposit bill of exchange; rate 6.8%	Fixed	January 2008	–	246
Deposit bill of exchange; rate 4.45%	Fixed	January 2008	–	16
Deposit bill of exchange; rate 3.75%	Fixed	January 2008	–	28
Deposit bill of exchange; rate 3.91%	Fixed	January 2008	–	4
Total debt securities issued			**1,783**	**1,458**

The USD loan participation notes were issued by the Group through Eurasia Capital S.A.

The CZK denominated variable loan notes were issued by the Group through HCF Funding No.1 B.V. The proceeds from the issue were used to finance revolving loan receivables purchases under receivables sale agreement between the entity and the Group.

The EUR denominated consumer loan receivables backed notes were issued by the Group in December 2005 through Eurasia Structured Finance No.1 S.A.. The proceeds from the issue were used to finance consumer loan receivable purchases under receivables purchase agreement between the entity and the Group. The notes were fully redeemed on 10 February 2009.

The RUB denominated bonds 5 were issued by the Group in April 2008 with a fixed coupon rate valid for the subsequent twelve months. Coupon rates for the subsequent period (or periods) and the maturity of the period (or periods) will be set by the Group in April 2009. Bondholders are entitled to require early redemption of the bond issue at par in April 2009.

The RUB denominated bonds 4 were issued by the Group in October 2006 with a fixed coupon rate valid for the subsequent twenty four months. Coupon rates were reset for the subsequent twelve month period by the Group in October 2008. Bondholders are entitled to require early redemption of the bond at par in October 2009.

The RUB denominated bonds 3 were issued by the Group in September 2005 with a fixed coupon rate valid for the subsequent eighteen months. Coupon rates for the remaining period were reset by the Group in March 2007 and September 2008 respectively. Bondholders are entitled to require early redemption of the bond issue at par in March 2009.

The RUB denominated bonds 2 were issued by the Group in May 2005 with a fixed coupon rate. Bondholders are entitled to require early redemption of the bond issue at par in May 2009.

The RUB denominated credit revolving loan receivables backed notes were issued by the Group in August 2007 through Eurasia Credit Card Funding I S.A. and Eurasia Credit Card Company S.A. The proceeds from the issue were used to finance revolving loan receivable purchases under receivables purchase agreement between the entity and the Group. The notes will be redeemed in full by Eurasia Credit Card Company S.A. at par in March 2014.

The RUB, CZK and EUR denominated loan notes are secured by the securitized pool of receivables.

F.12. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

In MEUR, as at 31 December	2008	2007
Negative market values of derivatives	93	27
Interest rate derivatives	10	1
Currency derivatives	50	26
Equity derivatives	7	–
Other derivatives	26	–
Obligation to deliver securities	–	23
Financial liabilities at fair value through profit or loss	**93**	**50**

F.13. OTHER LIABILITIES

Other liabilities comprise the following:

In MEUR, as at 31 December	2008	2007
Settlements with suppliers	123	42
Wages and salaries	18	14
Social security and health insurance	2	2
Other tax payable	8	6
Finance lease liabilities	1	1
Provisions for litigation	–	–
Other provisions	2	2
Accrued expenses	7	2
Deferred income	2	–
Insurance payable, net	13	–
Other liabilities	18	23
Total other liabilities	**194**	**92**

F.14. FINANCE LEASE LIABILITIES

Finance lease liabilities comprise the following:

In MEUR, as at 31 December 2008	Payments	Interest	Finance lease liabilities
Finance lease liabilities			
Less than one year	1	–	1
Between one and five years	–	–	–
More than five years	–	–	–
Total finance lease liabilities	**1**	**–**	**1**

In MEUR, as at 31 December 2007	Payments	Interest	Finance lease liabilities
Finance lease liabilities			
Less than one year	1	–	1
Between one and five years	–	–	–
More than five years	–	–	–
Total finance lease liabilities	**1**	**–**	**1**

F.15. ISSUED CAPITAL

Issued capital represents capital in respect of which the shareholders' liabilities 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:

	2008	2007
Number of shares authorised	250,000	250,000
Number of shares issued, out of which:		
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:

	2008	2007
Balance at 1 January	66,738	66,738
Balance at 31 December	**66,738**	**66,738**

As at 31 December 2008 the authorized share capital comprised 250,000 (2007: 250,000) registered shares, out which issued and fully paid 66,738 (2007: 66,738). The 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.16. CAPITAL AND RESERVES

F.16.1. Revaluations 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.

F.16.2. Legal and statutory reserves

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

F.16.3. Translation reserve

The translation reserve comprises foreign exchange differences arising from translation of the financial statements of companies within Group with a functional currency other than the presentation currency.

F.16.4. Catastrophe and equalization reserves

Catastrophe and equalisation reserves relate to the Insurance Group and are required under local insurance legislation and are classified as a separate part of equity within these accounts as they do not meet the definition on a liability under IFRS. They are not available for distribution.

F.17. NET INTEREST INCOME

Interest income comprises the following:

In MEUR, as at 31 December	2008	2007
Financial instruments at fair value through profit and loss	9	5
Financial instruments available-for-sale	2	–
Due from banks and other financial institutions	41	30
Consumer loan receivables	425	254
Cash loan receivables	222	97
Revolving loan receivables	314	259
Car loan receivables	12	2
Mortgage loan receivables	26	8
Loans to corporations and other loans and receivables	72	20
Other	9	10
Total interest and similar income	**1,132**	**685**

Interest expense comprises the following:

In MEUR, as at 31 December	2008	2007
Due to customers	42	17
Due to banks and other financial institutions	95	28
Debt securities issued	163	87
Other	2	1
Total interest and similar expenses	**302**	**133**
Total net interest income	**830**	**552**

F.18. NET FEE AND COMMISSION INCOME

Fee and commission income comprises the following:

In MEUR, as at 31 December	2008	2007
Penalty fees	91	67
Insurance commissions	76	42
Cash transactions	42	21
Customer payment processing and account maintenance	14	13
Retailers commissions	7	19
Other	5	7
Total fee and commission income	**235**	**169**

Fee and commission expense comprises the following:

In MEUR, as at 31 December	2008	2007
Commissions to retailers	55	14
Cash transactions	13	4
Payment processing and account maintenance	5	13
Other	2	2
Total fee and commission expense	**75**	**33**
Total net fee and commission income	**160**	**136**

F.19. NET GAIN/LOSS ON FINANCIAL ASSETS

In MEUR, as at 31 December	2008	2007
Net trading income	129	(16)
Securities trading	(9)	11
Debt securities	(2)	–
Equity securities	(7)	11
FX trading	6	5
Derivatives	146	(32)
Other	(14)	–
Net realized gains	20	7
Financial assets available-for-sale	20	7
Dividends	2	1
Total net gains/losses on financial assets	**151**	**(8)**

Significant positive result from derivatives relates to the hedging of FX position visible in foreign currency losses (refer to F.24.).

F.20. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

In MEUR, as at 31 December	2008	2007
Consumer loan receivables	125	126
Cash loan receivables	87	35
Revolving loan receivables	83	73
Car loan receivables	5	1
Mortgage loan receivables	12	1
Loans to corporations	5	(1)
Other financial assets	4	3
Total net impairment losses on financial assets	**321**	**238**

F.21. NET EXPENSE RELATED TO CREDIT RISK INSURANCE

In MEUR, as at 31 December	2008	2007
Consumer loan receivables	18	15
Cash loan receivables	21	10
Revolving loan receivables	–	1
Commission income for collecting defaulted receivables	(20)	(16)
Total net expense related to credit risk insurance	**19**	**10**

F.22. OPERATING INCOME

In MEUR, as at 31 December	2008	2007
Income from other assets	4	6
Sales of goods	14	19
Cost of goods sold	(13)	(18)
Storage of goods and distribution expenses	–	(1)
Foreign currency gains	–	15
Recognized income from excess of acquired net fair value over costs (former negative goodwill)	–	1
Other income	2	8
Total operating income	**7**	**30**

F.23. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses comprise the following:

In MEUR, as at 31 December	2008	2007
Employee compensation	257	155
Payroll related taxes (including pension contribution)	43	32
Advertising and marketing	19	14
Professional services	63	36
Telecommunication and postage	57	39
Travel expenses	14	15
Taxes other than income tax	7	20
Information technologies	22	13
Rental, maintenance and repair expense	61	33
Other	26	40
Total general administrative expenses	**569**	**397**

F.24. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

In MEUR, as at 31 December	2008	2007
Foreign currency losses	184	–
Depreciation on property, plant and equipment	34	19
Amortisation on intangible assets	7	5
Net impairment losses on goodwill recognized	44	–
Net impairment losses on property, plant and equipment recognized	9	–
Net impairment losses on other assets	–	1
Loss on disposal of property, plant, equipment, and intangible assets	2	3
Total other operating expenses	**280**	**28**

F.25. INCOME TAX EXPENSE

Income tax expense comprises the following:

In MEUR, as at 31 December	2008	2007
Current tax expense	(60)	(45)
Deferred tax expense	1	21
Total income tax expense	**(59)**	**(24)**

F.25.1. Reconciliation of effective tax rate

The following table reconciles the tax expense:

In MEUR, as at 31 December	2008	2007
Tax rate	25.5%	25.5%
Profit from continuing operations (before taxation)	(146)	37
Computed taxation using applicable tax rate	37	(9)
Tax non-deductible expenses	(12)	(14)
Non-taxable income	–	–
Tax rate differences on foreign results	(51)	2
Changes in tax rates	(4)	–
Utilized tax loss not previously recognised	(15)	–
Tax loss carry forward not recognised	(11)	(13)
Other	(3)	10
Total income tax expense/income	**(59)**	**(24)**

Profit from discontinued operation in 2008 is not a taxable income.

F.26. OPERATING LEASES

The Group leases a number of office buildings under operating leases. The leases typically run for an initial period of between five and ten 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 MEUR, as at 31 December	2008	2007
Less than one year	14	21
Between one and five years	39	55
More than five years	4	7
Total payables in respect of non-cancellable operating leases	**57**	**83**
Payables in respect of non-cancellable operating leases with non-specified maturity	–	–
of which: less than one year	–	–

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

In MEUR, as at 31 December	2008	2007
Minimum lease payments (+)	43	19
Total lease and sublease payments	**43**	**19**

F.27. REPURCHASE AND RESALE AGREEMENTS

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.

As at 31 December assets sold under repurchase agreements were as follows:

In MEUR, as at 31 December	2008 Fair value of underlying assets	2008 Carrying amount of corresponding liabilities	2007 Fair value of underlying assets	2007 Carrying amount of corresponding liabilities
Financial assets at fair value through profit or loss	71	23	–	–
Total assets	**71**	**23**	–	–

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

In MEUR, as at 31 December	2008 Fair value of assets received as collateral	2008 Fair value of assets repledged or sold	2008 Carrying amount of receivables	2007 Fair value of assets received as collateral	2007 Fair value of assets repledged or sold	2007 Carrying amount of receivables
Loans and advances to banks	283	–	287	108	33	167
Loans and advances to non-banks	105	–	82	22	–	14
Other loans and receivables	–	70	23			
Total loans and advances	**388**	**70**	**392**	**130**	**33**	**181**

F.28. OFF BALANCE SHEET ITEMS

F.28.1. 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 balance sheet date if the counterparties failed completely to meet their contractual obligations.

The Group companies included in the banking segment engage in providing open credit facilities to allow customers quick access to funds in order to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees, whereby the Group might guarantee repayment of a loan taken out by a client with a third party, stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost, documentary letters of credit for obtaining lower cost financing for foreign trade on behalf of a customer, documentary letters of credit reimbursable to the Group company later, debt facilities and revolving underwriting facilities which allow customers to issue short-term 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 MEUR, as at 31 December	2008	2007
Loan commitments	1,608	969
Revocable with original maturity less than 1 year	489	419
Other	1,119	550
Guarantees provided	55	198
Non-payment guarantees	1	12
Non-revocable letters of credit	–	1
Payment guarantees	54	179
Other	–	6
Total commitments and contingent liabilities	**1,663**	**1,167**

Increase of loan commitments relates mainly to growth of consumer finance business in 2008.

These commitments and contingent liabilities have an off balance-sheet credit risk because only organization fees and accruals for probable losses are recognised in the balance sheet 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 MEUR, as at 31 December	2008	2007
Secured bank loans	2,573	76
Debt securities issued	454	469
Total secured liabilities	**3,027**	**545**

The assets pledged as security were as follows:

In MEUR, as at 31 December	2008	2007
Financial assets at fair value through profit or loss (repo operations)	71	–
Financial assets available-for-sale	–	2
Loans and receivables due from banks and other financial institutions	9	61
Loans and receivables due from non-banks	857	880
Other assets	–	1
Investments in subsidiaries, associates and joint ventures	2,980	32
Investment property	154	–
Property, plant and equipment	87	69
Total assets pledged as security	**4,158**	**1,045**

Significant part of secured liabilities represents Calyon facility and financing of Polymetal shares acquisition, secured by share in Generali PPF Holding, resp. share in Polymetal.

F.28.2. Other contingencies

F.28.2.1. Legal

The Group (as a former sole shareholder of Česká pojišťovna a.s.) is involved in 5 cases where the adequacy of the consideration paid to minority shareholders arising from the decision of the general meeting of Česká pojišťovna a.s. company adopted in July 2005 approving a squeeze-out of minority shareholders is challenged at the court. Based on legal analyses carried out by external legal counsel, management of the company believes that it is unlikely that any of these cases will be concluded in favour of the plaintiff.

F.28.2.2. Taxation

The taxation systems in the Russian Federation, in the Republic of Kazakhstan, in the Republic of Belarus and in Ukraine are relatively new and are characterized by frequent changes in legislation which are subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Recent events within the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus and Ukraine suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

F.28.3. Guarantee received and off-balance sheet assets

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

In MEUR, as at 31 December	2008	2007
Guarantees – received	455	250
Loan commitments – received	350	200
Value of property received as collateral	1,305	441
Receivables on shares, bonds and promissory notes	8	–
Total contingent assets	**2,118**	**891**

Increase of property received as collateral relates to repo operations and growth of provided loans.

F.29. RELATED PARTIES

F.29.1. Identity of related parties

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

Furthermore, the key management personnel of the Group, plus 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.29.2. Transactions with statutory bodies and executive officers

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

In MEUR, for the year ended 31 December	2008	2007
Board of Directors of the parent company	0.7	0.4
Key executive officers	21	16

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.29.3. Transactions with associates

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

In MEUR, for the year ended 31 December	2008	2007
Interest and similar income	7	–
Fee and commission income	74	–
Net gain/loss on financial assets	2	–
Net expense related to credit risk insurance	5	–
Other income	2	–
Total revenue	**90**	–
Interest and similar expense	(26)	–
Operating expense	(2)	–
Total expense	**(28)**	–

At the balance sheet date the Group has the following balances with associates:

In MEUR, for the year ended 31 December	2008	2007
Cash and cash equivalents	45	–
Financial assets at fair value through profit or loss	64	–
Loans and receivables due from banks and other financial institutions	70	–
Other assets	7	–
Total assets	**186**	–
Current accounts, deposits and loans from non-banks	(260)	–
Liabilities due to banks and other financial institutions	(70)	–
Debt securities issued	(275)	–
Other liabilities	(86)	–
Total liabilities	**(691)**	–

F.29.4. Other related parties

During the course of the year the Group had the following significant transactions at arm's length with related parties.

In MEUR, for the year ended 31 December	2008	2007
Interest and similar income	1	–
Other income from financial assets	–	1
Other income	2	–
Net income from investment in subsidiaries, associates and joint ventures	1	–
Total revenue	**4**	**1**
Acquisition costs and other operating expenses	(1)	(3)
Total expenses	**(1)**	**(3)**

At the balance sheet date the Group has the following balances with other related parties:

In MEUR, as at 31 December	2008	2007
Investments in non-consolidated subsidiaries	–	7
Financial assets at fair value through profit or loss	–	52
Loans and receivables due from non-banks	15	–
Other assets	1	–
Total assets	**16**	**59**
Accruals and deferred income	–	(1)
Current accounts, deposits and loans from non-banks	(7)	–
Total liabilities	**(7)**	**(1)**

F.30. EARNINGS PER SHARE

The next table shows the earnings per share:

In MEUR, for the year ended 31 December	2008	2007
Net profit for the year attributable to equity holders of the Parent	2,489	244
Net profit from continuing operations attributable to equity holders of the Parent Company	(207)	12
Net profit from discontinued operations	2,696	232
Weighted average number of shares	66,738	66,738
Basic and Diluted earnings per share for profit for the year (EUR)	37,295	3,656
Basic and Diluted earnings per share for profit from continuing operations (EUR)	(3,102)	180
Basic and Diluted earnings per share for profit from discontinued operations (EUR)	40,397	3,476

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 figure was not calculated because there were no dilutive securities.

F.31. FAIR VALUE OF ASSETS AND LIABILITIES

The table below compares the carrying and fair value of financial assets:

In MEUR, as at 31 December	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Cash and cash equivalents	852	852	499	499
Financial assets at fair value through profit or loss	605	605	114	114
Financial assets available-for-sale	164	164	244	n/a
Loans and receivables due from banks & other financial institutions	758	758	421	421
Loans and receivables due from non-banks	2,850	2,797	2,602	2,602
Other loans and receivables	953	953	–	–
Other assets	283	283	53	53
Total financial assets	**6,465**	**6,412**	**3,933**	**n/a**

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 by using the present value of future cash flows method. The discount rates used are calculated as the risk free rate for the currency of the financial instrument adjusted for an appropriate risk margin. For financial assets and liabilities with the maturity of less than one year, the fair value is assumed to be equal to the carrying amount.

A comparison between the fair value and carrying value of financial liabilities is shown below:

In MEUR, as at 31 December	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Debt securities issued	1,783	1,663	1,458	1,457
Other liabilities	194	194	92	92
Financial liabilities at fair value through profit or loss – held for trading	93	93	50	50
Liabilities to banks	3,193	3,189	866	866
Liabilities to non-banks	1,456	1,454	712	712
Total financial liabilities	**6,719**	**6,593**	**3,178**	**3,177**

F.32. 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

The Group assesses at each balance sheet date 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 about 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 the 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 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 as a part of investment 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 by 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 each balance sheet date.

Fair value of investment property

Fair value of investment property portfolio has been principally determined based on appraisals by an independent external expert. For other investment properties fair value is calculated internally by using the discounted cash flow method. Such valuations required the use of judgment and assumptions about future market conditions. For more details refer to F.6.

G. SUBSEQUENT EVENTS

G.1. SALE OF ZENTIVA SHARES

In April 2008 the Group approved its acting in concert with Generali PPF Holding B.V. and its affiliates to assert and increase their joint influence on operations in ZENTIVA N.V. In July 2008 Sanofi-Aventis, the biggest minority shareholder, launched its competitive voluntary bid for ZENTIVA shares with a final acceptance period ending (after several amendments) in February 2009. On 19 February 2009 the Group and Generali PPF Holding B.V. (and its affiliates) finally accepted the bid and sold all shares of ZENTIVA N.V.

G.2. JOINT VENTURE WITH J&T GROUP

In February the Group and J&T Group announced their agreement to establish a new holding company focusing on the area of industry and energy. The new holding will consist of selected energetic and industrial businesses contributed by affiliates of J&T Group. PPF Group will indirectly (through its private equity subsidiary PPF Partners) acquire 20% stake in this holding for consideration of BCZK 3. PPF Partners will also hold on behalf of Generali (being one of the investor into PPF Partners fund) further 20% stake in the new holding (the respective consideration is also BCZK 3). The process of forming the new holding is to be formally completed in upcoming months.

G.3. ACQUISITION OF CONTROLLING STAKE IN ELDORADO

In 2008 the Group started to provide financial support to Eldorado, the Russia's largest electronics and domestic appliances retailer (refer to F.2.6.). Part of the funding was participated by Generali. On 13 April 2009 PPF Group signed documentation with entities belonging to Mr. Igor Yakovlev, the Russian businessman owning Eldorado, on conversion of a part of the loan (in amount approx. MUSD 300) into 50%+1 stake in Eldorado. The controlling stake in Eldorado will be held by a new holding company controlled by PPF Group with the residual minority stake held by Generali. The transaction has been already approved by Federal Antimonopoly Service of Russia and it is to be formally finalized in upcoming months.

G.4. REFINANCING OF HOME CREDIT – CHANGE IN SECURITIZATION

In April 2009, the Group repaid variable funding loan notes issued through HCF Funding No.1 B.V. as part of securitization of a pool of revolving loan receivables originated by Home Credit a.s. in the amount of MEUR 152.

G.5. PPF PARTNERS

During 2008 the Group and Generali Group agreed on establishment of a new private equity partnership named PPF Partners. The General partner and a management company is under the control of the Group, limited partners differ based on individual partnerships in two separate funds. During December 2008 "PPF Partners fund 2008" has signed acquisition contracts for several private equity investments in total amount of 246 MEUR. The acquisitions were not completed in 2008 and till the date of these financial statements only some transfers of individual investments (but majority in terms of the invested amount) were completed. PPF Group is not participating as a limited partner in these investments.

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