GPPF 2022

Annual Report

PPF Group's principles

Clear strategy

Pertaining to geographical markets, industries and firmly-set aspirations.

Professional team

Relying on our ability to attract and retain talented and experienced professionals across PPF Group's companies and markets.

Transparency and social responsibility

Seeking to communicate and operate within a framework of best practice concerning corporate governance with respect to stakeholders, business partners and the overall environment while focusing strong emphasis on continuous support of a wide spectrum of socially beneficial projects and activities.

PPF Group's mission

Focused development of group companies with respect to their scope of activities, geographical reach, profitable growth and sustainable value creation through systematic deployment of best practices and managerial talent, resulting in delivery of aspirational goals and value based results.

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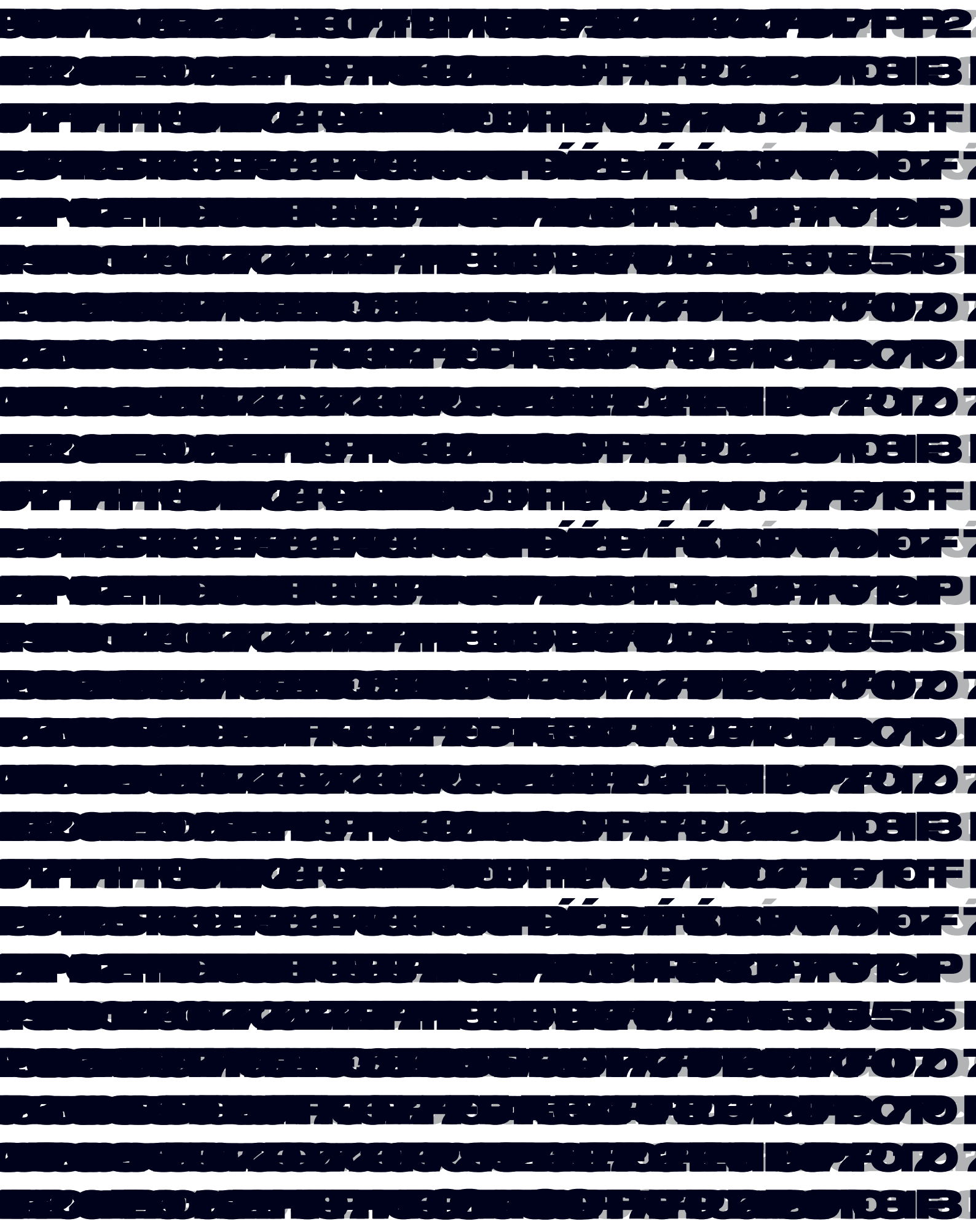


contents

Petr Kellner

Founder and majority shareholder in PPF Group N.V.

introduction

Dear friends,

The year 2007 has been an important milestone for the PPF Group and a period in which we have managed to successfully expand the Group's activities in all areas. The successful growth has resulted in expansion in all three core areas of our business. In the insurance segment, the PPF Group managed, in partnership with Assicurazioni Generali, to create Generali PPF Holding, which will focus on the further development and growth of our activities in the Central and Eastern European region and the Commonwealth of Independent States (CIS). In consumer finance, we achieved healthy and strong growth in key markets and continued to develop Home Credit's activities in selected countries. In banking, PPF banka reported a record profit and we completed the acquisition of a significant share in the Russian Nomos Bank, which should serve as a platform for further development of the Group's activities in the Russian Federation. These three key events not only further strengthened our position in the target markets of Central and Eastern Europe and the CIS, but also strengthened PPF Group's position in a European context.

The combination of the activities of Česká pojišťovna and Assicurazioni Generali in the 12 markets of the CEE region and the CIS has laid a strong foundation for further development and value creation both for the shareholders in the newly created Generali PPF Holding company and its 12,000 plus employees. I have to admit I was greatly pleased to hear that the shareholders decided to base the holding's main organisational unit in Prague, since the decision ensures a positive perspective for the continuation of the long-standing tradition of Česká pojišťovna. This partnership with Assicurazioni Generali signifies an important milestone in the development of PPF Group. It capitalises on the several year effort to restructure and develop the Česká pojišťovna Group. The successful completion of this transaction has contributed to the increase of PPF Group's reputation capital and will undoubtedly have other positive impacts on its development in the future.

The Home Credit Group has also contributed significantly to the development and strengthening of PPF Group's potential. The year 2007 saw a strong growth in business activities in all traditional Home Credit markets. I would especially like to highlight the Russian market, where Home Credit recorded impressive growth both in operational income and the volume of credit provided. Also not to be overlooked is a significant success in the area of risk management reflected in the overall financial results of Home Credit & Finance Bank. We also managed to start a new company in Belarus and thus expand the scope of our spectrum of international activities into a new territory. Home Credit was successful in its domestic markets of the Czech Republic and Slovakia as well. The results there were very good in all financial and qualitative indicators. In conclusion we can state that the Home

Credit Group is in an excellent position for further development of its consumer finance activities.

Shortly before the end of 2007, the PPF Group significantly expanded its banking portfolio by acquiring a minority share in the Nomos Bank in Russia. This fast-growing, promising and strong domestic bank offers unique potential for value creation through the development of individual banking market segments. The key area for Nomos is the development of retail banking, where the PPF Group has extensive experience as a result of its successful development of eBanka in the Czech Republic. The acquisition of the share in Nomos will also provide synergy with other Group's activities in the Russian Federation, especially as far as investment banking is concerned. The PPF Group offers its partners in Nomos extensive experience and skill in the area of management of financial institutions and also a strong financial background for further development of this important Russian bank.

The PPF Group has strengthened its solid capital platform in preparation for further investment in the region and is a respected partner for leading financial institutions. Our capital platform provides the necessary prerequisites for healthy and continuous growth and eventual expansion into new segments to continue diversification of business activities to decrease geographic or economic risks. In this respect we are convinced that the PPF Group has a great pool of human talent and experience and will be able to fulfil its ambitious goals in value creation and growth.

Petr Kellner

PPF Group's profile

As an international financial group, the PPF Group is active in the areas of consumer finance and retail banking under the Home Credit brand. The group also actively identifies new investment opportunities and invests in the emerging markets of Central and Eastern Europe and Asia. Through its stake in Generali PPF Holding, the PPF Group is also active in the insurance market in the CEE region.

During its 17 years of existence, the PPF Group has become a leading international financial investor, managing assets of over EUR 10 billion as of December 31, 2007. The PPF Group is active in the Czech Republic, Slovakia, Russia, Ukraine, Kazakhstan, Belarus, Cyprus, Vietnam and China.

The PPF Group's corporate ownership and controlling structure is based in the Netherlands. The key holding company of the PPF Group, at whose level all strategic decisions concerning Group activities are taken, is PPF Group N.V., based in Amsterdam. Through its subsidiary, PPF Col B.V., PPF Group N.V. is a 49% shareholder in Generali PPF Holding B.V. and the 100% owner of Home Credit B.V. (the holding company for all consumer finance companies in the Home Credit Group). It is also the majority shareholder in PPF banka a.s. and in PPF a.s., which is the main advisory company for all PPF Group companies.

PPF is a respected financial group, which bases its business on values such as professionalism, stability, responsibility, flexibility and credibility. Its corporate culture builds on tradition, experience and most importantly on the professionalism and loyalty of its employees.

Selected financial figures of the PPF Group

IN EUR MILLIONS, ACCORDING TO IFRS	2005	2006	2007
Assets	8,141	8,177	10,077
Equity	888	1,233	1,426
Revenues	2,463	2,359	2,629
Profit or loss after taxation	198	387	244

important events within the PPF Group

2007

January

- The Home Credit Group acquired a majority share in Belarus's OJSC Lorobank (currently with OJSC Home Credit Bank) from a group of international private investors.
- CZI Holdings N.V. became the new sole shareholder in Česká pojišťovna a.s. and the process of creating the new holding structure under CZI Holdings N.V. was thus completed. The new holding structure become an umbrella for all PPF Group's activities in the area of insurance and related business.

March

- The general meeting of PPF Group N.V. appointed a new Board of Directors, consisting of Aleš Minx (Chairman) and Wilhelmus Jacobus Meyberg (member).

April

- The Generali Group and PPF Group announced the merger of their activities in Central and Eastern Europe and the creation of the largest insurance business in the region.
- Penzijní fond České pojišťovny, a.s. crossed the threshold of one million clients and thus confirmed its position as the largest provider of private pension insurance in the Czech Republic.

May

- PPF Group N.V. and the shareholders of the Nomos Bank in Russia announced that they had signed a Memorandum of Understanding.

July

- The PPF Group signed an agreement with Generali Group on the creation of Generali PPF Holding B.V.

August

- Tomáš Spurný joined PPF Group's top management as the Chairman of the Board of Directors of PPF a.s.

September

- Through its company Russia Finance Corporation B.V., the PPF Group acquired a 5% share in the Russian Nomos Bank.
- Rudolf Bosveld joined the Board of Directors of PPF Group N.V.

October

- Ladislav Bartoníček became a shareholder in PPF Group N.V., owning 0.64% of the shares.
- The value of assets managed in the unit trusts of ČP INVEST investiční společnost, a.s. exceeded the threshold of CZK 6 billion.

November

- Home Credit a.s. and Home Credit Slovakia, a.s. announced that Moody's had confirmed its national scale rating of A3.cz for Home Credit a.s. and A3.sk for Home Credit Slovakia, a.s.
- This confirmation came shortly after the confirmation of the ratings for the Russian Home Credit & Finance Bank LLC – Moody's Ba3/NP/D-; S&P B+/B. The outlook for the ratings is stable.

December

- Home Credit B.V. announced the increase of its equity by EUR 62.2 million.
- Home Credit started to offer its services in China.

2008

January

- After the receipt of all necessary authorisations from regulators, the transaction between Assicurazioni Generali S.p.A. and PPF Group N.V., announced on 10/7/2007, was formally completed.
- Generali PPF Holding B.V. thus commenced its operations and decided to open an organisational branch in the Czech Republic (Prague).

February

- The PPF Group increased its share in Nomos Bank to 17.89%.

March

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

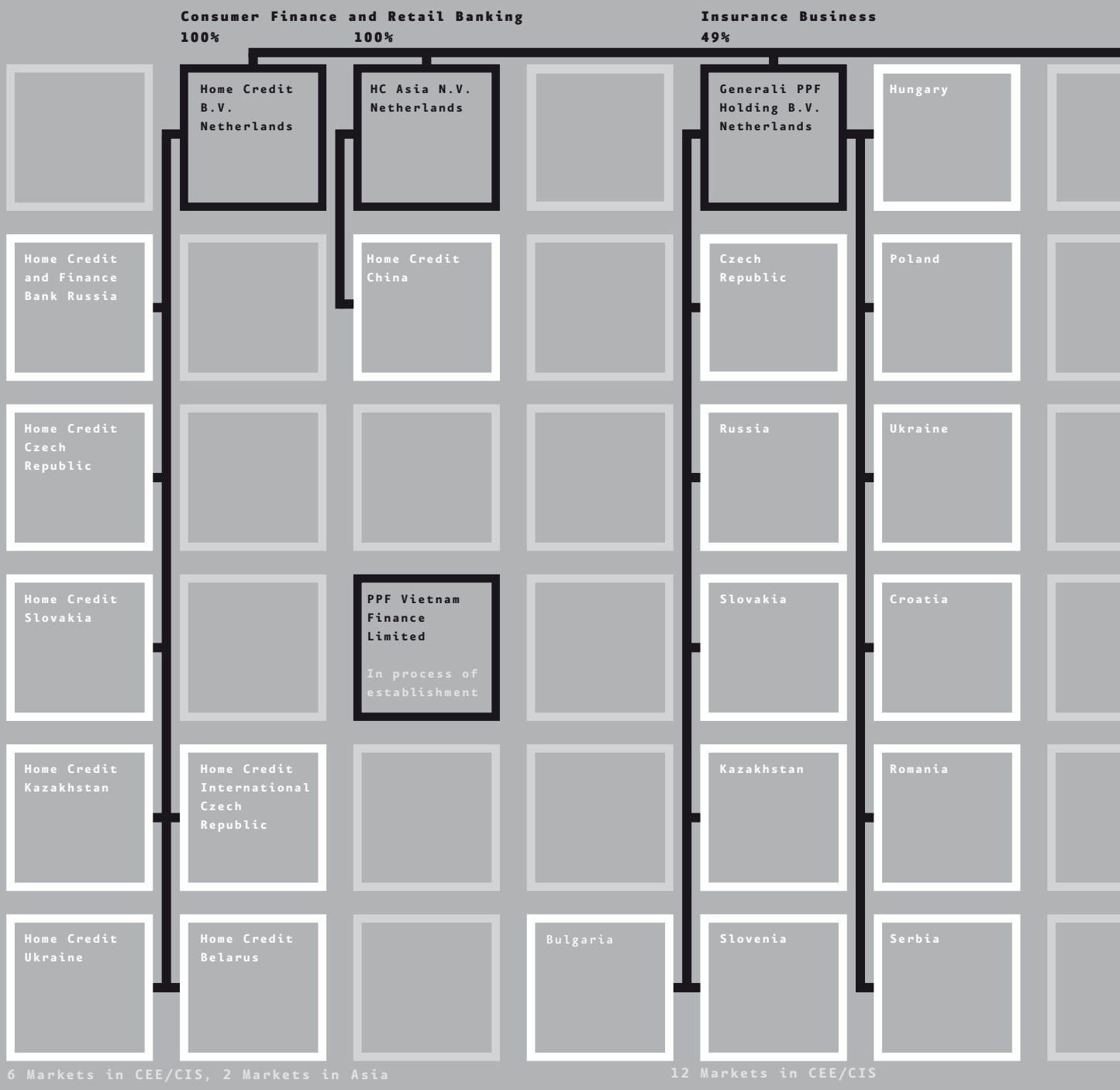
April

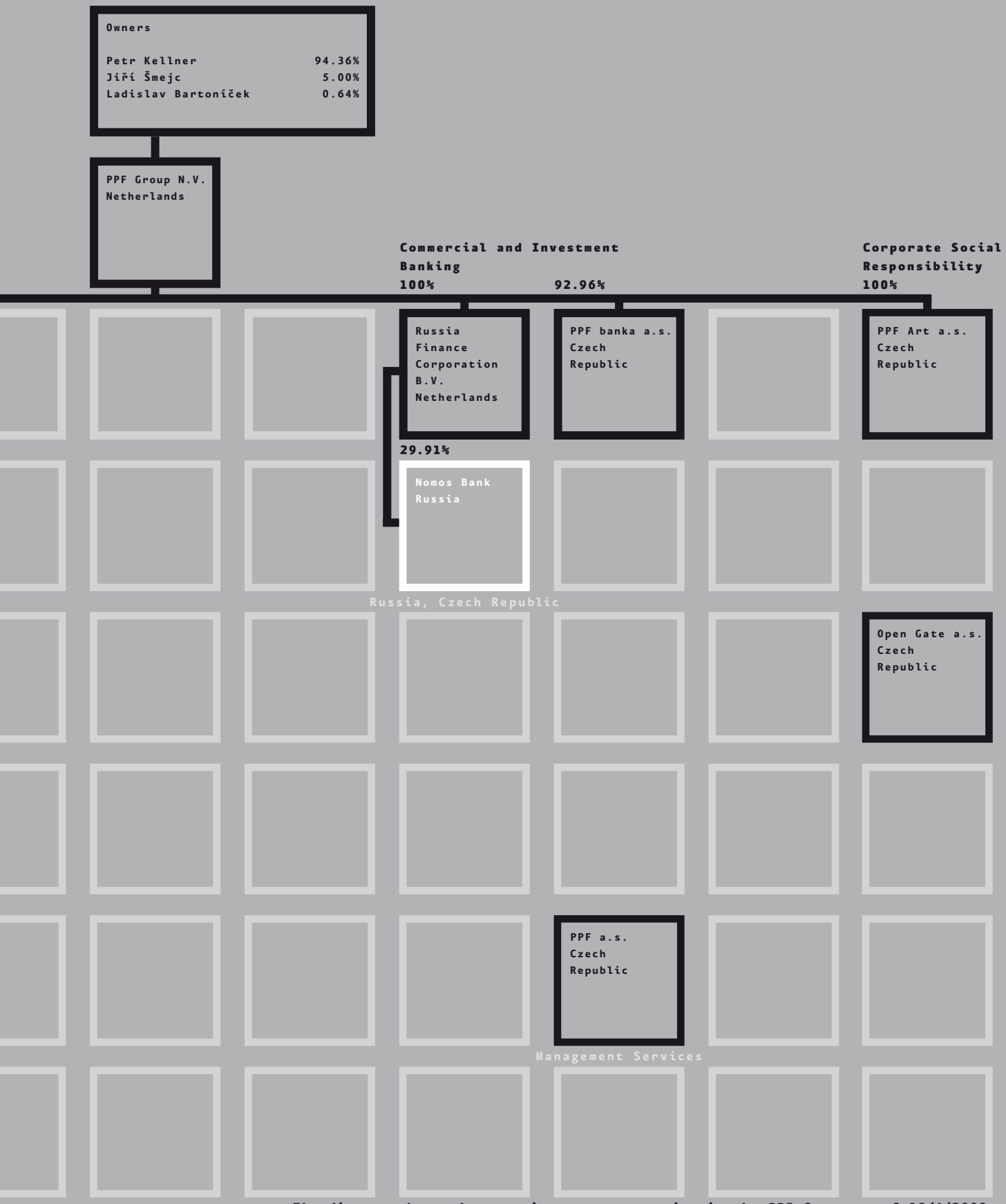
- The PPF Group received a license from Vietnam's State Bank which enables it to start developing a financial service company in Vietnam.
- The PPF Group increased its share in the Russian Nomos Bank to 29.91%.

Jiří Šmejc

Shareholder in PPF Group N.V.

overview of PPF Group's activities





The diagram shows the most important companies in the PPF Group as of 15/4/2008.

Ladislav Bartoníček

Shareholder in PPF Group N.V.

company overview

PPF Group N.V.

Date founded:	29 December 1994
Registered address:	Strawinskylaan 933 Tower B Level 9, 1077XX Amsterdam, The Netherlands
Company identification number:	33264887
Issued capital:	EUR 667,380
Activities:	holding company of the Group, financing

statutory bodies

Shareholders

Petr Kellner

Founder and majority shareholder in 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, and has been Chairman of the Board of Directors and CEO of PPF investiční společnost, a.s. since 1991. From January 1998 to March 2007 he was Chairman of the Board of Directors of PPF a.s. Since April 2007 he has been Member of the Board of Directors of Assicurazioni Generali S.p.A. and since January 2008 Member of the Board of Directors of Generali PPF Holding B.V. Petr Kellner manages the strategic development and the future direction of the Group.

Jiří Šmejc

Shareholder in PPF Group N.V.

Born in 1971; he graduated from the Department of Mathematics and Physics of Charles University in Prague and 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.

Ladislav Bartoníček

Shareholder in 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 of Generali PPF Holding, the joint-venture between the PPF Group and Assicurazioni Generali in 2007. He 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.

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.

PPF a.s.

Tomáš Spurný

Chairman of the Board of Directors

Born in 1965; he graduated from the Stern School of Business, New York University. He earned an MBA in finance from Columbia University in New York. He started his career in 1994 at McKinsey & Company, a consulting firm, where he held various positions until 1999. He was subsequently CEO and Chairman of the Board of Directors of CCS Česká společnost pro platební karty. For the next two years he was a member of the Board of Directors of Komerční banka. From 2002 to 2007, he was Chairman of the Board of Directors and CEO of Všeobecná úvěrová banka. He has been Chairman of the Board of Directors of PPF a.s. since August 2007.

Pavel Horák

Vice-Chairman of the Board of Directors

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). His current position is Executive Financial Director 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 January 1, 2006 when he joined PPF Group. Since March 2007, he has been Member of the Board of PPF a.s. Withal 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 barrister. From 1997-1999 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.

PPF banka a.s.

Petr Milev

Chairman of the Board of Directors and CEO

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 has been with the PPF Group since 2000 where he has held a variety of management positions (first at Česká pojišťovna). He is a member of the Prague Stock Exchange's Exchange Chamber. He has been the CEO of PPF banka since June 2005.

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 appointed Member of the Board of Directors of PPF banka in 2002. Since joining PPF banka in October 2002 he has also been the Operations and IT Division Manager.

Martina Kučerová

Member of the Board of Directors (until 1/1/2008)

Born in 1968; she graduated from the Faculty of Law of Charles University in Prague. She worked as an internal counsel at Pivovary Velké Popovice, a.s. and joined První městská banka, a.s. (now PPF banka) in July 1997. She is the Head of the Legal Division.

František Dombek

Member of the Board of Directors (from 1/1/2008)

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 Manager at Moravia Banka, a.s. He joined PPF banka (then První městská banka, a.s.) in 1997, and was a member of its Board of Directors from 1999–2002 and again from 2004 to 2006. He is also a member of the Prague Chamber of Commerce. He has been the Head of the Sales and Marketing Division of PPF banka since 15 June 2002.

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, Mr. Labak 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.

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 the PPF Group in 1994. He has held a variety of key managerial positions within the PPF Group and later the Home Credit Group. On June 1st, 2005, he became the PPF Group's Executive Director for Retail Banking and Consumer Financing. In January 2007 he was appointed a member of the Board of Directors of Home Credit B.V.

Declan McSweeney

Member of the Board of Directors

Born in 1953; in the recent past he worked as Vice-Chairman and Chairman of the Audit Committee of Allied Irish Banks plc (AIB) and a member of the Supervisory Board of BZWBK Bank in Poland. Both these banks are subsidiaries of AIB, the biggest banking group in Ireland. Prior to joining AIB, Mr. McSweeney worked with KPMG in the US and Ireland. He graduated from the Institute of Chartered Accountants and the Wharton Management Program, as well as Dublin University College, where he specialised in Commerce.

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, Sklotas and Lesní Brána, Obas companies. 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

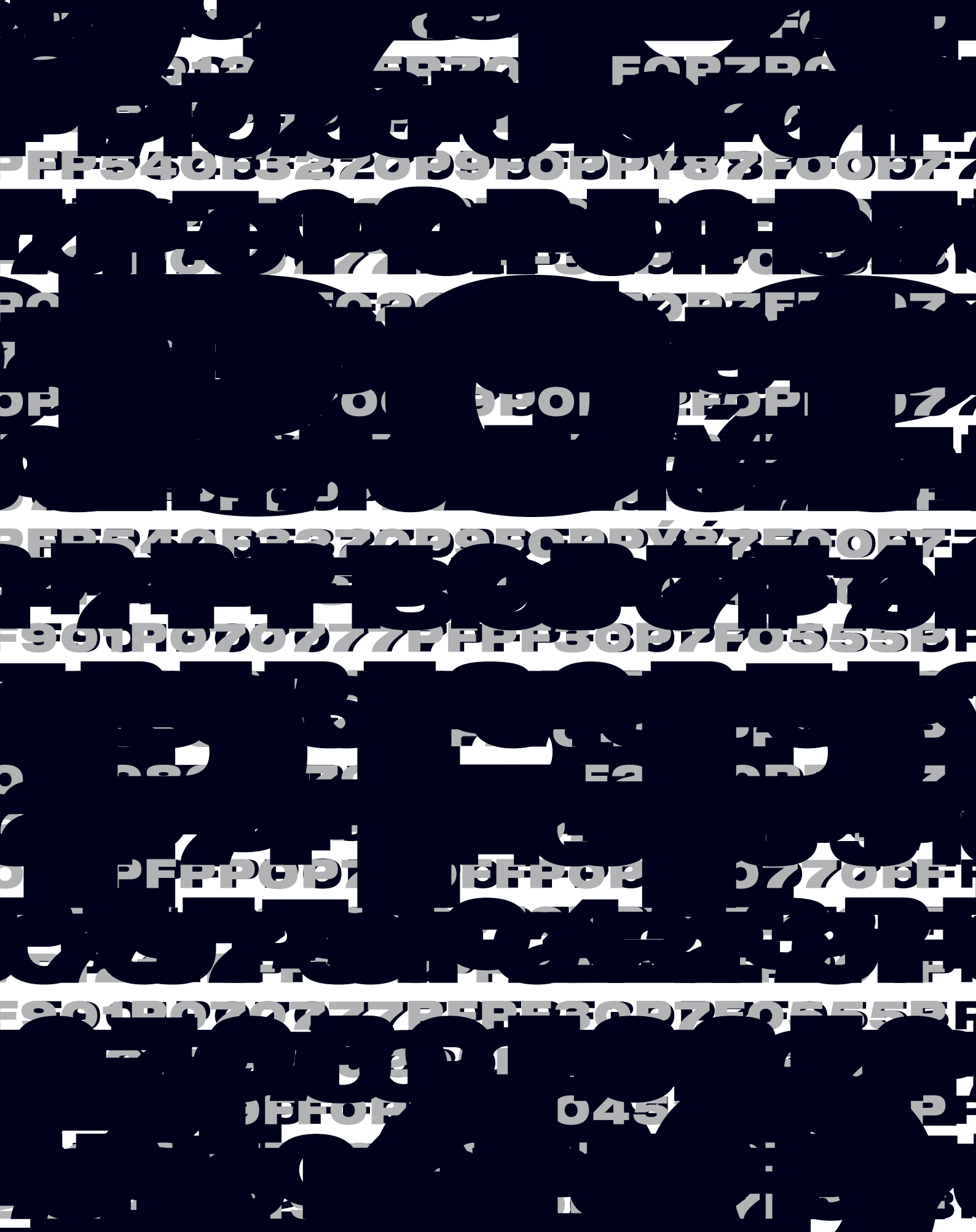
Born in 1955; he is a graduate of the SPŠ Brno and did post-graduate studies at the Technical University of Brno. Starting 1980, he worked in the Technical and Investment Development Department of ZPS, a.s. and later as the Head of its Trading Division. He joined the PPF Group in 1994. Here he served as a member of the Board of Directors of PPF a.s. and since June 2007 he has become 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 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. He has been a member of the Board of Directors of AAA Auto Group N.V. and of the Supervisory Board of PPF a.s. since April 2008.

* The Advisory Committee was established by the decision of the Board of Directors of PPF Group N.V. as of April 30, 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.



Aleš Minx

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

overview of selected PPF Group companies

The Home Credit Group

	2007	2006	YEAR ON YEAR CHANGE IN %
PPF's share	100%	100%	–
Operating income	EUR 666 million	EUR 386 million	172
Profit or loss after taxation	EUR 32 million	EUR 17.5 million	183
Total consolidated assets	EUR 3,548 million	EUR 2,288 million	155
Consolidated equity capital	EUR 921.7 million	EUR 530.4 million	174
Number of employees	23.5 thousand	13.5 thousand	174

Active in markets in the Czech Republic, Slovakia, Russia, Ukraine, Kazakhstan, Belarus.

Home Credit B.V. is a holding company, indirectly 100% owned by PPF Group N.V. Home Credit B.V. provides an umbrella for the PPF Group's activities in the area of consumer finance in markets in the CEE region and the Commonwealth of Independent States. The Home Credit Group includes the following companies:

1. Home Credit a.s.: Provision of consumer credit in the Czech Republic
2. Home Credit Slovakia, a.s.: Provision of consumer credit in Slovakia
3. CJSC Home Credit Bank: Banking activities in Ukraine
4. LLC Home Credit Finance: Provision of consumer credit in Ukraine
5. OJSC Home Credit Bank: Provision of consumer credit in Belarus
6. Home Credit & Finance Bank Llc.: Banking activities and provision of consumer credit in the Russian Federation
7. Home Credit Kazakhstan JSC: Provision of consumer credit in Kazakhstan
8. Home Credit International a.s.: Provision of strategic advisory services, including IT support, exclusively to Home Credit Group companies
9. Other smaller companies

The first company under the Home Credit brand was founded in 1997 in the Czech Republic. It first grew in the domestic markets of Czech Republic and Slovakia. Since 2002 the Home Credit Group has been developing its activities in the Russian market, where the Home Credit & Finance Bank is currently one of the consumer credit market leaders. During the period of 2005–2007 the Home Credit Group entered markets in Kazakhstan, Ukraine and Belarus.

Recently the Home Credit Group entered the Chinese market through HC Asia N.V., a subsidiary of PPF Group N.V.

The main activities of the Home Credit Group are centered around four countries of the Commonwealth of Independent States with high growth potential (Russia, Ukraine, Kazakhstan and Belarus), but its position in its original markets (the Czech Republic and Slovakia) remains strong.

The Commonwealth of Independent States (CIS) is a large market with 135 million of potential customers and real GDP growth of over 7% in each of the last 4 years. Compared to Central Europe (GDP growth of 5%) and Western Europe (2%), this region's economy is growing rapidly, even if from a low base.

Consumer credit still offers excellent medium to long-term business opportunities because the level of personal indebtedness of CIS's population is rapidly nearing that typical for the European region.

The Home Credit Group is in a good position to fully profit from the expected growth of the CIS markets. Although the competitive environment in the individual countries is different, the Home Credit Group has a strong position in all of them thanks to its successful experience gained especially on the Russian market. It has built good relationships with its partners and created an extensive database, which represents a significant competitive advantage.

Home Credit companies offer three basic types of products: POS specific loans, revolving loans (revolving and credit cards) and non-specific cash loans. An accompanying insurance programme is offered for each of these products. In selected markets, Home Credit also offers car financing loans, mortgage loans and deposit accounts.

The products are offered and distributed through direct distribution channels (direct communication with potential customers by post, telemarketing campaigns, activation of products through contact centres), a network of 40 thousand retail locations, branches of a bank (in Russia and Ukraine) and 3,200 post offices (in Russia, the Czech Republic and Kazakhstan).

Tomáš Spurný

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

Business activities are supported by centralised management:

- risk management: centralised know-how and risk control, advanced automated tools and methods, professional teams;
- shared activities and IT platforms: cost-efficient marketing and sales activities, with short time from concept approval to product launch that allow a relatively fast introduction of successful concepts and their communication to a large number of potential customers, as well as consistency, thanks to centralised IT and other processes, sharing of best practices and selective outsourcing;
- efficient decision-making: the group's top management presents an international team of top professionals, from whom management staff for new companies in new markets in other countries may be selected to train local employees.

key financial figures of the Home Credit Group

Financial results by country, 2007

EUR MILLIONS	RUSSIA	CZECH REPUBLIC	SLOVAKIA	UKRAINE	KAZAKHSTAN	BELARUS
Year founded/acquired	2002	1997	1999	2006	2006	2006
Net credit given	1,725	363	122	139	58	1
Operating results	506	77	21	26	20	1
Profit or loss after taxation	56	20	1	(14)	(7)	0
Number of active clients (thousands)	4,380	452	203	245	288	1

Of all the countries where Home Credit is present, it is the most active in Russia, where 72% of total net credit was provided and 79% of the total operational profit made. HC's subsidiaries in Ukraine, Kazakhstan and Belarus have not reported profits as of yet because they were only founded recently.

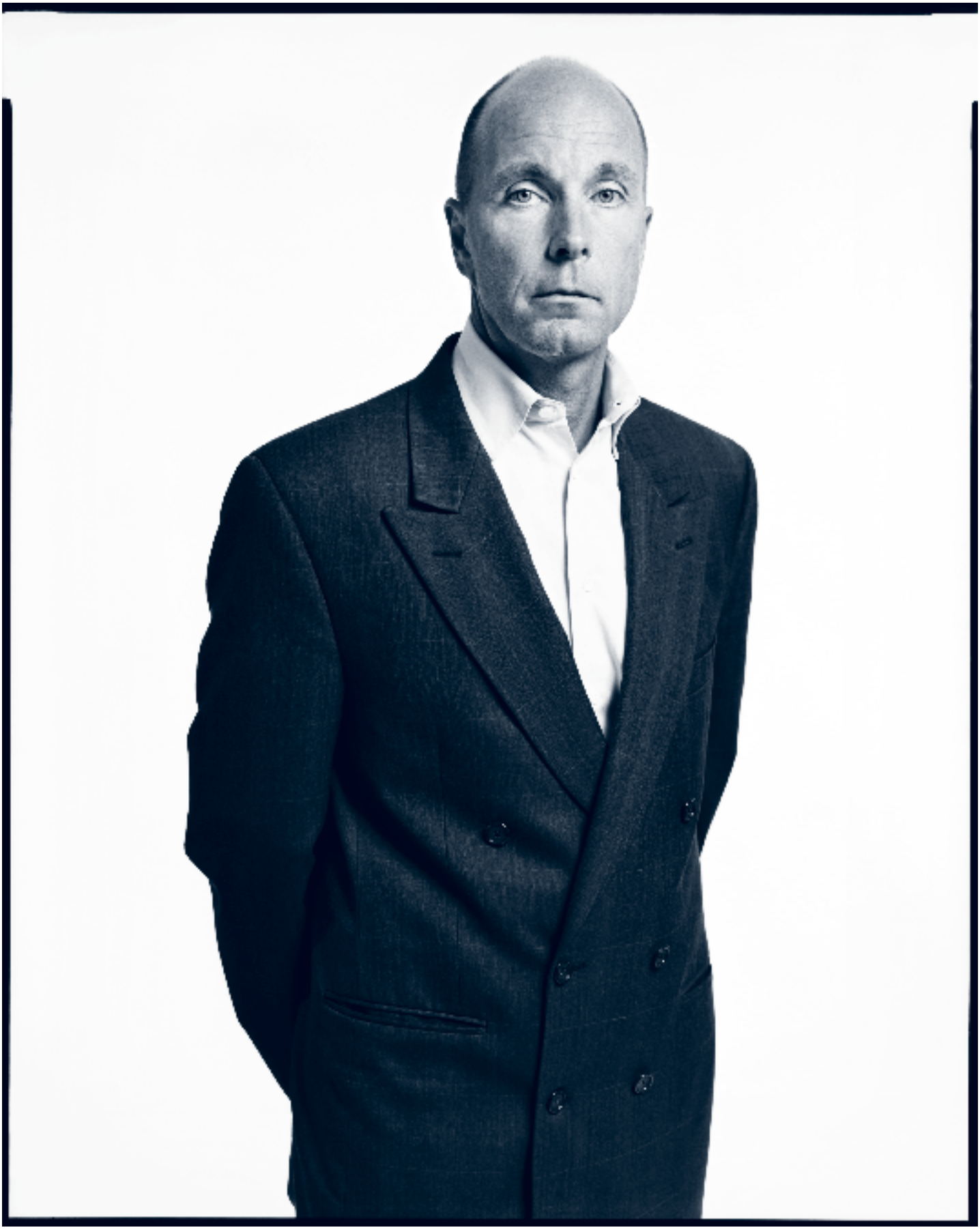
Net credit provided by product, 2007

EUR MILLIONS	POS CREDIT	CASH CREDIT	CREDIT CARDS	OTHER
Net credit given	1,047	363	775	223

The main product category is specific POS credit, representing 44% of the product portfolio. Credit cards are second, with 32% of total net credit, and cash credits represent the remaining 15%.

Alexander Labak

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



Home Credit B.V. consolidated financial statement

as at 31 December 2007

TEUR	2007	2006
Assets		
Cash and cash equivalents	390,085	346,491
Due from banks and other financial institutions	121,417	140,398
Loans to customers	2,407,581	1,488,342
Financial assets at fair value through profit or loss	19,259	30,551
Financial assets available-for-sale	215,640	–
Assets classified as held for sale	7,360	–
Current income tax receivables	568	1,646
Deferred tax assets	21,716	13,065
Investments in associates	42	53
Intangible assets	90,582	88,112
Property and equipment	192,338	126,824
Other assets	81,673	52,663
Total assets	**3,548,261**	**2,288,145**
Liabilities		
Current accounts and deposits from customers	325,629	202,274
Due to banks and other financial institutions	779,436	390,053
Debt securities issued	1,413,227	1,095,628
Financial liabilities at fair value through profit or loss	24,853	4,897
Liabilities classified as held for sale	2,582	–
Current income tax liabilities	10,165	18,024
Deferred tax liabilities	304	1,481
Other liabilities	70,330	45,372
Total liabilities	**2,626,526**	**1,757,729**
Equity attributable to equity holders of the parent company		
Share capital	1,156,175	213,216
Share premium	–	336,034
Statutory reserve fund	2,126	910
Foreign currency translation	(13,950)	7,790
Revaluation reserve	(1)	–
Other reserves	(222,648)	(27,564)
	921,702	**530,386**
Minority interest	**33**	**30**
Total equity	**921,735**	**530,416**
Total liabilities and equity	**3,548,261**	**2,288,145**

Home Credit B.V. consolidated profit and loss account

as at 31 December 2007

TEUR	2007	2006
Continuing operations		
Interest income	676,799	445,126
Interest expense	(149,923)	(96,535)
Net interest income	**526,876**	**348,591**
Fee and commission income	162,708	75,231
Fee and commission expense	(53,171)	(33,542)
Net fee and commission income	**109,537**	**41,689**
Other operating income	29,608	(3,903)
Operating income	**666,021**	**386,377**
Impairment losses	(245,872)	(173,017)
Net expense related to credit risk insurance	(9,996)	(15,010)
General administrative expenses	(348,224)	(167,315)
Operating expenses	**(604,092)**	**(355,342)**
Profit before tax	**61,929**	**31,035**
Income tax expense	(29,890)	(13,541)
Net profit for the year from continuing operations	**32,039**	**17,494**
Discontinued operations		
Profit from discontinued operations (net of income tax)	24	–
Net profit for the year	**32,063**	**17,494**
Attributable to:		
Equity holders of the parent	32,057	17,492
Minority interest	6	2
	32,063	**17,494**

Ladislav Chvátal

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

PPF banka a.s.

	2007	2006	YEAR ON YEAR CHANGE IN %
PPF's share	93%	93%	–
Profit or loss after taxation	EUR 19.9 mil.	EUR 10.2 mil.	95
Total assets	EUR 1,029.9 mil.	EUR 891.0 mil.	16
Total equity	EUR 81.6 mil.	EUR 59.3 mil.	38
Credit/deposits	36%	51%	–
Number of employees	118	117	1

Activities on the Czech market

PPF banka, an integral part of the PPF Group, has recorded very positive results in 2007. Thanks to its strategy, flexibility, and professional client services, the profit before tax was a record CZK 690 million.

PPF banka's clients include financial institutions, medium to large companies with Czech capital and municipal authorities. The bank specialises in corporate, project and acquisition financing and real estate project financing. In investment banking it focuses on securities trading on most markets in Europe, the US, Russia and several Asian countries. PPF banka is also the central treasury bank of the PPF Group. It implements international transactions and hedging and other investment services for PPF Group companies, such as brokering of capital market financing.

In 2007, PPF banka continued its strategy of balanced growth with emphasis on above-average profitability ratios. According to its audited results, PPF banka's balance sum at the end of the year was in excess of CZK 27 billion, which represents almost 12% growth compared to last year. The ROAE exceeded 35%, ROAA was 1.84% and the CIR (efficiency ratio) was under 40%.

As in previous years, PPF banka played an important role in the PPF Group in 2007. It provided comprehensive financing for Home Credit Kazakhstan JSC and CJSC Home Credit Bank. It prolonged its subordinated financing for Home Credit Slovakia, a.s. and was the biggest provider of short-term financing for Home Credit & Finance Bank Llc. in Russia in the summer months, when activity on the financial markets was at a very low level. Apart from a number of markets where PPF banka has been active in the past, it has also ensured financing for companies preparing the expansion of the Home Credit brand into China.

Another important event in 2007 was the placement of the largest bond issue to date on the Czech market for PPF Co2 B.V., totalling CZK 11.25 billion.

PPF banka is a member of:

- The Czech Banking Association
- The Czech Institute of Internal Auditors
- The Association of Banks and Insurers
- The Prague Chamber of Commerce

PPF banka is a shareholder and member of:

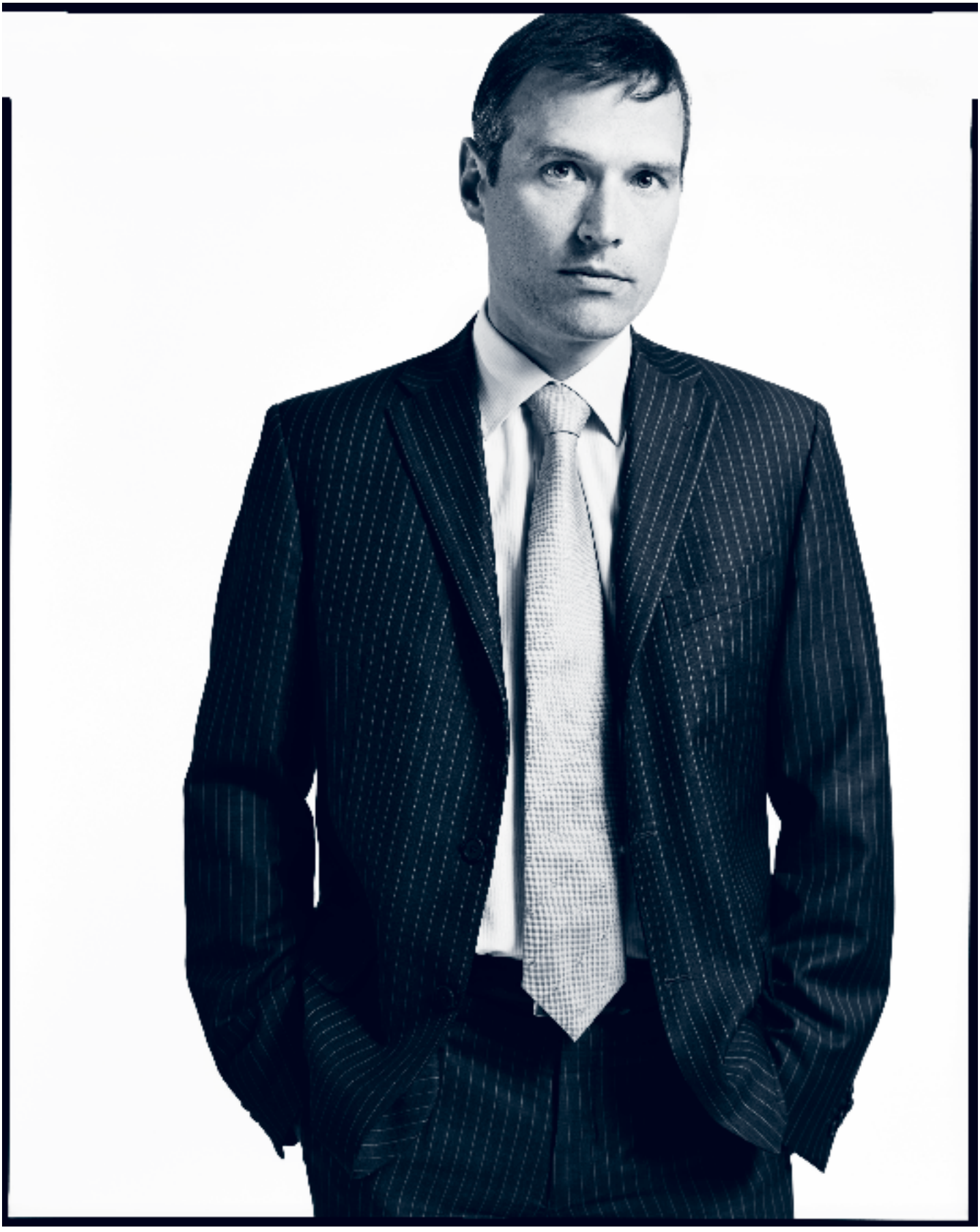
- The Prague Stock Exchange

The composition of PPF banka's shareholders:

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

Pavel Horák

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



Basic unconsolidated economic figures according to Czech Accounting Standards (CAS)

IN EUR THOUSAND	2007	2006
Assets		
Receivables from banks	571,249	466,211
Receivables from clients	284,103	341,324
Securities	128,777	51,290
Other assets	45,805	32,190
Total assets	1,029,934	891,015
Liabilities and equity		
Liabilities to banks	21,160	386
Liabilities to clients	785,038	671,674
Liabilities in connection with debt securities	100,018	126,472
Subordinated liabilities	0	9,731
Issued capital	28,888	27,969
Other equity components	52,674	31,355
Other liabilities	42,156	23,428
Total liabilities and equity	1,029,934	891,015
Profit and loss statement		
Net interest rate revenue	31,375	19,146
Net fee and commission income	2,641	5,648
Share and ownership interest revenue	878	532
Profit/loss from financial operations	7,190	902
Administration costs	(13,118)	(12,651)
Depreciation of assets	(2,145)	(2,244)
Other revenues	1,375	3,235
Other expenses	(2,181)	(5,478)
Share of profit in ownership interests	0	4,131
Income tax	(6,149)	(2,999)
Profits or loss for the current period	19,866	10,222
Basic Ratio Analysis		
Classified client loans/total client loans	0.93%	1.71%
Capital adequacy*	13.48%	14.68%
ROAA*	1.84%	1.11%
ROAE*	35.75%	20.59%
Assets per employee	8,728	7,616
Administrative costs per employee	111	108
Net profit per employee	168	87

* According to the Czech National Bank's methodology, translated using closing FX rates.

Generali PPF Holding B.V.

	2007
PPF's share	49%
Prescribed gross premium	EUR 3.1 billion
Capital contributed	EUR 5.1 billion
Equity offer taxation*	EUR 312 million
Number of employees	13,000

Activities in markets in: the Czech Republic, Slovakia, Poland, Hungary, Romania, Slovenia, Bulgaria, Croatia, Serbia, Russia, Ukraine, Kazakhstan.

Generali PPF Holding B.V. is a joint-venture founded by the Generali and PPF Groups as a holding company combining the insurance activities of both groups in the CEE region. The company was founded on 8 June 2007, but it only started operating on 17 January 2008, when all necessary regulatory authorisations were granted and the Joint-Venture Agreement of 10 July 2007 between Assicurazioni Generali and PPF Group N.V. came into effect.

The original intention was to enter all CEE insurance activities of both groups into the new company, but because of several legal limitations, this has not been fully implemented as of yet. The situation was settled by a cash investment and a set of agreements on the transfer of securities in a value equalling in sum the value of the cash investment. As of the annual report date (end of April 2008), the process of the transfer of activities has been completed in Croatia and Serbia, but Generali activities in Poland, Romania and Ukraine remain untransferred.

Following all the above transfers, Generali PPF Holding will be active in 12 CEE countries. Generali PPF Holding will manage assets with a value of almost EUR 10 billion and will serve 9 million clients across the region.

The total value of Generali PPF Holding was agreed at EUR 5.1 billion (the value of CZI Holdings N.V., the former subsidiary of the PPF Group, was agreed at EUR 3.6 billion and the value of Generali's CEE activities was calculated to be EUR 1.5 billion).

Generali PPF Holding B.V. is registered in the Dutch Commercial Registry and has opened an organisational branch in Prague, the Czech Republic.

* Total aggregated profit EUR 312 million represents simple aggregation of consolidated profit of CZI Holdings N.V. and individual profits of Generali entities (being part of Generali PPF Holding) translated from local currencies using average 2007 rate.

Evžen Hart

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

PPF Group's partner in insurance – Generali Group

- Strong international business activity since 1831
- Retail market-oriented
- Distribution strategy based on a wide range of distribution channels
- Present on four continents
- Key player in continental Europe
- Operates 113 insurers and 126 companies providing financial and/or real estate services
- Third largest insurer in Europe
- Gross written premium EUR 66.2 billion, over 66 thousand employees (2007)

Nomos Bank

	2007	2006	YEAR ON YEAR CHANGE IN %
PPF's share	15.7%*	0%	–
Consolidated equity capital	EUR 0.68 billion	EUR 0.44 billion	53%
Total consolidated assets	EUR 5.53 billion	EUR 3.16 billion	75%
Profit or loss after taxation	EUR 95.50 million	EUR 63.30 million	51%
Number of employees	2,688	2,068	30%

* PPF's share increased to 29.9% in April 2008.

Activities on the Russian market

- One of the leading private universal service banks in Russia
- Diversified business strategy, including corporate, investment and retail banking
- Strong client base – 23,927 corporate clients, including the leading Russian publicly-traded companies and over 273 thousand small clients
- One of the biggest securities traders in Russia
- Headquarters in Moscow and 19 branches in other regions
- Regiobank – subsidiary company in the Russian Far East, 4 branches

Nomos Bank has recorded a dynamic growth since 1998. At the end of 2007, it achieved the following ratio performance indicators:

- Average return on equity 17.25%
- Primary capital adequacy 11.72%
- Bad debt ratio 0.15%

On May 17, 2007, the PPF Group and the Nomos Bank of Russia announced that after obtaining all necessary approvals from regulators and anti-monopoly authorities, they were going to join their forces in the Russian market. A full merger of Nomos Bank and the PPF Group's banking structure in the Russian market, Home Credit & Finance Bank, was not part of the plan. One of the key principles of the partnership was the stability of management teams and preservation of the business strategies of both banks under their original brands.

At the beginning of September 2007, Russia Finance Corporation B.V., a PPF Group company, was given the approval of FAS, the Russian Anti-monopoly Office, to acquire a 100% share in Nomos Bank. During 2007, the PPF Group increased its share in the bank to 15.7% and, in April 2008, to 29.9% – all through Russia Finance Corporation B.V.

Based on a comprehensive analysis of the financial market, the PPF Group decided that the best strategy for Russia would be a separate development of retail banking under Home Credit & Finance Bank and corporate banking under Nomos Bank. A universal bank group is not being planned. The PPF Group intends to act as a financial investor with an important minority share in Nomos Bank.

This decision was also taken as a result of an evaluation of the conformity of Home Credit & Finance Bank's profile with the originally-announced transaction structure. As a result, the PPF Group transferred its share in Nomos Bank (through Russia Finance Corporation B.V.) from the structure of the Home Credit B.V. holding company to directly under PPF Group N.V.

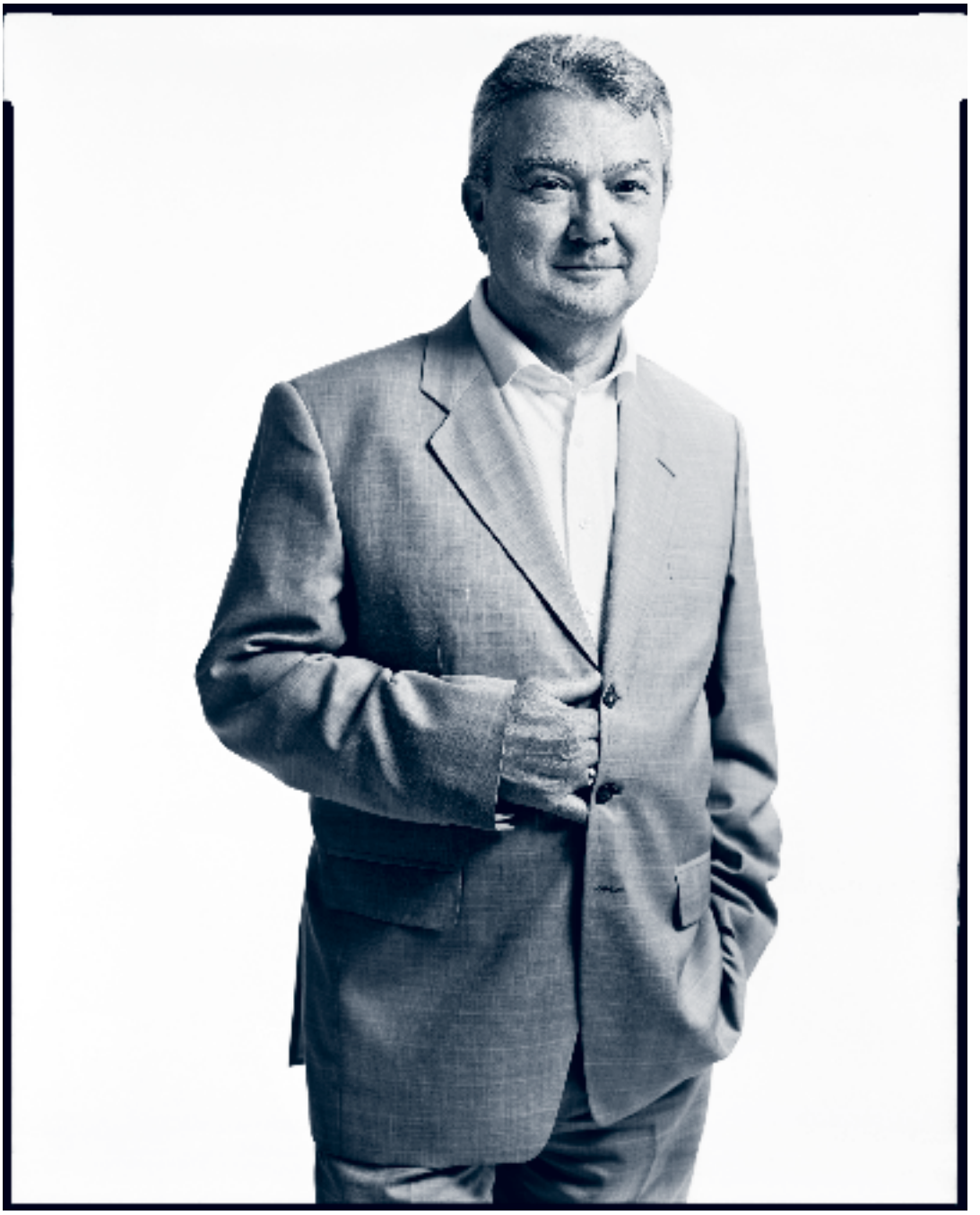
The PPF Group is continuing intense negotiations with Nomos Bank shareholders on its future engagement in the bank as a financial investor owning a significant minority share. The PPF Group sees its participation in one of the leading Russian banks as an interesting investment opportunity in the dynamic Russian market.

PPF Group's human resources strategy

The PPF Group has two main objectives in the selection and development of its Human Resources: to employ talented, motivated and loyal employees and to enable them to fully use their potential.

The HR strategy of the PPF Group is closely linked to its business goals to support its international expansion and enable effective reaction to the constantly changing market situation. Its basic elements include support for open communication and corporate culture, careful hiring of talented recruits, continuous improvement of qualification and project team support. The PPF Group's corporate culture is exceptional in its open, informal communication, flexibility, loyalty and friendly atmosphere.

The PPF Group sees employee benefits and personal development plans as the key area of its HR strategy, and its HR management is comparable to that of the leading international corporations.



Štěpán Popovič

Member, Advisory Committee to PPF Group N.V.

Milan Maděryč

Member, Advisory Committee to PPF Group N.V.

Kamil Ziegler

Member, Advisory Committee to PPF Group N.V.

PPF Group's philanthropy

The PPF Group's goal is to be a long-term partner to exceptional cultural and charitable projects, reacting to the needs of the society and respecting recognised social responsibility standards. The PPF Group is traditionally active in its support of culture as a long-term partner of important projects. We do not want, however, to be merely a passive partner, and actively seek out new projects to support and develop, and offer our own ideas on how to do so.

The PPF Group – an active partner of leading cultural events

Our association with cultural projects is based on the PPF Group's tradition, its position and the history of its activities in the Czech market. We support theatre, fine arts and photography and invest tens of millions of crowns a year in cultural activities. We do not bring only money to these projects, however. We always like to be active and long-term partners, developing projects and ensuring their long tradition.

The Summer Shakespeare Festival

For nine years now, the PPF Group has been the general partner of the Summer Shakespeare Festival. The open air theatre festival now has become a tradition in the cultural life of patrons of fine theatre, in both the Czech Republic and Slovakia.

The Maximum Photography exhibition

Together with the Shakespeare Festival, Prague's summers are traditionally enlivened by the Maximum Photography exhibition, showcasing the PPF Group's substantial photography collection. The unique installation of large format photographs by leading Czech photographers is on display in the beautiful South Gardens of Prague Castle.

The Josef Sudek studio

The PPF Group often comes up with its own ideas for enriching Czech culture. One of those was the refurbishment of Josef Sudek's studio in Prague's Újezd in 2000. The PPF Group became not only the organizer of the project, but also an investor in the studio's remodelling into a gallery and its subsequent operation. Thanks to PPF Group, the dilapidated building which once housed the most famous Czech photographer's studio became an important gallery with a firm place in Prague's attention to Josef Sudek's studio is closely related to its own collection.

The Jára Cimrman Theatre in Žižkov

The mystifications of the Jára Cimrman Theatre are a crown jewel of the Czech theatre scene. The works of Smoljak and Svěrák associated with this theatre have gained a loyal following during its 40-year history. Thanks to the support of the PPF Group, the Žižkov theatre has seen several new plays by the popular pair.

Assistance to 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 basic idea is to provide small children with severe hearing defects with a chance for their spontaneous psychological development using both languages. The PPF Group provides financial assistance for the basic construction, school equipment and school field trips.

Educational projects

The OPEN GATE – Boarding School

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

The future prosperity of each country depends on the quality of its schools and educational system. The OPEN GATE boarding school in Babice was opened three years ago as the first of its kind in the Czech Republic. It is based on the traditional boarding school concept, known from the UK, as well as other countries (Germany, the USA and Canada). As a boarding school, OPEN GATE offers high-quality education to students from anywhere in the Czech Republic, not just capital city. Thanks to generous 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 support covers all educational equipment, food and accommodation, after-school activities, school uniforms and partially transport. The support is

given based on successful completion of the entrance examination and enrolment in the school. Both the school and the Foundation are actively looking for potential students in orphanages across the Czech Republic.

Social responsibility

The PPF Group is successfully expanding and active in seven CEE and Asian countries. Among those, Russia has a special place – the PPF Group provides consumer financing and retail banking through the Home Credit & Finance Bank, the leader in the local consumer financing market. The Group's position in this sensitive segment, concerning millions of costumers, is a serious commitment, and the Home Credit & Finance Bank has prepared and is actively implementing a special transparency programme for all its clients. The Bank is aware of its responsibility in creating a mature environment in the market and is bringing innovative products and complete transparency to the Russian market in providing services to its clients. This is demonstrated in the creation of the Code of Responsible Lending and active communication of this, both on the bank's website as well as in direct contact with clients. The www.homecredit.ru website contains an automated calculator for all types of consumer credit products offered by Home Credit & Finance Bank, along with a glossary of the terms used in the consumer credit industry. The Bank's staff undergoes intensive training focused on transparency and communication with clients. Home Credit & Finance Bank won the Financial Elite of Russia Award and the Best Bank Award in the consumer finance category in 2007.

the history of the PPF Group

2007

- PPF Group N.V. signed an agreement with Assicurazioni Generali S.p.A. on forming Generali PPF Holding B.V., to provide insurance services in 12 CEE countries
- PPF Group N.V. entered into a partnership with Nomos Bank, an important bank in the Russian Federation
- The Home Credit Group commenced consumer financing activities in China and Belarus

2006

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

2005

- Home Credit created a platform enabling it to commence consumer finance activities in Kazakhstan
- The PPF Group opened a representative office in Vietnam to evaluate local consumer finance market opportunities
- The sale of ČP Leasing to Agricole Group – Sofinco

2004

- Following a successful restructuring, the PPF Group sold its majority share in TV NOVA to CME
- The PPF Group opened a representative office in Beijing to evaluate the local consumer finance market opportunities

2002

- The PPF Group commenced its activities in Russia – in insurance and consumer finance

2001

- The acquisition and successful restructuring of PPF banka (part-owned by the City of Prague)

1999

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

1997

- The Home Credit company founded as a platform for consumer finance activities

1996

- The acquisition and beginning of the restructuring of Česká pojišťovna, the largest insurer in the Czech Republic

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 30/4/2008.

FINANCIAL SECTION

auditor's report

Introduction

We have audited whether the accompanying abbreviated financial statements of PPF Group N.V., Amsterdam, for the year 2007 (as set out on pages 72 to 182) have been derived consistently from the audited financial statements of PPF Group N.V., for the year 2007. In our auditors' report dated 29 April 2008 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 2007 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 29 April 2008. Our opinion is not qualified in respect of this matter.

Amstelveen, 22 October 2008

KPMG Accountants N.V.

M.F. Frikkee

consolidated financial statements (in EUR)

for the year ended 31 December 2007 according to IFRS

Consolidated Balance Sheet

IN MEUR AS AT 31 DECEMBER	NOTE	2007	2006
Intangible assets	F1	102	290
Property, plant and equipment	F2	276	263
Investment property	F3	–	95
Financial assets available-for-sale	F4	244	227
Financial assets held to maturity	F4	–	74
Financial assets at fair value through profit or loss	F4	114	3,776
Loans and receivables	F4	3,236	2,879
Non-current assets held for sale	A5	5,735	8
Reinsurance assets	F5	–	56
Deferred tax assets	F6	28	43
Other assets	F7	8	10
Prepayments and accrued income	F8	13	46
Cash and cash equivalents	F9	321	410
Total assets		**10,077**	**8,177**
Issued capital	F10	1	1
Share premium	F10	677	677
Reserves	F10	(41)	(3)
Retained earnings	F10	789	558
Total equity attributable to equity holders of the Parent Company		1,426	1,233
Minority interests	F11	6	4
Total equity		**1,432**	**1,237**
Insurance liabilities	F12	–	3,328
Financial liabilities for investment contracts with DPF	F13	–	1,176
Other liabilities evidenced by paper	F14	1,458	955
Financial liabilities at fair value through profit or loss	F15	50	43
Liabilities held for sale	A5	5,443	–
Liabilities to banks	F16	853	251
Liabilities to non-banks	F17	728	673
Provisions	F18	2	95
Payables	F19	100	270
Deferred tax liabilities	F6	9	86
Net assets attributable to unit-holders		–	7
Accruals and deferred income	F20	2	56
Total liabilities		**8,645**	**6,940**
Total equity and liabilities		**10,077**	**8,177**

Consolidated Income Statement

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	NOTE	2007	2006
Interest and similar income	F21	684	472
Other income from financial assets	F22	(7)	11
Net fee and commission income, and income from service activities	F23	66	25
Other income	F24	258	166
Total revenue		**1,001**	**674**
Interest and similar expenses	F25	(134)	(93)
Other expenses from financial assets	F26	(241)	(177)
Acquisition costs and other operating expenses	F27	(337)	(160)
Other expenses	F28	(253)	(108)
Total expenses		**(965)**	**(538)**
Profit before tax		36	136
Income tax expense	F29	(24)	(26)
Profit after tax		12	110
Change in net assets attributable to unit-holders		–	–
Net profit from continuing operations		**12**	**110**
Discontinued operations			
Profit (loss) from discontinued operations	A5.6	232	277
Net profit for the year		**244**	**387**
Attributable to:			
Equity holders of the Parent Company		243	386
Minority interests	F11	1	1
Net profit for the year		**244**	**387**
Weighted average number of shares		66,738	66,738
Basic and Diluted earning per share for profit for the year (TEUR)	F34	4	6
Basic and Diluted earning per share for profit from continuing operations (TEUR)	F34	0.2	2

The consolidated financial statements were approved by the Board of Directors of the Company on 29 April 2008.

Consolidated Statement of Changes in Equity

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	–	–	–	–
Net exchange differences	–	0	(2)	(1)
Balance at 31 December	**1**	**677**	**(25)**	**0**

LEGAL AND STATUTORY RESERVES	TRANSLATION RESERVE	CATASTROPHE AND EQUALISATION RESERVES	RETAINED EARNINGS	ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY	ATTRIBUTABLE TO EQUITY COMPONENT OF DPF	ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
19	**(67)**	**20**	**558**	**1,233**	**–**	**4**	**1,237**
–	(53)	–	–	(53)	–	–	(53)
–	–	–	5	–	–	–	–
–	–	–	–	(34)	–	–	(34)
–	–	–	–	(19)	–	–	(19)
–	–	–	–	11	–	–	11
–	**(53)**	**–**	**5**	**(95)**	**–**	**–**	**(95)**
–	–	–	243	243	–	1	244
–	**(53)**	**–**	**248**	**148**	**–**	**1**	**149**
8	–	–	(8)	–	–	–	–
–	–	9	(9)	–	–	–	–
1	46	1	0	45	–	1	46
28	**(74)**	**30**	**789**	**1,426**	**–**	**6**	**1,432**

Consolidated Statement of Changes in Equity

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	ISSUED CAPITAL	SHARE PREMIUM	AVAILABLE FOR SALE RESERVE	OTHER REVALUATION RESERVE
Balance at 1 January	**1**	**677**	**32**	**5**
Currency translation differences	–	–	–	–
Revaluation of land and buildings	–	–	–	(1)
Valuation gains (losses) taken to equity for AFS	–	–	(7)	–
AFS revaluation gains transferred to income statement	–	–	(7)	–
Tax on items taken directly to or transferred from equity	–	–	1	–
Total gains and losses recognised directly in equity	**–**	**–**	**(13)**	**(1)**
Net profit for the year	–	–	–	–
Total recognised income (expense) for the period	**–**	**–**	**(13)**	**(1)**
Net allocation to legal and statutory reserves (other than from Net profit)	–	–	–	–
Companies firstly added to consolidation group	–	–	–	–
Allocation to equity component of DPF	–	–	–	–
Disposals and deconsolidation of subsidiaries	–	–	–	–
Effect of change of interest in subsidiaries without a change of control	–	–	–	–
Changes in catastrophe and equalisation reserves	–	–	–	–
Net exchange differences	–	–	1	1
Balance at 31 December	**1**	**677**	**20**	**5**

LEGAL AND STATUTORY RESERVES	TRANSLATION RESERVE	CATASTROPHE AND EQUALISATION RESERVES	RETAINED EARNINGS	ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY	ATTRIBUTABLE TO EQUITY COMPONENT OF DPF	ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
16	**(10)**	**14**	**157**	**892**	**1**	**5**	**898**
–	(23)	–	–	(23)	–	–	(23)
–	–	–	1	–	–	–	–
–	–	–	–	(7)	–	–	(7)
–	–	–	–	(7)	–	–	(7)
–	–	–	–	1	–	–	1
–	**(23)**	**–**	**1**	**(36)**	**–**	**–**	**(36)**
–	–	–	386	386	–	1	387
–	**(23)**	**–**	**387**	**350**	**–**	**1**	**351**
2	–	–	(2)	–	–	–	–
–	–	–	(2)	(2)	–	–	(2)
–	–	–	2	2	(2)	–	–
–	7	–	(18)	(11)	–	–	(11)
–	–	–	1	1	–	(1)	0
–	–	5	(5)	–	–	–	–
1	(41)	1	38	1	1	(1)	1
19	**(67)**	**20**	**558**	**1,233**	**–**	**4**	**1,237**

Consolidated Statement of Cash Flows

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER, PREPARED USING THE INDIRECT METHOD	2007	2006
Cash flows from operating activities		
Profit before tax	342	501
Adjustments for:		
Depreciation and amortisation	59	52
Amortisation of PVFP and impairment losses on goodwill and PVFP	(57)	(10)
Impairment and reversal of impairment of current and non-current assets	263	177
Profit/Loss on disposal of PPE, intangible assets and investment property	(5)	(2)
Profit/Loss on sale of financial assets	44	(117)
Consolidated gains/losses on disposal of consolidated subsidiaries and associates	–	(99)
Interest expense	46	96
Interest income	(814)	(585)
Other income/expenses not involving movements of cash	(111)	(105)
Purchase of financial assets at fair value through profit or loss held for trading	(722)	(679)
Proceeds from financial assets at fair value through profit or loss held for trading	759	611
Change in loans and advances to banks	(329)	155
Change in loans and advances to customers	(1,015)	(422)
Change in receivables	(10)	29
Change in reinsurance assets	8	(14)
Change in other assets, prepayments and accrued income	(3)	(15)
Change in payables	58	(73)
Change in financial liabilities for investment contracts with DPF	251	213
Change in financial liabilities at fair value through profit or loss held for trading	22	11
Change in liabilities to bank	569	55
Change in liabilities to customers	31	157
Change in insurance liabilities	54	26
Change in other liabilities, accruals and deferred income	6	4
Change in other provisions	4	–
Cash flows arising from taxes on income	(149)	(88)
Net cash from operating activities	**(699)**	**(122)**

	2007	2006
Cash flows from investing activities		
Interest received	810	546
Purchase of tangible assets and intangible assets	(240)	(169)
Purchase of financial assets at fair value through profit or loss not held for trading	(828)	(1,785)
Purchase of financial assets available for sale	(1,191)	(219)
Purchase of investment property	(2)	(1)
Acquisition of subsidiaries and associates, net of cash acquired	–	(58)
Proceeds from disposals of tangible and intangible assets	122	30
Proceeds from sale of financial assets at fair value through profit or loss not held for trading	1,204	1,771
Proceeds from sale of financial assets available for sale	283	67
Proceeds from sale of investment property	72	9
Proceeds from disposal of subsidiaries and associates, net of cash disposed	–	130
Other investing activities	(4)	1
Net cash from investing activities	**226**	**322**
Cash flows from financing activities		
Repayment of shareholder loans (subordinated loan)	–	(10)
Proceeds from the issue of other liabilities evidenced by paper	976	173
Payment of other liabilities evidenced by paper	(415)	(253)
Interest paid	(79)	(62)
Dividends paid to shareholders	–	(1)
Cash flow from financing activities	**482**	**(153)**
Net increase (decrease) in cash and cash equivalents	**9**	**47**
Cash and cash equivalents as at 1 January	**410**	**410**
Effect of exchange rate changes on cash and cash equivalents	14	(47)
Cash and cash equivalents as at 31 December	**433**	**410**

notes to the consolidated financial statements (in EUR)

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 (in EUR) of the Parent Company for the year ended 31 December 2007 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.

See section C of these financial statements for a listing of significant Group enterprises and changes to the Group in 2007 and 2006.

Structure of Ultimate shareholders:

As at 31 December 2007, 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 29 April 2008.

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 in Euro ("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). None were adopted prior to their effective date.

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.3.

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 – see note 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 29 April 2008 and filed with the Chamber of Commerce in Amsterdam.

The financial statements are presented in EUR, rounded to the nearest million. The functional currency of the company is the Czech Crown, the company has chosen to present these financial statements in Euros as this reflects the international character of the group.

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 or 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.36.

Except for the exception described in note D.2. in respect of investment contracts with DPF the accounting policies have been consistently applied by the Group entities and are consistent with those used in the previous year.

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

A.5.1. Generali transaction

On 10 July 2007 PPF Group N.V. ("PPF") and Assicurazioni Generali SpA ("Generali") entered into agreement which subject was to combine their insurance and insurance related assets in Central and Eastern Europe by contribution to a newly established holding company Generali PPF Holding.

On 17 January 2008 PPF Group N.V. and Generali signed certificate which confirmed fulfilment of parties' undertakings arising from the agreement. The whole of CZI Holdings Group and selected CEE investments from Generali were contributed to Generali PPF Holding B.V. and finally as of that date Generali PPF Holding B.V. became an associate of PPF Group N.V. (49%) and a subsidiary of Generali (51%).

A.5.2. Individual steps within the transaction

In June 2007 the Parent Company established a new holding company PPF Col B.V.

On 12 October 2007 CZIH Holdings N.V. and all its subsidiaries ("CZIH Group") were transferred from the Parent Company to PPF Col B.V.

Additionally in June 2007, PPF Col B.V. established (together with Generali Group) a new holding company Generali PPF Holding B.V. into which the whole CZIH Group and selected investments from Generali Group were contributed in January 2008.

Immediately after the contribution PPF Group N.V. kept 71% ownership interest in Generali PPF Holding B.V.

Simultaneously, PPF Col B.V. sold 22% ownership in Generali PPF Holding B.V. to Generali. The final phase of the transaction is that PPF Col B.V. keeps 49% ownership interest in Generali PPF Holding B.V. and does not control Generali PPF Holding B.V.

A.5.3. Financial aspects

The contract values the whole CZIH Group contributed by PPF Group at MEUR 3,600 and investments contributed by Generali Group at MEUR 1,500.

PPF Group N.V. received for 22% ownership in Generali PPF Holding B.V. cash consideration of MEUR 1,100.

Profit from the transaction recognised in the consolidated income statement of PPF Group N.V. for the year 2008 will be about MEUR 2,800.

In connection with transaction, on 22 October 2007 PPF Col B.V. signed 7 years committed MEUR 2,100 syndicated loan facility. The syndicated loan has been provided by a group of banks led by Calyon. The pricing is set as applicable EURIBOR + 0.70/0.90 bps and the facility has been available for drawing since January 17, 2008. The loan facility is secured by pledge of PPF Group's 49% share in Generali PPF Holding B.V.

A.5.4. Accounting aspects

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

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

Insurance segment represents a separate major line of business, it meets the definition of discontinued operations and during 2007 until the disposal it meets the definition of Non-current assets held for sale.

Comparative figures relating to discontinued operations for 2006 were restated.

Companies from CZIH Group that provide insurance business and are disclosed as discontinued operations and until the disposal as non-current assets held for sale 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. (other)
- ČP DIRECT, a.s. (other)
- ČP INVEST investiční společnost, a.s. (banking)
- CP Strategic Investments B.V. (other)
- PPF Asset Management a.s. (banking)
- První Callin agentura a.s. (other)
- Univerzální správa majetku a.s. (other)

A.5.5. Assets and liabilities held for sale

Assets and liabilities held for sale comprise all assets and liabilities of the CZIH Group and also assets and liabilities of PrivatInvest (LLC), the Ukrainian subsidiary acquired by the Group in November 2007 with a view to sale within one year.

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

IN MEUR	31 DECEMBER 2007
Intangible assets	263
Property, plant and equipment	42
Investment property	20
Financial assets available-for-sale	940
Financial assets held to maturity	79
Financial assets at fair value through profit or loss	3,256
Loans and receivables	913
Non-current assets held for sale	2
Reinsurance assets	50
Deferred tax assets	5
Other assets	8
Prepayments and other income	32
Cash and cash equivalents	112
Total assets held for sale	**5,722**
Insurance liabilities	3,493
Financial liabilities for investment contracts with DPF	1,477
Other liabilities evidenced by paper	19
Financial liabilities at fair value through profit or loss	17
Provisions	101
Payables	208
Deferred tax liabilities	53
Net assets attributable to unit-holders	10
Accruals and deferred income	62
Total liabilities held for sale	**5,440**

Balance sheet tables in the Notes (F.1.–F.20.) contain both held for sale ("HFS") and residual balance ("Not HFS") as of 31 December 2007 to present comparable figures to the previous period.

A.5.6. Discontinued operations

Tables in the Notes (F.21.–F.29.) which contain a detailed breakdown of the income or expenses balances refer to the relevant continuing operations.

The following table shows income and expenses, split between continuing operations, discontinued operations and the total balance.

IN MEUR, FOR THE TWELVE MONTHS ENDED 31 DECEMBER	2007 DISCONTINUED OPERATIONS	2007 CONTINUING OPERATIONS	2006 DISCONTINUED OPERATIONS	2006 CONTINUING OPERATIONS
Insurance premium revenue	1,490	–	1,429	–
Insurance premium ceded to reinsurers	(77)	–	(87)	–
Premium net income	**1,413**	**–**	**1,342**	**–**
Net income from investments in subsidiaries and associates	**–**	**–**	**–**	**–**
Interest and similar income	**130**	**684**	**113**	**472**
Other income from financial assets	**9**	**(7)**	**175**	**11**
Realised gains	78	7	31	6
Reversals of impairment losses on financial assets	2	2	3	2
Loans and receivables	1	2	2	2
Other	1	–	1	–
Dividends from financial assets	10	1	14	1
Net trading income	12	(17)	115	–
Net fair value gains on financial assets at fair value through profit or loss not held for trading	(93)	–	12	2
Income from investment property	**2**	**–**	**9**	**–**
Net fee and commission income and income from service activities	**5**	**66**	**4**	**25**
Fee and commission income	9	107	9	75
Fee and commission expense	(4)	(41)	(5)	(50)
Other income	**69**	**258**	**42**	**166**
Gain on disposal of property, plant, equipment and intangible assets	21	–	6	3
Gain on disposal of discontinued entities	–	–	–	102
Other income	48	258	36	61
Total revenue	**1,628**	**1,001**	**1,685**	**674**
Insurance claims and benefits incurred	(819)	–	(867)	–
Insurance claims and benefits recoverable from reinsurers	22	–	22	–
Insurance technical charges	**(797)**	**–**	**(845)**	**–**
Investment contracts benefits	**(34)**	**–**	**(39)**	**–**

IN MEUR, FOR THE TWELVE MONTHS ENDED 31 DECEMBER	2007 DISCONTINUED OPERATIONS	2007 CONTINUING OPERATIONS	2006 DISCONTINUED OPERATIONS	2006 CONTINUING OPERATIONS
Interest and similar expenses	**–**	**(134)**	**(3)**	**(93)**
Other expenses from financial assets	**(7)**	**(241)**	**(6)**	**(177)**
Realised losses	(4)	–	(2)	–
Financial instruments available-for-sale	(4)	–	(2)	–
Impairment losses on financial assets	(3)	(241)	(4)	(177)
Loans and receivables	(1)	(241)	–	(177)
Other	(2)	–	(4)	–
Expenses from investment property	**(14)**	**–**	**(9)**	**–**
Other operating expenses	**(429)**	**(337)**	**(346)**	**(160)**
Acquisition costs	(260)	(2)	(187)	(2)
General administrative expenses	(184)	(335)	(175)	(158)
Reinsurance commissions and profit participation	15	–	16	–
Other expenses	**(99)**	**(253)**	**(84)**	**(108)**
Amortisation on software and other intangible assets	(22)	(5)	(18)	(3)
Depreciation on property, plant and equipment	(14)	(19)	(18)	(12)
Impairment losses on goodwill	(1)	–	(1)	–
Impairment losses on non-current assets held for sale	–	–	(2)	–
Impairment losses on property, plant, equipment	–	–	(2)	–
Loss on disposal of property, plant, equipment and intangible assets	(4)	(3)	(6)	–
Other expenses	(58)	(226)	(37)	(93)
Amortisation of PVFP	**58**	**–**	**12**	**–**
Total expenses	**(1,322)**	**(965)**	**(1,320)**	**(538)**
Profit from discontinued operations before tax	**306**	**36**	**365**	**136**
Income tax expense	**(74)**	**(24)**	**(87)**	**(26)**
Tax expense related to discontinued operations	(74)	(24)	(87)	(26)
Tax expense related to disposal of discontinued operations	–	–	–	–
Profit after tax	**232**	**12**	**278**	**110**
Change in net assets attributable to unitholders	–	–	(1)	–
Net profit for the period	**232**	**12**	**277**	**110**
Minority interests	–	(1)	–	(1)
Net profit attributable to equity holders	**232**	**11**	**277**	**109**

Discontinued business

Net income from discontinued operations in 2007 was significantly affected by profit from sale of ČSOB shares in amount of MEUR 72 and reversal from impairment losses on PVFP in amount of MEUR 69 (2006: MEUR 23). This impact was mitigated by the situation on financial markets in the second half of 2007.

Continuing business

Net profit from continued operations in 2007 has decreased in comparison with 2006. The decrease is influenced by newly consolidated companies in 2007 which do not make profit yet, and by profit from sale of subsidiaries in 2006.

In 2007 the total revenues from continuing operations contain amount of MEUR 42 representing intercompany revenues of Home Credit & Finance Bank o.o.o. (continuing operations) gaining intermediary commission from Czech Insurance Company, Ltd. (discontinued operations) for obtaining new insurance contracts. This type of cooperation on Russian market heavily grew in 2007. Based on the premise that these commissions will continue to be earned in future, the income is presented in continuing operations notwithstanding the intercompany elimination at Group level. In the consolidated financial statements of the Group the amount is partly eliminated from acquisition expenses (MEUR 13), the rest (MEUR 29) is eliminated from the deferred acquisition costs.

Cash flows from discontinued operations were as follows:

IN MEUR, FOR THE TWELVE MONTHS ENDED 31 DECEMBER	2007	2006
Cash flows from operating activities	185	429
Cash flows from investing activities	(49)	(16)
Cash flows from financing activities	(181)	(609)
Net cash inflow/outflow from discontinued operations	**(45)**	**(196)**

B. Segment reporting

Consolidated balance sheet by business segment as at 31 December

2007, IN MEUR	INSURANCE	BANKING	UNALLOCATED	ELIMINATIONS	TOTAL
Assets					
Intangible assets	–	93	9	–	102
Property, plant and equipment	–	201	75	–	276
Financial assets available-for-sale	–	41	203	–	244
Financial assets at fair value through profit or loss	–	114	–	–	114
Loans and receivables	–	3,247	513	(524)	3,236
Non-current assets held for sale	6,431	16	37	(749)	5,735
Deferred tax assets	–	22	6	–	28
Other assets	–	5	3	–	8
Prepayments and accrued income	–	27	–	(14)	13
Cash and cash equivalents	–	311	144	(134)	321
Total assets	**6,431**	**4,077**	**990**	**(1,421)**	**10,077**
Liabilities					
Other liabilities evidenced by paper	–	1,445	387	(374)	1,458
Financial liabilities at fair value through profit or loss	–	50	–	–	50
Non-current liabilities held for sale	5,496	4	58	(115)	5,443
Liabilities to banks	–	404	449	–	853
Liabilities to non-banks	–	1,544	89	(905)	728
Provisions	–	2	–	–	2
Payables	–	102	8	(10)	100
Deferred tax liabilities	–	1	8	–	9
Accruals and deferred income	–	2	–	–	2
Total liabilities	**5,496**	**3,554**	**999**	**(1,404)**	**8,645**
Shareholders' equity					1,426
Minority interests					6
Total shareholders' equity, minority interests and liabilities					**10,077**

Balances in unallocated segment represent mainly holding companies providing on-lending within the Group and investment interests of these holding companies.

2006, IN MEUR	INSURANCE	BANKING	UNALLOCATED	ELIMINATIONS	TOTAL
Assets					
Intangible assets	160	127	3	–	290
Property, plant and equipment	131	129	3	–	263
Investment property	95	–	–	–	95
Financial assets available-for-sale	220	7	–	–	227
Financial assets held to maturity	74	–	–	–	74
Financial assets at fair value through profit or loss	3,969	89	–	(282)	3,776
Loans and receivables	806	2,261	179	(367)	2,879
Reinsurance assets	86	–	–	(30)	56
Deferred tax assets	4	24	15	–	43
Other assets	1	4	13	–	18
Prepayments and accrued income	32	16	–	(2)	46
Cash and cash equivalents	157	245	47	(39)	410
Total assets	**5,735**	**2,902**	**260**	**(720)**	**8,177**
Liabilities					
Insurance liabilities	3,393	–	–	(65)	3,328
Financial liabilities for investment contracts with DPF	1,176	–	–	–	1,176
Subordinated liabilities	–	10	–	(10)	–
Other liabilities evidenced by paper	–	1,254	–	(299)	955
Financial liabilities at fair value through profit or loss	15	28	–	–	43
Liabilities to banks	10	251	–	(10)	251
Liabilities to non-banks	–	876	132	(335)	673
Provisions	95	–	–	–	95
Payables	185	62	38	(15)	270
Deferred tax liabilities	3	12	71	–	86
Net assets attributable to unit-holders	7	–	–	–	7
Accruals and deferred income	56	1	–	(1)	56
Total liabilities	**4,940**	**2,494**	**241**	**(735)**	**6,940**
Shareholders' equity					1,232
Minority interests					4
Total shareholders' equity, minority interests and liabilities					**8,177**

Consolidated income statement by business segment for the year ended 31 December

2007, IN MEUR	BANKING	UNALLOCATED	ELIMINATIONS	TOTAL
Interest and similar income	684	13	(13)	684
Other income from financial assets	(7)	–	–	(7)
Net fee and commission income, and income from service activities	80	3	(17)	66
Other income	253	31	(26)	258
Total revenue	**1,010**	**47**	**(56)**	**1,001**
Interest and similar expenses	(166)	(11)	43	(134)
Other expenses from financial assets	(240)	–	(1)	(241)
Acquisition costs and other operating expenses	(342)	(3)	8	(337)
Other expenses	(219)	(57)	23	(253)
Total expenses	**(967)**	**(71)**	**73**	**(965)**
Profit from operations	43	(24)	17	36
Income tax expense	–	(24)	–	(24)
Profit after tax	43	(48)	17	12
Profit from discontinued operations	–	300	(68)	232
Net profit for the year	**43**	**252**	**(51)**	**244**
Attributable to:				
Minority interests	(1)	–	–	(1)
Profit attributable to equity holders	**42**	**252**	**(51)**	**243**

Net income from discontinued operations in column Other and unallocated includes net income from companies mentioned in chapter A.5.5. Commentary to net from different segments is included in A.5.6.

2006, IN MEUR	BANKING	UNALLOCATED	ELIMINATIONS	TOTAL
Interest and similar income	473	4	(5)	472
Other income from financial assets	11	–	–	11
Net fee and commission income, and income from service activities	41	6	(22)	25
Other income	36	59	71	166
Total revenue	**561**	**69**	**44**	**674**
Interest and similar expenses	(109)	(10)	26	(93)
Other expenses from financial assets	(176)	–	(1)	(177)
Acquisition costs and other operating expenses	(180)	(2)	22	(160)
Other expenses	(44)	(57)	(7)	(108)
Total expenses	**(509)**	**(69)**	**40**	**(538)**
Profit from operations	52	–	84	136
Income tax expense	–	(26)	–	(26)
Profit after tax	52	(26)	84	110
Profit from discontinued operations	–	361	(84)	277
Net profit for the year	**52**	**335**	**–**	**387**
Attributable to:				
Minority interests	(1)	–	–	(1)
Profit attributable to equity holders	**51**	**335**	**–**	**386**

The following table shows key figures per business segment:

2007, IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	INSURANCE DISCONTINUED	BANKING	UNALLOCATED	ELIMINATIONS	TOTAL
Capital expenditure	(47)	(115)	(6)	–	(168)
Depreciation and amortisation	(46)	(22)	(2)	–	(70)
Impairment losses recognised	(4)	(242)	–	–	(246)
Reversal of impairment losses	70	2	–	–	72

2006, IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	INSURANCE DISCONTINUED	BANKING	UNALLOCATED	ELIMINATIONS	TOTAL
Capital expenditure	(42)	(124)	(2)	–	(168)
Depreciation and amortisation	(48)	(14)	(2)	–	(64)
Impairment losses recognised	(10)	(177)	–	–	(187)
Reversal of impairment losses	27	2	–	–	29

Segment revenue from sales to external customers and from transactions with other segments is as follows:

2007, IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	INSURANCE DISCONTINUED	BANKING	UNALLOCATED	ELIMINATIONS	TOTAL
External revenues	1,628	946	14	–	2,588
Revenue from transactions with other segments	57	66	34	(157)	–
Total	**1,685**	**1,012**	**48**	**(157)**	**2,588**

2006, IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	INSURANCE DISCONTINUED	BANKING	UNALLOCATED	ELIMINATIONS	TOTAL
External revenues	1,773	545	41	–	2,359
Revenue from transactions with other segments	20	17	28	(65)	–
Total	**1,793**	**562**	**69**	**(65)**	**2,359**

Inter – segment pricing is determined on an arm's length basis.

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

The Group's main business segments is banking. Insurance business is presented as discontinued operation in accordance with IFRS 5 as the Group changed control over this segment to significant influence (49% ownership, see Note A.5.).

Products offered by reported business segments include:

for banking:

- Retail banking

for insurance (discontinued):

- Property and liability
- Motor third party liability
- Traditional life
- Unit linked
- Health
- Supplementary pension insurance
- Investment funds

for unallocated:

- All other operations

Geographical segment

The group operates mainly in the Czech Republic.

The following table shows total assets per geographical segment:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2007	CZECH REPUBLIC	RUSSIA	OTHER	TOTAL
Total assets	6,401	2,704	972	10,077
% share	63.52%	26.83%	9.64%	100.00%

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	CZECH REPUBLIC	RUSSIA	OTHER	TOTAL
Total assets	5,713	1,027	1,437	8,177
% share	69.87%	12.55%	17.58%	100.00%

The following table shows capital expenditures per geographical segment:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2007	CZECH REPUBLIC	RUSSIA	OTHER	TOTAL
Capital expenditures	67	81	20	168
% share	39.65%	47.88%	12.47%	100.00%

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	CZECH REPUBLIC	RUSSIA	OTHER	TOTAL
Capital expenditures	55	112	1	168
% share	32.63%	66.43%	0.94%	100.00%

The following table shows revenues per geographical segment:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2007	CZECH REPUBLIC	RUSSIA	OTHER	TOTAL
Revenues	1,649	741	198	2,588
% share	63.69%	28.65%	7.66%	100.00%

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	CZECH REPUBLIC	RUSSIA	OTHER	TOTAL
Revenues	1,454	363	542	2,359
% share	61.62%	15.38%	23.00%	100.00%

There were no reportable foreign segments with respect to revenue or profitability.

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 2007 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
CZI Holdings N.V.	Netherlands	100.00%	100.00%
Ceska Pojistovna Ukraine Life Insurance	Ukraine	99.80%	99.80%
Česká pojišťovna a.s.	Czech Republic	100.00%	100.00%
Česká poisťovna – Slovensko, a.s.	Slovakia	100.00%	100.00%
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	100.00%	100.00%
CF Commercial Consulting Ltd.	China	100.00%	100.00%
ČP DIRECT, a.s.	Czech Republic	100.00%	100.00%
ČP INVEST investiční společnost, a.s.	Czech Republic	100.00%	100.00%
CP Kazakhstan AO	Kazakhstan	100.00%	100.00%
CP Reinsurance company Ltd.	Cyprus	100.00%	100.00%
CP Strategic Investments B.V.	Netherlands	100.00%	100.00%
ČPI Globálních značek*	Czech Republic	57.14%	57.14%
Czech Insurance Company, Ltd.	Russia	100.00%	100.00%
E-GATE a.s.	Czech Republic	100.00%	100.00%
Eurasia Capital S.A.	Luxembourg	0.00%	99.99%
Eurasia Structured Finance S.A.	Luxembourg	0.00%	99.99%
Favour Ocean Ltd.	Hong Kong	100.00%	100.00%
Financial Innovations LLC	Russia	100.00%	100.00%
Foshan Hengfeng Credit Guarantee Co. Ltd.	China	100.00%	100.00%
Generali PPF Holding B.V.	Netherlands	49.00%	49.00%
Global Credit Bureau LLC (in liquidation)	Russia	100.00%	100.00%
Guangdong Hengfeng Financing Guarantee Co., Ltd.	China	100.00%	100.00%
Guangzhou Yinghuen Economy Energy Equipments Co., Ltd.	China	100.00%	100.00%
HC ASIA N.V.	Netherlands	100.00%	100.00%
HC Finl B.V.	Netherlands	100.00%	100.00%
HC SE	Netherlands	100.00%	100.00%
Home Credit B.V.	Netherlands	100.00%	100.00%
Home Credit a.s.	Czech Republic	100.00%	100.00%
Home Credit Bank OJSC (formerly Lorobank)	Belarus	100.00%	100.00%
HOME CREDIT BANK CJSC (formerly Agrobank Ukraine)	Ukraine	100.00%	100.00%
HOME CREDIT FINANCE LLC (formerly PrivatKredit 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%
Home Credit & Finance Bank o.o.o.	Russia	99.99%	99.99%

COMPANY	COUNTRY OF RESIDENCE	EFFECTIVE PROPORTION OF OWNERSHIP INTEREST	EFFECTIVE PROPORTION OF VOTING INTEREST
Chongqing Home Credit Guaranty Co. Ltd.	China	100.00%	100.00%
INFOBOS LLC	Russia	100.00%	100.00%
Jiangsu Home Credit Guaranty Co. Ltd.	China	100.00%	100.00%
Liaoning Home Credit Guaranty Co. Ltd.	China	100.00%	100.00%
LIKO-Technopolis, o.o.o.	Russia	100.00%	100.00%
Penzijní fond České pojišťovny, a.s.	Czech Republic	100.00%	100.00%
PPF a.s.	Czech Republic	100.00%	100.00%
PPF Asset Management a.s.	Czech Republic	100.00%	100.00%
PPF banka a.s.	Czech Republic	92.96%	92.96%
PPF GATE a.s.	Czech Republic	100.00%	100.00%
PPF Co1 B.V.	Netherlands	100.00%	100.00%
PPF Co2 B.V.	Netherlands	100.00%	100.00%
První Callin agentura a.s.	Czech Republic	100.00%	100.00%
REDLIONE Ltd.	Cyprus	100.00%	100.00%
Russia Finance Corporation B.V.	Netherlands	100.00%	100.00%
Shenzen Xin Chi Commercial Consulting Co. Ltd.	China	100.00%	100.00%
Sichuan Home Credit Guaranty Co. Ltd.	China	100.00%	100.00%
Union Wealth Engineering Ltd.	Hong Kong	100.00%	100.00%
Univerzální správa majetku a.s.	Czech Republic	100.00%	100.00%
Zhejiang Home Credit Guaranty Co. Ltd	China	100.00%	100.00%

* Denotes open-ended mutual fund

On 1 February 2007 the Board of Directors of Česká pojišťovna a.s. approved a plan to merge the subsidiaries CP Reinsurance Company Ltd. and FOX Credit Services Ltd. The plan for the merge was approved by the statutory bodies of both merging companies. On 19 April 2007 the court issued an order approving this merge, the effective date was 26 April 2007.

On 23 March 2007 the Parent company informed its subsidiaries about intention to carry out a merger by acquisition of Home Credit Grand Holding a.s., HC Holding a.s. (the companies ceasing to exist and HCES N.V. (the successor company). The decisive date of the merger was 1 April 2007. The merger was approved by the court and on 17 December 2007 Home Credit Grand Holding a.s. and HC Holding a.s. effectively ceased to exist and at the same moment the successor company changed its legal form into HC SE – Societas Europaea.

C.3. Acquisitions

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 MILLIONS OF EUR)
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 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 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%
Generali PPF Holding B.V.	holding company	8 June 2007	49.00%
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%

The following table shows the companies established by the Group before 2006 which were not consolidated in prior years due to significance but which are consolidated for the first time in 2006 because of their expected significance to the Group in the future:

ACQUIRED COMPANY	DESCRIPTION OF ENTITY	METHOD OF ACCOUNTING FOR COMBINATION	DATE OF FIRST CONSOLIDATION	PERCENTAGE OF OWNER SHIP INTEREST
Home Credit Kazakhstan JSC	providing consumer credits	N/A – established	01. 2006	100.00%

C.4. Disposals

The Parent Company decided to liquidate PPF burzovní společnost a.s. (100% subsidiary), with effect from 1 August 2007. On 7 January 2008 the Parent Company decided to pay out the liquidation value of MEUR 2. This amount is included in the consolidated financial statements under Cash and cash equivalents.

The following Group companies were sold during 2006:

SOLD COMPANY IN MEUR	DESCRIPTION OF ENTITY	EFFECTIVE DATE OF SALE	PERCENTAGE OF OWNERSHIP INTEREST SOLD	BOOK VALUE OF ASSETS SOLD	OF WHICH CASH AND CASH EQUIVA-LENTS	GOODWILL DERECOG-NISED	BOOK VALUE OF LIABILITIES TRANSFERRED	NET PROFIT (LOSS) FROM THE SALE INCLUDED IN CONSOLIDATED 2006 RESULT
AB – CREDIT a.s.	Business and administration consultancy	13 June 2006	100.00%	103	16	–	3	11*
TERMIZO a.s.	Incineration plant	13 June 2006	91.10%	30	–	–	8	–
Euronews a.s.	Publishing	13 June 2006	63.7%	2	1	4	1	(3)
eBanka, a.s.	Banking	24 July 2006	100.00%	653	116	–	609	88
ČP finanční holding a.s.	Marketing and consulting	21 December 2006	100.00%	–	–	–	–	–

* it includes also the profit from the sale of its subsidiary TERMIZO a.s.

On 31 July 2006, the Parent Company decided to wind up ČP finanční servis a.s. (100% subsidiary), with effect from 1 August 2006. As at 31 December 2006 the liquidator has prepared a proposal for settlement of the liquidation of MEUR 3. This amount is included in the consolidated financial statements under Cash and cash equivalents.

Deconsolidation

The Parent Company used to be a major investor in open fund units, however, there has recently been a gradual decline in the Parent Company's participation in these funds (linked with an increase in investments by third parties/retail customers). Since April 2006, the ownership interest has declined significantly for most of the mutual funds and the Group has therefore deconsolidated those mutual funds in which the Group has had no control.

Mutual funds which were deconsolidated:

COMPANY	REGISTERED IN
ČPI Farmacie + biotechniky	Czech Republic
ČPI Korporátních dluhopisů	Czech Republic
ČPI Nové ekonomiky	Czech Republic
ČPI Peněžního trhu	Czech Republic
ČPI Ropy + energetiky	Czech Republic
ČPI Smíšený	Czech Republic
ČPI Státních dluhopisů	Czech Republic

As at the date of deconsolidation, total assets of MEUR 103, net assets attributable to unit-holders of MEUR 70 and total liabilities of MEUR 1 were derecognised.

In addition, the Parent Company participates in 6 new mutual funds (ČPI Zlatý fond, ČPI Nemovitostních akcií, ČPI Zajištění, Garant 90, Fond živé planety, 2. zajištěný fond), however the interest in the funds is insignificant.

D. Significant accounting policies and assumptions

D.1. Significant accounting policies

Since November 2006 the Group has changed prospectively the policy regarding classification of non-trading debt securities. Group companies providing insurance business designate non-trading debt securities primarily as financial assets available for sale.

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; and
- 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 Other income or as Other expenses 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 (see note D.1.6.), deferred acquisition costs (see note D.1.11.), the present value of future profits on an acquired insurance portfolio (D.1.4.2.), inventories (D.1.10.1.) and deferred tax assets (D.1.33.), 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. 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 Group and are based on the performance of a defined pool of assets, the profit or loss of the Group or the achieved investment returns.

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, i.e. within the life assurance provision in the case of insurance contracts or within the guaranteed liability for investment contracts with DPF in the case of investment contracts.

Where no final and binding decision on the amount to be allocated to policyholders has been taken at the balance sheet date a DPF liability for investment or insurance contracts is recognised for the amount of the proposed distribution.

The remaining distributable surplus, which meets the definition of DPF but is not recognised as a DPF liability, is recognised separately as a separate component of equity and is treated as an allocation of profit or loss for the period.

D.1.3.1. Investment contracts with DPF issued by Czech pension funds

The amount of DPF distributed to policyholders of Czech pension funds is assigned according to the Act on Supplementary Pension Insurance; whereby a minimum of 5% of the statutory profit has to be allocated to the Legal Reserve and a maximum of 10% of the statutory profit can be allocated to shareholders; the rest of the profit can be distributed according to the decision of the Annual General Meeting.

The DPF liability for investment contracts is recognised in an amount of 85% of the statutory profit plus 85% of the difference between the retained earnings according to IFRS and the retained earnings according to Czech Accounting Standards (in the case of a positive difference). The remainder of the profit for the year is allocated to the DPF component of equity.

D.1.4. Intangible assets

D.1.4.1. Goodwill and negative goodwill

The Group accounts for all business combinations, except business combinations determined to be reorganisations involving group companies under common control (see note 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 reassessed 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.1.4.2. Present value of future profits

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

PVFP is amortised and the discount unwound on a systematic basis over the anticipated lives of the relevant contracts. The carrying value of PVFP is assessed annually as part of the liability adequacy test. Any deficiencies in excess of the additional provisions established are charged to the income statement.

D.1.4.3. Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill 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 depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and a residual value is reassessed at the time a technical improvement is 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.1.5. 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.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

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.1.6. 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 one of the Group companies specialising in real estate management and valuation based on reliable estimates of future cash flows, discounted at rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows, and supported by evidence of current prices or rents for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the lease term.

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

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

D.1.7. 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.1.7.1. 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 can not 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.1.7.2. 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.1.7.3. 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.1.7.4. 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.1.7.5. 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.1.8. 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.1.9. Reinsurance assets

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

Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Group records an impairment for estimated irrecoverable reinsurance assets, if any.

D.1.10. Other assets

D.1.10.1. 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.1.10.2. Works of art

Works which were acquired to support the arts are disclosed under Other assets. Works of art are initially recognised at acquisition cost. Subsequently, they are not depreciated but are tested for impairment at each reporting date.

D.1.11. 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. General selling expenses and line of business costs as well as commissions for servicing a portfolio are not deferred unless they are primarily related to the acquisition of new business.

In respect of non-life insurance, a proportion of the related acquisition costs are deferred commensurate with the unearned premiums provision. The amount of any deferred acquisition costs is established on a similar basis to that used for unearned premiums for a relevant line of business (product).

The recoverable amount of deferred acquisition costs is assessed at each balance sheet date as part of the liability adequacy test.

Acquisition costs in respect of life insurance contracts and investment contracts with DPF are charged directly to the income statement as incurred.

In case of investment contracts incremental transaction costs directly attributable to the issue of a financial liability carried at amortised cost are deducted from the fair value of the consideration received and included within the effective interest rate calculation.

D.1.12. 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.1.13. Equity

D.1.13.1. 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.1.13.2. 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.1.13.3. 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.1.14. Insurance liabilities

D.1.14.1. 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 using the pro rata temporis method, adjusted to reflect any variation in the incidence of risk during the period covered by the contract. A provision for unearned premiums is created for both life insurance and non-life insurance.

D.1.14.2. Life insurance provision

The life insurance provision comprises the actuarially estimated value of the Group's liabilities under life insurance contracts. The amount of the life insurance provision is calculated as a prospective net premium valuation, taking account of all future liabilities as determined by the policy conditions for each existing contract and including all guaranteed benefits, bonuses already declared and proposed and other expenses and after deducting the actuarial value of future premiums.

The provision is initially calculated using the same assumptions used for calculating the corresponding premiums and remains unchanged unless a liability inadequacy arises. A liability adequacy test (LAT) is performed at each reporting date by the Group's actuaries using current estimates of the future cash flows under its insurance contracts. If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in the income statement with a corresponding increase in the life insurance provision.

D.1.14.3. 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, including the related internal and external claims settlement expenses as estimated based on historic experience and specific assumptions about future economic conditions.

The provision includes claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

Where benefits resulting from a claim are paid in the form of an annuity, the provision is calculated using recognised actuarial methods.

With the exception of annuities, the Group does not discount its provisions for outstanding claims.

Where applicable, provisions are disclosed net of the prudent estimates for salvage and subrogation recoveries.

The provision for outstanding claims in respect of life insurance policies is included within the life insurance provision.

Whilst the Board of Directors considers that the gross provision for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

D.1.14.4. 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 at the discretion of the Group in terms of their timing and amount and which are based on the performance of a defined pool of assets, the profit or loss of the company or the achieved investment returns. For more details see D.1.3.

D.1.14.5. 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.

The provision for contractual non-discretionary bonuses in non-life business covers future benefits in the form of additional payments to policyholders or reduction of policyholders' payments, as a result of the Group's past performance. This provision is not recognised for those contracts where the future premium is reduced by bonuses resulting from favourable past claims experience not specifically related to the reporting entity. Such reduction of the premium reflects the expected lower future claims, rather than the distribution of past surpluses.

D.1.14.6. 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 Group and do not therefore meet the definition of an insurance contract. Financial liabilities arising

from investment contracts with DPF are accounted for in the same way as insurance contracts with the exception of investment contracts with DPF issued by Czech pension funds (see note D.2.).

D.1.15. Subordinated liabilities

Subordinated liabilities are financial liabilities, for which it has been contracted that in the case of liquidation, bankruptcy, forced settlement or other settlement, the liabilities will be settled only after the claims of other creditors have been discharged.

Subordinated liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently carried at amortised cost. The amortised cost of a sub-ordinated debt is the amount at which the financial liability was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. Amorti-sation/accretion of discounts or premiums and interest are recognised in interest expenses and similar charges.

D.1.16. Other liabilities evidenced by paper

Liabilities evidenced by paper 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.1.17. 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.1.18. Liabilities to banks and non-banks

Liabilities to banks and non-banks are recognised initially at fair value, net of transaction cost, 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.1.19. Provisions

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.1.20. Payables

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.

D.1.21. 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 Group.

Units are initially measured at the exchange amount net of direct transaction costs and are recognised as liabilities. Subsequently, they are measured at the redemption amount that is payable at the balance sheet date if the unit-holder has exercised its right to sell the units back to the issuer. Changes in the redemption value are recognised in the profit or loss for the period.

D.1.22. 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.

Gross premiums comprise all amounts due during the financial year in respect of insurance contracts regardless of whether such amounts may relate in whole or in part to a later financial year. Gross premiums are recognised in respect of contracts meeting the definition of an insurance contract or an investment contract with DPF except for those investment contracts with DPF issued by Czech pension funds (see note D.2.).

For investment contracts without DPF and investment contracts with DPF issued by Czech pension funds no premiums are recorded and amounts collected from policyholders under these contracts are recorded as deposits.

The above amounts do not include the amounts of taxes or charges levied on the premiums.

Premiums are recognised when an unrestricted legal entitlement is established. For contracts where premiums are payable in instalments, such premiums are recognised as written when the instalment becomes due.

Premiums are recognised as earned on a pro rata basis over the policy term via the provision for unearned premiums. For those contracts for which the period of risk differs significantly from the contract period, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

The change in the unearned premium provision is represented by the difference between the balance of the provision for unearned premium at the beginning of the year and the balance at the year-end.

D.1.23. 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. These amounts include annuities, surrenders, additions and releases of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs. Sums recovered on the basis of subrogation or salvage are deducted. Claims paid are recognised at the moment the claim is approved for settlement.

The change in technical provisions represents the change in the provision for claims reported by policyholders, the change in the IBNR provision and the change in other technical provisions.

Bonuses comprise all amounts chargeable for the financial year representing an allocation of surplus or profit arising on the business as a whole or from a section of the business, after deduction of amounts provided in previous years which are no longer required. Rebates are provided in the form of a partial refund of premiums depending on the claims history of the individual contracts.

D.1.24. 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 (for a definition see part D 1.3.) 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.

The change in financial liabilities from investment contracts with DPF issued by pension funds comprises their amortisation.

D.1.25. Interest and similar income and interest and similar expenses

Interest income and interest expenses 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.1.26. Other income and expenses from financial assets

Other income and expenses from financial assets comprise realised and unrealised gains/losses, dividends, impairment losses and net trading income.

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.

Net fair value gains on financial assets and liabilities 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.

Dividends from investments are recorded in "Dividends from investments" once declared and approved by the shareholders' meeting of the respective company.

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.

D.1.27. Income and expenses from investment property

Income and expenses from investment property comprise realised gains/losses triggered by derecognitions, unrealised gains/losses from subsequent measurement at fair value, rental income and other income and expenses related to investment property.

D.1.28. Net fee and commission income and income from service activities

Fee and commission income and income from service activities 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.1.29. Other income and other expenses

D.1.29.1. Construction contracts

Revenue under construction contracts is accounted for when the outcome can reliably be estimated. Contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract taking into account the total costs incurred to date and the estimated profitability for each contract. The state of completion is assessed by reference to the number of kilometres of long distance and

local cable networks constructed as at the year-end as a percentage of the total number of kilometres to be constructed according to the signed contracts. If a loss is expected to be incurred on a contract it is recognised immediately in the income statement.

D.1.29.2. 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.1.29.3. 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.1.29.4. 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.1.30. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts and include direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

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. Deferred acquisition costs represent the proportion of acquisition costs incurred that corresponds to the provision for unearned premiums.

Deferred acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period. Deferred acquisition costs which are not deemed to be recoverable are charged to the income statement.

For life insurance policies and investment contracts with DPF, acquisition costs are charged to the income statement as incurred.

D.1.31. Administrative expenses

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 re-insurance.

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

The general administrative expenses of non-financial sector entities are included within Other expenses.

D.1.32. 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.1.33. Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the 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 utilised. Recognised deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

D.1.34. 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.1.35. 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. The Group regards business segments as its primary segments for the purposes of applying IAS 14.

D.2. Non-uniform accounting policies of subsidiaries

The 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, in contrast to the Group's accounting policy of recognising premium income under such contracts.

D.3. Changes in accounting policies and accounting pronouncements adopted since 1 January 2007

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 2007:

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007).

IFRS 7 introduces new disclosures to improve the information about the financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including a sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and the disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group applies IFRS 7 and the amendment to IAS 1 from the annual period beginning 1 January 2007.

D.4. Group 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 2007 but have not been applied earlier by the Group:

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.

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 recognising 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.

D.5. Principal assumptions used for calculation insurance liabilities

As described in Note A.5.1., since 17 January 2008 the Group has ceased to control any entities providing insurance business. Insurance risk is not managed by the Group.

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. 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. (see G.1.) 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. The Board has established the Asset Liability Committee (ALCO) and the Group Credit Risk Department, which are responsible for developing and monitoring risk management policies in their specified areas. Both bodies report regularly to the Board of Directors on their activities.

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

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 the Group excluding insurance part of the business over which the Group lost control (see A.5.1.). 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 analysis 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.

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 standardised contracts transacted through regulated exchanges (referred to as exchange-traded products) or individually negotiated over-the-counter contracts (referred to as OTC-products). The 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.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 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 authorisation structure for the approval and renewal of credit facilities. Authorisation 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 Group continuously monitors the performance of individual credit exposures both on business units and Group level using number of criteria including delinquency rates, default rates or collection efficiency measures. The Group has an active fraud prevention and detection programme. Credit risk developments are reported by the Group Credit Risk Department to the Board of Directors on regular basis.

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

IN MEUR, AS AT 31 DECEMBER	LOANS AND ADVANCES TO NON-BANKS 2007	2006
Individually impaired		
Gross amount	8	15
Allowance for impairment	(2)	(2)
Carrying amount	**6**	**13**
Collectively impaired		
0–90 days after maturity	2,387	1,396
91–365 days after maturity	211	165
>365 days after maturity	141	76
Gross amount	2,739	1,637
Allowance for impairment	(359)	(230)
Carrying amount	**2,380**	**1,407**
Neither past due nor impaired		
Carrying amount	**215**	**294**
CZIH Group		
Gross amount	n/a	197
Allowance for impairment	n/a	(197)
Carrying amount	n/a	–
Total carrying amount	**2,601**	**1,714**

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 2007	LOANS AND ADVANCES TO BANKS 2006	LOANS AND ADVANCES TO NON-BANKS 2007	LOANS AND ADVANCES TO NON-BANKS 2006
Against individually impaired	–	–	65	126
Property	–	–	1	–
Other	–	–	64	126
Against collectively impaired	–	–	71	49
Against neither past due nor impaired	141	536	440	465
Securities received under reverse repo operations	108	260	22	58
Other	33	276	418	407
Total	**141**	**536**	**576**	**640**

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	2007	2007	2006	2006
Economic concentration				
Financial services	637	14.11%	2,009	29.80%
Public sector	52	1.16%	1,732	25.69%
Information and communication technologies producers	72	1.61%	2	0.03%
Telecom providers	28	0.62%	11	0.17%
Construction	122	2.71%	34	0.51%
Households/Individuals	3,289	72.89%	2,081	30.87%
Other	313	6.91%	872	12.93%
Total	**4,513**	**100.00%**	**6,741**	**100.00%**
Geographic concentration				
Czech Republic	1,351	29.94%	3,759	55.76%
Slovak Republic	224	4.96%	269	4.00%
Russia	2,330	51.63%	1,308	19.41%
Netherlands	19	0.43%	185	2.75%
Cyprus	14	0.31%	44	0.66%
Other EU countries	28	0.63%	887	13.16%
Other	547	12.11%	289	4.27%
Total	**4,513**	**100.00%**	**6,741**	**100.00%**

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 (note F.32.1.) and financial assets except equity securities and reinsurance assets.

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 securitisations. In January 2008 the Group gained syndicated loan facility (see A.3.) significantly influencing its liquidity position. 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.

The following tables show an analysis of the financial assets and liabilities of the Group broken down into their relevant maturity bands based on the remaining periods to repayment. See also note A.5. for impact of Generali transaction on the Group's liquidity.

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
Financial assets at fair value through profit or loss held for trading	3	3	20	41	10	37	114
Debt securities held for trading	–	1	–	41	10	–	52
Equity securities held for trading	–	–	–	–	–	37	37
Positive market values of derivatives	3	2	20	–	–	–	25
Financial assets available for sale	2	19	–	–	–	223	244
Debt securities	2	19	–	–	–	–	21
Equity securities	–	–	–	–	–	223	223
Loans and receivables	611	271	1,190	975	170	19	3,236
Loans and advances to banks	479	56	40	7	–	19	601
Loans and advances to non-banks	125	191	1,147	968	170	–	2,601
Receivables	7	24	3	–	–	–	34
Cash and cash equivalents	321	–	–	–	–	–	321
Total financial assets	**937**	**293**	**1,210**	**1,016**	**180**	**279**	**3,915**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	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
Financial assets at fair value through profit or loss held for trading	42	2	22	35	16	559	676
Debt securities held for trading	20	–	17	23	13	–	73
Equity securities held for trading	–	–	–	–	–	559	559
Positive market values of derivatives	22	2	5	12	3	–	44
Financial assets at fair value through profit or loss not held for trading	10	47	209	1,050	1,321	463	3,100
Debt securities not held for trading	10	47	209	1,050	1,321	1	2,638
Equity securities not held for trading	–	–	–	–	–	462	462
Financial assets available for sale	–	2	–	15	170	40	227
Debt securities	–	2	–	15	170	–	187
Equity securities	–	–	–	–	–	40	40
Financial assets held to maturity	–	–	–	40	34	–	74
Debt securities	–	–	–	40	34	–	74
Loans and receivables	1,183	226	747	641	69	13	2,879
Loans and advances to banks	914	7	1	–	–	6	928
Loans and advances to non-banks	186	140	695	633	60	–	1,714
Receivables	83	79	51	8	9	7	237
Cash and cash equivalents	410	–	–	–	–	–	410
Total financial assets	**1,645**	**277**	**978**	**1,781**	**1,610**	**1,075**	**7,366**

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
Other liabilities evidenced by paper	647	105	340	366	–	–	1,458
Payables	43	16	24	1	–	16	100
Financial liabilities at fair value through profit or loss	29	9	12	–	–	–	50
Negative fair value of derivatives	6	9	12	–	–	–	27
Obligation to deliver securities	23	–	–	–	–	–	23
Liabilities to banks	460	27	319	5	42	–	853
Liabilities to non-banks	596	18	64	42	–	8	728
Total financial liabilities	**1,775**	**175**	**759**	**414**	**42**	**24**	**3,189**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	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
Financial liabilities for investment contracts with DPF	8	19	87	378	684	–	1,176
Guaranteed liability for investment contracts with DPF	8	19	84	368	665	–	1,144
DPF liability for investment contracts	–	–	3	10	19	–	32
Other liabilities evidenced by paper	45	76	52	782	–	–	955
Payables	127	58	67	6	–	12	270
Financial liabilities at fair value through profit or loss	25	4	4	1	9	–	43
Negative fair value of derivatives	14	4	4	1	9	–	32
Obligation to deliver securities	11	–	–	–	–	–	11
Liabilities to banks	52	43	156	–	–	–	251
Liabilities to non-banks	399	57	184	13	–	20	673
Total financial liabilities	**656**	**257**	**550**	**1,180**	**693**	**32**	**3,368**

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 (see note F.4.).

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 2007 would be approximately MEUR 16 higher/lower (the year ended 31 December 2006: MEUR 8). The above sensitivity analysis is based on amortised costs of assets and liabilities.

The tables below summarise the interest rate sensitivity of the Group's financial assets and liabilities at the reporting date. The carrying amounts of interest-rate-sensitive assets and liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they mature or in which the interest rates will next be fixed. To reflect anticipated prepayments, certain asset and liability

categories are included in the table based on 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 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
Financial assets at fair value through profit or loss held for trading	–	16	24	10	17	10	37	114
Debt securities held for trading	6.90%	11	4	10	17	10	–	52
Equity securities held for trading	–	–	–	–	–	–	37	37
Positive fair value of derivatives	–	5	20	–	–	–	–	25
Financial assets available for sale	–	21	–	–	–	–	223	244
Debt securities	4.03%	21	–	–	–	–	–	21
Equity securities	–	–	–	–	–	–	223	223
Loans and receivables	–	1,017	1,125	607	303	165	19	3,236
Loans and advances to banks	4.18%	535	40	7	–	–	19	601
Loans and advances to non-banks	33.59%	451	1,083	600	303	165	(1)	2,601
Receivables	–	31	2	–	–	–	1	34
Cash and cash equivalents	2.15%	321	–	–	–	–	–	321
Total financial assets	**–**	**1,375**	**1,149**	**617**	**320**	**175**	**279**	**3,915**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	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
Financial assets at fair value through profit or loss held for trading	–	54	36	13	9	5	559	676
Debt securities held for trading	4.83%	28	18	13	9	5	–	73
Equity securities held for trading	–	–	–	–	–	–	559	559
Positive fair value of derivatives	–	26	18	–	–	–	–	44
Financial assets at fair value through profit or loss not held for trading	–	158	435	184	690	1,170	463	3,100
Debt securities not held for trading	4.20%	158	435	184	690	1,170	1	2,638
Equity securities not held for trading	–	–	–	–	–	–	462	462
Financial assets available for sale	–	4	1	10	4	168	40	227
Debt securities	3.71%	4	1	10	4	168	–	187
Equity securities	–	–	–	–	–	–	40	40
Financial assets held to maturity	–	–	–	–	40	34	–	74
Debt securities	7.60%	–	–	–	40	34	–	74
Loans and receivables	–	1,497	772	311	245	39	15	2,879
Loans and advances to banks	3.47%	921	1	–	–	–	6	928
Loans and advances to non-banks	35.44%	415	720	310	238	31	–	1,714
Receivables	0.04%	161	51	1	7	8	9	237
Cash and cash equivalents	2.69%	410	–	–	–	–	–	410
Total financial assets		**2,123**	**1,244**	**518**	**988**	**1,416**	**1,077**	**7,366**

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
Other liabilities evidenced by paper	8.30%	951	340	78	89	–	–	1,458
Payables	–	64	20	–	–	–	16	100
Financial liabilities at fair value through profit or loss	2.04%	38	12	–	–	–	–	50
Negative market value of derivatives	–	15	12	–	–	–	–	27
Obligation to deliver securities	4.58%	23	–	–	–	–	–	23
Liabilities to banks	7.04%	490	316	1	4	42	–	853
Liabilities to non-banks	2.19%	614	63	43	–	–	8	728
Total financial liabilities	**–**	**2,157**	**751**	**122**	**93**	**42**	**24**	**3,189**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	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
Financial liabilities for investment contracts with DPF	–	27	87	96	282	684	–	1,176
Guaranteed liability for investment contracts with DPF	0.11%	27	84	93	275	665	–	1,144
DPF liability for investment contracts	–	–	3	3	7	19	–	32
Other liabilities evidenced by paper	7.06%	460	121	373	1	–	–	955
Payables	–	184	67	4	2	–	13	270
Financial liabilities at fair value through profit or loss	–	30	9	4	–	–	–	43
Negative market value of derivatives	–	19	9	4	–	–	–	32
Obligation to deliver securities	3.62%	11	–	–	–	–	–	11
Liabilities to banks	7.15%	95	156	–	–	–	–	251
Liabilities to non-banks	3.89%	457	183	13	–	–	20	673
Total financial liabilities		**1,253**	**623**	**490**	**285**	**684**	**33**	**3,368**

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 Europe and the United States of America. Its exposures are measured mainly in Euros ("EUR"), U.S. Dollars ("USD"), Slovakian Crowns ("SKK") and Russian Rubles ("RUB"). As the functional currency in which the Group presents its consolidated financial statements is CZK, movements in the exchange rates between these currencies and the CZK (and subsequently presented in 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 2007	EUR	USD	SKK	RUB	OTHER	TOTAL
Financial assets at fair value through profit or loss held for trading	9	14	–	5	10	38
Debt securities held for trading	9	10	–	4	2	25
Equity securities held for trading	–	4	–	–	8	12
Positive fair value of derivatives	–	–	–	1	–	1
Financial assets available for sale	232	–	–	–	2	234
Debt securities	–	–	–	–	2	2
Equity securities	232	–	–	–	–	232
Loans and receivables	98	324	126	1,670	180	2,398
Loans and advances to banks	93	155	2	8	26	284
Loans and advances to non-banks	4	169	122	1,640	153	2,088
Receivables	1	–	2	22	1	26
Cash and cash equivalents	24	71	–	182	20	297
Total foreign currency financial assets	**363**	**409**	**126**	**1,857**	**212**	**2,967**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	EUR	USD	SKK	RUB	OTHER	TOTAL
Financial assets at fair value through profit or loss held for trading	101	250	28	36	4	419
Debt securities held for trading	8	20	1	35	–	64
Equity securities held for trading	90	229	27	–	4	350
Positive fair value of derivatives	3	1	–	1	–	5
Financial assets at fair value through profit or loss not held for trading	372	100	76	–	18	566
Debt securities not held for trading	92	44	75	–	17	228
Equity securities not held for trading	280	56	1	–	1	338
Financial assets available for sale	31	13	–	–	–	44
Debt securities	31	8	–	–	–	39
Equity securities	–	5	–	–	–	5
Loans and receivables	13	155	124	941	167	1,400
Loans and advances to banks	10	90	10	8	4	122
Loans and advances to non-banks	2	54	95	915	160	1,226
Receivables	1	11	19	18	3	52
Cash and cash equivalents	15	102	2	89	25	233
Reinsurance assets	–	–	3	–	–	3
Total foreign currency financial assets	**532**	**620**	**233**	**1,066**	**214**	**2,665**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2007	EUR	USD	SKK	RUB	OTHER	TOTAL
Other liabilities evidenced by paper	116	392	–	470	–	978
Payables	6	3	6	18	7	40
Other liabilities	–	–	–	7	–	7
Financial liabilities at fair value through profit or loss	–	–	–	24	–	24
Negative market value of derivatives	–	–	–	24	–	24
Liabilities to banks	682	2	77	–	7	768
Liabilities to non-banks	10	65	–	217	52	344
Total foreign currency financial liabilities	**814**	**462**	**83**	**736**	**66**	**2,161**
Net foreign currency position	**(451)**	**(52)**	**43**	**1,121**	**146**	**806**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	EUR	USD	SKK	RUB	OTHER	TOTAL
Other liabilities evidenced by paper	115	323	–	234	–	672
Payables	3	5	20	20	5	53
Other liabilities	–	–	–	4	1	5
Financial liabilities at fair value through profit or loss	8	–	–	5	–	13
Negative market value of derivatives	8	–	–	5	–	13
Liabilities to banks	–	–	65	156	1	222
Liabilities to non-banks	9	195	–	91	44	339
Total foreign currency financial liabilities	**134**	**525**	**85**	**510**	**51**	**1,305**
Net foreign currency position	**398**	**95**	**148**	**556**	**163**	**1,360**

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	2007	2006
Buy EUR		
Less than three months	385	193
Between three months and one year	504	4
More than one year	–	469
Total	889	666
Sell EUR		
Less than three months	523	373
Between three months and one year	516	9
More than one year	–	480
Total	1,039	862
Buy USD		
Less than three months	580	83
Between three months and one year	357	223
Total	937	306
Sell USD		
Less than three months	449	331
Between three months and one year	557	–
More than one year	–	24
Total	1,006	355
Buy RUB		
Less than three months	5	–
Between three months and one year	7	–
Total	12	–
Sell RUB		
Less than three months	596	199
Between three months and one year	323	223
Total	919	422
Buy SKK		
Less than three months	–	12
Between three months and one year	–	8
Total	–	20
Sell SKK		
Less than three months	9	30
Between three months and one year	30	–
More than one year	–	4
Total	39	34

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Buy other		
Less than three months	–	48
Total	–	48
Sell other		
Less than three months	49	36
Between three months and one year	35	–
Total	84	36

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 authorisation 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. 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 (especially life insurance 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.7. 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 2007 the Group reported supplementary capital adequacy totalling MEUR 436 of capital surplus (MEUR 595 as at 31 December 2006). Capital adequacy of the Group is calculated as regulatory capital eligible according to prudential rules MEUR 1,126 at 31 December 2007 (MEUR 1,125 as at 31 December 2006) minus solvency requirement MEUR 690 at 31 December 2007 (MEUR 530 as at 31 December 2006).

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 163% 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. Intangible assets

Intangible assets comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Goodwill	78	27	101
Software	17	51	66
Present value of future profits from portfolios acquired	–	182	118
Other intangible assets	6	2	2
Customers lists and relationship	1	1	3
Total intangible assets	**102**	**263**	**290**

F.1.1. Goodwill

The following table shows the roll-forward of goodwill (see also note C.3.–4.):

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007 NOT HFS	2006
Balance at 1 January	101	33
Transfer to held for sale	(26)	–
Additions	1	74
Impairment losses and amortisation	–	(1)
Disposals	–	(5)
Other movements	1	–
Net exchange differences	1	–
Balance at 31 December	**78**	**101**

As at 31 December 2007 the balance relates to the acquisition Ukrainian entities – Home Credit Bank CJSC (MEUR 22) and Home Credit Finance LLC (MEUR 53) in 2006.

The recoverable amount of this cash-generating unit was determined as the unit's value in use based on management cash flow projections for the period 2008 to 2010. Key assumptions are those regarding the growth of the local market, expected competition structure and business volumes, yield and loss rates as well as budgeted expenses. The management estimates of the values of key assumptions reflect past experience as well as available market forecasts. The growth rate used to extrapolate cash flow projections beyond 2010 was 11%, the discount rate applied to the cash flow projections was 16%.

F.1.2. Software, other intangible assets and PVFP

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

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2007	SOFTWARE	OTHER INTANGIBLE ASSETS	PVFP FROM PORTFOLIOS ACQUIRED	CUSTOMER LISTS	TOTAL
Cost					
Balance at 1 January	131	4	543	3	681
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	30	6	–	3	39
Accumulated amortisation and impairment losses					
Balance at 1 January	(65)	(1)	(426)	–	(492)
Transfer to held for sale	55	1	422	(1)	477
Amortisation charge for the year	(4)	–	–	(1)	(5)
Disposal	2	–	–	–	2
Net exchange differences	(1)	–	4	–	3
Balance at 31 December	(13)	–	–	(2)	(15)
Total	**17**	**6**	**–**	**1**	**24**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	SOFTWARE	OTHER INTANGIBLE ASSETS	PVFP FROM PORTFOLIOS ACQUIRED	CUSTOMER LISTS	TOTAL
Cost					
Balance at 1 January	117	2	515	–	634
Additions	25	3	–	–	28
Additions from internal development	1	–	–	–	1
Additions from business combination	–	–	–	3	3
Disposal of subsidiaries	(19)	–	–	–	(19)
Disposals	–	(1)	–	–	(1)
Net exchange differences	7	–	28	–	35
Balance at 31 December	131	4	543	3	681
Accumulated amortisation and impairment losses					
Balance at 1 January	(50)	(1)	(415)	–	(466)
Amortisation charge for the year	(21)	–	(13)	–	(34)
Impairment losses recognised	–	–	(1)	–	(1)
Reversal of impairment losses	–	–	24	–	24
Disposal of subsidiaries	11	–	–	–	11
Net exchange differences	(5)	–	(21)	–	(26)
Balance at 31 December	(65)	(1)	(426)	–	(492)
Total	**66**	**3**	**117**	**3**	**189**

PVFP related to acquisition of Česká pojišťovna a.s. and its subsidiaries. PVFP is amortised over the lives of the policies concerned as surpluses are realised or as premiums are earned.

The amortisation charge for the current period is recognised under “Other expenses” in the income statement (discontinued part).

F.2. Property, plant and equipment

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

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2007	LAND AND BUILDINGS	OTHER TANGIBLE ASSETS AND EQUIPMENT	TANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL	OF WHICH LEASES UNDER FINANCE LEASES
Cost					
Balance at 1 January	265	148	11	424	5
Transfer to held for sale	(166)	(110)	(10)	(286)	(3)
Acquisition through business combinations	67	2	–	69	–
Additions	61	30	10	101	1
Disposals	–	(11)	(1)	(12)	(1)
Other movements	–	4	(4)	–	–
Net exchange differences	(4)	10	1	7	–
Balance at 31 December	223	73	7	303	2
Accumulated depreciation and impairment losses					
Balance at 1 January	(68)	(93)	–	(161)	(2)
Transfer to held for sale	67	88	–	155	1
Depreciation charge for the year	(4)	(15)	–	(19)	–
Disposals	–	9	–	9	1
Net exchange differences	–	(10)	(1)	(11)	(1)
Balance at 31 December	(5)	(21)	(1)	(27)	(1)
Carrying amount at 31 December	**218**	**52**	**6**	**276**	**1**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	LAND AND BUILDINGS	OTHER TANGIBLE ASSETS AND EQUIPMENT	TANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL	OF WHICH LEASES UNDER FINANCE LEASES
Cost					
Balance at 1 January	212	169	13	394	4
Acquisition through business combinations	–	4	–	4	–
Additions	100	31	9	140	1
Disposals	(29)	(12)	(3)	(44)	–
Disposals of subsidiaries	(17)	(50)	–	(67)	–
Transfer from/(to) investment property	–	–	(8)	(8)	–
Other movements	(8)	–	(1)	(9)	–
Net exchange differences	7	7	–	14	–
Balance at 31 December	265	149	10	424	5
Accumulated depreciation and impairment losses					
Balance at 1 January	(71)	(98)	–	(169)	(3)
Depreciation charge for the year	(3)	(27)	–	(30)	(1)
Impairment losses recognised	(2)	–	–	(2)	–
Disposals	9	10	–	19	–
Disposals of subsidiaries	3	26	–	29	2
Net exchange differences	(4)	(4)	–	(8)	–
Balance at 31 December	(68)	(93)	–	(161)	(2)
Carrying amount at 31 December	**197**	**56**	**10**	**263**	**3**

F.3. Investment property

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

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007 NOT HFS	2006
Balance at 1 January	95	91
Transfer to assets classified as held for sale	(95)	–
Additions	–	10
Transfer to/from owner occupied property	–	(1)
Proceeds from disposals	–	(9)
Realised gains from investment property	–	2
Realised losses from investment property	–	(3)
Unrealised gains from investment property	–	4
Unrealised losses from investment property	–	(3)
Net exchange differences	–	4
Balance at 31 December	–	**95**

F.4. Financial instruments

Financial instruments comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Financial assets available for sale	244	940	227
Financial assets held to maturity	–	79	74
Financial assets at fair value through profit or loss held for trading	114	516	676
Financial assets at fair value through profit or loss not held for trading	–	2,740	3,100
Loans and receivables	3,236	913	2,879
Total other financial instruments	**3,594**	**5,188**	**6,956**

In 2007 the Company (HFS part of the Group) continued with the process of restructuring its financial assets portfolios in line with its investment strategy which caused the significant increase in this category.

F.4.1. Financial assets available for sale

Financial assets available for sale comprise the following:

IN MEUR AS AT 31 DECEMBER 2007	CARRYING AMOUNT	UNREALISED GAINS/LOSSES RECOGNISED IN EQUITY	FX DIFFERENCES RECOGNISED THROUGH PROFIT AND LOSS	IMPAIRMENT RECOGNISED DIRECTLY IN PROFIT AND LOSS	AMORTISED COST
Bonds	21	–	–	–	21
Government bonds	21	–	–	–	21
Shares	223	–	–	–	223
Equity securities	215	–	–	–	215
Mutual funds investments	8	–	–	–	8
Total	**244**	**–**	**–**	**–**	**244**

The most significant acquisition in this category relates to Nomos Bank. As at 31 December 2007 the Company holds 15.67% stake acquired for MEUR 213. See section G.3.

IN MEUR AS AT 31 DECEMBER 2006	CARRYING AMOUNT	UNREALISED GAINS/LOSSES RECOGNISED IN EQUITY	FX DIFFERENCES RECOGNISED THROUGH PROFIT AND LOSS	IMPAIRMENT RECOGNISED DIRECTLY IN PROFIT AND LOSS	AMORTISED COST
Bonds	187	–	(1)	–	188
Government bonds	177	–	(1)	–	178
Corporate bonds	10	–	–	–	10
Shares	40	22	–	–	18
Equity securities	40	22	–	–	18
Other	–	(3)	–	3	–
Total	**227**	**19**	**(1)**	**3**	**206**

F.4.2. Financial assets available for sale – decomposition with respect of valuation method

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Market price	213	919	186
Net present value of future cash flows	–	12	–
Expected selling price/redemption price	2	–	–
Other	29	9	41
Total	**244**	**940**	**227**

F.4.3. Financial assets held to maturity

Financial assets held to maturity comprise the following:

IN MEUR AS AT 31 DECEMBER 2006	FAIR VALUE	AMORTISED COST	IMPAIRMENT LOSSES	CARRYING AMOUNT
Bonds	84	74	–	74
Government bonds	3	3	–	3
Corporate bonds	81	71	–	71
Total financial assets held to maturity	**84**	**74**	**–**	**74**

F.4.4. Financial assets at fair value through profit or loss held for trading

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

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Bonds	52	–	53
Government bonds	28	–	19
Corporate bonds	23	–	34
Other debt securities	–	–	20
Shares	37	498	559
Equity securities	37	498	559
Positive fair values of derivatives	25	18	44
Total	**114**	**516**	**676**

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 (Not HSF for 2007) are provided in the following tables:

INTEREST RATE DERIVATIVES	NOTIONAL AMOUNT WITH REMAINING LIFE OF				FAIR VALUES
	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	MORE THAN ONE YEAR	ASSETS	LIABILITIES
IN MEUR AS AT 31 DECEMBER 2007					
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	NOTIONAL AMOUNT WITH REMAINING LIFE OF				FAIR VALUES
	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	MORE THAN ONE YEAR	ASSETS	LIABILITIES
IN MEUR AS AT 31 DECEMBER 2007					
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)**

INTEREST RATE DERIVATIVES	NOTIONAL AMOUNT WITH REMAINING LIFE OF				FAIR VALUES
	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	MORE THAN ONE YEAR	ASSETS	LIABILITIES
IN MEUR AS AT 31 DECEMBER 2006					
OTC–products:					
Interest rate swaps	696	459	1,088	10	(13)
Total	**696**	**459**	**1,088**	**10**	**(13)**

CURRENCY DERIVATIVES IN MEUR AS AT 31 DECEMBER 2006	NOTIONAL AMOUNT WITH REMAINING LIFE OF LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	MORE THAN ONE YEAR	FAIR VALUES ASSETS	LIABILITIES
OTC–products:					
Forward exchange contracts	304	271	–	4	(4)
Currency/cross currency swaps	877	106	35	18	(2)
Foreign exchange options (purchase)	41	4	–	–	–
Foreign exchange options (sale)	11	8	–	–	–
Subtotal	**1,233**	**389**	**35**	**22**	**(6)**
Exchange-traded products:					
Foreign exchange futures	45	33	–	–	(1)
Foreign exchange options (sale)	22	–	–	–	–
Total	**1,300**	**422**	**35**	**22**	**(7)**

EQUITY DERIVATIVES IN MEUR AS AT 31 DECEMBER 2006	NOTIONAL AMOUNT WITH REMAINING LIFE OF LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	MORE THAN ONE YEAR	FAIR VALUES ASSETS	LIABILITIES
OTC–products:					
Other equity/index contracts	160	–	–	13	(12)
Total	**160**	**–**	**–**	**13**	**(12)**

OTHER DERIVATIVES IN MEUR AS AT 31 DECEMBER 2006	NOTIONAL AMOUNT WITH REMAINING LIFE OF LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	MORE THAN ONE YEAR	FAIR VALUES ASSETS	LIABILITIES
OTC–products:	–	–	5	–	–
Total	**–**	**–**	**5**	**–**	**–**

All gains and losses on derivative contracts are recognised in the income statement.

F.4.5. Financial assets at fair value through profit or loss not held for trading

Financial assets at fair value through profit or loss not held for trading comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 HFS	2006
Bonds	2,139	2,604
Government bonds	1,105	1,412
Other public-sector bonds	52	58
Corporate bonds	982	1,134
Other debt securities	28	34
Shares	573	455
Equity securities	198	162
Mutual funds investments	375	293
Other	–	7
Total	**2,740**	**3,100**

F.4.6. Financial assets at fair value through profit or loss (held for trading together with not held for trading) – decomposition with respect to valuation method

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Market price	71	2,392	2,850
Net present value of future cash flows	18	445	543
Expected selling price/redemption price	–	401	338
Positive market values of derivatives	25	18	45
Total	**114**	**3,256**	**3,776**

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.4.7. Loans and advances to banks

Loans and advances to banks comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Term deposits at banks	384	454	577
Loans to banks	19	10	24
Loans and advances provided under repo operations	167	234	315
Other	31	–	12
Total loans and advances to banks	**601**	**698**	**928**

The following table shows gross loans and advances to banks and impairment losses thereon:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Loans and advances to banks – performing	601	688	919
Loans and advances to banks – non-performing	–	152	147
Subtotal loans and advances to banks	601	840	1,066
Less impairment losses	–	(142)	(138)
Total loans and advances to banks, net of impairments	**601**	**698**	**928**

F.4.8. Loans and advances to non-banks

Loans and advances to non-banks comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Loans to non-banks including policyholder loans	2,584	–	1,665
Loans and advances provided under repo operations	14	–	43
Other	3	–	6
Total loans and advances to non-banks	**2,601**	**–**	**1,714**

The following table shows gross loans and advances to non-banks and related impairment losses:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Loans and advances to non-banks – performing	2,682	–	1,940
Loans and advances to non-banks – non-performing	280	191	201
Subtotal loans and advances to non-banks	2,962	191	2,141
Less impairment losses	(361)	(191)	(427)
Total loans and advances to non-banks, net of impairments	**2,601**	**–**	**1,714**

F.4.9. Net investment in finance leases

The net investment in finance leases is apportioned as follows:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2006
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	2007 NOT HFS	2006
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	2007 NOT HFS	2006
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.4.10. Receivables

Receivables comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Receivables arising from direct insurance operations	–	199	187
Amounts owed by policyholders	–	197	185
Amount owed by intermediaries	–	2	2
Receivables arising from reinsurance operations	–	25	23
Trade and other receivables	32	57	89
Tax receivables	3	15	6
Subtotal receivables (gross)	35	296	305
Less impairment losses	(1)	(81)	(68)
Total receivables, net of impairments	**34**	**215**	**237**

The sum of loans to banks, loans to non-banks and receivables (not HFS) ties to Loans and receivables in the financial statements.

F.5. Reinsurance assets

Reinsurance assets comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 HFS	2006
Reinsurers' share of insurance liabilities	50	56
Total assets arising from reinsurance contracts	**50**	**56**
Current	26	31
Non-current	24	25
Total	**50**	**56**

F.6. Deferred tax

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

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Net deferred tax asset/(liability) at 1 January	(43)	(36)
Transfer to held for sale	49	–
Deferred tax (expense)/income for the period	20	–
Deferred tax recognised directly in equity	–	1
Additions from business combinations	(6)	–
Disposal of subsidiaries	–	(6)
Net exchange differences	(1)	(2)
Net deferred tax asset/(liability) at 31 December	**19**	**(43)**

The recognised deferred tax assets and liabilities comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 DEFERRED TAX LIABILITIES	2007 DEFERRED TAX ASSETS	2006 DEFERRED TAX LIABILITIES	2006 DEFERRED TAX ASSETS
Intangible assets	(1)	–	(26)	–
Financial assets	–	24	(10)	25
Financial assets at fair value through profit or loss	–	–	(4)	–
Financial assets available-for-sale	–	–	(3)	–
Financial assets held-to-maturity	–	–	(2)	–
Loans and receivables	–	24	(1)	25
Investment property	–	–	–	1
Property, plant and equipment	(21)	–	(21)	–
Other assets	–	–	(1)	–
Prepayments and accrued income	–	11	(1)	7
Insurance liabilities	–	–	(23)	–
Financial liabilities	(2)	1	(2)	3
Other liabilities evidenced by paper	(2)	–	(1)	–
Payables	–	1	–	3
Financial liabilities at fair value through profit or loss	–	–	(1)	–
Other temporary differences	–	7	(2)	–
Value of loss carry-forwards recognised	–	–	–	7
Deferred tax assets/(liabilities)	**(24)**	**43**	**(86)**	**43**
Net deferred tax assets/(liabilities)	**(9)**	**28**	**(86)**	**43**

The following table shows the unrecognised deferred tax assets:

IN MEUR AS AT 31 DECEMBER	2007	2006
Tax effect from unrecognised deductible tax differences	–	2
Tax effect from unused tax losses	14	2
Unrecognised potential deferred tax assets	**14**	**4**

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 utilised, the deferred tax asset is not recognised. The unutilised tax losses can be claimed in the period from 2008 to 2012.

As at 31 December 2007 and 2006 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.6.1. Deferred tax recognised directly in equity

The total deferred tax recognised directly in equity comprises the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007 NOT HFS	2006
Revaluation gain on transfer from property, plant and equipment (other assets) to investment property	–	1
Revaluation gain on available-for-sale securities	–	3
Total	**–**	**4**

F.7. Other assets

Other assets comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Inventories	5	1	4
Other assets	3	7	6
Total other assets	**8**	**8**	**10**

F.8. Prepayments and accrued income

Prepayments and accrued income comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Rental	1	5	5
Prepayments and other deferrals	12	1	18
Deferred acquisition costs	–	26	23
Total prepayments and accrued income	**13**	**32**	**46**

The Group defers only non-life insurance acquisition costs. All deferred acquisition costs are usually to be released within one year.

F.9. Cash and cash equivalents

Cash and cash equivalents comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Cash in hand	25	–	20
Balances with banks payable on demand	256	112	354
Balances with central banks	40	–	36
Total cash and cash equivalents	**321**	**112**	**410**
Amount of cash and cash equivalents not available to be used by the Group	39	–	36

F.10. Capital and reserves

Capital and reserves attributable to equity holders of the Parent Company comprise the following:

IN MEUR AS AT 31 DECEMBER	2007	2006
Issued capital	1	1
Share premium	677	677
Undistributable reserves		
Revaluation reserve	(25)	25
Legal and statutory reserves	28	19
Translation reserve	(74)	(67)
Catastrophe and equalisation reserves	30	20
Net profit for the year	243	386
Prior years retained earnings	546	172
Total attributable to equity holders of the Parent Company	1,426	1,233
Attributable to minority interests	6	4
Total equity	**1,432**	**1,237**

Capital and reserves represent the residual interest in the net assets of the Group after deducting all of its liabilities and minority interests.

F.10.1. Issued capital

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

The following table provides details of authorised and issued shares:

	2007	2006
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	10

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

		ORDINARY SHARES
	2007 NOT HFS	2006
Balance at 1 January	66,738	66,738
Balance at 31 December	66,738	66,738

As at 31 December 2007 the authorised share capital comprised 250,000 (2006: 250,000) registered shares, out which issued and fully paid 66,738 (2006: 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.10.2. Revaluation reserve

The revaluation reserve represents the revaluation surplus, net of deferred tax, recognised on property transferred from property, plant and equipment to investment property following a change in use of the property and changes in the fair value of financial assets available for sale.

F.10.3. 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.10.4. 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.10.5. Catastrophe and equalisation reserves

Catastrophe and equalisation reserves 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 of a liability under IFRS. They are not available for distribution.

F.11. Minority interests

The interest of minority shareholders are made up as follows: share of current year earnings of MEUR 2 (2006: MEUR 1), other equity components MEUR 3 (2006: MEUR 3).

F.12. Insurance liabilities

The insurance provisions comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 HFS	2006
Provision for unearned premiums (UPR)	255	204
Claims reported by policyholders but not settled (RBNS)	418	395
Claims incurred but not reported (IBNR)	208	192
Life insurance provision	2,593	2,514
Other insurance provisions	19	23
Total insurance provisions	**3,493**	**3,328**

F.13. Financial liabilities for investment contracts with DPF

Financial liabilities for investment contracts with DPF comprise liabilities from contracts that do not meet the definition of insurance contracts and include discretionary participation feature (DPF).

The measurement is the accumulated deposit increased by allocated interest. If future premiums and benefits are contractually agreed, the same measurement as for the Life assurance provision within the Insurance liabilities is applied.

Financial liabilities for investment contracts with DPF comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007 HFS	2006
Guaranteed liability for investment contracts with DPF	1,447	1,144
DPF liability for investment contracts	30	32
Total financial liabilities for investment contracts with DPF	**1,477**	**1,176**

F.14. Other liabilities evidenced by paper

The amortisation of any discount or premium and interest related to other liabilities evidenced by paper are recognised in interest expense and similar charges.

The following table shows the residual maturity of bonds issued by the Group:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2007	TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS
Bonds 2008, rate 9.125%	106	106	–	–	–
Bonds 2008, rate 8.625%	174	174	–	–	–
Bonds 2008, rate 6.8%	247	247	–	–	–
Bonds 2009, rate 5.49%	58	–	58	–	–
Bonds 2010, rate 9.5%	113	–	–	113	–
Bonds 2010, rate 9.25%	78	–	–	78	–
Bonds 2010, rate 9.45%	81	–	–	81	–
Bonds 2011, rate 9.95%	85	–	–	85	–
Deposit bill of exchange 2008, rate 3.75%	28	28	–	–	–
Deposit bill of exchange 2008, rate 3.91%	4	4	–	–	–
Deposit bill of exchange 2008, rate 4.45%	15	15	–	–	–
Deposit bill of exchange 2012, rate 7.4%	97	–	–	97	–
Deposit bill of exchange 2012, rate 10.12%	2	–	–	2	–
Deposit bill of exchange 2014, rate 8.53%	227	–	–	–	227
Deposit bill of exchange 2015, rate 5.5%	133	–	–	–	133
Deposit bill of exchange 2015, rate 5.8%	10	–	–	–	10
Total bonds issued	**1,458**	**574**	**58**	**456**	**370**

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER 2006	TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS
Deposit bill of exchange 2007, rate 3.59%	77	77	–	–	–
Deposit bill of exchange 2012, rate 4.96%	99	–	–	–	99
Deposit bill of exchange 2015, rate 3.66%	163	–	–	–	163
Bonds 2007, rate 4.80%	2	2	–	–	–
Bonds 2008, rate 8.78%	324	–	324	–	–
Bonds 2009, rate 4.97%	56	–	–	56	–
Bonds 2010, rate 8.38%	146	–	–	–	146
Bonds 2011, rate 10.00%	88	–	–	–	88
Total bonds issued	**955**	**79**	**324**	**56**	**496**

F.15. 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	2007 NOT HFS	2007 HFS	2006
Negative fair value of derivatives	27	17	32
Interest rate derivatives	1	5	13
Currency derivatives	26	12	7
Equity derivatives	–	–	12
Obligation to deliver securities	23	–	11
Total liabilities at fair value through profit or loss	**50**	**17**	**43**

F.16. Liabilities to banks

Liabilities to banks comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Repayable on demand	7	–	4
Bank loans	846	–	247
Total liabilities to banks	**853**	**–**	**251**

At the end of 2007 PPF Col B.V. (a company holding whole insurance group) obtained a short term pre-competition bridge facility ("Generali Loan Facility") from Generali in the amount of MEUR 600. The Generali Loan Facility monetises a portion of the purchase price due from Generali resulting from the Generali transaction (see A.5.1.). Under an intercompany facility agreement PPF Col B.V. on-lent the proceeds from Generali Loan Facility of MEUR 400 to PPF Co2 B.V. and PPF Co2 B.V. on-lent it further to the Group. The loan was repaid as at 18 January 2008.

Interest arising on liabilities to banks is recognised in interest expense and similar charges.

F.17. Liabilities to non-banks

Liabilities to non-banks comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Customer deposit	479	–	394
With agreed period of notice/with maturity	156	–	151
Loans	91	–	125
Other	2	–	3
Total liabilities to non-banks	**728**	**–**	**673**

The table shows the liabilities to corporate and individual clients of the Group.

F.18. Provisions

Other provisions comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
MTPL deficit	–	88	89
Employee insurance	–	6	5
Other provisions	2	7	1
Total other provisions	**2**	**101**	**95**

Provision for MTPL deficit

In the Czech Republic statutory MTPL insurance was replaced by contractual MTPL insurance on 31 December 1999 (and on 31 December 2001 in the Slovak Republic). All rights and obligations, including the deficit of received premiums to cover the liabilities and costs, arising from statutory MTPL insurance prior to 31 December 1999 (31 December 2001 for the Slovak Republic) were transferred to the Czech and Slovak Bureaux of Insurers (the „Bureaux“).

On 12 October 1999 the Group obtained a licence to write contractual MTPL insurance in the Czech Republic (and on 1 January 2002 in the Slovak Republic) and as a result, the Group became a member of the Bureaux.

Each member of the Bureaux guarantees the appropriate portion of the Bureaux’s liabilities based on the member’s market share for this class of insurance.

The Group based on the information publicly available and also on the information available to members of the Bureaux, created a provision adequate to cover the expenses associated with claims likely to be incurred in relation to these liabilities ceded. However, the final and exact amount of expenses incurred for claims will be known only after several years.

F.19. Payables

Payables comprise the following:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Payables arising out of insurance contracts	–	89	68
Trade payables	43	33	64
Payables arising out of reinsurance operations	–	24	27
Payables arising out of employers liability insurance	–	22	18
Finance lease liabilities	1	1	2
Wages and salaries	14	19	18
Social security and health insurance	2	8	7
Taxes payable	14	5	47
Received advanced payments	–	1	–
Other liabilities	6	2	6
Other	20	4	13
Total payables	**100**	**208**	**270**

F.19.1. Finance lease liabilities

IN MEUR AS AT 31 DECEMBER 2007	PAYMENTS	INTEREST	FINANCE LEASE LIABILITIES
Finance lease liabilities:			
less than one year	1	–	–
between one and five years	–	–	1
Total finance lease liabilities	**1**	**–**	**1**

IN MEUR AS AT 31 DECEMBER 2006	PAYMENTS	INTEREST	FINANCE LEASE LIABILITIES
Finance lease liabilities:			
less than one year	1	–	1
between one and five years	1	–	1
Total finance lease liabilities	**2**	**–**	**2**

F.20. Accruals and deferred income

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2007 HFS	2006
Accrued agent commissions	–	40	40
Accrued salaries and benefits	1	–	1
Uninvoiced supplies	1	19	12
Other	–	3	3
Total accruals and deferred income	**2**	**62**	**56**

F.21. Interest income and similar income

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Financial instruments held to maturity	–	1
Financial instruments at fair value through profit or loss held for trading	5	2
Financial instruments at fair value through profit or loss not held for trading	–	4
Loans and receivables	676	463
Other	3	2
Total interest and similar income	**684**	**472**

F.22. Other income from financial asset

Other income from investments comprises the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Realised gains	7	7
Reversals of impairment losses on financial assets	2	2
Dividends	1	1
Net trading income	(17)	–
Net fair value gains on financial assets and liabilities at fair value through profit or loss not held for trading	–	1
Total other income from investments	**(7)**	**11**

F.22.1. Realised gains

Realised gains comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Financial instruments available for sale	7	–
Other	–	7
Total realised gains	**7**	**7**

F.22.2. Reversals of impairment losses on financial assets

Reversals of impairment losses comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Loans and receivables	2	2
Total reversals of impairment losses on investments	**2**	**2**

F.22.3. Net trading income

Net trading income comprises the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Securities trading	10	1
Equity securities	10	1
FX trading	5	2
Derivatives	(32)	(3)
Total net trading income	**(17)**	**–**

F.22.4. Net fair value gains on financial assets and liabilities at fair value through profit or loss not held for trading

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Fair value losses on financial assets and liabilities at fair value through profit or loss not held for trading	–	3
Equity securities	–	3
Total net fair value gains on financial assets and liabilities at fair value through profit or loss not held for trading	**–**	**3**

F.23. Net fee and commission income and income from service activities

Fee and commission income and income from service activities comprises the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Payments transactions	35	30
Commission income	57	31
Loans arrangement fees	4	3
Other	11	11
Total fee and commission income	**107**	**75**

Fee and commission expenses and expenses related to service activities comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Brokerage fees	(1)	(1)
Payments transactions	(18)	(26)
Commission expense	(14)	(10)
Other	(8)	(13)
Total fee and commission expenses	**(41)**	**(50)**
Total net fee and commission income and income from service activities	**66**	**25**

F.24. Other income

Other income comprises the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Gain on disposal of property, plant, equipment, and intangible assets	–	3
Foreign currency gains	166	–
Recognised income from excess of acquired net fair value over costs (former negative goodwill)	1	–
Income from sale of goods and services	20	31
Penalties and sanctions	60	17
Income from incinerator services	–	1
Income from spa services	9	8
Profit from disposal of subsidiaries and associates	–	102
Other income	2	4
Total other income	**258**	**166**

F.25. Interest and similar charges

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Subordinated liabilities	–	(1)
Other liabilities evidenced by paper	(87)	(62)
Payables	(1)	–
Liabilities to banks	(28)	(16)
Liabilities to non-banks	(17)	(14)
Other	(1)	–
Total interest expense and similar charges	**(134)**	**(93)**

F.26. Other expenses from financial assets

Other expenses from financial assets comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Impairment losses on financial assets	(241)	(177)
Total other expenses from financial assets	**(241)**	**(177)**

F.26.1. Impairment losses on financial assets

Unrealised losses comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Loans and receivables	(241)	(177)
Total impairment losses on financial assets	**(241)**	**(177)**

F.27. Acquisition costs and other operating expenses

Acquisition costs and other operating expenses comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Acquisition costs	(2)	(2)
General administrative expenses	(335)	(158)
Total acquisition costs and other operating expenses	**(337)**	**(160)**

Increase of general administrative expenses mainly due to Home Credit & Finance Bank – increase in salaries, in technology and system costs, increase by building rent and increase in professional services and advertising.

F.27.1. Acquisition costs

Acquisition costs include the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Commissions	(2)	(2)
Total acquisition costs	**(2)**	**(2)**

F.27.2. General administrative expenses

General administrative expenses comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Staff costs	(172)	(80)
Technology and system costs	(41)	(14)
Rental, maintenance and repair expense	(32)	(14)
Advertising	(12)	(12)
Professional services	(12)	(4)
Taxes other than income tax	(13)	(5)
Other	(53)	(30)
Total general administrative expenses	**(335)**	**(159)**

F.27.2.1. Staff costs

The following table shows details of staff costs:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Wages and salaries	(163)	(79)
Compulsory social security contributions	(21)	(21)
Other	(2)	(1)
Total staff costs	**(186)**	**(102)**

Significant increase of staff cost relates to increase of employees' number mainly in Russia.

Staff costs are included in the sections General administrative expenses and Other expenses.

F.28. Other expenses

Other expenses comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Amortisation on software, customer list and other intangible assets	(5)	(3)
Depreciation on property, plant and equipment	(19)	(12)
Impairment losses	(2)	–
Loss on disposal of property, plant, equipment and intangible assets	(3)	–
Foreign currency losses	(145)	(11)
Staff costs	(14)	(22)
Rental expenses	(1)	–
Expenses from spa services	(3)	(3)
Expenses related to sold HELE products	(21)	(13)
Other sundry expenses	(40)	(44)
Total other expenses	**(253)**	**(108)**

F.28.1. Impairment losses

Impairment losses comprise the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Impairment losses on inventories and other assets recognised	(1)	–
Impairment losses on loans and receivables	(241)	(178)
Total impairment losses	**(242)**	**(178)**

F.28.2. Impairment losses on loans and advances to banks and non-banks, receivables, non-current assets held for sale, inventories and other assets recognised

The table below shows the roll-forward of impairment losses on loans and advances to banks and non-banks, receivables, non-current assets held for sale, inventories and other assets recognised:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Balance at 1 January	(233)	(177)
Impairment losses on loans and advances to banks and non-banks and receivables	(241)	(177)
Impairment losses on inventories and other assets recognised	(1)	–
Reversal of impairment losses on loans and advances and receivables	2	2
Other	(1)	(9)
Write-off impairment losses on disposed assets	95	125
Disposal of subsidiaries	–	5
Impairment losses recognised directly as a reduction of the asset	16	–
Differences due to foreign currency translation	1	(2)
Total impairment losses	**(362)**	**(233)**

Reversal of impairment losses on receivables from direct insurance are recognised in the income statement as an increase in premium written.

F.29. Income tax expense

The income tax expense comprises the following:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Current tax expense	(45)	(35)
Deferred tax expense	21	9
Total income tax expense	**(24)**	**(26)**

F.29.1. Reconciliation of effective tax rate

The following table reconciles the tax expense:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Tax rate	26%	26%
Profit from operations (before taxation)	37	136
Computed taxation using applicable tax rate	(9)	(35)
Tax non-deductible expenses	(14)	(13)
Non-taxable income	–	(1)
Tax rate differences on foreign results	2	27
Tax loss carry forward not recognised	(13)	(2)
Other	10	(2)
Total income tax expense/income	**(24)**	**(26)**

F.30. 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	2007 NOT HFS	2006
Less than one year	21	8
Between one and five years	55	9
More than five years	7	1
Total payables in respect of non-cancellable operating leases	**83**	**18**
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, FOR THE YEAR ENDED 31 DECEMBER	2007 NOT HFS	2006
Minimum lease payments	19	8
Total lease and sublease payments	**19**	**8**

F.31. 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	2007 NOT HFS FAIR VALUE OF UNDERLYING ASSETS	2007 NOT HFS CARRYING AMOUNT OF CORRESPONDING LIABILITIES	2006 FAIR VALUE OF UNDERLYING ASSETS	2006 CARRYING AMOUNT OF CORRESPONDING LIABILITIES
Financial assets at fair value through profit or loss	–	–	1	1
Total assets	**–**	**–**	**1**	**1**

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	2007 NOT HFS FAIR VALUE OF ASSETS RECEIVED AS COLLATERAL	2007 NOT HFS FAIR VALUE OF ASSETS REPLEDGED OR SOLD	2007 NOT HFS CARRYING AMOUNT OF RECEIVABLES	2006 FAIR VALUE OF ASSETS RECEIVED AS COLLATERAL	2006 FAIR VALUE OF ASSETS REPLEDGED OR SOLD	2006 CARRYING AMOUNT OF RECEIVABLES
Loans and advances to banks	108	33	167	260	–	315
Loans and advances to non-banks	22	–	14	58	–	43
Total loans and advances	**130**	**33**	**181**	**318**	**–**	**358**

F.32. Off balance sheet items

F.32.1. 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	2007 NOT HFS	2006
Loan commitments	969	813
Revocable with original maturity less than 1 year	419	205
Other	550	607
Guarantees provided	198	8
Non-payment guarantees	12	–
Non-revocable letters of credit	1	–
Guarantee commitments	6	–
Payment guarantees	179	8
Total commitments and contingent liabilities	**1,167**	**821**

These commitments and contingent liabilities have an off balance-sheet credit risk because only organisation fees and accruals for probable losses are recognised in the 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	2007 NOT HFS	2006
Secured bank loans	76	65
Total secured liabilities	**76**	**65**

The assets pledged as security were as follows:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2006
Investments in subsidiaries, associates and joint ventures	32	–
Debt securities	2	–
Loans and advances to banks	61	–
Loans and advances to non-banks	265	380
Property, plant and equipment	69	–
Other assets	1	–
Total assets pledged as security	**430**	**380**

F.32.2. Other contingencies

F.32.2.1. Legal

The Group is involved through Česká pojišťovna a.s. in 2 court cases with a minority shareholder relating to resolutions of the General Meetings held in 1996 and 2000. As yet, none of these proceedings have been finally resolved although Česká pojišťovna a.s. was successful in first instances and in appellate procedures. Based on past court proceedings, a review of Česká pojišťovna a.s. procedures and legal analyses carried out by external legal counsel, management of both Česká pojišťovna a.s. and the Parent Company believes that it is unlikely any of these cases will be concluded in favour of the plaintiff.

The Group (being sole shareholder of Česká pojišťovna a.s.) is also involved in 8 cases where both the decision of the general meeting of Česká pojišťovna a.s. company adopted in July 2005 approving a squeeze-out of minority shareholders and the adequacy of the consideration paid to such minority shareholders are 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.32.2.2. Taxation

The taxation system in the Russian Federation and Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and 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 the three subsequent calendar years in Russia and five calendar years in Kazakhstan; however, under certain circumstances a tax year may remain open longer. Recent events within those countries suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation and Kazakhstan 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 and Kazakh tax legislation, official pronouncements and court decisions.

F.32.2.3. Participation in nuclear pools

As a member of the Czech and Slovak Nuclear Pools, the Group is jointly and severally liable for the obligations of the pools. This means that in the event that one or more of the other members are unable to meet their obligations to the pool, the Group would take over the uncovered part of this liability, pro rata to its own net retention for the contracts in question. The management does not believe that the risk of another member being unable to meet its obligations to the pool to be material to the financial position of the Group. In addition the potential liability of the Group for any given insured risk is contractually capped at twice the Group's net retention for that risk.

F.32.2.4. Membership in the Czech and Slovak Insurance Bureaux

As a member of both the Czech and Slovak Insurance Bureaux ("the Bureaux") related to MTPL insurance in each country, the Group is committed to guarantee the MTPL liabilities of the Bureaux. For this purpose the Group makes contributions to a guarantee fund for each Bureau based on the relevant Bureau's calculations.

In the event of a fellow member of the Bureau being unable to meet its liabilities arising from MTPL due to insolvency, the Group may be required to make additional contributions to the guarantee fund. The management considers the risk of this to be immaterial to the financial position of the Group.

F.32.2.5. Česká pojišťovna – Litigation

Česká pojišťovna a.s. (CP) is a party to litigation with the National Property Fund of the Czech Republic (the "NPF"), in which the NPF is seeking consideration under an Agreement to Agree, which was entered into by and between CP and the NPF on 8 October 1997. CP's position in the dispute is that the NPF's alleged claim is not valid. Based on the course of the litigation, the information known, and legal analyses carried out to-date, the management of both CP and the Parent Company is of the opinion that the plaintiff will not be successful in this action.

F.32.2.6. Guarantee to CME

In connection with the sale of TV Nova Group, CME and CME BV have entered into a deed of guarantee with PPF a.s. dated 2 May 2005 (the "PPF Guarantee") and a deed of guarantee with PPF Group N.V. dated 2 May 2005 (the "Parent Guarantee"). The PPF Guarantee and the Parent Guarantee have been issued in support of any indemnification claims made against

PPF pursuant to the Framework Agreement dated 13 December 2004. PPF Group and PPF a.s. are liable for indemnification claims arising under the Framework Agreement. In the event indemnification claims exceed MEUR 75, PPF Group will guarantee all indemnification claims from such moment in respect of any amounts then subject to a claim for indemnification.

Management does not believe that the risk of this occurring is material to the financial position of the Group.

F.32.3. Guarantees received

Guarantees received were as follows:

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS	2006
Guarantees – received	250	160
Loan commitments – received	200	212
Value of property received as collateral	441	600
Receivables on shares, bonds and promissory notes	–	16
Total contingent assets	**891**	**988**

F.33. Related parties

F.33.1. Identity of related parties

The Group has a related party relationship with its non-consolidated associates and 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 the Supervisory Board.

F.33.2. 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	2007	2006
Board of Directors of the parent company	0.4	–
Key executive officers	16	9

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 (especially cars and health programmes for managers, and benefits under a Collective Agreement).

F.33.3. Related party transactions

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	2007	2006
Premium income net	–	2
Interest and similar income	–	3
Other income from financial assets	1	–
Net fee commission income, and income from service activities	–	(5)
Other income	–	3
Total revenue	**1**	**3**
Interest and similar expenses	–	(3)
Acquisition costs and other operating expenses	(3)	(4)
Total expenses	**(3)**	**(7)**

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

IN MEUR AS AT 31 DECEMBER	2007	2006
Investments in non-consolidated subsidiaries	7	4
Financial assets at fair value through profit or loss	52	34
Loans and advances to customers	–	1
Total assets	**59**	**39**
Accruals and deferred income	(1)	–
Total liabilities	**(1)**	**–**

F.34. Earnings per share

The next table shows the earnings per share:

IN MEUR, FOR THE YEAR ENDED 31 DECEMBER	2007	2006
Net profit for the year attributable to equity holders of the Parent	243	386
Net profit from continuing operations attributable to equity holders of the Parent Company	11	109
Net profit from discontinued operations	232	277
Weighted average number of shares	66,738	66,738
Basic and Diluted earning per share for profit for the year (EUR)	3,641	5,784
Basic and Diluted earning per share for profit from continuing operations (EUR)	165	1,633
Basic and Diluted earning per share for profit from discontinued operations (EUR)	3,476	4,151

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.35. Fair value of assets and liabilities

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

IN MEUR AS AT 31 DECEMBER	2007 NOT HFS CARRYING AMOUNT	2007 NOT HFS FAIR VALUE	2006 CARRYING AMOUNT	2006 FAIR VALUE
Financial assets at fair value through profit or loss held for trading	114	114	676	676
Debt securities held for trading	52	52	73	73
Equity securities held for trading	37	37	559	559
Positive market values of derivatives	25	25	44	44
Financial assets at fair value through profit or loss not held for trading	–	–	3,100	3,100
Debt securities not held for trading	–	–	2,637	2,637
Equity securities not held for trading	–	–	463	463
Financial assets available-for-sale	244	n/a	227	n/a
Debt securities	21	21	187	187
Equity securities	223	n/a	40	n/a
Financial assets held-to-maturity	–	–	74	84
Debt securities	–	–	74	84
Loans and receivables	3,236	3,236	2,879	2,879
Loans and advances to banks	601	601	928	928
Loans and advances to non-banks	2,601	2,601	1,714	1,714
Receivables	34	34	237	237
Cash and cash equivalents	321	321	410	410
Total financial assets	**3,915**	**n/a**	**7,366**	**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	2007 NOT HFS CARRYING AMOUNT	2007 NOT HFS FAIR VALUE	2006 CARRYING AMOUNT	2006 FAIR VALUE
Financial liabilities for investment contracts with DPF	–	n/a	1,176	n/a
Guaranteed liability for investment contracts with DPF	–	n/a	1,145	n/a
DPF liability for investment contracts	–	n/a	31	n/a
Other liabilities evidenced by paper	1,458	1,457	955	954
Payables	100	100	270	270
Financial liabilities at fair value through profit or loss	50	50	43	43
Negative market values of derivatives	27	27	32	32
Obligation to deliver securities	23	23	11	11
Liabilities to banks	853	853	251	251
Liabilities to non-banks	728	728	673	673
Total financial liabilities	**3,189**	**n/a**	**3,368**	**n/a**

The fair value of guaranteed liability for investment contracts with DPF can not be reliably measured.

F.36. 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.

Assumptions used to calculate insurance liabilities

The Group uses assumptions to calculate insurance liabilities and PVFP. The method of determining those assumptions that have the greatest effect on the measurement of the items in the Group's financial statements.

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

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 see note F.3.

G. Subsequent events

The Group has recognised these important non-adjusting events that have occurred since the balance sheet date up to 29 April 2008:

G.1. Completion of the transaction between PPF Group N.V. and Generali

On 10 July 2007 PPF Group N.V. ("PPF") and Assicurazioni Generali S.p.A. ("Generali") entered into agreement which subject was to combine their insurance and insurance related assets in Central and Eastern Europe by contribution to a newly established holding company Generali PPF Holding.

On 17 January 2008 PPF Group N.V. and Generali signed the closing certificate which confirmed fulfilment of parties' undertakings arising from the agreement. The whole CZI Holdings Group and selected CEE investments from Assicurazioni Generali S.p.A. were contributed to Generali PPF Holding B.V. and finally as of that date Generali PPF Holding B.V. became the associate of PPF Group N.V. (49%) and the subsidiary of Assicurazioni Generali SpA (51%). For more information see A.5.

G.2. PPF Co2 B.V. announced redemption of all of its outstanding Zero Coupon Notes

On 17 January 2008 PPF Co2 B.V. announced redemption of all of its outstanding Zero Coupon Notes ISIN CZ0000000229. The Early Redemption Date has been set to 18 February 2008 and the Early redemption Amount is 92.50% of the nominal amount. The Notes are fully secured by PPF Group N.V. guarantee and total nominal amount is MEUR 423. The Notes are listed on the Official Free Market of the Prague Stock Exchange.

G.3. Purchase of additional share in Nomos Bank

In 2007 the management of the Group changed the strategic intention regarding acquisition of Nomos Bank. Initially it was planned that owners of the Nomos Bank and Home Credit & Finance Bank will combine their businesses by creating a strategic partnership. The Group's recent intention is to act as a significant minority shareholder of Nomos bank and strictly separate this investment from Home Credit activities.

In 2008 as of 14 January Russia Finance Corporation B.V. 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 on 28 April 2008 (upon settlement of these SPAs) Russia Finance Corporation B.V. became shareholder with total 29.92% shareholding in Nomos Bank. On 28 April 2008 Nomos Bank's shareholders general meeting approved further increase of its share capital. It is intention of the Group to participate in such share capital increase.

G.4. Merger of PPF GATE a.s. and E-GATE a.s.

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. will be the successor company and E-GATE a.s. will cease to exist. The effective date of the merger was determined to 1 January 2008.

G.5. Hurricane Emma

At the beginning of March a violent windstorm with hurricane-strength winds (named Emma) moved across almost the whole of the Czech Republic. This natural disaster has resulted in insurance claims with an estimated value of MEUR 15–19.

G.6. Syndicated loan facility

As at 29 April 2008 MEUR 340 is drawn from the syndicated loan facility (see A.5.3.) and MEUR 1,760 remain available for drawing.

G.7. Acting in concert

On 24 April 2008 PPF Group has approved its acting in concert with Generali PPF Holding B.V. (approving the acting in concert one day later) to assert and increase their joint influence on operations in ZENTIVA N.V. PPF Group (through its 100% subsidiary Anthiarose Limited) holds 0.09% share in ZENTIVA N.V., Generali PPF Holding holds (on consolidated basis) 19.14% share in ZENTIVA N.V.

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