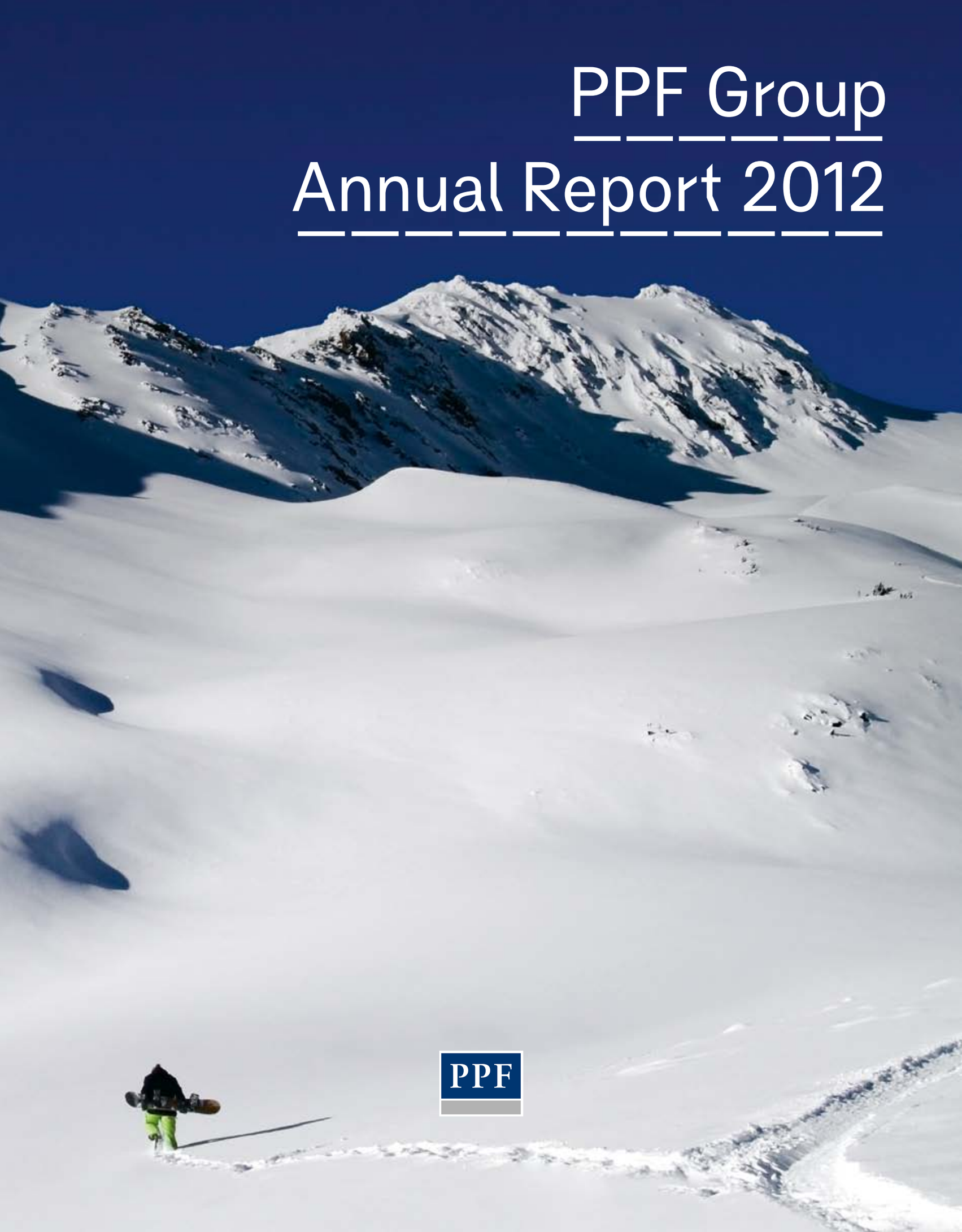
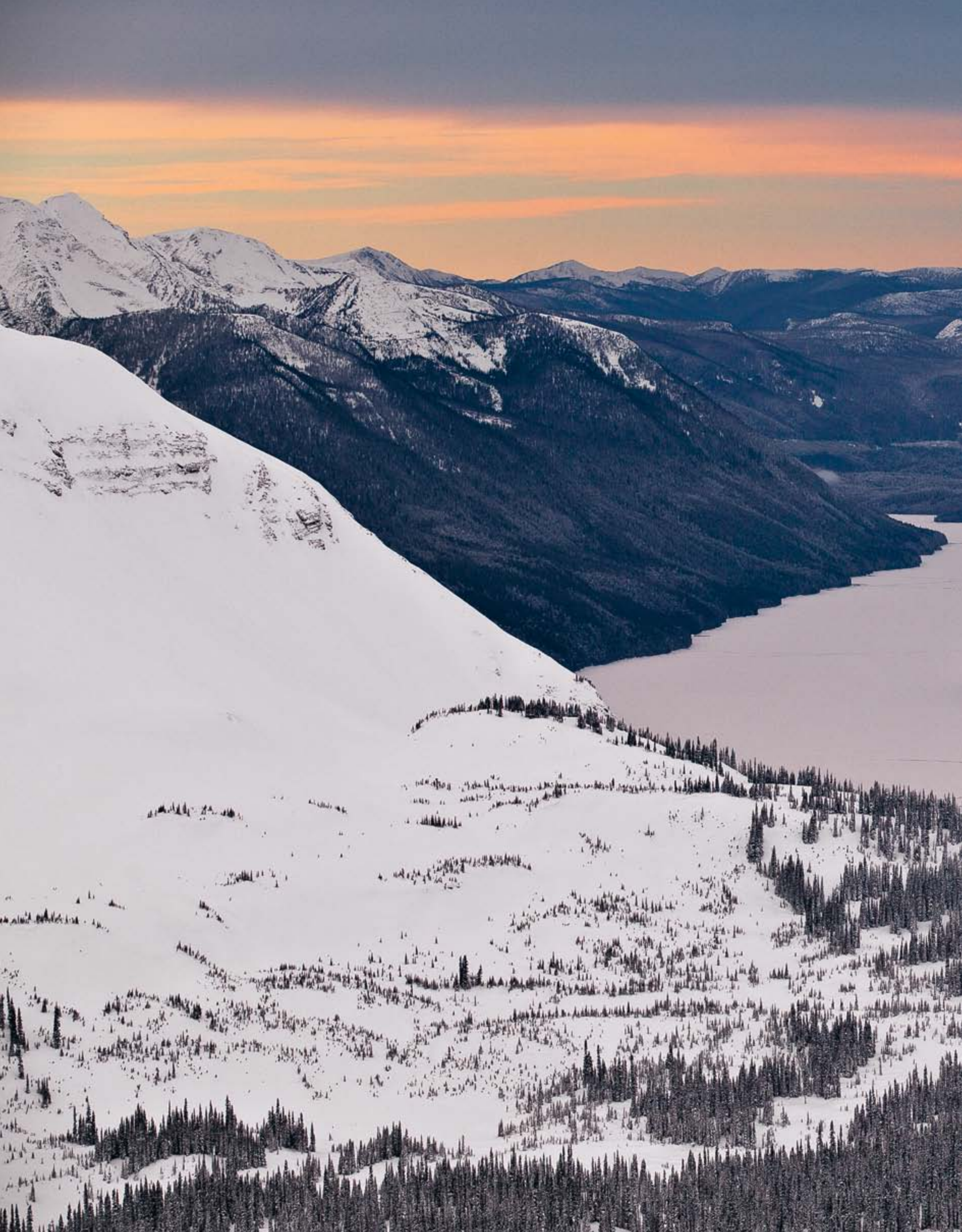
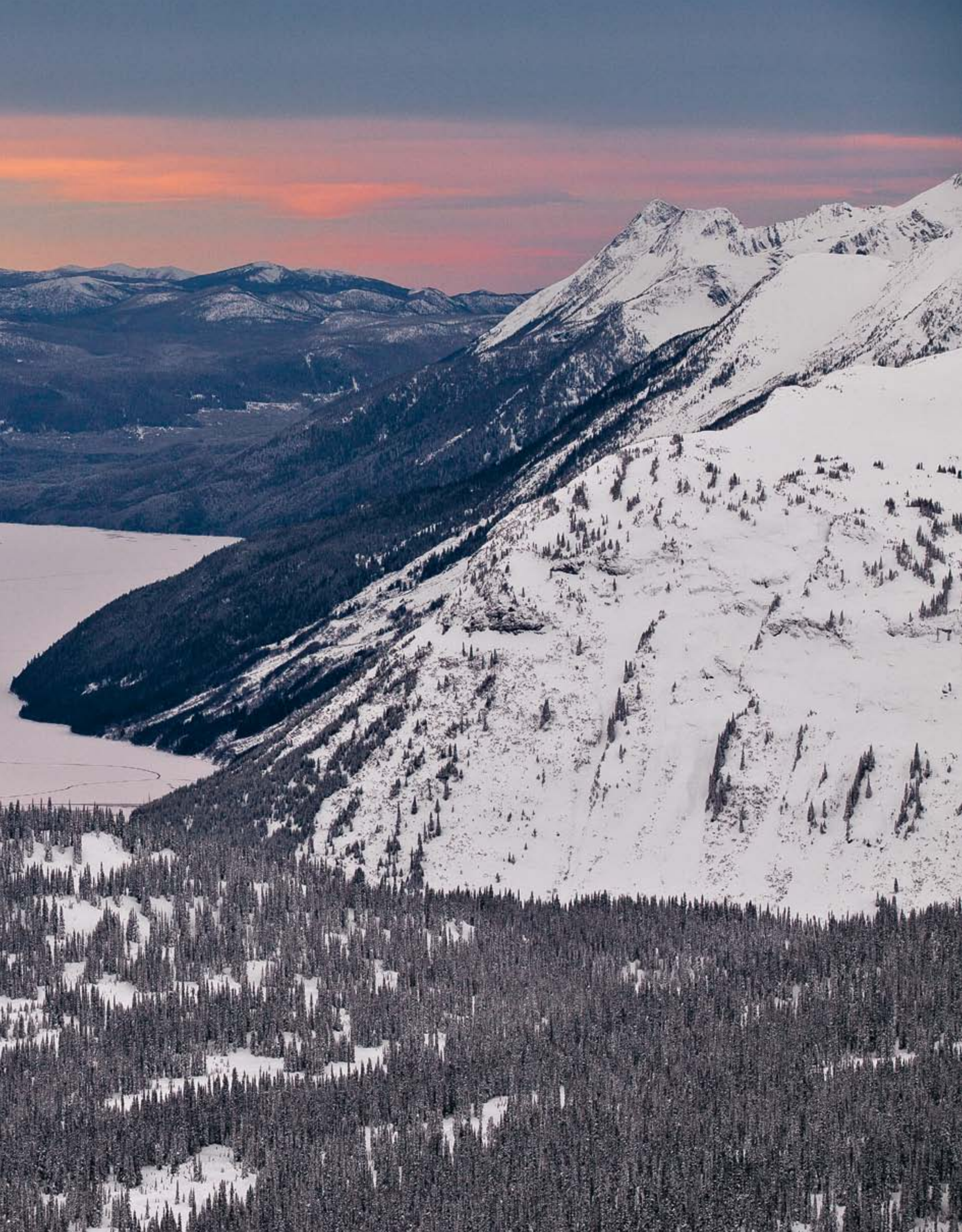
PPF Group
Annual Report 2012



Annual Report 2012





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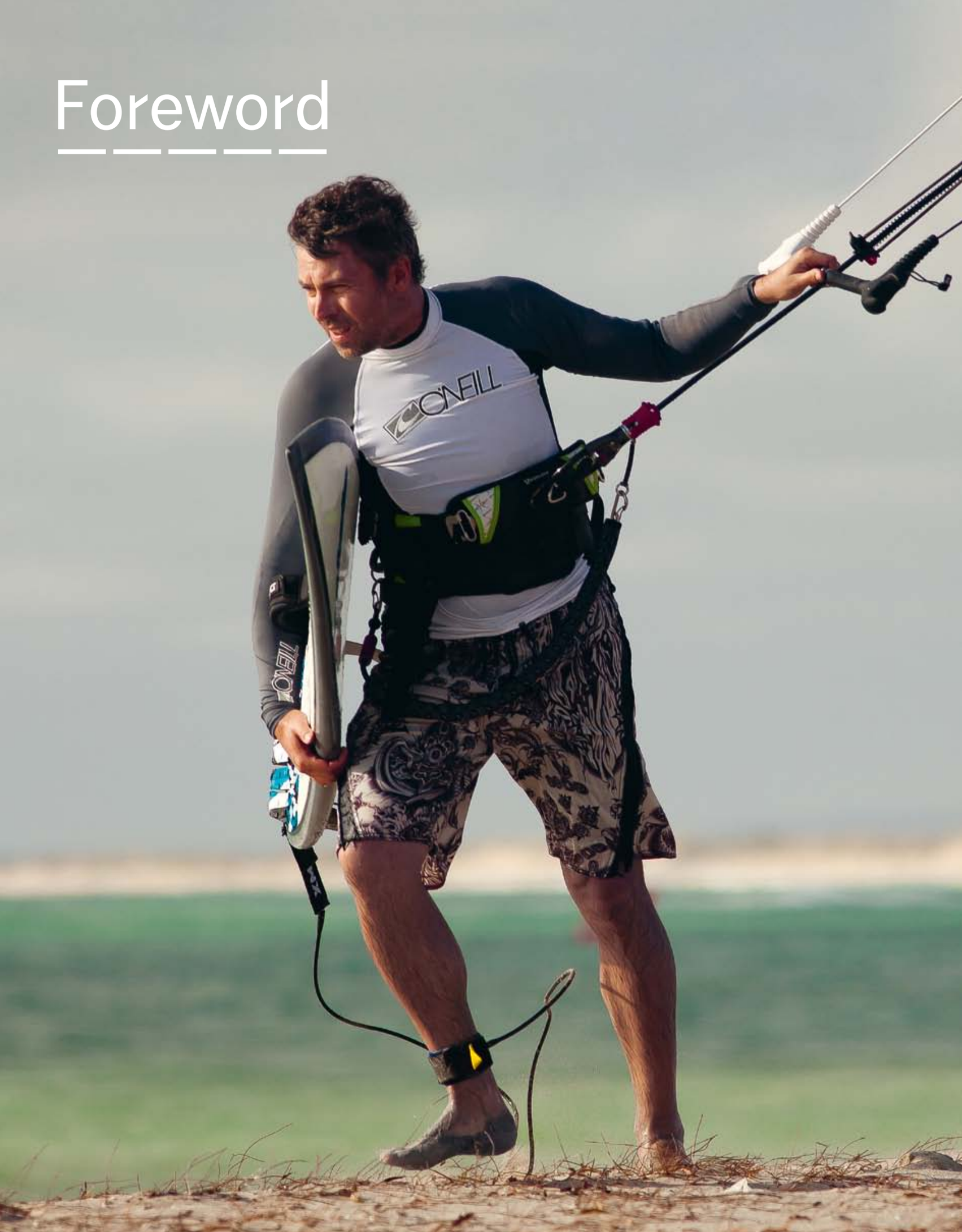
"Measured in figures, the value of our assets grew to EUR 21.5 billion while net profit rose 237% to EUR 727 million. As well as plenty of hard work we have also managed to 'recharge our batteries' for further projects – as pictures in this Annual Report show."

Foreword



Dear friends,

This year, we have gone for a slightly different design concept for the Annual Report compared to previous years: you'll see that this time PPF team members have been photographed during their leisure time. However, this certainly does not mean that we have just been relaxing over the last year. In fact, quite the opposite, since 2012 was a year of significant change for PPF the like, of which we have not seen for a while. It was a year of big deals. We sold our stakes in Nomos-Bank and Sazka and we also reached an agreement about our gradual withdrawal from Generali PPF Holding. We strengthened our investments in energy, as well as entered a new sector: biotech. Last but not least, Jiří Šmejc's position as a shareholder changed when he became PPF's business partner. This move subsequently triggered some personnel changes in order to drive new energy into investment, managerial and financial processes. Indeed, this year has certainly been one of change for PPF.

Nevertheless, we remained very consistent from the geographical point of view of our business. Last year the development of our activities continued predominantly in Central and Eastern Europe, as well as in Asia. The number one market for PPF is still Russia where Home Credit in particular is doing well. We are ranked third in the Russian market for providing retail loans, while in terms of volume of deposits we are in the Top-10 banks. The development of Eldorado, the second largest electronics and domestic appliance retail network in Russia, has also continued. Our stake in Polymetal, which is the first Russian company to be listed in the FTSE Index, brings us stable returns.

Another important milestone of the last year was our decision to sell our stake in Nomos-Bank. The opportunity to sell came at exactly the moment when new investment opportunities had emerged in Russia, mainly in the real estate area. As well as the traditional segments of shopping malls and logistics parks, in which we have been active for a long time, last year we commenced construction of multifunctional office centres. Moscow-based Comcity is our key project: it is to be the future headquarters for one of Russia's largest telecom companies, Rostelecom.

Last year we also started the world-wide consolidation of the European and Asian Home Credit companies under one "roof" with Home Credit B.V. under a new management team headed by Jiří Šmejc. In Asia we continued to focus mainly on the fast-growing Chinese market, which we consider to hold the most potential, but also provide the biggest challenge. We also maintained our development of Home Credit in Vietnam, as well as entering the markets of India, Indonesia and Philippines.

In practice, our gradual withdrawal from the insurance joint-venture with Generali took place in 2012, however, this transaction was officially settled at the beginning of 2013. Negotiations on selling our stake in Generali PPF Holding took quite a long time. This agreement has brought to a close one of the most important phases of PPF's history, which began in the mid-90s with the initial acquisition of a stake in the Czech Insurance Company (Česká pojišťovna) and resulted in PPF entering the new millenium as a part of the insurance elite in the CEE region.

In the Czech Republic, and the rest of Central Europe, 2012 was marked chiefly by the development of energy assets. Alongside our partners in Energy and Industrial Holding (EPH) we came to an agreement about the division of the industrial and energy segments, whereby PPF kept its direct stake only in the energy sector. At the beginning of the year 2013 EPH successfully completed the process of the acquisition of a 49% stake (including managerial control) in the Slovak Gas Company (SPP), which is the largest energy asset in Slovakia and includes the gas distribution system Eustream as a subsidiary. EPH thus entered the pan-European energy market, with ambitions to join the truly international players.

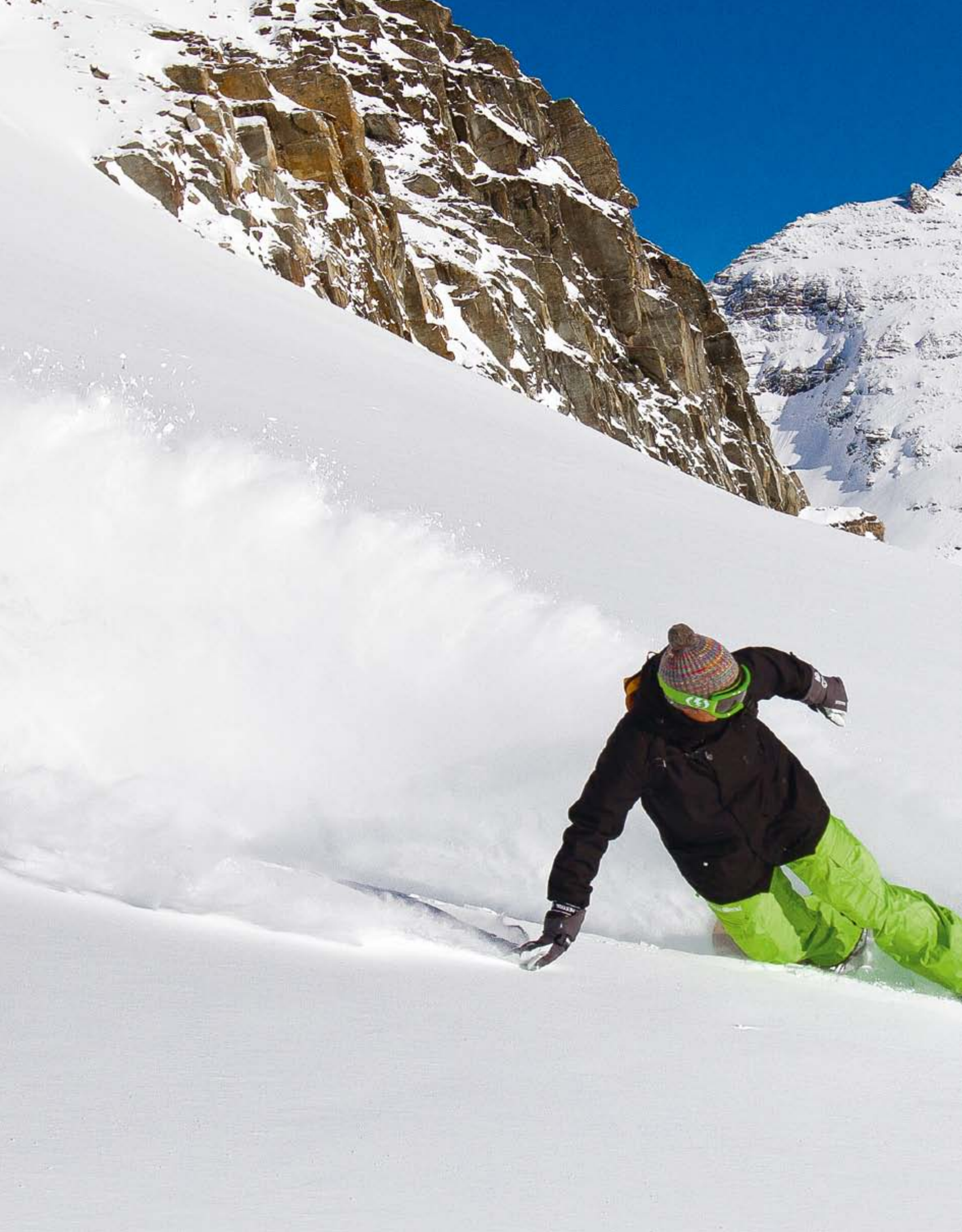
In the Czech market, last year was marked mainly by the sale of our stake in the largest domestic lottery company, Sazka. We managed to re-structure Sazka within a short timeframe, and the realisation of our ambitions for the company came only one year from the takeover as part of the bankruptcy process. Finally, PPF also entered the completely new sector of biotechnology. At SOTIO, a research and development company, we develop modern medical therapies based on dendritic cells. At present the hope is that we are able to succeed in this demanding area over the next couple of years.

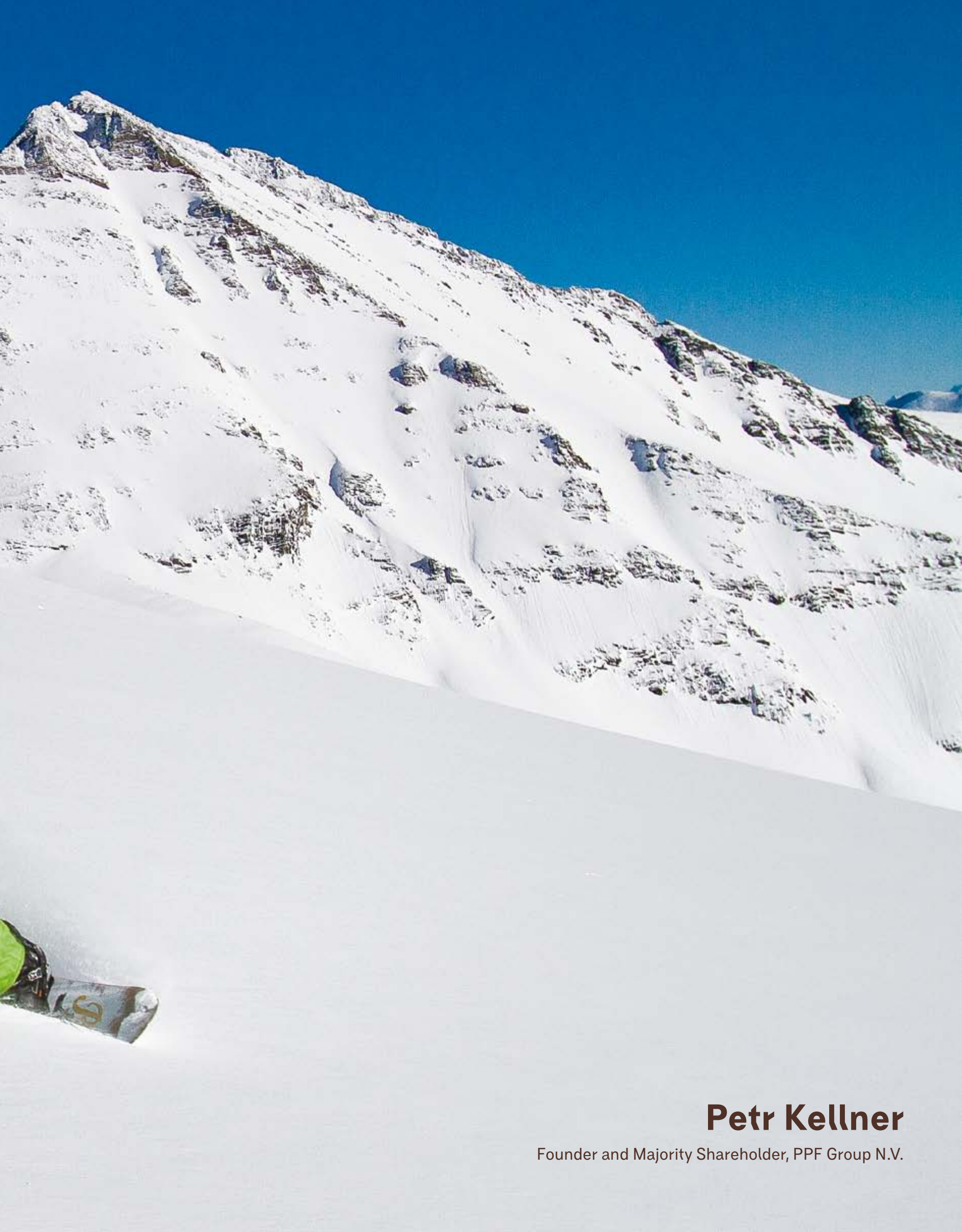
As in previous years, we did not neglect our support of the fine arts through the PPF Art company and our assistance of the Czech educational system through The Kellner Family Foundation. We are constantly pleased by the Open Gate School, which has become a benchmark for high quality education. Open Gate graduates go on to study at prestigious European and U.S. universities.

In summary: as in previous years 2012 was a year of growth for PPF. Measured in exact figures, the value of our assets grew to EUR 21.5 billion while net profit rose 237% to EUR 727 million. We were successful in achieving this despite the fact that the Western world and Europe in particular remains in trouble under the weight of continuing economic recession. As well as plenty of hard work we have also managed from time to time to "recharge our batteries" for further projects – as pictures in this Annual Report show.

This year I would like again to say thank you to all my collaborators, to the tens of thousands of our employees world-wide and naturally to all our business partners, as well as our customers.

Petr Kellner





Petr Kellner

Founder and Majority Shareholder, PPF Group N.V.

PPF Group Profile

PPF Group invests into multiple market sectors such as banking, financial services, insurance, real estate, energy, metal mining, agriculture, retail and biotechnology. PPF Group's reach spans from Central and Eastern Europe to Russia and across Asia. PPF Group owns assets amounting to EUR 21.5 billion (as at 31 December 2012).

The more than 20-year-long history of PPF Group is a tale of discipline, courage, and professionalism of a team led by the Czech founder and majority shareholder of PPF Group N.V., Petr Kellner.

PPF Group's corporate ownership and management structure is situated in the Netherlands: PPF Group N.V. with its registered office in Amsterdam is the key holding company of PPF Group that makes the strategic decisions governing the entire Group's activity.

PPF Group, Selected Highlights

EUR millions, based on IFRS	2012	2011	2010
Assets	21,538	14,357	12,383
Equity	5,327	4,268	4,424
Revenue	5,033	3,659	3,377
Profit after tax	727	216	336

Important Events at PPF Group

2012

January

Home Credit entered the Indian market launching pilot operations in the New Delhi region.

March

PPF Real Estate commenced construction work on its real estate development project in Prague 7 district. A complex of modern office buildings will be built on an attractive site, providing a large leasable area for both office and retail purposes.

April

EPH successfully finalised a syndicated credit facility transaction with a consortium of major Czech and international banks worth EUR 1 billion in order to boost its acquisition and investment activity in Central Europe, the region of EPH's main strategic focus.

May

The sale of Jiří Šmejc's 5.0% in PPF Group N.V. was announced. This change in the ownership structure of PPF Group, which is based on the market valuation of PPF Group N.V. holding's assets, transforms his position from shareholder to becoming the Group's business partner.

July

As a part of the PPF Group shareholders' strategy of consolidating all Home Credit-branded companies operating in different geographies into a single holding entity, Home Credit B.V. acquired HC Asia N.V. (the holding company encompassing the emerging structure of the consumer finance business in Asia) and started to consolidate selected operations in Asia, such as China, India and Indonesia.

August

PPF Group sold its stake in Nomos-Bank. The proceeds from the transaction are to be used by PPF Group for investments into further development of key Group's activities in Russia, especially in the area of consumer finance and real estate, as well as to support expansion in the fast-growing Asian markets.

PPF Group increased its share in EPH to 44.4% in order to strengthen the financial position of this strategic asset and to support its dynamic growth.

October

Jiří Šmejc was appointed Chairman of the Board and CEO of Home Credit B.V., assuming leadership of the company, following an agreement with Petr Kellner, founder and majority shareholder of PPF Group N.V.

PPF Group came to an agreement with KKCG Group, its partner in a leading Czech lottery company SAZKA, sázková kancelář, a.s. to sell its 50% in this joint venture to KKCG. The transaction was then settled in December, 2012.

November

In the real estate sector, PPF Group focused on its own development projects, predominantly in Russia but also in the Czech Republic. Construction works commenced on a major project, which is a large office park in the outskirts of Moscow named Comcity. As of 2014, a large Russian telecoms company, Rostelecom, is to have its headquarters there.

December

SOTIO, a biotech company, became part of PPF Group's portfolio. The administrative process of the transfer of the equity interest was completed towards the end of 2012.

2013

January

PPF Group came to an agreement with Generali Group on selling its 49% stake in the insurance JV Generali PPF Holding (GPH). As part of the deal, PPF Group acquired from GPH a 100% stake in the insurance assets in Russia and other CIS countries.

February

EPH undertook the largest Czech foreign investment ever by acquiring a 49% stake in Slovakia's Slovenský plynárenský priemysel (SPP), along with managing control of the company – for EUR 2.6 billion. SPP is the largest energy asset in Slovakia, and is also a strategic distributor of natural gas from Russia to the EU.

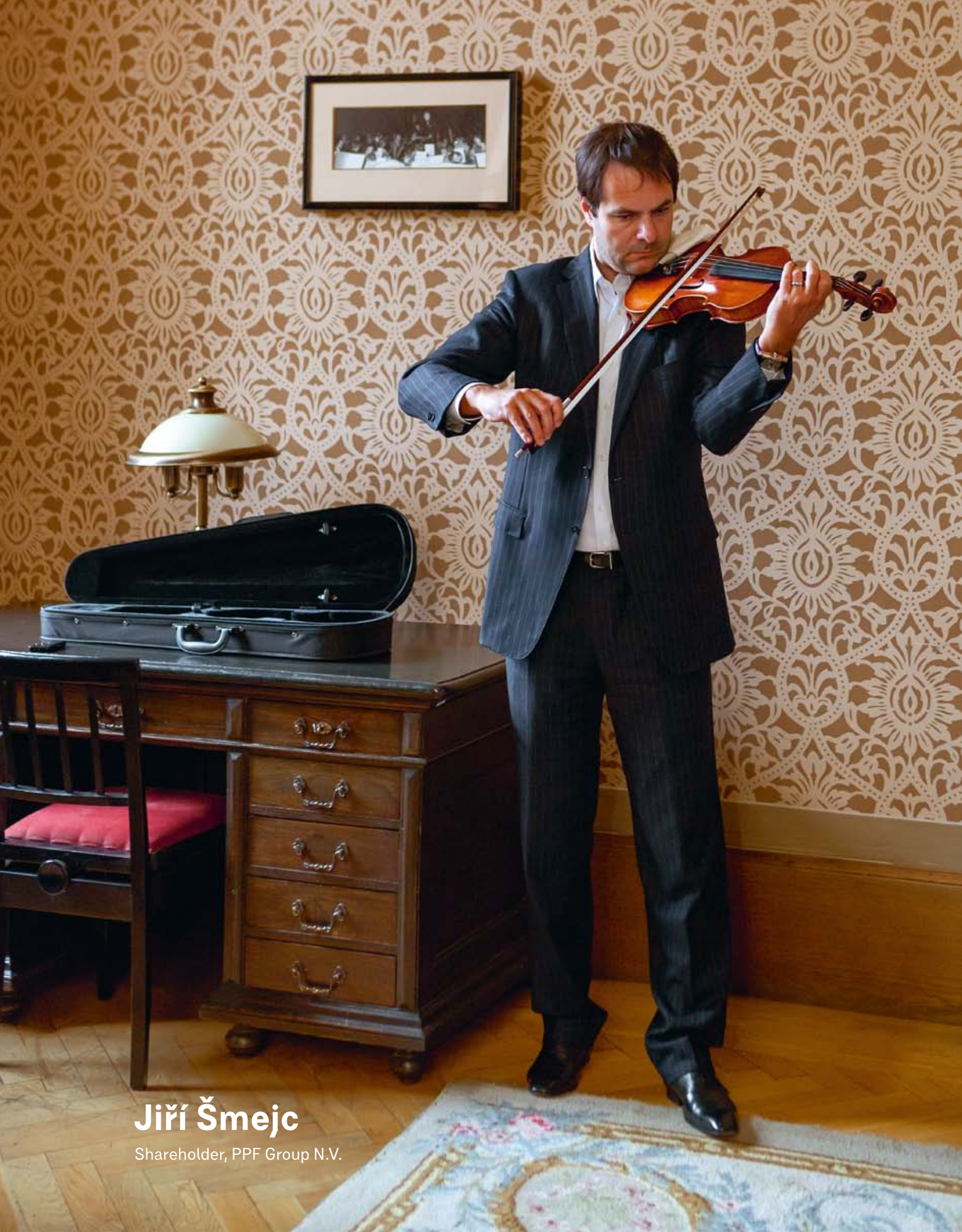
March

The first tranche of the transaction between PPF Group and Generali Group was completed under the terms of the agreement announced on 8 January 2013. Generali Group therefore holds 76% of Generali PPF Holding, taking the full management control of the company. Closing of the second tranche of the acquisition, for the outstanding 24% of GPH, is scheduled around the end of 2014, as previously announced.

The relevant agreements related to the assets division between PPF Group shareholders have been finalised following Jiří Šmejc ceasing to be PPF Group N.V. shareholder. Jiří Šmejc is gaining a direct 13.37% stake in Home Credit B.V., holding company for Home Credit Group operations, as well as in Air Bank a.s. The remaining 86.63% in both companies is owned by PPF Group N.V. All the transfers will come into effect after necessary regulatory approvals are obtained.

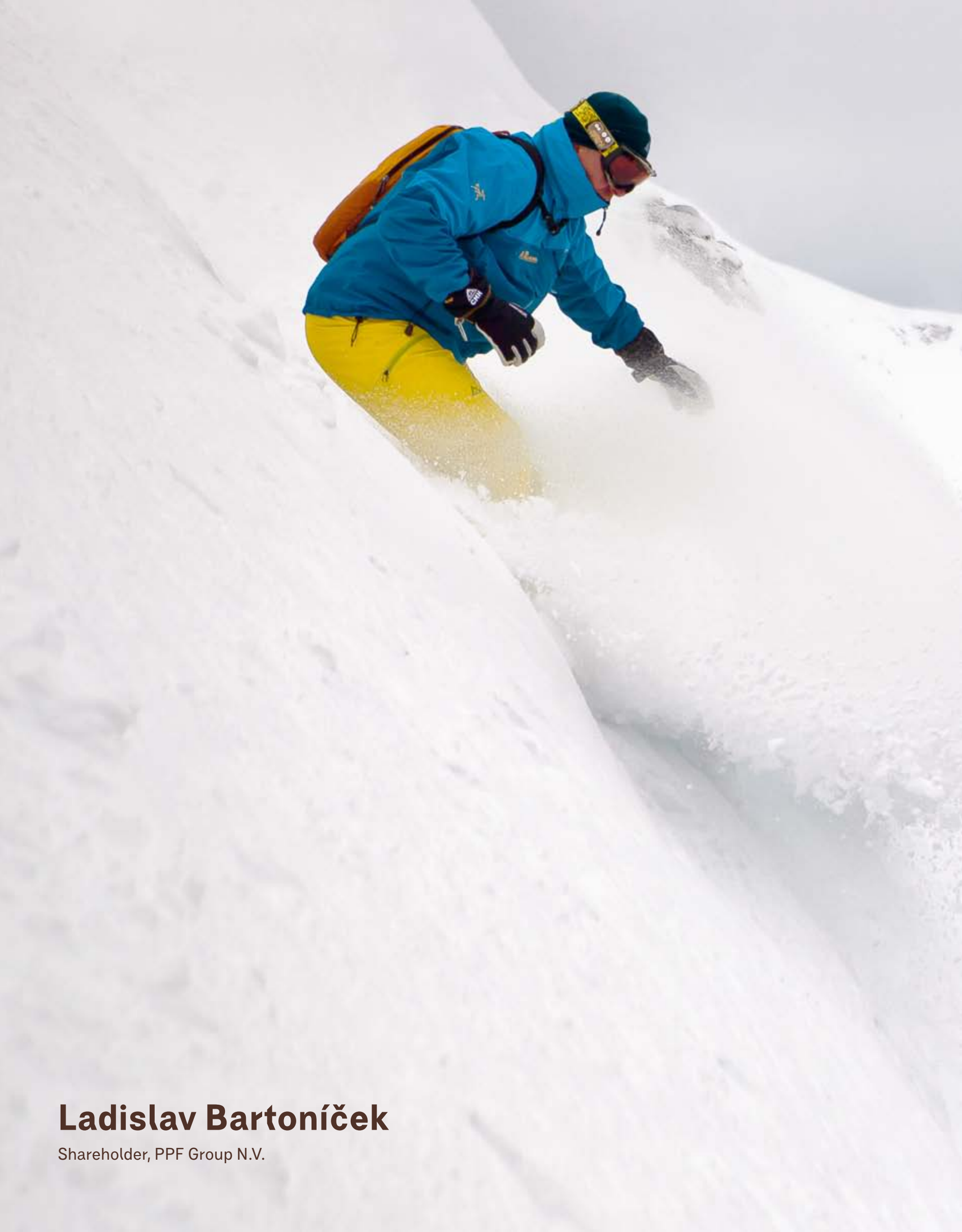
April

Generali PPF Holding companies in the CIS commenced operations under a new name, PPF Insurance, as a result of the settlement of the first stage of the transaction between PPF Group and Generali Group on March 28, 2013.



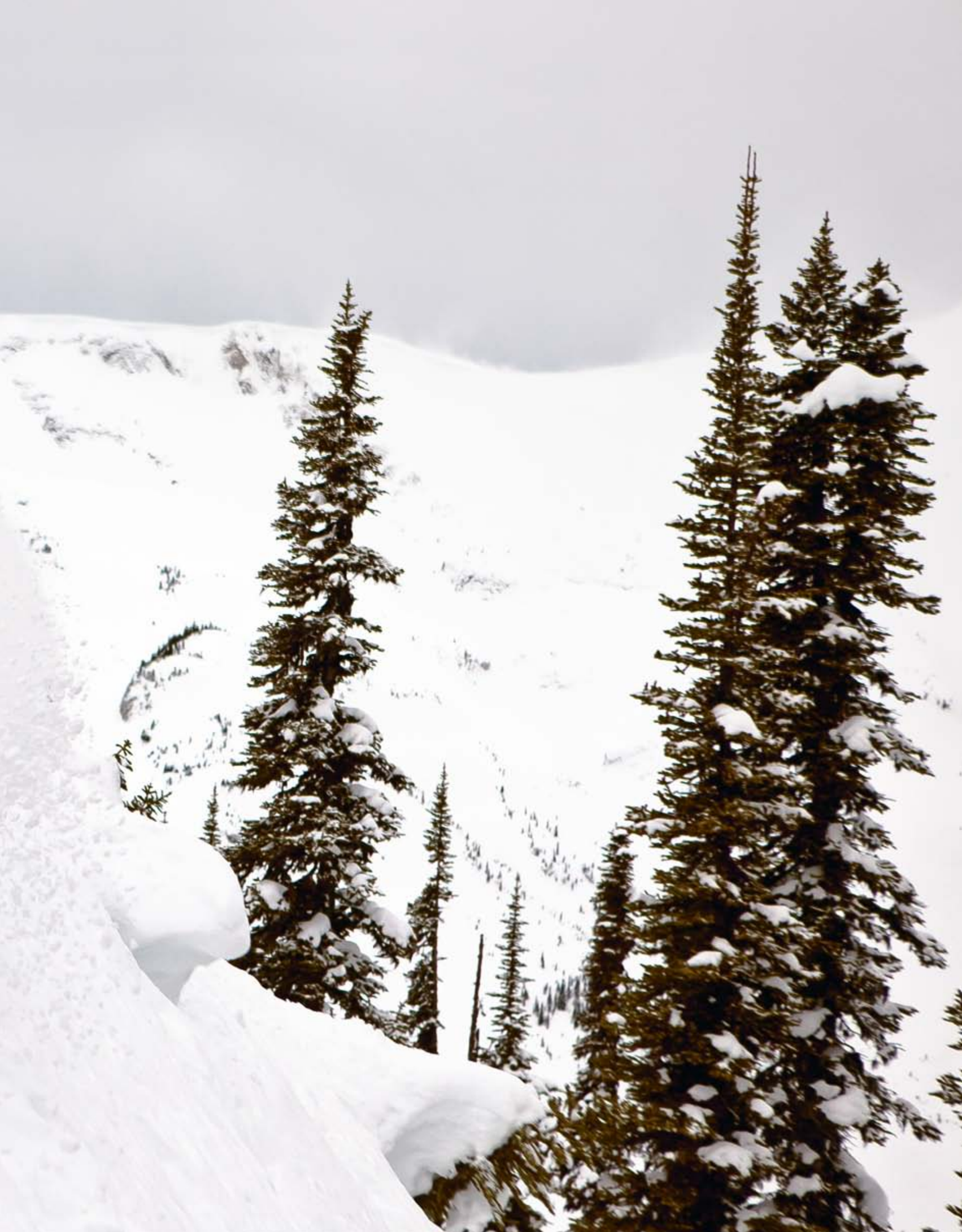
Jiří Šmejc

Shareholder, PPF Group N.V.



Ladislav Bartoníček

Shareholder, PPF Group N.V.



PPF Group Operations

As at 31 December 2012*

Petr Kellner	94.00%
Jiří Šmejc	5.00%
Ladislav Bartoníček	0.50%
Jean-Pascal Duvieusart	0.50%

PPF Group N.V.
Netherlands

Home Credit B.V. (NL)

- Home Credit and Finance Bank (RU)
- Home Credit a.s. (CZ)
- Home Credit Slovakia, a.s. (SK)
- OJSC Home Credit Bank (BY)
- Home Credit International a.s. (CZ)

HC Asia N.V. (NL)

- Home Credit Asia Limited (HK)
- Home Credit India B.V. (NL)
- Home Credit Indonesia B.V. (NL)

Home Credit Consumer Finance (China) Co., Ltd (CN)

PPF Vietnam Finance Company LLC (VN)

PPF banka a.s. (CZ)

Air Bank a.s. (CZ)

PPF Partners Limited (Guernsey)

- PPF Partners 1 GP Limited (GG)

Bavella B.V. (NL)

- RAV Agro LLC (RU)
- RAV Molokoprodukt LLC (RU)

Pearlmoon Limited (CY)

Polymetal International Plc (JE)

PPF Co1 B.V. (NL)

Generali PPF Holding B.V. (NL)

Timeworth Ltd. (CY)

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

Facipero Investments Limited (CY)

LLC Eldorado (RU)

PPF Real Estate Holding B.V. (NL)

PPF Real Estate s.r.o. (CZ)

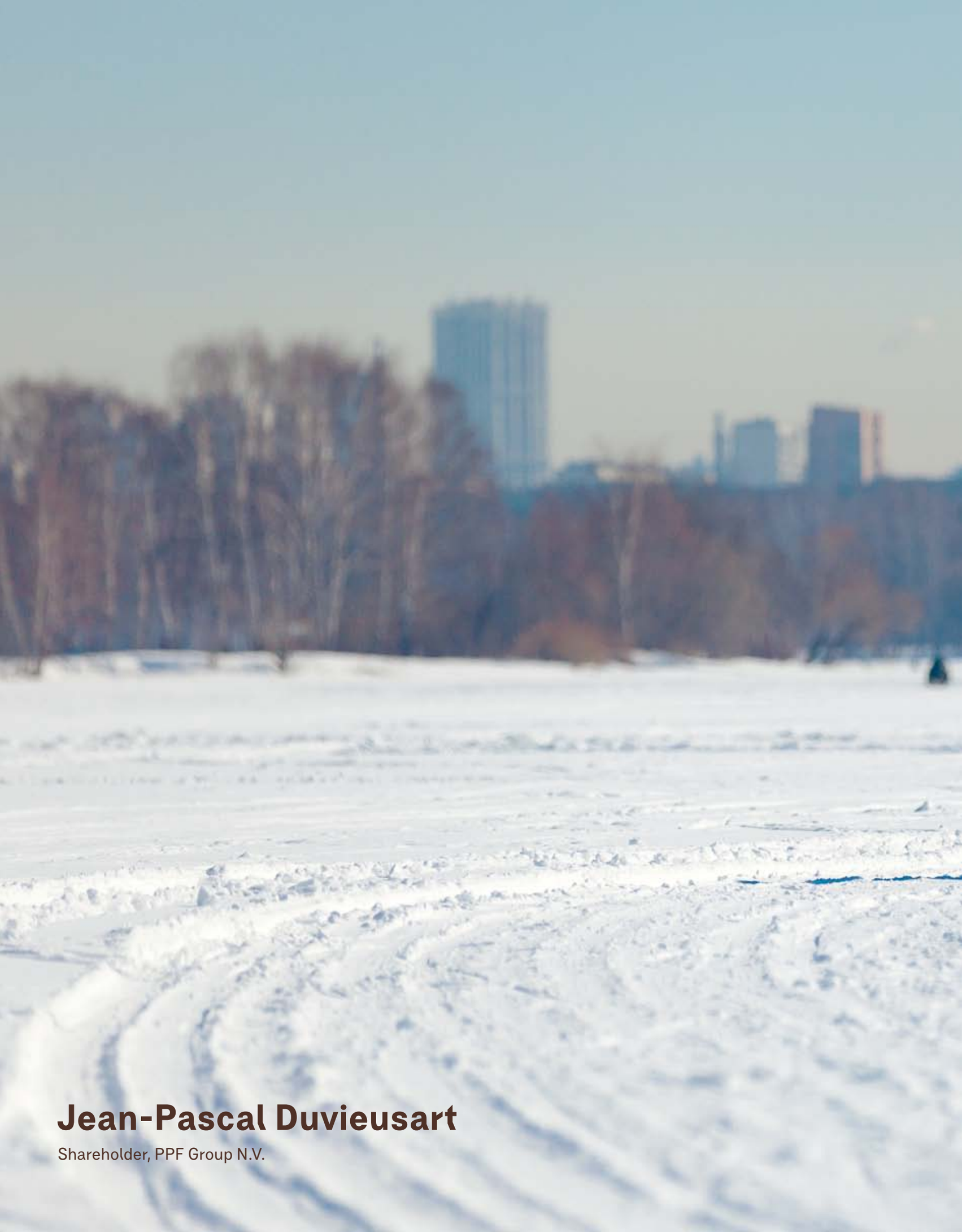
LLC PPF Real Estate Russia (RU)

PPF a.s. (CZ)

PPF Art a.s. (CZ)

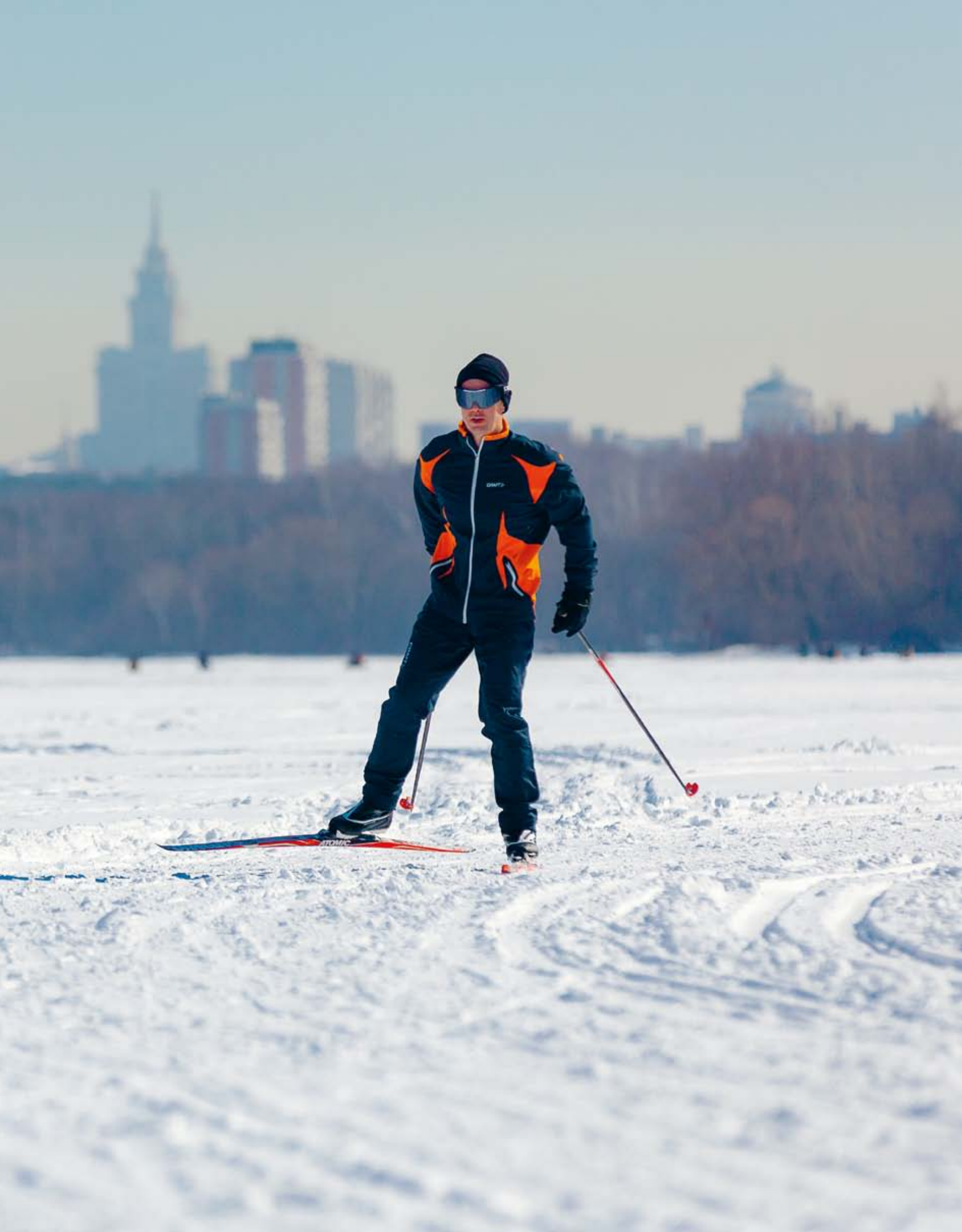
PPF Advisory (Russia) Limited (CY)

* After the settlement of the transaction between PPF Group and Jiří Šmejc, the PPF Group N.V. shareholding will be as follows: Petr Kellner 98.94%, Ladislav Bartoníček 0.53%, Jean-Pascal Duvieusart 0.53%. The settlement is subject to approval from the relevant regulatory authorities.



Jean-Pascal Duvieusart

Shareholder, PPF Group N.V.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Description of the Company

PPF Group N.V.

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

Shareholders

Petr Kellner

Founder and majority shareholder of PPF Group N.V.

Born in 1964; a graduate of the University of Economics, Prague, Faculty of Industrial Economics in 1986. He is one of PPF Group's founders and was Chairman of the Board of Directors of PPF a.s. from January 1998 till March 2007. He was a Member of the Board of Directors of Assicurazioni Generali from April 2007 till March 2013. Petr Kellner oversees the Group's strategic development and its future direction.

Jiří Šmejc

Shareholder of PPF Group N.V.*

Born in 1971; a graduate of the Charles University in Prague, Faculty of Mathematics and Physics with a specialisation in Mathematical Economics. He started his own investment business in 1992 and became Managing Director and CEO of PUPP Consulting s.r.o. in 1993. In 1995 he worked as Sales Manager for Middle Europe Finance s.r.o., a securities trader focusing on acquisitions. Until the end of 2004 he was a 34% owner of TV NOVA Group. He joined PPF Group in 2004 and became a shareholder in 2005.

* Following the announced settlement of the transaction between PPF Group and Jiří Šmejc on March 29, 2013, which is subject to approval of relevant regulators, Jiří Šmejc is to acquire direct stakes in particular PPF Group's assets and is to leave the position of PPF Group N.V. shareholder.

Ladislav Bartoníček

Shareholder of PPF Group N.V.

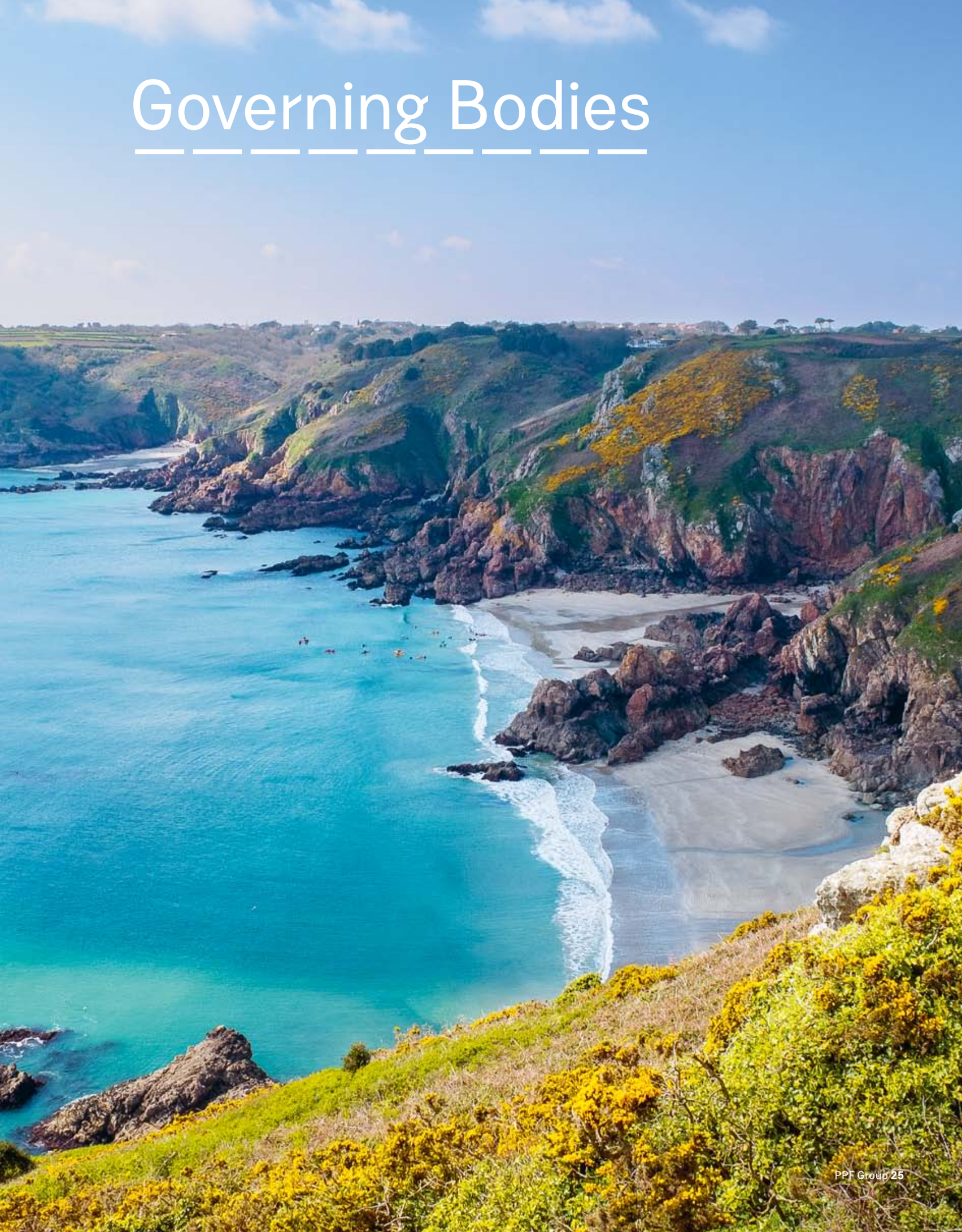
Born in 1964; a graduate of the Czech Technical University in Prague, Faculty of Electrical Engineering. He joined PPF investiční společnost a.s. in 1991 as Executive Director and was awarded an MBA by the Rochester Institute of Technology, New York, in 1993. From 1996 till September 2006 he served as Chief Executive Officer of Česká pojišťovna a.s. insurance company. In 2007 he was appointed the CEO and a member of the Board of Directors of GPH, one of the largest insurance groups in Central and Eastern Europe, which was established as a joint venture of PPF Group and Assicurazioni Generali. He held his CEO position at GPH till March 2013. Currently he is a Chairman of the Supervisory Board of EPH and a member of the Board of Directors of SPP – Slovak Gas Company. Ladislav Bartoníček has been a shareholder of PPF Group N.V. since 2007.

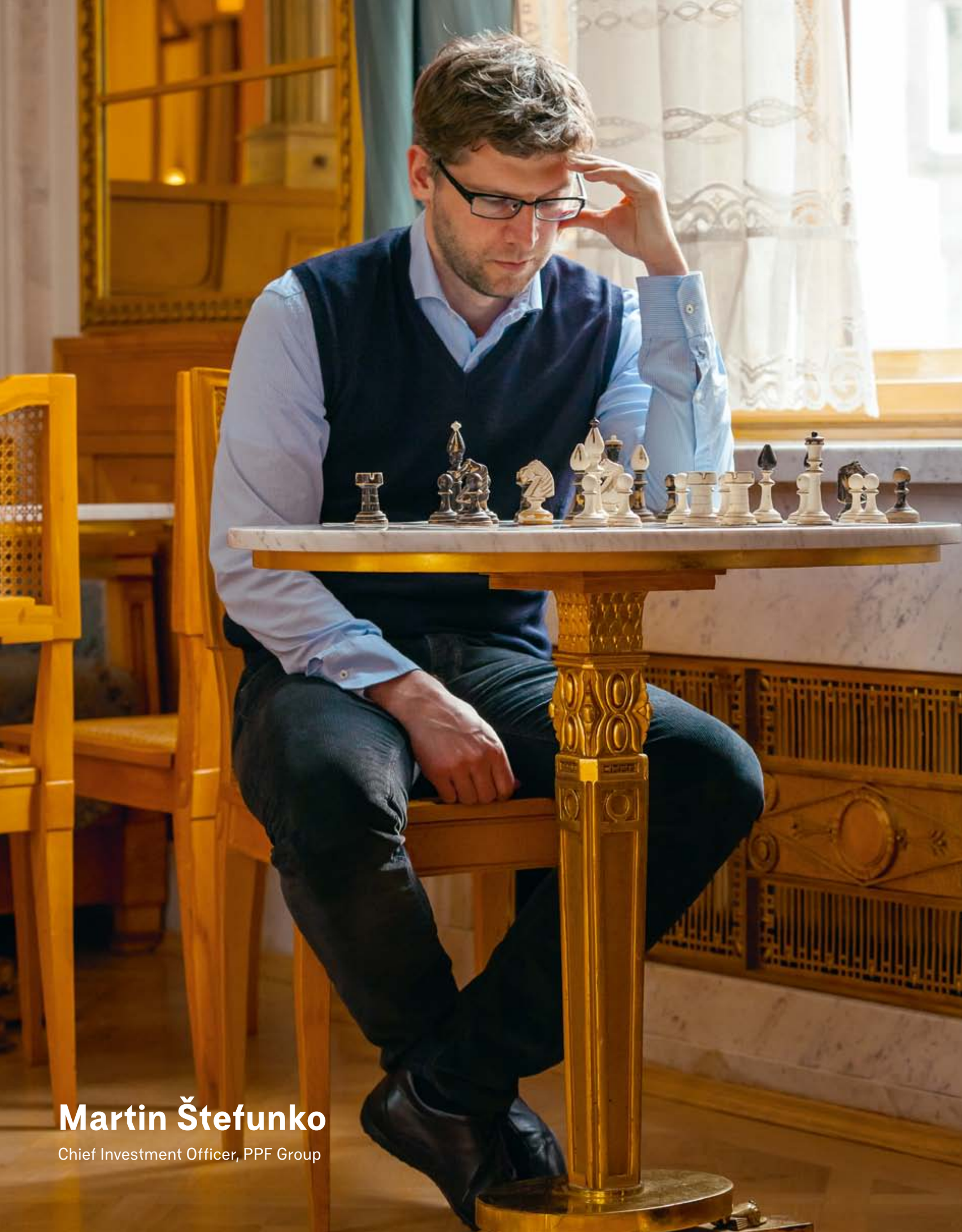
Jean-Pascal Duvieusart

Shareholder of PPF Group N.V.

Born in 1966; a graduate of the University of Chicago (MBA) and the Catholic University of Louvain, Belgium (specialisation in Commercial Engineering). He joined McKinsey in 1992 and worked in Brussels and New York prior to moving to Central Europe. He was Managing Partner at McKinsey Prague between 1999 and 2005, when he assumed leadership of McKinsey CIS and Central Europe. He has advised banks and insurance companies as well as various industrial companies in Russia, the Czech Republic, Slovakia, Hungary, Poland, and Romania. Jean-Pascal Duvieusart has been a shareholder of PPF Group N.V. since 2010.

Governing Bodies





Martin Štefunko

Chief Investment Officer, PPF Group

PPF Group N.V.

Aleš Minx

Chairman of the Board of Directors and CEO

Born in 1964; a graduate of the University of Economics, Prague, Faculty of Industrial Economics. He worked at PAL a.s. from 1987 to 1992 as Head of the Economic Department. He joined PPF in 1992 and served as its CFO until June 2001. From July 2001 to May 2005 he was CEO of PPF a.s., he served as Vice-Chairman of the PPF a.s. Supervisory Board until March 2007 and currently he is Chairman of the Board of Directors of PPF Group N.V.

Wilhelmus Jacobus Meyberg

Member of the Board of Directors

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

Rudolf Bosveld

Member of the Board of Directors

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

Supervisory Board of PPF Group N.V.

Jiří Šmejc, Chairman
Petr Kellner, Member
Ladislav Bartoníček, Member
Jean-Pascal Duvieusart, Member
Martin Štefunko, Member

PPF a.s.

Pavel Horák

Chairman of the Board of Directors
(until January 7, 2013, replaced by Kateřina Jirásková)

Born in 1972; he graduated from Masaryk University, Brno, Economics Department and the University of Economics, Prague, Faculty of Finance. He gained experience in financial management at Deloitte & Touche, where he worked as an auditor, and later during his long-term tenure at TV NOVA where he held the position of Financial Manager between 2001 and 2006. He is a Certified Chartered Accountant and a member of the Association of Certified Chartered Accountants (ACCA, UK). He joined PPF Group in 2006 and until December 31, 2012 worked as Chief Financial Officer of PPF Group.

Kateřina Jirásková

Chairwoman of the Board of Directors
(from January 8, 2013)

Born in 1974; having graduated from the University of Economics, Kateřina Jirásková worked as a securities trader at Conseq, and joined PPF Group in 2000 as a portfolio manager. During the last eight years she has been in charge of Generali PPF Asset Management where she has been responsible for the management of one of the largest portfolios in Central and Eastern Europe. She was also responsible for the performance of investments made by Generali PPF Holding's 27 firms in 14 countries; their assets amount to EUR 15 billion. With effect from January 2013, she became the Chief Financial Officer of PPF Group.

Martin Štefunko

Member of the Board of Directors

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

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 attended the University of Economics, Prague. Starting his career as a lawyer, he worked in the legal department for the settlement centre of the Prague Stock Exchange from 1997 to 1999. He has been with PPF Group since 1999 as General Counsel of PPF Group and, since March 2007, also a Member of the Board of Directors of PPF a.s. Since October 13, 2010 he has been a Member of the Board of Directors of PPF Partners Limited and since March 29, 2013 also a Member of the Board of Directors of Generali PPF Holding B.V.

PPF banka a.s.

Petr Milev

Chairman of the Board of Directors

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

Josef Zeman

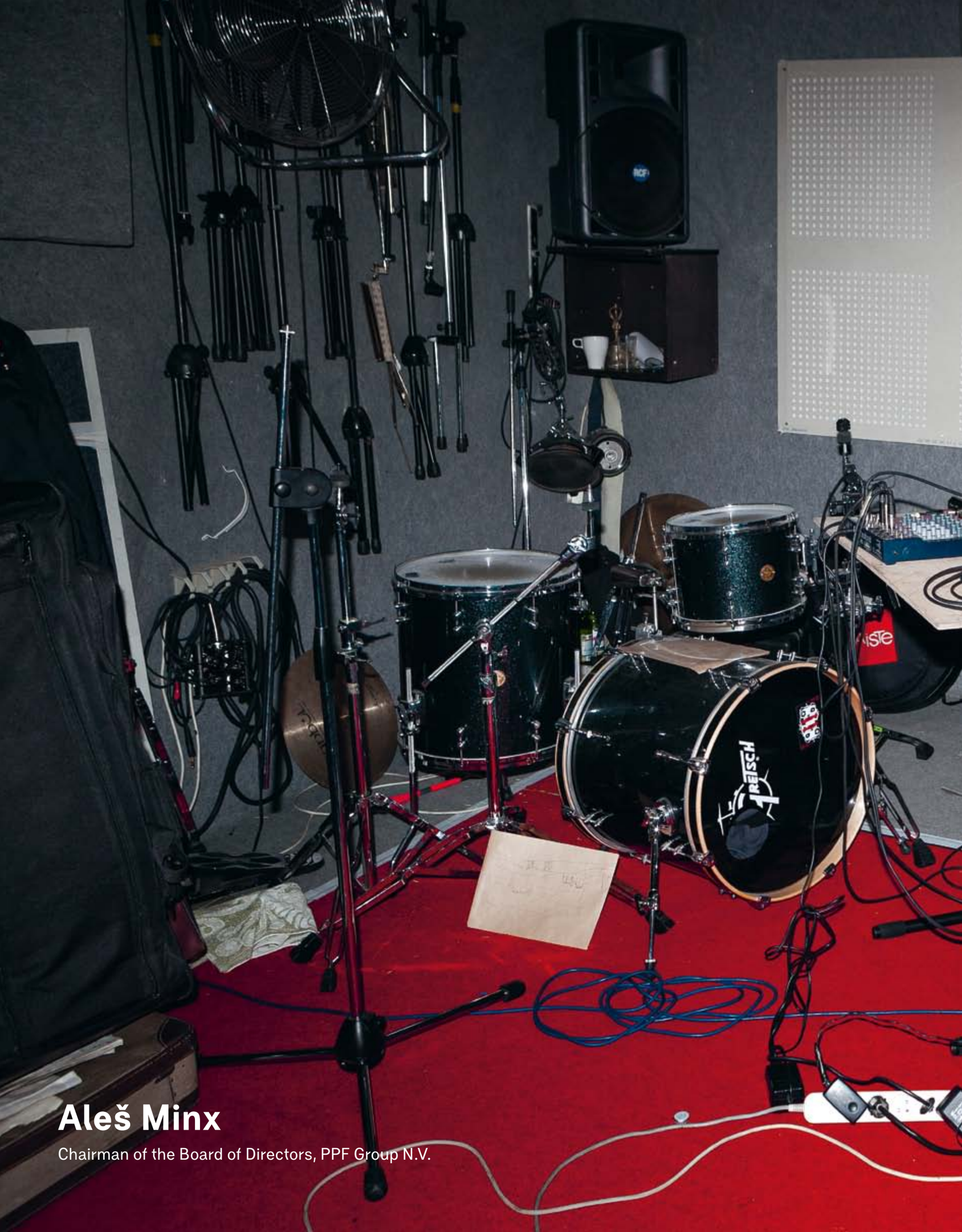
Vice-Chairman of the Board of Directors

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

Jaroslava Studenovská

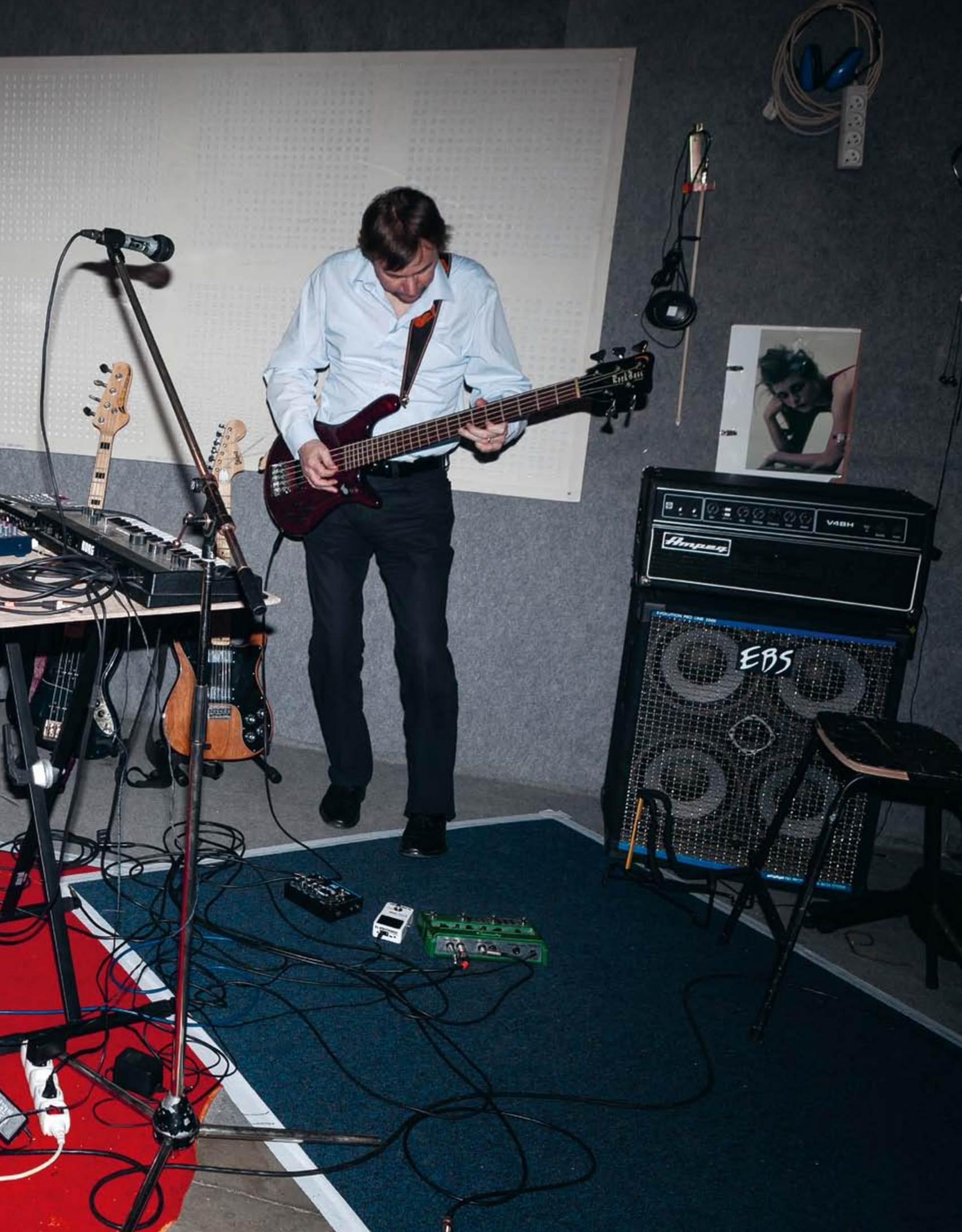
Vice-Chairman of the Board of Directors
(as of April 16, 2012)

Born in 1968; a graduate of the University of Economics, Prague, specialising in General Economics. In 1992–1998 she worked at the largest Czech bank, Česká spořitelna a.s. in various positions within the investment banking division: most recently as Settlement Director. In the years 1999–2001 she worked as Settlement Director with IPB / ČSOB Bank. From July 2001 until the end of 2005 she worked as Back-Office Treasury Director at Raiffeisenbank a.s. Since January 1, 2006 she has been working at PPF banka as Group Treasury Specialist. Since May 1, 2007 she has been Director of the Operations Division and since May 1, 2012 she has been also in charge of Operations and the IT Division. She was elected Member of the Board of Directors in April 2012.



Aleš Minx

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


KORG
V4BH
Ampeg
EBS

PPF Partners

Mel Carvill

Member of the Board

Born in 1962; he has worked across a range of sectors in the European financial services industry, in a variety of different capacities. From 1985 until 2009 he worked at Generali Group where he held a number of senior positions, including Head of Western Europe, Americas and Middle East, Head of M&A, Head of International Regulatory Affairs, Head of Risk Management, and Head of Corporate Finance. He managed over EUR 10 billion of transactions during his time with Generali. He is a Fellow of the Institute of Chartered Accountants in England and Wales, holds the Advanced Diploma in Corporate Finance, and is an Associate of the Chartered Insurance Institute, a Chartered Insurer and a Fellow of the Securities Institute. Mel Carvill is one of the founders of PPF Partners. He has been a member of PPF Group's top executive team since 2009.

Ladislav Chvátal

Member of the Board

Born in 1963; he graduated from the University of Economics, Prague, with a specialisation in Automated Management Systems in Economics. He joined PPF Partners in January 2009, having come to PPF Group in 1994. He has held several top executive positions at PPF Group and later at Home Credit Group. He became PPF Group's Executive Director for Retail Banking and Consumer Finance in June 2005 and was a Member of the Board of Directors of Home Credit B.V. from January 2007 to December 2008.

Iain Stokes

Member of the Board

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

Lubomír Král

Member of the Board
(as of October 13, 2010)

Home Credit B.V.

Alexander Labak

Chairman of the Board of Directors
(until August 31, 2012, replaced by Jiří Šmejc)

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

Jiří Šmejc

Chairman of the Board of Directors
(as of October 1, 2012)

Jan Cornelis Jansen

Vice-Chairman of the Board of Directors
(as of October 1, 2012)

Born in 1972; holds an LL.M in Dutch Law, specialising in economic, public and business law, from the Universiteit Utrecht. He also has two post-graduate qualifications in company & corporate law, and employment law from the Grotius Academie (Nijmegen) and Vrije Universiteit Law Academy (Amsterdam). He became Vice-Chairman of the Home Credit B.V. Board of Directors after several years as legal counsel and company secretary for PPF Group. He joined the Group in 2007 after three years at De Hoge Dennen Holding as legal counsel and company secretary for social investment funds. Prior to this, he held legal positions within various companies.

Sonia Slavtcheva

Member of the Board of Directors
(until October 1, 2012, replaced by Pavel Horák)

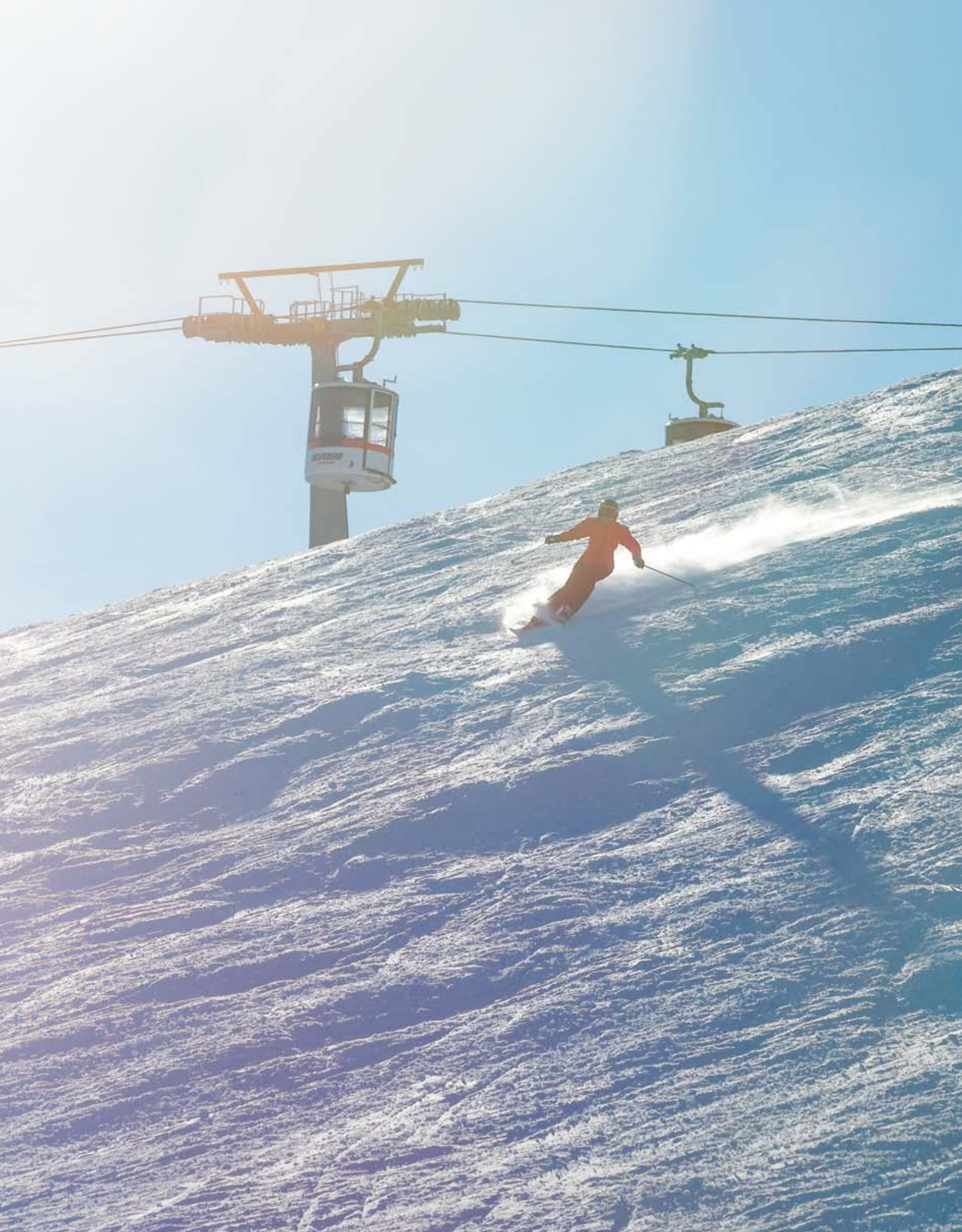
Born in 1965; in 1988 she completed her Master's Degree at the University of National and World Economy in Sofia, Bulgaria, specialising in Transportation Management and Economy. She then obtained an MBA degree in Finance at the University of Pittsburgh. She joined Home Credit in July 2008. Prior to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

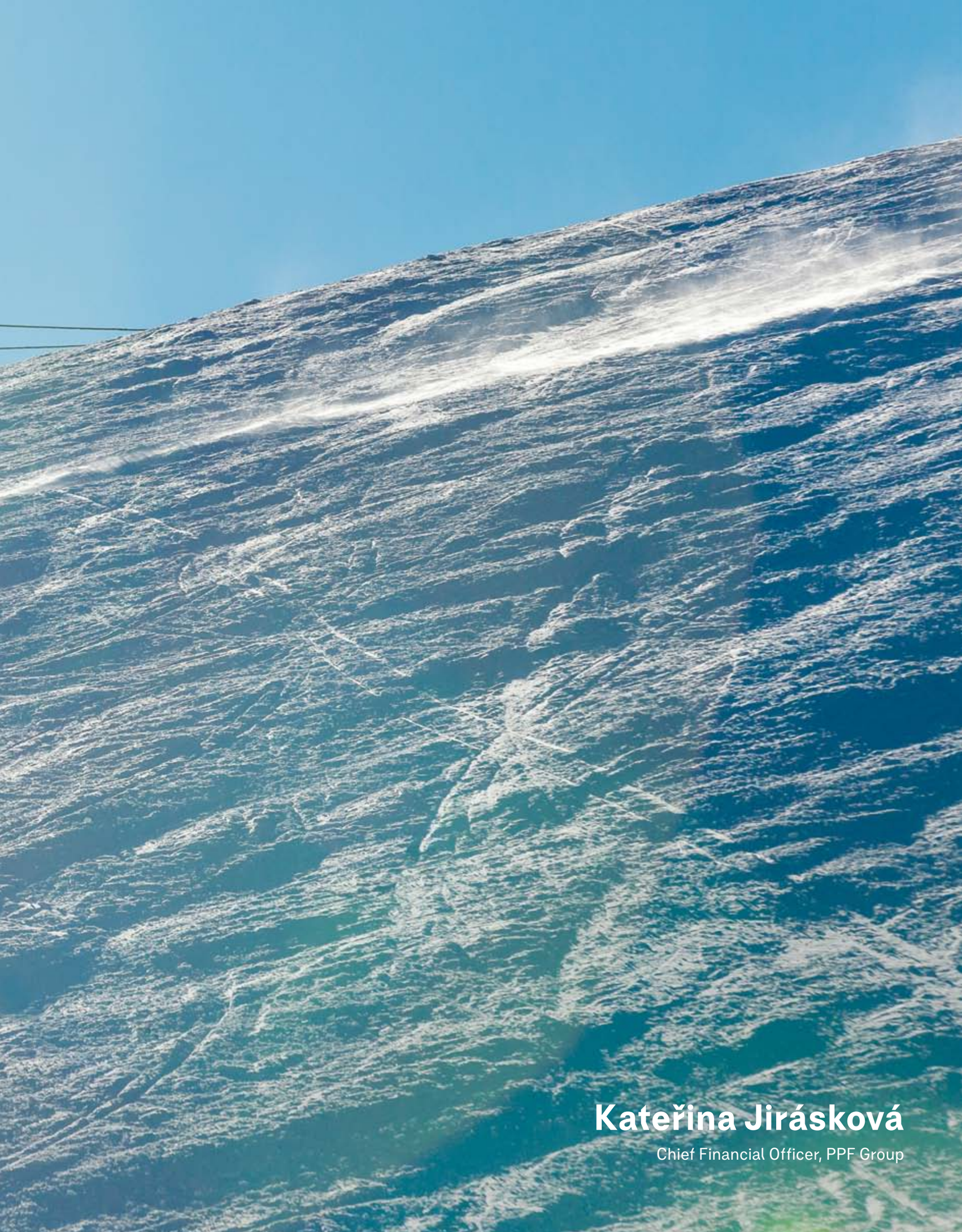
Ivan Svítek

Member of the Board of Directors
(until May 1, 2012, replaced by Mel Carvill)

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

Jean-Pascal Duvieusart, Member of the Board of Directors
(as of October 1, 2012)
Mel Carvill, Member of the Board of Directors
(as of May 1, 2012)
Pavel Horák, Member of the Board of Directors
(as of October 1, 2012)
Rudolf Bosveld, Member of the Board of Directors
(as of October 1, 2012)





Kateřina Jirásková

Chief Financial Officer, PPF Group

PPF Real Estate Holding B.V.

Jiří Tošek

Managing Director

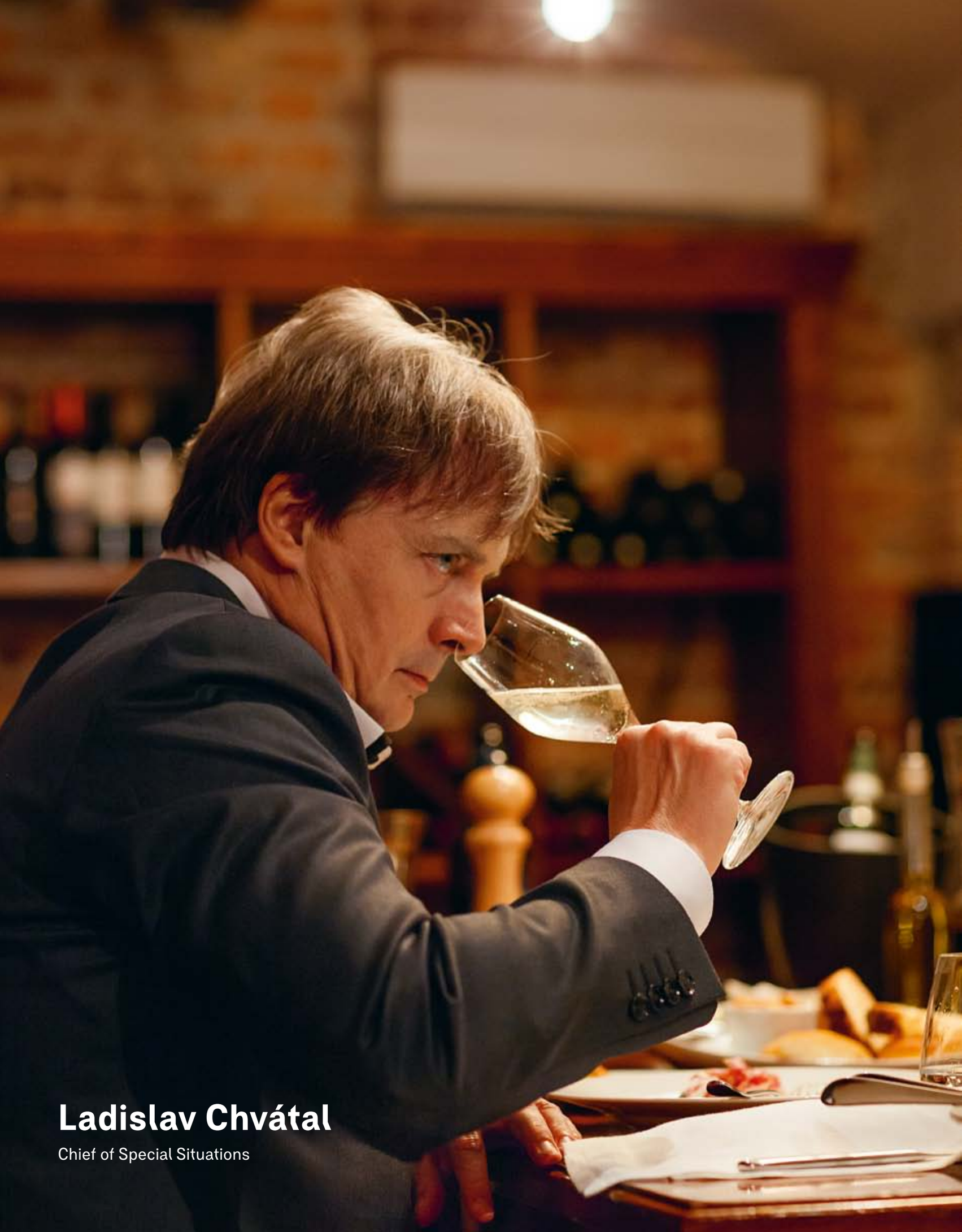
Born in 1974; a graduate of the Central Queensland University, Sydney, Australia, Faculty of Economics and Accounting. During his long career abroad he has held major positions in private banking and financial sector. He joined PPF Group in July 2009 when the Group acquired some real estate assets from the Czech developer ECM. He served at ECM from January 2007 as Investor Relations Director. In January 2012 he became financial director of PPF Real Estate Holding B.V.

PPF Advisory (Russia) Limited

Martin Schaffer

Executive Director

Born in 1971; a graduate of the Charles University in Prague, of both the Faculty of Medicine and the Faculty of Law. He worked at Prague General Hospital as doctor of otolaryngology. After graduating from the Faculty of Law he started working in the area of corporate law, initially as Chief of Legal Department at TV NOVA (2002–2005). He joined PPF Investments, a private equity company, in 2005 as Corporate Secretary. Since 2006 he has been at Home Credit and Finance Bank in Russia acting as Board Advisor, Director of Legal Department and most recently, Deputy Chairman of the Board. As of 2010 he has been Executive Director of PPF Advisory (Russia) Limited.



Ladislav Chvátal

Chief of Special Situations

Advisory Committee to PPF Group N.V.*

Štěpán Popovič

Member

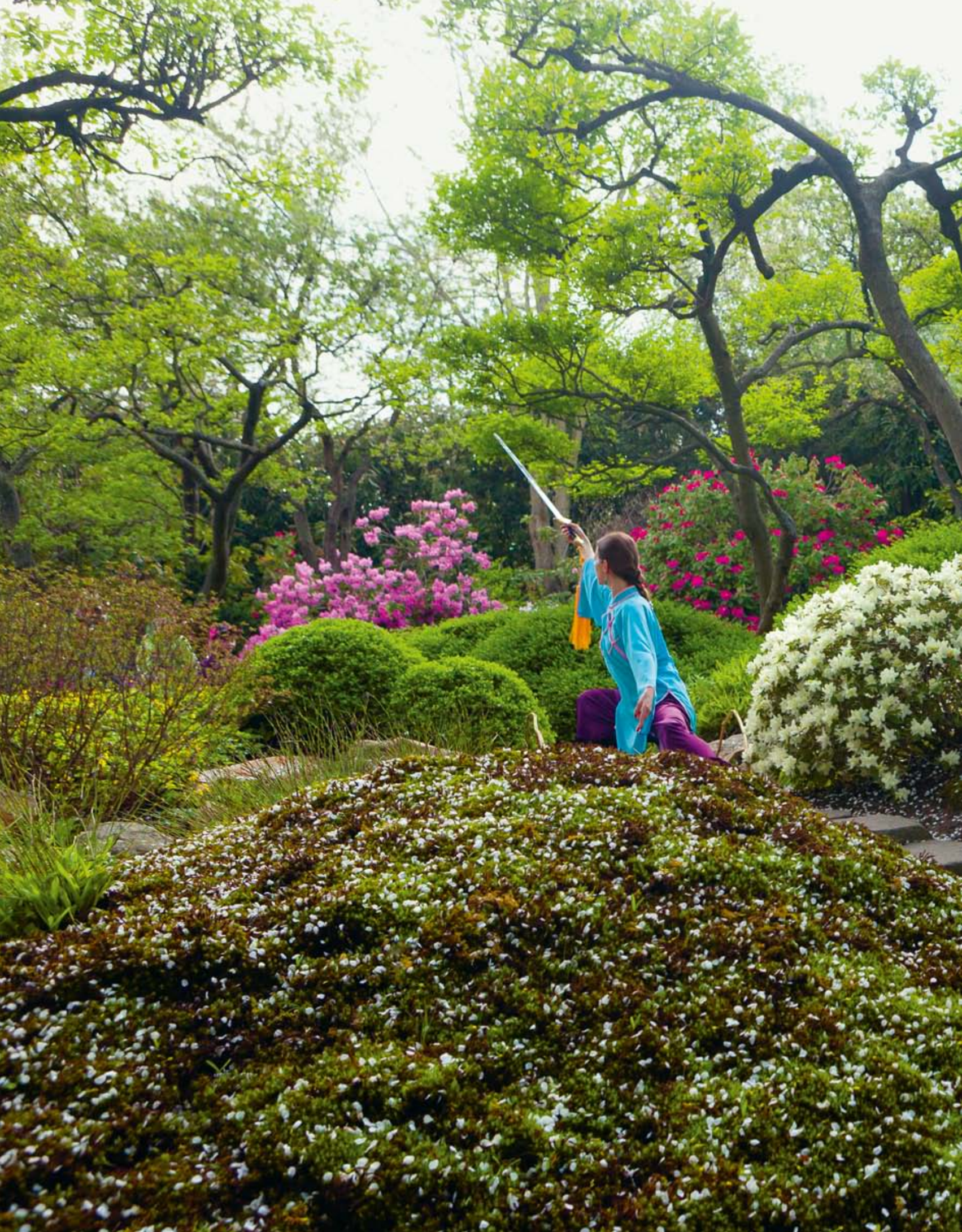
Born in 1945; he graduated from Jan Evangelista Purkyně University earning a Dr. H. C. degree. During his career to date, he has held the positions of Chairman of the Board and CEO at Glavunion and CEO of Sklo Union, a state company. He also served as director of the Řetenice (Sklotas) and Lesní Brána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

Milan Maděryč

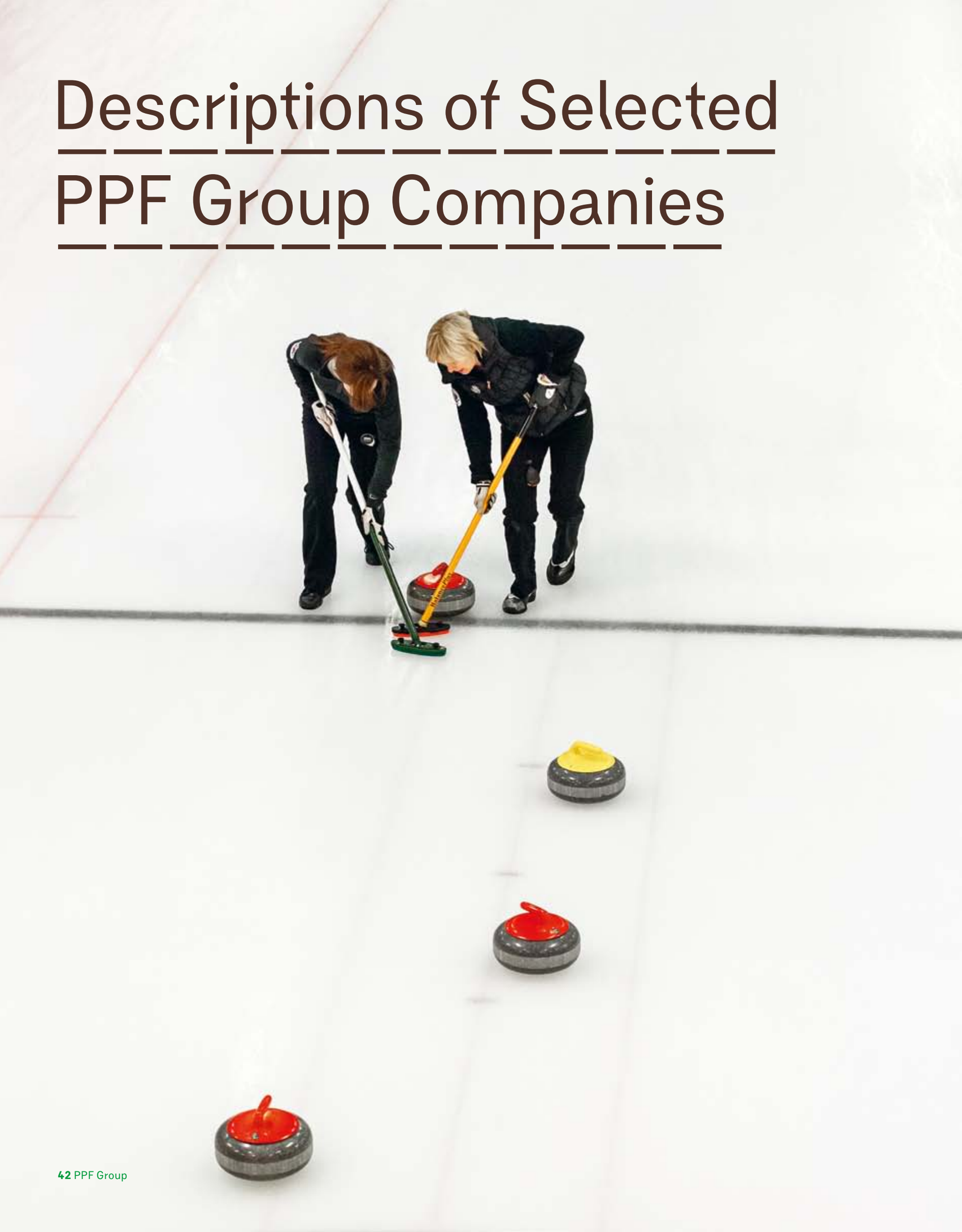
Member

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

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



Descriptions of Selected PPF Group Companies



Home Credit B.V.

Consolidated Financial Highlights

EUR millions	2012	2011
PPF Group's share*	100%	100%
Operating income	1,773	905
Net profit	506	231
Total assets	9,426	4,282
Total equity	1,505	831
Number of employees	31,800	21,768

* as at 31 December, 2012

Home Credit B.V. is the platform for PPF Group's consumer finance operations in Central & Eastern Europe, the Commonwealth of Independent States (CIS) and in Asia.

The Home Credit Group comprises:

1. Home Credit & Finance Bank LLC: banking and consumer lender in the Russian Federation, which also owns JSC Home Credit Bank in Kazakhstan.
2. Home Credit a.s.: consumer lender in the Czech Republic
3. Home Credit Slovakia a.s.: consumer lender in the Slovak Republic
4. OJSC Home Credit Bank: consumer lender in Belarus
5. Home Credit International a.s.: strategic business consulting, including IT support, for Home Credit Group companies
6. HC Asia N.V.: the holding company encompassing the emerging structure of the consumer finance business in Asia
7. Home Credit B.V.: direct owner of the consumer finance companies listed above
8. Other companies.

Home Credit Group ("Home Credit") is a leading multi-channel provider of consumer finance in Europe with a strong foothold in Asia. The first Home Credit company was established in 1997 in the Czech Republic. Initially, Home Credit grew in its domestic markets, the Czech Republic and Slovakia. Since 2002, Home Credit Group has been successfully undertaking a programme of international expansion.Home Credit Group is currently focused on the nine key consumer finance markets of the Czech Republic, Slovakia, the Russian Federation, Belarus, Kazakhstan, China, Vietnam, India, Indonesia and is developing a new business in Philippines. Its 31,800 employees have so far served 32 million customers across all geographies under the Home Credit brand (as at 31 December 2012).

Products and Distribution

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

Currently Home Credit Group has a multichannel distribution network with a relatively low cost base consisting of 109,000 distribution points including branches, points of sales, post offices, where Home Credit products are offered, ATMs, as well as such communication channels as telephone and Internet (as at 31 December 2012).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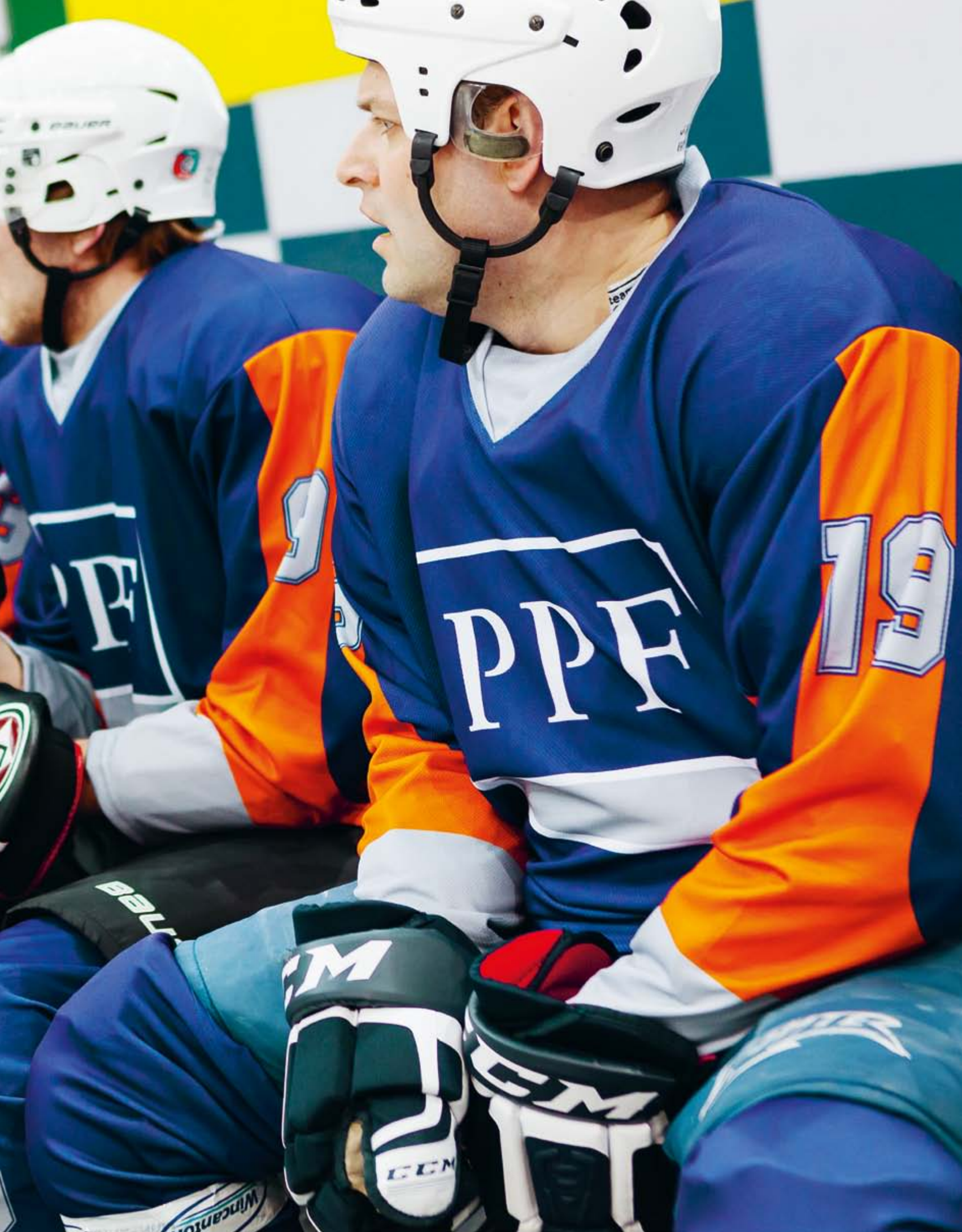
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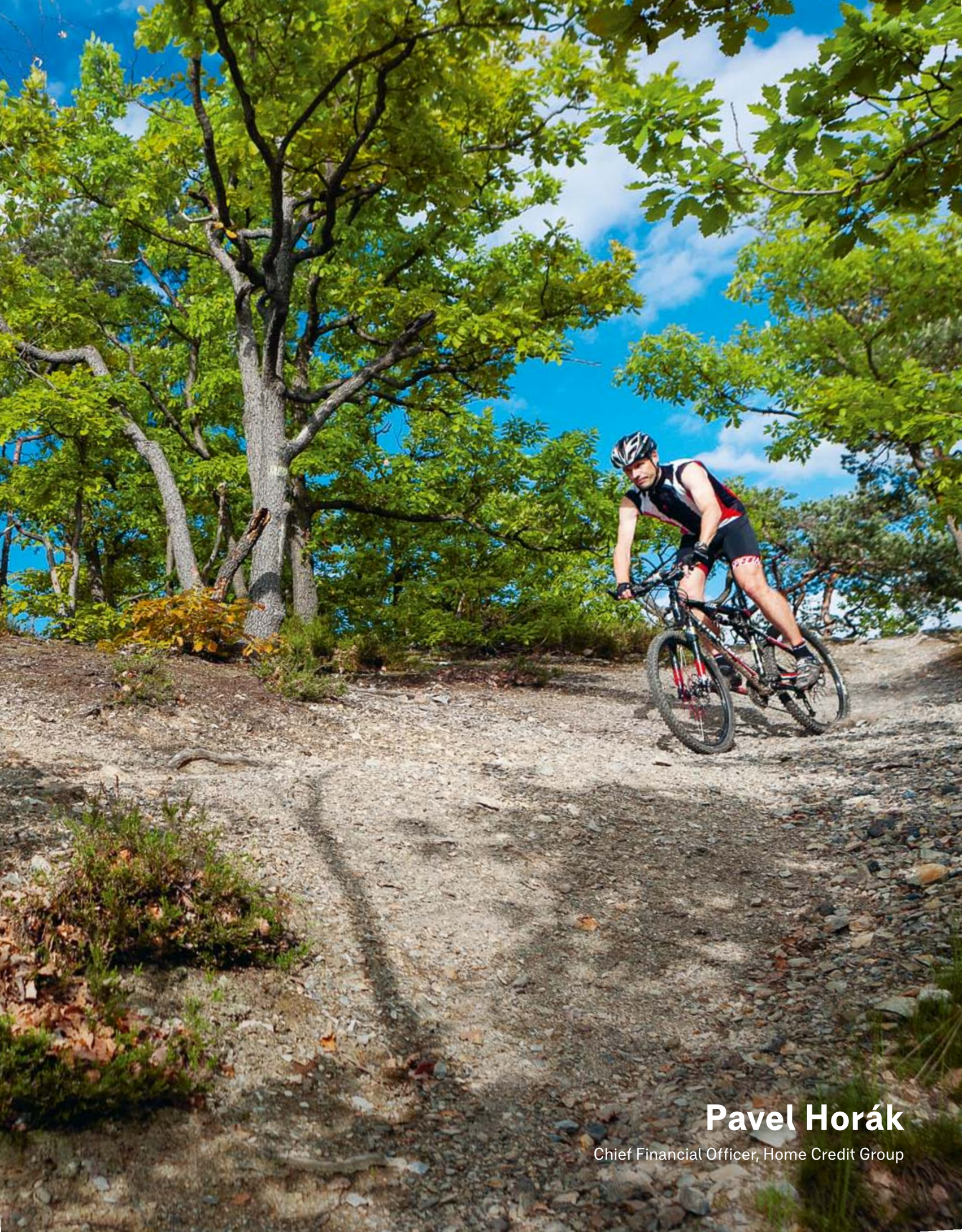
Group Structure

Home Credit B.V. (HCBV) is the holding company for the Home Credit subsidiaries based in the Czech Republic, Slovakia, Russia, Belarus, Kazakhstan (through Home Credit and Finance Bank Russia), and also provides consumer finance services through HC Asia N.V. in co-operation with local partners in China ("guarantee model"), India, Indonesia and is currently developing a new operation in the Philippines. PPF Group N.V. is 100% shareholder of Home Credit B.V.*

PPF Group N.V. is a 100% direct shareholder of PPF Vietnam Finance Co. Ltd. ("Home Credit Vietnam") and Home Credit Consumer Finance Company Co., Ltd. In China ("Home Credit China CFC", which operates under the Consumer Finance Licence in Tianjin, China).**

* PPF Group announced on March 29, 2013 the completion of the process of assets division following Jiří Šmejc's departure from the position of PPF Group shareholder. Jiří Šmejc gains a direct shareholding of 13.37% in Home Credit B.V. and in Air Bank a.s. The remaining 86.63% in both companies will be owned by PPF Group N.V. The settlement of the above mentioned agreements is subject to approval of appropriate regulation authorities.

** Home Credit B.V. executed agreements with PPF Group N.V. concerning future acquisition of 100% ownership stake in the following companies Home Credit Consumer Finance Co., Ltd. (China), CF Commercial Consulting (Beijing) Co. Ltd. (China) and PPF Vietnam Finance Company Limited (Vietnam). The completion of the transactions is subject to obtaining regulatory approvals by the respective regulators in China and Vietnam.



Pavel Horák

Chief Financial Officer, Home Credit Group

Air Bank a.s.

Unconsolidated Financial Highlights

EUR millions	2012	2011
PPF Group's share	100%	100%
Operating income	13.9	(0.2)
Net loss	(12.8)	(11.5)
Total assets	1,137	130
Total equity	103	38
Number of employees	414	278

Air Bank, a member of PPF Group, is a 21st century retail bank. Its approach is to be the first bank that people can actually like. It competes against traditional banks with a new concept of branches, a simple product offering and innovative services.

Air Bank was created as a green field operation and officially started its operations in the Czech Republic in November 2011. At the end of 2012, after its first entire year on the market, Air Bank had 18 branches in major Czech cities, almost 88,000 customers and more than CZK 30 billion in deposits. Air Bank also came closer to its goal to be profitable during its fourth year on the market.

In 2012, Air Bank achieved much lower net loss than expected – CZK 323 million instead of CZK 793 million. The lower net loss was primarily due to better business development, profitable investments and lower operating expenses incurred by the company. Air Bank achieved CZK 745 million operating expenses, 20 percent lower than planned and multiply lower than operating costs of traditional banks. Although the operating expenses will increase in 2013, their decent level will remain one of the important financial advantages of Air Bank in its competitive fight.

PPF banka a.s.

Unconsolidated Financial Highlights

EUR millions	2012	2011
PPF Group's share	92.96%	92.96%
Net profit	37.6	24.7
Total assets	3,055	2,547
Total equity	236	181
Number of employees	187	170

Activities in the Czech Republic in 2012

PPF banka continued significantly growing its business in 2012, developing the Bank's traditional areas of client services but also entering some new segments such as private banking, export financing or financial consulting for municipalities. The Bank's balance sheet total as at 31 December 2012 increased significantly on the previous year to EUR 3,055 million (up 20%). A EUR 37.6 million audited profit after tax at 31 December 2012 was the highest ever in the bank's history, exceeding the previous record of 2009 by 23% and the 2011 profit of EUR 24.7 million by 53%. The key profit drivers were growth in the net interest income and growth in profit from financial market transactions, thus fully offsetting lower net fees and commission income. Despite the continued difficulties in the economy, the Bank maintained its focus on the high quality of its loan portfolio. In line with its conservative approach, the Bank increased the volume of classified loans from 2.8% to 12.1%, including loans on the watch list, attaining the industry average in the Czech Republic. It also made appropriate provisions. The volume of NPLs (loans in default for more than 90 days) accounted for 2.72% of the total loan portfolio as at 31 December 2012. The Bank achieved solid ROE and CIR levels of 20% and 36%, respectively.

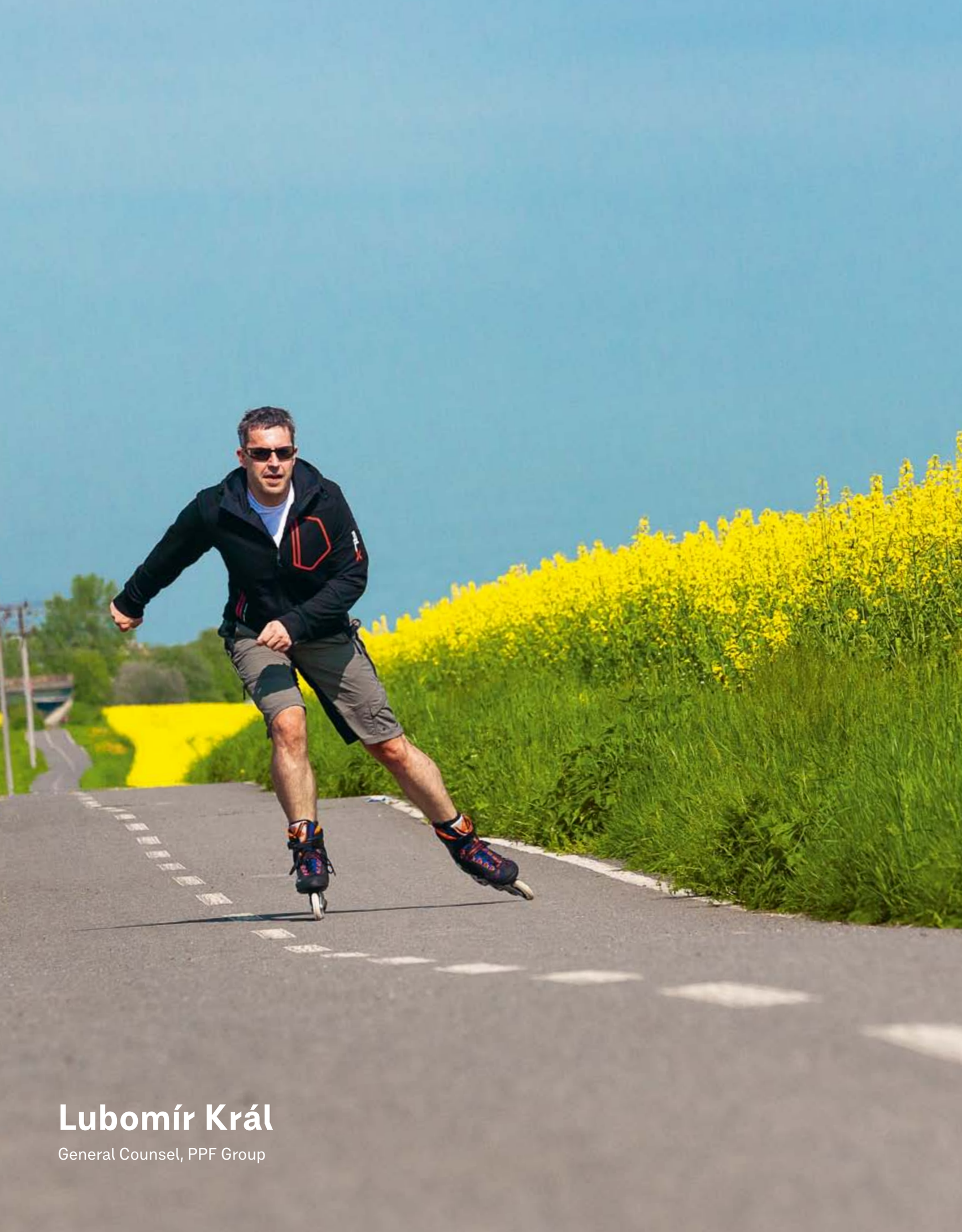
The Bank provides financial, investment, and advisory services to select customers who, due to the character of their business, require an individual approach in addressing their needs, while maintaining maximum effectiveness of the Bank's services. In view of its strategy, PPF banka specialises primarily in investment services and structured finance. Most of PPF banka's customers are financial institutions, medium and large corporations with Czech capital, and entities in the municipal segment. PPF banka continued to develop its export and structured finance business in co-operation with the state-owned export insurance company EGAP. In the investment banking field, the Bank specialises in securities trading in the majority of markets of Europe, the USA, Russia, and certain Asian countries, mostly for professional investors. For PPF Group companies, it conducts international payment transactions, as well as hedging and other investment services – e.g. arranging for financing on capital markets. As in previous years, during 2012 PPF banka continued to play a key role as being a treasury bank for PPF Group.

PPF banka is a member of:

— Czech Banking Association
— Czech Institute of Internal Auditors
— Union of Banks and Insurance Companies
— Prague Economic Chamber
— Prague Stock Exchange
— Chamber for Economic Relations with CIS

PPF banka Shareholder Structure

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



Lubomír Král

General Counsel, PPF Group

PPF Partners

PPF Group's share in the management company*	72.5%

* Following the agreements between PPF Group and Generali Group, PPF Group is to acquire a remaining 27.5% stake in PPF Partners.

PPF Partners is an international private equity firm focused on the emerging markets of Central and Eastern Europe and the CIS. PPF Partners was established in 2008 as a joint venture between PPF Group and Assicurazioni Generali. The founders co-invested jointly in the deals although the economic shares of the partners in the individual investments may differ. The first private equity fund, PPF Partners Fund 1 LP with EUR 615 million in commitments from PPF Group, its shareholders and Assicurazioni Generali, invested part of its commitments in an initial portfolio that included stakes in waste-to-energy, hotels and media businesses in the Czech Republic, Romania and Ukraine. A series of divestments was completed during the year 2012.

PPF Partners Fund 1 LP – Fund Overview

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

Generali PPF Holding B.V.

PPF Group's share	49%*
Premium revenue, gross	EUR 3.6 billion
Consolidated shareholders' equity	EUR 5.6 billion
Number of employees	13.1 thousand

* Following the transaction between PPF Group and Generali Group the PPF Group's share has decreased to 24% as of March 28, 2013, while Assicurazioni Generali 's stake has reached 76%.

Generali PPF Holding is an entity established by Generali and PPF Group as a holding company for the insurance operations of both Groups in Central and Eastern Europe. The company commenced operations on 17 January 2008.

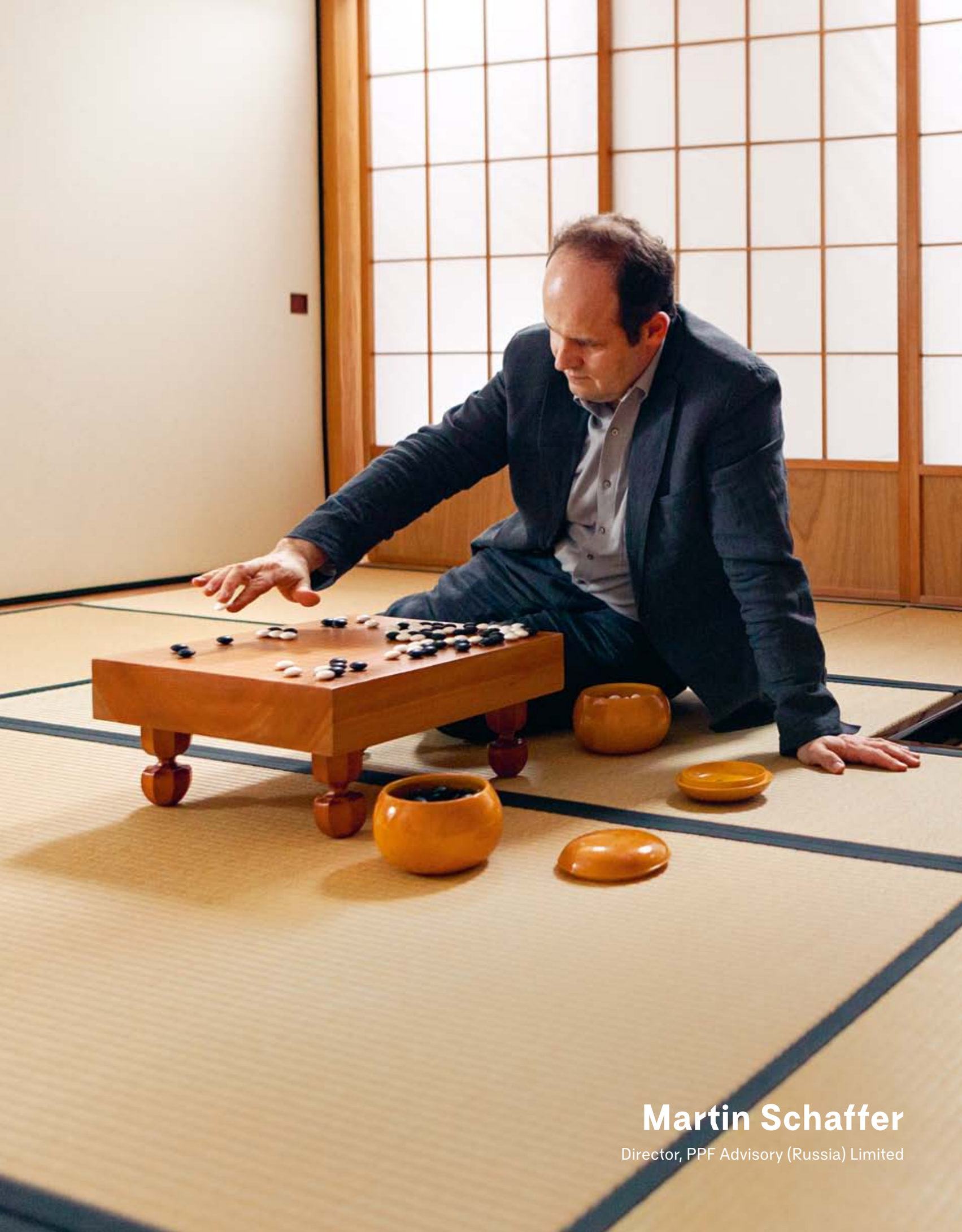
Generali PPF Holding B.V. (GPH) operates in the markets of the Czech Republic, Slovakia, Poland, Hungary, Romania, Slovenia, Bulgaria, Croatia, Serbia, Montenegro; until March 28, 2013 its insurance companies in Russia, Ukraine, Belarus and Kazakhstan also operated within Generali PPF Holding. Following the transaction between PPF Group and Generali Group the aforementioned companies were disposed from GPH.

The volume of gross written premiums produced by the insurance companies within Generali PPF Holding has increased by 6.3% in 2012 on equivalent exchange rates basis, despite stagnating insurance markets in many CEE countries where GPH operates. The operating result was also up, thanks to GPH companies' improved performance in non-life segment.

As far as the individual GPH markets are concerned, Poland, Serbia and operations in the CIS countries demonstrated a steady growth during the year.

One of the most significant events was the acquisition of Proama in Poland, a branch of Groupama SA (France), which will enable GPH to expand its activities in one of the most growing CEE insurance markets.

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



Martin Schaffer

Director, PPF Advisory (Russia) Limited

Energy and Industrial Holding

PPF Group's share	44.44%
Sales revenue	EUR 1,422 million
Assets	EUR 3,177 million
Number of employees	4,100

Energy and Industrial Holding (EPH) is a vertically integrated energy group and a long-term strategic investor in the energy sector. EPH is the largest thermal energy supplier in the Czech Republic and also the country's second largest electricity producer. In addition to the Czech market, it also operates in Germany, Slovakia and Poland (EPH includes 40 companies in the Czech Republic, Slovakia, Germany and Poland).

EPH holds a 49% stake and management control in Slovenský plynárenský priemysel (SPP) through Slovak Gas Holding. SPP is one of the largest gas groups in Central Europe in terms of assets (more than EUR 8 billion). It is a key transporter of Russian natural gas to Europe and the leader in the market of natural gas supply and a reliable partner for about 90% households and many business customers in Slovakia.

EPH's power plants have an aggregate total installed capacity of 1,057 MW_e, of which renewable resources represent 25 MW_e. Further development of EPH's energy business is based primarily on leveraging acquisition opportunities in the markets of the Czech Republic and neighbouring countries such as Slovakia and Germany. In 2012 EPH completed the acquisition of a 100% share in MIBRAG coal mine in Germany by purchasing an additional 50% stake.

PPF Real Estate Holding B.V.

PPF Group's share	100%
Total shareholders' equity	EUR 370 million
Total assets (market valuation)	EUR 953 million
Number of employees	154

PPF Real Estate Holding B.V. was established at the end of 2010 to consolidate PPF Group's real estate activities and functions as a real estate developer, owner and professional adviser. PPF Real Estate Holding manages the real estate assets of the companies in PPF Group's portfolio as well as those of outside clients. The company operates in the Czech Republic, Central and Eastern Europe and Russia. PPF Real Estate Holding is among the largest market players both in the Czech Republic and across the CEE region. At present it provides comprehensive services to 35 projects and the volume of assets under its management is more than EUR 953 million. It is split into two branches: PPF Real Estate CEE, which manages projects in the Czech Republic and Central and Eastern Europe, and PPF Real Estate Russia. The Russian real estate projects are of strategic importance and scale for the whole PPF Group.

Real Estate highlights for PPF Group in 2012:

Russia

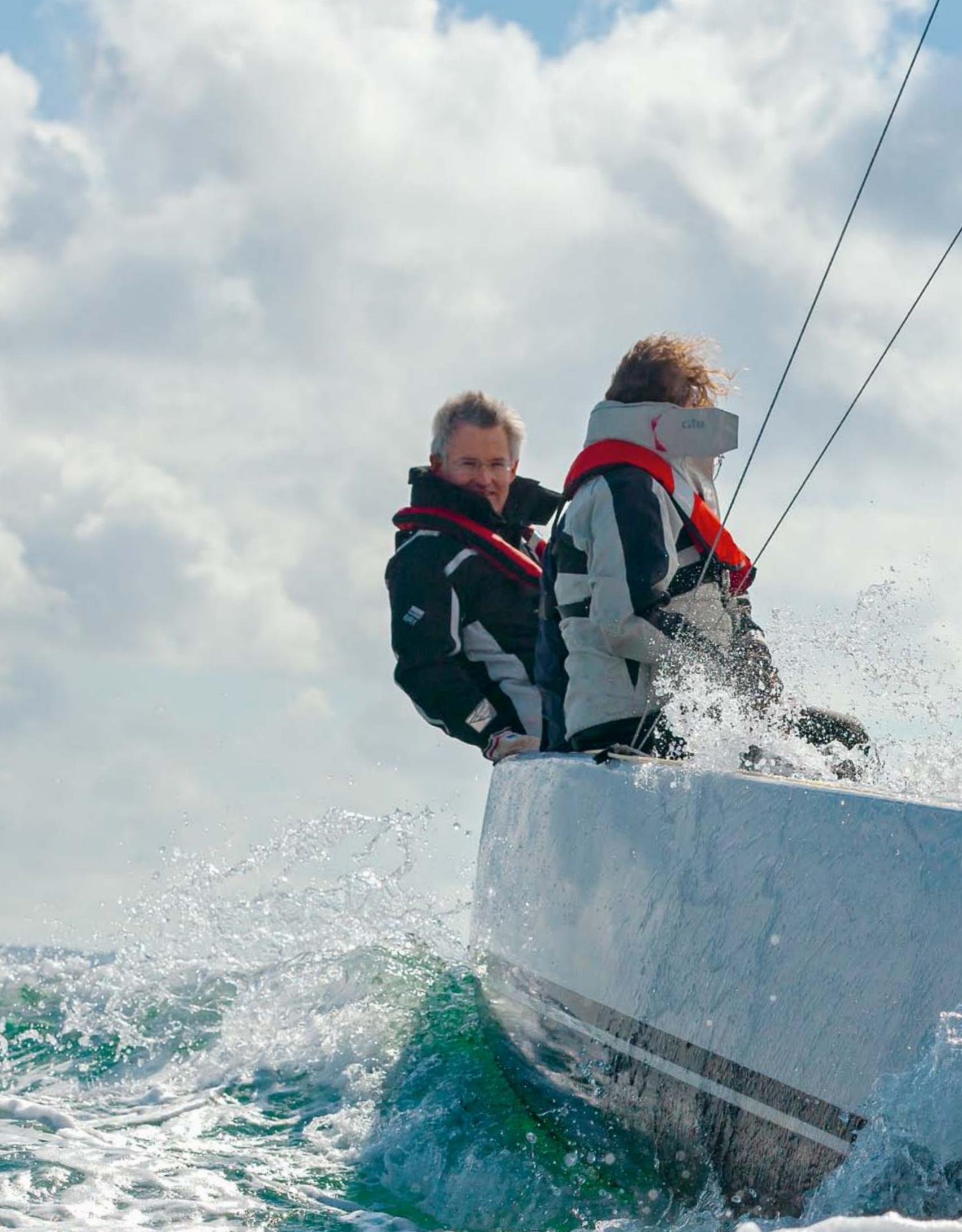
— Comcity – PPF Real Estate started development of the major office park in Moscow with a core tenant, Rostelecom, obtaining EUR 185 mil credit from Sberbank, the largest Russian bank
— Work continued on preparing development project of shopping and recreational centre in Mitino, north-western part of Moscow
— Southgate Logistics – the expansion of a large logistics park in Moscow area continued in 2012.

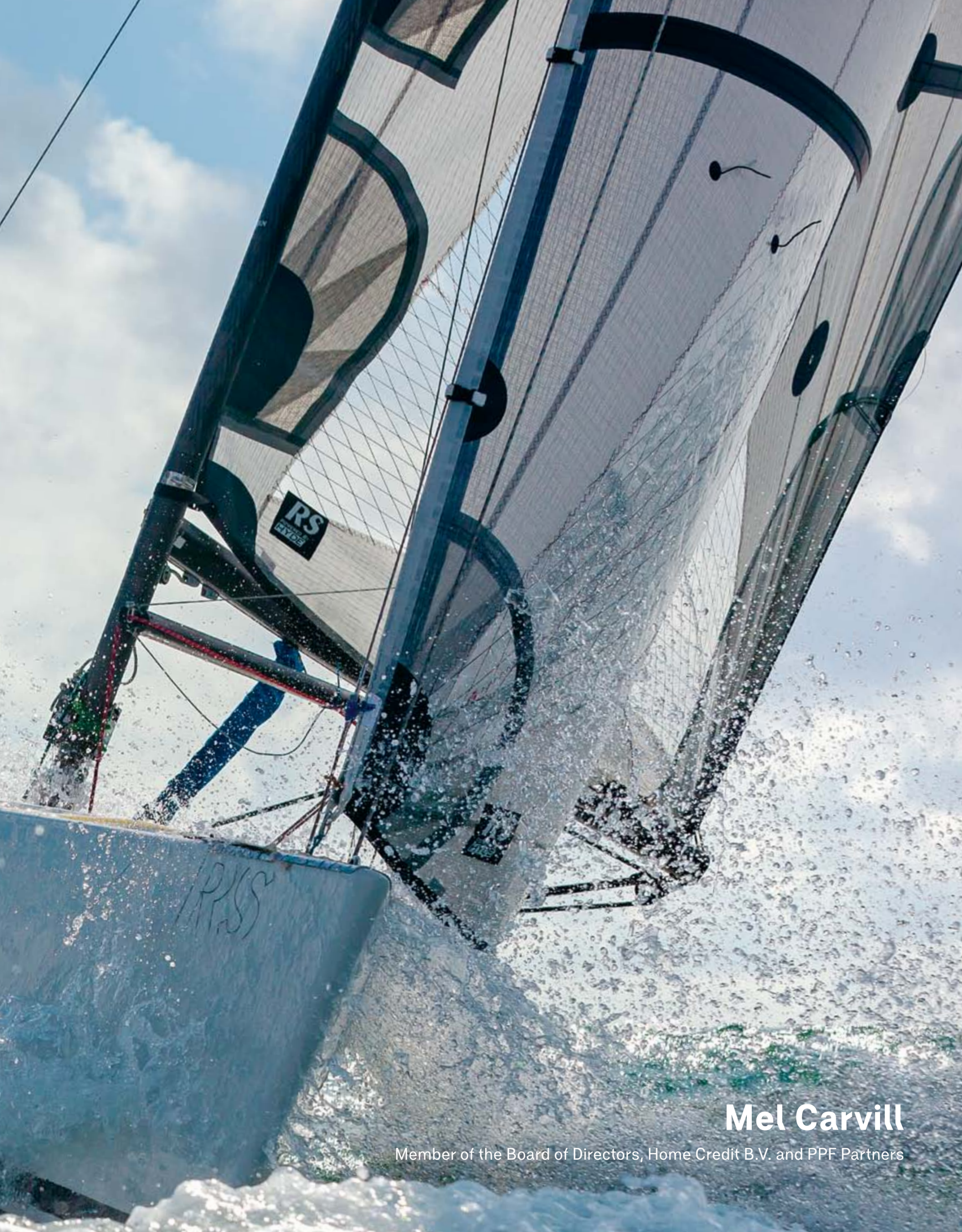
Czech Republic

— Work continued on a commercial Real Estate development project in cooperation with the Prague 6 district municipality
— Commencement of construction of a multi-purpose building in Prague 7 district.

Germany

— The acquisition of an office building in Berlin
— Continuous search for new potential acquisitions.





Mel Carvill

Member of the Board of Directors, Home Credit B.V. and PPF Partners

Polymetal

	2012	2011
PPF Group's share	20.83%	20.86%
Gold production (Koz)	589	443
Silver production (Moz)	26.5	19.9
Revenues (USD millions)	1,854	1,326
Net profit (USD millions)	401	290
Number of employees	8,993	8,051

Polymetal is one of the leading Russia's gold producers and the number one primary silver producer in Russia (also among the top five world producers) with a long-term portfolio of high-quality assets. It was also the first Russian company to be listed on the London Stock Exchange's FTSE index.

In 2012 Polymetal demonstrated strong operational performance throughout the year. The company commissioned the first POX plant in Russia's gold industry, dramatically increased its resource base, and implemented a new dividend policy.

Polymetal's aim is to deliver sustainable value to all its stakeholders and to become the leading precious metals mining group in Russia and the CIS benefiting from its competitive advantages – a robust project pipeline and strong track record. The company's approach is underpinned by a commitment to high standards of corporate governance, corporate responsibility and sustainable development.

Eldorado

EUR millions	2012
PPF Group's share	100%
Total revenues excl. VAT	2,398
Gross profit	661
Gross profit margin %	27.6%

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

In 2012 Eldorado focused on improving its network. The company acquired Beringov, a strong local consumer electronics retailer comprising 28 stores in 27 cities. By July 2012 all Beringov stores had finished rebranding and reopened as Eldorado supermarkets. The shops saw a full reorganization of the key business processes, logistics, client communications and stock. Thanks to the quick re-opening, the company has managed to keep former Beringov clients.

E-commerce became another key trend in 2012. Eldorado opened 9 online departments in different regions of the Russian Federation. By the end of the year 2012 the company is now operating online in 11 of Russia's largest cities, including Moscow, Saint-Petersburg, Ekaterinburg, Kazan, Novosibirsk, Volgograd, etc.

In December 2012 Eldorado presented a brand new format of order-and-pickup points of the online store that can be opened on a smaller trade space and allow the clients to pick up online orders and buy goods via e-terminals installed in the space. Despite the compact location of the order-and-pickup points they offer a larger stock range than an average shop due to the online order system. The format is unique for the Russian market and allows Eldorado to reach customers in small cities where an ordinary supermarket format would have been unprofitable.

The company carried out two trade-in campaigns in spring and after the back-to-school season. Being the first Russian consumer electronic and domestic appliances retailer to offer such a service, by the end of 2012 Eldorado has received and passed for utilization more than 1.5 billion old devices. Utilization has become one of the most successful campaigns in the company history and started a new trend on the Russian market.

Karel Nohejl

Chief Executive Officer, SOTIO Group

SOTIO

SOTIO is a biotechnology company that is developing next-generation Active Cellular Immunotherapy (ACI), focusing on the treatment of cancer and immune system mediated diseases. SOTIO is a part of PPF Group as of the end of the year 2012.

SOTIO's strategy is based on a completely internal business cycle of conducting its own research, product development and product commercialization. SOTIO has built its own cell therapy manufacturing and research facility in Prague, which is among the largest and most modern in Europe. SOTIO's product pipeline includes treatment for prostate cancer, ovarian cancer and lung cancer. The company is also looking for other opportunities to further expand its product portfolio.

SOTIO's current focus is on an ACI for prostate cancer, marked as DCVAC/PCa. In 2012, SOTIO launched four "Phase II" clinical trials, with a further goal to verify the drug's safety and efficacy in a "Phase III VIABLE" global clinical trial.

SOTIO is headquartered in Prague, Czech Republic and has active presence in the US, Russia and China, employing over 120 professionals.

RAV Holding

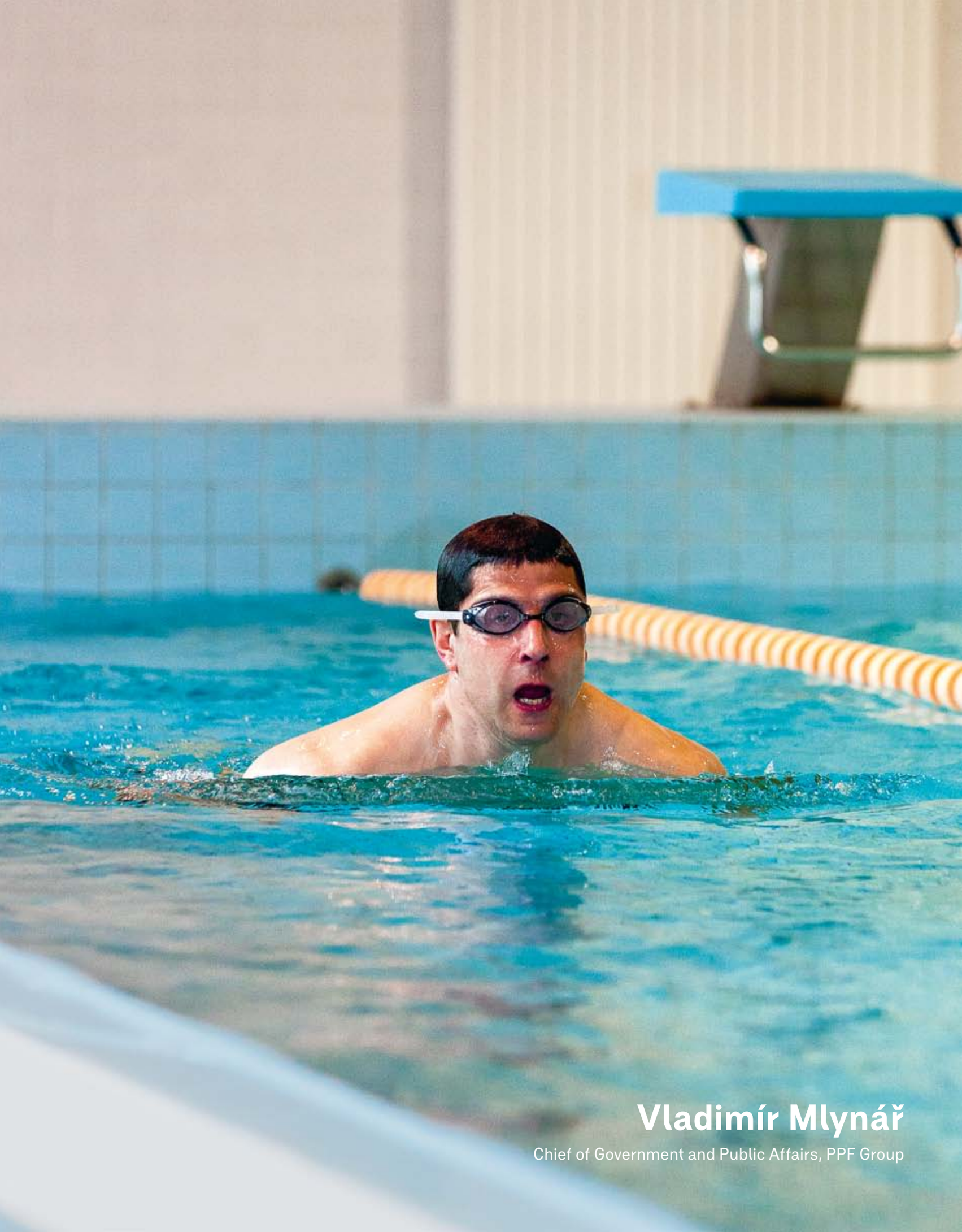
PPF Group entered the agricultural sector in Russia in 2011 by acquiring a majority stake in RAV Agro-Pro holding, which has significant operations in crop farming and livestock in several districts of the Central-Chernozem region of Russia.

RAV Holding is an agricultural company specializing in grain production, storage, trade and livestock products trade.

The Company has been farming in the Chernozem belt of the central part of Russia since 2005. Formation of the Company became the basis for further expansion in the neighboring districts of Voronezh region.

The aim is to improve the quality of arable land, investing heavily in the acquisition of modern agricultural technology and implementing best practice agricultural methods. The aim of the Company's management is careful use of land resources, while maintaining the ecological balance in the region, and also to actively participate in government social programs and charities in the regions that the Company operates.

In 2012, the Company undertook a process of restructuring, which had resulted into establishment of two structural units: RAV Agro Ltd. and RAV Molokoprodukt Ltd. RAV Agro is focused on crops spanning for the regions of Voronezh and Orel, while RAV Molokoprodukt is focused on dairy and meat livestock segment. Both companies are parts of RAV Holding as being the main corporate structure.



Vladimír Mlynář

Chief of Government and Public Affairs, PPF Group

Nomos-Bank

Nomos-Bank is one of the top privately-owned Russian banks. The bank's diversified business strategy comprises operations in corporate, investment and retail banking not just in the key cities, Moscow and St. Petersburg, but also across a number of regions, with emphasis on development in the Urals and in Siberia and the Far East.

In August, 2012, PPF Group sold its stake in Nomos-Bank. The proceeds from the transaction are to be used by PPF Group for investments to further develop the Group's key activities in Russia, especially in the area of consumer finance and real estate, as well as to support expansion in the fast growing Asian markets.

SAZKA, sázková kancelář, a.s.

As of 1 November 2011, SAZKA, sázková kancelář, a.s. (Sazka), took over the business activities of the former SAZKA, a.s., which became insolvent in spring 2011 and subsequently declared itself bankrupt. The company was then jointly owned by investment groups KKCG and PPF, until the end of 2012.

Within a year, Sazka's new shareholders have managed to restore trust in the company, which once again controls almost 95% of the lottery market, in effect considerably increasing the value of PPF Group's stake.

In December, 2012, PPF Group sold its 50% interest in SAZKA, sázková kancelář, a.s. to KKCG Group.

History of PPF Group

2012

— Home Credit continued in its expansion into fast-developing Asian markets, such as India, Indonesia and Philippines.
— PPF Group's shareholders announced that Jiří Šmejc would step down from the position of PPF Group's shareholder, in the exchange for direct shareholdings in assets such as Home Credit or Air Bank; Jiří Šmejc was appointed Home Credit Group Chairman of the Board and CEO.
— PPF Group sold its stake in Nomos-Bank, aiming to invest the proceeds from the sale in new projects in Russia, mainly in real estate development.
— PPF Group increased its stake in Energy and Industrial Holding (EPH), which focused on the energy sector in Central Europe (Czech Republic, Slovakia, Poland, Germany), reflecting the continuous territorial and segment diversification of the Group's investments.
— PPF Group sold its stake in SAZKA, Sázková kancelář, a lottery company, to KKCG, following the fixing of the business on the verge of bankruptcy and a successful start of Sazka's turnaround process.

2011

— 2011 marked the 20th anniversary of PPF, which was founded as a privatisation fund in late 1991, when the economic transition through privatisation had commenced in then Czechoslovakia.
— Through a 50:50 business partnership with KKCG investment Group, PPF Group acquired a leading and the oldest Czech lottery company, which was facing bankruptcy proceedings, following a turbulent development within its shareholding and management.
— PPF Group acquired the remaining 50%-minus-one-share stake in Eldorado from the founder, Igor Yakovlev, thus consolidating 100% ownership of the major Russian electronics and home appliances retail chain.
— PPF Group invested in the agricultural sector of the Russian economy by acquiring a majority stake in RAV Agro-Pro, a leading company in crop farming and livestock in the Central-Chernozem region of Russia.
— A new retail bank, Air Bank, a member of PPF Group, commenced operations in the Czech Republic, obtaining a licence from the Czech National Bank.
— Two major Russian companies where PPF Group is a significant minority shareholder undertook successful IPOs on the London Stock Exchange. Nomos-Bank became the only Russian bank to have success with an international IPO amid an insecure economic environment, while Polymetal became the first Russian company ever to be included in the FTSE 100 Index.

2010

— Through the indirect purchase of an interest in PPF Group N.V., Jean-Pascal Duvieusart became a minority shareholder of the company.
— PPF Group N.V. received approval from the China Banking Regulatory Commission to form a Consumer Finance Company (CFC) in Tianjin, in the north of China. This cleared the way for PPF Group to establish the first CFC in China to be fully owned by a foreign investor, in accordance with new consumer finance legislation enacted in China in August 2009.
— PPF Group completed the process of rebranding its Real Estate management organisations under PPF Real Estate.

2009

— PPF Group and Igor Yakovlev agreed to a debt capitalisation deal, in which PPF Group acquired a majority interest in Eldorado, Russia's largest home appliance and electronics retail chain. The transaction closed in September 2009.
— The J&T and PPF Groups and Daniel Křetínský formed Energy and Industrial Holding (EPH), a joint venture in the field of energy and industry, which commenced operations in October 2009.
— PPF Group formally launched its consumer financing business in Vietnam, making the country the eighth market in its Europe and Asia emerging markets portfolio. PPF Vietnam Finance Company Ltd. is a wholly owned subsidiary of PPF Group N.V., which provides product purchase loans to the qualified mass market under the Home Credit brand.

2008

— PPF Group became a significant shareholder in Russia-based Polymetal, a leader in silver and gold mining.
— PPF Group provided a loan to Eldorado, Russia's retail giant and business partner, through Home Credit & Finance Bank.
— PPF Group and Assicurazioni Generali S.p.A. formed PPF Partners, a private equity company specialised in investments in the developing CEE and CIS markets.

2007

— PPF Group N.V. executed an agreement with Assicurazioni Generali S.p.A., leading to the formation of Generali PPF Holding B.V., which went on to launch an insurance business in Central and Eastern Europe and the CIS.
— PPF Group N.V. acquired an interest in Nomos-Bank, one of the leading banks in the Russian Federation.
— Home Credit Group launched consumer financing activities in China.

2006

— PPF Group sold eBanka to Raiffeisen Group.

2005

— Home Credit laid the foundations for offering consumer finance services in Kazakhstan.
— PPF Group opened a representational office in Vietnam, aiming to capitalise on opportunities in the region's consumer financing market.
— PPF Group sold ČP Leasing to the Agricole – Sofinco group.

2004

— Following a successful restructuring, PPF Group sold its majority interest in TV NOVA to CME, the international media company.
— PPF Group opened a representational office in Beijing to explore opportunities in the region's consumer financing market.

2002

— PPF Group established businesses that offer insurance and consumer finance services in the Russian market.
— Acquisition and successful restructuring of PPF banka, the former municipal První městská banka (partly owned by the City of Prague).

1999

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

1997

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

1996

— PPF Group acquired a major interest in Česká pojišťovna, the largest business in the Czech Republic insurance market, and launched its restructuring.

1995

— Foundation of special purpose vehicles, PPF majetková a.s. and PPF Capital Management a.s., expanding the Group's reach into Real Estate management and strategic investments.

1994

— PPF Group launched security trading and asset management activities.

1993

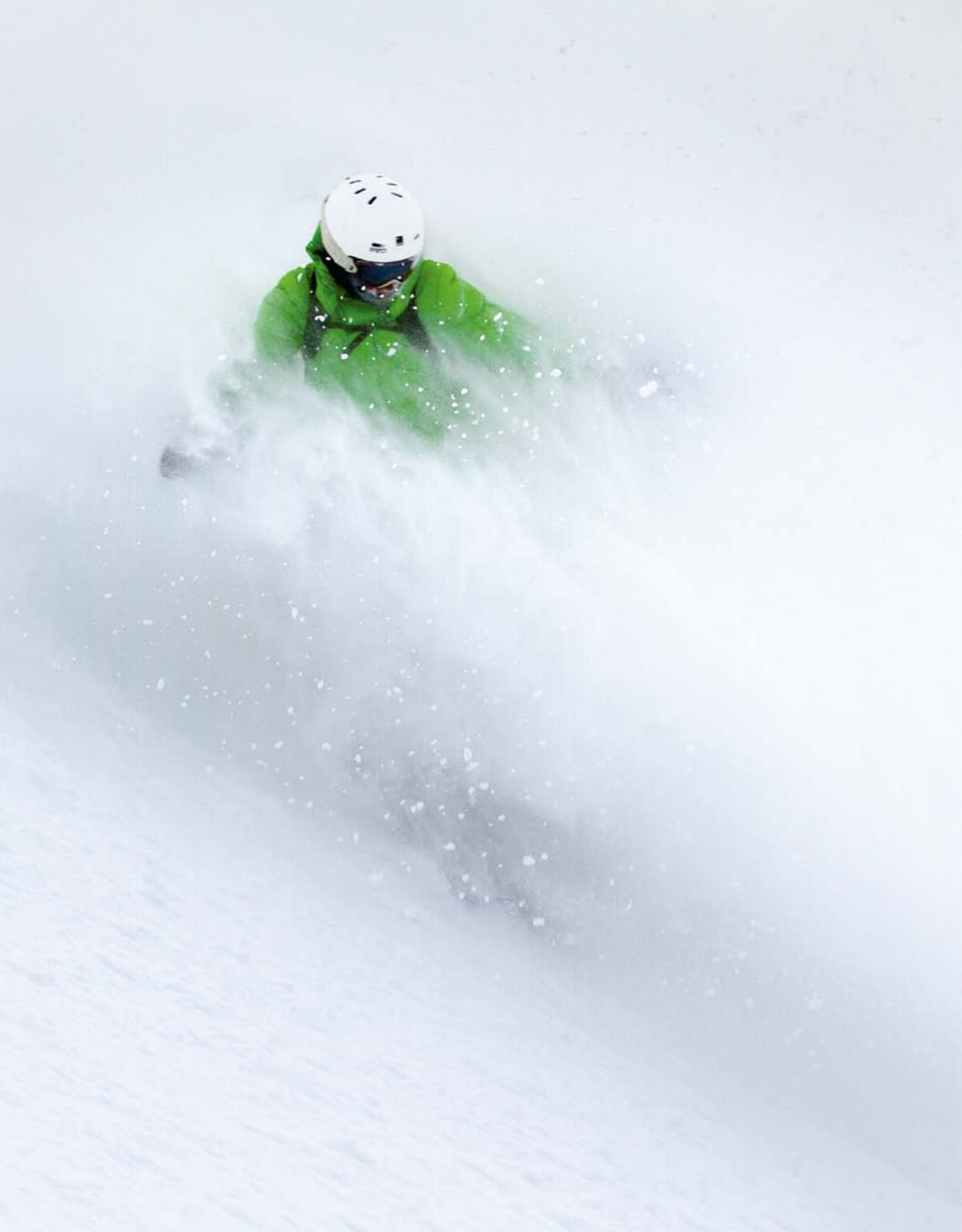
— PPF's investment funds acquired equity shares with a nominal value of CZK 4.9 billion. PPF ranked sixth among Czech investment companies in terms of the number of investment points collected in mass voucher privatisation.

1992

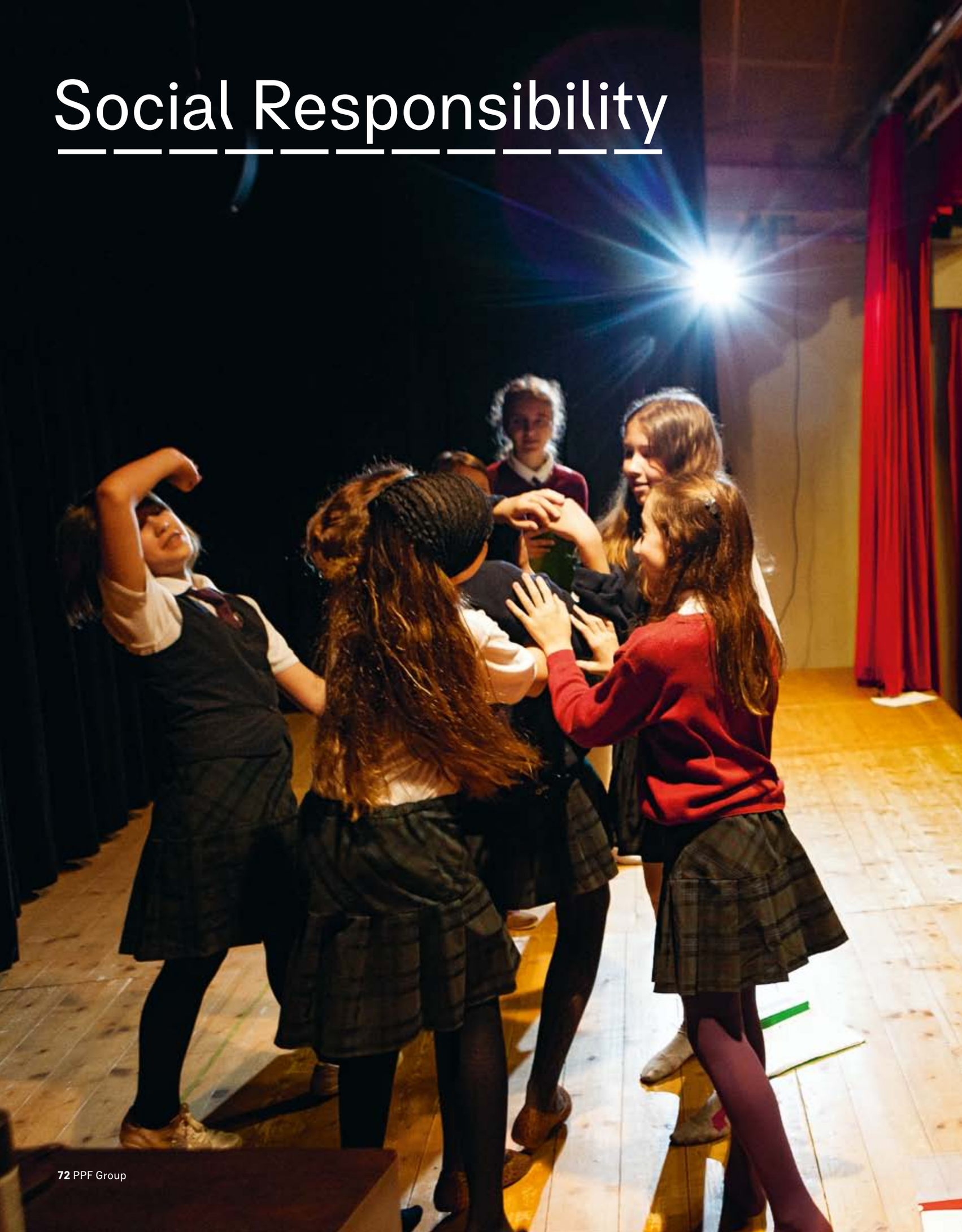
— Foundation of the investment company PPF investiční společnost a.s.

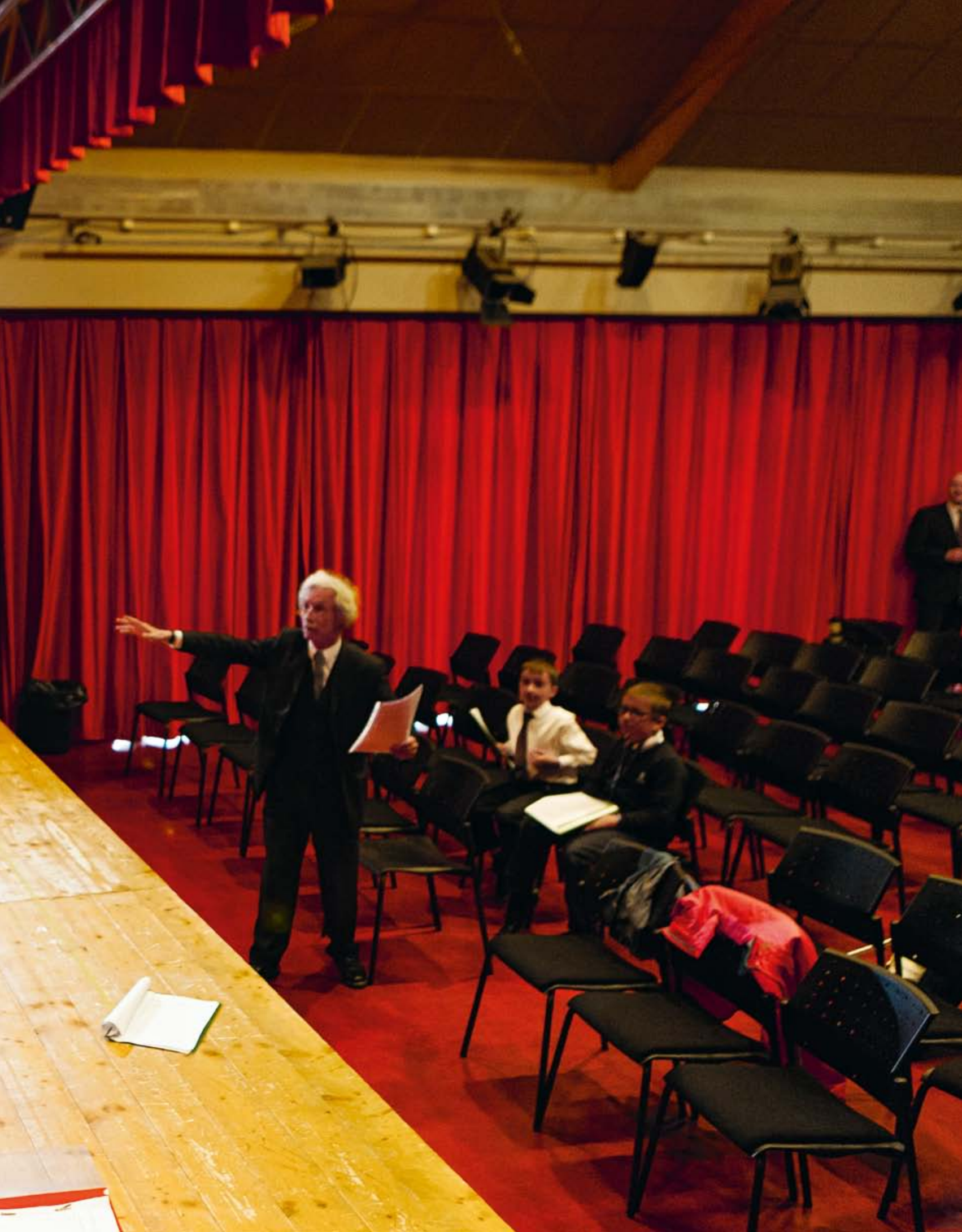
1991

— Foundation of PPF as a privatisation fund and launch of privatisation-related collective investment activities in then Czechoslovakia. Assets under management estimated at USD 225 million.



Social Responsibility





PPF Group continued to pursue its corporate social responsibility projects in the countries where it operates. During more than 20 years of its existence PPF Group has been donating almost CZK 1 billion to charitable purposes and to CSR projects. Traditionally, PPF Group has been focusing its support primarily on two areas: art and education.

PPF Group and Culture

PPF Group has a national association with art-related projects in the Czech Republic. PPF Group possesses and futher extends what is probably the largest private photography collection in the country and it also supports many top-ranked cultural events and operates several art galleries.

Václav Špála Gallery

This exhibition hall is among the best in Prague, due primarily to its prestigious location and reputation. PPF Art, a subsidiary of PPF Group, which won a tender launched by the Prague 1 Municipality in 2010, became the new operator of the Václav Špála Gallery for the following ten-year period. The gallery exhibitions belong to the best of the contemporary art scene in the Czech Republic, attracting a huge interest of the media and general public.

Josef Sudek Studio

PPF Group initiated the renovation of the studio of the world-famous Czech photographer in Prague's Újezd Street. The construction work to return the historic studio to its original form commenced in 2000 and since then the studio has become a major gallery, presenting the photographic works of respected Czech and foreign artists, as well as emerging young artists.

PPF Group's Collection of Czech and Slovak Photography

With more than 1,600 works by almost 100 authors this is the largest private collection of Czech and Slovak photography. Several unique works are added to the collection every year. The collection covers a period from the beginning of 20th century until today, from classical authors to current young generation of artists.

Summer Shakespeare Festival

PPF Group has been a sponsorship partner of these traditional outdoor events since 2000. Over the period of its existence, this drama festival has grown substantially and is now considered to be the largest of its kind in Europe.

Jára Cimrman Theatre in Prague

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

PPF Group and Education

The decision to focus PPF Group's supporting efforts on education is associated with the Group's general emphasis on human capital. PPF Group feels it is the Group's responsibility to help those who, no fault of their own, find themselves in difficult situations in life yet have the will, determination and ability to change their life through education. Several projects have been developed on the basis of this idea, all focused on improving the quality of education in countries where Group operates.

The Kellner Family Foundation

During years, the Kellner Family Foundation has donated significant amounts of money in order to help develop society and improve people's lives. The Foundation has also devoted its efforts to supporting philanthropic traditions and cultural heritage in the Czech Republic. In addition to financing its main educational project, the Foundation also provided contributions to several NGOs in the Czech Republic, in the area of culture or health protection.

The Foundation is a partner of Via Bona Awards that recognize individuals and companies for their philanthropic efforts: it also initiated the establishment of a new category – the Award for School Philanthropy. In the second half of 2012, the Foundation prepared the launch of the Science project in support of promising scientists.

The annual budget for The Kellner Family Foundation's charitable activities exceeded the amount of CZK 80 million.

Open Gate School

This is a unique project in the Czech Republic, which besides housing boarding students, provides education for students who commute daily from the nearby area around Prague. From its very foundation in 2005, Open Gate gained an excellent reputation and proved to be one of the most prestigious schools in the Czech Republic, with excellent reputation and with graduates entering the best universities world-wide.

The mission of the school is to provide opportunities to all young people to develop their potential, irrespective or their family background or personal situation (if they are talented and have the capability to study at the school), and to prepare them for both Czech and international school-leaving examinations. Financial support to students from socially disadvantaged backgrounds is provided by The Kellner Family Foundation. The Grammar School opened its first classes in 2005 and since then the Foundation has paid the tuition fees in full or in part for about 75% of the students. Many of these students come from orphanages, foster families or single-parent homes.

In this academic year (2012/2013), the Open Gate Grammar School has 165 students. A fully-fledged Open Gate Primary School accommodates 110 pupils.

The University Project

2012 was the fifth year of The Kellner Family Foundation's project of providing grants to exceptionally talented Czech students who themselves are unable to pay tuition fees at foreign and Czech universities. For the academic year of 2012/2013, the Foundation helped 50 students who received grants, enabling them to study at prestigious European and U.S. universities.

Helping Schools Succeed Project

The Kellner Family Foundation's long-term education project for public primary schools in the Czech Republic, "Helping schools succeed", has added two more schools to the current pilot scheme, reaching four in total. The Foundation has also contributed to the development of new teaching methods and facilities (like maps of pupils'progress or videobooks) among other intiatives.

Support for Gifted Students in Russia

For four years, Home Credit & Finance Bank (HCFB), which is one of the largest banks in Russia and is owned by PPF Group, has been operating a unique project to support gifted children from disadvantaged families in their university studies. The project, named "Sinyaya ptitsa" after a popular theatre play about a quest for happiness, was piloted in the cities of Murmansk, Kaluga, and Ekaterinburg, and then gradually expanded to 10 regions throughout Russia. The aim of the project is to provide gifted young people from disadvantaged family backgrounds not just funding (scholarships) to study at universities, but also to offer them personal development courses, internship opportunities at local HCFB branches, and gifts (books, study materials). 71 students are involved in the programme and will receive scholarships from HCFB for the entire duration of their studies at university.

Financial Section

Independent Auditor's Report

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

The accompanying summary financial statements, which comprise the summary statement of financial position as at 31 December 2012, the summary statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information, are derived from the audited financial statements of PPF Group N.V. 2012. We expressed an unqualified audit opinion on those financial statements in our report dated 15 May 2013. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

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

Management's responsibility

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

Auditor's responsibility

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

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of PPF Group N.V. 2012 are consistent, in all material respects, with those financial statements, on the basis described in note A.4.

Amstelveen, 13 June 2013

KPMG Accountants N.V.

B.M. Herngreen RA

Consolidated Financial Statements

Consolidated Statement of Financial Position

In millions of EUR, as at 31 December	Note	2012	2011
ASSETS			
Cash and cash equivalents	F.1.	1,873	721
Financial assets at fair value through profit or loss	F.2.1.	510	535
Financial assets available for sale	F.2.2.	2,223	823
Financial assets held to maturity	F.2.3.	64	–
Loans and receivables due from banks and other financial institutions	F.2.4.	907	1,231
Loans and receivables due from non-banks	F.2.5.	8,086	4,093
Other loans and receivables	F.2.7.	934	691
Current income tax receivable		10	13
Deferred tax assets	F.3.	62	39
Inventories	F.4.	467	399
Biological assets	F.5.	8	15
Non-current assets held for sale		–	4
Other assets	F.6.	357	303
Investments in associates and joint ventures	F.7.	4,089	4,203
Investment property	F.8.	716	438
Property, plant and equipment	F.9.	595	371
Intangible assets	F.10.	637	478
TOTAL ASSETS		**21,538**	**14,357**
LIABILITIES			
Due to non-banks	F.11.	7,991	3,420
Due to banks and other financial institutions	F.12.	4,231	3,698
Debt securities issued	F.13.	1,907	1,554
Financial liabilities at fair value through profit or loss	F.14.	236	351
Current income tax liability		36	6
Deferred tax liabilities	F.3.	128	90
Provisions	F.15.	23	30
Other liabilities	F.16.	1,240	716
TOTAL LIABILITIES		**15,792**	**9,865**
CONSOLIDATED EQUITY			
Issued capital	F.18.	1	1
Share premium		677	677
Other reserves	F.19.	211	(130)
Retained earnings		4,438	3,720
Total equity attributable to equity holders of Parent		5,327	4,268
Non-controlling interest		419	224
Total consolidated equity		**5,746**	**4,492**
TOTAL LIABILITIES AND EQUITY		**21,538**	**14,357**

Consolidated Income Statement

In millions of EUR, for the year ended 31 December	Note	2012	2011
Interest income		1,883	1,111
Interest expense		(687)	(364)
Net interest income	**F.20.**	**1,196**	**747**
Fee and commission income		737	342
Fee and commission expense		(88)	(49)
Net fee and commission income	**F.21.**	**649**	**293**
Net gain/(loss) on financial assets	F.22.	(48)	38
Net impairment losses on financial assets	F.23.	(675)	(505)
Other banking result		**(723)**	**(467)**
NET BANKING INCOME		**1,122**	**573**
Rental and related income		22	20
Property operating expenses		(7)	(4)
Net valuation gain/loss on investment property		77	30
Profit on disposal of investment property		1	–
Profit on disposal of trading property		8	–
NET REAL ESTATE INCOME	**F.24.**	**101**	**46**
Sales of goods		2,289	2,024
Cost of goods sold		(1,737)	(1,507)
Other income on retail operations		54	51
NET INCOME ON RETAIL OPERATIONS		**606**	**568**
Net agriculture income	F.25.	(4)	(2)
Other income	F.26.	95	45
OTHER OPERATING INCOME		**91**	**43**
General administrative expenses	F.27.	(1,330)	(1,015)
Other operating expenses	F.28.	(113)	(132)
OPERATING EXPENSE		**(1,443)**	**(1,147)**
Net gain/loss from sale of subsidiaries, associates and joint ventures		224	30
Share of earnings in associates/joint ventures	F.7.	275	250
PROFIT/(LOSS) BEFORE TAX		**976**	**363**
Income tax expense	F.29.	(167)	(133)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**809**	**230**
Profit from discontinued operations		–	(9)
NET PROFIT FOR THE PERIOD		**809**	**221**
Net profit attributable to non-controlling interest		82	5
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		**727**	**216**

Consolidated Statement of Comprehensive Income

In millions of EUR, for the year ended 31 December	2012	2011
NET PROFIT FOR THE PERIOD	**809**	**221**
Other comprehensive income		
Valuation gains/(losses) on available-for-sale financial assets	62	(17)
AFS revaluation gains/(losses) transferred to income statement	(5)	122
Currency translation differences	71	(16)
Effect of movement in equity of associates	190	(173)
Effect of cash flow hedge accounting	(1)	–
Income tax relating to components of other comprehensive income	(6)	1
Other comprehensive income for the period (net of tax)	**311**	**(84)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,120**	**138**
Total comprehensive income attributable to non-controlling interest	84	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	**1,036**	**128**

The consolidated financial statements were approved by the Board of Directors and the Supervisory Board of the Company on 15 May 2013.

Consolidated Statement of Cash Flows

In millions of EUR, for the year ended 31 December, prepared using the indirect method	2012	2011
Cash flows from operating activities		
Profit before tax	976	363
Adjustments for:		
Depreciation and amortisation	91	65
Impairment losses on goodwill	4	29
Impairment and reversal of impairment of current and non-current assets	690	432
Profit/loss on disposal of PPE, intangible assets and investment property	(23)	(2)
Profit/loss on sale of financial assets	8	(32)
Consolidated gains/losses on disposal of consolidated subsidiaries and associates	(224)	(30)
Interest expense	687	364
Interest income	(1,883)	(1,111)
Other income/expenses not involving movements of cash	183	14
Purchase of financial assets at fair value through profit or loss	(230)	(248)
Proceeds from financial assets at fair value through profit or loss	249	70
Change in loans and receivables due from banks and other financial institutions	215	(472)
Change in loans and receivables due from non-banks	(4,199)	(1,224)
Change in other assets	(141)	(12)
Change in financial liabilities at fair value through profit or loss	(115)	187
Change in liabilities due to non-banks	4,428	1,357
Change in other liabilities	497	(104)
Cash flows arising from taxes on income	(147)	(112)
Change in assets and liabilities held for sale	–	28
Net cash from operating activities	**1,066**	**(438)**
Cash flows from investing activities		
Interest received	1,585	984
Dividends received	4	15
Purchase of tangible assets and intangible assets	(240)	(171)
Purchase of financial assets at fair value through profit or loss not held for trading	(1)	(139)
Purchase of financial assets held to maturity	(63)	–
Purchase of financial assets available for sale	(3,131)	(4,094)
Purchase of investment property	(170)	(103)
Purchase of biological assets	–	(19)
Acquisition of subsidiaries and associates, net of cash acquired	(371)	(418)
Proceeds from disposals of PPE and intangible assets	79	40
Proceeds from sale of financial assets at fair value through profit or loss not held for trading	–	82
Proceeds from sale of financial assets available for sale	1,888	3,909
Proceeds from sale of investment property	6	1
Proceeds from sale of biological assets	24	35
Proceeds from disposal of subsidiaries and associates, net of cash disposed	234	186
Net cash from investing activities	**(156)**	**308**
Cash flows from financing activities		
Proceeds from minority investors	–	170
Proceeds from the issue of debt securities	1,318	1,167
Proceeds from loans by banks and other financial institutions	24,161	8,225
Payment of debt securities	(988)	(1,138)
Repayment of loans from banks and other financial institutions	(23,761)	(7,579)
Interest paid	(508)	(332)
Cash flow from financing activities	**222**	**513**
Net increase (decrease) in cash and cash equivalents	**1,132**	**383**
Cash and cash equivalents as at 1 January	**721**	**345**
Effect of exchange rate movements on cash and cash equivalents	20	(7)
Cash and cash equivalents as at 31 December	**1,873**	**721**

Consolidated Statement of Changes in Equity

In millions of EUR, for the year ended 31 December	Issued capital	Share premium	Available for sale reserve
Balance at 1 January 2012	**1**	**677**	**(43)**
Profit for the period	–	–	–
Valuation gains (losses) taken to equity for AFS	–	–	62
AFS revaluation gains transferred to income statement	–	–	(5)
Currency translation	–	–	
Effect of movement in equity of associates	–	–	115
Tax on items taken directly to or transferred from equity	–	–	(6)
Effect of hedge accounting	–	–	–
Total comprehensive income for the period	**–**	**–**	**166**
Net allocation to legal and statutory reserves	–	–	–
Effect of acqusition and disposal of subsidiaries and associates	–	–	(1)
Total changes	**–**	**–**	**165**
Balance at 31 December 2012	**1**	**677**	**122**

In millions of EUR, for the year ended 31 December	Issued capital	Share premium	Available for sale reserve
Balance at 1 January 2011	**1**	**677**	**(67)**
Profit for the period	–	–	–
Valuation gains (losses) taken to equity for AFS	–	–	(17)
AFS revaluation gains transferred to income statement	–	–	122
Currency translation	–	–	–
Effect of movement in equity of associates	–	–	(82)
Tax on items taken directly to or transferred from equity	–	–	1
Total comprehensive income for the period	**–**	**–**	**24**
Net allocation to legal and statutory reserves	–	–	–
Effect of acqusition and disposal of subsidiaries	–	–	–
Effect of acquisition of non-controlling interest	–	–	–
Other changes	–	–	–
Total changes	**–**	**–**	**24**
Balance at 31 December 2011	**1**	**677**	**(43)**

Legal and statutory reserves	Translation reserve	Cash flow hedge reserve	Retained earnings	Attributable to equity holders of Parent	Attributable to non-controlling interest	Total
13	**(100)**	**–**	**3,720**	**4,268**	**224**	**4,492**
–	–	–	727	727	82	809
–	–	–	–	62	–	62
–	–	–	–	(5)	–	(5)
–	69	–	–	69	2	71
–	82	–	(7)	190	–	190
–	–	–	–	(6)	–	(6)
–	–	(1)	–	(1)	–	(1)
–	**151**	**(1)**	**720**	**1,036**	**84**	**1,120**
2	–	–	(2)	–	–	–
–	24	–	–	23	111	134
2	**175**	**(1)**	**718**	**1,059**	**195**	**1,254**
15	**75**	**(1)**	**4,438**	**5,327**	**419**	**5,746**

Legal and statutory reserves	Translation reserve	Cash flow hedge reserve	Retained earnings	Attributable to equity holders of Parent	Attributable to non-controlling interest	Total
11	**(16)**	**–**	**3,818**	**4,424**	**30**	**4,454**
–	–	–	216	216	5	221
–	–	–	–	(17)	–	(17)
–	–	–	–	122	–	122
–	(21)	–	–	(21)	5	(16)
–	(92)	–	1	(173)	–	(173)
–	–	–	–	1	–	1
–	**(113)**	**–**	**217**	**128**	**10**	**138**
2	–	–	(2)	–	–	–
–	22	–	–	22	23	45
–	7	–	(313)	(306)	(9)	(315)
–	–	–	–	–	170	170
2	**(84)**	**–**	**(98)**	**(156)**	**194**	**38**
13	**(100)**	**–**	**3,720**	**4,268**	**224**	**4,492**

Notes to the Consolidated Financial Statements

A. General

A.1. Description of the Group

PPF Group N.V. (the "Parent Company" or the "Parent") is a company domiciled in the Netherlands. The consolidated financial statements of the Parent Company for the year ended 31 December 2012 comprise the Parent Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates, joint ventures and affiliated entities.

Refer to Section B. of these financial statements for a listing of significant Group entities and changes to the Group in 2012 and 2011.

Structure of Ultimate Shareholders:

As at 31 December 2012, the shareholder structure was as follows:
Petr Kellner 94% (directly and indirectly)
Jiří Šmejc 5% (indirectly)
Ladislav Bartoníček 0.50% (indirectly)
Jean-Pascal Duvieusart 0.50% (indirectly)

Registered Office:

Strawinskylaan 933 Tower B Level 9
1077XX Amsterdam

A.2.Statutory bodies of the Parent Company

The Board of Directors:

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

The Supervisory Board:

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

A.3. Statement of compliance

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

The management has reviewed those standards and interpretations adopted by the EU at the date of issue of the financial statements which were not effective at that date. An assessment of the expected impact of these standards and interpretations on the Company is shown in note C.4.

A.4. Basis of preparation

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

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

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

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

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in both the period of the revision and future periods if the revision affects both the current and future periods.

Judgments made by management in the application of those IFRSs having a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in notes C.1.2., C.1.4., C.1.9., C.1.26. and D.6.

B. Consolidation

B.1. Basis of consolidation

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

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

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

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

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

B.2. Group entities

The following list shows only significant holding and operating entities that are subsidiaries, associates or joint ventures of the Parent Company as of 31 December 2012.

Company	Domicile	Effective proportion of ownership interest	Effective proportion of voting interest
PPF Group N.V.	Netherlands	Parent Company	Parent Company
Home Credit subgroup			
Home Credit B.V.	Netherlands	100.00%	100.00%
HC Asia N.V.	Netherlands	100.00%	100.00%
CF Commercial Consulting (Beijing) Co., Ltd.	China	100.00%	100.00%
Favour Ocean Ltd.	Hong Kong	100.00%	100.00%
Guangdong Home Credit Financing Guarantee Co., Ltd.	China	100.00%	100.00%
Home Credit a. s.	Czech Republic	100.00%	100.00%
Home Credit Advisory Asia, spol. s r. o.	Czech Republic	100.00%	100.00%
Home Credit and Finance Bank LLC	Russia	100.00%	100.00%
Home Credit Asia Ltd.	Hong Kong	100.00%	100.00%
Home Credit Bank OJSC	Belarus	100.00%	100.00%
Home Credit and Finance Bank LLC	Russia	100.00%	100.00%
Home Credit Bank JSC	Kazakhstan	9.99%	100.00%
Home Credit Consumer Finance China Ltd.	China	100.00%	100.00%
Home Credit Indonesia PT	Indonesia	70.00%	70.00%
Home Credit International a.s.	Czech Republic	100.00%	100.00%
Home Credit Slovakia, a.s.	Slovakia	100.00%	100.00%
Homer Software House LLC	Ukraine	100.00%	100.00%
PPF Home Credit IFN S.A.	Romania	100.00%	100.00%
PPF Vietnam Finance Company LLC	Vietnam	100.00%	100.00%
Rajshree Auto Finance Private Ltd.	India	97.97%	97.97%
Shenzen Home Credit Financial Service Co., Ltd.	China	100.00%	100.00%
Shenzen Home Credit Guarantee Co., Ltd	China	100.00%	100.00%
Sichuan Home Credit Financing Guarantee Co. Ltd.	China	100.00%	100.00%
Real Estate subgroup – subsidiaries			
PPF Real Estate Holding B.V.	Netherlands	100.00%	100.00%
Agriko LLC	Russia	55.19%	55.19%
Agriko Plus LLC	Russia	55.19%	55.19%
Anthemona Ltd.	Cyprus	100.00%	100.00%
Aranciata a.s.	Czech Republic	100.00%	100.00%
Argentinská Hvězda – budova A, a.s.	Czech Republic	100.00%	100.00%
Argentinská Hvězda – budova B, a.s.	Czech Republic	100.00%	100.00%
Bastion office center s.r.o.	Slovakia	57.50%	57.50%
Bavaria Complex S. R. L.	Romania	50.39%	50.39%
Boryspil Project Management Ltd.	Ukraine	100.00%	100.00%
Bucca Properties Ltd.	BVI	100.00%	100.00%
Celestial Holdings Group Ltd.	BVI	100.00%	100.00%
Eastfield Kazan LLC	Russia	65.00%	65.00%

Company	Domicile	Effective proportion of ownership interest	Effective proportion of voting interest
Garnet Holding B. V.	Netherlands	100.00%	100.00%
Glancus Investments Inc.	BVI	100.00%	100.00%
Ifaneed a.s.	Czech Republic	100.00%	100.00%
In Vino LLC	Russia	64.94%	64.94%
In Vino Natukhaevskoe LLC	Russia	64.94%	64.94%
Karta Realty Ltd.	Cayman Islands	60.07%	60.07%
KLP LLC	Russia	45.50%	45.50%
Kvartal Togliatti LLC	Russia	100.00%	100.00%
Logistics-A LLC	Russia	100.00%	100.00%
Longoria a.s.	Czech Republic	100.00%	100.00%
Midataner a.s.	Czech Republic	100.00%	100.00%
Mitino Sport City LLC	Russia	80.00%	80.00%
Office Star Five spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Nine spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Two spol. s r. o.	Czech Republic	100.00%	100.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
Retail Star 3, spol. s r.o.	Czech Republic	100.00%	100.00%
Retail Star 22, spol. s r.o.	Czech Republic	100.00%	100.00%
Roko LLC	Russia	100.00%	100.00%
Ryazan Shopping Mall Ltd.	Cyprus	100.00%	100.00%
Russkiy Val LLC	Russia	52.00%	52.00%
Slovak Trade Company, s.r.o.	Slovakia	57.50%	57.50%
Trigon Berlin B.V.	Netherlands	100.00%	100.00%
Vítězné náměstí a.s.	Czech Republic	100.00%	100.00%
Yugo-Vostochnaya promyshlennaya companiya "Kartontara"	Russia	100.00%	100.00%
Real Estate subgroup – associates and joint ventures			
Bohemia LLC	Russia	35.00%	35.00%
Circle Slovakia, s.r.o.	Slovakia	24.50%	24.50%
Feliston Enterprises Ltd.	Cyprus	50.00%	50.00%
Gilbey Ltd.	Cyprus	40.00%	40.00%
Intrust NN	Russia	33.33%	33.33%
Investitsionny Trust ZAO	Russia	50.00%	50.00%
Kendalside Ltd.	United Kingdom	49.00%	49.00%
Komodor LLC	Ukraine	40.00%	40.00%
Moravia LLC	Russia	35.00%	35.00%
Sigurno Ltd.	Cyprus	40.00%	40.00%
Stinctum Holdings Ltd.	Cyprus	33.33%	33.33%
Syner NN LLC	Russia	35.00%	35.00%
Other significant subsidiaries			
Agrofirma ZARYA LLC	Russia	80.00%	80.00%
RAV Molokoproduct LLC	Russia	80.00%	80.00%
Air Bank a.s.	Czech Republic	100.00%	100.00%
AB 1 B.V.	Netherlands	100.00%	100.00%
AB 4 B.V. (former PPF B2 B.V.)	Netherlands	100.00%	100.00%
AB 5 B.V. (former PPF B1 B.V.)	Netherlands	100.00%	100.00%
Anthiarose Ltd.	Cyprus	100.00%	100.00%
Bavella B.V.	Netherlands	80.00%	80.00%
Beringov Proliv Delta LLC	Russia	100.00%	100.00%
Eldorado Licensing Ltd.	Cyprus	100.00%	100.00%
Eldorado LLC	Russia	100.00%	100.00%
Facipero Investments Ltd.	Cyprus	100.00%	100.00%
GIM Invest Co. Ltd.	Jersey	100.00%	100.00%

Company	Domicile	Effective proportion of ownership interest	Effective proportion of voting interest
Invest-Realty LLC	Russia	100.00%	100.00%
Moranda a.s.	Czech Republic	100.00%	100.00%
Pearlmoon Ltd.	Cyprus	100.00%	100.00%
PPF a.s.	Czech Republic	99.99%	99.99%
PPF banka, a.s.	Czech Republic	92.96%	92.96%
PPF Co1 B.V.	Netherlands	100.00%	100.00%
PPF Co3 B.V.	Netherlands	100.00%	100.00%
PPF Healthcare N.V.	Netherlands	100.00%	100.00%
PPF Mobile Services a.s.	Czech Republic	100.00%	100.00%
PPF Partners 1 GP Ltd.	Guernsey	72.50%	72.50%
PPF Partners Ltd.	Guernsey	72.50%	72.50%
Rentol LLC	Russia	100.00%	100.00%
Ruconfin B.V.	Netherlands	92.96%	92.96%
Russia Finance Corporation B.V.	Netherlands	100.00%	100.00%
Sotio N.V.	Netherlands	92.00%	92.00%
Sotio a.s.	Czech Republic	89.12%	89.12%
Timeworth Ltd.	Cyprus	100.00%	100.00%
Verdena LLC	Russia	100.00%	100.00%
Other significant associates			
Polymetal International Plc*	Jersey	20.83%	20.83%
Accord Invest LLC	Russia	40.00%	40.00%
Lindus Sevices Ltd.	Cyprus	50.00%	50.00%
Generali PPF Holding B.V.	Netherlands	49.00%	49.00%
Česká pojišťovna a.s.**	Czech Republic	100.00%	100.00%
Delta Generali Osiguranje a.d.**	Serbia	50.02%	50.02%
Generali Pojišťovna a.s.**	Czech Republic	100.00%	100.00%
Generali PPF Life Insurance**	Russia	100.00%	100.00%
Generali Slovensko Poisťovňa, a.s.**	Slovakia	100.00%	100.00%
Generali Towarzystwo Ubezpiec.**	Poland	100.00%	100.00%
Generali Zycie S.A.**	Poland	100.00%	100.00%
Generali-Providencia Biztosító**	Hungary	100.00%	100.00%
GP Reinsurance EAD**	Bulgaria	100.00%	100.00%
Penzijní fond České pojišťovny, a.s.**	Czech Republic	100.00%	100.00%
Generali Romania Asigurare Reasigurare S.A.**	Romania	99.91%	99.91%
Energetický a průmyslový holding, a.s.	Czech Republic	44.44%	44.44%
United Energy, a.s.***	Czech Republic	100.00%	100.00%
Plzeňská energetika a.s.***	Czech Republic	100.00%	100.00%
POWERSUN a.s.***	Czech Republic	100.00%	100.00%
Pražská teplárenská a.s. ***	Czech Republic	73.26%	73.26%
První energetická a.s.***	Czech Republic	100.00%	100.00%
Przedsiębiorstwo Górnicze Silesia***	Poland	99.85%	99.85%
EP Energy Trading, a.s.***	Czech Republic	100.00%	100.00%
Elektrárny Opatovice, a.s. ***	Czech Republic	100.00%	100.00%
Mitteldeutsche Braukohlen Gesselschaft GmbH***	Germany	100.00%	100.00%

* This associate comprises a group of entities

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

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

B.3. Acquisitions

B.3.1. Russian retail chain

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

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

B.3.2. Russian real estate portfolio

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

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

B.3.3. Sotio

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

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

B.3.4. Home Credit Bank in Kazakhstan

As at 31 December 2011 and 2012 the Group held a direct 9.99% equity stake in Home Credit Bank (JSC), a bank incorporated in the Republic of Kazakhstan. In addition, in August 2011 the Group entered into a call option agreement enabling it to purchase the remaining 90.01% stake in Home Credit Bank from its current shareholder. As at 31 December 2011, due to regulatory uncertainties which arose in connection with changes to the banking legislation of the Republic of Kazakhstan, the ability of the Group to meet the conditions required to exercise the option was remote and not within the Group's control. Therefore, no control over Home Credit Bank existed as at 31 December 2011. The Group reported its direct 9.99% equity stake as an available-for-sale asset.

In December 2012 a change in the banking legislation of the Republic of Kazakhstan took place which enabled the Group to meet the conditions required to exercise the option. Therefore, as at 31 December 2012 the Group exercised control over Home Credit Bank and treated Home Credit Bank as a consolidated subsidiary due to existence of the Group's potential voting rights in Home Credit Bank. The option was exercised in January 2013, making the Group the 100% owner of Home Credit Bank.

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

In millions of EUR	
Fair value of assets acquired	397
Fair value of liabilities acquired	(285)
Effective voting interest	100%
Effective ownership	9.99%
Net assets value attributable to non-controlling interest	101
Goodwill	3

B.3.5. New real estate projects in 2012

B.3.5.1. Trigon Berlin

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

B.3.5.2. Kartontara (entity Yugo-Vostochnaya promyshlennaya companiya "Kartontara")

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

B.3.5.3. Checkov (entity Logistics-A LLC)

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

B.3.6. Changes in PPF Partners and EP Holding in 2011 and 2012

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

PPF Partners administrate a private equity fund, PPF Partners 1 Fund L.P., which was launched with MEUR 615 in commitments from PPF Group, PPF shareholders and Generali. At the beginning the fund invested a portion of its commitments in an initial portfolio that included stakes in waste-to-energy businesses, fuel distribution, hotels and media companies in the Czech Republic, Romania and Ukraine. In 2009 and 2010, the fund continued to invest in further projects, one of the biggest of which was the establishment of Energetický a průmyslový holding a.s. ("EP Holding") together with J&T Group. EP Holding aims to become a long-term strategic investor in the energy sector and a major investor in industry. EP Holding's business lines include generation of electricity and heat, their distribution and sale to final customers, and trading in electricity and natural gas.

In 2011 most of the projects were sold to external investors. The residual stake in EP Holding held by PPF Partners was sold to PPF Group.

Financial aspects

As of 31 December 2012 and 2011, the breakdown of financial investments in PPF Partners 1 Fund L.P. is as follows:

In millions of EUR, as at 31 December	All limited partners 2012	PPF Group 2012	All limited partners 2011	PPF Group 2011
Total commitment	385	120	385	120
Cumulative contributions	838	189	830	187
Cumulative distributions	(405)	(86)	(379)	(81)
Net assets attributable to limited partners	426	109	449	106

Accounting aspects

PPF Group controls the fund's management company, PPF Partners, but due to the existence of substantial kick-off rights assigned to the investors it does not control the fund itself. PPF Group applies significant influence in the fund and decided to apply the venture capital exemption in accordance with IAS 28.1. The investment in the fund is recognised in the category fair value through profit or loss and carried at fair value with change in fair value recognised in the income statement (refer to F.22.).

Initially PPF Group's total investment in EP Holding consisted of a 10% effective direct stake and a 10% effective indirect stake through PPF Partners 1 Fund L.P. In addition, a residual effective 20% indirect stake through the fund was held by Generali. Due to the combination of the direct and indirect stakes, from the beginning this investment was not carried at fair value; rather, it was accounted for using the equity method of consolidation (refer to F.7.).

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

On 2 September 2011, PPF Group acquired the whole share in EP Holding held by PPF Partners. At that moment PPF Group became the direct holder of a 40% economic share in EP Holding, i.e. an 11% increase in its effective ownership stake from a 29% stake held in 2010.

As of 30 September 2011 EP Holding demerged into two structures: EP Industry (EP Industry, a.s. – industrial investment group) and EP Holding (energy investment group). The aim of this transaction was to split the EP Holding's activities to enable PPF Group to continue investing only in the energy sector and withdraw from the other industrial activities. Consequently, on 30 November PPF Group's share in EP Industry was sold. The share purchase agreement was concluded in November 2011; however, conditions for the transfer of significant influence were fulfilled at 31 December 2011. As of 31 December 2011, the Group's share in equity comprises only assets and liabilities related to the energy business – i.e., the post-merger EP Holding.

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

In millions of EUR	
Acquisition of EP Holding share held by PPF Partners	2 September 2011
Stake acquired (previously recorded as non-controlling interest)	11%
Purchase price	139
Net asset value attributable to non-controlling interest	104
Translation reserve arising from the non-controlling interest derecognised	(5)
Effect recorded to retained earnings (decrease)	40

In millions of EUR	
Sale of EP Industry share	31 December 2011
Selling price	109
Net assets value attributable to a 40% share	58
Goodwill derecognised	12
Profit on sale	39

In May 2012, the Group provided MEUR 325 in hybrid financing to EP Holding, consisting of: (i) a MEUR 100 subordinated loan facility and (ii) a MEUR 225 subordinated loan facility convertible into shares of EP Holding at pre-defined terms. The loans are repayable by 31 March 2016 at the latest. The loan principals may be converted by issuance of new shares into EP Holding equity (combination of share capital and share premium) at the discretion of either the Group or EP Holding (as a debtor). The conversion option varies depending on particular loan and whether the convertor is the lender or borrower. The utmost conversion date is 31 March 2016. The interest rates applied on these loans are consistent with the nature of the funds provided.

In accordance with the contractual terms of the loan agreements related to the relevant parties concerned, part of the loan granted from the Group was converted into share capital and share premium of EP Holding as at 31 August 2012. As a result of this option being partly exercised, the Group's interest in the share capital of EP Holding increased to 44.44%, and the shareholdings of other EP Holding's shareholders were adjusted accordingly. Apart from to the hybrid financing described above the Group granted options to current shareholders of EP Holding to acquire at the final maturity, i.e. as of 31 March 2016, selected shares converted until then based on the subordinated loan facility of MEUR 225.

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

B.3.7. Agricultural business in Russia (2011 acquisition)

In July 2011 the Group, through its new subsidiary Bavella B.V., acquired a 100% share in RAV Agro-Pro CJCS, a Russian agricultural holding company based in Voronezh with crop and livestock production operations in several regions. Bavella has a 20% minority external shareholder. Total consideration paid for the stake was MEUR 2. The fair value of assets acquired was MEUR 71, while the fair value of liabilities was MEUR 84. Due to the negative equity position of RAV Agro-Pro as of the acquisition date, a negative MEUR 3 non-controlling interest arose on the acquisition. Goodwill in the amount of MEUR 12 represented that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised and reflects the result of the purchase price allocation. The goodwill was fully impaired at the moment of acquisition.

B.3.8. Completed acquisition of Eldorado (2011 acquisition)

In 2009 the Group, together with Generali, acquired a controlling stake of 50% plus 1 share in Eldorado, the Russian electronics and domestic appliances retailer. As of 31 December 2009 the Group controlled Eldorado with an effective ownership interest of 40%. In December 2010 Generali sold its 10% effective share in Eldorado to the Group and consequently the Group's effective ownership grew to 50% plus one share. In August 2011, the Group acquired Eldorado's remaining shares, bringing its stake in the company to 100%. Total consideration for the residual share was MUSD 250. As a consequence of this transaction, the entire negative non-controlling interest was derecognised and the difference between the purchase price and the fair value of assets and liabilities attributable to the minority stake acquired was recorded directly to retained earnings. The following table shows the overall impact:

In millions of EUR, as at 31 December	
Date of acquisition	19 August 2011
Stake acquired	50% less one share
Purchase price	176
Net asset value at acquisition (negative)	(190)
Non-controlling interest derecognised	95
Translation reserve arising from the non-controlling interest derecognised	(2)
Effect recorded to retained earnings (decrease)	273

B.3.9. Home Credit India (2011 acquisition)

In November 2011 the Group, through its newly incorporated holding company Home Credit India B.V., acquired a 51% share in an Indian entity Rajshee Auto Finance Private Ltd. The purpose of this acquisition was to launch a consumer finance business in a new region. Total consideration paid for the acquisition was MEUR 1. The fair value of assets acquired was MEUR 1.

B.3.10. New real estate projects in 2011

B.3.10.1. Ryazan Shopping Mall

In December 2010 the Group acquired a Russian project in the construction phase. By this transaction the Group obtained effective ownership of 10.68%, which was subsequently increased when a further stake was acquired from a third party in the second half of 2010. Although the economic ownership as of 31 December 2010 was 89.32%, the Group applied significant influence. In November 2011 the Group finalised the acquisition of a 100% share for MEUR 4 to gain full control over the project, which was finished during the same month. At 31 December 2011 Ryazan Shopping Mall is fully consolidated.

B.3.10.2. Vítězné náměstí

In July 2011 the Group acquired a 100% share in Vítězné náměstí a.s., an office project located in Prague currently in the phase of obtaining a zoning permit. The entity was previously owned by the Group (55% share) and the City of Prague. Total consideration paid for the acquisition was below MEUR 1. No goodwill arose on the acquisition.

B.3.10.3. Litovice and Trojmezí

In October and December 2011 the Group gradually acquired several entities owning different land areas located in Prague for future development (100% ownership). Total consideration paid for the acquisition was MEUR 3 and corresponded to the fair value of acquired assets.

B.3.10.4. Pařížská

In June and August 2011 the Group acquired two buildings in central Prague, one of which was acquired through acquisition of an entity. Total consideration paid for the acquisition was MEUR 24 and corresponded to the fair value of acquired assets.

B.3.10.5. Southgate Logistics

In October 2011 the Group together with a minority partner finalised the acquisition of a 100% share in Karta Realty Ltd., an entity controlling a Russian logistics project near Moscow. Total consideration paid was MUSD 51; the Group's economic share is 62.53%. The fair value of assets acquired was MEUR 89, while the fair value of liabilities was MEUR 53. No goodwill arose on the acquisition.

B.3.10.6. Kievskoe Shosse

In November 2011 the Group acquired a 100% share in Anthemona Ltd., which owns a land plot near Moscow earmarked for future office development. Total consideration paid for the acquisition was MEUR 30 and corresponded to the fair value of acquired assets.

B.4. Disposals

B.4.1. Rural companies

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

B.4.2. Czech real estate project

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

B.4.3. Euronews

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

B.4.4. PSJ

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

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

B.4.5. Nomos-Bank

In June 2012, the Group entered into a transaction that led to the exchange of the Group's entire share in Nomos-Bank for shares in Uralkali, a Russian fertiliser producer whose shares are publicly traded.

The transaction was settled on 7 August 2012. Section F.7. shows the estimated financial performance of the bank until its disposal. A MEUR 129 impairment loss, which is included in the overall share in the profit of this associate, represents the difference between the carrying value of the associate and the fair value of Uralkali's shares at the moment of the exchange. As of 31 December 2012 the Group's investment in the shares of Uralkali is included in the portfolio available for sale.

B.4.6. SAZKA enterprise

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

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

B.4.7. Ukrainian Home Credit Bank (2011 disposal)

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

B.4.8. Euroclinicum (2011 disposal)

On 4 January 2010 the Group, through its holding company PPF Healthcare a.s., acquired a 100% share in Euroclinicum a.s. – a chain of clinics and hospitals in the Czech Republic. Total consideration paid for the acquisition was MEUR 17. The fair value of assets acquired was MEUR 31, while the fair value of liabilities was MEUR 17. Goodwill amounted to MEUR 3.

In 2011 the Group decided to dispose of its healthcare business. A 100% share in PPF Healthcare a.s. was sold on 31 March 2011 for consideration of MEUR 23. Goodwill in amount of MEUR 3 was derecognised. The net gain from the sale amounted to MEUR 2 and is included in the income statement.

B.4.9. Czech real estate portfolio (2011 disposal)

On 15 April 2011, the Group signed a framework agreement with an external counterparty concerning the sale of a real estate portfolio of Czech office buildings for MEUR 54. The transaction was finalised on 30 September 2011. The net gain from the sale amounted to MEUR 19 and is included in the income statement.

B.4.10. Retail Value Stores (2011 disposal)

In December 2010 the Group acquired Retail Value Stores, a.s. – a company operating supermarkets in the Slovak Republic. In December 2011 the company was sold for MEUR 0.5. Goodwill in an amount of MEUR 13 was derecognised (refer to F.10.1.). The net loss from the sale amounted to MEUR 11 and is included in the income statement.

B.5. Other significant changes

B.5.1. Transaction with GIM Ltd.

In December 2011 the Group concluded a derivative transaction (on non-equity basis) with GIM Ltd., a private equity fund domiciled in Jersey. The subject matter of the transaction is the exchange of a fixed amount for the future floating amount derived from the value of the Group's investment in Generali PPF Holding. At the same time the Group, through its subsidiary GIM Invest Co. Ltd., holds a 92.38% economic stake in the fund's equity. Although the Group has no legal or managerial control over the fund, since it holds a majority stake, it bears the bulk of the risk and rewards and therefore the fund is accounted for using the full method of consolidation. At initial recognition the shares of the other partners in the fund were presented as a MEUR 170 non-controlling interest. As of 31 December 2012 the non-controlling interest amounted to MEUR 208 and the corresponding change is recognised in the income statement.

B.5.2. Incorporation of Air Bank in 2011

Air Bank a.s. was incorporated as a 100% subsidiary of the Group on 26 February 2010 and was granted a banking license on 31 May 2011. The bank started retail banking activities in November 2011.

B.5.3. Incorporation of Home Credit Indonesia

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

B.5.4. Incorporation of Argentinská Hvězda

In February 2012, the Group established two entities, Argentinská Hvězda – budova A, a.s. and Argentinská Hvězda – budova B, a.s., in which the Group contributed real estate projects previously held in Office Star Eight spol. s r. o.

B.5.5. Newly established entities

The following table shows the other significant entities established by the Group during 2012 and 2011:

Established company	Description	Date of first consolidation	Percentage of effective ownership interest
Bavella B.V.	holding company	12 April 2011	80.00%
Retail Star 3, spol. s r.o.	real estate	27 May 2011	100.00%
Retail Star 22, spol. s r.o.	real estate	28 June 2011	100.00%
Home Credit Advisory Asia, spol. s r.o.	service company	27 June 2011	100.00%
GIM Invest Co. Ltd.	holding company	6 December 2011	100.00%
Ruconfin B.V.	consumer finance	21 May 2012	92.96%
PPF Mobile Services a.s.	holding company	25 May 2012	100.00%
Trigon Berlin B.V. (refer to B.3.5.1.)	real estate	5 June 2012	100.00%
AB1 B.V.	consumer finance	5 September 2012	100.00%

C. Significant Accounting Policies and Assumptions

C.1. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note C.3., which addresses changes in accounting policies.

C.1.1. Foreign currency

C.1.1.1. Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the exchange rate effective at the date of the transaction. At the reporting date:

- monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the exchange rate at that date;
- non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated using the exchange rates prevailing at the date that the fair value was determined;

– non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the original transaction.

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

C.1.1.2. Foreign operations

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

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

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

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

In 2011, Belarusian Ruble (BYR) was identified as a currency of a hyperinflationary economy. Therefore, the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies were applied for the Belarusian subsidiary Home Credit Bank OJSC.

C.1.2. Impairment

The carrying amounts of the Group's assets, other than investment property (refer to C.1.9.), inventories (C.1.6.), deferred tax assets (C.1.26.), deferred acquisition costs (C.2.4.) and the present value of future profits on an acquired insurance portfolio (C.2.2.), are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

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

– significant financial difficulty of the issuer or debtor;

– a breach of contract, such as default on interest or principal payments;

– the disappearance of an active market for that financial asset due to financial difficulties of the issuer or debtor.

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

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

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

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

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

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

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

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

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

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

The recoverable amount of other assets is the greater of their fair value less the cost to sell and their value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and the increase can be objectively attributed to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

C.1.3. Cash and cash equivalents

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

C.1.4. Financial assets

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

Financial assets are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognise them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used trade date accounting. Financial instruments, with the exception of financial instruments at fair value through profit or loss, are measured initially at fair value plus transaction costs directly attributable to the acquisition or issue of the financial instrument.

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

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

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

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

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

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

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

The fair value of debt securities available for sale and foreign currency futures is based on their quoted market price. The other derivative contracts are not exchange traded and their fair value is estimated using an arbitrage pricing model, the key parameters of which are the relevant foreign exchange rates and interbank interest rates prevailing at the reporting date.

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

C.1.4.1. Financial assets available for sale

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

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

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

C.1.4.2. Financial assets held to maturity

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

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

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

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

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

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

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

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

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

C.1.4.4. Loans and receivables

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

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

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

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

C.1.4.5. Lease transactions

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

Property and equipment used by the Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, are not recorded in the Group's statement of financial position. Payments made under operating leases to the lessor are charged to the income statement over the period of the lease.

C.1.5. Hedge accounting

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

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

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

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

C.1.6. 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.

C.1.7. Biological assets

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

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

C.1.8. 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, the assets (or disposal groups) are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventory, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets; these continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

C.1.9. Investment property

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

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

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

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

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

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

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

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

C.1.10. Property, plant and equipment

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

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

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

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

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

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

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

C.1.11. Intangible assets

C.1.11.1. Goodwill and negative goodwill

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

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

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

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

C.1.11.2. Trademarks

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

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

C.1.11.3. In-process research and development assets

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

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

C.1.11.4. Other intangible assets

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

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

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

C.1.12. Equity

C.1.12.1. Repurchase of share capital

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

C.1.12.2. Dividends

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

C.1.12.3. Non-controlling interest

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

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

C.1.13. Debt securities issued

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

C.1.14. Financial liabilities at fair value through profit or loss

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

C.1.15. Liabilities due to non-banks and due to banks

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

C.1.16. Other liabilities and provisions

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

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

C.1.17. Interest income and interest expense

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

C.1.18. Net fee and commission income

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

C.1.19. Net gain/loss on financial assets

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

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

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

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

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

C.1.20. Net real estate income

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

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

C.1.21. Net income on retail operations

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

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

Cost of goods sold includes:

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

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

C.1.22. Net agriculture income

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

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

Cost of goods includes:

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

C.1.23. Other income and other expenses

C.1.23.1. Income for services rendered

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

C.1.23.2. Operating lease payments

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

C.1.24. General administrative expenses

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

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

C.1.25. Pensions

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

C.1.26. Income tax

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

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

A deferred tax position is recognised in cases when temporary differences arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: the initial recognition of goodwill arising from a business combination, the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable

future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date.

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

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

C.1.27. Net profit allocated to non-controlling interest

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

C.1.28. Segment reporting

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

C.2. Significant accounting policies applicable to insurance business

Until 17 January 2008 the Group controlled CZIH Group, an insurance business comprising a significant part of the Group's activities. On 17 January 2008 the whole of CZIH Group and selected CEE investments from Generali were contributed, as an in-kind investment, to Generali PPF Holding B.V., and as of that date Generali PPF Holding B.V. became an associate of PPF Group (49%) and a subsidiary of Generali (51%).

The following chapters describe the most significant policies affecting the accounting treatment of the insurance business (the "Insurance Group").

C.2.1. Discretionary participation features (DPF)

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

C.2.2. Present value of future profits

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

C.2.3. Reinsurance assets

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

C.2.4. Deferred acquisition costs

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

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

C.2.5. Insurance liabilities

C.2.5.1. Provision for unearned premiums

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

C.2.5.2. Life insurance provision

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

C.2.5.3. Provision for outstanding claims

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

C.2.5.4. DPF liability for insurance contracts

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

C.2.5.5. Other insurance provisions

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

C.2.5.6. Financial liabilities for investment contracts with DPF

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

C.2.6. Net assets attributable to unit-holders

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

C.2.7. 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.

C.2.8. Net insurance claims and benefits

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

C.2.9. Investment contract benefits

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

C.2.10. Acquisition costs

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

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

C.2.11. 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.

C.2.12. Non-uniform accounting policies of subsidiaries

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

C.3. Changes in accounting policies and accounting pronouncements adopted since 1 January 2012

C.3.1. Amendments and interpretations of IFRS adopted since 1 January 2012

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 2012:

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

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

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

A number of new Standards and amendments to Standards and Interpretations have been promulgated, but were not in effect in the year ended 31 December 2012 and have not been applied in preparing these financial statements. Of these pronouncements, the following may have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2015)

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

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

The amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income:

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

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)

In May 2011 the IASB issued three new standards as improvements to the accounting requirements for off balance sheet activities and joint arrangements.

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.

An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is reassessed as facts and circumstances change.

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

IFRS 11 Joint Arrangements (effective from 1 January 2013)

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It:

- distinguishes joint arrangements between joint operations and joint ventures; and
- always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

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

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

– the nature of, and risks associated with, an entity's interests in other entities; and

– the effects of those interests on the entity's financial position, financial performance and cash flows.

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

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

This amended standard supersedes IAS 28 Investments in Associates (2008). IAS 28 (2011) makes the following amendments:

– IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and

– on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

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

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

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

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

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

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

C.5. Changes in accounting policies and comparative figures

In 2012 the Group assessed certain transaction costs related to the origination of loans to customers in the Home Credit Group and included as an integral part of the effective interest rate and decided to improve the financial statement presentation by showing them as part of interest income. Such costs were formerly presented under fee and commission expenses and general administrative expenses and therefore, a corresponding adjustment to comparative numbers was made: interest income, fee and commission expenses and general administrative expenses were reduced by MEUR 70, MEUR 28 and MEUR 42, respectively, without any impact on net profit for the year or equity.

D. Risk Exposures, Risk Management Objectives and Procedures

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and equity price risk. In 2008 the Group lost control over all entities engaged in insurance business by signing the closing agreement related to the creation of Generali PPF Holding B.V. As a result, insurance risk is not relevant until 2012.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Home Credit subgroup has established an Asset Liability Committee (ALCO) and a Credit Risk Department, which are responsible for developing and monitoring risk management policies in their specified areas. A similar structure is used by PPF banka a.s. and Air Bank a.s. For the rest of the Group the Board has established a Group Asset Liability Committee (ALCO). However, due to the financial crisis, in the second half of 2008 this body was replaced by day-to-day joint management implemented by the Group's top management, the Board, and all the shareholders. This arrangement made it possible to respond immediately to rapid market changes and its flexibility affords the Group a competitive advantage. The arrangement remained in place in 2011 and 2012.

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

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

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

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

D.1. Derivative financial instruments

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

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

D.1.1. Swaps

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

D.1.2. Futures and forwards

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

D.1.3. Options

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

D.1.4. Other derivatives

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

D.2. Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group's exposure to credit risk arises in connection with the provision of consumer financing to private individual customers, which is the Group's principal business. For risk management purposes, the Group classifies the loans made to individual customers into several classes, the most significant of which are consumer loans, revolving loans, cash loans, car loans and mortgage loans. This core part of the Group's loan portfolio consists of a large number of loans with relatively low outstanding amounts. Other individual significant credit exposures to third parties are monitored by the Group's top management, Board of Directors and shareholders on a case-by-case basis. Monitoring and assessment is not carried out by individual exposures only, but also by country and sector concentration.

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

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

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

Credit underwriting process

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

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

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

Loan collection and fraud prevention

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

General loan collection

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

Pre-collection measures

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

Early collection

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

Administrative and personal collection

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

Legal collection

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

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

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

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

In millions of EUR, as at 31 December	2012	2012	2011	2011
Economic concentration				
Households/Individuals	8,433	57.22%	4,360	50.12%
Financial services	3,010	20.43%	1,845	21.20%
Public sector	688	4.67%	465	5.35%
Construction and real estate	321	2.18%	85	0.97%
Other	2,284	15.50%	1,945	22.36%
Total	**14,736**	**100.00%**	**8,700**	**100.00%**
Geographic concentration				
Russia	8,458	57.40%	4,045	46.50%
Czech Republic	3,259	22.11%	2,488	28.60%
Slovak Republic	502	3.41%	389	4.47%
Cyprus	219	1.49%	336	3.86%
Other EU countries	570	3.86%	299	3.44%
China	381	2.59%	306	3.52%
Vietnam	200	1.36%	129	1.47%
Netherlands	153	1.04%	120	1.38%
Other	994	6.74%	588	6.76%
Total	**14,736**	**100.00%**	**8,700**	**100.00%**
Thereof:				
Financial assets excluding equity securities	12,499	84.82%	7,285	83.74%
Commitments and contingent liabilities*	2,237	15.18%	1,415	16.26%

* Excluding capital expenditure commitments

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the reporting date if the counterparts failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed the expected losses, which are included in the allowance for uncollectibility. The table comprises off-balance sheet items (refer to F.32.1.) and financial assets except equity securities.

Exposure to selected eurozone countries

During the year 2011 significant concerns emerged over sovereign credit risk in some eurozone countries. The Group managed its exposure to the affected Eurozone markets very closely during the year, adjusting the relevant limits where necessary. As a result, the overall quality of the sovereign debt portfolio remains strong. The Group has exposures to Greece (2012: MEUR 6, 2011: MEUR 16) and Italy (2012: MEUR 137, 2011: MEUR 202, refer to F.2.2.), and debt securities quoted on the Irish stock exchange (financial assets held for trading in the amount of MEUR 30, 2011 MEUR 27, and financial assets available for sale in the amount of MEUR 11, 2011 MEUR 0).

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

In millions of EUR, as at 31 December	Loans and advances to customers and Other loans and receivables 2012	2011	Settlements with suppliers and Prepaid expenses 2012	2011
Individually impaired				
Gross amount	200	72	25	9
Allowance for impairment	(86)	(57)	(25)	(9)
Carrying amount	**114**	**15**	**–**	**–**
Collectively impaired				
Current	6,801	3,384	–	–
1–90 past due	596	307	–	–
91–365 past due	482	234	–	–
>365 past due	106	103	–	–
Gross amount	7,985	4,028	–	–
Allowance for impairment	(710)	(388)	–	–
Carrying amount	**7,275**	**3,640**	**–**	**–**
Unimpaired				
Carrying amount	**1,631**	**1,129**	**165**	**139**
Total carrying amount	**9,020**	**4,784**	**165**	**139**

The "Unimpaired" line for "Loans and advances to customers and Other loans and receivables" includes mainly receivables neither past due nor impaired and receivables past due but not impaired in an amount less than MEUR 1 (2011: MEUR 3).

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

All these transactions are conducted at arm's length.

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

In millions of EUR, as at 31 December	Loans and advances to banks 2012	2011	Loans and advances to non-banks 2012	2011	Other loans and receivables 2012	2011
Against individually impaired	**–**	**–**	**53**	**15**	**–**	**–**
Property	–	–	19	13	–	–
Equity securities	–	–	2	–	–	–
Deposits with banks	–	–	1	–	–	–
Other	–	–	31	2	–	–
Against collectively impaired	**–**	**–**	**322**	**305**	**–**	**–**
Property	–	–	306	277	–	–
Other	–	–	16	28	–	–
Against neither past due nor impaired	**381**	**359**	**471**	**454**	**254**	**143**
Securities received under reverse repo operations	381	359	78	67	–	–
Property	–	–	112	129	–	–
Debt securities	–	–	57	–	–	–
Equity securities	–	–	41	–	–	143
Deposits with banks	–	–	63	31	–	–
Other	–	–	120	227	254	–
Total collateral received	**381**	**359**	**846**	**774**	**254**	**143**

The total value of assets held as collateral is MEUR 1,338 (2011: MEUR 1,022; refer to F.32.3.) and consists of the collateral stated above (2012: MEUR 1,481; 2011: MEUR 1,276) less securities received under reverse repos that were repledged or sold in an amount of MEUR 143 (2011: MEUR 280) plus collateral received for provided guarantees.

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

D.3. Liquidity risk

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

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

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

The Group has access to a diverse financing base. Funds are raised using a broad range of instruments including deposits, bank loans, bond issues and securitisations. In January 2008 the Group gained a syndicated loan facility of MEUR 2,099 and in November 2009 the Group issued a MEUR 400 bond. Both of these developments significantly influenced the Group's liquidity position. As of 31 December 2012 and 2011 the facility had been drawn in the full amount. In March 2013 the Group repaid MEUR 1,071 of the facility and the residual amount became the new maximum drawing limit. At the same time the Group redeemed MEUR 192 of the MEUR 400 bond (refer to G.1.). The current situation still enhances financing flexibility, limits dependence on any one source of funds, and generally lowers the cost of funds. Management strives to maintain a balance between continuity of financing and flexibility through the use of liabilities with a range of maturities.

The following tables show exposure to liquidity risk:

In millions of EUR, as at 31 December 2012	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	1,873	–	–	–	–	–	1,873
Financial assets at fair value through profit or loss	11	11	48	224	83	133	510
Held for trading	11	11	46	224	83	24	399
Not held for trading	–	–	2	–	–	109	111
Financial assets available for sale	13	268	463	286	699	494	2,223
Financial assets held to maturity	–	1	23	40	–	–	64
Loans and receivables due from banks and other financial institutions	751	29	39	2	12	74	907
Loans and receivables due from non-banks	647	1,021	3,159	2,843	402	14	8,086
Other loans and receivables	65	100	528	244	11	(14)*	934
Other assets	146	55	105	32	8	11	357
Total financial assets	**3,506**	**1,485**	**4,365**	**3,671**	**1,215**	**712**	**14,954**

* Presentation of a negative share in associates (refer to F.7.)

In millions of EUR, as at 31 December 2012	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	3,277	686	3,012	1,005	6	5	7,991
Due to banks and other financial institutions	706	1,485	699	1,265	76	–	4,231
Debt securities issued	24	203	290	1,131	259	–	1,907
Financial liabilities at fair value through profit or loss	3	22	9	134	59	9	236
Other liabilities	749	309	143	27	5	7	1,240
Total financial liabilities	**4,759**	**2,705**	**4,153**	**3,562**	**405**	**21**	**15,605**

The negative liquidity position in the "Less than 1 month" interval is affected by the increase of banking deposits which are payable mostly on demand, while the negative liquidity position in the "Between 1 and 3 months" interval is caused by expected repayment of a loan and bonds related to the Generali transaction (refer to G.1.) which will be financed by proceeds from the sale of GPH.

In millions of EUR, as at 31 December 2011	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	721	–	–	–	–	–	721
Financial assets at fair value through profit or loss	35	9	28	144	203	116	535
Held for trading	35	9	28	144	203	10	429
Not held for trading	–	–	–	–	–	106	106
Financial assets available for sale	–	42	299	44	119	319	823
Loans and receivables due from banks and other financial institutions	972	8	54	13	146	38	1,231
Loans and receivables due from non-banks	522	580	1,551	1,264	176	–	4,093
Other loans and receivables	35	1	405	270	–	(20)*	691
Other assets	69	39	73	34	7	81	303
Total financial assets	**2,354**	**679**	**2,410**	**1,769**	**651**	**534**	**8,397**

*Presentation of a negative share in associates (refer to F.7.)

In millions of EUR, as at 31 December 2011	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	1,170	338	1,347	417	148	–	3,420
Due to banks and other financial institutions	146	357	441	2,655	99	–	3,698
Debt securities issued	34	69	417	1,034	–	–	1,554
Financial liabilities at fair value through profit or loss	8	11	38	218	68	8	351
Other liabilities	271	335	73	31	1	5	716
Total financial liabilities	**1,629**	**1,110**	**2,316**	**4,355**	**316**	**13**	**9,739**

The Calyon Facility is drawn in 1-, 3-, and 6-month tranches; however, the facility is available until January 2015. Since a portion of the Calyon facility was repaid in March 2013, that portion is included in the interval "Between 1 and 3 months" (on the line "Due to banks and other financial institutions") while the remaining amounts drawn are presented in the interval "Between 1 and 5 years" (on the line "Due to banks and other financial institutions").

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

In millions of EUR, as at 31 December 2012	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	3,278	695	3,160	1,117	5	108	8,363
Due to banks and other financial institutions	717	1,509	768	1,320	87	–	4,401
Debt securities issued	26	215	366	1,348	321	–	2,276
Other liabilities	749	309	143	28	12	7	1,248
Total	**4,770**	**2,728**	**4,437**	**3,813**	**425**	**115**	**16,288**

In millions of EUR, as at 31 December 2011	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	1,173	345	1,448	636	233	–	3,835
Due to banks and other financial institutions	156	378	541	2,796	116	–	3,987
Debt securities issued	39	80	476	1,156	–	–	1,751
Other liabilities	271	335	74	31	1	5	717
Total	**1,639**	**1,138**	**2,539**	**4,619**	**350**	**5**	**10,290**

D.4 Market risk

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

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

D.4.1. Interest rate risk

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

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

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring of the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100-basis-point parallel fall or rise in all yield curves worldwide. In such a case, the net interest income for the year ended 31 December 2012 would be approximately MEUR 64 higher/lower (2011: MEUR 36).

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

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

In millions of EUR, as at 31 December 2012	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	0.2%	1,873	–	–	–	–	–	1,873
Financial assets at fair value through profit or loss	2.3%	10	46	–	271	6	177	510
Held for trading	2.3%	10	46	–	271	6	66	399
Not held for trading	–	–	–	–	–	–	111	111
Financial assets available for sale	4.3%	469	1,146	11	92	2	503	2,223
Financial assets held to maturity	4.1%	1	23	26	14	–	–	64
Loans and receivables due from banks and other financial institutions	3.4%	781	50	–	2	1	73	907
Loans and receivables due from non-banks	32.5%	2,188	3,277	1,533	965	108	15	8,086
Other loans and receivables	7.2%	165	528	–	244	11	(14)*	934
Other assets	–	201	105	18	14	8	11	357
Total financial assets	**–**	**5,688**	**5,175**	**1,588**	**1,602**	**136**	**765**	**14,954**

*Presentation of a negative share in associates (refer to F.7.)

In millions of EUR, as at 31 December 2012	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	7.2%	3,963	3,012	616	389	6	5	7,991
Due to banks and other financial institutions	4.7%	3,359	688	109	75	–	–	4,231
Debt securities issued	7.4%	227	290	527	604	259	–	1,907
Financial liabilities at fair value through profit or loss	1.0%	13	3	–	113	27	80	236
Other liabilities	0.1%	1,058	143	7	20	5	7	1,240
Total financial liabilities	**–**	**8,620**	**4,136**	**1,259**	**1,201**	**297**	**92**	**15,605**

In millions of EUR, as at 31 December 2011	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	1.3%	721	–	–	–	–	–	721
Financial assets at fair value through profit or loss	4.2%	24	17	–	292	32	170	535
Held for trading	4.2%	24	17	–	292	32	64	429
Not held for trading	–	–	–	–	–	–	106	106
Financial assets available for sale	6.4%	42	299	11	33	119	319	823
Loans and receivables due from banks and other financial institutions	2.7%	990	48	–	13	145	35	1,231
Loans and receivables due from non-banks	31.6%	1,253	1,546	632	545	117	–	4,093
Other loans and receivables	3.7%	37	406	–	268	–	(20)*	691
Other assets	–	108	72	28	10	3	82	303
Total financial assets	**–**	**3,175**	**2,388**	**671**	**1,161**	**416**	**586**	**8,397**

*Presentation of a negative share in associates (refer to F.7.)

In millions of EUR, as at 31 December 2011	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	5.5%	1,508	1,347	414	3	148	–	3,420
Due to banks and other financial institutions	4.7%	2,828	493	331	46	–	–	3,698
Debt securities issued	7.2%	103	424	189	838	–	–	1,554
Financial liabilities at fair value through profit or loss	2.1%	1	30	–	235	14	71	351
Other liabilities	–	606	74	15	16	1	4	716
Total financial liabilities	**–**	**5,046**	**2,368**	**949**	**1,138**	**163**	**75**	**9,739**

D.4.2. Equity price risk

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

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

D.4.3. Currency risk

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

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

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

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

The following tables show the composition of financial assets and liabilities with respect to the main currencies (but do not contain non-financial assets such as fixed assets and investments in associates):

In millions of EUR, as at 31 December 2012	EUR	USD	CZK	RUB	CNY	Other	Total
Cash and cash equivalents	188	555	415	631	52	32	1,873
Financial assets at fair value through profit or loss	157	64	274	3	–	12	510
Financial assets available for sale	188	474	1,012	549	–	–	2,223
Financial assets held to maturity	22	42	–	–	–	–	64
Loans and receivables due from banks and other financial institutions	90	252	268	239	25	33	907
Loans and receivables due from non-banks	514	128	891	5,706	352	495	8,086
Other loans and receivables	846	35	22	31	–	–	934
Other assets	39	44	44	217	1	12	357
Total financial assets	**2,044**	**1,594**	**2,926**	**7,376**	**430**	**584**	**14,954**

In millions of EUR, as at 31 December 2012	EUR	USD	CZK	RUB	CNY	Other	Total
Due to non-banks	575	185	2,561	4,486	–	184	7,991
Due to banks and other financial institutions	2,349	332	138	1,145	202	65	4,231
Debt securities issued	406	599	374	528	–	–	1,907
Financial liabilities at fair value through profit or loss	22	–	203	11	–	–	236
Other liabilities	142	297	(364)*	1,071	31	63	1,240
Total financial liabilities	**3,494**	**1,413**	**2,912**	**7,241**	**233**	**312**	**15,605**

*Negative amounts represent settlement accounts in PPF banka containing various currencies that are deemed an overall liability.

In millions of EUR, as at 31 December 2012	EUR	USD	CZK	RUB	CNY	Other	Total
Effect of foreign currency derivatives	**(236)**	**(210)**	**920**	**(356)**	**–**	**(106)**	**12**
Net foreign currency position	**(1,686)**	**(29)**	**934**	**(221)**	**197**	**166**	**(639)**

In millions of EUR, as at 31 December 2011	EUR	USD	CZK	RUB	CNY	Other	Total
Cash and cash equivalents	60	99	101	380	29	52	721
Financial assets at fair value through profit or loss	180	41	279	15	–	20	535
Financial assets available for sale	293	20	236	264	–	10	823
Loans and receivables due from banks and other financial institutions	341	246	445	163	10	26	1,231
Loans and receivables due from non-banks	308	110	711	2,666	154	144	4,093
Other loans and receivables	344	280	64	3	–	–	691
Other assets	118	6	30	143	3	3	303
Total financial assets	**1,644**	**802**	**1,866**	**3,634**	**196**	**255**	**8,397**

In millions of EUR, as at 31 December 2011	EUR	USD	CZK	RUB	CNY	Other	Total
Due to non-banks	359	153	1,125	1,762	–	21	3,420
Due to banks and other financial institutions	2,339	442	119	630	67	101	3,698
Debt securities issued	420	381	251	502	–	–	1,554
Financial liabilities at fair value through profit or loss	15	–	334	2	–	–	351
Other liabilities	(54)*	254	(130)*	605	20	21	716
Total financial liabilities	**3,079**	**1,230**	**1,699**	**3,501**	**87**	**143**	**9,739**

*Negative amounts represent settlement accounts in PPF banka containing various currencies that are deemed an overall liability.

In millions of EUR, as at 31 December 2011	EUR	USD	CZK	RUB	CNY	Other	Total
Effect of foreign currency derivatives	**176**	**32**	**84**	**(336)**	**–**	**40**	**(4)**
Net foreign currency position	**(1,259)**	**(396)**	**251**	**(203)**	**109**	**152**	**(1,346)**

The following tables present an analysis of the sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2012 and 2011 and a simplified scenario of a 5% change in USD, CZK, RUB and CNY to EUR exchange rates:

In millions of EUR, as at 31 December 2012	USD	CZK	RUB	CNY
Effect of 5% currency depreciation against EUR	(44)	(88)	(78)	(11)
Effect of 5% currency appreciation against EUR	44	88	78	11

In millions of EUR, as at 31 December 2011	USD	CZK	RUB	CNY
Effect of 5% currency depreciation against EUR	(19)	(40)	(76)	(6)
Effect of 5% currency appreciation against EUR	19	40	76	6

D.4.4. Hedging

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

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

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

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

D.5. Operational risk

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

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

The primary responsibility for developing and implementing controls to address operational risk is borne by the Group's senior management. In order to support this function, operational risk management standards have been developed to ensure:

– appropriate segregation of duties, including the independent authorisation of transactions;

– reconciliation and monitoring of transactions;

– compliance with regulatory and other legal requirements;

– proper documentation of controls and procedures;

– periodic assessment of operational risks faced, and adequate controls and procedures to address the risks identified;

– reporting of operational losses and proposal of remedial action;

– development of contingency plans;

– training and professional development;

– compliance with ethical and business standards;

– mitigation of risk, including the use of insurance where effective.

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

D.6. Fair value of financial assets and liabilities

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

The fair values of the following financial instruments differ from their carrying amounts shown in the statement of financial position, either in 2012 or in 2011:

In millions of EUR, as at 31 December	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Financial assets held to maturity	64	65	–	–
Due to non-banks	(7,991)	(7,994)	(3,420)	(3,420)
Due to banks and other financial institutions	(4,231)	(4,233)	(3,698)	(3,698)
Debt securities issued	(1,907)	(1,915)	(1,554)	(1,522)

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

The following table presents an analysis of financial instruments recorded at fair value, broken down by how the fair value calculation is accomplished: i.e., based on quoted market prices (Level 1), calculated using valuation techniques where all the model inputs are observable in the market (Level 2), or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

In millions of EUR, as at 31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	312	166	32	510
Financial assets available for sale	2,107	26	90	2,223
Financial liabilities at fair value through profit or loss	(143)	(71)	(22)	(236)
Total	**2,276**	**121**	**100**	**2,497**

In millions of EUR, as at 31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	334	170	31	535
Financial assets available for sale	692	2	129	823
Financial liabilities at fair value through profit or loss	(280)	(63)	(8)	(351)
Total	**746**	**109**	**152**	**1,007**

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

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

In millions of EUR, for the year ended 31 December	2012	2011
Balance at 1 January	152	103
Net (losses)/gains recorded in profit or loss (included in "Net gain/(loss) on financial assets")	(18)	(19)
Net gains recorded in other comprehensive income	(2)	(11)
Purchases of financial assets	25	111
Issues of financial liabilities	(14)	(3)
Settlements	(43)	(29)
Balance at 31 December	100	152

The financial assets at fair value through profit or loss presented in Level 3 above include positive fair values of currency derivatives in BYR of MEUR 11 (2011: MEUR 21) and other derivatives of MEUR 21 (2011: MEUR 10). The fair value of the derivative instruments is sensitive to changes in the BYR/EUR foreign currency exchange rate and to changes in interest rates. The effect of a +/–1% change in the BYR/EUR rate on the fair value is below MEUR 1.

The financial assets available for sale presented in Level 3 consist of debt securities of MEUR 54 (2011: MEUR 58), equity securities of MEUR 33 (2011: MEUR 60) and loans and receivables of MEUR 3 (2011: MEUR 11). The fair value of debt securities is sensitive to market interest rates. The fair value of equity securities is sensitive to economic developments in the countries in which the companies in question operate; i.e. Russia, Kazakhstan, India and Slovakia.

D.7. Capital management

In a Czech Ministry of Finance decision of March 2006, the Group was defined as a financial conglomerate. As such, since 30 September 2006 the Group has been required to comply with the supplementary prudential rules specified by the Act on Financial Conglomerates. As at 31 December 2012, the Group reported supplementary capital adequacy totalling MEUR 1,001 of capital surplus (MEUR 341 as at 31 December 2011). The Group's capital adequacy is calculated as regulatory capital eligible according to prudential rules totalling MEUR 2,477 as at 31 December 2012 (MEUR 1,554 as at 31 December 2011) minus the solvency requirement of MEUR 1,476 as at 31 December 2012 (MEUR 1,213 as at 31 December 2011).

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Since the actual regulatory capital base is 168% of the capital requirements, this objective is met. The impact of the level of capital on shareholders' return is also taken into account and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Some of the Group's subsidiaries operating in the banking and consumer finance sectors maintain capital adequacy in compliance with local regulatory requirements which require the respective entities to maintain the ratio of total capital to total risk-weighted assets at or above certain minimum level. The ratios are calculated based on financial statements prepared in accordance with local accounting standards. Also, some of the subsidiaries are subject to capital adequacy requirements set out by the BIS in connection with commitments arising from funding operations. The Group's policy in this respect is to support the subsidiaries with capital as necessary in order to maintain the subsidiaries' full compliance with the relevant requirements.

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

E. Segment Reporting

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

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

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

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

The "other banking" segment comprises the operations of PPF banka a.s., Air Bank a.s., AB1 B.V., AB4 B.V., AB5 B.V., Ruconfin B.V. and Nomos-Bank.

The agriculture segment represents Russian agriculture group RAV Agro, acquired in the second half of 2011. The profit and loss information presented in 2011 covers only the six-month period following the acquisition (refer to C.1.7. and C.1.22. for special accounting policies related to this type of business).

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter--segment pricing is determined on an arm's length basis.

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

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

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

Eliminations represent intercompany balances among individual reporting segments.

The following table shows the main items from the financial statements broken down according to reportable segments for 2012 and 2011:

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

In millions of EUR 2011	Home Credit	Real Estate	Retail	Insurance	Other banking	Agriculture	Other	Eliminations	Consolidated 2011
Revenue from external customers	1,197	30	2,102	–	198	24	38	–	3,589
Inter-segment revenue	1	11	9	–	8	–	14	(43)	–
Total revenue from continuing operations	**1,198**	**41**	**2,111**	**–**	**206**	**24**	**52**	**(43)**	**3,589**
Segment share of earnings of associates	–	8	–	136	44	–	62	–	250
Net profit from continuing operations	**237**	**41**	**76**	**136**	**54**	**(11)**	**(303)**	**–**	**230**
Segment result from discontinued operations	(9)								(9)
Net profit for the year									**221**
Capital expenditure	(72)	–	(45)	–	(38)	(1)	(1)	–	(157)
Depreciation and amortisation	(37)	(3)	(21)	–	(2)	–	(2)	–	(65)
Other significant non-cash expenses	(190)	(5)	22	–	(55)	(12)	(288)	–	(528)
Segment assets	4,635	692	1,044	–	2,708	64	1,863	(904)	10,102
Investments in associates	2	47	–	2,566	582	–	1,006	–	4,203
Unallocated assets									52
Total assets									**14,357**
Segment liabilities	3,639	388	880	–	2,492	56	3,189	(875)	9,769
Unallocated liabilities									96
Total liabilities									**9,865**
Segment equity	**1,010**	**321**	**141**	**2,566**	**794**	**6**	**(317)**	**(29)**	**4,492**

E.1. Home Credit business

The Home Credit consumer finance business is divided into segments based on geographical regions corresponding to the geographical location of customers. The Group operates in eight principal geographical areas: the Russian Federation, the Czech Republic, the Slovak Republic, the Republic of Belarus, China, Vietnam, India (a start-up launched in the second half of 2011) and Kazakhstan (an acquisition of January 2013, refer to B.3.4.).

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

In millions of EUR 2012	Russian Federation	Czech Republic	Slovak Republic	Belarus	Kazakhstan	China	Vietnam/ India	Other	Unallocated	Eliminations	Consolidated 2012
Revenue from customers	1,919	33	49	39	–	158	63	1	9	–	2,271
Inter-segment revenue	1	–	–	–	–	–	–	–	2	(3)	–
Total revenue	**1,920**	**33**	**49**	**39**	**–**	**158**	**63**	**1**	**11**	**(3)**	**2,271**
Net interest income from external customers	929	19	37	17	–	108	41	1	(8)	–	1,144
Inter-segment net interest income	1	–	(2)	(1)	–	–	–	–	2	–	–
Total net interest income	**930**	**19**	**35**	**16**	**–**	**108**	**41**	**1**	**(6)**	**–**	**1,144**
Income tax expense	(125)	(9)	(3)	–	–	–	(2)	–	(3)	–	(142)
Net profit from continuing operations	**477**	**33**	**20**	**(4)**	**–**	**8**	**1**	**(1)**	**(11)**	**(4)**	**519**
Segment result from discontinued operations	–	–	–	–	–	–	–	–	–	–	–
Capital expenditure	(97)	(1)	–	(2)	–	(5)	(3)	(2)	(13)	5	(118)
Depreciation and amortisation	(35)	(1)	–	(2)	–	(3)	(2)	(1)	(12)	4	(52)
Other significant non-cash expenses	(447)	(8)	(10)	(1)	–	(19)	(20)	–	–	–	(505)
Segment assets	8,003	185	164	120	400	450	115	26	234	(160)	9,537
Segment liabilities	6,837	97	125	98	284	251	74	2	340	(151)	7,957
Segment equity	**1,161**	**79**	**44**	**22**	**115**	**199**	**41**	**24**	**(103)**	**(9)**	**1,573**

In millions of EUR 2011	Russian Federation	Czech Republic	Slovak Republic	Belarus	Ukraine	China	Vietnam/ India	Other	Unallocated	Eliminations	Consolidated 2011
Revenue from customers	966	30	47	25	–	58	62	–	10	–	1,198
Inter-segment revenue	1	–	–	–	–	–	–	–	3	(4)	–
Total revenue	**967**	**30**	**47**	**25**	**–**	**58**	**62**	**–**	**13**	**(4)**	**1,198**
Net interest income from external customers	564	17	35	18	–	42	43	–	(7)	–	712
Inter-segment net interest income	1	(1)	(2)	(1)	–	–	–	–	3	–	–
Total net interest income	**565**	**16**	**33**	**17**	**–**	**42**	**43**	**–**	**(4)**	**–**	**712**
Income tax expense	(70)	(5)	(2)	(2)	–	–	(2)	–	(17)	–	(98)
Net profit from continuing operations	**262**	**18**	**6**	**(8)**	**–**	**(8)**	**6**	**(22)**	**(14)**	**(3)**	**237**
Segment result from discontinued operations	–	–	–	–	(9)	–	–	–	–	–	(9)
Capital expenditure	(49)	(1)	(1)	(1)	–	(6)	(1)	–	(13)	–	(72)
Depreciation and amortisation	(18)	(1)	–	(1)	–	(3)	(1)	–	(13)	–	(37)
Other significant non-cash expenses	(151)	(5)	(11)	–	–	(4)	(19)	–	–	–	(190)
Segment assets	3,718	169	183	74	–	233	136	8	168	(54)	4,635
Segment liabilities	2,996	69	149	52	–	90	107	–	225	(49)	3,639
Segment equity	**731**	**95**	**42**	**22**	**–**	**143**	**31**	**8**	**(57)**	**(5)**	**1,010**

E.2. Real estate business

The real estate segment is comprised of investment property projects located in the Russian Federation, the Czech Republic, the Slovak Republic, Germany, Ukraine, Romania and India. It encompasses completed projects used for rental income, projects under development, and unused land plots for future development or sale. This segment also contains a construction business represented by a 50% share in PSJ a.s. (a joint venture) which is included in the "Czech Republic" column. PSJ a.s. was sold in June 2012.

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

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

In millions of EUR 2011	Russian Federation	Czech Republic	Other	Unallocated	Eliminations	Consolidated 2011
Revenue from customers	4	32	2	3	–	41
Inter-segment revenue	–	–	–	3	(3)	–
Total revenue	**4**	**32**	**2**	**6**	**(3)**	**41**
Rental and related income	4	31	–	–	–	35
Net valuation gains/losses	**65**	**(22)**	**(14)**	**–**	**–**	**29**
Segment share of earnings of associates	2	2	(1)	5	–	8
Income tax expense	(7)	–	–	–	–	(7)
Segment result	**92**	**(24)**	**(9)**	**(18)**	**–**	**41**
Capital expenditure	–	–	–	–	–	–
Depreciation and amortisation	–	(3)	–	–	–	(3)
Other significant non-cash expenses	–	2	–	(7)	–	(5)
Segment assets	440	179	25	191	(143)	692
Investments in associates	13	27	2	5	–	47
Segment liabilities	269	121	23	117	(142)	388
Segment equity	**165**	**74**	**4**	**79**	**(1)**	**321**

F. Notes to the Consolidated Financial Statements

F.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR, as at 31 December	2012	2011
Current accounts	799	295
Current accounts with central banks	539	132
Placements with financial institutions due within one month	279	135
Cash on hand	256	159
Total cash and cash equivalents	**1,873**	**721**

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

F.2. Financial instruments

Financial instruments comprise the following:

In millions of EUR, as at 31 December	2012	2011
Financial assets at fair value through profit or loss	510	535
Financial assets available for sale	2,223	823
Financial assets held to maturity	64	–
Loans and receivables due from banks and other financial institutions	907	1,231
Loans and receivables due from non-banks	8,086	4,093
Other loans and receivables	934	706
Total financial instruments	**12,724**	**7,388**

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

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

In millions of EUR, as at 31 December	2012	2011
Debt securities	333	365
Government and other public-sector bonds	237	276
Corporate bonds	96	89
Equity securities	112	106
Shares	3	–
Other equity securities	109	106
Positive fair values of derivatives	65	64
Interest rate derivatives	5	9
Currency derivatives	37	45
Hedging derivatives	2	–
Other derivatives	21	10
Total FVTPL	**510**	**535**

The "Other equity securities" category, amounting to MEUR 109 (2011: MEUR 106), represents the fair value of PPF Group's share as an investor in PPF Partners 1 Fund L.P., derived using generally accepted valuation techniques. All other financial instruments held for trading are stated at quoted market prices, except for derivatives, which are measured using generally accepted valuation techniques depending on the product (i.e. discounted expected future cash flows, Black-Scholes model, etc.).

Details of derivatives are provided in the following tables:

Interest rate derivatives	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2012	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC products:					
Interest rate swaps	–	41	1,174	3	(49)
Interest rate options (purchase)	–	–	39	–	–
Exchange-traded products:					
Interest rate futures	26	–	–	2	–
Total	**26**	**41**	**1,213**	**5**	**(49)**

Interest rate derivatives	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2011	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC products:					
Interest rate swaps	14	–	1,136	3	(36)
Interest rate options (purchase)	–	–	39	–	–
Exchange-traded products:					
Interest rate futures	12	42	–	6	–
Total	**26**	**42**	**1,175**	**9**	**(36)**

Currency derivatives	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2012	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC products:					
Forward exchange contracts	23	194	41	1	(3)
Cross currency swaps	2,772	474	67	36	(11)
Foreign exchange options (purchase)	–	20	6	–	–
Total	**2,795**	**688**	**114**	**37**	**(14)**

Currency derivatives	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2011	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC products:					
Forward exchange contracts	38	60	38	3	(2)
Cross currency swaps	974	301	100	42	(25)
Total	**1,012**	**361**	**138**	**45**	**(27)**

Hedging derivatives	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2012	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
Forward exchange contracts	13	4	–	–	–
Cross currency swaps	–	75	105	2	(4)
Other	–	–	68	–	(4)
Total	**13**	**79**	**173**	**2**	**(8)**

There were no hedging derivatives in 2011.

F.2.2. Financial assets available for sale

Financial assets available for sale comprise the following:

In millions of EUR, as at 31 December 2012	Carrying amount	Unrealised gains/ (losses) recognised in equity	Cumulative impairment	Amortised cost
Debt securities	1,753	26	(10)	1,737
Government bonds	960	24	–	936
Corporate bonds	766	2	(10)	774
Other debt securities	27	–	–	27
Equity securities	467	24	(78)	521
Shares	466	24	(78)	520
Mutual funds investments	1	–	–	1
Loans and receivables	3	–	(7)	10
Total AFS	**2,223**	**50**	**(95)**	**2,268**

In millions of EUR, as at 31 December 2011	Carrying amount	Unrealised gains/ (losses) recognised in equity	Cumulative impairment	Amortised cost
Debt securities	532	(4)	(17)	553
Government bonds	173	(3)	–	176
Corporate bonds	338	(1)	(15)	354
Other debt securities	21	–	(2)	23
Equity securities	281	–	(150)	431
Shares	279	–	(150)	429
Mutual funds investments	2	–	–	2
Loans and receivables	10	–	(7)	17
Total AFS	**823**	**(4)**	**(174)**	**1,001**

As of 31 December 2012 the most significant equity securities within this category represent shares of Assicurazioni Generali and Uralkali (the latter acquired in 2012). The total impairment loss recognised in the 2012 income statement with respect to the shares of Assicurazioni Generali was MEUR 14 (2011: MEUR 183).

F.2.3. Financial assets held to maturity

Financial assets held to maturity comprise the following:

In millions of EUR, as at 31 December 2012	Carrying amount	Amortised cost
Debt securities	64	64
Government bonds	22	22
Corporate bonds	42	42
Total HTM	**64**	**64**

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

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

In millions of EUR, as at 31 December	2012	2011
Term deposits at banks	330	622
Minimum reserve deposits with central banks	134	21
Loans to banks	38	165
Loans and advances provided under repo operations	357	362
Other	48	61
Total loans and receivables due from banks and other financial institutions	**907**	**1,231**

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

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

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

In millions of EUR, as at 31 December	2012	2011
Gross amount		
Consumer loan receivables	2,039	1,383
Cash loan receivables	4,809	1,746
Revolving loan receivables	928	696
Car loan receivables	113	82
Mortgage loan receivables	95	121
Loans to corporations	769	419
Loans and advances provided under repo operations	51	44
Other	2	1
Total gross amount	**8,806**	**4,492**
Collective allowances for impairment		
Consumer loans receivables	(156)	(116)
Cash loan receivables	(447)	(185)
Revolving loan receivables	(84)	(67)
Car loan receivables	(16)	(10)
Mortgage loan receivables	(5)	(10)
Other	–	–
Total collective impairment	**(708)**	**(388)**
Loans to corporations	(12)	(11)
Total individual impairment	**(12)**	**(11)**
Total carrying amount	**8,086**	**4,093**

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

In millions of EUR, for the year ended 31 December	2012	2011
Balance as at 1 January	399	325
Balance acquired by business combinations	20	–
Translation difference	6	(7)
Impairment losses recognised in the income statement	558	245
Amount related to loans disposed of	(201)	(98)
Amount related to loans written off	(62)	(66)
Balance as at 31 December	**720**	**399**

F.2.6. Net investment in finance leases

The net investment in finance leases is apportioned as follows:

In millions of EUR, as at 31 December	2012	2011
Net investment in finance leases to non-banks	1	1
Total net investment in finance leases	**1**	**1**

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

In millions of EUR, as at 31 December	2012	2011
Gross investment in finance leases	1	1
Unearned finance income	–	–
Allowance for uncollectible lease payments receivable	–	–
Total net investment in finance leases	**1**	**1**

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

In millions of EUR, as at 31 December	2012	2011
Gross investment in finance leases, with remaining maturities of:		
Less than one year	–	–
Between one and five years	1	1
Total gross investment in finance leases	1	1
Total net investment in finance leases	**1**	**1**

F.2.7. Other loans and receivables

The following table provides details on other loans and receivables:

In millions of EUR, as at 31 December	2012	2011
Gross amount	1,022	757
Individual allowances for impairment	(74)	(46)
Investments in associates and joint ventures*	(14)	(20)
Total other loans and receivables	**934**	**691**

* Presentation of negative share in two real estate projects and SAZKA (in 2011) which are funded by a Group loan presented in this section (refer to F.7.)

Movements in allowances for impairment were as follows:

In millions of EUR, for the year ended 31 December	2012	2011
Balance as at 1 January	46	157
Balance acquired by business combinations	5	–
Net FX difference	(1)	(1)
Impairment losses recognised in the income statement	31	(15)
Amount related to loans written off	(7)	(95)
Balance as at 31 December	**74**	**46**

"Other loans" represent mainly the provision of funds outside the Group's core banking business. This category also includes loans to the Group's associates that were used to finance several real estate projects and in 2011 also the lottery business SAZKA. As of 31 December 2012, the total amount of such loans was MEUR 37 (2011: MEUR 99 including a MEUR 68 loan to SAZKA). In 2012, Timeworth Ltd. granted a loan facility to EP Holding in a total amount of MEUR 325. The loan consists of a MEUR 100 subordinated loan facility and a MEUR 225 subordinated loan facility convertible into shares of EP Holding at pre-defined terms. In August 2012, the Group swapped a MEUR 90 portion of the loan for EP Holding shares.

F.3. Deferred tax

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

In millions of EUR, for the year ended 31 December	2012	2011
Net deferred tax asset/(liability) at 1 January	(51)	(34)
Disposals resulting from business combinations	–	7
Deferred tax (expense)/income for the period	13	(19)
Deferred tax recognised directly in equity	(6)	1
Additions from business combinations	(21)	(7)
Net FX differences	(1)	1
Net deferred tax asset/(liability) at 31 December	**(66)**	**(51)**

Deferred tax assets and liabilities comprise the following:

In millions of EUR, as at 31 December	2012 Deferred tax liabilities	2012 Deferred tax assets	2011 Deferred tax liabilities	2011 Deferred tax assets
Intangible assets	(55)	–	(40)	–
Financial assets	(16)	21	(20)	24
Financial assets at fair value through profit or loss	(1)	–	(5)	–
Financial assets available for sale	(5)	1	(6)	1
Loans and receivables	(10)	20	(9)	23
Investment property	(65)	–	(27)	–
Property, plant and equipment	(31)	1	(18)	–
Inventories	–	5	–	5
Other assets	–	7	(12)	4
Financial liabilities	(1)	31	(5)	25
Debt securities issued	(1)	–	(1)	–
Other liabilities	–	29	–	23
Financial liabilities at fair value through profit and loss	–	2	–	–
Liabilities to banks	–	–	(4)	2
Provisions	–	3	–	2
Other temporary differences	–	–	(3)	1
Value of loss carry-forwards recognised	–	16	–	5
Value of tax credits	–	–	–	8
Deferred tax assets/(liabilities)	**(168)**	**84**	**(125)**	**74**
Net deferred tax assets/(liabilities)	**(128)**	**62**	**(90)**	**39**

The following table shows the unrecognised deferred tax assets:

In millions of EUR, as at 31 December	2012	2011
Tax effect from unused tax losses	345	202
Unrecognised potential deferred tax assets	**345**	**202**

In recent years, several Group companies have incurred tax losses which are available to be carried forward and off-set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilised, the deferred tax asset is not recognised. The unutilised tax losses can be claimed in the period from 2013 to 2021 in the Netherlands (2013 to 2017 in the Czech Republic and China, and 2013 to 2022 in the Russian Federation).

As at 31 December 2011, MEUR 13 in deferred tax liabilities related to post-acquisition undistributed earnings of associates was recognised for Polymetal and Nomos-Bank. The whole amount was reversed in 2012 due to redomiciliation of Polymetal and the sale of Nomos-Bank.

F.4. Inventories

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

In millions of EUR, as at 31 December	2012	2011
Goods/merchandise for resale	462	396
Other inventory	10	6
Allowance for slow-moving and damaged items	(13)	(14)
Agriculture – Finished goods and goods for resale	2	4
Agriculture – Work in progress	1	2
Agriculture – Raw materials and consumables	5	5
Total inventories	**467**	**399**

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

In millions of EUR, for the year ended 31 December	2012	2011
Balance as at 1 January	14	19
Impairment losses recognised in the income statement	(2)	(5)
Net FX difference	1	–
Balance as at 31 December	**13**	**14**

F.5. Biological assets

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

In millions of EUR, for the year ended 31 December	2012	2011
Non-current		
Balance at 1 January	11	–
Additions resulting from business combinations	–	11
Net increase due to additions, births (deaths)	–	2
Change in fair value of biological assets	(8)	(2)
Balance at 31 December	**3**	**11**
Current		
Balance at 1 January	4	–
Additions resulting from business combinations	–	21
Additions due to growing	22	17
Change in fair value of biological assets	2	1
Harvested assets transferred to inventory	(23)	(35)
Balance at 31 December	**5**	**4**
Total biological assets	**8**	**15**

Dairy cattle comprise the bulk of non-current biological assets. In the year ended 31 December 2012, the Group produced 14,920 tons of milk. As of 31 December 2012 the Group held 10,671 head of livestock (31 December 2011: 16,281 head).

Current biological assets consist of winter wheat, barley, corn, sunflower, potatoes, summer wheat, soybean, and triticale crops to be harvested in the following year. In the year ended 31 December 2012, the Group harvested 163,641 tons of agricultural produce. As at 31 December 2012 the Group had planted 30,610 hectares of winter wheat, barley, corn, sunflower, potatoes, summer wheat, soybean, and triticale (31 December 2011: 23,512 hectares).

F.6. Other assets

Other assets comprise the following:

In millions of EUR, as at 31 December	2012	2011
Settlements with suppliers	95	81
Prepaid expenses	95	67
Other taxes receivable	48	39
Accrued income from insurance fees	77	33
Other	77	93
Subtotal other assets (gross)	**392**	**313**
Specific allowances for impairment on settlement with suppliers	(4)	(6)
Specific allowances for impairment on prepayments and other deferrals	(21)	(3)
Specific allowances for impairment on other assets	(10)	(1)
Total other assets (net)	**357**	**303**

In 2011, the "Other" category contained a payment for a 82% share in PPF Investments Ltd. acquired in December 2008 for MEUR 70. As the closing of the transaction was subject to fulfilment of significant conditions precedent, at year-end 2011 the change of control necessary to consider the entity a subsidiary had not yet occurred. A MEUR 5 impairment recognised in relation to this asset in 2010 was fully reversed in 2011. The acquisition of PPF Investments Ltd. was completed in 2012 and the entity was subsequently disposed.

F.7. Investments in associates and joint ventures

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

In millions of EUR, as at 31 December	2012	2011
Generali PPF Holding	2,751	2,566
Nomos-Bank	–	582
Polymetal	735	686
EP Holding	572	320
PSJ	–	27
Real estate projects	28	20
SAZKA	–	–*
Other	3	2
Total investments in associates/joint ventures	**4,089**	**4,203**

*Negative share in 2011 presented under Other loans (refer to F.2.7.)

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

In millions of EUR, for the year ended 31 December	2012	2011
Generali PPF Holding	81	136
Nomos-Bank	(73)	44
Polymetal	92	38
EP Holding	153	29
PSJ	1	2
Real estate projects	13	6
SAZKA	7	(5)
Other	1	–
Total share of earnings in associates/joint ventures	**275**	**250**

The difference between the total investment and Group's share in equity comprises goodwill. The difference between the total share in earnings and Group's share in profit comprises gains or losses arising from changes in the Group's share (e.g. dilution).

Generali PPF Holding

Since 17 January 2008, investments in associates have included a 49% share in Generali PPF Holding B.V., an insurance group focusing on the insurance and pension fund business within the CEE region. The following table summarises the consolidated financial information related to this associate:

In millions of EUR, as at 31 December	2012	2011
Total assets	17,152	15,796
Total liabilities	(11,500)	(10,478)
Group's share in total equity (49%)	**2,769**	**2,606**
Non-controlling interest at subholding level (49%)	(18)	(40)
Group's share in equity (49%)	**2,751**	**2,566**
Total revenue	3,871	3,622
Total net profit	169	271
Group's share in net profit (49%)	**83**	**133**
Non-controlling interest at subholding level (49%)	(2)	3
Group's share in profit (49%)	**81**	**136**

Nomos-Bank

As of 31 December 2011 the Group held a 27.34% share in Nomos-Bank. In April 2012, the Group sold part of its GDRs and diluted its economic share to 27.33%. In August 2012 the Group disposed the entire remaining stake. The following table summarises the financial performance of the bank up until its disposal. A MEUR 129 impairment loss, which is a part of total share in profit of this associate, represents the difference between the carrying value of the associate and the fair value of the Uralkali stake at the moment of disposal (refer to B.4.5.).

In millions of EUR, as at 31 December	2012	2011
Total assets	–	15,854
Total liabilities	–	(14,041)
Group's share in total equity (2011: 27.34%)	**–**	**496**
Non-controlling interest at subholding level	–	(88)
Group's share in equity (2011: 27.34%)	**–**	**408**
Total revenue (in 2012 until disposal)	1,162	1,495
Total net profit (in 2012 until disposal)	241	297
Group's share in profit (27.33%; 2011: 27.34%)	66	82
Non-controlling interest at subholding level	**(10)**	**(15)**
Impairment loss	(129)	(36)
Total share in profit (27.33%; 2011: 27.34%)	**(73)**	**31**

Polymetal

Since 10 June 2008 the Group has held a stake in Polymetal, the Russian precious metals mining company. During 2011, the company changed its domicile to Jersey and since November 2011 the Group has held shares in Polymetal International Plc, Jersey that were exchanged for a previous share in the Russian entity Polymetal, OJSC. As a consequence of this legal restructuring, the Group's share was diluted to 20.86% as at 31 December 2011. The Group's share in the 2011 net profit was calculated using the previous 21.88% share. The company is listed on the London Stock Exchange. In December 2012, the Group's share was further diluted to 20.83%. As of 31 December 2012, the share price of Polymetal International Plc was GBP 11.75 (2011: GBP 10.94).

In millions of EUR, as at 31 December	2012	2011
Total assets	2,731	2,823
Total liabilities	(1,121)	(1,420)
Group's share in total equity (20.83%; 2011: 20.86%)	**335**	**293**
Non-controlling interest at subholding level	–	(24)
Group's share in equity (20.83%; 2011: 20.86%)	**335**	**269**
Total revenue	1,443	951
Total net profit	312	208
Group's share in net profit (20.86%; 2011: 21.88%)	**65**	**45**
Gain on other changes in equity of Polymetal	27	(7)
Total share in profit (20.86%; 2011: 21.88%)	**92**	**38**

EP Holding

In September 2011, the Group increased its effective economic share in EP Holding from 29% to a direct 40% interest by acquiring shares from PPF Partners. In August 2012, the Group swapped a MEUR 90 portion of an existing loan for EP Holding shares, thereby increasing its economic share in EP Holding from 40% to 44.4%.

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

In millions of EUR, as at 31 December	2012	2011
Total assets	3,177	1,905
Total liabilities	(1,838)	(1,328)
Group's share in total equity (44.44%; 2011: 40.00%)	**595**	**231**
Non-controlling interest at subholding level	(126)	–
Group's share in equity (44.44%; 2011: 40.00%)	**469**	**–**
Total revenue	1,422	1,426
Total net profit	376	72
Group's share in profit (44.44%/40%; 2011: 40.00%/29.00%)*	**153**	**29**

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

PSJ

In 2010, the Group acquired a 50% share in PSJ a.s., the Czech construction group. In June 2012, the Group sold its share in PSJ. The following table summarises the consolidated financial information related to this joint venture:

In millions of EUR, as at 31 December	2012	2011
Total assets	–	188
Total liabilities	–	(144)
Group's share in equity (50.00%)	**–**	**22**
Total revenue (in 2012 until disposal)	146	307
Total net profit (in 2012 until disposal)	2	4
Group's share in profit (50.00%)	**1**	**2**

Real estate

This investment consists of several projects, with ownership participations ranging from 24.5% to 50 %. The aggregate total assets of the entities in question at 31 December 2012 are MEUR 203 (2011: MEUR 211), while the aggregate total liabilities are MEUR 190 (2011: MEUR 222). Two projects with negative net asset value of MEUR 14 (2011: MEUR 15) are presented under Other loans (refer to F.2.7.).

SAZKA

In November 2011, the Group and its joint venture partner acquired the enterprise of SAZKA, the Czech lottery and betting company. The following table shows the financial performance of the business for last two months in 2011 only (since the acquisition) and twelve months period of 2012 (until its disposal).

In millions of EUR, as at 31 December	2012	2011
Total assets	–	181
Total liabilities	–	(191)
Group's share in equity (50.00%)	**–**	**(5)***
Total revenue (in 2011, since acquisition)	136	17
Total net profit (in 2011, since acquisition)	14	(10)
Group's share in profit (50.00%)	**7**	**(5)**

* Negative share in 2011 presented under Other loans (refer to F.2.7.)

F.8. Investment property

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

In millions of EUR, as at 31 December	2012	2011
Investment property	551	309
Investment property under construction	165	129
Total investment property	**716**	**438**

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

In millions of EUR, for the year ended 31 December	2012	2011
Balance at 1 January	438	317
Additions	217	289
Disposal	(9)	(191)
Transfer to assets held for sale	–	(3)
Unrealised gains from investment property	133	113
Unrealised losses from investment property	(67)	(83)
Net FX differences	4	(4)
Balance at 31 December	**716**	**438**

F.9. Property, plant and equipment

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

In millions of EUR, for the year ended 31 December 2012	Land and buildings	Other tangible assets and equipment	Advances and tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	230	274	12	516	2
Additions resulting from business combinations	166	12	–	178	5
Disposal resulting from business combinations	–	(7)	–	(7)	–
Additions	6	121	40	167	4
Disposals	(1)	(15)	(37)	(53)	(1)
Other movements	(4)	4	–	–	–
Net FX differences	6	6	–	12	–
Balance at 31 December	403	395	15	813	10
Accumulated depreciation and impairment losses					
Balance at 1 January	(33)	(110)	(2)	(145)	(1)
Disposal resulting from business combinations	1	–	–	1	–
Depreciation included in Cost of sales (Agriculture)	(1)	(4)	–	(5)	–
Depreciation charge for the period	(8)	(58)	–	(66)	(2)
Impairment losses recognised	(9)	(4)	–	(13)	–
Disposals	–	13	–	13	1
Other movements	(1)	1	–	–	–
Net FX differences	–	(3)	–	(3)	–
Balance at 31 December	(51)	(165)	(2)	(218)	(2)
Carrying amount	**352**	**230**	**13**	**595**	**8**

In millions of EUR, for the year ended 31 December 2011	Land and buildings	Other tangible assets and equipment	Advances and tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	274	190	11	475	5
Additions resulting from business combinations	4	23	1	28	–
Disposal resulting from business combinations	(47)	(6)	(2)	(55)	–
Additions	12	86	12	110	1
Disposals	(5)	(14)	(10)	(29)	(4)
Net FX differences	(8)	(5)	–	(13)	–
Balance at 31 December	230	274	12	516	2
Accumulated depreciation and impairment losses					
Balance at 1 January	(31)	(91)	(2)	(124)	(3)
Disposal resulting from business combinations	2	2	–	4	–
Depreciation included in Cost of sales (Agriculture)	–	(1)	–	(1)	–
Depreciation charge for the period	(8)	(36)	–	(44)	(2)
Reversal of impairment losses	2	1	–	3	–
Disposals	2	12	–	14	4
Other movements	(1)	1	–	–	–
Net FX differences	1	2	–	3	–
Balance at 31 December	(33)	(110)	(2)	(145)	(1)
Carrying amount	**197**	**164**	**10**	**371**	**1**

F.10. Intangible assets

Intangible assets comprise the following:

In millions of EUR, as at 31 December	2012	2011
Goodwill	292	235
Software	79	52
Trademark	185	180
In-process research and development (IPRD)	61	–
Other	20	11
Total intangible assets	**637**	**478**

In-process research and development related to the acquisition of the biotechnology company Sotio.

F.10.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, for the year ended 31 December	2012	2011
Balance at 1 January	235	257
Additions resulting from business combinations	53	28
Disposals resulting from business combinations	–	(16)
Impairment losses	(4)	(29)
Net FX differences	8	(5)
Balance at 31 December	**292**	**235**

In 2012, MEUR 30 in goodwill arose from the acquisition of a Russian retail chain (refer to B.3.1.), MEUR 16 arose from the acquisition of a biotechnology company (refer to B.3.3.) and MEUR 3 arose from the full consolidation of Kazakh Home Credit Bank.

In 2011, MEUR 12 in goodwill arose from the acquisition of an agricultural business (refer to B.3.7.). The whole amount was recognised as an impairment loss. The 13 MEUR goodwill related to Retail Value Stores was disposed of in 2011 in connection with the sale of the business.

The MEUR 223 goodwill amount in 2009 arose from the Eldorado acquisition. As of 31 December 2012 and 2011, this goodwill was tested for impairment. The recoverable amount of this cash-generating unit was determined by the discounted cash flow valuation method using management projections.

F.10.2. Other intangible assets

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

In millions of EUR, for the year ended 31 December2012	Software	Trademarks	IPRD assets	Other intangible assets	Total
Cost					
Balance at 1 January	129	180	–	14	323
Additions resulting from business combinations	–	–	61	2	63
Additions	40	–	–	13	53
Additions from internal development	8	–	–	8	16
Disposal	–	–	–	(14)	(14)
Other changes	2	–	–	–	2
Net FX differences	3	4	–	–	7
Balance at 31 December	182	184	61	23	450
Accumulated amortisation and impairment losses					
Balance at 1 January	(77)	–	–	(3)	(80)
Amortisation charge for the year	(25)	–	–	–	(25)
Net FX differences	(1)	1	–	–	–
Balance at 31 December	(103)	1	–	(3)	(105)
Carrying amount	**79**	**185**	**61**	**20**	**345**

In millions of EUR, for the year ended 31 December2011	Software	Trademarks	Other intangible assets	Total
Cost				
Balance at 1 January	103	185	8	296
Additions resulting from business combinations	–	–	1	1
Additions	26	–	23	49
Additions from internal development	7	–	4	11
Disposal	(2)	–	(22)	(24)
Disposals resulting from business combinations	(1)	–	–	(1)
Net FX differences	(4)	(5)	–	(9)
Balance at 31 December	129	180	14	323
Accumulated amortisation and impairment losses				
Balance at 1 January	(62)	–	(3)	(65)
Amortisation charge for the year	(20)	(1)	–	(21)
Disposal	1	–	–	1
Disposals resulting from business combinations	1	–	–	1
Net FX differences	3	1	–	4
Balance at 31 December	(77)	–	(3)	(80)
Carrying amount	**52**	**180**	**11**	**243**

F.11. Liabilities to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR, as at 31 December	2012	2011
Current accounts and demand deposits	2,709	856
Term deposits	4,912	2,255
Loans	370	273
Loans received under repo operations	–	36
Total liabilities to non-banks	**7,991**	**3,420**

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

F.12. Liabilities to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR, as at 31 December	2012	2011
Repayable on demand	1	4
Loans received under repos	417	–
Secured loans (other than repos)	2,959	3,082
Unsecured loans	827	580
Other	27	32
Total liabilities to banks	**4,231**	**3,698**

In 2008 the Group obtained a syndicated loan facility (the "Calyon Facility") provided by a group of banks led by Calyon (now renamed to "Credit Agricole Corporate and Investment Bank") in a maximum amount of MEUR 2,099 available until January 2015 (the maximum amount was decreased in 2013; refer to section G.1.). Pricing is set as applicable EURIBOR +2.4% (EURIBOR +0.70/0.90 valid from January 2012 until 17 July 2012). Following the downgrade of Assicurazioni Generali S.p.A in 2012 the company renegotiated the facility's conditions with the Caylon Consortium. This resulted in new pricing conditions which became effective as from 17 July 2012. The loan can be drawn in 1-, 3- or 6-month tranches and is secured by a pledge of PPF Group's share in Generali PPF Holding B.V. Under the loan agreement, the total amount of the Calyon facility is linked to the value of the investment in Generali PPF Holding B.V. As of 31 December 2012 and 2011 the total amount drawn was MEUR 2,099.

A MEUR 292 (2011: MEUR 298) portion of the secured loans consists of a USD denominated loan provided by Sberbank to finance residual consideration for the acquisition of Polymetal. The loan matures in 2013 and is secured by a pledge of PPF Group's share in Polymetal. The loan is provided to the Group through its associate Accord Invest Ltd. The interest rate is 6.8% p.a.

MEUR 29 (2011: MEUR 61) of the other secured loans stated above was secured by a pledge of consumer loan receivables and cash loan receivables, MEUR 55 (2011: MEUR 50) was secured by a pledge of revolving loan receivables, MEUR 69 (2011: MEUR 28) was secured by a pledge of car loan receivables, MEUR 169 (2011: MEUR 158) was secured by pledge of investment property, and MEUR 107 (2011: MEUR 197) was secured by pledge of inventories.

F.13. Debt securities issued

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

In millions of EUR, as at 31 December	Interest rate	Date of maturity	2012	2011
Notes MEUR 400	Fixed	November 2015	403	403
Unsecured CZK bond issue 4 of MCZK 2,900	Fixed	September 2015	97	88
Unsecured RUB bond issue 7 of MRUB 5,000	Variable	April 2015	126	118
CZK participation notes of MCZK 200	Variable	November 2014	–	7
Unsecured RUB bond issue 6 of MRUB 5,000	Variable	June 2014	125	120
Unsecured RUB bond issue 5 of MRUB 4,000	Variable	April 2013	101	94
Unsecured RUB bond issue 1 of MRUB 3,000	Variable	April 2014	76	73
Unsecured RUB bond issue 3 of MRUB 4,000	Variable	April 2014	101	97
USD loan participation notes 6 of MUSD 500	Fixed	March 2014	335	354
Unsecured CZK bond issue 3 of MCZK 4,000	Fixed	June 2012	–	97
Unsecured CZK bond issue 5 of MCZK 3,750	Fixed	June 2016	133	–
USD loan participation notes 7 of MUSD 500	Fixed	April 2020/April 2018	263	–
Deposit bills of exchange; rates (1.1%–4.25%)	Fixed	January 2013–September 2013	106	–
Deposit bill of exchange; rate (4.25%–4.30%)	Fixed	January 2014–September 2014	31	–
Deposit bill of exchange; rate 4.00%	Fixed	June 2016	10	–
Deposit bills of exchange; rates (1.09%–5.00%)	Fixed	January 2012–November 2012	–	103
Total debt securities issued			**1,907**	**1,554**

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

RUB denominated bond issue 5 was issued by the Group in April 2008 with a coupon rate resettable at option dates. In October 2011 the Group reset a new coupon rate through the final maturity date.

Loan participation note issue 6 was issued by the Group in March 2011.

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

RUB denominated stock exchange bond issue 3 was issued by the Group in April 2011 with a coupon rate set for the next 30 months. The bondholders are entitled to demand early redemption of the bond at par in October 2013.

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

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

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

Subordinated loan participation notes issue 7 was issued in October 2012 at a fixed rate. The bondholders are entitled to require early redemption of the bond at par in April 2018 (the reset date). After the reset date the interest rate is determined as a variable rate.

F.14. Financial liabilities at fair value through profit or loss

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

In millions of EUR, as at 31 December	2012	2011
Negative fair values of derivatives	71	63
Interest rate derivatives	49	36
Currency derivatives	14	27
Hedging derivatives	8	–
Obligation to deliver securities	143	280
Other	22	8
Total financial liabilities at FVTPL	**236**	**351**

F.15. Provisions

Provisions comprise the following:

In millions of EUR, as at 31 December	2012	2011
Goods returns	10	9
Warranty repair reserve	–	1
Provision for litigation except for tax-related litigation	1	1
Other provisions	12	19
Total provisions	**23**	**30**

Analysis of movements in provisions is as follows:

In millions of EUR, for the year ended 31 December 2012	Goods returns	Warranty repair reserve	Provision for litigation except for tax issues	Other provisions	Total
Balance at 1 January	9	1	1	19	30
Disposals resulting from business combinations	–	–	–	(3)	(3)
Provisions created during the year	9	–	1	1	11
Provisions used during the year	(9)	–	(1)	(4)	(14)
Provisions released during the year	–	(1)	–	–	(1)
Net FX differences	1	–	–	(1)	–
Balance at 31 December	**10**	**–**	**1**	**12**	**23**
Non-current (> 1 year)	–	–	–	–	–
Current (< 1 year)	10	–	1	12	23
Total provisions	**10**	**–**	**1**	**12**	**23**

In millions of EUR, for the year ended 31 December 2011	Goods returns	Warranty repair reserve	Provision for litigation except for tax issues	Other provisions	Total
Balance at 1 January	16	1	1	1	19
Additions resulting from business combinations	–	–	–	3	3
Provisions created during the year	11	–	1	15	27
Provisions used during the year	(18)	–	(1)	–	(19)
Provisions released during the year	–	–	–	(1)	(1)
Net FX differences	–	–	–	1	1
Balance at 31 December	**9**	**1**	**1**	**19**	**30**
Non-current (> 1 year)	–	–	–	2	2
Current (< 1 year)	9	1	1	17	28
Total provisions	**9**	**1**	**1**	**19**	**30**

The increase in other provisions in 2011 relates to a newly acquired real estate project in Russia (Southgate Logistics).

F.16. Other liabilities

Other liabilities comprise the following:

In millions of EUR, as at 31 December	2012	2011
Settlements with suppliers	667	471
Wages and salaries	125	70
Social security and health insurance	21	13
Other tax payable	69	31
Finance lease liabilities	8	2
Accrued expenses	25	13
Deferred income	53	50
Advance received	35	26
Customer loan overpayments	26	14
Other	211	26
Total other liabilities	**1,240**	**716**

The "Other" category includes clearing accounts of PPF banka in an amount of MEUR 135 (2011: MEUR 4).

F.17. Finance lease liabilities

Finance lease liabilities comprise the following:

In millions of EUR, as at 31 December 2012	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
Less than one year	3	1	2
Between one and five years	3	1	2
More than five years	11	7	4
Total finance lease liabilities	**17**	**9**	**8**

In millions of EUR, as at 31 December 2011	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
Less than one year	1	1	1
Between one and five years	2	–	1
Total finance lease liabilities	**3**	**1**	**2**

F.18. 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:

	2012	2011
Number of shares authorised	250,000	250,000
Number of shares issued and fully paid	66,738	66,738
Par value per share	EUR 10	EUR 10

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

	2012	2011
Balance at 1 January	66,738	66,738
Balance at 31 December	**66,738**	**66,738**

As at 31 December 2012 and 2011 the authorised share capital consisted of 250,000 registered shares, 66,738 of which were issued and fully paid. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Parent Company.

F.19. Reserves

F.19.1. Revaluation reserve

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

F.19.2. Cash flow hedge reserve

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

F.19.3. Legal and statutory reserves

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

F.19.4. Translation reserve

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

F.20. Net interest income

Interest income comprises the following:

In millions of EUR, for the year ended 31 December	2012	2011
Financial instruments at fair value through profit or loss	13	15
Financial instruments available for sale	56	18
Financial instruments held to maturity	1	–
Due from banks and other financial institutions	43	24
Consumer loan receivables	409	408
Cash loan receivables	995	376
Revolving loan receivables	222	182
Car loan receivables	24	18
Mortgage loan receivables	12	16
Loans to corporations and other loans and receivables	108	54
Total interest income	**1,883**	**1,111**

Interest expense comprises the following:

In millions of EUR, for the year ended 31 December	2012	2011
Due to customers	379	87
Due to banks and other financial institutions	183	146
Debt securities issued	119	122
Finance lease liabilities	1	–
Other	5	9
Total interest expenses	**687**	**364**
Total net interest income	**1,196**	**747**

F.21. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, for the year ended 31 December	2012	2011
Penalty fees	83	63
Insurance commissions	513	163
Cash transactions	60	38
Customer payment processing and account maintenance	30	26
Retailers' commissions	16	15
Other	35	37
Total fee and commission income	**737**	**342**

Fee and commission expense comprises the following:

In millions of EUR, for the year ended 31 December	2012	2011
Commissions to retailers	26	18
Cash transactions	19	11
Payment processing and account maintenance	17	13
Other	26	7
Total fee and commission expense	**88**	**49**
Total net fee and commission income	**649**	**293**

F.22. Net gain/loss on financial assets

In millions of EUR, for the year ended 31 December	2012	2011
Net trading income	(42)	7
Securities trading	(2)	(2)
Debt securities	5	10
Equity securities	(7)	(12)
FX trading	4	8
Derivatives	(44)	1
Net gains on financial assets at fair value through profit or loss not held for trading	6	29
Equity securities	6	31
Other	–	(2)
Net realised gains	(4)	(13)
Financial assets available for sale	(3)	(15)
Loans and receivables	(1)	2
Dividends	4	15
Other income/(expenses) from financial assets	(12)	–
Total net gain/(loss) on financial assets	**(48)**	**38**

F.23. Net impairment losses on financial assets

In millions of EUR, for the year ended 31 December	2012	2011
Financial instruments available for sale	11	275
Consumer loan receivables	107	91
Cash loan receivables	397	127
Revolving loan receivables	50	28
Car loan receivables	7	3
Mortgage loan receivables	(3)	(1)
Loans to corporations and other loans and receivables	106	(18)
Total net impairment losses on financial assets	**675**	**505**

F.24. Net real estate income

Rental and related income comprises the following:

In millions of EUR, for the year ended 31 December	2012	2011
Gross rental income	18	14
Service income	–	5
Service charge income	10	1
Service charge expense	(6)	–
Total rental and related income	**22**	**20**

Property operating expenses comprise the following:

In millions of EUR, for the year ended 31 December	2012	2011
Repairs and maintenance	–	1
Material and energy consumed	–	2
Employee compensation	1	–
Other expenses	6	1
Total property operating expense	**7**	**4**

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

In millions of EUR, for the year ended 31 December	2012	2011
Valuation gains on investment property	144	113
Valuation losses on investment property	(67)	(83)
Total net valuation gain/(loss) on investment property	**77**	**30**

F.25. Net agricultural income

In millions of EUR, for the year ended 31 December	2012	2011
Sales of goods	34	24
Cost of sales	(34)	(26)
Other revenue	2	1
Change in fair value of biological assets	(6)	(1)
Total net agriculture income	**(4)**	**(2)**

F.26. Other income

In millions of EUR, for the year ended 31 December	2012	2011
Rental income	12	8
Foreign currency gains	13	–
Recognised income from excess of acquired net fair value over costs	27	6
Healthcare income	–	5
Loss on monetary position	(3)	(16)
Other	46	42
Total other income	**95**	**45**

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

F.27. General administrative expenses

In millions of EUR, for the year ended 31 December	2012	2011
Employee compensation	536	364
Payroll related taxes (including pension contribution)	109	77
Advertising and marketing	87	83
Professional services	59	62
Telecommunication and postage	51	40
Travel expenses	21	15
Taxes other than income tax	21	12
Information technologies	32	22
Rental, maintenance and repair expense	248	187
Distribution, transport and storage of goods	44	41
Other	122	112
Total general administrative expenses	**1,330**	**1,015**

F.28. Other operating expenses

In millions of EUR, for the year ended 31 December	2012	2011
Depreciation of property, plant and equipment	66	44
Amortisation of intangible assets	25	21
Net impairment losses on goodwill	4	29
Net impairment losses on property, plant and equipment	13	(2)
Loss on disposal of property, plant, equipment, and intangible assets	3	3
Net impairment (gains)/losses on other assets	2	(4)
Foreign currency losses	–	41
Total other operating expenses	**113**	**132**

F.29. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for the year ended 31 December	2012	2011
Current tax expense	(180)	(114)
Deferred tax expense	13	(19)
Total income tax expense	**(167)**	**(133)**

F.29.1. Reconciliation of effective tax rate

The following table reconciles the tax expense:

In millions of EUR, for the year ended 31 December	2012	2011
Tax rate	25.0%	25.0%
Profit from continuing operations (before taxation)	976	363
Computed taxation using applicable tax rate	(244)	(91)
Tax non-deductible expenses	(70)	(63)
Non-taxable income	95	39
Non-taxable share of earnings of associates	69	59
Tax rate differences on foreign results	20	(3)
Tax loss carry forward not recognised	(22)	(64)
Withholding tax on intra-group dividends	(4)	(16)
Other	(11)	6
Total income tax expense/income	**(167)**	**(133)**

F.30. Operating leases

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

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

In millions of EUR, as at 31 December	2012	2011
Less than one year	177	160
Between one and five years	380	354
More than five years	80	125
Total payables in respect of non-cancellable operating leases	**637**	**639**

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

In millions of EUR, as at 31 December	2012	2011
Minimum lease payments	205	160
Contingent rent	1	3
Sublease payments	(1)	(8)
Total lease and sublease payments	**205**	**155**

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

F.31. Repurchase agreements and reverse repurchase agreements

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

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

In millions of EUR, as at 31 December	2012 Fair value of underlying assets	2012 Carrying amount of corresponding liabilities	2011 Fair value of underlying assets	2011 Carrying amount of corresponding liabilities
Financial assets at fair value through profit and loss	6	6	–	–
Financial assets available for sale	485	411	–	–
Financial assets as off balance sheet item	–	–	34	35
Total assets	**491**	**417**	**34**	**35**

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

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

In millions of EUR, as at 31 December	2012 Fair value of assets received as collateral (total)	2012 Hereof: Fair value of assets repledged or sold	2012 Carrying amount of receivables	2011 Fair value of assets received as collateral (total)	2011 Hereof: Fair value of assets repledged or sold	2011 Carrying amount of receivables
Loans and advances to banks	381	143	357	359	312	362
Loans and advances to non-banks	78	–	51	67	2	44
Total loans and advances	**459**	**143**	**408**	**426**	**314**	**406**

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 set forth in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to meet their contractual obligations.

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

In millions of EUR, as at 31 December	2012	2011
Loan commitments	1,929	1,188
Revolving loan commitments	1,403	837
Consumer loan commitments	39	25
Cash loan commitments	39	6
Undrawn overdraft facilities	86	63
Term loan facilities	362	257
Capital expenditure commitments	218	23
Guarantees provided	308	227
Non-payment guarantees	79	39
Non-revocable letters of credit	5	1
Payment guarantees	224	187
Other	11	–
Total commitments and contingent liabilities	**2,466**	**1,438**

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

The following table shows secured liabilities:

In millions of EUR, as at 31 December	2012	2011
Secured bank loans	2,959	3,082
Total secured liabilities	**2,959**	**3,082**

The assets pledged as security were as follows:

In millions of EUR, as at 31 December	2012	2011
Cash and cash equivalents	–	2
Financial assets at fair value through profit and loss (repos)	6	–
Financial assets available for sale (repos)	485	–
Loans and receivables due from banks and other financial institutions	2	–
Loans and receivables due from non-banks	215	223
Inventories	139	295
Biological assets	3	5
Investments in subsidiaries, associates and joint ventures	2,984	2,868
Investment property	335	212
Property, plant and equipment	95	93
Financial assets as off-balance sheet items (repos)	–	34
Total assets pledged as security	**4,264**	**3,732**

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

F.32.2. Other contingencies

F.32.2.1. Litigation

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

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

F.32.2.2. Taxation

The taxation systems in the Russian Federation, the Republic of Belarus, Kazakhstan, Vietnam and China are characterised by frequent changes in legislation which are subject to varying interpretation by diverse tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the power to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Common practice in the Russian Federation, the Republic of Belarus, Kazakhstan, Vietnam and China suggests that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

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

F.32.3. Guarantee received and off-balance sheet assets

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

In millions of EUR, as at 31 December	2012	2011
Guarantees – received	878	501
Loan commitments – received	33	89
Value of assets received as collateral	1,338	1,022
Total contingent assets	**2,249**	**1,612**

F.33. Related parties

F.33.1. Identity of related parties

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

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

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

F.33.2. Transactions with statutory bodies and executive officers

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

In millions of EUR, for the year ended 31 December	2012	2011
Board of Directors of the Parent Company	0.5	0.5
Key executive officers	42	30

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

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

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

F.33.3. Transactions with associates

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

In millions of EUR, for the year ended 31 December	2012	2011
Interest income	43	18
Fee and commission income	345	140
Net gain/loss on financial assets	–	3
Rental and related income	1	9
Operating income	3	6
Total revenue	**392**	**176**
Interest expense	(50)	(52)
Fee and commission expense	–	(1)
Net gain/loss on financial assets	(2)	–
Operating expense	(6)	(2)
Total expense	**(58)**	**(55)**

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

In millions of EUR, as at 31 December	2012	2011
Cash and cash equivalents	–	3
Financial assets at fair value through profit or loss	–	8
Financial assets available for sale	25	11
Loans and receivables due from banks and other financial institutions	–	269
Loans and receivables due from non-banks	279	102
Other assets	93	29
Investment property	–	49
Total assets	**397**	**471**
Current accounts, deposits and loans from non-banks	(714)	(325)
Liabilities due to banks and other financial institutions	(292)	(416)
Debt securities issued	(181)	(222)
Financial liabilities at fair value through profit or loss	(2)	–
Other liabilities	(4)	(13)
Total liabilities	**(1,193)**	**(976)**

F.33.4. Other related parties

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

In millions of EUR, for the year ended 31 December	2012	2011
Other income	1	1
Total revenue	**1**	**1**
Acquisition costs and other operating expenses	(1)	(2)
Total expenses	**(1)**	**(2)**

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

In millions of EUR, as at 31 December	2012	2011
Loans and receivables due from non-banks	1	4
Other assets	–	1
Total assets	**1**	**5**
Current accounts, deposits and loans from non-banks	(1)	(20)
Other liabilities	(8)	(8)
Total liabilities	**(9)**	**(28)**

G. Subsequent events

G.1. Generali transaction

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

The agreement also required PPF Generali Holding B.V. to pay a dividend of MEUR 172 to the Group in January and March 2013 which duly took place on the stipulated dates. At or around 31 December 2014, PPF Group will receive consideration of MEUR 1,235 for its outstanding 24% shareholding in GPH and the remaining obligations on the Calyon facility will be reimbursed at the same time.

G.2. Acquisition of CIS insurance businesses

In March 2013, as a part of the agreement with Assicurazioni Generali the Group acquired several entities operating in the CIS region that were previously owned by Generali PPF Holding B.V. The acquisition consists of Russian life and non-life insurance companies, a Ukrainian life insurance company, a Belarusian non-life insurance company and a Russian asset manager. The total consideration paid for the acquisition was MEUR 73.

G.3. Completed acquisition of Home Credit Kazakhstan

In January 2013 the Group exercised a call option to purchase a 90.01% equity stake in Home Credit Bank, thereby becoming the 100% owner of Home Credit Bank (refer to B.3.4.).

G.4. Change in shareholder structure

In May 2012, the sale of Jiří Šmejc's 5.0% stake in PPF Group N.V. to the other current shareholders was announced. The relevant agreements related to assets division between PPF Group shareholders were finalised in March 2013, following Jiří Šmejc's leaving the position of PPF Group shareholder. Jiří Šmejc gains a direct 13.37% stake in Home Credit B.V., which is a holding company for Home Credit Group operations, as well as in Air Bank a.s. The remaining 86.63% in both companies is owned by PPF Group N.V. All the transfers will come into effect after the necessary regulatory approvals are obtained.

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