



PENZIJNÍ FOND
ČESKÉ POJIŠŤOVNY

Penzijní fond České pojišťovny, a.s.

ANNUAL REPORT 2002

Table of Contents

1	Company Profile	3
2	Basic Economic Indices	4
3	Management and Organization Structure	5
4	Introductory Statement by the Chairman of the Board	6
5	Report on Activities pursued by the Company	8
6	Supervisory Board's Report	11
7	Auditor's Report	12
8	Balance Sheet	13
9	Profit and Loss Account	17
10	Notes to the Financial Statement	19

1 Company Profile

Trade name:	Penzijní fond České pojišťovny, a.s.
Registered office:	Truhlářská 1106/9, 110 00 Prague 1
Legal status:	joint-stock company
Established:	19 September 1994
IČ [·] identification number:	61858692
Companies Register:	Municipal Court in Prague, Par. B, Section 2738
Owner (share of basic capital):	Česká pojišťovna, a.s. (100%)

Penzijní fond České pojišťovny, a.s. (hereinafter the "Penzijní fond České pojišťovny") was one of the first to render its **main services**, associated with the retirement income insurance with state contribution, already in 1994. The principles of cooperation between the Fund and its clients are stipulated in a pension scheme enabling the payment of saved funds in all forms of pensions, including their combinations.

The shareholder, Česká pojišťovna, brings with it the guarantee of a strong financial background and regular improvements in the scope of services offered to the clients of Penzijní fond České pojišťovny. Thanks to its experience and tradition in the insurance business, the Fund is able to build its position on an exceptional knowledge of the Czech environment and respond flexibly to developing market conditions.

A competitive advantage can be seen in the wide range of services, together with the offer of products within the entire financial group. Proof of this can also be seen in the successfully developing ČP program of staff advantages, focusing on the employers and employees of cooperating companies, offering them a range of individual advantages.

The Fund's success can be documented in its long-term dynamic development, economic strength and stability. Despite the stagnation reported in the overall market, the Fund was one of only several to post an increase in the number of clients in 2002, participating by one third in the increase to the overall number of retirement income insurance planholders. In 2002, Penzijní fond České pojišťovny signed 65,000 new contracts, reaching a total number of 360,000 to increase its market share to 13.4%.

Penzijní fond České pojišťovny offers **support to the non-for-profit sector** by its general partnership with Národní dobrovolnické centrum Hestia (Hestia National Volunteers' Centre), backing up the development of volunteerism in the Czech Republic. These efforts proved beneficial particularly during the floods in the summer of 2002. The leading program in this respect is the "For Seniors" program, i.e. an organization of training and free assistance for volunteers in senior centres. There are 15 senior centres involved in the project, in which volunteers help improve the quality of everyday life among our senior citizens.

2 Basic Economic Indices

BASIC INDICES (CZK '000)	1998	1999	2000	2001	2002
Net profit or loss for financial period	178,027	187,725	153,621	179,594	200,957
Total net assets	2,366,293	3,305,254	4,344,780	5,746,557	7,600,108
Share capital	110,000	110,000	110,000	110,000	210,000
Number of planholders	159,897	226,805	296,059	322,179	348,393
Added earnings (in % p.a.)	9.7	6.6	4.5	3.8	- ¹⁾
Statutory reserve fund	1,132	10,034	19,420	27,101	36,081
Market value of the portfolio	2,290,240	3,204,645	4,108,350	5,492,320	7,323,183
Average number of employees	45	46	61	66	65

1) Details concerning the distribution of profit will be determined during a General Assembly held during the 2nd Quarter of the year 2003.

In 2002, Penzijní fond České pojišťovny contributed by as much as one third to the overall increase in the number of retirement income insurance clients in the Czech Republic.

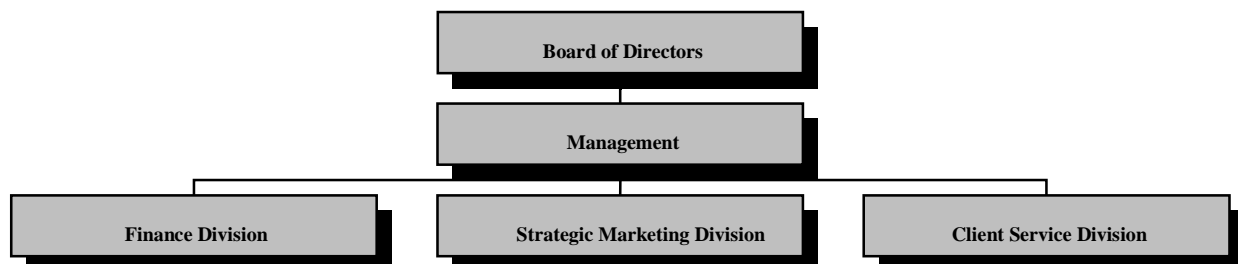
In 2002, the overall number of our clients reached 348,393.

3 Management and organizational structure

BOARD OF DIRECTORS	<i>in office since</i>	
Ing. Ivo Foltýn, MBA <i>Chairman of the Board</i>	11/8/1997	Deputy Director for Life Insurance in Česká pojišťovna a.s.
Ing. Tomáš Matoušek <i>Deputy Chairman of the Board</i>	24/10/2001	Executive Director of Penzijní fond České pojišťovny, a.s.
Ing. Radek Peřina <i>Deputy Chairman of the Board</i>	28/5/1998	Head Director of the Life Insurance Product Management Division of Česká pojišťovna a.s.
Ing. Václav Šrajfer, MBA	5/6/2001	Director of the Analysis Department in PPF a.s.
Ing. Roman Stupka, MBA	5/6/2001	Deputy Sales Director in Česká pojišťovna a.s.

SUPERVISORY BOARD	<i>in office since</i>	
RNDr. Darina Kocsisová, Ph.D. <i>Chairperson</i>	23/9/2002	Head Director of Division for Actuarial Mathematics and Life Insurance Profitability of Česká pojišťovna a.s.
Ing. Bohuslava Vohradská	6/4/1998	Regional Insurance Director of Česká pojišťovna a.s.
RNDr. Vít Šroller	19/9/1994	Director of Actuarial Mathematics Division of Česká pojišťovna a.s.
Ing. Josef Kessler	10/9/1997	Advisor of Deputy Sales Director of Česká pojišťovna a.s.
Ing. Marek Mastník	6/6/2001	Senior Analyst PPF a.s.
Mgr. Helena Lazosová	23/9/2002	Department of Division for Environmental Actuarial Mathematics of Česká pojišťovna a.s.

Organizational Structure



4 Introductory Statement by the Chairman of the Board

Dear Clients, Shareholders and Business Partners,

I am glad to see that during the previous year, Penzijní fond České pojišťovny once again strengthened its position in the market of businesses providing services for long-term pension savings. Thanks to our joint efforts, we managed to resume our former successful administration of our clients' funds and confirm our position as one of the largest pension funds in the Czech Republic.

The success of our main mission, i.e. effective administration of clients' funds, is to a considerable extent determined by the legal and economic environment of the Czech Republic. In 2002, the Czech economy remained relatively resistant to the weakened global economy. Consumer credits and real income witnessed further expansion despite negative developments in the labour market. We have to expect, however, that growing unemployment will result in lower household consumption, despite the low inflation rate and interest rates. The extremely low interest rates will also have an impact on the ability to improve on investments exceeding the inflation rate among all financial institutions, including pension funds. Penzijní fond České pojišťovny responded to the rather complicated economic situation with its responsible and conservative investment philosophy, which appears to be further beneficial with the anticipated accession of the Czech Republic into the EU, which along with the economic recovery of the European region should lead to a much desired intensification of investment activities.

In spite of the complicated circumstances, Penzijní fond České pojišťovny posted a profit of CZK 201 million in 2002, which is more than ever before in the Fund's history. The Pension Fund also reported dynamic growth in all other economic indices. The volume of administered assets increased by a third year-on-year, reaching CZK 7.6 billion; the number of newly concluded retirement income insurance contracts reached 65,000 and the number of clients with employers' contributions grew by 25%. We rank first among all pension funds as regards the amount of share capital, now totalling CZK 210 million.

Despite the continuously falling interest rates, Penzijní fond České pojišťovny posted a profit in 2002, thanks to which the deposits of our clients will be improved by a rate exceeding the inflation rate and yields offered on bank deposits. Together with state contributions and tax relief, the final effect is even higher, depending on the actual use of all these advantages.

I am convinced that the importance of pension funds as investors and providers of financial services will further increase, irrespective of developments in the necessary reform of the pension system. It is obvious that the current system now subject to the negative demographic development has come up against serious complications based on its method of financing, leading to a budgeted deficit. In this situation, more and more individuals and corporations are becoming aware of the importance of the retirement income insurance sector and individual savings for one's pension. Pension funds have thus won significant attention, becoming the second column for the future pension system. The goal of Penzijní fond České pojišťovny is to remain an active architect of the sector in which it renders its services.

Along with efforts to bring the shared environment to a higher level, we aim at improving the quality of our services, both for our existing clients by means of active communication, as well as to potential customers, whether individuals or corporations.

The financial strength and the leading position in life insurance of our parent company, Česká pojišťovna, is a guarantee of security and reliability. Together with Česká pojišťovna, we plan further improvements in the area of complex provisions of customer services.

The main objective of Penzijní fond České pojišťovny in 2003 is to maintain the existing pace of growth and further development, while increasing the asset value. We also place great emphasis on the successful completion of our merger with former Commercial Union Penzijní Fond, the acquisition of which was completed by Česká pojišťovna towards the end of 2002.

The positive economic results and increasing number of clients of Penzijní fond České pojišťovny remain the main indices of our good cooperation and reliability between the Fund and its individual or corporate clients. Penzijní fond České pojišťovny shall thus contribute to the creation of a stable economic environment in the Czech Republic. We believe that our professional approach, reliability and ability to reach positive results over the long-term will lead to a further development of Penzijní fond České pojišťovny and the Czech Republic. We also try to express our commitment to society by actively supporting the non-profit sector and we are fully aware of its unique role in today's world.

I believe that we will be able to continue this successful trend.

signature

Ing. Ivo Foltýn, MBA
Chairman of the Board

photo

5 Report on Activities pursued by the Company

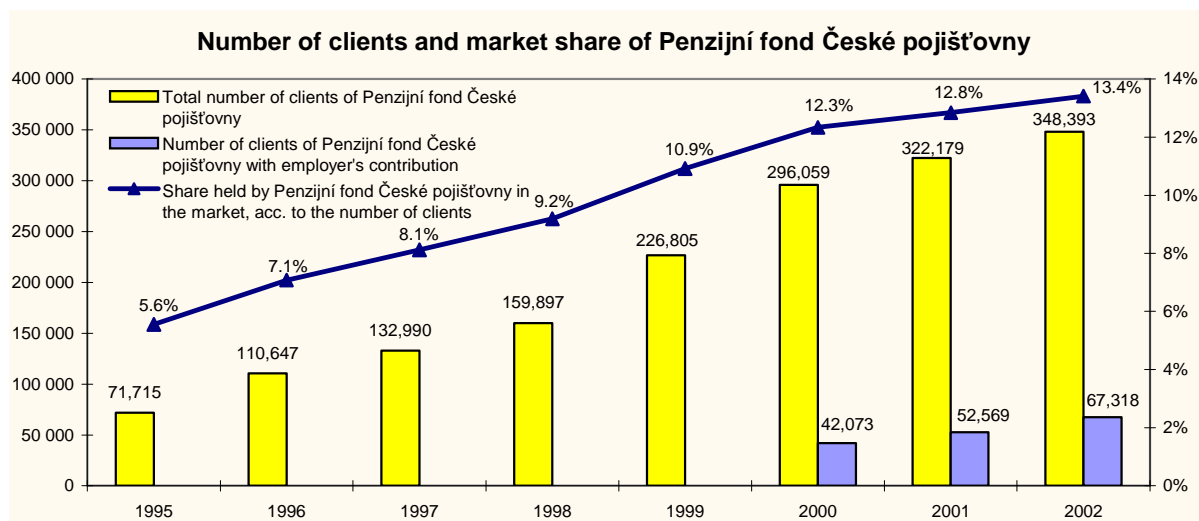
Penzijní fond České pojišťovny is one of the most dynamically growing pension funds in the market; this is proved by its business and financial results.

The year 2002 witnessed further concentration in the retirement income insurance market, i.e. there are now only 13 out of the original 44 pension funds. Česká pojišťovna also contributed to this process, acquiring Commercial Union Penzijní fond (currently renamed to ČP Penzijní fond). Its merger with Penzijní fond České pojišťovny is planned for 2003.

Business Results

In 2002, the retirement income insurance market increased by nearly 90,000 new contracts, now reaching 2,597,000. Penzijní fond České pojišťovny participated in this growth at a third, attaining a total market share of 13.4% (348,000 clients). In addition, Penzijní fond České pojišťovny will become the second largest fund in the market after the merger that is planned for 2003.

The segment of corporate clients reported steady growth, increasing by 65,000 new contracts in 2002, to reach 574,000. This means that every one in five plan-holders receives contributions from his/her employer. Moreover, the average employer's contribution increased by 8%, reaching CZK 371. Employers contribute to their employees' retirement income insurance as part of their social and personnel policy, a tool for personnel stabilization and tax relief. In 2002, Penzijní fond České pojišťovny signed almost 15,000 new contracts with employer's contributions, now totalling 67,000. There are now over 3,700 employers among the Fund's clients.



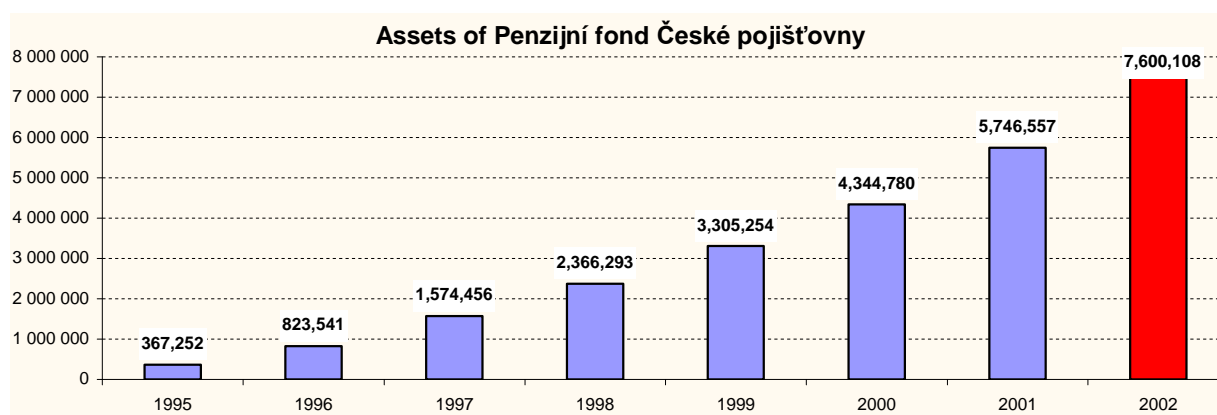
Financial Results

The business success of Penzijní fond České pojišťovny is also reflected in its financial indices. In 2002, the amount of assets increased by 32%, reaching a total of CZK 7.6 billion. Total contributions paid by clients, employers and the state exceeded CZK 2.2 billion, which meant a 17% increase year-on-year.

Pension funds administer assets equalling CZK 68.9 billion, which is a 14% increase against the year 2001. Penzijní fond České pojišťovny administers assets of CZK 7.6 billion.

Thanks to growing assets and a decreasing expense margin, the Fund posted a record-breaking profit of CZK 201 million, thanks to which clients will enjoy yields considerably exceeding the inflation rate. Compared with other depository products, pension funds have become one of the most beneficial forms of saving.

Thanks to increased share capital by another 100 million, now totalling CZK 210 million, clients are able to enjoy the assurance of one of the most stable and strongest pension funds in the market.



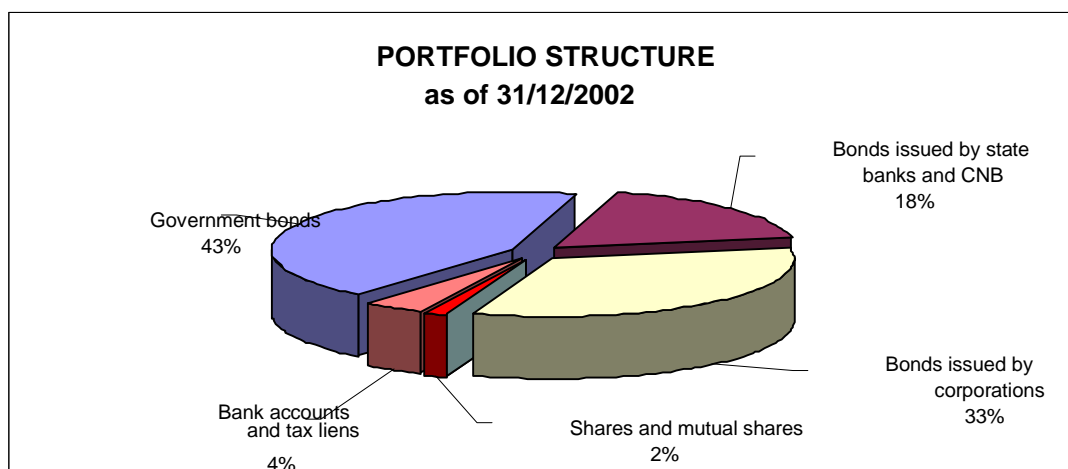
Portfolio Management

As of 31 December 2002, the company posted a portfolio with a market value of CZK 7,323 million, i.e. a year-on-year increase of CZK 1,830 million.

In 2002, Penzijní fond České pojišťovny implemented a conservative investment strategy, in order to invest clients' funds to instruments with a low risk level, while maintaining a real improvement. This resulted in an increase in the share of state bonds and bonds issued by selected merchant banks and corporations. As of the end of 2002, bonds represented 94% of the Fund's portfolio, while shares posted a 2% decrease against the previous year.

In 2002, CNB decreased its interest rate five times, by 200 bps in total, to a level corresponding to that in the Euro area, i.e. 2.75%. Thanks to the selected strategy with a high share of bonds in its portfolio, the Fund participated in the positive development of the bond market. The results posted due to the portfolio described above were positive and profitable for all Penzijní fond České pojišťovny clients.

PORTFOLIO STRUCTURE	2002		2001		2000	
	CZK '000	%	CZK '000	%	CZK '000	%
Government bonds	3,145,477	43	1,240,140	23	1,179,621	28
Bonds issued by state banks and CNB	1,325,690	18	1,431,570	26	1,065,020	26
Bonds issued by corporations	2,428,913	33	1,798,109	33	855,320	21
Bonds issued by OECD members and central banks	-	-	-	-	244 510	6
Shares and mutual shares	116,164	2	463,441	8	405,916	10
Bank accounts and tax receivables	306,939	4	559,060	10	370,446	9
PORTFOLIO MARKET VALUE	7,323,183	100	5,492,320	100	4,120,833	100



6 Supervisory Board's Report

In 2002, the Supervisory Board carried out its activities in compliance with the provisions of the pertinent laws and Articles of Association, supervising the Board of Directors' activities and the day-to-day transactions of the company.

The Supervisory Board met according to the Articles of Association seven times in 2002, focusing particularly on the economic situation of the company, its business activities and results, status and yields of the investment portfolio and the fulfilment of the financial and business plan for 2002.

The Supervisory Board carried out its work particularly using written documents and comments submitted by the Board of Directors, the Executive Director and other members of management or company employees who regularly participated in the Supervisory Board's meetings.

During its meeting held on September 2002, the Supervisory Board discussed the resignation of JUDr. Petr Poncar and Ing. Přemysl Gistr. Subsequently, the Supervisory Board co-opted two new members: RNDr. Darina Kocsisová, Ph.D. and Mgr. Helena Lazosová, i.e. the number of Supervisory Board members remained in compliance with the Articles of Association. In addition, the Supervisory Board elected a new chairperson.

The Board of Directors submitted a report to the Supervisory Board concerning the economic results of Penzijní fond České pojišťovny, a.s. in 2002, an Auditor's Report concerning the verification of the Annual Financial Statement as of 31 December 2002, together with a proposal for the distribution of profit generated in 2002. Based on the review of the results reported by the Penzijní fond České pojišťovny, a.s. in 2002, the Supervisory Board renders the following statement to the General Assembly:

Pursuant to a review of the Annual Financial Statement and the Auditor's Report, the Supervisory Board recommends the shareholders to approve the company's 2002 Financial Statement and the distribution of profits generated in 2002, according to the proposal presented by the Board of Directors.

Prague, 30 April 2003

signature

RNDr. Darina Kocsisová, Ph.D.

Chairperson of the Supervisory Board

7 Auditor's Report

Auditor's Report to the shareholders of Penzijní fond České pojišťovny

Pursuant to our audit, we issued the following report on 10 February 2003, concerning the Financial Statement enclosed hereto:

"We carried out a verification of the accounting data included in the enclosed Financial Statement submitted by Penzijní fond České pojišťovny, a.s., as of 31 December 2002. The company statutory body accounts for the management of the accounting and for the preparation of the Financial Statement. Our responsibility is to deliver a statement concerning this Financial Statement, based on our audit.

We conducted the audit in compliance with the Law on Auditors and the audit directives, issued by the Chamber of Auditors of the Czech Republic. These directives require that audits be planned and carried out in order for the auditor to assure that the Financial Statement does not contain any significant errors. The audit comprises verification, on a random basis, of the completeness and evidence of the amounts and data reported in the Financial Statement and a review of the accounting procedures and significant estimates provided by the company, as well as an assessment of the overall presentation of the Financial Statement. We are convinced that the performed audit provides an adequate background for us to express the following statement.

In our opinion, the Financial Statement is presented truly and fairly, in all material aspects, the assets, liabilities, equity and financial position of Penzijní fond České pojišťovny, a.s. as of 31 December 2002 and the results of its operation for the fiscal year 2002 ended, in compliance with the Accounting Act and with relevant legal prescriptions valid in the Czech Republic."

We also verified the consistency of other information of a financial nature, presented within the aforesaid annual report, with the audited Financial Statement. In our opinion, the information is in all material aspects in compliance with the verified Financial Statement.

Prague, date: 17 April 2003

signature

KPMG Česká republika Audit, spol. s r.o.
Licence Number 71

signature

Ing. Pavel Závitkovský
Licence Number 69

8 Balance Sheet

unabbreviated, as of 31 December 2002, CZK '000

ASSETS	2002			2001	2000
	Gross	Provisions	Net	Net	Net
<i>Cash in hand and deposits in central banks</i>	143	-	143	95	67
Cash in hand	143	-	143	95	67
Deposits in central banks	-	-	-	-	-
<i>State coupon-less bonds and other securities eligible for refinancing with the central bank</i>	-	-	-	-	-
State securities	-	-	-	-	-
Other securities	-	-	-	-	-
<i>Payables from banks, cooperative savings banks</i>	258,601	-	258,601	525,696	349,204
Payable on demand	70,473	-	70,473	525,696	349,204
Other payables	188,128	-	188,128	-	-
<i>Payables from other entities</i>	-	-	-	-	-
Payable on demand	-	-	-	-	-
Other payables	-	-	-	-	-
<i>Debt securities</i>	6,900,080	-	6,900,080	4,469,819	3,344,471
Government institutions	3,145,477	-	3,145,477	1,240,140	1,179,621
Other entities	3,754,603	-	3,754,603	3,229,679	2,164,850
<i>Shares, mutual shares and other investments</i>	116,164	-	116,164	463,441	405,916
Shares	116,164	-	116,164	463,441	381,856
Mutual shares and other investments	-	-	-	-	24,060
<i>Participation in associates</i>	-	-	-	-	-
In banks	-	-	-	-	-
In other entities	-	-	-	-	-
<i>Participation in subsidiaries</i>	-	-	-	-	-
In banks	-	-	-	-	-
In other entities	-	-	-	-	-
<i>Intangible fixed assets</i>	18,258	16,785	1,473	3,518	7,376
Establishment costs	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	15,563	14,260	1,303	3,101	6,543
Acquisition of intangible assets and advances paid	2,695	2,525	170	417	833
<i>Tangible fixed assets</i>	48,155	37,342	10,813	13,918	22,076
Land and buildings for operations	-	-	-	-	-
Other tangible assets	48,155	37,342	10,813	13,918	22,076
Operating tangible assets	48,155	37,342	10,813	13,918	22,076
Acquisition of operating tangible assets and advances paid	-	-	-	-	-
Non-operating tangible assets	-	-	-	-	-
Acquisition of non-operating tang. assets and advances paid	-	-	-	-	-
<i>Other assets</i>	153,917	25	153,892	131,587	113,980
Other cash holding	134	-	134	93	75
Trade debtors	8,653	25	8,628	7,193	8,443
Payables from state budget – state contribution	94,647	-	94,647	89,463	81,417
Payables from state budget – tax receivables	48,338	-	48,338	33,364	21,242
Payables from security transactions	-	-	-	-	1,822

Stock	2,129	-	2,129	1,436	948
Anticipated assets	16	-	16	38	33
<i>Payables from shareholders and partners</i>	-	-	-	-	-
<i>Prepayments and accrued income</i>	158,942	-	158,942	138,483	101,690
Deferred expenses	158,942	-	158,942	138,483	101,690
Accrued income	-	-	-	-	-
TOTAL ASSETS	7,654,260	54,152	7,600,108	5,746,557	4,344,780

LIABILITIES	2002	2001	2000
<i>Payables to banks, cooperative savings banks</i>	-	-	-
Payable on demand	-	-	-
Other payables	-	-	-
<i>Payables to other entities</i>	-	-	-
<i>Liabilities from debt securities</i>	-	-	-
Issued debt securities	-	-	-
Other liabilities from debt securities	-	-	-
<i>Other liabilities</i>	6,958,913	5,406,400	4,030,673
Trade creditors	5,313	11,059	7,010
Payables to employees	1,959	2,017	1,886
Liabilities from social security	1,318	1,306	1,298
Payables to state budget – recovery of state contributions	2,439	2,344	2,844
Payables to state budget – tax liabilities	1,644	1,268	1,075
Liabilities from security transactions	19,846	9,816	13,896
Anticipated liabilities	6,582	-	-
Plan-holders' funds	6,919,812	5,378,590	4,002,664
Plan-holders' funds and state contributions	6,436,179	5,022,122	3,689,882
Funds for pension payment	6,502	3,136	1,964
Yields from plan-holders' contributions	434,458	337,671	262,447
Unassigned plan-holders' contributions	7,043	8,181	4,499
Benefit payout	35,630	7,480	43,872
<i>Accruals and deferrals</i>	4	5	717
Deferred income	-	-	-
Accrued expenses	4	5	717
<i>Provisions</i>	390	-	-
Provisions for pensions and similar liabilities	-	-	-
Provisions for taxes	-	-	-
Other provisions	390	-	-
<i>Subordinates liabilities</i>	-	-	-
<i>Share capital</i>	210,000	110,000	110,000
of this: Share capital paid up	210,000	110,000	110,000
<i>Own shares</i>	-	-	-
<i>Share premium</i>	50,000	-	-
<i>Reserve funds and other funds created from profits</i>	53,944	27,101	19,504
Statutory reserve funds	36,081	27,101	19,420
Reserve funds from own shares	-	-	-
Other reserve funds	-	-	-
Other funds created from profits	17,863	-	84
of this: Risk fund	-	-	-
<i>Reserve fund for new valuation</i>	-	-	-
<i>Capital funds</i>	25,713	25,713	24,952
Shareholders' capital contributions	7,784	7,784	7,784
Other capital funds	17,929	17,929	17,168
<i>Revaluation reserve</i>	92,015	- 28,428	- 20,859
Gains or losses from revaluation of assets and liabilities	92,015	- 2,428	- 2,859
Gains or losses from revaluation of hedging derivatives	-	-	-
Gains or losses from participation revaluation	-	-	-
<i>Retained earnings or accumulated losses from previous years</i>	8,172	26,172	26,172
Retained earnings from previous years	8,172	26,172	26,172

Accumulated losses from previous years	-	-	-
Profit or loss subject to approval proceedings	-	-	-
<i>Profit or loss for current year</i>	<i>200,957</i>	<i>179,594</i>	<i>153,621</i>
TOTAL LIABILITIES	7,600,108	5,746,557	4,344,780

9 Profit and Loss Account

unabbreviated, as of 31 December 2002, CZK '000

	2002	2001	2000
Interest receivable and similar income	304,229	283,990	200,072
of this: Interest income from debt securities	285,593	260,792	171,571
Interest payable and similar expenses	29	209	6
of this: Interest expenses on debt securities	-	-	-
Income from shares and participations	1,140	42,084	13,348
Income from fees and commissions	539	524	428
Expenses on fees and commissions	89,013	86,011	48,286
Net profit or loss from financial transactions	106,608	32,509	52,388
Other operating income	3,800	364	557
of this: Income from non-financial depositing of plan-holders' funds	802	145	4
Other operating expenses	1,099	243	688
of this: Expenses from non-financial depositing of plan-holders' funds	-	-	-
Administrative expenses	90,773	79,873	76,752
Staff costs	35,210	35,610	31,348
Salaries and emoluments to members of boards	25,515	25,901	22,790
Social and health insurance	8,288	8,440	7,468
Other social costs	1,407	1,269	1,090
Other administrative expenses	55,563	44,263	45,404
Cost of sale	19,780	14,314	14,293
Administrative expenses	35,783	29,949	31,111
Use of provisions and adjusting entries for tangible and intangible fixed assets	416	-	-
Use of provisions for tangible fixed assets	-	-	-
Use of adjusting entries for tangible fixed assets	-	-	-
Use of reserves and adjusting entries to intangible assets	416	-	-
of this: Use of provisions and adjusting entries for non-operating long-term assets	-	-	-
Depreciations, additions to provisions and adjusting entries for assets	11,784	14,405	11,955
Depreciation of tangible fixed assets	8,853	10,428	8,630
Additions to provisions for tangible fixed assets	-	-	-
Additions to adjusting entries for tangible fixed assets	-	-	-
Depreciation of intangible fixed assets	2,931	3,561	3,325
Additions to provisions for intangible fixed assets	-	416	-
of this: Depreciations, additions to provisions and adjusting entries for non-operating long-term assets	-	-	-
Use of adjusting entries and provisions for accounts payable and guarantees	26,992	3,301	17,562
User of provisions for accounts payable and guarantees	-	-	-
Use of adjusting entries for accounts payable and guarantees	26,992	3,301	-
Profits from ceded accounts payable and claims from guarantees	-	-	17,562
Write-offs, additions to adjusting entries for accounts payable and guarantees	26,992	3,292	-
Additions to adjusting entries for accounts payable and guarantees	-	3,292	-
Additions to reserves for guarantees	-	-	-
Write-off of accounts payable and claims from guarantees	26,992	-	-
Use of adjusting entries for investments in subsidiaries and associates	-	-	-
Allocation to adjusting entries for investments in subsidiaries and associates	-	-	-
Use of other provisions	-	-	-

Allocation to other provisions	390	-	-
Use of other adjusting entries	-	-	-
Additions to other adjusting entries	-	-	-
Profit or loss from ordinary activities before tax	223,644	178,739	146,668
Extraordinary income	398	1,038	6,969
Extraordinary expenses	23,085	183	16
Extraordinary profit or loss before tax	- 22,687	855	6,953
Income tax	-	-	-
Share in profit (loss) of affiliates	-	-	-
Profit or loss for the year after tax	200,957	179,594	153,621

10 Notes to the Financial Statement

1. General Information

Incorporation

Penzijní fond České pojišťovny, a.s. (the "Company" or "PFČP") was incorporated in the Commercial Register on 19 September 1994.

The Company's operations primarily consist of:

- a) Collection of funds from retirement income insurance plan-holders (the "plan-holder") and the state, provided for the benefit of plan-holders
- b) Transactions with funds acquired according to Item a)
- c) Payment of retirement income insurance benefits
- d) Other activities directly associated with retirement income insurance

Structure of Company Owners

As of 31 December 2002, the Company was owned by a sole shareholder, Česká pojišťovna a.s.

Registered Office

Penzijní fond České pojišťovny, a.s.
Truhlářská 1106/9
Prague 1
Czech Republic

Members of the Board of Directors and Supervisory Board, as of 31 December 2002, according to the Commercial Register:

Members of the Board of Directors:

Ing. Ivo Foltýn, MBA
Ing. Tomáš Matoušek
Ing. Radek Peřina
Ing. Roman Stupka, MBA
Ing. Václav Šrajber, MBA

Members of the Supervisory Board:

RNDr. Darina Kocsisová, Ph.D.
Ing. Josef Kessler
Mgr. Helena Lazosová
Ing. Marek Mastník
RNDr. Vít Šroller
Ing. Bohuslava Vohradská

Organizational Structure

The Company is divided into divisions of strategic marketing, client services and finance. Sales are procured by external dealers and the branches of Česká pojišťovna a.s. Ing. Ivo Foltýn is the Chairperson of the Board of Directors. The investment portfolio is administered by PPF burzovní společnost, a.s. and Citicorp investiční společnost.

As of 31 December 2002, the total number of retirement income insurance plan-holders is 348,393 (compared to 322,179 as of 31 December 2001 and 296,059 as of 31 December 2000).

Pursuant to a contract concluded on 7 August 1998, depository services are rendered by Československá obchodní banka, a.s.

On 22 December 2000, a Control Contract was signed between the Company (controlled person) and ČP finanční servis a.s. (controlling person). The above contract was concluded for an indefinite period, effective as of 22 December 2000.

2. Accounting Policies

(a) Basis of Preparation

The Financial Statement was issued in accordance with the Accounting Act and the applicable accounting regulations and rules valid for the Czech Republic. The Financial Statement was prepared according to the principles accruals and deferrals, the historical cost convention and continuous operations. All data is in Czech Crowns (CZK). The unit of measurement is CZK '000, except where otherwise stated.

(b) Accounting policies

The differences in the accounting policies of pension funds, compared to other businesses, are based particularly on the provisions of Section 37 of the Law No. 42/1994 Coll., concerning retirement income insurance with state contribution. The required continuous recording of contributions provided by individual plan-holders and the state contributions is kept at the account for "Payables from retirement income insurance contributions", sorted to plan-holders' contributions, state contributions, yields on plan-holders' contributions and yields on state contributions.

(c) Securities and Investments

The Company evaluates its financial assets in line with the regulation issued by the Czech Ministry of Finance, ref. No. 282/73390/2001, defining the account classification and accounting procedures for banks and some financial institutions.

1. The Company classifies its entire portfolio as securities for sale.
2. Upon their acquisition, all securities are evaluated on the basis of an acquisition price, including direct transaction costs.
3. As of the Financial Statement date, securities are expressed in their fair value.
4. The fair value of a security is determined as the market value quoted as of the day by a relevant stock exchange or other active public market. The market value is defined as follows:
 - a) Price quoted by the market organizer, as regards securities accepted for trading by one of the public markets of OECD countries or countries that have concluded special agreements with the International Monetary Fund concerning credits associated with the Fund's general agreements concerning loans.

- b) The price for a security announced by the market maker, i.e. wither a bank or an investment institution, licensed by competent authorities and subject to regulation according to the laws and regulations of the Czech Republic, according to the EU Directive No. 93/6/ES or similar regulations valid in the country in which such a financial institution has its registered office.
5. In case it is impossible to state fair value as a market price, the fair value is defined as an adjusted value of the security, i.e. corresponding to:
- Participation in the Company's shareholders' capital, concerning shares
 - Participation in the unit trust's shareholders' capital, concerning mutual shares
 - The current value of the security, concerning bonds and bills
- If it is impossible to apply the provisions regarding adjusted value of a security, a) to c), the pertinent provisions of the Edict No. 207/1998 Coll. shall apply, concerning the calculation of the value of securities in the assets of a unit trust or an investment fund.
6. The Company reports differences in the valuation of securities for sale within account 569 – "Differences in the valuation of asset revaluation", as of the Financial Statement date. In case of a permanent decrease in the security value, the Company will carry out depreciation in expenses.
7. The Company reports accrued interest income from bonds, together with the coat within the accounts of category 3. The amortization of a discount/premium is accounted according to a straight-line method, from the date of acquisition to the maturity date.
8. Upon their depreciation, securities are evaluated on the basis of weighted arithmetic average.
9. The Company carried out no transactions in which securities were sold with a repurchase obligation (repo transactions) for a predetermined price, or purchased with a resale obligation (reverse repo transactions).
10. No hedging derivates are applied in the Company.

(d) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are recorded at acquisition prices. All assets (except for non-depreciated tangible assets) are depreciated on a straight-line basis, according to the depreciation plan. The following table provides an account of depreciation periods, sorted by categories of assets:

Assets	Period of book depreciation
Air conditioning	15 years
Safe deposits	15 years
Furniture	8 years
Machinery and equipment	4 years
Cars	4 years
Long-term petty assets	3 years
Software	according to service life, max. 20 years

(e) Accounting transaction date

As regards the purchase or sale of securities, accounting transactions are deemed completed upon the settlement of the deal. Transactions arranged prior to the Financial Statement date but not settled as of this date are entered in the off-balance sheet accounts.

Accounting transactions are also deemed completed upon the payday or the acceptance of currency, date of purchase or sale of foreign currency, date of crediting (foreign exchange) money, according to the bank account statement.

(f) Taxes

Interest from time deposits, bonds, treasury bills and the dividends received are not included in the Fund's tax assessment base. These revenues are subject to a deduction tax (25% or 15%) at the source. Pension funds are enabled to count the tax deducted against dividends and revenues from time deposits and bonds to their total tax liability. Therefore, these revenues are not subject to an effective tax.

Capital revenues from sales of securities and other income are – after the deduction of pertinent costs – included in the tax assessment base, subject to a 15% tax rate.

During the period of its existence, the Company has reported a permanent tax loss, owing to the fact that the majority of its income is exempt from the tax assessment base law. Therefore, the Company does not account deferred tax.

(g) Adjusting Entries

The Company creates adjusting entries to bad debts, based on its own analysis of the solvency of its customers.

Whenever these debts are subject to a permanent decrease in value, the Company carries out their depreciation. Depreciations of bad debts are included in the account of "Depreciation of receivables and receivables from payments of guarantees, loss of debt cession" of the Profit and Loss Account. The same amount is subsequently deducted from the provisions and adjusting entries in the account of "Use of provisions for accounts payable and guarantees" or "Use of adjusting entries for accounts payable and guarantees" of the Profit and Loss Account. Income from previously depreciated accounts payable is posted in the Profit and Loss Account, item "Profits from ceded accounts payable and income from depreciated receivables".

(h) Provisions

Pension Provisions

The Pension Fund creates provisions for liabilities arising from retirement income insurance contracts. The amount of these provisions is based on an extrapolation of historical data and the application of actuarial methods, i.e. as the balance between the current value of promised retirement income insurance benefits and the funds recorded for the pension payees.

No other provisions were created in 2002.

(i) *Foreign Currency Conversions*

For foreign currency conversion, the Company makes use of daily exchange rates announced by the Czech National Bank on the accounting transaction date. During the year, the Company records its foreign exchange gains or losses within the accounts of income and expenses.

As of the Financial Statement date, assets and liabilities in foreign currencies are converted using the official exchange rate of the CNB announced as of this date. Exchange rate profits and losses recorded within the accounts of income or expenses, or the "Gains or losses from revaluation of assets and liabilities".

(j) *Inventories*

Inventories of promotion materials are evaluated on the basis of the acquisition price.

(k) *Lease*

The Company reports leased assets by including leasing instalments in expenses, equally during the entire lease period. Upon termination of the lease period and the application of the possible purchase, the leased item is recorded in its purchase price.

(l) *Accruals of Acquisition Costs*

The Company posts paid commissions and other direct acquisition costs at the account for deferred expenses, accrued during the validity of the retirement income insurance contract, for a period not exceeding 15 years.

(m) *Changes in Accounting Procedures and Methods*

Changes in accounting procedures and methods arise from modifications to the laws and regulations valid for pension funds as of 1 January 2002.

In 2002, the Company made out its Financial Statement in a format prescribed for banks and some financial institutions. For this reason, the Company transformed comparable data reported in 2001 and 2000 to a new format. The most important reclassifications are concerned with accrued interest income on financial investments (see Item 3 of the Notes herein) and liabilities towards plan-holders (see Item 6 of the Notes herein).

Accruing Acquisition Costs

Acquisition costs for contracts signed after 1 January 2002 are acquired during the validity period of the retirement insurance contract in question. The Company also began accruing the remainders of acquisition costs for retirement income insurance contracts signed before 31 December 2001. The overall amount arising thereof and affecting the profit or loss equalled CZK 35,308 thousand.

Provisions for Pensions

In 2002, the Company created a new provision for liabilities arising from retirement income insurance contracts using the extrapolation method. The overall effect of the changed method, concerning the profit or loss before tax, was CZK 390,000.

Amortization of Discount and Premium

As regards the transfer of securities to the year 2002, the Company calculated the amortization of premium/discount (i.e. the difference between the nominal and book value), from the date of bond acquisition to 31 December 2001, and recorded it in a single entry as extraordinary expenses/income. The Company depreciated the residual value of the premium/discount against interest income. The overall effect of the changed method, concerning profit or loss before tax, was CZK -59,336 thousand.

Items of the Profit and Loss Account affected by the applied method of the premium/discount amortization

	Acc. to accounting methods applied in 2001	Amortization according to methods applied in 2002	Effect on reported profit/loss
Interest receivable and similar income	364,120	304,229	- 59,891
Net profit or loss from financial transactions	83,366	106,608	23,242
Extraordinary income	-	398	398
Extraordinary expenses	-	- 23,085	- 23,085
Total	447,486	388,150	- 59,336

3. Securities

The Company classifies its entire investment portfolio as securities for sale.

The Company owns securities for sale at a total value of CZK 7,016,244 thousand (in 2001: CZK 4,933,260 thousand, in 2000: CZK 3,750,387 thousand); of this, the value of purchased coat equalled CZK 6,803,537 thousand (in 2001: CZK 4,845,515 thousand, in 2000: CZK 3,694,372 thousand), the value of purchased aliquot yield of interest equalled CZK 19,523 thousand (in 2001: CZK 35,386 thousand, in 2000: CZK 34,575 thousand), the value of accrued interest income equalled CZK 160,504 thousand (in 2001: CZK 80,787 thousand, in 2000: CZK 42,299 thousand) and the amortization of premium recorded in favour of the securities account equalled CZK -59,336 thousand (this item was not recorded before the end of 2001). For the differences in valuation of securities for sale, see Item 4.

Securities for sale	2002		2001		2000	
	Accrued value	Fair value	Accrued value	Fair value	Accrued value	Fair value
Quoted at Czech Stock Market						
Shares	121,672	116,164	490,275	463,441	398,231	381,856
Mutual shares	--	--	--	--	25,520	24,060
Government bonds	3,022,463	3,076,351	1,238,965	1,240,140	240,174	238,936
Other bonds	2,804,333	2,847,968	2,383,803	2,381,034	1,928,682	1 920,341
Quoted on other stock markets						
Treasury bills	69,126	69,126	--	--	940,685	940,685
Foreign securities	--	--	--	--	237,954	244,509
Non-marketable securities						
Bank bonds	906,635	906,635	848,645	848,645	--	--
Total	6,924,229	7,016,244	4,961,688	4,933,260	3,771,246	3,750,387

In its Financial Statement issued during previous years, the Pension Fund reported accruals of interest income from financial investments within the rows of active accruals and deferrals. In order to make sure that the data reported in previous years and the current fiscal year is comparable in the Financial Statement as of 31 December 2002, the Pension Fund reported accrued interests from financial investments as of 31 December 2001, equalling CZK 80,787 thousand and as of 31 December 2000, equalling CZK 42,299 thousand, within the accounts of financial investments.

4. Revaluation of securities and assets

Final difference in valuation of securities and assets as of 31 December 2000	- 20,859
Final difference in valuation of securities and assets as of 31 December 2001	- 28,428
	31/12/2002
Positive difference in valuation of securities for sale	104,134
Negative difference in valuation of securities for sale	- 12,118
Final difference in valuation of securities for sale	92,016
Positive difference in valuation from revaluation current accounts in foreign currency	0
Negative difference in valuation from revaluation current accounts in foreign currency	- 1
Final difference in valuation from revaluation current accounts in foreign currency	- 1
Final difference in valuation from revaluation of securities and assets, as of 31 December 2002	92,015

5. Summary of income from securities and bank accounts

	2002	2001	2000
Realized profit / loss from sale of securities	106,075	39,318	52,388
Received dividends	1,140	42,084	13,348
Interest income from bonds	277,622	237,454	119,102
Interest income from treasury bills and bank accounts	26,607	46,536	80,970
Profit / loss from exchange rate differences	335	- 6,809	-
Other	169	- 209	- 6
Total	411,948	358,374	265,802

6. Liabilities and debts towards retirement income insurance plan-holders

	Plan-holders' contributions	State contributions	Yields from plan-holders' and state contributions	Liabilities from retirement income insurance contributions, total
Balance, as of 31/12/ 2000	2,979,622	790,595	262,447	4,002,664
Balance, as of 31/12/ 2001	4,043,557	997,362	337,671	5,378,590
Balance, as of 1/1/ 2002	4,043,557	997,362	337,671	5,378,590
Received contributions	1,848,093	379,725	6,515	2,234,333
Added yields	--	--	170,614	170,614
Paid benefits	- 607,192	- 148,488	- 79,139	-834,819
Contribution recovery	- 10,310	- 17,207	--	-27,517
Transfer to yields	- 186	--	- 1,203	- 1,389
Balance, as of 31/12/ 2002	5,273,962	1,211,392	434,458	6,919,812

	2002	2001	2000
Volume of benefits paid (CZK '000)	834,819	610,206	763,448
Amount paid benefits	34,452	29,262	33,200

The balance sheet item of "Unassigned contributions of retirement income insurance plan-holders", equalling CZK 7,043 thousand (in 2001: CZK 8,181 thousand, in 2000: CZK 4,499 thousand) represents liabilities towards plan-holders accepted for identification, and it is part of the "Plan-holders' contributions" item. This item also includes prepared benefits for payment, equalling CZK 35,630 thousand (in 2001: CZK 7,480 thousand, in 2000: CZK 43,872 thousand), deducted from the current account in early January 2003. The unpaid state contribution for the fourth quarter of 2002, equalling CZK 94,647 thousand (in 2001: CZK 89,463 thousand, in 2000: CZK 81,417 thousand) is included in the overall amount of the item of "State contributions".

The balance sheet item of "Payables from the state budget – state contributions" includes a receivable against the Czech Ministry of Finance, as of 31 December 2002, associated with the client's claims for state contributions, equalling CZK 94,647 thousand (in 2001: CZK 89,463 thousand, in 2000: CZK 81,417 thousand), payable in February 2003.

In its Financial Statement drawn up as of 31 December 2001, the Pension Fund reported accumulated plan-holders' and state contributions as part of its own equity. In order to make sure that the data reported in previous years and the current fiscal year is comparable in the Financial Statement as of 31 December 2002, the Pension Fund reclassified the balance of capital funds as of 31 December 2001, equalling CZK 5,025,258 thousand (as of 31 December 2000: CZK 3,691,846 thousand) and the profit fund balances, equalling CZK 337,671 thousand (as of 31 December 2000: CZK 262,447 thousand) in the liabilities from contributions of retirement income insurance plan-holders.

7. Equity

a) Share Capital

As of 31 December 2002, the share capital equalled CZK 210 million (2001: CZK 110 million, 2000: CZK 110 million). The share capital comprises 2,100 registered shares, at a nominal value of CZK 100,000.

Česká pojišťovna a.s., the sole shareholder of the Company, adopted a decision concerning an increase in the share company during a General Assembly held on 25 September 2001, in the form of a subscription of new shares. The share capital was increased in line with the provisions of Section 203 et seq. of the Commercial Code, based on a subscription of 1,000 new common shares, with a nominal value of CZK 100,000 per share (registered book shares). The issue quotation of each of the subscribed shares was CZK 150,000, i.e. nominal value of each share of CZK 100,000 and the share premium on each of the subscribed shares equalling CZK 50,000. The share capital thus increased by CZK 100,000,000, now equalling CZK 210,000,000 and the share premium is CZK 50,000,000.

Shares were subscribed on 26 February 2002, and the subscriber paid up the issue quotation on 12 March 2002, in the form of a monetary deposit.

b) Accumulated Profit or Loss, Profit Funds and Share Premium

In 2002, the Company reported a share premium of CZK 50,000 thousand (2001: CZK 0; 2000: CZK 0).

In 2001, the Company reported profits of CZK 179,594 thousand, distributed according to a decision adopted by a General Assembly held on 22 May 2002 as follows:

Yields for plan-holders' contributions	CZK 170,614 thousand
Reserve fund	CZK 8,980 thousand

c) *Summary of Equity Movement*

	Share capital	Share premium	Profit for current year	Accumulated retained earnings	Capital funds	Reserve fund	Profit funds	Equity total
Balance, as of 31/12/2000	110,000	-	153,621	26,172	24,952	19,420	84	334,249
Balance, as of 31/12/2001	110,000	-	179,594	26,172	25,713	27,101	-	368,580
Balance, as of k 1/1/ 2002	110,000	--	179,594	26,172	25,713	27,101	--	368,580
Subscription	100,000	50,000	--	--	--	--	--	150,000
Additions to reserve fund	--	--	-8,980	--	--	8,980	--	-
Yields allocated to plan-holders	--	--	- 170 614	--	--	--	--	- 170 614
Transfers between SE accounts	--	--	--	- 18,000	--	--	18,000	-
Use of profit funds	--	--	--	--	--	--	- 137	-137
Profit for the year 2002	--	--	200,957	--	--	--	--	200,957
Balance, as of 31/12/2002	210,000	50,000	200,957	8,172	25,713	36,081	17,863	548,786

Equity also comprises differences in valuation of asset revaluation, equalling CZK 92,015 thousand (2001: CZK

-28,428 thousand, 2000: CZK -20,859 thousand). The total equity therefore equals CZK 640,801 thousand (2001: CZK 340,152 thousand, 2000: CZK 313,390 thousand)

The profit of CZK 200,957 thousand posted in 2002 will be distributed according to a decision adopted at the General Assembly. According to the law concerning retirement income insurance, at least 85% of current year profit must be allocated as yields to retirement income insurance plan-holders.

8. Tangible and Intangible Assets

(a) Intangible assets

	Establish- ment costs	Soft- ware	Other assets	Pre- payments	Total
Acquisition price					
Balance as of 31/12/00	3,205	15,588	--	3,358	22,151
Balance as of 31/12/01	3,205	14,430	--	3,358	20,993
Increase	--	183	950	170	1,303
Decrease	- 3,205	--	--	- 833	- 4,038
Balance as of 31/12/02	-	14,613	950	2,695	18,258
Accumulated amortization					
Balance as of 31/12/00	- 3,205	- 9,045	--	- 2,525	- 14,775
Balance as of 31/12/01	- 3,205	- 11,329	--	- 2,941	- 17,475
Depreciation	--	- 2,733	- 198	--	- 2,931
Accumulated amortization to decrease	3,205	--	--	--	3,205
Adjusting entries	--	--	--	416	416
Balance as of 31/12/02	-	- 14,062	- 198	- 2,525	- 16,785
Net-book value 31/12/00	-	6,543	-	833	7,376
Net-book value 31/12/01	-	3,101	-	417	3,518
Net-book value 31/12/02	-	551	752	170	1,473

On 7 February 2002, an agreement was signed with SOFT CASE, spol. s r.o. concerning the withdrawal of the Contract for Software Supplies. The company created an adjusting entry, equalling 50% of the prepayment, already in 2001. The remaining part of the prepayment, equalling CZK 417,000, was returned by SOFT CASE, spol. s r.o. back to the Pension Fund's account.

(b) *Operating Tangible Assets*

	Machinery and devices	Vehicles	Inventory and petty assets	Total
Acquisition price				
Balance as of 31/12/00	28,986	6,835	9,431	45,252
Balance as of 31/12/01	28,189	7,878	9,635	45,702
Increase	3,097	1,994	852	5,943
Decrease	- 1,388	- 1,808	-294	- 3,490
Balance as of 31/12/02	29,898	8,064	10,193	48,155
Accumulated amortization				
Balance as of 31/12/00	- 15,694	- 2,026	- 5,456	- 23,176
Balance as of 31/12/01	- 20,855	- 3,925	- 7,004	- 31,784
Depreciation	- 5,024	- 1,980	- 1,669	- 8,673
Accumulated amortization to decrease	1,383	1,614	118	3,115
Balance as of 31/12/02	- 24,496	- 4,291	- 8,555	- 37,342
Net-book value 31/12/00	13,292	4,809	3,975	22,076
Net-book value 31/12/01	7,334	3,953	2,631	13,918
Net-book value 31/12/02	5,402	3,773	1,638	10,813

All Company assets are classified in the category of operating assets. In the Profit and Loss Account, the amount of CZK 8,853 is entered in the "Depreciation of tangible fixed assets". A difference of CZK 180,000 is net-book value of assets for depreciation based on the liquidation of assets.

9. Payables and Liabilities

The Company posted trade receivables at a total amount of CZK 8,653 thousand (2001: CZK 7,219 thousand; 2000: CZK 8,477 thousand). Of this, long-term payables of CZK 3,946 thousand (2001: CZK 5,268 thousand; 2000: CZK 6,133 thousand) are represented by a payable from the building Lessor, S.O.R.T. Praha v.o.s., which is depreciated according to the pertinent contract.

The payables from the state budget equalling CZK 48,338 thousand (2001: CZK 33,364 thousand; 2000: CZK 21,242 thousand) include the paid allowance tax from interest income, as mentioned in item 2 (f).

As of 31 December 2002, the company reported trade liabilities at a total amount of CZK 5,313 thousand (2001: CZK 11,059 thousand; 2000: CZK 7,010 thousand). All liabilities are within the maturity period.

The liabilities from security transactions, equalling CZK 19,846 thousand (2001: CZK 9,816 thousand; 2000: CZK 13,896 thousand) are formed by the fees to portfolio managers for the year 2002, paid during January 2003.

	Adjusting entries to prepayments for intangible fixed assets	Adjusting entries to receivables	Total
Balance, as of 31/12/00	2,525	27,026	29,551
Balance, as of 31/12/01	2,941	27,017	29,958
Balance, as of 1/1/2002	2,941	27,017	29,958
Additions	--	--	-
Utilization	- 416	- 26,992	- 27,408
Balance, as of 31/12/02	2,525	25	2,550

10. Accruals and Deferrals

The company posts active accruals, at a total amount of CZK 158,942 thousand (2001: CZK 138,483 thousand ; 2000: CZK 101,690 thousand), of which CZK 145,585 thousand (2001: CZK 118,596 thousand; 2000: CZK 85,708 thousand) is represented by accrued acquisition costs and CZK 13,357 thousand (2001: CZK 19,887 thousand ; 2000: CZK 15,982 thousand) by other active accruals.

Estimated liabilities of CZK 6,582 thousand (2001: CZK 0; 2000: CZK 0) comprise in particular those liabilities concerning commissions to companies for the organization of collective payments, payment to the depository for inspection activities in December, and the consumption of gas in 2002 that had not been billed by the end of the year.

11. Transactions with Group Members

The trade receivables and liabilities described in item 9 above include the following balances concerning transactions with group members:

	Income	Expenses	Receivables	Liabilities
2002				
Česká pojišťovna a.s.	13,227	1,388	302	891
eBanka, a.s.	985	18	--	--
ČP Leasing, a.s.	21,975	6	--	--
InWay, a.s.	--	45	--	--
Home Credit Finance a.s.	2,281	--	--	--
Commercial Union Penzijní Fond, a.s.	27	--	--	--

2001				
Česká pojišťovna a.s.	8,670	1,482	140	1,179
ČP Partner, a.s.	--	1,134	--	--
ČP finanční servis a.s.	--	88	--	--
eBanka, a.s.	8,133	7	--	--
ČP Direct, a.s.	--	4	--	--
ČP Leasing, a.s.	3,338	5	--	1
2000				
Česká pojišťovna a.s.	813	1,340	170	2,406

Furthermore, the company holds the following bonds issued by group members:

ISIN	Issued by	Quantity	Fair value, CZK '000
CZ0003700569	Česká pojišťovna a.s	320	318,980
CZ0003501223	ČP Leasing, a.s.	359	367,573
CZ0003501306	Home Credit Finance a.s.	500	504,033

12. Income Tax Due

	2002	2001	2000
Profit or loss for the year before tax	200,957	179,594	153,621
Income exempt from tax	- 315,208	- 323,165	-246,216
Tax deductible expenses	54,350	22,025	138,333
Applied discounts on tax and set-off	-	-	-
Deduction of accumulated losses from previous years	-	-	- 45,738
Subtotal	- 59,901	- 121,546	0
Tax calculated on the basis of a 15% rate	0	0	0

13. Provisions

Pension provision	
Balance, as of 31/12/00	-
Balance, as of 31/12/01	-
Balance, as of 1/1/2002	-
Addition to provisions	390
Utilization of provisions	--
Balance, as of 31/12/002	390

The amount of pension reserve was stipulated according to the methods described in item 2 (h).

14. Expenses and income from fees and commissions

	2002	2001	2000
Commissions to retirement income insurance brokers	49,761	57,635	22,649
Fees to security market, fees to Securities Centre of the Czech Republic and bank fees	10,729	9,554	10,510
Compensation to portfolio managers	28,523	18,822	15,127
Expenses on fees and commissions, total	89,013	86,011	48,286
Income from fees and commissions	539	524	428
Income from fees and commissions, total	539	524	428

15. Staff Costs

2002	Average headcount	Salaries and bonuses	Social and health insurance	Social costs
Employees	60	20,082	6,793	1,172
Management	5	4,224	1,495	235
Members of the Board of Directors and Supervisory Board	11	1,209	-	-
Total	65*	25,515	8,288	1,407

2001	Average headcount	Salaries and bonuses	Social and health insurance	Social costs
Employees	61	19,526	6,615	1,044
Management	5	5,215	1,825	225
Members of the Board of Directors and Supervisory Board	11	1,160	-	-
Total	66*	25,901	8,440	1,269

2000	Average headcount	Salaries and bonuses	Social and health insurance	Social costs
Employees	56	16,948	5,774	878
Management	5	4,840	1,694	212
Members of the Board of Directors and Supervisory Board	10	1,002	-	-
Total	61*	22,790	7,468	1,090

* The total comprises the number of employees and managers. Some members of statutory bodies are also employed by the company.

16. Other Administrative Costs

The total of other administrative costs, as of 31 December 2002, equalled CZK 55,563 thousand (2001: CZK 44,263 thousand; 2000: CZK 45,404 thousand).

	2002	2001	2000
Postage and telecommunication fees	9,401	9,368	9,700
Material for clients	7,779	5,922	8,947
Promotion and advertising	10,737	6,901	3,826
Lease, including financial and operational leasing	12,320	8,136	7,411
Staff training	3,321	2,751	2,191
Equipment maintenance and software support, other administrative costs	12,005	11,185	13,329
Administrative costs, total	55,563	44,263	45,404

17. Leasing

(a) Financial

The Company has undertaken to pay leasing instalments on the financial leasing of hardware and software, as follows:

	Acquisition price	Paid	Due within 1 year	Due within 1-5 years	Due during following years
Balance as of 31/12/00	--	--	--	--	--
Balance as of 31/12/01	9,291	581	2,323	6,387	--
Balance as of 1/1/02	9,291	--	--	--	--
Increase	--	2,323	2,323	--	--
Decrease	--	--	2,323	2,323	--
Balance as of 31/12/02	9,291	2,323	--	--	--
Total	9,291	2,904	2,323	4,064	--

(b) Operational

The Company uses hardware and software equipment subject to a contract of operational leasing. Overall annual costs in 2002 equalled CZK 1,102 thousand (2001: CZK 46,000; 2000: CZK 0).

18. Extraordinary Income and Expenses

It has been described in item 2 (m) that the Company calculated the amortization of premium/discount (i.e. the difference between the nominal and book value), from the date of bond acquisition to 31 December 2001 and recorded it in a single entry as extraordinary expenses/income.

Extraordinary expenses	CZK 23,085 thousand
<u>Extraordinary income</u>	<u>CZK 398 thousand</u>
Extraordinary profit/loss	CZK – 22,687 thousand

19. Subsequent Events

On 27 January 2003, the sole shareholder, Česká pojišťovna a.s., approved the plan to transform the company in the form of a merger with ČP penzijní fond, a.s., with its registered office in Prague 1, Truhlářská 1106/9, Postal code: 110 00, IČ (identification number): 61858617, in line with the provisions of Section 69 of the Commercial Code. Penzijní fond České pojišťovny, a.s. shall be the successor and ČP penzijní fond, a.s. will be liquidated. The recorded date of this merger shall be on 1 January 2003.

20. Uncertain Future Liabilities

The Company reports no doubtful liabilities in the balance sheet, arising from a unilateral withdrawal from a contract with Democentrum Brno. The Company has refused to acknowledge these liabilities owing to the failure of the other party to supply the subject-matter of the Work Contract. The amount concerned equals CZK 2,834 thousand.

As regards the contributory character of the retirement income insurance, there are liabilities associated with a potential withdrawal of life pensions. The provisions for these pensions are defined only after clients request the payment of such benefits.

21. Financial Tools – Market Risk

The Company takes on exposure to market risks which may arise from open positions in interest rates and currency and equity products sensitive to changes in financial markets.

(a) Risk Management

The Company's investment strategy is to ensure a market improvement of the deposited contributions at minimum, while minimising the market risks of an investment portfolio. The basic risk management instruments comprise limits for the share of individual types of financial tools in the company portfolio, stipulated in the Law No. 42/1994 Coll., concerning retirement income insurance with state contribution and the Company's investment strategy, defined in accordance with the requirements of the law.

(b) Liquidity Risk

The liquidity risk comprises both risk concerning the ability to finance company assets with instruments of sufficient maturity, and the ability of the Company to liquidate/transfer assets for a reasonable price within a reasonable time frame.

On the side of liabilities, the Company reports contributions received from plan-holders, the state and third parties, for the benefit of plan-holders. The maturity of liabilities towards plan-holders is not specified for contracts in which the plan-holders have not applied their claims for the payment of benefits. As regards liabilities from retirement income insurance contributions, it is impossible to set up a residual maturity, owing to the character of the product and the possibility to claim the payment of benefits at any time after the claim becomes effective, or the payment of a lump-sum settlement after 12 months of the insurance period. The Company reported CZK 1,605,238 thousand for the benefit of plan-holders who have become entitled to a pension but have not yet applied for their claim.

The Company regularly evaluates its liquidity risk, particularly monitoring changes in the structure of incoming and outgoing plan-holders' funds. It is a part of the Company's liquidity risk management strategy to keep a part of its assets in very "quick assets", i.e. treasury bills and similar bonds.

Residual maturity of company assets and liabilities

CZK '000	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
As of 31 December 2002						
Cash in hand	143	--	--	--	--	143
Cash in banks	258,601	--	--	--	--	258,601
State treasury bills	29,792	39,334	--	--	--	69,126
Other treasury bills	--	--	906,635	--	--	906,635
State debt securities	118,173	131,112	2,613,997	213,069	--	3,076,351
Other debt securities	--	47,022	2,700,807	100,139	--	2,847,968
Shares and mutual shares	--	--	--	--	116,164	116,164
Other assets	94,912	51,334	2,623	--	176,251	325,120
Total	501,621	268,802	6,224,062	313,208	292,415	7,600,108
Liabilities from insurance contributions	--	--	--	--	6,919,812	6,919,812
Other liabilities	39,105	390	--	--	--	39,495
Total	39,105	390	--	--	6,919,812	6,959,307
Difference	462,516	268,412	6,224,062	313,208	- 6,627,397	640,801
Difference in accumulation	462 516	730,928	6,954,990	7,268,198	640,801	640,801

In previous years, the Company was not obligated to report any quantitative analysis of liquidity risks and therefore has no data available for the reference periods of 2001 and 2000.

(c) Interest Risk

The Company's liabilities are not subject to a fixed interest rate, except for liabilities associated with the payment of life pensions, at a total value of CZK 6,502 thousand. The interest risk to which the Company is exposed is therefore not significant.

(d) Share Risk

Share risk is associated with the movement of the price for share instruments held in the portfolio and the financial derivatives related to these instruments. The risks of share instruments are subject to commercial limits and the methods concerning the management of this risk are specified in the "Risk Management" item (item 21 (a)).

(e) *Currency Risks*

The Company takes on exposure associated with assets and liabilities in foreign currencies, including off-balance involvement. The realized exchange rate gains and losses are reported directly in the Profit and Loss Account; unrealized exchange rate differences in the "Revaluation differences on assets and liabilities". As of 31 December 2002, the Company keeps two bank accounts in foreign currency, with a total balance of CZK 16,000. The currency risk to which the Company is exposed to is therefore not significant.

In previous years, the company was not obligated to report any quantitative analysis of currency risks and therefore has no data available for the reference periods of 2001 and 2000.

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