



PENZIJNÍ FOND
ČESKÉ POJIŠŤOVNY

2003 ANNUAL REPORT

PENZIJNÍ FOND ČESKÉ POJIŠŤOVNY, A.S.

Executed by: Marketing Department

Date: 12 May 2004

COMPANY PROFILE

Penzijní fond České pojišťovny is a member of the strongest financial group on the Czech market of retirement income insurance.

Trade name:	Penzijní fond České pojišťovny, a.s.
Registered office:	Truhlářská 1106/9, 110 00 Prague 1
Legal status:	stock company
Established:	19 September 1994
IČ Identification Number:	61858692
Commercial Register:	Municipal Court in Prague, Section B, File Number 2738
Owner (share of basic capital):	Česká pojišťovna, a.s. (100%)

Penzijní fond České pojišťovny, a.s. has been involved on the market of retirement income insurance since 1994. Česká pojišťovna a.s. is the founder and the sole shareholder. During its ten-year history, Penzijní fond České pojišťovny has become one of the strongest players on the market and the most dynamically developing pension fund in the Czech Republic.

Penzijní fond České pojišťovny offers retirement income insurance with state contribution and all sorts of pensions according to the relevant laws – old-age, retirement, disability and inheritance. In cooperation with Česká pojišťovna a.s., Penzijní fond České pojišťovny also offers risk insurance under preferential terms, thanks to which clients can combine it with the savings function of the income insurance and enjoy comprehensive security in the event of unexpected situations in one's life. For corporate clientele, Penzijní fond České pojišťovny offers – in cooperation with Česká pojišťovna a.s. – a special menu of integrated services under the title ČP Program of Employer Benefits. This is a comprehensive offer of retirement income insurance with state contribution and life insurance.

The mission of Penzijní fond České pojišťovny is to become a leading, credible and highly reliable provider of retirement income insurance with state contribution. The main strategic objectives of the pension fund include permanent growth in the segments of individual and corporate clientele, effective management of client funds and the high quality of services rendered.

As of 31 December 2003, Penzijní fond České pojišťovny reported assets of CZK 11.1 bn, i.e. 46% growth year-on-year. In 2003 the Fund posted the highest historical net profit of CZK 295 million, acquired 86,000 new clients (i.e. by the end of the year, the total number of clients exceeded 463,000 which means a market share of 17.4%). This achievement was also based on the successful merger with ČP penzijní fond, a.s. (formerly Commercial Union Penzijní Fond, a.s.) completed during the previous year.

BASIC ECONOMIC INDICES

Thousands of CZK	2003	2002	2001	2000	1999
Net profit or loss for financial period	294,764	200,957	179,594	153,621	187,725
Total net assets	11,094,736	7,600,108	5,746,557	4,344,780	3,305,254
Share capital	210,000	210,000	110,000	110,000	110,000
Number of planholders	463,948	348,393	322,179	296,059	226,805
Added earnings (% p.a.)	- ¹⁾	3.2	3.8	4.5	6.6
Statutory reserve fund	57,866	36,081	27,101	19,420	10,034

- ¹⁾ Details concerning the distribution of profit will be determined during a General Meeting held during the 2nd Quarter of the year 2004.

3 MANAGEMENT AND ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS	in office since	Title
Ing. Ivo Foltýn, MBA Chairperson	11/8/1997	Assistant Director for Life Insurance at Česká pojišťovna a.s.
Ing. Tomáš Matoušek, MBA Vice Chairperson	5/6/2001	Executive Director of Penzijní fond České pojišťovny, a.s.
Ing. Radek Peřina Vice Chairperson	28/5/1998	Head Director of the Life Insurance Product Management Division of Česká pojišťovna a.s.
Ing. Roman Stupka, MBA	5/6/2001	Member of the Board of Directors and Executive Director for Sales to Český Telecom, a.s.
Ing. Václav Šrajber, MBA	5/6/2001	Director of the Analysis Department in PPF a.s.

SUPERVISORY BOARD	in office since	Title
RNDr. Darina Kocsisová, Ph.D. Chairperson	24/9/2002	Head Director of Division for Actuarial Mathematics and Life Insurance Profitability of Česká pojišťovna a.s.
Ing. Josef Kessler	10/9/1997	Consultant for Assistant Sales Director of Česká pojišťovna a.s.
Mgr. Helena Lazosová	24/9/2002	Head of the Life Insurance Actuarial Mathematics Division of Česká pojišťovna a.s.
Ing. Marek Mastník, MBA	25/9/2001	Senior Analyst, PPF a.s.
RNDr. Vít Šroller	12/9/2002	Director of Actuarial Mathematics Division of Česká pojišťovna a.s.
Ing. Bohuslava Vohradská	6/6/1997	Regional Insurance Director for Central Bohemia of Česká pojišťovna a.s.

Organizational Structure



INTRODUCTORY STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Clients, Shareholders and Business Partners,

I am glad to be able to present this Annual Report of Penzijní fond České pojišťovny to you. The year 2003 was undoubtedly successful not only for our company but also for the entire sector of pension funds in the Czech Republic.

During their ten-year history, pension funds have become an inevitable part of the finance sector, offering their services associated with the management of long-term savings. Even though the country has thus far failed to arrive at the necessary consensus concerning the reform of the state pension system, it is evident that the sector of pension funds now forms a strong and important element in the pension system. The product of retirement income insurance is an attractive tool for the coverage of individuals' financial needs in their post-productive age and it has become an inevitable part of compensation and incentive policies pursued by a large number of companies and institutions. For more than half the working population pension saving programs offered by private pension funds represent a necessary and adequate product which – thanks to direct support in the form of state contributions and tax allowances – brings the required values.

Once again, last year witnessed a continuing concentration of the retirement income insurance market, which – given the high participation of the country's population in the system of voluntary saving in pension funds – offered a potential for further growth and taking advantage of the volume of savings. The Financial Group of Česká pojišťovna contributed to this process to a great degree. Under its management, Penzijní fond České pojišťovny successfully merged with ČP penzijní fond (formerly Commercial Union Penzijní Fond). In December, Česká pojišťovna signed an agreement for the acquisition of a majority share in ABN AMRO Penzijní fond and thus became the largest provider of services associated with retirement income insurance in the Czech Republic (according to the number of clients). The investment strategy will be completed after the merger of both companies.

During the previous year, Penzijní fond České pojišťovny strengthened its position considerably, both concerning the number of clients and the volume of client funds. Our client portfolio also grew thanks to our successful sales strategy, due to which the company concluded 86,000 new contracts. The company owes this great success, through which we managed to outstrip our competition even further, in particular to the network of sales representatives of our parent company, Česká pojišťovna. Thanks to the individual approach and the comprehensiveness of the provided services, the company also strengthened its position in the corporate clientele segment. Our services are now rendered to over 4,500 companies who have incorporated retirement income insurance provided by Penzijní fond České pojišťovny in their employee programs.

The company posted the highest profit in its history so far, thanks to the careful investment strategy and close cooperation with the affiliated PPF Asset Management in the management of the portfolio of client funds, together with consistent efforts towards decreasing expenses. With a posted profit of CZK 295 million, the company is able to offer its clients a real improvement in their funds, exceeding the actual inflation rate. I am convinced that the innovated investment strategy which we developed in accordance with the amended law on retirement income insurance will bring good economic results next year as well.

Our ambition in 2004 is to continue the dynamic growth and development of Penzijní fond České pojišťovny in all economic indices. One of the most important processes will be the preparation and implementation of the integration with ABN AMRO Penzijní fond, which – together with the sales activities – will lead to a further improvement of services rendered to our clients and the growth in the company value. Penzijní fond České pojišťovny will also play an active role in the formation of the sector in which it renders its services.

I am fully aware of the fact that the good results and the strong market position achieved during the previous year should be credited to the trust and loyalty of our clients and to our involvement in the Financial

Group of Česká pojišťovna. I also appreciate the devoted and professional approach of all our employees. I am sure that with this background, we will be able to achieve the objectives which we have set for this year.

Ing. Ivo Foltýn, MBA

Chairman of the Board of Directors and General Director

REPORT ON ACTIVITIES CONDUCTED BY THE COMPANY

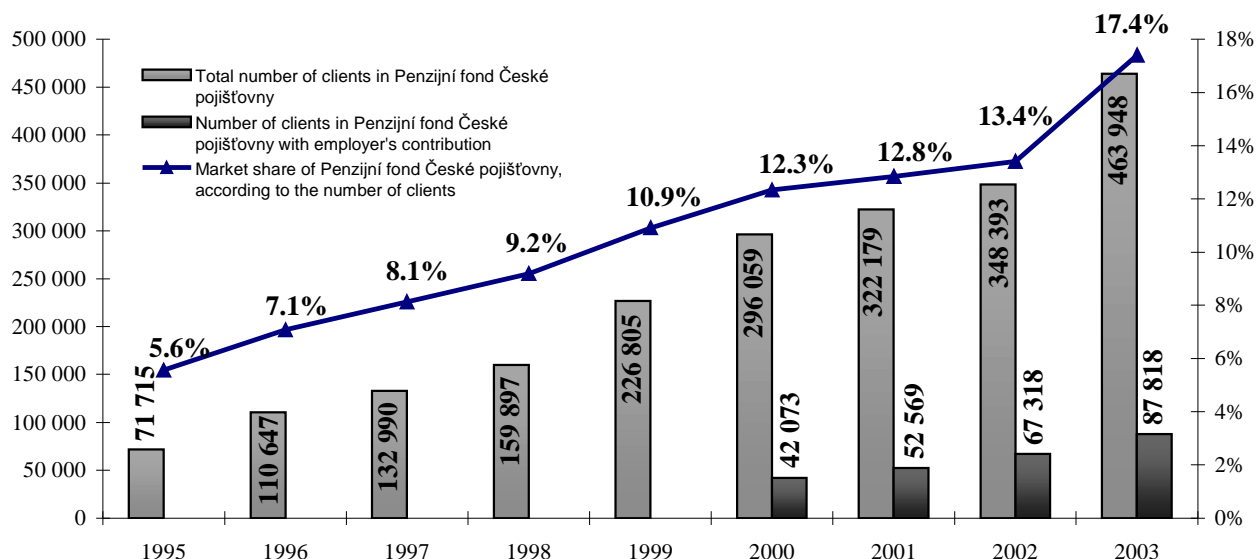
In 2003, Penzijní fond České pojišťovny confirmed the fact that it is one of the fastest growing pension funds in the Czech Republic. Its key position is based on the sales and financial results. The most important event was the completion of the merger with ČP penzijní fond, thanks to which the company considerably strengthened its position on the market.

Business Results

Thanks to the sales strategy based on close cooperation with Česká pojišťovna and the selected distribution networks of insurance brokers, Penzijní fond České pojišťovny managed to conclude 86,000 new contracts in 2003. Interest in private retirement income insurance was supported by the growing awareness of the benefits of this insurance among the public and public discussion concerning the need for pension system reform. By the end of the year, the pension fund reported 464,000 clients, including those who concluded contracts with the merged ČP penzijní fond. As regards the number of clients, the company's market share was 17.4% and regarding the net growth in the number of clients, Penzijní fond České pojišťovny ranked among the top on the market.

Growth was also reported in the segment of corporate clientele. While in 2002, the pension fund reported 67,000 clients with employer contribution, this figure grew to almost 88,000 by the end of the last year. With this result, the company ranks second on the market. The share of clients in the portfolio with employer contributions fluctuated at 19%. In addition, the number of cooperating companies who understand retirement income insurance as a suitable part of their own social and incentive programs increased as well. In 2003, the total number of employers making use of the financial services rendered by Penzijní fond České pojišťovny exceeded 4,500,000.

**Development in the number of clients and the market share of
Penzijní fond České pojišťovny**



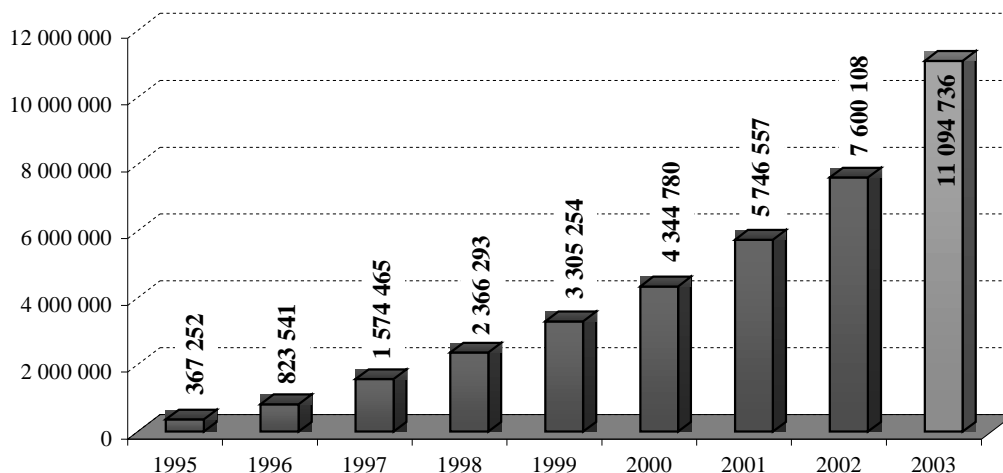
Financial Results

The successful merger with ČP penzijní fond and the very good business results had a positive impact on the main financial indices. The company posted a dramatic growth in assets (46% in 2003, now equalling CZK 11.1 bn) which represents a market share exceeding 13%. The volume of savings is the most important aspect for the growth in assets. Total contributions paid by clients, employers and the state during the last year exceeded 3 billion Czech crowns, a 35% growth year-on-year, which is again a confirmation of the company's dynamic growth.

We also succeeded in further decreasing the company's cost margin. The operating expense per client decreased to CZK 493, while the average amount in the market is CZK 648. From the perspective of the competitive battle, our pension fund is among the most effective.

Thanks to the growing assets and further decrease in the cost margin, Penzijní fond České pojišťovny posted a record-breaking profit in 2003. The profit of CZK 295 million represents a 47% growth year-on-year which will enable the Fund to allocate very high profit to its clients, significantly exceeding the yields from classical deposit products.

Assets of Penzijní fond České pojišťovny (thousands of CZK)



Portfolio Management

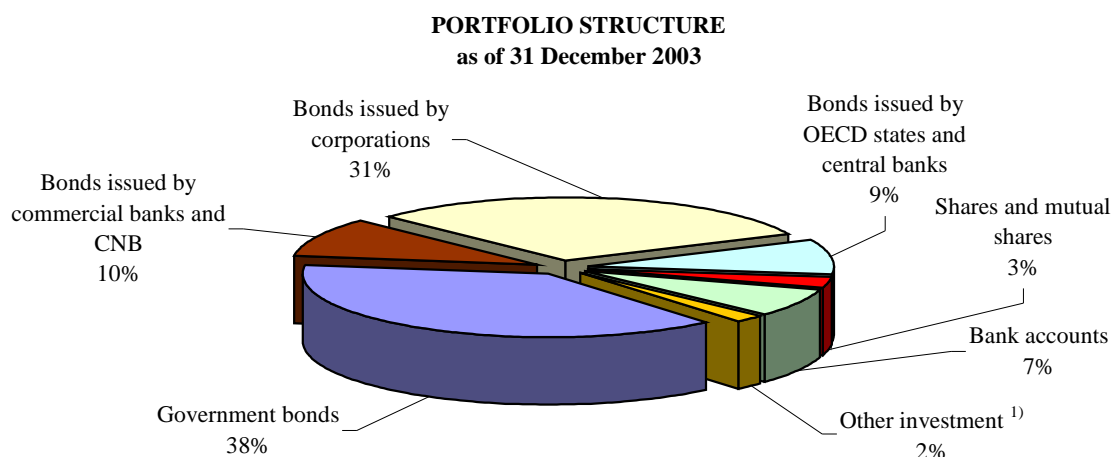
The management of client funds depends to a great extent on the economic environment in which Penzijní fond České pojišťovny carries out its business activities. During the first half of the year, the Czech National Bank decreased its interest rates by 75 bps to 2%. The countries of the Eurozone reported continuing economic stagnation, which had an impact on the performance of the Czech economy. During the last quarter of the year, bond markets started to indicate potential growth in interest rates and share markets witnessed considerable growth.

In 2003, the pension fund responded to the development on capital markets in two ways, i.e. changing the structure of bond portfolio and investing some of the funds in bonds issued by OECD countries starting in the second quarter of the year. During the second half of the year, the company slightly increased its share portfolio, responding to the growth trend on the Czech share market. The applied investment strategy was based on the objective of 100% guarantee of client accounts while maintaining a low risk level.

As a consequence of the investment strategy, the company achieved an accounting yield of CZK 518 million, which means a 26% growth compared to the year 2002. As of 31 December 2003, the portfolio value was CZK 10.851 billion (growth by CZK 3.433 billion year-on-year). By the end of the previous year, bonds formed 88% of the portfolio and the portfolio of shares grew to 3%.

PORTFOLIO STRUCTURE	2003		2002		2001	
	Thousands of CZK	%	Thousands of CZK	%	Thousands of CZK	%
Government bonds	4,165,794	38	3,145,477	42	1,240,140	22
Bonds issued by commercial banks and CNB	1,087,235	10	1,325,690	18	1,431,570	26
Bonds issued by corporations	3,343,442	31	2,428,913	33	1,798,109	32
Bonds issued by OECD states and central banks	960,871	9	-	-	-	-
Shares and mutual shares	309,872	3	116,164	2	463,441	8
Bank accounts	781,862	7	258,601	3	525,696	10
Other investments ¹⁾	201,674	2	142,985	2	122,827	2
PORTFOLIO MARKET VALUE	10,850,750	100	7,417,830	100	5,581,783	100

¹⁾ Receivable state contributions, tax claims and coupons.



Supervisory Board's Report

In 2003, the Supervisory Board carried out its activities in compliance with the provisions of the relevant laws and the 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 six times in 2003, 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 2003. In addition, the Supervisory Board focused on the company's merger with ČP penzijní fond, a.s.

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. In 2003, the Supervisory Board witnessed no changes as regarded its structure and members.

The Board of Directors submitted a report to the Supervisory Board concerning the economic results of Penzijní fond České pojišťovny, a.s. in 2003, and the Auditor's Report concerning the verification of the Annual Financial Statement as of 31 December 2003. Based on the review of the results reported by Penzijní fond České pojišťovny, a.s. in 2002, the Supervisory Board renders the following statement to the General Meeting:

Pursuant to a review of the Annual Financial Statement and the Auditor's Report, the Supervisory Board recommends that the shareholders approve the company's 2003 Financial Statement and the distribution of profits generated in 2003, according to the proposal presented by the Board of Directors.

Prague, 25 March 2004

RNDr. Darina Kocsisová, Ph.D.

Chairperson of the Supervisory Board

AUDITOR'S REPORT

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

Pursuant to our audit, we issued the following report on 12 March 2004, 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 2003. The company statutory body accounts for the compilation 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 Act 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 2003 and the results of its operation for the fiscal year 2003 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, 7 May 2004

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

Ing. Pavel Závitkovský
Licence Number 69

Balance Sheet

uncondensed, as of 31 December 2003, thousands of CZK

Assets	2003			2002	2001
	Gross	Provisions	Net	Net	Net
Ready money and deposits in central banks	18	-	18	143	95
Ready money	18	-	18	143	95
Deposits in central banks	-	-	-	-	-
State coupon-free bonds and other securities eligible for refinancing with the central bank	-	-	-	-	-
State securities	-	-	-	-	-
Other securities	-	-	-	-	-
Payables from banks, cooperative savings banks	781,862	-	781,862	258,601	525,696
Payable on demand	781,862	-	781,862	70,473	525,696
Other payables	-	-	-	188,128	-
Payables from other entities	10,370	10,370	-	-	-
Payable on demand	-	-	-	-	-
Other payables	10,370	10,370	-	-	-
Debt securities	9,557,342	-	9,557,342	6,900,080	4,469,819
Government institutions	4,165,794	-	4,165,794	3,145,477	1,240,140
Other entities	5,391,548	-	5,391,548	3,754,603	3,229,679
Shares, mutual shares and other investments	309,872	-	309,872	116,164	463,441
Shares	309,872	-	309,872	116,164	463,441
Mutual shares and other investments	-	-	-	-	-
Participation in associates	-	-	-	-	-
In banks	-	-	-	-	-
In other entities	-	-	-	-	-
Participation in subsidiaries	-	-	-	-	-
In banks	-	-	-	-	-
In other entities	-	-	-	-	-
Intangible fixed assets	23,510	18,226	5,284	1,473	3,518
Establishment costs	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	23,510	18,226	5,284	1,303	3,101
Acquisition of intangible assets and advances paid	-	-	-	170	417
Tangible fixed assets	65,450	44,760	20,690	10,813	13,918
Land and buildings for operations	-	-	-	-	-
Other tangible assets	65,450	44,760	20,690	10,813	13,918
Operating tangible assets	65,450	44,760	20,690	10,813	13,918
Acquisition of operating tangible assets and advances paid	-	-	-	-	-
Non-operating tangible assets	-	-	-	-	-
Acquisition of non-operating tangible assets and advances paid	-	-	-	-	-
Other assets	211,938	18	211,920	153,892	131,587
Other cash holding	265	-	265	134	93
Trade debtors	8,099	18	8,081	8,628	7,193
Payables from state budget – state contribution	122,071	-	122,071	94,647	89,463
Payables from state budget – tax receivables	58,064	-	58,064	48,338	33,364
Payables from security transactions	21,539	-	21,539	-	-
Stock	1,860	-	1,860	2,129	1,436
Anticipated assets	40	-	40	16	38
Payables from shareholders and partners	-	-	-	-	-
Prepayments and accrued income	207,748	-	207,748	158,942	138,483
Deferred expenses	207,748	-	207,748	158,942	138,483
Accrued income	-	-	-	-	-
TOTAL ASSETS	11,168,110	73,374	11,094,736	7,600,108	5,746,557

Liabilities	2003	2002	2001
Payables to banks, cooperative savings banks	-	-	-
Payable on demand	-	-	-
Other payables	-	-	-
Payables to other entities	-	-	-
Liabilities from debt securities	-	-	-
Issued debt securities	-	-	-
Other liabilities from debt securities	-	-	-
Other liabilities	10,415,469	6,958,913	5,406,400
Trade creditors	13,453	5,313	11,059
Payables to employees	2,947	1,959	2,017
Liabilities from social security	1,686	1,318	1,306
Payables to state budget – recovery of state contributions	2,772	2,439	2,344
Payables to state budget – tax liabilities	2,134	1,644	1,268
Liabilities from security transactions	-	19,846	9,816
Anticipated liabilities	1,922	6,582	-
Planholders' funds	10,390,555	6,919,812	5,378,590
Planholders' funds and state contributions	9,620,482	6,436,179	5,022,122
Funds for pension payment	11,551	6,502	3,136
Yields from planholders' contributions	688,651	434,458	337,671
Unassigned planholders' contributions	3,192	7,043	8,181
Benefit payout	66,679	35,630	7,480
Accruals and deferrals	3,694	4	5
Deferred income	3,694	-	-
Accrued expenses	-	4	5
Provisions	592	390	-
Provisions for pensions and similar liabilities	592	390	-
Provisions for taxes	-	-	-
Other provisions	-	-	-
Subordinate liabilities	-	-	-
Share capital	210,000	210,000	110,000
of this: Share capital paid-up	210,000	210,000	110,000
Own shares	-	-	-
Share premium	50,000	50,000	-
Reserve funds and other funds created from profits	75,065	53,944	27,101
Statutory reserve funds	57,866	36,081	27,101
Reserve funds from own shares	-	-	-
Other reserve funds	-	-	-
Other funds created from profits	17,199	17,863	-
of this: Risk fund	-	-	-
Reserve fund for new valuation	-	-	-
Capital funds	80,057	25,713	25,713
Shareholders' capital contributions	60,245	7,784	7,784
Other capital funds	19,812	17,929	17,929
Revaluation reserve	- 47,832	92,015	- 28,428
Gains or losses from revaluation of assets and liabilities	- 47,953	92,015	- 28,428
Gains or losses from revaluation of hedging derivatives	121	-	-
Gains or losses from participation revaluation	-	-	-
Retained earnings or accumulated losses from previous years	12,927	8,172	26,172
Retained earnings from previous years	12,927	8,172	26,172
Accumulated losses from previous years	-	-	-
Profit or loss subject to approval proceedings	-	-	-
Profit or loss for current year	294,764	200,957	179,594
TOTAL LIABILITIES	11,094,736	7,600,108	5,746,557

Profit and Loss Account

uncondensed, as of 31 December 2003, thousands of CZK

PROFIT AND LOSS ACCOUNT	2003	2002	2001
Interest receivable and similar income	366,628	304,229	283,990
of this: Interest income from debt securities	348,212	285,593	260,792
Interest payable and similar expenses	-	29	209
of this: Interest expenses on debt securities	-	-	-
Income from shares and participations	13,526	1,140	42,084
Income from fees and commissions	572	539	524
Expenses on fees and commissions	92,262	89,013	86,011
Net profit or loss from financial transactions	137,132	106,608	32,509
Other operating income	4,402	3,800	364
of this: Income from non-financial depositing of planholders' funds	1,111	802	145
Other operating expenses	5,214	1,099	243
of this: Expenses from non-financial depositing of planholders' funds	1,111	-	-
Administrative expenses	118,568	90,773	79,873
Staff costs	48,648	35,210	35,610
Salaries and emoluments to members of the Board of Directors	35,546	25,515	25,901
Social and health insurance	11,384	8,288	8,440
Other social costs	1,718	1,407	1,269
Other administrative expenses	69,920	55,563	44,263
Business expenses	21,548	19,780	14,314
Administrative expenses	48,372	35,783	29,949
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 provisions 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	10,793	11,784	14,405
Depreciation of tangible fixed assets	7,997	8,853	10,428
Additions to provisions for tangible fixed assets	-	-	-
Additions to adjusting entries for tangible fixed assets	-	-	-
Depreciation of intangible fixed assets	2,796	2,931	3,561
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	7	26,992	3,301
Use 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	7	-	-
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	666	390	-
Additions to other adjusting entries	-	-	-
Profit or loss from ordinary activities before tax	294,764	223,644	178,739
Extraordinary income	-	398	1,038
Extraordinary expenses	-	23,085	183
Extraordinary profit or loss before tax	-	- 22,687	855
Income tax	-	-	-
After-tax profit or loss for the year	294,764	200,957	179,594

Off-Balance Sheet

uncondensed, as of 31 December 2003, thousands of CZK

OFF-BALANCE SHEET	2003	2002	2001
Off-balance assets	0	0	0
Undertakings and guarantees provided	-	-	-
Pledges provided	-	-	-
Receivables from spot transactions	-	-	-
Receivables from fixed term transactions	-	-	-
Receivables from options	-	-	-
Receivables written off	-	-	-
Values in deposit, custody and for depositing	-	-	-
Values provided for management	-	-	-
Off-balance liabilities	1,582,042	0	0
Covenants and guarantees accepted	-	-	-
Pledges and securities accepted	-	-	-
Liabilities from spot operations	313,105	-	-
Liabilities from fixed term transactions	1,268,937	-	-
Liabilities from options	-	-	-
Values accepted in deposit, custody and for depositing	-	-	-
Values accepted for management	-	-	-

Notes on 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.

Scope of Business

- a) Collection of funds from retirement income insurance planholders (the "planholder") and the state, provided for the benefit of planholders,
- 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 2003, 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 2003, according to the Commercial Register:

Members of the Board of Directors:

Ing. Ivo Foltýn, MBA
Ing. Tomáš Matoušek, MBA
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, MBA
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 Asset Management a.s. (since 1 September 2003). In 2003, contracts concluded with the following portfolio managers were terminated, i.e. with PPF burzovní společnost a.s. (31 August 2003) and Citicorp investiční společnost, a.s. (25 May 2003).

As of 31 December 2003, the total number of retirement income insurance planholders is 463,948 (compared to 348,393 as of 31 December 2002 and 322,179 as of 31 December 2001).

Pursuant to a contract concluded on 26 June 2003, depository services are rendered by Živnostenská banka, a.s. The contract for depository services concluded on 7 August 1998 with Československá obchodní banka, a.s. was terminated on 30 September 2003.

On 22 December 2000, a Control Contract was signed between the Company (controlled entity) and ČP finanční servis a.s. (controlling entity). The above contract, concluded for an indefinite period and effective as of 22 December 2000, is cancelled by agreement of the parties as of 31 December 2003, i.e. by the end of the fiscal year.

Pursuant to the provisions of Section 39, Subsection 3 of the Act No. 42/1994 Coll., concerning retirement income insurance with state contribution and the amendment of some pertinent laws and pursuant to an agreement with the Ministry of Labour and Social Affairs and the Czech Securities Commission, the Ministry of Finance approved on 30 June 2003 (Ref. No. 327/24 086/2003) the merger of Penzijní fond České pojišťovny, a.s., IČ (Identification Number) 61858692, with its registered office at Truhlářská 1106/9, Prague 1, Postal Code: 110 00 and ČP penzijní fond, a.s., IČ 61858617, with its registered office at Truhlářská 1106/9, Prague 1, Postal Code: 110 00. Penzijní fond České pojišťovny, a.s. was approved as the legal successor of the merged pension funds. The approval also comprised a pension plan, the Statute and a list of members of the corporate bodies in the successor pension fund. This decision became legally valid on 1 July 2003 and became effective upon its entry in the Commercial Register, i.e. as of 1 August 2003.

The starting date, i.e. the merger record date, is 1 January 2003. All comparative data for the previous fiscal year reflect only the values posted by Penzijní fond České pojišťovny, a.s. As regards values reported for 1 January 2003, these are the data from initial balance sheet of the merged Penzijní fond České pojišťovny, a.s.

2. Essential Accounting Policies

(a) Basis of Annual Financial Statement Execution

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 of accrual and deferral, the historical cost convention and continuous operations.

All data are in Czech crowns (CZK). The unit of measurement is thousands of CZK, except where stated otherwise.

Since 1 January 2002, pension funds have been applying account classification and procedures for banks and some financial institutions and the financial statement for the period ended on 31 December 2003 and 2002 was compiled in accordance with such procedures. However, the reference values for the previous period ended 31 December 2001 are based on the financial statement compiled according to the then valid account classification and procedures for entrepreneurs, adjusted according to the valid financial statement. Some reference data are therefore based on different accounting methods and procedures. The procedures valid since 1 January 2002 have not been applied retroactively.

(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 Act No. 42/1994 Coll., concerning retirement income insurance with state contribution. The required continuous recording of contributions provided by individual planholders and the state contributions is kept at the account for "Payables from retirement income insurance contributions"; sorted according to planholders' contributions, state contributions, yields on planholders' contributions and yields on state contributions.

(c) Securities and Investments

State treasury notes, bonds and other debt securities and shares, including mutual shares and other investments are classified - according to the pension fund's policy - in the portfolio before maturity, for marketing or for sales. The portfolio before maturity can include only debt securities.

The Company evaluates its financial assets in keeping 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 and the Decree issued by the Czech Ministry of Finance No. 501/2002, implementing some provisions of Act No. 563/1991 Coll., concerning accountancy, as amended by subsequent regulations, applicable for banks and other financial institutions.

1. Upon their acquisition, all securities are evaluated on the basis of the acquisition price, including the direct transaction costs.
2. As of the date of the Financial Statement, securities are expressed at their fair value, except securities held before maturity which are evaluated on the basis of the incurred value. This means the acquisition price gradually increased by the accruing interest income and decreased by adjusting entries.
3. The fair value of a security is determined as the market value quoted as of that 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 the 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. whether a bank or an investment institution, licensed by the competent authorities and subject to regulation according to the laws and regulations of the Czech Republic, pursuant to EU Directive No. 93/6/EC or similar regulations valid in the country in which this financial institution has its registered office.
4. If it is impossible to state the fair value as a market price, the fair value is defined as an adjusted value of the security, i.e. corresponding to:
 - a) Participation in the Company's shareholders' capital, concerning shares,
 - b) Participation in the unit trust's shareholders' capital, concerning mutual shares,
 - c) The current value of the security, concerning bonds and bills.

If it is impossible to apply the provisions regarding the adjusted value of a security, a) to c), the pertinent provisions of the Decree 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.

5. 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 the event of a permanent decrease in the security value, the Company will carry out depreciation in expenses.
6. The Company reports accrued interest income from bonds, together with the cost, within the accounts of category 3 and 4. The amortization of a discount/premium is accounted according to a straight-line method, from the date of acquisition to the maturity date. The only exception is securities held before maturity for which the calculation of discount amortization and premium is based on the method of the effective interest rate.
7. Upon their depreciation, securities are evaluated on the basis of a weighted arithmetic average.
8. Hedging Derivatives

Hedging derivatives are reported in their real value. The method of reporting this real value depends on the applied model of the hedging accountancy.

Hedging accounts can be applied if:

- § the hedging is in compliance with the strategy pursued by the pension fund with respect to risk management,
- § upon the hedging transaction, the hedging relation is formally documented,
- § the hedging relation is expected to be highly effective during the period of its duration,
- § the efficiency of the hedging relation is objectively measurable,
- § the hedging relation is highly effective during the course of the fiscal year,
- § in case of hedging anticipated transactions, the occurrence of this transaction is anticipated with a high degree of probability.

If a derivative secures the real values of accounted assets and liabilities against the risk of change, the secured item is also evaluated by the fair value according to the secured risk. The profit and loss from this revaluation of the secured item and the hedging derivative are included in the item titled “Income from interest and similar incomes” or “Expenses on interests and similar expenses” of the Profit and Loss Account.

If a derivative secures against the risk of variability in cash flow from accounted assets or liabilities, legally enforceable contracts or anticipated transactions, the effective part of the security (real value of the hedging derivative) is reported as a part of equity in the “Revaluation differences from hedging derivatives” item. The ineffective part is included in the “Net profit or loss from financial transactions” item of the Profit and Loss Account.

If the security of legally enforceable contracts or anticipated transactions leads to an account of assets or liabilities, the accumulated profit or loss from the revaluation of hedging derivatives posted in the equity is included in the accounting value of this asset or liability. Otherwise, it is included in the Profit and Loss Account as of the same date as the profit or loss from the securing item.

The fair value of financial derivatives is defined as the current value of anticipated cash flows arising from these transactions. Standard models acceptable on the market are used for the definition of the current value, e.g. the Black-Scholes model for some types of options. These evaluation models also include parameters identified on the active market, e.g. foreign exchange rates, yield curves, volatility of the pertinent financial instruments, etc.

(d) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are recorded at the 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 asset category:

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 minor 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 payment day 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 the 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 for 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 depreciation. Depreciations of bad debts are included in the account of "Depreciation, allocation and use of adjusting entries and reserves to accounts payable and guarantees" 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, income from previously depreciated receivables".

Allocation to adjusting entries is reported in the relevant section of the Profit and Loss Account, while the use of an adjusting entry is reported together with the expenses or loss associated with the loss of assets in the Profit and Loss Account.

(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 the 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 beneficiaries. No other provisions were created in 2003.

Allocation to reserves is reported in the pertinent item of the Profit and Loss Account; the use of provisions is reported together with the associated expenses or loss for which the provisions have been created, in the pertinent item of the Profit and Loss Account.

(i) Foreign Currency Conversions

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

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 are recorded within the income or expense accounts, or the "Gains or losses from the revaluation of assets and liabilities".

(j) Inventories

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

(k) Lease

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

(l) Accruals of Acquisition Costs

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

3. Securities

(a) Securities for Sale

Securities for sale Thousands of CZK	2003		2002		2001	
	Accrued value	Fair value	Accrued value	Fair value	Accrued value	Fair value
Quoted on the Czech Stock Market						
Shares	313,916	309,872	121,672	116,164	490,275	463,441
Mutual shares	-	-	-	-	-	-
Government bonds	3,887,245	3,865,828	3,022,463	3,076,351	1,238,965	1,240,140
Other bonds	2,874,570	2,861,843	2,804,333	2,847,968	2,383,803	2,381,034
Quoted on other stock markets						
Treasury bills	299,966	299,966	69,126	69,126	-	-
Foreign securities	970,636	960,871	-	-	-	-
Non-marketable securities						
Bank bonds	985,532	985,532	906,635	906,635	848,645	848,645
Total	9,331,865	9,283,912	6,924,229	7,016,244	4,961,688	4,933,260

(b) Securities Held before Maturity

Securities held before maturity Thousands of CZK	2003		2002		2001	
	Book value	Market value	Book value	Market value	Book value	Market value
Quoted on the Czech Stock Market						
Other bonds	583,302	560,587	-	-	-	-
Total	583,302	560,587	0	0	0	0

4. Revaluation of Securities and Assets

Thousands of CZK	31 Dec 2003
Positive difference in valuation of securities for sale	12,313
Negative difference in valuation of securities for sale	- 60,266
Final difference in valuation of securities for sale	- 47,953
Final difference in valuation from revaluation of securities and assets, as of 31 Dec 2003	- 47,953

Thousands of CZK	31 Dec 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 Dec 2002	92,015

Thousands of CZK	31/12/2001
Positive difference in valuation of securities for sale	17,990
Negative difference in valuation of securities for sale	- 46,418
Final difference in valuation from revaluation current accounts in foreign currency	- 28,428
Final difference in valuation from revaluation of securities and assets, as of 31 Dec 2001	- 28,428

5. Summary of Income from Securities and Bank Accounts

Thousands of CZK	2003	2002	2001
Realized profit / loss from sale of securities	136,861	106,075	39,318
Dividends received	13,526	1,140	42,084
Interest income from bonds	346,711	277,622	237,454
Interest income from treasury bills and bank accounts	19,917	26,607	46,536
Profit / loss from exchange rate differences	37	335	- 6,809
Other	234	169	- 209
Total	517,286	411,948	358,374

6. Liabilities and Debts towards Retirement Income Insurance Planholders

Thousands of CZK	Planholders' contributions	State contributions	Yields from planholders' and state contributions	Liabilities from retirement income insurance contributions, total
Balance as of 31 Dec 2001	4,043,557	997,362	337,671	5,378,590
Balance as of 31 Dec 2002 - Penzijní fond České pojišťovny	5,273,962	1,211,392	434,458	6,919,812
Balance as of 31 Dec 2002 - ČP penzijní fond	1,284,634	363,891	151,132	1,799,657
Balance as of 1 Jan 2003	6,558,596	1,575,283	585,590	8,719,469
Contributions received	2,512,723	496,496	13,312	3,022,531
Added yields	-	-	231,327	231,327
Paid benefits	- 1,133,610	- 266,801	- 140,050	- 1,540,461
Contribution recovery	- 14,074	- 26,533	-	- 40,607
Transfer to yields	-176	-	- 1,528	- 1,704
Balance as of 31 Dec 2003	7,923,459	1,778,445	688,651	10,390,555

Thousands of CZK	2003	2002	2001
Volume of benefits paid	1,540,461	834,819	610,206
Amount of benefits paid	55,068	34,452	29,262

The balance sheet item of "Unassigned contributions of retirement income insurance planholders", equalling CZK 3,192,000 (in 2002: CZK 7,043,000, in 2001: CZK 8,181,000) represents liabilities towards planholders accepted for identification, and it is part of the "Planholders' contributions" item. This item also includes prepared benefits for payment, equalling CZK 66,679,000 (in 2002: CZK 35,630,000, in 2001: CZK 7,480,000), deducted from the current account in early January 2004. The unpaid state contribution for the fourth quarter of 2002, equalling CZK 122,071,000 (in 2002: CZK 94,647,000, in 2001: CZK 89,463,000) 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 towards the Czech Ministry of Finance, as of 31 December 2003, associated with the client's claims for state contributions, equalling CZK 122,071,000 (in 2002: CZK 94,647,000, in 2001: CZK 89,463,000), payable in February 2004.

In its Financial Statement executed as of 31 December 2001, the Pension Fund reported accumulated planholder and state contributions as part of its own equity. In order to ensure that the data reported in previous years and the current fiscal year are comparable in the Financial Statement as of 31 December 2003, the Pension Fund reclassified the balance of capital funds as of 31 December 2001, equalling CZK 5,025,258,000 and the profit fund balances, equalling CZK 337,671,000 in liabilities from the contributions of retirement income insurance planholders.

7. Equity

a) Share Capital

As of 31 December 2003, the share capital equalled CZK 210 million (2002: CZK 210 million, 2001: CZK 110 million). The share capital comprises 2,100 registered shares, at a nominal value of CZK 100,000.

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

In 2003, the Company reported a share premium of CZK 50,000,000 (2002: CZK 50,000,000; 2001: CZK 0).

In 2002, the Company reported profits of CZK 200,957,000, distributed according to a decision adopted by a General Meeting held on 30 May 2003 as follows:

Yields for planholders' contributions CZK 190,909,000

Reserve fund CZK 10,048,000

The profit reported by ČP penzijní fond, a.s. in 2002, equalling CZK 47,550,000, was distributed according to a decision adopted by a General Meeting held on 30 May 2003 as follows:

Yields for planholders' contributions 40,418 CZK thousands

Reserve fund 2,377 CZK thousands

Transfer to retained earnings 4,755 CZK thousands

The profit generated in 2003, equalling CZK 294,764,000, will be distributed according to a decision adopted by the General Meeting.

c) Summary of Equity Movement

The equity of the liquidated ČP penzijní fond, a.s., was transferred according to the audited balance sheets of the merged companies as of 31 December 2002 in the following manner (as of 1 January 2003):

Equity of ČP penzijní fond	Transfer to successor company	Thousands of CZK
Share capital	Capital funds	50,000
Share premium	Capital funds	161
Capital funds	Capital funds	2,299
	Capital funds, total	52,460
Statutory reserve funds	Statutory reserve funds	9,360
Profit of fiscal year	Profit / loss in approval proceedings	47,550
Total		109,370

The equity also includes evaluation differences from the revaluation of assets, equalling CZK - 47,832,000 (2002: CZK 92,015,000, 2001: CZK -28,428,000). The total equity thus equals CZK 674,981,000 (2002: CZK 640,801,000, 2001: CZK 340,152,000).

Thousands of CZK	Share capital	Share premium	Profit for current year	Accumulated retained earnings	Capital funds	Reserve fund	Profit funds	Equity total
Balance as of 31 Dec 2001	110,000	0	179,594	26,172	25,713	27,101	0	368,580
Subscription	100,000	50,000	-	-	-	-	-	150,000
Allocation to reserve fund	-	-	- 8,980	-	-	8,980	-	0
Yields allocated to planholders	-	-	- 170,614	-	-	-	-	- 170,614
Transfers between VK accounts	-	-	-	- 18,000	-	-	18,000	0
Use of profit funds	-	-	-	-	-	-	- 137	- 137
Profit for the year 2002	-	-	200,957	-	-	-	-	200,957
Balance as of 31 Dec 2002	210,000	50,000	200,957	8,172	25,713	36,081	17,863	548,786
Balance as of 1 Jan 2003	210,000	50,000	248,507	8,172	78,173	45,441	17,863	658,156
Allocation to reserve fund	-	-	- 12,425	-	-	12,425	-	0
Yields allocated to planholders	-	-	- 231,327	-	-	-	-	- 231,327
Transfers between VK accounts	-	-	- 4,755	4,755	-	-	-	0
Use of capital funds and funds from profit	-	-	-	-	1,884	-	- 664	1,220
Profit for the year 2003	-	-	294,764	-	-	-	-	294,764
Balance as of 31 Dec 2003	210,000	50,000	294,764	12,927	80,057	57,866	17,199	722,813

8. Tangible and Intangible Fixed Assets

(a) Intangible assets

Thousands of CZK	Establishment costs	Soft-ware	Other assets	Pre-payments	Total
Acquisition price					
Balance as of 31 Dec 2001	3,205	14,430	-	3,358	20,993
Balance as of 31 Dec 2002	-	14,613	950	2,695	18,258
Balance as of 1 Jan 2003	-	32,760	4,757	3,260	40,777
Increase	-	1,623	1,473	-	3,096
Decrease	-	- 17,706	- 132	- 2,525	- 20,363
Re-invoicing	-	170	565	-735	0
Balance as of 31 Dec 2003	-	16,847	6,663	-	23,510
Accumulated amortization					
Balance as of 31 Dec 2001	- 3,205	- 11,329	-	- 2,941	- 17,475
Balance as of 31 Dec 2002	-	- 14,062	- 198	- 2,525	- 16,785
Balance as of 1 Jan 2003	-	-31,711	- 1,555	- 2,525	- 35,791
Depreciations	-	- 902	- 1,894	-	- 2,796
Accumulated amortization to decrease	-	17,704	132	-	17,836
Adjusting entries	-	-	-	2,525	2,525
Balance as of 31 Dec 2003	-	- 14,909	- 3,317	-	- 18,226
Net book value 31 Dec 2001	0	3,101	0	417	3,518
Net book value 31 Dec 2002	0	551	752	170	1,473
Net book value 31 Dec 2003	0	1,938	3,346	0	5,284

The Company concluded an agreement concerning an out-of-court settlement with Democentrum Brno. Pursuant to this agreement, the Company got rid of its off-balance liability at issue arising from unilateral withdrawal from a contract, equalling CZK 2,834,000 and in addition, the prepayment for software delivery was deducted. During the previous fiscal years, the Company created a 100% adjusting entry so the fact that the agreement was concluded had no negative impact on the economic result posted during the current year.

(b) Operating Tangible Assets

Thousands of CZK	Machinery and devices	Vehicles	Inventory and minor assets	Total
Acquisition price				
Balance as of 31 Dec 2001	28,189	7,878	9,635	45,702
Balance as of 31 Dec 2002	29,898	8,064	10,193	48,155
Balance as of 1 Jan 2003	40,210	8,673	10,193	59,076
Increase	10,377	2,937	386	13,700
Decrease	- 4,856	- 2,035	- 435	- 7,326
Re-invoicing	- 827	-	827	0
Balance as of 31 Dec 2003	44,904	9,575	10,971	65,450
Accumulated amortization				
Balance as of 31 Dec 2001	-20,855	- 3,925	- 7,004	- 31,784
Balance as of 31 Dec 2002	-24,496	- 4,291	- 8,555	- 37,342
Balance as of 1 Jan 2003	- 30,190	- 4,431	- 8,555	- 43,176
Depreciation	- 4,678	- 2,097	- 994	- 7,769
Accumulated amortization to decrease	4,302	1,549	334	6,185
Re-invoicing	191	-	- 191	0
Balance as of 31 Dec 2003	- 30,375	- 4,979	- 9,406	- 44,760
Net book value 31 Dec 2001	7,334	3,953	2,631	13,918
Net book value 31 Dec 2002	5,402	3,773	1,638	10,813
Net book value 31 Dec 2003	14,529	4,596	1,565	20,690

All Company assets are classified in the category of operating assets. In the Profit and Loss Account, the amount of CZK 7,997,000 is entered in the "Depreciation of tangible fixed assets". A difference of CZK 228,000 is the 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 8,081,000 (2002: CZK 8,653,000; 2001: CZK 7,219,000). Of this, long-term payables of CZK 2,624,000 (2002: CZK 3,946,000; 2001: CZK 5,268,000) are represented by a payable from the building Lesser, S.O.R.T. Prague v.o.s., which is depreciated according to the pertinent contract.

The account of payables from non-banking entities includes payables associated with the bankruptcy proceedings against ZPS Zlín and Přerovské strojírný, equalling CZK 10,370,000, for which a 100% adjusting entry was created during the previous fiscal years.

The payables from the state budget equalling CZK 58,064,000 (2002: CZK 48,338,000; 2001: CZK 33,364,000) include the paid allowance tax from interest income, as mentioned in Item 2 (f).

The payables from security trading, equalling CZK 21,539,000 (2002: CZK 0; 2001: CZK 0) are formed by claims for payable coupons from debt securities which were settled in January 2004.

As of 31 December 2003, the company reported trade liabilities in a total amount of CZK 13,453,000 (2002: CZK 5,313,000; 2001: CZK 11,059,000). All liabilities are within the maturity period.

The liabilities from security transactions, equalling CZK 0 (2002: CZK 19,846,000; 2001: CZK 9,816,000) are formed by the fees to portfolio managers for the years 2002 and 2001, paid during January 2003 or January 2002.

Thousands of CZK	Adjusting entries to prepayments for intangible fixed assets	Adjusting entries to receivables	Total
Balance as of 31 Dec 2001	2,941	27,017	29,958
Balance as of 31 Dec 2002	2,525	25	2,550
Balance as of 1 Jan 2003	2,525	10,395	12,920
Additions	-	-	-
Utilization	- 2,525	- 7	- 2,532
Balance as of 31 Dec 2003	0	10,388	10,388

10. Accruals and Deferrals

The company posts active accruals in a total amount of CZK 207,748,000 (2002: CZK 158,942,000; 2001: CZK 138,483,000), of which CZK 197,186,000 (2002: CZK 145,585,000; 2001: CZK 118,596,000) is represented by accrued acquisition costs and CZK 10,562,000 (2002: CZK 13,357,000 ; 2001: CZK 19,887,000) by other active accruals.

Estimated liabilities of CZK 100,000 (2002: CZK 6,582,000; 2001: CZK 0) comprise liabilities concerning commissions to companies for the organization of collective payments. During previous years, these liabilities also included payments to the depository for inspection activities in December and the consumption of gas 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:

Thousands of CZK	Income	Expenses	Receivables	Liabilities
2003				
Česká pojišťovna a.s.	14,263	1,127	6,279	905
eBanka, a.s.	-	962	-	104
ČP Leasing, a.s.	15,249	14	-	9
Home Credit Finance a.s.	23,246	-	-	-
PPF Asset Management a.s.	-	6,780	-	123
ČP DIRECT, a.s.	-	1	-	-
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

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

ISIN	Issued by	Quantity	Fair value, thousands of CZK
CZ0003700569	Česká pojišťovna a.s	417	408,160
CZ0003501223	ČP Leasing, a.s.	359	363,043
CZ0003501306	Home Credit Finance a.s.	500	506,312

12. Income Tax Due

Thousands of CZK	2003	2002	2001
Profit or loss for the year before tax	294,764	200,957	179,594
Income exempt from tax	- 352,566	- 315,208	- 323,165
Tax deductible expenses	29,945	54,350	22,025
Applied discounts on tax and set off	-	-	-
Deduction of accumulated losses from previous years	-	-	-
Subtotal	- 27,857	- 59,901	- 121,546
Tax calculated on the basis of a 15% rate	0	0	0

13. Provisions

Thousands of CZK	Pension provision	Provision for severance pay
Balance as of 31 Dec 2001	-	-
Balance as of 31 Dec 2002	390	-
Balance as of 1 Jan 2003	677	500
Addition to provisions	667	-
Use of provisions	- 752	- 500
Balance as of 31 Dec 2003	592	0

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

14. Expenses and Income from Fees and Commissions

Thousands CZK	2003	2002	2001
Commissions to retirement income insurance brokers	59,238	49,761	57,635
Fees to security market, fees to Securities Centre of the Czech Republic and bank fees	5,108	10,729	9,554
Compensation to portfolio managers	27,916	28,523	18,822
Expenses on fees and commissions, total	92,262	89,013	86,011
Income from fees and commissions	572	539	524
Income from fees and commissions, total	572	539	524

15. Staff Costs

	Average headcount	Salaries and bonuses	Social and health insurance	Social costs
2003 *				
Employees	77	25,971	8,745	1,352
Management	8	7,944	2,639	366
Members of the Board of Directors and Supervisory Board	17	1,631	-	-
Total	85 **	35,546	11,384	1,718

	Average headcount	Salaries and bonuses	Social and health insurance	Social costs
2002				
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

	Average headcount	Salaries and bonuses	Social and health insurance	Social costs
2001				
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

* The higher number of employees is based on the merger with ČP penzijní fond, a.s. During the merger process, the total headcount was gradually decreased. In January 2004, the company posted a total headcount comparable to that in 2002, including members of management.

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

16. Other Administrative Costs

The total of other administrative costs, as of 31 December 2003, equalled CZK 69,920,000 (2002: CZK 55,563,000; 2001: CZK 44,263,000).

Thousands of CZK	2003*	2002	2001
Postage and telecommunications fees	15,539	9,401	9,368
Material for clients	11,051	7,779	5,922
Promotion and advertising	10,353	10,737	6,901
Lease, including financial and operational leasing	11,882	12,320	8,136
Staff training	1,997	3,321	2,751
Equipment maintenance and software support, other administrative costs	19,098	12,005	11,185
Administrative costs, total	69,920	55,563	44,263

* The amount of expenses posted in 2002 and 2001 covers PFČP only, while the figure for the year 2003 covers PFČP and ČP penzijní fond, a.s (until the entry of the merger in the Commercial Register). The savings arising from the merger in 2003 will become evident in 2004.

17. Leasing

(a) Financial

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

Thousands of CZK	Acquisition price	Paid	Due within 1 year	Due within 1-5 years	Due during following years
Balance as of 31 Dec 2001	9,291	581	2,323	6,387	-
Balance as of 31 Dec 2002	9,291	2,904	2,323	4,064	-
Balance as of 1 Jan 2003	9,291	2,904	2,323	4,064	-
Increase	-	2,323	2,323	-	-
Decrease	-	-	2,323	2,323	-
Balance as of 31 Dec 2003	9,291	5,227	-	-	-
Total	9,291	5,227	2,323	1,741	0

(b) Operational

The Company uses hardware and software equipment subject to an operational leasing contract. The overall annual costs in 2003 equalled CZK 918,000 (2002: CZK 1,102,000; 2001: CZK 46,000). This contract was terminated earlier than originally scheduled and the leased property was re-purchased.

18. Subsequent Events

During the balance sheet date and the financial statement date, the Company reported no changes which may have a significant impact on its financial position.

19. Uncertain Future Liabilities

The Company's pension schemes comprise guarantees associated with the payment of pensions. These guarantees include the guaranteed interest rates in the calculation of pensions and the guaranteed mortality tables. The Company tested the value of liabilities towards retirement income insurance planholders as of 31 December 2003 with the use of the best estimates of interest rates, expenses, cancellation fees and the probability of annuitization, and proved that there is no need to create additional provisions. The value of the Company's liabilities may subsequently change if the actual development deviates from these estimates.

20. 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 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 Act 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 the 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 planholders, the state and third parties, to the benefit of planholders. The maturity of liabilities towards planholders is not specified for contracts in which the planholders have not applied 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 2,584,674,000 (2002: CZK 1,605,238) to the benefit of planholders 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 planholder 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

Thousands of CZK	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
As of 31 Dec 2003						
Ready money	18	-	-	-	-	18
Cash in banks	781,862	-	-	-	-	781,862
State treasury bills	299,966	-	-	-	-	299,966
Other treasury bills	-	985,532	-	-	-	985,532
State debt securities	-	668,617	3,197,211	-	-	3,865,828
Other debt securities	-	708,224	2,479,746	1,218,046	-	4,406,016
Shares and mutual shares	-	-	-	-	309,872	309,872
Other assets	144,767	61,238	1,301	-	238,336	445,642
Total	1,226,613	2,423,611	5,678,258	1,218,046	548,208	11,094,736
Liabilities from insurance contributions	66,679	-	-	-	10,323,876	10,390,555
Other liabilities	24,914	592	-	-	3,694	29,200
Total	91,593	592	-	-	10,327,570	10,419,755
Difference	462,516	2,423,019	5,678,258	1,218,046	-9,779 362	674,981
Difference in accumulation	1,135,020	3,558,039	9,236,297	10,454,343	674,981	674,981

Thousands of CZK	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
As of 31 Dec 2002						
Ready money	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

Before 1 January 2002, 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.

(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 11,551,000 (2002: CZK 6,502,000, 2001: CZK 3,136,000). 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 "Revaluation differences". The Company has found itself in the following foreign exchange position:

Company's foreign exchange position

Thousands of CZK	EUR	CZK	Total
As of 31 Dec 2003			
Ready money	-	18	18
State coupon-free bonds	-	299,966	299,966
Payables from banks	14	781,848	781,862
Debt securities	960,871	8,296,505	9,257,376
Shares, mutual shares and other investments	-	309,872	309,872
Other assets	-	237,894	237,894
Prepayments and accrued income	-	207,748	207,748
Total	960,885	10,133,851	11,094,736
Retirement income insurance planholder funds	-	10,390,555	10,390,555
Other liabilities	-	25,506	25,506
Retained income and expenses	-	3,694	3,694
Total	-	11,094,736	11,094,736
Long positions of off-balance tools	-	-	-
Short positions of off-balance tools	1,582,042	-	-
Total	1,582,042	0	0

Before 1 January 2002, 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. As of 31 December 2002, the Company reported only two bank accounts in foreign currency, with a total balance of CZK 16,000. The Company's foreign exchange position is therefore not significant.

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