

05



PENZIJNÍ FOND
ČESKÉ POJIŠŤOVNY

ANNUAL REPORT 2005
PENZIJNÍ FOND ČESKÉ POJIŠŤOVNY, A.S.

OUR RECORDS AND VICTORIES





Each and every victory motivates us to perform better.

In recent years, Penzijní fond České pojišťovny has repeatedly confirmed its position as the leader of the supplementary pension insurance market.

Its sustained brand building and well thought-out investments are paying off.
Thus we enjoy the trust of more than 900,000 clients,
whose satisfaction with our services is the most important thing for us.



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Company Profile



Company name:	Penzijní fond České pojišťovny, a.s.
Registered office:	Truhlářská 1106/9, Post Code 110 00, Prague 1
Legal form:	Joint-stock company
Established on:	19 September 1994
Identification number:	61858692
Commercial Register:	Municipal Court in Prague, Section B, File No. 2738
Company shareholder (share of registered capital):	Česká pojišťovna a.s. (100%)
Registered capital:	CZK 213,700,000

The founder and sole shareholder of the Company is Česká pojišťovna. Penzijní fond České pojišťovny, a.s. (also referred to as “Penzijní fond České pojišťovny” or “PFČP”), has been active on the supplementary pension insurance market since 1994, undergoing a sustained dynamic development. It is entering the second decade of its existence as the strongest pension fund in the Czech Republic.

Mission and Strategic Goals

Penzijní fond České pojišťovny is and is striving to be the leading, trustworthy and extremely reliable provider of supplementary pension

insurance with a state contribution. The main strategic aim of the pension fund is to keep increasing its share of the individual and corporate clientele segments, effectively manage the assets entrusted to it and to provide a high level of services.

Products and Services

Penzijní fond České pojišťovny provides supplementary pension insurance with a state contribution and all types of pensions – old-age, service, invalidity and estate pensions. These products are also a part of a special offer of integrated services for corporate clientele known

as ČP Program zaměstnaneckých výhod (ČP Employee Benefits Programme), which the fund has created in co-operation with Česká pojišťovna. This is a comprehensive range of supplementary pension insurance and life insurance.

The company offers its clients a wide range of high quality services, including gratuitous comprehensive administration of supplementary insurance contracts. Clients can easily get at their supplementary pension insurance through the extensive Česká pojišťovna network. They can, however, also address most of their requests and wishes by contacting the pension fund through direct communication channels – telephone, the internet, and by mail.

Key Financial Indicators

CZK '000	2005	2004	2003	2002	2001	2000
Net profit (loss)	967,336	707,025	294,764	200,957	179,594	153,621
Total net assets	26,465,601	21,742,736	11,094,736	7,600,108	5,746,557	4,344,780
Registered capital	213,700	213,700	210,000	210,000	110,000	110,000
Number of clients	867,593	770,640	463,948	348,393	322,179	296,059
Yields earned (in % p.a.)	3.8	3.5	3.1	3.2	3.8	4.5
Statutory reserve fund	141,445	106,093	57,866	36,081	27,101	19,420

Corporate Governance

Board of Directors

Ivo Foltýn, MBA, Chairman of the Board
Executive Director of L&P at the ČP Group, Česká pojišťovna a.s.

Tomáš Matoušek, MBA, Vice-Chairman of the Board
Executive Director of Finance and Services,
Penzijní fond České pojišťovny, a.s.

Petr Kopecký, Member of the Board
Deputy Director of Sales and Marketing, Česká pojišťovna a.s.

Tomáš Machanec, MBA, Member of the Board
Director of the Life Insurance, Česká pojišťovna a.s.

Václav Šrajber, MBA, Member of the Board as at 22 May 2006
Director of the Analysis Division, PPF a.s.

Supervisory Board

Darina Kocsisová, Ph.D., Chairperson of the Supervisory Board
Director for Actuarial Mathematics and Life Insurance Valuation, PPF a.s.

Martin Brůha, Member of the Supervisory Board
Senior Director of the Branch Network Management Division,
Česká pojišťovna a.s.

Pavel Hlaváč, Member of the Supervisory Board
Director for HR Economics and Social Services, ŠKODA AUTO a.s.

Helena Lazosová, Member of the Supervisory Board
Senior Director of the Actuarial Mathematics and Life Insurance Profitability
Division, Česká pojišťovna a.s.

Marek Mastník, MBA, Member of the Supervisory Board
Senior Financial Analyst, PPF a.s.

Petr Obst, Member of the Supervisory Board
Finance Director, Skanska DS a.s.

Vít Šroller, Member of the Supervisory Board
Senior Director of the Actuarial Mathematics Division, Česká pojišťovna a.s.

Martin Vrba, Member of the Supervisory Board
Senior Director of the Client Life Insurance Service Division,
Česká pojišťovna a.s.

Vladimír Filip, Member of the Supervisory Board as at 22 May 2006
Deputy CEO for Economics, České dráhy, a.s.

Organisational Structure of the Company



Chairman's Introductory Statement

Dear Shareholders, Clients, and Business Partners,

On behalf of the company's management, I am pleased to present the regular Annual Report of Penzijní fond České pojišťovny. In 2005, we set out, with great success, on our second decade. The combined efforts of the management, employees and business partners have resulted in us strengthening our position as the largest pension fund on the Czech market.

Despite intensive discussions by experts, the pension system in the Czech Republic did not undergo any major changes last year, not even through higher state support for supplementary pension insurance. In spite of this, pension funds savings are attracting an increasing number of inhabitants of the Czech Republic. Year-on-year, pension fund clients increased by 11%; in total more than 3.2 million inhabitants use them as a vehicle for pension savings. Nearly two-thirds of economically active inhabitants participate in voluntary supplementary pension insurance system, which is a figure unheard of anywhere else in European Union countries.

Many indicators show that individuals are becoming increasingly aware of the need to secure their own financial reserve for old age. This could be one of the reasons why the money deposited in pension funds exceeded the respectable threshold of CZK 110 billion last year. Therefore, we can expect our assets to continue to grow significantly, which will be undoubtedly aided by the increased involvement of employers in pension savings. Last year alone, we gained more than 100,000 clients whose employers make a contribution to their pension, and this year, the segment is growing at a similar rate.

In 2005 Penzijní fond České pojišťovny was a significant player on the supplementary pension insurance market. The number of clients reached 868,000, which is 26.4% of the total number of clients in the sector. Simply put, each client who puts money away for his pension uses our fund. An emphasis on sales and marketing, including a broad range of distribution channels in both the retail and the corporate segment brought us 169,000 client contracts. The scope and growth of our client portfolio is closely related to the acceleration in the rate of growth of the amount of assets we administer. At the end of 2004, Penzijní fond České pojišťovny administered a total of 21.7 billion crowns, whereas last December it was CZK 26.5 billion. These positive changes in the amount of administered assets clearly show the increased trust of clients in our company, expressed by the continuous increase in their savings.

Last year, Penzijní fond České pojišťovny managed to generate record profits of CZK 967 million, in spite of the extremely low interest rate. Its financial results were positively influenced by the development of the Czech capital market. We expected stock to grow in 2005, therefore we increased the share of stock in our portfolio up to 8%, thereby successfully participating in the growth of the capital market. In 2005, we improved the risk assessment and management system and the processes of optimising our portfolio. We divided the profits among our clients according to the law, and recorded an above-average net appreciation of their money, of 3.8%.

I am glad to note that the very positive results of Penzijní fond České pojišťovny last year were followed with interest by both experts and the general public. Our many years of striving won us several important awards. For the first time, our company came first in the most important domestic companies CZECH TOP 100 in the pension fund category. We also won the public vote for the "Most Popular Pension Fund of the Year" organized by the most widely-read financial server Měšec.cz (Money-bag). But above all, we won the title "Pension Fund of the Year 2005" in the prestigious expert awards MasterCard Banks of the Year.



We perceive the results achieved last year as extremely binding. The ambition of Penzijní fond České pojišťovny for the coming period is to continue the growth of all performance indicators, and not to slow down the expansion of our sales. We also want to improve client services, increase the value of the funds we administer, as rapidly as possible, and to deepen co-operation with our main distributors.

We will also be very active in awareness-raising in our area, defining the best structure for the pension system. I am convinced that thanks to the backing of the PPF Group, the strongest Czech financial group, the synergy effects of close-cooperation with Česká pojišťovna and the professional work of all of our pension fund employees, we will again achieve the goals we have set ourselves.

Ivo Foltýn, MBA
Chairman of the Board of Directors
and CEO



Report on the Company's Activities

Last year, Penzijní fond České pojišťovny increased its dynamic growth. It saw a significant positive change especially in the number of clients, adding 97,000.

The high yields of the portfolio and the decline of the cost margin brought the company a record profit of nearly CZK 1 billion. Also, the amount of assets grew significantly, exceeding the threshold of CZK 26 billion. The completion of integrating the Brno operations of the former ABN AMRO PF into the Prague head office meant the completion of the takeover of the fund and brought cost savings and broader client services. The PFČP corporation won several prestigious awards, including the most prestigious one – the title “Pension Fund of the Year 2005” awarded in the MasterCard Bank of the Year competition.

Sales Results

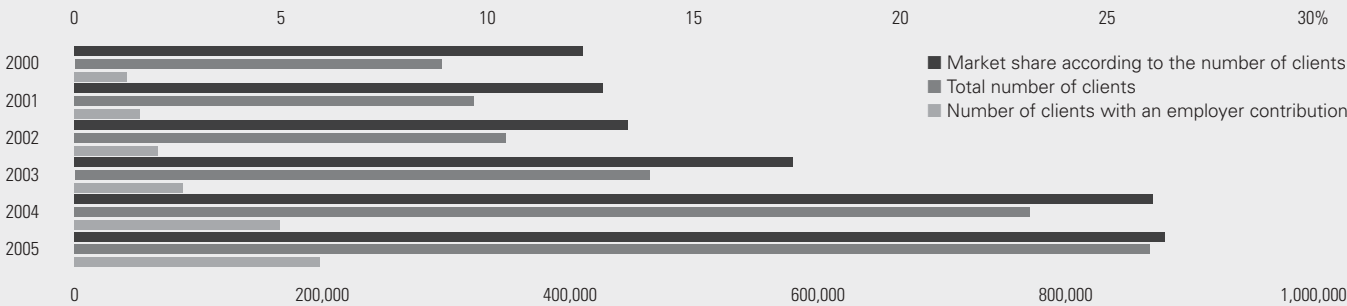
Penzijní fond České pojišťovny uses several distribution channels to sell its products, of which the most important are the Česká pojišťovna network, independent distribution companies and sales to corporate clientele.

Close co-operation with Česká pojišťovna sales service and a strong focus on the largest brokerage networks and employers resulted in 169,000 new contracts being concluded, which is 14,000 more than the previous year. The main reasons for the increased interest in private supplementary pension insurance include the general knowledge of the profitability of savings, increasing involvement of companies, and increased awareness of the consequences of an insensitive pension reform. At the end of December 2005, the fund had 868,000 clients, which is a 13% year-on-year growth. The company's market share is more than 26%; Penzijní fond České pojišťovny has thus further confirmed its position as the market leader. The corporate clientele segment made a significant contribution to the overall financial results. In 2004, PFČP had 166,000 clients receiving a contribution from their employer; however, in 2005 this rose to 198,000 clients. This significant increase secured the company the position of market leader in this indicator, too.

Financial Results

The main financial indicators of 2005 confirmed the growth trends of previous years. The leading position of Penzijní fond České pojišťovny was thus further affirmed. The value of the Company's assets increased, year-on-year, by nearly 22% and on 31 December 2005 were CZK 26.5 billion, i.e. a market share of approximately 21%. The sum of client, employer, and state deposits reached CZK 6.4 billion in 2005. The very good asset management results led to the historically highest net profit of CZK 967 million, with a year-on-year increase of nearly 37%. The good financial results enabled the pension fund to increase the yield credited to clients in 2005 to 3.8% p.a. (from 3.5% p.a. in the previous year).

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



Portfolio Management

The long-term investment strategy of Penzijní fond strives to fully secure a 100% guarantee of client accounts. The balanced placement of assets corresponds to this aim: on the one hand, reflecting the search for the maximum yield on the invested funds, and on the other, an attempt to minimize investment risks. This cautious approach becomes more significant with the dynamic growth of the Pension Fund's assets, which also leads to the need for greater diversification of the investment portfolio.

In 2005 Penzijní fond České pojišťovny continued to increase its foreign investments, in order to gradually reduce the one-sided

dependence of the portfolio on the development of the Czech economy. Throughout the year, the company also enhanced its stock portfolio, thereby successfully participating in the growth in the yield of markets at home and abroad. Furthermore, the pension fund also focused on using modern financial instruments, the construction of which allows investments with an attractive yield-risk profile to be made. Thus the portfolio acquired products with a guaranteed principal, where the yield is tied to the development of foreign stock indices. The major part of the portfolio, however, still comprises bonds denominated in Czech crowns that act as a stabilizing aspect of the portfolio's profitability.

Awards and Achievements

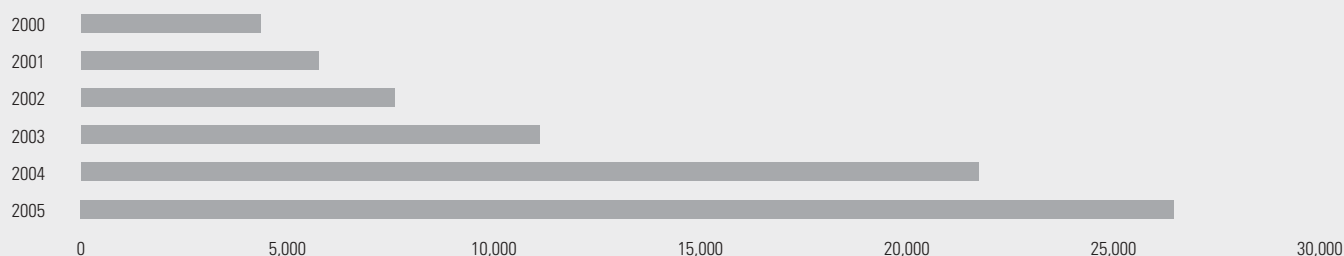
In 2005, Penzijní fond České pojišťovny expanded its collection of awards with several prestigious trophies. In the list of the most significant companies in the Czech Republic, CZECH TOP 100, it came first in the pension fund category. Taking advantage of the positive financial indicators, PFČP was also successful in the closely watched influential competition MasterCard Bank of the Year. For the first time in history, it came first and was proclaimed "Pension Fund of the Year 2005". In the Zlatý Měsíc 2005, in which financial institutions, including pension funds, are evaluated by the general public, Penzijní fond České pojišťovny won its category for the second time in a row.

Portfolio Structure

	2005		2004		2003	
	CZK '000	%	CZK '000	%	CZK '000	%
Government bonds	11,061,270	43	8,471,813	40	4,165,794	38
Bonds issued by commercial banks and the Czech National Bank	4,977,415	19	3,835,909	18	1,087,235	10
Bonds issued by commercial companies	5,064,487	20	5,107,227	24	3,343,442	31
Bonds issued by the governments and central banks of OECD countries	1,447,598	6	1,122,091	5	960,871	9
Shares and mutual fund certificates	2,132,108	8	1,053,103	5	309,872	3
Bank accounts	807,569	3	1,397,807	7	781,862	7
Other investments*	355,835	1	258,445	1	201,674	2
Portfolio market value	25,846,282	100	21,246,395	100	10,850,750	100

* Receivables from state contribution, tax receivables, and coupons.

Assets of Penzijní fond České pojišťovny (CZK millions)



Supervisory Board Report

In 2005, the Supervisory Board of Penzijní fond České pojišťovny, a.s. (referred to as the “company”), carried out its activities according to the provisions of the relevant laws and the company’s Articles of Association, supervising the Board of Directors’ activities and the execution of the company’s business activities.

The company’s Supervisory Board held six ordinary meetings according to the Articles of Association and made one per rollam decision in 2005, focusing particularly on supervising and inspecting 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 2005.

Throughout 2005, the Supervisory Board consisted of the following members: Darina Kocsisová, Ph.D., Vít Šroller, Marek Mastník, MBA, Helena Lazosová, Petr Obst, Pavel Hlaváč, Martin Brůha a Martin Vrba.

The Board of Directors submitted to the Supervisory Board the regular financial statements of the company for 2005, compiled as at 31 December 2005 and verified by the auditor, and a proposal for the distribution of profit generated in 2005. A Report on the Relations between Related Entities for 2005 was also submitted to the Supervisory Board for its review, compiled according to Section 66a (9) of the Commercial Code, the accuracy of which was also verified by the company’s auditor. Based on the review of the financial results reported by the company in 2005, the Supervisory Board renders the following statement to the General Meeting:

The Supervisory Board reviewed the company’s 2005 regular financial statement and the Auditor’s Report verifying it, and found no defects in these documents. On this basis, it recommends that the General Meeting approves the company’s 2005 regular financial statements and the distribution of profits generated in 2005, according to the proposal presented by the Board of Directors.

The Supervisory Board also reviewed the Report on Relations between Related Entities for 2005, compiled pursuant to Section 66a (9) of the Commercial Code and verified by the company’s auditor, and did not find any facts that would constitute a reason for it to give a negative opinion on the content of this document.

Prague, 28 April 2006



Darina Kocsisová, Ph.D.

Chairperson of the Supervisory Board



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Translation of Auditor's Report

Auditor's Report for the Shareholder of Penzijní fond České pojišťovny, a.s.

On the basis of the audit carried out by us, we issued the following auditor's report on 1. March 2006 on the enclosed financial statements:

"We carried out an audit of the enclosed financial statements of Penzijní fond České pojišťovny, a.s. for the year ended 31 December 2005. Compiling these financial statements is the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on this audit.

We carried out the audit in accordance with the Act on Auditors and the International Auditing Standards and related application amendments of the Chamber of Auditors of the Czech Republic. These directives require that we plan and carry out the audit so that we are reasonably sure that the financial statements are free of material misstatements. An audit includes examining, on a random basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the company as well as evaluating the overall informative value of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair picture, in all material aspects, of the assets, liabilities, shareholders' equity and financial position of Penzijní fond České pojišťovny, a.s., as at 31 December 2005 and of the results of its operations for the 2005 fiscal year pursuant to the Accounting Act and the relevant Czech regulations."

We also verified the consistency of other information of a financial nature, presented within the Annual Report, with the audited Financial Statement. In our opinion, the information complies, in all material aspects, with the audited financial statements.

The completeness and accuracy of the Report on Relations between Related Entities is the responsibility of the company's management. Our responsibility is to verify the accuracy of the data contained in the report. We did not find any facts that would lead us to the opinion that the report contains material misstatements.

Prague, 28 June 2006

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Licence No. 71

Roger Gascoigne

Roger Gascoigne, FCA
Partner

Pavel Závitkovský

Pavel Závitkovský
Partner
Licence No. 69

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IČ 49619187
DIČ CZ49619187

Obchodní rejstřík
vedený Městským soudem v Praze
oddíl C, vložka 24185.

Živnostenská banka, Praha 1
č. ú./account no.
466016004/0400

Balance Sheet

as at 31 December 2005, in CZK '000 (unconsolidated)

ASSETS		2005	2004
1	Cash in hand and deposits at central banks	76	35
2	Receivables against banks and co-operative saving societies	807,569	1,397,807
	Of which: a) Payable on demand	807,569	358,320
	b) Other receivables	–	1,039,487
3	Debt securities	22,550,770	18,537,040
	a) Issued by government institutions	11,061,270	8,471,813
	b) Issued by other entities	11,489,500	10,065,227
4	Shares, mutual fund certificates and other ownership interests	2,132,108	1,053,103
5	Intangible fixed assets	12,085	15,002
	Of which: a) Goodwill	385	441
6	Tangible fixed assets	25,046	44,691
	Of which: Land and buildings for operations	–	15,287
7	Other assets	366,972	265,915
	Of which: a) Other cash values	1,484	69
	b) Receivables against trade relations	4,807	6,067
	c) Receivables against state budget – state contribution	253,587	220,542
	d) Receivables against state budget – tax receivables	2,021	9,179
	e) Receivables against transactions with securities	100,227	28,724
	f) Estimated receivables and other assets	4,846	1,334
8	Deferred expenses and accrued income	570,975	429,143
	Total assets	26,465,601	21,742,736

LIABILITIES		2005	2004
1	Other liabilities	24,595,893	20,211,242
	a) Funds of supplementary pension insurance participants	24,540,836	20,157,816
	Of which: aa) Plan-holders' funds and state contributions	22,693,102	18,685,547
	ab) Funds for pension payment	22,852	20,233
	ac) Yield from plan-holders' contributions	1,706,688	1,332,024
	ad) Unallocated plan-holders' contributions	73,296	80,250
	ae) Benefit payout	44,898	39,762
	b) Other	55,057	53,426
	Of which: ba) Liabilities from trade relations	7,495	19,771
	bb) Payables to employees	3,286	4,047
	bc) Social security liabilities	2,214	2,449
	bd) Payables to the state budget – state contribution	3,789	4,115
	be) Payables to the state budget – tax liabilities	9,547	6,316
	bf) Estimated payables and other liabilities	28,726	16,728
2	Deferred income and accrued expenses	2,567	3,131
3	Provisions	13,696	14,803
	Of which: a) For pensions and similar liabilities	13,696	14,803
4	Registered capital	213,700	213,700
	Of this: a) Paid-up registered capital	213,700	213,700
5	Share issue premium	50,000	50,000
6	Reserve funds and other funds created from profit	152,543	122,419
	Of which: a) Statutory reserve funds and risk funds	141,445	106,093
	b) Other funds created from profit	11,098	16,326
7	Capital funds	245,567	245,567
	Of which: a) Shareholder's capital contributions	225,753	225,753
	b) Other capital funds	19,814	19,814
13	Revaluation gains or losses	123,299	144,552
	Of which: a) From assets and liabilities	123,299	141,701
	b) From hedging derivatives	–	2,851
14	Retained profit or accumulated loss of previous years	101,000	30,297
15	Profit or loss of the fiscal year	967,336	707,025
	Total liabilities	26,465,601	21,742,736

Off-Balance Sheet

as at 31 December 2005, in CZK '000 (unconsolidated)

OFF-BALANCE SHEET ITEMS	2005	2004
Off-balance sheet assets		
Values handed over for management	25,492,942	20,928,754
Receivables from fixed-term operations	3,003,596	730,680
Off-balance sheet liabilities		
Liabilities from fixed-term operations	2,997,044	718,021

Summary of Changes in Shareholder's Equity

as at 31 December 2005, in CZK '000 (unconsolidated)

	Registered capital	Share issue premium	Reserve funds	Capital funds	Revalua- tion differen- ces	Accumu- lated profit (loss) from previous years	Funds created from profit	Profit/loss	Total
Balance as of 1 January 2004	213,700	50,000	82,170	245,564	(71,259)	12,927	17,199	478,460	1,028,761
Net profit/loss in fiscal year	–	–	–	–	–	–	–	707,025	707,025
Transfers to funds	–	–	23,923	–	–	17,370	–	(41,293)	–
Drawing on funds	–	–	–	3	–	–	(873)	(1,000)	(1,870)
Revaluation differences not included in profit/loss	–	–	–	–	215,811	–	–	–	215,811
Yield credited to plan-holders	–	–	–	–	–	–	–	(436,167)	(436,167)
Balance as at 31 December 2004	213,700	50,000	106,093	245,567	144,552	30,297	16,326	707,025	1,513,560

	Registered capital	Share issue premium	Reserve funds	Capital funds	Revalua- tion differen- ces	Accumu- lated profit (loss) from previous years	Funds created from profit	Profit/loss	Total
Balance as of 1 January 2005	213,700	50,000	106,093	245,567	144,552	30,297	16,326	707,025	1,513,560
Net profit/loss in fiscal year	–	–	–	–	–	–	–	967,336	967,336
Transfers to funds	–	–	35,352	–	–	70,703	–	(106,055)	–
Drawing on funds	–	–	–	–	–	–	(5,228)	–	(5,228)
Revaluation differences not included in profit/loss	–	–	–	–	(21,253)	–	–	–	(21,253)
Yield credited to plan-holders	–	–	–	–	–	–	–	(600,970)	(600,970)
Balance as at 31 December 2005	213,700	50,000	141,445	245,567	123,299	101,000	11,098	967,336	1,853,445

Profit and Loss Account

as at 31 December 2005, in CZK '000 (unconsolidated)

PROFIT AND LOSS ACCOUNT		2005	2004
1	Interest earned and similar income	724,644	564,084
	Of which: Interest income from debt securities	692,330	527,533
2	Interest paid and similar expenses	–	(204)
3	Income from shares and ownership interests – other	19,088	46,311
4	Income from fees and commissions	1,099	1,168
5	Fee and commission expenses	(199,175)	(165,485)
6	Profit/loss from financial transactions	606,825	457,431
7	Other operating income	27,404	12,018
8	Other operating expenses	(25,482)	(4,645)
9	Administrative expenses	(169,364)	(179,067)
	Of which: a) Personnel expenses	(65,342)	(76,881)
	Of which: aa) Social and health insurance	(15,430)	(19,970)
	b) Other administrative expenses	(104,022)	(102,186)
	Of which: ba) Sales expenses	(28,871)	(34,927)
	bb) Administrative expenses	(75,151)	(67,259)
10	Use of provisions and adjusting entries to tangible and intangible fixed assets	–	700
11	Write-offs, creating and using provisions and adjusting entries for tangible and intangible fixed assets	(17,446)	(19,724)
12	Write-offs, creating and using adjusting entries and reserves for receivables and guarantees	(615)	(2,344)
13	Creating and use of other provisions	358	(3,218)
14	Profit/loss in fiscal year after tax	967,336	707,025

Notes to the Financial Statements

1. GENERAL INFORMATION

(A) ESTABLISHMENT AND CHARACTER OF THE COMPANY

Penzijní fond České pojišťovny, a.s. (the "Company" or "PFČP"), was incorporated by its entry into the Commercial Register on 19 September 1994. The Company's identification number is 61858692.

(B) OBJECT OF BUSINESS

The main object of business of the Company is to provide supplementary pension insurance pursuant to Act no. 42/1994 Coll., on supplementary pension insurance with a state contribution, as amended. The main object of business of the Company includes:

- a) Collecting funds from supplementary insurance plan-holders (referred to as the "plan-holder") and the state, provided to plan-holders,
- b) Using the funds obtained pursuant to letter a),
- c) Paying supplementary pension insurance benefits,
- d) Other activities directly associated with supplementary pension insurance.

(C) REGISTERED OFFICE OF THE COMPANY

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

(D) MEMBERS OF THE BOARD OF DIRECTORS AND OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2005

Members of the Board of Directors:

Ivo Foltýn, MBA – Chairman
 Tomáš Matoušek, MBA – Vice-Chairman
 Petr Kopecký
 Tomáš Machanec, MBA

Members of the Supervisory Board:

Darina Kocsisová, Ph.D. – Chairperson
 Martin Brůha
 Pavel Hlaváč
 Helena Lazosová
 Marek Mastník, MBA
 Petr Obst
 Vít Šroller
 Martin Vrba

(E) CHANGES IN RECORDS IN THE COMMERCIAL REGISTER

The following changes were made in the Company's Board of Directors in 2005:
 On 26 April 2005, Václav Šrajber, MBA resigned from his position.

(F) STRUCTURE OF SHAREHOLDERS

As at 31 December 2005, the Company had only one shareholder – Česká pojišťovna a.s.

(G) ORGANISATIONAL STRUCTURE

The Company has the following organisational structure:

- Sales and Marketing,
 - Sales and Distribution Department,
 - Marketing and Sales Support Department,
- Finance and Services,
 - Finance Division,
 - Client Service Division,
 - IT Division.

Sales are arranged by external brokers and via the branches of Česká pojišťovna a.s. The investment portfolio is managed by PPF Asset Management a.s. and BH Securities a.s.

Depository services are provided by Živnostenská banka, a.s., according to the contract concluded on 26 June 2003.

As at 31 December 2005, the Company had 867,593 active clients (as at 31 December 2004: 770,640).

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements were prepared on the basis of accounting records kept in accordance with Act no. 563/1991, Coll., the Accounting Act, as amended, and the relevant regulations and decrees valid for the Czech Republic, especially the Czech Ministry of Finance regulation no. 501 of 6 November 2002, as amended, implementing certain provisions of Act no. 563/1991 Coll., the Accounting Act, as amended, for accounting units which are banks or other financial institutions. The Regulation sets out the arrangement and specification of the financial statement items, defines the contents of these items, the applicable system of accounts, accounting methods and their application.

The financial statements were compiled according to general accounting principles, particularly the principle of accruals, the temporal and material relation of expenses and yields, and the principle of historical costs – with the exception of selected financial instruments, which are valued at their fair value – and on the assumption that the accounting unit can continue its activities in the foreseeable future.

All data is expressed in Czech crowns (CZK). The unit of measurement is CZK '000, unless otherwise stated.

These financial statements are not consolidated.

3. IMPORTANT ACCOUNTING POLICIES

The financial statements of the company were compiled according to the following important accounting principles:

(A) TIME OF THE OCCURRENCE OF AN ACCOUNTING CASE TIME OF POSTING

Depending on the type of transaction, the time of the occurrence of an accounting case is, above all, the payment day or the day of accepting the money in circulation, the day of the purchase or sale of valuta, foreign exchange or securities, the date a payment is made, the date of the stipulation and settlement of a securities, foreign exchange, or a derivative transaction.

(B) DEBT SECURITIES, SHARES, MUTUAL FUND CERTIFICATES, AND OTHER INTERESTS

Government treasury notes, bonds and other debt securities and shares, including mutual fund certificates and other ownership interests are classified in accordance with the Company's intentions in the "held to maturity" portfolio, valued at fair value against the expense or income account; in the "securities available for sale portfolio" or the portfolio of securities acquired in primary issues, not held for trading. Only debt securities can be classified in the "held to maturity" portfolio.

Government treasury notes, bonds and other debt securities are posted at acquisition price, including a proportionate part of the discount or premiums. The accrual of interest income constitutes a part of the accounting value of the securities. Shares, mutual fund certificates, and other ownership interest are posted at acquisition price.

Premiums or discounts on debt securities in the held to maturity portfolio are amortised in the profit and loss account from their acquisition until maturity using the effective interest rate method. In other portfolios, the write-off of the premium or discount is accounted for at the straight-line interest rate.

If the securities mature in less than 1 year from the date of the purchase settlement, the premium or discount is amortised in the profit and loss account on a straight line basis, from the acquisition date until maturity.

Debt securities and shares, mutual fund certificates and other ownership interests valued at their fair value against the expense and income accounts are valued at their fair value and the profit/loss from this valuation is posted in the profit and loss account in the item "Profit/loss from financial transactions". Securities, shares, mutual fund certificates and other ownership interests for sale are valued at their fair value and the profit/loss from this valuation is posted in shareholder's equity in the item "Revaluation differences". If they are sold, the revaluation difference is posted in the profit and loss account in the item "Profit/loss from financial transactions".

The fair value used for the valuation of securities is determined as the market price announced on the date of the determination of the fair value on a domestic or foreign stock exchange or another public (organised) market.

The fair values of publicly tradable debt securities and ownership securities are equal to the prices on the public market in OECD countries, provided that the liquidity requirements for the securities are also met.

If the fair value cannot be determined as the market price, it is determined as an adjusted value of the security. The adjusted value of a security equals the

- participation interest in the equity capital of the company, for a share;
- participation interest in the equity of a mutual fund, for mutual fund certificates;
- present value of a security for debt securities.

If the adjusted value cannot be determined with sufficient reliability, the company will value the financial asset at its acquisition value.

For securities with inserted derivatives, where the company cannot value individual items of a security, the security is valued at its fair value as a whole.

This does not affect the inclusion of the securities in individual portfolios.

(C) PROVISION CREATION

Provisions are a probable performance with uncertain time-aspects and amount. Provisions are made if the following criteria are met:

- there is an obligation (legal or material) to perform which is the results of previous events,
- it is probable that the performance will be made and will require an outflow of funds representing an economic benefit and this "probability" is more than 50%,
- a reasonably reliable estimate of the performance can be made.

(D) FINANCIAL LEASING

Assets acquired through financial leasing are shown in the "Tangible fixed assets" item only once ownership is transferred to the Company. Leasing payments are charged directly to expenses in the item "other operating expenses".

(E) TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets are stated at historic prices and depreciated on a straight line basis throughout their estimated life. The table below shows the depreciation periods for each asset class:

Asset	Accounting depreciation
Software	case-by-case, depending on service life, up to 20 years
Fixed minor assets	3 years
Machinery and equipment	4 years
Passenger vehicles	4 years
Furniture	8 years
Air-conditioning	15 years
Safes	15 years

Goodwill arises on the sale of an asset and is the difference between the acquisition price and the fair value of the identifiable assets and liabilities acquired, as at their acquisition date. Goodwill is depreciated over the duration of its service life.

Intangible assets with an acquisition price of less than CZK 60,000 and tangible assets with an acquisition price below 40,000 are posted in expenses in the period in which they were acquired, and the service life is less than 1 year.

(F) FOREIGN CURRENCY CONVERSION

Transactions denominated in foreign currencies are shown in Czech crowns converted using the exchange rate on the transaction date. Assets and liabilities denominated in foreign currencies together with foreign exchange spot transactions prior to maturity are converted into Czech crowns using the Czech National Bank exchange rate valid on the balance sheet date. In the profit and loss account, foreign exchange gains or losses are recorded in the profit or loss from financial transactions account or, on the balance sheet, in the Gains or losses from the revaluation of assets and liabilities account.

(G) FINANCIAL DERIVATIVES

Hedging derivatives

Hedging derivatives are reported at fair value. The manner of reporting this fair value depends on the mode of hedging accounting applied.

Hedging accounting can be used provided that:

- the hedging is in accordance with the company's strategy for risk management,
- at the time of the hedging transaction, the hedging relationship is formally documented,
- it is expected that the hedging relationship will be highly effective while it lasts,
- the effectiveness of the hedging relationship can be measured objectively,
- the hedging relationship is highly efficient during the fiscal period,
- in the event of hedging planned transactions, the occurrence of the transaction is very probable.

The company hedges against currency risks from holding securities denominated in foreign currencies using derivatives. If a derivative is hedging the risk of change in the fair value of accounted assets or liabilities, the hedged item is also valued at fair value because of the hedging risk. When hedging fair value, the gain and loss from the revaluation of the hedging derivatives are recorded in the profit and loss account in item "Profit or loss from financial transactions".

The real value of financial derivatives is set as the present value of the expected cash flow from these transactions. To determine the present value, the usual models accepted by the market are used. The parameters ascertained on the active market are then put into these valuation models, such as exchange rates, yield curves, volatility of the relevant financial instruments, etc.

(H) TAXES

The income tax base is calculated from the current period profit/loss by adding non-tax deductible costs and deducting income not subject to income tax, and is then adjusted for any applicable tax exemptions and set-offs.

Deferred tax is based on all present differences between the accounting and tax value of assets and liabilities, using the expected tax rate applicable in the next fiscal year. A deferred tax receivable is only accounted for if there is no doubt about its application in the coming fiscal years.

(I) ITEMS FROM OTHER ACCOUNTING PERIODS AND CHANGES IN ACCOUNTING METHODS

Items from an accounting period other than that to which they belong as far as tax or accounting is concerned and changes in accounting methods are posted to the accounts as income or expenses in the Profit and Loss Account during the current accounting period, with the exception of corrections to fundamental errors in the posting of income and expenses of previous periods, which are reported in the "Retained profits or accumulated losses of previous years" on the company's Balance Sheet.

(J) PENSION PAYMENT LIABILITIES

Adequacy test

The company creates provisions for liabilities arising from supplementary pension insurance contracts. The amount of the provisions is based on a test of the adequacy of plan-holders' accounts, carried out separately for the portfolio of plan-holders at the saving stage, and the portfolio of pensioners, reflecting the valid options and guarantees under supplementary pension insurance contracts.

The model of discounted cash flows is used to test the adequacy of the provision. Cash flows mean, mainly, the contributions of plan-holders, benefits paid, and expenses of the Company. The result of the adequacy test is the minimum value of liabilities to plan-holders, calculated using the best estimate of the expected future development of the input parameters, adjusted by the risk and uncertainty margins. An inadequacy occurs when the minimum value of the liability to plan-holders exceeds the total of participants' funds. When the result of the test is an inadequacy of the plan-holders account, the Company creates a provision for the amount of the shortfall.

Pension option

The value of the pension option is determined as the difference between the amount of the plan-holders' funds on the date of the calculation and the present actuarial value of the funds needed to cover future liabilities. Future liabilities include pension benefits, pension valorizations and the company's costs.

The pension option is calculated separately for the portfolio of participants in the saving phase and the portfolio of participants in the pension phase, using the same model (and thus also the same presumptions), by which the adequacy test was performed.

(K) ACCRUALS OF ACQUISITION COSTS

The company posts paid commissions and other direct acquisition costs to the deferred expenses account, accrued during the validity of the relevant supplementary pension insurance contract, for a period of not more than 15 years. On the balance date the Company performs a test to determine whether the acquisition cost accruals can be recovered.

The commissions of Nový ČP Penzijní fond, a.s., paid by 31 December 2002 are charged to expenses on the basis of the average contract validity period derived from the average age of the plan-holders and the type of pension plan. Based on an analysis of the portfolio and after taking into account probable contract cancellations, the average contract validity period was set at 10 years. If the contract is terminated earlier, the balance of the expenses for future periods is posted to expenses as a lump sum. An analysis to determine any termination of these contracts is carried out at least once a year as at 31 December.

4. RECEIVABLES AGAINST BANKS AND COOPERATIVE SAVINGS SOCIETIES

	2005	2004
Current bank accounts	99,718	76,939
Term bank deposits	707,851	1,320,868
Total	807,569	1,397,807

5. DEBT SECURITIES**(A) CLASSIFICATION OF DEBT SECURITIES IN PORTFOLIOS ACCORDING TO THE COMPANY'S PLANS**

	2005	2004
Debt securities held to maturity	4,625,851	2,653,723
Debt securities valued at fair value against expense and income accounts	722,969	–
Debt securities for sale	17,201,950	15,883,317
Total	22,550,770	18,537,040

(B) ANALYSIS OF DEBT SECURITIES HELD TO MATURITY

	2005 Accrued value	2004 Accrued value
Issued by financial institutions		
– listed on another market	530,652	503,724
Issued by non-financial institutions		
– listed on a stock exchange in the Czech Republic	1,092,353	1,080,159
Issued by the government sector		
– listed on a stock exchange in the Czech Republic	3,002,846	1,069,840
Total	4,625,851	2,653,723

Securities listed on a different securities market are traded on the Luxembourg stock exchange.

(C) ANALYSIS OF DEBT SECURITIES FOR SALE

	2005 Market price	2004 Market price
Issued by financial institutions		
– listed on a stock exchange in the Czech Republic	755,945	519,796
– listed on another securities market	3,257,067	2,812,389
Total	4,013,012	3,332,185
Issued by non-financial institutions		
– listed on a stock exchange in the Czech Republic	2,318,690	2,783,621
– listed on another securities market	1,100,156	1,105,041
Total	3,418,846	3,888,662
Issued by the government sector		
– listed on a stock exchange in the Czech Republic	8,058,424	7,401,973
– listed on another securities market	1,447,598	1,122,091
Total	9,506,022	8,524,064
Issued by insurance organisations		
– listed on a stock exchange in the Czech Republic	264,070	138,406
Total	17,201,950	15,883,317

Securities listed on a different securities market are traded mainly on the Luxembourg, Vienna, Bratislava and Warsaw stock exchanges.

The Company holds the CIS Plus security – a zero coupon bond issued by Erste Bank, which is accepted for trading on the Vienna Stock Exchange. The fair value of this investment instrument depends on the value of the equity capital of foreign mutual hedging funds. The fair value as at 31 December 2005 was CZK 531 million; the duration of the security is 3.5 years.

The Company also holds ECL debt securities issued by European Credit Luxembourg and 5YELN debt securities issued by JP Morgan Chase Bank N.A. Both securities have been accepted for trading on the Luxembourg stock exchange. In accounting, in accordance with the issue conditions, the income from the holding of the ECL security is posted in the Company's interest income and the amount depends on the current development of the market price on the European corporate bond market with an investment level rating of BBB. The amortised value as at 31 December 2005 was CZK 1,100 million and the bonds mature in 2009. The 5YELN is a zero-coupon bond, and the amount of income from its holding is tied to the growth of major global stock indices. The company, on the basis of an analysis of available information, has determined the market value of the instrument as at 31 December 2005 at 105 – 108% of the principal. Given the impossibility of determining the fair value with sufficient certainty, the unrealised revenue from holding the instrument is not posted. As at the date of the financial statement, the written-down value of these bonds is CZK 200 million and the duration is 4.5 years.

(D) ANALYSIS OF DEBT SECURITIES VALUED AT FAIR VALUE AGAINST COST AND INCOME ACCOUNTS

	2005 Market price	2004 Market price
Issued by financial institutions		
– listed on another securities market	504,517	–
Issued by non-financial institutions		
– listed on another securities market	218,452	–
Total	722,969	–

The securities listed on another securities market are traded on the Luxembourg and Dublin stock exchanges.

6. SHARES, MUTUAL FUND CERTIFICATES AND OTHER OWNERSHIP INTERESTS

(A) CLASSIFICATION OF SHARES, MUTUAL FUND CERTIFICATES AND OTHER OWNERSHIP INTERESTS INTO VARIOUS PORTFOLIOS ACCORDING TO THE COMPANY'S PLANS

	2005	2004
Shares, mutual fund certificates and other ownership interests for sale	2,132,108	1,053,103
Total	2,132,108	1,053,103

(B) ANALYSIS OF SHARES, MUTUAL FUND CERTIFICATES AND OTHER OWNERSHIP INTERESTS FOR SALE

	2005 Market price	2004 Market price
Issued by financial institutions		
– listed on the stock exchange in the Czech Republic	137,640	179,960
– listed on another securities market	446,918	–
Total	584,558	179,960
Issued by non-financial institutions		
– listed on the stock exchange in the Czech Republic	1,258,425	805,547
– listed on another securities market	289,125	67,596
Total	1,547,550	873,143
Total issued by financial and non-financial institutions	2,132,138	1,053,103

The securities listed on another securities market are traded on the Vienna and Dublin stock exchanges and in the USA.

The Company also holds unit certificates issued by Opus Fund Limited, accepted for trading in Dublin; their fair value is derived from the shareholders' equity of foreign hedging unit funds.

7. INTANGIBLE FIXED ASSETS

Changes in intangible fixed assets

	Goodwill	Software	Valuable rights	Total
Acquisition price				
As at 31 December 2004	853	34,702	14,685	50,240
Gains	–	1,171	66	1,237
Losses	–	(1,810)	–	(1,810)
As at 31 December 2005	853	34,063	14,751	49,667
Adjustments and adjusting entries				
As at 31 December 2004	412	22,390	12,436	35,238
Annual write-offs	56	3,155	943	4,154
Losses	–	(1,810)	–	(1,810)
As at 31 December 2005	468	23,735	13,379	37,582
Residual price				
As at 31 December 2004	441	12,312	2,249	15,002
As at 31 December 2005	385	10,328	1,372	12,085

8. TANGIBLE FIXED ASSETS

Changes in tangible fixed assets

	Land and buildings	Vehicles	Machinery and equipment	Inventory and minor assets, including advances	Total
Acquisition price					
As at 31 December 2004	17,027	11,699	53,522	13,922	96,170
Gains	–	3,307	11,317	2,229	16,853
Losses	(17,027)	(3,714)	(25,102)	(2,872)	(48,715)
As at 31 December 2005	–	11,292	39,737	13,279	64,308
Adjustments and adjusting entries					
As at 31 December 2004	1,740	4,916	34,365	10,458	51,479
Annual depreciation	538	2,697	8,342	1,602	13,179
Losses	(2,278)	(2,416)	(18,109)	(2,593)	(25,396)
As at 31 December 2005	–	5,197	24,598	9,467	39,262
Residual price					
As at 31 December 2004	15,287	6,783	19,157	3,464	44,691
As at 31 December 2005	–	6,095	15,139	3,812	25,046

All the company's assets are classified in the operating assets group. In the profit and loss account, on the line "Depreciation, creation and use of provisions and adjusting entries for tangible and intangible assets", CZK 17,446,000 is posted. The difference of CZK 113,000 is the residual value of the assets after the additional write-off due to asset liquidation.

9. OTHER ASSETS

	2005	2004
Other cash values	1,484	69
Other debtors	7,991	8,636
Receivables against a state contribution	253,587	220,542
Receivables against income tax	2,021	9,179
Receivables from securities trading	100,227	28,724
– Of this against companies in the Group	15,896	5,107
Positive value of derivatives	4,838	1,268
Others	8	66
Adjusting entries	(3,184)	(2,569)
Total	366,972	265,915

More detailed comments on the item "Receivables against a state contribution" are given in Note 12. Receivables from securities trading are primarily due coupons and dividends. These receivables were paid within their maturity period at the beginning of 2006.

10. ACCRUALS AND DEFERRALS

The company reports active prepayments and accrued income of CZK 570,975,000 (2004: CZK 429,143,000), of this CZK 569,182,000 (2004: CZK 424,230,000) is accrued acquisition costs and CZK 1,793,000 (2004: CZK 4,913,000) other prepaid assets.

11. PLAN-HOLDER'S FUNDS

	2005	2004
Balance as at 1 January		
Contributions from plan-holders and employers	15,607,764	12,075,743
Credited appreciation	1,332,024	1,055,374
State contribution	3,218,028	2,652,309
Total plan-holder funds	20,157,816	15,783,426
Increases		
Contributions from plan-holders and employers	5,406,120	4,953,793
Credited appreciation	600,970	436,167
Appreciation transferred from other pension funds	42,495	23,810
State contributions	1,026,496	836,153
Total increases	7,076,081	6,249,923
Decreases		
Benefits		
Contributions from plan-holders and employers	1,933,230	1,385,767
Credited appreciation	265,245	181,535
State contributions	373,653	219,474
Total benefits	2,572,128	1,786,776
Number of benefits paid out	80,215	62,490
Returns and transfer to income		
Contributions from plan-holders and employers	64,390	36,005
Credited appreciation	3,556	1,792
State contributions	52,987	50,960
Returns and transfer of income	120,933	88,757
Total decreases	2,693,061	1,875,533
Balance as at 31 December		
Contributions from plan-holders and employers	19,016,264	15,607,764
Credited appreciation	1,706,688	1,332,024
State contributions	3,817,884	3,218,028
Total plan-holders' funds	24,540,836	20,157,816

The balance sheet item "Unallocated plan-holders' contributions", of CZK 73,296,000 (in 2004: CZK 80,250,000) is liabilities to plan-holders accepted for identification, and it is part of the "Plan-holders' contributions" item. This item also includes prepared benefits for payment, of CZK 44,898,000 (2004: CZK 39,762,000), deducted from the current account in early January 2006. The unpaid state contribution for the fourth quarter of 2005, of CZK 253,587,000 (2004: CZK 220,542,000) is included in the overall amount of the item "State contributions".

The balance sheet item "Receivables against the state budget – state contribution" includes a receivable against the Ministry of Finance of the Czech Republic as at 31 December 2005 based on clients' claims for state contributions of CZK 253,587,000 (2004: CZK 220,542,000), payable in February 2006. In 2006, the company expects to distribute at least 85% of the 2005 profit among plan-holders.

12. OTHER LIABILITIES

	2005	2004
Trading liabilities	7,495	19,771
Negative value of derivatives	7,812	13,402
Tax liabilities	9,547	6,316
Returned state contributions	3,789	4,115
Payables to employees and from social security	5,500	6,496
Estimated liabilities	20,914	3,326
Total	55,057	53,426

The estimated liabilities of CZK 20,914,000 (2004: CZK 3,326,000), include, mainly, bonuses for the second half paid out with January 2006 salaries, and liabilities for commissions to companies for organising collective payments. Tax liabilities comprise, mainly, the withdrawal tax on benefits paid, of CZK 7,941,000 (2004: CZK 5,048,000) and taxes on dependant activity, on salaries for December 2005.

13. PROVISIONS

The company creates a provision for pensions according to the methods specified in Note 3 (J):

	Pension provision
Balance as at 1 January 2005	14,803
Creation	4,294
Dissolution	(4,652)
Drawing	(749)
Balance as at 31 December 2005	13,696

The following significant economic and actuarial – technical assumptions were used in the calculation as at 31 December 2005:

- The model costs of the pension fund were derived from actual administrative, investment and acquisition costs. On the basis of these figures, the cost per plan-holder in the pension payment stage was set for 2005. In projecting these costs forward we assumed an annual cost inflation on the basis of market conditions.
- The best estimates of the fund's future income valid on 31 December 2005 were used in projecting future income and setting discount rates. In accordance with the existing procedure the model presumed that 85% of the annual profit would be credited to the plan-holders' accounts.
- Decrements used in modeling the pension plan-holders' departures:
 1. The probability of death is based on the Czech Statistical Office 2003 population tables, modified to reflect the trend of improvements in the death rate.
 2. The percentage of plan-holders selecting a pension instead of a lump sum settlement and of the probability of the departure of plan-holders (transfers to other pension fund or cancellations) is based on the company's experience thus far. The projection is based on the status quo and assumes an increasing percentage of plan-holders electing pensions.

Pension option

As at 31 December 2005, the value of the Company's pension option for the portfolio of plan-holders in the saving stage is positive. The company has, therefore, dissolved a portion of the reserve created in previous fiscal periods.

14. TRANSACTIONS WITH COMPANIES IN THE GROUP

Summary of receivables against and payables to companies in the Group:

2005	Income	Expenses	Receivables	Payables
Česká pojišťovna a.s.	6,551	2,710	3,940	1
eBanka, a.s.	–	2,448	–	116
Home Credit a.s.	416	–	–	–
HC Holding a.s.	45,713	–	–	–
PPF Asset Management a.s.	–	39,458	32	–
PPF banka a.s.	–	(92)	3	–
Temposervis, a.s.	–	34	–	–
Home Credit Finance Bank o.o.o.	14,131	2,314	12,936	–

2004	Income	Expenses	Receivables	Payables
Česká pojišťovna a.s.	9,149	1,797	2,823	993
eBanka, a.s.	–	1,463	–	113
ČP Leasing, a.s.	10,918	392	–	–
Home Credit Finance a.s.	39,998	–	–	–
PPF Asset Management a.s.	182	34,144	2,284	1,700
ČP DIRECT, a.s.	–	4	–	–
PPF banka a.s.	2,305	516	–	647
ČP PARTNER, a.s.	–	1,335	–	–
Temposervis, a.s.	–	35	–	2
InWay, a.s.	–	128	–	21

In addition, the Company holds the following bonds issued by enterprises within the Group and bonds issued by the companies in which Group companies exercise significant influence:

ISIN	Group Company	Number of bonds	Market value in CZK '000
CZ0003700569	Česká pojišťovna a.s.	264	264,070
CZ0003501264	Home Credit a.s.	500	510,156
CZ0003501314	HC Holding a.s.	497	500,790
XS0221878720	Home Credit Finance Bank o.o.o.	120	298,108
XS0237063184	Home Credit Finance Bank o.o.o.	40	145,705
XS0237063267	Home Credit Finance Bank o.o.o.	40	145,683

15. REGISTERED CAPITAL

The Company's registered capital as at 31 December 2005 was CZK 213,700,000 (2004: CZK 213,700,000) and consisted of 213,699,560 registered shares with a nominal value of CZK 1.

Within the meaning of Sec. 183i and ff. of the Commercial Code, the General Meeting of Penzijní fond České pojišťovny, a.s., on 18 August 2005 approved the transfer of the ownership of all shares held by the shareholders of the Company other than the main shareholder, Česká pojišťovna a.s. The performance provided in return to the minority shareholders was CZK 13.40 per share of the company with a nominal value of CZK 1.

Shareholders of the Company as at 31 December 2005:

Name	Registered office	Number of shares quantity of shares	Shares in the registered capital in %
Česká pojišťovna a.s.	Czech Republic	213,699,560	100

16. INTEREST INCOME AND SIMILAR INCOME

	2005	2004
Interest earned on current accounts	9,552	9,775
Interest earned in term deposits	22,762	26,776
Interest earned on debt securities	692,330	527,533
Total interest	724,644	564,084

17. INCOME AND EXPENSES AND COMMISSIONS

	2005	2004
Commissions to supplementary pension insurance brokers	146,828	105,934
Bank fees, security market fees, and Securities centre fees	7,345	11,863
Fees to portfolio managers	45,002	47,688
Total fees and commissions expenses	199,175	165,485
Income from fees and commissions	1,099	1,168
Total income from fees and commissions	1,099	1,168

18. PROFIT OR LOSS FROM FINANCIAL TRANSACTIONS

	2005	2004
Profit/loss from securities operations	615,235	529,037
Profit/loss from derivatives operations	(3,749)	(57,912)
Foreign currency differences	(4,661)	(21,847)
Others	–	8,153
Total	606,825	457,431

19. PERSONNEL EXPENSES

	Average number of employees	Payroll expenses and bonuses	Social and health insurance	Social expenses
2005				
Employees and managers	89	46,040	15,430	1,868
Member of the Board and Supervisory Board	12	2,004	–	–
Total	89*	48,044	15,430	1,868
2004				
Employees and managers	112	52,099	19,970	2,224
Member of the Board and Supervisory Board	24	2,588	–	–
Total	112*	54,687	19,970	2,224

* The total only includes employees and managers. Some members of the statutory bodies are also employees of the company.

20. OTHER OPERATING INCOME AND EXPENSES

	Expenses	Income	Balance
Leasing real estate, including services	202	972	770
Insurance	299	294	(5)
Divestment of tangible assets	22,351	20,583	(1,768)
Plan-holder contributions	255	5,546	5,291
Pensions	146	–	(146)
Others	2,229	9	(2,220)
Other operating costs and income	25,482	27,404	1,922

At the end of 2005, the Company sold its building and land in Brno and unwanted assets obtained through the merger with Nový ČP penzijní fond, a.s.

21. INCOME TAX AND DEFERRED TAX LIABILITY/RECEIVABLE**(A) DEFERRED TAX LIABILITY/RECEIVABLE**

The Company's management presumes that the present and future level of taxable income will not suffice to cover the calculated deferred tax receivable and therefore it is not reported in its financial statement as at 31 December 2005.

(B) INCOME TAX DUE

	2005	2004
Profit or loss for the year before tax	967,336	707,025
Income exempt from tax	(867,858)	(734,976)
Non-deductible tax expenses	44,424	53,253
Applied tax exemptions and set-offs	(1,913)	–
Deduction of tax losses	(141,989)	(25,302)
Sub-total	–	–
Income tax calculated using the 5% tax rate (2004: 15%)	–	–

2004 values are provided on the basis of the actual tax return – the Notes to the 2004 Financial Statements only included preliminary figures.

22. OTHER ADMINISTRATIVE EXPENSES

Overall other administrative costs for the fiscal year ending 31 December 2005 were CZK 104,022,00 (2004: CZK 102,186,000).

	2005	2004
Postage and telecommunication charges	23,880	22,161
Material for clients	18,670	22,634
Promotion and advertising	7,406	10,951
Equipment maintenance and software support	4,997	8,042
Lease	19,717	13,789
Audit, legal services and tax consulting	11,470	11,438
Staff training	1,711	1,802
Scanning and archiving	5,184	–
Other	10,987	11,369
Total of other administrative expenses	104,022	102,186

23. OFF-BALANCE SHEET ITEMS

(A) OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

	Contractual amounts		Fair value	
	2005	2004	2005	2004
Term currency instruments				
Term currency transactions (purchase)	3,003,596	730,680	–	–
Term currency transactions (sale)	2,997,044	718,021	(2,973)	(12,134)

All of these financial instruments were negotiated on the inter-bank market (OTC).

(B) RESIDUAL MATURITY OF FINANCIAL DERIVATIVES

The figures below represent the allocation of the nominal values of the individual financial derivatives to their residual time to maturity.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
As at 31 December 2005						
Term currency instruments						
Term currency transactions (purchase)	3,003,596	–	–	–	–	3,003,596
Term currency transactions (sale)	2,997,044	–	–	–	–	2,997,044
As at 31 December 2004						
Term currency instruments						
Term currency transactions (purchase)	730,680	–	–	–	–	730,680
Term currency transactions (sale)	718,021	–	–	–	–	718,021

(C) VALUES HANDED OVER FOR MANAGEMENT

	2005	2004
Bank accounts and term deposits	711,413	1,323,079
Bonds	22,550,770	18,537,040
Shares	2,132,108	1,053,103
Coupons and dividends due	101,624	27,666
Fair value of derivatives	(2,973)	(12,134)
Total	25,492,942	20,928,754

24. FINANCIAL INSTRUMENTS – MARKET RISK

The company is exposed to market risks arising from the open positions of transactions with interest rates, equity and currency instruments which are sensitive to changes on the financial markets.

(A) RISK MANAGEMENT

The investment strategy of the company is to achieve market appreciation of invested funds, whilst minimizing the market risks of the investment portfolio. The basic instruments for risk management are limits on the proportion of individual types of financial instruments in the company's portfolio under Act No. 42/1994 Coll., on state-contributory supplementary pension insurance, and the investment strategy of the company, which is stipulated in accordance with the law.

(B) LIQUIDITY RISK

Liquidity risk includes the risk that the company cannot finance its assets using instruments with the appropriate maturity and the risk that the company cannot dispose of its assets for the appropriate price within a reasonable time.

On the liabilities side, the company reports contributions received from plan-holders, the state and third parties for the benefit of plan-holders. The company's shareholders' equity is a minority source of financing. It is impossible to determine a residual maturity for liabilities from retirement income insurance contributions, because their character and the possibility of plan-holders claiming the payment of benefits at any time after the claim becomes effective, or the payment of a surrender value after the contract has been in force for 12 months. The company reported CZK 5,495,361,000 (2004: 5,066,286,000) on these liability accounts on behalf of plan-holders who were entitled to a pension benefit but have yet to apply for payment.

The company regularly evaluates its liquidity risk, in particular by monitoring changes in the structure of incoming and outgoing plan-holders' contributions. It is a part of the Company's liquidity risk management strategy to hold a portion of its assets in highly liquid funds, such as government treasury notes and similar government bonds.

Residual maturity of the Company's assets and liabilities

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
As at 31 December 2005						
Cash in hand	76	–	–	–	–	76
Receivables against banks	807,569	–	–	–	–	807,569
Other zero-coupon bonds	–	181,884	1,631,353	530,652	–	2,343,889
Government debt securities	105,255	1,232,947	5,375,454	4,347,614	–	11,061,270
Other debt securities	115,082	975,435	6,199,251	1,855,843	–	9,145,611
Shares, mutual fund certificates and other ownership interests	–	–	–	–	2,132,108	2,132,108
Other assets	364,951	2,021	–	–	608,106	975,078
Total	1,392,933	2,392,287	13,206,058	6,734,109	2,740,214	26,465,601
Liabilities from supplementary pension insurance contributions	44,898	–	–	–	24,495,938	24,540,836
Other liabilities	55,057	–	–	–	–	55,057
Accruals and deferrals	–	–	–	–	2,567	2,567
Provisions	–	13,696	–	–	–	13,696
Shareholder's equity	–	–	–	–	1,853,445	1,853,445
Total	99,955	13,696	–	–	26,351,950	26,465,601
Difference	1,292,978	2,378,591	13,206,058	6,734,109	(23,611,736)	–
Accumulated difference	1,292,978	3,671,569	16,877,627	23,611,736	–	–
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
As at 31 December 2004						
Cast in hand	35	–	–	–	–	35
Receivables against banks	1,397,807	–	–	–	–	1,397,807
Government zero-coupon bonds	996,612	791,617	–	–	–	1,788,229
Other zero-coupon bonds	–	–	1,353,366	503,724	–	1,857,090
Government debt securities	629,035	1,955,625	2,823,819	1,275,105	–	6,683,584
Other debt securities	103,525	1,439,499	5,709,640	955,473	–	8,208,137
Shares, mutual fund certificates and other ownership interests	–	–	–	–	1,053,103	1,053,103
Other assets	252,822	13,093	–	–	488,836	754,751
Total	3,379,836	4,199,834	9,886,825	2,734,302	1,541,939	21,742,736
Liabilities from supplementary pension insurance contributions	39,763	–	–	–	20,118,053	20,157,816
Other liabilities	53,426	14,803	–	–	3,131	71,360
Shareholder's equity	–	–	–	–	1,513,560	1,513,560
Total	93,189	14,803	–	–	21,634,744	21,742,736
Difference	3,286,647	4,185,031	9,886,825	2,734,302	(20,092,805)	–
Accumulated difference	3,286,647	7,471,678	17,358,503	20,092,805	–	–

The above tables show the residual maturity of the accounting values of the individual financial instruments, not of all of the financial flows from those instruments.

(C) INTEREST RATE RISK

The tables below summarise the discrepancy between interest rate-sensitive assets and liabilities of the Company. The accounting value of these assets and liabilities and the nominal (ideal) value of interest rate derivatives are included in the period in which they mature or when the interest rate changes, whichever is earlier. Due to the expected premature repayment or undefined maturity, certain assets or liabilities are allocated into individual time-periods on the basis of an expert estimate.

Interest rate sensitivity of the Company's assets

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
As at 31 December 2005					
Receivables against bank	807,569	–	–	–	807,569
Other zero-coupon bonds	–	181,884	1,631,353	530,652	2,343,889
Government debt securities	105,255	1,232,947	5,375,454	4,347,614	11,061,270
Other debt securities	714,887	5,304,884	2,571,445	554,395	9,145,611
Total	1,627,711	6,719,715	9,578,252	5,432,661	23,358,339
As at 31 December 2004					
Receivables against bank	1,397,807	–	–	–	1,397,807
Government zero-coupon bonds	996,612	791,617	–	–	1,788,229
Other zero-coupon bonds	–	–	1,353,366	503,724	1,857,090
Government debt securities	629,035	1,955,625	2,823,819	1,275,105	6,683,584
Other debt securities	453,525	5,522,885	1,675,437	556,290	8,208,137
Total	3,476,979	8,270,127	5,852,622	2,335,119	19,934,847

The above summary only includes interest rate-sensitive assets and is not identical to the values shown in the Company's balance sheet.

(D) EQUITY RISK

Equity risk is the risk of a movement in the prices of equity instruments held in the company's portfolio and the financial derivatives from these instruments. The risks associated with equity instruments are managed through trading limits. The methods used to manage these risks are described in the "Risk management" section (Note 25 (A)).

(E) CURRENCY RISK

Assets and liabilities in foreign currencies, including off-balance involvement, represent a currency risk for the Company. Both realised and unrealised foreign currency gains and losses are reflected directly in the profit and loss account. The Company's foreign currency position is as follows:

The foreign currency position of the Company

	EUR	USD	SKK	CZK	Others	Total
As at 31 December 2005						
Cash in hand	–	–	–	76	–	76
Receivables against banks	57	1,013	72	806,345	82	807,569
Government debt securities	–	–	–	11,061,270	–	11,061,270
Other debt securities	942,660	298,109	445,811	9,110,509	692,411	11,489,500
Shares, mutual fund certificates and other ownership interests	312,462	289,125	–	1,530,521	–	2,132,108
Other assets	–	13,551	–	961,527	–	975,078
Total	1,255,179	601,798	445,883	23,470,248	692,493	26,465,601
Plan-holders' funds	–	–	–	24,540,836	–	24,540,836
Other liabilities	–	–	–	55,057	–	55,057
Accruals and deferrals	–	–	–	2,567	–	2,567
Provisions	–	–	–	13,696	–	13,696
Shareholder's equity	–	–	–	1,853,445	–	1,853,445
Total	0	0	0	26,465,601	0	26,465,601
Short positions on off-balance sheet instruments	(1,269,279)	(687,355)	(419,157)	–	(621,253)	(2,997,044)
Long positions on off-balance sheet instruments	–	78,623	–	2,924,969	–	3,003,592
Net FX position	(14,100)	(6,934)	26,726	(70,384)	71,240	6,548

	EUR	USD	SKK	CZK	Ostatní	Celkem
As at 31 December 2004						
Cash in hand	–	–	–	35	–	35
Receivables against banks	555	133	281,487	1,115,641	(9)	1,397,807
Government debt securities	–	–	–	8,471,813	–	8,471,813
Other debt securities	–	–	446,300	8,943,136	675,791	10,065,227
Shares, mutual fund certificates and other ownership interests	–	67,596	–	985,507	–	1,053,103
Other assets	–	342	–	325,266	–	325,608
Accruals and deferrals	–	–	–	429,143	–	429,143
Total	555	68,071	727,787	20,270,541	675,782	21,742,736
Plan-holders' funds	–	–	–	20,157,816	–	20,157,816
Other liabilities	–	342	–	53,084	–	53,426
Accruals and deferrals	–	–	–	3,131	–	3,131
Provisions	–	–	–	14,803	–	14,803
Shareholder's equity	–	–	–	1,513,560	–	1,513,560
Total	0	342	0	21,742,394	0	21,742,736
Short positions on off-balance sheet instruments	–	(63,623)	–	–	(654,398)	(718,021)
Long positions on off-balance sheet instruments	–	–	–	730,680	–	730,680
Net FX position	555	4,106	727,787	(741,173)	21,384	12,659

25. SIGNIFICANT EVENTS AFTER THE FINANCIAL STATEMENT DATE

No changes that could significantly influence the financial standing of the Company have taken place between the balance sheet date and the date of producing the financial statements.

Report on Relations between Related Entities

in the 2005 fiscal year

The company Penzijní fond České pojišťovny, a.s., registered office Truhlářská 1106/9, Post Code 110 00, Prague 1, Czech Republic, Company No. 61858692 (hereinafter referred to as the "Company"), is obliged to compile a "Report on Relations between Related Entities" for the 2005 fiscal year pursuant to Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended.

The Company and PPF Asset Management a.s., registered office Prague 4, Na Pankráci 121/1658, Post Code 140 21, Company No. 25629123, have concluded the following deeds:

- Amendment No. 4 of 31 December 2004 (effective from 1 January 2005) to the Management Contract of 1 February 2004, replacing and modifying Appendix 6, concerning the portfolio specification and investment policy,
- Amendment No. 5 of 30 June 2005 to the Management Contract of 1 February 2004, replacing and modifying Appendix 4 concerning the rules for remuneration calculation,
- Amendment No. 6 of 31 August 2005 to the Management Contract of 1 February 2004, replacing and modifying article VII, concerning the manner of communication.

The Company and Česká pojišťovna a.s., registered office Prague 1, Spálená 75/16, Post Code 113 04, ID no. 45272956, have concluded the following deeds:

- Amendment no. 1 of 29 June 2005 to the Contract on Leasing Non-Residential Premises in Ostrava-Dubina, Horní 73, of 23 August 2004, increasing the annual rent and payments for electricity, water and sewage,
- Amendment no. 1 of 21 July 2005 to the Contract on Leasing Non-Residential Premises in Pilsen, Slovanská alej 24A, of 6 December 2004, increasing the annual rent and payments for electricity, water and sewage,
- Amendment no. 1 of 12 May 2005 to the Contract on Leasing Non-Residential Premises in Žatec, Obránců míru 2767, of 1 December 2003, increasing the annual rent and payments for electricity, water and sewage,
- Purchase contract of 10 January 2005, on the basis of which the Company sold a passenger car for a consideration,
- Contract on co-financing motivational competitions for retailers in the ČP Financial Group, dated 29 September 2005.

The Company and PPF banka a.s., registered office Prague 4, Na Strži 1702/65, Post Code 140 62, ID no. 47116129, terminated the following deeds:

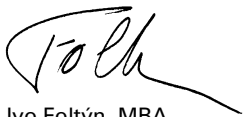
- Contract on Leasing and Sub-licensing, of 9 August 2004, on the basis of which the company used equipment and a licence for the Bloomberg information system, as at 10 January 2005.

All of these contracts were concluded under the usual conditions for business relations (at arms length), and all performances rendered and received pursuant to these contracts were also rendered under the usual conditions for business relations, and the Company did not suffer any damage from these contracts.

The Company did not take or accept any measures or legal acts during the 2005 fiscal year in the interest or at the urging of related entities.

The statutory body of the Company declares that it compiled this report with due professional care and that the information contained in this report is accurate and complete.

Prague, 16 February 2006



Ivo Foltýn, MBA

Chairman of the Board of Directors
and CEO

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