

# Reliability to the Fourth Power



One in every four supplementary pension insurance policies purchased in the Czech Republic bears the logo of Penzijní fond České pojišťovny. Close to 1.2 million clients have entrusted their savings to the largest Czech supplementary pension insurance provider in order to be working with a stable and reliable partner who is able offer a wide range of products. Penzijní fond České pojišťovny has long been the most dynamic and fastest growing pension fund in the Czech Republic.

Penzijní fond České pojišťovny is 100% owned by the Česká pojišťovna insurance company. The fund's mission is to be the leading and most trusted and reliable provider of supplementary pension insurance with government contributions. The pension fund's key objectives are to continue increasing its share of the insurance market, to effectively manage the entrusted funds and to provide high quality services.

# Contents

Company Profile	2
Key Financial Indicators	4
Organizational Structure	4
Statutory Bodies	5
ntroduction by the CEO	6
Report on the Company's Activities	g
Report of the Supervisory Board	12
Translation of Independent Auditor's Report to the Financial Statements	13
Balance Sheet	14
Off Balance Sheet	15
Statement of Changes in Shareholders' Equity	16
Profit and Loss Statement	17
Supplement to the Financial Statements	18
Report on Relations Among Related Entities	38
Translation of Independent Auditor's Report to the Annual Report	39

# Company Profile

Name:Penzijní fond České pojišťovny, a.s.Address:Truhlářská 1106/9, 110 00 Prague 1

Legal Form:Joint-stock companyEstablishment Date:September 19, 1994

Business ID No.: 61858692

**Registration:** Commercial Registry of the Municipal Court in Prague, B: 2738

Owner (ownership interest

in registered capital): Česká pojišťovna a.s. (100%)

Registered Capital: CZK 213,700,000

#### Historical Milestones

- 1994 Founding of the Company
- 1996 Number of pension fund clients passes the 100,000 mark.
- 1998 Restructuring of the Company, leading to an increase in the fund's financial returns and business results.
- 1999 Creation of a special sales department exclusively devoted to serving our corporate customers.
- 2001 Supplementary pension insurance becomes part of a package of services offered to corporate clients as the "Česká pojišťovna Employee Benefits Program".
- 2002 Assets under management surpasses CZK 10 billion.

- 2003 Merger with the ČP penzijní fond (formerly the Commercial Union penzijní fond) and further acceleration in corporate growth.
- 2004 Merger with Nový ČP penzijní fond (formerly ABN AMRO penzijní fond). Penzijní fond České pojišťovny becomes the market leader in terms of the number of clients.
- 2005 The Company passes the 800,000 clients milestone and receives the MasterCard Bank of the Year award in its category for the first time in its history.
- 2006 Penzijní fond České pojišťovny manages the largest single pool of assets in the Czech private supplementary pension insurance market total assets under management exceed CZK 30 billion.
- 2007 Number of pension fund clients passes the one million mark.
- 2008 Assets under management surpasses CZK 40 billion.

#### Products and Services

Penzijní fond České pojišťovny operates in a highly competitive marketplace for supplementary pension insurance products. Even though the fund's basic range of products is strictly regulated by legislation, the company still wants to distinguish itself from its competitors. The primary tools used to achieve this include, in addition to the product itself, the quality of services provided to clients and business partners, the level of return earned on deposits and the fund's marketing communications.

The core of the fund's product and service portfolio is supplementary pension insurance with a government contribution, along with all legally defined types of pensions – retirement, early retirement, disability and survivor. At the end of the accumulation period, the client has the option of choosing from several different distribution alternatives, which include flexible pension schemes.

In addition to the basic version of its product, the company offers a special product designed for younger clients – the START supplementary pension insurance program – which offers special benefits and which the pension fund sells exclusively through Česká pojišťovna branches and agents. The product is designed for new clients up to age 39. In 2008, the company made the decision to launch another new product. The name of the product is POHODA and it combines the benefits of supplementary pension insurance with the opportunity to invest in mutual funds. The product was developed in partnership with the fund's sister company ČP INVEST.

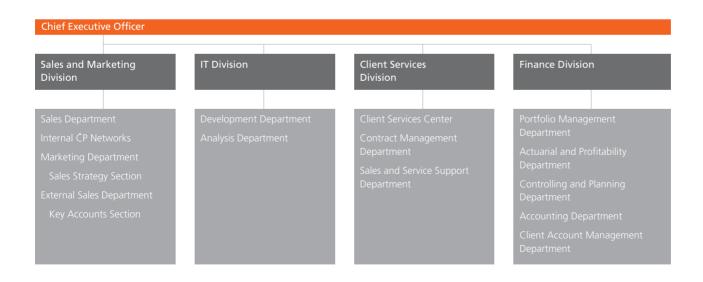
Supplementary pension insurance is also an important part of the Česká pojišťovna Employee Benefits Program, an integrated package of products and services designed for corporate clients. It is a complete package, which includes supplementary pension insurance, life insurance and property insurance, and was developed in partnership with the Česká pojišťovna insurance company.

The key attributes of the services provided by the fund to its clients are speed, accessibility, quality, no hidden costs and innovative approaches. All clients can easily access their account and the related services through an extensive network of Česká pojišťovna branches. Most customer requests and inquiries can also be handled through other direct communication channels – the telephone, the internet and by mail. The fund has recently launched a brand new online communication tool – PEPA (PEnsion Portal Application) – which allows the client to get in touch with and request the services of their financial advisor at any time.

# **Key Financial Indicators**

CZK '000's	2008	2007	2006	2005	2004	2003
Profit	81,354	938,616	1,032,735	967,336	707,025	294,764
Total Net Assets	44,811,073	38,291,304	32,472,450	26,465,601	21,742,736	11,094,736
Registered Capital	213,700	213,700	213,700	213,700	213,700	210,000
Number of Clients	1,160,860	1,079,410	974,115	867,593	770,640	463,948
Returns (% p.a.)	0.2	2.4	3.3	3.8	3.5	3.1
Statutory Reserve Fund	288,379	241,448	189,811	141,445	106,093	57,866

# Organizational Structure



# **Statutory Bodies**

#### **Board of Directors**

#### Ivo Foltýn, MBA

Chairman

Head of CIS Countries, Pensions and Health Insurance, Generali PPF Holding B.V.

#### Tomáš Matoušek, MBA

Vice-Chairman

CEO, Penzijní fond České pojišťovny, a.s., Employee Benefits Officer, Česká pojišťovna a.s.

#### Petr Kopecký

Member of the Board CEO, Generali Pojišťovna a.s

#### Tomáš Machanec, MBA

Member of the Board Head of Non-Life Insurance Products, Česká pojišťovna a.s.

#### Václav Šrajer, MBA

Member of the Board Analysis Department Manager, PPF a.s.

#### Changes to the Board of Directors in 2008

July 1, 2008 – Ivo Foltýn, MBA was appointed as the new chairperson of the board.

#### Supervisory Board

#### Darina Kocsisová, Ph.D.

Chairwoman

Actuarial Department Manager, Generali PPF Holding B.V.

#### Jana Citterbergová

Member of the Board Product Manager, Generali PPF Holding B.V.

#### Martin Dolanský

Member of the Board Product Manager, Generali PPF Holding B.V.

#### Vladimír Filip

Member of the Board

Vice President of Finance, Správa železniční dopravní cesty, s.o.

#### Dott. Lorenzo Kravina

Member of the Board

Area Manager of CEE Countries, Assicurazioni Generali S.p.A.

#### Marcela Středová

Member of the Board Actuary, Generali PPF Holding B.V.

#### Martin Vrba

Member of the Board Head of the Communication Center and Insurance Management Section, Česká pojišťovna a.s.

#### Changes to the Supervisory Board in 2008

July 31, 2008 – Petr Obst resigned from his position as member of the supervisory board; August 4, 2008 – Marek Mastník, MBA was removed from his position as member of the supervisory board; August 4, 2008 – Helena Lazosová was removed from her position as member of the supervisory board; August 4, 2008 – Vít Šroller was removed from his position as member of the supervisory board; August 5, 2008 – Martin Dolanský was appointed as a new member of the supervisory board; August 5, 2008 – Jana Citterbergová was appointed as a new member of the supervisory board; August 5, 2008 – Dott. Lorenzo Kravina was appointed as a new member of the supervisory board; and, on December 31, 2008, Pavel Hlaváč resigned from his position as a member of the supervisory board.

# Introduction by the CEO



#### Dear Shareholders, Clients and Business Partners,

The developments on the global and domestic financial markets that we all witnessed in 2008, and especially during the second half of the year, did not give anyone much reason for optimism. Because of this, I am especially pleased to present the 2008 annual report of our company, which confirms that we were able to do well even in such difficult times. This is largely due to our company's long-term investment strategy and the hard work of our employees, who were able to flexibly respond to the rapidly changing market conditions. In concert with our business partners, we were able to maintain the confidence of our existing clients in our company as well as to sell 174,000 new contracts. This has reaffirmed our leading position on the Czech supplementary pension insurance market. I am confident that our performance, combined with our reliability and the high quality of our services will continue to attract clients and corporate partners in the years ahead.

Practically all sectors, including finance, have had to deal with the consequences of the current global economic recession. One of the triggers behind the recent turbulent events in the global financial and capital markets was the subprime mortgage bubble in the United States. Despite these negative market conditions, Penzijní fond České pojišťovny was able to weather the situation and report a profit of 81 million Czech crowns, notwithstanding the current economic turmoil. In particular, this was possible due to our early reallocation of assets under management into the safety of government bonds. This put us in the category of those financial institutions whose clients in 2008 were not only able to hold onto their savings but also able to earn a return on their investments. We are also confident that the equity part of our investment portfolio is by now well prepared for future growth.

In 2008, pension funds in the Czech Republic continued to see an increase in the number of clients participating; and, by the end of the year, 4.3 million individuals were saving for a pension with total savings approaching the 200 billion crown mark. This is a large base of accumulated financial assets and it further enhances the role of our pension funds as an important contributor to the Czech economy. Compared to our competition, Penzijní fond České pojišťovny once again also did well. The company's 27% share of the market, 1.16 million clients and assets under management of 45 billion Czech crowns makes it by far the number one ranked pension insurance fund on the Czech market. The quality of our services and our strong position were reaffirmed by the awards given to our company in 2008. In the spring, we were once again voted the number one pension fund in the CZECH TOP 100, a prestigious list of top Czech businesses. In November, our fund was the winner of the MasterCard Bank of the Year 2008 award in the pension fund category.

Although the planned overall reform of the pension system was once again postponed in 2008, our fund has continued in its efforts to push for legislative changes, which we believe will improve the existing voluntary pension savings system and make it even more successful. In 2009, we expect to see an amendment to the existing supplementary pension insurance act passed by our lawmakers. The new changes are expected to primarily work to prevent the speculative transfer of clients between pension funds – a practice that could in the future negatively impact the entire sector by burdening it with additional costs. Our company stands prepared to implement the anticipated changes in our systems.

For the upcoming period, we have set ourselves several key objectives. One particular task that I believe to be key will be the company's ability to meet its sales and financial targets and increase its value for the shareholder. As part of this effort, we will be focusing on both the acquisition of new clients and an increase in the regular premiums contributed by our existing clients. We plan to achieve this with the help of various cross-selling activities involving other companies of our parent group and by systematically working with selected groups of clients. We are placing high hopes on a series of new tools, which will help us to better communicate with our financial advisors, such as an online portal for sales reps and a simpler commission system. One of our key tasks is to deal with the current economic situation and to make the right decisions to help us earn a return on the investments of our clients.

A properly designed business strategy, years of experience and the quality of our people are just some of our competitive advantages. For over a year, we have had the backing of a strong international group – Generali PPF Holding. I am confident that this is why we will be able to meet our targets and reaffirm our leading position on the Czech supplementary pension insurance market.

Tomáš Matoušek, MBA

CEO and Vice-Chairman of the Board of Directors

Penzijní fond České pojišťovny, a.s.

# Savings That Beat Time

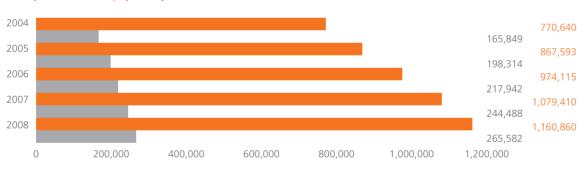


Penzijní fond České pojišťovny offers a full range of services, which are tailored to meet the needs of the client. The fund's clients are able to easily access their account through various types of direct communication channels and through the extensive network of Česká pojišťovna branch offices.

# Report on the Company's Activities

The Penzijní fond České pojišťovny has been active in the Czech supplementary pension insurance market since 1994. Today, after more than a decade in operation, the company continues to maintain its position as the unequivocal leader in this market. Over the past year, the company has seen its long-standing dynamic growth in this market reaffirmed. Due to the hard work of all of its distribution channels, the pension fund now has 1.16 million clients and policyholders, which represents an 8% growth rate over the previous year. The total amount of assets under management has also increased, in this case by 18%, and these are approaching CZK 44 billion. Despite the turbulence in the global capital markets, the company was able to realize profits of CZK 81 million for the past fiscal period. Complementing last year's positive overall results were the awards and recognition that the fund has received. For example, in the spring, the company was once again rated the number one pension fund in the CZECH TOP 100 ranking of leading Czech businesses and in November, Penzijní fond České pojišťovny was the winner of the 2008 MasterCard Bank of the Year award in the pension fund category – an award that is broadly reported on in the media and one in which the company has been in first place in three out of the last four years.

#### Penzijní fond České pojišťovny – Number of Clients



Total Number of Clients of Penzijní fond České pojišťovny

Number of Clients with Employer Contributions

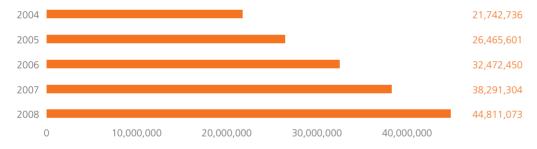
#### **Business Results**

The sales of the company's supplementary pension insurance product are handled through four main distribution channels. The largest number of clients has traditionally come through the agents and branches of the insurance company Česká pojišťovna. This channel is followed by MLM networks, brokerage firms and finally direct marketing. Due to this diversified sales and marketing approach, the pension fund was able to sign a contract with 174,000 new clients last year. The company had a 27% share of the overall supplementary pension insurance market as of the end of 2008, with a total of 1,160,860 clients. The fund has continued to focus on the corporate customer segment, in which the company has a leading market position and the targeting of this particular segment has once against represented an important part of the company's overall business activities. The number of policyholders, where the employer is contributing to their supplementary pension insurance savings, has increased by 9% from the previous year and it now includes a total of 266,000 subscribers. Besides the increasing rate at which employers are enrolling in these pension programs, the growing interest in private pension savings has also been fueled by a revival of the public debate over pension reform in the Czech Republic.

#### **Financial Results**

The positive slope to the company's key financial indicators continued again last year, despite the general downturn in the global capital markets. As of December 31, 2008, the total assets managed by the fund had grown to CZK 44.8 billion, which represented an annual increase of 17%. The total deposits from client policyholders in 2008, including both the related government and employer contributions, was CZK 10.9 billion. Despite the negative environment in the financial markets, the company managed to generate a profit of CZK 81 million.

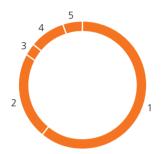
#### Penzijní fond České pojišťovny – Assets Under Management (CZK '000's)



#### Portfolio Management

2008 was the year in which the current financial crisis reached a peak with the global economic crisis deepening. The recent developments in the capital markets have posed the biggest challenges in terms of portfolio management in the history of the company. The ability to safely invest and protect the net asset value of the assets under management has been a top priority over the past year. As part of this effort, the pension fund has further narrowed its focus in the conservatively managed part of its portfolio and it has increased the portion of its total portfolio allocated to government bonds from 49% to 61%. The overall allocation of the portfolio to bonds has grown to 83% and the consequent interest income has significantly contributed to the stabilization of the fund's returns. Due to the above portfolio strategy, the company has been able to realize a positive return on assets under management over the past year.

#### Portfolio Breakdown (%)



1	Government Debt Securities	61
2	Corporate Debt Securities	22
3	Cash and Term Deposits	3
4	Other Assets	9
5	Stocks	5

2008	2007	2006	2005
61	49	52	47
22	20	27	38
3	14	2	3
9	9	7	5
5	8	12	7
100	100	100	100
	61 22 3 9	61 49 22 20 3 14 9 9 5 8	61     49     52       22     20     27       3     14     2       9     9     7       5     8     12

# Report of the Supervisory Board

Report of the supervisory board of the company Penzijní fond České pojišťovny, a.s., on the results of its oversight activities, including its review of the company's regular annual financial statements for the financial year 2008, its review of the report on the relations among the company and other related entities for the financial year 2008 and its opinion on the company's board of director's proposal for the distribution of the company's 2008 profits.

In 2008 all activities of the supervisory board of the company Penzijní fond České pojišťovny, a.s. (the "company") had been carried out in accordance with applicable legal regulations and the company's charter. The supervisory board of the company had been overseeing the company's board of directors while exercising its authority as well as it had been overseeing the business activities of the company.

In accordance with the company's charter and within its scope of authority, the supervisory board of the company held six regular meetings during year 2008. In its meetings, the supervisory board paid special attention to supervision and monitoring of the company's finances, its business activities and performance, status of and returns on its investment portfolio and fulfillment of company's 2008 financial and business plans.

At the beginning of 2008, the supervisory board had the following composition: Vladimír Filip, Pavel Hlaváč, Darina Kocsisová, Helena Lazosová, Marek Mastník, MBA, Petr Obst, Marcela Středová, Vít Šroller and Martin Vrba. This composition changed during year 2008 so that (i) with effectiveness on 31st July Petr Obst ended his membership in the supervisory board and resigned; (ii) as on 4th August, the sole shareholder of the company in its authority of a general meeting of shareholders recalled Helena Lazosová, Marek Mastník and Vít Šroller from their positions in the supervisory board and subsequently appointed Jana Citterbergová, Martin Dolanský and Lorenzo Kravina to be new members of the supervisory board; (iii) as on 31st December Hlaváč resigned from his position in the supervisory board.

The company's board of directors presented to the supervisory board for its consideration the regular financial statements of the company for the financial year 2008, verified by the auditor and the proposal for distribution of profits generated by the company in 2008. The supervisory board also received for its review Report on the relations among related entities for the financial year 2008, prepared in accordance with the provision of § 66a article 9 of the Commercial Code, accuracy of which had also been verified by the auditor. After having reviewed the company's financial results for 2008, the supervisory board submits the following statement to the general meeting of shareholders:

The supervisory board of the company has reviewed the regular financial statements of the company for the financial year 2008 and related auditor's report and, in accordance with the auditor's statement, it has found no impediments. Based on the above mentioned, the supervisory board recommends the general meeting of shareholders to approve the regular financial statements of the company for the financial year 2008. The supervisory board of the company also recommends to the general meeting of shareholders adoption of a decision on distribution of profits generated by the company in 2008, as proposed by the company's board of directors.

Furthermore the supervisory board of the company has reviewed the Report on the relations among related entities for the financial year 2008, prepared in accordance with the provision of § 66a article 9 of the Commercial Code, verified by the auditor and has found nothing that might stand out as a reason for the supervisory board to take a negative position with respect to the contents of the mentioned document.

In Prague, on May 19, 2009

Darina Kocsisová, Ph.D.

D. Kocorroa

Chairwoman of the Supervisory Board

# Translation of Independent Auditor's Report to the Financial Statements



PricewaterhouseCoopers Audit, s.r.o. Kateřinská 40/466 120 00 Prague 2 Czech Republic

Tel.: +420 251 151 111 Fax: +420 251 156 111

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

We have audited the attached financial statements of the company Penzijní fond České pojišťovny, a.s. ('Company') – i.e. the balance sheet prepared as of December 31, 2008, the profit and loss statement, the statement of changes in shareholders' equity for 2008 and the supplement, which includes a description of the key accounting standards used by the Company in the preparation of these documents ('financial statements'). Information about the Company can be found in Section 1 of the supplement to these financial statements.

#### Liability of the Company's Board of Directors for the Financial Statements

The Company's board of directors is responsible for the preparation and accurate presentation of the Company's financial statements, in accordance with Czech accounting standards. It is also responsible for the accuracy of the statements. Part of this responsibility is to propose, implement and carry out internal monitoring of the preparation of the accounting statements and their accuracy in order to make sure that the statements are free of any discrepancies caused by malfeasance or error, to choose and implement appropriate accounting standards and to make accounting determinations as necessary to the given situation.

#### **Auditor's Task**

As the auditor, our task is to issue a statement on the Company's financial reports on the basis of a completed audit. We have completed this audit in conformity with the Czech Act on Auditors and in conformity with international auditing standards and the related applicable requirements of the Czech Chamber of Auditors. Under the above regulations, we are required to adhere to certain ethical standards and to plan and complete the audit in a manner, which will give us a satisfactory degree of certainty that the financial statements are free of any major misrepresentation.

The conduct of the audit involves a series of auditing procedures, the objective of which is to collect evidence supporting the figures and the information included in the financial statements. The selection of the proper auditing procedures to be used depends on the judgment of the auditor. This includes a consideration of the potential risk of the financial statements containing material discrepancies due to malfeasance or error. In evaluating such risks, the auditor considers the internal controls that are relevant to the preparation and accuracy of the financial statements. The objective of such an evaluation is to come up with an appropriate methodology to use for the conduct of the audit. It is not to evaluate or determine the effectiveness of the Company's own monitoring procedures themselves. The audit also includes an evaluation of the accounting methods used in terms of their overall suitability to the task being accomplished, the suitability of the accounting valuation methods used by the management of the Company and an evaluation of the overall presentation of the financial statements.

In our opinion, the evidence we have collected provides an adequate and appropriate basis for the preparation of our auditor's statement.

#### **Auditor's Statement**

It is our opinion that the financial statements provide a fair and honest representation of the Company's financial situation as of December 31, 2008 and its 2008 financial performance in accordance with Czech accounting standards.

February 16, 2009

PricewaterhouseCoopers Audit, s.r.o.

Pricern An Rome Cooper Audit no.

Represented by a Partner

Petr Kříž

Auditor, License No. 1140

PricewaterhouseCoopers Audit, s.r.o.; registered address: Kateřinská 40/466, 120 00 Prague 2; ID no.: 40765521; registration: Commercial Registry of the Municipal Court in Prague, C:3637, listed with the Czech Chamber of Auditors under license no. 021.

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# Balance Sheet As of December 31, 2008 in CZK '000's

As	sets	2008	2007
1	Cash on Hand	94	68
2	Receivables from Banks	1,421,400	5,371,711
	a) Payable on Demand	1,421,400	1,543,687
	b) Other Receivables	0	3,828,024
3	Debt Securities	37,043,812	26,333,945
	a) Issued by Government Institutions	26,091,180	17,440,723
	b) Issued by Other Entities	10,952,632	8,893,222
4	Stocks and Mutual Fund Shares	3,671,688	5,126,619
5	Intangible Fixed Assets	8,159	11,445
6	Tangible Fixed Assets	19,151	20,212
7	Other Assets	1,522,973	457,248
8	Deferred Expenses and Accrued Income	1,123,796	970,056
	Total Assets	44,811,073	38,291,304

Lia	abilities	2008	2007
1	Other Liabilities	44,434,271	37,306,785
	a) Funds of Supplementary Pension Insurance Subscribers	44,154,556	37,182,519
	aa) Policyholder Funds and Government Contributions	40,360,713	34,210,826
	ab) Funds for Pension Payments	44,558	37,365
	ac) Earnings on Policyholder Contributions	3,277,593	2,834,983
	ad) Unallocated Policyholder Contributions	116,044	94,061
	ae) Benefit Payments	355,648	5,284
	b) Other	279,715	124,266
	ba) Trade Liabilities	15,530	16,313
	bb) Employee Liabilities	5,555	3,459
	bc) Social Security Liabilities	2, 888	2,276
	bd) State Budget Liabilities – Government Contributions	1,263	0
	be) State Budget Liabilities – Taxes	14,238	10,236
	bf) Estimated Liabilities and Other Liabilities	240,241	91,982
2	Reserves	7,077	5,982
	For Pensions and Similar Liabilities	6,628	5,982
3	Registered Capital – Paid-In	213,700	213,700
4	Share Issue Premium	50,000	50,000
5	Reserve Funds and Other Funds from Profits	296,342	250,336
	a) Statutory Reserve Funds	288,379	241,448
	b) Other Funds Created from Profits	7,963	8,888
6	Capital Funds	1,745,567	245,567
	a) Shareholder Invested Capital	1,725,753	225,753
	b) Other Capital Funds	19,814	19,814
7	Unrealized Gains and Losses (from Assets and Liabilities)	(2,412,106)	(1,020,689)
8	Retained Profits from Previous Years	394,868	301,007
9	Profit from Current Fiscal Year	81,354	938,616
	Total Liabilities	44,811,073	38,291,304

# Off Balance Sheet As of December 31, 2008 in CZK '000's

Off Balance Sheet Assets	2008	2007
Receivables from Fixed-Term Operations	7,464,488	6,589,015
Managed Assets	41,548,274	36,779,621
Total Off Balance Sheet Assets	49,012,762	43,368,636
Off Balance Sheet Liabilities	2008	2007
Liabilities from Fixed-Term Operations	7,272,530	6,523,274
Total Off Balance Sheet Liabilities	7,272,530	6,523,274

# Statement of Changes in Shareholders' Equity As of December 31, 2008 in CZK '000's

R	egistered Capital	Share Issue Premium	Reserve Funds	Capital Funds	Revaluation Differences	Accumulated Profit from Previous Years	Profit	Total
Balance,								
as of January 1, 2007	213,700	50,000	200,497	245,567	205,915	197,733	1,032,735	2,146,147
Changes to Unrealized Gains or Losses Not								
included in After-Tax Profits	0	0	0	0	(1,226,604)	0	0	(1,226,604)
Net Profit for Fiscal Year	0	0	0	0	0	0	938,616	938,616
Transfers to Funds	0	0	51,637	0	0	103,274	(154,911)	0
Use of Funds	0	0	(1, 798)	0	0	0	0	(1, 798)
Returns Distributed to Policyholders	0	0	0	0	0	0	(877,824)	(877,824)
Balance as of								
December 31, 2007	213,700	50,000	250,336	245,567	(1,020,689)	301,007	938,616	978,537
Changes to Unrealized Gains or Losses Not								
included in After-Tax Profits	0	0	0	0	(1,391,417)	0	0	(1,391,417)
Net Profit for Fiscal Year	0	0	0	0	0	0	81,354	81,354
Transfers to Funds	0	0	46,931	0	0	93,861	(140,792)	0
Use of Funds	0	0	(925)	0	0	0	0	(925)
Returns Distributed to Policyholders	0	0	0	0	0	0	(797,824)	(797,824)
Changes to Shareholders' Equity	0	0	0	1,500,000	0	0	0	1,500,000
Balance as of December 31, 2008	213,700	50,000	296,342	1,745,567	(2,412,106)	394,868	81,354	369,725

# Profit and Loss Statement

As of December 31, 2008 in CZK '000's

		2008	2007
1	Interest Earned and Similar Income	1,509,498	1,043,746
	Interest Income from Debt Securities	1,426,220	957,177
2	Interest Paid and Similar Expenses	0	(11)
3	Income from Shares and Fund Shares	85,524	71,891
4	Income from Fees and Commissions	232	254
5	Expenses Related to Fees and Commissions	(484,649)	(368,126)
6	Profit (Loss) from Financial Transactions	( 747,527	420,959
7	Other Operating Income	6,941	7,131
8	Other Operating Expenses	(1,980)	(965)
9	Overhead Expenses	(265,797)	(220,626)
	a) Personnel Expenses	(80,530)	(67,257)
	aa) Wages and Salaries	(62,213)	(51,182)
	ab) Social Security and Health Insurance	(18,317)	(16,075)
	b) Other Overhead Expenses	(185,267)	(153,369)
	ba) Sales Expenses	(92,238)	(63,324)
	bb) Administrative Expenses	(93,029)	(90,045)
10	Depreciation Related to Tangible and Intangible Fixed Assets	(17,602)	(14,797)
11	Depreciation, Creation and Use of Adjusting Entries and Reserves for Receivables and Guarantees	0	(4,640)
12	Creation and Use of Other Reserves	(3,286)	3, 800
13	Pre-Tax Operating Profit	81,354	938,616
14	Income Tax	0	0
15	After-Tax Profit for Current Fiscal Year	81,354	938,616

# Supplement to the Financial Statements

#### 1. General Information

#### Establishment and Registration of the Company

The company Penzijní fond České pojišťovny, a.s. ('Company'), with its registered address at Truhlářská 1106/9, Prague 1 was established by being listed with the Commercial Registry on September 19, 1994. The Company's identification number is 61858692. The sole shareholder of the Company is Česká pojišťovna a.s.

#### **Subject of Business**

As part of the investment objectives of the parent entity, Assicurazioni Generali S.p.A., the Company's sole shareholder, Česká pojišťovna a.s., became a member (as of January 17, 2008) of the newly setup Generali PPF Holding B.V., based in the Netherlands, owned by Assicurazioni Generali S.p.A. (51%) and PPF Group B.V. (49%).

The Company's business activities are primarily made up of the following:

- a) Collecting funds from supplementary pension insurance policyholders ('policyholder'); and, from the state, in the form of the government contribution provided to qualified policyholders.
- b) Making use of the funds obtained from the above.
- c) Paying supplementary pension insurance benefits.
- d) Other activities directly associated with supplementary pension insurance.

#### Organizational Structure

The Company has the following organizational structure:

- Sales and Marketing Division
- Finance Division
- Client Services Division
- IT Division

Sales are made by external brokers and through the branches of Česká Pojišťovna a.s.

The investment portfolio is managed by Generali PPF Asset Management a.s.

Based on a contract dated June 26, 2003, depository services are provided by UniCredit Bank Czech Republic a.s. ('Depository').

#### 2. Accounting Standards

#### (a) Key Accounting Methods

The Company's financial statements – consisting of a balance sheet, a profit and loss statement, a statement of changes in shareholders' equity and the related supplement – have been prepared in compliance with the Czech Accounting Act, the regulations issued by the Czech Ministry of Finance and in accordance with the Czech accounting standards applicable to financial institutions. The statements apply the principal of using acquisition costs, which have however been modified to reflect the valuation of the financial instruments using their market value (based on their respective expense or income streams) and/or their sale value as financial instruments (market value).

The figures listed in the financial statements have been rounded to thousands of Czech crowns (CZK '000's) – unless otherwise noted.

#### Market Environment

The ongoing global credit crisis that began in 2007 has, among other things, led to lower volumes of trading on capital markets, a reduction in financial sector liquidity and, in some cases, higher interbank interest rates and extreme levels of volatility in stock markets. Future trends in the financial markets are generally hard to predict over a short-term horizon. However, the Company's liabilities towards its clients are, at any given time, guaranteed by its shareholder, Česká pojišťovna a.s.

As part of its financial planning processes, the management of the Company always takes into consideration the current estimates of projected future cashflows in determining whether the valuation of its assets has dropped.

The real value of the Company's investments, as listed on active security exchanges, are based on the current market prices (financial assets) or offered prices (financial liabilities). If there is no active market for a given financial instrument, the Company determines the real value of the given asset using its own valuation methods, which include producing an estimate of value under current market conditions, using a discounted cashflow analysis and other valuation methods, as commonly applied to similar assets. The valuation methods used reflect current market conditions as of the particular valuation date; and, it should be noted that such conditions are not necessarily the same as those existing either before or after such a valuation date.

As of the date of the preparation of the financial statements, the management of the Company has reviewed the accounting methods applied in order to confirm that they adequately reflect the current market conditions, including relative market liquidity and credit terms.

Due to the currently reduced levels of liquidity in financial markets, certain types of financial instruments are no longer actively traded. For such securities, an alternative valuation method has been used, in accordance with the above-described procedures.

#### (b) Foreign Currencies

Financial assets and liabilities listed in a foreign currency have their values converted into Czech crowns using the exchange rate posted by the Czech National Bank ('CNB'), as of the balance sheet date. Any exchange-rate-related profits or losses are reported under the "Profit (Loss) from Financial Transactions".

#### (c) Real or Market Value of Securities

The real value of a security instrument is determined as mid-value on the market, as quoted by the given exchange or other active public trading platform. In all other cases, the real value of the given security is determined as follows:

- As the current value of projected future cashflows for Stocks and Mutual Fund Shares.
- Or, for bonds, as the net current value of the cashflow, reflecting default risks.

In its models, designed for the assessment of the real value of securities, the Company only uses available market information. Its valuation models reflect current market conditions as of the particular valuation date; and, it should be noted that such conditions are not necessarily the same as those existing either before or after such a valuation date. As of the balance sheet date, the management of the Company has reviewed these models in order to confirm that they adequately take into consideration current market conditions, including relative market liquidity and credit terms.

#### (d) Securities Valued Using Market Values Versus Adjustments to Expense or Income Accounts

Securities valued using the real value against adjustments to expense or income accounts have two subcategories: securities held for trading purposes and securities categorized by the accounting unit as a security valued using the real value against adjustments to expense or income accounts during the initial entry into the accounting system. A security is categorized as a security held for trading purposes if it is acquired in order to be sold or settled in the near future or if it is a part of a defined portfolio of financial instruments that are jointly managed with the objective of generating a return on valuation changes over a short-term time horizon. Any security that is a financial asset or a security listed under liabilities and which is subject to this standard may be – during its initial entry into the accounting system – entered as a security valued using its real value against certain respective expense or income accounts – with the exception of policyholder securities and ownership interests that are not publicly traded and the real value of which cannot be reliably assessed and with the exception of securities issued by the Company.

Securities that are valued using their real value against adjustments to expense or income accounts are first valued using their acquisition cost, which includes secondary acquisition costs, and subsequently, they are appraised using their real [market] value. Any related profit (loss) is included in the "Profit (Loss) from Financial Transactions". Spot purchase and sale transactions are accounted for as of the settlement date. Forward transaction instruments are treated as derivatives. Interest earned on securities valued using their real value against adjustments to expense or income accounts is reported as interest income.

#### (e) Securities Held to Maturity

Securities held to maturity are those that have been placed by the Company into this category and also meet the criteria required for such categorization (i.e. they have a fixed maturity date and the Company intends and is able to hold until maturity). Securities held to maturity are valued using their real value or current market value. Any profit of loss in the period, resulting from changes in the value of such securities held to maturity, is reported directly under shareholders' equity.

#### (f) Securities Available for Sale

Securities available for sale are those that have been placed by the Company into this category or securities, which do not meet the criteria for being placed into a different category. These primarily include the shares of companies in which the Company does not have a majority or substantial ownership interest and debt securities held for liquidity management related purposes.

During their initial entry into the accounting system, securities available for sale are valued using their acquisition cost, which includes direct transaction costs; and, they are then valued using their market value.

Any profit or loss resulting from the changes to market values of securities available for sale is – after adjusting for any tax impact – reported directly under shareholders' equity until the time that a sale or reduction in the value takes place. Any accumulated profit or loss, that was originally reported as shareholders' equity is, in such situations, entered into the accounts as income or an expense.

Interest calculated on a straight-line basis, dividends and exchange rate differences related to debt securities are reported in the profit and loss statement. Exchange rate differences related to unsecured equities are reported in the fund from revaluation of shareholders' equity.

#### (g) Financial Derivatives and Hedging

Financial derivatives and currency transactions are initially entered into the balance sheet using their acquisition cost and they are subsequently valued based on their market value. The market value is determined based on quoted market rates, a discounted cash flow or an option-pricing model, which are always based on the best available information in the marketplace. These pricing models reflect current market conditions, existing as of the valuation date, and these conditions are not necessarily those before or after the specific valuation date. As of the balance sheet date, the management of the Company has reviewed these models in order to confirm that they adequately take into consideration current market conditions, including relative market liquidity and credit terms.

All derivative instruments are reported under "Other Assets" if they have a positive market value or under "Other Liabilities", if their market value is negative with respect to the Company.

Derivatives that are part of other financial instruments are accounted for as standalone derivative instruments, provided their risk parameters and other characteristics are not closely tied into the risk parameters and other characteristics of underlying financial instrument and, provided the underlying financial instrument isn't accounted for using a market value adjustment against expense or income accounts.

Valuation differences related to financial instruments available for sale are part of the "Profit (Loss) from Financial Transactions".

The Company sets aside certain derivative instruments for the purpose of hedging the market value of selected assets or liabilities. These hedging instruments can be accounted for as security instruments, provided they meet the following criteria:

- (i) The derivative is in line with the Company's risk management strategy.
- (ii) Prior to it accounting for its hedge, the Company prepares a formal document laying out its general hedging strategy, the risks to be hedged, the hedging instruments to be used and the items to be hedged, along with the respective interrelationships of the above.
- (iii) The hedging documentation verifies that the hedging effectively compensates the Company for the risks associated with the hedged item both at the beginning of and throughout the entire fiscal period.
- (iv) The hedging will be in effect throughout the fiscal period.
- (v) The hedged items are not securities valued using market valuation adjustments against expense or income accounts.

Valuation differences for financial derivatives that meet the criteria for effectively hedging market valuation changes are reported in the profit and loss statement, along with the corresponding valuation changes for the hedged asset or liability, which can be matched against the given hedged risk.

A change to the market value of derivatives used for hedging purposes is reported in the profit and loss statement just like the related valuation differences for the items being hedged (as a consequence of the hedged risk).

There are certain derivatives that do not meet the hedging accounting criteria of the Czech accounting standards – despite the fact that they provide an effective hedging capability in terms of the Company's risk management – and they are therefore accounted for as derivatives available for sale. The valuation differences for these instruments are also reported in the profit and loss statement.

#### (h) Interest Income and Expenses, Dividend Income

The interest earned or paid on any interest bearing instruments is reported on an accrual basis using a straight-line method of accounting for interest payments or an effective interest rate that is derived from the actual acquisition cost in the portfolio of securities being held to maturity.

The effective interest rate method involves the calculation of the accrued value of the financial asset or liability and the spreading of the interest income or expense over the given period. The effective interest rate is the rate that would be used for the discounting of the projected cashflows of the instrument to either the maturity date of the instrument or to the nearest interest rate adjustment date, based on the current value of the respective asset or liability.

The straight-line method is used to approximate the effective interest rate for securities available for sale and for securities valued using their market value adjustment against expense or income accounts. Interest income includes both the coupon related interest due as well as an allocation to compensate for any discount and premium related to the respective fixed income instrument.

Domestic dividend income is accounted for as of the date of the entitlement to receive the dividend (ex-dividend date). Pension funds are not subject to a dividend income related tax liability.

#### (i) Receivables and Adjusting Entries

Receivables are accounted for using their nominal value, reduced by an adjusting entry for any receivables where the payment is judged to be questionable. Non-recoverable receivables are written-off after the end of a debtor's bankruptcy proceedings.

#### (j) Policyholders Funds

Contributions made by policyholders, government contributions and any return or income earned on such contributions are valued using nominal values.

#### (k) Value-Added-Tax

The Company is registered as a value-added-tax (VAT) payer. Due to the nature of the Company's business, it cannot claim back VAT and any VAT paid therefore becomes part of the related expense.

#### (I) Deferred Taxes

Deferred taxes have been calculated to reflect the full potential tax obligation that would apply to the revaluation adjustments of assets and liabilities, based on the current market values compared to residual balance sheet values. Deferred tax receivables are accounted by netting them against projected future taxable profits.

Deferred taxes are estimated using the tax rates approved for the period in which the Company expects the tax to be due.

Tax deferrals that are related to the any market valuation adjustments to securities available for sale are also directly accounted for under shareholders' equity.

#### (m) Reserves

Reserves are created whenever the Company has an existing liability as a result of a past event, there is a likelihood that the Company will need to expend a certain amount of funds to settle this liability and the size of the liability can be appropriately estimated. All reserves are accounted for as liabilities.

The creation of a reserve is reported under the appropriate item on the profit and loss statement and the use of the reserve is reported as part of the expenses or losses for which the reserve was established, again under the appropriate item on the profit and loss statement. The cancellation of a reserve that is no longer needed is reported as income.

Reserves are created in the currency in which the accounting unit expects to make the related payments.

#### Reserve for Future Pension Payments

If so required, the Company creates a contingency reserve for the payment of future pensions in an amount corresponding to the net present value of the stream of future pension payments, as calculated by an actuary, reduced by the total amount of funds available to pension recipients as of the date on which the reserve is calculated.

#### (n) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are valued based on acquisition cost. The depreciation periods used for different categories of assets can be seen in the following table:

	Years
Software	based on the anticipated service life – max. 20 years
Minor Fixed Assets	3 years
Machinery and Equipment	3–4 years
Personal Vehicles	4 years
Furniture	6–8 years
Climate Control Equipment	12–15 years
Safe Deposit Boxes	12–15 years

Costs related to the repair and maintenance of tangible assets are directly expensed. Technical improvements to individual assets are activated and depreciated.

#### (o) Personnel Costs, Employee Supplementary Pension Insurance and Social Fund

Personnel expenses are included in the Company's overhead costs and these include bonuses paid to members of both the board of directors and the supervisory board.

The Company contributes to the supplementary pension insurance programs of its employees. These Company-provided contributions are also accounted for as an expense.

The Company makes regular contributions to the state budget as part of the financing of the government's pension plan.

#### (p) Related Entities

The following entities are regarded as being associated with the Company:

- Members of the statutory body and company executives responsible (based on an employment contract or other contractual arrangement) for the handling of executive tasks, as called out in the Company's bylaws ('Company executives').
- Direct family relations of the members of the Company's board of directors, supervisory board, Company executives and parties related to the entities that control the Company.
- Companies in which the members of the Company's bodies, Company executives or the sole shareholder of the Company have an ownership interest of more than 10%.
- The sole shareholder of the Company, the entities controlled by the sole shareholder, the shareholders of the sole shareholder, who have shares representing more than 10% of its registered capital, and the senior executives of these entities.

A list of significant transactions, current balances and methods used for the pricing of transactions with related entities can be found under Note 19

#### (q) Post-Balance Sheet Date Events

The impact of events that have taken place between the date of the balance sheet and the date of the preparation of the financial statements is reflected in the financial statements, if the respective events provide additional evidence to the conditions that existed as of the balance sheet date.

If any significant events took place after the balance sheet date, which reflect conditions that have come into existence after the balance sheet date, the consequences of such events are described in this supplement, but they are not accounted for in the financial statements.

#### 3. Receivables from Banks

	2008	2007
Bank Accounts	552,021	113,687
Term Deposits	869,379	5,258,024
Total	1,421,400	5,371,711

#### 4. Securities

	De	Debt Securities		d Fund Shares
	2008	2007	2008	2007
At Fair Value through Profit and Loss	521,981	1,150,592	923,959	1,450,673
Available for Sale	33,381,155	22,163,183	2,747,729	3,675,946
Held to Maturity	3,140,676	3,020,170	0	0
Total	37,043,812	26,333,945	3,671,688	5,126,619

#### (a) Securities Valued Using the Market Value Adjusted Against Expense or Income Accounts – for Sale

#### **Debt Securities**

	2008	2007
Foreign Securities Exchanges	521,981	1,150,592

#### **Shares and Fund Shares**

	2008	2007
Tradable on the Main or Secondary Market of the Prague Securities Exchange (PSE)	61,016	70,956
Foreign Securities Exchanges	862,943	1,379,717
Total	923,959	1,450,673

#### (b) Securities Available for Sale

Debt Securities Including Non-Coupon Bonds

	2008	2007
Tradable on the Main or Secondary PSE Market	26,530,931	18,721,729
Foreign Securities Exchanges	6,850,224	3,441,454
Total	33,381,155	22,163,183

#### **Shares and Fund Shares**

	2008	2007
Tradable on the Main or Secondary PSE Market	743,491	1,159,592
Foreign Securities Exchanges	2,004,238	2,516,354
Total	2,747,729	3,675,946

#### (c) Securities Held to Maturity

#### **Debt Securities**

	2008	2007
Tradable on the Main or Secondary PSE Market	3,140,676	3,020,170

# 5. Tangible and Intangible Fixed Assets

#### Intangible Fixed Assets

	Goodwill	Software	Valuable Rights	Total
As of January 1, 2007				
Acquisition Value	853	37,239	14,751	52,843
Adjustments and Adjusting Entries	(525)	(32,679)	(14,384)	(47,588)
Residual Value	328	4,560	367	5,255
Year ending December 31, 2007				
Residual Value – Opening Value	328	4,560	367	5,255
Increases	0	1,342	8,124	9,466
Disposals	(300)	0	0	(300)
Depreciation	(28)	(2,123)	(825)	(2,976)
Residual Value – Ending Value	0	3,779	7,666	11,445
As of December 31, 2007				
Acquisition Value	0	36,379	15,624	52,003
Adjustments and Adjusting Entries	0	(32,600)	(7,958)	(40,558)
Residual Value	0	3,779	7,666	11,445
Year ending December 31, 2008				
Residual Value – Opening Value	0	3,779	7,666	11,445
Increases	0	2,430	671	3,101
Depreciation	0	(2,447)	(3,940)	(6,387)
Residual Value – Ending Value	0	3,762	4,397	8,159
As of December 31, 2008				
Acquisition Value	0	38,808	16,295	55,103
Adjustments and Adjusting Entries	0	(35,046)	(11,898)	(46,944)
Residual Value	0	3,762	4,397	8,159

#### **Tangible Fixed Assets**

	Vehicles	Machinery and Equipment	Inventory and Minor Assets	Total
As of January 1, 2007		and Equipment	Williof Assets	
Acquisition Value	12,524	31,097	13,696	57,317
Adjustments and Adjusting Entries	(5,762)	(19,783)	(10,412)	(35,957)
Residual Value	6,762	11,314	3,284	21,360
Year ending December 31, 2007				
Residual Value – Opening Value	6,762	11,314	3,284	21,360
Increases	3,259	5,245	2,540	11,044
Disposals	(653)	(63)	(1)	(717)
Depreciation	(3,089)	(6,147)	(2,239)	(11,475)
Residual Value – Ending Value	6,279	10,349	3,584	20,212
As of December 31, 2007				
Acquisition Value	12,919	34,370	15,775	63,064
Adjustments and Adjusting Entries	(6,640)	(24,021)	(12,191)	(42,852)
Residual Value	6,279	10,349	3,584	20,212
Year ending December 31, 2008				
Residual Value – Opening Value	6,279	10,349	3,584	20,212
Increases	6,090	1,028	3,638	10,756
Disposals	(599)	(2)	(1)	(602)
Depreciation	(3,554)	(5,320)	(2,341)	(11,215)
Residual Value – Ending Value	8,216	6,055	4,880	19,151
As of December 31, 2008				
Acquisition Value	17,174	34,555	19,195	70,924
Adjustments and Adjusting Entries	(8,958)	(28,500)	(14,315)	(51,773)
Residual Value	8,216	6,055	4,880	19,151

#### 6. Other Assets

	2008	2007
Receivables from Pending Securities Transactions	150,546	117,155
Other Debtors	1,014,643	12,185
Receivables Due from Government Contributions (see Note 8)	356,000	322,429
Financial Derivatives (see Note 18(b))	2,739	6,054
Other Cash Assets	745	1,433
State Budget Settlements	5,693	5,347
Other Receivables	72	110
	1,530,438	464,713
Adjusting Entries (value reductions)	(7,465)	(7,465)
	1,522,973	457,248

### 7. Deferred Expenses and Accrued Income

The company reports active current accruals and deferrals of CZK 1,123,796,000 (2007: CZK 970,056,000). Of this amount, CZK 1,122,368,000 (2007: CZK 966,222,000) represented accrued acquisition costs and CZK 1,428,000 (2007: CZK 3,834,000) represent other active accruals or deferrals.

#### 8. Other Liabilities

	2008	2007
Liabilities Due to Business Relationships	15,530	16,313
Liabilities to Employees and Social Insurance	8,443	5,735
Financial Derivatives (see Note 18(b))	195,551	70,275
Taxes Payable	14,238	10,236
Estimated Liabilities	44,690	21,707
Miscellaneous	1,263	0
Total	279,715	124,266

The Estimated Liabilities of CZK 44,690,000 (2007: CZK 21,707,000) include mainly bonuses for the second half of the year, which are paid out with the January 2009 salaries. Also included are liabilities related to commissions paid to organizations for the administration of batch payments. Taxes Payable consist primarily include the following: tax withholding on benefits paid of CZK 13,031,000 (2007: CZK 9,196,000) and taxes on salaries for December 2008.

#### Policyholders Funds

The following tables show an analysis of balances and changes to policyholder funds:

	Balance as of January 1, 2008	Increases	Decreases	Balance as of December 31, 2008
Contributions from Policyholders and Employers	29,025,453	9,479,793	(3,782,677)	34,722,569
Returns Credited to Accounts	2,834,983	898,209	(455,599)	3,277,593
Government Contributions	5,322,083	1,545,772	(713,461)	6,154,394
Total, Policyholder Funds	37,182,519	11,923,774	(4,951,737)	44,154,556
	Balance as of January 1, 2007	Increases	Decreases	Balance as of December 31, 2007
Contributions from Policyholders and Employers	23,485,897	8,184,590	(2,645,034)	29,025,453
Returns Credited to Accounts	2,252,399	950,455	(367,871)	2,834,983
Government Contributions	4,500,076	1,355,152	(533,145)	5,322,083
Total, Policyholder Funds	30,238,372	10,490,197	(3,546,050)	37,182,519

The above-listed overview to changes in policyholders funds includes an estimate for the last quarter government contributions for the respective years. The estimate for government contributions as of December 31, 2008 is CZK 356,000,000 (as of December 31, 2007: CZK 322,429,000).

The "Returns Credited to Accounts" includes a corresponding portion of policyholder savings transferred in from other funds.

Policyholders Data:

	2008	2007
Number of Policyholders, as of December 31st	1,160,860	1,079,410
Average Monthly Policyholder Contribution (CZK)	595	581

Breakdown of Policyholders Payments:

Payments	2008	2007
Contributions from Policyholders and Employers	2,918,442	2,129,943
Returns Credited to Accounts	392,959	321,480
Government Contributions	527,517	406,889
Total, Payments	3,838,918	2,858,312
Number of Payments Paidout	100,159	83,745
Transfers to Other Pension Funds	2008	2007
Contributions from Policyholders and Employers	483,203	335,457
Returns Credited to Accounts	57,946	42,622
Government Contributions	106,107	72,541
Total, Transfers to Other Pension Funds	647,256	450,620
Refunds and Accounting Transfers	2008	2007
Contributions from Policyholders and Employers	381,032	179,634
Returns Credited to Accounts	4,694	3,769
Government Contributions	79,837	53,715
Total, Refunds and Accounting Transfers	465,563	237,118

#### 9. Reserves

The Company creates a reserve for pension payments in accord with the methods specified in Note 2(m):

	Pension Reserve	Miscellaneous Reserve	<b>Total Reserves</b>
Balance as of January 1, 2008	5,982	0	5,982
Allocation	3,925	449	4,374
Withdrawal	(1,088)	0	(1,088)
Use	(2,191)	0	(2,191)
Balance as of December 31, 2008	6,628	449	7,077

The following key financial underwriting and technical assumptions were used in making the calculations as of December 31, 2008:

- The pension fund's costing model was based on actual overhead, investment and acquisition costs. The projections reflect an annual projected inflation in these costs, determined on the basis of current market conditions.
- Future projections of income and discount rates were determined using the best available estimates of the pension fund's future income as of December 31, 2008. Based on the current practices, the model assumes that 85% of each year's annual profits will be allocated as a return to policyholders.
- Other data used for policyholder termination projections:
- 1. Mortality estimates are based on the 2006 mortality tables of the Czech Statistical Office, adjusted to reflect a positive trend to mortality.
- 2. The percent of policyholders choosing a pension stream over a lump sum settlement and the probability of account termination (transfers to other pension funds or a cancellation of the account) are based on the Company's own experience. The projections are based on current conditions but with a gradual increase in the number of policyholders choosing a pension versus a lump sum settlement.

#### 10. Shareholders' Equity and the Distribution of Profits

#### **Registered Capital**

The Company's sole shareholder is Česká pojišťovna a.s. (registered address: Spálená 75/16, 113 04 Prague 1), which owns 213,699,560 with a par value of CZK 1.

#### **Distribution of Profits**

	2008	2007
Allocation to Statutory Reserve Fund	4,068	46,931
Returns Credited to Accounts (Policyholders)	69,151	797,824
Transfer to Undistributed Profits	8,135	93,861
Total, Profit for Fiscal Period	81,354	938,616
Return on Invested Funds	0.2%	2.4%

In conformity with Act No. 42/1994 Coll. on supplementary pension insurance with government contributions (as last amended), the Company assumes that 85% of the profits generated during the current fiscal period will be allocated to policyholders. The rate of return earned on invested funds is calculated using the methodology specified by the Czech Association of Pension Funds.

#### **Unrealized Gains and Losses**

	2008	2007
Stocks and Mutual Fund Shares	(1,563,994)	(382,874)
Debt Securities – Government	(174,795)	(602,654)
Debt Securities – Other	(673,317)	(35,161)
Total	(2,412,106)	(1,020,689)

In compliance with current legislation, unrealized gains or losses are fully included in the Company's shareholders equity, despite the fact that once realized, at least 85% of any gains will be allocated to the fund's policyholders. The portion of these unrealized gains allocable to policyholders therefore represents an implicit receivable due policyholders.

#### 11. Interest Farned and Similar Income

	2008	2007
Interest Income from Current Accounts	6,321	10,790
Interest Income from Time Deposits	76,957	75,779
Interest Income from Debt Securities	1,426,220	957,177
Total	1,509,498	1,043,746

## 12. Expenses Related to Fees and Commissions

	2008	2007
Commissions Paid to Brokers	364,641	244,595
Bank Fees	10,597	16,616
External Portfolio Management Fees	84,878	79,840
Commissions – Non-Commission Incentives	24,533	27,075
Total	484,649	368,126

### 13. Profit (Loss) from Financial Transactions

	2008	2007
Securities Transactions	300,521	334,951
Other Exchange Rate Differences	(11,871)	(32,328)
Derivative Transactions	(229,657)	117,805
Other Transactions	409	531
Impairment – Bonds	(259,747)	0
Impairment – Stocks	(547,182)	0
Total	(747,527)	420,959

## 14. Other Operating Income

	2008	2007
Settlement Reimbursement	670	324
Income from the Sale of Tangible Assets	547	1,345
Policyholder Contributions	5,721	5,447
Other	3	15
Total	6,941	7,131

## 15. Other Operating Expenses

	2008	2007
Damages	916	402
Residual Value of Tangible Assets Sold	203	660
Policyholder Contributions	75	150
Use of Reserve for Guaranteed Return and Allocation to Pension Reserve	(418)	(367)
Other	1,204	120
Total	1,980	965

#### 16. Overhead Expenses

	2008	2007
Personnel Expenses	80,530	67,257
Lease and Rent	13,776	11,846
Legal and Tax Consulting, Auditors	5,538	10,406
Postage and Telecommunication Charges	38,680	38,683
Consumables	83,932	52,992
Advertising and Promotion	25,635	23,488
Equipment Maintenance and Software Support	4,305	4,469
Employee Training	2,811	1,477
Document Scanning and Archiving	412	234
Other Overhead Expenses	10,178	9,774
Total	265,797	220,626

An analysis of the Company's personnel expenses is shown below:

Total	80,530	67,257
Social Security and Health Insurance	18,317	16,075
Other Social Expenses	2,724	2,252
Employee Salaries, Benefits and Other Expenses	56,906	46,524
Salaries and Bonuses Paid to Members of Statutory Bodies	2,583	2,406
	2008	2007

Employee Data	2008	2007
Average Number of Employees	97	87
Members of the Board of Directors and Supervisory Board	13	13

#### 17. Income Tax

Income tax payable was calculated as follows:

	2008	2007*
Pre-Tax Profit	81,354	938,616
Non-Taxable Income	(1,614,566)	(1,191,872)
Non-Deductible Expenses	130,753	113,546
Net Taxable Income	(1,402,459)	(139,710)
Tax Due (at 5% tax rate)	0	0

<sup>\*</sup> Based on tax return filed.

Deferred tax was calculated as follows:

	2008	2007
Unutilized Tax Loss	81,716	11,593
Unrealized Gains or Losses	120,605	51,034
Difference in Residual Value of Assets (tax vs. book)	0	(21)
Reserves and Adjusting Entries	1,246	1,191
Total	203,567	63,797

A potential deferred tax receivable of CZK 203,567,000 as of December 31, 2008 (December 31, 2007: CZK 63,797,000) was not reported since it is unlikely that the Company will generate a sufficient taxable income against which this deferred tax receivable could be applied.

#### 18. Financial Risks

#### (a) Market Risks

The Company's investment strategy is to realize a return on investments while minimizing the market risks associated with its investment portfolio. The primary risk management tool employed by the Company is the limits it places on the allocation of different types of financial instruments in the Company's portfolio, as set out under Act No. 42/1994 Coll. on supplementary pension insurance with government contributions (as last amended). Market risks are also managed in accordance with the Company's investment strategy, which is in line with the applicable regulatory requirements.

#### Allocation of Assets by Geographic Region

Domestic	European	USA	Other	Total
	Official			
1,421,400	0	0	0	1,421,400
29,084,396	6,592,689	1,241,682	125,045	37,043,812
286,046	1,066,575	782,274	1,536,793	3,671,688
30,791,842	7,659,264	2,023,956	1,661,838	42,136,900
Domestic	European	USA	Other	Total
	Union			
5,371,711	0	0	0	5,371,711
20,846,041	4,876,484	200,017	411,403	26,333,945
555,542	1,908,804	960,401	1,701,872	5,126,619
26,773,294	6,785,288	1,160,418	2,113,275	36,832,275
	1,421,400 29,084,396 286,046 30,791,842 Domestic 5,371,711 20,846,041 555,542	Union       1,421,400     0       29,084,396     6,592,689       286,046     1,066,575       30,791,842     7,659,264       Domestic     European Union       5,371,711     0       20,846,041     4,876,484       555,542     1,908,804	Union  1,421,400 0 0 29,084,396 6,592,689 1,241,682 286,046 1,066,575 782,274 30,791,842 7,659,264 2,023,956  Domestic European USA Union  5,371,711 0 0 20,846,041 4,876,484 200,017 555,542 1,908,804 960,401	Union       1,421,400     0     0     0       29,084,396     6,592,689     1,241,682     125,045       286,046     1,066,575     782,274     1,536,793       30,791,842     7,659,264     2,023,956     1,661,838       Domestic European USA Other       Union     0     0       20,846,041     4,876,484     200,017     411,403       555,542     1,908,804     960,401     1,701,872

#### (b) Financial Derivatives

	2008	2007
Hedging Derivates	0	5,363
Other Derivates	2,739	691
Positive Market Value of Financial Derivatives (Note 6)	2,739	6,054
	2008	2007
Hedging Derivates	49,256	20,038
Other Derivates	146,295	50,237
Negative Market Value of Financial Derivatives (Note 8)	195,551	70,275

#### Breakdown of Company Held Financial Instruments

			2008			2007
	Nominal Value	Positive Market Value	Negative Market Value	Nominal Value	Positive Market Value	Negative Market Value
Forward Currency Contracts	7,272,530	2,739	(195,551)	6,523,274	6,054	(70,275)

#### (c) Exchange Rate (Currency) Risks

The Company's financial position and cash flow are exposed to risks associated with the fluctuation in the exchange rates of common currencies. The board of directors sets out limits for dealing with these risks and the aggregate limits for closing and interim daily positions, which are monitored on a regular basis.

The following table shows the Company's exposure to currency-related risks. The table lists the current balances of the Company's asset and liability accounts in terms of their respective currencies.

As of December 31, 2008		CZK	EUR	USD	Other	Total
Assets						
Cash-on-Hand		94	0	0	0	94
Receivables Due from Banks		1,398,246	1,658	21,127	369	1,421,400
Debt Securities Valued Using Market Values Versus						
Adjustments to Expense or Income Accounts		0	521,981	0	0	521,981
Debt Securities for Sale		29,112,611	2,648,150	1,255,312	365,082	33,381,155
Securities Held to Maturity		3,140,676	0	0	0	3,140,676
Stocks and Mutual Fund Shares		804,507	1,640,089	1,196,871	30,221	3,671,688
Other Assets		2,667,462	1,004	4,601	1,012	2,674,079
Total		37,123,596	4,812,882	2,477,911	396,684	44,811,073
Liabilities						
Policyholder Funds		44,154,556	0	0	0	44,154,556
Other Liabilities		279,715	0	0	0	279,715
Reserves		7,077	0	0	0	7,077
Shareholders' Equity		369,725	0	0	0	369,725
Total		44,811,073	0	0	0	44,811,073
Net Balance Sheet Assets/Liabilities (-)		(7,687,477)	4,812,882	2,477,911	396,684	0
Net Off Balance Sheet Currency Positions		7,464,488	(4,521,491)	(2,427,365)	(323,674)	191,958
Net Open Currency Positions		(222,989)	291,391	50,546	73,010	191,958
As of December 31, 2007	SKK	CZK	EUR	USD	Other	Total
Assets						
Cash-on-Hand and Central Bank Deposits	0	68	0	0	0	68
Receivables Due from Banks	12,527	5,348,126	7,968	1,046	2,044	5,371,711
Debt Securities – Government	0	17,440,723	0	0	0	17,440,723
Debt Securities – Other	0	6,405,300	1,713,002	299,754	475,166	
						8,893,222
Stocks and Mutual Fund Shares	0	1,230,547	2,322,571	1,371,088	202,413	
Stocks and Mutual Fund Shares Other Assets	0	1,230,547 1,438,856	2,322,571 1,096	1,371,088		5,126,619
	0	1,438,856	1,096	17,852	202,413 1,157	5,126,619 1,458,961
Other Assets					202,413	5,126,619 1,458,961
Other Assets Total Liabilities	0	1,438,856	1,096	17,852	202,413 1,157	5,126,619 1,458,961 <b>38,291,304</b>
Other Assets Total	0 12,527	1,438,856 <b>31,863,620</b>	1,096 <b>4,044,637</b>	17,852 <b>1,689,740</b>	202,413 1,157 680,780	5,126,619 1,458,961 <b>38,291,304</b> 37,182,519
Other Assets  Total  Liabilities  Liabilities to Policyholders  Other Liabilities	0 12,527 0	1,438,856 31,863,620 37,182,519 123,648	1,096 <b>4,044,637</b>	17,852 1,689,740	202,413 1,157 <b>680,780</b>	5,126,619 1,458,961 <b>38,291,304</b> 37,182,519 124,266
Other Assets  Total  Liabilities  Liabilities to Policyholders  Other Liabilities  Reserves	0 12,527 0 0	1,438,856 31,863,620 37,182,519 123,648 5,982	1,096 4,044,637 0 618	17,852 1,689,740 0	202,413 1,157 680,780 0	5,126,619 1,458,961 <b>38,291,304</b> 37,182,519 124,266 5,982
Other Assets  Total  Liabilities  Liabilities to Policyholders  Other Liabilities	0 12,527 0 0	1,438,856 31,863,620 37,182,519 123,648 5,982 978,537	1,096 4,044,637 0 618	17,852 1,689,740 0 0	202,413 1,157 680,780 0 0	5,126,619 1,458,961 38,291,304 37,182,519 124,266 5,982 978,537
Other Assets Total Liabilities Liabilities to Policyholders Other Liabilities Reserves Shareholders' Equity Total	0 12,527 0 0 0 0	1,438,856 31,863,620 37,182,519 123,648 5,982 978,537 38,290,686	1,096 4,044,637 0 618 0 0	17,852 1,689,740 0 0 0 0	202,413 1,157 680,780 0 0 0	5,126,619 1,458,961 38,291,304 37,182,519 124,266 5,982 978,537 38,291,304
Other Assets Total Liabilities Liabilities to Policyholders Other Liabilities Reserves Shareholders' Equity	0 12,527 0 0 0	1,438,856 31,863,620 37,182,519 123,648 5,982 978,537	1,096 4,044,637 0 618 0	17,852 1,689,740 0 0 0	202,413 1,157 680,780 0 0 0	8,893,222 5,126,619 1,458,961 38,291,304 37,182,519 124,266 5,982 978,537 38,291,304 0 65,741

#### (d) Interest Rate Risks

The Company's cash position and cash flow are exposed to risks associated with changes to current market interest rates. Even though interest rate margins can expand as a result of such changes, they can also compress and thus result in losses in the event of any unexpected developments. The board of directors sets out the limits for interest rate differences and these are monitored on a daily basis.

The following table illustrates the Company's exposure to interest-rate-related risks. The table lists the residual value of interest bearing assets and liabilities of the Company, broken out in terms of duration based on settlement or maturity.

	3 Months	3–12	1–5	Over	Unspecified	Total
As of December 31, 2008	or Less	Months	Years	5 Years		
Assets						
Cash-on-Hand	0	0	0	0	94	94
Receivables Due from Banks	1,421,400	0	0	0	0	1,421,400
Debt Securities	5,698,376	5,997,218	11,978,079	13,370,139	0	37,043,812
Total	7,119,776	5,997,218	11,978,079	13,370,139	94	38,465,306
Liabilities						
Liabilities to Policyholders	1,470,812	3,345,493	13,832,741	25,505,510	0	44,154,556
Other Liabilities	279,715	0	0	0	0	279,715
Total	1,750,527	3,345,493	13,832,741	25,505,510	0	44,434,271
	3 Months	3–12	1 –5	Over		Total
As of December 31, 2007	or Less	Months	Years	5 Years		
Assets						
Receivables Due from Banks	5,371,711	0	0	0		5,371,711
Other Non-Coupon Debt Securities	0	0	1,082,385	0		1,082,385
Debt Securities – Government	556,353	567,385	8,729,187	7,587,798		17,440,723
Debt Securities – Other	2,954,090	2,874,653	1,489,147	492,947		7,810,837
Total	8,882,154	3,442,038	11,300,719	8,080,745		31,705,656
Liabilities						
Liabilities to Policyholders	951,584	2,839,709	11,741,458	21,649,768		37,182,519
Other Liabilities	23,648	618	0	0		24,266
Total	975,232	2,840,327	11,741,458	21,649,768		37,206,785

#### (e) Liquidity Risks

The Company is exposed to liquidity risks related to the distribution of available funds to policyholders, lump sum settlement payouts, surrender proceeds and the transferring of policyholder funds to another pension fund.

The Company assesses its liquidity concerns on an ongoing basis, primarily through the monitoring of changes to policyholder savings (deposits and payouts). As part of its liquidity risk management program, the Company retains part of its assets in highly liquid instruments such as government coupon bonds and similar types of government securities.

The table below shows a breakdown of the Company's assets and liabilities based on anticipated durations of maturity (determined on the basis of the instruments' maturity with respect to the date of the balance sheet). The payment of lump sum payouts, surrender proceeds and pension benefits and transfers to a different fund are handled on an ongoing basis – i.e. through the use of interest earned on deposit accounts and contribution payments from policyholders.

Under liabilities, the Company reports contributions received from policyholders and contributions made on behalf of policyholders by the government and third parties. Shareholders' equity a lesser source of such funding. The final maturity cannot be determined on the liabilities related to supplementary pension contributions due to the nature of the product and a policyholder's ability to withdraw their savings at any time after their eligibility date (or to request surrender proceeds after paying into the policy for 12 months). Under these liability accounts, the Company reported CZK 8,597,421,000 (2007: CZK 7,740,237,000) in favor of policyholders who have already become eligible for pension benefits, yet haven't yet applied for a distribution.

As of December 31, 2008	3 Months or Less	3–12 Months	1–5 Years	Over 5 Years	Unspecified	Total
Assets						
Cash-on-Hand	94	0	0	0	0	94
Receivables Due from Banks	1,421,400	0	0	0	0	1,421,400
Debt Securities	2,612,757	4,417,908	13,904,596	16,108,551	0	37,043,812
Shares, Mutual Fund Shares						
and Other Ownership Interests	0	0	0	0	3,671,688	3,671,688
Other Assets	513,003	1,005,479	0	0	1,155,597	2,674,079
Total	4,547,254	5,423,387	13,904,596	16,108,551	4,827,285	44,811,073
Liabilities						
Liabilities to Policyholders	1,470,812	3,345,493	13,832,741	25,505,510	0	44,154,556
Other Liabilities	279,715	0	0	0	0	279,715
Reserves	0	7,077	0	0	0	7,077
Shareholders' Equity	0	0	0	0	369,725	369,725
Total	1,750,527	3,352,570	13,832,741	25,505,510	369,725	44,811,073
Net Assets/Liabilities (-)	2,796,727	2,070,817	71,855	(9,396,959)	4,457,560	0
As of December 31, 2007 Assets	3 Months or Less	3–12 Months	1–5 Years	Over 5 Years	Unspecified	Total
Cash-on-Hand and Central Bank Deposits	68	0	0	0	0	68
Receivables Due from Banks	5,371,711	0	0	0	0	5,371,711
Other Non-Coupon Debt Securities	5,5/1,/11	0	1,082,385	0	0	1,082,385
Debt Securities – Government	556,353	567,385	8,729,187	7,587,798	0	17,440,723
Debt Securities – Other	461,770	685,148	4,216,836	2,447,083	0	7,810,837
Shares. Mutual Fund Shares	461,770	003,140	4,210,030	2,447,063	0	7,010,037
and Other Ownership Interests	0	0	0	0	5,126,619	5,126,619
Other Assets	452,538	4,710	0	0	1,001,713	1,458,961
Total	6,842,440	1,257,243	14,028,408	10,034,881	6,128,332	38,291,304
Liabilities						
Liabilities to Policyholders	951,584	2,839,709	11,741,458	21,649,768	0	37,182,519
Other Liabilities	123,648	618	0	0	0	124,266
Reserves	0	5,982	0	0	0	5,982
Shareholders' Equity	0	0	0	0	978,537	978,537
Total	1,075,232	2,846,309	11,741,458	21,649,768	978,537	38,291,304
Net Assets/Liabilities (-)	5,767,208	(1,589,066)	2,286,950	(11,614,887)	5,149,795	0

#### 19. Transactions with Related Entities

	2008	2007
Liabilities		
Česká pojišťovna a.s.	7,087	1
Generali PPF Asset Management a.s.	0	529
Home Credit a.s.	0	1,037
PPF a.s.	0	1,256
PPF banka a.s.	0	3
Receivables		
Česká pojišťovna a.s.	1,000,000	0
Generali PPF Asset Management a.s.	1,546	0
Home Credit a.s.	16,892	14,030
PPF banka a.s.	0	1,300,690
Home Credit Finance Bank o.o.o.	0	9,355
Income		
Česká pojišťovna a.s.	849	392
Česká pojišťovna ZDRAVÍ a.s.	11	0
Home Credit a.s.	33,002	26,392
HC Holding a.s.	0	20,190
PPF banka a.s.	0	9,325
Home Credit Finance Bank o.o.o.	111,191	56,160
PPF Co2 B.V.	2,776	3,456
Expenses		
Česká pojišťovna a.s.	15,862	2,623
Česká pojišťovna ZDRAVÍ a.s.	308	0
Home Credit a.s.	0	1,037
PPF a.s.	0	5,419
Generali PPF Asset Management a.s.	84,841	71,790
PPF banka a.s.	0	11,376

#### Securities Purchased

			2008		2007
ISIN	Group Member	No. of Shares	Market Value	No. of Shares	Market Value
CZ0003501488	Home Credit a.s.	500	499,449	500	498,668
XS0237063184	Home Credit Finance Bank o.o.o.	40	135,310	40	133,886
XS0237063267	Home Credit Finance Bank o.o.o.	40	135,291	40	133,866
XS0371442822	Home Credit Finance Bank o.o.o.	17,400	283,790	0	0
XS0380161645	Home Credit Finance Bank o.o.o.	47,723	785,369	0	0
CZ0000000229	PPF Co2 B.V.	0	0	165	302,066
XS0294480354	Home Credit Finance Bank o.o.o.	0	0	5,000	87,699
XS0221878720	Home Credit Finance Bank o.o.o.	0	0	12,000	212,055

These transactions were based on actual costs and premiums to face.

Funds in the supplementary pension insurance account of the Company's management are treated in same manner as the accounts of other policyholders.

#### 20. Auditor's Fee

The total fee of CZK 1,309,000, as charged by the auditing firm of PricewaterhouseCoopers Audit, s.r.o. for 2008, covers a statutory audit of the Company's financial statements.

#### 21. Off Balance Sheet Items

#### (a) Off Balance Sheet Financial Instruments

	Cont	Contract Amount		
Term Currency Instruments	2008	2007	2008	2007
Term Currency Transactions – Purchase	7,464,488	6,589,015		
Term Currency Transactions – Sale	7,272,530	6,523,274	(192,812)	(64,221)

Term currency instruments have been contracted for over the interbank market (OTC).

#### (b) Managed Assets

2008	2007
Bank Accounts and Time Deposits 875,040	5,266,123
Debt Securities 37,043,812	26,333,945
Stocks and Mutual Fund Shares 3,671,688	5,126,619
Coupons and Dividends Due 150,546	115,533
Pending Securities Transactions 0	1,622
Market Value of Derivatives (192,812)	(64,221)
41,548,274	36,779,621

#### 22. Post-Balance Sheet Date Events

No events that would have a significant impact on the Company's financial statements, prepared as of December 31, 2008, have occurred after the balance sheet date.

# Report on Relations Among Related Entities

covering the accountancy period of 2008

The shareholders' company of Penzijní fond České pojišťovny, a. s. having its registered office at Praha 1, Truhlářská 1106/9, PSČ 110 00, IČ (company registration No.) 61858692 (only the "Company" hereinafter) is obliged to prepare for the accountancy period of 2008 what the Act 513/1991 Coll., Commercial Code, § 66a, par. 9, as amended, calls a Report on Relations Among Related Entities.

- The Company and Česká pojišťovna a. s., a shareholder' insurance company having its registered office at Praha 1, Spálená 75/16, PSČ 113 04, IČ 45272956, have concluded:
- Contract on Sublease of a Garage Parking Spot entered into on 24 November 2008, under which the Company leased for itself a garage parking spot in the town of Ústí nad Labem;
- Contract on a Motivating Contest entered into on 1 June 2008, under which the Company co-funded an incentive scheme named ČP Kariéra (Career) organized by Česká pojišťovna;
- Amendment #1 to the Contract on a Motivating Contest adopted on 27 January 2009, based on which the Company continued its co-funding of the ČP Kariéra scheme for 2008;
- Contract on the Provision of Monetary Contribution in Addition to the Equity Capital entered into on 23 December 2008, under which the Company increased the owner's equity.

All the Contracts specified above have been concluded under conditions customary in commercial transactions just as all performances provided or accepted under the Contracts have been provided/accepted under conditions customary in commercial transactions, and none of the Contracts was detrimental to the Company.

At the accountancy period of 2008 the Company adopted or implemented no measures or accomplished any other acts in law in the interest or at the initiative of the related entities.

Statutory body of the Company hereby declares that the Report has been prepared with due diligence and the information it contains is true and complete.

Prague, 9 March, 2009

Tomáš Matoušek, MBA

CEO and Vice-Chairman of the Board of Directors

# Translation of Independent Auditor's Report to the Annual Report



PricewaterhouseCoopers Audit, s.r.o. Kateřinská 40/466 120 00 Prague 2 Czech Republic

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#### For the Shareholders of Penzijní fond České pojišťovny, a.s.

We have audited the financial statements of the company Penzijní fond České pojišťovny, a.s. ('Company') for the year ending December 31, 2008 that are part of the Company's annual report (pages 14 - 38) and on which we issued (February 16, 2009) an auditor's statement (page 13).

#### Statement on an Annual Report

We have confirmed that the other information contained in the Company's annual report for the year ending December 31, 2008 corresponds to the data contained in the above-referenced financial statements. The Company's board of directors is the body responsible for the accuracy of the data contained in the annual report. Our task is to issue a statement on the conformity of the annual report with the financial statements, based on the completed assurance process.

#### **Auditor's Task**

We have completed this assurance process in conformity with international auditing standards and the related applicable requirements of the Czech Chamber of Auditors. Under the above regulations, we are required to plan and complete the assurance process in a manner, which will give us a satisfactory degree of certainty that the other information contained in the annual report, describing events that are also accounted for in the financial statements, does, in all relevant aspects, correspond to the related financial statements. We are convinced that the completed assurance process provides sufficient data for the issuance of our statement.

#### Statement

It is our opinion that the other information contained in the Company's annual report for the year ending December 31, 2008 does, in all relevant aspects, correspond to the data contained in the above-referenced financial statements.

The Company's board of directors is responsible for the proper administration and maintenance of the Company's website. The review of this information is not part of our task and this is why we will accept no liability for any changes to the annual report that might have been made after its initial posting on the Company's website.

#### Statement on the Report on Relations Among Related Entities

Additionally, we have completed a review of the attached report on relations among the Company and its controlling entity and among the Company and other parties controlled by the same controlling entity for the year ending December 31, 2008 ('Report'). The Company's board of directors is the body responsible for the completeness and accuracy of the data contained in the Report. Our task is to review the accuracy of the data contained in the Report.

#### Scope of the Review

We have completed this review process in conformity with the International Standard on Review Engagements No. 2410 and the related applicable requirements of the Czech Chamber of Auditors, related to a review of a report on relations among related entities. Under the above regulations, we are required to plan and complete the review process in a manner, which will give us a satisfactory degree of certainty that the Report does not contain any significant discrepancies. This review engagement is largely limited to a questioning of the Company's employees, analytical tasks and a selective review of data with respect to its factual accuracy. This is why a review engagement provides a lower degree of certainty than an audit. Since we have not completed an audit, we are not issuing an auditor's statement.

#### Conclusion

During the completion of the review process, we did not identify any significant factual discrepancies in the data contained in the Report, which was prepared in accordance with the requirements set out under Section 66(a) of the Commercial Code.

June 2, 2009

PricewaterhouseCoopers Audit, s.r.o.

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Represented by a Partner

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