



Annual Report 2009

advantages of personal advice

investment in the future

strong market position



comprehensive, one-stop service

# reliability

accurate and easy-to-understand information

regular returns

no monthly account fee

responsibility and tradition



increasing service quality

advantages of supplemental pension insurance with ČP Premia card

# perspective



growing client base

tax advantages

stable financial performance

strong market position



investment in the future

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## Company Profile

Name:	Penzijní fond České pojišťovny, a.s.
Address:	Truhlářská 1106/9, 110 00 Prague 1
Legal Form:	Joint-stock company
Establishment 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

- |   |  |
|---|--|
| <b>1994</b> – Founding of the Company   | <b>2003</b> – Merger with the ČP penzijní fond (formerly the Commercial Union penzijní fond) and further acceleration in corporate growth.                                     |
| <b>1996</b> – Number of pension fund clients passes the 100,000 mark.   | <b>2004</b> – 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. |
| <b>1998</b> – Restructuring of the Company, leading to a sharp increase in the fund's financial returns and business results.                           | <b>2005</b> – 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.           |
| <b>1999</b> – Creation of a special sales department exclusively devoted to serving our corporate customers.  | <b>2007</b> – Number of pension fund clients passes the one million mark.  |
| <b>2001</b> – Supplementary pension insurance becomes part of a package of services offered to corporate clients as the "ČP Employee Benefits Program". | <b>2009</b> – Assets under management surpasses CZK 50 billion.  |
| <b>2002</b> – Assets under management surpasses CZK 10 billion.   |  |

## Milestones in 2009

### January

The Company automatically – and free of charge – sent all clients who qualify for tax relief a payment confirmation certificate for them to submit to the tax office. Last year, 169,000 clients qualified for this tax relief (+11% year on year). Certificates were issued for an aggregate amount of CZK 1.4 billion.

### February

In fifth annual Golden Purse poll held by Měšec.cz, Penzijní fond České pojišťovny was the runner-up in the pension fund category.

### March

The Company contacted tens of thousands of selected clients with an offer for them to increase their regular deposits in order to benefit from higher government contributions.

### April

The volume of assets managed by Penzijní fond České pojišťovny rose last year by 17% to CZK 44.8 billion. There was also an increase in the number of clients, up by 8% year on year to 1.16 million people.

### May

Further to a decision by the General Meeting, the Company ascribed a return of 0.2% for clients in 2009.

### June

For the fifth time in a row, Penzijní fond České pojišťovny came top in the CZECH TOP 100 Financial Institutions/ Pension Funds chart, one of the industries monitored in the traditional overview of the Czech Republic's hundred most significant companies. In this chart, where pension funds are ranked by deposits received, the Company was more than CZK 2.133 billion ahead of the runner-up. More than one million clients received a statement of account.

### July

Penzijní fond České pojišťovny saw its total volume of assets rise by 13% year on year to CZK 46.1 billion. The results for the first half of the year provided further confirmation of the steady increase in clients, growing in number by 5% year on year.

### September

Penzijní fond České pojišťovny expanded its range of ancillary services for clients to include two new developments. SMS Echo reminds clients of any omission in their monthly payments, while Daňový servis (Tax Service) draws attention to the potential for clients to optimize taxes, based on their circumstances.

### October

The Company ranked second in the Pension Funds category of the prestigious Fincentrum Bank of the Year 2009 competition. This is the fifth time in the past five years that the Company found itself on the winners' rostrum (three times as category winner, two times as runner-up).

### November

The Company announced changes to its Board of Directors, including the appointment of a new chairman, Tomáš Matoušek, who is also the Company's Chief Executive Officer.

An offer to make use of available tax relief was sent to 400,000 clients.



## Products and Services

The basic component of the product and service portfolio services is state-subsidized supplementary pension insurance encompassing all the different types of pensions defined by law – retirement, long service, disability and survivor pensions. Upon closing their savings scheme, clients can choose how they wish to be paid their savings from several options, including flexible pension schemes.

The POHODA (“Comfort”) supplementary investment-based pension scheme is designed as an add-on to the basic savings product for clients who are interested in opening up their funds more to investment. This product is provided in cooperation with our affiliate ČP Invest, and combines the advantages of a pension scheme with investment in unit trusts.

Pension schemes are also an integral part of the portfolio of integrated services for corporate clients called ČP Program zaměstnaneckých výhod (ČP Employee Benefit Programme). This is a comprehensive package of supplementary pension, life and property insurance offered in cooperation with Česká pojišťovna.

To improve quality of service, two new developments have been introduced into the Company’s service portfolio: SMS Echo warns clients via mobile phone if they forget to make a payment, and the new Daňový servis (Tax Service) informs clients how they can draw on tax relief by calculating the necessary year-end additional payment while overseeing all the related administration.

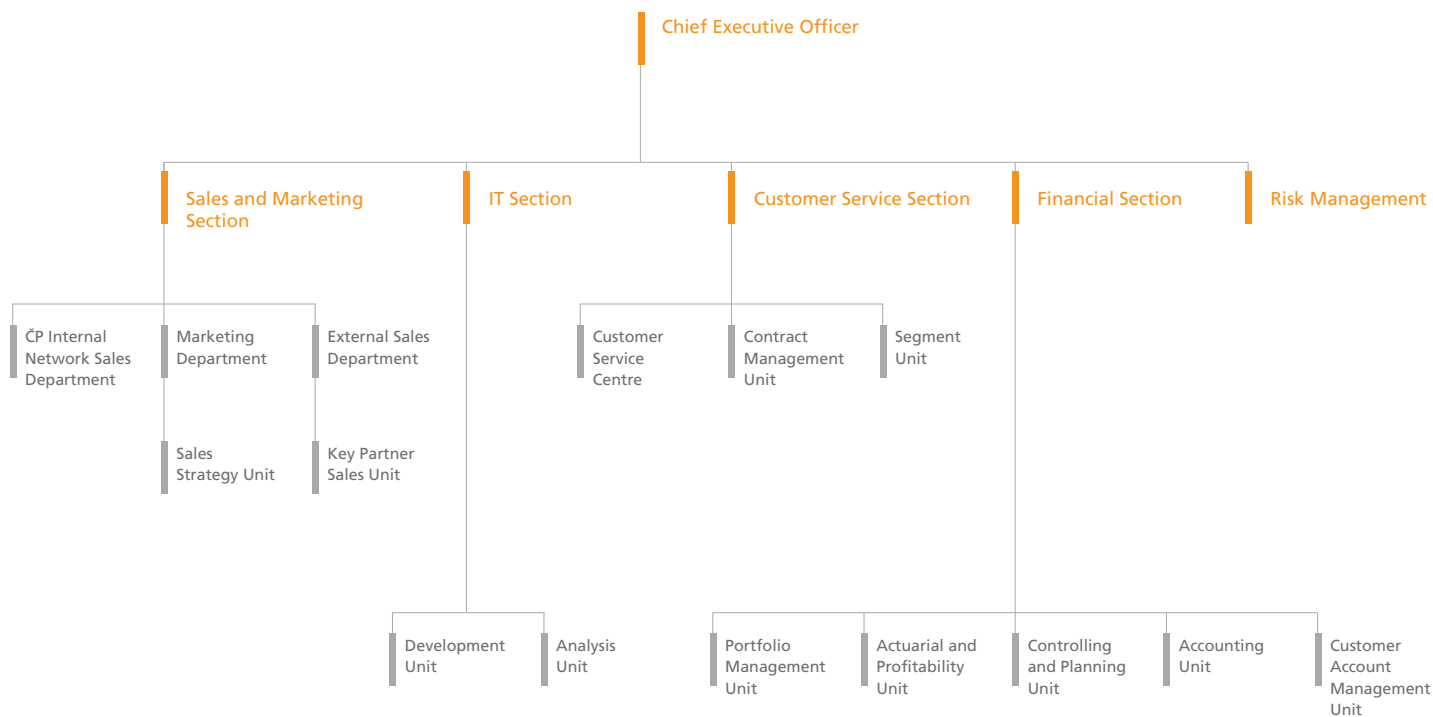
Clients have easy access to their personal pension schemes and related services through the widespread Česká pojišťovna branch network. They can also handle many of their wishes and requirements with the Company through direct communication channels – the telephone, Internet and normal post. Increasing use is being made of our electronic PEPA (Pension Portal Application). This secure online tool allows clients to be served at any time by their financial advisers. As a result, business partners also have more information about their clients, making it easier to offer increases in their regular deposits.



## Key Financial Indicators

CZK thousands	2009	2008	2007	2006	2005	2004
Profit after tax	619,011	81,354	938,616	1,032,735	967,336	707,025
Total assets, net	51,366,237	44,811,073	38,291,304	32,472,450	26,465,601	21,742,736
Share capital	213,700	213,700	213,700	213,700	213,700	213,700
Number of clients	1,160,915	1,160,860	1,079,410	974,115	867,593	770,640
Yield assigned (% p.a.)	1.2	0.2	2.4	3.3	3.8	3.5
Statutory reserve fund	292,447	288,379	241,448	189,811	141,445	106,093

## Organization Chart



### Board of Directors

#### **Tomáš Matoušek, MBA**

Chairman of the Board of Directors and Chief Executive Officer

#### **Pavel Šoukal**

Vice-Chairman of the Board of Directors and Financial Section Director

#### **Štefan Tillinger**

Member of the Board of Directors and Deputy CEO for Distribution, Česká pojišťovna a.s.

#### **Václav Šrajer, MBA**

Member of the Board of Directors and Senior Adviser, PPF a.s.

#### **Libor Pergl, MBA**

Member of the Board of Directors and Sales and Marketing Section Director

### Changes in 2009

**31 July** – Ivo Foltýn resigned as Chairman of the Board of Directors.

**8 October** – The Company Board of Directors elected Tomáš Matoušek as Chairman of the Board of Directors, effective as of 8 October 2009.

**13 October** – Petr Kopecký ceased to be a member of the Board of Directors.

**13 October** – Štefan Tillinger became a member of the Board of Directors. The sole shareholder appointed Štefan Tillinger as a member of the Company's Board of Directors with effect as at 13 October 2009.

**13 October** – Pavel Šoukal became a member of the Board of Directors. The sole shareholder appointed Pavel Šoukal as a member of the Company's Board of Directors with effect as at 13 October 2009.

**3 November** – Tomáš Machanec ceased to be a member of the Board of Directors.

**3 November** – Libor Pergl became a member of the Board of Directors. The sole shareholder appointed Libor Pergl as a member of the Board of Directors, with effect as at 3 November 2009.

**8 December** – The Company Board of Directors elected Pavel Šoukal to the position of Vice-Chairman of the Board of Directors, with effect as at 8 December 2009.

## Supervisory Board

### **Ivan Vodička, MBA**

Chairman of the Supervisory Board

### **Dott. Lorenzo Kravina**

Vice-chairman of the Supervisory Board

### **Petr Kopecký**

Member of the Supervisory Board

## Changes in 2009

**31 January** – As at 31 January 2009, the sole shareholder reduced the number of members of the Supervisory Board to six, and in this context removed Martin Vrba.

**30 November** – As at 30 November 2009, Martin Dolanský, Marcela Středová, Jana Citterbergová, and Darina Kocsisová resigned as members of the Supervisory Board.

**11 December** – As at 11 December 2009, the sole shareholder reduced the number of members of the Supervisory Board to three.



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

Another year has passed, and it is my pleasure once again to present you with the Annual Report of Penzijní fond České pojišťovny, which has been the largest fund in the Czech Republic for more than five years. Although the global economy's struggle with the recession is not yet over, our Company weathered the situation very well last year. We managed to record a profit of CZK 619 million and provide clients with returns above the inflation rate. The rise in profit by more than half a billion crowns compared with the previous year was achieved by means of a judiciously chosen investment strategy, which was involved in the revival of the capital markets. The professionalism and dedication of all our employees also obviously played an important role.

Our joint efforts yielded an increase in assets to a total volume of CZK 51.4 billion at the end of 2009. Last year clients and employers entrusted Penzijní fond České pojišťovny with 10.5 billion new deposits. The number of clients at the end of last year stood at 1.16 million, with 265,000 clients receiving pension scheme contributions from their company. Penzijní fond České pojišťovny is also the clear leader in the corporate client segment, taking up a share of 27.6%.

The fact that we legitimately consider ourselves the top pension fund over the past few years is reflected in the numerous awards we have won. In the CZECH TOP 100 chart, ranking firms by economic performance, our Company again defended its place at the top of the pension fund category. Likewise, our Company is figured among the leading firms in the Fincentrum Bank of the Year 2009 competition for the fifth time, confirming its authority and credibility in the eyes of the general and professional public.

The importance of pension funds in the Czech pension system continues to grow and will rise to even greater prominence in the future. So far, 4.4 million customers have deposited more than CZK 200 billion in pension schemes, despite the fact that a policy decision on major pension system reform keeps being put back. Some minor legislative changes, however, took place last year and significantly affected the market in pension schemes. Act No 42/1994 on state-subsidized supplementary pension schemes was amended in a bid to prevent unwarranted transfers between pension funds and thus lighten the costs faced by the entire industry. The transition to the newly passed legislation was smooth and the first results measuring the effectiveness of this legislative modification show that it was a step in the right direction.

This year should, according to economic forecasts, see a recovery in the general market situation, and the pension fund segment will be no exception. With this in mind, in the upcoming period the prime objective will be to continue all activities that will push up the Company's value. We will use all channels of distribution to continue increasing client numbers and stand up for the indexation of their regular deposits. At the same time, we will continue to improve our services and technical infrastructure, as this is necessary to maintain our competitiveness and attractiveness for customers and business partners.

Penzijní fond České pojišťovny has maintained its market leadership by drawing on the strong backdrop provided by its parent group, Generali PPF Holding, which enjoys an investment rating higher than that of the Czech Republic. However, we remain committed to cultivating a local market environment and to the organic development of the Company in line with the current macroeconomic situation. I firmly believe that we will again meet our stated goals, leading to the satisfaction of our shareholders and to quality returns on deposits. We are aware that taking care of people's savings for their old age is a great responsibility and we guarantee that we will not disappoint the trust of our clients.



**Tomáš Matoušek, MBA**

Chief Executive Officer and Chairman of the Board of Directors  
Penzijní fond České pojišťovny, a.s.

regular returns



growing client base

In the second decade of its existence, Penzijní fond České pojišťovny has continuously profiled as by far the strongest fund in the Czech Republic. Last year, the Company again enjoyed financial growth. Total assets compared to the previous year increased from CZK 44.8 billion to CZK 51.4 billion, representing a 15% growth rate. In 2009, compared to the previous period the situation on the capital markets was primarily characterized by the stabilization and subsequent recovery of the capital markets. In these favourable conditions, the Company's investment strategy enabled it to post a profit of CZK 619 million. The number of pension fund clients, recruited through intensive work across all the Company's distribution channels, stood at 1.16 million.



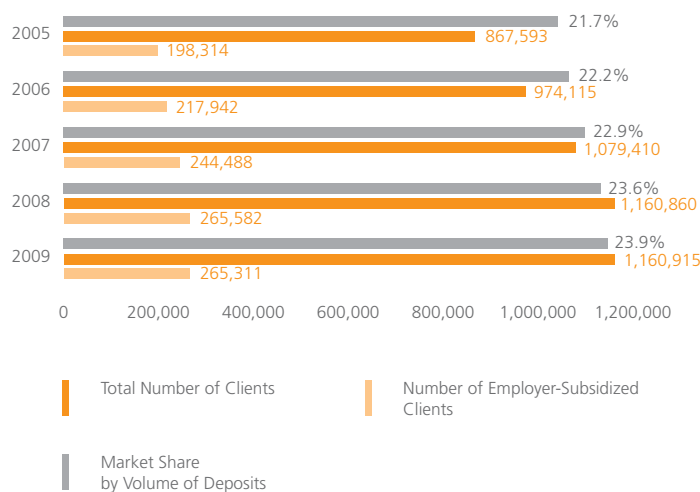


The Company is cultivating a long-term image as a provider of high-quality services related to retirement savings. In a new development, clients can communicate with the Company through new automated SMS messages and on-line tools. The results and operations of Penzijní fond České pojišťovny enjoy the sustained attention of the professional and general public. In the spring, the Company once again defended its leading position among pension funds in the prestigious CZECH TOP 100 chart. In the autumn, for the fifth consecutive year the Company found itself on the winners' podium in the pension fund category of the Fincentrum Bank of the Year 2009 competition.

## Sales Results

Sales results last year were affected in particular by the increasing penetration of pension schemes, which, together with the economic impact of the global crisis, reduced demand for savings. There was also a change to legislation which resulted in severe restrictions on the sale of pension schemes to employers and in a year-on-year decline throughout the corporate market. Despite these adverse circumstances, 137,000 clients entered into contracts with the Company last year. The strategy applied in all distribution channels was altered for the coming year with a view to increasing sales performance. There is also reason to believe that economic growth and the intensifying public debate on the unresolved pension reform will push up demand for pension schemes again.

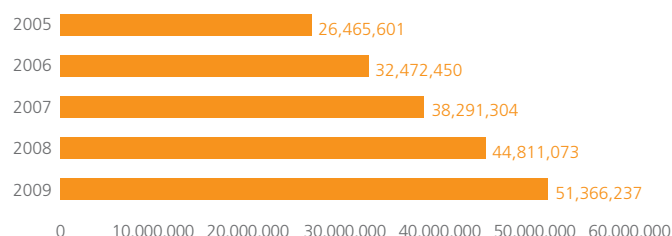
### Penzijní fond České pojišťovny – Number of Clients and Market Share by Volume of Deposits



## Financial Results

Last year, the Company's main financial indicators continued to grow despite the stagnation of the global economy. The volume of assets rose to CZK 51.4 billion as at 31 December 2009, which is an annual increase of 15%. Up-sell operations focused on selected segments of the client portfolio made an important contribution to the increase in assets. Total deposits by clients (including state contributions) and employers in 2009 amounted to CZK 10.5 billion. The gradual recovery and positive developments on the financial markets helped the Company make a profit of CZK 619 million.

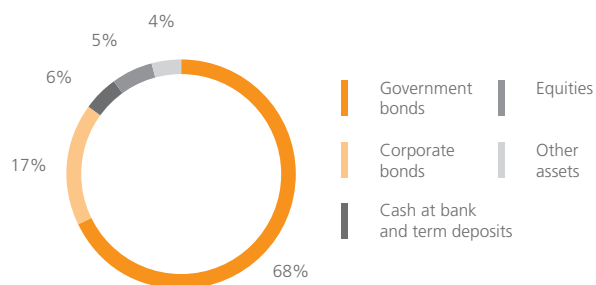
**Assets of Penzijní fond České pojišťovny (CZK thousands)**



## Portfolio Management

Our long-term investment goals are to guarantee the deposits of our clients and achieve a competitive return. During the financial crisis, which nearly destabilized the world economy, Penzijní fond České pojišťovny focused on achieving the first goal and coped successfully with this demanding challenge. The adopted investment strategy echoed developments on the financial markets, and the company strengthened the segment of government bonds in the portfolio under highly favourable conditions. We also held onto a higher proportion of equities and thus participated extensively in the unprecedented rise of the stock markets last year. This strategy enabled the Company to meet the second goal and provide clients with sound, inflation-busting returns.

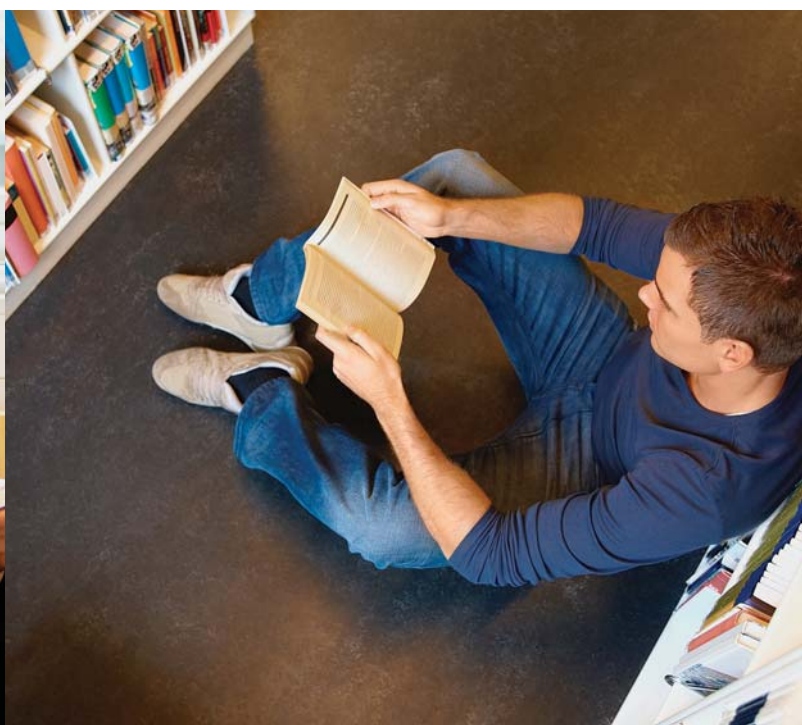
**Portfolio structure**



(%)	2009	2008	2007	2006
Government bonds	68	61	49	52
Corporate bonds	17	22	20	27
Cash at bank and term deposits	6	3	14	2
Equities	5	5	8	12
Other assets	4	9	9	7
Total	100	100	100	100



no monthly fee



high quality of services

## 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 2009, its review of the report on the relationships between the company and other associated entities for the financial year 2009 and its opinion on the company's board of director's proposal for the distribution of the company's 2009 profits.

In 2009, 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 2009. In its meetings, the supervisory board paid special attention to supervising and monitoring the company's finances, its business activities and performance, status of and returns on its investment portfolio and fulfilment of company's 2009 financial and business plans.

At the beginning of 2009, the supervisory board had the following composition: Darina Kocsisová, Ph.D., Martin Dolanský, Marcela Středová, Jana Citterbergová, Martin Vrba, Dott. Lorenzo Kravina and Vladimír Filip. This composition changed during 2009 so that (i) as at 31 January 2009 the sole shareholder decreased the number of the members of the supervisory board to six and in this context recalled Martin Vrba, (ii) as at 30 November 2009 the following members of the supervisory board resigned from their positions: Darina Kocsisová, Ph.D., Martin Dolanský, Marcela Středová and Jana Citterbergová, (iii) as from 11 December 2009, the sole shareholder decreased the number of the members of the supervisory board to three.

The company's board of directors presented the regular financial statements of the company for the financial year 2009, as verified by the auditor, and the proposal for distribution of profits generated by the company in 2009 to the supervisory board for its consideration. The supervisory board also received the Report on related-party transactions for the financial year 2009, prepared in accordance with the provision of § 66a article 9 of the act No. 513/1991 Coll., Commercial Code, as amended (the "Commercial Code"), the accuracy of which had also been verified by the auditor, for its review. After having reviewed the company's financial results for 2009, 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 2009 and related auditor's report and, in accordance with the auditor's opinion, it has found no impediments. Based on the above-mentioned, the supervisory board recommends the general meeting of shareholders approve that the regular financial statements of the company for the financial year 2009. The supervisory board of the company also recommends to the general meeting of shareholders adopt a decision on the distribution of profits generated by the company in 2009, as proposed by the company's board of directors.

Furthermore, the supervisory board of the company has reviewed the Report on related-party transactions for the financial year 2009, 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 document mentioned.

In Prague, 24 March 2010



Ivan Vodička, MBA  
Chairman of the Supervisory Board

## Independent Auditor's Report to the Shareholder of Penzijní fond České pojišťovny, a.s.

We have audited the accompanying financial statements of Penzijní fond České pojišťovny, a.s. identification number 61858692, with registered office at Truhlářská 1106/9, Prague 1 ("the Company"), which comprise the balance sheet as at 31 December 2009, the income statement and statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

### Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009 and its financial performance for the year then ended in accordance with Czech accounting legislation.

16 February 2010

PricewaterhouseCoopers Audit, s.r.o.  
Represented by a Partner

Petr Kříž  
Statutory Auditor, License No. 1140

### Translation Note

This version of our report is a translation from the original, which was prepared in Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

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 at 31 Dec 2009 in CZK '000's

Assets	Note	2009	2008
1. Cash on Hand		83	94
2. Due from Banks	3	3,091,327	1,421,400
a) Payable on Demand		1,058,635	1,421,400
b) Other Receivables		2,032,692	0
3. Debt Securities	4	43,867,672	37,043,812
a) Issued by Government Institutions		35,121,574	26,091,180
b) Issued by Other Entities		8,746,098	10,952,632
4. Shares and Mutual Fund Shares	4	3,198,472	3,671,688
5. Intangible Fixed Assets	5	2,336	8,159
6. Tangible Fixed Assets	5	18,482	19,151
7. Other Assets	6	491,256	1,522,973
8. Prepayments and Accrued Income	7	696,609	1,123,796
Total Assets		51,366,237	44,811,073

Liabilities	Note	2009	2008
<b>1. Other Liabilities</b>	<b>8</b>	<b>48,333,202</b>	<b>44,434,271</b>
a) Policyholders' Funds		47,955,471	44,154,556
aa) Contributions from Policyholders and State		44,735,576	40,360,713
ab) Pension Funds		54,063	44,558
ac) Income from Policyholders' Contributions		2,935,263	3,277,593
ad) Unallocated Policyholders' Contributions		90,361	116,044
ae) Pension Benefit Payments		140,208	355,648
b) Other		377,731	279,715
ba) Trade Payables		43,682	15,530
bb) Payroll Payables		8,252	5,555
bc) Social Insurance Liabilities		3,522	2,888
bd) Due to State Budget – State Contributions		7,211	1,263
be) Due to State Budget – Tax Liabilities		17,141	14,238
bf) Estimated Payables and Other Liabilities		297,923	240,241
<b>2. Provisions</b>	<b>9</b>	<b>15,030</b>	<b>7,077</b>
a) For Pensions and Similar Liabilities		10,781	6,628
b) Other		4,249	449
<b>3. Share Capital – Paid-Up</b>	<b>10</b>	<b>213,700</b>	<b>213,700</b>
<b>4. Share Premium</b>		<b>50,000</b>	<b>50,000</b>
<b>5. Reserve Funds and Other Funds from Profits</b>		<b>300,297</b>	<b>296,342</b>
a) Statutory Reserve Fund		292,447	288,379
b) Other Funds Created from Profits		7,850	7,963
<b>6. Capital Funds</b>		<b>1,745,567</b>	<b>1,745,567</b>
a) Shareholder Invested Capital		1,725,753	1,725,753
b) Other Capital Funds		19,814	19,814
<b>7. Revaluation Reserve of Assets and Liabilities</b>		<b>(313,574)</b>	<b>(2,412,106)</b>
<b>8. Retained Earnings from Previous Periods</b>		<b>403,004</b>	<b>394,868</b>
<b>9. Profit for the Accounting Period</b>		<b>619,011</b>	<b>81,354</b>
<b>Total Liabilities</b>		<b>51,366,237</b>	<b>44,811,073</b>

## Off-Balance Sheet

As at 31 Dec 2009 in CZK '000's

Off-Balance Sheet Assets	Note	2009	2008
Receivables from Term Instruments	20	9,459,962	7,464,488
Assets Managed by a Third Party	20	49,769,607	41,548,274
<b>Total Off-Balance Sheet Assets</b>		<b>59,229,569</b>	<b>49,012,762</b>

Off-Balance Sheet Liabilities	Note	2009	2008
Payables from Term Instruments	20	9,102,193	7,272,530
<b>Total Off-Balance Sheet Liabilities</b>		<b>9,102,193</b>	<b>7,272,530</b>

# Statement of Changes in Equity

As at 31 Dec 2009 in CZK '000's

	Share Capital	Share Premium	Reserve Funds and Other Funds from Profits	Capital Funds	Revaluation Reserve	Retained Earnings	Profit	Total
<b>Balance as at 1 Jan 2008</b>	<b>213,700</b>	<b>50,000</b>	<b>250,336</b>	<b>245,567</b>	<b>(1,020,689)</b>	<b>301,007</b>	<b>938,616</b>	<b>978,537</b>
Changes to Revaluation Reserve Not Included in Profit Net of Tax (see Note 10)	0	0	0	0	(1,391,417)	0	0	(1,391,417)
Profit for the Accounting Period	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)
Net Profit Distributed to Policyholders	0	0	0	0	0	0	(797,824)	(797,824)
Increase of Shareholders' Equity	0	0	0	1,500,000	0	0	0	1,500,000
<b>Balance as at 31 Dec 2008</b>	<b>213,700</b>	<b>50,000</b>	<b>296,342</b>	<b>1,745,567</b>	<b>(2,412,106)</b>	<b>394,868</b>	<b>81,354</b>	<b>369,725</b>
Changes to Revaluation Reserve Not Included in Profit Net of Tax (see Note 10)	0	0	0	0	2,098,532	0	0	2,098,532
Profit for the Accounting Period	0	0	0	0	0	0	619,011	619,011
Transfers to Funds	0	0	4,068	0	0	8,136	(12,204)	0
Use of Funds	0	0	(113)	0	0	0	0	(113)
Net Profit Distributed to Policyholders	0	0	0	0	0	0	(69,150)	(69,150)
<b>Balance as at 31 Dec 2009</b>	<b>213,700</b>	<b>50,000</b>	<b>300,297</b>	<b>1,745,567</b>	<b>(313,574)</b>	<b>403,004</b>	<b>619,011</b>	<b>3,018,005</b>

# Income Statement

As at 31 Dec 2009 in CZK '000's

	Note	2009	2008
1. Interest and Similar Income	11	1,917,872	1,509,498
of which: Interest Income from Debt Securities		1,901,431	1,426,220
2. Income from Shares and Other Interests		60,494	85,524
3. Fee and Commission Income		5	232
4. Fee and Commission Expense	12	(1,003,652)	(484,649)
5. Gains Less Losses from Financial Transactions	13	(46,306)	(747,527)
6. Other Operating Income	14	14,374	6,941
7. Other Operating Expenses	15	(4,086)	(1,980)
8. Administrative Expenses	16	(280,133)	(265,797)
a) Staff Costs		(87,262)	(80,530)
aa) Wages and Salaries		(68,918)	(62,213)
ab) Social and Health Insurance		(18,344)	(18,317)
b) Other Administrative Expenses		(192,871)	(185,267)
ba) Marketing Costs		(90,296)	(92,238)
bb) Administration Expenses		(102,575)	(93,029)
9. Depreciation and Amortisation of Intangible Fixed Assets	5	(16,912)	(17,602)
10. Write-Off, Additions to and Utilisation of Allowances for Receivables		(10,735)	0
11. Additions to and Utilisation of Other Provisions	9	(11,910)	(3,286)
12. Profit on Ordinary Activities Before Taxation		619,011	81,354
13. Income Tax	17	0	0
14. Profit for the Accounting Period After Taxation		619,011	81,354

## 1. General Information

Penzijní fond České pojišťovny, a.s. (the “Company”), with its registered office at Truhlářská 1106/9, Prague 1, was established by its registration in the Commercial Register on 19 September 1994. The Company’s identification number is 61858692.

The sole shareholder of the Company is Česká pojišťovna a.s. The Company’s financial statements are part of the consolidated financial statements of Česká pojišťovna a.s., the Generali PPF Holding B.V. holding, based in the Netherlands, and Assicurazioni Generali S.p.A, based in Italy. Assicurazioni Generali S.p.A is the ultimate parent company.

The Company’s main business activities are:

- collecting funds from pension plan policy holders and from the state collected in favour of pension plan policy holders;
- asset management of the funds;
- distribution of pensions; and
- other activities directly related to defined pension insurance contributions.

The Company has the following organizational structure:

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

Sales are realized by external brokers and through the branches of Česká pojišťovna a.s.

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

According to the contract signed at 26 June 2003 custody is provided by UniCredit Bank Czech Republic a.s. (the “Depositary”).

### Translation note

This version of the financial statements is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over this translation.

## 2. Accounting Standards

### (a) Key Accounting Methods

The Company’s financial statements, comprising the balance sheet, income statement, the statement of changes in equity and notes to financial statements are prepared in accordance with the Act on Accounting, implementing decrees of the Ministry of Finance of the Czech Republic and Czech Accounting Standards for financial institutions. The financial statements are prepared under the historical cost convention as modified by the revaluation of financial instruments fair value through profit or loss and financial instruments at available-for-sale.

The figures in the financial statements are rounded to thousands of Czech crowns (“CZK ‘000”) unless stated otherwise.

### Operating Environment

The ongoing global financial crisis, which commenced during 2007, culminated at the beginning of the past year. Since spring 2009, after positive news about the recovery of the American economy, the confidence in world capital markets has improved which subsequently resulted in increased market liquidity, reduced credit spreads and growth of share and commodity prices.



Although the market development is hard to predict in short term horizon, the Company's liabilities to its clients are guaranteed all the time by its shareholder, Česká pojišťovna a.s.

When preparing financial plans, the Company's management properly incorporates the revised estimates of expected future cash flows in connection with asset impairment assessments.

The fair values of quoted investments in active markets are based on current prices (financial assets) or bid prices (financial liabilities). If there is no active market for a financial instrument, the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, and other valuation techniques commonly used by market participants.

### **(b) Foreign Currencies**

Financial assets and liabilities denominated in foreign currencies are translated to Czech crowns at the exchange rate announced by the Czech National Bank ("CNB") effective as at the balance sheet date. Resulting foreign exchange gains and losses are recognized in Gains less losses from Financial Transactions.

### **(c) Fair Value of Securities**

The fair value of a security is determined as the market mid-price quoted by a relevant stock exchange or other active public market. In other cases, the fair value of a given security is determined as follows:

- present value of expected future cash flow of Shares and Mutual Fund Shares, or
- net present value of the cash flows considering risks in case of bonds.

In its models designed for determining of the fair value of the securities, the Company uses only observable market data. The valuation models consider current market conditions as at the date of the valuation which do not necessarily reflect the market situation before or after the valuation date. The management of the Company reviewed these models as at the balance sheet date and assured that the models adequately reflect the current market conditions including relative market liquidity and credit spread.

### **(d) Recognition and Derecognition of Financial Assets and Liabilities**

The following rules apply to recognition of financial assets and liabilities:

The Company recognizes a financial asset or a financial liability in its balance sheet when, and only when, the Company becomes a party to the transaction.

The following rules apply to derecognition of financial assets and liabilities:

The Company derecognizes a financial asset or a part thereof when it loses control over the asset or its part. It loses this control when the contractual rights to the cash flows from the financial asset expire, are used by the Company or the Company surrenders these rights.

The Company removes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a liability (or a portion thereof) extinguished or transferred and the amount paid for is recognized net in profit or loss for the period.

A regular way to purchase or sell financial assets shall be recognized and derecognized, as applicable, using settlement date accounting. Standard way purchases and sales are recognized only in the off-balance sheet in the period between trade date and settlement date.

### **(e) Securities at Fair Value through Profit or Loss**

Securities at Fair Value through Profit or Loss have two subcategories: held-for-trading and those that the company designated as securities at Fair Value through Profit or Loss at their initial recognition. A security is classified as held-for-trading if it is acquired towards selling or settlement in the near future or it is part of a defined portfolio of financial instruments which are jointly managed to achieve profit from price deviations in a short term period. Any securities that are financial assets or securities recorded as liabilities, which are subjects of this standard, may be recognized as securities at Fair Value through Profit or Loss at their initial recognition, except for shares and mutual fund shares that are not publicly traded and their fair value cannot be reliably assessed, and except for securities issued by the Company.

Securities at Fair Value through Profit or Loss are initially valued at their acquisition cost, including relevant acquisition expenses and consequently valued at their fair value. Any related profit or loss is recorded as gains less losses from financial transaction. Spot purchase or sale is recorded as at the settlement date. Forward transactions are recorded as derivatives. Interest on securities at Fair Value through Profit or Loss is recorded as interest income.

#### **(f) Securities Held to Maturity**

Securities held-to-maturity are securities with a fixed maturity designated by the Company into this category and meeting the conditions for this designation, provided the Company has both the intent and the ability to hold them to maturity. They have been measured at amortized cost since 1 January 2009.

#### **(g) Securities Available for Sale**

Available-for-sale securities are securities designated by the Company into this category or securities which do not fulfill the definition of the previous categories. They comprise mainly shares in companies other than in the Company's subsidiaries and associates and debt securities held for liquidity management.

Available-for-sale securities are initially recognized at cost which includes expenses incurred in connection with their acquisition and are subsequently measured at fair value.

Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in equity (net of any tax effect) until the financial asset is derecognized or impaired. Cumulative gain or loss previously recognized in equity should be recognized in the income statement.

Interest calculated using the linear interest rate method, dividends and foreign exchange differences on debt securities are recognized in the income statement. Foreign exchange differences on shares and mutual fund shares not hedged are recognized in revaluation reserves in equity.

#### **(h) Financial Derivatives and Hedging**

Derivative financial instruments and foreign exchange contracts are initially recognised on the face of the balance sheet at cost and subsequently are re-measured at their fair value.

Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models using only observable market data as appropriate. The valuation models reflect current market conditions as at the measurement date which may not be representative of market conditions either before or after the measurement date. As at the balance sheet date, the Company's management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

All derivatives are presented in Other assets or in Other liabilities when their fair value is positive or negative, respectively.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

Changes in the fair value of derivatives held-for-trading are included in Gains less losses from financial transactions.

The Company designates prospectively certain derivatives as hedge of the fair value of a recognised asset or liability (fair value hedge). Hedge accounting is used for derivatives designated in this way provided the following criteria are met:

- (i) the derivative is in compliance with the Company's risk management strategy;
- (ii) formal documentation of the general hedging strategy, hedged risk, hedging instrument, hedged item and their relationship is prepared before hedge accounting is applied;
- (iii) the hedge documentation proves that the hedge is expected to be highly effective in offsetting the risk in the hedged item at inception and throughout the reporting period;
- (iv) the hedge is effective on an ongoing basis; and
- (v) the hedged item is not a security classified as at fair value through the profit or loss.

Changes in the fair value of derivatives that qualify as effective fair value hedges are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

Changes in the fair value of the hedging instruments are recorded in the income statements and the corresponding changes in the fair value of the hedged items (as a result of the hedged risk) are also recorded in the income statement.

Certain derivatives, although providing effective financial hedging of opened positions of the Company from the risk management point of view, do not fulfill the criteria of hedge accounting based on applicable Czech Accounting Standards. Therefore these derivatives are accounted as trading derivatives. Gains less losses from the revaluation of these derivatives are recorded in the income statement.

#### **(i) Interest Income and Expenses, Dividend Income**

Interest income and expense are recognized for all interest-bearing instruments on an accruals basis using the linear interest rate method, eventually using the effective interest rate derived from the acquisition cost for the held to maturity portfolio.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows until maturity or the nearest change of the interest rate to the net carrying amount of the financial asset or financial liability.

The linear interest rate method is used as the approximation of the effective interest rate for available for sale securities and for securities at fair value through profit or loss. Interest income includes the accrued interests, discount and premium for all fixed income instruments.

Dividend income is recorded at ex-dividend date. Pension funds are not subject to dividend income tax.

#### **(j) Receivables and Allowances**

Receivables are stated at nominal value less allowances for doubtful receivables established by reference to an individual recoverability assessment. Irrecoverable receivables are written off upon completion of bankruptcy proceedings against the debtor.

#### **(k) Pension Insurance Policyholder's Contributions**

Pension insurance policy holders' contributions and state subsidy, including revenues from these contributions, are recognised at nominal value.

#### **(l) Value Added Tax**

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

#### **(m) Deferred Taxation**

A deferred tax liability is recognized on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base using the full liability method. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which this asset can be utilized.

The approved tax rate for the period in which the Company expects to utilize the asset or realize the liability is used for the deferred taxation calculation.

Deferred tax related to fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity, is also credited or charged directly to equity.

#### **(n) Provisions**

Provisions are created whenever the Company has a present obligations liability arising from a past event, there is a likely future settlement of the liability and it is possible to reasonably estimate the amount of the liability. All provisions are considered liabilities.

Creation of provisions is reported in the corresponding entry in the income statement and the use of the provisions is reported in the income statement together with expenses or losses to which the particular provision related. Unnecessary provisions are released to income.

Provisions are created in the currency of the assumed liability.

### Provisions for Future Pension Distributions

When needed, the Company creates a provision for future pension distributions based on the net present value of the expected pension payments calculated by an actuary less total funds allocated in favour of pension beneficiaries as at the calculation date.

### (o) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are valued at acquisition cost. Depreciation periods used for each category of tangible and intangible fixed asset are as follows:

	Years
Software	(individually based on the useful life – max. 20 years)
Low-Value Fixed Assets	3 years
Machines and Equipment	3–4 years
Cars	5 years
Furniture	6–8 years
Air-conditioning	12–15 years
Safes	12–15 years

Costs related to repair and maintenance of the tangible fixed assets are recorded to expenses. Technical improvements on the individual assets are capitalized and depreciated.

### (p) Staff Costs, Supplementary Pension Plan and Social Fund

Staff costs are included in Administrative expense and they also include board emoluments.

The Company provides its employees with contributions to a defined contribution pension plan scheme. These contributions are charged to expenses when incurred.

The Company makes regular payments to the state budget to finance the government's pension plan.

### (q) Changes in the Accounting Policy

On 1 January 2009, the Company changed the valuation of securities held to maturity from fair value to amortized cost in accordance with the modification in legislation. Revaluation differences in the amount of CZK 35,818 thousand were recorded against equity.

Since 1 January 2009, the Company decreased the maximum period for deferred acquisition costs related to paid commissions and other acquisition costs related to supplementary pension contracts from 10 to 4 years to comply with the prudence principle in accordance with the methods applied by the Group and the pensions sector. This change resulted in an increase in costs of charges and commissions in the amount of CZK 426,643 thousand.

### (r) Related Parties

Related parties are defined as follows:

- Board members and senior management of the Company, being persons responsible for management functions based on employment or other contracts and powers and responsibilities defined in the Company's statute ("senior management");
- Relatives (direct family members) of the board members, senior management of the Company and of entities controlling the Company;
- Entities in which the board members of the Company, senior management or the sole shareholder of the Company hold at least a 10% equity investment; and
- The sole shareholder of the Company and entities controlled by him, his shareholders with at least a 10% shareholding and the management of these entities.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Note 19.

### (s) Subsequent Events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed at the balance sheet date.

Where significant events occurred subsequent to the balance sheet date but prior to preparation of the financial statements that are indicative of conditions which arose subsequent to the balance sheet date, the effects of these events are disclosed in these Notes, but are not themselves reflected in the financial statements.

### 3. Receivables from Banks

	2009	2008
Current Bank Accounts	255,635	552,021
Term Deposits	2,835,692	869,379
<b>Total</b>	<b>3,091,327</b>	<b>1,421,400</b>

### 4. Securities

	Debt Securities		Shares and Mutual Fund Shares	
	2009	2008	2009	2008
Fair Value through Profit or Loss	0	521,981	553,208	923,959
Available-for-Sale	31,162,887	33,381,155	2,645,264	2,747,729
Held-to-Maturity	12,704,785	3,140,676	0	0
<b>Total</b>	<b>43,867,672</b>	<b>37,043,812</b>	<b>3,198,472</b>	<b>3,671,688</b>

#### (a) Securities at Fair Value through Profit or Loss – Trading Securities

##### Debt Securities

	2009	2008
Foreign Stock Exchanges	0	521,981

##### Shares and Mutual Fund Shares

	2009	2008
Traded on the Primary or Secondary Market of the Prague Stock Exchange (PSE)	17,530	61,016
Foreign Stock Exchanges	535,678	862,943
<b>Total</b>	<b>553,208</b>	<b>923,959</b>

#### (b) Securities Available-for-Sale

##### Debt Securities Including Zero-Coupon Bonds

	2009	2008
Traded on the Primary or Secondary PSE Market	21,963,855	26,530,931
Foreign Stock Exchanges	9,199,032	6,850,224
<b>Total</b>	<b>31,162,887</b>	<b>33,381,155</b>

##### Shares and Mutual Fund Shares

	2009	2008
Traded on the Primary or Secondary PSE Market	659,143	743,491
Foreign Stock Exchanges	1,986,121	2,004,238
<b>Total</b>	<b>2,645,264</b>	<b>2,747,729</b>

## (c) Securities Held to Maturity

### Debt Securities

	2009	2008
Traded on the Primary or Secondary PSE Market	12,704,785	3,140,676

Fair value of debt securities held-to-maturity at 31 December 2009 is CZK 13,045,105 thousand (2008: CZK 3,140,676 thousand).

## 5. Tangible and Intangible Fixed Assets

### Intangible Fixed Assets

	Software	Valuable Rights	Total
<b>As at 1 Jan 2008</b>			
Acquisition Cost	36,379	15,624	52,003
Accumulated Depreciations	(32,600)	(7,958)	(40,558)
<b>Net Book Value</b>	<b>3,779</b>	<b>7,666</b>	<b>11,445</b>
<b>Year ended 31 Dec 2008</b>			
Net Book Value – Opening Balance	3,779	7,666	11,445
Additions	2,430	671	3,101
Depreciation	(2,447)	(3,940)	(6,387)
<b>Net Book Value – Closing Balance</b>	<b>3,762</b>	<b>4,397</b>	<b>8,159</b>
<b>As at 31 Dec 2008</b>			
Acquisition Cost	38,808	16,295	55,103
Accumulated Depreciation	(35,046)	(11,898)	(46,944)
<b>Net Book Value</b>	<b>3,762</b>	<b>4,397</b>	<b>8,159</b>
<b>Year ended 31 Dec 2009</b>			
Net Book Value – Opening Balance	3,762	4,397	8,159
Additions	878	0	878
Depreciation	(2,453)	(4,248)	(6,701)
<b>Net Book Value – Closing Balance</b>	<b>2,187</b>	<b>149</b>	<b>2,336</b>
<b>As at 31 Dec 2009</b>			
Acquisition Cost	39,685	16,295	55,980
Accumulated Depreciation	(37,498)	(16,146)	(53,644)
<b>Net Book Value</b>	<b>2,187</b>	<b>149</b>	<b>2,336</b>

## Tangible Fixed Assets

	Vehicles	Machines and Equipment	Furniture and Fixtures and Low-Value Assets	Total
<b>As at 1 Jan 2008</b>				
Acquisition Cost	12,919	34,370	15,775	63,064
Accumulated Depreciation	(6,640)	(24,021)	(12,191)	(42,852)
<b>Net Book Value</b>	<b>6,279</b>	<b>10,349</b>	<b>3,584</b>	<b>20,212</b>
<b>Year ended 31 Dec 2008</b>				
Net Book Value – Opening Balance	6,279	10,349	3,584	20,212
Additions	6,090	1,028	3,638	10,756
Disposals	(599)	(2)	(1)	(602)
Depreciation	(3,554)	(5,320)	(2,341)	(11,215)
<b>Net Book Value – Closing Balance</b>	<b>8,216</b>	<b>6,055</b>	<b>4,880</b>	<b>19,151</b>
<b>As at 31 Dec 2008</b>				
Acquisition Cost	17,174	34,555	19,195	70,924
Accumulated Depreciation	(8,958)	(28,500)	(14,315)	(51,773)
<b>Net Book Value</b>	<b>8,216</b>	<b>6,055</b>	<b>4,880</b>	<b>19,151</b>
<b>Year ended 31 Dec 2009</b>				
Net Book Value – Opening Balance	8,216	6,055	4,880	19,151
Additions	5,294	5,168	2,582	13,044
Disposals	(3,501)	0	0	(3,501)
Depreciation	(2,869)	(4,701)	(2,642)	(10,212)
<b>Net Book Value – Closing Balance</b>	<b>7,140</b>	<b>6,522</b>	<b>4,820</b>	<b>18,482</b>
<b>As at 31 Dec 2009</b>				
Acquisition Cost	13,822	38,540	20,978	73,340
Accumulated Depreciation	(6,682)	(32,018)	(16,158)	(54,858)
<b>Net Book Value</b>	<b>7,140</b>	<b>6,522</b>	<b>4,820</b>	<b>18,482</b>

## 6. Other Assets

	2009	2008
Receivables from Unsettled Securities Transactions	115,681	150,546
Other Debtors	26,309	1,014,643
Due from State – Subsidy for the Fourth Quarter	359,671	356,000
Financial Derivatives (see Note 18(b))	3,140	2,739
Cash Equivalents	611	745
Due to and from State Budget	4,013	5,693
Other Receivables	31	72
<b>Total</b>	<b>509,456</b>	<b>1,530,438</b>
Allowances to Receivables	(18,200)	(7,465)
<b>Total</b>	<b>491,256</b>	<b>1,522,973</b>

## 7. Prepayments and Accrued Income

The Company has deferred expenses and accrued income in the total amount of CZK 696,609 thousand (2008: CZK 1,123,796 thousand) which includes CZK 695,661 thousand (2008: CZK 1,122,368 thousand) as deferred acquisition cost and CZK 948 thousand (2008: CZK 1,428 thousand) as other deferred expenses and accrued income.

The decrease in deferred expenses as at 31 December 2009 is caused by the change of the maximum depreciation period from 10 to 4 years (refer to Note 2 (q)).

## 8. Other Liabilities

	2009	2008
Trade Payables	43,682	15,530
Payables to Employees and Social Insurance	11,774	8,443
Financial Derivatives (see Note 18(b))	259,215	195,551
Tax Payable	17,141	14,238
Estimated Liabilities	38,708	44,690
Other Payables	7,211	1,263
<b>Total</b>	<b>377,731</b>	<b>279,715</b>

Estimated liabilities in the amount of CZK 38,708 thousand (2008: CZK 44,690 thousand) mainly include payables arising from unpaid commissions to companies for cooperation and organizing batch payments. Tax payable mainly represents withholding tax from pension benefit payments in the amount of CZK 15,378 thousand (2008: CZK 13,031 thousand) and payroll tax for the period of December 2009.

### Policyholders' Funds

Balances and movements in policyholders' funds can be analyzed as follows:

	Balance as at 1 Jan 2009	Additions	Disposals	Balance as at 31 Dec 2009
Policyholders' Contributions	34,722,569	8,772,981	(5,302,046)	38,193,504
Shared Profit	3,277,593	148,907	(491,237)	2,935,263
State Contributions	6,154,394	1,577,993	(905,683)	6,826,704
<b>Policyholder Funds in Total</b>	<b>44,154,556</b>	<b>10,499,881</b>	<b>(6,698,966)</b>	<b>47,955,471</b>

	Balance as at 1 Jan 2008	Additions	Disposals	Balance as at 31 Dec 2008
Policyholders' Contributions	29,025,453	9,479,793	(3,782,677)	34,722,569
Shared Profit	2,834,983	898,209	(455,599)	3,277,593
State Contributions	5,322,083	1,545,772	(713,461)	6,154,394
<b>Policyholder Funds in Total</b>	<b>37,182,519</b>	<b>11,923,774</b>	<b>(4,951,737)</b>	<b>44,154,556</b>

The above-mentioned overview of the balances and changes in the policyholders' funds includes estimated state contributions for the last calendar quarters in the respective years. This contribution was estimated at CZK 359,671 thousand as at December 31, 2009 (December 31, 2008: CZK 356,000 thousand).

The share in profit also includes relevant portions of the policyholders' funds transferred from other funds.

Portfolio of Policyholders:

	2009	2008
Number of Policyholders as at 31 Dec	1,160,915	1,160,860
Average Monthly Policyholder Contribution (CZK)	665	595

Analysis of Payments to Policyholders:

<b>Pension Benefit Payments</b>	<b>2009</b>	<b>2008</b>
Policyholders' Contributions	3,909,456	2,918,442
Shared Profit	402,608	392,959
State Contributions	580,546	527,517
<b>Payments in Total</b>	<b>4,892,610</b>	<b>3,838,918</b>
Number of Payments	87,310	100,159

<b>Transfers to Other Pension Funds</b>	<b>2009</b>	<b>2008</b>
Policyholders' Contributions	998,902	483,203
Shared Profit	82,302	57,946
State Contributions	200,338	106,107
<b>Transfers in Total</b>	<b>1,281,542</b>	<b>647,256</b>



Refunds	2009	2008
Policyholders' Contributions	393,688	381,032
Shared Profit	6,327	4,694
State Contributions	124,799	79,837
<b>Refunds in Total</b>	<b>524,814</b>	<b>465,563</b>

## 9. Reserves

The Company creates reserves for pension payments in accordance with the methods specified in Note 2 (n):

	Pension Reserve	Other Reserves	Total Reserves
Balance as at 1 Jan 2009	6,628	449	7,077
Creation	4,602	3,800	11,911
Use	(449)	0	(3,958)
<b>Balance as at 31 Dec 2009</b>	<b>10,781</b>	<b>4,249</b>	<b>15,030</b>

For the calculation as at 31 December 2009, the following key economic and actuarial assumptions were used:

- The Pension Fund's cost model was derived from the actual administrative, capital and acquisition costs. The annual cost inflation, based on market conditions, was used for this projection.
- For the projection of future income and for determining the discount rates, the most reasonable estimation of the fund's future income were used as at 31 December 2009. In accordance with the existing procedure, the model expected the participants to be credited with 85% of the annual profit.
- Decrements used to simulate the outflow of participants:
  1. Likelihoods of mortality are based on demographic tables of the Czech Bureau of Statistics 2007, as modified by the tendency of improving population mortality.
  2. The percentage of participants opting for pension benefits instead of lump-sum settlement and the percentage likelihood of participants leavers the pension fund (transfer to another pension fund or cancellation) are based on the Company's experience. The simulation works with the current situation and with gradual increases in the percentage of the participants opting for pension benefits.

## 10. Equity and Profit Distribution

### Share Capital

Česká pojišťovna a.s., with its registered office at Spálená 75/16, 113 04 Prague 1, is the sole shareholder of the Company as at 31 December 2009, holding 213,699,560 shares stated at par of CZK 1 each.

### Profit Distribution

	Proposal for 2009	2008
Transfer to the Statutory Reserve Fund	30,951	4,068
Profit Shared to Policyholders	526,159	69,150
Transfer to Retained Earnings	61,901	8,136
<b>Total Profit for the Period</b>	<b>619,011</b>	<b>81,354</b>
Annual Yield	1.2%	0.2%

In compliance with the Act No. 42/1994 Coll., on pension insurance with a state contribution, as amended, the Company anticipates that 85% of the profit for the current accounting period will be allocated in favor of the policyholders. The annual yield is calculated on the basis of the methodology approved by the Association of Pension Funds of the Czech Republic.

The annual yield in 2009 is based on the assumption that the proposed distribution of profit will be approved by the sole shareholder of the Company.

## Revaluation Reserve

	2009	2008
Shares and Mutual Fund Shares	(721,197)	(1,563,994)
Debt Securities – Government	667,111	(174,795)
Debt Securities – Other	(259,488)	(673,317)
<b>Total</b>	<b>(313,574)</b>	<b>(2,412,106)</b>

In compliance with the valid legislation, revaluation differences are fully recognised in equity although at least 85% will be allocated to policyholders as a part of the profit distribution when the differences are realised. The portion distributable represents an implicit liability to policyholders.

## 11. Interest and Similar Income

	2009	2008
Current Accounts	3,125	6,321
Term Deposits	13,316	76,957
Debt Securities	1,901,431	1,426,220
<b>Total</b>	<b>1,917,872</b>	<b>1,509,498</b>

## 12. Fee and Commission Expenses

	2009	2008
Commissions to agents	879,159	364,641
Bank Fees	5,429	10,597
Portfolio Management Fees (External)	108,931	84,878
Commissions – Motivation	10,133	24,533
<b>Total</b>	<b>1,003,652</b>	<b>484,649</b>

The increase in the commissions to agents in 2009 is due to the change in the amortization period from 10 to 4 years (refer to Note 2 (q)).

## 13. Gains Less Losses from Financial Transactions

	2009	2008
Gains Less Losses from Trading with Securities	(199,782)	300,521
Other Foreign Exchange Differences	(6,014)	(11,871)
Gains Less Losses from Derivative Transactions	181,428	(229,657)
Other Transactions	65	409
Impairment – Bonds	(14,352)	(259,747)
Impairment – Shares	(7,651)	(547,182)
<b>Total</b>	<b>(46,306)</b>	<b>(747,527)</b>

## 14. Other Operating Income

	2009	2008
Insurance Benefit	770	670
Gains on Sale of Tangible Assets	4,095	547
Policyholders' Contributions	9,029	5,721
Other	480	3
<b>Total</b>	<b>14,374</b>	<b>6,941</b>

## 15. Other Operating Expenses

	2009	2008
Damages	918	916
Net Book Value of Tangible Assets Sold	3,049	203
Policyholders' Contributions	112	75
Use of Reserves for Guaranteed Return and Allocation to Pension Reserve	(1,874)	(418)
<b>Other</b>	<b>1,881</b>	<b>1,204</b>
<b>Total</b>	<b>4,086</b>	<b>1,980</b>

## 16. Administrative Expenses

	2009	2008
Staff Costs	87,262	80,530
Rent and Facility Maintenance	20,797	13,776
Audit, Tax and Legal Advisory Services	9,291	4,229
Audit Fees – Compulsory Annual Audit of the Financial Statements	1,536	1,309
Postal and Telecommunication Charges	36,797	38,680
Consumed Material	88,605	83,932
Advertising and Promotion	17,795	25,635
Maintenance and Software Support	5,126	4,305
Employee Training	2,733	2,811
Documentation Scanning and Archiving	197	412
Other Administration Expenses	9,994	10,178
<b>Total</b>	<b>280,133</b>	<b>265,797</b>

Staff costs can be analyzed as follows:

	2009	2008
Salaries and Bonuses to Members of the Board of Directors	1,403	1,297
Salaries and Bonuses to Members of the Supervisory Board	742	1,285
Salaries, Personnel Costs and Bonuses to Senior Management	14,673	10,432
Salaries, Personnel Costs and Bonuses to Other Employees	49,118	46,475
Other Social Expenses	2,983	2,724
Social Security and Health Insurance	18,343	18,317
<b>Total</b>	<b>87,262</b>	<b>80,530</b>

### Employees Statistics

	2009	2008
Number of Members of the Board of Directors	5	5
Number of Members of the Supervisory Board	6	8
Average Number of Senior Management	5	5
Average Number of Other Employees	100	92

## 17. Income Tax

Income tax payable was calculated as follows:

	2009	2008*
Profit Before Tax	619,011	81,354
Non-Taxable Income	(1,946,111)	(1,616,631)
Non-Deductible Expenses	150,509	132,660
Net Taxable Profit	(1,176,591)	(1,402,617)
Tax Due (at 5% tax rate)	0	0

\* Based on tax return

Potential deferred tax was calculated as follows:

	2009	2008
Unused Tax Losses	135,946	81,716
Revaluation differences	15,679	120,605
Difference between the Tax and Net Book Value of Assets	(75)	0
Reserves and Provisions	2,180	1,246
<b>Total</b>	<b>153,730</b>	<b>203,567</b>

Potential deferred tax asset of CZK 153,730 thousand as at 31 December 2009 (31 December 2008: CZK 203,567 thousand) was not recognised since it is unlikely that the Company will generate sufficient taxable income against which this deferred tax asset could be settled.

## 18. Financial Risks

### (a) Market Risk

The Company's investment strategy is to achieve market appreciation of policyholders' funds subject to a minimum level of investment portfolio market risks. The basic instruments of risk management are limits of investments instruments in the Company's portfolio as defined by Act No. 42/1994 Coll., on pension insurance with a state subsidy, as amended, and the Company's investment strategy, which complies with law requirements.

#### Geographical Segmentation of Assets

	Domestic	European Union ex- cluding Czech Republic	USA	Other	Total
<b>As at 31 December 2009</b>					
<b>Financial Assets</b>					
Due from Banks	3,091,327	0	0	0	3,091,327
Debt Securities	36,373,886	5,984,572	1,407,249	101,965	43,867,672
Shares and Mutual Fund Shares	357,652	1,095,434	1,466,099	279,287	3,198,472
<b>Total</b>	<b>39,822,865</b>	<b>7,080,006</b>	<b>2,873,348</b>	<b>381,252</b>	<b>50,157,471</b>

	Domestic	European Union ex- cluding Czech Republic	USA	Other	Total
<b>As at 31 December 2008</b>					
<b>Financial Assets</b>					
Due from Banks	1,421,400	0	0	0	1,421,400
Debt Securities	29,084,396	6,592,689	1,241,682	125,045	37,043,812
Shares and Mutual Fund Shares	286,046	1,066,575	782,274	1,536,793	3,671,688
<b>Total</b>	<b>30,791,842</b>	<b>7,659,264</b>	<b>2,023,956</b>	<b>1,661,838</b>	<b>42,136,900</b>

### (b) Financial Derivatives

	2009	2008
<b>Currency Forwards</b>		
Trading Agreements	451	2,739
Fair Value Hedging Agreements	66	0
<b>Positive Fair Value of Financial Derivatives (Note 6)</b>	<b>517</b>	<b>2,739</b>

	2009	2008
<b>Currency Forwards</b>		
Trading Agreements	200,870	146,295
Fair Value Hedging Agreements	58,346	49,256
<b>Negative Fair Value of Financial Derivatives (Note 8)</b>	<b>259,216</b>	<b>195,551</b>

	2009	2008
<b>Interest Rate Swap</b>		
Trading Agreements	2,623	0
<b>Positive Fair Value of Financial Derivatives (Note 6)</b>	<b>2,623</b>	<b>0</b>

## Breakdown of Financial Instruments Held by the Company:

	Nominal Value	Positive Fair Value	2009 Negative Fair Value	Nominal Value	Positive Fair Value	2008 Negative Fair Value
<b>As at 31 December</b>						
Currency Forwards	8,463,693	517	(259,215)	7,272,530	2,739	(195,551)
Interest Rate Swap	638,500	2,623	0	0	0	0
<b>Total</b>	<b>9,102,193</b>	<b>3,140</b>	<b>(259,215)</b>	<b>7,272,530</b>	<b>2,739</b>	<b>(195,551)</b>

### (c) Currency Risk

The Company takes on exposure resulting from fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored regularly.

The table below summarises the Company's exposure to currency risk. The table includes the Company's assets and liabilities at carrying amounts, categorised by currency.

<b>As at 31 December 2009</b>	<b>CZK</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>					
Cash on Hand	83	0	0	0	83
Due from Banks	3,051,754	16,508	21,047	2,018	3,091,327
Debt Securities Available-for-Sale	24,879,475	3,640,705	1,981,157	661,550	31,162,887
Securities Held-to-Maturity	12,704,785	0	0	0	12,704,785
Shares and Mutual Fund Shares	562,387	1,033,124	1,542,542	60,419	3,198,472
Other Assets	1,204,309	3,565	797	12	1,208,683
<b>Total</b>	<b>42,402,793</b>	<b>4,693,902</b>	<b>3,545,543</b>	<b>723,999</b>	<b>51,366,237</b>
<b>Liabilities</b>					
Policyholders' Funds	47,955,471	0	0	0	47,955,471
Other Liabilities	377,731	0	0	0	377,731
Provisions	15,030	0	0	0	15,030
Equity	3,018,005	0	0	0	3,018,005
<b>Total</b>	<b>51,366,237</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51,366,237</b>
<b>Net Balance Sheet Assets/Liabilities (-)</b>	<b>(8,963,444)</b>	<b>4,693,902</b>	<b>3,545,543</b>	<b>723,999</b>	<b>0</b>
<b>Net Off-Balance Sheet Currency Positions</b>	<b>8,821,462</b>	<b>(4,115,054)</b>	<b>(3,647,577)</b>	<b>(701,062)</b>	<b>357,769</b>
<b>Net Opened Currency Position</b>	<b>(141,982)</b>	<b>578,848</b>	<b>(102,034)</b>	<b>22,937</b>	<b>357,769</b>

<b>As at 31 December 2008</b>	<b>CZK</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>					
Cash on Hand	94	0	0	0	94
Due from Banks	1,398,246	1,658	21,127	369	1,421,400
Debt Securities at Fair Value through Profit or Loss	0	521,981	0	0	521,981
Debt Securities Available-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
Shares 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
<b>Total</b>	<b>37,123,596</b>	<b>4,812,882</b>	<b>2,477,911</b>	<b>396,684</b>	<b>44,811,073</b>
<b>Liabilities</b>					
Policyholders' Funds	44,154,556	0	0	0	44,154,556
Other Liabilities	279,715	0	0	0	279,715
Provisions	7,077	0	0	0	7,077
Equity	369,725	0	0	0	369,725
<b>Total</b>	<b>44,811,073</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,811,073</b>
<b>Net Balance Sheet Assets/Liabilities (-)</b>	<b>(7,687,477)</b>	<b>4,812,882</b>	<b>2,477,911</b>	<b>396,684</b>	<b>0</b>
<b>Net Off-Balance Sheet Currency Positions</b>	<b>7,464,488</b>	<b>(4,521,491)</b>	<b>(2,427,365)</b>	<b>(323,674)</b>	<b>191,958</b>
<b>Net Opened Currency Position</b>	<b>(222,989)</b>	<b>291,391</b>	<b>50,546</b>	<b>73,010</b>	<b>191,958</b>

#### (d) Interest Rate Risks

The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. As a result of such changes, interest margins may increase, decrease or generate losses in the event of unexpected movements. The Board of Directors determines limits of the interest rate differences that are acceptable. These limits are monitored on a daily basis.

The table below summarises the Company's exposure to interest rate risk. The table includes the Company's assets and liabilities at carrying amounts, categorised by the earlier of the settlement, re-pricing or maturity dates. The table includes only interest rate sensitive assets, therefore it is not identical with the data presented in the balance sheet of the Company.

As at 31 December 2009	Up to 3 Months	3–12 Months	1–5 Years	Over 5 Years	Total
<b>Assets</b>					
Due from Banks	3,091,327	0	0	0	3,091,327
Debt Securities	4,230,890	7,364,325	15,970,212	16,302,245	43,867,672
<b>Total</b>	<b>7,322,217</b>	<b>7,364,325</b>	<b>15,970,212</b>	<b>16,302,245</b>	<b>46,958,999</b>
<b>Liabilities</b>					
Payables to Policyholders	8,770,300	5,374,589	12,769,103	21,041,479	47,955,471
Other Liabilities	377,731	0	0	0	377,731
<b>Total</b>	<b>9,148,031</b>	<b>5,374,589</b>	<b>12,769,103</b>	<b>21,041,479</b>	<b>48,333,202</b>
<b>Net Interest Sensitive Assets-Balance Sheet Assets/Liabilities (-)</b>	<b>(1,825,814)</b>	<b>1,989,736</b>	<b>3,201,109</b>	<b>(4,739,234)</b>	<b>(1,374,203)</b>
<b>Net Off-Balance Sheet Positions</b>	<b>0</b>	<b>(638,500)</b>	<b>0</b>	<b>638,500</b>	<b>0</b>
<b>Net Opened Interest Rate Position</b>	<b>(1,825,814)</b>	<b>1,351,236</b>	<b>3,201,109</b>	<b>(4,100,734)</b>	<b>(1,374,203)</b>

As at 31 December 2008	Up to 3 Months	3–12 Months	1–5 Years	Over 5 Years	Total
<b>Assets</b>					
Due from Banks	1,421,400	0	0	0	1,421,400
Debt Securities	5,698,376	5,997,218	11,978,079	13,370,139	37,043,812
<b>Total</b>	<b>7,119,776</b>	<b>5,997,218</b>	<b>11,978,079</b>	<b>13,370,139</b>	<b>38,465,212</b>
<b>Liabilities</b>					
Payables to Policyholders	1,470,812	3,345,493	13,832,741	25,505,510	44,154,556
Other Liabilities	279,715	0	0	0	279,715
<b>Total</b>	<b>1,750,527</b>	<b>3,345,493</b>	<b>13,832,741</b>	<b>25,505,510</b>	<b>44,434,271</b>

#### (e) Liquidity Risk

The Company is exposed to liquidity risk as a consequence of calls on available cash resources related to pension liabilities, one-off settlements, severance payments and transfers of the policyholders' funds to other pension funds.

The Company regularly assesses the liquidity risk, mainly by monitoring the changes of the inflow and outflow of the participants' funds. The Company, in line with its liquidity risk strategy, holds part of the assets in highly liquid financial instruments such as government treasury bills and similar government bonds.

The table below allocates the assets and liabilities of the Company into relevant maturity bands based on the remaining period as at the balance sheet date to the contractual maturity date. At present, one-off settlements, severance payments, pensions and transfers to other pension funds are being financed continuously, i.e., from interest income from financial placement and contributions paid by the policyholders.

The Company reports the participants' contributions, state contributions and contributions from third parties as liabilities. The shareholders' equity is a minority source of capital. For the supplementary pension insurance, it is not possible to determine the remaining maturity of the liabilities due to the characteristics of the product and due to the possibility to ask for the pension benefit payment any time after the occurrence of the claim or to ask for the payment of the surrender after 12 months of the insured period. The Company carried the amount of CZK 8,770,300 thousand (2008: CZK 8,597,421 thousand) on these liability accounts in favor of the participants who have met the conditions for claiming the pension but have not asked for the benefit.

As at 31 December 2009	Up to 3 Months	3-12 Months	1-5 Years	Over 5 Years	Unspecified	Total
<b>Assets</b>						
Cash on Hand	83	0	0	0	0	83
Due from Banks	3,091,327	0	0	0	0	3,091,327
Debt Securities	810,483	5,114,802	16,505,559	21,436,828	0	43,867,672
Shares and Mutual Fund Shares	0	0	0	0	3,198,472	3,198,472
Other Assets	491,256	0	0	0	717,427	1,208,683
<b>Total</b>	<b>4,393,149</b>	<b>5,114,802</b>	<b>16,505,559</b>	<b>21,436,828</b>	<b>3,915,899</b>	<b>51,366,237</b>
<b>Liabilities</b>						
Payables to Policyholders	8,770,300	5,374,589	12,769,103	21,041,479	0	47,955,471
Other Liabilities	377,731	0	0	0	0	377,731
Provisions	0	15,030	0	0	0	15,030
Equity	0	0	0	0	3,018,005	3,018,005
<b>Total</b>	<b>9,148,031</b>	<b>5,389,619</b>	<b>12,769,103</b>	<b>21,041,479</b>	<b>3,018,005</b>	<b>51,366,237</b>
<b>Net Assets/Liabilities (-)</b>	<b>(4,754,882)</b>	<b>(274,817)</b>	<b>3,736,456</b>	<b>395,349</b>	<b>897,894</b>	<b>0</b>

As at 31 December 2008	Up to 3 Months	3-12 Months	1-5 Years	Over 5 Years	Unspecified	Total
<b>Assets</b>						
Cash on Hand	94	0	0	0	0	94
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 and Mutual Fund Shares	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
<b>Total</b>	<b>4,547,254</b>	<b>5,423,387</b>	<b>13,904,596</b>	<b>16,108,551</b>	<b>4,827,285</b>	<b>44,811,073</b>
<b>Liabilities</b>						
Payables to Policyholders	8,597,421	3,345,493	13,832,741	16,908,089	0	44,154,556
Other Liabilities	279,715	0	0	0	0	279,715
Provisions	0	7,077	0	0	0	7,077
Equity	0	0	0	0	369,725	369,725
<b>Total</b>	<b>8,877,136</b>	<b>3,352,570</b>	<b>13,832,741</b>	<b>16,908,089</b>	<b>369,725</b>	<b>44,811,073</b>
<b>Net Assets/Liabilities (-)</b>	<b>(4,329,882)</b>	<b>2,070,817</b>	<b>71,855</b>	<b>(799,538)</b>	<b>4,457,560</b>	<b>0</b>

## 19. Related Party Transactions

	2009	2008
<b>Liabilities</b>		
Česká pojišťovna a.s.	7,419	7,087
Generali PPF Asset Management a.s.	3,453	0
Generali PPF Holding B.V., organizační složka	375	0
Generali penzijní fond a.s.	325	0
<b>Receivables</b>		
Česká pojišťovna a.s.	0	1,000,000
Generali PPF Asset Management a.s.	0	1,546
Home Credit a.s.	0	16,892
Generali penzijní fond a.s.	42	0
<b>Revenues</b>		
Česká pojišťovna a.s.	941	849
Česká pojišťovna ZDRAVÍ a.s.	0	11
Home Credit a.s.	15,659	33,002
Generali penzijní fond a.s.	249	0
NOMOS CAPITAL PLC.	867	0
Home Credit Finance Bank o.o.o.	122,470	111,191
PPF Co2 B.V.	0	2,776
<b>Expenses</b>		
Česká pojišťovna a.s.	18,112	15,862
Česká pojišťovna ZDRAVÍ a.s.	325	308
Generali PPF Asset Management a.s.	108,882	84,841
Generali PPF Holding B.V., organizační složka	4,500	0

These transactions were based on the realized costs and profit margin.

Securities Purchased:

ISIN	Group Member	No. of Shares	2009 Market Value	No. of Shares	2008 Market Value
CZ0003501488	Home Credit a.s.	0	0	500	499,449
XS0237063184	Home Credit Finance Bank o.o.o.	0	0	40	135,310
XS0237063267	Home Credit Finance Bank o.o.o.	0	0	40	135,291
XS0371442822	Home Credit Finance Bank o.o.o.	17,400	324,005	17,400	283,790
XS0380161645	Home Credit Finance Bank o.o.o.	47,723	929,029	47,723	785,369
XS0473293701	NOMOS CAPITAL PLC.	14,150	262,231	0	0

These contributions to the pension insurance accounts of the Company's management were made under the standard terms of the Company available to all policyholders.

## 20. Off-Balance Sheet

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

Term Interest Instruments	Contracted Amount		Fair Value	
	2009	2008	2009	2008
Term Currency Transactions – Purchase	8,821,462	7,464,488	0	0
Term Currency Transactions – Sale	8,463,693	7,272,530	(258,698)	(192,812)

Term Interest Instruments	Contracted Amount		Fair Value	
	2009	2008	2009	2008
Interest Rate Swap – Receivables	638,500	0	2,623	0
Interest Rate Swap – Payables	638,500	0	0	0

Term currency and interest rate instruments were agreed on the interbank market (OTC).



## (b) Managed Assets

	2009	2008
Bank Accounts and Term Deposits	2,843,857	875,040
Debt Securities	43,867,672	37,043,812
Shares and Mutual Fund Shares	3,198,472	3,671,688
Coupons and Dividends Due	115,681	150,546
Fair Value of Derivatives	(256,075)	(192,812)
<b>Total</b>	<b>49,769,607</b>	<b>41,548,274</b>

## 21. Subsequent Events

No events occurred subsequent to the balance sheet date that would have a material impact on the Company's financial statements as at 31 December 2009.

### Approval of the Financial Statements

These financial statements have been approved by the Company's Board of Directors for submission to the sole shareholder acting in the capacity as the General Meeting:

Date of preparation

Signature of the statutory representative

Person responsible for the accounting records

Person responsible for the financial statements

16 February 2010

Tomáš Matoušek, MBA

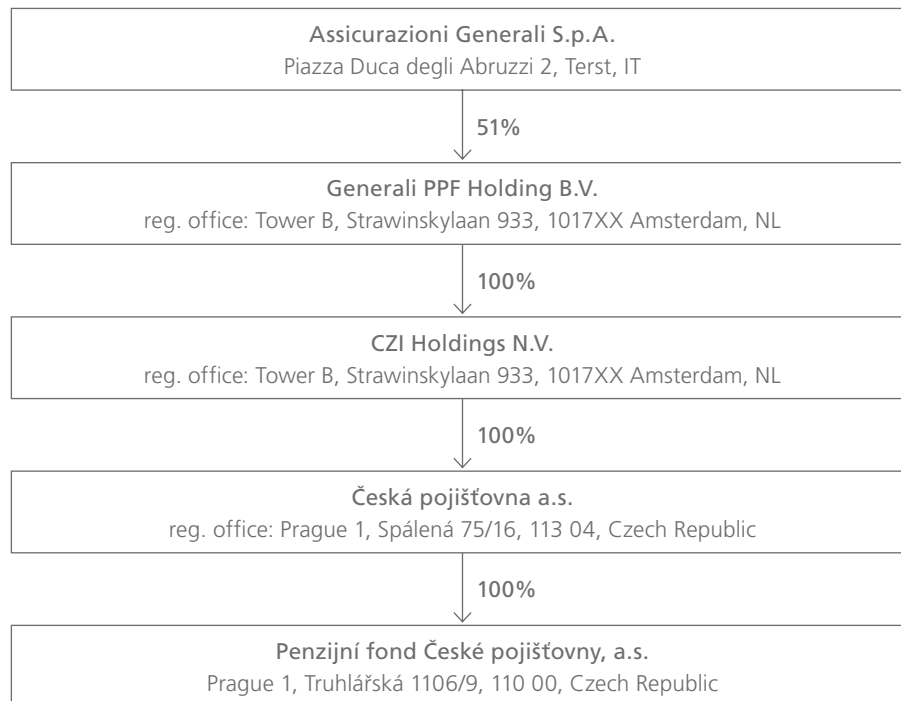
Pavel Šoukal

Blanka Jarošová

# Report on Related-Party Transactions

covering the accountancy period of 2009

The Board of Directors of **Penzijní fond České pojišťovny, a.s.**, having its registered office at Praha 1, Truhlářská 1106/9, 110 00, registration number: 61858692 (hereinafter referred to as the "Company") is required to prepare a Report on Related-Party Transactions for the 2009 accounting period in accordance with Section 66a(9) of Act No 513/1991, the Commercial Code, as amended. Throughout 2009, the structure of control was as follows:



- The following contractual documents were concluded between the Company and Generali PPF Asset Management a.s., having its registered office at Praha 6, Dejvice, Evropská 2690/17, 160 41, registration number 25629123:
  - Addendum No 2 to the Company Asset Management Agreement of 23 March 2009,
  - Addendum No 3 to the Company Asset Management Agreement of 15 December 2009,
  - Addendum No 4 to the Company Asset Management Agreement of 16 December 2009, entering into force on 1 January 2010.
- The following contractual documents were concluded between the Company and Generali PPF Holding B.V. having its registered office at the Netherlands, Strawinskylaan 933, 1077XX Amsterdam:
  - Consultancy Service Agreement of 1 January 2009.
- The following contractual documents were concluded between the Company and Česká pojišťovna a.s., having its registered office at Praha 1, Spálená 75/16, 113 04, registration number 45272956:
  - Agreement on an Incentive Competition of 7 December 2009, under which the Company co-funded the incentive project ČP Kariéra and was given assistance in dealing with legal matters related to its business,
  - Addendum No 1 to the Agreement on an Incentive Competition of 21 December 2009, under which the Company provided additional co-funding for the incentive project ČP Kariéra for 2009,
  - Addendum No 3 to a Personal Data Processing Agreement concluded on 1 January 2009, extending the validity of the agreement to 31 December 2009,
  - Insurance contracts for comprehensive vehicle insurance – numbers 5193800318, 5193811228, 5280918014, 5280933310, 5280937119, 5655361518, 5655377114, 5416070916, 5424724111.

- The following contractual documents were concluded between the Company and Česká pojišťovna a.s., having its registered office at Praha 1, Spálená 75/16, 113 04, registered number 45272956, Generali PPF Holding B.V., having its registered office at the Netherlands, Stravinskylaan 933, 1077XX Amsterdam, Generali Pojišťovna a.s., having its registered office at Praha 2, Bělehradská 132, 120 84 , registration number 61859869, Generali Servis s.r.o., having its registered office at Praha 2, Bělehradská 132, 120 84, registration number 61509540, Generali penzijní fond a.s., having its registered office at Praha 2, Bělehradská 132, 120 84, registration number 63998475, ČP INVEST investiční společnost, a.s., having its registered office at Praha 1, Purkyňova 74/2, 110 00, registration number 43873766, První Callin agentura a.s., having its registered office at Praha 1, Na Pankráci 1658/121, 140 21, registration number 27108562, Česká pojišťovna ZDRAVÍ a.s., having its registered office at Praha 10, Litevská 1174/8, 100 05, registration number 49240749 and Generali PPF Asset Management a.s., having its registered office at Praha 6, Evropská 2690/17, 160 41, registration number 25629123:
  - Agreement on the Fulfilment of Obligations Arising from Group Participation of 16 January 2009,
  - Addendum No 1 to the Agreement on the Fulfilment of Obligations Arising from Group Participation on the accession to the Agreement of Univerzální správa majetku a.s., having its registered office at Praha 4, Na Pankráci 1658, 140 21, registration number 60192330, Pankrác services s.r.o., having its registered office at Praha 4, Na Pankráci 1658, 140 21, registration number 28256859, and Generali Development s.r.o., having its registered office at Praha 2, Bělehradská 132, 120 84, registration number 44795084, of 16 December 2009.
- The following contractual documents were concluded between the Company and Česká pojišťovna ZDRAVÍ a.s., having its registered office at Praha 10, Litevská 1174/8, Praha 10, 100 05, registration number 49240749:
  - Addendum No 2/2009 to the Framework Agreement on Business Cooperation of 2 November 2009, on the basis of which a pension scheme offer was sent to the clients of ČP ZDRAVÍ.
- The following contractual documents were concluded between the Company and Generali penzijní fond a.s., having its registered office at Praha 2, Bělehradská 132, 120 84, registration number 63998475:
  - Vehicle Lease Agreement of 30 October 2009.

All the above-mentioned contracts were concluded on an arm's-length basis; all considerations under these contracts were also provided and received on an arm's-length basis, and the Company suffered no detriment or loss under these contracts.

The Company did not take any measures or execute other legal acts on behalf of or at the instigation of related parties in the 2009 accounting period.

The Company's governing body declares that it has prepared this report with due professional care and that the information disclosed herein is correct and complete.

Prague, 9 March 2010



**Tomáš Matoušek, MBA**

Chief Executive Officer and Chairman of the Board of Directors



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



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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PENZIJNÍ FOND ČESKÉ POJIŠŤOVNY, A.S.

We have audited the financial statements of Penzijní fond České pojišťovny, a.s., identification number 61858692, with registered office at Truhlářská 1106/9, Prague ("the Company") for the year ended 31 December 2009 disclosed in the annual report on pages 18 to 39 and issued the opinion dated 16 February 2010 and disclosed on page 17.

#### Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent with the financial statements referred to above. The Board of Directors is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

#### Auditor's Responsibility

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

#### Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent, in all material respects, with the financial statements.

The maintenance and integrity of the Company's website is the responsibility of its Board of Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

## Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2009 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 and related application guidance of the Chamber of Auditors of the Czech Republic for review of the report on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the requirements of Article 66a of the Commercial Code.

15 June 2010

**PricewaterhouseCoopers Audit, s.r.o.**

represented by partner

**Petr Kříž**

Statutory Auditor, Licence No. 1140

### Translation Note

This version of our report is a translation from the original, which was prepared in Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

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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