Česká pojišťovna a.s.

Consolidated financial statements for the year ended 31 December 2004

KPMG Česká republika Audit, s.r.o.
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Report of the Independent auditor to the shareholders of Česká pojišťovna a.s.

We have audited the accompanying consolidated balance sheet of Česká pojišťovna a.s. ("the Company") and its subsidiaries (together "the Group") as of 31 December 2004, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing, the Act on Auditors and the auditing standards of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2004, and of the results of its operations, its cash flows and its changes in equity for the year then ended in accordance with International Financial Reporting Standards.

Prague,
30 June 2005

KPMG Česká republika Audit, s.r.o.
Licence number 71

František Dostálek
Licence number 176

Content

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

As at 31 December

In millions of CZK

	Note	2004	2003 (restated)
Assets			
Intangible assets	G1	3 515	2 843
Investments in subsidiaries, associates and joint ventures	G2	59	236
Investments	G3	101 532	89 072
Loans and advances to banks	G4	28 294	24 022
Loans and advances to non-banks	G5	42 136	24 383
Assets held to cover linked insurance liabilities	G6	433	279
Reinsurance assets	G7	1 448	2 641
Receivables	G8	6 377	9 354
Deferred tax assets	G9	912	861
Other assets	G10	7 243	7 580
Prepayments and accrued income	G11	1 352	1 680
Cash and cash equivalents	G12	3 999	2 933
Total assets		**197 300**	**165 884**
Issued capital	G13	2 981	3 412
Reserves	G13	3 348	3 421
Retained earnings	G13	10 305	7 694
Shareholders' equity		16 634	14 527
Minority interest	G14	2 238	1 335
Shareholders' equity and minority interest		**18 872**	**15 862**
Liabilities			
Subordinated liabilities	G15	3 073	2 500
Insurance provisions	G16	107 731	98 002
Technical provisions for linked insurance liabilities	G17	440	280
Other liabilities evidenced by paper	G18	20 052	14 228
Other provisions	G19	178	239
Liabilities to banks	G20	14 902	4 377
Liabilities to non-banks	G21	18 952	16 101
Trading liabilities	G22	1 622	1 299
Payables	G23	8 029	8 534
Accruals and deferred income	G24	2 069	2 045
Deferred tax liabilities	G9	1 329	2 412
Other liabilities		51	5
Total liabilities		**178 428**	**150 022**
Total shareholders' equity, minority interest and liabilities		**197 300**	**165 884**

Date: 30 June 2005	Stamp and signature of statutory authority:	Person responsible for accounting (name and signature): Ing.Lubomír Bušek, M.B.A.	Person responsible for financial statements (name and signature): Ing.Veronika Uhlířová Tel: 224 559 057

ČESKÁ POJIŠŤOVNA a.s.
centrála
Spálená 75/16
113 04 Praha 1 32

Consolidated income statement

For the year ended 31 December

In millions of CZK

	Note	2004	2003 (restated)
Premium Income, Net	G25	38 021	34 254
Direct insurance business written		40 925	37 197
Reinsurance business assumed		278	103
Premium Ceded		(2 782)	(2 477)
Change in unearned premiums (net of reinsurance)		(400)	(569)
Net income from investments in subsidiaries, associates and joint ventures	G26	(28)	6
Interest and similar income	G27	11 611	7 627
Other income from investments	G28	7 402	2 933
Net income from assets held to cover linked insurance liabilities	G29	(2)	26
Net fee and commission income, and income from service activities	G30	1 846	739
Other income	G31	5 201	5 607
Total revenue		**64 051**	**51 192**
Insurance technical charges	G32	(29 910)	(24 506)
Change in technical provisions for linked insurance liabilities	G17	(163)	(96)
Interest expense and similar charges	G33	(1 634)	(889)
Other expenses from investments	G34	(2 718)	(2 654)
Acquisition costs and other operating expenses	G35	(15 009)	(11 308)
Other expenses	G36	(8 691)	(8 702)
Total expenses		**(58 125)**	**(48 155)**
Profit from operations		5 926	3 037
Income tax expense	G37	(1 377)	(1 228)
Profit after tax		4 549	1 809
Minority interest	G14	(89)	(54)
Net profit for the year		**4 460**	**1 755**
Weighted average number of shares		2 980 963	3 412 391
Number of shares (not including shares held by the company)		2 980 963	2 980 963
Earning per share (CZK)	G43	1 496	589

Date:	Stamp and signature of statutory authority:	Person responsible for accounting (name and signature):	Person responsible for financial statements (name and signature):
30 June 2005		Ing.Lubomír Bušek, M.B.A.	Ing.Veronika Uhlířová Tel: 224 559 057

ČESKÁ POJIŠŤOVNA a.s.
centrála
Spálená 75/16
113 04 Praha 1 32

Consolidated statement of changes in equity

In millions of CZK, for the year ended 31 December 2004

	Issued capital	Revaluation reserve	Legal and statutory reserves	Translation reserve	Reserve for own shares	Catastrophe and equalisation reserves	Other reserves	Retained earnings	Total
Balance at 1 January	**3 412**	**107**	**2 566**	**(13)**	**(1 778)**	**2 521**	**18**	**6 190**	**13 023**
Changes in accounting policy	-	-	-	-	-	-	-	1 504	1 504
Restated balance at 1 January	**3 412**	**107**	**2 566**	**(13)**	**(1 778)**	**2 521**	**18**	**7 694**	**14 527**
Currency translation differences	-	-	-	(375)	-	-	-	-	(375)
Total gains from revaluation of land and buildings transferred from owner occupied to investment property and related deferred tax recognised directly in equity	-	14	-	-	-	-	-	-	14
Net profit for the year	-	-	-	-	-	-	-	4 460	4 460
Distribution to legal and statutory reserves	-	-	95	-	-	-	(1)	(94)	-
Dividends to shareholders	-	-	-	-	-	-	-	(1 998)	(1 998)
Decrease of share capital	(431)	-	(1 778)	-	1 778	-	-	431	-
Other movements	-	-	-	-	-	-	-	6	6
Changes in catastrophe and equalisation reserves	-	-	-	-	-	194	-	(194)	-
Balance at 31 December	**2 981**	**121**	**883**	**(388)**	**-**	**2 715**	**17**	**10 305**	**16 634**

In millions of CZK, for the year ended 31 December 2003 (restated)

	Issued capital	Revaluation reserve	Legal and statutory reserves	Translation reserve	Reserve for own shares	Catastrophe and equalisation reserves	Other reserves	Retained earnings	Total
Balance at 1 January	**3 412**	**-**	**2 475**	**(8)**	**(1 778)**	**2 219**	**23**	**6 649**	**12 992**
Changes in accounting policy	-	-	-	-	-	-	-	3 159	3 159
Restated balance at 1 January	**3 412**	**-**	**2 475**	**(8)**	**(1 778)**	**2 219**	**23**	**9 808**	**16 151**
Currency translation differences	-	-	-	(5)	-	-	-	-	(5)
Total gains from revaluation of land and buildings transferred from owner occupied to investment property and related deferred tax recognised directly in equity	-	107	-	-	-	-	-	-	107
Net profit for the year	-	-	-	-	-	-		1 755	1 755
Distribution to legal and statutory reserves	-	-	91	-	-	-	(5)	(86)	-
Dividends to shareholders	-	-	-	-	-	-	-	(3 469)	(3 469)
Other movements	-	-	-	-	-	-	-	(12)	(12)
Changes in catastrophe and equalisation reserves	-	-	-	-	-	302	-	(302)	-
Balance at 31 December	**3 412**	**107**	**2 566**	**(13)**	**(1 778)**	**2 521**	**18**	**7 694**	**14 527**

Consolidated statement of cash flows

For the year ended 31 December

In millions of CZK

	2004	2003 (restated)
Profit from operations (before taxation)	5 926	3 037
Adjustment for investment income/expenses not involving movements of cash	(20)	815
Realised (gains)/losses on disposal of non-consolidated subsidiaries and associates	28	(2)
Adjustment to reconcile amortisation of goodwill	570	417
Adjustment to reconcile recognised income from negative goodwill	(12)	(5)
Amortisation of PVFP	12	-
Change in insurance provisions	4 335	613
Change in other provisions	(61)	33
Change in deferred acquisition costs	(27)	(19)
Change in trading assets	(2 707)	419
Change in loans and advances to banks	(4 019)	7 843
Change in loans and advances to customers	(17 753)	(8 959)
Change in reinsurance assets	1 195	5 082
Change in receivables	2 728	(2 496)
Change in software and other intangible assets	(494)	(446)
Change in other assets and prepayment and accrued income	6	(574)
Transfer to (from) other assets from (to) investment property	133	(492)
Change in payables	(1 067)	(101)
Change in trading liabilities	323	(249)
Change in liabilities to bank	10 525	(533)
Change in liabilities to customers	2 850	1 941
Change in other liabilities, accruals and deferred income	67	749
Cash flows arising from taxes on income	(1 683)	(312)
Other	-	13
Cash flows from operating activities	854	6 774
Purchase of investments available for sale	(63 087)	(69 636)
Purchase of investments held to maturity	(1 077)	-
Purchase of investment property	(366)	(10)
Acquisition of subsidiaries and associates, net of cash	(1 498)	(5)
Purchase of assets held to cover linked insurance liabilities	(169)	(94)
Proceeds from sale of investments available for sale	61 096	58 889
Proceeds from investments held to maturity	-	1 759
Proceeds from sale of investment property	114	262
Disposal of ownership in subsidiaries and associates, net of cash	897	-
Proceeds from sale of assets held to cover linked insurance liabilities	11	6
Proceeds from sales of non-consolidated subsidiaries	23	534
Cash flow from investing activities	(4 056)	(8 295)

	2004	2003 (restated)
Dividends paid	(1 998)	(3 469)
Proceeds from subordinated liabilities	573	2 500
Proceeds from other liabilities evidenced by paper	7 822	4 644
Payment of other liabilities evidenced by paper	(2 020)	(1 560)
Cash flow from financing activities	4 377	2 115
Effect of exchange rate changes on cash and cash equivalents	(108)	72
Change in cash and cash equivalents	1 067	666
Cash and cash equivalents at beginning of period	2 933	2 267
Cash and cash equivalents at and of period	3 999	2 933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. General

A.1.1. Description of the Group

Česká pojišťovna a.s. ("hereinafter referred to as "Česká pojišťovna" or "the parent") is a composite insurer offering a wide range of life and non-life insurance products and is domiciled in the Czech Republic. Česká pojišťovna was incorporated on 1 May 1992, as a joint stock company and is the successor to the former state-owned insurance company Česká státní pojišťovna.

The consolidated financial statements of the parent for the year ended 31 December 2004 comprise the parent and its subsidiaries (together referred to as the "Group") and the Group's interest in associates, joint ventures and affiliated entities.

Structure of Shareholders:
As at 31 December 2004, the structure of shareholders was as follows:
CESPO B.V., The Kingdom of the Netherlands 97.70%
Other shareholders 2.30%

The Group's ultimate parent is PPF Group N.V. (Netherlands). See Section C of these financial statements for a full listing of all Group enterprises and changes to the Group in 2004 and 2003.

Registered Office:
Spálená 75/16
113 04 Prague 1
Czech Republic
ID number: 45 27 29 56
The Directors authorised the financial statements for issue on 30 June 2005.

A.1.2. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The Group did not adopt any IFRS standard earlier than its effective date.

In the absence of specific guidance under IFRS concerning the accounting treatment of insurance transactions the Directors have considered the requirements and guidance in International Financial Reporting Standards dealing with similar and related issues; the definitions, recognition and measurement criteria for assets, liabilities, income and expenses set out in the IASB Framework; and pronouncements of other standard setting bodies and accepted industry practices, as envisaged by IAS 1. In particular, the Group has referred to IFRS 4 Insurance Contracts and the Insurance Accounts Directive of the European Union (91/674/EEC) for guidance.

A.1.3. Basis of preparation

The financial statements are presented in Czech Crowns ("CZK"), rounded to the nearest million.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, available-for-sale assets, investments properties and assets held to cover insurance linked liabilities, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost, as appropriate, net of any impairment that may exist.

The accounting policies have been consistently applied by the Group enterprises and, except for the changes in accounting policies (see note D.2), are consistent with those used in the previous year.

Certain prior period balances have been reclassified to conform to current year presentation.

B. Segment reporting

Consolidated balance sheet by business segment as at 31 December

In millions of CZK

2004	Non-life	Life	Banking	Other	Elimina-tions	Total
Assets						
Intangible assets	529	1 287	1 750	(45)	(6)	3 515
Investments in subsidiaries, associates and joint ventures	50	4	4	1	-	59
Investments	19 969	82 143	5 277	-	(5 857)	101 532
Loans and advances to banks	7 627	9 264	12 544	6 268	(7 409)	28 294
Loans and advances to non-banks	436	-	40 807	1 098	(205)	42 136
Assets held to cover linked insurance liabilities	-	439	-	-	(6)	433
Reinsurance assets	1 445	5	-	-	(2)	1 448
Receivables	3 836	1 699	878	597	(633)	6 377
Deferred tax assets	308	233	366	5	-	912
Other assets	522	4 212	1 165	1 343	1	7 243
Prepayments and accrued income	818	201	338	3	(8)	1 352
Cash and cash equivalents	570	277	3 606	110	(564)	3 999
Total assets	**36 110**	**99 764**	**66 735**	**9 380**	**(14 689)**	**197 300**
Liabilities						
Subordinated liabilities	1 250	1 250	1 195	-	(622)	3 073
Insurance provisions	22 753	85 534	-	-	(556)	107 731
Technical provisions for linked insurance liabilities	-	440	-	-	-	440
Other liabilities evidenced by paper	2 026	1 739	16 185	5 800	(5 698)	20 052
Other provisions	48	49	47	34	-	178
Liabilities to banks	51	188	14 529	197	(63)	14 902
Liabilities to non-banks	-	-	26 016	84	(7 148)	18 952
Trading liabilities	1 036	654	321	-	(389)	1 622
Payables	4 859	1 864	1 370	477	(541)	8 029
Accruals and deferred income	911	1 034	111	58	(45)	2 069
Deferred tax liabilities	694	449	129	57	-	1 329
Other liabilities	19	31	1	-	-	51
Total liabilities	**33 647**	**93 232**	**59 904**	**6 707**	**(15 062)**	**178 428**
Shareholders' equity						16 634
Minority interest						2 238
Total shareholders' equity, minority interest and liabilities						**197 300**

In millions of CZK

2003 (restated)	Non-life	Life	Banking	Other	Elimina-tions	Total
Assets						
Intangible assets	308	453	2 112	(19)	(11)	2 843
Investments in subsidiaries, associates and joint ventures	57	111	-	68	-	236
Investments	20 087	69 070	6 099	5	(6 189)	89 072
Loans and advances to banks	8 678	6 871	11 156	4 233	(6 916)	24 022
Loans and advances to non-banks	560	2	21 333	2 746	(258)	24 383
Assets held to cover linked insurance liabilities	-	279	-	-	-	279
Reinsurance assets	2 641	-	-	-	-	2 641
Receivables	4 902	2 699	1 508	652	(407)	9 354
Deferred tax assets	355	149	316	41	-	861
Other assets	506	4 645	1 023	1 390	16	7 580
Prepayments and accrued income	869	285	521	17	(12)	1 680
Cash and cash equivalents	246	400	2 173	193	(79)	2 933
Total assets	**39 209**	**84 964**	**46 241**	**9 326**	**(13 856)**	**165 884**
Liabilities						
Subordinated liabilities	1 250	1 250	468	-	(468)	2 500
Insurance provisions	21 679	76 708	-	-	(385)	98 002
Technical provisions for linked insurance liabilities	-	280	-	-	-	280
Other liabilities evidenced by paper	2 072	1 576	13 600	3 027	(6 047)	14 228
Other provisions	94	94	15	36	-	239
Liabilities to banks	-	-	7 908	784	(4 315)	4 377
Liabilities to non-banks	-	-	18 544	-	(2 443)	16 101
Trading liabilities	379	1 225	61	-	(366)	1 299
Payables	3 835	3 346	777	656	(80)	8 534
Accruals and deferred income	757	690	611	17	(30)	2 045
Deferred tax liabilities	1 107	1 231	2	72	-	2 412
Other liabilities	1	4	-	-	-	5
Total liabilities	**31 174**	**86 404**	**41 986**	**4 592**	**(14 134)**	**150 022**
Shareholders' equity						14 527
Minority interest						1 335
Total shareholders' equity, minority interest and liabilities						**165 884**

Consolidated income statement by business segment for the year ended 31 December

In millions of CZK

2004	Non-life	Life	Banking	Other	Eliminations	Total
Premium Income, Net	22 510	16 005	-	-	(494)	38 021
Net income from investments in non-consolidated subsidiaries, associates and joint ventures	-	(7)	(7)	(14)	-	(28)
Interest and similar income	1 313	3 588	7 365	392	(1 047)	11 611
Other income from investments	488	6 364	459	(38)	129	7 402
Net income from assets held to cover linked insurance liabilities	-	(3)	-	-	1	(2)
Net fee and commission income, and income from service activities	163	(297)	1 985	4	(9)	1 846
Other income	395	790	2 221	2 409	(614)	5 201
Total revenue	**24 869**	**26 440**	**12 023**	**2 753**	**(2 034)**	**64 051**
Insurance technical charges	(15 184)	(15 205)	-	-	479	(29 910)
Change in the technical provisions for linked insurance liabilities	-	(163)	-	-	-	(163)
Interest expense and similar charges	(251)	(51)	(2 059)	(312)	1 039	(1 634)
Other expenses from investments	(33)	(2 680)	(20)	(6)	21	(2 718)
Acquisition costs and other operating expenses	(6 460)	(4 311)	(4 415)	(7)	184	(15 009)
Other expenses	(640)	(1 589)	(4 244)	(2 459)	241	(8 691)
Total expenses	**(22 568)**	**(23 999)**	**(10 738)**	**(2 784)**	**1 964**	**(58 125)**
Profit from operations	2 301	2 441	1 285	(31)	(70)	5 926
Income tax expense	(405)	(405)	(540)	(27)	-	(1 377)
Profit after tax	1 896	2 036	745	(58)	(70)	4 549
Minority interest						(89)
Net profit for the year	**1 896**	**2 036**	**745**	**(58)**	**(70)**	**4 460**

In millions of CZK

2003 (restated)	Non-life	Life	Banking	Other	Eliminations	Total
Premium Income, Net	20 571	14 274	-	-	(591)	34 254
Net income from investments in non-consolidated subsidiaries, associates and joint ventures	4	3	5	(6)	-	6
Interest and similar income	1 297	3 072	3 391	188	(321)	7 627
Other income from investments	(83)	2 922	205	(2)	(109)	2 933
Net income from assets held to cover linked insurance liabilities	-	26	-	-	-	26
Net fee and commission income, and income from service activities	180	(281)	775	37	28	739
Other income	354	575	2 946	2 238	(506)	5 607
Total revenue	**22 323**	**20 591**	**7 322**	**2 455**	**(1 499)**	**51 192**
Insurance technical charges	(12 467)	(12 850)	-	-	811	(24 506)
Change in the technical provisions for linked insurance liabilities	-	(96)	-	-	-	(96)
Interest expense and similar charges	(198)	-	(917)	(87)	313	(889)
Other expenses from investments	(277)	(2 384)	(1)	(12)	20	(2 654)
Acquisition costs and other operating expenses	(5 221)	(3 524)	(2 806)	(2)	245	(11 308)
Other expenses	(908)	(2 023)	(3 733)	(2 286)	257	(8 702)
Total expenses	**(19 071)**	**(20 886)**	**(7 457)**	**(2 387)**	**1 646**	**(48 155)**
Profit from operations	3 252	(295)	(135)	68	147	3 037
Income tax expense	(1 077)	(16)	(62)	(73)	-	(1 228)
Profit after tax	2 175	(311)	(197)	(5)	147	1 809
Minority interest						(54)
Net profit for the year	**2 175**	**(311)**	**(197)**	**(5)**	**147**	**1 755**

The following table shows key figures per business segment:

In millions of CZK, for the year ended 31 December

2004	Non-life	Life	Banking	Other	Eliminations	Total
Capital expenditure	(494)	(892)	(982)	(154)	54	(2 468)
Depreciation and amortisation	(218)	(662)	(840)	(177)	-	(1 897)
Other non cash expenses	-	-	(2)	-	-	(2)
Impairment losses recognised	(59)	(152)	(1 498)	(10)	2	(1 717)
Reversal of impairment losses	36	83	199	2	(5)	315

2003	Non-life	Life	Banking	Other	Eliminations	Total
Capital expenditure	(484)	(1 112)	(653)	(238)	59	(2 428)
Depreciation and amortisation	(155)	(411)	(668)	(177)	-	(1 411)
Other non cash expenses	-	-	-	(30)	27	(3)
Impairment losses recognised	(255)	(657)	(1 116)	(20)	-	(2 048)
Reversal of impairment losses	45	88	47	-	-	180

Segment revenue from sales to external customers and segment revenue from transactions with other segments are as follows:

In millions of CZK, for the year ended 31 December

2004	Non-life	Life	Banking	Other	Eliminations	Total
External revenues	24 372	26 186	11 072	2 421	-	64 051
Revenue from transactions with other segments	497	254	951	332	(2 034)	-
Total	**24 869**	**26 440**	**12 023**	**2 753**	**(2 034)**	**64 051**

2003 (restated)	Non-life	Life	Banking	Other	Eliminations	Total
External revenues	21 454	20 513	7 046	2 179	-	51 192
Revenue from transactions with other segments	869	78	276	276	(1 499)	-
Total	**22 323**	**20 591**	**7 322**	**2 455**	**(1 499)**	**51 192**

Inter – segment pricing is determined on arm's length basis.

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

The Group comprises Non-life insurance, Life insurance and Banking as the main business segments. Section E of these financial statements provides further information about significant terms and conditions of insurance products.

Products offered by reported business segments include:

for Non-life:
- Property and liability
- Motor third party liability

for Life:
- Traditional life
- Unit linked
- Health
- Supplementary pension insurance
- Investment funds

for Banking:
- Retail banking
- Investment banking
- Leasing

for Other:
- Telecommunications
- All other operations

GEOGRAPHICAL SEGMENT

The group operates mainly in the Czech Republic.

The following table shows total assets per geographical segment

In millions of CZK, for the year ended 31 December 2004

	Czech Republic	Russia	Other	Total
Total assets	162 890	20 834	13 576	197 300
% share	82.6%	10.6%	6.9%	100%

There were no reportable foreign segments with respect to revenue or profitability.

The following table shows capital expenditures per geographical segment

In millions of CZK, for the year ended 31 December 2004

	Czech Republic	Russia	Other	Total
Capital expenditures	2 180	207	81	2 468
% share	88.3%	8.4%	3.3%	100%

C. Consolidation

C.1. Basis of consolidation

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The Group holds investments in certain mutual funds which are administered by a subsidiary controlled by the Group. Such funds are consolidated in the Group's financial statements when the Group holds more than an insignificant interest in the fund, regardless of the Group's percentage ownership. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Jointly controlled entities are those enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the enterprises' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

Reorganizations and mergers involving companies under common control are accounted for using consolidated net book values, consequently no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The list of consolidated enterprises is presented in the note C2.

C.2. Group enterprises

The consolidated enterprises are the following:

Company	Country of residence	Effective proportion of ownership interest	Effective proportion of voting interest
Česká pojišťovna a.s.	Czech Republic	Parent	Parent
AB - CREDIT, a.s.	Czech Republic	100.00%	100.00%
CP Reinsurance company Ltd.	Cyprus	100.00%	100.00%
CP Strategic Investments B.V.	Netherlands	100.00%	100.00%
Česká poisťovna – Slovensko, a.s.	Slovakia	100.00%	100.00%
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	100.00%	100.00%
ČP DIRECT, a.s.	Czech Republic	100.00%	100.00%
ČP finanční holding a.s.	Czech Republic	100.00%	100.00%
ČP finanční servis a.s.	Czech Republic	100.00%	100.00%
ČP INVEST investiční společnost, a.s.	Czech Republic	100.00%	100.00%
ČP Leasing, a.s.	Czech Republic	100.00%	100.00%
ČP PARTNER, a.s.	Czech Republic	100.00%	100.00%
ČPI Farmacie + biotechniky*	Czech Republic	75.34%	75.34%
ČPI Globálních značek*	Czech Republic	86.29%	86.29%
ČPI Korporátních dluhopisů*	Czech Republic	31.42%	31.42%
ČPI Nové ekonomiky*	Czech Republic	60.74%	60.74%
ČPI Peněžního trhu*	Czech Republic	40.94%	40.94%
ČPI Ropy + energetiky*	Czech Republic	56.19%	56.19%
ČPI Smíšený*	Czech Republic	31.04%	31.04%
ČPI Státních dluhopisů*	Czech Republic	58.41%	58.41%
Czech Insurance Company, Ltd.	Russia	100.00%	100.00%
eBanka, a.s.	Czech Republic	99.87%	99.87%
Financial Innovations o.o.o.	Russia	99.80%	99.80%
Financovyj Servis, o.o.o.	Russia	100.00%	100.00%
Gilnockie B.V.	Netherlands	74.10%	74.10%
Home Credit B.V.	Netherlands	100.00%	100.00%
Home Credit Finance a.s.	Czech Republic	100.00%	100.00%
Home Credit International a.s.	Czech Republic	99.80%	99.80%
Home Credit Slovakia, a.s.	Slovakia	99.80%	99.80%
Home Credit Finance Bank o.o.o.	Russia	99.80%	99.80%
INFOBOS LLC	Russia	69.86%	69.86%
InWay, a.s.	Czech Republic	73.91%	73.91%
Krátký film Praha a.s.	Czech Republic	90.65%	90.65%
LIKO-Technopolis, o.o.o.	Russia	94.81%	94.81%
Optimalit a.s.	Czech Republic	100.00%	100.00%
Penzijní fond České pojišťovny, a.s.	Czech Republic	91.00%	91.00%
PPF Asset Management, a.s.	Czech Republic	83.90%	83.90%
PPF banka, a.s.(formerly První městská banka, a.s.)	Czech Republic	83.90%	83.90%
Telemont Slovensko, s.r.o.	Slovakia	74.10%	74.10%
Temposervis, a.s.	Czech Republic	74.10%	74.10%
TERMIZO a.s.	Czech Republic	91.10%	91.10%

Univerzální správa majetku a.s.	Czech Republic	100.00%	100.00%
Vegacom a.s.	Czech Republic	74.10%	74.10%
ZETA OSTEUROPE HOLDING S.A.	Luxembourg	74.10%	74.10%

* Denotes open-end mutual fund

In 2004 the Group acquired 69.70% of ABN AMRO penzijní fond, a.s. which was renamed Nový ČP Penzijní fond, a.s. and merged with Penzijní fond České pojišťovny, a.s. during 2004. The merger was accounted for using the consolidated carrying values as it was determined that the merger represented a business reorganization involving entities under common control. The previous minority shareholders of Nový ČP Penzijní fond, a.s. received 9% interest in the merged entity as a result of the merger.

On 7 August 2004 ČPI Moravskoslezský and ČPI Český merged with ČPI korporátních dluhopisů. These mergers were accounted for using the consolidated carrying values as it was determined that the merger represented a business reorganization involving entities under common control. The previous participants of ČPI Moravskoslezský and ČPI Český received investment certificates in the merged entity at a value equal to the investment certificates they previously held in their respective funds.

ČP finanční služby a.s. merged with AB-CREDIT, a.s. at 1 January 2004. The merger was accounted for using the consolidated carrying values as it was determined that the merger represented a business reorganization involving two 100% owned subsidiaries.

C.3. Acquisitions

The following table presents a list of significant acquisitions during 2004.

Acquired company	Description of enterprise	Method of accounting for combination	Effective date of the combination	Percentage of ownership interest	Cost of acquisition
ABN AMRO, penzijní fond, a.s.	pension fund	acquisition	26.3.2004	69.70%	737
CP Strategic Investments B.V.	holding company	acquisition	1.6.2004	100.00%	676

The following table shows details of significant companies acquired in 2004.

In millions of CZK

Acquired company	Fair value of assets acquired	From which cash and cash equivalents	Fair value of liabilities undertaken	Goodwill (negative goodwill) arising on acquisition	Net profit (loss) for the period included in consolidated 2004 result
ABN AMRO, penzijní fond, a.s.	5 946	32	5 695	562	176
CP Strategic Investments B.V.	680	0	4	0	(3)

The above acquisitions were settled by cash or cash equivalents.

The following table presents list of companies established by the Group during 2004.

Acquired company	Description of enterprise	Date of first consolidation	Percentage of ownership interest
CP REINSURANCE COMPANY Ltd.	reinsurance company	26.6.2004	100.00%
Financial Innovations o.o.o.	SPV established for issuing bonds on Russian markets	30.8.2004	100.00%

The following table presents a list of companies established or acquired by the Group before 2004 which were not consolidated in prior years due to immateriality but which are consolidated for the first time in 2004 because of their expected significance to the Group in the future:

Acquired company	Description of enterprise	Method of accounting for combination	Date of first consolidation	Percentage of ownership interest
Czech Insurance Company, Ltd.*)	life insurance company	N/A - established	31.12.2004	100.00%
Financovyj Servis, o.o.o. *)	business and administration consultancy	N/A - established	31.12.2004	100.00%
Optimalit a.s. *)	insurance brokerage company	acquisition	1.1.2004	100.00%

*) Net profit for the period included in consolidated 2004 result due to consolidation of these companies is negligible.

The following table presents a list of significant acquisitions during 2003.

Acquired company	Description of enterprise	Method of accounting for combination	Effective date of the combination	Percentage of ownership interest	Cost of acquisition
Home Credit International a.s.	software and hardware advisory, financial and economic advisory, advertising and marketing services	acquisition	31.12.2003	100%	2*)
PPF Asset Management, a.s.	asset management	acquisition	6.3.2003	100%	44*)

*) Purchase consideration represents cash or cash equivalents paid and costs directly attributable to the acquisition.

The following table shows details of significant companies acquired in 2003.

In millions of CZK

Acquired company	Fair value of assets acquired	From which cash and cash equivalents	Fair value of liabilities undertaken	Goodwill (negative goodwill) arising on acquisition	Net profit (loss) for the period included in consolidated 2003 result
Home Credit International a.s.	147	14	145	-	-
PPF Asset Management, a.s.	35	32	2	11	39

C.4. Disposals

During the year 2004 the Group sold its investment in EULER HERMES ČESCOB úvěrová pojišťovna, a.s.

All other disposals of Group companies were not material to the consolidated financial statements of the Group for the years ended 31 December 2004 and 2003.

C.5. Non-consolidated enterprises

The following table shows the Group's associates and non-consolidated subsidiaries and selected details:

In millions of CZK for the year ended 31 December 2004

Name	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of ownership interest	Proportion of voting power	Accounting treatment	Rationale
AZ stavební a.s.	Czech Republic	9	9	-	57.00%	52.04%	Fair value	immaterial
Contractual Digital Floor, a.s.	Czech Republic	1	-	1	51.00%	51.00%	Fair value	immaterial
Český porcelán, a.s.	Czech Republic	65	16	49	23.80%	23.80%	Fair value	immaterial
Estragon a.s.	Czech Republic	2	-	2	100.00%	100.00%	Fair value	immaterial
Home Credit Leasing a.s.	Slovak Republic	1	-	1	100.00%	100.00%	Fair value	immaterial
INKO Technopolis, Ltd.	Russia	-	-	-	100.00%	100.00%	Fair value	immaterial
KabelCorp, a.s.	Slovak Republic	58	54	4	100.00%	100.00%	Fair value	immaterial
Limeno CSLM Ltd.	Hungary	1	1	-	100.00%	100.00%	Fair value	immaterial
NAEL S. a r.l.	Luxembourg	1	-	1	100.00%	100.00%	Fair value	immaterial
Společnost pro informační databáze, a.s.	Czech Republic	-	-	-	26.00%	26.00%	Fair value	immaterial
Studia animovaného filmu, a.s.	Czech Republic	30	30	-	100.00%	100.00%	Fair value	immaterial
Vegacom Slovakia a.s.	Slovak Republic	1	-	1	67.00%	67.00%	Fair value	immaterial
Total non-consolidated investments in enterprises		**169**	**110**	**59**				

In millions of CZK for the year ended 31 December 2003

Name	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of ownership interest	Proportion of voting power	Accounting treatment	Rationale
EULER HERMES ČESCOB úvěrová pojišťovna, a.s.	Czech Republic	57	-	57	35.26%	35.26%	Equity	associate
PPF investiční společnost a.s., v likvidaci	Czech Republic	141	117	24	100.00%	100.00%	Fair value	winding-up
AZ stavební a.s.	Czech Republic	9	9	-	57.00%	52.04%	Fair value	immaterial
Contractual Digital Floor, a.s.	Czech Republic	1	-	1	51.00%	51.00%	Fair value	immaterial
Coris Praha a.s.	Czech Republic	1	(4)	5	29.90%	29.90%	Fair value	immaterial
Český porcelán a.s.	Czech Republic	65	16	49	16.30%	26.70%	Fair value	immaterial
Czech Insurance Company Ltd.	Russia	41	4	37	100.00%	100.00%	Fair value	immaterial
KabelCorp a.s.	Slovakia	58	40	18	100.00%	100.00%	Fair value	immaterial
Limeno	Hungary	1	-	1	100.00%	100.00%	Fair value	immaterial
PRAGOSIL a.s. v likvidaci	Czech Republic	13	13	-	70.50%	70.50%	Fair value	winding-up
Financovyj servis o.o.o.	Russia	44	5	39	100.00%	100.00%	Fair value	immaterial
Optimalit, spol. s.r.o.	Czech Republic	4	-	4	100.00%	100.00%	Fair value	immaterial
Home Credit Leasing, a.s.	Slovakia	1	-	1	100.00%	100.00%	Fair value	immaterial
Studia animovaného filmu, a.s.	Czech Republic	30	30	-	100.00%	100.00%	Fair value	immaterial
Inko Technopolis Ltd.	Russia	-	-	-	100.00%	100.00%	Fair value	immaterial
Total non-consolidated investments in enterprises		**466**	**230**	**236**				

D. Significant accounting policies and assumptions

D.1. Significant accounting policies

D.1.1. Foreign currency translation

A foreign currency transaction is a transaction, which is denominated in or requires settlement in a foreign currency. A foreign currency transaction is recorded, on initial recognition in the local currency, by applying to the foreign currency amount the exchange rate effective at the date of the transaction. At each balance sheet date:

- foreign currency monetary items are translated using the closing exchange rate;
- non-monetary items denominated in a foreign currency which are carried at historical cost are translated using the exchange rate at the date of the original transaction; and
- non-monetary items denominated in a foreign currency, which are carried at fair value, are translated using the exchange rates that existed when the fair values were determined.

Exchange differences arising from the settlement of monetary items or from translation of the Group's monetary items at rates different from those at which they were initially recorded, or reported in previous financial statements are recognised as income or as expenses in the period in which they arise.

The Group's foreign operations are not considered as integral to the Group's operations. For those particular enterprises within the Group, which have a measurement currency different from the Group's reporting currency, the following procedures are used for translating into reporting currency for reporting purposes:

- the assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing exchange rate;
- income and expenses of the foreign entity are translated at exchange rates at the dates of the transactions. For practical reasons, an average rate for the financial year is used to translate income and expense items of the Group's foreign entities;
- all resulting exchange differences from translation of foreign subsidiaries are classified as "foreign currency translation adjustments " as part of shareholders' equity until disposal of the net investment in the subsidiary.

D.1.2. Impairment

The carrying amounts of the Group's assets, other than investment property (see note D.1.4.4.), deferred acquisition costs (D.1.10.), Present value of future profits on an acquired insurance portfolio (D.1.3.2.), inventories (D.1.9.2.) and deferred tax assets (D.1.34.), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An

impairment loss is recognised to the extent that the carrying amount of an asset, or the relevant cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses are recognised in the income statement.
Individual impairment losses are losses which are specifically identified. General impairment losses are losses which are present in a portfolio of loans or receivables but not specifically identified.

The recoverable amount of the Group's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Loans and advances are reported net of allowances for loan losses to reflect the estimated recoverable amounts. Receivables are stated at their cost less impairment losses.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held-to-maturity security, loan, advance or receivable is reversed through the income statement (up to the amount of the amortised cost) if the subsequent increase in recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of the specific event.

In respect of other assets, an impairment loss is reversed through the income statement if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

D.1.3. Intangible assets

D.1.3.1. Goodwill and negative goodwill

The Group accounts for all business combinations, except business combinations determined to be reorganizations involving group companies under common control (see note C.1), as acquisitions. Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired in a subsidiary as at the date of the exchange transaction is described as goodwill and recognised as an asset.

Goodwill is stated at cost less any accumulated amortisation and any accumulated impairment losses. Goodwill is amortised on a systematic basis over its estimated useful life.

The useful life reflects the best estimate of the period during which future economic benefits are expected to flow to the Group.

Any excess, as at the date of the exchange transaction, of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, is recognised as negative goodwill.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the acquisition plan and can be measured reliably, but which have not yet been recognised, it is recognised in the income statement in the same period that future losses and expenses are recognised. Any remaining negative goodwill, that does not exceed the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

In respect of associates, the carrying amount of any goodwill or negative goodwill is included in the carrying amount of the investment in the associate.
Based on the Group's policy goodwill is being recognised in the income statement on a straight – line basis over a period of 5 to 10 years.

D.1.3.2. Present value of future profits

On acquisition of a portfolio of long-term insurance contracts, either directly, or through the acquisition of an insurance enterprise, the net present value of the shareholders' interest in the expected after tax cash flows of the portfolio acquired is capitalised as an asset. This asset, which is referred to as the Present Value of Future Profits ("PVFP"), is calculated on the basis of an actuarial computation taking into account assumptions for future premium income, contributions, mortality, morbidity, lapses and investments returns.

That part of the Group's interest that will be recognised as profit over the lifetime of the portfolio is amortised and the discount unwound on a systematic basis over the anticipated lives of the relevant contracts. The carrying value of PVFP is assessed annually as part of the premium deficiency test. Any deficiencies in excess of additional provisions established are charged to the income statement.

D.1.3.3. Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets are amortised on a straight-line basis over an average period of 3 years.

D.1.4. Investments

Investments include financial assets held to maturity, financial assets available for sale, financial assets held for trading, investment properties and deposits with ceded undertakings. Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. For regular way purchases and sales of financial assets, the Group's policy is to recognise them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as could be accounted for had the Group used trade date accounting. Financial instruments are measured initially at cost, including transaction costs.

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available or if the market for an investment is not active, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counter parties.

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

D.1.4.1. Financial assets held to maturity

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity where the Group has the positive intent and ability to hold to maturity. These include certain purchased loans and advances to banks and customers and certain debt investments.

Financial assets held to maturity are valued at amortised cost less impairment losses. Premiums and discounts are amortised over the life of the instrument using the effective yield method. The amortisation of premiums and discounts is recorded as interest income or expense.

The fair value of an individual security within the held to maturity portfolio can fall temporarily below its carrying value, but, provided there is no risk resulting from a change in financial standing, the security would not be written down in value.

D.1.4.2. Trading assets

Trading instruments are those that the Group principally holds for the purpose of short-term profit taking. These include investments, certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as trading liabilities.

Subsequent to initial recognition all trading instruments are measured at fair value based on a quoted market price in an active market. Gains and losses arising from changes in the fair values of trading instruments are recognised in the income statement.

D.1.4.3. Financial assets available for sale

Available-for-sale financial assets are those financial assets that are not (a) loans and receivables originated by the enterprise, (b) held to maturity investments, or (c) financial assets held for trading.

After initial recognition, the group measures financial assets available for sale at their fair values, without deduction for transaction costs that it may incur on sale or other disposal, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, excluding transaction costs, less impairment losses.

The revaluation gain or loss on a financial asset available for sale amounts to the difference between amortised cost and fair value of the asset and is included in the income statement for the period in which it arises.

D.1.4.4. Investment property

Subsequent to initial recognition all investment properties are measured at fair value. Fair value is determined annually by one of the Group companies specializing in real estate management and valuation based on reliable estimates of future cash flows, discounted at rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows, and supported by evidence of current prices or rents for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the term of the lease.

When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value, and related deferred tax thereon, is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

Subsequent expenditures relating to investment properties are capitalised if they extend the useful life of the assets, otherwise they are recognised as an expense.

A property owned by the Group is treated as an investment property if it is not occupied by a Group company or if only an insignificant portion of the property is occupied by a Group company.

D.1.5. Loans and advances

Loans and advances originated by the Group are classified as originated loans and receivables. Purchased loans that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity assets. Purchased loans that the Group does not intend to hold until maturity are classified as available-for-sale instruments.

Loans and advances are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or non-banks. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale, as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or non-banks.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

D.1.5.1. Allowance for loan losses

The amount of loan losses that have been specifically identified is recognised as an expense and deducted from the carrying amount of the appropriate category of loans and advances as an allowance for loan losses. The allowance is recognised based on impairment testing.

D.1.5.2. Lease transactions

Loans and advances include the Group's net investment in finance leases where the Group is acting as the lessor. The net investment in finance leases is the fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments include repayment of the finance lease principal and interest income. The recognition of the interest income reflects a constant periodic rate of return on the net investment (principal) outstanding in respect of the finance lease. Allocation of finance income over the lease term is done on a systematic basis.

Property and equipment holdings used by the Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, and are not recorded on the Group's balance sheet. Payments made under operating leases to the lessor are charged to income statement over the period of the lease.

D.1.5.3. Loans and receivables originated by enterprise

Loans and receivables originated by the enterprise are financial assets that are created by the enterprise by providing money, goods, or services directly to a debtor, other than those that are originated with the intent to be sold immediately or in the short term, which should be classified as held for trading.

Loans and receivables originated by the enterprise are measured at amortised cost and are subject to review for impairment.

D.1.5.4. Deposits with ceding undertakings

Deposits with ceding undertakings comprise amounts retained by ceding insurers on reinsurance business assumed by the Group. Deposits with ceding undertakings only apply to cash deposits. Deposits are valued at amortised cost. The deposits are subject to annual impairment testing and any impairment loss is deducted directly from the carrying amount.

D.1.6. Assets held to cover linked insurance liabilities

Assets held to cover linked insurance liabilities comprise investments, the value of which are used to determine the value of, or the return on, policies relating to an investment fund, and investments serving as cover for liabilities which are determined by reference to an index.

The amount remaining after deducting the appropriate portions for risk and costs is invested in a specified fund. The insurance benefit, which is paid out from the policy reserve, is linked to the changing value of the specified fund.

Investments covering linked insurance liabilities are considered as available-for-sale and carried at fair value with valuation differences recorded in the income statement.

D.1.7. Reinsurance assets

Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions.

Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Group records an allowance for estimated irrecoverable reinsurance assets, if any.

D.1.8. Receivables

Receivables include receivables arising out of direct insurance operations, such as amounts due from policyholders and intermediaries, receivables arising out of reinsurance operations, such as inwards reinsurance and outwards reinsurance, and trade and other receivables. Receivables are stated at their cost less impairment losses.

Receivables also include tax receivables arising from income tax, value added tax and similar items that are recognised at the amount expected to be recovered from the taxation authorities.

D.1.9. Other assets

Other assets comprise mainly property, plant and equipment and inventories.

D.1.9.1. Property, plant and equipment

Property, plant and equipment are valued at the purchase price or production cost, less accumulated depreciation and any accumulated impairment losses.
Expenditures to restore the future economic benefits of plant and equipment are capitalised if they extend the useful life of the assets, otherwise they are recognised as an expense.

Depreciation is provided on a straight-line basis using the following rates:

Item	Depreciation rate (%)
Land	-
Buildings	1.00 - 10.00
Other tangible assets and equipment	6.67 - 33.33

Property that is being constructed of developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated deprecation and impairment losses.

D.1.9.2. Inventory

Inventories are stated at the lower of cost and net realisable value (being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). Where the net realisable value is below cost, inventories are written down to the lower value, and the impairment loss is recorded in the income statement.

D.1.10. Deferred acquisition costs

Acquisition costs are costs that are incurred in connection with the acquisition of new insurance contracts and the renewal of existing contracts. Only certain (“deferrable”) acquisition costs are deferred, such as agents’ commissions and other variable underwriting and policy issue costs. General selling expenses and line of business costs as well as commissions for servicing a portfolio are not deferred unless they are primarily related to the acquisition of new business.

In non-life insurance a proportion of the related acquisition costs are deferred commensurate with the unearned premiums provision. The amount of any deferred acquisition costs is established on a similar basis as that used for unearned premiums for each line of business (product).

In the life insurance, banking and other segments acquisition costs are charged directly to the income statement as incurred.

D.1.11. Cash and cash equivalents

Cash consists of cash on hand and demand deposits with banks and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

D.1.12. Shareholders' equity

D.1.12.1. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

D.1.12.2. Dividends

Dividends on share capital are recognised as a liability in the period in which they are declared.
For more detailed description of equity see G.13.

D.1.13. Minority interest

Minority interest consists of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

D.1.14. Subordinated liabilities

Subordinated liabilities are financial liabilities, for which it has been contracted that in the case of liquidation, bankruptcy, forced settlement or other settlement, will be settled only after claims of other creditors have been discharged.

Subordinated liabilities are carried at amortised cost. Amortised cost of subordinated debt is the amount at which the financial liability was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. Amortisation /accretion of discounts or premiums and interest are recognised in interest expense and similar charges.

D.1.15. Deposits received from reinsurers

Deposits received from reinsurers comprise amounts deposited by, or withheld from reinsurance companies under reinsurance contracts.

D.1.16. Insurance provisions

D.1.16.1. Provision for unearned premiums

The provision for unearned premiums comprises the amount representing that part of gross premiums written attributable to the following financial year or to subsequent financial years. The provision for unearned premiums is created for both life insurance and non-life insurance.

D.1.16.2. Life insurance provision

The life insurance provision comprises the actuarially estimated value of the Group's liabilities under life insurance contracts. The amount of the life insurance provision is calculated by a prospective net premium valuation, taking account of all future liabilities as determined by the policy conditions for each existing contract and including all guaranteed benefits, bonuses already declared and proposed, expenses and after deducting the actuarial value of future premiums.

The provision is initially measured using the assumptions used for calculating the corresponding premiums and remain unchanged except where premium deficiency occurs. A premium deficiency test is performed annually by the Group's actuaries using current estimates of future cash flows under its insurance contracts. If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in the income statement with corresponding increase to the life insurance provision.

D.1.16.3. Provision for outstanding claims

The provision for outstanding claims represents the total estimated ultimate cost to an insurance undertaking of settling all claims arising from events which have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims, including the related internal and external claims settlement expenses as estimated based on historical experience and specific assumptions about future economic conditions.

The provision includes claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

Where benefits resulting from a claim are paid in the form of an annuity, the provision is calculated by recognised actuarial methods.

With the exception of annuities, the Group does not discount its provisions for outstanding claims.

Where applicable, provisions are disclosed net of the prudent estimates for salvage and subrogation recoveries.

The provision for outstanding claims in respect of life insurance policies is included within the life insurance provision.

Whilst the Board of Directors considers that the gross provision for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

D.1.16.4. Provision for rebates and profit sharing

The provision for rebates and profit sharing includes amounts intended for policyholders or contract beneficiaries by way of bonuses and rebates to the extent that such amounts have not been credited to policyholders or contract beneficiaries or included in the life insurance provision.

D.1.16.5. Provision for deferred bonuses

A provision for deferred bonuses is created to cover temporary differences between the cumulative profits or investment returns as reported and those, usually based on statutory reporting, used for the determination of such bonuses.

A provision for deferred bonuses is recognised where a legal, contractual or constructive obligation exists to distribute a certain profit share, investment return or bonus to policyholders.

D.1.16.6. Policyholders' contract deposits

Policyholders' contract deposits represent liabilities to policyholders under contracts entered into by insurance companies or pension funds but which are considered investment contracts since they do not involve the assumption of significant insurance risk by the Group.

D.1.16.7. Other insurance provisions

Other insurance provisions contain any other insurance technical provision which is not mentioned above, such as provision for unexpired risks (also referred to as "premium deficiency") in non-life insurance, the provision for the Group's share of unfunded liabilities arising from statutory compulsory motor third-party liability ("MTPL") insurance, the ageing provision in health insurance and other similar provisions.

D.1.17. Technical provisions for linked insurance liabilities

Technical provisions for linked insurance liabilities comprise technical provisions created to cover liabilities relating to investment in the context of life insurance policies the value of, or the return on which is determined by reference to investments for which the policyholder bears the risk, or by reference to an index.

The amount of the provision is calculated as the sum of the commitments due to the insured amounting to their share in financial placements of premiums from individual life insurance contracts and in accordance with the principles defined in the contracts.

If the life insurance, where the risk is borne by the insured, includes a claim payment in a guaranteed amount, the life insurance provision is created for this settlement based on the future guaranteed settlement.

D.1.18. Other liabilities evidenced by paper

Liabilities evidenced by paper are carried at amortised cost. Amortisation of discount or premium and interest are recognised in interest expense and similar charges using the effective interest rate method.

D.1.19. Other provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

D.1.20. Payables

Accounts payable are recognised when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which will normally equal their nominal or repayment value.

D.1.21. Trading liabilities

Financial liabilities held for trading include derivative liabilities that are not hedging instruments, and obligations to deliver securities borrowed by a short seller. Trading liabilities are measured at fair value and the relevant gains and losses from this revaluation are included in the income statement.

D.1.22. Liabilities to banks and non-banks

Liabilities to banks and non-banks are valued at their amortised cost. Amortised cost of a financial liability is the amount at which the financial liability was measured upon initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

D.1.23. Premium income

Premium income (net of reinsurance) includes gross premiums written from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

For non-life insurance, gross premiums written comprise all amounts due during the financial year in respect of insurance contracts regardless of the fact that such amounts may relate in whole or in part to a later financial year. For contracts where premiums are payble in instalments such premiums are recognised as written when the instalment becomes due.

Premiums from life insurance contracts are recognised when due from the policyholder.

Amounts collected from policyholders under investment-type contracts, including contributions to supplementary pension insurance policies, are recorded as deposits.

A contract is considered to be an investment contract when it does not involve the transfer of significant insurance risk from the policyholder to the Group.

Gross premiums are only recognised in respect of contracts meeting the definition of an insurance contract. Amounts received from policyholders in respect of contracts which do not involve the transfer of significant insurance risk and are therefore regarded as investment contracts, are recognised as deposits.

Outward reinsurance premiums comprise all premiums paid or payable in respect of outward reinsurance contracts entered into by the Group. This includes premium payable on proportional and non-proportional reinsurance contracts. Portfolio entries payable on the conclusion or amendment of outward reinsurance contracts are added; portfolio withdrawals receivable are deducted.

Premium income includes adjustments to reflect write-offs of amounts due from policyholders and the movement in the allowance for uncollectible premium receivables.

Premiums are recognised as earned on a pro-rata basis over the term of the related policy coverage via the provision for unearned premiums. For those contracts for which the period of risk differs significantly from the contract period, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

The change in the unearned premium provision is represented by the difference in balance of the provision for unearned premium at the beginning of the year and the balance at the year-end.

D.1.24. Insurance technical charges

Insurance technical charges include claims (benefit) expenses, change in technical provisions and rebates and profit sharing.

Claims (benefits) expenses are represented by benefits and surrenders, net of reinsurance (life) and claims paid net of reinsurance (non-life). Benefits and claims comprise all payments made in respect of the financial year. These amounts include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs. Sums recovered on the basis of subrogation or salvage are deducted. Claims paid are recognised at the moment that the claim is approved for settlement.

Change in technical provisions represents change in provisions for claims reported by policyholders, change in provision for IBNR and change in other technical provisions.

Bonuses comprise all amounts chargeable for the financial year representing an allocation of surplus or profit arising on business as a whole or from a section of business, after deduction of amounts provided in previous years which are no longer required. Rebates comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

D.1.25. Change in the technical provision for linked insurance liabilities

Change in the technical provision for linked insurance liabilities represents the net movement in the provision for linked insurance liabilities arising from net change in investment value less fees charged by the Group or third parties.

D.1.26. Interest and similar income and interest and similar expense

Interest income and interest expense are recognised in the income statement on accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

D.1.27. Other income and expense from investments

The Group records realised gains/losses, unrealised gains/losses, dividends, impairment loss and net trading income to other income and expenses from investments.

A realised gain/loss arises on the derecognition of an investment. The amount of the realised gain/loss represents the difference between the carrying value of an investment and the sale price. For available for sale assets (measured at fair value recognised in the income statement) the realised gain/loss means the difference between sale price and the last measurement of the corresponding asset to its fair value. Unrealised gains/losses represent the amount of the subsequent measurement of “Financial assets available for sale” and “Investment property” to their fair value.

Dividends from investments are recorded in “Dividends from investment” when declared and approved by the shareholders’ meeting of the respective company.

Net trading income represents the subsequent measurement of the “Trading assets” and “Trading liabilities” to fair value or the gain/loss from disposal of the “Trading assets” or “Trading liabilities”. The amount of the trading income to be recorded represents the difference between the latest carrying value and the fair value as at the financial statements date or the sale price.

D.1.28. Net income from assets held to cover linked insurance liabilities

This item includes both movements in the fair value of assets held to cover linked insurance liabilities and investment income, in whatever form (interest, dividends, rental income or realised gains /losses on derecognition).

D.1.29. Net fee and commission income and income from services activities

Fee and commission income and income from service activities arise from financial services provided by the Group including cash management services, payment clearing, investment advice and financial planning, investment banking services, and asset management services. Fee and commission expense arises on financial services provided by the Group including brokerage services, payment clearing, and asset management services. Fee and commission income and expense are recognised when the corresponding service is provided.

D.1.30. Other income and other expenses

D.1.30.1. Construction contracts

Revenue under construction contracts is accounted for when the outcome can be estimated reliably. Contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract taking into account the total costs incurred to date and the estimated profitability for each contract. The state of completion is assessed by reference to the percentage of number of kilometres constructed of long distance and local cable networks at year-end to the total construction distance according to signed contracts. If a loss is expected to be incurred on a contract it is recognised immediately in the income statement.

D.1.30.2. Goods sold and services rendered

Revenue from the sale of goods and the associated cost of sales are recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of the goods.

D.1.30.3. Rental income

Rental income from investment properties and other operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

D.1.30.4. Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total lease expense.

D.1.31. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts and include direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

In non-life insurance, acquisition costs that vary with and are directly related to the acquisition of new policies or the renewal of existing policies are deferred. Deferred acquisition costs represent the proportion of acquisition costs incurred that corresponds to the provision for unearned premiums.

Deferred acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period. Deferred acquisition costs which are not deemed to be recoverable are charged to income.

For life insurance policies investment contracts, acquisition costs are charged to the income statement as incurred.

D.1.32. Administrative expenses

General administrative expenses include expenses relating to the administration of the Group. This includes personnel costs, office rental expenses and other operating expenses. Staff costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses and social insurance.

Within insurance operations administrative expenses include the costs of premium collection, portfolio administration and the processing of inwards and outwards reinsurance.

Within banking operations administrative expenses include the costs of processing payments, maintaining customer accounts and records and dealing with customers.

The general administrative expenses of non-financial sector entities are included within Other expenses.

D.1.33. Reinsurance commissions and profit participations

Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts.

D.1.34. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

D.1.35. Minority interest

Minority interest is that part of the net results of a subsidiary attributable to interests which are not owned, directly, or indirectly through subsidiaries, by the Group. Minority interests in the net income of consolidated subsidiaries for the reporting period are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the owners of the parent.

D.1.36. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risk and rewards that are different from other segments.

D.2. Changes in accounting policies

D.2.1. Changes in accounting policies

D.2.1.1. Premium income recognition for non-life insurance contracts

In previous financial statements, the Group recognised premium for non-life insurance contracts as written when instalments became due except for certain annual or fixed term non-life contracts for which Group recorded premium as written when it became contractually entitled to receive the premium.

During 2004 the legal environment and notably several specific court decisions in the Czech Republic regarding contractual entitlement of premium from insurance contracts cancelled before maturity led to uncertainty about the Group's enforceable rights for premiums which are not due. The Group still believes that it is entitled, and takes all necessary action, to receive the entire premium in such instances. However under these circumstances the Group, consistently applying underlying accounting principles, has unified its accounting policy for recognition of premium income for all non-life insurance contracts so that premiums are recognised as written when the instalment becomes due.

The change of premium income accounting policy was applied retrospectively, the comparative information in these financial statements have been restated.

Tables in D.2.2 show impact of change in premium income accounting policy to the Group's financial statements as at 31 December 2003 and 2004.

D.2.1.2. Life insurance provision – premium deficiency testing

Beginning from 1 January 2004 the Group changed its method used for premium deficiency testing of the life insurance provision. In previous years, the Group tested technical reserves separately for several individual risks (e.g. interest rate guarantee or longevity test). The new methodology considers current estimates of all future contractual cash flows including cash flows from embedded options and guarantees. This methodology enables better quantification of correlation between all risks factors. In addition, the new method is in compliance with minimum requirements for liability adequacy testing given by IFRS 4, which is effective from 1 January 2005.

The change of premium deficiency testing includes these significant changes in methodology of calculation:

Scope of test
The Group applies consistent premium deficiency test for both technical provisions and PVFP.

Segmentation
The Group segments the products into several homogenous groups given by characteristic of products (type of product, guaranteed interest rate or pension plan for supplementary pension insurance). These groups are tested separately for premium deficiency. Deficiency in one group is not compensated by surplus in other group but entire deficiency is recognised in income statement.

The change of premium deficiency testing method was applied retrospectively, the comparative information in these financial statements have been restated.

Tables in D.2.2 show impact of this change to the Group's financial statements as at 31 December 2003 and 2004.

D.2.2. Impact of changes in accounting policies to consolidated financial statements

The following table shows the effect of the changes in the accounting policy on the current year income statement by reconciling key figures as reported in the current year with the amounts that would have been reported had the Group not changed its accounting policies.

Consolidated income statement at 31 December 2004	2004	I.*	II.*	2004 (restated)
Premium income, Net	38 146	(125)	-	38 021
Direct insurance business written	40 607	329	-	40 936
Premium ceded	(2 700)	(82)	-	(2 782)
Change in unearned premiums (net of reinsurance)	(28)	(372)	-	(400)
Total revenue	**64 176**	**(125)**	**-**	**64 051**
Insurance technical charges	(28 253)	-	(1 657)	(29 910)
Acquisition costs and other operating expenses	(15 065)	56	-	(15 009)
Total expenses	**(56 524)**	**56**	**(1 657)**	**(58 125)**
Profit from operations	7 514	69	(1 657)	5 926
Income tax expense	(1 811)	(38)	472	(1 377)
Profit after tax	5 703	31	(1 185)	4 549
Net profit for the year 2004	**5 614**	**31**	**(1 185)**	**4 460**
Earning per share (CZK)	**1 883**	**-**	**-**	**1 496**

* I. – impact of change in premium income accounting policy
II. – impact of change in method of premium deficiency testing

Consolidated income statement at 31 December 2003	2003	reclassification	2003 - reclassified	I.*	II.*	2003 (restated)
Premium income, Net	34 234	-	34 234	20	-	34 254
Direct insurance business written	37 081	-	37 081	117	-	37 198
Premium ceded	(2 422)	-	(2 422)	(55)	-	(2 477)
Change in unearned premium (net of reinsurance)	(527)	-	(527)	(42)	-	(569)
Total revenue	**51 261**	**(89)**	**51 172**	**20**	**-**	**51 192**
Insurance technical charges	(22 229)	228	(22 001)	-	(2 505)	(24 506)
Acquisition costs and other operating expenses	(11 502)	(171)	(11 331)	23	-	(11 308)
Total expenses	**(45 762)**	**89**	**(45 673)**	**23**	**(2 505)**	**(48 155)**
Profit from operations	5 499	-	5 499	43	(2 505)	3 037
Income tax expense	(2 035)	-	(2 035)	(31)	838	(1 228)
Profit after tax	3 464	-	3 464	13	(1 667)	1 809
Net profit for the year 2003	**3 410**	**-**	**3 410**	**12**	**(1 667)**	**1 755**
Earning per share (CZK)	**1 144**	**-**	**1 144**	**-**	**-**	**589**

* I. – impact of change in premium income accounting policy
II. – impact of change in method of premium deficiency testing

Consolidated balance sheet at 31 December 2003	2003	reclassification	2003 - reclassified	I.*	II. *	2003 (restated)
Reinsurance assets	2 723	-	2 723	(82)	-	2 641
Receivables	9 699	-	9 699	(345)	-	9 354
Deferred tax assets	748	-	748	113	-	861
Prepayments and accrued income	1 741	-	1 741	(61)	-	1 680
Total assets	**166 259**	**-**	**166 259**	**(375)**	**-**	**165 884**
Retained earnings	2 780	-	2 780	9	3 150	5 939
Net profit for the year	3 410	-	3 410	12	(1 667)	1 755
Insurance provisions	100 516	-	100 516	(454)	(2 060)	98 002
Payables	7 480	1 136	8 616	(82)	-	8 534
Accruals and deferred income	3 189	(1 136)	2 053	(8)	-	2 045
Deferred tax liabilities	1 687	-	1 687	148	577	2 412
Total shareholder´s equity, minority interest and liabilities	**166 259**	**-**	**166 259**	**(375)**	**-**	**165 884**

* I. – impact of change in premium income accounting policy
II. – impact of change in method of premium deficiency testing

D.3. Principal assumptions

D.3.1. Market specific

D.3.1.1. Inflation

The inflation forecast published by official authorities (Ministry of Finance):

	2003	2004	2005 prediction	2006 prediction
Inflation	0.1%	2.8%	2.8%	2.6%

D.3.1.2. Tax rate

The corporate tax rate for the Czech Republic is 28% for year 2004, 26% is the declared rate for year 2005 and 24% therafter. The corporate tax rate for the Slovak Republic is 19% for 2004 and 2005, for the Russian Federation 24% for 2004 and 2005, and for Cyprus 15% in 2004 and 10% in 2005.

D.3.1.3. Foreign exchange rate

Market quotations at the balance sheet date

	31.12.2004	31.12.2003	Average 2004	Average 2003
CZK/EUR	30.465	32.405	31.904	31.844
CZK/USD	22.365	25.654	25.701	28.227
CZK/SKK	0.7863	0.787	0.7969	0.767
CZK/RUR	0.8060	0.871	0.8921	0.920

D.3.2. Entity specific

D.3.2.1. Technical life provisions - actuarial assumptions

Actuarial assumptions and their sensitivities underlie the calculation of technical provisions and PVFP. The technical provision is calculated by a prospective net premium valuation using the same statistical data and interest rates used to calculate premium rates (in accordance with relevant legislation).

As a part of technical insurance provisions as described above, an additional provision is established, according to the premium deficiency test.

The technical provision and PVFP are tested annually against a calculation made with explicit assumptions of all factors - future premiums, mortality, morbidity, investment returns, lapses, surrenders, exercise of policyholder options and expenses. The Group applies consistent assumptions across premium deficiency testing if relevant. See also note D.2.1.2 Changes of accounting policies for more information.

In the absence of market transactions in the economies in which the Group operates, there remain significant difficulties in calibrating the assumptions used by the Group in the premium deficienty test to observable market conditions.
The Group therefore bases its calculations on its own internal models, on guidance notes issued by the Czech Society of Actuaries and international sources.
Due to the levels of uncertainty in the future development of these insurance markets and the Group's portfolio, the Group has adopted a conservative methodology in assessing the adequacy of insurance liabilities.

Specific assumptions used for the principal parameters are set out below:

D.3.2.2. Mortality and morbidity

Mortality and morbidity are usually based on data supplied by the Czech and Slovak Statistical Offices as amended by the Group.

Expected mortality tables are made by mathematical interpolation of Czech and Slovak probabilities of death according to the basis of Statistical Office and compared with the insurance portfolios of Group. Morbidity tables are made as an aggregation of Czech and Slovak probabilities of death and German probabilities of Dread Disease diagnose. Probabilities of mortality and morbidity are adjusted by application of relevant market value margins.

D.3.2.3. Bonus rate

Bonuses in life insurance provisions

Bonuses to policyholders in with-profits life assurance are granted at the discretion of the Group and are recognised when proposed by the Board of Directors in accordance with legislation framework.

For the purposes of the premium deficiency test, the Group projects interest income at the risk-free rate. Whilst, for most life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Group, the assessment of premium deficiency takes account of future discretionary bonuses, calculated as a fixed percentage of the excess of the risk-free rate over the guaranteed technical interest rate on individual policies. The percentage applied is consistent with the Group's current business practice for bonus allocation.

Change of fixed percentage of the excess for 1% would effect life insurance provision for approximately 3 MCZK at 31 December 2004.

Bonuses under supplementary pension insurance

According to Czech law a minimum of 85 % of a pension fund's statutory profit is awarded annually to policyholders of supplementary pension insurance. A pension fund is entitled to grant an additional bonus of a further 10 % of the statutory profit at its discretion and subject to the approval of the Annual General Meeting.

All bonuses, once granted and allocated to individual policies, are final and guaranteed.

D.3.2.4. Options and guarantees

Special bonuses

As a part of the life insurance provision an additional provision is established in respect of bonuses payable under certain conditions referred to as “special bonuses”. This provision corresponds to the value of special bonuses calculated using the prospective method and using the same interest rate and mortality assumptions as used to calculate the basic life insurance provision.

Annuitisation option

Policyholders of pension funds have an option to take a pension at retirement age or a lump-sum payment. The guaranteed pension is calculated using the original assumptions and the contracted technical interest rate. The fair value of this option is calculated using the up-to-date assumptions. The key variable of the option valuation model is the annuitisation percentage which reflects the percentage of policyholders selecting the whole-life old age pensions instead of taking lump-sum settlement. The Group’s valuation model reflects an assumption that the portion of policyholders choosing pensions will increase from less than 1 % to approximately 20 % by 2050.

For other insurance products the Group assumes, for the purpose of premium deficiency testing, an annuity option take-up rate of 20% of all eligible policyholders.

Interest rate guarantee

The guaranteed technical rate of interest included in policies varies from 2% to 7.5% according to the actual yield offered at the date when policies were arranged. For the purpose of premium deficiency test, the valuation of interest rate guarantee was made using stochastic option pricing techniques (Ornstein-Uhlenbeck processes). The liability was increased to include the value of the guarantee.

D.3.2.5. MTPL, agricultural and industrial insurance annuities

In MTPL insurance, agricultural and industrial insurance, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments, it being assumed that future benefit increases will exceed investment returns by 3 % p.a.

D.3.2.6. Lapse rate, Renewal rate, Surrender level

For premium deficiency test, lapse, renewal, surrender and expense rates are estimated based on the Group’s past experience with insurance policies (split by type and maturity). These estimates are then adjusted based on appropriate market value margins.

D.3.2.7. Expense rate

For premium deficiency test the Group's calculation is based on the best estimate of expenses, as derived from the Group's business plan, increased by a factor of 15%. For periods after 2007 cash flows for expenses have been increased by a factor uqual to the Group's best estimate of annual inflation by nature of expense, increased by a further 15%. The resulting annual inflation is in the range of 4,25% - 6,21%.

D.3.2.8. Rate of interest used for calculation of life insurance provision

Expected investment return

The expected investment return is calculated as the risk free interest rate derived from market swap rates. As a reference point, the 5-year swap rate was 3.48 % at 31 December 2004 compared to 3.79 % at 31 December 2003.

Discount rate

Cash flows are discounted at a rate equal to the risk free rate reduced by 0.25%.

Risk free yield curve is most significant parameter for premium deficiency test. Parallel increase of yield curve for 1% from yield curve at the year end 2004 would bring release of life insurance provision for approximately 1.6 billion CZK. Parallel decrease of 1% would bring creation of life insurance provision for approximately 3.2 billion CZK.

E. Significant terms and conditions of the insurance products

E.1. Non-life insurance

The Group offers many forms of general insurance, mainly car insurance, property insurance and liability insurance.

E.1.1. Car insurance

Group motor portfolio is composed of the following products: motor third party liability insurance (MTPL) and motor (casco) insurance. MTPL insurance covers bodily injury claims and property claims in the Czech Republic, Slovak Republic and abroad, because both republics are the members of Green Card system. The Group uses bonuses for clients with no claims.

E.1.2. Property insurance

This is broadly split into Industrial and Personal lines. For Industrial lines the Group uses risk management for identifying risks and analysing losses and hazards and also cooperates with reinsurers. Personal insurance consists of the standard buildings and contents.

E.1.3. Liability insurance

This covers all types of liability and includes commercial liability, directors and officers and professional indemnity as well as personal liability.

E.1.4. Accident insurance

Accident insurance is traditionally sold as add on to the life products offered by the Group and belongs to life insurance account. Only a small part of accident insurance is sold without life insurance.

E.2. Life insurance

E.2.1. Risk life insurance products

Traditional term life insurance products comprise risks of death, waiver of premium in case of permanent disability and accident rider. Premium is paid regularly or as single premium. Policies offer fixed or decreasing sum insured of death. The policies offer protection from a few years up to medium long-term, payment of death benefits only if the policyholder dies during the term of insurance or waiver of premium in case of permanent disability of policyholder.

E.2.2. Capital life insurance products

These are also traditional term life insurance products providing life-long financial protection. Many long-term policies have tax advantages and give the insured the possibility to finance their needs in retirement. Capital life insurance products for regular or single premium offer covering for risks of death, endowment, dread diseases, waiver of premium in case of permanent disability and accident rider. Insurance benefits are usually paid in lump-sum.

E.2.3. Variable capital life insurance products

Variable capital life insurance products offer all types of insurance risk as traditional capital life insurance products. In addition, they have possibility for policyholder to pay extra single premium during the term of insurance. Policyholder can ask to interrupt payment for regular premium, to withdraw a part of extra single premium, to change term of insurance, risks, sums insured and premium.

E.2.4. Children's insurance products

These products are based on traditional life risk: death or endowment of assured, waiver of premium in case of permanent disability and accident rider. They are paid regularly. The term of insurance is limited by the 18th birthday of the child for which the policy is negotiated. Benefits may be in the form of a lump-sum or annuity payment.

E.2.5. Adult deposit life or accident insurance with returnable lump-sum principal

These types of life or accident products allows policyholders to pay a single returnable amount at the beginning of the policy - deposit. The interest earned on the deposit is used to pay the annual premiums. The deposit is returned at the end of assurance or in case of death.

E.2.6. Unit-link life insurance

Products for account of policyholders are those where the policyholders carry the investment risk.

The Group earns management and administration fees and mortality results on these products.

Unit-link life insurance combines traditional term life insurance, with risks of death or dread diseases together with waiver of premium in case of permanent disability, and possibility to invest regular premium or extra single premium to some investment funds. Policyholder defines funds and ratio of premium where all payments are invested and he can change this funds and ratio during the insurance. He can also change sums assured, regular premium, and insurance risks. He can pay extra single premium or can withdraw a part of extra single premium back.

E.2.7. Retirement insurance for regular payments (with interest rate)

Lifelong retirement program, products include all known types of offered pensions paid off in case of death, dread diseases or maturity of agreed age of assured, options for variable combination of component. Policyholder can pay premium regularly or single. Basic types of pension are short-term pension and lifetime pension.

E.2.8. Supplementary pension insurance

This insurance is provided by the pension funds within the Group in accordance with the Czech Act on supplementary pension insurance. The activities of such pensions are divided into two phases. Savings (accumulation) phase – during this period the fund receives contributions from the policyholder and the state. Pension phase – on meeting the conditions imposed by legislation and the fund a policyholder may opt to take lump-sum payment or a life annuity.

F. Risk exposures, risk management objectives and procedures

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk, actuarial risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

F.1. Derivative financial instruments

The Group enters into a variety of derivative financial instruments for trading and for risk management purposes. This note describes the derivatives used by the Group. Further details of the Group's objectives and strategies in the use of derivatives are set out in the sections of this note. Details of the nature of the derivative instruments outstanding at the balance sheet date are set out in the sectors of this note and in note G.3.

Derivative financial instruments used by the Group include swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates, security prices or price indices. Derivatives are either standardised contracts transacted through regulated exchanges (referred to as exchange-traded products) or individually negotiated over-the-counter contracts (referred to as OTC-products). Descriptions of the main types of derivative instruments used by the Group are set out below.

F.1.1. Swaps

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. Swaps most commonly used by the Group are interest rate and cross-currency interest rate swaps. Under interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency interest rate swaps require an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit risk arising from the respective counter parties' failure to perform. Market risk arises from the possibility of unfavourable movements in interest rates relative to the contractual rates of the contract, or from movements in foreign exchange rates.

F.1.2. Futures and forwards

Futures and forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardised exchange-traded contracts whereas forwards are individually traded over-the-counter contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in the future contract values are settled daily. Therefore market risk is determined by notional amount and volatility of underlying financial instruments, not by market price of particular future contract. Futures contracts have little credit risk because the counter parties are futures exchanges. Forward contracts result in credit exposure to the counter party. Futures and forward contracts both result in exposure to market risk based on changes in market prices relative to contracted amounts.

F.1.3. Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying at a specified price on or before a specified date. The Group enters into interest rate options, foreign exchange options, equity and index options and credit failure options (swaps). Interest rate options, including caps and floors, may be used as hedges against the rise or fall, respectively, of interest rates. They provide protection against changes in interest rates on floating rate instruments above or below a specified level. Foreign currency options may be used (commensurate with type of option) for hedging against rising or falling currency rates. The Group as a buyer of over-the-counter options is subject to market risk and credit risk since the counter party is obliged to make payments under the terms of the contract if the Group exercises the option. As the writer of over-the-counter options, the Group is subject to market or credit risk, as it is obliged to make payments if the option is exercised by the counterparty.

F.2. Group's risk management

The Group carries an inventory of capital market instruments. Positions are open in the money market, foreign exchange markets, debt and credit markets and equity markets based on expectations of future market conditions.

Below is a discussion of the various risks the Group is exposed to as a result of its activities and the approach taken to manage those risks. Further details of the steps taken to measure and control risk are set out in the "Risk measurement and control" section.

F.2.1. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame, and the risk of being unable to meet obligation as they come due.

The Group has access to a diverse funding base. Apart from insurance provisions, which serve as a main source of financing, funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, reinsurance policy, subordinated liabilities and shareholder's equity. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. In addition the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy. There is special attention to the liquidity management of non-life insurance business requiring sufficient funding to meet all the potential obligations in case of natural disasters. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

The following tables provide an analysis of the financial assets and liabilities of the Group into relevant maturity bands based on the remaining periods to repayment.

Residual maturities of financial assets and financial liabilities.

In millions of CZK, for the year ended 31 December 2004

	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	59	59
Trading assets	954	1 532	2 758	4 175	2 347	13 442	25 208
Bonds and other fixed income securities	519	894	2 560	3 418	2 167	-	9 558
Shares and other variable income securities	-	-	-	-	-	13 442	13 442
Positive fair value of derivatives	435	638	198	757	180	-	2 208
Financial assets available for sale	104	1 967	12 425	22 252	22 790	10 139	69 677
Bonds and other fixed income securities	28	1 967	12 425	21 951	22 790	-	59 161
Shares and other variable income securities	5	-	-	-	-	9 412	9 417
Other	71	-	-	301	-	727	1 099
Financial assets held to maturity	-	30	3	1 055	2 120	-	3 208
Bonds and other fixed income securities	-	30	3	1 055	2 120	-	3 208
Loans and advances to banks	23 193	22	334	4 148	98	499	28 294
Loans and advances to non-banks	2 135	2 900	23 586	11 712	1 490	313	42 136
Assets held to cover linked insurance liabilities	46	4	-	-	-	383	433
Bonds and other fixed income securities	-	4	-	-	-	-	4
Shares and other variable income securities	-	-	-	-	-	383	383
Other	46	-	-	-	-	-	46
Receivables	1 838	1 538	2 190	461	93	257	6 377
Cash and cash equivalents	3 907	-	-	-	-	92	3 999
Total financial assets	**32 177**	**7 993**	**41 296**	**43 803**	**28 938**	**25 184**	**179 391**

Note G.16 provides information about expected insurance provision maturities.

In millions of CZK, for the year ended 31 December 2003 (restated)

	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	236	236
Trading assets	673	1 925	9 091	4 619	2 586	3 607	22 501
Bonds and other fixed income securities	500	1 827	8 460	4 160	2 418	-	17 365
Shares and other variable income securities	-	-	-	-	-	3 607	3 607
Positive fair value of derivatives	173	98	631	459	168	-	1 529
Financial assets available for sale	364	822	13 765	12 508	27 360	6 370	61 189
Bonds and other fixed income securities	364	816	13 741	11 951	27 357	-	54 229
Shares and other variable income securities	-	-	-	-	-	5 707	5 707
Other	-	6	24	557	3	663	1 253
Financial assets held to maturity	-	-	-	-	2 131	-	2 131
Bonds and other fixed income securities	-	-	-	-	2 131	-	2 131
Loans and advances to banks	17 846	727	264	4 189	609	387	24 022
Loans and advances to non-banks	1 998	2 749	10 648	8 339	550	99	24 383
Assets held to cover linked insurance liabilities	31	-	11	4	-	233	279
Bonds and other fixed income securities	-	-	11	4	-	-	15
Shares and other variable income securities	-	-	-	-	-	233	233
Other	31	-	-	-	-	-	31
Receivables	5 275	1 252	1 275	1 187	264	101	9 354
Cash and cash equivalents	2 853	16	-	-	-	64	2 933
Total financial assets	**29 040**	**7 491**	**35 054**	**30 846**	**33 500**	**11 097**	**147 028**

In millions of CZK, for the year ended 31 December 2004

	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Subordinated liabilities	-	-	-	573	2 500	-	3 073
Other liabilities evidenced by paper	2 944	7	2 295	11 320	3 486	-	20 052
Payables	2 130	571	1 148	3 622	394	164	8 029
Trading liabilities	148	869	188	340	20	57	1 622
Negative fair value of derivatives	85	869	188	340	20	-	1 502
Obligation to deliver securities	63	-	-	-	-	-	63
Other	-	-	-	-	-	57	57
Liabilities to banks	5 110	1 024	4 097	4 671	-	-	14 902
Liabilities to non-banks	17 386	612	59	888	-	7	18 952
Total financial liabilities	**27 718**	**3 083**	**7 787**	**21 414**	**6 400**	**228**	**66 630**

In millions of CZK, for the year ended 31 December 2003 (restated)

	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Subordinated liabilities	-	-	-	-	2 500	-	2 500
Other liabilities evidenced by paper	1 917	-	-	9 860	2 451	-	14 228
Payables	2 468	1 396	1 275	2 950	80	365	8 534
Trading liabilities	54	141	153	843	86	22	1 299
Negative fair value of derivatives	54	141	153	843	86	-	1 277
Other	-	-	-	-	-	22	22
Liabilities to banks	830	1 114	758	1 399	276	-	4 377
Liabilities to non-banks	10 658	2 105	33	3 160	-	145	16 101
Total financial liabilities	**15 927**	**4 756**	**2 219**	**18 212**	**5 393**	**532**	**47 039**

F.2.2. Market risk

All financial instruments and positions are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. In general, financial instruments held for trading are recognised at fair value, and all changes in market conditions directly affect net trading income. Financial instruments available for sale are recognised at fair value, and all changes in market conditions affect income statement. Financial instruments held to maturity are recognised at amortised value using effective interest rate method and impairment is recognised in net income.

The Group manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits or frameworks set by senior management by buying or selling instruments or entering into offsetting positions. The “Risk measurement and control” section at the end of this note describes the approaches used to manage market risk.

F.2.2.1. Interest rate risk

The Group’s operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprise at different times or in differing amounts. In case of floating rate assets and liabilities the Group is also exposed to risk, which is the difference in repricing characteristics of the various floating rate indices. Asset-liability management activities are conducted in the context of the Group’s sensitivity to interest rate changes. The Group is more liability sensitive because its interest-earning assets have a shorter duration and their interest rates are re-fixed more frequently than a major part of its interest-bearing liabilities. This means that in rising interest rate environments, in connection with re-fixing of interest rates the margins earned will widen as assets reprice. The actual effect will depend on a number of factors, including the extent to which repayments are made earlier, or later, than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies. Furthermore, with rising interest rates, net present value of assets will decrease less than net present value of liabilities. To achieve its risk management objectives, the Group uses a combination of derivative financial instruments, particularly interest rate swaps, futures, and options, as well as other types of contracts. The instruments used are detailed in note G.3.2.

Interest rate derivatives are primarily used to bridge the mismatch in the repricing of assets and liabilities. In some cases derivates are used to convert certain groups of policyholder loans and other interest-earning assets to floating or fixed rates to reduce the risk of losses in value due to interest rate changes or to lock in spreads. In addition, the Group enters into interest rate swaps to fix certain level of interest rates on its floating-rate debts.

Part of the Group’s return on financial instruments is obtained from management of incongruity in duration assets and liabilities.

The tables below summarises interest rate sensitivity of the Group’s financial assets and liabilities at the reporting date. The carrying amounts of interest-rate-sensitive assets and liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they next fix interest rates or mature. To reflect anticipated prepayments, certain asset and liability categories are included in the table based on estimated rather than contractual maturity dates. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the expected maturity date.

The following table indicates the effective interest rates at the balance sheet date and the periods in which financial assets and liabilities reprice.

Interest rate sensitivity of financial assets and financial liabilities

In millions of CZK, for the year ended 31 December 2004

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specifi-ed	Total
Investments in subsidiaries, asssociates and joint ventures	x	-	-	-	-	-	59	59
Trading assets	x	2 742	2 621	1 526	2 554	2 323	13 442	25 208
Bonds and other fixed income securities	4.29%	1 670	2 422	1 234	2 089	2 143	-	9 558
Shares nad other variable income securities	x	-	-	-	-	-	13 442	13 442
Positive fair value of derivatives	0.35%	1 072	199	292	465	180	-	2 208
Financial assets available for sale	x	2 421	15 538	4 704	14 496	22 379	10 139	69 677
Bonds and other fixed income securities	4.70%	2 345	15 538	4 405	14 494	22 379	-	59 161
Shares and other variable income securities	x	5	-	-	-	-	9 412	9 417
Other	2.12%	71	-	299	2	-	727	1 099
Financial assets held to maturity	x	-	-	673	415	2 120	-	3 208
Bonds and other fixed income securities	4.59%	-	-	673	415	2 120	-	3 208
Loans and advances to banks	2.56%	23 438	386	363	3 788	5	314	28 294
Loans and advances to non-banks	22.63%	10 679	21 570	5 944	3 861	71	11	42 136
Assets held to cover linked insurance liabilities	0.04%	50	-	-	-	-	383	433
Bonds and other fixed income securities	0.04%	4	-	-	-	-	-	4
Shares and other variable income securities	x	-	-	-	-	-	383	383
Other	0.04%	46	-	-	-	-	-	46
Receivables	0.42%	3 575	2 110	52	434	101	105	6 377
Cash and cash equivalents	1.04%	3 107	-	-	-	-	892	3 999
Total financial assets		**46 012**	**42 225**	**13 262**	**25 548**	**26 999**	**25 345**	**179 391**

In millions of CZK, for the year ended 31 December 2003 (restated)

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specifi-ed	Total
Investments in subsidiaries, asssociates and joint ventures	x	-	-	-	-	-	236	236
Trading assets	x	2 849	10 908	1 008	1 642	2 476	3 618	22 501
Bonds and other fixed income securities	3.49%	2 594	10 277	956	1 231	2 307	-	17 365
Shares nad other variable income securities	x	-	-	-	-	-	3 607	3 607
Positive fair value of derivatives	1.68%	255	631	52	411	169	11	1 529
Financial assets available for sale	x	1 430	14 070	2 549	9 626	27 449	6 065	61 189
Bonds and other fixed income securities	4.04%	1 411	14 002	2 466	8 987	27 356	7	54 229
Shares and other variable income securities	x	2	-	-	-	5	5 700	5 707
Other	2.33%	17	68	83	639	88	358	1 253
Financial assets held to maturity	x	-	-	-	2 131	-	-	2 131
Bonds and other fixed income securities	5.45%	-	-	-	2 131	-	-	2 131
Loans and advances to banks	1.52%	18 613	264	374	3 776	609	386	24 022
Loans and advances to non-banks	17.16%	5 453	10 785	4 617	2 989	444	95	24 383
Assets held to cover linked insurance liabilities	x	31	11	4	-	-	233	279
Bonds and other fixed income securities	5.40%	-	11	4	-	-	-	15
Shares and other variable income securities	x	-	-	-	-	-	233	233
Other	0.02%	31	-	-	-	-	-	31
Receivables	0.54%	5 691	1 232	1 096	88	140	1 107	9 354
Cash and cash equivalents	0.39%	2 729	-	-	-	-	204	2 933
Total financial assets		**36 796**	**37 270**	**9 648**	**20 252**	**31 118**	**11 944**	**147 028**

In millions of CZK, for the year ended 31 December 2004

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Subordinated liabilities	7.78%	-	-	-	573	2 500	-	3 073
Other liabilities evidenced by paper	5.81%	6 439	6 113	4 940	2 560	-	-	20 052
Payables	0.01%	2 774	1 137	10	3 564	394	150	8 029
Trading liabilities	x	1 017	188	225	115	20	57	1 622
Negative fair value of derivatives	1.68%	954	188	225	115	20	-	1 502
Obligation to deliver securities	3.26%	63	-	-	-	-	-	63
Other	x	-	-	-	-	-	57	57
Liabilities to banks	7.45%	7 559	5 616	140	1 587	-	-	14 902
Liabilities to non-banks	0.76%	18 053	7	200	689	-	3	18 952
Total financial liabilities		**35 842**	**13 061**	**5 515**	**9 088**	**2 914**	**210**	**66 630**

In millions of CZK, for the year ended 31 December 2003 (restated)

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Subordinated liabilities	7.51%	-	-	-	-	2 500	-	2 500
Other liabilities evidenced by paper	3.20%	3 743	5 358	1 221	1 524	2 382	-	14 228
Payables	0.02%	2 925	1 913	46	2 821	74	755	8 534
Trading liabilities	x	353	125	370	351	72	28	1 299
Negative fair value of derivatives	2.70%	353	125	370	351	72	6	1 277
Other	0.67%	-	-	-	-	-	22	22
Liabilities to banks	2.27%	2 080	418	913	910	56	-	4 377
Liabilities to non-banks	0.83%	11 726	2 579	94	606	996	100	16 101
Total financial liabilities		**20 827**	**10 393**	**2 644**	**6 212**	**6 080**	**883**	**47 039**

F.2.2.2. Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Group manages its use of equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

F.2.2.3. Currency risk

The Group is exposed in currency risk through transactions in foreign currencies and through its investment denominated in foreign currencies.

The Group's main foreign exposures are to Europe and the United States of America. The measurement currencies of its exposures are mainly Euro, US Dollar, Slovak crown and Russian rubl. As the currency in which the Group presents its consolidated financial statements is the Czech Crowns, movements in the exchange rates between these currencies and the Czech Crown affect the Group financial statements.

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the measurement currency of the Group. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate or using short-term FX operations.

The following table shows monetary assets in foreign currencies.

In millions of CZK, for the year ended 31 December 2004

	Euro	US Dollar	SKK	RUR	Other	Total
Investments in non-consolidated subsidiaries, associates and joint ventures	-	-	6	-	-	6
Investments (without Investment property)	18 386	8 233	1 069	865	741	29 294
Trading assets	10 436	4 306	5	3	65	14 815
Bonds and other fixed income securities	1 602	864	4	-	9	2 479
Shares and other variable income securities	8 544	2 486	-	-	36	11 066
Positive market value of derivatives	290	956	1	3	20	1 270
Financial assets available for sale	7 686	3 927	1 064	862	676	14 215
Bonds and other fixed income securities	5 162	3 849	1 061	862	676	11 610
Shares and other variable income securities	2 524	78	3	-	-	2 605
Financial assets held to maturity	264	-	-	-	-	264
Bonds and other fixed income securities	264	-	-	-	-	264
Loans and advances to banks	444	1 064	3 370	2 146	-	7 024
Loans and advances to non-banks	1 378	111	2 394	14 793	-	18 676
Assets held to cover linked insurance liabilities	99	233	51	-	-	383
Shares and other variable income securities	99	233	51	-	-	383
Reinsurance assets	-	2	63	2	-	67
Receivables	288	201	1 690	24	85	2 288
Cash and cash equivalents	540	389	61	980	119	2 089
Total	**21 135**	**10 233**	**8 704**	**18 810**	**945**	**59 827**

During the year 2004 the Parent increased its foreign exposures to Europe and the United States. The Group’s exposure to Russia increased mainly due to the Group’s expansion on Russian financial markets.

In millions of CZK, for the year ended 31 December 2003

	Euro	US Dollar	SKK	RUR	Other	Total
Investments in non-consolidated subsidiaries, associates and joint ventures	55	39	-	-	-	94
Investments (without Investment property)	4 663	2 898	503	5	53	8 122
Trading assets	2 060	2 288	-	-	53	4 401
Bonds and other fixed income securities	861	266	-	-	-	1 127
Shares and other variable income securities	1 197	1 493	-	-	-	2 690
Positive market value of derivatives	2	529	-	-	53	584
Financial assets available for sale	2 314	610	503	5	-	3 432
Bonds and other fixed income securities	2 151	610	501	5	-	3 267
Shares and other variable income securities	163	-	2	-	-	165
Financial assets held to maturity	289	-	-	-	-	289
Bonds and other fixed income securities	289	-	-	-	-	289
Loans and advances to banks	353	1 892	386	1 092	237	3 960
Loans and advances to non-banks	1 272	68	1 998	4 534	-	7 872
Assets held to cover linked insurance liabilities	-	88	145	-	-	233
Shares and other variable income securities	-	88	145	-	-	233
Reinsurance assets	-	3	226	-	-	229
Receivables	226	236	1 058	10	83	1 613
Cash and cash equivalents	300	286	304	295	81	1 266
Total	**6 869**	**5 510**	**4 620**	**5 936**	**454**	**23 389**

In millions of CZK, for the year ended 31 December 2004

	Euro	US Dollar	SKK	RUR	Other	Total
Subordinated liabilities	-	562	-	11	-	573
Subordinated loans	-	562	-	11	-	573
Other liabilities evidenced by paper	-	-	-	1 236	-	1 236
Bonds and notes issued	-	-	-	1 236	-	1 236
Promissory notes outstanding	-	-	-	-	-	-
Other provisions	1	-	14	-	-	15
Payables	90	90	1 516	57	65	1 818
Trading liabilities	60	636	1	137	1	835
Negative fair value of derivatives	60	636	1	137	1	835
Liabilities to banks	187	5 708	1 728	2 831	-	10 454
Liabilities to non-banks	878	679	279	1 511	75	3 422
Other financial liabilities	-	-	-	-	-	-
Total	**1 216**	**7 675**	**3 538**	**5 783**	**141**	**18 353**
Net foreign currency position	19 919	2 558	5 166	13 027	804	41 474

In millions of CZK, for the year ended 31 December 2003

	Euro	US Dollar	SKK	RUR	Other	Total
Payables	8	121	816	5	72	1 022
Trading liabilities	95	27	-	7	6	135
Negative fair value of derivatives	95	27	-	7	6	135
Liabilities to banks	3	18	1 152	218	-	1 391
Liabilities to non-banks	474	602	12	121	42	1 251
Other financial liabilities	-	-	-	-	-	-
Total	**580**	**768**	**1 980**	**351**	**120**	**3 799**
Net foreign currency position	6 289	4 742	2 640	5 585	334	19 590

The following table summarises, by major currency, the contractual amounts of the Group's forward exchange, futures and option contracts, with details of the contracted exchange rates and remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the balance sheet date.

In millions of CZK, for the year ended 31 December

	2004	2003
Buy Euro		
Less than three months	677	1 497
Between three months and one year	46	-
Total	723	1 497
Sell Euro		
Less than three months	12 928	5 777
Between three months and one year	487	-
More than one year	305	324
Total	13 720	6 101
Buy US Dollars		
Less than three months	21 334	4 331
Between three months and one year	5 412	493
Total	26 746	4 824
Sell US Dollars		
Less than three months	29 635	8 931
Between three months and one year	921	824
More than one year	2 237	513
Total	32 793	10 268
Sell RUR		
Less than three months	5 434	2 357
Between three months and one year	5 593	915
Total	11 027	3 272
Sell SKK		
Less than three months	91	-
More than one year	773	-
Total	864	-
Buy other		
Less than three months	43	15
Between three months and one year	486	-
Total	529	15
Sell other		
Less than three months	727	562
Between three months and one year	-	-
More than one year	-	773
Total	727	1 335

F.2.3. Credit risk

The Group is subject to credit risk through its trading, lending and investing activities and in cases where it acts as an intermediary on behalf of policyholders or other third parties.

Credit risk is managed by relevant entities and their departments.
The Group's primary exposure to credit risk arises through purchase of debt securities and through providing loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Group is exposed

to credit risk on various other financial assets, including derivative and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued – refer to note G.42.

The Group's credit exposure at the balance sheet date from financial instruments held or issued for trading and non-trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded in the balance sheet. Notional amounts disclosed in the notes to the financial statements do not represent the amounts to be exchanged by the parties to derivatives and do not measure the Group's exposure to credit or market risks. The amounts to be exchanged are based on the terms of the derivatives.

The risk that counterparties to instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to instruments with a positive fair value and to the volatility of the fair value of instruments. To manage the level of credit risk, the Group deals with counterparties of good credit standing, enters into master netting agreements whenever possible. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The following tables show economic and geographic concentration of credit risk

In millions of CZK, for the year ended 31 December

	2004	2004	2003	2003
Economic concentration				
Financial services	49 463	31.34%	55 545	39.33%
Public sector	42 972	27.24%	40 240	28.49%
Information and communication technologies producers	563	0.36%	531	0.38%
Telecom providers	1 370	0.87%	1 103	0.78%
Construction	473	0.30%	308	0.22%
Households/Individuals	34 530	21.89%	19 992	14.15%
Other	28 401	18.00%	23 523	16.65%
Total	**157 772**	**100.00%**	**141 242**	**100.00%**
Geographic concentration				
Czech Republic	90 232	57.19%	98 328	69.62%
Slovak Republic	4 926	3.12%	4 562	3.23%
Russia	24 507	15.53%	7 755	5.49%
Netherlands	9 639	6.11%	12 131	8.59%
Cyprus	2 173	1.38%	-	-
Other EU countries	23 604	14.96%	16 320	11.55%
Other	2 691	1.71%	2 146	1.52%
Total	**157 772**	**100.00%**	**141 242**	**100.00%**

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the balance sheet date if counter parties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for uncollectibility.

F.2.4. Actuarial risk

The Group is exposed to actuarial and underwriting risk through a wide range of life and non-life products offered to customers: participating and non-participating traditional life products, unit-linked, fixed and variable annuities, universal live products, pension products, guaranteed investment products and all lines of non-life products (fire, accident and health, automobile, third party liability and disability). Actuarial risk relates to uncertainty of the insurance business.

The most significant parts of actuarial risk are premium risk and reserve risk. They arise with respect to the adequacy of insurance premium rate levels and adequacy of provisions with respect to insurance liabilities and capital base. The adequacy is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is given to the adequacy of provisions for the life business.

F.3. Hedging

The Group uses derivative financial instruments to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instruments are used for this purpose, including interest rate swaps and currency swaps, options, forward contracts and other derivatives. The purpose of the Group's hedging activities is to protect the Group from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Group enters into transactions to ensure that it is economically hedged in accordance with asset-liability risk management policies.

Interest rate hedging derivatives are designated as economic hedges of benchmark interest rates for specified assets or groups of similar assets as well as liabilities or groups of similar liabilities, or anticipated transactions. The Group's risk management activities concentrate on economic hedging the Group's net exposure based on its asset and liability positions. Therefore the Group monitors its interest rate risk exposures by reviewing the net asset or liability gaps within repricing bands.

Where the Group economically hedges a portfolio of loans or liabilities (especially life insurance liabilities) in respect of interest rate risk it groups the loans into homogenous layers, each with specific maturities.

The Group manages its use of hedging derivatives in response to changing market conditions as well as to changes in the characteristics and mix of the related assets, liabilities and firm commitments.

F.4. Risk management and control

Interest rate, currency, equity price, credit, liquidity, and other risks are actively managed by independent risk control groups at subsidiary levels to ensure compliance with the risk limits or frameworks. The risk limits are assessed regularly to ensure their appropriateness given the objectives and strategies and current market conditions. The subsidiaries use a variety of techniques in measuring the risks inherent in their trading and non-trading positions, including both derivative and non-derivative instruments. The various risk measurements presented below offer differing views of the same risks and should not be aggregated.

F.4.1. Interest rate sensitivity

Significant Group companies use duration analysis to estimate the degree of sensitivity to interest rate changes in their trading and non-trading positions. Duration of a bond is the life, in years, of a notional zero coupon bond whose fair value would change by the same amount as the real bond or portfolio in response to a change in market interest rates. Financial instruments, including derivatives, used to manage asset-liability positions have the effect of changing the net duration.

F.4.2. Market Value at risk

The market risk of the Group's financial asset and liability trading positions are monitored, using Value at Risk analysis and other methods (cash-flow matching, duration analysis, etc.) by several subsidiaries. Value at Risk represents the potential losses from adverse changes in market factors for a specified time period and confidence level. The approach based on JP Morgan Risk Metrics methodology calculates Value at Risk using covariance matrix of relative changes in market factors and net present value of trading positions assuming that these relative changes are normally distributed. Another method used is Monte Carlo Simulation for non-linear instruments (e.g. options) based on simulating future changes of underlying assets with covariance kept from last time period.

F.4.3. Credit Value at Risk

To assess credit value at risk significant Group companies use credit risk calculations based on the JP Morgan Credit Metrics methodology using transition matrices and Monte-Carlo simulations of rating transitions.

F.4.4. Actuarial risk management

Actuarial risk is managed using the Group's internal guidelines for product design, reserving, pricing criteria, reinsurance strategy and guidelines for underwriting. Furthermore, monitoring of risk profiles, review of insurance-related risk control and asset/liability management are performed by senior management. For those insurance contracts that contain high interest rate guarantees stochastic modelling is used to assess the risk of these guarantees. Consequently pricing reflects the cost of the guarantees and appropriate reserves are established accordingly.

G. Notes to the consolidated balance sheet and income statement

G.1. Intangible assets

Intangible assets comprise the following:

In millions of CZK as at 31 December

	2004	2003
Goodwill	1 948	1 956
Negative goodwill	(90)	(95)
Software	1 450	928
Present value of future profits from portfolios acquired	166	-
Other intangible assets	41	54
Total intangible assets	**3 515**	**2 843**

G.1.1. Goodwill

The following table shows the roll-forward of goodwill (See also note C.3)

In millions of CZK, for the year ended 31 December

	2004	2003
Balance at 1 January	3 248	3 231
Additions	565	17
Disposals	(3)	-
Balance at 31 December	3 810	3 248
Amortisation and impairment losses		
Balance at 1 January	1 292	875
Amortisation charge/income for the period	570	417
Impairment losses recognised	-	-
Net exchange differences	-	-
Balance at 31 December	1 862	1 292
Carrying amount	**1 948**	**1 956**

Additions of goodwill in the year 2004 comprise mainly goodwill from acquisition of ABN AMRO, penzijní fond, a.s. (562 MCZK).

The balance of goodwill relates mainly to the acquisition of Home Credit Finance a.s. with a net carrying value 1 313 MCZK at 31 December 2004 (2003: 1 503 MCZK) and to the acquisition of ABN AMRO, penzijní fond, a.s. with a net carrying value 478 MCZK. The remaining amortisation period of this goodwill is between 5 to 7 years at 31 December 2004.

G.1.2. Negative goodwill

The following table shows the roll forward of negative goodwill. (See also note C.3)

In millions of CZK, for the year ended 31 December

	2004	2003
Balance at 1 January	(112)	(112)
Additions	(7)	-
Balance at 31 December	(119)	(112)
Accretion		
Balance at 1 January	17	12
Accretion for the year	12	5
Balance at 31 December	29	17
Total negative goodwill	**(90)**	**(95)**

Remaining negative goodwill at 31 December 2004 is expected to accrete into income over a period of approximately 18 years.

G.1.3. Software, other intangible assets and PVFP

The following table shows the roll-forward of the remaining categories of intangible assets.

In millions of CZK, for the year ended 31 December 2004

	Software	Other intangible assets	PVFP from portfolios acquired	Total
Cost				
Balance at 1 January	2 172	426	-	2 598
Additions	857	7	-	864
Additions from business combinations	14	1	178	193
Disposals	(33)	(22)	-	(55)
Net exchange differences	(4)	-	-	(4)
Balance at 31 December	3 006	412	178	3 596
Amortisation and impairment losses				
Balance at 1 January	(1 244)	(372)	-	(1 616)
Amortisation charge for the year	(343)	(21)	(12)	(376)
Disposals	31	22	-	53
Net exchange differences	-	-	-	-
Balance at 31 December	(1 556)	(371)	(12)	(1 939)
Total	**1 450**	**41**	**166**	**1 657**

PVFP relates to acquisition of ABN AMRO, penzijní fond, a.s. (Nový ČP Penzijní fond, a.s.).

The amortisation charge for the current period is recognised under “Other expenses”.

In millions of CZK, for the year ended 31 December 2003

	Software	Other intangible assets	Total
Cost			
Balance at 1 January	1 521	416	1 937
Additions	644	17	661
Additions from business combinations	34	2	36
Disposals	(23)	(14)	(37)
Net exchange differences	(4)	5	1
Balance at 31 December	2 172	426	2 598
Amortisation and impairment losses			
Balance at 1 January	(1 024)	(363)	(1 387)
Amortisation charge for the year	(210)	(31)	(241)
Disposals	23	21	44
Other changes	(30)	-	(30)
Net exchange differences	(3)	1	(2)
Balance at 31 December	(1 244)	(372)	(1 616)
Total	**928**	**54**	**982**

G.2. Investments in non-consolidated subsidiaries, associates and joint ventures

Investments in non-consolidated subsidiaries, associates and joint ventures comprise the following (see also note C.5):

In millions of CZK as at 31 December

	2004	2003
Investments carried at fair value	59	179
Investments carried at equity value	-	57
Total investments in non-consolidated subsidiaries, associates and joint ventures	**59**	**236**

G.3. Investments

Investments comprise the following:

In millions of CZK as at 31 December

	2004	2003
Trading assets	25 208	22 501
Financial assets available for sale	69 677	61 189
Financial assets held to maturity	3 208	2 131
Investment property	3 439	3 251
Total investments	**101 532**	**89 072**

G.3.1. Financial assets

The following table shows the roll-forward of financial investments.

In millions of CZK, for the year ended 31 December 2004

	Trading assets					Financial assets available for sale				Financial assets held to maturity		
	Bonds and other fixed income securities	Shares and other variable income securities	Positive fair values of derivatives	Other	Total	Bonds and other fixed income securuties	Shares and other variable income securities	Other	Total	Bonds and other fixed income securities	Other	Total
Balance at 1 January	17 365	3 607	1 529	-	22 501	54 229	5 707	1 253	61 189	2 131	-	2 131
Additions	15 287	18 328	-		33 615	53 786	8 984	317	63 087	1 077	-	1 077
Additions through business combinations	-	-	-	-	-	4 692	489	-	5 181	-	-	-
Proceeds from disposals	(22 977)	(9 239)	(1 177)	-	(33 393)	(53 076)	(6 994)	(1 026)	(61 096)	-	-	-
Realised gains	70	560	436	-	1 066	197	617	483	1 297	-	-	-
Realised losses	(24)	(93)	(328)	-	(445)	(499)	(42)	(25)	(566)	-	-	-
Unrealised gains	175	466	1 795	-	2 436	1 491	726	109	2 326	-	-	-
Unrealised losses	(273)	(225)	(90)	-	(588)	(1 138)	(58)	(48)	(1 244)	-	-	-
Change in accrued interest on investments	(67)	-	7	-	(60)	(497)	-	(3)	(500)	20	-	20
Impairment losses recognised	-	-	-	-	-	-	-	(9)	(9)	-	-	-
Reversal of impairment losses	-	-	-	-	-	-	-	4	-	-	-	-
Other movements	2	38	36	-	76	(24)	(12)	44	8	(20)	-	(20)
Balance at 31 December	**9 558**	**13 442**	**2 208**	**-**	**25 208**	**59 161**	**9 417**	**1 099**	**69 677**	**3 208**	**-**	**3 208**

In millions of CZK, for the year ended 31 December 2003

	Trading assets					Financial assets available for sale				Financial assets held to maturity		
	Bonds and other fixed income securities	Shares and other variable income securities	Positive fair values of derivatives	Other	Total	Bonds and other fixed income securities	Shares and other variable income securities	Other	Total	Bonds and other fixed income securities	Other	Total
Balance at 1 January	17 992	3 511	1 417	-	22 920	44 474	6 059	404	50 937	3 858	-	3 858
Additions	56 755	4 207	115	-	61 077	63 233	5 637	766	69 636	-	-	-
Additions through business combinations	-	-	-	-	-	-	6	-	6	-	-	-
Proceeds from disposals	(56 904)	(4 818)	(19)	-	(61 741)	(52 353)	(6 536)	-	(58 889)	(1 759)	-	(1 759)
Realised gains	88	209	242	-	539	240	376	80	696	-	-	-
Realised losses	(164)	(179)	(169)	-	(512)	(465)	(191)	(4)	(660)	-	-	-
Unrealised gains	566	1 497	76	-	2 139	279	422	6	707	-	-	-
Unrealised losses	(1 023)	(890)	-	-	(1 913)	(1 104)	(105)	(16)	(1 225)	-	-	-
Reversal of impairment losses	-	-	-	-	-	-	5	-	5	18	-	18
Change in accrued interest on investments	67	2	(136)	-	(67)	(97)	-	39	(58)	9	-	9
Other movements	(12)	68	3	-	59	22	34	(22)	34	5	-	5
Balance at 31 December	**17 365**	**3 607**	**1 529**	**-**	**22 501**	**54 229**	**5 707**	**1 253**	**61 189**	**2 131**	**-**	**2 131**

G.3.2. Trading assets

Trading assets comprise the following:

In millions of CZK as at 31 December

	2004	2003
Bonds	9 558	17 365
Government bonds	4 708	7 484
Other public-sector bonds	1 751	1 403
Corporate bonds	3 099	8 478
Shares	13 442	3 607
Equity securities	6 353	3 607
Mutual funds investments	7 089	-
Positive fair values of derivatives	2 208	1 529
Total	**25 208**	**22 501**

All financial instruments for trading are valued based on quoted the market prices, except derivatives, which are valued based on normally accepted valuation techniques depending on the product (i.e. discounted expected future cash flows, Black-Scholes model, etc.).

The following tables show details of derivatives

In millions of CZK as at 31 December 2004

	Notional amount with remaining life of			Fair values	
Interest rate derivatives	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC – products:					
Interest rate swaps	4 500	2 500	15 809	443	(604)
Interest rate options (purchase)	-	200	-	2	-
Other interest rate contracts	-	2 908	152	-	(18)
Total	**4 500**	**5 608**	**15 961**	**445**	**(622)**

In millions of CZK as at 31 December 2004

	Notional amount with remaining life of			Fair values	
Currency derivatives	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC-products					
Forward exchange contracts	55 532	7 939	-	1 150	(830)
Currency/cross currency swaps	24 987	4	3 773	613	(49)
Subtotal	**80 519**	**7 943**	**3 773**	**1 763**	**(879)**
Exchange-traded products					
Foreign exchange options (sale)	-	-	-	-	(1)
Total	**80 519**	**7 943**	**3 773**	**1 763**	**(880)**

In millions of CZK as at 31 December 2004

	Notional amount with remaining life of			Fair values	
Equity derivatives	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC-products	-	-	-	-	-
Equity/index swaps	-	-	-	-	-
Other equity/index contracts	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

In millions of CZK as at 31 December 2003

	Notional amount with remaining life of			Fair values	
Interest rate derivatives	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC – products:					
Interest rate swaps	1 600	3 567	23 346	783	(1 096)
Interest rate options (purchase)	-	-	200	6	-
Total	**1 600**	**3 567**	**23 546**	**789**	**(1 096)**

In millions of CZK as at 31 December 2003

	Notional amount with remaining life of			Fair values	
Currency derivatives	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC-products					
Forward exchange contracts	18 811	915	-	292	(93)
Currency/cross currency swaps	15	1 209	1 722	358	(88)
Total	**18 826**	**2 124**	**1 722**	**650**	**(181)**

In millions of CZK as at 31 December 2003

	Notional amount with remaining life of			Fair values	
Equity derivatives	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC-products					
Equity/index swaps	-	-	-	-	-
Other equity/index contracts	-	693	-	90	-
Total	**-**	**693**	**-**	**90**	**-**

All gains and losses on derivative contracts are recognised in the income statement.

G.3.3. Financial assets available for sale

Financial assets available for sale comprise the following:

In millions of CZK as at 31 December 2004

	Fair value	Unrealised (gains)/losses	Amortised cost
Bonds	59 095	(739)	58 356
Government bonds	29 816	(830)	28 986
Other public-sector bonds	3 706	(16)	3 690
Corporate bonds	25 573	107	25 680
Other fixed income securities	66	3	69
Shares	9 417	(1 006)	8 411
Equity securities	2 588	(740)	1 848
Mutual funds investments	6 829	(266)	6 563
Other	1 099	3 736	4 835
Total financial assets available for sale	**69 677**	**1 994**	**71 671**

Other includes mainly purchased loans not held for trading purposes.

In millions of CZK as at 31 December 2003 (restated)

	Fair value	Unrealised (gains)/losses	Amortised cost
Bonds	53 019	(473)	52 546
Government bonds	29 020	139	29 159
Other public-sector bonds	570	(18)	552
Corporate bonds	23 429	(594)	22 835
Other fixed income securities	1 210	-	1 210
Shares	5 701	(235)	5 466
Equity securities	1 405	(135)	1 270
Mutual funds investments	4 296	(100)	4 196
Other variable income securities	6	-	6
Other	1 253	3 812	5 065
Total financial assets available for sale	**61 189**	**3 104**	**64 293**

Other includes mainly purchased loans not held for trading purposes.

The next table shows the amount of financial instruments available for sale for which quoted market prices are not available:

In millions of CZK as at 31 December

	2004	2003
Valuation method:		
Expected selling price	586	-
Net present value of future cash flows	7 179	6 087
Acquisition cost	1 131	660
Total	**8 896**	**6 747**

G.3.4. Financial assets held to maturity

Financial assets held to maturity comprise the following:

In millions of CZK as at 31 December

	2004 Fair value	2004 Amortised cost	2003 Fair value	2003 Amortised cost
Bonds	3 708	3 208	2 517	2 131
Government bonds	1 013	999	71	57
Other public-sector bonds	150	150	-	-
Corporate bonds	2 545	2 059	2 446	2 074
Total financial assets held to maturity	**3 708**	**3 208**	**2 517**	**2 131**

G.3.5. Investment property

The following table shows the roll-forward of investment property:

In millions of CZK, for the year ended 31 December (restated)

	2004	2003
Balance at 1 January	3 251	3 178
Additions	1 016	10
Transfer (to) from owner occupied property	(133)	492
Revaluation of land and buildings transferred from owner occupied property	13	149
Realised gains from investment property	31	49
Realised losses from investment property	(48)	(68)
Proceeds from disposals	(114)	(262)
Unrealised gains from investment property	14	312
Unrealised losses from investment property	(591)	(609)
Balance at 31 December	**3 439**	**3 251**

The last independent appraisal of investment property was carried out in February 1998. Since then fair values are determined internally on annual basis, using discount rates that reflect current market assessments of the uncertainties in the amount and timing of the cash flows and supported by evidence of current prices for similar properties in the same location and conditions.

G.4. Loans and advances to banks

Loans and advances to banks comprise the following:

In millions of CZK as at 31 December

	2004	2003
Term deposits at banks	19 940	12 662
Loans to banks	4 869	4 907
Loans and advances provided under repo operations	2 933	5 976
Other	552	477
Total loans and advances to banks	**28 294**	**24 022**

The following table shows gross loans and advances to banks and impairment losses thereon.

In millions of CZK as at 31 December

	2004	2003
Loans and advances to banks on which interest is accrued	27 861	23 828
Loans and advances to banks on which interest is not accrued	4 609	4 431
Subtotal loans and advances to banks	32 470	28 259
Less impairment losses	(4 176)	(4 237)
Total loans and advances to banks, net of impairments	**28 294**	**24 022**

G.5. Loans and advances to non-banks

Loans and advances to non-banks comprise the following:

In millions of CZK as at 31 December

	2004	2003
Loans to non-banks including policyholder loans	36 978	19 784
Net investment in the finance leases to non-banks	4 951	4 541
Loans and advances provided under repo operations	100	-
Other	107	58
Total loans and advances to customers	**42 136**	**24 383**

The following table shows gross loans and advances to non-banks and related impairment losses.

In millions of CZK as at 31 December

	2004	2003
Loans and advances to non-banks on which interest is accrued	44 336	25 557
Loans and advances to non-banks on which interest is not accrued	2 222	2 342
Subtotal loans and advances to non-banks	46 558	27 899
Less impairment losses	(4 422)	(3 516)
Total loans and advances to non-banks, net of impairments	**42 136**	**24 383**

G.5.1. Net investment in finance leases

The Group acts as a lessor under finance leases, mainly of plant and equipment. The leases typically run for a period of between one and five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on market related interest rates. The lease receivables are secured by the underlying assets.

The net investment in finance leases is apportioned as follows:

In millions of CZK as at 31 December

	2004	2003
Net investment in the finance leases to banks	-	-
Net investment in the finance leases to non-banks	4 951	4 541
Total net investment in finance leases	**4 951**	**4 541**

The structure of the net investment in finance leases was as follows:

In millions of CZK as at 31 December

	2004	2003
Gross investment in finance leases	5 543	5 330
Unearned finance income	(571)	(750)
Allowance for uncollectible lease payments receivable	(21)	(39)
Total net investment in finance leases	**4 951**	**4 541**

The investment in finance leases according to the remaining maturities was the following:

In millions of CZK as at 31 December

	2004	2003
Gross investment in finance leases, with remaining maturities		
Less than one year	2 695	2 536
Between one and five years	2 834	2 774
More than five years	14	20
Total gross investment in finance lease	**5 543**	**5 330**
Net investment in finance leases, with remaining maturities		
Less than one year	2 326	2 042
Between one and five years	2 612	2 482
More than five years	13	17
Total net investment in finance lease	**4 951**	**4 541**

G.6. Assets held to cover linked insurance liabilities

This item comprises mainly investments funding unit-linked life insurance policies and investments to cover obligations under policies where the benefits are index-linked (performance linked contracts) where the investment risk is born by the policyholders.

Group entities keep these investments separate from other investments and invest them separately, in accordance with the requests of the policyholders (see also Note D.1.6.).
Assets held to cover linked insurance liabilities comprise the following:

In millions of CZK as at 31 December 2004

	Fair value	Unrealised (gains)/losses	Amortised cost
Bonds	4	-	4
Government bonds	4	-	4
Corporate bonds	-	-	-
Shares	383	25	408
Equity securities	90	17	107
Mutual funds investments	293	8	301
Other	46	-	46
Total	**433**	**25**	**458**

In millions of CZK as at 31 December 2003

	Fair value	Unrealised (gains)/losses	Amortised cost
Bonds	15	-	15
Government bonds	4	-	4
Corporate bonds	11	-	11
Shares	233	24	257
Equity securities	88	16	104
Mutual funds investments	145	8	153
Other	31	-	31
Total	**279**	**24**	**303**

The following table shows the roll-forward of assets held to cover linked insurance liabilities.

In millions of CZK, for the year ended 31 December 2004

	Bonds and other fixed income securities	Shares and other variable income securities	Other	Total
Balance at 1 January	15	233	31	279
Additions	-	154	15	169
Proceeds from disposals	(11)	-	-	(11)
Unrealised losses	-	(1)	-	(1)
Impairment losses recognised	-	-	-	-
Net exchange differences	-	(3)	-	(3)
Balance at 31 December	**4**	**383**	**46**	**433**

In millions of CZK, for the year ended 31 December 2003

	Bonds and other fixed income securities	Shares and other variable income securities	Other	Total
Balance at 1 January	16	130	37	183
Additions	-	95	-	95
Proceeds from sale	-	-	(6)	(6)
Unrealised gains	-	26	-	26
Impairment losses recognised	(1)	(23)	-	(24)
Net exchange differences	-	5	-	5
Balance at 31 December	**15**	**233**	**31**	**279**

G.7. Reinsurance assets

Reinsurance assets comprise the following:

In millions of CZK as at 31 December

	2004	2003 (restated)
Provision for unearned premiums	349	532
Claims reported by policyholders	899	1 933
Claims incurred but not reported	197	176
Life insurance provisions	3	-
Total reinsurance assets	**1 448**	**2 641**

Amounts included in reinsurance assets represent expected future claims to be recovered from the Group's reinsurers and the reinsurers' share of unearned premiums.

Ceded reinsurance arrangements do not relieve the Group from its direct obligations to policyholders. Thus, a credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance agreements.

G.8. Receivables

Receivables comprise the following:

In millions of CZK as at 31 December

	2004	2003 (restated)
Receivables arising out of direct insurance operations	5 107	6 175
Amounts owed by policyholders	5 064	6 149
Amount owed by intermediaries	43	26
Receivables arising out of reinsurance operations	314	1 327
Trade and other receivables	3 343	3 690
Tax receivables	91	482
Subtotal receivables (gross)	8 855	11 674
Less impairment losses	(2 478)	(2 320)
Of which: Less general impairment losses	(2 012)	(1 956)
Less individual impairment losses	(466)	(364)
Total receivables, net of impairments	**6 377**	**9 354**

G.9. Deferred tax

The next table shows the roll-forward of net deferred taxes.

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Net deferred tax asset/(liability) at 1 January	(1 551)	(1 258)
Deferred tax (expense)/income for the period	1 158	(248)
Deferred tax recognised directly in equity	-	(42)
Additions from business combinations	(26)	(1)
Net exchange differences	2	(2)
Net deferred tax asset/(liability) at 31 December	**(417)**	**(1 551)**

The recognised deferred tax assets and liabilities comprise the following:

In millions of CZK as at 31 December

	2004 Deferred tax liabilities	2004 Deferred tax assets	2003 (restated) Deferred tax liabilities	2003 (restated) Deferred tax assets
Intangible assets	(10)	-	(2)	1
Investments in non-consolidated subsidiaries, associates and joint ventures	(7)	-	-	9
Investments	(211)	-	(552)	8
Loans and advances to banks	(7)	154	-	166
Loans and advances to non-banks	(1 279)	84	(1 189)	49
Reinsurance assets	-	-	-	22
Receivables	(13)	235	(34)	119
Other assets	(79)	1 814	(123)	1 991
Prepayments and accrued income	-	46	-	68
Subordinated liabilities	(8)	-	-	-
Insurance provisions	(743)	-	(1 404)	-
Other liabilities evidenced by paper	(2)	1	-	45
Other provisions	-	14	-	8
Payables	(454)	25	(681)	42
Other liabilities	-	-	(6)	15
Trading liabilities	(19)	1	-	19
Liabilities to banks	-	62	-	-
Liabilities to non-banks	-	7	-	-
Accruals and deferred income	(448)	185	(338)	188
Other temporary differences	(7)	1	(261)	39
Value of loss carry-forwards recognised	-	241	-	250
Deferred tax assets/(liabilities)	**(3 287)**	**2 870**	**(4 590)**	**3 039**
Net deferred tax assets/(liabilities)	**(1 329)**	**912**	**(2 412)**	**861**

In calculating net deferred tax assets and liabilities the Group offsets deferred tax assets and liabilities related to income taxes levied by the same taxation authority on the same taxable entity.

The next table shows the unrecognised deferred tax assets.

In millions of CZK as at 31 December

	2004	2003
Tax effect from unrecognised deductible tax differences	434	432
Tax effect from unused tax losses	317	353
Unrecognised potential deferred tax assets	**751**	**785**

Some of the Group companies have incurred tax losses in recent years available for carry forward for off set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilized, the deferred tax asset is not recognised. The unutilised tax losses can be claimed in the period from 2005 to 2009.

At 31 December 2004 and 2003 deferred tax liabilities relating to undistributed earnings of subsidiaries have not been recognised because the Group controls the timing of such liabilities and is satisfied that they will not be incurred in the foreseeable future.

G.9.1. Deferred tax recognised directly in equity

The deferred tax recognised directly in equity comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Revaluation gain on transfer from property, plant and equipment (other assets) to investment property	(42)	(42)
Total	**(42)**	**(42)**

G.10. Other assets

The other assets comprise the following:

In millions of CZK as at 31 December

	2004	2003
Property, plant and equipment	6 941	7 377
Inventories	198	123
Deposits with ceded undertakings	3	9
Other assets	101	71
Total other assets	**7 243**	**7 580**

G.10.1. Property, plant and equipment

The following table shows the roll-forward of property, plant and equipment:

In millions of CZK, for the year ended 31 December 2004

	Land and buildings	Other tangible assets and equipment	Tangible assets under construction	Total	Thereof under finance lease
Cost					
Balance at 1 January	5 460	5 090	1 181	11 731	104
Acquisition through business combinations	15	24	-	39	-
Additions	258	1 156	202	1 616	75
Disposals	(37)	(997)	(30)	(1 064)	(61)
Transfer from/(to) investment property	164	-	(656)	(492)	-
Other movements	133	12	(145)	-	-
Net exchange differences	-	(64)	-	(64)	-
Balance at 31 December	5 993	5 221	552	11 766	118
Depreciation and impairment losses					
Balance at 1 January	(1 675)	(2 679)	-	(4 354)	(49)
Depreciation charge for the year	(155)	(796)	-	(951)	(37)
Impairment losses recognised	(131)	(2)	-	(133)	-
Disposals	2	603	-	605	35
Transfer to/(from) owner occupied	(31)	-	-	(31)	-
Other movements	-	-	-	-	-
Net exchange differences	-	39	-	39	-
Balance at 31 December	(1 990)	(2 835)	-	(4 825)	(51)
Carrying amount at 31 December	**4 003**	**2 386**	**552**	**6 941**	**67**

Impairment losses on land and buildings in the year resulted from unfavourable movements in market rents, change in the risk-free interest rate, and other factors that influence individual property valuations.

In millions of CZK, for the year ended 31 December 2003

	Land and buildings	Other tangible assets and equipment	Tangible assets under construction	Total	Thereof under finance lease
Cost					
Balance at 1 January	5 775	4 371	915	11 061	80
Acquisition through business combinations	-	44	-	44	-
Additions	168	1 245	522	1 935	39
Disposals	(84)	(526)	(34)	(644)	(15)
Transfer from/(to) investment property	(618)	-	-	(618)	-
Reclassification of tangible assets under construction	215	8	(223)	-	-
Net exchange differences	4	(52)	1	(47)	-
Balance at 31 December	5 460	5 090	1 181	11 731	104
Depreciation and impairment losses					
Balance at 1 January	(994)	(2 515)	-	(3 509)	(37)
Depreciation charge for the year	(114)	(639)	-	(753)	(27)
Impairment losses recognised	(720)	(30)	-	(750)	-
Disposals	26	460	-	486	15
Transfer (from)/to investment property	127	-	-	127	-
Net exchange differences	-	45	-	45	-
Balance at 31 December	(1 675)	(2 679)	-	(4 354)	(49)
Carrying amount at 31 December	**3 785**	**2 411**	**1 181**	**7 377**	**55**

G.10.2. Inventories

Inventories comprise the following:

In millions of CZK as at 31 December

	2004	2003
Raw materials and consumables	54	57
Goods	160	75
Subtotal inventories (gross)	214	132
Less impairment losses	(16)	(9)
Total inventories	**198**	**123**

G.10.3. Other assets

The other assets comprise the following:

In millions of CZK as at 31 December

	2004	2003
Other assets	44	15
Works of art	57	68
Subtotal other assets	101	83
Less impairment losses	-	(12)
Total other assets	**101**	**71**

G.11. Prepayments and accrued income

Prepayments and accrued income comprise the following:

In millions of CZK as at 31 December

	2004	2003 (restated)
Rental	297	458
Prepayments and other deferrals	452	647
Deferred acquisition costs	603	575
Total prepayments and accrued income	**1 352**	**1 680**

G.11.1. Deferred acquisition costs (DAC)

The Group defers only non-life insurance acquisition costs. All deferred acquisition costs are usually to be released within one year.

G.12. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of CZK as at 31 December

	2004	2003
Cash on hand	808	816
Balances with banks payable on demand	2 083	1 780
Balances with central banks	985	257
Other cash value	123	80
Total cash and cash equivalents	**3 999**	**2 933**
Amount of cash and cash equivalents not available for use of the Group	1 030	257

G.13. Capital and reserves

Capital and reserves comprise the following:

In millions of CZK as at 31 December

	2004	2003 (restated)
Issued capital	2 981	3 412
Revaluation reserve	121	107
Legal and statutory reserves	883	2 566
Translation reserve	(388)	(13)
Reserve for own shares	-	(1 778)
Catastrophe and equalisation reserves	2 715	2 521
Other reserves	17	18
Net profit for the year	4 460	1 755
Prior years retained earnings	5 845	5 939
Total shareholders' equity	**16 634**	**14 527**

Capital and reserves is the residual interest in the net assets of the Group after deducting all its liabilities and minority interest.

G.13.1. Issued capital

Issued capital represents capital in respect of which the shareholders' liability for an enterprise's obligation towards its creditors is limited. The amount is the current nominal capital approved by resolution of shareholders.

In May 2003 General meeting of the Parent decided to reduce the basic share capital in order to comply with statutory requirements relating to holdings of treasury shares. The reduction totaled 431 MCZK, representing all own shares held at 31 December 2003, which had been reacquired at a cost of 1 778 MCZK in prior years, bringing the basic share capital to 2 981 billion CZK. The decrease became legally effective from 14 May 2004. The amount of 431 MCZK was released against retained earnings at 14 May 2004.

The following table provides details of authorised and issued shares.

	2004	2003
Number of shares authorised	2 980 963	3 412 391
Number of shares issued, out of which:	2 980 963	3 412 391
fully paid	2 980 963	3 412 391
Par value per share (CZK)	1 000	1 000

The following table reconciles the number of shares outstanding at the beginning and at the end of the year:

	Ordinary shares 2004	2003
Balance at 1 January	**3 412 391**	**3 412 391**
Cancellation of the year	431 428	-
Balance at 31 December	**2 980 963**	**3 412 391**

At 31 December 2004 the authorised share capital comprised 997 469 (2003: 1 347 457) registered shares, 1 983 494 (2003: 2 064 934) bearer shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Parent.

G.13.2. Revaluation reserve

The revaluation reserve represents the revaluation surplus, net of deferred tax, recognised on property transferred from property, plant and equipment to investment property following a change in use of the property.

G.13.3. Legal and statutory reserves

The creation and use of the statutory reserve fund is limited by legislation and the articles of each company within the Group. The legal reserve fund is not available for distribution to the shareholders. Included within legal and statutory reserves in the year 2003 there was a special allocation of prior years retained earnings of 1 778 MCZK, related to the Parent's own shares held. This amount was reduced against reserve for own shares when these share were cancelled by the Group on 14 May 2004.

G.13.4. Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group.

G.13.5. Reserve for own shares

At 31 December 2003 the reserve for own shares comprised the cost of the Parent's shares held by the Group. At 31 December 2003 the Group held 431 428 of the Parent's shares.

At 14 May 2004 the reserve for own shares was released in total amount 1 778 MCZK against legal and statutory reserve due to cancellation of own shares of the Parent company.

G.13.6. Catastrophe and equalisation reserves

Catastrophe and equalisation reserves are required by local insurance legislators and are classified as a separate portion of equity within these accounts since they do not meet the definition of a liability under IFRS.

G.13.7. Other reserves

Other reserves are retained profits allocated according to the decision of the Board of Directors or the Annual General Meeting of the Group.

G.13.8. Dividends

At the Annual general Meeting on 3 June 2005 the shareholders approved transfer of total amount of profit of 2004 to retained earnings of the Parent.

The shareholders approved at the Annual General Meeting on 3 June 2004 the distribution of a dividend of 670 CZK per share for the fiscal 2003 in total amount of 1 998 MCZK.

G.14. Minority interest

The interests of minority shareholders are made up as follows: share of current year earnings of 89 MCZK (2003: 54 MCZK), other equity components 2 149 MCZK (2003: 1 281 MCZK).

G.15. Subordinated liabilities

The subordinated liabilities comprise the following:

In millions of CZK as at 31 December

	2004	2003
Subordinated loans	3 073	2 500
Total subordinated liabilities	**3 073**	**2 500**

On 9 June 2004 the Group accepted a subordinated loan from the third party in an amount of MCZK 573 maturing in 2009. The fixed interest rate is 9.25% p.a.

On 10 June 2003, under a subordinated loan agreement, the Group accepted a loan from PPF Group N.V. in an amount of MCZK 2 500 maturing in 2018. The fixed interest rate is 7.51% p.a.

On 1 July 2003, PPF, a.s. acquired a MCZK 365 portion of the Group's subordinated loan from PPF GROUP N.V.

G.16. Insurance provisions

The insurance provisions comprise the following:

In millions of CZK as at 31 December

	2004	2003 (restated)
Provision for unearned premiums (UPR)	5 038	4 823
Claims reported by policyholders but not settled (RBNS)	8 791	9 635
Claims incurred but not reported (IBNR)	5 630	4 378
Life insurance provision	64 857	66 084
Provision for rebates and profit sharing	1 041	576
Other insurance provisions	2 351	2 197
Policyholders' contract deposits	20 023	10 309
Total insurance provisions	**107 731**	**98 002**

Increase of policyholders' contract deposits during the year 2004 was caused by the acquisition of ABN AMRO, Penzijní fond, a.s. and by expansion of activities of Penzijní fond České pojišťovny, a.s.

G.16.1. Provision for unearned premiums

The next table shows the roll forward of non-life provision for unearned premiums.

In millions of CZK, for the year ended 31 December 2004

	Gross	Reinsurance	Net
Balance at 1 January	4 823	(532)	4 291
Added during the year	23 418	(1 767)	21 651
Released to the income statement	(23 194)	1 950	(21 244)
Foreign currency translation	(9)	-	(9)
Balance at 31 December	**5 038**	**(349)**	**4 689**

In millions of CZK, for the year ended 31 December 2003 (restated)

	Gross	Reinsurance	Net
Balance at 1 January	4 223	(500)	3 723
Added during the year	21 238	(1 301)	19 937
Released to the income statement	(20 650)	1 272	(19 378)
Foreign currency translation	12	(3)	9
Balance at 31 December	**4 823**	**(532)**	**4 291**

G.16.2. Claims reported by policyholders

The next table shows the roll forward of claims reported by policyholders.

In millions of CZK, for the year ended 31 December 2004

	Gross	Reinsurance	Net
Balance at 1 January	9 635	(1 933)	7 702
Plus claims incurred	13 315	(333)	12 982
Current year	12 095	(331)	11 764
Transfer from IBNR	1 220	(2)	1 218
Less claims paid	(13 815)	1 372	(12 443)
Superfluous provisions released to the income statement	(344)	(5)	(349)
Balance at 31 December	**8 791**	**(899)**	**7 892**

In millions of CZK, for the year ended 31 December 2003 (restated)

	Gross	Reinsurance	Net
Balance at 1 January	14 575	(6 578)	7 997
Plus claims incurred	12 058	(739)	11 319
Current year	10 298	(514)	9 784
Transfer from IBNR	1 760	(225)	1 535
Less claims paid	(15 103)	4 331	(10 772)
Superfluous provisions released to the income statement	(1 924)	1 052	(872)
Foreign currency translation	29	1	30
Balance at 31 December	**9 635**	**(1 933)**	**7 702**

G.16.3. Claims incurred but not reported

The next table shows the roll forward of claims incurred but not reported.

In millions of CZK, for the year ended 31 December 2004

	Gross	Reinsurance	Net
Balance at 1 January	4 378	(176)	4 202
Plus additions recognised during the year	2 948	(11)	2 937
Less transfer to claims reported provision	(1 220)	2	(1 218)
Superfluous provisions released to the income statement	(457)	(22)	(479)
Other movements	(19)	10	(9)
Balance at 31 December	**5 630**	**(197)**	**5 433**

In millions of CZK, for the year ended 31 December 2003

	Gross	Reinsurance	Net
Balance at 1 January	4 095	(535)	3 560
Plus additions recognised during the year	2 371	(92)	2 279
Less transfer to claims reported provision	(1 760)	225	(1 535)
Superfluous provisions released to the income statement	(333)	226	(107)
Foreign currency translation	5	-	5
Balance at 31 December	**4 378**	**(176)**	**4 202**

The next table describes the development of claims reported by policyholders.

In millions of CZK, for the year ended 31 December

	Prior 2000	2000	2001	2002	2003	2004	Total
Estimate of cumulative claims at the end of underwriting year	x	10 778	10 021	21 713	11 769	13 803	x
One year later	x	10 416	10 196	20 963	11 960	x	x
Two years later	x	10 392	10 042	20 969	x	x	x
Three years later	x	9 816	9 951	x	x	x	x
Four years later	x	9 383	x	x	x	x	x
Estimate of cumulative claims	x	9 383	9 951	20 969	11 960	13 803	66 066
Cumulative payments	x	8 855	9 026	19 531	10 009	7 867	55 288
Subtotal	1 523	528	925	1 438	1 951	5 936	12 301
Provisions for outstanding claims not distinguished by accident year							1 081
Claims handling cost							1 039
Value recognised in the balance sheet							**14 421**

G.16.4. Life insurance provisions

In millions of CZK, for the year ended 31 December 2004

	Gross	Reinsurance	Net
Balance at 1 January	66 084	-	66 084
Net premium	12 906	(2)	12 904
Technical interest	2 400	-	2 400
Profit share allocated	23	-	23
Benefits paid	(15 447)	-	(15 447)
Expense charges	(1 106)	-	(1 106)
Risk premium	(467)	-	(467)
Change in IBNR and RBNS	156	(1)	155
Change in UPR	(23)	-	(23)
Change in provision for premium deficiency	1 025	-	1 025
Superfluous provision released to the income statement	(695)	-	(695)
Reclassifications	3	-	3
Foreign currency translation	(2)	-	(2)
Balance at 31 December	**64 857**	**(3)**	**64 854**

Included within life insurance provisions is a premium deficiency of 2 800 MCZK (2003: 1 777 MCZK), arising mainly from the difference between the anticipated revenues from financial investments and the technical rate of interest used to calculated premium rates.
Superfluous provision released in 2003 and 2004 relate mainly to provisions for special bonuses for the policies which were canceled before maturity.

In millions of CZK, for the year ended 31 December 2003 (restated)

	Gross	Reinsurance	Net
Balance at 1 January	63 160	-	63 160
Net premium	9 972	-	9 972
Technical interest	2 463	-	2 463
Profit share allocated	57	-	57
Benefits paid	(9 037)	-	(9 037)
Expense charges	(816)	-	(816)
Risk premium	(292)	-	(292)
Change in IBNR and RBNS	(30)	-	(30)
Change in UPR	4	-	4
Change in provision for premium deficiency	1 200	-	1 200
Superfluous provision released to the income statement	(602)	-	(602)
Foreign currency translation	5	-	5
Balance at 31 December	**66 084**	**-**	**66 084**

G.16.5. Provision for rebates and profit sharing

The next table shows the roll-forward of provision for rebates and profit sharing.

In millions of CZK, for the year ended 31 December

	2004
Balance at 1 January	576
Newly granted premium rebates/profit sharing relating to non-life insurance	384
Profit awarded to policyholders of supplementary pension insurance	485
Paid bonuses	(240)
Allocation to policyholders contract deposits	(436)
thereof: supplementary pension insurance	(436)
Additions due to acquired portfolios	272
Balance at 31 December	**1 041**

	2003
Balance at 1 January	440
Newly granted premium rebates/profit sharing relating to non-life insurance	341
Profit awarded to policyholders of supplementary pension insurance	280
Paid bonuses	(221)
Allocation to policyholders contract deposits	(232)
thereof: supplementary pension insurance	(232)
Superfluous provisions released	(32)
Balance at 31 December	**576**

According to Czech law a minimum of 85 % of a pension fund's statutory profit is awarded annually to policyholders of supplementary pension insurance. Until final approval by the Board of Directors, the amount allocated to the policyholders is initially recorded as a provision for profit sharing. Once approved it is transferred to policyholders' contract deposits.

G.16.6. Other insurance provisions

The development of other insurance provisions was as follows:

In millions of CZK, for the year ended 31 December 2004

	MTPL deficit	Ageing provision	Other	Total
Gross				
Balance at 1 January 2004	2 080	117	-	2 197
Increase charged to the income statement	103	39	-	142
Released to the income statement	-	-	-	-
Additions due to acquired portfolios	-	-	12	12
Foreign currency translation	-	-	-	-
Balance of gross provisions at 31 December 2004	2 183	156	12	2 351
Balance of reinsurance at 31 December 2004	-	-	-	-
Net				
Balance at 1 January	2 080	117	-	2 197
Increase charged to the income statement	103	39	-	142
Released to the income statement	-	-	-	-
Additions due to acquired portfolios	-	-	12	12
Foreign currency translation	-	-	-	-
Balance of net provisions at 31 December 2004	**2 183**	**156**	**12**	**2 351**

In millions of CZK, for the year ended 31 December 2003 (restated)

	MTPL deficit	Ageing provision	Other	Total
Gross				
Balance at 1 January 2003	2 077	93	155	2 325
Increase charged to the income statement	50	24	-	74
Released to the income statement	(56)	-	(156)	(212)
Additions/Disposals due to acquired/sold portfolios	-	-	-	-
Foreign currency translation	9	-	1	10
Balance of gross provisions at 31 December 2003	2 080	117	-	2 197
Balance of reinsurance at 31 December 2003	-	-	-	-
Net				
Balance at 1 January	2 077	93	155	2 325
Increase charged to the income statement	50	24	-	74
Released to the income statement	(56)	-	(156)	(212)
Foreign currency translation	9	-	1	10
Balance of net provisions at 31 December 2003	**2 080**	**117**	**-**	**2 197**

In 2004 and 2003 “Other” comprises mainly the additional expected future costs associated with supplementary pension insurance policyholders that choose to receive annuity payments in lieu of a lump sum settlement.

Provision for MTPL deficit

In the Czech Republic statutory MTPL insurance was replaced by contractual MTPL insurance on 31 December 1999 (and on 31 December 2001 in the Slovak Republic). All rights and obligations, including the deficit of received premiums to cover the liabilities and costs, arising from statutory MTPL insurance prior to 31 December 1999 (31 December 2001 for Slovak Republic) were transferred to Czech and Slovak Bureaus of Insurers („Bureaus“).

On 12 October 1999 the Group obtained a license to write contractual MTPL insurance in the Czech Republic (and on 1 January 2002 in the Slovak Republic) and as a result, the Group became a member of the Bureaus.

Each member of the Bureaus guarantees the appropriate portion of the liabilities of the Bureaus based on the member’s market share for this class of insurance.

The Group, based on the information available, created a provision adequate to cover expenses associated with claims likely to be incurred in relation to these liabilities ceded. However, the final and exact amount of expenses incurred for claims will be known only after several years.

G.16.7. Policyholders' contract deposits

The next table shows the roll-forward of policyholders' contract deposits.

In millions of CZK, for the year ended 31 December

	2004	2003
Balance at 1 January	10 309	8 667
Contributions paid	5 785	2 994
Profit share/bonus allocated to policyholders	436	232
Benefits and surrenders paid	(1 873)	(1 581)
Additions/Disposals due to acquired/sold portfolios	5 371	-
Other increase/decreases	(5)	(3)
Balance at 31 December	**20 023**	**10 309**

Increase of policyholders' contract deposits during the year 2004 was caused by new acquisition of ABN AMRO, penzijní fond, a.s. and by expansion of activities of Penzijní fond České pojišťovny, a.s.

G.16.8. Remaining maturities of insurance provisions and related reinsurance assets

In millions of CZK, for the year ended 31 December 2004

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Non-specified	Total
Provision for unearned premium (non-life)	5 038	-	-	-	-	-	-	-	-	-	5 038
RBNS	4 430	1 380	743	470	310	614	308	307	229	-	8 791
IBNR	2 203	586	690	450	299	590	296	295	221	-	5 630
Life insurance provisions	3 763	1 083	1 847	2 131	1 849	14 535	15 062	10 476	14 111	-	64 857
Provisions for rebates and profit sharing	637	44	47	47	43	89	49	35	50	-	1 041
Other technical provisions	2	7	8	8	8	60	60	3	-	2 195	2 351
Policyholders’ contract deposits	6 578	1 469	1 579	1 561	1 423	2 956	1 640	1 161	1 656	-	20 023
Total of insurance provisions	**22 651**	**4 569**	**4 914**	**4 667**	**3 932**	**18 844**	**17 415**	**12 277**	**16 267**	**2 195**	**107 731**
Total of related reinsurance assets	**(808)**	**(129)**	**(95)**	**(65)**	**(45)**	**(111)**	**(73)**	**(62)**	**(60)**	**-**	**(1 448)**

In millions of CZK, for the year ended 31 December 2003 (restated)

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Non-specified	Total
Provision for unearned premium (non-life)	4 823	-	-	-	-	-	-	-	-	-	4 823
RBNS	5 231	1 026	466	158	86	433	364	297	1 574	-	9 635
IBNR	1 965	880	476	147	45	67	-	-	-	798	4 378
Life insurance provisions	3 636	2 252	1 829	2 872	2 729	14 335	15 066	9 933	13 432	-	66 084
Provisions for rebates and profit sharing	296	-	-	-	-	-	-	-	-	280	576
Other technical provisions	2	3	5	7	8	43	48	1	-	2 080	2 197
Policyholders’ contract deposits	3 262	1 001	761	794	743	1 419	856	580	893	-	10 309
Total of insurance provisions	**19 215**	**5 162**	**3 537**	**3 978**	**3 611**	**16 297**	**16 334**	**10 811**	**15 899**	**3 158**	**98 002**
Total of related reinsurance assets	**(1 650)**	**(249)**	**(113)**	**(38)**	**(19)**	**(89)**	**(73)**	**(59)**	**(315)**	**(36)**	**(2 641)**

G.17. Insurance provisions for linked insurance liabilities

The next table shows the roll-forward of provisions for linked insurance liabilities.

In millions of CZK, for the year ended 31 December

	2004	2003
Balance at 1 January	280	183
Units sold (creation)	313	120
Units repurchased	(146)	(50)
Changes in fair value of units	(4)	22
Foreign currency translation	(3)	5
Balance at 31 December	**440**	**280**

See Note G.6 referring to the Assets held to cover linked insurance liabilities. These provisions correspond with the Assets held to cover linked insurance liabilities, and consequently, are also valued at fair value.

G.18. Other liabilities evidenced by paper

During the year 2004 Home Credit Finance Bank o.o.o issued bonds in notional amount 1 236 MCZK, ZETA OSTEUROPE HOLDING S.A. issued bonds in notional amount 2 560 MCZK and PPF Banka, a.s. issued deposit bills of exchange in amount 2 698 MCZK. Increase of liabilities evidenced by paper in the year 2004 was caused mainly by issue of deposit bill of exchange issued by the Group.

The Group companies with outstanding liabilities evidenced by paper issued in previous years were: Česká pojišťovna a.s., Home Credit a.s., Home Credit Finance a.s. and ČP Leasing a.s.

The amortisation of any discount or premium and interest related to other liabilities evidenced by paper are recognised in interest expense and similar charges.

The next table shows the residual maturity of bonds issued by the Group:

In millions of CZK, for the year ended 31 December 2004

	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Deposit bill of exchange 2005, rate 2.3%	2 951	2 951	-	-	-
Deposit bill of exchange 2006, rate 0.08%	63	-	63	-	-
Bonds 2005, rate 4.6%	2 295	2 295	-	-	-
Bonds 2006, rate 3.5%	6 769	-	6 769	-	-
Bonds 2007, rate 8.9%	1 926	-	-	1 926	-
Bonds 2008, rate 8.0 %	2 562	-	-	2 562	-
Bonds 2010, rate 3.7%	3 486	-	-	-	3 486
Total bonds issued	**20 052**	**5 246**	**6 832**	**4 488**	**3 486**

In millions of CZK, for the year ended 31 December 2003

	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Deposit bill of exchange 2004, rate 1.55%	1 917	1 917	-	-	-
Deposit bill of exchange 2006, rate 0.077 %	95	-	-	95	-
Bonds 2005, rate 3.91%	2 594	-	2 594	-	-
Bonds 2006, rate 3.24%	6 667	-	-	6 667	-
Bonds 2007, rate 4.5%	504	-	-	504	-
Bonds 2010, 3.5 %	2 451	-	-	-	2 451
Total bonds issued	**14 228**	**1 917**	**2 594**	**7 266**	**2 451**

All bonds issued by the Group are variable interest rate bonds. The tables above show current average interest rate of the bonds issued by the Group.

G.19. Other provisions

Other provisions comprise the following:

In millions of CZK as at 31 December

	2004	2003
Restructuring	16	30
Provisions for legal claims	-	20
Accrued employee insurance	127	165
Other provisions	35	24
Total other provisions	**178**	**239**

The development of other provisions was as follows:

In millions of CZK, for the year ended 31 December

	2004	2003
Balance at 1 January	239	206
Provisions created during the year	97	141
Provisions used during the year	(153)	(96)
Provisions released during the year	(5)	(14)
Additions from business combinations	-	2
Balance at 31 December	**178**	**239**
Non-current (>1 years)	88	215
Current (<1 year)	90	24
Total	**178**	**239**

G.20. Liabilities to banks

The liabilities to banks comprise the following:

In millions of CZK as at 31 December

	2004	2003
Repayable on demand	156	61
With agreed period of notice/with maturity	60	529
Bank loans	14 470	3 787
Bank loans received under repo operations	176	-
Other	40	-
Total liabilities to banks	**14 902**	**4 377**

Interest arising on liabilities to banks is recognised in interest expense and similar charges.

Increase of bank loans during the year 2004 was caused mainly by the expansion of the Group's banking activities.

G.21. Liabilities to non-banks

The liabilities to non-banks comprise the following:

In millions of CZK as at 31 December

	2004	2003
Repayable on demand	13 653	8 940
With agreed period of notice/with maturity	4 396	3 992
Loans	884	3 160
Other	19	9
Total liabilities to non-banks	**18 952**	**16 101**

Table shows liabilities to corporate and individual clients of the Group.

Interest arising on liabilities to non-banks is recognised in interest expense and similar charges.

Increase of liabilities repayable on demand was caused by expansion of the Group's banking activities.

G.22. Trading liabilities

The trading liabilities comprise the following:

In millions of CZK as at 31 December

	2004	2003
Negative fair value of derivatives	1 502	1 277
Interest rate derivatives	622	1 096
Currency derivatives	880	181
Obligation to deliver securities	63	-
Other	57	22
Total trading liabilities	**1 622**	**1 299**

G.23. Payables

Payables comprise the following:

In millions of CZK as at 31 December

	2004	2003 (restated)
Payables arising out of direct insurance operations	2 443	2 755
Trade payables	2127	2 341
Payables arising out of reinsurance operations	275	728
Payables arising out of employers liability insurance	492	532
Wages and salaries	616	473
Social security and health insurance	138	137
Taxes payable	1 369	875
Liabilities from foreign payments	44	62
Received advanced payments	85	78
Finance lease liabilities	22	40
Other	418	513
Total payables	**8 029**	**8 534**

G.23.1. Finance lease liabilities

In millions of CZK as at 31 December 2004

	Payments	Interest	Principal
Finance lease liabilities:			
less than one year	12	-	12
between one and five years	11	1	10
Total finance lease liabilities	**23**	**1**	**22**

In millions of CZK as at 31 December 2003

	Payments	Interest	Principal
Finance lease liabilities:			
less than one year	17	1	16
between one and five years	23	1	22
Total finance lease liabilities	**40**	**2**	**38**

G.24. Accruals and deferred income

In millions of CZK as at 31 December

	2004	2003 (restated)
Accrued agent commissions	1 794	1 873
Accrued salaries and benefits	16	3
Other	259	169
Total accruals and deferred income	**2 069**	**2 045**

G.25. Premium Income, Net

Premium Income, Net from life and non-life comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Non-life insurance		
Gross premium written	25 144	23 018
Thereof direct insurance business	24 866	22 915
Reinsurance business assumed	278	103
Premium ceded (outward reinsurance premium)	(2 773)	(2 469)
Change in unearned premiums (gross)	(220)	(600)
Change in unearned premiums (reinsurance share)	(182)	31
Total Premium Income Net, (earned) from non-life insurance	**21 969**	**19 980**
Life insurance		
Gross premium written	16 059	14 282
Thereof direct insurance business	16 059	14 282
Premium ceded (outward reinsurance premium)	(9)	(8)
Change in unearned premium (gross)	2	-
Total Premium Income Net, (earned) from life insurance	**16 052**	**14 274**
Grand Total Premium Income, Net (earned)	**38 021**	**34 254**

The above table shows gross premium after deduction of recognition and reversal of impairment losses related to premium receivables in the total amount of 173 MCZK (2003: 78 MCZK).

G.25.1. Gross premium analysis

Gross premiums from direct insurance business (including both life and non-life) are set out below by country:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Czech Republic	38 882	35 808
Slovak Republic	2 043	1 390
Gross premiums	**40 925**	**37 198**

The next table shows details of gross life insurance premiums.

In millions of CZK, for the year ended 31 December

	2004	2003
Individual premiums	16 031	14 267
Premiums under group contracts	28	15
Gross life insurance premiums	16 059	14 282
Periodic premiums	10 250	10 239
Single premiums	5 809	4 043
Gross life insurance premiums	16 059	14 282
Premium from:		
Premium from contracts without profit sharing	66	425
Premium from contracts with profit sharing	15 689	13 645
Premium from contracts where policyholders bear the investment risk	304	212
Gross life insurance premiums	**16 059**	**14 282**

Premiums written in 2004 include 4 471 MCZK (2003: 1 727 MCZK) as premium from the conversion of legacy life policies in 2004, the objective of which was to replace selected policy groups with new products (related claims paid recorded total 5 562 MCZK (2003: 1 567 MCZK)). Also 789 MCZK from the related claims paid was converted into new pension products within the Group during 2004 (2003: nil).

The following table provides details of non-life insurance according to the specific insurance classes.

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Accident and health insurance		
Gross premium written	651	678
Gross premium earned	626	683
Gross claims expenses	(406)	(311)
Gross operational expenses	(176)	(155)
Outwards reinsurance result	(2)	2
Motor third party liability		
Gross premium written	9 525	8 451
Gross premium earned	9 169	8 342
Gross claims expenses	(5 474)	(4 265)
Gross operational expenses	(2 595)	(2 058)
Outwards reinsurance result	16	(84)
Other motor		
Gross premium written	6 676	5 708
Gross premium earned	6 553	5 402
Gross claims expenses	(4 935)	(4 495)
Gross operational expenses	(1 657)	(1 447)
Outwards reinsurance result	(91)	(4)
Marine, aviation and transport		
Gross premium written	229	252
Gross premium earned	231	248
Gross claims expenses	(137)	(54)
Gross operational expenses	(58)	(119)
Outwards reinsurance result	(62)	(37)
Fire and property		
Gross premium written	6 243	6 307
Gross premium earned	6 489	6 127
Gross claims expenses	(2 345)	(1 074)
Gross operational expenses	(1 583)	(1 797)
Outwards reinsurance result	(1 306)	(1 665)
Liability		
Gross premium written	1 179	1 169
Gross premium earned	1 215	1 192
Gross claims expenses	(770)	(414)
Gross operational expenses	(212)	(436)
Outwards reinsurance result	(293)	(168)
Credits and guarantees		
Gross premium written	43	33
Gross premium earned	39	37
Gross claims expenses	54	(55)
Gross operational expenses	(5)	(13)
Outwards reinsurance result	(5)	(19)

Travel assistance		
Gross premium written	215	205
Gross premium earned	218	202
Gross claims expenses	(109)	(105)
Gross operational expenses	(84)	(122)
Outwards reinsurance result	-	(5)
Miscellaneous financial loss		
Gross premium written	105	112
Gross premium earned	117	126
Gross claims expenses	(18)	327
Gross operational expenses	(20)	(52)
Outwards reinsurance result	(241)	(640)
Active reinsurance		
Gross premium written	278	103
Gross premium earned	267	59
Gross claims expenses	(97)	-
Gross operational expenses	(7)	(31)
Outwards reinsurance result	(168)	(119)
Gross premium written	**25 144**	**23 018**
Gross premium earned	**24 924**	**22 418**
Gross claims expenses	**(14 237)**	**(10 446)**
Gross operational expenses	**(6 397)**	**(6 230)**
Outwards reinsurance result	**(2 152)**	**(2 739)**

G.26. Income from investments in subsidiaries, joint ventures and associates

G.26.1. Income from investments in non-consolidated subsidiaries, joint ventures and associates

The following table reconciles the income from investments in non-consolidated subsidiaries, joint ventures and associates:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Dividends	1	1
Unrealised gains	5	9
Realised gains	23	5
Reversal of impairment losses	-	-
Other	(7)	-
Total income	22	15
Unrealised losses	(15)	(14)
Realised losses	(24)	-
Impairment losses recognised	-	-
Other	-	-
Total expenses	(39)	(14)
Total net income	**(17)**	**1**

G.26.2. Income from consolidated subsidiaries, joint ventures and associates

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Realised gains	45	5
Realised losses	(56)	-
Total net income	**(11)**	**5**

Total net income from realisation of consolidated subsidiaries and associates in 2004 consists of income from sale of Euler Hermes Čescob, úvěrová pojišťovna, a.s. and from decrease of the Group's interest in ČPI mutual funds and in ZETA OSTEUROPE HOLDING S.A.

G.27. Interest income and similar income

In millions of CZK, for the year ended 31 December

	2004	2003
Financial instruments held to maturity	162	128
Financial instruments available for sale	2 930	2 456
Financial instruments held for trading	603	1 179
Net investment in finance lease	721	418
Loans and advances to banks and non-banks and receivables	7 168	3 430
Other	27	16
Total interest and similar income	**11 611**	**7 627**

The change of interest income from financial instruments available for sale and from loans and advances to banks and non-banks and receivables was caused mainly by the expansion of banking activities of the Group.

The decrease of interest income from financial instruments held for trading was caused by decrease of total amount of bonds held by the Group and by decrease of market interest rates.

G.28. Other income from investments

Other income from investments comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Realised gains	1 327	732
Unrealised gains	2 340	1 019
Reversal of impairment losses on investments	4	23
Rental income from investment property	111	211
Dividends	288	118
Net trading income	3 332	830
Total other income from investments	**7 402**	**2 933**

G.28.1. Realised gains

The realised gains comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Financial instruments available for sale	1 296	696
Investment property	31	36
Total realised gains	**1 327**	**732**

G.28.2. Unrealised gains

The unrealised gains comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Financial instruments available for sale	2 326	707
Investment property	14	312
Total unrealised gains	**2 340**	**1 019**

Increase of unrealised gains from financial instruments available for sale was caused by increase of market prices of bonds in 2004.

G.28.3. Reversals of impairment losses on investments

The reversals of impairment losses comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Financial instruments held to maturity	-	18
Financial instruments available for sale	4	5
Total reversal of impairment losses on investments	**4**	**23**

G.28.4. Net trading income

The net trading income comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Securities trading	656	104
Bonds and other fixed income securities	(52)	(533)
Shares and other variable income securities	708	637
FX trading	1 480	329
Derivatives	1 196	397
Total net trading income	**3 332**	**830**

G.29. Net income from assets held to cover linked insurance liabilities

The net income from assets held to cover linked insurance liabilities comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Unrealised gains from financial instruments	-	26
Unrealised losses from financial instruments	(1)	-
Interests, rental, dividends and similar income	(1)	-
Total net income from assets held to cover linked insurance liabilities	**(2)**	**26**

G.30. Net fee and commission income, and income from service activities

Fee and commission income, and income from service activities comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Payments transactions	865	384
Commission income	1 062	389
Loans arrangement fees	142	313
Other	238	72
Total fee and commission income	**2 307**	**1 158**

Fee and commission expense, and expense from service activities comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Brokerage fees	(29)	(22)
Asset management fee	(17)	(88)
Underwriting and corporate finance fees	(12)	(9)
Payments transactions	(313)	(230)
Commission expense	(29)	(4)
Other	(61)	(66)
Total fee and commission expense	**(461)**	**(419)**
Total net fee and commission income, and income from service activities	**1 846**	**739**

G.31. Other income

The other income comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Reversal of impairment losses	315	180
Gain on disposal of property, plant, equipment, and intangible assets	24	48
Foreign currency gains	1 046	2 054
Rental income from operating lease	283	324
Recognised income from negative goodwill	12	5
Income from sale of goods and services	684	573
Income from telecommunication networks construction	1 576	1 345
Penalties and sanctions	238	220
Income from incinerator services	284	253
Income from spa services	236	182
Income from car repair services	85	46
Other income	418	377
Total other income	**5 201**	**5 607**

G.31.1. Reversal of impairment losses

The reversal of impairment losses comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Reversal of impairment losses on property, plant and equipment	-	-
Reversal of impairment losses on loans and advances to banks and non-banks and receivables	315	180
Total reversal of impairment losses	**315**	**180**

G.32. *Insurance technical charges*

The insurance technical charges comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Life insurance	(15 188)	(12 849)
Benefits and surrenders	(15 974)	(9 745)
Changes in insurance technical provisions	1 246	(2 772)
Bonuses and rebates	(485)	(280)
Other	25	(52)
Non-life insurance	(14 722)	(11 657)
Claims paid	(12 443)	(10 772)
Changes in insurance technical provisions	(1 424)	(347)
Bonuses and rebates	(395)	(309)
Changes in other technical provisions	(143)	(24)
Other	(317)	(205)
Total insurance technical charges	**(29 910)**	**(24 506)**

G.32.1. Benefits and surrenders

The benefits and surrenders comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Gross benefits and surrenders	(15 974)	(9 745)
Total benefits and surrenders	**(15 974)**	**(9 745)**

G.32.2. Non-life insurance claims paid

The non-life insurance claims paid comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Gross claims paid	(13 815)	(15 103)
Reinsurers’ share	1 372	4 331
Total non-life insurance claims paid	**(12 443)**	**(10 772)**

G.32.3. Changes in non-life insurance technical provisions

The changes in non-life insurance technical provisions comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Claims reported by policyholders	849	4 940
Claims reported by policyholders reinsurers' share	(1 033)	(4 645)
Change in IBNR	(1 271)	(283)
Change in IBNR, reinsurers' share	31	(359)
Total changes in non-life insurance technical provisions	**(1 424)**	**(347)**

G.33. Interest and similar charges

In millions of CZK, for the year ended 31 December

	2004	2003
Subordinated liabilities	(271)	(103)
Other liabilities evidenced by paper	(492)	(389)
Payables	(8)	(1)
Liabilities to banks	(650)	(244)
Liabilities to non-banks	(204)	(151)
Finance lease liabilities	(4)	(1)
Other	(5)	-
Total interest expense and similar charges	**(1 634)**	**(889)**

G.34. Other expense from investments

The other expense from investments comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Realised losses	(693)	(761)
Unrealised losses	(1 843)	(1 834)
Impairment losses on investments	-	-
Other expense from investment property	(182)	(59)
Total other expense from investments	**(2 718)**	**(2 654)**

G.34.1. Realised losses

The realised losses comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Investment property	(48)	(73)
Financial instruments available for sale	(566)	(660)
Other	(79)	(28)
Total realised losses	**(693)**	**(761)**

G.34.2. Unrealised losses

The unrealised losses comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Investment property	(591)	(609)
Financial instruments available for sale	(1 244)	(1 225)
Other	(8)	-
Total unrealised losses	**(1 843)**	**(1 834)**

G.34.3. Other expense from investment property

The other expense from investment property comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Direct operating expenses arising from investment property that generated rental income	(182)	(59)
Total other expense from investment property	**(182)**	**(59)**

G.35. Acquisition costs and other operating expenses

The acquisition costs and other operating expenses comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Acquisition costs	(5 858)	(4 211)
General administrative expenses	(9 576)	(7 477)
Reinsurance commissions and profit participation	425	380
Total acquisition costs and other operating expenses	**(15 009)**	**(11 308)**

G.35.1. Acquisition costs

The acquisition costs include the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Commissions	(4 402)	(3 093)
Staff costs	(1 036)	(753)
Marketing and advertising	(289)	(284)
Other	(158)	(121)
Change in deferred acquisition costs	27	40
Total acquisition costs	**(5 858)**	**(4 211)**

G.35.2. General administrative expenses

The general administrative expenses comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Staff costs	(2 924)	(2 551)
Technology and system costs	(1 403)	(1 123)
Rental, maintenance and repair expense	(852)	(763)
Advertising	(1 251)	(997)
Intermediary services	(343)	(446)
Other	(2 803)	(1 597)
Total general administrative expenses	**(9 576)**	**(7 477)**

Increase of general administrative expenses during the year 2004 was caused mainly by the expansion of the Group's banking activities.

Technology and system costs include 259 MCZK (2003: 222 MCZK) of staff costs.

G.35.2.1. Staff costs

The next table shows details of staff costs.

In millions of CZK, for the year ended 31 December

	2004	2003
Wages and salaries	(3 906)	(3 214)
Compulsory social security contributions	(1 340)	(1 082)
Other	(149)	(113)
Total staff costs	**(5 395)**	**(4 409)**
Total remuneration included in staff cost for directors and executive officers	(64)	(61)

Staff costs are included in sections Acquisition costs, General administrative expenses and Other expenses. Additional staff costs of 497 MCZK are included within Insurance technical charges (2003: 313 MCZK).

Average number of employees as at 31 December was as follows:

	2004	2003
Directors and executive officers	17	17
Other employees	12 799	10 931
Total average number of employees	**12 816**	**10 948**

G.36. Other expenses

The other expenses comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Amortisation on software and other intangible assets	(364)	(241)
Amortisation on goodwill	(570)	(417)
Depreciation on property, plant and equipment	(951)	(753)
Amortisation of PVFP	(12)	-
Impairment losses	(1 717)	(2 048)
Loss on disposal of property, plant, equipment and intangible assets	(90)	(151)
Foreign currency losses	(1 376)	(2 261)
Expenses related to construction of telecommunication networks	(1 140)	(928)
Staff costs	(679)	(571)
Rental expenses	(44)	(175)
Guarantee fund by insurance	(94)	(150)
Expenses from spa services	(88)	(91)
Expenses from incinerator services	(102)	(105)
Expenses from car repair services	(88)	(56)
Other sundry expenses	(1 376)	(755)
Total other expenses	**(8 691)**	**(8 702)**

Increase of other expenses during the year 2004 was caused mainly by the expansion of the Group's banking activities.

G.36.1. Impairment losses

The impairment losses comprise the following:

In millions of CZK, for the year ended 31 December

	2004	2003
Impairment losses on goodwill recognised	-	-
Impairment losses on property, plant and equipment recognised	(133)	(750)
Impairment losses on inventories and other assets recognised	(16)	(20)
Impairment losses on loans and advances to banks and non-banks and receivables recognised	(1 568)	(1 278)
Total impairment losses	**(1 717)**	**(2 048)**

G.36.1.1. Impairment losses on loans and advances to banks and customers, receivables and inventories recognised

The next table shows the roll-forward of the impairment losses on loans and advances to banks and customers, receivables and inventories recognised.

In millions of CZK, for the year ended 31 December 2004

Balance at 1 January	(10 094)
Impairment losses on loans and advances to banks and non-banks and receivables	(1 568)
Impairment losses on inventories and other assets recognised	(16)
Reversal of impairment losses on loans and advances and receivables	315
Additions from business combinations	1
Other	45
Use of impairment losses for write off	65
Differences due to foreign currency translation	160
Total impairment losses	**(11 092)**

Reversal of impairment losses on receivables from direct insurance are recognised in the income statement as increase of premium written.

In millions of CZK, for the year ended 31 December 2003 (restated)

Balance at 1 January	(9 704)
Impairment losses on loans and advances to banks and non-banks and receivables	(1 278)
Impairment losses on inventories and other assets recognised	(20)
Reversal of impairment losses on receivables from direct insurance	244
Reversal of impairment losses on loans and advances and receivables	180
Other	101
Use of impairment losses for write off	445
Differences due to foreign currency translation	(62)
Total impairment losses	**(10 094)**

G.37. Income tax expense

The income tax expense comprises the following:

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Current tax expense	(2 535)	(980)
Deferred tax expense	1 158	(248)
Total income tax expense	**(1 377)**	**(1 228)**

G.37.1. Reconciliation of effective tax rate

The next table reconciles the tax expense

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Tax rate	28%	31%
Profit from operations (before taxation)	5 926	3 037
Computed taxation using applicable tax rate	(1 659)	(942)
Tax non-deductible expenses	(891)	(1 036)
Non-taxable income	620	425
Tax rate differences on foreign results	250	34
Changes in tax rates	41	120
Adjustments to prior years tax charges	(40)	-
Utilised tax loss not previously recognised	43	74
Tax loss carry forward not recognised	(8)	(19)
Income taxed at different rates	122	93
Tax credits	(12)	(17)
Other	157	40
Total income tax expense/income	**(1 377)**	**(1 228)**

G.38. Operating leases

The Group leases a number of office buildings under operating leases. The leases typically run for an initial period of between five and ten years, with an option to renew the lease after that date.

Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals.

The next table shows details of non-cancellable operating leases receivable.

In millions of CZK as at 31 December

	2004	2003
Less than one year	47	162
Between one and five years	39	77
More than five years	-	-
Total non-cancellable operating leases receivable	**86**	**239**
Non-cancellable operating leases receivable with non-specified maturity	(1)	-
Out of which: less than one year	-	-

The next table shows details of non-cancellable operating leases payable.

In millions of CZK as at 31 December

	2004	2003
Less than one year	50	17
Between one and five years	52	88
More than five years	10	26
Total non-cancellable operating leases payable	**112**	**131**
Non-cancellable operating leases payable with non-specified maturity	-	-
Out of which: less than one year	-	-

The lease and sublease payments recognised as expenses in the income statement were as follows:

In millions of CZK, for the year ended 31 December

	2004	2003
Minimum lease payments	95	26
Total lease and sublease payments	**95**	**26**

G.39. Repurchase and resale agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate.

At 31 December assets sold under repurchase agreements were as follows:

In millions of CZK as at 31 December

	2004 Fair value of underlying assets	2004 Carrying amount of corresponding liabilites	2003 Fair value of underlying assets	2003 Carrying amount of corresponding liabilites
Trading assets	239	(176)	-	-
Total assets	**239**	**(176)**	**-**	**-**

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers. At 31 December assets purchased subject to agreements to resell them were as follows:

In millions of CZK as at 31 December

	2004 Fair value of underlying assets	2004 Carrying amount of receivables	2003 Fair value of underlying assets	2003 Carrying amount of receivables
Loans and advances to banks	2 933	2 933	5 976	5 976
Loans and advances to non-banks	100	100	-	-
Total loans and advances	**3 033**	**3 033**	**5 976**	**5 976**

G.40. Securities lending agreements

The Group enters into transactions to lend financial instruments to a borrower. The borrower is required to return the instruments at an agreed future date and may also be required to deposit cash with the Group, equal to the value of the instruments borrowed, as collateral. The financial instruments are not derecognised. The cash collateral is recognised on the balance sheet as well as an obligation to return the collateral to the borrower. The Group is not restricted as to its use of cash collateral. When the instruments are returned, the Group returns the collateral plus interest to the borrower.

The next table shows details of securities lent according to the securities lending agreements.

In millions of CZK, for the year ended 31 December

	2004 Carrying amount of liabilities to return cash collateral	2004 Fair value of securities	2003 Carrying amount of liabilities to return cash collateral	2003 Fair value of securities
Trading assets	-	-	-	6
Total securities lending agreements	**-**	**-**	**-**	**6**

The Group also enters into transactions to borrow financial instruments from third parties where it sells shares short. In these cases the Group advances cash as collateral for the instruments borrowed. When the instruments are returned the collateral, if any, plus interest on the amount, becomes due.

G.41. Off balance sheet items

G.41.1. Commitments and contingent liabilities

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

The Group engages in providing open credit facilities to allow customers quick access to funds required to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees, whereby the Group might guarantee repayment of a loan taken out by a client with a third party, stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost, documentary letters of credit which are payments related to foreign trade finance made on behalf of a customer and finance at lower cost, documentary letters of credit which are payments related to foreign trade finance made on behalf of a customer and reimbursed to the Group later, note issuance facilities and revolving underwriting facilities which allow customers to issue money-market paper or medium-term notes when required without engaging in the normal underwriting process on each occasion. Revenue for guarantees is recognised under “Fee and commission income” and is determined by application of agreed rates on the nominal amount of the guarantees.

In millions of CZK, as at 31 December

	2004	2003
Loan commitments	5 105	5 751
Contingencies on guarantees and warranties	994	1 530
Credit guarantees	332	180
Other guarantees and warranties	198	639
Letters of credit of which:	4	1
letters of credit opened	4	1
letters of credit confirmed	-	-
Liability on collateral pledged for third-party liabilities	460	710
Total commitments and contingent liabilities	**6 099**	**7 281**

These commitments and contingent liabilities have off balance-sheet credit risk because only organisation fees and accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

The following table shows secured liabilities.

In millions of CZK as at 31 December

	2004	2003
Secured bank loans	3 331	1 477
Other liabilities	-	191
Total secured liabilities	**3 331**	**1 668**

The assets pledged as security were as follows:

In millions of CZK as at 31 December

	2004	2003
Loans and advances to banks	14	14
Loans and advances to non-banks	8 546	5 057
Receivables	3 020	2 319
Other assets	47	63
Total assets pledged as security	**11 627**	**7 453**

G.41.2. Other contingencies

G.41.2.1. Legal

The Parent Company is involved in nine court cases with a minority shareholder relating to resolutions of General Meetings held in 1996, 1997, 1998, 2000, 2001, 2002 and 2004. As yet, none of these proceedings have been resolved. Based on past court proceedings, a review of Parent Company procedures and legal analyses by external legal counsel, the Parent Company believes that it is unlikely any of these cases would be ruled in favour of the claimant.

G.41.2.2. Participation in nuclear pools

As a member of the Czech and Slovak Nuclear Pools, the Group is jointly and severally liable for the obligations of the pools. This means that, in the event that one, or more, of the other members are unable to meet their obligations to the pool, the Group would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. Management does not believe that the risk of another member being unable to meet its obligations to the pool to be material to the financial position of the Group. In addition the potential liability of the Group for any given insured risk is contractually capped at twice the Company's net retention for that risk.

G.41.2.3. Membership in the Czech and Slovak Insurance Bureaus

As a member of both the Czech and Slovak Insurance Bureaus ("the Bureaus") related to MTPL insurance in each country, the Group is committed to guarantee the MTPL liabilities of the Bureaus. For this purpose the Group makes contributions to a guarantee fund for each Bureau based on calculations by the relevant Bureau.

In the event of a fellow member of the Bureau being unable to meet its liabilities arising from MTPL because of insolvency, the Group may be required to make additional contributions to the guarantee fund. Management does not believe the risk of this occuring is material to the financial position of the Group.

G.41.2.4. Česká pojišťovna – Litigation

The Parent Company is a party to litigation with the National Property Fund of the Czech Republic (the "NPF"), in which the NPF is seeking consideration under an Agreement to Agree, which was entered into by and among the Parent Company and the NPF on 8 October 1997. The Parent's position in the dispute is that the NPF's alleged claim does not exist. Based on the course of the litigation, information known, and legal analyses performed to-date, management of the Parent Company is of the opinion that the plaintiff will not be successful in this action.

G.41.3. Guarantees received

Guarantees received were as follows:

In millions of CZK as at 31 December

	2004	2003
Guarantees received	6 287	7 601
Assets received as collateral	4 832	5 654
Other	2 916	1 354
Total contingent assets	**14 035**	**14 609**

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G.42. Related parties

G.42.1. Identity of related parties

The Group has a related party relationship with its parent company, CESPO B.V., and ultimate parent company, PPF Group N.V., and its subsidiaries.

The Group has a related party relationship with its non-consolidated associates and subsidiaries; with its Directors and Executives, and enterprises in which it has in common key members of management

G.42.2. Transactions with directors and executive officers

Total remuneration is included in "Staff cost" (refer the note G.36.2.1.). In addition, accrued employee insurance (refer to note G. 19) includes 51 MCZK reserve for directors and executive officers (2003: 44 MCZK). In 2003, 43 MCZK from accrued employee insurance benefits was paid to the directors and executive officers (2003: 17 MCZK). The Group had no other significant transactions with its directors and executive officers.

G.42.3. Related party transactions

G.42.3.1. PPF Group N.V.

During the course of the year the Group had the following significant transactions at arm's length with its ultimate parent PPF Group N.V.

In millions of CZK as at 31 December

	2004	2003
Interest expense and similar charges	(160)	(108)
Total expenses	**(160)**	**(108)**
Interest and similar income	-	-
Total revenue	**-**	**-**

At the balance sheet date the Group has the following balances with ultimate parent PPF Group N.V.:

In millions of CZK as at 31 December

	2004	2003
Loans and advances to non-banks	-	8
Total assets	**-**	**8**
Subordinated liabilities	2 135	2 135
Liabilities to non-banks	-	2 512
Total liabilities	**2 135**	**4 647**

G.42.3.2. Fellow subsidiaries and associates

During the course of the year the Group had the following significant transactions at arm's length with fellow subsidiaries and associates.

In millions of CZK as at 31 December

	2004	2003
Interest and similar income	5	11
Other income from investments	(32)	34
Net income from assets held to cover linked insurance liabilities	-	(25)
Net fee commission income, and income from service activities	(21)	(81)
Other income	40	24
Total revenue	**(8)**	**(37)**
Insurance technical charges	(1)	-
Interest expense and similar charges	(213)	(10)
Other expenses from investments	-	-
Acquisition costs and other operating expenses	(329)	(267)
Other expenses	(77)	(60)
Total expenses	**(620)**	**(337)**

At the balance sheet date the Group has the following balances with fellow subsidiaries and associates:

In millions of CZK as at 31 December

	2004	2003
Intangible assets	1	-
Investments	2	69
Loans and advances to customers	22	28
Receivables	7	335
Other assets	-	-
Cash and cash equivalents	-	2
Prepayments and accrued income	165	37
Total assets	**197**	**471**
Subordinated liabilities	365	365
Other liabilities evidenced by paper	-	-
Trading liabilities	-	-
Liabilities to customers	35	24
Payables	38	32
Accruals and deferred income	1	9
Total liabilities	**439**	**430**

G.42.3.3. Other related parties

During the course of the year the Group had the following significant transactions at arm's length with other related parties.

In millions of CZK as at 31 December

	2004	2003
Premium income net	3	-
Net income from investments in subsidiaries, associates and joint ventures	-	4
Interest and similar income	109	57
Other income from investments	(402)	(9)
Net income from assets held to cover linked insurance liabilities	-	16
Net fee commission income, and income from service activities	-	33
Other income	16	151
Total revenue	**(274)**	**252**
Insurance technical charges	-	(1)
Interest expense and similar charges	(1)	(20)
Other expenses from investments	-	(3)
Acquisition costs and other operating expenses	(76)	(115)
Other expenses	10	(13)
Total expenses	**(67)**	**(152)**

At the balance sheet date the Group has the following balances with other related parties:

In millions of CZK as at 31 December

	2004	2003
Investments in subsidiaries, associates and joint ventures	-	48
Investments	3	432
Loans and advances to customers	1 927	2 319
Assets held to cover linked insurance liabilities	-	145
Receivables	19	84
Other assets	1	-
Total assets	**1 950**	**3 028**
Other liabilities evidenced by paper	1	-
Liabilities to banks	-	1
Liabilities to customers	309	876
Trading liabilities	400	-
Payables	11	81
Accruals and deferred income	-	5
Total liabilities	**721**	**963**

G.43. Earnings per share

The next table shows the earnings per share.

In millions of CZK, for the year ended 31 December

	2004	2003 (restated)
Net income	4 460	1 755
Weighted average number of shares	2 980 963	3 412 391
Number of shares (not including shares held by the company)	2 980 963	2 980 963
Earnings per share (CZK)	1 496	589

The earnings per share figure is calculated by dividing the consolidated net income by the weighted average number of common shares outstanding.

A diluted earnings per share figure was not calculated because there were no dilutive securities.

G.44. Fair value of assets and liabilities

The next table compares the carrying and fair value of financial assets.

In millions of CZK as at 31 December

	2004 Carrying amount	2004 Fair value	2003 (restated) Carrying amount	2003 (restated) Fair value
Investments in subsidiaries, associates and joint ventures	59	59	236	254
Investments (without property)	98 093	98 593	85 821	86 208
Trading assets	25 208	25 208	22 501	22 501
Bonds and other fixed income securities	9 558	9 558	17 365	17 365
Shares and other variable income securities	13 442	13 442	3 607	3 607
Positive fair value of derivatives	2 208	2 208	1 529	1 529
Financial assets available-for-sale	69 677	69 677	61 189	61 189
Bonds and other fixed income securities	59 161	59 161	54 229	54 229
Shares and other variable income securities	9 417	9 417	5 707	5 707
Other	1 099	1 099	1 253	1 253
Financial assets held-to-maturity	3 208	3 708	2 131	2 518
Bonds and other fixed income securities	3 208	3 708	2 131	2 518
Loans and advances to banks	28 294	28 294	24 022	24 022
Loans and advances to non-banks	42 136	42 372	24 383	24 383
Assets held to cover linked insurance liabilities	433	433	279	279
Bonds and other fixed income securities	4	4	15	15
Shares and other variable income securities	383	383	233	233
Other	46	46	31	31
Receivables	6 377	6 378	9 354	9 354
Cash and cash equivalents	3 999	3 999	2 933	2 933
Total financial assets	**179 391**	**180 128**	**147 028**	**147 433**

The comparison between the fair value and carrying value of financial liabilities is stated below.

In millions of CZK as at 31 December

	2004 Carrying amount	2004 Fair value	2003 (restated) Carrying amount	2003 (restated) Fair value
Subordinated liabilities	3 073	3 062	2 500	2 500
Other liabilities evidenced by paper	20 052	20 054	14 228	14 228
Payables	8 029	8 034	8 534	8 502
Trading liabilities	1 622	1 622	1 299	1 299
Negative fair value of derivatives	1 502	1 502	1 277	1 277
Obligation to deliver securities	63	63	-	-
Other	57	57	22	22
Liabilities to banks	14 902	14 901	4 377	4 377
Liabilities to non-banks	18 952	18 916	16 101	16 101
Total financial liabilities	**66 630**	**66 589**	**47 039**	**47 007**

G.45. Subsequent events

Sale of Krátký film Praha a.s.

On 4 May 2005 the Group sold 90.63% of the interest in company Krátký film Praha a.s. After that the Group owns 0.02% interest in this company.

Purchase of QBE life insurance portfolio

On 13 June Česká poisťovna – Slovensko, a.s. signed a contract of purchase of a life insurance part of insurance company QBE poisťovna, a.s. According to this contract Česká poisťovna – Slovensko, a.s. purchased portfolio of one hundred thousand life insurance contracts with about MCZK 300 of premium written. At present this transaction is being reviewed by Financial Market Bureau of the Slovak Republic.

Home Credit and Finance Bank o.o.o. – issues of bonds in 2005

During the period from January to June 2005 Home Credit and Finance Bank o.o.o. issued following bonds: in February 2005 bonds in total amount of MUSD 150 which will mature in February 2008, in May 2005 bonds in total amount of MRUR 3 000 which will mature in May 2010 and in June 2005 bonds in the amount of MUSD 275 maturing in June 2008. All these bonds are fixed interest rate bonds.

G.46. Cautionary statement with respect to forward-looking statements

Certain statements contained in this report are statements of future expectations and other forward-looking statements that are base on management's current view, estimates and assumptions about future events.

These forward-looking statements are subject to certain risks, uncertainties and special circumstances or events that may cause results to differ materially form those expressed or implied in such statements.

Date:	Stamp and signature of statutory authority:	Person responsible for accounting (name and signature):	Person responsible for financial statements (name and signature):
30 June 2005		Ing.Lubomír Bušek, M.B.A.	Ing.Veronika Uhlířová Tel: 224 559 057

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