

OPEN PENSION FUNDS MARKET

IN 2006

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Introduction

The year 2006 was the eighth year of operations of open pension funds (OFE) and their management companies (pension societies - PTE) in Poland. By pursuing the investment policy objectives defined in the Act on the Organisation and Operation of Pension Funds, i.e. maximum security (limited risk) and profitability of investments, the open pension funds posted very good investment results in the period under review, with the average rate of return at 16.3%. This is the best performance since the establishment of the pension fund market. While favourable conditions continued on the Polish regulated stock exchange market, the primary area where the pension fund companies generated relatively high rates of return was the equity portion of the funds' investment portfolios. The rate of return was much less determined by the performance of the debt portion of investment portfolios, as there were significant fluctuations in prices of Polish securities, in particular a strong mid-year drop in prices. In 2006, net profit generated by the open pension funds was PLN 15.2bn, up by over 47% on the previous year. This means that the growth dynamics of the funds' net profit was stronger than the increase in assets under management. The reason was higher growth in investment returns relative to the previous year.

Due to certain system solutions in the Polish legal regime (investment limits, weighted average rate of return) and the situation on the pension fund market, the results reported by individual open pension funds continue to be relatively similar. The difference between the pension fund with the highest rate of return (OFE POLSAT: 22.7%) and the one with the lowest (OFE Bankowy: 15.2%) was 7.5 p.p. The figure is slightly higher than that seen one or two years ago, yet definitely lower than in the initial period of the pension funds' operations. Moreover, it should be noted that the year 2006 did not see any major changes to the aggregate investment portfolio of open pension funds. The assets with the largest shares in the pension funds' portfolios were debt instruments (approx. 62% of the portfolio value, primarily fixed-interest treasury bonds) and equity instruments (approx. 34% of the portfolio value, mainly shares in companies from the WIG20 index).

Due to macroeconomic factors (economic growth, declining unemployment), which boosted the number of people paying contributions and the remuneration levels, as well as due to system-related factors, the amount of contributions received by the open pension funds in 2006 reached a historic

high: it exceeded PLN 16.3bn. In the period under review, the number of pension fund accounts increased by nearly 6% - as at the end of 2006 open pension funds maintained kept 12.8m accounts, of which approx. 5% were not credited with any contribution payments.

The steady inflow of contributions coupled with the very good investment results and no outflow of funds in the form of pension payments (as the funds are still at the stage of capital accumulation) translated into a dynamic increase in the value of the funds' assets in 2006. The net asset value of open pension funds increased by 35%, reaching over PLN 116.5bn, which confirms the importance of pension funds as institutional investors on the Polish capital market.

In 2006, the open pension funds' statutory activity was to a slight extent only determined by transfers between the funds (the situation has been stable over the last few years as the number of transfers recorded in 2006 was similar to that in the previous years), and by winning new fund members as a result of a draw (in line with the statutory provisions governing draws made by the Social Insurance Institution (ZUS), four open pension funds had the right to take part in the draw in 2006).

The 2006 situation on the open pension funds market (high level of contribution transfers made by ZUS, good investment results of the funds) naturally translated into the financial standing of the pension societies, whose 2006 net profit was over PLN 604m (up by 30% on 2005). It is also important to note that all pension societies had a positive financial result in 2006, for the first time since their launch. The improved financial situation was accompanied by higher dividends paid to shareholders for the year - in the case of six of those companies the general shareholders meetings resolved to pay dividend from profit for 2006 (in aggregate PLN 485.3m, versus PLN 346.8m paid by five pension societies for 2005).

Effectiveness of OFE Investment Activity

The value of unit of account grew on average by 16.3%

In 2006, the value of units of account grew on average by 16.3%. In the previous year, the growth did not exceed 15%. In terms of rates of return, 2006 has been the best year since the launch of open pension funds.

The investment results of individual funds continue to be relatively similar. The difference between the annual rate of return of the pension fund which reported the best performance, OFE POLSAT, and that of the fund whose performance lagged the most, OFE Bankowy, was approx. 7.5 p.p. The variance is larger than in the previous year, but still considerably smaller than in the case of other institutional investors.

Table 1. Value of units of account of open pension funds (PLN)

	Dec 31 2005	Dec 31 2006	Rate of return (%)
AIG	21.71	25.15	15.8
Allianz Polska	21.11	24.50	16.1
Bankowy	22.58	26.02	15.2
Commercial Union BPH CU WBK "DOM"	23.04	26.60	15.5
Ergo Hestia (<i>currently AEGON</i>)	23.54	27.63	17.4
Generali	22.59	26.07	15.4
ING Nationale-Nederlanden Polska	23.27	27.52	18.3
Nordea	24.62	28.70	16.6
Pekao	23.50	27.09	15.3
Pekao	21.00	25.36	20.8
Pocztylion	21.21	24.87	17.3
POLSAT	24.44	29.99	22.7
PZU "Złota Jesień"	22.85	26.78	17.2
Skarbiec-Emerytura	21.44	24.87	16.0
Winterthur (<i>currently AXA</i>)	22.44	26.01	15.9
Weighted average			16.3

Source: Polish Financial Supervision Authority.

None of the largest funds ranked among the top five in terms of 2006 performance

In 2006, the best investment results were reported by smaller funds. None of the three largest funds achieved a rate of return which would place it among the top five.

As at the end of 2006, the value of units of account of open pension funds ranged from PLN 24.5 to nearly PLN 30. This means that seven years on from their launch, the funds achieved cumulative nominal rates of return in the range of 145-200%

Statutory Rates of Return

In accordance with the legislation which has been in effect since 2004, statutory rates of return are calculated twice a year, based in the data as at the end of March and September, and cover the period of the most recent 36 months. It should be noted that the methodology for calculating the weighted average rate of return of all funds was also changed. The share of one fund in calculating the weighted average was limited to 15%. Effectively, the limit applied to the three largest pension funds.

The value of fund units grew on average by 13-15% annually

The average rates of return calculated in 2006 were as follows: in March over 53% and in September nearly 46%. This means that the value of pension fund units grew on average by 13-15% annually. With relatively low inflation (annualised inflation rate at that time was approx. 2%), the performance of the open pension funds must be viewed as excellent.

Table 2. Rates of return of open pension funds (%)

Fund name	31-03-2003 31-03-2006	Annually	30-09-2003 29-09-2006	Annually
AIG	56.9	16.2	47.3	13.8
Allianz Polska	44.2	13.0	39.6	11.8
Bankowy	50.8	14.7	43.8	12.9
Commercial Union BPH CU WBK	52.3	15.1	44.2	13.0
"DOM"	59.4	16.8	49.3	14.3
Ergo Hestia (<i>currently AEGON</i>)	50.3	14.6	42.9	12.6
Generali	56.7	16.2	48.6	14.1
ING Nationale-Nederlanden Polska	54.9	15.7	47.3	13.8
Nordea	48.1	14.0	41.8	12.4
Pekao	53.8	15.4	50.3	14.5
Pocztylion	55.9	15.9	46.5	13.6
POLSAT	60.0	17.0	48.7	14.2
PZU "Złota Jesień"	53.0	15.2	46.2	13.5
Skarbiec-Emerytura	52.9	15.2	45.8	13.4
Winterthur (<i>currently AXA</i>)	53.3	15.3	46.5	13.6
Weighted average rate of return	53.4		45.8	
Minimum rate of return	26.7		22.9	

Source: Polish Financial Supervision Authority.

The difference between investment results reported by individual funds is small

The difference between investment results posted by individual pension funds was relatively small. In spite of the high average rates of return, the difference between the best-performing and the worst-performing fund was only slightly over 16 p.p. over the last three years.

Contributions

The value of contributions transferred in 2006 by the Social Insurance Institution to pension funds exceeded PLN 16.3bn

The aggregate value of contributions received in 2006 by the pension funds exceeded PLN 16.3bn – an increase of PLN 2bn on the year before. The sum included part of the arrears accrued in the years 1999-2003.

The value of contributions transferred in 2006 to open pension funds grew by approx. 16% for the market as a whole, although the increase was distributed unevenly across various funds. For example, contributions passed to Winterthur OFE by the Social Insurance Institution increased by almost a third, whereas those transferred to OFE Skarbiec-Emerytura rose by a mere 3%. These figures are the result of an active member acquisition policy pursued by Winterthur OFE, which was reflected in a sharp rise in membership and - consequently - an increase in the value of contributions received. On the other hand, OFE Skarbiec-Emerytura has been experiencing a steady attrition of members.

Table 3. Contributions transferred to open pension funds (PLNm)

Fund name	2005	2006	Change (%)
AIG	1,214.6	1,369.6	12.8
Allianz Polska	394.2	432.0	9.6
Bankowy	477.7	543.3	13.7
Commercial Union BPH CU WBK	3,694.9	4,130.1	11.8
"DOM"	234.4	281.7	20.2
Ergo Hestia (<i>currently AEGON</i>)	322.8	386.5	19.8
Generali	473.0	573.0	21.2
ING Nationale-Nederlanden Polska	3,167.5	3,803.3	20.1
Nordea	541.7	645.6	19.2
Pekao	240.8	275.3	14.3
Pocztylion	311.9	368.5	18.1
POLSAT	161.3	204.2	26.6
PZU "Złota Jesień"	1,865.7	2,185.5	17.1
Skarbiec-Emerytura	430.3	443.3	3.0
Winterthur (<i>currently AXA</i>)	502.2	661.8	31.8
Total	14,033.0	16,303.9	16.2

Source: the Social Insurance Institution

Before crediting contributions to members' accounts, universal pension fund companies deduct fees due to them. According to preliminary estimates, in 2006 the value of fees charged by universal pension fund companies totalled approx. PLN 960m. Accordingly, members' accounts were credited with funds amounting to approx. PLN 15.3bn, which represents an increase of PLN 2bn on the year before.

Net Assets

As at the end of 2006, net assets of all open pension funds were worth PLN 116.6bn

Over 2006, they grew by PLN 30.5bn

As at the end of 2006, net assets of the open pension funds were worth nearly PLN 116.6bn, having grown by almost PLN 30.5bn over the preceding 12 months.

The 2006 growth in the value of pension funds' net assets averaged over 35%, although it must be noted that several funds recorded a growth in net assets materially different from that average. The situation from 2005 repeated itself in 2006, as three open pension funds posted an over 40-percent increase in assets: Winterthur OFE (an increase by over a half), OFE POLSAT (up by 44%) and Generali OFE (up by nearly 43%). These results are largely attributable to strong investment returns, backed in some cases by active member acquisition policies, reflected in above-average rises in membership.

Table 4. Net assets of open pension funds (PLNm)

Fund name	Dec 31 2005	Dec 31 2006	Change (%)
AIG	7,301.3	9,701.3	32.9
Allianz Polska	2,200.5	2,873.4	30.6
Bankowy	2,749.5	3,706.3	34.8
Commercial Union BPH CU WBK "DOM"	23,459.4	30,955.9	32.0
Ergo Hestia (<i>currently AEGON</i>)	1,342.0	1,809.9	34.9
Generali	2,010.9	2,682.5	33.4
Generali	2,935.6	4,186.4	42.6
ING Nationale-Nederlanden Polska	19,656.7	27,193.8	38.3
Nordea	3,141.2	4,224.5	34.5
Pekao	1,351.1	1,853.8	37.2
Pocztylion	1,739.9	2,367.4	36.1
POLSAT	,751.6	1,084.1	44.2
PZU "Złota Jesień"	11,757.9	15,987.3	36.0
Skarbiec-Emerytura	2,456.9	3,069.5	24.9
Winterthur (<i>currently AXA</i>)	3,230.4	4,881.8	51.1
Total	86,085.0	116,577.7	35.4

Source: Polish Financial Supervision Authority

The value of net assets of the smallest pension fund has exceeded PLN 1bn

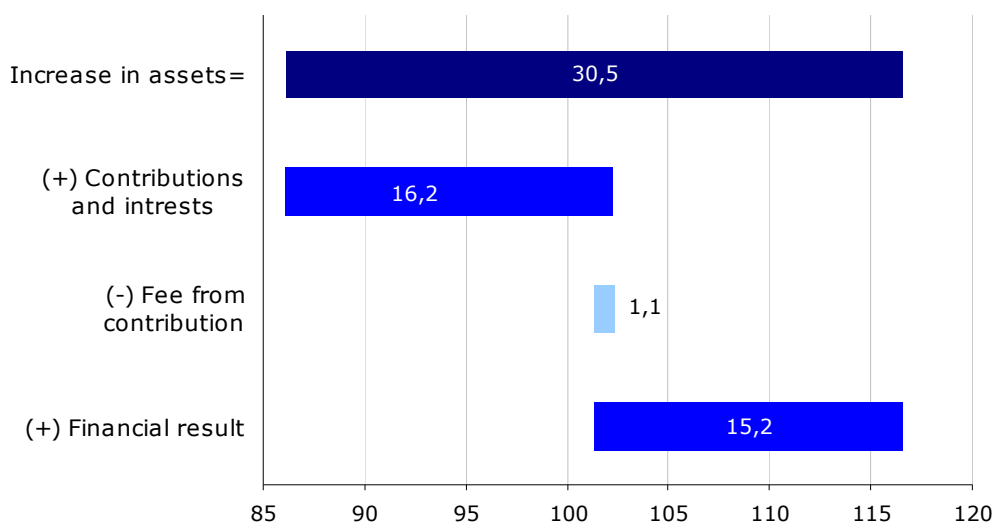
It is worth noting that none of the open pension funds operating in Poland now has net assets worth less than PLN 1bn. As at the end of 2006, the smallest fund on the market (OFE POLSAT) had net assets worth a little over PLN 1.08bn. At the same time, the largest entity (Commercial Union OFE) held net assets in the region of PLN 31bn.

Drivers of Increase in Net Asset Value

In 2006, open pension funds recorded an increase in net asset value of PLN 30.5bn. The increase was driven by contributions received by open pension funds from the Social Insurance Institution, amounting in 2006 to over PLN 16.3bn. In line with a sustained trend, there was a year-on-year growth in the value contributions transferred. The factor which further contributed to the increase in 2006 was payment of part of the arrears accrued in the years 1999-2003. Additionally, in 2006 pension funds posted the highest ever nominal financial result of PLN 15.2bn.

A material item which does not count towards the financial results of open pension funds are fees deducted from members' contributions, which in 2006 amounted to PLN 960m.

Figure 1. Breakdown of increase in net assets (PLNbn)



Source: Polish Financial Supervision Authority, Social Insurance Institution

The gap between the value of contributions received by open pension funds from the Social Insurance Institution and their financial results is narrowing down

Net of the fees deducted by universal pension fund companies from contributions, the value of contributions credited to the accounts of members of open pension funds amounted to approx. PLN 15.3bn. This amount is roughly equal to the financial result posted by open pension funds. In the coming years, financial result is expected to permanently become the key growth driver of open funds' net assets, even though, historically, growth in net asset value was always driven by rising contributions.

Investment Portfolio

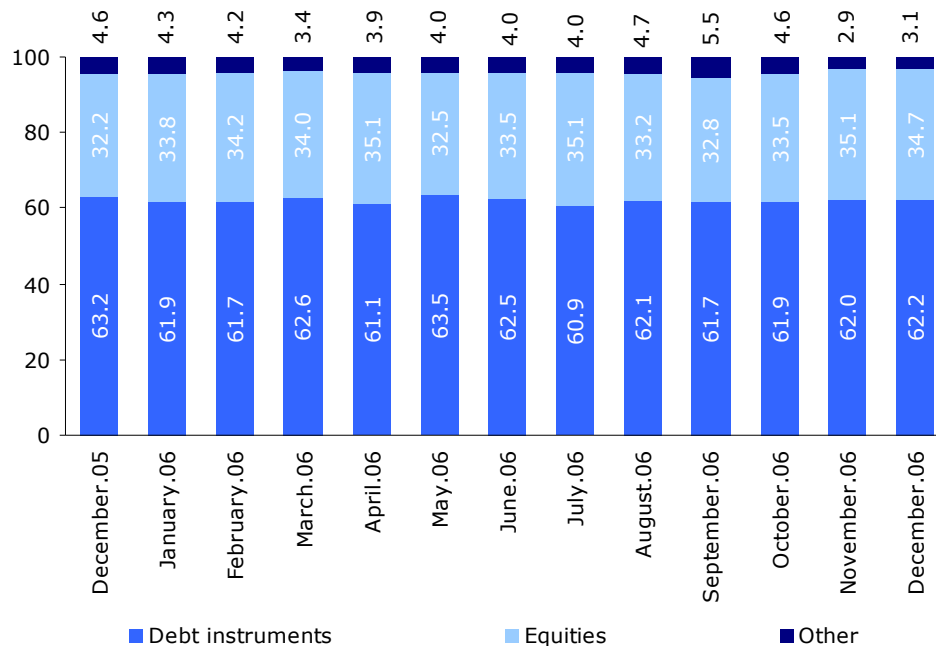
In 2006, the structure of open pension funds' portfolio remained stable

In 2006, the composition of open pension funds' investment portfolio remained highly stable. Changes in relative proportions of key asset classes, i.e. debt and equity instruments, were negligible and significantly less marked than in previous years.

The share of debt instruments was particularly stable, never changing by more than a little over 2.5pp. The average proportion of debt instruments in the overall open pension funds' investment portfolio was 62.1%.

In comparison, there was a wider variance in the share of equity instruments (3pp), with the average annual exposure of approx. 33.8%.

Figure 2. Structure of the investment portfolio of OFEs (%)



Source: Polish Financial Supervision Authority

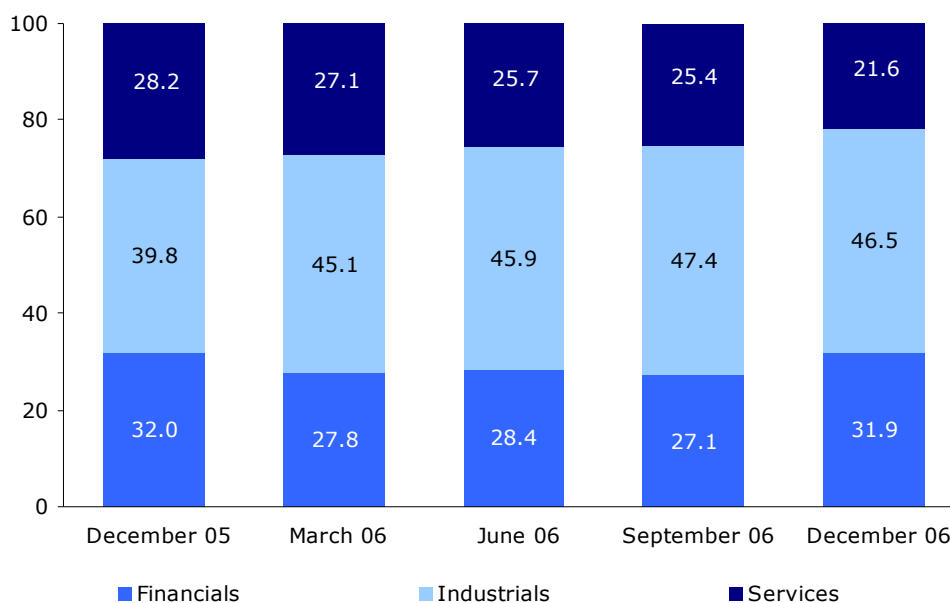
Taking into account the key asset classes, there were no material changes in the structure of open pension funds' portfolio in 2006. The funds were trying to capture opportunities arising out of the upswing of the Polish financial market, which was the reason why their investment strategies delivered good financial performance. From this perspective, the investment policies adopted by most open funds must be assessed as well-chosen.

Equity Portfolio

In 2006, there was an increase in the portfolio's relative exposure to industrials

The year 2006 brought increased exposure of open pension funds to industrials, a phenomenon seen also in 2005. At the beginning of 2006, shares in industrial companies accounted for ca. 40% of the total value of open funds' equity portfolios, to exceed 46.5% by the year's end.

Figure 3. Structure of equity portfolio of open pension funds (%)



Source: Polish Financial Supervision Authority

The portfolio built up by open pension funds is so large that it has become virtually impossible to materially reshape it over a short time. Even the equity portion of the portfolio, which fluctuates more widely than the debt portion, has grown quite stable compared to previous years.

Pension funds actively contribute to the growth of the Warsaw Stock Exchange. They frequently represent a significant part of investors purchasing shares on the primary market, thus being instrumental in the success of many offerings. In 2006, 38 companies made their debuts on the Warsaw Stock Exchange. The shares in many newly-listed companies made their way to the portfolios held by open pension funds.

Accounts

At the end of December 2006, open funds kept over 12.8m accounts

As at the end of December 2006, the number of accounts kept by open pension funds rose by nearly 700 relative to the end of 2005, to over 12.8m.

This figure translated into an increase of more than 5.7% for the market as a whole. It needs to be remembered though that the number of accounts kept by open pension funds fell in 2005 as a result of efforts aimed at streamlining the records of open funds' members.

Table 5. Accounts kept by open pension funds

Fund name	Dec 31 2005	Dec 31 2006	Change (%)
AIG	992,601	1,048,230	5.6
Allianz Polska	303,720	318,675	4.9
Bankowy	455,941	466,498	2.3
Commercial Union BPH CU WBK	2,592,780	2,650,552	2.2
"DOM"	265,914	306,179	15.1
Ergo Hestia (<i>currently AEGON</i>)	421,376	416,947	-1.1
Generali	442,787	505,171	14.1
ING Nationale-Nederlanden Polska	2,240,824	2,444,424	9.1
Nordea	679,362	740,443	9.0
Pekao	254,700	260,031	2.1
Pocztylion	400,299	411,370	2.8
POLSAT	237,626	268,723	13.1
PZU "Złota Jesień"	1,865,159	1,938,817	3.9
Skarbiec-Emerytura	466,167	450,309	-3.4
Winterthur (<i>currently AXA</i>)	520,046	599,891	15.4
Total	12,139,302	12,826,260	5.7

Source: Polish Financial Supervision Authority

Winterthur OFE and OFE "DOM" reported the fastest rate of growth in the number of accounts

Most pension funds reported an increase in the number of accounts. In 2006, the most significant increase (over 15%) was recorded by Winterthur OFE and OFE "DOM". Other funds which could boast a two-digit growth in the number of accounts were Generali OFE and OFE POLSAT.

In 2006, two funds experienced a drop in the number of accounts. The accounts held with OFE Ergo Hestia decreased by 1.1%, but the poorest performer was OFE Skarbiec-Emerytura with a 3.4% decline in the number of accounts.

Membership

In December 2006, open pension funds had over 12.3m members

Open pension funds keep registers of accounts. Additionally, the Social Insurance Institution keeps its own record of open pension funds' members. According to the Social Insurance Institution's data, the aggregate membership of open pension funds as at the end of December 2006 was more than 12.3m individuals, which corresponds to a year-on-year growth of nearly 635 thousand. In relative terms, the 2006 increase in membership amounted to 5.4%, albeit - like in previous years - the figure differed considerably from fund to fund.

Table 6. Membership of open pension funds

Fund name	Dec 31 2005	Dec 31 2006	Change (%)
AIG	976,267	1,029,101	5.4
Allianz Polska	292,563	306,883	4.9
Bankowy	433,185	441,514	1.9
Commercial Union BPH CU WBK "DOM"	2,562,948	2,610,638	1.9
Ergo Hestia (<i>currently AEGON</i>)	241,498	281,301	16.5
Generali	372,226	370,943	-0.3
ING Nationale-Nederlanden Polska	415,408	473,560	14.0
Nordea	2,210,455	2,401,091	8.6
Pekao	631,333	688,580	9.1
Pekao	241,649	245,189	1.5
Pocztylion	357,261	362,777	1.5
POLSAT	235,002	267,564	13.9
PZU "Złota Jesień"	1,824,403	1,894,778	3.9
Skarbiec-Emerytura	461,802	443,630	-3.9
Winterthur (<i>currently AXA</i>)	464,737	535,778	15.3
Total	11,720,737	12,353,327	5.4

Source: Social Insurance Institution

Four pension funds can be singled out from their peers as having recorded the most significant membership additions: OFE "DOM", Winterthur OFE, Generali OFE and OFE POLSAT succeeded in increasing membership by about 15%. In most cases, incremental membership was a result of active member acquisition policies. It is good if this growth is backed by attractive investment returns. Additionally, some open funds benefited from participation in draws among persons who failed to choose a pension fund. Under the draw procedure, in 2006 four open pension funds acquired over 160 thousand new members.

The funds which lost members in 2006 included OFE Ergo Hestia (a drop of 0.3%) and OFE Skarbiec-Emerytura (a drop of 3.9%).

Transfers

In 2006, nearly 330 thousand members changed their pension funds

In 2006, the number of members changing funds was similar to that of 2005 and exceeded 329 thousand. The number of transfers has been stable for several years.

In 2006, the sharpest increase in membership due to transfers was recorded by Winterthur OFE (over 68 thousand). Furthermore, the number of customers leaving Winterthur for other funds was not large (just above 16 thousand). Thus, with its net transfer result of over 52 thousand, Winterthur tops the ranking of transfer beneficiaries in 2006. What is noteworthy, Winterthur OFE has been successfully attracting customers from other funds for a few years now.

Table 7. Membership changes

Fund name	Transferred to	Transferred from	Balance
AIG	20,835	33,429	-12,594
Allianz Polska	7,803	14,289	-6,486
Bankowy	14,799	13,959	840
Commercial Union BPH CU WBK "DOM"	29,642	55,237	-25,595
Ergo Hestia (<i>currently AEGON</i>)	2,580	7,530	-4,950
Generali	13,742	21,579	-7,837
ING Nationale-Nederlanden Polska	22,345	10,878	11,467
Nordea	56,336	26,063	30,273
Pekao	37,139	34,898	2,241
Pocztylion	2,668	8,310	-5,642
POLSAT	5890	13,558	-7,668
PZU "Złota Jesień"	255	8,130	-7,875
Skarbiec-Emerytura	37,993	34,876	3,117
Winterthur (<i>currently AXA</i>)	8,860	30,184	-21,324
	68,210	16,177	52,033
Total	329,097	329,097	0

Source: Social Insurance Institution, National Depository for Securities.

Similarly to 2005, the largest drop in membership numbers, in nominal terms, was recorded by Commercial Union OFE. The size of the decrease was much the same as in previous years – over 25 thousand. The number of transfers from OFE Skarbiec-Emerytura is only slightly lower (over 21 thousand), but this fund is has a far smaller membership base, thus the fall has a relatively larger impact.

Lotteries

Agreement with open pension fund should be concluded within seven days from the date on which pension insurance obligation arises

The Social Insurance Institution assigns new members to open pension funds from among the persons who failed to join any fund despite being required to conclude a relevant agreement within seven days from the date on which the pension insurance obligation arises.

In accordance with the applicable laws, only those funds may participate in the lotteries whose rates of return for the last two accounting periods were higher than the relevant weighted average rates of return of all funds, and whose assets do not exceed 10% of total assets held by all funds. Funds meeting these criteria have identical shares in the pool of potential new members to be acquired as a result of the lottery. The lotteries are made by the Social Insurance Institution on the last business day of January and July.

Table 8. New fund members from lotteries

Fund name	New fund members from lottery on Jan 31 2006	New fund members from lottery on Jul 31 2006
AIG	16,852	23,187
Allianz Polska	-	-
Bankowy	-	-
Commercial Union BPH CU WBK	-	-
"DOM"	16,852	23,185
Ergo Hestia (<i>currently AEGON</i>)	-	-
Generali	16,852	23,185
ING Nationale-Nederlanden Polska	-	-
Nordea	-	-
Pekao	-	-
Pocztylion	-	-
POLSAT	16,854	23,185
PZU "Złota Jesień"	-	-
Skarbiec-Emerytura	-	-
Winterthur (<i>currently AXA</i>)	-	-
Total	67,410	92,742

Source: Social Insurance Institution.

In 2006, 160 thousand people became members of open pension funds as a result of lotteries

In the two lotteries held in 2006, membership of open pension funds was acquired by more than 160 thousand people, up by over one-fourth relative to 2005. Four open pension funds participated in each of the January and July draws.

Financial Results of Open Pension Funds

In 2006 pension funds earned net profit of approx. PLN 15.2bn

The total net profit earned by open pension funds in 2006 reached a record-breaking level of PLN 15.2bn. This translates into a 47% increase in comparison with 2005, but it must be remembered that the value of assets managed in 2006 was higher.

The net profits of OFE Pekao and OFE POLSAT more than doubled. The lowest net profit growth rates were posted by Commercial Union OFE, OFE AIG and OFE Skarbiec-Emerytura.

Table 9. Financial results of open pension funds (PLNm)

Fund name	2005	2006	Change (%)
AIG	935.9	1,249.5	33.5
Allianz Polska	206.0	374.1	80.8
Bankowy	277.5	456.7	64.6
Commercial Union BPH CU WBK "DOM"	2,932.1	3,893.0	32.8
Ergo Hestia (<i>currently AEGON</i>)	158.4	249.2	57.3
Generali	207.9	335.1	61.1
ING Nationale-Nederlanden Polska	348.0	585.8	68.3
Nordea	2,543.0	3,566.5	40.2
Pekao	339.0	522.9	54.2
Pocztylion	138.0	298.8	116.5
POLSAT	210.2	322.0	53.2
PZU "Złota Jesień"	87.7	186.3	112.4
Skarbiec-Emerytura	1,312.3	2,183.6	66.4
Winterthur (<i>currently AXA</i>)	301.4	405.6	34.6
	337.1	596.8	77.1
Total	10,334.7	15,225.9	47.3

Source: Polish Financial Supervision Authority.

Just like in previous years, all open pension funds generated a profit in 2006. The group of funds with net profits of more than PLN 1bn was joined by OFE AIG, thus the group includes the four largest funds in terms of net asset value and membership numbers.

Own Funds of Pension Societies

As at the end of December 2006, the own funds of pension societies exceeded PLN 2.2bn

The value of own funds of pension societies exceeded PLN 2.2bn at the end of December 2006, which represents an over 15% increase year on year. The growth is to a large extent attributable to the net profits.

Table 10. Own funds of pension societies (PLNm)

Name of pension society	Dec 31 2005	Dec 31 2006	Change (%)
AIG	230.5	251.2	9.0
Allianz Polska	58.1	65.9	13.4
Bankowy	73.1	92.9	27.1
Commercial Union BPH CU WBK	299.0	332.8	11.3
"DOM"	18.7	26.3	40.6
Ergo Hestia (<i>currently AEGON</i>)	69.9	86.3	23.5
Generali	111.8	165.7	48.2
ING Nationale-Nederlanden Polska	397.1	471.9	18.8
Nordea	19.5	24.6	26.2
Pekao Pioneer	36.3	46.6	28.3
Pocztylion-Arka	36.7	39.9	8.7
POLSAT	25.2	37.2	47.7
PZU	271.5	287.6	5.9
Skarbiec-Emerytura	122.1	137.2	12.4
Winterthur (<i>currently AXA</i>)	158.4	158.5	0.0
Total	1,928.1	2,224.6	15.4

Source: Polish Financial Supervision Authority.

ING Nationale-Nederlanden PTE S.A. has the largest own funds

2006 was a yet another year when ING Nationale-Nederlanden PTE recorded the highest value of own funds (nearly PLN 472m). Three other pension societies maintained their own funds above PLN 250m.

The lowest own funds are held by PTE Nordea and PTE "DOM". Their balance sheets show own funds of less than PLN 30m.

The largest rate of growth in the value of own funds was recorded by Generali PTE and PTE Polsat. In their case, the value of this balance-sheet item rose by nearly a half over 12 months.

Financial Results of Pension Societies

In 2006, pension societies recorded profit of over PLN 604m

As at the end of December 2006, the financial results of all pension societies totalled PLN 604.5m, relative to nearly PLN 461m in 2005. This represents an increase of over 30%. 2006 was the first year to see all the pension societies generate a profit. This is to a large extent driven by the rapidly growing value of assets held by the funds managed by the pension societies, which in 2006 translated into a growth of the companies' operating income, in particular the income on fees deducted from contributions and management fees, and was accompanied by stable level of the operating expenses.

Companies which manage the largest open pension funds evidently capitalise on the scale of their business. The pension societies which manage the four largest funds account for nearly 80% of the net profit earned by all the pension societies, whereas the assets of their pension funds represent less than three-fourths of the market.

Table 11. Financial results of pension societies (PLNm)

Name of pension society	2005	2006
AIG	54.6	47.5
Allianz Polska	7.8	7.8
Bankowy	18.5	19.6
Commercial Union BPH CU WBK	131.3	154.5
"DOM"	1.2	7.6
Ergo Hestia (<i>currently AEGON</i>)	7.0	16.4
Generali	10.1	13.3
ING Nationale-Nederlanden Polska	136.8	198.8
Nordea	-0.5	5.1
Pekao Pioneer	8.1	10.3
Pocztylion-Arka	10.4	12.6
POLSAT	8.2	12.0
PZU	66.7	83.9
Skarbiec-Emerytura	8.6	15.1
Winterthur (<i>currently AXA</i>)	-7.9	0.1
Total	460.8	604.5

Source: Polish Financial Supervision Authority.

The improving financial results of pension societies drove up the dividend paid to their shareholders. The total amount of dividends approved by the general shareholders meetings was PLN 485.3m, up by nearly 40% year on year (the total dividend paid for 2005 amounted to PLN 346.8m). Decisions on profit distribution and dividend payment were made by six pension societies (five in 2005).

The largest portion of pension societies' incomes is generated on fees deducted from contributions and management fees On the income side, the most important items in the income statements of pension societies are income on fees deducted from contributions (approx. 60% of total income in 2006) and management fees (approx. 30%). It needs to be noted that the significance of income on management fees is steadily rising.

As regards the costs, the largest item is the system-related costs (45% in 2006), followed by costs of member acquisition activities (30%) and general and administrative expenses (19%).