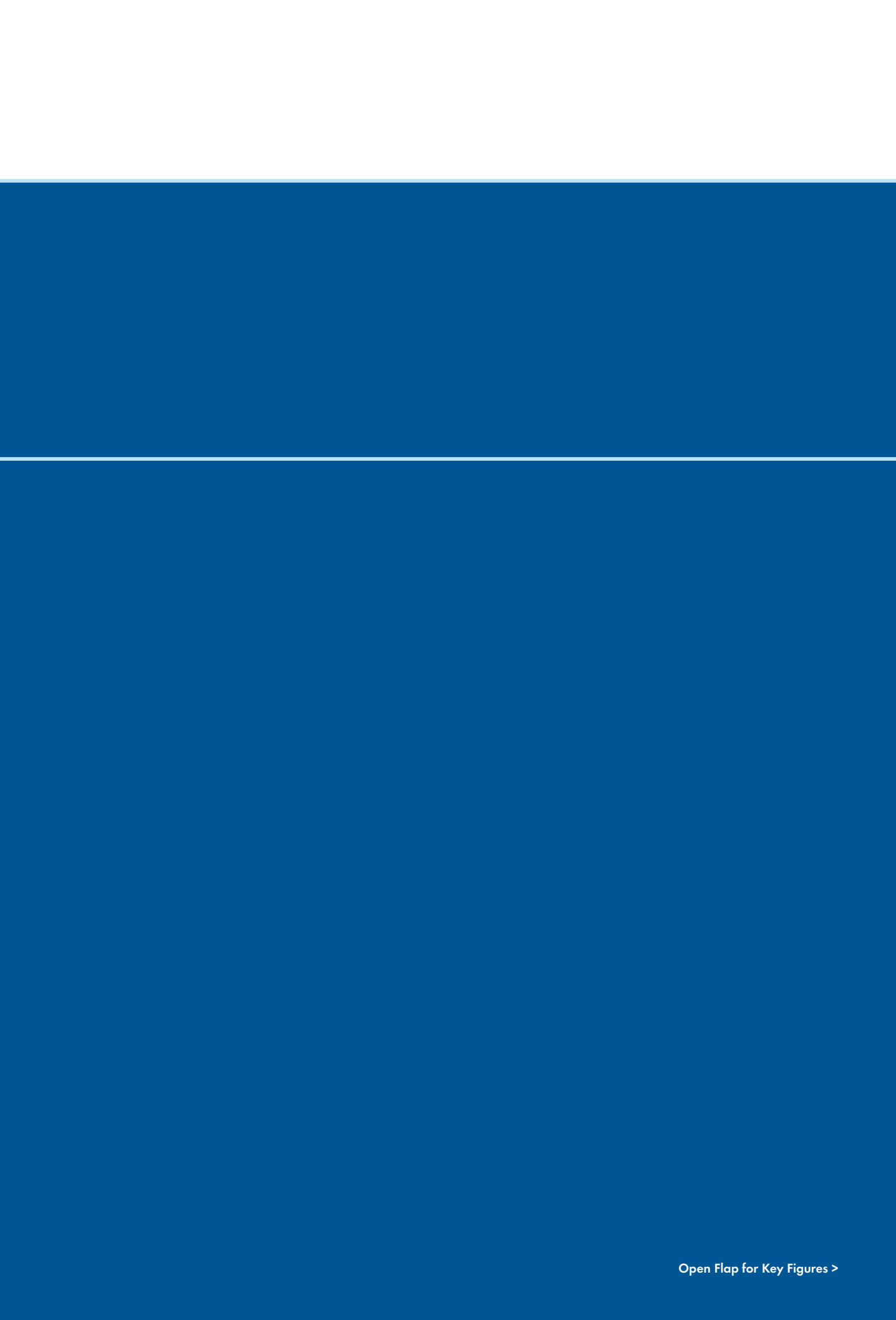


POJIŠŤOVNA ČESKÉ SPOŘITELNY

Annual Report 2006



Pojišťovna České spořitelny

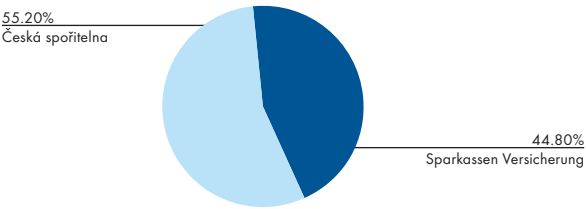
IČ/ID 47452820

Date of entry into the Register of Companies
held by the Regional Court in Hradec Králové is
October 1, 1992 part B, file 855.

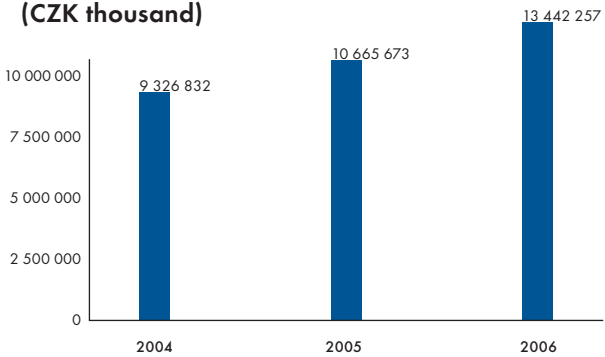
Authorization to pursue insurance activity
granted by the decision of the Ministry of Finance of
the Czech Republic, proceeding No. 103/68361/92 of
December 16, 1992. In accordance with § 42 section 5
of Act No. 363/1999 Coll. on insurance, the Ministry
of Finance of the Czech Republic issued (proceeding
No. 322/16811/2002 of February 20, 2002) authoriza-
tion to pursue insurance activity, reinsurance activity
and connected activities.

Auditor Deloitte Audit s.r.o.

Shareholding structure of Pojišťovna
České spořitelny



Technical provisions of the life insurance
(CZK thousand)



Selected financial indicators of the year 2006

CZK thousand		2006
Assets		15 772 413
Equity		1 830 040
Total technical provisions		13 467 534
Business result for the period		307 547
Premium written total		4 427 575
of which: life insurance		4 403 684
non-life insurance		23 891
Total claims paid		1 188 879
of which: life insurance		1 180 083
non-life insurance		8 796

It is easy to find your way to life insurance

The full-range sales of products of Pojišťovna České spořitelny including subsequent client service is secured by three pillars of a wide distribution network.

Branch network of Česká spořitelna

We secure for our clients the maximum accessibility to insurance products including subsequent client service through the more than 630 branches of Česká spořitelna.

External network of Česká spořitelna

The mobility of advisors is an alternative for each client, who for whatever reason cannot or does not want to conclude insurance in a branch.

External network of Pojišťovna České spořitelny

The high availability of our products is further secured thanks to more than 50 external contractual partners, who provide not only sales of insurance products, but also the subsequent client service.

WE KNOW EXACTLY, WHICH LIFE INSURANCE FITS YOU AT THE BEST

Flexible life insurances

They represent a combination of comprehensive life insurance and the possibility of favourable appreciation of financial means with a wide range of additional insurances and a high variability of single parameters throughout the contract duration.

- Flexible life insurance FLEXI
- Flexible life insurance JUNIOR
- Investment life insurance FLEXI INVEST

Capital insurance

It is used mostly for a guaranteed investment of a single deposit for a pre-set duration combined with basic life insurance.

- Capital life insurance KAPITÁL

Credit risk insurances

They secure coverage of risks connected with inability of a client to pay his financial obligations in case of unexpected life situations.

- Credit life insurance HYPOTÉKA
- Insurance to loans provided by the Financial Group of Česká spořitelna

Complex program for participants in the pension insurance with Penzijní fond České spořitelny

Employee Benefits



Pojišťovna České spořitelny was awarded the prestige title Insurance Company of the Year in the category life and accident insurance for the year 2006

Content

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Company Profile

1992

Pojišťovna České spořitelny was established in 1992 with Czech private capital and began its insurance activities under the name of Živnostenská pojišťovna in January 1993. The primary objective of the company was to provide emerging entrepreneurs with insurance services. As the insurance activities developed, the provision of insurance programs for the general public was broadened to include products for individuals. In 1995 the company was the first in the Czech Republic to introduce insurance of dread disease, where benefits are paid immediately after a positive diagnosis.

1995

An important turning point in the company's history was the **capital entry of Česká spořitelna in 1995**, which brought both the necessary capital resources and solid background of the strongest financial group in the Czech Republic. The importance of the quality shareholder structure was proved in 1997, when the whole insurance market was affected by the impact of widespread floods.

2000

In the course of the privatization of Česká spořitelna, Pojišťovna České spořitelny also underwent a thorough legal and financial screening, the result of which was the entry of **a new shareholder at the end of 2000. The largest Austrian life insurance company, Sparkassen Versicherung, member of the Financial Group of Erste Bank** gained a 45% share in the company through a CZK 500 million increase of share capital. The present level of share capital, exceeding CZK 1.1 billion ranks Pojišťovna České spořitelny among the strongest insurance companies on the Czech market in respect of its capital base, which, together with the strong shareholders' background, is a good reflection of security and trustworthiness.

2001

Based on the transformation of Česká spořitelna and its whole financial group into a modern, client-oriented financial institution of European standards, the shareholders of the insurance company agreed with **the decision to provide services under the new name – Pojišťovna České spořitelny – from September 17, 2001**. The change of the trading name was linked with the change of corporate colours, names and logos of the whole Financial Group of Česká spořitelna inspired by relevant items of its new majority owner Erste Bank.

These changes in providing services to clients and in the culture of the company's management were also favourably reflected in

the development of the sales of insurance products offered by Pojišťovna České spořitelny through the branch network of Česká spořitelna, in the so-called bancassurance, which thus becomes an essential feature of Pojišťovna České spořitelny.

2003

Considering the present and expected development of the Czech insurance market and of the European Union insurance market, and also due to the specialization of Česká spořitelna and the Erste Bank group on the life insurance and bancassurance, the shareholders of Pojišťovna České spořitelny decided **to sell the non-life part of the company to Kooperativa at the end of 2003**.

2004

Thus, **since 2004, Pojišťovna České spořitelny is specialized in selling life insurance only**, through the branch network of Česká spořitelna and selected external sales networks.

2005

The year 2005 is above all in token of product innovations. Credit life insurances KVATRO and HYPOTÉKA (mortgage), supplements – as representatives of insurance – other financial services offered by the Financial group of Česká spořitelna. A significant gain among products has become **Investiční životní pojištění FLEXI INVEST** (Unit Linked life insurance) providing clients not only with choice among three investment programmes, but also the possibility of choosing among a wide range of risk life insurances.

At the year-end, the product portfolio was enriched by **a new insurance product focused on children**, which is characterized by high flexibility reflecting the life needs of the child or its family, provided under the name **JUNIOR**.

2006

The year 2006 was for Pojišťovna České spořitelny particularly successful. Both the volume of profit and of premium written grew year-on-year remarkably, the number of clients surpassed the half million border.

During 2006, Pojišťovna České spořitelny also strengthened its position on the life insurance market and with its market share of 9.36% defended its position among the 5 most significant life insurance companies.

Pojišťovna České spořitelny is a founding member of the Czech Insurance Association.

Selected Financial Indicators

CZK thousand	2004	2005	2006
Assets	14 044 650	12 752 291	15 772 413
Equity	3 614 838	1 756 838	1 830 040
Total financial placements	13 830 294	12 456 893	15 482 708
Total technical provisions	9 330 493	10 680 609	13 467 534
Business result for the period	2 280 143	187 232	307 547
Total premiums written	3 893 364	2 450 997	4 427 575
of which: life insurance	3 265 574	2 440 340	4 403 684
non-life insurance	627 790	10 657	23 891
Total claims paid	582 847	793 284	1 188 879
of which: life insurance	582 226	791 634	1 180 083
non-life insurance	621	1 650	8 796
Number of insurance contracts as of December 31	398 871	464 096	509 291
of which: life insurance	398 065	459 562	498 436
non-life insurance	806	4 534	10 855
Average evidence number of employees	144	141	137

Chairman's Statement

Dear clients, shareholders, business friends,

First of all I would like to thank all our clients and business partners. It was just due to you that the last year was so extraordinary successful for our company. We have reached several outstanding results, mainly surpassing the border of half a million clients and growth of premium written by 80% compared to the previous year. This is really a very good result, though a significant part of premium written was created by single paid premium. The situation in the market was quite stable in 2006, the whole market grew by nearly 5%, we are however persuaded that the growth potential is much higher and we believe this will show itself already in 2007.

For us, Pojišťovna České spořitelny, 2006 was a key year. In that year, we started implementation of several strategic plans targeted mainly at our clients and business partners. We have made several internal changes in the company, e. g. we have created department of Client Service and we devoted our efforts to improve the sales support quality. We concentrated significantly on cooperation with our main partner, Česká spořitelna. We can state already now, that this common effort is successful and fruitful.

We highly appreciate especially the fact that the volume of current paid premium recorded year-on-year growth of 16%, which is significantly more than the market growth of this type of life insurance, which noted total 7% increase. Current paid products present for us long-term priority and we will further aspire to reach growth significantly over the market in this area. We are aware of the fact that our goal is very ambitious, as there are many recognized insurance companies in the market, who will compete for clients in this long-term prospective field of financial products.

A further significant success in 2006 was the profit of our company, which reached the amount of CZK 307.5 million and showed growth by 64% compared to the previous year.

Therefore we esteem the year 2006 to have been very successful and also binding for the future. For the years 2007 and further we have great ambitions to increase our market share mainly in current paid premium, to continue in development of products and services in close cooperation with Česká



Petr Zapletal
Chairman of the Board of Directors and Chief Executive Officer

spořitelna and to build and develop relations with our business partners. Though our product Flexi ranks among the top life insurance products in the market and is the main driver for the increase of current paid premium, we have to continue innovating our product portfolio, so that its features and services correspond to needs and requests of our clients. Further, we will continue as well working on adjustment of our service offer with the aim to maximally satisfy needs of our clients and business partners.

The current status is an obligation for us, employees of Pojišťovna České spořitelny, for continuing the already introduced trend how to fulfill needs and expectations of all our current and future clients, partners and co-operators. The team of our employees is ready to face up this challenge and to fulfill it successfully also in the coming years.

A handwritten signature in black ink, which appears to read 'Petr Zapletal'.

Petr Zapletal
Chairman of the Board and CEO

Members of the Company's Executive Bodies as of December 31, 2006

SUPERVISORY BOARD

- Petr Bobysud,
Chairman of the Supervisory Board, Česká spořitelna
- Oliver van Best,
Vice Chairman of the Supervisory Board,
Sparkassen Versicherung
- Karel Kopecký,
Member of the Supervisory Board,
Pojišťovna České spořitelny

BOARD OF DIRECTORS

- Petr Zapletal, Chairman of the Board
- Jaroslav Kulháněk, Vice Chairman of the Board
- František Mareš, Member of the Board

Organizational Chart

as of December 31, 2006



Report of the Board of Directors about the business activity for the year 2006

In 2006, the insurance market experienced in comparison to 2005 a slight revival. The growth potential of life insurance is connected mainly with the constantly growing living standard of the population. A promise for future growth of life insurance can also be anticipated from the currently discussed reform of the pension and health system in the Czech Republic.

The lower growth dynamics of premium written was influenced mainly by stagnation of single paid insurance, compared to previous growth rates. Reasons for this are both the lasting low level of interest rates and higher competition of the financial products market.

Pojišťovna České spořitelny, as a representative of the so-called bancassurance, was not affected by these factors and unlike the overall market, it ranked with the premium growth of nearly 81% among the fastest growing insurance companies in the Czech market in 2006.

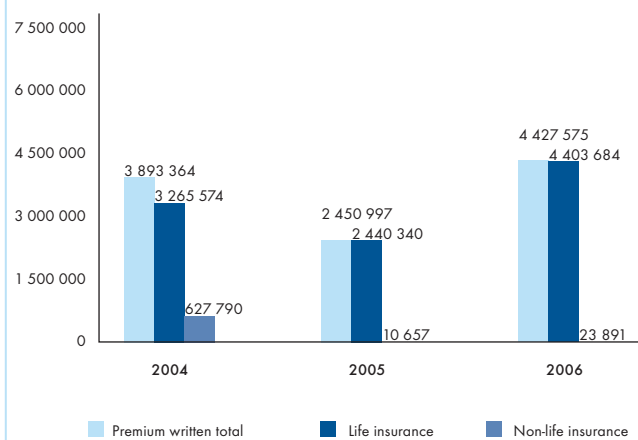
BUSINESS RESULTS

Life insurance development in the Czech insurance market reached a year-on-year growth of 4.8% in 2006. This growth was influenced mainly by growth of current paid premium (+6.7%) and nearly the unchanged level of single paid premium, which was practically the same as in 2005 (-0.12%)

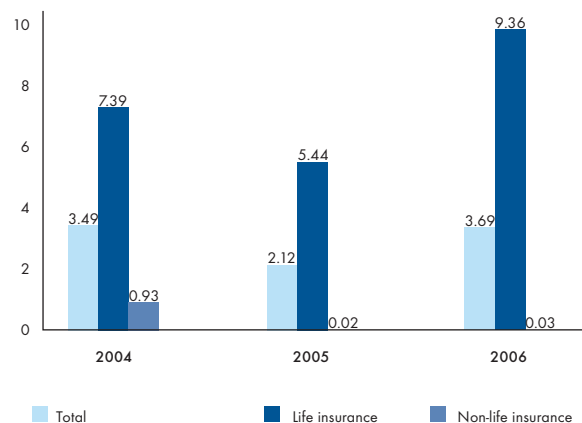
Pojišťovna České spořitelny reached very good results in 2006. Total premium written amounted to CZK 4,427.6 million, of that life insurance premium written CZK 4,403.7 million. In the area of single paid premium the so-called bancassurance effect expressed itself, thanks to which the volume of this premium grew by 145% compared to the previous year and reached the absolute amount of CZK 2.9 billion. This result ranks Pojišťovna České spořitelny by its volume of premium written to the first place in the market. Share of single paid life insurance premium reached 66.3% of the company's total portfolio.

Development of current paid premium also surpassed the market dynamics and its year-on-year growth of 15.88% more than doubles over the market.

Development of premium written (CZK thousand)

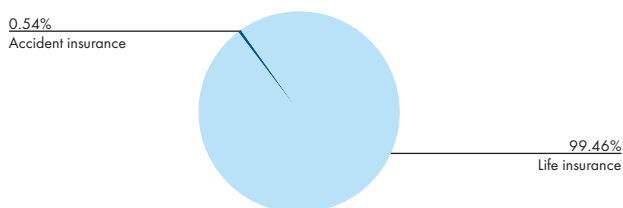


Premium written Market share development (%)



These excellent business figures resulted in an increase of the market share to 9.36% and strengthened the fifth rank of the company in the Czech market.

Structure of premium written in 2006



Products

In compliance with the strategy of the Financial Group of Česká spořitelna, life insurance becomes a recommended alternative to investments.

Mainly the capital life insurance and the – by clients highly appreciated – flexible life insurance and flexible life insurance Invest (Unit Linked) dominated in our offer. These products are able to meet clients' requests and that by their scope, by the quality of the insurance as well as by their saving potential. Moreover, these products enable using tax advantage for the invested means. The invested means of the clients, who had

concluded capital life insurance or flexible life insurance, were so appreciated according to the product type in the interval of 3.6 to 5.5%.

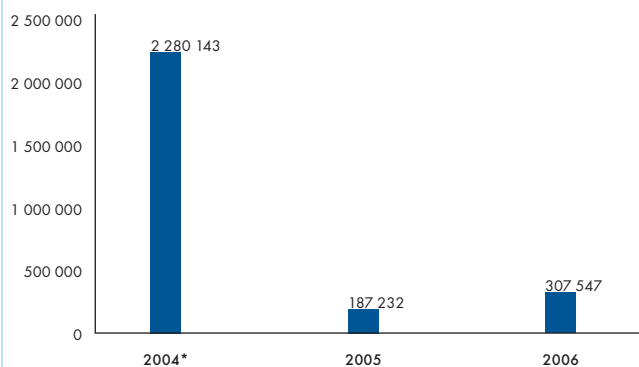
In the reporting year, sales were secured by the network of Česká spořitelna with its share of 75.6% and in cooperation with other traditional external sales networks (24.4%).

FINANCIAL RESULTS

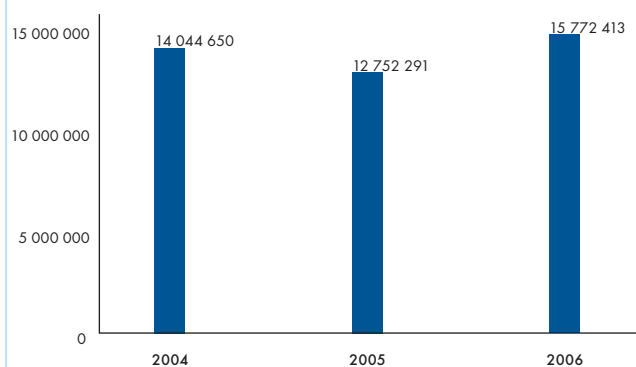
The business performance of the company in 2006 ended with the profit amounting to CZK 307.5 million. The attained business result is influenced mainly by the favourable development on financial markets and by the volume of premium written.

Technical provisions amounted to CZK 12,509.8 million structured as follows: unearned premiums CZK 275.9 million, life insurance provision CZK 11,424.5 million, outstanding claims provision of CZK 584.9 million and other provisions amounting to CZK 224.5 million. The technical provision for life insurance in cases where the policy holder bears the investment risk, reached the amount of CZK 957.8 million. In 2006, technical provisions thus increased by CZK 1,974.0 million compared to the 2005 status, which means an increase

Financial result development (CZK thousand)

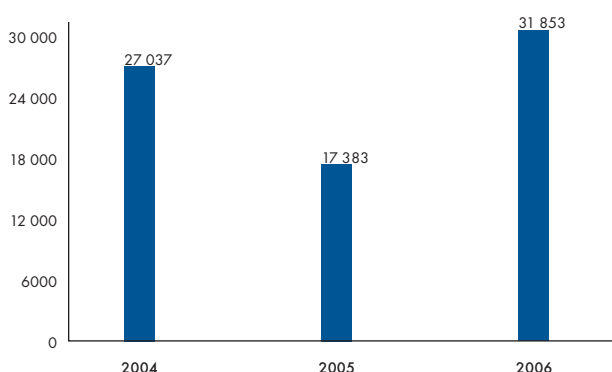


Balance sheet amount development (CZK thousand)



* Profit of 2004 was influenced by the sell-off of the non-life part of the business (see details in attachment to the financial statements).

Premium written per employee (CZK thousand)



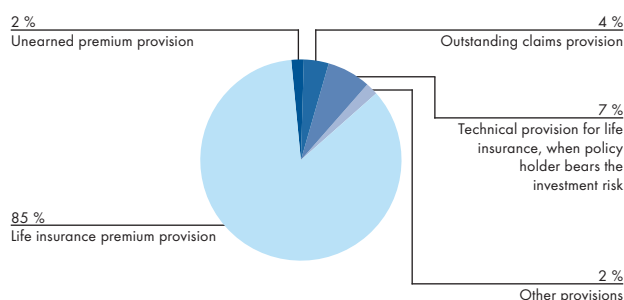
of nearl 18.7%. Also the technical provision for life insurance in cases where the policy holder bears the investment risk, increased year-on-year by CZK 812.9 million, which means more than five times.

The reached provisions amount is created in accordance with the existing legislation and represents the needed security for covering the future insurance claims

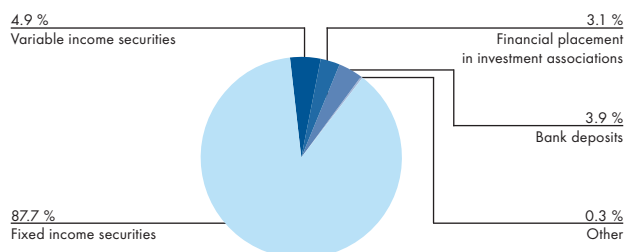
The growth of the volume of technical reserves determined the volume of financial placement of these means. Total yields from financial placement amounted to CZK 564.6 million. The portfolio of financial placement has been split among individual types of financial instruments in accordance with the existing legislation and in accordance with the requirements of the Czech National Bank. The portfolio structure of the means of financial placement is set up in such a manner, that it covers in a long-term view the insurance obligations and at the same time ensures security of the invested means of our clients. The asset management of the means is administered in cooperation with specialist departments of the investment banking of Česká spořitelna.

Pojišťovna České spořitelny fulfils requirements and demands in respect of solvency and exceeds the stipulated limits of solvency in life insurance. Thus, sufficient security for its clients in respect of covering future obligations from concluded insurance contracts has been created.

Technical provisions structure in 2006



Financial placement structure in 2006 in %



In reinsurance, Pojišťovna České spořitelny based its approach on the careful structure of reinsurance contracts from previous years and created so a very good guarantee of the ability to fulfill the obligations of the company.

Supervisory Board Report

of Pojišťovna České spořitelny, a. s. for the year 2006

In 2006, the Supervisory Board of Pojišťovna České spořitelny, a. s., continuously performed the tasks assigned to it by law and the Company's Articles of Association. As the supervision and controlling body of the Company, the Supervisory Board oversaw the Board of Directors' exercise of its authority as well as the Company's business operations. The Supervisory Board was kept regularly informed of the Company's operations, financial situation, checked fulfilment of General Meeting resolutions, reviewed reports of the external auditor and provided the Company's management with suggestions and recommendations on how to improve the situation in the Company. The Supervisory Board has reviewed the submitted financial statements of Pojišťovna České spořitelny, a. s., as of December 31, 2006 and came to the conclusion that the accounting records were kept in a clearly supportable manner in accordance with valid accounting regulations and the Company's Articles of Association.

The annual financial statements were audited by Deloitte Audit s.r.o., which confirmed that the financial statements present fairly, in all substantial respects, the assets, liabilities and shareholders' equity of Pojišťovna České spořitelny, a. s., as of December 31, 2006 and the results of its business operations for 2006 in accordance with the Accounting Act and other applicable regulations of the Czech Republic. The Supervisory Board took the auditor's report into account.

The Supervisory Board also checked the Report on Relations in accordance with § 66a section 9 of the Commercial Code submitted by the Board of Directors of the Company and stated that Pojišťovna České spořitelny, a. s. did not incur any damage as a consequence of contracts, other legal acts or other measures concluded, taken or adopted by Pojišťovna České spořitelny, a.s. during the accounting period of 2006 in favour or at instigation of individual related persons.

Based on all these facts, the Supervisory Board recommended that the General Meeting approves the state of the Company's assets and liabilities as of December 31, 2006, the proposed distribution of the Company's profit for 2006 and the payment of dividends in accordance with the proposal submitted by the Board of Directors of Pojišťovna České spořitelny, a. s. for discussion of the General Meeting.



Petr Bobysud
Chairman of the Supervisory Board

Financial Section

12	Independent Auditor's Report to the Shareholder of Pojišťovna České spořitelny, a. s.
15	Balance Sheet as of 31 December 2006
17	Statement of Changes in Equity for the Year Ended 31 December 2006
18	Profit and Loss Account for the Year Ended 31 December 2006
21	Notes to the Financial Statements for the Year 2006
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Independent Auditor's Report

to the Shareholder of Pojišťovna České spořitelny, a.,s.

Having its registered office at: Pardubice, nám. Republiky 115, 53002

Identification number: 47452820

Principal activities: Insurance

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 19 February 2007 on the financial statements which are included in this annual report on pages 15 to 41:

„We have audited the accompanying financial statements of Pojišťovna České spořitelny, a.s., which comprise the balance sheet as of 31 December 2006, and the profit and loss account and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pojišťovna České spořitelny, a.s. as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic."

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of Pojišťovna České spořitelny, a.s., for the year ended 31 December 2006 which is included in this annual report on pages 42 to 55. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of Pojišťovna České spořitelny, a.s. for the year ended 31 December 2006 contains material factual misstatements.

Report on the Annual Report

We have also audited the annual report for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial

statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report is consistent, in all material respects, with the financial statements referred to above.

In Prague on 28 May 2007



Audit firm:

Deloitte Audit s.r.o. Certificate no. 79



Represented by:

Marie Kučerová, authorised employee

Statutory auditor:

Marie Kučerová, certificate no. 1207



Balance Sheet

as of 31 December 2006

CZK thousand	Line no.	2004	2005	2006
ASSETS				
A. Receivables for subscribed share capital	1			
B. Intangible fixed assets, of which:	2	45,003	40,505	40,084
C. Financial placements (investments)	5	13,830,289	12,311,997	14,524,934
I. Land and buildings (real estate), of which:	6	48,543	48,440	43,500
a) Real estate used in operations	7	48,543	48,440	43,500
III. Other financial placements	13	13,781,746	12,263,557	14,481,434
1. Shares and other variable yield securities, other equity holdings	14	278,904	569,641	710,729
2. Bonds	15	12,138,792	10,254,739	12,741,290
3. Financial placements in investment associations	16	215,042	270,281	456,523
6. Deposits placed with financial institutions	18	1,149,008	1,168,896	572,892
D. Financial placements of life insurance, if investment risk borne by the policyholder	21	4	144,895	957,774
E. Debtors	22	35,751	105,551	103,198
I. Receivables arising from direct insurance transactions	23	30,352	38,688	37,973
1. Policyholders	24	24,304	32,593	37,932
2. Brokers	25	6,048	6,095	41
II. Receivables arising from reinsurance transactions	26	402	7,640	752
III. Other receivables	27	4,997	59,223	64,473
F. Other assets	28	60,115	64,154	55,892
I. Tangible fixed assets, other than land, buildings (real estate), and inventory	29	44,271	44,849	32,495
II. Cash on accounts with financial institutions and cash on hand	30	15,844	19,305	23,397
G. Temporary assets	32	73,488	85,189	90,531
I. Accrued interest and rents (income)	33	145	96	192
II. Deferred acquisition costs of insurance policies, of which separately:	34	62,546	74,182	62,316
a) Life insurance	35	62,546	74,014	62,075
b) Non-life insurance	36	0	168	241
III. Other temporary assets, of which:	37	10,797	10,911	28,023
a) Estimated receivables	38	9,656	9,732	20,236
Total assets	39	14,044,650	12,752,291	15,772,413

CZK thousand	Line no.	2004	2005	2006
LIABILITIES				
A. Equity	40	3,614,838	1,756,838	1,830,040
I. Share capital	41	1,117,200	1,117,200	1,117,200
IV. Other capital funds	46	190,997	312,358	256,155
V. Reserve fund and other funds from profit	47	26,498	140,048	149,138
VII. Profit or loss for the period	49	2,280,143	187,232	307,547
B. Subordinated liabilities	50	0	0	0
C. Technical reserves	51	9,330,493	10,535,714	12,509,760
1. Reserve for unearned premiums, of which:	52	363,187	349,854	275,903
a) Reserve for unearned premiums relating to life insurance	53	362,230	346,014	267,306
b) Reserve for unearned premiums relating to non-life insurance	54	957	3,840	8,597
2. Life insurance reserve	55	8,461,603	9,519,438	11,424,523
3. Reserve for claims, of which:	56	326,204	458,735	584,966
a) Reserve for life insurance claims	57	323,495	447,639	568,285
b) Reserve for non-life insurance claims	58	2,709	11,096	16,681
4. Reserve for bonuses and discounts, of which:	59	238	1,051	1,358
a) Reserve for life insurance bonuses and discounts	60	238	1,051	1,358
b) Reserve for non-life insurance bonuses and discounts	63	179,261	206,636	223,010
D. Technical life insurance reserve of investment risk borne by the policyholder	71	4	144,895	957,774
E. Reserves for other risks and losses	72	888,734	60,756	97,168
2. Reserve for taxation	74	888,734	60,756	97,168
G. Creditors	77	161,977	208,634	301,080
I. Payables arising from direct insurance transactions	78	56,377	72,336	184,340
II. Payables arising from reinsurance transactions	79	23,903	21,009	10,875
V. Other payables, of which:	83	81,697	115,289	105,865
a) Tax liabilities and social security payables	84	1,863	3,808	4,498
H. Temporary liabilities	86	48,605	45,454	76,591
I. Accrued expenses and deferred income	87	18,387	0	0
II. Other temporary liabilities, of which:	88	30,218	45,454	76,591
a) Estimated payables	89	30,218	45,454	76,591
Total liabilities	90	14,044,650	12,752,291	15,772,413

Statement of Changes in Equity

for the Year Ended 31 December 2006

CZK thousand	Share capital	Reserve funds	Capital funds	Valuation differences	Funds from profit	Accumulated losses	Retained earnings	Net profit or loss for the period	Total
Balance at 1 January 2004	1,117,200	8,876	0	883	2,743	0	52,514	231,295	1,413,511
FX differences and revaluation differences not included in the profit or loss				190,114					190,114
Dividends							-52,514	-214,434	-266,948
Allocations to funds		11,564			5,297			-16,861	0
Use of funds					-1,982				-1,982
Profit for the period								2,280,143	2,280,143
Balance at 31 December 2004	1,117,200	20,440	0	190,997	6,058	0	0	2,280,143	3,614,838
Balance at 1 January 2005	1,117,200	20,440	0	190,997	6,058	0	0	2,280,143	3,614,838
FX differences and revaluation differences not included in the profit or loss				121,361					121,361
Dividends								-2,164,393	-2,164,393
Allocations to funds		114,007			1,742			-115,749	0
Use of funds					-2,199				-2,199
Profit for the period								187,232	187,232
Balance at 31 December 2005	1,117,200	134,447	0	312,358	5,601	0	0	187,232	1,756,838
Balance at 1 January 2006	1,117,200	134,447	0	312,358	5,601	0	0	187,232	1,756,838
FX differences and revaluation differences not included in the profit or loss				-56,203					-56,203
Dividends								-176,228	-176,228
Allocations to funds		9,362			1,642			-11,004	0
Use of funds					-1,914				-1,914
Profit for the period								307,547	307,547
Balance at 31 December 2006	1,117,200	143,809	0	256,155	5,329	0	0	307,547	1,830,040

Profit and Loss Account

for the Year Ended 31 December 2006

CZK thousand	Line no.	2004	2005	2006
I. Technical account – non-life insurance				
1. Earned premium, net of reinsurance	1	8,598	7,774	19,134
a) Gross premium written	2	627,790	10,657	23,891
b) Premium ceded to reinsurers	3	173,506	0	0
c) Change in the gross balance of the reserve for unearned premium (+/-)	4	615,210	2,883	4,757
d) Change in the balance of the reserve for unearned premium, reinsurers' share (+/-)	5	169,524	0	0
2. Income from financial placements (investments) transferred from a non-technical account (item III.6.)	6	1,219	149	1,098
3. Other technical income, net of reinsurance	7	2,560	16,180	22,189
4. Costs of claims, net of reinsurance:	8	4,147	10,037	14,381
a) Costs of claims:	9	670	1,650	8,796
aa) Gross amount	10	621	1,650	8,796
ab) Reinsurers' share	11	-49	0	0
b) Change in the balance of the reserve for claims (+/-):	12	3,477	8,387	5,585
ba) Gross amount	13	6,650	8,387	5,585
bb) Reinsurers' share	14	3,173	0	0
5. Change in the balance of other technical reserves, net of reinsurance (+/-)	15	55	0	0
7. Net operating expenses:	17	2,165	14,266	20,023
a) Acquisition costs of insurance policies	18	6,459	14,241	19,809
b) Change in the balance of deferred acquisition costs (+/-)	19	-34,467	-168	-73
c) Administrative overheads	20	30,950	193	287
d) Commission from reinsurers and shares of profit	21	777	0	0
8. Other technical costs, net of reinsurance	22	20	74	155
9. Change in the balance of the equalisation reserve (+/-)	23	-33,940	0	0
10. Sub-total, result of the non-life insurance technical account (item III.1.)	24	39,930	-274	7,862

CZK thousand	Line no.	2004	2005	2006
II. TECHNICAL ACCOUNT – LIFE INSURANCE				
1. Earned premium, net of reinsurance	25	3,067,416	2,419,918	4,443,284
a) Gross premium written	26	3,265,574	2,440,340	4,403,684
b) Premium ceded to reinsurers	27	29,583	36,638	39,108
c) Change in the balance of the reserve for unearned premium, net of reinsurers' share (+/-)	28	168,575	-16,216	-78,708
2. Income from financial placements (investments):	29	15,731,655	6,776,996	2,313,655
b) Income from other financial placements (investments) with specific reference to income from controlled entities, of which:	31	589,193	500,553	523,880
bb) Income from other investments	33	589,193	500,553	523,880
d) Income from the realisation of financial placements (investments)	35	15,142,462	6,276,443	1,789,775
3. Additions to financial placements (investments)	36	131,902	124,315	136,552
4. Other technical income, net of reinsurance	37	52,566	36,993	53,455
5. Costs of claims, net of reinsurance	38	679,320	903,498	1,295,605
a) Costs of claims:	39	580,208	779,502	1,174,959
aa) Gross amount	40	582,226	791,634	1,180,083
ab) Reinsurers' share	41	640	12,132	5,124
b) Change in the balance of the reserve for claims (+/-):	42	99,112	123,996	120,646
ba) Gross amount	43	99,752	124,070	122,045
bb) Reinsurers' share	44	640	74	1,399
6. Change in the balance of other technical reserves, net of reinsurance (+/-):	45	2,028,614	1,230,914	2,734,646
a) Change in the balance of the life insurance reserve:	46	1,992,264	1,057,835	1,905,085
aa) Change in the gross balance	47	1,992,264	1,057,835	1,905,085
b) Other technical reserves, net of reinsurance	49	36,350	173,079	829,561
7. Bonuses and discounts, net of reinsurance	50	2,104	135	1,445
8. Net operating expenses:	51	560,987	592,330	585,302
a) Acquisition costs of insurance policies	52	324,850	345,631	321,793
b) Change in the balance of deferred acquisition costs (+/-)	53	-6,385	-11,468	11,939
c) Administrative overheads	54	250,952	265,982	262,657
d) Commission from reinsurers and shares of profits	55	8,430	7,815	11,087
9. Costs of financial placements (investments):	56	15,446,190	6,326,206	1,785,394
a) Costs of administering financial placements (investments), including interest	57	195,630	131,016	104,299
c) Costs attributable to the realisation of financial placements (investments)	59	15,250,560	6,195,190	1,681,095
10. Disposals of financial placements (investments)	60	67,604	78,727	138,266
11. Other technical costs, net of reinsurance	61	53,201	23,317	47,156
13. Sub-total, result of the life insurance technical account (item III.2.)	63	145,519	203,095	359,132

CZK thousand	Line no.	2004	2005	2006
III. Non-technical account				
1. Result of the non-life insurance technical account (item I.10.)	64	39,930	-274	7,862
2. Result of the life insurance technical account (item II.13.)	65	145,519	203,095	359,132
3. Income from financial placements (investments):	66	1,844,980	836,809	32,251
b) Income from other financial placements (investments) with special reference to income from controlled entities, of which: z ovládaných osob, v tom:	68	93,888	37,825	23,501
ba) Income from land and buildings (real estate)	69	15	15	15
bb) Income from other investments	70	93,873	37,810	23,486
d) Income from the realisation of financial placements (investments)	72	1,751,092	798,984	8,750
5. Costs of financial placements (investments):	74	1,743,745	799,724	6,604
a) Costs of administering financial placements (investments), including interest	75	4,820	1,829	1,664
c) Costs attributable to the realisation of financial placements (investments)	77	1,738,925	797,895	4,940
6. Income from financial placements (investments) transferred to the non-life insurance technical account (item I.2.)	78	1,219	149	1,098
7. Other income	79	3,934,586	14,105	17,598
8. Other expenses	80	1,047,197	5,471	5,510
9. Income tax on current activities	81	892,533	60,938	95,428
10. Profit or loss on current activities after taxation	82	2,280,321	187,453	308,203
15. Other taxes not reported above	87	178	221	656
16. Profit or loss for the period (item III.3.)	88	2,280,143	187,232	307,547

Notes to the Financial Statements for the Year 2006

1. GENERAL INFORMATION

1.1 Description and Principal Activities

Pojišťovna České spořitelny, a. s. (henceforth the "Company") was recorded in the Register of Companies on 1 October 1992 under Corporate ID: 47452820 (prior to 18 September 2001, the Company's name was ČS-Živnostenská pojišťovna, a. s.).

The table below summarises information about the Company's shareholders:

Name of shareholder Address Corporate ID no.	No. of shares in %	
Česká spořitelna, a. s. Olbrachtova 1929/62, Prague 4 45244782	10,660	55.2
Sparkassen Versicherung AG Wipplingerstrasse 36-38, Vienna, Austria	5,000	44.8

The Company is licensed to undertake insurance activities pursuant to the Czech Finance Ministry Resolution No. 103/68361/92 dated 16 December 1992. The Company has been carrying on its business as an insurer since 1993. In accordance with the amended Act 363/1999 Coll. on Insurance, the Finance Ministry, acting as the state supervision authority in insurance in terms of Section 42 (5) of Act 363/1999 Coll. on Insurance and Changes to Several Related Acts, as amended, has licensed the Company to undertake insurance activities, reinsurance activities and related activities.

The resolution took effect on 20 February 2002.

The scope of activities listed in the license granted by the Finance Ministry dated 20 February 2002 was recorded in the Register of Companies on 4 December 2002.

With effect from 2 January 2004, the Company has been specialising only in providing personal insurance in the scope defined in the Insurance Act 363/1999 Coll., as amended, Appendix 1 – Insurance segments and groups, Part A – life insurance segments and Part B – non-life insurance segments, Segment 1 – Accident insurance, specifically as follows:

- Capital life insurance – life insurance associated with a conservative financial investment. The main benefits include a zero risk of financial loss combined with an advantageous interest rate, which is achieved through the combination of a guaranteed interest rate and a share of the Company's income, and the optimal use of available cash without the need to make additional payments;
- Insurance with an investment fund – flexible insurance and investment programme whose key advantages include comprehensive protection against a wide range of insurance risks and the ability to accommodate changing requirements of clients in every-day situations. Another benefit of the product relates to the high appreciation of the capital value and the possibility of obtaining insurance coverage for another adult and as many as five children per policy;
- Credit life insurance – product designed to insure risks associated with the repayment of consumer and cash loans and loans to finance real estate purchases. The benefits of this insurance predominantly involve having a reputable guarantor, Pojišťovna České spořitelny, securing the loan in the event of health problems of a debtor, and, in certain case, even decreased interest rates. The loan life insurance is primarily intended for sale in combination with the loan products of the Česká spořitelna Financial Group; and
- Accident insurance.

Prior to 2 January 2004, the Company specialised in the following types of insurance:

- Industrial and commercial insurance;
- Personal property and liability insurance;
- Insurance of persons – life insurance and personal accident;
- Motor vehicle damage insurance;
- Travel insurance; and
- Insurance of liability for damage caused during the operation of a motor vehicle (henceforth 'mandatory motor third party liability insurance').

The Company's business activities also include the above listed non-life insurance segments which the Company does not actively operate, the only exception being the licence to undertake insurance activities for non-life insurance segment No. 10 set out in Section B to Act 363/1999 Coll. (mandatory motor third party liability insurance). At the request of the Company, the Finance Ministry issued resolution no. 322/304/2004 dated

6 January 2004 whereby it revoked the Company's licence to provide this insurance.

Following the registration made on 23 December 2004, the Company is allowed to provide trainings to insurance brokers and independent loss adjusters.

1.1.1 Registered Office of the Company

Pojišťovna České spořitelny, a. s.
nám. Republiky 115
530,02 Pardubice

1.1.2 Board of Directors

Set out below is the composition of the Company's Board of Directors as of 31 December 2006:

Chairman of the Board:

Petr Zapletal, residing at Ke Kurtům, Prague 4, Písnice

Vice Chairman of the Board:

Jaroslav Kulhánek, residing at Zalomená 175, Hradec Králové
11 – Roudnička

Member of the Board:

František Mareš, residing at Palackého 1932, Pardubice
– Zelené Předměstí

The dealings of Board members that are binding for the Company must take written form and must be signed by the acting member of the Board and another member of the Board who attach their signatures to the business name of the Company.

1.1.3 Supervisory Board

Set out below is the composition of the Company's Supervisory Board as recorded in the Register of Companies held at the Regional Court in Hradec Králové as of 31 December 2006:

Chairman:

Petr Bobysud, residing at Hrádecká 57, Plzeň

Vice Chairman:

Oliver Van Best, residing at Ossiacherzeile 11/24, Villach, Austria

Member:

Karel Kopecký, residing at Mladých 184, Pardubice

1.2 Summary of Significant Accounting Policies

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., and the Regulation 502/2002 Coll., which establishes the classification, identification and substance of the components of financial statements and consolidated financial statements, the guiding chart of accounts, accounting policies and their adoption, consolidation methods and procedures to be followed in including entities in the consolidated group.

The accounting books and records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis with certain exceptions as described in Note 1.2, the accruals principle, the prudence concept and the going concern assumption.

Accounting policies disclosed in this note also include a description of policies which the Company has not used since 2 January 2004 due to the sale of the non-life insurance business (as discussed in Note 4) but used in the previous period (specifically in the period to 2 January 2004).

These financial statements are presented in thousands of Czech crowns ("CZK '000"). These financial statements have been prepared as of and for the year ended 31 December 2006.

1.2.1 Financial Placements

Carrying Value

Land and buildings are carried at cost when included in the Company's assets.

In accordance with the guidance set out in the Regulation 502/2002 Coll. the Company does not depreciate land and buildings.

Securities and equity investments are carried at cost upon acquisition.

Loans, other long-term receivables and bank deposits are recorded at nominal values.

Fair Value

The Company remeasures its land and buildings to fair value on the basis of a reasonable estimate in accordance with the Accounting Act.

In addition, the Company remeasures other components of financial placements at fair value at the balance sheet date. The fair value of securities is determined as follows:

- For publicly tradable securities and equity investments, the fair value is defined as the value at which the securities and equity investments were traded on the stock exchange markets on the last day prior to the balance sheet date;
- For securities and equity investments that are traded on the RM-System or on any other financial market, the fair value is defined as the average price at which the securities and equity investments were traded on these markets on the last day prior to the balance sheet date; and
- For all other financial placements, the fair value is determined based upon a reasonable estimate of their probable realisable (selling) value.

If the fair value of certain components of financial placements established as outlined above is different from the carrying value, the Company remeasures the financial placement components as follows:

- Gains or losses arising from the fair value remeasurement of non-current financial placement (that is, securities held to maturity and land and buildings) are recognised as a value increase or decrease through 'Other capital funds' as equal to the difference between the fair value and the carrying value adjusted to reflect a deferred tax asset/liability with a corresponding entry to the relevant accounts of financial placements and an account of deferred tax liability or deferred tax asset. When realised, the remeasurement is credited to the 'Increase in the Balance of Financial Placements' account or debited to the 'Decrease in the Balance of Financial Placements' account with an impact on the profit or loss for the period; and
- Gains or losses arising from the fair value remeasurement of current financial placement (that is, other financial placements not stated above) are recognised as a value increase

or decrease through 'Increase or Decrease in the Balance of Financial Placements' with an impact on the profit or loss for the period.

1.2.2 Tangible and Intangible Assets

Tangible and intangible assets are stated at cost.

Tangible assets, costing less than CZK 40 thousand and intangible assets costing less than CZK 60 thousand, are expensed in the year of acquisition. Tangible assets acquired prior to 1 January 1998 are recorded in the tangible asset register if they cost greater than CZK 20 thousand.

Annual depreciation and amortisation rates for accounting purposes are based on the estimated useful lives of tangible and intangible fixed assets. Depreciation and amortisation is provided on a monthly basis.

Accounting depreciation plans for individual categories of assets are as follows:

Table 2

Assets	Method	Depreciation period in years
	not depreciated	
Industrial and similar rights	depreciated	–
Software	straight line	4
Movable assets – cars	straight line	4
Movable assets – computers	straight line	3
Movable assets – office equipment	straight line	4
Movable assets – furniture and fixtures	straight line	8

Tax depreciation pursuant to the Income Taxes Act is recorded on a straight line basis.

1.2.3 Inventory

Inventory is stated at cost. The cost includes the cost of acquisition, freight charges and other expenses directly attributable to the acquisition.

1.2.4 Cash and Vouchers

Cash and vouchers are recorded at nominal values.

1.2.5 Foreign Currency Translation

Transactions conducted during the year are translated using the CNB exchange rate prevailing as of the transaction date.

At the balance sheet date (that is, as of 31 December 2006), assets and liabilities denominated in a foreign currency (the only exception being securities, which are a component of financial placements, acquired in a foreign currency) are translated at the exchange rate notified by the CNB as of that date. In translating foreign currencies that are not included in the exchange rates published by the CNB, the Company uses official mid-rates of central banks and/or current rates in the interbank market, to USD or EUR.

With respect to assets and liabilities measured at fair value (that is, specifically securities that are reported as a component of financial placements), foreign exchange rate differences are included in this value and are not accounted for separately.

Foreign currency translation gains and losses at the balance sheet date are brought onto the profit and loss account as follows:

- a) Foreign currency translation gains and losses arising from the re-translation of assets and liabilities, the exception being financial placements, are credited to other technical income or debited to overhead technical expenses; and
- b) Foreign currency translation gains and losses arising from the revaluation of financial placements are credited to income from financial placements or debited to costs of financial placements as appropriate.

1.2.6 Provisioning

Provisioning requirements in respect of the amounts due from clients are established by reference to the aging analysis of receivables. Receivables, that are past due by greater than two months, are provisioned at 5 percent, past due greater than three months at 20 percent, past due greater than six months at 50 percent and past due by greater than 12 months at 100 percent. Amounts due from entities that are placed into bankruptcy or settlement proceedings are provisioned in full, irrespective of the age of the debt.

The Company charges provisions against other assets if the inventory count highlights that there is a temporary impairment in the carrying value.

1.2.7 Written Premiums

Gross written premiums include all premium amounts stated in insurance policies, regardless of whether these amounts relate partly or wholly to the following accounting periods.

1.2.8 Costs of Insurance Claims

Costs of insurance claims also include 'indirect costs' defined as the costs incurred by the insurer in processing claims. Costs of insurance claims are reduced by claims of recourse or other similar entitlements of the Company. Insurance claims are recorded when the amount of the claim is determined/recognised. Indirect costs are recognised on an accruals basis in the period to which they relate, the latest period being the period in which they were determined.

1.2.9 Reserve for Unearned Premiums

The reserve for unearned premiums consists of a portion of written premiums that relates to following accounting periods. The balance of the reserve is shown as the sum of reserves calculated for each individual insurance policy using the 'pro rata temporis' method.

1.2.10 Life Insurance Reserve

The life insurance reserve is created as a sum of reserves calculated under individual life insurance policies.

The life insurance reserve represents the amount of the Company's payables, calculated by actuarial methods including the awarded and declared profit shares (share of premium surpluses) and reserves for costs connected with policy management, net of the value of future premiums.

In accordance with the conditions of the licence to provide insurance services, reinsurance services and related services, the Company recognises a zillmerised reserve on the basis that the negative values of the reserves are substituted with zero. Taking into account the expected cancellation of insurance policies, the resulting amount of 'nullification of negative values of reserves' is capitalised as deferred acquisition costs of life insurance policies.

1.2.11 IBNR and RBNS Reserves

Reserves for insurance claims under life and non-life insurance policies are as follows:

- a) Reserves for insurance claims reported but not settled during the year ('RBNS reserves'); and
- b) Reserves for insurance claims incurred but not reported during the year ('IBNR reserves').

The RBNS reserve is calculated as equal to the sum of reserves established in respect of individual insured events. The reserve is also recorded for all estimated costs involved in processing claims. The RBNS reserve also comprises reserves established in respect of legal disputes where the Company acts as a defendant.

Reserves for all claims that were incurred prior to the year-end but were not reported to the Company are determined using the chain-ladder method.

1.2.12 Reserve for Bonuses and Discounts

The reserve for bonuses and discounts is recorded in compliance with generally accepted insurance practice.

1.2.13 Equalisation Reserve

The equalisation reserve is created from a portion of premiums in respect of individual types of non-life insurance and is designed to offset year-on-year fluctuations in loss ratio. The equalisation reserve is also established to cover estimated costs incurred in processing claims.

In the context of the sale of the non-life insurance business as of 2 January 2004, the equalisation reserve relating to the transferred portfolio was transferred to the buyer. In the scope of the activity defined in the Insurance Act 363/1999 Coll., as amended, Appendix 1 – Insurance segments and groups, Part B – non-life insurance segments, Segment 1 – Accident insurance, the Company was not obliged to create an equalisation reserve at the current balance sheet date (that is, 31 December 2006).

1.2.14 Reserve for the Fulfilment of Liabilities from the Used Technical Interest Rate

A reserve for the fulfilment of liabilities from the used technical interest rate pursuant to Section 13 (2) lit. f) of the Insurance Act, as set out in Section 18a of the Insurance Act is created when it is noted that the current or anticipated yield on the Company's assets will not be sufficient to settle the Company's liabilities arising from the used technical interest

rate in respect of insurance policies sold by the Company in the past. The calculation of the adequacy of technical reserves of life insurance is carried out in compliance with Expert Guideline No. 3 of the Czech Society of Actuaries.

1.2.15 Other Technical Reserve

Other technical reserves in terms of Section 13 (2) (h) and Section 3 (g) of the Insurance Act 363/1999 Coll., as amended, were not created at the current balance sheet date, that is, 31 December 2006.

1.2.16 Allocation of Income and Costs between the Technical Accounts and Non-Technical Account

Income from Financial Placements

Income from financial placements that is directly related to life insurance activities is recorded through the life insurance technical account.

Other income from financial placements is recorded through the non-technical account during the year. Income arising from financial placements of non-life insurance technical reserves is subsequently reallocated from the non-technical account to the non-life insurance technical account.

Expenses and Revenues

Clearly identifiable expenses and revenues are recorded directly through the technical accounts during the year. Expenses and revenues that are not clearly identifiable are primarily posted to the non-technical account and subsequently reallocated between the technical and non-technical accounts in accordance with the treatment outlined in Section (42) (2) of Insurance Act 363/1999, by the Insurance and Retirement Benefit Programme Supervision Office of the Czech Finance Ministry, under reference number 322/90877/2000. This treatment does not apply to taxes and fees, costs of non-life insurance financial placements and other expenses not related to insurance and reinsurance.

The Company principally uses the proportion of written premiums and written insurance claims for individual insurance segments to the aggregate written premiums and aggregate written insurance claims as a basis for allocating expenses and revenues between life and non-life insurance.

1.2.17 Deferred Acquisition Costs of Insurance Policies

Pursuant to Section 30 of Regulation 502/2002 Coll., acquisition costs of insurance policies are recorded as deferred expenses. This treatment involves debiting the costs related to future periods to the account 'Deferred acquisition costs of insurance policies'. The balance of deferred acquisition costs of insurance policies is debited to the account 'Acquisition costs of insurance policies' and credited to the account 'Deferred acquisition costs of insurance policies' at the beginning of the accounting period in respect of life insurance policies, and at the accounting period-end in respect of non-life insurance policies.

Acquisition costs of non-life insurance policies are deferred in the same proportion as written premiums, that is, depending on the proportion of the gross reserve for unearned premiums to written premiums for the relevant accounting period.

Acquisition costs of life insurance policies are deferred through the life insurance reserve. Taking into account the

expected cancellation of insurance policies, the negative balance of this technical reserve is recorded in the account 'Deferred acquisition costs of insurance policies' according to the principle of prudence.

1.2.18 Deferred Taxation

The Company calculates deferred income tax balances taking into account all temporary differences arising between accounting and tax values of assets and liabilities and the balance of the unutilised tax losses carried forward using the income tax rate effective for the following year. The change in the deferred income tax balance was recorded as income or expense as appropriate, the only exception being the portion of deferred taxation that relates to the remeasurement of financial placements which was charged against equity accounts.

1.2.19 Changes in Accounting Policies or Accounting Estimates

No significant changes occurred during the reporting period.

2. SPECIAL INFORMATION

2.1 Non-Life Insurance

The following table shows an analysis of non-life insurance for the periods from 2004 through 2006:

Table 3

Direct insurance CZK thousand	Year	Gross premiums written	Gross premiums earned	Gross costs of claims	Gross operating expenses
	2006	23,891	19,134	14,381	20,023
	2005	10,657	7,774	10,031	14,266
Total non-life insurance	2004	627,790	12,580	6,804	2,943
	2006	0	0	0	0
	2005	0	0	0	0
Fire and other damage to property (natural disaster and theft)	2004	156,200	3,754	2,837	732
	2006	0	0	0	0
	2005	0	0	0	0
Auto accident	2004	106,839	2,036	1,247	501
	2006	0	0	0	0
	2005	0	0	0	0
Mandatory motor third party liability insurance	2004	320,161	1,589	626	1,501
	2006	0	0	0	0
	2005	0	0	0	0
Liability	2004	26,972	836	394	126
	2006	23,891	19,134	14,381	20,023
	2005	10,657	7,774	10,031	14,266
Other (including non-life accident)	2004	17,618	4,365	1,700	83

All the figures in Table 3 for the years ended 31 December 2006 and 2005 (except for gross operating expenses) only refer to accident insurance, which is still provided by the Company after the sale of the non-life insurance business. Gross operating expenses include the costs of agent commissions arising from the cooperation agreement for the sale of Kooperativa, pojišťovna, a. s. non-life insurance products through the Česká spořitelna, a. s. branches amounting to CZK 19,139 thousand (2005: CZK 13,774 thousand). Compared to the year ended 31 December 2005, there was a slight increase in all monitored indicators due to higher sales of accident insurance. There was a decrease in all monitored indicators between the years ended 31 December 2005 and 2004 due to the sale of the non-life insurance business (refer to Note 4). Given that the effective date of the sale is 2 January 2004, the Company only accounted for non-life insurance accounting transactions related to 1 January 2004 (the only exception being accident insurance which the Company provided throughout 2004). In accordance with the Company's accounting policies, all the written premiums for which the insurance period began on 1 January 2004 were accounted for. The recorded written premiums were accrued through the recognition of the reserve for unearned premiums.

CZK thousand	2006	2005	2004
Reinsurance balance of non-life insurance	0	0	-82

The accident insurance was not assigned to the reinsurer in the year ended

31 December 2006. The reinsurance balance represents the relationship between the Company and the reinsurer. Positive values are indicative of profits being made by the Company; negative values involve a loss being incurred by the Company.

2.2 Life Insurance

The following table shows an analysis of gross written life premiums:

Table 4

Item CZK thousand	Balance at 31 December 2006	Balance at 31 December 2005	Balance at 31 December 2004
Total gross premiums written	4,403,684	2,440,340	3,265,574
of which: individual premiums	4,393,053	2,427,200	3,256,848
premiums under group policies	10,631	13,140	8,727
of which: current premiums	1,467,740	1,424,289	1,191,601
single paid premiums	2,935,944	1,016,051	2,073,974
of which: premiums from policies without profit sharing arrangements	310,026	246,174	360,123
premiums from policies with profit sharing arrangements	3,182,757	2,046,683	2,905,436
premiums from policies where the policyholder bears the investment risk	910,901	147,483	15
Total reinsurance balance	-20,661	-13,576	-14,599

In the year ended 31 December 2006, after a temporary slow-down of the sale of single-premium life insurance products in the ČS network in 2005, an increase in the business through this main distribution channel was achieved as a result of organisational changes in the support and management of this channel and a higher level of interconnection of the Bank's and the Company's products aimed at higher quality of financial services for clients. The network of external brokers as the main distribution channel of standard life insurance products remained stable and dynamic in 2006.

2.3 Aggregate Amount of Gross Written Premium by Country

All insurance policies have been entered into in the Czech Republic.

2.4 Summary of Commissions Paid

The following table shows the aggregate direct insurance commissions, specifically commissions paid in acquiring, renewing, collecting and managing the insurance portfolio:

Table 5

Insurance class CZK thousand	Year	First year commission		Following years commission		Total
		Internal	External	Internal	External	
Non-life insurance	2006	0	677	0	56	733
	2005	0	470	0	10	480
	2004	0	6,533	-1	31,347	37,879
Life insurance	2006	0	235,729	0	52,978	288,707
	2005	0	272,240	0	41,345	313,585
	2004	0	259,068	0	32,686	291,754
Total	2006	0	236,406	0	53,034	289,440
	2005	0	272,710	0	41,355	314,065
	2004	0	265,601	-1	64,033	329,633

The continuous growth in the following years commissions reflects the growing insurance portfolio and client portfolio for whose management and development they are paid. An unequal development in the first year commissions is caused by the sales structure, i. e. single-premium and standard and the difference in their commission charges. While in the year ended 31 December 2005, there was an increase in the volume of paid commissions due to a significant increase in new contracts for standard insurance, in the year ended

31 December 2006, the volume of commissions was lower than in 2005 due to a lower number of new contracts for standard insurance despite a significant increase in the single-paid premiums compared to 2005.

3. OTHER INFORMATION

3.1 Intangible Assets

Intangible assets of the Company are composed of the following balances:

Table 6

CZK thousand	Net book value as of 31 December		
	2006	2005	2004
Industrial and similar rights	295	295	295
Software	39,789	40,210	44,708
Total	40,084	40,505	45,003

3.2 Financial Placements

3.2.1 Fair Values of Equity Investments

As was the case in previous periods, the Company carries no equity investments in any businesses.

3.2.2 Fair Values of Other Financial Placements

Set out below is a summary of financial placements at carrying values (representing also the fair value for all the reporting periods):

Table 7

CZK thousand	Carrying value at 31 December		
	2006	2005	2004
Land and buildings	43,500	48,440	48,543
Fixed income securities	12,741 290	10,254,739	12,138,792
Variable yield securities	1,167,252	839,922	493,946
Deposits	572,892	1,168,896	1,149,008
Sub-total	14,524,934	12,311,997	13,830,289
Securities if the policyholder is the bearer of investment risk	957,774	144,895	4
Total financial placements	15,482,708	12,456,892	13,830,293

As of 31 December 2006, the Company owned one building located at Zelené Předměstí 115, Pardubice (plot of land 2636/1) and plot of land 1065. In November 2006, a building located at Zelené Předměstí 547, Pardubice (plot of land 1065) and plot of land 2636/1 was sold. As of 31 December 2005, the fair and market values of the building and plot of land were both CZK 4,940 thousand.

Set out below is a summary of securities and deposits (by individual currencies) held by the Company:

Table 8

Currency CZK thousand	Variable yield securities			Fixed income securities			Deposits			Securities if the policyholder is the bearer of investment risk		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
CZK	457,527	281,858	221,357	12,361,556	10,254,739	12,138,792	506,400	986,031	998,500	957,774	144,895	4
EUR	183,339	134,768	111,739	283,075	0	0	52,240	89,915	140,444	0	0	0
GBP	29,452	15,576	10,787	0	0	0	0	0	0	0	0	0
CHF	0	0	6,444	0	0	0	0	0	0	0	0	0
USD	469,061	348,473	120,936	21,519	0	0	0	0	10,064	0	0	0
HUF	24,622	59,247	19,595	0	0	0	0	0	0	0	0	0
PLN	3,251	0	3,088	75,140	0	0	0	0	0	0	0	0
SKK	0	0	0	0	0	0	0	92,950	0	0	0	0
TRY	0	0	0	0	0	0	14,252		0	0	0	0
Total	1,167,252	839,922	493,946	12,741,290	10,254,739	12,138,792	572,892	1,168,896	1,149,008	957,774	144,895	4

The structure of the financial placement portfolio is selected to meet the Company's liability structure and the requirements of long-term stable appreciation of financial placement which stems from technical reserves. The increase in the total volume is in line with the increase in the insurance portfolio and the client portfolio. Variable yield securities also reflect investments in eight mutual funds and totalled CZK 456,523 thousand, of which the CZK-denominated were CZK 361,153 thousand, the EUR-denominated amounted to CZK 24,900 thousand and the USD-denominated amounted to CZK 70,470 thousand; two of the eight totalling CZK 122,049 thousand are used for the purposes of the FLEXI INVEST investment life insurance (as of 31 December 2005, there were six mutual funds totalling CZK 270,281 thousand, issued in CZK, two of which were used for the purposes of the FLEXI INVEST investment life insurance and totalled CZK 72,718 thousand).

3.3 Receivables

Provisions were primarily made against amounts due from policyholders and brokers. These provisioning charges were recognised regularly during the reporting period reflecting the current balances of receivables. During the year-end closure period, the Company assessed the risk of non-collectability of the receivables and recorded an appropriate provision.

Set out below is an analysis of the provisions against receivables:

Table 9

CZK thousand	31 Dec 2006	31 Dec 2005	31 Dec 2004
Total gross receivables (including prepayments made)	131,950	124,571	55,603
Provisions against receivables	28,752	19,020	19,852
Total net receivables (including prepayments made)	103,198	105,551	35,751

Set out below is an aging analysis of the receivables from direct insurance:

Table 10

Product	Before maturity at		Within 3 months		Within 6 months		Within 12 month		Past due at 31 December		Total receivables	
CZK thousand	31 December								Past due greater than 12 months			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
FZ (Flexi)	1,515	2,125	2,814	3,984	2,372	2,579	4,980	3,592	18,193	15,328	29,874	27,608
SD (Death, life annuity)	5,052	1,724	13,719	11,179	2,549	2,792	497	181	519	227	22,336	16,103
SV (wedding)	0	1	916	1,097	147	237	2	1	0	0	1,065	1,336
ZU (life personal accident)	717	519	4,440	4,413	793	836	103	55	102	70	6,155	5,893
U (non-life personal accident)	58	57	1,071	502	48	33	54	10	28	6	1,259	608
UL (unit linked)	55	18	73	37	68	9	44	1	36	0	276	65
Total	7,397	4,444	23,033	21,212	5,977	6,486	5,680	3,840	18,878	15,631	60,965	51,613

Other receivables primarily comprise corporate income tax prepayments of CZK 62,903 thousand as of 31 December 2006.

3.4 Other Assets and Temporary Assets

3.4.1 Deferred Acquisition Costs of Insurance Policies

The balance of deferred acquisition costs of insurance policies determined as outlined in Note 1.2.17 is set out below:

Table 11

CZK thousand	31 Dec 2006	31 Dec 2005	31 Dec 2004
Non-life insurance	241	168	0
Life insurance	62,075	74,014	62,546
Total	62,316	74,182	62,546

3.4.2 Other Temporary Assets

As of 31 December 2006, the balance of temporary assets was CZK 28,023 thousand (2005: CZK 10,911 thousand). This consists of deferred expenses (principally deferrals for paid commissions) and estimated receivables (principally profit commissions from the reinsurance company, written premiums relating to the year ended 31 December 2006 but not recognised until that date).

3.5 Amounts Owed to and Due from the Česká spořitelna Group Entities

Set out below is an analysis of amounts owed to and due from the Česká spořitelna Group Companies:

Table 12

Amounts due from:	Balance at 31 December		
CZK thousand	2006	2005	2004
Česká spořitelna, a. s.	1,053,893	981,143	1,203,933
Leasing České spořitelny, a. s.	0	0	0
Penzijní fond České spořitelny, a. s.	90	0	166
Stavební spořitelna České spořitelny, a. s.	99	0	0
Amounts owed to and temporary liabilities to:			
Česká spořitelna, a. s.	35,966	25,911	37,884
Leasing České spořitelny, a. s.	0	0	46
Informatika České spořitelny, a. s.	2,648	75	15

The amounts of CZK 1,053,893 thousand (2005: CZK 981,143 thousand) due from Česká spořitelna, a. s. principally comprise current account deposits and term placements of CZK 565,020 thousand (2005: CZK 555,910 thousand) and mortgage bonds of CZK 20,552 thousand (2005: CZK 20,692 thousand) and debt securities of CZK 466,900 thousand (2005: CZK 403,794 thousand).

3.6 Share Capital and Capital Funds

3.6.1 Share Capital

Set out below is an analysis of the Company's share capital:

Table 13

Balance at: CZK thousand	Total number of issued shares	Number of shares by class	Form of shares	Nominal value per share in CZK	Share capital	Total
		8,160	book-entry	45,000	367,200	1,117,200
31 Dec 2006	15,660	7,500	book-entry	100,000	750,000	
		8,160	book-entry	45,000	367,200	1,117,200
31 Dec 2005	15,660	7,500	book-entry	100,000	750,000	
		8,160	book-entry	45,000	367,200	1,117,200
31 Dec 2004	15,660	7,500	book-entry	100,000	750,000	

The share capital has been paid up.

During the year ended 31 December 2006, no changes were made to the Company's share capital balance.

3.6.2 Capital Funds

As of 31 December 2006, capital funds included gains and losses arising from the revaluation of assets and liabilities amounting to CZK 256,155 thousand (2005: CZK 312,358 thousand).

3.6.3 Funds from Net Profit

As of 31 December 2006, the Company reported the balance of the statutory reserve fund created from the net profit of CZK 143,809 thousand (2005: CZK 134,447 thousand) and the social fund balance of CZK 5,329 thousand (2005: CZK 5,601 thousand).

3.6.4 Allocation of Profit for the Year Ended 31 December 2005

In the years ended 31 December 2006, 2005 and 2004, the Company made profit allocations to the statutory reserves fund and the social fund and the remaining profit balance was paid out to the shareholders as dividends according to their proportion of the Company's share capital.

3.7 Technical Reserves

3.7.1 Life Insurance Reserve

In calculating the balance of the life insurance technical reserve, the Company uses the zillmerisation method in accordance with the conditions of the licence to provide insurance services, reinsurance services and related services. The results of this treatment, together with the limitations set out in Section 18 (3) of the Insurance Act 363/1999 Coll., which states that negative values of insurance reserves in respect of individual life insurance products arising as a result of the use of the actuarial method will be replaced with zero, are summarised as follows:

Table 14

CZK thousand	31 Dec 2006	31 Dec 2005	31 Dec 2004
Unzillmerised reserve	4,970,870	4,462,912	4,056,761
Zillmerisation deduction	19,761	22,944	14,223
Nullification of negative reserves	26	44	133
Balanced zillmerised reserve for life insurance	4,951,135	4,440,012	4,042,671
Reserve for life insurance – flexi	6,259,978	4,919,058	4,351,833
Reserve for life insurance – profit share commitments	184,388	132,216	39,962
Reserve for life insurance – pensions	10,001	10,252	10,501
Reserve for life insurance – exemption from payment	19,021	17,900	16,636
Sub-total	11,424,523	9,519,438	8,461,603
Reserve for life insurance if the policyholder is the bearer of investment risk – Unit Linked	957,774	144,895	4
Total technical reserves	12,382,297	9,664,333	8,461,607

3.7.2 RBNS and IBNR Reserves

The difference between the RBNS reserve and the IBNR reserve as of 1 January, the sum of payments relating to insurance claims covered by these reserves and the balance of these reserves as of 31 December represents the result of the claims adjustment. Set out below is a calculation of this result:

Table 15

CZK thousand	2006	2005	2004
Insurance claim reserves at 1 January	459,301	326,844	224,383
Payments effected during the year in respect of insurance claims for the past years	159,630	130,679	86,492
The RBNS and IBNR reserve at 31 December related to insurance claims for the past years	222,207	167,709	103,585
The result of the insurance claims adjustment for the past years	77,464	28,456	34,306

The result of the insurance claims adjustment is impacted by the level of claims paid in respect of prior years' damage, revised estimates of damage impacting the balance of the RBNS reserve for prior years' damage, the change in the IBNR reserve maintained

for prior years' damage and 'indirect costs' involved in processing claims. 'Indirect costs' involved in processing insurance claims are reflected in the balances of the RBNS as well as IBNR reserves but are not included in paid claims.

The year-on-year change in all the figures presented in Table 15 is due to the increase in the insurance portfolio and, specifically, risk insurance products, which result in greater IBNR reserving requirements. The figures reflect the developments in the insurance portfolio and client portfolio structure.

3.7.3 Reserve for the Fulfilment of Liabilities from the Used Technical Interest Rate

The reserve for the fulfilment of liabilities arising from the used technical interest rate has been recognised to cover the anticipated insufficient yield on the Company's assets amounting to CZK 223,010 thousand as required under Section 13 (2) (f) of the Insurance Act, as amended, in accordance with the wording of Section 18a of the Insurance Act, as stipulated in Expert Guideline No. 3 of the Czech Society of Actuaries. The balance of this technical reserve was CZK 206,636 thousand as of 31 December 2005.

3.7.4 Equalisation Reserve

In accordance with the ruling wording of the Regulation 303/2004 Coll., the Company did not create any equalisation reserve as of 31 December 2006 and 2005.

3.8 Payables

3.8.1 Payables Arising from Direct Insurance

Payables resulting from direct insurance primarily consist of payables to policyholders arising from payments the Company received in its accounts before the insured period and payables to mediators arising from commissions.

Set out below is a summary of payables arising from direct insurance:

Table 16

Item CZK thousand	Balance at 31 December		
	2006	2005	2004
Policyholders	155,463	43,230	21,866
Mediators	28,877	29,106	34,511
Total	184,340	72,336	56,377

3.8.2 Payables and Receivables from Passive Reinsurance

Set out below is a summary of payables and receivables from passive reinsurance:

Table 17

Item CZK thousand	Balance at 31 December		
	2006	2005	2004
Receivables from passive reinsurance	752	7,640	402
Payables from passive reinsurance	10,875	21,009	23,903
Balance (+ receivable, – payable)	–10,123	–13,369	–23,501

3.8.3 Other Payables

Other payables primarily consist of a deferred tax liability.

3.8.4 Temporary Liabilities

The balance of temporary liabilities of CZK 76,591 thousand (2005: CZK 45,454 thousand) primarily consists of estimated outstanding staff costs for the year ended 31 December 2006, costs of unbilled services, costs of unbilled rent-related services and costs of unpaid external commissions.

3.9 Additional Information on the Profit and Loss Account

3.9.1 Premium Bonuses and Discounts

The Company provided the following premium bonuses and discounts pursuant to insurance conditions and terms and insurance policies. These bonuses and discounts are summarised as follows:

Table 18

CZK thousand	2006			2005		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Total provided bonuses and discounts	1,445	0	1,445	135	0	135
of which: Life insurance	1,445	0	1,445	135	0	135
Non-life insurance	0	0	0	0	0	0
Change in total reserves for bonuses and discounts	307	0	307	813	0	813
of which: Life insurance	307	0	307	813	0	813
Non-life insurance	0	0	0	0	0	0
Total bonuses and discounts	1,752	0	1,752	948	0	948
of which: Life insurance	1,752	0	1,752	948	0	948
Non-life insurance	0	0	0	0	0	0

3.9.2 Administrative Expenses

The substance of the accounts 'Administrative Expenses' is established by the Company's Internal Regulation. Administrative expenses principally include costs involved in collecting premiums and managing insurance policies. The following table provides a summary overview of the expenses:

Table 19

Item	Year ended 31 December		
	2006	2005	2004
CZK thousand			
Staff costs of employees that negotiate or manage insurance policies and that are allocated to departments of individual insurance products. Total expenses include social security and health insurance costs.	73,546	70,452	64,364
Following years commissions	53,034	41,355	64,033
Travel expenses	381	283	182
Depreciation and costs of repair and maintenance of tangible assets	18,349	18,401	16,572
Fuel consumption	548	519	439
Costs of services of a material and non-material nature	72,404	77,933	75,194
Rent for non-residential premises	2,729	3,460	3,509
Services related to rental of non-residential premises	2,251	2,044	1,650
Costs of consumed low value tangible and intangible assets and other materials	5,507	4,900	6,031
Other costs included in administrative overheads	34,196	46,828	49,928
Total	262,944	266,175	281,902

3.9.3 Staff and Management

Set out below is a summary of staff costs and staff structure:

Table 20

Staff costs by type CZK thousand	Year	Staff category			Total
		Acquisition, sales	Claims settlement	Administration	
Payroll costs	2006	20,450	4,133	54,426	79,009
	2005	13,158	3,868	52,271	69,297
	2004	10,272	4,302	48,257	62,831
Social security	2006	5,328	1,061	14,215	20,604
	2005	3,387	986	13,505	17,878
	2004	2,658	981	12,617	16,256
Health insurance	2006	1,844	381	4,904	7,129
	2005	1,172	341	4,676	6,189
	2004	913	346	4,350	5,609
Company meals contribution	2006	246	94	650	990
	2005	199	91	777	1,067
	2004	175	92	692	959
Total staff costs	2006	27,868	5,669	74,195	107,732
	2005	17,916	5,286	71,229	94,431
	2004	14,018	5,721	65,916	85,655
Average headcount	2006	34	13	90	137
	2005	26	12	103	141
	2004	26	14	104	144

3.9.4 Remuneration to Members of Statutory, Management and Supervisory Bodies

The members of the Company's Board of Directors are employees of the Company and act in the capacity as either Deputy CEOs or the CEO of the Company.

The members of the Board of Directors and Supervisory Board have received no remuneration since 2001.

The Company made no prepayments or loans to the members of the Board of Directors or Supervisory Board nor did the Company provide any retirement benefits.

3.9.5 Allocation of Costs between Technical and Non-Technical Accounts

The aggregate amount of expenses that were allocated between the technical account of life insurance, non-life insurance and the non-technical account on the basis of the methodology discussed in Note 1.2.16 amounted to CZK 38,849 thousand at the balance sheet date (2005: CZK 44,743 thousand, 2004: CZK 51,415 thousand).

3.9.6 Non-Technical Account Result

The non-technical account result was CZK (59,447) thousand for the year ended 31 December 2006 (2005: CZK (15,589) thousand, 2004: CZK 2,094,694 thousand). The non-technical account result for 2004 included the result of the sale of the non-life insurance business of the Company. Refer to Note 4.

3.9.7 Profit or Loss before Taxation

The Company generated a pre-tax profit of CZK 402,975 thousand for the year ended 31 December 2006 (the net profit was adjusted to reflect a due and deferred income tax liability). The Company generated a pre-tax profit of CZK 250,663 thousand and CZK 3,172,676 thousand for the years ended 31 December 2005 and 2004, respectively. The pre-tax profit for 2004 included the result of the sale of the non-life insurance business of the Company. Refer to Note 4.

3.9.8 Taxation

For the year ended 31 December 2006, the Company calculated its corporate income tax base at CZK 397,804 thousand. Given the deduction of tax-deductible gifts of CZK 15 thousand under Section 20 (8) of the Income Taxes Act 586/1992 Coll. and the release of the reserve for the income tax of CZK (3,527) thousand for the year ended 31 December 2005 and an additional tax payment of CZK 1,738 thousand for the year ended 31 December 2004, the Company incurred a tax liability of CZK 95,469 thousand for the year ended 31 December 2006. In addition, the Company reported a tax payable of CZK 1,699 thousand pursuant to Section 20b) of the Income Taxes Act. The aggregate tax liability is CZK 97,168 thousand for the year ended 31 December 2006.

The balance of the deferred tax liability is reported as a component of other liabilities (balance sheet line 83). Set out below is the structure of deferred income tax balances:

Table 21

Deferred income tax arising from CZK thousand	Balance at 31 December		
	2006	2005	2004
Reserves and provisions	600	864	1,170
Depreciation of fixed assets	(5,524)	(4,975)	(2,585)
Other temporary differences	2,131	1,367	1,165
Total temporary differences	(2,793)	(2,744)	(250)
Unutilised tax losses brought forward	0	0	0
Deferred tax asset (liability) from temporary differences impacting profit or loss	(2,793)	(2,744)	(250)
Portfolio held to maturity and real estate	(80,891)	(98,640)	(67,060)
Deferred tax asset/(liability) after including temporary differences not impacting profit or loss	(83,684)	(101,384)	(67,310)

The deferred income tax charge of CZK 49,000 for the year ended 31 December 2006 principally involves the offset of the increase in the deferred tax liability arising from the difference between accounting and tax depreciation of fixed assets and non-tax deductible provisions of CZK 813 thousand against the increase in the deferred tax asset arising from other temporary differences of CZK 764 thousand.

4. OTHER SIGNIFICANT MATTERS

No significant events occurred in the years ended 31 December 2006 and 2005.

In the year ended 31 December 2004, the Company sold its non-life insurance business and discontinued its activities in the non-life segment (with the exception of personal accident insurance).

The non-life insurance business was established as a part of business which formed one separate and readily transferable organisational unit. In organisational terms, the process involved assets, liabilities and staff of all seven regional branches, the non-life insurance department of the Company's Head Office and selected staff of other specialist departments of the Head Office responsible for areas which were largely transferred as part of the sold business as of 1 January 2004 (inclusive). In terms of the Company's activities and operations, the process involved assets and liabilities associated with all non-life insurance policies (defined under applicable legislation) with the date of inception of validity or effectiveness up to 1 January 2004 (inclusive).

The Contract for the Sale of Part of the Insurance Business to Kooperativa, pojišťovna, a.s., registered at Prague 1, Templová 747, 110,01, Corporate ID 47116617, including part of the portfolio became legally valid on the day it was signed by both parties to the Contract, that is, on 6 November 2003.

The effectiveness of the Contract was conditioned upon the fulfilment of two suspensory conditions or the waiver of those suspensory conditions. The first suspensory condition involving the legal effectiveness of the approval granted by the Antimonopoly Office was fulfilled on 7 November 2003, and the second condition involving the legal effectiveness of the approval granted by the Finance Ministry was fulfilled on 2 January 2004. Following the legal effectiveness of the approval of the Finance Ministry, the Contract for the Sale of Part of the Insurance Business took legal effect.

The parties to the Contract for the Sale of Part of the Insurance Business of 6 November 2003 agreed and confirmed the fulfilment of the conditions arising therefrom through the Agreement on the Final Determination of the Purchase Price for the Contract for the Sale of Part of the Insurance Business of 6 November 2003 which the parties signed on 16 June 2004. Following the signing of this agreement, the transaction was settled.

Set out below is the aggregate impact of the sale of non-life business on the profit as of 31 December 2004 (in CZK thousand):

Income from the sale (selling value of the non-life business):	3,930 329
Carrying value of the sold non-life business (balancing item at 2 January 2004):	-862,253
Other expenses attributable to the sale of the business:	-161,140
Profit on the sale of the business (before taxation):	2,906,936

5. OFF BALANCE SHEET COMMITMENTS

The Company presently acts as a defendant in lawsuits with potential damages (following an assessment of the status and probable outcome of the lawsuits) amounting to CZK 680 thousand. Contingent liabilities arising from these disputes are estimated at CZK 720 thousand. The Company has established the RBNS reserve in respect of these contingent liabilities.

The Company is not aware of the existence of any other contingent liabilities or off balance sheet commitments.

6. SIGNIFICANT POST BALANCE SHEET EVENTS

No significant events occurred between the balance sheet date and the date of the issuance of the financial statements.

Report on Relations

in accordance with § 66a sect. 9 of the Commercial Code
for the 2006 accounting period

The company Pojišťovna České spořitelny, a.s., located in Pardubice, nám. Republiky 115, zip code 530 02, reg.No.: 47452820, entered in the Register of Companies kept at the Regional Court in Hradec Králové, file B item 855 (hereinafter only "submitter") is a part of a bussines grouping (group of companies), where the following relations between the submitter and controlling persons exist and further between the submitter and persons controlled by the same controlling persons (hereinafter only "related persons").

This Report on Relations between persons mentioned below was elaborated in accordance with Section 66a Paragraph 9 of Act No. 513/1991 Coll., the Commercial Code, in its valid wording, for the accounting period January 1st, 2006 to December 31, 2006 (hereinafter only "accounting period"). Between the submitter and persons mentioned below, the following contracts were concluded and the following legal acts and other actual measures were accepted or taken:

A. OVERVIEW / CHART OF THE WHOLE GROUP OF COMPANIES, RESP. PERSONS, THE RELATIONS OF WHICH ARE BEING DESCRIBED

Česká spořitelna, a. s.	
brokerjet České spořitelny	Leasing České spořitelny
Consulting České spořitelny	Penzijní fond České spořitelny
Erste Corporate Finance	Pojišťovna České spořitelny
Factoring České spořitelny	Realitní společnost České spořitelny
Informatika České spořitelny	s Autoúvěr
Investiční společnost České spořitelny	Stavební spořitelna České spořitelny

B. CONTROLLING PERSONS

Česká spořitelna, a.s., located at Olbrachtova 1929/62, Praha 4, zip code 140 00, reg. No.: 45244782

Relation to the company: directly controlling person

Description of relations – see **Appendix 1**

C. OTHER RELATED PERSONS

brokerjet České spořitelny, a.s.,

located at Na Příkopě 29/584, zip code 110 00, Praha 1, reg. No.: 27088677

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

Consulting České spořitelny, a.s.,

located at Vinohradská 1632/180, zip code 130 00, Praha 3, reg. No.: 63079798

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

Erste Corporate Finance, a.s.,

located at Na Perštýně 1/342, zip code 110 00, Praha 1, reg. No.: 61058769

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

Factoring České spořitelny, a.s.,

located at Pobřežní 46, zip code 186 00, Praha 8, reg. No.: 25629352

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

Informatika České spořitelny, a.s.,

located at Bubenská 1477/1, zip code 170 00, Praha 7, reg. No.: 25631519

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

Investiční společnost České spořitelny, a.s.,

located at Na Perštýně 342/1, zip code 110 00, Praha 1, reg. No.: 44796188

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

Leasing České spořitelny, a.s.,

located at Střelnická 8/1680, zip code 182 00, Praha 8, reg. No.: 63999579

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

Penzijní fond České spořitelny, a. s.,

located at Poláčkova 1976/2, zip code 140 21, Praha 4,
reg. No.: 61672033

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

Realitní společnost České spořitelny, a. s.,

located at Vinohradská 180/1632, zip code 130 00, Praha 3,
reg. No.: 26747294

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

s Autoúvěr, a. s.,

located at Střelničná 8/1680, zip code 182 00, Praha 8,
reg. No.: 26688999

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

Stavební spořitelna České spořitelny, a. s.,

located at Vinohradská 180/1632, zip code 130 11, Praha 3,
reg. No.: 60197609

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

D. CONCLUSION

In view of the legal relations between the submitter and related persons checked by us it is obvious that the submitter suffered no damage as a consequence of contracts, other legal acts or other measures concluded, taken or adopted by the submitter during the 2006 accounting period in the interest or at the instigation of individual related persons.

In Pardubice, February 13, 2007

Pojišťovna České spořitelny, a. s.



Petr Zapletal
Chairman of the Board
and Chief Executive Officer



Jaroslav Kulháněk
Vice-Chairman of the Board
and Deputy CEO



František Mareš
Member of the Board
and Deputy CEO

DESCRIPTION OF RELATIONS TO THE CONTROLLING PERSON: ČESKÁ SPOŘITELNA

APPENDIX 1 TO THE REPORT ON RELATIONS

1. CONTRACTS

1.1 Sales of services (excluding leasing)

During the accounting period the submitter provided services based on the following contracts concluded in previous accounting periods:

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including VAT	Comment
Contract on cooperation in the area of fulfilling the Act No. 38/2004 Coll., No. 49/05	Česká spořitelna	18. 7. 2005	18. 7. 2005	Testing professional knowledge of Česká spořitelna's employees in terms of the Act No. 38/2004	CZK 277 746	
Contract on cooperation No. 45244782	Česká spořitelna	30. 6. 2005	30. 6. 2005	Contract on cooperation in the area of private life insurance	CZK 18 813 209	Contribution to employees
ditto	Česká spořitelna	ditto	ditto	ditto	CZK 2 920 000	Contribution to managers
Insurance contracts of the Board of Directors of the company	Česká spořitelna	according to individual contracts	according to individual contracts	Individual insurance contracts Flexi	CZK 275 548	Contribution to the Board of Directors
Contribution from the social fund to insurance	Česká spořitelna	according to individual contracts	according to individual contracts	Individual insurance contracts Flexi	CZK 0	Contribution to employees
Insurance contract No. 5900034567	Česká spořitelna	23. 12. 2003	2. 1. 2004	Payment card EC/MC Variant	CZK 124 150	Accident insurance of clients EC/MC Variant
Insurance contract No. 5900030202	Česká spořitelna	30. 9. 2002	1. 10. 2002	Insurance of clients of Česká spořitelna (drawing loans)	CZK 1 663 945	Mortgage BONUS
Framework insurance contract No. ČSH 1/2006	Česká spořitelna	2. 8. 2006	2. 8. 2006	Framework insurance contract to Snadná půjčka/ Easy Loan		Regulates insurance-technical relations of the participating parties
Executing contract No. ČSHP 1/2006	Česká spořitelna	2. 8. 2006	2. 8. 2006	Ensuring relevant processes of the framework insurance contract	CZK 241 912	Insurance of clients of Česká spořitelna

1.2 Purchase of services (excluding leasing)

During the accounting period the submitter concluded the following contracts, based on which he was provided with services:

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price incl. VAT	Comment
Contract on administration of securities	Česká spořitelna	30. 12. 2005	1. 1. 2006	Administration of the assets – securities and funds designated for investments	CZK 28 600 000	Replaces the contract of 29. 12. 2000. In amendment No.1, single documents – protocols are formulated, and that about payment for 2006 and about investment strategy and guideline for 2006, which can be revised during the year. (Protocol about investment strategy and guideline for 2006 No.1;2;3)
Contracts on establishment and administration of current accounts and on conditions of establishment and administration of time deposits	Česká spořitelna	1997-2004	1997-2004	Establishment and administration of current accounts in the Czech currency and determination of conditions of establishment and administration of time deposits	Prices are stipulated according to business conditions of Česká spořitelna	
Contract on a guarantee current account in CZK JBÚ/326/05/LCD (our No. 31/05)	Česká spořitelna	21. 1. 2005	21. 1. 2005	Establishment of a guarantee account 1210791319/0800 in the Czech currency	Price is stipulated according to the price-list of Česká spořitelna for bank business	The contract secures due settlement of price between Infinity a.s. and Multima a.s. based on the Agreement on arrangement and cession of mutual rights of 20. 1. 2005

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price incl. VAT	Comment
Contract on establishment and administration of the current account 1210836329/0800 (20/2005)	Česká spořitelna	1. 2. 2005	1. 2. 2005	Establishment and administration of a current account in the Czech currency	Prices are stipulated according to business conditions of Česká spořitelna	
Contract on establishment and administration of the current account 1766702/0800 (45/2005)	Česká spořitelna	18. 4. 2005	18. 4. 2005	Establishment and administration of a current account in the Czech currency	Prices are stipulated according to business conditions of Česká spořitelna	
Contract on establishment and administration of the current account 2378752/0800 (112/06)	Česká spořitelna	2. 11. 2006	2. 11. 2006	Establishment and administration of a current account in the Czech currency	Prices are stipulated according to business conditions of Česká spořitelna	
Contract on establishment and administration of a special current account for financial markets trading	Česká spořitelna	13. 2. 2001	13. 2. 2001	Establishment of a special current account for financial markets trading and stipulation of conditions for administration of this current account	Price is stipulated according to business conditions of Česká spořitelna	
Framework contract on conditions of using contractual rates for foreign currencies transactions	Česká spořitelna	18. 11. 1999	18. 11. 1999	Determination of conditions for conclusion, execution and settlement of prompt, term and swap transactions with foreign currencies	Price is stipulated according to business conditions of Česká spořitelna	
Contracts on providing a bank guarantee	Česká spořitelna	2002–2003	2002–2003	Obligation of the saving bank to provide to a client a bank guarantee for securing the obligation stemming from participation in a public commercial bid	Prices are stipulated according to business conditions of Česká spořitelna	

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price incl. VAT	Comment
Framework contracts on administration of deposit accounts	Česká spořitelna	1999–2000	1999–2000	Establishment of deposit accounts with individual interest rates	Prices are stipulated according to business conditions of Česká spořitelna	Deposit accounts are opened individually from financial means remitted through current and foreign currency accounts
Contract on current account in foreign currency	Česká spořitelna	25. 11. 1997	25. 11. 1997	Establishment and administration of a current account in foreign currency (account kept in EUR)	Price is stipulated according to business conditions of Česká spořitelna	In the wording of amendment No. 3 of 9. 1. 2001
Contract on renting of the safe-deposit box 270/F	Česká spořitelna	20. 11. 1998	20. 11. 1998	Renting of a safe-deposit box for storing valuables and documents	Price is stipulated according to business conditions of Česká spořitelna	Contract for an undetermined period
Agreement on changing the Contract on renting of the safe-deposit box 270/F	Česká spořitelna	6. 12. 2004	6. 12. 2004	Renting of a safe-deposit box for storing valuables and documents	Payment of the rent according to the price-list valid at the time of its entry into accounting for one calendar year in advance	Contract for an undetermined period. The agreement completes the Contract by Art. VIII – General business conditions of Česká spořitelna.
Contract on renting of the safe-deposit box 429/C	Česká spořitelna	4. 1. 1995	4. 1. 1995	Renting of a safe-deposit box for storing valuables and documents	Payment of the rent according to the price-list valid at the time of its entry into accounting for one calendar year in advance	Contract for an undetermined period.
Agreement on changing the Contract on renting of the safe-deposit box 429/C	Česká spořitelna	6. 12. 2004	6. 12. 2004	Renting of a safe-deposit box for storing valuables and documents	Payment of the rent according to the price-list valid at the time of its entry into accounting for one calendar year in advance	Contract for an undetermined period. The agreement completes the Contract by Art. VIII – General business conditions of Česká spořitelna.

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price incl. VAT	Comment
Contract on renting of the safe-deposit box 324/F	Česká spořitelna	7. 12. 2005	7. 12. 2005	Renting of a safe-deposit box for storing valuables and documents	Payment of the rent according to the price-list valid at the time of its entry into accounting for one calendar year in advance	Contract for an undetermined period.
Framework contracts on providing services of electronic banking	Česká spořitelna	2001 – 2004	2001 – 2004	Providing services of electronic banking HOME BANKING, FAX BANKING	Prices are stipulated according to business conditions of Česká spořitelna	Contracts apply to selected current accounts
Amendment No. 3 to the Contract on providing services of electronic banking No. 306/2003	Česká spořitelna	15. 12. 2005	15. 12. 2005	Providing services of electronic banking HOME BANKING, FAX BANKING	Prices are stipulated according to business conditions of Česká spořitelna	Amendment applies to selected current accounts
Contract on trading on financial markets	Česká spořitelna	6. 12. 2004	6. 12. 2004	The contract defines rights and obligations of the contractual parties while concluding deals on financial markets	Only definition of rights and obligations of the contractual parties	
Contract on renting non-dwelling spaces No. 93/05	Česká spořitelna	17. 10. 2005	1. 10. 2005	Prices for types of rented spaces are stipulated according to market conditions in the given area	CZK 71 184	Contract on renting non-residential spaces in the building of Palackého 2882/16, Přerov
Contract on renting non-residential spaces and renting of movable assets No. 73/06	Česká spořitelna	30. 6. 2006	30. 6. 2006	Prices for types of rented spaces are stipulated according to market conditions in the given area	Rent CZK 2 066 236 Services CZK 343 200	Contract on renting non-residential spaces in the building Poláčkova 1976, Praha 4 and renting of movable assets (i. e. phone devices)
Executing contract to the Basic contract on mutual cooperation	Česká spořitelna	14. 9. 2001	14. 9. 2001	It regulates providing of services of KCP Prostějov for the insurance company for toll free phone calls and operators	According to the monthly costs of the toll free phone calls and operators	

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price incl. VAT	Comment
Amendment No.1 to the executing contract on securing services of the clients centre by Česká spořitelna for the insurance company of 14.9.2001	Česká spořitelna	26. 6. 2002	1. 1. 2002	Specification of services and update of costs – phone charges, price of operator + back office activities	According to the monthly costs of the toll free phone calls and operators	In the wording according to amendment No. 2 of 25. 4. 2003
Agreement on the access to Intranet of Česká spořitelna	Česká spořitelna	18. 9. 2002	18. 9. 2002	Regulation of rights and obligations regarding the access to Intranet of Česká spořitelna for employees of the insurance company		
Contract on the protection of confidential information No. 236/03	Česká spořitelna	8. 7. 2003	8. 7. 2003	Mutual access to confidential information – regulations		
Contract on data migration No. 259/03	Česká spořitelna	30. 10. 2003	30. 10. 2003	Migration of the clients data of the insurance company into the clients file of Česká spořitelna		
Contract on cession of the right to use the company's logo – trademark, contract No. 456/02	Česká spořitelna	4. 12. 2002	31. 12. 2002	Entitlement to exercise the right to use the logo	0,1 % of the real net income from operational and financial activities for months 1.-12. of the preceding calendar year	In the wording of amendment No. 2 of 27. 9. 2006
Contract on securing outsourced services for the area of internal audit, marketing and corporate communication	Česká spořitelna	19. 5. 2005	1. 1. 2006	Executing of internal audit, marketing and corporate communication	CZK 1 443 000	
Framework agreement on cooperation in the area of education	Česká spořitelna	17. 12. 1997	1. 1. 1998	Providing services in education of employees (renting classrooms, accommodation)	CZK 0	
Contract on providing service	Česká spořitelna	1. 12. 2003	1. 12. 2003	Based on single orders for printing and completing mail consignments including giving them over to Česká pošta to be distributed	CZK 695 000	

1.3 Contracts on intermediation of activities

In previous accounting periods the submitter concluded contracts on intermediation of activities, based on which he provided the following delivery:

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price incl. VAT	Comment
Contract on business representation No. ŽB 143/04	Česká spořitelna	30. 12. 2004	1. 1. 2005	Intermediation of sales of insurance by Česká spořitelna sellers		Commissions for this activity are regulated by the Executing contract No. 144/04144/04
Amendment No. 1 to the Contract on business representation No. ŽB 143/04	Česká spořitelna	1. 9. 2006	1. 9. 2006	Motivational events – conditions, change of contact persons		
Executing contract No. 144/04	Česká spořitelna	30. 12. 2004	1. 1. 2005	Adjustment of the level of and conditions for commission payment	CZK 103 016 556	In the wording of the amendment No. 3 of 23. 5. 2006
Contract on business representation NŽ 141/04	Česká spořitelna	30. 12. 2004	1. 1. 2005	Intermediation of sales of non-life insurance	CZK 19 139 262	
Contract on business representation No. EPaK 74/06	Česká spořitelna	31. 8. 2006	1. 9. 2006	Intermediation of sales of insurance by sellers and external agents of Česká spořitelna	CZK 1 190 038	Replaces the contract ŽMSF 142/04 of 30.12.2004 incl. amendments
Agreement on motivational reward	Česká spořitelna	25. 3. 2006	25. 3. 2006	Motivational event for EPaK sellers	CZK 230 000	
Agreement on stipulating conditions for payment of an extraordinary commission for the increased sales of life insurance Flexi Invest	Česká spořitelna	20. 6. 2006	1. 7. 2006	Extraordinary commission for keeping sales of product Flexi Invest in the year 2006 due to decreased appreciation in II.Q 2006	CZK 670 000	

Commentary:

All relations listed in this Appendix were defined by the related persons, namely Česká spořitelna and Pojišťovna České spořitelny. When concluding these relations, laws valid in the Czech Republic were respected and prices were stipulated with respect to regulations of the Income Tax Act, i.e. prices usual on the marketplace at the time of conclusion of these contractual relations. During the accounting period none of the parties sought possible financial damage. As regards the contracts listed in the Appendix regulating the

sales or purchase of services (e.g. insurance contracts, contract on establishment and administration of current accounts, contracts on withdrawal of money in the short term, contracts on current account), these are homogenous contracts.

Intermediation of insurance in accordance with Act No. 38/2004 Coll. is regulated in contractual relations by setting mutual rights and obligations of contractual parties and at the same time conditions of the course, rights and payment of remuneration is defined for provided services connected with the sale of insurance. Authorization granted to the controlling person for providing these services forms a part of these contracts in accordance with the conditions set in the above-mentioned Act.

In connection with the transition of the whole Česká spořitelna Financial Group to a uniform corporate identity, among others, conditions were defined regulating the use of the logo related to the pursued business activity of the members of this Financial Group, including Pojišťovna České spořitelny, a.s.

All prices are stated including value added tax because of the specific tax regime of Pojišťovna České spořitelny due to its subject of business (§ 76 section 4 of the Value Added Tax Act).

The submitter has neither adopted nor taken any other actual measures in the interest or at the instigation of Česká spořitelna.

DESCRIPTION OF RELATIONS TO OTHER RELATED PERSONS

APPENDIX 2 TO THE REPORT ON RELATIONS

1. CONTRACTS

1.1 Sales of services (excluding leasing)

During the accounting period the submitter delivered services based on the following contracts concluded in previous accounting periods:

Title	Contractual party	Date of conclusion	Effective date	Description of delivery and amount	Purchase price incl. VAT	Comment
Contract on cooperation No. 27088677	brokerjet České spořitelny	22. 7. 2005	18. 7. 2005	Contract on cooperation in the area of private life insurance	CZK 28 000	Contribution to managers
Contract on cooperation No. 63079798	Consulting České spořitelny	15. 11. 2005	15. 11. 2005	Contract on cooperation in the area of private life insurance	CZK 4 000	Contribution to employees
Contract on cooperation No. 61058769	Erste Corporate Finance	24. 10. 2005	24. 10. 2005	Contract on cooperation in the area of private life insurance	CZK 8 000	Contribution to employees
ditto	Erste Corporate Finance	ditto	ditto	ditto	CZK 60 000	Contribution to managers
Insurance contract No. 5900034401	Factoring České spořitelny	15. 8. 2003	18. 8. 2003	Insurance of employees	CZK 150 195	Contribution to employees
Contract on cooperation No. 25629352	Factoring České spořitelny	12. 12. 2005	12. 12. 2005	Contract on cooperation in the area of private life insurance	CZK 16 000	Contribution to employees
Contract on cooperation No. 25631519	Informatika České spořitelny	5. 9. 2005	5. 9. 2005	Contract on cooperation in the area of private life insurance	CZK 576 000	Contribution to employees
ditto	Informatika České spořitelny	ditto	ditto	ditto	CZK 60 000	Contribution to managers
Contract on cooperation No. 44796188	Investiční společnost České spořitelny	13. 7. 2005	13. 7. 2005	Contract on cooperation in the area of private life insurance	CZK 16 049	Contribution to employees
Contract on cooperation No. 63999579	Leasing České spořitelny	30. 6. 2005	30. 6. 2005	Contract on cooperation in the area of private life insurance	CZK 109 540	Contribution to employees
ditto	Leasing České spořitelny	ditto	ditto	ditto	CZK 20 000	Contribution to managers
Contract on cooperation No. 61672033/2005	Penzijní fond České spořitelny	8. 8. 2005	8. 8. 2005	Contract on cooperation in the area of private life insurance	CZK 113 608	Contribution to employees

Title	Contractual party	Date of conclusion	Effective date	Description of delivery and amount	Purchase price incl. VAT	Comment
ditto	Penzijní fond České spořitelny	ditto	ditto	ditto	CZK 40 000	Contribution to managers
Insurance contract No. 5900035033	Penzijní fond České spořitelny	13. 2. 2004	13. 2. 2004	Insurance of management	CZK 23 750	Individual accident insurance
Insurance contract No. 5900019113	Penzijní fond České spořitelny	21. 12. 2000	1. 1. 2001	Insurance of clients of the pension fund	CZK 3 595 962	Loyalty program of the clients of pension fund
Contract on cooperation while using the service Office Connector Plus No.	Penzijní fond České spořitelny	13. 10. 2006	13. 10. 2006	Using services and the mobile application Office Connector	CZK 73 810	
Contract on cooperation No. 26747294	Realitní společnost České spořitelny	21. 6. 2005	21. 6. 2005	Contract on cooperation in the area of private life insurance	CZK 40 000	Contribution to managers
Framework insurance contract No. SAU 1/2006	s Autoúvěr	29. 3. 2006	29. 3. 2006	Framework insurance contract to s Autoúvěr		Regulates insurance-technical relations of the participating parties
Executing contract No. SAUP 1/2006	s Autoúvěr	29. 3. 2006	29. 3. 2006	Ensuring relevant processes of the framework insurance contract	CZK 159 251	Insurance of clients of s Autoúvěr
Contract on cooperation No. 60197609	Stavební spořitelna České spořitelny	12. 10. 2005	12. 10. 2005	Contract on cooperation in the area of private life insurance	CZK 109 000	Contribution to employees
ditto	Stavební spořitelna České spořitelny	ditto	ditto	ditto	CZK 52 000	Contribution to managers
Framework insurance contract No. SSČS 1/2005	Stavební spořitelna České spořitelny	16. 5. 2005	16. 5. 2005	Framework insurance contract to insurance KVATRO		Regulates insurance-technical relations of the participating parties
Executing contract No. SSČS 1/2005	Stavební spořitelna České spořitelny	16. 5. 2005	16. 5. 2005	Ensuring relevant processes of the framework insurance contract	CZK 574 717	Insurance of clients

1.2 Purchase of services (excluding leasing)

During the accounting period the submitter concluded the following contracts, based on which he was provided with services:

Title	Contractual party	Date of conclusion	Effective date	Description of delivery and amount	Purchase price incl. VAT	Comments
Contract for work No. 14269-01-06/03 (4/06)	Consulting České spořitelny	12. 1. 2006	12. 1. 2006	Preparation of an estimate of costs for reconstruction and extension of a building	CZK 53 550	
Order No. 16488-05-06/01	Consulting České spořitelny	25. 5. 2006	25. 5. 2006	Expansion of an analysis of Czech life insurance market	CZK 140 420	
Service contract on providing IT service No. 84/02 (21/2002)	Informatika České spořitelny	15. 5. 2002	1. 6. 2002	Service contract on PCs, notebooks, printers	CZK 43 095	In the wording of amendment No. 1 of 30. 6. 2003
Contract on cooperation in pension fund schemes with state contribution	Penzijní fond České spořitelny	31. 1. 2000	31. 1. 2000	Mutual cooperation while transferring contributions paid by the employer for pension insurance of his employees		
Contract on cooperation No.159/4	Penzijní fond České spořitelny	30. 12. 2004	1. 1. 2005	Mutual cooperation in the area of development, offering and selling products		No delivery follows from this contract
Framework agreement on intermediation of sales of vehicles owned by the company No. 60/06	Leasing České spořitelny	11. 7. 2006	11. 7. 2006	Intermediation of sales of vehicles included in Pojišťovna České spořitelny property by the intermediary Leasing České spořitelny	According to the business conditions of Leasing České spořitelny	A separate contract on intermediation is issued for sales of single vehicles being discarded from the company's property

1.3 Purchase of goods

During the accounting period the submitter concluded the following contracts, based on which he purchased goods in the accounting period:

Title		Date of conclusion	Effective date	Description of the delivery and amount	Purchase price incl. VAT	Comments
Purchase contracts based on orders according to HN of IT purchases		since 1. 1. 2006 till 31. 12. 2006	since 1. 1. 2006	Working stations, monitors, servers, cables, IT expandable property, projector, discs, HW IT	CZK 4 308 829	
Service contract No. 84/02		15. 5. 2005	since 1. 1. 2002	Service work and spare parts above the lump sum	CZK 22 087	

Comments:

Cooperation between related persons within the Česká spořitelna Financial Group, where Česká spořitelna is the 100% or majority owner, is regulated also by contractual relations respecting laws in force in the Czech Republic and in case of evaluation is based on the requirement of application of usual prices in the scope defined in the Income Tax Act. These relations are aimed at using services provided to the related persons, namely for support of business activities of these persons, i. e. the submitter provides support to the clients of the related persons through the insurance of selected risks.

Non-financial Section

Information of non-financial character for the purpose of the Annual Report

1. FURTHER EXPECTED DEVELOPMENT IN THE COMPANY'S ACTIVITIES

The Company will focus on life insurance development in the coming years. Sales of this insurance will be developed within the network of Česká spořitelna as well as in the own network of external intermediaries. The goal of the Company is to strengthen its position in the life insurance market with a market share exceeding 10%. In the nearest future, the Company will concentrate on monitoring further steps of the Czech government in the area of pension and health care reforms. In relation to the progress of these reforms, the Company will adjust its product portfolio so that it covers requests and needs of our clients.

In the product basket, the Company will focus on further enhancement of services based on the successful product, and that mainly in the area of enlarging the offer and structure of insurance risks with the aim of increasing flexibility of the insurance protection of clients. Within cooperation with Česká spořitelna, the Company will further enhance service quality and comprehensiveness of the offer for satisfying financial needs of common clients the bank.

2. ACTIVITIES IN RESEARCH AND DEVELOPMENT

Given the nature of the Company's activities, it does not develop any specific activities in the area of research and development. For the future, the Company will consider its activities for financial support of this area.

3. ENVIRONMENTAL PROTECTION AND LABOUR RELATIONS

3.1. The Company, by nature of its business activity, burdens the living environment in a minimal extent. Through its activities, the Company fulfills requirements by regulations in the Czech Republic. For the future, the Company has decided financial support of selected projects in this area.

3.2. In the area of labour relations, the Company pays continuous high attention to the development of employment policy and social programs with the aim of being an attractive employer in the labour market.

When setting up and innovating motivational systems, the Company uses modern methods for HR management including regular research of remuneration realized in cooperation with the Hay Group. The Company provides its employees with a wide offer of financial and non-financial benefits above and beyond those stipulated by law.

The Company cares about increasing the quality of the work environment, which sufficiently fulfills the conditions for doing the job while following the conventions of labour safety. The Company provides its employees with regular and contractually secured health care.

Education and professional growth of employees rank among priorities of the Company's development. The Company provides within the frame of evaluation and development of its employees educational programs for increasing and improving qualification of the employees including development of the corporate culture.

4. ORGANIZATIONAL UNITS OF THE COMPANY ABROAD

The Company does not have any organizational units abroad.

5. FURTHER REQUIREMENTS ACCORDING TO SPECIAL LEGAL PRESCRIPTIONS

The Company fulfills requirements for the business subject – insurance business, stipulated mainly by the Insurance Act, or by the Act about insurance intermediaries and independent claims liquidators. No further special requirements are stipulated for the Company's activity.

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