

# POJIŠŤOVNA ČESKÉ SPOŘITELNY

It is easy to find your way to life insurance

## Annual Report 2007



# Pojišťovna České spořitelny

IČ/ID 47452820

## Date of entry into the Register of Companies

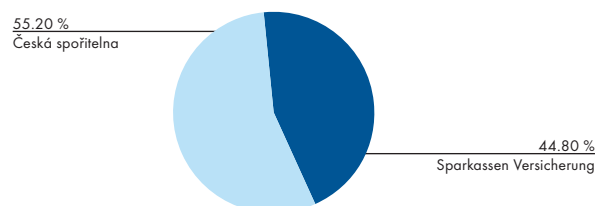
held by the Regional Court in Hradec Králové is October 1, 1992 part B, file 855.

## Authorization to pursue insurance activity

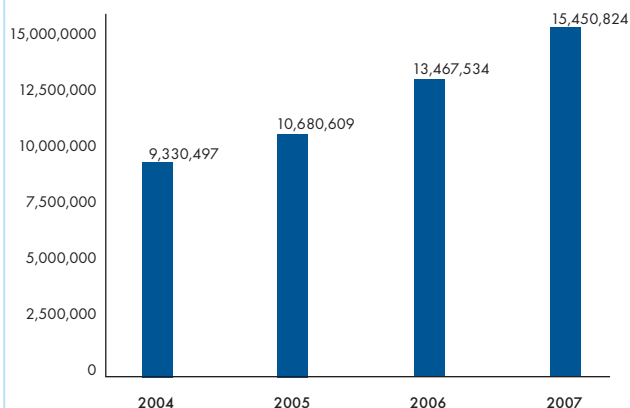
granted by the decision of the Ministry of Finance of the Czech Republic, proceeding No. 103/68361/92 of December 16, 1992. In accordance with § 42 section 5 of Act No. 363/1999 Coll. on insurance business, the Ministry of Finance of the Czech republic issued (proceeding No. 322/16811/2002 of February 20, 2002) issued authorization 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 2007

CZK thousand

	2007
Assets	17,574,973
Equity	1,553,754
Total technical provisions	15,450,824
Business result for the period	369,212
Premium written total	6,453,589
of which: life insurance	6,400,876
non-life insurance	52,713
Total claims paid	3,596,406
of which: live insurance	3,574,376
non-life insurance	22,030

# 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 650 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

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

### **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

### **Group insurance**

- Insurance to loans provided by the financial group of Česká spořitelna
- Insurance to real estate loans provided by the financial group of Česká spořitelna
- Insurance to The Private Account of Česká spořitelna
- Insurance to credit cards of Česká spořitelna

### **Complex program for participants in the pension insurance of PFČS**

Advantageous risk life insurance for clients of Penzijní fond České spořitelny

### **Employee Benefits**

Wide range of advantageous life insurance with contribution of the employer

# Content

<	<b>Key Figures</b>
2	<b>Company Profile</b>
4	<b>Selected Financial Indicators</b>
5	<b>Chairman's Statement</b>
6	<b>Members of the Company's Executive Bodies</b>
7	<b>Organizational Chart</b>
8	<b>Report of the Board of Directors</b>
11	<b>Supervisory Board Report</b>
12	<b>Financial Section</b>
54	<b>Non-financial Section</b>

# 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, **as from 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 (mortgage), supplement – 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.

## 2007

**Pojišťovna České spořitelny achieved a significant sales success. The year 2007 was characterized by important product changes.** Pojišťovna České spořitelny innovated one of the most successful products Flexible life insurance FLEXI, launched a new type of unit linked life insurance **FLEXI H-FIX** and prepared innovation of the Flexible unit linked life insurance **FLEXI INVEST** for 2008.

# Selected Financial Indicators

CZK thousand	2005	2006	2007
Assets	12,703,228	15,772,413	17,574,973
Equity	1,756,838	1,830,040	1,553,754
Total financial placements	12,456,893	15,482,708	17,178,340
Total technical provisions	10,680,609	13,467,534	15,450,824
Business result for the period	187,232	307,547	369,212
Total premiums written	2,450,997	4,427,575	6,453,589
of which: life insurance	2,440,340	4,403,684	6,400,876
non-life insurance	10,657	23,891	52,713
Total claims paid	793,284	1,188,879	3,596,406
of which: life insurance	791,634	1,180,083	3,574,376
non-life insurance	1,650	8,796	22,030
Number of insurance contracts as of December 31	464,096	509,291	540,510
of which: life insurance	459,562	498,436	517,098
non-life insurance	4,534	10,855	23,412
Average evidence number of employees	141	137	140



# Chairman's Statement

**Dear clients, shareholders, business friends,**

I am very glad that our insurance company last year continued its success of the previous year and has again significantly increased premium written, market share and company profits.

Though the life insurance market grew faster than in 2006, its growth was still driven by single paid premium. Classical current paid life insurance products kept their trend of slight growth as in previous years and, in our opinion, have not yet fulfilled expectations with respect to their enormous potential.

Therefore we all the more appreciate the results of our insurance company: we rank among the four largest life insurance companies in the Czech market and we have increased our market share to nearly 12 %. This rise was due not only to the continuing popularity of single paid life insurance products (where we increased sales volume by 60 %); we are mainly pleased by the interest shown in our key products such as life insurance FLEXI, FLEXI INVEST and JUNIOR. This interest has raised the current paid premium written by 18 %.

Our cooperation with Česká spořitelna has been developing dynamically and we have been expanding our joint offer with products addressed specifically to Česká spořitelna's clients. I would like to mention above all the credit insurance, which gained considerable popularity within a short time. We will be extending our portfolio of this type of products in the future

The current cooperation with our business partners in life insurance sales is extraordinarily successful and we highly appreciate it. We have established new contacts and we will continue to develop cooperation with still more intermediaries of insurance services.

Our broad product offer enables coverage of a huge spectrum of risks. For 2008, we have prepared further novelties, e.g. innovation of the unit-linked life insurance FLEXI INVEST 2008.

I am pleased that I can hereby express my thanks first of all to all our clients for the trust they have bestowed upon us through concluded insurance contracts. I would like to assure them that we endeavor to fulfill their expectations and provide timely service and support when they need it. Of course I also thank



**RNDr. Petr Zapletal, MBA**  
**Chairman of the Board of Directors and CEO**

all our business partners, particularly Česká spořitelna, for their continued cooperation. Our goal is to establish and to maintain this long-term relationship based on mutual trust and success.

The development that we have experienced in recent several last years is for us, Pojišťovna České spořitelny employees, very binding and we are well aware of it. The task to fulfill needs and expectations of all our clients and partners is vital to us. All our employees are proud of the achieved results and strive toward the goal of Pojišťovna České spořitelny's continued success as a well-respected institution in our market.

**RNDr. Petr Zapletal, MBA**  
**Chairman of the Board of Directors and CEO**

# Members of the Company's Executive Bodies as of December 31, 2007

## **SUPERVISORY BOARD**

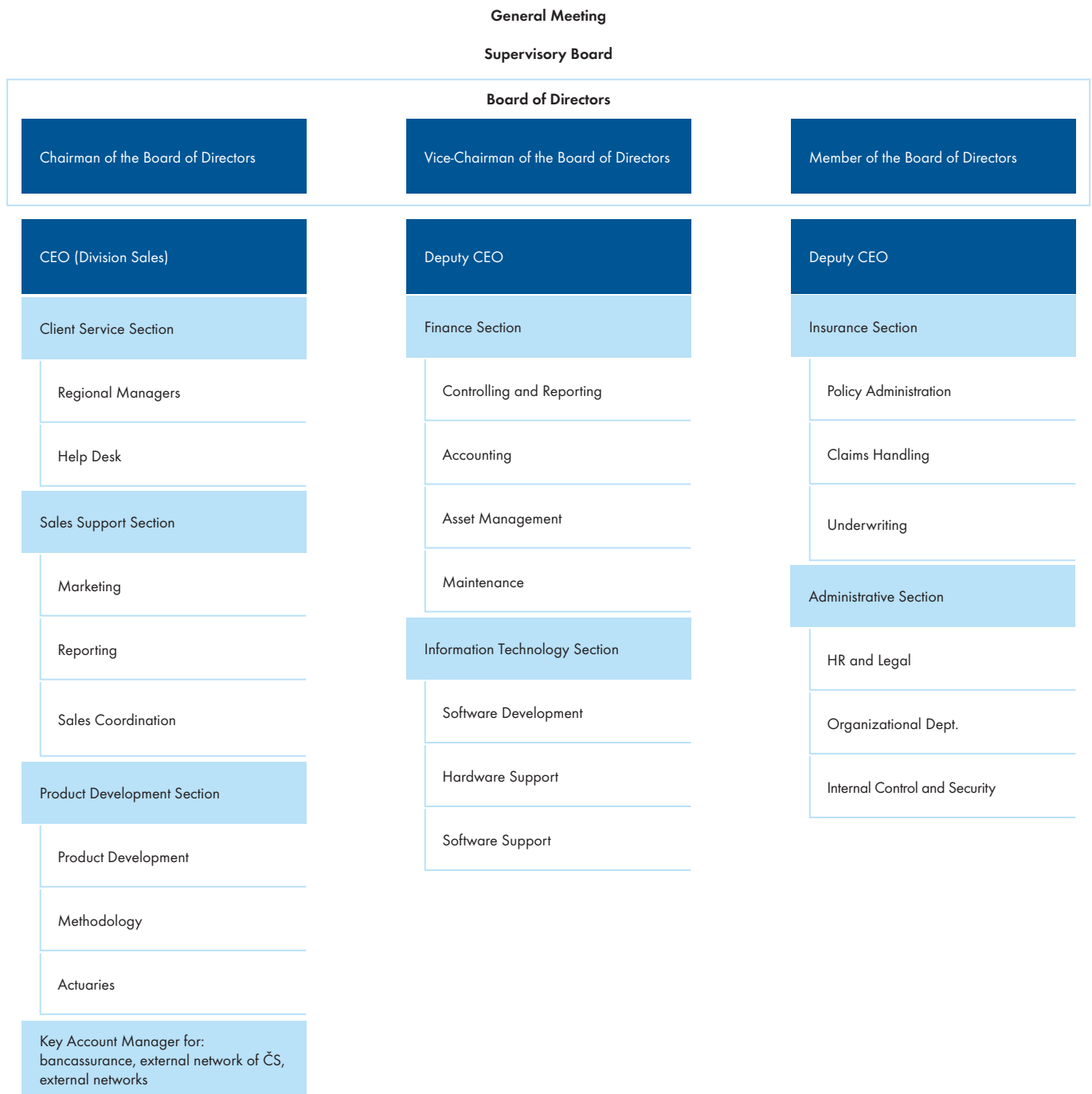
- Petr Bobysud,  
Chairman of the Supervisory Board, Česká spořitelna
- Oliver van Best,  
Vice Chairman of the Supervisory Board,  
Sparkassen Versicherung
- Karel Kopecký,  
Member of the Supervisory Board,  
Pojišťovna České spořitelny

## **BOARD OF DIRECTORS**

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

# Organizational Chart

## as of December 31, 2007



# Report of the Board of Directors

In 2007, the insurance market of the Czech Republic experienced again a revival of life insurance sales and the volume of premium written reached the value of CZK 53,86 billion, which means the year-on-year growth of 14.4 %. In absolute figures, the volume of premium written grew by fair CZK 6.8 billion. In case of analyzing the structure of premium growth according to the mode of payment, we noted growth of current paid premium by 6.7 % (CZK 2,3 billion) and single paid premium by 35.9 % (CZK 4.5 billion).

Pojišťovna České spořitelny, as one of the companies concentrating on bancassurance, contributed significantly to this market growth, and that mainly by the single paid premium with the y/y growth of nearly 59 %. In the area of current paid premium, we have also managed to overcome the market growth nearly threefold by the y/y growth amounting to 18 %.

## Business Results

Pojišťovna České spořitelny reached very good sales results in 2007. Total premium written amounted to CZK 6.454 billion, which means growth by nearly 46 % compared to the previous year. Single paid premium amounted to nearly CZK 4.7 billion and contributed by 73 % to the total premium written of the company. The volume of single paid premium confirmed also in the year 2007 the leading position of our company on the life insurance market in this category.

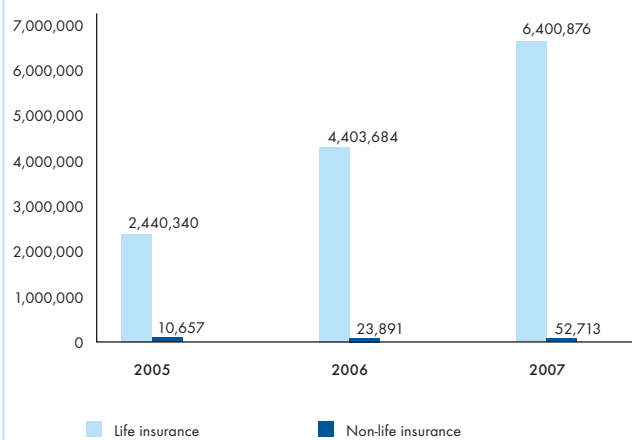
These excellent sales results resulted in an increase of the market share by 2.5 percentage points to the total market share of 11.9 %. This ranks Pojišťovna České spořitelny to the fourth place on the Czech life insurance market.

## Products

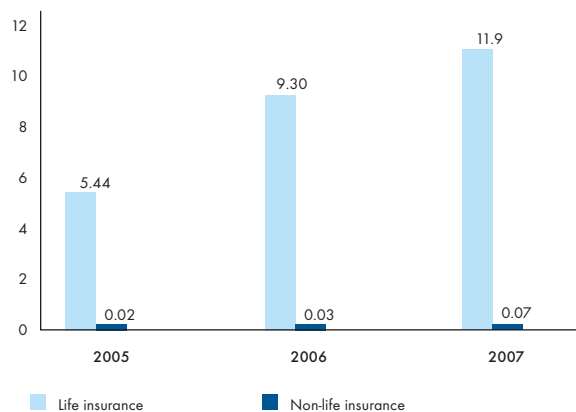
The commented year 2007 can be characterized by the onset of investment life insurance products and further by a quite massive launch of group insurance types, which gradually squeeze out individual insurance as a form of securing risks of the bank's clients, who were provided by various forms of bank loans.

In our offer dominated further mainly the capital life insurance and the – by clients highly appreciated – flexible life insurance. The first of the mentioned products is a convenient alternative mainly thanks to its saving effect as well as the option of

Premium written development (CZK thousand)



Market share development according to branches (%)



further insurance for clients, whose insurance contracts expire by duration.

The latter product represents the top of our offer and covers by its features both requirements for securing life risks as well as requirements for long-term investments of financial means. Moreover, the flexible life insurance was extensively innovated in 2007, namely in its risk part. This insurance is currently able to cover any individual requests for risks defined by a client, and that without any limitations. Both products, apart from the mentioned positives, enable using fully tax advantages for the invested means.

In spite of problems on financial markets mainly in the second part of 2007, the invested means of our clients were appreciated, according to the product type, in the interval of 2.7 to 4.5 %

During the year 2007, the possibility of investing into product Flexi Invest (unit linked product) was further extended into ten selected investment funds and into life cycle funds. Offer of these funds enables thus to set up investment portfolio according to requirements and ideas of our clients.

Thanks to conversions of expiring contracts, the share of insurance sales in the network of Česká spořitelna has increased to nearly 81 %. The remaining part of sales falls on cooperation with other traditional external sales networks.

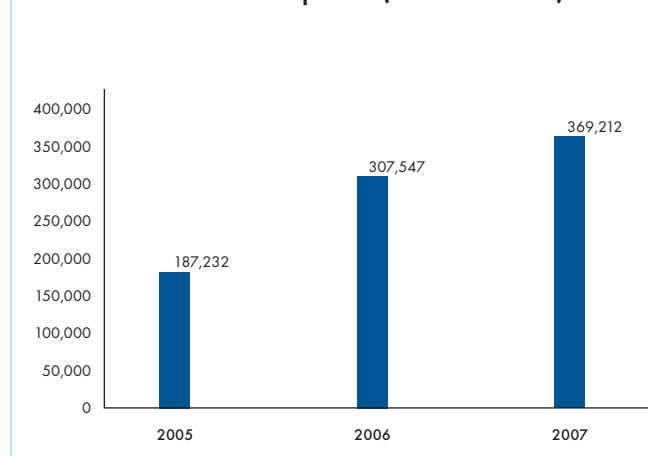
### Financial results

The business performance of the company in 2007 ended with the profit amounting to CZK 369,2 million. The attained business result is influenced mainly by the growing premium written.

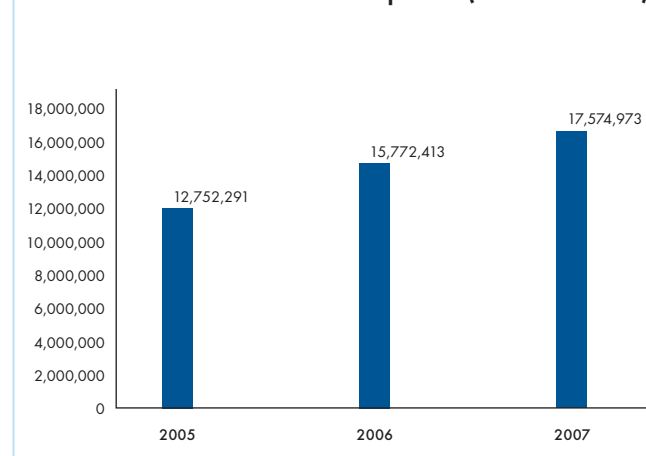
Technical provisions amounted to CZK 14,104,5 million structured as follows: unearned premiums CZK 199,0 million, life insurance provision CZK 13,074,7 million, outstanding claims provision 737,6 million and other provisions amounting to CZK 93,2 million. In 2007, the provisions grew by total CZK 1,594.7 million compared to 2006, which means an increase of nearly 13 %.

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

**Financial result development (CZK thousand)**



**Balance sheet amount development (CZK thousand)**



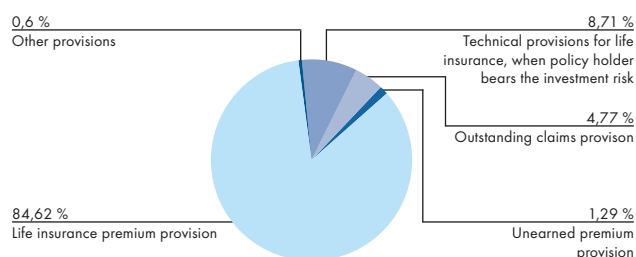
The technical provisions for life insurance in cases, where the policy holder bears the investment risk, increased year-on-year by 41 % to the total amount of CZK 1,346.3 million.

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 428.4 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 regulator (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.

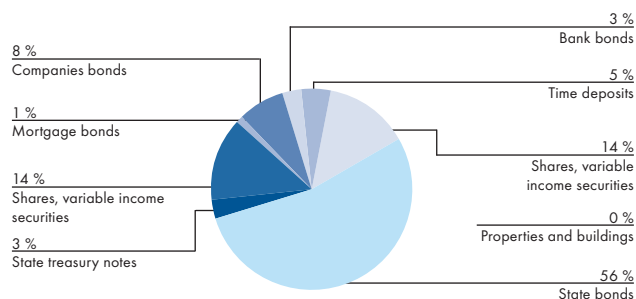
Pojišťovna České spořitelny fulfils requirements and demands in respect of solvency and exceeds the stipulated limits of solvency in life insurance. Thus, sufficient security for its clients in respect of covering future obligations from concluded insurance contracts has been created.

In reinsurance, Pojišťovna České spořitelny based its approach on the careful structure of reinsurance and on a long-term cooperation with the prestigious reinsurance company SWISS RE.

#### Technical provisions structure total as of 31. 12. 2007



#### Financial placement structure as of 31. 12. 2007



# Supervisory Board Report

In 2007, 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, 2007 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 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, 2007 and the results of its business operations for 2007 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 2007 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, 2007 and the proposed distribution of the Company's profit for 2007 in accordance with the proposal submitted by the Supervisory Board of Pojišťovna České spořitelny, a. s. for discussion of the General Meeting.



RNDr. Petr Bobysud  
Chairman of the Supervisory Board

# Financial Section

12	Independent Auditor's Report to the Shareholders of Pojišťovna České spořitelny, a. s.
15	Balance Sheet as of 31 December 2007
17	Statement of Changes in Equity for the Year Ended 31 December 2007
18	Profit and Loss Account for the Year Ended 31 December 2007
21	Notes to the Financial Statements for the Year 2007
42	Report on Relations



# Independent Auditor's Report

## to the Shareholders of Pojišťovna České spořitelny, a. s.

Having its registered office at: nám. Republiky 115, 530 02 Pardubice  
Identification number: 47452820  
Principal activities: Insurance

### Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 28 February 2008 on the financial statements which are included in this annual report on pages 15 to 39:

"We have audited the accompanying financial statements of Pojišťovna České spořitelny, a. s., which comprise the balance sheet as of 31 December 2007, 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 2007, and of its financial performance 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 2007 which is included in this annual report on pages 40 to 53. 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 attest 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 2007 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 23 May 2008

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. 12. 2007

CZK thousand	Line no.	2004	2005	2006	2007
<b>ASSETS</b>					
A. Receivables for subscribed share capital	1				
B. Intangible fixed assets, of which:	2	45,003	40,505	40,084	45,542
C. Financial placements (investments)	5	13,830,289	12,311,997	14,524,934	15,832,018
I. Land and buildings (real estate), of which:	6	48,543	48,440	43,500	43,500
a) Real estate used in operations	7	48,543	48,440	43,500	43,500
III. Other financial placements	13	13,781,746	12,263,557	14,481,434	15,788,518
1. Shares and other variable yield securities, other equity holdings	14	278,904	569,641	710,729	634,045
2. Bonds	15	12,138,792	10,254,739	12,741,290	13,877,697
3. Financial placements in investment associations	16	215,042	270,281	456,523	471,149
6. Deposits placed with financial institutions	18	1,149,008	1,168,896	572,892	805,627
D. Financial placements of life insurance, if investment risk borne by the policyholder	21	4	144,895	957,774	1,346,322
E. Debtors	22	35,751	105,551	103,198	143,320
I. Receivables arising from direct insurance transactions	23	30,352	38,688	37,973	39,004
1. Policyholders	24	24,304	32,593	37,932	38,041
2. Brokers	25	6,048	6,095	41	963
II. Receivables arising from reinsurance transactions	26	402	7,640	752	755
III. Other receivables	27	4,997	59,223	64,473	103,561
F. Other assets	28	60,115	64,154	55,892	61,758
I. Tangible fixed assets, other than land, buildings (real estate), and inventory	29	44,271	44,849	32,495	37,279
II. Cash on accounts with financial institutions and cash on hand	30	15,844	19,305	23,397	24,479
G. Temporary assets	32	73,488	85,189	90,531	146,014
I. Accrued interest and rents (income)	33	145	96	192	1,051
II. Deferred acquisition costs of insurance policies, of which separately:	34	62,546	74,182	62,316	88,824
a) Life insurance	35	62,546	74,014	62,075	88,329
b) Non-life insurance	36	0	168	241	495
III. Other temporary assets, of which:	37	10,797	10,911	28,023	56,139
a) Estimated receivables	38	9,656	9,732	20,236	45,270
<b>TOTAL ASSETS</b>	<b>39</b>	<b>14,044,650</b>	<b>12,752,291</b>	<b>15,772,413</b>	<b>17,574,973</b>

CZK thousand	Line no.	2004	2005	2006	2007
<b>LIABILITIES</b>					
A. Equity	40	3,614,838	1,756,838	1,830,040	1,553,754
I. Share capital	41	1,117,200	1,117,200	1,117,200	1,117,200
IV. Other capital funds	46	190,997	312,358	256,155	-96,785
V. Reserve fund and other funds from profit	47	26,498	140,048	149,138	164,127
VII. Profit or loss for the period	49	2,280,143	187,232	307,547	369,212
B. Subordinated liabilities	50	0	0	0	0
C. Technical reserves	51	9,330,493	10,535,714	12,509,760	14,104,502
1. Reserve for unearned premiums, of which:	52	363,187	349,854	275,903	198,957
a) Reserve for unearned premiums relating to life insurance	53	362,230	346,014	267,306	180,457
b) Reserve for unearned premiums relating to non-life insurance	54	957	3,840	8,597	18,500
2. Life insurance reserve	55	8,461,603	9,519,438	11,424,523	13,074,682
3. Reserve for claims, of which:	56	326,204	458,735	584,966	737,643
a) Reserve for life insurance claims	57	323,495	447,639	568,285	680,357
b) Reserve for non-life insurance claims	58	2,709	11,096	16,681	57,286
4. Reserve for bonuses and discounts, of which:	59	238	1,051	1,358	7,352
a) Reserve for life insurance bonuses and discounts	60	238	1,051	1,358	7,352
6. Reserve for the fulfilment of liabilities arising from the used technical interest rate	63	179,261	206,636	223,010	85,868
D. Technical life insurance reserve of investment risk borne by the policyholder	71	4	144,895	957,774	1,346,322
E. Reserves for other risks and losses	72	888,734	60,756	97,168	116,117
2. Reserve for taxation	74	888,734	60,756	97,168	116,117
G. Creditors	77	161,977	208,634	301,080	375,561
I. Payables arising from direct insurance transactions	78	56,377	72,336	184,340	347,151
II. Payables arising from reinsurance transactions	79	23,903	21,009	10,875	10,037
V. Other payables, of which:	83	81,697	115,289	105,865	18,373
a) Tax liabilities and social security payables	84	1,863	3,808	4,498	3,687
H. Temporary liabilities	86	48,605	45,454	76,591	78,718
I. Accrued expenses and deferred income	87	18,387	0	0	12
II. Other temporary liabilities, of which:	88	30,218	45,454	76,591	78,706
a) Estimated payables	89	30,218	45,454	76,591	78,706
<b>TOTAL LIABILITIES</b>	<b>90</b>	<b>14,044,650</b>	<b>12,752,291</b>	<b>15,772,413</b>	<b>17,574,973</b>

# Statement of Changes in Equity

## for the Year Ended 31 December 2007

CZK thousand	Share capital	Reserve funds	Capital funds	Valuation differences	Funds from profit	Accumulated losses	Retained earnings	Net profit for the period	Total
<b>Balance at 1 January 2005</b>	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
<b>Balance at 31 December 2005</b>	1,117,200	134,447	0	312,358	5,601	0	0	187,232	1,756,838
<b>Balance at 1 January 2006</b>	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
<b>Balance at 31 December 2006</b>	1,117,200	143,809	0	256,155	5,329	0	0	307,547	1,830,040
<b>Balance at 1 January 2007</b>	1,117,200	143,809	0	256,155	5,329	0	0	307,547	1,830,040
FX differences and revaluation differences not included in the profit or loss				-352,940					-352,940
Dividends								-290,422	-290,422
Allocations to funds		15,377			1,748			-17,125	0
Use of funds					-2,136				-2,136
Allocation of prior year's profit									0
<b>Profit for the period</b>								369,212	369,212
<b>Balance at 31 December 2007</b>	1,117,200	159,186	0	-96,785	4,941	0	0	369,212	1,553,754

# Profit and Loss

## for the Year Ended 31 December 2007

CZK thousand	Line no.	2005	2006	2007
<b>I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE</b>				
1. Earned premium, net of reinsurance:	1	7,774	19,134	42,811
a) Gross premium written	2	10,657	23,891	52,713
b) Premium ceded to reinsurers	3	0	0	0
c) Change in the gross balance of the reserve for unearned premium (+/-)	4	2,883	4,757	9,902
d) Change in the balance of the reserve for unearned premium, reinsurers' share (+/-)	5	0	0	0
2. Income from financial placements (investments) transferred from a non-technical account (item III.6.)	6	149	1,098	553
3. Other technical income, net of reinsurance	7	16,180	22,189	28,869
4. Costs of claims, net of reinsurance:	8	10,037	14,381	62,635
a) Costs of claims:	9	1,650	8,796	22,030
aa) Gross amount	10	1,650	8,796	22,030
ab) Reinsurers' share	11	0	0	0
b) Change in the balance of the reserve for claims (+/-):	12	8,387	5,585	40,605
ba) Gross amount	13	8,387	5,585	40,605
bb) Reinsurers' share	14	0	0	0
5. Change in the balance of other technical reserves, net of reinsurance (+/-)	15	0	0	0
7. Net operating expenses:	17	14,266	20,023	26,794
a) Acquisition costs of insurance policies	18	14,241	19,809	26,388
b) Change in the balance of deferred acquisition costs (+/-)	19	-168	-73	-254
c) Administrative overheads	20	193	287	660
d) Commission from reinsurers and shares of profit	21	0	0	0
8. Other technical costs, net of reinsurance	22	74	155	290
9. Change in the balance of the equalisation reserve (+/-)	23	0	0	0
10. Sub-total, result of the non-life insurance technical account (item III.1.)	24	-274	7,862	-17,486

CZK thousand	Line no.	2005	2006	2007
<b>II. TECHNICAL ACCOUNT - LIFE INSURANCE</b>				
1. Earned premium, net of reinsurance:	25	2,419,918	4,443,284	6,451,455
a) Gross premium written	26	2,440,340	4,403,684	6,400,876
b) Premium ceded to reinsurers	27	36,638	39,108	36,270
c) Change in the balance of the reserve for unearned premium, net of reinsurers' share (+/-)	28	-16,216	-78,708	-86,849
2. Income from financial placements (investments):	29	6,776,996	2,313,655	2,384,559
b) Income from other financial placements (investments) with specific reference to income from controlled entities, of which:	31	500,553	523,880	658,758
bb) Income from other investments	33	500,553	523,880	658,758
d) Income from the realisation of financial placements (investments)	35	6,276,443	1,789,775	1,725,801
3. Additions to financial placements (investments)	36	124,315	136,552	135,630
4. Other technical income, net of reinsurance	37	36,993	53,455	48,403
5. Costs of claims, net of reinsurance:	38	903,498	1,295,605	3,679,005
a) Costs of claims:	39	779,502	1,174,959	3,566,933
aa) Gross amount	40	791,634	1,180,083	3,574,376
ab) Reinsurers' share	41	12,132	5,124	7,443
b) Change in the balance of the reserve for claims (+/-):	42	123,996	120,646	112,072
ba) Gross amount	43	124,070	122,045	113,087
bb) Reinsurers' share	44	74	1,399	1,015
6. Change in the balance of other technical reserves, net of reinsurance (+/-):	45	1,230,914	2,734,646	1,907,557
a) Change in the balance of the life insurance reserve:	46	1,057,835	1,905,085	1,650,158
aa) Change in the gross balance	47	1,057,835	1,905,085	1,650,158
b) Other technical reserves, net of reinsurance	49	173,079	829,561	257,399
7. Bonuses and discounts, net of reinsurance	50	135	1,445	31,162
8. Net operating expenses:	51	592,330	585,302	772,631
a) Acquisition costs of insurance policies	52	345,631	321,793	545,051
b) Change in the balance of deferred acquisition costs (+/-)	53	-11,468	11,939	-26,254
c) Administrative overheads	54	265,982	262,657	264,065
d) Commission from reinsurers and shares of profits	55	7,815	11,087	10,231
9. Costs of financial placements (investments):	56	6,326,206	1,785,394	1,798,569
a) Costs of administering financial placements (investments), including interest	57	131,016	104,299	128,404
c) Costs attributable to the realisation of financial placements (investments)	59	6,195,190	1,681,095	1,670,165
10. Disposals of financial placements (investments)	60	78,727	138,266	291,589
11. Other technical costs, net of reinsurance	61	23,317	47,156	29,310
13. Sub-total, result of the life insurance technical account (item III.2.)	63	203,095	359,132	510,224

CZK thousand	Line no.	2005	2006	2007
<b>III. NON-TECHNICAL ACCOUNT</b>				
1. Result of the non-life insurance technical account (item I.10.)	64	-274	7,862	-17,486
2. Result of the life insurance technical account (item II.13.)	65	203,095	359,132	510,224
3. Income from financial placements (investments):	66	836,809	32,251	132,633
b) Income from other financial placements (investments) with special reference to income from controlled entities, of which:	68	37,825	23,501	26,599
ba) Income from land and buildings (real estate)	69	15	15	14
bb) Income from other investments	70	37,810	23,486	26,585
d) Income from the realisation of financial placements (investments)	72	798,984	8,750	106,034
5. Costs of financial placements (investments):	74	799,724	6,604	107,215
a) Costs of administering financial placements (investments), including interest	75	1,829	1,664	1,278
c) Costs attributable to the realisation of financial placements (investments)	77	797,895	4,940	105,937
6. Income from financial placements (investments) transferred to the non-life insurance technical account (item I.2.)	78	149	1,098	553
7. Other income	79	14,105	17,598	0
8. Other expenses	80	5,471	5,510	30,807
9. Income tax on current activities	81	60,938	95,428	117,026
10. Profit or loss on current activities after taxation	82	187,453	308,203	369,770
15. Other taxes not reported above	87	221	656	558
16. Profit or loss for the period (item III.3.)	88	187,232	307,547	369,212



# Notes to the Financial Statements for the Year 2007

## 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: 474 52 820.**

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

**Table No. 1**

Name of shareholder Address Corporate ID no.	No. of shares	Ownership %
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 Czech Finance Ministry Resolution No. 103/68361/92 dated 16 December 1992. The Company has been carrying out 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 ref no. 322/16811/2002.

The resolution (ref. no. 322/16811/2002) 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 and Segment 2 – Sickness insurance, specifically as follows:

- (a) 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;
- (b) 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;
- (c) Credit life insurance – products 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. The loan life insurance is primarily intended for sale in combination with the loan products of the Česká spořitelna Financial Group; and
- (d) Accident insurance.

In addition, the Company's principal activities include non-life insurance Nos. 3, 5, 11, 13, 15, 16 and 18 listed in Part B of the Appendix to Act No. 363/1999 Coll., Group C) of non-life insurances listed in Part C of the Appendix to the Insurance Act and reinsurance activities in accordance to Section 3 (3) of the Act on Insurance only in the scope of facultative reinsurance activities in accordance with Section 9 (5) of the Insurance Act for non-life insurance Nos. 5, 7, 8, 9, 11, 13 and 16 listed in Part B of Appendix to the Act on Insurance. However, it has not actively provided these services since 2 January 2004.

Following the registration made on 23 December 2004, the Company is allowed to provide training 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 2007:

##### **Chairman of the Board:**

Petr Zapletal, residing at Ke Kurtům 378, 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 2007:

##### **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 Accounting Act 563/1991 Coll., and Regulation

502/2002 Coll., as amended, 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 and Czech Accounting Standards for Businesses which follow the accounting rules of Regulation No. 502/2002 Coll., as amended.

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.

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 2007.

#### **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 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 Financial Placements' account or debited to the 'Decrease in 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 placements (that is, other financial placements not stated above) are recognised as a value increase or decrease through 'Increase or Decrease in 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.

Fixed assets include assets with a cost greater than CZK 40,000 in respect of tangible assets and CZK 60,000 in respect of intangible assets and an estimated useful life exceeding one year. Other assets are expensed in the period in which they were acquired.

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	
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 2007), 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 as appropriate; 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 general insurance terms and conditions or with provisions of contract.

#### **1.2.13. Equalisation Reserve**

In relation to the focus of the Company on the personal lines insurance, the equalisation reserve was not recognised as of the balance sheet date (i.e. 31 December 2007).

#### **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) (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 approved methodology of calculating this reserve is based on Expert Guideline No. 3 of the Czech Society of Actuaries – Test of the Sufficiency of Life Insurance Technical Reserves.

#### **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 2007.

#### **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 recognition of 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 2005 through 2007:

**Table 3**

Direct insurance CZK thousand	Year	Gross premiums written	Gross premiums earned	Gross costs of claims	Gross operating expenses
	2007	52,713	42,811	62,585	26,794
	2006	23,891	19,134	14,364	20,023
Total non-life insurance	2005	10,657	7,774	10,031	14,266
	2007	52,713	42,811	62,585	1,817
	2006	23,891	19,134	14,364	884
Accident insurance	2005	10,657	7,774	10,031	492
	2007	0	0	0	24,977
	2006	0	0	0	19,139
Other	2005	0	0	0	13,774

As compared to 2006, all indicators in the above table increased predominantly due to better sales of the complex accident insurance for retirement benefit policyholders. Gross operating expenses include expenses for paid mediation commissions relating to the contract for cooperation in the sale of non-life insurance products of Kooperativa pojišťovna, a. s. through Česká spořitelna's branches. Gross costs of claims do not include additional costs of claims which amounted to CZK 50,000 in the year ended 31 December 2007 (CZK 17,000 in 2006 and CZK 6,000 in 2005).

The accident insurance was not assigned to the reinsurer in the year ended 31 December 2007.

## 2.2. Life Insurance

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

**Table 4**

Item CZK thousand	Balance at 31 December 2007	Balance at 31 December 2006	Balance at 31 December 2005
Total gross premiums written	6,400,876	4,403,684	2,440,340
individual premiums	6,307,222	4,393,053	2,427,200
of which: premiums under group policies	93,654	10,631	13,140
current premiums	1,732,980	1,467,740	1,424,289
of which: single paid premiums	4,667,896	2,935,944	1,016,051
premiums from policies without profit sharing arrangements	453,604	310,026	246,174
premiums from policies with profit sharing arrangements	5,139,863	3,182,757	2,046,683
of which: investment riskpojistník	807,409	910,901	147,483
Total reinsurance balance	-18,840	-20,661	-13,576

In 2007, the positive trends which started in 2006 continued. These trends were further enhanced by the adoption of the growth strategy of the insurance portfolio of current premiums based on the new motivation of vendors and a product policy, and the increase in single paid premiums impacted by renewing discontinuing contracts for capital life insurance. The flexible life insurance with possible extraordinary premiums continues to be popular with clients and business representatives of the Company.

## 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
Non-life insurance	2007	1,449	301	1,750
	2006	677	56	733
	2005	470	10	480
	2007	406,404	57,433	463,837
Life insurance	2006	235,729	52,978	288,707
	2005	272,240	41,345	313,585
	2007	407,853	57,734	465,587
	2006	236,406	53,034	289,440
Total	2005	272,710	41,355	314,065

The Company pays the commissions only to external business representatives. The continuous growth in the following years commissions reflects the growing insurance portfolio and client portfolio for the management and development of which they are paid. An uneven development in the first year's commissions is caused by the sales structure, i.e. current premiums and single-paid premiums and the difference in their commission charges. The year-on-year increase in commissions in 2007 is further impacted by the change in the commission system predominantly focused on the support of current premiums and maintaining the competitiveness of the Company with respect to the development on the insurance broker market. In contrast, the year-on-year decrease in 2006 was due to the lower number of newly concluded current premiums policies.

### 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		
	2007	2006	2005
Industrial and similar rights	295	295	295
Software	45,247	39,789	40,210
Total	45,542	40,084	40,505



## 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		
	2007	2006	2005
Land and buildings	43,500	43,500	48,440
Fixed income securities	13,877,697	12,741,290	10,254,739
Variable yield securities	1,105,194	1,167,252	839,922
Deposits	805,627	572,892	1,168,896
Sub-total	15,832,018	14,524,934	12,311,997
Securities if the policyholder is the bearer of investment risk	1,346,322	957,774	144,895
<b>Total financial placements</b>	<b>17,178,340</b>	<b>15,482,708</b>	<b>12,456,892</b>

As of 31 December 2007, the Company owned one building located at Zelené Předměstí 115, Pardubice (plot of land 2636/1) and plot of land 1065. In 2006, a building located at Zelené Předměstí 547, Pardubice (plot of land 1065) and plot of land 2636/1 were sold. As of 31 December 2005, the fair and carrying 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 thous.	Variable yield securities			Fixed incomes securities			Deposits			Securities of the policyholder is the bearer of investment risk		
	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005
CZK	361,214	457,527	281,858	13,497,772	12,361,556	10,254,739	713,400	506,400	986,031	1,346,322	957,774	144,895
EUR	193,027	183,339	134,768	276,897	283,075	0	53,240	52,240	89,915	0	0	0
GBP	40,855	29,452	15,576	0	0	0	0	0	0	0	0	0
USD	477,210	469,061	348,473	0	21,519	0	0	0	0	0	0	0
HUF	8,307	24,622	59,247	31,738	0	0	0	0	0	0	0	0
PLN	13,062	3,251	0	71,290	75,140	0	38,987	0	0	0	0	0
SKK	0	0	0	0	0	0	0	0	92,950	0	0	0
TRY	11,519	0	0	0	0	0	0	14,252	0	0	0	0
<b>Total</b>	<b>1,105,194</b>	<b>1,167,252</b>	<b>839,922</b>	<b>13,877,697</b>	<b>12,741,290</b>	<b>10,254,739</b>	<b>805,627</b>	<b>572,892</b>	<b>1,168,896</b>	<b>1,346,322</b>	<b>957,774</b>	<b>144,895</b>

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 seventeen mutual funds and totalled CZK 471,149 thousand, of which CZK-denominated were CZK 259,595 thousand, EUR-denominated were CZK 90,855 thousand, GBP-denominated were CZK 5,843 thousand and USD-denominated were CZK 114,856 thousand (in the year ended 31 December 2006, there were eight mutual funds which totalled CZK 456,523 thousand, of which the CZK-denominated were CZK 361,153 thousand, the EUR-denominated were CZK 24,900 thousand and the USD-denominated were CZK 70,470 thousand). Seven mutual funds in the aggregate amount of CZK 155,654 thousand was formed for the purposes of the FLEXI INVEST investment life insurance (in 2006 two mutual funds in the aggregate amount of CZK 122,049 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.

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

**Table 9**

CZK thousand	31 Dec 2007	31 Dec 2006	31 Dec 2005
Total gross receivables (including prepayments made)	174,561	131,950	124,571
Provisions against receivables	31,241	28,752	19,020
<b>Total net receivables (including prepayments made)</b>	<b>143,320</b>	<b>103,198</b>	<b>105,551</b>

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

**Table 10 a)**

Product CZK thousand	Before maturity at 31 December		Past due at 31 December								Total receivables	
			Within 3 months		Within 6 months		Within 12 months		Past due greater than 12 months			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
FZ (Flexi)	1,320	1,515	2,811	2,814	1,785	2,372	3,220	4,980	18,891	18,193	28,027	29,874
SD (Death, life annuity)	9,773	5,052	11,308	13,719	1,042	2,549	550	497	995	519	23,668	22,336
SV (wedding)	0	0	612	916	63	147	0	2	0	0	676	1,065
ZU (life personal accident)	255	717	4,250	4,440	433	793	198	103	224	102	5,360	6,155
U (non-life personal accident)	64	58	1,785	1,071	100	48	100	54	108	28	2,157	1,259
UL (Flexi invest)	197	55	226	73	144	68	150	44	157	36	874	276
<b>Total</b>	<b>11,609</b>	<b>7,397</b>	<b>20,992</b>	<b>23,033</b>	<b>3,568</b>	<b>5,977</b>	<b>4,218</b>	<b>5,680</b>	<b>20,375</b>	<b>18,878</b>	<b>60,762</b>	<b>60,965</b>

Other receivables primarily comprise the following items:

**Table 10 b)**

Item CZK thousand	Balance at 31 Dec		
	2007	2006	2005
Receivables form clients	5,033	1,487	2,699
Deferred tax asset	20,352	0	0
Tax receivables	78,062	62,903	52,493
Other receivables	246	167	4,031
Provisions against other receivables	132	84	0
<b>Total</b>	<b>103,561</b>	<b>64,473</b>	<b>59,223</b>

### 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 2007	31 Dec 2006	31 Dec 2005
Non-life insurance	495	241	168
Life insurance	88,329	62,075	74,014
<b>Total</b>	<b>88,824</b>	<b>62,316</b>	<b>74,182</b>

#### 3.4.2. Other Temporary Assets

As of 31 December 2007, the balance of temporary assets was CZK 56,139 thousand (2006: CZK 28,023 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 2007 but not recognised until that date).

### 3.5. Balance Sheet Balances of Transactions Executed with the Česká spořitelna Group Entities

Set out below is an analysis of balance sheet of transactions executed with the Česká spořitelna Group entities:

**Table 12**

Amounts due from CZK thousand	Balance at 31 December		
	2007	2006	2005
Česká spořitelna, a. s.	1,293,500	1,053,893	981,143
Investiční společnost ČS, a. s.	310	0	0
sAutoúvěr, a. s.	260	0	0
Penzijní fond České spořitelny, a. s.	0	90	0
Stavební spořitelna České spořitelny, a. s.	365	99	0
<b>Amounts owed to and temporary liabilities to</b>			
Česká spořitelna a. s.	38,707	35,996	25,911
Informatika České spořitelny, a. s.	59	2,648	75

The amounts of CZK 1,293,500 thousand due from Česká spořitelna, a. s. principally comprise current account deposits and term placements of CZK 798,761 thousand (2006: CZK 565,020 thousand), mortgage bonds of CZK 20,089 thousand (2006: CZK 20,552 thousand), debt securities of CZK 441,324 thousand (2006: CZK 466,900 thousand) and estimated receivables for unwritten insurance premiums until the end of the reporting period in the amount of CZK 30,864 thousand (CZK 730 thousand as of 31 December 2006).

### 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	
31 Dec 2007	15,660	7,500	book-entry	100,000	750,000	1,117,200
		8,160	book-entry	45,000	367,200	
31 Dec 2006	15,660	7,500	book-entry	100,000	750,000	1,117,200
		8,160	book-entry	45,000	367,200	
31 Dec 2005	15,660	7,500	book-entry	100 000	750,000	1,117,200

The share capital has been paid up.

During the year ended 31 December 2007, no changes were made to the Company's share capital balance.

#### 3.6.2. Capital Funds

As of 31 December 2007, capital funds included gains and losses arising from the revaluation of assets and liabilities amounting to CZK (96,785) thousand (2006: CZK 256,155 thousand).

### 3.6.3. Funds from Net Profit

As of 31 December 2007, the Company reported the balance of the statutory reserve fund created from the net profit of CZK 159,186 thousand (2006: CZK 143,809 thousand) and the social fund balance of CZK 4,941 thousand (2006: CZK 5,329 thousand).

### 3.6.4. Allocation of Profit for the Year Ended 31 December 2006

In the years ended 31 December 2007, 2006 and 2005, 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 2007	31 Dec 2006	31 Dec 2005
Unzillmerised reserve	4,571,059	4,970,870	4,462,912
Zillmerisation deduction	17,281	19,761	22,944
Nullification of negative reserves	60	26	44
Balanced zillmerised reserve for life insurance	4,553,838	4,951,135	4,440,012
Reserve for life insurance – Flexi	8,364,713	6,259,978	4,919,058
Reserve for life insurance – profit share commitments	146,384	184,388	132,216
Reserve for life insurance – pensions	9,747	10,001	10,252
Reserve for life insurance – exemption from payment	0	19,021	17,900
Sub-total	13,074,682	11,424,523	9,519,438
Reserve for life insurance if the policyholder is the bearer of investment risk – Flexi Invest	1,346,322	957,774	144,895
<b>Total technical reserves</b>	<b>14,421,004</b>	<b>12,382,297</b>	<b>9,664,333</b>

### 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	2007	2006	2005
Insurance claim reserves at 1 January	586,930	459,301	326,844
Payments effected during the year in respect of insurance claims for the past years	191,945	159,630	130,679
The RBNS and IBNR reserve at 31 December related to insurance claims for the past years	287,823	222,207	167,709
<b>The result of the insurance claims adjustment for the past years</b>	<b>107,162</b>	<b>77,464</b>	<b>28,456</b>

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 85,868 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 223,010 thousand as of 31 December 2006.

### 3.7.4. Equalisation Reserve

In accordance with the ruling wording of Regulation 303/2004 Coll., the Company did not create an equalisation reserve as of 31 December 2007 and 2006.

## 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		
	2007	2006	2005
Policyholders	293,401	155,463	43,230
Mediators	53,750	28,877	29,106
<b>Total</b>	<b>347,151</b>	<b>184,340</b>	<b>72,336</b>

### 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		
	2007	2006	2005
Receivables from passive reinsurance	755	752	7,640
Payables from passive reinsurance	10,037	10,875	21,009
<b>Balance (+ receivable, – payable)</b>	<b>-9,282</b>	<b>-10,123</b>	<b>-13,369</b>

### 3.8.3. Other Payables

Other payables are as follows.

**Table 18**

Item CZK thousand	Balance at 31 Dec		
	2007	2006	2005
Payables to employees	3,592	3,654	3,228
Payables to social security institutions	2,400	2,514	2,167
Payables to suppliers	11,095	14,029	6,870
Deferred tax liability	0	83,684	101,384
Other tax liabilities	1,287	1,984	1,641
<b>Total</b>	<b>18,373</b>	<b>105,865</b>	<b>115,289</b>

### 3.8.4. Temporary Liabilities

The balance of temporary liabilities of CZK 78,718 thousand (2006: CZK 76,591 thousand) primarily consists of estimated outstanding staff costs for the year ended 31 December 2007, 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 19**

CZK thousand	2007			2006		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Total provided bonuses and discounts	31,162	0	31,162	1,445	0	1,445
of which: Life insurance	31,162	0	31,162	1,445	0	1,445
Non-life insurance	0	0	0	0	0	0
Change in total reserves for bonuses and discounts	5,994	0	5,994	307	0	307
of which: Life insurance	5,994	0	5,994	307	0	307
Non-life insurance	0	0	0	0	0	0
Total bonuses and discounts	37,156	0	37,156	1,752	0	1,752
of which: Life insurance	37,156	0	37,156	1,752	0	1,752
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 20**

Item CZK thousand	Year ended 31 December		
	2007	2006	2005
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.	68,364	73,546	70,452
Following years commissions	57,734	53,034	41,355
Travel expenses	396	381	283
Depreciation and costs of repair and maintenance of tangible assets	15,790	18,349	18,401
Fuel consumption	541	548	519
Costs of services of a material and non-material nature	68,935	72,404	77,933
Rent for non-residential premises	1,687	2,729	3,460
Services related to rental of non-residential premises	1,854	2,251	2,044
Costs of consumed low value tangible and intangible assets and other materials	10,432	5,507	4,900
Other costs included in administrative overheads	39,081	34,196	46,828
<b>Total</b>	<b>264,813</b>	<b>262,944</b>	<b>266,175</b>



### 3.9.3. Staff and Management

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

**Table 21**

Staff costs by type CZK thousand	Year	Staff category			Total
		Acquisition, sales	Claims settlement	Administration	
Payroll costs	2007	32,895	4,892	50,526	88,313
	2006	20,450	4,133	54,426	79,009
	2005	13,158	3,868	52,271	69,297
	2007	8,848	1,341	13,239	23,428
	2006	5,328	1,061	14,215	20,604
Social security	2005	3,387	986	13,505	17,878
	2007	3,051	459	4,599	8,109
	2006	1,844	381	4,904	7,129
Health insurance	2005	1,172	341	4,676	6,189
	2007	353	103	573	1,029
	2006	246	94	650	990
Company meals contribution	2005	199	91	777	1,067
	2007	45,147	6,795	68,937	120,879
	2006	27,868	5,669	74,195	107,732
Total staff costs	2005	17,916	5,286	71,229	94,431
	2007	48	14	78	140
	2006	34	13	90	137
Average headcount	2005	26	12	103	141

### 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.

Since June 2007, the members of the Board of Directors have received monthly bonuses of CZK 5,000. Members of the Supervisory Board received no bonuses.

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 disclosed in Note 1.2.16 amounted to CZK 44,293 thousand at the balance sheet date (2006: CZK 38,849 thousand, 2005: CZK 44,743 thousand).

### 3.9.6. Non-Technical Account Result

The non-technical account result was CZK (123,526) thousand for the year ended 31 December 2007 (2006: CZK (59,447) thousand, 2005: CZK (15,589) thousand).

### 3.9.7. Profit or Loss before Taxation

The Company generated a pre-tax profit of CZK 486,238 thousand for the year ended 31 December 2007 (the net profit was adjusted to reflect a due tax liability). The Company generated a pre-tax profit of CZK 402,975 thousand and CZK 250,663 thousand for the years ended 31 December 2006 and 2005, respectively.

### 3.9.8. Taxation

For the year ended 31 December 2007, the Company calculated its corporate income tax base at CZK 474,837 thousand. Given the possibility of deducting the cost of tax-deductible gifts of CZK 535 thousand under Section 20 (8) of Income Taxes Act 586/1992 Coll. a tax liability of CZK 113,832 thousand is reported; the tax payable according to Section 20b of the Income Taxes Act amounted to CZK 2,285 thousand. The aggregate corporate income tax for the year ended 31 December 2007 amounted to CZK 116,117 thousand. In 2007, the reserve for the 2006 income tax was released to expenses in the amount of CZK 908 thousand. The aggregate corporate income tax in the year ended 31 December 2007 amounted to CZK 117,026 thousand.

The balance of the deferred tax asset as of 31 December 2007 is reported as a component of other receivables (balance sheet line 27). Set out below is the structure of the deferred income tax balances:

**Table 22**

Deferred income tax arising from CZK thousand	Balance at 31 December		
	2007	2006	2005
Reserves and provisions	483	600	864
Depreciation of fixed assets	(8,001)	(5,524)	(4,975)
Other temporary differences	2,143	2,131	1,367
<b>Total temporary differences</b>	<b>(5,375)</b>	<b>(2,793)</b>	<b>(2,744)</b>
Unutilised tax losses brought forward	0	0	0
<b>Deferred tax asset (liability) from temporary differences impacting profit or loss</b>	<b>(5,375)</b>	<b>(2,793)</b>	<b>(2,744)</b>
Portfolio held to maturity and real estate	25,727	(80,891)	(98,640)
<b>Deferred tax asset (liability) after including temporary differences not impacting profit or loss</b>	<b>20,352</b>	<b>(83,684)</b>	<b>(101,384)</b>

The deferred income tax charge of CZK 2,583 thousand for the year ended 31 December 2007 principally involves the increase in the deferred tax liability arising from the differences between depreciation charges for accounting and tax purposes of intangible fixed assets of CZK 2,789 thousand offset by the decrease in deferred tax liabilities or the increase in the deferred tax asset with regard to other components of temporary differences of CZK 206 thousand.

#### **4. OTHER SIGNIFICANT MATTERS**

No significant events, which may have an impact on the financial statements, occurred in the years ended 31 December 2007 and 2006.

#### **5. OFF BALANCE SHEET COMMITMENTS**

The Company presently acts as a defendant in lawsuits with potential damages amounting to CZK 1,778 thousand. Contingent liabilities arising from these disputes are estimated at CZK 2,122 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, which may have an impact on the financial statements, 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 2007 Accounting Period

Pojišťovna České spořitelny, a. s. seated in Pardubice, nám. Republiky 115, zip code 530 02, reg.No.: 47452820, entered into the Commercial Register kept at the Regional Court in Hradec Králové, file B item 855 (hereinafter only "submitter") is a part of an business group (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, 2007 to December 31, 2007 (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	Pojišťovna České spořitelny
Consulting České spořitelny	Realitní společnost České spořitelny
Erste Corporate Finance	REICO investiční společnost České spořitelny
Factoring České spořitelny	s Autoleasing
Informatika České spořitelny	s Autoúvěr
Investiční společnost České spořitelny	Stavební spořitelna České spořitelny
Penzijní fond České spořitelny	

### B. CONTROLLING PERSONS

- **Česká spořitelna, a. s.**  
located at Olbrachtova 1929/62, zip code 140 00, Praha 4,  
reg. No.: 45244782  
Relation to the company: directly controlling person  
Description of relations – see **Appendix 1**

### C. OSTATNÍ PROPOJENÉ OSOBY

- **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 Antala Staška 32/1292, zip code 140 00, Praha 4,  
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**
- **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**
- **REICO investiční společnost České spořitelny, a. s.**  
located at Antala Staška 2027/79, zip code 140 00, Praha 4,  
reg. No.: 27567117  
Relation to the company: affiliated company  
Description of relations – see **Appendix 2**
- **s Autoleasing, a. s.**  
located at Střelničná 8/1680, zip code 182 00, Praha 8,  
reg. No.: 27089444  
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 2007 accounting period in the interest or at the instigation of individual related persons.

In Pardubice, February 5, 2008

Pojišťovna České spořitelny, a. s.



RNDr. Petr Zapletal  
Chairman of the Board  
and Chief Executive Officer



Ing. Jaroslav Kulhánek  
Vice-Chairman of the Board  
and Deputy CEO



Ing. 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 38,437	
Contract on cooperation No. 45244782	Česká spořitelna	30. 6. 2005	30. 6. 2005	Contract on cooperation in the area of private life insurance	CZK 21,292,077	Contribution to employees
ditto	Česká spořitelna	ditto	ditto	ditto	CZK 3,308,000	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 426,608	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. 5900030202	Česká spořitelna	30. 9. 2002	1. 10. 2002	Insurance of clients of Česká spořitelna (drawing loans)	CZK 1,385,569	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	ditto	ditto	Ensuring relevant processes of the framework insurance contract	CZK 60,455,817	Insurance of clients of Česká spořitelna
Framework insurance contract No. ČSHY 1/2007	Česká spořitelna	25. 9. 2007	29. 9. 2007	Framework contract to insurance - Hypotéka		Regulates insurance-technical relations of the participating parties
Executing contract No. ČSHYP 1/2007	Česká spořitelna	ditto	ditto	Ensuring relevant processes of the framework insurance contract	CZK 78,874	Insurance of clients of Česká spořitelna

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including VAT	Comment
Framework insurance contract No. ČSBU 1/2007	Česká spořitelna	23. 3. 2007	23. 3. 2007	Framework contract to insurance – Osobní účet		Regulates insurance-technical relations of the participating parties
Executing contract No. ČSBUP 1/2007	Česká spořitelna	ditto	ditto	Ensuring relevant processes of the framework insurance contract	CZK 2,013,188	Insurance of clients of Česká spořitelna
Framework insurance contract No. ČSK 1/2006	Česká spořitelna					
Executing contract No. ČSKP 1/2006	Česká spořitelna	ditto	ditto	Ensuring relevant processes of the framework insurance contract	CZK 401,320	Insurance of clients of Česká spořitelna

## 1.2 Purchase of services (exclusing leasing)

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

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including 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 29,000,000	Replaces the contract of 29. 12. 2000. In amendment No. 1, single documents – protocols are formulated, and thatabout payment for 2006 and 2007 and about investment strategy for 2006 and 2007, which can be revised during the year. (Protocol about investment strategy and guideline for 2006 No.1; 2; 3, for 2007 No. 1; 2)
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	

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including 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	Prices are 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	Prices are 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 a client with 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	Deposit accounts are opened individually from financial means
Framework contracts on administration of deposit accounts	Česká spořitelna	1999-2000	1999-2000	Establishment of deposit accounts with individual interest rate	Prices are stipulated according to business conditions of Česká spořitelna	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)	Prices are stipulated according to business conditions of Česká spořitelna	In the wording of amendment No. 3 of 9. 1. 2001



Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including VAT	Comment
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	Prices are 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 article 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 article VIII – General business conditions of Česká spořitelna.
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 electronic banking services	Česká spořitelna	2001–2004	2001–2004	Providing electronic banking services HOME BANKING, FAX BANKING	Prices are stipulated according to business conditions of Česká spořitelna	Contracts apply to selected current accounts

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including VAT	Comment
Amendment No. 3 to the Contract on providing electronic banking services No. 306/2003	Česká spořitelna	15. 12. 2005	15. 12. 2005	Providing electronic banking services 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 the 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 providing service Business 24 – light (č. 50/07)	Česká spořitelna	7. 6. 2007	7. 6. 2007	The contract defines rights and obligations of the contractual parties in connection with providing the direct banking service Business24 – light	Prices are stipulated according to business conditions of Česká spořitelna	Contract was terminated as of 15. 6. 2007
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-dwelling spaces in the building of Palackého 2882/16, Přerov
Contract on renting non-dwelling 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-dwelling spaces in the building Poláčkova 1976, Praha 4 and renting 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 the provision of services by KCP Prostějov for the insurance company for toll free phone calls and operators	According to the monthly volume of services for toll free phone calls and services of operators	
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 for an operator + back office activities	According to the monthly volume of services for toll free phone calls and services of operators	In the wording according to amendment No. 2 of 25. 4. 2003

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including VAT	Comment
Agreement on access to the Intranet of Česká spořitelna	Česká spořitelna	18. 9. 2002	18. 9. 2002	Regulation of rights and obligations regarding access to the 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 terminated by fulfillment of the matter
Contract on handover of data No. 62/04	Česká spořitelna	15. 4. 2005	15. 4. 2005	Contract on handing over clients data to DWH between Pojišťovna České spořitelny and Česká spořitelna		In the wording of amendment No. 1 of 17. 5. 2007
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 providing 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)	Price stipulated according to the volume of used services in usual prices	
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 5,929,866	
Contract on intermediation of payments No. 94/07	Česká spořitelna	30. 10. 2007	30. 10. 2007	Payout of insurance benefits through branches of Česká spořitelna	CZK 0	Beginning of the fulfillment of the contract subject in 02/2008

### 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:

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price incl. VAT	Comment
Contract on business representation No. OPČS 86/07	Česká spořitelna	30. 3. 2007	1. 4. 2007	Intermediation of sales of life insurance by Česká spořitelna employees	CZK 94,132,985	The contract replaces Contract on business representation No. ŽB 43/07 and the Executing contract No. 144/07 including all amendments
Contract on business representation No. NŽ 141/04	Česká spořitelna	30. 12. 2004	1. 1. 2005	Intermediation of sales of non-life insurance	CZK 24,983,098	
Contract on business representation No. EPaK 25/07	Česká spořitelna	30. 3. 2007	1. 4. 2007	Intermediation of sales of life insurance by external partners of Česká spořitelna	CZK 23,284,165	The contract replaces Contract on business representation No. EPaK 74/06
Agreement on stipulation of conditions for payment of extraordinary commission for an increased sales of life insurance FLEXI	Česká spořitelna	24. 9. 2007	1. 10. 2007	Extraordinary commission for motivation for over fulfillment of the plan of single paid premium FLEXI in 2007	CZK 2,300,000	For the year 2007

#### Comments:

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 objected 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 and amount of delivery	Purchase price incl. VAT	Comments
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 40,000	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 16,000	Contribution to managers
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 167,000	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 managers
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 546,000	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 43,296	Contribution to employees
ditto	Investiční společnost České spořitelny	ditto	ditto	ditto	CZK 20,000	Contribution to managers

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including VAT	Comment
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 134,408	Contribution to employees
ditto	Penzijní fond České spořitelny	ditto	ditto	ditto	CZK 60,000	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 4,823,257	Loyalty program of the clients of Penzijní fond České spořitelny
Contract on cooperation while using the service Office Connector Plus No. 71/06	Penzijní fond České spořitelny	13. 10. 2006	13. 10. 2006	Using services and the mobile application Office Connector	CZK 70,542	In the wording of amendment No. 1 of 11. 12. 2007
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 60,000	Contribution to managers
ditto	Realitní společnost České spořitelny	ditto	ditto	ditto	CZK 8,000	Contribution to employees
Contract on cooperation No. 27567117	REICO investiční společnost České spořitelny	29. 10. 2007	29. 10. 2007	Contract on cooperation in the area of private life insurance	CZK 4,000	Contribution to employees
ditto	REICO investiční společnost České spořitelny	ditto	ditto	ditto	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 Autoúvěr		Regulates business conditions 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 1,888,504	Stipulates price, terms and policy administration

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including VAT	Comment
Contract on cooperation No. 63999579	s Autoleasing	30. 6. 2005	30. 6. 2005	Contract on cooperation in the area of private life insurance	CZK 99,420	Contribution to employees
ditto	s Autoleasing	ditto	ditto	ditto	CZK 60,000	Contribution to managers
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 155,146	Contribution to employees
ditto	Stavební spořitelna České spořitelny	ditto	ditto	ditto	CZK 80,000	Contribution to managers
Framework insurance contract č. SSČS 1/2005	Stavební spořitelna České spořitelny	16. 5. 2005	16. 5. 2005	Framework insurance contract to KVATRO insurance		Regulates business conditions of the participating parties. In the wording of amendment No. 1 of 15. 6. 2007
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 1,540,449	Stipulates price, terms and policy administration

## 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 including VAT	Comment
Service contract on providing IT service No. 84/02	Informatika České spořitelny	15. 5. 2002	1. 6. 2002	Service contract on PCs, notebooks, printers	CZK 152,901	In the wording of amendment No. 1 of 30. 6. 2003
Agreement on regulation of relations between the investment company and the investor No. 23/07	Investiční společnost České spořitelny	29. 3. 2007	29. 3. 2007	Sales support of allotment certificates	Dependant on volume of the invested sum while observing the stipulated conditions	In the wording of amendment of 16. 10. 2007

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including VAT	Comment
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	CZK 0	
Contract on cooperation No. 159/04	Penzijní fond České spořitelny	30. 12. 2004	1. 1. 2005	Mutual cooperation in the area of development, offering and selling products		Reciprocal fulfillment does not follow from this contract
Framework agreement on intermediation of sales of vehicles owned by the company No. 60/06	s Autoleasing	11. 7. 2006	11. 7. 2006	Intermediation of sales of vehicles included in Pojišťovna České spořitelny property by the intermediary	According to the business conditions of s Auto-leasing	A separate contract on intermediation is issued for sales of single vehicles being discarded from the company's property under business conditions stipulated by this contract

### 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	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Purchase price including VAT	Comment
Purchase contracts based on orders according to HN of IT purchases	Informatika České spořitelny	since 1. 1. 2007 till 31. 12. 2007	since 1. 1. 2007	Working stations, monitors, servers, cables, IT consumables, projector, discs, HW IT	CZK 2,285,399	
Service contract No. 84/02	Informatika České spořitelny	15. 5. 2005	since 1. 1. 2002	Service work and spare parts above the lump sum	CZK 142,774	



**Comments:**

Cooperation between related persons within the Česká spořitelna Financial Group, where Česká spořitelna is the 100 % or majority owner, is also regulated by contractual relations respecting laws in force in the Czech Republic and in the event 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 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.

During the accounting period, none of the parties objected possible financial damage.

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).

# Non-financial Part

## **1. FURTHER EXPECTED DEVELOPMENT IN THE COMPANY'S ACTIVITIES**

The Company will focus on life insurance development in the coming period. Sales of life insurance will be realized through traditional distribution channels and in the network of Česká spořitelna. In this network, the sales volume of the so called group life insurances will grow. This will mean accomplishment of the complexity of the financial service, when selected types of bank products are connected with an insurance product within one trade resp. loan contract.

The goal of the Company is to strengthen its position in the life insurance market with the market share of 12 %. The Company will concentrate on strengthening the share of current paid premium in the total insurance policies portfolio. In the product basket, the Company will focus on further enhancement of services based on the successful product FLEXI, and that mainly in the area of enlarging the offer and structure of insurance risks for better 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 in 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**

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

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. 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, including regular and contractually secured health care for its employees. 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.

## **6. FURTHER SIGNIFICANT FACTS**

In the end of the 1st quarter 2008, the management of the Erste Bank Group announced its intention to sell part of the shares of the Company to the financial group Vienna Insurance Group. The aim of this transaction is to deepen further cooperation of the mentioned financial groups and to strengthen their focus on the core business – insurance business and banking and to offer to their common clients financial service of better quality and accessibility. The necessary steps for fulfilling these defined goals will start after the necessary approval operations.

**Pojišťovna České spořitelny, a. s.**

Pardubice, nám. Republiky 115, 530 02

IČ / ID: 47452820

Telephone – exchange: +420 466 051 110

Facsimile – exchange: +420 466 051 380

Information line: +420 800 207 207

E-mail: [pojistovnacs@pojistovnacs.cz](mailto:pojistovnacs@pojistovnacs.cz)

Internet: [www.pojistovnacs.cz](http://www.pojistovnacs.cz)

Annual Report 2007

Production: Omega Design, s. r. o.

