



# 2001 annual report 2001

# ČESKÁ SPOŘITELNA FINANCIAL GROUP

Česká spořitelna, a.s.

Stavební spořitelna České spořitelny, a.s.

Investiční společnost České spořitelny, a.s.

Penzijní fond České spořitelny, a.s.

Pojišťovna České spořitelny, a.s.

Leasing České spořitelny, a.s.

Factoring České spořitelny, a.s.

Sindat consulting České spořitelny, a.s.

Informatika České spořitelny, a.s.

# **ANNUAL REPORT 2001**

**POJIŠŤOVNA ČESKÉ SPOŘITELNY, A.S.**



**Ing. Libor Mánek**  
Branch Manager – České Budějovice

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## SELECTED FINANCIAL INDICATORS

(ths CZK)	1999	2000	2001
Assets	2,853,188	3,573,915	4,457,353
Share capital and funds	826,000	1,127,200	1,127,200
Total financial placements	1,425,148	1,964,726	3,008,852
Total technical provisions	1,106,829	1,702,728	2,495,034
Business result for the period	(47,978)	(219,674)	101,361
Total premiums written	2,168,881	3,021,868	3,659,840
of which: life insurance	175,973	322,781	1,041,469
non-life insurance	1,992,908	2,699,087	2,618,371
Total claims paid	1,097,473	1,558,256	1,633,152
of which: life insurance	27,816	80,591	127,123
non-life insurance	1,069,657	1,477,665	1,506,029
Number of insurance contracts as of December 31	337,777	528,946	747,855
of which: life insurance	40,067	80,854	126,882
non-life insurance	297,710	448,092	620,973
Number of employees as of December 31	1,291	1,181	819

## AN IMPORTANT EVENT OF THE YEAR 2001

### CHANGE OF THE NAME AND LOGO OF THE COMPANY

On September 17th, 2001, **ČS-Živnostenská pojišťovna** changed its trading name to **Pojišťovna České spořitelny**. This change was executed on the basis of the transformation of Česká spořitelna and its whole financial group into a modern, client oriented institution of European standards.



ČS-ŽIVNOSTENSKÁ POJIŠŤOVNA, a.s.  
člen Finanční skupiny České spořitelny





## COMPANY PROFILE

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 was to provide emerging entrepreneurs with insurance services. As the insurance activities developed, the provision of insurance programs for the general public was enlarged to include products for individuals. The company was the first in the Czech Republic to introduce insurance of dread disease in 1995, where benefits are paid immediately after positive diagnosis. The company succeeded in addressing the general public by extending its offering of products and services, but this imposed a greater demand on the capital base of the company.

1992 –  
ESTABLISHMENT  
OF THE COMPANY

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. The effective creation and distribution of banking and insurance products for a common group of clients still remains the strategic objective of this financial partnership.

1995 –  
SHAREHOLDING ENTRY  
OF ČESKÁ SPOŘITELNA

An important moment for the clients and other business partners has been the completion of the state share privatization of Česká spořitelna, the majority owner of Pojišťovna České spořitelny. The new shareholder of the bank – the well known Austrian Erste Bank – undoubtedly represents a guarantee of further improvement of client care and uncompromising quality of the services provided.

MARCH 2000 –  
ERSTE BANK

In the course of Česká spořitelna's privatization Pojišťovna České spořitelny 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, 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 insurance companies on the Czech market with the strongest capital base, which, together with the strong shareholders' background, is a good reflection of security and trustworthiness.

NOVEMBER 2000 –  
SHARE CAPITAL  
INCREASE

In early 2001, the Chamber of Insurance Brokers – an organization of professional brokers and intermediaries – carried out a survey among all the registered insurance brokers to award the Insurance Company of the Year for 2000. The main objective was to evaluate insurance services on the Czech market from the professional point of view of independent insurance brokers and intermediaries. In all six evaluated categories Pojišťovna České spořitelny always took one of the top positions. The especially satisfying fact is that Pojišťovna České spořitelny ranked first in life and accident, where this position was uncontested.

2001 –  
“INSURANCE  
COMPANY OF THE  
YEAR 2000” SURVEY

After the transformation of Česká spořitelna and its whole financial group into a modern, client-oriented financial institution of European standards, shareholders of the insurance company agreed with the decision to accept the new name of Pojišťovna České spořitelny from September 17, 2001. The change of the trading name was linked with the change of corporate colors, names and logos of the whole Financial Group of Česká spořitelna inspired by relevant items of its new majority owner Erste Bank. Pojišťovna České spořitelny recognizes this change as a confirmation of the propriety of the steps taken so far, which are directed at improving the quality of products and services provided, where the client always comes first.

SEPTEMBER 17, 2001 –  
CHANGE OF THE NAME  
AND LOGO OF THE  
COMPANY

Pojišťovna České spořitelny is a founding member of the Czech Insurance Association and the Czech Nuclear Pool and plays an active role in their work by participating in specialized areas and working groups. After entering the market for compulsory motor third party liability, the insurance company also became a member of Czech Insurers Bureau.

## INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND GENERAL MANAGER

Dear shareholders and business partners,

It is my pleasure to present you with the 2001 Annual Report on behalf of the Board of Directors. This year has been a year of dynamic and progressive development of Pojišťovna České spořitelny, a year when we succeeded in achieving all the strategic objectives we set out to achieve as well as a year of consolidating the company's position on the Czech insurance market.

An important date from the clients' and business partners' point of view was September 17, 2001, when ČS-Živnostenská pojišťovna changed its trade name to Pojišťovna České spořitelny. The decision of shareholders to operate under the new name of Pojišťovna České spořitelny is a result of Česká spořitelna and its whole financial group's transformation process into a modern, client-orientated financial institution of European standards. Management of the insurance company at the same time perceives the change of the company name and logo as a confirmation of success of the steps taken on the way to improved quality of products and services provided, where the client always comes first.

The strong shareholders background of Pojišťovna České spořitelny is not only a mark of stability and trustworthiness, but a guarantee of reliable ownership strategy implementation as well. The most important strategic objectives of the company include:

- Development of life insurance, which is the top priority, focusing especially on development of the business through Česká spořitelna's branch network and direct distribution channels approaching the corporate clients;
- Maximization of non-profit insurance profitability through system measures, aimed at increasing the output and efficiency of this business segment;
- Reduced cost and increased productivity with the help of identification and implementation of commercial and operational synergies within the Financial group of Česká spořitelna.

Cooperation during the sale of insurance products through banks proved to be successful all over Europe and the question today is not IF it will be a success but HOW the whole bancassurance project will be implemented and how the competition will react.

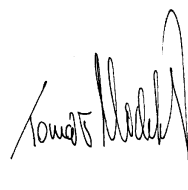
"You've got your whole life ahead of you, and we're behind you all the way." is our company's main motto. The client is at the center of our attention; we want to achieve client satisfaction by providing high quality products and services with clear guarantees of security. The way to achieve our goals is the establishment of long-term partnerships with our customers, business partners and the public sector. A key precondition of success is cooperation with only those of the partners who possess experienced management, goodwill, a quality technical background and ability and willingness to cooperate as partners. We are aware that outstanding performance can nowadays only be achieved through concerted efforts with individual preferences and common objectives in good harmony.

The company must find such attributes as resolution, endurance and, last but not least, courage, that are supported by shareholders, employees, clients and other business partners, to implement substantial changes in the processes. We proved we had the ability and courage to make tough and unpopular decisions in 2001. Pojišťovna České spořitelny, in 2001, made a remarkable step forward and by the volume and structure of its business drew nearer towards European and global parameters, though we still have considerable reserves and therefore great development opportunities here.

We are looking forward to new challenges in the future. Due to the knowledge gained during the execution of our job and the know-how of our shareholders, we are sure to be able to meet all the requirements of the market. However, this would never be possible without the trust and support of our clients, business partners and, last but not least, our employees. I would like to thank them all on behalf of the Board of Directors.

Tomáš NIDETZKÝ

Chairman of the Board of Directors and Chief Executive Officer





# MEMBERS OF THE COMPANY'S EXECUTIVE BODIES

(as at December 31, 2001)

## BOARD OF DIRECTORS

**Tomáš Nidetzký**, Chairman of the Board

**Jaroslav Kulhánek**, Vice Chairman of the Board

**Karel Veselý**, Member of the Board

## SUPERVISORY BOARD

**Jiří Škorvaga**, Chairman of the Supervisory Board, Česká spořitelna

**Michael Harrer**, Vice Chairman of the Supervisory Board, Sparkassen Versicherung

**Radek Urban**, Member of the Supervisory Board, Česká spořitelna

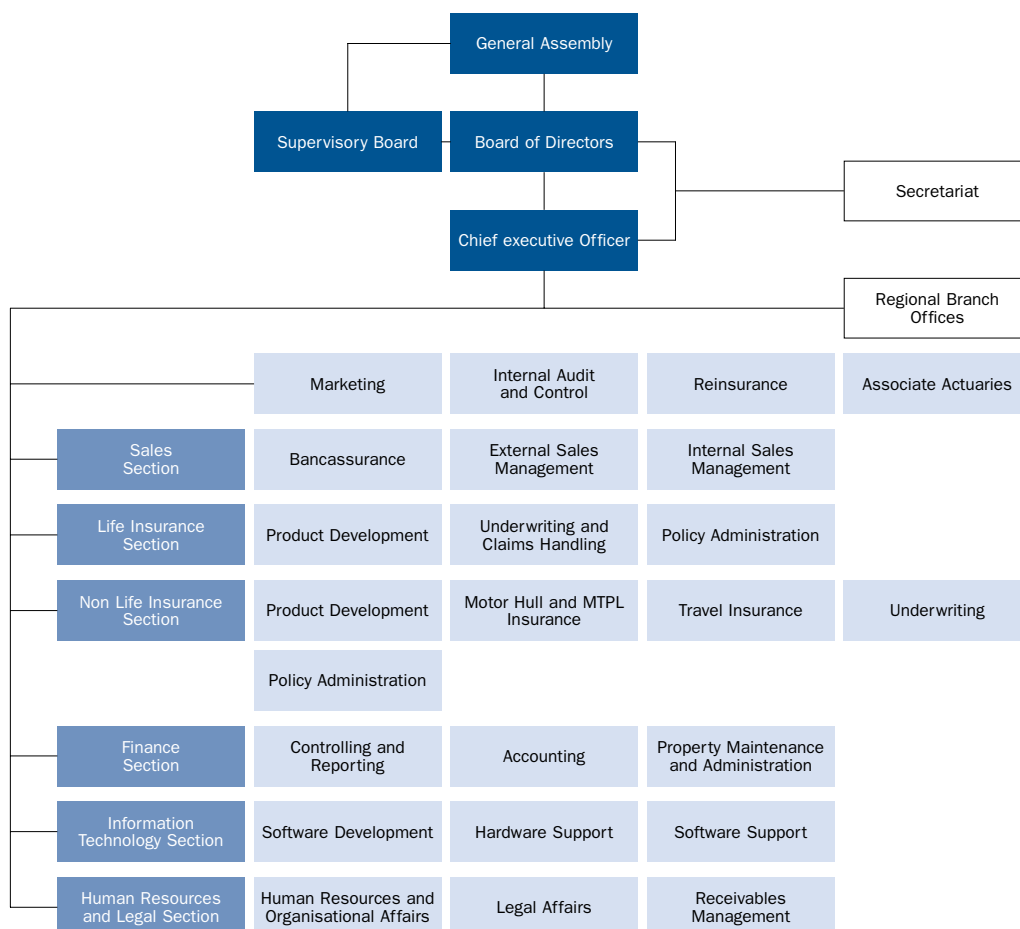
**Georg Wissgott**, Member of the Supervisory Board, Sparkassen Versicherung

**Oldřich Deutsch**, Member of the Supervisory Board, Pojišťovna České spořitelny

**Hana Cupáková**, Member of the Supervisory Board, Pojišťovna České spořitelny

## HEAD OFFICE ORGANISATION

(as at December 31, 2001)



# BOARD OF DIRECTORS

as at December 31, 2001



**Ing. Tomáš Nidetzký (March 29, 1970)**

Chairman of the Board of Directors

Graduated from Prague University of Economics, Faculty of Informatics and Statistics, specialization in applied statistics and international finance. Between 1996 – 1998 completed postgraduate studies at Oklahoma City University in the USA. After university graduation worked in the information department of the Securities Center. Between 1995 – 1997 worked for Komerční banka as an assistant to the managing director of the financial section. Joined Česká spořitelna in 1997, working until 1999 as a strategic planning department director. Between 1997 – 1999 also a member of the Supervisory Board of Stavební spořitelna České spořitelny. Accepted the offer to become the Chairman of the Board and General Manager of Penzijní fond (pension fund) České spořitelny in 1999. With effect from 1 November 2000, he has been appointed Chairman of the Board of Directors and Chief Executive Officer of Pojišťovna České spořitelny.



**Ing. Jaroslav Kulhánek (March 12, 1957)**

Vice-chairman of the Board of Directors

Graduated from Prague University of Economics, Faculty of Production and Economics, specialization in the economics of industry. A member of the Chamber of Tax Advisors since 1995. In 2000 received CIMA A certificate. After graduation worked until 1985 in the Pardubice Prior department store as head of the Supply and Maintenance section. Between 1985 – 1991 worked as an economic deputy in Stavební bytové družstvo (construction and housing association) Hradec Králové. Between 1991 – 1994 worked as a Tax Authority director in Hradec Králové. Joined Pojišťovna České spořitelny in 1994 as the Chief Financial Officer. Became a member of the Board of Directors and Chief Financial Officer of the Povodí Labe company in 1995. At the end of 1995 appointed Chairman of the Board of Directors and Chief Executive Officer of Pojišťovna České spořitelny; since 1999 Sales Manager, appointed Vice-chairman of the Board of Directors and Sales Manager on November 1, 2000 and since 2001 Vice-chairman of the Board of Directors and Chief Financial Officer.



**Ing. Karel Veselý (March 16, 1959)**

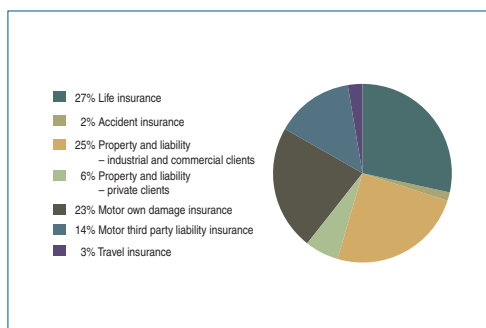
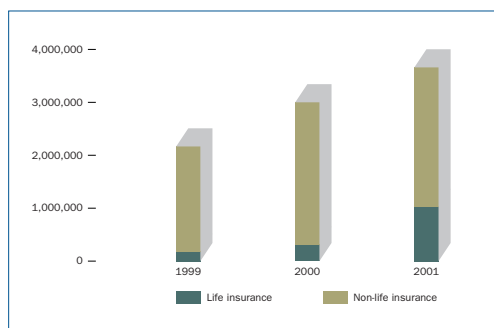
Member of the Board of Directors

Graduated from Brno University of Agriculture, Faculty of Economics and Operations, specialization in mechanization. After graduation worked until 1992 in Standard Farming Cooperative Haná as head of repairs. Became agency manager of the Insurance Company Otčina in Přerov in 1992. Has been with Pojišťovna České spořitelny since 1993, where he undertook various managerial positions starting from 1994. Became Branch Manager of the Olomouc regional ranch of Pojišťovna České spořitelny in 1995. From January 26, 2001 has worked as the Head of Sales. Appointed a member of the Board of Directors on March 20, 2001.

# REPORT OF THE BOARD OF DIRECTORS

## BUSINESS RESULTS

After substantial internal reorganization and change of the business and product strategies, Pojišťovna České spořitelny recorded significant commercial success in 2001. The volume of total premiums written increased by 21% compared to 2000 and the premium reached CZK 3.659 billion in absolute terms. The total premium volume represents a market share of 4.61 %, which means sixth position on the Czech insurance market. The increase in the sales of life insurance (CZK 1.041 billion) had a considerable effect on the total premium volume, as its rate of increase compared to 2000 was 322%. In non-life, the strategy of restructuring the portfolio aimed at improving the motor own damage insurance results was fully implemented and accompanied by consistent segmentation of clients to take into account the frequency and volume of claims. This strategy successfully resulted in the considerably lower loss ratio and frequency of losses compared to the previous year.



<< PREMIUMS  
WRITTEN  
DEVELOPMENT  
(THS CZK)

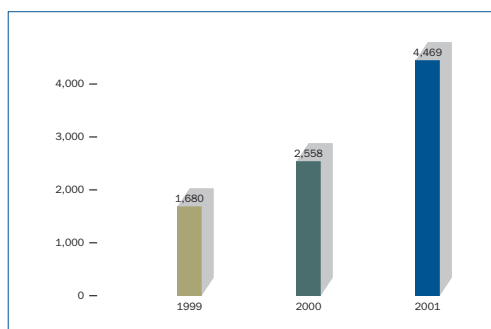
< PREMIUMS  
WRITTEN  
STRUCTURE  
IN 2001

The most remarkable trend of the present Czech insurance market is the increased interest of the clients in life insurance products. People are beginning to realize the importance of insurance for themselves and their relatives in case of unforeseeable accidents. Life insurance has witnessed remarkable growth during the last few years and its share of the total premium in the Czech Republic is rising steadily. The fact that Pojišťovna České spořitelny was one of the most dynamically developing companies in life insurance in the Czech Republic in 2001 is therefore even more pleasing.

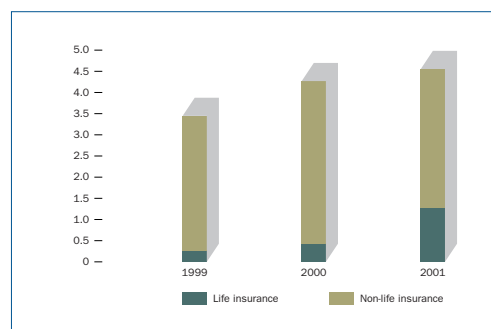
The total life insurance premiums written reached CZK 1.041 billion and that means a considerable shift on the life insurance market for the company – from tenth to sixth position with a life insurance market share of 3.7%. The year-on-year life insurance portfolio increase of Pojišťovna České spořitelny – in premium volume terms – was the second, which proves the rising popularity of the life insurance products offered and at the same time clients' trust in the company's stability.

In accordance with the strategy of the Financial Group of Česká spořitelna, life insurance has become a favorable investment alternative and 2001 has brought Pojišťovna České spořitelny to a leading position on the bancassurance market in the Czech Republic. Taking into account the development of interest rates in the banking sector, the offering of Capital life insurance and Flexible life insurance represented a favorable alternative for clients of Česká spořitelna and others. The two products can cover clients' requirements concerning both the range and quality of the insurance and, in particular, its saving potential. Clients who took out Capital life insurance in 2001 were rewarded by a 7.5% interest rate evaluation of insurance reserves, and Flexible life insurance achieved an average evaluation of 7.48% in 2001, being one of the most demanded products due to the possibility of extraordinary deposits up to the final capital value amount.

PREMIUMS WRITTEN  
PER EMPLOYEE  
(THS CZK)



PREMIUMS WRITTEN  
– MARKET SHARE  
DEVELOPMENT (%)



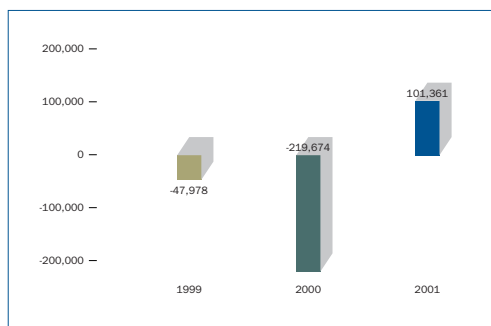
The non-life insurance area in 2001 has been influenced by significant structural changes aimed at improving the quality of the insurance portfolio and the client services for both new and present clients. Substantial measures aimed at improving the efficiency and effectiveness of the company involved the gradual externalization of the business network and strengthening of the motivation of representatives focusing on both performance and quality aspects of policies issued. The total of non-life premiums written reached CZK 2.618 billion. This result helped the company keep its fourth position among insurance companies on the non-life insurance market with a share of 5.12%. The most remarkable results in the area of non-life insurance in 2001 included lowering the total amount of losses, the decrease in the number of claims and the fall of loss frequency – all results of the insurance company's work with the clients in claims prevention.

In non-life insurance, we offered our clients comprehensive insurance coverage and we continued with the well-established insurance programs, especially for municipalities and selected professional groups.

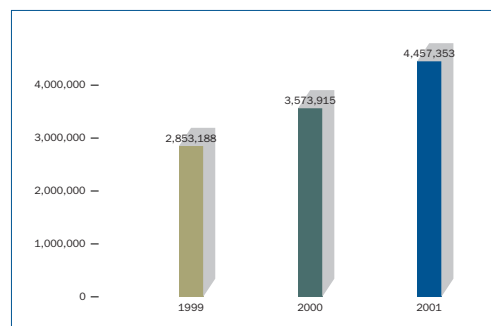
## FINANCIAL RESULTS

The company's performance resulted in a CZK 101 million profit in 2001. This result proves that the measures taken to ensure sound economic development of the insurance company were correct and necessary; at the same time it is the highest profit in history of Pojišťovna České spořitelny. Consistent implementation of measures and steps in 2001, leading to the company's reorganization aimed at improving the company's financial performance, had a considerable contribution to this positive result. In addition to the above mentioned good business results of the company, the measures were specifically aimed in particular at improving the efficiency of processes and reducing operation costs.

FINANCIAL RESULT  
DEVELOPMENT  
(THS CZK)



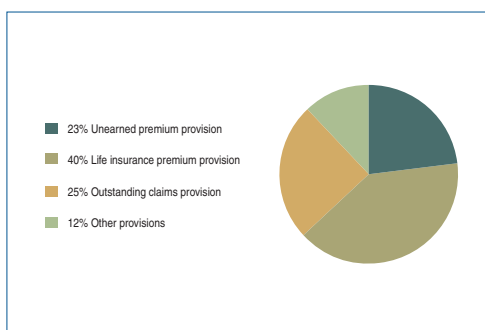
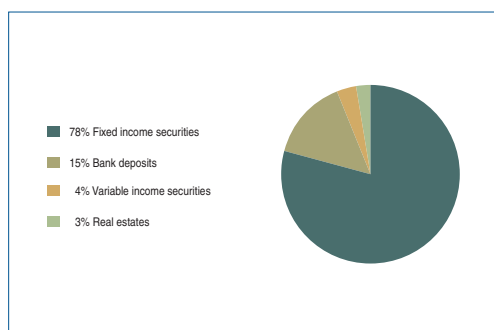
BALANCE SHEET  
AMOUNT DEVELOPMENT  
(THS CZK)



Compared to the previous year, a considerably better technical result of non-life insurance has been achieved. The loss ratio decreased by 20% compared to 2000. This result has been achieved despite creating a further provision of CZK 60.9 million to cover the deficit of Česká kancelář pojistitelů (the Czech Insurers Bureau) in accordance with the relevant provisions of Act No. 168/1999 Coll.

Technical provisions amounted to CZK 2.495 billion, and were structured as follows: unearned premium provision CZK 574.7 million, life insurance provision CZK 998.2 million, outstanding claims provision CZK 621.6 million and other provisions CZK 300.5 million. The provisions increased by CZK 793 million in 2001 compared to 2000, which is a 44.4% increase. These provisions were created in accordance with current legislation and form the financial cushion required to settle future claims.

The increase in the volume of technical provisions, in addition to a better-than-expected yield from financial placement of technical provisions, has contributed to a better result from financial placement by CZK 76,2 million compared to 2000 (i.e. 96,3%). The financial placement portfolio is spread among the individual types of financial instruments in accordance with applicable legislation and in accordance with the requirements of state insurance supervision. Financial placements are managed in cooperation with specialized departments of Česká spořitelna's Investment Banking function. Despite the continuing decrease in interest rates in the financial market complemented by the impact of events linked to the tragedy of September 11, 2001, the total average yield and interest rate of life insurance reserves exceeded interest rate of term deposits in banks.



<< FINANCIAL  
PLACEMENTS  
STRUCTURE  
IN 2001

< TECHNICAL  
PROVISIONS  
STRUCTURE  
IN 2001

The insurance company also meets the requirements and demands on solvency and more than fulfills the required solvency rate for both non-life and life insurance. Thus it creates a sufficient guarantee of covering any obligations that may arise under insurance contracts.

Pojišťovna České spořitelny based its reinsurance approaches on the careful structure of reinsurance contracts from previous years and took it as a sound guarantee of the ability to fulfill the company's obligations. Our traditional long-term partners had a major share of the reinsurance contracts. Namely Swiss Re as the largest partner, the leading reinsurer of the main reinsurance treaties and life insurance reinsurer, together with (in alphabetical order) GE Frankona, Gerling, Hannover Re, Munchener Re, New Re, Partner Re, SCOR, Zurich Re and other reinsurance partners. Altogether 30 reinsurance partners and 3 reinsurance brokers participated in treaties for 2001.

# SUPERVISORY BOARD REPORT

In 2001, the Supervisory Board of Pojišťovna České spořitelny, a.s. performed the tasks assigned to it by law and the Company's Articles of Association. As the supervision and oversight 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 on the Company's operations and financial position. It verified the fulfillment of General Meeting resolutions, reviewed the reports of the external auditors and provided the Company's management with suggestions and recommendations on how to improve the situation at the Company. The Supervisory Board has reviewed the accompanying financial statements of Pojišťovna České spořitelny, a.s. as of December 31, 2001 and its conclusion is that the accounting records were kept in a clearly supportable manner in accordance with applicable accounting regulations and the Company's Articles of Association.

The financial statements for the year ended December 31, 2001 were audited by Deloitte & Touche, spol. s r.o., which confirmed that the financial statements present fairly, in all material respects, the assets, liabilities and shareholders' equity of Pojišťovna České spořitelny, a.s. as of December 31, 2001 and the results of its operations for the year then ended, in accordance with the Accounting Act and other applicable laws and regulations of the Czech Republic. The Supervisory Board took the auditors' opinion into consideration.

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 2001 in favour or at instigation of individual related persons.

Based on all the above facts, the Supervisory Board has recommended that the General Meeting approve the state of the Company's assets and liabilities as of December 31, 2001 as well as the proposed distribution of the Company's profit for 2001.

Pardubice, May 2002



Jiří ŠKORVAGA  
Chairman of the Supervisory Board  
Pojišťovna České spořitelny, a.s.





**Miroslav Šiler**

Exclusive Insurance Agent – partner of Pojišťovna České spořitelny



### **Auditor's Report to the Shareholders of Pojišťovna České spořitelny, a.s.**

Based upon our audit, we issued the following audit report dated 4 February 2002 on the financial statements which are included in this annual report on pages 15 to 33:

“We have audited the accompanying financial statements of Pojišťovna České spořitelny, a.s. for the year ended 31 December 2001. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities, equity and financial position of Pojišťovna České spořitelny, a.s. as of 31 December 2001 and the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

Without qualifying our opinion we draw attention to the following matter.

As discussed in Note 1.2.10 to the financial statements, due to the limited availability of internal historical data, the Company referred to the statistical data provided by the Czech Insurers' Bureau and specifically the experience of international reinsurers in determining the level of the IBNR reserve for mandatory motor third party liability insurance. The amount of the reserve was determined by an actuary exercising his professional judgement using the assumptions referred to above and this amount of the reserve is equal to the estimated level of future claims incurred up to the balance sheet date. However, management of the Company considers that, given the limited availability of historic loss occurrence rates, there is a greater degree of uncertainty over the ultimate level of claims incurred but not reported as of the balance sheet date and therefore also of the adequacy of the IBNR reserve.”

We have reviewed the factual accuracy of information included in the report on transactions with related parties included in this annual report on pages 34 to 41. This report is the responsibility of the Company's Board of Directors. Nothing has come to our attention based on our review that indicates that there are material factual inaccuracies in the information contained in the report.

We have read other financial information included in this annual report for consistency with the audited financial statements. In our opinion, other financial information included in this annual report is consistent, in all material respects, with the audited financial statements.

Prague, 24 May 2002

Audit firm:

*Deloitte & Touche spol. s r.o.*  
Certificate no. 79

*Deloitte & Touche*

Statutory auditor:

*Michal Petrman*  
Certificate no. 1105

*M. Petrman*

# INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

(in thousands CZK)

	Row Nr.	Base	Subtotal	Result
I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE		x	x	x
x				
1. Earned premiums, net of reinsurance	11	x	x	x
Gross premiums written	12	2,618,371	x	x
Gross premiums written ceded to reinsurers	13	(1,001,326)	1,617,045	x
Change in provision for unearned premiums	14	37,837	x	x
Change in provision for unearned prem. - reinsurers' share	15	3,793	41,630	1,575,415
2. Return from financial placements transferred from the non-technical acc.	16	x	x	96,600
3. Other technical income, net of reinsurance	17	x	x	20,330
4. Claims paid, net of reinsurance	18	x	x	x
Claims paid	19	1,506,029	x	x
Claims paid, reinsurers' share	20	(559,654)	946,375	x
Change in outstanding claims provision	21	(6,752)	x	x
Change in outstanding claims provision, reinsurers' share	22	28,688	21,936	968,311
5. Bonuses and rebates, net of reinsurance	23	x	x	66,339
6. Operating expenses, net amounts	24	x	x	773
7. Operating expenses, net amounts	25	x	x	x
Acquisition costs on insurance contracts	26	x	155,979	x
Deferred acquisition costs on insurance contracts	27	x	15,790	x
Administrative expenses	28	x	627,849	x
Reinsurance commissions and profit participation, net	29	x	340,637	458,981
8. Other technical charges, net of reinsurance	30	x	x	44,936
9. Change in balance of equalisation provision	31	x	x	44,745
10. RESULT of non-life technical account	32	x	x	108,260
II. TECHNICAL ACCOUNT – LIFE INSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance	33	x	x	x
Gross premiums written	34	x	1,041,469	x
Gross premiums written ceded to reinsurers	35	x	(9,516)	x
Change in provision for unearned premiums, net of reinsurance	36	x	(20,809)	1,052,762
2. Income from financial placements	37	x	x	x
Income from participating interests	38	x		x
Income from other financial placements	39	x	x	x
Income from land and buildings	40	0	x	x
Income from other financial placements	41	58,710	58,710	x
Value re-adjustments on financial placements	42	x		x
Gains on the realization of financial placements	43	x		58,710
3. Unrealized gains on financial placements	44	x	x	
4. Other technical income, net of reinsurance	45	x	x	384
5. Claims paid, net of reinsurance	46	x	x	x
Claims paid	47	127,123	x	x
Claims paid, reinsurers' share	48	(2,392)	124,731	x
Change in provision for claims	49	59,532	x	x
Change in provision for claims, reinsurers' share	50	827	60,359	185,090
6. Change in balance of other technical provisions	51	x	x	x
Change in balance of life assurance provision	52	577,334	x	x
Change in balance of life assurance provision, reinsurer's share	53	0	577,334	x
Change in balance of other technical provisions, net of reinsurance	54	x	769	578,103

(in thousands CZK)

	Row Nr.	Base	Subtotal	Result
7. Bonuses and rebates, net of reinsurance	55	x	x	368
8. Net operating expenses	56	x	x	x
Acquisition costs on insurance contracts	57	x	246,870	x
Deferred acquisition costs on insurance contracts	58	x	(21,912)	x
Administrative expenses	59	x	93,582	x
Net reinsurance commissions and profit participation	60	x	1,596	316,944
9. Charges for financial placements	61	x	x	x
Charges for financial placements	62	x		x
Value adjustments to financial placements	63	x		x
Costs of realization of financial placements	64	x		
10. Unrealized losses on financial placements	65	x	x	
11. Other technical charges, net of reinsurance	66	x	x	6,938
12. Transfer of return from financial placements to the non-technical acc.	67	x	x	
13. <i>RESULT of life technical account</i>	68	x	x	24,413
III. NON-TECHNICAL ACCOUNT	x	x	x	x
1. Non-life insurance technical account result	69	x	x	108,260
2. Life assurance technical account result	70	x	x	24,413
3. Income from financial placements	71	x	x	x
Income from participating interests	72	x		x
Income from other financial placements	73	x	x	x
Income from land and buildings	74	862	x	x
Income from other financial placement components	75	86,294	87,156	x
Value re-adjustments on financial placements	76	x	752	x
Gains on the realization of financial placements	77	x	44,737,279	44,825,187
4. Return from fin. placements transferred from life insurance technical acc.	78	x	x	
5. Charges for financial placements	79	x	x	x
Charges for financial placements	80	x	0	x
Value adjustments on financial placements	81	x	0	x
Charges for the realization of financial placements	82	x	44,728,587	44,728,587
6. Transfer of return from financial placements to non-life technical acc.	83	x	x	96,600
7. Other income	84	x	x	8,184
8. Other charges	85	x	x	45,107
9. Income tax on ordinary activities	86	x	x	(1,572)
10. Profit or loss on ordinary activities after tax	87	x	x	97,322
11. Extraordinary income	88	x	x	5,257
12. Extraordinary charges	89	x	x	290
13. Extraordinary result	90	x	x	4,967
14. Income tax on extraordinary activities	91	x	x	
15. Other taxes and fees	92	x	x	928
16. <b>PROFIT OR LOSS of the financial year</b>	93	x	x	<b>101,361</b>
Control number	99	3,535,276	95,474,198	95,653,293

# BALANCE SHEET AS AT 31 DECEMBER 2001

(in thousands CZK)

	Row Nr.	Prior year Netto	Brutto	Correction	Netto
I. ASSETS	x				
Intangible assets	11	2,850	81,269	22,954	58,315
Establishment costs	12				
Goodwill	13				
Financial placements (investments)	14	1,964,716	3,021,876	13,024	3,008,852
Land and buildings (real estate)	15	84,714	91,057	13,024	78,033
Land and buildings used in operations	16	83,738	91,057	13,024	78,033
Financial placements in third-party companies and other long-term rec.	17	35,618	35,618		35,618
Participating interests in companies with controlling influence	18				
Participating interests in companies with substantial influence	19				
Bonds and other debentures, loans to companies with controlling infl.	20	35,618	35,618		35,618
Bonds and other debentures, loans to companies with substantial infl.	21				
Other participating interests and other long-term receivables	22				
Other financial placements	23	1,844,384	2,895,201		2,895,201
Variable-yield securities	24	0	106,395		106,395
Fixed-income securities	25	1,751,304	2,347,488		2,347,488
Financial placements in investment companies and investment funds	26				
Financial placements in associations with legal entity status	27				
Financial placements in associations without legal entity status	28				
Mortgage loans	29				
Other loans	30				
Bank deposits	31	93,080	441,318		441,318
Other financial placements	32				
Receivables for advance deposits paid	33				
Financial placements made on behalf of insureds	34				
Receivables	35	877,094	896,792	87,848	808,944
Receivables arising out of direct insurance and reinsurance	36	842,173	871,269	87,848	783,421
Owed by insureds	37	427,683	545,584	87,848	457,736
Owed by intermediaries	38	14,328	3,122		3,122
Receivables arising out of reinsurance operations	39	400,162	322,563		322,563
Receivables for subscribed capital	40				
Other receivables	41	34,921	25,523		25,523
Other assets	42	200,457	281,635	162,799	118,836
Tangible movable assets	43	83,316	216,214	162,799	53,415
Movable assets used in operations	44	82,180	215,104	162,799	52,305
Movable assets not subject to depreciation	45	1,095	1,110		1,110
Acquisition of property	46	56,611	22,063		22,063
Advance deposits paid toward acquisition of intangible assets	47	2,118			
Other assets	48	9,783	1,628		1,628
Cash and other financial assets	49	50,747	41,730		41,730
Current accounts	50	50,687	40,779		40,779
Cash and cash equivalents	51	60	951		951
Cheques	52				
Own shares	53				

(in thousands CZK)

		Prior year			
	Row Nr.	Netto	Brutto	Correction	Netto
Temporary accounts of assets	54	306,874	240,482		240,482
Interest and rent	55	2,081	774		774
Acquisition costs arising out of insurance contracts	56	124,068	130,190		130,190
Other temporary accounts of assets	57	180,725	109,518		109,518
Loss brought forward	58	2,250	221,924		221,924
Loss for the current financial year	59	219,674			
<b>TOTAL ASSETS</b>	<b>60</b>	<b>3,573,915</b>	<b>4,743,978</b>	<b>286,625</b>	<b>4,457,353</b>
Control number	99	13,439,024	18,079,830	1,100,592	16,979,238
II. LIABILITIES AND EQUITY	x				
Share capital and funds	61	1,127,200			1,127,200
Share capital	62	1,117,200			1,117,200
Share premium account	63				
Other capital accounts	64	10,000			10,000
Re-valuation reserve fund	65				
Statutory reserve fund	66				
Other funds	67				
Technical provisions	68	1,702,728	2,961,049	466,015	2,495,034
Provision for unearned premiums	69	553,907	688,993	114,265	574,728
Life assurance provision	70	420,839	998,174		998,174
Outstanding claims provision	71	539,326	973,373	351,750	621,623
Bonuses and rebates provision	72	3,784	9,975		9,975
Equalisation provision and other technical provisions	73	184,872	290,534		290,534
Provision for covering liabilities under fin. placements on behalf of insured	74				
Provision for other risks and losses	75				
Statutory provisions	76				
Other provisions	77				
Advance payments received	78				
Subordinated debt	79				
Payables	80	633,316			630,917
Payables arising out of direct insurance and reinsurance	81	569,529			569,255
Owed to insureds	82	143,670			194,854
Owed to intermediaries	83	46,290			61,661
Payables arising out of reinsurance operations	84	379,569			312,740
Payables secured by debenture	85				
Payables secured by debenture in convertible currency	86				
Bank credits	87				
Tax payables	88	12,715			2,646
Social security and public health insurance payables	89	14,331			6,579
Payables to companies with controlling influence	90				
Payables to companies with substantial influence	91				
Other payables	92	36,741			52,437
Temporary accounts of liabilities	93	110,671			102,841
Profit brought forward	94				
Profit for the financial year	95				101,361
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>96</b>	<b>3,573,915</b>			<b>4,457,353</b>
Control number	99	11,180,603	5,922,098	932,030	13,737,112



# NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Financial Placements

#### Carrying Value

Land and buildings are carried at cost. Depreciation is recorded on a straight-line basis over the following depreciation periods :

Table 1

Category of assets	Depreciation period in years
Land	not depreciated
Buildings	45

Securities and equity investments are carried at acquisition cost.

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

#### Fair Value

The Company revalues its land and buildings at least once every five years based on a qualified appraisal analysis.

Variable yield securities and equity investments are revalued at fair values at the balance sheet date:

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

If the fair value of assets determined as outlined above is lower than the carrying value, the Company recognizes provisions against these assets as equal to the differences between the fair and carrying value. If the fair value is greater than the carrying value, no charge is recognized.

### 1.2 Tangible and Intangible Fixed Assets

Tangible and intangible assets are stated at cost.

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

Annual depreciation and amortization rates for accounting purposes are based on the estimated useful lives of tangible and intangible fixed assets. Depreciation and amortization 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
Industrial and similar rights	not depreciated	-
Software	straight-line	4
Movable assets – cars	straight-line	4
Movable assets – computers	straight-line	4
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.

### **1.3 Inventory**

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

### **1.4 Cash and Vouchers**

Cash and vouchers are recorded at nominal values.

### **1.5 Foreign Currency Translation**

Accounting transactions are translated using the CNB exchange rate prevailing as of the transaction date.

As of the balance sheet date (ie 31 December 2001), assets and liabilities denominated in a foreign currency are translated at the exchange rate notified by the CNB.

Resulting foreign currency translation gains and losses are recognized as follows:

- (a) Foreign currency translation gains and losses arising from the re-translation of accounts receivable, payable and financial placements are recognized on the face of the balance sheet;
- (b) Foreign currency translation gains and losses arising from the re-translation of cash and other financial assets denominated in a foreign currencies are recognized through the profit and loss account.

### **1.6 Provisioning Policies**

The provisioning requirements in respect of the amounts due from clients are established by reference to the aging analysis of receivables. The receivables that are past due by greater than 2 months are provisioned at 5 percent, balances past due greater than 3 months at 20 percent, past due greater than 6 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 makes provisions against other assets if the inventory count highlights that there is a temporary impairment.

### **1.7 Written Premiums**

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

### **1.8 Costs of Insurance Claims**

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

### **1.9 Unearned Premiums Provision**

The unearned premiums provision consists of a portion of written premiums that relates to the future accounting period. The balance of the provision is shown as the sum of provisions calculated for each individual insurance policy using the pro rata temporis method.

### **1.10 IBNR and RBNS Provisions**

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

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

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

Provisions for claims that were incurred but not reported prior to the year-end are determined using the chain-ladder method. Due to the limited availability of internal historical data, the Company referred to the statistical data provided by the Czech Insurers' Bureau and specifically the experience of international reinsurers in determining the level of the IBNR provision for mandatory motor third party liability insurance. The amount of the provision was determined by an actuary exercising his professional judgement using the assumptions referred to above and this amount of the provision is equal to the estimated level of future claims incurred up to the balance sheet date. However, management of the Company considers that, given the limited availability of historic loss occurrence rates, there is a greater degree of uncertainty over the ultimate level of claims incurred but not reported as of the balance sheet date and therefore also of the adequacy of the IBNR provision.

### **1.11 Provision for Bonuses and Rebates**

The provision for bonuses and rebates is recorded in compliance with generally accepted insurance practice.

### **1.12 Extraordinary Risk Equalization Reserve**

The extraordinary risk equalization reserve is created from a portion of premiums in order to absorb extraordinary risks attached to individual types of non-life insurance and to offset year-on-year fluctuations in loss occurrence. The equalization reserve is also established to cover estimated costs incurred in processing claims. The balance of the reserve is determined pursuant to the guidance set out in Regulation 75/2000 Coll.

### **1.13 Life Insurance Provision**

The life insurance provision is created as a sum of provisions calculated under individual life insurance policies.

The life insurance provision represents the amount of the underwriter's payables, calculated by actuarial methods including the awarded and declared profit shares (shares of premium surpluses) and a provision for costs connected to policy management, net of the value of future premiums.

In accordance with the calculated individual tariffs approved by the Czech Finance Ministry, the Company recognizes a zillmerized provision on the basis that the negative values of the provisions are substituted with zero. Taking into account the expected cancellation of insurance policies, the resulting amount of 'nullification of negative values of provisions' is capitalized as deferred acquisition costs of life insurance policies.

### **1.14 Allocation of Revenues and Expenses between the Technical Account and Non-technical Account**

#### **Revenues from Financial Placements**

Revenues from financial placements that are directly related to life insurance activities are recorded to the life insurance technical account.

Other revenues from financial placements are recorded to the non-technical account. Revenues arising from financial placements of technical provisions are subsequently re-allocated from the non-technical account to the life and the non-life technical accounts.

## **Expenses and Revenues**

Clearly identifiable expenses and revenues are recorded directly to the technical account during the year. Expenses and revenues that are not clearly identifiable are primarily recorded to the non-technical account and subsequently re-allocated between the technical and non-technical account in accordance with the treatment outlined in Section (42) (2) of Insurance Act 363/1999, by the Insurance Supervision Office and the Pension Insurance Department of the Czech Finance Ministry. This treatment does not apply to taxes and fees, costs of non-life insurance financial placements and other expenses unrelated to insurance and reinsurance.

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

### **1.15 Deferred Acquisition Costs of Insurance Policies**

Acquisition costs of insurance policies are recorded as deferred expenses pursuant to Section X, Subsection 2 (b) of Ministry Finance Regulation no. V/5-25430/1992, as amended by Regulation no. 282/78182/1999 of the Insurance Accounting Policies. 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 account 'Deferred acquisition costs of insurance policies' as of the beginning of the accounting period in respect of life insurance policies, and as of 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 provision for unearned premiums to written premiums for the relevant accounting period.

Acquisition costs of life insurance policies are deferred through life insurance provisions. Taking into account the expected cancellation of insurance policies, the negative balance of this technical provision is recorded in the account 'Deferred acquisition costs of insurance policies' according to the principle of prudence.

### **1.16 Consolidation and Deferred Tax**

The financial statements of the Company are included in the consolidated financial statements of Česká spořitelna, a.s., having its registered office address at Olbrachtova 1929/62, Prague 4.

Due to the inclusion of its accounts in the consolidated financial statements of Česká spořitelna, a.s. and pursuant to applicable insurance accounting policies, the Company is required to recognize deferred tax. According to the principle of prudence, deferred tax is only calculated from the difference between the accounting and tax value of tangible fixed assets using the income tax rate effective for the following period. The Company did not take into account tax losses carried forward and other temporary differences giving rise to a deferred tax asset as there is not sufficient certainty that it would be realized.

### **1.17 Changes in Accounting Policies**

During the year ended 31 December 2001, the Company began to account for premiums written by reference to the insurance period stated in the insurance policies. This change had an impact both on the amounts due from clients (before maturity) and the balance of the provision for unearned premium. For the year ended 31 December 2000, the premiums written were recorded by reference to the premium payments set out in the insurance policy.

## 2. SPECIAL INFORMATION

### 2.1 Non-life Insurance

Set out below is an analysis of non-life insurance for the period from 1999 through 2001:

Table 3 (CZK thousand)

Direct insurance	Year	Gross premiums written	Gross premiums earned	Gross costs of claims	Gross operating expenses
<b>Total non-life insurance</b>	<b>2001</b>	<b>2,618,371</b>	<b>2,580,534</b>	<b>1,499,277</b>	<b>799,618</b>
	<b>2000</b>	<b>2,699,087</b>	<b>2,644,126</b>	<b>1,921,747</b>	<b>897,637</b>
	<b>1999</b>	<b>1,992,908</b>	<b>1,919,695</b>	<b>1,133,731</b>	<b>832,386</b>
Fire and other damage to property (natural perils and theft)	2001	747,952	728,327	349,151	228,415
	2000	811,578	779,102	499,190	269,907
	1999	794,203	765,027	415,446	331,718
Motor own damage insurance	2001	878,376	842,782	584,426	268,245
	2000	867,520	864,329	753,320	288,512
	1999	824,473	794,184	547,931	344,361
Mandatory motor third party liability insurance	2001	516,747	554,660	325,037	157,808
	2000	602,619	552,041	460,186	200,413
	1999	-	-	-	-
Liability	2001	188,039	185,462	71,185	57,425
	2000	192,555	170,516	94,173	64,038
	1999	164,749	158,697	73,146	68,811
Other	2001	287,257	269,303	169,478	87,725
	2000	224,815	278,138	114,878	74,767
	1999	209,483	201,787	97,208	87,496

The slight decrease in the gross premium written and earned for the year ended 31 December 2001 is largely attributable to the Company's increased focus on selling life insurance policies, a review of the insurance portfolio targeted at eliminating non-performing non-life insurance transactions and due to the reduction of the Company's share of the mandatory motor third party liability insurance market. This is closely related to the decrease in the gross costs of claims.

(CZK thousand)

	2001	2000	1999
<b>Reinsurance result of non-life insurance</b>	(133,516)	67,563	(4,897)

The reinsurance result represents the relationship between the insurer and the reinsurer. Positive values are indicative of profits being made by the insurer, negative values involve a loss being incurred by the insurer.

## 2.2 Life Insurance

Set out below is an analysis of gross written life premiums :

Table 4 (CZK thousand)

Item	Balance at 31 December		
	2001	2000	1999
Total gross premiums written	1,041,469	322,781	175,973
of which: individual premiums	1,034,322	310,935	162,182
premiums under group policies	7,147	11,846	13,791
of which: regular premiums	558,300	269,909	118,095
one-off premiums	483,169	52,872	57,878
of which: premiums from policies without profit sharing arrangements	60,695	24,660	35,660
premiums from policies with profit sharing arrangements	980,774	298,121	140,313
<b>Total reinsurance balance of life insurance</b>	<b>(3,266)</b>	<b>(2,672)</b>	<b>(4,648)</b>

The increase in gross life premiums written in 2001 is largely due to the increase in the premiums written in respect of Flexible life insurance which accounted for CZK 781,401 thousand of the aggregate gross written life premiums. The increase is also evidenced by the number of insurance policies taken out in individual years (126,882, 79,043 and 38,803 policies for the years ended 31 December 2001, 2000 and 1999 respectively).

## 2.3 Total Amount of Gross Written Premium by Country

All insurance policies have been entered into within the territory of the Czech Republic.

## 2.4 Summary of Commissions Paid

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

Table 5 (CZK thousand)

Insurance class	Year	First year commission		Following years commission		Total
		Internal	External	Internal	External	
<b>Non-life insurance</b>	<b>2001</b>	24,122	96,807	17,165	146,131	<b>284,225</b>
	<b>2000</b>	37,401	134,686	25,878	107,514	<b>305,479</b>
	<b>1999</b>	28,531	93,460	22,590	71,485	<b>216,066</b>
<b>Life insurance</b>	<b>2001</b>	11,205	223,478	983	8,423	<b>244,089</b>
	<b>2000</b>	18,654	139,203	1,128	2,606	<b>161,591</b>
	<b>1999</b>	5,199	7,956	1,913	3,522	<b>18,590</b>
<b>Total</b>	<b>2001</b>	35,327	320,285	18,148	154,554	<b>528,314</b>
	<b>2000</b>	56,055	273,889	27,006	110,120	<b>467,070</b>
	<b>1999</b>	33,730	101,416	24,503	75,007	<b>234,656</b>

For the year ended 31 December 2001, the increase in the aggregate balance of commissions by CZK 61,244 thousand was largely due to a substantial increase in premiums for first-year policies as a result of the higher sale of Flexible life insurance (the first-year commission is substantially greater than the commission paid in respect of the following years).



### 3. OTHER INFORMATION

#### 3.1 Intangible Assets

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

Table 6 (CZK thousand)

	Net book value as of 31 December		
	2001	2000	1999
Industrial and similar rights	295	295	295
Software	58,020	2,555	6,108
<b>Total</b>	<b>58,315</b>	<b>2,850</b>	<b>6,403</b>

#### 3.2 Financial Placements

##### 3.2.1 Fair Values of Equity Investments

As was the case in the past, the Company has 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 and fair values:

Table 7 (CZK thousand)

	Carrying value at 31 December			Fair value at 31 December		
	2001	2000	1999	2001	2000	1999
Land and structures	78,033	84,714	86,367	78,033*	84,714*	86,367*
Fixed income securities	2,383,106	1,786,922	902,331	2,400,015	1,786,922	907,114
Variable yield securities	106,395			106,866		
Bank deposits	441,318	93,080	436,450	441,318	93,079	436,450
<b>Total</b>	<b>3,008,852</b>	<b>1,964,716</b>	<b>1,425,148</b>	<b>3,026,232</b>	<b>1,964,715</b>	<b>1,429,931</b>

\* represents values pursuant to the most recent expert valuations of land and structures performed in 1997 and 1999.

The value of land and structures includes provisions against operating buildings (Pardubice, Smilova 547 amounting to CZK 1,638 thousand and Prague 3 Roháčova 64 amounting to CZK 3,078 thousand). Provisions totaling CZK 4,716 thousand were recorded based on expert valuations of the buildings performed in 1997 and 1999.

Fixed income securities include an element of securities denominated in foreign currencies (securities amounting to PLZ 292,016 thousand and HUF 281,890 thousand). Variable yield securities comprise securities denominated in EUR (CZK 43,694 thousand). Bank deposits are composed of term placements denominated in EUR at an aggregate amount of CZK 3,838 thousand.

#### 3.3 Accounts Receivable

Provisions were made against amounts due from policy holders. These provisioning balances were recorded pursuant to the internal regulation during the year-end close down period and the appropriate officials stated that the amounts of provisions are adequate to absorb the risk of uncollectability of the receivables.

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

Table 8 (CZK thousand)

<b>31 December</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Total gross receivables (including prepayments made)	896,792	958,061	680,505
Provisions	87,848	80,967	71,949
Total net receivables (including prepayments made)	808,944	877,094	608,556

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

Table 9 (CZK thousand)

<b>Product</b>	<b>Past due at 31 December</b>										<b>Total</b>	
	<b>Before maturity</b>		<b>Within 3 months</b>		<b>Within 6 months</b>		<b>Within 12 months</b>		<b>Past due greater than 12 months</b>		<b>receivables</b>	
	<b>at 31 December</b>											
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Life	19,056	13,180	14,583	3,280	6,756	2,176	6,392	1,041	3,310	2,385	50,097	22,062
Industry	174,329	87,956	78,123	152,790	15,470	22,835	17,422	19,620	41,606	40,217	326,950	323,418
Private	1	14,525	9,257	10,209	2,328	2,590	2,039	2,341	1,040	3,326	14,665	32,991
ESO	78,036	22,914	10,384	38,569	3,923	4,279	5,105	4,147	6,071	3,728	103,519	73,637
Travel	4	196	254	522	752	2,147	735	447	1,801	373	3,546	3,685
MTPL	6,913	2,052	11,213	22,127	4,733	14,758	14,292	13,865	9,560		46,711	52,802
Mistr	56	37	17	7	7	11	11		5		96	55
<b>Total</b>	<b>278,395</b>	<b>140,860</b>	<b>123,831</b>	<b>227,504</b>	<b>33,969</b>	<b>48,796</b>	<b>45,996</b>	<b>41,461</b>	<b>63,393</b>	<b>50,029</b>	<b>545,584</b>	<b>508,650</b>

### 3.4 Other Assets and Temporary Assets and Liabilities

#### 3.4.1 Deferred Acquisition Costs of Life Insurance Policies

The balance of deferred acquisition costs of life insurance policies determined as outlined in Note 1.15 is set out below :

Table 10 (CZK thousand)

<b>31 December</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Non-life insurance	39,291	55,081	80,038,
Life insurance	90,899	68,987	8,282
<b>Total</b>	<b>130,190</b>	<b>124,068</b>	<b>88,3203.4.2</b>

#### 3.4.2 Foreign Exchange Differences

The balance of foreign exchange re-translation gains and losses determined as outlined in Note 1.5 is set out below :

Table 11 (CZK thousand)

<b>31 December</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Foreign exchange re-translation losses	12 899		
Foreign exchange re-translation gains	50	71	1

### 3.5 Amounts owed to and due from the Group Companies

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

Table 12 (CZK thousand)

	Balance at 31 December		
	2001	2000	1999
<b>Amounts due from</b>			
Česká spořitelna, a.s.	401,807	160,188	201,634
Leasing České spořitelny, a.s.	11,575	4,012	
Sindat consulting České spořitelny, a.s.	17	17	
Stavební spořitelna České spořitelny, a.s.	494	494	
<b>Amounts owed to and temporary liabilities to:</b>			
Leasing České spořitelny, a.s.	1,540	388	376
Stavební spořitelna České spořitelny, a.s.			10
Penzijní fond České spořitelny, a.s.		3	

The amounts of CZK 401,807 thousand due from Česká spořitelna, a.s. principally comprise current account deposits and term placements of CZK 362,273 thousand and mortgage bonds of CZK 35,618 thousand.

### 3.6 Share Capital and Capital Funds

#### 3.6.1 Share Capital

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

Table 13 (CZK thousand)

Balance at	Total number of issued shares	Number of individual classes of shares	Form of shares	Nominal value in CZK	Share capital	Share premium	Total
31 December 2001	15,660	8,160	certificate	45,000	1,117,200		1,117,200
		7,500	book-entry	100,000			
31 December 2000	15,660	8,160	certificate	45,000	1,117,200		1,117,200
		7,500	book-entry	100,000			
31 December 1999	8,160		certificate	100,000	816,000		816,000

The share capital has been fully paid up.

During the year ended 31 December 2001, no changes were made to the Company's share capital balance. On 25 January 2001, the capital increase by CZK 750,000 thousand was recorded in the Register of Companies. This capital increase was effected by Česká spořitelna, a.s. which subscribed for 2,500 shares of stock (CZK 250,000 thousand) and Sparkassen Versicherung AG which subscribed for 5,000 shares of stock (CZK 500,000 thousand). The proposal to register the increased capital balance was filed during the accounting period ended 31 December 2000 (on 29 November 2000).

#### 3.6.2 Capital Funds

The capital fund was established by a contribution paid to meet the deposit requirements as set out in the Insurance Act and as required by the oversight body. The capital fund amounted to CZK 10,000 thousand for the years ended 31 December 2001 and 2000, respectively.

### 3.6.3 Funds from Net Profit

The Company created no funds from net profit for the year ended 31 December 2001.

### 3.6.4 Profit/(Loss)

The Company recorded no retained earnings as of 1 January 2001. Set out below is an analysis of the Company's profit/(loss) balance:

Table 14 (CZK thousand)

Year ended 31 December	2001	2000	1999
Retained earnings at 1 January			2,315
Accumulated losses at 1 January	(221,924)	(451,050)	(405,387)
Current year profit	101,361		
Current year loss		(219,674)	(47,978)
Allocation to and use of reserve fund			
Settlement of loss brought forward		448,800	2,315
Retained earnings at 31 December	101,361		
Accumulated losses at 31 December	(221,924)	(221,924)	(451,050)

## 3.7 Technical Provisions

### 3.7.1 Life Insurance Provision

In calculating the balance of the life insurance technical provision, the Company uses the zillmerization method in accordance with generally accepted insurance practice. The results of this treatment, together with the limitations set out in Section 18 (3) of the Insurance Act, which states that negative values of insurance provisions in respect of individual life insurance products arising as a result of the use of the actuarial method will be replaced with zero, are summarized as follows:

Table 15 (CZK thousand)

At 31 December	2001	2000	1999
Unzillmerized provision	555,740	375,662	260,690
Zillmerization deduction	153,604	115,263	61,506
Nullification of negative provisions	1,821	3,071	9,815
Balanced zillmerized provision for life insurance	403,957	263,470	208,999
Provision for life insurance – flexi	485,444	61,832	
Provision for life insurance – profit share commitments	28,566	21,300	14,012
Provision for life insurance – pensions	66,442	63,320	53,293
Provision for life insurance – exemption from payment	13,765	10,917	7,767
Total provision for life insurance	998,174	420,839	284,071

### 3.7.2 RBNS and IBNR Provisions

The difference between the RBNS provision and the IBNR provision recorded as of 1 January 2001, the payments effected in relation to the insurance claims covered by these provisions and the balance of these provisions as of 31 December 2001 represent the result of the processed claims. Set out below is a calculation of this result:

Table 16 (CZK thousand)

	2001	2000	1999
Claim provisions at 1 January	584,550	472,581	410,553
Payments effected during the year in respect of insurance claims for the past years	317,267	353,537	271,351
The RBNS provision at 31 December	275,472	115,959	45,841
The result of the processed insurance claims for the past years	(8,189)	3,085	9,361

### 3.7.3 Equalization Reserve

Guidance on the creation of the equalization reserve is provided in Regulation 75/2000 Coll. The Company fully complied with the treatment and recorded the equalization reserve for all non-life insurance products, the only exception being mandatory motor third party liability insurance. The equalization reserve amounted to CZK 117,206 thousand, CZK 72,462 thousand and CZK 50,000 thousand for the years ended 31 December 2001, 2000 and 1999, respectively.

### 3.7.4 Other Technical Provision

The other technical provision has been established to meet the requirements set out in Section 6 (18) of Mandatory Motor Third Party Liability Insurance Act 168/1999. The Company received the approval of the Finance Ministry and the State Insurance Supervision Office as required under Section 4 (13) of the Insurance Act during the course of its work on the annual financial statements on 14 January 2002. The provision has been made pursuant to the treatment outlined for the member of the Czech Insurers' Bureau as equal to the commitment declared by the Czech Insurers' Bureau which matches the Company's share of the contribution, that is, CZK 60,917 thousand. The balance of the other technical provision was CZK 173,327 thousand and CZK 112,410 thousand as of 31 December 2001 and 2000, respectively.

## 3.8 Accounts Payable

### 3.8.1 Payables and Receivables from Passive Reinsurance

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

Table 17 (CZK thousand)

Item	Balance at 31 December		
	2001	2000	1999
Receivables from passive reinsurance	322,563	400,162	217,232
Payables from passive reinsurance	312,740	379,569	240,774
Balance (+ receivable, – payable)	9,823	20,593	-23,542

## 3.9 Additional Information on the Profit and Loss Account

### 3.9.1 Premium Bonuses and Rebates

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

Table 18 (CZK thousand)

		2001			2000		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Total provided bonuses and rebates</b>		<b>1,141</b>	<b>0</b>	<b>1,141</b>	<b>3,309</b>	<b>0</b>	<b>3,309</b>
of which	Life insurance	368		368	2,099		2,099
	Non-life insurance	773		773	1,210		1,210
<b>Change in total provisions for bonuses and rebates</b>		<b>6,191</b>	<b>0</b>	<b>6,191</b>	<b>375</b>	<b>0</b>	<b>375</b>
of which	Life insurance	769		769	(1,731)		(1,731)
	Non-life insurance	5,422		5,422	2,106		2,106
<b>Total bonuses and rebates</b>		<b>7,332</b>	<b>0</b>	<b>7,332</b>	<b>3,684</b>	<b>0</b>	<b>3,684</b>
of which	Life insurance	1,137		1,137	368		368
	Non-life insurance	6,195		6,195	3,316		3,316

### 3.9.2 Administrative Expenses

The substance of the account 'Administrative Expenses' is established by Internal Regulation. Administrative expenses principally include costs involved in collecting premiums and managing insurance policies. The following table provides detailed information:

Table 19 (CZK thousand)

Item	Year ended 31 December		
	2001	2000	1999
Staff costs of employees that negotiate or administer insurance policies and that are allocated to departments of individual insurance products and claims processing departments. Total expenses include social and health insurance costs.	241,510	282,203	270,947
Subsequent commissions	172,702	137,126	94,075
Travel expenses	3,392	7,053	9,453
Depreciation and costs of repair and maintenance of tangible assets classified in grouping 21	45,706	51,867	51,522
Fuel consumption	4,226	8,421	6,108
Costs of services of a material and non-material nature	133,386	106,810	97,031
Rent for non-residential premises	44,126	49,795	49,538
Services related to rental of non-residential premises	7,708	9,389	8,093
Costs of consumed low value tangible and intangible assets and other materials	18,503	15,281	29,168
Other costs included in administrative overheads	50,172	16,554	9,493
<b>Total</b>	<b>721,431</b>	<b>684,499</b>	<b>625,428</b>



### 3.9.3 Staff and Management

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

Table 20 (CZK thousand)

Staff costs by type (CZK thousand)	Year	Staff category			Total
		Acquisition, sales	Claims settlement	Administration	
Payroll costs	2001	102,527	41,005	107,166	<b>250,698</b>
	2000	171,313	46,148	99,439	<b>316,900</b>
	1999	126,012	40,214	103,816	<b>270,042</b>
Social security	2001	27,021	10,661	28,037	<b>65,719</b>
	2000	42,645	18,040	23,777	<b>84,462</b>
	1999	33,179	10,591	22,247	<b>66,017</b>
Health insurance	2001	7,360	3,690	8,524	<b>19,574</b>
	2000	14,708	6,222	8,201	<b>29,131</b>
	1999	11,442	3,659	7,657	<b>22,758</b>
Company meals contribution	2001	2,204	1,316	1,571	<b>5,091</b>
	2000	3,153	1,333	1,757	<b>6,243</b>
	1999	3,412	1,369	1,808	<b>6,589</b>
<b>Total staff costs</b>	2001	139,112	56,672	145,298	<b>341,082</b>
	2000	231,819	71,743	133,174	<b>436,736</b>
	1999	174,045	55,833	135,528	<b>365,406</b>
Average headcount	2001	404	241	288	<b>933</b>
	2000	617	261	344	<b>1,222</b>
	1999	653	262	346	<b>1,261</b>

### 3.9.4 Remuneration to Members of Statutory, Management and Supervisory Bodies

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

The members of the Board of Directors have received no remuneration beginning 2001. The members of the Supervisory Board received remuneration for their work as determined by the majority shareholder by 30 June 2001.

Set out below is a summary of the remuneration paid to the members of the boards:

Table 21 (CZK thousand)

	2001	2000	1999
Determined remuneration	300	3,481	3,180
Paid remuneration	300	3,481	3,180

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

### 3.9.5 Allocation of Costs between Technical and Non-technical Account

The aggregate amount of expenses that were allocated between the technical account of life insurance, non-life insurance and non-technical account on the basis of the methodology discussed in Note 1.14 amounted to CZK 318,881 thousand as of the balance sheet date (2000: CZK 320,722 thousand, 1999: CZK 300,580 thousand).

### **3.9.6 Non-technical Account Result**

The non-technical account result was CZK -31,312 thousand for the year ended 31 December 2001 (2000: CZK 62,461 thousand, 1999: CZK -6,874 thousand).

### **3.9.7 Profit/Loss before Tax**

The Company generated a profit of CZK 99,789 thousand for the year ended 31 December 2001 (the net profit was adjusted to reflect deferred taxation). The Company incurred a loss of CZK 218,141 thousand for the year ended 31 December 2000 and a loss of CZK 45,872 thousand for the year ended 31 December 1999.

### **3.9.8 Taxation**

For the year ended 31 December 2001, the Company calculated its corporate income tax provision at CZK 121,678 thousand. Given the availability of tax losses brought forward, the Company incurred no tax liability for the year ended 31 December 2001 pursuant to Section 34 (1) of the Income Taxes Act.

Taxation on items that are recorded and taxed in a different accounting period is recognized on the face of the balance sheet as a deferred tax liability. The deferred tax liability decreased by CZK 1,572 thousand year-on-year and amounted to CZK 5,985 thousand.

## **4. OTHER SIGNIFICANT INFORMATION**

### **Deficit on Motor Third Party Liability Insurance**

In view of applicable legislation and given the commitments of the Company resulting from its membership of the Czech Insurers' Bureau, the Company is likely to have incurred an obligation to pay a proportion of the 'deficit on the mandatory motor third party liability insurance' (the 'deficit') that arose as a result of the provision of this insurance product prior to 31 December 1999.

When transferring the assets and liabilities associated with the mandatory third party liability insurance provided by Česká pojišťovna, a.s. (the former monopoly provider), it was noted that the assets included an element of a governmental guarantee commitment to offset the funding deficit relating to all amounts owed to the damaged. Following its detailed analysis, the Czech Insurers' Bureau attributed a zero value to this guarantee, thereby giving rise to a potential deficit on the payment of all amounts owed to the damaged that were transferred from Česká pojišťovna, a.s. to the Czech Insurers' Bureau as of 1 January 2000.

As such, the Czech Insurers' Bureau calculated the share of its individual members of the potential deficit and communicated to its members the estimated time requirements for settling this deficit. The Company's share was calculated at CZK 112,410 thousand during 2000. During 2001, the Czech Insurers' Bureau re-assessed the balance of the deficit referred to above and the Company's share has been further increased by CZK 60,917 thousand to CZK 173,327 thousand. As discussed in Note 3.7.4, the Company established the other provision for its share of the deficit for the years ended 31 December 2001 and 2000.

Additionally, the Czech Insurers' Bureau reflected the balance of this deficit in calculating the minimum premium rates for the year ended 31 December 2001 so as to create a margin that will enable the insurance companies to collect a substantial part of the funding to settle the deficit referred to above. The Czech Insurers' Bureau continues to regulate the minimum premium rates for the year ending 31 December 2002.

Management of the Company has considered all information available to it and, according to the principle of prudence, has estimated the future proceeds of the adjusted rates and premiums intended as a means of settling the deficit. These proceeds have been recognized on the face of the balance sheet as a temporary asset. The balance of this asset was CZK 25,193 thousand and CZK 67,823 thousand as of 31 December 2001 and 2000, respectively. This asset will be fully amortized during the year ending 31 December 2002.

### **Other**

Pursuant to the amended Insurance Act, on 29 November 2001 the Company requested the Czech Finance Ministry to issue a resolution whereby the Finance Ministry will state the scope of the permitted insurance/reinsurance activities.

## **5. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS**

The Company presently acts as a defendant in lawsuits with potential damages amounting to CZK 133,156 thousand. Contingent liabilities arising from these disputes are estimated at CZK 54,921 thousand. The Company has established the RBNS provision 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 events occurred subsequent to the balance sheet date which would require adjustment to, or disclosure in, the financial statements.

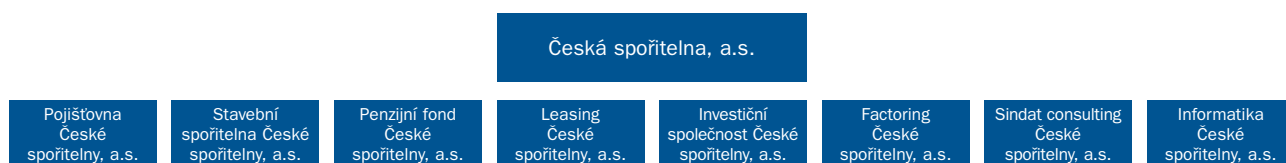
# REPORT ON RELATIONS

## IN ACCORDANCE WITH § 66a SECTION 9 OF THE COMMERCIAL CODE for accounting period 2001

The company **Pojišťovna České spořitelny, a.s.** located in Pardubice, nám. Republiky 115, zip code 530 02, reg. no.: 46452820, entered into the commercial register kept at the Regional Court in Hradec Králové, file B item 855 (hereinafter only “**submitter**”) is part of entrepreneurial grouping (group of companies), where following relations between submitter and controlling persons exist and further between submitter and persons controlled by the the same controlling persons (hereinafter only “**related persons**”).

This report on relations between persons mentioned below was elaborated in accordance with § 66a section 9 of the law No. 513/1991 Coll., Commercial Code, in its valid wording, for the accounting period January 1st, 2001 to December 31st, 2001 (hereinafter only “**accounting period**”). Between the submitter and persons mentioned below, following contracts were concluded and following legal acts and actual measures were taken:

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



### B. CONTROLLING PERSONS

**Česká spořitelna, a.s.** located at Olbrachtova 1929/62, Praha 4, zip code 140 00, reg. no.: 45244782 („**Česká spořitelna**“)

Relation to the company: directly controlling person

Description of relations – see **Appendix 1**

### C. OTHER RELATED PERSONS

**Stavební spořitelna České spořitelny, a.s.** located at Pplk. Sochora 27, Praha 7, zip code 170 00, reg. no.: 60197609

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

**Penzijní fond České spořitelny, a.s.** located at Poláčkova 1976/2, Praha 4, zip code 140 21, reg. no.: 61672033

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

**Leasing České spořitelny, a.s.** located at Střelnická 8/1680, Praha 8, zip code 182 00, reg. no.: 63999579

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

**Investiční společnost České spořitelny, a.s.** located at Řásnovka 768/12, Praha 1, zip code 110 15, reg. no.: 44796188

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

**Factoring České spořitelny, a.s.** located at Pobřežní 249/46, Praha 8, zip code 180 00, reg. no.: 25629352

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

**Sindat consulting České spořitelny, a.s.** located at Ukrajinská 1488/10, Praha 10, zip code 100 00, reg. no.: 63079798

Relation to the company: affiliated company

Description of relations – see **Appendix 2**

**Informatika České spořitelny, a.s.** located at Bubenská 1477/1, Praha 7, zip code 170 00, reg. no.: 25631519

Relation to the company: affiliated company

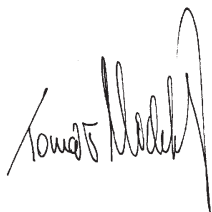
Description of relations – see **Appendix 2**

## D. CONCLUSION

In view of 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 accounting period 2001 in favour or at instigation of individual related persons.

In Pardubice, on March 20th, 2002

Pojišťovna České spořitelny, a.s.



Tomáš NIDETZKÝ  
Chairman of the Board  
and Chief Executive Officer



Jaroslav KULHÁNEK  
Deputy Chairman of the Board  
and Chief Financial Officer



Karel VESELÝ  
Member of the Board  
and Sales Section Manager

## 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)

The submitter concluded during the accounting period following contracts, based on which he provided services:

Title	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Payment
Frame contract on co-operation in the area of education	Česká spořitelna	17.12.1997	1.1.1998	Delivery of services in the area of education of employees (renting of classrooms, accommodation)	CZK 35,619
Insurance contracts	Česká spořitelna	1996–2001	1996–2001	– Travel insurance of employees – Motor Own Damage insurance and Motor Third Party Liability Insurance – Insurance of property and liability	CZK 67,485,113

##### 1.2. Purchase of services (excluding leasing)

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

Title of the contract	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Price	Comment
Contract on administration of securities	Česká spořitelna	29.12.2000	29.12.2000	Administration of the assets of the company	CZK 5 145 898	For full wording see also Amendment No. 1 dated 20. 12. 2001
Contract on the purchase of registered mortgage bonds of Česká spořitelna No. 11.85/2003 purchasing price CZK 35,618,000	Česká spořitelna	21.10.1998	22.10.1998	Yields from holding the HZL (registered mortgage bonds)	CZK 4 138 020	
Contracts on establishment and administration of BÚ and on conditions of establishment and administration of TV	Česká spořitelna	1996–2001	1996–2001	Establishment and administration of BÚ in foreign currencies and determination of conditions of establishment and administration of TV	Prices fixed in accordance with OPČS	

BÚ – current account

TV – term deposit and deposit account

OPČS – trading conditions of Česká spořitelna

<b>Title of the contract</b>	<b>Contractual party</b>	<b>Date of conclusion</b>	<b>Effective date</b>	<b>Description and amount of delivery</b>	<b>Price</b>	<b>Comment</b>
Contract on establishment and administration of a special BÚ for financial market trading	Česká spořitelna	13.2.2001	13.2.2001	Establishment of a special BÚ for trading at financial markets and determination of conditions for administration of this BÚ	Prices fixed in accordance with OPČS	For full wording see also Amendment No. 1 dated 13. 2. 2001
Contract on TV in a foreign currency	Česká spořitelna	18.1.2001	18.1.2001	Establishment of TV in a foreign currency (DEM)	Prices fixed in accordance with OPČS	Contract terminated on 25.1.2001
Frame contract on conditions of using contractual rates for foreign currencies	Česká spořitelna	18.11.1999	18.11.1999	Determination of conditions for conclusion, execution and settlement of prompt, term and swap operations with foreign currencies	Prices fixed in accordance with OPČS	
Contracts on provision of bank guarantees	Česká spořitelna	2001	2001	Obligations of ČS to provide the clients with bank guarantees securing the obligations stemming from participation to public commercial bids in total amount of CZK 1,550,000	Prices fixed in accordance with OPČS	
Contract on establishment and administration of BÚ in the Czech currency	Česká spořitelna	4.2.1997	4.2.1997	Establishment and administration of BÚ in the Czech currency	Prices fixed in accordance with OPČS	Number of the account changed by ČS
Contract on BÚ under special regime (VISA BUSINESS)	Česká spořitelna	24.3.1999	24.3.1999	Administration of BÚ under special regime (VISA BUSINESS)	Prices fixed in accordance with OPČS	Number of the account changed by ČS. Payment cards VISA BUSINESS are issued for this account.
Frame contract on administration of TV	Česká spořitelna	4.6.1999	4.6.1999	Establishment of TV with individual interest rate	Prices fixed in accordance with OPČS	For full wording see also Amendment No. 3 dated 4.10.1999
Contract on current account with foreign currency	Česká spořitelna	25.11.1997	25.11.1997	Establishment and administration of BÚ in foreign currency (account drawn in EUR)	Prices fixed in accordance with OPČS	For full wording see also Amendment No. 1 dated 19.1.1999
Contract on BÚ in the Czech currency	Česká spořitelna	21.3.2000	21.3.2000	Establishment and administration of BÚ in the Czech currency	Prices fixed in accordance with OPČS	Collective account – for full wording see also Amendment No. 1 dated 5.4.2000
Frame contract on administration of TV	Česká spořitelna	5.5.2000	5.5.2000	Establishment of TV with an individual interest rate	Prices fixed in accordance with OPČS	

<b>Title of the contract</b>	<b>Contractual party</b>	<b>Date of conclusion</b>	<b>Effective date</b>	<b>Description and amount of delivery</b>	<b>Price</b>	<b>Comment</b>
Contract on BÚ in the Czech currency	Česká spořitelna	21.3.2000	21.3.2000	Establishment and administration of BÚ in the Czech currency	Prices fixed in accordance with OPČS	For full wording see also Amendment No. 1 dated 5.4.2001, electronic transfer of data – operational account
Frame contract on administration of TV	Česká spořitelna	8.6.2000	8.6.2000	Establishment of TV with individual interest rate	Prices fixed in accordance with OPČS	
Contract on using of the night safe	Česká spořitelna	18.6.2001	18.6.2001	Using of the night safe for cash transfers to BÚ	Prices fixed in accordance with OPČS	Night safe used exclusively for cash deposits
Contracts on encashment in simplified manner through the private cheques of ČS	Česká spořitelna	29.1.2001	18.1.2001	Encashment of cheques drawn by the account owner	Prices fixed in accordance with OPČS	Payment in cash up to a maximum daily limit of CZK 20,000.00
Contracts on BÚ in the Czech currency	Česká spořitelna	2000	2000	Establishment and administration of BÚ in the Czech currency	Prices fixed in accordance with OPČS	Operational accounts terminated as from 15. 1. 2001
Contract on BÚ in the Czech currency	Česká spořitelna	1999–2000	1999–2000	Establishment and administration of BÚ in the Czech currency	Prices fixed in accordance with OPČS	Wording adjusted by later amendments – HOME BANKING
Contract on renting of the safe box 270/F	Česká spořitelna	20.11.1998	20.11.1998	Renting of the safe box for storing of securities and documents	Prices fixed in accordance with OPČS	Contract for an undetermined period
Frame contract on provision of electronic banking services	Česká spořitelna	18.7.2001	18.7.2001	Provision of electronic banking services HOME BANKING, FAX BANKING	Prices fixed in accordance with OPČS	Contract applies to selected BÚ
Commercial contract on transfer of system of payment data by means of a compatible memory medium	Česká spořitelna	3.1.2000	3.1.2000	Execution of cash-free payments of insurance premium from the budget-accounts of clients	Prices fixed in accordance with OPČS	Contract applies exclusively to selected insurances

#### ***renting of offices, office equipment and parking lots***

Renting of offi-ces, office equipment and par-king lots	Česká spořitelna	1996–2001	1996–2001	Renting of offices in sales points of ČS, renting of office equipment and renting of parking lots – Brno, Kounicova ul.	CZK 17,423,989	
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### 1.3. Intermediation of insurance in accordance with the law No. 363/1999 Coll.

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

Title of the contract	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Price	Comment
Executive contract No. 58/01	Česká spořitelna	9.4.2001	1.4.2001	Determination of conditions and payments of commission for intermediation and sale of insurance in the sales network of Česká spořitelna	CZK 36,550,000	For full wording see also Amendment No. 2 dated 30.7.2001
Contract No. 74	Česká spořitelna	4.5.2000	1.4.2000	Obligation of ČS to intermediate PS (insurance policies) for Pojišťovna České spořitelny	CZK –	For full wording see also Amendment No. 2 dated 30. 7. 2001

## 2. OTHER LEGAL ACTS

The submitter concluded during the accounting period following contract, based on which he was given authorization:

Title of the contract	Contractual party	Date of conclusion	Effective date	Description and amount of delivery	Price	Comment
Contract on the transfer of the right to use the logo	Česká spořitelna	27.12.2001	17.9.–31.12.2001	Granting the right to use the logo of Pojišťovna České spořitelny	CZK 7,500,000	Determination of mutual rights and obligations

#### Comments:

All relations listed in this Appendix were defined by the contractual parties, namely Česká spořitelna, a.s. and Pojišťovna České spořitelny, a.s. When concluding these relations, laws in force in the Czech Republic were observed and prices were fixed in accordance with regulations of the Income Tax Law, i.e. for 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 and purchases of services (e.g. insurance contracts, contracts on establishment and administration of current accounts, contracts on withdrawal of money in a short manner, contracts on current account), these are homogenous contracts differing only in adjustment of conditions, that is e.g. different account numbers, bigger number of equal type of goods etc.

As regards intermediating of insurance in accordance with the law no. 363/1999 Coll., mutual rights and obligations of individual parties are regulated in the contractual relations and at the same time conditions and course of rights to and settlements of remuneration are defined for provided insurance services. 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 law.

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 linked with the pursued business activity of the members of this financial group, including Pojišťovna České spořitelny, a.s.

All prices shown include value added tax because of the specific tax regime of Pojišťovna České spořitelny, a.s. taking into consideration sphere of its business (§ 20 section 5 of the Value Added Tax Law).

## 3. OTHER ACTUAL MEASURES

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

## DESCRIPTION OF RELATIONS TO OTHER RELATED PERSONS

### APPENDIX 2 TO THE REPORT ON RELATIONS

#### 1. CONTRACTS

##### 1.1. Sales of goods

The submitter concluded during the accounting period following contract, based on which he sold goods:

Title of the contract	Contractual party	Date of conclusion	Effective date	Description of subject and amount	Purchase price incl. VAT	Comment
Purchase contract No. 424/01	Informatika České spořitelny	4.12.2001	4.12.2001	Sale of hardware out of action	CZK 2,440,000	200 pcs. of PC's

##### 1.2. Sales of services (excluding leasing)

The submitter concluded during the accounting period following contracts, based on which he provided services:

Title of the contract	Contractual party	Date of conclusion	Effective date	Description of subject and amount	Purchase price incl. VAT
Insurance contracts	Stavební spořitelna České spořitelny	1999 – 2000	1999 – 2000	– Insurance – fire and allied perils, theft, liability – property – Life and Personal Accident insurance	CZK 9,528,800
Insurance contracts	Penzijní fond České spořitelny	2000 – 2001	2000 – 2001	– Employees' liability of the company employees – Insurance – fire and allied perils, theft, liability – property – Motor Third Party Liability insurance – Personal Accident insurance of employees – Life and Personal Accident insurance of selected participants of pension schemes	CZK 1,825,190
Insurance contracts	Leasing České spořitelny	1996 – 2001	1996 – 2001	– Motor Own Damage insurance – Insurance – fire and allied perils, theft, liability – property – Obligatory Motor Third Party Liability insurance	CZK 215,701,000
Insurance contracts	Investiční společnost České spořitelny	1999 – 2001	1999 – 2001	– Insurance – fire and allied perils, theft, liability – property – Insurance of motor vehicles – Insurance of objects during transport – Life and Personal Accident insurance of employees	CZK 260,250
Insurance contract No. 5900019519	Factoring České spořitelny	26.1.2001	30.1.2001	– Life and Personal Accident insurance of employees of the company	CZK 63,508

<b>Title of the contract</b>	<b>Contractual party</b>	<b>Date of conclusion</b>	<b>Effective date</b>	<b>Description of subject and amount</b>	<b>Purchase price incl. VAT</b>
Insurance contract No. 741902726	Sindat consulting České spořitelny	2000	2001	– Insurance – fire and allied perils, theft, liability – property	CZK 34,440
Insurance contracts	Informatika České spořitelny	2001	2001	– Obligatory Motor Third Party Liability insurance – Motor Own Damage insurance – Life and Personal Accident insurance of employees of the company	CZK 468,216

### 1.3. Purchase of goods

The submitter concluded during the accounting period following contract, based on which he purchased goods:

<b>Title of the contract</b>	<b>Contractual party</b>	<b>Date of conclusion</b>	<b>Effective date</b>	<b>Description of subject and amount</b>	<b>Purchase price incl. VAT</b>	<b>Comment</b>
Purchase contracts to buy computer hardware	Informatika České spořitelny	2001	2001	Hardware	CZK 19,459,336	Price used for invoicing at the rate of 38 CZK/USD

### 1.4. Purchase of services

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

<b>Title of the contract</b>	<b>Contractual party</b>	<b>Date of conclusion</b>	<b>Effective date</b>	<b>Description of subject and amount</b>	<b>Price</b>
Renting of offices	Leasing České spořitelny	1.2.2001	1.2.2001	Renting of offices – Praha 8, Střelnická	CZK 248,290

#### Comments:

Cooperation between related persons within Česká spořitelna Financial Group, where Česká spořitelna, a.s. is 100% or majority owner, is regulated also by contractual relations respecting laws in force in the Czech Republic and in case of valuation is based on the requirements of application of usual prices in the scope defined in the Income Tax Law. These relations are aimed both at using services provided by the related persons and at support of business of these persons, i.e. the submitter guarantees the protection of property through the insurance contracts mentioned above or provides insurance contracts to the clients of related persons.



Ing. Eva Daňková  
Branch Manager – Liberec



Ing. Vladimír Prochocký  
Branch Manager – Brno



Ing. Pavel Šváb  
Branch Manager – Olomouc



Ing. Oldřich Silný  
Branch Manager – Pardubice



Ing. Jana Zídková  
Branch Manager – Praha



Oldřich Sedlák  
Branch Manager – Plzeň



Ing. Libor Mánek  
Branch Manager – České  
Budějovice



Miroslav Šiler  
Exclusive Insurance Agent

Employees and partners of Pojišťovna České spořitelny, a.s., member of Česká spořitelna Financial Group are portrayed in the photographs of this Annual Report

**Pojišťovna České spořitelny, a.s.**  
**Seat: Pardubice, nám. Republiky 115, PSČ 530 02**

**ID: 474 52 820**

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

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

**Auditor: Deloitte & Touche spol. s r. o.**

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