



Česká pojišťovna a.s. / Annual Report 2000

**Česká pojišťovna a.s.
is a composite insurer
providing a wide range
of life and non-life classes
of insurance.**



Description of the Company

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Company Profile

Česká pojišťovna a.s. (“Česká pojišťovna” or the “Company”) is a composite insurer providing a wide range of life and non-life classes of insurance. For many years now, it has been the biggest insurer in the Czech market. In 2000, its overall market share (by premiums written) was 38.9%: market share in life assurance was 41.2% and in non-life it was 37.7%.

Mission and Goals

Česká pojišťovna is focused on retail clients in personal lines insurance and on mid- to large-sized clients in insurance of industrial and business risks. One of the Company’s primary strategic goals for 2001 is to maintain market share at 39% and retain its current rate of earnings growth. We will strive towards these good performance results in an environment of heavy competition, especially in motor vehicles insurance and life assurance of all kinds. New opportunities are opening up in life assurance as a result of an amendment to the Income Tax Act, and the Company is prepared to take maximum advantage of these opportunities. At the same time, we will work on further developing the Česká pojišťovna Financial Group with the aim of offering a complete range of financial services.

Financial Situation

Česká pojišťovna’s earnings result for 2000 is CZK 4.3 billion. Of this amount, CZK 2.8 billion of profit is attributable to legislative changes in accounting regulations. Not including this windfall, the Company’s profit totaled CZK 1.5 billion, up significantly from last year’s figure of CZK 1.1 billion.

Since its transformation into a joint stock company, Česká pojišťovna has used its profits first and foremost to beef up its capital funds. Thanks to this policy, the Company now holds shareholder capital in excess of CZK 10 billion. In addition, Česká pojišťovna has excellent liquidity, allowing it to pay claims as they are adjusted.

Credit Rating

In March 2001, Fitch IBCA (following a merger with Duff & Phelps Credit Rating Co., which has been rating Česká pojišťovna since 1999), in recognition of our financial strength, gave the Company a rating of A- and a long-term rating of BBB.

In 2000, Standard & Poor’s rated Česká pojišťovna for the first time. It assigned the Company a rating of BB+ with positive outlook.

Both ratings make Česká pojišťovna one of the most highly esteemed financial institutions in the Czech Republic.

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Most Important Events in 2000

Act 168/1999 Coll. on Motor Third Party Liability Insurance

The year 2000 marked a turning point for Česká pojišťovna in that Act 168/1999 Coll. on Motor Third Party Liability Insurance came into force as of 1 January 2000. This Act did away with the monopoly in this area of insurance and had a fundamental impact on Česká pojišťovna's market position.

In accordance with Act 168/1999 Coll. on Motor Third Party Liability Insurance, all the assets and liabilities associated with operation of compulsory motor third party liability insurance, adding up to over CZK 10 billion, passed to the Czech Insurers Bureau (CIB). Česká pojišťovna also created a provision of nearly CZK 1 billion for obligations ensuing from its membership of the CIB.

Act 363/1999 Coll. on Insurance

Another major piece of legislation, Act 363/1999 Coll. on Insurance, came into force as of 1 April 2000. This Act brought long-awaited changes designed to help lay down clear rules for doing business in the insurance industry. In particular, the Act deals with insurance operations, insurance and reinsurance licensing conditions, insurance broking, and government regulation and oversight over these activities. The Act subjects insurance companies to stricter capital adequacy requirements depending on the scope of their insurance licenses, ownership control and the persons that serve in the insurance company's statutory and supervisory bodies.

Existing insurance companies were given a two-year period starting from the effective date of the Act to bring their businesses into compliance with the new Act. By the end of this period, insurers are required to demonstrate to the Ministry of Finance of the Czech Republic (MoF) that they have fulfilled the new licensing conditions, upon which the MoF will issue a new license specifying exactly what insurance business the company in question is allowed to engage in. Completing the tasks assigned by the new Act is a top priority of the Board of Directors.

Amendment of Income Tax Act

In late 2000 Parliament passed an amendment to the Income Tax Act that, effective from 2001, introduces tax breaks in the life assurance area. This fact is expected to exert a positive influence on the development of the life assurance market in 2001 and subsequent years.

Impact of Commercial Code Amendment

In accordance with an amendment to the Commercial Code, starting on 1 January 2001 Česká pojišťovna changed both its own management structure and that of its financial group. Česká pojišťovna entered into a control agreement with PPF a.s., which increases the transparency of the relations between Česká pojišťovna and the representative of its majority shareholders. In the interests of improving coordination of the management of companies controlled by Česká pojišťovna, another control agreement was concluded among ČP Finanční servis a.s. and the companies of the Česká pojišťovna Financial Group.



General Meetings

The Company held an extraordinary General Meeting on 4 April 2000. The main item on the agenda was an assessment of the project of restructuring the Česká pojišťovna Financial Group. The Annual General Meeting held on 20 June 2000 approved an amendment to the Company's Articles of Association along with changes in its statutory bodies. Other changes took place on the basis of an extraordinary General Meeting that was held on 28 December 2000, at which the shareholders approved another amendment to the Articles of Association reducing the number of Board of Directors members from nine to five.

Company Ownership Structure

The Company's ownership structure underwent substantial changes in 2000 after CESPO B.V. and Cespo Holdings B.V. purchased the stakes that used to be held by IPB. CESPO, Cespo Holdings and PPF investiční holding subsequently announced that they were acting in concert in respect of their collective 52% share of Česká pojišťovna and at the same time appointed PPF a.s. to manage Česká pojišťovna on their behalf. This confirmed PPF's role as controlling shareholder. The State's holding, which is managed by the National Property Fund, remained at 30.25% of the registered share capital of Česká pojišťovna. The State has not yet made any fundamental decision concerning the possible sale of its shareholding.

Increase of Equity Stakes and New Acquisitions

During 2000, Česká pojišťovna further increased its equity stake in Expandia Banka, a.s. (now eBanka, a.s.) and, together with its subsidiary ČP Finanční služby, now holds 98.7% of the bank's shares. The acquisition of eBanka is significant in terms of the development of combined bancassurance services for both retail and corporate clients.

In late 2000, Česká pojišťovna announced its intention to buy into the Russian insurance company Olma, based in Moscow, with the aim of developing sales of life assurance in the Russian market. As of the closing date of this annual report, this transaction had not yet been completed due to paperwork delays on the Russian side.

Product Innovations

During 2000, Česká pojišťovna launched or innovated a number of insurance products. These include, in particular, group motor vehicle insurance, a new insurance product for household effects and residential buildings, a group supplemental pension insurance plan, life assurance with no health questions asked, and the combined bancassurance products "ČP Spoření" (ČP Savings) and "ČP Kreditní karta" (ČP Credit Card).

In accordance with our emphasis on boosting Česká pojišťovna's position in motor vehicle insurance, 2000 saw a change in the way this insurance area is managed. A new position was created – deputy executive director for motor vehicles insurance – to take over management of the motor damage insurance and motor third party liability insurance units.

3 Highlights

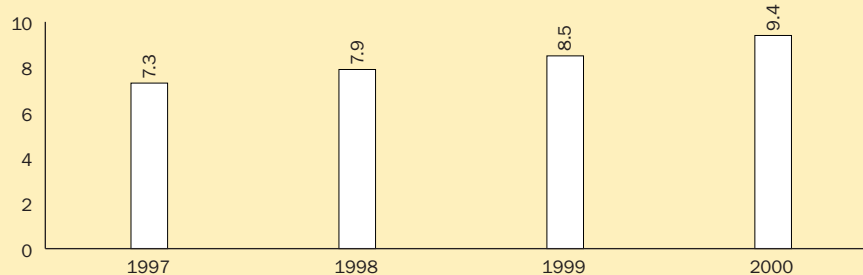
| BASIC INDICATORS | Units | 1997 | 1998 | 1999 | 2000 |
|--|--------------|--------|--------|--------|--------|
| Highlights from the financial statements | | | | | |
| Total assets | CZK millions | 90,892 | 89,376 | 96,198 | 97,816 |
| Registered share capital | CZK millions | 3,412 | 3,412 | 3,412 | 3,412 |
| Shareholders' equity | CZK millions | 4,077 | 4,915 | 6,012 | 10,326 |
| Financial placements (investments) | CZK millions | 69,612 | 76,451 | 80,935 | 83,075 |
| Net profit | CZK millions | 468 | 834 | 1,058 | 4,315 |
| Performance indicators | | | | | |
| Total premiums written | CZK millions | 28,762 | 32,509 | 33,076 | 26,911 |
| - non-life | CZK millions | 21,497 | 24,621 | 24,551 | 17,533 |
| - life | CZK millions | 7,265 | 7,888 | 8,525 | 9,378 |
| Total claims paid | CZK millions | 24,149 | 23,054 | 23,920 | 16,635 |
| - non-life | CZK millions | 16,595 | 14,891 | 15,634 | 9,248 |
| - life | CZK millions | 7,554 | 8,163 | 8,287 | 7,387 |
| Total technical provisions | CZK millions | 79,712 | 77,430 | 80,542 | 75,163 |
| - non-life | CZK millions | 24,438 | 21,630 | 23,649 | 16,278 |
| - life | CZK millions | 55,274 | 55,800 | 56,893 | 58,885 |
| Number of claims processed | thousand pcs | 1,820 | 1,764 | 1,721 | 1,251 |
| Policy portfolio *3) | thousand pcs | 10,274 | 10,871 | 10,837 | 11,013 |
| Other figures | | | | | |
| Market share in terms of premiums written *2) | % | 60.0 | 59.0 | 53.0 | 38.9 |
| - non-life | % | 61.0 | 61.6 | 57.7 | 37.7 |
| - life | % | 57.1 | 52.1 | 42.8 | 41.2 |
| Number of employees | number | 8,529 | 8,299 | 7,340 | 6,543 |
| Number of branches - insurance for individuals *1) | number | 25 | - | - | - |
| Number of branches - industry and business insurance *1) | number | 7 | - | - | - |
| Number of agencies *1) | number | 143 | 76 | 76 | 74 |
| Number of regions *1) | number | - | 8 | 8 | 8 |
| Performance ratios | | | | | |
| ROA | % | 0.5 | 0.9 | 1.1 | 4.4 |
| ROE | % | 11.5 | 17.0 | 17.6 | 41.8 |
| EPS | CZK | 137 | 244 | 310 | 1,265 |
| Premiums written per employee | CZK millions | 3.4 | 3.9 | 4.5 | 4.1 |

*1) In 1998 the Company began a reorganization that involved gradually closing down branches and replacing them with regions.

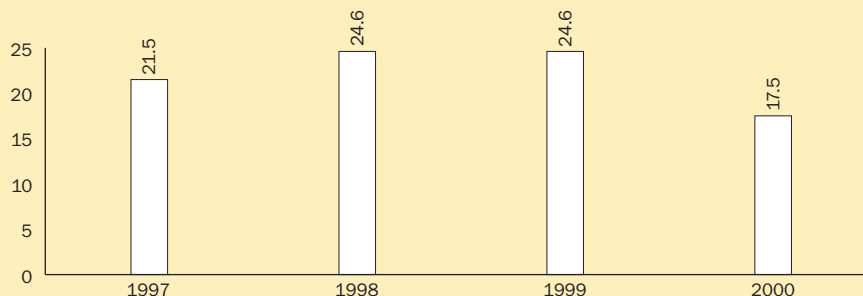
*2) Year 2000 data is based on preliminary figures from the Czech Insurance Association.

*3) Figure is only for individuals and does not include accident insurance.

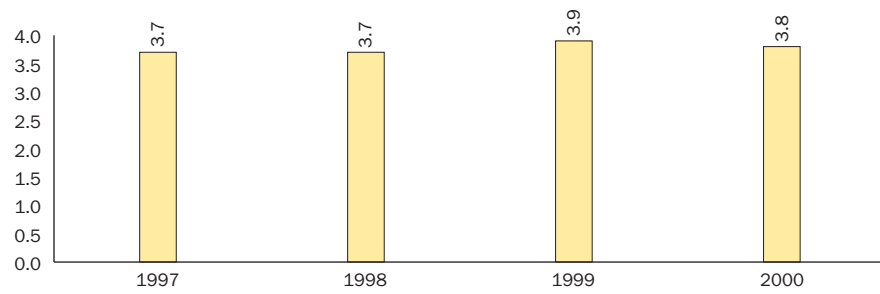
**Life Assurance
Premiums Written
(CZK billions)**



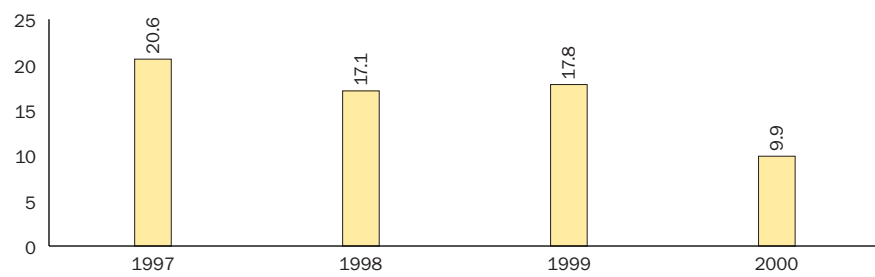
**Non-Life Insurance
Premiums Written
(CZK billions)**



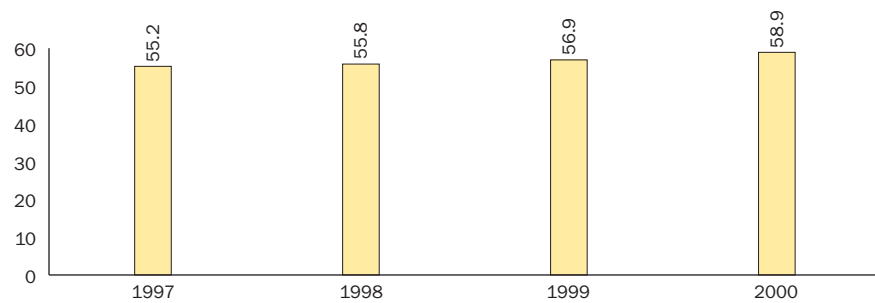
**Unearned
Premiums Provision
(CZK billions)**



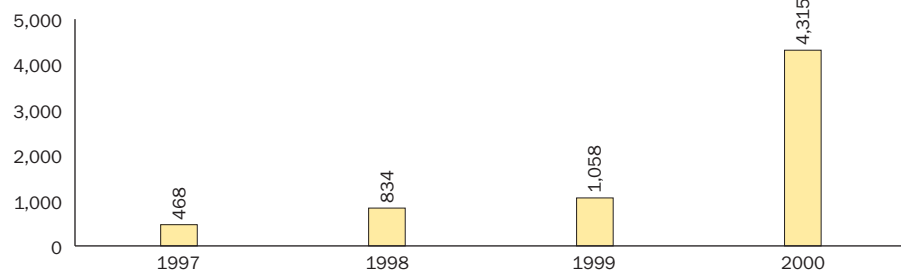
**Provision
for Outstanding Claims
(CZK billions)**



**Life Assurance
Provision
(CZK billions)**



**Earnings
(CZK millions)**



4 Chairman's Statement

Dear shareholders,

Česká pojišťovna's final audited figures for 2000 show a net profit of CZK 4.3 billion, the highest profit in Company history. This amount contains both the Company's net operating income of nearly CZK 1.6 billion and a one-time result of over CZK 2.7 billion which the Company achieved as a result of a legislative change in accounting regulations governing the book treatment of deferred tax. The increased results of operations were due, among other factors, to the good performance of our financial placements of technical provisions and favorable claims experience in certain insurance classes. Long-term downward pressure on operating expenses also began to have a palpable effect.

Backed by last year's excellent earnings performance, the Company's shareholders' equity passed the CZK 10 billion mark. This fact is significant not just in and of itself, but also in terms of future development of Česká pojišťovna's ratings which, since they were assigned at the beginning of this year, did not take into account earnings performance for the entire year 2000. In January 2001, Standard & Poor's gave the Company a BB+ rating with a positive outlook. This was followed in mid-March by Fitch IBCA rating Česká pojišťovna an A- for financial strength and giving it a long-term rating of BBB with a stable outlook. These ratings place Česká pojišťovna among the top domestic financial institutions.

In addition to the Company's increased financial strength, the past year also brought major changes in its shareholder structure. After Investiční a Poštovní banka sold its stake in Česká pojišťovna, three shareholders – PPF investiční holding a.s., CESPO B.V. and Cespo Holdings B.V. – announced that they were acting in concert in respect of their aggregate 52% share in Česká pojišťovna and, in accordance with the law, they offered to buy out the Company's other shareholders. Nearly one quarter of the small shareholders took advantage of this offer, increasing these three companies' share in Česká pojišťovna's registered share capital to nearly 54%.

During the 2000 accounting period, Česká pojišťovna acquired a total of 80,960 employee shares, each with a nominal value of CZK 1,000, for a total nominal value of CZK 80,960,000. The sum of the purchase prices paid for these employee shares was CZK 80,996,600. Furthermore, in the same period, the Company sold 80,143 employee shares, each with a nominal value of CZK 1,000, for a total nominal value of CZK 80,143,000. The sum of the selling prices received for these employee shares was CZK 80,143,000. The lowest purchase price paid for employee shares was CZK 800 per share and the highest was CZK 1,300 per share. A unified price of CZK 1,000 per share was charged for sales of employee shares during the year 2000.

The Company acquired employee shares primarily in fulfillment of its obligations under the Articles of Association and the Commercial Code or for reasons ensuing from the unique nature of employee shares as a share class.

The total number of employee shares held by the Company at the beginning of the accounting period, i.e. at 1 January 2000, was 80,037 shares representing a total nominal value of CZK 80,037,000, or 2.35% of the Company's registered share capital. At the end of the accounting period, i.e. at 31 December 2000, the Company held 80,854 of these shares representing a total nominal value of CZK 80,854,000, or 2.37% of the Company's registered share capital.

Turning to Česká pojišťovna's performance last year in its core business, overall the Company wrote CZK 26.9 billion in premiums, putting our market share at 38.9%.

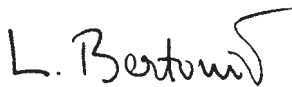
Česká pojišťovna achieved particularly good results in life assurance – premiums written rose to CZK 9.4 billion, or 10%, which is the best performance in the five years. In new business the Company achieved an even greater increase of 27%. Česká pojišťovna considers life assurance to be one of its top priorities for 2001 and we are prepared to take maximum advantage of the business opportunity represented by the introduction of tax advantages for clients. Life assurance underwriting results for the first months of this year indicate that we are successfully meeting our high ambitions in the life assurance area.

Premiums written in non-life insurance reached CZK 17.5 billion, declining CZK 7.1 billion from the previous year as a result of the liberalization of the motor third party liability insurance market. Česká pojišťovna managed to capture a 40% share of this market which, although it fell short of our original goal, is still a successful result in view of the heavy competition in this insurance area. The second main area where premiums written fell was motor damage insurance. Although this is partially due to a flat market for new and used cars, the management of Česká pojišťovna is not satisfied with this situation and therefore, as early as last year, it took a number of commercial and organizational measures at the head office, region, and agency levels to enable us to turn this situation around this year. One result is a new, successful modular product encompassing both motor damage and motor third party liability insurance. Good results were achieved by Česká pojišťovna in certain other classes of insurance as well. First and foremost, we mention our household effects and residential buildings insurance product which saw a major innovation last year, capturing high levels of client interest.

Česká pojišťovna paid CZK 16.6 billion in claims last year, down nearly one third from 1999. This result, too, was influenced primarily by the redistribution of the motor third party liability market. Last year, Česká pojišťovna successfully got through several large-scale natural catastrophes, in particular the flooding in March and multiple hail events in late May, early June, and in the summer months. Nearly CZK 1 billion was paid out in claims on these catastrophes alone. However, thanks to our high-quality reinsurance coverage, these losses had only a minimum impact on the Company's earnings.

One of the principal pre-conditions for the further growth of Česká pojišťovna is the building up of a strong financial group that will offer clients a comprehensive range of financial services and leverage synergies and cross-selling to the maximum possible extent. Last year saw eBanka integrated into the Česká pojišťovna Financial Group and in late 2000 the Board of Directors also approved the acquisition of Home Credit. However, the actual purchase of this company is subject to completion of due diligence. The Group intends to maintain its current strong position in the insurance and supplementary pension insurance markets, grow its market share in banking services, consumer lending, and leasing, as well as develop businesses abroad. In addition to our Slovak presence through the subsidiary Česká poisťovňa – Slovensko, preparations for entering the Russian market have progressed substantially; here, Česká pojišťovna envisions acquiring the Moscow-based insurance company Olma with the aim of launching life assurance.

Česká pojišťovna entered the third millennium as a financially strong, stable company that is maintaining its position as the leading domestic insurance company and bringing security to its shareholders and clients alike. This year, our primary focus will continue to be on increasing our advantage through earnings growth and improving the scope and quality of the services we provide to the clients of Česká pojišťovna and its entire financial group.



Ladislav Bartoniček
Chairman of the Board of Directors



**Česká pojišťovna a.s.
continues to hold the strongest
position in the Czech market.**

History of the Company

The history of Česká pojišťovna goes back to 1827, the year that saw the establishment of the First Czech Mutual Insurance Company (První česká vzájemná pojišťovna) – the legal predecessor of today's Česká pojišťovna a.s. After the country's insurance companies were nationalized in 1945 and a short period when there were five insurers that operated as national enterprises, 1948 brought the establishment of a single Československá pojišťovna, national enterprise, which was renamed in 1953 to Státní pojišťovna. In 1969, Státní pojišťovna was divided under the so-called "territorial principle" into a Česká státní pojišťovna and a Slovenská státní pojišťovna. In 1992, Česká pojišťovna was transformed into a joint stock company under a privatization project and 15% of its shares were distributed to voucher holders in the first wave of voucher privatization, while another 54% of the Company's equity was transferred to selected banks (Komerční banka, Česká spořitelna, Interbanka, ČSOB, Investiční banka), 5% of the shares were earmarked for the employees and a 26% remained with the State through the National Property Fund.

Česká pojišťovna's shareholder structure underwent a major change in 1996 when PPF (První privatizační fond) obtained Česká spořitelna's and Interbanka's stakes. The new ownership structure resulted in changes in most of the Company's board and executive management positions. In 1997, the Company's registered share capital was increased by 50% to CZK 3.412 billion, and the premium charged on the newly issued shares was used to cover the loss posted in 1996. The National Property Fund increased its share to 30%.

The most recent big change in the ownership structure took place in 2000 when IPB sold its stake to the companies CESPO B.V. and Cespo Holdings B.V. which act in concert with PPF investiční holding a.s. Together, these three companies acting in concert held nearly 54% of Česká pojišťovna's shares at year end 2000, making them joint majority shareholders. These three companies also appointed PPF a.s. to manage Česká pojišťovna. In this way, PPF a.s. reaffirmed its long-term position as the controlling shareholder of Česká pojišťovna a.s.

Market Position

In 2000 the insurance market in the Czech Republic continued to grow, but the pace of growth slowed somewhat compared to 1999. Overall premiums written grew to CZK 69.3 billion, up 10.8%, after growing 14.0% in 1999.

The rate of premium growth was faster in life assurance, where premiums written increased 14.3% to CZK 22.8 billion. However, this fell short of 1999's 33.1% jump.

In non-life insurance, premiums written grew 9.2% to CZK 46.5 billion. However, when the jump in motor third party liability insurance premiums is excluded, the growth was only 2.5%. In 1999 the non-life insurance market grew at a rate of 6.9%.

As a result of the above developments, life assurance increased its share of the overall market to CZK 32.9. Even so, this figure is over 20 percentage points lower than that seen in EU countries. The Czech Republic lags even further behind in the ratio of premiums written to gross domestic product, which despite growing last year to 1.2%, is approximately six times lower than the EU average. On the other hand, this illustrates the enormous potential that the life assurance market holds for the future.

Česká pojišťovna is the biggest and most highly capitalized insurance institution in the Czech Republic. Eight years after market deregulation, it is still the dominant insurer – its market share at 31 December 2000, measured in terms of gross premiums written, was 38.9%. Market share in life assurance was 41.2%, and in non-life it was 37.7%. The 14% year-on-year decline in overall market share was due mostly to the liberalization of the motor third party liability insurance market. Even so, Česká pojišťovna managed to capture a nearly 39% of the newly redistributed market, despite competition from 11 other insurance companies.

Classes of Insurance Written

Česká pojišťovna is a composite insurer that writes all classes of insurance that are available in the Czech market, either itself or through its subsidiaries, at over 700 business locations throughout the Czech Republic. Česká pojišťovna covers both life and non-life insurance, providing services to individuals as well as small, medium, and large-sized corporations. Its core business areas include life and pension insurance, accident insurance, travel insurance, foreign medical expense insurance, property and liability insurance for individuals, insurance for industry and business with domestic and foreign lines, crops and livestock insurance and inwards reinsurance limited to companies in the Česká pojišťovna group. For more details, see the Company's Articles of Association.

Rating

The first year that Česká pojišťovna decided to undergo a rating process was 1998. At that time, it chose the rating agency Duff & Phelps (DCR). In June 1999, DCR gave Česká pojišťovna two international ratings: a CPA (Claims Paying Ability) rating in foreign currency of A-, which at that time was equivalent to the Czech Republic's rating, and an issuer credit rating of BBB.

After DCR was acquired by Fitch IBCA, Česká pojišťovna was evaluated by the newly formed company Fitch. In early 2001 Fitch rated Česká pojišťovna's financial strength at A- (corresponding in scope to the CPA rating) and gave the Company a long-term rating of BBB.

In 2000 the Company was also evaluated by Standard & Poor's, which in 2001 assigned us a long-term financial strength rating and credit rating of BB+ with a positive outlook. In its evaluation, Standard & Poor's called attention to Česká pojišťovna's relatively low capital base. Thanks to the high profit for 2000, however, Česká pojišťovna's shareholders' equity has increased substantially, putting it in a good position for a shift into A ratings in the future.

Česká pojišťovna's ratings are among the highest given to financial institutions in the Czech Republic.

Strategic Changes at the Company

The Annual General Meeting held on 20 June 2000 approved changes in the Company's statutory bodies as well as an amendment to the Articles of Association increasing the powers of the Supervisory Board. The new Articles of Association did away with the position of CEO and a new Executive Director position was created and put in charge of running the Company day-to-day. Petr Prokop was named Executive Director and Ladislav Bartoníček became Chairman of the Board of Directors. Member of the Board of Directors Jan Blaško assumed direct responsibility for the financial placements area.

On 28 December 2000, an extraordinary General Meeting approved another amendment to the Company's Articles of Association reducing the number of Board of Directors members from nine to five.

In conjunction with an amendment to the Commercial Code, the Board of Directors of Česká pojišťovna, after extensive legal analyses, decided together with the Company's majority shareholder to proceed to build lines of management within the so-called "de facto" holding structure PPF/Česká pojišťovna. PPF a.s. has been authorized by shareholders acting in concert to manage, under control agreements, both Česká pojišťovna itself and ČP Finanční servis a.s., which was newly appointed to manage most of Česká pojišťovna's subsidiaries. In late 2000, ČP Finanční servis a.s., a 100% subsidiary of Česká pojišťovna, entered into control agreements with the following companies: ČP Leasing a.s., Česká pojišťovna ZDRAVÍ a.s., ČESKÁ ŽIVOTNÍ, a.s., ČP DIRECT pojišťovna, a.s., Penzijní fond České pojišťovny, a.s., eBanka, a.s., KIS a.s. kapitálová investiční společnost České pojišťovny and Home Credit a.s.



The Česká pojišťovna Financial Group

Creation and Description

In the early 1990s, Česká pojišťovna began to adapt to modern world trends and gradually began to build a strong financial group which aims to offer clients a complete range of financial services, not limited to insurance alone. In 1991, KIS a.s. kapitálová investiční společnost České pojišťovny became the first company to join the future group and it was followed by Česká pojišťovna ZDRAVÍ and others. eBanka, a.s., the country's leading Internet bank, was integrated into the group in 2000. Home Credit a.s. joined the group in early 2001, although final approval of the acquisition is pending completion of due diligence in 2001.

The group's objective is to provide clients with comprehensive, high quality services while at the same time leveraging synergies in finance, human resources, know-how sharing, distribution channels, and other similar areas. Special emphasis is placed on developing cross-selling. The strategic goal is to build up a financial group with a strong position not just in the domestic market, but in other countries of Central and Eastern Europe as well.

The consolidated total assets of the entire Česká pojišťovna Financial Group are in excess of CZK 100 billion and the group has entered into over 15 million contracts with clients.

Česká pojišťovna ZDRAVÍ a.s.

Česká pojišťovna ZDRAVÍ a.s. ("ČPZ") was established by two shareholders: Česká pojišťovna a.s. and Vereinte Krankenversicherung, Germany's second largest private health insurer. Since November 1997, it has been wholly owned by Česká pojišťovna. ČPZ offers its services through its own network of underwriters as well as Česká pojišťovna's extensive network. It offers supplementary health insurance products that go beyond what is provided by the State health plan. In its commercial health insurance segment, the Company holds a market share of around 70%.

In 2000, the company wrote over CZK 167 million in premiums, up over 11% from the previous year.

Česká poisťovňa – Slovensko, a. s.

Česká poisťovňa – Slovensko, a.s. ("ČPS") offers comprehensive insurance cover in the Slovak market for both individuals and corporations and in both the life and non-life areas.

In 2000, ČPS posted 8% growth in premiums written, which totaled SKK 766 million.

ČP DIRECT pojišťovna, a.s.

ČP DIRECT pojišťovna, a.s. is primarily a service organization that provides information on all products offered by Česká pojišťovna and its subsidiaries. It takes in motor vehicle insurance claims and deals with client filings related to the activities of Česká pojišťovna. It also carries out market research studies and sells insurance over the telephone (e.g. travel insurance, motor third party liability insurance).

ČESKÁ ŽIVOTNÍ, a.s.

ČESKÁ ŽIVOTNÍ, a.s. focuses on underwriting and service in the life assurance area. It offers its services mainly to upper income groups through professionally trained insurance consultants. As such, the company represents yet another distribution channel for the sale of Česká pojišťovna's integrated financial services.

The company brought in CZK 154 million in new business, compared to CZK 80 million in 1999. Approximately two thirds of the new business was obtained for Česká pojišťovna and the remaining third was placed with Penzijní fond České pojišťovny.

KIS a.s. kapitálová investiční společnost České pojišťovny

KIS a.s. kapitálová investiční společnost České pojišťovny is one of the oldest and at the same time biggest domestic investment companies. It was a successful participant in both waves of voucher privatization. Its core business is collective investment through mutual funds. KIS a.s. kapitálová investiční společnost České pojišťovny manages three mutual funds – one open-end fund (Alpha Effect) and two closed-end funds (Thesaurus and AAA). As of 31 December 2000 the company had CZK 1.2 billion in assets under management.

Penzijní fond České pojišťovny, a.s.

Penzijní fond České pojišťovny is currently one of the largest and financially strongest pension funds in the Czech Republic. The value of its assets at year end 2000 was well over CZK 4 billion.

Its number of clients at year end 2000 exceeded 296,000 (up 30% for the year) and their contributions together with State support totaled roughly CZK 1.7 billion during the year, beating original expectations. The principal cause was a combination of positive factors in early 2000 when the fund benefited from a temporary overlap of two pension plans (which was very advantageous for clients) and the introduction of new tax advantages.

ČP Leasing, a.s.

ČP Leasing, a.s. is a universal leasing company. Its basic product range includes both car & truck leasing as well as finance leases for industrial equipment installations. Nevertheless, cars are its main focus. Recently the company has been successfully in developing its operational leasing business as well.

eBanka, a.s.

eBanka, a.s. (formerly Expandia Banka, a.s.) is one of the youngest and also, for the time being, smallest banks in the Czech Republic. The process of integrating it into the Česká pojišťovna Financial Group began in the autumn of 1999. eBanka, a.s. is unique in the Czech market for its exclusive focus on direct banking products (Internet banking, phone banking, GSM banking). Starting in late 2000, the bank is bringing to market, in cooperation with Česká pojišťovna, new banking products focused on Česká pojišťovna's clients, under the trade name "ČP Finance".

In 2000 the company managed to increase its client base by almost 100%, to over 40,000.

ČESCOB, úvěrová pojišťovna, a.s.

The name ČESCOB is a combination of the names of the company's two founders: Česká pojišťovna a.s. and the largest Belgian credit insurer, EULER-COBAC Belgium S.A., which is part of the worldwide Euler Group. This alliance of financial institutions is the largest credit insurance grouping in the world. Thus, ČESCOB is represented, either directly or indirectly, in all the world's main business centers. ČESCOB is the biggest non-State insurance company in the Czech Republic that specializes in credit risk insurance. Since late 2000 it has also been offering its products in Slovakia through Česká poisťovňa – Slovensko.

Others

Pursuant to a decision of the extraordinary General Meeting of Česká pojišťovna held on 28 December 2000, work began from the beginning of 2001 on analyzing the synergies inherent in potential cooperation with the company Home Credit a.s., which specializes in selling consumer goods on installment plans and is one of the biggest players in this segment in both the Czech and Slovak Republics. If the result of this analysis comes up positive, Česká pojišťovna will exercise its option to purchase 100% of Home Credit a.s.



Directors and Officers

Board of Directors (as of the 28 June 2001 General Meeting)

Chairman

Ladislav Bartoníček

Term of office from 28 December 2000

Born in 1964

Domicile: Slepá II/458, Prague 4, postcode 142 00

Education: Czech Technical University,
Electrical Engineering Faculty
Master of Business Administration
Rochester Institute of Technology

Experience: ČKD Elektrotechnika
PPF investiční společnost a.s.

Vice-Chairman

Milan Maděryč

Term of office from 28 December 2000

Born in 1955

Domicile: Nad Vývozem 4872, Zlín, postcode 760 05

Education: Vocational with School Leaving Certificate
Postgraduate work at Brno Technical University

Experience: ZPS a.s.
IMPROMAT s.r.o.
PPF investiční společnost a.s.

Vice-Chairman

Petr Prokop

Term of office from 28 December 2000

Born in 1963

Domicile: Polívkova 540, Prague 5, postcode 150 00

Education: Czech Technical University,
Civil Engineering Faculty
Master of Business Administration
Rochester Institute of Technology

Experience: Lafarge Coppee, Nutricia Czech Republic
Česká pojišťovna a.s.

Member

Jan Blaško

Term of office from 28 December 2000

Born in 1964

Domicile: Nad Lesním divadlem 18/1113, Prague 4,
postcode 140 00

Education: Czech Technical University,
Electrical Engineering Faculty
Master of Business Administration
University of Chicago

Experience: ČKD, s.p., IPB, a.s., Stratego Invest, a.s.
PPF burzovní společnost a.s.

Member

Jan Ježdík

Term of office from 28 December 2000

Born in 1955

Domicile: Sametová 718/12, Liberec VI,
postcode 460 00

Education: Charles University Law Faculty
Experience: Česká státní pojišťovna
Česká pojišťovna a.s.

Changes in the Board of Directors During 2000

Michal Větrovský ended his tenure on the Board of Directors as of 29 May 2000 and this change was registered in the Commercial Register on 10 October 2000. Jan Blaško was co-opted to the Board of Directors and this change was registered on 10 October 2000.

At the General Meeting of 20 June 2000, Ivan Kočárník and Jan Ježdík were removed from the Board of Directors based on a proposal put forward by the Board of Directors and at the same time Jan Blaško, Milan Houžvíc and Miroslav Matocha were approved as new members of the Board of Directors by the General Meeting. The above changes were registered in the Commercial Register on 10 October 2000. Radoslav Tesař was elected to the Board of Directors on 20 June 2000 and resigned from the Board of Directors on 20 July 2000. This change was not registered in the Commercial Register.

Milan Houžvíc, Miroslav Matocha, and Jaroslav Kafka resigned from the Board of Directors as of 22 December 2000. Registration of this change in the Commercial Register is still pending.

At the General Meeting of 28 December 2000, the Board of Directors composed of: Ladislav Bartoníček, Milan Maděryč, Petr Prokop, Jan Blaško was removed from office and a new Board of Directors was elected consisting of: Ladislav Bartoníček, Milan Maděryč, Petr Prokop, Jan Blaško, Jan Ježdík. Registration of this change in the Commercial Register is still pending.



Company Management

Executive Director

Petr Prokop

In office since 20 June 2000

Born in 1963

Domicile: Polívková 540, Prague 5, postcode 150 00

Education: Czech Technical University,
Civil Engineering Faculty
Master of Business Administration
Rochester Institute of Technology

Experience: Lafarge Coppee
Nutricia Czech Republic
Česká pojišťovna a.s.

Deputy Executive Director

Lubomír Bušek

In office since 26 June 2000

Born in 1970

Domicile: Jeremenkova 14, Prague 4

Education: Czech Technical University
Masters of Business Administration

Experience: Beton Lafarge s.r.o.

Deputy Executive Director

Jaroslav Kafka

In office since 20 June 2000

Born in 1948

Domicile: Manželů Dostálových 1210, Prague 9

Education: Czech Technical University,
Prague University of Economics

Experience: Železniční stavitelství Praha
Kablo Hostivař
Inorga Praha
EMINET Praha, s.r.o.
IDOM (Deloitte & Touche)

Deputy Executive Director

Radoslav Tesař

In office since 20 June 2000

Born in 1958

Domicile: Gočarova 15, Ústí nad Labem

Education: Prague University of Economics

Experience: Spolek pro chemickou a hutní výrobu, a.s.,
Ústí nad Labem

Deputy Executive Director

Miroslav Matocha

In office since 20 June 2000

Born in 1964

Domicile: Neužilova 4, Brno-Bohunice

Education: Prague University of Economics

Experience: INCOTEX s.r.o., Brno
FMZV Praha
ARISA, s.r.o. Brno
MORAVSKOSLEZSKÁ KOOPERATIVA,
družstevní pojišťovna, a.s., Brno
WINTERTHUR pojišťovna, a.s., Praha

Deputy Executive Director

Milan Houžvic

In office since 20 June 2000

Born in 1964

Domicile: Studentská 2486, Mělník

Education: Agricultural University

Experience: Zemědělské zásobování a nákup, k.p.,
závod Karlovy Vary
Česká pojišťovna státní podnik

Deputy Executive Director

Roman Stupka

In office since 1 August 2000

Born in 1961

Domicile: Korandova 2, Prague 4

Education: Prague University of Economics

Experience: PZO Polytechna
CONVATEC s.r.o.
BRISTOL – MYERS SQUIBB s.r.o.
RINGIER Praha a.s.



Supervisory Board (as of the 28 June 2001 General Meeting)

Chairman

Ivan Kočárník

Term of office as Chairman from 20 June 2000

Born in 1944

Domicile: K Bukovce 161, Vonoklasy, District Prague-West

First Vice-Chairman

Aleš Minx

Term of office as Vice-Chairman from 20 June 2000

Born in 1964

Finance Director, PPF investiční společnost a.s.

Domicile: Pod Vlkem 121, Prague 5

Second Vice-Chairman

Vlastimil Uzel

Term of office as Vice-Chairman from 15 November 1999

Born in 1935

Advisor to the Executive Director, Česká pojišťovna a.s.

Domicile: Mezivrší 1447/33, Prague 4

Member

Gabriel Eichler

Term of office from 27 January 1998

Born in 1950

Benson Oak

Domicile: Rašínovo nábř. 78, Prague 2

Member

Petr Kellner

Term of office from 4 April 2000

Born in 1964

Chairman of the Board, PPF a.s.

Domicile: Březová 509, Vrané nad Vltavou

Member

Václav Kubišta

Term of office from 27 January 1998

Born in 1947

Assistant Dean, Prague University of Economics

Domicile: Elišky Krásnohorské 14, Prague 1

Member

Jaromír Prokš

Term of office from 28 December 2000

Born in 1964

Vice President, PPF a.s.

Domicile: U Letenského sadu 10, Prague 7

Member

Zdeňka Němcová

Term of office from 15 November 1999

Born in 1960

First Vice-Chairwoman of the Executive Committee

National Property Fund

Domicile: Košťálková 1104, Prague 8

Member

Jan Škurek

Term of office from 4 April 2000

Born in 1971

Head of Corporate Finance Department, NPF

Domicile: Křišťanova 1789/17, Prague 3

Changes in the Supervisory Board During 2000 and 2001

At the extraordinary General Meeting held on 4 April 2000, Randall Dillard and Jiří Tesař were removed from office based on a proposal put forward by the NPF and Petr Kellner and Jan Škurek were newly elected. This change was registered in the Commercial Register on 27 June 2000.

At the Annual General Meeting held on 20 June 2000, Ivan Kočárník and Jan Ježdík were elected to take the places of Jaromír Prokš and Jan Jobin Valdinger, who resigned. This change was registered in the Commercial Register on 10 October 2000.

Jan Ježdík resigned from the Supervisory Board effective 28 December 2000 and registration of this change is still pending. At the General Meeting held on 28 December 2000, Jaromír Prokš was elected to the Supervisory Board and registration of this change is still pending.

The General Meeting of 28 June 2001 elected Zdeněk Kabilka, who was nominated by NPF, to the Supervisory Board in place of Zdeňka Němcová, who resigned as member of the Supervisory Board on 8 June 2001.



Report of the Board of Directors on the Company's Business Activities and Financial Situation

Macroeconomic Developments in 2000

Macroeconomic developments in 2000 were marked by an economic recovery accompanied by only moderate inflation and a slight decline in the unemployment rate.

After two years of contraction, the gross domestic product posted year-on-year growth of 3.1%. Price levels expressed by the growth in the Consumer Price Index (CPI) were up 4.0% for the year, and average inflation was 3.9%. These figures are 1.8% and 1.5% lower, respectively, than in 1999. The unemployment rate ended the year at 8.8%, which was 0.6 of a percentage point lower than twelve months before.

According to Czech Statistical Office data, prices in the insurance industry declined by 4 percentage points during 2000.

Underwriting Performance

Overall Data for Česká pojišťovna a.s.

Česká pojišťovna's total premiums written at 31 December 2000 amounted to CZK 26.9 billion, down 18.6% or CZK 6.2 billion from 1999, primarily as a result of the elimination of Česká pojišťovna's monopoly in the motor third party liability insurance segment. This fact was also reflected in the overall claims paid and technical provisions amounts.

Premiums written in non-life insurance totaled CZK 17.5 billion, down CZK 7.0 million or 28.6% from 1999, due primarily to the liberalization of the motor third party liability insurance market.

Premiums written in life assurance, on the other hand, rose from CZK 8.5 billion to CZK 9.4 billion, an increase of 10%.

Overall claims paid, net of provisions creation, declined 30.5% year-on-year to CZK 16.6 billion. The decrease in claims paid was concentrated in the non-life segment (where claims paid declined from CZK 15.6 billion to CZK 9.2 billion, or 40.8%) but claims paid decreased in life assurance as well (going from CZK 8.3 billion to CZK 7.4 billion, down 10.9%).

During 2000, the Company's overall technical provisions contracted to CZK 75.2 billion, CZK 16.3 billion of which are non-life provisions (down CZK 7.3 billion from 1999, which is in line with the decline in non-life written premiums). Life assurance provisions, on the other hand, rose by CZK 2 billion to CZK 58.9 billion.

In the underwriting area, 2000 was the first year in which the effect of the new system in motor third party liability was felt. Česká pojišťovna managed to insure 2.2 million vehicles, which brought in CZK 5.4 billion in new business. Thus, contractual motor third party liability insurance became an important part of the non-life insurance underwriting effort.



Non-Life Insurance

Summary

Overall, not including contractual motor third party liability insurance, underwriting in non-life insurance was flat in 2000, coming in slightly under 1999's levels. The only exception was in motor damage insurance, where the sales network failed to bring in enough business to off-set the sharp decline in the policy base built up in past years.

In 2000, like in past years, Česká pojišťovna reaffirmed its traditionally strong position in personal non-life insurance. One contributing factor was the launch of new home and household effects insurance which was very well received by clients. Given our extensive policy base in this area, the 8% growth we achieved in new business in 2000 is a very good result.

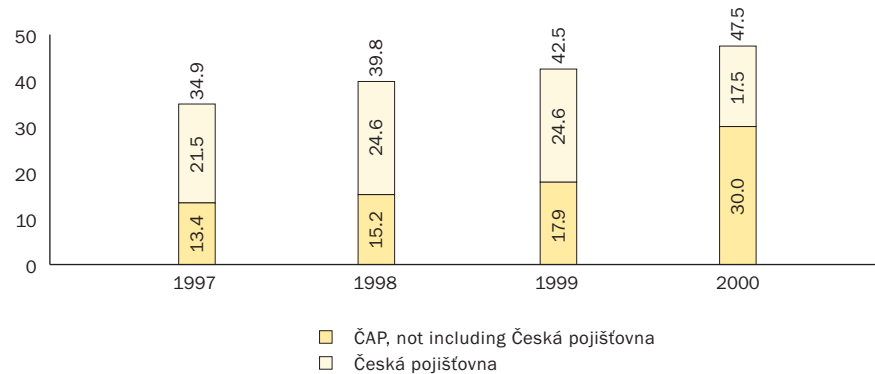
Market Share

Česká pojišťovna's market share in non-life insurance, measured by premiums written, was 37.7% at the end of 2000. The most important event of 2000 in terms of impact on non-life premiums written was the end of the monopoly in compulsory motor third party liability insurance that coincided with the effective date of the Act on Motor Third Party Liability Insurance (168/1999 Coll.), i.e. 1 January 2000. In 1999, this class of insurance alone accounted for a third of Česká pojišťovna's overall written premiums. After the new Act took effect, a total of 12 insurance companies began offering the new contractual insurance. Even though Česká pojišťovna managed to capture nearly 40% of the market, the introduction of competition logically resulted in lower premiums written by Česká pojišťovna.

Česká pojišťovna Market Share in Non-Life Insurance

| | 1997 | 1998 | 1999 | 2000 |
|--------------|-------|-------|-------|-------|
| Market Share | 61.0% | 61.6% | 57.7% | 37.7% |

Non-Life Written Premiums of Czech Insurance Association (ČAP) and Česká pojišťovna (CZK billions)



Underwriting

For the reason set out above, non-life premiums written declined overall from CZK 24.6 billion in 1999 to CZK 17.5 billion, a drop of CZK 7.1 billion. The lower written premiums figure is also related to the shortfall experienced in motor damage insurance, where written premiums were down by CZK 1.2 billion to CZK 2.9 billion. Liability insurance was also down slightly, but on the other hand, Česká pojišťovna's position in travel insurance began to improve after several years in decline. We maintained our good position in accident insurance as well.

Česká pojišťovna continues to be the dominant provider of crops and livestock insurance. Our share of total crops and livestock insurance premiums written exceeds 83%.

New Products

In order to improve our position in the non-life insurance market, a number of measures were put in place to increase service quality, especially by launching new products.

One such new product was our modular motor vehicle insurance product combining motor damage insurance with motor third party liability insurance and introducing new elements such as windshield insurance. Our new household effects and residential buildings insurance product, launched in the second half of the year, is also modular and is one of the most

modern products of its kind available in the Czech Republic. The launch of these new products made a major contribution towards increasing new business from last year's figures, to 150% in buildings and structures insurance and 120% in household effects insurance. A new product was also prepared for launch in the industrial insurance area: serious accidents liability insurance, which is a compulsory insurance product. We also continued in the process of converting our professional liability (malpractice) insurance products to meet European standards.

Claims Paid

The trends in non-life premiums written were also reflected in claims paid, which fell from CZK 15.6 billion in 1999 to CZK 9.2 billion, by CZK 6.4 billion, despite several natural catastrophes that occurred in 2000. For example, property insurance registered CZK 1.1 billion in losses due to catastrophes. However, thanks to our high-quality reinsurance program these losses did not have any significant impact on our bottom line. Large-scale loss events also occurred in liability insurance for large industrial enterprises.

Crops and livestock insurance helped to clean up hail damage of extraordinary extent and intensity that occurred in 2000, damaging crops in particular. This was the first catastrophe of this size since the flood of 1997. Crop insurance claims of CZK 582.2 million will be offset by an estimated CZK 243.7 million from reinsurance contracts. The long-term positive loss experience in insurance of infectious diseases continued in 2000.

Outlook

In the upcoming period, Česká pojišťovna aims in particular to stop the decline in its market share in motor damage insurance and to increase its share of the motor third party liability market. Certain measures were taken in 2000 towards this goal both in underwriting and in the insurance-technical area, and in 2001 we are planning to implement further fundamental steps, particularly in the claims adjustment area.

Another goal is to invigorate sales in the insurance for industry and business area, just like the new household effects and home insurance products did in personal lines. Initiatives in this area will include a new method for accepting risk in both the large client and medium and small-sized corporate segments and increased cooperation with brokers. A change in the large risks market should also have a positive impact – here we anticipate seeing an end to the price war now that foreign insurers in particular have begun to focus more on compliance with technical insurance principles. This step has cleared the way for developing underwriting activities in the co-insurance area. Nonetheless, since some of these insurance programs are long-term in nature, the visible effect of the changed market situation will be delayed by one or two years. In 2001, Česká pojišťovna intends to focus more on the small and medium-sized corporates segment, for which we are preparing new, modern products. The increased attention towards small- and medium-sized corporate risks will also extend to the liability insurance area and will take the form of innovated products and improved client services. In crops and livestock insurance, our underwriting policy goal for next year will be to maintain our dominance in this area.

In accident insurance, we will take advantage of the opportunity to bundle this insurance with life assurance, thereby leveraging the new tax advantages for life assurance in this insurance line as well.

Life Assurance

Summary

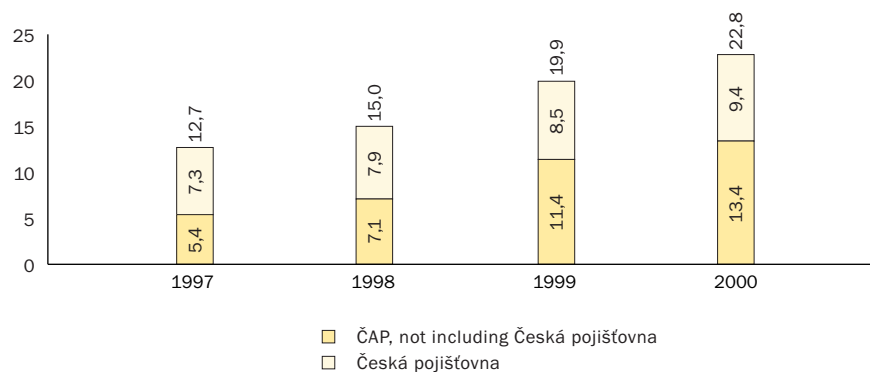
Life assurance played a key role in the Company's underwriting strategy for 2000 and this bore fruit in the form of a 27% increase in underwriting performance. The growth in new business was driven in part by increased public interest in pre-paid and single-premium products supported by the favorable interest rates available on the savings components of life policies. In addition, late in the year Česká pojišťovna's already wide life and accident insurance range was expanded by the addition of new, attractive products offered through the ČP Finance program, a joint project with our subsidiary eBanka, a.s.

Market Share

Česká pojišťovna grew life assurance premiums written by 10% in 2000, the best performance in the past five years. Also, we almost managed to halt the contraction in our market share during the past few years: Česká pojišťovna's share of the Czech Republic life assurance market at year end 2000 was 41.2%.

| Česká pojišťovna Market Share in Life Assurance | 1997 | 1998 | 1999 | 2000 |
|---|-------|-------|-------|-------|
| | 57.1% | 52.1% | 42.8% | 41.2% |

Life Assurance
Written Premiums
of Czech Insurance
Association (ČAP)
and Česká pojišťovna
(CZK billions)



Underwriting

Česká pojišťovna posted gross written premiums of CZK 9.4 billion in 2000, up 10.0% from 1999. The capital life assurance category accounted for a majority (52.5%) of total written premiums. New business in life assurance rose by 27.3% in 2000 over 1999, despite the number of new policies sold falling by 10% during the period. The reason can be found in the underwriting breakdown by payment method, in which 2000 saw a further shift towards single-premium and pre-paid policies, and also in the fact that the average premium per policy in conventional (one premium per year) policies increased 9.5% during 2000 to CZK 5,122.

In terms of the number of agreements, conventional policies still make up a large portion (74%) of the policy base. However, this category of policy accounted for only 28% of new business in 2000.

New Products

In 2000 Česká pojišťovna launched several new life assurance products that are generally offered in service packages that combine the advantages of products offered by several members of the ČP Group.

In January 2000 we began offering the products of the private health insurer, Česká pojišťovna ZDRAVÍ, together with our installment-paid capital life products.

Starting in April 2000, a joint offering of Česká pojišťovna, ČP ZDRAVÍ and Penzijní fond České pojišťovny was launched under the trade name Supplementary Pension Insurance Package. The product consists of a mandatory component (pension insurance with State contribution) and optional components (life assurance, accident insurance and private health insurance).

In conjunction with Česká pojišťovna's acquisition of eBanka, a.s., two simple bank products were launched starting in November 2000: ČP Spoření ("ČP Savings") and ČP Kreditní karta ("ČP Credit Card"). These products are linked to and supplement our range of capital life insurance products. ČP Credit Card is an international bank card linked to an account with a permitted negative balance which is secured by pledged receivables under a capital life insurance contract with Česká pojišťovna.

Effective 1 December 2000 we also launched a new capital life assurance policy with no health questions asked.

The year 2000 also saw further expansion of cooperation among Česká pojišťovna and its subsidiaries, especially in the area of Česká pojišťovna's sales network services for Penzijní fond ČP. The result is 80,000 new supplementary pension insurance contracts and CZK 453 million of new premiums, representing further growth over the already successful year 1999.

Claims Paid

Claims paid in 2000, at CZK 7.4 billion, were down 10.8% from 1999. The principal cause is shrinkage of the life assurance policy portfolio, which brought about corresponding declines in the largest claims categories, i.e. maturity (down 13.6%) and policy cancellations (down 8.1% from the same period last year).

Overall, 449,500 life assurance claims were handled in 2000 (down 12.6% from the previous year). Here, too, the most significant cause of the overall decline was the decrease in the numbers of maturity and policy cancellations.

Outlook

The amendment of the Income Tax Act that took effect as of 1 January 2001 made it possible for the first time for both private individuals and corporations to deduct a portion of premiums paid on private life assurance policies from their tax base. This brings a major new incentive that will drive further growth in the life assurance market. In 2000, Česká pojišťovna began to prepare for the change with the aim of leveraging clients' increased interest, in terms of both new business and converting existing policies over to new products designed to exploit the tax advantages.

An extensive direct mail campaign was realized far enough in advance to provide our existing clients the necessary information concerning the new tax advantages. Furthermore, to support sales, new products were launched in late 2000 and early 2001 such as life assurance with no health questions asked, simplified pension insurance designed for sale through external distribution networks, and packaged products launched in cooperation with our subsidiaries (life assurance with loan, life assurance with pension). A unified offering for corporations was also prepared for launch.

Early results for 2001 indicate that we are managing to meet or exceed our ambitious sales plans. According to Česká pojišťovna estimates, overall sales of life assurance in the Czech Republic could grow during 2001 from the 600,000-700,000 range to over 1 million policies.

Reinsurance

Česká pojišťovna's goal in reinsurance for 2000 was to achieve a cost-effective diversification of insurance risks in excess of the Company's own risk limits set for various classes of insurance. The means for achieving this end was an optimum combination of various forms of conventional reinsurance resulting in a high-quality, effective reinsurance program.

Česká pojišťovna's business partners count themselves among the biggest and the best global reinsurance houses and brokers. In reinsuring risks from the Company's primary businesses, the reinsurance section is governed by requirements set by management concerning business partner solvency and financial strength.

During 2000, significant changes took place in the international reinsurance market. Compared to the situation at the end of 1999, the end of 2000 was perceived as a return by reinsurers to strict price and underwriting criteria based on technical rates. In almost all insurance classes, the costs of acquiring comparable reinsurance capacity rose despite relatively favorable loss experiences in some cases. Česká pojišťovna was protected from these market fluctuations thanks to advantageous three-year contracts we had signed earlier.

In addition to individual large claims, Česká pojišťovna's high-quality outwards reinsurance was significant and important especially in terms of the extremely bad year we had in hail insurance in the crops and livestock insurance area. Another major event from a reinsurance perspective was the flooding in March 2000. Thanks to our quality reinsurance program, the impact of this catastrophe on the Company's earnings was significantly reduced.

In inwards reinsurance, Česká pojišťovna focuses on providing underwriting capacity to its subsidiaries whose risks are retroceded by the Company, to various extents, in the scope of our own reinsurance program.

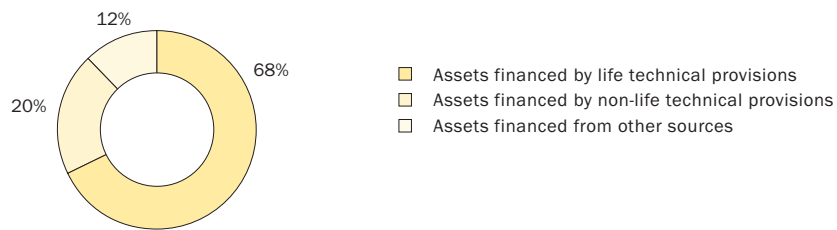
Reinsurer security requirements are defined in terms of a minimum rating of A-.

Investments

In 2000, Česká pojišťovna's investments generated revenues of CZK 4.6 billion. The decline in revenues compared to the previous year (by CZK 1.3 billion) was due in particular to the slump in equity markets. Another negative influence was the fall of IPB which made it necessary to write off our holdings of that bank's shares. The loss of a substantial portion of motor third party liability insurance disposable cash funds and a major decrease in short-term interest rates compared to 1999 both contributed to decreased yields in the liquid portfolio. However, we managed to off-set all of the negative factors mentioned above by appropriate diversification and realization of capital gains in the long-term debt portfolio. There was no significant increase in the risk of a future decline in the value of financial placements. In its investments, Česká pojišťovna also complied with the asset portfolio structure limits set by the decree on placements of technical provisions funds.

The breakdown of Česká pojišťovna's financial placements from all sources is given by the graph "Net Assets Structure by Source of Financing", in which net assets is defined as book value less value adjustments and accumulated depreciation.

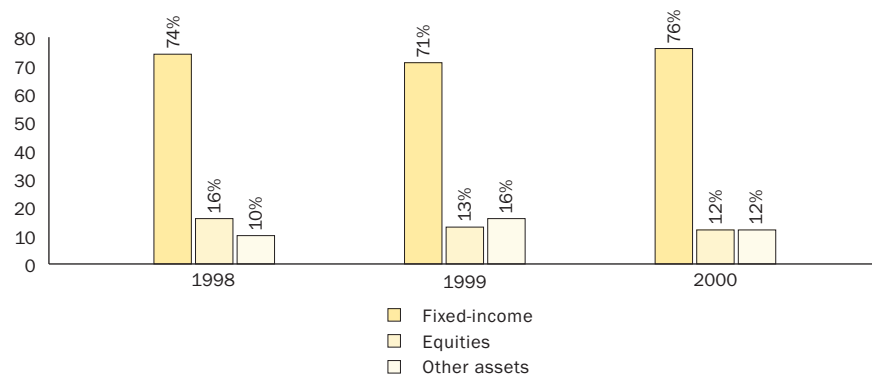
Net Assets Structure by Source of Financing



Financial Placements of Life Assurance Provisions

At 31 December 2000 a majority of life assurance technical provisions was invested in fixed-income instruments (76%, CZK 46.1 billion), i.e. mainly in bonds, treasury bills, and term deposits. This portion of the portfolio is composed primarily of government securities and securities of first class issuers, as well as deposits with heavily capitalized domestic and foreign banks. In accordance with the strategic objective of investing to ensure full coverage of insurance obligations at any moment in the future, regardless of interest rates development, Česká pojišťovna endeavors, among other things, to stabilize the current asset structure and hedge the portfolio against a possible decline in income.

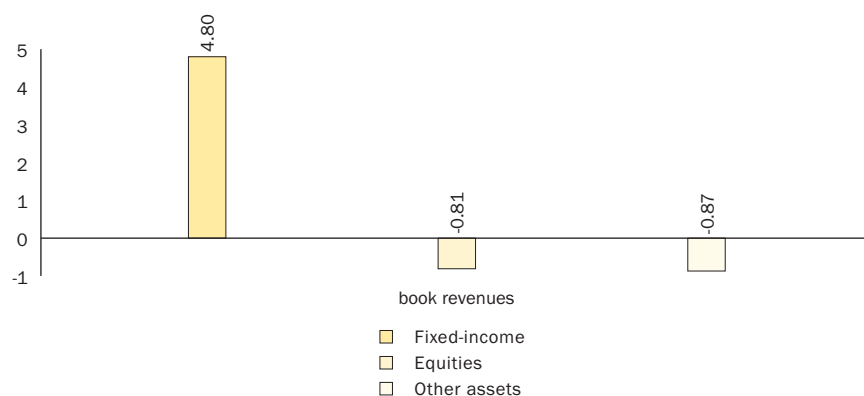
Net Assets Structure Financed by Life Assurance Provisions



The next largest asset category in life assurance funds by volume is the “Other assets” category (12%, CZK 7.5 billion). During the year in question, all of the assets in this category consisted of real property.

The share of equities (shares and unit certificates) in overall assets declined during 2000 from 13% to 12% (of which 6% comprises unit certificates of open-end mutual funds and the remaining 6% is in shares). Shares and unit certificates are the investments that give the portfolio its long-term growth potential and diversify risk across the portfolio. Their volume is CZK 7.5 billion and they represent the remainder of the portfolio of life assurance funds as presented in the graph “Net Assets Structure Financed by Life Assurance Provisions”.

Revenues from Assets Financed by Life Assurance Provisions (CZK billions)

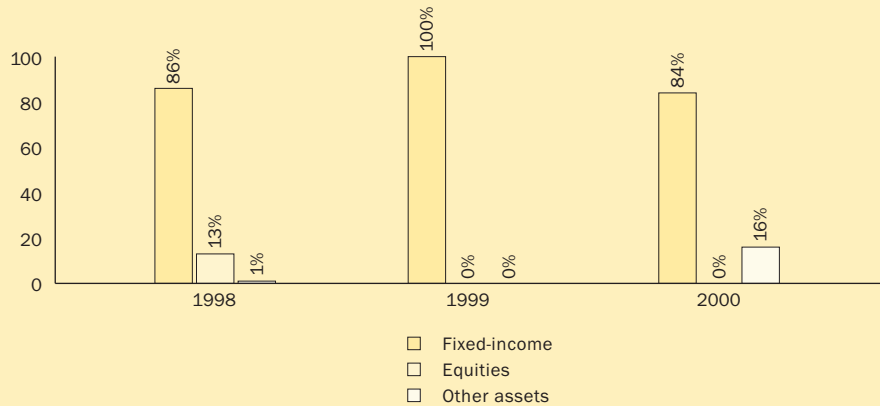


Overall revenues from financial placements of life assurance funds in 2000 amounted to CZK 3.0 billion. This amount consisted in particular of high revenues from fixed-income instruments (especially bonds and interest rate derivatives) totaling CZK 4.7 billion, which was achieved by realizing capital gains on bonds and interest rate derivatives. Equities generated negative revenues of CZK -0.9 billion, due in particular to a CZK -1.2 billion loss on the re-valuation and/or realization of the shares of IPB. “Other assets” also generated a net loss of CZK -0.9 billion, due mainly to one-time adjustments to the valuations of certain properties, totaling CZK -0.7 billion. The revenues in the graph “Revenues from Assets Financed by Life Assurance Provisions” are presented as net figures after the deduction of corresponding costs of financial placements.

Financial Placements of Non-Life Insurance Provisions

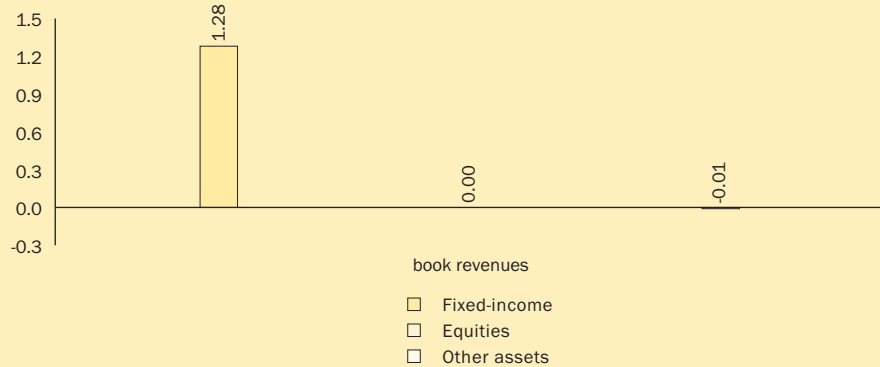
As of 31 December 2000, the bulk of this portfolio was invested in fixed-income instruments (84%, CZK 15.3 billion), i.e. primarily in treasury bills and term deposits. Investments in bonds, at CZK 3.6 billion, occupy an increasingly important position in placements of non-life insurance funds in fixed-income instruments. In relation to the introduction of a new asset management model for non-life insurance, we began to gradually increase the duration of our non-life investments in an effort to bring it more into line with the maturities on our obligations under non-life insurance. These funds continued to be placed primarily in short-term investments.

Net Assets Structure Financed by Non-Life Insurance Provisions



As indicated by the graph “Net Assets Structure Financed by Non-Life Insurance Provisions” the remaining non-life insurance funds are placed in the “Other assets” category (16%, CZK 3.0 billion), which consists of cash on current accounts for ensuring the Company’s operating liquidity. These funds are not designated for portfolio investment. All non-life provisions are kept in very liquid form to cover both expected and extraordinary negative fluctuations in insured events under these classes of insurance.

Revenues from Assets Financed by Life Assurance Provisions (CZK billions)



Overall revenues from financial placements of non-life insurance funds in 2000 amounted to CZK 1.27 billion. Almost all of this amount consisted of fixed-income instruments, which totaled CZK 1.28 billion (see graph “Revenues from Assets Financed by Non-Life Insurance Provisions”). The different of CZK –0.01 billion is attributable to realized foreign exchange losses. Since there was no loss on equity securities as there was in 1999, the performance was actually higher than in 1999 even though the volume of disposable funds for investment was lower.

Commentary on the Financial Situation and Earnings Performance

Earnings

Overall earnings jumped CZK 3.3 billion year-on-year to CZK 4.3 billion. This represents an increase of 308%. Of the total increase amount, CZK 2.7 billion is a one-time windfall resulting from changes in accounting legislation. Namely, the windfall resulted from claiming a deferred tax receivable, over 50% of which can be charged to adjustments to financial placements, and from adjustments to receivables and property. When this one-time result is not considered, earnings were CZK 1.6 billion. The Company's total assets figure rose to CZK 97.8 billion, particularly in conjunction with a nearly CZK 3 billion increase in financial placements.

Registered Share Capital and Funds

Since its transformation into a joint stock company, Česká pojišťovna has used its earnings to bolster its capital funds. In 2000, its shareholders' equity exceeded CZK 10 billion for the first time.

Earnings Allocation Proposal

The Company's Board of Directors submitted a proposal to the General Meeting not to pay any dividends or bonuses for 2000 and to leave all the earnings in the Company's capital funds. The Company will add 5% of realized profit, i.e. CZK 216 million, to the statutory reserve fund, and transfer the remaining CZK 4.1 billion to retained earnings. This earnings allocation proposal was approved by the General Meeting of 28 June 2001.

Technical Provisions

In 2000, the balance of technical provisions fell by CZK 5.4 billion to CZK 75.2 billion. This was due in particular to the transfer of obligations, rights and requirements under mandatory motor third party liability insurance to the Czech Insurers Bureau (CIB) – see Note III.3.(e) to the Financial Statements. In conjunction with the liberalization of the motor third party liability insurance market, on 1 June 2000 the management of Česká pojišťovna met with representatives of the CIB Administrative Board to discuss the issues of settling and accounting for rights and obligations. Based on this meeting, the CIB Administrative Board stated that the table that appears in Note III.3.(e) to the Financial Statements is in compliance with the provisions of the Act and, further, it took under consideration the methodology used to calculate technical provisions, ordered the Executive Director to settle and account for the rights and obligations that passed to the CIB and reserved the right to conduct its own inquiry into the sufficiency of the technical insurance provisions amounts.

Financial Placements

The trend in financial placements was the opposite of that seen in technical provisions. In net terms, financial placements grew from CZK 80.9 billion to CZK 83.1 billion (up 3%). This development was caused by major changes in the structure of financial placements, including a CZK 20.0 billion increase in bonds and a CZK 16.5 billion decrease in bank deposits.

Unearned Premiums Provision

The unearned premiums provision declined slightly (by 4%) to CZK 3.7 billion.

Life Assurance Provision

The life assurance provision grew slightly (by 4%) to CZK 58.9 billion. In 2000, an amount CZK 335 million was transferred from this provision to the unearned premiums provision and is now reported within the unearned premiums provision.

Claims Provision

The claims provision fell by 44% to CZK 9.9 billion, primarily as a result of the transfer of motor third party liability insurance technical provisions to the Czech Insurers Bureau. To a lesser extent, motor damage insurance also had an effect, thanks to the uncovering of several cases of insurance fraud.

Provisions and Adjustments to Financial Assets

During the year a CZK 0.9 billion provision was made for problematic financial placements. Also, adjustments to financial placements were carried out in a total amount of CZK 1.9 billion.

Receivables

Receivables grew by 70% for the year in net terms, or by CZK 4 billion, while growth of receivables under direct insurance and reinsurance was insignificant (CZK 0.6 billion). For details see Note III.3. to the Financial Statements.

Payables

The Company's payables grew by 26% to CZK 9.6 billion. This value hides a CZK 1.0 billion decline in payables under direct insurance and reinsurance and an increase in "Other payables" by roughly CZK 2.8 billion. For details see Note III.3. to the Financial Statements.

Other Assets

The "Other assets" category fell by 66% to CZK 2.8 billion, due in particular to the end of statutory insurance. In accordance with the appropriate legal regulation, during the accounting periods that preceded the effective date of Act 168/1999 Coll. on Motor Third Party Liability Insurance, the Company carried in its assets an item entitled "Receivable from MoF" which expressed the deficit, or extent to which premiums collected did not suffice to cover the technical insurance obligations and costs associated with this class of insurance. As of the date when the old legal framework ended, i.e. 31 December 1999, this deficit amounted to CZK 2.6 billion.

Human Resources

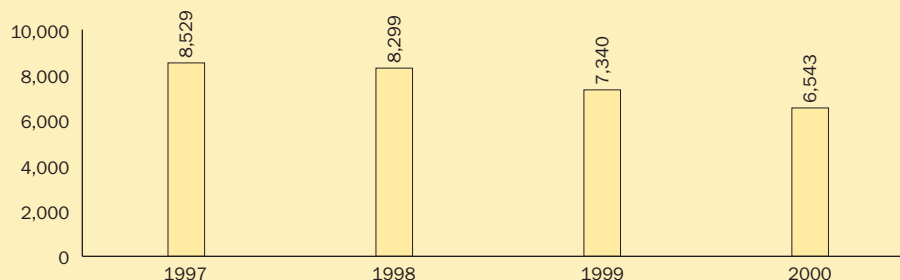
Česká pojišťovna's human resources policies play an important role in the fulfillment of the Company's strategic goals. They are built on a foundation of top-quality, highly trained specialists who are able and willing to satisfy the Company's wide range of clients, and the Company's human resources development efforts are designed with this in mind.

Over the past five years, the Company's work force has been gradually decreasing in size. In 2000, the head count was 6,543, down 797 (10.9%) from the previous year. In order to increase overall work force quality, new and recently vacated job positions were filled through organized internal or external searches.

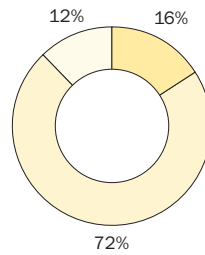
Under the Česká pojišťovna Collective Agreement for 2000, employees received meal plan contributions, contributions toward supplementary pension insurance with Penzijní fond České pojišťovny, managers healthcare program contributions, as well as sports and physical education contributions. All these contributions were paid for out of the ČP employee benefits fund.

In 2000, Česká pojišťovna held a total of 2,752 training sessions for 25,235 participants – both employees and agents. The training sessions focused primarily on front-line professions, agents, and Company management. The principal goals in staff training were to improve client services and develop corporate culture.

Number of Employees
Over Time

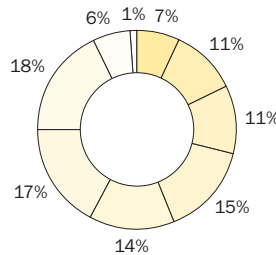


Work Force Education Structure, 2000 (%)



- University
- Completed Secondary Vocational
- Other

Work Force Age Structure, 2000 (%)



- 25 years and under 7%
- 26-30 years 11%
- 31-35 years 11%
- 36-40 years 15%
- 41-45 years 14%
- 46-50 years 17%
- 51-55 years 18%
- 56-60 years 6%
- over 60 years 1%

Principal Marketing Initiatives and Public-Benefit Activities

In accordance with the sales strategy, Česká pojišťovna's marketing activities in 2000 were focused mainly on motorists. Motorists as a market segment were the target of an extensive campaign concerning motor damage and motor third party liability insurance, as well as other marketing activities that indirectly supported the position of Česká pojišťovna. Another product that received strong marketing support was home and household effects insurance.

From the beginning of 2000 we re-implemented projects that were successful in past years. These included the "Česká pojišťovna Blue Wave" news program, which was revamped to rationalize spending, as well as Company presentations on motorways through temperature displays and megaboards.

Direct support of motor damage insurance was achieved through a campaign to introduce a new modular product that at the same time communicated certain other benefits such as assistance services. At the same time, we continued to support our client loyalty program through the "Česká pojišťovna Grand Prix" competition, which was launched in June. In late 2000 this was dovetailed into a campaign to support underwriting of motor third party liability insurance. In September we kicked off a campaign to support home and household effects insurance, which included a special initiative focused on property security.

Focusing on the general public, and especially the male portion of the population, a big area of concentration in the Company's marketing in 2000 was the support of its number-one sponsorship platform – ice hockey. Česká pojišťovna systematically supported the national team, the Extra-league, and the First Česká pojišťovna League. Through the combination of these activities with the organization the "European Hockey Tour Česká pojišťovna Cup", the Company supported its image as an exceptional global partner of Czech hockey.

The most prestigious single-day project in Česká pojišťovna's sponsorship portfolio continues to be the Velká pardubická Steeplechase. The continued interest expressed by our largest clients and partners in participating in this event confirmed the excellent reputation it enjoys in society.

In auto racing, the "Česká pojišťovna – Škoda Octavia Cup" maintained its status as the most recognized track race in the Czech Republic and media evaluations confirmed that its position is better than that of the domestic track championship. It achieved this status thanks not just to its technical qualities and the dedication of its drivers and teams, but also thanks to its high-quality organization and successful communication towards the wider community of motor-racing enthusiasts. The Company also presented itself by supporting top auto racer Tomáš Enge and his team in the F 3000.

The CZECH TOP 100 Association's project gave Česká pojišťovna a platform for communicating with a select corporate clientele and at the same time the Company was successful in the "Largest Companies of the Czech Republic" competition, in which it finished in first place in the "Financial Institutions – Insurance Companies" category.

In 2000, Česká pojišťovna continued in its support for the Czech Paralympic Team, whose members were very successful at the Summer Paralympic Games in Sydney, Australia. The Company is also engaged in supporting other handicapped sportsmen and sportswomen, for example a sledge hockey team.

Česká pojišťovna continued to support the Hollar Association of Czech Graphic Artists and also opened a permanent gallery in one of the Company's buildings in Prague.

9 Company Strategy and Outlook for 2001

The principle short- and medium-term goal of Česká pojišťovna is to maintain its position as the leading domestic insurance company in both life and non-life insurance, while at the same time growing the Company's earnings.

The Company's financial plan for 2001 calls for achieving a 19% return on equity (ROE) by generating gross earnings of CZK 3 billion and by changing the balance of the equalization provision. At the same time, it anticipates that the Company will maintain its 39% market share by writing over CZK 20 billion in non-life premiums and over CZK 9 billion of premiums in life assurance.

In the future, Česká pojišťovna will continue to position itself as an insurance company that offers services to the widest possible range of individual clients, while at the same time strengthening its position in small and mid-sized corporate segment. As it has done until now, Česká pojišťovna will also focus on the large industrial risks segment, for which it endeavors to be the principal national insurer.

The Company sees life assurance as its primary potential growth area for the next few years. This market's potential is given on the one hand by tax advantages for both individual and corporate clients which were put in place starting in 2001 and, on the other hand, by the analogy with more advanced countries indicating that the public's interest in life assurance is directly proportional to a country's economic strength. Therefore, the ratio of life assurance premiums written to the gross domestic product of the Czech Republic can be expected to rise from today's one third of a percentage point to over one half.

Motor vehicles insurance will continue to be a key segment, accounting for roughly one third of the entire Czech insurance market measured by premiums written. It is Česká pojišťovna's ambition to capture a higher share of the motor third party liability insurance market and, at the very least, to stabilize our share in motor damage insurance at its current level.

One of the pre-conditions for fulfilling our demanding commercial goals in both life and non-life insurance is further improvements in cross-selling products and services within the entire Česká pojišťovna Financial Group. Therefore, in line with global trends, Česká pojišťovna will focus on providing financial services in neat packages designed for both retail and corporate clients while at the same time developing modern communications channels to allow us to make better use of the synergies inherent in the Group's size and scope of business activities.

From the beginning of 2000, Česká pojišťovna's Sales Stimulation Program has concentrated on increasing underwriting productivity. However, the goals of this program cannot be achieved without further improvements in the efficiency and effectiveness of our internal processes, focusing on reducing operating costs and improving client services, especially in the underwriting and claims adjustment areas. Therefore, starting in 2001 we have teamed up with the consulting firm McKinsey to launch several medium term products aimed at increasing efficiency and productivity in the operating and technical insurance areas. The success of these projects and all of Česká pojišťovna's goals also hinges on improving our work in human resources, which are and will continue to be one of the Company's biggest assets.

One of Česká pojišťovna's principal strategic goals for the year 2001 is to maintain its 39% market share and current pace of earnings growth.

Supervisory Board Report

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During 2000, the Supervisory Board discharged its duties under the law and the Company's Articles of Association.

The Supervisory Board oversaw the exercise by the Board of Directors of its powers and the carrying on the Company's business activities. It verified whether the Company's business activities are realized in accordance with the law, the Company's Articles of Association, and General Meeting resolutions.

At its meetings, the Supervisory Board discussed the Company's strategic goals, its financial performance, fulfillment of the financial and business plan, its investment policies, and the performance of its subsidiaries.

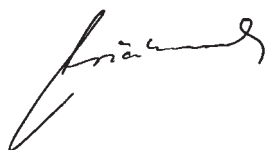
Changes were made in the Supervisory Board at the General Meetings of the Company held during 2000.

The Board of Directors of the Company submitted to the Supervisory Board the results of the Company's operations for 2000, which are part of the audited financial statements. It also submitted its proposed allocation of the Company's earnings for the year 2000.

The Supervisory Board has reviewed the Company's financial statements for the year 2000 and the Board of Director's earnings allocation proposal, and recommends that the shareholders approve

- the Company's year-end financial statements for the year 2000,
- the allocation of the year 2000 profits as proposed by the Board of Directors.

Prague, 23 May 2001



Ivan Kočárník
Chairman of the Supervisory Board



Auditor's Report

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Auditor's report to the shareholders of Česká pojišťovna a.s.

On the basis of our audit, on 23 April 2001 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report on pages 34 – 60, and our report was as follows:

"We have audited the accompanying financial statements of Česká pojišťovna a.s. for the year ended 31 December 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and equity of Česká pojišťovna a.s. as of 31 December 2000 and the results of its operations for the year then ended in accordance with the Act on Accounting and relevant legislation of the Czech Republic."

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

Prague, 22 June 2001

A handwritten signature in black ink, appearing to read 'KPMG Česká republika Audit'.

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

A handwritten signature in black ink, appearing to read 'František Dostálek'.

František Dostálek
Licence number 176

Financial Part

Balance Sheet

In full format as at 31 December 2000

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| in TCZK | Note | 2000 | 1999 | 1998 |
|---|----------------------------|-------------------|-------------------|-------------------|
| ASSETS | | | | |
| Intangible assets | III.1 | 254,151 | 347,401 | 116,308 |
| Financial placements (investments) | | 83,074,708 | 80,935,163 | 76,451,558 |
| Land and buildings (real estate) | III.2.(c) | 7,643,197 | 8,079,934 | 8,629,977 |
| Land and buildings – self-occupied | | 158,700 | 2,757,985 | 2,849,046 |
| Investments in third parties and other long-term receivables | | 7,854,934 | 8,752,284 | 12,203,239 |
| Participating interests with controlling influence in undertakings | III.2.(a), (b) | 4,913,136 | 3,732,176 | 6,279,683 |
| Participating interests with significant influence in undertakings | III.2.(a), (b) | 68,253 | 78,660 | 44,170 |
| Bonds and other debt-securities issued by undertakings – controlling influence | III.2.(b) | – | 174,386 | 179,000 |
| Bonds and other debt-securities issued by undertakings – significant influence | III.2.(b) | – | – | – |
| Other participating interests and other long-term receivables | III.2.(b) | 2,873,545 | 4,767,062 | 5,700,386 |
| Other financial placements | III.2.(d) | 67,514,479 | 64,067,668 | 55,570,436 |
| Variable-yield securities | III.2.(d) | 5,557,167 | 3,481,118 | 3,142,119 |
| Fixed-income securities | III.2.(d) | 52,649,576 | 32,759,496 | 23,570,649 |
| Financial placements in investments companies and funds | III.2.(d) | 1,135,660 | 1,518,851 | 2,428,923 |
| Other loans | III.2.(d) | 161,500 | 1,382,884 | 1,511,587 |
| Deposits with banks | III.2.(d) | 7,608,942 | 24,141,617 | 24,910,730 |
| Other financial placements | III.2.(d) | 401,634 | 783,702 | 6,428 |
| Deposits with ceding undertakings | III.2.(d) | 23,911 | 35,277 | 47,906 |
| Fin. pl. for the benefit of policyholders who bear the investment risk | | 38,187 | – | – |
| Receivables | | 9,658,124 | 5,658,130 | 4,141,714 |
| Receivables arising from direct insurance and reinsurance operations | III.3.(a) | 2,709,721 | 2,129,379 | 1,549,773 |
| Receivables due from the insured | | 1,942,673 | 1,799,672 | 1,191,977 |
| Receivables due from intermediaries | | 11,362 | 3,363 | 180 |
| Receivables arising from reinsurance operations | | 755,686 | 326,344 | 357,616 |
| Other debtors | III.3.(a) | 6,948,403 | 3,528,751 | 2,591,941 |
| Other assets | | 2,838,002 | 5,721,673 | 5,944,949 |
| Movable tangible fixed assets | III.5. | 662,213 | 709,204 | 795,822 |
| Operational movable assets | | 610,713 | 658,623 | 753,359 |
| Non-depreciable tangible fixed assets | | 51,500 | 50,581 | 42,411 |
| Acquisition of assets | | 366,693 | 284,983 | 278,111 |
| Advance payments for intangible and tangible fixed assets | III.1., III.2.(c) a III.5. | 176,861 | 106,609 | 48,282 |
| Other assets | | 257 | 2,561,488 | 2,265,873 |
| Cash values and other financial assets | | 1,808,839 | 2,165,998 | 2,605,143 |
| Current accounts | III.2.(d) | 1,543,251 | 1,932,659 | 2,343,770 |
| Cash and other cash values | III.2.(d) | 161,142 | 129,746 | 159,297 |
| Own shares | III.7.(b) | 104,446 | 103,593 | 102,076 |
| Temporary asset accounts | | 1,990,654 | 3,536,115 | 2,721,753 |
| Interest and rent | | 3,443 | 9,489 | 13,053 |
| Deferred acquisition costs | | 930,223 | 1,233,736 | 308,006 |
| Other temporary asset accounts | | 1,056,988 | 2,292,890 | 2,400,694 |
| TOTAL ASSETS | | 97,815,639 | 96,198,482 | 89,376,282 |

| in TCZK | Note | 2000 | 1999 | 1998 |
|--|----------------|-------------------|-------------------|-------------------|
| LIABILITIES | | | | |
| Share capital and funds | | 3,769,796 | 3,715,962 | 3,636,216 |
| Share capital | III.7.(a) | 3,412,391 | 3,412,391 | 3,412,391 |
| Other capital accounts | III.7.(c) | 45,769 | 82,216 | 45,960 |
| Legal reserve fund | III.7.(c) | 268,444 | 111,116 | 69,408 |
| Other funds | III.7.(c) | 43,192 | 110,239 | 108,457 |
| Technical provisions | | 75,163,143 | 80,542,130 | 77,430,406 |
| Provision for unearned premiums | | 3,832,837 | 3,900,149 | 3,717,947 |
| Life assurance provision | III.8.(a) | 58,885,371 | 56,893,332 | 55,800,126 |
| Provision for outstanding claims | III.8.(b) | 9,876,635 | 17,781,664 | 17,062,499 |
| Provision for bonuses and rebates | III.8.(c) | 158,983 | 29,294 | 49,834 |
| Equalisation and other technical provisions | III.8.(d), (e) | 2,409,317 | 1,937,691 | 800,000 |
| Provision for liabilities where the investment risk is borne by the insured | | 39,460 | — | — |
| Provisions for other risks and losses | | 659,602 | 432,745 | 2,793,270 |
| Legal provisions | III.9. | 3,950 | 15,205 | 30,308 |
| Other provisions | III.9. | 655,652 | 417,540 | 2,762,962 |
| Liabilities from deposits received | | 4,660 | 8,455 | 17,917 |
| Payables | | 7,657,309 | 7,610,019 | 3,281,658 |
| Payables arising from direct insurance and reinsurance operations | III.3.(b) | 3,247,965 | 4,281,926 | 644,035 |
| Payables due to the insured | | 2,612,895 | 4,160,488 | 469,578 |
| Payables due to intermediaries | | 98,855 | 1,711 | 14,221 |
| Payables arising from reinsurance operations | | 536,215 | 119,727 | 160,236 |
| Bank loans | | 167,500 | — | — |
| Tax liabilities | | 206,023 | 190,889 | 88,686 |
| Payables due to social security and health insurance institutions | | 70,073 | 88,034 | 75,943 |
| Other payables | | 5,875,748 | 3,049,170 | 2,472,994 |
| Temporary liability accounts | | 2,055,502 | 1,594,718 | 938,287 |
| Undistributed profits from previous periods | | 2,241,572 | 1,236,820 | 444,381 |
| Profit from the current period | III.7.(d) | 4,314,595 | 1,057,633 | 834,147 |
| TOTAL LIABILITIES | | 97,815,639 | 96,198,482 | 89,376,282 |

Profit and Loss Account

in full format for the year ended 31 December 2000

13

| in TCZK | Note | 2000 | 1999 | 1998 |
|---|------------|-----------------|------------------|------------------|
| TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE | | | | |
| Gross premiums written | II.1. | 17,532,775 | 24,551,366 | 24,620,534 |
| Outward reinsurance premiums | | (1,504,721) | (1,250,669) | (1,751,154) |
| Change in the provision for unearned premiums | | 194,882 | (324,717) | 66,304 |
| Change in the provision for unearned premiums – reinsurers' share | | 207,371 | 142,515 | (46,800) |
| Earned premiums, net | | 16,430,307 | 23,118,495 | 22,888,884 |
| Other technical income, net | III.11.(g) | 262,050 | 345,790 | 27,317 |
| Claims incurred, net | II.1. | (9,248,094) | (15,633,525) | (14,891,231) |
| Reinsurers' share of claims paid | | 885,993 | 683,978 | 1,463,650 |
| Change in the provision for outstanding claims | | (2,702,433) | (837,555) | 4,070,447 |
| Change in the provision for outstanding claims – reinsurers' share | | 495,932 | 118,389 | (543,926) |
| Claims incurred, net | | (10,568,603) | (15,668,713) | (9,901,060) |
| Change in other technical provisions, net | | (586,911) | (517,151) | 8,168 |
| Bonuses and rebates, net | III.11.(a) | (19,021) | (20,540) | (8,168) |
| Acquisition costs | III.11.(b) | (2,605,801) | (2,991,649) | (1,504,166) |
| Deferred acquisition costs | III.11.(b) | (303,513) | 925,730 | 304,086 |
| Administrative expenses | III.11.(c) | (2,089,630) | (1,996,903) | (3,309,899) |
| Reinsurance commissions and profit participations, net | III.11.(b) | 327,501 | 263,895 | 367,568 |
| Net operating expenses | III.11.(b) | (4,671,443) | (3,798,927) | (4,142,411) |
| Other technical expenses, net | III.11.(h) | (908,420) | (996,351) | (3,294,303) |
| Change in the equalisation provision | III.8.(d) | (14,404) | (600,000) | (800,000) |
| RESULT for the technical account for non-life insurance | | (76,445) | 1,862,603 | 4,778,427 |
| TECHNICAL ACCOUNT – LIFE ASSURANCE | | | | |
| Gross premiums written | II.2. | 9,377,556 | 8,525,269 | 7,888,443 |
| Outward reinsurance premiums | | (8,235) | (4,796) | – |
| Change in the provision for unearned premiums, net | | (334,941) | – | – |
| Earned premiums, net | | 9,034,380 | 8,520,473 | 7,888,443 |
| Income from participating interests, of which: controlling influence | | 47,497 | 7,250 | 128,210 |
| Income from land and buildings | | 403,675 | 280,618 | 296,227 |
| Income from other financial placements | | 5,152,314 | 6,982,021 | 5,269,201 |
| Release of value adjustments on financial placements | | 1,623,145 | 4,226,732 | 5,528,827 |
| Income from disposal of financial placements | | 46,768,814 | 36,909,159 | 34,413,198 |
| Income from financial placements | | 53,995,445 | 48,405,780 | 45,635,663 |
| Other technical income, net | III.11.(g) | – | 175 | – |
| Claims paid | | (7,387,353) | (8,286,740) | (8,162,806) |
| Reinsurers' share of claims paid | | 104 | – | – |
| Change in provision for outstanding claims | | 603,080 | 929,046 | 1,340,587 |
| Change in provision for outstanding claims – reinsurers' share | | – | – | – |
| Claims incurred, net | | (6,784,169) | (7,357,694) | (6,822,219) |
| Change in other technical provisions | | (3,284,800) | (2,200,055) | (2,050,613) |
| Change in life assurance provision – reinsurers' share | | – | – | – |
| Acquisition costs | III.11.(b) | (1,068,572) | (1,123,763) | (588,177) |
| Administrative expenses | III.11.(c) | (739,010) | (959,237) | (956,725) |
| Reinsurance commissions and profit participations, net | III.11.(b) | 678 | 642 | – |
| Net operating expenses | III.11.(b) | (1,806,904) | (2,082,358) | (1,544,902) |
| Expenses connected with financial placements | | (4,572,966) | (5,338,653) | (2,568,309) |
| Creation of value adjustments on financial placements | | (3,541,940) | (2,690,895) | (6,586,402) |
| Book value of disposed financial placements | | (42,892,182) | (35,382,078) | (33,233,044) |
| Expenses connected with financial placements, total | | (51,007,088) | (43,411,626) | (42,387,755) |
| Other technical expenses, net | III.11.(h) | (23,505) | (18,500) | (22,132) |
| RESULT of the technical account for life assurance | | 123,359 | 1,856,195 | 696,485 |

| in TCZK | Note | 2000 | 1999 | 1998 |
|--|------------|------------------|------------------|----------------|
| NON-TECHNICAL ACCOUNT | | | | |
| Result of the technical account for non-life insurance | | (76,445) | 1,862,603 | 4,778,427 |
| Result of the technical account for life assurance | | 123,359 | 1,856,195 | 696,485 |
| Income from other financial placements | | 1,314,738 | 2,164,101 | 2,297,464 |
| Income from the disposal of financial placements | | 7,502,420 | 15,077,371 | 7,360,504 |
| Release of value adjustments to financial placements | | 38,712 | 2,742,216 | 11,522 |
| Income from financial placements, total | | 8,855,870 | 19,983,688 | 9,669,490 |
| Expenses connected with financial placements | | (326,257) | (559,829) | (158,373) |
| Creation of value adjustments on financial placements | | (65,067) | (2,897,621) | – |
| Book value of disposed financial placements | | (6,804,503) | (20,567,067) | (7,612,168) |
| Expenses connected with financial placements, total | | (7,195,827) | (24,024,517) | (7,770,541) |
| Other income | III.11.(i) | 1,257,656 | 3,981,137 | 4,965,787 |
| Other expenses | III.11.(j) | (1,535,594) | (1,465,744) | (11,176,324) |
| Income tax on ordinary activities | | 2,719,524 | (1,129,103) | (331,320) |
| Extraordinary income | | 199,920 | 16,453 | 23,334 |
| Extraordinary expenses | | (15,326) | (11,219) | (9,496) |
| Extraordinary result | | 184,594 | 5,234 | 13,838 |
| Income tax on extraordinary activities | | – | – | – |
| Other taxes and fees | | (18,542) | (11,860) | (11,695) |
| RESULT for the accounting period | | 4,314,595 | 1,057,633 | 834,147 |

Notes to the Financial Statements

In full format year ended 31 December 2000 in TCZK

I. General contents

I.1. Characteristics and core business

Česká pojišťovna a.s. (hereafter "the Company") is the successor to the former state owned insurance company, Česká státní pojišťovna. The Company was incorporated on 1 May 1992 as a joint stock company in the country's first wave of privatisation.

Structure of shareholders:

As at 31 December 2000, the structure of the shareholders was as follows:

| | |
|----------------------------|--------|
| The National Property Fund | 30.25% |
| PPF Group | 22.05% |
| Cespo Holdings B.V | 19.87% |
| CESPO B.V. | 12.03% |
| Komerční banka, a.s. | 10.00% |
| Others | 5.80% |

Registered office:

Spálená 16, 113 04 Praha 1 – Nové Město, Czech Republic
The Company's identification number ("IČO") is 45 27 29 56.

The Company is a composite insurer offering all major products including life, personal non-life, industrial and agricultural. It also writes international and reinsurance business.

Members of the Board of Directors:

| | |
|----------------|--|
| Chairman: | Ladislav Bartoníček, Prague |
| Vice-Chairmen: | Petr Prokop, Prague Milan Maděryč, Zlín |
| Members: | Jan Ježdík, Liberec Jan Blaško, Prague |

Members of the Supervisory Board:

| | |
|-----------------------|--|
| Chairman: | Ivan Kočárník, Prague (Česká pojišťovna a.s.) |
| Vice-Chairmen: | |
| First Vice-Chairman: | Aleš Minx, Prague (PPF a.s.) |
| Second Vice-Chairman: | Vlastimil Uzel, Prague (Česká pojišťovna a.s.) |
| Members: | Petr Kellner, Vrané nad Vltavou (PPF a.s.) Zdeňka Němcová, Prague (the National Property Fund) Gabriel Eichler, Prague (Benson Oak) Václav Kubišta, Prague (University of Economics in Prague) Jan Škurek, Prague (the National Property Fund) Jaromír Prokš, Prague (PPF a.s.) |

At least two members of the Board of Directors, of which one must be the Chairman or the Vice-Chairman of the Board, must act together in the name of the Company towards third parties, the courts and other bodies. If the members of the Board sign in the name of the Company, the signatures (and positions) of at least two members of the Board of Directors, of which one must be the Chairman or the Vice-Chairman of the Board, are required to be added to the designated business name of the Company.

On 28 December 2000 the extraordinary general meeting approved change of the Articles of Incorporation. As a result, the number of members of the Board of Directors decreased from original nine to five. Composition of members of the Supervisory Board changed as well. The above-mentioned composition of the Board of Directors concurs with amendment to the Articles of Incorporation of the Company approved on 28 December 2000. An application to enter this change into the Commercial Register was submitted on 23 February 2001.

I.2. Legal framework

On 1 April 2000 Act No. 363/1999 Coll. on Insurance ("the Act") and Amendments to Related Legislation became effective. The obligations and tasks set out by the Act were continuously fulfilled so that legal deadlines be met (Section 42 (3)). The responsible actuary was reported to the Ministry of Finance and further on within the same deadline (until 30 September 2000) the Company submitted the method of allocation of items common for life assurance and non-life insurance for the approval to the Ministry of Finance. The submitted method of allocation of items common for life assurance and non-life insurance was approved by the Ministry of Finance. According to the Section 42 (4) of the Act, the insurance company, which prior to the effect of the Act was granted the insurance licence, is obliged to legally comply with the Act within two years after the effect of the Act (i.e. until 1 April 2002).

The Board of Directors of the Company prepares measures necessary to fulfil the above mentioned obligation so, that by the Act set out deadline is met, since the Ministry of Finance only after the fulfilment of newly set out conditions grants a decision to the Company specifying the scope of authorised insurance business according to classes of insurance. Currently, the Company carries on classes of both life assurance and non-life insurance. The Company is obliged to put an end to one of these activities within the period of ten years (Section 42(1) of the Act). As a result, the Company will have to adopt such measures by the set deadline (1 April 2010) which will allow the Company to carry on insurance business in accordance with the Act.

Regulation applicable to insurance companies

As at 31 December 2000 the insurance industry was regulated by the following legislation:

- Act No. 363/1999 Coll. on Insurance and Amendments to Related Legislation,
- Act No. 563/1991 Coll. on Accounting (as amended),
- Regulation of the Federal Ministry of Finance on the Chart of Accounts and Accounting – Procedures No. V/2-25 430/1992 dated of 12 December 1992 as amended,
- Regulation of the Federal Ministry of Finance on the Content of the Financial Statements of Insurance Companies No. V/2-31 380/1992 dated 23 December 1992 (as subsequently amended),
- Decree of the Ministry of Finance No. 75/2000 Coll., which implements the Act No. 363/1999 Coll. on Insurance and Amendments to Related Legislation (the Insurance Act),
- Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Vehicle and on the Amendment of Some Related Laws

Regulation Federal Ministry of Finance No. V/2-31 380/1992 introduced an internationally recognised basis of separate accounting for life technical provisions, non-life technical provisions and the non-technical items.

Decree No. 75/2000 Coll. also sets restraints to the funds of financial placements, i.e. limits of the structure of investments.

Act No. 363/1999 Coll. on Insurance (Section 13) requires the creation of the following provisions:

- unearned premiums,
- claims paid,
- bonuses and rebates,
- equalisation,
- life assurance,
- life assurance, where the risk is borne by the insured,
- non-life insurance
- other purposes.

I.3. Basic accounting and valuation principles used by the Company

The accounting records of the Company are maintained and financial statements of the Company have been prepared in accordance with the Act No. 563/1991 Coll. on Accounting, Regulation of Ministry of Finance No. 430/1992 on the Chart of Accounts and Accounting Procedures for Insurance Companies and Regulation of the Ministry of Finance No. 380/1992 on the Content of the Financial Statements of Insurance Companies. The accounting records are maintained in accordance with fundamental accounting principles, primarily the historical cost basis, the accruals principle, the prudence principle and going-concern assumption.

(a) Written premiums

Gross written premiums except to the non-life commercial long-term insurance include all amounts due from insurance contracts during the accounting period, irrespective of whether these amounts relate wholly or partly to subsequent accounting periods. Gross written premiums from non-life commercial insurance (industrial and agricultural insurance) include the total annual premium due from one-off policies written irrespective of the due date of individual instalments. The provision for unearned premiums includes all premiums relating to following accounting periods. Gross earned premium is that part of written premiums arising from policies written, which relates to the current accounting period irrespective of whether or not premiums were paid.

(b) Claims paid

Claims paid are recorded from the moment that the claims notification recognition and processing procedures commence. Claims paid are reduced by subrogation and other similar rights of the Company. Claims paid in non-life insurance are increased by claims handling costs.

(c) Gross operating expenses

Gross operating expenses consist of policy acquisition costs and administration expenses. Acquisition costs consist of promotion costs, commissions of both the sales force of the Company and the external sales force (exclusive internal agents, dealers, external agents and brokers), the wages of sales force excluding commissions and other costs of sales force. Administration expense consist of labour costs, depreciation of tangible fixed assets, energy consumption and other costs which are not accounted for as part of acquisition costs. Other costs consist mainly of renewal commissions, costs of premium collection, claim settlement costs, costs of management of portfolio of policies, costs of both outwards and inwards reinsurance. Life assurance administration expenses also include claim handling costs.

(d) Deferred acquisition costs

Acquisition costs include all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs include costs during the financial year which relate to the revenues of subsequent financial years. Acquisition costs are deferred only in non-life insurance. Life assurance acquisition costs are charged to the profit and loss account as incurred. Acquisition costs are deferred according to ratio of gross provision for unearned premium provision to gross written premiums, net of employer's liability insurance. Acquisition costs for contractual motor third party liability ("MTPL") policies (net of commissions) incurred in 1999 are deferred on a straight-line basis. The Company allocated 40% of costs in 1999, 30% of costs in 2000 and deferred the remainder to the subsequent two years in a pattern of 20% and 10% respectively.

(e) Provision for unearned premium

The amount of the provision for unearned premium matches that portion of both life and non-life written premiums, which relates to the future accounting periods and is calculated as the sum of mentioned portions of premiums determined for each individual policy. If it is impossible to calculate the provision for unearned premium in this way, statistical methods are used.

(f) Provision for outstanding claims

The provision for outstanding claims is to cover the insurance liabilities.

- i) insurance claims reported, but not settled by the end of the current accounting period;
- ii) insurance claims incurred, but not reported prior to the end of the period.

Estimated claims handling costs are included in the provision for outstanding claims. For i) the provision is mostly calculated with reference to the sum of provisions calculated for individual claims. For ii) the provision is calculated using the method of expert estimate based on statistical methods. If there is claim settled in the form of annuity in individual classes of business, provision for outstanding claims is created based on actuarial methods.

In respect of MTPL insurance, agricultural and industrial insurance, part of the claims payment is in the form of an annuity. The provision for such claims is established at the sum of the expected payments over the full duration of the annuity, which are increased by the difference of expected increase of claims settlement and revenues from financial placements of those provisions. The ratio in use is 3.0% annually (1999: 3.2%). Whilst the Board of Directors considers that the gross provision for outstanding claims and the related reinsurance recoveries are fairly stated, the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustment to the amounts provided. Adjustment to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

(g) Provision for bonuses and rebates

The provision for bonuses and rebates is created and released in accordance with policy contracts in order to adequately provide for bonuses and rebates on non-life premium. Detailed breakdown of the provision is shown in III.8.(c).

(h) Equalisation provision

The equalisation provision is established for individual classes of non-life insurance and is intended to equalise increased claims costs which have arisen due to fluctuation in the claims ratio caused by events beyond the Company's control. The creation and release of this provision is given by the Decree No. 75/2000 Coll. (hereafter "the Decree"). The calculation is based on data from the years 1998 through 2000 (see III.8.(d) of notes).

The Decree prescribes the method and criteria for the calculation of the equalisation provision, the amounts to be added to the provisions and the amounts to be released, and also the maximum level of the provision for selected classes of non-life insurance (insurance of damage to property caused by storm, other natural forces, nuclear energy, landslide or land subsidence, hailstorm or frost and credit insurance). For other insurance classes, the Company, in accordance with Point (4) of Annex 1 of the Decree and the opinion of the Ministry of Finance in its capacity as the State Insurance Supervisory Authority of 29 August 2000, uses the rates set for that insurance class which is closest to the given insurance class. No provision is created for those insurance classes whose share of net premiums for all classes of non-life insurance carried on by the Company falls below 4% and, where net premiums from a class of insurance do not exceed TCZK 1,000 in any of the years of the period concerned.

(i) Life assurance provision

The life assurance provision is created using the sum of the provisions calculated for individual life assurance policies. The calculation of the provision is based on net premium and uses the same mortality tables and rates of interest used to calculate the premium rates. The life assurance provision represents the actuarially calculated liabilities of the Company, inclusive of profits already declared and allocated and provisions for costs connected with the administration of insurance portfolio, after deducting the value of future premiums. As a part of life assurance provision as described above, an additional provision is established in respect of special bonuses. This provision is valued assuming the same rates of interest and mortality as for the basic life assurance provision. The provision includes the provision for outstanding claims.

(j) Life assurance provision where the risk is borne by the insured

Life assurance provision, if the risk is borne by the insured, is intended to cover obligations of the insurance company due to the insured in those classes of life assurance, where based on the policy, the investment risk is borne by the insured. The amount of the provision is calculated as the sum of the commitments due to the insured amounting to their share in financial placements of premiums from individual life assurance contracts and in accordance with the principles defined in the contracts. If the life assurance, where the investment risk is borne by the insured, includes the claim payment in a guaranteed amount, the life assurance provision is created for this settlement at the same time.

(k) Other technical provisions

The Company creates other technical provisions pursuant to Section 13 of the Act (see III.8.(e) of the notes).

(l) Other provisions

Provision for investment risks

The provision is established to reflect the level of general risk inherent within the investment portfolio.

Unrealised loss on foreign currency

The provision is created for unrealised foreign exchange losses recognised at the end of the accounting period.

Maintenance provision

The maintenance provision is created in accordance with Act No. 593/1992 Coll. on Provisions for the Purpose of Determining the Income Tax Base.

Other provisions

The Company creates other provisions for general risk and future costs related to its activities.

(m) Reinsurers' share of technical provisions

Technical provisions are shown as a net liability, i.e. after deduction of the reinsurers' share. The amount of this share is calculated based on the terms of the appropriate reinsurance contracts, the method of settlement reinsurance and having regard to the prudence principle. At the balance sheet date the Company discloses the reinsurers' share of the provision for unearned premiums, the provision for outstanding claims. The reinsurer does not participate in the other technical provisions.

(n) Financial placements

Land and buildings

Land and buildings is stated at acquisition cost. An independent expert assessment of the market value of land and buildings is performed every five years. An internal assessment is performed every year. Where an independent expert assessment or internal assessment result in price lower than the book value, the adjustment is created. The Company provides depreciation on a straight line basis using the following rates:

| Item | Depreciation rate % |
|---|---------------------|
| Land | 0 |
| Buildings (incl. technical improvement) | 1.3 to 10 |

Securities and participation interests

Participation securities which are traded on either the Prague Stock Exchange or the RM-SYSTÉM are recorded at the lower of cost or market value as at year end. Where the investment is listed on both the Prague Stock Exchange and RM-SYSTÉM, the Prague Stock Exchange price is used. Participation interests and unlisted participation securities are valued at their purchase price or value of equity falling to one share or participation certificate or at present value of future incomes, respectively. The Company does not reevaluate bonds and debentures to be held until maturity at market price, but amortise the premium or discount. Just when the return of investment is in doubts, the Company creates adjustments. The Company values other bonds and debentures at benchmark prices of Prague Stock Exchange. If not, values are determined by means of independent expert appraisal. This appraisal is based on the present value of future cash flows of the particular bond or debenture. For discounting those cash flows discount factors calculated from market rates of money market and swap market adjusted by particular credit spread are calculated. When determining the credit spreads, the Company pursues the prudence principle. The applied credit spread should not be under any circumstances lower than market spread of the bond with similar characteristics of the same or comparable issuer. Securities traded on a foreign public market are valued at the price announced on the public market in the state where the office of the issuer is registered, or on other foreign public market. If those securities are denominated in a foreign currency, their price is translated into the Czech currency with the use of the up-to-date Czech National Bank exchange rate, the corresponding exchange rate difference is recorded in the accounting records of the Company and the provision is created for possible unrealised loss on foreign currency.

Other financial placements

Bank deposits and loans granted are stated at nominal value. An adjustment is created when there is a temporary diminution in the value of loans on the basis of the expected recoverable amount.

Derivatives

When the Company makes use of derivatives for the purpose of interest rate and exchange rate hedging or possibly against securities prices fluctuations, those transactions are accounted for at that time and in that way as it is with hedged instruments. Flows of payments of closed derivatives transactions are accounted for to costs of and income from investments of the period, to which they belong in terms of matter and time. Investment items of trading portfolio are booked at the lower of cost or market price.

Unrealised gains on financial placements

When the present value of certain financial placements exceeds their book values, these unrealised gains are not accounted for, but are disclosed in the notes to financial statements.

Expenses for and income from financial placements

Allocation of income from financial placements between life assurance and non-life insurance

Income from financial placements which is directly related to life assurance activities is recorded in the technical account for life assurance. Other income from financial placements which is not related to life assurance is recorded in the non-technical account. The part of income from financial placements of the provision for claims paid out in form of annuities is transferred from non-technical account to life technical account.

Expenses for and income from disposal of financial placements

Except for the treasury bills and promissory notes, the Company makes use of gross method when accounting for investments disposal. In accordance with this method it accounts for separately on each investment returns at selling price of particular financial instruments and separately on costs of particular item of financial placement recorded in the books. When accounting for the disposal of treasury bills and promissory notes, the Company makes use of net method.

(o) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost. Tangible fixed assets costing less than CZK 40,000 and intangible assets costing less than CZK 60,000 are charged to the profit and loss account in the period in which they are put in use. Depreciation is provided on a straight line basis using the following rates:

| Item | Depreciation rate % |
|-----------------------|----------------------------|
| Software | 33.3 |
| Equipment | 6 - 33.3 |
| Other tangible assets | 10 - 25 |
| Pieces of fine art | 0 |

(p) Foreign exchange translations

Transactions during the year are recorded using the Czech National Bank rate effective on the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are translated using Czech National Bank official rate for that date. Foreign currency exchange gains are not recognised in the profit and loss account until they are realised, but unrealised foreign currency losses are recognised through the creation of a provision whose creation and release is included in the non-technical account.

(q) Adjustments

The company creates adjustments to financial placements, receivables, and other assets. Adjustments represent a temporary diminution in value of individual assets determined on the risk basis of a risk assessment carried by the management of the Company.

Adjustments to financial placements

Adjustments for financial instruments are created to reflect a temporary diminution in value and are calculated as the difference between the current value and book value. The amount of adjustments takes account of any derivative contracts entered into to secure the value of financial placements.

Adjustments to receivables

Adjustments for receivables due from policyholders are calculated based on an analysis of receivables and the risk of non-payment of specific receivables. Adjustments to receivables from the policyholders are:

- those creation and release of which is regulated by Act No. 586/1992 Coll. on Income Tax and Act No. 593/1992 Coll. on Provisions for the Purpose of Determining the Income Tax Base,
- those creation and release of which is regulated by internal guidelines of the Company based on an analysis of development of payment schedules and of recoverability of receivables.

(r) Allocation of items between life assurance and non-life insurance

Costs of administration of all activities (administration overhead) are throughout the year accounted for according to approved accounting principles primarily to non-technical account. The Company transfers the costs from non-technical account to life assurance technical account and to non-life technical account in the ratio, which is determined based on internal cost analysis of life and non-life insurance. Acquisition costs net of commissions are allocated to life assurance technical account and to non-life technical account in the ratio, which is determined based on internal cost analysis of life and non-life insurance. In non-technical account the Company presents those costs and income from financial placements and investments of its own equity and other costs and incomes, which are not directly related to insurance and reinsurance activity of the Company.

(s) Income tax

Corporate income tax payable

Corporate income tax on the profit for the year comprises current income tax and the change in deferred tax. Current income tax comprises tax payable calculated from the tax base using the tax rate effective in the current year and any additional payments and refunds of tax payable for previous year. The tax base is increased by possible tax losses of the previous periods.

Deferred tax

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes multiplied by the expected tax rates applicable to future period. The Company disclose the deferred tax when there are differences between the before tax profit and the tax base of income arising from temporary value differences and when there is no doubt about its further tax realisation in future tax periods. When taking into account temporary differences, the Company assesses, whether losses on individual transactions could be considered tax deductible in the future. The amount of deferred tax asset or liability is set as a multiple of the total amount of temporary differences and income tax rate valid in the following accounting and tax period.

When computing deferred tax, the Company takes into account temporary differences arisen from

- financial placement transactions,
- adjustments to receivables,
- depreciation of property,
- adjustments to property.

Detailed deferred tax breakdown is stated in III.12.(b).

(t) Consolidation

Financial statements of the Company are consolidated with the financial statements of its subsidiaries.

I.4. Change in accounting policies and procedures

Deferred tax

With the consent of the Ministry of Finance in 1996, 1997 and 1998 the Company had recorded deferred tax receivable to reflect the value of some costs that would be tax deductible in the future. In accordance with the conditions of the consent of the Ministry of Finance issued on 21 March 1997, deferred tax was completely accounted for in 1999. In the accounting period of 1999, the deferred tax was calculated as a difference between the net book values of tangible fixed assets for accounting and that for tax. Referring to the amendment to Regulation of the Federal Ministry of Finance provision No. 430/1992 Coll. and Regulation of the Ministry of Finance No. 182/1999 Coll., the deferred tax is disclosed not only with respect to differences between accounting and tax depreciation of depreciated tangible and non-tangible assets in the current accounting period, but also with respect to other temporary differences. The change of the method of determining deferred tax has a substantial impact on the profit of the Company for the current period. The amount of deferred tax and its impact on the profit for the current period is set in the Notes in III.12.(b).

II. Special Contents

II.1. Non-life insurance

| | 2000 (TCZK) | 1999 (TCZK) |
|---------------------------------------|-------------------|-------------------|
| Direct insurance: | | |
| Accident | | |
| Gross premium written | 2,343,172 | 2,270,999 |
| Gross premium earned | 2,473,083 | 2,234,542 |
| Gross claims paid | 1,074,099 | 1,105,984 |
| Gross operational expenses | 771,297 | 670,680 |
| Reinsurance outwards result | (6,772) | (15,918) |
| Motor third party liability *) | | |
| Gross premium written | 5,404,167 | 10,796,397 |
| Gross premium earned | 5,162,335 | 10,796,397 |
| Gross claims paid | 3,806,419 | 10,594,777 |
| Gross operational expenses | 1,443,394 | 359,693 |
| Reinsurance outwards result | (47,618) | 140,912 |
| Other motor (casco) | | |
| Gross premium written | 2,882,891 | 4,137,521 |
| Gross premium earned | 3,219,744 | 4,056,063 |
| Gross claims paid | 1,744,129 | 2,213,008 |
| Gross operational expenses | 788,898 | 1,008,975 |
| Reinsurance outwards result | 0 | (96,111) |
| Marine, aviation and transport | | |
| Gross premium written | 166,121 | 205,473 |
| Gross premium earned | 177,862 | 200,186 |
| Gross claims paid | 30,077 | (39,564) |
| Gross operational expenses | 69,361 | 75,060 |
| Reinsurance outwards result | 1,241 | (6,205) |
| Fire and property | | |
| Gross premium written | 4,084,478 | 4,338,380 |
| Gross premium earned | 4,014,294 | 4,088,151 |
| Gross claims paid | 2,832,866 | 2,401,769 |
| Gross operational expenses | 1,223,006 | 1,288,849 |
| Reinsurance outwards result | 159,899 | (6,642) |
| Liability | | |
| Gross premium written | 935,033 | 1,025,885 |
| Gross premium earned | 940,777 | 923,193 |
| Gross claims paid | 1,443,620 | 713,208 |
| Gross operational expenses | 304,727 | 297,470 |
| Reinsurance outwards result | 98,987 | (63,057) |
| Employer's liability | | |
| Gross premium written | 743,884 | 766,771 |
| Gross premium earned | 743,884 | 766,771 |
| Gross claims paid | 317,064 | 518,330 |
| Gross operational expenses | 185,971 | 191,693 |
| Reinsurance outwards result | 0 | 0 |
| Credits and guarantees | | |
| Gross premium written | 0 | 0 |
| Gross premium earned | 0 | 500 |
| Gross claims paid | (15,735) | 123,572 |
| Gross operational expenses | 204 | 536 |
| Reinsurance outwards result | 1,205 | 19 |
| Crops and livestock | | |
| Gross premium written | 712,071 | 836,982 |
| Gross premium earned | 715,101 | 834,990 |
| Gross claims paid | 829,349 | 719,806 |
| Gross operational expenses | 202,555 | 159,146 |
| Reinsurance outwards result | 204,959 | 19,772 |
| Inward reinsurance | | |
| Gross premium written | 260,958 | 172,958 |
| Gross premium earned | 280,577 | 325,856 |
| Gross claims paid | (111,361) | (1,879,810) |
| Gross operational expenses | 9,531 | 10,720 |
| Reinsurance result | 0 | (13,754) |
| Total | | |
| Gross premium written | 17,532,775 | 24,551,366 |
| Gross premium earned | 17,727,657 | 24,226,649 |
| Gross claims paid | 11,950,527 | 16,471,080 |
| Gross operational expenses | 4,998,944 | 4,062,822 |
| Reinsurance outwards result | 411,901 | (40,984) |

*) For 1999 the balance relates to MTPL.

Gross premium written and gross claims paid decreased in 2000 compared with 1999 mainly due to termination of statutory MTPL in 1999. Increase of gross operational expenses in 2000 is caused by increase in commissions and policies administration costs for contractual MTPL and one-off payment of maintenance commissions. Inward reinsurance premium written is part of gross premium written. The Company reinsures mainly its subsidiaries which comprise more than 98% of the inward reinsurance premiums. Since 1998 credit insurance has been provided by ČESCOB, úvěrová pojišťovna, a.s.

II.2. Life assurance

Gross premium written in life assurance includes the following:

| | 2000 (TCZK) | 1999 (TCZK) |
|--|------------------|------------------|
| Contractual for individuals | 9,358,030 | 8,460,291 |
| Contractual for groups | 19,526 | 64,978 |
| Total | 9,377,556 | 8,525,269 |
| Recurring premiums | 6,869,526 | 6,746,064 |
| Single premiums | 2,508,030 | 1,779,205 |
| Total | 9,377,556 | 8,525,269 |
| Premiums from contracts without profit sharing | 0 | 0 |
| Premiums from contracts with profit sharing | 9,305,217 | 8,525,269 |
| Premiums from contracts, where the investment risk is borne by the insured | 72,339 | 0 |
| Total | 9,377,556 | 8,525,269 |
| Reinsurance balance | (7,453) | (4,154) |

II.3. Total amount of gross written premiums by country

98% of gross premium written arose out of contracts concluded in the Czech Republic.

II.4. Summary of commissions

The total amount of commissions for direct insurance amounted to TCZK 2,061,880 and is sub-divided as follows:

| 2000 | Non-life insurance (TCZK) | Life assurance (TCZK) | Total (TCZK) |
|--------------------------|------------------------------|--------------------------|------------------|
| Individual agents | 715,615 | 455,459 | 1,171,074 |
| Brokers | 292,590 | 7,664 | 300,254 |
| Agencies | 192,017 | 24,130 | 216,147 |
| Part-time salesmen | 31,212 | 1,757 | 32,969 |
| Employees of the Company | 282,387 | 47,231 | 329,618 |
| Other | 11,818 | 0 | 11,818 |
| Total | 1,525,639 | 536,241 | 2,061,880 |

| 1999 | Non-life insurance (TCZK) | Life assurance (TCZK) | Total (TCZK) |
|--------------------------|------------------------------|--------------------------|------------------|
| Individual agents | 663,560 | 436,440 | 1,100,000 |
| Brokers | 219,281 | 2,884 | 222,165 |
| Agencies | 39,681 | 13,305 | 52,986 |
| Part-time salesmen | 10,272 | 3,502 | 13,774 |
| Employees of the Company | 349,624 | 112,855 | 462,479 |
| Other | 167,262 | 0 | 167,262 |
| Total | 1,449,680 | 568,986 | 2,018,666 |

III. Other data

III.1. Intangible assets

Intangible assets of the Company as at 31 December 2000 comprised the following items:

| | Software (TCZK) | Other intangible assets (TCZK) | Intangible assets under construction (TCZK) | Total (TCZK) |
|---|--------------------|--------------------------------------|---|-----------------|
| Acquisition cost at 31/12/1999 | 590,178 | 208 | 9,376 | 599,762 |
| Additions | 43,798 | 1,258 | 19,536 | 64,592 |
| Transfers | 8,714 | 527 | (9,241) | 0 |
| Disposals | (1,033) | 0 | (136) | (1,169) |
| Acquisition cost at 31/12/2000 | 641,657 | 1,993 | 19,535 | 663,185 |
| Accumulated depreciation at 31/12/1999 | 242,777 | 208 | — | 242,985 |
| Depreciation expense for 2000 | 147,310 | 198 | — | 147,508 |
| Transfers | 0 | 0 | — | 0 |
| Disposals | 994 | 0 | — | 994 |
| Accumulated depreciation at 31/12/2000 | 389,093 | 406 | — | 389,499 |
| Net book value at 31/12/1999 | 347,401 | 0 | 9,376 | 356,777 |
| Net book value at 31/12/2000 | 252,564 | 1,587 | 19,535 | 273,686 |

III.2. Financial placements

(a) Participating interests

Participating interests with controlling influence

| 2000 | Participating interest (TCZK) | Participating interest % | Equity (TCZK) | Profit (loss) for the year (TCZK) |
|--|-------------------------------|--------------------------|---------------|-----------------------------------|
| ČP finanční služby a.s. (1) | 2,000,000 | 100.00 | 2,091,763 | 85,437 |
| Expandia Banka, a.s. (2) | 1,210,573 | 89.20 | 311,409 | (208,942) |
| Hotel Esplanade a.s. (4) | 398,441 | 99.95 | n/a | n/a |
| ČP finanční servis a.s. (1) | 300,000 | 100.00 | 303,692 | 2,970 |
| Krátký film Praha a.s. (1) | 213,994 | 61.65 | (87,183) | (123,670) |
| ČP Leasing, a.s. (2) | 200,000 | 100.00 | 62,519 | (34,391) |
| Česká poisťovňa – Slovensko, a.s. (1) | 199,257 | 100.00 | 206,953 | (9,495) |
| Penzijní fond ČP, a.s. (1) | 198,000 | 100.00 | 4,262,644 | 153,621 |
| Česká pojišťovna Zdraví a.s. (1) | 191,250 | 100.00 | 161,230 | (8,180) |
| ČP finanční holding a.s. (1) | 150,000 | 100.00 | 151,708 | 1,369 |
| KIS a.s. – kapitálová investiční společnost ČP (1) | 119,514 | 99.99 | 175,885 | 203 |
| ČP Direct pojišťovna, a.s. (1) | 80,000 | 100.00 | 69,870 | (21,197) |
| KabelCorp a.s. (2) | 58,480 | 100.00 | 19,458 | (15,582) |
| PM-Leasing a.s. (2) | 41,000 | 100.00 | (199,438) | (68,196) |
| Česká životní, a.s. (1) | 25,000 | 100.00 | 7,602 | 47,730 |
| Pragosil a.s. (2) | 12,903 | 70.50 | (24,144) | 34,939 |
| AZ stavební a.s. (4) | 7,000 | 57.00 | n/a | n/a |
| ASMO s.r.o. (3) | 7,000 | 68.63 | n/a | n/a |
| Carolina, a.s. (4) | 1,400 | 70.00 | n/a | n/a |
| Univerzální správa majetku a.s. (1) | 1,103 | 100.00 | 9,031 | 939 |
| KIS a.s. (2) | 1,000 | 100.00 | 1,030 | (245) |
| Contractual Digital Floor, a.s. (2) | 510 | 51.00 | 1,682 | 707 |
| Pronica, s.r.o. (3) | 400 | 100.00 | n/a | n/a |
| Walpen, s.r.o. (2) | 350 | 100.00 | 87 | (9) |
| Protěž, s.r.o. (4) | 141 | 67.00 | n/a | n/a |
| Adjustments | (504,180) | | | |
| Total | 4,913,136 | | | |

For “Equity” and “Profit (loss) for the year”, the following information sources were used:

- (1) Audited financial statements
- (2) Unaudited financial statements for 2000 or the company’s financial statements are not subject to audit
- (3) Financial statements at the date of entering into bankruptcy or liquidation proceedings
- (4) Financial statements were not available

| 1999 | Participating interest (TCZK) | Participating interest % | Equity (TCZK) | Profit (loss) for the year (TCZK) |
|--|-------------------------------|--------------------------|---------------|-----------------------------------|
| ČP finanční služby a.s. (2) | 2,000,000 | 100.00 | 2,009,696 | 9,696 |
| Hotel Esplanade a.s. (2) | 398,441 | 99.95 | 313,589 | (76,594) |
| ČP finanční servis a.s. (2) | 300,000 | 100.00 | 301,058 | 1,058 |
| Krátký film Praha a.s.(2) | 213,994 | 61.65 | 47,709 | (39,502) |
| ČP Leasing, a.s. (1) | 200,000 | 100.00 | 97,450 | (61,321) |
| Penzijní fond ČP, a.s.(1) | 198,000 | 100.00 | 3,212,496 | 187,725 |
| Česká pojišťovna Zdraví a.s.(1) | 191,250 | 100.00 | 169,950 | (4,845) |
| Česká poisťovňa – Slovensko, a.s.(1) | 178,662 | 100.00 | 197,011 | 920 |
| ČP finanční holding a.s. (2) | 150,000 | 100.00 | 150,483 | 483 |
| KIS a.s. – kapitálová investiční společnost ČP (1) | 119,514 | 99.99 | 175,742 | (130,143) |
| ČP Direct pojišťovna, a.s.(1) | 80,000 | 100.00 | 76,996 | (18,338) |
| KabelCorp a.s. (2) | 58,480 | 100.00 | 38,729 | 58 |
| PM – Leasing, a.s.(2) | 41,000 | 100.00 | (85,442) | (15,260) |
| Helios Praha s.r.o. (1) | 30,000 | 96.77 | (115,225) | (103,195) |
| Česká životní, a.s. (2) | 25,000 | 100.00 | (38,233) | (53,540) |
| PAVÚS, a.s. (2) | 18,823 | 51.00 | 40,316 | 1,891 |
| Pragosil a.s. (2) | 12,903 | 70.50 | (57) | (1) |
| ASMO s.r.o. (3) | 7,000 | 68.63 | 5,054 | 0 |
| AZ Stavební a.s. (2) | 7,000 | 57.00 | 116 | (12,614) |
| Carolina, a.s. (2) | 1,400 | 70.00 | 2,298 | 1,025 |
| Univerzální správa majetku a.s. (1) | 1,103 | 100.00 | 8,092 | 6,913 |
| KIS a.s. (2) | 1,000 | 100.00 | 1,275 | (224) |
| Contractual Digital Floor, a.s. (1) | 510 | 51.00 | 975 | (25) |
| Pronica, s.r.o. (3) | 400 | 100.00 | (393,511) | 5 |
| Walpen, s.r.o. (2) | 350 | 100.00 | 97 | 0 |
| Protěž, s.r.o. (4) | 141 | 67.00 | n/a | n/a |
| Adjustments | (502,795) | | | |
| Total | 3,732,176 | | | |

For "Equity" and "Profit (loss) for the year", the following information sources were used:

- (1) Audited financial statements
- (2) Unaudited financial statements for 2000 or the company's financial statements are not subject to audit
- (3) Financial statements at the date of entering into bankruptcy or liquidation proceedings
- (4) Financial statements were not available

Participating interests with significant influence

| 2000 | Participating interest (TCZK) | Participating interest % | Equity (TCZK) | Profit (loss) for the year (TCZK) |
|--------------------------------------|-------------------------------|--------------------------|---------------|-----------------------------------|
| ČESCOB, úvěrová pojišťovna, a.s. (1) | 78,000 | 50.00 | 149,392 | 14,207 |
| Interleasing a.s. (2) | 16,200 | 30.00 | (11,837) | 3,466 |
| Coris, a.s. (4) | 660 | 29.86 | n/a | n/a |
| ECS Leasing a.s. (2) | 250 | 25.00 | (39,486) | (14,877) |
| Congress Hotel, s.r.o. (4) | 23 | 23.00 | n/a | n/a |
| Adjustments | (26,880) | | | |
| Total | 68,253 | | | |

| 2000 | Participating interest (TCZK) | Participating interest % | Equity (TCZK) | Profit (loss) for the year (TCZK) |
|--------------------------------|-------------------------------|--------------------------|---------------|-----------------------------------|
| ČESCOB, úvěrová poj., a.s. (1) | 78,000 | 50.00 | 135,185 | (840) |
| Interleasing, a.s. (3) | 16,200 | 30.00 | (11,837) | 3,466 |
| Coris, a.s. (1) | 660 | 29.86 | 11,345 | 407 |
| ECS Leasing, a.s. (2) | 250 | 25.00 | (25,599) | 5,308 |
| Congress Hotel, s.r.o. (2) | 23 | 23.00 | (206) | 0 |
| Adjustments | (16,473) | | | |
| Total | 78,660 | | | |

For "Equity" and "Profit (loss) for the year", the following information sources were used:

- (1) Audited financial statements
- (2) Unaudited financial statements for 2000 (1999) or the company's financial statements are not subject to audit
- (3) Financial statements at the date of entering into bankruptcy or liquidation proceedings
- (4) Financial statements were not available

(b) Net book value and current value of participating interests

| 2000 | Net book value (TCZK) | Current value (TCZK) |
|---|-----------------------|----------------------|
| Shares and participating interests with controlling influence | 4,913,136 | 5,013,340 |
| Shares and participating interests with significant influence | 68,253 | 70,732 |
| Loans to participating interests with controlling influence | 0 | 0 |
| Other participating interests | 2,854,945 | 4,124,357 |
| Other long-term receivables | 18,600 | 18,600 |
| Total | 7,854,934 | 9,227,029 |

| 1999 | Net book value (TCZK) | Current value (TCZK) |
|---|-----------------------|----------------------|
| Shares and participating interests with controlling influence | 3,732,176 | 4,220,256 |
| Shares and participating interests with significant influence | 78,660 | 84,601 |
| Loans to participating interests with controlling influence | 174,386 | 174,386 |
| Other participating interests | 4,537,174 | 4,848,695 |
| Other long-term receivables | 229,888 | 229,888 |
| Total | 8,752,284 | 9,557,826 |

(c) Net book value and current value of land and buildings

| | Land | Buildings | Land and buildings under construction and advances | Total |
|--|----------------|------------------|--|-------------------|
| | (TCZK) | (TCZK) | (TCZK) | (TCZK) |
| Acquisition cost at 31/12/1999 | 639,855 | 8,822,417 | 234,780 | 9,697,052 |
| Additions | 200,930 | 567,055 | 125,936 | 893,921 |
| Transfers | 268 | 16,460 | (16,601) | 127 |
| Disposals | (14,948) | (397,931) | (10,764) | (423,643) |
| Acquisition cost at 31/12/2000 | 826,105 | 9,008,001 | 333,351 | 10,167,457 |
| Accumulated depreciation at 31/12/1999 | 0 | 944,666 | | 944,666 |
| Depreciation charge | 0 | 174,766 | | 174,766 |
| Transfers | 0 | 0 | | 0 |
| Disposals | 0 | (51,762) | | (51,762) |
| Accumulated depreciation at 31/12/2000 | 0 | 1,067,670 | | 1,067,670 |
| Net book value at 31/12/1999 | 639,855 | 7,877,751 | 234,780 | 8,752,386 |
| Net book value at 31/12/2000 | 826,105 | 7,940,331 | 333,351 | 9,099,787 |
| Adjustments at 31/12/1999 | 437,672 | 0 | | 437,672 |
| Adjustments at 31/12/2000 | 44,839 | 1,078,400 | | 1,123,239 |
| Net book value at 31/12/1999 | 202,183 | 7,877,751 | 234,780 | 8,314,714 |
| Net book value at 31/12/2000 | 781,266 | 6,861,931 | 333,351 | 7,976,548 |
| Current value of land and buildings at 31/12/2000 | | | | 7,976,548 |

Since no valuation of property was performed by an independent expert in the current period, the Board of Directors assessed the appropriateness of the value included in the accounting records by means of a comparison with the current market value. Where significant differences were identified appropriate adjustment have been created. In 2000, adjustments of TCZK 685,567 were created (1999: TCZK 87,672).

(d) Net book value and current value of other financial placements

| 2000 | Net book value | Current value |
|--|-------------------|-------------------|
| Other financial placements and deposits with ceded undertaking | (TCZK) | (TCZK) |
| Variable income securities | 5,557,167 | 6,033,020 |
| Fixed income securities | 52,649,576 | 52,649,576 |
| Other loans | 161,500 | 161,500 |
| Deposits with banks | 7,608,942 | 7,608,942 |
| Participations in investment funds and investment companies | 1,135,660 | 1,275,762 |
| Other financial placements | 401,634 | 401,634 |
| Deposits retained by reinsurers | 23,911 | 23,911 |
| Financial placements on behalf of the insured | 38,187 | 39,460 |
| Total | 67,576,577 | 68,193,805 |
| 2000 | Net book value | Current value |
| Cash and other financial assets | (TCZK) | (TCZK) |
| Current accounts | 1,543,251 | 1,543,251 |
| Cash and other cash equivalents | 161,142 | 161,142 |
| Own shares | 104,446 | 104,446 |
| Total | 1,808,839 | 1,808,839 |
| 1999 | Net book value | Current value |
| Other financial placements and deposits with ceded undertaking | (TCZK) | (TCZK) |
| Variable income securities | 3,481,118 | 3,998,340 |
| Fixed income securities | 32,759,496 | 32,759,496 |
| Other loans | 1,382,884 | 1,382,884 |
| Deposits with banks | 24,141,617 | 24,141,617 |
| Participations in investment funds and investment companies | 1,518,851 | 1,741,445 |
| Other financial placements | 783,702 | 783,702 |
| Deposits retained by reinsurers | 35,277 | 35,277 |
| Total | 64,102,945 | 64,842,761 |
| 1999 | Net book value | Current value |
| Cash and other financial assets | (TCZK) | (TCZK) |
| Current accounts | 1,932,659 | 1,932,659 |
| Cash and other cash equivalents | 129,746 | 129,746 |
| Own shares | 103,593 | 103,593 |
| Total | 2,165,998 | 2,165,998 |

III.3. Receivables and payables

(a) Receivables and adjustments

| | 2000 (TCZK) | 1999 (TCZK) |
|---|-------------------|------------------|
| Receivables from direct insurance and reinsurance | 4,874,672 | 4,066,371 |
| Other receivables | | |
| Deferred tax receivable | 2,772,077 | 0 |
| Receivables from financial placements | 6,208,549 | 3,419,625 |
| Other items | 697,433 | 486,722 |
| Total gross receivables | 14,552,731 | 7,972,718 |
| Adjustments to receivables from direct insurance | 2,164,951 | 1,936,992 |
| Adjustments to other receivables | 2,729,656 | 377,596 |
| Total adjustments | 4,894,607 | 2,314,588 |
| Total net receivables | 9,658,124 | 5,658,130 |

In 2000 receivables from financial placements and adjustments to other receivables include receivables and adjustments to companies in the bankruptcy proceedings, which in 1999 were accounted for in current accounts and adjustments to them were created in accounts of adjustments to other assets.

(b) Payables

| | 2000 (TCZK) | 1999 (TCZK) |
|---|------------------|------------------|
| Payables from direct insurance and reinsurance | 3,247,965 | 4,281,926 |
| Other payables | 5,875,748 | 3,049,170 |
| Tax and social security and health service payables | 276,096 | 278,923 |
| Of that: deferred tax payable | 204,211 | 151,658 |
| Bank credits (short-term loans) | 167,500 | |
| Total | 9,567,309 | 7,610,019 |

The amount of insurance and reinsurance payables is affected by the amount of MTPL reimbursements. As at 31 December 2000 the Company discloses short-term loan for transactions relating to financial placements.

(c) Long-term payables and receivables (maturity over five years)

Total long-term payables with a remaining maturity in excess of five years as at the balance sheet date totalled TCZK 248. As at the same date the Company's records included long-term receivables of TCZK 155,505.

(d) Payables and receivables from inwards and outwards reinsurance

The Company's balance of payables/receivables from inwards and outwards reinsurance is as follows:

| Inwards reinsurance | 2000 (TCZK) | 1999 (TCZK) |
|--|--------------------|--------------------|
| Reinsurance receivables | 143,142 | 68,934 |
| Reinsurance payables | 9,044 | 8,481 |
| Balance of payables and receivables | 134,098 | 60,453 |
| Outwards reinsurance | 2000 (TCZK) | 1999 (TCZK) |
| Reinsurance receivables | 331,643 | 253,302 |
| Reinsurance payables | 63,740 | 51,158 |
| Balance of payables and receivables | 267,903 | 202,144 |

(e) Transfer of rights and obligations arising from compulsory MTPL insurance to the Czech Insurers' Bureau

In connection with the operation of statutory insurance in accordance with the legislation the Company reported in the accounting periods prior to Act No. 168/1999 Coll. on Liability Insurance for Losses Caused by the Operation of a Vehicle (thereafter "the Act") coming into force an asset, described as a receivable due from the Ministry of Finance representing deficit (insufficiency) of received premiums to cover the technical liabilities and costs related to this class of insurance. As at the end of original legislation, i.e. 31 December 1999, the receivable amounted to TCZK 2,561,170. As at 31 December 1999 the existing form of statutory insurance was replaced by contractual insurance introduced by the Act with effect from 1 January 2000. Thus at 1 January 2000 all rights and obligations arising from statutory insurance prior to 31 December 1999 were transferred to the Czech Insurers' Bureau (thereafter "the Bureau") in accordance with the Act. Section 29 of the Act obliges the Company to transfer the funds of the technical provisions of this class of insurance to the Bureau: "By the last day of the month following the audit of the annual financial statements for 1999, the Company shall transfer to a special account of the Bureau an amount equal to the amount of funds of technical provisions generated from statutory insurance premiums received before 31 December 1999, after deduction of the amount of claims paid in respect of statutory insurance between 1 January 2000 and the date of the transfer." Further, the Act specifies the subject who shall bear any possible insufficiency (deficit) of funds from provisions of statutory insurance. "If funds on that account are not sufficient, the liabilities arising from statutory insurance and the costs related to the settlement of these claims shall be covered by the Bureau."

On 1 June 2000 the management of the Company met with representatives of the Bureau to discuss the question of settlement of rights and obligations. Based on these discussions the Administrative Board of the Bureau confirmed that the following overview is in accordance with the terms of the Act, noted the methodology used for the calculation of funds from technical provisions, assigned to the managing director the settlements of rights and obligations transferred to the Bureau and reserved the right to verify the adequacy of amount of technical provisions. The table below shows the rights (plus) and obligations (minus) transferred on 1 January 2000 to the Bureau.

| | (TCZK) |
|---|------------|
| Provision for gross claims paid arising from statutory MTPL as at 31 December 1999 | 10,771,132 |
| Reinsurers' share in the provision for claims paid | (173,502) |
| Net provision for outstanding claims | 10,597,630 |
| Deficit of statutory MTPL insurance (receivable from the Ministry of Finance in 1998) | 2,561,170 |
| Balance of funds from technical provisions for statutory MTPL insurance | 8,036,460 |

Based on the accounting procedures the transfer of rights and obligations towards the Bureau was accounted for in the balance sheet only. Since 1 January 2000 based on stipulations of the Act the Company applies the rights and obligations arising from statutory MTPL and executes them on behalf and for the account of the Bureau. The Company keeps separate accounting records of this activity which is separated from accounting records of the other activities.

III.4. Inter-company receivables and payables

Receivables and payables to companies in which the company has a controlling or significant influence

| Receivables Company | 2000 (TCZK) | 1999 (TCZK) |
|--|----------------|----------------|
| PM - Leasing a.s. | 265,870 | 371,849 |
| ČP Leasing, a.s. | 100,000 | 348,411 |
| Česká poisťovňa – Slovensko, a.s. | 83,263 | 67,596 |
| Česká životní, a.s. | 72,579 | 50,000 |
| Krátký film Praha a.s. | 68,055 | 71,300 |
| Pragosil a.s. | 37,177 | 38,658 |
| Česká pojišťovna Zdraví a.s. | 21,664 | 9,488 |
| Univerzální správa majetku a.s. | 17,657 | 3,328 |
| ASMO s.r.o. | 8,939 | 5,994 |
| Hotel Esplanade a.s. | 3,537 | 511 |
| ČESCOB, úvěrová pojišťovna, a.s. (*) | 3,119 | 6,241 |
| ČP Direct pojišťovna, a.s. | 2,439 | 3,780 |
| Penzijní fond ČP, a.s. | 2,390 | 485 |
| ČP finanční služby a.s. | 1,046 | 1,253 |
| ČP finanční servis a.s. | 157 | 290 |
| Expandia Banka, a.s. | 131 | 0 |
| ČP finanční holding a.s. | 78 | 211 |
| KIS a.s. – kapitálová investiční společnost ČP | 30 | 458 |
| Protěž, s.r.o. | 0 | 4,202 |
| Total | 688,131 | 984,055 |

| Payables Company | 2000 (TCZK) | 1999 (TCZK) |
|--|----------------|----------------|
| ČP finanční servis a.s. | 210,000 | 210,040 |
| ČP finanční služby a.s. | 200,000 | 200,261 |
| ČP finanční holding a.s. | 105,113 | 105,020 |
| Česká životní, a.s. | 30,914 | 1,668 |
| ČP Direct pojišťovna, a.s. | 6,736 | 10,283 |
| Expandia Banka, a.s. | 4,448 | 0 |
| Česká pojišťovna Zdraví a.s. | 4,374 | 1,086 |
| Univerzální správa majetku a.s. | 1,500 | 580 |
| Penzijní fond ČP, a.s. | 398 | 0 |
| ČESCOB, úvěrová pojišťovna, a.s. (*) | 301 | 0 |
| KIS a.s. – kapitálová investiční společnost ČP | 245 | 0 |
| ČP Leasing, a.s. | 211 | 100 |
| Česká poisťovňa – Slovensko, a.s. | 92 | 191 |
| Total | 564,332 | 529,229 |

(*) ČESCOB, úvěrová pojišťovna, a.s. is a participation with significant interest.

III.5. Tangible moveable assets

| | Tangible moveable assets (TCZK) | Assets under construction and prepaid advances (TCZK) | Total (TCZK) |
|---|---------------------------------------|--|------------------|
| Acquisition cost at 31/12/1999 | 2,328,878 | 40,827 | 2,369,705 |
| Additions | 215,632 | 4,881 | 220,513 |
| Transfers | 31,492 | (31,619) | (127) |
| Disposals | (206,867) | (282) | (207,149) |
| Acquisition cost at 31/12/2000 | 2,369,135 | 13,807 | 2,382,942 |
| Accumulated depreciation at 31/12/1999 | 1,619,674 | – | 1,619,674 |
| Depreciation expense in 2000 | 286,524 | – | 286,524 |
| Transfers | 0 | – | 0 |
| Disposals | (199,276) | – | (199,276) |
| Accumulated depreciation at 31/12/2000 | 1,706,922 | – | 1,706,922 |
| Net book value at 31/12/1999 | 709,204 | 40,827 | 750,031 |
| Net book value at 31/12/2000 | 662,213 | 13,807 | 676,020 |

III.6. Other assets and temporary assets and liability accounts

(a) Deferred acquisition costs in non-life insurance

| | 2000 (TCZK) | 1999 (TCZK) |
|---|----------------|------------------|
| Opening balance as at 1/1/2000 | 1,233,736 | 308,006 |
| Additions | 671,065 | 1,233,736 |
| Release | 974,578 | 308,006 |
| Closing balance as at 31/12/2200 | 930,223 | 1,233,736 |

In 2000, deferred acquisition costs of total TCZK 930,223 include TCZK 259,158 (1999: TCZK 518,316) relating to costs, which arose during 1999 in connection with introduction of contractual MTPL. Those costs are deferred on a non-straight-line basis.

(b) Unrealised foreign currency exchange gains and losses

As at 31 December 2000 the Company has recorded unrealised currency exchange losses of TCZK 293,814 (1999: TCZK 64,922) and unrealised foreign currency exchange gains of TCZK 394,012 (1999: TCZK 91,677). The Company created a provision to foreign exchange losses (see III.9. of the notes)

III.7. Equity

(a) Registered capital

The registered capital consists of 1,347,457 registered shares, 1,977,437 bearer's shares and 87,497 employee's shares. Nominal value of all shares is CZK 1,000. At 31 December 2000, 100% (i.e. TCZK 3,429,391) of the registered capital had been fully paid-up. The amount of the registered capital is in accordance with requirements of Act No. 363/1999 Coll., on Insurance with regards to the classes of insurance in which the Company has been authorised to carry on insurance activity. Registered capital is as follows:

| | Number of shares pieces | Registered capital (TCZK) | Total (TCZK) |
|---------------------------------|----------------------------|------------------------------|------------------|
| Balance as at 31/12/1999 | 3,412,391 | 3,412,391 | 3,412,391 |
| Balance as at 31/12/2000 | 3,412,391 | 3,412,391 | 3,412,391 |

(b) Own shares

On 20 August 1998 PPF investiční holding a.s. (thereafter "PPF") requested an approval from the Supervisory Board of the Company for a transfer of 349,988 shares of the Company, which according to the Company's Articles of Incorporation are transferable only on condition of such approval. The Supervisory Board did not grant the approval. Consequently the Company became obliged on 28 August 1998 to purchase its own shares. This purchase had not taken place at the date of preparation of these financial statements. According to the Contract on the proprietary relations covering the repurchase of the Company's own shares between the Company and the PPF (in amendment No. 4 of this Contract), the purchase must take place by 20 August 2002. The repurchase is conditioned by the decision of the PPF, that it insists on the deal. The valuation of CZK 4,040.30 per share is based on a weighted average price of deals struck on public markets during a period of 6 months prior to the date of purchase, which was performed by Středisko cenných papírů Praha (Prague Centre of Securities). The total purchase price is subject to interest in accordance with the Contract. At 28 December 2000 the amendment No. 5 was concluded. As agreed, the total purchase price, which the Company is obliged to pay for its own shares, shall not include agreed interest any more and interest rate is dropped to zero. Based on this amendment, the Company decided to charge to expenses the interest expenses for 1998 and 1999 in total amount TCZK 176,001. Interest accrued in 2000 is TCZK 0. In 2000 the Company made the payment in advance for the purchase price of the shares in the amount of TCZK 197,794 to PPF. If PPF decides not to insist on repurchase of those shares, it is in accordance with the Contract obliged to pay back the advance. The Company holds 80,854 of its own shares (1999: 80,037). They are employees' shares, the total issue of which was 87,497 pieces.

(c) Reconciliation of movement on equity

| | Balance as at 1/1/2000 (TCZK) | Allocations (TCZK) | Release (TCZK) | Profit for the 2000 (TCZK) | Total (TCZK) |
|--------------------------------|----------------------------------|-----------------------|-------------------|-------------------------------|-------------------|
| Registered capital | 3,412,391 | | | | 3,412,391 |
| Other capital funds | 82,216 | | 36,447 | | 45,769 |
| Profit from the current period | 1,057,633 | | 1,057,633 | 4,314,595 | 4,314,595 |
| Retained earnings | 1,236,820 | 1,004,752 | | | 2,241,572 |
| Statutory reserve fund | 111,116 | 157,328 | | | 268,444 |
| Other funds | 110,239 | 953 | 68,000 | | 43,192 |
| Total | 6,010,415 | 1,163,033 | 1,162,080 | 4,314,595 | 10,325,963 |

Note: During the current accounting period account of share premium showed zero balance, no shares were issued and neither royalties nor dividends were paid out. In 2000 the Company transferred to statutory reserve fund an addition to own (employee's) shares amounting to TCZK 104,446. The obligation to establish a reserve fund for shares disclosed under assets is stipulated by the amendment to the Commercial Code No. 370/2000 Coll., Section 161 d. The Amendment to the Commercial Code cancels employee's shares as a special class of shares (see III.13.(b)).

(d) Proposed distribution of current year profit

| | Proposal 2000 (TCZK) | Actual 1999 (TCZK) |
|---|-------------------------|-----------------------|
| Profit for the current period | 4,314,595 | 1,057,633 |
| Transfer to statutory reserve fund | 215,730 | 52,881 |
| Transfer to reserve fund for own shares | — | — |
| Transfer to social care fund | — | — |
| Retained earnings | 4,098,865 | 1,004,752 |

III.8. Technical provisions

(a) Life-assurance provision

| | 2000 (TCZK) | 1999 (TCZK) |
|---|-------------------|-------------------|
| Opening balance as at 1/1/2000 | 56,893,332 | 55,800,126 |
| Change in provision | 1,992,039 | 1,093,206 |
| Closing balance as at 31/12/2000 | 58,885,371 | 56,893,332 |
| Of that: | | |
| Provision for unearned premium and monthly additions | 450,570 | 857,455 |
| Life assurance provision and provision for outstanding claims | 58,434,801 | 56,035,877 |

In 2000 part of the provision for unearned life assurance premiums of TCZK 334,942 is newly disclosed as a part of the provision for unearned premiums.

(b) Provision for outstanding claims

In following tables gross provisions for outstanding claims including claims settlement expenses are shown:

Gross amount of the provision for outstanding claims:

| | as at 31/12/2000 (TCZK) | as at 31/12/1999 (TCZK) |
|---|----------------------------|----------------------------|
| Gross amount of the provision for outstanding claims reported but not settled (RBNS) | 7,170,710 | 13,668,389 |
| Gross amount of the provision for outstanding claims incurred but not reported (IBNR) | 3,546,598 | 4,631,518 |
| Total | 10,717,308 | 18,299,907 |

In 2000 the provision decreased due to transfer of commitments, rights and obligations related to statutory MTPL to the Czech Insurers' Bureau (see III.3.(e)). Since 1 January 2000 the Company has been writing contractual MTPL policies.

Run off result

The table below shows the run-off analysis as at 31 December 1999. The difference between the provision for outstanding claims as at 1 January 2000, payments (in respect of claims included within this provision) and the balance of this provision as at 31 December 2000 gives the claims run-off result. The following gross amounts are net of settlement costs and MTPL:

| Class of insurance | 2000 (TCZK) | 1999 (TCZK) |
|--------------------------------|--------------------|--------------------|
| Accident | 75,423 | 280,895 |
| Other motor | 187,526 | 122,036 |
| Marine, aviation and transport | 56,505 | 245,842 |
| Fire and property | 256,333 | (64,261) |
| Casualty | 138,416 | 137,307 |
| Crops and livestock | 7,319 | 8,154 |
| Other | (12,297) | 44,932 |
| Total | 709,225 | 774,905 |

(c) Provision for bonuses and rebates

The provision for bonuses and rebates is created based on the contract conditions according to methods described in I.3.(g). Classification of the provision according to classes of insurance is as follows.

| | 2000 (TCZK) | 1999 (TCZK) |
|------------------|--------------------|--------------------|
| Contractual MTPL | 150,000 | - |
| Other | 8,983 | 29,294 |
| Total | 158,983 | 29,294 |

The provision for bonuses in contractual MTPL as at 31 December 2000 of TCZK 150,000 was determined on the basis of detailed data on specific policies and claims arising from those policies.

(d) Equalisation provision

The equalisation provision is created based on contract conditions according to methods established in Decree of the Ministry of Finance No. 75/2000 Coll. and described in Note I.3.(h).

| Class of insurance | as at 31/12/2000 (TCZK) | as at 31/12/1999 (TCZK) |
|--------------------------------|------------------------------------|------------------------------------|
| Accident | 274,255 | 186,897 |
| Contractual MTPL | 44,338 | 0 |
| Other motor | 483,354 | 389,141 |
| Marine, aviation and transport | 14,841 | 15,146 |
| Fire and property | 346,295 | 310,268 |
| Liability | 76,925 | 88,999 |
| Crops and livestock | 23,508 | 77,468 |
| Inward reinsurance | 51,917 | 43,094 |
| Czech nuclear pool | 98,921 | 88,987 |
| Other | 0 | 200,000 |
| Total | 1,414,404 | 1,400,000 |

For calculation of the provision in other classes of insurance the Company used the following ratios:

| Non-life classes of insurance | Provision building -up ratio | Ultimate level ratio of equalisation provision | Ultimate level of claims ratio for individual classes of business |
|--|---|---|--|
| Czech nuclear pool | 0.75 | 6.00 | 0.25 |
| Other classes | 0.03 | 0.20 | 0.65 |

(e) Other technical provisions

The creation and release of other technical provisions, described in I.3.(k), is analysed in the following table:

| | Other technical provisions, total (TCZK) |
|---|---|
| Opening balance as at 1/1/2000 | 537,691 |
| Creation 2000 | 509,901 |
| Release 2000 | 52,679 |
| Closing balance as at 31/12/2000 | 994,913 |

On 12 October 1999 the Company obtained a licence to carry on motor third party liability insurance pursuant to the Act No. 168/1999 Coll. (thereafter "the Act") and became a member of the Czech Insurers Bureau ("the Bureau"). On 1 January 2000 all rights and duties relating to the pursuit of MTPL were transferred to the Bureau. Under Section 18 (6) of the Act a member of the Bureau guarantees that a portion of the liabilities of the Bureau which corresponds to the amount of contributions paid to the Bureau, by the member. For this purpose the member is obliged to establish technical provisions". In accordance with Section 13 of Act No. 363/2000 Coll., on Insurance the Company asked the Ministry of Finance for approval of the above provision. The Company obtained the approval on 2 January 2001. The Board of Directors of the Company based on the information available to them, is of the opinion that the amount of established provision is adequate to cover expenses associated with claims probably incurred in relation to the payable ceded by the Company on account of statutory liability. The final and exact amount of expenses incurred for claims will be known only after several years. Consequently, the funds necessary to settle these claims will depend on the revenues obtained from financial placements. The Company's share of these expenses for outstanding claims will be determined according to its share of the market for this class of insurance at the time of the final settlement of these claims.

III.9. Provisions for other risks and losses

The creation and release of provision for other risks and losses during the accounting period is shown in the following table:

| Type of provision: | Balance as at 1/1/2000 (TCZK) | Creation 2000 (TCZK) | Release 2000 (TCZK) | Balance as at 31/12/2000 (TCZK) |
|--|-------------------------------------|----------------------------|---------------------------|---------------------------------------|
| Provision for foreign exchange losses | 64,922 | 293,814 | 64,922 | 293,814 |
| Provision for other risks | 0 | 278,944 | 0 | 278,944 |
| Employer's liability provision | 59,618 | 11,342 | 14,274 | 56,686 |
| Provision for bad investments | 0 | 26,208 | 0 | 26,208 |
| Provision for repair of fixed assets | 15,205 | 500 | 11,755 | 3,950 |
| Provision for commissions | 293,000 | 0 | 293,000 | 0 |
| Total provisions for other risks and losses | 432,745 | 610,808 | 383,951 | 659,602 |

As at 31 December 2000 unrealised foreign exchange losses amounted to TCZK 293,814 and the Company created the provision for foreign exchange losses for the same amount. In 1999 the provision of TCZK 293,000 for remuneration of policies administration was created and paid out one-off in 2000. With respect to the difference between the estimated claims settlement costs of statutory MTPL included in the provision for outstanding claims transferred to the Bureau (5%) and actual costs arising from the contract between the Company and the Bureau (12%), the Company created in 2000 the provision for other risks amounting to TCZK 278,944.

III.10. Off-balance sheet receivables and liabilities

(a) Payables from leases

In the following years the Company will pay the following rents arising from long-term lease for which no provision was created.

| | 2000 (TCZK) | 1999 (TCZK) |
|---|----------------|----------------|
| Up to one year | 97,052 | 92,684 |
| Two years or less but over one year | 55,981 | 85,675 |
| Three years or less but over two years | 40,737 | 41,378 |
| Four years or less but over three years | 17,629 | 24,589 |
| Five years or less but over four years | 15,910 | 15,364 |
| Over five years | 117,780 | 70,870 |
| Total | 345,089 | 330,560 |

(b) Potential future payables

Option to buy HOME CREDIT FINANCE a.s.

The Company is entitled (call option) to buy a stake in Home Credit Finance a.s. based on the Contract on transfer of shares with the option of 29 December 2000 concluded between the Company and PPF (Cyprus) Limited. The option is valid until 29 December 2001. The Board of Directors did not strike the option so far.

(c) Payables secured by tangible security and guarantees

Letter of support to ČP Leasing, a.s. bonds

In 2000 the Company issued a letter of support to ČP Leasing, a.s. bonds in nominal value of TCZK 2,000,000. Substantial part of the bonds of ČP Leasing, a.s. was simultaneously purchased into the portfolio of the Company. As at 31 December 2000, the Company does not record any other payables secured by tangible security or guarantees.

(d) Swaps

The fair value of swaps represents the value of expected cash flow from these swaps. The expected future cash flows are based on forward interest rates, exchange rates and share indexes. Forward interest rates are based on swap yield curve as at 31 December. The notional value is the total principal value of assets to which swap agreements relate. The Company records notional value and fair value as off-balance items and additional records. The book value reflects deferred expenses and accrued income as at the balance sheet date.

| Swaps | 2000 (TCZK) | 1999 (TCZK) |
|----------------------------|----------------|------------------|
| Notional value | 28,444,838 | 35,029,662 |
| Book value | 468,340 | 1,774,126 |
| Fair value estimate | 809,900 | 2,438,370 |

Interest rate swaps

The company enters into interest rate swaps as part of its interest rate risk management strategy and in order to improve its matching of the interest profiles of its investments and technical liabilities. Interest rate swap is a contract which commits two counter parties to exchange at least twice, over an agreed period, two flows of interest payments, calculated with reference to fixed or periodically reset interest rates applied to a specific notional principal amount. The notional principal is the amount upon which interest rates are applied to determine the payment flows under interest rate derivatives. Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between counter parties. Constant Maturity Swap is a contract to exchange payments calculated

with reference to periodically reset short term interest rates calculated with reference long term interest rates and then applied to the notional amount. Forward Starting Swap is a contract which commits two counter parties to enter into an interest rate swap at a specified future date under conditions agreed at the transaction date. The notional values and the weighted average interest rates from interest rate swaps are as follows:

| Interest rate swaps Received (fixed)/paid (floating) rate | Value (TCZK) | Weighted average rate | |
|--|-------------------------|-----------------------|--------------|
| | | Received | Paid |
| 2000 | | | |
| Residual maturity: - 1 year or less | 0 | — | — |
| - 5 years or less but over 1 year | 4,886,000 ¹⁾ | — | 2) |
| - over 5 years | 5,500,000 | 10.98% | 5.73% |
| Total | 10,386,000 | | |
| 1999 | | | |
| Residual maturity: - 1 year or less | 0 | — | — |
| - 5 years or less but over 1 year | 5,045,000 | 11.66% | 9.07% |
| - over 5 years | 6,200,000 | 10.45% | 8.43% |
| Total | 11,245,000 | 10.95% | 8.73% |

¹⁾ Translated into CZK using exchange rates 9,122 CZK/PLN (the Czech National Bank as at 29 December 2000).

²⁾ Payments received from those swaps were denominated in different currencies and therefore a calculation of an average interest rate would be misleading.

| Interest rate swaps Received (floating)/paid (fixed) rate | Value (TCZK) | Weighted average rate | |
|--|-------------------------|-----------------------|---------------|
| | | Received | Paid |
| 2000 | | | |
| Residual maturity: - 1 year or less | 0 | — | — |
| - 5 years or less but over 1 year | 7,055,000 ¹⁾ | — | 2) |
| - over 5 years | 6,500,000 | 5.64% | 9.66% |
| Total | 13,555,000 | | |
| 1999 | | | |
| Residual maturity: - 1 year or less | 2,000,000 | 9.32% | 13.79% |
| - 5 years or less but over 1 year | 2,500,000 | 7.86% | 9.09% |
| - over 5 years | 5,000,000 | 3) | 3) |
| Total | 9,500,000 | 8.69% | 12.85% |

¹⁾ Translated into CZK using exchange rates 9,122 CZK/PLN (the Czech National Bank as at 29 December 2000).

²⁾ Payments received from those swaps were denominated in different currencies and therefore a calculation of an average interest rate would be misleading.

³⁾ During 1999 there were no payments arising from this swap.

| Constant maturity swaps | Value (TCZK) | Weighted average rate | |
|-------------------------------------|------------------|-----------------------|--------------|
| | | Received | Paid |
| 2000 | | | |
| Residual maturity: - 1 year or less | 0 | — | — |
| - 5 years or less but over 1 year | 500,000 | 5.44% | 6.18% |
| - over 5 years | 400,000 | 8.55% | 10.30% |
| Total | 900,000 | 6.82% | 8.01% |
| 1999 | | | |
| Residual maturity: - 1 year or less | 0 | — | — |
| - 5 years or less but over 1 year | 5,000,000 | 1) | 1) |
| - over 5 years | 1,000,000 | 1) | 1) |
| Total | 6,000,000 | 1) | 1) |

¹⁾ Payments received from those swaps in 1999 were denominated in different currencies and therefore a calculation of an average interest rate would be misleading. During 1999 there were no payments arising from those swaps.

| Forward starting swaps | Value (TCZK) | Weighted average rate | |
|-------------------------------------|------------------|-----------------------|----------|
| | | Received | Paid |
| 2000 | | | |
| Residual maturity: - 1 year or less | 0 | — | — |
| - 5 years or less but over 1 year | 0 | — | — |
| - over 5 years | 0 | — | — |
| Total | 0 | — | — |
| 1999 | | | |
| Residual maturity: - 1 year or less | 0 | — | 1) |
| - 5 years or less but over 1 year | 0 | — | 1) |
| - over 5 years | 4,500,000 | 7.91% | — |
| Total | 4,500,000 | 7.91% | — |

¹⁾ As at 31 December 1999 no floating payment was known.

Cross Currency Swaps

A Cross Currency Swap is a contract which commits two counter parties to exchange, over an agreed period, two flows of interest payments in different currencies and, at the end of the period, to exchange the corresponding principal amounts at an exchange rate agreed at the trade date. Reference interest rates can be fixed or periodically reset.

| Cross Currency Swaps 2000 | Value (TCZK) | Weighted average rate | |
|-------------------------------------|-------------------------|-----------------------|----------|
| | | Received | Paid |
| Residual maturity: - 1 year or less | 0 | — | — |
| - 5 years or less but over 1 year | 1,065,000 ²⁾ | 1) | 1) |
| - over 5 years | 1,345,000 | 1) | 1) |
| Total | 2,410,000 | — | — |
| 1999 | | | |
| Residual maturity: - 1 year or less | 0 | — | — |
| - 5 years or less but over 1 year | 420,000 | 1) | 1) |
| - over 5 years | 500,638 | 11.78% | 9.25% |
| Total | 920,638 | — | — |

¹⁾ Payments received from those swaps were denominated in different currencies and therefore a calculation of an average interest rate would be misleading.

²⁾ Translated into CZK using the exchange rate 37,813 CZK/USD (the Czech National Bank as at 29 December 2000).

Total Return Swaps

A Total Return Swap is a contract which commits two counter parties to exchange, over an agreed period, two flows of payments: the payments in one flow are calculated on the basis of the performance of a predefined underlying asset applied to an agreed notional principal amount, the payments in the counter flow are calculated with reference to a periodically reset short-term interest rate applied to the same notional principal amount.

| Total return swaps (TRS) 2000 | Value (TCZK) | Weighted average rate | |
|----------------------------------|----------------------------|-----------------------|----------|
| | | Received | Paid |
| Floating rate | 350,000 | 1) | 3) |
| Fix rate | 843,838 | 1) | 3) |
| Total | 1,193,838 | — | — |
| 1999 | | | |
| Floating rate | 1,477,433 ^{2) 3)} | 4) | 3) |
| Fix rate | 1,883,379 ^{2) 3)} | 4) | 3) |
| Total | 3,360,812 | — | — |

¹⁾ Rate received from some TRS is linked to revenues dependent on the level of share share indices.

²⁾ Translated into CZK using the exchange rates 35,979 CZK/USD and 36.13 CZK/EUR (as quoted by the Czech National Bank as at 29 December 1999).

³⁾ Payments received from those swaps were denominated in different currencies and therefore a calculation of an average interest rate would be misleading.

⁴⁾ Rate received from TRS is linked to revenues dependent on the level of share share indices.

(e) FRA – forward rate agreement

Forward rate agreement enables for a defined future period to fix an interest rate of a certain payable or receivable.

| FRA | 2000 (TCZK) | Weighted average rate | |
|----------------------------|----------------|-----------------------|-------|
| | | Received | Paid |
| Received floating/paid fix | 500,000 | 1) | 6.64% |
| Received fix/paid floating | 1,500,000 | 6.55% | 1) |

¹⁾ As at 31 December 2000 the interest rate was not known.

| FRA | 1999 (TCZK) | Weighted average rate | |
|----------------------------|----------------|-----------------------|------|
| | | Received | Paid |
| Received floating/paid fix | 0 | — | — |
| Received fix/paid floating | 3,500,000 | 6.49% | 1) |

¹⁾ Rates are not yet known as at 31 December 2000.

(f) Options

Interest rate options

Interest rate option is a contract that gives one party the right to receive payments calculated on a specific notional amount with reference to a periodically reset interest rate on the condition that the reference reset rate is above/below a specified limit. The notional values of option contracts are shown in a following table:

| Interest rate options | 2000 (TCZK) | 1999 (TCZK) |
|-----------------------|-------------|-------------|
| Purchases | 700,000 | 10,558,445 |
| Disposals | 1,200,000 | 5,500,000 |

As at 31 December 2000 the Company recorded off-balance sheet collar, swaption and cap and as at 31 December 1999 the Company recorded off-balance sheet cap, floors and swaption.

Currency options

Currency option is a contract that gives one party right to receive payments calculated on a specific notional amount with reference to specific exchange rate on the condition that the reference exchange rate is above/below a specified limit interest rate.

| Currency options | 2000 (TCZK) | 1999 (TCZK) |
|------------------|-------------|-------------|
| Purchases | 0 | 0 |
| Disposals | 1,287,200 | 0 |

(g) Financial instruments

Interest rate risk

The Company has a significant amount of assets that yield interest income. The Company matches the future receipts from these assets with its insurance liabilities and where appropriate uses interest rate swaps to match assets income with liabilities.

Credit risk

Credit risk represents an accounting loss that would be recognized if counter parties failed to perform as contracted. To control exposure to credit risk, the Company performs ongoing credit evaluations of the financial condition of these counter parties but generally does not require collateral. The Company is exposed to credit risk from financial instruments with respect to possible default of counter parties. Nevertheless the management does not expect any significant loss to arise, other than as provided for in the financial statements. The figures disclosed in note III.10. (d) include swap contract with a notional value TEUR 13,750 which is linked to bonds of Slovak Štátny fond cestovného hospodárstva (State road fund) guaranteed by the Government of the Slovak Republic. The Company terminated that swap on 9 February 2001. In 2000 the Company terminated swap contract with a notional value TUSD 23,000 where the underlying assets are zero-coupon Goldman Sachs bond that represents 42,6% of notional value USD 23 million and bonds with nominal value USD 6 million and USD 7.25 million respectively issued by FC CBO III Limited based on Cayman Islands. Portfolio of which are bonds of selected U.S. companies held by FC CBO III Limited with average rating of Ba2 (Moody's Investor Service). By the termination of the contract underlying assets were transferred directly into assets of the Company. Furthermore in 2000 the Company terminated swap contract with a notional value USD 9.750 million where the underlying assets are bonds issued by FC CBO III Limited. Portfolio of which are bonds of selected U.S. companies held by FC CBO III Limited with average rating of Baa2 (Moody's Investor Service). By the termination of the contract underlying assets were transferred directly into assets of the Company.

III.11. Additional disclosures in respect of the profit and loss account

(a) Bonuses and rebates

Based on policy conditions and policies the Company granted bonuses and rebates of TCZK 19,021 (1999: TCZK 20,540).

(b) Operating costs

| 2000 | Non-life insurance (TCZK) | Life assurance (TCZK) |
|--|---------------------------|-----------------------|
| Acquisition costs non-deferred | 2,605,801 | 1,068,572 |
| Deferred acquisition costs | 303,513 | 0 |
| Administration costs | 2,089,630 | 739,010 |
| Commissions from reinsurers and share in profits | (327,501) | (678) |
| Total net operating costs | 4,671,443 | 1,806,904 |
| 1999 | Non-life insurance (TCZK) | Life assurance (TCZK) |
| Acquisition costs non-deferred | 2,991,649 | 1,123,763 |
| Deferred acquisition costs | (925,730) | 0 |
| Administration costs | 1,996,903 | 959,237 |
| Commissions from reinsurers and share in profits | (263,895) | (642) |
| Total net operating costs | 3,798,927 | 2,082,358 |

(c) Administration costs

| | 2000 (TCZK) | 1999 (TCZK) |
|-----------------------------------|------------------|------------------|
| Personnel expenses | 1,850,411 | 1,655,641 |
| Rents | 428,526 | 356,786 |
| Material | 166,303 | 243,786 |
| Other administration costs | 148,770 | 515,641 |
| Consultancy | 155,830 | 99,870 |
| Energy | 78,800 | 84,416 |
| Total administration costs | 2,828,640 | 2,956,140 |
| Of that: | | |
| Life assurance expenses | 739,010 | 959,237 |
| Non-life insurance expenses | 2,089,630 | 1,996,903 |

(d) Employees and executives

The average number of employees and executives and remuneration paid in 2000 and 1999:

| | Average number of employees (TCZK) | Payroll expense (TCZK) | Social security insurance (TCZK) | Social expense (TCZK) |
|-------------------|------------------------------------|------------------------|----------------------------------|-----------------------|
| Employees | 6,466 | 1,692,752 | 588,202 | 89,061 |
| Executives | 77 | 145,477 | 50,043 | 2,052 |
| Total 2000 | 6,543 | 1,838,229 | 638,245 | 91,113 |
| Employees | 7,267 | 1,627,259 | 564,228 | 93,684 |
| Executives | 73 | 121,280 | 42,551 | 1,575 |
| Total 1999 | 7,340 | 1,748,539 | 606,779 | 95,259 |

(e) Remuneration of members of the Board of Directors, and Supervisory Board and executives

During 2000 members of the Board of Directors, and Supervisory Board and executives received the following remuneration:

| | Members of the Board of Directors (TCZK) | Members of Supervisory Board (TCZK) | Total (TCZK) |
|-----------------------|---|--|-----------------|
| Remuneration budgeted | 45,126 | 11,478 | 56,604 |
| Remuneration paid | 35,957 | 11,391 | 47,348 |

During 1999 the members of the Board of Directors, and Supervisory Board and executives received the following remuneration:

| | 1999 (TCZK) |
|-----------------------|-------------|
| Remuneration budgeted | 41,674 |
| Remuneration paid | 40,586 |

In 1999 total annual remuneration include also those managers, who were not members of the boards.

(f) Loans and advances granted to present members of the Board of Directors and Supervisory Board and executives

| | Members of Board of Directors (TCZK) | Members of Supervisory Board (TCZK) |
|---------------------------------|---|--|
| Loans granted by the Company | 148 | 0 |
| Advances granted by the Company | 0 | 0 |
| Total 2000 | 148 | 0 |

(g) Other technical income

| | Non-life insurance (TCZK) | Life assurance (TCZK) |
|--|------------------------------|--------------------------|
| Release of adjustments for receivables | 258,133 | 0 |
| Other items | 3,917 | 0 |
| Total 2000 | 262,050 | 0 |
| Deficit increase arising from statutory MTPL | 295,757 | 0 |
| Release of adjustments for receivables | 46,479 | 0 |
| Other items | 3,554 | 175 |
| Total 1999 | 345,790 | 175 |

(h) Other technical expenses

| | Non-life insurance (TCZK) | Life assurance (TCZK) |
|---|------------------------------|--------------------------|
| Addition to adjustments for receivables | 474,856 | 11,234 |
| Surplus from employer's liability insurance | 240,848 | 0 |
| Bad debts written-off | 52,718 | 11,172 |
| Commissions from inward reinsurance | 50,947 | 1,099 |
| Other items | 89,051 | 0 |
| Total 2000 | 908,420 | 23,505 |
| Addition to adjustments for receivables | 711,803 | 5,977 |
| Surplus from employer's liability insurance | 184,544 | 0 |
| Bad debts written-off | 50,773 | 12,523 |
| Commissions from inward reinsurance | 36,826 | 0 |
| Other items | 12,405 | 0 |
| Total 1999 | 996,351 | 18,500 |

(i) Other income

| | 2000 (TCZK) | 1999 (TCZK) |
|---|------------------|------------------|
| Release of provision for risks and losses | 383,951 | 3,131,392 |
| Revenues on services, rents and sales | 197,293 | 204,768 |
| Exchange rate gains | 77,554 | 72,805 |
| Current accounts interest yields | 68,934 | 232,779 |
| Release of adjustments | 60,797 | 138,674 |
| Other items | 469,127 | 200,719 |
| Total | 1,257,656 | 3,981,137 |

In other items the Company records reimbursements from the Bureau related to the claims settlement, which it settles on behalf and at the expense of the Bureau.

(j) Other costs

| | 2000 (TCZK) | 1999 (TCZK) |
|--|------------------|------------------|
| Additions to provisions for risks and losses | 610,808 | 829,023 |
| Adjustments creation | 316,133 | 159,343 |
| Interest costs from repurchase of own shares | 0 | 135,625 |
| Other items | 608,653 | 341,753 |
| Total | 1,535,594 | 1,465,744 |

In other items the Company records claims settlement expenses related to the settlement of the claims, which it settles on behalf and at the expense of the Bureau.

(k) Expense allocation between technical accounts and non-technical account

The total amount of expenses allocated between the technical account for life assurance, non-life insurance and the non-technical account in accordance with the method described in I.3.(r) is as at the balance sheet date as follows:

| | 2000 (TCZK) | 1999 (TCZK) |
|--|------------------|------------------|
| Technical account of life assurance | 1,199,531 | 1,235,258 |
| Technical account of non-life insurance | 3,550,490 | 3,515,735 |
| Total amount transferred from non-technical account | 4,750,021 | 4,750,993 |

(l) Profit shares

In 2000 the Company received profit shares from participating interests amounting to TCZK 47,497 (1999: TCZK 7,250).

(m) Result of non-technical account

The 2000 non-technical account result was TCZK 1,566,699 (1999: a loss of TCZK 1,525,436).

(n) Profit before tax

The 2000 result before tax was TCZK 1,613,613 (1999: TCZK 2,198,596).

III.12. Taxation

(a) Current tax

The Company did not have any tax liability as at 31 December 2000.

(b) Deferred tax

Recorded deferred tax assets and liabilities

| 2000 | Receivables (TCZK) | Payables (TCZK) | Difference (TCZK) |
|--|--------------------|-----------------|-------------------|
| Tangible assets | – | 204,211 | (204,211) |
| Adjustments to financial placements | 1,422,877 | – | 1,422,877 |
| Adjustments to receivables | 159,355 | – | 159,355 |
| Provisions | 87,473 | – | 87,473 |
| Other temporary differences | 310,666 | – | 310,666 |
| Losses of prior periods | 792,706 | – | 792,706 |
| Deferred tax receivable/payable | 2,772,077 | 204,211 | 2,567,866 |
| 1999 | Receivables (TCZK) | Payables (TCZK) | Difference (TCZK) |
| Tangible assets | – | 151,658 | (151,658) |
| Adjustments to financial placements | – | – | – |
| Adjustments to receivables | – | – | – |
| Provisions | – | – | – |
| Other temporary differences | – | – | – |
| Losses of prior periods | – | – | – |
| Deferred tax receivable/payable | – | 151,658 | (151,658) |

In 1999 the Company charged to expenses deferred tax asset of TCZK 1,072,011 for costs that is in compliance with the procedure approved by Ministry of Finance in 1997.

Temporary differences development throughout the year

| 2000 | Balance as at 1/1/2000 (TCZK) | Profit and loss account (TCZK) | Balance as at 31/12/2000 (TCZK) |
|--------------------------------------|-------------------------------|--------------------------------|---------------------------------|
| Tangible and intangible fixed assets | (151,658) | (52,553) | (204,211) |
| Adjustments to financial placements | 0 | 1,422,877 | 1,422,877 |
| Adjustments to receivables | 0 | 159,355 | 159,355 |
| Provisions | 0 | 86,473 | 86,473 |
| Other temporary differences | 0 | 310,666 | 310,666 |
| Losses from prior periods | 0 | 792,706 | 792,706 |
| Total | (151,658) | 2,719,524 | 2,567,866 |

| 1999 | Balance as at 1/1/1999 (TCZK) | Profit and loss account (TCZK) | Balance as at 31/12/1999 (TCZK) |
|--------------------------------------|-------------------------------------|--------------------------------------|---------------------------------------|
| Tangible and intangible fixed assets | (94,566) | (57,092) | (151,068) |
| Adjustments to financial placements | 1,072,011 | (1,072,011) | 0 |
| Adjustments to receivables | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 |
| Other temporary differences | 0 | 0 | 0 |
| Losses from prior periods | 0 | 0 | 0 |
| Total | 977,445 | 1,129,103 | (151,658) |

III.13. Subsequent and material events

(a) Material events of current accounting period

Participating interest in IPB a.s.

In June 2000 forced administration was imposed upon IPB a.s. and the administrator soled the company to ČSOB a.s. At the same time Securities Commission recommended to the banks to reassess IPB a.s. shares to zero. In accordance with the prudence principle the Company created additional adjustment to all shares of IPB a.s. in its holding amounting to TCZK 814,000. As a result, the Company's total participating interest in IP a.s. is zero.

(b) Subsequent events

Dissolving of employees' shares

The amendment of the Commercial Code No. 370/2000 Coll. (hereafter "the Code") cancels employees' shares as a special class of shares. Existing employees' shares cease to be a special class of shares on a day, when general meeting of shareholders decides to change employees' shares to common shares without any special rights in accordance with Section 158 of the Code or decides to change the Articles of Incorporation of the Company, which set conditions for purchasing of common shares by the employees of the Company in accordance with Section 158, but not later than after two years after the Code came into effect. Until that time the ruling legislation is used with respect to employees' shares.

Controlling relations

In connection with the amendment to the Commercial Code No.370/2000 Coll., coming into force on 1 January 2001, the Board of Directors of the Company after extensive legal analyses decided, that the control agreement will be entered into with PPF a.s., which represents the interests of shareholders, and also with other companies of the financial group owned by the Company. Doing this Česká pojišťovna a.s. entered into the control agreement with PPF a.s. based on which it is the entity controlled by PPF a.s. ČP finanční servis a.s., 100% subsidiary of Česká pojišťovna a.s., was used to constitute controlling relationships within the financial group of Česká pojišťovna. At the end of 2000, ČP finanční servis a.s. entered into control agreement with ČP Leasing, a.s., Česká pojišťovna Zdraví a.s., Česká životní, a.s., ČP DIRECT pojišťovna, a.s., Penzijní fond České pojišťovny, a.s., Expandia Banka, a.s., KIS a.s. kapitálová investiční společnost České pojišťovny a.s. and Home Credit a.s. ČP finanční servis a.s. is on the basis of the control agreement in the role of the controlling entity of the above mentioned members of the group of the Company. However, at the same time, based on another control agreement entered into with PPF a.s., ČP finanční servis a.s. is in a position of a controlled entity.

ZETA OSTEUROPE HOLDING S.A. investment

On 26 February 2001 the Board of Directors confirmed its previous decision that it will invest at maximum TEUR 22,000 in ZETA OSTEUROPE HOLDING S.A.

Decision of the Board of Directors to issue bonds

On its session of 12 March 2001 the Board of Directors decided on the Company's bond issue with maturity of five years in a nominal value of TCZK 4,000,000.

Purchase of První městská banka a.s.

On 29 March 2001 the Assembly of the Capital City of Prague chose the Company a winner of the tender for První městská banka a.s. The Company is in the process of negotiating contract conditions in respect of the purchase of the bank. The deadline of signing the purchase contract is 30 June 2001.

Sale of participating interest in Hotel Esplanade a.s.

In March 2001 the Company entered into the contract of sale of securities and cession of receivables on the basis of which it sold its total participating interest in Hotel Esplanade a.s. The purchaser must pay the price by 16 May 2001.

Payment of subscribed shares

In March 2001 the Company paid up the residual unpaid registered capital in its subsidiaries ČP finanční služby a.s., ČP finanční servis a.s. a ČP finanční holding a.s.

Expandia banka, a.s. renamed

In April 2001 Expandia banka, a.s. was renamed to "eBanka, a.s." based on the entry in the Commercial Register.

Supplemental Information to the Annual Report

15

According to the transitional provisions, Article II, of Act 362/2000 Sb. amending the Securities Act (591/1992 Sb.), issuers are required "to include in the annual report all mandatory prospectus contents missing from the prospectuses of securities issues that preceded the effective date of this Act." The minimum required contents of a securities issuer prospectus are set by Decree of the Czech Ministry of Finance 82/2001 Sb.

Company Identification

| | |
|------------------|---|
| Company | Česká pojišťovna a.s. |
| Legal form | Joint stock company |
| Registered seat | Spálená 16, 113 04 Prague 1 |
| ID number | 452 72 956 |
| Tax ID number | 001-452 72 956 |
| Bankers | Komerční banka a.s. Prague 1 |
| Account number | 174 33-021/0100 |
| Date established | 1 May 1992 |
| | Company was established in perpetuity |
| Legal regulation | The Company was (pursuant to Section 11(3) of Act 92/1991 Sb. on the Conditions for Transfer of State Assets to Other Persons, as amended) established by the National Property Fund of the Czech Republic under a founder's deed dated 28 April 1992 and came into existence by registration in the Commercial Register on 1 May 1992. |
| Registration | Prague Municipal Court, file designation: Part B, Entry 1464 |

Court, Administrative and Arbitration Proceedings

There is no litigation or arbitration proceeding that could have a material impact on the Company's financial situation or operations. As part of its prudent approach, the Company has worked with the auditor to create adjustments or a general provision for all disputed cases in the amount corresponding to the risk.

Principal Investments

The non-financial investments set forth below were made primarily in constructing and renovation buildings, furnishing buildings, and in computer technology.

| Year (CZK'000) | Construction and renovation | Furnishings | Office and computer equipment | Other | Total |
|------------------|-----------------------------|-------------|-------------------------------|---------|---------|
| 1998 | 458,939 | 58,171 | 101,942 | 156,444 | 775,496 |
| 1999 | 76,029 | 2,527 | 242,200 | 280,597 | 601,353 |
| 2000 | 581,906 | 6,544 | 195,423 | 85,981 | 869,854 |
| 1st Quarter 2001 | 10,181 | — | 40,192 | 11,929 | 62,302 |

Česká pojišťovna a.s. makes non-financial investments only in the Czech Republic and from its own funds.

Net Present Value of Land and Buildings

| | Land | Buildings | In-process and advances | Total |
|------------------------------|-----------|-----------|-------------------------|-----------|
| Net present value | | | | |
| at 31/12/2000 (CZK'000) | 781,266 | 6,861,931 | 333,351 | 7,976,548 |
| Number of properties | — | 225 | — | — |
| Total area (m ²) | 1,235,809 | — | — | — |

Note: this table supplements the information presented in Note III.2.(c) to the Financial Statements.

Securities Issued by Česká pojišťovna a.s.

The Company was established as a joint stock company in a single action by the National Property Fund of the Czech Republic, as sole founder, pursuant to a decision of the Czech Ministry of Finance dated 13 April 1992. Upon its establishment, the Company's basic share capital amounted to TCZK 1,749,944 and was divided among 314,990 bearer shares and 1,434,954 registered shares, 87,497 of which were employee shares. An increase in the basic share capital registered in the Commercial Register on 15 December 1994 increased the number of bearer shares by 524,983, bringing the basic share capital to TCZK 2,274,927. Under a decision of the General Meeting of Česká pojišťovna a.s. dated 5 September 1996, the Company's basic share capital was increased by 1,137,464 booked bearer shares, bringing the basic share capital to the amount of TCZK 3,412,391 where it stands today. The share issue premium on this issue was 400% of the nominal share value. The company's capital rose by TCZK 5,687,320, of which TCZK 4,549,856 is attributable to the share issue premium.

Both issues were fully paid in. The issue made pursuant to the 5 September 1996 decision of the Česká pojišťovna a.s. General Meeting was fully subscribed and paid in by the following entities: Československá obchodní banka, a.s.; Komerční banka, a.s.; the National Property Fund of the Czech Republic; PPF investiční holding, a.s.; Investiční a Poštovní banka, a.s.; PPF investiční společnost, a.s. – Český uzavřený podílový fond; PPF investiční společnost, a.s. – Moravskoslezský uzavřený podílový fond; PPF burzovní společnost, a.s.; PPF Capital Management, a.s.; and Deutscher Auslandskassenverein A.G. To date Česká pojišťovna a.s. has issued only one type of security – shares. Information on the class, form, nominal value, issue number and number of shares is given in the table below:

| Issue | CZ0008017688 | CZ0008002755 | ČP a.s. Employee Shares |
|----------------------|--|--|-------------------------|
| Type of security | Shares of common stock | Shares of common stock | Employee shares |
| Class | registered | bearer | registered |
| Form | booked | booked | documentary |
| Nominal value | CZK 1,000 | CZK 1,000 | CZK 1,000 |
| Number of securities | 1,347,457 | 1,977,437 | 87,497 |
| Total volume | CZK 1,347,457,000 | CZK 1,977,437,000 | CZK 87,497,000 |
| Public marketability | Publicly marketable with transfer restrictions | Publicly marketable with no restrictions | Not publicly marketable |

The Company's statutory bodies hold a total of 97 shares. Of this number, members of the Board of Directors hold 82 shares and members of the Supervisory Board hold 15 shares. The rights and obligations of the Company's shareholders are set forth by the Commercial Code (513/1991 Sb.), as amended, and by the Articles of Association of Česká pojišťovna a.s., which are accessible in the Commercial Register's collection of documents. These rights include in particular:

- the right to share in the Company's profits,
- the right to attend, vote, ask for explanations, and raise motions at the General Meeting,
- the right of first refusal upon increases of the basic share capital by subscription of new shares, in the same proportion as their shares are in with respect to the current (pre-increase) basic share capital. Conditions for changing the basic share capital amount are set forth in the Company's Articles of Association,
- the right to share in the liquidation remainder upon the dissolution of the Company.

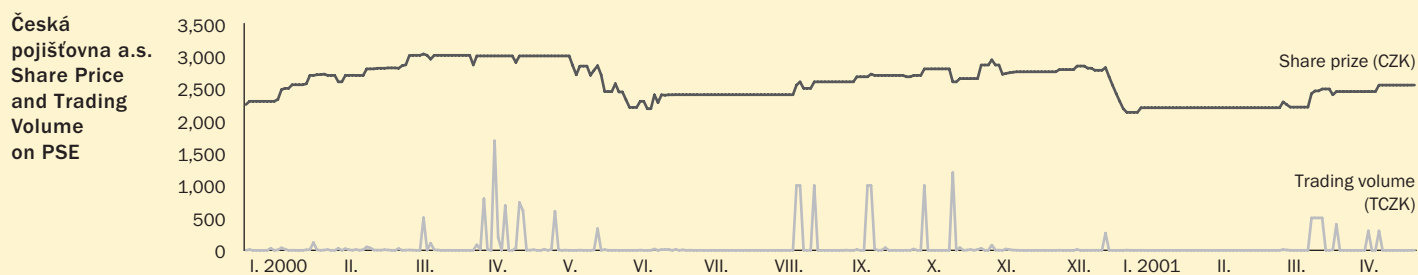
Share dividends and other returns on the shares are subject to taxation under generally binding regulations of the Czech Republic, i.e. the Income Tax Act (586/1992 Sb.), as amended. Dividends and/or interest income from the shares are taxed at a special tax rate of 15%. Exceptions may exist under double-taxation treaties. The shares of Česká pojišťovna a.s. are publicly marketable through the Prague Stock Exchange, the RM-System, the Munich Bourse, and the NEWEX exchange.

Public Share Buy-out Offers

PPF burzovní společnost a.s., with its seat at Na Pankráci 121, Prague 4, ID 60169211, as securities broker acting on behalf and for the account of PPF investiční holding a.s., with its seat at Na Pankráci 121, Prague 4, ID 44222424, Cespo Holdings B.V., with its seat at Herengracht 450, Amsterdam, the Netherlands, reg. no. 34118802, CESPO B.V., with its seat at Herengracht 450, Amsterdam, the Netherlands, reg. no. 34124688 (the "Buyer") announced and made public in late 2000, pursuant to Section 183a et seq. of the Commercial Code (513/1991 Sb.), as amended, a public offer to purchase shares of Česká pojišťovna a.s. The Buyer set the purchase price at CZK 3,000. The subject matter of the purchase offer were publicly marketable shares of common stock, unencumbered by third-party rights. The public offer was valid for a period of 60 days from the date it was made public. A total of 37,134 shares was purchased.

Selected Financial Indicators of Česká pojišťovna a.s.

| | 31. 12. 2000 | 31. 12. 1999 | 31. 12. 1998 |
|---|----------------|----------------|----------------|
| Shares | | | |
| Number of shares issued | 3,412,391 | 3,412,391 | 3,412,391 |
| Number of shares with right to dividend | 3,412,391 | 3,412,391 | 3,412,391 |
| Capitalization | | | |
| Capitalization in CZK | 7,268,392,830 | 7,677,879,750 | 4,606,727,850 |
| Change in % | -5.33 | 66.67 | -43.87 |
| % of PX-50 index | 1.14 | 1.21 | 0.90 |
| | in 2000 | in 1999 | in 1998 |
| Share price | | | |
| Closing share price in CZK | 2,130 | 2,250 | 1,350 |
| Highest share price in CZK | 3,030 | 2,250 | 3,050 |
| Lowest share price in CZK | 2,130 | 1,064 | 1,140 |
| Financial indicators | | | |
| Earnings per share in CZK | 1,265 | 310 | 244 |
| P/E | 1.68 | 7.26 | 5.53 |
| Shareholders' equity in CZK | 10,326,000,000 | 6,012,000,000 | 4,915,000,000 |
| Shareholders' equity per share in CZK | 3,026.03 | 1,761.81 | 1,440.34 |
| Trading on the PSE | | | |
| Annual volume in CZK | 41,969,909.00 | 17,105,466.00 | 12,069,632.00 |
| Daily average in CZK | 168,553.85 | 67,344.35 | 48,278.53 |
| Annual volume in pcs | 14,970.00 | 9,925.00 | 5,397.00 |
| Daily average in pcs | 60.12 | 39.07 | 21.59 |



Basic Information on the Principal Shareholders

National Property Fund

Registration date: 2 August 1991
 Seat: Rašínovo nábřeží 42, 128 00 Prague 2
 ID: 41692918
 Principal businesses: Establishing joint stock companies and other corporations or participating in the establishment of such and placing capital contributions therein, provided it agreed to do so.

PPF investiční holding a.s.

Registration date: 29 March 1996
 Seat: Na Pankráci 121, 140 21 Prague 4
 ID: 44222424
 Principal businesses: Purchase and sale of goods, organizational and economic consultancy, acting as an intermediary in the area of trade and services

| Basic Financial Information | 1998 | 1999 | 2000 |
|-----------------------------|-----------|-----------|-----------|
| Total assets | 2,289,699 | 2,881,207 | 3,082,651 |
| Basic capital | 3,534,460 | 3,534,460 | 3,534,460 |
| Shareholders' equity | 2,285,878 | 2,878,420 | 1,117,060 |
| Profit/loss before tax | 338,414 | 592,542 | 5,869 |

CESPO B.V. Amsterdam

Date established: 6 October 1999
 Seat: Herengracht 450, 1017CA Amsterdam
 Reg. no. of the Amsterdam
 Chamber of Commerce and Industry: 34124688
 Principal business: Holding company
 Registered capital: EUR 20,000

CESPO Holdings B.V. Amsterdam

Date established: 15 October 1999
 Seat: Herengracht 450-454, 1017CA Amsterdam
 Reg. no. of the Amsterdam
 Chamber of Commerce and Industry: 34118802
 Principal business: Holding and investment company
 Registered capital: EUR 500,000

Komerční banka

Registration date: 5 March 1992
 Seat: Na Příkopě 969, 114 07 Prague 1
 ID: 45317054
 Principal businesses: The Bank's principal businesses are given by Sections 1 and 2 of the Banking Act (21/1992 Sb.)

| Basic Financial Information | 1998 | 1999 | 2000 |
|-----------------------------|-------------|-------------|-------------|
| Total assets | 422,084,000 | 390,122,000 | 402,205,000 |
| Basic capital | 9,502,000 | 16,604,000 | 19,005,000 |
| Shareholders' equity | 20,458,000 | 17,776,000 | 20,211,000 |
| Net profit/loss | -9,546,000 | -9,782,000 | -19,000 |

Equity Stakes in Third Parties

| ID | Name | Seat | Equity Stake |
|----------|--|--|--------------|
| 31354327 | Česká poistovňa – Slovensko, a. s. | Lazaretská 3a, 810 00 Bratislava, SR *) | 100.00% |
| 49240749 | Česká pojišťovna ZDRAVÍ a.s. | Bělohorská 37, 169 00 Praha 6 *) | 100.00% |
| 25670344 | ČESKÁ ŽIVOTNÍ, a.s. | Štefánikova 50, 150 00 Praha 5, *) | 100.00% |
| 25635191 | ČP DIRECT pojišťovna, a.s. | Spálená 16/75, 113 04 Praha 1 *) | 100.00% |
| 26116731 | ČP finanční holding a.s. | Na Pankráci 121, 140 21 Praha 4, | 100.00% |
| 26116723 | ČP finanční servis a.s. | Na Pankráci 121, 140 21 Praha 4, | 100.00% |
| 26117193 | ČP finanční služby a.s. | Na Pankráci 121, 140 21 Praha 4, | 100.00% |
| 25139886 | ČP Leasing, a.s. | Spálená 16/75, 110 01 Praha 1 *) | 100.00% |
| 35752661 | KabelCorp a.s. (Slovensko) | Tobrucká 4, 811 02 Bratislava | 100.00% |
| 64949168 | KIS a.s. (v likvidaci) | Na Pankáci 121, 140 21 Praha 4 | 100.00% |
| 61858692 | Penzijní fond České pojišťovny, a.s. | Truhlářská 9, 110 00 Praha 1 *) | 100.00% |
| 61858269 | PM - Leasing a.s. | Washingtonova 25, 110 00 Praha 1 | 100.00% |
| 65413385 | Pronika, s.r.o. | Na Perštýně 12, 110 00 Praha 1 | 100.00% |
| 60192330 | Universální správa majetku a.s. | Hráského 2231, 140 00 Praha 4 | 100.00% |
| 65413393 | Walpen, s.r.o. (v likvidaci) | Spálená 16, 110 00 Praha 1 | 100.00% |
| 43873766 | KIS a.s. kapitálová investiční společnost České pojišťovny | Na Pankáci 121, 140 21 Praha 4 *) | 99.99% |
| 45349321 | Hotel Esplanade a.s. | Karlovarská třída 438/15, 353 01 Mariánské Lázně | 99.95% |
| 00562246 | eBANKA, a.s. | Ovocný trh 8, 117 19 Praha 1 | 88.21% |
| 47676078 | Pragosil a.s. (v likvidaci) | Velká 2, 701 00 Moravská Ostrava | 70.50% |
| 00172642 | Carolina a.s. | Na jízdně 7, 709 97 Ostrava | 70.00% |
| 48172758 | ASMO s.r.o. | Zánovská 633, 54 301 Vrchlabí | 68.63% |
| 61456047 | Protěž, s.r.o. | Hráského 2231, 140 00 Praha 4 | 67.00% |
| 00023574 | Krátký film Praha a.s. | Jindřišská 34, 110 00 Praha 1 | 61.65% |
| 46356673 | AZ stavební a.s. (v konkurzu) | Husova 217, 293 01 Mladá Boleslav | 57.00% |
| 25749714 | CDF, a.s. | Na Pankráci 121, 140 21 Praha 4, | 51.00% |
| 25603370 | ČESCOB, úvěrová pojišťovna, a.s. | Spálená 16, 113 04 Praha 1 | 50.00% |
| 45315515 | InterLeasing a.s. (v likvidaci) | Svornosti 30, 150 00 Praha 5 | 30.00% |
| 41693001 | Coris Praha a.s. | ul. Sdružení 2, 140 00 Praha 4 | 29.86% |
| 61534315 | ECS Leasing a.s. (v likvidaci) | Mrázova 4, 412 01 Litoměřice | 25.00% |
| 61168971 | Congress Hotel, s.r.o. | Nám. Republiky 1, 306 32 Plzeň | 23.00% |

*) For details see description of Česká pojišťovna Group in directory of subsidiaries.

Detailed Information on Companies 100% Owned by Česká pojišťovna a.s. (not given in sections describing subsidiaries)

ČP finanční holding a.s.

Principal businesses
 – organizational and economic consultancy
 – marketing (market research and evaluation)
 Registered capital: CZK 150 million

PM – Leasing a.s.

Principal businesses
 – purchase and sale of goods
 – lease of industrial goods
 Registered capital: CZK 41 million

ČP finanční servis a.s.

Principal businesses
 – organizational and economic consultancy
 – marketing (market research and evaluation)
 Registered capital: CZK 300 million

Hotel Esplanade a.s.

Principal businesses
 – trade, finance, investment, and other activities in the hotel business
 Registered capital: CZK 417 million
 Since the hotel is being renovated, the Company had no business operations.

ČP finanční služby a.s.

Principal businesses
 – organizational and economic consultancy
 – marketing (market research and evaluation)
 Registered capital: CZK 2 billion

PRONICA, s.r.o.

Principal businesses
 – lease of real property, apartments, and non-residential space by lessor and provision of services to ensure proper operation of real property, apartments, and non-residential space
 Registered capital: CZK 400,000

Universální správa majetku a.s.

Principal businesses
 – purchase and sale of goods
 – property/asset management to the extent not regulated
 Registered capital: CZK 1 million
 The Company doubled its number of employees and expanded its business from two regions to seven.

Appendices to the Annual Report

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Head Office Organization Chart

| Chairman of the Board and Executive Director | Vice Chairman of the Board and Executive Director | Member of the Board and Executive Director | Deputy Executive Director | Deputy Executive Director | Deputy Executive Director | Deputy Executive Director | Deputy Executive Director | Deputy Executive Director |
|--|---|--|----------------------------------|---|---------------------------|----------------------------------|---------------------------|-----------------------------------|
| Ladislav Bartoniček | Petr Prokop | Jan Blaško | Lubomír Bušek | Jaroslav Kafka | Radoslav Tesař | Miroslav Matocha | Milan Houžvíc | Roman Stupka |
| Internal Audit and Insurance Inspection | Public Relations and Internal Communications | Treasury | Finance | Data Warehouse Design | Personnel | Reinsurance | MTPL | Personal Lines |
| Strategic Planning | | Portfolio Management | Accounting | Information Systems Infrastructure and Operations | Training | Office of the Czech Nuclear Pool | Motor Damage Insurance | Marketing |
| Restructuring | | Assets and Liabilities Management | Controlling and Product Analysis | Card Center | Legal Department | Life Assurance | Motor Sales Support | Distribution Network Technologies |
| Organization of Banking Development | | Strategic Assets Management | Consolidation | KDP Operations | Organization | Property Insurance | | |
| Postal Network Sales Management | | Back Office and Administration | Actuarial Mathematics | Operations | | Liability and Casualty Insurance | | |
| | | | Central Purchasing | | | Corporate and Industrial Clients | | |
| | | | | | | Agricultural Insurance | | |
| | | | | | | London Office | | |

Directory of Česká pojišťovna Regions and Agencies

Central Bohemian Region

Address: Regional Directorate
Bezručova 605
276 77 Mělník
Czech Republic
Tel.: (+420 206) 615 111
Agencies: Benešov, Beroun, Kladno, Kolín,
Kutná Hora, Mělník, Mladá Boleslav,
Nymburk, Praha východ-západ, Příbram,
Rakovník

South Bohemian Region

Address: Regional Directorate
Pražská 1280
370 04 České Budějovice
Czech Republic
Tel.: (+420 38) 77 38 111
Agencies: České Budějovice, Jindřichův Hradec,
Pelhřimov, Písek, Strakonice, Tábo

West Bohemian Region

Address: Regional Directorate
Slovanská alej 24A
326 63 Plzeň
Czech Republic
Tel.: (+420 19) 74 14 111
Agencies: Domažlice, Cheb, Karlovy Vary, Klatovy,
Plzeň, Sokolov, Tachov

North Bohemian Region

Address: Regional Directorate
Felberova 4/8
460 95 Liberec
Czech Republic
Tel.: (+420 48) 52 45 111
Agencies: Česká Lípa, Děčín, Chomutov,
Jablonec nad Nisou, Liberec, Litoměřice,
Most, Teplice, Ústí nad Labem, Žatec

East Bohemian Region

Address: Regional Directorate
Tř. Míru 2647
532 12 Pardubice
Czech Republic
Tel.: (+420 40) 68 14 111
Agencies: Havlíčkův Brod, Hradec Králové,
Chrudim, Jičín, Náchod, Pardubice,
Rychnov nad Kněžnou, Svitavy, Turnov,
Vrchlabí, Vysoké Mýto

South Moravian Region

Address: Regional Directorate
Rašínova 7
601 66 Brno
Czech Republic
Tel.: (+420 5) 42 18 11 11
Agencies: Blansko, Brno, Břeclav, Jihlava, Kroměříž,
Kyjov, Prostějov, Třebíč, Uherské Hradiště,
Vyškov, Zlín, Znojmo, Žďár nad Sázavou

North Moravian Region

Address: Regional Directorate
28. října 60
702 86 Ostrava
Czech Republic
Tel.: (+420 69) 62 74 111
Agencies: Bruntál, Frýdek-Místek, Havířov, Hranice,
Nový Jičín, Olomouc, Opava, Ostrava,
Šumperk, Vsetín

Prague Region

Address: Regional Directorate
Litevská 8
100 00 Praha 10
Czech Republic
Tel.: (+420 2) 67 222 411
(+420 2) 67 222 460
Agencies: Revoluční 2, Hráského 2231,
Štefánikova 10, Sokolovská 55,
Litevská 8, Kaplanova 8

Directory of Česká pojišťovna Subsidiaries

ČESCOB, úvěrová pojišťovna, a.s.

Principal business: insurance of credit risks, reinsurance and prevention activities
Date established: 21 August 1997
Address: Palác KOVO, Jankovcova 2, 170 88 Prague 2, Czech Republic
Tel.: (+420 2) 6671 0152
Fax: (+420 2) 6671 0291
E-mail: RasochaH@cescob.cz
Web site: www.cescob.cz
Registered capital: CZK 156 million
Shareholder structure: 50% Česká pojišťovna a.s. and 50% EULER-COBAC Belgium S.A. (Belgian credit insurer)

ČP DIRECT pojišťovna, a.s.

Principal business: insurance activity, provision of insurance-related administrative services, provision of insurance-related information service
Date established: 1 January 1998
ČP DIRECT, a.s. obtained an insurance license on 30 April 1999
Address: Molákova 11, 186 00 Prague 8, Czech Republic
Tel.: (+420 2) 8309 3413
Fax: (+420 2) 8309 3600
E-mail: mail@cpdirect.cz
Web site: www.cpdirect.cz
Registered capital: CZK 80 million
Shareholder structure: 100% Česká pojišťovna a.s.

KIS a.s. kapitálová investiční společnost

České pojišťovny

Principal business: collective investment through the management of investment and mutual funds
Date established: 19 November 1991
Address: nám. Hrdinů 34, 140 21 Prague 4, Czech Republic
Tel.: (+420 2) 6718 5918
Fax: (+420 2) 6718 5841
E-mail: info@kis.cz
Web site: www.kis.cz
Registered capital: CZK 91 million
Shareholder structure: 99.99% Česká pojišťovna a.s.

eBanka, a.s.

Principal business: all banking transactions and banking services
Date established: 29 December 1990, name change from Expandia Banka, a.s. to eBanka, a.s. effective April 2001
Address: Ovocný trh 8, 117 19 Prague 1, Czech Republic
Tel.: (+420 2) 2211 5222
Fax: (+420 2) 2211 5500
E-mail: rmentlik@ebanka.cz
Web site: www.ebanka.cz
Registered capital: CZK 521 million
Shareholder structure: 89.2% Česká pojišťovna a.s. and 9.5% ČP finanční služby a.s., remainder other shareholders

Penzijní fond České pojišťovny, a.s.

Principal business: supplementary pension insurance
Date established: 19 September 1994
Address: Truhlářská 9, 110 00 Prague 1, Czech Republic
Tel.: (+420 2) 2110 9111
Fax: (+420 2) 231 4191
E-mail: pfcp@pfcp.cz
Web site: www.pfcp.cz
Registered capital: CZK 110 million
Shareholder structure: 100% Česká pojišťovna a.s.

Česká poisťovňa – Slovensko, a. s.

Principal business: composite insurer
Date established: 8 April 1993
Address: Prievozská 6, 824 79 Bratislava 26, Slovak Republic
Tel.: (+421 7) 5827 6230
Fax: (+421 7) 5341 9200
E-mail: cps@cps.sk
Web site: www.cps.sk
Registered capital: SKK 210 million
Shareholder structure: 100% Česká pojišťovna a.s.

Česká pojišťovna ZDRAVÍ a.s.

Principal business: insurance activity in the area of health insurance, accident insurance and travel expenses insurance
Date established: 22 December 1992
Address: Bělohorská 37, 169 00 Prague 6, Czech Republic
Tel.: (+420 2) 2209 0611
Fax: (+420 2) 2209 0682
E-mail: pojistovna@zdravi.cz
Web site: www.zdravi.cz
Registered capital: CZK 100 million
Shareholder structure: 100% Česká pojišťovna a.s.

ČESKÁ ŽIVOTNÍ, a.s.

Principal business: insurance activity with specialization in life assurance products
Date established: 25 June 1998
Address: Štefánikova 50, 150 Prague 5, Czech Republic
Tel.: (+420 2) 2405 3001
Fax: (+420 2) 2405 3060
E-mail: czivotni@cpoj.cz
Web site: www.czivotni.cz
Registered capital: CZK 25 million
Shareholder structure: 100% Česká pojišťovna a.s.

ČP Leasing, a.s.

Principal business: leasing services
Date established: 27 June 1997
Address: nám. Hrdinů 34, 140 21 Prague 4, Czech Republic
Tel.: (+420 2) 6718 5665
Fax: (+420 2) 6718 5959
E-mail: cpleas@comp.cz
Web site: www.cpleasing.cz
Registered capital: CZK 200 million
Shareholder structure: 99.9% Česká pojišťovna a.s.

Persons Responsible for Annual Report Content

Person Responsible for Content of Financial Section

Name: Lubomír Bušek
Domicile: Jeremenkova 14, Prague 4
Job title: Deputy Executive Director

Person Responsible for Content of Editorial Section

Name: Petr Prokop
Domicile: Polívkova 540, Prague 5
Job title: Vice Chairman of the Board and Executive Director

Officers in Charge of Preparing the Annual Report

Name: Ondřej Huslar
Domicile: Jaselská 38, Prague 6

Name: Josef Krunčák
Domicile: Květnového vítězství 492, Prague 4

Affidavit

We hereby declare that the information presented in this Annual Report correspond to fact and that no substantive information was left out that could affect a correct and accurate evaluation of the issuer and the securities issued by said issuer.



Petr Prokop
Vice Chairman of the Board



Jan Blaško
Member of the Board

Audit of the Financial Statements

Since 1993, the financial statements have been audited by KPMG Česká republika Audit, spol. s r. o.

ID: 49619187
Seat: Jana Masaryka 12, 120 00 Prague 2
Auditing authorization: license no. 71
Auditor in charge: František Dostálek
Statutory auditor no.: 176
Birth date: 23 November 1949
Domicile: Tatarkova 371, 149 00 Prague 4

Up until the General Meeting, i.e. 28 June 2001, the complete Česká pojišťovna a.s. 2000 Annual Report is available at the Secretariat of the Chairman of the Board of Directors at Na Pankráci 121, Prague 4. After that date, the Annual Report will be available from the Compliance Department at the same address.

Name: Česká pojišťovna a.s.
Seat: Spálená 16, 113 04 Prague 1 – Nové Město, Czech Republic
Head Office: Na Pankráci 121, 140 00 Prague 4, Czech Republic
Toll-free numbers: 0800 – 133666, 0800 – 176662
Telephone: (+420 2) 6131 9111
Facsimile: (+420 2) 2421 0752
E-mail: cpas@cpoj.cz
Web site: <http://www.cpoj.cz>
Bankers: KB Praha, 17433-021/0100
Auditor: KPMG Česká republika Audit, spol. s r.o.

