

Life Insurance

Underwriting

Investment Policy

Financial Management

Information Technology

**Česká pojišťovna a.s.**  
**Semmi-annual Performance report 2009**

Non-life Insurance

Customer Services

Human Resources

Sales and Marketing



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## Letter from the Chairman

Dear Business Friends,

Although the first half of 2009 was severely affected by the slowdown in economic growth and the ongoing global economic recession, Česká pojišťovna managed in these complex conditions to maintain sound financial management, further to strengthen the Company's financial situation and to deliver value to clients as well as to shareholders. The Company recorded one of the highest semi-annual profits in its history – CZK 3.5 billion, a year-on-year increase of 68 percent. These positive results were in particular a reflection of the Company's cost reduction programme, improved operating results and the revitalization of financial markets in the second quarter of the year.

Shareholder capital of Česká pojišťovna as of 30th June 2009 had increased by almost 7 billion to CZK 21.3 billion compared with a year before. Total assets to the same date reached CZK 127.3 billion and technical reserves CZK 92.1 billion. Thus Česká pojišťovna proved that it is a strong company capable of a sound financial management even under adverse circumstances, which will enable it to meet all existing and future liabilities towards its clients.

Total premium written in the first half of 2009 reached CZK 19.4 billion (compared with CZK 20.3 billion in the first half of 2008), of which CZK 12.5 billion came from non-life and CZK 6.9 billion from life insurance. Among the major reasons behind the drop in the premium written was the controlled reduction in financial risk insurance, which Česká pojišťovna regards as a very high risk area due to the financial crisis, and it will therefore continue to withdraw from this segment. The most successful areas in the first half of 2009 were the insurance of major risks with a 9 percent growth and personal liability insurance which recorded a growth of 8 percent.

Česká pojišťovna's positive financial results have been reflected in upgraded rating of the company by Standard & Poor's from A to A+ with stable outlook, and this at the time when due to the economic recession a number of firms had their ratings downgraded. Thus Česká pojišťovna has reached the maximum possible rating which a Czech company can achieve. It is the same rating that the Czech Republic as a country has. It is good news for all of our clients, confirming that Česká pojišťovna represents for them a long-term guarantee of security and stable partnership.

Česká pojišťovna was declared the Best Insurance Company 2009 by a jury of financial and product analysts in the competition held by the daily Hospodařské noviny (Economic Newspaper). The objective of the competition was to establish which insurance company offers to the public the most comprehensive and beneficial services and products, and at the same time delivers value to its shareholders. The expert jury compared information about available insurance products and services, and assessed companies from the point of view of the client as well as of the shareholder. Along with other indicators monitored were the insurance company's profitability and efficiency, the degree to which technical reserves are covered and the ability to meet liabilities to clients,

Independent analyses within the Best Insurance Company 2009 competition showed among other things that Česká pojišťovna has the most extensive and user-friendly offering of Internet insurance in the Czech Republic. Although this segment of insurance distribution at present constitutes only a small part of overall sales, it has been growing dynamically. This is an area on which our company is focusing, and we are committed to remain leader and product innovator in this insurance segment.

In the first half of the year Česká pojišťovna launched several completely new products onto the market: so-called postal order insurance, Patriot life insurance targeting senior citizens, insurance of travel cancellation after a job loss and insurance against inability to make mortgage repayments, which protects clients who have lost regular income after being laid off or forced to close down their business. We will also in the second half of this year launch several additional new life insurance products onto the market.

Česká pojišťovna has been the first insurer in Europe to introduce a new tool for more effective detection of insurance fraud. Within this system details of traffic accidents are analysed in conjunction with claims data collected in-house. Using the software and application Virtual Crash we will be able to

identify abuse and avert the situation where honest clients have to pay for those who try fraudulently to elicit money from insurance companies.

At the end of June several regions in the Czech Republic were hit by floods, inflicting damage on more than 11,000 of Česká pojišťovna's clients, and costing more than one billion crowns. A considerable part of these losses related to claims for agricultural crops. The events constituted the third most severe flood calamity in the recent history of the Czech Republic. This kept the personnel of Česká pojišťovna's Client Service busy for many weeks. Thus the unfortunate events of this Summer once again emphasised the key role of insurance in covering property risks of individuals and organisations alike. However, they also highlighted what is still an inadequate level of insurance in a number of areas. Česká pojišťovna regards this fact as a challenge, but also as an opportunity for further business development in the field of non-life insurance.

In these latest calamities Česká pojišťovna helped not only by its professional approach and the speed at which claims were settled, but also by providing broad humanitarian assistance. In doing this we continued Česká pojišťovna's 182-year history in this area.

Ladislav Bartoníček

Chairman of the Board of Directors

## Declaration

This Semi-annual Performance Report for the first half of 2009 has been compiled in accordance with Article 119 of Act No. 256/2004 the Capital Market Business Act. It contains Financial Statements for the period ending 30/6/2009.

For and on behalf of Česká pojišťovna a.s.



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Marcel Dostal  
Deputy Chairman  
of the Board of Directors



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Ivan Vodička  
Member of the Board of Directors

## Description of the Company

### Company Profile and Position in the Czech Insurance Market

Since its inception, Česká pojišťovna (also referred to as “ČP” or “the Company”) has been a composite insurer offering a wide variety of life and non-life insurance and is currently the largest insurer in the Czech Republic. The Company manages more than nine and a half million insurance contracts. In the first half of 2009, Česká pojišťovna’s overall market share (in terms of insurance premium revenue) was 28.3 %, of which 24.7 % in life insurance and 30.6 % in non-life insurance (source: Preliminary results of the Czech Association of Insurers from 5 August 2009).

### Basic Company Information

Česká pojišťovna a.s. is a successor of the former state-owned Česká státní pojišťovna. It was incorporated on 1<sup>st</sup> May 1992 as a joint stock company during the first wave of the voucher privatisation.

### Listed Securities Issuer Information

Company name	Česká pojišťovna a.s.
Legal form	Joint stock company
Registered office	Spálená 75/16, 113 04 Praha 1
ID number	452 72 956
Tax ID number	CZ 4527 2956
Bankers	Komerční banka, a.s. Prague 1
Account number	174 33-021/0100
Date of inception	1 <sup>st</sup> May 1992 The Company has been incorporated for an undetermined term
Legal regulation	The Company was founded (according to Article 11, paragraph 3 of Act No. 92/1991 Coll. on the Conditions for the Transfer of State Property to Other Entities, as amended) by the National Property Fund of the Czech Republic under a Deed of Foundation of 28 April 1992, and was incorporated on 1 <sup>st</sup> May 1992.
Incorporation in Commercial Register	Prague Municipal Court Commercial Register Part B, Entry 1464

### Shareholder Structure

CZI Holdings N.V. is as at 30<sup>th</sup> June 2009 the sole shareholder in Česká pojišťovna. Česká pojišťovna is part of a group with the Generali PPF Holding B.V. The ultimate parent of Česká pojišťovna is Assicurazioni Generali S.p.A. which holds a 51 % of voting rights connected with Generali PPF Holding B.V. shares (49 % is held by PPF Group N.V.).

### Key Financial Figures

As at 30/6/2009 /in CZK'000/	2009	2008	2007	2006
Total assets	127,305,181	125,413,321	121,297,161	134,354,693
Capital and reserves attributable to the Company’s equity holder	21,340,657	14,484,942	16,632,277	15,490,212
Basic share capital	4,000,000	4,000,000	4,000,000	2,980,963
Net earnings for the period	3,524,989	2,095,391	5,917,615	2,598,070

### **Česká pojišťovna's Current Rating**

<b>Agency</b>	<b>Rating</b>
Standard & Poor's	A+ with stable outlook (27 <sup>th</sup> January 2009)
Moody's	A3 with stable outlook (4 <sup>th</sup> March 2008)

### **Distribution of 2008 Profit**

The Company's sole shareholder approved on 30th June 2009 the Board of Director's proposal to transfer the 2008 profit of CZK 5,873,169,779.57 to retained earnings.

## Comments on the Company's Financial Situation and Business Activities

### Summary

Premium revenue generated by Česká pojišťovna reached in the first half of 2009 CZK 19.4 billion compared to the CZK 20.3 billion crowns in the comparable period of last year. Česká pojišťovna's earned premium as at 30/6/2009 exceeded CZK19.2 billion, which represents a year-on-year increase of CZK 79.2 million or 0.4 %.

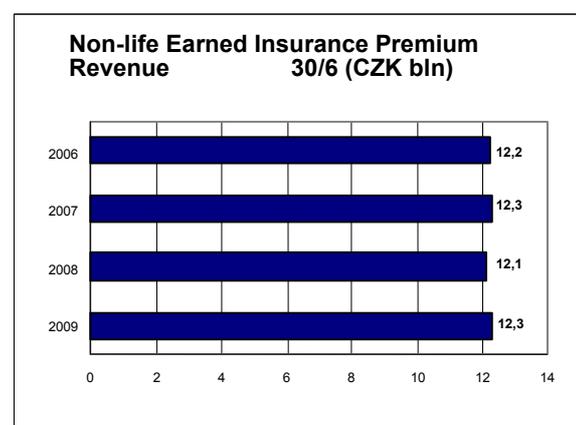
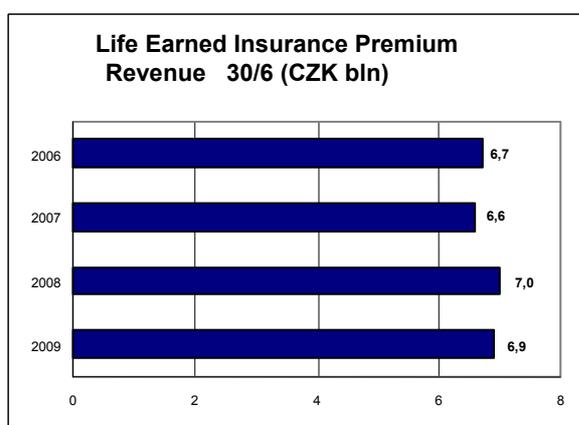
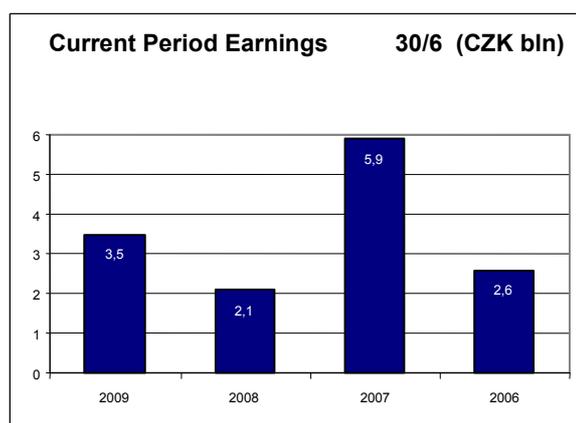
In the first half of 2009, earned premium from non-life insurance reached CZK12.3 billion, a year-on-year growth of 1.5 %. Earned premium from life insurance decreased by 1.4 % to CZK 6.9 billion.

Total costs of claim payments dropped on a year-on-year basis by 6 % to CZK 11.3 billion, of which CZK 2.8 billion was ceded to reinsurers.

As at 30 June 2009, liabilities from insurance reached CZK92 billion (a drop of CZK 610 million compared to the figures for the year ending 31 December 2008).

Basic share capital increased compared to the previous year by CZK 2.9 billion to CZK 21.3 billion.

Total profit for the accounting period ending 30 June 2009 reached CZK 3.5 million, an increase on the same period of 2008 by CZK 1.4 billion.



## Comments on Financial Situation and Financial Result

### Financial Result

Česká pojišťovna reported for the first half of this year a profit of CZK 3.5 billion. This is by 68 % higher profit than in 2008, achieved mainly thanks to cost control and favourable development in financial markets in the first half of 2009.

Premium revenue of the non-life segment according to the ČAP (Czech Association of Insurers) method reached CZK 13.0 billion, which was less than in 2008. The main reason for the decrease was the development in the insurance of financial risks. Česká pojišťovna regards this area as high risk, and will continue to withdraw from it.

Premium revenue of the life insurance segment reached CZK 6.9 billion, which is less than in 2008. The main for this drop was the development in the area of single premium life insurance.

In the area of operating costs, Česká pojišťovna made significant savings compared to 2008.

In the second half of the year we expect increased costs of claim payments, especially due to the summer natural element events: floods and windstorms. Nevertheless, we expect that in the second half of the year too, Česká pojišťovna will achieve a favourable financial result.

The situation in financial markets makes it very difficult to predict further development, both in a short-term and in long-term horizon.

### Company's Basic Share Capital and Funds

In the first half of 2009, the Company's basic share capital and funds amounted to CZK 4.2 billion, a drop of CZK 2.6 billion compared to the end of 2008. As at 30 June 2009, the basic share capital was CZK 4 billion.

### Insurance Liabilities

Insurance liabilities (net of reinsurers' share) consist of provisions formed under the Insurance Act and in the first half of 2009 decreased by CZK 2.6 billion to CZK 95 billion (of which according to the IFRS rules was the CZK 2 billion of provision for obligation toward the Czech Insurers' Bureau (ČKP) reported as part of other provisions and CZK1 billion of equalisation reserves as a part of the shareholders' equity).

### Life Insurance Provisions

As at 30 June 2009, the balance of life insurance provision amounted to CZK 67.3 billion, a drop by CZK 1.8 billion compared to 2008.

### Non-life Insurance Provisions

As at 30 June 2009, net provisions on claims from contractual non-life insurance amounted to CZK 17.5 billion, which represents a 6.5 % increase on the final balance of the previous year.

### Reserve on Unearned Premium from Non-life Insurance

The reserve on unearned premium grew in the first half of 2009 to CZK 6.8 billion, which represents a 3 % increase on the balance as at 31 December 2008.

### Insurance Liabilities Ceded to Reinsurers

The reinsurers share of insurance liabilities grew from CZK 8.6 billion to CZK 9.7 billion.

## **Financial Assets, Investment in Subsidiaries and Investment Property**

Volume-wise, most significant item on the assets side are financial assets. As at 30 June 2009, they amounted to CZK 107.7 billion, which in comparison with the end of the year 2008 represents a drop of CZK1.3 billion. The biggest drop of CZK10 billion was for financial assets at fair value through profit or loss (FVPL). In the opposite direction growing by CZK 3 billion moved the value of financial assets available for sale (AFS).

Another significant assets item are investments in subsidiaries and associated companies. Their volume dropped in the first half of 2009 by CZK 491 million to CZK 6.8 billion.

The value of investment property dropped compared to the year end 2008 by CZK 269 million to CZK 83.7 million.

## **Receivables**

Receivables decreased in the first half of the year by CZK 2 billion to CZK 10.2 billion. The decrease occurred mainly in receivables from direct insurance and in miscellaneous receivables.

## **Payables**

The volume of the Company's liabilities increased in the first half of 2009 by CZK 612 million to the total of CZK 9.2 billion. Largest increases were recorded by liabilities from reinsurance operations and tax liabilities.

## **Situation in the Czech Insurance Market**

The Czech insurance market has been growing continuously since the early 1990s. The first half of 2009 was no exception, although compared to the previous years, due to the global economic recession, the growth slowed down. The market grew by 1.8 % compared to the previous six months, the total premium revenue by member companies of the Czech Association of Insurers ("ČAP") amounted in the first half of 2009 to CZK 70.6 billion (data published by ČAP on 5 August 2009). Premium revenue of life insurance reached the volume of CZK 28.1 billion, representing a year-on-year growth of 1.3 %. In non-life insurance, the premium revenue grew on a year-on-year basis by 2.2 % to the total of CZK 42.5 billion.

An overall insurance penetration, the ratio of the insurance premium revenue to the gross domestic product (GDP), has been in the Czech Republic on the increase. While in the early 1990s it only slightly exceeded 2 %, in recent years its share in the GDP in real prices has been hovering around 4 %. The ratio has been sustained at a constant level mainly thanks to the considerable growth in the GDP. However, in view of the expected cooling off of the economy in 2009, i.e. stagnation or even decline in the GDP in real terms while maintaining at least a mild growth in the premium written, it is likely that the insurance penetration will marginally grow. Nevertheless, the Czech Republic is still lagging behind countries with developed insurance markets, as the overall indicator in the EU25 countries is 9 %. Thus the Czech Republic has so far achieved only about half the EU25 average.

The ratio of premium revenue of life insurance to the overall premium revenue of the Czech Republic during the first half of 2009 was 39.8 %, which represented a reduction of 0.21 % (Q3, 2008: 39.99 %). However, when the economy returns to grow, we expect the process of approximation to western Europe to continue and the importance of life insurance to increase.

The sum of market shares of the five largest insurance companies in terms of premium revenue amounted in the first half of 2009 to 72.9 %. This was a marginal reduction on the same half-year of 2008, when the share was 73.1 %.

Market shares of the five largest insurance companies in terms of premium revenue of life insurance amounted to 66.4 % (a drop 73.5 %). Market shares of the five largest insurance companies in terms of premium revenue in the category non-life insurance amounted to 83 % (a drop 84.4 %).

Thus small insurance companies continue to increase their importance, though in the last year at a slower rate than in the previous years. Česká pojišťovna retained in 2009 its position as the most significant subject in the Czech insurance market.

Its market share in terms of total premium revenue was 28.3 %. In the area of life insurance, the Company commanded a 24.7 % market share, with regular premium revenue by Česká pojišťovna representing 29.6 % of the market. In the area of non-life insurance, Česká pojišťovna held a 30.6 % market share.

## **Business Results of Distribution Channels**

### **Internal Distribution Channels**

Internal distribution channels comprise of a network of exclusive insurance agents and Česká pojišťovna's branch network.

In the first half of 2009 a transformation project continued, the aim of which was to ensure a growth of the agent network. The project was a follow-up to a successful change in the organisational structure and regional arrangement. An outcome of this changes has been a flattening of the organisational structure at the middle management level (by 50 %), recruitment of new agents (1,436 in total) and increased performance of the existing agents thanks to the introduction of a new career rules and a method of handling customer portfolio, which constituted the main value proposition to them for the year 2009. In addition, 161 supported points of sales were established.

Thanks to the transformation project, the Company succeeded not only in overcoming the impacts of the financial recession, but achieved a significant year-on-year growth in life as well as non-life insurance sold in the agent network.

Česká pojišťovna's branch network achieved its key business plan indicators for the first half of the year. It introduced a project "My Family" (Moje rodina) offering special bonus for motor third party liability insurance and ran successful sales campaigns aimed at increasing premium and the client protection. Another sales support was provided by marketing campaigns focusing on boosting the number of visitors to the points of sale. At the same time the Company introduced a systematic process of managers' development, focusing on effective points of sale management and enhancing the staff performance. In the remuneration field, systematic changes in basic salaries were introduced together with other incentive tools.

### **External Distribution Channels**

#### **Insurance Intermediaries Operating on the Basis of Multi-Level Marketing (MLM)**

Česká pojišťovna continued in the first half of 2009 its successful cooperation with two leading MLM networks.

ČP continued developing its cooperation with other partners. Apart from achieving a greater share of the production of these companies, the emphasis was also on seeking new partners in the market, establishing cooperation with several new subjects.

Česká pojišťovna managed in the first half of 2009 to increase on a year-on-year basis production in most of the partner companies, and definitely assumed the position of an important player in the market of independent financial intermediary companies in the Czech Republic.

The Company's product offer was made more attractive by launching new and innovated unit-linked life insurance products. More emphasis was put also on the development of non-life insurance sales. A brand new funeral insurance product PIETA was introduced on 1 April 2009 exclusively for the ZPF Akademia network.

The target for Česká pojišťovna in the first half of 2009 was to maintain the level of cooperation with the existing partners, to deepen the relationship and to continue to increase production.

## Travel Agencies and Third Parties

In 2009 Česká pojišťovna continued to strengthen its cooperation with third parties, among which are especially travel agencies, health insurance company Revírní bratrská pokladna, mortgage brokers and real estate agencies.

In the area of non-life insurance a successful business cooperation with the fourth largest health insurance company, Revírní bratrská pokladna z.p. was established, with very good results reported after the first six month of the cooperation.

All external partners enjoy individual service based on a key account management. The partners are segmented by the overall business benefit they bring to the Company, which determines the scope and level of the Česká pojišťovna's value proposition to them.

During the first half of 2009 Česká pojišťovna maintained its long-time strong position in spite of the fierce competition in the market and the unfavourable impacts of the prevailing financial crisis which affected our cooperation with third parties, especially in the travel agencies and mortgage brokers segments. Nevertheless, the total volume of insurance sold in the first half of 2009 through travel agencies grew on a year-on-year basis by about 10 %.

As an acknowledgement of the quality of services provided, Česká pojišťovna gained the third place in the category Travel Insurance, granted at TTG Travel Awards 2009.

In the second half of 2009 Česká pojišťovna will focus on improving and innovating its product for travel agencies with the aim to maintain the existing client portfolio of travel agencies. In the third parties segment, besides retention activities concerning existing clients, an emphasis will be also on new acquisitions.

## Česká pošta

Cooperation with Česká pošta (Czech Post) has been built on the basis of strategic business partnership formalised by a long-term agreement on cooperation. Česká pošta through its extensive post office network distributes a compact portfolio of life and retail non-life insurance products and renders basic services to Česká pojišťovna's clients. A stable agent network has been established for Česká pošta, which sell, using the Česká pošta points of sale, also products outside the Česká pošta's portfolio.

In 2009, the offering of the Dynamik product was extended by Dynamik Expres which is available exclusively in the Česká pošta network. It is a product which has been tailor-made to fit the Česká pošta's needs and conditions. The product already showed very good sales results just after the first few month of being marketed.

From the production point of view, the first half of 2009 was the most successful period in the history of cooperation between the two companies, particularly in the area of regularly paid life insurance. A positive impact on business results had especially the extensive training campaign carried out by the Česká pošta distribution channel network. Production in regularly paid life insurance increased compared to the comparable period last year by 64 %.

## Non-life Insurance

### Characteristic

Česká pojišťovna in the first half of 2009 kept its position of the market leader in non-life insurance, in spite of the year-on-year drop in the volume of premium revenue as a consequence of the economic recession. Positive development was apparent in the area of business insurance (especially the so called major risks) and in the area of retail insurance. Less favourable was the situation in motor insurance (motor third party liability and Casco insurance) and also in the insurance of loans.

## Position in the Insurance Market

The year-on-year decline in the premium revenue by about CZK 0.7 billion or 5 %, contributed towards the decrease in our market share to the present 30.6 %. In spite of this, Česká pojišťovna has retained its position as the market Number One in non-life insurance.

## Performance in Individual Insurance Categories - Non-life Insurance

### Business Risks

#### Large Risks

Despite the continuing recession and the constant pressure on tariffs, Česká pojišťovna managed to increase the premium revenue by 9.4 %. This result was positively influenced by reorganisation and establishing a new business model. The largest growth was recorded in the area of liability insurance (15.7 %), followed by property insurance (7.7 %)

#### Small Risks

In the insurance of small risks we managed in spite of the decline in industrial production and economic recession to maintain the volumes of premium revenue at levels comparable to 2008 (drop by 0.6 %). Property insurance was stagnating, liability insurance recorded a mild growth (2 %) and cargo insurance on which, due to the Czech economy's dependence on exports, the economic recession had a full impact, recorded a year-on-year drop of around 20 %.

#### Agricultural Insurance

In the agricultural insurance policies portfolio the volume of premium revenue decreased in 2009 by 8.5 %. The drop in crops insurance (11.9 %) was caused primarily by the significant drop in the buyout prices of agricultural commodities. According to the Czech Statistical Office, the price index of agricultural producers decreased on a year-on-year basis by 27.9 %. Insurance of animals was in a year-on-year comparison stable (growth by 1.7 %).

#### Claims Paid

The first half of 2009 was negatively influenced in particular by floods and hailstorms. Floods had a negative impact in the area of property insurance and hail on the insurance of crops. At the end of July Česká pojišťovna registered in the segment of business risks insurance total losses from the summer floods of CZK 475 million. Losses in crops caused by hailstorms amounted at the end of July to approximately CZK 500 million.

### Retail – Non-Life Insurance

#### Personal Lines

The premium revenue in personal lines (property, liability, personal accident, travel insurance) recorded in the first half of 2009 an excellent result, when it grew on a year-on-year basis by 4.8 %.

This was primarily due to the successful implementation of measures in the area of personal accident insurance (product redefinition from 09/2008), conversion of old household, building and liability policies and introduction of an annual indexation of the sum insured, which allows the clients to significantly reduce the risk of being underinsured. The product offering for the retail customers is thus being continuously adapted to the clients' needs. At the same time Česká pojišťovna has managed to achieve a good profitability from retail products (among others a positive effect of the claim settlement process), and this despite the natural disasters the occurrence of which (to a varying degree) has been an almost every year phenomenon.

In the first half of the year a product Pojištění V Kostce (Insurance in a Nutshell) was extended by another cover – personal accident insurance with an option of variable selection of risks to match the

client's insurance needs. Household insurance offering within the Pojištění V Kostce has been extended by a selection of fixed or percent age limits of insurance benefits paid from the sum insured, and the simple household insurance product designed for new recruits has been significantly innovated.

## **Motor Insurance**

### **Motor Third Party Liability Insurance**

The recorded mild drop in the premium revenue from motor third party liability insurance (by CZK0.031 billion 0.2 %) is a reflection of the negative situation in the motor vehicle market due to the economic recession. Major players with a broad palette of non-insurance product offering (ČP, Kooperativa, Allianz, ČSOB) have been losing their share year-after-year, with an obvious shift towards subjects focusing primarily or even exclusively, on the motor third party liability segment (ČPP, Triglav, Uniga).

Česká pojišťovna has a long-term orientation on an optimal profitability, the fact which is reflected in the pricing strategy different from the competition, which has been pushing the prices right down to the limits of profitability. Česká pojišťovna's loss of the market share (year-on-year drop by 3.4 % to 31.6 %) is thus the price paid for maintaining the profitability in this segment at rational levels.

Besides the clear competitive advantage in the form of quick and quality claim settlements, Česká pojišťovna introduced proactive measures to support the business, such as Family Bonus. Further measures will be introduced in the second half of the year.

### **Casco Insurance**

The Casco insurance market has been stagnating (growth by CZK 0.021 billion, 0.3 %), however Česká pojišťovna lost CZK 0.178 billion, the fact which resulted in the market share loss by 2 % to 33 %.

The Casco insurance has been negatively affected by the economic recession, and as a result of the drop in the prices of motor vehicles, the average premium revenue has been showing a downward trend as well. This phenomenon has resulted in the lowering of the market growth dynamic and negatively affected the profitability of this insurance (same risk for a lower premium, an impact of partial losses with vehicle prices at present time, the strategy of repair workshops, etc.). This notwithstanding, same as in motor third party liability, the claim settlement area gives us a significant competitive advantage.

## **Innovation and Future Development**

### **New Products**

The portfolio of motor third party liability products was from 1 August 2008 extended by a new product called Start with a limit of CZK 35/35 million a lower average premium. Priority is to maintain high quality of our product offering. To support business, interesting benefits will continue to be introduced, e.g. Child in Car. In retail insurance, the product portfolio will be in collaboration with one of our subsidiaries extended by an insurance of selected risks connected with the loss of income.

### **Outlook**

Česká pojišťovna will continue to fulfil its strategy of improving both sales and client services. The company will also continue in its endeavours to improve the services in the claims area and seek potential new synergies with other key partners.

## Retail – Life Insurance

### Developments in the Life Insurance Market

Overall, the life insurance market grew in the first half of 2009 by 1 %. Premium revenue for the entire life insurance market of CZK 28.1 billion represented the same share in the total premium revenue (40 %) as in the first half of 2008. The growth rate in regularly paid premium showed a year-on-year growth by 8 %, while single-premium market declined by 15 %.

### Position in the Insurance Market

More than a third (35 %) of the total premium revenue of Česká pojišťovna comes from life insurance. In the first half of 2009 we managed to increase the ratio of premium revenue from life insurance to total premium by 1 % compared to the same period of last year. Our total market share was 24.7 %.

The achieved volume of regularly paid premium of CZK 6.9 billion represents a decrease of the market share by 3 % to 29.6 %. The single premium paid life insurance revenue dropped on a year-on-year basis by 10 % to CZK 0.8 billion. Česká pojišťovna's market share in this insurance area increased by 1 % to 10.9 %.

The new sales production in life insurance dropped in the first half of 2009 by 2 %. Regularly paid production showed a growth of 7 % to CZK 1.1 billion. Single premium paid life insurance production dropped in the first half of 2009 by 12 % to CZK 0.7 billion.

### Description of Product Portfolio

The portfolio of Česká pojišťovna's key insurance products in the first half of 2009 comprised mainly of the Dynamik Plus flexible unit-linked product and SLUNÍČKO flexible children's insurance, KOMBI deposit insurance and GARANCE single-premium unit-linked insurance.

A very successful addition to the product offering was the new unit-linked life insurance product Patriot, launched for sale on 1 March 2009. The product portfolio is complemented by comprehensive personal accident insurance, which is in most cases purchased by clients as part of their life insurance policy.

The new personal accident insurance product launched last year, which provides a good protection for both, child and adult clients, confirmed its prevailing popularity among clients and recorded excellent business results. Attractive to clients is the product's broad range of risks, variability as well as the price of the insurance.

The Patriot unit-linked life insurance product has been developed exclusively for the Česká pojišťovna's internal distribution network. Its development was affected by the ongoing financial crisis and therefore when designing it, an emphasis was put on the security of capital appreciation. The product targets a specific client segment, people who prefer basic insurance for a shorter term but require guaranteed and also higher yields.

Already a second tranche (sales period) of the GARANCE single-premium insurance product with a guaranteed minimum yield was launched this year. Clients of the first tranche earned already in the first year of the policy term a locked income in the form of a fixed 6 % voucher. An integral part of the product is an insurance coverage of death, accidental death in a motor vehicle and personal accident insurance.

Effective from 1 April 2009, Česká pojišťovna started selling yet another clone of the successful Dynamik Plus product through the branches of Česká pošta, named Dynamik Expres. The product has been specifically adapted to the needs of Česká pošta's clients and put the stakes on a maximum simplicity and comprehensibility for selling.

In the first half of 2009 a new Group Personal Insurance was launched for firms and their employees. The product has significantly extended the number of insurable risks, allows higher sums insured, is attractively priced and the policies are simple to sell for all parties involved.

## Performance in Individual Insurance Categories - Life Insurance

Premium revenue from regularly paid insurance combined with an unit-linked insurance increased compared to the first half of 2008 by 53 %, and DYNAMIK Plus maintained its position as the Česká pojišťovna's best selling product.

Regularly paid endowment life insurance recorded in comparison with the first half of 2008 a drop in the premium revenue by 9 %.

Excellent long-time results have been achieved by a group of personal accident policy riders, from which premium revenue in the first half of 2009 increased by 4 %.

### Claims Paid

In the first half of 2009, insurance benefits paid for claims grew compared to the same period last year by 11 % to CZK 5.6 billion.

Same as in the previous years, most insurance benefits were paid for claims from "Insurance of death or life policy maturity". The largest volume of funds was paid for maturing life policies (CZK 2.5 billion).

In total 278 thousand claims were settled.

### Outlook

It is anticipated that the unemployment rate will grow depending on the development of the economic recession in Europe. In view of the prevailing economic situation in the market, a slowdown in the growth of the life insurance share can be expected in 2009. However, from a long-term perspective, the growth in the share of premium revenue from life insurance can be expected to rise, and the situation in the Czech Republic to approach the share usual in developed countries

### Customer Services

Customer Services is an umbrella facility encompassing all activities connected with servicing clients and administering policies, such as entering the policies into the system, making policy changes, processing premium payments and settling claims – from reporting the claim until the payment of insurance benefits. The communication centre and the central mailing room handle all written and telephone communication with clients, insurance dealers and business partners.

As part of the implementation of our strategy in the area of client services were in the first half of 2009 introduced organisational changes which should further help to increase the client satisfaction and efficiency of the processes involved. Among other things, boosted was a client segmentation in the claims settlement area, in which this year the claims cost control programme continue in successful development. The aim of this programme is to prevent fraud, increase the effectiveness of cooperation with the network of specialists participating in claim investigations, value assets which Česká pojišťovna obtained as part of claim settlements more accurately and make use of new technologies and procedures when repairing and remediating damaged assets. The benefits of these activities have positively manifested themselves in a reduced loss ratio. In 2009, Česká pojišťovna will continue to further develop activities in this area in accordance with the prepared plan.

The entire process of settling life insurance claims for selected clients was significantly simplified in 2008. Considerably reduced has been the time between the claim being reported and the payment of insurance benefits. During the first half of 2009, more than 50 % of all reported injury claims were settled this way.

Česká pojišťovna's Communication Centre in 2009 successfully continued to develop a service-to-sales direct distribution channel, which is based on the idea of offering simple products to calling clients and identify their need over the telephone. In the first half of 2009 we managed to sell this way tens of thousands of policies and increase the premium revenue by 27 % while maintaining the low costs of this channel. We also extended the portfolio of service-to-sales products, and today the

offering of the products sold over the telephone matches those of the other distribution channels. This offering includes liability insurance, building insurance, household insurance, motor third party liability and motor Casco insurance, pet insurance, personal accident insurance and private pensions. In June 2009 as every year, we had an independent survey of communication centres conducted, the so called "mystery calling", in which the Česká pojišťovna's Communication Centre placed second. This result confirms the excellent quality of communication skills of our operators and the quality of the processes from the client's perspective.

In 2009 the Client Service continues to focus on increasing the client satisfaction and the process efficiency. A segment-orientated approach to client services has been implemented, and in the first half of 2009 the continuous objective client satisfaction measuring system was put into operation, allowing continuous assessment of clients' needs and implementation of a number of optimisation measures which resulted in the shortening of the time required to handle the client's queries and requirements, simplification of the processes and improvement in the cooperation with sales channels. In the area of cost effectiveness, projects were implemented in 2009, focusing on optimisation of internal support services and processes.

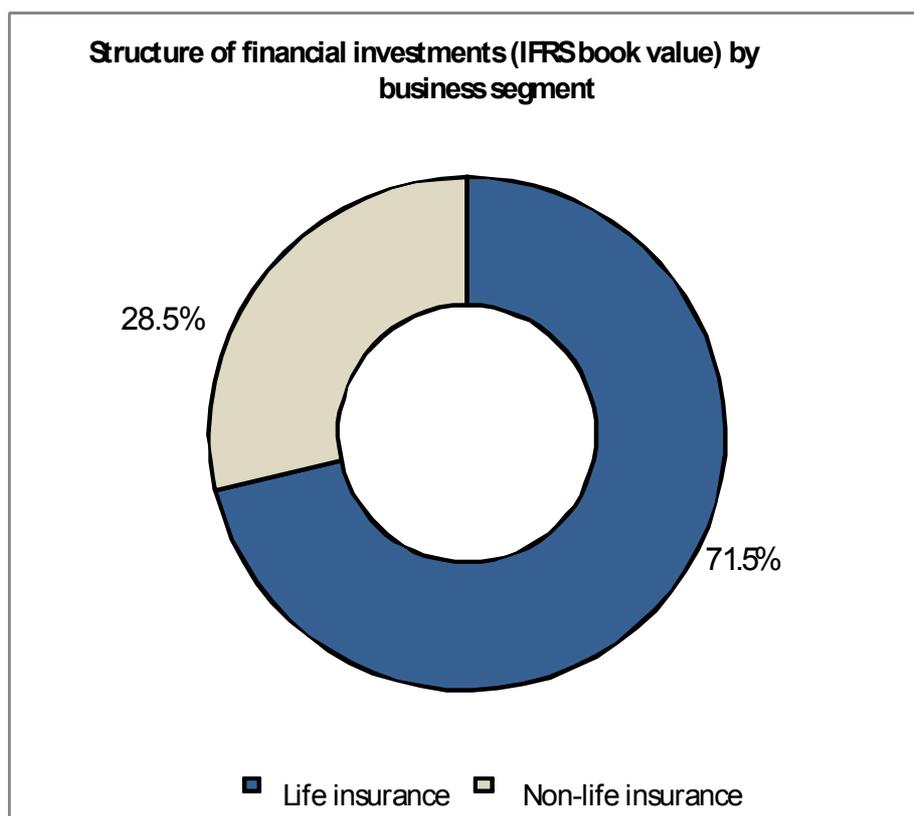
## **Investment Policy**

### **Financial Investments**

An important area of the Company's activities besides insurance are financial investments. In absolute terms, they represent a major part of total assets, and they are financed by insurance liabilities (the so called 'financial placement of technical reserves') and the Company's shareholders equity. Financial placement of technical reserves constitutes 97 % of total financial investments, the remaining three percents are investments from other sources.

The structure of the financial placement of technical reserves is regulated by Decree No. 303/2004, implementing certain provisions of the Insurance Act, as amended. The Decree regulates, by means of limits, the composition of a significant part of insurance companies' total financial investments. The Company integrated these regulatory limits into her own internal policies and procedures by means of internal directives, with the objective to achieve security, profitability and liquidity of these investments, in order to ensure that the Company is able to meet her obligations from sold insurance policies as required by the Insurance Act.

The volume and structure of financial investments as at 30 June 2009, broken down by business segment, is illustrated in the graph and table below, "Structure of financial investments (IFRS book value) by business segment".



In spite of the prevailing global economic recession and insecurity on the financial markets, Česká pojišťovna managed in the first half of 2009 to make a profit from financial investments of CZK 1.548 billion.<sup>1</sup>

In the first half of 2009 interest rates went up, represented by Czech treasury bonds yield. This resulted in the decline in the value of interest-sensitive assets, and for the same reason on the liabilities side the reserve on meeting obligations from the used technical interest rate and other mathematical parameters decreased by CZK 1.242 billion. The overall impact of the development in interest rates on the financial result was positive.

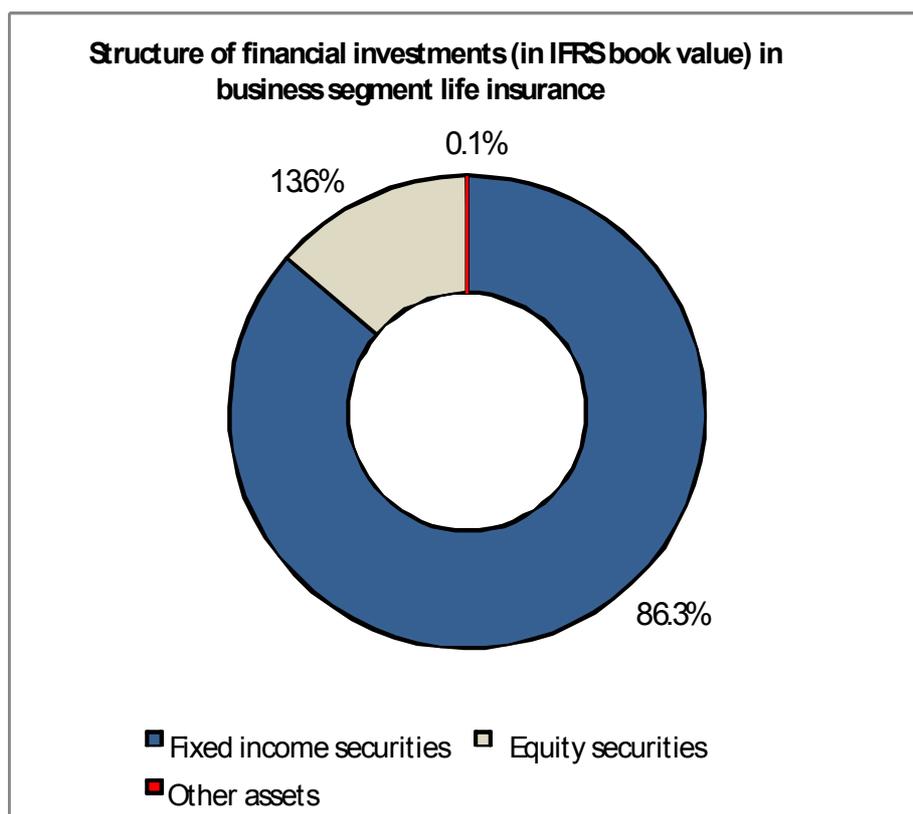
Income from investments into equities in particular within the Central Europe and emerging markets region contributed also towards the overall results. The Company continued to approach investments into risky assets (especially equities) with caution, and in the first half of 2009 further reduced their weight in the portfolio compared to the end of 2008. Among other means also by accepting a public offering by Sanofi-Aventis and selling its interest in Zentiva in March.

### Financial Investments in the Life Insurance Segment

Sources of investments in the life insurance segment are life insurance liabilities and part of internal resources assigned to this segment. As at 30 June 2009, fixed interest rate instruments represented the largest group in the portfolio (CZK 59.9 billion). This part of the portfolio is formed mainly by domestic and foreign treasury bonds and high-rated corporate bonds (CZK48.4 billion) and by deposits with capital-strong banks (CZK5.9 billion).

Life insurance provisions are characteristically long-term in duration. Accordingly, debt securities also have on average a longer maturity, aimed at securing a stable long-term yield and meeting obligations towards the policyholders. From the accounting point of view, a significant part of the debt securities is classified as financial assets available for sale (AFS), aimed at reducing the sensitivity of earnings to change in interest rates.

<sup>1</sup> Adjusted for fees expenses



A second important group of assets from the volume point of view are equity securities (shares, share certificates and other variable-yield securities). Their value in the second half of 2009 amounted to CZK 9.4 billion, which represented a 13.6 % share of the total volume of investments in the life insurance segment. The aim of the investments into these instruments is to ensure yields in the medium and long-term investment horizon, and they act as a suitable counterweight to the interest rate-sensitive portion of the portfolio in order to optimise returns and diversify risks.

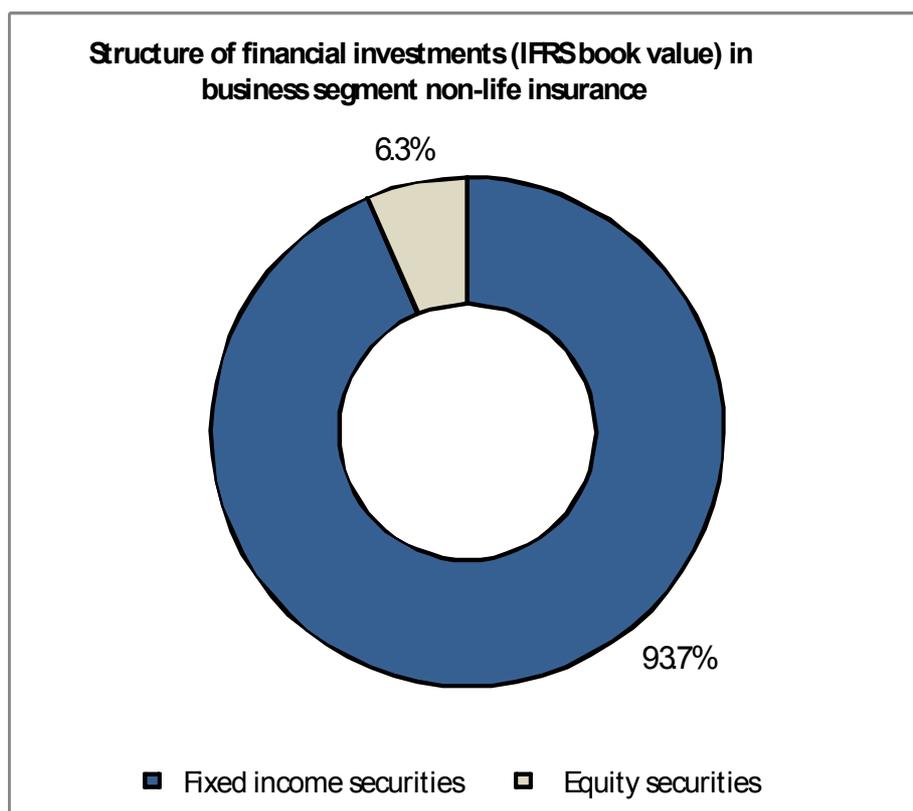
A small part of the funds (0.1 %) was invested into buildings and land; as at 30 June 2009, their book value was CZK 84 million.

The total income for the first six months of 2009 was CZK 1.281 billion, of which CZK 145 million was the income from investments covering insurance liabilities, where the bearer of the investment risk is the policyholder. Major contributor to the results is the interest income from debt securities and deposits.

### Financial Investments in the Non-life Insurance Segment

Financial investments financed by non-life insurance provisions and shareholders' equity allocated to this segment, form together financial investments in the non-life insurance segment.

The financial investments in non-life insurance are short-term in duration. The instruments selected are highly liquid instruments which can be, in the event of higher claim payments than expected, converted quickly to cash.



At the end of June 2009, the value of financial investments stood at CZK 27.7 billion. Most of them were fixed income instruments – CZK 25.9 billion, 93.7 %, of which debt securities amounted to CZK 160.0 billion and fixed-term deposits with banks CZK 7.3 billion. The remaining funds in the non-life insurance segment (CZK 1.8 billion, 6.3 %) were allocated to equity securities.

From the accounting classification point of view, 44 % of the investments were classified as financial assets available for sale (AFS) and 22 % as assets at fair value through profit or loss (FVPL)

Total profit from financial investments in the non-life insurance segment reached in the first six months of 2009 CZK 267 billion.<sup>2</sup> The largest impact had, similarly as in the life insurance segment, interest income from securities and deposits, but a positive contribution was also made by income from shares.

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<sup>2</sup> Adjusted for fees expenses

## Structure of Financial Investments (in IFRS Book Value) by Business Segment

	Life insurance		Non-life insurance	
	CZK'000	%	CZK'000	%
<b>Buildings and land (investment property)</b>	<b>83,642</b>	<b>0.12%</b>	<b>0</b>	<b>0.00%</b>
<b>Loans</b>	<b>6,999,386</b>	<b>10.09%</b>	<b>2,358,256</b>	<b>8.52%</b>
<i>Unlisted debt securities</i>	1,828,350	2.63%	0	0.00%
<i>Loans and advances provided under repo operations</i>	5,171,036	7.45%	2,100,392	7.59%
<i>Other loans</i>	0	0.00%	257,864	0.93%
<b>Financial assets held to maturity</b>	<b>84,551</b>	<b>0.12%</b>	<b>0</b>	<b>0.00%</b>
<i>Debt securities</i>	84,551	0.12%	0	0.00%
<b>Financial assets held for sale</b>	<b>32,586,746</b>	<b>46.96%</b>	<b>12,124,283</b>	<b>43.79%</b>
<i>Debt securities</i>	28,133,018	40.54%	10,795,935	38.99%
<i>Shares, unit certificates and other variable-yield securities</i>	4,453,728	6.42%	1,328,348	4.80%
<b>Financial assets at fair value through profit or loss</b>	<b>24,213,248</b>	<b>34.89%</b>	<b>6,075,163</b>	<b>21.94%</b>
<i>Debt securities</i>	18,395,448	26.51%	5,224,437	18.87%
<i>Shares and other variable-yield securities</i>	2,458,298	3.54%	424,304	1.53%
<i>Investments covering insurance provisions where policyholders bear investment risk</i>	2,492,482	3.59%	0	0.00%
<i>Positive market value of derivatives</i>	867,020	1.25%	426,421	1.54%
<b>Other investments</b>	<b>5,868,825</b>	<b>8.46%</b>	<b>7,251,345</b>	<b>26.19%</b>
<i>Fixed-term bank deposits (net of reinsurance deposits received)</i>	5,868,825	8.46%	7,251,345	26.19%
<b>Financial liabilities (net of outstanding and short-term lendings)</b>	<b>(442,477)</b>	<b>(0.64%)</b>	<b>(121,583)</b>	<b>(0.44%)</b>
<i>Loans and advances received under repo operations</i>	(277,282)	(0.40%)	0	0.00%
<i>Negative market value of derivatives</i>	(165,196)	(0.24%)	(121,583)	(0.44%)
	<b>69,393,921</b>	<b>100.00%</b>	<b>27,687,465</b>	<b>100.00%</b>

## Reinsurance

Česká pojišťovna's reinsurance programme is a long-term contributor to the Company's balanced earnings and stability. As a risk management tool, reinsurance protects Česká pojišťovna and its clients from unexpected catastrophic events as well as from variations in the frequency of losses. The construction of reinsurance policies, based on detailed analysis of each insurance portfolio and on the modelling of catastrophic exposure, enables Česká pojišťovna to optimise the degree of risk which the Company is able to retain, taking into consideration the capital requirements and the degree of risk of each type of insurance.

The proof of the quality and need of obligatory reinsurance is the fact that thanks to the group coverage, Česká pojišťovna was adequately protected from the cumulative losses caused by the floods which occurred in June and July this year. These losses will be partially passed to the reinsurers in accordance with the conditions of the catastrophe reinsurance policy. A similar situation was with the hail damage to crops which this year reached exceptionally high level, significantly exceeding the standard loss ratio for this type insurance. In this case too, a large proportion of the losses was covered by reinsurance.

We do not expect any dramatic developments in reinsurance markets in the second half of the year, as in obligatory reinsurance the conditions negotiated at renewal in the end of 2008 apply for the whole year. Since the proportion of group reinsurance programmes has been on the increase, sufficient facultative capacity is available in reinsurance markets. In view of the obligatory reinsurance capacity and the clients' requirements in industrial insurance, the need for facultative capacity is relatively low compared to the past. The hitherto results of reinsurers indicate that no major changes should occur in 2010 in the conditions of reinsurance either, nevertheless the fact that losses of a catastrophic proportions took place in the Czech Republic, may induce an upward pressure on tariffs, especially in the lower reinsurance layers CAT XL.

## Nuclear Pool

The Czech Nuclear Insurance Pool ("CNIP") is an informal consortium of non-life insurers based on co-insurance and reinsurance of nuclear risks.

Česká pojišťovna's share in the premium revenue as well as reinsurance premium undertaken by CNIP for the the first half of 2009 was at the same level as in the same period of 2008. However, at the end of this year we expect a somewhat lower volume of premium revenue than in 2008. Due to the amendment of the Nuclear Act which became effective on 4 July 2009, significant changes will take place in the liability insurance for nuclear losses, therefore the existing insurance policies will not be renewed within the same scope as last year. On the other hand in the risks ceded to reinsurance, there are outlooks for better results towards the end of 2009 compared to 2008, thanks to the outcomes of successful business negotiations with our foreign partners, as well as due to the favourable development of the Czech currency exchange rate against major currencies.

Nuclear risks have a unique standing in the insurance market. In 2009, practically all major insurance companies doing business in the Czech Republic were members of the Czech Nuclear Insurance Pool. Česká pojišťovna's share in the pool's overall capacity has been stable at approximately 40 %

So far in its history, the Czech Nuclear Insurance Pool has not paid any direct insurance claims.

In view of the unique character of nuclear risks, our goal for the future is to maintain the premium at 2008 level.

## Human Resources

The HR optimisation process continued in 2009 and, also influenced by the situation in the insurance market, the number of employees was reduced. As at 30 June 2009, the Company was employing 4,127 people, i.e. the headcount was reduced compared to the situation at the end of 2008 by 305 people. In 2009, performance management was further developed and a closer link established between personnel development and personnel performance review. At the same time the link between the outcome of performance review and remuneration was made closer. The development of key managers continued in cooperation with USBSP and the University of Pittsburgh through an executive MBA programme focused on insurance industry. The internal technical education programme aimed at retaining and enhancing staff know-how also continued. The most important form were as in the past afternoon technical seminars and knowledge pools. No major changes took place in the area of employee benefits provided to the Company's employees based on the Collective Agreement; these employee benefits are comparable with those provided by other financial institutions. An integral part of the firm's life will continue to be social and sporting events for employees and members of their families.

## Financial Part

### Balance Sheet

CZK'000	30/6/2009	31/12/2008
Intangible assets	1,235,396	1,277,534
Investments	104,495,876	104,337,956
Land and buildings (investment properties)	83,642	83,911
Investments in subsidiaries and associates	6,849,904	7,340,515
Loans	9,357,642	4,898,750
Held to maturity	84,551	81,708
Available-for-sale ("AFS")	44,711,030	41,658,835
Financial assets at fair value through profit and loss ("FVPL")	30,288,411	40,367,956
Other investments	13,120,696	9,906,281
Amounts ceded to reinsurers from insurance provisions	9,718,548	8,550,220
Receivables	10,191,785	12,222,984
Assets held-for-sale	276,070	276,350
Cash and cash equivalents	131,499	292,473
Other assets	1,256,007	1,418,814
<b>Total assets</b>	<b>127,305,181</b>	<b>128,376,331</b>
Share capital	4,000,000	4,000,000
Capital and revenue reserves	17,340,657	14,451,447
<b>Total equity</b>	<b>21,340,657</b>	<b>18,451,447</b>
Insurance provisions	92,071,177	92,681,397
Other provisions	2,277,424	2,311,987
Financial liabilities	1,062,910	4,437,293
Payables	9,171,457	8,559,116
Deferred tax liabilities	47,961	60,681
Other liabilities	1,333,595	1,874,410
<b>Total liabilities</b>	<b>105,964,524</b>	<b>109,924,884</b>
<b>Total equity and liabilities</b>	<b>127,305,181</b>	<b>128,376,331</b>

## Income Statement

for the period ending 30 June

CZK'000	30/6/2009	30/6/2008
Earned premium	13,572,012	14,125,319
Gross earned premium	19,219,102	19,139,916
Earned premium ceded	(5,647,090)	(5,014,597)
Interest and other investment income	1,117,813	900,696
Income from subsidiaries and associated companies	327,275	13,864
Other income from financial instruments and other investments	654,871	100,429
Net income from financial instruments at fair value through profit and loss	1,051,272	1,232,806
Other income	967,670	529,017
<b>Total income</b>	<b>17,690,913</b>	<b>16,902,131</b>
Net insurance benefits and claims	(8,508,640)	(9,622,254)
Gross insurance benefits and claims	(11,324,648)	(12,022,884)
Reinsurers' share	2,816,008	2,400,630
Interest expenses	(19,170)	(30,342)
Expenses from subsidiaries and associated companies	(12,114)	(139)
Other expenses for financial instruments and other investments	(478,341)	(338,683)
Acquisition costs	(1,404,139)	(1,017,321)
Administration costs	(1,331,446)	(1,995,189)
Other expenses	(1,977,586)	(1,335,107)
<b>Total expenses</b>	<b>(13,731,436)</b>	<b>(14,339,035)</b>
Profit before tax	3,959,477	2,563,096
Income tax expense	(434,488)	(467,705)
<b>Net profit for the current period</b>	<b>3,524,989</b>	<b>2,095,391</b>

## Statement of Changes in Equity

for the period ending 30 June

CZK'000	Issued capital	Revaluation of financial assets AFS	Revaluation - Land and buildings	Legal and statutory reserves	Equalisation reserves	Retained earnings	Total
<b>Balance as at 1/1/2009 -</b>	<b>4,000,000</b>	<b>(951,290)</b>	<b>3,717</b>	<b>800,000</b>	<b>3,000,871</b>	<b>11,598,149</b>	<b>18,451,447</b>
Revaluation of land and buildings			(41)		41		
Valuation gains (losses) taken to equity for AFS		(989,027)				(989,027)	
AFS revaluation gains transferred to Income Statement		353,430				353,430	
Tax on items taken directly to or transferred into equity		(237)	55			(182)	
Total gains and losses recognised directly in equity		(635,834)	14			41	(635,779)
Profit for the current period					3,524,989	3,524,989	
Changes in equalisation reserves					(1,979,326)	1,979,326	
<b>Balance as at 30/6/2009</b>	<b>4,000,000</b>	<b>(1,587,124)</b>	<b>3,731</b>	<b>800,000</b>	<b>1,021,545</b>	<b>17,102,505</b>	<b>21,340,657</b>

	Issued capital	Revaluation of financial assets AFS	Revaluation - Land and buildings	Legal and statutory reserves	Equalisation reserves	Retained earnings	Total
<b>Balance as at 1/1/2008</b>	<b>4,000,000</b>	<b>(589,297)</b>	<b>12,214</b>	<b>800,000</b>	<b>2,755,599</b>	<b>10,457,854</b>	<b>17,436,370</b>
Revaluation of land and buildings			(10,810)			11,034	224
Valuation gains (losses) taken to equity		(819,885)					(819,885)
AFS revaluation gains transferred to Income Statement		116,118					116,118
Tax on items taken directly to or transferred into equity		154,454	2,270				156,724
Total gains and losses recognised directly in equity		(549,313)	(8,540)			11,034	(546,819)
Profit for the current period						2,095,391	2,095,391
Dividends to shareholders						(4,500,000)	(4,500,000)
Changes in equalisation reserves					99,550	(99,550)	
<b>Balance as at 30/6/2008</b>	<b>4,000,000</b>	<b>(1,138,610)</b>	<b>3,674</b>	<b>800,000</b>	<b>2,855,149</b>	<b>7,964,729</b>	<b>14,484,942</b>

CZK'000

## Cash Flow Statement

for the period ending 30 June

CZK'000	30/6/2009	30/6/2008
<b>Cash flow from operating activities</b>		
Profit before tax	3,959,477	2,563,096
Adjustments for:		
Depreciation and amortisation	282,082	416,698
Impairment and reversal of impairment of current and non-current assets	37,107	132,248
Profit/(loss) on disposal of PPE, intangible assets and investment property	316	(2,441)
Profit/(loss) from revaluation of financial assets	(307,887)	1,476,069
Gains/(losses) on disposal of consolidated subsidiaries and associates		139
Dividends received	(327,275)	(12,000)
Dividend expenses		(4,500,000)
Interest expense	146,681	30,878
Interest income	(1,746,619)	(1,767,937)
Income/(expenses) not involving movements of cash	753,796	175,602
Purchase of financial assets at FVPL held for trading		(6,737,679)
Proceeds from financial assets at FVPL held for trading	595,453	4,226,974
Change in loans and advances to banks	(4,496,718)	2,007,016
Change in loans and advances to customers	47,414	496
Change in receivable	(416,111)	542,293
Change in reinsurance assets	(1,168,328)	(553,280)
Change in other assets, prepayments and accrued income	64,384	17,172
Change in payables	219,920	2,307,373
Change in financial liabilities for investment contract with DPF	49,681	100,506
Change in financial liabilities at FVPL held for trading	(1,182,452)	28,517
Change in liabilities to banks	(4,089,712)	1,749,290
Change in insurance liabilities	(659,901)	1,604,927
Change in other liabilities, accruals and deferred income	(540,814)	(178,123)
Changes in other provisions	(34,563)	5,330
Cash flow arising from taxes on income	(321,947)	(935,746)
<b>Net cash flow from operating activities</b>	<b>(9,136,016)</b>	<b>2,697,418</b>
<b>Cash flow from investing activities</b>		
Interest received	1,866,429	1,080,813
Dividends received	327,275	12,000
Purchase of tangible assets and intangible assets	(361,048)	(176,010)
Purchase of financial assets at FVPL not held for trading	(2,186,887)	(3,225,697)
Purchase of financial assets held to maturity		1
Purchase of financial assets available for sale	(21,919,673)	(9,695,037)
Acquisition in subsidiaries and associates	(9,389)	(989,689)
Provided loans		(100,000)

CZK'000	30/6/2009	30/6/2008
Proceeds from disposals of tangible and intangible assets	219,458	22,177
Proceeds from financial assets at FVPL not held for trading	11,107,983	4,488,033
Proceeds from financial assets available for sale	18,248,766	5,956,871
Proceeds from sale of investment property	303	
Proceeds from disposal of subsidiaries and associates and other proceeds from subsidiaries and associates	3,190,000	371
<b>Net cash flow from investing activities</b>	<b>10,483,217</b>	<b>(2,626,167)</b>
<b>Cash flow from financing activities</b>		
Drawing of loans	2,012,114	
Repayment of loans	(3,300,000)	
Interest paid	(218,898)	(17,193)
Other financial activities	218	
<b>Net cash flow from financing activities</b>	<b>(1,506,566)</b>	<b>(17,193)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(159,365)</b>	<b>54,058</b>
<b>Cash and cash equivalents as at 1<sup>st</sup> January</b>	<b>292,473</b>	<b>330,224</b>
Effect of exchange rate changes on cash and cash equivalents	(1,609)	(2,922)
<b>Cash and cash equivalents as at 30<sup>th</sup> June</b>	<b>131,499</b>	<b>381,360</b>