otp Garancia poisťovňa

Risk belongs to one of the things, of which the life is being built spontaneously. It is wise to know its measure and to know who to join to in order to reduce the results for you. We are your security on the other side.

2007

ANNUAL REPORT

otp Garancia poisťovňa

2007

ANNUAL REPORT

Statement of the Chairman and General Director

Last year 2007 was the 5th year of existence of the OTP Garancia poisťovňa, a.s. (Jsc.) insurance company. As the insurance market is going under development and changes, our insurance company is no exception either. During the course of the year we managed to perform the business plan to 37.9 %, and so create a loss of SKK 31.4 mil.

From the aspect of economic results, this year may considered as one of the successful years, as compared to the year of 2006, we experienced a favourable development of the financial indicators of our insurance company. Almost all the distribution channels significantly contributed thereto. Internal sales network reported a significant increase, almost 240.0 % and brokers reached a growth of 209.8 %. The banking sales channel does not hold back either, which reported an increase by 182.6 %.

The fundamental changes of last year comprise mainly the change of corporate identity of the company, by which the company reacted to the requirements of the changing market. The basic expression was the introduction of the new logo of the company, and the beginning of behaving and communicating as one group. The main aim of the connection was to become a member of a financial group with a broad portfolio of products and services.

As the portfolio structure is one-sided, motor third party liability mandatory insurance prevails, and the main task of the year 2008 is to change this state.
In order to achieve it, we elaborated plans for the motivations of dealers, whereas emphasis is put on other types of non-life insurance, such as for example house-household and insurance of entrepreneurial risks.

We can also evaluate very positively the fact that we were successful with acquisitions in the communal sphere, whereas we consider this area to be really perspective.

If I wanted to characterise year 2007, it was a year of changes. A year of such changes, which are the indications of good economic results in the year of 2008.

I wish you a lot of success to it, and at the same time I would like to thank my colleagues for the performed work, as well as for the co-operation with out business partners.

I wish you a lot of success to it, and at the same time I would like to thank my colleagues for the performed work, as well as for the co-operation with out business partners.

Profile company

Business name	OTP Garancia poisťovňa, a. s.
Registered seat	Klemensova 2, 811 09 Bratislava
Legal form	joint stock company
Company ID	35 862 131
Companies Register	District Court Bratislava I, Section: Sa, Insert No.: 3156/B
Entry date	16th July, 2003
Basic capital	SKK 310,000 ths.
Shareholders	Garancia Biztosító Rt., Budapest, with a share of 94.2 % OTP Banka Slovensko, a. s. (Jsc.), with a share of 5.8 %

OTP Garancia poisťovňa, a. s. (Jsc.) was established in 2003 and in its offer it has a wide spectre of products of non-life insurance, which the insurance company offers mainly through business networks of the OTP group members – OTP Banka Slovensko, a. s. (Jsc.), and broker companies operating on the Slovak market. A substantial share in the business production of the company is still kept by the insurance of motor vehicles – motor hull insurance and mandatory contractual motor third party liability insurance. The insurance company focuses its attention more on the insurance of property, household and entrepreneurs.

Product offer

- Motor hull insurance (Casco)
- Motor third party liability insurance
- Accident rider to motor hull insurance
- Insurance of buildings and households
- Travel insurance
- Accident insurance
- Entrepreneur insurance

Basic financial data as of 31st December, 2007 (in ths. SKK))

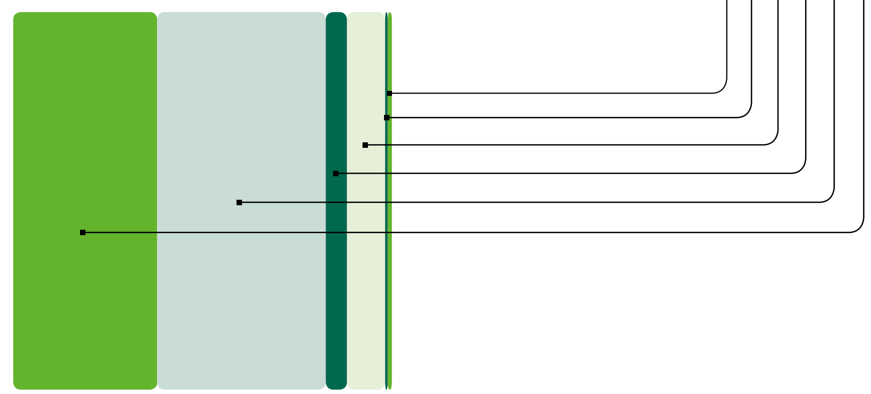
Volume of written premium	SKK 133,483 ths.
Volume of paid out insurance claims	SKK 40,511 ths.
Economic result after taxation	SKK – 31,452 ths.
Total assets	SKK 314,904 ths.
Basic capital	SKK 310,000 ths.
Technical provisions	SKK 48,283 ths.

The General Meeting of the company decided that the reported loss in 2007 was posted on the account "accumulated loss from previous years".

The share of individual insurance types according to the written premium in 2007 (in ths. SKK and %)

Motor hull insurance	SKK 59,515	ths.	44.6 %
Motor third party insurance	SKK 50,831	ths.	38.1 %
Insurance of buildings and households	SKK 7,458	ths.	5.6 %
Travel insurance	SKK 1,475	ths.	1.1 %
Accident insurance	SKK 742	ths.	0.6 %
Entrepreneur insurance	SKK 13,462	ths.	10.1 %

Product	Actual I. – XII. 2006	Actual I. – XII. 2007	Plan I. – XII. 2007	Percentage %	Y – Y growth %	Share
Motor hull insurance	4645	50831	97049	52,4	–	38,1%
Motor third party insurance	49517	59515	87458	68,0	20,2	44,6 %
Property insurance	5168	7458	14663	50,9	44,3	5,6 %
Entrepreneur insurance	8907	13462	148363	9,1	51,1	10,1 %
Accident insurance	315	742	819	90,6	135,6	0,6 %
Travel insurance	1086	1475	3782	39,0	35,8	1,1 %
Total	**69638**	**133483**	**352134**	**37,9**	**91,7**	**100,0 %**



Report of the Board of Directors on business activities in 2007

Report on financial situation in 2007

By entering the market with mandatory MTPL, OTP Garancia made a significant step in its efforts to become a full value player on the Slovak insurance market and its brand in 2007 became known and accepted with broad spectre of the public. At the same with the common rebranding campaign it firmly joined the OTP group. The common denominator of the campaign is the effort of the group members to use cross-selling for expansion and consolidation of the own client basis.

The written premium in 2007 grew by SKK 63.8 mil. compared to the year of 2006, which represents a growth by more than 91.7%. Despite this fact, the written premium of SKK 133.5 mil. represents a fulfilment of the plan only at the level of 37.9%. From the volume aspect, the most successful products were the products connected with the insurance of motor vehicles. Traditionally the highest written premium was achieved in the CASCO insurance in the sum of SKK 56,819 ths. However, MTPL insurance did not fall behind very much, where the sum of written premium reached the level of SK 50.8 mil. Together both insurance types make up more than 80 % of the total achieved written premium. However, allegedly this structure of written premium does not conform to the image of the insurance company on the building of insurance portfolio and enters several risks into the company management.

Apart from common selling with other group member, cross-selling became in the plan of the insurance company an important instrument upon use of the motor vehicle insurance for the support of other insurance products. Despite their intentions, they did not manage to transit the dynamics in the insurance of motor vehicles into other businesses. Even if the transactions in the insurance of entrepreneurs were the second most successful from the volume point of view after the insurance of motor vehicles, by fulfilment of the plan at the level of 9.1 %, they fell behind a lot other product groups. The products in household insurance, in travel insurance and accident insurance stayed approximately on half way in the fulfilment of the planned volume (SKK 7.5 mil.).

Almost one third of the written premium was gained through the OTP group members. While co-operation with OTP Banka Slovensko, a. s. reported a high growth, common intentions with OTP Leasing were unfortunately not fulfilled.

At the same time with strengthening the relations in the group, the building of the own business network continued, followed by a selection process among insurance mediators. The measures taken showed in the highest annual growth of deals from all the sale channels – by more than 200%. A high growth, almost by 200%, was reported in the deals secured by partner brokers.

Revenues from financial positioning grew by more than 50%. In the structure of financial assets, term deposits at banks still prevailed. Their share was higher than 50%, but their lower share compared to 2006 confirmed the intention of the insurance company to significantly strengthen the representation of state bonds and mortgage bonds. The insurance company thereby decreased the influence of profitability oscillation of short-term financial instruments on this group of revenues.

In the group of costs, lower burden of losses in the insurance of motor vehicles had a significantly favourable influence. Together with the created provisions, the costs of insurance claims amounted to a gross volume of SKK 51 mil. The low drawing of acquisition costs SKK 30.6 mil.) influenced low costs of commissions. The volume of operating costs at the level of SKK 43.2 mil. did not reach the planned volume either. Nevertheless, the insurance company invested substantial funds into technical renewal and reinforcement.

The insurance company closed the financial year in 2007 with a loss of SKK 31.5 mil., which is worse by SKK 6 mil. than the estimation in the plan. The creation of rectifying items for insurance receivables in the amount of SKK 13 mil. played a significant part mil.

Information on anticipated economic and financial situation in 2008

The focus of the expected economic situation development in 2008 is the increase of insurance businesses by more than 100 % to the amount of SKK 288 mil. The insurance of motor vehicles still remains the bearing pillar, but the share of written premium in CASCO and MTPL insurance together shall drop to 75% of the total volume of gross written premium. On the contrary, the insurance of entrepreneurs shall reach a share of almost 20% in all the businesses.

Upon fulfilment of the planned business volumes, the term of cross-selling shall gain an even deeper meaning. On the basis of mutual sales support between the individual insurance products, the role of catalyser will be played by the motor vehicle insurance products. Within mutual sale of OTP group products, the members of our financial group shall secure almost 40% of the insurance deals. The bearing distribution channel, however, remain to be the broker companies, through which more than one third of the business volume goes.

Despite the expected decrease of short-term interest rates, the revenues from the positioning of financial instruments increase to almost SKK 9.5 mil., mainly owing to the increase of financial assets.

The plan does not count with a favourable development of the burden of losses, as it was in 2007. Upon relative decrease of the burden of losses by more than 10%, the insurance claims together with the additionally created provisions shall amount to SKK 123.8 mil.
Commissions, advertising costs and wages of dealers shall form the main items of acquisition costs in the amount of SKK 56.5 mil. The costs of administrative overheads (SKK 52.9 mil.) include besides the general costs also the expenses connected with conversion to EURO and transfer to a special account of the Ministry of Interior in connection with the mandatory MTPL insurance.
With regards to the approved development character of the insurance company, the plan estimates an annual loss of SKK –10 mil.
In the balancing structure, the plan counts with the increase of technical provisions by more than 100% to the value of SKK 98.1 mil. The anticipated growth is connected not only with the growth of insurance deals, but also with the creation of technical provisions for the coverage of SIB liabilities within the MTPL insurance.

One of the basic priorities of the insurance company activities in 2008 is further business growth. This shall be secured not only by expansion and improvement of the quality and activities of the trade network, but also by the running innovation of insurance products and services in favour of the clients.

Board of Directors of the company

otp Garancia poisťovňa

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OTP Garancia poisťovňa, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of OTP Garancia poisťovňa, a.s.:

1. We have audited the accompanying separate financial statements of OTP Garancia poisťovňa, a.s., (hereinafter "the Company") which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' Responsibility for the Financial Statements

2. The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the separate financial statements present fairly, in all material respects, the financial position of OTP Garancia poisťovňa, a.s., as of 31 December 2007, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

5. Without qualifying our opinion we draw attention to Note 5.16 to these financial statements. The Company created a provision for mandatory Motor Third Party Liability insurance ("MTPL") contributions to the Slovak Agency of Insurers ("SKP") based on the Company's anticipated share of the annual allocation of SKP deficit for 2008. The actual final amount of contributions may differ based on the actual need of SKP. There is uncertainty as to final amount of payment to SKP by the Company.

6. Without qualifying our opinion we further draw attention to Note 2.1 to the accompanying financial statements. The Company is dependent on the financial support from its parent company. The parent company OTP Garancio Biztosító Rt., OTP Bank Nyrt., decided to sell its investments in subsidiary OTP Garancio Biztosító Rt., including its subsidiary OTP Garancia poisťovňa, a.s., to a new shareholder. The agreement with Groupama SA was signed on 10 January 2008; however the transaction has not been approved before the date of authorisation of these financial statements. These financial statements contain no potential adjustments resulting from the sale or adjustments that might be necessary if changes in the scope of business or strategy would result in changes in the recognised assets and liabilities.

Bratislava 7 March 2008

Deloitte Audit s.r.o.	Ing. Zuzana Letková
Licence SKAu No. 014	Responsible auditor
	Licence SKAu No. 865

B Profit and Loss Statement executed according to the International Standards for Financial Reporting, in the wording approved by the EU for the year ending as of 31st December, 2007

Profit and Loss Statement (in ths.SKK)	Note	2007	2006
Revenues from premium		108 947	64 279
Premium transferred to reinsurers		(28 413)	(13 034)
Net revenues from premium	5.1	**80 534**	**51 245**
Revenues from fees	5.2	7 702	3 133
Revenues from investments	5.3	9 081	5 932
Other operating revenues	5.4	424	1 072
Net revenues		**97 741**	**61 382**
Insurance claims	5.5	40 511	24 319
Costs of claim and loss adjustment	5.5	10 874	589
Refund of costs of claim and loss adjustment from reinsurers	5.5	(11 667)	(1 671)
Net insurance claims and losses		**39 718**	**23 237**
Marketing and administrative costs	5.6	73 992	58 122
Other operating costs	5.6	15 168	5 125
Expenses		**128 878**	**86 484**
Loss before taxation		**(31 137)**	**(25 102)**
Income tax	5.7	(315)	40
Loss of the current year		**(31 452)**	**(25 061)**

C Balance Sheet executed according to the International Standards for Financial Reporting, in the wording approved by the EU for the year ending as of 31st December, 20077

Balance Sheet (in ths SKK)	Note	31. 12. 2007	31. 12. 2006
Assets			
Buildings, constructions, machinery and equipments	5.8	2 586	2 724
Intangible assets	5.9	1 071	663
Capital participation in affiliated companies	5.10	158	158
Financial assets			
Debt securities for sale	5.11	99 889	55 473
Loans and receivables including receivables from insurance contracts	5.12	188 029	225 321
Reinsurance contracts	5.15	17 436	3 950
Cash and cash equivalents	5.13	4 560	3 028
Other assets		1 175	828
Total assets		**314 904**	**292 145**
Share capital	5.14	310 000	310 000
Other reserves	5.14	4 670	5 868
Unsettled loss		(79 166)	(54 105)
Loss for the period		(31 452)	(25 061)
Equity capital		**204 052**	**236 702**
Liabilities and provisions from insurance contracts	5.15	64 842	26 233
Trade liabilities and other liabilities	5.16	45 633	29 148
Deferred tax liabilities	5.17	377	62
Liabilities		**110 852**	**55 443**
Total equity capital and liabilities		**314 904**	**292 145**

D Statement of changes in equity executed according to the International Standards for Financial Reporting, in the wording approved by the EU for the year ending as of 31st December, 2007

Statement on changes in equity	Share capital	Other reserves	Retained profit	Profit for the period	Total
Equity as of 1st January, 2006	121 000	6 377	(33 945)	(20 161)	73 271
Transfer	-	-	(20 161)	20 161	-
Increase of SC	189 000	-	-	-	189 000
Differences in valuation	-	(509)	-	-	(509)
Loss after taxation	-	-	-	(25 061)	(25 061)
Equity as of 31st December, 2006	**310 000**	**5 868**	**(54 105)**	**(25 061)**	**236 702**
Transfer	-	-	(25 061)	25 061	-
Differences in valuation	-	(1 198)	-	-	(1 198)
Loss after taxation	-	-	-	(31 452)	(31 452)
Equity as of 31st December, 2007	**310 000**	**4 670**	**(79 166)**	**(31 452)**	**204 052**

Cash Flow Statement
executed according to the International Standards for Financial Reporting, in the wording approved by the EU for the year ending as of 31st December, 2007

Cash Flow Statement	2007	2006
Loss before taxation	**(31 137)**	**(25 102)**
Non-financial adjustments	**23 406**	**19 949**
Depreciation	1 856	2 175
Carrying value of discarded property	145	-
Rectifying items to assets	-	(18)
Net technical provisions	28 989	22 648
Differences in valuation from securities for sale	(1 198)	(509)
Interest revenues	(6 386)	(4 347)
Change in operating assets and liabilities	**5 075**	**(183 946)**
Debt securities	(44 416)	(18 865)
Loans and credit receivables including receivables from insurance	36 872	(156 651)
Reinsurance contracts	(3 866)	(1 186)
Trade liabilities and other liabilities	16 485	17 884
Other		(25 128)
Cash flow used for/from operating activities	**(2 656)**	**(189 099)**
Income tax paid	(347)	-
Interest received	6 806	3 779
Net cash flow used for operating activities	**3 803**	**(185 320)**
Cash flow from investment activities		
Acquisition of buildings, constructions, machinery and equipments	(2 271)	(1 695)
Net cash flow used for investment activities	**(2 271)**	**(1 695)**
Cash flow from financial activities		
Revenue from the emission of ordinary shares	-	189 000
Net cash flow used for financial activities	**-**	**189 000**
Net (decrease)/increase of cash equivalents	**1 532**	**1 985**
Cash and cash equivalents at the beginning of the year	3 028	1 043
Cash and cash equivalents at the end of the year	**4 560**	**3 028**

The statement of finances was approved on 7th March, 2008.

Signed by on behalf of the Board of Directors:

Ing. Ľudovít Konczer
Chairman of the Board of Directors

Ing. Matej Nagy
Member of the Board of Directors

The person responsible for accounting:

Ing. Darina Huttová
Chief Accountant

Notes to the Individual Statement of Finances compiled according to the International Standards for Financial Reporting, in the wording approved by the EU for the year ending as of 31st December, 2007

1. General data

1.1. Business name and seat of the company

OTP Garancia poisťovňa a. s. (Jsc.) (hereinafter referred to as "company") was established by a memorandum of association dated 31st January, 2003 and it was incorporated on 16th July, 2003 (Companies Register of District Court Bratislava I in Bratislava, Section: Sa, Insert No.: 3156/B) under company identification number (Company ID) 35862131. The company was assigned the tax identification number (Tax ID) 2021 732 977. The Office for Financial Market issued on 18th August, 2003 decision No. GRUFT-008/2003/POIS on granting licence for performance of insurance activities. OTP Garancia poisťovňa a. s. (Jsc.) is registered in the Slovak Republic as a joint-stock company. The main activities of the company are described in the following note 1.2.

1.2. Main activities of the company according to the excerpt from the Companies Register:

- accident insurance during travelling: with single, repeated or combined fulfilment,
- insurance of damage to road means of transport different from tracked ones - motor vehicles,
- insurance of damage to other property caused by fire, explosion, windstorm, natural disaster except for windstorm, nuclear power, landslide or erosion of land,
- general damage liability insurance,
- insurance of other damages to other property caused by hailstorm, freeze or another way (e.g. theft),
- insurance of goods transportation during shipping, including luggage and other property
- regardless of the mean of transport used,
- insurance of aid to persons in short during travelling or staying out of the place of permanent residence.
- damage liability insurance for the damage caused by motor vehicle operation according to the decision of the National Bank of Slovakia dated 16th October, 2006, Number: UDK-003/2006/POIS

1.3. Structure of the company shareholders

The structure of shareholders as of 31st December, 2007:

	Share of basic capital		Voting rights
	(in ths. SKK)	%	%
OTP-Garancia Biztosító Rt. Budapest, Republic of Hungary	292 024	94,2	94,2
OTP Banka Slovensko, a. s., Bratislava, Slovak Republic	17 976	5,8	5,8
Total	**310 000**	**100,0**	**100,0**

Bodies of the company

Board of directors

Ing. Ľudovít Konczer – Chairman of the Board of Directors
Ing. Ľubica Hudáková – Member of the Board of Directors
Ing. Matej Nagy – Member of the Board of Directors
Sándor Dögei – Member of the Board of Directors
Sándor Dögei – was a Member of the Board of Directors from until 17th December, 2007. From 17th December, 2007 Ing. Andrea Angyalová became a Member of the Board of Directors.

Supervisory Board

György Kapitány	– Chairman
Ing. Zita Zemková	– member
István Csonka	– member, from 17th December, 2007 Chairman of the Supervisory Board György Kapitány was a member and Chairman of the Supervisory Board until 25th October, 2007. From 18th December, 2007 Sándor Dögei became a member of the Supervisory Board.
György Kapitány	– was a member and Chairman of the Supervisory Board until 25th October, 2007. From 18th December, 2007 Sándor Dögei became a member of the Supervisory Board.

As of 31st December, 2007, OTP Garancia poisťovňa employed 37 persons in the average calculated state, out of that 6 persons were members of the management.

The address of the company seat is Klemensova 2, Bratislava. The company has no branches or affiliates in the Slovak Republic.

The highest mother company is OTP Bank Hungary ("OTP" Or "OTP Group") with its seat at Nádor u. 16, Budapest 1051, Hungary. At this address the consolidated statements for all the OTP Group are also available at this address. The mother company and directly consolidating accounting unit is OTP Garancia Biztosító Rt. with its seat at Október 6. u. 20, Budapest 1051, Hungary. The consolidated statements are also available at this address.

The accounting entity is not a partner with unlimited liability in other accounting entities.

2. Summary of the main accounting principles

The main accounting principles applied upon compilation of these financial statements are described in the following part. The principles were applied consistently in all the presented years, if otherwise not stated.

2.1 On-going concern principle and transfer of proprietorial rights

The statement of finances of the company for the year 2007 was compiled under the principle of on-going concern. The company reports in this year, as well as in the previous years, accounting losses. The company is dependant on the financial support of the mother company.

As of 10th January, 2008, an agreement on the sale of the mother company OTP Garancia Biztosító Rt. was concluded to the French insurance company Groupama SA, however, up to the approval date of this statement of finances the transaction was not approved by the regulator yet. The sale involves the company OTP Garancia poisťovňa, a. s. OTP Garancia Biztosító Rt. declared the support of continuing the activities of the company until the selling.

This statement of finances does not contain any incidental adjustments resulting from sale, nor adjustments, which might be necessary in case that changes in the scope of business or strategy cause a change in the reported assets and liabilities.

2.2. Basis of the presentation

The individual statement of finances ("statement of finances") for the financial year of 2007 and comparable data for the financial year of 2006 were elaborated in accordance with the International Financial Reporting Standards ("IFRS"), in the wording approved by the bodies of the European Union ("EU") in the decree of the commission (EC) No. 1725/2003, including valid interpretations of the International Financial Standard Interpreting Committee ("IFRIC"). The IFRS approved to be used in the EU do not differ from the IFRS issued by the International Accounting Standards Council, apart from the requirements for booking the portfolio security according to IAS 39, which was not approved by the EU. The approval of portfolio security booking according to IAS 39 by the European Union as to the balance sheet date would not have a significant impact on the statement of finances according to the company.

In 2007, the company approved all the new revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and IFRIC at the IASB in the wording approved by the EU, and which refer to its premises, with efficiency in the accounting periods starting as of 1st January, 2007. The following standards and interpretations are concerned:

· IFRS 7 "Financial instruments: data publishing" (efficient as of 1st January, 2007),
· addenda do IAS 1 "Presentation of the statement of finances" on capital reporting (efficient as of 1st January, 2007),
· IFRIC 7 "IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" (efficient for the annual periods commencing on 1st March 2006 and after this date),
· IFIRIC 8 "Scope of IFRS 2" (efficient for the annual periods commencing on 1st May, 2006 and after this date),
· IFIRIC 9 "Reassessment of Embedded Derivatives" (efficient for the annual periods commencing on 1st June, 2006 and after this date),
· IFRIC 10 "Interim Financial Reporting and Impairment" (efficient for the annual periods commencing on 1st November, 2006 and after this date),

The application of these new and revised standards and interpretations did not show in the change of accounting principles of the company, which would affect the sums reported in the running and previous periods.

As to the approval date of the statement of finances, these standards and interpretations were prepared for release, which however do not enter into force yet.

IASB documents approved by the EU:

· IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" (efficient for the annual periods commencing on 1st March 2006 and after this date),
· IFRS 8 "Operating Segments" (efficient as of 1st January, 2009).

Dokumenty IASB, ktoré EÚ ešte neschválila:

· IFRIC 12 "Service Concession Arrangements" (efficient as of 1st January, 2008, cannot be passed prior to approval for the contracts that IFRIC 4 is applied for at the moment),
· IFRIC 13 "Customer Loyalty Programmes" (efficient as of 1st July, 2008),
· IFRIC 14 IAS 19 "The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction" (efficient as of 1st January, 2008),
· Adjustment of IAS 23 "Borrowing costs" (efficient as of 1st January, 2009),
· Adjustments of IAS 1 "Presentation of financial statements: Adjusted presentation" (efficient as of 1st January, 2009),
· Addenda to IAS 27 "Consolidated and Separate Financial Statements" (efficient as of 1st July, 2009),
· Amended standard IFRS 3 "Business Combinations" (efficient as of 1st July, 2009),
· Addenda to IFRS 2 "Share-based payment: conditions for share transfer and contract cancellation on share-based payments" (efficient as of 1st January, 2009) and
· Addenda to IAS 32 "Financial Instruments: Presentation – Financial instruments callable on the

holder's part and liabilities from winding-up (efficient as of 1st January, 2009).
It is not expected that the application of the above standards and interpretations would have a significant influence on economic results or on equity capital in the following accounting periods.

Objective of compilation
The compilation of the above individual statement of finances (hereinafter referred to as "statement of finances") in the Slovak Republic is in accordance with Act No. 431/2002 Coll. on accounting, as amended by later regulations and methodical instruction the Ministry of Finance of the SR No. MF/11498/2007-74. With efficiency as of 1st January, 2006 the insurance companies must prepare their individual financial statements and annual report according to special regulations – Decree of the European Parliament and Council (EC) No. 1606/2002 on the application of international accounting standards (IFRS). Hereby the individual financial statements compiled in accordance with IFRS efficiently replaced the statement of finances compiled according to the Slovak accounting standards. The company does not compile any consolidated financial statements in accordance with the act on accounting, as the insurance company has no daughter companies. The influence of consolidation of an affiliated company, if a consolidated statement of finances was compiled, is not significant. The list of companies, which are not consolidated in an individual statement of finances, is listed under note 5.10.

The starting points of compilation of the statement of finances
The individual statement of finances was compiled according to historical prices, apart from certain financial instruments, which are booked in real value. Costs and revenues are booked into the period they are related to from the time and matter point of view, and/or in which they were expended.

All the sums in the notes are reported in thousand Slovak crowns and are rounded to thousands, if otherwise not stated.

Significant accounting estimations
The compilation of financial statements in accordance with IFRS requires the use of certain important accounting estimations. Furthermore the management is required to use their own judgement upon application of the accounting standards at the company. The areas containing a higher rate of judgement or complexity, and/or areas where the assumes and estimations for financial statements are significant, are listed in note 3.

2.3. Reporting of segments
The company presumes that its products and services are created in one business segment, namely from insurance contracts and services related thereto in the territory of the Slovak Republic.

2.4. Conversion of data in foreign currency
Operations performed in foreign currency are converted according to the current exchange rte of the National Bank of Slovakia valid as to the date of carrying out the transaction. Exchange gains and losses, resulting from the realisation of such transactions, and from the conversion of financial assets and liabilities expressed in foreign currency using the exchange rte valid as to the end of the year, are reported in the profit and loss statement.

2.5. Buildings, constructions, machinery and equipments
Buildings, construction, machinery and equipments are reported in the acquisition costs reduced by depreciation. The acquisition costs include the costs, which directly relate to the procurement of the items.

Additional cost will be included in the book value of the property, or shall be reported as an independent property, according the suitability only in case it is probable that the company will benefit from the future economic effects that the given item produces, whereas the price

of the item can be determined reliably. All the other costs of repairs and maintenance are booked into the profit and loss statement in real amount during the accounting period, in which they incurred.

Gains, and/or losses from discarding are found out by comparing the revenues from the sale with the book value and are reported in the profit and loss statement.

Depreciation of the long-term tangible assets emerges from the estimates of their economic lifetime and amortisation. The long-term assets are started to be depreciated on the first day of the month following the month when the assets were put into operation. Small tangible assets in the acquisition costs up to SKK 30 000 are depreciated as to the date of putting into operation. The following table shows the estimated economic lifetime, depreciation methods and depreciation rates:

	Estimated economic lifetime	Depreciation method	Annual depreciation rate
Equipments, computer technology	4	linear	25,0
Transport means	4	linear	25,0
Furniture, air-conditioning, lighting shield	6	linear	16,7

2.6. Intangible assets
The purchased licences for the computer software are capitalised according to the real costs that occurred upon their procurement and putting the certain softwares into operation. These costs are written off according to the estimated economic lifetime (there to five years). The costs, which are directly connected with the production of identifiable and unique software products under the control of the company, which probably produce economic benefits, exceeding the costs of for a period longer than one year, are reported as intangible assets. Direct costs include personnel costs of the team members participating in the software development, and proportion of the relevant operating costs. All other costs of development or maintenance of the computer software programs are reported in the real value in the costs.

Estimations of software and long-term intangible assets emerge from the estimations of their economic lifetime and amortisation. The long-term assets are started to be depreciated on the first day of the month following the month when the assets were put into operation. Small tangible assets in the acquisition costs up to SKK 50 000 are depreciated as to the date of putting into operation. The following table shows the estimated economic lifetime, depreciation methods and depreciation rates:

	Estimated economic lifetime	Depreciation method	Annual depreciation rate
Software	5	linear	20,0

2.7. Financial assets
The company divides its investments into the following categories: loans and receivables including receivables from insurance contracts and financial assets available for sale. The categorisation depends on the purpose that the given investments were acquired for.

The management determines categorisation of the investments upon their first reporting and reassesses it always as to the balance sheet date.

2.7.1. Loans and receivables including receivables from insurance contracts
Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not listed on the active market, apart from those that the company plans in the

short-term horizon to sell, or which were included in the category of financial assets available for sale. The receivables that result from the insurance contracts are also included in this category and are reviewed from the aspect of value reduction within the judgement of value reduction of the loans and receivables.

2.7.2. Total financial assets available for sale

Financial assets available for sale are non-derivative financial assets included in this category, or not included in any other category. Ordinary purchase and sale of investment is reported as to date of transaction performance, i.e. to the date when the company obliges to purchase or sell the asset. Investments are primarily reported in the acquisition costs plus transaction costs directly connected with the acquisition. Investments are cleared after the expiration of the right for gaining cash flows from the given investments, or upon their transfer when the company at the same time actually transferred all the risks and advantages resulting from their ownership.

Financial assets available for sale are then booked in real value. Unrealised profits and losses resulting from the change of the real value of the non-financial securities included in the category "debt securities available for sale" are reported in the equity capital. Upon sale or reduction of the value of securities in the category "debt securities available for sale" the cumulated adjustments of real value shall be include in the profit and loss statement as net realised profits/losses from financial assets, which are reported as "Revenues from investments" in the Profit and Loss Statement.

2.8. Reduction of assets value

2.8.1. Financial assets in adjusted cost of acquisition

As to each balance sheet date, the company judges whether there is any objective evidence on reduction of the value of the financial assets. The value of the financial assets or group of financial assets shall be reduced and losses from the reduction of their value occur, only if there is an objective evidence on the value reduction due to one or more events, which occurred after the primary reporting of the property ("loss event"), whereas such a loss event (or events) have impact on the estimation of future cash flows from the given financial asset or group of financial assets, which may be estimated reliably.

First the company judges whether there is any objective evidence on value reduction of the individual financial assets, which are individually significant. If the company determines that there is not objective evidence on value reduction of the financial asset judged individually, either significant or not, classifies this asset into the group of financial assets with the same characteristics of credit risk, which are judged by groups from the aspect of value reduction. The asset, which was judged individually and in case of which a loss from value reduction is reported, is not included in the group judgement of value reduction.

If there is an objective evidence that a loss occurred from the reduction of the value of receivables or investments valuated in the adjusted acquisition costs, the loss amount is determined as the difference between the book value of the asset and the current value of the expected future cash flows (apart from the occurred future credit losses) discounted using the original efficient interest rate of the financial asset. The book value of the asset is reduced by the help of rectifying items and the amount of the loss will be reported in the profit and loss statement. For the purpose of group judgement of the value reduction, the financial assets are joined into groups according to the same characteristics of the credit risk (i.e. according to classification, upon which the company appraises the type of the asset, branch, geographic area, state of repayment and other relevant factors). These characteristics are relevant for the estimation of future cash flows for the individual groups of such assets, as they indicate the ability of the emitter to duly repay all the liabilities in accordance with the contractual conditions of the debt instrument, which is being judged.

2.8.2. Buildings, constructions, machinery and equipments and intangible assets

In case of indications of reduction of the property value of the company, its realisable value is estimated. When the book value of the asset exceeds its estimated realisable value, it is reduced to this realisable value. If they find out that the assets are redundant for the company, the company management judges their realisable value by comparison with the net sale price calculated from the reports on valuation, elaborated by a third party, adjusted by the estimated costs connected with the selling.

Within the framework of functioning, the company uses in principle all the items of tangible and intangible assets.

2.9. Cash and cash equivalents

Cash and cash equivalents comprise cash at the cash desk, deposits in banks without a notice period, other short-term highly liquid investments with an original maturity of within three months and bank overdrafts.

2.10 Share capital

Shares are classified as equity capital when there is no obligation for the transfer of finances, or other assets. Additional costs directly connected with the emission of share instruments, such as reward for company acquisition, are included in the acquisition costs of the acquisition.

2.11. Insurance contracts – classification

The company concludes contracts on insurance risk transfer. Insurance contracts are contracts, according to which a significant insurance risk is transferred. According to the general rules, the company defines significant insurance risk as a possibility of insurance claim occurrence in case of an insurance event, which exceeds at least by 10% the liabilities from the premium, provided that the insurance event did not happen.

In the insurance contracts of non-life insurance, no surplus shares are added - it means these contracts are without DPH.

With regards to the character of risks in the individual types of insurance, it is possible to classify al the agreed contracts upon the sale of insurance products as insurance contracts.

2.11.1. Reporting and valuation

Insurance contracts are classified into the following main categories listed below depending on the length of risk duration and the fact whether the relations and conditions are fixed.

Insurance contracts

The insurance contracts of non-life insurance, depending on the length of insurance period, can be divided into 2 groups:

a) short-term insurance contracts with an insurance period shorter than 1 year

- this group comprises individual travel insurance and short-term group accident insurance

b) insurance contracts with 1-year insurance period with prolongation

- this group comprises motor hull insurance, mandatory contractual motor third party liability insurance (hereinafter referred to as "MTPL"), insurance of buildings under construction and households, insurance of entrepreneurs, accident insurances, groups travel insurance and travel insurance for bank card holders.

Insurance contracts according to the type of the agreed insurance and risks, protect the persons insured, who can be natural and legal persons as well, against damage to property, health or against damage caused by the person insured to third parties to their property or health.

Guaranteed insurance claims paid upon the occurrence of specified insurance events are either fixed, or depend on the scope of the economic loss, which was caused to the owner of the insurance contract. The contracts do not comprise fulfilment upon their expiration of surrender.

In case of all contracts the premium is booked as an income (earned premium) proportionally during the period of the insurance coverage. The share of premium received from the valid contracts, which refers to long-term insurance as to the balance sheet date (RPBO), is reported as liabilities from the unpaid premium. Premium is reported before commission deduction.

The costs of insurance claims are booked in real amount of the liabilities from indemnification, which the company owes to the owners of insurance contacts or to third persons to whom the owners of insurance contracts caused damage. They comprise direct and indirect costs for claim adjustment and result from the events, which occurred up to the balance sheet date. Within the damage provisions there are also the reported but not arranged damages (RBNS), as well as estimation of the damages occurred, which were not yet reported to the company (IBNR). The liabilities from reported damages (RBNS) are estimated according to the initial judgement of the individual cases. Liabilities from the occurred and not reported damages (IBNR) are estimated according to the statistical analysis of claims. The company does not discount its liabilities from the unpaid claims.

2.11.2. Costs of contract acquisition

Commissions and other acquisition costs, which upon the ensuring of new contracts and renewal of the existing contract differ and are connected to them, are booked into the costs in the given matter and time relation. Also all other acquisition costs are continuously booked into the costs. Deferred acquisition costs, or "DAC"), which from the matter and time aspect are not connected with the current year, are reported, if paid in the item "Loans and receivables, including receivables from insurance contracts".

2.11.3. Test of liability adequacy

To each balance sheet date tests of liability adequacy are performed in order to secure adequacy of the contractual liabilities after deduction of the related active DAC. In these tests the presently best estimations of the future contractual cash flows are used, costs of claim adjustment and insurance event compensation and administrative costs, as well as revenues from the investment of assets that these liabilities are secured by. During the test, the experience of the mother company was applied. Any discrepancy is immediately booked into the profit and loss statement, first by writing DAC off and then by additional creation of the relevant technical provision. According to the test of liability adequacy, as of 31st December, 2007 it was not necessary to additionally create technical provisions.
The assumes used for estimation of the real % amount of insurance claims from the created provision and the anticipated % of use of the RBNS and IBNR provisions in the following years stem form the experience of the mother company, as OTP Garancia poisťovňa, a. s. currently has a short history for the procession of these data.

2.11.4. Reinsurance contracts

The contract that the company concluded with the reinsurer, according to which the company shall be indemnified for the losses of one or more contracts concluded by the company and which meet the requirements for classification as an insurance contract in clause 2.11, is classified as a reinsurance contract.

The reinsurer of the company is the mother company OTP Garancia Biztosító Rt., Budapest. All the types of insurance are insured, except for the majority of accident insurances. The company BENFIELD Limited Member of Lloyd's is the reinsurer of MTPL insurance.

The claims that the company is entitled for according to its reinsurance contracts, are reported as reinsurance assets. These assets are made up by short-term balances payable from the reinsurers (classified within the framework of loans and receivables), as well as long-term receivables (classified as reinsurance assets), which depend on the expected insurance events and claims resulting from the related reinsured insurance contracts. The sums, which may not be collected from the reinsurers, or which are payable for them, are valuated according to the sums related to the reinsured insurance contracts and in accordance with the terms and conditions of the individual reinsurance contracts. The liabilities resulting from the reinsurance are mainly due premium from the reinsurance contracts and are reported to the costs upon their maturity.

2.11.5. Receivables and liabilities related to insurance contracts

Receivables and liabilities are reported upon maturity. These are receivables and liabilities toward agents, mediators and insurance contract holders. If there is objective evidence that the value of the receivable from the insurance contract was reduced, the company shall adequately reduce the book value of this receivable and in the profit and loss statement report a loss from the value reduction.

Rectifying items to the premium receivables were created according to the principle of cautiousness to the debit of the costs and were calculated as a percentage according to the number of days in delay and cleared from the unstable items.

2.12. Income tax

Income tax resulting form the economic result of the accounting period includes the payable and deferred tax as well.

The payable tax is the expected tax liability for the taxable income for the current accounting period upon use of the tax rate valid as to the date that the statement of finances is compiled, and/or of the rate approved as to this date, including the adjustment of tax liabilities from the previous accounting periods.

Deferred income tax is created in case of temporary differences between the tax bases of assets and liabilities and their book values in the statement of finances. The deferred income tax is determined with the use of tax rates, which were stipulated by the law, or stipulated in crucial scope as to the balance sheet date and their application is expected as to the date of realisation of the related deferred receivable, resulting from the income tax or to the date of settlement of the related deferred liability, resulting from the income tax.

Deferred tax receivables resulting from the income tax are reported, if it is probable that a taxable profit will be reported, which these temporary differences shall be applied against.

2.13. Provisions

Provisions are reported when the company at the present has a statutory or indirect obligation due to past events; when it is probable that for the settlement of the liability decrease of the sources will be necessary and when the estimation of the liability amount is reliable. In case of more similar liabilities, the probability that for their settlement a decrease of the sources will be necessary, is determined according to the appraisal of the group of liabilities as a whole. Provisions are reported also in case that there is a small probability that the decrease of sources will take place in connection with any item included in the same group of liabilities.

2.14. Reporting of revenues

Revenues represent the real value of services. The reporting of revenues is described in the following part.

2.14.1. Revenues from premium

Revenues from premium include written premium from direct insurance. Gross written premium is booked in accordance with the conditions of the valid insurance contracts in the moment of its validity in the amount of unlimited legal claim, regardless of the facts whether the premium fully or partially relates to future accounting periods. In case of insurance contracts when the premium is paid in instalments, it is booked in the moment of the relevant instalment.

Gross written premium is booked reduced by bonuses and discounts agreed upon conclusion of the insurance contract. The additionally provided discounts (e.g. for damage-free course) are booked on the line of costs, upon reporting, however, they reduce the sum of gross written premium in the same way.

2.14.2. Provision of services

Revenues from the management of assets and other related services offered by the company are reported in the accounting period when the services were provided.

2.14.3. Revenue interest

Revenue interests are reported linearly, the difference compared to the method of efficient interest rate according to the opinion of the company management is insignificant. In case of reduction of the receivable value, the company reduces the book value of the receivable to its enforceable value, which represents the estimated future cash flows discounted by the original interest rate of the given instrument, and continues in the discount reporting as of a revenue interest.

3. Fundamental accounting estimations and appraisals upon application of accounting procedures

The company uses estimations and assumes, having impact on the reported values of assets and liabilities in the following financial year. Estimations and appraisals are continuously assessed and are based on previous experience and other factors, including the expected future events, which under the given circumstances, are considered to be legitimate.

Estimation of future paid out insurance claims or premium, resulting from the long-term insurance contracts and related deferred acquisition costs and other intangible assets.

Determination of the liabilities resulting from long-term insurance contracts depends on the estimations of the company. Estimations relate to anticipated damage rate for each year, in which the company is exposed to a risk. In case of these estimations, the company emerges from the standardised damage rate tables for the given branch, whereas they adjust them in case of need in order to reflect own experience of the company.

The estimation items for gross written premium are calculated from the signed, validly concluded insurance contract, which as of the balance sheet date were not registered in the system yet.

The estimation items for mediated commissions are determined from the amount of receivables from insurance contracts according to the paid commissions and received insurance for the given period.

Sensitivity analysis

With regards to the fact that in case of insurance contracts of non-life insurance, the company may change the internal assumes according to the development of external factors, the company does not do a sensitivity analysis for the contracts of non-life insurance.

4. Insurance and financial risk management

The company concludes contracts, which transfer the insurance or financial risk, or both. In this part, these risks are included, as well as the method applied by the company for their management.

4.1. Insurance risk

The possibility that an insurance event will take place, and unsure sum of the final insurance claim represent a risk included in each insurance contract. The character of the insurance contract determines that this risk is incidental and unexpected. In case of the portfolio of insurance contracts, the main risk that the company faces in connection with these insurance contracts, is represented by the risk that the real insurance events and paid claims exceed the book value of the liabilities resulting from the insurance contracts. This risk may occur when the frequency and relevance of the insurance events and claims exceeded the estimations. Insurance events are incidental and the real number and value of insurance events and claims differ in each year from the estimations determined by the help of statistical methods. Experience shows that the bigger the portfolio of similar insurance contract, the lower the relative instability of the expected results. Furthermore there is a lower probability that a more mixed portfolio shall be fully influenced by the change in any of the partial portfolios. The company elaborated its strategy for insurance underwriting in order to extend the type of accepted insurance risks and within each category it reached a sufficiently big population of risks aimed at the reduction of instability of the expected results.

The factors impairing the insurance risk include insufficient risk diversification pursuant to the type and level of the risk, covered geographic location and type of the branch.

4.1.1. Risks connection with accident insurance

a) Frequency and relevance of insurance events

The frequency and relevance of the insurance events may be influenced by several factors. The most important ones are the performed job and sports activities of the person insured, as well as the agreed level of the sum insured.

The company manages these risks through the process of underwriting, adequate quantification of the risk in the premium, reinsurance and active claim adjustment in order to prevent insurance frauds.

The strategy of underwriting activity is focused on the classification of the risk, its consequent suitable valuation; in a lower amount the company applies risk diversification according to the territory.

Upon classification of the risk, the performed work activity of the person insured is investigated (not working manually, light manual work, harder manual work), sports activities of the person insured (type of sport, recreational sports activities, amateur or professional sports activities), level of the sum insured.

Depending on the performed job and sports activities, the person insured is ranked into a risk group from 1 to 7, whereas the risks included in risk group 2 to 7 are insured by quantification of a higher premium (with calculated surcharge). Furthermore in case of sports activities upon more risky sports performed as an amateur or professionally, a risk surcharge is used to the premium fro the 2nd risk group. The activities, which cannot be insured, are named in the insurance terms and conditions.

By the above method, the company classifies the risk and then quantifies it by a suitable premium, or refuses to accept an activity with high risk into the insurance.

In case of specific offers of accident insurance, the company directly in the premium takes into regards the above aspects, in some cases a narrower age category of persons insured is also taken into consideration.

The company is entitled to refuse paying out of a fraudulent insurance event, or may apply deductible (i.e. it reduces the demanded insurance claim according to the seriousness of the breach of insurance conditions). In some case the company is furthermore entitled to require from third persons payment of some or all of the costs (i.e. application of the substitution right).

Concentration of the liabilities resulting from accident insurance according to the industry branch, in which the contract holder operates, is diversified by the company by suitable risk valuation (as stated above in the text).

In case of high damage rate, the company is entitled to adjust the premium, and/or terminate the insurance contract for the following insurance year.

There are no significant concentrations in the current portfolio; the limits of the sums insured are monitored also in the reinsurance process.

The risk that results from the level of the agreed sum insured, is eliminated by the company by security surcharges, which are included in the premium calculation for the sums insured (over SKK 500,000).

At the moment, only 1 of the accident insurance contracts is reinsured, where the sums insured exceed SKK 500,000. The reinsured risks as death due to accident and persistent effects of accident.

b) Sources of uncertainty upon estimation of the future insurance claims

Insurance events within the framework of accident insurance are payable upon the basis of insurance event occurrence and its reporting, whereas upon adjustment of the insurance event it must be proven that the insurance event occurred in accordance with the insurance conditions.

The company is responsible for all the insurance events, which occurred during the validity of the contract, even if the is reported after the period that the period agreed in the contract.

Apart from the damages reported but not yet arranged (RBNS), the company also estimates the volume of damages that occurred but were not reported yet in the given accounting period (IBNR).

The source of uncertainty in case of the estimation of future insurance claims from the already reported insurance events but not yet arranged (RBNS) the correctness of estimation of the costs connected with the arrangement of the insurance event, correctness of the provisions estimation according to the available documents related to the insurance event. Therefore the company took some measures in the form of an internal claim adjustment directive, which defines the process of obtaining the necessary documents for correct judgement and investigation of the insurance event, and at the same time also of the additional ones for correct estimation of the provisions. In case that sufficient information is not available, the company estimates the provisions according to its own statistics and the level of provisions setting for such cases is also included in the above internal directive.

Insurance claim in accident insurance represents a financial fulfilment for the consequences of physical injuries due to the accident, for the days of cure or hospitalization caused by the accident, for the death caused by the accident. Such a fulfilment means a single payment.

The estimation of damages occurred but not yet reported (IBNR) is influenced by some factors - the period as of the occurrence to reporting, frequency of insurance events, number of persons insured, level of insurance claims. In this estimate, the company combines their own statistics with experience from the insurance market; the number of persons insured is given by the current portfolio. The company performs this estimation with the use of a pre-defined formula; in the future the method of chain-ladder will be applied.

For calculation of the product, they emerge from the statistics for the given type of risk, resulting from the published medical year-books, with taking into regards the development trend - uncertainty of the estimation of future claims is influenced by the real development of these data in the following years.

4.1.2. Property insurance contracts

a) Frequency and relevance of insurance events

The frequency and relevance of insured events may be influenced by excessive number of insurance events and the level of agreed sums insured. The number of insurance events may be influenced by e.g. climatic changes (weather extremes - floods, inundations, windstorms) and the way of property protection.

The sum insured is according to an expert calculation of the property value, and stems from the initial acquisition value.

The company in the process of risk underwriting, verifies the property protection and takes pre-emptive measures.

The company is entitled for revaluating the risk upon contract renewal.

In case of some contracts, the company furthermore has a limited number of insurance events, which may be redeemed in the given insurance year (insurance of entrepreneurs), and/or the maximum amount payable for an insurance event is entered in the given insurance year, as well as maximum amount for 1 insurance event (household insurance).

The biggest probability of substantial losses from these insurances occurs in relation to damages caused by floods, windstorms and big fires.

The company has the risk of big damages protected by reinsurance – the method of reinsurance depends on the type of insurance.

In a lower amount, the company verifies also the risk of these contracts depending on the territory.

Category of property insurance may include insurance of buildings under constructions and of households (buildings under construction, households, damage liability) and insurance of entrepreneurs (element, theft, damage liability).

b) Sources of uncertainty upon estimation of the future insurance claims

The sources of uncertainty upon estimation of the future insurance claims has a similar character as indicated in clause 4.1.1.(b).

In case of estimations they depend on the size and scope of insurance events, availability of necessary documentation for judgement of the insurance event, on the time necessary for investigation of the insurance event.

4.1.3. Motor hull insurance (Casco)

(a) Frequency and relevance of insurance event

Frequency and relevance of insurance events may be influenced by excessive number of insurance events, seriousness of vehicle damage, and/or vehicle value.
In the process of insurance claim adjustment, the insurance company at an increased rate cares for the prevention from insurance frauds.

The conditions for motor vehicle insurance are included in the General Insurance Terms and Conditions for property insurance, Special terms and conditions for motor hull insurance (Casco) and contractual arrangements for motor hull insurance.

The reception of vehicles is performed according to Work instruction No. 12 dated 1st August, 2003 – directive for arranging Motor hull insurance. For aggregate insurance of motor vehicles, there is work regulation No. 10 dated 6th September, 2003 issued. They determine the method of new vehicle reception, method of used cars reception - after inspection and maximally up to 7 years. There is a scale of charges calculated for the product, approved by the Board of Directors of the company. The possibilities of discount provision from the rate are determined according to rider, or approval of a head employee of the insurance company. The insurance event settlement is regulated by a separate internal regulation. The company management follows and monitors the development of damage rate in this product.

In case of estimations they depend on the size and scope of insurance events, availability of necessary documentation for judgement of the insurance event, on the time necessary for investigation of the insurance event.

(b) Sources of uncertainty upon estimation of the future insurance claims

The sources of uncertainty upon estimation of the future insurance claims has a similar character as indicated in clause 4.1.1.(b).

In case of estimations they depend on the size and scope of insurance events, availability of necessary documentation for judgement of the insurance event, on the time necessary for investigation of the insurance event.

4.1.4. Travel insurance

(a) Frequency and relevance of insurance events

Frequency and relevance of insurance events may be influenced by excessive volume of insurance events, the costs of treatment, and/or value of the fulfilment from other agreed risks.

Excessive risks are solved in the premium in the form of surcharges (territory, manual activity, sports activity). In the process of insurance claim adjustment, the insurance company at an increased rate cares for the prevention from insurance frauds.

(b) Sources of uncertainty upon estimation of the future insurance claims

The sources of uncertainty upon estimation of the future insurance claims has a similar character as indicated in clause 4.1.1.(b).

In case of estimations they depend on the size and scope of insurance events, availability of necessary documentation for judgement of the insurance event, on the time necessary for investigation of the insurance event.

4.1.5. Motor third party liability insurance

(a) Frequency and relevance of insurance events

With regards to the fact that the product mandatory contractual liability insurance from motor vehicle operation (MTPL) was introduced only at the end of year 2006 (the insurance company obtained the licence on 16th October, 2006), in case of this data we can emerge only from the available statistical data for the whole Slovak market.

In our plans we count with an average amount of damage in the amount of SKK 50,000, out of that the average amount of damage to property is SKK 30,000 and the average amount of damage to health is SKK 250,000. Statistics report an occurrence of damage events at the rate of 6.3 % and average sum of damage at SKK 28,125, but due to short time series we will still rely on the planned numbers.

(b) Sources of uncertainty upon estimation of the future insurance claims.

MTPL insurance is characteristic for big migration of the client portfolio due to price reasons. We will eliminate this uncertainty by the creation of client portfolio – preferring drivers outside Bratislava, more experienced drivers.

The character of weather is a significant factor. Favourable atmospheric conditions in winter 2007/2008 had a positive influence of the course of damages in both insurance products (Casco, MTPL).

By accession of Slovakia into the Euro zone we can expect an increase of prices for services (car repair) and costs of medical treatment to the level of prices in the countries of the present Euro zone.

4.2. Financial risk

The company is exposed to financial risk through its financial assets and liabilities, reinsurance assets and insurance liabilities. The main financial risk is mainly the fact that the revenues from financial assets of the company are not enough for financing the liabilities resulting from its insurance and investment contracts. The most important part of the financial risk is the credit risk, a risk related to the price of property securities, monetary and credit risk. These risks result from the open positions of interest rates, monetary and property products. Actually all of them are exposed to general and specific movements on the market.

The company manages these positions within the system of assets and liability management (ALM), which was developed in order to achieve long-term economic return of investments, which would exceed the liabilities resulting for the company from the insurance and investment contracts. The main principle of the ALM system of the company is to assign assets to the liabilities resulting from the insurance and investment contracts, with reference to the type of fulfilments payable to the contract holders. The ALM system of the company is integrated with the management of financial risks connected with other financial assets and with the liabilities of the company, which are not directly related to the insurance and investment liabilities.

The following notes explain the method of financial risk management through categories used within the system of assets and liabilities management of the company.

4.2.1. Credit risk

The company is exposed to credit risk, represented by the risk that the contracting party will not be able to repay the sums in full scope upon maturity.

The company distinguishes the level of credit risk, which it overtakes, through exposure limits toward one contracting party, and/or a group of contracting parties, and toward individual branches. Credit risks are subject to annual or more frequent check ups. Reinsurance is used to manage insurance risks. However, hereby the responsibility of the company does not cease to exist as of the direct insurer. If the reinsurer due to any reason is not able to settle the claim, the company is responsible for paying the insurance claim to the insurance contract owner. Credibility of the reinsurers is verified once a year by the judgement of their financial power before any contract is concluded. Exposure to individual contracting parties is governed also by other mechanisms, e. g. by the right to mutual settlement when the contracting parties are at the same time debtors and creditors of the company. Information for the management submitted to the company contains detailed information on the rectifying items for reduction of the value of receivables and on the following depreciation. The data on exposure toward individual insurance contract owners and a group of insurance contract owners is collected within the non-stop monitoring of the control mechanisms related to the liquidity required by the regulatory authorities. In case of significant exposure toward individual owners of insurance contracts or toward homogenous groups of insurance contract owners, the risk department of the company shall elaborate the same financial analysis as the one compiled for the reinsurers.

Overview of maximum value of the credit risk value of the company as of 31st December, 2007 and 2006:

	SKK	
	31st December 2007	31st December 2006
Debt securities for sale	99 889	55 473
Loans and receivables including receivables from insurance contracts	188 029	225 322
Reinsurance contracts	17 436	3 950
Total maximum value of the credit risk	**305 354**	**284 745**

The company reviews receivables toward the persons insured and mediators as one portfolio with equal values of credit risk, as it concerns highly numerous items of low face values. Devaluation of some groups is judged according to the delay period of the maturity. Then the overview of devaluation on the portfolio basis continues as of 31st December:

The overview of portfolio evaluated positions and amount of the portfolio rectifying item	31st December 2007	31st December 2006
Receivables toward the owners of insurance contracts	37 130	11 863
Value of the portfolio rectifying item	(7 247)	(1 364)
Net position toward the owners of insurance contracts	**29 883**	**10 499**
Total balance sheet value of the devalued receivables	**29 883**	**10 499**

The following overview show the non-devaluated financial assets, which are not in delay according to the concentration of debtors as of 31st December:

Non-devaluated financial assets according to the adverse part as of 31st December, 2007	Slovak Republic	Financial institutions of the OECD countries	BOF leasing	Other	Total
Debt securities for sale	41 967	57 145	777	-	99 889
Term Deposits	-	150 796	-	-	150 796
Reinsurance contracts	-	17 436	-	-	17 436
Accruals and deferrals of acquisition costs	-	-	-	6 839	6 839
Other receivables	-	-	-	511	511
Total position	**41 967**	**225 377**	**777**	**7 350**	**275 471**

Non-devaluated financial assets according to the adverse part as of 31st December, 2006	Slovak Republic	Financial institutions of the OECD countries	BOF leasing	Other	Total
Debt securities for sale	20 850	33 061	1 562	-	55 473
Term Deposits	-	211 337	-	-	211 337
Reinsurance contracts	-	3 950	-	-	3 950
Accruals and deferrals of acquisition costs	-	-	-	2 929	2 929
Other receivables	-	-	-	557	557
Total position	**20 850**	**248 348**	**1 562**	**3 486**	**274 246**

4.2.2. Interest risk

Interest risk is the only financial risk, which has a significantly different influence on the assets and liabilities categorised according to the framework of assets and liabilities management of the company. The following table shows the effective interest rate (in %) as to the compilation date of the statement of finances, which refers to all the financial assets and liabilities of the company:

	SKK	
	31. 12. 2007	31. 12. 2006
Financial assets		
Debt securities:	4,77	4,89
- financial assets for sale	4,77	4,89
Term deposits, balance on bank accounts and cash desk money	3,33	3,84

Interest sensitivity

The impact of interest rates on the result from financial active economic result and equity capital in the period ending as of 31st December	Decrease of interest rates by 25 basic points			
	2007		2006	
	Economic result	Equity capital	Economic result	Equity capital
Financial assets				
Loans and receivables including receivables from insurance contracts	(448)	(448)	(289)	(289)
Term Deposits	(448)	(448)	(289)	(289)
Debt securities for sale	-	481	-	313
Reinsurance contracts	-	-	-	-
Total influence – profit/(loss)	**(448)**	**33**	**(289)**	**24**

Upon creation of the financial plans and budget, the company assumes the development of interest rates having the most important influence on the allocation of the resources of technical provisions. The company has these resources allocated into securities for sale and term deposits.

A change in the interest rates has also influence on the revenues from term deposits, as the securities obtained have a fixed coupon. In case of securities, the risk of interest rate change shows in the change of the bond prices.

For the years of 2006 and 2007, the company assumes a decrease of the revenue curve by 25 basic points due to gradual approach of the revenue curves of the Slovak and European bonds with the coming entry of the Slovak Republic into the Euro zone.

The method of revaluation of the securities is in more details described in clause "Real value" of note 4.2. The sensitivity analysis of the insurance liabilities to the changes in the market factors is performed in clause "Analysis of sensitivity) of note 3.

4.2.3. Monetary risk

The company operates only in the territory of the Slovak Republic, and almost all of its assets, liabilities, revenues and expenses are in Slovak crowns. Therefore we presume that it is not threatened by any significant monetary risk.

4.2.4. Liquidity risk

The company solves every-day requirements for available cash sources, mainly in connection with the claims resulting from short-term insurance contracts. The liquidity risk means that the company may not have cash available at a reasonable price for the settlement of due payables. The relevant authority determines the limit of minimum share of the due financial sources available for the coverage of such requests. The table shows the deficit of liquidity as of 31st December, 2007 and 2006:

	Within 3 months	From 3 months up to 1 year	From 1 to 5 years	Over 5 years	Not specified	Total
Buildings, constructions, machinery and equipments	-	-	-	-	2 586	2 586
Intangible assets	-	-	-	-	1 071	1 071
Capital participation in affiliated companies	-	-	-	-	158	158
Debt securities	526	11 225	80 965	7 173	-	99 889
Loans and receivables including receivables from insurance contracts	181 190	6 839	-	-	-	188 029
Reinsurance contracts	17 436	-	-	-	-	17 436
Cash and cash equivalents	4 560	-	-	-	-	4 560
Other assets	1 175	-	-	-	-	1 175
Total assets	**204 887**	**18 064**	**80 965**	**7 173**	**3 815**	**314 904**
Share capital	-	-	-	-	310 000	310 000
Other reserves	-	(1 330)	-	-	6 000	4 670
Undivided loss	-	-	-	-	(79 166)	(79 166)
Loss for the period	-	-	-	-	(31 452)	(31 452)
Insurance contracts	-	64 842	-	-	-	64 842
Trade liabilities and other liabilities	45 633	-	-	-	-	45 633
Deferred tax liabilities	-	220	157	-	-	377
Total equity capital and liabilities	**45 633**	**63 732**	**157**	**-**	**205 382**	**314 904**
Balance sheet position	**159 254**	**(45 668)**	**80 808**	**7 173**	**(201 567)**	**-**
As of 31st December, 2006						
Total assets	233 285	6 268	38 406	7 870	6 316	292 145
Total liabilities	22 421	32 883	139	-	236 702	292 145
Balance sheet position	**210 864**	**(26 615)**	**38 267**	**7 870**	**(230 386)**	**-**

4.3. Real value of financial assets and liabilities

The company revaluates the debt securities for sale to real value always to the balance sheet day by prices that the present securities were realized for on the world markets. In case that a certain type of securities was not marketed on the given day, the company shall revaluate it according to the revenue curve compiled from the marketed government bond with interpolations of the revenues according to the maturity of securities.

The company takes into regards the credit risk of individual securities, where the benchmark is the state bonds, which do not carry a credit risk; furthermore follow the mortgage bonds and the most risky investments are represented by corporate bonds.

According to the company, the book value of the financial assets and liabilities booked in the value of amortised costs, is the best estimation of their real value, as all such assets and liabilities are payable within 3 months.

5. Additional information to the profit and loss statement and to the balance sheet

5.1. Net revenues from premium

	2007	2006
Short-term insurance contracts with prolongation	108 049	63 810
– written premium from insurance contracts	132 482	69 125
– change of provisions for unearned premium	(24 433)	(5 312)
– bonuses and discounts	-	(3)
Short-term insurance contracts	898	469
– written premium from insurance contracts	1 001	512
– change of provisions for unearned premium	(103)	(43)
Revenues from premium from concluded insurance contracts	**108 947**	**64 279**
Short-term reinsurance contracts with prolongation	(28 323)	(12 988)
– gross written premium transferred to the reinsurer	(32 924)	(14 605)
– change of provisions for unearned shares of the reinsurer	4 601	1 617
Short-term reinsurance contracts	(90)	(46)
– gross written premium transferred to the reinsurer	(90)	(46)
– change of provisions for unearned shares of the reinsurer	-	-
Revenues from premium transferred to reinsurers from concluded insurance contracts	**(28 413)**	**(13 034)**
Net revenues from premium	**80 534**	**51 245**
Short-term insurance contracts with prolongation	79 726	50 822
Short-term insurance contracts	808	423

The revenues from premium, compared to 2006, recorded an increase of SKK 29,289 ths., which was caused by the growth of written premium in the mandatory contractual insurance by almost SKK 45,000 ths. in 2007. None of the distribution channels fulfilled the intentions determined by the plan – the written premium for 2007 was planned in the amount of SKK 352,134 ths.
In the item short-term insurance contracts with prolongation, the company also reports the contracts of mandatory contractual MTPL insurance.

5.2. Revenues from fees – insurance contracts

	2007	2006
Fees from		
– insurance contracts	7 702	3 133
Total revenues from fees	**7 702**	**3 133**

The revenues from fees as of 31st December, 2007 compared to the year of 2006 were higher by SKK 4 569 ths. The increased revenues from commissions from reinsurers are directly connected with the higher revenues from premium.

5.3. Revenues from investments

	2007	2006
Total financial assets available for sale	2 695	1 585
Interest revenues from term deposits	6 386	4 347
Total revenues from investments	**9 081**	**5 932**

A higher volume of interest revenues form securities is related to their higher average volume in the monitored period (in 2007, securities in the total volume of SKK 60,000 ths were purchased). A higher profitability of term deposits in 2007 is given by the growth of the average amount of bank deposits of the company due to the increase of the premium received, mainly from the mandatory contractual insurance.

5.4. Other operating revenues

	2007	2006
Use of rectifying items to insurance	-	135
Interest on currency accounts	16	10
Other revenues – exchange rate gains, insurance compensations	295	927
Other technical revenues	113	-
	424	**1 072**

Other operating revenues were higher in 2006 due to the increase of exchange rate differences from reinsurance; in 2007 no such significant exchange rate differences occurred.

5.5. Insurance claims and losses

	2007	2006
Insurance claims		
Long-term insurance contracts	**50 851**	**24 849**
– insurance claim	39 983	24 258
– increase of technical provisions for the insurance claims	10 868	591
Short-term insurance contracts	**534**	**59**
– insurance claim	528	61
– increase of technical provisions for the insurance claims	6	(2)
Insurance claims recognised in the given year	40 511	24 319
Change of the state of technical provisions for insurance claims and of mathematical provisions	10 874	589
Total costs of insurance claims to the owners of insurance contracts	**51 385**	**24 908**

The above indicators are being monitored according to the main sales products. In the portfolio that the insurance company has, mandatory contractual MTPL insurance, motor vehicle insurance (of inhabitants and entrepreneurs) and products of civil insurance prevail. In the previous years, the insurance of entrepreneurs did not have a crucial weight; the biggest client from the business sector is OTP Banka belonging to the financial sector. At the moment, due to the low number of contracts, the segmentation according to business branches is not performed; the insurance company shall proceed to do it after the creation of a business portfolio of clients.

The insurance claims in 2007, compared to the previous periods, increased mainly due to the increased number of concluded MTPL insurance contracts.

As the insurance claims are settled within one year, we are submitting the overview of insurance claims for the years of 2006 and 2007.

	2007			2006		
	gross	reinsurance	net	gross	reinsurance	net
Recorded damage liabilities RBNS	18 796	(7 489)	11 307	18 306	(6 444)	11 862
Recorded liabilities IBNR	644	(16)	628	546	(63)	483
Sum at the beginning of the year (5.15)	**19 440**	**(7 505)**	**11 935**	**18 852**	**(6 507)**	**12 345**
Compensated damages arranged during the course of the year	(40 511)	9 846	(30 665)	(24 319)	-	(24 319)
Increase of liabilities	51 385	(11 667)	39 718	24 907	(998)	23 909
from damages of the current accounting period	47 860	(15 533)	32 327	24 201	(1 226)	22 975
from damages of the previous accounting period	3 525	3 866	7 391	706	228	934
Costs of claim and loss adjustment	**10 874**			**588**		
Sum at the end of the year (5.15)	**30 314**	**(9 326)**	**20 988**	**19 440**	**(7 505)**	**11 935**
Recorded damage liabilities RBNS	28 520	(9 177)	19 343	18 796	(7 489)	11 307
IBNR	1 794	(149)	1 645	644	(16)	628
Sum at the end of the year (5.15)	**30 314**	**(9 326)**	**20 988**	**19 440**	**(7 505)**	**11 935**

5.6. Expenses

	2007	2006
a) Costs of marketing and administrative activities	73 992	58 122
Material costs	2 030	1 476
Services (including costs of the acquisition of insurance contracts)	47 148	34 233
Basic wages and salaries	14 693	12 409
Other wages	2 603	2 912
Premium from wages	5 662	4 917
Depreciation and amortisation	1 856	2 176
b) Other operating costs	**15 168**	**5 125**
– out of that creation of rectifying items for receivables	5 878	-

The costs of marketing and administrative activities were caused by the planned increased advertising expenses upon the entry to the MTPL insurance market, ass well as by increased costs of wages for employees whom it was necessary to employ in connection with the provision of this product. A substantial part of the other operating costs were made up by costs of commissions connected with the introduction of MTPL insurance. In the item other operating costs, also the net creation of rectifying items to receivables from insurance is reported in the amount of SKK 5,878 ths. (2006: net release SKK 135 ths.).

The creation of social fund is a part of the wages costs. The following overview presents the creation and drawing of social fund in 2007.

Overview of the creation, drawing and liability from social fund for the year:	2007	2006
Initial state	**67**	**70**
Creation of social fund in 2007	112	79
Drawing of social fund in 2007	(129)	(82)
Closing balance on the social fund account	**50**	**67**

The social fund resources were drawn mainly for the payment of food voucher allowances.

5.7. Income tax

The income tax consists of:	2007	2006
Due tax		
Deferred tax	315	(40)
Total tax expense/(revenue)	**315**	**(40)**

Adjustment of the theoretical tax to the real one is as follows:

	2007	2006
Loss before taxation	(31 137)	(25 101)
Profit tax calculated by the help of relevant tax rates valid in the given country	(5 916)	(4 768)
Tax influence:		
– of income not subject to taxation	-	(72)
– non-deductible expenses	1 723	80
– tax losses that no deferred tax receivables were reported for	4 508	4 720
Tax amount for the period costs/(revenues)	**315**	**(40)**

5.8. Buildings, constructions, machinery and equipments

	Machinery and equipments	Total
Acquisition costs		
31st December 2006	7 918	7 918
Accruals	1 514	1 514
Decreases	(3 637)	(3 637)
31st December 2007	**5 795**	**5 795**
Allowances		
31st December 2006	5 194	5 194
Accruals	1 507	1 507
Decreases	(3 492)	(3 492)
31st December 2007	**3 209**	**3 209**
Carrying value as of		
31st December, 2006	**2 724**	**2 724**
31st December, 2007	**2 586**	**2 586**

Discarding of machinery and equipments represent mainly the discarding of fully allowed for personal vehicles.

During the year 2007, the company had the machinery and equipments insured at the acquisition costs of SKK 6 161 ths. The annual insurance costs of the property in 2007 amount to SKK 60 ths., and in the profit and loss statement they are booked in the item "Other operating costs".

5.9. Intangible assets

	Software	Total
Acquisition costs		
31st December 2006	1 047	1 047
Accruals	757	757
31st December 2007	**1 804**	**1 804**
Allowances		
31st December 2006	384	384
Accruals	349	349
31st December 2007	**733**	**733**

Carrying value as of		
31st December, 2006	**663**	**663**
31st December, 2007	**1 071**	**1 071**

The increase in intangible assets is represented by the purchase of a new system for attendance registration.

5.10. Capital participation in affiliated companies

In 2005, the company and OTP Garancia životná poisťovňa, a. s. (Jsc.) established a joint venture OTP Garancia poisťovacie služby, s.r.o. (Ltd.). In this joint venture, the company owns a 50 per cent share and the remaining 50 % is owned by OTP Garancia poisťovňa, a. s. (Jsc.). The joint venture is included in the consolidation of the mother company OTP Bank Hungary.

As of 31st December, 2007, the company reports capital participations in the following join ventures:

	31. 12. 2007	31. 12. 2006
Book value at the beginning of the year	158	158
Devaluation of capital participation in affiliated companies	-	-
Book value at the end of the year	**158**	**158**

	31. 12. 2007	31. 12. 2006
Selected data from the Balance Sheet and PL Statement of OTP Garancia poisťovacie služby, s. r. o. (Ltd.)		
Total assets	561	784
Equity capital	51	211
Total expenses	5 455	1 751
Total revenues	5 295	1 668
Pre-tax profit/(loss)	(160)	(83)

In 2007, the company reported a loss due to the creation of rectifying items for the receivables toward insurance mediators.

OTP Garancia-poisťovacie služby, s. r. o. (Ltd.) was established with the aim to increase efficiency of the sale of insurance products of the company, and therefore the company does not create a rectifying item to this investment.

5.11. Financial assets for sale

Overview of financial assets kept for sale by the company:

	31. 12. 2007	31. 12. 2006
Debt securities:		
– listed – fixed interest rate	99 889	55 473
Total financial assets available for sale	**99 889**	**55 473**

Upon allocation of the resources of technical provisions and equity capital, the company strictly observed the principle of maximum security. Therefore in its portfolio of securities mortgage bonds of domestic banks with a share of 57.2 % and state bonds with a share of 42 % prevail. Only a share of 0.8 % of the total volume of securities belongs to obligations of the leasing company B. O. F., a. s. The increase of the securities value by SKK 44,416 ths. was caused mainly by allocation of the resources from the increase of the basic capital as of the end of year 2006, by transferring from short-term bank deposits.

5.12. Loans and receivables including receivables from insurance contracts

	31. 12. 2007	31. 12. 2006
Receivables from insurance and reinsurance contracts:		
– gross receivables toward the owners of insurance contracts	37 130	11 863
– after deduction of the rectifying item for reduction of the value of receivables toward the owners of insurance contracts	29 883	10 499
Other loans and receivables:		
– short-term bank deposits	150 796	211 337
– accruals and deferrals of rent and others	382	404
– accruals and deferrals of acquisition costs	6 839	2 929
– other receivables	129	153
Total loans and receivables including receivables from insurance contracts	**188 029**	**225 322**

The average interest rate of short-term bank deposits in 2007 represented 3.33 % (2006: 3,84 %) with an average maturity of 9,9 days (2006: 10 days).

Short-term bank deposits represented for the company an investment instrument securing the necessary rate of liquidity. As of 31st December, 2006, deposits grew due to the basic capital increase of the company in 2006; during the years of 2007, these finances were allocated into securities, which have a higher rate of profitability than the short-term term deposits. See note 5.11.

5.13. Cash and cash equivalents

	31. 12. 2007	31. 12. 2006
Cash in the bank and in the cash desk	4 560	3 028
	4 560	**3 028**

The company kept minimum cash balances on its current accounts in the bank so that to observe its immediate liquidity. The remaining short-term free resources were allocated using term deposits in three domestic banks. Upon cash management it strictly observed the determined limits for daily cash balances.

5.14. Basic capital, other reserves and equity capital management

The basic capital of SKK 310,000 ths. is covered by 1,210 pieces of ordinary shares in the nominal value of SKK 100 ths. per share and 189,000 pieces of ordinary shares in the nominal value of SKK 1,000. The shares are issued in a registered form, as registered shares. All the issued shares are paid up in full scope.

The company must meet the statutory requirements (Act No. 95/2002 NC SR on insurance) for the minimum amount of basic capital in the value of EUR 5 million. The equity capital must not fall under the minimum level required by the law. The company must not report a loss for three consecutive years, which would exceed 10 % of the basic capital. As of 31st December, 2007 the company met the requirements stipulated by the law.
The real and required solvency rate of the Company was calculated according to the state as of 31st December, 2007, pursuant to Public Notice No. 441/2004 Coll., as amended. During the whole year of 2007, the Company met the solvency requirements, as it is also documented by the following table:

in Ths. SKK	2007	2006
Required rate of Company solvency	18 572	11 709
Real rate of Company solvency	202 981	233 111
The ratio of real and required rate of Company solvency	10,93	19,91

In 2006, the basic capital of the company was increased by SKK 189,000 ths. in relation to the introduction of the product mandatory motor third party liability insurance. The amount of equity capital, apart from the above facts, was substantially influenced by the reported loss in 2005 and 2006.

Other provisions include the general reserve fund created upon establishment of the company, in line with the Commercial Code and the Articles of Association of the company. The company plans to use the general reserves to cover possible future losses. According to the Commercial Code of the Slovak Republic, the general reserves may not be distributed to the shareholders. Apart from the general reserves, the differences in valuation are also reported here from revaluation of securities intended for sale.

The loss reported for the previous accounting period was booked according to the decision of the General Meeting dated 27th March, 2007 to the unsettled losses of previous accounting periods.

5.15 Liabilities and provisions from insurance contracts and reinsurance assets

	31. 12. 2007	31. 12. 2006
Liabilities and provisions from insurance contracts (liabilities):		
– liabilities from reinsurance	16 559	6 939
– provision for the premium of future periods	27 295	7 360
– provisions for the damages and damage compensation	20 988	11 934
Net total liabilities from premium	**64 842**	**26 233**
Enforceable from reinsurers (assets):		
– receivables from reinsurance	8 771	3 133
– adjustment of expenses for the reported insurance claims and losses	8 665	817
Total share of reinsurers on the liabilities from premium (assets)	**17 436**	**3 950**

The liabilities resulting from insurance contracts significantly grew in comparison with 2007, mainly due to a marked growth of mandatory motor third party liability insurance (note 5.1).

5.16. Trade liabilities and other liabilities

	31. 12. 2007	31. 12. 2006
Liabilities from insurance toward persons insured	34 675	16 898
Trade liabilities	1 862	4 144
Liabilities toward employees	1 412	1 208
Social security and other tax liabilities	1 080	800
Liabilities from financial leasing	-	466
Accruals and deferrals and other liabilities:	6 604	5 632
not drawn vacations and rewards with premium	2 689	3 528
uninvoiced service and goods supplies	2 040	1 667
provision for coverage of the liabilities SIB MTPL	1 875	325
accruals	0	112
Total	**45 633**	**29 148**

On 15th March, 2007 the Act No. 110/2007 Coll. amending and supplementing Act No. 381/2001 Coll. on mandatory contractual motor third party liability insurance for the damage caused by motor vehicle operation, and on amendments and supplements of some acts, as amended, and amending and supplementing Act No. 95/2002 Coll. on insurance and on amendments and supplements of some acts, as amended. The above act came into force on 1st April, 2007 and, inter alia, imposes the obligations to the insurance companies to create technical provisions for the settlement of liabilities toward the Slovak Insurers' Bureau ("SIB") resulting from the activities according to special regulations, under which we understand the act on mandatory contractual motor third party liability insurance for the damage caused by motor vehicle operation.

The sum that the insurance company pays to SIB is determined and adjusted annually. Toward SIB, the Company has such liabilities only in the event that it provides mandatory contractual motor third party liability insurance. The amount of the liability as of 31st December, 2007 resulting from the valid insurance contracts as of this date amounted to SKK 1,875 ths. The act imposes the obligation to create provisions by 1st May, 2008 the latest in the amount of one third, by 1st May, 2009 in the amount of two thirds, and by 1st May, 2010 in full amount of the insurance company share of the total liabilities resulting from the activities according to a special regulation. The full amount of the share falling on the insurance company as of 31st December, 2007 is SKK 23,159 ths. The amount of total deficit liabilities was determined according to the data and valuation as of 31st December, 2005 from the year 2006; it is an estimated value and depends on the future development of damage compensation of SIB, and its final amount may be materially higher or lower.

As the company management inclines to the interpretation of IFRIC 6 on provision creation in the running system, the company only reports in the profit and loss statement the liabilities from contracts valid as of 31st December of the current year during their lifetime. According to the above act, the company plans to book the remaining part of the provisions into their primary accounting books with counter-entry in the assets, as follows:

by 1st May, 2008	SKK	5 844	thousand,
by 1st May, 2009	SKK	7 720	thousand,
by 1st May, 2010	SKK	7 720	thousand,
Total	SKK	21 284	thousand.

As booking of the above part of provisions (without the reported provision connected with the liabilities from contracts valid ad of 31st December of the current year as stated above) doe not meet the IFRS requirements for reporting liabilities, the company management plans to count in these provisions with the booked asset for the purpose of reporting in the IFRS statement. Therefore these provisions shall not be reported in the IFRS statement in 2008.

According to the opinion of the Company, the provisions created in this form are sufficient for coverage of the risk resulting from the uncertain future development of the SIB contribution.

The data on liabilities from financial leasing are as follows:

	Minimum leasing instalments		Current value of the minimum leasing instalments	
	31. 12. 2007	31. 12. 2006	31. 12. 2007	31. 12. 2006
Liabilities from financial leasing				
Payable within 1 year	-	466	-	466
Payable in 1 – 5 years	-	-	-	-
	-	466	-	466
Minus unrealised financial expenses	-	-	-	-
Current value of leasing liabilities	**-**	**466**	**-**	**466**
Minus: sum payable within 12 months (included in the short-term liabilities)		-		(466)
Sum payable over one year		-		-

5.17. Deferred tax receivables and liabilities

Deferred tax receivables and liabilities are mutually settled, when there is a legal claim for settling the payable tax receivables and liabilities and when the deferred income tax is subject to the same tax authority. The sums in question are the following:

	31. 12. 2007	31. 12. 2006
Deferred tax receivables:		
– from financial leasing	-	11
– from tax non-recognisability of provisions for unreported damages	313	
– from loss	19 004	14 496
– from revaluation of securities for sale	228	97
– rectifying item for deferred tax receivable	(19 545)	(14 604)
Total deferred tax receivable	**-**	**-**
Deferred tax liabilities:		
– from the difference between the accounting and tax carrying value of property	64	62
– from tax non-recognisability of provisions for unreported damages	313	
– from revaluation of securities	-	-
Total deferred tax liabilities	**377**	**62**

The company did not account any deferred tax receivables, which may be set off in the future, as the implementation of the temporary difference in the future is uncertain.

5.18. Transactions with related persons

The Company is controlled by the companies OTP-Garancia Biztosító Rt. Budapest (mother company registered in Hungary) and OTP Banka Slovensko, a. s. (Jsc.), Bratislava (mother company registered in the Slovak Republic), which own the 100 percent package of company shares. The transactions with related persons (companies within the OTP Bank Hungary group):

	2007	2006
OTP-Garancia Biztosító Rt.		
Revenues from sale of insurance contracts and other services		
Revenues from insurance contracts	3 392	2 565
Exchange rate gains	51	848
Premium transferred to reinsurers	(17 404)	(12 681)
The share of the reinsurer on the drawdown of provisions from insurance events	(8 125)	(1 718)
Share of the reinsurer on the drawdown of technical provisions	(5 791)	(4 958)
	(27 877)	**(15 944)**
Purchase of products and services		
Exchange rate expenses	225	245
Purchase of services	472	448
Share of the reinsurer on insurance events	(3 906)	(620)
Share of the reinsurer on the creation of provisions from insurance events	(4 782)	(2 672)
Share of the reinsurer on the creation of technical provisions	(6 525)	(4 793)
	(14 516)	**(7 392)**

	31. 12. 2007	31. 12. 2006
OTP Banka Slovensko, a. s.		
Revenues from sale of insurance contracts and other services		
Interest income from term deposits and current accounts	3 035	2 747
Revenues from premium received	-	3 837
Revenues from securities	1 250	424
	4 285	**7 008**
Purchase of products and services		
compensated insured events	-	600
Purchase of products	272	146
Purchase of services	283	254
Commissions	1 707	387
	2 262	**1 387**

OTP Garancia poisťovacie služby s.r.o. (Ltd.)	2007	2006
Purchase of products and services		
Commissions	3 776	361

	31. 12. 2007	31. 12. 2006
OTP-Garancia Biztosító Rt.		
End-year balances resulting from the revenues/purchases of products/services		
Liabilities toward related persons	8 771	3 306
	8 771	**3 306**
Share of basic capital	292 024	292 024
Liabilities toward related persons	8 604	4 969
Provisions for uninvoiced services	32	33
Share of the reinsurer on RPBO	(2 121)	(1 387)
Share of the reinsurer on RBNS	(4 082)	(7 425)
	294 457	**288 214**

	31. 12. 2007	31. 12. 2006
OTP Banka Slovensko, a. s.		
Share of basic capital	17 796	17 976
Liabilities toward related persons	79	86
Provisions for uninvoiced services	248	243
Deduction tax from interests	-	18
	18 303	**18 323**
Securities	49 891	25 829
Deposits on term accounts	150 650	109 850
Deposits on accounts	4 354	2 830
Deduction tax from interests	607	716
	205 502	**139 225**

	31. 12. 2007	31. 12. 2006
OTP Garancia poisťovacie služby s. r. o. (Ltd.)		
Liabilities toward related persons	171	92

	31. 12. 2007	31. 12. 2006
OTP Garancia poisťovňa, a. s. (Jsc.)		
Management salary and rewards	2 868	3 659

The company usually agrees on the provision of services with related persons on market basis. The insurance contracts are sold at the prices determined according to the principle of independent relations.

5.19. Events after the balance sheet date

As of 10th January, 2008, the mother company OTP Garancia Biztosító Rt. was sold to the French insurance company Groupama SA, however, up to the approval date of this statement of finances the transaction was not approved by the regulator yet. OTP Garancia poisťovňa, a. s. (Jsc.) is involved in this sale.

After the day that the statement of finances is compiled on, until the compilation of the statement of finances no further events happened, which would require amendment or publication in this statement of finances.