otp Garancia
životná poisťovňa

Life is full of twists and turns we regard differently from the distance. However, if you have clear idea where your journey leads, your result has really got its meaning. We pull at the same end of the rope with you.

2007
ANNUAL REPORT

otp Garancia
životná poisťovňa

2007
ANNUAL REPORT

Statement of the Chairman and General Director

Year 2007 was not a very successful one for OTP Garancia životná poisťovňa, a. s. (Jsc.) insurance company. Although during the course of the year we performed the plan to 44.7 %, despite this fact we reached a loss amounting to SKK 25.8 mil. The decrease of efficiency of all the sales channels significantly contributed thereto, by 38.4 % in total. This negative development signalises the need to intensify the sales of insurance products in life insurance.
In this spirit, at the end of 2007, an action plan was passed with emphasis on strengthening of the internal network and banking sales channels, namely by more suitable motivation completed with more intensive trainings and increasing the qualification of dealers.

We must perceive all these results as our obligation toward the shareholders, clients, and last but not least to ourselves as well, day after day work on improving the results of our work.

Year 2008 will be a year of big challenges for the insurance company. If we still want to face our competition on the insurance market, we have to reach a turn in the development of our company. Therefore I would like to ask you for your support and co-operation so that in one year's time we can say all together that "we are improving".

At the same time I would like to thank you for the performed work and co-operation.

Profile company

Business name	OTP Garancia životná poisťovňa, a. s.
Registered seat	Klemensova 2, 811 09 Bratislava
Legal form	joint stock company
Company ID	35 865 164
Companies Register	District Court Bratislava I, Section: Sa, Insert No.: 3173/B
Entry date	4. 9. 2003
Basic capital	SKK 190,000 ths.
Shareholders	Garancia Biztosító Rt., Budapest, with a share of 84.2 % (Jsc.), with a share of 15.8 %

OTP Garancia životná poisťovňa, a. s. (Jsc.) has been specialising in the sale of life insurance products since 2003, pursuant to the valid legislation. The company was established in 2003 by a corporate indenture on 31st January, 2003 and started its activities by registering with the Companies Register on 4th September, 2003. The licence for insurance activity performance pursuant to the Act on Insurance No. 95/2002 Coll. was granted to the insurance company by the Office for Financial Market (GRUFT- 003/2003/POIS) on 12th June, 2003. It offers its services mainly through the business networks of the partner OTP Banka Slovensko, a. s. (Jsc.), broker companies operating on the Slovak insurance market.

According to the volume of written premium, the biggest share in the product portfolio belongs to capital life insurance with 58.0 % at a volume of premium SKK 18,866 ths.
A growing tendency is kept by another product – life insurance ŠTÁDIUM, which together with the written premium in the amount of SKK 7,302 ths. created a share of 22.4 % on the total written premium.

Product offer

- Capital life insurance
- Hazardous life insurance
- ŠTÁDIUM
- GENERÁCIA
- Capital life insurance for juveniles and children
- Rider – exemption from the payment of premium
- Rider – accident insurance of adults and juveniles
- Rider of daily indemnity upon child hospitalisation

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

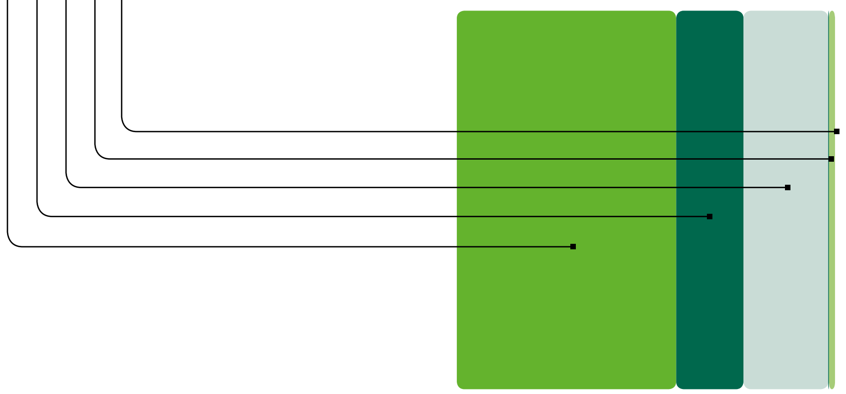
Volume of written premium	32 530 tis. Sk
Volume of paid out insurance claims	4 209 tis. Sk
Economic result after taxation	- 25 812 tis. Sk
Total assets	259 525 tis. Sk
Basic capital	290 000 tis. Sk
Technical provisions	71 205 tis. Sk

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 %)

Capital life insurance	SKK	18,866	ths.	58.0 %
Hazardous life insurance	SKK	5,794	ths.	17.8 %
ŠTÁDIUM	SKK	7,302	ths.	22.4 %
GENERÁCIA	SKK	59	ths.	0.2 %
Capital life insurance for juveniles and children	SKK	509	ths.	1.6 %

Product	Actual I. – XII. 2006	Actual I. – XII. 2007	Plan I. – XII. 2007	Percentage %	Y – Y growth %	Share
Kapitálové životné poistenie	36205	18866	37373	50,5	-47,9	58,0 %
Rizikové životné poistenie	5669	5794	6597	87,8	2,2	17,8 %
ŠTÁDIUM	10629	7302	21478	34,0	-31,3	22,4 %
GENERÁCIA	93	59	556	10,6	-36,6	0,2 %
Kapitálové životné poistenie mládeže a detí	201	509	6828	7,5	153,2	1,6 %
Total	**52 797**	**32 530**	**72 832**	**44,7**	**-38,4**	**100,0 %**



Report of the Board of Directors on business activities in 2007

Report on financial situation in 2007

Year 2007 was the year of adaptation for OTP Garancia životná poisťovňa to the changing market conditions. The mechanism of cross-selling has become one of the main drive forces of business expansion among insurance companies. The use of cross-selling for expansion and consolidation of own client basis was also the common motive of the OTG group members for launching the rebranding campaign. Our company had the same intention, but eventually it did not manage to fulfil the goals in full scope.

The gross written premium amounted to SKK 32,530 ths., which out of the planned volume of SKK 72,832 ths. represented a fulfilment at the level of 44.7 %. The biggest share in premium was reached by capital life insurance with 58.4 %, the lowest share by the insurance Generation and children's insurance, whose share in the total premium amounted to 1.5 %. Similarly as in some big insurance companies, also in our company the negative impact of risk was applied carried by the high share of single insurances in the insurance portfolio of the previous period.

At the same time, in the business efficiency also a slower progress in the co-operation with several distribution channels showed, as well as gradual selection among mediators, low attractiveness of the insurance company among brokers, and also some blank spaces in the product portfolio.

The revenues from financial positioning grew almost three times, mainly due to the increase of basic capital by SKK 100 mil. at the beginning of the year. Another reason was also radical increase of the share of state bonds and mortgage bonds in the portfolio of financial assets at the expense of term deposits in banks. The insurance company thereby decreased the influence of profitability oscillation of short-term financial instruments on this group of revenues.

In the cost group, low burden of losses had a really favourable influence. Worse business performance also resulted in lower creation of technical provisions, mainly life provisions. Low drawing of acquisition costs (SKK 6.7 mil.) influenced low costs of commissions. Neither were operating costs in the amount of SKK 34.9 mil. drawn in the planned volume. 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 -25,8 mil., which is worse by SKK 12 mil. than the estimation in the plan.

Information on anticipated economic and financial situation in 2008

For the year 2008, the insurance company gradually prepared the entire spectre of products offered by the competitor insurance companies, including variable riders. A special type of product, characteristic for bank-insurance companies is group insurance to consumption loans, which we developed together with OTP Banka Slovensko, the sale of insurance is directly built-in in the loan contract. In 2008, also investment life insurance will be also involved in the product policy.

The written premium shall reach the volume of SKK 96.5 mil. The main distribution channel is still OTP Banka Slovensko, which secures more than 50 % of the business volume. The own network of dealers, whose structure is going through a change, gains almost a third of the total written premium. The insurance company counts with expansion of the group of co-operating brokers, who will be provided as much care, support and motivation as possible.

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

Commissions, advertising costs and wages of dealers shall form the main items of acquisition costs in the amount of SKK 54 mil. The costs of administrative overheads (SKK 40,8 mil.) include besides the general costs also the expenses connected with conversion to EURO.

With regards to the approved development character of the insurance company, the plan estimates an annual loss of SKK -34.2 mil.

In the balancing structure, the plan counts with the increase of technical provisions by more than 66 % to the level of SKK 118.3 mil. The expected growth is connected mainly with the increase of life provisions by almost SKK 42 mil.

One of the basic priorities of the insurance company activities in 2008 is further business growth by a level higher than the actual market 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
životná poisťovňa

Contents

Deloitte.

Deloitte Audit s.r.o.
Apollo BC, Prievozská 2/B
Bratislava 821 09
Slovenská republika

Obchodný register
Okresného súdu Bratislava I
Oddiel: Sro
Vložka č.: 4444/B
IČO: 31 343 414

Tel: +421 2 582 49 111
Fax: +421 2 582 49 222
www.deloitte.sk

OTP Garancia životná poisťovňa, a.s.

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying separate financial statements of OTP Garancia životná 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 životná 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 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 životná 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.
Licence SKAu No. 014

Ing. Zuzana Letková
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 (ths. SKK)	Note	31. 12. 2007	31. 12. 2006
Revenues from premium		32 861	53 145
Premium transferred to reinsurers		(1 225)	(1 237)
Net revenues from premium	5.1	**31 636**	**51 908**
Revenues from fees	5.2	498	812
Revenues from investments	5.3	7 969	3 294
Other operating revenues	5.4	139	69
Net revenues		**40 242**	**56 083**
Insurance claims	5.5	4 209	321
Costs of claim and loss adjustment	5.5	18 004	37 128
Refund of costs of claim and loss adjustment from reinsurers	5.5	(1)	7
Net insurance claims and losses		**22 212**	**37 456**
Marketing and administrative costs	5.6	41 588	42 813
Other operating costs	5.6	2 171	2 442
Expenses		**65 971**	**82 711**
Loss before taxation		**(25 729)**	**(26 628)**
Income tax – revenue /(cost)	5.7	(83)	177
Loss of the current year		**(25 812)**	**(26 451)**

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, 2007

Balance Sheet (ths. SKK)	Note	31. 12. 2007	31. 12. 2006
Assets			
Buildings, constructions, machinery and equipments	5.8	2 740	3 132
Intangible assets	5.9	581	589
Capital participation in affiliated companies	5.10	158	158
Financial assets			
Debt securities for sale	5.11	129 697	50 205
Loans and receivables including receivables from insurance contracts	5.12	124 132	113 043
Reinsurance contracts	5.15	72	502
Cash and cash equivalents	5.13	1 336	4 404
Other assets		809	210
Total assets		**259 525**	**172 243**
Share capital	5.14	290 000	190 000
Other reserves	5.14	4 147	7 335
Unsettled loss		(87 573)	(61 122)
Loss for the period		(25 812)	(26 451)
Equity capital, subtotal		**180 762**	**109 762**
Liabilities and provisions from insurance contracts	5.15	71 540	53 657
Trade liabilities and other liabilities	5.16	7 015	8 699
Deferred tax liabilities	5.17	208	125
Liabilities		**78 763**	**62 481**
Total equity capital and liabilities		**259 525**	**172 243**

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	**129 000**	**8 961**	**(37 969)**	**(23 153)**	**76 839**
Increase of SC	61 000	-	-	-	61 000
Differences in securities valuation	-	(1 626)	-	-	(1 626)
Transfer	-	-	(23 153)	23 153	-
Profit after taxation	-	-	-	(26 451)	(26 451)
Equity as of 31st December, 2006	**190 000**	**7 335**	**(61 122)**	**(26 451)**	**109 762**
Increase of SC	100 000				100 000
Differences in securities valuation		(3 188)			(3 188)
Transfer			(26 451)	26 451	-
Loss after taxation				(25 812)	(25 812)
Equity as of 31st December, 2007	**290 000**	**4 147**	**(87 573)**	**(25 812)**	**180 762**

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
Pre-tax profit	**(25 729)**	**(26 628)**
Non-financial adjustments	**12 074**	**36 708**
Depreciation	1 956	2 129
Net technical provisions	17 691	37 303
Differences in securities valuation	(3 188)	(1 626)
Interest revenues	(4 385)	(1 098)
Change in operating assets and liabilities	**(91 578)**	**(69 129)**
Debt securities	(79 492)	(2 683)
Loans and credit receivables and receivables from insurance	(11 024)	(62 015)
Reinsurance contracts	622	(3 049)
Trade liabilities and other liabilities	(1 684)	252
Other liabilities	-	(1 634)
Cash flow from operating activities	**(105 233)**	**(59 094)**
Income tax paid	(599)	-
Interest received	4 320	1 056
Net cash flow used for operating activities	**(101 512)**	**(57 993)**
Cash flow from investment activities		
Procurement of buildings, equipments and constructions	(1 556)	(677)
Net cash flow used for investment activities	**(1 556)**	**(677)**
Cash flow from financial activities		
Revenue from the emission of ordinary shares	100 000	61 000
Net cash flow from financial activities	**100 000**	**61 000**
Net (decrease)/increase of cash on bank accounts	**(3 068)**	**2 330**
Cash at the beginning of the year	4 404	2 074
Cash at the end of the period	**1 336**	**4 404**

The statement of finances was approved on 22nd February, 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:

Mária Takácsová
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

F

1. General data

1.1. Business name and seat of the company

OTP Garancia životná 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 4th September, 2003 (Companies Register of District Court Bratislava I in Bratislava, Section: Sa, Insert No.: 3173/B) under company identification number (Company ID) 35865164. The company was assigned the tax identification number (Tax ID) 2021 740 765. The Office for Financial Market issued on 12th June, 2003 decision No. GRUFT-006/2003/POIS on granting licence for performance of insurance activities. OTP Garancia životná 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:

- Insurance payable at death, endowment insurance, or Insurance payable at death or endowment insurance
- Marriage portion insurance or insurance of resources for the nourishment of children
- Insurance according to items 1 and 3 connected with investment fund
- Pension insurance
- Insurance against injuries and disease, if it is a rider according to this insurance branch listed in items 1, 2 and 4

1.3. Structure of the company shareholders

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

Shareholders	Share of basic capital		Voting rights
	(in ths. SKK)	%	in %
OTP-Garancia Biztosító Rt. Budapest, Republic of Hungary	244 000	84,14	84,14
OTP Banka Slovensko, a. s., Bratislava, Slovak Republic	46 000	15,86	15,86
Total	**290 000**	**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 – 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.

As of 31st December, 2007, OTP Garancia poisťovňa employed 28 persons in the average calculated state, out of that 5 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. Concerning this fact, the shareholders in 2007 significantly strengthened the equity capital of the company by increasing its basic capital by SKK 100,000 ths. The increase of basic capital shall contribute to improvement of long-term economic results of the company. See also note 5.14.

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 životná 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:

- FRS 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),
- FIRIC 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),
- FRIC 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),
- FRS 8 "Operating Segments" (efficient as of 1st January, 2009).

IASB not approved by the EU yet:

- 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 emerge 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, apart from computer techniques, 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	250
Transport means	4	linear	250
Furniture, light panel	6	linear	167

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	200

2.7. Financial assets

The company divides its financial assets into the following categories: loans and receivables including receivables from insurance contracts and financial assets available for sale. 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

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.

2.10. 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 are reported in the equity capital as a deduction from the income, reduced by the tax.

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 accordance with the general insurance conditions, and the contractual arrangement of the individual insurances, in case of insurance events the agreed amount insured is paid. In capital insurances (where there is also the sum insured of endowment insurance) the agreed sums insured are increased by the credited discretionally participation features, which depends on the interest rate of the provisions in life insurance. At least 90 % of the final interest for crediting is assigned in favour of the clients of the insurance company. The discretionally participation features are credited to the sum insured on the annual of the insurance inception. Crediting the discretionally participation features (or DPF) is implemented according to the discretion of the company according to the proposal of the company actuary.

Discretionally participation features or „DPF" are reported within the framework of technical provisions for life insurance.

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.

Short-term insurance contracts (insurance contracts with an insurance period max. up to 3 years)

The group of short-term insurance contracts included the group risk life insurance, which is agreed for the coverage of consumption loans and protects the clients of the company from the consequences of insurance events (death, and/or invalidity due to an accident), which would influence the ability of the client to secure fulfilment of the liabilities upon repayment of the consumption loan.

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 these insurance contracts, there is no claim for discretionally participation features.

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.

Long-term insurance contracts with fixed and guaranteed conditions (insurance contracts with an insurance period of 3 or more years)

This group of long-term insurance contracts comprises capital life insurances (insurances payable at death or endowment insurance), capital life insurances with partial payments of the sum insured for endowment (insurance payable at death or endowment insurance), life insurance for juveniles and children (insurance payable at death or endowment insurance), risk life insurance (insurance payable at death) and riders of these main insurances (accident insurance, exemption from premium payment, hospitalisation). These contracts insure the events connected with human life.

Guaranteed insurance claims paid upon the occurrence of specified insurance events are either fixed (main insurances), or depend from the damage scope, which was caused to the owner of the insurance contract. In the main insurances (apart from the risk life insurance) there is a claim for the surrender value and claim for the share of surplus.

Premium is booked to the revenues upon maturity on the part of the insured person. Premium is reported before commission deduction. Fulfilments are continuously booked into the costs.

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 include 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. Any discrepancy is immediately booked into the profit and loss statement first by writing off the DAC and then by creating provisions for the losses resulting from the tests of liability adequacy (provisions for permanent risks). Long-term insurance contract with fixed validity period are valuated according to the estimation determined upon contract establishment. If according to the test of liability adequacy new better estimations are necessary, these estimations (less margin for negative deviation) shall be used for the following valuation of the above mentioned liabilities. No DAC written off due to such a test may be then restored.

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. The reinsurance contract is agreed for the coverage of the following risks: death due to any reasons, death due to accident, and persistent effects of accident. Reinsurance is on the basis of excendent reinsurance with own self-retention of SKK 500,000, limit in the amount of SKK 5,000,000 – sums insured for the reinsured risk in the amount between the own self-retention and the limit are mandatorily reinsured, contracts with a sum insured for reinsured risk above the limit value are facultative.

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. The company gains objective evidence on value reduction of the receivables from insurance contracts in the same way as applied in case of the loans and receivables. 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. The company created rectifying items to the receivables from insurance and to the receivables toward insurance mediators according to the principle of cautiousness.

2.12. Income tax

Income tax resulting form the economic results of the accounting period include 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.

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 deaths a year, in which the company is exposed to a risk. In case of these estimations, the company emerges from the standard death-rate tables for the given branch and from the national death-rate tables, which reflect the newest historical death-rate data, whereas in case of need they are adjusted in order to take into regards own experience of the company.

Estimation of gross written premium and cost commissions belonging to mediators

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 mediation commissions are determined from the estimated item of gross written premium.

Sensitivity analysis

The following table contains sensitivity of the value of liabilities from life insurance contracts concluded by the company OTP Garancia životná poisťovňa, a. s. from the changes of values of selected assumes used upon estimation of the insurance liabilities. Upon estimation of insurance liabilities, it uses the best estimate of assumed values, adjusted by the security surcharge for the coverage of uncertainty of the future development of values of assumes (market value margin).

Product group	Liabilities and provisions from insurance contracts	Increase of liability due to mortality decline by 10 %	Increase of liability due to the increase of administrative costs by 10 %	Increase of liability due to inflation costs by 10 %
A1 regularly paid	15 589	1 754	192	1 078
A1 single payment	52 951	16	7	81
A2 regularly paid	-	6	3	17
Total	**68 540**	**1 776**	**202**	**1 176**

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.

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 a high burden of loss, the company has the possibility to adjust the premium, or to terminate the risky accident insurance.

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 is included in the premium calculation for the sums insured over 5 times of the basic sum insured, and also by reinsurance. The level of the sums insured in accident insurance is at the same time limited depending on the amount of the sum insured in the main insurance.

The reinsured risks death due to accident and persistent effects of the accident on the basis of excendent reinsurance with own self-retention of SKK 500,000 and the limit of SKK 5 mil., the sums insured above the limit cannot be insured without the consent of the reinsurer.

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

Insurance events within the framework of accident rider 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 they are reported after 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, and 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. Long-term life insurance contracts

a) Frequency and relevance of insurance claims

The frequency and relevance of the insurance events may be influenced by several factors. The most important is the health condition of the person insured, his age and 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 incidental insurance frauds.

The strategy of underwriting activity is focused on the classification of risk and its consecutive reasonable valuation, diversification of the risk according to the territory is not monitored in this insurance.

Upon risk classification, the health condition of the person insured is examined (in the form of the health questionnaire), as well as the age of the person insured. With regards to the level of the sum insured, in case of insurances payable at death up to SKK 2 mil. also the financial risk and the ability of the person insured to pay the determined premium from his income are examined.

Depending on the health condition, 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 for the death-rate tables). According to the health condition examination by the underwriter and contracted physician, the company may refuse to accept a client with high insurance risk. In the insurance conditions the events are named, which if they occur, the company is entitled to refuse or reduce the insurance claim.

By the above way, the company classifies the risk and consequently quantifies it by a suitable level of premium depending on the entry age, sum insured and insurance period, or incidentally may also refuse to accept and insure the client.

The company eliminates the risk resulting from the amount of the sum insured by reinsurance.

The risk of death is reinsured on the basis of excendent reinsurance of own self-retention of SKK 500,00 and limit of SKK 5 mil., premiums of insurances payable at death above the limit cannot be insured without the consent of the reinsurer.

Endowment risk is not reinsured.

In case of contracts in which the insured risk is death, the most important facts, which could increase the total frequency of claims, are epidemics (e.g. AIDS or SARS), or widespread changes of lifestyle (e.g. catering, smoking and physical activities), which result in premature or more frequent claims compared to the assumes. In case of endowment insurance, the most important factor is continuous improvement of health care and social conditions, which could prolong the length of life.

At the moment, these risks do not change significantly related to localisation of the risk that the company insured. Excessive concentration according sums could, however, have impact on the relevance of paid claims at the portfolio level. In case of contracts with fixed and guaranteed fulfilment and fixed future premium do not exist any mitigative conditions, which reduce the accepted insurance risk. A significant insurance risk result from the participant character of the contracts with DPF, which is common for the insurance company and the insured party.

b) Sources of uncertainty upon estimation of the future insurance claims and revenues from premiums

Uncertainty upon estimation of the future claims and revenues from premium in case of long-term contracts results from the unexpectedness of long-term changes of the level of mortality and change of behaviour of the insurance contract owners.

The company uses suitable death-rate tables, depending on the type of insurance and the territory in which the person insured lives. The company verifies the development and trend of mortality within the given territory and this development is taken into regards by the use of suitable tables upon preparation of new products. Riskiness of the clients is examined in the process of underwriting and incidental risky behaviour of the client (e.g. smoking), impaired health condition is solved by putting into the relevant category of risk group, according to the rate of risk, in accordance with the internal directive.

The company keeps its own statistics on termination of the insurance contracts in order to find out deviations from the real number of terminated contracts from the assumes (e.g. in plans). According to this data it is possible to use a rectifying item for future estimates in order to gain an estimation as exact as possible regarding the future rate of insurance contract termination. In case of an increased rate of insurance contract termination in the given year over the anticipated state, however, the company investigates the reasons for this increase and takes measures for elimination of contract termination in those types of cancellations, where incidental elimination is possible.

c) Guaranteed annuity option

The level of insurance risk from the contracts with guaranteed annuity options depends also on the number of insurance contract owners using such options. This will significantly depend on the investment conditions which are applied in case of the possibility of using options. The higher the interest rates on the general market related to the rates resulting from the guaranteed annuity, the more probable that the insurance contract owners will apply these options. The continuous prolongation of life expressed in the current annuity rates will increase the probability that the owners of insurance contracts will use these options, and increases the rate of insurance risk that the company bears in case of the concluded annuities.

4.1.3. Short-term life insurance contracts

a) Frequency and relevance of insurance claims

In the short-term insurance contracts (in case of the company this concerns the contracts related to the coverage of consumption loans), which cover the risk of death and risk invalidity due to injuries, the frequency and relevance of the insurance claims is influenced by the same influences as listed in clauses 4.1.1.(a) and 4.1.2. (a). The way of risk management is similar to the way included in the clauses above, however, with regards to the lower level of insurance sums, the process of underwriting in this insurance is adjusted with regards to the lower risk rate.

With regards to the level of insurance sums and lower risk volume, this insurance is not reinsured.

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

With regards to the short-term character of the contracts, there is a lower uncertainty of the estimation of future claims. The company uses standard death-rate and invalidity-rate tables, and takes into account the possible development trend for the coming years.

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:

	31st December 2007	31st December 2006
Debt securities for sale	129 697	50 205
Loans and receivables including receivables from insurance contracts	124 132	113 043
Reinsurance contracts	72	502
Total maximum value of the credit risk	**253 901**	**163 750**

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	9 541	8 951
Value of the portfolio rectifying item	(3 702)	(3 043)
Net position toward the owners of insurance contracts	**5 839**	**5 908**
Receivables towards agents, representatives and mediators	3 008	1 302
Value of the portfolio rectifying item	(899)	(464)
Net position towards agents, representatives and mediators	**2 109**	**838**
Total balance sheet value of the devaluated receivables	**7 948**	**6 746**

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	61 990	66 930	777	-	129 697
Term Deposits	-	114 520	-	-	114 520
Reinsurance contracts	-	72	-	-	72
Accruals and deferrals of acquisition costs	-	-	-	1 014	1 014
Other receivables	-	-	-	650	650
Total position	**61 990**	**181 522**	**777**	**1 664**	**245 953**

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	30 940	17 666	1 599	-	50 205
Term Deposits	-	104 706	-	-	104 706
Reinsurance contracts	-	502	-	-	502
Accruals and deferrals of acquisition costs	-	-	-	1 044	1 044
Other receivables	-	-	-	547	547
Total position	**30 940**	**122 874**	**1 599**	**1 591**	**157 004**

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:

	31. 12. 2007	31. 12. 2006
Financial assets		
Debt securities:	4,83	5,07
– financial assets for sale	4,83	5,07
Term deposits, balance on bank accounts and cash desk money	3,39	3,25

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	(312)	(312)	(92)	(92)
Term Deposits	(312)	(312)	(92)	(92)
Debt securities for sale	-	419	-	632
Reinsurance contracts	-	-	-	-
Total influence – profit/(loss)	**(312)**	**107**	**(92)**	**540**

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 point 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 does not have to have cash available at a reasonable price for settlement of the due liabilities. The relevant body determines the limits of minimum share of due financial resources available for the coverage of such requests. The table shows the deficit of liquidity as of 31st December, 2007 and 2006:

As of 31st December, 2007	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	-	-	-	-	2 740	2 740
Intangible assets	-	-	-	-	581	581
Capital participation in affiliated companies	-	-	-	-	158	158
Financial assets						
Debt securities	1 006	2 302	67 415	58 974	-	129 697
Loans and receivables including receivables from insurance contracts	123 118	1 014	-	-	-	124 132
Reinsurance contracts	72	-	-	-	-	72
Cash and cash equivalents	1 336	-	-	-	-	1 336
Other assets	809	-	-	-	-	809
Total assets	**126 341**	**3 316**	**67 415**	**58 974**	**3 479**	**259 525**
Share capital	-	-	-	-	290 000	290 000
Other reserves	-	(3 853)	-	-	8 000	4 147
Undivided loss	-	-	-	-	(87 573)	(87 573)
Loss for the period	-	-	-	-	(25 812)	(25 812)
Insurance contracts	1 261	2 176	-	68 103	-	71 540
Trade liabilities and other liabilities	7 015	-	-	-	-	7 015
Deferred tax liabilities	-	104	104	-	-	208
Total equity capital and liabilities	**8 276**	**(1 573)**	**104**	**68 103**	**184 615**	**259 525**
Balance sheet position	**118 065**	**4 889**	**67 311**	**(9 129)**	**(181 136)**	**-**
As of 31st December, 2006						
Total assets	120 729	1 535	15 118	30 096	4 765	172 243
Total liabilities	2 413	9 441	25	50 602	109 762	172 243
Balance sheet position	**118 316**	**(7 906)**	**15 093**	**(20 506)**	**(104 997)**	**-**

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 interpolation 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
Long-term insurance contracts with fixed and guaranteed conditions	28 778	49 953
– gross written premium from insurance contracts	28 478	49 577
– change of provisions for unearned premium	300	376
Short-term insurance contracts	4 083	3 192
– gross written premium from insurance contracts	4 052	3 219
– change of provisions for unearned premium	31	(27)
Revenues from premium from concluded insurance contracts	**32 861**	**53 145**
Long-term reinsurance contracts	(1 225)	(1 237)
– gross written premium transferred to the reinsurer	(891)	(1 234)
– change of provisions for unearned shares of the reinsurer	(334)	(3)
Revenues from premium transferred to reinsurers from concluded insurance contracts	**(1 225)**	**(1 237)**
Net revenues from premium	**31 636**	**51 908**
Long-term insurance contracts	27 553	48 716
Short-term insurance contracts	4 083	3 192

The revenues from premium in 2006, compared to the year of 2007, were higher by SKK 20,272 ths. These revenues above were achieved by single insurance contracts at the end of the year 2006 according to the agreement with the shareholder OTP Banka Slovensko, a. s., by transfer of the client deposits of the bank to insurance contracts. At the end of the year 2007, these single contracts represented gross written premium in the amount of SKK 11,187 ths. (2006: 30,045).

5.2 Revenues from fees – insurance contracts

	2007	2006
Commissions from reinsurance	498	812
Total revenues from fees	**498**	**812**

The revenues from fees in the present year compared to the year of 2006 was lower by SKK 314 ths. Reduced revenues from commissions from reinsurers are directly connected with the lower revenues from premium.

5.3. Revenues from investments

	31. 12. 2007	31. 12. 2006
Total financial assets available for sale	3 584	2 196
Term Deposits	4 385	1 098
Total revenues from investments	**7 969**	**3 294**

The revenues from investments as of 31st December, 2007, compared to the year of 2006, increased by SKK 4,675 ths. The increase of revenues from financial allocation is caused by the increase of investments value in 2007 by SKK 90,581 ths. due to the increase of equity capital value by SKK 100 mil. dated 26th April, 2007.

5.4. Other operating revenues

	31. 12. 2007	31. 12. 2006
Interest on currency accounts	9	6
Other revenues – exchange rate gains, insurance compensations	130	23
Other technical revenues	-	40
	139	**69**

5.5 Insurance claims and losses

	31. 12. 2007	31. 12. 2006
Insurance claims		
Long-term insurance contracts with fixed and guaranteed conditions:	**22 133**	**37 444**
– insurance claim in case of death, expiration and surrender of a policy	4 204	240
– increase of technical provisions for insurance claims and of mathematical provisions	17 929	37 204
Short-term insurance contracts with fixed and guaranteed conditions:	**80**	**5**
– insurance claim in case of death, expiration and surrender of a policy	5	81
– increase of technical provisions for insurance claims and of mathematical provisions	75	(76)
Insurance claims recognised in the given year	4 209	321
Change of the state of technical provisions for insurance claims and of mathematical provisions	18 004	37 128
Total costs of insurance claims to the owners of insurance contracts	**22 213**	**37 449**

Insurance claims and demands recorded a drop compared to 2006 in the amount of SKK 15,236 ths. This reduction was achieved mainly by lower creation of provisions of life insurance for insurance contracts paid in a single payment by SKK 19,275 ths. and increase of policy surrenders in the amount of SKK 4,204 ths.

	2007			2006		
	gross	reinsurance	net	gross	reinsurance	net
Mathematical provisions for life insurance	50 477	-	50 477	13 287	-	13 287
Registered liabilities from insurance events RBNS	14	-		101	-	101
Registered liabilities from IBNR	378	(16)	362	353	(23)	330
Sum at the beginning of the year	**50 869**	**(16)**	**50 853**	**13 741**	**(23)**	**13 718**
Compensated damages arranged during the course of the year	(4 209)	-	(4 209)	(321)	-	(321)
Increase of liabilities	4 270	(1)	4 269	259	7	266
from damages of the current accounting period	4 201	(1)	4 200	198	7	205
from damages of the previous accounting period	69	-	69	61	-	61
Change of state of mathematical provisions	17 943	-	17 943	37 190	-	37 190
Costs of claim and loss adjustment	**18 004**			**37 128**	**-**	**-**
Change of conditions during the lifetime of the contract	(316)		(316)	-	-	-
Sum at the end of the year (note 5.15)	**68 557**	**(17)**	**68 540**	**50 869**	**(16)**	**50 853**
Mathematical provisions for life insurance	68 420	-	68 420	50 477	-	50 477
Registered liabilities from insurance events RBNS	-			14	-	14
Registered liabilities from IBNR	453	(17)	436	378	(16)	362
Change of conditions during the lifetime of the contract	(316)		(316)	-	-	-
Sum at the end of the year (note 5.15)	**68 873**	**(17)**	**68 540**	**50 869**	**(16)**	**50 853**

5.6. Expenses

	2007	2006
a) Costs of marketing and administrative activities	**41 588**	**42 813**
Material costs	1 384	1 063
Services (including costs of the acquisition of insurance contracts)	20 047	22 027
Wages	10 528	10 992
Other wages	3 494	2 321
Premium from wages	4 179	4 282
Depreciation	1 956	2 128
b) Other operating costs	**2 171**	**2 442**
– out of that creation of rectifying items for receivables	659	1 248

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	**52**	**56**
Creation of social fund in 2007	79	74
Drawing of social fund in 2007	(101)	(78)
Closing balance on the social fund account	**30**	**52**

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	83	(177)
Total tax expense/(revenue)	**83**	**(177)**

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

	2007	2006
Loss before taxation	(25 729)	(26 628)
Profit tax calculated by the help of relevant tax rates valid in the given country (revenue)	(4 889)	(5 059)
Tax influence:		
– non-deductible expenses	327	373
– tax losses that no deferred tax receivables were reported for	4 645	4 509
Tax amount for the period expense/(revenue)	**83**	**(177)**

5.8. Buildings, constructions, machinery and equipments

	Machinery and equipments	Total
Acquisition costs		
31st December 2006	7 462	7 462
Accruals	1 352	1 352
Decreases	(2 176)	(2 176)
31st December 2007	**6 638**	**6 638**
Allowances		
31st December, 2006	4 330	4 330
Accruals	1 744	1 744
Decreases	(2 176)	(2 176)
31st December, 2007	**3 898**	**3 898**
Carrying value		
as of 31st December, 2006	**3 132**	**3 132**
as of 31st December, 2007	**2 740**	**2 740**

The accruals of machinery and equipments represent the purchase of computers for new employees and the purchase of furniture for the workstation in Komárno and Client workplace in Bratislava.

During the year 2007, the company had the machinery and equipments insured at the acquisition costs of SKK 6,422 ths. The annual insurance costs of the property in 2007 amount to SKK 29 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	1 060	1 060
Accruals	204	204
31st December 2007	**1 264**	**1 264**
Allowances		
31st December 2006	471	471
Accruals	212	212
31st December 2007	**683**	**683**
Carrying value		
as of 31st December, 2006	**589**	**589**
as of 31st December, 2007	**581**	**581**

The accrual in intangible assets is represented by the purchase of softwares.

5.10. Capital participation in affiliated companies

In 2005, the company and OTP Garancia 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 not audited	31. 12. 2006 not audited
Selected financial data 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	129 697	50 205
Total financial assets available for sale	**129 697**	**50 205**

Upon allocation of the technical provisions and equity capital observed the principle of maximum security, therefore in its portfolio of security the mortgage bonds of domestic banks with a share of 51.6 % and state bonds with a share of 47.8 % prevail. The bonds of the leasing company B.O.F a. s. (Jsc.) have a share of only 0.6 % of the total volume of securities.

The increase of the financial allocation in 2007 by SKK 79,492 ths. was caused by investing the resources gained from the increase of the equity capital value by SKK 100 mil. dated 26th April, 2007.

5.12. Loans and receivables including receivables from insurance contracts

	31. 12. 2007	31. 12. 2006
Receivables from insurance and reinsurance contracts:		
– receivables toward the owners of insurance contracts	9 541	8 951
– after deduction of the rectifying item for reduction of the value of receivables toward the owners of insurance contracts	5 839	5 908
– receivables towards agents, representatives and mediators	3 008	1 302
– after deduction of the rectifying item for reduction of the value of receivables toward the agents, representatives and mediators	2 109	838
Other loans and receivables:		
– short-term bank deposits	114 520	104 706
– accruals and deferrals of rent and others	438	417
– accruals and deferrals of acquisition costs	1 014	1 044
– other receivables	212	130
Total loans and receivables including receivables from insurance contracts	**124 132**	**113 043**
Short-term	124 132	113 043
Long-term	--	--

The average interest rate of short-term bank deposits in 2007 represented 3.39 % (2006: 3.25 %) with an average maturity of 9.1 days (2006: 9.1 days). Short-term bank deposits represented for the company an investment instrument securing the necessary rate of liquidity. Compared to 31st December, 2006, the level of term deposits grew due to the increase of the basic capital of the company by SKK 100,000 ths., out of which the majority was allocated for the purchase of securities (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	1 336	4 404
	1 336	**4 404**

Cash and cash equivalents, compared to the state as of 31st December, 2006, reported a decrease by SKK 3,068.

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 through term deposits. Upon cash management it strictly observed the determined limits for daily cash balances.

5.14. Basic capital, other reserves and equity capital management

The total approved number of ordinary shares is as of 31st December, 2007 2,900 (31st December, 2006: 1,900) with a nominal value of SKK 100 ths. per share (2006: SKK 100 ths. per share). 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 4 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 rate of solvency of the Company was calculated according to the state as of 31st December, 2007 pursuant to Public Notice No. 441/2004 Coll., as amended by later regulations. During the whole year of 2007, the Company fulfilled the solvency requirements, as it is also documented in the following table:

in thousand SKK	2007	2006
Required solvency rate of the Company	4 793	4 188
Real solvency rate of the Company	180 180	108 130
The ratio of the real and required solvency rate of the Company	37,59	25,82

On 26th April, 2007, the General Meeting decided on the increase of basic capital of the company by SKK 100,000 ths. OTP Garancia Biztosító, Rt Budapest participated in the increase of basic capital with SKK 84,000 ths., as well as OTP Banka Slovensko, a. s. with SKK 16,000. Hereby the amount of the basic capital amounted to SKK 290,000 ths. as of 31st December, 2007.

Other reserves include the general reserves created upon establishment 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 ordinary 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	334	142
– provision for the premium of future periods	2 666	2 662
– provisions for the damages and damage compensation	68 540	50 853
Net total liabilities from premium	**71 540**	**53 657**
Short-term contracts	10	236
Long-term contracts	71 530	53 421
Total liabilities from premium	**71 540**	**53 657**
Enforceable from reinsurers (assets):		
Long-term insurance contracts:		
– with firm and guaranteed conditions	72	502
Total share of reinsurers on the liabilities from insurance claims (assets)	**72**	**502**

In the liabilities from insurance a substantial growth occurred compared to 2006, namely in the amount of SKK 17,883 ths. The increase was caused mainly by the life provisions, created by single insurance contracts.

5.16 Trade liabilities and other liabilities

	31. 12. 2007	31. 12. 2006
Liabilities from insurance toward persons insured	1 031	318
Trade liabilities	543	333
Liabilities toward employees	1051	975
Social security and other tax liabilities	802	675
Liabilities from financial leasing	-	276
Accruals and deferrals and other liabilities:	3 588	6 122
not drawn holiday and rewards	2118	2 004
premium to not drawn holidays and rewards	482	455
unpaid commission rewards + competition	332	2 960
audit	400	326
counselling	-	60
other reserves + uninvoiced deliveries	256	306
accruals	0	11
Total	**7 015**	**8 699**

The liabilities in total compared to 2006 did not report a substantial change. The above reported were in 2006 mainly commission rewards and competitions due to delayed payment of commissions. As of 31st December, 2007, the company does not record any overdue liabilities.

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	-	276	-	276
Payable in 1 – 5 years	-	-	-	-
		276	-	276
Minus unrealised financial expenses	-	-	-	-
Current value of leasing liabilities	**-**	**276**	**-**	**276**
Minus: sum payable within 12 months (included in the short-term liabilities)			-	(276)
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	-	6
– from loss	20 625	15 980
– from tax non-recognisability of provisions for unreported damages	82	-
– from revaluation of securities for sale	606	308
– rectifying item for deferred tax receivable	(21 313)	(16 294)
Total deferred tax receivable	**-**	**-**
Deferred tax liabilities:		
– from the difference between the accounting and tax carrying value of property	126	125
– from tax non-recognisability of provisions for unreported damages	82	-
– from revaluation of securities	-	-
Total deferred tax liabilities	**208**	**125**

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 per cent package of company shares. The transactions with related persons (companies within the OTP Bank Hungary group):

	2007	2006
OTP Banka Slovensko		
Revenues from sale of insurance contracts and other services (Revenues)		
Revenues from the received premium from life insurance	1 215	833
Unused provisions from the previous period	-	39
Revenues from securities	224	254
Interest income from term deposits and current accounts	4 390	1 104
	5 829	**2 230**
Purchase of products and services (Expenses)		
Purchase of services (rent, energies, telephone)	414	157
Commissions	431	237
Bank charges	150	132
	995	**526**

	31. 12. 2007	31. 12. 2006
(Assets)		
Receivables from insurance	91	
Deposits on accounts	115 671	108 926
Securities	39 766	5 188
	155 528	**114 114**
(Liabilities)		
Liabilities toward related persons unsettled invoices	30	18
Deduction tax from interests	811	210
Differences in valuation of securities	(453)	(1)
Uninvoiced services	163	167
	551	**394**

	2007	2006
OTP-Garancia Biztosító Rt. Budapest		
Revenues from sale of insurance contracts and other services (Revenues)		
Revenues from insurance contracts (commissions from reinsurance)	498	812
Exchange rate gains	1	-
Premium transferred to reinsurers	(891)	(1 234)
The share of the reinsurer on the drawdown of provisions from insurance	(1 477)	(1 449)
	(1 869)	**(1 871)**
Purchase of products and services (Expenses)		
Exchange rate losses	6	4
Purchase of services (software)	471	474
The share of the reinsurer on the creation of provisions from insurance	(1 143)	(1 438)
Adjustment of expenses of insurance claims and losses gained from the reinsurers	-	(2)
	(666)	**(962)**

	31. 12. 2007	31. 12. 2006
(Assets)		
Receivables toward related persons - reinsurance	72	502
	72	**502**
(Liabilities)		
Liabilities toward related persons - reinsurance	335	142
Provisions for uninvoiced services	-	33
Liabilities from unsettled invoices	32	0
The share of reinsurer on provisions	(289)	(621)
Share of basic capital	250 000	166 000
	250 078	**165 554**

	2007	2006
OTP Garancia poisťovacie služby s. r. o. (Ltd.)		
Purchase of products and services (Expenses)		
Rectifying item to receivables	184	
Purchase of services (bonuses, guaranteed commissions)	359	167
Commissions	1 101	1 216
	1 644	**1 383**

	31. 12. 2007	31. 12. 2006
(Assets)		
Rectifying items from commissions	129	-
	129	**-**
(Liabilities)		
Liabilities toward related persons	239	122
Provisions for uninvoiced services	-	6
	239	**128**

	2007	2006
OTP Garancia životná poisťovňa, a. s. (Jsc.)		
Management salary and rewards	**3 678**	**4 217**

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 životná 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.