

Annual Report 2010



2010 Annual Report

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group

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About the Company

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group
(„Česká podnikatelská pojišťovna“ or „ČPP“)

Registered capital: CZK 1 billion
Registered office: Budějovická 5, 140 21 Praha 4
Client infoline: 841 444 555
E-mail: pojistovna@cpp.cz
Website: www.cpp.cz
Corporate identification number (IČ): 639 98 530

Gross premiums written BCZK 6.4
The gross premiums written grew by 3% in 2010 compared to 2009.

Profit before tax MCZK 481

Motor third-party liability insurance for 970 000 insured vehicles
The Company is the third largest provider of MTPL in the Czech Republic.

Life assurance gross premiums written BCZK 1.9
The most significant growth was reported in respect of gross premiums written for the life assurance portfolio – a growth of 10.4% to BCZK 1.9.

Vienna Insurance Group
Česká podnikatelská pojišťovna is a member of one of the major European insurance groups.

Establishment and incorporation of the Company
Česká podnikatelská pojišťovna was established on 22 June 1995 and recorded in the Commercial Register on 6 November 1995.

Sole shareholder (since 1 July 2005):
Kooperativa pojišťovna, a.s., Vienna Insurance Group
Templová 747, 110 01 Praha 1
Corporate identification number (IČ): 471 16 617

Number of employees who have their main employment with the Company as at 31 December 2010: 905

Description of the Shareholder

Kooperativa pojišťovna, a.s., Vienna Insurance Group
(„Kooperativa“)

Registered capital: CZK 3 billion
Registered office: Templová 747, 110 01, Praha 1
Client infoline: 841 105 105
E-mail: info@koop.cz
Website: www.koop.cz
Corporate identification number (IČ): 471 16 617

Net profit MCZK 3 477
In 2010, Kooperativa significantly increased its profit once again.

Gross premiums written BCZK 30.9
In 2010, the gross premiums written were at the same level as in 2009.

Market share 20.44%
Kooperativa is the second largest domestic insurance company.

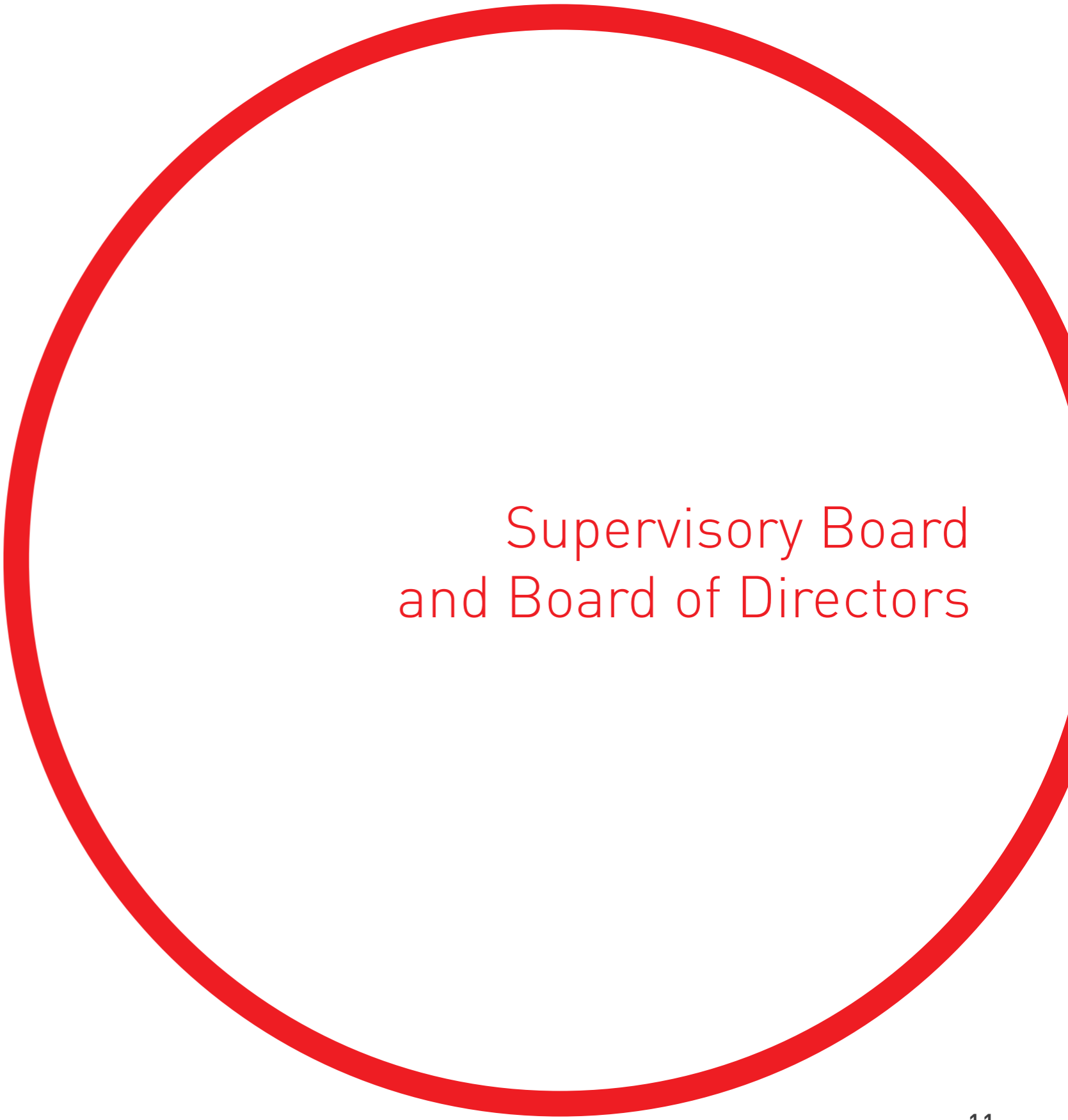
Vienna Insurance Group
Kooperativa is a member of the Vienna Insurance Group, one of the major European insurance groups.

Entry of the company's record in the Commercial Register
Kooperativa pojišťovna, a.s., Vienna Insurance Group is recorded in the Commercial Register kept by the Municipal Court in Prague, file number B 1897.

Shareholder structure (as at 31 December 2010):

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	96.32 %
VLTAVA majetkovosprávní a podílová spol. s r. o., Praha	2.07 %
Svaz českých a moravských výrobních družstev	1.61 %

Number of employees who have their main employment with the Company as at 31 December 2010: 3 754



Supervisory Board
and Board of Directors



Introduction by the Chairman of the Supervisory Board

The past year's results were affected by the outgoing financial crisis, which gradually hit all sectors of the economy and had a significant impact on the downturn of growth rate of the insurance industry. The culminating global crisis impaired the purchasing power of the population last year, which was subsequently reflected in the drop in client interest in insurance products.

Despite the slowdown of the growth rate, which was expected in relation to the worsened economic environment, according to the statistics of the Czech Insurance Association (CAP) the insurance market showed a year-on-year growth of 8%. The total volume of gross premiums written for 2010 exceeded BCZK 151.1. However, we must stress that this growth was due primarily to the continuing interest in single-premium life assurance products. Without this effect this insurance segment would show similar results in terms of GWP as in the previous year. Out of the total increase of GWP of 19.2% in respect of life assurance, only 1.9% is attributable to regular premium products. In respect of non-life insurance, the statistics showed a year-on-year stagnation. Last year, the non-life insurance gross premiums written (GWP) showed a moderate decrease (of 0.2%), primarily due to a drop in the volume of motor vehicle insurance. The fierce competition was manifested by the pressure of the motor vehicle owners on a low price – although almost 100 000 motor vehicles were newly insured under MTPL in 2010 (+1.5% of the total amount of vehicles), the GWP from MPTL showed a decrease of 6.2%.

I consider keeping the growth trend in terms of premiums under the demanding conditions of the past year a big success. In 2010, the four Czech-based companies from the group, Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Kooperativa, a.s., Vienna Insurance Group, Pojišťovna České spořitelny, a.s., Vienna Insurance Group and VIG Re reported a year-on-year growth of 9.6% and thus increased their GWP to BEUR 1.8. In respect of life assurance, they achieved a significant growth of 19.8%, which is MEUR 752.2 translated to the amount of premiums. With the market share of 26.6% the companies from the Vienna Insurance Group are leaders of the Czech life assurance market and VIG ČR ranks second in total. In terms of non-life insurance, the Group generated gross written premiums of BEUR 1, which is an increase of 3%. From the point of view of volume of business generated by the companies from the Group, after Austria, the Czech Republic is now the second largest market of the Vienna Insurance Group in the CEE region. A significant growth was reported in respect of profit before tax - a growth of 36.1% to MEUR167.3. In 2010, the combined ratio value was 93.3% and in spite of some large natural disasters the Company managed to keep the value significantly under 100%.

In 2010, ČPP kept its level of performance both in terms of the volume of gross premiums written and in terms of the result of operations despite the complicated macroeconomic environment and the natural disasters that occurred during the year. The total gross premiums written for 2010 amounted to BCZK 6.4, which is an increase of 3%. ČPP was successful in life assurance where the GWP grew by 10.4% to MCZK 1 852. ČPP has been successful primarily in the important segment

of regular premium products, which reported an increase of 16.3% while the whole insurance market reported an increase of 1.9% only. In respect of non-life insurance, the volume of GWP grew to MCZK 4519. The most successful non-life insurance classes for 2010 were property insurance for individuals and industrial and business insurance. As regards the ranking of insurance companies holding the biggest share in the Czech insurance market, ČPP ranked eighth. With a total of 970 000 insured cars, ČPP further strengthened its third position in the MTPL market.

In frame of the fierce competition of the domestic insurance companies, ČPP presents itself as a financially stable and strong company, which managed to follow the accelerated growth trend of the past years despite the uneasy conditions on the market. In 2010, ČPP paid big attention to innovation of its products and services and improving the quality of client service. In the past year, the Company put much effort into development of on-line communication between the insurance company and the client with the aim to offer its clients a more convenient way of settling administrative issues or claims handling.

The long-term goal of the companies from the Vienna Insurance Group operating in the Czech market is to continue developing its role of an active market player and to participate in meeting the ambitious goals of the Group by a consequential application of its business strategy. As it follows from our experience hitherto, it is obvious that the mutual cooperation has brought with it a significant cost optimisation as well a number of synergy effects and overall development of the sales potential.

The past year was a very demanding year for the whole insurance industry. Finally, I would like to thank all of the following parties for their effort, interest and work enthusiasm when meeting our common goals – my colleagues, our business partners, brokers and naturally all employees of the Company. Last but not least, I would like to thank all of our clients thanks to whom ČPP has become a dynamically growing company with a good reputation in the Czech insurance market.



Ing. Martin Diviš, MBA
Chairman of the Supervisory Board



Introduction by the Chairman of the Board of Directors

The year 2010 was one of the most demanding years in our history due to the overall situation in the market and the repeated natural disasters. Compared to the preceding years, ČPP increased the gross premiums written by 3% to BCZK 6.37. Despite the record number of claims, ČPP managed to keep a growth in profitability and for 2010 it reported profit before tax under CAS of MCZK 481.

The most considerable growth of gross premiums written was shown in the life assurance segment where ČPP reported an increase of 10.4% to MCZK 1 852. A very good result was reported primarily in respect of the regular premium products – GWP from this segment showed a year-on-year increase of 16.3% to MCZK 1 107. Gross premiums written in respect of non-life insurance remained on the level of 2009 with their volume of MCZK 4 519. This result reflected the stagnation of the whole market within this industrial sector, which was affected primarily by a downturn in the motor vehicle insurance. In the past year, the crisis significantly hit individuals and households and as a result, the year 2010 was more challenging than 2009 in many aspects. The situation forced us to continuously think about how the clients' needs were going to develop and how to adjust our product offer to these changing needs. And this proactive approach was beneficial for us. The innovation of our products supported a significant increase in property insurance for individuals, which grew year-on-year by 18.0%. ČPP also showed a success in respect of industrial and business insurance where it reported a year-on-year increase of 6.0%.

In respect of motor vehicle insurance, gross premiums written decreased slightly by 1.3% to MCZK 3 517. Despite the year-on-year growth of the number of concluded contracts, the insurance company collected lower gross premiums written in 2010. Primarily in terms of MTPL insurance, the fierce competition had the form of a strong pressure on the price and as a result, the average premiums decreased. However, even under these conditions, ČPP kept its position and increased its market share in respect of motor vehicle insurance to 14.6% thanks to applying its business policy and strategy oriented at good clients. In recent years, the number of vehicles insured with ČPP has kept increasing and not even the situation in the financial markets and the financial crisis have changed the interest of motorists in insurance with our insurance company. ČPP has retained its strong position in respect of MTPL. Thanks to its broad segmentation, the Company can offer much more beneficial conditions and high-quality risk coverage for an optimum price to its clients. With the number of 970 000 insured vehicles in the portfolio at the end of 2010, ČPP strengthened its third position among the domestic insurance companies operating this insurance class in the Czech market.

From the point of view of the indicators monitored, ČPP, which celebrated 15 years of its activities in the Czech market, developed very well. However, at the same time, the year 2010 was one of the most demanding years in its history primarily due to the enormous increase in the volume of claims caused by natural disasters. The total number of claims caused by natural disasters amounted to 2 400 and the volume of insurance settlements paid for the last year's natural disas-

ters exceeded MCZK 238. The volume of insurance settlements for the four largest calamities in 2010 amounted to MCZK 225. The bill for the past year's disasters thus exceeded even the existing record of the bill for the 2002 floods. The process of settlement of these claims was a demanding trial for everyone, which we managed to cope with very well. ČPP met its liabilities towards the clients in every respect.

ČPP was also successful in investigating insurance frauds. During the past year, ČPP specialists managed to detect more than 130 attempted insurance fraud cases and the value of means saved was MCZK 29. Most of the attempts to commit an insurance fraud were detected in respect of motor vehicle insurance. In the past year, our investigators paid more attention also to examining claims containing damage to health.

The results of the year 2010 also confirmed that our effort for a maximum use of modern technologies in contact with the clients is the right choice. Our client portal with the name MojeČPP was designed by our specialists with the aim to provide the customer with all necessary information and to be good to orientate in and understandable at the same time. By using our portal, the clients now can completely administer and check their policies from any point on the web and simultaneously they have an overview of all of their claims. By putting the application in use in June 2010, we brought a significant innovation to the insurance market as such and made access to the comprehensive internet insurance business. Also the insurance intermediaries who cooperate with our company are satisfied with this new application, which makes their communication with the client much easier.

Of course, we do not forget to develop new options for selling our products. We have been developing a successful cooperation with Finanční skupina České spořitelny, which enabled us to extend our financial product portfolio by supplementary pension insurance and construction savings products last year. Thanks to the cooperation within the group we can offer our clients truly comprehensive services. The activities of our sales representatives and insurance intermediaries contributed to an increase in the share of property and liability insurances for individuals of the entire business. In respect of industrial and business insurance, in 2010, ČPP cooperated with more than 400 insurance brokers that mediated gross premiums written of approximately BCZK 1.7.

In the upcoming year, ČPP will concentrate on a new structuring of its internal sales network as well as on further strengthening of our cooperation with external partners. As for its activities, ČPP concentrates on a maximum quality and level of the services provided. An important goal in frame of our relationship with the customers is building long-term relationships. Product innovations and a well-developed distribution network establish optimum conditions for a further increase in the number of clients. In 2012, we will continue following the set business strategy extended by the recent trends and knowledge gained from the insurance practice.

We managed to achieve good financial results despite the challenging conditions of the financial crisis. I would like to express gratitude to my colleagues and all employees for this achievement. With joint forces we managed to develop ČPP as a strong, respected and competitive company with excellent business results over 15 years of its existence. I would like to thank all our clients and business partners for their confidence in us and we are looking forward to continuing our cooperation in 2012.



Ing. Jaroslav Běsperát
Chairman of the Board of Directors

Members of the Supervisory Board

Ing. Martin Diviš, MBA

Chairman of the Supervisory Board since 25 April 2008

Dr. Peter Hagen

Vice-chairman of the Supervisory Board since 25 April 2008

Ing. Pavel Cepek

Member of the Supervisory Board since 28 March 2008

Prof. Ing. Jaroslav Daňhel, CSc.

Member of the Supervisory Board since 1 April 2008

Ing. Martina Kapinosová

Member of the Supervisory Board since 28 March 2008

Dr. Franz Kosyna

Member of the Supervisory Board since 21 October 2009

Members of the Board of Directors



Ing. Jaroslav Besperát

Chairman of the Board of Directors and CEO since 17 March 2010
Education: University degree, Czech Technical University (ČVUT)
15 years of experience in the insurance business



Mag. Gerhard Lahner

Member of the Board of Directors since 1 January 2010
Education: University degree in economics
12 years of experience in the insurance business



Ing. Milan Nidl, MBA

Member of the Board of Directors since 8 January 2009
Education: University degree, technical cybernetics
4 years of experience in the insurance business



Ing. František Vlnař

Member of the Board of Directors since 23 November 2010
Education: University degree, Czech Technical University (ČVUT)
9 years of experience in the insurance business

Note:

In February 2010, RNDr. Jakub Strnad, Ph. D. terminated his membership in the management of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group (Chairman of the Board of Directors until 18 February 2010 and CEO until 2 February 2010).



Management Report

Management Report

In 2010, ČPP wrote almost BCZK 6.4 in premiums and the number of its clients reached 770 000. The profit before tax reported was MCZK 481. Despite the very complicated macroeconomic situation and the strong increase in the volume of claims resulting from the repeated natural disasters, ČPP showed an increase in all segments. The Company ranked 8th among the insurance companies operating in the Czech insurance market. The registered capital of the Company totals BCZK 1. The total assets of the Company amount to BCZK 12.11 (+BCZK 1.3) and the technical provisions amount to BCZK 8.4 (+BCZK 0.3).

ČPP continued developing all types of insurance products where motor vehicle insurance - especially MTPL insurance - is one of the key products for ČPP. The innovated product line Autopojištění Combi Plus is a very modern, flexible and simple product that enables high variability when choosing the individual sub-products. This product line thus allows the clients to cover all most requested risks by one single contract and by choosing the extent of the risk coverage to adjust also the demands of the investment in terms of finance. The Autopojištění Combi Plus product offers a number of interesting benefits and supplementary insurances for the clients. It comprises assistance services with high free-of-charge limits, which are provided at the occurrence of an accident occurs and even when the vehicle breaks down. According to the statistics, ČPP gained the biggest share of all motor vehicles registered in the Czech Republic over the past 3 years and increased its portfolio of insured motor vehicles by almost 300 000 vehicles. This number represents almost 50% of the increase in the number of motor vehicles registered in the Czech Republic over the same period. With a total number of 970 000 insured vehicles, ČPP strengthened its position as the third largest firm among the domestic insurance companies in this segment and increased its market share to 14.6%.

In 2010, the life assurance gross premiums written showed a year-on-year growth of 10.4%. ČPP innovates and extends its product offer regularly based on requirements from the market. In respect of accident insurance, a new product, Rodinné úrazové pojištění Mozaika (Family Accident Insurance Plan Mozaika), was launched in the market at the beginning of the year. As for unit-linked assurance, ČPP presented the following new products: Evropská penze Premium – Důchodový program s bonusem and Výběrové životní pojištění (Exclusive life assurance) Maximum 3. In addition to its own sales force, ČPP generated a significant part of its sales through cooperation with selected broker companies.

In 2010, the gross premiums written for individual insurances, primarily household insurance, real estate insurance and general liability insurance of individuals showed a growth of 18%. ČPP offers a number of special products in various modifications according to the clients' individual needs and interests. Since June 2010, ČPP has been offering legal expenses insurance, which represents another extension of ČPP's product portfolio by a very practical and valuable service. At the end of the year, ČPP presented a new option of travel insurance specially adjusted for winter sports.

Industrial and business insurance forms a significant part of ČPP's product portfolio, not only thanks to the provision of comprehensive services and individual approach to clients but also thanks to very good coope-

ration with more than 400 insurance brokers who mediated premiums of BCZK 1.7 for ČPP in 2010. Gross premiums written for industrial risks thus grew year-on-year by 6% in 2010.

Since June 2010, ČPP has been providing the unique service MojeČPP, which represents an innovation within the entire insurance market and it is aimed at comprehensive internet insurance business. This application allows the client to perform the administration of his contracts on the web himself. By using this application, the clients now can completely administer and check their policies from any point on the web and simultaneously they have an overview of all of their claims. The jury of the Internet Effectiveness Awards 2010 competition awarded the MojeČPP project with the nice 4th rank in the Banking and Financial Services category.

In the 10th edition of the Insurance Company of the Year competition organised by the Association of Czech Insurance Brokers, ČPP achieved success in the main categories being awarded the 3rd position in the Non-life insurance category and 4th position in the Life assurance category. Specific products from the ČPP portfolio were also awarded in the individual subcategories.

At the end of 2010, the Company provided services through 10 regional centres, 80 branches and more than 300 points of sale and offices across the Czech Republic. Details of the full product offer, including the option of concluding motor third party liability insurance, travel insurance and property insurance on-line, are available at www.cpp.cz. Telephone inquiries are handled on the client infoline 841 444 555.

Year-on-year Comparison for the Period 2009 – 2010:

Gross premiums written BCZK 6.37
(year-on-year increase of MCZK 185)

Profit before tax MCZK 481.4

Registered capital BCZK 1
Financial placements BCZK 9.7 (increase of BCZK 0.7)
Technical provisions BCZK 8.4 (increase of BCZK 0.3)
Total assets BCZK 12.1 (increase of BCZK 1.3)

PRINCIPAL INDICATORS OF ČPP

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group is a universal insurance company offering its clients modern products and comprehensive life assurance and non-life insurance solutions.

It has been operating on the Czech insurance market since 1995.

With a total number of 970 000 insured cars in its portfolio, ČPP is the third largest provider of motor third party liability insurance in the Czech Republic.

ČPP administers almost 1.4 million client contracts and provides its services to 770 000 clients. Each month it concludes approximately 45 000 new insurance contracts.

In 2010, the gross premiums written of ČPP totalled BCZK 6.4.

The most significant growth in respect of gross premiums written was reported for the life assurance portfolio – a growth of 10.4% to BCZK 1.9 and in respect of regular premium products even a growth of 16.3% to MCZK 1 107.

In 2010, ČPP settled a record number of 125 000 claims and in every respect it met all of its liabilities towards the clients.

The registered capital of the Company amounts to BCZK 1.

The Company is an ordinary member of the Czech Insurance Association (CAP), the Czech Bureau of Insurers as well of other associations.

ČPP is reinsured by renowned global reinsurance companies.

Since 2005, ČPP has been a member of one of the major European insurance groups - the Vienna Insurance Group.

Next to Česká podnikatelská pojišťovna, the Vienna Insurance Group also includes the insurance companies Kooperativa, Pojišťovna České spořitelny and VIG Re in the Czech Republic.

The Vienna Insurance Group (VIG) with its registered office in Vienna is one of the leading insurance groups in Central and Eastern Europe. The group is represented by Wiener Städtische Versicherung, Donau Versicherung and Sparkassen Versicherung in the Austrian market. Outside its main market in Austria, the Vienna Insurance Group is active in Albania, Belarus, Bulgaria, the Czech Republic, Montenegro, Estonia, Georgia, Croatia, Liechtenstein, Latvia, Lithuania, Hungary, Macedonia, Germany, Poland, Romania, Russia, Slovakia, Serbia, Turkey and Ukraine through ownership interests in insurance companies. Next to these representations, Wiener Städtische Versicherung has branches in Italy and Slovenia and Donau Versicherung has a branch in Italy.

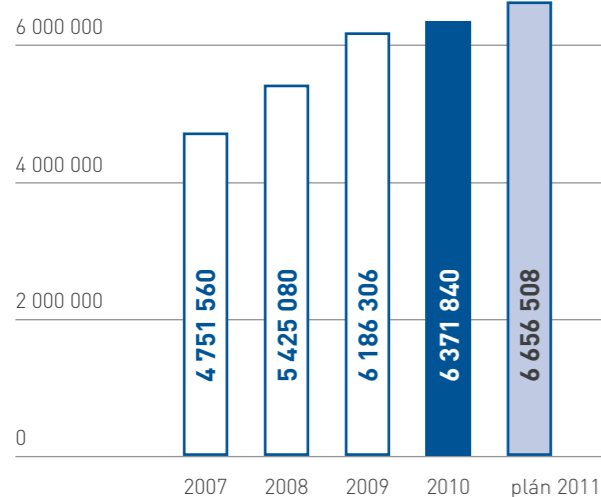
The Groups shares are traded under its international name, Vienna Insurance Group, at stock exchanges in Vienna and Prague.

The Vienna Insurance Group was rated "A+ with a stable outlook" by Standard&Poor's rating agency.

BUSINESS ACTIVITIES IN 2010

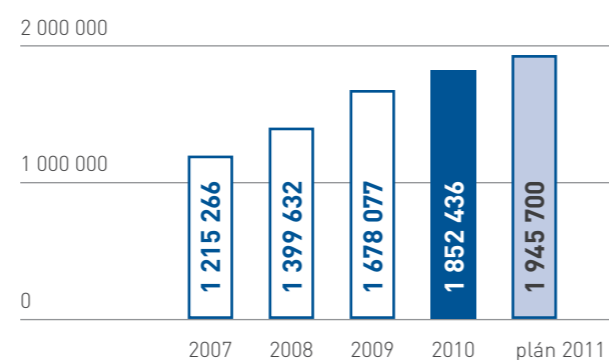
TOTAL PREMIUMS WRITTEN

In 2010, ČPP wrote BCZK 6.4 in gross premiums, which is a year-on-year increase of 3%. Overall, ČPP ranked eighth among all insurance companies on the Czech market in 2010 with its 4.2% market share.



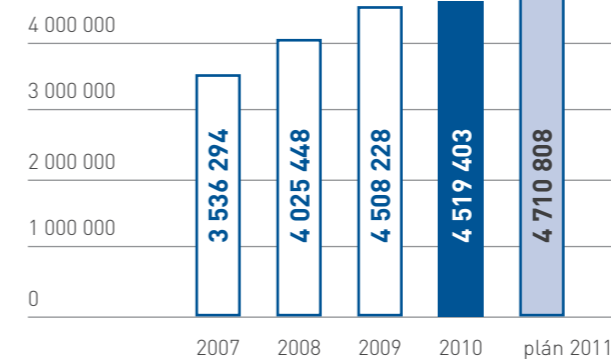
LIFE ASSURANCE

ČPP achieved a major success in the life assurance segment. The gross premiums written increased year-on-year by 10.4%. In frame of this segment, ČPP was successful mainly in respect of the regular premium products with a growth rate of 16.3% in 2010 while the market only grew by 1.9%. ČPP kept its share of the life assurance market of 2.6%.



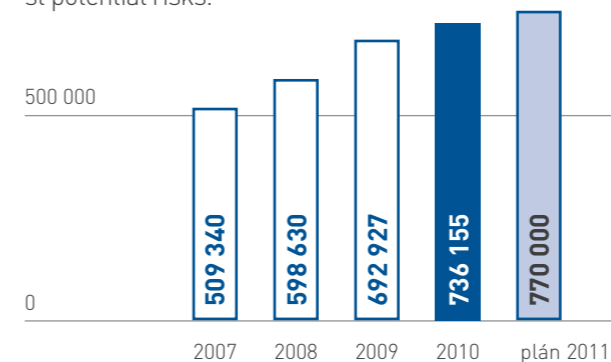
NON-LIFE INSURANCE

The gross premiums written from non-life insurance remained on approximately the same level year-on-year. Especially in a period where the competitors report a drop in this segment and an outflow of clients, ČPP considers its result a success. The significant growth of the property insurance for individuals was supported by innovation of the product offer. In respect of motor vehicle insurance, the biggest growth rate was reported for motor casco insurance. ČPP also achieved success in industrial and business insurance.



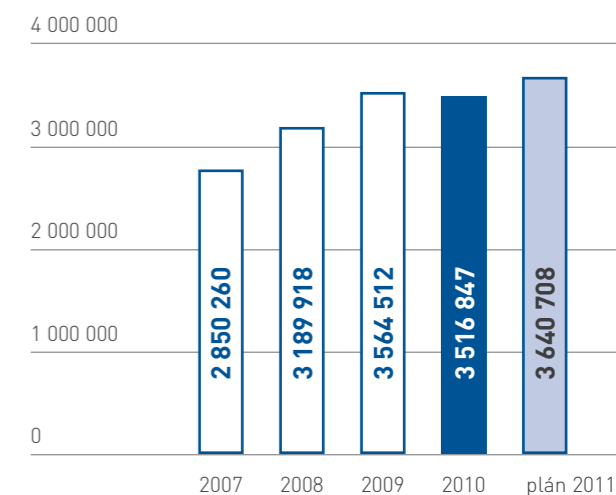
INDUSTRIAL AND BUSINESS INSURANCE

Industrial and business insurance was one of the most successful classes of non-life insurance in 2010. The year-on-year increase of 6.0% confirms the stable interest of companies striving to protect their assets against potential risks.



MOTOR VEHICLE INSURANCE

In respect of motor vehicle insurance, ČPP reported a moderate decrease in gross premiums written of 1.3%. Primarily in terms of MTPL insurance, a significant pressure on the price was the result of a fierce competition and subsequently the average premiums dropped. Even in this situation, ČPP managed to keep its position in the market thanks to its business strategy and increased its market share to 14.6%. With a total number of 970 000 insured vehicles, ČPP strengthened its position of the third largest provider of MTPL in the Czech Republic.



INTERNAL AND EXTERNAL INTERMEDIARY NETWORKS, COOPERATION WITH BUSINESS PARTNERS

In 2010, ČPP continued extending its network of branch offices and improving the quality of the existing points of sale. In line with this vision, several points of sale were transferred to premises in attractive locations that are better available for the clients and where there is higher concentration of population. A new point of sale was thus opened in the centre of Pardubice and the branch offices in Liberec, Prostějov and Žďár nad Sázavou were moved to more representative premises. In accordance with its strategy of sales network development, ČPP continued increasing the number of points of sale of its business partners, primarily in the smaller towns. At the end of 2010, ČPP had in total 80 own sales points located in the premises of its regional centres and more than 170 insurance offices operated by its business partners across the Czech Republic. The clients also had the opportunity to conclude an insurance contract in 150 sales points of insurance brokers specialising primarily in motor vehicle insurance. With the aim to provide its clients with comprehensive services in terms of MTPL and motor casco insurance coverage, ČPP extended its cooperation with car dealers and contractual (also referred to as „approved“) autoservices. Since the end of 2010, a new motor vehicle insurance product has been part of the ČPP product portfolio – „Domovský autosalon ČPP“ („Home car store of ČPP“), which brings with it more comfort for the client upon occurrence of a claim.

In 2010, ČPP worked intensively on building its own employee sales force. In order to improve the level of client services and the selling skills of the insurance intermediaries, last year ČPP continued providing intensive training to the intermediaries in terms of expert knowledge and selling skills in form of internal seminars and coaching.

ČPP achieved the increase in production also thanks to further development of its cooperation with external partners.

In 2010, the major external insurance agents were Partners For Life Planning, a.s., Bohemia Servis Finance, a.s. and Broker Consulting, a.s. These companies played a very important role in the sale of life assurance and non-life insurance for individuals. Another important partner was also Total Brokers, a.s. ČPP also cooperated with Pojišťovna VZP and VZP ČR in form of joint travel and health insurance products and newly also with Česká průmyslová zdravotní pojišťovna.

Thanks to new distribution ways, ČPP was successful in meeting its cross-selling strategy and increasing the insurance penetration per client. The activities of our sales representatives and insurance intermediaries contributed to the increase of the share of property and liability insurances for individuals of the entire business production. The mutually beneficial cooperation with Finanční skupina České spořitelny (the Česká spořitelna group) also brought with it further extension of the services offered to clients by the supplementary pension insurance and construction savings products.

In terms of industrial and business insurance, ČPP is one of the market leaders thanks to its successful business policy and elaborate system of service support. In 2010, ČPP cooperated with more than 400 insurance brokers who mediated gross premiums written of approximately BCZK 1.7. Primarily in the most important segments of production generated by broker companies, i.e. in the insurance of entrepreneurial risks and insurance of motor vehicle fleets, production increased year-on-year compared to 2009 in spite of

the unfavourable development of the economic situation in the Czech Republic. More than 80% of insurance contracts concluded in these insurance segments were sold by broker companies.

These results have been achieved mainly thanks to the super-standard service provided to insurance brokers both in all 10 regional centres and in the ČPP headquarters, which is realised by groups of employees working in the corporate client departments. These departments focus primarily on cooperation with insurance brokers in terms of motor vehicle insurance and insurance of entrepreneurial risks. The task of the departments is to ensure high-quality service both within the process of preparation of insurance offers as well as insurance contracts and in terms of administration of insurance contracts. The intensification of the cooperation with insurance brokers and the growing number of clients have been achieved also thanks to the continuous improvement of the level of claims settlement and administration of the portfolio of contracts acquired through broker companies in these insurance segments.

ČPP worked on development of the support of its business partners in terms of quality and speed of information transmission using new IT tools and in terms of further education and support for the mandatory training of insurance intermediaries.

Strategic Partners of ČPP in the Insurance Sector

- **Broker Consulting, a.s.**
sale of life assurance and non-life insurance products
- **Global Assistance, a.s.**
motor vehicle insurance and property insurance assistance service
- **Bohemia Servis Finance, a.s.**
sale of life assurance and non-life insurance products
- **Makler Service Bohemia International s.r.o.**
sale of life assurance and non-life insurance products
- **Partners For Life Planning, a.s.**
sale of life assurance and non-life insurance products
- **Pojišťovna VZP, a.s.**
joint products, joint marketing events
- **Škoda Auto, a.s.**
employee insurance, joint marketing events
- **Total Brokers, a.s.**
sale of life assurance and non-life insurance products

- **Všeobecná zdravotní pojišťovna ČR**
branch network, joint marketing events

- **Česká průmyslová zdravotní pojišťovna**
sale of travel insurance products

2011 STRATEGY

- gross premiums written MCZK 6 657
- increase in market share of the Czech insurance market
- regular product innovation according to the changing needs and interests of clients
- using the cross-selling effect when selling products
- further development of product sales via a SW system for concluding insurance contracts
- intensification of the cooperation with broker companies and external partners
- support of sale of products on the web

REINSURANCE

The concept of the reinsurance program for 2010 was based on the long-term conservative strategy of the Vienna Insurance Group stipulating the maximum permissible own retentions, the minimum required ratings of reinsurers and the capacity of reinsurance coverage for natural disaster risks. The reinsurance program contributed once again to stabilisation of the result of operations of ČPP mainly in respect of the huge natural disasters the frequency of which was extremely high in 2010. Some reinsurance programs were placed in cooperation with reinsurance brokers where AonBenfield played the major role not only in respect of modelling catastrophic risks. The leading reinsurer for the proportional property reinsurance program was the reinsurance company SCOR and for the liability reinsurance program Munich Re. The rating of most reinsurers of ČPP was Standard&Poor's "A+" or higher.

MARKETING

Major Sponsorship Activities in 2010

Česká podnikatelská pojišťovna contributes to and involves in major projects in terms of culture and sports and it also provides support to charitable events. Sponsorship is perceived by ČPP as one of its crucial roles. In the long term, the insurance company has been focusing mainly on culture and sports, support of charitable programs and events, helping young people and damage prevention. In 2010, ČPP supported a number of interesting projects.

Culture:

- **Divadlo Hybernia** – partner
- **Státní opera Praha** – general partner of the opera performance La Bohème by G. Puccini
- **Festival Jazzfest Brno**
- **Festival Jamboree Strakonice**

Sports:

- **Czech Ski Association (Svaz lyžařů České republiky)** – general partner of the cross-country skiing section
- **FK Baumeit Jablonec 97** – sponsorship of the first division football club
- **SK Slavia Praha** – sponsorship of the first division football club
- **Czech Table Tennis Association (Česká asociace stolního tenisu)** – general partner of the Czech table tennis representation
- **I. ČLTK Praha** – tennis club partner

Corporate Social Responsibility Projects:

- **Medea Kultur s.r.o.**
– support for information programs focusing on primary drug prevention
- **Association of Firefighters of Bohemia, Moravia and Silesia (Sdružení hasičů Čech, Moravy a Slezska)**
– support for volunteer fire brigades

Selected Regional Activities in 2010:

- **Brněnská laťka 2010**
- **Běh Lužánkami**
- **FBC Ostrava** – support for floorball club
- **HC Dukla Jihlava** – support for ice hockey club
- **VK Dukla Liberec** – support for volleyball club
- **Czech Open 2009** – general partner of the international festival of chess and games

PRODUCT DEVELOPMENT IN 2010

MOTOR VEHICLE INSURANCE

In 2010, non-life insurance experienced stagnation in the whole market, primarily due to a drop in the sales of motor vehicle insurance. ČPP reported a decrease in the volume of gross premiums written of 1.3% in this segment despite the fact that the number of concluded contracts increased year-on-year. The fierce competition in the market was manifested by a high pressure on the prices and as a result the average premiums showed

a decrease. Despite the above-mentioned circumstances, ČPP strengthened its market position in terms of the number of insured vehicles to a 14.6% share last year. The most dynamic rate of growth was reported for motor casco insurance with the gross premiums written having grown by 12.4%.

In respect of motor vehicle insurance, product development followed two basic goals in 2010:

The first goal was boosting the sales of insurance of younger and above all new vehicles, which has led to a more balanced motor vehicle insurance portfolio and at the same time to an increase in the average premiums from motor vehicle insurance. In order to reach this goal, ČPP had to actively seek cooperation with networks of authorised dealers of new cars. For this purpose ČPP developed a special product, Domovský autosalon (Home Car Store of ČPP) in 2010. The other goal of the insurance company was to achieve a decrease in the unfavourable indicators of the claims experience and claims frequency, mainly by choosing the desirable target groups of clients. ČPP uses client segmentation for this purpose with which it has a long-term good experience. The segmentation rates are determined based on the age of the client, address of his permanent residence and age of the vehicle. Further, premium discounts and bonuses are linked to the claims history of every individual client. Data is checked with the help of the database of the Czech Bureau of Insurers. The product development in respect of this insurance class was aimed at adjusting the discount and premium rate policy in such a way that the discounts and bonuses are conditional on using the software for conclusion of contracts and an on-line check of the claims history of the respective client.

Domovský autosalon ČPP

The basis of this product is the successful product line Autopojištění Combi Plus, which comprises all important insurance products for motor vehicles from MPTL insurance over motor casco insurance to interesting insurance riders. The advantages of this modified product, Domovský autosalon ČPP (Home Car Store of ČPP), consist primarily in the advantages provided to clients in the event that a claim occurs and in the subsequent service provided by the home car store with the support of the insurance product of ČPP. The basic precondition for this process is the name of the home car store being recorded in the entry of the respective insurance contract in the insurance company's database. The Domovský autosalon ČPP product, through its parameters, provides advantages not only to the client when purchasing the motor vehicle but also the car store itself.

The first responses of the authorised car dealers confirm that this model is functional and they foretell these product big sales as a motor vehicle insured with ČPP returns back to them for repair in the service, which is a guarantee of more work for them. Currently, this product is already offered by more than 80 car stores across the Czech Republic and the list of the car stores registered with ČPP is available on the ČPP web site.

Motor Third Party Liability Insurance (MTPL)

The past years have been a success for ČPP in terms of MTPL insurance. It gained the biggest share of all vehicles registered over this period and thus increased its portfolio by almost 300 000 vehicles. This number represents almost 50% of the increase in all vehicles registered in the Czech Republic. With a total number of 970 000 insured vehicles at the end of 2010, ČPP strengthened its third position among the domestic insurance companies in this segment. At the same time it increased its market share to 12.5%.

The achieved result is a confirmation of the success of the popular product line Autopojištění Combi Plus, which has attracted the interest of clients. As for MTPL insurance, ČPP continued improving the quality of its tariff segmentation in 2010. The size of the rates is influenced next to the volume of engine cylinders or vehicle weight also by the home region of the policyholder, the age of the vehicle and of the policyholder. In addition, ČPP offers clients who are car owners a choice of eight tariff groups based on the volume of engine cylinders compared to the five standard groups. The application of the segmentation thus brings a fairer approach into the process of determining the premium amount. The MTPL segmentation as presented by ČPP is thus one of the most optimum segmentation systems on the market.

In 2010, under Autopojištění Combi Plus, ČPP offered the following segmented MTPL insurance products: Sporopov with the insurance settlement limits of MCZK 35 for damage to health and for damage to property, Speciál Plus with insurance settlement limits of MCZK 50 and Super Plus with insurance settlement limits of MCZK 100. All products include a free-of-charge 24-hour assistance service, which includes even a mere vehicle breakdown, with the option to contact the helpline in Czech outside the Czech Republic. With all MTPL products, the insurance company provides additional MTPL insurance of a motorcycle under 50 cc or a trailer under 750 kg free of charge.

In 2010, ČPP offered next to the standard no claims bonuses the Extrabonus Profi bonus, under which the clients - drivers could utilise a no claims bonus in advance and gain a premium discount of up to 15%. ČPP has prepared a new product named Superbonus Dobrého řidiče for clients who have been driving their cars without any claim for at least 3 years. The clients can take advantage of price savings using less strict segmentation criteria depending on the no claims experience.

Motor Casco Insurance

Good results were also achieved in respect of motor casco insurance, which showed the most dynamic growth rate among the motor vehicle insurance products (+12.4%). The success is primarily attributable to the casco part of the Autopojištění Combi Plus product. In this respect ČPP applies the segmentation criteria and uses an option for demanding clients - Ideálkasko, which is valid all over Europe. It offers a swift and high-quality claims settlement, applying the prices of new spare parts to repairs carried out in autoservice (garage). The offer also includes a product for vehicles older than 3 years, Sporokasko, which is valid in the Czech Republic, with a lower premium (advantageous for the client) and a swift payout of the insurance settlement, reduced by the repair cost budget.

As for both categories of motor casco insurance, clients can choose from three risk combinations, four insurance settlement retention types, significant discounts for securing the car against theft and free assistance service for accidents or even mere breakdowns. The free-of-charge limits of the motor casco insurance assistance service are even added up to the limits of the motor third-party liability insurance in one assistance event, which makes the ČPP offer one of the most attractive on the motor vehicle insurance market.

Supplementary Insurances (riders) Offered under Autopojištění Combi Plus

(they can be concluded as a supplement to motor third-party liability insurance or motor casco insurance)

- **Car window insurance** – all external windows, choice of 5 insurance settlement limits, no retention for window repair or motor casco insurance concluded at the same time
- **Insurance of luggage** – 2 options (Minizav and Maxizav), 2 insurance settlement limits
- **Insurance to cover lease of a substitute vehicle** – for the case of a repair of the vehicle after an accident or a natural disaster or vehicle theft, choice of the insured lease period from 3 to 10 days
- **Insurance of natural risks** – an ideal option to be combined with MTPL insurance, covers the risks of a natural disaster, direct collision with animals, damage of cables caused by animals (“marten bite”)
- **Accident insurance for passengers** – daily compensation for hospital stays, for the period of necessary treatment, insurance of permanent disability (or death) caused by the accident
- **Asistence Plus Insurance** – significantly increased free limits for the repair “on the spot”, extrication or tow-away of a vehicle, limits for free-of-charge assistance of MTPL and motor casco insurance are added up, the other services are above-standard: accommodation in need, coverage of return costs, storage of a disabled vehicle, etc.
- **Insurance of medical expenses abroad** – the insurance covers expenses resulting from an injury caused to the driver or passengers of the vehicle as a result of an accident of the insured vehicle (first aid, treatment, repatriation)

Car Fleet Insurance

The “car fleets” are an individual section of the motor vehicle insurance. The car fleet insurance is a group insurance of clients who own a number of vehicles – from five-vehicle fleets to the largest fleets of freight forwarders, state institutions or leasing companies.

The aggregate vehicle insurance better covers the needs of big clients and the car fleet insurance brings with it significant advantages. A very important issue is the service provided in course of the term of the insurance contract. Further advantages include the simple process of contract processing, transparency and one single contact person in the insurance company responsible for the respective client (the fleet administrator).

Consistent application of an individual approach is the most important feature of the approach of ČPP to its business partners. The car fleet insurance of ČPP is further based on the modular concept, which means that within one fleet every single car can have a different combination of insurance risk coverage, different retention or different riders.

For car fleets, ČPP offers the following options:

- Motor third party liability insurance
- Motor casco insurance
- Car windscreen insurance
- Insurance of luggage
- Insurance to cover lease of a substitute vehicle
- Accident insurance for passengers in the vehicle
- Asistence Plus insurance

Claims Settlement

In 2010, 40 000 claims relating to MTPL insurance and almost 27 000 claims relating to motor casco insurance were settled. Compared to 2009, the number of claims grew by 6 400 (+11%). The increase was due to a higher number of claims from motor casco insurance (+27%) in connection with having expanded the portfolio of insurance contracts and an increase in the number of natural disasters.

The insurance company continued developing cooperation with contractual autoservices. At the end of the year, the motor vehicle claims settlement department began to settle claims from the new product, Domovský autosalon, in cooperation with the motor vehicle sales department. The motor vehicle claims settlement department intends to settle as many claims as possible through the network of contractual autoservices. Only this way, thanks to the recalculation of damage and direct communication between the contractual autoservice, the company Global Expert and a loss adjuster, can the quality of the entire process be further improved, in particular shortening of the time necessary for the claims settlement.

LIFE ASSURANCE

In 2010, the total gross premiums written reached the amount of BCZK 1.9, which is a year-on-year increase of 10.4%. In respect of its most important segment – regular premiums – ČPP reported an increase of 16.3% for 2010 while the whole life assurance regular premium market grew only by 1.9%. The share of life assurance of the entire gross premiums written within ČPP grew by 2% compared to 2009, i.e. to 29.1%. Financial placement of top-up premiums grew year-on-year by 23.5%, which is an evidence of the clients trust in the stable financial standing of ČPP.

Life, Accident and Health Insurance

The interest in conclusion of life assurance as a tool to ensure a well-secured postproductive part of life stabilised after the initial boom of the past years and year-on-year it showed a balanced result. In order to acquire new clients and keep the existing ones, ČPP extends and innovates its product offer in terms of life assurance on annual basis. In general we can say that for the basic products, almost every innovated version included more or less material adjustments to the insurable risks, and for unit-linked products also a broader offer of investment options.

In January 2010, ČPP launched the Rodinné úrazové pojištění Mozaika (Family Accident Insurance Plan Mozaika) product to the market, in June the unit-linked assurance Evropská penze Premium and in October another product from the product line of exclusive life assurances – Maximum 3. Also the single-premium life assurance GARANT remains a popular product. The endowment assurance products under the brand name Filip have long enjoyed market success - Filip Plus, Filip Komfort, Filip Exclusive and Filip V.I.P. In addition to the basic capital and risk components, these products also offer a broad range of riders covering other risks, i.e. accidents, illnesses, etc. They provide the client with comprehensive coverage.

In 2010, the most successful product **in terms of life assurance** was unit-linked assurance (a year-on-year increase in gross premiums written of 60.7%). A combination of risk coverage with a manageable investment and thus possible higher profits than those from the guaranteed endowment assurance keeps attracting more and more clients. In line with the demands of its business partners, ČPP continuously incorporates the requirements for extension of insurable risks, investment options and newly also “bonuses” for the client in its products. An evidence of this approach is the unit-linked product Evropská penze Premium – Důchodový program s bonusem, which has been developed exclusively for Broker Consulting. A client who does not get paid an insurance settlement receives a “bonus” in the form of a lump sum paid together with the insurance settlement upon survival. The client can also gain refund of the already paid initial costs back to his unit account under predefined conditions. A vast innovation was also applied to Výběrové životní pojištění (Exclusive life assurance) Maximum 3, the exclusive intermediary of which is Partners for Life Planning. This product enables several persons to be insured under a single insurance contract. It covers insurance of an additional adult against certain risks and further an accidental rider for a group of children with relation to the first insured. These children are either automatically included in the insurance for example at birth, adoption, etc., or they are identified in the contract individually and insured against selected risks. This product newly includes also insurance of health care assistance, legal expenses and household costs within the period of short-term disability to work.

Accident insurance can still be concluded as a separate product or as a rider attached to life assurance or non-life insurance. Rodinné úrazové pojištění Mozaika (Family Accident Insurance Plan Mozaika) is determined as insurance coverage for both adults and children and it comprises individual insurance, group insurance and the so-called family insurance. It includes coverage mainly of accidental risks and the first insured person can make use of the full offer of insurable risks (next to accident insurance also a term rider (rider for the case of death), disability rider, short-term disability rider and hospitalisation daily allowance rider). The second insured and a group of up to 5 children can conclude a comprehensive accidental rider. As the children do not have to have a relationship to the adult insured persons, they are not included in the insurance automatically but all of their identification data is included in the insurance contract.

In terms of health insurance, ČPP continued its cooperation with Pojišťovna VZP in 2010. Under the Garance Max health insurance product, ČPP covers all risks with the exception of hospitalisation insurance, which is administered by Pojišťovna VZP. The portfolio still includes the Hospitalisation daily allowance insurance used separately or as a rider to a life assurance product.

NON-LIFE INSURANCE

The year 2010 was marked by the hard effect of the financial crisis and an increase in the number of natural disasters. Despite these difficulties, we managed to keep the trend from the past in respect of the property insurance for entrepreneurs and individuals connected with a significant growth of the number of contracts in the portfolio as well as with an increase in gross premiums written. The total amount of gross premiums written from non-life insurance reached BCZK 4.52 and year-on-year it only slightly exceeded the value of GWP for 2009. The result for the past year reflects the stagnation of the whole market in this segment, which was hit primarily by a drop in the sales of motor vehicle insurance. Product innovation supported a significant increase in property insurance for individuals, which grew year-on-year by 18%. ČPP also showed success in respect of industrial and business insurance where it reported a year-on-year increase of 6%.

At the end of 2010, the total number of insurance contracts in the portfolio was more than 1.2 million.

Property and Liability Insurance for Individuals

In 2010, ČPP prepared a broad range of high-quality coverage property and liability insurance products for individuals with an optimum price. In the second half of the year, it launched an innovated DOMEX product to the market, which is based on the successful products Domex Max and Domex Plus. The new product Domex with its range of insurable risks in combination with the price ranks among the best insurance products for individuals on the Czech insurance market. An important aspect, which influenced the creation of the new product, was also the effort to meet the requirement of the sales network for the process of the contract conclusion to be simple. Another significant change in the segment of property insurance and liability insurance for individuals was an innovation of the existing product BYTEX, which is determined for insurance of blocks of flats owned by individuals. This product was also innovated in order to meet the needs of the sales network in respect of its sale. Last but not least, ČPP prepared two new products for the clients. At the end of the first quarter of 2009, the product portfolio was extended by the legal expenses insurance. This product can with its extent provide insurance coverage to the clients in most lawsuits, which might occur in relation to the operation of their household or in their job.

At the same time, the offer of assistance services was extended by legal assistance services. The insurance of assistance services is offered in two versions and provides clients with insurance coverage primarily in terms of legal advice.

Property and Liability Insurance for Entrepreneurs

The year 2010 brought with it also changes in terms of the insurance products determined for entrepreneurs. In this category, ČPP came with improvement of the existing product Podnikatel Plus, which is determined for small businesses/entrepreneurs, and of Podnikatel Komplex, which is determined for medium-sized businesses.

A new product launched in 2010 is Bytex Plus, which provides insurance coverage for blocks of flats owned by legal entities.

ČPP also introduced innovations of the following insurance products: liability insurance for road hauliers and insurance of liability for damage caused by a person operating a health care facility. In the segment of

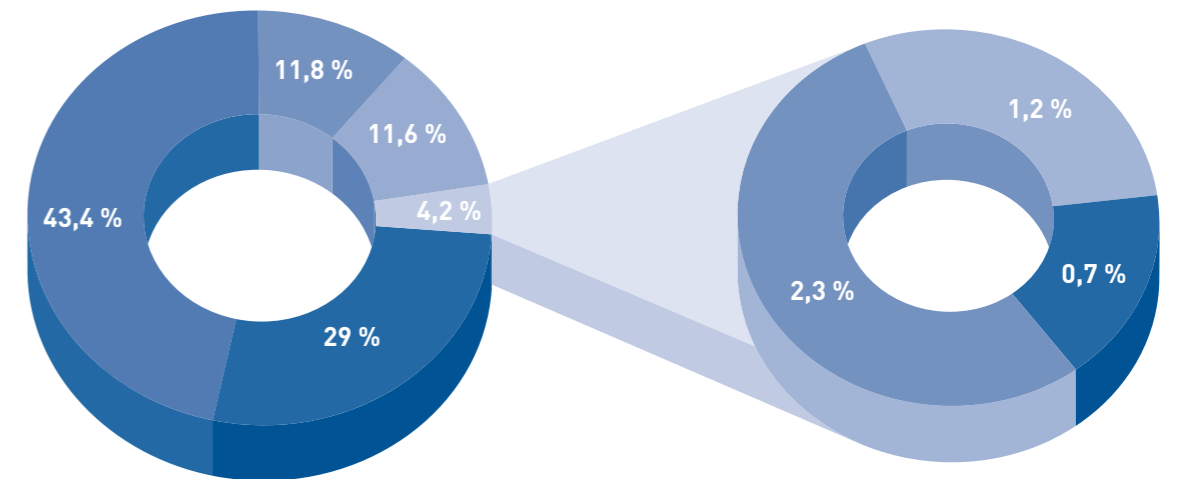
property insurance and liability insurance for entrepreneurs, we are planning significant changes for 2011, which we hope will strengthen our position on the insurance market.

Travel Insurance

At the end of 2010, a new travel insurance product was launched. Our specialised winter sports insurance is a unique product on the Czech insurance market thanks to its structure and we believe that this product will contribute significantly both to increase in the sales of travel insurance and boosting the image of the ČPP brand on the insurance market.

The product portfolio includes not only travel insurance but also insolvency insurance without which a travel agency is not allowed to carry on its business. In 2010, ČPP concluded the compulsory insurance of a guarantee for the case of insolvency with 250 travel agencies. The major clients of the insurance company among travel agencies are Kovotour, Blue Sky Travel and Ideal-Tour.

INSURANCE PORTFOLIO STRUCTURE IN 2010



Portfolio Structure

- Life assurance
- MTPL insurance
- Motor casco insurance
- Industrial and business insurance
- Other insurances

Other Insurances

- Travel insurance
- Insurance for individuals
- Accident and health insurance

ČPP PRODUCT OFFER

Motor Vehicle Insurance

Autopojištění Combi Plus – MTPL insurance, motor casco insurance and other supplementary insurances (riders)

Autopojištění Combi Plus – Domovský autosalon – insurance of new motor vehicles sold in car stores

Life Assurance

Výběrové životní pojištění (Exclusive life assurance) Maximum 3 (Partners for Life Planning, a.s.)

Výběrové životní pojištění (Exclusive life assurance) Maximum Plus (Partners For Life Planning, a.s.)

Investiční životní pojištění (Unit-linked life assurance) Evropská penze Premium – Důchodový program s bonusem (Broker Consulting, a.s.)

Investiční životní pojištění (Unit-linked life assurance) Evropská penze Plus – Důchodový program (Broker Consulting, a.s.)

Investiční životní pojištění (Unit-linked life assurance) Evropská jistota

Životní pojištění s Filipem Plus (Life assurance with Filip Plus)

Životní pojištění s Filipem Komfort (Life assurance with Filip Komfort)

Life assurance Garant

Life assurance Exclusive (Bohemia Servis Finance, a.s.)

Life assurance with Filip V.I.P. (Makler Service Bohemia International, s.r.o.)

Accident Insurance

Rodinné úrazové pojištění (Family accident insurance plan) Mozaika

Group accident insurance with Filip Plus (Skupinové úrazové pojištění s Filipem Plus)

Health Insurance

Health insurance Garance Max

Hospitalizace – hospitalisation daily allowance insurance

Property and Liability Insurance for Individuals

Household and real estate insurance

Insurance of blocks of flats

Legal expenses insurance

General liability insurance for individuals

Liability insurance for real estate owners, holders, tenants or managers

Liability insurance for damage caused to employer during performance of ones profession

Liability insurance of an animal owner or caretaker

Liability insurance for hunters

Insurance to cover the costs of veterinary treatment of dogs

Insurance of bicycles

Property and Liability Insurance for Businesses

Property insurance for businesses to cover damage or destruction of a thing by natural disaster

Insurance for theft of a thing and vandalism

Insurance of liquid leakage from a technological facility

Machinery and electronics insurance

Business interruption insurance (due to natural disaster, destruction of machinery)

Construction and assembly insurance

Cargo and shipment insurance

Vessel insurance

Glass insurance

Insurance of contents of cooling equipment

Insurance against various financial losses

Exhibition insurance including liability insurance

Financial adequacy insurance for carriers

General liability insurance

Professional liability insurance

Faulty product liability insurance

Liability insurance for road hauliers

Liability insurance for social services providers

Liability insurance for forwarding agencies

Travel Insurance

Insurance of medical expenses

Comprehensive travel insurance:

Accident insurance

Insurance of luggage

Liability insurance for damage during travels and stays

Trip cancellation insurance

Flight delay insurance

Baggage delay insurance

Travel insurance with hijack cover, Insurance of unused holiday

Insurance to cover mountain rescue service expenses incurred in Slovakia

Insurance to cover expenses for veterinary healing of animals abroad

Golf equipment insurance

Winter sports insurance

Travel insurance within the European health insurance card

Compulsory Bankruptcy Insurance for Travel Agencies



Vienna Insurance Group

Vienna Insurance Group

Vienna Insurance Group (VIG) is a listed international insurance group based in Vienna. With premium volume of over EUR 8 billion and approximately 24,000 employees, VIG is one of the largest players on the insurance market in Central and Eastern Europe. It offers its customers high-quality products and services in the life and non-life segments. Shares of the Vienna Insurance Group are listed on the Vienna and Prague stock exchanges.

VIG's focused and systematic strategy for expanding into the CEE region enabled it to leap from being a national insurance company to an international group with approximately 50 insurers in 24 countries. Standing for financial stability, VIG is able to offer customers, shareholders, partners and employees a high level of security. This is underscored by the "A+" rating, with a stable outlook, given to it by well-known rating agency Standard & Poor's.

Growth Region: CEE

In 1990, VIG was the first Western insurance company to move into Central and Eastern Europe – a region that today already accounts for around 50% of total group premiums. In this region VIG is represented in Albania, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Turkey and Ukraine. There is also a branch office in Slovenia. VIG is thus very well placed to take part in the CEE region's rising standard of living and hence in its rising need for insurance.

In addition, VIG is also active in Germany, Liechtenstein and Italy.

Core Market: Austria

Austria, where the expansion began, is a key market for the Group. VIG companies Wiener Städtische Versicherung, Donau Versicherung and Sparkassen Versicherung, which provide the Group with outstanding positioning, are the market leaders in Austria.

Redesigned Corporate Structure

In 2010, as part of a reorganisation, Wiener Städtische's operating business in Austria was separated out from the international holding company activities, permitting VIG to focus on the task of managing the Group. This created transparent structures and processes within the Group and allowed for management to become more efficient.

All of the Group's companies have strong regional roots and in addition can build upon VIG's international background. The restructuring gives them a common umbrella and, hence, a strong identity that unites them above and beyond their respective markets.

Comprehensive Product Offerings

VIG has more than 185 years of experience in the insurance business on which to build. Committed customer advisors, innovative product offerings, excellent service and optimum customer access, assured through multiple distribution channels, were and are the cornerstones of the company's successful development. Furthermore, in line with its multi-brand strategy in every country, VIG relies on the power of proven brand names that are rich in tradition.

In Austria, the Group's companies have for many years been offering innovative insurance solutions tailored to customer needs in both the life and the non-life area. In Central and Eastern Europe, the rising standard of living has led to an increased need for insurance. While motor vehicle insurance and household/home-owners' policies were initially most strongly in demand, today retirement provisions and savings and investment products in the form of life insurance policies are enjoying rising popularity.

VIG Re was founded to be the Group's own reinsurance company. Its location in the Czech Republic underscores the significance of the CEE region as a growth market.

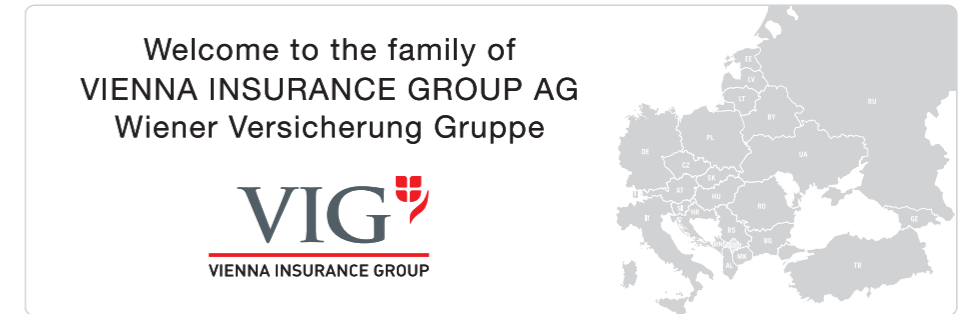
Erste Group – a Strong Partner

In 2008, a reciprocal sales and distribution agreement was signed with the Erste Group in Austria as well as in Central and Eastern Europe. Following a multi-channel distribution approach, VIG insurance products are distributed by Erste Group, while in return VIG companies also offer banking products. VIG and Erste Group alike are professional and reliable experts for banking and for insurance products.

Employees Ensure Success

VIG offers top-quality advice and excellent service for its comprehensive range of products. For that reason, it is precisely the Group's employees who are of the greatest significance to the company's success: The regional approach VIG follows means that they are always close to customers as well as to the needs of the market.

Additional information regarding the Vienna Insurance Group can be found on the Internet at www.vig.com or in VIG's consolidated annual report.



February 2011
www.vig.com



Auditor's Report



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Independent Auditor's Report to the Shareholder of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group

Financial statements

On the basis of our audit, on 7 March 2011 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, which comprise the balance sheet as of 31 December 2010, and the income statement and the statement of changes in equity for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 controls 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 controls. 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.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený
Městským soudem v Praze
oddíl C, vložka 24185.
IČ 49619187
DIČ CZ699001936



Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group as of 31 December 2010, and of its expenses, revenues and net result for the year then ended in accordance with Czech accounting legislation."

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group for the year ended 31 December 2010. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group for the year ended 31 December 2010 contains material factual misstatements.


Annual report


We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
May 16, 2011


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


Romana Benešová
Partner
Licence number 1834



Financial Results

Balance Sheet

as at 31 December 2010

Description (In thousands of Czech crowns TCZK)	2010 Gross	2010 Adjustment	2010 Net	2009 Net
I. ASSETS				
A. Receivables for subscribed registered capital				
B. Intangible fixed assets, thereof	179 942	161 935	18 007	13 253
a) Incorporation expenses				
b) Goodwill				
C. Financial placements (investments)	9 714 042		9 714 042	9 004 813
I. Land and buildings (real estate), thereof	6 906		6 906	7 053
a) Land and buildings - self-occupied	6 906		6 906	7 053
II. Investments in affiliated undertakings and participating interests	300		300	300
1. Participating interests with controlling influence	300		300	300
2. Debt securities issued by, and loans to, undertakings - controlling influence				
3. Participating interests with significant influence				
4. Debt securities issued by, and loans to, undertakings - significant influence				
III. Other financial placements	9 706 836		9 706 836	8 997 460
1. Shares and other variable-yield securities, other participating interests	394 996		394 996	231 647

Description (In thousands of Czech crowns TCZK)	2010 Gross	2010 Adjustment	2010 Net	2009 Net
2. Bonds and other fixed-income securities	9 004 966		9 004 966	8 533 381
a) bonds and other fixed-income securities valued at fair value through profit and loss	1 636 697		1 636 697	1 699 086
b) "OECD" bonds held to maturity	5 782 385		5 782 385	5 227 048
c) other bonds and other fixed-income securities held to maturity	1 585 884		1 585 884	1 607 247
3. Financial placements in investment associations				
4. Other loans				
5. Deposits with financial institutions	306 277		306 277	232 432
6. Other financial placements	597		597	
IV. Deposits with ceding undertakings				
D. Financial placements for the benefit of life assurance policyholders who bear the investment risk	410 140		410 140	219 195
E. Debtors	922 786	150 644	772 142	754 025
I. Receivables arising from direct insurance operations	834 711	147 437	687 274	663 402
1. Receivables due from the policyholders, thereof	737 379	100 101	637 278	634 462
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
2. Receivables due from intermediaries, thereof	97 332	47 336	49 996	28 940
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				

Description (In thousands of Czech crowns TCZK)	2010 Gross	2010 Adjustment	2010 Net	2009 Net
II. Receivables arising from reinsurance operations, thereof	58 723		58 723	34 247
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
III. Other receivables, thereof	29 352	3 207	26 145	56 376
a) Receivables due from entities in which the Company has a controlling influence				
b) Receivables due from entities in which the Company has a significant influence				
F. Other assets	286 832	153 709	133 123	72 552
I. Tangible fixed assets other than land and buildings (real estate), and inventories	185 940	153 709	32 231	36 454
II. Cash on accounts in financial institutions and cash in hand	100 892		100 892	36 098
III. Other assets				
G. Temporary asset accounts	1 058 590		1 058 590	778 780
I. Accrued interest and rent	1 036		1 036	1 746
II. Deferred acquisition costs	966 065		966 065	749 484
a) in life-assurance business	745 575		745 575	566 140
b) in non-life insurance	220 490		220 490	183 344
III. Other temporary asset accounts, thereof	91 489		91 489	27 550
a) Estimated receivables	52 537		52 537	11 046
TOTAL ASSETS	12 572 332	466 288	12 106 044	10 842 618

Description (In thousands of Czech crowns TCZK)	2010	2009
II. LIABILITIES		
A. Equity	2 109 979	1 795 895
I. Registered capital, thereof	1 000 000	1 000 000
a) Changes in registered capital		
II. Share premium		
III. Revaluation fund		
IV. Other capital funds	53 142	23 754
V. Statutory reserve fund and other funds from profit	52 714	29 677
VI. Profit or loss brought forward	615 452	357 215
VII. Profit or loss for the financial year	388 671	385 249
B. Subordinated liabilities		
C. Technical provisions	8 035 976	7 913 780
1. Provision for unearned premiums		
a) gross amount	1 222 244	1 159 984
b) reinsurance share (-)	465 421	756 823
84 530		1 075 454
2. Life assurance provision		
a) gross amount	3 269 389	2 990 839
b) reinsurance share (-)	3 269 389	2 990 839
3. Provision for outstanding claims		
a) gross amount	4 374 487	4 034 791
b) reinsurance share (-)	1 134 798	3 239 689
924 606		3 110 185
4. Provision for bonuses and rebates		
a) gross amount	37 247	46 983
b) reinsurance share (-)	10 358	26 889
15 543		31 440
5. Equalization provision		
a) gross amount	0	28 244
b) reinsurance share (-)	0	28 244
6. Other technical provisions		
a) gross amount		
b) reinsurance share (-)		

Description (In thousands of Czech crowns TCZK)	2010	2009
7. Provision for liabilities from the technical interest rate applied		
a) gross amount		
b) reinsurance share (-)		
8. Non-life insurance provision		
a) gross amount	182	106
b) reinsurance share (-)	91	53
9. Provisions for liabilities of the Bureau		
a) gross amount	743 095	677 564
b) reinsurance share (-)	743 095	677 564
D. Life assurance technical provision where the investment risk is borne by the policyholders		
a) gross amount	410 140	219 195
b) reinsurance share (-)	410 140	219 195
E. Provisions	37 159	129 520
1. Provisions for pensions and similar obligations		
2. Provisions for taxation	19 574	105 928
3. Other provisions	17 585	23 592
F. Deposits received from reinsurers	594 064	13 811
G. Creditors	422 683	399 630
I. Payables arising from direct insurance operations, thereof	255 312	257 911
a) Payables to entities in which the Company has a controlling influence		
b) Payables to entities in which the Company has a significant influence		
II. Payables arising from reinsurance operations, thereof	58 673	57 784
a) Payables to entities in which the Company has a controlling influence		
b) Payables to entities in which the Company has a significant influence		

Description (In thousands of Czech crowns TCZK)	2010	2009
III. Debenture loans		
a) Payables to entities in which the Company has a controlling influence, thereof		
aa) Convertible loans		
b) Payables to entities in which the Company has a significant influence, thereof		
ba) Convertible loans		
IV. Amounts owed to credit institutions, thereof		
a) Payables to entities in which the Company has a controlling influence		
b) Payables to entities in which the Company has a significant influence		
V. Other payables, thereof	108 699	83 935
a) Tax liabilities and payables due to social security and health insurance institutions	29 781	22 602
b) Payables to entities in which the Company has a controlling influence		
c) Payables to entities in which the Company has a significant influence		
VI. Guarantee Fund of the Bureau		
H. Temporary liability accounts	496 043	370 788
I. Accrued expenses and deferred revenues	278 966	197 266
II. Other temporary liability accounts, thereof	217 077	173 522
a) Estimated payables	217 077	173 522
TOTAL LIABILITIES	12 106 044	10 842 618

Profit and Loss Account for the year 2010

Description (In thousands of Czech crowns TCZK)	2010 Base	2010 Subtotal	2010 Result	2009 Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	4 519 403	x	x	x
b) outward reinsurance premiums (-)	1 617 631	2 901 772	x	x
c) change in the gross provision for unearned premiums (+/-)	64 332	x	x	x
d) change in the provision for unearned premiums, reinsurers' share (+/-)	380 891	-316 559	3 218 331	3 869 552
2. Allocated investment return transferred from the non-technical account	x	x	222 997	257 749
3. Other technical income, net of reinsurance	x	x	116 218	116 613
4. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	2 541 300	x	x	x
bb) reinsurers' share (-)	509 183	2 032 117	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	332 813	x	x	x
bb) reinsurers' share (-)	210 291	122 522	2 154 639	2 400 849
5. Changes in other technical provisions, net of reinsurance (+/-)	x	x	65 569	44 092
6. Bonuses and rebates, net of reinsurance	x	x	8 125	8 838

Description (In thousands of Czech crowns TCZK)	2010 Base	2010 Subtotal	2010 Result	2009 Result
7. Net operating expenses:	x	x	x	x
a) acquisition costs	x	1 067 266	x	x
b) change in deferred acquisition costs (+/-)	x	-37 146	x	x
c) administrative expenses	x	244 903	x	x
d) reinsurance commissions and profit participation (-)	x	342 296	932 727	1 284 279
8. Other technical expenses, net of reinsurance	x	x	94 623	106 520
9. Change in the equalisation provision (+/-)	x	x	-28 244	3 523
10. Sub-total on the technical account for non-life insurance	x	x	330 107	395 813
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	x	1 852 436	x	x
b) outward reinsurance premiums (-)	x	4 156	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	x	-2 072	1 850 352	1 678 008
2. Income from financial placements (investments):	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	x	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings (real estate)	x	x	x	x
bb) income from other financial placements (investments)	163 020	163 020	x	x

Description (In thousands of Czech crowns TCZK)	2010 Base	2010 Subtotal	2010 Result	2009 Result
c) value adjustments on financial placements	x	22 787	x	x
d) income from disposal of financial placements	x	46 254	232 061	184 797
3. Unrealised gains on financial placements	x	x	74 390	52 406
4. Other technical income, net of reinsurance	x	x	20 122	18 649
5. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	914 982	x	x	x
bb) reinsurers' share (-)	350	914 632	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	6 882	x	x	x
bb) reinsurers' share (-)	-100	6 982	921 614	827 676
6. Changes in other technical provisions, net of reinsurance (+/-):	x	x	x	x
a) life assurance provisions:	x	x	x	x
aa) gross amount	278 550	x	x	x
bb) reinsurers' share (-)		278 550	x	x
b) other technical provisions, net of reinsurance	x	190 945	469 495	521 400
7. Bonuses and rebates, net of reinsurance	x	x	-1 797	6 456
8. Net operating expenses:	x	x	x	x
a) acquisition costs	x	596 580	x	x
b) change in deferred acquisition costs (+/-)	x	-179 435	x	x
c) administrative expenses	x	61 434	x	x
d) reinsurance commissions and profit participation (-)	x	671	477 908	402 309

Description (In thousands of Czech crowns TCZK)	2010 Base	2010 Subtotal	2010 Result	2009 Result
9. Expenses connected with financial placements (investments):	x	x	x	x
a) investment management charges, including interest	x	1 940	x	x
b) value adjustments on financial placements	x	17 758	x	x
c) book value of disposed financial placements	x	46 457	66 155	22 716
10. Unrealised losses on financial placements (investments)	x	x	38 538	13 252
11. Other technical expenses, net of reinsurance	x	x	47 610	22 518
12. Allocated investment return transferred to the non-technical account (-)	x	x	x	x
13. Sub-total on the technical account for life assurance	x	x	157 402	117 533
III. NON-TECHNICAL ACCOUNT	x	x	x	x
1. Result of the technical account for non-life insurance	x	x	330 107	395 813
2. Result of the technical account for life assurance	x	x	157 402	117 533
3. Income from financial placements:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	x	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings	x	x	x	x
bb) income from other financial placements (investments)	204 727	204 727	x	x

Description (In thousands of Czech crowns TCZK)	2010 Base	2010 Subtotal	2010 Result	2009 Result
c) value adjustments on financial placements	x	134 254	x	x
d) income from disposal of financial placements	x	1 387 962	1 726 943	1 282 267
4. Allocated investment return transferred from the technical account for life-assurance	x	x	x	x
5. Expenses connected with financial placements:	x	x	x	x
a) investment management charges, including interest	x	15 771	x	x
b) value adjustments on financial placements	x	109 487	x	x
c) book value of disposed financial placements	x	1 378 688	1 503 946	1 024 518
6. Allocated investment return transferred to the technical account for non-life-insurance	x	x	222 997	257 749
7. Other income	x	x	11 785	4 470
8. Other expenses	x	x	17 881	19 298
9. Income tax on ordinary activities	x	x	92 445	112 964
10. Profit or loss on ordinary activities after tax	x	x	388 968	385 555
11. Extraordinary income	x	x	x	x
12. Extraordinary expenses	x	x	x	x
13. Extraordinary profit or loss	x	x	x	x
14. Income tax on extraordinary activities	x	x	x	x
15. Other taxes not shown under the preceding items	x	x	297	306
16. Profit or loss for the financial year	x	x	388 671	385 249

Statement of Changes in Equity for the year 2010

(In thousands of Czech crowns TCZK)	Registered capital	Own shares	Share premium	Reserve funds	Capital funds	Changes in valuation	Profit (loss)	Total
BALANCE AT 1. 1. 2009	1 000 000			14 140		41 258	372 752	1 428 150
Correction of fundamental errors								
FX gains (losses) and changes in valuation not included in the profit and loss statement								
Net profit/loss for accounting period*)							385 249	385 249
Dividends								
Transfers to funds				15 537		-17 504	-15 537	-17 504
Reduction of funds								
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes								
BALANCE AT 31. 12. 2009	1 000 000			29 677		23 754	742 464	1 795 895

(In thousands of Czech crowns TCZK)	Registered capital	Own shares	Share premium	Reserve funds	Capital funds	Changes in valuation	Profit (loss)	Total
BALANCE AT 1. 1. 2010	1 000 000			29 677		23 754	742 464	1 795 895
Correction of significant errors								
FX gains (losses) and changes in valuation not included in the profit and loss statement								
Net profit/loss for accounting period							388 671	388 671
Dividends							-100 000	-100 000
Addition to funds				27 012		29 388	-27 012	29 388
Reduction of funds				-3 975				-3 975
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes								
BALANCE AT 31. 12. 2010	1 000 000			52 714		53 142	1 004 123	2 109 979

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I. GENERAL CONTENTS

I. 1. Description and principal activities

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group („the Company“ or „the Insurance Company“) was recorded in the Commercial Register („the CR“) on 6 November 1995.

ID number of the Company: 63 99 85 30

Principal business activities:

- insurance activities pursuant to Act No. 277/2009 Coll., on Insurance („the Insurance Act“), Annex No. 1 to the Insurance Act: in the scope of life assurance classes listed
 - in Part A, Point I, letters (a), (b), (c), Point II and Point III; in the scope of non-life insurance classes listed
 - in Part B, Points 14, 15, 16, 17, 18; in the scope of non-life insurance groups listed
 - in Part C, letters (a), (b), (c), (d), (e), (f), (g), (h)
- reinsurance activities in the scope of non-life insurance
- activities related to insurance activities
 - intermediary activity performed in relation to insurance activities in accordance with the Insurance Act
 - advisory activity related to insurance of natural persons and legal entities in accordance with the Insurance Act
 - investigation of claims performed based on a contract entered into with the insurance company in accordance with the Insurance Act
 - pursuit of intermediary activities in terms of
 - construction savings
 - supplementary pension insurance with state contribution
 - educational activities for insurance intermediaries and independent loss adjusters.

Registered office of the Company:

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group
Budějovická 5
140 21 Praha 4

MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD AS AT 31 DECEMBER 2010:

Members of the Board of Directors:

Chairman:

Ing. Jaroslav Besperát, Praha 9, Čenovická 2142 (member of the Board as of 1 November 2007, recorded in the CR on 13 April 2010)

Members:

Ing. Milan Nidl, MBA, Most, V Břízách 3293 (member of the Board as of 8 January 2009, recorded in the CR on 2 December 2010)

Mag. Gerhard Lahner, Mistelbach, Gartengasse 21, 2130 Austria (member of the Board as of 1 January 2010, recorded in the CR on 8 March 2010)

Ing. František Vlnař, Praha 4, Mikuláše z Husi 2 (member of the Board as of 23 November 2010, recorded in the CR on 2 December 2010)

Supervisory Board:**Chairman:**

Ing. Martin Diviš, MBA, Praha 6, Divoká Šárka 39 (member of the Supervisory Board as of 1 April 2008, Chairman as of 25 April 2008, recorded in the CR on 25 April 2008)

Vice-chairman:

Dr. Hans-Peter Hagen, Vienna, Laudon Gasse 20/10, 1080, Austria (member of the Supervisory Board as of 1 April 2008, Vice-chairman as of 25 April 2008, recorded in the CR on 25 April 2008)

Members:

Prof. Ing. Jaroslav Daňhel, CSc., Praha 1, Vladislavova 13 (member of the Supervisory Board as of 1 April 2008, recorded in the CR on 13 May 2008)

Ing. Martina Kapinosová, Vestec, Na Suchých 320 (member of the Supervisory Board as of 28 March 2008, recorded in the CR on 13 May 2008)

Ing. Pavel Cepek, Trhové Sviny, Rejta 272 (member of the Supervisory Board as of 28 March 2008, recorded in the CR on 13 May 2008)

Dr. Franz Kosyna, Vienna, Gallmeyergasse 5b/3/11 1190 (member of the Supervisory Board as of 21 October 2009, recorded in the CR on 13 April 2010)

Sole shareholder:

Kooperativa pojišťovna, a.s., Vienna Insurance Group
Templová 747, 110 01, Praha 1
Identification number: 471 16 617

Changes in the Board of Directors, which occurred in 2010:

The membership of RNDr. Jakub Strnad, Ph.D. in the Board of Directors was terminated on 18 February 2010. The record of the function was erased from the CR on 17 March 2010.

Mag. Gerhard Lahner was appointed as a new member of the Board of Directors on 1 January 2010. This change was recorded in the Commercial Register on 8 March 2010.

Ing. František Vlnař was appointed as a new member of the Board of Directors on 23 November 2010. This change was recorded in the Commercial Register on 2 December 2010.

Ing. Jaroslav Besperát was appointed the new Chairman of the Board of Directors on 17 February 2010. This change was recorded in the Commercial Register on 13 April 2010.

The Board of Directors acts on behalf of the Company. Two members of the Board of Directors of the Company must always act together in the name of the Company, who may also bind the Company. In order to sign on behalf of the Company, their signature, name, surname, title and role on the Board are required alongside the printed or written name of the Company.

Organisational structure:

The Company has the following bodies: the General Meeting of Shareholders, the Board of Directors and the Supervisory Board. The Company conducts its activities through its organisational divisions, comprising divisions of the first management level of the general directorate, the head office and the regional headquarters.

I. 2. Legal compliance

At the balance sheet date the Company was fully compliant with Act No. 277/2009 Coll., on Insurance, as amended ("the Insurance Act"), Act No. 37/2004 Coll., on Insurance Contract, as amended, Act No. 38/2004 Coll., on Insurance Intermediaries and Independent Loss Adjusters, Act No. 168/1999 Coll., on the Insurance of Liability for Losses Caused by the Operation of a Motor Vehicle, as amended ("the Act on Motor Third Party Liability Insurance"), including the applicable implementing regulations, and with other related legislation in force.

I. 3. Basis of preparation of the financial statements

The accounting records of the Company are maintained and in the financial statements of the Company have been prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Regulation No. 502/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for entities which are insurance companies, as amended ("Regulation No. 502/2002 Coll."), the Czech Accounting Standards for entities maintaining their accounting records pursuant to Regulation No. 502/2002 Coll., and other related legislation.

The accounting records of the Company are maintained in such a manner that the financial statements prepared based on these records present a true and fair view of the accounting and financial position of the Company.

I. 4. Significant accounting policies

(a) Gross premiums written

Gross premiums written comprise all amounts due during the financial year in respect of insurance contracts regardless of the fact that such amounts may relate in whole or in part to future financial years.

(b) Claims paid

Claims paid comprise the amount assessed for payment based on the claims investigation process, external claims handling costs and a deduction for the salvage value and other recoveries.

Claims paid are recorded upon completion of the investigation of the claim and in the amount of the assessed settlement.

(c) Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts.

(d) Deferred acquisition costs

Deferred acquisition costs comprise the portion of acquisition costs incurred during the current financial year that relates to the revenues of subsequent financial years.

Non-life insurance

In respect of non-life insurance, deferred acquisition costs are based on total acquisition costs incurred in the current accounting period and the ratio of the gross provision for unearned premiums at the balance sheet date to the total gross premiums written for the financial year. Deferred acquisition costs are determined for all individual classes of non-life insurance.

Life assurance (traditional products)

For life assurance, the Company determines deferred acquisition costs using the zillmerisation method, which is the method used to calculate the life assurance provision, see note I. 4. (f). As at the balance sheet date, the Company assesses the adequacy of the life assurance deferred acquisition costs using a life assurance liability adequacy test.

Unit-linked assurance (life assurance where the investment risk is borne by the policyholder)

For unit-linked assurance, the Company determines deferred acquisition costs using actuarial methods.

(e) Provision for unearned premiums

The provision for unearned premiums comprises that part of gross premiums written which is to be allocated to subsequent financial years. It equals the sum of all amounts calculated for individual contracts using the "pro rata temporis" method.

(f) Life assurance provision

The life assurance provision comprises the sum of the provisions for individual life assurance policies. The life assurance provision amounts to the value of future liabilities of the Company and is calculated using actuarial methods, including profit shares declared and allocated and a provision for expenses, related to the administration of contracts, after deducting the value of future premiums.

The Company accounts for the provision using the zillmerisation method in accordance with the calculation of individual tariffs approved by the Ministry of Finance of the Czech Republic. The zillmerisation method results in the deferral of acquisition costs relating to life assurance contracts. These costs are included within the life assurance provision through actuarial methods after eliminating temporary negative balances, which are capitalised and presented as deferred acquisition costs. The acquisition costs are capitalised and deferred in accordance with the prudence principle and taking into account the risk of lapses and cancellations.

(g) Provision for outstanding claims

The provision for outstanding claims in respect of both life and non-life insurance comprises the amount of expected costs in respect of claims:

- a)** reported but not settled during the period (RBNS),
- b)** incurred but not reported during the period (IBNR).

The provision for outstanding claims reported by the end of the year equals the sum of all amounts calculated for individual claims.

The provision for outstanding claims incurred but not reported as at the balance sheet date is determined using the actuarial methods. The Company uses the Chain Ladder method based on claims reported for all insurance types, except for motor third party liability insurance, for which the provision is determined using the Monte Carlo simulation. The Monte Carlo simulation is used to estimate the probability distribution of a liability and takes into account different confidence levels and distribution to individual accident years and underwriting years.

The provision for outstanding claims includes an estimate of all related external and internal claims handling costs.

The provision is reduced by an estimate of the value of salvage and subrogation recoveries, which were or will be enforced against debtors (parties that caused the damage), or other insurance companies based on liability insurance.

When calculating the provision for outstanding claims, no discounting is carried out except for the provision for outstanding claims where claims payments are made in the form of annuities (particularly in the case of motor third party liability insurance).

When creating the provision for outstanding claims in respect of claims where the insurance company acts as the leading co-insurer, the applicable provisions of the Act on Insurance Contracts are adhered to.

Although the Board of Directors considers the provision for outstanding claims to be fairly stated on the basis of information currently available, the ultimate liability may vary as a result of subsequent events or new information, which may result in significant adjustments to the amounts provided for. Adjustments to provision amounts are recognised in the financial statements for the period in which the adjustments are established. The procedures and methods applied in making estimates are reviewed regularly.

(h) Provision for bonuses and rebates

The provision for bonuses and rebates is established in accordance with the insurance contracts. For non-life insurance, the provision is established principally in cases where the Company is liable to refund to policyholder a portion of the premiums relating to the current financial year due to favourable claims experience.

For life assurance, the provision for bonuses and rebates includes shares of surpluses arising as at 31 December of the current period, which have not been allocated to specific insurance contracts and thus are not included in the life assurance provision.

Changes in the provision for bonuses and rebates are presented in the profit and loss account under "Bonuses and rebates".

(i) Equalisation provision

The equalisation provision is created in compliance with Regulation No. 434/2009 Coll. for settling the technical loss or the above-average claims experience during the relevant financial year in the credit insurance class and the surety insurance class.

The Company does not create the equalisation provision as it does not offer the credit insurance and the surety insurance.

(j) Provision for liabilities arising from the applied technical interest rate

The Company carries out a life assurance liability adequacy test as at the balance sheet date ("the liability adequacy test") in order to assess the adequacy of the life assurance provisions (provision for unearned premiums, life assurance provision, provision for outstanding claims, provision for bonuses and rebates, and life assurance provision, where the investment risk is borne by the policyholder).

The liability adequacy test is performed using discounted projected cash flows.

The liability adequacy test results in the minimum value of liabilities to policyholders based on best estimates of the future development of entry parameters adjusted by market value margins.

Where this amount exceeds the total amount of the life assurance provisions reduced by the respective un-amortised acquisition costs and other intangible assets, the deficiency is recognised through the establishment of a provision for liabilities arising from the applied technical interest rate.

In compliance with Section 66 (2) of the Insurance Act, the Company informed CNB about the method for calculating the provision for liabilities arising from the applied technical interest rate and other calculation parameters.

The change in this provision is presented in item II. 6. (b) in the profit and loss account.

(k) Non-life insurance provision

The non-life insurance provision is established for those classes of non-life insurance where the premium amount depends on the entry age or the gender of the insured. This provision represents the value of the insurance company's liabilities calculated using actuarial methods, including allocated profit shares or contractual entitlements to premium refunds and maintenance expenses, reduced by the present value of future premiums.

(l) Provision for the liabilities of the Czech Insurers' Bureau

The Company is a member of the Czech Insurers' Bureau ("the Bureau"). Pursuant to Section 18 (6) of the Act on Motor Third-Party Liability Insurance, a member of the Bureau must guarantee the liabilities of the Bureau in an amount calculated pro rata based on the respective amounts of members' contributions. To meet this requirement, members must create technical provisions for liabilities that are not covered by relevant assets of the Bureau.

The amount of the provision for the liabilities of the Bureau is determined using actuarial methods pursuant to the Insurance Act.

Based on information available as at the balance sheet date, the Board of Directors of the Company believes that the provision established is adequate to cover the cost of claims incurred in connection with the liability assumed by the Company in respect of statutory motor liability insurance. The ultimate claims expenses will remain unknown for several years. The Company's share of these outstanding claims will be determined according to its market share for this class of insurance at the time these claims are finally settled.

(m) Life assurance provision where the investment risk is borne by the policyholders

The life assurance provision where the investment risk is borne by the policyholders is intended to cover the liabilities of the Company due to insured persons for those classes of life assurance where, based on an insurance contract, the investment risk is borne by the policyholders.

The amount of the provision is determined as the sum of liabilities due to insured persons in the amount of their shares of invested premiums from individual life assurance contract in accordance with the principles included in the insurance contracts.

If life assurance where the investment risk is borne by the policyholders also includes payment of a guaranteed amount, this liability is included within the life assurance provision.

(n) Reinsurers' share of technical provisions

Technical provisions are presented as a net liability, i.e. after deduction of the reinsurers' share. The amount of this share is calculated based on the terms of the respective reinsurance contracts, the method of settlement with reinsurers and in consideration of the prudence principle.

The Company presents the reinsurers' share of the provision for unearned premiums, the provision for outstanding claims, the provision for bonuses and rebates, and of the non-life insurance provision. The reinsurers do not participate in other technical provisions.

(o) Provisions

Provisions are intended to cover risks, losses and other payables, which are clearly defined and the occurrence of which is either probable or certain but whose amount or timing are uncertain.

Provision for taxes

The provision for taxes is established at the balance sheet date and amounts to the estimated corporate income tax liability due. The utilisation (release) of the provision is accounted for when the tax return is filed.

Provision for employee benefits

At the balance sheet date the provision includes the earned part of employee benefits which are due to employees because of their leaving, retirement or an anniversary. The applied actuarial methods include valorisation according to the expected increase in wages and the probability of survival and leaving a function. The applied actuarial methods include valorisation according to the expected increase in wages and the probability of survival and leaving a function. A risk-free interest rate adjusted by market value margins is used for discounting.

Provision for legal disputes

A provision for legal disputes is created to cover any potential losses arising from litigations against the Company that are not closed upon a final and conclusive judgment as at the date of financial statements. This provision does not cover payables arising from disputes in respect of the amount of an insurance payment, which are included in a provision for outstanding claims.

(p) Investments

Land and buildings (real estate)

Land and buildings (real estate) are initially recorded at their acquisition cost and are not subsequently depreciated.

At the balance sheet date, land and buildings (real estate) are re-measured at their fair value. Fair value means the market value, which is the price for which such land and buildings (real estate) could be sold on the date of valuation.

The fair value is determined through a separate valuation of each item of land and buildings, carried out at least once every five years, based on a qualified estimate or a qualified external appraiser's opinion. In the intervening years, the Company assesses whether the carrying amount of land and buildings (real estate) corresponds to their fair value.

If at the balance sheet date, land and buildings (real estate) have been sold or are to be sold within 3 months, their fair value is reduced by the actual disposal costs.

Any change in the fair value of land and buildings (real estate) is recognised in equity.

Debt securities

Debt securities are recorded at acquisition cost as at the acquisition date.

Acquisition cost is the amount for which a debt security has been acquired and includes the purchased accrued interest and expenses directly associated with the acquisition.

The Company amortises premiums and discounts on all debt securities. Premiums and discounts are amortised to the profit and loss account on the basis of the effective interest rate method from the date of acquisition to their maturity.

All securities, except for held-to-maturity bonds, which were issued by a member state of the Organisation for Economic Cooperation and Development and rated by at least two internationally acknowledged rating agencies on the level of the Czech Republic or higher ("the OECD bonds held to maturity"), are remeasured to fair value at the balance sheet date.

The Company recognises the OECD bonds held to maturity at their amortised cost as at the balance sheet date.

Fair value means the market price published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most recently published market price as at the date of the financial statements. If no market price is available or if it does not sufficiently represent fair value, the fair value is determined on the basis of a qualified estimate.

Amortised cost means the price used when first recognised (the acquisition cost), which is gradually increased by accrued interest income, adjusted by amortisation of the discount/premium and decreased by the amount of adjustments.

Debt securities are classified as securities valued at fair value through profit and loss or securities available for sale, OECD bonds held to maturity and other securities held to maturity.

A change in the fair value of debt securities valued through profit and loss or available for sale is recognised in the profit and loss account. A change in the fair value of debt securities held to maturity that are revalued at fair value is recognised in equity.

Where debt securities are denominated in a foreign currency, their value is translated to Czech crowns using the current exchange rate published by the Czech National Bank ("CNB"). The corresponding exchange rate difference is included in the fair value.

If, due to legislative amendments, the accounting policy has been changed during the possession of debt securities, resulting in changes in fair value being recognised in the profit and loss account rather than in equity, the cumulative revaluation differences previously recognised in equity are derecognised and recognised in the profit and loss account only at the moment of sale or maturity of the relevant security.

Shares and other variable-yield securities

At the acquisition date, shares and other variable-yield securities are accounted for at acquisition cost.

Acquisition cost includes the amount for which the shares or other variable-yield securities were acquired and all expenses directly associated with the acquisition.

At the balance sheet date, shares and other variable-yield securities are revalued at their fair value.

Fair value means the market price published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most recently published market price as at the date of the financial statements (balance sheet date). If no market price is available or if it does not sufficiently represent fair value, the fair value is determined on the basis of a qualified estimate.

The change in fair value of shares or other variable-yield securities is recognised in the profit and loss account.

Where shares and other variable-yield securities are denominated in a foreign currency, their value is translated to Czech crowns using the current exchange rate published by the CNB. The corresponding exchange rate difference is included in the fair value.

Deposits with financial institutions

Deposits with financial institutions are initially recognised at nominal value. At the balance sheet date, these assets are revalued at their fair value. The fair value of short-term deposits with financial institutions is determined as their nominal value including accrued interest.

Deposits denominated in a foreign currency are translated to Czech crowns using the current exchange rate published by CNB, and the corresponding exchange rate difference is included in the fair value. Changes in fair value are recognised in the Company's profit and loss account.

Derivatives intended for trading

Financial derivatives that do not meet the requirements for the application of hedge accounting or, if appropriate, derivatives in respect of which the Company has decided not to apply hedge accounting, are carried at fair value and the gains or losses arising from their revaluation are recognised in the profit and loss account.

(q) Financial placements for the benefit of life assurance policyholders who bear the investment risk

Financial placements for the benefit of life assurance policyholders who bear the investment risk are accounted for separately from other financial placements.

At the balance sheet date, financial placements for the benefit of life assurance policyholders who bear the investment risk are revalued at their fair value. In order to preserve the true and fair view of the Company's position, all changes resulting from the revaluation at fair value are recognised in the Company's profit and loss account.

(r) Expenses and income from financial placements

Distribution of expenses and income from financial placements between life assurance and non-life insurance accounts

Expenses and income from financial placements, which are directly related to life assurance activities, are recorded in the life assurance technical account.

Other expenses and income from financial placements, which are not related to life assurance activities, are recorded in the non-technical account and the result is subsequently transferred to the non-life insurance technical account.

Expenses and income related to the disposal of financial placements

The disposal of financial placements is recognised on a gross basis, whereby the revenues from the disposal amounting to the selling price of the respective financial instruments are recorded separately from the expenses amounting to the carrying value of the respective part of the financial placements.

(s) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost.

Tangible fixed assets costing up to CZK 40 000 and intangible fixed assets costing up to CZK 60 000 are charged to the profit and loss account in the year in which they are acquired. The annual accounting depreciation rate reflects the assets' expected useful lives.

The following accounting depreciation rates are used for the individual asset classes:

Fixed assets	Method	Depreciation period (yrs)
Software	Straight-line	4
Other intangible fixed assets	Straight-line	5-6
Tangible fixed assets	Straight-line	4-6

(grouped according to material subclasses with the same depreciation rate)

(t) Foreign currency translation

Transactions during the year are translated using the CNB exchange rate effective as at the transaction date, or using the rate at which the transaction was realised.

At the balance sheet date, foreign currency assets and liabilities are translated at the CNB official rate for that date. Unless stated otherwise, foreign currency gains and losses are recorded in the profit and loss account.

(u) Adjustments

The Company establishes adjustments to receivables and other assets except for financial placements. Adjustments represent a temporary decrease in the value of individual assets. The amount of the decrease is determined based on professional risk assessment carried out by the Company's management.

The Company establishes adjustments using the net method, i.e. the difference between the adjustment's opening and closing balance is recorded in the profit and loss account.

Adjustments to receivables from policyholders are established based on an analysis of their recoverability. The analysis includes an ageing analysis of the receivables and an assessment of the risk of non-payment of specific receivables.

Adjustments to OECD bonds held to maturity are accounted for only if there is a risk that the notional principal amount of the bond or the bond yield or both the value and the yield would not be repaid.

(v) Impairment of assets

At the balance sheet date, the Company assesses whether those assets, which are not carried at fair value or for which changes in fair value are recognised in equity, are impaired. Impairment of an asset is recognised in the profit and loss account.

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

In order to account for items common to both life assurance and non-life insurance, the Company uses a method approved by the Ministry of Finance of the Czech Republic. Under this method individual items are grouped according to the class of insurance to which they relate. For items that cannot be allocated directly, the Company uses the allocation ratio based on an internal cost analysis of individual groups of costs of life assurance and non-life insurance.

Expenses and income from financial placements

Expenses and income from financial placements are distributed between life assurance and non-life insurance using the method described in note I. 4. (r) above.

Other expenses and revenues

During the accounting period, clearly attributable expenses and revenues are recorded directly in the life assurance or non-life insurance technical account or the non-technical account. Expenses and revenues that cannot be clearly attributed are allocated to the technical accounts for life assurance and non-life insurance based on the ratio described above.

Taxes, fees and other expenses that are not directly connected with insurance and reinsurance are not allocated in this manner but are reported in the non-technical account.

(x) Income tax

Corporate income tax on the profit for the year comprises current income tax and the change in deferred tax. Current income tax comprises the tax liability calculated from the tax base using the effective tax rate and any additional payments or refunds of tax for previous years.

Deferred tax is calculated based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), using the income tax rate expected to be valid for the period in which the tax asset/liability is expected to be utilised.

A deferred tax asset is recognised only if there is no doubt that it will be utilised for tax purposes in future accounting periods.

(y) Consolidation

Pursuant to Section 38a of Regulation No. 502/2002 Coll., the financial statements of the Company have been included in the consolidated financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, with its registered office in Austria, prepared in compliance with International Financial Reporting Standards. The consolidated financial statements of the parent company will be published in accordance with Section 38a (2c) of Regulation No. 502/2002 Coll. and in accordance with Section 21a of the Act on Accounting.

(z) Group relations

The Company has not concluded a controlling agreement with its majority shareholder Kooperativa pojišťovna, a.s., Vienna Insurance Group, with its registered office in Prague. Kooperativa is controlled by VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, which controls the whole Vienna Insurance Group. A report on relations between related parties will be a part of the annual report.

I. 5. Changes in accounting policies and procedures

During the year 2010, there were no changes in accounting policies and procedures made by the Company, and during the financial year the Company did not apply any deviations from these policies and procedure.

I. 6. Risk management

In compliance with Regulation No. 434/2009 Coll., to implement certain provisions of the Act on Insurance, the Company has ensured that the set-up of the internal control system covers all of its operations.

The set-up of the internal control system enables consistent and systematic risk management.

The Company is exposed to insurance risk, which naturally results from the underwritten insurance contracts as well as other risks, mainly the market risk, credit risk, operational risk, liquidity risk and concentration risk.

The policies and procedures for risk management are comprehensive and interrelated with the policies and procedures for maintenance of the capital determined to cover these risks.

The bodies responsible for risk management in the Company are the Board of Directors and the risk working group.

(a) Non-life insurance risk

The Company is exposed to insurance risk and underwriting risks following from the sale of non-life insurance products.

Insurance risk relates to uncertainty in respect of the period, frequency and amount of damage covered by insurance contracts.

The most significant components of insurance risk are the reserve risk and the premium risk. The premium amount is determined using historical assumptions, which may differ from the actual situation. The risk of trend, risk of estimate, change in assumption etc. may have a significant impact on determining the amount of provisions. The liability adequacy tests and analysis of sensitivity to change in assumptions are used to eliminate the reserve risk.

In order to manage the insurance risk the Company applies internal policies for development and valuation of products, determination of the technical provisions amount, reinsurance strategy and underwriting rules.

Concentration of insurance risk

Concentration of insurance risk may exist in the event that a particular event or a series of events may impact significantly upon the Company's liabilities. The concentration of insurance risk then determines the extent of the possible impact of these events on the amount of the Company's liabilities. Such concentration may arise from a single insurance contract or through a small number of related contracts, and relates to circumstances that gave rise to significant liabilities. Concentration of insurance risk may arise from accumulation of risks in frame of several individual groups of contracts; it may also arise in low-frequency, high-severity events (e.g. natural disasters) or in the event of significant litigations or legislative amendments.

Geographic concentration

The risks underwritten by the Company are primarily located in the Czech Republic. From the geographical point of view, the Company has no significant concentration of exposure to any group of persons insured, measured by social, professional or age criteria.

(b) Life assurance risk

The Company is exposed to risks resulting from an unfavourable development of assumptions compared to their determining at the moment of valuation of products. This involves, for example, the risk of unfavourable development of mortality or survival, risk of a different development of investment return, risk resulting from an unexpected development of cost inflation or behaviour of clients upon cancellation of the contract. In the above cases the Company is exposed to the danger of a loss resulting from the discrepancy between collected premiums and claims paid, investment returns and expenses.

Other risks are, for example, the objective and subjective risk of the insured. The objective risk is determined by objective factors such as the age, gender, health condition or profession. The subjective risk is determined by subjective factors such as the effort of the insured to survive or maintain a healthy life or the poor financial condition of the insured.

Other risks to which the Company is exposed are as follows:

- Risks with a low-frequency occurrence and a significant impact, which in life assurance may represent any claim that affects several persons insured at the same time and in the same place (e.g. natural disasters)
- Risk of concentration of high sums assured, which do not constitute a significant part of the portfolio but which may have significant impact on the amount of settlements and as a result also the profit (loss) of the Company.

The goal of risk management is identification, quantification and elimination of risks in order to prevent changes that have a negative impact on the profit (loss) of the Company and the Company's equity.

The Company applies profit testing when valuing insurance products and further the liability adequacy test in order to identify, quantify and eliminate the risks. Profit testing is used to determine adequate insurance rates for the insurance and financial guarantees for individual products and for the determined assumptions.

The purpose of the liability adequacy test is to assess the amount of the life assurance provisions in terms of the updated assumptions. The level of sensitivity of the results to a change in the individual assumptions is also a component of these procedures.

In respect of the objective and subjective risks of the insured, these risks must be assessed individually upon conclusion of the contract, primarily in the event of a higher sum assured. There are procedures for identifying and assessing these risks; as part of such procedures it is necessary to carry out a qualified assessment of the health condition, or, if appropriate, the financial condition of the client, or to assess the level of risk to which the insured is exposed. Based on information on the health condition, subjective risk and other actuarial risks, the premium rate is determined. In addition to a discount or a surcharge on the premium, certain risks, types of injury or illnesses may be excluded from the insurance, or the amount of the sum assured may be limited.

The Company has no significant concentration of exposure to any group of persons insured.

In order to manage the insurance risk, the Company primarily uses reinsurance and a prudent underwriting policy.

Reinsurance strategy

The Company reinsures some of the risks it underwrites in order to control its exposures to losses and protect its own capital resources. The Company has based its reinsurance scheme on a complementary combination of contracts with external reinsurers and reinsurance contracts with its parent company.

The Company concludes a combination of proportionate and non-proportionate reinsurance treaties to reduce its net exposure. The maximum net exposure limits (own retentions) for particular business lines are reviewed annually. To provide additional protection the Company uses facultative reinsurance for certain insurance contracts.

The Company cooperates primarily with reinsurers rated "A" and higher (based on the rating provided by the Standard&Poor's rating agency) and carries out regular monitoring of their financial condition.

(c) Market risk

The Company is exposed to market risk, which follows from trading positions in interest rate, currency and equity instruments that are all exposed to common and specific changes in the market.

The main exposure is that the revenues from investments will not be sufficient to cover the liabilities from insurance contracts.

The market risk is constantly monitored, measured and managed using Asset/Liability management (ALM). The basic method of ALM involves adjusting the due date of assets to the liabilities from insurance contracts.

Asset/Liability management (ALM)

The basic goal of ALM is to achieve balance in the structure of assets and liabilities, in particular from the point of view of their maturity, interest rates and currency structure. The aim is to ensure that the assets permanently generate sufficient cash flows in the required currency structure necessary to cover the due liabilities to clients (including the guaranteed revenues) and at the same time to ensure that the system enables the generation of adequate profit for shareholders.

For this purpose the Company performs regular monitoring of assets and liabilities, followed by ALM calculation, which enables the Company to monitor and compare the structure of its assets and liabilities in terms of their maturity, achieved and guaranteed interest rates and in terms of their currency structure. This type of output is one of the underlying tools for making decisions on the further allocation of financial investments.

Interest rate risk

The Company is exposed to interest rate risk due to the impact of up-to-date market interest rate fluctuations. The fair value and investment return may both grow or decrease as a result of these fluctuations.

Besides changes in the value of assets, the interest rate fluctuations may also result in changes of liabilities.

Based on a cash flow analysis, the Company prepares the portfolio of securities the value of which changes together with a change in the value of liabilities upon a change in the interest rate.

The risk of changes in cash flows as a result of a change in interest rate represents exposure primarily to the insurance contracts with a guaranteed interest rate where the client compares the revenue guaranteed by the contract with the revenue offered in the market. Where the market interest rates increase, some types of contracts may show an increase in the lapse rate, and on the other hand, in the event of decrease in the interest rates, an increased number of clients claiming a settlement in the form of pension may be observed, or the payment of settlements from contracts with a guaranteed revenue higher than the revenue offered in the market, may be deferred.

Price fluctuation risk

The Company is exposed to a price fluctuation risk, which consists in the fact that the value of the financial instrument will change due to changes in the market prices. These changes may be caused by factors specific to a single instrument or by the issuers of the instruments or by factors affecting all instruments traded in the capital or money markets.

The Company manages its use of equity investments by maintaining a diversified portfolio and by determining and monitoring the limits for investments.

Currency risk

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. As the currency in which the Company presents its financial statements is the Czech crown (CZK), movements in the exchange rates between these currencies and the CZK affect the Company's financial statements.

(d) Credit risk

The Company is exposed to the credit risk, which follows from the counterparty failing to pay the amounts due in full.

The main areas of the Company's exposure to the credit risk:

- Reinsurers' share in insurance liabilities
- Reinsurer's debt, which relates to a claim that has already been paid
- An intermediary's debt resulting from commissions paid on lapsed insurance contracts
- Outstanding premiums
- Counterparty risk relating to derivative transactions
- Risk of failure to repay the principal or income from financial investments

Concentrations of credit risk arise where groups of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions.

The credit risk is limited by external limits regulating the structure of financial placement (Regulation No. 434/2009 Coll., to implement certain provisions of the Act on Insurance).

The Company further sets its own limits for individual issuers/counterparties depending on their credit quality and regularly monitors whether these limits are met. The limits are subject to a regular reassessment.

The outstanding premiums are regularly monitored, and the method of creating adjustments is described in note I.4. (u).

Recovery of debt from insurance is carried out by the Company in cooperation with external partners.

(e) Operational risk

Operational risk is the risk of a potential loss following from missing or insufficient internal processes, human resources and systems or other causes, which may arise due both to internal and external events.

The Company analyses these risks and designs modifications to work procedures and processes to eliminate the risks associated with operational events.

(f) Liquidity risk

The Company is exposed to requirements for liquidity on a daily basis. These requirements are related to claim settlements. The liquidity risk is a risk that the cash necessary for payment of liabilities will not be available at the due date and at adequate cost.

The need for liquidity is continuously monitored in order to ensure necessary resources.

The Company has access to a diverse funding base, and in compliance with the legislation in force it has invested a sufficient portion of its financial placement in liquid financial instruments.

II. SPECIAL CONTENTS

II. 1. Non-life insurance

Non-life insurance for 2010 and 2009 divided by classes of insurance:

	Gross premiums written	Gross premium earned	Gross claims paid	Gross operating expenses	Reinsurance balance
Direct insurance					
Travel insurance					
2010	43 094	43 070	9 517	6 629	0
2009	45 484	46 091	8 812	16 453	0
Accident and sickness insurance					
2010	74 986	77 777	24 819	22 213	-3 589
2009	79 570	76 729	20 983	25 211	-4 095
Motor third party liability insurance					
2010	2 765 564	2 753 129	1 605 903	776 742	-157 942
2009	2 895 951	2 798 309	1 901 291	875 460	155 045
Property insurance					
2010	480 947	470 904	342 247	144 636	-64 799
2009	459 475	442 483	312 025	154 444	23 671

	Gross premiums written	Gross premium earned	Gross claims paid	Gross operating expenses	Reinsurance balance
Liability insurance					
2010	243 931	243 564	123 428	73 380	-37 685
2009	251 250	245 149	156 552	79 684	-23 359
Motor insurance					
2010	751 265	711 845	612 806	207 890	24 945
2009	668 547	628 363	494 246	189 320	-680
Atom pool					
2010	21 528	21 130	-439	2 767	-5 970
2009	18 922	18 003	-2 042	2 796	-5 785
Reinsurance accepted					
2010	138 092	133 652	155 832	40 766	64 923
2009	89 029	85 286	51 217	29 439	22 169
Total					
2010	4 519 403	4 455 071	2 874 113	1 275 023	-180 117
2009	4 508 228	4 340 413	2 943 084	1 372 807	166 966

II. 2. Life assurance

Gross life assurance premiums written:

	2010	2009
Individual premium	1 852 436	1 678 077
Premiums under group contracts	0	0
Total	1 852 436	1 678 077
Regular premium	1 713 533	1 443 185
Single premium	138 903	234 893
Total	1 852 436	1 678 077
Premiums from non profit-sharing contracts	360 346	304 322
Premiums from profit-sharing contracts	940 938	1 030 825
Premiums from contracts where the investment risk is borne by policyholders	551 152	342 930
Total	1 852 436	1 678 077
Reinsurance balance	-3 235	-1 300

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

All contracts were concluded in the Czech Republic.

II. 4. Commissions and other acquisition costs for insurance contracts

	2010			2009		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions	611 693	493 743	1 155 436	615 083	540 448	1 155 530
Other acquisition costs	405 573	102 837	508 410	317 384	59 320	376 704
Change in deferred acquisition costs	-37 146	-179 435	-216 581	-4 271	-313 789	-318 060
Total commissions and other acquisition costs	1 030 120	417 145	1 447 265	928 196	285 978	1 214 174

The amount of commissions comprises all commissions to insurance intermediaries, which relate to acquisition and follow-up renewal of the insurance contracts.

In 2010 the way of allocation of administrative expenses was adjusted based on which a part of administrative expenses of TCZK 152 027 was allocated to acquisition costs.

III. OTHER DISCLOSURES

III. 1. Intangible fixed assets

Intangible fixed assets of the Company as at 31 December 2010 comprise the following items:

	Software	Other intangible fixed assets	Total
Acquisition cost at 1/1/2010	158 978	4 243	163 221
Additions	26 650	0	26 650
Disposals	5 954	3 975	9 929
Acquisition cost at 31/12/2010	179 674	268	179 942
Accumulated dep. at 1/1/2010	145 725	4 243	149 968
Depreciation expenses	15 942	0	15 942
Disposals	0	3 975	3 975
Accumulated dep. at 31/12/2010	161 667	268	161 935
Net book value at 1/1/2010	13 253	0	13 253
Net book value at 31/12/2010	18 007	0	18 007

III. 2. Investment

(a) Shares

	Carrying value		Acquisition cost	
	2010	2009	2010	2009
Traded on the primary or secondary securities market	8 250	20 115	7 150	22 296
Not traded on stock exchanges	386 746	211 532	369 591	207 477
Total	394 996	231 647	376 741	229 773

(b) Ownership interests

Company name	Stake (%)	Stake (acquisition cost)	Total registered capital	Reserve fund	Profit (loss) for the period	Retained profits	Total equity*
Stakes in controlled entities							
ČPP Servis, s.r.o.	100	300	300	17	5	8	330
Total		300	300	17	5	8	330

*Data based on audited financial statements.

(c) Land and buildings (real estate)

The amounts stated in this section comprise technical improvement made to third-party property as at 31 December 2010 amounting to TCZK 6 906 (2009: TCZK 7 053).

(d) Debt securities

Debt securities valued at fair value through profit and loss

	Fair value		Acquisition cost	
	2010	2009	2010	2009
Traded on the primary or secondary securities market	1 136 575	1 198 205	1 080 089	1 130 962
Not traded on stock exchanges	79 976	157 685	79 724	150 001
Traded on foreign stock exchanges	352 951	274 283	347 887	265 212
Traded on a free securities market	67 195	68 913	63 893	69 099
Total	1 636 697	1 699 086	1 571 593	1 615 274

OECD bonds held to maturity

	Fair value		Acquisition cost	
	2010	2009	2010	2009
Traded on the primary or secondary securities market	5 782 385	5 396 737	5 690 096	5 134 850
Total	5 782 385	5 396 737	5 690 096	5 134 850

Other securities held to maturity

	Fair value		Acquisition cost	
	2010	2009	2010	2009
Traded on the primary or secondary securities market	31 947	31 714	31 121	31 121
Not traded on stock exchanges	246 064	234 669	229 769	229 769
Traded on foreign stock exchanges	298 514	294 723	294 786	294 786
Traded on a free securities market	1 009 359	1 046 141	969 513	1 019 208
Total	1 585 884	1 607 247	1 525 189	1 574 884

Deposits with financial institutions

	Fair value		Acquisition cost	
	2010	2009	2010	2009
Deposits	306 277	232 432	306 209	232 400
Total	306 277	232 432	306 209	232 400

(e) Fair value of financial placements for the benefit of life assurance policyholders who bear the investment risk

Description	Fair value 2010	Fair value 2009
Shares and other variable-yield securities	410 140	219 195
Total	410 140	219 195

(f) Other financial placements - derivatives

Derivatives intended for trading

Fixed term contracts with a positive fair value	Nominal value		Fair value	
	2010	2009	2010	2009
Term currency transactions	58.248	0	597	0
Total	58.248	0	597	0

All the above financial instruments were concluded at the interbank market (OTC). Derivatives are recognised only in the profit and loss account as an off-balance sheet item.

Remaining maturity of derivatives

as at 31 December 2010	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Not specified	Total
Other derivatives - intended for trading						
Term currency transactions	597	0	0	0	0	597

III. 3. Receivables and payables

(a) Receivables

31 December 2010	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	144 596	17 494	0	17 658	179 748
Overdue	592 783	79 838	58 723	11 694	743 038
Total	737 379	97 332	58 723	29 352	922 786
Adjustment	100 101	47 336	0	3 207	150 644
Total net	637 278	49 996	58 723	26 145	772 142

31 December 2009	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	150 539	22 296	0	40 524	213 259
Overdue	622 379	16 385	34 247	19 017	692 028
Total	772 818	38 682	34 247	59 541	905 288
Adjustment	138 356	9 742	0	3 165	151 263
Total net	634 462	28 940	34 247	56 376	754 025

(b) Other receivables

	2010		2009	
	Gross amount	Adjustments	Gross amount	Adjustments
Corporate income tax prepayments	0	0	23 518	0
Other prepayments	14 008	0	19 300	0
Sureties	3 608	0	4 352	0
Other receivables	11 376	3 207	12 371	3 165
Total	29 352	3 207	59 541	3 165

The corporate income tax prepayments were recognised in Provisions for taxation together with corporate income tax liabilities in 2010.

(c) Payables

31 December 2010	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	187 788	55 407	58 673	108 497	410 365
Overdue	0	12 117	0	202	12 319
Total	187 788	67 524	58 673	108 699	422 684

31 December 2009	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	164 342	78 505	57 784	83 833	384 464
Overdue	0	15 064	0	102	15 166
Total	164 342	93 569	57 784	83 935	399 630

(d) Payables and receivables due to or from the reinsurer

The Company has a net receivable from reinsurers of TCZK 50 (2009: a net payable to reinsurers of TCZK 23 537).

The Company reports a deposit of TCZK 594 064 with reinsurers (2009 – TCZK 13 811).

III. 4. Inter-company receivables and payables

Company name	Receivables		Payables	
	2010	2009	2010	2009
Kooperativa pojišťovna, a.s., Vienna Insurance Group	25 144	16 788	29 264	7 073
Kooperativa, poisťovna, a.s. Vienna Insurance group, Bratislava	1 208	0	0	0
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	0	102	1 288	0
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna	0	0	30 389	0
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	0	0	3 216	0
Vig Re	40 841	13 036	14 918	14 002
AIS Servis, s.r.o.	0	0	1 187	228
Total	67 193	29 926	80 262	25 186

III. 5. Tangible fixed assets and inventories

	Tangible fixed assets	Inventories	Total
Acquisition cost at 1/1/2010	171 456	3 599	175 055
Additions	18 556	3 348	21 904
Disposals	7 420	3 599	11 019
Acquisition cost at 31/12/2010	182 592	3 348	185 940
Accumulated dep. at 1/1/2010	138 601	0	138 601
Depreciation expenses	22 494	0	22 494
Disposals	7 386	0	7 386
Accumulated dep. at 31/12/2010	153 709	0	153 709
Net book value at 1/1/2010	32 855	3 599	36 454
Net book value at 31/12/2010	28 883	3 348	32 231

III. 6. Temporary asset or liability accounts

(a) Deferred acquisition costs

	2010	2009
Life assurance	745 575	566 140
Non-life insurance	220 490	183 344
Total	966 065	749 484

(b) Estimated receivables

	2010	2009
Estimated premiums	10 986	0
Estimated receivables arising from reinsurance operations	41 551	11 046
Other estimated receivables	0	0
Total	52 537	11 046

Estimated premiums

Estimated receivables comprise estimated written premiums for December, including an estimate of the lapse rate, where the settlement with intermediaries is carried out retrospectively, i.e. for the previous month.

Estimated receivables arising from reinsurance operations

The Company discloses under estimated receivables arising from reinsurance operations an estimate of the appropriate profit commission from the reinsurers' share in the estimated written premiums disclosed above and the not-yet-agreed receivables due from reinsurers for the fourth quarter of 2010.

(c) Estimated payables

	2010	2009
Estimated payables arising from reinsurance operations	44 832	42 189
Accrued commission (not yet due)	91 811	48 094
Services not invoiced	40 774	38 829
Accruals in respect of untaken holiday	34 741	34 900
Estimated premiums (premiums cancelled)	0	5 114
Other estimated payables	4 919	4 397
Total	217 077	173 523

Estimated payables arising from reinsurance operations

Payables that have not been reconciled with reinsurers and payables arising from facultative reinsurance that have not been reconciled with insurers for the 4th quarter of 2010 are reported in estimated payables arising from reinsurance operations.

Accrued commission (not yet due)

The Company discloses as Accrued commission (not yet due) the expected amount of commissions relating to premiums written in the current accounting period where the insurance intermediary's right to receive the commission is dependent on meeting additional specific criteria.

Services not invoiced

The Company discloses under Services not invoiced the expected amount of payables that have not yet been invoiced.

III. 7. REGISTERED CAPITAL

The registered capital consists of 10 000 registered ordinary shares in booked form with a nominal value of TCZK 100. As at 31 December 2010, 100%, i.e. TCZK 1 000 000 (2009: TCZK 1 000 000), of the registered capital was paid up.

The Company's registered capital amount complies with the requirements of the Insurance Act, with regard to the insurance classes in which the Company is authorised to carry on insurance activities.

(a) Other capital accounts

	2010	2009
Subsidy from the parent company	0	0
Revaluation of assets and liabilities at fair value	53 142	23 754
Other capital accounts	0	0
Total	53 142	23 754

(b) Revaluation of assets and liabilities at fair value

	2010	2009
Balance at 1 January	23 754	41 258
Change in fair value of financial placement	36 282	-22 246
Change in deferred tax	-6 894	4 742
Balance at 31 December	53 142	23 754

(c) Planned distribution of the current period profit

Current period profit	388 671
Transfer to legal reserve fund	19 434
Transfer to social fund	7 750
Profit to be added to retained earnings	361 487

As at the date of preparation of the financial statements the Company did not decide on the expected dividend payment.

III. 8. Technical provisions

(a) Technical provisions summary

		Gross amount	Reinsurers' share	Net amount
Provision for unearned premiums	2010	1 222 244	-465 421	756 823
	2009	1 159 984	-84 530	1 075 454
Life assurance provision	2010	3 269 389	0	3 269 389
	2009	2 990 839	0	2 990 839
Provision for outstanding claims	2010	4 374 487	-1 134 797	3 239 690
	2009	4 034 791	-924 606	3 110 185
Provision for bonuses and rebates	2010	37 247	-10 358	26 889
	2009	46 983	-15 543	31 440
Equalisation provision	2010	0	0	0
	2009	28 244	0	28 244
Non-life insurance provision	2010	182	-91	91
	2009	106	-53	53
Other technical provisions	2010	743 095	0	743 095
	2009	677 564	0	677 564
Life assurance technical provision where the investment risk is borne by the policyholders	2010	410 140	0	410 140
	2009	219 195	0	219 195
Total	2010	10 056 784	-1 610 667	8 446 117
Total	2009	9 157 706	-1 024 732	8 132 974

(b) Provision for unearned premiums (gross)

	2010	2009
Non-life insurance	1 205 529	1 141 197
Life assurance	16 715	18 787
Total	1 222 244	1 159 984

(c) Life assurance provision

	2010	2009
Zillmerised provision before elimination of negative provisions	3 294 825	3 020 423
Elimination of negative provisions	-25 436	-29 584
Zillmerised provision presented in the balance sheet	3 269 389	2 990 839

(d) Provision for outstanding claims

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2009, the claims payments during 2010 (relating to claims considered in this provision) and the residual amount of this provision as at 31 December 2010.

The net run-off result is as follows:

Insurance class	2010	2009
Motor insurance	33 888	7 762
Motor third party liability insurance	292 842	130 744
Insurance against fire and other damage to property	-8 213	-11 066
Liability insurance	24 872	9 842
Accident and sickness insurance	-1 444	970
Life assurance	-1 506	-425
Travel insurance	2 481	3 989
Other	941	2 966
Total	343 861	144 782

Provision for outstanding claims paid in the form of annuities

The gross provision for outstanding claims in respect of motor third party liability insurance paid in the form of annuities amounted to TCZK 892 564 after discounting (2009: TCZK 795 285).

The Company used a wage valorisation rate and a disability pension valorisation rate according to the Bureau methodology as at 18 May 2010 (breaking point method) to calculate the provision for outstanding claims paid in the form of annuities in respect of liability insurance/statutory motor third party liability insurance for the subsequent years. The provision was further discounted at 2%.

(e) Provision for bonuses and rebates (gross)

Insurance class	2010	2009
Non-life insurance	18 822	26 760
Life assurance	18 425	20 223
Total	37 247	46 983

(f) Equalisation provision

	2010	2009
Travel insurance	0	1 383
Accident and sickness insurance	0	5 905
Motor third party liability insurance	0	0
Liability insurance	0	0
Insurance against fire and other damage to property	0	20 956
Motor insurance	0	0
Total	0	28 244

In compliance with Section 140 (2) of the Insurance Act the equalisation provision was released in one step in 2010.

(g) Non-life insurance provision (gross)

	Opening balance	Creation	Release	Closing balance
Non-life insurance	105	77	0	182
Total	105	77	0	182

(h) Provision for the liabilities of the Czech Insurers' Bureau

	Opening balance	Creation	Release	Closing balance
Provision for liabilities of the Bureau	677 564	65 531	0	743 095
Total	677 564	65 531	0	743 095

III. 9. Provisions

Type of provision	Opening balance	Creation	Release	Closing balance
Provision for taxes	105 928	19 574	105 928	19 574
Provision for employee benefits	22 402	0	4 817	17 585
Provision for legal disputes	1 190	0	1 190	0
Total	129 520	19 574	111 935	37 159

III. 10. Contingent liabilities

(a) Litigations

The Company was the defendant in a law suit in which an action was brought against the Company as a secondary insurer in the frame of co-insurance for payment of the insurance settlement from the insurance of Průmyslový palác in Prague.

This action was delivered to the Company on 15 December 2009.

As the determination of which entity was authorised to receive the insurance settlement was contentious, the Company decided together with its co-insurer to place an amount corresponding to the insurance settlement into judicial custody in order to meet its obligations resulting from the insurance contract in question.

The competent court decided by a final and conclusive judgement to accept the insurance settlement into judicial custody.

On 22 June 2010 the Municipal Authority of the Capital of Prague concluded an agreement with INCHEBA PRAHA spol. s r.o. based on which the court issued a resolution to deliver the whole amount kept in the custody of the court to the Capital of Prague.

Based on the unanimous legal opinion of both insurers the action is unjustified and therefore they have asked the court to fully dismiss the action.

(b) Co-insurance

The Company is the leading insurer in several coinsurance contracts in respect of which claims of significant amounts have been reported as at the balance sheet date.

The Company considers it improbable that the beneficiary will file a claim in full against the Company as the leading co-insurer pursuant to Section 30 of Act No. 37/2004 Coll., on Insurance Contracts, and has therefore established a provision for outstanding claims amounting only to the Company's share.

(c) Membership of the Czech Insurers' Bureau

As a member of the Bureau the Company is obliged to guarantee the liabilities of the Bureau pursuant to Section 18 (6) of the Act on Motor Third Party Liability Insurance. The Company contributes to the guarantee fund and creates other technical provisions. The amount of the contribution and other technical provisions are determined based on a calculation made by the Bureau.

If any member of the Bureau is unable to meet its obligations arising from statutory motor third-party liability insurance due to insolvency, the Company may become liable to make additional contributions to the guarantee fund.

(d) Membership of the Czech Nuclear Pool

As a member of the Czech Nuclear Pool, the Company, under a Joint and Several Liability Agreement, has assumed a liability, in proportion to the Company's net retention for the given contract, should one or more members of the Czech Nuclear Pool be unable to fulfil their obligation. The total contingent liability of the Company including joint and several liability is contractually limited to double the retention for the specific insured risk.

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

(a) Bonuses and rebates

The Company granted the following bonuses and rebates based on policy terms and conditions and insurance contracts:

	2010	2009
Gross amount		
Non-life insurance	10 878	4 070
Life assurance	0	0
Total gross amount	10 878	4 070
Reinsurers share	0	0
Total net amount	10 878	4 070

The Company accounted for the following changes in the provision for bonuses and rebates in accordance with the procedures stated in note I. 4. (h):

2010	Gross amount	Reinsurers' share	Net amount
Non-life insurance			
Creation	2 940	10 358	7 418
Release	10 878	15 543	4 665
Change of balance	7 938	5 185	2 753
Life assurance			
Creation	18 425	0	18 425
Release	20 222	0	20 223
Change of balance	1 797	0	1 797
Total change of balance	9 736	5 185	4 551

2009	Gross amount	Reinsurers' share	Net amount
Non-life insurance			
Creation	15 893	15 543	350
Release	4 070	8 487	4 417
Change of balance	11 823	7 056	4 767
Life assurance			
Creation	20 223	0	20 223
Release	13 767	0	13 767
Change of balance	6 456	0	6 456
Total change of balance	18 279	7 056	11 223

(b) Administrative expenses

	2010	2009
Personnel expenses (payroll, social and health insurance)	221 218	254 141
Rental	73 833	77 407
Advisory	8 442	9 280
Energy consumption	12 105	12 492
Material consumption	6 841	7 283
Postage + telephone services	51 309	55 300
Software services	39 609	32 350
Depreciation of tangible and intangible fixed assets	30 048	52 765
Other administrative expenses	117 259	79 527
Reallocation	-254 328	-18 834
Total administrative expenses	306 337	561 711

In 2010 the way of allocating administrative expenses was adjusted based on which a part of administrative expenses of TCZK 254 328 was transferred from administrative expenses to acquisition costs - TCZK 152 027, to Claims paid - TCZK 94 431 and to Expenses connected with financial placements - TCZK 7 870.

(c) Other technical expenses and income

2010	Gross amount	Reinsurers' share	Net amount
Non-life insurance			
Other technical expenses	94 623	0	94 623
Other technical income	116 218	0	116 218
Life assurance			
Other technical expenses	47 610	0	47 610
Other technical income	20 122	0	20 122

2009	Gross amount	Reinsurers' share	Net amount
Non-life insurance			
Other technical expenses	106 520	0	106 520
Other technical income	116 613	0	116 613
Life assurance			
Other technical expenses	22 518	0	22 518
Other technical income	18 649	0	18 649

(d) Employees and executives

The average number of employees and executives and remuneration paid for 2010 and 2009 are as follows:

2010	Average number of employees	Payroll expense	Social and health insurance	Other personnel expenses
Employees	808	274 791	89 158	7 375
Executives	94	96 735	31 064	108
Total	902	371 526	120 222	7 483

2009	Average number of employees	Payroll expense	Social and health insurance	Other personnel expenses
Employees	871	273 167	92 250	8 580
Executives	95	120 855	27 139	160
Total	966	394 023	119 389	8 740

Part of the total payroll, social security and health insurance expenses, in amount of TCZK 221 218 (2009: TCZK 254 141) represents administrative overheads and TCZK 270 530 (2009: TCZK 259 271) accounts for expenses incurred to acquire insurance contracts, of which commission payments amount to TCZK 25 946 (2009: TCZK 26 926) and are disclosed in Note II.4. In 2009, the payroll expenses included also additional payments for 2008.

(e) Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 12 244 (2009: TCZK 11 967), of which TCZK 8 547 (2009: TCZK 8 348) relates to social security and TCZK 3 697 (2009: TCZK 3 619) relates to health insurance. None of these liabilities are overdue.

(f) Tax liabilities and subsidies

Tax liabilities total TCZK 17 537 (2009: a liability of TCZK 10 905), of which a deferred tax liability amounts to TCZK 13 122 (2009: CZK 6 640).

(g) Statutory, Executive and Supervisory Board members' remuneration

The Company has provided the following monetary and non-monetary remuneration to the statutory, executive and supervisory board members for the financial years 2010 and 2009:

	2010	2009
Members of the Board of Directors	10 643	12 311
Members of the Supervisory Board	610	720
Total remuneration	11 253	13 031

(h) Statutory, Executive and Supervisory Board members' loans and advances

In 2010 and 2009, the Company had no receivables from members of the Board of Directors or the Supervisory Board relating to provided loans or advances.

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

Effective from 2009, the Company has been allocating a larger volume of expenses directly to the technical accounts for life assurance and non-life insurance. The remaining portion of expenses, i.e. expenses that cannot be allocated directly, continue to be transferred.

As at the balance sheet date, the total amount of expenses allocated between the technical accounts for life assurance, non-life insurance and the non-technical account by means of the method stated in note I. 4. (w) amounted to TCZK 169 298 (2009: TCZK 95 126).

(j) Result of non-technical account

The result of the non-technical account as at 31 December 2010 amounted to a loss of TCZK 6 393 (2009: TCZK 15 133).

(k) Profit before tax

The profit before tax as at 31 December 2010 amounted to TCZK 481 413 (2009: TCZK 498 519).

III. 12. Taxation

(a) Income tax in the profit and loss account

	2010	2009
Provision for current period income tax	19 574	105 928
Income tax prepayments	75 007	0
Current income tax relating to prior periods	-1 724	1 555
Change in deferred tax asset/Change in deferred tax liability	-412	5 481
Income tax in profit and loss account	92 445	112 964

(b) Deferred tax assets/Deferred tax liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences	Assets		Liabilities		Difference	
	2010	2009	2010	2009	2010	2009
Fixed assets	0	0	-1 066	-1 150	-1 066	-1 150
Receivables	409	82	0	0	409	82
Accumulated losses	0	0	0	0	0	0
Other temporary differences re-corded in Profit and Loss account	0	0	0	0	0	0
Total temporary differences recorded in Profit and Loss account	409	82	-1 066	-1 150	-657	-1 068
Revaluation of assets and liabilities	0	0	-12 465	-5 572	-12 465	-5 572
Deferred tax asset/liability	409	82	-13 531	-6 722	-13 122	-6 640

In accordance with the accounting policy described in note I. 4. (x), deferred tax was calculated using the tax rate of 19%.

III. 13. Subsequent events

The Company's management is not aware of any material subsequent events that have occurred since the balance sheet date that would have a material impact on the financial statements as at 31 December 2010.

Prague, on 7 March 2011



Ing. Jaroslav Besperát
Chairman of the Board of Directors



Mag. Gerhard Lahner
Member of the Board of Directors

Report of the Board of Directors on Relations between Related Parties Pursuant to the Provision of Section 66a of the Commercial Code

SECTION I.

ENTITIES INCLUDED IN THE GROUP

1. Controlled Party

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group
with its registered office at Budějovická 5, post code 140 21, Praha 4
Corporate identification number: 63998530
Recorded in the Commercial Register kept by the Municipal Court in Prague, Section B, Insert 3433 ("ČPP").

ČPP is a trade company carrying on insurance business in compliance with Act No. 277/2009 Coll., on Insurance. Its business activities are defined in its Articles of Association and recorded in the Commercial Register.

2. Controlling Party

Kooperativa pojišťovna, a.s., Vienna Insurance Group
With its registered office at Templová 747, post code 110 00, Praha 1
Corporate identification number: 47116617
Recorded in the Commercial Register kept by the Municipal Court in Prague, Section B, Insert 1897 ("Kooperativa")

Kooperativa is a trade company carrying on insurance business in compliance with Act No. 277/2009 Coll., on Insurance. Its business activities are defined in its Articles of Association and recorded in the Commercial Register.

Kooperativa is controlled by VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe with its registered office at Schottenring 30, A-1010 Vienna, Austria ("VIG AG"), which had the trade name VIENNA INSURANCE GROUP AG Wiener Städtische Versicherung until 3 August 2010.

3. Related Parties

A list of subsidiaries of VIG AG stating their trade name and ownership interest of VIG AG in the registered capital is attached as Appendix to this report.

SECTION II.

RELATIONS BETWEEN GROUP ENTITIES

1. Type of Control

Kooperativa owns shares of ČPP with an aggregate nominal value of 100% of its registered capital.

2. Relations through Personnel

- Ing. Martin Diviš, MBA, Chairman of the Supervisory Board, is also the Chairman of the Board of Directors of Kooperativa, the Chairman of the Supervisory Board of SBA ZASO Kupala, the Chairman of the Supervisory Board of SBA ZASO Viktoria, a member of the Board of Directors of VIG AG, the Chairman of the Supervisory Board of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, the Chairman of the Supervisory Board of Sanatorium Astoria, a.s., the Chairman of the Supervisory Board of HOTELY SRNÍ, a.s., a member of the Supervisory Board of Kooperativa poisťovňa, a.s., Vienna Insurance Group since 5 May 2010, the Chairman of the Supervisory Board of Private Joint-Stock Company Ukrainian Insurance Company "Kniazha Vienna Insurance Group", the Chairman of the Supervisory Board of JOINT STOCK COMPANY "JUPITEL LIFE INSURANCE VIENNA INSURANCE GROUP" and the Chairman of the Supervisory Board of Company with additional liability Insurance Company with additional liability "Globus".
- Dr. Hans-Peter Hagen, Vice-chairman of the Supervisory Board, is also a Deputy CEO and member of the Board of Directors of VIG AG, CEO and Chairman of the Board of Directors of VIG RE zajišťovna, a.s., since 4 June 2010 he has been a member of the Supervisory Board of Kooperativa, at the same time he is the Vice-chairman of the Supervisory Board of InterRisk Versicherungs AG Vienna Insurance Group, until 30 December 2010 he was a member of the Supervisory Board of OMNIASIG Vienna Insurance Group S.A., at the same time he is a member of the Supervisory Board of DONAU Versicherungs AG Vienna Insurance Group, a member of the Supervisory Board of InterRisk Lebensversicherungs AG Vienna Insurance Group, until 11 August 2010 he was a member of the Supervisory Board of OMNIASIG Asigaurari de Viata S.A. Vienna Insurance Group and until 16 May 2010 the Chairman of the Supervisory Board of AIS Servis, s.r.o., at the same time he is the Vice-chairman of the Supervisory Board of WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, a member of the Supervisory Board of BENEFIA Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, the Vice-chairman of the Supervisory Board of Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, a member of the Supervisory Board of InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group and a member of the Supervisory Board of Polski Związek Motorowy Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group.

- Dr. Franz Kosyna, a member of the Supervisory Board of ČPP, is also the Chairman of the Board of Directors and CEO of DONAU Versicherung AG Vienna Insurance Group, a member of the Supervisory Board of Kooperativa, a member of the Supervisory Board of VIG RE zajišťovna, a.s., the Vice-chairman of the Supervisory Board of Kooperativa poisťovňa, a.s., Vienna Insurance Group and the Vice-chairman of the Supervisory Board of Komunálna poisťovňa, a.s., Vienna Insurance Group.
- Ing. Jaroslav Besperát has been the Chairman of the Board of Directors since 17 March 2010. He has also been a member of the Supervisory Board of V.I.G. ND uzavřený investiční fond, a.s. since 20 August 2010.
- Ing. Milan Nidl, MBA, a member of the Board of Directors, has also been the Chairman of the Supervisory Board of AIS Servis, s.r.o. since 17 May 2010, a member of the Supervisory Board of Kapitol pojišťovací finanční poradenství, a.s. and a member of the Board of Directors of Kooperativa since 1 January 2010.
- Mag. Gerhard Lahner, a member of the Board of Directors since 1 January 2010, is also a member of the Supervisory Board of Ringturm Kapitalanlagegesellschaft m.b.H., a member of the Supervisory Board of Bulgarski Imoti Non-Life Vienna Insurance Group, a member of the Supervisory Board of Bulstrad Non-Life Vienna Insurance Group and since 1 January 2010 he has been a member of the Board of Directors of Kooperativa and since 20 August 2010 a member of the Supervisory Board of V.I.G. ND uzavřený investiční fond, a.s.

3. Structure of Relations

The ownership interest of VIG AG in the other subsidiaries expressed as a percentage of the registered capital is attached to this Report as an Appendix.

SECTION III.

DECISIVE PERIOD

This Report has been prepared for the last accounting period, i.e. for the period between 1 January 2010 and 31 December 2010.

SECTION IV.

CONTRACTS AND AGREEMENTS CONCLUDED BETWEEN GROUP ENTITIES

1. Contracts and agreements concluded between the controlling party (Kooperativa, VIG AG) and the controlled party, ČPP:
 - As at 31 December 2010, a contract on information and personal data protection was concluded between ČPP and VIG AG.
 - As at 31 December 2010, Amendment No. 1 to the contract on the IT centre services dated 1 January 2008 was concluded between ČPP and VIG AG.

- As at 31 December 2010, a contract on cooperation in the settlement of claims arising to motor vehicles in Austria was concluded between ČPP and WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group.
- As at 31 December 2010, a proportional quota reinsurance contract on MTPL insurance coverage was concluded between ČPP and VIG AG.
- As at 31 December 2010, a contract on cost sharing (a contract on outsourcing) was concluded between ČPP and Kooperativa.
- As at 31 December 2010, a mandate contract for an insurance agent No. 8720000000 and Amendments No. 1 and 2 hereto were concluded between ČPP and Kooperativa.
- As at 31 December 2010, a sublease contract for non-residential premises in Praha 1, Na Poříčí 1067/25 was concluded between ČPP and Kooperativa.
- As at 31 December 2010, a contract on the provision of outsourcing services for the purpose of intra-company risk management was concluded between ČPP and Kooperativa.
- As at 31 December 2010, Amendments No. 1 and 2 to the lease agreement date 1 July 2008 for non-residential premises in Brno, Koliště 1856/1 were concluded between ČPP and Kooperativa.
- As at 31 December 2010, a contract on borrowing of paintings was concluded between ČPP and Kooperativa.
- As at 31 December 2010, Amendment No. 3 to insurance contract No. 0012341541 was concluded between ČPP and Kooperativa.
- As at 31 December 2010, a contract on sublease of non-residential premises in Modřice was concluded between ČPP and Kooperativa.
- As at 31 December 2010, contract on business representation No. 1900-9930001756/10-2008-CS was concluded between ČPP and Kooperativa.
- As at 31 December 2010, ČPP and Kooperativa concluded insurance contract No. 0011794909 for liability insurance for insurance intermediary.
- As at 31 December 2010, ČPP and Kooperativa concluded insurance contract No. 3069331700 for motor third-party liability insurance.
- As at 31 December 2010, ČPP and Kooperativa concluded insurance contract No. 0009509844 for motor casco insurance.
- As at 31 December 2010, ČPP and Kooperativa concluded insurance contract No. 8955009486 for professional accountability.
- As at 31 December 2010, ČPP and Kooperativa concluded Amendment No. 8 to insurance contract No. 0012341541 for property insurance.
- As at 31 December 2010, ČPP and Kooperativa concluded a proportional quota reinsurance contract on property coverage.

ČPP incurred no detriment as a result of these contracts and agreements.

2. Contracts and agreements concluded between ČPP and the other controlled parties from the VIG group

- As at 31 December 2010, ČPP and Global Expert, s.r.o. concluded a contract on sublease for non-residential premises and lease for office equipment, fixtures and fittings.
- As at 31 December 2010, ČPP and Global Expert, s.r.o. concluded a contract on mutual cooperation.
- As at 31 December 2010, ČPP and UNION Vienna Insurance Group Biztosító Zrt., Budapest concluded a contract on cooperation in respect of settlement of insurance claims incurred to motor vehicles in Hungary.

- As at 31 December 2010, ČPP and Company with additional liability Insurance Company with additional liability "Globus", Kiev concluded a contract on cooperation in respect of settlement of insurance claims incurred to motor vehicles in Ukraine.
- As at 31 December 2010, ČPP and ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., Bucharest concluded a contract on cooperation in respect of settlement of insurance claims incurred to motor vehicles in Romania.
- As at 31 December 2010, ČPP and SURPMO, a.s. concluded Amendment No. 1 to the contract on administration of leased non-residential premises, dated 25 February 2008.
- As at 31 December 2010, ČPP and WIENER STÄDTISCHE OSIGURANJE a.d.o., Belgrade concluded a contract on cooperation in respect of settlement of insurance claims incurred to motor vehicles in Serbia and Montenegro.
- As at 31 December 2010, ČPP and Joint Stock insurance company Winner – Vienna Insurance Group, Skopje concluded a contract on cooperation in respect of settlement of insurance claims incurred to motor vehicles in Macedonia.
- As at 31 December 2010, ČPP and Bulgarski Imoti Non-Life Insurance Company AD, Sofia concluded a contract on cooperation in respect of settlement of insurance claims incurred to motor vehicles in Bulgaria.
- As at 31 December 2010, ČPP and Compensa TUnZ S.A. VIG, Warsaw concluded a contract on cooperation in respect of settlement of insurance claims incurred to motor vehicles in Poland.
- As at 31 December 2010, ČPP and Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka concluded a contract on cooperation in respect of settlement of insurance claims incurred to motor vehicles in Croatia.
- As at 31 December 2010, ČPP and Kooperativa poisťovňa, a.s. Vienna Insurance Group, Bratislava concluded a contract on cooperation in respect of settlement of insurance claims incurred to motor vehicles in Slovakia.
- As at 31 December 2010, ČPP and AIS Service, s.r.o. concluded a contract on software maintenance.
- As at 31 December 2010, ČPP and ČPP Servis, s.r.o. concluded a mandate contract for brokerage of insurance.
- As at 31 December 2010, ČPP and ČPP Servis, s.r.o. concluded a contract on lease for non-residential premises at Budějovická 5, Praha 4.
- As at 31 December 2010, ČPP and VIG RE zajišťovna, a.s. concluded reinsurance contracts for reinsurance of the main reinsurance contract (property of Surplus and Marine Cargo QS), PA XL and GTPL XL.
- As at 31 December 2010, ČPP and VIG RE zajišťovna, a.s. concluded reinsurance contracts for group coverage of VIG NAT CAT XL and VIG MTPL XL.

ČPP incurred no detriment as a result of these contracts and agreements.

SECTION V.

OTHER LEGAL ACTS OR MEASURES ADOPTED OR REALISED IN THE INTEREST OR AT THE INSTIGATION OF RELATED PARTIES

In 2010, no legal acts or other measures were performed in the interest or at the instigation of the related parties.

SECTION VI.

CONFIDENTIALITY

1. Such information and facts that comprise a trade secret of ČPP, Kooperativa and other related parties as well as any information indicated as confidential by any group entity shall be considered confidential within the Group. Furthermore, these comprise any business information that may, separately or combined with other information or facts, cause a detriment to any of the group entities.
2. In order to prevent any loss to the controlled party, and subject to the provisions of paragraph 1 of this Section, the report of the statutory body does not contain financial information on consideration provided and received under the contracts and agreements concluded.

SECTION VII.

CONCLUSION

1. This report has been prepared by the Board of Directors of the controlled party, Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group and submitted for review to the Supervisory Board and to KPMG Česká republika Audit, s.r.o., which will audit the financial statements of the Company. As ČPP is obliged under the law to prepare an annual report, this report constitutes an integral part of it.

In Prague, on 2 February 2011

Signature of the Chairman of the Board of Directors and of a member of the Board of Directors of the controlled party, Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group:



Ing. Jaroslav Besperát

Chairman of the Board of Directors



Mag. Gerhard Lahner

Member of the Board of Directors

Report of the Board of Directors on Relations between Related Parties – Appendix

Related Parties and Ownership Interests of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Company	Registered office	Ownership interest [%]
Consolidated Companies		
"Grüner Baum" Errichtungs – und Verwaltungsges.m.b.H., Vienna	Austria	100
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	55
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	Serbia	100
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko društvo za osiguranje, Belgrade	Serbia	100
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94
Anděl Investment Praha s.r.o., Prague	Czech Republic	100
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100
ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.1
BENEFIA Towarzystwo Ubezpieczen Na Zycie S.A. Vienna Insurance Group, Warsaw	Poland	100
BENEFIA Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, Warsaw	Poland	100
Blizzard Real Sp. Z o.o., Warsaw	Poland	100
BML Versicherungsmakler GmbH, Vienna	Austria	100
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	99.91

Company	Registered office	Ownership interest (%)
Bulgarski Imoti Non-Life Insurance Company AD, Sofia	Bulgaria	99.91
BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia	Bulgaria	95.11
BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia	Bulgaria	97.08
Business Insurance Application Consulting GmbH, Vienna	Austria	100
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100
CAME Holding GmbH, Vienna	Austria	100
CENTER Hotelbetriebs GmbH, Vienna	Austria	80
CAPITOL, a.s., Bratislava	Slovakia	100
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39
COMPENSA Holding GmbH, Wiesbaden	Germany	100
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.89
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100
Deutsche Meisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.59
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	55
HELIOS Vienna Insurance Group d.d., Zagreb	Croatia	100
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100
IC Globus, Kiev	Ukraine	80
International Insurance Company IRAO Ltd., Tbilisi	Georgia	90

Company	Registered office	Ownership interest (%)
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.97
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100
JSC "GPI Insurance Company Holding", Tbilisi	Georgia	72
KÁLVIN TOWER Immobilienentwicklungsund Investitionsgesellschaft m.b.H., Budapest	Hungary	100
Kapitol pojišťovaci a finanční poradenství, a.s., Prague	Czech Republic	100
Komunálna poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100
KOOPERATIVA poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100
Kooperativa, pojišťovna, a.s. Vienna Insurance Group, Prague	Czech Republic	98.39
Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka	Croatia	98.75
Kvarner Wiener Städtische Nekretnine d.o.o., Zagreb	Croatia	98.75
LVP Holding GmbH, Vienna	Austria	100
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100
NEUE HEIMAT Gemeinnützige Wohnungs- und Siedlungsges mbH, Linz	Austria	99.81
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	100
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	25.08
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.1
Passat Real Sp. z o.o., Warsaw	Poland	100
PFG Holding GmbH, Vienna	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	100
PJSC Insurance Company "Ukrainian Insurance Group", Kiev	Ukraine	100
Poisťovna Slovenskej sporiteľne, a.s., Vienna Insurance Group, Bratislava	Slovakia	95
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Prague	Czech Republic	95
Polski Związek Motorowy Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	96.22

Company	Registered office	Ownership interest (%)
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY KNAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99.99
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	Ukraine	95.55
PROGRESS Beteiligungsges. m.b.H., Vienna	Austria	60
Projektbau GesmbH, Vienna	Austria	90
Projektbau Holding GmbH, Vienna	Austria	90
Ray Sigorta A.S., Istanbul	Turkey	94.26
S.C. BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	91.31
S.C. BCR Asigurari Vienna Insurance Group S.A., Bucharest	Romania	95.93
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.7
SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87.01
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	25.08
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95
TBI BULGARIA EAD, Sofia	Bulgaria	100
TBIH Financial Services Group N.V., Amsterdam	Netherlands	100
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungs- gesellschaft m.b.H., Vienna	Austria	25.08
Vienna-Life Lebensversicherung Aktiengesellschaft, Bendorf	Liechtenstein	100
VIG RE zajišťovna, a.s., Prague	Czech Republic	100
VIG REAL ESTATE DOO, Belgrade	Serbia	100
VLTAVA majetkovosprávní a podílová spol. s.r.o., Prague	Czech Republic	100
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna	Austria	100

Company	Registered office	Ownership interest (%)
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100
WPWS Vermögensverwaltung GmbH, Vienna	Austria	100

Companies Consolidated Using the Equity Method

ALS Servis, s.r.o., Brno	Czech Republic	100
Benefita, a.s., Prague	Czech Republic	100
Ceska Kooperativa London Ltd., London	United Kingdom	100
ČPP Servis, s.r.o., Prague	Czech Republic	100
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30
Gewista-Werbe-gesellschaft m.b.H., Vienna	Austria	33
Global Expert, s.r.o., Pardubice	Czech Republic	100
HOTELY SRNÍ, a.s., Prague	Czech Republic	72.43
Kámen Ostroměř, s.r.o., Ostroměř	Czech Republic	100
KIP, a.s., Prague	Czech Republic	86.65
KOORDITA. a.s., Ostrava-Hrabová	Czech Republic	100
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.97
Mělnická zdravotní, a.s., Prague	Czech Republic	100
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	75.06
Sparkassen Immobilien AG, Vienna	Austria	10.04
SURPMO, a.s., Prague	Czech Republic	100
TECH GATE VIENNA Wissenschaftsund Technologiepark GmbH, Vienna	Austria	60
UNIGEO, a.s., Ostrava-Hrabová	Czech Republic	100

Non-consolidated Companies

CAPITOL Spolka z o.o., Warsaw	Poland	100
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	44
Geschlossene Aktiengesellschaft "Strachowaja kompanija MSK- Life", Moscow	Russia	25
Private Joint-stock company "VAB Life", Kiev	Ukraine	100

Company	Registered office	Ownership interest (%)
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	35,00
Versicherungsaktiengesellschaft "Kupala", Minsk	Belarus	98.26
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100
Vienna International Underwriters GmbH, Vienna	Austria	100
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	Montenegro	100
Interalbanian Sh.a., Tirana	Albania	75
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50
Beteiligungs- und Immobilien GmbH, Linz	Austria	25
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25
DIRECT-LINE Direktvertriebs- GmbH, Vienna	Austria	100
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100
Senioren Residenz gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.57
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	43.26
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.64
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56
V.I.G. ND, uzavřený investiční fond a.s., Prague	Czech Republic	100

Report of the Supervisory Board

Report of the Supervisory Board of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on the results for the year 2010, including a report on concluding contracts pursuant to Section 196a of the Commercial Code

In 2010, the Supervisory Board of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group ("the Company") carefully monitored the work of the Board of Directors and the Company's business. The Supervisory Board carried out its activities in accordance with the relevant provisions of the Commercial code and exercised its duties both as a whole and through its members acting individually.

The Supervisory Board was presented with and reviewed the financial statements, comprising the complete set of financial statements, for the year ended 31 December 2010. The review was based on the documents presented to the Supervisory Board, information obtained while carrying out its activities, decisions adopted in 2010 by the sole shareholder exercising the powers of the General Meeting of shareholders, and the Auditors report on the financial statements for the period between 1 January 2010 and 31 December 2010. The documents presented to the Supervisory Board and the supervisory activities carried out clearly imply that the Company's accounting records were maintained faithfully in 2010, and that the 2010 financial statements have been prepared in accordance with all relevant statutory regulations and accounting policies, and that the Company carried out its business in compliance with applicable legal regulations and the Company's Articles of Association.

All of the above has led the Supervisory Board to unanimously approve the annual financial statements as presented to it by the Board of Directors, and to agree with the profit distribution as proposed by the Board of Directors.

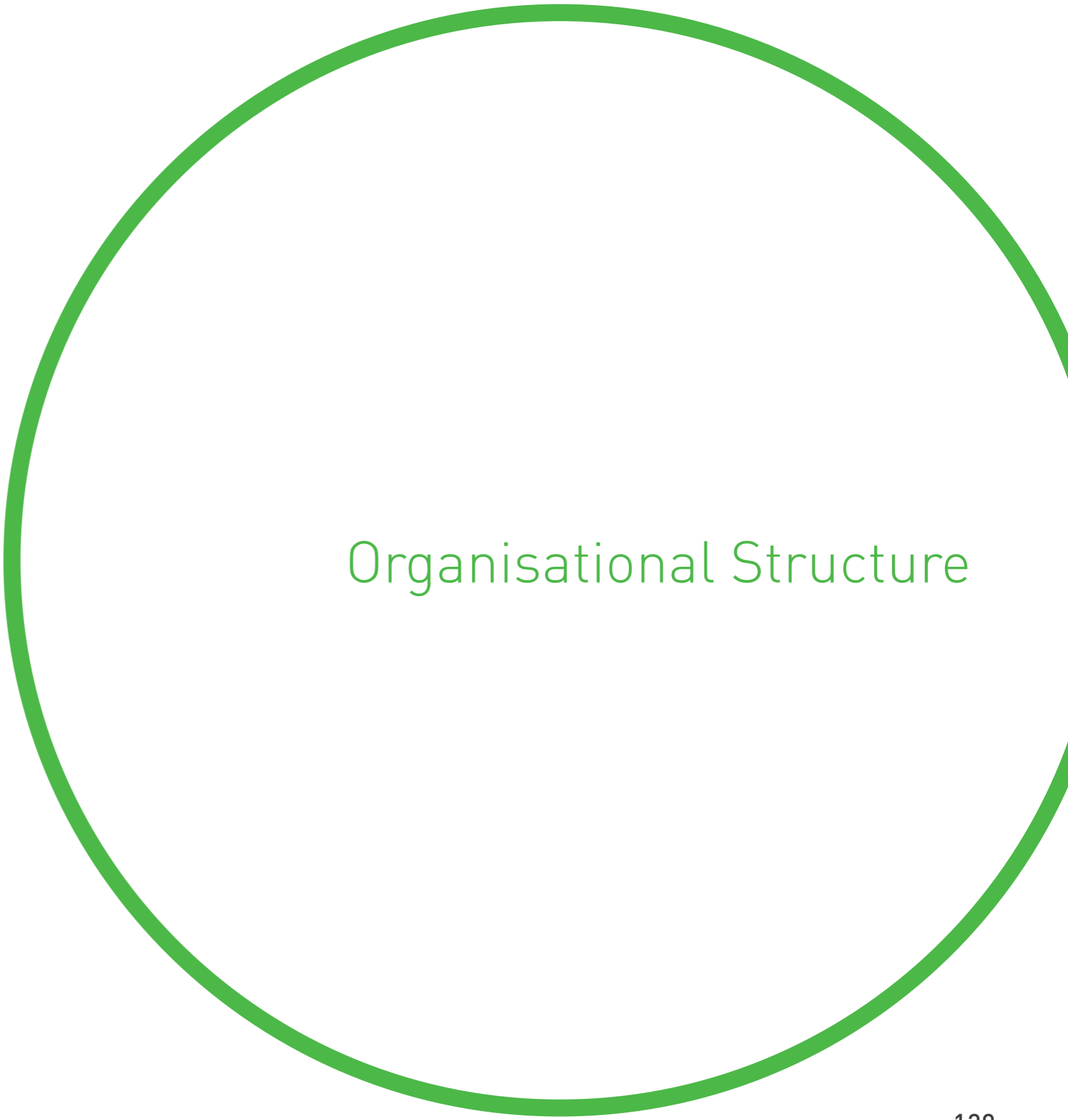
Furthermore, in line with Article 18 (3) (m) of the Company's Articles of Association, the Supervisory Board hereby notifies the sole shareholder whose competences include approving the conclusion of contracts pursuant to Section 196a of the Commercial Code that in 2010 the Supervisory Board did not discuss any contracts pursuant to Section 196a of the Commercial Code.

In Prague, on 14 April 2011



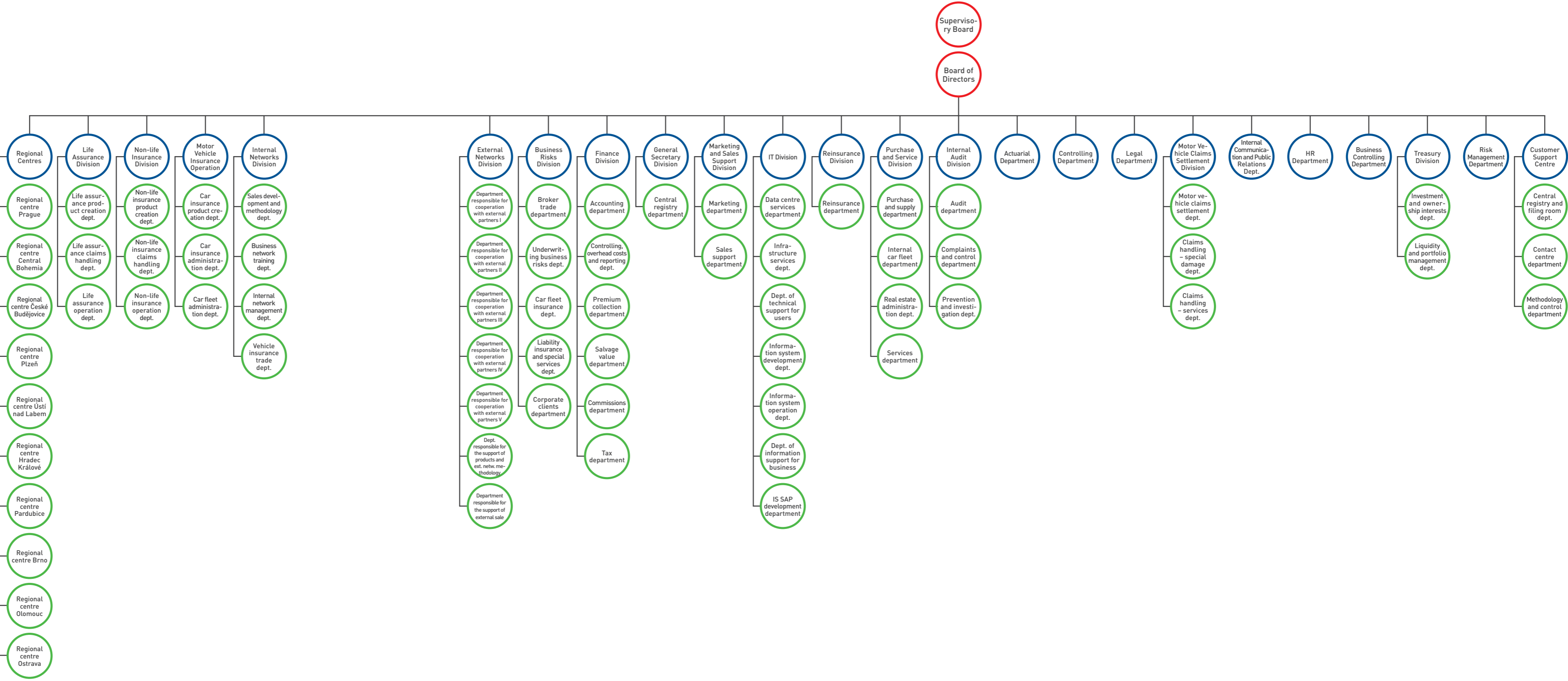
Ing. Martin Diviš, MBA

Chairman of the Supervisory Board



Organisational Structure

Organisational Structure



List of Regional Centres and Branch Offices

Head Office

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group
Praha 4, Budějovická 5, client infoline 841 444 555
www.cpp.cz, email: pojistovna@cpp.cz

BRNO

Regional Centre:

Brno, Benešova 14/16, tel.: 542 120 806

Branch Offices:

Znojmo, Pražská 2, tel.: 515 331 011
Břeclav, U Stadionu 2144, tel.: 519 322 853
Jihlava, Žižkova 13, tel.: 567 300 255
Hodonín, Národní třída 55c/3966, tel.: 518 342 444
Třebíč, Smila Osovského 25/35, tel.: 568 843 448
Brno-venkov, Pekařská 58, tel.: 542 215 140
Brno II., Kapucínské náměstí 14, tel.: 542 212 232
Brno-město, Palackého 84, tel.: 541 217 647
Boskovice, Růžové náměstí 3+4, tel.: 516 452 137

ČESKÉ BUDĚJOVICE

Regional Centre:

České Budějovice, Průmyslová 1656, tel.: 386 355 441

Branch Offices:

Strakonice, Komenského 105, tel.: 383 322 935
Písek, Fráni Šrámka 167, tel.: 382 215 351
Pelhřimov, Arch. Janáka 2256, tel.: 565 322 449
Tábor, Fügnerova 822, tel.: 381 252 452

Jindřichův Hradec, Masarykovo nám. 108, tel.: 384 361 080
Český Krumlov, Horní Brána 511, tel.: 380 711 260
Prachatice, Pivovarská 284, tel.: 388 311 139

HRADEC KRÁLOVÉ

Regional Centre:

Hradec Králové, Škroupova 441/9, tel.: 495 704 410

Branch Offices:

Hradec Králové, Škroupova 441/9, tel.: 495 704 401
Trutnov, Palackého 388, tel.: 499 813 359
Jablonec nad Nisou, Komenského 33, tel.: 483 319 881
Náchod, Krámská 29, tel.: 491 433 168
Jičín, Jiráskova 91, tel.: 493 599 093
Turnov, 28. října 17, tel.: 481 322 854
Rychnov nad Kněžnou, Panská 78, tel.: 494 661 095
Liberec, Kostelní 4/2, tel.: 485 106 534

OLOMOUC

Regional Centre:

Olomouc, Litovelská 17, tel.: 585 700 932

Branch Offices:

Zlín, Kvítková 476, tel.: 577 220 954
Olomouc-město, Litovelská 17, tel.: 585 700 939
Uherské Hradiště, Na Splávku 1182, tel.: 572 540 602
Šumperk, Gen. Svobody 22/48, tel.: 583 224 827
Přerov, Čechova 13, tel.: 581 220 273
Prostějov, Dukelská brána 7, tel.: 582 334 735
Jeseník, Poštovní 884/1, tel.: 584 413 100
Kroměříž, Stoličkova 44, tel.: 573 330 518
Vsetín, Na Příkopě 814/15, tel.: 571 424 113

OSTRAVA

Regional Centre:

Ostrava, Černá louka 78, tel.: 596 123 476

Branch Offices:

Opava, Ostrožná 38, tel.: 553 624 989

Třinec, nám. Míru 551, tel.: 558 335 700

Frydek-Místek, Stará cesta 2325, tel.: 558 436 796

Karviná, Masarykovo náměstí 26/14, tel.: 596 320 224

Nový Jičín, Tyršova 15, tel.: 556 706 765

Bruntál, Zámecké nám. 2/8, tel.: 554 211 831

Ostrava-město, Černá louka 78, tel.: 596 116 642

PARDUBICE

Regional Centre:

Pardubice, Smilova 429, tel.: 466 068 310

Branch Offices:

Chrudim, Palackého 55, tel.: 469 622 831

Havlíčkův Brod, Bělohradská 1128, tel.: 569 420 408

Ústí nad Orlicí, Mírové nám. 1389, tel.: 465 526 290

Žďár nad Sázavou, Nádražní 430/16, tel.: 566 629

Svitavy, nám. Míru 95, tel.: 461 530 317

PLZEŇ

Regional Centre:

Plzeň, Lochotínská 18, tel.: 377 831 112

Branch Offices:

Plzeň-město, Slovanská alej 28, tel.: 377 970 790

Karlovy Vary, Majakovského 29, tel.: 353 563 910

Klatovy, Pražská 120, tel.: 376 321 122

Mariánské Lázně, Křižíkova 707, tel.: 354 626 227

Sokolov, J. K. Tyla 275, tel.: 352 605 751

Cheb, Obrněné brigády 33, tel.: 354 544 944

Domažlice, Vodní 31, tel.: 379 768 435

Tachov, nám. Republiky 60, tel.: 374 720 543

CENTRAL BOHEMIAN REGION

Regional Centre:

Střední Čechy, Korunní 1300/65, tel.: 222 501 300

Branch Offices:

Mladá Boleslav, U Kasáren 1377, tel.: 326 722 864

Kolín, Legerova 182, tel.: 321 716 931

Příbram, Dlouhá 95, tel.: 318 627 596

Nymburk, Palackého třída 449, tel.: 325 516 370

Kladno, Tyršova 1396, tel.: 312 240 214

Beroun, Politických vězňů 153/21, tel.: 311 626 736

Rakovník, Vysoká 100, tel.: 313 502 589

PRAHA

Regional Centre:

Praha, Budějovická 3a, tel.: 261 022 175

Branch Offices:

Praha 5, Jindřicha Plachty 25, tel.: 257 319 003, 257 316 000

Praha 7, Haškova 2/1175, tel.: 233 901 237

ÚSTÍ NAD LABEM

Regional Centre:

Ústí nad Labem, Dlouhá 3458/2A – Palác Jordan, tel.: 475 501 044

Branch Offices:

Teplice, Tržní náměstí 241, tel.: 417 531 007

Most, Moskevská 3336, tel.: 476 744 980

Česká Lípa, Čs. armády 1621, tel.: 487 522 304

Česká Lípa, Mlýnská 35/10, tel.: 487 853 984

Litoměřice, Velká Dominikánská 129/10, tel.: 416 733 343

Chomutov, Revoluční 30, tel.: 474 621 902

Děčín, Palackého 823/4, tel.: 412 532 611

Litvínov, DS Chemopetrol, tel.: 476 162 800

Map of Contact Points

