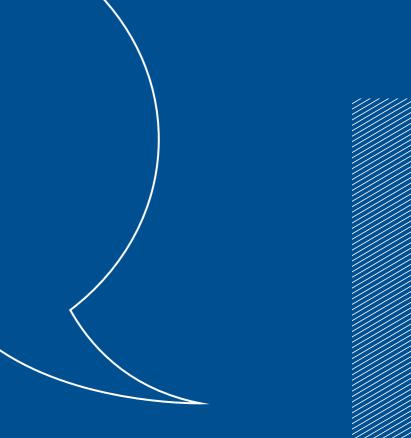


# ANNUAL REPORT 2011



ČPP Annual Report 2011



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### ABOUT THE COMPANY

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

("Česká podnikatelská pojišťovna" or "ČPP")

Registered capital: BCZK 1 Registered office: Budějovická 5, 140 21 Praha 4 Client phone line: 841 444 555 **E-mail:** pojistovna@cpp.cz Web page: www.cpp.cz Corporate identification number (IČ): 639 98 530

Gross premiums written: BCZK 6.7

Profit before tax: MCZK 442

Motor third-party liability insurance contracts concluded for more than 1 000 000 insured vehicles Motor third-party liability insurance contracts concluded for more than 1 000 000 insured vehicles

### ČPP is the market leader of the MTPL market

The portfolio of insured vehicles grew by more than 58 000, which is the best result of all insurers operating in the Czech MTPL market.

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 30 December 2011: 821

## DESCRIPTION OF THE SHAREHOLDER

Kooperativa pojišťovna, a.s., Vienna Insurance Group ("Kooperativa")

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

Net profit MCZK 2 790

**Gross premiums written BCZK 30.5** 

Market share (19.5% based on the data from CAP) 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 2011):

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe ...... VLTAVA majetkoprávní a podílová spol. s r. o., Praha ..... Svaz českých a moravských výrobních družstev.....

Number of employees who have their main employment with the Company as at 31 December 2011: 3 775

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## **BOARD OF DIRECTORS**

AND SUPERVISORY BOARD



# INTRODUCTION BY THE CHAIRMAN OF THE SUPERVISORY BOARD



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We were fortunate not to see so many big natural disasters in 2011 as in 2010, however, the insurance industry was still facing several effects which cause concern. First of all we can observe a certain level of stagnation of the insurance market, which is a logical result of the slow economic growth. While in the previous years the insurance market showed at least a slight year-on-year growth, in 2011 under the data of CAP the gross premiums written fell by 0.3% to BCZK 116.4 compared to 2010. Not even the increase in life assurance premiums set off the weakened result of the non-life insurance segment where the gross premiums written fell by 1.6%. Despite the generally accepted opinion that the Czech insurance sector is stable enough to cope with the impact of an unfavourable development of the economy, the insurance market has shown a significant turn.

In 2011, the life assurance market grew by 1.9%, however, compared with the previous years the dynamics of the growth was much slower. The increase was still strongly influenced by the sales of single premium life assurance products and having said that, I very much appreciate the fact that the segment of regular premium products also showed an increase in terms of the volume of gross premiums written. The 2011 development in the insurance market was marked by a fierce competition, primarily in terms of motor vehicle insurance. Although the overall volume of claims caused by Czech motor vehicles has doubled since 2000 and the volume of damage to health has more than quadrupled, the average MTPL premium rate dropped by 18% in the past four years. The pressure on a low price in the end resulted in a decrease of the gross premiums written in terms of motor vehicle insurance and in terms of MTPL the gross premiums written fell even by more than 8%. The drop in the gross premiums written of this segment was reflected in the overall decrease in the non-life insurance gross premiums written in the end. This fact could not have been set off even by the growth trend in terms of the business insurance by 2.1%.

In spite of the conditions relating to the development of the Czech economy being far from the optimum, the companies from the group - Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pojišťovna České spořitelny, a.s., Vienna Insurance Group and VIG Re — reported GWP of BEUR 1.8 for 2011 and a year-on-year growth of 5.3%. The non-life insurance sector has kept its stability with GWP of MEUR 999.4. In respect of life assurance, the companies from the group reported a volume of GWP in the amount of MEUR 849.5, which corresponds to a growth of 12.9%. The insurance companies from the Vienna Insurance Group are market leaders of the Czech insurance market and in 2011, they increased their market share to more than 30%. A significant growth was reported in respect of profit before tax — it grew by 13.4% to MEUR 189.7. From the point of view of the volume of business generated by the companies from the Group, the Czech Republic is one of the major markets of the Vienna Insurance Group in the CEE region. In 2011, the Combined Ratio value was a great 91.6% and it thus showed a significant decrease by 1.6 percentage points. The strength of the Vienna Insurance Group capital was confirmed by the rating agency Standard&Poor s, which gave it a great A+ rating with a stable outlook.

Česká podnikatelská pojišťovna made a significant contribution to these results. I consider the fact that we kept the growth trend in terms of gross premiums written despite the difficult market conditions of the past year a big success. The total gross premiums written for 2011 amounted to BCZK 6.7, which is a year-on-year increase by 4.7%. The GWP in terms of life assurance grew by 7.4% to almost BCZK 2. In respect of non-life insurance, the volume of GWP grew by 3.5% to BCZK 4.7. The most successful non-life insurance classes for 2011 were the insurance products for individuals (+24.7%) and industrial and business insurance (+17%). We are very pleased by the constant dynamic growth of ČPP in terms of motor vehicle insurance in the past years. In respect of MTPL, ČPP ranked third both in terms of GWP and the number of insured cars in the insurance company rankings. In spite of the fact that in 2011 ČPP became the fastest growing insurer in terms of cars insured under MTPL and it boosted its portfolio by 58 thousand motor vehicles, the gross premiums written in this segment showed a year-on-year decline. Motor casco insurance showed very good results in 2011. It reported an increase of 14.2% year-on-year.

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 an intensive growth trend of the past years despite the uneasy conditions in the market. In the past year, ČPP undertook major organisational and process changes which were caused primarily by the dynamic growth of the company in the past years. These changes have one basic goal - offering clients the best and fastest services.

Finally, I would like to thank the management of ČPP and all of its employees for their effort, hard work and cooperation when meeting our common goals. Thank to your work and professional approach, ČPP has become a dynamically growing and renowned company operating in the Czech insurance market. Only if we continue following this approach, we can keep our success in the future as well. I would also like to thank our clients and business partners for their trust and support they have showed to us.

Ing. Martin Diviš, MBA Chairman of the Supervisory Board

INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



Despite all the challenges I would describe the year 2011 as a good year. We managed to meet the requirements of our shareholder and at the same time to contribute to strengthening of the position of the Vienna Insurance Group in the Czech market. In the past year, ČPP wrote gross premiums in the total volume of BCZK 6.7 , which is a year-on-year increase by 4.7%. The profit before tax under CAS was MCZK 442. This result has confirmed the success of the long-term strateay and business policy of ČPP and its position as a strong and renowned player in the Czech insurance market.

Currently, we have been administering 1.5 million contracts of more than 800 thousand clients. The market share of ČPP has reached 5% (under the data of CAP) and in respect of MTPL almost 13%. We have achieved truly remarkable success in terms of motor vehicle insurance, primarily motor third-party liability insurance. In 2011, ČPP boosted its portfolio by more than 58 thousand motor vehicles, which is far the best result among the insurance companies operating in the Czech MTPL market. Our company has thus not only significantly strengthened its position in this market segment but it has also become only the third insurance company in the Czech market to have more than one million insured cars in its database.

We have achieved the areat result thank to the successful product line Autopojištění Combi Plus. At present we have been selling already a second generation of this product which we have made even more accomplished and adjusted it to the needs of our clients. In spring 2011 we have extended the product with a direct claims settlement rider which provides the clients with a high level of convenience when solving an accident. The client no longer has to contact the insurance company of the guilty person - he can just contact our insurance company and we arrange everything for him. Last year also the motor casco insurance showed very acod results. We managed very well to combine motor casco insurance policies with MTPL policies and in 2011 we were well ahead of the market with our 14.2% growth.

In the past five years. ČPP showed the fastest and most stable arowth of the number of cars insured in the Czech insurance market and the biggest addition of new clients in the past year has only confirmed this fact. It is not very easy to achieve such a result in the current competitive environment. This success, which we were working on for a long time, was achieved thank to a combination of several factors which had been structured and timed in an ideal way. The basic conditions are first of all a acod product, favourable price and perfect service for clients - starting from contract administration and ending with a fast claims settlement process. The true added value is our good cooperation with all sales networks, which we really appreciate.

The Czech MTPL market is characteristic for the enormous pressure on the price. All insurance companies operating in the MTPL market are facing this pressure. The price still plays a significant role when choosing the MTPL product, however, it is not the only factor any more. Next to the quality of insurance, the pace of claims settlement plays an important role. People have already checked the quality of our services and we have gained their trust. This is a very important fact because if a client buys the MTPL product from us, we can offer other products to him as well, e.g. motor casco insurance, life assurance, accident insurance or property insurance. We achieved success with this cross-selling approach in the past years and therefore we have reported growth in other insurance classes than MTPL as well.

We achieved success also in terms of life assurance where gross premiums written rose by 7.4% compared to 2010. In June 2011, we launched a new unit-linked assurance product named EVOLUCE to the market and another addition to our

portfolio of insurance products is the unit-linked assurance for children named ŠTÍSTKO. Nowadays, people tend to pay much more attention to the fact whether a policy has the aualities they need and whether it meets their expectations. We are constantly forced us to think about how the clients' needs are going to develop and how to adjust our product offer to the changing needs. We must perform product innovation on a regular basis, which is demanding in terms of the IT system or employee training but in the end such an investment always pays off.

The most successful non-life insurance seament was the insurance products for individuals, which showed a year-on-year arowth by 24.7%. Another successful seament was also business insurance, which arew year-on-year by 17.2%. The new property insurance for individuals product named DOMEX ranked among the most favourite products in the Czech insurance market last year. We have innovated the product KOMPLEX in order to meet the requirements of small and medium-sized enterprises. Our client portfolio also includes the biggest Czech companies. We have insured 40 of the top 100 enterprises in the Czech Republic.

In terms of the current development I consider building long-term relationships with our clients the biggest challenge and the most important factor of our future success. However, it is not "only" the client services or mere communication at contract conclusion or the payment on an insurance claim. What I mean is that we should not only create relationships with clients but also further consolidate and develop them. The second most important success factor and a key issue is the development and related effectiveness of the distribution channels. In relation to this, in 2011 we completed the restructuring of our internal sales network and the organisational structure of the regional centres also underwent significant changes. With this new structure we would like to achieve higher level of performance and productivity of our internal sales network in the future. Last year we were also working intensively on developing our cooperation with brokers and external partners. Next to product innovations, we aimed our effort primarily on improvement of quality and level of the service provided.

ČPP is the synonym of a reliable modern enterprise which has all the features necessary to be successful in the long term. Despite the challenging conditions of the current insurance market, we managed to succeed thank to high work effort and initiative of all persons involved in achieving the final result. Dear colleagues, I very much appreciate the share of all of you in the results we have achieved and I believe that together we can achieve the same success and meet our goals in 2012. I would also like to thank all or clients and business partners for their confidence in us and we are looking forward to continuing our cooperation in 2012.

Ing./Jaroslav Besperát Chairman of the Board of Directors and Chief Executive Office

## MEMBERS OF THE SUPERVISORY BOARD

Ing. Martin Diviš, MBA Chairman of the Supervisory Board since 25 April 2008

Dr. Peter Hagen Chairman of the Supervisory Board since 25 April 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

Ing. Pavel Cepek Member of the Supervisory Board since 28 March 2008

Mag. Ronald Gröll Member of the Supervisory Board since 21 May 2011

Dr. Franz Kosyna Member of the Supervisory Board until 20 May 2011

## 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) 16 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 5 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 13 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) 10 years of experience in the insurance business

ČPP Annual Report 2011









## MANAGEMENT REPORT



### MANAGEMENT REPORT

The year 2011 was a very good year for ČPP. In terms of the overall results, our business activities were successful. The Company wrote almost BCZK 6.7 in premiums, the number of its clients reached 800 000 and profit before tax was MCZK 442. 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 12.7 (+BCZK 0.6) and the technical provisions amount to BCZK 8.2 (+BCZK 0.2).

ČPP continued developing all types of insurance products and it kept a traditionally strong position in motor vehicle insurance - especially MTPL insurance. In 2011, ČPP boosted its portfolio by more than 58 thousand motor vehicles, which is far the best result among the insurance companies operating in the Czech MTPL market. ČPP thus not only strengthened its position of the third biggest MTPL provider in the Czech insurance market but thank to this success it has also become only the third insurance company in the Czech market to have more than one million insured cars in its database. At the same time, ČPP increased its market share in this segment to almost 13%. This great result is mostly due to the sale of motor vehicle insurance products. Autopojištění Combi Plus II is the "second generation" of the successful product line of ČPP. The product line underwent a number of changes in order to make it even more attractive for the clients. E.g. the Speciálpov product newly includes a free-of-charge accidental rider for the driver and the limits for free assistance services with the Superpov product were doubled. ČPP also offered its clients a new no-limit assistance service rider or an assistance service rider with extraordinarily high limits both for cars, lorries and trailer-towing vehicles. In spring 2011, ČPP began to offer the so-called "direct claims settlement" service in form of the SERVIS insurance rider.

The amount of life assurance gross premiums written reached almost BCZK 2, which is a year-on-year growth of 7.4%. ČPP innovates and extends its product offer regularly based on needs and requirements from the market. In June 2011, we launched a new unit-linked assurance product named EVOLUCE to the market and another addition to our insurance product portfolio is the unit-linked assurance for children named ŠTÍSTKO. In September 2011, another product was added to the exclusive life assurance product portfolio (výběrové životní pojištění) – MAXIMUM EVOLUTION. In addition to its own sales force, ČPP generated a significant part of its sales through cooperation with selected broker companies.

The most successful non-life insurance segment were the insurance products for individuals, which showed a year-on-year growth by 24.7%. This significant growth was due mainly to product innovation and primarily to the new DOMEX product. Thank to its technical parameters the product has ranked among the best selling products from this segment in the domestic insurance market. Industrial and business insurances form a significant part of ČPP's product portfolio, not only thanks to the provision of comprehensive services and an individual approach towards clients but also thanks to a very good cooperation with more than 400 insurance brokers who mediated premiums of BCZK 1.95 for ČPP in 2011. Gross premiums written for industrial risks thus grew year-on-year by 17.2 % in 2011. ČPP has a modern system for electronic conclusion of insurance contracts named SUS (i.e. Contract Conclusion System – in Czech: Systém Uzavírání Smluv), which works on a true on-line basis. This modern solution has had such an impact on the insurance intermediaries that at present up to 90% of all insurance contracts are sent to the Company via this channel. On average, more than 30 thousand contracts are concluded per month. The electronic processing further guarantees security of the stored data and simultaneously it eliminates the error rate in respect of newly concluded contracts.

Due to the economic crisis, the ability of some entities to meet their liabilities went down. ČPP has responded to this fact by launching the project Receivables, which has not only brought with its reduction of the overall volume of receivables but it has also simplified the work of all those who deal with receivables. Depending on the level of their authorisation, both ČPP employees and brokers can find detailed information on the portal. In 2011, ČPP concentrated on optimisation of internal processes and IT support both in terms of sales support and claims handling. ČPP provides a unique service named MojeČPP, which allows the client to get comprehensive and uptodate information on all of his insurance contracts and claims on the web at any point in time and from any place. In 2011, the ČPP project team prepared an extension of this application by detailed data in terms of claims and by functionalities which will help the clients orientate in the application much better.

ČPP has repeatedly gained success not only with its satisfied clients but also with insurance experts. In the Insurance Company of the Year 2010 competition organised by the Association of Czech Insurance Brokers, ČPP was awarded the great 2nd position in the Motor vehicle insurance category. In the subcategory of insurance products for individuals ČPP ranked 3rd and 4th in the Life assurance and Industrial and business insurance categories. In the public poll Zlatý Měsec 2011 in which the readers of the financial portal Měšec.cz who are clients of insurance companies at the same time cast their votes, ČPP ranked 3rd in the Insurance companies category.

### Year-on-year comparison for the period 2010 - 2011:

Gross premiums written: BCZK 6.67 (year-on-year increase of MCZK 297 )

Profit before tax: MCZK 442.3

Registered capital: BCZK 1 Financial placements: BCZK 10.4 (increase of BCZK 0.7 ) Technical provisions: BCZK 8.2 (increase of BCZK 0.2 ) Total assets: BCZK 12.7 (increase of BCZK 0.6 )

## 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 active on the Czech insurance market since 1995.

With a total number of more than 1 000 000 insured cars in its portfolio, ČPP is the third largest provider of motor third party liability insurance in the Czech Republic.

ČPP administers almost 1.5 million client contracts and provides its services to 800 000 clients. Each month it concludes approximately 45 000 new insurance contracts.

In 2011, the gross premiums written of ČPP totalled BCZK 6.7.

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 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 and Pojišťovna České spořitelny 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, Bosnia and Herzegovina, Bulgaria, the Czech Republic, Montenegro, Estonia, Georgia, Croatia, Liechtenstein, Lithuania, Latvia, Hungary, Macedonia, Germany, Poland, Romania, Russia, Slovakia, Serbia, Turkey and the Ukraine through shares in insurance companies. Next to these representations, Wiener Städtische Versicherung has branches in Italy and Slovenia and Donau Versicherung has a branch in Italy.

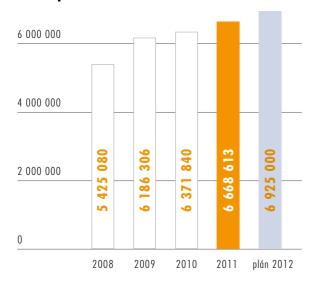
The Group's shares are traded under its international name, Vienna Insurance Group, at stock exchanges in Vienna and Prague.

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

ČPP Annual Report 2011

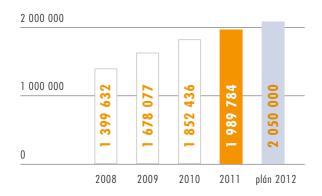
## **BUSINESS ACTIVITIES IN 2011**

### Total premiums written



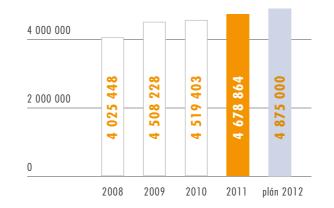
In 2011, Česká podnikatelská pojišťovna wrote in total BCZK 6.7 in gross premiums , which is a year-on-year increase of 4.7%. With its 4.5% market share, ČPP ranked eighth among all insurance companies on the Czech market in 2011.

### Life assurance

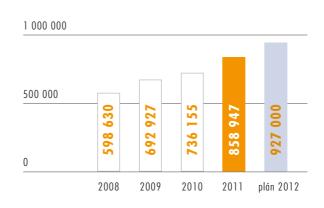


The gross premiums written grew year-on-year by 7.4%. In frame of this segment, ČPP was successful primarily in respect of the regular premium products with a growth rate of 37.5% in 2011. ČPP kept its share of the Czech life assurance market on the level of 2.5%.

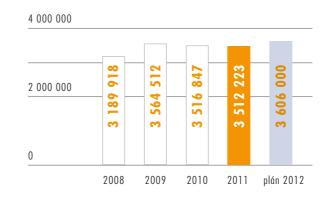
### Non-life insurance



### Industrial and business insurance



### Motor vehicle insurance



The gross premiums written from non-life insurance grew year-on-year by 3.5%. The most successful non-life insurance segment was the insurance products for individuals, which showed a year-on--year growth of 24.7%. The significant increase in this segment was supported by innovation of the products offered.

Business insurance was also one of the very successful non-life insurance segments in 2011. The year-on-year increase of 17.2% confirms the stable interest of companies striving to protect their assets against potential risks.

In respect of motor vehicle insurance, ČPP wrote gross premiums in the amount of BCZK 3.5 in 2011. As a result of fierce competition and the enduring enormous pressure on the price, the amount of average premiums kept dropping. As a result, despite the increase in the number of insurance contracts the volume of gross premiums written was stagnating. In terms of the number of cars insured, ČPP has become the fastest growing insurance company in the MTPL insurance market and only the third insurance company in the Czech market to have more than one million insured cars in its database. Compared to the market results, ČPP was also successful in terms of motor casco insurance where it reported a growth of 14.2%.

### Internal and external intermediary networks, cooperation with business partners

In 2011, ČPP continued enhancing the quality of the exteriors and interiors of its points of sale, their technical equipment and raising the expert knowledge of the counter staff. The premises of the regional centre in Brno were extended and the branch offices in Strakonice, Prachatice, Přerov, Děčín and Rychnov nad Kněžnou were moved to more attractive premises. In accordance with the adopted strategy of sales network development, ČPP continued increasing the number of points of sale of its business partners. At the end of 2011, ČPP had in total 90 own points of sale and branch offices located in the premises of its regional centres and more than 140 insurance offices operated by its exclusive business partners across the Czech Republic to serve its clients.

The high standard of services provided in these points of sale was also achieved by adding the supplementary pension insurance and construction savings products to the portfolio of products offered. These additional products are offered thank to cooperation with Finanční skupina České spořitelny. The clients also had the opportunity to conclude an insurance contract in 150 points of sale 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, in 2011 ČPP extended its cooperation with car dealers and contractual (also referred to as "approved") autoservices.

In 2011, ČPP developed cooperation with external partners including financial advisory networks primarily in terms of retail insurance. Life assurance, motor vehicle insurance and property and liability insurance for individuals are the main pillars of this cooperation. In 2011, the major external insurance agents were Bohemia Servis Finance, a.s., Partners for Life Planning, a.s., Broker Consulting, a.s., Total Brokers, a.s. and also Fincentrum, a.s. In terms of the sale of travel insurance and health insurance. ČPP cooperated with Poiišťovna VZP. VZP ČR and Česká průmvslová zdravotní poiišťovna.

In 2011, ČPP also actively cooperated with more than 400 insurance brokers which mediated aross premiums written of more than BCZK 1.9. The major contribution for ČPP was a high level of expertise of the cooperating broker companies and their effort to accommodate the needs of the common clients. Also the business policy of ČPP has contributed to this success. It lays stress on product innovation and flexibility towards the requirements of the insurance market, high level of client services and speed of claims settlement, prudence in establishing cooperation with new insurance brokers. intensifying mutual confidence, and strengthening cooperation with the already cooperating brokers.

The super-standard sales service contributed significantly to the establishement of a successful cooperation with brokers. The corporate client departments of both the individual regional centres and the ČPP headquarters concentrate exclusively on cooperation with insurance brokers. The cooperation is ensured for the whole product portfolio with special focus on main segments of production of the broker companies, i.e. industrial and business insurance and motor vehicle fleet insurance. In 2011, more than 80% of insurance contracts concluded in these insurance segments were sold by broker companies.

In 2011, we completed the restructuring of our internal sales network and the organisational structure of the regional centres also underwent significant changes. As at 1 January 2012, the number of the regional centres was reduced

from 10 to 6. Based on the new regional structure the new regional centres are located in Plzeň, Brno, Hradec Králové, Praha, Ostrava a České Buděiovice. The Company's management intends to enhance the effectiveness of the sales network and its performance, to improve the quality of the management and operational processes and their optimisation based on changes to the regional centre network and their structure and to establish comparable territorial units within the new regional centres.

### Strategic partners of ČPP in the insurance sector

- AWD ČESKÁ REPUBLIKA, S.R.O. (including RENTIA) sale of life assurance and non-life insurance products
- BOHEMIA SERVIS FINANCE, A.S. sale of life assurance and non-life insurance products
- BROKER CONSULTING, A.S. sale of life assurance and non-life insurance products
- ČESKÁ PRŮMYSLOVÁ ZDRAVOTNÍ POJIŠŤOVNA Cooperation in terms of travel insurance
- FINCENTRUM, A.S. sale of life assurance and non-life insurance products
- GLOBAL ASSISTANCE, A.S. motor vehicle insurance and property insurance assistance service
- 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. common products, joint marketing events
- SAZKA, A.S. premium payments via the Sazka terminals
- ŠKODA AUTO, A.S. employee insurance, joint marketing events
- TOTAL BROKERS, A.S. sale of life assurance and non-life insurance products

### Strategy for the year 2012

- gross premiums written: MCZK 6 925
- increase in market share of the Czech insurance market
- stabilisation of the new organisational structure of the regional centres and the trade divisions
- ensure full functionality of the sales activities, administration and services also during the process of moving the Company headquarters to a new building
- 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 for projects aimed at improving the quality of life in the society and sustainable development

### Reinsurance

In 2011, the reinsurance strategy closely drew on the previous period and the synergy effects were further intensified within the Vienna Insurance Group. The orientation on a conservative approach in terms of the choice of the most stable reinsurers with a top rating turned out to be the only correct one, primarily in respect of the ongoing unstable development of financial markets. The largest global reinsurers Munich Re and SCOR have had the position of the leading reinsurers of the main reinsurance programs for the liability insurance and property insurance for a long term already. The captive group reinsurance company VIG RE with the A+ rating from the Standard&Poor's rating agency was the main reinsurer of the natural catastrophe program and the program covering motor third party liability insurance. Aon Benfield, one of the top global reinsurance brokers, played a significant positive role in modelling catastrophic risks and in placement of the natural catastrophe reinsurance program. The concept of a reinsurance program with low own retentions, high-quality reinsurers and with a corresponding capacity of reinsurance coverage for natural disaster risks not only helped the Company to stabilise the total profit or loss but it also brought it compliance with the newly established rules for insurance market regulation within the Solvency II project.

### Marketing

### Major sponsorship activities and social responsibility projects in 2011

ČPP provides support to projects aimed at improvement of the quality of life of the society and it understands it as one of its significant roles. In the year 2011, which was declared the European Year of Volunteering by the European Union, more than 70 employees of ČPP took part in the project named Social Activity Day (Den sociální aktivity). The volunteers were helping non-profit organisations active in the area of environmental protection and protection of animals, support for handicapped children or children living in children's homes or hospitalised in a hospital. ČPP was also involved in the OUT of HOME project the goal of which is to make children living in children's homes familiar with various professions and thus to help them choose their future specialisations. The ČPP experts participated in educational programs aimed at raising the financial literacy of people. ČPP also participated in increasing the traffic safety on our roads by supporting interesting projects and adult education. In terms of health prevention, ČPP provided financial support to the educational anti-cancer campaign launched by the best Czech badminton player Petr Koukal. Simultaneously, ČPP provided both financial and material support for a number of interesting projects relating to culture and sports and it also provided support for charitable events. Next to projects in their regions.

### Culture:

- Divadlo Broadway partner
- Festival Jazzfest Brno
- Festival Jamboree Strakonice
- International festival in Šumperk

### Sports:

- Czech Ski Association (Svaz lyžařů České republiky) general partner of the cross-country skiing section
- FK Baumit Jablonec 97 sponsorship of the first division football club
- Sport Invest Marketing, a.s. support for the badminton player Petr Koukal

### Corporate social responsibility projects:

- Social Activity Day participation of employees in social care projects in the Czech Republic
- Medea Kultur s.r.o. support for information programs focusing on primary drug prevention
- Association of Firefighters of Bohemia, Moravia and Silesia support for volunteer fire brigades

### Selected regional activities in 2011:

- CU Bohemians Praha support for a football club
- FC Hradec Králové support for a football club
- Elite Praha, o.s. support for a floorball club
- Běh Lužánkami 2011 partner
- MTB Cyklokros team support for the team
- Slavia Praha plavání, o.s. support for the swimming club

### **Environmental protection and industrial relations**

The Company has been following a protective approach to the environment and it has been motivating its employees to behave to the environment in a responsible manner. It observes the environmental protection principles in respect of its business operations and meets the requirements stipulated in the Czech legal regulations.

As for industrial relations, ČPP concentrates on a well-considered development of and support for its employees. Competence, work effort and motivated employees significantly contribute to the development and strengthening of the Company's position in the market. ČPP provides its employees with a large scale of both financial and non-financial benefits. It lays stress on improving the quality of the work environment while observing the safety at work policy, and on a regular and contractually ensured health care for its employees. Enhancement and intensification of the qualification of its employees in form of various trainings and courses is a must. The corporate culture is based on openness in communication, personal responsibility, mutual cooperation and confidence. Part and parcel of the corporate culture of ČPP are equal opportunities at workplace and a fair approach to employees.

al partner of the cross-country skiing section ball club er Petr Koukal

projects in the Czech Republic 1g on primary drug prevention — support for volunteer fire brigade

### **PRODUCT DEVELOPMENT IN 2011**

### Motor vehicle insurance

In 2011, the non-life insurance market showed a drop primarily as a result of the development of prices of the products for motorists. This fact was obvious primarily in terms of motor third party liability insurance where the volume of gross premiums written showed a drop despite the increase in the number of concluded insurance contracts. If there is something positive for ČPP in relation to this, it is the fact that its GWP dropped only by 4% while the market dropped by 8%. The persisting enormous pressure on a low price in frame of the fierce competition resulted in the above development of the MTPL market development.

Despite the above-mentioned circumstances, ČPP strengthened its market position in terms of the number of insured cars to a 15.2% share. An extraordinary success was also passing the milestone of 1 000 000 insured cars in September 2011. However, ČPP was also very successful in motor casco insurance where it not only reported a growth of the number of insured cars in the portfolio but above all an increase in the volume of gross premiums written year-on-year by 14.2%.

As for product development, the year 2011 was an important year as ČPP launched an innovated version of its Autopojištění Combi Plus II product onto the market. As you can hear from the name, it is the second generation of a successful product line which has brought with it a number of changes created to make this motor vehicle insurance product even more attractive. In spring 2011, ČPP joined the breakthrough innovation of the MTPL market, the so-called direct claims settlement system by launching a new insurance rider named Servis. This product comprises direct settlement of a claim following from motor third party liability insurance together with full coverage of a substitute vehicle and coverage of the material costs (i.e. without deducting the so-called "amortisation"). A client who has suffered damage from the driver of another car does not have to contact the insurance company of the guilty person any more. He shall just announce the damage to ČPP, which will arrange for everything itself.

From the point of view of sales, it is very important that the new product Autopojištění Combi Plus II has a very good response from insurance intermediaries and clients. After its market launch, both the new and original product versions were sold simultaneously for a period of three months and therefore the switch from the old to the new version was very smooth.

### Motor third party lability insurance (MTPL)

In 2011, ČPP had the best results among the insurance companies offering MTPL insurance. Its client portfolio grew year-on-year by more than 58 000 vehicles. Thank to the biggest increment of the client portfolio, ČPP has become only the third insurance company in the Czech market to have more than one million insured cars in its database. ČPP has thus significantly strengthened its third position among the MTPL providers in the Czech insurance market.

The above results are a confirmation of the fact that the approach of ČPP combining high quality of the product and services with a favourable price was correct. In case of ČPP, the price is significantly influenced by the segmentation criteria, which

ČPP has been monitoring and evaluating for a long term. We also assess the preceding claims experience of the client which we check based on the database of the Czech Bureau of Insurers. Thank to these measures, ČPP is able to keep the claims frequency on a very favourable level, and as a result to generate profit despite the decline in average premium amount.

In frame of the product line Autopojištění Combi Plus II, the limits for assistance services in need in respect of the Superpov product were doubled, and this not only in the event of a car accident but also in the event of a mere car breakdown. As for Speciálpov, the clients can now conclude a free-of-charge accidental rider for the driver, the same offer applies to Superpov where the insurance settlement limits are double. ČPP also offered its clients a new no-limit assistance service rider or an assistance service rider with extraordinarily high limits both for cars, lorries and trailer-towing vehicles. All types of MTPL products now offer a bigger portfolio of riders.

### Motor casco insurance

In 2011, the ČPP results in respect of motor casco insurance showed the most dynamic growth rate in terms of concluded contracts in its history. At the end of the year, ČPP had 120 000 insurance contracts in its motor casco insurance portfolio, which is a year-on-year increase of 19%. This result has significantly improved the ratio of motor casco insurance contracts to MTPL contracts, which is a very positive trend in terms of risk diversification and specialisation of ČPP in MTPL insurance in the past.

The main change in respect of motor casco insurance is the completely new concept of the Sporokasko product. The existing option of a swift payout of insurance settlement reduced by the repair cost budget has been extended by the option of car repair in a contractual (also referred to as "approved") autoservice of ČPP using new spare parts with the insurance settlement being reduced in any way. The expected result of this change should be a substantial extension of the target group of this product.

The Domovský autosalon (Home Car Store of ČPP) product has an important role in terms of motor casco insurance for new motor vehicles. 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. At present the basis is still quite low, nevertheless it has high dynamics and a big potential for the future.

### Supplementary insurances (riders) to motor vehicle insurance products

(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; the repair can only be made in a contractual (also referred to as "approved") autoservice of ČPP, however, no insurance settlement retention applies; insurance settlement reduced by the repair cost budget is not provided under this insurance

Insurance of luggage - 2 options (Minizav and Maxizav), 2 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"): 4 settlement limits: the repair can only be made in a contractual (also referred to as "approved") autoservice of ČPP; insurance settlement reduced by the repair cost budget is not provided under this insurance

Accident insurance for passenaers — 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 from MTPL and motor casco insurance are counted together, the other services are above-standard; accommodation in need, coverage of return costs, storage of a disabled vehicle, etc.; it is possible to conclude double limits

Asistence CAR/TIR Plus insurance — it is based on Asistence Plus, however, there is a no-limit service for the case of extrication of the vehicle and no limit for the case of a tow-away of the vehicle to the next authorised autoservice

SERVIS insurance — it covers the damage which has been caused by operation of another vehicle and for which a third party is responsible, or his or its MTPL insurance provider (the so-called direct claims settlement); it also covers in full the cost of a substitute vehicle and the material costs (without deducting the so-called amortisation)

SERVIS Plus and SERVIS Maxi insurances — these insurance products are advantageous packages based on the Servis product having added selected insurance riders for an attractive price

### Car fleet insurance

Car fleet insurance is an individual section of motor vehicle insurance. This insurance is determined for clients who own five and more vehicles, primarily corporate clients, leasing companies, state institutions, freight forwarders or used car dealers. In mid-2011, the car fleet insurance department was turned into a separate division.

The advantages of a group insurance are the simplicity of data processing and processing of premiums written, the option to insure any vehicle fleet and one single contact person - fleet administrator - for the client or insurance broker. The client can benefit from a tailor-made insurance based on his/its requirements and primarily from an individual approach.

In 2011, the car fleet insurance division concentrated on assessment of the risk level, primarily in terms of the claims experience of car fleets. This approach ensured improvement of the results of car fleet insurance both in terms of MTPL and motor casco insurance.

### Under car fleet insurance, ČPP offers the following insurance products:

Motor third party liability insurance

- Car windscreen rider
- free of charge:
- Assistance services
- Accident insurance (based on the type of product)
- Insurance of medical expenses for the driver of the insured car during stays abroad (based on the type of product) Motor casco insurance
- Car windscreen rider
- Insurance rider to cover lease of a substitute vehicle
- Accidental rider
- Insurance rider for luggage
- free of charge:
- Assistance services

• Accident insurance for all passengers in the vehicle Asistence Plus, Asistence CAR/TIR Plus

### **Claims settlement**

In 2011, more than 39 000 claims relating to MTPL insurance and more than 28 000 claims relating to motor casco insurance were registered. Compared to 2010, the number of claims grew slightly by 2.3%. This increase is primarily due to an increase in claims from motor casco insurance in relation to growth of the portfolio.

The insurance company continued developing cooperation with contractual autoservices. The product line Autopojištění Combi Plus II was supplemented by a new product named Servis including the so-called direct claims settlement service in spring 2011. The objective of the motor vehicle claims settlement division is to settle as many claims through the network of contractual autoservices as possible as only in the way it is possible to ensure further enhancement of quality of the entire process thank to damage recalculation and direct communication between the contractual autoservice. Global Expert and the loss adjuster, primarily a reduction of the time necessary for the settlement of the claim.

### Life assurance

In terms of life assurance, the contract production showed a decrease compared to the previous year. Despite this fact, ČPP managed to increase the total gross premiums written year-on-year by 7.4% to BCZK 2. The reason for this increase is a higher average premium per contract which is a result of a larger offer of risks covered and a higher number of persons assured under one insurance contract. Ordinary premiums – both regular and single ones – rose by 1.2% in 2011. The share of life assurance of the entire aross premiums written by ČPP rose to 29.8%. Financial placements of top-up premiums grew year-on-year by 20.1%, which is an evidence of the clients' trust in the stable financial standing of ČPP. Thank to these results, ČPP achieved a life assurance market share of 2.6%.

### Life, accident and sickness insurance

In terms of life assurance, the most attractive product was similarly as in the previous year unit-linked assurance (unitlinked assurance premiums written rose by 5.3% compared to 2010). The combination of risk coverage (assurance) with the option of an individual investment and as a result higher profits than from the guaranteed endowment assurance products is preferred by clients.

ČPP responds flexibly to the requirements of its business partners and all unit-linked assurance products traditionally allow for several persons to be assured under one single insurance contract including the so-called "automatic children" institute with products for adults and offer assurance of a broad scale of non-life risks connected with the every-day life of both individuals and families. In line with the demands of its business partners, ČPP continuously incorporates the requirements for extension of insurable risks, investment options and also "bonuses" for the clients who pay the premiums in an ordinary manner and are lucky not to draw any insurance settlements from the specified risks during their insurance. Such clients receive a "bonus" in the form of a portion of the premiums paid being continuously credited to their account. The entitlement to this bonus arises at reaching the end of the no-claim period determined by the insurer. With some products, it is also possible to gain refund of a portion of the already paid initial costs back to the unit account of the policyholder.

In June 2011, a new unit-linked product EVOLUCE was launched onto the market as a successor of the popular product Evropská jistota and its clone for children ŠTÍSTKO. In September 2011, another product was added to the exclusive life assurance product portfolio (výběrové životní pojištění) — MAXIMUM EVOLUTION. The endowment assurance products under the brand name Filip have had their place in the market for a long time already - Filip Plus, Filip Exclusive, Filip V.I.P. and further the popular single premium product GARANT. 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.

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), which is offered as insurance coverage both for adults and children and comprises both individual and group insurance has experienced a second successful year in a row. In includes coverage of mainly accidental risks and a full cover of insurable risks can be concluded for the first insured person (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 person insured and a group of children can conclude a comprehensive accidental rider.

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

### Non-life insurance

The development of this insurance class reflected the stagnation of the whole market, which was under the impact primarily of a decline in motor vehicle insurance. In spite of this fact, ČPP showed quite good results in terms of non-life insurance. The total number of insurance contracts in the portfolio was more than 1.2 million at the end of 2011. The total amount of gross premiums written from non-life insurance reached BCZK 4.7 and year-on-year it exceeded the 2010 value by 3.5%. ČPP has reached this result also thank to the fact that in 2011, no major natural disasters occurred. Product innovation supported a significant increase primarily in insurance for individuals, which rose year-on-year by 24.7%. In terms of industrial insurance and business insurance, ČPP reported a year-on-year growth of 17.2%.

In respect of property insurance for individuals, ČPP experienced very good results of the DOMEX product which showed that its creation was a good decision for the Company. Thank to its technical parameters, this product has ranked among the best-selling products in the Czech insurance market. In mid-2011, also its on-line version was presented to the public. With this version, ČPP has responded to the requirements of the sales network for the process of contract conclusion to be simple and thus met the needs of all those who prefer conclusion of a contract in the electronic way.

The year 2011 brought some news in respect of liability insurance. New General Insurance Terms and Conditions came in force with effect from the first half of the year and together with them also all relating Additional Insurance Terms and Conditions. The change of the insurance terms and conditions had a significant effect on more than 20 insurance products and subproducts. With this step, ČPP significantly enhanced its competitiveness and confirmed the product development trend aimed at a combination of the extent of insurance dangers in dependence on the client's needs and optimum price.

In relation to the changes made primarily to liability insurance, at the end of 2011 ČPP prepared an innovation of the **Podnikatel Komplex product** which is determined for small and medium sized enterprises. Next to extention of the insurance coverage in terms of property and liability insurance, ČPP has changed the form of contract conclusion itself. It has created a completely new application for contract conclusion, the concept of which shall make the work as easy as possible for the insurance intermediaries and provide the clients with a comfortable and transparent insurance contract.

In 2011, a a **new travel insurance** product was launched. Our specialised winter sports insurance is a unique product on the Czech insurance market. In accordance with our expectations this product contributed to an increase in travel insurance sales and enhancement of the ČPP brand in the insurance market. Our product development department experts are planning to innovate the travel insurance products in a similar manner in the future.

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 2011, ČPP concluded the compulsory insurance of a guarantee for the case of insolvency with 230 travel agencies. The major clients of the Company from among travel agencies are Kovotour plus, Quality Tours, Dolce Vita and Blue Sky Travel.

## 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) (Partners For Life Planning)

Výběrové životní pojištění (Exclusive life assurance) MAXIMUM 3 (Partners for Life Planning)

Výběrové životní pojištění (Exclusive life assurance) MAXIMUM EVOLUTION (Partners for Life Planning)

Investiční životní pojištění (Unit-linked life assurance) Evropská penze PLUS – Důchodový program (Broker Consulting)

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

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

Investiční životní pojištění (Unit-linked life assurance) EVOLUCE

Investiční životní pojištění pro děti (Unit-linked life assurance for children) ŠTÍSTKO

Life assurance with Filip Plus

Life assurance with Filip Komfort

Life assurance GARANT

Life assurance EXCLUSIVE (Bohemia Servis Finance) Life assurance with Filip V. I. P. (MSBI)

### 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 – hospital 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 one's 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
All risk — all risk coverage insurance
Property insurance for businesses to cover damage from a natural disaster
Insurance of a technological facility failure
Insurance of liquid leakage from a technological facility
Insurance for theft of a thing and vandalism
Machinery and electronics insurance
Business interruption insurance (due to a natural disaster, destruction of machinery)
Construction and assembly insurance
Cargo and shipment insurance
Glass insurance
Insurance of contents of cooling equipment
Exhibition insurance including liability insurance
Financial adequacy insurance for carriers
Insurance against miscellaneous financial losses
Vessel insurance
General liability insurance
Professional liability insurance
Faulty product liability insurance
Liability insurance for road hauliers
Liability insurance for forwarding agencies
Liability insurance for social services providers

### **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
- Plane hijack insurance
- Unused holiday insurance

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

With a premium volume of approximately EUR 9 billion and around 25,000 employees, Vienna Insurance Group (VIG) is one of the leading insurance groups in Austria and Central and Eastern Europe (CEE). Innovation, strong customer relationships and an emphasis on customer service create a high quality product portfolio offering attractive solutions in both the life and non-life insurance segments.

VIG's clearly focused strategy for expansion in the CEE region enabled it to make a transition from being an Austrian insurance company to an international group at an early stage. Today, VIG is represented by approximately 50 insurance companies in 25 countries. VIG stands for financial stability, and offers a high level of security to customers, shareholders, partners and employees. One of the key reasons is its conservative investment policy. This is reflected in its A+ rating with a stable outlook, which makes Vienna Insurance Group the best-rated company in the ATX leading index of the Vienna Stock Exchange. VIG has also been listed on the Prague Stock Exchange since 2008.

In addition to economic considerations, the Group also places great importance on an involvement with social concerns and helping to create a future society worth living. In this way, Vienna Insurance Group remains true to its fundamental goal of value-oriented growth.

### Core market: Austria

Vienna Insurance Group is the largest insurer in Austria, where it holds an excellent position with its group companies Wiener Städtische, Donau Versicherung and s Versicherung. The strength shown in this core market since 1824 is one of the reasons for the successful realisation of VIG's internationalisation strategy.

### Major player in the CEE region

Vienna Insurance Group started its expansion in 1990, making it one of the first Western European insurance companies to expand into Central and Eastern Europe. Today the Group is one of the most important players in this region and earns more than 50% of its total Group premiums in the CEE region. It has group companies and branches in the following countries in this region: Albania, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and the Ukraine. VIG has also been represented in Bosnia-Herzegovina since 2011. Due to many years of experience and excellent knowledge of the markets in this region, and to its expertise in all insurance matters, VIG is optimally positioned to continue benefiting from future increases in the standard of living in the CEE region and from the accompanying increased need for insurance.

Vienna Insurance Group is also represented in Germany, Liechtenstein and Italy.

### A common goal: to offer security to customers

Every customer is unique. They differ in their need for insurance and retirement provisions, living circumstances and the way they like to receive advice. Vienna Insurance Group is aware of this. There is no "standard" insurance customer for VIG, it therefore pays close attention to special local characteristics, and maintains a presence with more than one brand name and broad distribution networks in many of its markets. There is one thing, however, that all Vienna Insurance Group companies have in common: the goal of providing security to customers.

VIG companies have offered a complete range of insurance solutions in Austria for many decades in both the non-life and life segments. Although the markets in Central and Eastern Europe are currently still at a different economic level, they are increasingly moving in a similar direction. While demand in this region in the period following 1989 was initially strongest for motor vehicle insurance, and then household and homeowner insurance as well, today retirement provisions, savings and investment products in the form of life insurance policies are enjoying rising popularity.

With the establishment of VIG RE, the Group has also had its own reinsurance company since 2008. The location of the company's registered office in the Czech Republic underscores the importance of the CEE region as a growth market for VIG.

### Strategic partnership with Erste Group

Erste Group is a strong partner for Vienna Insurance Group. It also operates independently, has the same values and follows a similar growth strategy. The two companies benefit equally from a long-term cooperation agreement concluded in 2008 for Austria and the CEE region. Erste Group distributes VIG insurance products, whereas VIG companies offer Erste Group banking products in return. The cooperative arrangement gave Vienna Insurance Group access to a well-established bank distribution network.

### Capable employees bring success

Employees play a particularly important role in the success of a service company. Here too, in addition to dedication, professional advice, and excellent service, Vienna Insurance Group places great importance on understanding local markets and close customer relationships.

Further information on the Vienna Insurance Group is available at www.vig.com or in the VIG Group Annual Report.



January 2012 www.vig.com ČPP Annual Report 2011

# AUDITOR'S REPORT





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

### Financial statements

On the basis of our audit, on 23 February 2012 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 2011, 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 I.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.

#### 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 2011, 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 2011. 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 2011 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 14, 2012

### KPMG Česká republika Andr

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

Roger Gascoigne

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.

chodní rejstřík veden oddil C, vložka 24185.

C 49619187 DIC C2699001996

Suctor

Romana Benešová Partner Licence number 1834

## FINANCIAL RESULTS

## BALANCE SHEET AS AT 31 DECEMBER 2011

	ription	2011	2011	2011	2010
	ousands of Czech crowns TCZK)	Gross	Adjustment	Net	Net
	SETS				
Α.	Receivabless for subscribed registered capital				
B.	Intangible fixed assets, thereof	196 955	169 047	27 908	18 007
	a) Incorporation expenses				
	b) Goodwill				
<b>C</b> .	Financial placements (investments)	10 395 782		10 395 782	9 714 042
Ι.	Land and buildings (real estate), thereof	6 759		6 759	6 906
	a) Land and buildings - self-occupied	6 759		6 759	6 906
II.	Investments in affiliated undertakings and participating interests	300		300	300
1.	Participating interests with controlling influence			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	10 388 723		10 388 723	9 706 836
1.	Shares and other variable-yield securities, other participating interests			623 708	394 996
2.	Bonds and other fixed-income securities			9 310 125	9 004 966
	<ul> <li>a) bonds and other fixed-income securities valued at fair value through profit and loss</li> </ul>			1 718 899	1 636 697
	b) "OECD" bonds held to maturity			6 072 123	5 782 385
	<ul> <li>c) other bonds and other fixed-income securities held to maturity</li> </ul>			1 519 103	1 585 884
3.	Financial placements in investment associations				
4.	Other loans				
5.	Deposits with financial institutions			462 122	306 277
6.	Other financial placements			-7 232	597
IV.	Deposits with ceding undertakings				
D.	Financial placements for the benefit of life assurance policyholders who bear the investment risk	515 458		515 458	410 140

	<b>ription</b> ousands of Czech crowns TCZK)	2011 Gross	2011 Adjustment	2011 Net	2010 Net
E.	Debtors	1 010 893	193 876	817 017	772 142
I.	Receivables arising from direct insurance operations	910 357	191 993	718 364	687 274
1.	Receivables due from the policyholders, thereof			646 517	637 278
	a) Receivables due from entities in which the Company has a controlling influence				
	<ul> <li>b) Receivables due from entities in which the Company has a significant influence</li> </ul>				
2.	Receivables due from intermediaries, thereof			71 847	49 996
	<ul> <li>a) Receivables due from entities in which the Company has a controlling influence</li> </ul>				
	<ul> <li>b) Receivables due from entities in which the Company has a significant influence</li> </ul>				
II.	Receivables arising from reinsurance operations, thereof	62 882		62 882	58 723
	<ul> <li>a) Receivables due from entities in which the Company has a controlling influence</li> </ul>				
	<ul> <li>b) Receivables due from entities in which the Company has a significant influence</li> </ul>				
III.	Other receivables, thereof	37 654	1 883	35 771	26 145
	a) Receivables due from entities in which the Company has a controlling influence				
	<ul> <li>b) Receivables due from entities in which the Company has a significant influence</li> </ul>				
F.	Other assets	213 461	148 028	65 433	133 123
I.	Tangible fixed assets other than land and buildings (real estate), and inventories				32 231
II.	Cash on accounts in financial institutions and cash in hand				100 892
III.	Other assets				
G.	Temporary asset accounts	910 891		910 891	1 058 590
I.	Accrued interest and rent	2 774		2 774	1 036
II.	Deferred acquisition costs	832 177		832 177	966 065
	a) in life-assurance business	563 922		563 922	745 575
	b) in non-life insurance	268 255		268 255	220 490
III.	Other temporary asset accounts, thereof	75 940		75 940	91 489
	a) Estimated receivables	3 462		3 462	52 537
TOTA	AL ASSETS	13 243 440	510 951	12 732 489	12 106 044

Desci	ription (In thousands of Czech crowns TCZK)		2011		2010
II. LI	ABILITIES				
A.	Equity		2 125 976		2 109 979
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
V.	Statutory reserve fund and other funds from profit				52 714
VI.	Profit or loss brought forward				615 452
VII.	Profit or loss for the financial year				388 67
B.	Subordinated liabilities				
С.	Technical provisions		8 187 078		8 035 976
1.	Provision for unearned premiums				
	a) gross amount	1 361 561		1 222 244	
	b) reinsurance share (-)	498 852	862 709	465 421	756 823
2.	Life assurance provision				
	a) gross amount	3 528 647		3 269 389	
	b) reinsurance share (-)		3 528 647		3 269 389
3.	Provision for outstanding claims				
	a) gross amount	4 669 072		4 374 487	
	b) reinsurance share (-)	1 611 255	3 057 817	1 134 798	3 239 689
4.	Provision for bonuses and rebates				
	a) gross amount	41 638		37 247	
	b) reinsurance share (-)	14 226	27 412	10 358	26 889
5.	Equalization provision				
	a) gross amount				
	b) reinsurance share (-)				
6.	Other technical provisions				
	a) gross amount				
	b) reinsurance share (-)				
7.	Provision for liabilities from the technical interest rate applied				
	a) gross amount				
	b) reinsurance share (-)				

Desc	ription (In thousands of Czech crowns TCZK)	
8.	Non-life insurance provision	
	a) gross amount	
	b) reinsurance share (-)	
9.	Provisions for liabilities of the Bureau	
	a) gross amount	7
	b) reinsurance share (-)	
D.	Life assurance technical provision where the investment risk is borne by the policyholders	
	a) gross amount	51
	b) reinsurance share (-)	
E.	Provisions	
1.	Provisions for pensions and similar obligations	
2.	Provisions for taxation	
3.	Other provisions	
F.	Deposits received from reinsurers	
G.	Creditors	
I.	Payables arising from direct insurance operations, thereof	
	<ul> <li>a) Payables to entities in which the Company has a controlling influence</li> </ul>	
	<ul> <li>b) Payables to entities in which the Company has a significant influence</li> </ul>	
II.	Payables arising from reinsurance operations, thereof	
	<ul> <li>a) Payables to entities in which the Company has a controlling influence</li> </ul>	
	<ul> <li>b) Payables to entities in which the Company has a significant influence</li> </ul>	
III.	Debenture loans	
	<ul> <li>a) Payables to entities in which the Company has a controlling influence, thereof</li> </ul>	
	aa) Convertible loans	
	<ul> <li>b) Payables to entities in which the Company has a significant influence, thereof</li> </ul>	
	ba) Convertible Ioans	

	2011		2010
318		182	
159	159	91	91
0 334		743 095	
	710 334		743 095

5 458	410 140	
515 4	58	410 140
20 2	211	37 159
		19 574
20 2	11	17 585
992 9	05	594 064
416 9	50	422 683
246 4	85	255 312

62	645
02	045

57

Desc	ription (In thousands of Czech crowns TCZK)	2011	2010
IV.	Amounts owed to credit institutions, thereof		
	<ul> <li>a) Payables to entities in which the Company has a controlling influence</li> </ul>		
	<ul> <li>b) Payables to entities in which the Company has a significant influence</li> </ul>		
۷.	Other payables, thereof	107 820	108 699
	<ul> <li>a) Tax liabilities and payables due to social security and health insurance institutions</li> </ul>		29 781
	<ul> <li>b) Payables to entities in which the Company has a controlling influence</li> </ul>		
	<ul> <li>c) Payables to entities in which the Company has a significant influence</li> </ul>		
VI.	Guarantee Fund of the Bureau		
Н.	Temporary liability accounts	473 911	496 043
Ι.	Accrued expenses and deferred revenues	281 903	278 966
II.	Other temporary liability accounts, thereof	192 008	217 077
	a) Estimated payables	192 008	217 077
TOTA	AL LIABILITIES	12 732 489	12 106 044

## PROFIT AND LOSS ACCOUNT FOR THE YEAR 2011

	ription ousands of Czech crowns TCZK)	2011 Base	2011 Subtotal	2011 Result	2010 Result
	CHNICAL ACCOUNT FOR NON-LIFE SURANCE	Х	Х	Х	Х
1.	Earned premiums, net of reinsurance:	Х	Х	Х	Х
	a) gross premiums written	4 678 864	Х	Х	Х
	b) outward reinsurance premiums (-)	1 850 349	2 828 515	Х	Х
	<ul> <li>c) change in the gross provision for unearned premiums (+/-)</li> </ul>	140 739	Х	Х	Х
	<ul> <li>d) change in the provision for unearned premiums, reinsurers' share (+/-)</li> </ul>	33 431	107 308	2 721 207	3 218 331
2.	Allocated investment return transferred from the non-technical account	Х	Х	133 992	222 997
3.	Other technical income, net of reinsurance	Х	Х	113 277	116 218
4.	Claims incurred, net of reinsurance:	Х	Х	Х	Х
	a) claims paid:	Х	Х	Х	Х
	aa) gross amount	2 615 365	Х	Х	Х
	bb) reinsurers' share (-)	775 625	1 839 740	Х	Х
	b) change in the provision for outstanding claims:	Х	Х	Х	Х
	aa) gross amount	289 301	Х	Х	Х
	bb) reinsurers' share (-)	469 034	-179 733	1 660 007	2 154 639
5.	Changes in other technical provisions, net of reinsurance (+/-)	Х	Х	-32 693	65 569
6.	Bonuses and rebates, net of reinsurance	Х	Х	13 637	8 125
7.	Net operating expenses:	Х	Х	Х	Х
	a) acquisition costs		1 177 408	Х	Х
	b) change in deferred acquisition costs (+/-)		-47 765	Х	Х
	c) administrative expenses		253 511	Х	Х
	d) reinsurance commissions and profit participation (-)		528 063	855 091	932 727
8.	Other technical expenses, net of reinsurance				94 623
9.	Change in the equalisation provision (+/-)				-28 244
10.	Sub-total on the technical account for non-life insurance				330 107

	r <b>ription</b> nousands of Czech crowns TCZK)	2011 Brees	2011 Subtetul	2011	2010
•	·····	Base	Subtotal	Result	Result
	ECHNICAL ACCOUNT FOR LIFE ASSURANCE	Х	Х	Х	Х
1.	Earned premiums, net of reinsurance:	Х	Х	Х	Х
	a) gross premiums written	Х	1 989 784	Х	Х
	b) outward reinsurance premiums (-)	Х	45 735	Х	Х
	<ul> <li>c) change in the provision for unearned premi- ums, net of reinsurance (+/-)</li> </ul>	Х	-1 422	1 945 471	1 850 352
2.	Income from financial placements (investments):	Х	Х	Х	Х
	<ul> <li>a) income from participating interests, with a separate indication of that derived from controlling influence</li> </ul>			Х	Х
	<ul> <li>b) income from other investments, with a sepa- rate indication of that derived from controlling influence</li> </ul>			Х	Х
	aa) income from land and buildings (real estate)		Х	Х	Х
	bb) income from other financial placements (investments)	170 247	170 247	Х	Х
	c) value adjustments on financial placements	Х	15 097	Х	Х
	d) income from disposal of financial placements	Х	13 471	199714	232 061
3.	Unrealised gains on financial placements	Х	Х	64 948	74 390
4.	Other technical income, net of reinsurance	Х	Х	64 557	20 1 2 2
5.	Claims incurred, net of reinsurance:	Х	Х	Х	Х
	a) claims paid:	Х	Х	Х	Х
	aa) gross amount	1 110 089	Х	Х	Х
	bb) reinsurers' share (-)	4 976	1 105 113	Х	Х
	b) change in the provision for outstanding claims:	Х	Х	Х	Х
	aa) gross amount	5 284	Х	Х	Х
	bb) reinsurers' share (-)	7 423	-2 139	1 102 974	921 614
6.	Changes in other technical provisions, net of reinsurance (+/-):	Х	Х	Х	х
	a) life assurance provisions:	Х	Х	Х	Х
	aa) gross amount	259 258	Х	Х	Х
	bb) reinsurers' share (-)		259 258	Х	Х
	b) other technical provisions, net of reinsurance	Х	105 318	364 576	469 495
7.	Bonuses and rebates, net of reinsurance	Х	Х	-2 547	-1 797

	<b>ription</b> ousands of Czech crowns TCZK)	
8.	Net operating expenses:	
	a) acquisition costs	
	b) change in deferred acquisition costs (+/-)	
	c) administrative expenses	
	d) reinsurance commissions and profit participation (-)	
9.	Expenses connected with financial placements (investments):	
	<ul> <li>a) investment management charges, including interest</li> </ul>	
	b) value adjustments on financial placements	
	c) book value of disposed financial placements	
10.	Unrealised losses on financial placements (investments)	
11.	Other technical expenses, net of reinsurance	
12.	Allocated investment return transferred to the non-technical account (-)	
13.	Sub-total on the technical account for life assurance	
III. N	ION-TECHNICAL ACCOUNT	
1.	Result of the technical account for non-life insurance	
2.	Result of the technical account for life assurance	
3.	Income from financial placements:	
	<ul> <li>a) income from participating interests, with a separate indication of that derived from controlling influence</li> </ul>	
	<ul> <li>b) income from other investments, with a sepa- rate indication of that derived from controlling influence</li> </ul>	
	aa) income from land and buildings	
	bb) income from other financial placements (investments)	1
	c) value adjustments on financial placements	
	d) income from disposal of financial placements	

2011	2011	2011	2010
Base	Subtotal	Result	Result
Х	Х	Х	Х
Х	255 268	Х	Х
Х	181 653	Х	Х
Х	62 144	Х	Х
Х	27 861	471 204	477 908
Х	Х	Х	Х
Х	6 160	Х	Х
Х	32 685	X	Х
Х	16 139	54 984	66 155
	Х	116 608	38 538
	Х	83 576	47 610
	Х		
	Х	83 315	157 402
Х	Х	Х	Х
Х	Х	372 125	330 107
Х	Х	83 315	157 402
Х	Х	Х	Х
		Х	Х
		Х	Х
	Х	Х	Х
95 353	195 353	Х	Х
Х	187 594	Х	Х
Х	1 348 165	1 733 328	1 726 943

	Description		2011	2011	2010
(In th	ousands of Czech crowns TCZK)	Base	Subtotal	Result	Result
4.	Allocated investment return transferred from the technical account for life-assurance				
5.	Expenses connected with financial placements:				Х
	investment management charges, including interest		24 432	Х	Х
	value adjustments on financial placements		190 143	Х	Х
	book value of disposed financial placements		1 384 761	1 599 336	1 503 946
6.	Allocated investment return transferred to the technical account for non-life-insurance				222 997
7.	Other income				11 785
8.	Other expenses				17 881
9.	Income tax on ordinary activities				92 445
10.	Profit or loss on ordinary activities after tax				388 968
11.	Extraordinary income				
12.	Extraordinary expenses				
13.	Extraordinary profit or loss				
14.	Income tax on extraordinary activities				
15.	Other taxes not shown under the preceding items				297
16.	Profit or loss for the financial year				388 671

ČPP Annual Report 2011

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2011

(In thousands of Czech crowns TCZK)	Registered capital	Own Share shares 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 fundamen- tal 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
Transfers 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

(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. 2011	1 000 000			52 714		53 142	1 004 123	2 109 979
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							355 097	355 097
Dividends							-330 000	-330 000
Addition to funds				27 184		-870	-27 184	-870
Reduction of funds				-8 230				-8 230
Shares issued								
Reduction in registered capital								
Own shares purchased								
Other changes								
Balance at 31. 12. 2011	1 000 000			71 668		52 272	1 002 036	2 125 976

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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:

- 1. 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). 2. reinsurance activities in the scope of non-life insurance 3. 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 2011:

### 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)

Mag. Roland Gröll, 1170 Vienna, Neuwaldegger Str. 37/1, Austria (member of the Supervisory Board as of 21 May 2011, recorded in the CR on 29 June 2011)

### 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 2011: The membership of Dr. Franz Kosyna in the Supervisory Board was terminated on 20 May 2011. This change was recorded in the Commercial Register on 29 June 2011.

Mag. Roland Gröll was appointed as a new member of the Supervisory Board on 21 May 2011. This change was recorded in the Commercial Register on 29 June 2011.

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. Compliance with legislation

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 for 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 represents 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 provides the opportunity to estimate the probability distribution of a liability, especially to predict the different security levels also in form of a split to the risk commencement 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 the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The procedures and methods used 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 unamortised 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 and other calculation parameters.

In compliance with Section 66 (2) of the Insurance Act, the Company informed ČNB 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. 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.

# (1) 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 related 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. 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

At the acquisition date debt securities are stated at acquisition cost.

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 the 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 recent 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 the 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 based on the current exchange rate published by CNB. The appropriate 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 based on the current exchange rate published by CNB, and the appropriate exchange rate difference is included in the fair value. Changes in fair value are reflected 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 result for the year, all changes resulting from revaluation at fair value have been reflected 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 disposal in the amount of the selling price of the relevant financial instruments are recorded separately from the expenses in the amount of the carrying value of the related financial placements.

#### (s) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost.

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

**ce policyholders who bear the investment risk** s who bear the investment risk are accounted for The following 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 recorded at the CNB exchange rate effective as at the transaction date or at 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

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 provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and other temporary differences (tax losses carried forward, if any) multiplied by the income tax rates expected to be valid for the periods in which the tax asset/liability is expected to be utilised.

A deferred tax asset is recognised only to the extent that there is no doubt that future taxable profits will be available against which this asset can be utilised.

# (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 2011, 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 procedures.

#### 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 a significant part of the portfolio but which may have a significant place (e.g. natural disasters)

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 1.4. (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 2011 and 2010 divided by classes of insurance:

	Gross premiums written	Gross premium earned	Gross claims paid	Gross operating expenses	Reinsurance balance
Direct insurance					
Travel insurance					
2011	36 319	36 155	15 715	6 365	6
2010	43 094	43 070	9 517	6 629	0
Accident and health insuran	ice				
2011	73 730	74 519	28 363	26 188	-2 462
2010	74 986	77 777	24 819	22 213	-3 589
Motor third party liability in	nsurance				
2011	2 654 134	2 613 488	1 524 543	789 265	-75 621
2010	2 765 564	2 753 129	1 605 903	776 742	-157 942
Property insurance					
2011	550 335	528 619	448 107	168 351	58 384
2010	480 947	470 904	342 247	144 636	-64 799
Liability insurance					
2011	282 847	270 507	132 218	86 266	-21 739
2010	243 931	243 564	123 428	73 380	-37 685
Motor insurance					
2011	858 089	797 593	651 887	245 644	1 118
2010	751 265	711 845	612 806	207 890	24 945
Atom pool					
2011	21 278	21 240	4 453	2 691	-6 596
2010	21 528	21 130	-439	2 767	-5 970

	Gross premiums written	Gross premium earned	Gross claims paid	Gross operating expenses	Reinsurance balance
Active facultative re	einsurance				
2011	202 132	196 004	99 380	58 384	6 650
2010	138 092	133 652	155 832	40 766	64 923
Total					
2011	4 678 864	4 538 125	2 904 666	1 383 154	-40 260
2010	4 519 403	4 455 071	2 874 113	1 275 023	-180 117

# II. 2. Life assurance

Gross premiums written in life assurance:

	2011	2010
Individual premium	1 989 784	1 852 436
Premiums under group contracts	0	0
Total	1 989 784	1 852 436
Regular premium	1 798 855	1 713 533
Single premium	190 929	138 903
Total	1 989 784	1 852 436
Premiums from non profit-sharing contracts	450 153	360 346
Premiums from profit-sharing contracts	959 217	940 938
Premiums from contracts where the investment risk is borne by policyholders	580 414	551 152
Total	1 989 784	1 852 436
Reinsurance balance	-5 475	-3 235

# 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

		2011				2010	
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total	
Commissions	735 062		890 696	661 693	493 743	1 155 436	
Other acquisition costs	442 346	99 634	541 980	405 573	102 837	508 410	
Change in deferred acquisition costs	-47 765	181 653	133 888	-37 146	-179 435	-216 581	
Total commissions and other acquisition costs	1 129 643	436 921	1 566 564	1 030 120	417 145	1 447 265	

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

# **III. OTHER DISCLOSURES**

# III. 1. Intangible fixed assets

Intangible fixed assets of the Company as at 31 December 2011 comprise the following items:

	Software	Other intangible fixed assets	Total
Acquisition cost at 1/1/2011	179 674	268	179 942
Additions	17 089	0	17 089
Disposals	76	0	76
Acquisition cost at 31/12/2011	196 687	268	196 955
Accumulated dep. at 1/1/2011	161 667	268	161 935
Depreciation expense	7 188	0	7 188
Disposals	76	0	76
Accumulated dep. at 31/12/2011	168 779	268	169 047
Net book value at 1/1/2011	18 007	0	18 007
Net book value at 31/12/2011	27 908	0	27 908

# III. 2. Investment

# (a) Shares

	Carrying value		Acquisition cost	
	2011	2010	2011	2010
Traded on the primary or secondary securities market	7 161	8 250	7 150	7 150
Not traded on stock exchanges	506 438	386 746	524 721	369 591
Traded on foreign stock exchanges	110 109	0	94 459	0
Total	623 708	394 996	626 330	376 741

# (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	420	13	750
Total		300	300	17	420	13	750

\* 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 2011 amounting to TCZK 6 759 (2010: TCZK 6 906).

# (d) Debt securities

Debt securities valued at fair value through profit and loss

	Fair value		Acquisition cost	
	2011	2010	2011	2010
Traded on the primary or secondary securities market	1 099 525	1 136 575	1 076 104	1 080 089
Not traded on stock exchanges	50 385	79 976	50 001	79 724
Traded on foreign stock exchanges	484 370	352 951	480 130	347 887
Traded on a free securities market	84 619	67 195	81 774	63 893
Total	1 718 899	1 636 697	1 688 009	1 571 593

OECD bonds held to maturity

	Fair value		Amortise	Amortised cost		Acquisition cost	
	2011	2010	2011	2010	2011	2010	
Traded on the primary or secon- dary securities market	6 476 541	6 056 807	6 072 123	5 782 385	5 986 674	5 690 096	
Total	6 476 541	6 056 807	6 072 123	5 782 385	5 986 674	5 690 096	

Other securities held to maturity

	Fair value		Acquisition cost	
	2011	2010	2011	2010
Traded on the primary or secondary securities market	11 803	31 947	11 271	31 121
Not traded on stock exchanges	245 459	246 064	229 769	229 769
Traded on foreign stock exchanges	309 103	298 514	309 923	294 786
Traded on a free securities market	952 738	1 009 359	912 798	969 513
Total	1 519 103	1 585 884	1 463 761	1 525 189

# Deposits with financial institutions

	Fair va	Fair value		n cost
	2011	2010	2011	2010
Deposits	462 122	306 277	462 040	306 209
Total	462 122	306 277	462 040	306 209

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

Description	Fair value	•
	2011	2010
Shares and other variable-yield securities	515 458	410 140
Total	515 458	410 140

# (f) Other financial placements - derivatives

Derivatives intended for trading

Fixed term contracts with a positive fair	Nominal value	Fa		
value	2011	2010	2011	2010
Term currency transactions	461 504	58 248	-7 232	597
Total	461 504	58 248	-7 232	597

Veškeré výše uvedené finanční nástroje byly sjednány na mezibankovním trhu (OTC). Společnost eAll 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

At 31 December 2011	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	-7 232	0	0	0	0	-7 232

# III. 3. Receivables and payables

31 December 2011	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	164 710	17 433	0	33 507	215 650
Overdue	549 408	178 806	62 882	4 1 4 7	795 243
Total	714 118	196 239	62 882	37 654	1 010 893
Adjustment	67 601	124 392	0	1 883	193 876
Total net	646 517	71 847	62 882	35 771	817 017
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

31 December 2011	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	164 710	17 433	0	33 507	215 650
Overdue	549 408	178 806	62 882	4 1 4 7	795 243
Total	714 118	196 239	62 882	37 654	1 010 893
Adjustment	67 601	124 392	0	1 883	193 876
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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

# (b) Other receivables

	2011		20	10
	Gross amount	Adjustments	Gross amount	Adjustments
Corporate income tax prepayments	6 762	0	0	0
Other prepayments	12 543	0	14 008	0
Loans to employees	6 517	0	364	0
Sureties	3 876	0	3 608	0
Other receivables	7 956	1 883	11 372	3 207
Total	37 654	1 883	29 352	3 207

The corporate income tax prepayments are recognised together with corporate income tax liabilities. The net liability for 2010 of TCZK 19 574 was reported as an income tax provision. The new receivable for 2011 of TCZK 6 762 is reported in other receivables.

(c) Payables					
31 Dec 2011	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	180 084	59 986	62 645	107 597	410 312
Overdue	0	6 415	0	223	6 638
Total	180 084	66 401	62 645	107 820	416 950
31 Dec 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

67 524

58 673

108 699

422 684

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

187 788

The Company has a net receivable from reinsurers of TCZK 237 (2010: a net payable to reinsurers of TCZK 50).

The Company reports a deposit of TCZK 992 905 with reinsurers (2010 – TCZK 594 064).

# III. 4. Inter-company receivables and payables

	Receivo	ıbles	Payab	les
Company name	2011	2010	2011	2010
Kooperativa pojišťovna, a.s., Vienna Insurance Group	17 822	25 144	16 741	29 264
Kooperativa, poisťovna, a.s. Vienna Insurance group, Bratislava	0	1 208	38 158	0
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	0	0	3	1 288
VIENNA INSURANCE GROUP Wiener Versicherung Gruppe AG, Vienna	21 654	0	23 266	30 389
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	0	0	0	3 216
Vig Re	4 475	40 841	7 114	14 918
AIS Servis, s.r.o.	0	0	1 302	1 187
Total	43 951	67 193	86 584	80 262

In addition to the above receivables and payables there are also other relations between the group companies arising from reinsurance contracts.

# III. 5. Tangible fixed assets and inventories

	Tangible fixed assets	Inventories	Total
Acquisition cost at 1/1/2011	182 592	3 348	185 940
Additions	23 821	2 790	26 611
Disposals	26 079	3 348	29 427
Acquisition cost at 31/12/2011	180 334	2 7 9 0	183 124
Accumulated dep. at 1/1/2011	153 709	0	153 709
Depreciation expenses	19 590	0	19 590
Disposals	25 271	0	25 271
Accumulated depreciation at 31/12/2011	148 028	0	148 028
Net book value at 1/1/2011	28 883	3 348	32 231
Net book value at 31/12/2011	32 306	2 790	35 096

# III. 6. Temporary asset or liability accounts

# (a) Deferred acquisition costs

	2011	2010
Life assurance	563 922	745 575
Non-life insurance	268 255	220 490
Total	832 177	966 065

# (b) Estimated items

	2011	2010
Estimated premiums	0	10 986
Estimated receivables arising from reinsurance operations	3 462	41 551
Total	3 462	52 537

#### 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 2011.

Total

# (c) Estimated payables

2011	2010
27 895	44 832
92 004	91 811
34 740	40 774
23 490	34 741
9 291	0
4 588	4 919
192 008	217 077
	27 895 92 004 34 740 23 490 9 291 4 588

# 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 2011 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 2011, 100%, i.e. TCZK 1 000 000 (2010: 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

	2011	2010
Subsidy from the parent company	0	0
Revaluation of assets and liabilities at fair value	52 272	53 142
Other capital accounts	0	0
Total	52 272	53 142

# (b) Revaluation of assets and liabilities at fair value

	2011	2010
Balance at 1 January	53 142	23 7 5 4
Change in fair value of financial placement	-1 074	36 282
Change in deferred tax	204	-6 894
Balance at 31 December	52 272	53 142
(c) Planned distribution of the current period profit		
(c) Planned distribution of the current period profit		
(c) Planned distribution of the current period profit Current period profit		355 097
Current period profit		355 097
Current period profit Transfer to legal reserve fund		<b>355 097</b> 17 755

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	2011	1 361 561	-498 852	862 709
	2010	1 222 244	-465 421	756 823
Life assurance provision	2011	3 528 647	0	3 528 647
	2010	3 269 389	0	3 269 389
Provision for outstanding claims	2011	4 669 072	-1 611 255	3 057 817
	2010	4 374 487	-1 134 797	3 239 690
Provision for bonuses and rebates	2011	41 638	-14 226	27 412
	2010	37 247	-10 358	26 889
Non-life insurance provision	2011	318	-159	159
	2010	182	-91	91
Other technical provisions	2011	710 334	0	710 334
	2010	743 095	0	743 095
Life assurance technical provision where the investment risk is borne by the policyholders	2011	515 458	0	515 458
	2010	410 140	0	410 140
Total	2011	10 827 028	-2 124 492	8 702 536
Total	2010	10 056 784	-1 610 667	8 446 117

#### (b) Provision for unearned premiums (gross)

	2011	2010
Non-life insurance	1 346 267	1 205 529
Life assurance	15 294	16 715
Total	1 361 561	1 222 244

#### (c) Life assurance provision

	2011	2010
Zillmerised provision before elimination of negative provisions	3 548 997	3 294 825
Elimination of negative provisions	-20 350	-25 436
Zillmerised provision presented in the balance sheet	3 528 647	3 269 389

# (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 2010, the claims payments during 2011 (relating to claims considered in this provision) and the residual amount of this provision as at 31 December 2011.

# The net run-off result is as follows:

Insurance class	2011	2010
Motor insurance	6 526	33 888
Motor third party liability insurance	226 267	292 842
Insurance against fire and other damage to property	-15 711	-8 213
Liability insurance	26 181	24 872
Accident and sickness insurance	-1 474	-1 444
Life assurance	670	-1 506
Travel insurance	587	2 481
Other	326	941
Total	243 372	343 861

# 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 917 978 after discounting (2010: TCZK 892 564).

The Company used a wage valorisation rate and a disability pension valorisation rate according to the Bureau methodology as at 11 May 2011 (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	2011	2010
Non-life insurance	25 760	18 822
Life assurance	15 878	18 425
Total	41 638	37 247

#### (f) Equalisation provision

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	182	136	0	318
Total	182	136	0	318

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

	Opening balance	Creation	Release	Closing balance
Provision for liabilities of the Bureau	743 095	0	32 761	710 334
Total	743 095	0	32 761	710 334

#### III. 9. Provisions

Type of provision	Opening balance	Creation	Release	Closing balance
Provision for taxes	19 574	0	19 574	0
Provision for employee benefits	17 585	2 626	0	20 211
Total	37 159	2 626	19 574	20 211

# 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.

The competent court decided to reject the plantif's claim on 25 November 2011. The court proceedings, however, have not yet been completed by a final and conclusive judgment. A possibility of filling an appeal by Prague City Hall cannot therefore be excluded.

#### (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 in the Czech Nuclear Pool

As a member of the Czech Nuclear Pool, the Company, under a Joint and Several Liability Aareement, 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:

	2011	2010
Gross amount		
Non-life insurance	10 567	10 878
Life assurance	0	0
Total gross amount	10 567	10 878
Reinsurers' share	0	0
Total net amount	10 567	10 878

The Company accounted for the following changes in the provision for bonuses and rebates in accordance with the procedures stated in note 1, 4, (h):

2011	Care and and the second	Detrouvers( share	Net
-	Gross amount	Reinsurers' share	Net amount
Non-life insurance			
Creation	17 504	14 226	3 278
Release	10 566	10 358	208
Change of balance	6 938	3 868	3 070
Life assurance			
Creation	15 879	0	15 879
Release	18 426	0	18 426
Change of balance	-2 547	0	-2 547
Total change of balance	4 391	3 868	523
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

2011	Gross amount	Reinsurers' share	Net amount
Non-life insurance			
Creation	17 504	14 226	3 278
Release	10 566	10 358	208
Change of balance	6 938	3 868	3 070
Life assurance			
Creation	15 879	0	15 879
Release	18 426	0	18 426
Change of balance	-2 547	0	-2 547
Total change of balance	4 391	3 868	523
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

# (b) Administrative expenses

	2011	2010
Personnel expenses (payroll, social and health insurance)	199 433	221 218
Rental	77 481	73 833
Advisory	6 069	8 442
Energy consumption	14 531	12 105
Material consumption	5 807	6 841
Postage + telephone services	51 954	51 309
Software services	51 070	39 609
Depreciation of tangible and intangible fixed assets	26 778	30 048
Outsourcing expenses	75 370	43 995
Expenses for printing	5 515	5 066
Other administrative expenses	71 817	68 119
Reallocation	-270 170	-254 328
Total administrative expenses	315 655	306 337

# (c) Other technical expenses and income

2011	Gross amount	Reinsurers' share	Net amount
Non-life insurance			
Other technical expenses	100 309	0	100 309
Other technical income	113 277	0	113 277
Life assurance			
Other technical expenses	83 576	0	83 576
Other technical income	64 557	0	64 557

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

# (d) Employees and executives

The average number of employees and executives and remuneration paid for 2011 and 2010 are as follows:

2011	Average number of employees	Payroll expense	Social and health insurance	Of which other personnel expenses
Employees	788	278 698	92 251	7 889
Executives	93	81 953	28 636	588
Total	881	360 651	120 887	8 477
2010	Average number of employees	Payroll expense	Social and health insurance	Of which 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

Part of the total payroll, social security and health insurance expenses, in amount of TCZK 199 433 (2010: TCZK 221 218) represents administrative overheads and TCZK 282 105 (2010: TCZK 270 530) accounts for expenses incurred to acquire insurance contracts, of which commission payments amount to TCZK 24 628 (2010: TCZK 25 946) and are disclosed in Note II.4.

# (e) Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 12 673 (2010: TCZK 12 244), of which TCZK 8 863 (2010: TCZK 8 547) relates to social security and TCZK 3 810 (2010: TCZK 3 697) relates to health insurance. None of these liabilities are overdue.

## (f) Tax liabilities and subsidies

Tax liabilities total TCZK 16 630 (2010: liabilities of TCZK 17 537), of which a deferred tax liability is TCZK 10 728 (2010: TCZK 13 122).

# (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 2011 and 2010:

	2011	2010
Members of the Board of Directors	2 278	10 643
Members of the Supervisory Board	600	610
Total remuneration	2 878	11 253

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

In 2011 and 2010, 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

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 189 237 (2010: TCZK 169 298).

#### (j) Result of non-technical account

The result of the non-technical account as at 31 December 2011 was a loss of TCZK 13 148 (2010: a loss of TCZK 6 393).

#### (k) Profit before tax

The profit before tax as at 31 December 2011 amounted to TCZK 442 573 (2010: TCZK 481 413).

# III. 12. Taxation

# (a) Income tax in the profit and loss account

	2011	2010
Provision for current period income tax	0	19 574
Income tax prepayments	97 319	75 007
Receivables from paid corporate income tax prepayments dec- reased by an income tax provision for the current period	-6 762	0
Current income tax relating to prior periods	-1 172	-1 724
Change in deferred tax asset/Change in deferred tax liability	-2 190	-412
Income tax in profit and loss account	87 195	92 445

### (b) Deferred tax assets/Deferred tax liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences	Asset	s	Liabili	ties	Net	t
	2011	2010	2011	2010	2011	2010
Fixed assets	0	0	-921	-1 066	-921	-1 066
Receivables	2 454	409	0	0	2 454	409
Accumulated losses	0	0	0	0	0	0
Other temporary differences recorded in profit and loss account	0	0	0	0	0	0
Total temporary differences recorded in profit and loss account	2 454	409	-921	-1 066	1 533	-657
Revaluation of assets and liabilities	0	0	-12 261	-12 465	-12 261	-12 465
Deferred tax asset/liability	2 4 5 4	409	-13 182	-13 531	-10 728	-13 122

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 these financial statements.

Prague, 23 February 2012

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 PROVI-SION 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 Reaister 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"). Its business activities are defined in its Articles of Association.

# 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.

# 4. Branch (Structural unit)

The insurance company has no branch (structural unit) abroad.

# 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. 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 2011 and 31 December 2011.

# 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 2011, a contract on information and personal data protection concluded between ČPP and VIG AG was in force.
- As at 31 December 2011, a proportional quota reinsurance contract on MTPL insurance coverage concluded between ČPP and VIG AG was in force.
- As at 31 December 2011, an accidental proportional quota reinsurance contract concluded between ČPP and VIG AG was in force.

- As at 31 December 2011, a contract on cost sharing concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, a mandate contract for an insurance agent No. 8720000000 concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, a lease agreement for non-residential premises in Brno, Koliště 1856/1 were concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, contracts on borrowing of paintings concluded between ČPP and Kooperativa were in force.
- As at 31 December 2011, contract No. 1900-9930001756/10-2008-CS on commercial representation concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, contract No. 0011794909 for liability insurance of an insurance intermediary concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, insurance contract No. 3069331700 for motor third-party liability insurance concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, insurance contract No. 0009509844 for motor casco insurance concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, insurance contract No. 0013949551 for "ALL RISK" insurance and liability insurance for a damage caused during operation of the relax zone at the Ruzyně airport concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, insurance contract No. 7720315089/8955009486 for professional accountability insurance concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, insurance contract No. 0012341541 for property insurance concluded between ČPP and Kooperativa was in force.
- As at 31 December 2011, a proportional auota reinsurance contract on property coverage concluded between ČPP and Kooperativa was in force.

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 2011, a contract on sublease for non-residential premises and lease for office equipment, fixtures and fittings concluded between ČPP and Global Expert, s.r.o. was in force.
- As at 31 December 2011, a contract on mutual cooperation concluded between ČPP and Global Expert, s.r.o. was in force.
- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in Austria concluded between ČPP and WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group was in force.
- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in Hungary concluded between ČPP and UNION Vienna Insurance Group Biztosító Zrt., Budapest was in force.
- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in the Ukraine concluded between ČPP and Company with additional liability Insurance Company with additional liability "Globus". Kiev was in force.

- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in Romania concluded between ČPP and ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., Bucharest was in force.
- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in Serbia and Montenearo concluded between ČPP and WIENER STÄDTISCHE OSIGURANJE a.d.o., Belarade was in force.
- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in Macedonia concluded between ČPP and Joint Stock insurance company Winner — Vienna Insurance Group, Skopie was in force.
- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in Bulgaria concluded between ČPP and Bulgarski Imoti Non-Life Insurance Company AD, Sofia was in force.
- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in Poland concluded between ČPP and Compensa TU NA.Zvcie S.A. VIG. Warsaw was in force.
- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in Croatia concluded between ČPP and Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka was in force.
- As at 31 December 2011, a contract on cooperation in respect of settlement of claims arising to motor vehicles in Slovakia concluded between ČPP and Kooperativa poisťovňa, a.s., Vienna Insurance Group, Bratislava was in force,
- was in force.
- As at 31 December 2011, a contract on sublease for non-residential premises at Buděiovická 5. Praha 4 concluded between ČPP and ČPP Servis. s.r.o. was in force.
- As at 31 December 2011, a contract on administration of leased non-residential premises concluded between ČPP and SURPMO, a.s. was in force.
- As at 31 December 2011, insurance contract No. 00138663033 concluded between ČPP and Main Point Karlín, a.s. was in force.
- As at 31 December 2011, reinsurance contracts concluded between ČPP and VIG RE zajišťovna, a.s. were in force.

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 2011, no legal acts or other measures were performed in the interest or at the instigation of the related parties.

- As at 31 December 2011, a contract on software maintenance concluded between ČPP and AIS Service, s.r.o. was in force. - As at 31 December 2011, a mandate contract for brokeraae of insurance concluded between ČPP and ČPP Servis, s.r.o.

# **SECTION VI.**

#### CONFIDENTIALITY

- 1. Information and facts that form a part of the 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., an audit company, 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 21 February 2012

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**

Company name	Registered office	
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	99.93
Bulgarski Imoti Non-Life Insurance Company AD, Sofia	Bulgaria	99.93
BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia	Bulgaria	95.11
BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia	Bulgaria	97.72
Business Insurance Application Consulting GmbH, Vienna	Austria	100
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100
CAL ICAL "Globus", Kiev	Ukraine	80
CAME Holding GmbH, Vienna	Austria	100
CAPITOL, a.s., Bratislava	Slovakia	100
CENTER Hotelbetriebs GmbH, Vienna	Austria	80
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	88
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 Na Zycie Spolka Akcyjna Vienna InsurancePoland100Group, Warsaw"Poland99.89DBR-Liegenschaften GmbH & Co KG, StuttgartGermany100DBR-Liegenschaften Verwaltungs GmbH, StuttgartGermany100Deutschmeisterplatz 2 Objektverwaltung GmbH, ViennaAustria100Donau Brokerline Versicherungs- Service GmbH, ViennaAustria100DVIB GmbH, ViennaAustria100DVNU Versicherung AG Vienna Insurance Group, ViennaAustria99.24Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., ViennaAustria99.59Erste osiguranje Vienna Insurance Group d.d., ZagrebCroatia95Gemeinnützige Industrie-Wohnungsaktiengesellschaft, LeondingAustria55Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, KapfenbergAustria55Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., ViennaAustria55Germain Insurance Group d.d., ZagrebCroatia90PH B.V., AmsterdamNetherlands80HELIOS Vienna Insurance Group d.d., ZagrebCroatia90Interalbanian Sh.a., TiranaAlbania78.33Interational Insurance Group J.A. ZigrebGermany100Interkisk Lebensversicherungs-AG Vienna Insurance Group, WiesbadenGermany100Interkisk Versicherungs-AG Vienna Insurance Group, WiesbadenGermany100Interkisk Versicherungs-AG Vienna Insurance Group, WiesbadenGermany100Interkisk Versicherungs-AG Vienna Insurance Group, Skopje
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Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., ViennaAustria100GPIH B.V., AmsterdamNetherlands80HELIOS Vienna Insurance Group d.d., ZagrebCroatia100Interalbanian Sh.a., TiranaAlbania78.33International Insurance Company IRAO Ltd., TiflisGeorgia100InterRisk Lebensversicherungs-AG Vienna Insurance Group, WiesbadenGermany100InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, WarsawPoland99.98InterRisk Versicherungs-AG Vienna Insurance Group, WiesbadenGermany100Joint Stock Insurance Company WINNER-Vienna Insurance Group, SkopjeMacedonia100JSC "GPI Insurance Company Holding", TiflisGeorgia90KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., BudapestHungary100
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Interalbanian Sh.a., TiranaAlbania78.33International Insurance Company IRAO Ltd., TiflisGeorgia100InterRisk Lebensversicherungs-AG Vienna Insurance Group, WiesbadenGermany100InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, WarsawPoland99.98InterRisk Versicherungs-AG Vienna Insurance Group, WiesbadenGermany100Joint Stock Insurance Company WINNER-Vienna Insurance Group, SkopjeMacedonia100JSC "GPI Insurance Company Holding", TiflisGeorgia90KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., BudapestHungary100
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InterRisk Versicherungs-AG Vienna Insurance Group, WiesbadenGermany100Joint Stock Insurance Company WINNER-Vienna Insurance Group, SkopjeMacedonia100JSC "GPI Insurance Company Holding", TiflisGeorgia90KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., BudapestHungary100
Joint Stock Insurance Company WINNER-Vienna Insurance Group, SkopjeMacedonia100JSC "GPI Insurance Company Holding", TiflisGeorgia90KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., BudapestHungary100
JSC "GPI Insurance Company Holding", TiflisGeorgia90KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., BudapestHungary100
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest Hungary 100
KAPITOL pojišťovací a finanční poradenství, a.s., Brno 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 dionicko drustvo za osiguranje, Rijeka Croatia 99.36
Kvarner Wiener Städtische Nekretnine d.o.o., Zagreb Croatia 99.36
LVP Holding GmbH, Vienna Austria 100
MAP Bürodienstleistung Gesellschaft m.b.H., ViennaAustria100

Company name	Registered office	Ownership interest (%)
MH 54 Immobilienanlage GmbH, Vienna	Austria	100
NEUE HEIMAT Gemeinnützige Wohnungs- und SiedlungsgesmbH, 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	100,00
PFG Holding GmbH, Vienna	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88
Poisťovna Slovenskej sporiteľne, a.s., Vienna Insurance Group, Bratislava	Slovakia	95
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	Czech Republic	95
"Polski Zwiazek Motorowy Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw"	Poland	100
Private joint-stock company Insurance Company "Ukrainian Insurance Group", Kiev	Ukraine	100
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.8
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY KNIAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99.99
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
SVZ GmbH, Vienna	Austria	100
SVZI GmbH, Vienna	Austria	100
TBI BULGARIA EAD, Sofia	Bulgaria	100
TBIH Financial Services Group N.V., Amsterdam	Netherlands	100
UNION Vienna Insurance Group Biztositó Zrt., Budapest	Hungary	100

Company name	Registered office	Ownership interest (%)
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	25.08
V.I.G. ND, uzavřený investiční fond a.s., Prague	Czech Republic	100
Vienna-Life Lebensversicherung Aktiengesellschaft, Bendern	Liechtenstein	100
VIG BM a.s., Prague	Czech Republic	100
VIG RE zajišťovna, a.s., Prague	Czech Republic	100
VIG REAL ESTATE DOO, Belgrade	Serbia	100
VIG Real Estate GmbH, Vienna	Austria	100
VIG-CZ Real Estate GmbH, Vienna	Austria	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	99.9
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100
WPWS Vermögensverwaltung GmbH, Vienna	Austria	100
Companies consolidated using the equity method		
AIS 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-Werbegesellschaft 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
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63
Mělnická zdravotni, a.s., Prague	Czech Republic	100
S IMMO AG, Vienna	Austria	10.04
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	75.06
SURPMO, a.s., Prague	Czech Republic	100
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60
Unigeo, a.s., Ostrava-Hrabová	Czech Republic	100

Company name	Registered office	Ownership interest (%)
Non-consolidated companies		
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	Montenegro	100
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50
Beteiligungs- und Immobilien GmbH, Linz	Austria	25
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25
Bulstrad Health Insurance AD, Sofia	Bulgaria	97
CAPITOL Spolka z o.o., Warsaw	Poland	100
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	25
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100
Geschlossene Aktiengesellschaft "Strachowaja kompanija MSK- Life", Moscow	Russia	25
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100
INTERSIG Sh.A., Tirana	Albania	75
JAHORINA OSIGURANJE a.d., Pale	Bosnia and Herzegovina	96.63
"Joint Stock Insurance Company WINNER LIFE — Vienna Insurance Group Skopje, Skopje″	Macedonia	100
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58
PAC Doverie Ad, Sofia	Bulgaria	92.58
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	43.26
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.64
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40
"RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna"	Austria	51
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH	Austria	100
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG	Austria	100
Senioren Residenz gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100
Untere Donaulände 40 GmbH	Austria	100
Untere Donaulände 40 GmbH & Co KG	Austria	100
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56
Versicherungsaktiengesellschaft "Kupala", Minsk	Belarus	98.26
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100
Vienna International Underwriters GmbH, Vienna	Austria	100
Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	25

# REPORT OF THE SUPERVISORY BOARD OF ČESKÁ PODNIKATELSKÁ POJIŠŤOVNA, A.S., VIENNA INSURANCE GROUP ON THE RESULTS FOR THE YEAR 2011, INCLUDING A REPORT ON CONCLUDING CONTRACTS PURSUANT TO SECTION 196A OF THE COMMERCIAL CODE

In 2011, 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 ordinary financial statements, comprising the complete set of financial statements, for the year ended 31 December 2011. The review was based on the documents presented to the Supervisory Board, information obtained while carrying out its activities, decisions adopted in 2011 by the sole shareholder exercising the powers of the General Meeting of shareholders, and the Auditor's report on the financial statements for the period between 1 January 2011 and 31 December 2011. 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 2011, and that the 2011 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.

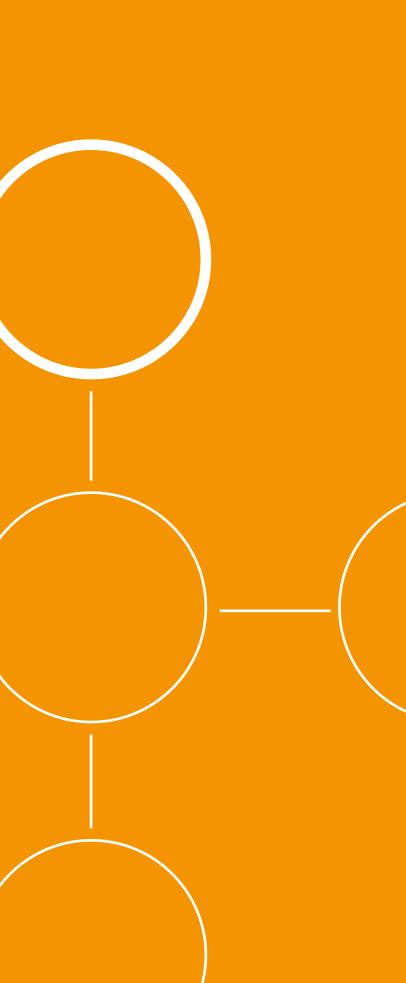
Furthermore, in line with Article 18 (3) (m) of the Company's Articles of Association, the Supervisory Board hereby notifies the sole shareholder whose competences include approving the conclusion of contracts pursuant to Section 196a of the Commercial Code that in 2011 the Supervisory Board did not discuss any contracts pursuant to Section 196a of the Commercial Code.

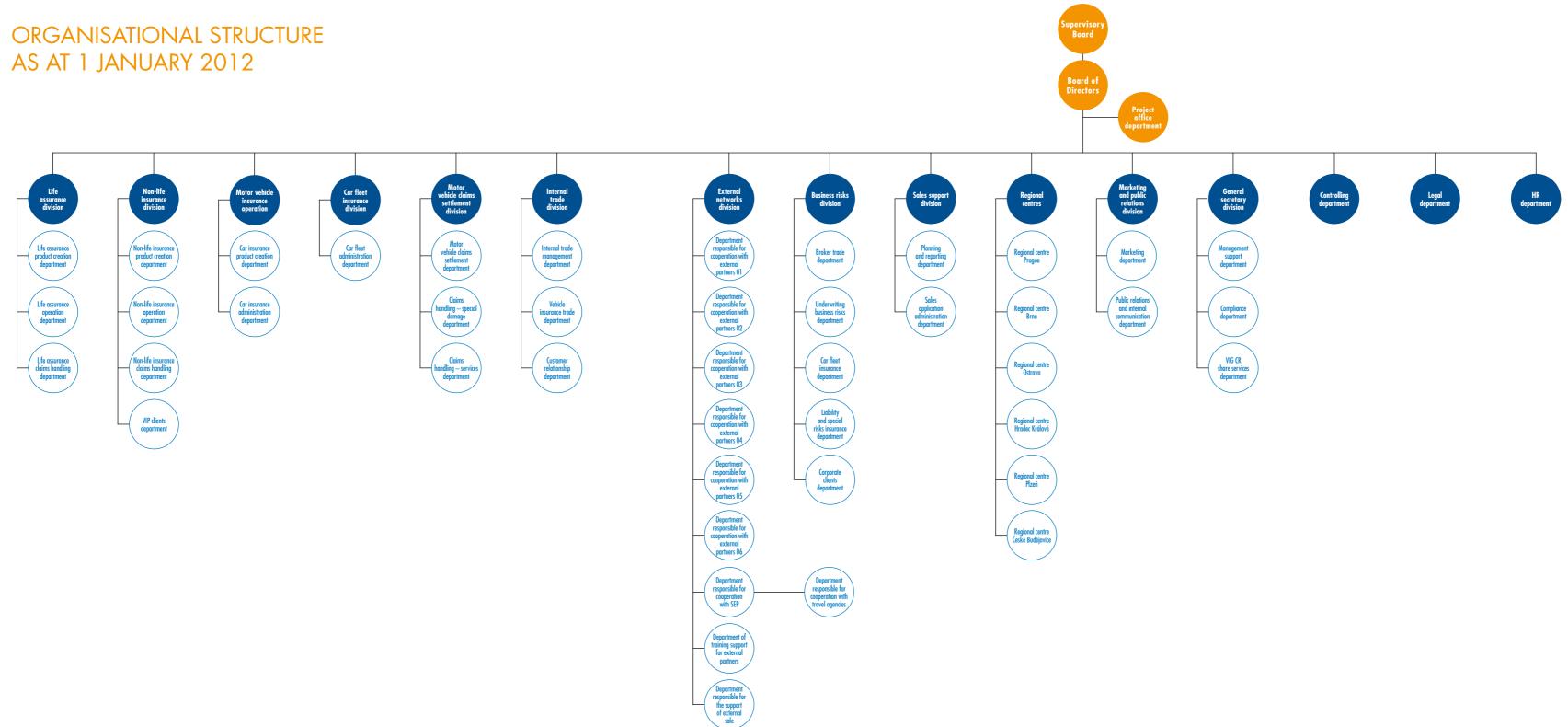
In Prague, on 23 March 2012

Ing. Martin Diviš, MBA Chairman of the Supervisory Board

ČPP Annual Report 2011

# ORGANISATIONAL STRUCTURE





# LIST OF REGIONAL CENTRES AND BRANCH OFFICES AS AT 1 JANUARY 2012

# Head office

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group Budějovická 5, 140 21 Praha 4, client infoline 841 444 555

# Brno

# **Regional centre:**

Benešova 14/16, 602 00 Brno, Tel.: 542 120 806

# **Branch offices:**

Břeclav, U Stadionu 2144, 690 02 Břeclav, Tel.: 519 322 854 Znojmo, Pražská 2, 669 02 Znojmo, Tel.: 515 331 011 Hodonín, Národní třída 55c/3966, 695 01 Hodonín, Tel.: 518 342 444 Třebíč, Smila Osovského 25/35, 674 01 Třebíč, Tel.: 568 843 448 Brno—venkov, Pekařská 58, 602 00 Brno, Tel.: 542 215 140 Brno II, Kapucínské náměstí 14, 602 00 Brno, Tel.: 542 212 232 Brno-město, Palackého třída 879/84, 612 00 Brno, Tel.: 541 217 647 Boskovice, Růžové náměstí 3+4, 680 01 Boskovice, Tel.: 516 452 137 Žďár nad Sázavou, Nádražní 430/16, 591 01 Žďár nad Sázavou, Tel.: 566 629 899 Zlín, Kvítková 476, 760 01 Zlín, Tel.: 577 220 954 Uherské Hradiště, Na Splávku 1182, 686 01 Uherské Hradiště, Tel.: 572 540 602 Kroměříž, Stoličkova 44, 767 01 Kroměříž, Tel.: 573 330 518

# České Budějovice

# **Regional centre:**

Průmyslová 1656, 370 01 České Budějovice, Tel.: 386 360 268

# **Branch offices:**

České Budějovice, Průmyslová 1656, tel.: 386 360 268 Point of sale of the branch office České Budějovice, U Poráků 511 – Horní Brána, 381 01 Český Krumlov, Tel.: 380 713 700 Strakonice, Komenského 105, 386 01 Strakonice, Tel.: 383 321 449 Písek, Fráni Šrámka 167, 397 01, Tel.: 382 215 351 Pelhřimov, Arch. Janáka 2256, 393 01 Pelhřimov, Tel.: 565 322 449 Tábor, Fűgnerova 822, 390 02 Tábor, Tel.: 381 257 555 Jindřichův Hradec, Masarykovo nám. 108, 377 01 Jindřichův Hradec, Tel.: 384 361 080 Havlíčkův Brod, Dolní 1, 580 01 Havlíčkův Brod, Tel.: 569 420 408

# Hradec Králové

#### **Regional centre:**

Škroupova 441/9, 500 02 Hradec Králové, Tel.: 495 704 400

### **Branch offices:**

Hradec Králové, Škroupova 441/9, 500 02 Hradec Králové, Tel.: 495 704 401 Point of sale of the branch office Hradec Králové, Šimkova 1223/2, 500 03 Hradec Králové, Tel.: 495 510 100 Liberec, Kostelní 4/2 – entry from náměstí Dr. E. Beneše, 460 01 Liberec 1, Tel.: 485 106 534 Point of sale of the branch office Liberec. Jeronýmova 576/39. 460 07 Liberec. Tel.: 485 104 411 Trutnov, Palackého 388, 541 01 Trutnov, Tel.: 499 813 359 Jablonec nad Nisou, Komenského 33, 466 01 Jablonec nad Nisou, Tel.: 483 319 881 Náchod, Krámská 29, 547 01 Náchod, Tel.: 491 433 168 Turnov, 28. října 17, 511 01 Turnov, Tel.: 481 322 854 Jičín, Čelakovského 86, 506 01 Jičín, Tel.: 493 520 710 Rychnov nad Kněžnou, Staré Náměstí 59, 516 01 Rychnov nad Kněžnou, Tel.: 494 661 095 Pardubice, třída Míru 302, 530 02 Pardubice, Tel.: 466 610 167 Chrudim, Palackého 55, 537 01 Chrudim, Tel.: 469 622 831 Ústí nad Orlicí, Mírové nám. 1389, 562 01 Ústí nad Orlicí, Tel.: 465 526 290 Svitavy, nám. Míru 95, 568 02 Svitavy, Tel.: 461 530 317 Ústí nad Labem, Dlouhá 3458/2A – Palác Jordan, 400 01 Ústí nad Labem, Tel.: 475 220 001 Česká Lípa, Mlýnská 35/10, 470 01 Česká Lípa, Tel.: 487 853 984 Děčín, Tyršova 1434/4, 405 02 Děčín, Tel.: 412 520 108

#### Ostrava

#### **Regional centre:**

Černá louka 78 – Villa Tereza, 702 00 Ostrava, Tel.: 596 116 642

#### **Branch offices:**

Opava, Ostrožná 38, 746 01 Opava, Tel.: 553 624 989 Třinec, nám. Míru 551, 739 61 Třinec, Tel.: 558 335 700 Frýdek-Místek, Stará cesta 2325, 738 02 Frýdek-Místek, Tel.: 558 436 796 Karviná, Masarykovo náměstí 26/14, 733 01 Karviná, Tel.: 596 320 224 Nový Jičín, Tyršova 15, 741 01 Nový Jičín, Tel.: 556 706 765 Point of sale of the branch office Nový Jičín, Kostelní 478, 744 01 Frenštát pod Radhoštěm, Tel.: 556 801 365 Point of sale of the branch office Nový Jičín, Náměstí 71, 757 01 Valašské Meziřící, Tel.: 571 610 581 Bruntál, Zámecké nám. 2/8, 792 01 Bruntál, Tel.: 554 211 831 Ostrava, Černá louka 78 – Villa Tereza, 702 00 Ostrava, Tel.: 596 116 642 Point of sale of the branch office Ostrava, 17. listopadu 677, 708 00 Ostrava-Poruba, Tel.: 596 911 421 Olomouc, Litovelská 17, 779 00 Olomouc, Tel.: 585 700 939 Šumperk, M. R. Štefánika 3198/15, 787 01 Šumperk, Tel.: 583 224 827 Přerov, Kramářova 25, 750 02 Přerov, Tel.: 581 220 273 Prostějov, Dukelská brána 7 - Prior, 796 01 Prostějov, Tel.: 582 337 735 Jeseník, Poštovní 884/1, 790 01 Jeseník, Tel.: 584 409 059 Vsetín, Na Příkopě 814/15, 755 01 Vsetín, Tel.: 571 424 733

#### Plzeň

#### **Regional centre:**

Lochotínská 18, 301 00 Plzeň, Tel.: 377 831 107

#### **Branch offices:**

Karlovy Vary, Majakovského 29, 360 05 Karlovy Vary, Tel.: 353 563 910 Point of sale of the branch office Karlovy Vary, Jaltská 1107, 360 01 Karlovy Vary, Tel.: 353 222 562 Klatovy, Pražská 120, 339 01 Klatovy, Tel.: 376 321 122 Mariánské Lázně, Křižíkova 707, 353 01 Mariánské Lázně, Tel.: 354 626 227 Sokolov, J. K. Tvla 275, 356 01 Sokolov, Tel.: 352 605 751 Point of sale of the branch office Sokolov, Staroměstská 538, 357 35 Chodov, Tel.: 352 676 664 Plzeň-město, Slovanská alei 28, 326 00 Plzeň, Tel.: 377 970 789 Point of sale of the branch office Plzeň-město, Lochotínská 18, 301 00 Plzeň, Tel.: 377 831 107 Point of sale of the branch office Plzeň-město, Skupova 24 – OC LUNA NORD, 32 00 Plzeň-město, Tel.: 377 540 509 Point of sale of the branch office Plzeň-město, Pražská 89/10, 301 00 Plzeň, Tel.: 377 320 283 Cheb, 26. dubna 583, 350 02 Cheb, Tel.: 354 544 944 Domažlice, Vodní 31, 344 01 Domažlice, Tel.: 379 768 435 Teplice, Tržní náměstí 241, 415 01 Teplice, Tel.: 417 531 007 Tachov, Boženv Němcové 98, 347 01 Tachov, Tel.: 374 720 311 Most, Moskevská 3336, 434 01 Most, Tel.: 476 744 980 Point of sale of the branch office Most, DS Chemopetrol, 436 70 Litvínov, Tel.: 476 162 800 Litoměřice, Velká Dominikánská 129/10, 412 01 Litoměřice, Tel.: 416 733 343 Chomutov, Revoluční 30, 430 01 Chomutov, Tel.: 474 623 494

# Praha

Regional centre: Budějovická 5, 140 21 Praha 4, 261 022 438

# **Branch offices:**

Praha 5, Jindřicha Plachty 25, 150 00 Praha 5, Tel.: 257 319 003 Praha 7, Haškova 2/1175, 170 00 Praha 7, Tel.: 233 901 237 Praha 2, Korunní 1300/65, 120 00 Praha 2, Tel.: 221 501 310 Point of sale of the branch office Praha 2, Jungmannova 89/6, 278 01 Kralupy nad Vltavou, Tel.: 315 721 041 Praha 4, Budějovická 3a, 140 21 Praha 4, Tel.: 261 022 559 Mladá Boleslav, U Kasáren 1377, 293 01 Mladá Bolesla, Tel.: 326 736 168 Kolín, Legerova 182, 280 02 Kolín, Tel.: 321 716 931 Příbram, Dlouhá 95, 261 01 Příbram, Tel.: 318 627 195 Nymburk, Palackého třída 449/64, 288 02 Nymburk, Tel.: 325 531 908 Kladno, Tyršova 1396, 272 01 Kladno, Tel.: 312 240 214 Beroun, Politických vězňů 153/21, 266 01 Beroun, Tel.: 311 626 736 Rakovník, Vysoká 100, 269 01 Rakovník, Tel.: 313 502 590 ČPP Annual Report 2011

# MAP OF CONTACT POINTS AS AT 1 JANUARY 2012





