

# ANNUAL REPORT 2012

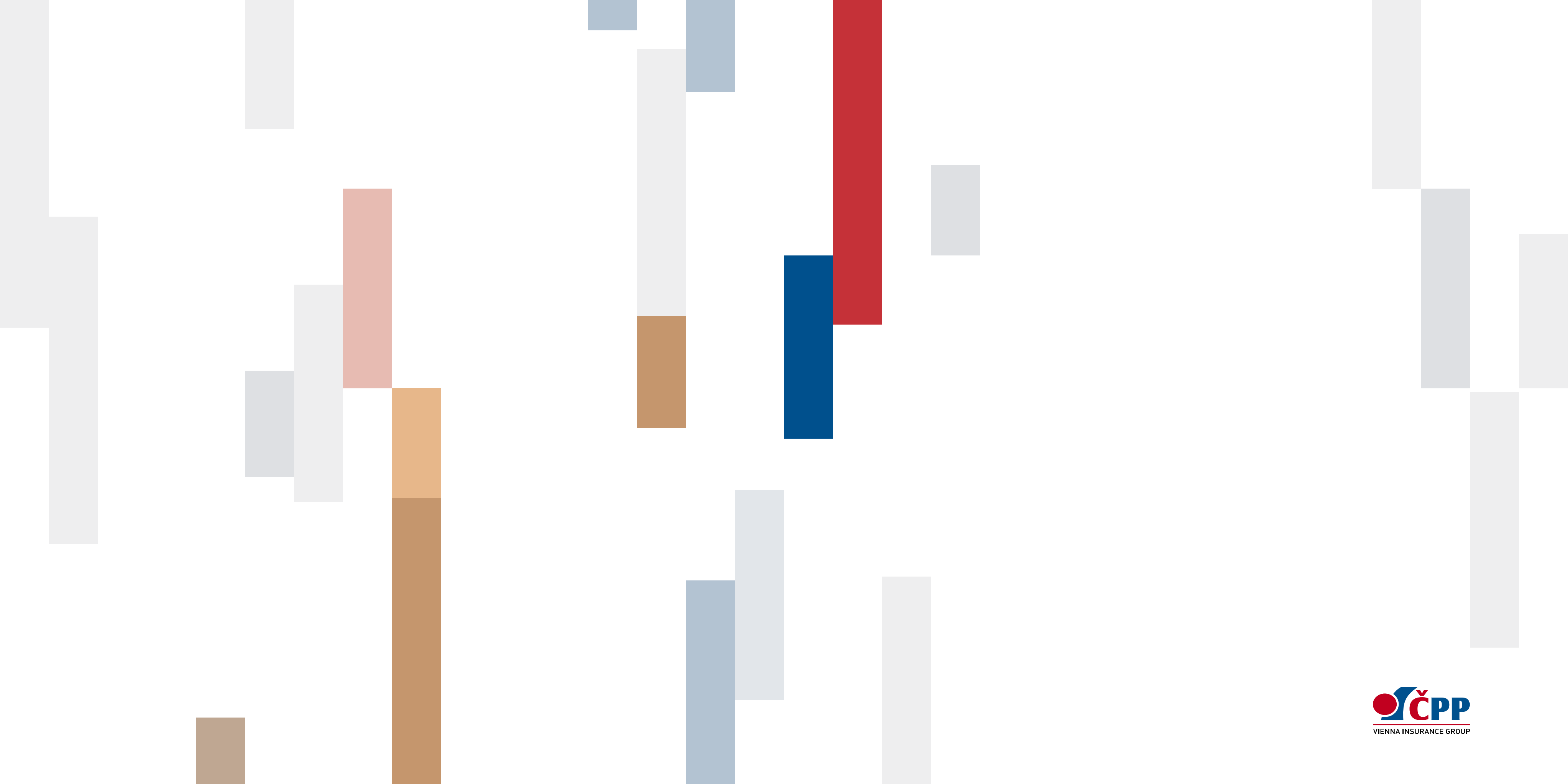


Foto: Ladislav Cesnek



# ANNUAL REPORT 2012

ČESKÁ PODNIKATELSKÁ POJIŠŤOVNA, A.S.,  
VIENNA INSURANCE GROUP





## CONTENTS

About the Company.....	8
Description of the shareholder .....	9
Board of Directors and Supervisory Board.....	11
Introduction by the Chairman of the Supervisory Board.....	13
Introduction by the Chairman of the Board of Directors.....	17
Members of the supervisory board .....	20
Members of the Board of Directors.....	21
Management report .....	25
Principal indicators of ČPP.....	28
Business activities in 2012.....	30
Internal and external intermediary networks, cooperation with business partners.....	32
Strategy for the year 2013.....	34
Reinsurance.....	34
Human resources .....	35
Corporate Social Responsibility .....	36
Product portfolio in 2012.....	38
ČPP product offer .....	42
Vienna Insurance Group.....	47
Auditor's report .....	53
Financial results .....	59
Balance sheet of the insurance company as at 31 December 2012 .....	60
Profit and loss account for 2012 .....	64
Statement of changes in equity for 2012 .....	68
Notes to financial statements as at 31 December 2012 .....	70
Report of the Board of Directors on relations between related parties .....	112
Appendix to the Report of the Board of Directors on relations between related parties ..	116
Report of the Supervisory Board .....	122
Organisational structure .....	125
List of regional directorates and branch offices .....	129
Contact points.....	136

# ABOUT THE COMPANY

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

(„Česká podnikatelská pojišťovna“ or „ČPP“)

**Registered capital:** CZK 1 billion

**Registered office:** Pobřežní 665/23, 186 00 Praha 8

**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 6.96**

**Net profit MCZK 507**

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

The Company is the third largest provider of MTPL in the Czech Republic.

**Life assurance gross premiums written: BCZK 2.1**

Life assurance holds a 30% share in total gross premiums written of ČPP.

**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

Pobřežní 665/21, 186 00 Praha 8

Corporate identification number (IČ): 471 16 617

**Number of employees who have their main employment with**

**the Company as at 31 December 2012:** 806

# DESCRIPTION OF THE SHAREHOLDER

**Kooperativa pojišťovna, a.s., Vienna Insurance Group**

(„Kooperativa“)

**Registered capital:** CZK 3 billion

**Registered office:** Pobřežní 665/21, 186 00 Praha 8

**Client phone line:** 841 105 105

**E-mail:** info@koop.cz

**Web page:** www.koop.cz

**Corporate identification number (IČ):** 471 16 617

**Net profit MCZK 3,246**

**Gross premiums written: BCZK 30.6**

The premiums written for 2012 slightly exceeded the amount of premiums written collected in 2011.

**Market share (according to CAS 20.51%)**

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 2012):**

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.....96.32%

VLTAVA majetkoprávní a podílová spol. s r. o., Praha .....2.07%

Svaz českých a moravských výrobních družstev .....1.61%

**Number of employees who have their main employment with**

**the Company as at 31 December 2012:** 3838





BOARD OF  
DIRECTORS AND  
SUPERVISORY  
BOARD





Foto: Ladislav Cesnek

## INTRODUCTION BY THE CHAIRMAN OF THE SUPERVISORY BOARD



Foto: MOTOR, s.r.o.





The entire insurance industry has been going through tough times. Similarly as other sectors, the insurance companies are also struggling with the effects of the financial crisis which has had impact not only on consumer behaviour but also on the relationship with business partners, and on response of the competitors. After many years of an almost double-digit growth, now we can witness stagnation or even a decrease. The overall results of the insurance market for 2012 confirm this situation. The total gross premiums written decreased year-on-year by 0.1% compared to 2011.

In 2012, the decrease in gross premiums written from non-life insurance slowed down slightly (from -1.3% in 2011 to -0.2% in 2012). The gross premiums written of the individual segments of this insurance class showed different development compared to the previous years. As for motor vehicle insurance, in 2011 the written premiums for MTPL decreased by 8.1% while in 2012 the decrease already gradually slowed down to -5.2%. A return to premium increase is a natural result of the overall situation as the MTPL premium rates have reached the bottom of product profitability already and the collected premiums for 2011 were not sufficient to cover the damages from insured events and the related costs. On the other hand, business insurance showed a negative trend as due to the persisting pressure on low prices, the volume of written premiums was decreasing in course of the year and it stopped on the level of 1.1% (compared to 2.1% in 2011).

Unlike non-life insurance, the life assurance market still shows an increase. In 2012, the balance showed a slight decrease to 0.1% (compared to 0.3% in 2011). I appreciate the fact that unlike previous years, people put more value in protection against risks, which is reflected in the increasing interest in regular premium products compared to single premium products where the primary goal is appreciation of funds. In 2012, the increase in life assurance was primarily due to regular premium products while the volume of single premiums showed a decrease. Despite this positive trend, the number of persons insured has been constantly decreasing. At the end of the year, the insurance market was concentrating on termination of the exception to the EU Anti-discrimination Directive. In spite of its illogical nature, this legislative measure brought with it a significant business opportunity for the insurance companies.


The overall complicated macroeconomic condition of the Czech Republic was reflected in the interest of citizens and firms in insurance. Although the past year was one of the most difficult years in terms of the macroeconomic situation, the companies from the Vienna Insurance Group operating in the Czech Republic reported record results. In 2012, Česká podnikatelská pojišťovna, Kooperativa and Pojišťovna České spořitelny wrote insurance premiums of EUR 1.8 billion. With its market share of 32.3%, Vienna Insurance Group CR has become the market leader of the Czech market. Approximately one fifth of the total gross written premiums generated by the Vienna Insurance Group comes

from the Czech Republic. Profit before tax grew year-on-year by 4.2% to MEUR 195. The Combined Ratio value reached a great result of 87.3%, which is a year-on-year decrease again.

Česká podnikatelská pojišťovna is both an important player in the Czech market and an important member of the Vienna Insurance Group. In 2012, ČPP again reported an increase in its financial performance and its results are a proof of the growth trend. Total gross premiums written for 2012 amounted almost to BCZK 7, which is a year-on-year increase by 4.4%. While the overall Czech life assurance market showed stagnation, ČPP managed to increase its GWP year-on-year by 5.8% to BCZK 2.1. Also the volume of GWP in terms of non-life insurance grew year-on-year by 3.8%. The most successful non-life insurance classes were property insurance for individuals (+21.1%) and business insurance products (+11.5%). ČPP confirmed its strong position in terms of MTPL. With more than one million insured motor vehicles in its portfolio, it is one of the top three market players in the Czech market.

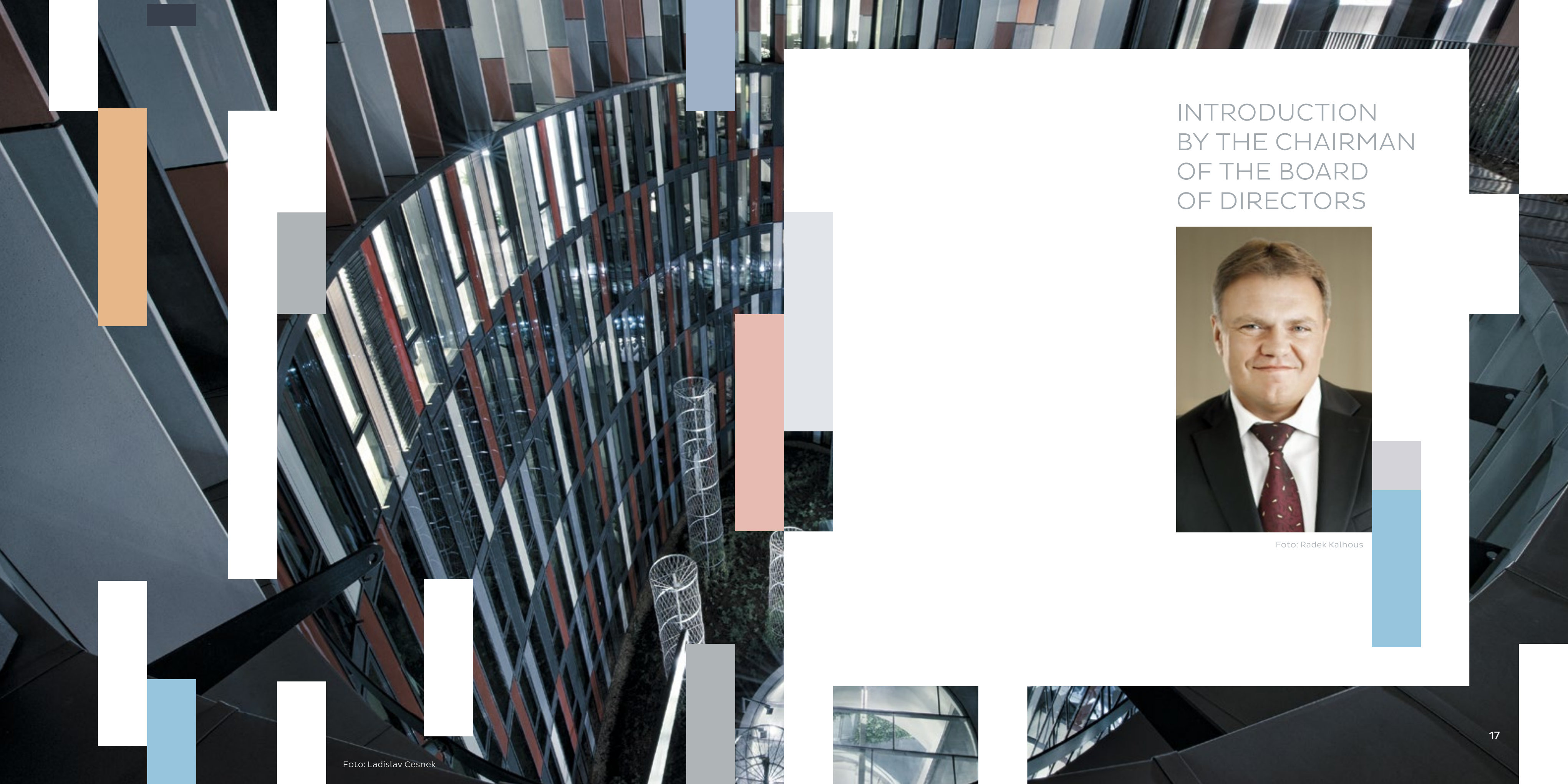
The most significant event of 2012 was the moving of the Company headquarters to the new seat of VIG CR in the Prague quarter of Karlín. Already during the first year of being accommodated in the new seat, we could use all advantages and the level of convenience a new modern office building can provide to its tenants. Our new seat is not only a pleasant new venue with nice background and a proof of the position and power of our company and the architectural art, courage and beauty but it also gives us an opportunity to add a new dimension to our work. The building was awarded the 2011 Best Office Building award and it also received the unique LEED Platinum certificate for environment-friendly approach. The new Company headquarters are a proof of VIG's success in the Czech market and of the fact that the Group very much appreciates its presence in the Czech market as such an investment has no parallel anywhere within the Group - not even in Austria.

Although the year 2012 brought no major changes in terms of the basic insurance market indicators, the development in terms of life assurance combined with the simultaneous slowdown of the drop in gross written premiums in terms of motor vehicle insurance is a signal of a return to growth that might come soon. We consider the results achieved in 2012 as a commitment for our further responsible work. I believe that thanks to our comprehensive and high-quality product offer we can meet even the needs of the most demanding clients. Finally, I would like to thank my colleagues, our business partners and all ČPP employees for their effort and professional attitude during everyday work. I would also like to thank our clients for their support and trust thanks to which ČPP has been for a long term one of the top ten insurance companies in the Czech market.



**Ing. Martin Diviš, MBA**  
Chairman of the Supervisory Board





INTRODUCTION  
BY THE CHAIRMAN  
OF THE BOARD  
OF DIRECTORS



Foto: Radek Kalhous

Foto: Ladislav Cesnek



The Czech insurance industry has been through another challenging year. The negative economic development and the related weakening of the purchasing power of Czech citizens was reflected in the decreasing dynamics of the insurance industry. In spite of the complicated situation, ČPP reported good results for 2012 which show a growth trend. In 2012, ČPP wrote gross premiums amounting to almost BCZK 7, which is a year-on-year increase by 4.4%. Profit before tax under CAS was MCZK 507. Currently, we have been administering more than 1.5 million contracts of more than 850,000 clients.

The performance of ČPP has been growing constantly and since 2005 it reported no year-on-year decrease within evaluation of the whole year, not even in the years when the whole insurance market reported a decrease. In 2012, gross premiums written for non-life insurance grew year-on-year by 3.8% to BCZK 4.9. The Company has kept its traditionally strong position in terms of motor vehicle insurance, and specifically in terms of motor third-party liability insurance. ČPP is only the third insurance company in the Czech market to have more than one million insured cars in its database. Based on the statistics of the Czech Bureau of Insurers, ČPP showed the most stable growth of the number of cars insured in the Czech insurance market in the recent years. In 2012, the market share in the MTPL segment reached 15.4%. ČPP was also successful in terms of motor casco insurance where the number of concluded contracts grew year-on-year by 23.8% compared to 2011.

It is a more and more challenging task to gain new clients, but we are successful in it which makes me very happy. We have been achieving our great results thanks to concentrating on the needs of our clients. It is not only the insurance itself as high quality of the products is a must for us but we also concentrate on a fast claims settlement process and high quality assistance services. People do already know us, they have tried our services and they are satisfied with our services which is very important to us. If the client buys the MTPL product from us, we can cross-sell other products to him as well. We achieve success with this cross-selling approach and as a result, we have reported growth in other insurance segments as well. The most successful non-life insurance segments include property insurance of individuals which reported a year-on-year growth of 21.1%, and further industrial insurance and business insurance, which reported an increase in GWP by 11.5%.

In terms of life assurance, gross premiums written for 2012 amounted to BCZK 2.1, which is a year-on-year growth of 5.8%. Compared to the insurance market, ČPP was successful in respect of regular premium products. This segment grew by 3.3%. In 2012, the increase in sales volumes was a result of regular product innovation in accordance with the market trends and client preferences. The clients were extremely interested in unit-linked insurance in 2012 similarly as in the previous years. At the productive age, only few people really think of how to secure funds for the old age. The change of this approach will require personal responsibility of every individual. In other words, you will only have the funds you have saved for your old age, nothing else. I expect private life assurance to gain on importance in the individual financial plans of citizens, primarily as a tool for securing funds for one's retirement.

Foto: Ladislav Cesnek

Corporate social responsibility has been gaining on importance as regards the image of a company's character. It is a presentation of the company's behaviour towards its community, employees, clients, and suppliers. In accordance with this approach, we provide both significant financial and non-material support to cultural, charity and sports projects. ČPP has been a long-term partner of organisations which provide support to disadvantaged children and disabled people. We also pay attention to our senior citizens. In 2012, we successfully continued the Social Activity Day project. A number of our employees used the opportunity to involve in volunteering activities and spent one working day helping a non-profit organization. The new VIG CR seat in the Prague quarter of Karlín where also the head office of ČPP is located is a „green building“. The building uses environment-friendly technologies and the operation of the whole building has a minimum negative impact on the environment.

Since June 2012, ČPP has been residing at a new address Pobřežní 23 in Praha 8. It should be mentioned that this building got the 2011 Best Office Building award. Due to the dynamic development of our company, the original premises at Budějovická street were already insufficient. Next to the sufficient space, the new headquarters in Karlín offer much more comfortable environment. As we spent a significant part of our lives at work, it is important that we can feel well there. I am proud of the fact that our employees got the opportunity to participate in creating the environment in which they spend the whole day. It makes me feel very happy to know that our employees are satisfied in the new building and that there is a good team spirit here. In addition, the architectonic solution fully corresponds to our corporate philosophy which is based on openness and transparency.

The year 2012 was a challenging year for all insurance companies. ČPP succeeded even under these difficult conditions and its results confirm its position among the „top 10“ insurance companies in the Czech market. We want to grow also in the next year and as the insurance market is a very competitive market, it will be tough again. But I believe that we are a good team and expect the year 2013 to be a success for us in all aspects. I would like to thank not only my immediate colleagues but all our employees in general, our business partners and brokers for their everyday demanding work which helps us to build a good reputation with our clients and to strengthen our position in the market.



**Ing. Jaroslav Běsperát**  
Chairman of the Board of Directors



## MEMBERS OF THE SUPERVISORY BOARD

**Ing. Martin Diviš, MBA**

Chairman of the Supervisory Board since 25 April 2008

**Dr. Peter Hagen**

Vice-chairman of the Supervisory Board since 25 April 2008

**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

## 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)  
17 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  
6 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  
14 years of experience in the insurance business

**Ing. František Vlňař**

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



MEMBERS OF THE  
BOARD OF DIRECTORS



Mag. Gerhard Lahner

Ing. František Vlňař

Ing. Milan Nidl, MBA

Ing. Jaroslav Besperát





## MANAGEMENT REPORT



## MANAGEMENT REPORT

In spite of the challenging nature of the year 2012, based on our results we can say that it was a success for our company. The Company wrote almost BCZK 7 in total gross premiums written, the number of its clients reached 850 000, and profit after tax was MCZK 507. With its market share of 4.7%, ČPP ranked 7<sup>th</sup> 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 13.6 and the technical provisions amount to BCZK 8.2.

With more than one million insured cars in its database, ČPP keeps its position of the third biggest MTPL provider in the Czech insurance market. Unlike many competitors, the Company has been reporting a regular and stable increase in the number of insured motor vehicles for a long term. In 2012, ČPP managed to increase its market share in this segment to 15.4%. Also in respect of motor casco insurance, ČPP showed a very dynamic growth. Compared to 2011, the number of concluded insurance contracts grew by 23.8%. The great result in motor vehicle insurance is primarily due to the innovated product line Autopojištění Combi Plus II. This product line underwent a number of changes which made it even more attractive.

The amount of life assurance gross premiums written reached BCZK 2.1. While the life assurance market as a whole showed stagnation, ČPP managed to increase life assurance premiums written by 5.8% compared to 2011. In 2012, the leading product in terms of life assurance was unit-linked assurance. The three best-selling products were Unit-linked assurance (Investiční životní pojištění) EVOLUCE for adults, ŠTÍSTKO for children and Exclusive life assurance (Výběrové životní pojištění) MAXIMUM EVOLUTION. The share of life assurance gross premiums written on total gross premiums written of ČPP was 30%.

The volume of gross premiums written for property and liability insurance grew year-on-year by 12.5%. The significant growth was due mainly to product innovation and primarily to the new product DOMEX. In 2012, we newly launched a No Claims Bonus where the maximum amount of the bonus was set at 30%. At the same time, ČPP also innovated the Bytex product, which is determined as insurance of an apartment house owned by natural persons.


Industrial and business insurance forms 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 external business partners and insurance brokers. Gross premiums written for industrial risks grew year-on-year by 11.5% in 2012 while the whole market showed only a minimum growth. In 2012, ČPP offered two standardized products Podnikatel Plus and Komplex II, which are designed for small and medium-sized businesses.

As regards client services, ČPP has offered a new application for the owners of „smart devices“, such as smartphones or tablets. This application with the name Smart ČPP is a handy tool for all drivers who get into difficulties. The application can provide for the necessary help not only at the very moment of an accident but it can also accelerate the follow-up claims settlement process. The most important function is the assistance in the event of an accident or a car failure starting from announcement of a claim (insured event) up to sending documents and photo documentation directly from the place of accident.

ČPP constantly strives to optimise its internal process and to save financial costs. For example in 2012, projects were implemented within important areas, which concerned client data administration and printing process optimisation. Further, projects concerning legislative changes were launched. These legislative changes relate primarily to amendment of the Civil Code. The Company further initiated preparations of SAP implementation to financial processes.

ČPP repeatedly gained success not only with its clients but also with insurance experts. In the Insurance Company of the Year 2011 competition organised by the Association of Czech Insurance Brokers in cooperation with the Czech Insurance Association, ČPP was awarded one of the top places in four of five categories. These awards are a proof of the fact that ČPP is a universal insurer providing high quality services and that it belongs to the top insurance providers in all insurance segments of the Czech insurance market. Similarly as in 2011, ČPP was again awarded 2<sup>nd</sup> place in the Motor vehicles insurance category. ČPP also ranked 2<sup>nd</sup> in the Industrial and business insurance category and thanks to moving forward by two places it became the "best mover of the year" in this category. ČPP also succeeded with its products in the Insurance products for individuals category by ranking 3<sup>rd</sup>. Last but not least, ČPP defended the 5<sup>th</sup> place in the highly competitive Life assurance category.





## PRINCIPAL INDICATORS OF ČPP

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group is a universal insurance company which offers to 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 more than 1.5 million client contracts and provides its services to 850 000 clients.

In 2012, the gross premiums written of ČPP totalled BCZK 6.96.

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, 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 the stock exchanges in Vienna and Prague.

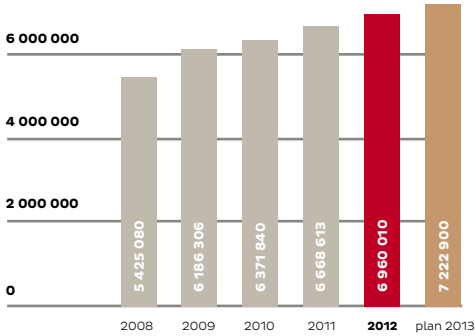
The Vienna Insurance Group was rated "A+ rating with stable outlook" by Standard&Poor's rating agency.



# BUSINESS ACTIVITIES IN 2012

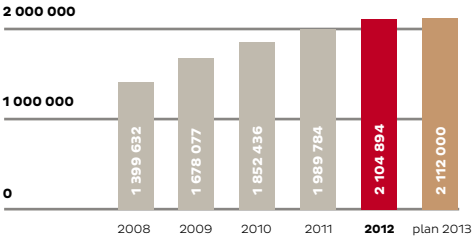
## TOTAL PREMIUMS WRITTEN

In 2012, Česká podnikatelská pojišťovna wrote in total BCZK 6.96 in gross premiums, which is a year-on-year increase of 4.4 %. With its 4.7% market share, ČPP ranked 7th among all insurance companies on the Czech market in 2012.



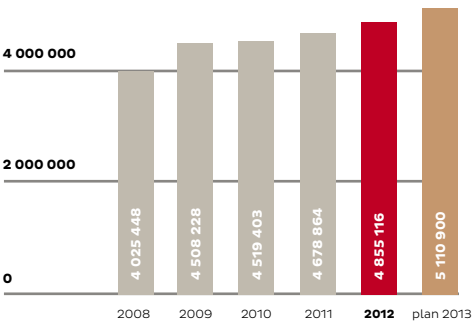
## LIFE ASSURANCE

The gross premiums written grew year-on-year by 5.8%. Compared to the insurance market in general, ČPP was successful in respect of regular premium products. This segment grew by 3.3%. In 2012, the increase in sales was supported by the regular product innovation. ČPP increased its share of the Czech life assurance market to 2.9%.



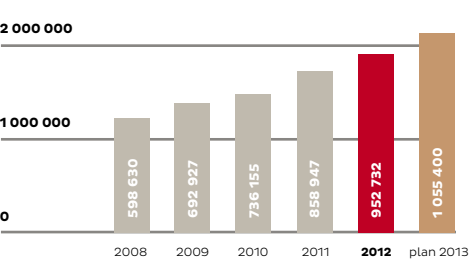
## NON-LIFE INSURANCE

The gross premiums written from non-life insurance grew year-on-year by 3.8 %. The most successful non-life insurance segment was the insurance for individuals, which showed a year-on-year growth of 21.1%. ČPP achieved the significant increase in this class of insurance by opting for the right sales policy and product development strategy.



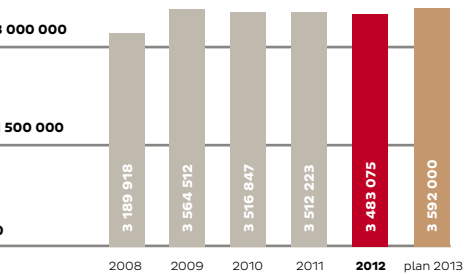
## INDUSTRIAL AND BUSINESS INSURANCE

Business insurance was also one of the very successful non-life insurance segments in 2012. High-quality tailored insurance coverage is the reason behind the increase of ČPP sales in this segment. Gross premiums written from industrial risks grew year-on-year by 11.5% in 2012 while the whole market grew only by 1.1% in this segment.



## MOTOR VEHICLE INSURANCE

ČPP ranked 3rd in the MTPL market with more than one million insured cars in its database. In 2012, ČPP managed to increase its market share in this segment to 15.4%. In recent years, ČPP has been reporting a significant growth also in terms of motor casco insurance. Compared to 2011, the number of concluded insurance contracts grew by 23.8%.





## INTERNAL AND EXTERNAL INTERMEDIARY NETWORKS, COOPERATION WITH BUSINESS PARTNERS

In 2012, ČPP finished the works on implementation of the processes related to a change of the organisational structure. Based on the new regional structure, the new regional directorates are located in Pilsen, Brno, Hradec Králové, Prague, Ostrava and České Budějovice. In order to increase the effectiveness and performance of the sales network, ČPP has newly begun to establish its own network of tied insurance agents under its subsidiary ČPP Servis, s.r.o.

In 2012, ČPP continued extending its network of branch offices and improving the quality of the existing points of sale. The branch offices in Sokolov, Teplice, Prostějov, Jičín, Česká Lípa, Prague 9, Český Krumlov, and Havlíčkův Brod were moved to more attractive premises. Big attention was paid to human resources development in accordance with the Company's vision and strategy. All employees are expected to apply a pro-client approach and to behave in accordance with the Ethical Code.

Foto: Radek Kalhous

In 2012, ČPP had 93 own points of sale across the Czech Republic and 150 insurance offices operated by its exclusive business partners to serve its clients. Further, the clients had the opportunity to conclude an insurance contract at 160 further sales points of insurance brokers specialising primarily in motor vehicle insurance. With the aim to provide its clients with comprehensive services, ČPP further extended its cooperation with car dealers and contractual (also referred to as "approved") autoservices and with Finanční skupina České spořitelny (the Financial Group of Česká spořitelna).

In 2012, external insurance intermediaries significantly contributed to the increase in sales of ČPP. The major external partners to contribute significantly to achieving the sales goals were Bohemia Servis Finance, a.s., Partners Financial Services, a.s., Broker Consulting, a.s., and Fincentrum, a.s. The common success consists primarily in long-term high-quality cooperation and it is based on open communication with the business partners which themselves initiate product development based on the market requirements. In 2012, ČPP also cooperated with Česká průmyslová zdravotní pojišťovna and newly with Vojenská zdravotní pojišťovna ČR.

In terms of industrial and business insurance, ČPP is one of the market leaders thanks to its successful business policy and elaborate system of service support. In 2012, the Company actively cooperated with 420 insurance brokers. The volume of gross premiums written generated by the broker channel exceeded BCZK 2 for the first time in the Company's history. Primarily in terms of insurance of business risks and car fleet insurance, i.e. in the segments where a lot of the contracts are concluded by broker companies, a significant increase in production was achieved compared to 2011.



## STRATEGY FOR THE YEAR 2013

In the context of the current development and competition in the market, ČPP considers establishment of long-term relationships with its clients the biggest challenge and the most important factor for future success. ČPP plans to constantly improve its products and services and to continue developing products and services which meet the individual requirements and needs of the clients.

- gross premiums written: MCZK 7,223
- increase in the market share of the Czech insurance market
- further increase in effectiveness and optimisation of internal processes
- 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

The reinsurance programmes were placed in compliance with the strict rating rules of the VIG group. Most reinsurers had a rating from the Standard&Poor's rating agency on the level of A+ rating or higher. The biggest and most important reinsurance partners included the major global reinsurance companies such as SCOR, Munich Re, and Swiss Re. The Company cooperated with the major and experienced reinsurance broker AonBenfield on two major group reinsurance programmes to cover catastrophic risks and motor third-party liability insurance.

## HUMAN RESOURCES

As regards industrial relations, ČPP concentrated primarily on development of and support to its employees, rise in motivation, loyalty and the setup of the new educational programme concept. ČPP strives to provide its employees with an opportunity to continually develop their professional skills in compliance with their personal abilities and with the aim to use their capabilities and potential to meet the business objectives of the Company up to a maximum level. The basic strategy of the employer is to build a long-term professional relationship with its employees and its clients. The corporate culture is based on openness in communication, personal accountability, mutual cooperation and confidence. An integral part of the corporate culture of ČPP are equal opportunities at workplace and a fair approach to the employees. At the end of 2012, ČPP had 806 full-time employees. The employer fulfilled its commitments

for the year 2012 which follow from the Collective Agreement concluded for the years 2012 – 2013. ČPP provides a large scale of both financial and non-financial benefits to its employees. ČPP lays stress on improving the quality of the work environment while observing the safety at work principles, and on a regular and contractually arranged health care for its employees, which includes also above-the-standard preventive care programmes.



# CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility gradually becomes an integral part of the concept of managing the corporate processes of ČPP and of its corporate culture. In accordance with this approach, we provide both significant financial and non-material support to cultural, charity and sports projects. Activities aimed at the environment, economy and social work also form an integral part of corporate social responsibility. The employees can for example spend one of their working days helping a non-profit organisation. In 2012, almost 90 employees, including the management, took part in the project named Social Activity Day (Den sociální aktivity). ČPP experts participate in educational programmes aimed at raising the level of financial literacy of people. ČPP has launched interesting projects which help to increase the level of traffic safety on our roads. The new VIG CR seat in the Prague quarter of Karlín where also the head office of ČPP is located was awarded a unique certificate for its environment-friendly operation. 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.

# MAJOR CSR PROJECTS AND SPONSORSHIP ACTIVITIES IN 2012

## CHARITY:

- **Tereza Maxová Foundation**
- **o. s. Náruč – Modrý domeček Řevnice**  
This civic society supports integration of disadvantaged groups of citizens into the society
- **Home for senior citizens in Kobylišy**  
This home provides a nice environment for a selfsufficient, independent and dignified life of elderly people
- **Medea Kultur s.r.o.**  
This society creates programmes informing about primary drug prevention
- **Foundation of Policemen and Firefighters – mutual help in need**  
This foundation provides for dignified life conditions of the families of policemen and firefighters who died or became handicapped in service
- **Association of Firefighters of Bohemia, Moravia and Silesia (Sdružení hasičů Čech, Moravy a Slezska)**  
The association provides support to volunteer fire brigades

## CULTURE:

- **MD Production Michal David**  
sponsorship of a concert tour
- **Divadlo Broadway**  
partner of the theatre
- **Divadlo Na Jezerce**  
partner of the theatre
- **Cleopatra Musical**  
partner of the musical
- **Jamboree Strakonice**  
support provided to the music festival
- **Kmochův Kolín**  
support provided to the international festival of brass music orchestras
- **Jazzfest Brno**  
support provided to the international jazz music festival

## SPORTS:

- **SK Slavia Praha**  
support provided to a premier league football club
- **FK Teplice**  
support for a football club
- **CU Bohemians Praha**  
support for a football club
- **FK Baumit Jablonec**  
support for a football club
- **VK Dukla Liberec**  
support for a volleyball club
- **CS SKI**  
support for a cross-country skiing team
- **Běh Lužánkami**  
partner of an international runners competition



# PRODUCT PORTFOLIO IN 2012

## MOTOR VEHICLE INSURANCE

In 2012, the non-life insurance market was stagnating, primarily as a result of the price development of motor vehicle insurance products. Due to the continuous fierce competition between the insurance companies and an enormous pressure on the prices, the motor third-party liability market reported a year-on-year decrease already for the second time in a row (-5.2%). The slight increase in the premium rates in respect of new contracts announced by the insurance companies during the whole year had no impact on the development of this segment. Despite the above-mentioned circumstances, ČPP strengthened its market position in terms of the number of insured cars to a 15.4% share. With more than one million insured cars in its portfolio, the Company is the third largest player in the MTPL market. As regards profitability, the situation was even more serious in the segment of motor casco insurance where the volume of GWP showed a slight decrease (-2.1%) but the number of claims and volume of damages grew significantly. Unlike the whole market as such, ČPP was successful in this segment with the number of concluded contracts increasing year-on-year by 23.8%.

In 2012, ČPP was offering innovated MTPL and motor casco insurance products together with a number of riders and benefits within the successful product line **Autopojištění Combi Plus II**. This product line allows the clients to cover all most common risks by one single contract and by choosing the extent of the risk coverage to adjust the demands of the investment in terms of finance. All products further include high free-of-charge limits for assistance services even in case of a mere car breakdown. These are available 24 hours a day with the option to communicate in Czech even when calling outside the Czech Republic. ČPP regularly supports the sale of motor vehicle insurance products by launching interesting campaigns. In spring 2012, the drivers who concluded insurance for their car with ČPP, got **travel insurance for free**. In the autumn campaign, the new MTPL clients got a **flood and inundation rider for their car for free**.

For drivers considering an investment in a motor casco policy, conclusion of a rider can be an interesting option. They can conclude e.g. a natural catastrophe rider, car windscreen rider, accident or passenger

death rider, damage of the vehicle due to collision with an animal rider or baggage theft rider etc. They can also conclude the service of direct settlement of a claim. The insurance market is highly competitive which brings with it big demands on a regular product innovation as well as improvement of the client care services. ČPP is one of the insurance companies which offer to its clients a native application for the “smart devices”. This application can help the client in critical moments. The application with the name **Smart ČPP** can provide for the necessary help not only at the very moment of an accident but it can also accelerate the follow-up claims settlement process.

Car fleet insurance is an individual section of motor vehicle insurance. It better meets the needs of big clients. In the second half of 2012, ČPP launched a new product to the market under the name **Flotilové autokomplexní pojištění FAP (Comprehensive fleet insurance FAP)**. The price of the product reflects the number of vehicles insured, insurance

penetration, previous claims experience and other criteria. An important factor during the negotiations on conclusion of this product is to apply an individual approach. The individual vehicles within one fleet can have a cover for a different combination of insured risks, different insurance settlement retention or a different combination of riders.

### CAR CLAIMS SETTLEMENT

In 2012, ČPP more than 40 000 relating to MTPL insurance and more than 32 000 claims relating to motor casco insurance were registered. A significant year-on-year increase was reported primarily in terms of motor casco insurance (+8.3%), which was due mainly to a growth of the portfolio. 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 this 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 a claim. Also for these reasons, in 2012 there was a year-on-year increase of 6.6% in claims compared to 2011.



## LIFE ASSURANCE

In 2012, the life assurance contract production grew by 30.4%. Gross premiums written reached the volume of BCZK 2.1. While the Czech life assurance market was stagnating (+0.1%), ČPP managed to increase its GWP year-on-year by 5.8%. Compared to the life assurance market in general, ČPP was also successful in terms of regular premium products (+3.3%) which is the basic indicator of the insurance company's stability in this segment. The share of life assurance of the total gross premiums written by ČPP is 30.2%.

Similarly as in the previous years, in 2012 the clients' interest belonged to **unit-linked assurance**. The gross premiums written in this segment grew by 22.9% in 2012 compared to 2011. The three best-selling products were EVOLUCE for adults, ŠTÍSTKO for children and Exclusive life assurance (Výběrové životní pojištění) MAXIMUM EVOLUTION. As for all unit-linked products, ČPP clients can influence the amount of credited interest by opting for the suitable investment strategy and thus significantly influence the amount of insurance settlement paid upon survival. The clients very much appreciate the high flexibility of these products which allows them to adjust basically all parameters of the insurance contract according to their situation in life. A significant advantage is also the option to assure other persons or selected non-life risks. Also **endowment assurance** products have their place in the product offer of ČPP – they are sold under the brands Filip – Filip PLUS and Filip V.I.P. and very popular is also the 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 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) brings the option to determine the number of the persons insured, the extent of coverage of the first person insured choosing from a broad range of insurable risks and a high-quality accident insurance for the second person insured and a group of children.

**As for health insurance**, ČPP offered the Garance Max product in cooperation with Pojišťovna VZP, a.s. The product portfolio still includes the HOSPITALIZACE product – Hospitalisation daily allowance insurance used to cover a hospitalisation.

A significant change for the whole insurance market was the **unification of the premium rates for men and women** from 21 December 2012. ČPP used this statutory obligation as an opportunity to further innovate its products and within its autumn campaign it offered a 15% discount to women upon conclusion of a new contract.

## NON-LIFE INSURANCE

ČPP reported a significant increase in property and liability insurance for individuals and businesses for 2012. The total number of insurance contracts was almost 180 000 and year-on-year the gross premiums written grew by 12.5%. The most successful non-life insurance segment was the insurance for individuals, which showed a year-on-year growth of 21.1%. The gross premiums written for industrial risks grew year-on-year by 11.5%.

ČPP achieved the significant increase in this class of insurance by opting for the right sales policy and product development strategy. In 2012, ČPP prepared an innovation of its successful **property and liability insurance** product DOMEX **for individuals**. The basic insurance coverage of this product newly includes windstorm and hail, frequent causes of damage to real estate in the past years. An extended option of this product offers coverage against damage to or destruction of electrical appliances and electronics due to overvoltage or short circuit. Further, it also offers coverage against return of sewer water from the waste piping in multi-storey houses. Special rider can be concluded to cover the damages of family house owners from loss of water due to damage to the water

piping on their land. The insurance company newly introduced the No claims bonus. The maximum amount of the bonus was set at 30%. At the same time, ČPP also innovated the Bytex product, which is determined as insurance of an apartment house owned by natural persons. The offer was extended by insurance of lifts (the machinery), provision of assistance services and liability insurance for damage caused by members of the bodies of the condominium of owners of housing units.

Also in terms of **business insurance**, ČPP innovated the products in 2012. In 2012, ČPP offered two standardized products Podnikatel Plus and Komplex II, which are designed for small and medium-sized businesses. Both products provide comprehensive and high-quality insurance coverage thanks to a broad offer of tailor-made insurance. ČPP offers a broad range of specialised liability insurance products, e.g. General liability insurance or Insurance of financial adequacy of a carrier, etc.

In respect of travel insurance, ČPP offered next to the commercial **travel insurance** also the compulsory insolvency insurance for travel agencies without which a travel agency is not allowed to carry on its business. In 2012, ČPP concluded the compulsory insurance of a guarantee for the case of insolvency with 235 travel agencies. The major clients of the insurance company from among travel agencies are Kovotour plus, Blue Sky Travel and Ideal-Tour.



## ČPP PRODUCT OFFER

### MOTOR VEHICLE INSURANCE

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

Domovský autosalon ČPP – insurance of new motor vehicles sold in car stores

### LIFE ASSURANCE

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

Investiční životní pojištění (Unit-linked assurance) Evropská penze Premium – Pension plan with a bonus (Broker Consulting)

Investiční životní pojištění (Unit-linked assurance) EVOLUCE

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

Life assurance with Filip Plus

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 – hospitalisation daily allowance insurance

### PROPERTY AND LIABILITY INSURANCE FOR INDIVIDUALS

Household and real estate insurance

Insurance of apartment houses

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 INSOLVENCY INSURANCE FOR TRAVEL AGENCIES





Vienna  
Insurance  
Group



# VIENNA INSURANCE GROUP

**Vienna Insurance Group is one of the leading listed insurance companies in Austria and the Central and Eastern European region, with around 24,000 employees generating a premium volume of approximately EUR 9.7 billion. Around 50 companies in 24 countries form a group with a long tradition, strong brands and high customer-orientation. The Company is a clear market leader in its core markets, offering an extensive range of products and services in both the life and non-life insurance segments.**

## PROGRESSIVE INSURER – CONSERVATIVE INVESTOR

Vienna Insurance Group (VIG) is a progressive insurer that consciously focuses on its core competence: the insurance business. In large part due to its risk-conscious, conservative investment policy, VIG stands for security and financial stability – as an insurer, employer, business partner and issuer in the capital markets. This was also underlined by the Standard & Poor's rating agency, which renewed its A+ rating with stable outlook for 2012. This makes Vienna Insurance Group the best-rated company in the ATX leading index of the Vienna Stock Exchange. The Company's listing on the Prague Stock Exchange in 2008 highlights VIG's strategic orientation towards the Central and Eastern European economic area (CEE).

Vienna Insurance Group also has the aim of creating and promoting socially responsible and sustainable conditions for a society worth living in. VIG therefore feels obligated to involve itself in cultural and social concerns in order to remain true to its fundamental goal of value-oriented growth.

## FOCUS ON AUSTRIA AND CENTRAL AND EASTERN EUROPE

Vienna Insurance Group, whose roots reach back to 1824, was quick to identify the many growth opportunities offered by Central and Eastern Europe. Starting from its base in Austria, the Company was one of the first Western European insurance companies to enter the CEE region and has been expanding there for more than 20 years. In the process, VIG has developed from a successful local insurance company to a leading international insurance group with around 50 insurance companies in 24 European countries. More than 50% of Group premiums and earnings now come from the CEE region. VIG is a clear overall market leader in its core markets, and in the life and non-life insurance segments, placing it in an excellent position to take advantage of the long-term opportunities offered by Central and Eastern Europe. With establishment of VIG RE, the Group has also had its own reinsurance company since 2008, and the location of its registered office in the Czech Republic underscores the importance of the CEE region as a growth market for VIG.

## TRUST IN LOCAL ENTREPRENEURSHIP

The Austrian VIG companies have offered an extensive product portfolio in both the life and non-life areas for many years. The low insurance density and large populations of many Central and Eastern European countries offer enormous potential for further growth over the medium and long term. In order to be a successful insurer in this region, one has to understand customer needs. This is the reason that VIG places its trust in the sound market knowledge of local management and the experience of its local employees. The combination of local market expertise and product know-how puts Vienna Insurance Group in an optimal position to continue consolidating its market position in Austria whilst at the same time benefiting from the rising standard of living in the CEE region, with the associated increase in the need for insurance.

## CLOSE CUSTOMER RELATIONSHIPS BASED ON A MULTI-BRAND STRATEGY AND MULTI-CHANNEL DISTRIBUTION

All customers are unique in terms of their personal living circumstances, need for security and retirement provisions, and the way they like to receive advice. This requires considerable flexibility in insurance products, as well as foresight and prudence. Vienna Insurance Group is aware of this and is represented by more than one company or brand and a broad distribution network in most of its markets. Even though every one of the

approximately 50 insurance companies has its own identity and individual strengths, they all follow a common goal: to maintain a closer relationship with customers than others do.

## PARTNERSHIP WITH ERSTE GROUP

The strategic partnership established with Erste Bank in 2008 facilitates long-term cooperation between the two leading financial services providers in the region, which are both firmly anchored in Central and Eastern Europe. Both companies benefit equally from this collaboration. Erste Group branches distribute VIG insurance products and, in return, VIG companies offer Erste Group bank products.

## PEOPLE BEHIND EVERY NUMBER

The approximately 24,000 employees of the 50 insurance companies in the Group are a key success factor. In addition to the commitment, professional advisory services and excellent service they provide, these VIG employees stand out for the diversity of the individual countries they represent. The ongoing development of their employees is of key importance, since only a combination of local market understanding with the personal and professional qualifications of each employee can lead to the best product solutions. To enable women to reach their full potential, VIG also has the goal of creating the conditions necessary to make entry and promotion within the Group more attractive to female employees.





Welcome to the family of  
VIENNA INSURANCE GROUP AG  
Wiener Versicherung Gruppe



<b>AUSTRIA</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>	<b>SLOVAKIA</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>	<b>BULGARIA</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>	<b>UKRAINE</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>	<b>TURKEY</b>  <small>VIENNA INSURANCE GROUP</small> <b>ALBANIA</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>
<b>ITALY BRANCH</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>	<b>POLAND</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>	<b>CROATIA</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>	<b>ESTONIA</b>  <small>VIENNA INSURANCE GROUP</small> <b>LATVIA</b>  <small>VIENNA INSURANCE GROUP</small> <b>LITHUANIA</b>  <small>VIENNA INSURANCE GROUP</small>	<b>MACEDONIA</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>
<b>SLOVENIA BRANCH</b>  <small>VIENNA INSURANCE GROUP</small>	<b>ROMANIA</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>DE VITA VIENNA INSURANCE GROUP</small>	<b>HUNGARY</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small> <b>SERBIA</b>  <small>VIENNA INSURANCE GROUP</small>	<b>RUSSIA</b>  <small>VIENNA INSURANCE GROUP</small> <b>BELARUS</b>  <small>VIENNA INSURANCE GROUP</small> <b>GEORGIA</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>	<b>MONTENEGRO</b>  <small>VIENNA INSURANCE GROUP</small> <b>BOSNIA HERZEGOVINA</b>  <small>VIENNA INSURANCE GROUP</small> <b>GERMANY</b>  <small>VIENNA INSURANCE GROUP</small> <b>LIECHTENSTEIN</b>  <small>VIENNA INSURANCE GROUP</small>
<b>CZECH REPUBLIC</b>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small>  <small>VIENNA INSURANCE GROUP</small> 				

January 2012  
www.vig.com





## AUDITOR'S REPORT





KPMG Česká republika Audit, s.r.o.  
Pobřeží 648/1a  
186 00 Praha 8  
Česká republika

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

### Financial statements

On the basis of our audit, on 27 February 2013 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 2012, the income statement, the statement of changes in equity for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

#### *Statutory Body's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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.

Odborná společnost vedlejší  
fiskální jednotky v Praze  
sml. C. číslo 24188  
IČ 49013161  
DIČ CZ08800386



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 financial position of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group as of 31 December 2012, 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 2012. 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 2012 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  
7 June 2013

*KPMG Česká republika Audit*

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

*R. Gascoigne*

Roger Gascoigne  
Partner

*R. Benešová*

Romana Benešová  
Partner  
Licence number 1834





## FINANCIAL RESULTS



# BALANCE SHEET AS AT 31 DECEMBER 2012

(In thousands of Czech crowns TCZK)

Description	2012 Gross	2012 Adjustment	2012 Net	2011 Net
I. ASSETS				
B. Intangible fixed assets, thereof	211 556	180 761	30 795	27 908
C. Financial placements (investments)	11 077 482		11 077 482	10 395 782
I. Land and buildings (real estate), thereof	6 612		6 612	6 759
a) Land and buildings – self-occupied	6 612		6 612	6 759
II. Investments in affiliated undertakings and participating interests	304 840		304 840	300
1. Participating interests with controlling influence	304 840		304 840	300
III. Other financial placements	10 766 030		10 766 030	10 388 723
1. Shares and other variable–yield securities, other participating interests	609 680		609 680	623 708
2. Bonds and other fixed–income securities	9 817 793		9 817 793	9 310 125
a) bonds and other fixed–income securities valued at fair value through profit and loss	2 444 063		2 444 063	1 718 899
b) „OECD“ bonds held to maturity	6 318 539		6 318 539	6 072 123
c) other bonds and other fixed–income securities held to maturity	1 055 191		1 055 191	1 519 103
4. Other loans	28 730		28 730	
5. Deposits with financial institutions	308 801		308 801	462 122
6. Other financial placements	1 026		1 026	–7 232
D. Financial placements for the benefit of life assurance policyholders who bear the investment risk	759 673		759 673	515 458
E. Debtors	1 020 337	358 472	661 865	817 017
I. Receivables arising from direct insurance operations	870 003	356 555	513 448	718 364
1. Receivables due from the policyholders, thereof	634 671	148 255	486 416	646 517
2. Receivables due from intermediaries, thereof	235 332	208 300	27 032	71 847
II. Receivables arising from reinsurance operations, thereof	110 777		110 777	62 882
III. Other receivables, thereof	39 557	1 917	37 640	35 771

Description	2012 Gross	2012 Adjustment	2012 Net	2011 Net
F. Other assets	196 751	125 813	70 938	65 433
I. Tangible fixed assets other than land and buildings (real estate), and inventories	159 070	125 813	33 257	35 096
II. Cash on accounts in financial institutions and cash in hand	37 681		37 681	30 337
G. Temporary asset accounts	977 783		977 783	910 891
I. Accrued interest and rent	2 298		2 298	2 774
II. Deferred acquisition costs	863 948		863 948	832 177
a) in life–assurance business	550 924		550 924	563 922
b) in non–life insurance	313 024		313 024	268 255
III. Other temporary asset accounts, thereof	111 537		111 537	75 940
a) Estimated receivables	14 162		14 162	3 462
TOTAL ASSETS	14 243 582	665 046	13 578 536	12 732 489



Description	2 012		2011	
II. LIABILITIES				
A. Equity	2 369 290		2 125 976	
I. Registered capital, thereof	1 000 000		1 000 000	
IV. Other capital funds	115 328		52 272	
V. Statutory reserve fund and other funds from profit	90 181		71 668	
VI. Profit or loss brought forward	656 531		646 939	
VII. Profit or loss for the financial year	507 250		355 097	
C. Technical provisions	8 196 158		8 187 078	
1. Provision for unearned premiums				
a) gross amount	1 434 154		1 361 561	
b) reinsurance share (-)	482 150	952 004	498 852	862 709
2. Life assurance provision				
a) gross amount	3 671 080		3 528 647	
b) reinsurance share (-)	3 671 080		3 528 647	
3. Provision for outstanding claims				
a) gross amount	4 556 672		4 669 072	
b) reinsurance share (-)	1 661 579	2 895 093	1 611 255	3 057 817
4. Provision for bonuses and rebates				
a) gross amount	43 519		41 638	
b) reinsurance share (-)	11 449	32 070	14 226	27 412
8. Non-life insurance provision				
a) gross amount	742		318	
b) reinsurance share (-)	371	371	159	159
9. Provisions for liabilities of the Bureau				
a) gross amount	645 540		710 334	
b) reinsurance share (-)	645 540		710 334	
D. Life assurance technical provision where the investment risk is borne by the policyholders				
a) gross amount	759 673		515 458	
b) reinsurance share (-)	759 673		515 458	
E. Provisions	79 445		20 211	
2. Provisions for taxation	49 277			
3. Other provisions	30 168		20 211	

Description	2 012		2011	
F. Deposits received from reinsurers	1 244 460		992 905	
G. Creditors	448 907		416 950	
I. Payables arising from direct insurance operations, thereof	247 770		246 485	
II. Payables arising from reinsurance operations, thereof	58 325		62 645	
V. Other payables, thereof	142 812		107 820	
a) Tax liabilities and payables due to social security and health insurance institutions	51 053		29 303	
H. Temporary liability accounts	480 603		473 911	
I. Accrued expenses and deferred revenues	296 858		281 903	
II. Other temporary liability accounts, thereof	183 745		192 008	
a) Estimated payables	183 745		192 008	
TOTAL LIABILITIES	13 578 536		12 732 489	

# PROFIT AND LOSS ACCOUNT FOR THE YEAR 2012

(In thousands of Czech crowns TCZK)

Description	2012 Base	2012 Subtotal	2012 Result	2 011 Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	4 855 116	x	x	x
b) outward reinsurance premiums (-)	1 866 976	2 988 140	x	x
c) change in the gross provision for unearned premiums (+/-)	42 475	x	x	x
d) change in the provision for unearned premiums, reinsurers' share (+/-)	-17 485	59 960	2 928 180	2 721 207
2. Allocated investment return transferred from the non-technical account (item III.6.)	x	x	369 658	133 992
3. Other technical income, net of reinsurance	x	x	105 128	113 277
4. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	2 792 146	x	x	x
bb) reinsurers' share (-)	876 712	1 915 434	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	-130 016	x	x	x
bb) reinsurers' share (-)	39 732	-169 748	1 745 686	1 660 007
5. Changes in other technical provisions, net of reinsurance (+/-)	x	x	-64 582	-32 693
6. Bonuses and rebates, net of reinsurance	x	x	14 177	13 637
7. Net operating expenses:	x	x	x	x
a) acquisition costs	x	1 348 890	x	x
b) change in deferred acquisition costs (+/-)	x	-19 344	x	x
c) administrative expenses	x	236 092	x	x
d) reinsurance commissions and profit participation (-)	x	599 048	966 590	855 091
8. Other technical expenses, net of reinsurance	x	x	185 135	100 309
9. Změna stavu vyrovnávací rezervy (+/-)	x	x	x	x
10. Sub-total on the technical account for non-life insurance (item III.1.)	x	x	555 960	372 125

Description	2012 Base	2012 Subtotal	2012 Result	2 011 Result
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written		2 104 893	x	x
b) outward reinsurance premiums (-)		53 536	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)		-2 407	2 053 764	1 945 471
2. Income from financial placements (investments):	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	366	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings (real estate)	x	x	x	x
bb) income from other financial placements (investments)	177 813	177 813	x	x
c) value adjustments on financial placements	x	44 204	x	x
d) income from disposal of financial placements	x	94 853	317 236	199 714
3. Unrealised gains on financial placements	x	x	78 922	64 948
4. Other technical income, net of reinsurance	x	x	50 169	64 557
5. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	1 342 873	x	x	x
bb) reinsurers' share (-)	14 439	1 328 434	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	17 445	x	x	x
bb) reinsurers' share (-)	10 593	6 852	1 335 286	1 102 974
6. Changes in other technical provisions, net of reinsurance (+/-):	x	x	x	x
a) life assurance provisions:	x	x	x	x
aa) gross amount	142 433	x	x	x
bb) reinsurers' share (-)	x	142 433	x	x
b) other technical provisions, net of reinsurance	x	244 215	386 648	364 576
7. Bonuses and rebates, net of reinsurance	x	x	5 932	-2 547



Description	2012 Base	2012 Subtotal	2012 Result	2 011 Result
8. Net operating expenses:	x	x	x	x
a) acquisition costs	x	369 937	x	x
b) change in deferred acquisition costs (+/-)	x	12 998	x	x
c) administrative expenses	x	67 620	x	x
d) reinsurance commissions and profit participation (-)	x	25 602	424 953	471 204
9. Expenses connected with financial placements (investments):	x	x	x	x
a) investment management charges, including interest	x	7 418	x	x
b) value adjustments on financial placements	x	10 625	x	x
c) book value of disposed financial placements	x	81 273	99 316	54 984
10. Unrealised losses on financial placements (investments)	x	x	2 935	116 608
11. Other technical expenses, net of reinsurance	x	x	133 258	83 576
13. Sub-total on the technical account for life assurance (item III.2.)	x	x	111 763	83 315

Description	2012 Base	2012 Subtotal	2012 Result	2 011 Result
III. NON-TECHNICAL ACCOUNT	x	x	x	x
1. Result of the technical account for non-life insurance	x	x	555 960	372 125
2. Result of the technical account for life assurance	x	x	111 763	83 315
3. Income from financial placements:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	43 438	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings	x	x	x	x
bb) income from other financial placements (investments)	195 860	195 860	x	x
c) value adjustments on financial placements	x	49 481	x	x
d) income from disposal of financial placements	x	2 492 116	2 780 895	1 733 328
5. Expenses connected with financial placements:	x	x	x	x
a) investment management charges, including interest	x	44 568	x	x
b) value adjustments on financial placements	x	11 754	x	x
c) book value of disposed financial placements	x	2 354 915	2 411 237	1 599 336
6. Allocated investment return transferred to the technical account for non-life-insurance	x	x	369 658	133 992
7. Other income		x	19 155	9 262
8. Other expenses		x	39 224	22 129
9. Income tax on ordinary activities		x	140 133	87 195
10. Profit or loss on ordinary activities after tax	x	x	507 521	355 378
15. Other taxes not shown under the preceding items	x	x	271	281
16. Profit or loss for the financial year	x	x	507 250	355 097

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2012

(In thousands of Czech crowns TCZK)	Registered capital	Own shares	Share premium	Reserve funds	Capital funds	Changes in valuation	Profit (loss)	Total
Balance at 2011/01/01	1 000 000			52 714		53 142	1 004 123	2 109 979
Net profit/loss for accounting period*)							355 097	355 097
Dividends							-330 000	-330 000
Transfers to funds				27 184		-870	-27 184	-870
Reduction of funds				-8 230				-8 230
Balance at 2011/31/12	1 000 000			71 668		52 272	1 002 036	2 125 976
(In thousands of Czech crowns TCZK)	Registered capital	Own shares	Share premium	Reserve funds	Capital funds	Changes in valuation	Profit (loss)	Total
Balance at 2012/01/01	1 000 000			71 668		52 272	1 002 036	2 125 976
Net profit/loss for accounting period							507 250	507 250
Dividends							-320 000	-320 000
Addition to funds				25 505		63 056	-25 505	63 056
Reduction of funds				-6 992				-6 992
Balance at 2012/31/12	1 000 000			90 181		115 328	1 163 781	2 369 290



# NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

## I. GENERAL CONTENTS

I. 1.	Description and principal activities	73
I. 2.	Compliance with legislation	75
I. 3.	Basis of preparation of the financial statements	75
I. 4.	Significant accounting policies	75
(a)	Gross premiums written	75
(b)	Claims paid	76
(c)	Acquisition costs	76
(d)	Deferred acquisition costs	76
(e)	Provision for unearned premiums	76
(f)	Life assurance provision	77
(g)	Provision for outstanding claims	77
(h)	Provision for bonuses and rebates	78
(i)	Equalisation provision	78
(j)	Provision for liabilities arising from the applied technical interest rate	78
(k)	Non-life insurance provision	78
(l)	Provision for the liabilities of the Czech Insurers' Bureau	79
(m)	Life assurance provision where the investment risk is borne by the policyholders	79
(n)	Reinsurers' share of technical provisions	79
(o)	Provisions	79
(p)	Investments	80
(q)	Financial placements for the benefit of life assurance policyholders who bear the investment risk	82
(r)	Expenses and income from financial placements	82
(s)	Tangible and intangible fixed assets	82
(t)	Foreign currency translation	83
(u)	Adjustments	83
(v)	Impairment of assets	83
(w)	Allocation of items between life assurance and non-life insurance	83
(x)	Income tax	84
(y)	Consolidation	84
(z)	Group relations	84

## 73

I. 5.	Changes in accounting policies and procedures	84
I. 6.	Risk management	85
(a)	Non-life insurance risk	85
(b)	Life assurance risk	86
(c)	Market risk	87
(d)	Credit risk	88
(e)	Operational risk	89
(f)	Liquidity risk	89
II.	<b>SPECIAL CONTENTS</b>	<b>90</b>
II. 1.	Non-life insurance	90
II. 2.	Life assurance	91
II. 3.	Total amount of gross premiums written by country	91
II. 4.	Commissions and other acquisition costs for insurance contracts	92
III.	<b>OTHER DISCLOSURES</b>	<b>92</b>
III. 1.	Intangible fixed assets	92
III. 2.	Investment	93
(a)	Shares	93
(b)	Ownership interests	93
(c)	Land and buildings (real estate)	94
(d)	Debt securities	94
(e)	Fair value of financial placements for the benefit of life assurance policyholders who bear the investment risk	95
(f)	Other financial placements - derivatives	96
III. 3.	Receivables and payables	96
(a)	Receivables	96
(b)	Other receivables	97
(c)	Payables	97
(d)	Payables and receivables due to or from the reinsurer	98
III. 4.	Inter-company receivables and payables	98
III. 5.	Tangible fixed assets and inventories	99
III. 6.	Temporary asset or liability accounts	99

	(a) Deferred acquisition costs	99
	(b) Estimated items	99
	(c) Estimated payables	100
III. 7.	Registered capital	100
	(a) Other capital accounts	101
	(b) Revaluation of assets and liabilities at fair value	101
	(c) Planned distribution of the current period profit	101
III. 8.	Technical provisions	102
	(a) Technical provisions summary	102
	(b) Provision for unearned premiums (gross)	102
	(c) Life assurance provision	103
	(d) Provision for outstanding claims	103
	(e) Provision for bonuses and rebates (gross)	104
	(f) Non-life insurance provision (gross)	104
	(g) Provision for the liabilities of the Czech Insurers' Bureau	104
III. 9.	Provisions	104
III. 10.	Contingent liabilities	105
	(a) Litigations	105
	(b) Co-insurance	105
	(c) Membership of the Czech Insurers' Bureau	105
	(d) Membership in the Czech Nuclear Pool	105
III. 11.	Additional disclosures in respect of the profit and loss account	106
	(a) Bonuses and rebates	106
	(b) Administrative expenses	107
	(c) Other technical expenses and income	108
	(d) Employees and executives	108
	(e) Social security and health insurance liabilities	109
	(f) Tax liabilities and subsidies	109
	(g) Statutory, Executive and Supervisory Board members' remuneration	109
	(h) Statutory, Executive and Supervisory Board members' loans and advances	109
	(i) Expense allocation between technical accounts and non-technical account	109
	(j) Result of non-technical account	109
	(k) Profit before tax	109
III. 12.	Taxation	110
	(a) Income tax in the profit and loss account	110
	(b) Deferred tax assets/Deferred tax liabilities	110
III. 13.	Subsequent events	111

## I. GENERAL CONTENTS

### I. 1. Description and principal activities

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

ID number of the Company: 63 99 85 30

#### Principal business activities:

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

#### Registered office of the Company:

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group  
Pobřežní 665/23  
186 00, Praha 8



Members of the Board of Directors and Supervisory Board as at 31 December 2012:

**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, Praha 4 – Písnice, Výletní 357/20 (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 Vlňař, 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 10 – Vršovice, K louži 1261/9 (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  
Pobřežní 665/21, 186 00, Praha 8 – Karlín  
Identification number: 471 16 617

**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.

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.

## 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.

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

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

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

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

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

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

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

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

**n) Reinsurers' share of technical provisions**

Technical provisions are presented as a net liability, i.e. after deduction of the reinsurers’ share. The amount of this share is calculated based on the terms of the 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 settlement, 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.

**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 at fair value. 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 and intermediaries 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 2012, 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.



**b) Life assurance risk**

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

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

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

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

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

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

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

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

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

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

**Reinsurance strategy**

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

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

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

**c) Market risk**

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

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

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

**Asset/Liability management (ALM)**

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

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

**Interest rate risk**

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

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

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

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

**Price fluctuation risk**

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

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

**Currency risk**

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

**d) Credit risk**

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

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

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

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

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

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

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

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

**e) Operational risk**

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

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

**f) Liquidity risk**

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

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

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



## II. SPECIAL CONTENTS

### II. 1. Non-life insurance

Non-life insurance for 2012 and 2011 divided by classes of insurance:

	Gross premiums written	Gross premium earned	Gross claims paid	Gross operating expenses	Reinsurance balance
<b>Direct insurance</b>					
Travel insurance					
2012	36 312	35 908	20 458	9 117	-6
2011	36 319	36 155	15 715	6 365	6
Accident and health insurance					
2012	69 254	69 342	23 287	25 356	-1 697
2011	73 730	74 519	28 363	26 188	-2 462
Motor third party liability insurance					
2012	2 528 286	2 560 522	1 192 796	826 433	-199 693
2011	2 654 134	2 613 488	1 524 543	789 265	-75 621
Property insurance					
2012	626 187	600 753	348 475	195 235	-126 852
2011	550 335	528 619	448 107	168 351	58 384
Liability insurance					
2012	310 973	301 419	141 609	96 311	-32 548
2011	282 847	270 507	132 218	86 266	-21 739
Motor insurance					
2012	920 251	885 068	732 785	272 845	-2 890
2011	858 089	797 593	651 887	245 644	1 118
Atom pool					
2012	18 678	18 593	2 341	2 906	-6 375
2011	21 278	21 240	4 453	2 691	-6 596

	Gross premiums written	Gross premium earned	Gross claims paid	Gross operating expenses	Reinsurance balance
<b>Active facultative reinsurance</b>					
2012	345 175	341 036	200 379	137 435	-1 473
2011	202 132	196 004	99 380	58 384	6 650
<b>Total</b>					
2012	4 855 116	4 812 641	2 662 130	1 565 638	-371 534
2011	4 678 864	4 538 125	2 904 666	1 383 154	-40 260

### II. 2. Life assurance

Gross premiums written in life assurance:

	2012	2011
Individual premium	2 104 893	1 989 784
Premiums under group contracts	0	0
<b>Total</b>	<b>2 104 893</b>	<b>1 989 784</b>
Regular premium	1 917 503	1 798 855
Single premium	187 390	190 929
<b>Total</b>	<b>2 104 893</b>	<b>1 989 784</b>
Premiums from non profit-sharing contracts	518 793	450 153
Premiums from profit-sharing contracts	872 579	959 217
Premiums from contracts where the investment risk is borne by policyholders	713 521	580 414
<b>Total</b>	<b>2 104 893</b>	<b>1 989 784</b>
<b>Reinsurance balance</b>	<b>-2 119</b>	<b>-5 475</b>

### 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

	2012		2011			
	Non-life insurance	Life assurance	Celkem	Non-life insurance	Life assurance	Total
Commissions	869 227	272 174	1 141 401	735 062	155 634	890 696
Other acquisition costs	479 663	97 763	577 426	442 346	99 634	541 980
Change in deferred acquisition costs	-19 344	12 998	-6 346	-47 765	181 653	133 888
<b>Total commissions and other acquisition costs</b>	<b>1 329 546</b>	<b>382 935</b>	<b>1 712 481</b>	<b>1 129 643</b>	<b>436 921</b>	<b>1 566 564</b>

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

III. OTHER DISCLOSURES

III. 1. Intangible fixed assets

Intangible fixed assets of the Company as at 31 December 2012 comprise the following items:

	Software	Other intangible fixed assets	Total
Acquisition cost at 2012/01/01	196 687	268	196 955
Additions	14 601	0	14 601
<b>Acquisition cost at 2012/12/31</b>	<b>211 288</b>	<b>268</b>	<b>211 556</b>
Accumulated dep. at 2012/01/01	168 779	268	169 047
Depreciation expense	11 714	0	11 714
<b>Accumulated dep. at 2012/12/31</b>	<b>180 493</b>	<b>268</b>	<b>180 761</b>
Net book value at 2012/01/01	27 908	0	27 908
<b>Net book value at 2012/12/31</b>	<b>30 795</b>	<b>0</b>	<b>30 795</b>

III. 2. Investment

a) Shares

	Fair value		Acquisition cost	
	2012	2011	2012	2011
<b>Issued by financial institutions</b>				
• Listed on a recognised CR exchangey	4 010	3 330	3 127	3 127
<b>Other</b>				
• Listed on a recognised CR exchange	32 888	3 831	33 103	4 023
• Listed elsewhere	69 077	506 438	69 578	524 721
• Unlisted	503 705	110 109	512 597	94 459
<b>Total</b>	<b>609 680</b>	<b>623 708</b>	<b>618 405</b>	<b>626 330</b>

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	30	36	420	786
V.I.G. ND, uzavřený investiční fond a.s.	10,48	302 006	2 671 000	1 803	63 995		2 897 514
<b>Total</b>		<b>302 306</b>	<b>2 671 300</b>	<b>1 833</b>	<b>64 031</b>	<b>420</b>	<b>2 898 300</b>

\* Data based on audited financial statements

In 2012, the ownership interest in V.I.G. ND, a.s. was increased from 1.46% (as at 2011/12/31) to 10.48%. The present value of this ownership interest (stake) is TCZK 304 540 (value prior to the audit of the Company).



**c) Land and buildings (real estate)**

The amounts stated in this section comprise technical improvement made to third-party property as at 31 December 2012 amounting to TCZK 6 612 (2011: TCZK 6 759).

**d) Debt securities**

Debt securities valued at fair value through profit and loss

	Fair value		Acquisition cost	
	2012	2011	2012	2011
<b>Issued by financial institutions</b>				
• Listed on a recognized CR exchange	32 383	31 449	32 000	32 000
• Listed elsewhere	680 153	268 335	640 908	271 708
• Unlisted	52 215	50 385	50 001	50 001
<b>Issued by government sector</b>				
• Listed on a recognized CR exchange	1 052 936	1 135 965	1 029 825	1 110 967
• Listed elsewhere	68 203	119 404	68 559	114 813
• Unlisted	469 664		469 378	
<b>Other</b>				
• Listed on a recognized CR exchange	15 801	16 730	14 911	14 911
• Listed elsewhere	72 708	96 630	68 534	93 609
• Unlisted				
<b>Total</b>	<b>2 444 063</b>	<b>1 718 899</b>	<b>2 390 979</b>	<b>1 688 009</b>

OECD bonds held to maturity

	Fair value		Amortised value		Acquisition cost	
	2012	2011	2012	2011	2012	2011
Traded on the primary or secondary securities market	7 358 000	6 476 541	6 318 539	6 072 123	6 249 463	5 986 674
<b>Total</b>	<b>7 358 000</b>	<b>6 476 541</b>	<b>6 318 539</b>	<b>6 072 123</b>	<b>6 249 463</b>	<b>5 986 674</b>

Other securities held to maturity

	Fair value		Acquisition cost	
	2012	2011	2012	2011
<b>Issued by financial institutions</b>				
• Listed on a recognized CR exchange	578 942	964 541	495 148	924 068
• Listed elsewhere	211 196	210 691	189 956	209 950
• Unlisted	142 974	245 459	128 078	229 769
<b>Issued by government sector</b>				
• Listed on a recognized CR exchange	11 868		11 271	
<b>Other</b>				
• Listed elsewhere	110 211	98 412	99 973	99 974
<b>Total</b>	<b>1 055 191</b>	<b>1 519 103</b>	<b>924 426</b>	<b>1 463 761</b>

Deposits with financial institutions

	Fair value		Acquisition cost	
	2012	2011	2012	2011
Deposits	308 801	462 122	308 800	462 040
<b>Total</b>	<b>308 801</b>	<b>462 122</b>	<b>308 800</b>	<b>462 040</b>

Other loans

	Fair value		Acquisition cost	
	2012	2011	2012	2011
Repos	28 730	0	28 726	0
<b>Total</b>	<b>28 730</b>	<b>0</b>	<b>28 726</b>	<b>0</b>

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

Description	Fair value	
	2012	2011
Shares and other variable-yield securities	759 673	515 458
<b>Total</b>	<b>759 673</b>	<b>515 458</b>

f) Other financial placements – derivatives

Derivatives intended for trading

	Nominal value		Fair value	
	2012	2011	2012	2011
Fixed term contracts with a positive fair value				
Term currency transactions	654 741	461 504	1 026	-7 232
<b>Total</b>	<b>654 741</b>	<b>461 504</b>	<b>1 026</b>	<b>-7 232</b>

All the above financial instruments were concluded at the interbank market (OTC). The Company records the nominal value of a derivative as an off-balance sheet item. A change of the fair value of a derivative is recognised in the profit and loss account.

Remaining maturity of derivatives

	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Not specified	Total
<b>At 31 December 2012</b>						
<b>Other derivatives – intended for trading</b>						
Term currency transactions	1 026	0	0	0	0	1 026

III. 3. Receivables and payables

a) Receivables

31 December 2012	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	157 794	10 623	24 240	35 600	228 257
Overdue	476 877	224 709	86 537	3 957	792 080
Total	634 671	235 332	110 777	39 557	1 020 337
Adjustment	148 255	208 300	0	1 917	358 472
<b>Total net</b>	<b>486 416</b>	<b>27 032</b>	<b>110 777</b>	<b>37 640</b>	<b>661 865</b>

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	4 147	795 243
Total	714 118	196 239	62 882	37 654	1 010 893
Adjustment	67 601	124 392	0	1 883	193 876
<b>Total net</b>	<b>646 517</b>	<b>71 847</b>	<b>62 882</b>	<b>35 771</b>	<b>817 017</b>

b) Other receivables

	2012		2011	
	Gross amount	Adjustments	Gross amount	Adjustments
Corporate income tax prepayments	0	0	6 762	0
Other prepayments	18 744	0	12 543	0
Loans to employees	9 611	0	6 517	0
Sureties	3 467	0	3 876	0
Other receivables	7 735	1 917	7 956	1 883
<b>Total</b>	<b>39 557</b>	<b>1 917</b>	<b>37 654</b>	<b>1 883</b>

The corporate income tax prepayments are recognised together with corporate income tax liabilities. The receivable for 2011 of TCZK 6 762 was reported in other receivables.

c) Payables

31 December 2012	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	173 747	68 823	58 325	142 215	443 378
Overdue	0	5 200	0	597	5 529
<b>Total</b>	<b>173 747</b>	<b>74 023</b>	<b>58 325</b>	<b>142 812</b>	<b>448 907</b>



31 December 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
<b>Total</b>	<b>180 084</b>	<b>66 401</b>	<b>62 645</b>	<b>107 820</b>	<b>416 950</b>

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

The Company has a net receivable from reinsurers of TCZK 52 452 (2011: a net receivable from reinsurers of TCZK 237).

The Company reports a deposit of TCZK 1 244 460 with reinsurers (2011 – TCZK 992 905).

**III. 4. Inter-company receivables and payables**

Company name	Receivables		Payables	
	2012	2011	2012	2011
Kooperativa pojišťovna, a.s., Vienna Insurance Group	34 055	17 822	11 296	16 741
Kooperativa, poistovna, a.s. Vienna Insurance Group, Bratislava	0	0	4 061	38 158
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	464	0	1	3
VIENNA INSURANCE GROUP Wiener Versicherung Gruppe AG, Vienna	28 849	21 654	26 089	23 266
VIG RE zajišťovna, a.s.	1 809	4 475	10 441	7 114
AIS Servis, s.r.o.	0	0	1 739	1 302
<b>Total</b>	<b>65 177</b>	<b>43 951</b>	<b>53 627</b>	<b>86 584</b>

**III. 5. Tangible fixed assets and inventories**

	Tangible fixed assets	Inventories	Total
Acquisition cost at 2012/01/01	180 334	2 790	183 124
Additions	22 625	0	22 625
Disposals	43 889	2 790	46 679
Acquisition cost at 2012/12/31	159 070	0	159 070
<b>Accumulated dep. at 2012/01/01</b>	<b>148 028</b>	<b>0</b>	<b>148 028</b>
Depreciation expenses	21 067	0	21 067
Disposals	43 282	0	43 282
<b>Accumulated depreciation at 2012/12/31</b>	<b>125 813</b>	<b>0</b>	<b>125 813</b>
Net book value at 2012/01/01	32 306	2 790	35 096
<b>Net book value at 2012/12/31</b>	<b>33 257</b>	<b>0</b>	<b>33 257</b>

**III. 6. Temporary asset or liability accounts**

**a) Deferred acquisition costs**

	2012	2011
Life assurance	550 924	563 922
Non-life insurance	313 024	268 255
<b>Total</b>	<b>863 948</b>	<b>832 177</b>

**b) Estimated items**

	2012	2011
Estimated premiums	8 472	0
Estimated receivables arising from reinsurance operations	5 690	3 462
<b>Total</b>	<b>14 162</b>	<b>3 462</b>

**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 2012.

**c) Estimated payables**

	2012	2011
Estimated payables arising from reinsurance operations	18 990	27 895
Accrued commission (not yet due)	100 584	92 004
Services not invoiced	41 729	34 740
Accruals in respect of untaken holiday	12 931	23 490
Estimated premiums (premiums cancelled)	0	9 291
Other estimated payables	9 511	4 588
<b>Total</b>	<b>183 745</b>	<b>192 008</b>

**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 2012 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 2012, 100%, i.e. TCZK 1 000 000 (2011: 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**

	2012	2011
Subsidy from the parent company	0	0
Revaluation of assets and liabilities at fair value	115 328	52 272
Other capital accounts	0	0
<b>Total</b>	<b>115 328</b>	<b>52 272</b>

**b) Revaluation of assets and liabilities at fair value**

	2012	2011
<b>Balance at 1 January 2012</b>	<b>52 272</b>	<b>53 142</b>
Change in fair value of financial placement	77 252	-1 074
Change in deferred tax	-14 196	204
<b>Balance at 31 December 2012</b>	<b>115 328</b>	<b>52 272</b>

**c) Planned distribution of the current period profit**

<b>Current period profit</b>	<b>507 250</b>
Transfer to legal reserve fund	25 362
Transfer to social fund	8 350
Payment of profit shares	431 200
<b>Profit to be added to retained earnings</b>	<b>42 338</b>

The planned distribution of the profit is subject to approval of the general meeting of shareholders.



III. 8. Technical provisions

a) Technical provisions summary

		Gross amount	Reinsurers' share	Net amount
Provision for unearned premiums	2012	1 434 154	-482 150	952 004
	2011	1 361 561	-498 852	862 709
Life assurance provision	2012	3 671 080	0	3 671 080
	2011	3 528 647	0	3 528 647
Provision for outstanding claims	2012	4 556 672	-1 661 579	2 895 093
	2011	4 669 072	-1 611 255	3 057 817
Provision for bonuses and rebates	2012	43 519	-11 449	32 070
	2011	41 638	-14 226	27 412
Non-life insurance provision	2012	742	-371	371
	2011	318	-159	159
Other technical provisions	2012	645 540	0	645 540
	2011	710 334	0	710 334
Life assurance technical provision where the investment risk is borne by the policyholders	2012	759 673	0	759 673
	2011	515 458	0	515 458
<b>Total</b>	<b>2012</b>	<b>11 111 380</b>	<b>-2 155 549</b>	<b>8 955 831</b>
<b>Total</b>	<b>2011</b>	<b>10 827 028</b>	<b>-2 124 492</b>	<b>8 702 536</b>

The year-on-year decrease in the provision for outstanding claims is mainly due to the reassessment of risks resulting from recourse claims to awarded disability pensions. The impact of the current legal environment was revised with respect to the previous development of the settlement of outstanding claims in the form of annuities with compensation for the loss of earnings, and the continually declining probability of presence of this risk in the future.

b) Provision for unearned premiums (gross)

	2012	2011
Non-life insurance	1 420 484	1 346 267
Life assurance	13 670	15 294
<b>Total</b>	<b>1 434 154</b>	<b>1 361 561</b>

c) Life assurance provision

	2012	2011
Zillmerised provision before elimination of negative provisions	3 677 170	3 548 997
Elimination of negative provisions	-6 090	-20 350
<b>Zillmerised provision presented in the balance sheet</b>	<b>3 671 080</b>	<b>3 528 647</b>

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 2011, the claims payments during 2012 (relating to claims considered in this provision) and the residual amount of this provision as at 31 December 2012.

The net run-off result is as follows:

Insurance class	2012	2011
Motor insurance	33 418	6 526
Motor third party liability insurance	237 523	226 267
Insurance against fire and other damage to property	-40 855	-15 711
Liability insurance	11 196	26 181
Accident and sickness insurance	1 507	-1 474
Life assurance	-10 162	670
Travel insurance	-2 417	587
Other	4 023	326
<b>Total</b>	<b>234 233</b>	<b>243 372</b>

Provision for outstanding claims paid in the form of annuities

The gross provision for outstanding claims in respect of third party liability insurance paid in the form of annuities amounted to TCZK 873 396 after discounting (2011: TCZK 917 978).

The Company used a wage valorisation rate and a disability pension valorisation rate according to the Bureau methodology as at 1 June 2012 (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	2012	2011
Non-life insurance	21 709	25 760
Life assurance	21 810	15 878
<b>Total</b>	<b>43 519</b>	<b>41 638</b>

**f) Non-life insurance provision (gross)**

	Opening balance	Creation	Release	Closing balance
Non-life insurance	318	424	0	742
<b>Total</b>	<b>318</b>	<b>424</b>	<b>0</b>	<b>742</b>

**g) Provision for the liabilities of the Czech Insurers' Bureau**

	Opening balance	Creation	Release	Closing balance
Provision for liabilities of the Bureau	710 334	0	64 794	645 540
<b>Total</b>	<b>710 334</b>	<b>0</b>	<b>64 794</b>	<b>645 540</b>

**III. 9. Provisions**

Type of provision	Opening balance	Creation	Release	Closing balance
Provision for taxes	0	49 277	0	49 277
Provision for employee benefits	20 211	9 697	0	29 908
Provision for litigations	0	260	0	260
<b>Total</b>	<b>20 211</b>	<b>59 234</b>	<b>0</b>	<b>79 445</b>

**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 by the owner, the Capital of Prague.

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

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 plaintiff's claim on 25 November 2011. The court proceedings, however, have not yet been completed by a final and conclusive judgment, as the plaintiff, the Capital of Prague, filed an appeal.

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



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

a) Bonuses and rebates

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

	2012	2011
<b>Gross amount</b>		
Non-life insurance	15 450	10 567
Life assurance	0	0
<b>Total gross amount</b>	<b>15 450</b>	<b>10 567</b>
Reinsurers' share	0	0
<b>Total net amount</b>	<b>15 450</b>	<b>10 567</b>

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

2012	Gross amount	Reinsurers' share	Net amount
<b>Non-life insurance</b>			
Creation	11 400	11 449	-49
Release	15 450	14 226	1 224
<b>Change of balance</b>	<b>-4 050</b>	<b>-2 777</b>	<b>- 1 273</b>
<b>Life assurance</b>			
Creation	21 810	0	21 810
Release	15 879	0	15 879
<b>Change of balance</b>	<b>5 931</b>	<b>0</b>	<b>5 931</b>
<b>Total change of balance</b>	<b>1 881</b>	<b>-2 777</b>	<b>4 658</b>

2011

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

b) Administrative expenses

	2012	2011
Personnel expenses (payroll, social and health insurance)	190 568	199 433
Rental	94 322	77 481
Advisory	5 745	6 069
Energy consumption	12 893	14 531
Material consumption	6 657	5 807
Postage + telephone services	43 927	51 954
Software services	46 411	51 070
Depreciation of tangible and intangible fixed assets	32 927	26 778
Outsourcing expenses	90 129	75 370
Expenses for printing	5 748	5 515
Other administrative expenses	91 519	71 817
Reallocation	-317 132	-270 170
<b>Total administrative expenses</b>	<b>303 712</b>	<b>315 655</b>

The increase in expenses on rental is due to the expenses connected with the moving to the new building of the Company's General Directorate.

The increase in outsourcing expenses is due to increasing the extent of shared functions within the VIG Group in the Czech Republic.

**c) Other technical expenses and income**

2012	Gross amount	Reinsurers' share	Net amount
<b>Non-life insurance</b>			
Other technical expenses	185 135	0	185 135
Other technical income	105 128	0	105 128
<b>Life assurance</b>			
Other technical expenses	133 258	0	133 258
Other technical income	50 169	0	50 169

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

**d) Employees and executives**

The average number of employees and executives and remuneration paid for 2012 and 2011 are as follows:

2012	Average number of employees	Payroll expense	Social and health insurance	Of which other personnel expenses
Employees	715	270 014	93 021	6 130
Executives	71	84 227	20 447	0
<b>Total</b>	<b>786</b>	<b>354 241</b>	<b>113 468</b>	<b>6 130</b>

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
<b>Total</b>	<b>881</b>	<b>360 651</b>	<b>120 887</b>	<b>8 477</b>

The part of the total payroll, social security and health insurance expenses, in the amount of TCZK 190 568 (2011: TCZK 199 433) represents administrative overheads and TCZK 296 369 (2011: TCZK 282 105) accounts for expenses incurred to acquire insurance contracts, of which commission payments amount to TCZK 13 012 (2011: TCZK 24 628) and are disclosed in Note II.4.

The development in the number of employees is due to increasing the extent of shared functions within the VIG Group.

**e) Social security and health insurance liabilities**

Social security and health insurance liabilities total TCZK 12 779 (2011: TCZK 12 673), of which TCZK 8 457 (2011: TCZK 8 863) relates to social security and TCZK 4 322 (2011: TCZK 3 810) relates to health insurance. None of these liabilities are overdue.

**f) Tax liabilities and subsidies**

Tax liabilities total TCZK 35 456 (2011: liabilities of TCZK 16 630), of which a deferred tax liability is TCZK 26 450 (2011: TCZK 10 728).

**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 2012 and 2011:

	2012	2011
Members of the Board of Directors	10 750	2 278
Members of the Supervisory Board	1 077	600
<b>Total remuneration</b>	<b>11 827</b>	<b>2 878</b>

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

In 2012 and 2011, 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 196 996 (2011: TCZK 189 237).

**j) Result of non-technical account**

The result of the non-technical account as at 31 December 2012 was a loss of TCZK 20 340 (2011: a loss of TCZK 13 148).

**k) Profit before tax**

The profit before tax as at 31 December 2012 amounted to TCZK 647 382 (2011: TCZK 442 573).



### III. 12. Taxation

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

	2012	2011
Current period income tax	139 824	97 319
Receivables from paid corporate income tax prepayments decreased by an income tax provision for the current period	0	-6 762
Current income tax relating to prior periods	- 1 216	-1 172
Change in deferred tax asset/Change in deferred tax liability	1 525	-2 190
<b>Income tax in profit and loss account</b>	<b>140 133</b>	<b>87 195</b>

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

Deferred tax assets and liabilities are as follows:

Temporary differences	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Fixed assets	0	0	-2 387	-921	-2 387	-921
Receivables	2 395	2 454	0	0	2 395	2 454
Accumulated losses	0	0	0	0	0	0
Other temporary differences recorded in profit and loss account	0	0	0	0	0	0
<b>Total temporary differences recorded in profit and loss account</b>	<b>2 395</b>	<b>2 454</b>	<b>-2 387</b>	<b>-921</b>	<b>8</b>	<b>1 533</b>
Revaluation of assets and liabilities	0	0	-26 458	-12 261	-26 458	-12 261
<b>Deferred tax asset/liability</b>	<b>2 395</b>	<b>2 454</b>	<b>-28 845</b>	<b>-13 182</b>	<b>-26 450</b>	<b>-10 728</b>

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, 27 February 2013

Signature of the authorised representative

Ing. Jaroslav Besperát  
Chairman of the Board of  
Directors

Mag. Gerhard Lahner  
Member of the Board of  
Directors

REPORT  
OF THE BOARD  
OF DIRECTORS  
ON RELATIONS  
BETWEEN RELATED  
PARTIES PURSUANT  
TO THE PROVISION  
OF SECTION 66A OF  
THE COMMERCIAL  
CODE

SECTION I

ENTITIES INCLUDED IN THE GROUP

1. Controlled person

**Česká podnikatelská pojišťovna, a.s.,  
Vienna Insurance Group**  
with its registered office at Pobřežní 665/23,  
186 00 Praha 8  
Corporate identification number (IČ): 63998530  
Recorded in the Commercial Register kept by the  
Municipal Court in Prague, Section B, Insert 3433 (“ČPP”).

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

2. Controlling person

**Kooperativa pojišťovna, a.s.,  
Vienna Insurance Group**  
with its registered office at Pobřežní 665/21,  
186 00 Praha 8  
Corporate identification number (IČ): 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 an Appendix to  
this report (the list is based on the group financial  
statements of VIG AG as at 31 December 2012).

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 stated in the Appendix to this  
Report.

SECTION III

DECISIVE PERIOD

This Report has been prepared for the last accounting  
period, i.e. for the period between 1 January 2012 and  
31 December 2012.

SECTION IV

CONTRACTS AND AGREEMENTS CONCLUDED  
BETWEEN GROUP ENTITIES IN 2012

1. Contracts and agreements concluded between  
the controlling person (Kooperativa, VIG AG) and  
the controlled person ČPP in 2012
  - a proportional quota reinsurance contract on MTPL  
insurance coverage concluded between ČPP and  
VIG AG.
  - an accidental proportional quota reinsurance  
contract concluded between ČPP and VIG AG.
  - a proportional quota reinsurance contract on  
property insurance coverage concluded between  
ČPP and Kooperativa.
  - a contract on cost sharing in respect of services  
provided by the Customer Support Centre,  
IT, purchasing, services, and financial services  
concluded between ČPP and Kooperativa.
  - contract on sublease of a part of the VIG  
headquarters at Pobřežní 665, Praha 8 concluded  
between ČPP and Kooperativa.
  - a lease agreement for non-residential premises at  
Čeletná 590, Praha 1 concluded between ČPP and  
Kooperativa.
  - Insurance contract No. 3880013411 on  
Comprehensive fleet insurance concluded  
between ČPP and Kooperativa.
  - Appendix No. 23 to insurance contract  
No. 0012341541 on property insurance concluded  
between ČPP and Kooperativa.
  - Appendix No. 3 to mandate contract for an  
insurance agent No. 8720000000 concluded  
between ČPP and Kooperativa.

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 in 2012.
- a contract for outsourcing concluded between ČPP and Global Expert, s.r.o.
  - Appendix No. 1 to insurance contract No. 00138663033 concluded between ČPP and V.I.G. ND uzavřený investiční fond, a.s.
  - reinsurance contracts concluded between ČPP and VIG RE zajišťovna, a.s.
  - Appendices No. 72 – 114 to mandate contract No. 8580000000 for insurance mediation concluded between ČPP and ČPP Servis, s.r.o.

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 2012, no legal acts or other measures were performed in the interest or at the instigation of the related parties.

## 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 person, 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 person, 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.

Prague, 18 February 2013

Signature of the Chairman of the Board of Directors and of a member of the Board of Directors of the controlled person, 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

# APPENDIX TO THE REPORT OF THE BOARD OF DIRECTORS ON RELATIONS BETWEEN RELATED PARTIES

A list based on the VIG group financial statements as at 31 December 2012

Company name	Registered office	Ownership interest (%)
<b>Consolidated companies</b>		
“Grüner Baum” Errichtungs – und Verwaltungsges.m.b.H., Vienna	Austria	100.00
„Schwarzatal“ Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	55.00
„WIENER RE“ akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00
“WIENER STÄDTISCHE OSIGURANJE“ akcionarsko društvo za osiguranje, Belgrade	Serbia	100.00
“Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck“	Austria	94.00
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00
“ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna“	Austria	100.00
“ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., Bucharest”	Romania	99.10
BENEFIA Towarzystwo Ubezpieczen Na Zycie S.A. Vienna Insurance Group, Warsaw	Poland	100.00
BENEFIA Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, Warsaw	Poland	100.00
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00
BML Versicherungsmakler GmbH, Vienna	Austria	100.00
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	100.00
BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia	Bulgaria	95.11
INSURANCE JOINT-STOCK COMPANY “BULSTRAD VIENNA INSURANCE GROUP”, Sofia	Bulgaria	98.00
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00
CAL ICAL “Globus”, Kiev	Ukraine	80.00
CAME Holding GmbH, Vienna	Austria	100.00
CAPITOL, a.s., Bratislava	Slovakia	100.00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00
“Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw”	Poland	100.00

Company name	Registered office	Ownership interest (%)
<b>Consolidated companies</b>		
“Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw”	Poland	99.89
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00
Donau Brokerline Versicherungs- Service GmbH, Vienna	Austria	100.00
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24
DVIB GmbH, Vienna	Austria	100.00
ELVP Beteiligungen GmbH, Vienna	Austria	100.00
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95.00
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95.00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	55.00
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00
GPIH B.V., Amsterdam	Netherlands	91.11
HELIOS Vienna Insurance Group d.d., Zagreb	Croatia	100.00
Interalbanian Sh.a., Tirana	Albania	78.33
International Insurance Company IRAO Ltd., Tiflis	Georgia	100.00
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.98
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
INTERSIG Vienna Insurance Group Sh.A., Tirana	Albania	75.00
Jahorina osiguranje Vienna Insurance Group Joint Stock Company, Pale	Bosnia and Herzegovina	97.56
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00
Joint Stock Company Insurance Company GPI Holding, Tiflis	Georgia	90.00
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00
KAPITOL pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00
Komunálna poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
KOOPERATIVA poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39



Company name	Registered office	Ownership interest (%)
Consolidated companies		
Kvarner Vienna Insurance Group dionicko drustvo za osiguranje, Rijeka	Croatia	99.36
Kvarner Wiener Städtische Nekretnine d.o.o., Zagreb	Croatia	100.00
LVP Holding GmbH, Vienna	Austria	100.00
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH, Linz	Austria	99.81
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	90.00
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	98.56
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
Poistovna Slovenskej sporitel'ne, a.s., Vienna Insurance Group, Bratislava	Slovakia	95.00
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	Czech Republic	95.00
Private joint-stock company Insurance Company “Ukrainian Insurance Group”, Kiev	Ukraine	100.00
Private Joint-Stock Company “JUPITEL LIFE INSURANCE VIENNA INSURANCE GROUP”, Kiev	Ukraine	97.80
PRIVATE JOINT-STOCK COMPANY “UKRAINIAN INSURANCE COMPANY KNIAZHA VIENNA INSURANCE GROUP”, Kiev	Ukraine	99.99
PROGRESS Beteiligungsges. m.b.H., Vienna	Austria	60.00
Projektbau GesmbH, Vienna	Austria	100.00
Projektbau Holding GmbH, Vienna	Austria	90.00
Ray Sigorta A.S., Istanbul	Turkey	94.26
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	92.36
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH,Innsbruck	Austria	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70
SIGMA VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87.01
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00
SVZ GmbH, Vienna	Austria	100.00
SVZI GmbH, Vienna	Austria	100.00
TBI BULGARIA EAD, Sofia	Bulgaria	100.00

Company name	Registered office	Ownership interest (%)
Consolidated companies		
TBIH Financial Services Group N.V., Amsterdam	Netherlands	100.00
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00
V.I.G. ND, a.s., Prague	Czech Republic	100.00
Vienna–Life Lebensversicherung AG Vienna Insurance Group, Bendorf	Liechtenstein	100.00
VIG FUND uzavřený investiční fond a.s., Prague	Czech Republic	100.00
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00
VIG Real Estate GmbH, Vienna	Austria	100.00
VIG–CZ Real Estate GmbH, Vienna	Austria	100.00
VLTAVA majetkovosprávní a podílová spol. s.r.o., Prague	Czech Republic	100.00
WGPV Holding GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	99.90
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00
WSV Immoholding GmbH, Vienna	Austria	100.00
Companies consolidated using the equity method		
AIS Servis, s.r.o., Brno	Czech Republic	100.00
Benefita, a.s., Prague	Czech Republic	100.00
Ceska Kooperativa London Ltd., London	United Kingdom	100.00
ČPP Servis, s.r.o., Prague	Czech Republic	100.00
CROWN–WSF spol. s.r.o., Prague	Czech Republic	30.00
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77
Gewista–Werbe-gesellschaft m.b.H., Vienna	Austria	33.00
Global Expert, s.r.o., Pardubice	Czech Republic	100.00
HOTELY SRNÍ, a.s., Prague	Czech Republic	72.43
Kámen Ostroměř, s.r.o., Ostroměř	Czech Republic	100.00
KIP, a.s., Prague	Czech Republic	100.00
Medial Beteiligungs–Gesellschaft m.b.H., Vienna	Austria	29.63

Company name	Registered office	Ownership interest (%)
Companies consolidated using the equity method		
Mělnická zdravotni, a.s., Prague	Czech Republic	100.00
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	50.12
S IMMO AG, Vienna	Austria	10.04
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	75.06
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	50.12
SURPMO, a.s., Prague	Czech Republic	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00
UNIGEO, a.s., Ostrava-Hrabová	Czech Republic	100.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	50.12
Non-consolidated companies		
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	Montenegro	100.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00
BB C – Building C, s.r.o., Prague	Czech Republic	100.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
Health Insurance Company BULSTRAD HEALTH AD, Sofia	Bulgaria	97.00
CAPITOL Spolka z o.o., Warsaw	Poland	100.00
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	99.99
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00
GEO Hospitals LLC, Tiflis	Georgia	100.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
Joint Stock Insurance Company WINNER LIFE – Vienna Insurance Group Skopje, Skopje	Macedonia	100.00
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58
Pension Insurance Company 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	40.00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00

Company name	Registered office	Ownership interest (%)
Non-consolidated companies		
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG	Austria	100.00
Senioren Residenz gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00
“POLISA-ZYCIE” Towarzystwo Ubezpieczen Spolka akcyjna Vienna Insurance Group, Warsaw	Poland	96.49
Untere Donaulände 40 GmbH	Austria	100.00
Untere Donaulände 40 GmbH & Co KG	Austria	100.00
VBV – Betriebliche Altersvorsorge AG, Vienna	Austria	23.56
Joint stock belarusian-austrian insurance company “Kupala”, Minsk	Belarus	98.26
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna International Underwriters GmbH, Vienna	Austria	100.00
WILA GmbH, Vienna	Austria	100.00
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	100.00
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00



REPORT OF THE  
SUPERVISORY BOARD OF  
ČESKÁ PODNIKATELSKÁ  
POJIŠŤOVNA, A.S., VIENNA  
INSURANCE GROUP ON  
THE RESULTS FOR THE  
YEAR 2012  
INCLUDING A REPORT ON  
CONCLUDING CONTRACTS  
PURSUANT TO SECTION  
196A OF THE COMMERCIAL  
CODE

In 2012, 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 annual financial statements, comprising the complete set of financial statements, for the year ended 31 December 2012. The review was based on the documents presented to the Supervisory Board, information obtained while carrying out its activities, decisions adopted in 2012 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 2012 and 31 December 2012. The documents presented to the Supervisory Board and the controlling activities carried out clearly imply that the Company's accounting records were maintained faithfully in 2012, and that the 2012 financial statements have been prepared in accordance with all relevant legal regulations and accounting policies, and that the Company carried out its business in compliance with the relevant 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 2012 the Supervisory Board did not discuss any contracts pursuant to Section 196a of the Commercial Code.

Prague, on 8 March 2013



Ing. Martin Diviš, MBA  
Chairman of the Supervisory Board

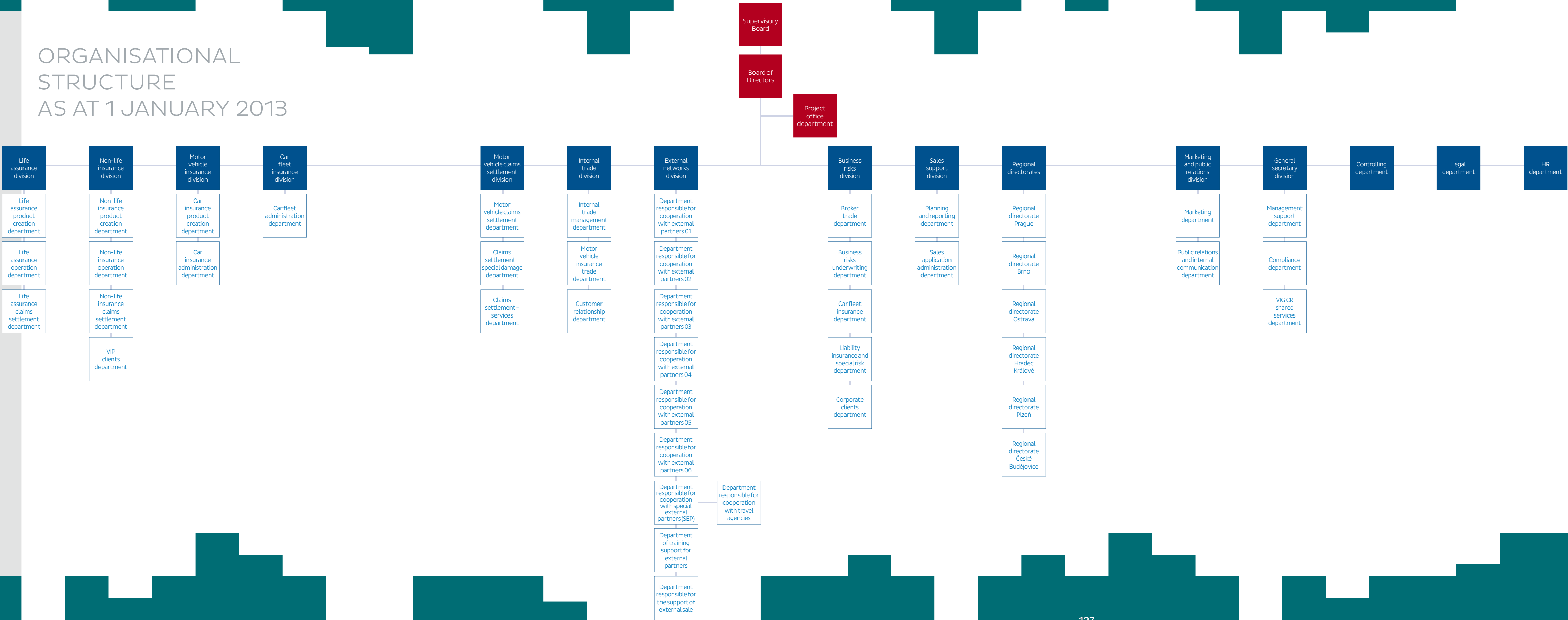




## ORGANISATIONAL STRUCTURE AS AT 1 JANUARY 2013



ORGANISATIONAL  
STRUCTURE  
AS AT 1 JANUARY 2013



LIST OF REGIONAL DIRECTORATES  
AND BRANCH OFFICES  
AS AT 1 JANUARY 2013

Head office

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group  
Pobřežní 665/23, 186 00 Praha 8 client infoline 841 444 555

Brno

Regional directorate:

Brno, Benešova 14/16, 602 00 Brno, Tel.: 542 120 800

Branch offices:

Břeclav, U Stadionu 2144, 690 02 Břeclav, Tel.: 519 322 854

Znojmo, Pražská 2F, 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 directorate:

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, Tovární 197, 381 01 Český Krumlov, Tel.: 380 713 700

Strakonice, Komenského 105, 386 01 Strakonice, Tel.: 383 322 935

Point of sale of the branch office Strakonice, Velké náměstí 6, 383 01 Prachatice, Tel.: 386 311 138

Písek, Fráni Šrámka 167, 397 01, Tel.: 382 215 351

Pelhřimov, Arch. Janáka 2256, 393 01 Pelhřimov, Tel.: 565 322 449

Tábor, Fügnerova 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

Jihlava, Žižkova 13, 586 01 Jihlava, Tel.: 567 300 255

Point of sale of the branch office Strakonice, Jiřího z Poděbrad 772, 386 01 Strakonice



**Hradec Králové**

**Regional directorate:**

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  
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, Barvířská 737, 470 01 Česká Lípa, Tel: 487 853 984  
Děčín, Tyršova 1434/4, 405 02 Děčín, Tel.: 412 520 108  
Point of sale of the branch office Pardubice, Smilova 429, 530 02 Pardubice, Tel.: 466 068 305

**Ostrava**

**Regional directorate:**

Černá louka 78 – Villa Tereza, 702 00 Ostrava, Tel.: 596 123 476

**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 Meziříčí, 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.: 596 123 476  
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  
Prostějov, Hradební 4603/15, 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.: 571 410 004  
Point of sale of the branch office Třinec, Smetanova 9, 737 01 Český Těšín, Tel.: 558 711 225  
Point of sale of the branch office Ostrava, Pode zdí 31/878, 748 01 Hlučín  
Point of sale of the branch office Ostrava, Dr. Martínka 1590, 700 30 Ostrava-Hrabůvka, Tel.: 596 111 515

Plzeň

Regional directorate:

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, Křížíkova 707, 353 01 Mariánské Lázně, Tel.: 354 626 227  
Sokolov, Marie Majerové 1815, 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 alej 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, 323 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, 28. října 780/10, 415 01 Teplice, Tel.: 417 531 007  
Tachov, Boženy Němcové 98, 347 01 Tachov, Tel.: 374 720 311  
Most, Moskevská 3336, 434 01 Most, Tel.: 476 744 980  
Litvínov, DS Chemopetrol RPA, 436 70 Litvínov-Záluží, 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  
Plzeň-město, Slovanská 405/70, 326 00 Plzeň, Tel.: 377 430 253  
Point of sale of the branch office Domažlice, Domažlická 55, 346 01 Horšovský Týn, Tel.: 379 789 310

Praha

Regional directorate:

Budějovická 5, 140 21 Praha 4, Tel.: 261 022 438

Branch offices:

Praha 5, Jindřicha Plachty 25, 150 00 Praha 5, Tel.: 257 319 003  
Praha 9, Jandova 3/10, 190 00 Praha 9, Tel.: 233 901 237  
Praha 2, Korunní 1300/65, 120 00 Praha 2, Tel.: 221 501 310  
Praha 4, Budějovická 3a, 140 21 Praha 4, Tel.: 261 022 559  
Praha 8, Pobřežní 665/23, 186 00 Praha 8, Tel.: 956 451 050  
Mladá Boleslav, U Kasáren 1377, 293 01 Mladá Boleslav, 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



A map of the Czech Republic, colored in a solid blue-grey. The map shows the country's irregular borders and internal administrative divisions, which are outlined in white. The regions are roughly rectangular or polygonal in shape, covering the entire land area of the country. The map is set against a plain white background.



