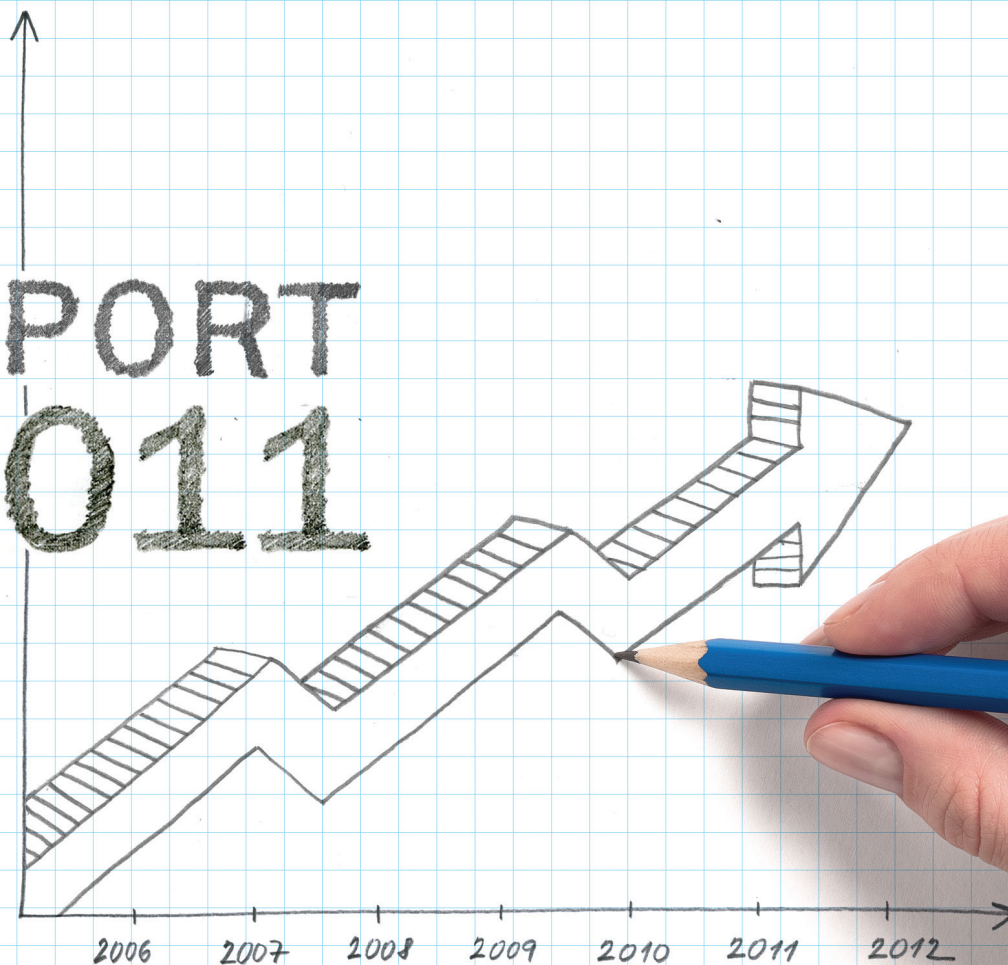
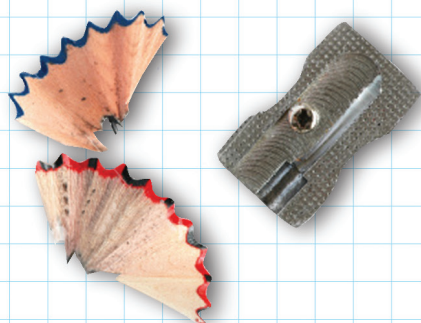


ANNUAL REPORT 2011



Key Figures

Selected Economic Indicators for 2011

in thousands CZK	2011
Assets	27,044,503
Equity	2,694,637
Technical provisions	22,935,205
Profit (loss) of current accounting period	417,615
Total written premiums	10,679,693
of this: life assurance	9,892,180
non-life insurance	787,513
Total costs of insurance claims	5,144,550
of this: life assurance	4,960,057
non-life insurance	184,493

Your Easy Road to Life Assurance

01

Pojišťovna České spořitelny is one of the largest insurance companies in the field of bankassurance on the Czech market. The comprehensive sale of our products, including the subsequent client service, is provided through two distribution networks.

BRANCH OFFICE NETWORK OF ČESKÁ SPOŘITELNA

Together with more than 4,200 consultants from Česká spořitelna, we ensure our insurance products and comprehensive sales and after-sales service are available to our clients at more than 650 locations in the Czech Republic.

POJIŠŤOVNA ČESKÉ SPOŘITELNY'S EXTERNAL NETWORK

Thanks to the roughly 200 external contractual partners, who ensure both the sale of insurance products and also professional customer service, we can guarantee our products are highly available. Our advisers are flexible; being able to meet at a time or place that suits the client's needs.

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Company Profile

03

2011

This year Pojišťovna České spořitelny celebrated its achievements with FLEXI Life Assurance, which won the Zlatá koruna (Golden Crown) competition. At the same time, we won the title Best Insurance Company of 2011 and Most Customer Friendly Insurance Company of 2011. At the start of the year FLEXI Life Assurance underwent some innovations, in which we presented a unique programme, InSpiral, that allows the policy parameters to be modified taking advantage of the product's other benefits. We also introduced bonuses for loyalty and no claims or insurance for recreational sports risks. We have over CZK 10 billion in written premiums and insure more than 1.9 million clients. In cooperation with Centrum Paraple (Paraplegic Centre) and SPID handicap, o.p.s., we continue supporting handicapped citizens and families with children. The Krtek Endowment Fund for children's oncology also received a financial contribution. Our employees are actively involved in the Days for Charity.

2010

In March 2010, FLEXI Life Assurance celebrated its 10th anniversary on the Czech market with more than 900,000 people insured. The company's long-term economic stability was strengthened

by the general meeting in May, when it was decided to increase the basic capital by CZK 782.9 million to a total of CZK 1.9 billion. Pojišťovna České spořitelny also enjoyed success in various competitions. Our core product FLEXI Life Assurance defended its victory from the previous year in the Zlatá koruna (Golden Crown) competition in the Life Assurance category. We came first place in the category Insurance Company of 2009 – Life Assurance and in one of the competition's main categories, Insurance Company of 2009, we defended our victory for the fourth time in a row. Petr Zapletal, Chief Executive Officer of Pojišťovna České spořitelny, also won an award in the first year of the Insurance Man of the Year competition. The success of 2010 was also underscored by the fact that for the first time in our history we managed to exceed the limit of 9 billion in written premiums.

2009

At the beginning of 2009, we presented the new comprehensive FLEXI Life Assurance, which merged the products FLEXI, FLEXI INVEST²⁰⁰⁸ and FLEXI H-FIX into a single product. The quality of this insurance is testified to by the fact that more than 200,000 clients made use of FLEXI Life Assurance in 2009 and also the number of awards the insurance product won. In the Fincentrum Bank of the Year competition FLEXI Life Assurance won the Life Assurance of 2009 category, it won two of the highest awards in the Zlatá koruna (Golden Crown) competition, those being in the categories of Life Assurance and Innovation of the Year. In the Insurance Company of 2008 competition, we won in all categories relating to life assurance. The Association of Czech Insurance Brokers awarded us the highest award in the categories of Insurance Company of 2008 in Life Assurance, Innovation of Insurance Products, Cooperation with Brokers and in the category of Settling Claims. The FLEXI Life Assurance product crowned its success with a victory in the category of Insurance Product of 2008. In 2009, the company name was changed to: Pojišťovna České spořitelny, a.s., Vienna Insurance Group.

2008

In September 2008 Pojišťovna České spořitelny became a member of the Vienna Insurance Group. In the same year FLEXI INVEST²⁰⁰⁸ Investment Life Assurance was voted winner in the category of Life Assurance of 2008 in the MasterCard Bank of the Year 2008 competition. At the same time, we won the Stříbrná koruna (Silver Crown) in the Life Assurance category. Likewise in 2008, the Association of Czech Insurance Brokers awarded us Insurance Company of 2007 in Life Assurance and the FLEXI product won the highest award in the Insurance Product category. We were awarded the title of Best Insurance Company in the area of Settlement and Innovation in Insurance Products.

2007

2007 was marked by important product changes. We innovated one of the most successful products, the FLEXI Flexible Life Assurance, we introduced a new type of investment life assurance, FLEXI H-FIX, and for 2008 we prepared an innovation to the FLEXI INVEST Investment Life Assurance.

2006

During 2006, we strengthened our position in the life assurance market thus vindicating our ranking among the five major life assurance companies. In addition, we gained the title Insurance Company of 2006 in the Life and Accident Insurance category in a survey organised by the Association of Czech Insurance Brokers. The number of our clients exceeded half a million.

2005

In 2005, we came up with several product innovations. The KVATRO and HYPOTÉKA Credit Life Assurance products made their mark among insurance representatives. At the end of the year, the product portfolio insurance was enriched by a new insurance scheme for children, which is characterised by high flexibility, copying the needs of the child or the family. It went under the name of JUNIOR Flexible Life Assurance.

2004

From 2004 onwards, we only specialise in the sale of Life Assurance, that being by means of the Česká spořitelna branch network and selected external networks. However, the Česká spořitelna Financial Group continues to offer its clients certain products by means of its strategic partner. We operate as the “competence centre“ of the Česká spořitelna Financial Group and, together with a strategic partner, the Kooperativa insurance company, we provide highly standardised general insurance products intended for the Česká spořitelna branch network. A significant addition to our products was the FLEXI INVEST Investment Life Assurance that offers clients a choice of three investment programmes and a wide range of insurance for life risks.

2003

With regard to the development of the insurance market in the Czech Republic and the European Union, and also with regard to the fact that Česká spořitelna and the Erste Bank Group specialise in the area of life assurance and bankassurance, in late 2003 the shareholders of Pojišťovna České spořitelny decided to sell the non-life insurance part of the company to Kooperativa.

2001

Under the influence of the transformation of Česká spořitelna and its entire Financial Group, as of 17 September 2001 we took on the new name of Pojišťovna České spořitelny. The change in the business name is related to the changes in the corporate colours, names and logos of the entire Česká spořitelna Financial Group, which are based on the composition of its majority owner – Erste Bank. There were also changes in the area of providing services to clients and the company's management culture. There was development in sales of our insurance products offered in Česká spořitelna's network of branches, in what is now called bankassurance.

2000

Within the framework of privatising Česká spořitelna we also underwent a thorough legal and financial audit. This resulted in a new shareholder entering at the end of 2000. The largest Austrian life assurance company, Sparkassen Verisicherung a member of the Erste Bank Financial Group, acquired a 45% stake in the company by increasing the basic capital by CZK 500 million. We put FLEXI Flexible Life Assurance on the market, a unique product for a new generation.

1995–1999

In 1995, we were the first insurance company in the Czech Republic to put insurance for very serious diseases onto the market, during which a claim is made in the case of a disease diagnosis. An important milestone in the insurance company's history was the capital input of Česká spořitelna in 1995, which, in addition to the required capital base, brought the background of the strongest financial group in the Czech Republic. The importance of a good quality shareholder structure was demonstrated in 1997, when the whole insurance market was negatively hit by the impact of extensive flooding.

1992–1994

Pojišťovna České spořitelny was founded in 1992 using Czech private capital. In January 1993, we began our insurance activities under the name Živnostenská pojišťovna. Our aim was to provide insurance services, in particular to the rising business sphere. With the development of insurance activities, we also started to expand our offer of insurance schemes for the general public.

Opening Statement by the Chairman of the Board of Directors

Dear clients, shareholders, business partners,

In 2011 Pojišťovna České spořitelny did well. We have reinforced our position on the market and won several awards for the work we've done. This is proof that what we're doing, we're doing properly. This fact is all the more valuable, because, for several years in succession now, the economic situation has been unstable. The media exaggerates the black scenarios of market development. Fears of what the future will bring makes clients cautious. There is strong competition in the field of life assurance; the fight for clients' favours is more difficult every year and only the company that keeps a pro-client approach and top-rate services will win.

In 2011, FLEXI Life Assurance, Pojišťovna České spořitelny's core product, underwent a very important innovation in the framework of the InSpiral programme. This revolutionary programme allows clients who have an older FLEXI policy to switch to a new version of the FLEXI Life Assurance product. Clients can take advantage of any future product improvements and change the parameters of their policy according to their current needs, without the need to start a new policy. A new benefit for clients was warmly received – insurance for recreational sports risks - up to 30 free days a year and easy activation by sending an SMS message.



Petr Zapletal
Chairman of the Board of Directors

The awards that the FLEXI Life Assurance gained testify to the quality of the products and the professional approach of Company employees and those of its partners. We came first place in the category Life Assurance for 2011 in the Zlatá koruna (Golden Crown) competition. In the Hospodářské noviny (Economic Newspaper) competition, we were awarded Best Insurance Company of 2011 and Most Customer Friendly Insurance Company of 2011.


Despite the unfavourable outlooks of analysts, we have shown continued growth in regular and single written premiums. We have managed to go beyond the magic figure of CZK 10 billion in written premiums and we've recorded an increase of 16% compared with the previous year. The high commitment of our staff and partners, together with a strong and innovative product contributed to us taking third place among insurance companies offering life assurance with a market share of 11.7% in the amount of written insurance policies.

09

I realise that, nowadays, business charm alone will not gain a client's trust. It is necessary to listen to their wishes and needs, to be able to help them select the most appropriate product using suitable arguments and be at hand during those difficult situations in their life. The advisor becomes the client's partner. I would also like to thank all of our partners very much for maintaining a professional approach and a human face.

Gaining the client's trust is the first step, but not the only one. The first claim will soon show how solid a basis the relationship between the client and the insurance company has. I would like to thank all my colleagues who are constantly working to improve the processes in the company and the offer of competitive and interesting products for clients.

I believe that we are able to fulfil our clients' ideas about an insurance company and that their satisfaction will contribute to us maintaining their goodwill in the future.

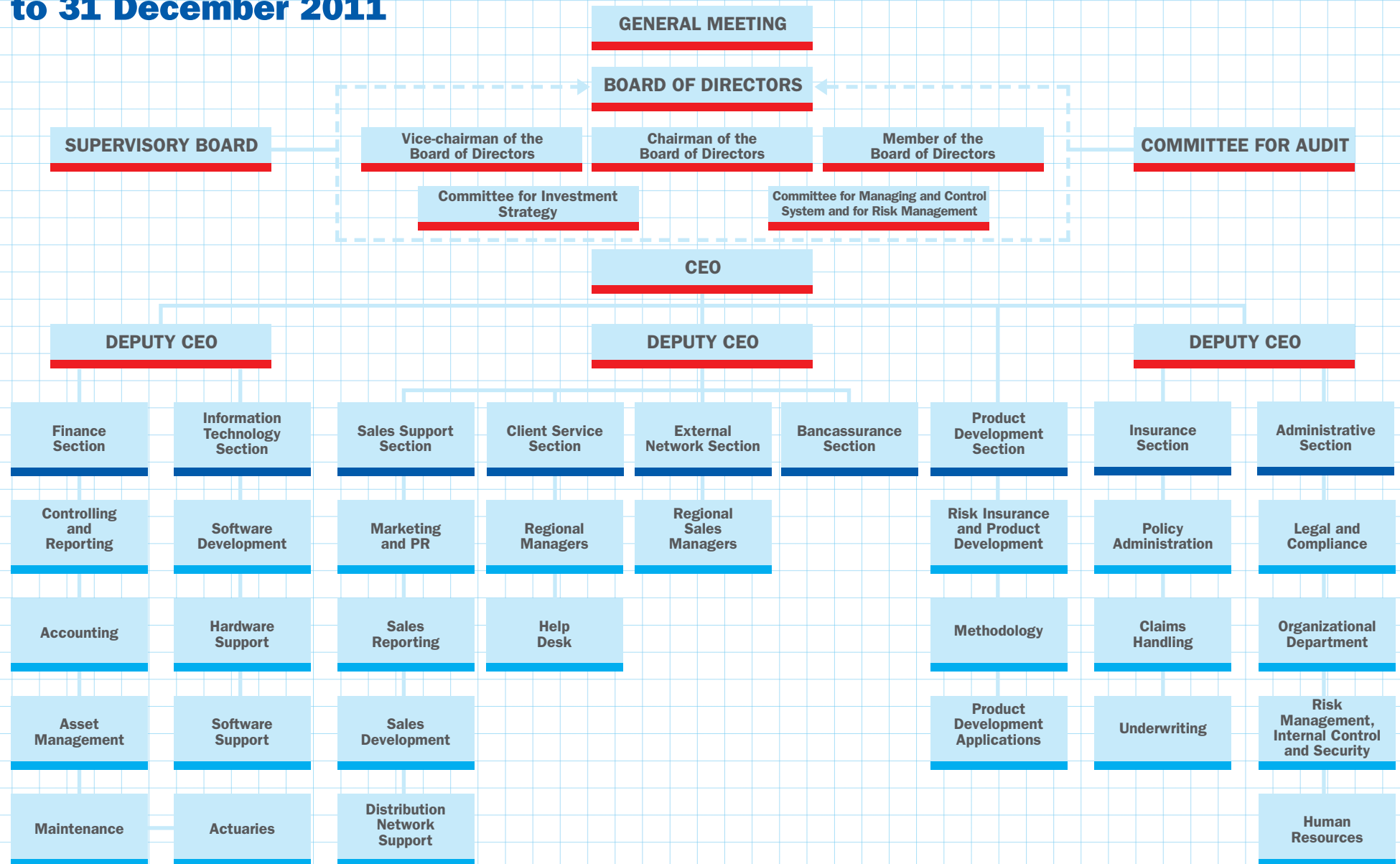


Petr Zapletal
Chairman of the Board of Directors

Development in the Most Important Economic Indicators

in thousands CZK	2008	2009	2010	2011
Assets	18,058,922	20,421,310	24,428,665	27,044,503
Equity	1,639,464	2,209,387	2,746,078	2,694,637
Financial placements	17,267,897	18,953,205	22,541,660	24,742,299
Technical provisions	15,918,644	17,344,804	20,739,591	22,935,205
Profit (loss) of current accounting period	220,522	619,151	603,105	417,615
Total written premiums	6,680,097	6,962,601	9,202,722	10,679,693
of this: life assurance	6,593,163	6,855,813	8,519,754	9,892,180
non-life insurance	86,934	106,788	682,968	787,513
Total costs of insurance claims	4,577,395	4,058,139	3,503,734	5,144,550
of this: life assurance	4,540,369	4,005,190	3,401,100	4,960,057
non-life insurance	37,026	52,949	102,634	184,493
Number of policies concluded as at 31 December 2011 (pcs)	597,304	673,978	734,441	774,902
of this: life assurance	562,084	631,332	688,063	726,187
non-life insurance	35,220	42,646	46,378	48,715
Average number of employees	154	173	196	221

Organizational Structure to 31 December 2011



The Company does not have any branch abroad.

Members of the Company's Executive Bodies at 31 December 2011

Members of the Supervisory Board

Chairman of the Supervisory Board

Martin Diviš – Chairman of the Board of Directors of Kooperativa Pojišťovna, a.s.,
Vienna Insurance Group

Vice-chairman of the Supervisory Board

Erwin Hammerbacher – member of the Board of Directors of Sparkassen Versicherung AG

Member of the Supervisory Board

Karel Kopecký – Head of the Legal and Compliance Department of Pojišťovna České spořitelny,
a.s., Vienna Insurance Group

Member of the Supervisory Board

Petr Kohoutek – Head of the Insurance Department of Pojišťovna České spořitelny, a.s., Vienna
Insurance Group

Member of the Supervisory Board

Roland Gröll – member of the Board of Directors of Vienna Insurance Group AG Wiener
Versicherung Gruppe, since 28 April 2011

Member of the Supervisory Board

Vít Rozsypal – Head of the Economic Division of Kooperativa pojišťovna, a.s., Vienna Insurance
Group, until 14 April 2011

Member of the Supervisory Board

Aleš Mamica – Chairman of the Board of Directors of Realitní společnost České spořitelny, a.s.,
until 30 November 2011

Members of the Board of Directors

Chairman of the Board of Directors

Petr Zapletal

Vice-chairman of the Board of Directors

Jaroslav Kulhánek

Member of the Board of Directors

František Mareš

Report of the Board of Directors

13

The assessment for 2011 did not bring the expected improvement in economic growth. Politicians did not manage to submit a clear solution and reply to the ongoing economic and financial problems. Apart from Greece, other euro-zone countries also suffered from the debt crisis, increasing nervousness on financial markets. Thus, there was nothing to calm them and so they showed great volatility in yields over the year. 2011 culminated in the preparation of the draft pension and tax reforms and at the end of the year the pertinent draft proposals governing the conditions for pension insurance and, above all, changes to the tax laws in relation to introducing a “single collection site” went through the approval process. These events were reflected in consumer behaviour and the year-on-year development in life assurance showed a very small change in the form of a market growth of 0.3%, i.e. the market stagnated. This was influenced by an interannual drop in single payment premiums and overall market growth was protected from a deeper drop by a growth of over 2% in regular premiums.

There is still fierce competition in the life assurance market in the area of motivating distributors, new product offers and seeking ways to reduce the percentage of insurance policies that end prematurely. Management distinguished itself by the final preparations necessary for ensuring

compliance with the requirements set out in Solvency II and also its endeavours to secure the requirements for implementing an identical approach to assessing the risks of men and women i.e. gender risks.

In 2011, the main tasks of the Board of Pojišťovna České spořitelny were to ensure the planned dynamic growth in written premium and improve its quality, whilst ensuring the expected profitability from insurance activities for the owners and further increase the quality of the services for clients and business partners.

The business objectives for 2011 stemmed from the tried-and-tested mix of distribution pathways based on further developing the sale of insurance in the branch offices of Česká spořitelna, including expanding the financial services in the form of comprehensive financial products and on co-operating with external financial partners. The product offer was built on the FLEXI Life Assurance product for both distribution channels and banking products were supplemented with insurance for various kinds of loan agreements so that the client has a comprehensive financial service in one contract i.e. a banking product including the offer of insurance against risks associated with the banking service provided in the form of selected kinds of life and general insurance.

In 2011 too, there was a further deepening of synergy and incorporation of the Company into the organisational structures of the concern VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, as well as into the companies of the VIENNA INSURANCE GROUP operating in the Czech Republic. The results from this and the overall assessment for 2011 confirm that the Board managed to fulfil its tasks.

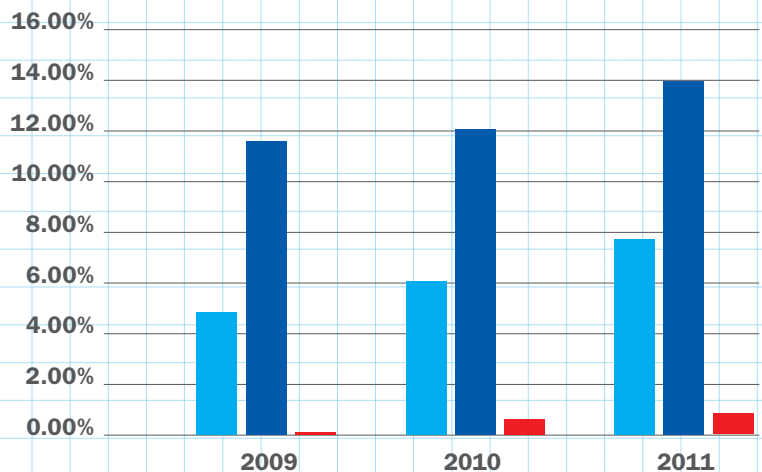
The life assurance market in the Czech Republic stagnated last year. An assessment of the development of the written premium is more difficult because the heads of the Czech Association of

Insurers decided to change the evaluation of written premium for single payment insurance, which is demonstrated in the form of a conversion amounting to a tenth of the total written premium. The volume of written premium for life assurance came to CZK 70.76 billion, which represents a mere 0.3% growth (last year the growth was 19.24%). If we look at the structure of written premium by the payment method, then regular premiums showed an annual growth of 2.2%, despite this single payment premiums fell by 2.4%, though with regards to its smaller share in total written premium, the market only showed growth of 0.3%, as mentioned above.

The development of written premium in Pojišťovna České spořitelny was very different to that of the market. The total year-on-year increase in life assurance came to 16.3%. The structure of written premium by payment method showed growth of 16.3% in regular premiums. The development of single payment insurance premiums corresponded to that of an insurance company with a distinct percentage of sales coming through a banking network, which Česká spořitelna is, and in comparison with the previous year, there was also a growth of 15.9%. The assessment of the development in the growth of written premium for Pojišťovna České spořitelny was very positive compared to the stagnating market.

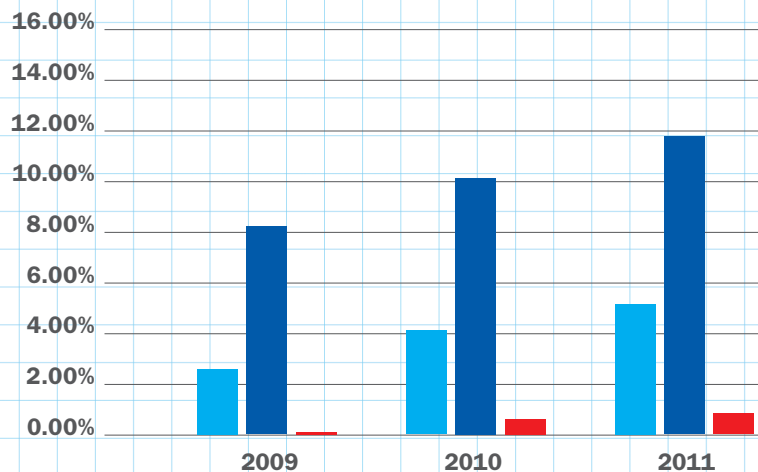
In 2011, Pojišťovna České spořitelny maintained its ratio of regular premiums to single payment life assurance premiums. Life assurance with regular policies was over 48.5% of the overall life assurance portfolio with a volume amounting to CZK 4,802 million. Single payment insurance premiums came to CZK 5,090 million and made up 51.5% of the total written life assurance totalling CZK 9,892 million. This makes Pojišťovna České spořitelny the second largest life assurance company on the market. The business results represent a total market share of 14%. The interannual growth in general insurance was 15%, which corresponds to insurance totalling CZK 787.5 million. It concerns insuring sick leave and loss of employment for Česká spořitelna clients. The development of the market share is documented in both statistical methods in the graphs below.

Development of the market share in the insurance market by written premium (%)



- Total
- Life assurance
- Non-life insurance

Development of the market share in the insurance market by written premium (%)



* with a converted single payment premium on the basis of 10 years

- Total*
- Life assurance*
- Non-life insurance*

In 2011, Pojišťovna České spořitelny received the following awards from the professional public for its business success, for the way it communicates with its clients and business partners and its sales service:

- **Zlatá koruna (Golden Crown) 2011 – 1st place in the Life Assurance category**
- **Hospodářské noviny (Economic Newspaper) Prize – Best Insurance Company of 2011 and the Most Customer Friendly Insurance Company of 2011**

Products

Product innovation was dominated by the newly introduced InSpiral programme. This programme allows our clients to use the quality of the latest version of the FLEXI product, even those that bought the FLEXI Life Assurance in an older version. Our aim was to make an affordable change to the older version of FLEXI, without losing any of the tax and other advantages associated with the FLEXI product.

Over the year, we introduced a loyalty programme supporting long-term forms of insurance and putting some of the funds by for the post-productive age and also a programme motivating clients to behave in a manner that doesn't lead to claims. In 2011, we also implemented a slight innovation in the FLEXI Life Assurance product, which stemmed from our experiences in sales of FLEXI, which were primarily focused on increasing our clients' insurance cover and simplifying acquisitions and administration.

We further introduced a process, in electronic form, for opening insurance policies with our business partners, which fully replaces the paper forms, making it easier to control and easing communications with the client and the insurance broker. We have made an insurance calculator available

for our clients, which, in a simplified form, allows them to simulate “tailor-made” insurance. In cooperation with Česká spořitelna, we have modified a popular product, SERVIS 24, so it can now administer insurance. A client can now search for data on their insurance, make certain changes to it and use the E-invoice to make insurance payments.

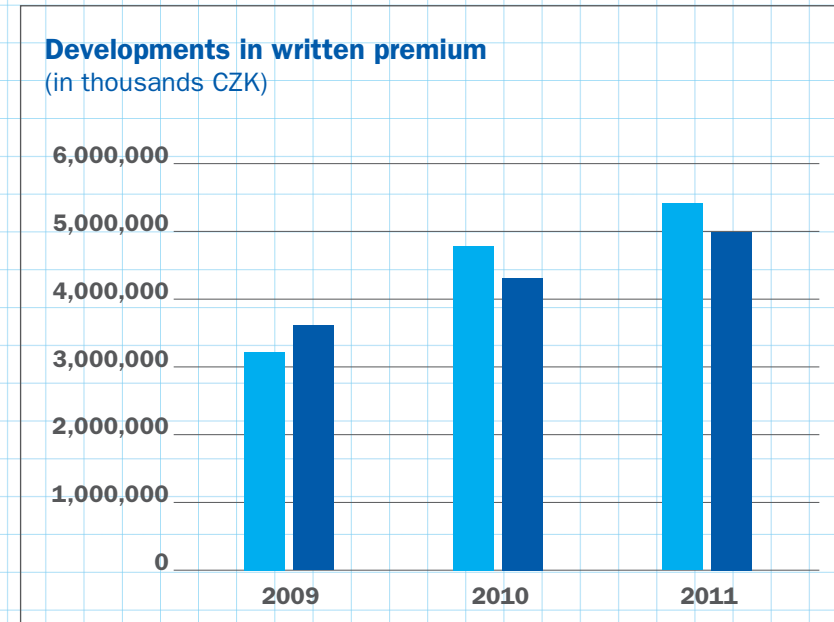
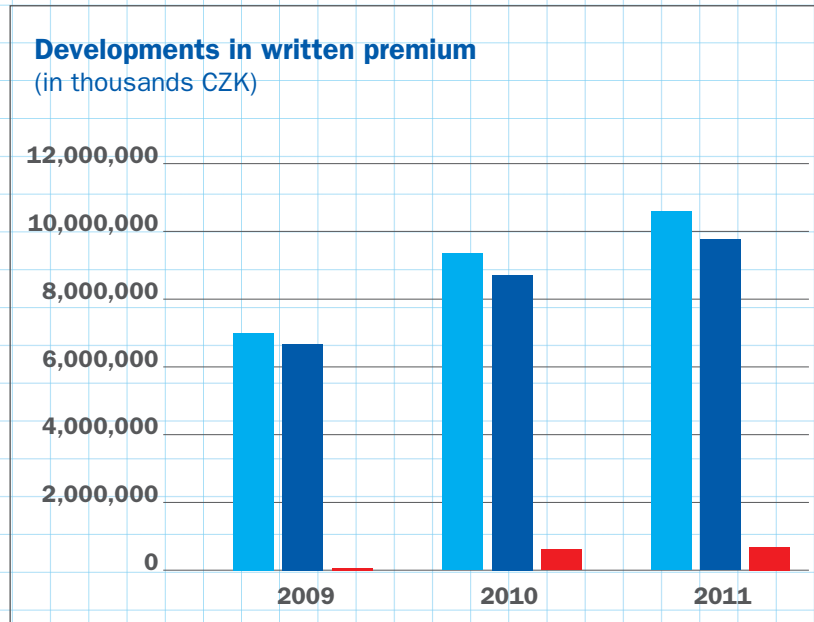
Thus, the FLEXI Life Assurance has gradually become our top offer and its properties cover the requirements for covering life risks and the requirements for long-term investment of the funds. Currently this insurance is able to cover all of the individual requirements for risk as defined by the client, almost without limitation. Moreover, the extent of the insurance cover is supplemented by above-standard options to cover the requirements for investing the funds. The nature of FLEXI has enabled us to enter into a new form of communication under the title “We like changes”, based on the possibilities of an open insurance contract, which can accompany us through all of life’s situations and demands for our entire life.

Besides selling individual insurance last year, our cooperation with Česká spořitelna also deepened. There was continuing development in group insurance, which covers the risk of death and disability for the bank’s clients, including insuring the inability to pay credit from loss of employment or sick leave. Adopting and providing the latter risks was a culmination of the strategic decision to provide insurance cover entirely by means of Pojišťovna České spořitelny.

Developments in written premium

On one hand regular premium’s growing percentage (52.3%) of overall insurance is influenced by the growth of non-life insurance in association with the provision of insurance services to clients of Česká spořitelna in the form of group insurance, but also by the long-term strategy focused on a growth in regular life assurance premiums (48.5%).

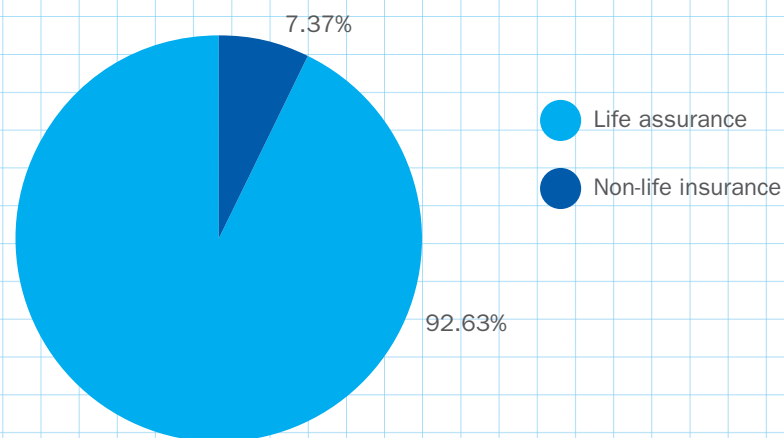
Despite the volatile financial markets in 2001, we increased the value of our clients’ funds by 1.66 – 6.50% depending on the type of insurance product.



- Total insurance
- Life assurance
- Non-life insurance

- Regular premium
- Single payment premium

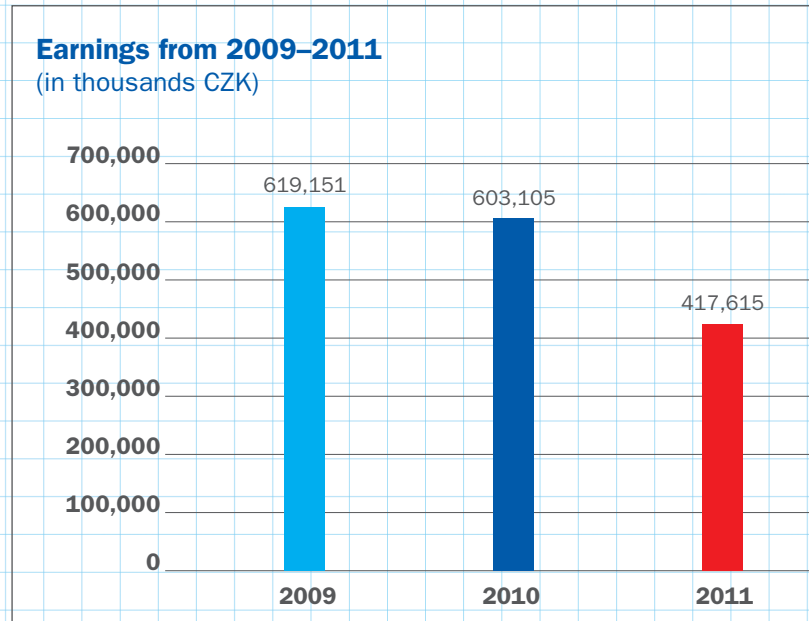
The structure of written premium in 2011



Financial results

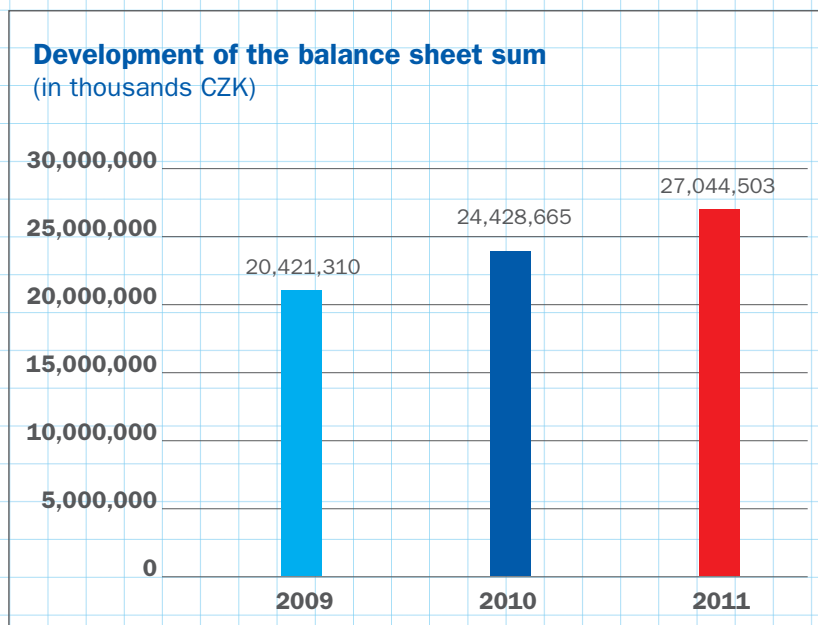
In 2011 the insurance company made a profit of CZK 417.6 million.

Earnings were positively influenced by a growth in written premium. Developments on the financial markets had a negative effect on earnings. Even in 2011 the nervousness and risk aversion continued, which was a reflection of the unsatisfactory solutions to the financial and economic problems of the global economy. Technical provisions came to CZK 20,780.02 million, which is an increase of 13% in comparison with 2010. On the balance sheet date, these provisions had the following structure: provisions for unearned premiums – CZK 44.3 million, life assurance provisions – CZK 19,380.8 million, provisions for outstanding claims – CZK 1,275.2 million and other provisions – CZK 79.72 million. In 2011, absolute growth in provisions increased by CZK 2,498.52 million compared to 2010.



The amount of these provisions is created in accordance with the current legislation and means the necessary security for covering future claims from insurance events.

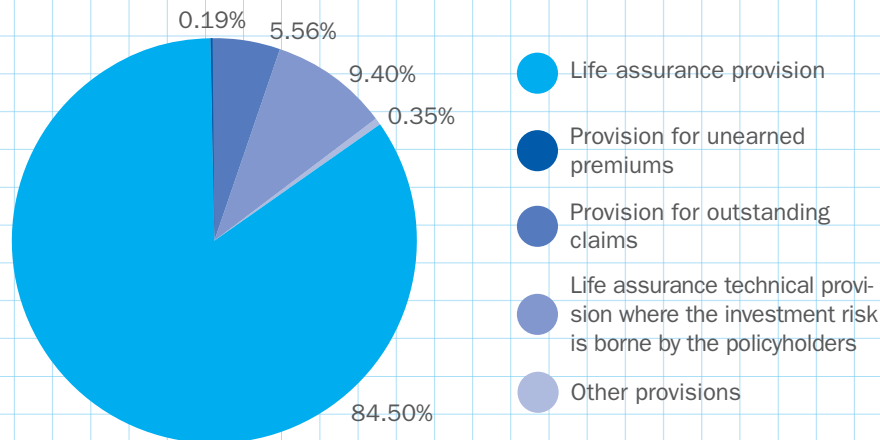
The year-on-year life assurance technical provisions where the investment risk is borne by the policyholders, fell by 12.3% to a total amount CZK 2,155.2 million. This fall is indubitably a result of the problems on the financial markets discussed above, accompanied by a fall in prices and lower consumer willingness to take on greater risk for resources entrusted to insurance.



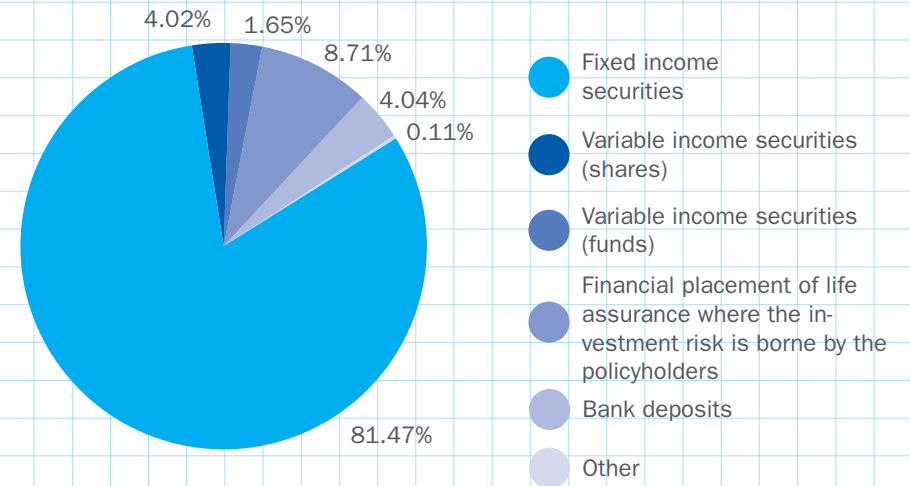
Above all, the volume of technical provisions specified the funds' financial placement, which represents more than 82% of the company's assets. The portfolio of financial placements is spread between different types of financial instruments in accordance with the current legislation and in accordance with the requirements of the regulator (Czech National Bank). The structure of the portfolio of investments, which is given in the attached chart, is drawn up so as to cover the long-term insurance commitments and, at the same time, to ensure the safety of our clients' investments. The financial placements are managed in cooperation with the professional investment banking departments of Česká spořitelna.

Pojišťovna České spořitelny meets the requirements and demands for solvency and exceeds the solvency margin limits placed on life assurance. This creates sufficient confidence in its customers that it will cover its commitments arising from insurance contracts. In the field of reinsurance, Pojišťovna České spořitelny bases its strategy on a prudent reinsurance structure and its long-term cooperation, with the renowned reinsurance company Swiss Re.

The structure of technical provisions in 2011



The structure of financial placement in 2011



Pojišťovna's management and control system

During 2011, the Board continued in its endeavours to ensure Pojišťovna České spořitelny's management and control system is stable, functional and effective. The measures taken in connection with meeting the requirements laid down by Decree No. 434/2009 Coll., which enacts certain provisions of the act on the insurance industry, have been fully implemented. It was ensured that the management and control system covers all of Pojišťovna České spořitelny's activities. The system enables risks to be methodically and systematically assessed and managed. The control system is characterised by:

- ensuring its functionalities;
- modifying both organisation and processes so that there is no conflict of interests and that the company's commercial and other activities are separated;
- identifying risks that Pojišťovna České spořitelny is exposed to during its activities, including the processes leading to their management and control.

Through year long project management, the Board led the process of implementing the requirements of Solvency II.

During the last year Pojišťovna České spořitelny confirmed its financial stability on the basis of the parameters set by the Czech National Bank. Set models of behaviour have tested the its ability to fulfil its commitments under the influence of modelled changes in the valuation of assets due to shocks and failures in the financial markets. The calculations verified the financial requirements and the company's ability to cover its commitments arising from insurance policies.

According to the internal and external controls and audits carried out, the Pojišťovna České spořitelny's management and control system is effective and gives the Board sufficient information to effectively and prudently manage the company.

Report of the Supervisory Board

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In 2011, the Supervisory Board of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, continuously performed the tasks assigned to it by law and the Company's Articles of Association. As the supervision and controlling body of the Company, the Supervisory Board oversaw the Board of Directors' exercise of its authority as well as the Company's business operations. The Supervisory Board was kept regularly informed of the Company's operations, financial situation, checked fulfillment of General Meeting resolutions, reviewed reports of the external auditor and provided the Company's management with suggestions and recommendations on how to improve the situation in the Company. The Supervisory Board reviewed the submitted financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, as at December 31, 2011 and came to the conclusion that the accounting records were kept in a clearly supportable manner in accordance with valid accounting regulations and the Company's Articles of Association.

The Annual Financial Statements were audited by the company KPMG Česká republika Audit, s.r.o., which confirmed that the financial statements present fairly, in all substantial respects, the assets, liabilities and shareholders' equity of Pojišťovna České spořitelny, a.s., Vienna Insurance

Group, as of December 31, 2011 and the result of its business operations for 2011 in accordance with the Accounting Act and other applicable regulations of the Czech Republic. The Supervisory Board took the Auditor's report into account.

The Supervisory Board checked the Report on Relations in accordance with § 66a section 9 and 10 of the Commercial Code submitted by the Board of Directors of the Company and stated that Pojišťovna České spořitelny, a.s., Vienna Insurance Group, did not incur any damage as a consequence of contracts, other legal acts or other measures concluded, taken or adopted by Pojišťovna České spořitelny, a.s., Vienna Insurance Group, during the accounting period of 2011 in favour or at instigation of individual related persons.

The Supervisory Board also discussed and took into account the Report on activity of the Committee for Audit of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, for the year 2011.

Based on all these facts, the Supervisory Board recommends that the General Meeting approves the state of the Company's assets and liabilities as at December 31, 2011 and the proposed distribution of the Company's profit for 2011 including payment of dividends in accordance with the proposal submitted by the Board of Directors of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, for discussion of the General Meeting.



Martin Diviš
Chairman of the Supervisory Board

Information about Vienna Insurance Group

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

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

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

Core market: Austria

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

Major player in the CEE region

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

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

A common goal: to offer security to customers

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

VIG companies have offered a complete range of insurance solutions in Austria for many decades in both the non-life and life segments. Although the markets in Central and Eastern Europe are currently still at a different economic level, they are increasingly moving in a similar direction. While

demand in this region in the period following 1989 was initially strongest for motor vehicle insurance, and then household and homeowner insurance as well, today retirement provisions, savings and investment products in the form of life assurance policies are enjoying rising popularity.

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

Strategic partnership with Erste Group

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

Capable employees bring success

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

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

Financial Section

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Independent Auditor's Report

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Pobřežní 648/1a
186 00 Praha 8
Česká republika

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Independent Auditor's Report to the Shareholders of Pojišťovna České spořitelny, a.s., Vienna Insurance Group

Financial statements

On the basis of our audit, on 22 February 2012 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, which comprise the balance sheet as of 31 December 2011, and 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 I. 1. to these financial statements.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of Pojišťovna České spořitelny, a.s., Vienna Insurance Group as of 31 December 2011, and of its expenses, revenues and net result for the year then ended in accordance with Czech accounting legislation.”

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the year ended 31 December 2011. The responsibility for the preparation and factual accuracy of this report rests with the Company’s statutory body. Our responsibility is to express our view on the report on relations based on our review.

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

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the year ended 31 December 2011 contains material factual misstatements.

Annual report

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

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

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

Prague
30 April 2012

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



Roger Gascoigne
Partner



Romana Benešová
Partner
Licence number 1834

Balance Sheet

at 31 December 2011

(In thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
ASSETS					
A. Receivables for subscribed registered capital	1				
B. Intangible fixed assets	2	287,520	223,666	63,854	56,632
C. Financial placements (investments)	5	22,587,119	0	22,587,119	20,083,560
I. Land and buildings (real estate), thereof:	6	49,920	0	49,920	45,300
a) Land and buildings – self-occupied	7	49,920	0	49,920	45,300
III. Other financial placements	13	22,537,199	0	22,537,199	20,038,260
1. Shares and other variable-yield securities, other participating interests	14	1,401,326		1,401,326	1,315,261
2. Bonds and other fixed-income securities	15	20,158,169		20,158,169	18,006,405
a) Securities valued at fair value through profit and loss		7,946,630		7,946,630	6,643,076
b) OECD bonds held to maturity		8,950,349		8,950,349	8,267,588
c) Other securities held to maturity		3,261,190		3,261,190	3,095,741
6. Deposits with financial institutions	18	999,742		999,742	692,750
7. Other financial placements	19	-22,038		-22,038	23,844
D. Financial placements for the benefit of life assurance policyholders who bear the investment risk	21	2,155,181		2,155,181	2,458,100
E. Debtors	22	527,866	79,961	447,905	215,122
I. Receivables arising from direct insurance operations	23	139,257	79,829	59,428	56,016
1. Receivables due from the policyholders	24	127,055	70,739	56,316	53,477
2. Receivables due from intermediaries	25	12,202	9,090	3,112	2,539
II. Receivables arising from reinsurance operations	26	229,377		229,377	41,739

(In thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
III. Other receivables	27	159,232	132	159,100	117,367
F. Other assets	28	151,617	58,429	93,188	81,989
I. Tangible fixed assets other than land and buildings (real estate), and inventories	29	107,361	58,429	48,932	46,559
II. Cash on accounts in financial institutions and cash in hand	30	44,256		44,256	35,430
G. Temporary asset accounts	32	1,697,256	0	1,697,256	1,533,262
I. Accrued interest and rent	33	7,751		7,751	20
II. Deferred acquisition costs, thereof:	34	1,507,332		1,507,332	1,359,204
a) in life-assurance business	35	1,507,060		1,507,060	1,359,084
b) in non-life insurance	36	272		272	119
III. Other temporary asset accounts, thereof:	37	182,173		182,173	174,038
a) Estimated receivables	38	147,253		147,253	129,665
TOTAL ASSETS	39	27,406,559	362,056	27,044,503	24,428,665

(In thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
LIABILITIES					
A. Equity	40			2,694,637	2,746,078
I. Registered capital, thereof:	41			1,900,100	1,900,100
IV. Other capital funds	46			56,168	8,978
V. Statutory reserve fund and other funds from profit	47			254,071	224,110
VI. Profit or loss brought forward	48			66,683	9,785
VII. Profit or loss for the financial year	49			417,615	603,105
C. Technical provisions	51	21,413,022	632,998	20,780,024	18,281,491
1. Provision for unearned premiums	52	75,816	31,537	44,279	76,072
of which: a) Provision for unearned premiums relating to life assurance classes	53	43,965	15,608	28,357	45,342
b) Provision for unearned premiums relating to non-life insurance classes	54	31,851	15,929	15,922	30,730
2. Life assurance provision	55	19,380,795	0	19,380,795	16,743,693
3. Provision for outstanding claims	56	1,764,107	488,876	1,275,231	1,374,088
of which: a) Provision for outstanding claims relating to life assurance classes	57	1,524,919	327,390	1,197,529	1,257,391
b) Provision for outstanding claims relating to non-life insurance classes	58	239,188	161,486	77,702	116,697
4. Provision for bonuses and rebates	59	137,894	112,585	25,309	23,439
of which: a) Provision for bonuses and rebates relating to life assurance classes	60	25,143	0	25,143	23,354
b) Provision for bonuses and rebates relating to non-life insurance classes	61	112,751	112,585	166	85

(In thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
6. Provision for liabilities from the technical interest rate applied	63	54,410	0	54,410	64,199
D. Life assurance technical provision where the investment risk is borne by the policyholders	71	2,155,181		2,155,181	2,458,100
E. Provisions for other risks and losses	72			100,837	141,989
2. Provisions for taxation	74			100,837	141,989
F. Deposits received from reinsurers	76			370,142	
G. Creditors	77			676,919	545,266
I. Payables arising from direct insurance operations	78			357,277	455,386
II. Payables arising from reinsurance operations	79			281,839	70,007
V. Other payables, thereof:	83			37,803	19,873
a) Tax liabilities and payables due to social security and health insurance institutions	84			5,609	4,301
H. Temporary liability accounts	86			266,763	255,741
I. Accrued expenses and deferred revenues	87			2,906	5,620
II. Other temporary liability accounts, thereof:	88			263,857	250,121
a) Estimated payables	89			263,857	250,121
TOTAL LIABILITIES	90			27,044,503	24,428,665

Profit and Loss Account

for the Year Ended 31 December 2011

(In thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE					
1. Earned premiums, net of reinsurance:	1	x	x	x	x
a) Gross premiums written	2	787,513	x	x	x
b) Outward reinsurance premiums	3	736,723	50,790	x	x
c) Change in the gross provision for unearned premiums (+/-)	4	1,121	x	x	x
d) Change in the provision for unearned premiums, reinsurers' share (+/-)	5	15,929	-14,808	65,598	117,489
2. Allocated investment return transferred from the non-technical account (item III. 6.)	6	x	x	3,921	4,056
3. Other technical income, net of reinsurance	7	x	x	25,731	27,074
4. Claims incurred, net of reinsurance:	8	x	x	x	x
a) Claims paid:	9	x	x	x	x
aa) Gross amount	10	184,493	x	x	x
ab) Reinsurers' share	11	124,944	59,549	x	x
b) Change in the provision for outstanding claims (+/-):	12	x	x	x	x
ba) Gross amount	13	8,227	x	x	x
bb) Reinsurers' share	14	47,222	-38,995	20,554	80,039
5. Changes in other technical provisions, net of reinsurance (+/-)	15	x	x	0	0
6. Bonuses and rebates, net of reinsurance	16	x	x	1,563	699
7. Net operating expenses:	17	x	x	x	x
a) Acquisition costs	18	x	27,199	x	x
b) Change in deferred acquisition costs (+/-)	19	x	-153	x	x

(In thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
c) Administrative expenses	20	x	11,203	x	x
d) Reinsurance commissions and profit participation	21	x	27,443	10,806	32,414
8. Other technical expenses, net of reinsurance	22	x	x	805	936
10. Sub-total, balance (result) on the technical account for non-life insurance (item III. 1.)	24	x	x	61,522	34,531
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE					
1. Earned premiums, net of reinsurance:	25	x	x	x	x
a) Gross premiums written	26	x	9,892,180	x	x
b) Outward reinsurance premiums	27	x	805,367	x	x
c) Change in the provision for unearned premiums, net of reinsurance (+/-)	28	x	-16,985	9,103,798	8,468,351
2. Income from financial placements (investments):	29	x	x	x	x
a) Income from participating interests, with a separate indication of that derived from controlling influence	30	x		x	x
b) Income from other investments, with a separate indication of that derived from controlling influence, of which:	31	x	x	x	x
ba) Income from land and buildings (real estate)	32	0	x	x	x
bb) Income from other financial placements (investments)	33	1,222,067	1,222,067	x	x
c) Value adjustments on financial placements	34	x	0	x	x
d) Income from disposal of financial placements	35	x	2,825,829	4,047,896	2,318,855
3. Unrealised gains on financial placements	36	x	x	454,657	600,562
4. Other technical income, net of reinsurance	37	x	x	57,104	49,925
5. Claims incurred, net of reinsurance:	38	x	x	x	x
a) Claims paid:	39	x	x	x	x
aa) Gross amount	40	4,960,058	x	x	x
ab) Reinsurers' share	41	306,245	4,653,813	x	x

(In thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
b) Change in the provision for outstanding claims (+/-):	42	x	x	x	x
ba) Gross amount	43	266,009	x	x	x
bb) Reinsurers' share	44	325,871	-59,862	4,593,951	3,692,818
6. Changes in other technical provisions, net of reinsurance (+/-):	45	x	x	x	x
a) Life assurance provisions:	46	x	x	x	x
aa) Gross amount	47	2,637,102	x	x	x
ab) Reinsurers' share	48	0	2,637,102	x	x
b) Other technical provisions, net of reinsurance	49	x	-312,708	2,324,394	3,095,324
7. Bonuses and rebates, net of reinsurance	50	x	x	268,280	239,078
8. Net operating expenses:	51	x	x	x	x
a) Acquisitions costs	52	x	1,676,708	x	x
b) Change in deferred acquisition costs (+/-)	53	x	-147,976	x	x
c) Administrative expenses	54	x	473,489	x	x
d) Reinsurance commissions and profit participation	55	x	95,478	1,906,743	1,747,746
9. Expenses connected with financial placements (investments):	56	x	x	x	x
a) Investment management charges, including interest	57	x	525,511	x	x
b) Value adjustments on financial placements	58	x	0	x	x
c) Book value of disposed financial placements	59	x	2,854,660	3,380,171	1,737,822
10. Unrealised losses on financial placements (investments)	60	x	x	686,556	176,065
11. Other technical expenses, net of reinsurance	61	x	x	47,119	36,048
13. Sub-total, balance (result) on the technical account for life assurance (item III. 2.)	63	x	x	456,241	712,792

(In thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
III. NON-TECHNICAL ACCOUNT					
1. Result of the technical account for non-life insurance (item I. 10.)	64	x	x	61,522	34,531
2. Result of the technical account for life assurance (item II. 13.)	65	x	x	456,241	712,792
3. Income from financial placements:	66	x	x	x	x
a) Income from participating interests, with a separate indication of that derived from controlling influence	67	x		x	x
b) Income from other investments, with a separate indication of that derived from controlling influence:	68	x	x	x	x
ba) Income from land and buildings	69	66	x	x	x
bb) Income from other financial placements (investments)	70	8,354	8,420	x	x
c) Value adjustments on financial placements	71	x	1,368	x	x
d) Income from disposal of financial placements	72	x	0	9,788	5,033
5. Expenses connected with financial placements:	74	x	x	x	x
a) Investment management charges, including interest	75	x	824	x	x
b) Value adjustments on financial placements	76	x	5,043	x	x
c) Book value of disposed financial placements	77	x	0	5,867	977
6. Allocated investment return transferred to the technical account for non-life insurance (item I. 2.)	78	x	x	3,921	4,056
9. Income tax on ordinary activities	81	x	x	99,724	143,903
10. Profit or loss on ordinary activities after tax	82	x	x	418,039	603,420
15. Other taxes not shown under the preceding items	87	x	x	424	315
16. Profit or loss for the financial year	88	x	x	417,615	603,105

Statement of Changes in Equity

for the Year Ended 31 December 2011

(In thousands CZK)	Registered capital	Other funds from profit	Changes in valuation	Statutory reserve fund	Retained earnings	Profit (loss)	Total
						for the current year	
BALANCE AT 1/1/2010	1,117,200	4,636	72,620	188,673	207,107	619,151	2,209,387
Additions to funds		2,616		30,957	585,578	-619,151	
Utilisation of funds		-2,772					-2,772
Change in valuation of financial placements			-63,642				-63,642
Increase/reduction in registered capital	782,900				-782,900		
Payment of dividends							
Profit/loss for the current year						603,105	603,105
BALANCE AT 31/12/2010	1,900,100	4,480	8,978	219,630	9,785	603,105	2,746,078

(In thousands CZK)	Registered capital	Other funds from profit	Changes in valuation	Statutory reserve fund	Retained earnings	Profit (loss) for the current year	
							Total
BALANCE AT 1/1/2011	1,900,100	4,480	8,978	219,630	9,785	603,105	2,746,078
Additions to funds		3,054		30,156	569,895	-603,105	
Utilisation of funds		-3,249					-3,249
Change in valuation of financial placements			47,190				47,190
Increase/reduction in registered capital							
Payment of dividends					-512,997		-512,997
Profit/loss for the current year						417,615	417,615
BALANCE AT 31/12/2011	1,900,100	4,285	56,168	249,786	66,683	417,615	2,694,637

Notes to the Financial Statements

for 2011

I. GENERAL CONTENTS

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I. 1. Description and principal activities

Pojišťovna České spořitelny, a.s., Vienna Insurance Group (“the Company“) was entered into the Commercial Register on 1 October 1992 (Identification number: 47452820).

Shareholders of the Company as at 31 December 2011:

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	90%
Kooperativa pojišťovna, a.s., Vienna Insurance Group	5%
Česká spořitelna, a.s.	5%

The Company received a license to carry on insurance activities on 16 December 1992. The Company commenced its insurance activities on 1 January 1993.

The Company carries on the following classes/groups of insurance:**Life assurance**

- Assurance on death, assurance on survival to a certain age, and assurance on survival to a certain age or death
- Pension insurance
- Accident or sickness insurance as a supplement to the above types of insurance
- Marriage insurance and savings insurance to provide funds to raise children
- Insurance connected with an investment fund / unit-linked insurance

Non-life insurance

- Accident and sickness insurance
- Insurance for various financial losses

Apart from the above, the Company's principal activities include also non-life insurance business, which the Company has not been actively providing since 2 January 2004. These are non-life insurance classes No. 3, 5, 7, 8, 9, 11, 13, 15 and 18 listed in Part B of Appendix No. 1 to Act No. 277/2009 Coll., and groups e) and f) of non-life insurance listed in Part C of the Appendix to the Insurance Act.

The Company's principal activities include also activities relating to insurance business pursuant to Section 3 (1) (n) of the Insurance Act, i.e. intermediary activity carried on in connection with insurance business under the Insurance Act, advisory activity in connection with insurance of individuals and corporate entities, investigation of claims carried on under a contract with an insurance company, intermediary activity in the area of building saving schemes and supplementary pension insurance, and education activity for insurance intermediaries and independent loss adjusters.

Registered office

Pojišťovna České spořitelny, a.s., Vienna Insurance Group
nám. Republiky 115
530 02 Pardubice

Members of the Board of Directors, Supervisory Board and Audit Committee as at 31 December 2011:

Board of Directors

- Chairman:** RNDr. Petr Zapletal, Na Zahrádkách 307, Praha 4, Šeberov
Vice-chairman: Ing. Jaroslav Kulhánek, Zalomená 175, Hradec Králové 11, Roudnička
Member: Ing. František Mareš, Palackého 1932, Pardubice, Zelené Předměstí

Statements of will and signing of documents on behalf of the Company must always be conducted jointly by two members of the Board. No authorisation for individual representation in any matter related to operation of the Company is possible. When signing documents on behalf of the Company, the required number of representatives shall add their signatures and state their offices to the printed or written name of the Company.

Proxy

Ing. Libor Mánek, Křemže, Lomená 379, PSČ 382 03
(registered as a proxy holder on 21 December 2010)

Supervisory Board

- Chairman:** Ing. Martin Diviš, MBA, Praha 6, Liboc, Divoká Šárka 39, PSČ 164 00
Vice-chairman: Mag. Erwin Hammerbacher, Seyring, Helmaweg 29, 2201, Austria
Member: JUDr. Karel Kopecký, Pardubice, Bělehradská 396, PSČ 530 09
Member: Ing. Petr Kohoutek, Chrudim, Vaňkova 1341, PSČ 537 01
Member: Mag. Roland Gröll, 1170 Vienna, Neuwaldegger Str. 37/1 (since 28. 4. 2011)
Member: Ing. Vít Rozsypal, Divišov, Na Sídlišti 350, PSČ 257 26 (until 14. 4. 2011)
Member: Ing. Aleš Mamica, Praha 9, Lipí 1247/60, PSČ 193 00

Audit Committee

Ing. Martin Diviš, MBA

Dr. Petr Hagen

Ing. Hynek Vodička

I. 2. Compliance with legislation

At the balance sheet date the Company fully complied 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, as amended, including the applicable implementing regulations, and with other legislation in force.

I. 3. Basis of preparation of the financial statements

The accounting records of the Company are maintained and 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., to implement certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units, which are insurance companies, as amended (“Regulation No. 502/2002 Coll.”), and with the Czech Accounting Standards for accounting units that maintain their accounting records in compliance with Regulation No. 502/2002 Coll. and other relevant 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) 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 in years
Software	Straight-line	4
Motor vehicles	Straight-line	4
IT equipment	Straight-line	3
Fixtures and fittings	Straight-line	8
Other	Straight-line	15

(b) 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 valued at their fair value. The fair value means the market value determined by an expert appraisal as 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 by an expert appraisal as at the balance sheet date. 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 a proportionate part of any 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.

Amortised debt securities are revalued at their fair value as at the balance sheet date with the exception of bonds held to maturity that have been issued by a member state of the Organisation for Economic Cooperation and Development and awarded a rating at the level of the Czech Republic or higher by at least two reputable rating agencies ("OECD bonds held to maturity").

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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 recent published market price as at the date of the financial statements (balance sheet date). If there is no available price 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, 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 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 appropriate exchange rate difference is included in the fair value.

Shares and other variable-yield securities

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

Acquisition cost is the amount for which the shares or other variable-yield securities were acquired and includes 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 using 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

Derivatives are valued at fair value. The fair value of financial derivatives is determined as the present value of expected cash flows from these transactions.

Other derivatives – derivatives held 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. The derivatives are used by the Company to hedge currency risks, i.e. currency swaps.

(c) 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 are recognised in the Company's profit and loss account.

(d) Adjustments

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

Adjustments to receivables from policyholders are established based on an analysis of their recoverability. The analysis includes an ageing analysis of the 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.

(e) 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.

(f) Deferred acquisition costs

Deferred acquisition costs represent the proportion of acquisition costs incurred during the current financial year that relates to the revenues of subsequent financial years. At the end of each financial year the Company carries out a liability adequacy test to determine whether the amount of the deferred acquisition costs is appropriate.

Non-life insurance

In respect of non-life insurance, deferred acquisition costs are based on total acquisition costs incurred in the current 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 (other than assurance connected with an investment fund / unit-linked insurance)

In life assurance the Company determines deferred acquisition costs using the zillmerisation method, which is the method used to calculate the life assurance provision, see point I. 4. (i).

Life assurance connected with an investment fund / unit-linked insurance

In unit-linked assurance the Company determines deferred acquisition costs using actuarial methods and reflecting the expected cancellation rate based on the value of expected future deductions from initial fees and the negative value of provisions.

(g) 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.

53**(h) Provision for unearned premiums**

The provision for unearned premiums is created in respect of life assurance and non-life insurance, except for single premium life assurance. The provision amount represents the part of gross premiums written which is to be allocated, in terms of time, to the subsequent financial year or to future financial years and is determined as the sum of all amounts calculated for individual contracts using the “pro rata temporis” method.

(i) Life assurance provision

The life assurance provision comprises the sum of the provisions for individual life assurance policies. The life assurance provision represents 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. 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.

For unit-linked assurance that involves investment funds where the Company guarantees a minimum return on investment, this part of the provisions is accounted for as a life assurance provision. The provision is calculated based on the number and price of units credited to the insurance contracts.

With some unit-linked assurance contracts, a no claims bonus or a loyalty bonus can be arranged in accordance with the insurance terms and conditions and the tariff of rates. Within the defined assessment period, the bonus is recognised as part of the life assurance provision and amounts to the estimated present value determined based on discounting and net of the expected probability of breach of the terms and conditions until the end of the assessment period. Upon fulfilment of the conditions at the end of the assessment period, the bonus is credited to the insurance contract in form of purchased units and it becomes a component part of the capital value of the contract.

(j) 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 chainladder method.

The provision for outstanding claims includes an estimate of all related external and internal claims handling costs. The provision for outstanding claims is reduced by the value of salvage and other similar recoveries.

When calculating the provision for outstanding claims, no discounting is carried out.

Although the Board of Directors considers the provision for outstanding claims to be fairly stated on the basis of the information currently available to them, 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.

(k) Provision for bonuses and rebates

The provision for bonuses and rebates is created in accordance with the respective terms set out in insurance contracts, i.e. the General Terms and Conditions of Insurance or specific contractual arrangements. Changes in the provision for bonuses and rebates are presented in the profit and loss account under “Bonuses and rebates”.

(l) Equalisation provision

Because of the Company’s focus on insurance of individuals, equalisation provision has not been established as at the balance sheet dates (31 December 2011 and 31 December 2010).

(m) Other technical provisions

Other technical provisions have not been established as at the balance sheet dates (31 December 2011 and 31 December 2010).

(n) Provision for liabilities arising from the applied technical interest rate and other calculation parameters

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 CNB about the method for calculating the provision for liabilities arising from the applied technical interest rate and other calculation parameters.

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

(o) 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 in 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 contracts in accordance with the principles included in the insurance contracts.

(p) 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 and the provision for bonuses and rebates. The reinsurers do not participate in the other technical provisions.

(q) Provisions

Provisions are intended to cover risks, losses and other respective 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.

(r) 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.

(s) Claims paid

Claims paid comprise the amount assessed for payment based on the claims investigation process, external and internal 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.

(t) Acquisition costs

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

(u) Expenses and income from financial placements**Allocation 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 initially in the non-technical account and subsequently all of them transferred to the non-life insurance technical account.

Method of accounting for realised gains and losses upon 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.

(v) 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 in compliance with Regulation No. 502/2002 Coll. 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 ratio of premiums written and claims paid for individual classes of insurance to total premiums written and total claims paid is used as a basis for allocation of expenses and income between life assurance and non-life insurance.

Expenses and revenues from financial placements

Expenses and revenues from financial placements are allocated between life assurance and non-life insurance using the method stated in point I. 4. (u).

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 directly attributed are recorded primarily in the non-technical account and subsequently allocated to the technical account for life assurance or non-life insurance using the method stated in point I. 4. (v).

The allocation is not applied to taxes, fees, or other expenses incurred outside insurance or reinsurance activities.

(w) 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.

I. 5. Changes in accounting policies and procedures

During the year 2011, there were no changes in accounting policies and procedures made by the Company, and during the financial year the Company did not apply any deviations from these policies and procedure.

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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 risk management in the Company is the responsibility of the Board of Directors.

(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 or in the event of significant litigations or legislative amendments.

Geographic concentration

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

Reinsurance strategy for non-life insurance

The Company reinsures some of the risks it underwrites in order to control its exposures to losses and protect its own capital resources. In non-life insurance, the Company has based its reinsurance scheme on a contract with an external reinsurer.

The Company concludes proportionate reinsurance treaties to reduce its net exposure. The maximum net exposure limits (own retentions) for particular business lines are reviewed annually.

The Company cooperates with reinsurers rated "A" and higher and carries out regular monitoring of their financial condition.

(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, sex, 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 surcharge on the premium, certain risks 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 for life assurance

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.

In life assurance, the Company concludes non-proportionate reinsurance treaties to reduce its net exposure.

The Company cooperates with reinsurers rated “A” and higher 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.

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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, or vice versa.

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.

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.

The Company uses currency swaps in order to hedge against currency risk.

(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
- Outstanding premiums
- Receivables from insurance intermediaries
- Counterparty risk relating to currency swaps
- Risk of failure to repay the principal or income from financial investments

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

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

(e) Operational risk

Operational risk is the risk arising from the failure of internal processes, human resources or systems, or the risk of loss that may arise due to external events, including the risk of loss arising from a breach of, or noncompliance with, a legal standard.

Loss means any harm or damage incurred by the Company.

The Company monitors these risks, designs modifications to work procedures and processes to eliminate the loss events, and builds a system to analyse operational risks.

(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. ADDITIONAL DISCLOSURES IN RESPECT OF THE BALANCE SHEET

II. 1. Intangible fixed assets

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

(in thousands CZK)	Software	Industrial and similar rights	Total
Acquisition cost at 1/1/2011	252,078	295	252,373
Additions	35,228		35,228
Disposals	-81		-81
Acquisition cost at 31/12/2011	287,225	295	287,580
Accumulated depreciation at 1/1/2011	195,741		195,741
Depreciation	28,006		28,006
Disposals	-81		-81
Accumulated depreciation at 31/12/2011	223,666		223,666
Net book value at 1/1/2011	56,337	295	56,632
Net book value at 31/12/2011	63,559	295	63,854

II. 2. Investments

(a) Land and buildings (real estate)

Operating (in thousands CZK)	2011	2010
Land	538	538
Valuation differences	1,382	1,391
Buildings	64,400	59,736
Valuation differences	-16,400	-16,364
Total operating land and buildings at fair value	49,920	45,300

The most recent valuation of land and buildings (real estate) based on an expert appraisal was carried out on 31 December 2011.

b) Shares and other variable-yield securities, other participating interests

(in thousands CZK)	Fair value		Acquisition cost	
	2011	2010	2011	2010
Issued by financial institutions				
- Listed on a recognised CR exchange	74,466	89,785	87,672	68,429
- Listed elsewhere	755,796	758,688	702,461	682,030
- Unlisted	410,242	336,420	432,427	314,034
Issued by non-financial institutions				
- Listed on a recognised CR exchange	142,618	109,803	143,110	101,355
- Listed elsewhere	18,204	20,564	16,581	16,581
Total	1,401,326	1,315,261	1,382,251	1,182,429

Securities listed elsewhere are traded mainly on European and US markets.

Unlisted securities issued by financial institutions comprise participation certificates / units.

(c) Debt securities valued at fair value through profit and loss and available for sale securities

(in thousands CZK)	Fair value		Acquisition cost	
	2011	2010	2011	2010
Issued by financial institutions				
- Listed on a recognised CR exchange	776,566	794,422	783,716	811,066
- Listed elsewhere	994,955	661,536	977,884	660,615
- Unlisted	240,448	230,885	200,720	200,720
Issued by non-financial institutions				
- Listed on a recognised CR exchange		130,305		129,828
- Listed elsewhere	353,386	408,754	342,380	398,380
- Unlisted				
Issued by government sector				
- Listed on a recognised CR exchange	4,989,633	4,250,579	4,935,789	4,158,979
- Listed elsewhere	591,642	166,595	588,943	170,600
Total	7,946,630	6,643,076	7,829,432	6,530,188

Securities listed elsewhere are traded mainly on European markets.

(d) OECD bonds held to maturity

(in thousands CZK)

	Fair value		Amortised value		Acquisition cost	
	2011	2010	2011	2010	2011	2010
- Listed on a recognised CR exchange	9,224,015	8,549,852	8,950,349	8,267,588	8,796,624	8,400,150
Total OECD bonds held to maturity	9,224,015	8,549,852	8,950,349	8,267,588	8,796,624	8,400,150

e) Other debt securities held to maturity

(in thousands CZK)

	2011	Fair value		2011	Acquisition cost	
		2010	2010		2010	2010
Issued by financial institutions						
- Listed on a recognised CR exchange			124,496			109,186
- Listed elsewhere	1,034,897		978,238	959,257		959,257
- Unlisted	358,360		344,107	299,150		299,150
Issued by non-financial institutions						
- Listed on a recognised CR exchange	165,143		232,001	149,412		251,755
- Listed elsewhere	1,702,790		1,416,899	1,549,371		1,299,509
Total other debt securities held to maturity	3,261,190		3,095,741	2,957,190		2,918,857

(f) Deposits with financial institutions

(in thousands CZK)	2011	2010
Due within 1 year	699,742	692,750
Due in 1 to 5 years	300,000	
Total	999,742	692,750

(g) Other financial placements – derivatives
Other derivatives – derivatives held for trading

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Fixed term contracts	Nominal value		Fair value	
with a positive fair value (in thousands CZK)	2011	2010	2011	2010
Term currency transactions		1,514,820		23,844
Total		1,514,820		23,844

Fixed term contracts	Nominal value		Fair value	
with a negative fair value (in thousands CZK)	2011	2010	2011	2010
Term currency transactions	2,248,744		-22,038	
Total	2,248,744		-22,038	

The Company concludes derivatives solely to hedge against currency risk. All the above financial instruments were concluded at the interbank market (OTC). Nominal value of fixed term contracts is the amount in CZK of the Company's short-term currency position. Fair value of fixed term contracts is the revaluation of the contracts as at the balance sheet date, i.e. the difference between the present values of expected cash inflows and outflows.

Remaining maturity of derivatives

At 31 December 2011 (in thousands CZK)	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Not specified	Total
Other derivatives – intended for trading						
Term currency transactions	-22,038					-22,038

At 31 December 2010 (in thousands CZK)	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Not specified	Total
Other derivatives – intended for trading						
Term currency transactions	23,844					23,844

II. 3. Financial placements for the benefit of life assurance policyholders who bear the investment risk

Description (in thousands CZK)	Fair value		Acquisition cost	
	2011	2010	2011	2010
Shares and other variable-yield securities	785,573	1,131,333	903,999	1,196,693
Debt securities	1,369,608	1,326,767	1,098,235	1,120,515
Total	2,155,181	2,458,100	2,002,234	2,317,208

II. 4. Currency structure of the financial placement

Currency (in thousands CZK)	Variable-yield securities		Fixed income securities		Deposits and other financial placements		Securities where the investment risk is borne by the policyholders	
	2011	2010	2011	2010	2011	2010	2011	2010
CZK	522,449	306,012	19,042,440	17,452,304	861,000	692,750	2,155,181	2,458,100
EUR	151,084	329,893	1,115,729	554,101	80,896	8,498		
GBP	25,842	26,923			-90	447		
USD	697,961	648,307			35,898	14,899		
PLN	3,990	4,126						
Total	1,401,326	1,315,261	20,158,169	18,006,405	977,704	716,594	2,155,181	2,458,100

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II. 5. Receivables

31 December 2011 (in thousands CZK)	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations		Other receivables	Total
Due	13,011	2,167	229,377	158,752		403,307
Overdue	114,044	10,035		480		124,559
Total	127,055	12,202	229,377	159,232		527,866
Adjustment	70,739	9,090		132		79,961
Total net	56,316	3,112	229,377	159,100		447,905

31 December 2010 (in thousands CZK)	Receivables				Total
	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	
Due	10,958	1,521	41,739	117,335	171,573
Overdue	94,927	9,930		144	105,001
Total	105,885	11,451	41,739	117,499	276,574
Adjustment	52,408	8,912		132	61,452
Total net	53,477	2,539	41,739	117,367	215,122

Other receivables

(in thousands CZK)	2011	2010
Inter-company receivables	2,461	2,296
Income tax prepayments	150,353	106,466
Other receivables	6,418	8,737
Total other receivables	159,232	117,499

II. 6. Other assets

(a) Tangible fixed assets

(in thousands CZK)	Cars	IT equipment	Fixtures and fittings	Other	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2011	23,776	45,974	15,913	10,946	602	97,211
Additions	6,457	8,119	2,403	30	1,491	18,500
Disposals	-5,006	-6,190			-645	-11,841
Acquisition cost at 31/12/2011	25,227	47,903	18,316	10,976	1,448	103,870
Accumulated depreciation at 1/1/2011	9,040	36,492	9,044	247		54,823
Depreciation expense	6,166	5,999	1,522	194		13,881
Disposals	-4,268	-6,007				-10,275
Accumulated depreciation at 31/12/2011	10,938	36,484	10,566	441		58,429
Net book value at 1/1/2011	14,736	9,482	6,869	10,699	602	42,388
Net book value at 31/12/2011	14,289	11,419	7,750	10,535	1,448	45,441

As at 30 December 2011, the Company also reported inventories in the amount of TCZK 3,491 (2010: TCZK 4,171).

II. 7. Temporary asset accounts

(a) Deferred acquisition costs for life assurance contracts

(in thousands CZK)	2011	2010
Life assurance connected with an investment fund / unit-linked	1,507,060	1,359,084
Total	1,507,060	1,359,084

The calculation of the amount reported in Deferred acquisition costs for unit-linked insurance contracts depends on two calculation bases. The volume of expected future deductions of the initial allocation fees is used to create an asset of TCZK 797,771 (2010: TCZK 870,030) and the volume of the negative capital value of insurance contracts is used to create an asset of TCZK 709,289 (2010: TCZK 489,054).

(b) Estimated receivables

(in thousands CZK)	2011	2010
Estimated written premiums	115,553	104,334
Estimated reinsurance commissions	23,926	22,591
Estimated trailer fees	1,402	2,031
Estimated share in the profit of the reinsurer BNP	5,590	
Other	782	710
Total	147,253	129,665

Estimated written premiums

The Company discloses in estimated receivables an estimate of the written premiums for December in respect of general insurance contracts where the policyholders report to the Company on a monthly basis in arrears.

(c) Other temporary asset accounts

(in thousands CZK)	2011	2010
Rent paid in advance		337
Prepaid expenses relating to commissions on premiums not yet recorded	33,122	39,496
Other	1,798	4,540
Total	34,920	44,373

II. 8. Equity

(a) Share capital

The registered share capital comprises 8,180 registered ordinary shares in booked form with a nominal value of TCZK 45 and 15,320 ordinary bearer shares with a nominal value of TCZK 100. As at 31 December 2011, 100%, i.e. TCZK 1,900,100, of the share capital was paid up. In the accounting period 2011, the share capital did not change.

As at 6 May 2010, based on a decision of the General Meeting, the share capital was increased by TCZK 782,900. The share capital was increased using the Company's own funds, i.e. the retained earnings, by issuing new registered ordinary shares in booked form with a nominal value of TCZK 45 to the shareholders in proportion to their share in the existing share capital, and by issuing new ordinary bearer shares in booked form with a nominal value of TCZK 100, in proportion to their share in the existing share capital.

The increase in the share capital was recorded in the Commercial Register on 9 July 2010.

Issue (in thousands CZK)	Type of security	Form	Nominal value	Number of securities	Total value	Information on public marketability
CZ0008040706	share	book-entry	45,000	8,180	368,100,000	not marketable
CZ0008040698	share	book-entry	100,000	15,320	1,532,000,000	not marketable
Total				23,500	1,900,100,000	

The share 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.

(b) Other capital funds

(in thousands CZK)	2011	2010
Revaluation of assets and liabilities at fair value	56,168	8,978
Total	56,168	8,978

Revaluation of assets and liabilities at fair value

(in thousands CZK)	2011	2010
Balance at 1/1	8,978	72,620
Change in fair value of financial placement	65,501	-76,920
Net losses on financial placement reclassified to the Profit and loss account on disposal, impairment or maturity	-7,242	-1,650
Change in deferred tax	-11,069	14,928
Balance at 31/12	56,168	8,978

Planned distribution of the current period profit

(in thousands CZK)	
Profit for the current period	417,615
Transfer to statutory reserve fund	20,881
Transfer to social fund	3,405
Dividend (CZK 15.11 per share)	354,973
Profit to be added to retained earnings	38,356

II. 9. Technical provisions

(a) Life assurance provision

(in thousands CZK)	2011	2010
Unzillmerised provision	6,718,895	5,225,993
Zillmer adjustment	8,162	9,950
Elimination of negative reserves	3	9
Zillmerised provision presented in the balance sheet	6,710,736	5,216,052
Flexi provision	12,323,713	11,262,220
Provision for profit share commitments	259,859	256,536
Annuity provision	8,626	8,885
Provision for bonuses	77,861	
Total life assurance provision	19,380,795	16,743,693

(b) Provision for outstanding claims

The provision for outstanding claims at the end of the financial year is created as follows:

(in thousands CZK)	2011	2010
RBNS	253,200	276,889
IBNR	1,022,031	1,097,199
Total	1,275,231	1,374,088

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2010, the claims payments during 2011 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2011.

(in thousands CZK)	2011	2010
Gross provision for outstanding claims as at 1 January	1,489,871	1,059,361
Claims payments in the current period in respect of prior period claims	840,117	524,917
Provision for outstanding claims as at 31 December intended for prior period claims not paid yet	458,322	345,333
Run-off result	191,432	189,112

The gross run-off result by classes of insurance:

Class of insurance (in thousands CZK)	2011	2010
Accident and sickness – non-life insurance	47,952	21,872
Other losses – non-life insurance	14,702	1
Assurance on death, assurance on survival	-5,059	8,997
Accident and sickness insurance as a rider	142,602	168,209
Marriage insurance	19	35
Life assurance connected with an investment fund / unit-linked (not including accidental riders)	-8,784	-10,002
Total	191,432	189,112

II. 10. Provisions

Type of provision (in thousands CZK)	Opening balance	Creation	Release	Closing balance
Provision for taxes	141,989	100,837	141,989	100,837
Total	141,989	100,837	141,989	100,837

The income tax prepayments of TCZK 150,353 (2010: TCZK 106,466) are recognised in Other receivables.

II. 11. Payables

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31. December 2011 (in thousands CZK)	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	210,644	146,494	281,839	34,034	673,011
Overdue	27	112		3,769	3,908
Total	210,671	146,606	281,839	37,803	676,919

31. December 2010 (in thousands CZK)	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	274,072	181,197	70,007	18,617	543,893
Overdue	27	90		1,256	1,373
Total	274,099	181,287	70,007	19,873	545,266

Other payables comprise the following items:

(in thousands CZK)	2011	2010
Payables to employees	6,466	6,007
Social security and health insurance liabilities	3,119	3,052
Payables to suppliers	9,421	3,765
Deferred tax liability	16,307	5,800
Other tax liabilities	2,490	1,248
Total	37,803	19,873

(a) Social security and health insurance liabilities

Liabilities in respect of social security and health insurance total TCZK 3,119 (2010: TCZK 3,052) of which TCZK 2,183 (2010: TCZK 2,133) relates to social security and TCZK 936 (2010: TCZK 919) relates to health insurance. None of these liabilities are overdue.

(b) Tax liabilities

Tax liabilities amount to TCZK 2,490 (2010: 1,248), none of which is overdue.

(c) Long-term payables (maturity over five years)

The Company does not have any long-term payables with remaining maturity over five years.

(d) Payables and receivables due to or from reinsurers

The Company has a net payable to reinsurers in the amount given in the following table:

(in thousands CZK)	2011	2010
Receivables from reinsurers	229,377	41,739
Payables to reinsurers	281,839	70,007
Deposits due to cedents	370,142	
Net (+ receivable, - payable)	-422,604	-28,268

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II. 12. Temporary liability accounts**(a) Other temporary liability accounts**

(in thousands CZK)	2011	2010
Accrued expenses	2,906	5,620
Estimated payables	263,857	250,121
Total	266,763	255,741

A detailed breakdown of estimated payables is as follows:

(b) Estimated payables

(in thousands CZK)	2011	2010
Alliance partner commission	81,449	99,825
Performance-based commission of insurance intermediaries	36,114	2,801
Accrued commission (not yet due)	275	393
Annual extraordinary bonuses and untaken holidays	57,802	50,578
Asset management fees	11,469	25,785
Operating system repairs and maintenance	1,270	7,492
Reinsurance premiums on premium not yet recorded	61,533	54,844
Advance payments for services relating to rent	2,627	2,568
Services not yet invoiced by other creditors	11,318	5,835
Total	263,857	250,121

Alliance partner commission

The Company discloses under alliance partner commission the expected amount of commission relating to a distribution agreement between entities of Erste Bank financial group and entities of Vienna Insurance Group.

Estimated reinsurance premiums

The Company discloses under estimated reinsurance premiums an estimate of the relevant reinsurers' share in the estimate of gross premium written disclosed in the estimated receivables, see point II. 7. (b).

II. 13. Inter-company receivables and payables

(a) Other inter-company receivables and payables

Company name (in thousand CZK)	Receivables		Payables	
	2011	2010	2011	2010
Short-term	202,123	2,296	203,776	547
Kooperativa pojišťovna, a.s., Vienna Insurance Group	2,461	2,296	242	504
VIENNA INSURANCE GROUP AG Wiener Versicherung Groupe	199,662		203,534	43
Total	202,123	2,296	203,776	547

All significant transactions with related parties were carried out under common market conditions.

III. ADDITIONAL DISCLOSURES IN RESPECT OF THE PROFIT AND LOSS ACCOUNT

III. 1. Non-life insurance

Non-life insurance for 2011 and 2010 divided by classes of insurance:

(in thousands CZK)	Class of insurance	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsurance balance
Direct insurance						
Accident and sickness	1,2					
2011		544,068	542,947	175,541	16,836	-86,626
2010		495,587	493,453	195,357	9,792	-68,332
Miscellaneous losses	16					
2011		243,445	243,445	17,179	928	-66,896
2010		187,381	187,381	36,719	940	-47,537
Other						
2011					20,485	
2010					21,682	
Total						
2011		787,513	786,392	192,720	38,249	-153,522
2010		682,968	680,834	232,076	32,414	-115,869

III. 2. Life assurance

Gross premiums written in life assurance:

(in thousands CZK)	2011	2010
Individual premium	9,218,323	7,927,568
Premiums under group contracts	673,857	592,187
Total	9,892,180	8,519,754
Regular premium	4,801,345	4,126,728
Single premium	5,090,835	4,393,026
Total	9,892,180	8,519,754
Premiums from non profit-sharing contracts	1,011,139	947,779
Premiums from profit-sharing contracts	7,509,061	6,382,078
Premiums from contracts where the investment risk is borne by policyholders	1,371,980	1,189,897
Total	9,892,180	8,519,754
Reinsurance balance	-74,464	-41,504

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

In 2011 and 2010, the total amount of gross premiums written was generated on contracts concluded in the Czech Republic.

III. 4. Bonuses and rebates

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

(in thousands CZK)	2011	2010
Gross		
Non-life insurance	334,018	218,925
Life assurance	266,491	236,394
Total gross amount	600,509	455,319
Reinsurers' share (non-life insurance)	332,536	218,238
Total net amount	267,973	237,081

In accordance with the procedures stated in point II. 9. (d) of the Notes the Company accounted for the following changes in the provision for bonuses and rebates:

2011 (in thousands CZK)	Gross	Reinsurers' share	Net
Non-life insurance			
Creation	371,032	369,469	1,563
Release	335,566	334,084	1,482
Change of balance	35,466	35,385	81
Life assurance			
Creation	268,384		268,384
Release	266,595		266,595
Change of balance	1,789		1,789
Total change of balance	37,255	35,385	1,870

2010 (in thousands CZK)	Gross	Reinsurers' share	Net
Non-life insurance			
Creation	296,138	295,439	699
Release	218,925	218,238	687
Change of balance	77,213	77,201	12
Life assurance			
Creation	239,078		239,078
Release	236,394		236,394
Change of balance	2,684		2,684
Total change of balance	79,897	77,201	2,696

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III. 5. Commissions and other acquisition costs for insurance contracts

(in thousands CZK)	2011			2010		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions						
Initial	5,406	1,473,586	1,478,992	1,100	1,448,082	1,449,182
Renewal	7,199	235,337	242,536	3,855	143,210	147,066
Total commissions	12,605	1,708,923	1,721,528	4,955	1,591,293	1,596,248
Other acquisition costs	21,793	203,122	224,915	22,838	197,540	220,378
Change in deferred acquisition costs	-153	-147,976	-148,129	241	-248,255	-248,015
Total commissions and other acquisition costs	34,245	1,764,069	1,798,314	28,034	1,540,577	1,568,611

The Company discloses renewal commissions in administrative expenses.

Other acquisition costs primarily comprise costs for wages and salaries, promotion, advertising and other administrative expenses associated with the conclusion of insurance contracts.

III. 6. Administrative expenses

(in thousands CZK)	2011	2010
Personnel expenses (payroll, social security and health insurance, remuneration to members of the Supervisory Board, Board of Directors and Audit Committee)	82,680	79,061
Renewal commissions	242,536	147,066
Rent and related services	6,772	7,082
Consultancy and external audit	2,676	3,549
Consumption of low-value tangible and intangible assets and other material	9,904	15,039
Depreciation and repairs and maintenance of tangible assets	16,430	18,778
Operating systems administration and maintenance	20,978	22,498
Postal and telecommunication services	23,847	22,708
Bank fees	12,030	10,811
Other services	22,173	18,283
Other administrative expenses	44,666	36,350
Total administrative expenses	484,692	381,225

Other personnel expenses are included in other administrative expenses.

III. 7. Other technical expenses and income

2011 (in thousands CZK)	Gross	Reinsurers' share	Net
Non-life insurance			
Other technical expenses	805		805
Other technical income	-25,731		-25,731
Balance – non-life insurance	-24,926		-24,926
Life assurance			
Other technical expenses	47,119		47,119
Other technical income	-57,104		-57,104
Balance – life assurance	-9,985		-9,985
2010 (in thousands CZK)			
Non-life insurance			
Other technical expenses	936		936
Other technical income	-27,074		-27,074
Balance – non-life insurance	-26,138		-26,138
Life assurance			
Other technical expenses	36,048		36,048
Other technical income	-49,925		-49,925
Balance – life assurance	-13,877		-13,877

The balance of other technical expenses and income in non-life insurance comprises the following items:

2011 (in thousands CZK)	Gross	Reinsurers' share	Net
Creation (+)/Release (-) of adjustments for receivables	106		106
Commission for mediation of non-life insurance	-24,650		-24,650
Other	-382		-382
Balance of other expenses and income	-24,926		-24,926

2010 (in thousands CZK)	Gross	Reinsurers' share	Net
Creation (+)/Release (-) of adjustments for receivables	262		262
Commission for mediation of non-life insurance	-25,853		-25,853
Other	-547		-547
Balance of other expenses and income	-26,138		-26,138

The balance of other technical expenses and income in life assurance comprises the following items:

2011 (in thousands CZK)	Gross	Reinsurers' share	Net
Creation (+)/Release (-) of adjustments for receivables	18,403		18,403
Receivables' write-off (+)/ recovery of receivables written-off (-)	353		353
Trailer fees	-11,170		-11,170
Other	-17,571		-17,571
Balance of other expenses and income	-9,985		-9,985

2010 (in thousands CZK)	Gross	Reinsurers' share	Net
Creation (+)/Release (-) of adjustments for receivables	15,433		15,433
Receivables' write-off (+)/ recovery of receivables written-off (-)	-2,422		-2,422
Trailer fees	-11,744		-11,744
Other	-15,144		-15,144
Balance of other expenses and income	-13,877		-13,877

III. 8. Employees and management

Personnel expenses and average calculated number of employees by individual categories for 2011 and 2010:

Personnel expense – type (in thousands CZK)	Year	Employee category			Total
		Acquisition sales	Claims handling	Administration	
Payroll expense	2011	64,994	9,494	66,226	140,714
	2010	57,409	7,842	61,569	126,820
Social security and health insurance	2011	21,899	3,259	18,525	43,683
	2010	19,182	2,693	16,663	38,538
Other personnel expenses	2011	3,234	922	3,106	7,262
	2010	2,758	763	2,788	6,309
Total personnel expenses	2011	90,127	13,675	87,857	191,659
	2010	79,349	11,298	81,020	171,667
Average number of employees	2011	98	27	96	221
	2010	89	22	85	196

The above figures do not include remuneration paid to statutory, executive and supervisory board members.

As at 31 December 2011, the management of the Company comprised 12 managers: the CEO, 3 deputy CEOs and 8 section directors. Personnel expenses (payroll, social security and health insurance, other personnel expenses) relating to managers totalled TCZK 43,677 in 2011.

As at 31 December 2010, the management of the Company comprised 12 managers: the CEO, 3 deputy CEOs and 8 section directors. Personnel expenses (payroll, social security and health insurance, other personnel expenses) relating to managers totalled TCZK 40,753 in 2010.

Expenses relating to the job positions of deputy CEO in charge of the sales division, sales division section directors and product management director are presented under acquisition costs. Expenses relating to other management positions are presented under administrative expenses.

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

The Company has provided the following monetary and non-monetary remuneration to the statutory, executive and supervisory board members for the financial years 2011 and 2010:

(in thousands CZK)	2011	2010
Members of the Board of Directors	180	180
Proxy holder	60	15
Members of the Supervisory Board	658	602
Audit Committee	13	13
Total remuneration paid	911	810

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The members of the Company's Board of Directors are at the same time employees of the Company exercising the offices of Deputy CEOs or the CEO of the Company. The proxy holder is also an employee of the Company, exercising the office of Deputy CEO.

The members of the Board of Directors and the proxy holder receive monthly remuneration of CZK 5,000. The Chairman and Vice-chairman of the Supervisory Board receive annual remuneration of EUR 5,000; the other members of the Supervisory Board receive annual remuneration of EUR 4,000.

The members of the Audit Committee receive annual remuneration of EUR 500 under the condition that they do not receive remuneration as members of any other executive or supervisory body of the Company.

The Company presented no receivables from members of the Board of Directors, Supervisory Board, Audit Committee or the proxy holder relating to loans granted or advances paid, either in 2011 or 2010.

(b) Information on remuneration for statutory auditors

Remuneration for statutory auditors is included in the Company's administrative expenses. The total amount of TCZK 1,497 (2010: TCZK 1,452) consists of the following items:

(In thousands CZK)

	2011	2010
Statutory audit	1,344	1,200
Other auditing services		252
Other non-auditing services	153	
Total remuneration	1,497	1,452

III. 9. 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. (v) amounted to TCZK 48,732 (2010: TCZK 53,598).

III. 10. Result of non-technical account

The result of the non-technical account as at 31 December 2011 amounted to TCZK 0 (2010: CZK 0).

III. 11. Result before tax

The result before tax as at 31 December 2011 amounted to TCZK 517,339 (2010: TCZK 747,008).

III. 12. Taxation**(a) Income tax in the profit and loss account**

(in thousands CZK)	2011	2010
Provision for current period income tax	100,837	141,989
Difference between the current income tax relating to prior periods and release of the provision for income tax relating to prior periods	-551	1,053
Change in deferred tax asset/Change in deferred tax liability	-562	861
Income tax in profit and loss account	99,724	143,903

The current income tax relating to prior periods would comprise an additional tax assessed following an inspection by the tax authorities.

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences (in thousands CZK)	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Tangible fixed assets			4,846	4,428	-4,846	-4,428
Intangible fixed assets			2,005	2,489	-2,005	-2,489
Receivables	1,045	817			1,045	817
Other temporary difference recorded in Profit and loss account	2,675	2,406			2,675	2,406
Effect on profit and loss account	3,720	3,223	6,851	6,917	-3,131	-3,694
Revaluation of assets and liabilities			13,175	2,106	-13,175	-2,106
Effect on equity			13,175	2,106	-13,175	-2,106
Deferred tax asset/(liability)	3,720	3,223	20,026	9,023	-16,306	-5,800
Off-setting of relating deferred tax assets and liabilities	-3,720	-3,223	-3,720	-3,223		
Deferred tax asset/(liability)			16,306	5,800	-16,306	-5,800

In accordance with the accounting policy described in point I. 4. (g), deferred tax was calculated using the tax rates valid for the periods in which the tax asset/liability is expected to be utilised, i.e. 19%.

IV. OTHER DISCLOSURES

IV. 1. Group relations

The Company has not concluded a controlling agreement with its majority shareholder VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe having its registered office in Vienna, Austria. A report on relations between related parties will be a part of the annual report.

IV. 2. Transactions not disclosed in the balance sheet

The Company is not aware of any even potential commitments not disclosed in the balance sheet.

IV. 3. Contingent liabilities

(a) Litigations

The Company is the defendant in a lawsuit arising from disagreement over the size of settlement as regards claims reported and settled in the total amount of TCZK 4,171. A provision for reported claims of TCZK 5,209 has been established to provide for these contingent liabilities, which comprise an estimate of the settlement and other expenses, primarily the related court fees.

IV. 4. Subsequent events

On 12 January 2012 Ing. František Mareš terminated his membership in the Board of Directors and on the same day Ing. Libor Mánek, formerly the proxy holder of the Company, became a new member of the Board of Directors.

The Company's management is not aware of any other material subsequent events that have occurred since the balance sheet date that would require an adjustment to the financial statements as at 31 December 2011.

In Pardubice, on 20 February 2012



RNDr. Petr Zapletal, MBA

Chairman of the Board of Directors



Ing. Jaroslav Kulhánek

Vice-chairman of the Board of Directors

Report on Relations

in accordance with § 66a sect. 9 of the Commercial Code
for the 2011 accounting period

The company **Pojišťovna České spořitelny, a.s., Vienna Insurance Group**, with its main office in Pardubice, nám. Republiky 115, postal code 530 02, Business ID: 47452820, registered in the commercial register kept at the Regional Court in Hradec Králové, section B, inset 855 (hereinafter referred to as **the compiler**) is part of the concern VIENNA INSURANCE GROUP AG, Wiener Verischerung Gruppe, in which the relations referred to in Annex No. 1 exist between the compiler and controlling persons and further between the compiler and the persons controlled by the same controlling persons (hereinafter **related persons**).

This report on relations between the persons mentioned below, was compiled in accordance with the provisions of Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended, for the financial period 1 January 2011 to 31 December 2011 (hereinafter referred to as the **accounting period**). In the accounting period, the following agreements were signed between the compiler and the persons listed below and the following legal acts and other de facto measures were adopted or implemented:

OVERVIEW/SCHEME OF THE ENTIRE VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE CONCERN, I.E. PERSONS WHOSE RELATIONS ARE DESCRIBED

A. CONTROLLING PERSONS

VIENNA INSURANCE GROUP AG, Wiener Versicherung Gruppe insurance company, Schottenring 30, A 1010, Vienna, registered in the commercial register held at the commercial court in Vienna section FN, insert 75687 F (hereinafter the Wiener Städtische)

Company	Address	% Share
Consolidated companies		
"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 for reosiguranje, Belgrade	Serbia	100.00
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00
Anděl Investment Prague 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 Życie 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	99.91
Bulgarski Imoti Non-Life Insurance Company AD, Sofia	Bulgaria	99.91
BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia	Bulgaria	95.11

Pojišťovna České spořitelny, a.s., Vienna Insurance Group

Company	Address	% Share
BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia	Bulgaria	97.08
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00
CAME Holding GmbH, Vienna	Austria	100.00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00
CAPITOL, a.s., Bratislava	Slovakia	100.00
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.89
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00
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 Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.59
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95.00
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
HELIOS Vienna Insurance Group d.d., Zagreb	Croatia	100.00
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00
IC Globus, Kyjev	Ukraine	80.00
International Insurance Company IRAO Ltd., Tbilisi	Georgia	90.00

Company	Address	% Share
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
InterRisk Towarzystwo Ubezpieczen Spolka Skcyjna Vienna Insurance Group, Warsaw	Poland	99.97
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00
JSC "GPI Insurance Company Holding", Tbilisi	Georgia	72.00
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 poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
Kooperativa, poisťovňa, a.s. Vienna Insurance Group, Prague	Czech Republic	98.39
Kvarner Vienna Insurance Group dionicko drustvo za osiguranje, Rijeka	Croatia	98.75
Kvarner Wiener Städtische Nekretnine d.o.o., Zagreb	Croatia	98.75
LVP Holding GmbH, Vienna	Austria	100.00
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00
NEUE HEIMAT Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	99.81
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	100.00
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	25.08
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.10
Passat Real Sp. z o.o., Warsaw	Poland	100.00
PFG Holding GmbH, Vienna	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	100.00
PJSC "Insurance Company" Ukrainian Insurance Group, Kiev	Ukraine	100.00
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	Slovakia	95.00
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	Czech Republic	95.00

Company	Address	% Share
Polski Związek Motorowy Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group, Warsaw	Poland	96.22
PRIVATE JOINT-STOCK COMPANY UKRAINIAN INSURANCE COMPANY “KNIAZHA VIENNA INSURANCE GROUP“, Kiev	Ukraine	99.99
Private Joint-Stock Company “JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP“, Kiev	Ukraine	95.55
PROGRESS Beteiligungs-ges.m.b.H., Vienna	Austria	60.00
Projektbau GesmbH, Vienna	Austria	90.00
Projektbau Holding GmbH, Vienna	Austria	90.00
Ray Sigorta A.S., Istanbul	Turkey	94.26
S.C. BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	91.31
S.C. BCR Asigurari Vienna Insurance Group S.A., Bucharest	Romania	95.93
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00
Senioren Residenz Fultererpark Errichtungs- und VerwaltungsGmbH, Innsbruck	Austria	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70
SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87.01
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	25.08
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00
TBI BULGARIA EAD, Sofia	Bulgaria	100.00
TBIH Financial Services Group N.V., Amsterdam	Holland	100.00
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungs-gesellschaft m.b.H., Vienna	Austria	25.08
Vienna-Life Lebensversicherung Aktiengesellschaft, Bendorf	Lichtenstein	100.00
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00
VLTAVA majetkovosprávní a podílová spol.s r.o., Prague	Czech Republic	100.00
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00

Company	Address	% Share
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna	Austria	100.00
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00
WPWS Vermögensverwaltung GmbH, Vienna	Austria	100.00
Interalbanian Sh.a., Tirana	Albania	75.00
SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A. Kosovo Branch, Kosovo	Kosovo	
Companies consolidated using the equity method		
AIS Servis, s.r.o., Brno	Czech Republic	100.00
Benefita, a.s., Prague	Czech Republic	100.00
Česká Kooperativa London Ltd., London	Great Britain	100.00
ČPP Servis, s.r.o., Prague	Czech Republic	100.00
CROWN-WSF spol. s r.o., Prague	Czech Republic	30.00
Gewista-Werbegesellschaft 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	86.65
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.97
Mělnická zdravotní, a.s., Prague	Czech Republic	100.00
Sanatorium Astoria a.s., Karlovy Vary	Czech Republic	75.06
Sparkassen Immobilien AG, Vienna	Austria	10.04
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

Company	Address	% Share
Unconsolidated companies		
CAPITOL Spolka z o.o., Warsaw	Poland	100.00
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	44.00
Geschlossene Aktiengesellschaft Strachowaja kompanija "MSK- Life", Moscow	Russia	25.00
Private Joint-stock company "VAB Life", Kiev	Ukraine	100.00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	35.00
Versicherungsaktiengesellschaft "Kupala", Minsk	Belarus	98.26
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna International Underwriters GmbH, Vienna	Austria	100.00
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	Montenegro	100.00
Interalbanian Sh.a., Tirana	Albania	75.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
Senioren Residenz gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.57
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	43.26
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.64
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00
VBV – Betriebliche Altersvorsorge AG, Vienna	Austria	23.56
V.I.G. ND, uzavřený investiční fond a.s., Prague	Czech Republic	100.00

B. CONCLUSION

With regard to the legal relations between the compiler and related persons that we have reviewed, it is clear that the compiler has not suffered any injury as a result of agreements, other legal acts or other measures taken, adopted or concluded by the compiler in the financial year 2011 in the interest of or at the initiative of individual related persons.

In Pardubice, 2 February 2012

Pojišťovna České spořitelny, a.s., Vienna Insurance Group

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RNDr. Petr Zapletal, MBA
Chairman of the Board
of Directors



Ing. Jaroslav Kulhánek
Vice-chairman of the Board
of Directors



Ing. Libor Mánek
Member of the Board
of Directors

DESCRIPTION OF THE RELATIONS TO THE CONTROLLED PERSONS: VIENNA INSURANCE GROUP AG, WIENER VERSICHERUNG GRUPPE ANNEX NO. 1 TO THE REPORT ON RELATIONS

1. AGREEMENTS

1.1 Sale of services

The compiler has provided/received in the accounting period services on the basis of contracts entered into in previous accounting periods or in the current accounting period:

Name of agreement	Contractual party	Date concluded	Effective date	The subject of the agreement	Note
Agreement on Cooperation in the Use of Building No. 115 and No. 1400 in Pardubice, No. 02/10	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	20. 1. 2010	1. 1. 2010	Regulation of mutual rights and obligations when using non-residential space in both properties serving both parties	
An agreement on sub-letting non-residential spaces for a specified period in the wording of Addendum No. 8 of 13. 10. 2011	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	10. 12. 2004	2. 1. 2004	Renting of offices Nos. 241, 361 and 431 with a total floor space of 1,378.74 m ² in the building nám. Republiky 1400, Pardubice	
Agreement on sub-letting non-residential spaces (for a specified period to 30. 9. 2013 to Kooperativa)	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	20. 1. 2010	1. 1. 2010	Renting office No. 371 total floor space 298,22 m ² in the building on nám. Republiky 1400, Pardubice	

Name of agreement	Contractual party	Date concluded	Effective date	The subject of the agreement	Note
Insurance liability for damage caused by vehicle operation	Kooperativa pojišťovna, a.s., Templová 747, 110 01 Praha	17. 12. 1999	1. 1. 2000	Corporate compulsory vehicle insurance policy	
Insurance policy No. 2268651903	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	16. 2. 2011	1. 3. 2011	Corporate vehicle accident insurance	
Insurance policy No. 2266829675	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	12. 2. 2010	1. 3. 2010	Corporate property insurance and liability insurance policy	
Insurance policy No. 7720541430 (for the period to 31. 12. 2013)	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	30. 12. 2010	1. 1. 2011	Vehicle insurance NA100PRO – third party accident	
Insurance policy No. 2060001407 about supplementary insurance – H73 in the wording of supplements 1 to 13	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	29. 10. 2010	1. 11. 2010		

Name of agreement	Contractual party	Date concluded	Effective date	The subject of the agreement	Note
Insurance policy No. 8602886978	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	22. 7. 2011	1. 8. 2011 – 30. 7. 2014	Group liability insurance for employees of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, for damage caused whilst carrying out their profession	
Agreement on settlement of the costs incurred in connection with carrying out the duties of a member of the Board of Directors	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	30. 6. 2011	1. 1. 2011	The subject of the agreement is regulation of the conditions for reporting costs	
Agreement on cost sharing	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	16. 12. 2010	1. 1. 2011	Outsourcing in the areas of: – internal audit, including the continuous monitoring of the control and monitoring system – information technologies	
License agreement MOSES 102/07	Sparkassen Versicherung Aktiengesellschaft	14. 11. 2007	1. 10. 2007	Licences and maintenance for the MOSES system	

Name of agreement	Contractual party	Date concluded	Effective date	The subject of the agreement	Note
Quota Share Reinsurance Agreement – Personal Accident Business General Conditions (43/11) Special Conditions (44/11)	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	10. 5. 2011	1. 1. 2011	50% of the reinsurance quota for accident insurance	In the wording of addendum No. 1 of 31. 10. 2011
SAP CP Maintenance and Licences	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	1. 1. 2010	30. 6. 2009	Licenses and maintenance for the SAP mod. CP system	
Service Agreement MoSes Know-how Transfer	Sparkassen Versicherung AG Vienna Insurance Group Wiplingerstr. 36–38, 1010 Vienna, Austria	27. 9. 2011	1. 7. 2011	Agreement on support and training for PČS workers in the use of projection software	

1.2 Agreement on Mediating Activities

The compiler has entered into the following Agreement on Mediating Activities, on the basis of which the following performances have been provided

Name of agreement	Contractual party	Date concluded	Effective date	The subject of the agreement	Note
Agreement on exclusive commercial representation no. 4600-400500/01-2005-A (134/04)	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	29. 12. 2004	1. 1. 2005	Mediating the sale of general insurance	Appendix No. 5 – pilot sale of Car Insurance ČS product CS2 with effect from 1. 4. 2011 to 16. 1. 2012
Agreement on commercial representation	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Praha	1. 4. 2010 or 22. 12. 2011	1. 4. 2010 or 1. 1. 2012	Mediating the signing of insurance policies for Comprehensive Insurance for Participants of Pension Schemes, i.e. FLEXI Life Assurance	Sales by means of the company Kapital, 22. 12. 2011 a new agreement concluded extending the sale of FLEXI Life Assurance with effect from 1. 1. 2012

Comments:

All relations referred to in this annex have arisen between related persons, those being Pojišťovna České spořitelny, a.s., Vienna Insurance Group and the VIENNA INSURANCE GROUP AG, Wiener Verisicherung Gruppe.

When entering into these relations, the laws in force in the Czech Republic were respected and the prices were determined with regard to the provisions of the income tax law, i.e. at the normal market prices at the time of entering into these contractual relations. During the accounting period not one of the contracting parties applied for any property damage.

Pursuant to Act No. 38/2004 Coll., insurance mediation is governed in the contractual relations by defining the mutual rights and obligations of the contracting parties, with the current definition of the conditions for the process, a claim and the payment of fees for services provided related to selling insurance. Part of these agreements is authorisation granted by the related person for providing these services under the conditions laid down by the above-mentioned act.

Non-financial Section

1. FURTHER FORESEEABLE DEVELOPMENTS IN THE COMPANY'S ACTIVITIES

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With its best business results ever, Pojišťovna České spořitelny, a.s., Vienna Insurance Group, (hereinafter the Company) has strengthened its position on the insurance market. Even though the character of the Company's sales makes it a typical representative of "bancassurance", the structure of the normally paid insurance premiums and the single payment premiums is comparable to traditional life assurance companies. This success is the result of targeted strategies and a successful business policy.

The Company's long-term business strategy is grounded in the management and planning of product innovation, building loyalty among our clients and business partners, increasing the stability of the insurance portfolio and continuously improving the client service for business partners and the end-consumers of insurance services.

Further successful development will be led by an attempt to balance the demands for continuously meeting the Company's business objectives and its financial stability. This will be implemented

under more stringent regulation of the insurance industry, in relation to dealing with the global financial crisis, and in an environment of rapidly evolving legislation. In the medium term, the Company will have to deal with the approved reforms in taxation, the pension and health system and in the field of civil law with an amendment to the Civil Code. To ensure the key objectives, it will be necessary to complete the process associated with strengthening the Company's management in accordance with the rules on the approach to risks based on Solvency II. In these new regulatory conditions and demands on the management, the Company will have to make all of the adjustment changes invoked by the introduction of these new legal standards.

In 2011 the Company took up its medium-term plan of communications based on the concept of "We like changes", which primarily stands on the FLEXI Life Assurance product. The philosophy of this project will change the form of a "closed insurance contract" used so far and will replace it with a new concept, based on the "open insurance contracts" concept. This step was enhanced by introducing the "InSpiral programme", which gives existing clients the option to switch to the latest form of the FLEXI product with minimum costs, while keeping all the advantages of FLEXI Life Assurance, including any tax or other benefits. Without doubt, one of these advantages is the loyalty programme encouraging our clients to enter into a long-term partnership and the programme supporting an insurance relationship with a claims-free record.

The concept of communication based on an "open insurance contract" highlights and enhances the advantages of FLEXI Life Assurance, grounded in the possibility to cover the lifelong requirements for insuring life risks and the requirements for long-term investment of the funds.

The Company is always mindful of making it easy to manage insurance. Proof of this care is further strengthening the electronicisation of insurance contract administration. Last year was rich in

innovations, which were aimed at streamlining the acquisition process by the introduction of electronic insurance contract forms for our business partners. A new version of the Internet Insurance Calculator was prepared, which allows our clients to set up individual insurance tailored to their requirements. Following prior arrangement with Česká spořitelna, its largest distributor, the Company added an application that supports insurance to its favourite service “SERVIS 24“. In this manner our joint clients obtain comprehensive information about their insurance, they can make selected changes to insurance and, through “E-document“ and “E-invoice“, get the requisite documents and even pay insurance premiums this way.

The entire process of innovating insurance management is focused on increasing productivity and the quality of the outputs related to processing insurance contracts. The aim of this development is to permanently increase the speed and quality of processing insurance contracts, reduce the error rate in processing and ensure reliable data protection for our clients.

2. ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

Due to the nature of its activities, the Company has limited options in the field of research and development. Therefore, development concentrates on integrating new information technologies and forms of communication into the process of providing insurance services.

3. ENVIRONMENTAL PROTECTION AND LABOUR RELATIONS

The nature of the Company's business puts the minimum burden on the environment. During its activities, it meets the requirements placed on it by Czech law. Despite the limited options, given the subject matter of the business, the Company always bears the issue of environmental protection in mind. Last year we began sorting waste and disposing of it depending on its character. A very

significant decision was made in the field of renewing the IT infrastructure with the aim of not only ensuring it has adequate capacity and quality, but also with regard to full recycling and significant energy savings.

In the area of labour relations, the Company continuously pays close attention to developing the employment policy and social programmes, with the aim of being an attractive employer in the labour market. The Company uses modern methods for incentive systems in human resources management, with the use of surveys for bonuses, realised in cooperation with the Hay Group. The Company provides employees with a wide range of financial and non-financial benefits. The Company continuously assesses the conditions of the working environment, to meet the conditions for carrying out work tasks, compliance with safety at work principles, including regular and contractually ensured health care for its employees. Employee training and professional development is one of the priorities in the Company's development. The company has introduced a system for assessing and developing employees, on the basis of which its staff are allowed various forms of education, including increasing and deepening their qualifications.

4. THE COMPANY'S ORGANISATIONAL BODIES ABROAD

The company has no organisational bodies abroad.

5. ADDITIONAL REQUIREMENTS UNDER SPECIFIC LEGISLATION

The Company fulfils the requirements for the subject of business – insurance – in particular, those laid down by the Insurance Act, or, by the Act on Insurance Intermediaries and on Independent Loss Adjusters. There are no more specific requirements for the Company's activities.

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