

ANNUAL REPORT 2010



Key Figures

SELECTED ECONOMIC INDICATORS FOR 2010

in thousands CZK	2010
Assets	24,428,665
Equity	2,746,078
Technical provisions	20,739,591
Profit (loss) of current accounting period	603,105
Total written premiums	9,202,722
of this: life insurance	8,519,754
non-life insurance	682,968
Total costs of insurance claims	3,503,734
of this: life insurance	3,401,100
non-life insurance	102,634

Your easy road to life insurance

The comprehensive sale of Pojišťovna České spořitelny products, including follow-up client service, is arranged by two distribution networks.

POJIŠŤOVNA ČESKÉ SPOŘITELNY' S EXTERNAL NETWORK

The high accessibility of our products is guaranteed by roughly 240 external contractual partners, which provide for the sale of insurance products as well as a professional client service.

ČESKÁ SPOŘITELNA'S BRANCH NETWORK

Pojišťovna České spořitelny is one of the biggest on the Czech market in the bancassurance area. The more than 670 Česká spořitelna branches enable our company to give our clients maximum access to our insurance products, as well as a comprehensive sales and after-sales service.

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Company Profile



2010

The FLEXI insurance product celebrated the 10th anniversary since its launch on the Czech market in March 2010, with more than 900,000 people insured. The General Meeting decided to enforce the company's long-term economic stability at its meeting in May, when a decision was taken to increase the registered capital by CZK 782.9 million to a total of CZK 1.9 billion. Pojišťovna České spořitelny was also successful in competitions. FLEXI Life Insurance, its pivotal product, successfully defended its win of the previous year in the Life Insurance category of the Zlatá koruna (Golden Crown) competition. Pojišťovna České spořitelny was then awarded the highest prize in the 2009 Insurance Company of the Year category in the Life Insurance category. In one of the main categories of the 2009 Insurance Company of the Year Pojišťovna České spořitelny thus successfully defended its win for the fourth time in a row. Petr Zapletal, Chief Executive Officer of Pojišťovna České spořitelny, also won an award, coming first in the inaugural year of the Insurer of the Year. The successful note of 2010 was also underlined by the fact that it was the first time in history that the insurance company surpassed 9 billion worth of written premiums.

2009

At the beginning of 2009, Pojišťovna České spořitelny introduced its new comprehensive FLEXI Life Insurance, combining the previous three versions of the FLEXI, FLEXI INVEST²⁰⁰⁸ and FLEXI H-FIX products and unifying them into just one product. An indicator of the quality of the insurance is not only the fact that more than 200,000 individuals enjoyed insurance coverage under the FLEXI Life Insurance in 2009, but also the number of awards that the insurance won. For example, the FLEXI Life Insurance won the 2009 Life Insurance of the Year category of the Bank of the Year competition organised by the Fincentrum, it was awarded two top prizes in the Life Insurance and the Innovation of the Year categories in the Zlatá koruna (Golden Crown) competition. In the 2008 Insurance Company of the Year competition, Pojišťovna České spořitelny won all the categories related to life insurance. The Association of Czech Insurance Brokers awarded the Insurance Company the highest prize in the categories of the 2008 Insurance Company of the Year in the Life Insurance category, Innovation of Insurance Products, Cooperation with Insurance Brokers, and in the Claims Adjustment category. The FLEXI Life Insurance product was the crowning success of the Insurance Company, winning the 2008 Insurance Product of the Year category. In 2009, the Company's name was changed to Pojišťovna České spořitelny, a.s., Vienna Insurance Group. The change lies in adding a supplement to the current corporate name to highlight the affiliation to the Vienna Insurance Group.

2008

Pojišťovna České spořitelny became a member of the Vienna Insurance Group in September 2008. In the same year, the FLEXI INVEST²⁰⁰⁸ Unit Linked Life Insurance was declared the winner of the 2008 Life Insurance of the Year category in the 2008 Bank of the Year competition organised by MasterCard. For 2008, Pojišťovna České spořitelny innovated its product FLEXI INVEST²⁰⁰⁸ Flexible Unit Linked Life Insurance, for which it was awarded the Stříbrná koruna (Silver Crown) prize in the Life Insurance category. In 2008, it was also awarded the prize of the 2007 Insurance Company of the Year in the Life Insurance category by the Association of Czech Insurance Brokers, and the FLEXI product won the top award in the Insurance Product category. Furthermore, the Company was also acknowledged as the best insurance company in the areas of claim settlement and insurance products innovation.

2007

The course of 2007 was characterized by significant product changes. Pojišťovna České spořitelny innovated one of its most successful products – the FLEXI Flexible Life Insurance, introduced a new type of the FLEXI H-FIX Unit Linked Life Insurance, and prepared the innovation of the Flexible Unit Linked Life Insurance – FLEXI INVEST.

2006

During 2006, Pojišťovna České spořitelny strengthened its position in the life insurance market, thus retaining its ranking among the five most significant life insurance companies. In addition, it won the title of the 2006 Insurance Company of the Year in the Life Insurance and Accident Insurance categories in the survey organised by the Association of Czech Insurance Brokers. The number of clients of Pojišťovna České spořitelny exceeded the threshold of half a million.

2005

In 2005, Pojišťovna České spořitelny introduced many newcomers to its product range. The KVATRO and HYPOTÉKA (Mortgage) Credit Life Insurance ranked among the representatives of insurance products. Towards the end of the year, the product portfolio was enlarged by a new insurance targeting children, characterized by high flexibility matching the ongoing needs of the child and the family and offered under the title JUNIOR Flexible Life Insurance.

2004

Since 2004, Pojišťovna České spořitelny has been specialising in selling life insurance products through the network of branches of Česká spořitelna and selected external networks. However, the Financial Group of Česká spořitelna continues to offer selected products of non-life insurance to its clients through its strategic partner. Pojišťovna České spořitelny operates as the “competence centre” of the Financial Group of Česká spořitelna, offering, together with its strategic partner, highly standardized non-life insurance products. The FLEXI INVEST Unit Linked Life Insurance, offering its clients a choice from among three investment programmes on one hand, and a wide range of life risk insurance on the other hand, was a significant addition to the products.

2003

Taking into account the development of the insurance market in the Czech Republic and European Union, and also with respect to the fact that Česká spořitelna and the Erste Bank Group specialise in the areas of life insurance and bancassurance, the shareholders of Pojišťovna České spořitelny decided towards the end of 2003 to sell the non-life unit of the insurance company to Kooperativa.

2001

Because of the transformation of Česká spořitelna and its whole Financial Group, the insurance company began operating under the new name Pojišťovna České spořitelny from 17 September 2001. The change in the trade name is related to the change of corporate colours, names and logos of the whole Financial Group of Česká spořitelna, which is based on the image design of its majority owner – Erste Bank. Changes were introduced also in the area of services provided to clients and the Company's management culture. The sale of the insurance products offered by Pojišťovna České spořitelny in the network of Česká spořitelna branches developed into "bancassurance".

2000

As a part of the Česká spořitelna privatization process, Pojišťovna České spořitelny also underwent an in-depth due diligence analysis, resulting in a new shareholder entering the Company at the end of 2000. The largest Austrian life insurance company Sparkassen Versicherung, a member of the Erste Bank Group, obtained a 45 percent share in the Company by increasing the authorized capital by CZK 500 million. There was launched an unique product of new generation – the FLEXI Flexible Life Insurance.

1995–1999

In 1995, Pojišťovna České spořitelny as the first insurance company in the Czech Republic introduced to the market the critical illness insurance under which insurance benefit is paid as soon as an illness is diagnosed. Česká spořitelna buying into the insurance company in 1995 was an important milestone in the history of the Company as it brought, in addition to the necessary capital, also the background of the strongest financial group in the Czech Republic. The importance of the quality shareholders structure was proven as early as 1997 when the whole insurance market was negatively affected by the consequences of vast flooding in some parts of the CR.

1992–1994

Pojišťovna České spořitelny was established by Czech private capital in 1992. In January 1993, it began its insurance activities under the corporate name Živnostenská pojišťovna. Its objective was to provide insurance services particularly to the emerging business sphere. With the development of insurance activities, the offer of insurance programmes for the general public also began to be expanded.

Opening Statement by the Chairman of the Board of Directors



Petr Zapletal,
Chairman of the Board of Directors

Dear clients, shareholders and business partners,

The elapsed year, like the previous period, is characterised by the continuation of the not-overly favourable economic situation. However, 2010 was successful beyond expectations for Pojišťovna České spořitelny. Despite the increasing competitive pressures in the life insurance area, we managed to consolidate our market position and to also gain a series of awards thanks to the quality of our products and services.

FLEXI insurance, our pivotal product, celebrated the 10th anniversary since its launch on the Czech market in March. The success of this elapsed decade is proven by the fact that more than 900,000 clients use some form of this product. The new FLEXI Life Insurance, which was launched on the Czech market in 2009, was very popular with clients and brokers alike during the entire course of the year and proved that it is still a dominant product on the market. We have been able to improve this product, thanks to the changes constantly being made to this product in response to client demands, so that anyone is able to adapt it at any time to fit his or her current needs. The quality of this insurance was also recognised by the expert public, which awarded the FLEXI Life Insurance product first place in the 2010 Life Insurance category of the Zlatá koruna (Golden Crown) competition.

What I consider a great success is the growth in written premiums, both regular as well as the single premiums, in an increasingly demanding competitive environment. In 2010, Pojišťovna České spořitelny wrote a record CZK 9.2 billion in policies, which is 32% more than in 2009. In this regard, 2010 was the most successful. Our insurance company, with a market share of 12.1%, placed third on the life insurance market, which underlines its strong position.

At this point I would like to thank our clients for the trust they have placed in us and for taking advantage of our insurance products. Our services, like our products, are designed to make them easy to use and for the client's maximum comfort. I believe we are successful in meeting our clients' demands and that they will remain loyal to us in the future.

I would also like to extend my sincere thanks to our business partners, who provide our clients with high quality and professional advice. It is this individual approach and the ability to offer a tailor-made solution that is an important component of our company's success. I hope that our mutual co-operation will develop further in the coming years.

Last, but not least, I would like to express my appreciation to our employees, without whom it would not be possible to attain such results. It is thanks to their hard work and commitment that our company enjoys such a strong market position and we will jointly strive to ensure that Pojišťovna České spořitelny is constantly developing and improving.



Petr Zapletal
Chairman of the Board of Directors

Development in the Most Important Economic Indicators

in thousands CZK	2007	2008	2009	2010
Assets	17,574,973	18,058,922	20,421,310	24,428,665
Equity	1,553,754	1,639,464	2,209,387	2,746,078
Financial placements	17,178,340	17,267,897	18,953,205	22,541,660
Technical provisions	15,450,824	15,918,644	17,344,804	20,739,591
Profit (loss) of current accounting period	369,212	220,522	619,151	603,105
Total written premiums	6,453,589	6,680,097	6,962,601	9,202,722
of this: life insurance	6,400,876	6,593,163	6,855,813	8,519,754
non-life insurance	52,713	86,934	106,788	682,968
Total costs of insurance claims	3,596,406	4,577,394	4,058,139	3,503,734
of this: life insurance	3,574,376	4,540,368	4,005,190	3,401,100
non-life insurance	22,030	37,026	52,949	102,634
Number of policies concluded as at 31 December 2010 (pcs)	540,510	597,304	673,978	734,441
of this: life insurance	517,098	562,084	631,332	688,063
non-life insurance	23,412	35,220	42,646	46,378
Average number of employees	140	154	173	196

Members of the Company's Executive Bodies at 31 December 2010

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 (until 5 June 2010)

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 Claims Settlement Department of Pojišťovna České spořitelny, a.s., Vienna Insurance Group

MEMBER OF THE SUPERVISORY BOARD

Vít Rozsypal – Head of the Economic Division of Kooperativa pojišťovna, a.s., Vienna Insurance Group, since 16 March 2010

MEMBER OF THE SUPERVISORY BOARD

Aleš Mamica – Chairman of the Board of Directors of Realitní společnost České spořitelny, a.s., since 16 March 2010

BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD OF DIRECTORS

Petr Zapletal

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

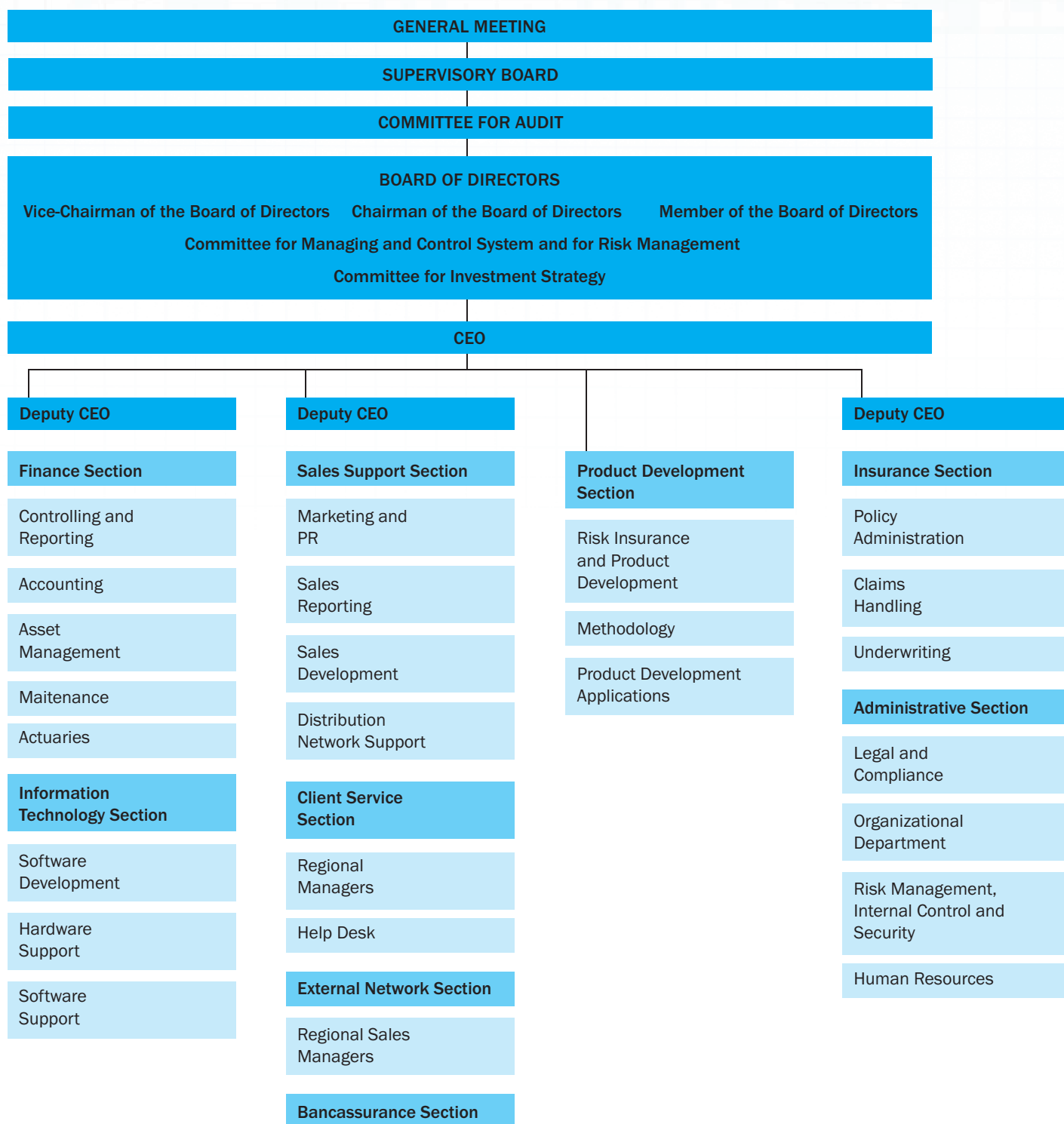
Jaroslav Kulhánek

MEMBER OF THE BOARD OF DIRECTORS

František Mareš

Organizational Structure

to 31 December 2010



The company does not have a brand abroad.

Report of the Board of Directors

At first glance, the development on the life insurance market in 2010 reached a high index of growth of almost 20%. However, upon more detailed analysis, we discover that this growth is mainly the result of the enormous growth in single premium insurance, with the market for regularly paid premiums almost stagnating. The competitive battle continues on the life insurance market in the area of motivating distributors, the offer of new products as well as the identification of forms of decreasing the percentage of prematurely terminated policies.

The main duties of the insurance company's Board of Directors for 2010 was to provide for the scheduled dynamism of the growth in written premiums, to ensure that the profitability of insurance activities envisaged by the owners is realised and also to increase the standard of the services provided to clients and business partners. Pojišťovna České spořitelny became part of the strong insurance concern VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe on 15 September 2008. This change also involved the conclusion of a long-term mutual co-operation arrangement for the sale and support in the Czech Republic of Vienna Insurance Group insurance products (hereinafter referred to as VIG CR) within the branch network of Česká spořitelna, a.s.

The objectives, set for 2010, thus prescribed further development in the sale of insurance within the branch network of Česká spořitelna, including expansion in financial services by way of so-called comprehensive financial products. As a rule, these banking products contain various types of loan contracts and also include, as part of a single contract, an offer of insurance against risks in the form of selected types of life as well as non-life insurance.

The further deepening of the synergies and the company's incorporation into the organisational structures of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, as well as into the group of insurance companies operating in the Czech Republic, continued in 2010. The results attained as well as the overall assessment of 2010 confirm that the Board of Directors has been successful in fulfilling its duties in this area.

The Czech insurance market did not surprise in 2010. The volume of written premiums for life insurance reached CZK 70.54 billion, which represents a year-on-year growth of 19.24% (with the growth in 2009 being 5.11%). If we look at the structure of written premiums classified by the payment method, we notice stagnation in regularly paid premiums. The year-on-year growth in this segment of merely 1.9% compared to the previous year means that the entire growth in the market was due to growth in payments of single premiums. These premiums grew by almost 58% on 2009 (i.e. an increase of CZK 10.6 billion to a total of CZK 28.9 billion).

The development in premiums collected by Pojišťovna České spořitelny differed somewhat to that on the market as a whole. The overall year-on-year growth in life insurance amounted to 24.30%. In the structure of written premiums classified by the payment method, extraordinary growth on the part of regularly paid premiums was attained, with the growth on the market being markedly surpassed by a year-on-year growth of 30.0%.

Development in single premiums was balanced, without any fluctuations in sales, in comparison with the previous year. Single premiums dominate in the distribution channel of Česká spořitelna, with this type of insurance growing by 19.3% compared to 2009.

In 2010, Pojišťovna České spořitelny further increased its share of regularly paid premiums for life insurance, with its share now being in excess of 48% of the total life insurance portfolio. Total written premiums in this segment amounted to CZK 8.52 billion. Single premiums reached CZK 4.39 billion and accounted for 52% of the insurance company's total written premiums for life insurance. We recorded a very significant increase in the area of regularly paid premiums. The insurance company is the third-biggest on the market in terms of the volume of written life insurance premiums. The commercial results attained by the company represent a total share on the life insurance market of 12.1%.

The commercial success of Pojišťovna České spořitelny, the way it communicates with and the sales service it provides to its clients and business partners was acknowledged in 2010 by the expert public by several awards as follows:

- ACIB (Association of Czech Insurance Brokers) – 1st place in the Life Insurance category of the 2009 Insurance Company of the Year competition (which we have defended for the fourth time in a row)
- 2010 Zlatá koruna (Golden Crown) – 1st place in the Life Insurance category
- 2010 Bank of the Year – 2nd place in the Life Insurance category, with Petr Zapletal, Chief Executive Officer, being awarded the “Insurance Agent of the Year”.

PRODUCTS

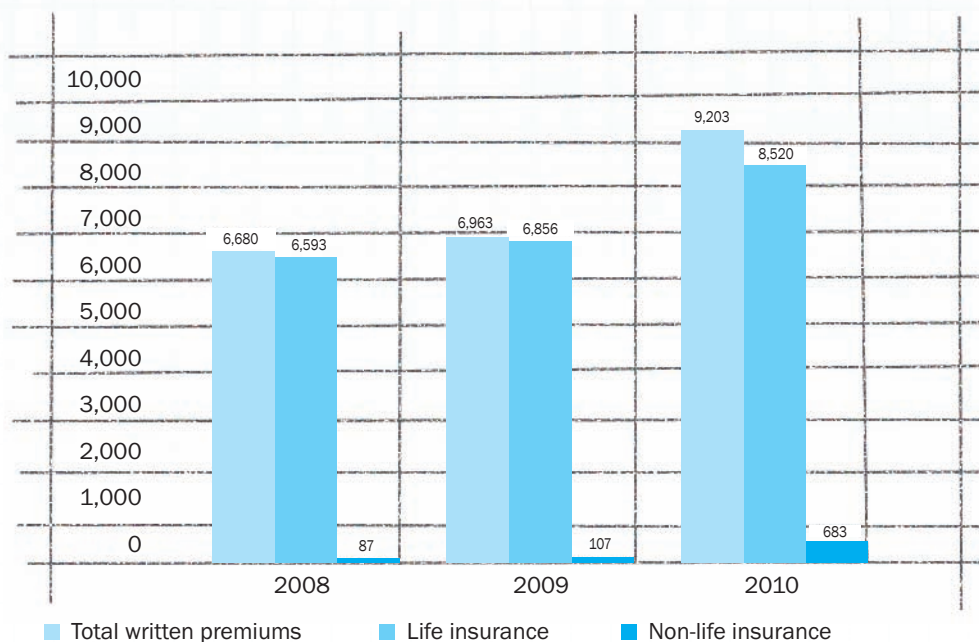
The assessment of 2010 was mainly characterised by growth in the share of risk insurance, represented by the popular family of flexible life insurance products. In 2010, we continued in the innovation of the FLEXI Life Insurance product, which gives a wide-ranging insurance cover as well as a diversified offer of investment funds, including a fund with a guaranteed yield. The innovations were aimed at further improvements in insurance cover against the risks encountered by an individual during the course of the life, the introduction of some other insurance products, including improvements in insurance administration and management. At the start of the year we also completed the process of migrating to comprehensive insurance cover for clients of Česká spořitelna, including the provision of insurance cover in the event of the inability to repay a loan as a consequence of loss of employment or work incapacity.

FLEXI Life Insurance continues to represent the pinnacle of our offer, with its characteristics covering the requirements for the securing of risks encountered by an individual during the course of the life, as well as the requirements for the long-term investing of the deposited funds. At the present time, this insurance is capable of covering all of the individual requirements for client-defined risks, free of any restrictions. The extent of the insurance cover is further supplemented by the premium option to cover the requirements for investing of the deposited funds. In view of the fact that it is possible to make an arbitrary decision, within the framework of one contract, about the degree of investment risk (guaranteed fund and scale of non-guaranteed funds), savings can be made not only by not having to incur the costs connected with the purchase of such a contract, but adjustments to the investment profile can also be made during the life of the insurance policy to match the client's actual life situation and requirements.

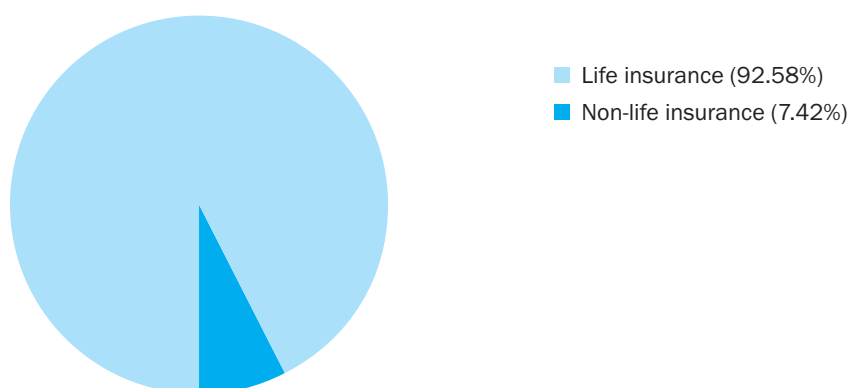
In the assessed year the company further developed its co-operation with Česká spořitelna in the form of so-called group insurance, which provides the bank's clients with insurance cover in the event of death and invalidity, including the provision of insurance cover in the event of the inability to repay a loan as a consequence of loss of employment or work incapacity. The assumption of the last-mentioned risks thus topped off the strategic decision to provide insurance cover solely via Pojišťovna České spořitelny.

Our product offer is supplemented by capital life insurance. This product is a suitable alternative, namely due to its savings effect, for clients whose insurance policies are terminating by the expiry of the agreed time period. During the course of the year, this type of life insurance once again attracted a significant part of clients namely in the network of Česká spořitelna, mainly due to its simplicity.

Development in written premiums (in million CZK)



Structure of written premiums in 2010

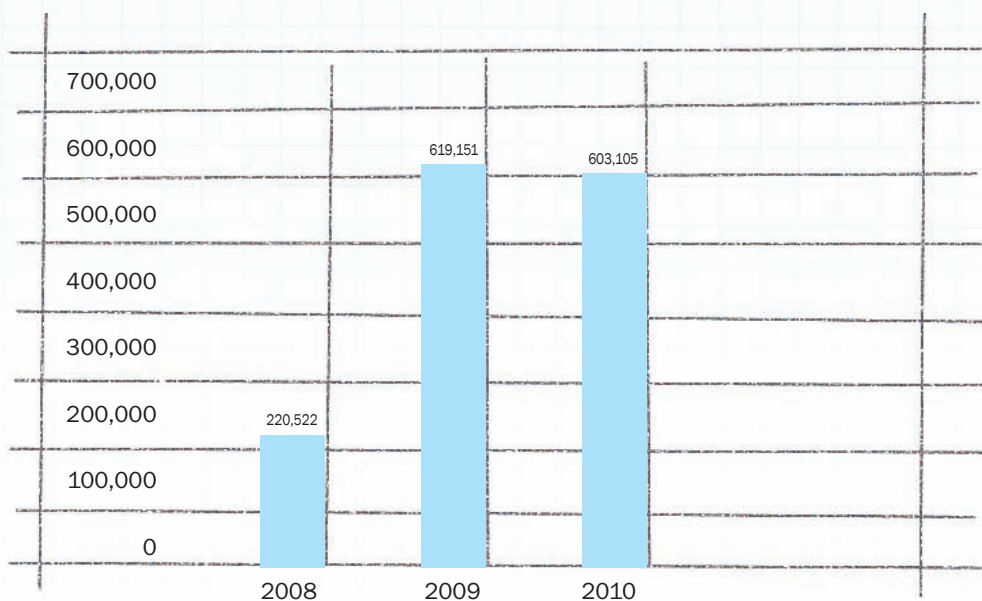


In 2010, we delivered a yield on our clients' funds by between 1.79 and 6.50%, depending on the type of insurance product. Evaluation refers to products with guaranteed revenue.

FINANCIAL RESULTS

The company reported a profit of CZK 603.1 million for 2010.

Development in profit by accounting periods (in thousands CZK)



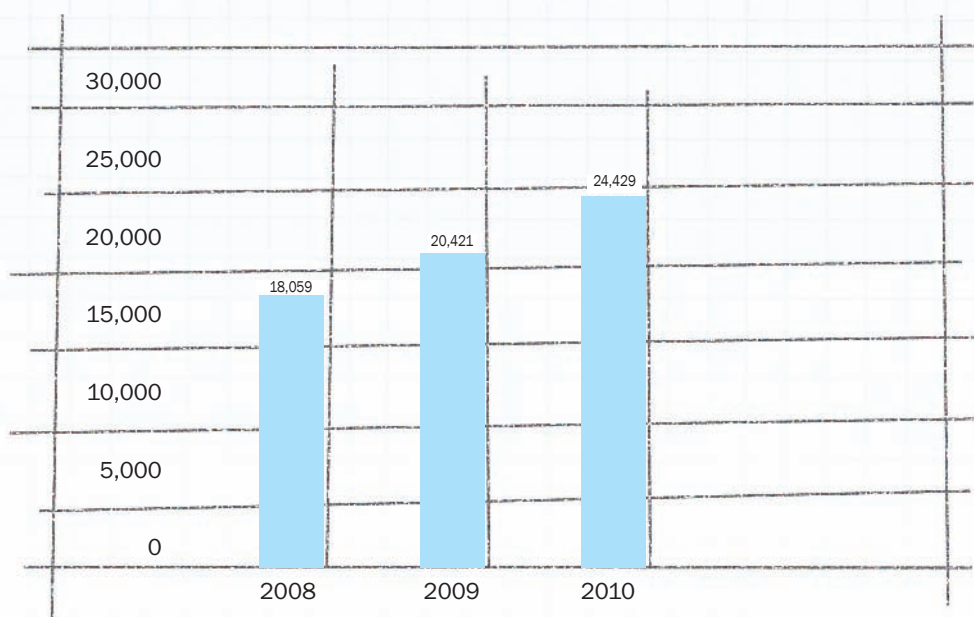
The profit attained is mainly influenced by the growth in written premiums and more stable development on the financial markets in 2010. Technical provisions reached CZK 18,281.5 million, representing a growth of more than 21% on 2009. These provisions were structured as follows as at the balance date: provision for unearned premiums of CZK 76.1 million, provision for life insurance amounting to CZK 16,743.7 million, provision for outstanding claims amounting to CZK 1,374.1 million and other provisions worth CZK 87.6 million. In 2010, provisions as an absolute number grew by a total of CZK 3,211.46 million on 2009.

The value of the provisions attained is created in accordance with the valid legislation and represents the necessary level of certainty for the coverage of future insurance claims.

Technical provisions for life insurance, if the investment risk is borne by the policyholder, increased year-on-year by 8% to a total of CZK 2,458.1 million.

The volume of technical provisions was decisive for the amount of the financial

Development in the balance sheet amount (in million CZK)

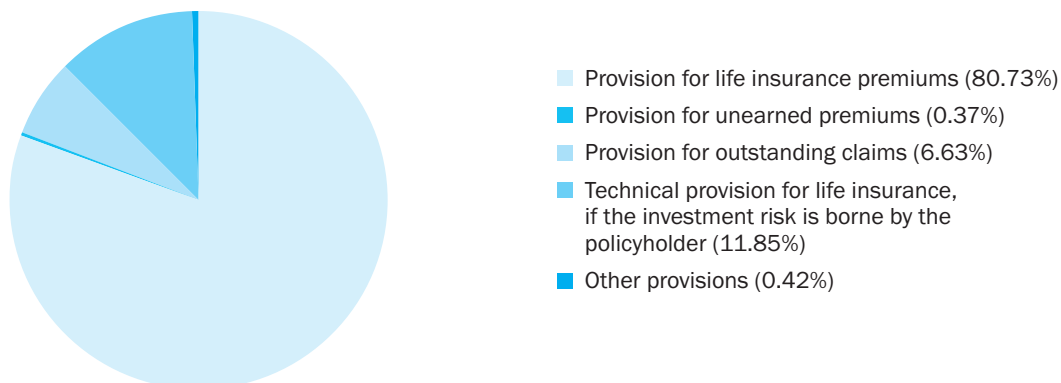


placement of these means, which represents more than 90% of the company's assets. The financial placement portfolio is allocated between individual types of financial instruments in accordance with the valid legislation and the requirements prescribed by the regulator (Czech National Bank). The structure of the portfolio of financial placement assets, as specified in the attached graph, is designed in such a way as to cover the company's long-term insurance commitments whilst at the same time guaranteeing the security of our clients' funds. The financial placement assets are managed in co-operation with the specialist investment banking departments of Česká spořitelna.

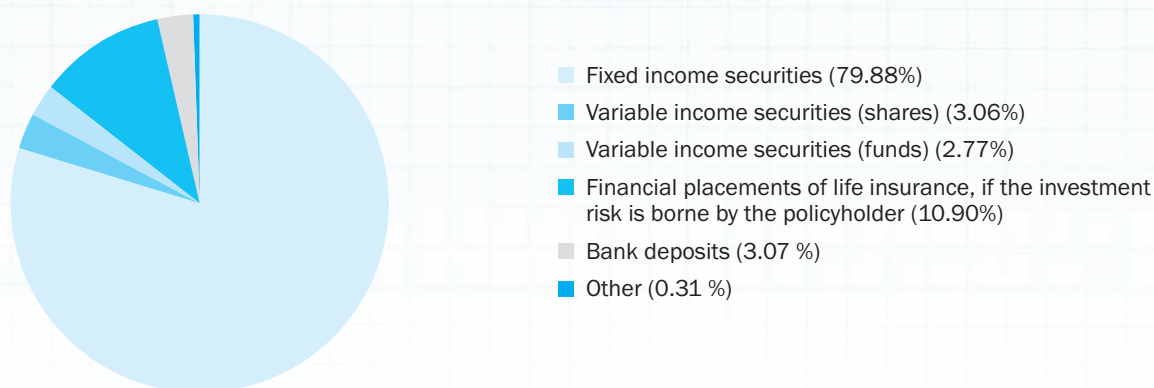
Pojišťovna České spořitelny fulfils the requirements and demands in respect of solvency and exceeds the prescribed limits of solvency imposed on life insurance. As such, it creates a sufficient guarantee for its clients in respect of covering its future obligations ensuing from concluded insurance policies. In reinsurance, Pojišťovna České spořitelny based its approach on the prudent structure of reinsurance and on its long-standing co-operation with SWISS RE, a renowned reinsurance company.

THE MANAGEMENT AND CONTROL SYSTEM OF THE INSURANCE COMPANY

Structure of technical provisions in 2010



Structure of financial placements in 2010



During the course of 2010, the Board of Directors implemented measures leading to an improvement in the quality of the insurance company's management and control systems. This mainly involved work connected with preparations for the implementation of the requirements of Solvency II, including an audit of the financial stability of insurance companies due to the upheavals and dysfunctional aspects of the financial markets. This was the reason why the Board of Directors decided that the company should proceed with the calculation of the Quantitative Impact Study (QIS 5) pursuant to CEIOPS as well as the stress tests prescribed by the Czech National Bank. The results of both these calculations verified the financial requirements as well as the insurance company's ability to cover its obligations ensuing from concluded insurance policies.

Furthermore, the Board of Directors set about implementing the requirements prescribed in Decree No. 434/2009 Coll., on Implementing Certain Provisions of the Insurance Act, in the appropriate setting of the management and control system, among other things, such that it covers all of the insurance company's activities, so that this system allowed for the methodical and systematic management of risks as well as being effective. The company's processes were modified as part of this implementation such that:

- the functionalities of the management and control system are assured,
- the organisation and processes are modified in such a way as to prevent conflicts of interest and so that the commercial department and the company's other activities are provided for,
- the risks that the company is exposed to during the course of its activities are identified, including processes leading to their management and control.

The internal and external checks and audits conducted have shown that the company's management and control system is effective and provides the Board of Directors with sufficient information to enable it to manage the company in an effective and prudent manner.

Report of the Supervisory Board

In 2010, acting in accordance with the competencies entrusted to it by the law and the company's articles of association, the Supervisory Board of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, consistently carried out its activities as the company's supervisory and control body, overseeing the exercise of the powers of the Board of Directors, and the implementation of the business activities of the insurance company. The Supervisory Board was kept regularly informed of the insurance company's activities, its financial situation, controlled the fulfilment of the General Meeting's resolutions, discussed the reports submitted by the independent auditor and gave the insurance company's management initiatives and suggestions aimed at attaining an improvement in the company's situation. The Supervisory Board reviewed the financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group compiled as at 31 December 2010, and reached the conclusion that the accounting records were kept in a due manner in accordance with valid accounting regulations and the company's articles of association.

The financial statements were audited by KPMG Česká republika Audit, s.r.o., and this audit firm confirmed that the financial statements reflected fairly, in all material respects, the assets, liabilities and equity of Pojišťovna České spořitelny, a.s., Vienna Insurance Group as at 31 December 2010, and its financial performance for 2010 in accordance with the Accounting Act and the appropriate legislation of the Czech Republic. The Supervisory Board acknowledged the auditor's opinion.

The Supervisory Board reviewed the Report of Relations pursuant to Section 66a(9) and 10 of the Commercial Code presented by the company's Board of Director, and stated that Pojišťovna České spořitelny, a.s., Vienna Insurance Group did not incur any loss as a consequence of agreements, other legal acts or other measures concluded, made or adopted by Pojišťovna České spořitelny, a.s., Vienna Insurance Group in the 2010 accounting year in the interest or at the instigation of individual related parties.

The Supervisory Board also reviewed and acknowledged the Report on the Activities of the Audit Committee of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for 2010.

Based on all these facts, the Supervisory Board recommended to the General Meeting to approve the state of assets and liabilities as at 31 December 2010 and the distribution of the company's profit for 2010, including the payment of a dividend, in accordance with the proposal submitted by the Board of Directors of Pojišťovna České spořitelny, a.s., Vienna Insurance Group to the General Meeting for discussion.



Martin Diviš
Chairman of the Supervisory Board

Information about Vienna Insurance Group

Vienna Insurance Group (VIG) is a listed international insurance group based in Vienna. With premium volume of over EUR 8 billion and approximately 25,000 employees, VIG is one of the largest players on the insurance market in Central and Eastern Europe. It offers its customers high-quality products and services in the life and non-life segments. Shares of the Vienna Insurance Group are listed on the Vienna and Prague stock exchanges.



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

GROWTH REGION: CEE

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

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

CORE MARKET: AUSTRIA

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

REDESIGNED CORPORATE STRUCTURE

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

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

COMPREHENSIVE PRODUCT OFFERINGS

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

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

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

ERSTE GROUP – A STRONG PARTNER

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

EMPLOYEES ENSURE SUCCESS

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

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

Financial Section

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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

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 24 February 2011 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

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

Statutory Body's Responsibility for the Financial Statements

The statutory body of 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 2010, and of its expenses, revenues and net result for the year then ended in accordance with Czech accounting legislation.”

Report on relations between related parties

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

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

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

Annual report

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

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



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

Prague
27 April 2011

KPMG Česká republika Audit

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

Roger Gascoigne
Partner

Romana Benešová
Partner
Licence number 1834

Balance Sheet

at 31 December 2010

ASSETS

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
A. Receivables for subscribed registered capital	1				
B. Intangible fixed assets	2	252,373	195,741	56,632	53,729
C. Financial placements (investments)	5	20,083,560		20,083,560	16,678,435
I. Land and buildings (real estate), thereof	6	45,300		45,300	45,300
a) Land and buildings – self-occupied	7	45,300		45,300	45,300
III. Other financial placements	13	20,038,260		20,038,260	16,633,135
1. Shares and other variable-yield securities, other participating interests	14	1,315,261		1,315,261	850,869
2. Debt securities	15	18,006,405		18,006,405	14,743,001
a) Debt securities valued at fair value through profit and loss		6,643,076		6,643,076	4 452 638
b) OECD bonds held to maturity		8,267,588		8,267,588	7,034,806
c) Other debt securities held to maturity		3,095,741		3,095,741	3,255,557
6. Deposits with financial institutions	18	692,750		692,750	1,043,423
7. Other financial placements	19	23,844		23,844	-4,158
D. Financial placements for the benefit of life insurance policyholders who bear the investment risk	21	2,458,100		2,458,100	2,274,770
E. Debtors	22	276,574	61,452	215,122	115,102
I. Receivables arising from direct insurance operations	23	117,336	61,320	56,016	49,624
1. Due from policyholders	24	105,885	52,408	53,477	45,004
2. Due from insurance intermediaries	25	11,451	8,912	2,539	4,620
II. Receivables arising from reinsurance operations	26	41,739		41,739	316
III. Other receivables	27	117,499	132	117,367	65,162
F. Other assets	28	136,812	54,823	81,989	71,383
I. Tangible fixed assets other than land and buildings (real estate), and inventories	29	101,382	54,823	46,559	42,951
II. Cash on accounts in financial institutions and cash in hand	30	35,430		35,430	28,432
G. Temporary asset accounts	32	1,533,262		1,533,262	1,227,891
I. Accrued interest and rent	33	20		20	96
II. Deferred acquisition costs	34	1,359,204		1,359,204	1,111,189
a) in life-insurance business	35	1,359,084		1,359,084	1,110,829
b) in non-life insurance	36	119		119	360
III. Other temporary asset accounts, thereof	37	174,038		174,038	116,606
a) Estimated receivables	38	129,665		129,665	65,485
TOTAL ASSETS	39	24,740,681	312,016	24,428,665	20,421,310

LIABILITIES

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
A. Equity	40			2,746,078	2,209,387
I. Registered capital	41			1,900,100	1,117,200
IV. Other capital funds	46			8,978	72,620
V. Statutory reserve fund and other funds from profit	47			224,110	193,309
VI. Profit or loss brought forward	48			9,785	207,107
VII. Profit or loss for the financial year	49			603,105	619,151
B. Subordinated liabilities	50				
C. Technical provisions	51	18,485,668	204,177	18,281,491	15,070,034
1. Provision for unearned premiums, thereof	52	87,265	11,193	76,072	94,948
a) Provision for unearned premiums relating to life insurance	53	56,535	11,193	45,342	66,352
b) Provision for unearned premiums relating to non-life insurance	54	30,730		30,730	28,596
2. Life insurance provision	55	16,743,693		16,743,693	13,835,244
3. Provision for outstanding claims, thereof	56	1,489,871	115,783	1,374,088	1,058,444
a) Provision for outstanding claims relating to life insurance	57	1,258,910	1,519	1,257,391	956,925
b) Provision for outstanding claims relating to non-life insurance	58	230,961	114,264	116,697	101,519
4. Provision for bonuses and rebates, thereof	59	100,640	77,201	23,439	20,744
a) Provision for bonuses and rebates relating to life insurance	60	23,354		23,354	20,671
b) Provision for bonuses and rebates relating to non-life insurance	61	77,286	77,201	85	73
7. Provision for liabilities the technical interest rate applied	64	64,199		64,199	60,654
D. Life insurance technical provision where the investment risk is borne by the policyholders	71	2,458,100		2,458,100	2,274,770
E. Provisions for the other risk and losses	72			141,989	157,653
2. Provision for taxes	74			141,989	157,653
G. Creditors	77			545,266	496,288
I. Payable arising from direct insurance operations	78			455,386	444,597
II. Payables arising from reinsurance operations	79			70,007	14,107
V. Other payables, thereof	83			19,873	37,584
a) Tax liabilities and payables due to social security and health insurance institutions	84			4,301	3,202
H. Temporary liability accounts	86			255,741	213,178
I. Accrued expenses and deferred revenues	87			5,620	0
II. Other temporary liability accounts, thereof	88			250,121	213,178
a) Estimated payables	89			250,121	213,178
TOTAL LIABILITIES	90			24,428,665	20,421,310

Profit and Loss

for the Year Ended 31 December 2010

(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	682,968	x	x	x
b) Premium ceded to reinsurers (-)	3	563,345	119,623	x	x
c) Chase in the gross provision for unearned premiums (+/-)	4	2,134	x	x	x
d) Chase in the provision for unearned premiums, reinsurers' share (+/-)	5	0	2,134	117,489	103,305
2. Allocated investment return transferred from the non-technical account (Item III. 6.)	6	x	x	4,056	3,854
3. Other technical income, net of reinsurance	7	x	x	27,074	27,261
4. Claims incurred, net of reinsurance	8	x	x	x	x
a) Claims paid	9	x	x	x	x
aa) Gross account	10	102,634	x	x	x
ab) Reinsurers' share (-)	11	37,773	64,861	x	x
b) Change in the provision for outstanding claims (+/-)	12	x	x	x	x
ba) Gross account	13	129,442	x	x	x
bb) Reinsurers' share (-)	14	114,264	15,178	80,039	85,914
6. Bonuses and rebates, net of reinsurance	16	x	x	699	396
7. Net operating expenses	17	x	x	x	x
a) Acquisition costs	18	x	23,937	x	x
b) Change in deferred acquisition costs (+/-)	19	x	241	x	x
c) Administrative expenses	20	x	8,236	x	x
d) Reinsurance commissions and profit participation (-)	21	x	0	32,414	27,371
8. Other technical expenses, net of reinsurance	22	x	x	936	1,068
10. Sub-total on the technical account for non-life insurance (Item III. 1.)	24	x	x	34,531	19,671

(in thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
II. TECHNICAL ACCOUNT FOR LIFE INSURANCE					
1. Earned premiums, net of reinsurance	25	x	x	x	x
a) Gross premiums written	26	x	8,519,754	x	x
b) Premium ceded to reinsurers (-)	27	x	72,413	x	x
c) Change in the gross provision for unearned premiums, net of reinsurance (+/-)	28	x	-21,010	8,468,351	6,850,379
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, thereof	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	1,007,341	1,007,341	x	x
c) Value adjustments on financial placements	34	x	0	x	x
d) Income from disposal of financial placements	35	x	1,311,514	2,318,855	3,629,245
3. Unrealised gains on financial placements	36	x	x	600,562	768,725
4. Other technical income, net of reinsurance	37	x	x	49,925	56,268
5. Claims incurred, net of reinsurance	38	x	x	x	x
a) Claims paid	39	x	x	x	x
aa) Gross amount	40	3,401,100	x	x	x
ab) Reinsurers' share (-)	41	8,748	3,392,352	x	x
b) Change in the provision for outstanding claims (+/-)	42	x	x	x	x
ba) Gross amount	43	301,068	x	x	x
bb) Reinsurers' share (-)	44	602	300,466	3,692,818	4,171,435
6. Changes in other technical provisions, net of reinsurance (+/-)	45	x	x	x	x
a) Life insurance provisions	46	x	x	x	x
aa) Gross amount	47	2,908,449	x	x	x
ab) Reinsurers' share (-)	48	0	2,908,449	x	x
b) Other technical provisions, net of reinsurance	49	x	186,875	3,095,324	1,258,933
7. Bonuses and rebates, net of reinsurance	50	x	x	239,078	195,248
8. Net operating expenses	51	x	x	x	x
a) Acquisition costs	52	x	1,645,622	x	x
b) Change in deferred acquisition costs (+/-)	53	x	-248,255	x	x
c) Administrative expenses	54	x	372,989	x	x
d) Reinsurance commissions and profit participation (-)	55	x	22,610	1,747,746	1,525,606
9. Expenses connected with financial placements (investments)	56	x	x	x	x
a) Investment management charges, including interest	57	x	396,668	x	x
b) Value adjustments on financial placements	58	x	0	x	x
c) Book value of disposed financial placements	59	x	1,341,154	1,737,822	3,355,468
10. Unrealised losses on financial placements (investments)	60	x	x	176,065	0
11. Other technical expenses, net of reinsurance	61	x	x	36,048	44,535
13. Sub-total on the technical account for life insurance (Item III. 2.)	63	x	x	712,792	753,392

(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	34,531	19,671
2. Result of the technical account for life insurance (Item II. 13)	65	x	x	712,792	753,392
3. Income from financial placements (investments)	66	x	x	x	x
a) Income from participating interests, with a separate indication of that derived from controlling influence	67	x	x	x	x
b) Income from other investments, with a separate indication of that derived from controlling influence, thereof	68	x	x	x	x
ba) Income from land and buildings (real estate)	69	65	x	x	x
bb) Income from other financial placements (investments)	70	3,839	3,904	x	x
c) Value adjustments on financial placements	71	x	1,129	x	x
d) Income from disposal of financial placements	72	x	0	5,033	4,841
5. Expenses connected with financial placements (investments)	74	x	x	x	x
a) Investment management charges, including interest	75	x	412	x	x
b) Value adjustments on financial placements	76	x	565	x	x
c) Book value of disposed financial placements	77	x	0	977	393
6. Allocated investment return transferred to the technical account for non-life-insurance (Item I. 2)	78	x	x	4,056	3,854
9. Income tax on ordinary activities	81	x	x	143,903	154,208
10. Profit or loss on ordinary activities after tax	82	x	x	603,420	619,449
15. Other taxes not shown under the preceding items	87	x	x	315	298
16. Profit or loss for the financial year	88	x	x	603,105	619,151

Statement of Changes in Equity

for the Year Ended 31 December 2010

(in thousands CZK)	Registered capital	Other funds from profit	Revaluation differences	Statutory reserve fund	Retained profits	Accumulated losses	Profit/loss for the financial year	Total
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	0
Reductions of funds		-2,772	-63,642					-66,414
Royalties								
Dividends								
Increase/reduction in registered capital	782,900				-782,900			
Profit/loss for the current period							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	Revaluation differences	Statutory reserve fund	Retained profits	Accumulated losses	Profit/loss for the financial year	Total
Balance at 1/1/2009	1,117,200	4,490	119,605	177,647			220,522	1,639,464
Additions to funds		2,389		11,026	207,107		-220,522	
Reductions of funds		-2,243	-46,985					-49,228
Royalties								
Dividends								
Increase/reduction in registered capital								
Profit/loss for the current period							619,151	619,151
Balance at 31/12/2009	1,117,200	4,636	72,620	188,673	207,107		619,151	2,209,387

Notes to the Financial Statements for 2010

I. GENERAL CONTENT

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 as at 31 December 2010:

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 insurance

Insurance on death, insurance on survival to a certain age, and insurance 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 other 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

Members of the Board of Directors to 31 December 2010:

Chairman: RNDr. Petr Zapletal, MBA, 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 (until 5 June 2010 a member of the Supervisory Board; between 16 December 2009 and 5 June 2010 the position of Vice-Chairman was vacant)

Member: JUDr. Karel Kopecký, Pardubice, Bělehradská 396, PSČ 530 09

Member: Ing. Petr Kohoutek, Chrudim, Vaňkova 1341, PSČ 537 01

Member: Ing. Vít Rozsypal, Divišov, Na Sídlišti 350, PSČ 257 26 (since 16. 3. 2010)

Member: Ing. Aleš Mamica, Praha 9, Lipí 1247/60, PSČ 193 00 (since 16. 3. 2010)

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 Contracts, 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
Computer technology	Straight-line	3
Equipment	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 recognized 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 Co-operation 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").

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

Fair value means the 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 based on the current exchange rate published by the Czech National Bank ("ČNB"). 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 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 ČNB. 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.

Other financial placements denominated in foreign currency are translated based on the current exchange rate published by ČNB 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 INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK

Financial placements for the benefit of life insurance 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 insurance policyholders who bear the investment risk are revalued at their fair value. In order to preserve the true and fair view of the Company's result for the year, all changes resulting from revaluation at fair value have been reflected in the Company's profit and loss account.

(D) ADJUSTMENTS

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

Adjustments to receivables from policyholders are calculated 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 the 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 is calculated using 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 insurance (other than insurance connected with an investment fund/unit-linked insurance)

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

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

In unit-linked insurance the Company determines deferred acquisition costs using actuarial methods, 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 utilized.

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

(H) PROVISION FOR UNEARNED PREMIUMS

The provision for unearned premiums is created in respect of life insurance and non-life insurance, except for single premium life insurance. 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 INSURANCE PROVISION

The life insurance provision comprises the sum of the provisions for individual life insurance policies. The life insurance 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 insurance contracts. These costs are included within the life insurance 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 insurance that involves investment funds where the Company guarantees a minimum return on investment, this part of the provisions is accounted for as a life insurance provision. The provision is calculated based on the number and price of units credited to the insurance contracts.

(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 all relating 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 that the provision for outstanding claims is 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 in the profit and loss account are presented in "Bonuses and rebates".

(L) EQUALIZATION PROVISION

Because of the Company's focus on insurance of individuals, equalization provision has not been established as at the balance sheets dates (31 December 2010 and 31 December 2009).

(M) OTHER TECHNICAL PROVISIONS

Other technical provisions have not been established as at the balance sheets dates (31 December 2010 and 31 December 2009).

(N) PROVISION FOR LIABILITIES ARISING FROM THE APPLIED TECHNICAL INTEREST RATE AND OTHER CALCULATION PARAMETERS

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

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

The result of liability test is the minimum value of liabilities to policyholders is determined using best estimates of the future development of entry parameters adjusted by market value margins.

Where this amount exceeds the amount of the life insurance provisions reduced by any unamortised acquisition costs and other intangible assets, the deficiency is recognised through the creation of a provision for liabilities arising from the applied technical interest rate and other calculation parameters.

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

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

(O) LIFE INSURANCE PROVISION WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS

The life insurance 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 insurance where, based on an insurance contract, the investment risk is borne by the policyholders.

The amount of the provision is calculated as the sum of liabilities due to insured persons in the amount of their shares of invested premiums from individual life insurance 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 reinsurer does 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 created at the balance sheet date and amounts to the estimated corporate income tax liability due. The use (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 insurance and non-life insurance accounts

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

Other expenses and income from financial placements which are not related to life insurance activities are recorded initially in the non-technical account and subsequently all of them transferred to the technical account for non-life insurance. In 2009, the proportionate part of expenses and income from financial placements not related to life insurance activities was transferred to the technical account for non-life insurance in the amount equal to the average non-technical return on financial placements applied on the average balance of technical provisions for non-life insurance.

Method of accounting for realised gains and losses upon disposal of financial placements

The disposal of financial placements is presented 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 carrying value of the related financial placements.

(V) ALLOCATION OF ITEMS BETWEEN LIFE INSURANCE AND NON-LIFE INSURANCE

In order to account for items common to both life insurance 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 insurance and non-life insurance.

Expenses and revenues from financial placements

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

Other revenues and expenses

During the accounting period clearly attributable expenses and income are accounted for directly in the technical account for life insurance or non-life insurance or the non-technical account. Expenses and income that cannot be directly attributed are recorded primarily in the non-technical account and subsequently allocated to the technical account for life insurance 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 ČNB rate effective on 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 ČNB official rate on that date. Unless stated otherwise, foreign currency gains and losses are recorded in Company's profit and loss account.

I. 5. CHANGE IN ACCOUNTING POLICIES AND PROCEDURES

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

I. 6. RISK MANAGEMENT

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

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

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

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

The 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 assumptions 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 INSURANCE 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 insurance may represent any claim that affects several persons insured at the same time and in the same place (i.e. 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 insurance 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 insurance

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 insurance, 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.

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, 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.

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 note 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 2010 comprise the following items:

(in thousands CZK)	Software	Industrial and similar rights	Other intangible fixed assets	Total
Acquisition cost at 1/1/2010	223,383	295		223,678
Additions	28,695			28,695
Disposals				
Acquisition cost at 31/12/2010	252,078	295		252,373
Accumulated depreciation at 1/1/2010	169,949			169,949
Depreciation	25,792			25,792
Disposals				
Accumulated depreciation at 31/12/2010	195,741			195,741
Net book value at 1/1/2010	53,434	295		53,729
Net book value at 31/12/2010	56,337	295		56,632

II. 2. INVESTMENTS

(A) LAND AND BUILDINGS (REAL ESTATE)

Operating (in thousands CZK)	2010	2009
Land	538	538
Valuation differences	1,391	1,342
Buildings	59,736	59,011
Valuation differences	-16,364	-15,591
Total operating land and buildings at fair value	45,300	45,300

The most recent valuation of land and buildings (real estate) based on an expert appraisal was carried out on 31 December 2010.

(B) SHARES AND OTHER VARIABLE-YIELD SECURITIES, OTHER PARTICIPATING INTERESTS

(in thousands CZK)	Fair value		Acquisition value	
	2010	2009	2010	2009
Issued by financial institutions				
Listed on a recognized CR exchange	89,785	49,550	68,429	43,309
Listed elsewhere	758,688	418,093	682,030	401,698
Unlisted	336,420	278,658	314,034	295,085
Issued by non-financial institutions				
Listed on a recognized CR exchange	109,803	78,455	101,355	79,420
Listed elsewhere	20,565	26,113	16,581	21,938
Total	1,315,261	850,869	1,182,429	841,450

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 value	
	2010	2009	2010	2009
Issued by financial institutions				
Listed on a recognized CR exchange	794,422	565,359	811,066	595,794
Listed elsewhere	661,536	154,486	660,615	153,881
Unlisted	230,885	210,454	200,720	200,720
Issued by non-financial institutions				
Listed on a recognized CR exchange	130,305	129,675	129,828	129,828
Listed elsewhere	408,754	397,465	398,380	387,794
Unlisted				
Issued by government sector				
Listed on a recognized CR exchange/Listed on a recognized CR exchange	4,250,579	2,995,199	4,158,979	2,945,311
Listed elsewhere	166,595		170,600	
Total	6,643,076	4,452,638	6,530,188	4,413,328

Securities listed elsewhere are traded mainly on European markets.

(D) OECD BONDS HELD TO MATURITY

(in thousands CZK)	Fair value		Amortized value		Acquisition cost	
	2010	2009	2010	2009	2010	2009
Listed on a recognized CR exchange	8,549,852	7,306,402	8,267,588	7,034,806	8,400,150	7,135,192
Listed elsewhere						
Unlisted						
Total OECD bonds held to maturity	8,549,852	7,306,402	8,267,588	7,034,806	8,400,150	7,135,192

(E) OTHER DEBT SECURITIES HELD TO MATURITY

(in thousands CZK)	Fair value		Acquisition cost	
	2010	2009	2010	2009
Issued by financial institutions				
Listed on a recognized CR exchange	124,496	244,522	109,186	232,008
Listed elsewhere	978,238	1,074,969	959,257	959,257
Unlisted	344,107	313,658	299,150	299,150
Issued by non-financial institutions				
Listed on a recognized CR exchange	232,001	243,763	251,755	251,755
Listed elsewhere	1,416,899	1,378,645	1,299,509	1,299,509
Total debt securities held to maturity	3,095,741	3,255,557	2,918,857	3,041,679

(F) DEPOSITS WITH FINANCIAL INSTITUTIONS

(in thousands CZK)	2010	2009
Due within 1 year	692,750	1,043,423
Total	692,750	1,043,423

(G) OTHER FINANCIAL PLACEMENTS – DERIVATIVES**Other derivatives – derivatives held for trading**

Fixed term contracts with a positive fair value (in thousands CZK)	Nominal value		Fair value	
	2010	2009	2010	2009
Term currency transactions	1,514,820		23,844	
Total	1,514,820		23,844	

Fixed term contracts with a negative fair value (in thousands CZK)	Nominal value		Fair value	
	2010	2009	2010	2009
Term currency transactions		595,308		-4,158
Total		595,308		-4,158

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 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

At 31 December 2009 (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	-4,158					-4,158

II. 3. FINANCIAL PLACEMENTS FOR THE BENEFIT OF LIFE INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK

Description (in thousands CZK)	Fair value		Acquisition cost	
	2010	2009	2010	2009
Shares and other variable-yield securities	1,131,333	1,082,660	1,196,693	1,242,985
Debt securities	1,326,767	1,192,110	1,120,515	1,139,876
Total	2,458,100	2,274,770	2,317,208	2,382,861

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	
	2010	2009	2010	2009	2010	2009	2010	2009
CZK	306,012	240,764	17,452,304	14,655,084	692,750	1,039,135	2,458,100	2,274,770
EUR	329,893	190,128	554,101	87,917	8,498	-4,158		
GBP	26,923	25,308			447			
USD	648,307	381,453			14,899			
PLN	4,126	4,119				4,288		
TRY		9,097						
Total	1,315,261	850,869	18,006,405	14,743,001	716,594	1,039,265	2,458,100	2,274,770

II. 5. RECEIVABLES

At 31 December 2010 (in thousands CZK)	Receivables from policy holders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	10,958	1,521	41,739	117,355	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

At 31 December 2009 (in thousands CZK)	Receivables from policy holders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	10,855	3,971	316	65,145	80,287
Overdue	70,411	10,012		149	80,572
Total	81,266	13,983	316	65,294	160,859
Adjustment	36,262	9,363		132	45,757
Total net	45,004	4,620	316	65,162	115,102

Other receivables

(in thousands CZK)	2010	2009
Inter-company receivables	2,296	439
Deferred tax assets		
Income tax prepayments	106,466	61,459
Other receivables	8,737	3,396
Total other receivables	117,499	65,294

II. 6. OTHER ASSETS

(A) TANGIBLE FIXED ASSETS

(in thousands CZK)	Cars	Information technology	Equipment	Other	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2010	20,846	47,907	14,969	7,563	594	91,879
Additions	10,891	6,106	972	3,383	229	21,581
Disposals	-7,960	-8,039	-28		-221	-16,248
Acquisition cost at 31/12/2010	23,776	45,974	15,913	10,946	602	97,212
Accumulated depreciation at 1/1/2010	10,912	34,725	7,838	70		53,545
Depreciation expense	4,911	9,468	1,233	177		15,789
Disposals	-6,783	-7,700	-28			-14,511
Accumulated depreciation at 31/12/2010	9,040	36,492	9,044	247		54,823
Net book value at 1/1/2010	9,934	13,183	7,130	7,493	594	38,333
Net book value at 31/12/2010	14,736	9,482	6,869	10,700	602	42,389

As at 31 December 2010 the Company also records inventories in the amount of TCZK 4,170 (2009: TCZK 4,618).

II. 7. TEMPORARY ASSET ACCOUNTS

(A) DEFERRED ACQUISITION COSTS FOR LIFE INSURANCE CONTRACTS

(in thousands CZK)	2010	2009
Traditional life insurance		
Life insurance connected with an investment fund/unit-linked	1,359,084	1,110,829
Total	1,359,084	1,110,829

(B) ESTIMATED RECEIVABLES

(in thousands CZK)	2010	2009
Estimated written premiums	104,334	44,191
Estimated reinsurance commissions	22,591	16,817
Estimated trailer fees	2,031	1,965
Other	710	2,513
Total	129,665	65,485

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)	2010	2009
Rent paid in advance	337	336
Prepaid expenses relating to commissions on premiums not yet recorded	39,496	49,435
Other	4,540	1,350
Total	44,373	51,121

II. 8. EQUITY

(A) SHARE CAPITAL

The registered share capital comprises 8,180 common registered shares in book-entry form with a nominal value of TCZK 45 and 15,320 pcs common bearer shares with a nominal value of TCZK 100. As at 31 December 2010 100%, TCZK 1,900,100, of the share capital was paid up.

As at 6 May 2010, based on a decision of the General Meeting, the share capital was increased by TCZK 782,900. The capital was increased using the Company's own funds, i.e. retained earnings of prior periods, by issuing new common registered shares in book-entry 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 common bearer shares in book-entry 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 volume	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 amount of registered capital complies with the requirements of the Insurance Act, with regard to the insurance classes in which the Company is authorized to carry on insurance activities.

(B) OTHER CAPITAL FUNDS

(in thousands CZK)	2010	2009
Revaluation of assets and liabilities at fair value	8,978	72,620
Other capital funds		
Total	8,978	72,620

Revaluation of assets and liabilities at fair value

(in thousands CZK)	2010	2009
Balance as at 1/1	72,620	119,605
Change in fair value of financial placement (without hedging derivatives)	-76,920	-56,302
Change in fair value of hedging derivatives		
Net losses on financial placement reclassified to the Profit and loss account on disposal, impairment or maturity	-1,650	-3,550
Net losses on hedging derivatives reclassified to the Profit and loss account upon cessation of hedge accounting		
Change in deferred tax	14,928	12,867
Balance as at 31/12	8,978	72,620

Proposed distribution of current period profit

(in thousands CZK)	
Profit for the current period	603,105
Transfer to statutory reserve fund	30,155
Transfer to social fund	3,054
Dividend (CZK 0.00 per share)	
Profit to be added to retained earnings	569,896

II. 9. TECHNICAL PROVISIONS**(A) LIFE INSURANCE PROVISION**

(in thousands CZK)	2010	2009
Unzillmerised provision	5,225,993	4,467,637
Zillmer adjustment	9,950	12,218
Elimination of negative reserves	9	11
Zillmerised provision presented in the balance sheet	5,216,052	4,455,430
Flexi provisions	11,262,220	9,191,961
Provision for profit share commitments	256,536	178,620
Annuity provisions	8,885	9,233
Waiver of premium provision		
Total life insurance provision	16,743,693	13,835,244

(B) PROVISION FOR OUTSTANDING CLAIMS

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

(in thousands CZK)	2010	2009
RBNS	276,889	152,258
IBNR	1,097,199	906,186
Total	1,374,088	1,058,444

Claims run-off result

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

(in thousands CZK)	2010	2009
Gross provision for outstanding claims as at 1 January	1,059,361	856,377
Claims payments in the current period in respect of prior period claims	524,917	332,670
Provision for outstanding claims as at 31 December intended for prior period claims not paid yet.	345,333	320,173
Run-off result	189,112	203,534

The gross run-off result by classes of insurance:

Class of insurance (in thousands CZK)	2010	2009
Accident and sickness – non-life insurance	21,872	4,426
Other losses – non-life insurance	1	0
Insurance on death, insurance on survival	8,997	13,269
Accident and sickness insurance as a rider	168,209	174,644
Marriage insurance	35	-56
Life insurance connected with an investment fund/unit-linked (not incl. supplementary accident insurance)	-10,002	11,251
Total	189,112	203,534

II. 10. PROVISIONS

Type of provision (in thousands CZK)	Opening balance	Creation	Release	Closing balance
Provision for taxes	157,653	141,989	157,653	141,989
Total	157,653	141,989	157,653	141,989

II. 11. PAYABLES

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

31 December 2009 (in thousands CZK)	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	244,026	200,548	14,107	33,149	491,830
Overdue	23			4,435	4,458
Total	244,049	200,548	14,107	37,584	496,288

Other payables comprise the following items:

(in thousands CZK)	2010	2009
Payables to employees	6,007	4,955
Social security and health insurance liabilities	3,052	2,279
Payables to suppliers	3,765	9,559
Deferred tax liability	5,800	19,867
Other tax liabilities	1,248	924
Total	19,873	37,584

(A) SOCIAL SECURITY AND HEALTH INSURANCE LIABILITIES

Liabilities in respect of social security and health insurance total TCZK 3,052 (2009: TCZK 2,279) of which TCZK 2,133 (2009: TCZK 1,588) relates to social security and TCZK 919 (2009: TCZK 691) relates to health insurance. None of these liabilities are overdue.

(B) TAX LIABILITIES

Tax liabilities amount to TCZK 1,248 (2009: TCZK 924), 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)	2010	2009
Receivables from reinsurers	41,739	316
Payables to reinsurers	70,007	14,107
Net (+ receivable, - payable)	-28,268	-13,791

II. 12. TEMPORARY LIABILITY ACCOUNTS

(A) OTHER TEMPORARY LIABILITY ACCOUNTS

(in thousands CZK)	2010	2009
Accrued expenses	5,620	
Estimated payables	250,121	213,178
Total	255,741	213,178

A detailed breakdown of estimated payables is as follows:

(B) ESTIMATED PAYABLES

(in thousands CZK)	2010	2009
Alliance partner commission	99,825	84,205
Performance-based commission of insurance intermediaries	2,801	38,939
Accrued commission (not yet due)	393	347
Annual extraordinary bonuses and untaken holidays	50,578	43,267
Asset management fees	25,785	26,893
Operating system repairs and maintenance	7,492	6,804
Reinsurance premiums on premium not yet recorded	54,844	1,933
Services not yet invoiced by other creditors	8,404	10,790
Total	250,121	213,178

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

Name of the company (in thousands CZK)	Receivables		Payables	
	2010	2009	2010	2009
Short-term	2,296	439	547	
Kooperativa pojišťovna, a.s., Vienna Insurance Group	2,296	439	504	
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe			43	
Total	2,296	439	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 2010 and 2009 divided by classes of insurance:

(in thousands CZK)	Insurance class	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsur. balance
Direct insurance						
Accident and sickness	1,2					
2010		495,587	493,453	195,357	9,792	-68,332
2009		106,733	103,250	85,913	5,703	
Miscellaneous losses	16,17,18					
2010		187,381	187,381	36,719	940	-47,537
2009		55	55	1		
Other						
2010					21,682	
2009					21,668	
Total						
2010		682,968	680,834	232,076	32,414	-115,869
2009		106,788	103,305	85,914	27,371	

III. 2. LIFE INSURANCE

Gross premiums written in life insurance:

(in thousands CZK)	2010	2009
Individual (special) premium	7,927,568	6,381,686
Premiums under group contracts	592,187	474,127
Total	8,519,754	6,855,813
Regular premium	4,126,728	3,171,793
Single premium	4,393,026	3,684,020
Total	8,519,754	6,855,813
Premiums from non profit-sharing contracts	947,779	1,311,441
Premiums from profit-sharing contracts	6,382,078	3,850,776
Premiums from contracts where the investment risk is borne by policyholders	1,189,897	1,693,596
Total	8,519,754	6,855,813
Reinsurance balance	-41,504	-29,938

III. 3. TOTAL AMOUNT OF GROSS PREMIUMS WRITTEN BY COUNTRY

In 2010 and 2009, 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 conditions and insurance contracts:

(in thousands CZK)	2010	2009
Gross		
Non-life insurance	218,925	323
Life insurance	236,394	190,658
Total gross amount	455,319	190,981
Reinsurers' share (non-life insurance)	218,238	
Total net amount	237,081	190,981

Company accounted for the following changes in the provision for bonuses and rebates:

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 insurance			
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

2009 (in thousands CZK)	Gross	Reinsurers' share	Net
Non-life insurance			
Creation	397		397
Release	324		324
Change of balance	73		73
Life insurance			
Creation	195,421		195,421
Release	190,831		190,831
Change of balance	4,590		4,590
Total change of balance	4,663		4,663

III. 5. COMMISSIONS AND OTHER ACQUISITION COST FOR INSURANCES CONTRACTS

(in thousands CZK)	2010			2009		
	Non-life insurance	Life insurance	Total	Non-life insurance	Life insurance	Total
Commissions						
Initial	1,100	1,448,082	1,449,182	1,381	1,665,316	1,666,697
Renewal	3,855	143,210	147,066	2,935	101,537	104,472
Total commissions	4,955	1,591,293	1,596,248	4,316	1,766,853	1,771,169
Other acquisition costs	22,838	197,540	220,378	21,629	177,614	199,243
Change in deferred acquisition costs	241	-248,255	-248,015	187	-617,251	-617,064
Total commissions and other acquisition costs	28,034	1,540,577	1,568,611	26,132	1,327,216	1,353,348

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)	2010	2009
Personnel expenses (payroll, social security and health insurance, remuneration to members of the Supervisory Board, Board of Directors and Audit Committee)	79,061	65,902
Renewal commissions	147,066	104,472
Rent and related services	7,082	4,439
Consultancy and external audit	3,549	2,240
Consumption of low-value tangible and intangible assets and other material	15,039	12,459
Depreciation and repairs and maintenance of tangible assets	18,778	17,376
Operating systems administration and maintenance	22,498	30,444
Postal and telecommunication services	22,708	21,920
Bank fees	10,811	11,890
Other services	18,283	15,756
Other administrative expenses	36,350	34,019
Total administrative expenses	381,225	320,917

Other personnel expenses are included in other administrative expenses.

III. 7. OTHER TECHNICAL EXPENSES AND INCOME

2010 (in thousands CZK)	Gross	Reinsurers' share	Net
Non-life insurance			
Other technical expenses	936		936
Other technical income	-27,074		-27,074
Balance – non-life insurance	-26,138		-26,138
Life insurance			
Other technical expenses	36,048		36,048
Other technical income	-49,925		-49,925
Balance – life insurance	-13,877		-13,877

2009 (in thousands CZK)	Gross	Reinsurers' share	Net
Non-life insurance			
Other technical expenses	1,068		1,068
Other technical income	-27,261		-27,261
Balance – non-life insurance	-26,193		-26,193
Life insurance			
Other technical expenses	44,535		44,535
Other technical income	-56,268		-56,268
Balance – life insurance	-11,733		-11,733

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

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

2009 (in thousands CZK)	Gross	Reinsurers' share	Net
Creation (+)/Release (-) of adjustments for receivables	273		273
Commission for mediation of non-life insurance	-26,073		-26,073
Other	-393		-393
Balance of other expenses and income	-26,193		-26,193

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

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

2009 (in thousands CZK)	Gross	Reinsurers' share	Net
Creation (+)/Release (-) of adjustments for receivables	10,784		10,784
Trailer fees	-10,606		-10,606
Other	-11,911		-11,911
Balance of other expenses and income	-11,733		-11,733

III. 8. EMPLOYEES AND MANAGEMENT

Personnel expenses and average calculated number of employees by individual categories for 2010 and 2009:

Personnel expense – type (in thousands CZK)	Year	Employee category			Total
		Acquisition, sales	Claims handling	Administration	
Payroll expense	2010	57,409	7,842	61,569	126,820
	2009	47,472	7,255	52,418	107,145
Social security and health insurance	2010	19,182	2,693	16,663	38,538
	2009	15,268	2,468	12,742	30,478
Other personnel expenses	2010	2,758	763	2,788	6,309
	2009	2,315	679	2,490	5,484
Total personnel expenses	2010	79,349	11,298	81,020	171,667
	2009	65,055	10,402	67,650	143,107
Average number of employees	2010	89	22	85	196
	2009	79	14	80	173

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

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 in 2010 totalled TCZK 40,753.

As at 31 December 2009, the management of the Company comprised 10 managers: the CEO, 2 deputy CEOs and 7 section directors. Personnel expenses (payroll, social security and health insurance, other personnel expenses) relating to managers in 2009 totalled TCZK 33,273.

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 2010 and 2009:

(in thousands CZK)	2010	2009
Members of the Board of Directors	180	180
Proxy holder	15	
Members of the Supervisory Board	602	505
Audit Committee	13	2
Total remuneration paid	810	687

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; 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 2010 or 2009.

(B) INFORMATION ON REMUNERATION FOR STATUTORY AUDITORS

Remuneration for statutory auditors is included in the Company's administrative expenses. The total amount of TCZK 1,452 (2009: TCZK 1,490) consists of the following items:

(in thousands CZK)	2010	2009
Statutory audit	1,200	1,490
Other auditing services	252	
Tax advisory		
Other non-auditing services		
Total remuneration	1,452	1,490

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 insurance, non-life insurance and the non-technical account by means of the method stated in point I. 4. (v) amounted to TCZK 53,598 (2009: TCZK 44,668).

III. 10. RESULT OF NON-TECHNICAL ACCOUNT

The result of the non-technical account as at 31 December 2010 amounted to TCZK 0 (2009: TCZK 594).

III. 11. RESULT BEFORE TAX

The result before tax as at 31 December 2010 amounted to TCZK 747,008 (2009: TCZK 773,359).

III. 12. TAXATION**(A) INCOME TAX IN THE PROFIT AND LOSS ACCOUNT**

(in thousands CZK)	2010	2009
Provision for current period income tax	141,989	157,653
Difference between the current income tax relating to prior periods and release of the provision for income tax relating to prior periods	1,053	-840
Current income tax relating to prior periods		
Change in deferred tax asset/Change in deferred tax liability	861	-2,605
Income tax in profit and loss account	143,903	154,208

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	
	2010	2009	2010	2009	2010	2009
Tangible fixed assets			4,428	4,497	-4,428	-4,497
Intangible fixed assets			2,489	4,211	-2,489	-4,211
Receivables	817	456			817	456
Other temporary difference recorded in Profit and Loss account	2,406	5,419			2,406	5,419
Effect on Profit and Loss account	3,223	5,875	6,917	8,708	-3,694	-2,833
Revaluation of assets and liabilities			2,106	17,034	-2,106	-17,034
Effect on equity			2,106	17,034	-2,106	-17,034
Deferred tax asset/(liability)	3,223	5,875	9,023	25,743	-5,800	-19,867
Off-setting of relating deferred tax assets and liabilities	-3,223	-5,875	-3,223	-5,875	-3,223	-5,875
Deferred tax asset/(liability)			5,800	19,867	-5,800	-19,867

In accordance with the accounting policy described in note 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 utilized, 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) LITIGATION

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 2,954. A provision for reported claims of TCZK 2,816 has been established to provide for these contingent liabilities.

IV. 4. SUBSEQUENT EVENTS

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

In Pardubice, 24 February 2011



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 2010 accounting period

The company Pojišťovna České spořitelny, a.s., Vienna Insurance Group, with its registered office at Pardubice, nám. Republiky 115, Post Code 530 02, Registration No.: 47452820, entered in the commercial register kept at the Regional Court in Hradec Králové, file B, item 855 (hereinafter referred to as the “submitter”) is part of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe group (concern), where the following relations, stipulated in Appendix No. 1, between the submitter and controlling persons exist and further between the submitter and persons controlled by the same controlling persons (hereinafter referred to as the “related persons”).

This Report on Relations between persons stipulated below was compiled pursuant to Section 66a(9) of Act No. 513/1991 Coll., the Commercial Code, as amended, for the accounting period from 1 January 2010 to 31 December 2010 (hereinafter referred to as the “accounting period”). The contracts stipulated below were concluded between the submitter and the persons mentioned below and the following legal acts and other actual measures were taken or adopted during this accounting period:

A. OVERVIEW/CHART OF THE VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE WHOLE CONCERN, OR THE PERSONS, THE RELATIONS OF WHICH ARE BEING DESCRIBED

A.A CONTROLLING PERSONS

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, A 1010, Vienna, entered in the commercial register kept at the Commercial Court in Vienna, file FN, item 75687 F (hereinafter referred to as Wiener Städtische)

Company name	Registered office	Share in %
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 za reosiguranje, Belgrade	Serbia	100.00
“WIENER STÄDTISCHE OSIGURANJE” akcionarsko društvo za osiguranje, Belgrade	Serbia	100.00
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.10
BENEFIA Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00
BENEFIA Towarzystwo Ubezpieczeń 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
BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia	Bulgaria	97.08
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00
Businesspark Brunn Entwicklungen GmbH, Vienna	Austria	100.00
CAME Holding GmbH, Vienna	Austria	100.00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00
CAPITOL, a.s., Bratislava	Slovak Republic	100.00
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00

Company name	Registered office	Share in %
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, Kiev	Ukraina	80.00
International Insurance Company IRAO Ltd., Tbilisi	Georgia	90.00
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., Prague	Czech Republic	100.00
Komunálna poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovak Republic	100.00
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovak Republic	100.00
Kooperativa pojišťovna, 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	Slovak Republic	95.00
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Prague	Czech Republic	95.00
Polski Związek Motorowy Towarzystwo Ubezpieczen Spolka 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 Beteiligungsges.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	Slovak Republic	100.00

Company name	Registered office	Share in %
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	The Netherlands	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, Benden	Liechtenstein	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
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

Companies consolidated using the equity method

AIS Servis, s.r.o., Brno	Czech Republic	100.00
Benefita, a.s., Prague	Czech Republic	100.00
Česka 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-Werbegeellschaft 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
KOORDITA, a.s., Ostrava-Hrabová	Czech Republic	100.00
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

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

Company name	Registered office	Share in %
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

In view of the legal relations existing between the submitter and the related persons reviewed by us, it is obvious that the submitter suffered no damage as a consequence of the contracts, other legal acts or measures concluded, taken or adopted by the submitter during the 2010 accounting period in the interest or at the instigation of individual related persons.

In Pardubice, 2 February 2011

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



Petr Zapletal
Chairman of the Board of Directors



Jaroslav Kulháněk
Vice-Chairman of the Board
of Directors



František Mareš
Member of the Board of Directors

DESCRIPTION OF RELATIONS TO THE CONTROLLING PERSONS: VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE

Appendix No. 1 to the Report on Relations

1. CONTRACTS

1.1 Sales of Services

The submitter rendered/accepted during the accounting period services on the basis of the following contracts concluded in the previous accounting periods or in the current accounting period:

Title of contract	Contractual party	Date of conclusion	Effective date	Object of performance	Comment
Contract on Co-operation No. 02/10 related to the use of building No. 115 and No. 1400 in Pardubice	Kooperativa, pojišťovna, a.s., Templová 747, 110 01 Prague	20 January 2010	1 January 2010	Regulation of mutual rights and obligations related to the use of non-residential premises in both buildings serving the needs of both contractual parties	–
Contract on the lease of non-residential premises for a definite time period, in the wording of Amendment No. 7 dated 26 January 2010	Kooperativa, pojišťovna, a.s., Templová 747, 110 01 Prague	10 December 2004	2 January 2004	Lease of office no. 361 and no. 431 having a total area of 919.16 m ² situated in a building located at nám. Republiky 115, Pardubice	–
Contract on the lease of non-residential premises (for a definite time period ending 30 September 2013 – Kooperativa as the sub-lessee)	Kooperativa, pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Prague	20 January 2010	1 January 2010	Lease of office no. 271 having a total area of 298.22 m ² situated in a building located at nám. Republiky 1400, Pardubice	–
Motor third party liability insurance	Kooperativa, pojišťovna, a.s., Templová 747, 110 01 Prague	17 December 1999	from 1 January 2000	Mandatory contractual insurance of the company's vehicles	–
Insurance Policy No. 2260923767	Kooperativa, pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Prague	23 February 2009	1 March 2009	Accident insurance of the company's vehicles	–
Insurance Policy No.2266829675	Kooperativa, pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Prague	12 February 2010	1 March 2010	Accident insurance of the company's vehicles	–
Insurance Policy No. 7720439220	Kooperativa, pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Prague	10 December 2009	1 January 2010	Contract on the insurance of the company's property and liability insurance	Amendment No. 1, effective as of 23 June 2010
Contract on the provision of services in the internal audit area	Kooperativa, pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Prague	30 April 2009	1 January 2009	Outsourcing in the internal audit area, including ongoing monitoring of the management and control system	–
MOSES 102/07 licence contract	Sparkassen Versicherung Aktiengesellschaft	14 November 2007	1 October 2007	Licence and maintenance for the MOSES system	–
SAP CP maintenance and licences	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	30 June 2009	1 January 2010	Licence and maintenance for the SAP system – model CP	–

1.2 Contracts on intermediation of activities

The submitter concluded the following contracts on intermediation of activities, on the basis of which it rendered the following performance:

Title of contract	Contractual party	Date of conclusion	Effective date	Object of performance	Comment
Contract on business representation No. 4600-400500/01-2005-A (134/04)	Kooperativa, pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Prague	29 December 2004	1 January 2005	Intermediation of the sale of non-life insurance	Amendment No. 2 – pilot sale of the Optimum Insurance product, effective as of 29 January 2010. Amendment No. 3 – sale of business insurance, effective as of 1 July 2010 Amendment No. 4 – pilot sale of ČS motor vehicle insurance, effective as of 1 October 2010
Contract on extraordinary commissions No. 82/10	Kooperativa, pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Prague	2 January 2010	2 January 2010	Support of the sale of non-life insurance by the holding of a motivational event in the ČS branch network	Valid until 31 December 2010

Comments:

All relations stipulated in this Appendix arose between the related persons, namely Pojišťovna České spořitelny, a.s., Vienna Insurance Group and VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

When concluding these relations, laws valid in the Czech Republic were respected and prices were stipulated with respect to the provisions of the Income Tax Act, i.e. prices usual on the marketplace at the time of conclusion of these contractual relations. None of the parties exercised any possible pecuniary loss during the accounting period.

Intermediation of insurance pursuant to Act No. 38/2004 Coll. is regulated in contractual relations by the determination of the mutual rights and obligations of the contractual parties, and at the same time the conditions of the course, right to and payment of remuneration is defined for rendered services connected with the sale of insurance. Authorization granted by the related person for the provision of these services in accordance with the conditions stipulated in the above-mentioned act forms a part of these contracts.

The submitter has neither adopted nor taken any other actual measures in the interest or at the instigation of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe during the accounting period.

Non-financial Section

1. FUTURE EXPECTED DEVELOPMENT IN THE ACTIVITIES OF THE COMPANY

The commercial results attained by Pojišťovna České spořitelny (hereinafter referred to as the Company) mean that the company has consolidated its position on the insurance market, particularly on the market for regularly paid premiums. This success is the result of the Company's successful business policy.

The Company's long-term business strategy consists of the management and planning of product innovations, the building of client loyalty and the improvement of insurance portfolio stability, as well as in a system of constantly improving client service.

The Company is well aware that it must provide for financial stability and make sure that it operates in line with the requirements imposed by the rapidly developing legislative environment in order to meet its business objectives. It is expected that the regulatory requirements, the objective of which is to place an emphasis on financial stability and resistance against the risks faced by insurance companies during the course of their business activities, will become even stricter in the medium term. The key objective in the period up to 2013 is the completion of the process connected with the strengthening of the Company's management in accordance with the rules of treating the risks which the Company may be exposed to by the operation of the internal as well as external environment. An integral part of this process is the implementation of the requirements and processes ensuing from the planned migration to Solvency II. The Company's Board of Directors decided to employ a traditional project management process to arrange for these tasks.

In 2010, the Company successfully launched its new medium-term communication plan based on the "We Enjoy Changes" concept, which is mainly founded on the key product FLEXI Life Insurance. The philosophy of this project changes the existing "conclusion of an insurance policy" form of communication and replaces it with a new concept, based on the "opening of an insurance policy" form of communication. The option of employing such a form of communication is facilitated by the FLEXI Life Insurance product, with this communication form only serving to accentuate and enforce the advantages of this insurance product, i.e. the possibility of covering the requirements for securing risks encountered by an individual during the course of their life, as well as the requirements for long-term investment of deposited funds.

Sales service and fast response to our clients' demands goes hand in hand with the development of products. The aim of this service is partly to increase the level of comfort enjoyed by our business partners by the provision of an electronic acquisition process in the form of electronic insurance policy forms, including the electronic transmission of data as well as insurance simulation support. This process is also aimed at improving the productivity of work as well as of the quality of the outputs connected with the compilation of insurance policies as well as the entire premiums – operating administration. The objective of this development is the speed and quality of insurance policy processing, elimination of errors and protection of our clients' data.

Commercial co-operation with Česká spořitelna is regulated in the long-term by a distribution agreement, with our common objective being to provide a comprehensive financial service at the branches of this bank. Besides this purely commercial co-operation, the significance of co-operation among the insurance companies within the Vienna Insurance Group operating in the Czech Republic is gaining and will gain in importance. The objective of this strategic co-operation is to identify synergy advantages, with the main aim being to achieve cost savings and realise other effects connected with the operation of insurance activities on the relatively small and concentrated territory of the Czech Republic.

2. ACTIVITIES IN THE RESEARCH AND DEVELOPMENT AREA

In view of the object of its business, the Company has limited possibilities in this activity in the area of research and development. As a result, development is focused on integrating new information technologies and forms of communication into the process of providing insurance services.

3. ENVIRONMENTAL PROTECTION AND LABOUR-LAW RELATIONS

As ensues from the character of the object of its business, the Company places a minimum burden on the environment. It complies with the requirements stipulated by the legal regulations in the Czech Republic in the course of its business operations. For the next period, the Company decided to financially support selected projects in this area.

In the area of labour-law relations, the Company permanently devotes a high degree of attention to the development of employment policy and social programmes with the aim of being a sought-after employer on the labour market. The Company employs modern methods for the human resource management area to build and innovate the motivational systems, including regular remuneration surveys performed in co-operation with the Hay Group. The Company provides its employees with a wide range of financial as well as non-financial benefits. The Company pays attention to improving the quality of the work environment, which meets the conditions for fulfilling the assigned work duties to a sufficient degree. This includes complying with the principles of work safety, including the provision of regular health care to the Company's employees by contracted health care providers. The education and professional growth of its employees is one of the Company's priorities as part of its development. The Company offers its employees educational programmes as part of its employee assessment and development system in order to assist them in improving and deepening their qualifications, with this also including the development of the corporate culture.

4. COMPANY'S BRANCHES ABROAD

The Company does not have any branches abroad.

5. OTHER REQUIREMENTS UNDER SPECIAL LEGAL REGULATIONS

The Company complies with the requirements for its object of business – insurance, prescribed mainly by the Insurance Act, or by the Act on Insurance Intermediaries and on Independent Loss Adjusters. No other special requirements have been prescribed for the Company.

**POJIŠŤOVNA ČESKÉ SPOŘITELNY, A.S.,
VIENNA INSURANCE GROUP**

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