

Annual Report 2012



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POJIŠŤOVNA
ČESKÉ SPORITELNY
VIENNA INSURANCE GROUP

flexi
životní pojištění



Key Figures

(in thousands CZK)	2012
Assets	29,262,587
Equity	3,355,574
Technical provisions	24,007,183
Profit (loss) of current accounting period	1,018,418
Total written premiums	10,702,266
of this: life assurance	9,897,341
non-life insurance	804,925
Total costs of insurance claims	6,745,877
of this: life assurance	6,556,934
non-life insurance	188,943



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Your Easy Road to Life Assurance

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

Branch Office Network of Česká spořitelna

Together with more than 4,600 consultants from Česká spořitelna, we ensure our insurance products and comprehensive sales and after-sales service are available to our clients at more than 680 locations in the Czech Republic.

Pojišťovna České spořitelny's External Network

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



Company Profile

In 2012 Pojišťovna České spořitelny defended its notional gold medal in the Zlatá koruna (Gold Crown) competition and won silver in the Hospodářské noviny competition in the category of Best Insurance Company of the Year. In March the company launched a new product on the market, Funeral Insurance. In October FLEXI unified the rates for insurance risks and underwent innovation. It now offers clients double indemnity for death in a car accident, it extended 3rd degree disability insurance by long-term care for free, it enabled advance payment of insurance benefit and after seven years without a health record it looks upon the client as healthy. Pojišťovna České spořitelny attained CZK 10.7 billion of written premiums and insured more than 1.9 million clients. In cooperation with Centrum Paraple it continues to support handicapped fellow-citizens and families with children. Bambiriáda, an event to support active and safe ways

for children to spend their free time, also received a financial contribution. Our employees are actively involved in the Days for Charity.

2011

This year Pojišťovna České spořitelny celebrated its achievements with FLEXI Life Assurance, which won the Zlatá koruna (Golden Crown) competition. At the same time, we won the title Best Insurance Company of 2011 and Most Client Friendly Insurance Company 2011. At the start of the year FLEXI Life Assurance underwent some innovations, in which we presented a unique programme, InSpiral, that allows the policy parameters to be modified taking advantage of the product's other benefits. We also introduced bonuses for loyalty and no claims or insurance for recreational sports risks. We have over CZK 10 billion in

written premiums and insure more than 1.9 million clients. In cooperation with Centrum Paraple (Paraplegic Centre) and SPID handicap, o.p.s., we continue supporting handicapped citizens and families with children. The Krtek Endowment Fund for children's oncology also received a financial contribution. Our employees are actively involved in the Days for Charity.

2010

In March 2010, FLEXI Life Assurance celebrated its 10th anniversary on the Czech market with more than 900,000 people insured. The company's long-term economic stability was strengthened by the general meeting in May, when it was decided to increase the basic capital by CZK 782.9 million to a total of CZK 1.9 billion. Pojišťovna České spořitelny also enjoyed success in various competitions. Our core product FLEXI Life Assurance defended its victory from the previous year in the Zlatá koruna (Golden Crown) competition in the Life Assurance category. We came first place in the category Insurance Company of 2009 – Life Assurance and in one of the competition's main categories, Insurance Company of 2009, we defended our victory for the fourth time in a row. Petr Zapletal, Chief Executive Officer of Pojišťovna České spořitelny, also won an award in the first year of the Insurance Man of the Year competition. The success of 2010 was also underscored by the fact that for the first time in our history we managed to exceed the limit of 9 billion in written premiums.

2009

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

2008

In September 2008 Pojišťovna České spořitelny became a member of the Vienna Insurance Group. In the same year FLEXI INVEST²⁰⁰⁸ investment life assurance was voted winner in the

category of Life Assurance of 2008 in the MasterCard Bank of the Year 2008 competition. At the same time, we won the Silver Crown in the Life Assurance category. Likewise in 2008, the Association of Czech Insurance Brokers awarded us Insurance Company of 2007 in Life Assurance and the FLEXI product won the highest award in the Insurance Product category. We were awarded the title of Best Insurance Company in the area of Settlement and Innovation in Insurance Products.

2007

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

2006

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

2005

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

2004

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

2003

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

2001

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

2000

Within the framework of privatising Česká spořitelna we also underwent a thorough legal and financial audit. This resulted in a new shareholder entering at the end of 2000. The largest Austrian life assurance company, Sparkassen Verisicherung a mem-

ber of the Erste Bank Financial Group, acquired a 45% stake in the company by increasing the basic capital by CZK 500 million. We put FLEXI Flexible Life Assurance on the market, a unique product for a new generation.

1995–1999

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

1992–1994

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



POJIŠŤOVNA
ČESKÉ SPOŘITELNY
VIENNA INSURANCE GROUP



Opening
Statement



Opening Statement by the Chairman of the Board of Directors

Dear clients, shareholders, business friends,

I am glad to say that this year too I can confirm that Pojišťovna České spořitelny did well in 2012. We are still working on strengthening our position in the market; we're improving our core product, FLEXI Life Assurance, which has been highly acknowledged by both experts and the general public. These facts reflect the good work done by the company's partners and employees. We've managed to strengthen our position on the insurance market at a time when clients are cautious and consider very carefully where to invest their money. But the competition is gaining ground. Just like us, other players in the field of life assurance are fighting for clients, and they too have something to offer them. For a long time now it's not the lowest price that wins through, rather it is a client-friendly approach, first-rate services and an interesting product.

2012 brought with it a major change in the way we look at pricing insurance. The gender factor no longer exists when pricing risks. Therefore, at the end of the year FLEXI Life Assurance unified the rates for men and women and presented interesting product innovations.

We offer clients double indemnity during a traffic accident, a choice of two insurance packages for very serious diseases or an extension of the maximum period of benefit in daily compensation insurance for children to 365 days. We allow advance settlement for claims that occurred from 1 November 2012 and needed more than a month of treatment. In addition, after seven years without anything on their health records, we view clients as healthy.

The awards that the FLEXI Life Assurance gained testify to the quality of the products and the professional approach of Company employees and that of its partners. For the fourth time now we've taken first place in the Life Assurance category in the Zlatá koruna competition and we came second in the economic daily Hospodářské noviny's competition for the best insurance company in 2012.

We also managed to attain ten billion seven hundred million crowns in written premiums, despite the stagnation of the insurance market, our written regular premiums continue to grow. Thanks to the high commitment of employees and partners, we hold third place among insurance companies offering life assurance, with our written insurance contracts holding a market share of 12.1%.

I realise that when gaining a client's trust the consultant takes on both the role of an adviser and that of a reliable partner. Someone who knows how to listen to the client's wishes and needs, can help to choose the most suitable product and is always at hand whenever something changes or happens in the client's life. So I give my heartfelt thanks to all our partners who know how to put forward a professional argument and explain things in human terms.

It's hard to gain a client's trust without strong arguments. And a high-quality competitive product makes for compelling arguments. The lion's share of credit goes to Pojišťovna České spořitelny employees for the quality of the product and the excellent services that are related to the continuous improvement of processes in the company. I give my heartfelt thanks to all my colleagues for their commitment.

The positive signals from our clients are the driving force that compels us to keep on the right course. A course ensuring their custom. I believe that our clients will continue to find us a reliable insurance partner in the future.



Petr Zapletal
Chairman of the Board of Directors



Development in the Most Important Economic Indicators

(in thousands CZK)	2009	2010	2011	2012
Assets	20,421,310	24,428,665	27,044,503	29,262,587
Equity	2,209,387	2,746,078	2,694,637	3,355,574
Financial placements	18,953,205	22,541,660	24,742,299	26,780,771
Technical provisions	17,344,804	20,739,591	22,935,205	24,007,183
Profit (loss) of current accounting period	619,151	603,105	417,615	1,018,418
Total written premiums	6,962,601	9,202,722	10,679,693	10,702,266
of this: life assurance	6,855,813	8,519,754	9,892,180	9,897,341
non-life insurance	106,788	682,968	787,513	804,925
Total costs of insurance claims	4,058,139	3,503,734	5,144,551	6,745,877
of this: life assurance	4,005,190	3,401,100	4,960,058	6,556,934
non-life insurance	52,949	102,634	184,493	188,943
Number of policies concluded as at 31. December (pcs)	673,978	734,441	774,902	789,964
of this: life assurance	631,332	688,063	726,187	740,970
non-life insurance	42,646	46,378	48,715	48,994
Average number of employees	173	196	221	239



Members of the Company's Executive Bodies at 31 December 2012

Members of the Supervisory Board

Chairman of the Supervisory Board

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

Vice-chairman of the Supervisory Board

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

Member of the Supervisory Board

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

Member of the Supervisory Board

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

Member of the Supervisory Board

Roland Gröll – member of the Board of Directors of Vienna Insurance Group AG Wiener Versicherung Gruppe

The remaining seat in the Supervisory Board was vacant at 31 December 2012. A new member Veronika Maderová – Head of the Sales and Marketing Department of Česká spořitelna – penzijní společnost was voted in 22 March 2013 (this change has not been entered in the Commercial Register).

Board of Directors

Chairman of the Board of Directors

Petr Zapletal

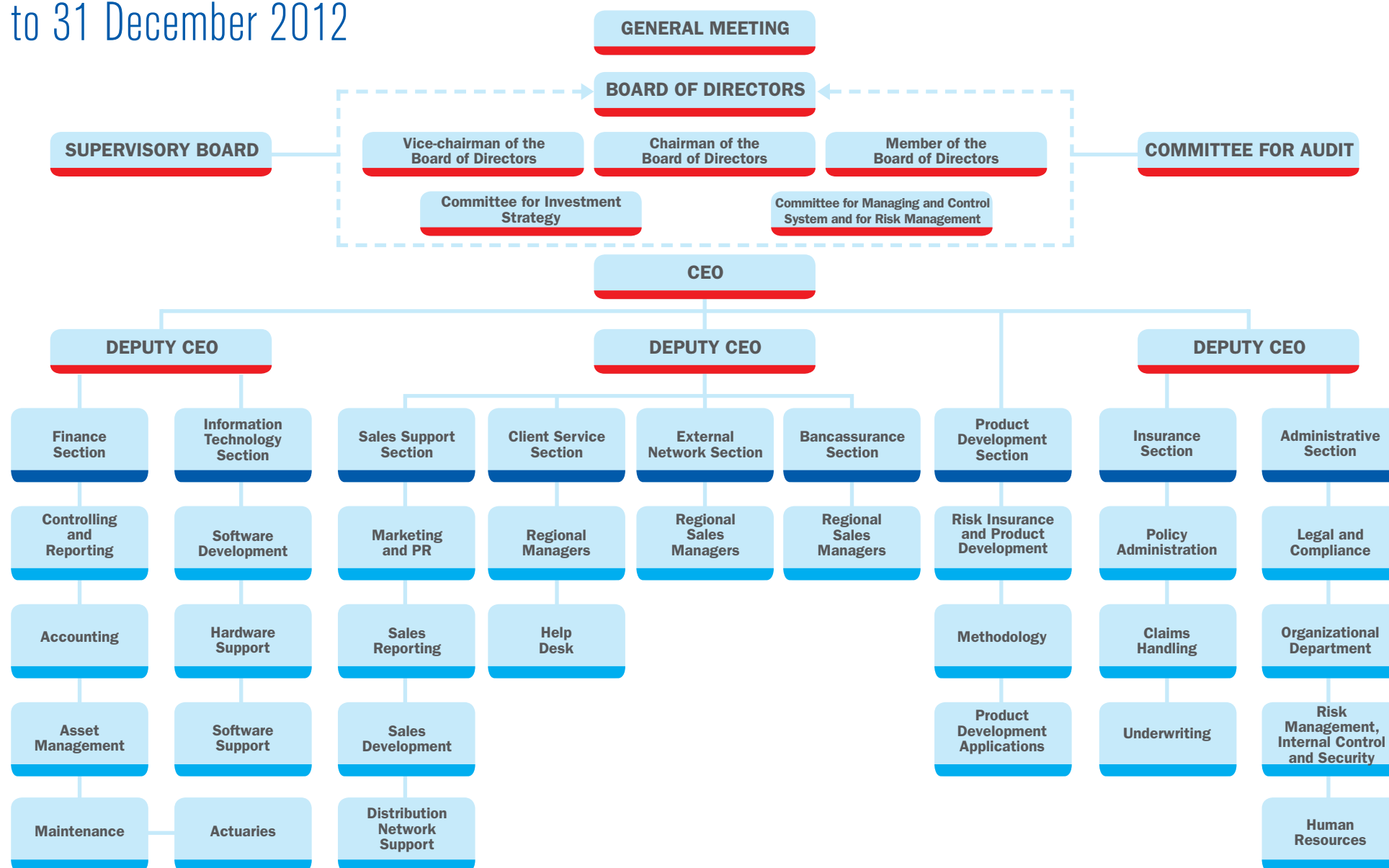
Vice-chairman of the Board of Directors

Jaroslav Kulháněk

Member of the Board of Directors

Libor Mánek

to 31 December 2012



The Company does not have any branch abroad.



Report of the
Board of Directors



Report of the Board of Directors

2012 did not bring any surprises and in essence copied the expected development in the area of economic indicators. It can be stated that the debt crisis, strengthened by the decline in growth of an ever increasing number of European Union countries, is reflected more and more in an export-dependent economy, which the Czech Republic most definitely is. A reflection of this development was a fall in interest rates to the lowest level ever, a slowdown of growth in GDP associated with a further weakening of the population's willingness to increase consumption.

On the one hand these facts were reflected in the growth of income from the financial placement of funds from technical provisions. On the other hand, this development meant another lacklustre year for life assurance with a total annual increase in the stipulated premium of just 1.9%.

In 2012 the pension and tax reforms came to an end and in the course of the year their legislative form was also completed.

On the insurance market for life assurance there was continued competition in the field of motivating distributors, offers of new products and seeking forms to reduce the percentage of prematurely terminated insurance policies. The high expectations and perhaps the nervousness of all players in the market was accentuated up to the date the unification of insurance rates for women and men came into effect on the basis of a decision by the European Court of Justice. By itself, the fact that more favourable rates for women came to an end meant a certain resurgence in sales of insurance until the new rates were implemented and in the end even the concentration of changes and adjustments to insurance led to a certain revival in the life

assurance market. In the course of 2012 the process of improving the management of insurance companies according to the requirements of Solvency II continued.

The main tasks of the Board of Directors of Pojišťovna České spořitelny for 2012 were: to ensure the planned dynamic growth in written premiums and improve their quality, implement the requirements arising from the transition to a uniform rate of insurance for men and women whilst ensuring for the owners the expected profitability of the insurance activity and furthermore to increase the quality of the services for clients and business partners.

The business goals set for 2012 stemmed from a proven mix of distribution paths, based on further development in the sale of insurance in the branch network of Česká spořitelna, including the expansion of financial services in the form of complex financial products, and to cooperate with external business partners. The product offer was built on the carrier product FLEXI Life Assurance for both distribution channels, whilst banking products were supplemented with limited amounts of the FLEXI PREMIUM emissions (single premium unit-linked life assurance). Furthermore group insurance to cover the risks associated with entering into a credit agreement was provided in the ČS network. This financial product, offered in one contract,

combines a banking product and provides insurance protection in case of inability to repay a loan due to loss of job, disability or death. This represents a comprehensive financial service for the client.

The insurance market for life assurance in the Czech Republic only increased slightly in 2012, by 1.9%, and the total volume of written premiums for life assurance amounted to CZK 47.4 billion. The structure of contractual written premiums by payment method represents growth of 2.2% with a volume of CZK 44.7 billion for regular premiums. Single payment insurance fell by 3.2% to CZK 2.7 billion (single premiums calculated on a 10 year basis).

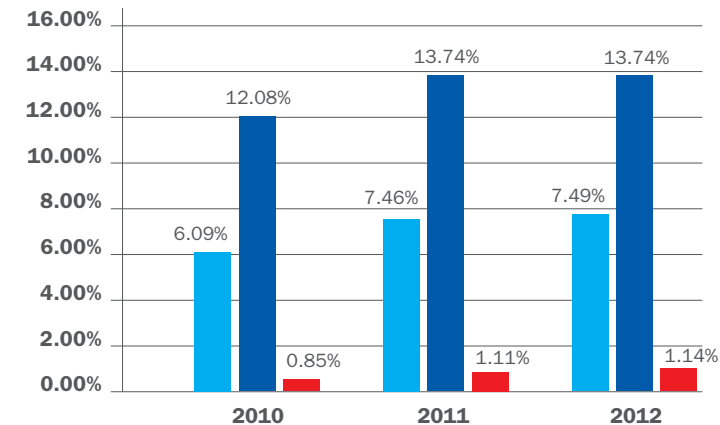
The development of insurance at Pojišťovna České spořitelny copied the market trends. Total written life assurance only slightly exceeded the level of 2011. In the structure of written premiums by payment method, considerable growth was achieved on the part of regular premiums that being 9.68%. In comparison with last year single payment insurance premiums fell by 9%. The absolute amount of written insurance came to CZK 10,702.3 million.

In 2012 Pojišťovna České spořitelny increased the proportion of regular premiums to the total written premiums. Written in-

insurance for regular premiums amounted to 57% of the total portfolio. The total written regular premiums amounted to CZK 6,071 million. Single payment premiums reached CZK 4,631.1 million making up 43% of the insurance company's total written premiums for life assurance. The volume of written life assurance premiums makes the insurance company the third-largest life assurance company on the market. The business results

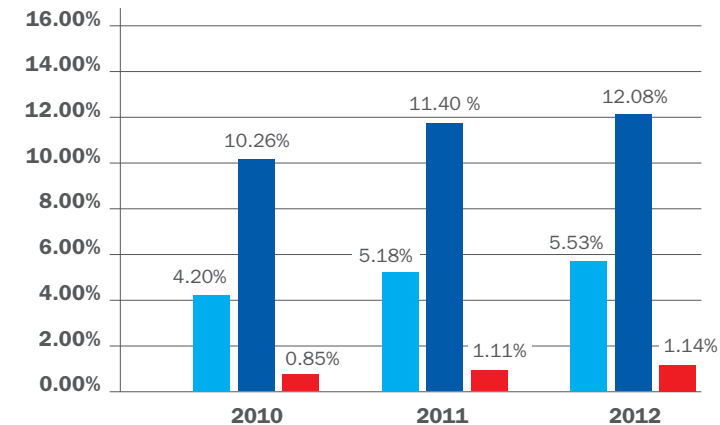
achieved this year represent a total market share of the life assurance market of 12.08%. Non-life insurance grew year-on-year by 2.21%, which corresponds to written premiums amounting to CZK 804.9 million. It concerns separate accident insurance and insuring sick leave and loss of employment especially for Česká spořitelna clients. The development of the market share is documented in the charts below.

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



■ Total
 ■ Life assurance
 ■ Non-life insurance

Development of the market share in the insurance market by specified insurance (%)



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

■ Total
 ■ Life assurance
 ■ Non-life insurance

The commercial success of Pojišťovna České spořitelny, its manner of communicating with clients and its sales service to business partners, were all awarded by the professional public in 2012, that being with the award:

- **Zlatá koruna (Golden Crown) 2012 – 1st place in the Life Assurance category**
- **Hospodářské noviny (Economic Newspaper) Prize – Best Insurance Company of 2012**

Products

Product innovations were shifted to the end of the year in connection with the transition to the unified insurance prices for men and women (on the basis of a decision of the European Court of Justice - on the abrogation of the equal approach to the sexes in the case of life insurance products by 22. 12. 2012). Part of the changes to the products arising from the European Court of Justice decision were further product innovations that strengthen the focus of Pojišťovna České spořitelny to the truly serious risks associated with day-to-day life. In connection with this, the insurance company adjusted the conditions for determining the amount of indemnity from settling claims in favour of these risks. For clear and transparent communication with clients, the conditions for appraising the extent of damage to health were published on the insurance company's website.

In addition to this adjustment, insurance benefits were increased in the event of the death of the insured person in a traffic accident to double the agreed insured amount, but not more than to CZK one million. Very serious illnesses are now available in two variants with the options of either a complete insurance for 24 serious illnesses, or for insurance of the most commonly occurring lifestyle diseases (myocardial infarction, cancer, sudden vascular events and total renal failure).

Further modifications to the products for the benefit of our clients were focused on insurance for daily compensation and long-term care in the case of recognising 3rd degree invalidity.

During 2012 the clients who meet the conditions for awarding a no-claims bonus or a bonus for loyalty, were informed about the status of their bonus in the context of the annual reports. The loyalty programme encourages the responsible behaviour of the client for the long-term form of insurance protection and for putting by parts of the funds for the post-productive age and the programme further rewards the client for no claims.

In 2012, we also continued expanding the computerisation of the process for concluding insurance policies by our business partners. This communication speeds up the process of concluding an insurance policy, extends the possibilities of



checking the policies concluded and undoubtedly contributes to cost savings. For the purposes of simulating insurance we provide clients with the option of calculating insurance with an Insurance Calculator. In the field of insurance administration there was a further expansion of the popular product of Česká spořitelna - SERVIS 24. Here the client can find information about their insurance, make selected changes to the insurance and pay outstanding premiums in the form of E-invoices.

FLEXI Life Assurance is still among our top offers and its properties cover the requirements for covering life risks and the requirements for long-term investment of the funds. Currently this insurance is able to cover all of the individual requirements for risk as defined by the client, almost without limitation. Moreover, the extent of the insurance cover is supplemented by above-standard options to cover the requirements for investing the funds.

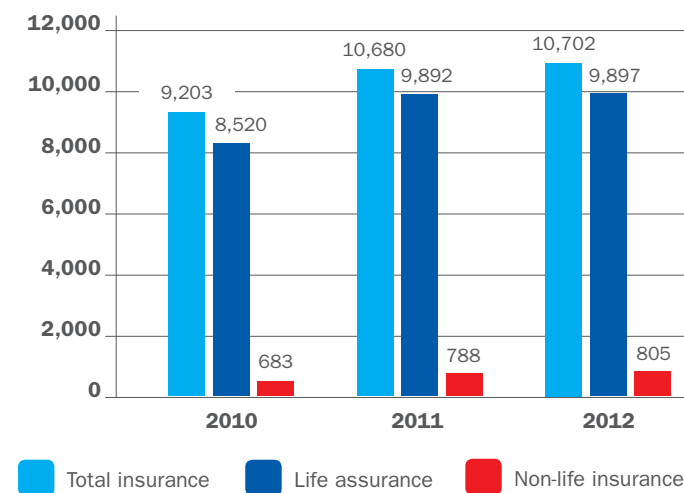
In 2012 we supported the character of the FLEXI product on the basis of a long-term approach in the form of the slogan “We like changes”. This communication is based on the attribute of openness in the sense of open insurance, i.e. insurance, which is fully accessible to the constant changes in life’s situations.

Group contracts, which are based on cooperation with Česká spořitelna, still keep a solid place in the offer. This product is

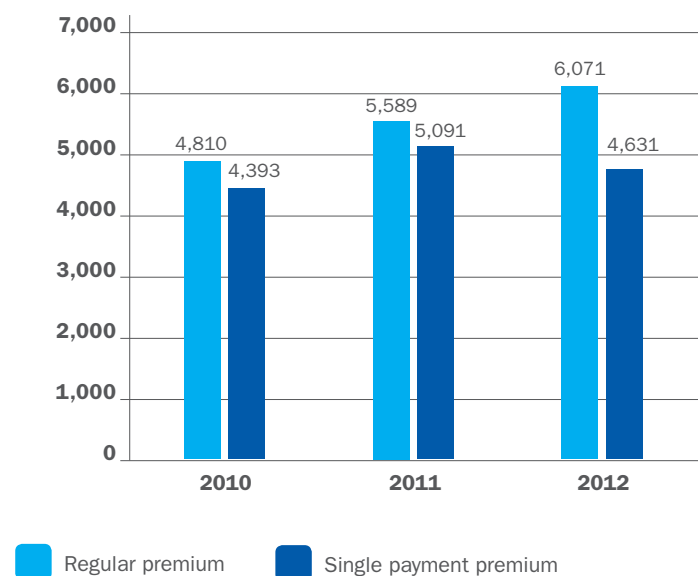
a comprehensive offer of financial products in the form of bancassurance. Group insurance is a supplement to the banking product and is offered in the branch network of Česká spořitelna. This insurance covers the risk of death and disability of the bank’s clients, including insurance for inability to repay a loan due to job loss or inability to work, and secures clients their ability to repay a loan even in complicated situations.

An outline of the development and structure of insurance premiums in the last three years is shown in the following graphs.

Developments in written premium (in thousands CZK)

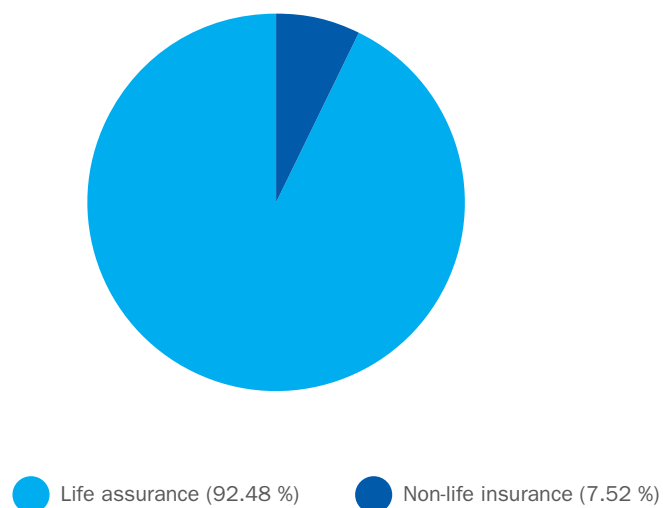


Developments in written premium (in thousands CZK)



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

The structure of written premium in 2012



Financial results

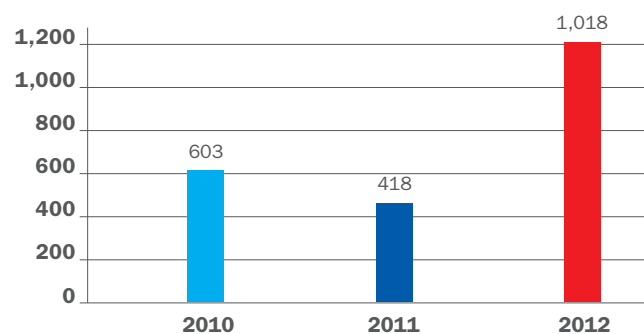
The insurance company ended 2012 with a post tax profit of CZK 1,018.4 million according to the Czech Accounting Standards (CAS). The economic result is a reflection of developments on financial markets, and in particular the significant increase in the price of bonds. The higher profit from insurance activities

also contributed to the growth in profit. We achieved these primarily as a result of the above-mentioned changes associated with coverage of serious life events.

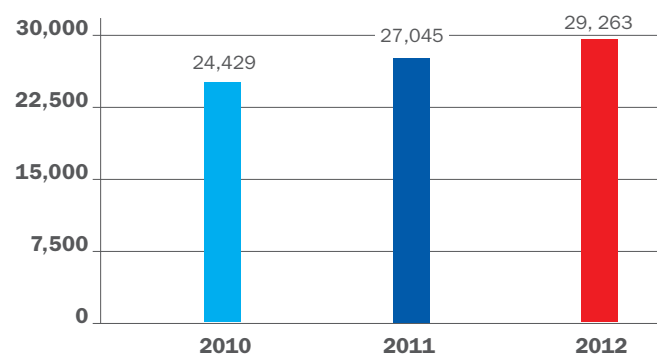
Total technical provisions amounted to CZK 24,007.2 million. On the balance sheet date these provisions' structure was: provisions for unearned premiums amounting to CZK 38.1 million, provisions for life assurance CZK 19,528.9 million, provisions for claims CZK 1,287.9 million and other provisions of CZK 128.5 million. In 2012, the absolute growth of total provisions was CZK 1,071.9 million compared to 2011. Life provisions stagnated, the reason is the massive payout of claims settlement at the end of the insurance period and also the amount of written premiums of single payment policies, which was still below expectations. Technical provisions for life assurance, where the investment risk is borne by the policyholder, increased year-on-year by more than 40% to a total of CZK 3,023.7 million. Their growth is affected by the above-mentioned emissions of FLEXI PREMIUM and the growth in the prices of the units. The resulting amount of provisions is created in accordance with the current legislation and means the necessary security for covering future settlements from claims.

The development of the economic results and the balance sheet for the period from 2012, is captured in the accompanying charts.

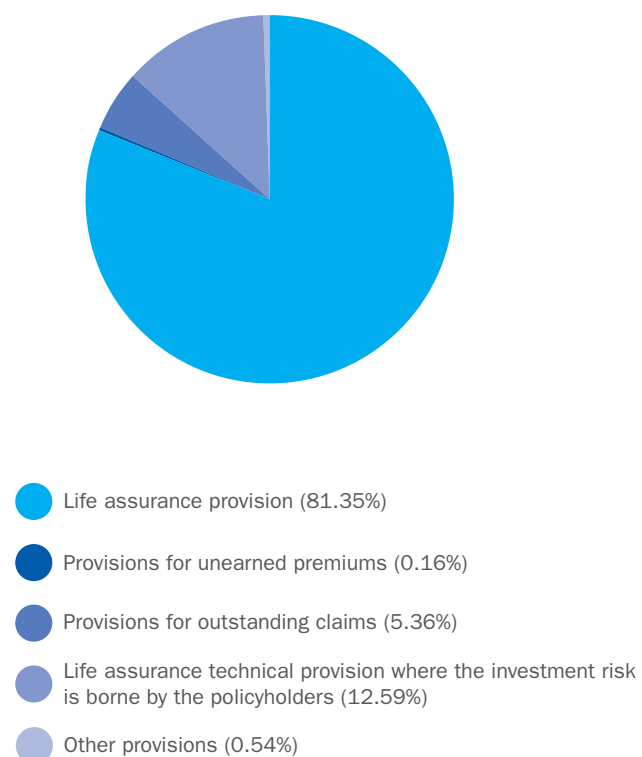
Earnings from 2010 – 2012
(in million CZK)



Development of the balance sheet sum
(in million CZK)



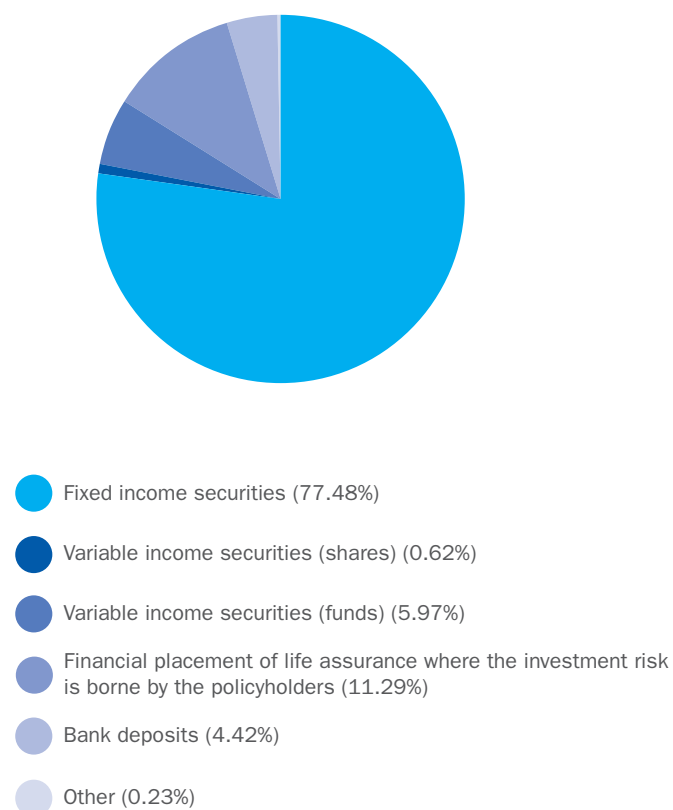
The structure of technical provisions in 2012



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

Pojišťovna České spořitelny meets the requirements and demands on solvency and exceeds the set limits on the solvency margin placed on life assurance. It thus creates sufficient assurance for its clients to cover the commitments stemming from the insurance policies it has concluded. In the area of reinsurance Pojišťovna České spořitelny based itself on a prudent structure and its long-term cooperation, above all with the renowned reinsurer SWISS RE.

The structure of financial placement in 2012



The management and control system of Pojišťovna České spořitelny

During 2012, the Board continued in its endeavours to ensure the insurance company's management and control system is stable, functional and effective. The management and control system covered all the insurance company's activities and the management permanently monitors its functionality and effectiveness. The system enables risks to be methodically and systematically assessed and managed. The control system is characterised by;

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

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

In the year under assessment, Pojišťovna České spořitelny verified its financial stability on the basis of case studies according to the set parameters in the framework of the VIG holding. According to the internal and external controls and audits carried out, the company's management and control system is effective and gives the Board sufficient information to effectively and prudently manage the company.



Report of the Supervisory Board

In 2012, the Supervisory Board of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, continuously performed the tasks assigned to it by law and the Company's Articles of Association. As the supervision and controlling body of the Company, the Supervisory Board oversaw the Board of Director's exercise of its authority as well as the Company's business operations. The Supervisory Board was kept regularly informed of the Company's operations, financial situation, checked fulfillment of General Meeting resolutions, reviewed reports of the external auditor and provided the Company's management with suggestions and recommendations on how to improve the situation in the Company. The Supervisory Board reviewed the submitted financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, as at December 31, 2012 and came to the conclusion that the accounting records were kept in a clearly

supportable manner in accordance with valid accounting regulations and the Company's Articles of Association.

The Annual Financial Statements were audited by the company KPMG Česká republika Audit, s.r.o., which confirmed that the financial statements present fairly, in all substantial respects, the assets, liabilities and shareholder's equity of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, as of December 31, 2012 and the result of its business operations for 2012 in accordance with the Accounting Act and other applicable regulations of the Czech Republic. The Supervisory Board took the Auditor's report into account.

The Supervisory Board checked the Report on Relations in accordance with § 66a section 9 and 10 of the Commercial Code

submitted by the Board of Directors of the Company and stated that Pojišťovna České spořitelny, a.s., Vienna Insurance Group, did not incur any damage as a consequence of contracts, other legal acts or other measures concluded, taken or adopted by Pojišťovna České spořitelny, a.s., Vienna Insurance Group, during the accounting period of 2011 in favour or at instigation of individual related persons.

The Supervisory Board also discussed and took into account the Report on activity of the Committee for Audit of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the year 2012.

Based on all these facts, the Supervisory Board recommends that the General Meeting approves the state of the Company's assets and liabilities as at December 31, 2012 and the proposed distribution of the Company's profit for 2012 including payment of dividends in accordance with the proposal submitted by the Board of Directors of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, for discussion of the General Meeting.

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GROUP AG
Wiener Versicherung
Gruppe

VIG
VIENNA INSURANCE GROUP
Wiener Versicherung Gruppe



AUSTRIA WIENER STÄDTISCHE VIENNA INSURANCE GROUP Ionau VIENNA INSURANCE GROUP S-VERSICHERUNG VIENNA INSURANCE GROUP	SLOVAKIA Kooperativa VIENNA INSURANCE GROUP KOMUNÁLNA poisťovňa VIENNA INSURANCE GROUP POISŤOVŇA SLOVENSKEJ ŠPÓRITELNE VIENNA INSURANCE GROUP	BULGARIA BULSTRAD VIENNA INSURANCE GROUP Life BULSTRAD VIENNA INSURANCE GROUP	UKRAINE КНЯЖА VIENNA INSURANCE GROUP ГЛОБУС VIENNA INSURANCE GROUP ЮПІТЕР VIENNA INSURANCE GROUP УКРАЇНСЬКА СЕРВІСНА ГРУПА VIENNA INSURANCE GROUP	TURKEY RAYSIGORTA VIENNA INSURANCE GROUP	MACEDONIA WINNER VIENNA INSURANCE GROUP Life WINNER VIENNA INSURANCE GROUP
ITALY BRANCH WIENER STÄDTISCHE VIENNA INSURANCE GROUP Ionau VIENNA INSURANCE GROUP	POLAND COMPENSA VIENNA INSURANCE GROUP InterRisk VIENNA INSURANCE GROUP BENEFIA VIENNA INSURANCE GROUP POLISA-ŻYCIE VIENNA INSURANCE GROUP	CROATIA KVARNER VIENNA INSURANCE GROUP HELIOS VIENNA INSURANCE GROUP ERSTE OSIGURANJE VIENNA INSURANCE GROUP	ESTONIA COMPENSA VIENNA INSURANCE GROUP	GEORGIA GPI VIENNA INSURANCE GROUP	MONTENEGRO Život WIENER STÄDTISCHE VIENNA INSURANCE GROUP
SLOVENIA BRANCH WIENER STÄDTISCHE VIENNA INSURANCE GROUP	ROMANIA OMNIASIG VIENNA INSURANCE GROUP ASIROM VIENNA INSURANCE GROUP DE VIATA BCR ASIGURARI VIENNA INSURANCE GROUP	HUNGARY UNION BIZTOSÍTÓ VIENNA INSURANCE GROUP ERSTE BIZTOSÍTÓ VIENNA INSURANCE GROUP	LATVIA COMPENSA VIENNA INSURANCE GROUP	ALBANIA SIGMA VIENNA INSURANCE GROUP Interalbanian VIENNA INSURANCE GROUP INTERSIG VIENNA INSURANCE GROUP	BOSNIA HERZEGOVINA JAHORINA OSIGURANJE VIENNA INSURANCE GROUP
CZECH REPUBLIC Kooperativa VIENNA INSURANCE GROUP ČPP VIENNA INSURANCE GROUP POJIŠŤOVNA ČESKÉ ŠPÓRITELNY VIENNA INSURANCE GROUP VIG Re		SERBIA WIENER STÄDTISCHE VIENNA INSURANCE GROUP	LITHUANIA COMPENSA VIENNA INSURANCE GROUP		GERMANY InterRisk VIENNA INSURANCE GROUP
					LIECHTENSTEIN VIENNA-LIFE VIENNA INSURANCE GROUP

January 2013
www.vig.com



Information about Vienna Insurance Group

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

Progressive insurer – conservative investor

Vienna Insurance Group (VIG) is a progressive insurer that consciously focuses on its core competence: the insurance business. In large part due to its risk-conscious, conservative investment policy, VIG stands for security and financial stability

– as an insurer, employer, business partner and issuer in the capital markets. This was also underlined by the Standard & Poor's rating agency, which renewed its A+ rating with stable outlook for 2012. This makes Vienna Insurance Group the best-rated company in the ATX leading index of the Vienna Stock Exchange. The Company's listing on the Prague Stock Exchange in 2008 highlights VIG's strategic orientation towards the Central and Eastern European economic area (CEE).

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

Focus on Austria and Central and Eastern Europe

Vienna Insurance Group, whose roots reach back to 1824, was quick to identify the many growth opportunities offered by Central and Eastern Europe. Starting from its base in Austria, the Company was one of the first Western European insurance companies to enter the CEE region and has been expanding there for more than 20 years. In the process, VIG has developed from a successful local insurance company to a leading international insurance group with around 50 insurance companies in 24 European countries.

More than 50% of Group premiums and earnings now come from the CEE region. VIG is a clear overall market leader in its core markets, and in the life and non-life insurance segments, placing it in an excellent position to take advantage of the long-term opportunities offered by Central and Eastern Europe.

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

Trust in local entrepreneurship

The Austrian VIG companies have offered an extensive product portfolio in both the life and non-life areas for many years. The

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

Close customer relationships based on a multi-brand strategy and multi-channel distribution

All customers are unique in terms of their personal living circumstances, need for security and retirement provisions, and the way they like to receive advice. This requires considerable flexibility in insurance products, as well as foresight and prudence. Vienna Insurance Group is aware of this and is represented by more than one company or brand and a broad distribution network in most of its markets. Even though every one of the approximately 50 insurance companies has its own identity and individual strengths, they all follow a common goal: to maintain a closer relationship with customers than others do.

Partnership with Erste Group

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

People behind every number

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




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Independent Auditor's Report



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 Česká republika

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 Internet: www.kpmg.cz

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 20 February 2013 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, which comprise the balance sheet as of 31 December 2012, the income statement and the statement of changes in equity for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of 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.

KPMG Česká republika Audit, s.r.o., is a limited liability company, registered with the Commercial Register of the Czech Republic, no. 146200000, and is a member of the KPMG network of independent member firms affiliated with the KPMG network of independent member firms affiliated with the KPMG network of independent member firms affiliated with the KPMG network of independent member firms.

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 Účastník v síti KPMG



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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pojišťovna České spořitelny, a.s., Vienna Insurance Group as of 31 December 2012, and of its financial performance 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 2012. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

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

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the year ended 31 December 2012 contains material factual misstatements.

Annual report

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

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



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

Prague
30 April 2013

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

Roger Gascoigne
Roger Gascoigne, FCA
Partner

Romana Benešová
Romana Benešová
Partner
Licence number 1834



Balance Sheet as at 31 December 2012

(In thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
ASSETS					
B. Intangible fixed assets, thereof:	2	315,880	253,674	62,206	63,854
C. Financial placements (investments)	5	23,757,088		23,757,088	22,587,119
I. Land and buildings (real estate), thereof:	6	54,700		54,700	49,920
a) Land and buildings – self-occupied	7	54,700		54,700	49,920
II. Financial investment in subsidiaries and associates	8	303,959		303,959	0
3. Shares with a significant influence	11	303,959		303,959	0
III. Other financial placements	13	23,398,429		23,398,429	22,537,199
1. Shares and other variable-yield securities, other participating interests	14	1,459,535		1,459,535	1,401,326
2. Bonds and other fixed-income securities	15	20,750,365		20,750,365	20,158,169
a) Securities valued at fair value through profit and loss		8,158,343		8,158,343	7,946,630
b) OECD bonds held to maturity		10,048,554		10,048,554	8,950,349
c) Other securities held to maturity		2,543,468		2,543,468	3,261,190
6. Deposits with financial institutions	18	1,182,746		1,182,746	999,742
7. Other financial placements	19	5,783		5,783	-22,038

(In thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
ASSETS					
D. Financial placements for the benefit of life assurance policyholders who bear the investment risk	21	3,023,683		3,023,683	2,155,181
E. Debtors	22	620,074	105,032	515,042	447,905
I. Receivables arising from direct insurance operations	23	171,953	104,900	67,053	59,428
1. Receivables due from the policyholders	24	152,954	87,276	65,678	56,316
2. Receivables due from intermediaries	25	18,999	17,624	1,375	3,112
II. Receivables arising from reinsurance operations	26	312,307		312,307	229,377
III. Other receivables	27	135,814	132	135,682	159,100
F. Other assets	28	181,044	40,397	140,647	93,188
I. Tangible fixed assets other than land and buildings (real estate), and inventories	29	120,232	40,397	79,835	48,932
II. Cash on accounts in financial institutions and cash in hand	30	60,812		60,812	44,256
G. Temporary asset accounts	32	1,763,921		1,763,921	1,697,256
I. Accrued interest and rent	33	7,129		7,129	7,751
II. Deferred acquisition costs, thereof:	34	1,584,955		1,584,955	1,507,332
a) In life-assurance business	35	1,584,877		1,584,877	1,507,060
b) In non-life insurance	36	78		78	272
III. Other temporary asset accounts, thereof:	37	171,837		171,837	182,173
a) Estimated receivables	38	146,903		146,903	147,253
TOTAL ASSETS	39	29,661,690	399,103	29,262,587	27,044,503

(In thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
LIABILITIES					
A. Equity	40			3,355,574	2,694,637
I. Registered capital, thereof:	41			1,900,100	1,900,100
IV. Other capital funds	46			95,721	56,168
V. Statutory reserve fund and other funds from profit	47			274,652	254,071
VI. Profit or loss brought forward	48			66,683	66,683
VII. Profit or loss for the financial year	49			1,018,418	417,615
C. Technical provisions	51	21,906,363	922,863	20,983,500	20,780,024
1. Provision for unearned premiums of which:	52	67,851	29,764	38,087	44,279
a) Provision for unearned premiums relating to life assurance classes	53	35,739	13,687	22,052	28,357
b) Provision for unearned premiums relating to non-life insurance classes	54	32,112	16,077	16,035	15,922
2. Life assurance provision	55	19,528,968		19,528,968	19,380,795
3. Provision for outstanding claims of which:	56	2,034,767	746,870	1,287,897	1,275,231
a) Provision for outstanding claims relating to life assurance classes	57	1,785,291	576,799	1,208,492	1,197,529
b) Provision for outstanding claims relating to non-life insurance classes	58	249,476	170,071	79,405	77,702
4. Provision for bonuses and rebates of which:	59	171,226	146,229	24,997	25,309
a) Provision for bonuses and rebates relating to life assurance classes	60	24,813		24,813	25,143
b) Provision for bonuses and rebates relating to non-life insurance classes	61	146,413	146,229	184	166

(In thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
LIABILITIES					
6. Provision for liabilities from the technical interest rate applied	63	103,551		103,551	54,410
D. Life assurance technical provision where the investment risk is borne by the policyholders	71	3,023,683		3,023,683	2,155,181
E. Provisions for other risks and losses	72			244,011	100,837
2. Provisions for taxation	74			244,011	100,837
F. Deposits received from reinsurers	76			635,780	370,142
G. Creditors	77			784,117	676,919
I. Payables arising from direct insurance operations	78			306,174	357,277
II. Payables arising from reinsurance operations	79			381,156	281,839
V. Other payables, thereof:	83			96,787	37,803
a) Tax liabilities and payables due to social security and health insurance institutions	84			20,651	5,609
H. Temporary liability accounts	86			235,922	266,763
I. Accrued expenses and deferred revenues	87			0	2,906
II. Other temporary liability accounts, thereof:	88			235,922	263,857
a) Estimated payables	89			235,922	263,857
TOTAL LIABILITIES	90			29,262,587	27,044,503



Profit and Loss Account as at 31 December 2012

(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	804,925	x	x	x
b) Outward reinsurance premiums	3	735,589	69,336	x	x
c) Change in the gross provision for unearned premiums (+/-)	4	261	x	x	x
d) Change in the provision for unearned premiums, reinsurers' share (+/-)	5	148	113	69,223	65,598
2. Allocated investment return transferred from the non-technical account (item III. 6.)	6	x	x	20,638	3,921
3. Other technical income, net of reinsurance	7	x	x	24,774	25,731
4. Claims incurred, net of reinsurance:	8	x	x	x	x
a) Claims paid:	9	x	x	x	x
aa) Gross amount	10	188,943	x	x	x
ab) Reinsurers' share	11	139,283	49,660	x	x
b) Change in the provision for outstanding claims (+/-):	12	x	x	x	x
ba) Gross amount	13	10,287	x	x	x
bb) Reinsurers' share	14	8,586	1,701	51,361	20,554
5. Changes in other technical provisions, net of reinsurance (+/-)	15	x	x	0	0
6. Bonuses and rebates, net of reinsurance	16	x	x	2,154	1,563

(In thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
7. Net operating expenses:	17	x	x	x	x
a) Acquisition costs	18	x	2,039	x	x
b) Change in deferred acquisition costs (+/-)	19	x	194	x	x
c) Administrative expenses	20	x	8,872	x	x
d) Reinsurance commissions and profit participation	21	x	22,691	-11,586	-9,679
8. Other technical expenses, net of reinsurance	22	x	x	20,653	21,290
10. Sub-total, balance (result) on the technical account for non-life insurance (item III. 1.)	24	x	x	52,053	61,522
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE					
1. Earned premiums, net of reinsurance:	25	x	x	x	x
a) Gross premiums written	26	x	9,897,341	x	x
b) Outward reinsurance premiums	27	x	1,215,174	x	x
c) Change in the provision for unearned premiums, net of reinsurance (+/-)	28	x	-6,304	8,688,471	9,103,798
2. Income from financial placements (investments):	29	x	x	x	x
a) Income from participating interests, with a separate indication of that derived from controlling influence	30	x		x	x
b) Income from other investments, with a separate indication of that derived from controlling influence, of which:	31	x	x	x	x
ba) Income from land and buildings (real estate)	32	0	x	x	x
bb) Income from other financial placements (investments)	33	1,135,149	1,135,149	x	x
c) Value adjustments on financial placements	34	x	0	x	x
d) Income from disposal of financial placements	35	x	5,283,472	6,418,621	4,047,896
3. Unrealised gains on financial placements	36	x	x	688,465	454,657
4. Other technical income, net of reinsurance	37	x	x	97,824	57,104
5. Claims incurred, net of reinsurance:	38	x	x	x	x

(In thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
a) Claims paid:	39	x	x	x	x
aa) Gross amount	40	6,556,934	x	x	x
ab) Reinsurers' share	41	514,595	6,042,339	x	x
b) Change in the provision for outstanding claims (+/-):	42	x	x	x	x
ba) Gross amount	43	260,372	x	x	x
bb) Reinsurers' share	44	249,409	10,963	6,053,302	4,593,951
6. Changes in other technical provisions, net of reinsurance (+/-):	45	x	x	x	x
a) Life assurance provisions:	46	x	x	x	x
aa) Gross amount	47	148,173	x	x	x
ab) Reinsurers' share	48	0	148,173	x	x
b) Other technical provisions, net of reinsurance	49	x	917,643	1,065,816	2,324,394
7. Bonuses and rebates, net of reinsurance	50	x	x	274,501	268,280
8. Net operating expenses:	51	x	x	x	x
a) Acquisitions costs	52	x	1,511,849	x	x
b) Change in deferred acquisition costs (+/-)	53	x	-77,817	x	x
c) Administrative expenses	54	x	531,096	x	x
d) Reinsurance commissions and profit participation	55	x	350,951	1,614,177	1,906,743
9. Expenses connected with financial placements (investments):	56	x	x	x	x
a) Investment management charges, including interest	57	x	488,041	x	x
b) Value adjustments on financial placements	58	x	0	x	x
c) Book value of disposed financial placements	59	x	5,100,988	5,589,029	3,380,171
10. Unrealised losses on financial placements (investments)	60	x	x	0	686,556
11. Other technical expenses, net of reinsurance	61	x	x	84,991	47,119
13. Sub-total, balance (result) on the technical account for life assurance (item III. 2.)	63	x	x	1,211,565	456,241

(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	52,053	61,522
2. Result of the technical account for life assurance (item II. 13.)	65	x	x	1,211,565	456,241
3. Income from financial placements:	66	x	x	x	x
a) Income from participating interests, with a separate indication of that derived from controlling influence	67	x		x	x
b) Income from other investments, with a separate indication of that derived from controlling influence:	68	x	x	x	x
ba) Income from land and buildings	69	66	x	x	x
bb) Income from other financial placements (investments)	70	8,808	8,874	x	x
c) Value adjustments on financial placements	71	x	13,091	x	x
d) Income from disposal of financial placements	72	x	73,843	95,808	9,788
5. Expenses connected with financial placements:	74	x	x	x	x
a) Investment management charges, including interest	75	x	1,438	x	x
b) Value adjustments on financial placements	76	x	0	x	x
c) Book value of disposed financial placements	77	x	73,732	75,170	5,867
6. Allocated investment return transferred to the technical account for non-life insurance (item I. 2.)	78	x	x	20,638	3,921
7. Other profits	79	x	x	23	0
8. Other costs	80	x	x	0	0
9. Income tax on ordinary activities	81	x	x	244,367	99,724
10. Profit or loss on ordinary activities after tax	82	x	x	1,019,274	418,039
15. Other taxes not shown under the preceding items	87	x	x	856	424
16. Profit or loss for the financial year	88	x	x	1,018,418	417,615

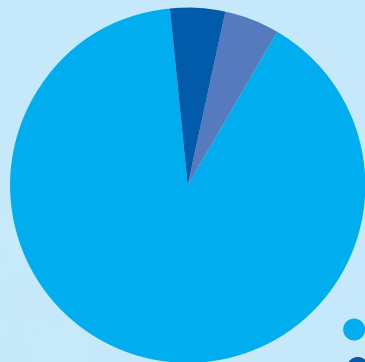


Statement of Change in Equity for 2012

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

(In thousands CZK)	Registered capital	Other funds from profit	Changes in valuation	Statutory reserve fund	Retained earnings	Profit (loss) for the current year	Total
BALANCE AT 1/1/2012	1,900,100	4,285	56,168	249,786	66,683	417,615	2,694,637
Additions to funds		3,405		20,881	393,329	-417,615	
Utilisation of funds		-3,705					-3,705
Change in valuation of financial placements			39,553				39,553
Increase/reduction in registered capital							
Payment of dividends					-393,329		-393,329
Profit/loss for the current year						1,018,418	1,018,418
BALANCE AT 31/12/2012	1,900,100	3,985	95,721	270,667	66,683	1,018,418	3,355,574

Structure of Shareholders



- 90% Vienna Insurance Group
- 5% Česká spořitelna
- 5% Kooperativa

POJIŠŤOVNA
ČESKÉ SPOŘITELNY

VIENNA INSURANCE GROUP


flexi
životní pojištění



Notes to
the Financial
Statements



Notes to the Financial Statements for 2012

I. GENERAL CONTENTS

I. 1. Description and principal activities

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

Shareholders of the Company as at 31 December 2012:

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

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

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

Life assurance

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

Non-life insurance

- Accident and sickness insurance
- Insurance for various financial losses

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

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

Registered office

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

Members of the Board of Directors, Supervisory Board and Audit Committee as at 31 December 2012:**Board of directors**

Chairman: RNDr. Petr Zapletal, MBA, Na Zahrádkách 307, Praha 4, Šeberov

Vice-chairman: Ing. Jaroslav Kulhánek, Zalomená 175, Hradec Králové 11, Roudnička

Member: Ing. Libor Mánek, Křemže, Lomená 379 (member since 12 January 2012, until 31 December 2011 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. František Mareš, Palackého 1932, Pardubice, Zelené Předměstí (since 23 March 2012, until 11 January 2012 Ing. Libor Mánek, Křemže, Lomená 379, zip code 382 03)

Supervisory Board

Chairman: Ing. Martin Diviš, MBA, Praha 6, Liboc, Divoká Šárka 39, zip code 164 00

Vice-chairman: Mag. Erwin Hammerbacher, Seyring, Helmaweg 29, 2201, Austria

Members: JUDr. Karel Kopecký, Pardubice, Bělehradská 396, zip code 530 09

Ing. Petr Kohoutek, Chrudim, Vaňkova 1341, zip code 537 01

Mag. Roland Gröll, 1170 Vienna, Neuwaldegger Str. 37/1 (member since 28 April 2011, until 14 April 2011 Ing. Vít Rozsypal, Divišov, Na Sídlišti 350, zip code 257 26, was a member of the board)

the remaining seat is vacant (Ing. Aleš Mamica, Praha 9, Lipí 1247/60, zip code 193 00, was a member until 30 November 2011)

Audit Committee

Ing. Martin Diviš, MBA

Dr. Peter Hagen

Ing. Hynek Vodička

I. 2. Compliance with legislation

At the balance sheet date the Company fully complied with Act No. 277/2009 Coll., on Insurance, as amended (“the Insurance Act”), Act No. 37/2004 Coll., on Insurance Contract, as amended, Act No. 38/2004 Coll., on Insurance Intermediaries and Independent Loss Adjusters, as amended, including the applicable implementing regulations, and with other legislation in force.

I. 3. Basis of preparation of the financial statements

The accounting records of the Company are maintained and the financial statements of the Company have been prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Regulation No. 502/2002 Coll., to implement certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units, which are insurance companies, as amended (“Regulation No. 502/2002 Coll.”), and with the Czech Accounting Standards for accounting units that maintain their accounting records in compliance with Regulation No. 502/2002 Coll. and other relevant legislation.

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

I. 4. Significant accounting policies

(a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost.

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

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

Fixed assets	Method	Depreciation period in years
Software	Straight-line	4
Motor vehicles	Straight-line	4
IT equipment	Straight-line	3
Fixtures and fittings	Straight-line	8
Other	Straight-line	15

(b) Investments

Land and buildings (real estate)

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

At the balance sheet date, land and buildings (real estate) are valued at their fair value. The fair value means the market value determined by an expert appraisal as the price for which such land and buildings (real estate) could be sold on the date of valuation.

The fair value is determined through a separate valuation of each item of land and buildings by an expert appraisal as at the balance sheet date.

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

Debt securities

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

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

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

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

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

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

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

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

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

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

Shares and other variable-yield securities

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

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

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

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

Shares and other variable-yield securities are classified as securities valued at fair value through profit and loss or securities available for sale. The change in fair value of shares or other variable-yield securities is recognised in the profit and loss account.

Where shares and other variable-yield securities are denominated in a foreign currency, their value is translated based on the current exchange rate published by CNB. The appropriate exchange rate difference is included in the fair value.

Participating interests

Participating interests in controlled persons are participations in another enterprise in which the Company holds a controlling influence. In addition, other cases where the insurance company is a controlling person are reported under this item.

Participating interests with substantial influence are participations in another enterprise in which the Company holds a substantial influence. Unless proven to the contrary, substantial influence is considered to be a holding of at least 20% of the voting rights.

Participating interests in the form of securities issued by the controlled persons or persons in which the accounting unit exercises substantial influence, and which are held for trading or are available for sale are shown in item C. II. 2 Debt securities.

At the acquisition date, participating interests are stated at their acquisition cost. The acquisition cost is the amount for which the participating interests were acquired and includes all expenses directly associated with the acquisition.

At the balance sheet date, participating interests are revalued at their fair value based on a Company's share on net asset value. Changes in fair value are recognised in equity.

Deposits with financial institutions

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

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

Derivatives

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

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

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

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

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

(d) Adjustments

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

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

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

(e) Impairment of assets

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

(f) Deferred acquisition costs

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

Non-life insurance

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

Life assurance (other than assurance connected with an investment fund / unit-linked insurance)

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

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

Deferred acquisition costs in unit-linked assurance are determined using actuarial methods and reflecting the expected cancellation rate based on the value of expected future deductions from initial fees and from the present value of profits following from the negative value of provisions which are determined using the prospective method.

(g) Income tax

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

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

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

(h) Provision for unearned premiums

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

(i) Life assurance provision

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

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

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

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

(j) Provision for outstanding claims

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

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

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

The provision for outstanding claims incurred but not reported as at the balance sheet date is determined using the chainladder method.

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

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

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

(k) Provision for bonuses and rebates

The provision for bonuses and rebates is created in accordance with the respective terms set out in insurance contracts, i.e. the General Terms and Conditions of Insurance or specific contractual arrangements.

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

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

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

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

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

Where this amount exceeds the total amount of the life assurance provisions reduced by the respective unamortised acquisition

costs and other intangible assets, the deficiency is recognised through the establishment of a provision for liabilities arising from the applied technical interest rate and other calculation parameters.

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

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

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

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

(n) Reinsurers' share of technical provisions

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

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

(o) Provisions

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

Provision for taxes

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

(p) 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.

(q) 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.

(r) Acquisition costs

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

(s) Expenses and income from financial placements**Allocation of expenses and income from financial placements between life assurance and non-life insurance accounts:**

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

Other expenses and income from financial placements which are not related to life assurance activities are recorded initially in the non-technical account and subsequently all of them transferred to the non-life insurance technical account.

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

The disposal of financial placements is recognised on a gross basis, whereby the revenues from disposal in the amount of the selling price of the relevant financial instruments are recorded separately from the expenses in the amount of the carrying value of the related financial placements.

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

In order to account for items common to both life assurance and non-life insurance, the Company uses a method in compliance with Regulation No. 502/2002 Coll. Under this method individual items are grouped according to the class of insurance to which they relate. For items that cannot be allocated directly, the ratio of premiums written and claims paid for individual classes of insurance to total premiums written and total claims paid is used as a basis for allocation of expenses and income between life assurance and non-life insurance.

Expenses and revenues from financial placements

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

Other expenses and revenues

During the accounting period, clearly attributable expenses and revenues are recorded directly in the life assurance or non-life insurance technical account or the non-technical account. Expenses and revenues that cannot be directly attributed are recorded primarily in the non-technical account and subsequently allocated to the technical account for life assurance or non-life insurance using the method stated in point I. 4. (v).

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

(u) Foreign currency translation

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

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

I. 5. Changes in accounting policies and procedures

Based on the parent company's request and with the intention to unify the method of valuation of disposed investments, the Company in 2012 switched from the FIFO method to the weighted-average cost method. The new weighted-average cost of financial assets (where applicable) is newly determined upon each addition to specific investment categories as defined in accordance with the existing categorisation of technical reserves. The management believes that the change of the policy does not have any significant impact on the related profit and loss account items.

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 assumption etc. may have a significant impact on determining the amount of provisions. The liability adequacy tests and analysis of sensitivity to change in assumptions are used to eliminate the reserve risk.

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

Concentration of insurance risk

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

Geographic concentration

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

Reinsurance strategy for non-life insurance

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

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

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

(b) Life assurance risk

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

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

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

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

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

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

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

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

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

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

Reinsurance strategy for life assurance

The Company reinsures some of the risks it underwrites in order to control its exposures to losses and protect its own capital resources. The Company has based its reinsurance scheme on a complementary combination of contracts with external reinsurers. In life assurance, the Company concludes non-proportionate reinsurance treaties to reduce its net exposure.

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

(c) Market risk

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

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

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

Asset/Liability management (ALM)

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

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

Interest rate risk

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

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

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

The risk of changes in cash flows as a result of a change in interest rate represents exposure primarily to the insurance contracts with a guaranteed interest rate, where the client compares the revenue guaranteed by the contract with the revenue offered in the market. Where the market interest rates increase, some types of contracts may show an increase in the lapse rate, or vice versa.

Price fluctuation risk

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

The Company manages its use of equity investments by maintaining a diversified portfolio.

Měnové riziko

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:

- Reinsurer's 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 point I. 4. d). Recovery of debt from insurance is carried out by the Company in cooperation with external partners.

(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 2012 comprise the following items:

(in thousands CZK)	Software	Industrial and similar rights	Total
Acquisition cost at 1/1/2012	287,225	295	287,520
Additions	28,753		28,753
Disposals	-98	-295	-393
Acquisition cost at 31/12/2012	315,880	0	315,880
Accumulated depreciation at 1/1/2012	223,666	0	223,666
Depreciation	30,106		30,106
Disposals	-98		-98
Accumulated depreciation at 31/12/2012	253,674	0	253,674
Net book value at 1/1/2012	63,559	295	63,854
Net book value at 31/12/2012	62,206	0	62,206

II. 2. Investments

(a) Land and buildings (real estate)

Operating (in thousands CZK)	2012	2011
Land	538	538
Valuation differences	1,362	1,382
Buildings	69,429	64,400
Valuation differences	-16,629	-16,400
Total operating land and buildings at fair value	54,700	49,920

The most recent valuation of land and buildings (real estate) based on an expert appraisal was carried out on 31 December 2012.

(b) Participating interests with significant influence

2012 (in thousands CZK)	Share of registered capital in %	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year	Dividend income/ profit share
V.I.G. ND, uzavřený investiční fond a.s.	10.48	299,773	303,959	2,671,000	2,905,098	64,024	0
Total		299,773	303,959	N/A	N/A	N/A	0

The financial data are based on non-audited preliminary financial statements as at 31 December 2012. In 2011, the Company did not own any participating interests with significant influence.

(c) Shares and other variable-yield securities, other participating interests

(in thousands CZK)	Fair value		Acquisition cost	
	2012	2011	2012	2011
Issued by financial institutions				
– Listed on a recognised CR exchange	78,525	74,466	68,048	87,672
– Listed elsewhere		755,796		702,461
– Unlisted	1,294,080	410,242	1,229,531	432,427
Issued by non-financial institutions				
– Listed on a recognised CR exchange	86,930	142,618	94,611	143,110
– Listed elsewhere		18,204		16,581
Total	1,459,535	1,401,326	1,392,190	1,382,251

Securities listed elsewhere are traded mainly on European and US markets. Unlisted securities issued by financial institutions comprise participation certificates / units.

Out of securities classified as “Issued by financial institutions listed elsewhere” as at 31 December 2011 securities amounting to TCZK 243,252 at fair value (TCZK 236,490 at cost) were reclassified to “Unlisted securities” to unify the reporting structure of the financial group. The outstanding securities quoted on another market issued by financial institutions as at 31 December 2011 were realized during 2012.

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

(in thousands CZK)	Fair value		Acquisition cost	
	2012	2011	2012	2011
Issued by financial institutions				
– Listed on a recognised CR exchange	712,741	776,566	701,106	783,716
– Listed elsewhere	1,313,610	994,955	1,278,269	977,884
– Unlisted	247,277	240,448	200,720	200,720
Issued by non-financial institutions				
– Listed on a recognised CR exchange	103,865		100,000	
– Listed elsewhere	68,599	353,386	59,850	342,380
– Unlisted				
Issued by government sector				
– Listed on a recognised CR exchange	5,007,721	4,989,633	4,740,979	4,935,789
– Listed elsewhere	704,530	591,642	642,649	588,943
Total	8,158,343	7,946,630	7,723,573	7,829,432

Securities listed elsewhere are traded mainly on European markets.

(e) OECD bonds held to maturity

(in thousands CZK)	Fair value		Amortised value		Acquisition cost	
	2012	2011	2012	2011	2012	2011
– Listed on a recognised CR exchange	11,192,871	9,224,015	10,048,554	8,950,349	9,909,906	8,796,624
Total OECD bonds held to maturity	11,192,871	9,224,015	10,048,554	8,950,349	9,909,906	8,796,624

(f) Other debt securities held to maturity

(in thousands CZK)	Fair value		Acquisition cost	
	2012	2011	2012	2011
Issued by financial institutions				
– Listed on a recognised CR exchange				
– Listed elsewhere	619,979	1,034,897	509,257	959,257
– Unlisted	368,538	358,360	299,150	299,150
Issued by non-financial institutions				
– Listed on a recognised CR exchange	171,890	165,143	149,412	149,412
– Listed elsewhere	1,383,061	1,702,790	1,199,371	1,549,371
Total other debt securities held to maturity	2,543,468	3,261,190	2,157,190	2,957,190

(g) Deposits with financial institutions

(in thousands CZK)	2012	2011
Due within 1 year	882,746	699,742
Due in 1 to 5 years	300,000	300,000
Total	1,182,746	999,742

Bank deposit in the amount of TCZK 300,000 matures in 2014.

(h) Other financial placements – derivatives**Other derivatives – derivatives held for trading**

	Nominal value		Fair value	
Fixed term contracts with a positive fair value (in thousands CZK)	2012	2011	2012	2011
Term currency transactions	1,147,213		5,783	
Total	1,147,213		5,783	

	Nominal value		Fair value	
Fixed term contracts with a negative fair value (in thousands CZK)	2012	2011	2012	2011
Term currency transactions		2,248,744		-22,038
Total		2,248,744		-22,038

The Company concludes derivatives solely to hedge against currency risk. All the above financial instruments were concluded at the interbank market (OTC).

Nominal value of fixed term contracts is the amount in CZK of the Company's short-term currency position. Fair value of fixed term contracts is the revaluation of the contracts as at the balance sheet date, i.e. the difference between the present values of expected cash inflows and outflows.

Remaining maturity of derivatives

At 31 December 2012 (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	5,783					5,783

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

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

Description (in thousands CZK)	Fair value		Acquisition cost	
	2012	2011	2012	2011
Shares and other variable-yield securities	701,778	785,573	740,959	903,999
Debt securities	2,321,905	1,369,608	1,854,285	1,098,235
Total	3,023,683	2,155,181	2,595,244	2,002,234

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	
	2012	2011	2012	2011	2012	2011	2012	2011
CZK	1,084,176	522,449	20,004,264	19,042,440	1,167,285	861,000	3,023,683	2,155,181
EUR	161,508	151,084	746,101	1,115,729	18,042	80,896		
GBP	77,531	25,842			252	-90		
USD	440,279	697,961			2,950	35,898		
PLN		3,990						
Total	1,763,494	1,401,326	20,750,365	20,158,169	1,188,529	977,704	3,023,683	2,155,181

Variable-yield securities comprise a participating interest with significant influence amounting to TCZK 303,959 (2011: TCZK 0).

II. 5. Receivables

31 December 2012 (in thousands CZK)	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	22,289		312,307	135,640	470,236
Overdue	130,665	18,999		174	149,838
Total	152,954	18,999	312,307	135,814	620,074
Adjustment	87,276	17,624		132	105,032
Total net	65,678	1,375	312,307	135,682	515,042

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

Other receivables

(in thousands CZK)	2012	2011
Inter-company receivables	2,645	2,461
Income tax prepayments	119,967	150,353
Other receivables	13,202	6,418
Total other receivables	135,814	159,232

II. 6. Other assets**(a) Dlouhodobý hmotný majetek**

(a) Tangible fixed assets	Cars	IT equipment	Fixtures and fittings	Other	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2012	25,227	47,903	18,316	10,976	1,448	103,870
Additions	11,917	33,389	7,631	33	2,016	54,986
Disposals	-6,778	-31,345	-1,936		-1,557	-41,616
Acquisition cost at 31/12/2012	30,366	49,947	24,011	11,009	1,907	117,240
Accumulated depreciation at 1/1/2012	10,938	36,484	10,566	441		58,429
Depreciation expense	6,718	10,962	1,646	195		19,521
Disposals	-5,057	-30,992	-1,504			-37,553
Accumulated depreciation at 31/12/2012	12,599	16,454	10,708	636	0	40,397
Net book value at 1/1/2012	14,289	11,419	7,750	10,535	1,448	45,441
Net book value at 31/12/2012	17,767	33,493	13,303	10,373	1,907	76,843

As at 31 December 2012, the Company also reported inventories in the amount of TCZK 2,992 (2011: TCZK 3,491).

II. 7. Temporary asset accounts

(a) Deferred acquisition costs for life assurance contracts

(in thousands CZK)	2012	2011
Life assurance connected with an investment fund / unit-linked	1,584,877	1,507,060
Total	1,584,877	1,507,060

The calculation of the amount reported in Deferred acquisition costs for unit-linked insurance contracts depends on two calculation bases. The volume of expected future deductions of the initial allocation fees is used to create an asset of TCZK 722,986 (2011: TCZK 797,771) and the volume of the negative capital value of insurance contracts is used to create an asset of TCZK 861,891 (2011: TCZK 709,289).

(b) Estimated receivables

(in thousands CZK)	2012	2011
Estimated written premiums	114,908	115,553
Estimated reinsurance commissions	17,166	23,926
Estimated trailer fees	1,078	1,402
Estimated share in the profit of the reinsurer BNP	11,082	5,590
Other	2,669	782
Total	146,903	147,253

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)	2012	2011
Prepaid expenses relating to commissions on premiums not yet recorded	23,404	33,122
Other	1,530	1,798
Total	24,934	34,920

II. 8. Equity**(a) Share capital**

The registered share capital comprises 8,180 registered ordinary shares in booked form with a nominal value of TCZK 45 and 15,320 ordinary bearer shares with a nominal value of TCZK 100. As at 31 December 2012, 100%, i.e. TCZK 1,900,100, of the share capital was paid up. In the accounting period 2012 and 2011, the share capital did not change.

Issue (in thousands CZK)	Type of security	Forma	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 share capital amount complies with the requirements of the Insurance Act, with regard to the insurance classes in which the Company is authorised to carry on insurance activities.

(b) Other capital funds

(in thousands CZK)	2012	2011
Revaluation of assets and liabilities at fair value	95,721	56,168
Total	95,721	56,168

Revaluation of assets and liabilities at fair value

(in thousands CZK)	2012	2011
Balance at 1/1	56,168	8,978
Change in fair value of financial placement	48,831	58,259
Change in deferred tax	-9,278	-11,069
Balance at 31/12	95,721	56,168

Planned distribution of the current period profit

(in thousands CZK)	
Profit for the current period	1,018,418
Transfer to statutory reserve fund	50,921
Transfer to social fund	4,730
Dividend (CZK 36.84 per share)	865,655
Profit to be added to retained earnings	97,112

Proposed distribution of profit is subject to the approval of the general meeting.

II. 9. Technical provisions

(a) Life assurance provision

(in thousands CZK)	2012	2011
Unzillmerised provision	6,621,381	6,718,895
Zillmer adjustment	11,557	8,162
Elimination of negative reserves	2,342	3
Zillmerised provision presented in the balance sheet	6,612,166	6,710,736
Flexi provision	12,378,190	12,323,713
Provision for profit share commitments	325,383	259,859
Annuity provision	8,366	8,626
Provision for bonuses	204,863	77,861
Total life assurance provision	19,528,968	19,380,795

(b) Provision for outstanding claims

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

(in thousands CZK)	2012	2011
RBNS	351,912	253,200
IBNR	935,985	1,022,031
Total	1,287,897	1,275,231

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2011, the claims payments during 2012 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2012.

(in thousands CZK)	2012	2011
Gross provision for outstanding claims as at 1 January	1,764,107	1,489,871
Claims payments in the current period in respect of prior period claims	963,580	840,117
Provision for outstanding claims as at 31 December intended for prior period claims not paid yet	654,114	458,322
Run-off result	146,413	191,432

The gross run-off result by classes of insurance:

Class of insurance (in thousands CZK)	2012	2011
Accident and sickness – non-life insurance	12,619	47,952
Other losses – non-life insurance	5,238	14,702
Assurance on death, assurance on survival	13,223	-5,059
Accident and sickness insurance as a rider	79,439	142,602
Marriage insurance	96	19
Life assurance connected with an investment fund / unit-linked (not including accidental riders)	35,798	-8,784
Total	146,413	191,432

II. 10. Provisions

Type of provision (in thousands CZK)	Opening balance	Creation	Release	Closing balance
Provision for taxes	100,837	244,011	100,837	244,011
Total	100,837	244,011	100,837	244,011

The income tax prepayments of TCZK 119,967 (2011: TCZK 150,353) are recognised in Other receivables.

II. 11. Payables

31. December 2012 (in thousands CZK)	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	173,534	132,332	381,156	94,660	781,682
Overdue	0	308		2,127	2,435
Total	173,534	132,640	381,156	96,787	784,117

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

Other payables comprise the following items:

(in thousands CZK)	2012	2011
Payables to employees	37,517	6,466
Social security and health insurance liabilities	10,685	3,119
Payables to suppliers	12,927	9,421
Deferred tax liability	25,692	16,307
Other tax liabilities	9,966	2,490
Total	97,787	37,803

(a) Social security and health insurance liabilities

Liabilities in respect of social security and health insurance total TCZK 10,685 (2011: TCZK 3,119) of which TCZK 6,773 (2011: TCZK 2,183) relates to social security and TCZK 3,912 (2011: TCZK 936) relates to health insurance. None of these liabilities are overdue.

(b) Tax liabilities

Tax liabilities amount to TCZK 9,966 (2011: TCZK 2,490), 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)	2012	2011
Receivables from reinsurers	312,307	229,377
Payables to reinsurers	381,156	281,839
Deposits due to cedents	635,780	370,142
Net (+ receivable, - payable)	-704,629	-422,604

The deposit of TCZK 635,780 (2011: TCZK 370,142) is relating to reinsurance contracts with VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

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

(in thousands CZK)	2012	2011
Accrued expenses		2,906
Estimated payables	235,922	263,857
Total	235,922	266,763

A detailed breakdown of estimated payables is as follows:

(b) Estimated payables

(in thousands CZK)	2012	2011
Alliance partner commission	84,958	81,449
Performance-based commission of insurance intermediaries	28,000	36,114
Lawsuits and litigations	5,721	5,820
Annual extraordinary bonuses and untaken holidays	14,095	57,802
Asset management fees	26,751	11,469
Operating system repairs and maintenance	6,717	1,270
Reinsurance premiums on premium not yet recorded	60,786	61,533
Advance payments for services relating to rent	2,837	2,627
Services not yet invoiced by other creditors	6,057	5,773
Total	235,922	263,857

Alliance partner commission

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

Estimated reinsurance premiums

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

II. 13. Inter-company receivables and payables**(a) Other inter-company receivables and payables**

Company name (in thousands CZK)	Receivables		Payables	
	2012	2011	2012	2011
Short-term	286,931	202,123	308,960	203,776
Kooperativa pojišťovna, a. s., Vienna Insurance Group	3,257	2,461	2,149	242
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	283,674	199,662	306,811	203,534
Total	286,931	202,123	308,960	203,776

As specified in section II. 11. (d), the Company also records a deposit relating to reinsurance contracts with VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

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 2012 and 2011 divided by classes of insurance:

(in thousands CZK)	Class of insurance	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsurance balance
Direct insurance						
Accident and sickness	1,2					
2012		545,026	544,765	180,218	9,594	-91,946
2011		544,068	542,947	175,541	16,836	-86,626
Miscellaneous losses	16					
2012		259,899	259,899	19,012	1,511	-72,339
2011		243,445	243,445	17,179	928	-66,896
Total						
2012		804,925	804,664	199,230	11,105	-164,285
2011		787,513	786,392	192,720	17,764	-153,522

III. 2. Life assurance

Gross premiums written in life assurance:

(in thousands CZK)	2012	2011
Individual premium	9,191,499	9,218,323
Premiums under group contracts	705,842	673,857
Total	9,897,341	9,892,180
Regular premium	5,266,241	4,801,345
Single premium	4,631,100	5,090,835
Total	9,897,341	9,892,180
Premiums from non profit-sharing contracts	1,323,291	1,011,139
Premiums from profit-sharing contracts	6,341,932	7,509,061
Premiums from contracts where the investment risk is borne by policyholders	2,232,118	1,371,980
Total	9,897,341	9,892,180
Reinsurance balance	-108,188	-74,464

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

In 2012 and 2011, the total amount of gross premiums written was generated on contracts concluded in the Czech Republic.

III. 4. Bonuses and rebates

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

(in thousands CZK)	2012	2011
Gross		
Non-life insurance	369,727	334,018
Life assurance	274,831	266,491
Total gross amount	644,558	600,509
Reinsurers' share (non-life insurance)	367,592	332,536
Total net amount	276,966	267,973

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

2012 (in thousands CZK)	Hrubá výše	Podíl zajišťovatelů	Čistá výše
Non-life insurance			
Creation	405,325	403,235	2,090
Release	371,662	369,591	2,071
Change of balance	33,663	33,644	19
Life assurance			
Creation	274,501		274,501
Release	274,831		274,831
Change of balance	-330		-330
Total change of balance	33,333	33,644	-311

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

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

(in thousands CZK)	Non-life insurance	2012 Life assurance	Total	Non-life insurance	2011 Life assurance	Total
Commissions						
Initial	491	1,315,890	1,316,381	5,406	1,473,586	1,478,992
Renewal	4,567	252,594	257,161	7,199	235,337	242,536
Total commissions	5,058	1,568,484	1,573,542	12,605	1,708,923	1,721,528
Other acquisition costs	1,548	195,959	197,507	1,308	203,122	204,430
Change in deferred acquisition costs	194	-77,817	-77,623	-153	-147,976	-148,129
Total commissions and other acquisition costs	6,800	1,686,626	1,693,426	13,760	1,764,069	1,777,829

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)	2012	2011
Personnel expenses (payroll, social security and health insurance, remuneration to members of the Supervisory Board, Board of Directors and Audit Committee)	90,377	82,680
Renewal commissions	257,161	242,536
Rent and related services	7,173	6,772
Consultancy and external audit	20,127	2,676
Consumption of low-value tangible and intangible assets and other material	8,775	9,904
Depreciation and repairs and maintenance of tangible assets	25,814	16,430
Operating systems administration and maintenance	28,560	20,978
Postal and telecommunication services	26,460	23,847
Bank fees	12,893	12,030
Other services	21,020	22,173
Other administrative expenses	41,608	44,666
Total administrative expenses	539,968	484,692

Other personnel expenses are included in other administrative expenses.

III. 7. Other technical expenses and income

2012 (in thousands CZK)	Gross	Reinsurer's share	Net
Non-life insurance			
Other technical expenses	20,653		20,653
Other technical income	-24,774		-24,774
Balance – non-life insurance	-4,121	0	-4,121
Life assurance			
Other technical expenses	84,991		84,991
Other technical income	-97,824		-97,824
Balance – life assurance	-12,833	0	-12,833
2011 (in thousands CZK)	Gross	Reinsurer's share	Net
Non-life insurance			
Other technical expenses	21,290		21,290
Other technical income	-25,731		-25,731
Balance – non-life insurance	-4,441	0	-4,441
Life assurance			
Other technical expenses	47,119		47,119
Other technical income	-57,104		-57,104
Balance – life assurance	-9,985	0	-9,985

III. 8. Employees and management

Personnel expenses and average calculated number of employees by individual categories for 2012 and 2011:

Personnel expense – type (in thousands CZK)	Year	Employee category			Total
		Acquisition, sales	Claims handling	Administration	
Payroll expense	2012	69,187	10,013	76,342	155,542
	2011	64,994	9,494	66,226	140,714
Social security and health insurance	2012	18,648	3,504	15,669	37,821
	2011	21,899	3,259	18,525	43,683
Other personnel expenses	2012	3,604	1,021	3,416	8,041
	2011	3,234	922	3,106	7,262
Total personnel expenses	2012	91,439	14,538	95,427	201,404
	2011	90,127	13,675	87,857	191,659
Average number of employees	2012	109	29	101	239
	2011	98	27	96	221

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

As at 31 December 2012, the management of the Company comprised 12 managers: the CEO, 3 deputy CEOs and 8 section directors. Personnel expenses (payroll, social security and health insurance, other personnel expenses) relating to managers totalled TCZK 39,978 in 2012 (2011: TCZK 43,677).

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 2012 and 2011:

(in thousands CZK)	2012	2011
Members of the Board of Directors	180	180
Proxy holder	60	60
Members of the Supervisory Board	830	658
Audit Committee	13	13
Total remuneration paid	1,082	911

The members of the Company's Board of Directors are at the same time employees of the Company exercising the offices of Deputy CEOs or the CEO of the Company.

The proxy holder is also an employee of the Company, exercising the office of Deputy CEO.

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

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

The Company presented no receivables from members of the Board of Directors, Supervisory Board, Audit Committee or the proxy holder relating to loans granted or advances paid, either in 2012 or 2011.

(b) Information on remuneration for statutory auditors

Remuneration for statutory auditors is included in the Company's administrative expenses. The total amount of TCZK 1,308 (2011: TCZK 1,497) consists of the following items:

(in thousands CZK)	2012	2011
Statutory audit	1,284	1,344
Other non-auditing services	24	153
Total remuneration	1,308	1,497

III. 9. Expense allocation between technical accounts and non-technical account

As at the balance sheet date, the total amount of expenses allocated between the technical accounts for life assurance, non-life insurance and the non-technical account by means of the method stated in note I. 4. (t) amounted to TCZK 58,112 (2011: TCZK 48,732).

III. 10. Result of non-technical account

The result of the non-technical account as at 31 December 2012 amounted to TCZK 23 (2011: TCZK 0).

III. 11. Result before tax

The result before tax as at 31 December 2012 amounted to TCZK 1,262,785 (2011: TCZK 517,339).

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

	2012	2011
Provision for current period income tax	244,011	100,837
Difference between the current income tax relating to prior periods and release of the provision for income tax relating to prior periods	249	-551
Change in deferred tax asset/Change in deferred tax liability	107	-562
Income tax in profit and loss account	244,367	99,724

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences (in thousands CZK)	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Tangible fixed assets			5,930	4,846	-5,930	-4,846
Intangible fixed assets			2,114	2,005	-2,114	-2,005
Receivables	1,045	1,045			1,045	1,045
Other temporary difference recorded in Profit and loss account	3,760	2,675			3,760	2,675
Effect on profit and loss account	4,805	3,720	8,044	6,851	-3,239	-3,131
Revaluation of assets and liabilities			22,453	13,175	-22,453	-13,175
Effect on equity			22,453	13,175	-22,453	-13,175
Deferred tax asset/(liability)	4,805	3,720	30,497	20,026	-25,692	-16,306
Off-setting of relating deferred tax assets and liabilities	-4,805	-3,720	-4,805	-3,720		
Deferred tax asset/(liability)	0	0	25,692	16,306	-25,692	-16,306

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

IV. OTHER DISCLOSURES**IV. 1. Group relations**

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

IV. 2. Transactions not disclosed in the balance sheet

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

IV. 3. Contingent liabilities

(a) Litigations

The Company is the defendant in a lawsuit arising from disagreement over the size of settlement as regards claims reported and settled in the total amount of TCZK 9,982. A provision for reported claims of TCZK 11,164 has been established to provide for these contingent liabilities, which comprise an estimate of the settlement and other expenses, primarily the related court fees.

IV. 4. Subsequent events

The Company's management is not aware of any material subsequent events that have occurred since the balance sheet date that would require an adjustment to the financial statements as at 31 December 2012.

In Pardubice, on 22 February 2013



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 of the Commercial Code for 2012

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

This report on relations between the persons listed below was prepared in accordance with the provisions of Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended, for the accounting period 1. 1. 2012 to 31. 12. 2012 (hereinafter the “accounting period”). In the accounting period the following agreements were signed between the Compiler and the persons listed below and the following legal acts and other de facto measures were adopted or implemented:

AN OVERVIEW OF THE ENTIRE CONCERN OF VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE, OR PERSONS WHOSE RELATIONSHIPS ARE DESCRIBED

A. VIG consolidated financial statements – equity participation as of 31 December 2004, including equity

VIENNA INSURANCE GROUP AG, Wiener Gruppe Verischerung insurance company, Schottenring 30, A 1010 Vienna, registered in the Commercial Register held at the Commercial Court in Vienna section FN, insert 75687 F (hereinafter the “Wiener Städtische”)

ACCOUNTING UNIT	Share in capital in % (controlling holding pursuant to IFRS)	Equity (thous. EUR)	Last annual financial statement
Consolidated companies			
“Grüner Baum“ Errichtungs- und Verwaltungsges.m.b.H, Vienna	100.00	26,311	2012
“Schwarzatal“ Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	55.00	104,423	2012
“WIENER RE“ akcionarsko drustvo za reosiguranje, Belgrade	100.00	6,515	2012
“WIENER STÄDTISCHE OSIGURANJE“ akcionarsko drustvo za osiguranje, Belgrade	100.00	12,375	2012
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	94.00	94,954	2012
Anděl Investment Praha s. r. o., Prague	100.00	26,747	2012
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	100.00	387	2012
ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	99.10	75,265	2012
BENEFIA Towarzystwo Ubezpieczen na Zycie S.A. Vienna Insurance Group, Warsaw	100.00	23,021	2012
BENEFIA Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, Warsaw	100.00	18,973	2012
Blizzard Real Sp. z o.o., Warsaw	100.00	1,675	2012
BML Versicherungsmakler GmbH, Vienna	100.00	821,799	2012
BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia	95.11	4,832	2012
BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia	98.00	38,625	2012

ACCOUNTING UNIT	Share in capital in % (controlling holding pursuant to IFRS)	Equity (thous. EUR)	Last annual financial statement
Business Insurance Application Consulting GmbH, Vienna	100.00	2,172	2012
Businesspark Brunn Entwicklungs GmbH, Vienna	100.00	1,817	2012
CAL ICAL "Globus", Kiev	80.00	5,281	2012
CAME Holding GmbH, Vienna	100.00	28,318	2012
CAPITOL, a. s., Bratislava	100.00	637	2012
CENTER Hotelbetriebs GmbH, Vienna	80.00	633	2012
Central Point Insurance IT-Solutions GmbH, Vienna	100.00	96,002	2012
Česká podnikatelská pojišťovna a. s., Vienna Insurance Group, Prague	100.00	94,203	2012
COMPENSA Holding GmbH, Wiesbaden	100.00	20,740	2012
Compensa Life Vienna Insurance Group SE, Tallinn	100.00	10,880	2012
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	100.00	51,194	2012
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	99.89	72,247	2012
DBR-Liegenschaften GmbH & Co KG, Stuttgart	100.00	11,932	2012
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	100.00	23	2012
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	100.00	3,203	2012
Donau Brokerline Versicherungs- Service GmbH, Vienna	100.00	27,004	2012
DONAU Versicherung AG Vienna Insurance Group, Vienna	99.24	155,842	2012
DVIB GmbH, Vienna	100.00	29,199	2012
ELVP Beteiligungen GmbH	100.00	19,532	2012
Erste osiguranje Vienna Insurance Group d.d., Zagreb	95.00	10,493	2012
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	95.00	6,586	2012
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	55.00	208,783	2012
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	55.00	90,005	2012
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	100.00	26,587	2012
GPIH B.V., Amsterdam	91.11	6,811	2012
HELIOS Vienna Insurance Group d.d., Zagreb	100.00	26,987	2012
Interalbanian Sh.a., Tirana	78.33	3,255	2012
International Insurance Company IRAO Ltd., Tiflis	100.00	7,061	2012

ACCOUNTING UNIT	Share in capital in % (controlling holding pursuant to IFRS)	Equity (thous. EUR)	Last annual financial statement
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	100.00	25,338	2012
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	99.98	92,806	2012
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	100.00	43,460	2012
INTERSIG Sh.A., Tirana	75.00	3,887	2012
JAHORINA OSIGURANJE a.d., Pale	97.56	11,937	2012
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	100.00	3,778	2012
JSC "GPI Insurance Company Holding", Tiflis	90.00	9,427	2012
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	100.00	2,222	2012
Kapitol pojišťovací a finanční poradenství, a. s., Brno	100.00	6,735	2012
Komunálna poisťovna, a. s. Vienna Insurance Group, Bratislava	100.00	42,025	2012
KOOPERATIVA poisťovna, a. s. Vienna Insurance Group, Bratislava	100.00	276,629	2012
Kooperativa, pojišťovna, a. s. Vienna Insurance Group, Prague	98.39	553,203	2012
Kvarner Vienna Insurance Group dionicko drustvo za osiguranje, Rijeka	99.36	42,249	2012
Kvarner Wiener Städtische Nekretnine d.o.o., Zagreb	100.00	381	2012
LVP Holding GmbH, Vienna	100.00	670,539	2012
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	100.00	70,040	2012
MH 54 Immobilienanlage GmbH, Vienna	100.00	26,322	2012
NEUE HEIMAT Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	99.81	110,107	2012
Neue Heimat Oberösterreich Holding GmbH, Vienna	90.00	59,212	2012
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	98.56	42,595	2012
Passat Real Sp. z o.o., Warsaw	100.00	2,797	2012
PFG Holding GmbH, Vienna	89.23	113,271	2012
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	92.88	53,704	2012
Poisťovna Slovenskej sporiteľne, a. s. Vienna Insurance Group, Bratislava	95.00	30,353	2012
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	95.00	133,417	2012
Private joint-stock company Insurance Company "Ukrainian Insurance Group", Kiev	100.00	13,138	2012
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	97.80	3,736	2012
PRIVATE JOINT-STOCK COMPANY UKRAINIAN INSURANCE COMPANY "KNIASHA VIENNA INSURANCE GROUP", Kiev	99.99	11,572	2012

ACCOUNTING UNIT	Share in capital in % (controlling holding pursuant to IFRS)	Equity (thous. EUR)	Last annual financial statement
PROGRESS Beteiligungsges.m.b.H., Vienna	60.00	15,278	2012
Projektbau GesmbH, Vienna	100.00	19,558	2012
Projektbau Holding GmbH, Vienna	90.00	21,327	2012
Ray Sigorta A.S., Istanbul	94.26	38,299	2012
S.C. BCR Asigurări de Viata Vienna Insurance Group S.A., Bucharest	92.36	26,150	2012
SECURIA majetkovosprávna a podielová s. r. o., Bratislava	100.00	9,400	2012
Senioren Residenz Fultererpark Errichtungs- und VerwaltungsGmbH, Innsbruck	100.00	4,356	2012
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	66.70	8,869	2012
SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A., Tirana	87.01	11,000	2012
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	95.00	529,787	2012
SVZ GmbH, Vienna	100.00	26,429	2012
SVZI GmbH, Vienna	100.00	26,429	2012
TBI BULGARIA EAD, Sofia	100.00	41,089	2012
TBIH Financial Services Group N.V., Amsterdam	100.00	259,092	2012
UNION Vienna Insurance Group Biztosító Zrt., Budapest	100.00	33,168	2012
V.I.G. ND, uzavřený investiční fond a. s., Prague	100.00	124,209	2012
Vienna-Life Lebensversicherung Aktiengesellschaft, Benden	100.00	11,502	2012
VIG FUND uzavřený investiční fond, a. s., Prague	100.00	99,955	2012
VIG RE zajišťovna, a. s., Prague	100.00	127,034	2012
VIG REAL ESTATE DOO, Bělehrad	100.00	12,890	2012
VIG Real Estate GmbH, Vienna	100.00	71,494	2012
VIG-CZ Real Estate GmbH, Vienna	100.00	71,431	2012
VLTAVA majetkovosprávní a podílová spol. s r. o., Prague	100.00	5,134	2012
WGPV Holding GmbH, Vienna	100.00	77,585	2012
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	100.00	853,823	2012
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	100.00	847,239	2012
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	99.90	937,962	2012
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	100.00	1,624	2012
WSV Immoholding GmbH, Wien	100.00	169,178	2012

ACCOUNTING UNIT	Share in capital in % (controlling holding pursuant to IFRS)	Equity (thous. EUR)	Last annual financial statement
Companies consolidated by the equity method			
AIS Servis, s. r. o., Brno	100.00	2,594	2012
Benefita, a. s., Prague	100.00	619	2012
Ceska Kooperativa London Ltd., London	100.00	844	2012
CPP Servis, s. r. o., Prague	100.00	31	2012
CROWN-WSF spol. s r. o., Prague	30.00	13,791	2012
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	99.77	205,735	2012
Gewista-Werbegesellschaft m.b.H., Vienna	33.00	56,024	2012
Global Expert, s. r. o., Pardubice	100.00	553	2012
HOTELY SRNI, a. s., Prague	72.43	7,678	2012
Kámen Ostromeř, s. r. o., Ostroměř	100.00	251	2012
KIP, a. s., Prague	100.00	9,027	2012
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	29.63	33,482	2012
Mělnická zdravotní, a. s., Prague	100.00	4,846	2012
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	50.12	62,129	2012
SIMMO AG, Vienna	10.04	500,060	2012
Sanatorium Astoria, a. s., Karlovy Vary	75.06	4,031	2012
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	50.12	264,687	2012
SURPMO, a. s., Prague	100.00	1,034	2012
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	60.00	31,388	2012
Unigeo, a. s., Ostrava-Hrabová	100.00	6,586	2012
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	50.12	89,331	2012
Unconsolidated companies			
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	100.00	1,130	2011
AREALIS Liegenschaftsmanagement GmbH, Vienna	50.00	403	2011
BB C - Building C, s. r. o., Prague	100.00	18,884	2012
Beteiligungs- und Immobilien GmbH, Linz	25.00	14,085	2011

ACCOUNTING UNIT	Share in capital in % (controlling holding pursuant to IFRS)	Equity (thous. EUR)	Last annual financial statement
Beteiligungs- und Wohnungsanlagen GmbH, Linz	25.00	136,081	2011
Bulstrad Health Insurance AD, Sofia	97.00	998	2011
CAPITOL Spolka z o.o., Warsaw	100.00	668	2011
DIRECT-LINE Direktvertriebs-GmbH, Vienna	100.00	43	2011
EBS Wohnungsgesellschaft mbH Linz, Linz	99.99	24,281	2011
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	100.00	853	2011
GEO HOSPITALS LLC, Tiflis	100.00	25,289	2012
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	100.00	202	2011
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje	100.00	2,735	2011
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	36.58	134,563	2011
PAC Doverie AD, Sofia	92.58	17,366	2011
Palais Hansen Immobilienentwicklung GmbH, Vienna	43.26	16,120	2011
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	74.64	47	2011
Renaissance Hotel Realbesitz GmbH, Vienna	40.00	1,235	2011
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	51.00	551	2011
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	100.00	4,812	2011
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	100.00	14	2011
Senioren Residenz gemeinnützige Betriebsgesellschaft mbH, Vienna	100.00	462	2011
Towarzystwo Ubezpieczen na Zycie "Polisa – Zycie" Spolka Akcyjna, Warsaw	96.49	7,166	2011
Untere Donaulände 40 GmbH & Co KG, Vienna	100.00	13	2011
Untere Donaulände 40 GmbH, Vienna	100.00	15	2011
VBV - Betriebliche Altersvorsorge AG, Vienna	23.56	48,854	2011
Versicherungsaktiengesellschaft "Kupala", Minsk	98.26	1,901	2011
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	100.00	5,914	2011
Vienna International Underwriters GmbH, Vienna	100.00	108	2011
WILA GmbH, Vienna	100.00		Established 2012
WNH Liegenschaftsbesitz GmbH, Vienna	100.00		Established 2012
Wohnungsanlagen Gesellschaft m.b.H., Linz	100.00	231,852	2011
WSV Vermögensverwaltung GmbH, Vienna	100.00		Established 2012

B. CONCLUSION

With regard to the legal relations between the Compiler and related persons that we have reviewed, it is clear that the Compiler has not suffered any injury as a result of agreements, other legal acts or other measures taken, adopted or concluded by the Compiler in the financial year 2012 in the interest of or at the initiative of individual related persons.

Pardubice, 4 February 2013

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



RNDr. Petr Zapletal, MBA
Chairman of the Board



Ing. Jaroslav Kulháněk
Vice-chairman of the Board



Ing. Libor Mánek
Board member

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

1. AGREEMENTS

1.1. Sales services

In the accounting period the Compiler has provided/received services on the basis of agreements entered into in previous accounting periods or in the current accounting period:

Name of contract	Contracting party	Date concluded	Effective date	Subject of the contract	Note
Agreement on Cooperation when using building No. 115 and No. 1400 in Pardubice No. 02/10	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	20. 1. 2010	1. 1. 2010	Regulation of mutual rights and obligations when using non-residential space in both properties serving both parties	
Agreement on subletting non-residential spaces for a specified period, in the wording of Addendum No. 9 of 5. 6. 2012 and Addendum No. 10 of 25. 10. 2012 (No. 129/04)	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	10. 12. 2004	2. 1. 2004	Renting of offices Nos. 241, 361 and 431 with a total floor space of 1378,74 m ² in the building at nám. Republiky 1400, Pardubice	

Name of contract	Contracting party	Date concluded	Effective date	Subject of the contract	Note
Agreement on subletting non-residential space No. 01/10 (for a specified period until 30. 9. 2013 – subletter Kooperativa)	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	20. 1. 2010	1. 1. 2010	Rent of office No. 371, with a total area of 298,22 m ² at nám. Republiky 1400, Pardubice	
Liability insurance for damage caused by vehicle operation	Kooperativa pojišťovna, a.s., Templová, 747, 110 01 Prague	17. 12. 1999	from 1. 1. 2000	Compulsory corporate vehicle insurance policy	
Insurance policy No. 2268707823	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	29. 2. 2012	1. 3. 2012 until 28. 2. 2015	Corporate vehicle accident insurance	
Insurance policy No. 2268651903		16. 2. 2011	1. 3. 2011 until 29. 2. 2012		
Insurance policy No. 7720541430	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	30. 12. 2010	1. 1. 2011 until 31. 12. 2013	Corporate property insurance and liability insurance policy	
Insurance policy No. 2060001407 about supplementary insurance – H73 in the wording of supplements 1 to 31	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	29. 10. 2010	1. 11. 2010	Vehicle insurance NA100PRO – third party accident	

Name of contract	Contracting party	Date concluded	Effective date	Subject of the contract	Note
Insurance policy No. 8602886978	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	22. 7. 2011	1. 8. 2011 until 30. 7. 2014	Group liability insurance for employees of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, for damage caused whilst carrying out their profession	
Agreement on settlement of the costs incurred in connection with carrying out the duties of a member of the Board of Directors ref No. 64/2011	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	30. 6. 2011	1. 1. 2011	The subject of the agreement is regulation of the conditions for cost accounting	
Agreement on cost sharing	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	16. 12. 2010	1. 1. 2011	Outsourcing in the areas of: – internal audit, including the continuous monitoring of the control and monitoring system; – information technologies – processing selected salary administration activities	

Name of contract	Contracting party	Date concluded	Effective date	Subject of the contract	Note
License agreement MOSES 102/07	Sparkassen Versicherung Aktiengesellschaft	14. 11. 2007	1. 10. 2007	Licence and maintenance for the MOSES system	
Quota share reinsurance Agreement – Personal accident business	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	10. 5. 2011	1. 1. 2011	50% of the quota share for accident insurance	
General conditions (43/11) Special conditions (44/11)		3. 5. 2012	1. 1. 2012		
SAP CP maintenance and licences	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	30. 6. 2009	1. 1. 2010	Licenses and maintenance for the SAP system mod. CP	
Service agreement MoSes Know-how transfer Sparkassen Versicherung AG	Sparkassen Versicherung AG Vienna Insurance Group Wiplingerstrasse 36-38, 1010 Vienna, Austria	27. 9. 2011	1. 7. 2011	Agreement on support and training for PCS workers in the use of projection software	

1.2 Agreement on Mediating Activities

The Compiler has entered into the following Agreement on Mediating Activities, on the basis of which it provided the following:

Name of contract	Contracting party	Date concluded	Effective date	Subject of the contract	Note
Agreement on exclusive commercial representation, No. 4600-400500/01-2005-A (134/04)	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	29. 12. 2004	1. 1. 2005	Mediating the sale of non-life insurance	Addendum No. 6 – pilot sale of Car Insurance ČS product CS3 with effect from 16. 1. 2012 Addendum No. 7 – rights and obligations of participants, sales over the internet with effect from 1. 9. 2012
Agreement on commercial representation	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	1. 4. 2010 or 22. 12. 2011	1. 4. 2010 or 1. 1. 2012	Mediating the signing of insurance policies for Comprehensive Insurance for Participants of Pension Schemes, i.e. FLEXI Life Assurance	Sale by means of the company Kapitál, 22. 12. 2011 new contract concluded with sales extended to FLEXI Life Assurance with effect from 1. 1. 2012

Comments:

All relations referred to in this annex have arisen between related persons, those being Pojišťovna České spořitelny, a.s., Vienna Insurance Group and the VIENNA INSURANCE GROUP AG, Wiener Verisicherung Gruppe. When entering into these relations, the laws in force in the Czech Republic were respected and the prices were determined with regard to the provisions of the law on income tax, i.e. at normal market prices at the time of entering into these contractual relations. During the accounting period not one of the contracting parties applied for any property damage.

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



Non-financial Section

1. FURTHER FORESEEABLE DEVELOPMENTS IN THE COMPANY'S ACTIVITIES

With its written premiums Pojišťovna České spořitelny, a.s., Vienna Insurance Group, (hereinafter the Company) holds third place in the life assurance market.

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

Further development will be led by an attempt to ensure the demands for continuously meeting the Company's business

objectives and its financial stability. Meeting this task will be very challenging. The Company's activity is limited by the ever-growing competition, both as concerns products in the context of life assurance, as well as in the field of substitution products, which are provided in the framework of implementing the pension reform. The economic situation has been worsening for some time now. This is reflected in the lowest interest rates ever, which reduces the investment attractiveness of the products offered and increases the pressure on the costs allocated. This environment is determined in terms of tighter regulation of the insurance industry and rapidly evolving legislation. In the medium term, the Company will have to deal with the approved reforms in taxation, the pension and health system and with an amendment of the Civil Code.

In 2012 the Company continued with its communications based on the concept of “We like changes”, the main footing of which is the FLEXI Life Assurance product. The philosophy of this project will change the form of “entering into an insurance contract” used so far and will replace it with a new concept, based on the concept of “open insurance contracts”. In addition, in 2012 the Company’s communications put a greater accent on the truly serious risks associated with normal life, and, in association with this, revised the terms of settling insurance claims in favour of these risks.

At the end of 2012, there were changes in the products so that these products comply with the requirements laid down by the European Court of Justice Decision on the unification of prices for insuring men and women. At the same time as this change there were certain other changes to products, in particular: double indemnity in the event of death in a traffic accident, a choice of insurance for serious diseases, insurance of long-term care for disability insurance and more.

To maintain loyalty and responsibility the Company is continuing in the loyalty programme, which encourages its clients towards a long-term partnership. This programme provides no-claims bonuses. For the first time since introducing this programme this year clients will be informed about the status of the bonuses for 2012 in their insurance contracts.

The Company is constantly innovating its insurance management procedures. Proof of this care is the ongoing computerisation of insurance contract administration. Last year the Company further developed these innovations, which were aimed at streamlining the acquisition process by the introduction of electronic insurance contract forms for our business partners. A new version of the Internet Insurance Calculator was prepared, which allows our clients to set up individual insurance tailored to their requirements. After arranging with Česká spořitelna, its largest distributor, the Company added an application to one of its most popular services “SERVIS 24”. This application supports insurance. In this manner our joint clients obtain comprehensive information about their insurance, they can make selected changes to insurance and, through “E-document” and “E-invoice”, get the requisite documents and even pay insurance premiums in this manner.

The entire process of innovating insurance management is focused on increasing productivity, saving time and money, including raising the quality of the outputs related to processing insurance contracts. The Company will continue in this trend in the next period.

2. ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

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

3. ENVIRONMENTAL PROTECTION AND LABOUR RELATIONS

The nature of the Company's business puts the minimum burden on the environment. During its activities it meets the requirements placed on it by Czech law. Despite the limited options, given the subject matter of the business, the Company always bears the issue of environmental protection in mind. Last year we began sorting waste and disposing of it depending on its character. A very significant decision was made in the field of renewing the IT infrastructure with the aim of not only ensuring it has adequate capacity and quality, but also with regard to full recycling and significant energy savings in running the Company.

In the area of labour relations, the Company strives to be a much-sought-after employer. Therefore it always pays a great deal of attention to developing its employment policy and social programmes, with the aim of being an attractive employer in the

labour market. The Company uses modern methods for incentive systems in human resources management, with the use of surveys for bonuses, carried out in cooperation with the Hay Group. The Company provides employees with a wide range of financial and non-financial benefits. The Company continuously assesses the conditions of the working environment, to meet the conditions for fulfilling work tasks and complying with safety at work principles, including regular and contractually ensured health care for its employees. Employee training and professional development is one of the Company's developmental priorities. The company has introduced a system for assessing and developing employees, on the basis of which its staff are allowed various forms of education, including increasing and broadening their qualifications.

4. THE COMPANY'S ORGANISATIONAL BODIES ABROAD

The company has no organisational bodies abroad.

5. ADDITIONAL REQUIREMENTS UNDER SPECIFIC LEGISLATION

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

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