

Annual Report 2010

Compensa Towarzystwo Ubezpieczeń S.A.
Vienna Insurance Group

Compensa Towarzystwo Ubezpieczeń na Życie S.A.
Vienna Insurance Group



kunst ubezpieczeń

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In 2010, Compensa celebrated 20th anniversary of its existence



Letter from the Chairman of the Supervisory Board



Dear Sirs,

Polish companies of VIG Group have a very strong position among all VIG companies in Central and Eastern Europe. In 2010, within our group, in terms of written premiums, Poland occupied excellent third rank, just behind the Czech Republic and the Austrian parent market.

In 2010, Compensa TU S.A. Vienna Insurance Group and Compensa TU na Życie S.A. Vienna Insurance Group reached together the highest sales from among Polish companies of VIG Group. I am very honored to state that consistent execution of our strategy and well thought-out management brings about measurable effects.

The year 2010 in Poland was extremely difficult for insurance companies. I am proud that Compensa - which, like all Polish insurers, suffered significant growth in damages caused by difficult weather conditions and motor damages - was able to maintain growth in premiums, providing, at the same time, maximum confidence and safety to its Customers.

In 2010, Compensa celebrated its 20th anniversary of its establishment. On this occasion I would like to congratulate warmly the Board, Employees, Agents and all those who have contributed to successes of Compensa TU S.A. Vienna Insurance Group and Compensa TU na Życie S.A. Vienna Insurance Group. Your persistence and conscientious, hard work is worth highest acknowledgement.

Yours faithfully,

Dr Rudolf Ertl
Chairman of the Supervisory Board



Letter from the President of the Board

Dear Sirs,

The year 2010 was a particular period for Compensa. In this year we celebrated 20th anniversary of our company.

During 20 years of its existence, Compensa has undergone many changes, to become today one of top and most dynamic players on the Polish insurance market. We are an example that success in business can be achieved by acting consistently and having a clear strategy, based on building positive relations with Customers and business partners. Good and professional team of employees is also of huge importance.



In spite of the fact that, like the whole market of insurance, last year we encountered difficulties, which influenced results achieved by us, we got off the tiger, maintaining a strong market and financial position.

In 2011, we are to face new challenges. I am deeply convinced that, like so far, we are able to meet expectations of our Customers, shareholders and business partners.

We thank all of you for common 20 years.

You are welcome to familiarize with the summary of the year 2010, contained in this Report.

Yours faithfully,

Franz Fuchs
President of the Board





Information on Compensa TU S.A.

Composition of the Board

Franz Fuchs	President of the Board
Ireneusz Arczewski	Deputy President of the Board
Jarosław Sz wajgier	Deputy President of the Board

Composition of the Supervisory Board

Dr Rudolf Ertl	Chairman of the Supervisory Board
Dr Peter Hagen	Deputy Chairman of the Supervisory Board
Franz Kosyna	Member of the Supervisory Board

Date of establishing	12 February 1990 r.
KRS Number	0000006691
NIP (tax identification number)	526 02 14 686
Initial capital	266 639 180 PLN – paid in full

Address of the Headquarters

Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group
Al. Jerozolimskie 162, 02-342 Warsaw





Information on Compensa TU na Życie S.A.

Composition of the Board

Franz Fuchs	President of the Board
Ireneusz Arczewski	Member of the Board
Grzegorz Liszka	Member of the Board
Piotr Tański	Member of the Board



Composition of the Supervisory Board

Dr Rudolf Ertl	Chairman of the Supervisory Board
Dr Peter Hagen	Deputy Chairman of the Supervisory Board
Franz Kosyna	Member of the Supervisory Board

Date of establishing	5 November 1997
KRS Number	0000043309
NIP (tax identification number)	527 20 52 806
Initial capital	195 207 800 PLN – paid in full

Address of the Headquarter

Compensa Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group
Al. Jerozolimskie 162, 02-342 Warsaw



Structure of shareholders of Compensa TU S.A.

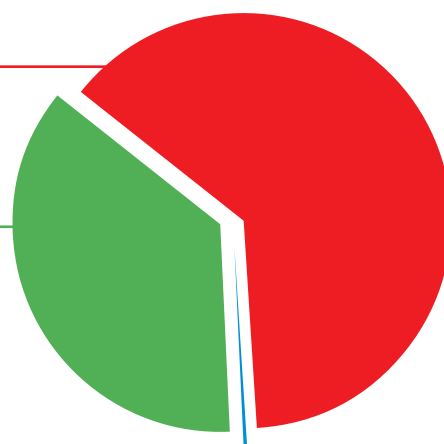
as at 31.12.2010

Shareholder	Number of shares in pcs.	Share in share capital in %	Number of votes in %
Vienna Insurance Group AG Wiener Versicherung Gruppe	16 885 882	63,3286	63,3286
Compensa Holding GmbH	9 747 928	36,5585	36,5585
Minor shareholders	30 108	0,1129	0,1129
Total	26 663 918	100,0000	100,0000

63,33% Vienna Insurance Group AG
Wiener Versicherung Gruppe

36,56% Compensa
Holding GmbH

0,11% Minor
shareholders



In 2010, there have been changes in equity and structure of shareholders of the Company. On 15.10.2010, the Extraordinary General Assembly of the Company decided to increase initial capital of the Company by the amount of 12 000 000 PLN, by way of issuance of 1 200 000 XVI series shares, with face value of 10 PLN each.

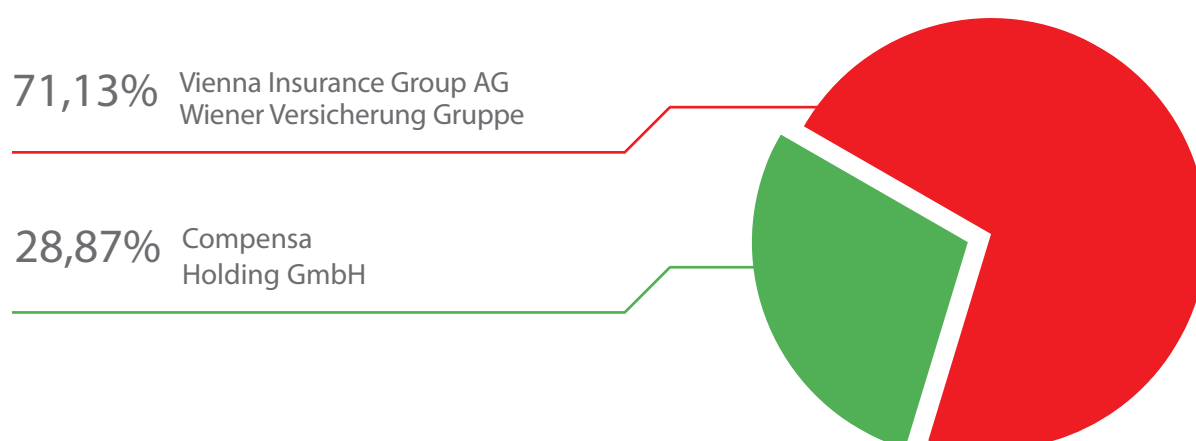
Initial capital: 266 639 180 PLN – paid in full



Structure of shareholders of Compensa TU na Życie S.A.

as at 31.12.2010

Shareholder	Number of shares in pcs.	Share in share capital in %	Number of votes in %
Vienna Insurance Group AG Wiener Versicherung Gruppe	1 388 578	71,1333	71,1333
Compensa Holding GmbH	563 500	28,8667	28,8667
Total	1 952 078	100,0000	100,0000



Initial capital was divided into 1 952 078 shares of face value of 100 PLN each.

Initial capital: 195 207 800 PLN – paid in full



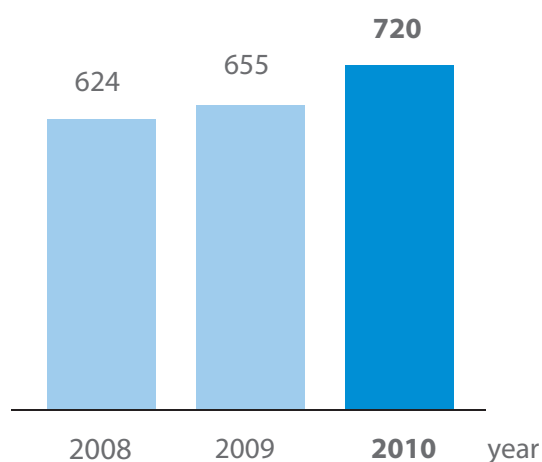
Compensa TU S.A. in 2010

Employment

At the end of 2010, employment in the Company was total 742 full-time positions. Significant growth in the number of full-time positions was related, among others, to opening of a branch of the company in Lithuania, where, at the end of 2010, 15 people were employed.

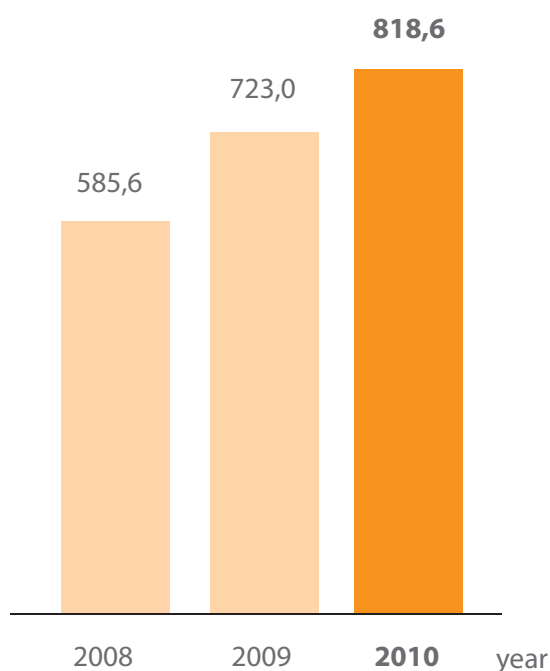
Employment in the years 2008-2010

Number of full-time positions



Gross written premiums in the years 2008-2010

million PLN



Gross written premiums

Gross written premiums achieved the value of **818,6 million PLN** and were higher by 13,2% as compared to the year before. As in the previous years, the most part of the portfolio consisted of motor insurance (75,3%). It should be emphasized that the company aims at growth in the share of property insurance in the portfolio.

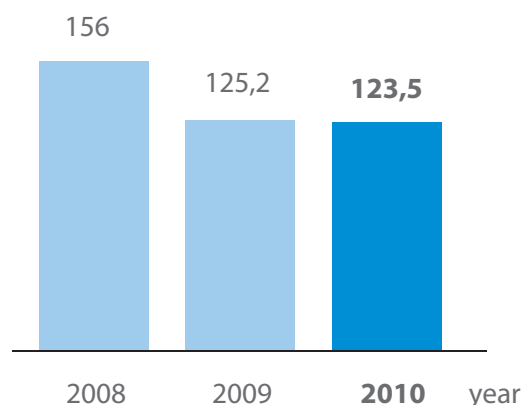


Compensa TU na Życie S.A. in 2010

Employment

As in the previous years, a considerable part of departments conducted works within the whole VIG Group. According to the state as at 31.12.2010, in the Company 181 people were employed (123,5 full-time positions), including 170 people (112,5 full-time positions) – in the Headquarters, and 11 (11,0 full-time positions) – in field units. In 2010, employment in the Company has not significantly changed and remained at a level similar to employment in late 2009.

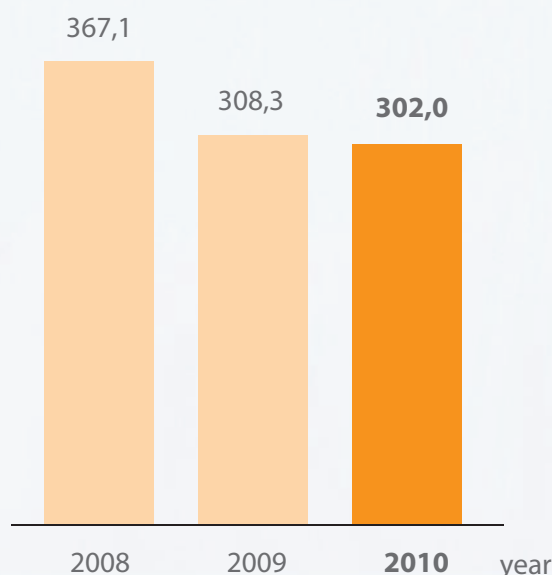
Employment in the years 2008-2010
Number of full-time positions



Gross written premiums

As at the reporting date, the Company reached gross written premiums in the amount of **302,0 million PLN**.

Gross written premiums in the years 2008-2010
million PLN





Insurance products of Compensa TU S.A.

In 2010, the offer of Compensa TU S.A. included insurance products intended for individual customers and corporate customers. The offer included both insurance covering with insurance protection particular risks as well as insurance packages ensuring complex insurance protection.

Motor insurance

Compensa Komunikacja

- civil liability of motor vehicle owners
- Autocasco

Property insurance

- Assistance
- Green Card
- Insurance of legal protection in road traffic

House insurance

- Compensa Rodzina
- Twoja Inwestycja – insurance of construction investments

Agricultural insurance

- Compulsory civil liability insurance of farmers
- Compulsory insurance of buildings comprising farm
- nsurance of property in agricultural farms

Insurance for companies

- **Compensa Firma** – for small and medium-sized companies
- of property against fire and other unforeseeable events, with the extension with insurance against loss of profit
- of property against all risks with the extension with insurance against loss of profit
- of property against theft with burglary and robbery
- of machines against damage with the extension with insurance against loss of profit
- of building equipment and machines against all risks
- of electronic equipment against all risks
- against all construction risks
- against all assembly risks
- of property in national and international transport
- civil liability
- civil liability of carrier
- civil liability of forwarder

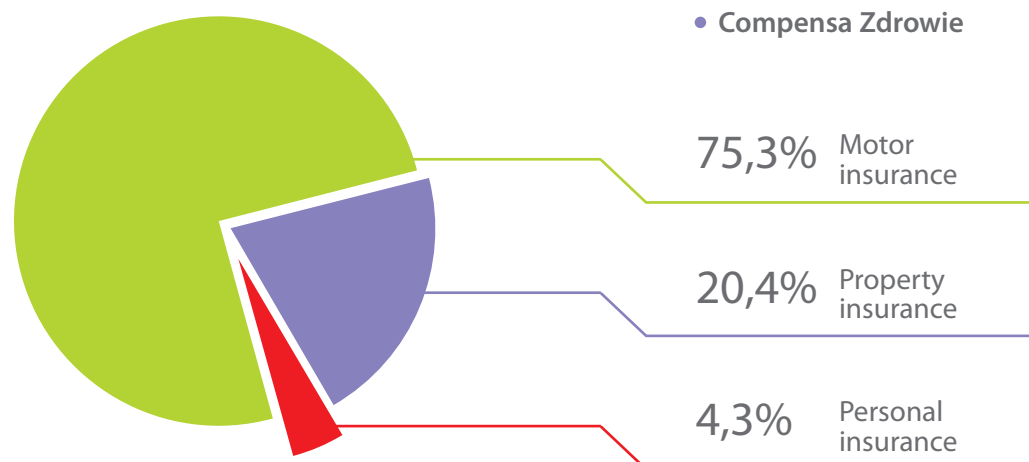
Personal insurance

- **Compensa Voyage** - tourist insurance
- **NNW** - insurance against consequences of unfortunate events

Health insurance

- **Compensa Zdrowie**

Structure of gross written premiums





Insurance products of Compensa TU na Życie S.A.

The Company has a permit for running insurance activities in groups 1-5 of section I of the appendix to the Act on insurance activities (life insurances, dowry insurance, maintenance of children, life insurance, if related to insurance capital fund, pension insurance, accident and sickness insurance, if they supplement insurance mentioned in groups 1-4).

Individual life insurance

- **Gwarancja Ochrona** – individual timely life insurance
- **Gwarancja Profit** – individual life insurance or endowment insurance with participation in profit
- **Nokturn** – individual insurance for the whole life
- **Flexi Plus** – individual life insurance with insurance capital fund with single premium
- **Fundusz Wschodzących Zysków** – individual life insurance with insurance capital fund with single premium
- **Złoty Fundusz** – individual life insurance with insurance capital fund with single premium
- **SuperFundusz, SuperFundusz Plus** – individual life insurance with insurance capital fund
- **MegaFundusz** – individual life insurance with insurance capital fund with regular premium
- **Gwarancja Renta** – individual life insurance guaranteeing regular payment of benefits until the end of life
- **Gwarancja Renta Premium** – individual disability insurance with single premium

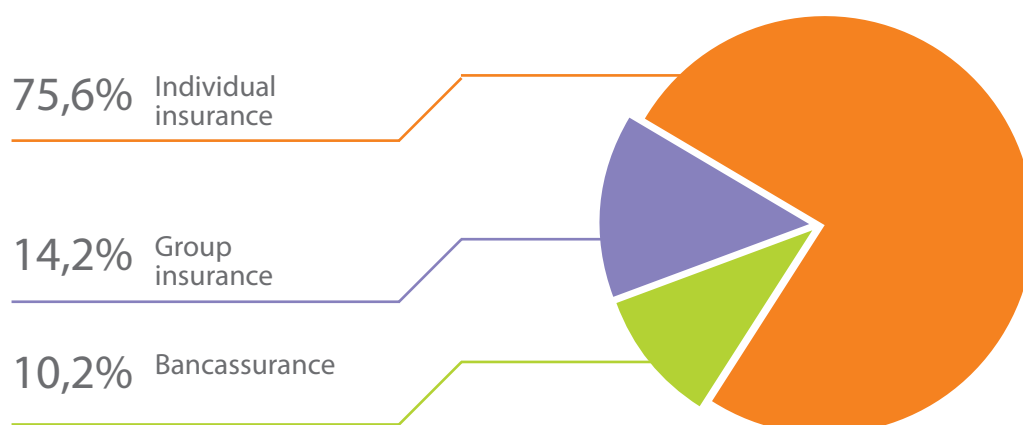
Group life insurance

- **Bezpieczna Grupa** – group employee life insurance

Bancassurance

- **Bezpieczny Kredyt** – life insurance for borrowers
- **Bezpieczny Rachunek** – life insurance for holders of savings-settlement accounts
- **Bezpieczna Karta** – life insurance for credit card holders

Structure of gross written premiums





Financial results Compensa TU S.A.

The year 2010 ended with written premiums at the level of **818 650 000 PLN**. It means growth by 13.2% as compared to the previous year. The Company closed the year 2010 with net financial result at the level of **-27 867 000 PLN**. The detailed list of results of the Company can be found in the table below.

	2009 thousand PLN	2010 thousand PLN	Change as %
Gross written premiums	722 980	818 650	13,2
Net investment income	39 033	52 244	33,8
Gross claims	387 642	511 016	31,8
Gross change in technical provisions	157 046	164 868	5,0
Costs of acquisition and administration	205 750	222 640	8,2
Costs of acquisition	165 647	184 030	11,1
Administrative costs	40 103	38 610	-3,7
Technical result	-13 109	-72 950	-
Net profit/loss	22 876	-27 867	-

Solvency margin

As at 31.12.2010, solvency margin was 118 366 000 PLN. Own funds to cover solvency margin amounted to 142 211 000 PLN. Ratio of the degree of covering solvency margin with own funds amounted to 120% (surplus of own funds in the amount of 23 845 thousand PLN).





Financial results Compensa TU na Życie S.A.

The year 2010 ended with written premiums at the level of **302 036 000 PLN** and with net profit in the amount of **23 629 000 PLN**. The detailed list of results of the Company can be found in the table below.

	2009 thousand PLN	2010 thousand PLN	Change as %
Gross written premiums	308 311	302 036	-2
Net investment income	84 059	60 418	-28
Gross claims	206 242	151 171	-27
Gross change in technical provisions	48 524	82 357	70
Costs of acquisition and administration	115 551	95 972	-17
Costs of acquisition	88 573	68 330	-23
Administrative costs	26 978	27 642	2
Technical result	15 826	32 162	103
Net profit/loss	5 977	23 629	295

Solvency margin

At the end of the reporting period, solvency margin of the Company amounted to 37 810 000 PLN, while guarantee capital amounted to 14 323 000 PLN. Own funds to cover solvency margin amounted to 130 557 000 PLN. Surplus of own funds to cover solvency margin amounted to 92 747 000 PLN (coverage in 345%). Own funds to cover capital guarantee amounted to 130 557 000 PLN, while surplus to cover capital guarantee - 116 234 000 PLN (coverage in 912%).



Technical Account Compensa TU S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Premiums	601 274	548 064
Gross written premiums	722 980	818 650
Reinsurers' share in written premiums	30 066	264 101
Change in gross provisions for unearned premiums and provision for unexpired risk	90 133	94 865
Reinsurers' share in change in provisions	-1 508	88 380
Net returns on investments including costs transferred from the profit and loss account	2 978	4 617
Other technical income - net of reinsurance	306	121
Claims incurred	429 127	429 796
Claims paid - net of reinsurance	371 181	421 058
Gross claims paid	387 642	511 016
Reinsurers' share in claims paid	16 461	89 958
Change in provisions for outstanding claims - net of reinsurance	57 946	8 738
Change in gross provisions for outstanding claims	66 913	70 004
Reinsurers' share in change in provisions for outstanding claims	8 967	61 266
Change in other technical provisions - net of reinsurance	0	0
Bonuses and rebates including change in provisions for bonuses and rebates - net of reinsurance	0	-83
Net operating expenses	166 830	181 858
Costs of acquisition	132 034	163 649
Administrative costs	40 103	38 610
Reinsurance commissions and profit participation	5 308	20 401
Other technical charges - net of reinsurance	21 619	14 021
Change in equalization provision	92	161
Balance on technical non-life insurance account	-13 109	-72 950



Technical Account ubezpieczeń Compensa TU na Życie S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Premiums	302 819	306 839
Gross written premiums	308 311	302 036
Reinsurers' share in written premiums	1 910	731
Change in gross provisions for unearned premiums and provision for unexpired risk	3 582	-5 534
Reinsurers' share in change in provisions	0	0
Investment income	44 745	30 746
Returns on investments in real estate	0	0
Returns on investments in subordinated undertakings	0	0
Returns on other financial investments	24 141	20 717
Positive balance on investment revaluation	0	0
Positive balance on realized investments	20 604	10 029
Unrealized gains on investments	48 242	35 508
Other technical income - net of reinsurance	689	4 416
Claims incurred	208 882	148 699
Claims paid - net of reinsurance	206 124	151 026
- gross claims paid	206 242	151 171
- reinsurers' share in claims paid	118	145
Change in provisions for outstanding claims - net of reinsurance	2 758	-2 327
- gross provisions	2 758	-2 327
- reinsurers' share	0	0
Change in other technical provisions - net of reinsurance	41 288	89 438
Change in provisions for life insurance - net of reinsurance	9 927	84 971
- rezerwy brutto	9 927	84 971
- udział reasekuratorów	0	0
Change in technical provisions - net of reinsurance, for life insurance or when the investment risk is borne by the policyholders	31 361	4 467
- gross provisions	31 361	4 467
- reinsurers' share	0	0
Change in other technical provisions stipulated in the articles of association - net of reinsurance	0	0
Bonuses and rebates including change in provisions - net of reinsurance	896	780
Net operating expenses	115 400	94 976
Costs of acquisition	88 573	68 330
Administrative costs	26 978	27 642
Reinsurance commissions and profit participation	151	997
Investments charges	3 119	2 258
Unrealized losses on investments	5 809	3 577
Other technical charges - net of reinsurance	5 275	5 619
Balance on technical life insurance account	15 826	32 162



Profit and Loss Account Compensa TU S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Balance on technical non-life insurance account or balance on technical life insurance account	-13 109	-72 950
Investment income	42 668	54 164
Unrealized gains on investments	4 300	3 484
Net returns on investments including costs, transferred from the technical life insurance account	–	–
Investments charges	3 247	4 307
Unrealized losses on investments	4 687	1 097
Net returns on investments including costs transferred to the technical non-life insurance account	2 978	4 617
Other operating revenue	6 196	3 337
Other operating costs	5 917	5 969
Profit (loss) on operations	23 225	-27 955
Extraordinary profit	17	14
Extraordinary loss	0	0
Gross profit (loss)	23 242	-27 941
Income tax	366	-73
Other obligatory surcharges on profit	0	0
Net profit (loss)	22 876	-27 867





Profit and Loss Account Compensa TU na Życie S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Balance on technical non-life insurance account or balance on technical life insurance account	15 826	32 162
Investment income	0	0
Unrealized gains on investments	0	0
Net returns on investments including costs, transferred from the technical life insurance account	0	0
Investments charges	0	0
Unrealized losses on investments	0	0
Net returns on investments including costs transferred to the technical non-life insurance account	–	–
Other operating revenue	1 836	1 928
Other operating costs	5 620	4 253
Profit (loss) on operations	12 042	29 837
Extraordinary profit	0	0
Extraordinary loss	0	0
Gross profit (loss)	12 042	29 837
Income tax	6 065	6 208
Other obligatory surcharges on profit	0	0
Net profit (loss)	5 977	23 629



Balance sheet: assets of Compensa TU S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Intangible assets	46 353	42 434
Deposits	779 887	899 536
Real Estate	19 024	18 546
Investments in subordinated undertakings	0	0
Other financial investments	760 863	880 990
Deposit receivables from ceding undertakings	0	0
Net assets for life insurance when the investment risk is borne by the policyholder	0	0
Amounts due	142 167	170 626
Direct insurance receivables	130 396	162 400
Receivables arising from reinsurance operations	5 433	1 287
Other receivables	6 339	6 939
Other asset components	9 425	16 533
Tangible asset components	4 572	4 299
Cash	4 853	12 234
Other asset components	0	0
Accruals and deferred income	87 510	106 759
Deferred income tax assets	4 990	4 171
Deferred acquisition costs	82 260	102 374
Accrued interest and rent	0	0
Other accruals	260	214
TOTAL ASSETS	1 065 341	1 235 888



Balance sheet: assets of Compensa TU na Życie S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Intangible assets	31 930	29 625
Deposits	310 212	409 667
Real Estate	0	0
Investments in subordinated undertakings	1 700	1 259
Other financial investments	308 512	408 408
Deposit receivables from ceding undertakings	0	0
Net assets for life insurance when the investment risk is borne by the policyholder	376 901	381 368
Amounts due	7 444	10 899
Direct insurance receivables	4 067	8 220
Receivables arising from reinsurance operations	0	0
Other receivables	3 377	2 678
Other asset components	2 648	6 370
Tangible asset components	786	670
Cash	1 862	5 700
Other asset components	0	0
Accruals and deferred income	45 827	38 962
Deferred income tax assets	6 167	5 768
Deferred acquisition costs	38 963	33 053
Accrued interest and rent	0	0
Other accruals	697	142
TOTAL ASSETS	774 962	876 890





Balance sheet: liabilities Compensa TU S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Owner's equity	209 974	188 816
Basic capital	254 639	266 639
Reserve capital	202 625	202 625
Revaluation capital	1 926	-3 365
Other reserve capitals	109	109
Profit (loss) from previous years	-249 325	-249 325
Net profit (loss)	0	-27 867
Subordinated liabilities	0	27 796
Gross technical provisions	842 820	1 010 335
Provision for unearned premiums and provision for unexpired risk	405 030	499 895
Provisions for outstanding claims	436 920	509 492
Provisions for bonuses and rebates for the insured	83	0
Equalization provisions	788	948
Reinsurers' share in technical provisions (negative value)	67 244	216 889
Reinsurers' share in provision for unearned premiums and provision for unexpired risk	5 526	93 906
Reinsurers' share in provision for outstanding claims	61 717	122 983
Estimated recourses and claims returns (negative value)	6 962	9 531
Estimated gross recourses and claims returns	6 962	9 531
Other reserves	13 756	11 919
Provisions for pensions and other workforce entitlements	7 811	6 855
Deferred income tax reserve	3 190	2 276
Other reserves	2 754	2 788
Creditors arising out reinsurers deposits	825	142 260
Creditors and special funds	37 830	31 780
Creditors arising out of direct insurance	9 335	13 583
Creditors arising out of reinsurance operations	12 851	13 065
Other liabilities	15 643	5 132
Accruals and deferred income	34 342	49 402
TOTAL LIABILITIES	1 065 341	1 235 888



Balance sheet: liabilities Compensa TU na Życie S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Owner's equity	142 171	165 950
Basic capital	195 208	195 208
Reserve capital	165 831	165 831
Revaluation capital	995	1 145
Other reserve capitals	500	500
Profit (loss) from previous years	-220 363	-220 363
Net profit (loss)	0	23 629
Subordinated liabilities	0	0
Gross technical provisions	568 419	650 776
Provision for unearned premiums and provision for unexpired risk	8 204	2 670
Provisions for outstanding claims	165 790	250 761
Provisions for outstanding claims	15 570	13 244
Provisions for bonuses and rebates for the insured	1 953	2 734
Provision for life insurance when the investment risk is borne s by the policyholder	376 901	381 368
Reinsurers' share in technical provisions (negative value)	0	0
Estimated recourses and claims returns (negative value)	0	0
Other reserves	30 068	40 135
Provisions for pensions and other workforce entitlements	556	602
Deferred income tax reserve	16 924	20 220
Other reserves	12 588	19 313
Creditors arising out reinsurers deposits	0	0
Creditors and special funds	34 088	19 890
Creditors arising out of direct insurance	14 890	17 599
Creditors arising out of reinsurance operations	1 289	257
Other liabilities	17 760	1 886
Special funds	149	148
Accruals and deferred income	217	139
TOTAL LIABILITIES	774 962	876 890



Cash Flow Statement Compensa TU S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Cash flows on business operations	108 438	27 741
Receipts	754 724	816 662
Revenues from direct insurance and reinsurance activities	701 294	767 407
Revenues from reinsurance	13 362	27 662
Revenues from other operating activities	40 068	21 592
Expenses	646 286	788 920
Direct insurance and reinsurance expenses	604 251	754 994
Reinsurance expenses	27 411	26 680
Expenses related to other operating expenses	14 624	7 246
Cash flow from investment activities	-108 436	-59 524
Receipts	2 013 024	2 203 442
Expenses	2 121 460	2 262 967
Cash flows on financial operations	0	39 164
Receipts	0	39 164
Expenses	0	0
Total net cash flows	2	7 381
Change in cash on balance sheet	2	7 381
Cash as at the beginning of period	4 851	4 853
Cash as at the end of period	4 853	12 234





Cash Flow Statement Compensa TU na Życie S.A.

	31.12.2009 (thousand PLN)	31.12.2010 (thousand PLN)
Cash flows on business operations	-63 777	81 029
Receipts	247 785	304 738
Revenues from direct insurance and reinsurance activities	246 246	302 062
Revenues from reinsurance	0	0
Revenues from other operating activities	1 539	2 676
Expenses	311 562	223 709
Direct insurance and reinsurance expenses	308 281	218 778
Reinsurance expenses	684	684
Expenses related to other operating expenses	2 597	4 247
Cash flow from investment activities	60 872	-77 191
Receipts	1 696 182	2 332 104
Expenses	1 635 310	2 409 295
Cash flows on financial operations	0	0
Receipts	0	0
Expenses	0	0
Total net cash flows	-2 905	3 838
Change in cash on balance sheet	-2 905	3 838
Cash as at the beginning of period	4 768	1 862
Cash as at the end of period	1 863	5 700





Report of the Supervisory Board in the financial year 2010 Compensa TU S.A.

Composition of the Supervisory Board in 2010

By way of a resolution of the Extraordinary General Assembly of Shareholders of 2 July 2010, in place of Mr. Erich Leisz Mr. Franz Kosyna was appointed.

On 31.12.2010, composition of the Supervisory Board was as follows:

- | | |
|-------------------|--|
| 1) Dr Rudolf Ertl | Chairman of the Supervisory Board |
| 2) Dr Peter Hagen | Deputy Chairman of the Supervisory Board |
| 3) Franz Kosyna | Member of the Supervisory Board |

General information

Within 2010, the Supervisory Board made decisions during meetings and by circulation. Meetings were held four times. In the reporting period 15 resolutions were adopted.

During meetings of the Board, information of the Board of Directors on achieved results and their impact on current financial situation was analyzed. In this way, the Board executed the task of permanent monitoring of the Company's operations. The Board was assessing also operations of the Company from the point of view of its compliance with financial safety standards, as specified in the Act on insurance activities. The Supervisory Board recommended to the General Assembly of Shareholders approval of the financial statement for 2009 and of the statement of the Board of Directors.

The Board recommended to the General Assembly of Shareholders adoption of a resolution on allocation of the profit.

The financial plan for 2010 was approved.

The Supervisory Board executed also tasks of the Audit Committee.

Assessment of the Financial Statement, Statement of the Board of Directors and application of the Board of Directors concerning covering losses

The Supervisory Board, pursuing the provisions of Article 382 of the Code of Commercial Companies and taking account of actions performed under the Supervisory Board's performance of assumed obligations of the Audit Committee, referred to above, submitted to assessment:

- **Financial Statement for the financial year ending on 31.12. 2010, covering:**
 - introduction to the financial statement,
 - balance sheet,
 - technical account,
 - profit and loss account,
 - cash flow statement,
 - statement of changes in equity,
- **Statement of the Board of Directors of operations in 2010**
- **Application of the Board of Directors concerning covering loss for the financial year ending on 31 December 2010.**



Report of the Supervisory Board in the financial year 2010 Compensa TU na Życie S.A.

Composition of the Supervisory Board in 2010

By way of a resolution of the Extraordinary General Assembly of Shareholders of 11 June 2010, in place of Mr. Erich Leisz Mr. Franz Kosyna was appointed.

On 31.12.2010, the Supervisory Board had the following members:

- | | |
|-------------------|--|
| 1) Dr Rudolf Ertl | Chairman of the Supervisory Board |
| 2) Dr Peter Hagen | Deputy Chairman of the Supervisory Board |
| 3) Franz Kosyna | Member of the Supervisory Board |

General information

Within 2010, the Supervisory Board made decisions during meetings and by circulation. Meetings were held four times. In the reporting period 10 resolutions were adopted.

During meetings of the Board, information of the Board of Directors on achieved results and their impact on current financial situation was analyzed. In this way, the Board executed the task of permanent monitoring of the Company's operations. The Board was assessing also operations of the Company from the point of view of its compliance with financial safety standards, as specified in the Act on insurance activities.

The Supervisory Board recommended to the General Assembly of Shareholders approval of the financial statement for 2009 and of the statement of the Board of Directors.

The Board recommended to the General Assembly of Shareholders adoption of a resolution on allocation of the profit.

The financial plan for 2010 was approved.

The Supervisory Board executed also tasks of the Audit Committee.

The Supervisory Board executed also tasks of the Audit Committee. Assessment of the Financial Statement, Statement of the Board of Dir

The Supervisory Board, pursuing the provisions of Article 382 of the Code of Commercial Companies and taking account of actions performed under the Supervisory Board's performance of assumed obligations of the Audit Committee, referred to above, submitted to assessment:

- **Financial Statement for the financial year ending on 31.12. 2010, covering:**
 - introduction to the financial statement,
 - balance sheet,
 - technical account,
 - profit and loss account,
 - cash flow statement,
 - statement of changes in equity,
- **Statement of the Board of Directors of operations in 2010**
- **application of the Board of Directors concerning profit distribution for the financial year ending on 31 December 2010**



Report of the Supervisory Board in the financial year 2010 Compensa TU S.A.

The Supervisory Board, having read the assessed documents as well as the opinion of the Chartered Auditor from the audit of the financial statement of the Company for the financial year ending on 31 December 2010, acknowledges that the Statement of the Board of Directors and the Financial Statement remain in full compliance with books and documents and with the actual condition, in particular:

- present reliably all information essential for assessment of the Company's operations in 2010, in particular, concerning profitability and the financial result on business operations as well as the Company's material and financial situation as at 31 December 2010,
- are compliant, with regard to the content and form, with binding legal regulations and the Articles of Association of the Company,
- financial statement has been prepared according to accounting principles, on the basis of correctly kept accounting books,
- financial statement and its audit, conducted by the chartered auditor - BDO Sp. z o.o., conforms to regulations of the Act of 29 September 1994 on accounting and standards of exercising the regulated profession of Chartered Auditor, issued by the National Board of Chartered Auditors in Poland.

Assessment of the application concerning coverage of loss

In the opinion of the Supervisory Board, coverage of losses for 2010 with profits from subsequent years - according to the application of the Board of Directors- fully conforms to the current needs of the Company.

The Supervisory Board recommends adoption by the Ordinary General Assembly of Compensa TU S.A. Vienna Insurance Group of resolutions on approval of the financial statement for the financial year ending on 31.12. 2010, and of the statement of the Board of Directors of operations in 2010, and on coverage of the whole net loss for 2010 with profits from subsequent years.

Dr Rudolf Ertl
Chairman

Dr Peter Hagen
Deputy Chairman

Franz Kosyna
Member, Supervisory Board



Report of the Supervisory Board in the financial year 2010 Compensa TU na Życie S.A.

The Supervisory Board, having read the assessed documents as well as the opinion of the Chartered Auditor from the audit of the Company's financial statement for financial year ending on 31 December 2010 acknowledges that the Statement of the Board of Directors and the Financial Statement remain in full compliance with books and documents, and with the actual condition, in particular:

- present reliably all information essential for assessment of the Company's operations in 2010, in particular, concerning profitability and the financial result on business operations as well as the Company's material and financial situation as at 31 December 2010,
- are compliant, with regard to the content and form, with binding legal regulations and the Articles of Association of the Company,
- financial statement has been prepared according to accounting principles, on the basis of correctly kept accounting books,
- financial statement and its audit, conducted by the chartered auditor - BDO Sp. z o.o., conforms to regulations of the Act of 29 September 1994 on accounting and standards of exercising the regulated profession of Chartered Auditor, issued by the National Board of Chartered Auditors in Poland.

Assessment of the application concerning profit distribution

In the opinion of the Supervisory Board, allocation of profit earned in 2010 to cover losses from previous years - according to the application of the Board of Directors- fully conforms to the current needs of the Company.

The Supervisory Board recommends adoption by the Ordinary General Assembly of Compensa TU na Życie S.A. Vienna Insurance Group of resolutions on approval of the financial statement for the financial year ending on 31.12. 2010, and of the statement of the Board of Directors of operations in 2010, and on allocation of the whole net profit earned in 2010 to cover losses from previous years.

Dr Rudolf Ertl
Chairman

Dr Peter Hagen
Deputy Chairman

Franz Kosyna
Member, Supervisory Board



Opinion of the independent chartered auditor

for the General Assembly of Shareholders and of the Supervisory Board of Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group

We have audited the attached financial statement of Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, with its registered office in Warsaw, Aleje Jerozolimskie 162, which consists of:

- introduction to the financial statement;
- balance sheet drawn up as at 31 December 2010, which presents the total balance of assets, liabilities and equity in the amount of 1 235 888 000 PLN;
- technical account of property insurance and personal insurance for the financial year from 1 January until 31 December 2010, showing negative technical result to be transferred to the profit and loss account in the amount of 72 950 000 PLN;
- profit and loss account for the financial year from 1 January to 31 December 2010, showing net loss in the amount of 27 867 000 PLN;
- statement of changes in equity for the financial year from 1 January until 31 December 2010, showing reduction in equity by the amount of 21 158 000 PLN;
- statement of cash flows for the financial year from 1 January until 31 December 2010, showing increase in net cash by the amount of 7 381 000 PLN;
- additional information and explanations;
- specification of items other than reported in the balance sheet;
- determination of the amount of solvency margin;
- determination of the amount of own funds to cover solvency margin; determination of surplus of own funds to cover solvency margin;
- determination of the amount of technical provisions;
- determination of the amount of assets constituting coverage of technical provisions;
- determination of surplus of assets constituting coverage of technical provisions.

The company's Board of Directors is responsible for preparation of the, consistent with the valid regulations, financial statement and the statement of operations.

Our task was to examine and express an opinion about reliability, correctness and clarity of these financial statements and the correctness of accounting books providing the basis for preparation of the statements.

We conducted this audit pursuant to:

- 1) regulations of chapter 7 of the Act of 29 September 1994 on accounting (Journal of Laws of 2009, no. 152, item 1223 as amended);
- 2) national standards of financial inspection, issued by the National Chamber of Chartered Auditors in Poland.

The audit of the financial statements has been planned and conducted in such a manner as to obtain confidence in the expression of our opinion on the financial statement.

In particular, the audit consisted in verification of the correctness of accounting principles (policy) implemented by the Company and important estimations, verification - randomly to a large extent - of accounting evidence and records, being the basis for numbers and information included in the financial statement, and comprehensive assessment of the financial statement.



Opinion of the independent chartered auditor

for the General Assembly of Shareholders and for the Supervisory Board of Compensa Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna Vienna Insurance Group

We have conducted audit of the attached financial statement of Compensa Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, with its registered office in Warsaw, Aleje Jerozolimskie 162, which consists of:

- balance sheet drawn up as at 31 December 2010, which presents the total balance of assets, liabilities and equity in the amount of 876 890 000 PLN
- technical account of life insurance for the financial year from 1 January until 31 December 2010, reporting positive technical result to be transferred to the profit and loss account in the amount of 32 162 000 PLN;
- profit and loss account for the financial year from 1 January until 31 December 2010, reporting net profit in the amount of 23 629 000 PLN;
- statement of changes in equity for the financial year from 1 January until 31 December 2010, reporting increase in equity by the amount of 23 779 000 PLN;
- statement of cash flows for the financial year from 1 January until 31 December 2010, showing increase in net cash by the amount of 3 838 000 PLN;
- additional information and explanations;
- specification of items other than reported in the balance sheet;
- determination of the amount of solvency margin;
- determination of the amount of own funds to cover solvency margin; determination of surplus of own funds to cover solvency margin;
- determination of the amount of technical provisions;
- determination of the amount of assets constituting coverage of technical provisions;
- determination of surplus of assets constituting coverage of technical provisions.

Drawing up financial statement consistent with binding legal regulations is the responsibility of the Company's Board of Directors

Our task was to examine and express an opinion about reliability, correctness and clarity of these financial statements and the correctness of accounting books providing the basis for preparation of the statements.

We conducted this audit pursuant to:

- 1) regulations of chapter 7 of the Act of 29 September 1994 on accounting (Journal of Laws of 2009, no. 152, item 1223 as amended);
- 2) national standards of financial inspection, issued by the National Chamber of Chartered Auditors in Poland.

The audit of the financial statements has been planned and conducted in such a manner as to obtain confidence in the expression of our opinion on the financial statement.

In particular, the audit consisted in verification of the correctness of accounting principles (policy) implemented by the Company and important estimations, verification - randomly to a large extent - of accounting evidence and records, being the basis for numbers and information included in the financial statement, and comprehensive assessment of the financial statement.



Opinion of the independent chartered auditor

We believe that the audit has provided sufficient basis to issue a reliable opinion.

In our opinion, the audited financial statement, including numeric data and verbal explanations:

- presents reliably and clearly all information essential for the assessment of the assets and financial situation of Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, as at 31 December 2010, and its financial result for the financial year from 1 January until 31 December 2010;
- has been prepared, in all significant aspects, according to accounting (policy) principles specified in the above Act and issued on its basis regulation of the Minister of Finance of 28 December 2009 on the detailed accounting principles of insurance companies and reinsurance companies (Journal of Laws of 2009, no. 226, item 1825) and on the basis of correctly kept accounting books;
- complies with legal regulations and provisions of the Company's Articles of Association affecting the content of the financial statement.

Statement of the Board of Directors of operations of the Company is complete as defined by Article 49, passage 2 of the Act on accounting and any included information originating from the audited financial statement is compatible with it.

Poznań, 7 March 2011

BDO Sp. z o.o.
ul. Postępu 12, 02-676 Warsaw,
Registry no. 3355

Auditor:

Acting on behalf of BDO Sp. z o.o.

Edyta Kalińska
Chartered Auditor
evidence no. 10336

Krystyna Sakson
Member, Board of Directors
Chartered Auditor evidence no. 7899



Opinion of the independent chartered auditor

We believe that the audit has provided sufficient basis to issue a reliable opinion.

In our opinion, the audited financial statement, including numeric data and verbal explanations:

- presents reliably and clearly all information essential for the assessment of the assets and financial situation of Compensa Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, as at 31 December 2010, and its financial result for the financial year from 1 January until 31 December 2010;
- has been prepared, in all significant aspects, according to accounting (policy) principles specified in the above Act and issued on its basis regulation of the Minister of Finance of 28 December 2009 on the detailed accounting principles of insurance companies and reinsurance companies (Journal of Laws of 2009, no. 226, item 1825) and on the basis of correctly kept accounting books;
- complies with legal regulations and provisions of the Company's Articles of Association affecting the content of the financial statement.

Statement of the Board of Directors of operations of the Company is complete as defined by Article 49 of the Act on accounting and any included information originating from the audited financial statement is compatible with it.

Poznań, 7 March 2011

BDO Sp. z o.o.
ul. Postępu 12, 02-676 Warsaw,
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Auditor:

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Edyta Kalińska
Chartered Auditor
evidence no. 10336

Krystyna Sakson
Member, Board of Directors
Chartered Auditor evidence no. 7899





Branches of Compensa TU S.A.

Address	No.	Phone
Białystok, ul Armii Wojska Polskiego 7A,	85	676 08 08
Bydgoszcz, ul. Matejki 1A	52	321 13 76
Częstochowa, ul. Kawia 4/16	34	366 48 83
Gdańsk, ul. Rzemieślnicza 33	58	520 86 21
Katowice, ul. Krasińskiego 29, 40-019 Katowice	32	788 09 50
Kraków, ul. Wygrana 2	12	267 49 60
Lublin, ul. Tomasz Zana 39	81	528 22 50
Łódź, ul. Andrzeja Struga 16	42	636 64 34
Opole, ul. Luboszycka 36	77	454 26 54
Olsztyn, ul. K.S. Wyszyńskiego 1	89	533 98 10
Płock, ul.Miodowa 1	24	263 06 43
Poznań, ul. Rataje 164	61	873 76 35
Rzeszów, ul. Bernardyńska 2	17	853 82 61
Radom, ul.Ferdynanda Focha 14	48	363 00 62
Suwałki, ul. Noniewicza 85C	87	566 48 91
Szczecin, ul. Mieszka I 82-83	91	433 55 03
Wrocław, ul. Powstańców Śląskich 50	71	332 34 84
Warszawa, Al. Jerozolimskie 162	22	501 60 00
Warszawa II, ul. Barkocińska 6 lok.20	22	679 00 58
Zielona Góra, ul. Wiśniowa 19A	68	452 54 30

The Headquarters Address

Compensa TU S.A. Vienna Insurance Group

Compensa TU na Życie S.A. Vienna Insurance Group

Al. Jerozolimskie 162, 02-342 Warszawa

Compensa Kontakt: 801 120 000

tel.: 22 / 501 61 00

www.compensa.pl



Representations Compensa TU na Życie S.A.

Individual representations

Address	No.	Phone
Bielsko-Biała, ul. Wapienna 6	33	816 81 24 do 28
Katowice, ul. Czerwińskiego 6	32	781 98 50 do 58
Kraków, ul. Wygrana 2	12	267 44 60
Olsztyn, ul. Warszawska 39/2	89	541 27 35
Sopot, ul. Rzemieślnicza 33	58	520 86 50
Szczecinek, ul. Wyszyńskiego 73	94	372 04 14
Koszalin, ul. Zwycięstwa 40 box 88	94	346 46 77
Szczecin, ul. Mieszka I 82-83	91	812 70 70 do 79
Stargard Szcz., ul. Reja 7	91	834 82 16
Bydgoszcz, ul. Kujawska 6	52	376 07 60
Zielona Góra, ul. Sikorskiego 4	68	323 09 86
Wrocław, ul. Powstańców Śląskich 50	71	332 34 85
Kwidzyn, ul. Piłsudskiego 22/9	55	261 50 08
Opoczno, ul. Biernackiego 5 pok. 2 p II	44	755 20 46
Łódź, ul. Struga 16	42	681 63 48
Tarnów, ul. Krakowska 26/3	14	655 28 66
Lublin, ul. Zana 39	81	525 88 44
Rzeszów, ul. Bernardyńska 2/7	17	852 93 73 do 76
Warszawa, ul. Opalińska 5/7	22	897 53 90
Poznań, ul. Dąbrowskiego 75/31	61	855 00 00

Group representations

Address	No.	Phone
Bydgoszcz, ul. Powstańców Wielkopolskich 10		
Częstochowa, ul. Kawia 4/16 lp. 110	34	368 30 30
Sopot, ul. Rzemieślnicza 33	58	524 31 40
Katowice, ul. Krasińskiego 29		519 065 799
Katowice, ul. Czerwińskiego 6		519 065 879
Kraków, ul. Lublańska 34	12	616 21 54 i 616 21 52
Łódź, ul. Struga 16	42	657 09 54
Poznań, ul. Rataje 164	61	873 76 67
Rokietnica, ul. Sportowa 16	61	670 74 70
Rzeszów, ul. Bernardyńska 2/2	17	852 93 73
Szczecin, ul. Mieszka I 82-83		519 065 890
Tarnów, ul. Wałowa 41	14	621 13 87
Wrocław, ul. Powstańców Śląskich 50	71	332 34 90
Warszawa, Al. Jerozolimskie 162	22	501 63 90



Vienna Insurance Group

Vienna Insurance Group (VIG) is quoted on the stock exchange, international insurance group, with registered office in Vienna. VIG is one of the biggest players on the insurance market in Central-East Europe, with premiums at the level of 8 billion EUR and employment reaching nearly 24 000 employees. Vienna Insurance Group offers to its Customers high quality life and property insurance. Shares of the Group are quoted on the Vienna and Prague Stock Exchanges.

Strategy of VIG, focused on expansion to the region of Central and East Europe, enabled transformation from a domestic insurance company into an international group with about 50 companies in 24 countries. Thanks to its financial stability, Vienna Insurance Group is the guarantor of high security for customers, shareholders as well as employees, which is reflected in a high rating assessment "A+" at stable forecasts, granted by a well-known rating agency Standard & Poor's.

Region of growth: Central-Eastern Europe

In 1990, VIG was the first Western European insurance company that started operations in Central-East Europe – region which today generates approximately 50% of gross written down premiums of the whole Group. In this region, VIG has its companies in Albania, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Turkey and in Ukraine, and a branch in Slovenia. VIG operates also in Germany, Liechtenstein and in Italy.

Main market: Austria

Austria - where expansion started - is a key market for the Group. VIG Wiener Städtische Versicherung, Donau Versicherung and Sparkassen Versicherung are leaders on the Austrian market.

Transformed corporate structure

In 2010, as a result of reorganization, Wiener Städtische in Austria was separated under transformation from international holding, making it possible for VIG to focus on management of the Group. It brought about transparency in structures and processes inside the Group and enabled more effective management.

All companies of the Group have strong regional roots, basing, at the same time, on international experience of VIG. A new structure creates a common "umbrella" and therefore a strong brand, which unites, going beyond frames of particular markets.





Vienna Insurance Group

Complex product offer

VIG has more than 185-year experience in the field of insurance. Fully committed insurance advisors, innovative product offers, excellent service and optimal availability for customer, as a result of many distribution channels, have been and are milestones of the company's success. In addition, in accordance with multi-brand strategy, in any country VIG is based on brands with a rich tradition.

In Austria, Group companies have been offering for many years insurance solutions adapted to the needs of the customer, both in the area of life insurance and property insurance. Improving standard of living in Central-East Europe has led to creation of increased demand for insurance. Even recently, motor insurance and real estate insurance have enjoyed the biggest popularity. Currently, retirement and savings products in the form of life insurance policies have been enjoying a growing popularity.

VIG Re was established as reinsurance company of the Group. The registered office of the company is located in the Czech Republic, which emphasizes the importance of Central and East Europe.

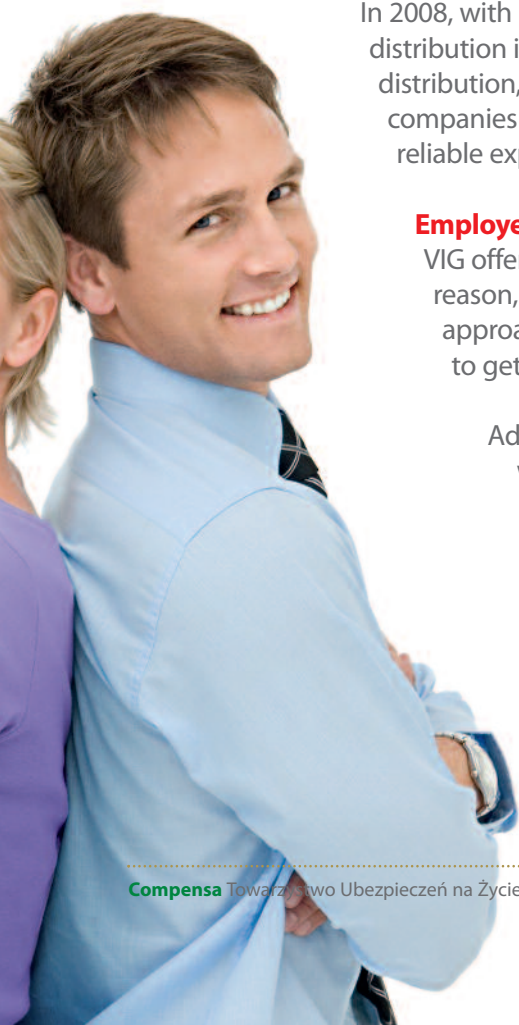
Erste Group – strong partner

In 2008, with Erste Group an agreement was signed, concerning mutual sales and distribution in Austria and in Central-East Europe. Continuing strategy of multi-channel distribution, insurance products of VIG are distributed by Erste Group and instead VIG companies offer also bank products. In equal degree, VIG and Erste Group are professional, reliable experts with regard to bank and insurance products.

Employees as the guarantor of success

VIG offers high quality consulting as well as perfect service of offered products. For this reason, the Group's employees are source of the company's success. Regional approach of VIG means use of measures resulting from needs of local markets, trying to get possibly close to customers.

Additional information on Vienna Insurance Group can be found on the website www.vig.com or in the consolidated annual report of VIG.



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



AUSTRIA

WIENER STÄDTISCHE
VIENNA INSURANCE GROUP

onau
VIENNA INSURANCE GROUP

S-VERSICHERUNG
VIENNA INSURANCE GROUP

SLOVAKIA

Kooperativa
VIENNA INSURANCE GROUP

KOMUNÁLNA poisťovňa
VIENNA INSURANCE GROUP

POISŤOVŇA SLOVENSKEJ SPORITELNE
VIENNA INSURANCE GROUP

BULGARIA

BULSTRAD
VIENNA INSURANCE GROUP

Life BULSTRAD
VIENNA INSURANCE GROUP

БЪЛГАРСКИ ИМОТИ
VIENNA INSURANCE GROUP

UKRAINE

КНЯЖА
VIENNA INSURANCE GROUP

ГЛОБУС
VIENNA INSURANCE GROUP

ЮПІТЕР
VIENNA INSURANCE GROUP

GEORGIA

GPIA
VIENNA INSURANCE GROUP

IRAO
VIENNA INSURANCE GROUP

ITALY BRANCH

WIENER STÄDTISCHE
VIENNA INSURANCE GROUP

onau
VIENNA INSURANCE GROUP

POLAND

COMPENSA
VIENNA INSURANCE GROUP

InterRisk
VIENNA INSURANCE GROUP

BENEFIA
VIENNA INSURANCE GROUP

CROATIA

KVARNER
VIENNA INSURANCE GROUP

HELIOS
VIENNA INSURANCE GROUP

ERSTE OSIGURANJE
VIENNA INSURANCE GROUP

ESTONIA

COMPENSA
VIENNA INSURANCE GROUP

ALBANIA

SIGMA
VIENNA INSURANCE GROUP

interalbanian
VIENNA INSURANCE GROUP

SLOVENIA BRANCH

WIENER STÄDTISCHE
VIENNA INSURANCE GROUP

PZM TU S.A.
VIENNA INSURANCE GROUP

LATVIA

COMPENSA
VIENNA INSURANCE GROUP

MACEDONIA

WINNER
VIENNA INSURANCE GROUP

Life WINNER
VIENNA INSURANCE GROUP

CZECH REPUBLIC

Kooperativa
VIENNA INSURANCE GROUP

ČPP
VIENNA INSURANCE GROUP

POJIŠŤOVNA ČESKÉ SPORITELNY
VIENNA INSURANCE GROUP

VIG Re

ROMANIA

OMNIASIG
VIENNA INSURANCE GROUP

ASIROM
VIENNA INSURANCE GROUP

BCR ASIGURARI
VIENNA INSURANCE GROUP

BCR ASIGURARI DE VIATA
VIENNA INSURANCE GROUP

HUNGARY

UNION BIZTOSÍTÓ
VIENNA INSURANCE GROUP

ERSTE BIZTOSÍTÓ
VIENNA INSURANCE GROUP

LITHUANIA

COMPENSA
VIENNA INSURANCE GROUP

TURKEY

RAYSIGORTA
VIENNA INSURANCE GROUP

SERBIA

WIENER STÄDTISCHE
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RUSSIA

МСК-Лайф
VIENNA INSURANCE GROUP

BELARUS

КУПАЛА
VIENNA INSURANCE GROUP

MONTENEGRO

Život WIENER STÄDTISCHE
VIENNA INSURANCE GROUP

GERMANY

InterRisk
VIENNA INSURANCE GROUP

LIECHTENSTEIN

VIENNA-LIFE
VIENNA INSURANCE GROUP