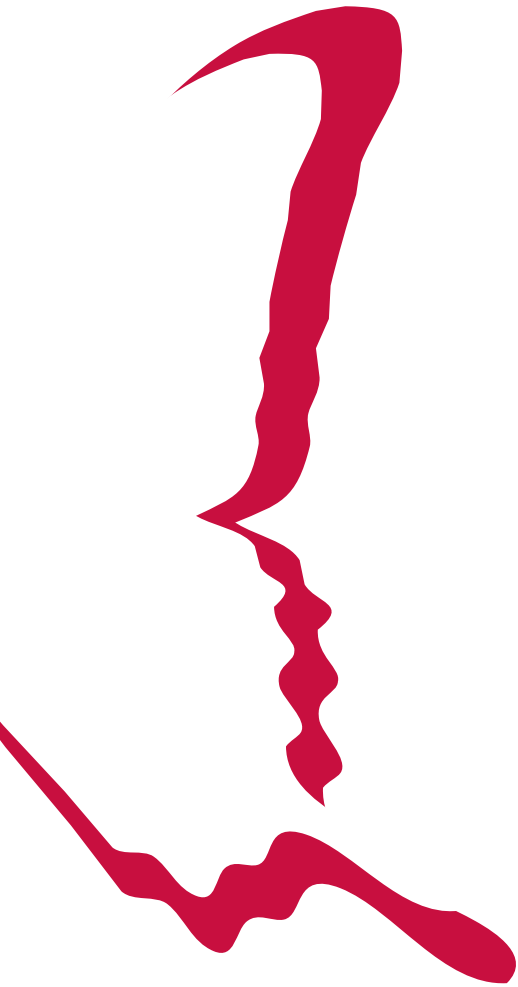




# Annual report 2005





Union poisťovňa, a. s.  
Páričkova 18 (till 22nd June 2005)  
813 60 Bratislava 1  
Slovenská republika

Union poisťovňa, a. s.  
Bajkalská 29/A (from 22nd June 2005)  
813 60 Bratislava 1  
Slovenská republika

telephone: 0850 111 211  
e-mail: [union.direct@union.sk](mailto:union.direct@union.sk)  
[http: www.union.sk](http://www.union.sk)

business ID no: 31322051  
business ID VAT no: SK 2020800353  
tax ID no: 2020800353

Union poisťovňa, a. s. is the establishing member  
of the Slovak Association of Insurance Companies.

Union poisťovňa, a. s. is the establishing member of the Slovak Nuclear Pool

Union poisťovňa was established 1st May 1992

# Introductory Address of the Chairman of the Board of Directors

The year 2005 can be deservedly considered as very successful and thus has established a good base for designing our plans for the future.

I am delighted to state that everybody belonging to the group of so-called „stakeholders“ could be pleased with this success. Our clients were offered products evaluated as the best in Travel and Life Insurance, shareholders could see continued improvement to the financial results and employees were pleased with evaluation of results of their work by independent institutions and moving to new premises providing even better conditions for fulfilling our goals.

If I said that the year 2004 was a year which, as none before, gave several impulses for the insurance market development not only within Slovakia but also abroad, then I can say that it was the year 2005 when these impulses were realised.

We were able to react flexibly to ongoing steps of the Health Reform by further development of individual health insurance. Acquisition of the portfolio of Vzájomná životná poisťovňa, particularly the part of it related to health insurance of foreigners in Slovakia, contributed to our strengthened position on the individual health insurance market. Together with our foreign shareholders we prepared conditions for our entry to public health insurance.

Tax allowances for the third pillar of pension saving were used in the new life product of a pension-type and the increased percentage of employers' contributions from salaries, announced at the end of the year, was an impulse to start

development of a unique product for employers for the year 2006. The territory in which we operate has been extended to the Czech Republic, where we achieved an increasing number of co-operating and insured travel agencies without any advertising campaign, just by spreading the good experience related to Union brand in this area from Slovakia.

As I already mentioned in the introduction, we want to build our future steps in Travel Insurance and in Health Insurance on the base of the results of the year 2005. By further extending the non-life reinsurance capacity we want to support our cooperation particularly with mediators of this insurance and I believe, that our own restructured sales network will contribute both to increasing the volume of premium and also improving other indicators.

We are setting objectives for the following year and at the same time we would like to thank to those, with who's co-operation we will work towards the fulfilment of those objectives. To our clients for loyalty, to our shareholders for the support and possibilities to use synergies following from cooperation within Eureko and to our employees, tied agents, mediators and other cooperating institutions for their help in fulfilling our goals.

**Tibor Bôrik**

*Chairman of the Board of Directors  
and CEO Union poisťovňa, a. s.*

## Report From The Board of Directors

Following the successful year of 2004, we are delighted to be able to report that in 2005 Union, once again, was able to record the best financial results in its history, since establishment in 1992.

These results were achieved in a year during which also several investments were made to facilitate the future growth and development of the company. These investments are key to our plans for the future, both in respect of growing our business, organically and through acquisition, and continuing to improve the level and scope of services we provide to our customers.

# Main Developments in 2005

- Gross Profit of SKK 49 million was ahead of budget and the highest in the company's history
- Net combined ratio in Non-Life of 84.7 %
- Premium Income in Life increased by 8 %
- Gross written premium achieved in all Non-Life business lines 8%<sup>1</sup>
- Union maintained its position as the market leader in Travel Insurance.
- Union agreed in December 2005 to acquire the non-life business of Vzájomná životná poisťovňa a.s. from ING, the portfolio primarily consists of Health Insurance products, thereby strengthening its position as market leader.
- In the second quarter of 2005 Union moved its Head Offices to a new premises

The continual increase in the number of customers choosing to be insured with Union is testimony to the success of our application of the basic principle of quality service provision as a pre-requisite for our company.

In 2005 Union maintained its position as the market leader in Travel Insurance. Gross written Premium income grew by 5.4 %, the number of customers insuring themselves on-line increased by 77 % and our entrance to the Czech market in 2004 proved successful as an increased number of Travel Agencies chose Union as their provider of Insurance.

Once again the quality of our Travel Insurance products was recognised when Union was awarded all three awards in the category for travel by the prestigious Golden Coin awards.

Our Life Insurance business continued its growth in 2005, increasing by 8 % from 2004, with gross written premium of 335.2 million SKK. The share of Life Insurance in total gross written premium increased from 36% in 2004 to 38% in 2005. Particularly the growth by 17% in Unit Linked business was satisfying and our product Zivot Invest was recognised as the best available on the market by the independent company Symsite research. In 2005 Unit linked business represented 19 % of new production.

In Non-Life business, a strong growth of 15 % in new production was seen in 2005, this more than compensated for the drop in premium resulting from Slovakia's entrance to the EU and the resulting drop in premium income in Custom Bonds Insurance. Total gross written premium income in Non-Life increased by 1 %.

Following the launch of Individual Health insurance in 2004, we continue in our strategy to build a leading position in this growing market. In 2005 Union added Group Health Insurance to its product range and then with the addition of the portfolio acquired from Vzájomná životná poisťovňa a.s., at the end of 2005, we have established a clear position as market leader, built a strong brand for Health insurance, and we are now well placed to rapidly build this part of our business as continued Health reforms increase public interest in additional coverage.

In addition to the success of building our Health Insurance portfolio during 2005, our major shareholder Eureka B.V applied for a licence to provide Public Health Insurance in Slovakia, their vast experience in this area will make this new company a strong partner for us and support the development of our Individual Health business

<sup>1</sup> except transport insurance and custom bonds insurance (which declined due to Slovakia's entry to the EU as at 1st May 2004)

# Main Financial Indicators

In 2005 Union achieved – for the fourth successive year – its best economic result in the history of the Company. The net result in the amount of SKK 46.0 million, which, when compared with the net result from the year 2004 represents an increase by 75.4 %.

The gross written premium income in non-life insurance reached a volume of SKK 556.9 million; a slight increase (1.1 %) compared with SKK 550.9 million gross written premium income in 2004. Union managed to fully compensate the decline of the custom bond insurance market following Slovakia's entry to the EU, by the increases of gross written premium in the other business lines.

The technical result in non-life insurance in 2005 increased by 33.5 % to SKK 73.4 million, compared with SKK 55.0 million in 2004. Driven by the excellent claim settlement results in 2005 the technical result is even better than the - till now - best year in non-life technical result in non-life of SKK 72.8 million in 2003.

Due to the very good claim experience, the net combined ratio dropped down by 4.3 percentage points from 89% in 2004 to 84.7% in 2005, thus showing high quality performance in underwriting profitability.

In the area of life insurance Union achieved again a strong growth of gross written premium income from SKK 307.7 million in 2004 to SKK 335.2 in 2005. This represents a strong yearly growth of as much as 8 %. Compared to 2003, in which the volume of gross written premium in life insurance reached SKK 261.9 million, this even represents an increase of 28.0 %.

Technical result in life insurance was still negative in 2005. The life result of SKK – 25.4 million, however, indicates a positive trend in comparison with the technical life result of SKK – 34.7 million in 2004 and SKK – 46.9 million in 2003.

## Corporate Social Responsibility

Union maintains a philosophy of positive interaction with society and the business policy supports this interaction through participation in, and sponsorship of, specific projects and organisations.

Particularly Union supports the education of young people in the fundamentals of business and economics. This is achieved through an active partnership between business and schools facilitated by Bata Junior Achievement (part of Junior Achievement International) for whom Union is a long time sponsor. In addition Union is an active member of the (Central European Corporate Governance Association).

# Strategy and Expectations for 2006

Union will continue to focus on capturing the considerable growth potential within the Slovak insurance market through increasing the scale and improving the operational efficiency of the established business lines and its intention to establish itself as a major player in the emerging Supplementary Health Insurance market.

Continued growth of its Life Insurance business, increasing both premium volume and market share, leveraging on tax incentives for certain Life Insurance products which were introduced from 1st January 2005.

Increased focus on specific commercial Non-Life business lines, significantly growing this profitable portfolio whilst maintaining a good combined ratio. This growth is to be driven by both strengthening relationships with insurance intermediaries and increasing the productivity of own distribution networks.

Developing the new Supplementary Health Insurance business. This provides an excellent opportunity for Union to establish a strong position within this emerging market with high growth potential, capitalising on both Union's strength in medical claim management and the Health Insurance expertise within Eureko group companies.

Union aims to retain its market leading position in travel insurance, through ongoing relationship management with distributors and a continued reputation for fast and effective customer service.

Organic growth and increased efficiency of distribution is key in realising the aforementioned ambitions, however Union will also continue to monitor the market closely in order that it may take an opportunistic approach to potential acquisitions which can create value and fit well to the company's strategy.

## Human Resources – International Mobility

Union is a good example of how individual companies can benefit in the area of knowledge transfer from being part of an international group. Since 1997 a mixture of local and expatriate staff from within the Eureko group has filled senior management positions. Also Union staff have taken positions at other Eureko companies or at the group holding.

As at the end of 2005 Union had a total of 271 employees, of which 110 are employed within the distribution networks. In addition Union had a Tied Agent network of circa 400 Agents.





Board of directors, from left:  
Tibor Bôrik, Elena Májeková, Arnoud Vink, Shaun Russell

## Organisational Structure

### Section of the Managing Director

Secretariat of the managing director  
Human resources department  
Reinsurance department  
Legal department  
Chief Actuary Department  
Internal Control Department

### Economy and IT section

Labour economy department  
Logistics department  
Payment department  
Investment manager  
Accounting and controlling division  
IT division

### Corporate Insurance Section

Travel insurance administration department  
Non-life claims handling division  
Non-life sales division  
Health insurance division  
Non-life insurance division  
Non-life administration division  
Branches, Sub-branches

### Life Insurance and Marketing Section

Marketing division  
Brokers division  
Clients centre division  
Life sales division





## Registered Data of the Company

Union poisťovňa, a. s.  
Bajkalská 29/A, 813 60 Bratislava 1  
Slovenská Republika

phone: 0850 111 211  
e-mail: union.direct@union.sk  
http: www.union.sk

business ID no: 31322051  
business ID VAT no: Sk 2020800353  
tax ID no: 2020800353

Structure of shareholders according to the amount of paid shareholders' capital thousands SKK as of December 31, 2004:

EUREKO B.V.	380 455	97,55 %
Other legal and natural persons	9 545	2,45 %

### Bodies of the Company

Union poisťovňa, a. s., is registered in the Commercial Register of the District Court Bratislava 1, section Sa, file No. 383/B.

#### Supervisory board:

Willem Antonius Jozef van Duin	
Fred Hoogerbrug	Member
Jeffrey Medlock	Member
Michal Nastula	Member
Viera Poludvorná	Member
Dušan Zemánek	Member

#### Board of directors

Tibor Bôrik	Chairman
Elena Májeková	Member
Shaun Richard Russell	Member
Arnoud Gijsbert Vink	Member

Shareholders' capital: SKK 390 000 000

Eureko B.V. is a privately-owned financial services group, registered in The Netherlands, whose core business is insurance. It has operations in 10 countries and has more than 20.000 employees.

The Eureko Group offers a full range of insurance – Life and Non-Life and pension products, health insurance and services, asset management and banking.

Eureko's philosophy is to create an integrated, pan-European group consisting of market leaders in the territories in which its companies operate, providing, 'local solutions, shared goals'. Each of its Operating Companies has strong, dominant brands; they know their local markets intimately, and are customer-focused. It is this local expertise, with the backing of a strong European Group and the sharing of skills and experience throughout the Group, which is the cornerstone of Eureko's values. The Operating Companies retain their own names, as brand recognition in their territories is very strong.

## The group now comprises:

**Achmea:** Market leader in Health and Non-Life, which holds an important position in Health and Life insurance. The 2005 merger of Achmea and Interpolis, the former Dutch insurance subsidiary of Rabobank, created the Netherlands' largest insurer.

**Interamerican:** The company holds the No 2 position in Greece both the Life and Health markets and the No 4 position in the Non-Life markets.

**Friends First:** provider of pensions, investments, protection and finance products in Ireland

**Império France:** operates in a niche market segment (the Portuguese community) in the French Life market,

**Union:** an insurance company in Slovakia offering Life, Non-Life and Health products.

**Developing operations in Romania, Bulgaria and Cyprus.**

**A strategic 33%-1\* share investment in PZU of Poland** – the largest Life and Non-Life insurer in Poland and Central Europe.

**A 21% shareholding in F&C Asset Management plc.**

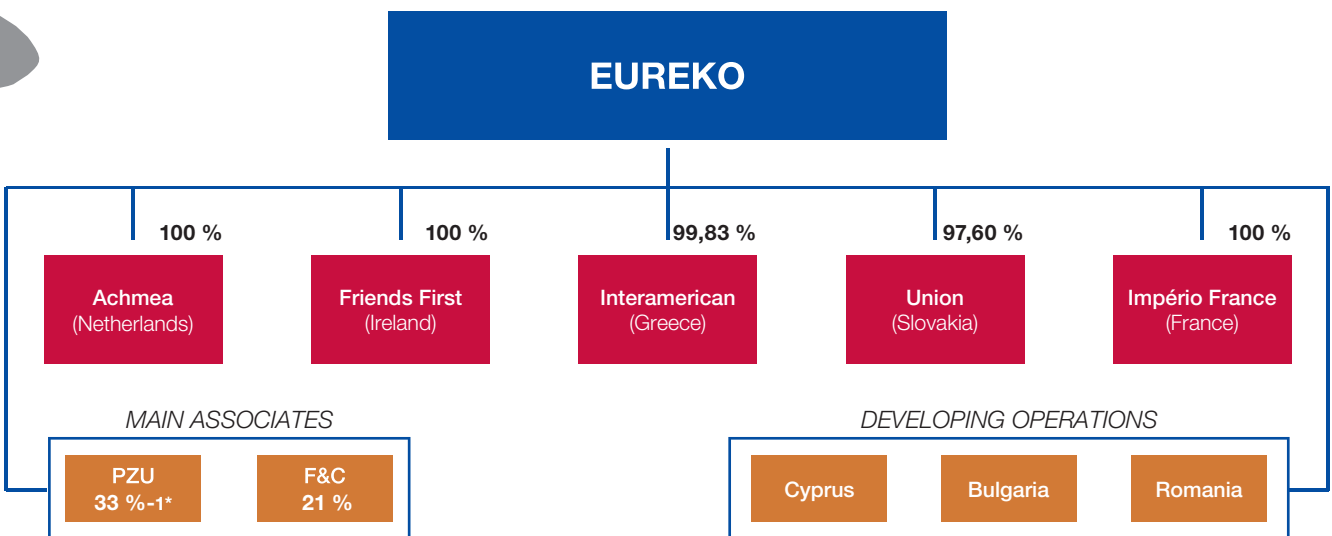


# Mission Statement

*"Eureko is one of Europe's leading personal financial services groups. Our mission is to provide superior products and services to our clients and to deliver shareholder value. We will achieve this mission by leveraging our expanding family of leading local brands, growing our client base and developing our proven capabilities in personal and asset protection, asset accumulation and management. We are committed to remain close to our clients and to maintain a balanced ethical and transparent relationship with our shareholders, employees and clients."*



Financial strength and long-term counterparty credit ratings  
(Standard & Poor's):  
**Eureko Group: A+**  
**Outlook: Stable**



\* Regulatory approval sought to increase to 36.1 %

# Eureko/Union Risk Management

For Union, as a financial services company risk management is an indispensable part of our business processes.

For Union, as a financial services company risk management is an indispensable part of our business processes. That is why we invest a lot of resources into risk management in Union. For instance in the field of underwriting, actuarial calculations or quality assurance. We should do this, because otherwise we cannot take over the risks of our clients.

Union has exposure to many risks, of which the following are the most important:

## Market risk

Potential changes in bonds and real estate prices, in interest rates, as well as in foreign exchange rates. In some products (e.g. unit-linked products) market risk is passed on directly to the policyholder.

## Actuarial and underwriting risk

Underwriting policies rely on regular review procedures with actuarial personnel, in which actual loss experience is examined. Statistical analysis tools are systematically employed in each line of business to refine underwriting standards in order to improve loss experience.

## Credit risk

Credit obligations generally arise in insurance operations from investment activities and from reinsurance. These risks are managed by careful monitoring and selection of companies with a proven excellent track record.

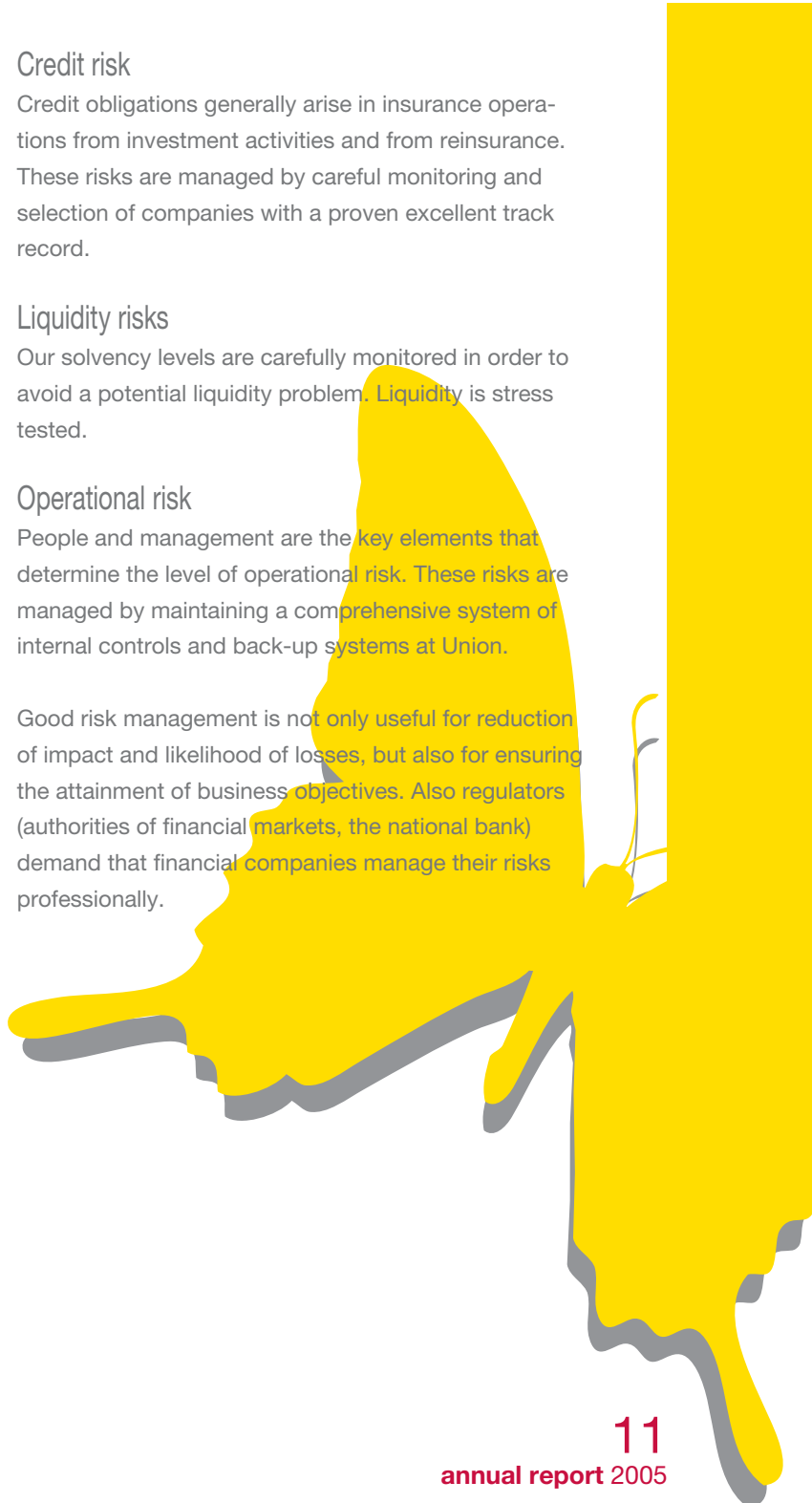
## Liquidity risks

Our solvency levels are carefully monitored in order to avoid a potential liquidity problem. Liquidity is stress tested.

## Operational risk

People and management are the key elements that determine the level of operational risk. These risks are managed by maintaining a comprehensive system of internal controls and back-up systems at Union.

Good risk management is not only useful for reduction of impact and likelihood of losses, but also for ensuring the attainment of business objectives. Also regulators (authorities of financial markets, the national bank) demand that financial companies manage their risks professionally.





## What is the Eureko/Union Risk Management Process

Typical for the Eureko risk management process is that assessment of risks within the group companies is undertaken by means of risk self assessment of individual risks. Union therefore needs to identify, assess, measure and manage its (own) risks.

The Eureko risk management process consists of the following activities:

**Risk identification**

**Risk evaluation**

**Risk management**

**Risk recording**

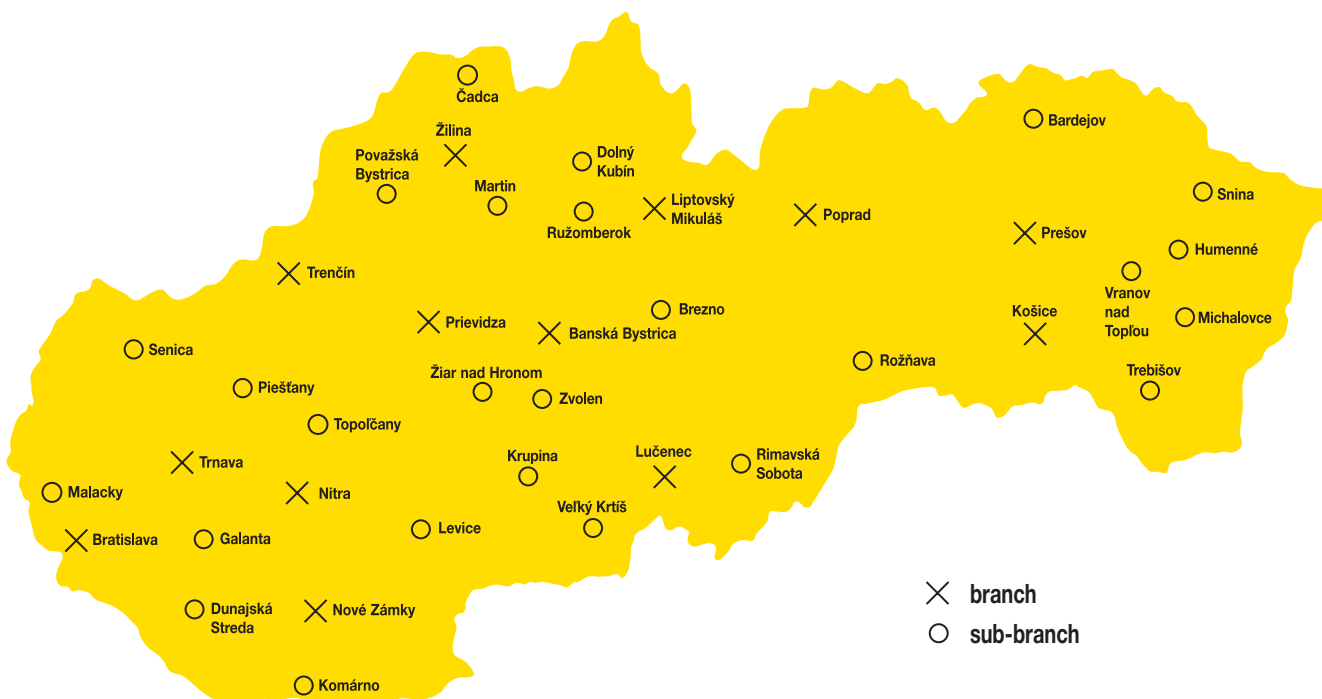
**Internal control statement**

Risk management is a continuing process which management uses to define its strategy in order to meet the requirements of all stakeholders, including customers, shareholders and employees.



# Branch

Branch	Address	Telephone
Banská Bystrica	Horná 18, 974 01 Banská Bystrica	048/4151675
Bratislava	Rajská 15, 811 08 Bratislava	02/52731586
Bratislava	Klobučnícka 7, 813 60 Bratislava	02/54131246
Bratislava	Bajkalská 29/a, 813 60 Bratislava	02/58319600
Dunajská Streda	Kukučínova 1212, 929 01 Dunajská Streda	031/5525106
Humenné	Mierová 2 - Dom služieb, 066 01 Humenné	057/7757554
Košice	Hlavná 117, 040 01 Košice	055/6232418
Liptovský Mikuláš	Belopotockého 2, 031-01 Liptovský Mikuláš	044/5514452
Lučenec	Bazovského 41, 984 01 Lučenec	047/4331333
Nitra	Štefánikova 30, 949 01 Nitra	037/6522222
Nové Zámky	Podzámska 36, 940 01 Nové Zámky	035/6400047
Poprad	Alžbetina ul. 22, 058 01 Poprad	052/2815111
Prešov	Hlavná 23, 080 01 Prešov	051/7724645
Prievidza	M. Mišíka 19/A, 971 01 Prievidza	046/5421936
Trenčín	Braneckého 1, 911 01 Trenčín	032/7442570
Trnava	Hlavná 2, 917 00 Trnava	033/5513357
Žilina	Národná 9, 010 01 Žilina	041/5626621



# Sub-branch

Sub-branch	Address	Telephone
Banská Bystrica	Horná 18, 974 01 Banská Bystrica	048/4151674
Bardejov	Stöcklová 26, 085 01 Bardejov	054/4744129
Bratislava 1	Klobučnícka 7, 813 60 Bratislava	02/54432005
Bratislava 2	Páričkova 18, 813 60 Bratislava	02/55567416
Bratislava 5	F. Kostku 1, 813 60 Bratislava	02/65413177
Brezno	Rázusova 7, 977 01 Brezno	048/6116021
Čadca	Fraňa Kráľa 1504, 022 01 Čadca	041/4333315
Dolný Kubín	Na Sihoti 1168, 026 01 Dolný Kubín	043/5866466
Galanta	Vajanského 1201, 924 00 Galanta	031/7804955
Humenné	Mierová 6, 066 01 Humenné	057/7757935
Komárno	Pohraničná 21, 945 01 Komárno	035/7700184
Košice 1	Hlavná ulica 117, 040 01 Košice	055/6231458
Košice 2	Hlavná 117, 040 01 Košice	055/6231458
Krupina	Nám. SNP 127/20, 963 01 Krupina	045/5512553
Levice	Nám. Šoltésovej 10, 934 01 Levice	036/6316353
Liptovský Mikuláš	Belopotockého 2, 031 01 Liptovský Mikuláš	044/5514314
Lučenec	P.O.BOX 96, 984 01 Lučenec	047/4332214
Malacky	Radlinského 5174, 901 01 Malacky	034/7724550
Martin	M.R. Štefánika 64, 036 01 Martin	043/4221699
Michalovce	Nám. Slobody 3, 071 01 Michalovce	056/6425749
Nitra 1	Štefánikova 30, 949 01 Nitra	037/6522218
Nitra 2	Štefánikova 30, 949 01 Nitra	037/6522221
Nové Zámky	Podzámka 36, 940 01 Nové Zámky	035/6402606
Piešťany	Rázusova 5, 921 01 Piešťany	033/7729368
Poprad	Alžbetina ul. 22, 058 01 Poprad	052/2815300
Považská Bystrica	Kukučínova 191, 017 01 Považská Bystrica	042/4340281
Prešov 1	Hlavná 23, 080 01 Prešov	051/7724683
Prešov 2	Hlavná 23, 080 01 Prešov	051/7711265
Prievidza	M. Mišíka 19/A, 971 01 Prievidza	046/5421967
Rimavská Sobota	SNP 20, 979 01 Rimavská Sobota	047/5633273
Rožňava	Šafárikova 21, 048 01 Rožňava	058/7329666
Ružomberok	Podhora 46, 034 01 Ružomberok	044/4321306
Senica	Nám. Oslobodenia 11, 905 01 Senica	034/6512846
Snina	Strojárska 3934, 069 01 Snina	057/7621559
Topoľčany	M. R. Štefánika 2261, 955 01 Topoľčany	038/5326375
Trebišov	M. R. Štefánika 1832, 075 01 Trebišov	056/6724903
Trenčín 1	Braneckého 1, 911 01 Trenčín	032/7442571
Trenčín 2	Braneckého 1, 911 01 Trenčín	032/7433016
Trnava	Hlavná 2, 917 00 Trnava	033/5513357
Veľký Krtíš	Banická, blok 2, 990 01 Veľký Krtíš	047/4831898
Vranov nad Topľou	Boženy Němcovej 1, 093 01 Vranov n. Topľou	057/4431690
Zvolen	J. Kozáčka 7, 960 01 Zvolen	045/5333962
Žiar nad Hronom	M. Chrásťka 25, 965 01 Žiar nad Hronom	045/6735542
Žilina 1	Národná 9, 010 01 Žilina	041/5643577
Žilina 2	Národná 9, 010 01 Žilina	041/5640910