



Kooperativa

VIENNA INSURANCE GROUP

For life as it is

2018

2015

2016

2017

ANNUAL REPORT

2018

2019

2020

2021

Kooperativa 2018 in figures

- ▶ **33.19 billion CZK** written premium
- ▶ **2.04 million** clients
- ▶ **4.02 million** insurance policies
- ▶ **533 thousand** settled insurance claims
- ▶ **20.01 billion CZK** claim payment
- ▶ **21.79%** share on the Czech insurance market

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Introductory Note by Board of Directors Chairman

The year 2018 has been very demanding both for Kooperativa and for the Czech insurance market. Our company has merged with Pojišťovna České spořitelny which was a very involved process. We are pleased that we have coped with the merger as scheduled, and that it has had a minimum impact on customers and employees. The vast majority of customers have accepted this change. In customer relations, Kooperativa focused in particular on the benefits of their having to switch from a life insurer to a strong and respected insurer which offers both life and non-life insurance. Thanks to the merger, Kooperativa became the leader of the Czech insurance market in January 2019. It proved that it was possible to conclude even a very demanding and complicated matter within only several months if you have a determined top team. Tens of employees of both companies have participated in the merger which was very complicated. Just to give you an idea – the request sent to the Czech National Bank had as many as 980 pages.

The merger was a part of the “Apollo 20” transformation programme launched at the beginning of 2018 in order to analyse the activities and processes of the VIG Czech Republic group in all essential areas – not only sales, products, operations and claims handling, but also

human resources, company culture and communication. The programme includes all areas where we have to bring our activities and company cultures closer together, to cut costs, to develop our full potential, and to create synergies.

From the point of view of business, we can be satisfied with the year 2018. Kooperativa has achieved very solid results and continued focusing on the efficiency and profitability of the portfolio of insurance policies and customers. Its market share may have dropped slightly in some lines of business in the short term, but we have consequently started dealing with difficult customers and problematic insurance policies. Czech insurance companies have strived to adjust prices in some lines of business – in particular, in motor insurance where premiums have not been sufficient to cover damages and other costs for a long time.

Another important topic for the insurance market is, for example, liability insurance. A survey taken last year by the Czech Insurance Association found that only each 11th trade licence holder or entrepreneur was concerned about his insurance protection. If we consider professional indemnity insurance, which

supplements general liability insurance in some cases, the penetration rate amounts to 11.9% which is still very low. The insurance market also dealt intensively with new legislation last year. The main change of 2018 is the Insurance Distribution Act which regulates insurance mediation and intermediaries. The law aims at protecting consumers: they should be offered financial products which they really need by professional insurance intermediaries. Thus, the law regulates the insurance mediation market. Although the original intention is commendable, overregulation can be counterproductive. But in general, it stands out that the Czech insurance market remained strong and stable also in 2018 and gave security to Czech households and companies. I would like to thank everyone who worked for our company last year and, of course, our business partners and customers who have been putting their trust in us for a long time.

Ing. Martin Diviš, MBA

The Most Significant Awards Received in 2018



- 1st place › Life insurance
- 2nd place › Industry and entrepreneurs' insurance
- 2nd place › Personal property insurance
- 2nd place › Motor Vehicle Insurance



- 1st place › News of the year – Property insurance with cyber risks
- 1st place › TREND Entrepreneurs' insurance
- 1st place › NAMÍRU Comprehensive motor vehicle insurance
- 3rd place › Fleet insurance – KOMPLEXNÍ POJIŠTĚNÍ FLOTIL
- 3rd place › Life insurance NA PŘÁNÍ
- 3rd place › CSR prize – Česká rodina žije



- 2nd place › Most client-friendly life insurance company



- 1st place › Insurance company of the year

Board of Directors – as of March 1, 2019

Name	Position
Ing. Martin Diviš, MBA	Chairman
JUDr. Hana Macháčová	Member
Mag. Gerhard Lahner	Member
Jiří Sýkora	Member
Mgr. Filip Král	Member
Ing. Tomáš Vaníček, MBA	Member
Ing. Jaroslav Kulhánek	Member

Supervisory Board – as of March 1, 2019

Name	Position
Prof. Elisabeth Stadler	Chairman
Ing. Vladimír Mráz	Vice-Chairman
JUDr. Rostislav Dvořák	Vice-Chairman
Ing. Vladimír Dlouhý, CSc.	Member
Mag. Liane Hirner	Member
Dr. Ing. Vratislav Kulhánek	Member
Mag. Robert Lashofer	Member
Mag. Harald Josef Londer	Member
Jan Wiesner	Member
Ing. Roman Brablec	Member
Ing. Tomáš Salomon	Member
Mgr. Šárka Brůnová	Member
Mgr. Martin Laur	Member
Ing. Radmila Dočekalová	Member
Jan Růžička	Member

Audit Committee – as of March 1, 2019

Name	Position
Ing. Vladimír Mráz	Chairman
Prof. Elisabeth Stadler	Vice-Chairman
JUDr. Rostislav Dvořák	Vice-Chairman
Ing. František Dostálek	Member

Management Report

2018 at a Glance

» For Kooperativa, the year 2018 was again marked by moderate growth. Kooperativa achieved total written premiums of CZK 33.19 billion according to Czech Accounting Standards (CAS) and maintained its preeminent position among Czech insurers, with a market share of 21.79%. As of the end of 2018, Kooperativa had 3,784 employees and administered 4.02 million insurance policies for its 2.04 million clients. «

Non-life insurance retained its role as the powerhouse of the insurance market, just as in 2017. Kooperativa achieved total written premiums of CZK 25.69 billion in non-life insurance, i.e., an increase of 3.07% compared to 2017. Although Kooperativa grew more slowly than the market, it maintained its position as the largest non-life insurer without difficulty. The most successful products were property and liability insurance of private persons and entrepreneur insurance, which saw year-on-year increases of written premiums of 3.09% and 248%, respectively. Life insurance, on the contrary, continued to decline, both for Kooperativa and the market as a whole. Kooperativa recorded written premiums of CZK 7.51 billion, i.e., a drop of 5.54% compared to 2017. The life insurance market dropped by 2.96% in a year-on-year basis.

Total premiums written (in TCZK)

2009	30 996 326
2010	30 894 705
2011	30 502 749
2012	30 616 765
2013	31 319 881
2014	31 737 609
2015	31 447 159
2016	32 331 393
2017	32 841 927
2018	33 191 009

Number of claims settled (pcs.)

2009	512 868
2010	553 496
2011	549 366
2012	551 543
2013	586 328
2014	648 222
2015	590 943
2016	618 439
2017	675 872
2018	532 528

The number of insured events and disbursed insurance indemnities also saw a significant drop. Kooperativa settled more than 532,000 insured events in 2018 and paid its clients insurance indemnities of CZK 19.39 billion in total. A significant factor contributing to the drop was the development of natural catastrophes, which afflicted the Czech Republic much less than in 2017, when, for example, the Herwart windstorm caused almost 13,000 loss events to Kooperativa's clients alone.

The main project of Kooperativa in 2018 was its merger with Pojišťovna České spořitelny (PČS). It was initiated by its shareholder Vienna Insurance Group, which works very closely with Erste Group in the field of bancassurance in Europe. The merger aimed at providing unified support for Česká spořitelna, a member of Erste Group, by the leader of Czech insurance market, both in life and non-life insurance. The Czech Republic was also selected for the development and testing of the Digital Hub, a digital solution of insurance product distribution, which is based on the digital platform of ERSTE. This cooperation was managed by Pojišťovna České spořitelny until the end of 2018. On 16 August 2018, the general meeting of PČS approved a change in shareholder structure, and Kooperativa became the sole owner of PČS as of this date. At the same time, Kooperativa asked the Czech National Bank for its consent to the merger, which was issued by the Czech National Bank on 26 October 2018. The merger took place as of 1 January 2019, at which date, PČS clients automatically became clients of Kooperativa. All insurance policies including insurance terms and conditions remain valid and unchanged, as Kooperativa has assumed all obligations of PČS. All clients of PČS were informed of this change in writing in November 2018.

In 2018, Kooperativa also very successfully continued in the implementation of modern technologies. After the electronic signature was launched in 2016 and cash payments at sales offices were gradually terminated in 2017, Kooperativa introduced the possibility of on-the-spot premium payment by means of mPOS terminals – mobile payment terminals. It is not necessary to print and sign insurance policies, the contractual relationship is established by the payment. In 2018, Kooperativa started using robotic process automation (RPA). Routine operations are done by robots, not by humans. Robots are suitable for time-consuming, routine and “non-creative” work, such as a one-time transfer of approximately 100,000 documents between two systems. It would take a human four minutes to transfer one document, i.e., three years to transfer all documents, whereas a robot transfers one document in 40 seconds, meaning that all insurance policies will be transferred in approximately 50 days.

As for product areas, the most important new product was cyber insurance for entrepreneurs. The insurance helps customers deal with computer system downtime, damage to data, and any damage caused by data leakage, even if the leak happens due to negligence or if the data is stolen by an employee. Clients can also take out insurance against business interruption due to cyberattacks. Of course, up to the contracted indemnity limits.

For Kooperativa, an important issue is also road safety. In 2018, the Kooperativa Foundation established the VIZE O (Vision O) platform. A lot of partners who would like to improve road safety joined this platform. If we succeed in preventing some unnecessary accidents, we will be satisfied. A big challenge is, of course, the reduction of the number of road fatalities in the Czech Republic.

The insurance market was significantly affected by legislation: GDPR, IDD and related legislation (Insurance and Reinsurance Distribution Act). The European General Data Protection Regulation entered into force in May 2018. Kooperativa takes the protection of personal data as a matter of course, but based on the GDPR it was necessary to ensure that all processes and documents comply with the new requirements. Everybody who comes in contact with personal data was affected by this, right from IT departments, across sales departments, product-development departments, claims handling centres, to the legal department. The IDD and related legislation focus on customer protection in the field of insurance. They reflect the general trend and the effort to improve customer protection – the Czech Insurance and Reinsurance Distribution Act fulfils this trend. The purpose of the Act is to ensure that clients make informed decisions when concluding insurance policies, based on accurately recorded advice from a genuine expert. Therefore, Kooperativa

Kooperativa – number of clients

2009	2 030 093
2010	2 029 397
2011	2 041 052
2012	2 020 249
2013	2 045 385
2014	2 040 765
2015	2 043 013
2016	2 067 340
2017	2 062 835
2018	2 042 889

Number of employees (actual number at year end)

2009	3 848
2010	3 754
2011	3 775
2012	3 838
2013	3 809
2014	3 715
2015	3 672
2016	3 679
2017	3 873
2018	3 784

significantly modernised the advisory tool for negotiating insurance, known as PRŮVODCE (GUIDE). This tool gives both the insurer and the distributor the assurance that the broker is very effective in identifying the client's needs, is capable of analysing them, and proposes appropriate insurance protection. It provides the certainty for both advisor and client that they got thoroughly acquainted with the conditions of proposed insurance protection and it provides a quality record of the negotiation to both parties, if needed. The GUIDE is an integral part of each distributor's work and it is becoming a part of product strategy in the Czech market – it was one of the significant technological advances of Kooperativa in the last year.

The year 2019 will still be affected by the implementation of the IDD. The IDD will certainly result in a shift towards pure risk life insurance as well as in the pressure on a fair price of the investment part of insurance. However, we expect that insurers will be able to devote less attention to legal regulations and more to business in 2019, and that they will be able to focus on projects which will have a positive impact on clients and which, hopefully, will be appreciated by them.

Subsequent events

The Company's management is not aware of any material subsequent events that have occurred since the annual report date that would have a material impact on this annual report.

Corporate Social Responsibility

» **Corporate Social Responsibility is an integral part of our business. We are aware that our business activities are inherently connected with our surroundings, which we are striving to positively influence by means of our activities. Our employees are our key asset. With their help we can fulfil our corporate social responsibility in charitable and environmental projects, in road safety and prevention, as well as in applying the principles of fair and responsible business. All the above activities are covered by our CSR Strategy approved in September 2018, and as such are subject to detailed mapping in the Sustainability Report (non-financial reporting).** «

Employees

Our goal is to create a modern, inspiring and flexible environment, respecting the work-life balance. We believe that the diversity of our employees creates room for innovations and understanding. We have signed the EU Diversity Charter and have been upholding its principles. We respect equal opportunities and the individual needs of our employees, irrespective of age, gender, health condition, and family situation. We support work from home, flexible working hours, and part time jobs, benefiting in particular women on maternity and parental leave and disabled employees. We take care of our employees' health within the programme “We take care of ourselves”, and we support their personal development by providing them with training, internally organised lectures, and thematic workshops. Diversity is a topic throughout the entire company, from meetings of the club of female managers, to coaching, training and workshops, and personal stories of our employees. For our employees who are parents, we have opened two “baby offices” (all-in-one children's corners and offices).

Road safety

Human lives matter to us. We are an active leader, along with other partners, in supporting the introduction of VISION ZERO principles in the Czech Republic. We have initiated a society-wide discussion about prevention and road safety tools. With this aim, we initiated the establishment of “Platforma VIZE O” in 2018, a non-profit and apolitical platform which brings together entities that can and are willing to help enhance and improve traffic and road safety in all key aspects. VIZE O principles are also reflected in other processes and activities focused on road safety, such as a contest for university students MOJE VIZE NULA (My Vision Zero), education projects for senior citizens “SENIOR BEZ NEHOD” (Seniors without road accidents) or “JEDU S DOBOLU” (I drive with the times), awareness-raising projects “Man vs. road” and “Always wear a bike helmet when cycling”, and an internal campaign “We set an example when driving”. The goal of all these activities is to contribute to a reduction of the number of road injuries and fatalities and increase road safety.

The Environment

We always have ecology and sustainability in mind, in order to ensure a minimal negative impact on our ecosystem. Thanks to digitalisation, electronic communication with our clients, digital signatures, and electronic payments, we are heading towards our goal of paperless conclusion of insurance, thereby not increasing our environmental impact. We support electric mobility and the use of alternative fuels. Our ecological footprint is subject to regular monitoring. We have been implementing arrangements for mitigating our ecological footprint, e.g., by planting a tree-lined avenue at “Na Cimbálku”.

The Kooperativa Foundation (Nadace Kooperativy)

The Kooperativa Foundation provides substantial support to address socially beneficial projects, with the main emphasis on families (support of youth, parents and seniors). We help to change the situations of concrete individuals and their families and support solidarity in society, e.g., through the project “Czech families are alive”. Our employees are motivated to help in communities throughout the Czech Republic, by such means as the popular “Day for better life”, and the projects “Good neighbour” and “Volunteering”. We have enhanced our activities by adding charity breakfasts “SntDEJTE” (Share your breakfast) in 2018. Kooperativa’s Gallery has also seen record numbers of visitors this year.

Part of Vienna Insurance Group Company Profile

» We focus on providing our customers in Austria and CEE with custom products and services tailored to their needs. Our strategy is geared towards long-term profitability and steady earnings growth, making us a reliable partner in rapidly changing times. «

Over 25,000 employees work for the Vienna Insurance Group (VIG), at around 50 companies in 25 countries. We develop insurance solutions in line with personal and local needs, which has made us one of the leaders in the insurance industry in Austria and Central and Eastern Europe (CEE).

Expertise and Stability

The Vienna Insurance Group is an international insurance group headquartered in the Austrian capital. After the fall of the Iron Curtain in 1989, VIG expanded rapidly from a purely Austrian business into an international group. VIG is synonymous with stability and expertise in providing financial protection against risks. The Group’s origins date back to 1824. Almost two centuries of experience, coupled with a focus on our core competence of providing insurance coverage, forms a solid and secure basis for the Group’s 20 million-plus customers.

Focus on Central and Eastern Europe

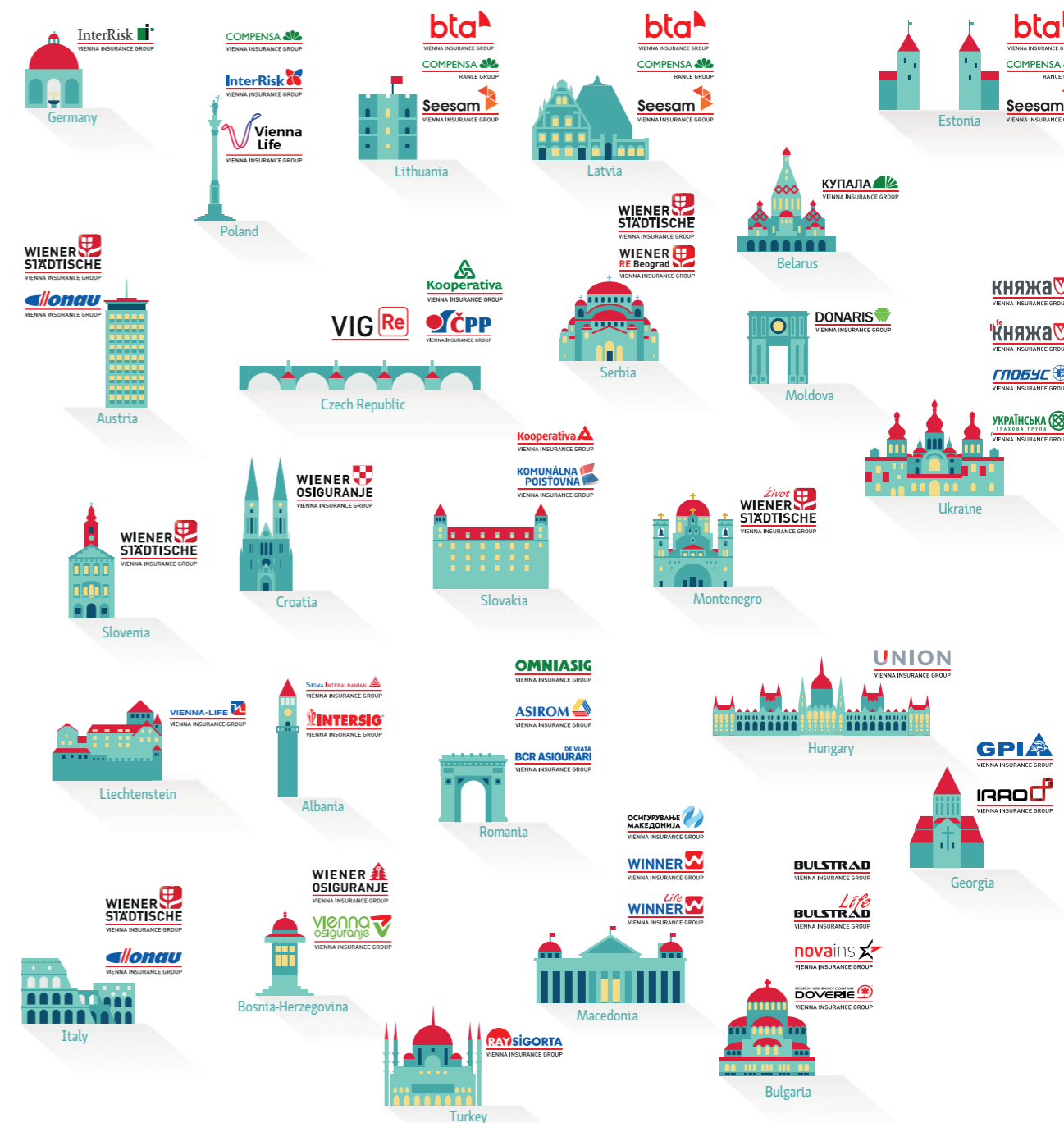
Besides Austria, VIG places a clear emphasis on Central and Eastern Europe as its home market. The Group generates more than half of its premium income in CEE. VIG’s operations are also focused on this region. This primarily reflects the forecasts for economic growth in CEE, which is predicted to be twice as high as in Western Europe, as well as the current level of insurance density, which is still well below the EU average.

Local Market Presence

For VIG, protecting customers financially against risk is a responsibility. The Group pursues a multi-brand strategy based on established local markets as well as local management. Ultimately, the Group’s success and closeness to its customers is down to the strengths of each individual brand and local know-how.

Strong Finances and Credit Rating

VIG has an A+ rating with stable outlook from well-known rating agency Standard & Poor’s, meaning that it remains the top-rated company on the Vienna Stock Exchange’s index of leading shares, the ATX. The Vienna Insurance Group is listed in both Vienna and Prague. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG’s shares. The remaining shares are in free float.



We are the **Number One** in Austria, Central and Eastern Europe.





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

Independent Auditor's Report to the Shareholders of Kooperativa pojišťovna, a.s., Vienna Insurance Group

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kooperativa pojišťovna, a.s., Vienna Insurance Group ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the income statement, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter

We draw attention to Note I.1. of the notes to the financial statements. Kooperativa pojišťovna, a.s., Vienna Insurance Group and Pojišťovna České spořitelny, a.s., Vienna Insurance Group are carrying out a merger by acquisition, with Pojišťovna České spořitelny, a.s., Vienna Insurance Group, the dissolving company, dissolving without liquidation and its assets and liabilities, including rights and obligations from labour law and commercial law relations, passing on to Kooperativa pojišťovna, a.s., Vienna Insurance Group, the successor company. The effective date of the merger is 1 January 2019. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of provision for liabilities arising from the applied technical interest rate

Key audit matter	How the audit matter was addressed
<p>The Company recognises the provision for liabilities arising from the applied technical interest rate of MCZK 2 569 as part of Other technical provisions.</p> <p>We have designated the above issue as a key audit matter as the Company's management makes subjective and comprehensive assumptions and judgments in determining the amount of the provision for liabilities arising from the applied technical interest rate.</p> <p>In testing of the adequacy of liabilities arising from the applied technical interest rate, the Company applies the method of expected discounted cash flows. Liabilities to clients are determined using the best estimates of the future development of entry parameters adjusted by risk and uncertainty surcharges.</p> <p>The used entry parameters mainly represent the expected insurance benefits paid in the event of death or accident based on existing insurance contracts, the expected behaviour of clients in respect of long-term life assurance contracts, expected expense rates, and discount and revenue rates.</p>	<p>Our audit procedures included among others:</p> <p>With the help of our specialists-actuaries, we critically assessed the method of determining the provision for liabilities arising from the applied technical interest rate based on our knowledge, experience and market standards within the insurance sector.</p> <p>We assessed the key assumptions, such as the claim frequency of the relevant insurance portfolio, the expected behaviour of clients in respect of long-term life assurance contracts, the expected cost of administration of insurance contracts, and other financial and non-financial assumptions. We compared the applied assumptions with the analyses provided by the Company, available market data and assumptions applied in past periods.</p> <p>We tested the accuracy of the calculation of the provision for liabilities arising from the applied technical interest rate and critically reviewed the relevant analyses prepared by the Company's management and discussed the significant relevant year-on-year variances from the expected values.</p>



For more information see Notes I.4.(m) and II.9.(d) of the notes to the Company's financial statements.	We also assessed the sufficiency of the data disclosed by the Company in the notes to the financial statements.
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Valuation of intangible assets in life assurance

Key audit matter	How the audit matter was addressed
<p>The Company recognises deferred acquisition costs of MCZK 1 780 and accumulated debt in life assurance of MCZK 2 543 in assets as part of Other temporary assets.</p> <p>We have designated the above issue as a key audit matter as the Company's management makes subjective and comprehensive assumptions and judgments in determining the amount of deferred acquisition costs and accumulated debt in life assurance.</p> <p>The amount of deferred acquisition costs is based on the value of expected future deductions from initial fees from premium income. The Company regularly calculates the recoverable amount of these deferred acquisition costs using actuarial methods and historical data and then compares the recoverable amount with their carrying amount. The recoverable amount is determined based on estimated key parameters, such as the expected lapse rate of the insurance portfolio.</p> <p>The accumulated debt in life assurance is determined using the prospective method, taking into consideration all relevant future cash flows and using assumptions based on historical data about the lapse rate, claim frequency, expenses and other calculation assumptions.</p> <p>For more information see Notes I.4.(f),(g) and II.7. of the notes to the Company's financial statements.</p>	<p>Our audit procedures included among others:</p> <p>Based on our knowledge, experience and market standards within the insurance sector, we critically assessed the method of recognition of both items.</p> <p>We tested the proposal, implementation and operational effectiveness of the system and manual controls of the correct calculation of the acquisition costs. The testing was carried out through inquiries together with observation, inspection and review of the underlying documentation and selected recounts.</p> <p>Further, we involved our specialists-actuaries to assess the applied key assumptions and methods used by the Company in valuing both intangible assets in life assurance and we assessed the accuracy of the calculation. For these purposes we critically assessed the relevant analyses and discussed the relevant year-on-year variances from the expected values. We assessed the key assumptions, such as the expected lapse rate of the existing insurance portfolio, its claim frequency and related expenses and compared these key assumptions with externally available data, our own estimates and assumptions applied in the previous periods.</p> <p>We assessed whether both intangible assets in life assurance are adequately reflected in the liability adequacy test (LAT) which is carried out by the Company to ensure that the amount of</p>



	<p>reported liabilities is adequate or that the amount of recognised insurance liabilities reduced by the relevant intangible assets is sufficient.</p> <p>We carried out analytical procedures in the form of a year-on-year comparison of both intangible assets in life assurance, primarily their amount in terms of the volume of new business and other significant parameters, such as the expected lapse rate of the existing insurance portfolio and the rate used to discount future cash flows.</p> <p>We also assessed the sufficiency of the data concerning both items disclosed by the Company in the notes to the financial statements.</p>
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Valuation of a provision for outstanding claims

Key audit matter	How the audit matter was addressed
<p>The Company recognises a provision to cover insurance claims incurred but not yet reported in the period (IBNR provision) of MCZK 2 610 and a provision to cover insurance claims incurred and reported, but not yet settled (RBNS provision) of MCZK 12 022. Both provisions as a whole form the Company's provision for outstanding claims.</p> <p>We determined the above area to be a key audit matter as the Company makes subjective and complex assumptions and judgements when determining the provision for outstanding claims.</p> <p>When determining the IBNR provision, the Company uses actuarial and statistical methods. For all classes of insurance except for motor third party liability insurance, the Company uses the chain-ladder method based on the amount of paid insurance settlement or the amount of insurance claims incurred.</p>	<p>Among other things, we performed the procedures outlined below to address this key audit matter:</p> <p>We tested the design, implementation and operating effectiveness of system and manual controls over the correct determination of expenses for insurance claims and RBNS provisions. The tests included inquiry in combination with observation and inspection of underlying documentation and selected recalculations.</p> <p>We carried out detailed valuation testing on a sample of selected items of the RBNS provision, discussed their development in time and reconciled information in the accounting records with the underlying data in the Company's systems.</p> <p>With the help of our specialists-actuaries we critically assessed the method for determining the IBNR provision based on our knowledge, experience and</p>



<p>The Company applies Monte Carlo simulations for motor third party liability insurance.</p> <p>Input parameters used in determining the IBNR provision mainly represent information on damage incurred in prior periods, in particular their amount and frequency.</p> <p>For determining the amount of the RBNS provision, the Company estimates total expenses for individual classes of insurance which it subsequently decreases by the estimate of expected salvage values and other similar entitlements of the Company.</p> <p>The provision for outstanding claims includes also an estimate of all related external and internal claims handling cost.</p> <p>Additional information is disclosed in note I.4.(k) and II.9.(b) of the Company's financial statements.</p>	<p>market standards within the insurance sector.</p> <p>When verifying the IBNR provision, we assessed key assumptions such as the characteristics of the insurance portfolio and expected developments in the amount and frequency of future insurance claims. In our analyses, we considered the expected development of expenses for insurance claims with regard to the legislation in force. We compared the assumptions applied by the Company with available market data, own estimates and assumptions applied in prior periods.</p> <p>We tested the correctness of the calculated IBNR provision. We critically reviewed the assumptions applied by the Company's management and discussed significant relevant year-to-year variations from our expected values. We also carried out own independent recalculations of certain parts of the IBNR provisions.</p> <p>As part of testing the provision for outstanding claims we analysed in detail the result of the claim run-off test. Accordingly, we assessed the adequacy of the total provision for outstanding claims and assessed the adequacy of methods applied to determine the provisions.</p> <p>In addition, we assessed the adequacy of the information disclosed by the Company in the notes to financial statements.</p>
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Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially



inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to



those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 27 April 2018 and our uninterrupted engagement has lasted for 6 years.



Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 27 March 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the financial statements or annual report.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Kooperativa pojišťovna, a.s., Vienna Insurance Group as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague
27 March 2019

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

Jindřich Vašina
Jindřich Vašina
Partner
Registration number 2059

Financial Section

The Financial Statement
for the year ended
31 December 2018

Balance sheet – Assets (In thousands of Czech crowns TCZK)

Description	2018 Gross	2018 Adjustment	2018 Net	2017 Net
I. ASSETS				
B. Intangible fixed assets, thereof	1 437 522	1 152 249	285 273	173 869
C. Investments	75 133 020	1 063 452	74 069 568	55 380 177
I. Land and buildings, thereof	2 539 309	1 063 452	1 475 857	1 505 470
1. Land	248 169		248 169	248 169
2. Buildings	2 291 140	1 063 452	1 227 688	1 257 301
a) Investments - self-occupied Land and buildings - self-occupied	2 205 377	1 050 893	1 154 484	1 182 216
II. Investments in affiliated undertakings and participating interests	27 296 367	0	27 296 367	9 128 449
1. Participating interests with controlling influence	26 548 286		26 548 286	8 279 755
2. Debt securities issued by, and loans and credits to, undertakings - controlling influence	673 819		673 819	774 432
3. Participating interests with significant influence	74 262		74 262	74 262
III. Other investments	45 297 344	0	45 297 344	44 746 258
1. Shares and other variable-yield securities, other participating interests	4 880 545		4 880 545	5 357 592
2. Bonds and other fixed-income securities	38 812 520		38 812 520	38 418 936
a) bonds and other fixed-income securities valued at fair value through profit and loss	5 042 871		5 042 871	2 231 583
b) bonds and other fixed-income securities held to maturity	33 769 649		33 769 649	36 187 353
5. Other loans and credits	4 200		4 200	4 200
6. Deposits with financial institutions	1 500 942		1 500 942	900 000
7. Other investments	99 137		99 137	65 530
D. Investments for the benefit of life assurance policyholders who bear the investment risk	4 702 744		4 702 744	4 810 204
E. Debtors	2 734 255	346 095	2 388 160	1 787 015
I. Receivables arising from direct insurance operations	2 409 726	342 925	2 066 801	1 452 931
1. Policyholders	2 394 207	339 037	2 055 170	1 443 897
2. Intermediaries	15 519	3 888	11 631	9 034
II. Receivables arising from reinsurance operations	20 165	0	20 165	5 905
III. Other receivables	304 364	3 170	301 194	328 179

Description	2018 Gross	2018 Adjustment	2018 Net	2017 Net
I. ASSETS				
F. Other assets	3 248 259	585 068	2 663 191	2 462 933
I. Tangible fixed assets other than those listed under "C.I. Land and buildings", and inventories	966 205	585 068	381 137	360 975
II. Cash on accounts in financial institutions and cash in hand	2 282 054	0	2 282 054	2 101 958
IV. Other assets			0	0
G. Temporary asset accounts	5 795 872	0	5 795 872	5 928 076
I. Accrued interest and rent	-1 455		-1 455	-2 589
II. Deferred acquisition costs	2 919 650	0	2 919 650	3 032 259
a) in life-assurance business	1 799 791		1 799 791	1 998 409
b) in non-life insurance	1 119 859		1 119 859	1 033 850
III. Other temporary asset accounts, thereof	2 877 677		2 877 677	2 898 406
TOTAL ASSETS	93 051 672	3 146 864	89 904 808	70 542 274

Balance sheet – Liabilities (In thousands of Czech crowns TCZK)

Description		2018		2017
II. LIABILITIES				
A. Equity		31 074 953		12 523 997
I. Registered capital, thereof		4 302 129		3 000 000
II. Premium		17 003 531		37 875
IV. Other capital funds *		424 165		916 033
V. Reserve fund and other funds from profit		14 124		14 471
VI. Profit or loss brought forward *		6 542 426		6 797 715
VII. Profit or loss for the financial year *		2 788 578		1 757 903
B. Subordinated liabilities		557 001		557 001
C. Technical provisions		43 765 691		44 338 070
1. Provision for unearned premiums				
a) gross amount	6 003 521		5 669 769	
b) reinsurance share (-)	1 277 873	4 725 648	1 059 227	4 610 542
2. Life assurance provision				
a) gross amount	26 624 831		26 933 189	
b) reinsurance share (-)		26 624 831		26 933 189
3. Provision for outstanding claims				
a) gross amount	14 632 246		14 825 404	
b) reinsurance share (-)	5 577 912	9 054 334	5 938 560	8 886 844
4. Provision for bonuses and rebates				
a) gross amount	546 610		495 394	
b) reinsurance share (-)	81 956	464 654	53 540	441 854
6. Other technical provisions				
a) gross amount	2 896 224		3 465 641	
b) reinsurance share (-)		2 896 224		3 465 641
D. Life assurance technical provision where the investment risk is borne by the policyholders		4 702 744		4 810 204
a) gross amount	4 702 744		4 810 204	
b) reinsurance share (-)				

Description		2018		2017
II. LIABILITIES				
E. Provisions		303 269		88 520
1. Provisions for pensions and similar obligations		84 145		85 538
2. Provisions for taxation		200 093		0
3. Other provisions		19 031		2 982
F. Deposits received from reinsurers		3 451 455		3 762 091
G. Creditors		4 268 239		2 881 621
I. Payables arising from direct insurance operations		3 722 945		2 309 571
II. Payables arising from reinsurance operations		5 639		1 808
IV. Amounts owed to credit institutions		247		64
V. Other payables, thereof		539 408		570 178
a) Tax liabilities and payables due to social security and health insurance institutions		150 206		134 548
H. Temporary liability accounts		1 781 456		1 580 770
I. Accrued expenses and deferred revenues		419 555		536 108
II. Other temporary liability accounts, thereof		1 361 901		1 044 662
a) Estimated payables		1 361 901		1 044 662
TOTAL LIABILITIES		89 904 808		70 542 274

* values were adjusted in line with I.5 of the Notes to the financial statements

Income statement

(In thousands of Czech crowns TCZK)

Description	2018 Base	2018 Subtotal	2018 Result	2017 Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	25 686 092	x	x	x
b) outward reinsurance premiums (-)	5 353 044	20 333 048	x	x
c) change in the gross provision for unearned premiums (+/-)	343 692	x	x	x
d) change in the provision for unearned premiums, reinsurance share (+/-)	218 646	125 046	20 208 002	19 394 680
2. Allocated investment return transferred from the non-technical account *	x	x	960 339	931 836
3. Other technical income, net of reinsurance	x	x	253 371	596 589
4. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	14 530 202	x	x	x
bb) reinsurance share (-)	2 522 700	12 007 502	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	-297 420	x	x	x
bb) reinsurance share (-)	-395 877	98 457	12 105 959	12 815 808
5. Changes in other technical provisions, net of reinsurance (+/-)	x	x	-55 551	-103 787
6. Bonuses and rebates, net of reinsurance	x	x	546 132	430 307
7. Net operating expenses:	x	x	x	x
a) acquisition costs	x	4 736 179	x	x
b) change in deferred acquisition costs (+/-)	x	-86 008	x	x
c) administrative expenses	x	762 741	x	x
d) reinsurance commissions and profit participation (-)	x	1 225 472	4 187 440	4 150 713
8. Other technical expenses, net of reinsurance	x	x	2 680 955	2 533 904
10. Sub-total on the technical account for non-life insurance *	x	x	1 956 777	1 096 160
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	x	7 504 917	x	x
b) outward reinsurance premiums (-)	x	895 129	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	x	-9 941	6 619 729	7 027 122
2. Income from investments:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	19 274	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings	9 228	x	x	x
bb) income from other investments	1 128 030	1 137 258	x	x
c) value adjustments on investments	x	1 207	x	x
d) income from disposal of investments *	x	65 763	1 223 502	1 312 052

Description	2018 Base	2018 Subtotal	2018 Result	2017 Result
3. Unrealised gains on investments	x	x	12 094	354 593
4. Other technical income, net of reinsurance	x	x	208 810	376 493
5. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	5 484 344	x	x	x
bb) reinsurance share (-)	339 597	5 144 747	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	104 262	x	x	x
bb) reinsurance share (-)	35 229	69 033	5 213 780	5 480 005
6. Changes in other technical provisions, net of reinsurance (+/-):	x	x	x	x
a) life assurance provisions:	x	x	x	x
aa) gross amount	-308 358	x	x	x
bb) reinsurance share (-)	0	-308 358	x	x
b) other technical provisions, net of reinsurance	x	-621 326	-929 684	594 028
7. Bonuses and rebates, net of reinsurance	x	x	44 440	-22 234
8. Net operating expenses:	x	x	x	x
a) acquisition costs	x	1 658 081	x	x
b) change in deferred acquisition costs (+/-)	x	198 617	x	x
c) administrative expenses	x	238 348	x	x
d) reinsurance commissions and profit participation (-)	x	488 907	1 606 139	1 687 908
9. Expenses connected with investments:	x	x	x	x
a) investment management charges, including interest	x	72 352	x	x
b) value adjustments on investments	x	0	x	x
c) book value of disposed investments *	x	63 984	136 336	254 279
10. Unrealised losses on investments *	x	x	505 587	41 670
11. Other technical expenses, net of reinsurance	x	x	84 544	102 272
12. Allocated investment return transferred to the non-technical account (-)	x	x	0	0
13. Sub-total on the technical account for life assurance *	x	x	1 402 993	932 332

* values of 2017 were adjusted in line with I.5 of the Notes to the financial statements

Income statement

(In thousands of Czech crowns TCZK)

Description	2018 Base	2018 Subtotal	2018 Result	2017 Result
III. NON-TECHNICAL ACCOUNT	x	x	x	x
1. Result of the technical account for non-life insurance*	x	x	1 956 777	1 096 160
2. Result of the technical account for life assurance*	x	x	1 402 993	932 332
3. Income from investments:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	581 457	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings	73 441	x	x	x
bb) income from other investments	672 107	745 548	x	x
c) value adjustments on investments	x	127 720	x	x
d) income from disposal of investments*	x	2 776 024	4 230 749	4 023 754
4. Allocated investment return transferred from the technical account for life-assurance	x	x	0	0
5. Expenses connected with investments:	x	x	x	x
a) investment management charges, including interest	x	487 372	x	x
b) value adjustments on investments	x	17 380	x	x
c) book value of disposed investments*	x	2 765 658	3 270 410	3 091 919
6. Allocated investment return transferred to the technical account for non-life-insurance*	x	x	960 339	931 836
7. Other income	x	x	8 809	19 327
8. Other expenses	x	x	52 874	47 427
9. Income tax on ordinary activities*	x	x	525 487	240 580
10. Profit or loss on ordinary activities after tax*	x	x	2 790 218	1 759 811
11. Extraordinary income	x	x	0	0
12. Extraordinary expenses	x	x	0	0
13. Extraordinary profit or loss	x	x	0	0
14. Income tax on extraordinary activities	x	x	0	0
15. Other taxes not shown under the preceding items	x	x	1 640	1 908
16. Profit or loss for the financial year*	x	x	2 788 578	1 757 903

* values of 2017 were adjusted in line with I.5 of the Notes to the financial statements

Statement of changes in equity

(In thousands of Czech crowns TCZK)

	Registered capital	Own shares	Share premium	Reserve funds	Social and other funds	Capital funds	Changes in valuation	Profit (loss)	Total
Balance at 1.1.2017	3 000 000	0	37 875	0	22 095	792 404	-51 294	8 677 982	12 479 062
FX gains (losses) and changes in valuation not included in the profit and loss statement							174 923		174 923
Net profit/loss for accounting period*)								1 757 903	1 757 903
Dividends								-1 828 493	-1 828 493
Transfers to/from funds					51 774			-51 774	
Reduction of funds					-59 398				-59 398
Balance at 31.12. 2017	3 000 000	0	37 875	0	14 471	792 404	123 629	8 555 618	12 523 997

Balance at 1.1.2018	3 000 000	0	37 875	0	14 471	792 404	123 629	8 555 618	12 523 997
Net profit/loss for accounting period							-491 868	0	-491 868
FX gains (losses) and changes in valuation not included in the profit and loss statement								2 788 578	2 788 578
Dividends								-1 958 145	-1 958 145
Addition to/from funds					55 047			-55 047	0
Reduction of funds					-55 394			0	-55 394
Reduction in registered capital	1 302 129		16 965 656					0	18 267 785
Balance at 31.12. 2018	4 302 129	0	17 003 531	0	14 124	792 404	-368 239	9 331 004	31 074 953

I. General contents

I.1. Description and principal activities

Kooperativa pojišťovna, a.s. Vienna Insurance Group (“the Company”) was incorporated into the Commercial Register on 1 March 1993.

Identification number: 471 16 617.

The Company's shareholders as at 31 December 2018 are:¹

▶ Vienna Insurance Group Ag Wiener Versicherung Gruppe	95.84 %
▶ Česká spořitelna, a.s.	1.59 %
▶ Vltava majetkovosprávní a podílová spol. s r.o.	1.44 %
▶ Svaz českých a moravských výrobních družstev	1.13 %

The Company received a license to carry on insurance activities on 1 March 1993.

The Company provides 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
- ▶ marriage insurance and savings insurance to provide funds to raise children
- ▶ pension insurance
- ▶ insurance connected with an investment fund / Unit-linked insurance
- ▶ accident or sickness insurance as a supplement to the above types of insurance

Non-life insurance

- ▶ accident and sickness insurance
- ▶ motor insurance – motor third-party liability insurance
- ▶ motor insurance – other types
- ▶ property insurance against fire and other damage
- ▶ insurance for aviation, and marine and transportation insurance
- ▶ liability insurance
- ▶ credit and surety insurance
- ▶ insurance for other losses

Registered office of the Company

Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Praha 8

Members of the Board of Directors and Supervisory Board as at 31 December 2018:

Members of the Board of Directors

Chairperson: **Ing. Martin Diviš, MBA**, Praha 6, Divoká Šárka 39/4, Post Code 164 00, Czech Republic

Members: **JUDr. Hana Machačová**, Praha 4, Šeberov, Pod Vší 312, Post Code 149 00, Czech Republic

Jiří Sýkora, bytem Hudlice, Jáchymovská 261, Post Code 267 03, Czech Republic

Mag. Gerhard Lahner, Mistelbach, Gartengasse 21, Post Code 2130, Austria

Mgr. Filip Král, Praha 4, Krč, Hurbanova 2052/25, Post Code 142 00, Czech Republic

Ing. Tomáš Vaníček, MBA, bytem Praha 9, Újezd nad Lesy, Donínská 1778, Post Code 190 16, Czech Republic

Ing. Jaroslav Kulhánek, bytem Roudnička, Zalomená 175/22, Hradec Králové, Post Code 500 02, Czech Republic

Two members of the Board of Directors must always act together in the name of the Company. In order to sign on behalf of the Company, the signatures of the necessary number of authorised persons and their functions are required alongside the printed or written name of the Company. Pursuant to the provisions under Section 164(3) of Act No. 89/2012 Sb., the Civil Code, the person authorised to undertake legal actions towards Company employees is Ing. Martin Diviš, MBA, chair of the Board of Directors.

¹ The percentage represents the share of registered capital including preference shares without voting rights. The share of individual shareholders in the ordinary shares of the Company is as follows: VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Austria – 91.68%; Česká spořitelna, a.s. 3.19 %, VLTAVA majetkovosprávní a podílová spol. s r.o., Prague – 2.88%; Svaz českých a moravských výrobních družstev, Prague – 2.25%.

Members of the Supervisory Board

Chairperson: **Prof. Elisabeth Stadler**, Langenlois, Höllgasse 32, Post Code 3550, Austria

Vice-chair: **Dkfm. Karl Fink**, Wien, Kurzbaugasse 5, Post Code 1020, Austria

JUDr. Rostislav Dvořák, Rantířov 168, Post Code 588 41, Czech Republic

Members: **Ing. Roman Brablec**, Praha 6, Řepy, Španielova 1313/21, Post Code 163 00, Czech Republic

Jan Wiesner, Praha 4, Michle, Podle Kačerova 1330/15, Post Code 141 00, Czech Republic

Ing. Vratislav Kulhánek, Praha 2, Vinohrady, Jana Masaryka 708/12, Post Code 370 06, Czech Republic

Mgr. Martin Laur, Kralupy nad Vltavou, Ladova 587, Post Code 278 01, Czech Republic

Jan Růžička, Praha 5, nám. Pod lípou 6, Post Code 154 00, Czech Republic

Prof. Ing. Eva Ducháčková, CSc., Praha 9, Vinoř, Dubanská 296, Post Code 190 17, Czech Republic

Franz Fuchs, Maria Enzersdorf, Fürstenstrasse 43, Post Code 2344, Austria

Mag. Robert Lasshofer, Vídeň, Roggegasse 54, Post Code 1210, Austria

Ing. Vladimír Mráz, Praha 7, U letenského sadu 1294/6, Post Code 170 00, Czech Republic

The mandates of all members of the Supervisory Board ceased to exist as of 31 December 2018.

The mandates of Supervisory Board members Dkfm. Karl Fink, prof. Ing. Eva Ducháčková, CSc. and Franz Fuchs were not renewed.

New Supervisory Board members joining the Supervisory Board with effect from 1 January 2019:

Mag. Liane Hirner, Vídeň, Argentinierstrasse 11, Post Code 1040, Austria

Mag. Harald Josef Londer, Leopoldsdorf, Feuerwehrstrasse 7, Post Code 2333, Austria

Ing. Tomáš Salomon, Praha 6 – Ruzyň, Alej Českých exulantů 1153/9, Post Code 161 00, Czech Republic

Ing. Vladimír Dlouhý, Praha 5 – Zbraslav, Boženy Hofmeisterové 1430, Post Code 156 00, Czech Republic

Mgr. Šárka Brůnová, Praha 2 – Vinohrady, U Kanálky 1455/12, Post Code 120 00, Czech Republic

Ing. Radmila Dočekalová, Brno – Komín, Jundrovská 1253/23, Post Code 624 00, Czech Republic

Organisational structure and major changes to the organisational structure during the financial year

The Company has the following statutory bodies: General Assembly of the shareholders, Board of Directors, Advisory Committee to the Board of Directors, Supervisory Board and Audit Committee. It also comprises organisational units, i.e. first line departments on the level of its headquarters, centres and agencies.

Based on the resolution of the General Assembly of the shareholders of Kooperativa pojišťovna, a.s. Vienna Insurance Group (hereinafter referred to as “Kooperativa”) dated 16 August 2018, the shareholder structure and the registered capital were changed, as the decision on increase of the register capital of Kooperativa as consideration other than in cash in form of shares of Pojišťovna České spořitelny, a.s., Vienna Insurance Group (herein after referred to as “PČS”) was made. Upon increasing its registered capital, Kooperativa acquired the qualifying participation in PČS, i.e. Kooperativa gained 100% control over PČS. The above transaction was a part of the strategy of the major shareholder of both companies to merge the companies by acquisition with a view to centralizing the insurance services in cooperation with the Erste Bank Group into the largest composite insurer operating in the Czech Republic. The main focus is to provide exhaustive insurance services to clients of Erste Bank Group, keep on strengthening the bancassurance business by cross-selling and last but not least strengthen the synergy effects in insurance companies of VIG Czech Republic. The merger of both insurance companies took effect on 1 January 2019 within the meaning of the Act on Commercial Companies¹ and Cooperatives² Transformations.

I.2. Compliance with legislation

As at the balance sheet date, the Company fully complied with Act No. 277/2009 Coll., on Insurance, as amended (“the Insurance Act”), Act No. 89/2012 Coll., Civil Code, Act No. 170/2018 Coll. on Insurance and Reinsurance Distribution, , Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, as amended (“the Act on Motor Third-Party Liability Insurance”), including 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, with Regulation No. 502/2002 Coll., which implements certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units, which are insurance companies, ("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., as amended, and other relevant legislation. With respect to the amended Regulation 502/2002 Coll. as of 1 January 2018, some accounting policies have seen changes, for detail see I.5; some data for comparable period have been adjusted accordingly.

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 picture of the accounting and financial position of the Company.

The financial statements are based on the assumption that the accounting unit will carry on its activity without any interruption and no events have occurred since which would restrict or prevent the accounting unit from carrying on this activity also in the foreseeable future.

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, also known as minor tangible fixed assets, are subject to write-offs for 3 years. Intangible fixed assets costing less than TCZK 60 are charged to the income statement 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 rate in %
Software	straight-line	25.0
Other intangible fixed assets	straight-line	16.7 - 100.0
Tangible operational fixed assets class I and II	straight-line	16.7 - 25.0
Tangible operational fixed assets class III	straight-line	16.7

(grouped according to material subclasses with the same depreciation rate)

(b) Investments

Land and buildings

Land and buildings are initially recorded at their acquisition cost. Land is not depreciated, while buildings are subsequently depreciated using the straight-line basis over their estimated useful lives. Depreciations and potential impairment are presented in the income statement under investment management charges.

Fixed assets	Method	Depreciation rate in %
4 depreciation group – 30 years – 3.3%	straight-line	3.33
5 depreciation group – 45 years – 2.25%	straight-line	2.25
6 depreciation group – 50 years – 2.00%	straight-line	2.00

Technical appreciations in leased real estate are depreciated on a straight-line basis over the shorter of the lease term and their estimated useful lives.

Investment in affiliated undertakings and 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 significant influence are participations in associates in which the Company exercises significant influence. The Company exercises significant influence if it holds, directly or indirectly, at least 20% of another company's registered capital or voting rights, unless it exercises controlling influence over that company or clearly demonstrates that it is unable to exercise significant influence.

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.

Where debt securities are denominated in a foreign currency, their value is translated based on the current exchange rate published by the Czech National Bank ("CNB"). The appropriate exchange rate difference is recognized in the income statement.

Similarly as for the other assets, as at the balance sheet date the Company assesses whether the participating interests are impaired.

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. It 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 income statement from the date of acquisition to their maturity based on the effective interest rate method.

Amortised debt securities are revalued at their fair value as at the balance sheet date with the exception of debt securities held to maturity.

Fair value means the market value derived from quoted market mid prices declared on the domestic or foreign stock market or on any other public (organised) market. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date) or as close as possible to this day. If there is no available price or if it does not sufficiently represent fair value, fair value is determined based on a qualified estimate. In its models for defining the securities' fair value, the Company uses only available market data. Valuation models take into account the common market conditions as of the valuation day, which may not reflect the market situation before or after this day.

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, and securities held to maturity.

The Company reports bonds held to maturity as at the balance sheet date in amortized cost.

A change in the fair value of debt securities valued through profit and loss is recognised in the income statement and a change in the fair value of securities available for sale is recognised in the balance sheet.

Where debt securities are denominated in a foreign currency, their value is translated based on the current exchange rate published by the Czech National Bank ("CNB"). The appropriate exchange rate difference is recognized in the income statement.

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 value derived from quoted market mid prices declared on the domestic or foreign stock market or on any other public (organised) market. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date) or as close as possible to this day. If there is no available price or if it does not sufficiently represent fair value, fair value is determined based on a qualified estimate. In its models for defining the securities' fair value, the Company uses only the available market data. Valuation models take into account the common market conditions as of the valuation day, which may not reflect the market situation before or after this day.

A change in the fair value of shares available for sale and variable yield securities is recognised in the balance sheet. A change in the fair value of other variable yield securities is recognised in the income statement. 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 fair value.

Deposits with financial institutions

Deposits with financial institutions are initially recognised at nominal value. At the balance sheet date, their nominal value is accrued-interest-adjusted.

Deposits denominated in foreign currency are translated based on the current exchange rate published by CNB and the appropriate exchange rate difference is recognised in the income statement.

Derivatives

Derivatives are valued at fair value. Fair values are obtained from quoted market mid prices, discounted cash-flow models and options pricing models using only observable market data as appropriate. The valuation models reflect current market conditions as at the measurement date, which may not fully represent market conditions either before or after the measurement date. As at the balance sheet date, management reviews its models to ensure that they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

All derivatives are presented under Other investment.

Changes in the fair value of derivatives held for trading are included within the revaluation gains/losses on investments in the income statement.

Hedge derivatives

Hedge derivatives are recognised in the balance sheet in the fair value.

Hedge accounting can be applied, if:

- ▶ the hedging is in line with the company risk management strategy,
- ▶ the hedge relation is subject to formal documentation at the beginning of the hedge transaction,
- ▶ the efficiency of the hedge relation can be objectively measured,
- ▶ the hedge relation is highly efficient in the course of the financial year, i.e. changes in the fair value or in cash flows of hedge instruments matching the hedge risk are in the range of 80 % - 125 % of changes in the fair value or in cash flows of hedge instruments matching the hedge risk.

If the derivative hedges the risk of change in the fair value of assets or liabilities accounted for, the hedged item is also valued at fair value on the grounds of the hedged risk. Gains or losses from such a revaluation of the hedged item and of the hedge derivative are recognised in the income statement.

Company strategy is to hedge the foreign exchange risk of investment tools denominated in other than the domestic currency by means of forward currency contracts (derivatives) or technical provisions maintained in the same currency.

Works of art

Initially and at the balance sheet date, works of art are recorded at their acquisition cost and are classified as fixed assets not subject to write-offs. During the accounting period, the selected works of art are used for investment and reallocated to other investment accounts.

(c) Investments for the benefit of life assurance policyholders bearing the investment risk

Investments for the benefit of life assurance policyholders bearing the investment risk are accounted for separately from other investments.

At the balance sheet date, investments for the benefit of life assurance policyholders bearing the investment risk are revalued at their fair value. In order to preserve a true and fair view of the Company's result for the year, all changes resulting from the revaluation at fair value are recognized in the income statement.

(d) Adjustments

The Company creates adjustments to receivables and other assets except for investment presented at fair value.

Adjustments represent a temporary decrease in value of individual assets. The amount of the decrease is determined based on a professional risk assessment carried out by the management of the Company.

Adjustments to receivables from policyholders are calculated based on an analysis of their recoverability. Adjustments are created generally based on the ageing analyses of the receivables. The risk of non-payment of specific receivables is also reflected.

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

(e) Impairment of assets

At the balance sheet date, the Company assesses whether assets not carried at fair value are impaired. The impairment of an asset is recognised in the income statement.

(f) Deferred acquisition costs

Deferred acquisition costs represent the proportion of acquisition costs incurred during the current financial year relating to the revenues of subsequent financial years.

At the end of each financial year, the Company assesses the adequacy of deferred acquisition costs based on a liability adequacy test for both non-life insurance and life assurance by determining the provision for liabilities arising from the applied technical interest rate in the life insurance.

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 lines of business in non-life insurance.

Life assurance (traditional products)

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.(j).

Unit-linked assurance (life assurance where the investment risk is borne by the policyholder)

Acquisition costs for unit linked life insurance policies are deferred via the direct calculation of the present value of future fees to cover initial costs and costs associated with insurance policy acquisition, which are reimbursed in the monthly fee from the account of the policyholder in the first years of insurance. Costs associated with an increase in premiums for existing insurance policies are included in these costs as well. The resulting value is recognised within deferred acquisition costs.

(g) Accumulated debt

Accumulated debt arises from unit-linked assurance contracts. This receivable due from the policyholders represents an aggregate of costs incurred by the Company in connection with unit-linked assurance contracts that have not been settled by policyholders yet. Any change of the accumulated debt from unit-linked assurance is recognised through the income statement.

At the end of the financial year, the Company assesses the adequacy of the amount of the accumulated debt by determining the provision for liabilities arising from the applied technical interest rate. The life assurance provision is reduced by a respective share of outstanding acquisition costs as well as a respective share of intangible assets and includes a reduction by accumulated debt. The impairment amounted to TCZK 164 400 in 2016, and it is still relevant.

(h) Income tax

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

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial

reporting purposes and the amounts used for taxation purposes and other temporary differences (tax losses carried forward, if any) multiplied by the income tax rates expected to be valid for the periods in which the tax asset/liability is expected to be utilized.

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

(i) Provision for unearned premiums

The provision for unearned premiums comprises the part of gross premiums written of individual life and non-life insurance contracts that is to be allocated to subsequent accounting periods. The Company uses the pro-rata temporis method to estimate the provision.

(j) Life assurance provision

The provision is created with reference to individual life insurance policies. The life assurance provision represents future liabilities calculated with actuarial methods including declared and allocated profit shares 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 policies. 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 take into account the risk of lapses and cancellations.

As a part of the life insurance provision, the risk-related part is created (2018: TCZK 210 000, 2017: TCZK 0), following the persisting market insecurity of how the new regulation in connection with the general trend of strengthening consumer's rights and protection will be interpreted.

(k) Provision for outstanding claims

The provision for outstanding claims is not discounted to reflect the fair value of money (with the exception of the provision for annuities) and covers the following:

- ▶ insurance claims incurred and reported in the accounting period but not yet settled (RBNS);
- ▶ insurance claims incurred in the accounting period but not yet reported (IBNR).

The amount of RBNS provision represents the sum of all amounts calculated for individual claims. The provision for outstanding claims is reduced by an estimate of the value of salvage and subrogation and similar recoveries. In case of litigation, the Company creates a provision in the full amount involved in the suit.

The fair value of the IBNR provision is determined using actuarial methods.

The Company uses the chain-ladder method based on the amount of claims paid or on the amount of incurred claims for all insurance types, except for motor third party liability insurance, for which the provision is determined using the Monte Carlo simulation. The Monte Carlo simulation provides the opportunity to estimate the probability distribution of a liability, especially to predict the different security levels also in form of a split to the risk commencement and underwriting years.

The provision for outstanding claims includes an estimate of all related external and internal claims handling cost.

On an annual basis, the Board of Directors reassesses the adequacy of the reliability level of the estimated provision for outstanding claims in respect of individual groups of insurance in accordance with the accounting rules of the Company.

(l) Provision for bonuses and rebates

A provision for bonuses and rebates is created in accordance with insurance policies.

Changes in the provision for bonuses and rebates are presented in the income statement under Bonuses and rebates.

(m) Other technical provisions

Provision for liabilities arising from the applied technical interest rate

As at the balance sheet date, the Company calculates the value of the provision for liabilities arising from the applied technical interest rate to determine a sufficient amount of life assurance provision that will meet its liabilities arising

from concluded insurance contracts. At the same time, the Company takes into account current estimates of the parameters when assessing the amount of liabilities accepted.

In determining the provision for liabilities arising from the applied technical interest rate, the minimum value of insurance liabilities is calculated (using the best estimate of the future development of input assumptions adjusted by an adverse development risk margin). In order to improve the financial basis and to mitigate any accounting discrepancies in the determination of the minimum value of liabilities for all life assurance products other than any unit-linked products, the not yet recorded revenues on held-to-maturity assets to cover life assurance provisions are taken into account. The Company compares the minimum value of insurance liabilities with the total sum of life assurance provisions, provisions for unearned premiums, life assurance provisions where the investment risk is borne by the policyholder, provisions for outstanding claims, non-life insurance provisions if established by the life assurance section of the Company, and provisions for bonuses and rebates (the total sum of the above provisions is below referred to as the "life assurance provisions") reduced by the respective unamortised deferred acquisition costs and other related corresponding intangible assets (e.g. accumulated debt). Where the minimum value of insurance liabilities exceeds the life assurance provision reduced by the respective outstanding acquisition costs and by the respective intangible assets, the provision for liabilities arising from the applied technical interest rate and other calculation parameters established by the Company will amount to the difference between the minimum value of insurance liabilities and the life assurance provision reduced by the respective outstanding acquisition costs and by the respective intangible assets.

The change in this provision is presented under II.6.b) in the income statement.

Provision for liabilities of the Bureau

This provision represents an additional motor third party liability ("MTPL") provision created by the Company to cover a proportion of the liabilities of the Czech Insurers' Bureau (the "Bureau") resulting mainly from a deficit of assets to cover the liabilities of the Bureau and to contribute to the Bureau's guarantee fund and it is created using information known as at the balance sheet date. The provision changes proportionally based upon the Company's share of the MTPL market and the estimated deficit of the Bureau.

Provision for credit risk from intermediaries

With respect to the amended Act on Insurance Intermediaries in 2016), which introduces five-year claw-back period, during which the intermediary is liable for concluded insurance policy with their commissions, the provision for credit risk from intermediaries is created. The provision reflects the risk that the intermediary will not refund the unearned commission due to their bankruptcy.

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

The life assurance provision where the investment risk is borne by policyholders is intended to cover the liabilities of the Company towards policyholders and insured persons in those lines of the life assurance business where, based on an insurance policy, the investment risk is borne by policyholders.

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. When life assurance with the investment risk borne by policyholders also includes the payment of a guaranteed amount, this liability is included within the life assurance provision.

(o) Reinsurance share on technical provisions

Technical provisions are presented as a net liability, i.e. after the deduction of the reinsurance 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 reinsurance share on the provision for unearned premiums, the provision for outstanding claims and the provision for bonuses and rebates. The reinsurer does not participate in the other technical provisions.

(p) Provisions

Provisions are intended to cover payables or expenses that are clearly defined and whose occurrence is either probable or certain but whose amount or timing are uncertain.

Provision for taxes

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

Employee Benefits Provision

At the balance sheet date, the provision includes the earned part of employee benefits due to departing employees. The applied actuarial methods include a valorisation according to the expected increase in wages and the probability of survival and leaving a function. A risk-free interest rate adjusted by risk and insecurity margins is used.

Restructuring provision

The provision was created on bases of the restructuring programme, subject to approval by the Board of Directors. Apart from the project of the merger with PČS, other transformation projects are comprised in the programme. The provision was created only for costs directly related to the restructuring, which complies with the Section 16 (4) of the Regulation No. 500/2002 Coll.

(q) Gross premiums written

Gross premiums written comprise all amounts written for the insurance period at the date when the insurance coverage starts (also already paid in the case of unit-linked assurance) 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.

The Company carries out the legal insurance of an employer's liability in compliance with Act No. 125/1993 Coll. Any collected premium from this type of insurance is classified as gross premiums written.

(r) Claims paid

Claims paid (including claims in compliance with Act No. 125/1993 Coll.) are recognised when an insured loss is agreed and after the amount of claims settlement has been assessed. These costs also include the Company's costs related to the handling of claims arising from insured events. Gross claims expenses are reduced by recourse claims and other claims of the Company.

(s) Acquisition costs

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

(t) Staff costs, pensions and social fund

On behalf of its employees, the Company contributes to a defined contribution pension plan and a capital life insurance scheme. These contributions are accounted for directly as personnel expenses.

The Company creates a social fund to finance the social needs of its employees and employee programmes. In compliance with Czech accounting requirements, the allocation to the social fund is not recognised in the income statement but as a profit distribution. Similarly, the usage of the social fund is not recognised in the income statement but as a decrease of the fund. The social fund forms a component of equity and is not shown as a liability.

(u) Loss prevention fund

Under Section 23a (2) of the amendment to Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, which came into effect on 1 January 2015, the Insurance Company is obliged to pay at least 3% of annual premiums collected for motor third-party liability insurance for each calendar year to a Loss Prevention Fund.

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

In order to account for items common to both life assurance and non-life insurance, the Company uses a method in

compliance with Regulation No. 502/2002 Coll. Under this method, individual items are grouped according to the class of insurance to which they relate. For items that cannot be allocated directly, the Company uses a method based on an internal analysis of labour absorption and other internally determined allocation keys.

Expenses and income from investments

Expenses and income from investments that are directly related to life assurance activities are recorded in the technical account for life assurance.

Other expenses and income from investments that are not related to life assurance activities are recorded initially in the non-technical account and subsequently transferred to the technical account for non-life insurance.

Other expenses and income

During the financial year, clearly attributable expenses and income are accounted for directly in the relevant technical account for life assurance or non-life insurance or the non-technical account. Expenses and income that cannot be directly attributed are recorded primarily in the non-technical account and subsequently allocated to the technical account for life assurance or non-life insurance and the relevant technical account of acquisition costs, claim handling costs and investment costs, if applicable.

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

(w) Foreign currency translation

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

At the balance sheet date, foreign currency assets and liabilities are translated at the CNB official rate on that date.

Unless stated otherwise, foreign currency gains and losses are recognized in the income statement.

(x) Consolidation

Pursuant to Section 38 of the Regulation No. 502/2002 Coll., the financial statements of the Company have been included in the consolidated financial statements of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe with its registered office in Austria, prepared in compliance with International Financial Reporting Standards. The consolidated financial statements of the parent Company will be published in accordance with Sections 22aa (2c) and 21a of the Act on Accounting.

I. 5. Changes and deviations from accounting policies and procedures

As of 1 January 2018 the Company adjusted the way how selected investments are accounted for to comply with the amended Regulation No. 502/2002 Coll., as mentioned under I.3.

A change in the fair value of securities available for sale was recognised in the income statement till the end of 2017. Starting from 2018, all securities available for sale are revaluated through the balance sheet in the equity under Valuation differences in Other Capital Funds.

As the amendment does not comprise exact interim provisions, the Company conducted all changes retrospectively in accordance with generally accepted accounting principles as follows:

31/12/ 2017	As previously reported	Adjustments	As restated
Liabilities	70 542 274	0	70 542 274
A.IV. Other capital funds	792 404	123 629	916 033
A.VI. Retained earnings from previous years or accumulated losses from previous years	6 746 421	51 294	6 797 715
A.VII. Profit or loss for the financial year	1 932 826	- 174 923	1 757 903

31/12/ 2017	As previously reported	Adjustments	As restated
I. Technical account for non-life insurance			
2. Allocated investment return transferred from the non-technical account	1 171 003	-239 167	931 836
10. Sub-total on the technical account for non-life insurance	1 335 327	-239 167	1 096 160
II. Technical account for life assurance			
2. d) income from disposal of investments	1 326 728	-14 676	1 312 052
9. c) book value of disposed investments	254 502	-223	254 279
10. Unrealised losses on investments	79 336	-37 666	41 670
13. Sub-total on the technical account for life assurance	909 119	23 213	932 332
III. Non-technical account			
1. Result of the technical account for non-life insurance	1 335 327	-239 167	1 096 160
2. Result of the technical account for life assurance	909 119	23 213	932 332
3. d) income from disposal of investments	4 327 983	-304 229	4 023 754
5. c) book value of disposed investments	3 156 980	-65 061	3 091 919
6. Allocated investment return transferred to the technical account for non-life-insurance	1 171 003	-239 167	931 836
9. Income tax on ordinary activities	281 612	-41 031	240 580
10. Profit or loss on ordinary activities after tax	1 934 734	-174 923	1 759 811
16. Profit or loss for the financial year	1 932 826	-174 923	1 757 903

There were no other changes of accounting policies and procedures in the Company in 2018. No deviations from the above policies and procedures were applied during the financial year and there were no corrections of prior period accounting errors.

I. 6. Risk management

The financial condition and operating results of the Company are affected by a number of key risks, namely, market risk, credit risk, liquidity risk, insurance risk, operational risk, compliance risk, and solvency. The Company's policies and procedures in respect of managing these risks are set out below.

(a) Strategy in using financial instruments

The nature of the Company's operations involves the managed acceptance of risks arising from the underwriting of policies that incorporate financial guarantees and commitments. To mitigate the risk that these guarantees and commitments are not met the Company purchases financial instruments that in their nature and term broadly match the expected policy benefits payable.

The composition of the portfolio of investments is governed by the nature of the insurance liabilities, the expected rate of return applicable to each class of asset and the capital available to meet the price fluctuations of each asset class.

The Company also utilises various financial instruments to mitigate foreign currency and interest rate risk or, conversely, to maximise the return from investments.

(b) Market risk

The Company is exposed to market risks. Market risks arise from trading positions in interest rates, currency and equity instruments and properties, all of which are exposed to common and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Board of Directors sets the strategy for the portfolio characteristics and the limits on the level of risk that may be accepted, monitored on a daily basis. Investments are invested by observing the prudent investment principle in accordance with currently valid Czech insurance legislation. Limits are set on individual financial investments while counterpart risks are respected.

However, this approach does not prevent losses outside of these limits due to more significant market movements. In the case of assets of unit-linked assurance, the market risk is fully borne by the policyholder.

(c) Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Such changes may result in both growth and decrease of the investment return. As a part of its investment strategy, the Company insulates itself from possible losses by controlling its rate of return that cannot decrease below the level of a technical interest rate. Based on a cash-flow-based analysis and analysis of income, the Company creates a portfolio of securities in such a manner that their value and structure is in line with the value and structure of liabilities, where applicable.

(d) Currency risk

Company assets and liabilities are denominated primarily in domestic currency. The Company ensures that its net exposure against currency risk is kept at acceptable level. Currency risk is also limited by using financial derivatives.

(e) Credit risk

The Company is exposed to credit risk that arises from the counterparty failing to pay the amounts due in full. Commercial and personal insurance is written primarily through intermediaries who are subject to rigorous monthly checks of information on unearned commissions, to mitigate the associated credit risk of dealing with these intermediaries.

The Company uses reinsurance in managing insurance risk. However, this does not discharge the Company from its liability as primary insurer, as if a reinsurer for whatever reason fails to pay a claim, the Company remains liable for the payment to the policyholder. The Company periodically monitors the creditworthiness of reinsurers. Reinsurers are selected from an internal list, which is issued and regularly updated by a special VIG-level working group. The Company determines the maximum acceptable cession limits for individual reinsurers based on the type of business and type of reinsurance policy.

Reinsurers are split into two general groups by the type of business. For each of the groups there is a mandatory condition of inclusion on a valuation list by reputable rating agencies with at least a minimal required rating level. Participation by reinsurers not included in the list can exceptionally be approved by the above-mentioned working group or by the management of the Company, based on the importance of the relevant situation.

When deciding on the structure of investments, the Company assesses the creditworthiness of counterparties or issuers, which is also subject to subsequent regular review. The Company sets maximum limits for individual types of financial instruments and counterparties.

The Company monitors regularly, i.e. on monthly basis, the level of premium receivables.

(f) Liquidity risk

The Company is exposed to daily calls on its available cash resources from insurance claims, commissions, maturing policies and policy surrenders. Liquidity risk means the risk that payment of obligations may not be met on time and at a reasonable cost.

Therefore the Company maintains a sufficient portion of its investments in liquid and secure financial instruments, which are used to cover insurance claims, commissions, maturities and surrenders.

The Company evaluates its cash flows on a daily basis and performs an analysis at regular weekly meetings.

(g) Insurance risk

Insurance risk is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk includes the following risks:

- ▶ occurrence risk – the possibility that the number of insured events will differ from the expected number;
- ▶ severity risk – the possibility that the costs of the events will differ from the expected costs;
- ▶ provision risk/ timing – the possibility that changes may occur in the amount of an insurer's obligation at the end of a policy period.

The Company manages insurance risk through the following in particular:

- ▶ the use of reinsurance to limit the Company's exposure to large single claims and catastrophes;
- ▶ the maintenance and use of management information systems that provide up to date, reliable data on the risks to which the business is exposed;
- ▶ the use of prudent underwriting contracts;
- ▶ proper reserving, including regular review of adequacy of technical provisions.

The Company reinsurance programme consists mainly of proportionate reinsurance (quota/surplus reinsurance) combined with excess of loss reinsurance.

(h) Operational risk

For the purpose of its governance and to insulate itself from operational risk incidents, the Company developed, maintains and enhances the internal control system. Corresponding control mechanisms were defined and set up within this system, which help to mitigate the residual risk. In order to identify, monitor and control operational risk, incl. discussion of operational risk incidents, the Company established the Sub-Committee for Operational Risks, which provides regular reporting on Company's current exposition for the Risk Management Committee and proposes to the Board of Directors other possibilities of how to threat the operational risk, when necessary

The risks have been assessed within the Risk Inventory Process and the Internal Control System. As its part, the employees of all departments identify all risks their departments are exposed to; these risks are described qualitatively, as for their severity and frequency, and they are matched with control mechanisms to mitigate these risks. The output of the process is the Risk and Control Matrix (RCM). The Section for Non-Financial Risks provides methodological guidance to 1st-line divisions. It conducts an independent control activity within the second line of defence and utilises the advisory committees above to report on the state of operational risk management in the company.

(i) Compliance risk

Compliance risk means the risk of legal and regulatory sanctions, financial or reputational loss the Company may suffer as a consequence of failing to meet legal and regulatory requirements, rules related to standards of the Company and the Group VIG and Code of Ethics of the Czech Insurance Association. Compliance risk is a sub-category of operational risk. These sanctions and other consequences may adversely affect Company's financial stability. Thus, an uninterrupted compliance risk management is one of essential obligations of the Company.

The Company has to have the governance system in place for compliance risk management, which ensures that:

- a) legal and regulatory changes are monitored,
- b) legal and regulatory changes are reflected in Company's internal regulation,
- c) the compliance between the performance of activities and internal and legal regulation is subsequently reviewed,
- d) mutual compliance among internal regulation is monitored.

Compliance Function of the Company provides continuous monitoring of upcoming legal regulation (new legal regulation, changes/amendments to existing legal regulation) and case law, incl. regulatory requirements of supervisory authority, and assesses their impacts on Company's business. For this purpose, Compliance Information on upcoming changes has been compiled at least 12-times a year, or more often, according to current needs.

In line with the Group Compliance Policy, the Compliance Report (summary of compliance activities for previous calendar year), Compliance Plan (summary of planned compliance activities for following year), Compliance Risk Inventory Report (summary of outcomes of Compliance Risk Analysis) have been regularly submitted to the Board of Directors.

(j) Solvency

In relation to the regulatory framework of Solvency II directive coming in force, the regulatory authority has set a solvency capital requirement in the interest of the policyholders in order to guarantee the Company's ability to cover future insurance settlements. Own funds are the surplus of the value of insurer's assets over the value of its liabilities reduced by the value of the expected dividend and increased by the value of the subordinated liabilities where each

calculation item is to be determined in compliance with the applicable rules. Own funds must exceed the solvency capital requirement throughout the year.

II. Additional disclosures in respect of the balance sheet

II.1. Intangible fixed assets

Intangible fixed assets of the Company as at 31 December 2018 comprise the following items:

	Software	Other	Celkem
intangible fixed assets	Total	399 401	1 275 334
Acquisition cost at 1/1/2018	875 933	399 401	1 275 334
Additions	163 874	21 602	185 476
Disposals	22 935	353	23 288
Acquisition cost at 31/12/2018	1 016 872	420 650	1 437 522
Accumulated depreciation at 1/1/2018	713 222	388 243	1 101 465
Depreciation	67 968	5 690	73 658
Disposals	22 874		22 874
Accumulated depreciation at 31/12/2018	758 316	393 933	1 152 249
Net book value at 1/1/2018	162 711	11 158	173 869
Net book value at 31/12/2018	258 556	26 717	285 273

II. 2. Investment

(a) Land and buildings (real estate)

2018	Operating land	Operating buildings	Non-operating land	Non operating buildings	Total
Acquisition cost as at 1/1/2018	219 264	2 185 083	28 905	85 763	2 519 015
Additions	0	20 334	0	0	20 334
Disposals	0	40	0	0	40
Acquisition cost as at 31/12/2018	219 264	2 205 377	28 905	85 763	2 539 309
Accumulated depreciation at 1/1/2018	0	1 002 867	0	10 678	1 013 545
Depreciation expense	0	48 026	0	1 881	49 907
Accumulated depreciation as at 31/12/2018	0	1 050 893	0	12 559	1 063 452
Net book value at 1/1/2018	219 264	1 182 216	28 905	75 085	1 505 470
Net book value at 31/12/2018	219 264	1 154 484	28 905	73 204	1 475 857

Fair value	Operating land	Operating buildings	Non-operating land	Non operating buildings	Total
2018	254 645	1 423 875	32 409	68 351	1 779 280
2017	256 782	1 426 875	32 808	69 264	1 785 728

(b) Investment affiliated undertakings and participating interests**Participating interests with controlling influence**

2018	Share on registered capital in %	Book value	Acquisition costs	Fair value	Total Registered capital	Total Equity	Profit or loss for the financial year
AB Modřice, a.s.*	100	10 000	10 000	9 848	10 000	9 848	-152
CP Solutions a.s.*	100	399 033	399 034	403 991	2 000	403 991	1 530
KIP, a.s.	100	182 219	182 219	235 147	179 877	235 147	10 758
Main Point Karlín II., a.s.*	100	10 000	10 000	9 513	10 000	9 513	-487
SURPMO, a.s.**	100	2 664	2 664	16 730	2 000	16 730	2 943
S-budovy, a.s.	100	45 710	45 710	75 878	70 000	75 878	110
Benefita, a.s.	100	17 000	17 000	33 833	12 665	33 833	20 896
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group***	100	3 696 340	3 696 340	3 696 340	1 000 000	2 666 816	478 268
Global Expert, s.r.o.	70	140	140	7 058	200	10 083	2 945
KAPITOL pojišťovací a finanční poradenství, a.s.***	70	203 745	203 745	203 745	20 000	84 117	831
AIS Servis, s.r.o.***	70	108 175	108 175	108 175	7 400	59 688	8 373
VIG ND, a. s.*	88,29	2 098 829	2 430 899	2 090 578	2 391 000	2 367 869	23 544
VIG RE zajišťovna, a. s.*	10	315 130	315 130	434 462	3 150 000	4 344 618	535 389
Pojišťovna České spořitelny, a.s., Vienna Insurance Group****	100	18 769 592	18 769 592	19 229 252	1 900 100	3 859 896	1 128 339
VIG FUND, a.s.*	14,16	689 709	712 937	754 542	4 406	5 027 180	232 425
Total	N/A	26 548 286	26 903 585	27 309 092	N/A	N/A	N/A

* data are based on the unaudited financial statements as at 31 December 2018

** On 28 March 2018 the following was entered into the Commercial Register: „The assets of the dissolving entity SURPMO, a.s., registered office Praha 1, Opletalova 1626/36, Post Code 110 00, company identification no. 45274886, incorporated in Commercial Register maintained by the Municipal Court in Prague, file no. B 1598 were transferred to the company of S - správa nemovitostí, a.s. as the surviving entity on the day of entry of the merger by acquisition into the Commercial Register. The effective date was 1 January 2018.“

On 29 March 2018 the company of S-správa nemovitostí, a.s. was renamed SURPMO, a.s.

*** fair value cannot be defined objectively, therefore fair value equals acquisition costs, data are based on the unaudited financial statements as at 31 December 2018, except for the company of AIS Servis, s.r.o. (data as of 31.12.2018 are audited)

**** Within the Merger Project between Kooperativa pojišťovna, a.s., Vienna Insurance Group (hereinafter referred to as Kooperativa) and Pojišťovna České spořitelny, a.s., Vienna Insurance Group (hereinafter referred to as PČS), with the effective date of the merger 1 January 2019, the registered capital of Kooperativa was increased in 2018 in form of consideration other than in cash, i.e. shares of PČS. Kooperativa was 100 % shareholder of PČS pursuant to the state as of 31 December 2018, see also Chapter II.

The above companies in which the Company's share in registered capital does not exceed 50% are considered parties controlled by concerted practises between other VIG companies

2017	Share on registered capital in %	Book value	Acquisition cost	Fair value	Total Registered capital	Total Equity	Profit or loss for the financial year
AB Modřice, a.s.*	100	10 000	10 000	9 948	10 000	9 948	-52
CP Solutions a.s.	100	399 033	399 033	402 461	2 000	402 461	3 581
KIP, a.s.	100	182 219	182 219	236 259	179 877	236 259	7 599
Main Point Karlín II., a.s.*	100	10 000	10 000	9 948	10 000	9 948	-52
SURPMO, a.s.	100	1 358	1 358	2 808	2 079	2 808	252
S-budovy, a.s.	100	45 710	45 710	76 469	70 000	76 469	794
S-správa nemovitostí, a.s.	100	1 306	1 306	14 893	2 000	14 893	4 378
Benefita, a.s.	100	17 000	17 000	15 237	12 665	15 237	2 341
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group***	100	3 696 340	3 696 340	3 696 340	1 000 000	2 602 212	485 978
Global Expert, s.r.o.****	70	140	140	13 252	200	18 931	12 057
KAPITOL pojišťovací a finanční poradenství, a.s.***	70	203 745	203 745	203 745	20 000	83 497	1 570
AIS Servis, s.r.o.***	70	108 175	108 175	108 175	7 400	52 765	9 343
VIG ND, a. s.	88,29	2 098 831	2 430 899	2 098 070	2 391 000	2 376 355	32 043
VIG RE zajišťovna, a.s.	10	315 130	315 130	438 506	3 239 749	4 331 942	520 939
Pojišťovna České spořitelny, a.s., Vienna Insurance Group***	5	501 296	501 296	501 296	1 900 100	4 060 289	1 088 574
VIG FUND, a.s.	16,7	689 472	712 700	711 846	3 703	4 026 994	170 837
Total	N/A	8 279 755	8 635 051	8 539 253	N/A	N/A	N/A

* data are based on the unaudited financial statements as at 31 December 2017

*** fair value cannot be defined objectively, therefore fair value equals acquisition costs

**** The Company sold 30% of its share in the company of Global Expert, s.r.o. to its subsidiary company of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group with effect from 11 December 2017

The above companies in which the Company's share in registered capital does not exceed 50% are considered parties controlled by concerted practises between other VIG companies.

Participating interests with significant influence

2018	Share on registered capital in %	Acquisition cost	Fair value	Total Registered capital	Total Equity	Profit or loss for the financial year
GLOBAL ASSISTANCE a.s.	40	74 262	74 262*	10 000	117 493	52 340
Total	N/A	74 262	74 262	N/A	N/A	N/A

* fair value cannot be defined objectively, therefore the participations are reported in acquisition costs.

2017	Share on registered capital in %	Acquisition cost	Fair value	Total Registered capital	Total Equity	Profit or loss for the financial year
GLOBAL ASSISTANCE a.s.	40	74 262	74 262*	10 000	106 885	49 096
Total	N/A	74 262	74 262	N/A	N/A	N/A

* fair value cannot be defined objectively, therefore the participations are reported in acquisition costs.

Debt securities issued by enterprises, where the accounting unit exercises controlling or significant influence and loans and credits

	Fair value		Amortized value		Acquisition cost	
	2018	2017	2018	2017	2018	2017
Granted loans (controlled persons)	673 819	774 432	673 819	774 432	669 390	768 506
Total	673 819	774 432	673 819	774 432	669 390	768 506

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

	2018	2017
Shares and other variable-yield securities, other participating interests valued at fair value through profit and loss	82 062	75 902
Shares and other variable-yield securities, other participating interests	4 798 483	5 281 690
Total	4 880 545	5 357 592

Analysis of Shares and other variable-yield securities, other participating interests valued at fair value through profit and loss

	Fair value		Acquisition cost	
	2018	2017	2018	2017
Other				
- Unlisted	82 062	75 902	86 708	73 500
Total	82 062	75 902	86 708	73 500

Analysis of Shares and other variable-yield securities, other participating interests

	Fair value		Acquisition cost	
	2018	2017	2018	2017
Other				
Listed on a recognized CR exchange	42 240	49 668	32 209	32 209
Listed elsewhere	1 862 324	2 066 164	1 951 174	1 945 896
Unlisted	2 893 919	3 165 858	3 261 227	3 314 723
Total	4 798 483	5 281 690	5 244 610	5 292 828

(d) Debt securities valued at fair value

	2018	2017
Debt securities available for sale	5 042 871	2 231 583
Total	5 042 871	2 231 583

Analysis of debt securities available for sale

	Fair value		Acquisition cost	
	2018	2017	2018	2017
Issued by financial institutions				
Listed on a recognized CR exchange	250 348	251 430	249 202	249 201
Listed elsewhere	502 947	508 940	503 782	503 782
Unlisted	99 370	97 784	102 100	102 100
Issued by non-financial institutions				
Listed on a recognized CR exchange	182 438	112 659	178 930	109 805
Listed elsewhere	225 651	227 563	231 076	231 076
Issued by government sector				
Listed on a recognized CR exchange	2 885 172	102 577	2 793 195	103 879
Listed elsewhere	25 039	26 351	29 848	29 848
Other				
Listed on a recognized CR exchange	449 331	466 238	492 776	499 460
Listed elsewhere	422 575	438 041	419 336	426 862
Total	5 042 871	2 231 583	5 000 245	2 256 013

(e) Securities held to maturity**Classification of debt securities held to maturity**

	2018	2017
Securities held to maturity	33 769 649	36 187 353
Total	33 769 649	36 187 353

Analysis of securities held to maturity

	Fair value		Amortized value		Acquisition cost	
	2018	2017	2018	2017	2018	2017
Issued by financial institutions						
Listed elsewhere	304 652	321 817	272 607	272 599	269 907	269 907
Issued by non-financial institutions						
Listed elsewhere	54 396	88 598	52 656	83 440	52 650	83 850
Issued by government sector						
Listed on a recognized CR exchange	34 409 911	38 468 100	31 638 722	33 993 162	31 052 923	33 449 194
Other						
Listed on a recognized CR exchange	1 852 606	1 912 065	1 805 664	1 838 152	1 914 668	1 914 668
Unlisted						
Total debt securities held to maturity	36 621 565	40 790 580	33 769 649	36 187 353	33 290 148	35 717 619

(f) Deposits with financial institutions

	Fair value		Acquisition costs	
	2018	2017	2018	2017
Due up to 1 year	1 500 942	900 000	1 500 000	900 000
Total	1 500 942	900 000	1 500 000	900 000

(g) Other investments

	Nominal value/ Acquisition costs		Fair value	
	2018	2017	2018	2017
Forwards	1 706 396	1 631 460	28 077	-5 530
Works of art	71 060	71 060	263 182	150 200
Total	N/A	N/A	291 259	144 670

All hedge derivatives used in the Company are foreign currency derivatives. Their fair value changes are based on the development of foreign exchange rates of USD and EUR to CZK from currency hedge.

II. 3. Investments for the benefit of life assurance policyholders bearing the investment risk

Description	Fair value	
	2018	2017
Shares and other variable-yield securities	4 702 744	4 810 204
Total	4 702 744	4 810 204

II. 4. Currency structure of the investments

2018	Variable-yield securities	Fixed income securities	Deposits and another investment	Securities where the investment risk is borne by the policyholders
	2018	2018	2018	2018
CZK	2 938 547	38 637 001	29 686 794	3 082 951
EUR	324 968	133 414	689 709	1 619 793
GBP	31 986	0	0	0
USD	1 585 044	0	0	0
PLN	0	42 105	0	0
Total	4 880 545	38 812 520	30 376 503	4 702 744

2017	Variable-yield securities	Fixed income securities	Deposits and another investment	Securities where the investment risk is borne by the policyholders
	2017	2017	2017	2017
CZK	3 230 101	38 229 983	10 914 177	3 198 803
EUR	425 388	137 801	689 472	1 611 401
GBP	35 813	0	0	0
USD	1 666 290	0	0	0
PLN	0	51 152	0	0
Total	5 357 592	38 418 936	11 603 649	4 810 204

II. 5. Receivables

As at 31 December 2018	Receivables from policy holders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	410 814	1 610	20 165	301 194	733 783
Overdue	1 983 393	13 909	0	3 170	2 000 472
Total	2 394 207	15 519	20 165	304 364	2 734 255
Adjustment	- 339 037	- 3 888	0	- 3 170	- 346 095
Total net	2 055 170	11 631	20 165	301 194	2 388 160

As at 31 December 2017	Receivables from policy holders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	194 340	2 614	5 905	328 179	531 038
Overdue	1 675 691	11 192	0	3 182	1 690 065
Total	1 870 031	13 806	5 905	331 361	2 221 103
Adjustment	- 426 134	- 4 772	0	- 3 182	- 434 088
Total net	1 443 897	9 034	5 905	328 179	1 787 015

No overdue receivables more than 5 years were recorded both in 2018 and 2017.

Other receivables

	2018	2017
Inter-company receivables	23 853	57 379
Deferred tax assets	104 880	21 082
Income tax prepayments	0	143 776
Other provided prepayments	172 271	101 917
Other receivables	190	4 025
Total other receivables	301 194	328 179

Income tax prepayments are balanced with the provision for income tax, recognized under Tax provision in 2018. Income tax prepayments were higher than the Tax provision in 2017.

Other provided prepayments increased as a consequence of prepayments to software service providers.

II. 6. Other assets

Tangible fixed assets

	Total
Acquisition cost as at 1/1/2018	913 932
Additions	129 210
Disposals	76 937
Acquisition cost as at 31/12/2018	966 205
Accumulated depreciation at 1/1/2018	552 957
Depreciation expense	106 734
Disposals	74 623
Accumulated depreciation as at 31/12/2018	585 068
Net book value at 1/1/2018	360 975
Net book value as at 31/12/2018	381 137

II. 7. Temporary asset accounts

Deferred acquisition costs for life assurance policies	2018	2017
Life insurance (traditional)	52 932	24 015
Unit-linked assurance	1 746 859	1 974 394
Total	1 799 791	1 998 409

Other temporary assets accounts	2018	2017
Reinsurance estimated receivables	205 615	313 812
Other estimated receivables	2 563	52 658
Accumulated debt	2 543 275	2 438 612
Other	126 224	93 324
Total	2 877 677	2 898 406

Estimated receivables arising from reinsurance operations

The Company discloses under estimated receivables arising from reinsurance operations an estimate of the appropriate profit commission from the reinsurers' share in the estimated written premiums disclosed above and the not-yet-agreed receivables due from reinsurers for the fourth quarter.

II. 8. Equity

(a) Registered capital

Issue	Nominal value	Number of securities	Total volume
Ordinary shares of CZK 94 100 fully paid	94,1	1	94
Ordinary shares of CZK 29 500 fully paid	29,5	1	30
Ordinary shares of CZK 29 000 fully paid	29	1	29
Ordinary shares of CZK 76 400 fully paid	76,4	1	76
Ordinary shares of CZK 100 000 fully paid	100	21 509	2 150 900
Preference shares of CZK 100 000 fully paid	100	21 510	2 151 000
Total			4 302 129

The amount of registered capital complies with the requirements of the Insurance Act, with regard to the insurance classes in which the Company is authorized to carry on insurance activities. The reason for the change in the register capital is described in more detail in Chapter I. 1.

(b) Other capital funds

Other capital funds comprise shareholder's add-on and result of previous mergers and valuation differences from securities available for sale.

	2018	2017
Balance as at 1/1	916 033	741 110
Change of real investment value	-607 244	215 954
Change of deferred tax	115 376	-41 031
Balance as at 31/12	424 165	916 033

(c) Planned distribution of current period profit

Profit from the current period

Transfer to social fund	58 155
Transfer from retained earnings - use	791 095
Dividend payment	1 939 328
Total	2 788 578

II. 9. Technical provisions

(a) Provision for unearned premiums (gross)

	2018	2017
Non-life insurance	5 823 335	5 479 643
Life assurance	180 186	190 126
Total	6 003 521	5 669 769

(b) Provision for outstanding claims

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

	2018	2017
RBNS	12 022 152	12 411 116
IBNR	2 610 094	2 414 288
Total	14 632 246	14 825 404

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2017, the claims payments during 2018 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2018.

The gross amount of the result is disclosed in the following overview:

Class of insurance	2018	2017
Motor third party liability insurance	708 527	1 098 612
Motor insurance – other classes	73 660	- 53 954
Insurance for fire and other damage to property	- 37 419	- 89 865
Liability insurance	138 755	308 640
Other	26 807	370 720
Total	910 330	1 634 153

Provision for outstanding claims paid in the form of annuities

The gross provision for outstanding claims from motor third party liability insurance paid in the form of annuities arising from reported claims after discounting is TCZK 2 514 774 (2016: TCZK 2 681 816), discounting effect of TCZK 929 127 (2017: 701 019 tis. Kč) and applies only to these liabilities.

The Company used a wage valorisation rate and a disability pension valorisation rate according to the Bureau methodology as at 14 May 2018 to calculate the provision for outstanding claims paid in the form of annuities in respect of liability insurance/statutory motor third party liability insurance for the subsequent years. The provision was further discounted at 1.5 %, (2017: 1%). Method, rates and criteria applied to estimate the remaining period for compensation payments follows the up-to-date Calculation tool for reserving of annuities by the Bureau.

(c) Provision for bonuses and rebates (gross)

Class of insurance	2018	2017
Non-life insurance	247 710	240 661
Life assurance	298 900	254 733
Total	546 610	495 394

(d) Other technical provisions (gross)

	Opening balance	Additions	Utilisation	Closing balance
Provision for liabilities arising from the applied technical interest rate	3 082 901	0	514 297	2 568 604
Non-life insurance provision	1 603	0	231	1 372
Provision for liabilities of the Bureau	351 828	18 469	73 788	296 509
Provision for credit risk	29 309	430	0	29 739
Total	3 465 641	18 899	588 316	2 896 224

Provision for liabilities arising from the applied technical interest rate

Overview	2018	2017
Annuities insurance	2 420 541	2 939 183
Deposit insurance	148 063	143 718
Total	2 568 604	3 082 901

II. 10. Provisions

Type of provision	Opening balance	Additions	Utilisation	Closing balance
Provision for pensions and similar liabilities	85 538	0	1 393	84 145
Tax provisions	0	200 093	0	200 093
Other provision	2 982	16 049	0	19 031
Total	88 520	216 142	1 393	303 269

Tax provision was reduced by income tax prepayments amounting to TCZK 288 423 (2017: TCZK 381 893). Restructuring provision amounting to TCZK 16 050 (2017: TCZK 0) is a part of Other provisions.

II. 11. Payables**(a) Subordinated liabilities**

The subordinated debt that is specified as a policy for an indefinite period with a 5-year cancellation period. Principal of the subordinated debt as at 31 December 2018 was TCZK 550 000 (2017: TCZK 550 000) and related interest was TCZK 7 001 (2017: TCZK 7 001).

(b) Creditors

As at 31 December 2018	Payables to policy holders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Total	3 621 470	101 475	5 639	539 655	4 268 239

As at 31 December 2017	Payables to policy holders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Total	2 181 959	127 612	1 808	570 242	2 881 621

Year-on-year change of Payables to policy holders is on the one hand a consequence of the change of financial statements' preparatory process, resulting in higher payables from not allocated payments of policy holders and, on the other hand because of a higher payables to state budget pursuant to the Regulation 125/1993 Coll.

Other payables represents social security and health insurance liabilities, tax liabilities, payables to employees and to providers. All liabilities are short term.

(c) Social security and health insurance liabilities

Liabilities in respect of social security and health insurance total TCZK 74 865 (2017: TCZK 71 736), thereof TCZK 49 262 (2017: TCZK 46 768) relates to social security and TCZK 25 603 (2017: TCZK 24 968) relates to health insurance. None of these liabilities are overdue

(d) Tax liabilities

Tax liabilities amount to TCZK 75 341 (2017: TCZK 62 812). None of these liabilities are overdue.

(e) Receivables and payables due to or from the reinsurer

The Company has net receivables and payables from reinsurers of TCZK 14 526 (2017: TCZK 4 097).

II. 12. Temporary liability accounts

	2018	2017
Prepaid premium	192 574	349 816
Accrual of reinsurance premium	206 524	182 974
Commissions estimated payables	241 092	134 197
Reinsurance estimated payables	648 776	502 228
Administration costs estimated payables	461 350	397 408
Estimated payables to Loss Prevention Fund	10 683	10 829
Other	20 457	3 318
Total	1 781 456	1 580 770

II. 13. Inter-company receivables and payables

Receivables	2018	2017
Receivables from reinsurance	4 646 150	5 021 655
Other receivables	756 955	858 544
Total receivables	5 403 105	5 880 199

Payables	2018	2017
Payables from reinsurance	3 614 275	4 096 207
Subordinated debt	557 001	557 001
Other payables	105 298	468 512
Total payables	4 276 574	5 121 720

Reinsurance receivables include reinsurance assets of TCZK 4 544 681 (2017: TCZK 4 925 956). Payables from reinsurance include reinsurance deposits of TCZK 3 451 455 (2017: TCZK 3 762 091).

III. Additional disclosures in respect of the income statement**III. 1. Non-life insurance**

Non-life insurance for 2018 and 2017 divided by classes of insurance:

	Insurance class	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsurance balance
Direct insurance						
Accident and sickness	1,2					
2018		183 442	184 752	86 887	49 753	3 076
2017		188 812	191 966	81 670	50 435	7 582
Motor insurance – other classes	3,4,5,6					
2018		4 525 300	4 469 648	3 126 844	1 227 327	33 868
2017		4 597 086	4 521 305	3 592 715	1 227 966	26 041
Insurance against fire and other damage to property	7,8,9					
2018		6 390 851	6 128 479	2 113 861	1 733 291	1 312 655
2017		6 004 207	5 927 171	2 900 630	1 603 832	944 238
Motor – third party liability insurance	10					
2018		4 538 391	4 468 022	2 625 766	1 230 877	241 738
2017		4 595 396	4 539 024	2 478 866	1 227 513	430 150
Liability insurance	11-18					
2018		2 960 183	2 970 519	1 833 562	802 844	183 753
2017		2 858 289	2 809 089	1 675 817	763 501	372 132
Employer's liability insurance						
2018		6 718 991	6 718 991	4 162 471	268 760	0
2017		6 107 332	6 107 332	4 077 640	244 293	0
Reinsurance accepted						
2018		368 934	401 989	283 392	100 060	-21 403
2017		569 891	570 212	319 608	152 228	16 348
Total						
2018		25 686 092	25 342 400	14 232 783	5 412 912	1 753 687
2017		24 921 013	24 666 099	15 126 946	5 269 768	1 796 491

III. 2. Life assurance

Gross premiums written in life assurance:

	2018	2017
Individual premium	7 465 262	7 892 703
Premiums under group contracts	39 655	28 211
Total	7 504 917	7 920 914
Regular premium	6 553 517	6 665 164
Single premium	951 400	1 255 750
Total	7 504 917	7 920 914
Premiums from non-profit-sharing contracts	57 246	42 608
Premiums from profit-sharing contracts	1 649 042	1 706 960
Premiums from policies where the investment risk is borne by policyholders	5 798 629	6 171 346
Total	7 504 917	7 920 914
Reinsurance balance	-31 396	-31 599

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

Gross written premiums, both life and non-life, predominantly arise from insurance policies 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 policies which were or will be disbursed:

	2018	2017
Gross		
Non-life insurance	574 548	475 042
Life assurance	44 440	-22 234
Total gross amount	618 988	452 808
Reinsurers' share (non-life insurance)	-28 416	-44 735
Total net amount	590 572	408 073

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

	2018			2017		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions						
Initial	1 501 395	1 053 002	2 554 397	1 505 225	1 122 098	2 627 323
Following	1 378 666	0	1 378 666	1 363 594	0	1 363 594
Total commissions	2 880 061	1 053 002	3 933 063	2 868 819	1 122 098	3 990 917
Other acquisition costs	1 856 118	605 079	2 461 197	1 723 676	523 477	2 247 153
Change in deferred acquisition costs	-86 008	198 617	112 609	-63 788	337 160	273 372
Total commissions and other acquisition costs	4 650 171	1 856 698	6 506 869	4 528 707	1 982 735	6 511 442

Následné provize se vyplácí za péči o klienta a mají tedy charakter provize udržovací. Ostatní pořizovací náklady obsahují zejména náklady na mzdy, propagaci, reklamu a další administrativní náklady spojené se vznikem pojistných smluv.

III. 6. Administrative expenses

	2018	2017
Personnel costs (payroll, social security, health ins.)	1 147 525	1 072 135
IT costs incl. IT assets write-offs	480 089	368 362
Costs related to building operation	233 278	232 861
Communication (phone + postage)	58 566	54 859
Other services	47 029	8 505
Costs of Company vehicles incl. write-offs	15 802	15 415
Material	10 485	10 979
Insurance	20 283	20 450
Bank fees	25 685	24 869
Consultancy	73 387	84 582
Representation and gifts	44 190	45 332
Write-offs of other assets	4 355	11 697
Education	12 897	16 300
Travel costs	9 963	11 593
Outsourcing	-169 011	-149 524
Other financial costs	9 516	8 392
Other	18 494	-904
Total administrative expenses	2 042 533	1 835 903
Reallocation to acquisition costs	-428 893	-329 532
Reallocation to claims handling costs	-557 607	-513 440
Reallocation to investment costs	-54 944	-29 312
Total administrative expenses	1 001 089	963 619

III. 7. Other technical expenses and income

	2018	2017
Non-life insurance		
Other technical expenses	2 680 955	2 533 904
Other technical income	-253 371	-596 589
Balance – non-life insurance (+ expenses/- income)	2 427 584	1 937 315
Life assurance		
Other technical expenses	84 544	102 272
Other technical income	-208 810	-376 493
Balance – life assurance (+ expenses/- income)	-124 266	-274 221

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

	2018	2017
Addition (+)/Utilisation (-) of adjustments for receivables	-42 958	-32 650
Write-offs (+)/payments after write-offs (-) to receivables	91 712	63 433
Mandatory liability insurance – contribution to national budget	2 329 082	1 785 398
Exchange rate loss (+)/profit (-)	-15 648	-7 505
Contribution to Loss Prevention Fund	134 890	187 596
Delegated claims	-27 064	-21 790
Other	-42 430	-37 167
Balance of other technical expenses and income	2 427 584	1 937 315

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

	2018	2017
Addition (+)/Utilisation (-) of adjustments for receivables	-45 023	-39 563
Write-offs (+)/payments after write-offs (-) to receivables	51 028	42 386
Accumulated debt	-104 663	-254 674
Exchange rate loss (+)/profit (-)	-4 594	-2 018
Other	-21 014	-20 352
Balance of other technical expenses and income	-124 266	-274 221

Reinsurer does not participate in other technical expenses and income of the Company.

III. 8. Other expenses and income

	2018	2017
Non-technical account		
Other expenses	52 874	47 427
Other income	-8 809	-19 327
Balance of other expenses and income (- expenses/ + income)	44 065	28 100

Balance of other expenses and income comprises the following items:

	2018	2017
Creation (+)/Release (-) of adjustments for receivables	-1 406	3 445
Write-offs (+)/payments after write-offs (-) to receivables	0	26
Mandatory liability insurance	2 454	2 932
Cooperation with Česká spořitelna Financial Group	-3 470	-8 881
Contributions to Bureau	19 925	25 707
External advisory expenses	16 050	0
Other	10 512	4 871
Balance of other expenses and income	44 065	28 100

The development of other expenses and income has been primarily influenced by the change of the volume of provided financial intermediation services.

III. 9. Employees and executives

The average number of employees and executives and remuneration for 2018 and 2017 are as follows:

2018	Average number of employees	Total payroll expense	Social and health insurance	Thereof other expense
Employees	3 728	1 441 863	438 769	142 596
Executives	30	538 431	133 650	0
Total	3 758	1 980 294	572 419	142 596

2017	Average number of employees	Total payroll expense	Social and health insurance	Thereof other expense
Employees	3 690	1 240 988	384 717	136 585
Executives	31	554 431	136 942	0
Total	3 721	1 795 419	521 659	136 585

Personnel expenses (payroll, social security and health insurance, other expenses) of administration employees are disclosed in administrative expenses.

Personnel expenses of employees concluding insurance are disclosed in acquisition costs, totalling TCZK 1 405 188 in 2018 (2017: TCZK 1 244 943).

(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 2018 and 2017:

	2018	2017
Members of the Board of Directors	53 094	63 029
Members of the Supervisory Board	6 304	6 737
Total remuneration paid	59 398	69 766

(b) Statutory, Executive and Supervisory Board members' loans, other receivables and advances

As at 31 December 2018 and 2017, the Company had no receivables from the Board of Directors or the Supervisory Board related to provided loans and advances.

(c) Information on remuneration for statutory auditors

The information relating to the fees paid and payable for services performed by the audit company is included in the consolidated financial statements of the parent company VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe. The non-audit services provided by the auditor to the Company and its controlled entities in the course of 2018 amounted to TCZK 662, particularly tax advisory, expert trainings, client database analyses and other verification services.

III. 10. Income from investment transfer between technical account for non-life insurance and non-technical account

As at the balance sheet date, the total amount of investment return allocated between the technical account for non-life insurance and the non-technical account by means of the method stated in note I4.(v) amounted to TCZK 960 339 (2017: TCZK 931 836).

11. Result of non-technical account

The result of the non-technical account before tax as at 31 December 2018 amounted to TCZK – 45 065 (2017: TCZK – 28 101).

III. 12. Profit before tax

The result before tax as at 31 December 2018 amounted to TCZK 3 315 705 (2017: TCZK 2 000 391).

III. 13. Taxation**(a) Income tax in the income statement**

	2018	2017
Current tax expense	492 257	242 762
Deferred tax expense	-8 410	51 371
Current tax expense – AFS current tax correction	39 988	-41 031
Other	1 652	-12 521
Total income tax charge	525 487	240 580

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

	2018	2017
Temporary differences from intangible assets	3 239	42 111
Adjustments and provisions	145 623	87 062
Depreciation of assets	-119 370	-108 091
Valuation differences from revaluation of assets and liabilities	86 377	-28 999
Adjustment of tax correction due on the grounds of change of policy	-10 989	28 999
Deferred tax asset/liability	104 880	21 082

The current tax rate for the particular period in which tax liability or tax receivable will be asserted, i.e. 19%, was applied for the calculation of the deferred tax.

The change in the net deferred tax asset can be analysed as follows:

	2018	2017
Net deferred tax asset as at 1 January	21 082	72 453
Deferred tax expense recognised on temporary differences	8 410	-51 371
Valuation differences from revaluation of assets and liabilities	115 376	-41 031
Adjustment of tax correction due on the grounds of change of policy	-39 988	41 031
Net deferred tax asset as at 31 December	104 880	21 082

IV. Other disclosures

IV.1. Contingent liabilities

Other significant facts

(a) Co-insurance

The Company is the leading co-insurer in several coinsurance contracts in respect of which claims of a material amount have been reported as at the end of the accounting period.

The Company considers it improbable that the beneficiary will file a claim against the Company as the leading co-insurer, and has therefore established a provision for outstanding claims only in the amount of its share.

(b) Membership in the Czech Bureau of Insurers (the Bureau)

As a member of the Bureau, the Company is obliged to guarantee the liabilities of the Bureau pursuant to the Act on Motor Third Party Liability Insurance. The Company contributes to the guarantee fund and creates a provision for liabilities of the Bureau. The amount of the contribution and the provision for liabilities of the Bureau are determined by actuarial methods.

If, due to insolvency, any of the members of the Bureau become unable to meet their obligations arising from statutory motor third-party liability insurance, the Company may become liable to make additional contributions to the guarantee fund.

(c) Membership of the Czech Nuclear Pool

As a member of the Czech Nuclear Pool, the Company, under a joint and several liability agreement, has assumed a liability in proportion to the Company's net retention for the given policy should one or more members of the Czech Nuclear Pool become unable to fulfil their obligation. The potential total contingent liability of the Company including joint and several liability is contractually limited to double the retention for the specific insured risk.

(d) Office building

The Company has signed a lease agreement with VIG ND, a.s., and is letting offices at the Main Point Karlín building for 20 years, starting with 1 January 2012.

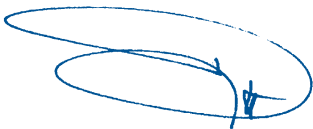
(e) Contingent liabilities

As at the date of preparation of financial statements, the management of the Company was not aware of any other significant commitments and potential future liabilities.

IV.2 Subsequent events

The Company's management is not aware of any material subsequent events that have occurred since the balance sheet date that would have a material impact on these financial statements, apart of mentioned in paragraph I.1.

In Prague, 4 April 2019



Ing. Martin Diviš, MBA
Chairman of the Board of Directors



Mag. Gerhard Lahner
Member of the Board of Directors

Organisational Chart

2018

Organisational Chart

– as of March 1, 2019

Board of Directors

Ing. Martin Diviš, MBA
Chairman of the Board

Mag. Gerhard Lahner
Member

Ing. Jaroslav Kulhánek
Member

JUDr. Hana Macháčová
Member

Mgr. Filip Král
Member

Mgr. Martin Laur
Member of the Extended Board

Jiří Sýkora
Member

Ing. Tomáš Vaníček
Member

Ing. Mgr. Judita Říhová
Member of the Extended Board

Supervisory Board

Prof. Elisabeth Stadler
Chairman of the Supervisory Board

Ing. Vladimír Dlouhý, CSc.
Member

Mag. Robert Lasshofer
Member

Ing. Roman Brablec
Member

Mgr. Martin Laur
Member

Ing. Vladimír Mráz
Vice-Chairman

Mag. Liane Hirner
Member

Mag. Harald Josef Londer
Member

Ing. Tomáš Salomon
Member

Ing. Radmila Dočekalová
Member

JUDr. Rostislav Dvořák
Vice-Chairman

Dr. Ing. Vratislav Kulhánek
Member

Jan Wiesner
Member

Mgr. Šárka Brůnová
Member

Jan Růžička
Member

Agencies

Prague Agency
Ing. Ivo Sebera, MBA

West Bohemia Agency
Ing. Ctirad Vavříčka

South Moravia Agency
Ing. Milan Gregor

Central Bohemia Agency
PhDr. Roman Leština, MBA

North Bohemia Agency
Ing. Roman Kracík, MBA

North Moravia Agency
Ing. Daniel Pražan

South Bohemia and Vysocina Agency
Jiří Vančura

East Bohemia Agency
Bc. Roman Hojný, MBA

Centres

Claims Adjustment- Property And Liability Centre

Ing. Miroslav Novák

Liability Centre Personal Lines Insurance

Ing. Petr Kohoutek, MBA

Claims Adjustment - Motor Vehicles Centre

Ing. Jiří Cita

Insurance Contract Administration Centre

Ing. Radmila Dočekalová

Insurance Of Liability For Occupational Injuries Centre

JUDr. Irena Macháčová

Customer Support Centre

Ing. Tomáš Szewieczek

Divisions

General Administration Division

Mgr. Ing. Klára Belušová

HR Management Division

Mgr. Šárka Brůnová

Commercial Risk Insurance Division

JUDr. Petr Suchánek, Ph.D.

Investment and Asset Management Division

Ing. Luďek Marek

IT Division

Bc. Dušan Drdla

Internal Audit Division

Ing. Filip Holý, Ph.D.

Reinsurance Division

Ing. Roman Brablec

Legal Division and Compliance

Mgr. Martin Laur

Motor Vehicle Insurance Division

Ing. Aleš Zethner, MBA

Property and Liability Insurance Division

Ing. Radek Starosta

Economic Division

Ing. Mgr. Judita Říhová

Sales Support Division

Ing. Eva Poláchová

Marketing and Product Development Division

Ing. Jindřich Skrip

Internal Trade Management Division

Ing. Zuzana Trejdlová

External Trade Management Division

Ing. Jaroslav Martinec

Personal Lines Insurance Division

Ing. Ondřej Poul, Ph.D.

Risk Management Division

Mgr. Jan Šváb, Ph.D.

Controlling and Planning Division

Ing. Martina Janurová

Division Of Insurance Mathematics

RNDr. Vladimíra Unzeitigová, Ph.D.

Data and Analytics Sector

Ing. Ivan Janovskij

Project Part. Offices and Transformation Management

Ing. Michal Urbánek

Protective Division

Zdeněk Macháček, MBA

Division Of Actuarial Function and Balance Analysis

Ing. Mgr. Ondřej Martinek

Division Of Development and Management for Flexi Sales and Banking Insurance

Ing. Petr Procházka, MBA

Division Of Banking Insurance

Mgr. Blanka Kolářová, MBA

Division Of External Network Flexi

Ing. Libor Mánek, MBA

Division Of Flexi Business Support and Development and Banking Insurance

Ing. Irena Rohlová, MBA

Division Of Regional Support Flexi and Banking Insurance

Ing. Adam Bouška

Addresses of the Organisation's Units

The Company's business network is managed through eight regional agencies. Kooperativa provides its services to clients from more than three hundred offices and retail locations located throughout the country. Insurance from Kooperativa can also be purchased through the branch offices of the Česká Spořitelna bank.

as of March 1, 2019

Head Office

Pobřežní 665/21
186 00 Praha 8
☎ 956 421 111

Commercial Risk Insurance Division

Pobřežní 665/21
186 00 Praha 8
☎ 956 421 111

Property and Liability Insurance Division

Pobřežní 665/21
186 00 Praha 8
☎ 956 421 111

Motor Vehicle Insurance Division

Pobřežní 665/21
186 00 Praha 8
☎ 956 421 111

Personal Line Insurance Division

Pobřežní 665/21
186 00 Praha 8
☎ 956 421 111

Bancassurance Division

Pobřežní 665/21
186 00 Praha 8
☎ 956 421 111

Centre of Occupational Injury Liability Insurance

Rašínova 692/4
602 00 Brno
☎ 545 556 241

Customer Support Centre

Brněnská 634
664 42 Modřice
☎ 545 434 002

Claims Adjustment Centre – Property and Liability

Rumunská 655/9
460 01 Liberec 4
☎ 485 218 801

Claims Adjustment Centre – Motor Vehicles

Sámova 664/8
101 00 Praha 10
☎ 272 112 111

Centre of Insurance Contract Administration

Brněnská 634
664 42 Modřice
☎ 545 434 004

Prague Agency

Vinohradská 1425/72
130 00 Praha 3
☎ 251 016 103

Central Bohemia Agency

Prosecká 855/68
190 00 Praha 9
☎ 956 426 070

North Bohemia Agency

nám. Dr. E. Beneše 25
460 01 Liberec 1
☎ 485 258 111

South Bohemia and Vysočina Agency

Zátkovo nábřeží 441/3
370 21 České Budějovice
☎ 386 791 111

West Bohemia Agency

Zahradní 2574/3
326 00 Plzeň
☎ 377 417 111

East Bohemia Agency

tř. Míru 94
530 02 Pardubice
☎ 956 427 200

North Moravia Agency

Zámecká 1240/19
702 00 Ostrava
☎ 596 279 811

South Moravia Agency

Nádražní 163/14
602 00 Brno
☎ 543 534 111

Report of the Board of Directors

on Relations between Related Parties prepared pursuant to Section 82 of Act No. 90/2012 Coll., on business corporations, as amended.

I. Structure of Relations

Kooperativa pojišťovna, a.s., Vienna Insurance Group, having its registered office at Pobřežní 665/21, 186 00 Prague 8, ID No.: 47116617, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, entry 1897 (hereinafter referred to as "Kooperativa") is the controlled entity.

The controlling entity is VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, a corporation having its registered office at Schottenring 30, Vienna 1010, Austria, registered in the Commercial Register maintained by the Commercial Court in Vienna, Section FN, entry 75687 F (hereinafter referred to as "VIG AG").

II. Role of the Company in the Group

VIG AG is the controlling entity in the Vienna Insurance Group (hereinafter referred to as "VIG Group"), having the legal form of a joint-stock company.

As part of the VIG Group, Kooperativa engages primarily in insurance activities pursuant to Act No. 277/2009 Coll., on the Insurance Business, and in activities directly related to insurance.

III. Manner and Means of Control

VIG AG holds Kooperativa shares in the aggregate nominal value of 95.84% of its registered capital, whereby it fully controls Kooperativa, in particular by making decisions at the General Meeting.

Other subsidiaries are listed in the enclosed list (hereinafter referred to as "VIG Group Companies").

IV. Overview of Mutual Agreements Between Kooperativa and VIG Group Companies

AB Modřice, a.s.

- ▶ Contract between Kooperativa and AB Modřice, a.s. on cost sharing

AIS Servis, s.r.o.

- ▶ Insurance contract between Kooperativa and AIS Servis, s.r.o. on insurance of property and liability risks.
- ▶ Insurance contracts between Kooperativa and AIS Servis, s.r.o. on life assurance.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. on cooperation.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. on maintenance.
- ▶ Contracts between Kooperativa and AIS Servis, s.r.o. for work.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. on sub-lease.
- ▶ General contract between Kooperativa and AIS Servis, s.r.o. on the provision of consulting.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. on the transfer of rights and obligations from AIS Software to AIS Servis.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. on maintenance, on technical support and SW development.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. for work – training in the Golem and SAP systems.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. on the provision of services in the integration of the Golem/SAP operational systems.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. on the lease of non-residential premises.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. on a loan.
- ▶ Confidentiality agreement between Kooperativa and AIS Servis, s.r.o.
- ▶ A letter of intent between Kooperativa and AIS Servis, s.r.o.
- ▶ Contract between Kooperativa and AIS Servis, s.r.o. on cost sharing.

Anděl Investment Praha s.r.o.

- ▶ Insurance contracts between Kooperativa and Anděl Investment Praha s.r.o. on insurance of property and liability risks.

Benefita, a.s.

- ▶ Contracts between Kooperativa and Benefita, a.s. on insurance of property and liability risks.
- ▶ Contracts between Kooperativa and Benefita, a.s. on life assurance.
- ▶ Contracts between Kooperativa and Benefita, a.s. on the lease of non-residential premises for business use.
- ▶ Contract between Kooperativa and Benefita, a.s. on cost sharing.
- ▶ Contract between Kooperativa and Benefita, a.s. on exclusive sales representation in insurance brokerage.
- ▶ Contract between Kooperativa and Benefita, a.s. on cooperation – regulation of mutual rights and obligations of the insurance company and the employer.
- ▶ Contract between Kooperativa and Benefita, a.s. on cooperation – provision support for the sale of insurance products of Kooperativa pojišťovna, a.s., Vienna Insurance Group.
- ▶ Agreements between Kooperativa and Benefita, a.s., amending a contract on sales representation – sales activities.
- ▶ Contract between Kooperativa and Benefita, a.s. on sub-lease of parking spots.
- ▶ Contracts between Kooperativa and Benefita, a.s. on sub-lease of premises – offices.
- ▶ Contracts between Kooperativa and Benefita, a.s., on the transfer of insurance contracts and the assumption of other rights and obligations.
- ▶ Agreements between Kooperativa and Benefita, a.s. on an extraordinary commission.
- ▶ Contract between Kooperativa and Benefita, a.s. on borrowing mPos terminals.

CP Solutions a.s.

- ▶ Contract between Kooperativa and CP Solutions a.s. on the provision of software user rights and related services.
- ▶ Contract between Kooperativa and CP Solutions a.s. on the provision of a voluntary additional financial payment outside of registered capital.
- ▶ Contract between Kooperativa and CP Solutions a.s. on the lease of premises.
- ▶ Contract between Kooperativa and CP Solutions a.s. on a loan.
- ▶ Contract between Kooperativa and CP Solutions a.s. on cost sharing.

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group

- ▶ Contracts between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on reinsurance of property and liability risk insurance.
- ▶ Contracts between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on insurance of property and liability risks.
- ▶ Contracts for the co-insurance or reinsurance share of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group in insurance contracts led by Kooperativa.
- ▶ Group contract between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on comprehensive car fleet insurance.
- ▶ Contract between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on exclusive sales representation.
- ▶ Agreement between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on an extraordinary commission for CS financial products.
- ▶ Contracts between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on the lease and sublease of non-residential premises.
- ▶ Agreement between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on intra-company cooperation.
- ▶ Contract between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on cost sharing.
- ▶ Insurance contracts between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on managerial life assurance.
- ▶ Agreement between Kooperativa and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group on personal data processing.

ČPP Servis, s.r.o.

- ▶ Contract between Kooperativa and ČPP Servis, s.r.o. on cost sharing.

DONARIS Vienna Insurance Group

- ▶ Insurance contract for property and liability risks with the provision of active reinsurance protection.

GLOBAL ASSISTANCE a.s.

- ▶ Insurance contracts between Kooperativa and GLOBAL ASSISTANCE a.s. on insurance of property and liability risks.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on the provision of assistance services in the field of insurance of medical expenses abroad.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on data and personal data protection.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation in the sphere of the provision of medical assistance services.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on the provision of assistance services in the sphere of travel insurance.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation in providing assistance services for cars.
- ▶ Contracts between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation in providing assistance services – at-home assistance (House Line).
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation in providing assistance services – travel expenses abroad.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation in providing assistance services for cars – technical assistance.
- ▶ General contract between Kooperativa and GLOBAL ASSISTANCE a.s. on legal protection insurance for CS accounts.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation in the sphere of legal protection insurance for CS accounts, supplementary contract.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation – rescue.
- ▶ Trilateral agreement between Kooperativa and GLOBAL ASSISTANCE a.s. and ALIMEX on business cooperation in the field of passenger car rental.
- ▶ Trilateral agreement between Kooperativa and GLOBAL ASSISTANCE a.s. and Czech Rent a CAR on business cooperation – passenger car rental to insured persons.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation related to legal protection insurance.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on the provision of assistance services (individual property insurance, including residential buildings).
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation in providing assistance services (House Line for the Svaz českých a moravských bytových družstev).
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on the provision of assistance services (telephone assistance for Ceska sporitelna clients in the case of payment card loss or theft).
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation in providing assistance services within the product of compulsory insurance against the travel agency insolvency.
- ▶ General agreement between Kooperativa and GLOBAL ASSISTANCE a.s. on the conditions of insurance – benefits for GA employees – property and car insurance.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on the provision of assistance services (insurance of residential buildings).
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cooperation – private life assurance of GA employees.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on the provision of assistance services cyber risk insurance.
- ▶ Contract between Kooperativa and GLOBAL ASSISTANCE a.s. on cost sharing.

Global Expert, s.r.o.

- ▶ Insurance contracts between Kooperativa and Global Expert, s.r.o. on insurance of property and liability risks.

- ▶ Insurance contract between Kooperativa and Global Expert, s.r.o. on risk life assurance with supplementary assurances and a supplementary insurance option.
- ▶ Insurance contracts between Kooperativa and Global Expert, s.r.o. on single-premium accident insurance for children.
- ▶ Contracts between Kooperativa and Global Expert, s.r.o. on the lease of non-residential premises and office equipment.
- ▶ Contracts between Kooperativa and Global Expert, s.r.o. on the sublease of non-residential premises and office equipment.
- ▶ Contract between Kooperativa and Global Expert, s.r.o. on mutual cooperation.
- ▶ Contract between Kooperativa and Global Expert, s.r.o. on cost sharing.
- ▶ Contract between Kooperativa and Global Expert, s.r.o. on sub-lease of premises for business use.
- ▶ Contract between Kooperativa and Global Expert, s.r.o. on outsourcing – LPU property, liability.
- ▶ Contract between Kooperativa and Global Expert, s.r.o. on cost sharing – provision of wage, personnel, and economic activities of the customer support centre.
- ▶ Contract between Kooperativa and Global Expert, s.r.o. on outsourcing – pre-entry inspection of vehicle.
- ▶ Contract between Kooperativa and Global Expert, s.r.o. on a loan.

HOTELY SRNÍ, a.s.

- ▶ Insurance contracts between Kooperativa and HOTELY SRNÍ, a.s. on insurance of property and liability risks.
- ▶ Insurance contracts between Kooperativa and HOTELY SRNÍ, a.s. on life assurance.
- ▶ Contract between Kooperativa and HOTELY SRNÍ, a.s. on the provision of hotel services, their execution, and payment for Kooperativa staff.
- ▶ Contract between Kooperativa and HOTELY SRNÍ, a.s. on the provision of hotel stays and other services.
- ▶ Contracts between Kooperativa and HOTELY SRNÍ, a.s. on advertising cooperation.

KAPITOL pojišťovací a finanční poradenství, a.s.

- ▶ Insurance contracts between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on insurance of property and liability risks.
- ▶ Mandate contract between Kooperativa and Česká podnikatelská pojišťovna, a.s., on the basis of which Kooperativa sells ČPP products through KAPITOL pojišťovací a finanční poradenství, a.s.
- ▶ Contract between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on sales representation.
- ▶ Agreements between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on an extraordinary commission for financial products.
- ▶ Insurance contracts between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on life assurance.
- ▶ Contract between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on protection of commercial interests – rules for relations with acquirers.
- ▶ Contract between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on the provision of access to IS Golem.
- ▶ Agreement between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on commission for private life assurance.
- ▶ Agreement between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on the provision of an extraordinary commission.
- ▶ Agreement between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on commissions for supplementary pension insurance with a state contribution.
- ▶ Authorisation between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. for the brokerage of CS financial products.
- ▶ Contracts between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on the lease and sublease of non-residential premises.
- ▶ Contracts between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on sub-lease of premises for business use.
- ▶ Contracts between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on the provision of consulting services.

- ▶ Contracts between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on sales representation – sales activities.
- ▶ Contract between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on a loan – signature equipment for linking digital signature to an electronic document.
- ▶ Agreements between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on an extraordinary commission for life assurance – maintenance of the insurance policy portfolio in life assurance.
- ▶ Agreement between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. to amend a contract on sales representation.
- ▶ Agreement between Kooperativa and KAPITOL pojišťovací a finanční poradenství a.s. - správa nemovitostí, a. s., regulating rights and obligations.
- ▶ Contracts between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on borrowing bar code scanners.
- ▶ Contracts between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on cost sharing.
- ▶ Contracts between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on cooperation – Business Vision.
- ▶ Contract between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on borrowing mPOS payment terminals.
- ▶ Agreement between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on issuing a certificate for access to a new web service.
- ▶ Agreement between Kooperativa and KAPITOL pojišťovací a finanční poradenství, a.s. on an extraordinary in-kind commission for the Signature Pad.

Nadace pojišťovny Kooperativa

- ▶ Contract between Kooperativa and Nadace pojišťovny Kooperativa on cost sharing.
- ▶ Gift contract between Kooperativa and Nadace pojišťovny Kooperativa.
- ▶ Contract between Kooperativa and Nadace pojišťovny Kooperativa on the lease of non-residential premises.

Main Point Karlín II., a.s.

- ▶ Contract between Kooperativa and Main Point Karlín II., a.s. on cost sharing.

Obecně prospěšná společnost Kooperativy

- ▶ Contract between Kooperativa and Obecně prospěšná společnost Kooperativy on cost sharing.
- ▶ Agreement between Kooperativa and Obecně prospěšná společnost Kooperativy on personal data processing.

Platforma VIZE O, z.ú.

- ▶ Contract between Kooperativa and Platforma VIZE O, z.ú. on cost sharing.

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

- ▶ Insurance contracts between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on insurance of property and liability risks.
- ▶ Insurance contract between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group for insuring Pojišťovna České spořitelny cars.
- ▶ Insurance contract between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on life assurance for statutory body members.
- ▶ Insurance contract between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group for group liability insurance for the employees of Pojišťovna České spořitelny.
- ▶ Contracts between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on sales representation.
- ▶ Contract between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on cost sharing.
- ▶ Contracts between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on the sublease of non-residential premises.
- ▶ Agreement between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on intra-group cooperation.

- ▶ Contract between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on cooperation in the use of non-residential premises.
- ▶ Agreement between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on an extraordinary commission for non-life insurance.
- ▶ Contract between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the sale of computing equipment.
- ▶ Confidentiality agreement between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group.
- ▶ Contract between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on personal data processing.
- ▶ Contract between Kooperativa and Pojišťovna České spořitelny, a.s., Vienna Insurance Group on the transfer of the insurance policy portfolio and on assuming certain other rights and obligations.

Sanatorium Astoria a.s.

- ▶ Contract between Kooperativa and Sanatorium Astoria a.s. on advertising space lease.

S - budovy, a.s.

- ▶ Contracts between Kooperativa and S - budovy, a.s. on the lease of non-residential premises.
- ▶ Contract between Kooperativa and S - budovy, a.s. on information protection.

S - správa nemovitostí, a.s.

- ▶ Insurance contracts between Kooperativa and S - správa nemovitostí, a.s. on insurance of property and liability risks.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a.s. on providing building and non-residential space management in Mladá Boleslav, Staroměstské náměstí 16.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a.s. on the management of a building in Hodonín, Národní tř. 67.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a.s. on providing maintenance of the 'Hrůzův Mlýn' training centre.
- ▶ Contracts between Kooperativa and S - správa nemovitostí, a.s. on providing maintenance of the agency building.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a.s. on providing maintenance of apartments and related non-residential premises.
- ▶ General contract between Kooperativa and S - správa nemovitostí, a.s. on cooperation in activities related to adaptation of sales points.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a.s. on the lease of parts of the Stodola building and parts of the areas in the Špejchar building and equipment and furnishings of the kitchen of the 'Hrůzův Mlýn' training centre at Zhoř, čp. 84.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a.s. on the lease of premises for business use.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a.s. on borrowing chattel properties, Místecká 329/258, Ostrava – Hrabová.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a.s. on the management of the grounds at Místecká 329/258, Ostrava – Hrabová.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. and on the brokerage of sub-lease of non-residential premises and apartments.
- ▶ Agreement between Kooperativa and S - správa nemovitostí, a. s. on information protection.
- ▶ Agreement between Kooperativa and S - správa nemovitostí, a. s., and KAPITOL pojišťovací a finanční poradenství, a.s. regulating rights and obligations.
- ▶ Agreement between Kooperativa and S - správa nemovitostí, a. s., and VIG Asset Management, a.s. regulating rights and obligations.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. for work – gradual transfer of documentation to the Archibus module.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. on the management of a building at Prague 5, Vrchlického.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. on providing maintenance of a building – Koliště.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. on the management of the building in Prague, Sámova.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. on the management of the building in Prague, Celetná.

- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. on the management of the building in Prague, Templová.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. on the management of the building of a training facility, Velké Meziříčí.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. on the lease of the 'Hrůzův mlýn' training facility.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. on FM at the VID Head Office.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. on the management of the building of the VIG ČR Head Office.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. for work - building on Vinohradská.
- ▶ Contract between Kooperativa and S - správa nemovitostí, a. s. for work - building on Celetná.

Sanatorium Astoria a.s.

- ▶ Insurance contract between Kooperativa and Sanatorium Astoria a.s. on insurance of property and liability risks.
- ▶ Contract between Kooperativa and Sanatorium Astoria a.s. on advertising space lease.

Slovexperta, s.r.o.

- ▶ Contract between Kooperativa and Slovexperta, s.r.o. on cooperation.

Sopockie Towarzystwo Ubezpiecz Ergo Hestia S.A.

- ▶ Contract between Kooperativa and Sopockie Towarzystwo Ubezpiecz Ergo Hestia S. A. on reinsurance of property and liability risk insurance.
- ▶ A co-insurance or reinsurance share of the Company on insurance contracts led by Kooperativa.

Towarzystwo Ubezpieczeń I Reas

- ▶ A co-insurance or reinsurance share of the Company on insurance contracts led by Kooperativa.

SURPMO, a.s.

- ▶ Insurance contract between Kooperativa and SURPMO, a.s. on insurance of property and liability risks.
- ▶ Contracts between Kooperativa and SURPMO, a.s. on providing building and non-residential space management.
- ▶ Contract between Kooperativa and SURPMO, a.s. on the lease of the main building at the Training Centre.
- ▶ Contracts between Kooperativa and SURPMO, a.s. on providing building maintenance.
- ▶ Contract between Kooperativa and SURPMO, a.s. on providing maintenance of the Training Centre.
- ▶ Contracts between Kooperativa and SURPMO, a.s. on the lease of non-residential premises.
- ▶ Contracts between Kooperativa and SURPMO, a.s. on providing maintenance of apartments and related non-residential premises.
- ▶ Contract between Kooperativa and SURPMO, a.s. on brokering the lease of non-residential premises and apartments.
- ▶ Contract between Kooperativa and SURPMO, a.s. on borrowing chattel properties
- ▶ Agreement between Kooperativa and SURPMO, a.s. on information protection.
- ▶ Agreement between Kooperativa and SURPMO, a.s. on personal data processing.
- ▶ Agreements between Kooperativa and SURPMO, a.s. regulating rights and obligations.
- ▶ Mandate contract between Kooperativa and SURPMO, a.s.
- ▶ Contract between Kooperativa and SURPMO, a.s. on facility management activities.
- ▶ Contract between Kooperativa and SURPMO, a.s. on cooperation in activities related to adaptation of sales points.
- ▶ Contracts between Kooperativa and SURPMO, a.s. for work – building renovation.
- ▶ Contract between Kooperativa and SURPMO, a.s. on borrowing art.

VIG FUND, a.s.

- ▶ Insurance contracts between Kooperativa and VIG FUND, a.s. on insurance of property and liability risks.

VIG ND, a.s.

- ▶ Insurance contract between Kooperativa and VIG ND, a.s. on insurance of property and liability risks.

- ▶ Contract between Kooperativa and VIG ND, a.s. on cost sharing.
- ▶ Contracts between Kooperativa and VIG ND, a.s. on the lease of non-residential premises.
- ▶ Contracts between Kooperativa and VIG ND, a.s. on Property Management activities.
- ▶ Contracts between Kooperativa and VIG ND, a.s. on the regulation of mutual relations related to the lease of non-residential premises.
- ▶ Contracts between Kooperativa and VIG ND, a.s. on the lease of the VIG ND Head Office.
- ▶ Service contracts between Kooperativa and VIG ND, a.s. on the modification of invoicing of service activities at VIG Head Office.
- ▶ Contract between Kooperativa and VIG ND, a.s. on a loan.
- ▶ Contract between Kooperativa and VIG ND, a.s. on share purchase.

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

- ▶ Reinsurance contracts between Kooperativa and VIG AG.
- ▶ Contracts between Kooperativa and VIG AG on reinsurance of property and liability risk insurance.
- ▶ Contracts between Kooperativa and VIG AG on the protection and processing of data and personal data.
- ▶ Contract between Kooperativa and VIG AG on the provision of a licence for HP Project and Portfolio Management Centre software.
- ▶ Wide Area Network Contract between Kooperativa and VIG AG.
- ▶ Contract between Kooperativa and VIG AG and on the use of SAP insurance modules provided to VIG AG.
- ▶ Licence contracts between Kooperativa and VIG AG.
- ▶ Contract between Kooperativa and VIG AG on the provision of data centre services.
- ▶ Contract between Kooperativa and VIG AG on the use of Simcorp software for financial investment management.
- ▶ Contract between Kooperativa and VIG AG on the use of a licence for ResQ software.
- ▶ Contract between Kooperativa and VIG AG on licence and maintenance.
- ▶ Agreement between Kooperativa and VIG AG on joint steps and exercise of voting rights.
- ▶ Contract between Kooperativa and VIG AG on the use of a licence for U2 Universal Tax Units.
- ▶ Confidentiality agreement between Kooperativa and VIG AG.

VIG Asset Management, a.s.

- ▶ Contracts between Kooperativa and VIG Asset Management, a.s. on the lease of non-residential premises.
- ▶ Contract between Kooperativa and VIG Asset Management, a.s. on sub-lease of premises for business use.
- ▶ Contract between Kooperativa and VIG Asset Management, a.s. on cost sharing.
- ▶ Agreement between Kooperativa and VIG Asset Management, a.s. regulating rights and obligations.
- ▶ Contract between Kooperativa and VIG Asset Management, a.s. on outsourcing.

VIG RE zajišťovna, a.s.

- ▶ Contracts between Kooperativa and VIG Re zajišťovna, a.s. on insurance of property and liability risks with the provision of reinsurance protection.
- ▶ Insurance contract between Kooperativa and VIG RE zajišťovna, a.s. on risk life assurance with supplementary assurances and a supplementary insurance option.
- ▶ Contract between Kooperativa and VIG RE zajišťovna, a.s. on cost sharing.
- ▶ Contract between Kooperativa and VIG RE zajišťovna, a.s. on the lease of non-residential premises.
- ▶ Contract between Kooperativa and VIG RE zajišťovna, a.s. on outsourcing.

WIENER RE Beograd

- ▶ Contracts between Kooperativa and WIENER RE Beograd on insurance of property and liability risks with the provision of active reinsurance protection.

Kooperativa has not incurred any harm due to any of the contracts and agreement referred to above.

V. Overview of Steps Taken During the Last Accounting Period at the Instigation or in the Interest of VIG AG or Other VIG Group Companies

Kooperativa trades in funds managed by Erste Asset Management GmbH (formerly Ringturm Kapitalanlagegesellschaft G.m.b.H.). In 2018, a regular dividend was paid out to the shareholders of VIG AG and VLTAVA majetkovosprávní a podílová spol. s r.o.

VI. Assessment of the Harm Incurred and its Compensation

No harm was incurred by Kooperativa due to the agreements entered into by Kooperativa and VIG AG or other VIG Group Companies, or on the basis of other steps taken during the last accounting period in the interest or at the instigation of VIG AG or other VIG Group Companies.

VII. Confidentiality of Information

Any information and facts that form business secrets of the VIG Group Companies as well as any information that has been designated as confidential by any VIG Group Company is deemed confidential in the VIG Group. Furthermore, confidential information also includes any information obtained in the course of trade that could be, in itself or in connection with other information or facts, to the detriment of any of the VIG Group Companies.

With a view to avoiding any harm to Kooperativa, this Report does not state the financial details of any performance or counter-performance under the contracts and agreements concluded.

VIII. Evaluation of the Relations and Risks within the VIG Group

The VIG Group is one of the leading insurance and reinsurance operators on the European market. Kooperativa thus has access to know-how, inter alia, in the fields of Solvency II, audit, compliance and information technology. The relationship between VIG and Kooperativa is therefore beneficial to both parties. The risks arising from members in the VIG Group have been assessed as corresponding to the benefits gained from the membership.

IX. Conclusion

This Report was drawn up by the Board of Directors of the controlled entity, Kooperativa pojišťovna, a.s., Vienna Insurance Group, for the period from 1 January 2018 to 31 December 2018 and will be presented for review to the Supervisory Board. Given that Kooperativa is required by law to prepare an annual report, this Report will be attached to it as its integral part. The annual report will be submitted for review to the audit firm KPMG Česká republika Audit, s.r.o.

Prague, on 13 March 2019



Ing. Martin Diviš, MBA
Chairman of the Board of Directors



Mag. Gerhard Lahner
Member of the Board of Directors

Related parties to Vienna Insurance Group AG Wiener Versicherung Gruppe.

As of December 31, 2018

COMPANY	COUNTRY	THE CURRENT CAPITAL SHARE IN %
Consolidated companies		
"BULSTRAD LIFE VIENNA INSURANCE GROUP" EAD, Sofia	Bulgaria	100,00
"Compensa Services" SIA, Riga	Latvia	100,00
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100,00
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Stedlungsgesellschaft m.b.H., Innsbruck	Austria	94,84
Anděl Investment Praha s.r.o., Prague	Czech Republic	100,00
Anif-Residenz GmbH & Co KG, Vienna	Austria	100,00
Arithmetica Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100,00
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99,65
ATBIH GmbH, St.Pölten	Austria	100,00
Atrium Tower Sp.z.oo, Warsaw	Poland	100,00
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	94,00
Blizzard Real Sp. z o.o., Warsaw	Poland	100,00
BTA Baltic Insurance Company AAS, Riga	Latvia	90,83
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	100,00
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100,00
CAL ICAL "Globus", Kiev	Ukraine	100,00
CAPITOL, akciová spoločnosť, Bratislava	Slovakia	100,00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80,00
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100,00
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100,00
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chisinau	Moldova	99,99
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100,00
Compensa Towarzystwo Ubezpieczeń na Życie Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99,97
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99,94
Compensa Vienna Insurance Group, akcine draudimo bendrove, Vilnius	Lithuania	100,00
CP Solutions a.s., Prague	Czech Republic	100,00
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	100,00
DBLV Immobesitz GmbH, Vienna	Austria	100,00
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100,00
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100,00
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100,00
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100,00
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	100,00
DVIB GmbH, Vienna	Austria	100,00
ELVP Beteiligungen GmbH, Vienna	Austria	100,00

COMPANY	COUNTRY	THE CURRENT CAPITAL SHARE IN %
Consolidated companies		
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99,77
Europeum Business Center, s.r.o., Bratislava	Slovakia	100,00
Floridsdorf am Spitz 4 Immobilienverwertungs GmbH, Vienna	Austria	100,00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55,00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	99,92
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100,00
HUN BM Kft., Budapest	Hungary	100,00
Insurance Company Nova Ins EAD, Sofia	Bulgaria	100,00
Insurance company Vienna osiguranje d.d., Vienna Insurance Group, Sarajevo	Bosnia and Herzegovina	100,00
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	100,00
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100,00
InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100,00
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100,00
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89,98
Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	90,00
Joint Stock Company International Insurance Company IRAO, Tbilisi	Georgia	100,00
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100,00
Kaiserstraße 113 GmbH, Vienna	Austria	100,00
KÁLVIN TOWER Ingatlanfejlesztési és Beruházási Korlátolt Felelősségű Társaság, Budapest	Hungary	100,00
Kapitol pojišťovaci a finanční poradenství, a.s., Brno	Czech Republic	100,00
KOMUNÁLNA poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100,00
KOOPERATIVA poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	98,47
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	97,28
Limited Liability Company "UIG Consulting", Kiev	Ukraine	100,00
LVP Holding GmbH, Vienna	Austria	100,00
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100,00
MH 54 Immobilienanlage GmbH, Vienna	Austria	100,00
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH, Linz	Austria	99,82
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	61,00
Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG, Vienna	Austria	100,00
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99,50
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56,55
Passat Real Sp. z o.o., Warsaw	Poland	100,00
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92,58
PFG Holding GmbH, Vienna	Austria	89,23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92,88
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	Czech Republic	100,00
Porzellangasse 4 Liegenschaftsverwaltung GmbH & Co KG, Vienna	Austria	100,00
Private Joint-Stock Company "INSURANCE COMPANY "KNAZHA LIFE VIENNA INSURANCE GROUP", Kiev	Ukraine	97,80
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	Ukraine	100,00

COMPANY	COUNTRY	THE CURRENT CAPITAL SHARE IN %
Consolidated companies		
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99,99
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	70,00
Projektbau GesmbH, Vienna	Austria	100,00
Projektbau Holding GmbH, Vienna	Austria	90,00
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	Austria	100,00
Ray Sigorta Anonim Sirketi, Istanbul	Turkey	94,96
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100,00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100,00
SCHWARZATAL Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	100,00
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100,00
Seesam Insurance AS, Tallinn	Estonia	100,00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Vienna	Austria	100,00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66,70
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89,05
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	54,17
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group, Skopje	Macedonia	94,26
SVZ GmbH, Vienna	Austria	100,00
SVZD GmbH, Vienna	Austria	100,00
SVZI GmbH, Vienna	Austria	100,00
T 125 GmbH, Vienna	Austria	100,00
TBI BULGARIA EAD in Liquidation, Sofia	Bulgaria	100,00
TECHBASE Scienc Park Vienna GmbH, Vienna	Austria	100,00
twinformatics GmbH, Vienna	Austria	100,00
LIAB "Compensa Services", Vilnius	Lithuania	100,00
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	98,64
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100,00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	51,46
Vienibas Gatve Investments OÜ, Tallinn	Estonia	100,00
Vienibas Gatve Properties SIA, Riga	Latvia	100,00
Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100,00
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendorf	Lichtenstein	100,00
VIG FUND, a.s., Prague	Czech Republic	100,00
VIG ND, a.s., Prague	Czech Republic	100,00
VIG Properties Bulgaria AD, Sofia	Bulgaria	99,97
VIG RE zajišťovna, a.s., Prague	Czech Republic	100,00
VIG REAL ESTATE DOO, Belgrade	Serbia	100,00
VIG Real Estate GmbH, Vienna	Austria	100,00
VIG Services Ukraine, LLC, Kiev	Ukraine	100,00
VIG-AT Beteiligungen GmbH, Vienna	Austria	100,00
VIG-CZ Real Estate GmbH, Vienna	Austria	100,00

COMPANY	COUNTRY	THE CURRENT CAPITAL SHARE IN %
Consolidated companies		
VITEC Vienna Information Technology Consulting GmbH, Vienna	Austria	51,00
VLTAVA majetkovosprávni a podílová spol.s.r.o., Prague	Czech Republic	100,00
WGPV Holding GmbH, Vienna	Austria	100,00
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	Bosnia and Herzegovina	100,00
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	97,82
WIENER RE akcionarsko društvo za reosiguranje, Beograd, Belgrade	Serbia	100,00
WIENER STÄDTISCHE OSIGURANJE akcionarsko društvo za osiguranje Beograd, Belgrade	Serbia	100,00
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	97,75
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	Austria	100,00
WILA GmbH, Vienna	Austria	100,00
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100,00
WOFIN Wohnungsfinanzierungs GmbH, Vienna	Austria	100,00
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100,00
WSV Beta Immo Holding GmbH, Vienna	Austria	100,00
WSV Immo Holding GmbH, Vienna	Austria	100,00
WSV Vermögensverwaltung GmbH, Vienna	Austria	100,00
WWG Beteiligungen GmbH, Vienna	Austria	87,07
Companies consolidated using the equity method		
AB Modřice, a.s., Prague	Czech Republic	100,00
AIS Servis, s.r.o., Brno	Czech Republic	100,00
Benefita, a.s., Prague	Czech Republic	100,00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25,00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25,00
ČPP Servis, s.r.o., Prague	Czech Republic	100,00
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30,00
ERSTE društvo s ograničenom odgovornošću za upravljanje obveznim i dobrovoljnim mirovinskim fondovima, Zagreb	Croatia	25,30
FinServis Plus, s.r.o., Prague	Czech Republic	100,00
GLOBAL ASSISTANCE, a.s., Prague	Czech Republic	100,00
Gewista-Werbegeellschaft m.b.H., Vienna	Austria	33,00
Global Expert, s.r.o., Pardubice	Czech Republic	100,00
HOTELY SRNÍ, a.s., Prague	Czech Republic	100,00
KIP, a.s., Prague	Czech Republic	100,00
Main Point Karlín II, a.s., Prague	Czech Republic	100,00
Pražská softwarová s.r.o., Prague	Czech Republic	100,00
S - budovy, a.s., Prague	Czech Republic	100,00
SURPMO, a.s., Prague	Czech Republic	100,00
Sanatorium Astoria, a.s., Carlsbad	Czech Republic	100,00
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23,71
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36,58

COMPANY	COUNTRY	THE CURRENT CAPITAL SHARE IN %
Unconsolidated companies		
"Assistance Company "Ukrainian Assistance Service" LLC, Kiev	Ukraine	100,00
"Eisenhof" Gemeinnützige Wohnungsgesellschaft m.b.H., Vienna	Austria	20,13
"Medical Clinic "DIYA" LLC, Kiev	Ukraine	100,00
"Neue Heimat" Stadterneuerungsgesellschaft m.b.H., Linz	Austria	79,51
ALBA Services GmbH, Vienna	Austria	48,87
AQUILA Hausmanagement GmbH, Vienna	Austria	97,75
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	48,87
Amadi GmbH, Wiesbaden	Germany	100,00
Anif-Residenz GmbH, Vienna	Austria	97,75
Autosig SRL, Bucharest	Romania	99,50
B&A Insurance Consulting s.r.o., Moravian Ostrava	Czech Republic	48,45
Benefia Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99,94
Brunn N68 Sanierungs GmbH, Vienna	Austria	48,87
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	100,00
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	98,16
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	98,16
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	98,16
CARPLUS Versicherungsvermittlungsgesellschaft GmbH, Vienna	Austria	97,75
Camelot Informatik und Consulting Gesellschaft m.b.H., Vienna	Austria	92,86
Compensa Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99,98
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	97,75
DV Asset Management EAD, Sofia	Bulgaria	100,00
DV CONSULTING EOOD, Sofia	Bulgaria	100,00
DV Invest EAD, Sofia	Bulgaria	100,00
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100,00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	24,44
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	72,32
EGW Datenverarbeitungs-Gesellschaft m.b.H., Vienna	Austria	71,92
EGW Liegenschaftsverwertungs GmbH, Vienna	Austria	71,92
EGW Wohnbau gemeinnützige Ges.m.b.H., Wiener Neustadt	Austria	71,92
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	99,44
Erste Bank und Sparkassen Leasing GmbH, Vienna	Austria	47,90
Erste Biztosítási Alkusz Kft, Budapest	Hungary	98,64
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	85,00
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100,00
Finanzpartner GmbH, Vienna	Austria	48,87
GELUP GmbH, Vienna	Austria	32,58
GEO HOSPITALS LLC, Tbilisi	Georgia	93,50
GGVier Projekt-GmbH, Vienna	Austria	53,76
Global Assistance Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99,99
GLOBAL ASSISTANCE SERVICES SRL, Bucharest	Romania	99,70

COMPANY	COUNTRY	THE CURRENT CAPITAL SHARE IN %
Unconsolidated companies		
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	Czech Republic	100,00
GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava	Slovakia	99,11
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	22,80
Global Services Bulgaria JSC, Sofia	Bulgaria	100,00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	98,29
Hauservice Objektbewirtschaftungs GmbH, Vienna	Austria	20,72
IMOVE Immobilienverwertung- und -verwaltungs GmbH, Vienna	Austria	20,72
Immodat GmbH, Vienna	Austria	20,72
InterRisk Informatik GmbH, Wiesbaden	Germany	100,00
ITIS Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	49,01
JAHORINA AUTO d.o.o., Banja Luka	Bosnia and Herzegovina	100,00
Joint Stock Company "Curatio", Tbilisi	Georgia	90,00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje, Skopje	Macedonia	100,00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98,26
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	48,87
Lead Equities II Auslandsbeteiligungs AG, Vienna	Austria	21,59
Lead Equities II. Private Equity Mittelstandsfinanzierungs AG, Vienna	Austria	21,59
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	22,80
MC EINS Investment GmbH, Vienna	Austria	48,87
Money & More Pénzügyi Tanácsadó Zártkörűen Működő Részvénytársaság, Budapest	Hungary	98,99
Nuveen Management Austria GmbH, Vienna	Austria	34,21
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	73,96
"POLISA-ŻYCIE" Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99,90
Privat Joint-Stock Company "OWN SERVICE", Kiev	Ukraine	100,00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51,00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40,00
Risk Consult Bulgaria EOOD, Sofia	Bulgaria	51,00
Risk Consult Polska Sp.z.o.o., Warsaw	Poland	68,14
Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi, Istanbul	Turkey	64,19
Risk Experts Risiko Engineering GmbH, Vienna	Austria	12,24
Risk Experts s.r.o., Bratislava	Slovakia	51,00
Risk Logics Risikoberatung GmbH, Vienna	Austria	51,00
Röbllergasse Bauteil Drei GmbH, Vienna	Austria	100,00
Röbllergasse Bauteil Zwei GmbH, Vienna	Austria	97,75
S. C. SOCIETATEA TRAINING IN ASIGURARI S.R.L., Bucharest	Romania	98,45
S.C. CLUB ARO S.R.L., Bucharest	Romania	99,68
S.C. Risk Consult & Engineering Romania S.R.L., Bucharest	Romania	51,00
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100,00
SB Liegenschaftsverwertungs GmbH, Vienna	Austria	40,26
SVZ Immoholding GmbH, Vienna	Austria	97,75

COMPANY	COUNTRY	THE CURRENT CAPITAL SHARE IN %
Unconsolidated companies		
SVZ Immoholding GmbH & Co KG, Vienna	Austria	97,75
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	97,75
Slolexperta, s.r.o., Zilina	Slovakia	98,51
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	22,80
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	97,75
Spoldzielnia Usługowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	99,97
TAUROS Capital Investment GmbH & Co KG, Vienna	Austria	23,27
TAUROS Capital Management GmbH, Vienna	Austria	24,93
TBI Info EOOD, Sofia	Bulgaria	99,10
TOGETHER CCA GmbH, Vienna	Austria	24,71
twinfaktor GmbH, Vienna	Austria	74,16
UAB "Compensa Life Distribution", Vilnius	Lithuania	100,00
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	98,64
Untere Donaulände 40 GmbH, Vienna	Austria	98,65
VIG AM Services GmbH, Vienna	Austria	100,00
VIG Asset Management, a.s., Prague	Czech Republic	100,00
VIG Management Service SRL, Bucharest	Romania	98,45
VIG Services Bulgaria EOOD, Sofia	Bulgaria	100,00
VIG Services Shqiperi Sh.p.K., Tirana	Albania	89,52
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	32,58
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99,98
Vienna International Underwriters GmbH, Vienna	Austria	100,00
viesure innovation center GmbH, Vienna	Austria	98,87
VÖB Direkt Versicherungsagentur GmbH, Graz	Austria	48,87
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	24,44
WIBG Holding GmbH & Co KG, Vienna	Austria	97,75
WIBG Projektentwicklungs GmbH & Co KG, Vienna	Austria	97,75
WINO GmbH, Vienna	Austria	97,75
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	97,75
WSV Triesterstraße 91 Besitz GmbH & Co KG, Vienna	Austria	97,75
Wien 3420 Aspern Development AG, Vienna	Austria	23,92
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	97,75
Akcionarsko društvo za životno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	Montenegro	100,00

Non-Financial Part

2018

1. Corporate development

The development of the Kooperativa insurance company is based on providing profitable products with a high proportion of high-risk insurance and high added value for the end client. The basis for this development is systemic planning of product innovations and building relationships with clients and business partners. The goal of this development is adequate insurance protection for clients, continuous achievement of business objectives and long-term financial stability of the insurance company in an environment of growing competition, low interest rates and increasing sectoral regulation. Kooperativa has introduced an efficient and effective management and control system, based on tried and tested values, primarily consisting of open communication, mutual respect and a creative approach to executing tasks.

2. Research and development activities

Research and development activities reflect the scope of business of the Kooperativa insurance company, the provision of financial services. Development is therefore primarily focused on the further development and use of information and communication technologies. This development is dominated by projects based on digitising processes in the insurance company, both in the conclusion and management of contracts and in the settlement of claims. The aim is the gradual elimination of paper documents.

3. Environmental protection and development of social and employment relations

Doing business responsibly, ethically, morally and acting as a positive influence on the society and the community in which we live are the pillars of our social responsibility and we are trying to act within the spirit of these values. Our employees are vital for us as an insurance company, as a service-based business. Their work, abilities, determination, ideas and also satisfaction are the source of our success, which is why we work to ensure they progress and learn. We think sustainably and ecologically. We strive to minimise our negative environmental impact. In our

business it is crucial not only to deal with damage, but also to prevent it. We have initiated a number of preventive programmes and measures in this area. We use state-of-the-art technologies – we are gradually digitising our internal processes and also expanding electronic communication with clients, digital signatures and electronic payments. We are moving towards paperless contracts and minimising our environmental burden. We support electromobility and the use of alternative drives. We have decided to systematically monitor our carbon footprint and to implement measures to reduce it based on the results of this measurement. We are actively trying to reduce and to compensate for our environmental impact through offset projects. At the same time we are better placed in the insurance business than elsewhere to realise that we need to help those who are less fortunate than ourselves. These activities are carried out by the Kooperativa Foundation.

4. Organisational units abroad

Kooperativa has no organisational units abroad.

5. Information on the acquisition or buyback of shares

Kooperativa has not bought back its own stocks or shares.

6. Additional requirements under special legislation

Kooperativa insurance company fulfils the requirements for the scope of its business – insurance, particularly as set out in the Insurance Act or the Act on Insurance Intermediaries and Independent Loss Adjusters. No other special requirements have been specified for the Company's activities.

More detailed information on the Social Responsibility and Sustainable Business Strategy is published in the Kooperativa Non-Financial Reporting 2018, which is available on the Kooperativa insurance website <https://www.koop.cz/en/annual-reports/archiv-vyrocnich-zprav-spolecnosti-kooperatia>.

2018