

2013

# Annual Report 2013

# Key Figures

(in thousands CZK)	2013
Assets	30,877,537
Equity	3,225,270
Technical provisions	25,616,623
Profit (loss) of current accounting period	792,052
Total written premiums	11,355,789
of this: life assurance	10,594,630
non-life insurance	761,159
Total costs of insurance claims	6,832,406
of this: life assurance	6,635,313
non-life insurance	197,093

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# Your Easy Road to Life Assurance

Pojišťovna České spořitelny is one of the largest insurance companies in the field of bancassurance on the Czech market. Comprehensive sale of products including subsequent client service is ensured by two distribution channels.

## **THE BRANCH NETWORK OF ČESKÁ SPOŘITELNA**

Clients are cared for by more than 4,700 consultants in Česká spořitelna. They ensure the maximum availability of insurance products for them as well as comprehensive sales and aftersales service at more than 680 locations in the Czech Republic.

## **THE EXTERNAL NETWORK OF POJIŠŤOVNA ČESKÉ SPOŘITELNY**

Professional client service is provided by approximately 170 external contractual partners. Consultants are flexibly available to the client, adapting the time and place of the meeting to suit client needs. Our products are thus always available to the client.

# Company Profile

## 2013

Pojišťovna České spořitelny won two prestigious awards in the Zlatá koruna (Golden Crown) competition, this being for first place (with FLEXI Life Assurance) and third place (with FLEXI Life Assurance – JUNIOR) in the category Life Assurance of the Year. The Company was also successful in the Insurance Company of the Year 2012 survey: winning first place in the Life Assurance category. FLEXI underwent innovation at the end of the year. It now offers clients progressive performance for daily benefits, performance for inability to work from the very first day and various risks for children insured in one contract. Pojišťovna České spořitelny achieved a level of premiums written of 11.4 billion and insured more than 1.9 million clients. The insurance company is also active in the field of CSR. Its employees actively participate in Charity Days. A financial contribution was awarded to Bambiriáda, an event which supports active and safe spending of leisure time by children. In cooperation with Centrum Paraple (Paraplegic Centre), the company is continuing to support handicapped fellow citizens and families with children. At the end of the year, the insurance company established cooperation with the Jedličkův ústav (institute for handicapped children).

## 2012

In 2012 Pojišťovna České spořitelny defended its notional gold medal in the Zlatá koruna (Golden Crown) competition and won silver in the Hospodářské noviny competition in the category of Best Insurance Company of the Year. In March the company launched a new product on the market, Funeral Insurance. In October FLEXI unified the rates for insur-

ance risks and underwent innovation. It now offers clients double indemnity for death in a car accident, it extended 3rd degree disability insurance by long-term care for free, it enabled advance payment of insurance benefit and after seven years without a health record it looks upon the client as healthy. Pojišťovna České spořitelny attained CZK 10.7 billion of written premiums and insured more than 1.9 million clients. In cooperation with Centrum Paraple it continues to support handicapped fellow-citizens and families with children. Bambiriáda, an event to support active and safe ways for children to spend their free time, also received a financial contribution. Our employees are actively involved in the Days for Charity.

## 2011

This year Pojišťovna České spořitelny celebrated its achievements with FLEXI Life Assurance, which won the Zlatá koruna (Golden Crown) competition. At the same time, we won the title Best Insurance Company of 2011 and Most Client Friendly Insurance Company 2011. At the start of the year FLEXI Life Assurance underwent some innovations, in which we presented a unique programme, InSpiral, that allows the policy parameters to be modified taking advantage of the product's other benefits. We also introduced bonuses for loyalty and no claims or insurance for recreational sports risks. We have over CZK 10 billion in written premiums and insure more than 1.9 million clients. In cooperation with Centrum Paraple and SPID handicap, o.p.s., we continue supporting handicapped citizens and families with children. The Krtek Endowment Fund for children's oncology also received a financial contribution. Our employees are actively involved in the Days for Charity.

## 2010

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

## 2009

At the beginning of 2009, we presented the new comprehensive FLEXI Life Assurance, which merged the products FLEXI, FLEXI INVEST<sup>2008</sup> and FLEXI H-FIX into a single product. The quality of this insurance is testified to by the fact that more than 200,000 clients made use of FLEXI Life Assurance in 2009 and also the number of awards the insurance product won. In the Fincentrum Bank of the Year competition FLEXI Life Assurance won the Life Assurance of 2009 category, it won two of the highest awards in the Zlatá koruna (Golden Crown) competition, those being in the category

of Life Assurance and Innovation of the Year. In the Insurance Company of 2008 competition, we won in all categories relating to life assurance. The Association of Czech Insurance Brokers awarded us the highest award in the categories of insurance company of 2008 in Life Assurance, Innovation of Insurance Products, Cooperation with Brokers and in the category of Settling Claims. The FLEXI Life Assurance product crowned its success with a victory in the category of Insurance Product of 2008. In 2009, the company name was changed to: Pojišťovna České spořitelny, a.s., Vienna Insurance Group.

## 2008

In September 2008 Pojišťovna České spořitelny became a member of the Vienna Insurance Group. In the same year FLEXI INVEST<sup>2008</sup> investment life assurance was voted winner in the category of Life Assurance of 2008 in the MasterCard Bank of the Year 2008 competition. At the same time, we won the Silver Crown in the Life Assurance category. Likewise in 2008, the Association of Czech Insurance Brokers awarded us Insurance Company of 2007 in life assurance and the FLEXI product won the highest award in the Insurance Product category. We were awarded the title of Best Insurance Company in the area of Settlement and Innovation in Insurance Products.

## 2007

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

## 2006

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

## 2005

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

## 2004

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

three investment programmes and a wide range of insurance for life risks.

## 2003

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

## 2001

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

## 2000

Within the framework of privatising Česká spořitelna we also underwent a thorough legal and financial audit. This resulted in a new shareholder entering at the end of 2000. The largest Austrian life assurance company, Sparkassen Versicherung a member of the Erste Bank Financial Group, acquired a 45% stake in

the company by increasing the basic capital by CZK 500 million. We put FLEXI Flexible Life Assurance on the market, a unique product for a new generation.

#### **1995–1999**

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

shareholder structure was demonstrated in 1997, when the whole insurance market was negatively hit by the impact of extensive flooding.

#### **1992–1994**

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



# Introductory Word by the Chairman of the Board of Directors

Dear clients, shareholders, business colleagues,

Two years ago, my colleagues and I determined strategic goals for the next four-year period. We now stand at the halfway mark and this is an opportunity to briefly take stock. In 2012, we determined relatively ambitious goals with regards to the growth of our share on the market for regularly paid life assurance. Ambitious not with regards to the number of rungs to be climbed, but with regards to taking of a larger slice of the market share. It is not easy to strengthen yourself at a moment when the competition is setting itself similarly daring goals, at a moment when the market is stagnating and the echo of the bogeyman named crisis still hangs in the air.

I am all the happier for this about the results achieved by Pojišťovna České spořitelny on the insurance market: With a record level of premiums written of eleven billion three hundred and fifty million crowns, we are still managing to successfully grow above the average of the insurance market as a whole. We have increased our market share to 12.9%.

Behind this success stands the high quality work performed by my colleagues and co-workers. The relationship with the clients is their priority and all of them participate in innovation of the flagship product FLEXI Life Assurance.



At the end of the year, FLEXI was thus subjected to a few minor modifications and will have something to offer clients this year: Progressive performance for daily benefits, performance for inability to work from the very first day of treatment, increase in the maximum limit for permanent disability or facilitation of withdrawal of extraordinary deposits even if there is a negative capital value or insurance or children for various sums insured and various risks.

We have commenced work on a project focused on improvement of the level of communication with the client. The impersonal legal format will be disappearing from letters and be replaced by a more comprehensible language. We want to be a partner, not an incomprehensible anonymous institution. In combination with the pro-client approach, we will be continuously improving the services we provide. We are making positive changes in the direction of the clients in the field of conclusion of contracts for insurance and in terms of settlement of claims. On-line technologies are coming into play.

The company has won a gold medal in the Zlatá koruna (Golden Crown) competition five times in a row, this being in the category Life Assurance of the Year 2013 and also gained the top spot in the Life Assurance category in the Insurance Company of the Year 2012 survey. That is something only a truly high quality insurance can do. And FLEXI Life Assurance is precisely this. If I add the professional approach of employees of the insurance company and its partners to this, I can see that we really do have something to be proud of.

But knowing that you have a great product and colleagues which you can always rely on is not enough.



The important thing is how Pojišťovna České spořitelny is perceived by the clients. Getting ingrained in their minds as best as possible, that is the work of the financial consultant. A really good consultant will nowadays become a family friend who listens to the client, recommends the best for him or her and is able to defend his or her decision with the right arguments.

I would like to say a great thank you to all partners and colleagues who work in the insurance industry in a truly responsible manner and for whom the interest of the client is the most important thing.



RNDr. Petr Zapletal, MBA  
Chairman of the Board of Directors

# Development in the Most Important Economic Indicators

(in thousands CZK)	2010	2011	2012	2013
Assets	24,428,665	27,044,503	29,262,587	30,877,537
Equity	2,746,078	2,694,637	3,355,574	3,225,270
Financial placements	22,541,660	24,742,299	26,780,771	28,364,959
Technical provisions	20,739,591	22,935,205	24,007,183	25,616,623
Profit (loss) of current accounting period	603,105	417,615	1,018,418	792,052
Total written premiums	9,202,722	10,679,693	10,702,266	11,355,789
of this: life assurance	8,519,754	9,892,180	9,897,341	10,594,630
non-life insurance	682,968	787,513	804,925	761,159
Total costs of insurance claims	3,503,734	5,144,551	6,745,877	6,832,406
of this: life assurance	3,401,100	4,960,058	6,556,934	6,635,313
non-life insurance	102,634	184,493	188,943	197,093
Number of policies concluded as at 31 December 2013 (pcs)	734,441	774,902	789,964	782,631
of this: life assurance	688,063	726,187	740,970	736,852
non-life insurance	46,378	48,715	48,994	45,779
Average number of employees	196	221	239	255

# Members of the Company's Executive Bodies at 31 December 2013

## Members of the Supervisory Board

### Chairman of the Supervisory Board

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

### Vice-chairman of the Supervisory Board

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

### Member of the Supervisory Board

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

### Member of the Supervisory Board

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

### Member of the Supervisory Board

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

## Member of the Supervisory Board

Mgr. Veronika Maderová – Head of the Sales and Marketing Department of Česká spořitelna – penzijní společnost, a. s. (since 10 April 2013)

## Board of Directors

### Chairman of the Board of Directors

RNDr. Petr Zapletal, MBA

### Vice-chairman of the Board of Directors

Ing. Jaroslav Kulhánek

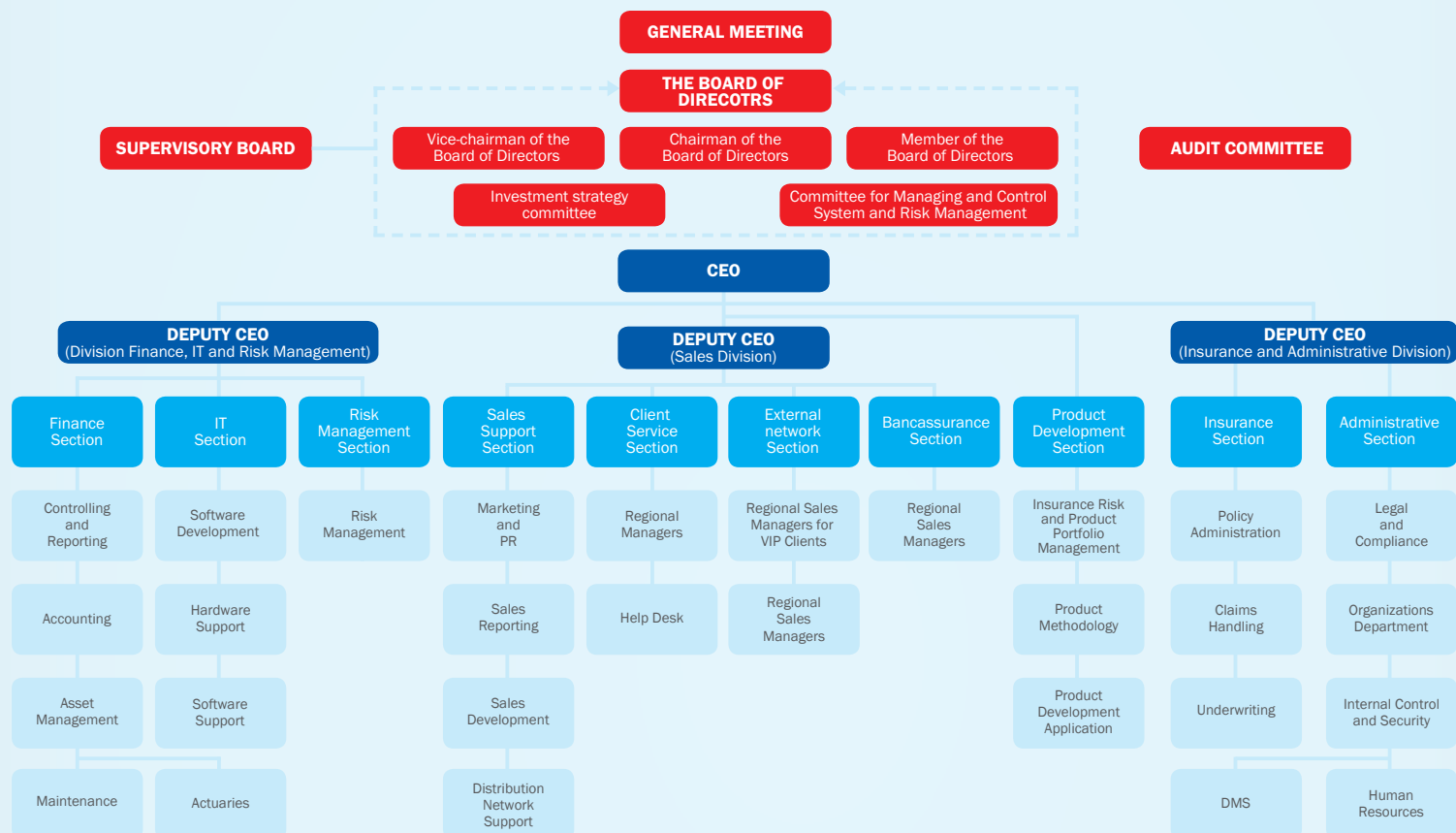
### Member of the Board of Directors

Ing. Libor Mánek (until 30 June 2013)

### Member of the Board of Directors

Ing. Tomáš Vaníček, MBA (since 25 October 2013)

# Organizational Structure at 31 December 2013



The Company does not have any branch abroad.



# Report by the Board of Directors

We entered 2013 with moderate optimism that economic environment would become calmer and that there would be a gradual return to moderate growth and stability.

Actual development last year can above all be characterised as follows:

- Stagnation of development of the economic indicators and the development of incomes achieved by the population corresponding to this
- Instability on the political scene which led to resignation of the government, dissolution of parliament and early elections
- A complicated approval process for key acts with a direct impact on the insurance sector (new Civil Code, Insurance Act, the Act Regulating Conditions for Brokerage of Insurance, tax-related and other acts)
- Persisting low-interest environment (the 2-week repo rate dropped to 0.05%), which led to a decrease of the technical interest rate used (from 2.4% to 1.9%)
- Intervention by the Czech National Bank against the Czech crown at the end of the year, as a result of which depreciation occurred with regards to the Euro by almost 10%
- From the point of view of the insurance industry however, the most fundamental influence was probably the increasing pressure on insurance companies in the form of administrative and regulatory measures of the Czech National Bank with the aim of improving the quality of brokerage of insurance, together with an effort to ensure greater protection for people interested in insurance

These facts had a direct impact on growth, or stagnation of development of life assurance premiums

written. The life assurance market increased year on year by only CZK 169.2 million; in relative terms, this is a growth of 0.37% (a total of CZK 46.44 billion). Stagnation of the market is caused by a decrease in interest in insurance paid with a single premium, for which there has been a year on year decrease by 4.2%. On the other hand, there has been a year on year increase in the case of regularly paid premiums by 0.65%.

The year 2013 can also be characterised by a fierce competitive struggle in the field of motivating distributors, offers, new products and also searching for ways to decrease the percentage of insurance contracts which are terminated early. In 2013, we also registered various forms of marketing events, the aim of which being to extend the scope of insurance coverage. All of these activities increase the economic demands of insurance. The great expectations and possibly even nervousness of all of the players on the market relating to obligatory harmonisation of insurance rates for men and women on the basis of a decision by the Court of Justice of the European Union were not fulfilled and harmonisation had no significant impact on the position of the key players on the market.

The main tasks of the Board of Directors of Pojišťovna České spořitelny for 2013 stemmed from Company strategy, which is based on management and planning of product innovations, establishment of loyalty on the part of clients and business partners, increasing the stability of the insurance portfolio and constant improvement of the system of client service for business partners and end consumers of insurance services. In 2013, it was also necessary to ensure implementation of changes resulting from the new Civil

Code, including constantly increasing demands on provision of information to clients about the structure and development of the insurance contract.

On the basis of analysis of the insurance portfolio and the requirements of the clients, the Company changed the content of communication in 2013, which is based on the concept of “FLEXI pro jistotu” (FLEXI for certainty). This communication concept emphasises the need for high quality security and resolution of serious situations which could affect a person’s everyday life. Emphasis of really serious risks relating to life was reflected in modification of FLEXI insurance in favour of these risks together with modification of the conditions for settlement of claims which have arisen.

For further development of continuous fulfilment of commercial objectives, the Board of Directors monitors the financial stability of the Company. The growing competition, new regulatory requirements and significant changes in the legislation (the new Civil Code) create pressure on uncompromising management of Company costs. For this reason, the Company has joined in, in terms of the Vienna Insurance Group, in the Czech Republic with a project for optimisation of costs and processes in the group. This project is focused on decreasing costs on the basis of utilisation of synergy in the group.

The commercial goals determined for 2013 stemmed from a proven mix of distribution paths, based on further development of sales of insurance in the Česká spořitelna branch network. In the year under review, 2013, we also extended the offer of financial services in Česká spořitelna in the form of so-called comprehensive financial products. Apart from this form of

sales of insurance, cooperation was further developed with external business partners. The product offer was based on the FLEXI Life Assurance product for both distribution channels. The product range was, just like every year, subject to innovation which was focused on greater flexibility in combination of risks.

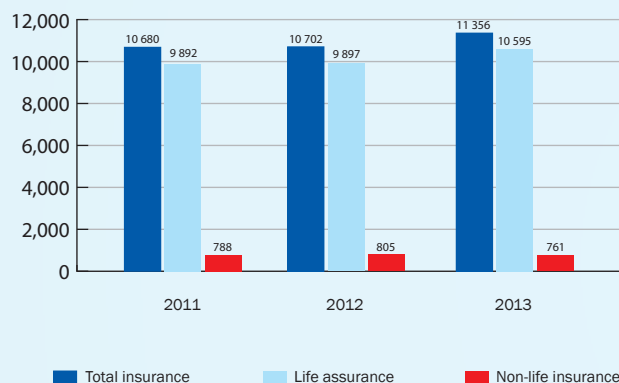
Premiums written in Pojišťovna České spořitelny developed significantly better than on the market as a whole. Total life assurance premiums written exceeded the level of 2012 by 6.1%. Within the structure of premiums written according to the method of payment, an increase was achieved in regularly paid premiums of 2.8%. Premiums written for single premiums increased as compared to the previous year by 10.5% thanks to sales in the Česká spořitelna network. In their absolute level, premiums written in total represented a volume of CZK 11,355.8 million, of which premiums written for life assurance amounted to CZK 10,594.6 million.

The share of regularly paid premiums in overall premiums written decreased by just under 2 points to 54.9% due to the influence of the growth in single premiums. Total premiums written for regularly paid premiums were CZK 6,238 million. Single premiums reached a level of CZK 5,117.5 million. In terms of the volume of premiums written for life assurance, the insurance company is the third largest life assurance company on the market. The commercial results achieved represent an overall share in the market for life assurance of 15.16%. Non-life insurance dropped year on year by 5.4%, which corresponds to premiums written of CZK 761.2 million. This concerns separate accident insurance and also insurance covering inability to work and insurance covering loss of employment, in particular for clients of Česká spořitelna,

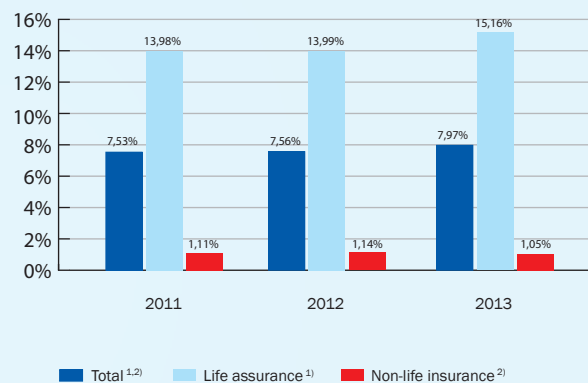


as insurance covering repayment of a loan. Development of the market share is documented by the graphs shown below.

## Developments in written premium (in millions CZK)



## Development of market share in the insurance market by written premium



1) Original methodology, i.e. the entire single premium is included, but cross-border transactions are not included.

2) Including premiums from non-life insurance assigned to Czech Insurance Association (ČAP) members without statutory employer's liability insurance.

The commercial success of Pojišťovna České spořitelny, method of communication with clients and sales service provided to business partners were all praised by the professional public in 2013 with the following awards:

- Finparáda Financial Product of the Year 2012 in the category “Unit Linked Life Assurance” – (3<sup>rd</sup> place)
- Zlatý Měsíc 2013 – Best Financial Institution – 3<sup>rd</sup> place
- Insurance Company of the Year 2012 AČPM – 1<sup>st</sup> place in the Life Insurance category – FLEXI Life Assurance
- Zlatá koruna – Golden Crown in the category Life Assurance – FLEXI Life Assurance
- Zlatá koruna – Bronze Crown in the Life Assurance category – FLEXI Life Assurance – JUNIOR
- Fincentrum Bank of the Year – 1<sup>st</sup> place in the category Life Assurance of the Year 2013

Product innovation was affected in 2013 by recodification of the legislation in relation to the new Civil Code. The change implemented fundamentally modifies the whole area of insurance with regards to the scope of its coverage and also the scope of requirements for information provided to the person interested in insurance. These changes also included further innovation of products, which reinforce the focus of Pojišťovna České spořitelny on truly serious risk relating to everyday life and to making conclusion of draft insurance contracts more convenient.

In 2013 too, clients which met the conditions for their being awarded a no-claims bonus or loyalty bonus, were familiarised in terms of annual reports with the status of their bonus. The loyalty programme itself

supports responsible behaviour on the part of the clients towards a long-term form of insurance coverage and also setting aside part of the funds for the time after their working lives have ended and the programme also rewards clients for behaviour resulting in no claims being made.

In 2013 too, we continued with extension of computerisation of the process of conclusion of insurance contracts by our business partners. This process speeds up conclusion of insurance contracts, extends the possibility of checking concluded contracts and undoubtedly contributes towards cost savings. For the requirements of insurance simulation, we have provided clients the option of calculating their insurance with the aid of an insurance calculator.

FLEXI Life Assurance is still the top product in our offer and, with its characteristics, it covers requirements for securing life risks and also requirements for long-term investment of funds paid into it. This insurance is currently capable of covering all individual requirements for risks defined by the client, this being with almost no limitation. The extent of insurance coverage is also supplemented to include the exclusive option of covering requirements for investment of funds paid in.

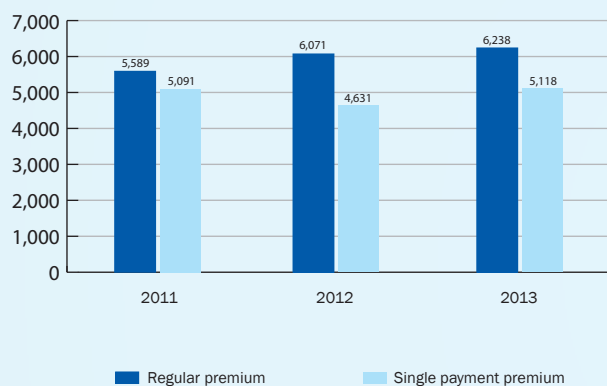
A firm place in the offer is held by so-called group contracts, which are based on cooperation with Česká spořitelna. This product represents a comprehensive offer of financial products in the form of bancassurance. Group insurance is an accessory to go with a bank product and is offered in the branch network of Česká spořitelna. This insurance covers the risk of death and disability of bank clients, this including creditor protection insurance for the event of loss of

employment or inability to work, and ensures that clients are able to repay their loan even in complicated situations in their lives.

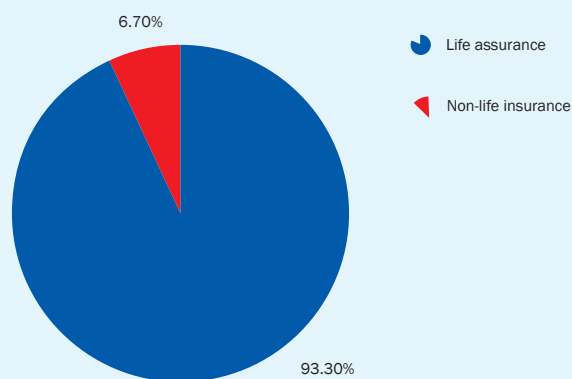
An overview of the development of the premium structure for the past three years is displayed in the graphs shown below.

## Developments in written premium

(in millions CZK)



## The structure of written premium in 2013



The high share in regularly paid premiums, even in terms of provision of insurance services in cooperation with Česká spořitelna (so-called bancassurance), is the result of long-term strategy focused on growth in precisely this area of regularly paid life assurance premiums.

## Financial results

The economic management of the insurance company over the course of 2013 ended with a profit after tax in the amount of CZK 792.1 million according to Czech Accounting Standards (CAS). The greater profit from insurance activity we in particular achieved through a lower volume of commission paid out and lower operational demands contributed towards the profit.

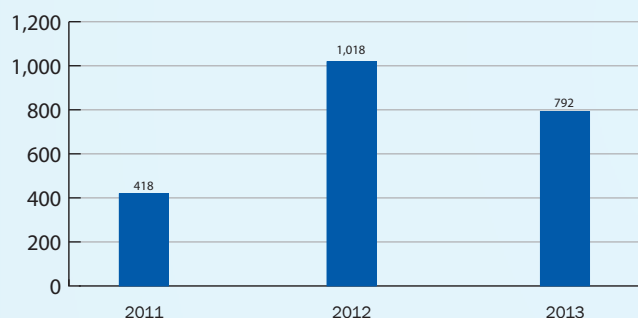
Overall technical reserves reached a level of CZK 25,616.6 million, of which life assurance reserves, where the policyholder is the bearer of investment risk, reached a level of CZK 3,141.2 million. These reserves had the following structure as at the balance sheet day: unearned premiums reserve in the amount of CZK 32.8 million, life assurance reserve CZK 20,841.1 million, outstanding claims reserve CZK 1,494.0 mil-

lion and other reserves in the amount of CZK 107.5 million. In 2013, reserves increased overall in absolute terms by CZK 1,609.4 million compared to the status in 2012. The life reserve itself increased and the reason for this is growth in particular of payment of single premiums and lower payment of claims in the past period in comparison with the previous year. Technical reserves for life assurance, if the bearer of the risk is the policyholder, increased year on year by CZK 117.5 million. The resulting level of the reserve is created in accordance with the valid legislation and represents the required security for coverage of future claims from insured events.

Development of the economic result, reserves and balance sheet total for the period of 2013 is captured in the attached graphs.

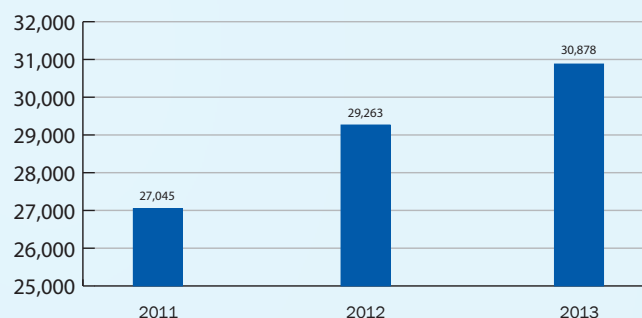
## Earnings from 2011–2013

(in millions CZK)



## Development of the balance sheet sum

(in millions CZK)

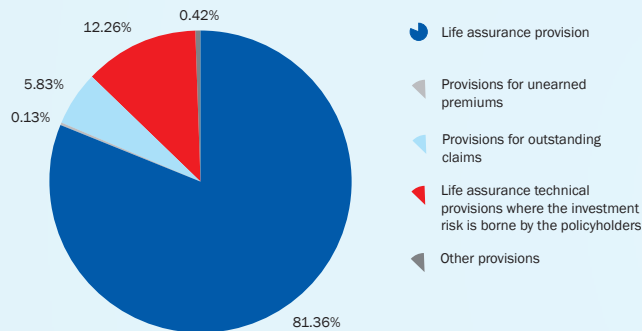


It was above all the volume of technical reserves which determined the level of financial investment of funds, which represent 82% of the company's assets. The financial investment portfolio is distributed among individual types of financial instruments in accordance with the valid legislation and in accordance with the requirements of the regulator (the Czech National Bank). The structure of the portfolio of financial investment funds, which is set out in the attached graph, is arranged in such a way as to cover insurance liabilities over the long term and at the same time as to ensure our clients security for the funds

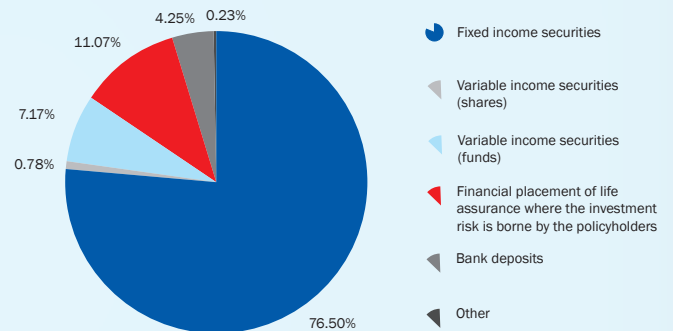
they have invested. Administration of financial investment funds is managed in cooperation with the specialist investment banking units in Česká spořitelna.

In the current low-interest environment, the Company is focusing on the importance of cautious policy on the passive side of the balance sheet with the aim of ensuring long-term financial stability and return on liabilities accepted. We credit out clients an 85% share in the profit achieved in excess of the average technical interest, whereas the average appreciation of life reserves for 2013 was 3.45%.

## The structure of technical provisions in 2013



## The structure of financial placement in 2013



Pojišťovna České spořitelny meets the requirements and demands for solvency and exceeds the determined limits for solvency imposed on life assurance. In doing so, it creates sufficient security for its clients for coverage of liabilities resulting from insurance con-

tracts which have been concluded. In the field of re-insurance, Pojišťovna České spořitelny took its basis as a cautious structure of reinsurance and long-term cooperation, above all with the renowned reinsurance company SWISS RE.

### **Management and control system of the insurance company**

Over the course of 2013, the Board of Directors of Pojišťovna České spořitelny continued its efforts to ensure a stable, functioning and effective management and control system in the insurance company. Analysis was performed of the company's organisational structure in the form of assisted cooperation with a consultancy company (KPMG). The aim was to identify any possible conflict of interests or other failings in the organisation.

The result is division of the organisational structure into three lines of defence against potential risks, including determination of roles and responsibilities for individual lines. Primary responsibility for a functioning system of risk management does however remain with the company's Board of Directors. The management and control system thus covers all activities of the insurance company and the management constantly monitors its functionality and effectiveness. The system allows for methodical and systematic assessment and management of risks. The management system is characterised by:

- the functionality of the management and control system being ensured;
- the organisation and processes being arranged in such a way that no conflict of interest occurs and separation of the commercial and other activities of the insurance company being ensured;
- risks which the insurance company is exposed to in terms of its activity being identified, this including processes leading towards their management and control;
- the basic structure of reports for individual decision-making levels in the company being defined.

Over the course of the year, the Board of Directors continued in the form of project management in the process of implementation of the requirements of Solvency II including requirements for data quality.

In the year under review, Pojišťovna České spořitelny verified its financial stability on the basis of a case study in accordance with the determined parameters in terms of the VIG holding. According to the internal and external inspections and audits performed, the system of management and control in the company is effective and provides the Board of Directors sufficient information for effective and cautious management of the insurance company.

# Report by the Supervisory Board

In 2013, the Supervisory Board of Pojišťovna České spořitelny, a.s., continuously performed the tasks assigned to it by law and the Company's Articles of Association. As the supervision and controlling body of the Company, the Supervisory Board oversaw the Board of Directors' exercise of its authority as well as the Company's business operations. The Supervisory Board was kept regularly informed of the Company's operations, financial situation, checked fulfillment of General Meeting resolutions, reviewed reports of the external auditor and provided the Company's management with suggestions and recommendations on how to improve the situation in the Company. The Supervisory Board reviewed the submitted financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group as at December 31, 2013 and came to the conclusion that the accounting records were kept in a clearly supportable manner in accordance with valid accounting regulations and the Company's Articles of Association.

The Annual Financial Statements were audited by the company KPMG Česká republika Audit, s.r.o., which confirmed that the financial statements present fairly, in all substantial respects, the assets, liabilities and shareholders' equity of Pojišťovna České spořitelny, a.s., as of December 31, 2013 and the result of its business operations for 2013 in accordance with the Accounting Act and other applicable regulations

of the Czech Republic. The Supervisory Board took the Auditor's report into account.

The Supervisory Board checked the Report on Relations in accordance with § 66a section 9 and 10 of the Commercial Code submitted by the Board of Directors of the Company and stated that Pojišťovna České spořitelny, a.s., Vienna Insurance Group did not incur any damage as a consequence of contracts, other legal acts or other measures concluded, taken or adopted by Pojišťovna České spořitelny, a.s., Vienna Insurance Group during the accounting period of 2013 in favour or at instigation of individual related persons.

The Supervisory Board also discussed and took into account the Report on activity of the Committee for Audit of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the year 2013.

Based on all these facts, the Supervisory Board recommends that the General Meeting approves the state of the Company's assets and liabilities as at December 31, 2013 and the proposed distribution of the Company's profit for 2013 including payment of dividends in accordance with the proposal submitted by the Board of Directors of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for discussion of the General Meeting.



# Information about Vienna Insurance Group

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

**VIG**  
VIENNA INSURANCE GROUP  
Wiener Versicherung Gruppe



<b>AUSTRIA</b> <b>WIENER STÄDTISCHE</b> VIENNA INSURANCE GROUP <b>ionau</b> VIENNA INSURANCE GROUP <b>S-VERSICHERUNG</b> VIENNA INSURANCE GROUP	<b>SLOVAKIA</b> <b>Kooperativa</b> VIENNA INSURANCE GROUP <b>KOMUNÁLNA poisťovňa</b> VIENNA INSURANCE GROUP <b>POIŠŤOVŇA SLOVENSKÉ ŠPORTISTY</b> VIENNA INSURANCE GROUP	<b>BULGARIA</b> <b>BULSTRAD</b> VIENNA INSURANCE GROUP <b>Life BULSTRAD</b> VIENNA INSURANCE GROUP	<b>UKRAINE</b> <b>КНЯЖА</b> VIENNA INSURANCE GROUP <b>ГЛОБС</b> VIENNA INSURANCE GROUP <b>ЮНІТЕР</b> VIENNA INSURANCE GROUP	<b>TURKEY</b> <b>RAYSIGORTA</b> VIENNA INSURANCE GROUP	<b>MACEDONIA</b> <b>ОСИГУРУВАЊЕ МАКЕДОНИЈА</b> VIENNA INSURANCE GROUP <b>WINNER</b> VIENNA INSURANCE GROUP <b>Life WINNER</b> VIENNA INSURANCE GROUP
<b>ITALY BRANCH</b> <b>WIENER STÄDTISCHE</b> VIENNA INSURANCE GROUP <b>ionau</b> VIENNA INSURANCE GROUP	<b>POLAND</b> <b>COMPENSA</b> VIENNA INSURANCE GROUP <b>InterRisk</b> VIENNA INSURANCE GROUP <b>BENEFIA</b> VIENNA INSURANCE GROUP <b>POLISA-ŻYCIE</b> VIENNA INSURANCE GROUP	<b>CROATIA</b> <b>WIENER OSIGURANJE</b> VIENNA INSURANCE GROUP <b>ERSTE OSIGURANJE</b> VIENNA INSURANCE GROUP	<b>ESTONIA</b> <b>COMPENSA</b> VIENNA INSURANCE GROUP	<b>GEORGIA</b> <b>GPI</b> VIENNA INSURANCE GROUP <b>IRAO</b> VIENNA INSURANCE GROUP	<b>MONTENEGRO</b> <b>Život</b> VIENNA INSURANCE GROUP <b>WIENER STÄDTISCHE</b> VIENNA INSURANCE GROUP
<b>SLOVENIA BRANCH</b> <b>WIENER STÄDTISCHE</b> VIENNA INSURANCE GROUP	<b>ROMANIA</b> <b>OMNIASIG</b> VIENNA INSURANCE GROUP <b>ASIROM</b> VIENNA INSURANCE GROUP <b>DE VIATA BCR ASIGURARI</b> VIENNA INSURANCE GROUP	<b>HUNGARY</b> <b>UNION BIZTOSITO</b> VIENNA INSURANCE GROUP <b>ERSTE BIZTOSITO</b> VIENNA INSURANCE GROUP	<b>ALBANIA</b> <b>SIGMA</b> VIENNA INSURANCE GROUP <b>Interalbanian</b> VIENNA INSURANCE GROUP <b>INTERSIG</b> VIENNA INSURANCE GROUP	<b>BOSNIA HERZEGOVINA</b> <b>JAHORINA OSIGURANJE</b> VIENNA INSURANCE GROUP	<b>GERMANY</b> <b>InterRisk</b> VIENNA INSURANCE GROUP
<b>CZECH REPUBLIC</b> <b>Kooperativa</b> VIENNA INSURANCE GROUP <b>ČPP</b> VIENNA INSURANCE GROUP <b>POJIŠŤOVNA ČESKÉ ŠPORTISTY</b> VIENNA INSURANCE GROUP <b>VIG Re</b>	<b>LATVIA</b> <b>COMPENSA</b> VIENNA INSURANCE GROUP	<b>SERBIA</b> <b>WIENER STÄDTISCHE</b> VIENNA INSURANCE GROUP	<b>LITHUANIA</b> <b>COMPENSA</b> VIENNA INSURANCE GROUP	<b>GERMANY</b> <b>InterRisk</b> VIENNA INSURANCE GROUP	<b>LIECHTENSTEIN</b> <b>VIENNA-LIFE</b> VIENNA INSURANCE GROUP

January 2014  
www.vig.com

Vienna Insurance Group (VIG) has been one of the leading listed insurance groups in Austria and Central and Eastern Europe for years. Approximately 23,000 employees in around 50 Group companies in 24 countries generated about EUR 9.2 billion in premiums in 2013. As the leading insurance company in its core markets, Vienna Insurance Group provides its customers with an outstanding portfolio of products and services in all segments of life and non-life insurance.

## At home in both Austria and Central and Eastern Europe

During a long history steeped in tradition – the Company's roots reach back to the year 1824 in Austria – VIG has successfully overcome all of the challenges of history, and has often taken on a pioneering role. This was the case in 1990, when Wiener Städtische became one of the first Western European insurance companies to recognise the exciting growth



opportunities in Central and Eastern Europe and take a chance on entering the market in the former Czechoslovakia. That was the starting point for further expansion. Hungary followed in 1996, Poland in 1998, Croatia in 1999 and Romania in 2001 – to mention just a few examples. VIG now operates in 24 markets and is proud of its broad geographical orientation.

### **Number one in its core markets**

In addition to Austria, VIG's core markets are the Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Hungary, Serbia and the Ukraine. VIG's market share of approximately 18% makes it the number one insurance company in these markets, and VIG is working continuously to further consolidate this position.

More than half of all premiums written in 2013 came from markets in the CEE region, which provides impressive proof of VIG's successful expansion strategy. Indeed, given the economic convergence process taking place in Central and Eastern Europe and the increased need for insurance coverage it brings, this region will continue to grow in importance.

VIG RE, the reinsurance company that was established by VIG in 2008, has its registered office in the Czech Republic, thereby stressing the importance of the CEE region as a growth market for VIG.

### **24 markets, one objective: to continue the mutual success**

In spite of the wide range of customer requirements and conditions in its individual markets, VIG has one common objective everywhere: to continue its busi-

ness success by providing customers with the best possible insurance protection. This places a great responsibility on VIG, and the VIG Group companies are fully dedicated to meeting this responsibility, using professional, forward-looking advisory services and a flexible product portfolio. The use of a broad network of service centres and a variety of distribution channels ensures the customer proximity that this requires. At the same time the Group relies on established regional brands that are brought under the Vienna Insurance Group umbrella without losing their own identity or individual strengths. This is because it is the individual strengths and advantages of these companies that make VIG a strong family.

### **Stability based on binding values and a focus on core competences**

Vienna Insurance Group is a progressive and highly risk-conscious insurer. Its activities are fully focused on its core business – the insurance business. However, Vienna Insurance Group offers various forms of security to more than its customers. Security in the form of reliability, trustworthiness and solidarity also receives top priority in dealings with business partners, employees and shareholders. Ethical values such as honesty, integrity, leadership in matters large and small, diversity, equal opportunity and customer-orientation form the basis for all business decisions.

This fundamental approach is confirmed not only by a strategy of continuous sustainable growth, but also excellent creditworthiness. In June 2013, the rating agency Standard & Poor's confirmed its rating of A+ with a stable outlook, making VIG the best rated company in the ATX leading index of the Vienna Stock Exchange.

### **VIG and Erste Group – two strong partners**

In 2008, two leading financial service providers in Central and Eastern Europe – VIG and the Erste Group – decided to further increase their success by working together. They therefore entered into a long-term strategic partnership that benefits both of them: Erste Group branches distribute VIG insurance products, and in return VIG companies offer Erste Group bank products.

### **Strong stock exchange presence, long-term principal shareholder**

VIG's shares have been listed on the Vienna Stock Exchange since 1994. Its market capitalisation of more than EUR 4.6 billion at the end of 2013 makes it one of the largest listings on the exchange. It has also had a secondary listing on the Prague Stock Exchange since February 2008, which once again emphasises the great importance the Central and Eastern European region has for the Group.

Around 70% of VIG's shares are held by Wiener Städtische Versicherungsverein, a stable principal shareholder with a long-term orientation. The remaining shares are in free float.

### **Strong team, attractive employer**

“Our success is based on people” – in addition to forming the basis for VIG's business success, this concept also guides its people management and thereby determines its position as an attractive employer. VIG develops and supports the know-how of its approximately 23,000 employees and their readiness to provide top performance. Identifying and developing the individual skills that each person brings to VIG's large team is particularly important, and a wide variety of training and advanced training

opportunities, international exchange programmes and international cooperations exist within the Group to ensure that this happens.

Further information on VIG is available at [www.vig.com](http://www.vig.com) and in the VIG Group Annual Report.



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# Independent Auditor's Report



KPMG Česká republika Audit, s.r.o.  
Pobřežní 648/IIa  
186 00 Praha 8  
Česká republika

Telephone +420 222 123 111  
Fax +420 222 123 100  
Internet www.kpmg.cz

## Independent Auditor's Report to the Shareholders of Pojišťovna České spořitelny, a.s., Vienna Insurance Group

### Financial statements

On the basis of our audit, on 24 February 2014 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, which comprise the balance sheet as of 31 December 2013, and the income statement and the statement of changes in equity for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

### Statutory Body's Responsibility for the Financial Statements

The statutory body of Pojišťovna České spořitelny, a.s., Vienna Insurance Group is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní registrace vedená  
Městským soudem v Praze  
oddíl C, vložka 24185.  
IČ 49019187  
DIČ CZ06007995



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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Pojišťovna České spořitelny, a.s., Vienna Insurance Group as of 31 December 2013, and of its financial performance for the year then ended in accordance with Czech accounting legislation."

**Report on relations between related parties**

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the year ended 31 December 2013 prepared in accordance with the applicable provisions of Act No. 513/1991 Coll., the Commercial Code. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

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

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the year ended 31 December 2013 contains material factual misstatements.

**Annual report**

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

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



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

Prague  
30 April 2014

*KPMG Česká republika Audit*

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

*R. Gascoigne*  
Roger Gascoigne  
Partner

*R. Benešová*  
Romana Benešová  
Partner  
Licence number 1834

# Balance Sheet as at 31 December 2013

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
<b>ASSETS</b>					
B. Intangible fixed assets, thereof:	2	369,410	284,908	84,502	62,206
C. Financial placements (investments)	5	25,223,756	0	25,223,756	23,757,088
I. Land and buildings (real estate), thereof:	6	55,440	0	55,440	54,700
a) Land and buildings - self-occupied	7	55,440	0	55,440	54,700
II. Financial investment in subsidiaries and associates	8	304,506	0	304,506	303,959
3. Shares with a significant influence	11	304,506		304,506	303,959
III. Other financial placements	13	24,863,810	0	24,863,810	23,398,429
1. Shares and other variable-yield securities, other participating interests	14	1,950,853		1,950,853	1,459,535
2. Bonds and other fixed-income securities	15	21,698,068		21,698,068	20,750,365
a) Securities valued at fair value through profit and loss		8,379,852		8,379,852	8,158,343
b) OECD bonds held to maturity		10,456,689		10,456,689	10,048,554
c) Other securities held to maturity		2,861,527		2,861,527	2,543,468
6. Deposits with financial institutions	18	1,205,494		1,205,494	1,182,746
7. Other financial placements	19	9,395		9,395	5,783

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
<b>ASSETS</b>					
D. Financial placements for the benefit of life assurance policyholders who bear the investment risk	21	3,141,203		3,141,203	3,023,683
E. Debtors	22	669,451	118,285	551,166	515,042
I. Receivables arising from direct insurance operations	23	179,609	118,153	61,456	67,053
1. Receivables due from the policyholders	24	157,897	99,714	58,183	65,678
2. Receivables due from intermediaries	25	21,712	18,439	3,273	1,375
II. Receivables arising from reinsurance operations	26	309,387		309,387	312,307
III. Other receivables	27	180,455	132	180,323	135,682
F. Other assets	28	162,971	61,406	101,565	140,647
I. Tangible fixed assets other than land and buildings (real estate), and inventories	29	127,846	61,406	66,440	79,835
II. Cash on accounts in financial institutions and cash in hand	30	35,125		35,125	60,812
G. Temporary asset accounts	32	1,775,345	0	1,775,345	1,763,921
I. Accrued interest and rent	33	0		0	7,129



(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
<b>ASSETS</b>					
II. Deferred acquisition costs, thereof:	34	1,597,073	0	1,597,073	1,584,955
a) in life-assurance business	35	1,596,999		1,596,999	1,584,877
b) in non-life insurance	36	74		74	78
III. Other temporary asset accounts, thereof:	37	178,272		178,272	171,837
a) Estimated receivables	38	146,735		146,735	146,903
<b>TOTAL ASSETS</b>	39	31,342,136	464,599	30,877,537	29,262,587

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
<b>LIABILITIES</b>					
A. Equity	40			3,225,270	3,355,574
I. Registered capital, thereof:	41			1,900,100	1,900,100
IV. Other capital funds	46			42,865	95,721
V. Statutory reserve fund and other funds from profit	47			326,457	274,652
VI. Profit or loss brought forward	48			163,796	66,683
VII. Profit or loss for the financial year	49			792,052	1,018,418
B. Subordinated liabilities	50				
C. Technical provisions	51	23,535,796	1,060,376	22,475,420	20,983,500
1. Provision for unearned premiums of which:	52	59,394	26,608	32,786	38,087
a) Provision for unearned premiums relating to life assurance classes	53	29,234	11,508	17,726	22,052
b) Provision for unearned premiums relating to non-life insurance classes	54	30,160	15,100	15,060	16,035
2. Life assurance provision	55	20,841,133	0	20,841,133	19,528,968

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
<b>LIABILITIES</b>					
3. Provision for outstanding claims of which:	56	2,412,983	918,998	1,493,985	1,287,897
a) Provision for outstanding claims relating to life assurance classes	57	2,147,579	735,370	1,412,209	1,208,492
b) Provision for outstanding claims relating to non-life insurance classes	58	265,404	183,628	81,776	79,405
4. Provision for bonuses and rebates of which:	59	138,938	114,770	24,168	24,997
a) Provision for bonuses and rebates relating to life assurance classes	60	23,994	0	23,994	24,813
b) Provision for bonuses and rebates relating to non-life insurance classes	61	114,944	114,770	174	184
6. Provision for liabilities from the technical interest rate applied	63	83,348	0	83,348	103,551
D. Life assurance technical provision where the investment risk is borne by the policyholders	71	3,141,203		3,141,203	3,023,683
E. Provisions for other risks and losses	72			189,617	244,011
2. Provisions for taxation	74			189,617	244,011
F. Deposits received from reinsurers	76			811,793	635,780

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
<b>LIABILITIES</b>					
G. Creditors	77			729,791	784,117
I. Payables arising from direct insurance operations	78			308,047	306,174
II. Payables arising from reinsurance operations	79			368,794	381,156
V. Other payables, thereof:	83			52,950	96,787
a) Tax liabilities and payables due to social security and health insurance institutions	84			6,696	20,651
H. Temporary liability accounts	86			304,443	235,922
II. Other temporary liability accounts, thereof:	88			304,443	235,922
a) Estimated payables	89			304,443	235,922
<b>TOTAL LIABILITIES</b>	90			30,877,537	29,262,587

# Profit and Loss Account as at 31 December 2013

(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
<b>I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE</b>					
1. Earned premiums, net of reinsurance:	1	x	x	x	x
a) gross premiums written	2	761,159	x	x	x
b) outward reinsurance premiums	3	695,091	66,068	x	x
c) change in the gross provision for unearned premiums (+/-)	4	-1,951	x	x	x
d) change in the provision for unearned premiums, reinsurers' share (+/-)	5	-977	-974	67,042	69,223
2. Allocated investment return transferred from the non-technical account (item III. 6.)	6	x	x	4,208	20,638
3. Other technical income, net of reinsurance	7	x	x	1,527	1,449
4. Claims incurred, net of reinsurance:	8	x	x	x	x
a) claims paid:	9	x	x	x	x
aa) gross amount	10	197,093	x	x	x
ab) reinsurers' share	11	149,327	47,766	x	x
b) change in the provision for outstanding claims (+/-):	12	x	x	x	x
ba) gross amount	13	15,928	x	x	x
bb) reinsurers' share	14	13,556	2,372	50,138	51,361

(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
<b>I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE</b>					
5. Changes in other technical provisions, net of reinsurance (+/-)	15	x	x	0	0
6. Bonuses and rebates, net of reinsurance	16	x	x	2,112	2,154
7. Net operating expenses:	17	x	x	x	x
a) acquisition costs	18	x	1,856	x	x
b) change in deferred acquisition costs (+/-)	19	x	5	x	x
c) administrative expenses	20	x	9,109	x	x
d) reinsurance commissions and profit participation	21	x	27,491	-16,521	-11,586
8. Other technical expenses, net of reinsurance	22	x	x	1,307	1,170
10. Sub-total, balance (result) on the technical account for non-life insurance (item III. 1.)	24	x	x	35,741	48,211
<b>II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE</b>					
1. Earned premiums, net of reinsurance:	25	x	x	x	x
a) gross premiums written	26	x	10,594,630	x	x
b) outward reinsurance premiums	27	x	1,222,678	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	28	x	-4,327	9,376,279	8,688,471

(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
<b>II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE</b>					
2. Income from financial placements (investments):	29	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence		x		x	x
b) income from other investments, with a separate indication of that derived from controlling influence, of which:		x	x	x	x
ba) income from land and buildings (real estate)	32	0	x	x	x
bb) income from other financial placements (investments)	33	775,663	775,663	x	x
c) value adjustments on financial placements	34	x	0	x	x
d) income from disposal of financial placements	35	x	964,013	1,739,676	6,418,621
3. Unrealised gains on financial placements	36	x	x	1,366,862	688,465
4. Other technical income, net of reinsurance	37	x	x	118,044	97,824
5. Claims incurred, net of reinsurance:	38	x	x	x	x
a) claims paid:	39	x	x	x	x
aa) gross amount	40	6,635,313	x	x	x
ab) reinsurers' share	41	571,656	6,063,657	x	x

(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
b) change in the provision for outstanding claims (+/-):	42	x	x	x	x
ba) gross amount	43	362,288	x	x	x
bb) reinsurers' share	44	158,571	203,717	6,267,374	6,053,302
6. Changes in other technical provisions, net of reinsurance (+/-):	45	x	x	x	x
a) life assurance provisions:	46	x	x	x	x
aa) gross amount	47	1,312,165	x	x	x
ab) reinsurers' share	48	0	1,312,165	x	x
b) other technical provisions, net of reinsurance	49	x	97,317	1,409,482	1,065,816
7. Bonuses and rebates, net of reinsurance	50	x	x	263,152	274,501
8. Net operating expenses:	51	x	x	x	x
a) acquisitions costs	52	x	1,267,839	x	x
b) change in deferred acquisition costs (+/-)	53	x	-12,122	x	x
c) administrative expenses	54	x	526,303	x	x
d) reinsurance commissions and profit participation	55	x	387,355	1,394,665	1,614,177



(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
9. Expenses connected with financial placements (investments):	56	x	x	x	x
a) investment management charges, including interest	57	x	316,497	x	x
b) value adjustments on financial placements	58	x	0	x	x
c) book value of disposed financial placements	59	x	968,204	1,284,701	5,589,029
10. Unrealised losses on financial placements (investments)	60	x	x	934,954	0
11. Other technical expenses, net of reinsurance	61	x	x	104,571	84,991
13. Sub-total, balance (result) on the technical account for life assurance (item III. 2.)	63	x	x	941,962	1,211,565
<b>III. NON-TECHNICAL ACCOUNT</b>					
1. Result of the technical account for non-life insurance (item I. 10.)	64	x	x	35,741	48,211
2. Result of the technical account for life assurance (item II. 13.)	65	x	x	941,962	1,211,565
3. Income from financial placements:	66	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	67	x		x	x
b) income from other investments, with a separate indication of that derived from controlling influence:	68	x	x	x	x

(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
ba) income from land and buildings	69	67	x	x	x
bb) income from other financial placements (investments)	70	5,807	5,874	x	x
c) value adjustments on financial placements	71	x	3,579	x	x
d) income from disposal of financial placements	72	x	144,045	153,498	95,808
5. Expenses connected with financial placements:	74	x	x	x	x
a) investment management charges, including interest	75	x	2,297	x	x
b) value adjustments on financial placements	76	x	1,762	x	x
c) book value of disposed financial placements	77	x	145,231	149,290	75,170
6. Allocated investment return transferred to the technical account for non-life insurance (item I. 2.)	78		x	4,208	20,638
7. Other income	79		x	21,094	23,348
8. Other expenses	80		x	17,667	19,483
9. Income tax on ordinary activities	81		x	188,795	244,367
10. Profit or loss on ordinary activities after tax	82		x	792,335	1,019,274
15. Other taxes not shown under the preceding items	87		x	283	856
16. Profit or loss for the financial year	88		x	792,052	1,018,418

# Statement of Change in Equity for 2013

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

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

(in thousands CZK)	Registered capital	Other funds from profit	Changes in valuation	Statutory reserve fund	Retained earnings	Profit (loss) for the current year	Total
BALANCE AT 1/1/2013	1,900,100	3,985	95,721	270,667	66,683	1,018,418	3,355,574
Additions to funds		4,730		50,921	962,767	-1,018,418	
Utilisation of funds		-3,846					-3,846
Change in valuation of financial placements			-52,856				-52,856
Increase/reduction in registered capital							
Payment of dividends					-865,654		-865,654
Profit/loss for the current year						792,052	792,052
<b>BALANCE AT 31/12/2013</b>	<b>1,900,100</b>	<b>4,869</b>	<b>42,865</b>	<b>321,588</b>	<b>163,796</b>	<b>792,052</b>	<b>3,225,270</b>

# Notes to the Financial Statements for 2013

## I. GENERAL CONTENTS

### I. 1. Description and principal activities

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

Shareholders of the Company as at 31 December 2013:

Shareholders	2013
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	90%
Kooperativa pojišťovna, a. s., Vienna Insurance Group	5%
Česká spořitelna, a. s.	5%

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

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

#### Life assurance

- Assurance on death, assurance on survival to a certain age, and assurance on survival to a certain age or death
- Pension insurance
- Accident or sickness insurance as a supplement to the above types of insurance

- Marriage insurance and savings insurance to provide funds to raise children
- Insurance connected with an investment fund / unit-linked insurance

#### Non-life insurance

- Accident and sickness insurance
- Insurance for various financial losses

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

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

#### Registered office

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

Members of the Board of Directors, Supervisory Board and Audit Committee as at 31 December 2013:

#### **Board of directors**

##### Chairman:

RNDr. Petr Zapletal,  
Na Zahradkách 307, Praha 4, Šeberov

##### Vice-chairman:

Ing. Jaroslav Kulhánek, Zalomená 175,  
Hradec Králové 11, Roudnička

##### Member:

Tomáš Vaníček, Donínská 1778, Újezd nad Lesy,  
Praha 9 (since 25. 10. 2013, until 30. 6. 2013 Ing. Li-  
bor Mánek, Křemže, Lomená 379)

Statements of will and signing of documents on behalf of the Company must always be conducted jointly by two members of the Board. No authorisation for individual representation in any matter related to operation of the Company is possible. When signing documents on behalf of the Company, the required number of representatives shall add their signatures and state their offices to the printed or written name of the Company.

#### **Proxy**

Ing. František Mareš,  
Stéblová No. 78, zip code 533 45

#### **Supervisory Board**

##### Chairman:

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

##### Vice-chairman:

Mag. Erwin Hammerbacher,  
Seyring, Helmaweg 29, 2201, Austria

##### Members:

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

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

Mag. Roland Gröll,  
Vienna, Neuwaldegger Str. 37/1, 1170,  
Austria

Mgr. Veronika Maderová,  
Nechvilova 1826/2, Chodov, Praha 4, zip code 148 00  
(since 10. 4. 2013)

#### **Audit Committee**

Ing. Martin Diviš, MBA  
Dr. Peter Hagen  
Ing. Hynek Vodička

## **I. 2. Compliance with legislation**

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

## **I. 3. Basis of preparation of the financial statements**

The accounting records of the Company are maintained and the financial statements of the Company have been prepared in accordance with Act

No. 563/1991 Coll., on Accounting, as amended, Regulation No. 502/2002 Coll., to implement certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units, which are insurance companies, as amended ("Regulation No. 502/2002 Coll."), and with the Czech Accounting Standards for accounting units that maintain their accounting records in compliance with Regulation No. 502/2002 Coll. and other relevant legislation.

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

#### **I. 4. Significant accounting policies**

##### **(a) Tangible and intangible fixed assets**

Tangible and intangible fixed assets are stated at acquisition cost.

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

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

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

##### **(b) Investments**

###### **Land and buildings (real estate)**

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

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

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

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



### **Debt securities**

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

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

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

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

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

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

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

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

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

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

### **Shares and other variable-yield securities**

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

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

Fair value means the market price published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most

recent published market price as at the date of the financial statements (balance sheet date). If no market price is available or if it does not sufficiently represent the fair value, the fair value is determined on the basis of a qualified estimate.

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

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

### **Participating interests**

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

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

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

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

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

### **Deposits with financial institutions**

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

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

### **Derivatives**

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

Financial derivatives that do not meet the requirements for the application of hedge accounting or, if appropriate, derivatives in respect of which the Company has decided not to apply hedge accounting are carried at fair value and the gains or losses arising

from their revaluation are recognised in the profit and loss account. The derivatives are used by the Company to hedge currency risks, i.e. currency swaps.

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

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

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

**(d) Adjustments**

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

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

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

**(e) Impairment of assets**

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

**(f) Deferred acquisition costs**

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

**Non-life insurance**

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

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

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

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

Deferred acquisition costs in unit-linked assurance are

determined using actuarial methods and reflecting the expected cancellation rate based on the value of expected future deductions from initial fees and from the expected repayment of the negative capital value arising from insurance contracts during the period in which the initial costs are deducted. The expected repayment of the negative capital value is determined using the prospective method taking into consideration all relevant future cash flows and using prudent assumptions regarding the cancellation rate, claim frequency and insurance contract duration period.

#### **(g) Income tax**

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

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

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

#### **(h) Provision for unearned premiums**

The provision for unearned premiums is created

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

#### **(i) Life assurance provision**

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

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

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

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

#### **(j) Provision for outstanding claims**

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

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

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

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

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

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

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

#### **(k) Provision for bonuses and rebates**

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

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

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

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



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

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

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

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

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

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

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

The amount of the provision is determined as the sum of liabilities due to insured persons in the amount of their shares of invested premiums from in-

dividual life assurance contracts in accordance with the principles included in the insurance contracts.

#### **(n) Reinsurers' share of technical provisions**

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

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

#### **(o) Provisions**

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

#### **Provision for taxes**

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

#### **(p) Gross premiums written**

Gross premiums written comprise all amounts due during the financial year in respect of insurance contracts regardless of the fact that such amounts may relate in whole or in part to future financial years.

#### **(q) Claims paid**

Claims paid comprise the amount assessed for payment based on the claims investigation process, external and internal claims handling costs and a deduction for the salvage value and other recoveries. Claims paid are recorded upon completion of the investigation of the claim and in the amount of the assessed settlement.

#### **(r) Acquisition costs**

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

#### **(s) Expenses and income from financial placements**

##### **Allocation of expenses and income from financial placements between life assurance and non-life insurance accounts:**

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

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

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

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

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

#### **Expenses and revenues from financial placements**

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

#### **Other expenses and revenues**

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

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

#### **(u) Foreign currency translation**

Transactions during the year are recorded at the CNB

exchange rate effective as at the transaction date or at the rate at which the transaction was realised.

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

#### **I. 5. Changes in accounting policies and procedures**

During the year 2013, there were no changes in accounting policies and procedures made by the Company, and during the financial year the Company did not apply any deviations from these policies and procedures.

#### **I. 6. Risk management**

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

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

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

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

The Company's Board of Directors has the primary responsibility for the risk management system effectiveness. The risk management department is responsible for performance of risk management activities. Simultaneously, there have been defined the individual lines of protection against risks including their tasks and responsibilities for risk management within the Company.

#### **(a) Non-life insurance risk**

The Company is exposed to insurance risk and underwriting risks following from the sale of non-life insurance products.

Insurance risk relates to uncertainty in respect of the period, frequency and amount of damage covered by insurance contracts.

The most significant components of insurance risk are the reserve risk and the premium risk. The premium amount is determined using historical assumptions, which may differ from the actual situation. The risk of trend, risk of estimate, change in assumption etc. may have a significant impact on determining the amount of provisions. The liability adequacy tests and analysis of sensitivity to change in assumptions are used to eliminate the reserve risk.

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

#### **Concentration of insurance risk**

Concentration of insurance risk may exist in the event



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

#### **Geographic concentration**

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

#### **Reinsurance strategy for non-life insurance**

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

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

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

#### **(b) Life assurance risk**

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

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

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

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

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

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

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

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

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

In order to manage the insurance risk, the Company

primarily uses reinsurance and a prudent underwriting policy.

#### **Reinsurance strategy for life assurance**

The Company reinsures some of the risks it underwrites in order to control its exposures to losses and protect its own capital resources. The Company has based its reinsurance scheme on a complementary combination of contracts with external reinsurers.

In life assurance, the Company concludes non-proportionate reinsurance treaties to reduce its net exposure.

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

#### **(c) Market risk**

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

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

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

#### **Asset/Liability management (ALM)**

The basic goal of ALM is to achieve balance in the

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

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

#### **Interest rate risk**

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

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

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

The risk of changes in cash flows as a result of a change in interest rate represents exposure primar-

ily to the insurance contracts with a guaranteed interest rate, where the client compares the revenue guaranteed by the contract with the revenue offered in the market. Where the market interest rates increase, some types of contracts may show an increase in the lapse rate, or vice versa.

#### **Price fluctuation risk**

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

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

#### **Currency risk**

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. As the currency in which the Company presents its financial statements is the Czech crown (CZK), movements in the exchange rates between these currencies and the CZK affect the Company's financial statements.

The Company uses currency swaps in order to hedge against currency risk.

#### **(d) Credit risk**

The Company is exposed to the credit risk, which follows from the counterparty failing to pay the amounts due in full.

The main areas of the Company's exposure to the credit risk:

- Reinsurers' share in insurance liabilities
- Reinsurers' debt, which relates to a claim that has already been paid
- Outstanding premiums
- Receivables from insurance intermediaries
- Counterparty risk relating to currency swaps
- Risk of failure to repay the principal or income from financial investments

Concentrations of credit risk arise where groups of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions.

The credit risk is limited by external limits regulating the structure of financial placement (Regulation No. 434/2009 Coll., to implement certain provisions of the Act on Insurance).

The outstanding premiums are regularly monitored, and the method of creating adjustments is described in point I. 4. (d).

Recovery of debt from insurance is carried out by the Company in cooperation with external partners.

#### **(e) Operational risk**

Operational risk is the risk arising from the failure of internal processes, human resources or systems, or the risk of loss that may arise due to external events, including the risk of loss arising from a breach of, or noncompliance with, a legal standard.

Loss means any harm or damage incurred by the Company.

The Company monitors these risks, designs modifications to work procedures and processes to eliminate the loss events, and builds a system to analyse operational risks.

#### **(f) Liquidity risk**

The Company is exposed to requirements for liquidity on a daily basis. These requirements are related to claim settlements. The liquidity risk is a risk that the cash necessary for payment of liabilities will not be available at the due date and at adequate cost.

The need for liquidity is continuously monitored in order to ensure necessary resources.

The Company has access to a diverse funding base, and in compliance with the legislation in force it has invested a sufficient portion of its financial placement in liquid financial instruments.

## II. ADDITIONAL DISCLOSURES IN RESPECT OF THE BALANCE SHEET

### II. 1. Intangible fixed assets

Intangible fixed assets of the Company as at 31 December 2013 comprise the following items:

(in thousands CZK)	Software	Total
Acquisition cost at 1. 1. 2013	315,880	315,880
Additions	53,530	53,530
Disposals		0
<b>Acquisition cost at 31. 12. 2013</b>	<b>369,410</b>	<b>369,410</b>
Accumulated depreciation at 1. 1. 2013	253,674	253,674
Depreciation	31,234	31,234
Disposals		0
<b>Accumulated depreciation at 31. 12. 2013</b>	<b>284,908</b>	<b>284,908</b>
Net book value at 1. 1. 2013	62,206	62,206
<b>Net book value at 31. 12. 2013</b>	<b>84,502</b>	<b>84,502</b>

## II. 2. Investments

### (a) Land and buildings (real estate)

Operating (in thousands CZK)	2013	2012
Land	538	538
Valuation differences	1,362	1,362
Buildings	70,169	69,429
Valuation differences	-16,629	-16,629
<b>Total operating land and buildings at fair value</b>	<b>55,440</b>	<b>55,700</b>

The most recent valuation of land and buildings (real estate) based on an expert appraisal was carried out on 31 December 2013.

### (b) Participating interests with significant influence

2013 (in thousands CZK)	Share of registered capital in %	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year	Dividend income/ profit share
V.I.G. ND, uzavřený investiční fond a.s.	10.48	299,773	304,506	2,671,000	2,880,278	60,797	6,373
<b>Total</b>		<b>299,773</b>	<b>304,506</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>6,373</b>

**(b) Participating interests with significant influence** (continued)

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

The financial data are based on non-audited preliminary financial statements as at 31 December 2013.

V.I.G. ND, uzavřený investiční fond a.s. is a company under full and joint control of entities within the VIG financial group.

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

(in thousands CZK)	Fair value		Acquisition cost	
	2013	2012	2013	2012
<b>Issued by financial institutions</b>				
– Listed on a recognised CR exchange	151,158	78,525	122,033	68,048
– Unlisted	1,728,896	1,294,080	1,419,904	1,229,531
<b>Issued by non-financial institutions</b>				
– Listed on a recognised CR exchange	70,799	86,930	75,141	94,611
<b>Total</b>	<b>1,950,853</b>	<b>1,459,535</b>	<b>1,617,077</b>	<b>1,392,190</b>

Unlisted securities issued by financial institutions comprise participation certificates / units.

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

(in thousands CZK)	Fair value		Acquisition cost	
	2013	2012	2013	2012
<b>Issued by financial institutions</b>				
– Listed on a recognised CR exchange	149,611	712,741	151,096	701,106
– Listed elsewhere	1,397,893	1,313,610	1,344,050	1,278,269
– Unlisted	281,508	247,277	228,510	200,720
<b>Issued by non-financial institutions</b>				
– Listed on a recognised CR exchange	0	103,865	0	100,000
– Listed elsewhere	179,671	68,599	159,851	59,850
<b>Issued by government sector</b>				
– Listed on a recognised CR exchange	5,570,770	5,007,721	5,419,213	4,740,979
– Listed elsewhere	800,399	704,530	704,702	642,649
<b>Total</b>	<b>8,379,852</b>	<b>8,158,343</b>	<b>8,007,422</b>	<b>7,723,573</b>

Securities listed elsewhere are traded mainly on European markets.



**(e) OECD bonds held to maturity**

(in thousands CZK)	Fair value		Amortised value		Acquisition cost	
	2013	2012	2013	2012	2013	2012
– Listed on a recognised CR exchange	11,229,149	11,192,871	10,456,689	10,048,554	10,395,740	9,909,906
<b>Total OECD bonds held to maturity</b>	<b>11,229,149</b>	<b>11,192,871</b>	<b>10,456,689</b>	<b>10,048,554</b>	<b>10,395,740</b>	<b>9,909,906</b>

**(f) Other debt securities held to maturity**

(in thousands CZK)	Fair value		Acquisition cost	
	2013	2012	2013	2012
<b>Issued by financial institutions</b>				
– Listed on a recognised CR exchange	318,268	0	313,547	0
– Listed elsewhere	454,082	619,979	380,205	509,257
– Unlisted	615,904	368,538	549,628	299,150
<b>Issued by non-financial institutions</b>				
– Listed on a recognised CR exchange	1,061,109	171,890	1,048,752	149,412
– Listed elsewhere	412,163	1,383,061	358,173	1,199,371
<b>Total other debt securities held to maturity</b>	<b>2,861,527</b>	<b>2,543,468</b>	<b>2,650,304</b>	<b>2,157,190</b>

### (g) Deposits with financial institutions

(in thousands CZK)	2013	2012
Due within 1 year	1,205,494	882,746
Due in 1 to 5 years		300,000
<b>Total</b>	<b>1,205,494</b>	<b>1,182,746</b>

### (h) Other financial placements – derivatives

#### Other derivatives – derivatives held for trading

Fixed term contracts with a positive fair value (in thousands CZK)	Nominal value		Fair value	
	2013	2012	2013	2012
Term currency transactions	1,619,406	1,147,213	9,395	5,783
<b>Total</b>	<b>1,619,406</b>	<b>1,147,213</b>	<b>9,395</b>	<b>5,783</b>

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

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

As at 31 December 2013 the remaining maturity of derivatives amounting to TCZK 9,395 (TCZK 5,783 as at 31 December 2012) was less than 3 months.

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

(in thousands CZK)	Fair value		Acquisition cost	
	2013	2012	2013	2012
Shares and other variable-yield securities	787,408	701,778	731,133	740,959
Debt securities	2,353,795	2,321,905	1,830,535	1,854,285
<b>Total</b>	<b>3,141,203</b>	<b>3,023,683</b>	<b>2,561,668</b>	<b>2,595,244</b>

### II. 4. Currency structure of the financial placement

Currency (in thousands CZK)	Variable-yield securities		Fixed income securities		Deposits and other financial placements			Total
	2013	2012	2013	2012	2013	2012	2013	2012
CZK	1,159,270	1,084,176	20,875,682	20,004,264	1,199,186	1,167,285	25,279,408	26,375,341
EUR	310,115	161,508	757,093	746,101	6,578	18,042	925,651	1,073,786
GBP	105,262	77,531			629	252	77,783	105,891
USD	680,712	440,279			8,496	2,950	443,229	689,208
PLN			65,293				0	65,293
<b>Total</b>	<b>2,255,359</b>	<b>1,763,494</b>	<b>21,698,068</b>	<b>20,750,365</b>	<b>1,214,889</b>	<b>1,188,529</b>	<b>26,276,071</b>	<b>28,309,519</b>

Variable-yield securities comprise a participating interest with significant influence amounting to TCZK 304,506 (2012: TCZK 303,959). All securities where the investment risk is borne by the policyholders are denominated in CZK.

## II. 5. Receivables

At 31 December 2013 (in thousands CZK)	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	8,180	2,000	309,387	179,874	499,441
Overdue	149,717	19,712		581	170,010
<b>Total</b>	<b>157,897</b>	<b>21,712</b>	<b>309,387</b>	<b>180,455</b>	<b>669,451</b>
Adjustment	99,714	18,439		132	118,285
<b>Total net</b>	<b>58,183</b>	<b>3,273</b>	<b>309,387</b>	<b>180,323</b>	<b>551,166</b>

At 31 December 2012 (in thousands CZK)	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	2, 289		312,307	135,640	470,236
Overdue	130,665	18,999		174	149,838
<b>Total</b>	<b>152,954</b>	<b>18,999</b>	<b>312,307</b>	<b>135,814</b>	<b>620,074</b>
Adjustment	87,276	17,624		132	105,032
<b>Total net</b>	<b>65,678</b>	<b>1,375</b>	<b>312,307</b>	<b>135,682</b>	<b>515,042</b>

## Other receivables

(in thousands CZK)	2013	2012
Inter-company receivables	1,561	2,645
Income tax prepayments	171,319	119,967
Other receivables	7,575	13,202
<b>Total other receivables (gross)</b>	<b>180,455</b>	<b>135,814</b>

## II. 6. Other assets

### (a) Tangible fixed assets

(in thousands CZK)	Cars	IT equipment	Fixtures and fittings	Other	Acquisition of assets and advances paid	Total
Acquisition cost at 1. 1. 2013	30,366	49,947	24,011	11,009	1,907	117,240
Additions	3,682	9,190	295	388	1,329	14,884
Disposals	-4,256	-111			-1,655	-6,022
<b>Acquisition cost at 31. 12. 2013</b>	<b>29,792</b>	<b>59,026</b>	<b>24,306</b>	<b>11,397</b>	<b>1,581</b>	<b>126,102</b>
Accumulated depreciation at 1. 1. 2013	12,599	16,454	10,708	636	0	40,397
Depreciation expense	7,017	15,077	2,004	199		24,298
Disposals	-3,177	-111				-3,289
<b>Accumulated depreciation at 31. 12. 2013</b>	<b>16,439</b>	<b>31,420</b>	<b>12,712</b>	<b>835</b>	<b>0</b>	<b>61,406</b>
Net book value at 1. 1. 2013	17,767	33,493	13,303	10,373	1,907	76,843
<b>Net book value at 31. 12. 2013</b>	<b>13,353</b>	<b>27,606</b>	<b>11,594</b>	<b>10,562</b>	<b>1,581</b>	<b>64,696</b>

As at 31 December 2013, the Company also reported inventories in the amount of TCZK 1,743 (2012: TCZK 2,992).

## II. 7. Temporary asset accounts

### (a) Deferred acquisition costs for life assurance contracts

(in thousands CZK)	2013	2012
Life assurance connected with an investment fund / unit-linked	1,596,999	1,584,877
<b>Total</b>	<b>1,596,999</b>	<b>1,584,877</b>

The calculation of the amount reported in Deferred acquisition costs for unit-linked insurance contracts depends on two calculation bases. The volume of expected future deductions of the initial allocation fees is used to create an asset of TCZK 591,405 (2012: TCZK 722,986) and the volume of the negative capital value of insurance contracts is used to create an asset of TCZK 1,005,594 (2011: TCZK 861,891).

### (b) Estimated receivables

(in thousands CZK)	2013	2012
Estimated written premiums	109,843	114,908
Estimated reinsurance commissions	20,292	17,166
Estimated trailer fees	1,491	1,078
Estimated share in the profit of the reinsurer BNP	10,228	11,082
Other	4,881	2,669
<b>Total</b>	<b>146,735</b>	<b>146,903</b>

#### Estimated written premiums

The Company discloses in estimated receivables an estimate of the written premiums for December in respect of general insurance contracts where the policyholders report to the Company on a monthly basis in arrears.

### (c) Other temporary asset accounts

(in thousands CZK)	2013	2012
Prepaid expenses relating to commissions on premiums not yet recorded	22,354	23,404
Postage	7,000	0
Other	2,183	1,530
<b>Total</b>	<b>31,537</b>	<b>24,934</b>

## II. 8. Equity

### (a) Share capital

The registered share capital comprises 8,180 registered ordinary shares in booked form with a nominal value of TCZK 45 and 15,320 ordinary bearer shares with a nominal value of TCZK 100. As at 31 December 2013, 100%, i.e. TCZK 1,900,100, of the share capital was paid up. In the accounting period 2013 and 2012, the share capital did not change.

Issue	Type of security	Form	Nominal value (in TCZK)	Number of securities	Total volume (in TCZK)	Information on public marketability
CZ0008040706	share	book-entry	45,000	8,180	368,100,000	Not marketable
CZ0008040698	share	book-entry	100,000	15,320	1,532,000,000	Not marketable
<b>Total</b>				<b>23,500</b>	<b>1,900,100,000</b>	

The share capital amount complies with the requirements of the Insurance Act, with regard to the insurance classes in which the Company is authorised to carry on insurance activities.



**(b) Other capital funds**

(in thousands CZK)	2013	2012
Revaluation of assets and liabilities at fair value	42,865	95,721
<b>Total</b>	<b>42,865</b>	<b>95,721</b>

**Revaluation of assets and liabilities at fair value**

(in thousands CZK)	2013	2012
<b>Balance at 1/1</b>	<b>95,721</b>	<b>56,168</b>
Change in fair value of financial placement	-65,255	48,831
Change in deferred tax	12,399	-9,278
<b>Balance at 31/12</b>	<b>42,865</b>	<b>95,721</b>

**Planned distribution of the current period profit**

(in thousands CZK)	
<b>Profit for the current period</b>	<b>792,052</b>
Transfer to statutory reserve fund	39,603
Transfer to social fund	3,178
Dividend (CZK 27.14 per share)	637,836
<b>Profit to be added to retained earnings</b>	<b>111,435</b>

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

## II. 9. Technical provisions

### (a) Life assurance provision

(in thousands CZK)	2013	2012
Unzillmerised provision	8,203,997	6,621,381
Zillmer adjustment	12,985	11,557
Elimination of negative reserves	1,992	2,342
<b>Zillmerised provision presented in the balance sheet</b>	<b>8,193,004</b>	<b>6,612,166</b>
Flexi provision	11,943,371	12,378,190
Provision for profit share commitments	360,349	325,383
Annuity provision	7,640	8,366
Provision for bonuses	336,769	204,863
<b>Total life assurance provision</b>	<b>20,841,133</b>	<b>19,528,968</b>

### (b) Provision for outstanding claims

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

(in thousands CZK)	2013	2012
RBNS	333,214	351,912
IBNR	1,160,771	935,985
<b>Total</b>	<b>1,493,985</b>	<b>1,287,897</b>

**Claims run-off result**

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2012, the claims payments during 2013 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2013.

(in thousands CZK)	2013	2012
Gross provision for outstanding claims as at 1 January	2,034,766	1,764,107
Claims payments in the current period in respect of prior period claims	1,068,845	963,580
Provision for outstanding claims as at 31 December intended for prior period claims not paid yet	768,944	654,114
<b>Run-off result</b>	<b>196,977</b>	<b>146,413</b>

The gross run-off result by classes of insurance:

Class of insurance (in thousands CZK)	2013	2012
Accident and sickness – non-life insurance	40,983	12,619
Other losses – non-life insurance	6,074	5,238
Assurance on death, assurance on survival	9,760	13,223
Accident and sickness insurance as a rider	151,263	79,439
Marriage insurance	-10	96
Life assurance connected with an investment fund / unit-linked (not including accidental riders)	-11,093	35,798
<b>Total</b>	<b>196,977</b>	<b>146,413</b>

## II. 10. Provisions

Type of provision (in thousands CZK)	Opening balance	Creation	Release	Closing balance
Provision for taxes	244,011	189,617	244,011	189,617
<b>Total</b>	<b>244,011</b>	<b>189,617</b>	<b>244,011</b>	<b>189,617</b>

The income tax prepayments of TCZK 171,319 (2012: TCZK 119,967) are recognised in Other receivables.

## II. 11. Payables

31 December 2013 (in thousands CZK)	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	192,063	115,984	368,794	52,822	729,663
Overdue				128	128
<b>Total</b>	<b>192,063</b>	<b>115,984</b>	<b>368,794</b>	<b>52,950</b>	<b>729,791</b>

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

Other payables comprise the following items:

(in thousands CZK)	2013	2012
Payables to employees	7,968	37,517
Social security and health insurance liabilities	4,419	10,685
Payables to suppliers	25,749	12,927
Deferred tax liability	12,536	25,692
Other tax liabilities	2,278	9,966
<b>Total</b>	<b>52,950</b>	<b>96,787</b>

**(a) Social security and health insurance liabilities**

Liabilities in respect of social security and health insurance total TCZK 4,419 (2012: TCZK 10,685) of which TCZK 2,916 (2012: TCZK 6,773) relates to social security and TCZK 1,503 (2012: TCZK 3,912) relates to health insurance. None of these liabilities are overdue.

**(b) Tax liabilities**

Tax liabilities amount to TCZK 2,278 (2012: TCZK 9,966), none of which is overdue.

**(c) Long-term payables (maturity over five years)**

The Company does not have any long-term payables with remaining maturity over five years.

#### (d) Payables and receivables due to or from reinsurers

The Company has a net payable to reinsurers in the amount given in the following table:

(in thousands CZK)	2013	2012
Receivables from reinsurers	309,387	312,307
Payables to reinsurers	368,794	381,156
Deposits due to cedents	811,793	635,780
<b>Net (+ receivable, - payable)</b>	<b>-871,200</b>	<b>-704,629</b>

The deposit of TCZK 811,793 (2012: TCZK 635,780) is relating to reinsurance contracts with VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

## II. 12. Temporary liability accounts

### (a) Other temporary liability accounts

(in thousands CZK)	2013	2012
Accrued expenses	0	0
Estimated payables	304,443	235,922
<b>Total</b>	<b>304,443</b>	<b>235,922</b>

A detailed breakdown of estimated payables is as follows:

**(b) Estimated payables**

(in thousands CZK)	2013	2012
Alliance partner commission	89,519	84,958
Performance-based commission of insurance intermediaries	26,498	28,000
Lawsuits and litigations	5,721	5,721
Annual extraordinary bonuses and untaken holidays	68,651	14,095
Asset management fees	26,631	26,751
Operating system repairs and maintenance	9,164	6,717
Reinsurance premiums on premium not yet recorded	57,654	60,786
Advance payments for services relating to rent	2,753	2,837
Consulting services	8,137	500
Services not yet invoiced by other creditors	9,715	5,557
<b>Total</b>	<b>304,443</b>	<b>235,922</b>

**Alliance partner commission**

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

**Estimated reinsurance premiums**

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

## II. 13. Inter-company receivables and payables

### (a) Other inter-company receivables and payables

Company name (in thousands CZK)	Receivables		Payables	
	2013	2012	2013	2012
Short-term	285,016	286,931	302,199	308,960
Kooperativa pojišťovna, a. s., Vienna Insurance Group	3,570	3,257	2,769	2,149
Česká podnikatelská pojišťovna, a. s., Vienna Insurance Group	50			
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	281,396	283,674	299,430	306,811
<b>Total</b>	<b>285,016</b>	<b>286,931</b>	<b>302,199</b>	<b>308,960</b>

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

All significant transactions with related parties were carried out under common market conditions.



### III. ADDITIONAL DISCLOSURES IN RESPECT OF THE PROFIT AND LOSS ACCOUNT

#### III. 1. Non-life insurance

Non-life insurance for 2013 and 2012 divided by classes of insurance:

(in thousands CZK)	Class of insurance	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsurance balance
<b>Direct insurance</b>						
Accident and sickness	1, 2					
2013		513,554	515,505	193,849	9,471	-84,860
2012		545,026	544,765	180,218	9,594	-91,946
Miscellaneous losses	16					
2013		247,605	247,605	19,172	1,499	-72,160
2012		259,899	259,899	19,012	1,511	-72,339
<b>Total</b>						
2013		761,159	763,110	213,021	10,970	-157,020
2012		804,925	804,664	199,230	11,105	-164,285

### III. 2. Life assurance

Gross premiums written in life assurance:

(in thousands CZK)	2013	2012
Individual premium	9,897,314	9,191,499
Premiums under group contracts	697,316	705,842
<b>Total</b>	<b>10,594,630</b>	<b>9,897,341</b>
Regular premium	5,477,128	5,266,241
Single premium	5,117,502	4,631,100
<b>Total</b>	<b>10,594,630</b>	<b>9,897,341</b>
Premiums from non profit-sharing contracts	1,434,438	1,323,291
Premiums from profit-sharing contracts	7,746,546	6,341,932
Premiums from contracts where the investment risk is borne by policyholders	1,413,646	2,232,118
<b>Total</b>	<b>10,594,630</b>	<b>9,897,341</b>
<b>Reinsurance balance</b>	<b>-112,076</b>	<b>-108,188</b>

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

In 2013 and 2012, the total amount of gross premiums written was generated on contracts concluded in the Czech Republic.

### III. 4. Bonuses and rebates

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

(in thousands CZK)	2013	2012
<b>Gross</b>		
Non-life insurance	382,787	369,727
Life assurance	263,971	274,831
<b>Total gross amount</b>	<b>646,758</b>	<b>644,558</b>
Reinsurers' share (non-life insurance)	380,665	367,592
<b>Total net amount</b>	<b>266,093</b>	<b>276,966</b>

In accordance with the procedures stated in point I. 4. (k) of the Notes the Company accounted for the following changes in the provision for bonuses and rebates:

2013 (in thousands CZK)	Gross	Reinsurers' share	Net
<b>Non-life insurance</b>			
Creation	354,714	352,602	2,112
Release	386,183	384,061	2,122
Change of balance	-31,469	-31,459	-10
<b>Life assurance</b>			
Creation	265,322		265,322
Release	266,141		266,141
Change of balance	-819		-819
<b>Total change of balance</b>	<b>-32,288</b>	<b>-31,459</b>	<b>-829</b>

### III. 4. Bonuses and rebates (continued)

2012 (in thousands CZK)	Gross	Reinsurers' share	Net
<b>Non-life insurance</b>			
Creation	405,325	403,235	2,090
Release	371,662	369,591	2,071
Change of balance	33,663	33,644	19
<b>Life assurance</b>			
Creation	274,501		274,501
Release	274,831		274,831
Change of balance	-330		-330
<b>Total change of balance</b>	<b>33,333</b>	<b>33,644</b>	<b>-311</b>

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

(in thousands CZK)	2013			2012		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
<b>Commissions</b>						
Initial	281	1,046,011	1,046,292	491	1,315,890	1,316,381
Renewal	4,788	241,908	246,696	4,567	252,594	257,161
<b>Total commissions</b>	<b>5,069</b>	<b>1,287,919</b>	<b>1,292,988</b>	<b>5,058</b>	<b>1,568,484</b>	<b>1,573,542</b>
Other acquisition costs	1,575	221,828	223,403	1,548	195,959	197,507
Change in deferred acquisition costs	5	-12,122	-12,117	194	-77,817	-77,623
<b>Total commissions and other acquisition costs</b>	<b>6,649</b>	<b>1,497,625</b>	<b>1,504,274</b>	<b>6,800</b>	<b>1,686,626</b>	<b>1,693,426</b>

The Company discloses renewal commissions in administrative expenses.

Other acquisition costs primarily comprise costs for wages and salaries, promotion, advertising and other administrative expenses associated with the conclusion of insurance contracts.

### III. 6. Administrative expenses

(in thousands CZK)	2013	2012
Personnel expenses (payroll, social security and health insurance, remuneration to members of the Supervisory Board, Board of Directors and Audit Committee)	101,022	90,377
Renewal commissions	246,696	257,161
Rent and related services	7,185	7,173
Consultancy and external audit	23,076	20,127
Consumption of low-value tangible and intangible assets and other material	10,624	8,775
Depreciation and repairs and maintenance of tangible assets	28,263	25,814
Operating systems administration and maintenance	23,719	28,560
Postal and telecommunication services	23,830	26,460
Bank fees	11,433	12,893
Other services	16,874	21,020
Other administrative expenses	42,690	41,608
<b>Total administrative expenses</b>	<b>535,412</b>	<b>539,968</b>

Other personnel expenses are included in other administrative expenses.

### III. 7. Other technical expenses and income

2013 (in thousands CZK)	Gross	Reinsurers' share	Net
<b>Non-life insurance</b>			
Other technical expenses	1,307		1,307
Other technical income	-1,527		-1,527
<b>Balance – non-life insurance</b>	<b>-220</b>	<b>0</b>	<b>-220</b>
<b>Life assurance</b>			
Other technical expenses	104,571		104,571
Other technical income	-118,044		-118,044
<b>Balance – life assurance</b>	<b>-13,473</b>	<b>0</b>	<b>-13,473</b>

2012 (in thousands CZK)	Gross	Reinsurers' share	Net
<b>Non-life insurance</b>			
Other technical expenses	1,170		1,170
Other technical income	-1,449		-1,449
<b>Balance – non-life insurance</b>	<b>-279</b>	<b>0</b>	<b>-279</b>
<b>Life assurance</b>			
Other technical expenses	84,991		84,991
Other technical income	-97,824		-97,824
<b>Balance – life assurance</b>	<b>-12,833</b>	<b>0</b>	<b>-12,833</b>

### III. 8. Employees and management

Personnel expenses and average calculated number of employees by individual categories for 2013 and 2012:

Personnel expense - type (in thousands CZK)	Employee category				
	Year	Acquisition, sales	Claims handling	Administration	Total
Payroll expense	2013	77,423	11,477	77,182	<b>166,082</b>
	2012	69,187	10,013	76,342	<b>155,542</b>
Social security and health insurance	2013	19,550	3,661	18,194	<b>41,405</b>
	2012	18,648	3,504	15,669	<b>37,821</b>
Other personnel expenses	2013	4,512	1,287	4,282	<b>10,081</b>
	2012	3,604	1,021	3,416	<b>8,041</b>
<b>Total personnel expenses</b>	<b>2013</b>	101,485	16,425	99,658	<b>217,568</b>
	<b>2012</b>	91,439	14,538	95,427	<b>201,404</b>
Average number of employees	2013	116	32	107	<b>255</b>
	2012	109	29	101	<b>239</b>

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

As at 31 December 2013, the management of the Company comprised 12 managers: the CEO, 3 deputy CEOs and 8 section directors. Personnel expenses (payroll, social security and health insurance, other personnel expenses) relating to managers totalled TCZK 27,185 in 2013 (2012: TCZK 39,978).

Expenses relating to the job positions of deputy CEO in charge of the sales division, sales division section directors and product management director are presented under acquisition costs. Expenses relating to other management positions are presented under administrative expenses.



### (a) Statutory, Executive and Supervisory Board members' remuneration

The Company has provided the following monetary and non-monetary remuneration to the statutory, executive and supervisory board members for the financial years 2013 and 2012:

(in thousands CZK)	2013	2012
Members of the Board of Directors	517	180
Proxy holder	60	60
Members of the Supervisory Board	980	830
Audit Committee	14	13
<b>Total remuneration paid</b>	<b>1,571</b>	<b>1,082</b>

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

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

The members of statutory bodies and proxy holders are entitled to remuneration that is determined by the Supervisory Board in line with the Company's by-laws and with respect to the scope of the work performed. A member of the Audit Committee is paid a fixed annual fee unless receiving at the same time remuneration as a member of another controlling or supervisory body of the Company.

The fees are specified in Table III. 8. (a) based on the type of the statutory body.

The Company presented no receivables from members of the Board of Directors, Supervisory Board, Audit Committee or the proxy holder relating to loans granted or advances paid, either in 2013 or 2012.

#### **(b) Information on remuneration for statutory auditors**

Information about remuneration for statutory auditors are provided in the Notes to the consolidated financial statements of the parent company VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

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

As at the balance sheet date, the total amount of expenses allocated between the technical accounts for life assurance, non-life insurance and the non-technical account by means of the method stated in note I. 4. (t) amounted to TCZK 64,084 (2012: TCZK 58,112).

### **III. 10. Result of non-technical account**

The result of the non-technical account as at 31 December 2013 amounted to TCZK 3,427 (2012: TCZK 3,865).

### **III. 11. Result before tax**

The result before tax as at 31 December 2013 amounted to TCZK 980,847 (2012: TCZK 1,262,785).

### **III. 12. Taxation**

#### **(a) Income tax in the profit and loss account**

<b>(in thousands CZK)</b>	<b>2013</b>	<b>2012</b>
Provision for current period income tax	189,617	244,011
Difference between the current income tax relating to prior periods and release of the provision for income tax relating to prior periods	-595	249
Current income tax relating to prior periods	531	
Change in deferred tax asset/Change in deferred tax liability	-758	107
<b>Income tax in profit and loss account</b>	<b>188,795</b>	<b>244,367</b>

## (b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences (in thousands CZK)	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Tangible fixed assets			6,751	5,930	-6,751	-5,930
Intangible fixed assets			2,609	2,114	-2,609	-2,114
Receivables	1,140	1,045			1,140	1,045
Other temporary difference recorded in Profit and loss account	5,739	3,760			5,739	3,760
<b>Effect on profit and loss account</b>	<b>6,879</b>	<b>4,805</b>	<b>9,360</b>	<b>8,044</b>	<b>-2,481</b>	<b>-3,239</b>
Revaluation of assets and liabilities			10,055	22,453	-10,055	-22,453
<b>Effect on equity</b>	<b>0</b>	<b>0</b>	<b>10,055</b>	<b>22,453</b>	<b>-10,055</b>	<b>-22,453</b>
Deferred tax asset/(liability)	6,879	4,805	19,415	30,497	-12,536	-25,692
Off-setting of relating deferred tax assets and liabilities	-6,879	-4,805	-6,879	-4,805		
<b>Deferred tax asset/(liability)</b>	<b>0</b>	<b>0</b>	<b>12,536</b>	<b>25,692</b>	<b>-12,536</b>	<b>-25,692</b>

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

#### **IV. OTHER DISCLOSURES**

##### **IV. 1. Group relations**

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

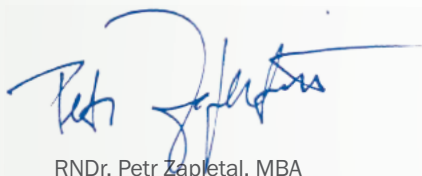
##### **IV. 2. Contingent liabilities and transactions not disclosed in the financial statements**

The Company is not aware of any even potential commitments or transactions not disclosed in the financial statements.

##### **IV. 3. Subsequent events**

The Company's management is not aware of any material subsequent events that have occurred since the balance sheet date that would require an adjustment to the financial statements as at 31 December 2013.

In Pardubice, on 24 February 2014



RNDr. Petr Zapletal, MBA  
Chairman of the Board of Directors



Ing. Jaroslav Kulhánek  
Vice-chairman of the Board of Directors

# Report on Relations in accordance with § 66a (9) of the Commercial Code for 2013

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

persons (hereinafter referred to as **“related persons”**).

This report on relations between the persons listed below was prepared in accordance with the provisions of Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended, for the accounting period 1. 1. 2013 to 31. 12. 2013 (hereinafter the “accounting period”). In the accounting period the following agreements were signed between the Compiler and the persons listed below and the following legal acts and other de facto measures were adopted or implemented:

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

### A. CONTROLLING PERSONS

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

Company	Place of business	Share %
<b>Consolidated companies</b>		
“BULSTRAD LIFE VIENNA INSURANCE GROUP“ JOINT STOCK COMPANY, Sofia	Bulgaria	95.53
“Grüner Baum“ Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00
“POLISA-ZYCIE“ Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group, Warsaw	Poland	98.57
“WIENER RE“ akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00
“WIENER STÄDTISCHE OSIGURANJE“ akcionarsko društvo za osiguranje, Belgrade	Serbia	100.00

Company	Place of business	Share %
<b>Consolidated companies</b>		
ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.10
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00
Anděl Investment Praha s. r. o., Prague	Czech Republic	100.00
Arithmetica Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	92.36
BENEFIA Towarzystwo Ubezpieczen na Zycie S.A. Vienna Insurance Group, Warsaw	Poland	100.00
BML Versicherungsmakler GmbH, Vienna	Austria	100.00
Benefia Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00
CAL ICAL “Globus“, Kiev	Ukraine	80.00
CAME Holding GmbH, Vienna	Austria	100.00
CAPITOL, akciová spoločnosť, Bratislava	Slovakia	100.00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00

Company	Place of business	Share %
<b>Consolidated companies</b>		
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00
Česká podnikatelská pojišťovna, a. s., Vienna Insurance Group, Prague	Czech Republic	100.00
Compensa Life Vienna Insurance Group SE, Tallin	Estonia	100.00
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.92
DBLV Immobesitz GmbH, Vienna	Austria	100.00
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	100.00
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24
DVIB GmbH, Vienna	Austria	100.00
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00
ELVP Beteiligungen GmbH, Vienna	Austria	100.00
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95.00
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95.00

Company	Place of business	Share %
<b>Consolidated companies</b>		
GPIH B. V., Amsterdam	Netherlands	91.11
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	98.00
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	75.00
Joint Stock Company for Insurance and Reinsurance Makedonija Skopje - Vienna Insurance Group, Skopje	Macedonia	94.25
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.98
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
InterAlbanian Vienna Insurance Group Sh.a., Tirana	Albania	93.17
International Insurance Company "IRAO" LTD, Tiflis	Georgia	100.00
Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	90.00
Jahorina osiguranje Vienna Insurance Group akcionarsko drustvo, Pale	Bosnia and Herzegovina	100.00
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00
KOMUNÁLNA poisťovňa, a. s. Vienna Insurance Group, Bratislava	Slovakia	100.00
KOOPERATIVA poisťovňa, a. s. Vienna Insurance Group, Bratislava	Slovakia	100.00
Kaiserstraße 113 GmbH, Vienna	Austria	100.00



Company	Place of business	Share %
<b>Consolidated companies</b>		
Kapitol pojišťovací a finanční poradenství, a. s., Brno	Czech Republic	100.00
Kooperativa pojišťovna, a. s. Vienna Insurance Group, Prague	Czech Republic	98.39
Kvarner Wiener Städtische nekretnine d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	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	99.81
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	90.00
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.40
PFG Holding GmbH, Vienna	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88
Private Joint-Stock Company “Insurance company Ukrainian insurance group”, Kiev	Ukraine	100.00
PRIVATE JOINT-STOCK COMPANY UKRAINIAN INSURANCE COMPANY “KNAZHA VIENNA INSURANCE GROUP“, Kiev	Ukraine	99.99
Private Joint-Stock Company “JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP“, Kiev	Ukraine	97.80
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00

Company	Place of business	Share %
<b>Consolidated companies</b>		
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56.55
Passat Real Sp. z o.o., Warsaw	Poland	100.00
Poišťovňa Slovenskej sporiteľne, a. s. Vienna Insurance Group, Bratislava	Slovakia	95.00
Pojišťovna České spořitelny, a.s. Vienna Insurance Group, Pardubice	Czech Republic	95.00
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
SECURIA majetkovosprávna a podielová s. r. o., Bratislava	Slovakia	100.00
SIGMA VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87.01
SVZ GmbH, Vienna	Austria	100.00
SVZI GmbH, Vienna	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70

Company	Place of business	Share %
<b>Consolidated companies</b>		
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00
T 125 GmbH, Vienna	Austria	100.00
TBI BULGARIA EAD, Sofia	Bulgaria	100.00
TBIH Financial Services Group N.V., Amsterdam	Netherlands	100.00
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00
V.I.G. ND, uzavřený investiční fond a. s., Prague	Czech Republic	100.00
VIG FUND uzavřený investiční fond, a. s., Prague	Czech Republic	100.00
VIG RE zajišťovna, a. s., Prague	Czech Republic	100.00
VIG REAL ESTATE DOO, Novi Beograd	Serbia	100.00
VIG Real Estate GmbH, Vienna	Austria	100.00
VIG-CZ Real Estate GmbH, Vienna	Austria	100.00
VLTAVA majetkovosprávní a podílová spol. s r. o., Prague	Czech Republic	100.00
Vienna-Life Lebensversicherung AG Vienna Insurance Group, BERN	Liechtenstein	100.00
WGPV Holding GmbH, Vienna	Austria	100.00
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	99.47
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00

Company	Place of business	Share %
<b>Consolidated companies</b>		
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	99.90
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	Austria	100.00
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00
WSV ImmoHolding GmbH, Vienna	Austria	100.00
<b>Companies consolidated by the equity method</b>		
“Schwarzatal“ Gemeinnützige Wohnungs- und Siedlungsanlagen- GmbH, Vienna	Austria	55.00
AIS Servis, s. r. o., Brno	Czech Republic	100.00
Benefita, a. s., Prague	Czech Republic	100.00
ČPP Servis, s. r. o., Prague	Czech Republic	100.00
CROWN-WSF spol. s. r. o., Prague	Czech Republic	30.00
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77
GLOBAL ASSISTANCE, a. s., Prague	Czech Republic	100.00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	55.00

Company	Place of business	Share %
<b>Companies consolidated by the equity method</b>		
Gewista-Werbegesellschaft 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
Kámen Ostroměří, s. r. o., Ostroměří	Czech Republic	100.00
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	50.12
Sanatorium Astoria, a. s., Karlovy Vary	Czech Republic	92.71
S - budovy, a. s., Prague	Czech Republic	100.00
S IMMO AG, Vienna	Austria	10.04
S-správa nemovitostí, a. s., Prague	Czech Republic	100.00
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	50.12
SURPMO, a. s., Prague	Czech Republic	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00
Unigeo, a. s., Ostrava – Hrabová	Czech Republic	100.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	50.12

Company	Place of business	Share %
<b>Unconsolidated companies</b>		
“Auto-Ekspert” Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
“Compensa Services” SIA, Riga	Latvia	100.00
“DUNAJ – Finanse” – Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	50.00
“Neue Heimat” Stadterneuerungsgesellschaft m.b.H., Linz	Austria	100.00
AISMP Meditzinski Tsentar Bulstrad Zdrave EOOD, Sofia	Bulgaria	100.00
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	Montenegro	100.00
Amadi GmbH, Wiesbaden	Germany	100.00
AQUILA Hausmanagement GmbH, Vienna	Austria	100.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00
Autosig SRL, Bucharest	Romania	100.00
B&A Insurance Consulting s. r. o., Moravská Ostrava	Czech Republic	49.00
BENEFIA Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
Brunn N68 Sanierungs GmbH, Vienna	Austria	50.00
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	100.00

Company	Place of business	Share %
<b>Unconsolidated companies</b>		
Camelot Informatik und Consulting Gesellschaft m.b.H., Villach	Austria	99.48
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	97.56
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	97.57
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	97.56
CAPITOL Spolka z Ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	100.00
CCA EDV für Versicherungswirtschaft GmbH, Vienna	Austria	100.00
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	99.99
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	49.49
EGW Wohnbau gemeinnützige Ges.m.b.H., Vienna	Austria	100.00
ERSTE d.o.o. – company for mandatory pension fund management, Zagreb	Croatia	29.00
Erste S Biztositasi Alkusz Kft, Budapest	Hungary	100.00
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	85.00
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	100.00

Company	Place of business	Share %
<b>Unconsolidated companies</b>		
Finanzpartner GmbH, Vienna	Austria	50.00
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00
Gain Capital SA, SICAV-FIS Real Estate Car Parks I, Luxemburg 00 Luxemburg	Luxembourg	52.88
GELUP GmbH, Vienna	Austria	33.33
GEO HOSPITALS LLC, Tbilisi	Georgia	100.00
Glamas Beteiligungsverwaltungs GmbH, Vienna	Austria	23.33
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	23.33
HAVLÍČKOVA INVESTMENT a. s., Prague	Czech Republic	100.00
Henderson Global Investors Immobilien Austria GmbH, Vienna	Austria	35.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
Jahorina auto d.o.o., Brcko	Bosnia and Herzegovina	100.00
Jahorina Konseko Progres a.d., Pale	Bosnia and Herzegovina	28.00
Joint Stock Company "Curatio", Tbilisi	Georgia	100.00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje	Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98.26



Company	Place of business	Share %
<b>Unconsolidated companies</b>		
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	50.00
Lead Equities II. Private Equity Mittelstandsfinanzierungs AG, Vienna	Austria	21.59
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	23.33
MC EINS Investment GmbH, Vienna	Austria	50.00
MuVi Re S.A., Luxemburg	Luxembourg	100.00
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92.58
People's Pharmacy LLC, Tbilisi	Georgia	50.00
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	83.57
Privat Joint-stock company "VAB Insurance", Kiev	Ukraine	100.00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00
S.C. CLUB A.RO S.R.L., Bucharest	Romania	100.00
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00
Slovexperta, s.r.o., Žilina	Slovakia	100.00

Company	Place of business	Share %
<b>Unconsolidated companies</b>		
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	23.33
Soravia Food Market GmbH, Vienna	Austria	33.33
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00
Spoldzielnia Usługowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	100.00
students4excellence GmbH, Vienna	Austria	24.75
TBI Asset Management EAD, Sofia	Bulgaria	100.00
TBI CONSULTING EOOD, Sofia	Bulgaria	100.00
TBI Info EOOD, Sofia	Bulgaria	100.00
TBI Invest EAD, Sofia	Bulgaria	100.00
Thermenland Congress Center Loipersdorf GmbH & Co KG, Loipersdorf	Austria	32.26
TOGETHER Internet Services GmbH, Vienna	Austria	24.99
UAB "Compensa Services", Vilnius	Lithuania	100.00
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	100.00
Untere Donaulände 40 GmbH, Vienna	Austria	100.00
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56

Company	Place of business	Share %
<b>Unconsolidated companies</b>		
VBV - Vorsorgekasse Aktiengesellschaft, Vienna	Austria	94.00
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	33.33
Vienna Finanse Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna Insurance Group Contact Center Bulgaria AD, Sofia	Bulgaria	100.00
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna International Underwriters GmbH, Vienna	Austria	100.00
VIG Asset Management investiční společnost, a. s., Prague	Czech Republic	100.00
VIG Management Service SRL, Bucharest	Romania	100.00
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97
VIG Services Bulgaria EOOD, Sofia	Bulgaria	100.00
VIG Services Shqiperi Sh.p.K., Tirana	Albania	100.00
VIG Services Ukraine, LLC, Kiev	Ukraine	100.00
VILE BAREDINE d.o.o., Zagreb	Croatia	30.00
VÖB Direkt Versicherungsagentur GmbH, Graz	Austria	50.00
VVT Vermögensverwaltung GmbH, Vienna	Austria	33.33
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	100.00

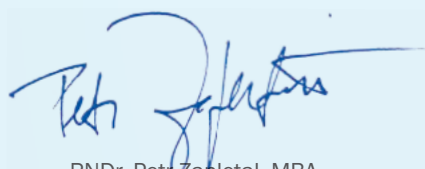
Company	Place of business	Share %
<b>Unconsolidated companies</b>		
Wien 3420 Aspern Development AG, Vienna	Austria	73.40
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	100.00
WILA GmbH, Vienna	Austria	100.00
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	100.00
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00

#### A. CONCLUSION

With regard to the legal relations between the Compiler and related persons that we have reviewed, it is clear that the Compiler has not suffered any injury as a result of agreements, other legal acts or other measures taken, adopted or concluded by the Compiler in the financial year 2013 in the interest of or at the initiative of individual related persons.

Pardubice, 14 February 2014

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



RNDr. Petr Zapletal, MBA  
Chairman of the Board



Ing. Jaroslav Kulhánek  
Vice-chairman of the Board



Ing. Tomáš Vaníček, MBA  
Board member

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

### ANNEX NO. 1 TO THE REPORT ON RELATIONS

#### 1. AGREEMENTS

##### 1.1. Sales services

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

Name of Agreement	Contracting Party	Concluded on	Effective Date	Subject of Performance	Comments
Cooperation Agreement in the Use of Building No. 115 and No. 1400 in Pardubice No. 46/2013	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Pobřežní 665, 186 00 Prague 8	27 June 2013	1 June 2013	Regulation of mutual rights and obligations in the use of non-residential space in both buildings used by both parties	
Agreement on the Sublease of Non-Residential Space for a Set Period – subtenant Kooperativa – as amended by Addendum No. 1 – lease until 31 July 2019	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	20 January 2010 Addendum No. 1, 27 September 2013	1 January 2010 Addendum No. 1, 1 October 2013	Lease of Office No. m. 371 with a total area of 298.22 m <sup>2</sup> in the building on nám. Republiky 1400, Pardubice	
Agreement on the Sublease of Non-Residential Space for a Set Period, as amended by Addendum No. 11 and Addendum No. 12	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	10 December 2004 Addendum No. 11, 4 February 2013 Addendum No. 12, 12 June 2013	2 January 2004 Addendum No. 11, 1 January 2013 Addendum No. 12, 1 June 2013	Lease of Offices No. m. 241, 361 and 431 with a total area of 1,378.74 m <sup>2</sup> in the building on nám. Republiky 1400, Pardubice	

### 1.1. Sales services (continued)

Name of Agreement	Contracting Party	Concluded on	Effective Date	Subject of Performance	Comments
Insurance Contract No. 2268707823, until 28 February 2015, as amended by Addenda Nos. 15 to 25	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	29 February 2012	1 March 2012	Accident insurance for the Company's vehicles	
Insurance Contract No. 7720541430, until 31 December 2013, as amended by Addendum No. 2	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Templová 747, 110 01 Prague	30 December 2010 Addendum No. 2, 30 January 2013	1 January 2011 Addendum No. 2, 31 December 2012	Insurance of the Company's property and liability insurance	
Insurance Contract No. 2060001407 on supplementary vehicle insurance – H73 as amended by Addenda Nos. 32 to 40	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	29 October 2010	1 November 2010	Vehicle Insurance NA100PRO – non-culpable accident	

### 1.1. Sales services (continued)

Name of Agreement	Contracting Party	Concluded on	Effective Date	Subject of Performance	Comments
Cost Sharing Agreement	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	16 December 2010	1 January 2011	Outsourcing in the areas of: internal audit, including ongoing monitoring of the management and control system; information technologies; payroll administration	
Data Centre Service Framework Agreement	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	14 January 2014	1 January 2013	Regulation of conditions for the provision of services associated with the use of central data systems	

## 1.2. Mediation Agreements

The Compiler concluded the following mediation agreements, based on which it provided the following performance:

Name of Agreement	Contracting Party	Concluded on	Effective Date	Subject of Performance	Comments
Exclusive Agency Agreement No. 4600-400500/01-2005-A (134/04), as amended by Addendum No. 8	Kooperativa pojišťovna, a. s., Vienna Insurance Group, Templová 747, 110 01 Prague	29 December 2004 Addendum No. 8, 22 April 2013	1 January 2005 Addendum No. 8, 22 April 2013	Brokering the sale of non-life insurance	Addendum No. 8 – Vehicle insurance, full operation of product CS4 from 22 April 2013

\*Change of address of contracting party Kooperativa pojišťovna, a. s., Vienna Insurance Group as of the balance sheet date, from Templová 747, 110 01 Prague to Pobřežní 665, 186 00 Prague 8.

### Comments:

All relations referred to in this annex have arisen between related persons, those being Pojišťovna České spořitelny, a.s., Vienna Insurance Group and the VIENNA INSURANCE GROUP AG, Wiener Verisicherung Gruppe.

When entering into these relations, the laws in force in the Czech Republic were respected and the prices were determined with regard to the provisions of the law on income tax, i.e. at normal market prices at the time of entering into these contractual relations. During the accounting period not one of the contracting parties applied for any property damage.

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



# Non-financial Section

## 1. FURTHER ANTICIPATED DEVELOPMENT OF COMPANY ACTIVITY

Pojišťovna České spořitelny, a.s., Vienna Insurance Group (hereinafter referred to only as the Company) is the third largest insurance company on the Czech market for life assurance measured in terms of volume of premiums written.

The Company's long-term commercial strategy is based on management and planning of product innovations, establishment of loyalty on the part of clients and business partners, increasing the stability of the insurance portfolio and constant improvement of the system of client service for business partners and end consumers of insurance services.

In 2013, the Company came up with a new communication, which is based on the concept of "FLEXI pro jistotu" (FLEXI for certainty). This communication emphasises a communication concept targeted on resolution of serious situations which could affect a person's everyday life. The philosophy of this project is related to resolution of serious situations in the lives of the insured parties and their families with the insurance coverage of the FLEXI Life Assurance product. Emphasis of really serious risks relating to life was reflected in modification of FLEXI insurance in favour of these risks together with modification of the conditions for settlement of claims which have arisen.

Further development of continuous fulfilment of commercial objectives is inherently related to the Company's financial stability. The growing competition, new regulatory requirements and significant changes in the legislation (the new Civil Code) create pressure

on uncompromising management of Company costs. One solution is searching for the possibility of synergy in the Vienna Insurance Group and in terms of the insurance companies operating on the Czech insurance market. In the next period too, we will be following on from the successfully developing project for optimisation of costs and processes in the group and will continue to enhance possibilities which we can use to decrease cost and process demands.

Changes occurred to products at the end of 2013 in such a way that these products correspond to the requirements of the new Civil Code. At the same time as this change, certain other modifications were implemented focused on greater flexibility in combination of risks and improvement of convenience in support for the acquisition process and insurance management.

In order to maintain loyalty and responsible behaviour, the Company is continuing in its loyalty programme which motivates its clients towards long-term partnership and in a programme which rewards clients for no claims being made over the course of the insurance relationship.

## 2. ACTIVITY IN THE FIELD OF RESEARCH AND DEVELOPMENT

With a view to the subject of its activity, the Company has limited options in the field of research and development. For this reason, development is concentrated on the field of incorporation of new information technologies and forms of communication into the process of provision of insurance services.

### **3. ENVIRONMENTAL PROTECTION AND EMPLOYMENT RELATIONS**

Due to the nature of the subject of business, the Company poses a minimum burden on the environment. In terms of its activities, it meets requirements imposed by the legal standards in the Czech Republic. Despite limited options with a view to the subject of business, the Company does consider the issue of environmental protection. In the year under review, we acceded to a system of sorting waste and its disposal according to its nature. A decision made in the field of renewal of the IT infrastructure was also very important, the aim of this being not only to ensure the corresponding capacity and quality, but also full recycling and significant decrease in energy demands for operation of the Company.

In the field of employment relations, the Company is striving to be a sought-after employer. For this reason, it constantly pays great attention to development of employment policy and social programmes, with the aim of being an attractive employer on the labour market. For its motivation systems, the Company uses modern methods for the field of human resources management, with utilisation of remuneration surveys in cooperation with Hay Group. The Company provides employees with a wide range of financial and non-finan-

cial benefits. The Company constantly assesses the conditions of the working environment in such a way as to meet the conditions for performance of duties at work, compliance with occupational safety principles, including regular and contractually provided medical care for its employees. Educational and professional development of employees is one of the Company's development priorities. The Company has introduced a system of employee assessment and development, on the basis of which it allows its employees to take advantage of various forms of education, including increasing and augmenting their qualifications.

### **4. ORGANISATIONAL UNITS OF THE COMPANY ABROAD**

The Company has no organisational units abroad.

### **5. OTHER REQUIREMENTS IN ACCORDANCE WITH SPECIAL LEGAL REGULATIONS**

The Company meets requirements for the subject of business – insurance, determined in particular by the Insurance Act, or the Act on Insurance Brokers and Independent Agents and Loss Adjusters. No other special requirements are determined for the Company's activity.

Pojišťovna České spořitelny, a.s., Vienna Insurance Group  
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Annual Report 2013

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