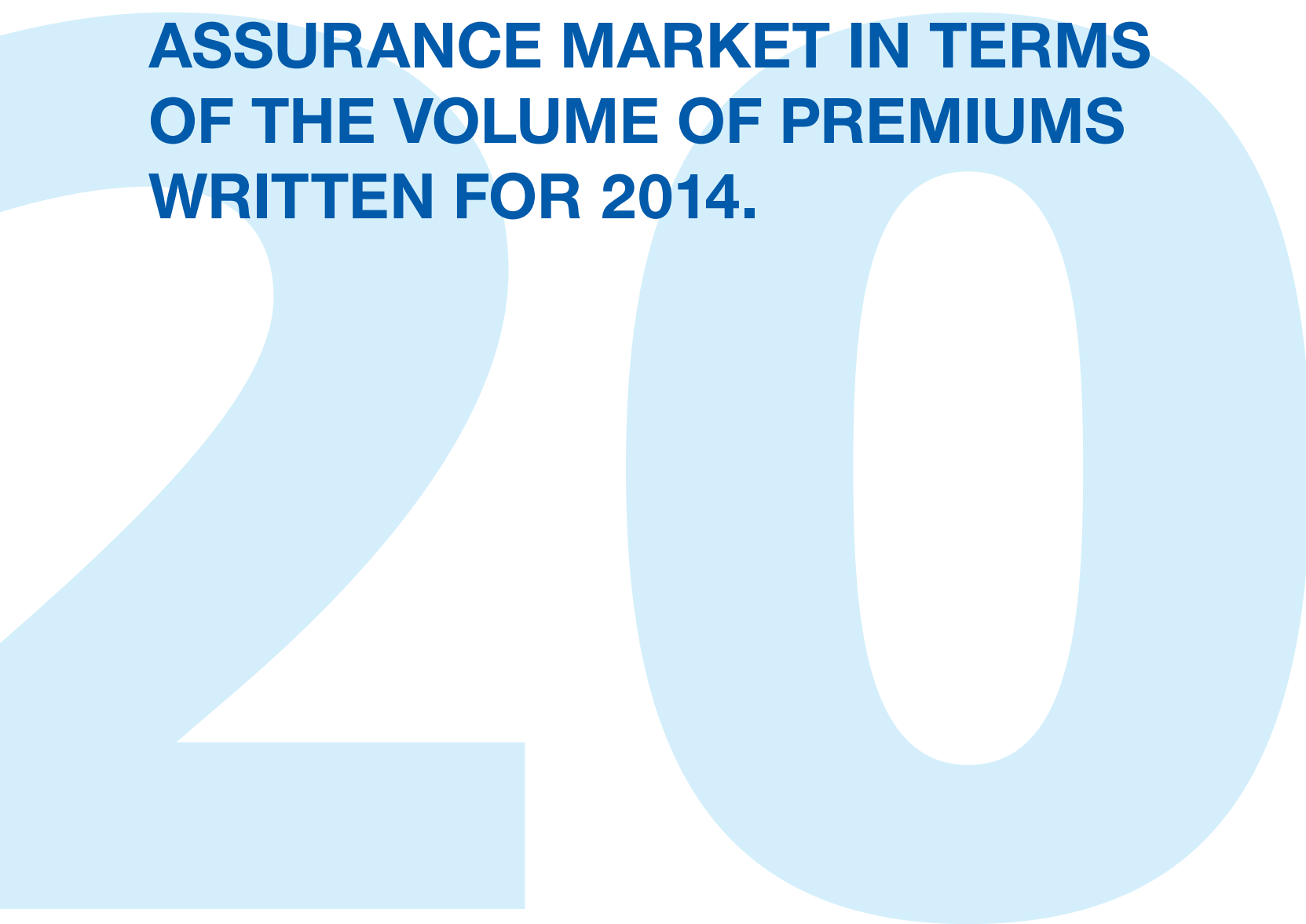


# 2014

**Annual  
Report  
2014**

**POJIŠŤOVNA ČESKÉ  
SPOŘITELNY HAS BECOME  
THE LEADER ON THE LIFE  
ASSURANCE MARKET IN TERMS  
OF THE VOLUME OF PREMIUMS  
WRITTEN FOR 2014.**



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## Key Figures

(in thousands of Czech crowns CZK)		2014
Assets		32,686,701
Equity		3,543,822
Technical provisions		26,791,114
Profit (loss) of current accounting period		855,121
Total written premiums		11,918,758
of this: life assurance		11,201,393
non-life insurance		717,365
Total costs of insurance claims		7,837,144
of which: life assurance		7,635,905
non-life insurance		201,239

# Your Easy Road to Life Assurance

Pojišťovna České spořitelny is one of the largest insurance companies in the field of bank insurance on the Czech market. The comprehensive sale of products, including subsequent client service, is covered by two distribution channels.

## THE BRANCH NETWORK OF ČESKÁ SPOŘITELNA

Clients are cared for by more than 4,800 consultants at Česká spořitelna. They deliver the maximum availability of insurance products for clients as well as comprehensive sales and aftersales service at more than 670 locations in the Czech Republic.

## THE EXTERNAL NETWORK OF POJIŠŤOVNA ČESKÉ SPOŘITELNY

A professional client service is provided by approximately 167 external contractual partners. Consultants maintain a flexible approach to clients, adapting the time and place of appointments to suit client needs. Our products are thus always available to the client.

# LIFE ASSURANCE MARKET LEADER BY VOLUME OF WRITTEN PREMIUMS

Life assurance premiums written in 2014 amounted to **CZK 11,201 million**, representing a **15.74%** share of the total life assurance market in the Czech Republic.

# Company Profile

## 2014

Pojišťovna České spořitelny launched a marketing campaign under the banner “Twice as much with FLEXI”, aimed at promoting the inclusion of cover for serious risks in new insurance policies. The strategy was also reflected in an advertising spot. The Company financially supported the Centrum Paraple (Paraplegic Centre) project “Mum-Dad in a Wheelchair” and moved ahead in cooperation with Nadace Jedličkova ústavu (Jedlička Institute Foundation), supporting the needs and interests of handicapped children and adolescents. The money went to the S FLEXI do života (Live life WITH FLEXI) transit programme and towards specific gifts and aids for clients of the Jedlička Institute. The Company’s employees also made financial contributions to help children and actively participated in Charity Days. Pojišťovna České spořitelny won second place in the Insurance Company of the Year 2013 awards and took first place with FLEXI Life Assurance in the category of Life Assurance of the Year in the Zlatá koruna (Golden Crown) competition. The company achieved CZK 11.9 billion in written premiums and insured more than 1.9 million clients. Since January 2015, FLEXI has also been able to insure more serious illnesses for the same price and accept more clients for insurance; it introduces decreasing annuity sums insured for serious risks and offers better security for disability at the same rates.

## 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 daily benefits, incapacity benefits from the very first day and various risks for children insured under a single contract. Pojišťovna České spořitelny achieved a level of premiums written of CZK 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 the active and safe spending of leisure time by children. In cooperation with Centrum Paraple (Paraplegic Centre), the Company continues to support handicapped

fellow citizens and families with children. At the end of the year, the Company established cooperation with the Jedlička Institute (an institute for handicapped children).

## 2012

In 2012 Pojišťovna České spořitelny defended its gold-medal place in the Zlatá koruna (Gold Crown) competition and won silver in the Hospodářské noviny competition in the category of Best Insurance Company of the Year. In March the company launched a new product on the market, funeral insurance. In October FLEXI unified the rates for insurance risks and underwent innovation. It now offers clients double indemnity for death in a car accident, it extended third-degree disability insurance to include long-term care for free, it enabled the advance payment of insurance benefits and clients who go seven years without a serious health incident are considered 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 to take advantage of the product’s other benefits. We also introduced bonuses for loyalty and no claims or insurance for recreational sports risks. We generated more than CZK 10 billion in premiums written and insured over 1.9 million clients. Working with Centrum Paraple and SPID handicap, o.p.s., we continue to support handicapped fellow citizens and families with children. We also made a donation to the Krtek (Mole) children’s cancer foundation. Our employees are actively engaged in the Days for Charity scheme.

## 2010

In March 2010, FLEXI Life Assurance celebrated its 10th anniversary on the Czech market with more than 900,000 people insured. The company's long-term economic stability was strengthened by the general meeting in May, when it was decided to increase the basic capital by CZK 782.9 million to a total of CZK 1.9 billion. Pojišťovna České spořitelny also enjoyed success in various competitions. Our core product FLEXI Life Assurance defended its victory from the previous year in the Zlatá koruna (Golden Crown) competition in the Life Assurance category. We came first in 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 Officer 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 2008 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 by 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, and it won two of the highest awards in the Zlatá koruna (Golden Crown) competition, those being in the categories of Life Assurance and Innovation of the Year. In the Insurance Company of 2008 competition, we won in all categories relating to life assurance. The Association of Czech Insurance Brokers awarded us the highest award in the categories of insurance company of 2008 in Life Assurance, Innovation of Insurance Products, Cooperation with Brokers and in the category of Claims Settlement. 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 2008 unit-linked 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 our most successful products, FLEXI Flexible Life Assurance, we introduced a new type of unit-linked life assurance, FLEXI H-FIX, and for 2008 we prepared an innovation to FLEXI INVEST unit-linked life assurance.

## 2006

During 2006, we strengthened our position in the life assurance market, defending 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 organized by the Association of Czech Insurance Brokers. Our client numbers 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 was enriched with a new insurance scheme for children, characterized by high flexibility, reflecting the needs of the child or the family. It went under the name of JUNIOR Flexible life Assurance.



## 2004

From 2004 onwards, we specialized in the sale of life assurance via the Česká spořitelna branch network and selected external networks. However, the Česká spořitelna Financial Group continues to offer its clients certain products through 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 standardized general insurance products intended for the Česká spořitelna branch network. A significant addition to our products was FLEXI INVEST Unit-linked Life Assurance, which 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 specialize 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 privatizing Česká spořitelna we also underwent a thorough legal and financial audit. This resulted in a new shareholder entering at the end of 2000. The largest Austrian life assurance company, Sparkassen Verisicherung, a member of the Erste Bank Financial Group, acquired a 45% stake in the company by increasing the share 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, under which claims can be made if a client is diagnosed with a disease. An important milestone in the 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 entrepreneurial sphere. With the development of insurance activities, we also started to expand our offer of insurance schemes for the general public.

”

**In the coming period,  
we intend to adhere  
to our strategy: point  
out critical life situations  
and be open and fair  
to our clients.**

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



## Introductory Word by the Chairman of the Board of Directors

Dear clients, shareholders and business colleagues,

Last year, we focused on promoting life assurance. Our goal was to remind people of the important risks covered by life assurance and we launched a marketing campaign under the banner "Twice as much with FLEXI", aimed at promoting and popularizing the inclusion of serious risks in new insurance policies. The company guaranteed double indemnity for selected diagnoses of serious illnesses on contracts concluded before March, and for serious injuries resulting from traffic accidents on contracts concluded from May to July. We then prepared a double bonus for clients who took out an insurance policy with coverage for third-degree disability from mid-September to the end of November. We also presented our strategy, aimed at serious situations in everyday life, in the form of a more light-hearted advertising spot.

We enabled advisors to view their clients' contracts using a mobile application, PČS Assistant, and modified the SmartClient application for drafting contracts. The application is now clearer, intuitive and includes an easy-to-understand guide which eliminates errors that frequently occurred on paper forms. In the past, the only drawback was that the draft had to be printed, signed and sent to the company. We solved this too, and were among the first to offer clients the option to sign electronically using SignPad. We can now receive offers for insurance in an extremely short time. I'm very proud that Pojišťovna České spořitelny plays a leading role in innovation on the insurance market.

At the end of the year, we came to grips with the amendment of the Income Tax Act. The real test was how to resolve a situation affecting more than 500,000 clients in an extremely short period. We responded very well. There was a rush on client requests for extraordinary withdrawals and the dispatch of requests to preserve extraordinary withdrawals. Everyone who could was involved in the administrative process. We handled it with credit. It's great to know you can rely on your colleagues when the need arises.

Commercially, we managed to record higher growth than the average of the whole market again this year. Total written premiums reached CZK 11.9 billion, with a market share of 15.74%.

During the course of the year, colleagues worked on the innovation of our flagship product, FLEXI life assurance. The most important changes occurred in relation to the risk of disability, where the client can now choose a different sum insured for each degree of disability and receive indemnity for each of the three recognized levels. Clients can also insure a loan – serious risks can be set with decreasing annuity in combination with a constant sum insured. We reduced the price for the risk of very serious illnesses and added further diagnoses. If the doctor delivers a terminal prognosis, we will pay the client 60% of the agreed sum insured. The remaining funds will be paid out to beneficiaries following the client's death.

At the end of the year, we completed the preparation of our new website, which is more focused on the needs of our existing and potential clients. We are also continuing a project aimed at improving the level of communication with the client. The majority of letters in circulation now are written in easy-to-understand language.

We won the gold medal in the Zlatá koruna (Golden Crown) competition in the category of Life Assurance of the Year 2014 for the sixth time in a row, and ranked second in the Insurance Company of the Year 2013 awards. FLEXI life assurance once again confirmed that it is a great product that has a unique place on the insurance market. What's more, the synergy between the Company, its employees and business partners was incredible.

I would like to thank all colleagues and business partners for their professional approach. Thanks to them, three-quarters of Czech families with children under the age of five are familiar with FLEXI life assurance.

**Petr Zapletal**  
Chairman of the Board of Directors

## Economic Highlights

in thousands CZK	2011	2012	2013	2014
Assets	27,044,503	29,262,587	30,877,537	32,686,701
Equity	2,694,637	3,355,574	3,225,270	3,543,822
Financial placements	24,742,299	26,780,771	28,364,959	30,093,911
Technical provisions	22,935,205	24,007,183	25,616,623	26,791,114
Profit (loss) of current accounting period	417,615	1,018,418	792,052	855,121
Total written premiums	10,679,693	10,702,266	11,355,789	11,918,758
of this: life assurance	9,892,180	9,897,341	10,594,630	11,201,393
non-life insurance	787,513	804,925	761,159	717,365
Total costs of insurance claims	5,144,551	6,745,877	6,832,406	7,837,144
of this: life assurance	4,960,058	6,556,934	6,635,313	7,635,905
non-life insurance	184,493	188,943	197,093	201,239
Number of policies concluded as at 31 December	774,902	789,964	782,631	786,370
of this: life assurance	726,187	740,970	736,852	743,212
non-life insurance	48,715	48,994	45,779	43,158
Average number of employees (FTE)	221	239	255	269

# Members of the Company's Executive Bodies at 31 December 2014

## 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

Dkfm. Hans Raumauf – Member of the Management Board of the majority shareholder, Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group

### Member of the Supervisory Board

Dr. Hans - Peter Hagen – CEO and Chairman of the Management Board, Vienna Insurance Group Wiener Städtische Versicherung AG

### Member of the Supervisory Board

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

### Member of the Supervisory Board

Mag. Roland Gröll – Director of Finance and Accounting, Vienna Insurance Group, AG

### Member of the Supervisory Board

Ing. Jiří Drahoš – Head of the Controlling and Reporting Department, 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

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

## Board of Directors

### Chairman of the Board of Directors

RNDr. Petr Zapletal, MBA

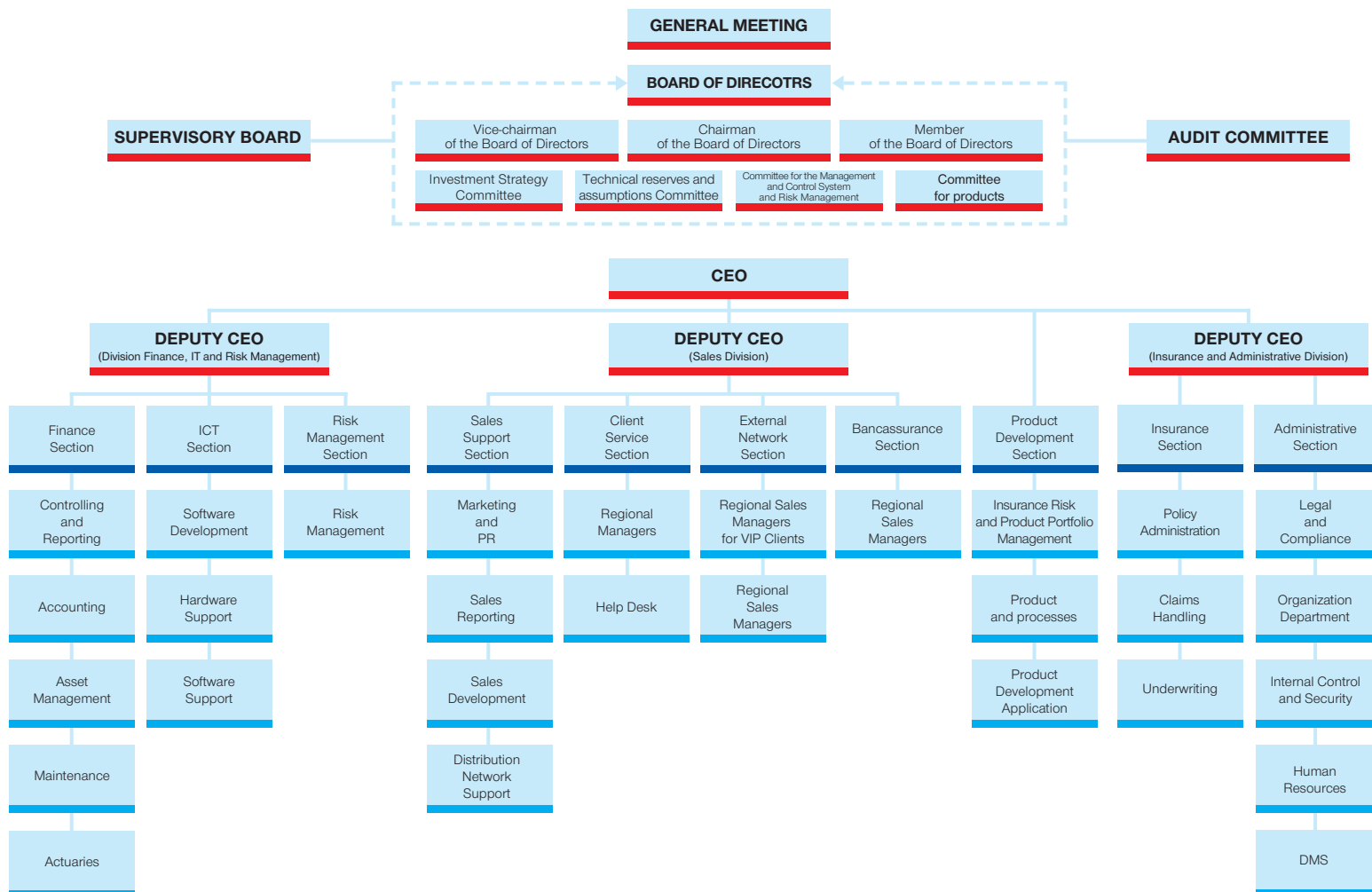
### Vice-chairman of the Board of Directors

Ing. Jaroslav Kulháněk

### Member of the Board of Directors

Ing. Tomáš Vaníček, MBA

## Organizational Structure at 31 December 2014



The Company does not have any branch abroad.

## Report by the Board of Directors

When setting goals for 2014, we knew that achieving them would not be easy. Financial markets operated in a low-inflation environment throughout the year; in some cases with a real threat of deflation. Domestic inflationary pressures also remained very low. This was reflected in a further decline in revenues, especially in bonds with longer maturity. New historic lows were recorded on a number of important markets.

Share markets fluctuated considerably more, particularly under the influence of geopolitical risks. The close of the year was affected by a sharp drop in oil prices and thus further pressure on a decrease in price indexes across global economies.

This trend in revenues, accompanied by a persisting low-interest environment, ultimately forced the Czech National Bank, as the financial market regulator, to announce a reduction in the maximum technical interest rate from the current 1.9% to 1.3% in January 2015.

Legislative developments were much calmer compared to the previous year and, aside from a change in conditions for the tax advantage of life assurance at the end of the year, there were no further surprises. Based on experience to date, it can be said with satisfaction that the transition of insurance terms and conditions under the new Civil Code was handled with merit.

There were no surprises in the development of written premiums for life assurance in this macroeconomic environment. The life assurance market fell year on year by CZK 329 million, and in relative terms by 0.7% (total of CZK 46.1 billion). The decline in the market continued with a cooling of interest in single-premium insurance, which remained behind last year's figure by 0.8% (this insurance dropped by 4.2% in 2013). Similarly, regular-premium insurance also failed to exceed written premiums for 2013, and fell year on year by 0.7%.

The year 2014 was also marked by a fierce competitive battle in product offers and distributor motivation. Despite all efforts, there was no turnaround in the trend of premature policy termination prompted by the conclusion of new contracts with similar parameters. Marketing

activities were conducted in an effort to expand the scope of insurance coverage for the same or lower prices. As a rule, all these activities increased the economic demands of insurance.

The main tasks of the Board of Directors of Pojišťovna České spořitelny in 2014 were based on the Company's business strategy, which was to offer profitable products with high added value for the end-consumer. This value primarily lies in the flexibility of insurance coverage, supported by first-class client service for the duration of the insurance policy. In the year under review, Company management continued to implement product innovations, build customer and business partner loyalty and increase the stability of the insurance portfolio.

In 2014, the Company also focused on the need to secure the family and individuals when tackling serious life situations that can occur in daily life. However, the Company changed its communication concept based on a positive approach to life, with the slogan "Myslete pozitivně, život stojí za to" ("Think positively, life is worth living"). As in previous years, the flagship product to address clients' needs was FLEXI life assurance. The target group is mainly young families, where the task of life assurance is to secure members of the family in various life situations, even under changing conditions in the lives of individual family members.

The Company subjugated its further development in 2014 to the need to maintain business continuity, while meeting its business goals and achieving financial stability. Growing competition, the regulator's increasing demands on the demonstration of the financial health of insurance companies and requirements to ensure consumer protection are all associated with rising costs in both personnel and material. The Company can only face these demands by enhancing management efficiency and productivity. For this reason, the Company continued to increase electronic communication with clients in the whole process of acquisition and insurance policy management. In 2014, the Company further improved systems for the electronic conclusion of insurance policies, which was joined by the pilot deployment of biometric signatures at the end of the year. The introduction of



biometric signatures was the culmination of the paperless process of concluding contracts, which will save time, reduce the error rate in draft insurance policies and, last but not least, limit the possibility of potential fraud.

Business goals set for 2014 were achieved through a proven mix of distribution channels, i.e. the use of external partners and the Česká spořitelna branch network. In the year under review, sales in the Česká spořitelna network brought positive results. Individual life assurance policies exceeded the volume achieved in 2013 by almost 10%. Sales in external networks developed equally well, with sales exceeding figures in 2013 by more than 3%. The results achieved in both the Company's distribution networks represented an aggregate year-on-year growth of 5%, which is a major success given the overall decline of the insurance market.

In absolute figures, written premiums thus achieved historic highs totalling CZK 11,919 million, of which written premiums for life assurance were CZK 11,201 million.

The percentage of regularly paid premiums in total written premiums held at 53.5% due to growth in single-premium insurance. The total of regularly paid written premiums was CZK 6,382 million, which is CZK 144 million more than the volume achieved in 2013. Single premiums reached CZK 5,537 million. This is an increase of CZK 419 million compared to the previous year, which was achieved through sales in the Česká spořitelna network. The volume of written premiums for life assurance of CZK 11,201 million, reported according to Czech

accounting standards, earned the Company first place on the life assurance market. These business results represent a total share of the life assurance market of 15.74%.

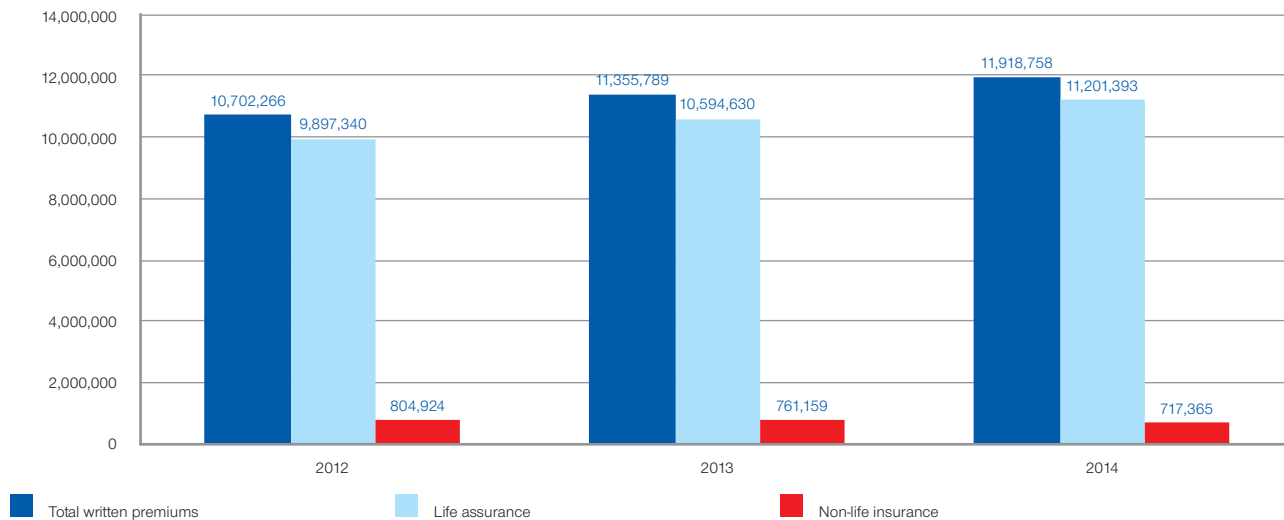
In non-life insurance, the Company failed to reach the volume of written premiums achieved in 2013 and this insurance fell year on year by 5.8%, which corresponds to written premiums in the amount of CZK 717 million. This concerns standalone personal accident insurance, incapacity insurance and insurance for loss of employment, especially for Česká spořitelna clients, such as payment protection insurance. Developments in the sale of insurance in this case copy the trend in the sale of consumer loans, which the bank offers its clients, and which saw a decline of interest in this financial service in 2014. Despite this partial failure, we want to continue to develop this form of insurance sales as part of group insurance. The main reason is that this represents a comprehensive offer of financial products in the form of bancassurance.

The following graphs document the development of written premiums and market share.

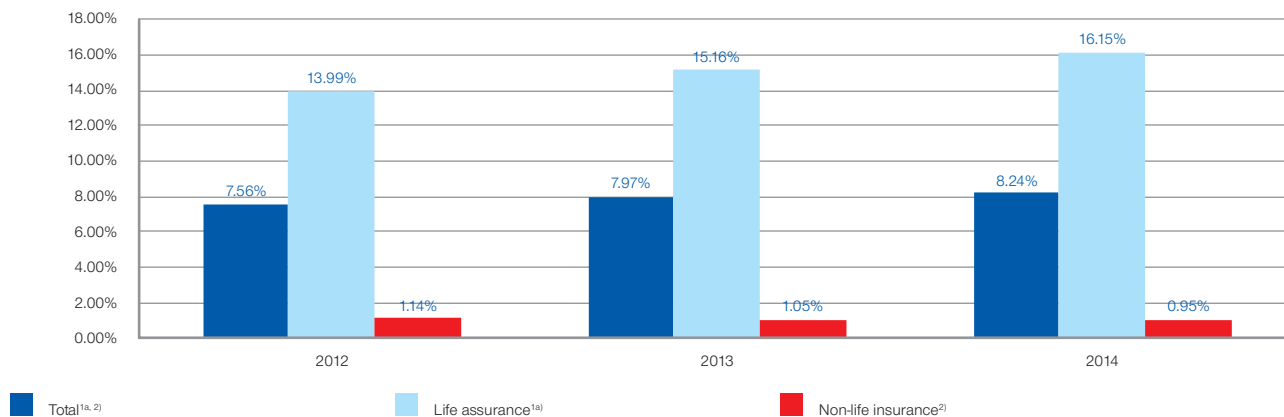




## Development in written premiums (in thousands CZK)



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



<sup>1a)</sup> the entire single premium is included (according to Czech accounting standards), cross-border transactions are not included

<sup>2)</sup> including premiums from non-life insurance assigned to Czech Insurance Association (ČAP) members, not including the employer's statutory liability insurance

Pojišťovna České spořitelny received the following awards in 2014 for its products, manner of communication with clients and insurance-management-related services:

- **Insurance Company of the Year 2013** – AČPM – 2<sup>nd</sup> place in the category of Insurance Company of the Year 2013
- **Zlatá koruna (Golden Crown)** – 1<sup>st</sup> place in the category of Life Assurance of the Year, for the sixth time
- **Fincentrum Bank of the Year** – 2<sup>nd</sup> place in the category of Life Assurance of the Year 2014

Product innovation in 2014 was based on experience gained from our clients and distributors. These changes have improved insurance coverage and flexibility. For example, incapacity insurance with indemnity paid from the first day, subject to a 63-day waiting period; the ability to conclude second-degree disability insurance without first-degree disability when concluding third-degree disability insurance, a combination of permanent injuries from 0.5% and from 10%, and other changes.

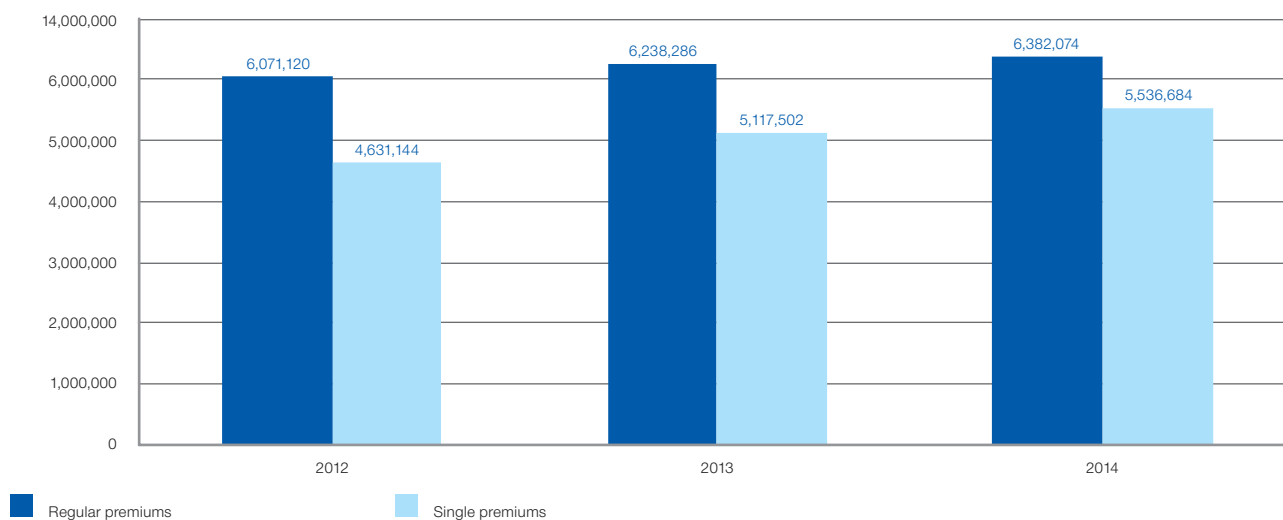
In 2014, clients who met the conditions for being awarded a no-claims or loyalty bonus were acquainted with the status of their bonus in annual reports. The loyalty programme motivates responsible behaviour by the client in terms of a long-term form of insurance coverage and setting aside funds for their post-working life, and rewards no-claims behaviour.

The Company wants to continue to strengthen the implemented loyalty programme and other activities aimed at continuously improving the quality of the Company's client approach. For this reason, it began to systematically manage client experience. This resulted in a change in organizational and procedural conditions in 2014. The capacity required to continually monitor and evaluate feedback from our clients was created. New client experience managers have been gradually incorporated into all the Company's business activities and their main role is to provide Company management with objective information on client needs for the evaluation of processes and changes.

The following graphs give an overview of developments in the structure of premiums over the last three years.

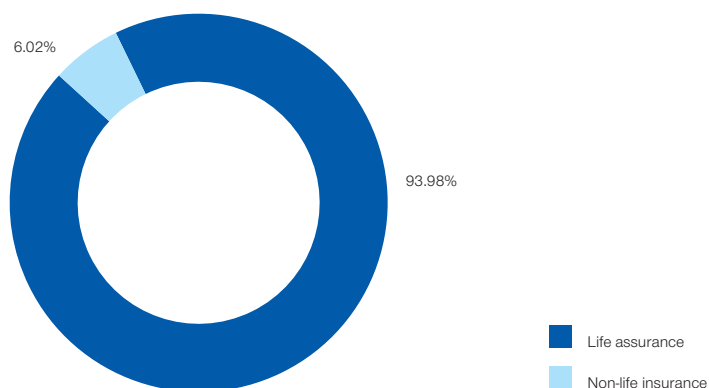


## Development in written premiums by manner of payment (in thousands CZK)



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

## Structure of written premiums written in 2014



The above graph shows that the company almost exclusively focuses on the sale of life assurance.

## Financial results

It was very satisfying to see that the development of the Company's economic management did not lag behind its financial results in 2014. The Company reported profit after tax of CZK 855.1 million according to Czech accounting standards. This result is CZK 63 million better than the previous year.

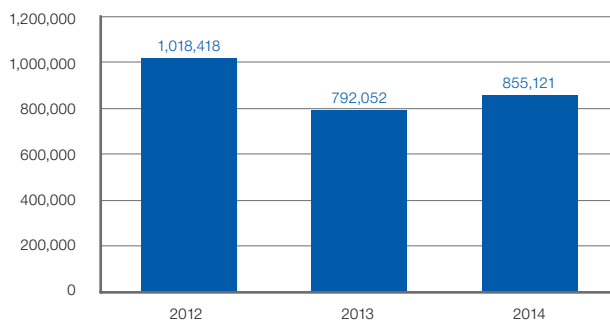
Overall technical reserves reached CZK 26,791 million, of which the provision for life assurance, where the investment risk is borne by the policyholder, was CZK 3,365.7 million. These reserves had the following structure as at the balance sheet date: provisions for unearned premiums of CZK 29.5 million, provision for life assurance of CZK 21,763.1 million, provisions for outstanding claims of CZK 1,488.7 million and other reserves amounting to

CZK 144.1 million. In 2014, total reserves increased by CZK 1,174.5 million compared to 2013. The provision for life assurance increased, largely due to an increase in single-premium insurance. This increase fell at the end of the year due to extraordinary withdrawals from capital value as a result of changes in the tax advantage of life assurance. Technical reserves for life assurance, where the investment risk is borne by the policyholder, increased year on year by CZK 224.5 million. Reserves are created in accordance with current legislation and provide the necessary security to cover future insurance claims.

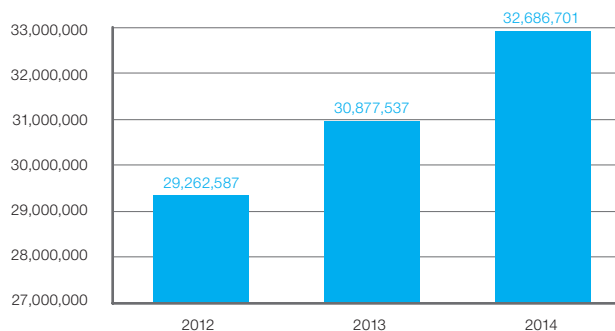
The following graphs show the development in economic results, reserves and total assets up to 2014.



## Development in earnings by accounting period (in thousands CZK)



## Development in total assets (in thousands CZK)



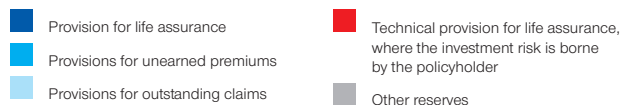
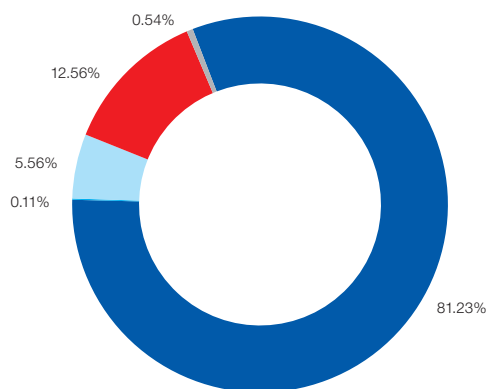
The volume of technical reserves determined the financial investment of funds; 82% of these reserves represent the company's assets. The financial investment portfolio is divided between individual types of financial instruments in accordance with conditions stipulated by legislation governing business in the insurance sector, and with the requirements of prudent risk management established by Company management. The structure of the financial investment portfolio, which is documented in the following graph, is designed to cover insurance liabilities in the long term, while ensuring adequate security of invested funds for our clients. The financial investment of funds is managed in

cooperation with Česká spořitelna's specialized investment banking units.

In the current low-interest environment, the Company focuses on the importance of prudent policy on the liability side of the balance sheet, with the aim of ensuring long-term financial stability and a return on the commitments made. We credit our clients with a share of profits achieved from funds invested on financial markets in excess of the average technical interest rate, where the average appreciation of life reserves in 2014 was 3.33%.

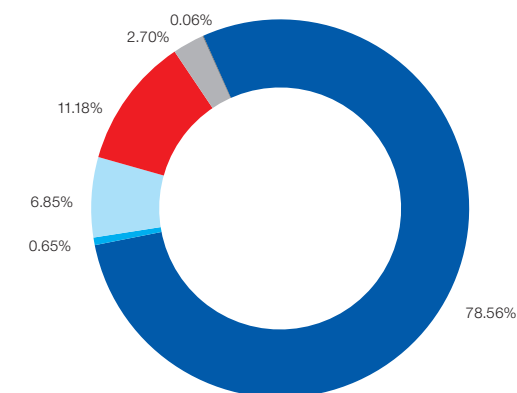


## Structure of technical reserves in 2014



Pojišťovna České spořitelny meets the requirements and demands of solvency and complies with set limits for solvency imposed on life assurance and non-life insurance. In doing so, it creates sufficient security for its clients covering liabilities arising from the insurance policies concluded.

## Structure of financial investments in 2014



In the field of reinsurance, Pojišťovna České spořitelny proceeds according to a prudent structure of reinsurance and long-term cooperation, especially with the renowned reinsurance company SWISS RE.

## The Company's management and control system

Over the course of 2014, the establishment of the basic features of the Company's management system according to risks was completed, based on the conditions prescribed under Solvency II requirements.

The organizational structure defines three lines of defence against potential risks, including the determination of roles and responsibilities for individual lines. A risk management department was established to serve as the main coordinator, together with methodology for risk management at the Company, although the primary responsibility for the operation of the risk management system remains with the Company's Board of Directors. The management and control system therefore covers all the insurance company's activities, while management continually monitors its functionality and efficiency. The system facilitates the consistent and systematic evaluation and management of risks. The management system ensures:

- the functionality of the management and control system;
- that organization and processes are set up so there is no conflict of interests and the separation of the insurance company's commercial and other activities is secured;
- risks to which the insurance company is exposed in relation to its activities are identified, including processes leading to their management and control;

- that the basic structure of reports for individual decision-making levels at the Company is defined;
- that features are defined in accordance with SII and that those responsible for these features are notified, and, at the same time, that requirements for the competence and integrity of these persons have been set;
- the solvency capital requirement is set quarterly according to the standard SII formula;
- that the Board of Directors conducted, processed and discussed an ORSA review. The resulting ORSA report described and evaluated management and control system processes, gave an inventory of risks, with an evaluation of the adequacy of processes and information on the coverage of the risk profile, including the sensitivity of the solvency position and its projection for the future.

Through these analyses, the Company evaluated its financial stability in the year under review. According to internal and external controls and audits, the Company's management and control system is consistent and efficient, and gives the Board of Directors sufficient information for the effective and prudent management of the Company.

## IN 2014, WE RECEIVED THE FOLLOWING AWARDS FOR OUR PRODUCTS, COMMUNICATION WITH CLIENTS AND SERVICE RELATED TO INSURANCE MANAGEMENT:

- **Insurance Company of the Year 2013** – Association of Czech Insurance Brokers – 2<sup>nd</sup> place in the category Insurance Company of the Year 2013
- **Golden Crown** – 1<sup>st</sup> place in the category of Life Assurance of the Year, for the sixth consecutive time
- **Fincentrum Bank of the Year** – 2<sup>nd</sup> place in the category of Life Assurance of the Year 2014

## Report by the Supervisory Board

In 2014, the Supervisory Board of Pojišťovna České spořitelny, a.s., Vienna Insurance Group, continuously performed the tasks assigned to it by law and the Company's Articles of Association. As the Company's supervisory and control body, it oversaw the activities of the Board of Directors and the Company's business operations. The Supervisory Board was kept regularly informed of the Company's operations, its financial situation, it checked the fulfilment of General Meeting resolutions, reviewed the external auditor's reports, and provided Company management with suggestions and recommendations aimed at improving the Company's situation. The Supervisory Board reviewed the submitted financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group as at 31 December 2014 and came to the conclusion that accounting records were kept in a clear and evidentiary manner in accordance with valid accounting regulations and the Company's Articles of Association.

The annual financial statements were audited by KPMG Česká republika Audit, s.r.o., which confirmed that the financial statements fairly present, in all material respects, the assets, liabilities and shareholders' equity of Pojišťovna České spořitelny, a.s., as at 31 December 2014 and the result of its business operations for 2014 in accordance with the Accounting Act and other applicable regulations of the Czech Republic. The Supervisory Board took due note of the Auditor's Report.

The Supervisory Board reviewed the Report on Relations submitted by the Company's Board of Directors in accordance with Section 83 of the Act on Business Corporations and stated that Pojišťovna České spořitelny, a.s., Vienna Insurance Group did not incur any loss or 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 2014 in favour of or at the instigation of any related parties.

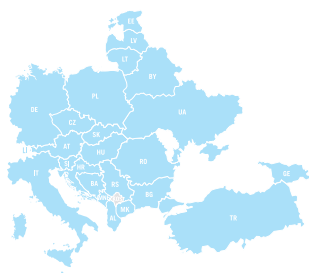
The Supervisory Board also discussed and took into account the Report on the Activity of the Audit Committee of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for 2014.

Based on all these facts, the Supervisory Board recommends that the General Meeting approve the state of the Company's assets and liabilities as at 31 December 2014 and the proposed distribution of the Company's profits for 2014, including the 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 by the General Meeting.



# Information about Vienna Insurance Group

Welcome to  
the family of Vienna  
Insurance Group AG  
Wiener Versicherung  
Gruppe



<b>AUSTRIA</b> WIENER STÄDTISCHE VIENNA INSURANCE GROUP donau VIENNA INSURANCE GROUP S-VERSICHERUNG VIENNA INSURANCE GROUP	<b>SLOVAKIA</b> Kooperativa VIENNA INSURANCE GROUP KOMUNÁLNÁ POISTOVŇA VIENNA INSURANCE GROUP POISTOVŇA SLOVENSKÉ SPORIATELSTVO VIENNA INSURANCE GROUP	<b>BULGARIA</b> BULSTRAD VIENNA INSURANCE GROUP Life BULSTRAD VIENNA INSURANCE GROUP	<b>UKRAINE</b> КНЯЖА VIENNA INSURANCE GROUP ГЛОБУС VIENNA INSURANCE GROUP ЮПІТЕР VIENNA INSURANCE GROUP УКРАЇНСЬКА СТРАХОВА КОМПАНІЯ VIENNA INSURANCE GROUP	<b>BELARUS</b> КУПАЛА VIENNA INSURANCE GROUP	<b>MACEDONIA</b> ОСИГУРОВАЊЕ МАКЕДОНИЈА VIENNA INSURANCE GROUP WINNER VIENNA INSURANCE GROUP Life WINNER VIENNA INSURANCE GROUP
<b>ITALY BRANCH</b> WIENER STÄDTISCHE VIENNA INSURANCE GROUP donau VIENNA INSURANCE GROUP	<b>POLAND</b> COMPENSA VIENNA INSURANCE GROUP InterRisk VIENNA INSURANCE GROUP BENEFIA VIENNA INSURANCE GROUP POLISA ŻYCIE VIENNA INSURANCE GROUP skandia VIENNA INSURANCE GROUP	<b>CROATIA</b> WIENER OSIGURANJE VIENNA INSURANCE GROUP ERSTE OSIGURANJE VIENNA INSURANCE GROUP	<b>ESTONIA</b> COMPENSA VIENNA INSURANCE GROUP	<b>GEORGIA</b> GPIA VIENNA INSURANCE GROUP IRAO VIENNA INSURANCE GROUP	<b>MONTENEGRO</b> Život WIENER STÄDTISCHE VIENNA INSURANCE GROUP
<b>SLOVENIA BRANCH</b> WIENER STÄDTISCHE VIENNA INSURANCE GROUP	<b>ROMANIA</b> OMNIASIG VIENNA INSURANCE GROUP ASIROM VIENNA INSURANCE GROUP DE VIAȚA BCR ASIGURĂRI VIENNA INSURANCE GROUP	<b>HUNGARY</b> UNION BIZTOSÍTÓ VIENNA INSURANCE GROUP ERSTE BIZTOSÍTÓ VIENNA INSURANCE GROUP viennalife VIENNA INSURANCE GROUP	<b>TURKEY</b> RAYSIGORTA VIENNA INSURANCE GROUP	<b>BOSNIA HERZEGOVINA</b> WIENER OSIGURANJE VIENNA INSURANCE GROUP	<b>GERMANY</b> InterRisk VIENNA INSURANCE GROUP
<b>CZECH REPUBLIC</b> Kooperativa VIENNA INSURANCE GROUP ČPP VIENNA INSURANCE GROUP POJIŠŤOVNA ČESKÉ SPOŘITELNY VIENNA INSURANCE GROUP VIG Re		<b>SERBIA</b> WIENER STÄDTISCHE VIENNA INSURANCE GROUP	<b>LATVIA</b> COMPENSA VIENNA INSURANCE GROUP	<b>ALBANIA</b> SOMA INTERNATIONAL VIENNA INSURANCE GROUP INTERSIG VIENNA INSURANCE GROUP	<b>LIECHTENSTEIN</b> VIENNA-LIFE VIENNA INSURANCE GROUP
			<b>LITHUANIA</b> COMPENSA VIENNA INSURANCE GROUP	<b>MOLDOVA</b> DONARIS VIENNA INSURANCE GROUP	

January 2015  
www.vig.com

Approximately 23,000 Vienna Insurance Group (VIG) employees in around 50 Group companies in 25 countries generated around EUR 9.1 billion in premiums written in 2014. This makes the Group one of the leading exchange-listed insurance groups in Austria and Central and Eastern Europe. As the number one in its core markets, VIG provides its customers with an outstanding portfolio offering a wide range of property and casualty, life and health insurance products and services.

## From Austria to Central and Eastern Europe

VIG's roots go all the way back to the year 1824 in Austria: 190 years of history in which the Company developed from a successful local insurer into a leading international insurance group. The story begins with Wiener Städtische, one of the first Western European companies in its industry to recognise the growth opportunities in Central and Eastern Europe, and to take a chance on entering the market in the former Czechoslovakia in 1990. Additional markets followed, with the company expanding into Hungary in 1996, Poland in 1998, Croatia in 1999 and Romania in 2001, to mention only a few examples. Following its entry into the Moldovan market in 2014, Vienna Insurance Group now operates in 25 markets.

### Number-one in its core markets

VIG's core markets include Austria, the Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Hungary, Serbia and Ukraine. With a market share of more than 19%, VIG is the clear number-one insurer in these markets.

The VIG markets in Central and Eastern Europe generated more than half of the approximately EUR 9.1 billion in Group premiums written in 2014 – a clear indication of the success of the CEE expansion strategy. VIG is convinced that the region will continue to converge economically, leading to further increases in the demand for insurance.

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.

### Customer proximity – in 25 markets

Local entrepreneurship, and the customer proximity it brings, plays a key role in VIG's success and is reflected in the regional ties, multi-brand strategy and the wide variety of distribution channels used. The Group therefore intentionally relies on established regional brands united under the Vienna Insurance Group umbrella, because it is the individual strengths of these brands and local expertise that make VIG successful as a corporate group.

### Success thanks to a focus on our core business and binding values

VIG is a progressive, highly risk-conscious insurer that focuses on its core business, the insurance business. It offers security in the form of reliability, trustworthiness and soundness – not only to its customers, but also in its dealings with business partners, employees and shareholders. All its business decisions in this regard are based on ethical values such as honesty, integrity, diversity, equal opportunity and customer orientation.

The effects of this fundamental approach are shown not only by its strategy of continuous sustainable growth, but also its excellent creditworthiness. In July 2014 the internationally recognized rating agency Standard & Poor's confirmed its A+ rating with a stable outlook. As a result, VIG continues to have the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange.

### Two strong partners in the CEE region: VIG and the Erste Group

The Erste Group is one of the leading banking groups in Central and Eastern Europe, with strong ties to Austria. VIG and the Erste Group entered into a strategic partnership in 2008 that has benefited both of them. In markets where both groups are active, Erste Group branches market VIG insurance products and VIG Group companies offer Erste Group bank products in return.

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

VIG shares have been listed on the Vienna Stock Exchange since October 1994. At the end of 2014, slightly more than 20 years after its IPO, VIG was one of the top companies in the Prime Market of the Vienna Stock Exchange with a market capitalization of around EUR 4.7 billion. While the ATX leading index fell by 15.2% in 2014, VIG shares once again proved their stability by achieving a price gain of around 2.4%. The company's dividend policy is based on stability and continuity. VIG has paid a dividend every year since its IPO, the latest being EUR 1.30 per share in 2013.

VIG's secondary listing on the Prague Stock Exchange in February 2008 underscores the great importance of the Central and Eastern European region to the company. With a market capitalization of around CZK 132.1 billion, VIG was also one of the largest companies on the Prague Stock Exchange at the end of 2014.

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.

### Employer of choice

In addition to being first choice for insurance products, VIG also wants to be the first choice as an employer and to attract the most talented and intelligent employees. A wide array of measures, such as identifying and developing each employee's individual skills, are implemented by a modern People Management Department. Diversity is seen as an opportunity and is part of day-to-day life at VIG. Importance is attached to creating the conditions needed to enable women to develop their full potential. This is because Vienna Insurance Group is aware that its success is based on people, and therefore on the dedication of its approximately 23,000 employees.

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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**VIENNA INSURANCE GROUP**  
Wiener Versicherung Gruppe

# Financial Section

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# Independent Auditor's Report



KPMG Česká republika Audit, s.r.o.  
Pobřežní 648/1a  
186 00 Praha 8  
Česká republika

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

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

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

### Financial Statements

On the basis of our audit, on 20 February 2015 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 2014, 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 Pojišťovna České spořitelny, a.s., Vienna Insurance Group 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 about 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.

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 2014, and of its financial performance for the year then ended in accordance with Czech accounting legislation.”

### **Report on Relations**

We have reviewed the factual accuracy of the information disclosed in the report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the year ended 31 December 2014 prepared in accordance with the applicable provisions of Act No. 90/2012 Coll., on Companies and Cooperatives. 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 the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of Pojišťovna České spořitelny, a.s., Vienna Insurance Group for the year ended 31 December 2014 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  
27 April 2015

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

*Benešová*  
Romana Benešová  
Partner  
Registration number 1834

## Balance Sheet as at 31 December 2014

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
<b>ASSETS</b>					
A. Receivables for registered capital subscribed	1				
B. Intangible fixed assets, of which:	2	419,015	322,153	96,862	84,502
C. Financial placements (investments)	5	26,728,243	0	26,728,243	25,223,756
I. Land and buildings (real estate), of which:	6	55,653	0	55,653	55,440
1. Land		1,900	0	1,900	1,900
2. Buildings		53,753		53,753	53,540
a) Land and buildings – self-occupied	7	55,653		55,653	55,440
II. Investments in affiliated undertakings and participating interests	8	305,553	0	305,553	304,506
3. Participating interests with significant influence	11	305,553		305,553	304,506
III. Other financial placements	13	26,367,037	0	26,367,037	24,863,810
1. Shares and other variable-yield securities, other participating interests	14	1,950,877		1,950,877	1,950,853
2. Bonds and other fixed-income securities	15	23,640,466		23,640,466	21,698,068
a) Securities valued at fair value through profit and loss		8,403,014		8,403,014	8,379,852
b) OECD bonds held to maturity		12,317,093		12,317,093	10,456,689
c) Other securities held to maturity		2,920,359		2,920,359	2,861,527
6. Deposits with financial institutions	18	814,025		814,025	1,205,494
7. Other financial placements	19	(38,331)		(38,331)	9,395
D. Financial placements for the benefit of life assurance policyholders who bear the investment risk	21	3,365,668		3,365,668	3,141,203
E. Debtors	22	785,760	122,972	662,788	551,166
I. Receivables arising from direct insurance operations	23	165,404	122,731	42,673	61,456
1. Receivables due from the policyholders	24	144,193	102,654	41,539	58,183
2. Receivables due from intermediaries	25	21,211	20,077	1,134	3,273
II. Receivables arising from reinsurance operations	26	398,740		398,740	309,387
III. Other receivables	27	221,616	241	221,375	180,323
F. Other assets	28	160,438	79,346	81,092	101,565
I. Tangible fixed assets other than those listed under "C.I. Land and buildings", and inventories	29	125,754	79,346	46,408	66,440
II. Cash in accounts in financial institutions and cash in hand	30	34,684		34,684	35,125



(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
<b>ASSETS</b>					
G. Temporary asset accounts	32	1,752,048	0	1,752,048	1,775,345
II. Deferred acquisition costs, of which:	34	1,574,659	0	1,574,659	1,597,073
a) in life assurance business	35	1,574,607		1,574,607	1,596,999
b) in non-life insurance	36	52		52	74
III. Other temporary asset accounts, of which:	37	177,389		177,389	178,272
a) Estimated receivables	38	145,312		145,312	146,735
<b>TOTAL ASSETS</b>	<b>39</b>	<b>33,211,172</b>	<b>524,471</b>	<b>32,686,701</b>	<b>30,877,537</b>
<b>LIABILITIES AND EQUITY</b>					
A. Equity	40			3,543,822	3,225,270
I. Registered capital, of which:	41			1,900,100	1,900,100
IV. Other capital funds	46			148,071	42,865
V. Statutory reserve fund and other funds from profit	47			364,344	326,457
VI. Profit or loss brought forward	48			276,186	163,796
VII. Profit or loss for the financial year	49			855,121	792,052
C. Technical provisions	51	24,604,157	1,178,711	23,425,446	22,475,420
1. Provision for unearned premiums, of which:	52	53,716	24,243	29,473	32,786
a) Provision for unearned premiums relating to life assurance classes	53	25,112	9,923	15,189	17,726
b) Provision for unearned premiums relating to non-life insurance classes	54	28,604	14,320	14,284	15,060
2. Life assurance provision	55	21,763,106	0	21,763,106	20,841,133
3. Provision for outstanding claims, of which:	56	2,534,250	1,045,518	1,488,732	1,493,985
a) Provision for outstanding claims relating to life assurance classes	57	2,309,383	887,442	1,421,941	1,412,209
b) Provision for outstanding claims relating to non-life insurance classes	58	224,867	158,076	66,791	81,776
4. Provision for bonuses and rebates, of which:	59	131,432	108,950	22,482	24,168
a) Provision for bonuses and rebates relating to life assurance classes	60	22,304	0	22,304	23,994
b) Provision for bonuses and rebates relating to non-life insurance classes	61	109,128	108,950	178	174
7. Provision for liabilities from the technical interest rate applied	63	121,653	0	121,653	83,348

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Prior period
<b>LIABILITIES AND EQUITY</b>					
D. Life assurance technical provision where the investment risk is borne by the policyholders	71	3,365,668	0	3,365,668	3,141,203
E. Provisions for other risks and losses	72			198,489	189,617
2. Provisions for taxation	74			198,489	189,617
F. Deposits received from reinsurers	76			961,164	811,793
G. Creditors	77			934,662	729,791
I. Payables arising from direct insurance operations	78			363,678	308,047
II. Payables arising from reinsurance operations	79			461,626	368,794
V. Other payables, of which:	83			109,358	52,950
a) Tax liabilities and payables due to social security and health insurance institutions	84			23,523	6,696
H. Temporary liability accounts	86			257,450	304,443
I. Accrued expenses and deferred income	87			1	0
II. Other temporary liability accounts, of which:	88			257,449	304,443
a) Estimated payables	89			257,449	304,443
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>90</b>			<b>32,686,701</b>	<b>30,877,537</b>

# Profit and Loss Account as at 31 December 2014

(in thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
<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	717,365	x	x	x
b) outward reinsurance premiums	3	655,035	62,330	x	x
c) change in the gross provision for unearned premiums (+/-)	4	(1,556)	x	x	x
d) change in the provision for unearned premiums, reinsurers' share (+/-)	5	(780)	(776)	63,106	67,042
2. Allocated investment return transferred from the non-technical account (item III.6.)	6	x	x	3,757	4,208
3. Other technical income, net of reinsurance	7	x	x	1,578	1,527
4. Claims incurred, net of reinsurance:	8	x	x	x	x
a) claims paid:	9	x	x	x	x
aa) gross amount	10	201,239	x	x	x
ab) reinsurers' share	11	158,157	43,082	x	x
b) change in the provision for outstanding claims (+/-):	12	x	x	x	x
ba) gross amount	13	(40,537)	x	x	x
bb) reinsurers' share	14	(25,552)	(14,985)	28,097	50,138
5. Changes in other technical provisions, net of reinsurance (+/-)	15	x	x	0	0
6. Bonuses and rebates, net of reinsurance	16	x	x	2,047	2,112
7. Net operating expenses:	17	x	x	x	x
a) acquisition costs	18	x	1,304	x	x
b) change in deferred acquisition costs (+/-)	19	x	22	x	x
c) administrative expenses	20	x	8,841	x	x
d) reinsurance commissions and profit participation	21	x	29,844	(19,677)	(16,521)
8. Other technical expenses, net of reinsurance	22	x	x	1,243	1,307
10. Sub-total, balance (result) in the technical account for non-life insurance (item III.1.)	24	x	x	56,731	35,741
<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	11,201,393	x	x
b) outward reinsurance premiums	27	x	1,307,027	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	28	x	(2,536)	9,896,902	9,376,279

(in thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
<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	30	x		x	x
b) income from other investments, with a separate indication of that derived from controlling influence, of which:	31	x	x	x	x
ba) income from land and buildings	32	0	x	x	x
bb) income from other financial placements (investments)	33	652,058	652,058	x	x
c) value adjustments on financial placements	34	x	0	x	x
d) income from disposal of financial placements	35	x	1,760,829	2,412,887	1,739,676
3. Unrealized gains on financial placements	36	x	x	1,332,455	1,366,862
4. Other technical income, net of reinsurance	37	x	x	142,759	118,044
5. Claims incurred, net of reinsurance:	38	x	x	x	x
a) claims paid:	39	x	x	x	x
aa) gross amount	40	7,635,905	x	x	x
ab) reinsurers' share	41	664,260	6,971,645	x	x
b) change in the provision for outstanding claims (+/-):	42	x	x	x	x
ba) gross amount	43	161,804	x	x	x
bb) reinsurers' share	44	152,072	9,732	6,981,377	6,267,374
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	921,973	x	x	x
ab) reinsurers' share	48	0	921,973	x	x
b) other technical provisions, net of reinsurance	49	x	262,769	1,184,742	1,409,482
7. Bonuses and rebates, net of reinsurance	50	x	x	252,915	263,152
8. Net operating expenses:	51	x	x	x	x
a) acquisitions costs	52	x	1,471,692	x	x
b) change in deferred acquisition costs (+/-)	53	x	22,392	x	x
c) administrative expenses	54	x	554,051	x	x
d) reinsurance commissions and profit participation	55	x	389,872	1,658,263	1,394,665
9. Expenses connected with financial placements (investments):	56	x	x	x	x
a) investment management charges, including interest	57	x	199,802	x	x
b) value adjustments to financial placements	58	x	0	x	x
c) book value disposed-of financial placements	59	x	1,736,818	1,936,620	1,284,701

(in thousands CZK)	Line No.	Base	Subtotal	Result	Prior period
10. Unrealized losses on financial placements (investments)	60	x	x	655,864	934,954
11. Other technical expenses, net of reinsurance	61	x	x	119,134	104,571
13. Sub-total, balance (result) in the technical account for life assurance (item III.2.)	63	x	x	996,088	941,962
<b>III. NON-TECHNICAL ACCOUNT</b>					
1. Result of the technical account for non-life insurance (item I.10.)	64	x	x	56,731	35,741
2. Result of the technical account for life assurance (item II.13.)	65	x	x	996,088	941,962
3. Income from financial placements:	66	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	67	x		x	x
b) income from other investments, with a separate indication of that derived from controlling influence:	68	x	x	x	x
ba) income from land and buildings	69	70	x	x	x
bb) income from other financial placements (investments)	70	4,504	4,574	x	x
c) value adjustments to financial placements	71	x	4,529	x	x
d) income from disposal of financial placements	72	x	5,911	15,014	153,498
5. Expenses connected with financial placements:	74	x	x	x	x
a) investment management charges, including interest	75	x	2,556	x	x
b) value adjustments to financial placements	76	x	2,263	x	x
c) book value disposed-of financial placements	77	x	6,438	11,257	149,290
6. Allocated investment return transferred to the technical account for non-life insurance (item I.2.)	78	x	x	3,757	4,208
7. Other income	79	x	x	19,757	21,094
8. Other expenses	80	x	x	16,843	17,667
9. Income tax on ordinary activities	81	x	x	200,191	188,795
10. Profit or loss on ordinary activities after tax	82	x	x	855,542	792,335
15. Other taxes not shown under the preceding items	87	x	x	421	283
16. Profit or loss for the financial year	88	x	x	855,121	792,052

## Statement of Change in Equity for 2014

(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)	
Utilization 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>
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)	
Utilization 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>
BALANCE AT 1/1/2014	1,900,100	4,869	42,865	321,588	163,796	792,052	3,225,270
Additions to funds		3,179		39,602	749,271	-792,052	
Utilization of funds		(4,894)					(4,894)
Change in valuation of financial placements			105,206				105,206
Increase/reduction in registered capital							
Payment of dividends					(636,881)		(636,881)
Profit/loss for the current year						855,121	855,121
<b>BALANCE AT 31/12/2014</b>	<b>1,900,100</b>	<b>3,154</b>	<b>148,071</b>	<b>361,190</b>	<b>276,186</b>	<b>855,121</b>	<b>3,543,822</b>

# Notes to the Financial Statements for 2014

## I. GENERAL CONTENTS

### I.1. Description and principal activities

Pojišťovna České spořitelny, a.s., Vienna Insurance Group ("the Company") was entered in the Commercial Register on 1 October 1992 (identification number: 47452820).

#### Shareholders of the Company as at 31 December 2014:

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 licence 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 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, 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 also include 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 the 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 2014:

#### Board of Directors

##### Chairman:

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

##### Vice-chairman:

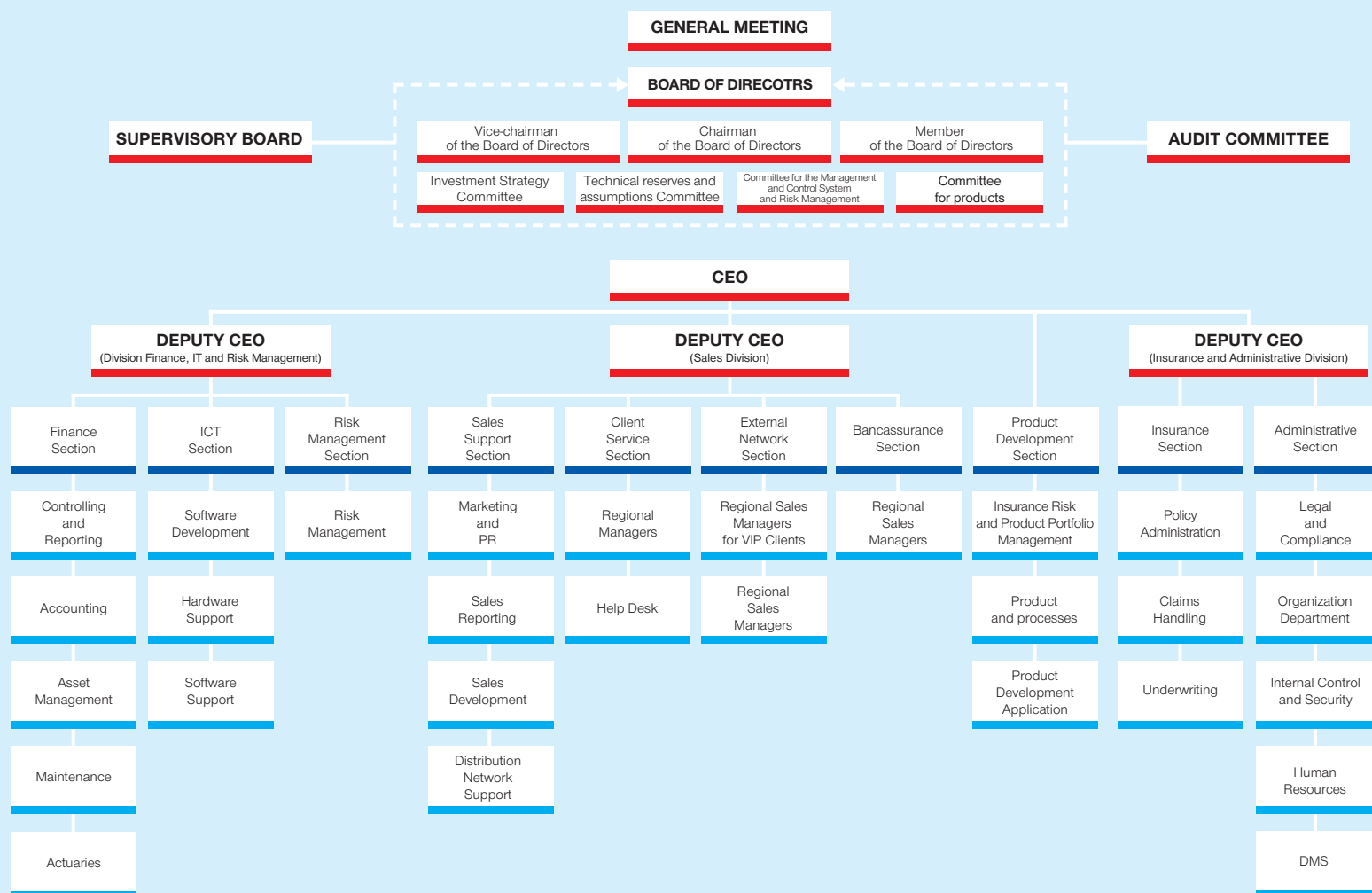
Ing. Jaroslav Kulhánek  
Zalomená 175, Hradec Králové 11, Roudnička

##### Member:

Ing. Tomáš Vaníček, MBA  
Donínská 1778, Praha 9, Újezd nad Lesy

Statements of will and signing of documents on behalf of the Company must always be conducted jointly by two members of the Board. No authorization for individual representation in any matter related to the operations 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.

# Organizational Structure at 31 December 2014



The Company does not have any branch abroad.



**Proxy**

Ing. František Mareš  
No. 78, Stéblová

**Supervisory Board****Chairman:**

Ing. Martin Diviš, MBA  
Divoká Šárka 39, Praha 6, Liboc

**Vice-chairman:**

Dkfm. Hans Raumauf  
Biedermannsdorf, Borromäumstrasse 38, 2362, Austria  
(since 14. 4. 2014; until 19. 3. 2014  
Mag. Erwin Hammerbacher Seyring,  
Helmaweg 29, 2201, Austria)

**Members:**

Dr. Hans-Peter Hagen  
Vienna, Laudon Gasse 20/10, 1080, Austria  
(since 28. 3. 2014)

Mag. Erwin Hammerbacher  
Seyring, Helmaweg 29, 2201, Austria (since 20. 3. 2014,  
until 19. 3. 2014 Veronika Maderová,  
Nechvílova 1826/2, Praha 4, Chodov)

Ing. Petr Kohoutek  
Vaňkova 1341, Chrudim, Chrudim IV

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

Ing. Jiří Drahoš  
No. 181, Cerekvice nad Loučnou (since 26. 6. 2014,  
until 26. 6. 2014 JUDr. Karel Kopecký,  
Bělehradská 396, Pardubice)

Ing. Petr Procházka  
Věry Junkové 92, Pardubice, Studánka (since 26. 6. 2014)

**Audit Committee**

Ing. Martin Diviš, MBA  
Dr. Hans-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. 89/2012 Coll., the Civil Code, 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, Implementing Decree No. 502/2002 Coll. implementing 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"), and with the Czech Accounting Standards for accounting units that maintain their accounting records in compliance with Regulation No. 502/2002 Coll. and other relevant legislation.

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

**I.4. Significant accounting policies****(a) Tangible and intangible fixed assets**

Tangible and intangible fixed assets are stated at acquisition cost.

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

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

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

## (b) Investments

### Land and buildings (real estate)

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

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

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

Any change in the fair value of land and buildings (real estate) is recognized 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 amortizes premiums and discounts on all debt securities. Premiums and discounts are amortized to the profit and loss account on the basis of the effective interest rate method from the date of acquisition to their maturity.

Amortized 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 Organization 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 recognizes the OECD bonds held to maturity at their amortized cost as at the balance sheet date.

Fair value means the market price published by a domestic or foreign stock exchange or other public (organized) 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.

Amortized cost means the price used when first recognized (the acquisition cost), which is gradually increased by accrued interest income, adjusted by amortization 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 recognized 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 recognized 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 (organized) 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 recognized 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 the Company's share in the net asset value. Changes in fair value are recognised in equity.

**Deposits with financial institutions**

Deposits with financial institutions are initially recognized 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 the 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 recognized 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 recognized 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 recognized in equity, are impaired. Impairment of an asset is recognized 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 zillmerization method, which is the method used to calculate the life assurance provision, see note 1.4.(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 utilized.

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

### **(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 zillmerization method. The zillmerization 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 capitalized and presented as deferred acquisition costs. The acquisition costs are capitalized 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 recognized 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 the 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:

- reported but not settled during the period (RBNS),
- 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 it, 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 technical interest rate applied 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 unamortized acquisition costs and other intangible assets, the deficiency is recognized through the establishment of a provision for liabilities arising from the technical interest rate applied and other calculation parameters.

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

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

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

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

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

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

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

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

**(o) Provisions**

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

**Provision for taxes**

The provision for taxes is established at the balance sheet date and amounts to the estimated corporate income tax liability due. The utilization (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 are transferred to the non-life insurance technical account.

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

The disposal of financial placements is recognized 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 note 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 realized.

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.

### 1.5. Changes in accounting policies and procedures

During 2014, 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.

### 1.6. Risk management

In compliance with Regulation No. 434/2009 Coll., to implement certain provision 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 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 the development and valuation of products, the determination of the amount of technical provisions, 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 have given rise to significant liabilities. Concentration of insurance risk may arise from the accumulation of risks in the 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 a 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 contracts 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 determination 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),
- the risk of concentration of high sums assured which do not constitute a significant part of the portfolio but which may have a significant impact on the amount of settlements and as a result also the profit (loss) of the Company.

The goal of risk management is the 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 assumptions determined.

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, the interest rates achieved and guaranteed, and in terms of their currency structure. This type of output is one of the underlying tools for making decisions on the further allocation of financial investments.

### **Interest rate risk**

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

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

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

The risk of changes in cash flows as a result of a change in interest rate represents exposure primarily to 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 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, relating 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. implementing 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 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 2014 comprise the following items:

(in thousands CZK)	Software	Total
Acquisition cost at 1/1/2014	369,410	369,410
Additions	51,346	51,346
Disposals	(1,741)	(1,741)
<b>Acquisition cost at 31/12/2014</b>	<b>419,015</b>	<b>419,015</b>
Accumulated depreciation at 1/1/2014	284,908	284,908
Depreciation	38,749	38,749
Disposals	(1,504)	(1,504)
<b>Accumulated depreciation at 31/12/2014</b>	<b>322,153</b>	<b>322,153</b>
Net book value at 1/1/2014	84,502	84,502
<b>Net book value at 31/12/2014</b>	<b>96,862</b>	<b>96,862</b>

## II.2. Investments

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

Operating (in thousands CZK)	2014	2013
Land	538	538
Valuation differences	1,362	1,362
Buildings	70,381	70,169
Valuation differences	(16,628)	(16,629)
<b>Total operating land and buildings at fair value</b>	<b>55,653</b>	<b>55,440</b>

The most recent valuation of land and buildings (real estate) based on an expert appraisal was carried out as at 31 December 2014.

### (b) Participating interests with significant influence

2014 (in thousands CZK)	Share in 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	305,553	2,671,000	2,702,904	58,812	6,055
<b>Total</b>		<b>299,773</b>	<b>305,553</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>6,055</b>
2013 (in thousands CZK)	Share in 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>Celkem</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>

The financial data are based on non-audited preliminary financial statements as at 31 December 2014.

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	
	2014	2013	2014	2013
<b>Issued by financial institutions</b>				
– Listed on a recognized CR exchange	138,288	151,158	122,033	122,033
– Unlisted	1,755,262	1,728,896	1,388,888	1,419,904
<b>Issued by non-financial institutions</b>				
– Listed on a recognized CR exchange	57,327	70,799	50,430	75,141
<b>Total</b>	<b>1,950,877</b>	<b>1,950,853</b>	<b>1,561,351</b>	<b>1,617,077</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	
	2014	2013	2014	2013
<b>Issued by financial institutions</b>				
– Listed on a recognized CR exchange	157,049	149,611	157,097	151,096
– Listed elsewhere	1,695,588	1,397,893	1,611,030	1,344,050
– Unlisted	50,842	281,508	46,707	228,510
<b>Issued by non-financial institutions</b>				
– Listed on a recognized CR exchange	50,391	0	49,792	0
– Listed elsewhere	139,870	179,671	129,235	159,851
<b>Issued by government sector</b>				
– Listed on a recognized CR exchange	5,338,554	5,570,770	5,093,624	5,419,213
– Listed elsewhere	970,720	800,399	820,114	704,702
<b>Total</b>	<b>8,403,014</b>	<b>8,379,852</b>	<b>7,907,599</b>	<b>8,007,422</b>

Securities listed elsewhere are traded mainly on European markets.

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

(in thousands CZK)	Fair value		Amortized value		Acquisition cost	
	2014	2013	2014	2013	2014	2013
– Listed on a recognized CR exchange	13,987,168	11,229,149	12,317,093	10,456,689	12,306,599	10,395,740
<b>Total OECD bonds held to maturity</b>	<b>13,987,168</b>	<b>11,229,149</b>	<b>12,317,093</b>	<b>10,456,689</b>	<b>12,306,599</b>	<b>10,395,740</b>

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

(in thousands CZK)	Fair value		Acquisition cost	
	2014	2013	2014	2013
<b>Issued by financial institutions</b>				
– Listed on a recognized CR exchange	347,014	318,268	343,547	313,547
– Listed elsewhere	466,998	454,082	380,205	380,205
– Unlisted	268,817	615,904	250,478	549,628
<b>Issued by non-financial institutions</b>				
– Listed on a recognized CR exchange	1,236,230	1,061,109	1,172,036	1,048,752
– Listed elsewhere	601,300	412,163	507,038	358,173
<b>Total other debt securities held to maturity</b>	<b>2,920,359</b>	<b>2,861,527</b>	<b>2,653,304</b>	<b>2,650,304</b>

**(g) Deposits with financial institutions**

(in thousands CZK)	2014	2013
Due within 1 year	814,025	1,205,494
<b>Total</b>	<b>814,025</b>	<b>1,205,494</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	
	2014	2013	2014	2013
Term currency transactions		1,619,406		9,395
<b>Total</b>		<b>1,619,406</b>		<b>9,395</b>

Fixed term contracts with a negative fair value (in thousands CZK)	Nominal value		Fair value	
	2014	2013	2014	2013
Term currency transactions	2,187,491		(38,331)	
<b>Total</b>	<b>2,187,491</b>		<b>(38,331)</b>	

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

The nominal value of fixed term contracts is the amount in CZK of the Company's short-term currency position. The 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 2014 the remaining maturity of derivatives amounting to TCZK (38,331) (TCZK 9,395 as at 31 December 2013) was less than 3 months.

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

Description (in thousands CZK)	Fair value		Acquisition cost	
	2014	2013	2014	2013
Shares and other variable-yield securities	818,922	787,408	727,091	731,133
Debt securities	2,546,746	2,353,795	1,802,620	1,830,535
<b>Total</b>	<b>3,365,668</b>	<b>3,141,203</b>	<b>2,529,711</b>	<b>2,561,668</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	
	2014	2013	2014	2013	2014	2013	2014	2013
CZK	1,146,506	1,159,270	22,564,861	20,875,682	4,124,968	4,340,389	27,836,335	26,375,341
EUR	335,341	310,115	831,556	757,093	19,194	6,578	1,186,091	1,073,786
GBP	112,563	105,262			(2,680)	629	109,883	105,891
USD	662,020	680,712	244,049		(120)	8,496	905,949	689,208
PLN				65,293			0	65,293
<b>Total</b>	<b>2,256,430</b>	<b>2,255,359</b>	<b>23,640,466</b>	<b>21,698,068</b>	<b>4,141,362</b>	<b>4,356,092</b>	<b>30,038,258</b>	<b>28,309,519</b>

Variable-yield securities comprise a participating interest with significant influence amounting to TCZK 305,553 (2013: TCZK 304,506). All securities where the investment risk is borne by the policyholders are denominated in CZK. All financial placements in the table above are stated at book value.



## II.5. Receivables

At 31 December 2014 (in thousands CZK)	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	5,146		398,740	221,463	625,349
Overdue	139,047	21,211		153	160,411
<b>Total</b>	<b>144,193</b>	<b>21,211</b>	<b>398,740</b>	<b>221,616</b>	<b>785,760</b>
Adjustment	102,654	20,077		241	122,972
<b>Total net</b>	<b>41,539</b>	<b>1,134</b>	<b>398,740</b>	<b>221,375</b>	<b>662,788</b>

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>

### Other receivables

(in thousands CZK)	2014	2013
Inter-company receivables	2,437	1,561
Income tax prepayments	214,721	171,319
Other receivables	4,458	7,575
<b>Total other receivables (gross)</b>	<b>221,616</b>	<b>180,455</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. 2014	29,792	59,026	24,306	11,397	1,581	126,102
Additions	4,967	1,194	60	8,169	1,075	15,465
Disposals	(4,573)	(1,340)	(2,920)	(8,867)	(1,613)	(19,313)
<b>Acquisition cost at 31/12/2014</b>	<b>30,186</b>	<b>58,880</b>	<b>21,446</b>	<b>10,699</b>	<b>1,043</b>	<b>122,254</b>
Accumulated depreciation at 1/1/2014	16,439	31,420	12,712	835	0	61,406
Depreciation expense	6,436	16,732	1,759	1,092		26,019
Disposals	(3,268)	(1,340)	(2,669)	(802)		(8,079)
<b>Accumulated depreciation at 31/12/2014</b>	<b>19,607</b>	<b>46,812</b>	<b>11,802</b>	<b>1,125</b>	<b>0</b>	<b>79,346</b>
Net book value at 1/1/2014	13,353	27,606	11,594	10,562	1,581	64,696
<b>Net book value at 31/12/2014</b>	<b>10,579</b>	<b>12,068</b>	<b>9,644</b>	<b>9,574</b>	<b>1,043</b>	<b>42,908</b>

As at 31 December 2014, the Company also reported inventories in the amount of TCZK 3,500 (2013: TCZK 1,743).

## II.7. Temporary asset accounts

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

(in thousands CZK)	2014	2013
Life assurance connected with an investment fund/unit-linked	1,574,607	1,596,999
<b>Total</b>	<b>1,574,607</b>	<b>1,596,999</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 608,860 (2013: TCZK 591,405) and the volume of the negative capital value of insurance contracts is used to create an asset of TCZK 965,747 (2013: TCZK 1,005,594).

### (b) Estimated receivables

(in thousands CZK)	2014	2013
Estimated written premiums	104,952	109,843
Estimated reinsurance commissions	22,931	20,292
Estimated share in the profit of the reinsurer BNP	11,417	10,228
Other	6,012	6,372
<b>Total</b>	<b>145,312</b>	<b>146,735</b>

#### Estimated written premiums

The Company in estimated receivables discloses 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)	2014	2013
Prepaid expenses relating to commissions on premiums not yet recorded	28,816	22,354
Postage	0	7,000
Prepaid software services	2,208	916
Other	1,053	1,267
<b>Total</b>	<b>32,077</b>	<b>31,537</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 2014, 100%, i.e. TCZK 1,900,100, of the share capital was paid up. In the accounting periods of 2014 and 2013, the share capital did not change.

Issue	Type of security	Form	Nominal value (in CZK)	Number of securities	Total volume (in CZK)	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 authorized to carry on insurance activities.

### (b) Other capital funds

(in thousands CZK)	2014	2013
Revaluation of assets and liabilities at fair value	148,071	42,865
<b>Total</b>	<b>148,071</b>	<b>42,865</b>

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

(in thousands CZK)	2014	2013
Balance at 1/1	42,865	95,721
Change in fair value of financial placement	129,884	(65,255)
Change in deferred tax	(24,678)	12,399
<b>Balance at 31/12</b>	<b>148,071</b>	<b>42,865</b>

#### Planned distribution of the current period profit

(in thousands CZK)	
<b>Profit for the current period</b>	<b>855,121</b>
Transfer to statutory reserve fund	42,756
Transfer to social fund	5,248
Dividend (CZK 29.19 per share)	686,050
<b>Profit to be added to retained earnings</b>	<b>121,067</b>

The proposed distribution of profit is subject to the approval of the general meeting.

## II.9. Technical provisions

### (a) Life assurance provision

(in thousands CZK)	2014	2013
Unzillmerized provision	6,051,902	8,203,997
Zillmer adjustment	14,893	12,985
Elimination of negative reserves	2,341	1,992
<b>Zillmerized provision presented in the balance sheet</b>	<b>6,039,350</b>	<b>8,193,004</b>
Flexi provision	14,932,176	11,943,371
Provision for profit share commitments	329,288	360,349
Annuity provision	7,066	7,640
Provision for bonuses	455,226	336,769
<b>Total life assurance provision</b>	<b>21,763,106</b>	<b>20,841,133</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)	2014	2013
RBNS	358,277	333,214
IBNR	1,130,455	1,160,771
<b>Total</b>	<b>1,488,732</b>	<b>1,493,985</b>

### Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2013, the claims payments during 2014 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2014.

(in thousands CZK)	2014	2013
Gross provision for outstanding claims as at 1 January	2,412,983	2,034,766
Claims payments in the current period in respect of prior period claims	1,173,560	1,068,845
Provision for outstanding claims as at 31 December intended for prior period claims not paid yet	911,461	768,944
<b>Run-off result</b>	<b>327,962</b>	<b>196,977</b>

The gross run-off result by classes of insurance:

Class of insurance (in thousands CZK)	2014	2013
Accident and sickness – non-life insurance	34,593	40,983
Other losses – non-life insurance	483	6,074
Assurance on death, assurance on survival	44,437	9,760
Accident and sickness insurance as a rider	236,995	151,263
Marriage insurance	3	(10)
Life assurance connected with an investment fund / unit-linked (not including accidental riders)	11,451	(11,093)
<b>Total</b>	<b>327,962</b>	<b>196,977</b>

## II.10. Provisions

Type of provision (in thousands CZK)	Opening balance	Creation	Release	Closing balance
Provision for taxes	189,617	198,489	189,617	198,489
<b>Total</b>	<b>189,617</b>	<b>198,489</b>	<b>189,617</b>	<b>198,489</b>

The income tax prepayments of TCZK 214,721 (2013: TCZK 171,319) are recognized in Other receivables.

## II.11. Payables

31 December 2014 (in thousands CZK)	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	235,081	128,577	461,626	109,175	934,459
Overdue		20		183	203
<b>Total</b>	<b>235,081</b>	<b>128,597</b>	<b>461,626</b>	<b>109,358</b>	<b>934,662</b>

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>

Other payables comprise the following items:

(in thousands CZK)	2014	2013
Payables to employees	33,236	7,968
Social security and health insurance liabilities	13,166	4,419
Payables to suppliers	12,030	25,749
Deferred tax liability	40,569	12,536
Other tax liabilities	10,357	2,278
<b>Total</b>	<b>109,358</b>	<b>52,950</b>

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

Liabilities in respect of social security and health insurance total TCZK 13,166 (2013: TCZK 4,419) of which TCZK 6,815 (2013: TCZK 2,916) relates to social security and TCZK 6,351 (2013: TCZK 1,503) relates to health insurance. None of these liabilities is overdue.

#### (b) Tax liabilities

Tax liabilities amount to TCZK 10,357 (2013: TCZK 2,278), none of which is overdue.

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

The Company does not have any long-term payables with a remaining maturity of 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)	2014	2013
Receivables from reinsurers	398,740	309,387
Payables to reinsurers	461,626	368,794
Deposits due to cedents	961,164	811,793
<b>Net (+ receivable, – payable)</b>	<b>(1,024,050)</b>	<b>(871,200)</b>

The deposit of TCZK 961,164 (2013: TCZK 811,793) relates to reinsurance contracts with VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

## II.12. Temporary liability accounts

### (a) Other temporary liability accounts

(in thousands CZK)	2014	2013
Accrued expenses	1	0
Estimated payables	257,449	304,443
<b>Total</b>	<b>257,450</b>	<b>304,443</b>

A detailed breakdown of estimated payables is as follows:

### (b) Estimated payables

(in thousands CZK)	2014	2013
Alliance partner commission	96,790	89,519
Reinsurance premiums on insurance premiums not yet recorded	54,907	57,654
Performance-based commission of insurance intermediaries	42,935	26,498
Annual, extraordinary bonuses and untaken holidays	23,419	68,651
Asset management fees	12,997	26,631
Operating system repairs and maintenance	10,389	9,164
Services not yet invoiced by other creditors	6,852	9,715
Lawsuits and litigations	5,721	5,721
Advance payments for services relating to rent	2,940	2,753
Consulting services	499	8,137
<b>Total</b>	<b>257,449</b>	<b>304,443</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 premiums 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**

(in thousands CZK)	Receivables		Payables	
	2014	2013	2014	2013
Short-term	374,617	285,016	397,539	302,199
Kooperativa pojišťovna, a.s., Vienna Insurance Group	3,237	3,570	2,648	2,769
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group	89	50		
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	371,291	281,396	394,891	299,430
<b>Total</b>	<b>374,617</b>	<b>285,016</b>	<b>397,539</b>	<b>302,199</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 2014 and 2013 broken down into 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					
2014		484,195	485,751	142,639	8,701	(100,855)
2013		513,554	515,505	193,849	9,471	(84,860)
Miscellaneous losses	16					
2014		233,170	233,170	18,063	1,466	(67,373)
2013		247,605	247,605	19,172	1,499	(72,160)
<b>Total</b>						
2014		717,365	718,921	160,702	10,167	(168,228)
2013		761,159	763,110	213,021	10,970	(157,020)

### III.2. Life assurance

Gross premiums written in life assurance:

(in thousands CZK)	2014	2013
Individual premiums	10,516,473	9,897,314
Premiums under group contracts	684,920	697,316
<b>Total</b>	<b>11,201,393</b>	<b>10,594,630</b>
Regular premiums	5,664,709	5,477,128
Single premiums	5,536,684	5,117,502
<b>Total</b>	<b>11,201,393</b>	<b>10,594,630</b>
Premiums from non profit-sharing contracts	1,040,957	1,434,438
Premiums from profit-sharing contracts	8,769,390	7,746,546
Premiums from contracts where the investment risk is borne by policyholders	1,391,046	1,413,646
<b>Total</b>	<b>11,201,393</b>	<b>10,594,630</b>
<b>Reinsurance balance</b>	<b>(107,845)</b>	<b>(112,076)</b>

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

In 2014 and 2013, 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)	2014	2013
<b>Gross</b>		
Non-life insurance	333,528	382,787
Life assurance	254,606	263,971
<b>Total gross amount</b>	<b>588,134</b>	<b>646,758</b>
Reinsurers' share (non-life insurance)	331,485	380,665
<b>Total net amount</b>	<b>256,649</b>	<b>266,093</b>

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

2014 (in thousands CZK)	Gross	Reinsurers' share	Net
<b>Non-life insurance</b>			
Creation	328,058	326,014	2,044
Release	333,874	331,834	2,040
Change of balance	(5,816)	(5,820)	4
<b>Life assurance</b>			
Creation	252,915		252,915
Release	254,606		254,606
Change of balance	(1,691)		(1,691)
<b>Total change of balance</b>	<b>(7,507)</b>	<b>(5,820)</b>	<b>(1,687)</b>

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

(in thousands CZK)	2014			2013		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
<b>Commissions</b>						
Initial	129	1,243,490	1,243,619	281	1,046,011	1,046,292
Renewal	4,611	271,203	275,814	4,788	241,908	246,696
<b>Total commissions</b>	<b>4,740</b>	<b>1,514,693</b>	<b>1,519,433</b>	<b>5,069</b>	<b>1,287,919</b>	<b>1,292,988</b>
Other acquisition costs	1,175	228,202	229,377	1,575	221,828	223,403
Change in deferred acquisition costs	22	22,392	22,414	5	(12,122)	(12,117)
<b>Total commissions and other acquisition costs</b>	<b>5,937</b>	<b>1,765,287</b>	<b>1,771,224</b>	<b>6,649</b>	<b>1,497,625</b>	<b>1,504,274</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)	2014	2013
Personnel expenses (payroll, social security and health insurance, remuneration to members of the Supervisory Board, Board of Directors and Audit Committee)	99,674	101,022
Renewal commissions	275,814	246,696
Rent and related services	6,022	7,185
Consultancy and external audit	11,257	23,076
Consumption of low-value tangible and intangible assets and other material	9,414	10,624
Depreciation and repairs and maintenance of tangible assets	30,033	28,263
Operating systems administration and maintenance	27,565	23,719
Postal and telecommunication services	29,096	23,830
Bank fees	7,929	11,433
Other services	16,514	16,874
Other administrative expenses	49,574	42,690
<b>Total administrative expenses</b>	<b>562,892</b>	<b>535,412</b>

Other personnel expenses are included in other administrative expenses.

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

2014 (in thousands CZK)	Gross	Reinsurers' share	Net
<b>Non-life insurance</b>			
Other technical expenses	1,243		1,243
Other technical income	(1,578)		(1,578)
<b>Balance – non-life insurance</b>	<b>(335)</b>	<b>0</b>	<b>(335)</b>
<b>Life assurance</b>			
Other technical expenses	119,134		119,134
Other technical income	(142,759)		(142,759)
<b>Balance – life assurance</b>	<b>(23,625)</b>	<b>0</b>	<b>(23,625)</b>
<b>2013 (in thousands CZK)</b>	<b>Gross</b>	<b>Reinsurers' share</b>	<b>Net</b>
<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>

### III.8. Employees and management

Personnel expenses and average calculated number of employees by individual categories for 2014 and 2013:

Personnel expense – type (in thousands CZK)	Employee category				Total
	Year	Acquisition, sales	Claims handling	Administration	
Payroll expense	2014	81,922	12,617	73,216	<b>167,755</b>
	2013	77,423	11,477	77,182	<b>166,082</b>
Social security and health insurance	2014	23,096	4,355	19,209	<b>46,660</b>
	2013	19,550	3,661	18,194	<b>41,405</b>
Other personnel expenses	2014	4,790	1,419	4,527	<b>10,736</b>
	2013	4,512	1,287	4,282	<b>10,081</b>
<b>Total personnel expenses</b>	<b>2014</b>	<b>109,808</b>	<b>18,391</b>	<b>96,952</b>	<b>225,151</b>
	<b>2013</b>	<b>101,485</b>	<b>16,425</b>	<b>99,658</b>	<b>217,568</b>
Average number of employees	2014	121	35	113	<b>269</b>
		116	32	107	<b>255</b>

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

As at 31 December 2014, the management of the Company comprised 13 managers: the CEO, 3 deputy CEOs and 9 section directors. Personnel expenses (payroll, social security and health insurance, other personnel expenses) relating to managers totalled TCZK 33,654 in 2014 (2013: TCZK 27,185).

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 body members' remuneration

The Company has provided the following monetary and non-monetary remuneration to the statutory, executive and supervisory body members for the financial years 2014 and 2013:

(in thousands CZK)	2014	2013
Members of the Board of Directors	7,080	517
Proxy holder	60	60
Members of the Supervisory Board	1,271	980
Audit Committee	14	14
<b>Total remuneration paid</b>	<b>8,425</b>	<b>1,571</b>

The members of the Company's Board of Directors are at the same time employees of the Company exercising the office of Deputy CEO 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 the proxy holder are entitled to remuneration that is determined by the Supervisory Board in line with the Articles of Association 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 statutory body.

The increase in remuneration paid to the members of the Board of Directors resulted from a change in the remuneration scheme and the increase in remuneration paid to Supervisory Board members resulted from an increase in the number of its members.

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 2014 or 2013.

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

Information about remuneration for statutory auditors is 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 72,782 (2013: TCZK 64,084 ).

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

The result of the non-technical account as at 31 December 2014 amounted to TCZK 2,914 (2013: TCZK 3,427).

**III.11. Result before tax**

The result before tax as at 31 December 2014 amounted to TCZK 1,055,312 (2013: TCZK 980,847).

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

(in thousands CZK)	2014	2013
Provision for current period income tax	198,489	189,617
Difference between the current income tax relating to prior periods and release of the provision for income tax relating to prior periods	(1,653)	(595)
Current income tax relating to prior periods	0	531
Change in deferred tax asset/Change in deferred tax liability	3,355	(758)
<b>Income tax in profit and loss account</b>	<b>200,191</b>	<b>188,795</b>

**(b) Deferred tax assets and liabilities**

Reported deferred tax assets and liabilities are as follows:

Temporary differences (in thousands CZK)	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Tangible fixed assets			6,743	6,751	(6,743)	(6,751)
Intangible fixed assets			4,362	2,609	(4,362)	(2,609)
Receivables	1,045	1,140			1,045	1,140
Other temporary difference recorded in Profit and loss account	4,224	5,739			4,224	5,739

Temporary differences (in thousands CZK)	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Effect on profit and loss account	5,269	6,879	11,105	9,360	(5,836)	(2,481)
Revaluation of assets and liabilities			34,733	10,055	(34,733)	(10,055)
Effect on equity	0	0	34,733	10,055	(34,733)	(10,055)
Deferred tax asset/(liability)	5,269	6,879	45,838	19,415	(40,569)	(12,536)
Off-setting of related deferred tax assets and liabilities	(5,269)	(6,879)	(5,269)	(6,879)		
<b>Deferred tax asset/(liability)</b>	<b>0</b>	<b>0</b>	<b>40,569</b>	<b>12,536</b>	<b>(40,569)</b>	<b>(12,536)</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 utilized, 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 2014.

In Pardubice, 20 February 2015



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



**Ing. Jaroslav Kulháněk**  
Vice-chairman of the Board of Directors



# Report on Relations

This report on relations between the entities listed below was compiled in accordance with Section 82 of Act No. 90/2012 on companies and cooperatives (the Business Corporations Act), as amended for the accounting period from 1 January 2014 to 31 December 2014 (hereinafter the **"accounting period"**).

**Pojišťovna České spořitelny, a.s., Vienna Insurance Group**, having its registered office in Pardubice, nám. Republiky 115, 530 02, ID Number: 47452820, entered in the commercial register administered by the Regional Court in Hradec Králové, Section B, File 855 (hereinafter the **"Processor"**) is a part of the VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe. Within this business group, the Processor provides financial services in the scope of a licence to operate insurance activity in the Czech Republic.

Control is ensured through management by means of representation of the controlling entity in the Processor's supervisory board and voting at the general meeting, where the controlling entity's ownership interest is 90%. Within the group, other instruments are used in the form of contractual agreements, the main subject of which comprises the delivery of services and the conditions of separation of selected activities. The purpose of this form of management is primarily to improve the financial services provided and save costs. An overview of the existing relations between the Processor and controlling entities, and between the processor and entities controlled by the same controlling entities (hereinafter the **"Affiliated Entities"**), is provided below:

## 1. OVERVIEW/DIAGRAM OF THE STRUCTURE OF RELATIONS BETWEEN ENTITIES IN THE ENTIRE VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE, RESPECTIVELY, OR ENTITIES WHOSE RELATIONS ARE DESCRIBED

### Controlling entities

**VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe**, Schottenring 30, A 1010 Vienna, entered in the Commercial Register administered by the Commercial Court in Vienna, Section FN, File 75687 F (hereinafter **"Wiener Städtische"**)

Company	Country	Current capital interest in %
<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 Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	98.57
ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.44
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	93.98
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
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	100.00
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00

Company	Country	Current capital interest in %
<b>Consolidated companies</b>		
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
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, Tallinn	Estonia	100.00
Compensa Towarzystwo Ubezpieczeń Na Życie Spółka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00
Compensa Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.92
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Kishinev	Moldova	99.98
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
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	99.21
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89.98
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 Ubezpieczeń Spółka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.98
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
International Insurance Company "IRAO" LTD, Tbilisi	Georgia	100.00
Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	90.00

Company	Country	Current capital interest in %
<b>Consolidated companies</b>		
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	Bosnia and Hercegovina	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
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00
Kooperativa, pojišťovna, a.s. Vienna Insurance Group, Prague	Czech Republic	98.39
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 Holding GmbH, Vienna	Austria	90.00
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.47
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92.58
PFG Holding GmbH, Vienna	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88
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
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56.55
Passat Real Sp. z o.o., Warsaw	Poland	100.00
Poisťovňa 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 INTERALBANIAN VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89.05
Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna, Warsaw	Poland	100.00
SVZ GmbH, Vienna	Austria	100.00
SVZI GmbH, Vienna	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00

Company	Country	Current capital interest in %
<b>Consolidated companies</b>		
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Vienna	Austria	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70
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, Belgrade	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 Vienna Insurance Group Biztosító Zártkörűen Működő Részvénytársaság, Budapest	Hungary	100.00
Vienna-Life Lebensversicherung AG Vienna Insurance Group, BERN	Lichtenstein	100.00
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97
WGPV Holding GmbH, Vienna	Austria	100.00
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00
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
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00
WSV ImmoHolding GmbH, Vienna	Austria	100.00
WILA GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE OSIGURANJE akcionarsko društvo za osiguranje, Belgrade	Serbia	100.00
Wiener nekretnine d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	99.47

Company	Country	Current capital interest in %
<b>Companies consolidated using the equivalence method</b>		
AIS Servis, s.r.o., Brno	Czech Republic	100.00
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00
Benefita, a.s., Prague	Czech Republic	100.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
ČPP Servis, s.r.o., Prague	Czech Republic	100.00
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00
Erste 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
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
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH, Linz	Austria	99.81
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	50.12
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna (group financial statements)	Austria	36.58
S – budovy, a.s., Prague	Czech Republic	100.00
S IMMO AG, Wien (group financial statements)	Austria	10.22
S-správa nemovitostí, a.s., Prague	Czech Republic	100.00
SCHWARZATAL Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	55.00
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	50.12
SURPMO, a.s., Prague	Czech Republic	100.00
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	92.71
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	50.12
VBV – Betriebliche Altersvorsorge AG, Vienna (group financial statements)	Austria	23.56

Company	Country	Current capital interest in %
<b>Unconsolidated companies</b>		
"Assistance Company Ukrainian Assistance Service" LLC, Kiev	Ukraine	100.00
"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
Medical Clinic "DIYA" LLC, Kiev	Ukraine	100.00
AlSMP Meditzinski Tsentar Bulstrad Zdrave EOOD, Sofia	Bulgaria	100.00
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	Montenegro	100.00
Alpenlachs Soravia GmbH, Vienna	Austria	33.30
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
Brunn N68 Sanierungs GmbH, Vienna	Austria	50.00
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	100.00
Camelot Informatik und Consulting Gesellschaft m.b.H., Villach	Austria	99.48
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	100.00
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	100.00
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	100.00
CAPITOL Spolka z Ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	100.00
CCA EDV für Versicherungswirtschaft GmbH, Vienna	Austria	24.28
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	25.00
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	49.49
EGW Wohnbau gemeinnützige Ges.m.b.H., Wiener Neustadt	Austria	100.00
ERSTE drustvo s ogranicenom odgovornoscu za upravljanje obveznim i dobrovoljnim mirovinskim fondovima, 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
Finanzpartner GmbH, Vienna	Austria	50.00
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00

Company	Country	Current capital interest in %
<b>Unconsolidated companies</b>		
Gain Capital SA, SICAV-FIS Real Estate Car Parks I, Luxemburg	Luxemburg	40.01
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
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	Czech Republic	100.00
GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava	Slovakia	100.00
Henderson Global Investors Immobilien Austria GmbH, Vienna	Austria	35.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
IICS/Polska z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
Jahorina auto d.o.o., Brcko	Bosnia and Hercegovina	100.00
Jahorina Konseko Progres a.d., Pale	Bosnia and Hercegovina	28.00
Joint Stock Company "Curatio", Tbilisi	Georgia	100.00
Joint Stock Insurance Company WINNER LIFE – Vienna Insurance Group Skopje, Skopje	Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98.26
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	50.00
Lead Equities II Auslandsbeteiligungs AG, Vienna	Austria	21.59
Lead Equities II.Private Equity Mittelstandsfinanzierungs AG, Vienna	Austria	21.59
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	23.33
MC EINS Investment GmbH, Vienna	Austria	50.00
Money & More Pénzügyi Tanácsadó Zártkörűen Működő Részvénytársaság, Budapest	Hungary	100.00
People's Pharmacy LLC, Tbilisi	Georgia	50.00
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	83.57
Privat Joint-Stock Company "OWN SERVICE"	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
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	23.33
Soravia Food Market GmbH, Vienna	Austria	33.33

Company	Country	Current capital interest in %
<b>Unconsolidated companies</b>		
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00
Spoldzielnia Usługowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	100.00
SVZ Immoholding GmbH, Vienna	Austria	100.00
SVZ Immoholding GmbH & Co KG, Vienna	Austria	100.00
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
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	33.33
Compensa Dystribucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna Insurance Group Contact CenterBulgaria 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 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
VVTH GmbH, Vienna	Austria	33.33
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	25.00
Wien 3420 Aspern Development AG, Vienna	Austria	33.33
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	100.00
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	100.00
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00



## Conclusion

Based on the information available, no conduct was undertaken at the instigation or in the interest of the controlling entity or its controlled entities in the course of the accounting period which in its nature would affect the Processor's assets in excess of 10% of its equity determined according to the last financial statements.

## 2. OVERVIEW OF MUTUAL CONTRACTS WITH CONTROLLED ENTITIES: VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE

### Contracts

#### Sale of services

During the accounting period, the Processor provided/received services based on these contracts concluded in past accounting periods or in the current accounting period:

Contract name	Contractual party	Date of conclusion	Effective date	Deliverable	Note
Agreement on cooperation in using building no. 115 and No. 1400 in Pardubice No. 46/2013 – as amended by Supplement No. 1	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665, 186 00 Prague 8	27 Jun. 2013 Supplement No. 1 dated 5 Mar. 2014	1 Jun. 2013 Supplement No. 1 dated 1 Jan. 2014	Regulation of mutual rights and obligations when using commercial premises at both properties serving both parties	
Agreement on sublease of commercial premises for a definite term – sub-lessee Kooperativa – as amended by Supplement No. 1 – lease until 31 Jul. 2019 and Supplement No. 2	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	20 Jan. 2010 Supplement No. 1 dated 27 Sep. 2013 Supplement No. 2 dated 05 Mar. 2014	1 Jan. 2010 Supplement No. 1 dated 1 Oct. 2013 Supplement No. 2 dated 1 Jan. 2014	Lease of office no. m. 371 with a total area of 298.22 m <sup>2</sup> in the building at nám. Republiky 1400, Pardubice	
Agreement on sublease of commercial premises for a definite term as amended by Supplement No. 13 and Supplement No. 14	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	10 Dec. 2004 Supplement No. 13 dated 5 Mar. 2014 Supplement No. 14 dated 05.06 2014	2 Jan. 2004 Supplement No. 13 dated 01 Jan. 2014 Supplement No. 14 dated 01.05 2014	Lease of offices no. m. 241, 361 and 431 with a total area of 1378.74 m <sup>2</sup> in the building at nám. Republiky 1400, Pardubice	
Insurance Policy No. 2268707823 until 28 Feb. 2015 as amended by Supplements No. 26 through No. 38	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	29 Feb. 2012 Supplement No. 26 dated 30 Dec. 2013 Supplement No. 38 dated 18 Nov. 2014	1 Mar. 2012 Supplement No. 26 dated 2 Jan. 2014 Supplement No. 38 dated 19 Nov. 2014	Motor hull insurance for company cars	
Insurance Policy No. 7720795825 until 31. 12. 2014 as amended by Supplement No. 2	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	31 Dec. 2013 Supplement No. 2 dated 16 Sep. 2014	1 Jan. 2014 Supplement No. 2 dated 16 Sep. 2014	Agreement on insurance of company property and liability insurance	

Contract name	Contractual party	Date of conclusion	Effective date	Deliverable	Note
Insurance Policy No. 2060001407 on supplementary vehicle insurance – H73 as amended by Supplements No. 41 through No. 53	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	29 Oct. 2010 Supplement No. 41 dated 30 Dec. 2013 Supplement No. 53 dated 18 Nov. 2014	1. 11. 2010 Supplement No. 41 dated 30 Dec. 2013 Supplement No. 53 dated 18 Nov. 2014	Vehicle insurance NA100PRO – no fault accident	
Insurance Policy No. 8603105774	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	31 Jul. 2014	1 Aug. 2014	Insurance policy for group liability insurance of Pojišťovna České spořitelny employees	
Cost Sharing Agreement – as amended by Supplement No. 2	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	16 Dec. 2010 Supplement No. 2 dated 17 Feb. 2014	1 Jan. 2011 Supplement No. 2 dated 1 Jan. 2014	Outsourcing for: – internal audit including ongoing ŘKS monitoring; – information technologies; – payroll processing, – Customer Support Centre service	
Agreement on Internal Group Cooperation	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague Česká podnikatelská pojišťovna, a. s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	13 Aug. 2010	13 Aug. 2010	Definition of basic competences and responsibilities in the process of development management and coordination of the VIG group in the Czech Republic	
Data Center Service Frame Agreement	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Wien, Austria	14 Jan. 2014	1 Jan. 2013	Regulation of the conditions of provided services related to use of central data systems	
Quota Share Reinsurance Agreement No. 17/2014	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Wien, Austria	28 Feb. 2014	1 Jan. 2014	Organisation of non-life supplementary accident insurance for 2014	
Quota Share Reinsurance Agreement 18/2014	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Wien, Austria	28 Feb. 2014	1 Jan. 2014	Organisation of non-life supplementary accident insurance for 2014	
Agreement 3/2015	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Wien, Austria		1 Jan. 2014	SimCorp – conditions of operation of the asset management system	

**Contracts on brokering activity**

The processor concluded the following contracts on brokering activity, based on which it provided the following fulfilment:

Contract name	Contractual party	Date of conclusion	Effective date	Deliverable	Note
Contract on exclusive business representation No. 4600-400500/01-2005-A (134/04) as amended by Supplement No. 9	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	29. 12. 2004 Supplement No. 9 dated 31 Dec. 2013	1 Jan. 2005 Supplement No. 9 dated 1 Jan. 2014	Brokering of non-life insurance sales	Supplement No. 9 – Citizens' property insurance online (DS2, RD8, BT8), from 1 Mar. 2014, citizens' property insurance (DS2, SB2, SN2), business insurance (PS1/T14)

**Commentary:**

All the relations set out in this annex were established between the Affiliated Entities, namely the Processor and VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

In the conclusion of these relations, the valid laws of the Czech Republic were respected and prices were stipulated with regard to the Income Tax Act, i.e. according to the arm's length principle. Insurance brokering according to Act No. 38/2004 is regulated in contractual relations by defining the mutual rights and obligations of the contractual parties, with the simultaneous definition of conditions of the course, claim and payment of remuneration for service provision related to the sale of insurance. These contracts include the authorization granted by the affiliated entity for the provision of these services, under the conditions stipulated by the aforementioned law.

**Conclusion**

In the course of the accounting period, no contractual party claimed any property losses. The advantages of the concluded contractual relations are the effective use of resources and services during regular economic activity and/or cost savings.

Pardubice, 10 March 2015

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


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



**Ing. Jaroslav Kulhánek**  
Deputy Chairman of the Board of Directors



**Ing. Tomáš Vaníček, MBA**  
Member of the Board of Directors

# Non-financial Section

## 1. OUTLOOK

The Company's long-term business strategy is to focus on providing profitable products with high added value, managing and planning product innovations, building relationships with clients and business partners, increasing the stability of the insurance portfolio and continually improving the system of client service for business partners and end-consumers of insurance services.

Any further development will be driven by efforts to continually meet requirements to achieve the Company's business objectives and financial stability. The Company's activity is affected by ever growing competition and persistently adverse conditions on financial markets, including a sharp decline in interest rates. These conditions are characterized by a low-interest environment and increasingly strong state intervention. The long-awaited lasting improvement in the economic situation has not arrived but instead we must face new risks and an environment of tighter regulation of the insurance industry and rapidly developing legislation. The Company will have to deal with new requirements arising from the planned amendment to legislation governing insurance activities, especially in relation to the anticipated effective date of conditions for the management of insurance activities according to Solvency II.

In 2014, the Company finished setting up basic functionalities and processes associated with the transition (or finalization thereof) to conditions necessary for effective company management according to risks. The result of these activities is the division of responsibilities for risk management at individual management levels, the verification of procedures associated with the identification of the Company's risk positions and their reporting and their use in management at individual management levels. At the same time, related formal steps associated with the adjustment of the Company's organizational and process structures were taken. The coming year will be a year for the verification and confirmation of the correctness of the changes made by the Company for a smooth transition to the conditions of Solvency II in 2016.

In 2014, the Company employed a communication concept based on a positive approach to life with the slogan "Think positively, life is worth living". As in previous years, this communication was built on the core product, FLEXI life assurance. The philosophy of the project focused on communicating the need for security in case of serious life situations. The target group was young families, where the role of life assurance is to secure the family in various life situations, even in the changing conditions of a family with growing children.

Product changes aimed at fulfilling the company's communication concept and conditions for resolving serious life situations. The essence of these changes was the expansion of disability insurance, insurance, and insurance of incapacity due to illness and a combination of permanent injuries. In 2014, we verified how well we had managed to deal with the new Civil Code and new requirements for insurance in practice. Based on the response from clients and the verification of compliance with these requirements by an internal audit and the supervisory body, it is fair to say that we successfully achieved this challenging task. At the end of the year, we had to adjust insurance contracts in response to the change in conditions for the tax advantage of life assurance, which, given that this affected more than half a million clients, placed considerable demands on human, operating and technical resources.

To maintain customer loyalty and responsible behaviour, the Company continued its loyalty and bonus programmes motivating clients towards long-term partnerships and rewarding them for making no or few claims in the duration of their contracts. Clients in this programme will be informed of the status of bonuses on their insurance policies for 2014.

The Company constantly innovates insurance management procedures, as evidenced by the continued computerization of insurance contract administration. Last year, the Company further developed these innovations, which are aimed at streamlining the acquisition process by introducing electronic insurance policy forms for our business partners. A pilot programme also tested the electronic conclusion of complete insurance policies, including the client's electronic signature.

This application fully replaces the traditional paper form of concluding contracts, including the electronic transfer of data to the Company's systems. In addition to accelerating and improving the process of concluding insurance policies, it also cuts costs for insurance management and limits the possibility of fraud.

The whole process of innovating insurance management is aimed at increasing productivity and the quality of output associated with processing insurance policies while saving time and costs. The Company intends to further strengthen these activities, including the quality of its client approach. For this reason, it has begun to monitor the so-called client experience, and has created organizational and procedural conditions for the fulfilment of these ambitions. First, it changed the Company's organizational structure and created the position of a client experience manager, while thus creating the necessary prerequisites for the evaluation of processes and changes with regard to client experience.

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

Given its line of business, the Company has limited options in the field of research and development. For this reason, development is focused on the incorporation of new information technologies and forms of communication into the process of providing insurance services.

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

Due to the nature of the Company's business, it places a minimum burden on the environment and meets the requirements imposed by legal standards in the Czech Republic in the performance of its activities. Despite limited options in view of its line of business, the Company does not dismiss the issue of environmental protection. In the year under review, we implemented a system of sorting waste and its disposal according to its nature. A decision on the renewal of IT infrastructure was also very important, which aims not only to ensure adequate capacity and quality, but also full recycling and a significant reduction in energy demands for the Company's operation.

In the field of employment relations, the Company strives to be a preferred employer. For this reason, it devotes great attention to the development of its employment policy and social programmes, with the aim of being an attractive employer on the labour market. The Company uses modern methods in the field of human resource management for motivation systems, with the utilization of remuneration surveys conducted in cooperation with the Hay Group. The Company provides employees with a wide range of financial and non-financial benefits. The Company continually evaluates the conditions of the work environment so that it meets requirements for the performance of work tasks, and complies with occupational safety principles, including regular and contractually provided health care for its employees. Employee education and professional development are among the Company's development priorities. The Company has an established system of employee assessment and development, based on which it enables employees to take advantage of various forms of education/training, including upgrading and augmenting their qualifications.

## **4. THE COMPANY'S ORGANIZATIONAL UNITS ABROAD**

The Company has no organizational units abroad.

## **5. OTHER REQUIREMENTS ACCORDING TO SPECIAL LEGAL REGULATIONS**

The Company meets requirements for its line of business – insurance, as prescribed by, in particular, the Insurance Act, or the Act on Insurance Intermediaries and Independent Loss Adjusters. No other special requirements are set for the Company's activity.

