

Life assurance SPECIALISTS

Annual Report
2016





In 2016 the number of PCS
insured persons exceeded
1,400,000.

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Key Figures

(in thousands Czech crowns CZK)	2016
Assets	30,518,146
Equity	3,848,076
Technical provisions	24,215,144
Profit (loss) of current accounting period	1,030,569
Total written premiums	7,203,078
of this: life assurance	6,552,370
non-life insurance	650,708
Total costs of insurance claims	5,796,558
of this: life assurance	5,620,997
non-life insurance	175,561

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 3,800 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 560 locations in the Czech Republic.

The External Network of Pojišťovna České Spořitelny

A professional client service is provided by approximately 143 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.



5

In 2016 we again received awards for our products, communication with clients and insurance management services:

Zlatá koruna (Golden Crown)

Our FLEXI Life Assurance won the top place in the Life Assurance category for the eighth consecutive time.

Best Financial Product of the Year 2016

In the Best Financial Product 2016 competition, FLEXI Life Assurance ranked third in the Unit-linked Assurance category.



2016

Pojišťovna České spořitelny continued to promote competitive products under the banner “Twice as much with FLEXI”, offering more favourable terms of insurance against grave risks, such as death, disability and serious illnesses and injuries. These advantageous policies provide risk coverage not only for new clients, but also for the existing policyholders.

The Company’s flagship product – Life Assurance FLEXI – won the Zlatá koruna (Golden Crown) competition for the eighth consecutive time.

Last year, Pojišťovna České spořitelny was the first life assurance company to launch personalized online claim reporting. From the comfort of their home, clients can easily, quickly and simply report events related to their insurance policy. They can also track the status of the claim online, as well as ask questions of the loss adjuster handling the claim.

Pojišťovna České spořitelny scored success despite the tough conditions of the contracting insurance market; once again, the Company recorded an increase in both market share and production.

2015

Pojišťovna České spořitelny continued its marketing campaign “Twice as much with FLEXI”, offering more favourable terms to keep promoting insurance against serious risks – death, disability and serious illnesses and injuries. In a new promotional event, the Company offered coverage of risks not only for new clients, but also for the existing policyholders. The Company’s flagship product – life

assurance FLEXI – won several awards. It placed first for the seventh consecutive time in the Zlatá koruna (Golden Crown) competition. Children’s insurance FLEXI Life Assurance – JUNIOR was awarded the bronze in the same competition. In the Fincentrum Bank of the Year 2015 contest, the Company ranked second in the category Life Assurance of the Year 2015. Pojišťovna České spořitelny took the first place in the ChytryHonza.cz website competition and received the Cena pokroku (Progress Award) 2015 for online amendments with biometric signature in the highly competitive field of IT technology innovation. In addition, the Company scored success in difficult conditions of the contracting insurance market, where it recorded an increase in both market share and production.

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 Verischerung, 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.

Information about Vienna Insurance Group

Company Profile

Vienna Insurance Group (VIG) is well established in all lines of business and thus offers a comprehensive customer-oriented portfolio of products and services with more than 50 Group companies and more than 24,000 employees in 25 countries. The Group generated around EUR 9 billion* in premiums in 2016, further strengthening its market leader position in Austria and in Central and Eastern Europe (CEE), where VIG has been operating for more than 25 years.

VIG's successful expansion into the CEE region

VIG's roots reach back more than 190 years in Austria, during which time the Company developed from its start as a local insurer in 1824 to an international insurance group. In 1990, visionaries in Wiener Städtische recognised the many opportunities offered by the CEE region and took the chance of entering the market in the former Czechoslovakia. The expansion continued in following years. From Estonia to Albania and Germany to Georgia, the entire region was slowly covered. The 2014 entry into the market in the Republic of Moldova filled the final remaining gap in coverage of the CEE region.

THE LEADING
INSURANCE
SPECIALIST
IN AUSTRIA
AND CEE.

VIG
VIENNA INSURANCE GROUP



AUSTRIA WIENER STÄDTISCHE VIENNA INSURANCE GROUP onau VIENNA INSURANCE GROUP S-VERSICHERUNG VIENNA INSURANCE GROUP	SLOVAKIA Kooperativa VIENNA INSURANCE GROUP KOMUNÁLNA POISTOVŇA VIENNA INSURANCE GROUP POISTOVŇA SLOVENSKEJ SPORITELNE VIENNA INSURANCE GROUP	BULGARIA BULSTRAD VIENNA INSURANCE GROUP Life BULSTRAD VIENNA INSURANCE GROUP	UKRAINE КНЯЖА VIENNA INSURANCE GROUP life КНЯЖА VIENNA INSURANCE GROUP ГПБСУ VIENNA INSURANCE GROUP УКРАЇНСЬКА СТРАХОВА ГРУПА VIENNA INSURANCE GROUP	MOLDOVA DONARIS VIENNA INSURANCE GROUP	MACEDONIA ОСИГУРУВАЊЕ МАКЕДОНИЈА VIENNA INSURANCE GROUP WINNER VIENNA INSURANCE GROUP Life WINNER VIENNA INSURANCE GROUP
ITALY BRANCH WIENER STÄDTISCHE VIENNA INSURANCE GROUP onau VIENNA INSURANCE GROUP	POLAND COMPENSA VIENNA INSURANCE GROUP InterRisk VIENNA INSURANCE GROUP POLISA-ŻYCIE VIENNA INSURANCE GROUP	CROATIA WIENER OSIGURANJE VIENNA INSURANCE GROUP ERSTE OSIGURANJE VIENNA INSURANCE GROUP	GEORGIA GPIA VIENNA INSURANCE GROUP IRAO VIENNA INSURANCE GROUP	BELARUS КУПАЛА VIENNA INSURANCE GROUP	MONTENEGRO Život WIENER STÄDTISCHE VIENNA INSURANCE GROUP
SLOVENIA BRANCH WIENER STÄDTISCHE VIENNA INSURANCE GROUP	ROMANIA OMNIASIG VIENNA INSURANCE GROUP ASIROM VIENNA INSURANCE GROUP DE VIATA BCR ASIGURARI VIENNA INSURANCE GROUP	HUNGARY UNION BIZTOSÍTÓ VIENNA INSURANCE GROUP ERSTE BIZTOSÍTÓ VIENNA INSURANCE GROUP viennalife VIENNA INSURANCE GROUP	ESTONIA COMPENSA VIENNA INSURANCE GROUP Baltikums VIENNA INSURANCE GROUP ETA VIENNA INSURANCE GROUP	BOSNIA HERZEGOVINA WIENER OSIGURANJE VIENNA INSURANCE GROUP	GERMANY InterRisk VIENNA INSURANCE GROUP
CZECH REPUBLIC Kooperativa VIENNA INSURANCE GROUP ČPP VIENNA INSURANCE GROUP POJIŠTOVNA ČESKÉ SPORITELNY VIENNA INSURANCE GROUP VIG Re	Latvia COMPENSA VIENNA INSURANCE GROUP	SERBIA WIENER STÄDTISCHE VIENNA INSURANCE GROUP	LITHUANIA COMPENSA VIENNA INSURANCE GROUP	TURKEY RAYSIGORTA VIENNA INSURANCE GROUP	ALBANIA SIGMA INTERALBANIAN VIENNA INSURANCE GROUP INTERSIG VIENNA INSURANCE GROUP
					LIECHTENSTEIN VIENNA-LIFE VIENNA INSURANCE GROUP

* Data as available at 17 March 2017 are unaudited

Using its combined strengths to become number 1

VIG has worked its way to the top of the insurance market in many countries in previous years. Using a focused growth strategy and long-term perspective, it created a stable base that led to double-digit market shares in many markets.

The figures for the region show that the decision to expand into the CEE region was correct. In 2016, around half of VIG's total premium volume of around EUR 9 billion was generated in the CEE markets. The Group continues to believe in the potential offered by the ongoing economic growth in the region, which brings with it a rising demand for insurance products.

The importance of the region was confirmed by another decision by the Group in 2008 to establish the registered office of the internal Group reinsurance company VIG Re in the Czech Republic.

Focusing together on the core business

The decisions above underscore the path followed by VIG and strengthen the focus on insurance as the clear core business. It pursues a progressive and highly risk-conscious insurance strategy. Reliability, trustworthiness and solidity define its relationships with business partners, employees and shareholders.

This fundamental approach is also reflected in its strategy of continuous sustainable growth and excellent creditworthiness. The international rating agency Standard & Poor's has confirmed VIG's development with an A+ rating with stable outlook for many years. VIG continues to have the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange.

Side-by-side with our customers

Customer loyalty and customer proximity are major factors in VIG's success. Our local employees know the needs of their customers the best, which is why VIG places its trust in these employees and local entrepreneurship.

In order to create stability and trust, the Group uses a multi-brand strategy that retains established brands and unites them under the Vienna Insurance Group umbrella. This also allows a wide variety of distribution channels to be used. The Company's strategic orientation is rounded off by a conservative investment and reinsurance policy.

Erste Group and VIG: strong together

Erste Group is strongly anchored in Austria and is one of the top players in the CEE region. The strategic partnership between Erste Group and VIG began in 2008 and has grown and strengthened over the past eight years. VIG Group companies offer Erste Group products, and Erste Group branches sell VIG insurance products in return.

Stable dividend policy of the Group

VIG has been listed on the Vienna stock exchange since 1994. Today, it is one of the top companies in the "prime market" segment, and offers an attractive dividend policy with a dividend payout ratio of at least 30% of Group profits (after taxes and non-controlling interests) for shareholders.

The significance of the Central and Eastern European economic area was once again underscored by the Company's second listing

on the Prague Stock Exchange in February 2008. VIG shares have also established themselves as one of the top companies there.

The shareholder structure has remained stable since the capital increase in 2005. Around 70% of the shares are held by its principal shareholder, Wiener Städtische Versicherungsverein. The remaining 30% of the shares are in free float.

Searching for the best together

All VIG Group companies strive to attract the most talented and intelligent employees. As a result, identifying and developing individual skills is a central priority in the company's human resources management. Promoting diversity is also highly important, as is creating a framework that offers appropriate development opportunities for employees. This is because it is clear to VIG that its success is built on the dedication of its 24,000 employees.

Further information on Vienna Insurance Group is available at www.vig.com or in the VIG Group Annual Report.

Introductory Word of the Chairman of the Board of Directors

Dear clients, shareholders and business colleagues,

I am very pleased to again describe 2016 as an extraordinarily successful year from the perspective of Pojišťovna České spořitelny, both in terms of business results and profit.

In the past year, we focused our attention on the current-premium insurance market. We scaled down single-premium products as they did not provide a sufficient value for our clients due to low interest rates. As a result, we recorded absolute highest growth in current-premium insurance on the market, whereby the market contracted compared to the previous year. Our market share increased almost to 15%. Total premiums written amounted to CZK 7.2 billion. Currently we provide insurance coverage for nearly 1.5 million customers, which means that one in seven people in the country (including babies and retirees) has bought at least one product of Pojišťovna České spořitelny.

In 2016, we once again significantly upgraded our flagship product, Flexi Life Assurance. We consider of crucial importance insurance against serious diseases, for which we have implemented recurring payments of benefits. Another innovation is child care insurance where anybody may be a caregiver – grandmother, nanny or a neighbour.

I would like to emphasize that the provision of customer service for our clients is essential for us. We want our clients to have a reason to stay with us. To this end, we regularly conduct customer satisfaction surveys and, based on the results, constantly improve our services. Perhaps that's why our Flexi Life Assurance won the Zlatá koruna (Golden Crown) competition for the eighth time in a row as the best product on the market.

We were the first life assurance company to launch in 2016 personalized online claim reporting with the aim to assist our clients. This system precisely guides the clients in accordance with the details of their insurance policy. From the comfort of their home, clients can easily, quickly and simply report events related to their insurance policy, track the status of the claim and, if needed, ask questions of the loss adjuster handling the claim. This innovation is just one component of a comprehensive digital strategy devised in the insurance company that will be further developed to better care for our clients and business partners alike.

I would like to thank all of you who have worked hard to contribute to the Company's excellent results. First and foremost, our employees have done a great job and they deserve our admiration. Our business partners, notably Česká spořitelna, and all professional insurance advisors have also greatly contributed to last year's achievements.

We are well aware of the potential for improving our products and services. Therefore, we will tirelessly continue our efforts to perfect them as the only way to offer top-quality services to our current and future customers in the coming years.



Petr Zapletal

Chairman of the Board of Directors of Pojišťovna České spořitelny



in thousands CZK	2012	2013	2014	2015	2016
Assets	29,262,587	30,877,537	32,686,701	32,249,001	30,518,146
Equity	3,355,574	3,225,270	3,543,822	3,621,322	3,848,076
Financial placements	26,780,771	28,364,959	30,093,911	29,227,791	27,283,037
Technical provisions	24,007,183	25,616,623	26,791,114	26,247,670	24,215,144
Profit (loss) of current accounting period	1,018,418	792,052	855,121	790,038	1,030,569
Total written premiums	10,702,266	11,355,789	11,918,758	8,892,147	7,203,078
of this: life assurance	9,897,341	10,594,630	11,201,393	8,202,457	6,552,370
non-life insurance	804,925	761,159	717,365	689,690	650,708
Total costs of insurance claims	6,745,877	6,832,406	7,837,144	6,146,685	5,796,558
of this: life assurance	6,556,934	6,635,313	7,635,905	5,932,814	5,620,997
non-life insurance	188,943	197,093	201,239	213,871	175,561
Number of policies concluded as at 31 December	789,964	782,631	786,370	781,615	778,382
of this: life assurance	740,970	736,852	743,212	740,660	739,368
non-life insurance	48,994	45,779	43,158	40,955	39,014
Average number of employees (FTE)	239	255	269	278	288

Headquarters and Members of the Company's Executive Bodies at 31 December 2016

Headquarters

Náměstí Republiky 115, Zelené Předměstí, 530 02 Pardubice

Members of the Supervisory Board

Chairman of the Supervisory Board

Ing. Martin Diviš, MBA – Chairman of the Board of Directors of Kooperativa pojišťovny, 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

Prof. Elisabeth Stadler – Chairman of the Board of Directors of Vienna Insurance Group

Member of the Supervisory Board

KR Franz Fuchs – Member of the Board of Directors of Vienna Insurance Group

Member of the Supervisory Board

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

Member of the Supervisory Board

Jan Jeřábek – Head of the Retail product České spořitelny, a.s.

Member of the Supervisory Board

Ing. Vladimír Mráz – Member of the Supervisory Boards companies of Vienna Insurance Group

Member of the Supervisory Board

Ing. Jiří Drahoš – Head of the Controlling and Reporting Department, Pojišťovny České spořitelny, a.s., Vienna Insurance Group

Member of the Supervisory Board

Ing. Petr Procházka – Head of the Product Management Department, Pojišťovny 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 Vaniček, MBA

Audit Committee

Audit Committee Chair

Ing. Martin Diviš, MBA

Date of birth: 1 December 1973

Residence: Divoká Šárka 39, Prague 6, 164 00, Czech Republic

Audit Committee Vice-Chair

Prof. Elisabeth Stadler

Date of birth: 1 December 1961

Residence: Höllgasse 32, Langenlois, 3550, Austria

Audit Committee member

Ing. Hynek Vodička

Date of birth: 2 November 1943

Residence: Stružky 66, Prague 9, 198 00, Czech Republic

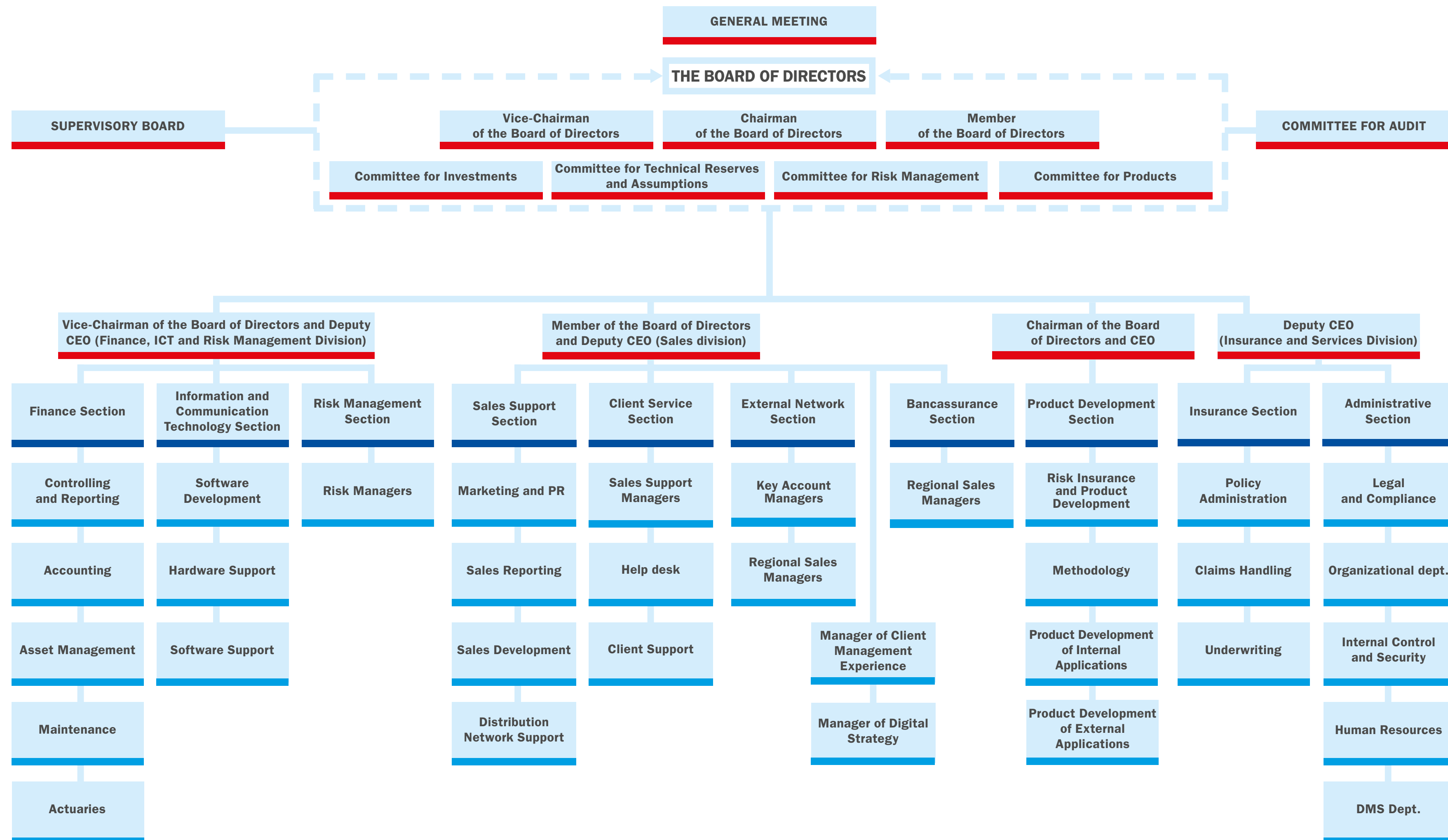
Procurator

Ing. František Mareš

Date of birth: 3 September 1953

Residence: No. 78, 533 45 Stéblová, Czech Republic

Organizational Structure at 31 December 2016



In the year under review, long-awaited legislation with key influence on insurance companies' operations came into force. The transition period of double reporting of insurers' solvency ended with passing of the Insurance Act. In addition to this regulation, an amendment was adopted to the act governing the activities of insurance intermediaries and independent loss adjusters. The amendments came into effect in late 2016.

The anticipated distribution of intermediaries' commissions did not have negative effects on the volume of insurance sales, as the decline in production of some long-standing distributors was offset by other distributors. The Česká Spořitelna sales also maintained the previous insurance sales volume. During the year, increased attention was paid to quality indicators of mediated transactions in addition to evaluating the quantity of sales of individual distributors. This change in approach to remuneration and management of insurance mediation resulted in expanding cooperation with VIG Czech Republic. The collaboration strengthened joint management through a management executive appointed by the Group. The Regional Manager's tasks include promotion of a joint Group policy and coordination and management of VIG's business activities comprising the provision of insurance services in the Czech Republic.

Developments in the financial markets were affected by ongoing central banks' interventions. The European Central Bank continued quantitative easing and the Czech National Bank maintained its intervention policy to boost the exchange rate of the Czech crown. In addition to these more or less standard measures of central banks, financial markets were significantly impacted by "Brexit" and the election of Donald Trump as the new US president. These events have caused considerable nervousness and uncertainty in the markets. Fortunately, it didn't last long and soon the markets were back to normal.

Expectations regarding a drop in prices on the bond markets were not met either. On the contrary, prices even kept rising, though only moderately. Yield curves basically stagnated. Despite fluctuations stemming from the outcome of the referendum in the UK and the results of the US presidential elections, stock markets were the only ones driving better yields, even though prices remained highly volatile. As a result, the stock markets confirmed our predictions regarding the possibility of securing better yields, but failed to deflect the high and difficult-to-predict volatility.

The low-interest environment spanning several years eventually shut down the sale of single-premium insurance. If the predictions of low interest rates are confirmed in the coming years, we cannot expect to resume the sale of this type of insurance. Moreover, it will be increasingly difficult to generate revenues to cover liabilities arising from the existing insurance policies.

An increase in employers' contributions and raising the limit for tax deductibility of life assurance as of 2017 may herald a boost to insurance sales. Interest in tax optimization stagnated last year, which became manifest in a slower pace of growth in written premiums generated from life assurance. The foregoing developments adversely impacted the insurance market in terms of the written premium trend. The sale of single-premium insurance tumbled by nearly 24% year-on-year. The decline was primarily due to the attractiveness of this type of insurance for clients and insurance companies stemming from favourable interest rates and the corresponding economics of this type of insurance. The sale of current-premium insurance did not surpass the 2016 volume as premiums written in this segment also dropped by 0.8% year-on-year.

Overall, the life assurance market fell by CZK 802 million to CZK 43,661.7 million, which accounts for a year-on-year decline of 1.8%*.

In an effort to counteract this trend, insurers have expanded the product offer of purely risk life assurance, coupled with a more permanent departure from selling standard single-premium insurance. Some insurers even announced termination of the sale of insurance-based investment products.

Pressure to change processes, sales documents and other requirements pertaining to the sale and management of insurance led to demands for tighter regulation of the insurance business. Regulatory requirements were accompanied by demands for enhancing protection against legalization of proceeds from crime and financing of terrorism, and measures related to restriction and combating of tax evasion (FATCA and GATCA). In addition to the aforementioned requirements, consumer protection is also gaining momentum, in particular in connection with Regulation (EU) No. 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs). All these measures have significantly increased the administrative and operational costs of life assurance.

* data on market trends in ČAP methodology for 2016

The key tasks and objectives of the Board of Directors of Pojišťovna České spořitelny in 2016 were based primarily on the business strategy aimed at offering profitable and innovative products with high added value to final customers. The Company's flagship product was again the successful Flexi Life Assurance with a broad and flexible coverage. What makes this product so attractive is guaranteed customer service for the duration of the insurance policy. In the year under review, Company's management continued to implement product innovations, foster loyalty of both customers and business partners, and improve the stability of the insurance portfolio.

The principal target group for the Company's business activities has been family and finding long-term solutions to the need to support the entire family and its members when tackling unexpected serious life situations. The product innovation cycle was reflected in making regular changes at the beginning of the year and again, exceptionally in 2016, at the end of the year, when it was necessary to modify some products after an amendment to Act No. 38/2004 Coll., on Insurance Intermediaries and Independent Loss Adjusters, came into effect (new rules for the distribution of intermediaries' commissions and the calculation of surrender amounts).

Product innovation and modification have changed the maximum duration of coverage for accident and disability risks and for very serious risks. These changes have resulted primarily from an increasing period of active lifestyle. Other changes executed in 2016 comprised more advantageous rates for the scope of comprehensive coverage, extended options of insurance covering hospitalization, disability/child debilitation insurance and other adjustments.

In the course of the year, the Company launched promotional events aimed at highlighting risks with a serious impact on health. In the first half of the year, the Company offered policyholders an option of double benefits in the event of a sudden stroke or significant brain damage resulting from an accident. This offer applied for insurance of both adults and children.

In the second half of the year, the Company promoted a similar offer of double benefits in the event of heart attack. This offer was aimed at adults only. Similarly to previous years, the foregoing promotional events diversified the offered services. They were part of advertising campaigns and undoubtedly contributed to boosting responsible behaviour of the broad public when dealing with the effects of such health issues on families. Customer demand for our product Flexi Life Assurance has demonstrated that this product not only covers a broad range of risks arising in everyday life, but also is flexible enough to swiftly respond to the changing circumstances of our clients and their loved ones. The long-term stability and high quality of the Flexi product on the market is the keystone in building customer loyalty in the long run and brings reward through regular and steady growth of our insurance portfolio.

The Company's goal is to maintain business continuity, while meeting its business targets and ensuring financial stability. In an environment of growing competition and tighter regulatory requirements for demonstrating financial health of insurers, as well as requirements for consumer protection, meeting this goal has been increasingly demanding.

To meet the set targets, the Company uses the risk management system facilitating continuous improvement and innovation of the management and control system. This management process on the one hand affects the effectiveness of capacity and cost management, and on the other hand helps to better identify opportunities for further development. The output and outcome of this process is providing regular information to Company top management through ORSA reports. Regulatory requirements (consumer protection, in particular in the drafted version pursuant to the EU GDP Regulation, verification of tax treatment of disbursements under FATCA and GATCA legislation, AML measures against money laundering, the PRIIPs Regulation, etc.) require substantial financial and human resources to ensure compliance. Despite these requirements, the Company has managed to keep costs under control in the long run, primarily as a result of increased management efficiency and labour productivity. In business, this translates primarily into constant efforts to streamline the marketed products and improve their transparency. The implementation of these objectives is inextricably linked to the ongoing development of automation and reinforcement of the proportion of electronic support which affects all processes, from insurance service acquisition to its consumption. On the one hand, this strategy makes insurance services more attractive, increases the promptness of response to client requirements (i.e. timely payments of benefits, support for communication with clients, etc.), and on the other hand, it also reduces the occurrence of errors in transmitted documents and strengthens security and protection against insurance fraud. The Company's position may be simply described as an ongoing innovative approach to changes in products, services and processes. An example of such a successful innovation that has been favourably accepted and utilized by business partners and clients is electronic claim reporting.

In 2016, the Company modified its communication strategy, “A Hero for His Family”. The strategy continues to be focused on families with children who consider their father a hero capable of doing everything. In the year under review, we continue to develop services focused on retention activities, in addition to telephone and e-mail communications. Stepping up these operations undoubtedly resulted in a decline in policy cancellations by almost 2%.

Monitoring client experience has gradually become an irreplaceable tool that helps implement innovations in all areas of Company activities. The advantage is that, based on the knowledge of customer needs, we can make changes that meet the market requirements. In the future, the Company also plans to modify the strategy of utilizing customer experience in a way that customer experience will have a more significant impact on the Company’s conduct. To accelerate the changes that reflect a growing proportion of digital tools in communications and management of the Company, in late 2016 the Company approved the “Digitization” program, a comprehensive long-term project aimed at ensuring the Company’s success in the changing market for the future years.

Sales of insurance services continued to use the proven mix of distribution channels, i.e. using external partners and the Česká spořitelna branch network. Collaboration with some distributors was affected by communications related to the impact of changes in the regulation of commission payments, resulting in a decline in the proportion of sales among some long-standing distributors. Fortunately, the production loss was offset with some structural changes among other cooperating distributors who took advantage of the situation for their benefit. Despite these turbulent developments, the Company succeeded in surpassing the previous year’s premium volume generated from the sale of current-premium insurance by 3.9%. Sales of current-premium production through the Česká spořitelna branch network rose by 2.6% year-on-year and sales through the external partners’ network climbed by 4.8%. Results in the sale of current-premium insurance are all the more valuable with regard to the contracting life assurance market in the Czech Republic. Following the termination of the sale of single-premium insurance in 2015, sales of this type of insurance were insignificant, totalling a mere CZK 341 million in premiums written. The proportion single-premium policies in the total sales of the Company in previous years had been an order of magnitude higher.

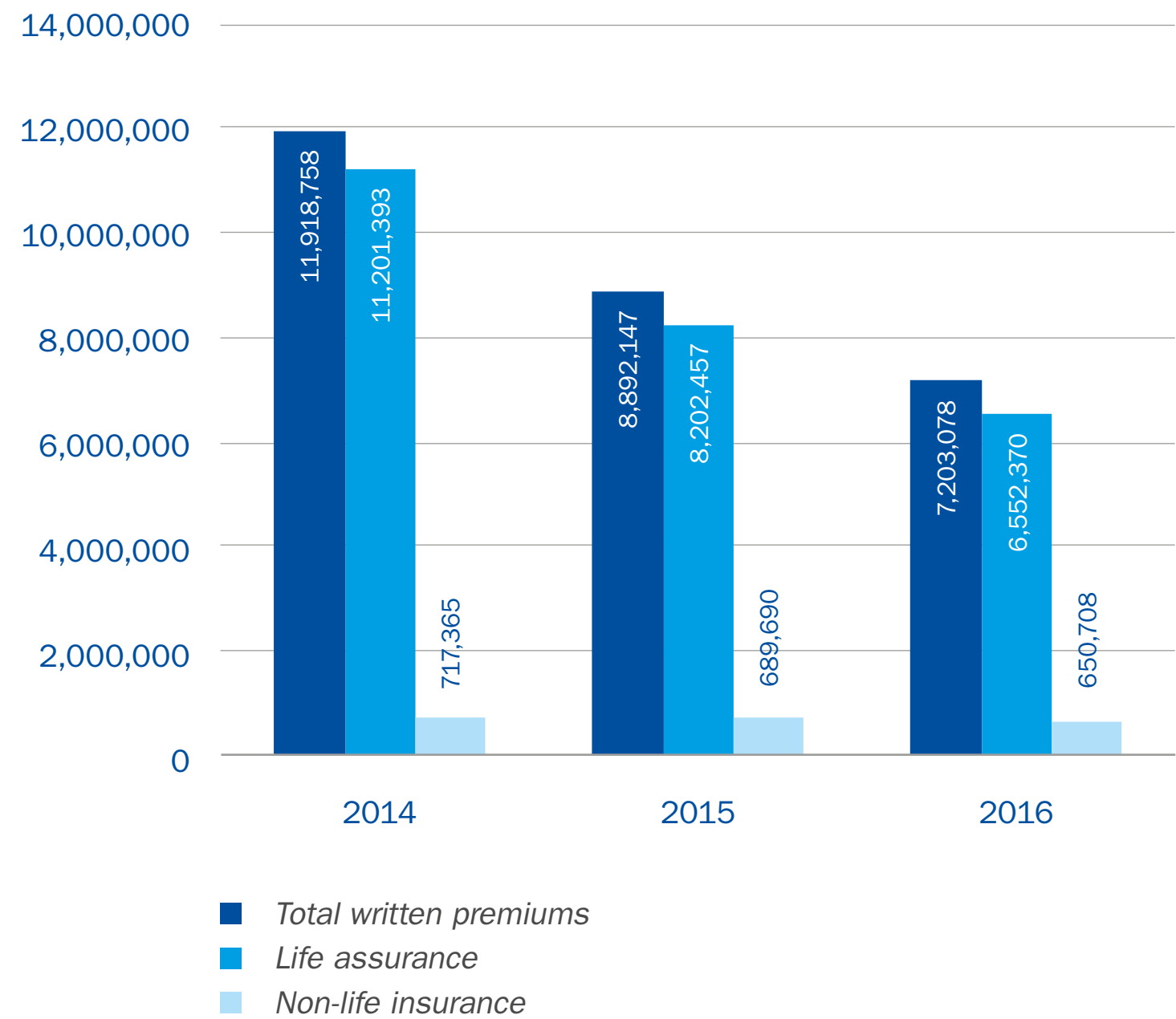
The proportion of current premiums to total written premiums accounted for 95.3%. The total volume of premiums written generated from current-premium life assurance amounted to CZK 6,862 million, representing a year-on-year increase of CZK 258 million. Due to the termination of the sale of single-premium policies, which totalled only CZK 341 million, the total premium volume dropped by CZK 1,689 million compared to 2015. The total volume of written premiums in the amount of CZK 7,203 million, reported according to Czech Accounting Standards, ranked the Company third on the insurance market. The Company’s 2016 business results account for an overall life assurance market share of 14.3%.**

The non-life insurance segment did not generate the 2015 volume of written premiums and fell by 5.7% year-on-year to CZK 651 million worth of written premium. Non-life insurance includes standalone personal accident insurance, incapacity insurance and insurance against loss of employment, in particular for Česká spořitelna clients, and loan repayment insurance. Despite a moderate decline this product remains popular among the bank’s clients. The main reason is that it represents a comprehensive offer and risk hedging of financial products in the form of bancassurance.

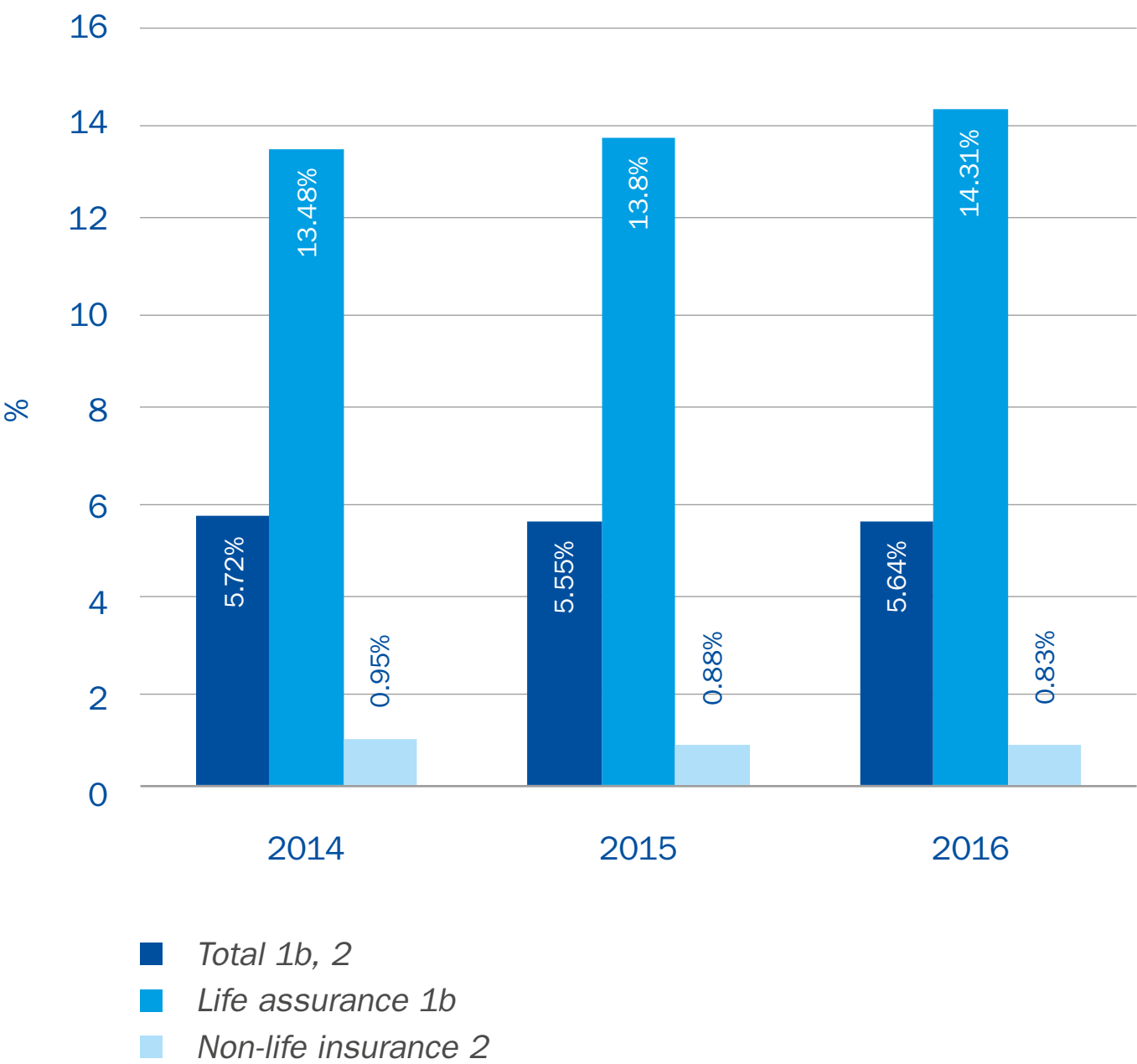
** data on market trends in ČAP methodology for 2016

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 with adjusted single-premium on 10-year basis (%)



- 1b) With adjusted single-premium on 10-year basis
Cross-border transactions are not included
- 2) Including premiums from non-life insurance
assigned to Czech Insurance Association (ČAP) members,
not including the workmen's compensation insurance.

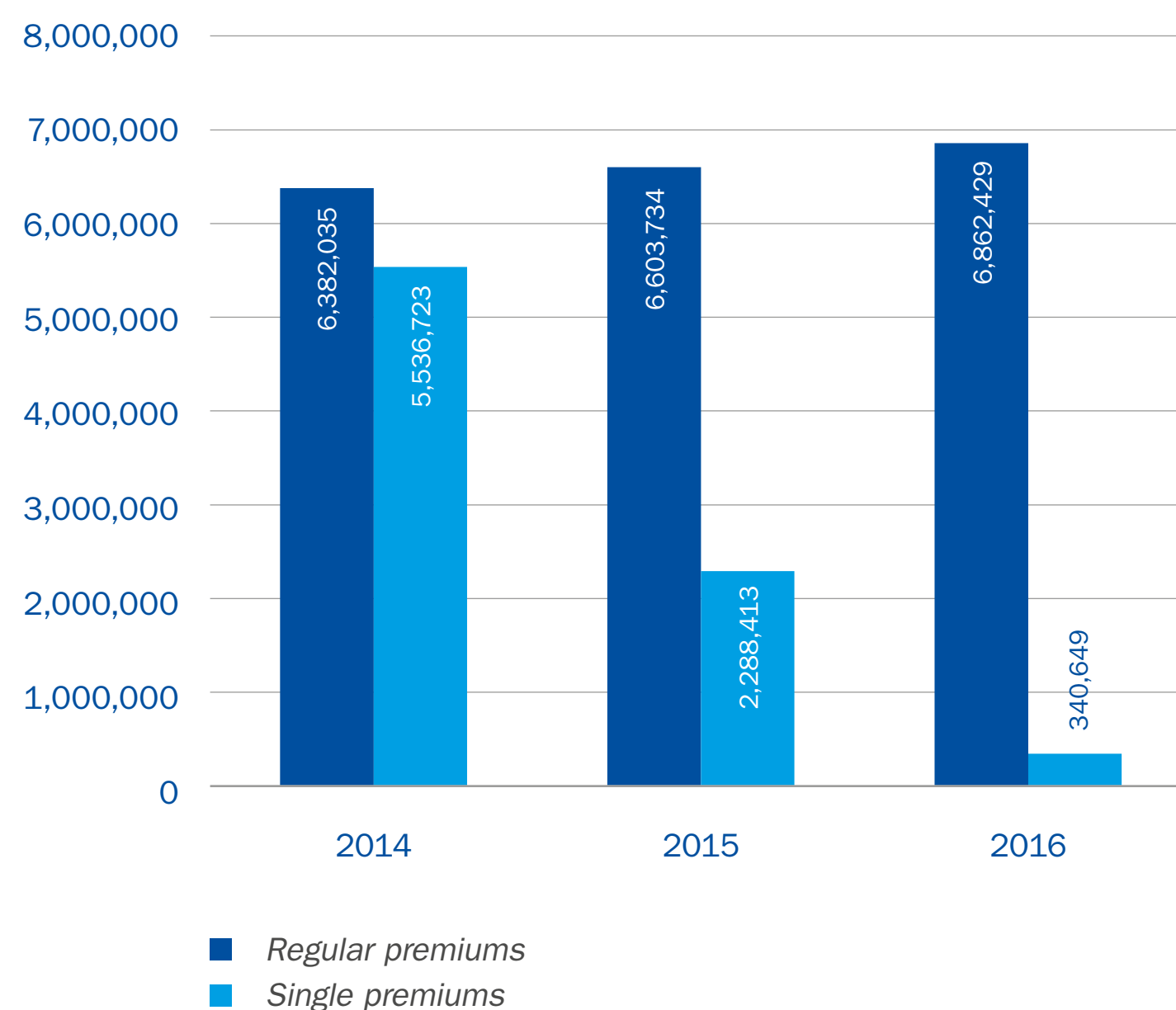
The stability of the Flexi life insurance product in the life assurance segment was reaffirmed by receiving the Zlatá koruna (Golden Crown) award for the eighth consecutive time.

Designed product innovations in 2016 were based on the proven strategy of collaboration with our clients and distributors. Sales results for 2016 suggest that the combination of this collaboration and our efforts to ensure simplicity, transparency and quality of the offered portfolio has had positive results. In the past year, the Company also had to implement changes mandated by the requirements for product redesign in connection with amended legislation pertaining to remuneration of distributors and a different method of calculation of surrender amounts. These changes stemmed from endeavours to improve insurance coverage and flexibility.

The clients who met the conditions for being awarded a no-claims or loyalty bonus were again rewarded in 2016. As usual, we inform the clients about amounts of their bonuses in our annual reports.

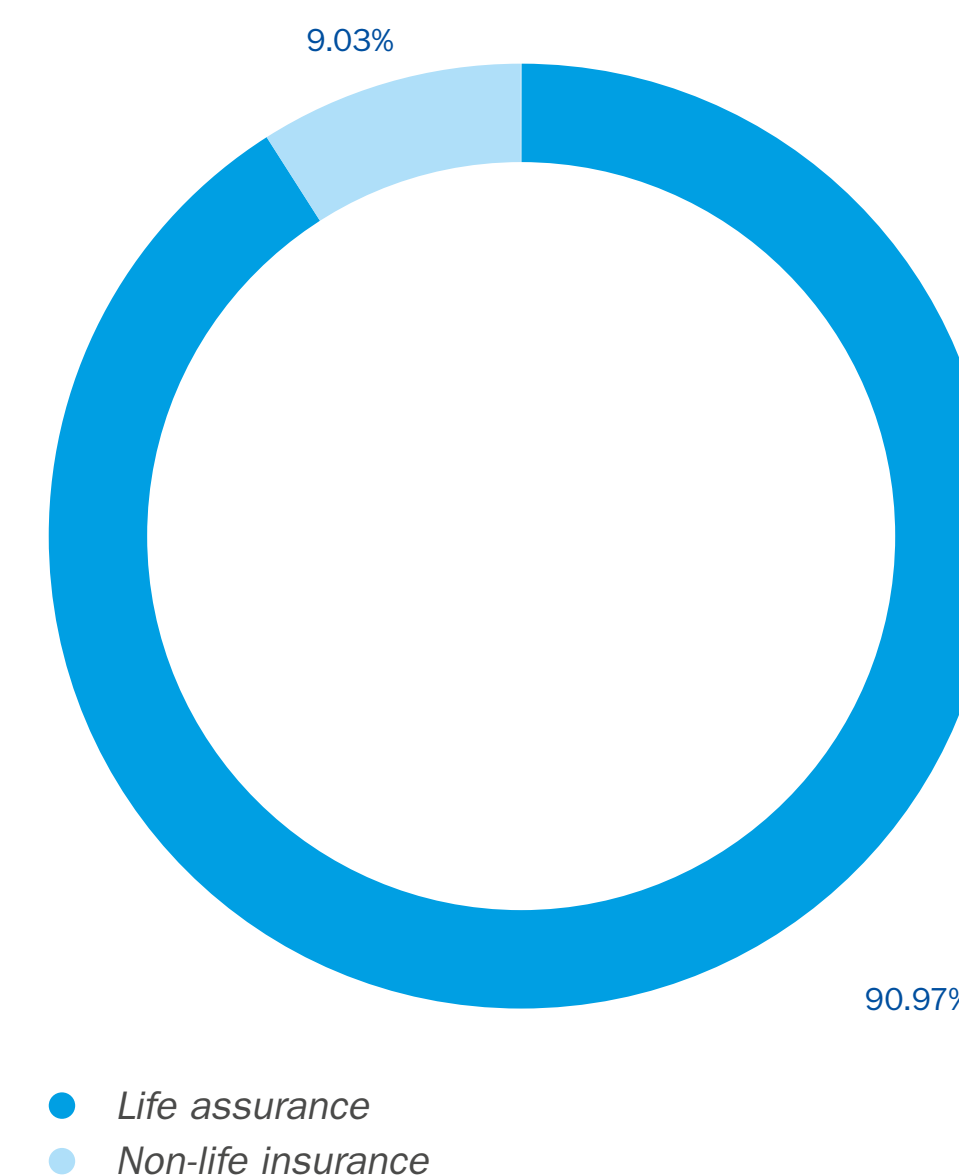
The following graphs provide an overview of the development in the structure of premiums over the past three years.

Development in written premiums (in thousands CZK)



A steady increase in the proportion of current premiums stems from a long-standing strategy for growth in current-premium insurance and corresponding collaboration with distributors, including a share in insurance services through the Česká spořitelna network (bancassurance). A very positive factor is that the proportion of risk insurance in the overall premium volume generated from current-premium insurance has long accounted for about 65%. This proportion guarantees financial stability of the Company. Non-life insurance includes only standalone personal accident insurance products, incapacity insurance and insurance against loss of employment, primarily for Česká spořitelna clients.

Structure of written premiums in 2016



The above graph documents the Company's almost exclusive focus on the sale of life assurance. As a result of terminating the sale of single-premium insurance in the period under review, the sale of non-life insurance grew by 1.3% year-on-year.

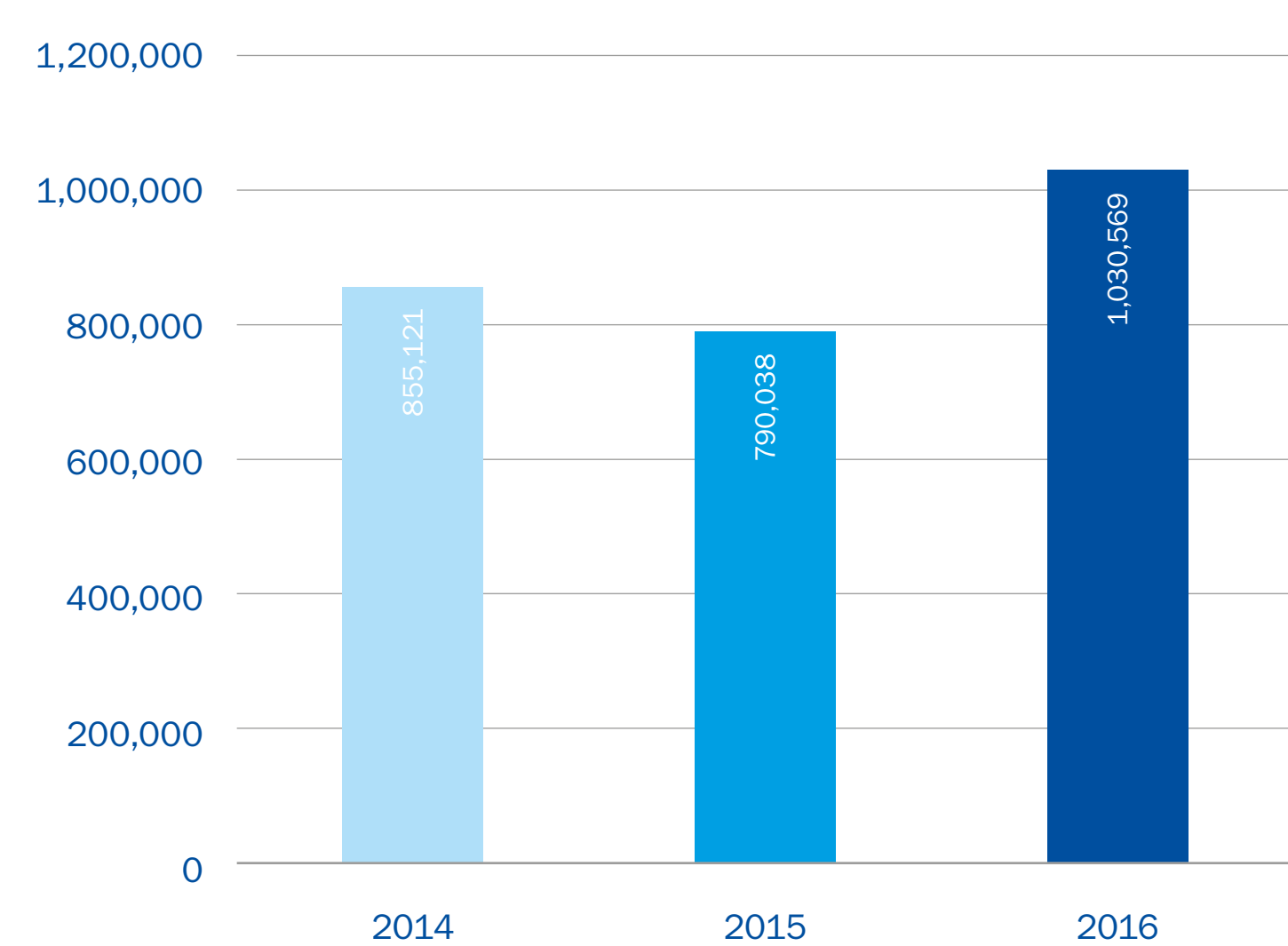
Financial results

The Company posted a profit after taxes of CZK 1,030.6 million according to Czech accounting standards, which represents an increase of CZK 240.5 million year-on-year. The increase is due to better performance of both insurance segments and higher revenues from financial investments of technical provisions. The Board of Directors attributes the better results primarily to steady growth of the portfolio with a high proportion of risk insurance. In addition to year-on-year growth of the new business portfolio, a highly valued factor contributing to the Company’s profitability is a decline in policy cancellations.

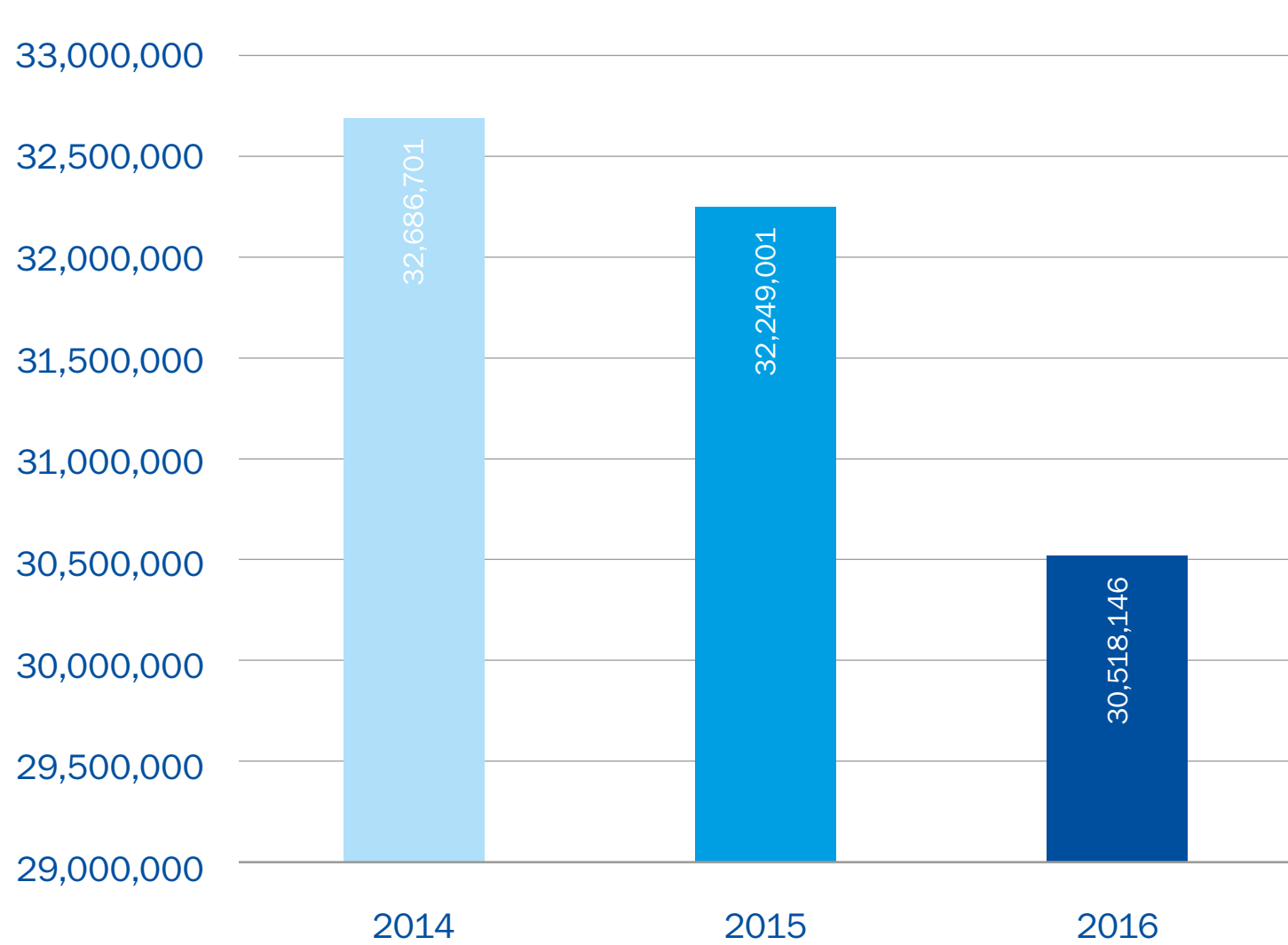
Overall technical provisions amounted to CZK 24,215.1 million, of which the life assurance provision, where the investment risk is borne by the policyholder, totalled CZK 2,392.5 million. At the balance sheet date, the structure of the provisions was as follows: provision for unearned premiums of CZK 24.5 million, life assurance provision of CZK 19,824.5 million, provision for outstanding claims of CZK 1,844.6 million, and other provisions amounting to CZK 129.1 million. In 2016, total provisions dropped by CZK 1,011.5 million compared to 2015. The decline is due to the reduced sales of single-premium insurance policies, which had a direct impact on the balance of the life assurance provision, and payments of benefits for policies terminated due to term expiry. Technical provisions for life assurance, where the investment risk is borne by the policyholder, also fell by CZK 1,021.0 million year-on-year. The volume of these provisions also dropped as a result of payments of benefits for policies terminated due to term expiry. Provisions are recognised in accordance with applicable legislation and provide the requisite security for covering future insurance claims.

The following graphs show the development in earnings and the balance sum in years up to 2016.

Development in earnings by accounting period (in thousands CZK)



Development in balance sum (in thousands CZK)

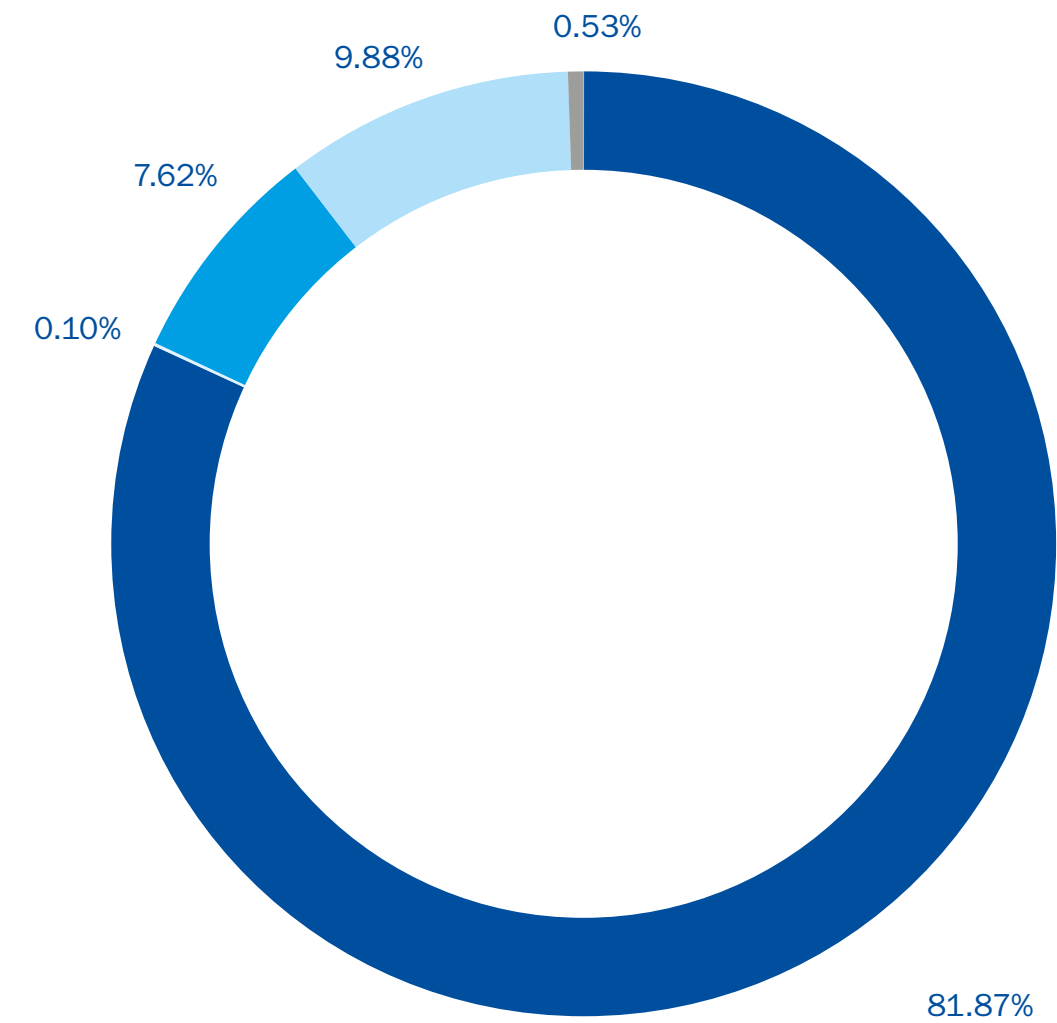


The volume of technical provisions determined the amount of financial investments of funds; 82% of these funds represent the Company’s assets. The financial investment portfolio is distributed among various types of financial instruments in order to ensure return on investment in accordance with the requirements for prudent risk management set forth by Company management. The structure of the financial investment portfolio, documented in the graph below, is designed to cover insurance liabilities in the long term, while ensuring adequate security of invested funds for our clients. The financial placements of funds are 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 generated from the funds invested in the financial markets in excess of the average technical interest rate, whereby the average appreciation of life assurance provisions for 2016 accounted for 2.22%. This result is comparable with the appreciation of the previous year.

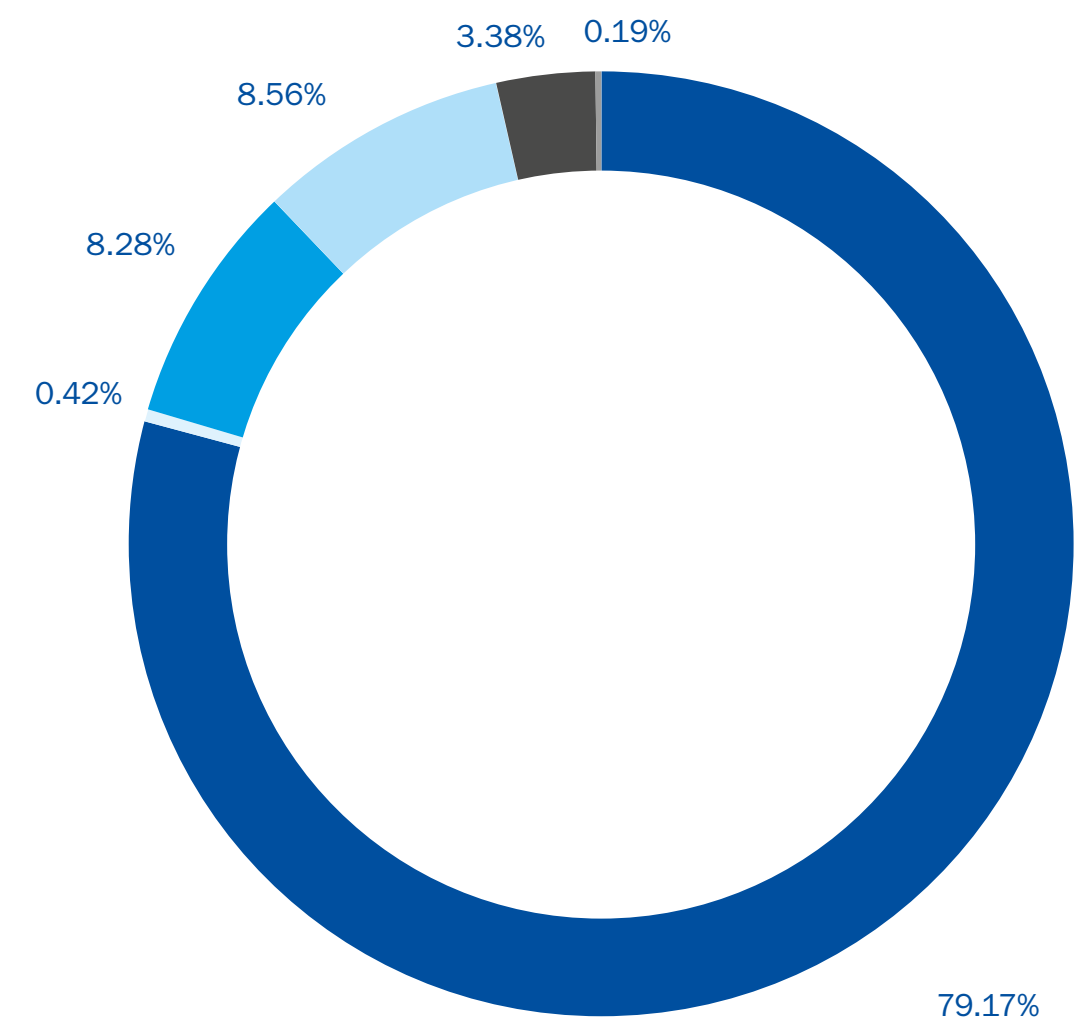
The following graphs shows the structure of technical provisions and the corresponding structure of assets.

Structure of technical provisions in 2016



- Provision for life assurance
- Provisions for unearned premiums
- Provisions for outstanding claims
- Technical provision for life assurance, where the investment risk is borne by the policyholder
- Other reserves

Structure of financial investments in 2016



- Fixed income securities
- Variable income securities (shares)
- Variable income securities (funds)
- Financial investment of life assurance, where the investment risk is borne by the policyholder
- Bank deposits, current accounts, derivatives
- Real estate

The Company's management and control system

In 2016 the Company completed the transposition of the EU Directive Solvency II into Czech legislation governing the conditions of insurance business. This meant a formal adoption of the system monitoring insurers' operations under Solvency II, and the end of the duplication of solvency reporting under both Directives, i.e. Solvency II and Solvency I. This change did not require adoption of any other measures by the Company as the implementation of the Solvency II regulatory requirements was finished in 2015.

The organization of the management and control system consists of three lines of defence against risks, where each department has specific powers and responsibilities assigned in the organizational structure, including the scope of performed activities. The management and control system therefore covers all operations of the insurance company, while management continuously monitors its functionalities and efficiency. The system is regularly monitored by an independent internal audit within the scope of its control activities, and the results are reported to the Company's Board of Directors and Supervisory Board. The basic structure of reports to the Board of Directors has been determined as part of the second pillar of Solvency II. Under this system, the Board of Directors is briefed on the Company's risk profile on a quarterly basis, including an alert in the event the Company nears the threshold of the set limits.

The result of the analysis and assessment of the Company's risk position is Own Risk and Solvency Assessment (ORSA).

Since the Company started ORSA in 2012 already, the 2016 ORSA is the fourth report. Its structure has gradually stabilized and provides Company management with summary information about:

- Organizational structure of the risk management system
- Own risk profile;
- Company risk position;
- Determining sensitivities of the solvency capital requirement;
- Projection and assessment of future capital needs based on set scenarios;
- Development of key planned indicators according to the set scenarios;
- Opportunities for more efficient use of capital.

The Board of Directors has fully implemented the policy of the evaluation of competence and integrity for key positions. Relevant persons have been notified about these positions. In the course of the year, regular informal meetings were held with representatives of the Czech National Bank, where the Company's approach to the implementation of the Solvency II requirements and the application of the conclusions of these requirements for its own management was evaluated positively.

In the year under review, the Company assessed its financial stability and compliance with all solvency requirements. The Company's management and control system is consistent and efficient, and provides the corporate governance bodies with sufficient information to ensure effective and prudent management of the Company.

Pardubice, 17 March 2017



RNDr. Petr Zapletal, MBA

Chairman of the Board of Directors



Ing. Jaroslav Kulhánek

Vice-Chairman of the Board of Directors



Ing. Tomáš Vaníček, MBA

Member of the Board of Directors



Financial Section

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

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

Opinion

We have audited the accompanying financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group (“the Company”), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2016, and the income statement, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Obchodní rejstřík vedený
Městským soudem v Praze
oddíl C, vložka 24185

IČO 49819187
DIČ CZ599001996
ID datové schránky: 8R3gira



Other Information

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

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance



with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague

17 March 2017

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

J. Vašina
Jindřich Vašina
Partner
Registration number 2059

Balance Sheet as at 31 December 2016

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Net
ASSETS					
A. Receivables for subscribed registered capital	1				
B. Intangible fixed assets, thereof:	2	507,912	410,254	97,658	100,916
C. Investments	5	24,892,326	1,764	24,890,562	25,814,276
I. Land and buildings (real estate), thereof:	6	55,907	1,764	54,143	54,600
1. Land	7	1,900	0	1,900	1,900
2. Buildings		54,007	1,764	52,243	52,700
a) Land and buildings – self-occupied		55,907	1,764	54,143	54,600
II. Investments in affiliated undertakings and participating interests	8	31,985		31,985	299,773
3. Participating interests with significant influence	11	31,985		31,985	299,773
III. Other investments	13	24,804,434		24,804,434	25,459,903
1. Shares and other variable-yield securities, other participating interests	14	2,398,803		2,398,803	1,860,194
2. Bonds and other fixed-income securities	15	22,131,560		22,131,560	22,883,878
a) Securities valued at fair value through profit and loss		8,071,548		8,071,548	8,432,844
b) OECD bonds held to maturity		10,929,141		10,929,141	11,268,569
c) Other securities held to maturity		3,130,871		3,130,871	3,182,465
6. Deposits with financial institutions	18	349,900		349,900	741,200
7. Other investments	19	(75,829)		(75,829)	(25,369)

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Net
D. Investments for the benefit of life assurance policyholders who bear the investment risk	21	2,392,475		2,392,475	3,413,515
E. Debtors	22	687,894	95,648	592,246	578,448
I. Receivables arising from direct insurance operations	23	156,583	95,539	61,044	55,425
1. Receivables due from the policyholders	24	143,727	83,241	60,486	52,643
2. Receivables due from intermediaries	25	12,856	12,298	558	2,782
II. Receivables arising from reinsurance operations	26	334,115		334,115	324,564
III. Other receivables	27	197,196	109	197,087	198,459
F. Other assets	28	822,511	87,736	734,775	640,292
I. Tangible fixed assets other than those listed under „C.I. Land and buildings“, and inventories	29	151,301	87,736	63,565	50,524
II. Cash on accounts in financial institutions and cash in hand	30	671,210		671,210	589,768
G. Temporary asset accounts	32	1,810,430		1,810,430	1,701,554
II. Deferred acquisition costs, thereof:	34	1,631,528		1,631,528	1,518,984
a) in life-assurance business	35	1,631,471		1,631,471	1,518,914
b) in non-life insurance	36	57		57	70
III. Other temporary asset accounts, thereof:	37	178,902		178,902	182,570
a) Estimated receivables	38	137,681		137,681	148,508
TOTAL ASSETS	39	31,113,548	595,402	30,518,146	32,249,001

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Net
LIABILITIES					
A. Equity	40			3,848,076	3,621,322
I. Registered capital, thereof:	41			1,900,100	1,900,100
IV. Other capital funds	46			0	125,398
V. Reserve fund and other funds from profit	47			4,228	4,586
VI. Profit or loss brought forward	48			913,179	801,200
VII. Profit or loss for the financial year	49			1,030,569	790,038
C. Technical provisions	51	23,146,948	1,324,279	21,822,669	22,834,155
1. Provision for unearned premiums, of which:	52	45,089	20,559	24,530	27,144
a) Provision for unearned premiums relating to life assurance classes	53	18,776	7,384	11,392	13,448
b) Provision for unearned premiums relating to non-life insurance classes	54	26,313	13,175	13,138	13,696
2. Life assurance provision	55	19,824,495		19,824,495	20,980,246
3. Provision for outstanding claims, of which:	56	3,060,120	1,215,533	1,844,587	1,688,333
a) Provision for outstanding claims relating to life assurance classes	57	2,829,398	1,061,508	1,767,890	1,601,342
b) Provision for outstanding claims relating to non-life insurance classes	58	230,722	154,025	76,697	86,991
4. Provision for bonuses and rebates, of which:	59	112,102	88,187	23,915	23,821
a) Provision for bonuses and rebates relating to life assurance classes	60	23,643		23,643	23,549
b) Provision for bonuses and rebates relating to non-life insurance classes	61	88,459	88,187	272	272
6. Other technical provisions		105,142		105,142	114,611

(in thousands CZK)	Line No.	Gross	Adjustment	Net	Net
D. Life assurance technical provision where the investment risk is borne by the policyholders	71	2,392,475		2,392,475	3,413,515
E. Provisions for other risks and losses	72			240,246	188,016
2. Provisions for taxation	74			240,246	188,016
F. Deposits received from reinsurers	76			1,144,239	1,099,308
G. Creditors	77			783,702	756,568
I. Payables arising from direct insurance operations	78			305,024	288,944
II. Payables arising from reinsurance operations	79			396,654	388,887
V. Other payables, thereof:	83			82,024	78,737
a) Tax liabilities and payables due to social security and health insurance institutions	84			26,728	7,291
H. Temporary liability accounts	86			286,739	336,117
I. Accrued expenses and deferred income	87			119	0
II. Other temporary liability accounts, thereof:	88			286,620	336,117
a) Estimated payables	89			286,620	336,117
TOTAL LIABILITIES	90			30,518,146	32,249,001

Income Statement as at 31 December 2016

(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE					
1. Earned premiums, net of reinsurance:	1	×	×	×	×
a) gross premiums written	2	650,708	×	×	×
b) outward reinsurance premiums	3	591,309	59,399	×	×
c) change in the gross provision for unearned premiums (+/-)	4	(1,107)	×	×	×
d) change in the provision for unearned premiums, reinsurance share (+/-)	5	(549)	(558)	59,957	61,248
2. Allocated investment return transferred from the non-technical account (item III.6.)	6	×	×	1,388	2,556
3. Other technical income, net of reinsurance	7	×	×	992	753
4. Claims incurred, net of reinsurance:	8	×	×	×	×
a) claims paid:	9	×	×	×	×
aa) gross amount	10	175,561	×	×	×
ab) reinsurance share	11	141,103	34,458	×	×
b) change in the provision for outstanding claims (+/-):	12	×	×	×	×
ba) gross amount	13	(14,563)	×	×	×
bb) reinsurance share	14	(4,270)	(10,293)	24,165	61,588
6. Bonuses and rebates, net of reinsurance	16	×	×	3,320	2,689
7. Net operating expenses:	17	×	×	×	×
a) acquisition costs	18	×	1,403	×	×
b) change in deferred acquisition costs (+/-)	19	×	13	×	×
c) administrative expenses	20	×	10,269	×	×
d) reinsurance commissions and profit participation	21	×	32,199	(20,514)	(15,946)
8. Other technical expenses, net of reinsurance	22	×	×	161	259
10. Sub-total, balance (result) on the technical account for non-life insurance (item III.1.)	24	×	×	55,205	15,967

(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE					
1. Earned premiums, net of reinsurance:	25	×	×	×	×
a) gross premiums written	26	×	6,552,370	×	×
b) outward reinsurance premiums	27	×	1,348,687	×	×
c) change in the provision for unearned premiums, net of reinsurance (+/-)	28	×	(2,056)	5,205,739	6,896,402
2. Income from investments:	29	×	×	×	×
a) income from participating interests, with a separate indication of that derived from controlling influence	30	×		×	×
b) income from other investments, with a separate indication of that derived from controlling influence, of which:	31	×	×	×	×
ba) income from land and buildings	32	0	×	×	×
bb) income from other investments	33	561,577	561,577	×	×
c) value adjustments on investments	34	×	0	×	×
d) income from disposal of investments	35	×	2,143,365	2,704,942	1,147,116
3. Unrealised gains on investments	36	×	×	917,388	1,041,485
4. Other technical income, net of reinsurance	37	×	×	67,636	89,292
5. Claims incurred, net of reinsurance:	38	×	×	×	×
a) claims paid:	39	×	×	×	×
aa) gross amount	40	5,620,997	×	×	×
ab) reinsurance share	41	662,475	4,958,522	×	×
b) change in the provision for outstanding claims (+/-):	42	×	×	×	×
ba) gross amount	43	220,785	×	×	×
bb) reinsurance share	44	54,238	166,547	5,125,069	5,447,098

(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
6. Changes in other technical provisions, net of reinsurance (+/-):	45	×	×	×	×
a) life assurance provisions:	46	×	×	×	×
aa) gross amount	47	(1,155,751)	×	×	×
ab) reinsurance share	48	0	(1,155,751)	×	×
b) other technical provisions, net of reinsurance	49	×	(1,030,509)	(2,186,260)	(742,057)
7. Bonuses and rebates, net of reinsurance	50	×	×	259,153	253,931
8. Net operating expenses:	51	×	×	×	×
a) acquisitions costs	52	×	1,465,801	×	×
b) change in deferred acquisition costs (+/-)	53	×	(112,557)	×	×
c) administrative expenses	54	×	628,630	×	×
d) reinsurance commissions and profit participation	55	×	514,959	1,466,915	1,609,818
9. Expenses connected with investments:	56	×	×	×	×
a) investment management charges, including interest	57	×	99,769	×	×
c) book value of disposed investments	59	×	2,159,585	2,259,354	669,013
10. Unrealised losses on investments	60	×	×	738,908	943,101
11. Other technical expenses, net of reinsurance	61	×	×	18,126	37,503
13. Sub-total, balance (result) on the technical account for life assurance (item III.2.)	63	×	×	1,214,440	955,888

(in thousands CZK)	Line No.	Base	Subtotal	Result	Result
III. NON-TECHNICAL ACCOUNT					
1. Result of the technical account for non-life insurance (item I.10.)	64	×	×	55,205	15,967
2. Result of the technical account for life assurance (item II.13.)	65	×	×	1,214,440	955,888
3. Income from investments:	66	×	×	×	×
a) income from participating interests, with a separate indication of that derived from controlling influence	67	×		×	×
b) income from other investments, with a separate indication of that derived from controlling influence:	68	×	×	×	×
ba) income from land and buildings	69	31	×	×	×
bb) income from other investments	70	2,897	2,928	×	×
c) value adjustments on investments	71	×	4,379	×	×
d) income from disposal of investments	72	×	30,045	37,352	7,228
5. Expenses connected with investments:	74	×	×	×	×
a) investment management charges, including interest	75	×	3,988	×	×
b) value adjustments on investments	76	×	722	×	×
c) book value of disposed investments	77	×	31,254	35,964	4,672
6. Allocated investment return transferred to the technical account for non-life insurance (item I.2.)	78	×	×	1,388	2,556
7. Other income	79	×	×	18,288	19,920
8. Other expenses	80	×	×	15,243	16,594
9. Income tax on ordinary activities	81	×	×	241,656	184,765
10. Profit or loss on ordinary activities after tax	82	×	×	1,031,034	790,416
15. Other taxes not shown under the preceding items	87	×	×	465	378
16. Profit or loss for the financial year	88	×	×	1,030,569	790,038

Statement of Changes in Equity for the Year 2016

(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 1/1/2014	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)	0
Utilisation of funds		(4,894)					(4,894)
Change in valuation of investments			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
Balance at 31/12/2014	1,900,100	3,154	148,071	361,190	276,186	855,121	3,543,822

Balance at 1/1/2015	1,900,100	3,154	148,071	361,190	276,186	855,121	3,543,822
Additions to funds		5,248		42,756	1,211,064	(855,121)	403,947
Utilisation of funds		(3,816)		(403,946)			(407,762)
Change in valuation of investments			(22,673)				(22,673)
Increase/reduction in registered capital							
Payment of dividends					(686,050)		(686,050)
Profit/loss for the current year						790,038	790,038
Balance at 31/12/2015	1,900,100	4,586	125,398	0	801,200	790,038	3,621,322

(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 1/1/2016	1,900,100	4,586	125,398	0	801,200	790,038	3,621,322
Additions to funds		3,687			786,351	(790,038)	0
Utilisation of funds		(4,045)					(4,045)
Change in valuation of investments			(125,398)		(5,974)		(131,372)
Increase/reduction in registered capital							
Payment of dividends					(668,398)		(668,398)
Profit/loss for the current year						1,030,569	1,030,569
Balance at 31/12/2016	1,900,100	4,228	0	0	913,179	1,030,569	3,848,076

I. General contents

I.1. Description and principal activities

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

The corporation has conformed to Act No. 90/2012 Coll., on Corporations and Cooperatives, as a whole in accordance with Section 777 (5) of the Act.

The Company’s shareholders as at 31 December 2016 are:	
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	90%
Kooperativa pojišťovna, a.s., Vienna Insurance Group	5%
Česká spořitelna, a.s.	5%

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

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

Life assurance

- Assurance on death, assurance on survival to a certain age, assurance on survival to a certain age or on earlier death, joint life assurance, assurance with return of premiums
- 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 insurance
- Sickness insurance
- Insurance for various financial losses

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

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

Registered office of the Company

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

Members of the Board of Directors, Supervisory Board and Audit Committee as at 31 December 2016:

Members of the Board of Directors

Chairman: RNDr. Petr Zapletal, MBA, Na zahrádkách 307, Šeberov, Praha 4
Vice-chairman: Ing. Jaroslav Kulhánek, Zalomená 175/22, Roudnička, Hradec Králové
Member: Ing. Tomáš Vaníček, MBA, Donínská 1778, Újezd nad Lesy, Praha 9

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

Proxy

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

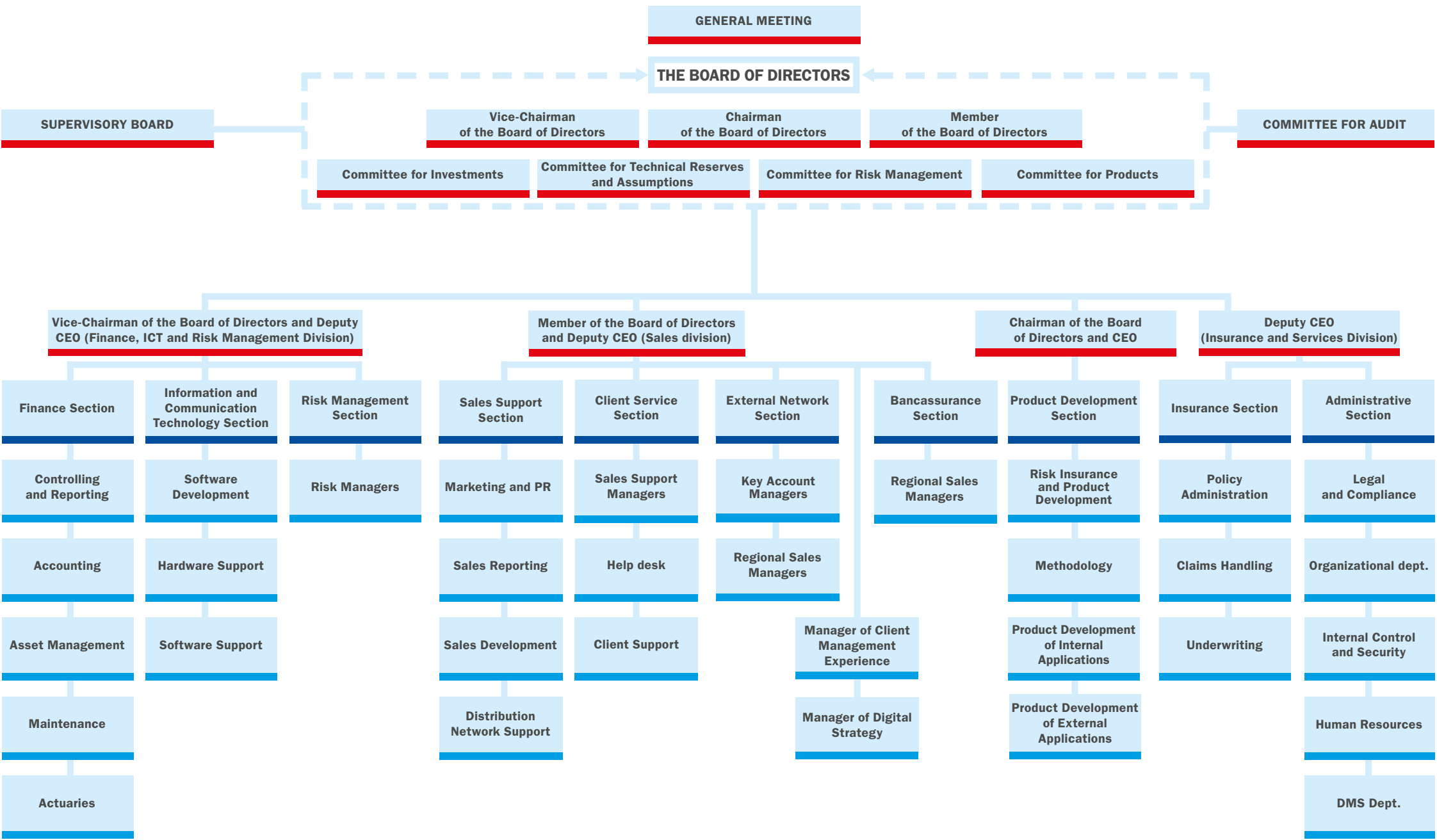
Members of the Supervisory Board

- Chairman: Ing. Martin Diviš, MBA, Divoká Šárka 39/4, Liboc, Praha 6
- Vice-chairman: Dkfm. Hans Raumauf, 2362 Biedermannsdorf, Borromäumstrasse 38, Austria
- Members: Mag. Erwin Hammerbacher, 2201 Seyring, Helmaweg 29, Austria
- Ing. Vladimír Mráz, U letenského sadu 1294/6, Holešovice, Praha 7 (effective from 1 May 2016; until 28 April 2016 Ing. Petr Kohoutek, Vaňkova 1341, Chrudim IV Chrudim)
- Mag. Roland Gröll, Vienna, Neuwaldegger Str. 37/1, 1170, Austria
- Ing. Jiří Drahoš, No. 181, Cerekvice nad Loučnou
- Ing. Petr Procházka, Věry Junkové 92, Studánka, Pardubice
- Jan Jeřábek, Na Neklance 1299/30, Smíchov, Praha 5 (effective from 31 March 2016)
- Prof. Elisabeth Stadler, 3550 Langenlois, Höllgasse 32, Austria (effective from 31 March 2016)
- KR Franz Fuchs, 2344 Maria Enzersdorf, Fürstenstraße 43, Austria (effective from 31 March 2016)

Audit Committee

- Ing. Martin Diviš, MBA, Divoká Šárka 39/4, Praha 6, Liboc
- Prof. Elisabeth Stadler, 3550 Langenlois, Höllgasse 32, Austria (effective from 28 April 2016)
- Ing. Hynek Vodička, Stružky 66, Praha 9

Organizational Structure at 31 December 2016



The Company does not have any branch abroad.

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., 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 its financial statements have been prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended; Decree No. 502/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for entities that are insurance companies, as amended (“Decree No. 502/2002 Coll.”); Czech Accounting Standards for entities that maintain their accounting records in compliance with Decree No. 502/2002 Coll., as amended; and other relevant legislation.

As a result of the above legislation being amended as at 1 January 2016, some of the accounting policies described in note I.4. have been changed.

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.

The financial statements have been prepared on a going concern basis.

All amounts are presented in thousands of Czech crowns (TCZK), except when indicated otherwise.

These financial statements are non-consolidated.

I.4. Significant accounting policies

(a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost and depreciated using the straight-line basis over their estimated useful lives.

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

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

Fixed assets	Method	Depreciation 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. Land is not subsequently depreciated while buildings are subsequently depreciated using the straight-line basis over their estimated useful lives. In the income statement, respective impairment is presented in „value adjustments on investments“.

Debt securities

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

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

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

Amortised debt securities are revalued at their fair value as at the balance sheet date with the exception of bonds held to maturity and bonds not intended for trading.

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

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

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

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

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

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

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

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

Investments in affiliated undertakings and participating interests

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

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

Investments in affiliated undertakings and participating interests in the form of debt securities issued by the controlled persons or persons in which the accounting entity exercises significant influence, and which are classified as securities at fair value through profit and loss or securities available for sale are presented in 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.

Deposits with financial institutions

As at the acquisition date and as at the balance sheet date, deposits with financial institutions are stated at acquisition cost increased or decreased by interest income or interest expense. In the notes to the financial statements, the book value of these deposits is considered to be their fair value.

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

Derivatives

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

Financial derivatives which do not meet the requirements for the application of hedge accounting or for which the Company has decided not to apply hedge accounting are carried at fair value with gains (losses) from changes in fair value recognised in profit or loss. The derivatives are used by the Company to hedge currency risks, i.e. currency swaps.

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

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

At the balance sheet date, investments 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 have been reflected in the Company's income statement.

(d) Adjustments

The Company creates adjustments to receivables and other assets except for investments reported at fair value. Adjustments represent a temporary decrease in value of individual assets. The amount of the decrease is determined with the help of a professional risk assessment carried out by the Company's management. Creation and utilisation of adjustments to receivables arising from direct insurance operations and from reinsurance operations are recognised in Other technical expenses, net of reinsurance, and Other technical income, net of reinsurance.

Adjustments to receivables from policyholders are established based on an analysis of their recoverability. The analysis includes an ageing analysis of the receivables and assessment of the risk of non-payment of specific receivables.

Adjustments to debt securities 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, are impaired. Impairment of an asset is recognised in the income statement.

(f) Deferred acquisition costs

Deferred acquisition costs represent the proportion of the 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 assurance)

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

Unit-linked assurance

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. 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 expenses and other parameters.

(g) Income tax

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

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

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

(h) Provision for unearned premiums

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

(i) Life assurance provision

The life assurance provision comprises the sum of the provisions for individual life assurance policies. The life assurance provision is calculated using actuarial methods, including profit shares declared and

allocated and a provision for expenses, related to the administration of contracts, after deducting the value of future premiums.

The Company accounts for the provision using the zillmerisation method. The zillmerisation method results in the deferral of acquisition costs for life assurance contracts. These costs are included in the life assurance provision using actuarial methods after eliminating temporary negative balances.

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

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

(j) Provision for outstanding claims

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

- a) Reported but not settled till the end of period (RBNS),
- b) Incurred but not reported till the end of 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 Chain-Ladder 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 that the provision for outstanding claims is fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent events or new information, which may result in significant adjustments to the amounts provided for. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The procedures and methods used in making estimates are reviewed regularly.

(k) Provision for bonuses and rebates

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

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

(l) Other technical provisions

The item Other technical provisions only includes the provision for liabilities arising from the applied technical interest rate. 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 technical provision where the investment risk is borne by the policyholders).

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

The minimum value of liabilities to policyholders is determined using best estimates of the future development of entry parameters adjusted by market value margins.

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

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

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

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

The life assurance technical 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 calculated 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) Reinsurance share of technical provisions

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

The Company presents the reinsurance share of the provision for unearned premiums, the provision for outstanding claims and the provision for bonuses and rebates. The reinsurer does not participate in the other technical provisions.

(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 created at the balance sheet date and amounts to the estimated corporate income tax liability due. The use (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 investments

Accounting treatment of expenses and income from investments and their allocation between the life assurance and non-life insurance accounts

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

Other expenses and income from investments, 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 realised gains and losses upon disposal of investments

The disposal of investments is presented 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 carrying value of the related investments.

(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 Decree 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 income from investments

Expenses and income from investments are allocated between life assurance and non-life insurance using the method stated in note I. 4(s).

Other expenses and income

During the accounting period clearly attributable expenses and income are accounted for directly in the life assurance or non-life insurance technical account or the non-technical account. Expenses and income that cannot be directly attributed are recorded primarily in the non-technical account and subsequently allocated to the technical account for life assurance or non-life insurance 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 ČNB rate effective on the transaction date or at the rate at which the transaction was realised.

At the balance sheet date, foreign currency assets and liabilities are translated at the ČNB official rate on that date. Unless stated otherwise, foreign currency gains and losses are recorded in Company's income statement.

I.5. Change in accounting policies and procedures and corrections of prior year errors

The Company adjusted the valuation of selected items from investments as at 1 January 2016 based on the amendments to legal regulations stated in note I. 3. The above mentioned changes were carried out as follows:

Land and buildings

Until the end of 2015, land and buildings were carried at fair value. Effective from 2016, these items are valued in accordance with note I. 4(b). The fair value of these investments as at 31 December 2015 has been used as the initial valuation as at 1 January 2016.

Securities held to maturity

All securities held to maturity have been valued at amortised cost since 2016 in accordance with note I. 4(b) and presented in C.III.2.b) OECD bonds held to maturity and in C.III.2.c) Other securities held to maturity in the Company's balance sheet. These securities include securities that were until 2015 revalued at fair value and the resulting change in fair value was recognised in equity. The Company carried out a one-off derecognition of the revaluation difference recognised in A.IV. Other capital funds as at 31 December 2015 and it also derecognised the relevant amount from C.III.2.c) Other securities held to maturity.

Investments in affiliated undertakings and participating interests

Until the end of 2015, participating interests were carried at fair value. Effective from 2016, these items are valued in accordance with note I. 4(b). The Company carried out a one-off derecognition of the revaluation difference recognised in A.IV. Other capital funds as at 31 December 2015 and it also derecognised the relevant amount from C.II. Investments in affiliated undertakings and participating interests.

I.6. Risk management

In compliance with Act No. 277/2009 Coll., on Insurance, the Company has ensured that the set-up of the internal control system covers all of its operations.

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

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

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

The Company's Board of Directors has the primary responsibility for the risk management system effectiveness. On the level of the Board of Directors, the vice-chairman is responsible for risk management as the Board member in charge of the risk management section. The notified holder of the risk management function is the manager of the risk management section.

(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 assumptions etc. may have a significant impact on determining the amount of provisions. The liability adequacy tests and analysis of sensitivity to change in assumptions are used to eliminate the reserve risk.

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

Concentration of insurance risk

Concentration of insurance risk may exist in the event that a particular event or a series of events may impact significantly upon the Company's liabilities. The concentration of insurance risk then determines the extent of the possible impact of these events on the amount of the Company's liabilities. Such concentration may arise from a single insurance contract or through a small number of related contracts, and relates to circumstances that gave rise to significant liabilities. Concentration of insurance risk may

arise from accumulation of risks in frame of several individual groups of contracts; it may also arise in low-frequency, high-severity events or in the event of significant litigations or legislative amendments.

Geographic concentration

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

Reinsurance strategy for non-life insurance

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

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

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

(b) Life assurance risk

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

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

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

The goal of risk management is to identify and quantify possible impact of various development scenarios and to manage the probability of their realisation in order to prevent undesirable impact on the profit (loss) of the Company and the Company’s equity.

The Company has its own risk solvency assessment process for identifying the risks to which it is exposed. All managers and selected specialists are involved in this process. The Company applies a broad range of tools, which have been described as part of the risk identification process, in order to quantify the risks. As for the underwriting risk, these procedures primarily include prospective valuation of future cash flows following from liabilities concluded as part of the insurance contracts (profit testing, liability adequacy test, solvency capital requirement calculation).

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 a prudent underwriting policy and reinsurance.

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 and reinsurance contracts with its parent company.

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

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

(c) Financial risk

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

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

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

Asset/Liability Management (ALM)

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

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

Interest rate risk

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

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

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

The risk of changes in cash flows as a result of a change in interest rate represents exposure primarily to the insurance contracts with a guaranteed interest rate, where the client compares the revenue guaranteed by the contract with the revenue offered in the market. Where the market interest rates increase, some types of contracts may show an increase in the lapse rate, or vice versa. A drop in the market interest rates can endanger the Company's ability to meet its liabilities following from the guaranteed technical interest rate applied in insurance contracts.

Price fluctuation risk

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

The Company manages its use of equity investments by maintaining a diversified portfolio and by monitoring the limits for investments.

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 movements in the exchange rates.

(d) Counterparty default 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:

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

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

The Company sets its own limits for the structure of investments and for the individual issuers/ counterparties depending on their credit quality and regularly monitors whether these limits are met. The limits are subject to a regular reassessment.

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

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

(e) Operational risks

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

Loss means any harm or damage incurred by the Company.

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

(f) Liquidity risk

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

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

The Company has access to a diverse funding base, and in compliance with the legislation in force it has invested a sufficient portion of its investments 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 2016 comprise the following items:

(in thousands CZK)	Software	Total
Acquisition cost at 1/1/2016	465,716	465,716
Additions	42,196	42,196
Disposals	0	0
Acquisition cost at 31/12/2016	507,912	507,912
Accumulated depreciation at 1/1/2016	364,800	364,800
Depreciation	45,454	45,454
Disposals	0	0
Accumulated depreciation at 31/12/2016	410,254	410,254
Net book value at 1/1/2016	100,916	100,916
Net book value at 31/12/2016	97,658	97,658

II.2. Investments

(a) Land and buildings (real estate)

(in thousands CZK)	Land	Buildings	Total
Acquisition cost at 1/1/2016	1,900	52,700	54,600
Additions	0	1,307	1,307
Disposals	0	0	0
Acquisition cost at 31/12/2016	1,900	54,007	55,907
Accumulated depreciation at 1/1/2016	0	0	0
Depreciation expense	0	1,764	1,764
Disposals	0	0	0
Accumulated depreciation at 31/12/2016	0	1,764	1,764
Net book value at 1/1/2016	1,900	52,700	54,600
Net book value at 31/12/2016	1,900	52,243	54,143

(in thousands CZK)	Land	Buildings	Total
Fair value at 31/12/2016	1,900	52,100	54,000
Fair value at 31/12/2015	1,900	52,700	54,600

As at 31 December 2016, the Company held operating land and an operating building. The most recent valuation of land and buildings (real estate) based on an expert appraisal was carried out on 31 December 2016.

(b) Participating interests with significant influence

2016 (in thousands CZK)	Share of registered capital in %	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year	Dividend income/ profit share
VIG FUND uzavřený investiční fond, a.s.	0.75	31,985	32,846	3,734	4,117,570	166,785	0
Total		31,985	32,846	N/A	N/A	N/A	0

2015 (in thousands CZK)	Share of registered capital in %	Acquisition cost	Fair value	Total registered capital	Total equity	Profit or loss for the financial year	Dividend income/ profit share
VIG ND, a.s.	10.48	299,773	299,773	2,671,000	2,657,006	12,915	6,165
Total		299,773	299,773	N/A	N/A	N/A	6,165

The financial data about VIG FUND uzavřený investiční fond, a.s. is based on non-audited financial statements as at 31 December 2016.

VIG FUND uzavřený investiční fond, a.s. is under full and joint control of entities from the VIG financial group. The Company acquired the ownership interest in this fund consisting of 140 shares on 8 July 2016.

The Company sold the ownership interest in VIG ND, a.s. of TCZK 299,773 which is under full and joint control of entities from the VIG financial group on 22 February 2016.

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

(in thousands CZK)	Fair value		Acquisition cost	
	2016	2015	2016	2015
Issued by financial institutions				
– Listed on a recognised CR exchange	75,225	84,150	66,764	66,764
– Unlisted	2,281,868	1,732,947	1,857,725	1,392,286
Issued by non-financial institutions				
– Listed on a recognised CR exchange	41,710	43,097	50,430	50,430
Total	2,398,803	1,860,194	1,974,919	1,509,480

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	
	2016	2015	2016	2015
Issued by financial institutions				
– Listed on a recognised CR exchange	28,929	28,901	29,307	29,307
– Listed elsewhere	1,514,541	1,631,285	1,417,052	1,549,179
– Unlisted	0	64,591	0	60,025
Issued by non-financial institutions				
– Listed on a recognised CR exchange	79,148	51,023	76,792	49,792
– Listed elsewhere	376,216	253,707	369,509	248,916
Issued by government sector				
– Listed on a recognised CR exchange	5,180,372	5,521,782	5,010,802	5,284,326
– Listed elsewhere	892,342	881,555	727,015	727,015
Total	8,071,548	8,432,844	7,630,477	7,948,560

Securities listed elsewhere are traded mainly on European markets (primarily Germany, Luxembourg, United Kingdom).

(e) Securities held to maturity

(in thousands CZK)	Fair value		Amortised value		Acquisition cost	
	2016	2015	2016	2015	2016	2015
OECD debt securities held to maturity						
– Listed on a recognised CR exchange	12,541,546	12,944,852	10,929,141	11,268,569	11,083,980	11,378,797
Total OECD debt securities held to maturity	12,541,546	12,944,852	10,929,141	11,268,569	11,083,980	11,378,797
Other securities held to maturity						
Issued by financial institutions						
– Listed on a recognised CR exchange	286,999	396,977	283,424	392,086	301,811	401,812
– Listed elsewhere	656,806	557,709	644,209	542,591	563,164	470,224
– Unlisted	216,770	264,049	197,703	251,526	198,998	250,478
Issued by non-financial institutions						
– Listed on a recognised CR exchange	1,443,340	1,374,587	1,387,584	1,314,708	1,379,503	1,304,767
– Listed elsewhere	690,302	589,143	617,951	519,367	606,189	507,038
Total other securities held to maturity	3,294,217	3,182,465	3,130,871	3,020,278	3,049,665	2,934,319
Total securities held to maturity	15,835,763	16,127,317	14,060,012	14,104,258	14,133,645	14,313,115

(f) Deposits with financial institutions

(in thousands CZK)	2016	2015
Due within 1 year	349,900	741,200
Total	349,900	741,200

(g) Other investments – derivatives

Other derivatives – derivatives held for trading

Fixed term contracts with a positive fair value (in thousands CZK)	Nominal value		Fair value	
	2016	2015	2016	2015
Term currency transactions		116,284		4,049
Total		116,284		4,049

Fixed term contracts with a negative fair value (in thousands CZK)	Nominal value		Fair value	
	2016	2015	2016	2015
Term currency transactions	2,931,562	2,368,920	(75,829)	(29,418)
Total	2,931,562	2,368,920	(75,829)	(29,418)

The Company concludes derivatives only for the purpose of economic security. All the above financial instruments were concluded at the interbank market (OTC).

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

Remaining maturity of derivatives

As at 31 December 2016 (in thousands CZK)	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Not specified	Total
Other derivatives – intended for trading						
Term currency transactions	(30,328)	(45,501)				(75,829)
Total	(30,328)	(45,501)				(75,829)

As at 31 December 2015 (in thousands CZK)	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Not specified	Total
Other derivatives – intended for trading						
Term currency transactions	2,110	(27,479)				(25,369)
Total	2,110	(27,479)				(25,369)

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

Description (in thousands CZK)	Fair value		Acquisition cost	
	2016	2015	2016	2015
Shares and other variable-yield securities	854,570	859,927	778,611	791,301
Debt securities	1,537,905	2,553,588	1,000,206	1,771,189
Total	2,392,475	3,413,515	1,778,817	2,562,490

II.4. Currency structure of the investments

Currency	Variable-yield securities		Fixed income securities		Deposits and other investments		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
CZK	682,392	1,075,595	20,450,633	21,419,369	2,742,375	4,154,715	23,875,400	26,649,679
EUR	599,823	275,035	1,274,740	1,172,651	(3,863)	(4,874)	1,870,700	1,442,812
GBP	104,732	110,485			(2,675)	4,049	102,057	114,534
USD	1,043,841	698,852	406,187	291,858	(69,291)	(24,544)	1,380,737	966,166
Total	2,430,788	2,159,967	22,131,560	22,883,878	2,666,546	4,129,346	27,228,894	29,173,191

Variable-yield securities comprise a participating interest with significant influence amounting to TCZK 31,985 (2015: TCZK 299,773).

Deposits and other investments also include investments for the benefit of life assurance policyholders who bear the investment risk. All securities relating to investments for the benefit of life assurance policyholders who bear the investment risk are denominated in CZK.

All investments in the table above are stated in book value.

II.5. Receivables

At 31 December 2016 (in thousands CZK)	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	3,717		334,115	197,022	534,854
Overdue	140,010	12,856		174	153,040
Total	143,727	12,856	334,115	197,196	687,894
Adjustment	83,241	12,298		109	95,648
Total net	60,486	558	334,115	197,087	592,246

At 31 December 2015 (in thousands CZK)	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	4,474	1,800	324,564	198,401	529,239
Overdue	141,350	16,585		167	158,102
Total	145,824	18,385	324,564	198,568	687,341
Adjustment	93,181	15,603		109	108,893
Total net	52,643	2,782	324,564	198,459	578,448

Other receivables

(in thousands CZK)	2016	2015
Inter-company receivables	2,136	2,343
Income tax prepayments	191,113	191,469
Other receivables	3,838	4,756
Total other receivables (gross)	197,087	198,568

The remaining period to maturity of the above receivables does not exceed 5 years.

II.6. Other assets

(a) Tangible fixed assets

(in thousands CZK)	Motor vehicles	IT equipment	Fixtures and fittings	Other	Acquisition of assets and advances paid	Total
Acquisition cost at 1/1/2016	32,744	58,277	25,493	12,617	2,805	131,936
Additions	11,439	16,688	4,228	1,594	2,173	36,122
Disposals	(12,851)	(2,800)	(70)	0	(2,459)	(18,180)
Acquisition cost at 31/12/2016	31,332	72,165	29,651	14,211	2,519	149,878
Accumulated depreciation at 1/1/2016	17,429	51,063	13,170	1,591	0	83,253
Depreciation expense	6,981	7,341	2,461	1,585	0	18,368
Disposals	(11,073)	(2,800)	(12)	0	0	(13,885)
Accumulated depreciation at 31/12/2016	13,337	55,604	15,619	3,176	0	87,736
Net book value at 1/1/2016	15,315	7,214	12,323	11,026	2,805	48,683
Net book value at 31/12/2016	17,995	16,561	14,032	11,035	2,519	62,142

As at 31 December 2016, the Company also reported inventories of TCZK 1,423 (2015: TCZK 1,841).

II.7. Temporary asset accounts

(a) Deferred acquisition costs for life assurance contracts

(in thousands CZK)	2016	2015
Unit-linked assurance	1,631,471	1,518,914
Total	1,631,471	1,518,914

The calculation of the amount reported in Deferred acquisition costs for unit-linked assurance 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 688,581 (2015: TCZK 639,125) and the volume of the negative capital value of insurance contracts is used to create an asset of TCZK 942,890 (2015: TCZK 879,789).

(b) Estimated receivables

(in thousands CZK)	2016	2015
Estimated written premiums	99,723	104,824
Estimated reinsurance commissions	22,839	28,221
Estimated share in the profit of the reinsurance company BNP	10,314	10,883
Other	4,805	4,580
Total	137,681	148,508

Estimated written premiums

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

(c) Other temporary asset accounts

(in thousands CZK)	2016	2015
Prepaid expenses relating to commissions on premiums not yet recorded	32,608	26,930
Prepaid SW services	7,983	6,023
Other	630	1,109
Total	41,221	34,062

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 2015, 100%, i.e. TCZK 1,900,100, of the share capital was paid up. In the accounting period of 2016 and 2015, the share capital did not change.

Issue (in thousands CZK)	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
Total				23,500	1,900,100,000	

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

As at the balance sheet date, the Company did not hold any treasury shares.

(b) Other capital funds

(in thousands CZK)	2016	2015
Revaluation of assets and liabilities	0	125,398
Total	0	125,398

In connection with an amendment to Act No. 563/1991 Coll. concerning valuation of selected investments, which came into effect on 1 January 2016, the revaluation of assets and deferred tax was settled in the manner described in note I. 5.

As at 1 January 2016, the Company settled the revaluation and deferred tax as follows:

Revaluation of assets and liabilities at fair value

(in thousands CZK)	2016	2015
Balance at 1/1	125,398	148,071
Change in fair value of investments	-	(27,992)
Derecognition of investments revaluation due to a change in legislation described in note I. 5	(154,812)	
Change in deferred tax	29,414	5,319
Balance at 31/12	0	125,398

Proposed distribution of current period profit

(in thousands CZK)	
Profit from the current period	1,030,569
Transfer to social fund	7,471
Dividends (CZK 37 per share)	869,633
Profit to be added to retained earnings	153,465

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

II.9. Technical provisions

(a) Life assurance provision

(in thousands CZK)	2016	2015
Unzillmerised provision	4,444,172	4,901,661
Zillmer adjustment	12,895	15,880
Elimination of negative reserves	323	1,860
Zillmerised provision presented in the balance sheet	4,431,600	4,887,641
Flexi provision	14,361,986	15,245,648
Provision for profit share commitments	223,684	236,511
Annuity provision	6,501	6,727
Provision for bonuses	800,724	603,719
Total life assurance provision	19,824,495	20,980,246

(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)	2016	2015
RBNS	447,099	415,310
IBNR	1,397,488	1,273,023
Total	1,844,587	1,688,333

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2015, the claims payments during 2016 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2016.

The net run-off result by classes of insurance:

Class of insurance (in thousands CZK)	2016	2015
Accident and sickness – non-life insurance	15,450	(20,513)
Other losses – non-life insurance	(601)	(759)
Assurance on death, assurance on survival	19,415	34,640
Accident and sickness insurance as a rider to life assurance classes	208,726	48,420
Marriage insurance	59	89
Life assurance connected with an investment fund / unit-linked (not including accidental riders)	(3,316)	9,969
Total	239,733	71,846

(c) Other technical provisions

The item Other technical provisions includes the provision for liabilities arising from the applied technical interest rate.

(in thousands CZK)	Opening balance	Additions	Release	Closing balance
Provision for liabilities arising from the applied technical interest rate	114,611	15,127	24,596	105,142
Total	114,611	15,127	24,596	105,142

II.10. Provisions

Type of provision (in thousands CZK)	Opening balance	Additions	Release	Closing balance
Provision for taxes	188,016	240,246	188,016	240,246
Total	188,016	240,246	188,016	240,246

The income tax prepayments of TCZK 188,545 (2015: TCZK 189,038) are recognised in Other receivables.

II.11. Liabilities

At 31 December 2016 (in thousands CZK)	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	172,010	133,014	396,654	81,855	783,533
Overdue				169	169
Total	172,010	133,014	396,654	82,024	783,703

At 31 December 2015 (in thousands CZK)	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	183,515	105,411	388,887	77,446	755,259
Overdue		18		1,291	1,309
Total	183,515	105,429	388,887	78,737	756,568

Other payables comprise the following items:

(in thousands CZK)	2016	2015
Payables to employees	38,235	9,060
Social security liabilities	7,630	3,201
Health insurance liabilities	7,241	1,678
Payables to suppliers	14,359	30,225
Deferred tax liability	2,702	32,161
Other tax liabilities	11,857	2,412
Total	82,024	78,737

(a) Social security and health insurance liabilities

Liabilities in respect of social security and health insurance total TCZK 14,871 (2015: TCZK 4,879). An overview of these liabilities is presented in table II. 11. None of these liabilities are overdue.

(b) Tax liabilities

Tax liabilities amount to TCZK 11,857 (2015: TCZK 2,412), none of which is overdue.

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

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

(d) Payables and receivables due to or from reinsurers

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

(in thousands CZK)	2016	2015
Receivables from reinsurers	334,115	324,564
Payables to reinsurers	396,654	388,887
Deposits received from reinsurers	1,144,239	1,099,308
Technical provisions, reinsurance share	1,324,279	1,300,450
Net (+ receivable, – payable)	117,501	136,819

The deposit of TCZK 1,144,239 (2015: TCZK 1,099,308) relates to reinsurance contracts with VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

II.12. Temporary liability accounts

(a) Temporary liability accounts

(in thousands CZK)	2016	2015
Accrued expenses	119	
Estimated payables	286,620	336,117
Total	286,739	336,117

A detailed breakdown of estimated payables is as follows.

(b) Estimated payables

(in thousands CZK)	2016	2015
Alliance partner commission	98,870	97,829
Annual bonuses, extraordinary bonuses and untaken holidays	25,773	75,568
Reinsurance premiums on premium not yet recorded	50,108	54,659
Performance-based commissions of insurance intermediaries	55,784	51,513
Asset management fees	10,621	23,812
Operating system repairs and maintenance	27,859	16,122
Lawsuits and litigations	5,539	5,442
Services not yet invoiced by other creditors	3,526	5,250
Advance payments for services relating to rent	2,336	3,324
Consulting services	6,204	2,598
Total	286,620	336,117

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 reinsurance share in the estimate of gross premiums written disclosed in the estimated receivables, see note II. 7(b).

II.13. Inter-company receivables and payables

(a) Other inter-company receivables and payables

(in thousands CZK)	Receivables		Liabilities	
Company name	2016	2015	2016	2015
Short-term	312,024	303,559	343,989	328,730
Kooperativa pojišťovna, a.s., Vienna Insurance Group	4,172	2,794	5,313	2,888
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	307,852	300,765	338,676	325,842
Total	312,024	303,559	343,989	328,730

As specified in note II. 11(d), the Company also records a deposit relating to reinsurance contracts with VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe. As at 31 December 2016, the reinsurance share of technical provisions following from reinsurance within the group amounted to TCZK 1,142,233 (as at 31 December 2015: TCZK 1,097,696).

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

III. Additional disclosures in respect of the income statement

III.1. Non-life insurance

Non-life insurance for 2016 and 2015 divided by classes of insurance:

(in thousands CZK)	Class of insurance	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsurance balance
Direct insurance						
Accident and sickness	1.2					
2016		453,814	454,920	151,650	9,888	(78,295)
2015		469,259	470,444	222,008	9,758	(45,754)
Miscellaneous losses	16					
2016		196,894	196,895	9,348	1,797	(57,853)
2015		220,431	220,431	12,282	1,683	(62,407)
Total						
2016		650,708	651,815	160,998	11,685	(136,148)
2015		689,690	690,875	234,290	11,441	(108,161)

III.2. Life assurance

Gross premiums written in life assurance:

(in thousands CZK)	2016	2015
Individual premium	5,870,314	7,522,596
Premiums under group contracts	682,056	679,861
Total	6,552,370	8,202,457
Regular premium	6,212,007	5,914,089
Single premium	340,363	2,288,368
Total	6,552,370	8,202,457
Premiums from contracts without bonuses	752,460	763,910
Premiums from contracts with bonuses	4,599,856	6,070,992
Premiums from contracts where the investment risk is borne by policyholders	1,200,054	1,367,555
Total	6,552,370	8,202,457
Reinsurance balance	(125,373)	(149,859)

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

In 2016 and 2015, 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 conditions and insurance contracts:

(in thousands CZK)	2016	2015
Gross		
Non-life insurance	314,868	320,859
Life assurance	259,058	252,686
Total gross amount	573,926	573,545
Reinsurance share (non-life insurance)	311,548	318,265
Total net	262,378	255,280

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

2016 (in thousands CZK)	Gross	Reinsurance share	Net
Non-life insurance			
Creation	294,944	291,624	3,320
Release	319,265	315,945	3,320
Change of balance	(24,321)	(24,321)	0
Life assurance			
Creation	258,262		258,262
Release	258,167		258,167
Change of balance	95		95
Total change of balance	(24,226)	(24,321)	95

2015 (in thousands CZK)	Gross	Reinsurance share	Net
Non-life insurance			
Creation	327,648	324,959	2,689
Release	323,995	321,401	2,594
Change of balance	3,653	3,558	95
Life assurance			
Creation	254,090		254,090
Release	252,845		252,845
Change of balance	1,245		1,245
Total change of balance	4,898	3,558	1,340

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

(in thousands CZK)	2016			2015		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions						
Initial	135	1,261,090	1,261,225	116	1,154,008	1,154,124
Renewal	4,229	320,754	324,983	4,417	289,510	293,927
Total commissions	4,364	1,581,844	1,586,208	4,533	1,443,518	1,448,051
Other acquisition costs	1,268	204,711	205,979	1,638	206,431	208,069
Change in deferred acquisition costs	13	(112,557)	(112,544)	(18)	55,693	55,675
Total commissions and other acquisition costs	5,645	1,673,998	1,679,643	6,153	1,705,642	1,711,795

The Company discloses renewal commissions in administrative expenses. Renewal commissions are not deferred.

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)	2016	2015
Renewal commissions	324,983	293,927
Personnel expenses (payroll, social security and health insurance, remuneration to members of the Supervisory Board, Board of Directors and Audit Committee)	112,828	110,851
Depreciation of intangible fixed assets	45,454	45,503
Operating system administration and maintenance	31,679	27,775
Depreciation and repairs and maintenance of tangible assets	22,479	25,425
Postal and telecommunication services	20,682	21,990
Consumption of low-value tangible and intangible assets and other material	18,892	20,567
Other services	16,689	10,065
Other administrative expenses	15,071	8,021
Consultancy, legal services and external audit	15,086	7,698
Bank fees	8,079	7,002
Rent and related services	6,977	4,834
Total administrative expenses	638,899	583,658

Other personnel expenses are included in other administrative expenses.

III.7. Other technical expenses and income

(in thousands CZK)	2016	2015
Non-life insurance		
Other technical expenses	161	259
Other technical income	(992)	(753)
Balance – non-life insurance	(831)	(494)
Life assurance		
Other technical expenses	18,126	37,503
Other technical income	(67,636)	(89,292)
Balance – life assurance	(49,510)	(51,789)

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

(in thousands CZK)	2016	2015
Creation (+)/Release (-) of adjustments for receivables	(109)	(124)
Write-off of receivables	61	70
Write-off of payables	0	(19)
Income from judicial recovery	(22)	(60)
Fee from investments funds (trailer fee)	(254)	(41)
Other technical expenses and income	(38)	(57)
Expenses transferred from the non-technical account	(469)	(263)
Balance of other expenses and income	(831)	(494)

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

(in thousands CZK)	2016	2015
Creation (+)/Release (-) of adjustments for receivables	(13,136)	(13,955)
Write-off of receivables	7,716	10,742
Write-off of payables	(19,163)	(25,358)
Fee from investments funds (trailer fee)	(11,351)	(10,131)
Income from judicial recovery	(2,839)	(2,834)
Other technical expenses and income	(1,877)	(2,976)
Compensation of property damage	(1,016)	(741)
Current account interest	(955)	(2,429)
Expenses transferred from the non-technical account	(6,889)	(4,106)
Balance of other expenses and income	(49,510)	(51,789)

III.8. Employees and management

Personnel expenses and average calculated number of employees by individual categories for 2016 and 2015:

Personnel expense – type (in thousands CZK)	Year	Employee category			Total
		Acquisition, sales	Claims handling	Administration	
Payroll expense	2016	92,499	13,559	65,586	171,644
	2015	85,467	13,208	70,317	168,992
Social security and health insurance	2016	25,713	4,684	20,433	50,830
	2015	29,624	4,564	23,238	57,426
Other personnel expenses	2016	4,818	1,397	4,543	10,758
	2015	4,543	1,249	4,273	10,065
Total personnel expenses	2016	123,030	19,640	90,561	233,231
	2015	119,634	19,021	97,828	236,483
Average number of employees	2016	134	39	118	291
	2015	125	38	115	278

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

As at 31 December 2016, the management of the Company comprised 13 managers – chairman of the Board of Directors, vice-chairman of the Board, member of the Board, 1 deputy CEO, and 9 section directors. Payroll expenses relating to managers, excluding the members of the Board of Directors, totalled TCZK 29,634 in 2016 (2015: TCZK 29,836).

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

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

The Company has provided the following monetary and non-monetary remuneration to the statutory, executive and supervisory board members for the financial years 2016 and 2015:

(in thousands CZK)	2016	2015
Members of the Board of Directors	25,433	15,868
Proxy holder	60	60
Members of the Supervisory Board	1,461	1,389
Audit Committee	14	14
Total remuneration paid	26,968	17,331

The remuneration stated in the table does not include social security and health insurance payments even in case it is subject to these payments.

Effective from 1 September 2016, the members of the Company's Board of Directors are not employees of the Company. In exercising their offices, they use the titles of Deputy CEOs or the CEO of the Company.

The proxy holder is at the same time an employee of the Company, exercising the office of Deputy CEO.

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

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

The remuneration paid to the members of the Board of Directors was raised as a result of a change in remuneration for exercising the office of a member of the Board. The Board members receive remuneration in accordance with the contract for discharge of office.

The Company presented no receivables from members of the Board of Directors, Supervisory Board, Audit Committee or the proxy holder relating to granted loans or advances paid, either in 2016 or in 2015.

(b) Fees payable to statutory auditors

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

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

As at the balance sheet date the total amount of expenses allocated between the technical accounts for life assurance, non-life insurance and the non-technical account by means of the method stated in note I. 4(t) amounted to TCZK 80,671 (2015: TCZK 73,160).

III.10. Result of non-technical account

The result of the non-technical account as at 31 December 2016 amounted to TCZK 3,045 (2015: TCZK 3,326).

III.11. Result before tax

The result before tax as at 31 December 2016 amounted to TCZK 1,272,225 (2015: TCZK 974,803).

III.12. Taxation

(a) Income tax in the income statement

(in thousands CZK)	2016	2015
Provision for current period income tax	240,246	188,017
Difference between the current income tax relating to prior periods and release of the provision for income tax relating to prior periods	53	(162)
Change in deferred tax asset/Change in deferred tax liability	1,357	(3,090)
Income tax in the income statement	241,656	184,765

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Tangible fixed assets			3,866	6,421	(3,866)	(6,421)
Intangible fixed assets			4,977	4,334	(4,977)	(4,334)
Assets	608	760			608	760
Other temporary differences recorded in income statement	5,533	7,248			5,533	7,248
Effect on income statement	6,141	8,008	8,843	10,755	(2,702)	(2,747)
Revaluation of assets and liabilities				29,414		(29,414)
Effect on equity				29,414		(29,414)
Deferred tax asset/(liability)	6,141	8,008	8,843	40,169	(2,702)	(32,161)
Off-setting of relating deferred tax assets and liabilities	(6,141)	(8,008)	(6,141)	(8,008)		
Deferred tax asset/(liability)	0	0	2,702	32,161	(2,702)	(32,161)

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

IV. Other disclosures

IV.1. Group relations

The Company has not concluded a controlling agreement with its majority shareholder VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, with its registered office in Vienna, Austria.

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 2016.

Pardubice, on 17 March 2017

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Report on Relations

This Report on relations between the entities listed below was prepared pursuant to Section 82 of Act No. 90/2012, on Business Corporations and Co-operatives (Business Corporations Act), as amended, for the accounting period from 1 January 2016 to 31 December 2016 (hereinafter the “**Accounting Period**”).

Pojišťovna České spořitelny, a.s., Vienna Insurance Group, with its registered office at nám. Republiky 115, Zelené Předměstí, 530 02 Pardubice, Business registration number (IČ): 47452820, entered in the Commercial Register maintained by the Regional Court in Hradec Králové, Section B, File 855 (hereinafter the “**Submitter**”), is a member of the VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe. As a Group member the Submitter provides financial services within the scope of a licence for insurance activities in the Czech Republic.

The control is executed through management by representatives of the controlling entity in the Submitter’s Supervisory Board and through voting at the General Meeting, in which the controlling entity holds an ownership interest of 90%. Other instruments are also used within the Group, such as contractual agreements, the scope of which comprises the provision of services and the terms of separation of selected activities. The purpose of this management method is primarily to improve the financial services provided and reduce costs. Below is an overview of the existing relations between the Submitter and the controlling entities, and between the Submitter and entities controlled by the same controlling entities (hereinafter the “**Related Parties**”):

1. Overview/chart of the structure of relations between entities in the VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe 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 maintained by the Commercial Court in Vienna, Section FN, File 75687 F (hereinafter “Wiener Städtische”)

Company	Country	Ownership interest held by
“Assistance Company “Ukrainian Assistance Service” LLC	Ukraine	PJSC “Insurance company” Ukrainian insurance group”
“Baltikums Vienna Insurance Group” AAS	Latvia	
“BULSTRAD LIFE VIENNA INSURANCE GROUP” EAD	Bulgaria	INSURANCE JSC “BULSTRAD VIENNA INSURANCE GROUP”
“Compensa Services” SIA	Latvia	Compensa Vienna Insurance Group, UADB
“DUNAJ – Finanse” – Spolka z ograniczona odpowiedzialnoscia	Poland	Vienna Insurance Group Polska Sp.z o.o.
“Eisenhof” Gemeinnützige Wohnungsgesellschaft m.b.H.	Austria	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
“Grüner Baum” Errichtungs- und Verwaltungsges.m.b.H.	Austria	WGPN Holding GmbH
“Medical Clinic “DIYA” LLC	Ukraine	“Assistance Company “Ukrainian Assistance Service” LLC, PJSC “Insurance company” Ukrainian insurance group”
“Neue Heimat” Stadterneuerungsgesellschaft m.b.H.	Austria	Erste gemeinnützige Wohnungsgesellschaft Heimstätte GmbH, NEUE HEIMAT OÖ Gemeinnützige Wohnungs- und SiedlungsgesmbH
“POLISA-ZYCIE” Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group	Poland	

Company	Country	Ownership interest held by
AIS Servis, s.r.o.	Czech Republic	Kooperativa, pojišťovna, a.s., Vienna Insurance Group, Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group	Montenegro	
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H.	Austria	Neue Heimat Oberösterreich Holding GmbH, SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
Amadi GmbH	Germany	InterRisk Lebensversicherungs-AG Vienna Insurance Group
Anděl Investment Praha s.r.o.	Czech Republic	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Anif-Residenz GmbH	Austria	MAP Bürodienstleistung Gesellschaft m.b.H.
Anif-Residenz GmbH & Co KG	Austria	WSBV Beteiligungsverwaltung GmbH & Co KG, MAP Bürodienstleistung Gesellschaft m.b.H.
AQUILA Hausmanagement GmbH	Austria	WSV Vermögensverwaltung GmbH
AREALIS Liegenschaftsmanagement GmbH	Austria	Senioren Residenz Fultererpark Errichtungs- und Verwaltungs
Arithmetica Versicherungs- und Finanzmathematische Beratungs- Gesellschaft m.b.H.	Austria	DONAU Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A.	Romania	LVP Holding GmbH
ATBIH N.V.	Netherlands	LVP Holding GmbH
Autosig SRL	Romania	OMNIASIG VIENNA INSURANCE GROUP S.A.
AXA Nezivotno Osiguranje A.D.O	Serbia	
AXA Zivotno Osiguranje akcionarsko drustvo za osiguranje Beograd	Serbia	
B&A Insurance Consulting s.r.o.	Czech Republic	Business Insurance Application Consulting GmbH
BCR Asigurari de Viata Vienna Insurance Group S.A.	Romania	
Benefia Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia	Poland	Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group
Benefita, a.s.	Czech Republic	Kooperativa, pojišťovna, a.s., Vienna Insurance Group

Company	Country	Ownership interest held by
Beteiligungs- und Immobilien GmbH	Austria	Businesspark Brunn Entwicklungs GmbH
Beteiligungs- und Wohnungsanlagen GmbH	Austria	Businesspark Brunn Entwicklungs GmbH
Blizzard Real Sp. z o.o.	Poland	MAP Bürodienstleistung Gesellschaft m.b.H.
BML Versicherungsmakler GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Brunn N68 Sanierungs GmbH	Austria	WGPV Holding GmbH
BTA Baltic Insurance Company AAS	Latvia	
Bulgarski Imoti Asistans EOOD	Bulgaria	VIG Properties Bulgaria AD
Bulstrad Trudova Meditzina EOOD	Bulgaria	“BULSTRAD LIFE VIENNA INSURANCE GROUP” EAD
Business Insurance Application Consulting GmbH	Austria	
Businesspark Brunn Entwicklungs GmbH	Austria	WSBV Beteiligungsverwaltung GmbH & Co KG, WSV Immoholding GmbH
CAL ICAL „Globus“	Ukraine	VIG Services Ukrajina, LLC, Limited Liability Company "UIG Consulting", PJSC "Insurance company" Ukrainian insurance group"
Camelot Informatik und Consulting Gesellschaft m.b.H.	Austria	Sparkassen Versicherung AG Vienna Insurance Group
CAPITOL BROKER DE PENSII PRIVATE S.R.L.	Romania	ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., OMNIASIG VIENNA INSURANCE GROUP S.A., BCR Asigurari de Viata Vienna Insurance Group S.A.
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L.	Romania	ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., OMNIASIG VIENNA INSURANCE GROUP S.A., BCR Asigurari de Viata Vienna Insurance Group S.A.
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L.	Romania	ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., OMNIASIG VIENNA INSURANCE GROUP S.A., BCR Asigurari de Viata Vienna Insurance Group S.A.
CAPITOL Spolka z Ograniczona odpowiedzialnoscia	Poland	Compensa Towarzystwo Ubezpieczen Na Zycie S.A. VIG, Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, Vienna Insurance Group Polska Sp.z o.o.
CAPITOL, akciová spoločnosť	Slovakia	KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group

Company	Country	Ownership interest held by
CARPLUS Versicherungsvermittlungsagentur GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
CCA EDV für Versicherungswirtschaft GmbH	Austria	TOGETHER Internet Services GmbH
CENTER Hotelbetriebs GmbH	Austria	DONAU Versicherung AG Vienna Insurance Group, Sparkassen Versicherung AG Vienna Insurance Group, Wüstenrot Versicherungs-Aktiengesellschaft, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Central Point Insurance IT-Solutions GmbH	Austria	LVP Holding GmbH
Ceska Kooperativa London Ltd.	United Kingdom	Kooperativa, pojišťovna, a.s., Vienna Insurance Group
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group	Czech Republic	Kooperativa, pojišťovna, a.s., Vienna Insurance Group
CLAIM EXPERT G.I.E.	Romania	
Compania de Asigurari „DONARIS VIENNA INSURANCE GROUP“ Societate pe Actiuni	Moldova	
Compensa Dystrybucja Spolka z ograniczona odpowiedzialnoscia	Poland	Compensa Towarzystwo Ubezpieczen Na Zycie S.A. VIG, Vienna Insurance Group Polska Sp.z o.o.
COMPENSA Holding GmbH	Germany	
Compensa Life Vienna Insurance Group SE	Estonia	
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group	Poland	COMPENSA Holding GmbH
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group	Poland	COMPENSA Holding GmbH
Compensa Vienna Insurance Group, uzdaroji akcine draudimo bendrove	Lithuania	
ČPP Servis, s.r.o.	Czech Republic	Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group
CROWN-WSF spol. s.r.o.	Czech Republic	WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH
DBLV Immobesitz GmbH	Austria	Donau Brokerline Versicherungs-Service GmbH
DBLV Immobesitz GmbH & Co KG	Austria	Donau Brokerline Versicherungs-Service GmbH
DBR-Liegenschaften GmbH & Co KG	Germany	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group

Company	Country	Ownership interest held by
DBR-Liegenschaften Verwaltungs GmbH	Germany	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Deutschmeisterplatz 2 Objektverwaltung GmbH	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., WSV ImmoHolding GmbH
DIRECT-LINE Direktvertriebs-GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Donau Brokerline Versicherungs-Service GmbH	Austria	DONAU Versicherung AG Vienna Insurance Group
DONAU Versicherung AG Vienna Insurance Group	Austria	Sparkassen Versicherung AG Vienna Insurance Group
DV Asset Management EAD	Bulgaria	ATBIH N.V.
DV CONSULTING EOOD	Bulgaria	DV Invest EAD
DV Invest EAD	Bulgaria	ATBIH N.V.
DVIB GmbH	Austria	Donau Brokerline Versicherungs-Service GmbH
DVS Donau-Versicherung Vermittlungs- und Service- Gesellschaft m.b.H.	Austria	DONAU Versicherung AG Vienna Insurance Group
EBS Wohnungsgesellschaft mbH Linz	Austria	Beteiligungs- und Immobilien GmbH
EBV-Leasing Gesellschaft m.b.H.	Austria	Wiener Städtische Donau Leasing GmbH, Erste Bank und Sparkassen Leasing GmbH
EGW Datenverarbeitungs-Gesellschaft m.b.H.	Austria	Erste gemeinnützige Wohnungsgesellschaft Heimstätte GmbH
EGW Liegenschaftsverwertungs GmbH	Austria	Erste gemeinnützige Wohnungsgesellschaft Heimstätte GmbH
EGW Wohnbau gemeinnützige Ges.m.b.H.	Austria	Erste gemeinnützige Wohnungsgesellschaft Heimstätte GmbH
ELVP Beteiligungen GmbH	Austria	
Erste Bank und Sparkassen Leasing GmbH	Austria	Wiener Städtische Donau Leasing GmbH
Erste Biztositasi Alkusz Kft	Hungary	ERSTE Vienna Insurance Group Biztosító Zrt.
ERSTE drustvo s ogranicenom odgovornoscu za upravljanje obveznim i dobrovoljnim mirovinskim fondovima	Croatia	ATBIH N.V.
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H.	Austria	Neue Heimat Oberösterreich Holding GmbH, SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
Erste osiguranje Vienna Insurance Group d.d.	Croatia	Wiener osiguranje Vienna Insurance Group d.d.

Company	Country	Ownership interest held by
ERSTE Vienna Insurance Group Biztosító Zrt.	Hungary	UNION Vienna Insurance Group Biztosító Zrt.
European Insurance & Reinsurance Brokers Ltd.	United Kingdom	INSURANCE JSC “BULSTRAD VIENNA INSURANCE GROUP”
EUROPEUM Business Center s.r.o.	Slovakia	VIG FUND uzavřený investiční fond, a.s.
EXPERTA Schadenregulierungs-Gesellschaft mbH	Austria	DONAU Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Finanzpartner GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Foreign limited liability company “InterInvestUchastie”	Belarus	LVP Holding GmbH
GELUP GmbH	Austria	WSV Immoholding GmbH
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	Austria	Erste gemeinnützige Wohnungsgesellschaft Heimstätte GmbH, NEUE HEIMAT OÖ Gemeinnützige Wohnungs- und SiedlungsgesmbH, SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, WAG Wohnungsanlagen Gesellschaft m.b.H.
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	Austria	Gemeinnützige Industrie-Wohnungsaktiengesellschaft
GEO HOSPITALS LLC	Georgia	JSC International Insurance Company IRAO
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H.	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, WSV Immoholding GmbH
Gewista-Werbegesellschaft m.b.H.	Austria	PROGRESS Beteiligungsges.m.b.H.
GGVier Projekt-GmbH	Austria	MAP Bürodienstleistung Gesellschaft m.b.H.
Glamas Beteiligungsverwaltungs GmbH	Austria	MAP Bürodienstleistung Gesellschaft m.b.H.
Glamas Beteiligungsverwaltungs GmbH & Co “Beta” KG	Austria	MAP Bürodienstleistung Gesellschaft m.b.H.
GLOBAL ASSISTANCE SERVICES s.r.o.	Czech Republic	
GLOBAL ASSISTANCE SLOVAKIA s.r.o.	Slovakia	KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group
GLOBAL ASSISTANCE a.s.	Czech Republic	Kooperativa, pojišťovna, a.s., Vienna Insurance Group
Global Expert, s.r.o.	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group

Company	Country	Ownership interest held by
Global Services Bulgaria JSC	Bulgaria	INSURANCE JSC „BULSTRAD VIENNA INSURANCEGROUP“, „BULSTRAD LIFE VIENNA INSURANCE GROUP“ EAD, TBI BULGARIA EAD
Hausservice Objektbewirtschaftungs GmbH	Austria	Urbanbau Gemeinnützige Bau- Wohnungs- u.StadterneuerungsgmbH
Henderson Global Investors Immobilien Austria GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH	Austria	DONAU Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
HOTELY SRNÍ, a.s.	Czech Republic	KIP, a.s.
HUN BM Korlátolt Felelősségű Társaság	Hungary	VIG FUND uzavřený investiční fond, a.s.
IM31 Floridsdorf am Spitz GmbH	Austria	WSBV Beteiligungsverwaltung GmbH & Co KG, MAP Bürodienstleistung Gesellschaft m.b.H.
Immodat GmbH	Austria	Urbanbau Gemeinnützige Bau- Wohnungs- u.StadterneuerungsgmbH
IMOVE Immobilienverwertung- und -verwaltungs GmbH	Austria	Urbanbau Gemeinnützige Bau- Wohnungs- u.StadterneuerungsgmbH
Insurance Company Nova Ins EAD	Bulgaria	INSURANCE JSC „BULSTRAD VIENNA INSURANCE GROUP“
INSURANCE JOINT-STOCK COMPANY “BULSTRAD VIENNA INSURANCE GROUP”	Bulgaria	TBI BULGARIA EAD
InterRisk Informatik GmbH	Germany	InterRisk Lebensversicherungs-AG Vienna Insurance Group
InterRisk Lebensversicherungs-AG Vienna Insurance Group	Germany	InterRisk Versicherungs-AG Vienna Insurance Group
InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group	Poland	
InterRisk Versicherungs-AG Vienna Insurance Group	Germany	
INTERSIG VIENNA INSURANCE GROUP Sh.A.	Albania	
Jahorina auto d.o.o.	Bosnia and Herzegovina	Wiener Osiguranje VIG ad
Joint Stock Company “Curatio”	Georgia	JSC Insurance Company GPI Holding
Joint Stock Company Insurance Company GPI Holding	Georgia	GPIH B.V.

Company	Country	Ownership interest held by
Joint Stock Company International Insurance Company IRAO	Georgia	ATBIH N.V.
Joint Stock Insurance Company WINNER LIFE – Vienna Insurance Group Skopje	Macedonia	
Joint Stock Insurance Company WINNER-Vienna Insurance Group	Macedonia	
Kaiserstraße 113 GmbH	Austria	DBLV Immobesitz GmbH & Co KG, DVIB GmbH
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H.	Hungary	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Kapitol pojišťovací a finanční poradenství, a.s.	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group, LVP Holding GmbH
KIP, a.s.	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group
KOMUNÁLNA poisťovňa, a.s., Vienna Insurance Group	Slovakia	KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group
KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group	Slovakia	SECURIA majetkovosprávna a podielová s.r.o.
Kooperativa poisťovňa, a.s., Vienna Insurance Group	Czech Republic	VLTAVA majetkovosprávní a podílová spol. s.r.o.
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company	Belarus	LVP Holding GmbH, FLLC „InterInvestUchastie“
KWC Campus Errichtungsgesellschaft m.b.H.	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Limited Liability Company “UIG Consulting”	Ukraine	PJSC “Insurance company” Ukrainian insurance group”
LiSciV Muthgasse GmbH & Co KG	Austria	MAP Bürodienstleistung Gesellschaft m.b.H.
LVP Holding GmbH	Austria	
MAP Bürodienstleistung Gesellschaft m.b.H.	Austria	WSV ImmoHolding GmbH
MC EINS Investment GmbH	Austria	MAP Bürodienstleistung Gesellschaft m.b.H.
MH 54 Immobilienanlage GmbH	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH
Money & More Pénzügyi Tanácsadó Zártkörűen Működő Részvénytársaság	Hungary	Vienna Life Vienna Insurance Group Biztosító Zrt., LVP Holding GmbH

Company	Country	Ownership interest held by
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH	Austria	Neue Heimat Oberösterreich Holding GmbH, SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H.	Austria	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Urbanbau Gemeinnützige Bau- Wohnungs- u.StadterneuerungsgmbH
Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG	Austria	SVZI GmbH
OMNIASIG VIENNA INSURANCE GROUP S.A.	Romania	
Österreichisches Verkehrsbüro Aktiengesellschaft	Austria	DONAU Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG VIG
Palais Hansen Immobilienentwicklung GmbH	Austria	WGPV Holding GmbH
Passat Real Sp. z o.o.	Poland	MAP Bürodienstleistung Gesellschaft m.b.H.
Pension Insurance Company Doverie AD	Bulgaria	ATBIH N.V.
People's Pharmacy LLC	Georgia	JSC Insurance Company GPI Holding
PFG Holding GmbH	Austria	DONAU Versicherung AG Vienna Insurance Group, Sparkassen Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
PFG Liegenschaftsbewirtschaftungs GmbH	Austria	DONAU Versicherung AG Vienna Insurance Group, Sparkassen Versicherung AG Vienna Insurance Group, Wüstenrot Versicherungs-Aktiengesellschaft, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG	Austria	Wüstenrot Versicherungs-Aktiengesellschaft, PFG Holding GmbH
Poisťovňa Slovenskej sporiteľne., a.s., Vienna Insurance Group	Slovakia	KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group
Pojišťovna České spořitelny, a.s., Vienna Insurance Group	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Privat Joint-Stock Company „OWN SERVICE“	Ukraine	VIG Services Ukrajina, LLC, PJSC IC „KNIAZHA LIFE VIENNA INSURANCE GROUP“, ATBIH N.V.
Private Joint-Stock Company “INSURANCE COMPANY “KNIAZHA LIFE VIENNA INSURANCE GROUP”	Ukraine	LVP Holding GmbH, MAP Bürodienstleistung Gesellschaft m.b.H.

Company	Country	Ownership interest held by
Private Joint-Stock Company “Insurance company” Ukrainian insurance group”	Ukraine	“Assistance Company “Ukrainian Assistance Service” LLC, ATBIH N.V.
PRIVATE JOINT-STOCK COMPANY “UKRAINIAN INSURANCE COMPANY “KNIASHA VIENNA INSURANCE GROUP”	Ukraine	VIG Services Ukrajina, LLC, ATBIH N.V.
PROGRESS Beteiligungsges.m.b.H.	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Projektbau GesmbH	Austria	Projektbau Holding GmbH
Projektbau Holding GmbH	Austria	DONAU Versicherung AG Vienna Insurance Group, Sparkassen Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Rathstraße 8 Liegenschaftsverwertungs GmbH	Austria	WSBV Beteiligungsverwaltung GmbH & Co KG, MAP Bürodienstleistung Gesellschaft m.b.H.
Ray Sigorta Anonim Sirketi	Turkey	LVP Holding GmbH, ATBIH N.V.
Renaissance Hotel Realbesitz GmbH	Austria	DVIB GmbH
Risk Consult Bulgaria EOOD	Bulgaria	RISK CONSULT Sicherheits- und Risiko-Managementberatung Ges
Risk Consult Polska Sp.z.o.o.	Poland	RISK CONSULT Sicherheits- und Risiko-Managementberatung Ges, Vienna Insurance Group Polska Sp.z o.o.
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H.	Austria	DONAU Versicherung AG Vienna Insurance Group
Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi	Turkey	RISK CONSULT Sicherheits- und Risiko-Managementberatung Ges, Ray Sigorta A.S.
Risk Experts s.r.o.	Slovakia	RISK CONSULT Sicherheits- und Risiko-Managementberatung Ges
Risk Logics Risikoberatung GmbH	Austria	RISK CONSULT Sicherheits- und Risiko-Managementberatung Ges
S-budovy, a.s.	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group
S IMMO AG	Austria	Sparkassen Versicherung AG Vienna Insurance Group
S. C. SOCIETATEA TRAINING IN ASIGURARI S.R.L.	Romania	VIG Management Service SRL
S.C. CLUB A.RO S.R.L.	Romania	ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A.

Company	Country	Ownership interest held by
S.C. Risk Consult & Engineering Romania S.R.L.	Romania	RISK CONSULT Sicherheits- und Risiko-Managementberatung Ges, Risk Logics Risikoberatung GmbH
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama	Croatia	LVP Holding GmbH
Sanatorium Astoria a.s.	Czech Republic	KIP, a.s.
SB Liegenschaftsverwertungs GmbH	Austria	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., DVIB GmbH
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., DVIB GmbH
SCHWARZATAL Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH	Austria	Gemeinnützige Industrie-Wohnungsaktiengesellschaft, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
SECURIA majetkovosprávna a podielová s.r.o.	Slovakia	LVP Holding GmbH
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, WSV ImmoHolding GmbH
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A.	Albania	
SK BM s.r.o.	Slovakia	VIG FUND uzavřený investiční fond, a.s.
Slovexperta, s.r.o.	Slovakia	KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group
Social & Culture Beteiligungs GmbH – WS Wechselseitige	Austria	Social & Culture GmbH – Wiener Städtische Wechselseitige
Social & Culture GmbH – Wiener Städtische Wechselseitige	Austria	
Soleta Beteiligungsverwaltungs GmbH	Austria	MAP Bürodienstleistung Gesellschaft m.b.H.
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft	Austria	Erste gemeinnützige Wohnungsgesellschaft Heimstätte GmbH, Neue Heimat Oberösterreich Holding GmbH

Company	Country	Ownership interest held by
Sparkassen Versicherung AG Vienna Insurance Group	Austria	LVP Holding GmbH, WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Sparkassen-Versicherungsservice Gesellschaft m.b.H.	Austria	Sparkassen Versicherung AG Vienna Insurance Group
Spółdzielnia Usługowa VIG EKSPERT W WARSZAWIE	Poland	“POLISA-ZYCIE” TU S.A. Vienna Insurance Group, Compensa Towarzystwo Ubezpieczeń Na Życie S.A. VIG, Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, InterRisk Towarzystwo Ubezpieczeń S.A.Vienna Insurance Group
Spółdzielnia Vienna Insurance Group IT Polska	Poland	“POLISA-ZYCIE” TU S.A. Vienna Insurance Group, Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. VIG, Compensa Towarzystwo Ubezpieczeń Na Życie S.A. VIG, Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, InterRisk Towarzystwo Ubezpieczeń S.A.Vienna Insurance Group
S-správa nemovitostí, a.s.	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group	Macedonia	
SURPMO, a.s.	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group
SVZ GmbH	Austria	Sparkassen Versicherung AG Vienna Insurance Group
SVZ ImmoHolding GmbH	Austria	SVZ GmbH
SVZ ImmoHolding GmbH & Co KG	Austria	SVZI GmbH
SVZI GmbH	Austria	SVZ GmbH
T 125 GmbH	Austria	DBLV Immobesitz GmbH & Co KG, DVIB GmbH
TBI BULGARIA EAD	Bulgaria	
TBI Info EOOD	Bulgaria	Business Insurance Application Consulting GmbH, “BULSTRAD LIFE VIENNA INSURANCE GROUP” EAD
TOGETHER Internet Services GmbH	Austria	DONAU Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
UAB “Compensa Life Distribution”	Lithuania	Compensa Life Vienna Insurance Group SE
UAB “Compensa Services”	Lithuania	Compensa Vienna Insurance Group, UADB

Company	Country	Ownership interest held by
UNION Vienna Insurance Group Biztosító Zrt.	Hungary	
UNION-Informatikai Szolgáltató Kft.	Hungary	UNION Vienna Insurance Group Biztosító Zrt.
Untere Donaulände 40 GmbH	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., DVIB GmbH
Untere Donaulände 40 GmbH & Co KG	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., DVIB GmbH
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H.	Austria	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
VIG. ND, a.s.	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group
VBV – Betriebliche Altersvorsorge AG	Austria	DONAU Versicherung AG Vienna Insurance Group, Sparkassen Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H.	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Vienibas Gatve Investments OÜ	Estonia	Compensa Life Vienna Insurance Group SE
Vienibas Gatve Properties SIA	Latvia	Vienibas Gatve Investments OÜ
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	Austria	Social & Culture Beteiligungs GmbH – WS Wechselseitige
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia	Poland	Compensa Towarzystwo Ubezpieczeń Na Życie S.A. VIG, Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, InterRisk Towarzystwo Ubezpieczeń S.A.Vienna Insurance Group
Vienna International Underwriters GmbH	Austria	
Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group	Poland	
Vienna Life Vienna Insurance Group Biztosító Zártkörűen Működő Részvénytársaság	Hungary	
Vienna-Life Lebensversicherung AG Vienna Insurance Group	Liechtenstein	
VIG AM Services GmbH	Austria	VIG Asset Management investiční společnost, a.s.
VIG Asset Management investiční společnost, a.s.	Czech Republic	

Company	Country	Ownership interest held by
VIG FUND uzavřený investiční fond, a.s.	Czech Republic	VIG-CZ Real Estate GmbH, Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, InterRisk Lebensversicherungs-AG Vienna Insurance Group, InterRisk Versicherungs-AG Vienna Insurance Group, KOMUNÁLNA poisťovňa, a.s., Vienna Insurance Group, KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group, Kooperativa pojišťovna, a.s., Vienna Insurance Group, Wiener osiguranje Vienna Insurance Group d.d., Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, InterRisk Towarzystwo Ubezpieczen S.A.Vienna Insurance Group, VIG RE zajišťovna, a.s., Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Poistovňa Slovenskej sporiteľne, a.s., Vienna Insurance Group, V.I.G. ND, a.s.
VIG Management Service SRL	Romania	ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A., OMNIASIG VIENNA INSURANCE GROUP S.A., BCR Asigurari de Viata Vienna Insurance Group S.A.
VIG Properties Bulgaria AD	Bulgaria	
VIG RE zajišťovna, a.s.	Czech Republic	DONAU Versicherung AG Vienna Insurance Group, KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group, Kooperativa pojišťovna, a.s., Vienna Insurance Group
VIG REAL ESTATE DOO	Serbia	WGPV Holding GmbH
VIG Real Estate GmbH	Austria	SVZI GmbH, “Grüner Baum” Errichtungs- und Verwaltungsges.m.b.H., DVIB GmbH
VIG Services Bulgaria EOOD	Bulgaria	INSURANCE JSC “BULSTRAD VIENNA INSURANCE GROUP”
VIG Services Shqiperi Sh.p.K.	Albania	INTERSIG VIENNA INSURANCE GROUP Sh.A., SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A.
VIG Services Ukrajina, LLC	Ukraine	PJSC “Insurance company” Ukrainian insurance group”
VIG-CZ Real Estate GmbH	Austria	VIG Real Estate GmbH
VLTAVA majetkovosprávní a podílová spol. s.r.o.	Czech Republic	LVP Holding GmbH
VÖB Direkt Versicherungsagentur GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
WAG Immobilien Einsiedlergasse GmbH	Austria	WAG Wohnungsanlagen Gesellschaft m.b.H.

Company	Country	Ownership interest held by
WAG Wohnungsanlagen Gesellschaft m.b.H.	Austria	Beteiligungs- und Wohnungsanlagen GmbH, Beteiligungs- und Immobilien GmbH
WGPV Holding GmbH	Austria	WSV Immoholding GmbH
Wien 3420 Aspern Development AG	Austria	GELUP GmbH
Wiener Osiguranje Vienna Insurance Group ad	Bosnia and Herzegovina	
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje	Croatia	
WIENER RE akcionarsko društvo za reosiguranje, Beograd	Serbia	VIG RE zajišťovna, a.s.
WIENER STÄDTISCHE Beteiligungs GmbH	Austria	BML Versicherungsmakler GmbH
Wiener Städtische Donau Leasing GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH	Austria	WIENER STÄDTISCHE Beteiligungs GmbH
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Beograd	Serbia	
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	Austria	
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H.	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
WILA GmbH	Austria	WSV Immoholding GmbH
WINO GmbH	Austria	WSV Beta Immoholding GmbH
Wipplingerstraße 24-26 GmbH	Austria	Social & Culture Beteiligungs GmbH – WS Wechselseitige
Wipplingerstraße 24-26 GmbH & Co KG	Austria	Social & Culture GmbH – Wiener Städtische Wechselseitige, Social & Culture Beteiligungs GmbH – WS Wechselseitige
WNH Liegenschaftsbesitz GmbH	Austria	Neue Heimat Oberösterreich Holding GmbH
WOFIN Wohnungsfinanzierungs GmbH	Austria	Urbanbau Gemeinnützige Bau- Wohnungs- u.StadterneuerungsgmbH
WSBV Beteiligungsverwaltung GmbH	Austria	WSV Vermögensverwaltung GmbH
WSBV Beteiligungsverwaltung GmbH & Co KG	Austria	WSV Immoholding GmbH

Company	Country	Ownership interest held by
WSV Beta Immoholding GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
WSV Immoholding GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
WSV Vermögensverwaltung GmbH	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
WWG Beteiligungen GmbH	Austria	ELVP Beteiligungen GmbH

2. Based on the information available, no actions were undertaken at the initiative 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 Submitter’s assets in excess of 10% of its equity, determined according to the last financial statements.

3. Overview of mutual contracts with controlled entities: VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Contracts

Sale of services

In the accounting period, the Submitter provided/received services under the contracts concluded in the previous accounting periods or in the current accounting period:

Contract	Contractual party	Date of conclusion	Effective date	Performance	Note
Agreement on cooperation in using buildings No. 115 and No. 1400 in Pardubice, No. 46/2013 – as amended by Amendment No. 1	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665, 186 00 Prague 8	27 June 2013 Amendment No. 1 of 5 March 2014	1 June 2013 Amendment No. 1 of 1 January 2014	Stipulation of mutual rights and obligations for the use of commercial premises in both properties serving both parties	
Agreement on sublease of commercial premises for a definite term – sub-lessee Kooperativa – as amended by Amendment No. 1 – lease until 31 July 2019 and Amendment No. 2 and No. 3	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	20 January 2010 Amendment No. 3 of 25 October 2016	1 January 2010 Amendment No. 3 of 1 January 2016	Lease of office, room No. 371, with a total area of 298.22 sq.m. in the building at nám. Republiky 1400, Pardubice	

Contract	Contractual party	Date of conclusion	Effective date	Performance	Note
Agreement on sublease of commercial premises for a definite term, as amended by Amendment No. 17	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	10 December 2004 Amendment No. 17 of 29 March 2016	2 January 2004 Amendment No. 17 of 29 March 2016	Lease of offices, rooms No. 241, 361 and 431, and rooms No. 351 and 352 with a total area of 1,739.12 sq.m. in the building at nám. Republiky 1400, Pardubice	
Insurance Policy No. 2269152903 until 28 February 2017, as amended by Amendment No. 1 to Amendment No. 14	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	25 February 2016 Amendment No. 14 of 7 December 2016	1 March 2016 Amendment No. 14 of 7 December 2016	Motor hull insurance for company cars	
Insurance Policy No. 2269005698 until 29 February 2016, as amended by Amendment No. 11 to Amendment No. 13	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	2 March 2015 Amendment No. 13 of 5 February 2016	1 March 2015 Amendment No. 13 of 5 February 2016	Motor hull insurance for company cars	
Insurance Policy No. 7720945520 until 31 December 2016, as amended by Amendment No. 1	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	21 December 2015 Amendment No. 1 of 31 December 2015	1 January 2016 Amendment No. 1 of 1 January 2016	Contract for insurance of Company assets and liability insurance	
Insurance Policy No. 2060001407 on supplementary insurance of motor vehicles – H73, as amended by Amendments No. 67 to No. 84	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	29 October 2010 Amendment No. 67 of 14 January 2016 Amendment No. 84 of 7 December 2016	1 November 2010 Amendment No. 67 of 14 January 2016 Amendment No. 84 of 7 December 2016	Insurance of motor vehicles NA100PRO – no fault accident	

Contract	Contractual party	Date of conclusion	Effective date	Performance	Note
Insurance Policy Flotila No. 6980152161, as amended by Amendment No. 6325659812	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	1999 Amendment No. 632565812 of 7 December 2016	1999 Amendment No. 632565812 of 7 December 2016	Motor third-party liability insurance	
Insurance Policy No. 8603105774, as amended by Amendment No. 1	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	31 July 2014 Amendment No. 1 of 31 July 2014	1 August 2014 Amendment No. 1 of 1 August 2014	Insurance policy for group liability insurance of Pojišťovna České spořitelny employees	
Insurance Policy No. 4950050837	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	30 August 2016	1 September 2016	Insurance of statutory bodies members	
Cost Sharing Agreement, as amended by Amendment No. 3	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	16 December 2010 Amendment No. 3 of 30 December 201	1 January 2011 Amendment No. 3 of 1 January 2015	Outsourcing for: – internal audit, including ongoing ŘKS monitoring; – information technologies; payroll processing, – Customer Support Centre service	
Intra-group Cooperation Agreement	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 August. 2010	13 August 2010	Definition of key competences and responsibilities in the process of development, management and coordination of the VIG Group in the Czech Republic	The Agreement was terminated as at 4 October 2014 and was fully replaced by the Intra-group Cooperation Agreement of 5 October 2016

Contract	Contractual party	Date of conclusion	Effective date	Performance	Note
Intra-group Cooperation Agreement	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	5 October 2016	5 October 2016	The Agreement defines the principles of cooperation for coordination and implementation of the Group's joint policy and sets out the terms of observing joint regional management.	This Intra-group Cooperation Agreement cancels and fully replaces the previous Intra-group Cooperation Agreement of 13 August 2010
Data Center Service Frame Agreement	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	14 January 2014	1 January 2013	Stipulation of the terms and conditions of the provision of services related to use of central data systems	
Software Agreement	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	22 December 2015	1 January 2016	Purchase of SAP SRM user licences for the COS project	
Quata Share Reinsurance Agreement č. 97/2016	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	26 September 2016	1 January 2016	Ensuring non-life supplementary accident insurance for 2016	

Contract	Contractual party	Date of conclusion	Effective date	Performance	Note
Quata Share Reinsurance Agreement 98/2016	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	26 September 2016	1 January 2016	Ensuring non-life supplementary accident insurance for 2016	

Brokering contracts

The Submitter concluded the following contracts for brokering activity under which it provided the following performance:

Contract	Contractual party	Date of conclusion	Effective date	Performance	Note
Business Representation Agreement No. 4116-400500/10-2015-A (94/2015)	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	15 October 2015	15 October 2015	Brokering of non-life insurance sales	Amendment No. 1 to the Business Representation Agreement No. 4116-400500/10-2015-A (in effect as of 1 June 2016)
Business Representation Agreement (HR 994174)	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Praha	28 December 2011	1 January 2012	Brokering of non-life insurance sales through KAPITOL finanční a pojišťovací poradenství, a.s.	Amendment No. 2 – amending Appendix 1 Commission Terms (in effect as of 1 April 2016) Amendment No. 3 – amending Appendix 1 Commission Terms (in effect as of 1 July 2016) Amendment No. 4 – amending Appendix 1 Commission Terms (in effect as of 1 October 2016) Amendment No. 5 – amending Appendix 1 Commission Terms (in effect as of 1 December 2016) Agreement on the termination of the Agreement as at 31 December 2016

Comment:

All relations described in this annex were effected between the Related Parties, specifically between the Submitter and VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

Applicable laws of the Czech Republic were observed in entering into the foregoing relations, and prices were set pursuant to the relevant provisions of the Income Tax Act, i.e. on an arm’s-length basis. Insurance brokering pursuant to Act No. 38/2004 is governed in contractual relations by defining the mutual rights and obligations of the contractual parties (and the definition of the terms and conditions of the course, claim and payment of consideration for the provided services related to the sale of insurance. An integral part of the contracts is the authorization granted by the related party for the provision of the said services under the conditions set out by the aforementioned law.

4. Conclusion

No contractual party claimed any detriment during the accounting period. The advantage of the foregoing contractual relations is effective use of resources and services in the course of ordinary business, as well as cost savings.

1. Outlook

The Company's business development is focused on providing profitable products with high added value, system-wide planning of product innovations and building relations with clients and business partners based on mutual trust. The trust is the result of the long-standing provision of quality customer service for business partners and final consumers of insurance services.

The Company's development is aimed at meeting business targets and ensuring financial stability in the long run in an environment of growing competition and low-interest rates compounded by high volatility of the financial markets and tighter regulation of the industry.

Meeting business targets and ensuring further growth of the Company are mainly based on:

a) Effective management of product innovations

Product changes are facilitated by the knowledge of customer requirements and behaviour where the key focus is primarily on the need to help resolve serious life situations. The essence of these changes is to continuously expand the product offer flexibility and range to include disability insurance, insurance against incapacity due to illness, insurance against serious illnesses and a combination of permanent injuries. The entire product offer is built on an effort

to design a transparent, simple and client- and user-friendly product. Part of the product development is ongoing monitoring of changes in society with a constantly growing proportion of digital communications, including increasing use of online sales. For these purposes, the Company has implemented the digitization program, which is aimed at integrating this phenomenon into the Company's communications, sales and processes.

b) Quality of services provided for final customers

The Company innovates insurance management procedures on an ongoing basis. The provision of services is always based on high quality sales and after-sales services. Similarly to previous years and last year, the Company further developed these innovations with the objective of streamlining the acquisition process by improving electronic insurance policy forms, including electronic signature of clients. The next step was the introduction of electronic reporting of insurance claims where the client follows the manual to avoid errors in the report. The process also allows for attaching the required forms. Besides this application, we work on developing multi-channel communications. Next year the Company plans to offer an option of direct sales via the web interface. To further develop electronic services and communications, we continue to cooperate with Česká spořitelna in Internet banking.

c) Effective risk management

The Company has fully implemented the management system in accordance with the conditions set out in Solvency II. The management and control system, its functionality, efficiency, adequacy and continuity is regularly checked by internal audit. The system meets all regulatory requirements and is also a good tool for identifying opportunities for further development of the Company. The sophisticated reporting system provides sufficient information for Company management about the risk profile and the amount of both tied-up capital for settlement of the Company's liabilities and of capital available for further growth.

2. Research and Development Activities

Activities in the field of research and development correspond to the Company's scope of business, which consists of providing financial services. Therefore, development involves mainly the advancement and utilization of information and communication technologies and is focused on ongoing product innovation aimed at efficient and customer-friendly services. An integral part of this approach is an effort to enhance environmental protection, which in terms of the Company's activities means primarily energy conservation.

3. Environmental Protection and Labour Relations

With regard to its scope of business, the Company causes minimal environmental damage and meets the requirements stipulated by Czech legislation. In the process of IT infrastructure renewal, we keep monitoring the selection of contractors and the used equipment to guarantee full recycling and a significant reduction in energy consumption related to IT technology operations. In the past year we focused within our capacity on environmental management communications, involving regular training and briefing of all employees on the Company environmental policy programs. Part of this process is waste sorting and waste management.

In the field of labour relations, The Company strives to be an attractive employer. To achieve this goal, the Company pays increased attention to the development of the employment policy and social programs. For this purpose, the Company has approved a cooperation program with schools with the aim to establish cooperation with selected schools and create an opportunity for participating in internship programs with a chance of future employment in the Company. The Company provides its employees with a variety of pecuniary and non-pecuniary benefits. It evaluates the work environment on an ongoing basis in order to meet the requirements for the performance of work tasks and complies with occupational safety rules. It also ensures regular and contractually provided health care for its employees.

Education and professional growth rank among the Company's monitored indicators in the assessment of top management's profit-sharing. The Company has implemented a system of assessment and development of employees, which allows them to participate in various forms of education/training, including improving and extending their qualifications.

The Company has long been promoting the concept of Corporate Social Responsibility (CSR) by partnering with the Jedlička Institute Foundation and the Paraple Centre. The Company organizes charity days where its employees may participate.

4. Foreign Branches

The Company has no foreign branch.

5. Other Requirements Pursuant to Special Legal Regulations

The Company meets the requirements for its line of business, i.e. insurance, laid down mostly in the Insurance Act and also in the Act on Insurance Intermediaries and Independent Loss Adjusters. No other special requirements are stipulated for the Company's activity.

The Company is not aware of any subsequent events that would have an impact on the financial statements.

