



POJIŠŤOVNA
ČESKÉ SPOŘITELNY
VIENNA INSURANCE GROUP

Life assurance **SPECIALISTS**

Annual Report
2017



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Key Figures

in thousands CZK	2017
Assets	29,627,707
Equity	4,060,289
Technical provisions	23,026,576
Profit (loss) of current accounting period	1,088,574
Total written premiums	7,498,236
of this: life assurance	6,898,360
non-life insurance	599,876
Total costs of insurance claims	4,862,718
of this: life assurance	4,675,758
non-life insurance	186,960

A background image showing several hands assembling large, colorful puzzle pieces (blue, red, and grey) against a light grey background. The puzzle pieces are interlocking, symbolizing a complete solution or a well-thought-out plan.

Your Easy Road to Life Assurance

Pojišťovna České spořitelny is one of the largest insurance companies in the field of life assurance 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 3,200 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 513 locations in the Czech Republic.

The External Network of Pojišťovna České spořitelny

A professional client service is provided by approximately 133 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.

Company Profile

2017

Pojišťovna České spořitelny continued to offer competitive products under the banner “FLEXI Gives You More” with more favourable terms to promote 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 – placed first in the Zlatá koruna (Golden Crown) competition for the ninth consecutive time.

Last year, Pojišťovna České spořitelny launched a new type of non-investment risk life assurance FLEXI RISK, designed for clients who do not want to take out life assurance with a unit-linked component.

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

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.

Company Profile

2013

Pojišťovna České spořitelny won two prestigious awards in the Zlatá koruna (Golden Crown) competition, this being for first place (with FLEXI Life Assurance) and third place (with FLEXI Life Assurance – JUNIOR) in the category Life Assurance of the Year. The Company was also successful in the Insurance Company of the Year 2012 survey, winning first place in the Life Assurance category. FLEXI underwent innovation at the end of the year. It now offers clients progressive 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.

Company Profile

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.

Company Profile

2001

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

2000

Within the framework of privatizing Česká spořitelna we also underwent a thorough legal and financial audit. This resulted in a new shareholder entering at the end of 2000. The largest Austrian life assurance company, Sparkassen Verisicherung, a member of the Erste Bank Financial Group, acquired a 45% stake in the company by increasing the share capital by CZK 500 million. We put FLEXI Flexible Life Assurance on the market, a unique product for a new generation.

1995–1999

In 1995, we were the first insurance company in the Czech Republic to put insurance for very serious diseases onto the market, under which claims can be made if a client is diagnosed with a disease. An important milestone in the Company's history was the capital input of Česká spořitelna in 1995, which, in addition to the required capital base, brought the background of the strongest financial group in the Czech Republic. The importance of a good quality shareholder structure was demonstrated in 1997, when the whole insurance market was negatively hit by the impact of extensive flooding.

1992–1994

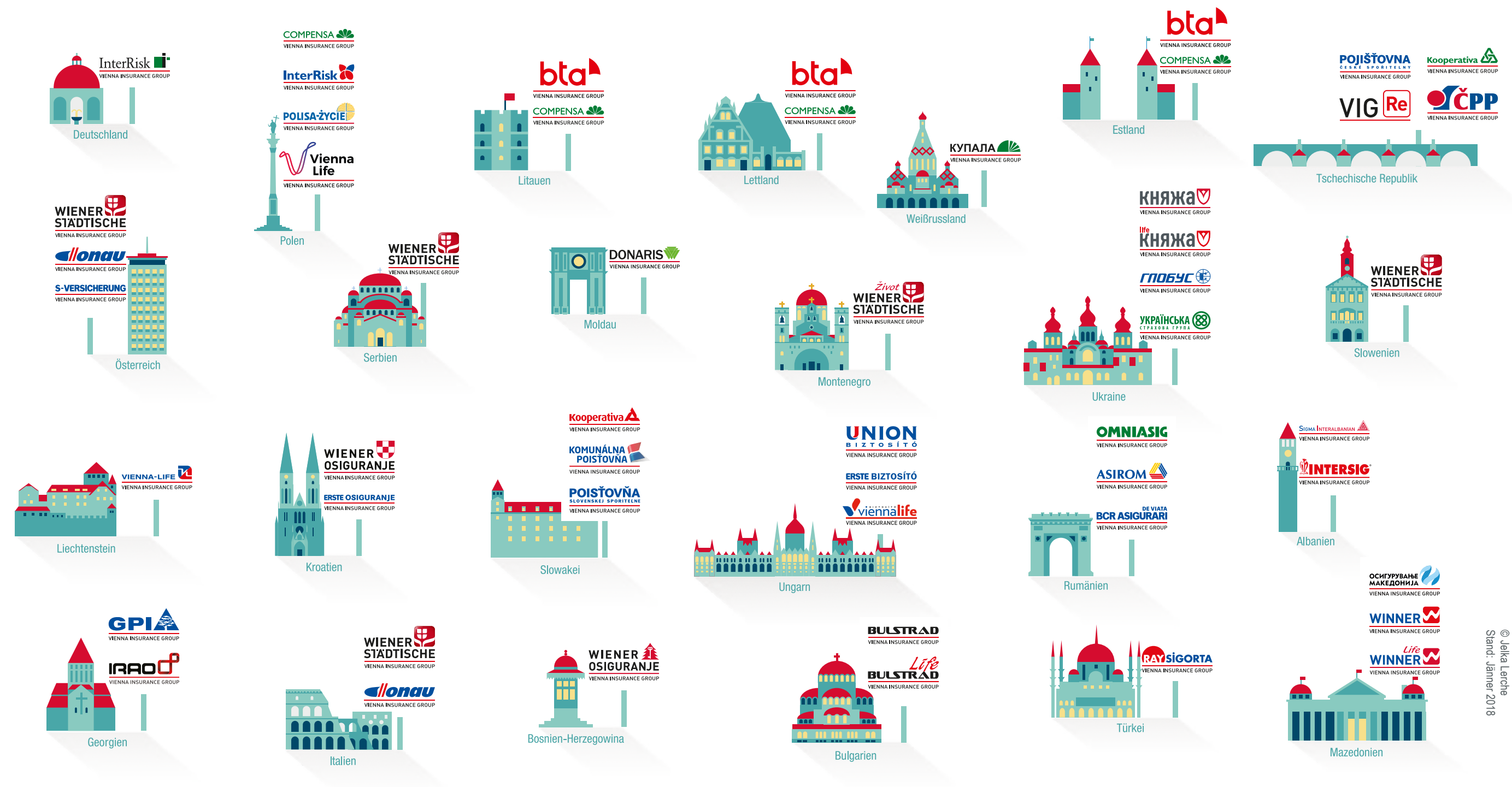
Pojišťovna České spořitelny was founded in 1992 using Czech private capital. In January 1993, we began our insurance activities under the name Živnostenská pojišťovna. Our aim was to provide insurance services, in particular to the rising entrepreneurial sphere. With the development of insurance activities,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

Information about Vienna Insurance Group

Company Profile

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

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



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WE ARE THE **NUMBER 1**
IN AUSTRIA, CENTRAL AND EASTERN EUROPE



Information about Vienna Insurance Group

Expertise and Stability

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

Focus on Central and Eastern Europe

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

Local Market Presence

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

Strong Fincances and Credit Rating

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

Introduction of the Vice-Chairman of the Board of Directors

Dear clients, shareholders, business colleagues,

I am very pleased to describe 2017 as another extraordinarily successful year for Pojišťovna České spořitelny, both in terms of business results and profit. Our market share climbed over 15 percent. Total premiums written amounted to CZK 7.5 billion. Currently we provide insurance coverage for nearly 1.5 million clients.

We again significantly upgraded our flagship product, FLEXI Life Assurance. We were the first insurer in the Czech Republic to launch a product that we consider unique: a new insurance policy covering care for an adult patient in the event of an accident or illness. Another major innovation is insurance against permanent consequences of illnesses. This insurance provides financial security in case of loss of eyesight, hearing or speech, after a limb amputation, or loss of the ability to drive. For this reason, it can also be used to cover “professional disability”. We want to continue to innovate our FLEXI Life Assurance on an annual basis as the improvements are the major factor in the product’s taking the top place in the Zlatá koruna (Golden Crown) competition for the ninth time in a row as the best product on the life assurance market.

In 2017, we launched another new product - a new type of non-investment risk life assurance, FLEXI RISK, designed for clients who do not want to take out life assurance with a unit-linked component. FLEXI RISK provides a simple, fast insurance of all life risks at no additional charge.

We keep up with the developments in society and technologies; in 2017 the Company initiated work on its digital strategy program with the aim to improve customer service and cooperation with our business partners.

I would like to thank all of you who have worked hard to contribute to the Company’s excellent results. First and foremost, my thank you goes to our employees for their remarkable commitment. Our business partners, notably Česká spořitelna and all professional insurance advisors, have also greatly contributed to last year’s success.

We will continue to improve our products and services of the FLEXI family after the scheduled merger with the Kooperativa insurance company about which our shareholder decided in late 2017.

Tomáš Vaniček

Vice-Chairman of the Board of Directors of Pojišťovna České spořitelny



Economic Highlights

in thousands CZK	2013	2014	2015	2016	2017
Assets	30,877,537	32,686,701	32,249,001	30,518,146	29,627,707
Equity	3,225,270	3,543,822	3,621,322	3,848,076	4,060,289
Financial investments	28,364,959	30,093,911	29,227,791	27,283,037	25,795,781
Technical provisions	25,616,623	26,791,114	26,247,670	24,215,144	23,026,576
Profit (loss) of current accounting period	792,052	855,121	790,038	1,030,569	1,088,574
Total written premiums	11,355,789	11,918,758	8,892,147	7,023,078	7,498,236
of this: life assurance	10,594,630	11,201,393	8,202,457	6,552,370	6,898,360
non-life insurance	761,159	717,365	689,690	650,708	599,876
Total costs of insurance claims	6,832,406	7,837,144	6,146,685	5,796,558	4,862,718
of this: life assurance	6,635,313	7,635,905	5,932,814	5,620,997	4,675,758
non-life insurance	197,093	201,239	213,871	175,561	186,960
Number of policies concluded as at 31 December (pc)	782,631	786,370	781,615	778,382	770,649
of this: life assurance	736,852	743,212	740,660	739,368	733,923
non-life insurance	45,779	43,158	40,955	39,014	36,726
Average number of employees (FTE)	255	269	278	288	313

Headquarters and Members of the Company's Executive Bodies at 31 December 2017

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 pojišťovna, a.s., Vienna Insurance Group

Vice-Chairman of the Supervisory Board

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

Member of the Supervisory Board

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

Ing. Marek Blaha – Director of Retail, Česká spořitelna, 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, Pojišťovna České spořitelny, a.s., Vienna Insurance Group

Member of the Supervisory Board

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

Board of Directors

Chairman of the Board of Directors

RNDr. Petr Zapletal, MBA

Vice-chairman of the Board of Directors

Ing. Jaroslav Kulháněk

Member of the Board of Directors

Ing. Tomáš Vaníček, MBA

Headquarters and Members of the Company's Executive Bodies at 31 December 2017

Audit Committee

Audit Committee Chair

Ing. Vladimír Mráz

Date of birth: 11 April 1940

Residence: U Letenského sadu 1294/6, Prague 7 - Holešovice,
170 00, Czech Republic

Audit Committee Vice-Chair

Prof. Elisabeth Stadler

Date of birth: 1 December 1961

Residence: Hóllgasse 32, Langenlois, 3550, Austria

Audit Committee member

Ing. Martin Diviš, MBA

Date of birth: 1 December 1973

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

Audit Committee member

Dkfm. Karl Fink

Date of birth: 22 August 1945

Residence: Kurzbauergasse 5, Wien, Austria

Executive member of the Audit Committee

Ing. František Dostálek

Date of birth: 23 November 1949

Bydliště: Hoštálkova 656/52, Prague 6 – Břevnov, 169 00,
Czech Republic

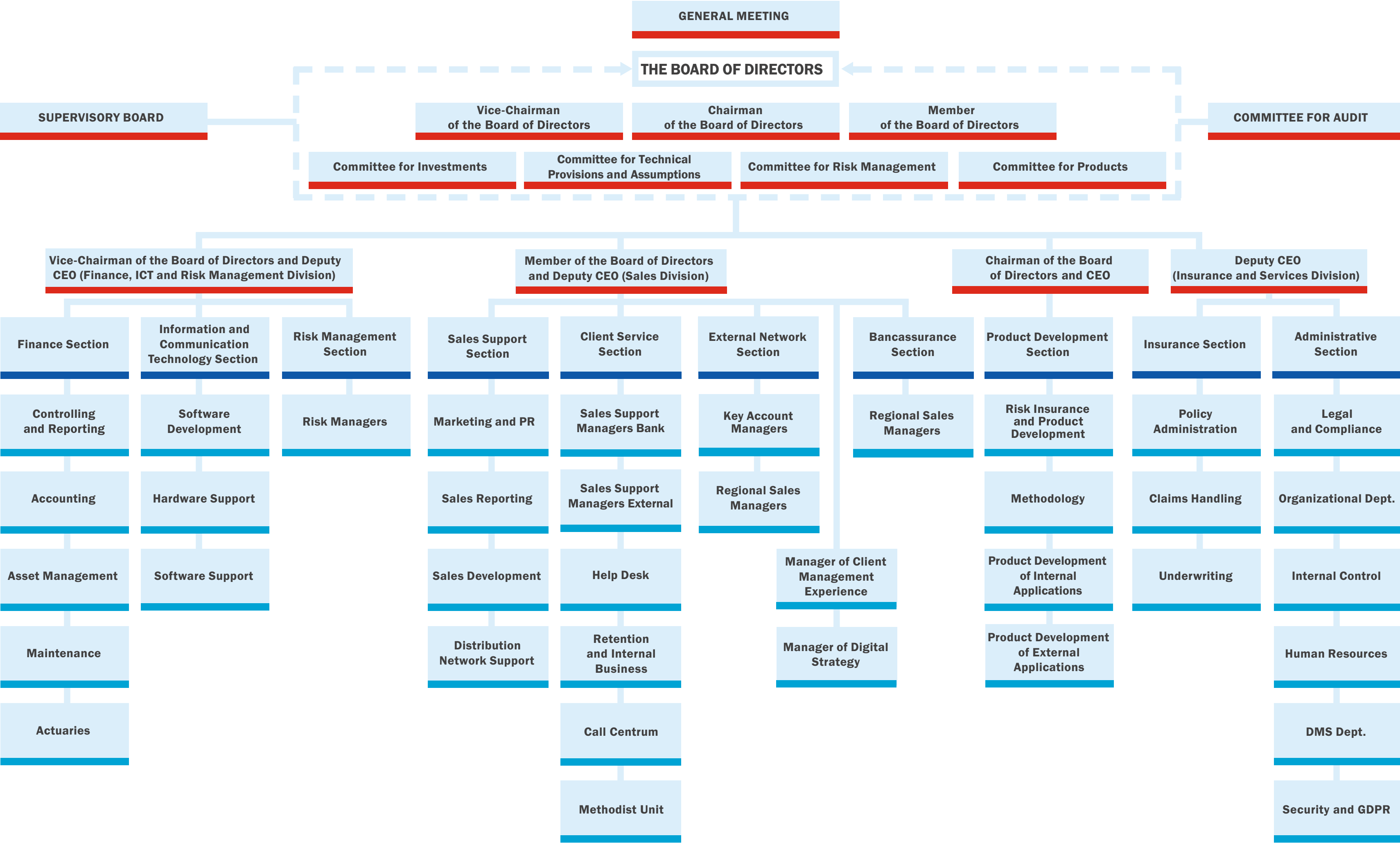
Procurator

Ing. František Mareš

Date of birth: 3 September 1953

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

Organizational Structure at 31 December 2017



Report of the Board of Directors

The past year, 2017, can be evaluated and assessed from two perspectives. The first of them is the commencement of preparations for the implementation of new accounting standards (IFRS 17), new rules for personal data protection (GDPR) and new rules for insurance distribution management (IDD). The above legal rules and their gradual implementation in the period 2018–2020 will have a significant impact on the activities of insurance companies. The new accounting standard in particular is expected to bring a breakthrough in accounting, valuation, presentation and publication of information on life assurance and non-life insurance and reinsurance policies. Another aspect of 2017 is that the insurance company was extremely successful from the economic and business perspective and the results achieved fulfilled not only the expectations of Company management but some indicators even achieved the best results in the entire history of the insurance company.

The expected decline in insurance sales via the long-standing external partners due to the distribution of intermediaries' commissions was in fact not significant. The Česká spořitelna network also maintained the previous insurance sales volume. The pressure on the quality of sale by our distributors contributed to a decline in the percentage of policy cancellations in the insurance portfolio and, in absolute figures, contributed to a year-on-year decrease in the number of policy cancellations by more than 10 thousand policies. This development, along with an increase in the volume of the written premium, accounts for an increase in the insurance portfolio of almost 6%.

Developments in the financial markets were affected especially by the termination of the interventions of the central bank and a gradual increase in the basic interest rate. The growth in the interest rates meant a decrease in the price of domestic bonds. Risky assets were riding on the wave of optimistic macroeconomic expectations

and a very optimistic level of corporate profits. This resulted in an increase in the value of the global shares exceeding 17%.

The continuing low-interest environment did not bring any change in the sale of standard single-premium insurance even this time. If the predictions of low interest rates are confirmed, we cannot expect to resume the sale of this type of insurance even in the coming years; moreover, it will be increasingly difficult to generate revenues to cover liabilities arising from the existing insurance policies.

The higher tax relief applicable to employers' contributions and the increase of the limit for tax deductibility of life assurance for individuals as of 2017 did not lead to a boost of insurance sales either. This positive stimulation of life assurance is reduced by tax limitations focused on the obligation to keep the invested funds on the insurance policy for the period of post-productive age. The foregoing developments on the insurance market determined the development of the written premium. The sale of single-premium insurance tumbled by 17% year-on-year. The decline was primarily due to the inattractiveness of this type of insurance for clients and insurance companies, stemming from the continuing favourable interest rates and the corresponding economics of this type of insurance. The sale of regular-premium insurance did not surpass the expectations and did not change, since the year-on-year increase is only 0.7%. Overall, the life assurance market rose by almost CZK 31 million to the final CZK 43,692.8 million. This change accounts for a year-on-year increase of 0.1%.*

In an effort to counteract this trend, insurers have expanded the product offer of purely risk life assurance, coupled with a more permanent departure not only from selling standard single-premium

insurance but also limitation of the sale of life-assurance-based investment products. Pressure to change processes, sales documents and protection of consumers and sensitive personal data and other requirements pertaining to the sale and management of insurance led to demands for tighter regulation of the insurance business. All of these measures very considerably increase the administrative and operational demands placed on the insurance business.

The key tasks and objectives of the Board of Directors of Pojišťovna České spořitelny in 2017 were based primarily on the business strategy aimed at offering profitable and innovative products with a high added value to final customers. The Company's flagship product was again the successful Flexi Life Assurance with a broad and flexible coverage offer. A brand-new product, Flexi Risk, which is a new purely risk life assurance product, was added to the Flexi product family at the end of 2017. What makes all products of the insurance company so attractive is guaranteed customer service throughout the duration of the insurance policy. In the year under review, Company 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 was 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 2018. Product innovations are among the basic building blocks for the stability and development of the insurance company. In the year under review, the Flexi Risk risk life assurance product mentioned above was introduced to the market. It is a product that does not include any investment component. Flexi Risk offers a number of innovations, such as the insurance of serious illnesses with a flexible payment of benefits,

* data on market trends in Czech Insurance Association (ČAP) methodology for 2017

Report of the Board of Directors

possibility of the payment of incapacity insurance upon fulfilment of the terms of contract already from the first day of unfitness to work or the introduction of some advantages for healthy lifestyle.

In the course of the year, the Company launched popular 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 increased benefits in the event of very serious illnesses where a contribution will be provided for a period of six months from the diagnosis date if a very serious illness is diagnosed. In the second half of the year, the Company promoted a similar offer of special benefits in the event of 3rd degree disability in the form of a contribution for the period of 12 months to cover the costs connected with such a serious change of life situation. Similarly to previous years, the foregoing promotional events diversified the services offered by the Company; they were part of advertising campaigns and undoubtedly contributed to boosting responsible behaviour of the general public when dealing with the negative impacts on families as a result of such risks. The continuing customer demand for our Flexi Life Assurance product shows its popularity on a long-term basis. The reason is that this product is not only able to cover a broad range of risks arising in everyday life, but is also 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 in the long term, 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 other requirements, meeting this goal has been increasingly demanding.

To meet the set targets, the Company uses a sophisticated risk management system facilitating continuous improvement and innovation of the management and control processes. 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 Company complies with the applicable regulatory requirements (calculation and prediction of solvency development, consumer protection, verification of tax treatment of disbursements under FATCA and GATCA legislation, AML measures, the PRIIPs Regulation, etc.). Compliance with these duties requires substantial financial and human resources. Despite these growing requirements, the Company has managed to keep costs under control in the long run. The main reason is increased management efficiency and labour productivity, and, in business, this translates primarily into constant efforts to streamline the marketed products and improve their transparency. The resulting continuous process of improving the Company's system of operation is supported by the development of systems focused on product support and sales. In the year under review, this innovation process culminated in the launch of the strategic Digitization project. This project aims to expand the distribution channels by adding direct

on-line distribution and looks for ways of how to use data to define individual client segment and better target and place the Company's products on the insurance market. This project also includes a digitization of internal processes, whose results are expected process simplifications and operational cost savings. The Company's approach can be simply characterised as a permanent innovation approach to changes of products, services and processes.

In line with the marketing strategy in which the Company places emphasis on solving very serious life situations, we support two large projects – the Jedlička Institute and the Paraple Centre. Social responsibility, as part of which we help disabled people return to life, is thus an area of our interest.

The Company also focuses on monitoring client experience on a permanent basis, which has gradually become an irreplaceable tool that helps implement innovations in all areas of Company activities. 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.

Sales of the Company's products continued to use the proven mix of distribution channels, i.e. using external partners and the Česká spořitelna branch network. Both the implemented and planned measures consisting in the regulation of commission payments had an impact on our collaboration with some distributors (both in the positive and negative sense). This resulted in a decline in the

Report of the Board of Directors

proportion of insurance sales on the part of some long-standing distributors. Fortunately, the production loss was offset with some structural changes on the part of other co-operating distributors who took advantage of the situation for their benefit. Despite these turbulent developments, the Company succeeded in surpassing the previous year's total premium volume generated from the sale of regular-premium insurance by more than 5%. Sales of regular-premium production through the Česká spořitelna branch network rose by 3.2% year-on-year and sales through the external partners' network even climbed by 6.3%. These results in the sale of regular-premium insurance are all the more valuable with regard to the stagnating 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 284 million in premiums written for the entire Company, which constitutes a year-on-year decrease of almost 17%.

The proportion of regular premiums to total written premiums accounted for 96.2%. The total volume of premiums written generated from regular-premium life assurance amounted to CZK 6,616 million, representing a 6.5% increase compared to 2016. Despite further decline in the sale of single-premium policies, the

total premium volume thus increased by CZK 346 million compared to the previous year. The total volume of written premiums in the amount of CZK 7,498 million, reported according to Czech accounting standards, ranked the Company third on the insurance market. The Company's business results account for an overall life assurance market share of 15.2%.*

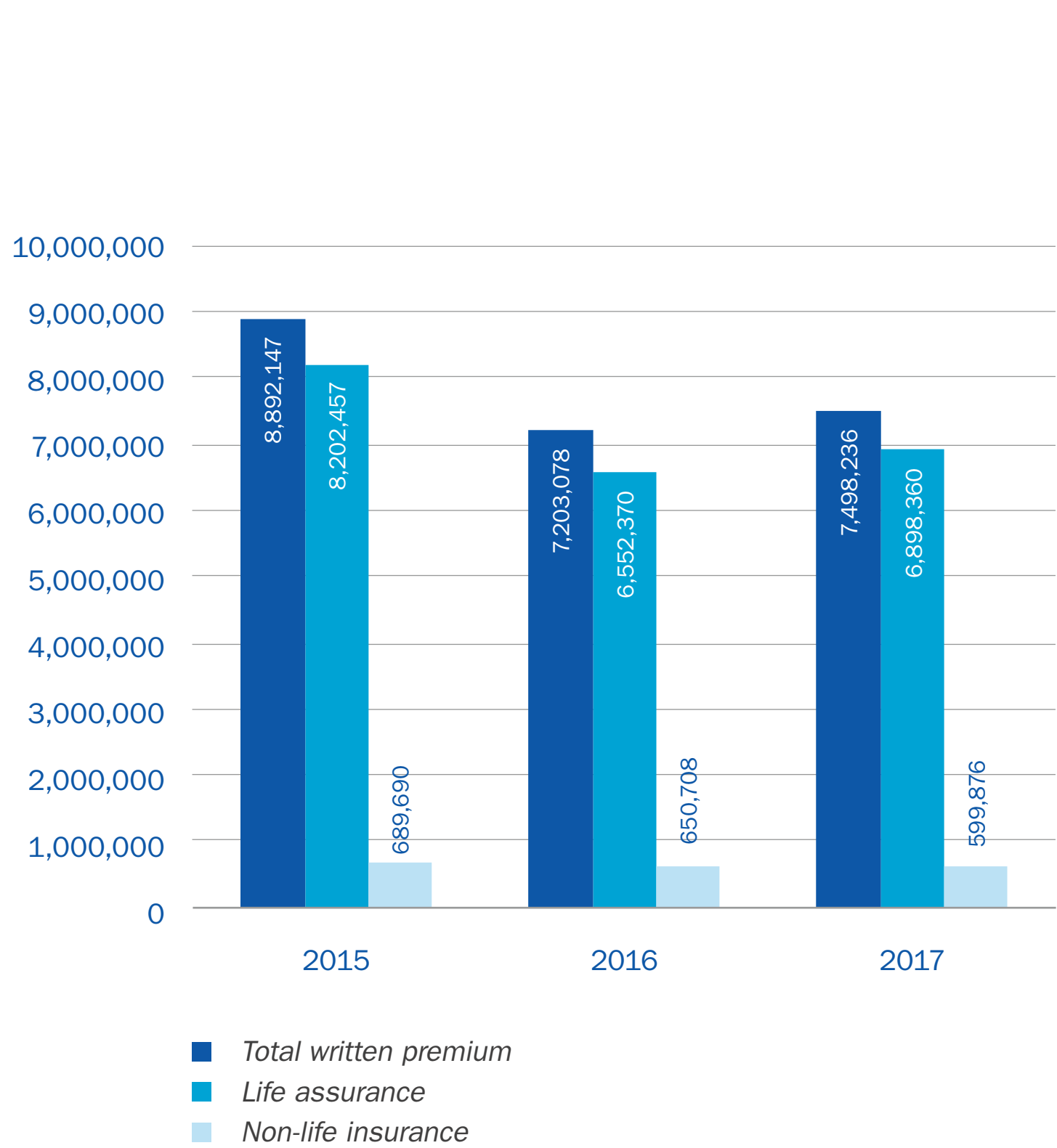
The non-life insurance segment did not generate the 2016 volume of written premiums and fell by 7.8% year-on-year to CZK 600 million worth of written premium. Non-life insurance includes standalone personal accident insurance, incapacity insurance and insurance against loss of employment, in particular for Česká spořitelna clients, and loan repayment insurance. The trend in the sale of insurance in this case reflects a similar trend in the sales of consumer loans offered to clients by the bank. Despite this 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 "under one roof" in the form of bancassurance.

* data on market trends in Czech Insurance Association (ČAP) methodology for 2017

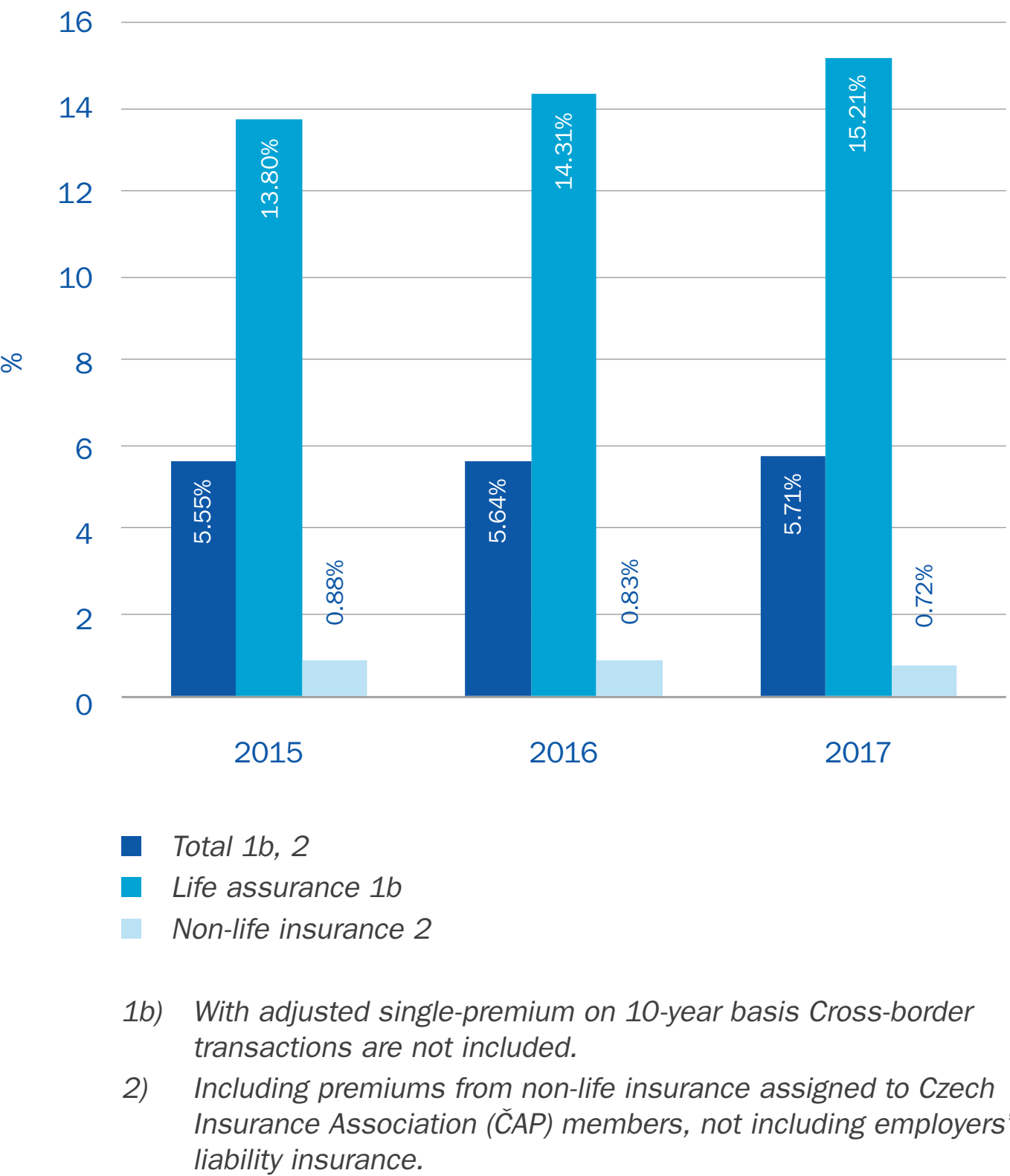
Report of the Board of Directors

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

Development in written premiums (CZK thous.)



Development in market share on the insurance market by premium written with adjusted single-premium on 10-year basis



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 ninth time.

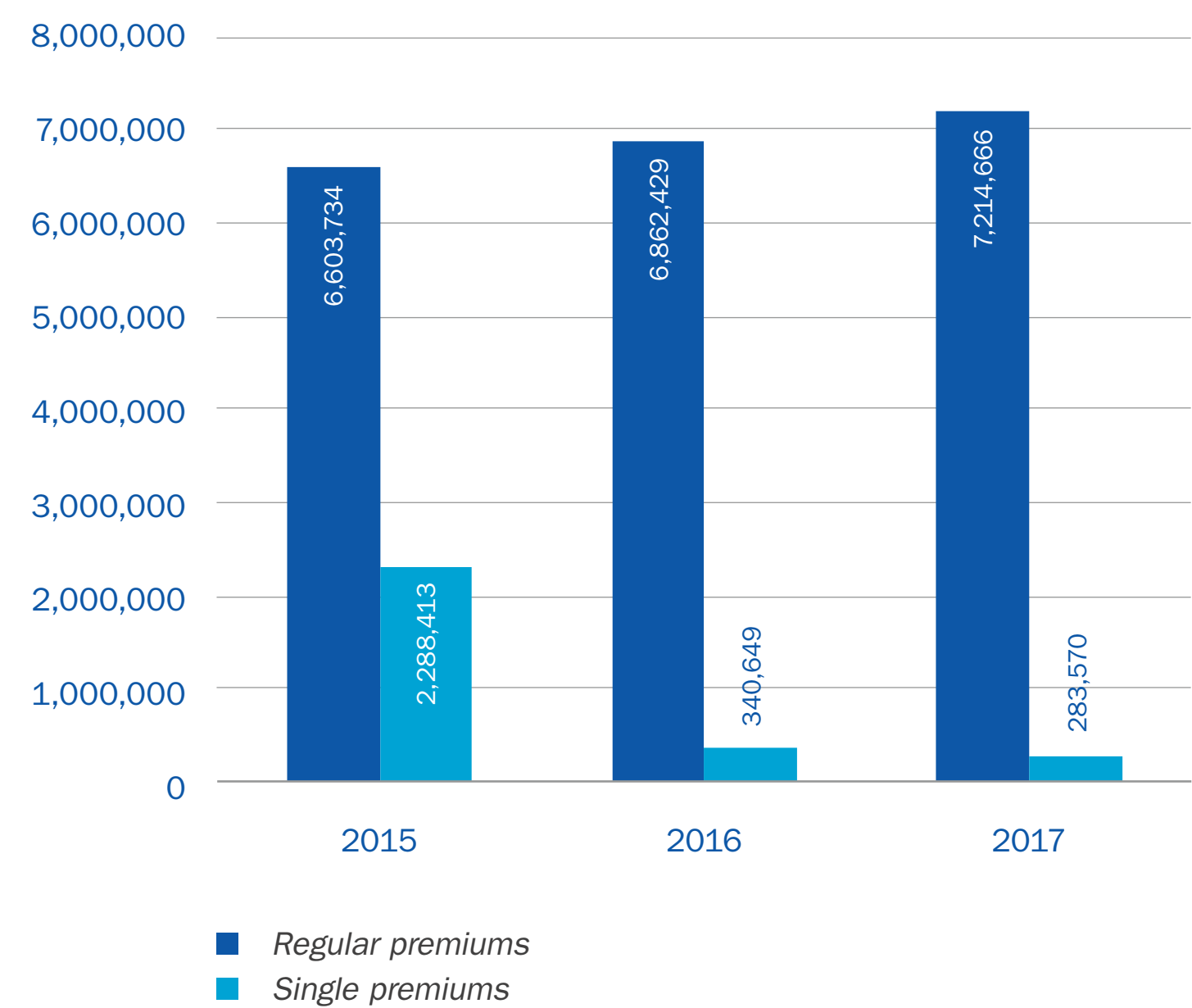
The sales results for 2017 suggest that the Company continued to grow moderately, measured by the volume of written premiums. The dynamics of this growth exceeds the market development. The results show that the insurance service offered is constantly perceived positively. The co-operation with our clients and distributors, which is lead by our joint efforts to ensure that our products reflect the simplicity, transparency and quality of the offered portfolio, contributes to this favourable development on a long-term basis.

The clients who met the conditions for being awarded a no-claims or loyalty bonus were again rewarded in 2017. As usual, we inform the clients about the amounts of their bonuses in our annual reports.

Report of the Board of Directors

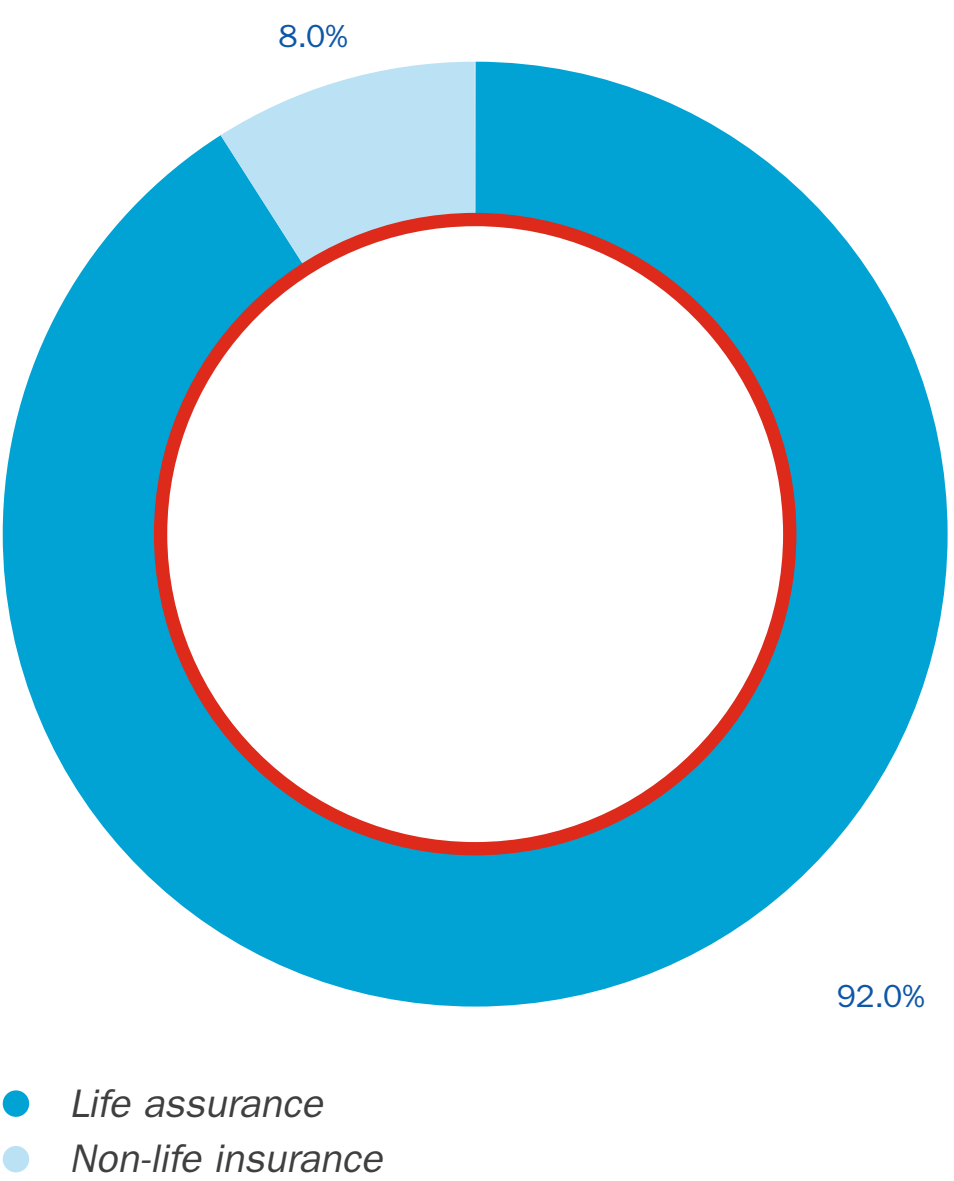
The following graphs provide an overview of the development in the structure of premiums over the past three years.

Development in written premiums (CZK thous.)



A steady increase in the proportion of regular premiums stems from a long-standing strategy of growth in regular-premium insurance and corresponding collaboration with external distributors and the Česká spořitelna sales network (bancassurance). A positive outcome of our long-term concept focused on support in serious life situations is that the proportion of risk insurance in the overall premium volume generated from regular-premium insurance has been growing in the long term and amounts to more than 66%. This proportion guarantees economic 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, with a total share of 8%.

Structure of written premiums in 2017



The above graph documents the Company's almost exclusive focus on the sale of life assurance.

Report of the Board of Directors

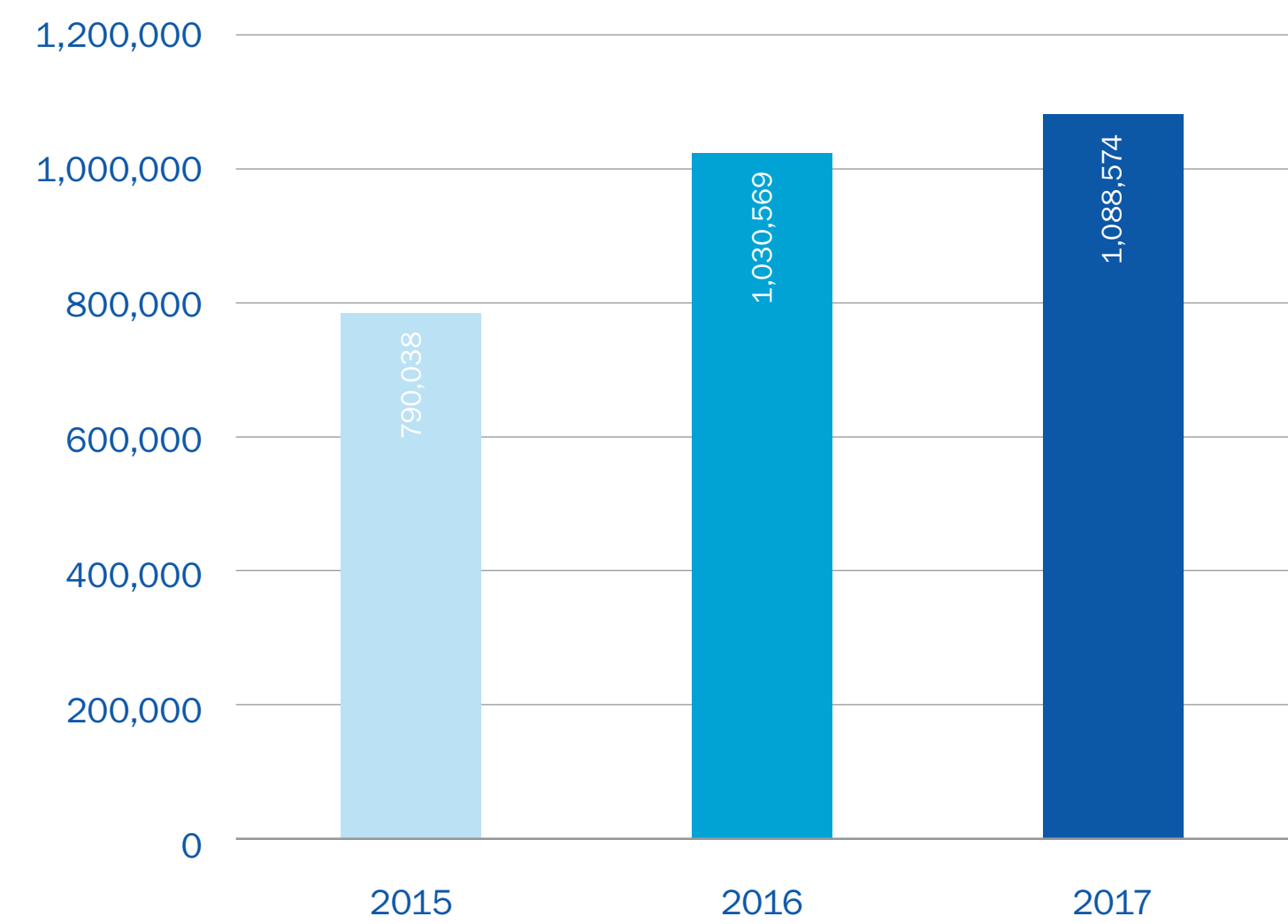
Financial results

The Company posted a profit after taxes of CZK 1,088.6 million according to Czech accounting standards. This represents an increase of CZK 58 million year-on-year. The increase is due to better performance of the life assurance insurance segment. The Board of Directors attributes the success primarily to the steady growth of the portfolio with a high proportion of risk insurance. A very positive fact is that the quantitative increase in the portfolio is connected with a qualitative development, especially as a result of a further decline in the share of policy cancellations.

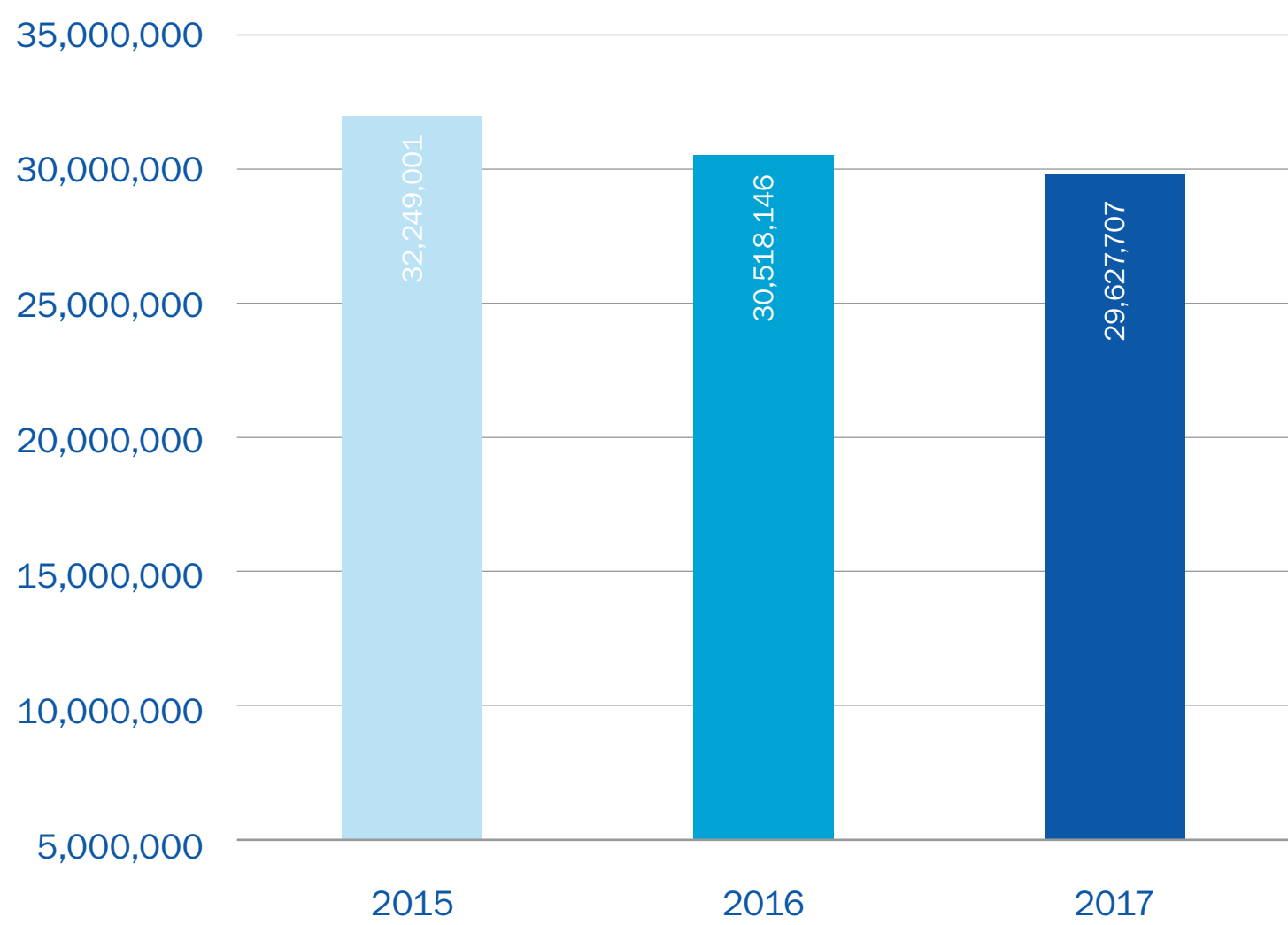
Overall technical provisions amounted to CZK 23,026.58 million, of which the life assurance provisions, where the investment risk is borne by the policyholder, totalled CZK 2,574.6 million. At the balance sheet date, the structure of the provisions was as follows: a provision for unearned premiums of CZK 21.78 million, a life assurance provision of CZK 18,479.35 million and a provision for outstanding claims of CZK 1,893.15 million. In 2017, total provisions dropped by CZK 1,188.6 million in absolute figures compared to 2016. The decline is due to the termination of 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. On the other hand, the technical provisions for life assurance, where the investment risk is borne by the policyholder, increased slightly by CZK 182.13 million year-on-year. The increase in the volume of these provisions is attributable to the positive revaluation of the invested funds, accompanied by the clients' greater willingness to invest more in investment funds rather than in funds with low guaranteed revenues. The resulting amount of provisions is recognised in accordance with the applicable legislation and provides the requisite security for covering future insurance claims.

The following graphs show the development in earnings and the balance sum in the years up to 2017.

Development in earnings by accounting period (CZK thous.)



Development in balance sum (CZK thous.)



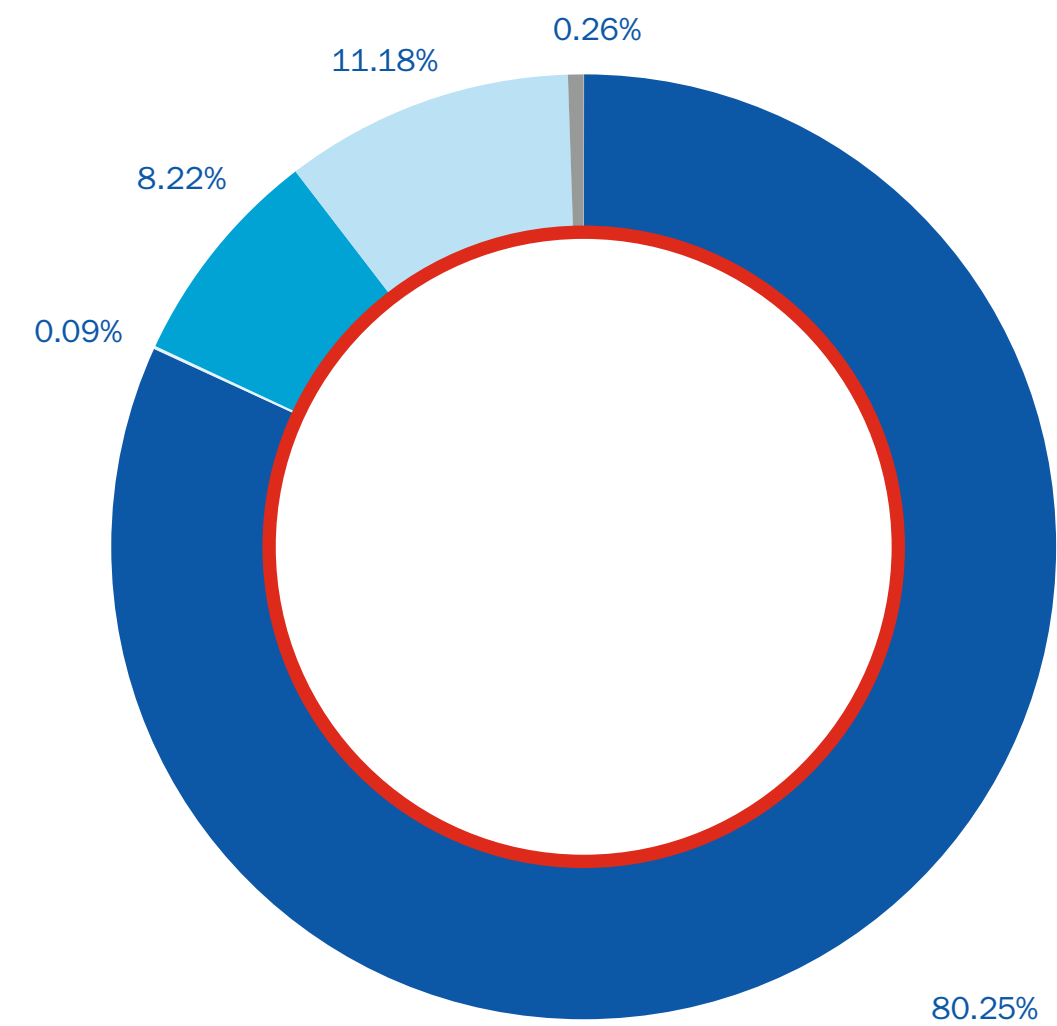
Report of the Board of Directors

The volume of technical provisions determined the amount of investments of funds; 87% of these funds represent the Company’s assets. The 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 portfolio of financial placements of funds, 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. Investments are managed in cooperation with Česká spořitelna’s specialized investment banking units.

In the current low-interest environment, the Company focuses on a 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 2017 accounted for 2.52%. Compared to the appreciation of the previous year, this result is higher by 0.3%.

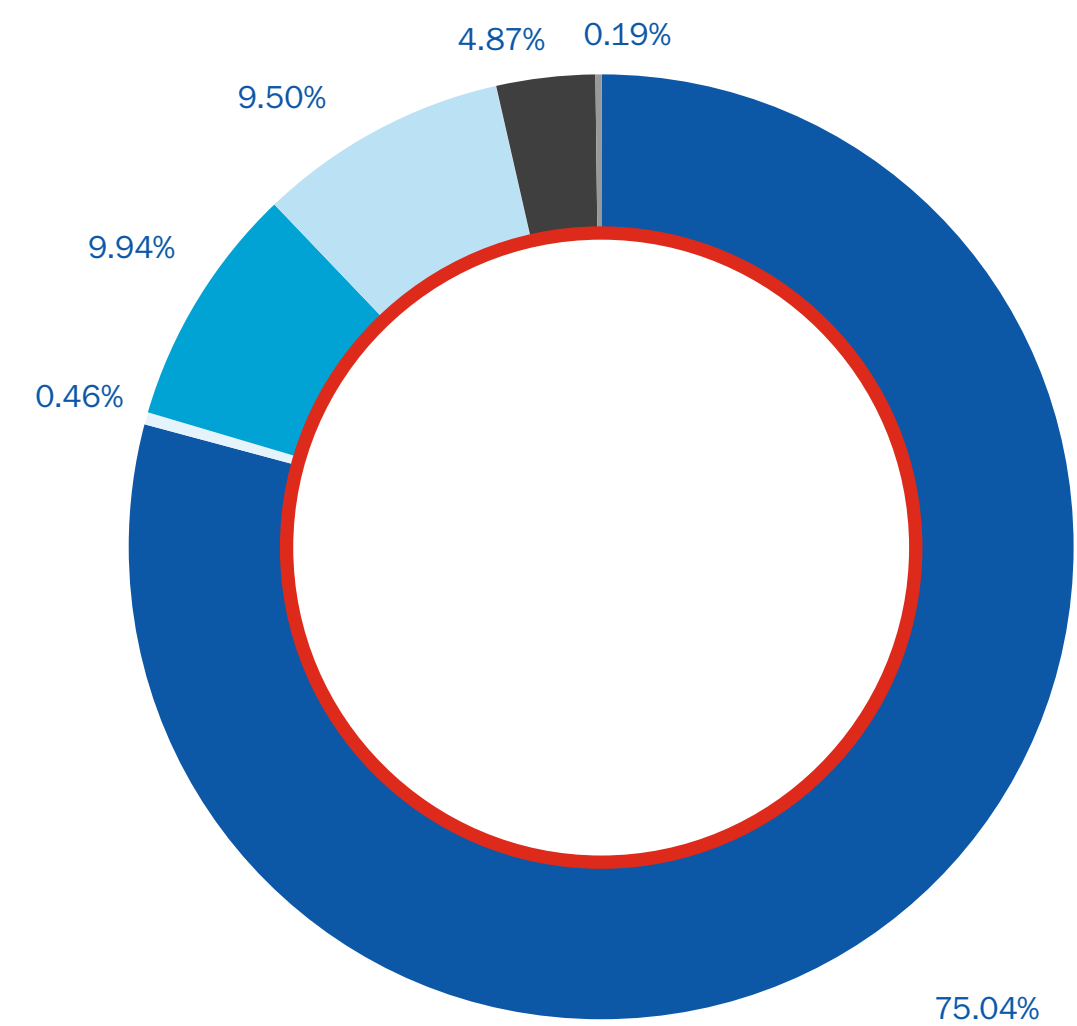
The graphs below show the structure of financial provisions and the corresponding structure of assets.

Structure of technical provisions in 2017



- Provision for life assurance premiums
- Provision for uneamed premiums
- Provision for outstanding claims
- Technical life insurance provision, where the investment risk is borne by the poliholder
- Other provisions

Structure of financial investments in 2017



- Fixed-income securities
- Variable-income securities (shares)
- Variable-income securities (funds)
- Financial investment of life insurance, where the investment risk is borne by the policyholder
- Deposits with banks, current accounts, derivatives
- Real estate

Report of the Board of Directors

Management and control system of the insurance company

The Company has a management and control system, in which a system of three lines of defence against risks is fully incorporated. As part of these lines, a clear and precise distribution of responsibilities of the individual employees assigned to these lines is defined, and the principle of preventing conflicts of interest and effective control is consistently adhered to. The effectiveness and efficiency of the management and control system therefore covers all operations of the insurance company, while the management continuously monitors its functionalities and efficiency. The system is regularly monitored by an independent internal audit within the scope of its control activities, as part of which this system is regularly evaluated 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 regularly briefed comprehensively 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 the Own Risk and Solvency Assessment (ORSA).

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 result of the last ORSA analysis is an assurance of Company management on the long-term maintenance of the solvency position, a stable structure and shifts of the individual risks and the efficiency of the entire management and control system.

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.

By performing the relevant evaluations in the year under review, the Company verified its stability and performance of all required 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.

In Pardubice, 16 March 2018



Ing. Tomáš Vaníček, MBA
Vice-Chairman of the Board of Directors



Ing. Jaroslav Kulhánek
Member of the Board of Directors



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Independent Auditor's Report



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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

Report on the Audit of the Financial Statements

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 2017, 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 2017, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

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

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.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49819187
VAT No. CZ69001996
ID data box: 810319



Key audit matters

Key audit matters are matters that in our professional judgment were of most significance in our audit of the financial statements for the year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

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

Key audit matter	How the audit matter was addressed
The Company recognises the provision for liabilities arising from the applied technical interest rate of MCZK 32 as part of Other technical provisions.	Our audit procedures included among others: With the help of our specialists-actuaries, we critically assessed the method of determining the provision for liabilities arising from the applied technical interest rate based on our knowledge, experience and market standards within the insurance sector.
We have designated the above issue as a key audit matter as the Company's management makes subjective and comprehensive assumptions and judgments in determining the amount of the provision for liabilities arising from the applied technical interest rate.	We analysed the key assumptions, such as the claim frequency of the relevant insurance portfolio, the expected behaviour of clients in respect of long-term life assurance contracts, the expected cost of administration of insurance contracts, and other financial and non-financial assumptions. We compared the applied assumptions with the analyses provided by the Company, available market data and assumptions applied in past periods.
In testing of the adequacy of liabilities arising from the applied technical interest rate, the Company applies the method of expected discounted cash flows. Liabilities to clients are determined using the best estimates of the future development of entry parameters adjusted by risk and uncertainty surcharges.	We tested the accuracy of the calculation of the provision for liabilities arising from the applied technical interest rate and critically reviewed the relevant analyses prepared by the Company's management and discussed the significant relevant year-on-year variances from the expected values.
The used entry parameters mainly represent the expected insurance benefits paid in the event of death or accident based on existing insurance contracts, the expected behaviour of clients in respect of long-term life assurance contracts, expected expense rates, and discount and revenue rates.	We also assessed the sufficiency of the data disclosed by the Company in the notes to the financial statements.
For more information see Note II. 9.c) of the notes to the Company's financial statements.	



Valuation of intangible assets in life assurance

Key audit matter	How the audit matter was addressed
The Company recognises deferred acquisition costs of MCZK 541 and accumulated debt in life assurance of MCZK 1 013 in assets as part of Other temporary assets.	Our audit procedures included among others: Based on our knowledge, experience and market standards within the insurance sector, we critically assessed the method of recognition of both items. We assessed the suitability of the applied methods in the context of legislative changes concerning the regulation of life assurance commissions. These changes were introduced with effect from December 2016 as a result of an amendment to the Act No. 38/2004 Coll.
We have designated the above issue as a key audit matter as the Company's management makes subjective and comprehensive assumptions and judgments in determining the amount of deferred acquisition costs and accumulated debt in life assurance.	We tested the proposal, implementation and operational effectiveness of the system and manual controls of the correct calculation of the acquisition costs. The testing was carried out through inquiries together with observation, inspection and review of the underlying documentation and selected recounts.
The amount of deferred acquisition costs is based on the value of expected future deductions from initial fees from premium income. The Company regularly calculates the recoverable amount of these deferred acquisition costs using actuarial methods and historical data and then compares the recoverable amount with their carrying amount. The recoverable amount is determined based on estimated key parameters, such as the expected lapse rate of the insurance portfolio.	Further, we involved our specialists-actuaries to assess the applied key assumptions and methods used by the Company in valuing both intangible assets in life assurance and to analyse the accuracy of the calculation. For these purposes we critically assessed the relevant analyses and discussed the relevant year-on-year variances from the expected values. We analysed the key assumptions, such as the expected lapse rate of the existing insurance portfolio, its claim frequency and related expenses and compared these key assumptions with externally available data, our own estimates and assumptions applied in the previous periods.
The accumulated debt in life assurance is determined using the prospective method, taking into consideration all relevant future cash flows and using assumptions based on historical data about the lapse rate, claim frequency, expenses and other calculation assumptions.	
For more information see Note II. 7.a) of the notes to the Company's financial statements.	

Independent Auditor's Report



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

Independent Auditor's Report



related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 27 April 2017 and our uninterrupted engagement has lasted for 8 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

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



Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Pojišťovna České spořitelny, a.s., Vienna Insurance Group as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague

16 March 2018

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

Jindřich Vašina
Jindřich Vašina
Partner
Registration number 2059

Balance Sheet as at 31 December 2017

in thousands CZK	Line No.	Gross	Adjustment	Net	Net previous year
ASSETS					
A. Receivables for subscribed registered capital	1				
B. Intangible fixed assets, thereof:	2	541,947	449,223	92,724	97,658
C. Investments	5	23,224,704	3,531	23,221,173	24,890,562
I. Land and buildings (real estate), thereof:	6	55,880	3,531	52,349	54,143
1. Land	7	1,900		1,900	1,900
2. Buildings		53,980	3,531	50,449	52,243
a) Land and buildings - self-occupied		55,880	3,531	52,349	54,143
II. Investments in affiliated undertakings and participating interests	8	30,233		30,233	31,985
1. Shares in controlled entities	9	30,233		30,233	31,985
III. Other investments	13	23,138,591		23,138,591	24,804,434
1. Shares and other variable-yield securities, other participating interests	14	2,788,720		2,788,720	2,398,803
2. Bonds and other fixed-income securities	15	20,331,571		20,331,571	22,131,560
a) Securities valued at fair value through profit and loss		6,661,250		6,661,250	8,071,548
b) OECD bonds held to maturity		10,952,684		10,952,684	10,929,141
c) Other securities held to maturity		2,717,637		2,717,637	3,130,871
6. Deposits with financial institutions	18				349,900
7. Other investments	19	18,300		18,300	(75,829)
D. Investments for the benefit of life assurance policyholders who bear the investment risk	21	2,574,608		2,574,608	2,392,475

in thousands CZK	Line No.	Gross	Adjustment	Net	Net previous year
E. Debtors	22	712,895	88,771	624,124	592,246
I. Receivables arising from direct insurance operations	23	151,290	88,662	62,628	61,044
1. Receivables due from the policyholders	24	139,663	77,591	62,072	60,486
2. Receivables due from intermediaries	25	11,627	11,071	556	558
II. Receivables arising from reinsurance operations	26	341,354		341,354	334,115
III. Other receivables	27	220,251	109	220,142	197,087
F. Other assets	28	1,479,147	98,834	1,380,313	734,775
I. Tangible fixed assets other than those listed under "C.I. Land and buildings", and inventories	29	171,935	98,834	73,101	63,565
II. Cash on accounts in financial institutions and cash in hand	30	1,300,712		1,300,712	671,210
IV. Other assets	31	6,500		6,500	0
G. Temporary asset accounts	32	1,734,765		1,734,765	1,810,430
II. Deferred acquisition costs, thereof:	34	1,553,905		1,553,905	1,631,528
a) in life-assurance business	35	1,553,782		1,553,782	1,631,471
b) in non-life insurance	36	123		123	57
III. Other temporary asset accounts, thereof:	37	180,860		180,860	178,902
a) Estimated receivables	38	146,067		146,067	137,681
TOTAL ASSETS	39	30,268,066	640,359	29,627,707	30,518,146

Balance Sheet as at 31 December 2017

in thousands CZK	Line No.	Gross	Adjustment	Net	Net previous year
LIABILITIES					
A. Equity	40			4,060,289	3,848,076
I. Registered capital, thereof:	41			1,900,100	1,900,100
V. Reserve fund and other funds from profit	47			4,971	4,228
VI. Profit or loss brought forward	48			1,066,644	913,179
VII. Profit or loss for the financial year	49			1,088,574	1,030,569
C. Technical provisions	51	21,777,504	1,325,536	20,451,968	21,822,669
1. Provision for unearned premiums	52	40,270	18,491	21,779	24,530
a) Provision for unearned premiums relating to life assurance classes	53	15,589	6,135	9,454	11,392
b) Provision for unearned premiums relating to non-life insurance classes	54	24,681	12,356	12,325	13,138
2. Life assurance provision	55	18,479,349	0	18,479,349	19,824,495
3. Provision for outstanding claims	56	3,119,065	1,225,918	1,893,147	1,844,587
a) Provision for outstanding claims relating to life assurance classes	57	2,866,057	1,057,980	1,808,077	1,767,890
b) Provision for outstanding claims relating to non-life insurance classes	58	253,008	167,938	85,070	76,697
4. Provision for bonuses and rebates	59	106,699	81,127	25,572	23,915
a) Provision for bonuses and rebates relating to life assurance classes	60	25,340		25,340	23,643
b) Provision for bonuses and rebates relating to non-life insurance classes	61	81,359	81,127	232	272
6. Other technical provisions		32,121		32,121	105,142

in thousands CZK	Line No.	Gross	Adjustment	Net	Net previous year
D. Life assurance technical provision where the investment risk is borne by the policyholders	71	2,574,608		2,574,608	2,392,475
E. Provisions for other risks and losses	72			264,299	240,246
2. Provisions for taxation	74			264,299	240,246
F. Deposits received from reinsurers	76			1,142,392	1,144,239
G. Creditors	77			740,435	783,702
I. Payables arising from direct insurance operations	78			277,294	305,024
II. Payables arising from reinsurance operations	79			403,870	396,654
V. Other payables, thereof:	83			59,271	82,024
a) Tax liabilities and payables due to social security and health insurance institutions	84			14,525	26,728
H. Temporary liability accounts	86			393,716	286,739
I. Accrued expenses and deferred income	87			64	119
II. Other temporary liability accounts, thereof:	88			393,652	286,620
a) Estimated payables	89			393,652	286,620
TOTAL LIABILITIES	90			29,627,707	30,518,146

Income Statement as at 31 December 2017

in thousands CZK	Line No.	Base	Subtotal	Result	Result previous year
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE					
1. Earned premiums, net of reinsurance:	1	x	x	x	x
a) gross premiums written	2	599,876	x	x	x
b) outward reinsurance premiums	3	543,529	56,347	x	x
c) change in the gross provision for unearned premiums (+/-)	4	(1,632)	x	x	x
d) change in the provision for unearned premiums, reinsurance share (+/-)	5	(818)	(814)	57,161	59,957
2. Allocated investment return transferred from the non-technical account (item III.6.)	6	x	x	1,503	1,388
3. Other technical income, net of reinsurance	7	x	x	497	992
4. Claims incurred, net of reinsurance:	8	x	x	x	x
a) claims paid:	9	x	x	x	x
aa) gross amount	10	186,960	x	x	x
ab) reinsurance share	11	148,452	38,508	x	x
b) change in the provision for outstanding claims (+/-):	12	x	x	x	x
ba) gross amount	13	22,286	x	x	x
bb) reinsurance share	14	13,913	8,373	46,881	24,165
6. Bonuses and rebates, net of reinsurance	16	x	x	3,005	3,320
7. Net operating expenses:	17	x	x	x	x
a) acquisition costs	18	x	2,994	x	x
b) change in deferred acquisition costs (+/-)	19	x	(66)	x	x
c) administrative expenses	20	x	9,406	x	x
d) reinsurance commissions and profit participation	21	x	33,986	(21,652)	(20,514)
8. Other technical expenses, net of reinsurance	22	x	x	179	161
10. Sub-total, balance (result) on the technical account for non-life insurance (item III.1.)	24	x	x	30,748	55,205

in thousands CZK	Line No.	Base	Subtotal	Result	Result previous year
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE					
1. Earned premiums, net of reinsurance:	25	x	x	x	x
a) gross premiums written	26	x	6,898,360	x	x
b) outward reinsurance premiums	27	x	1,399,413	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	28	x	(1,937)	5,500,884	5,205,739
2. Income from investments:	29	x	x	x	x
b) income from other investments, with a separate indication of that derived from controlling influence, of which:	31	x	x	x	x
bb) income from other investments	33	863,489	863,489	x	x
d) income from disposal of investments	35	x	1,311,444	2,174,933	2,704,942
3. Unrealised gains on investments	36	x	x	798,933	917,388
4. Other technical income, net of reinsurance	37	x	x	69,330	67,636
5. Claims incurred, net of reinsurance:	38	x	x	x	x
a) claims paid:	39	x	x	x	x
aa) gross amount	40	4,675,758	x	x	x
ab) reinsurance share	41	654,235	4,021,523	x	x
b) change in the provision for outstanding claims (+/-):	42	x	x	x	x
ba) gross amount	43	36,659	x	x	x
bb) reinsurance share	44	(3,528)	40,187	4,061,710	5,125,069
6. Changes in other technical provisions, net of reinsurance (+/-):	45	x	x	x	x
a) life assurance provisions:	46	x	x	x	x
aa) gross amount	47	(1,345,146)	x	x	x
ab) reinsurance share	48	0	(1,345,146)	x	x
b) other technical provisions, net of reinsurance	49	x	109,112	(1,236,034)	(2,186,260)

Income Statement as at 31 December 2017

in thousands CZK	Line No.	Base	Subtotal	Result	Result previous year
7. Bonuses and rebates, net of reinsurance	50	×	×	266,104	259,153
8. Net operating expenses:	51	×	×	×	×
a) acquisitions costs	52	×	1,809,092	×	×
b) change in deferred acquisition costs (+/-)	53	×	77,689	×	×
c) administrative expenses	54	×	450,839	×	×
d) reinsurance commissions and profit participation	55	×	594,163	1,743,457	1,466,915
9. Expenses connected with investments:	56	×	×	×	×
a) investment management charges, including interest	57	×	121,658	×	×
c) book value of disposed investments	59	×	1,336,629	1,458,287	2,259,354
10. Unrealised losses on investments	60	×	×	907,216	738,908
11. Other technical expenses, net of reinsurance	61	×	×	21,823	18,126
13. Sub-total, balance (result) on the technical account for life assurance (item III.2.)	63	×	×	1,321,517	1,214,440

in thousands CZK	Line No.	Base	Subtotal	Result	Result previous year
III. NON-TECHNICAL ACCOUNT					
1. Result of the technical account for non-life insurance (item I.10.)	64	×	×	30,748	55,205
2. Result of the technical account for life assurance (item II.13.)	65	×	×	1,321,517	1,214,440
3. Income from investments:	66	×	×	×	×
b) income from other investments, with a separate indication of that derived from controlling influence:	68	×	×	×	×
ba) income from land and buildings	69	18	×	×	×
bb) income from other investments	70	2,111	2,129	×	×
c) value adjustments on investments	71	×	3,475	×	×
d) income from disposal of investments	72	×	14,259	19,863	37,352
5. Expenses connected with investments:	74	×	×	×	×
a) investment management charges, including interest	75	×	6,918	×	×
b) value adjustments on investments	76	×	3,420	×	×
c) book value of disposed investments	77	×	13,878	24,216	35,964
6. Allocated investment return transferred to the technical account for non-life insurance (item I.2.)	78	×	×	1,503	1,388
7. Other income	79	×	×	17,901	18,288
8. Other expenses	80	×	×	15,006	15,243
9. Income tax on ordinary activities	81	×	×	260,383	241,656
10. Profit or loss on ordinary activities after tax	82	×	×	1,088,921	1,031,034
15. Other taxes not shown under the preceding items	87	×	×	347	465
16. Profit or loss for the financial year	88	×	×	1,088,574	1,030,569

Statement of Changes in Equity for the Year 2017

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 1/1/2015	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
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)	
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

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 1/1/2017	1,900,100	4,228	0	0	913,179	1,030,569	3,848,076
Additions to funds		7,471			1,023,098	(1,030,569)	0
Utilisation of funds		(6,728)					(6,728)
Change in valuation of investments							0
Increase/reduction in registered capital							
Payment of dividends					(869,633)		(869,633)
Profit/loss for the current year						1,088,574	1,088,574
Balance at 31/12/2017	1,900,100	4,971	0	0	1,066,644	1,088,574	4,060,289

Notes to the Financial Statements as at 31 December 2017

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 2017 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)(f) of Act No. 277/2009 Coll., on insurance, as amended.

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 Dec 2017:

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.

Notes to the Financial Statements as at 31 December 2017

Proxy

Ing. František Mareš, č. p. 78, 533,45 Stéblová

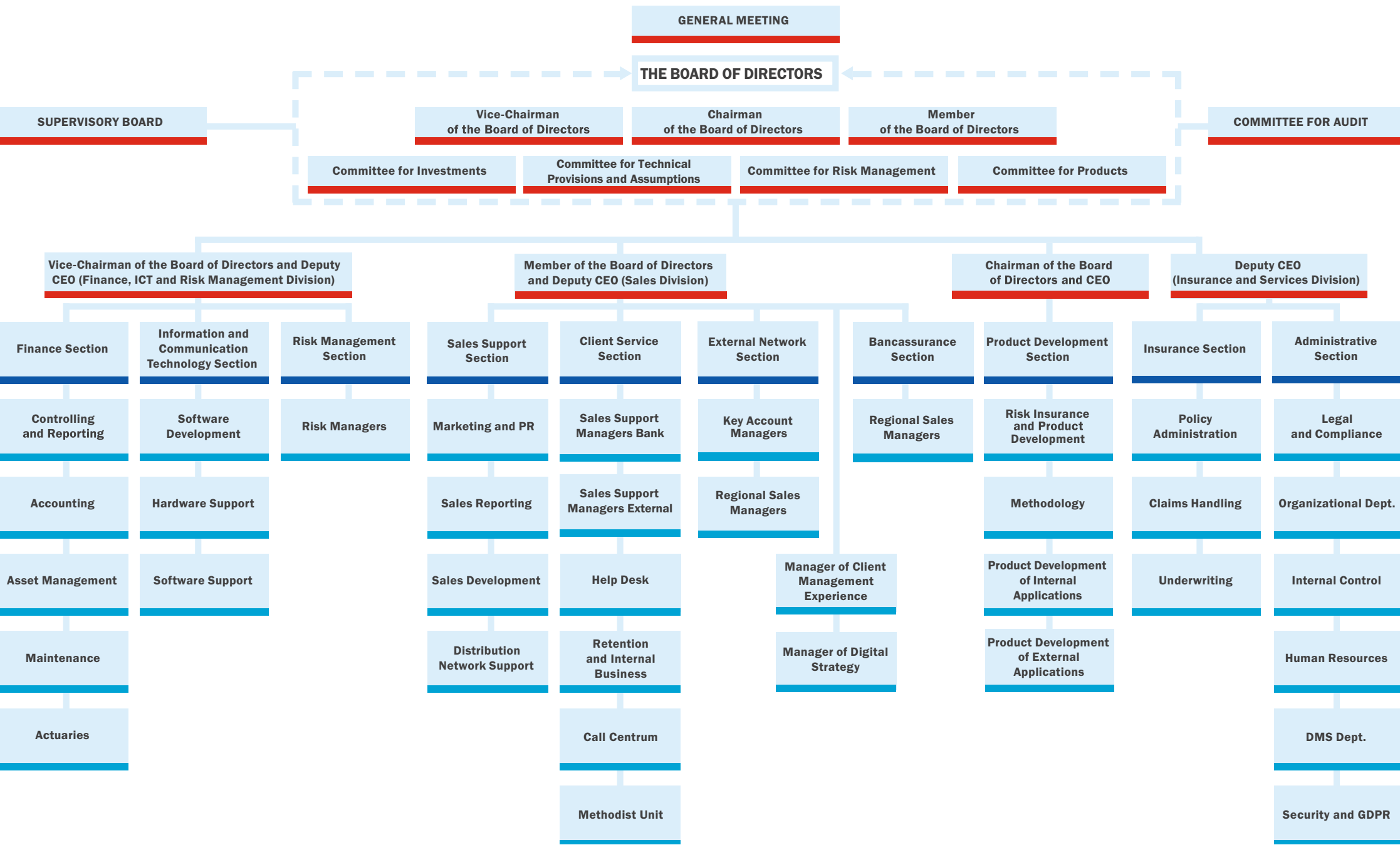
Members of the Supervisory Board

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
Ing. Jiří Drahoš, č. p. 181, Cerekvice nad Loučnou
Ing. Petr Procházka, Věry Junkové 92, Studánka, Pardubice
Prof. Elisabeth Stadler, 3550 Langenlois, Höllgasse 32, Austria
KR Franz Fuchs, 2344 Maria Enzersdorf, Fürstenstraße 43, Austria
Marek Blaha, Bratislava, V Záhradách 2037/22, Slovakia
(from 1 May 2017; until 27 April 2017: Jan Jeřábek, Na Neklance 1299/30, Smíchov, Praha 5)

Audit Committee

Ing. Vladimír Mráz, U Letenského sadu 1294/6, 170 00 Praha 7 Holešovice
Prof. Elisabeth Stadler, Höllgasse 32, Langenlois, 3550, Austria
Ing. Martin Diviš, MBA, Divoká Šárka 39, 164 00 Praha 6
Dkfm. Karl Fink, Kurzbauergasse 5, Wien, Austria
Ing. František Dostálek, Hošťálkova 656/52, 169 00 Praha 6 – Břevnov
(from 1 May 2017; until 30 April 2017: Ing. Hynek Vodička, Stružky 66, Praha 9)

Organizational Structure at 31 December 2017



Company does not have any branch abroad.

Notes to the Financial Statements as at 31 December 2017

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.

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 and procedures

(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.

Notes to the Financial Statements as at 31 December 2017

The Company amortises premiums and discounts on all debt securities. Premiums and discounts are released to the income statement using 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.

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

Fair value means the price derived from quoted market mid prices published by domestic or foreign stock exchanges or other public (organised) markets. The Company applies the most recently 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 categorised as follows: securities valued at fair value through profit and loss, securities available for sale and 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 (“CNB”). The appropriate exchange rate difference is included in the fair value.

Shares and other variable-yield securities

At the acquisition date, shares and other variable-yield securities are accounted for at acquisition cost.

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

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

Fair value means the price published by domestic or foreign stock exchanges or other public (organised) markets. The Company applies the most recently 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 CNB. 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.

Notes to the Financial Statements as at 31 December 2017

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

Notes to the Financial Statements as at 31 December 2017

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

Notes to the Financial Statements as at 31 December 2017

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 CNB 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.

Notes to the Financial Statements as at 31 December 2017

(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 similar 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 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 CNB 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 CNB 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

During 2017, the Company did not change any accounting policies and procedures. During the financial year the Company also did not apply any deviations from these policies and procedures.

Notes to the Financial Statements as at 31 December 2017

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.

Notes to the Financial Statements as at 31 December 2017

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 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

Notes to the Financial Statements as at 31 December 2017

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:

- Reinsurers' 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 2017 comprise the following items:

in thousands CZK	Software	Total
Acquisition cost at 1/1/2017	507,912	507,912
Additions	42,722	42,722
Disposals	(8,687)	(8,687)
Acquisition cost at 1/1/2017	541,947	541,947
Accumulated depreciation at 1/1/2017	410,254	410,254
Depreciation expense	47,656	47,656
Disposals	(8,687)	(8,687)
Accumulated depreciation at 31/12/2017	449,223	449,223
Net book value at 1/1/2017	97,658	97,658
Net book value at 31/12/2017	92,724	92,724

II.2. Investments

(a) Land and buildings (real estate)

in thousands CZK	Land	Buildings	Total
Acquisition cost at 1/1/2017	1,900	54,007	55,907
Additions	0	0	0
Disposals	0	(27)	(27)
Acquisition cost at 31/12/2017	1,900	53,980	55,880
Accumulated depreciation at 1/1/2017	0	1,764	1,764
Depreciation expense	0	1,767	1,767
Disposals	0	0	0
Accumulated depreciation at 31/12/2017	0	3,531	3,531
Net book value at 1/1/2017	1,900	52,243	54,143
Net book value at 31/12/2017	1,900	50,449	52,349

in thousands CZK	Land	Buildings	Total
Fair value at 31/12/2017	1,900	49,100	51,000
Fair value at 31/12/2016	1,900	52,100	54,000

As at 31 December 2017, 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 2017.

Notes to the Financial Statements as at 31 December 2017

(b) Participating interests in controlled persons

2017 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	30,233	31,962	3,734	4,026,994	170,837	805
Total		30,233	31,962	N/A	N/A	N/A	805

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

The financial data about VIG FUND uzavřený investiční fond, a.s. is based on unaudited financial statements as at 31 December 2017.

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

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

in thousands CZK	Fair value		Acquisition cost	
	2017	2016	2017	2016
Issued by financial institutions				
– Listed on a recognised CR exchange	77,775	75,225	66,764	66,764
– Unlisted	2,662,785	2,281,868	2,308,640	1,857,725
Issued by non-financial institutions				
– Listed on a recognised CR exchange	48,160	41,710	50,430	50,430
Total	2,788,720	2,398,803	2,425,834	1,974,919

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	
	2017	2016	2017	2016
Issued by financial institutions				
– Listed on a recognised CR exchange	27,618	28,929	29,307	29,307
– Listed on another securities market	1,333,554	1,514,541	1,286,568	1,417,052
Issued by non-financial institutions				
– Listed on a recognised CR exchange	77,917	79,148	76,793	76,792
– Listed on another securities market	213,802	376,216	224,272	369,509
Issued by government sector				
– Listed on a recognised CR exchange	4,281,448	5,180,372	4,280,775	5,010,802
– Listed on another securities market	726,911	892,342	642,789	727,015
Total	6,661,250	8,071,548	6,540,504	7,630,477

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

Notes to the Financial Statements as at 31 December 2017

(e) Securities held to maturity

in thousands CZK	Fair value		Amortised cost		Acquisition cost	
	2017	2016	2017	2016	2017	2016
OECD debt securities held to maturity						
– Listed on a recognised CR exchange	11,620,814	12,541,546	10,952,684	10,929,141	11,183,901	11,083,980
Total OECD debt securities held to maturity	11,620,814	12,541,546	10,952,684	10,929,141	11,183,901	11,083,980
Other securities held to maturity						
Issued by financial institutions						
– Listed on a recognised CR exchange	274,522	286,999	274,627	283,424	301,811	301,811
– Listed on another securities market	583,430	656,806	586,489	644,209	581,427	563,164
– Unlisted	203,133	216,770	197,296	197,703	198,998	198,998
Issued by non-financial institutions						
Listed on a recognised CR exchange	1,213,776	1,443,340	1,192,688	1,387,584	1,189,502	1,379,503
Listed on another securities market	505,256	690,302	466,537	617,951	457,039	606,189
Total other securities held to maturity	2,780,117	3,294,217	2,717,637	3,130,871	2,728,777	3,049,665
Total securities held to maturity	14,400,931	15,835,763	13,670,321	14,060,012	13,912,678	14,133,645

(f) Deposits with financial institutions

in thousands CZK	2017	2016
Due within 1 year	0	349,900
Total	0	349,900

(g) Other investments – derivatives

Other derivatives – derivatives held for trading

Fixed term contracts with a positive fair value	Nominal value		Fair value	
	2017	2016	2017	2016
Term currency transactions	1,564,700	0	26,742	0
Total	1,564,700	0	26,742	0

Fixed term contracts with a negative fair value	Nominal value		Fair value	
	2017	2016	2017	2016
Term currency transactions	1,406,899	2,931,562	(8,442)	(75,829)
Total	1,406,899	2,931,562	(8,442)	(75,829)

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.

Notes to the Financial Statements as at 31 December 2017

Remaining maturity of derivatives

as at 31 December 2017 in thousands CZK	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Without specifics	Total
Other derivatives – held for trading						
Term currency transactions	18,300					18,300
Total	18,300					18,300
<hr/>						
as at 31 December 2016 in thousands CZK	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Without specifics	Total
Other derivatives – held for trading						
Term currency transactions	(30,328)	(45,501)				(75,829)
Total	(30,328)	(45,501)				(75,829)

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

Description in thousands CZK	Fair value		Acquisition cost	
	2017	2016	2017	2016
Shares and other variable-yield securities	1,032,615	854,570	896,279	778,611
Debt securities	1,541,993	1,537,905	988,149	1,000,206
Total	2,574,608	2,392,475	1,884,428	1,778,817

II.4. Currency structure of investments

Currency in thousands	Variable-yield securities		Fixed income securities		Deposits and other investments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
CZK	927,048	682,392	18,896,384	20,450,633	2,574,608	2,742,375	22,398,040	23,875,400
EUR	589,740	599,823	1,172,440	1,274,740	(8,402)	(3,863)	1,753,778	1,870,700
GBP	101,819	104,732		0	861	(2,675)	102,680	102,057
USD	1,200,346	1,043,841	262,747	406,187	25,841	(69,291)	1,488,934	1,380,737
Total	2,818,953	2,430,788	20,331,571	22,131,560	2,592,908	2,666,546	25,743,432	27,228,894

Variable-yield securities comprise a participating interest with significant influence amounting to TCZK 30,233 (2016: TCZK 31,985).

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.

Notes to the Financial Statements as at 31 December 2017

II.5. Receivables

At 31 December 2017 in thousands CZK	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	3,197		341,354	220,096	564,647
Past due	136,466	11,627		155	148,248
Total	139,663	11,627	341,354	220,251	712,895
Adjustment amount	77,591	11,071		109	88,771
Total net	62,072	556	341,354	220,142	624,124

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
Past due	140,010	12,856		174	153,040
Total	143,727	12,856	334,115	197,196	687,894
Adjustment amount	83,241	12,298		109	95,648
Total net	60,486	558	334,115	197,087	592,246

Other receivables

in thousands CZK	2017	2016
Receivables from group companies	1,771	2,136
Paid income tax prepayments	212,782	191,113
Deferred tax asset	1,082	0
Other receivables	4,507	3,838
Total other receivables (net)	220,142	197,087

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 1/1/2017	31,332	72,165	29,651	14,211	2,519	149,878
Additions	4,814	23,630	294	146	4,609	33,492
Disposals	(4,243)	(3,926)	(2,165)	0	(2,094)	(12,427)
Acquisition cost at 31/12/2017	31,903	91,869	27,780	14,357	5,034	170,943
Accumulated depreciation at 1/1/2017	13,337	55,604	15,619	3,176	0	87,736
Depreciation expense	6,977	8,695	2,723	1,608	0	20,003
Disposals	(3,110)	(3,926)	(1,869)	0	0	(8,905)
Accumulated depreciation at 31/12/2017	17,204	60,373	16,473	4,784	0	98,834
Net book value at 1/1/2017	17,995	16,561	14,032	11,035	2,519	62,142
Net book value at 31/12/2017	14,699	31,496	11,307	9,573	5,034	72,109

As at 31 December 2017, the Company also reported inventories of TCZK 992 (2016: TCZK 1,423).

Notes to the Financial Statements as at 31 December 2017

II.7. Temporary asset accounts

(a) Deferred acquisition costs for life assurance contracts

in thousands CZK	2017	2016
Unit-linked assurance	1,553,782	1,631,471
Total	1,553,782	1,631,471

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 541,245 (2016: TCZK 688,581) and the volume of the negative capital value of insurance contracts is used to create an asset of TCZK 1,012,537 (2016: TCZK 942,890).

(b) Estimated receivables

in thousands CZK	2017	2016
Estimated written premiums	100,034	99,723
Estimated reinsurance commissions	30,769	22,839
Estimated share in the profit of the reinsurance company BNP	10,454	10,314
Other	4,810	4,805
Total	146,067	137,681

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	2017	2016
Prepaid expenses relating to commissions on premiums not yet recorded	26,188	32,608
Prepaid SW services	7,212	7,983
Other	1,393	630
Total	34,793	41,221

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 2017, 100%, i.e. TCZK 1,900,100, of the share capital was paid up. In the accounting period of 2017 and 2016, the share capital did not change.

Issue	Type of security	Form	Nominal value (in CZK)	Number of securities	Total volume (in CZK)	Information on public marketability
CZ0008040706	share	book-entry	45,000	8,180	368,100,000	not marketable
CZ0008040698	share	book-entry	100,000	15,320	1,532,000,000	not marketable
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.

Notes to the Financial Statements as at 31 December 2017

(b) Other capital funds

In connection with an amendment to Act No. 563/1991 Coll., on accounting, which came into effect on 1 January 2016 and concerned the valuation of selected investments, the Company did not report any other capital funds in 2017.

The balance of asset revaluation differences and deferred tax asset as at 31 December 2015 was settled in 2016 as follows:

Revaluation of assets and liabilities at fair value

in thousands CZK	2017	2016
Balance at 1/1	0	125,398
Change in fair value of investments	-	-
Net losses on investments due to a change in legislation	0	(154,812)
Change in deferred tax	0	29,414
Balance at 31/12	0	0

Proposed distribution of current period profit

in thousands CZK	
Profit for the current period	1,088,574
Transfer to social fund	5,647
Dividends (CZK 39.17 per share)	920,488
Profit to be added to retained earnings	162,439

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

II.9. Technical provisions

(a) Life assurance provision

in thousands CZK	2017	2016
Unzillmerised provision	3,587,723	4,444,172
Zillmer adjustment	8,841	12,895
Elimination of negative provisions	0	323
Zillmerised provision presented in the balance sheet	3,578,882	4,431,600
Flexi provision	13,726,998	14,361,986
Provision for profit share commitments	228,465	223,684
Annuity provision	6,259	6,501
Provision for bonuses	938,745	800,724
Total life assurance provision	18,479,349	19,824,495

(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	2017	2016
RBNS	493,723	447,099
IBNR	1,399,424	1,397,488
Total	1,893,147	1,844,587

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2016, the claims payments during 2017 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2017.

Notes to the Financial Statements as at 31 December 2017

The net run-off result by classes of insurance:

Class of insurance in thousands CZK	2017	2016
Accident and sickness – non-life insurance	(2,401)	15,450
Other losses – non-life insurance	(1,442)	(601)
Assurance on death, assurance on survival	52,762	19,415
Accident and sickness insurance as a rider to life assurance classes	386,928	208,726
Marriage insurance	(78)	59
Life assurance connected with an investment fund/unit-linked (not including accidental riders)	40,378	(3,316)
Total	476,147	239,733

(c) Other technical provisions

Other technical provisions include a 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	105,142	0	73,021	32,121
Total	105,142	0	73,021	32,121

II.10. Provisions

Type of provision in thousands CZK	Opening balance	Additions	Release	Closing balance
Provision for taxes	240,246	264,299	240,246	264,299
Total	240,246	264,299	240,246	264,299

The paid income tax prepayments of TCZK 209,268 (2016: TCZK 188,545) are recognised in Other receivables.

II.11. Liabilities

At 31 December 2017 in thousands CZK	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	169,708	107,586	403,870	57,738	738,902
Past due				1,533	1,533
Total	169,708	107,586	403,870	59,271	740,435

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
Past due				169	169
Total	172,010	133,014	396,654	82,024	783,703

Other payables comprise the following items:

in thousands CZK	2017	2016
Payables to employees	20,746	38,235
Social security liabilities	3,698	7,630
Health insurance liabilities	3,840	7,241
Payables to suppliers	23,999	14,359
Deferred tax liability	0	2,702
Other tax liabilities	6,988	11,857
Total	59,271	82,024

Notes to the Financial Statements as at 31 December 2017

(a) Social security and health insurance liabilities

Liabilities in respect of social security and health insurance total TCZK 7,538 (2016: TCZK 14,871). 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 6,988 (2016: TCZK 11,857), none of which are overdue.

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

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

(d) Payables and receivables due to or from reinsurers

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

in thousands CZK	2017	2016
Receivables from reinsurers	341,354	334,115
Payables to reinsurers	403,870	396,654
Deposits received from reinsurers	1,142,392	1,144,239
Technical provisions, reinsurers' share	1,325,536	1,324,279
Net (+ receivable, - payable)	120,628	117,501

The deposit of TCZK 1,142,392 (2016: TCZK 1,144,239) relates to reinsurance contracts with VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

II.12. Temporary liability accounts

(a) Temporary liability accounts

in thousands CZK	2017	2016
Accrued expenses	64	119
Estimated payables	393,652	286,620
Total	393,716	286,739

A detailed breakdown of estimated payables is as follows.

(b) Estimated payables

in thousands CZK	2017	2016
Alliance partner commission	98,224	98,870
Annual bonuses, extraordinary bonuses and untaken holidays	87,529	25,773
Reinsurance premiums on premium not yet recorded	48,658	50,108
Performance-based commissions of insurance intermediaries	97,566	55,784
Asset management fees	27,420	10,621
Consulting services	20,114	6,204
Lawsuits and litigations	5,539	5,539
Services not yet invoiced by other creditors	3,277	3,526
Advance payments for services relating to rent	2,742	2,336
Operating system repairs and maintenance	2,583	27,859
Total	393,652	286,620

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.

Notes to the Financial Statements as at 31 December 2017

Estimated reinsurance premiums

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

II.13. Inter-company receivables and payables

Other inter-company receivables and payables

in thousands CZK Company name	Receivables		Payables	
	2017	2016	2017	2016
Short-term	319,092	312,024	339,688	343,989
Kooperativa pojišťovna, a.s., Vienna Insurance Group	4,018	4,172	1,714	5,313
KAPITOL pojišťovací a finanční poradenství, a.s.			3,538	
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	315,074	307,852	334,436	338,676
Total	319,092	312,024	339,688	343,989

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 2017, the reinsurers' share of technical provisions following from reinsurance within the group amounted to TCZK 1,140,556 (as at 31 December 2016: TCZK 1,142,233).

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 2017 and 2016 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					
2017		436,127	437,759	199,395	10,639	(36,760)
2016		453,814	454,920	151,650	9,888	(78,295)
Miscellaneous losses	16					
2017		163,749	163,749	9,851	1,695	(46,269)
2016		196,894	196,895	9,348	1,797	(57,853)
Total						
2017		599,876	601,508	209,246	12,334	(83,029)
2016		650,708	651,815	160,998	11,685	(136,148)

Notes to the Financial Statements as at 31 December 2017

III.2. Life assurance

Gross premiums written in life assurance:

in thousands CZK	2017	2016
Individual premium	6,202,678	5,870,314
Premiums under group contracts	695,682	682,056
Total	6,898,360	6,552,370
Regular premium	6,615,561	6,212,007
Single premium	282,799	340,363
Total	6,898,360	6,552,370
Premiums from contracts without bonuses	754,608	752,460
Premiums from contracts with bonuses	4,688,958	4,599,856
Premiums from contracts where the investment risk is borne by policyholders	1,454,794	1,200,054
Total	6,898,360	6,552,370
Reinsurance balance	(162,560)	(125,373)

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

In 2017 and 2016, 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	2017	2016
Gross		
Non-life insurance	275,555	314,868
Life assurance	264,408	259,058
Total gross amount	539,963	573,926
Reinsurers' share (non-life insurance)	272,511	311,548
Total net	267,452	262,378

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:

2017 in thousands CZK	Gross	Reinsurance share	Net
Non-life insurance			
Creation	271,079	268,074	3,005
Release	278,178	275,134	3,044
Change of balance	(7,099)	(7,060)	(39)
Life assurance			
Creation	266,104		266,104
Release	264,408		264,408
Change of balance	1,696		1,696
Total change of balance	(5,403)	(7,060)	1,657

Notes to the Financial Statements as at 31 December 2017

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

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

in thousands CZK	2017			2016		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions						
Initial	315	1,566,521	1,566,836	135	1,472,601	1,472,736
Renewal	4,024	105,382	109,406	4,229	109,243	113,472
Total commissions	4,339	1,671,903	1,676,242	4,364	1,581,844	1,586,208
Other acquisition costs	2,679	242,571	245,250	1,268	204,711	205,979
Change in deferred acquisition costs	(66)	77,689	77,623	13	(112,557)	(112,544)
Total commissions and other acquisition costs	6,952	1,992,163	1,999,115	5,645	1,673,998	1,679,643

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	2017	2016
Renewal commissions	109,406	113,472
Personnel expenses (payroll, social security and health insurance, remuneration to members of the Supervisory Board, Board of Directors and Audit Committee)	138,276	112,828
Depreciation of intangible fixed assets	47,656	45,454
Operating system administration and maintenance	44,504	31,679
Other services	24,926	16,689
Depreciation and repairs and maintenance of tangible assets	24,100	22,479
Postal and telecommunication services	19,790	20,682
Other administrative expenses	17,981	15,071
Consultancy, legal services and external audit	13,802	15,086
Bank fees	7,717	8,079
Rent and rent-related services	7,432	6,977
Consumption of low-value tangible and intangible assets and other material	4,655	18,892
Total administrative expenses	460,245	427,388

Other personnel expenses are included in other administrative expenses.

Notes to the Financial Statements as at 31 December 2017

III.7. Other technical expenses and income

in thousands CZK	2017	2016
Non-life insurance		
Other technical expenses	179	161
Other technical income	(497)	(992)
Balance – non-life insurance	(318)	(831)
Life assurance		
Other technical expenses	21,823	18,126
Other technical income	(69,330)	(67,636)
Balance – life assurance	(47,507)	(49,510)

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

in thousands CZK	2017	2016
Creation (+)/Release (-) of adjustments to receivables	(45)	(109)
Write-off of receivables	75	61
Income from enforcement imposed by court	(37)	(22)
Fee from investments funds (trailer fee)	0	(254)
Other technical expenses and income	(54)	(38)
Expenses transferred from the non-technical account	(257)	(469)
Balance of other expenses (+) and income (-)	(318)	(831)

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

in thousands CZK	2017	2016
Creation (+)/Release (-) of adjustments to receivables	(6,832)	(13,136)
Write-off of receivables	4,048	7,716
Write-off of payables	(33,030)	(19,163)
Fee from investments funds (trailer fee)	4	(11,351)
Income from enforcement imposed by court	(2,793)	(2,839)
Other technical expenses and income	(1,133)	(1,720)
Compensation of property damage	(1,084)	(1,016)
Current account interest	0	(955)
FX differences	(2,921)	(157)
Expenses transferred from the non-technical account	(3,766)	(6,889)
Balance of other expenses (+) and income (-)	(47,507)	(49,510)

Notes to the Financial Statements as at 31 December 2017

III.8. Employees and management

Personnel expenses and average calculated number of employees by individual categories for 2017 and 2016:

Personnel expense – type in thousands CZK	Year	Employee category			Total
		Acquisition, sales	Claims handling	Administration	
Payroll expense	2017	108,223	14,854	77,184	200,261
	2016	92,499	13,559	65,586	171,644
Social security and health insurance	2017	36,924	5,127	26,018	68,069
	2016	25,713	4,684	20,433	50,830
Other personnel expenses	2017	8,182	2,316	7,272	17,770
	2016	4,818	1,397	4,543	10,758
Total personnel expenses	2017	153,329	22,297	110,474	286,100
	2016	123,030	19,640	90,561	233,231
Average number of employees	2017	155	38	120	313
	2016	134	39	118	291

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

As at 31 December 2017, the management of the Company comprised 13 managers – chairman of the Board of Directors, vice-chairman of the Board, member of the Board, deputy CEO, and 9 section directors. Payroll expenses relating to managers, excluding the members of the Board of Directors, totalled TCZK 26,885 in 2017 (2016: TCZK 29,634).

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 2017 and 2016 financial years:

in thousands CZK	2017	2016
Members of the Board of Directors	32,270	25,433
Proxy holder	60	60
Members of the Supervisory Board	1,492	1,461
Audit Committee	185	14
Total remuneration paid	34,007	26,968

The remuneration stated in the table does not include social security and health insurance payments even where 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 Board members receive remuneration in accordance with the contract for discharge of office. The remuneration paid to the members of the Board of Directors was raised on a one-off basis as a result of a change in the structure of the Board of Directors as at 1 January 2018.

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 2017 or in 2016.

Notes to the Financial Statements as at 31 December 2017

(b) Fees payable to statutory auditors

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

In 2017, the audit firm provided non-audit services in the amount of CZK 298 thousand. These services comprised mainly client base analysis nad training.

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 71,533 (2016: TCZK 80,671).

III.10.Result of non-technical account

The result of the non-technical account as at 31 December 2017 was TCZK (2,961) (2016: TCZK 3,045).

III.11.Result before tax

The result before tax as at 31 December 2017 was TCZK 1,348,957 (2016: TCZK 1,272,225).

III.12.Taxation

(a) Income tax in the income statement

in thousands CZK	2017	2016
Provision for current period income tax	264,299	240,246
Difference between the current income tax relating to prior periods and release of the provision for income tax relating to prior periods	(352)	53
Current income tax relating to prior periods	220	0
Change in deferred tax asset/Change in deferred tax liability	(3,784)	1,357
Income tax in the income statement	260,383	241,656

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences in thousands CZK	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Tangible fixed assets			4,700	3,866	(4,700)	(3,866)
Intangible fixed assets			4,296	4,977	(4,296)	(4,977)
Receivables	247	608			247	608
Other temporary differences recorded in profit or loss	9,831	5,533			9,831	5,533
Effect on income statement	10,078	6,141	8,996	8,843	1,082	(2,702)
Revaluation of assets and liabilities						
Effect on equity						
Deferred tax asset/(liability)	10,078	6,141	8,996	8,843	1,082	(2,702)
Off-setting of related deferred tax assets and liabilities	(8,996)	(6,141)	(8,996)	(6,141)		
Deferred tax asset/(liability)	1,082	0	0	2,702	1,082	(2,702)

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

On 14 December 2017, the parent company - VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe - publicly announced its intention to merge the Company with Kooperativa pojišťovna, a.s., Vienna Insurance Group effective from 1 January 2019.

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

IV. 3. Subsequent events

RNDr. Petr Zapletal, MBA terminated his membership in the Board of Directors on 1 January 2018. On 16 January 2018, Ing. Jaroslav Kulhánek ceased to be the vice-chairman of the Board of Directors and became a member of the Board. On 31 January 2018, Ing. Martin Diviš, MBA terminated his membership in the Supervisory Board and the Audit Committee. On 1 February 2018, Ing. Martin Diviš, MBA became a member of the Board of Directors and was appointed chairman of the Board on 13 February 2018. Ing. Tomáš Vaníček, MBA was appointed vice-chairman of the Board of Directors on 13 February 2018.

The Company's management is not aware of any other material subsequent events that have occurred since the balance sheet date that would require an adjustment to the financial statements as at 31 December 2017.

Pardubice, 16 March 2018



Ing. Tomáš Vaníček, MBA
Vice-Chairman of the Board of Directors



Ing. Jaroslav Kulhánek
Member of the Board of Directors

Report on Relations

This report on relations between the parties specified below was drawn up in accordance with the provisions of Section 82 Act No. 90/2012 Coll., on Business corporations and cooperatives (Act on Business Corporations), as amended, for the accounting period 1.1.2017 until 31.12.2017 (hereinafter referred to only as the “**accounting period**”).

Pojišťovna České spořitelny, a.s., Vienna Insurance Group, with registered office at náměstí Republiky 115, Zelené Předměstí, 530 02 Pardubice, Company ID number: 47452820, entered in the Commercial Register maintained by the Regional Court in Hradec Králové, in Section B, File 855 (hereinafter referred to only as the “**processor**”) is part of the commercial group (concern) VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe. Within the framework of this commercial group, the processor provides financial services within the scope of a licence for performance of insurance activity within the territory of the Czech Republic.

The method of control is ensured by management via representation of the controlling party in the supervisory board of the processor and voting at the general meeting, where the business share of the controlling party is 90%. Within the group, other tools are then used, this being in the form of contractual arrangements, the subject of which is determination of competences and responsibilities in the process of development, management and coordination of the group in the Czech Republic and the insurance companies incorporated in this group, as well as determination of conditions for detachment or sharing of selected activities. The purpose of this form of management is in particular improvement of the quality of financial services provided and implementation of cost savings. An overview of the existing relations between the processor and controlling parties as well as between the processor and parties controlled by the same controlling parties (hereinafter referred to only as “**related parties**”) is as follows:

1. Overview/chart of the structure of relations between parties in the whole of the VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, or parties whose relations are described

Controlling parties

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 referred to only as Wiener Städtische)

Consolidated companies

Trading name	Country	Participation via
"BULSTRAD LIFE VIENNA INSURANCE GROUP" EAD, Sofia	Bulgaria	INSURANCE JSC "BULSTRAD VIENNA INSURANCE GROUP"
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	WGPV Holding GmbH
"POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	Neue Heimat Oberösterreich Holding GmbH, SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
Anděl Investment Praha s.r.o., Prague	Czech Republic	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Anif-Residenz GmbH & Co KG, Vienna	Austria	WSBV Beteiligungsverwaltung GmbH & Co KG, MAP Bürodienstleistung Gesellschaft m.b.H.
Arithmetica Versicherungs- und Finanzmathematische Beratungs- Gesellschaft m.b.H., Vienna	Austria	DONAU Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	LVP Holding GmbH

Report on Relations

Trading name	Country	Participation via
ATBIH GmbH, St. Pölten	Austria	
AXA Life Insurance S.A., Bucharest	Romania	
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	
Blizzard Real Sp. z o.o., Warsaw	Poland	MAP Bürodienstleistung Gesellschaft m.b.H.
BML Versicherungsmakler GmbH, Vienna	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
BTA Baltic Insurance Company AAS, Riga	Latvia	
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	VIG Properties Bulgaria AD
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	WSBV Beteiligungsverwaltung GmbH & Co KG, WSV Immoholding GmbH
CAL ICAL "Globus", Kiev	Ukraine	VIG Services Ukrajina, LLC, Limited Liability Company "UIG Consulting", PJSC "Insurance company" Ukrainian insurance group"
CAPITOL, akciová spoločnosť, Bratislava	Slovakia	KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group
CENTER Hotelbetriebs GmbH, Vienna	Austria	DONAU Versicherung AG Vienna Insurance Group, Sparkassen Versicherung AG Vienna Insurance Group, Wüstenrot Versicherungs-Aktiengesellschaft, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Kishinev	Moldova	
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	
CP Solutions a.s., Prague	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group

Trading name	Country	Participation via
DBLV Immobesitz GmbH, Vienna	Austria	Donau Brokerline Versicherungs-Service GmbH
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	Donau Brokerline Versicherungs-Service GmbH
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., WSV Immoholding GmbH
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	DONAU Versicherung AG Vienna Insurance Group
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	Sparkassen Versicherung AG Vienna Insurance Group
DVIB GmbH, Vienna	Austria	Donau Brokerline Versicherungs-Service GmbH
ELVP Beteiligungen GmbH, Vienna	Austria	
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	Neue Heimat Oberösterreich Holding GmbH, SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	Wiener osiguranje Vienna Insurance Group d.d.
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	UNION Vienna Insurance Group Biztosító Zrt.
Floridsdorf am Spitz 4, Immobilienverwertungs GmbH, Vienna	Austria	
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	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, Kapfenberg	Austria	Gemeinnützige Industrie-Wohnungsaktiengesellschaft
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, WSV Immoholding GmbH
Insurance Company Nova Ins EAD, Sofia	Bulgaria	INSURANCE JSC "BULSTRAD VIENNA INSURANCE GROUP"

Report on Relations

Trading name	Country	Participation via
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	TBI BULGARIA EAD
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	InterRisk Versicherungs-AG Vienna Insurance Group
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	
InterRisk Versicherungs-AG Vienna Insurance Group	Germany	
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	
Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	GPIH B.V.
Joint Stock Company International Insurance Company IRAO, Tbilisi	Georgia	ATBIH N.V.
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	
Kaiserstraße 113 GmbH, Vienna	Austria	DBLV Immobesitz GmbH & Co KG, DVIB GmbH
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Kapitol pojišť'ovací a finanční poradenství, a.s., Brno	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group, LVP Holding GmbH
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	SECURIA majetkovosprávna a podielová s.r.o.
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	VLTAVA majetkovosprávní a podílová spol. s.r.o.
Limited Liability Company "UIG Consulting", Kiev	Ukraine	PJSC "Insurance company" Ukrainian insurance group"
LVP Holding GmbH, Vienna	Austria	
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	WSV Immoholding GmbH
MH 54 Immobilienanlage GmbH, Vienna	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	Neue Heimat Oberösterreich Holding GmbH, SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft

Trading name	Country	Participation via
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Urbanbau Gemeinnützige Bau- Wohnungs- u.StadterneuerungsgmbH
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	WGPV Holding GmbH
Passat Real Sp. z o.o., Warsaw	Poland	MAP Bürodienstleistung Gesellschaft m.b.H.
Pension Insurance Company Doverie AD, Sofia	Bulgaria	ATBIH N.V.
PFG Holding GmbH, Vienna	Austria	DONAU Versicherung AG Vienna Insurance Group, Sparkassen Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	Wüstenrot Versicherungs-Aktiengesellschaft, PFG Holding GmbH
Poistovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	Slovakia	KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	Czech Republic	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Porzellangasse 4 Liegenschaftsverwaltung GmbH & Co KG, Vienna	Austria	
Private Joint-Stock Company "INSURANCE COMPANY "KNIAZHA LIFE VIENNA INSURANCE GROUP", Kiev	Ukraine	LVP Holding GmbH, MAP Bürodienstleistung Gesellschaft m.b.H.
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	Ukraine	"Assistance Company "Ukrainian Assistance Service" LLC, ATBIH N.V.
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	VIG Services Ukrajina, LLC, ATBIH N.V.
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Projektbau GesmbH, Vienna	Austria	Projektbau Holding GmbH
Projektbau Holding GmbH, Vienna	Austria	DONAU Versicherung AG Vienna Insurance Group, Sparkassen Versicherung AG Vienna Insurance Group, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group

Report on Relations

Trading name	Country	Participation via
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	Austria	WSBV Beteiligungsverwaltung GmbH & Co KG, MAP Bürodienstleistung Gesellschaft m.b.H.
Ray Sigorta Anonim Sirketi	Turkey	LVP Holding GmbH, ATBIH N.V.
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., DVIB GmbH
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., DVIB GmbH
SCHWARZATAL Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	Gemeinnützige Industrie- Wohnungsaktiengesellschaft, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	LVP Holding GmbH
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Vienna	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, WSV Immoholding GmbH
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	Erste gemeinnützige Wohnungsgesellschaft Heimstätte GmbH, Neue Heimat Oberösterreich Holding GmbH
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	LVP Holding GmbH, WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group	Macedonia	
SVZ GmbH, Vienna	Austria	Sparkassen Versicherung AG Vienna Insurance Group
SVZI GmbH, Vienna	Austria	SVZ GmbH
T 125 GmbH, Vienna	Austria	DBLV Immobesitz GmbH & Co KG, DVIB GmbH
TBI BULGARIA EAD, Sofia	Bulgaria	
Twinformatics GmbH, Vienna	Austria	
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	

Trading name	Country	Participation via
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	MAP Bürodienstleistung Gesellschaft m.b.H., DVIB GmbH
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
Vienibas Gatve Investments OÜ, Tallinn	Estonia	Compensa Life Vienna Insurance Group SE
Vienibas Gatve Properties SIA, Riga	Latvia	Vienibas Gatve Investments OÜ
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 FUND, a.s.	Czech Republic	VIG-CZ Real Estate GmbH, Compensa Towarzystwo Ubezpieczeń 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 Ubezpieczeń 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 ND, a.s., Prague	Czech Republic	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, Sofia	Bulgaria	
VIG RE zajišťovna, a.s., Prague	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, Belgrade	Serbia	WGPV Holding GmbH

Report on Relations

Trading name	Country	Participation via
VIG Real Estate GmbH, Vienna	Austria	SVZI GmbH, "Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H.", DVIB GmbH
VIG Services Ukrajina, LLC, Kiev	Ukraine	PJSC "Insurance company" Ukrainian insurance group"
VIG-CZ Real Estate GmbH, Vienna	Austria	VIG Real Estate GmbH
VITEC Vienna Information Technology Consulting GmbH, Vienna	Austria	
VLTAVA majetkovosprávní a podílová spol. s r.o., Prague	Czech Republic	LVP Holding GmbH
WGPV Holding GmbH, Vienna	Austria	WSV ImmoHolding GmbH
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	Bosnia and Hercegovina	
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	
WIENER RE akcionarsko društvo za reosiguranje, Beograd, Belgrade	Serbia	VIG RE zajišťovna, a.s.
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	BML Versicherungsmakler GmbH
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	WIENER STÄDTISCHE Beteiligungs GmbH
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Beograd, Belgrade	Serbia	
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	Austria	WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group
WILA GmbH, Vienna	Austria	WSV ImmoHolding GmbH
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	Neue Heimat Oberösterreich Holding GmbH
WOFIN Wohnungsfinanzierungs GmbH, Vienna	Austria	Urbanbau Gemeinnützige Bau- Wohnungs- u. StadterneuerungsgmbH
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	WSV ImmoHolding GmbH
WWG Beteiligungen GmbH, Vienna	Austria	ELVP Beteiligungen GmbH

2. According to the information available, over the course of the “accounting period”, no action was taken at the instigation of or in the interest of the controlling party or parties controlled by it, the nature of which would affect the property of the processor in excess of 10% of its registered capital ascertained in accordance with the last financial statements.

3. Overview of mutual contracts for controlled parties:
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

CONTRACTS

Sale of services

The processor provided/took receipt of services during the “accounting period” on the basis of the following contracts concluded in past accounting periods or in the current accounting period:

Name of contract	Contracting party	Date of conclusion	Date of effectiveness	Subject of performance	Note
Contract on cooperation during use of 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	27.6.2013 Amendment no. 1 of 5.3.2014	1.6.2013 Amendment no. 1 of 1.1.2014	Regulation of mutual rights and obligations during use of non-residential space in both properties used by both parties	
Contract on subletting of non-residential space for a definite period – sublessee Kooperativa – as amended by amendment no. 1 – lease until 31.7.2019, amendment no. 2, no. 3 and no. 4	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	20.1.2010 Amendment no. 4 of 8.8.2017	1.1.2010 Amendment no. 4 of 1.1.2017	Lease of office room in no. 371 with a total area of 298,22 m² in the building nám. Republiky 1400, Pardubice	

Name of contract	Contracting party	Date of conclusion	Date of effectiveness	Subject of performance	Note
Contract on subletting of non-residential space for a definite period as amended by amendment no. 18	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	10.12.2004 Amendment no. 18 of 31.3.2017	2.1.2004 Amendment no. 18 of 31.3.2017	Lease of office in room no. 241, 361 and 431 and office 351 and 352 with a total area of 1,739.12 m² in the building nám. Republiky 1400, Pardubice	
Fleet insurance policy no. 6667800130 as amended by amendment no. 1	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	23.12.2016 Amendment no. 1 of 28.2.2017	1.1.2017 Amendment no. 1 of 1.3.2017	Fully comprehensive insurance of company vehicles, Insurance NA 100PRO, Obligatory contractual insurance of vehicles	
Insurance policy no. 7721008121 until 31.12.2017	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	22.12.2016	1.1.2017	Insurance policy covering insurance of company property and liability insurance	
Insurance policy no. 2269152903 until 28.2.2017	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	25.2.2016	1.3.2016	Fully comprehensive insurance of company vehicles	
Insurance policy no. 8603379835	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	1.8.2017	1.8.2017	Insurance policy for group liability insurance for employees of Pojišťovna České spořitelny	
Insurance policy no. 4950050837	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	30.8.2016	1.9.2016	Insurance covering members of statutory bodies	

Report on Relations

Name of contract	Contracting party	Date of conclusion	Date of effectiveness	Subject of performance	Note
Contract on sharing of costs no. 20/2017	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	31.12.2016	31.12.2016	Outsourcing in the field:- internal audit, including continuous monitoring of the management and control system;- information technology; processing payroll,- services in the field of Customer Support Centre	
Agreement on in-group cooperation	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague Česká podnikatelská pojišťovna, a. s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	5.10.2016	5.10.2016	The contract regulates the principles of cooperation for coordination and fulfilment of single group policy and regulates conditions for conformation with single regional management	
Data Center Service Frame Agreement	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	14.1.2014	1.1.2013	Regulation of the conditions for provision of services relating to use of central data systems	
Software Agreement	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	22.12.2015	1.1.2016	Purchase of SAP SRM user licences for the COS project	

Name of contract	Contracting party	Date of conclusion	Date of effectiveness	Subject of performance	Note
Quata Share Reinsurance Agreement č. 30/2017	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	17.3.2017	1.1.2017	Reinsurance of non-life additional accident insurance for 2017	
Quata Share Reinsurance Agreement 31/2017	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	17.3.2017	1.1.2017	Reinsurance of non-life additional accident insurance for 2017	
Agreement No. 37/2017	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Schottenring 30, 1010 Vienna, Austria	20.4.2017	20.4.2017	Contract on use of the SimCorp system	

Report on Relations

Contracts on brokerage of activities

The processor has concluded the following contracts on brokerage of activities, on the basis of which it provided the following performance:

Name of contract	Contracting party	Date of conclusion	Date of effectiveness	Subject of performance	Note
Contract on commercial representation no. 4116-400500/10-2015-A (94/2015)	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	15.10.2015	15.10.2015	Brokerage of sale of non-life insurance	Amendment no. 1 to Contract of commercial representation no. 4116-400500/10-2015-A (effective from 1.6.2016)
Agreement on special commission for non-life insurance no. 4116-400500/07-2017-MP (67/2017)	Kooperativa pojišťovna, a.s., Vienna Insurance Group, Pobřežní 665/21, 186 00 Prague	1.8.2017	1.8.2017	Special commission for brokerage of non-life insurance	
Contract on commercial representation	Kapitol pojišťovací a finanční poradenství, a.s., Rašínova 692/4, 602 00 Brno	30.12.2016	1.1.2017	Brokerage of sale of life insurance	Amendment no. 1 from 1.11.2017 New product FLEXI RISK Amendment no. 2 from 1.11.2017 Addition of alternative for flexible commission for FLEXI

Comments:

All of the relations specified in this appendix were created between related parties, these being the processor and VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

During establishment of these relationships, the valid laws of the Czech Republic were respected and prices were determined with regard to the provision of the Act on income tax, i.e. usual market prices at the time of conclusion of these contractual relationships. Brokerage of insurance in accordance with Act No. 38/2004 Coll. is regulated for in contractual relations by determination of the mutual rights and obligations of the contracting parties with simultaneous determination of conditions for the course of, entitlement to and payment of consideration for services provided relating to sale of insurance. These contracts include authorisation granted by the related party to provision of these services subject to the conditions determined by the above-mentioned act.

4. Conclusion

Over the course of the “accounting period”, no material damage was claimed for by any of the contracting parties. An advantage of the contractual relations concluded is efficient use of resources and services during regular economic activity and/or cost savings.

In Pardubice, on 23.2.2018

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

Ing. Tomáš Vaníček, MBA
Vice-Chairman of the Board of Directors

Ing. Jaroslav Kulhánek
Member of the Board of Directors

Non-financial section

1. Development of company

The development of the company is based on the provision of profitable products with high proportion of risk insurance and high added value for the end user. The basis for this development is the systematic planning of product innovations, and building up relations with clients and business partners.

The aim of this development is comprehensive insurance cover for clients, continual meeting of business aims, and long-term financial stability of the Company in an environment of growing competition, low-interest environment and increasing regulation of the branch.

The Company has an established effective and efficient managing and control system based on respect for Company values, which consist mainly of open communication, mutual respect and creativity in the approach to dealing with tasks.

The other development of the Company consists mainly of:

e) effective management of product innovations

Product changes utilising a knowledge of the needs and behaviour of clients, in particular in fundamental life situations where assurance is important for them. The essence of these changes is the constant strengthening of flexibility and representation of invalidity insurance, and insurance against incapacity for employment due to illness, serious illness and combination of permanent consequences of injury. Over the past year it has been possible to document this approach by the introduction of the new FLEXI RISK life assurance. The entire product offer of life products has several common

denominators - comprehensibility, simplicity, and client- and user-friendly properties of the product. One part of product development is the ongoing monitoring of changes in society, where the share of digital communication, including use of online sales, is constantly growing. To this end the Company has adopted a digitisation programme for the overall reflection of this phenomenon in communication, sales and processes of the Company.

f) quality of the provided services for end clients

The Company is constantly updating the procedures for management of insurance and communication with clients. Provision of services is always based on high quality of sales and after-sales servicing. Just as in previous years, last year the Company worked in improving the effectiveness of the acquisition process through a further improvement of digital forms for insurance policies, including digital client signature. Over the course of the year an own client line was built up, which completed the communication process of the insurance company based on its own capacities. Results are also being generated by the development of retention activities, which contribute to the reduction in the proportion of terminated policies, with a positive impact on the effectiveness of the provided insurance service. Development of the internet is an integral part of communication. Last year the insurance company successfully entered the world of social networks and launched completely new and appreciated www pages.

g) effective risk management

The company has fully implemented and is constantly improving a management system complying with the conditions of Solvency II. The managing and control system, its functionality, effectiveness,

appropriateness and continuity are regularly checked by internal audit. The system is capable of not only covering regulatory requirements, but is a good tool for identifying opportunities for the further development of the Company. The well-structured reporting system gives the Company management sufficient information about its risk profile and amount of capital bound for covering the liabilities of the Company and free capital for further development. The utilisation of data and constant improvement in its quality leads to a further improvement in data analysis. At the end of the year a new output was introduced which segments our clients on the basis of an analysis of our portfolio and thus opens up the possibility of a structured offer of insurance services according to the needs and expectations of the client segment thus defined.

2. Activities in the area of research and development

Activities in the area of research and development correspond to the Company's subject of activity, which consists of the provision of financial services. For this reason development primarily focuses on the further expansion and use of information and communication technology. This development is dominated by projects based on the digitisation of processes in the Company. The aim is the gradual elimination of paper documents both within the company and externally. This strategy also has an impact on the development of products focusing on the effectiveness and likeability of provided services. Currently preparation for the introduction of online distribution is culminating. One integral part is the attempt to ensure an environmentally friendly approach, which under the conditions of the Company represents an ongoing attempt to reduce energy demands.

3. Environmental protection and development of social-employee relations

By virtue of the nature of its subject of trading, the Company places little burden on the environment. In its activities it complies with the requirements imposed by the laws in the Czech Republic. When updating IT infrastructure we focus on suppliers and equipment allowing us full recycling and a significant reduction in the energy demands for the operation of the Company's IT structure. Last year we focussed on communication of environmental management as far as we could. One part of it is regular education and informing of all employees about the Company's environmental policy programmes. As part of this process the Company ensures waste sorting and a refuse management system.

In the field of labour-law relations, the Company strives to be a sought-after employer. It pays significant attention to the development of the employment policy and social programmes. The result of the schools cooperation programme approved by the Company is cooperation with selected educational institutions and the possibility of programme internships where the participants can become Company employees. The Company offers employees a wide range of financial and non-financial benefits. It evaluates the conditions of the working environment on an ongoing basis in order to offer good conditions for the performance of working tasks and adherence to the fundamentals for occupational safety. The Company provides its employees with regular and contractually ensured healthcare.

Education and professional development is one of the monitored indicators even when evaluating the material interest of the Company's top management. The Company has an established system for the evaluation and development of employees on the basis of which it allows various forms of education, including increase in and deepening of qualifications.

Long term the Company is building a corporate social responsibility concept (CSR) where it is a partner of the Jedlíčka Institution Foundation and the Paraple Centre. The Company allows its employees to participate in charity days.

4. Organisational components of the company abroad

The company has no organisation components abroad.

5. Other requirements according to special legal requirements

The company complies with the requirements for the subject of trading - insurance, designated in particular by the insurance act and where applicable the act concerning insurance brokers and independent liquidators of insured events. No other special requirements are designated for the activity of the Company.

