



ANNUAL REPORT 2018

ČESKÁ PODNIKATELSKÁ POJIŠŤOVNA, a.s.,
VIENNA INSURANCE GROUP



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ABOUT THE COMPANY

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

(„Česká podnikatelská pojišťovna“ or „ČPP“)

Registered office: Pobřežní 665/23, 186 00 Praha 8

Registered capital: BCZK 1

Client phone line: 957 444 555

E-mail: info@cpp.cz

Company website: www.cpp.cz

Identification number: 639 98 530

Net profit MCZK 478

Gross premiums written BCZK 9.5 (according to Czech Accounting Standards, CAS)

The Company is the fifth largest insurer in the Czech Republic with a market share of 7%

In 2018, ČPP recorded a year-on-year growth by 11.3%, while the market only rose by 4.8%.

Motor third-party liability insurance contracts concluded for more than 1,284,622 vehicles

The Company is the third largest provider of MTPL in the Czech Republic.

Vienna Insurance Group

Česká podnikatelská pojišťovna is a member of one of the major European insurance groups.

Establishment and incorporation of the Company:

Česká podnikatelská pojišťovna was established on 22 June 1995 and recorded in the Commercial Register on 6 November 1995.

Sole shareholder (since 1 July 2005):

Kooperativa pojišťovna, a.s., Vienna Insurance Group

Pobřežní 665/21, 186 00 Praha 8

Identification number: 471 16 617

Number of full-time employees of the Company as at 31 December 2018: 855

SHAREHOLDER DESCRIPTION

Kooperativa pojišťovna, a.s., Vienna Insurance Group

(„Kooperativa“)

Registered office: Pobřežní 665/21, 186 00 Praha 8

Registered capital: BCZK 3

Client phone line: 957 105 105

E-mail: info@koop.cz

Company website: www.koop.cz

Identification number: 471 16 617

Net profit MCZK 2 790

Gross premiums written BCZK 33.14

The gross premiums written in 2018 were a bit higher than in 2017.

Market share (according to CAS 218%)

Kooperativa is the largest domestic insurance company.

Vienna Insurance Group

Kooperativa is a member of the Vienna Insurance Group, one of the major European insurance groups.

Entry of the company's record in the Commercial Register:

Kooperativa pojišťovna, a.s., Vienna Insurance Group is recorded in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1897.

Shareholder structure (as at 31 December 2018):

Česká spořitelna, a.s.	1,59 %
SČMVD	1,13 %
VIG AG	95,84 %
Vltava	1,44 %
Total	100,00 %

Number of full-time employees of the Company as at 31 December 2018: 3784

This is a stake in registered capital including preference shares without voting right. The stakes of shareholders in ordinary shares are as follows: VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Republic Austria – 91.68%; Česká spořitelna, a.s. – 3.19%; VLTAVA majetkovosprávní a podílová spol. s r.o., Prague – 2.88%; Svaz českých a moravských výrobních družstev, Prague – 2.25%.



**INTRODUCTION
BY THE CHAIRMAN
OF THE BOARD
OF DIRECTORS**



In 2018, the results of ČPP confirmed the Company's high performance and the strong position on the Czech insurance market. In 2018, ČPP wrote gross premiums of more than BCZK 9 and generated net profit of MCZK 478. According to the methodology of the Czech Insurance Association (CAP), the gross premiums written by ČPP grew year-on-year by 11.3%, more than double the result of the insurance market. According to the statistics of the Czech Insurance Association (CAP), gross premiums written grew by 11.2% in the non-life insurance segment and similarly by 11.4% in the life assurance segment. With its market share of 7%, ČPP moved to the fifth place in the ranking of top insurance companies. The portfolio consists of more than 2 million contracts and more than 1.2 million clients.

The motor third-party liability insurance market is characterised by tough competition. ČPP confirmed its strong position in this segment in 2018. With more than 1.2 million insured vehicles in its portfolio, ČPP ranks amongst the three top market players. ČPP is a trustworthy insurer from the clients' perspective, offering fair, individual insurance as a result of prior segmentation. In addition, motorists are provided with a number of accessories and benefits.

In 2018, ČPP changed its strategy and targeted the spring campaign at household insurance. The aim was to make the household insurance as simple as possible for the clients. ČPP launched a new insurance package DOMEX+ with the most comprehensive insurance risk coverage on the market. As the only insurer, ČPP's insurance package now includes the reimbursement of data recovery costs in case a client's hard drive in a notebook or PC had been damaged.

The autumn campaign was targeted at additional motor insurance. With the launch of CAR MAXI-Autem bez starostí ('By car with no worries'), the volume of insurance contracts signed increased by 20%. The range of assistance services covered was the most comprehensive, including for instance towing from abroad up to 1250 km, rental of a replacement car up to 8 days, repair or replacement of two tyres and many more.

Business insurance amounts to almost 20% of total gross premiums written. ČPP insures entities of all sizes across all segments, starting with manufacturing, through transportation and logistics to provision of services. ČPP offers business insurance packages consisting of several insurances in order to cover the widest possible range of risks for the particular business segment. A special insurance for small businesses and tradesmen 'SIMPLEX' was launched in 2018.

The life assurance segment recorded a year-on-year increase by 11.4%, despite the overall market growth remaining practically at zero. The important regular premium products segment grew year-on-year by 11.6%, which again made ČPP the fastest growing insurance company in the market. The innovation process is well calibrated and allows for improving life assurance products regularly every year. As the only insurer on the market, in EVOLUCE PLUS, we included, for instance a special programme for diabetes patients. The success is naturally only made possible with a strong team of dedicated professional advisors.

ČPP would like to act as one of the major market players, thus focusing on further strengthening of the position in 2019. The priority shall be a stable growth while taking the clients' needs in account. The focus will be aimed on digitalisation and its further gradual implementation into the system, as well as the incorporation of new technologies, both in terms of business and administration. Regarding claim settlement, the focus shall be on enhancing the entire process, in particular shortening the claim settlement duration. Every year, around 90 thousand insurance claims relating to motor third-party liability insurance and accident insurance are being dealt with. Thanks to digital processing, 95% of insurance claims is paid out within 24 hours after it had been reviewed.

As a socially responsible company, ČPP would like to continue supporting interesting programmes and charity projects. In 2018, ČPP became a general partner of the "Aktivně a zdravě" programme ('Actively and healthily'), promoting a healthy lifestyle. In addition, ČPP has a strong tradition of corporate volunteering.

The awards received in 2018 in numerous competitions and surveys confirm that we are doing a great job. We highly appreciate our success in the Zlatá koruna (Golden Crown) competition, in the Insurance Company of the Year survey organised by the Association of Czech Insurance Brokers, and in the Best Insurance Company competition organised by the daily Hospodářské noviny. I would like to take this opportunity to express my thanks to all our employees, business partners and brokers for their support and contribution to the results achieved. At the same time, I would like to thank all our clients for their trust and interest in our products and services.

Ing. Jaroslav Besperát
Chairman of the board of directors

AWARDS ACQUIRED IN 2018

Insurance Company of the Year

ČPP was the 18th annual Insurance Company of the Year competition, claiming three victories and one second place in the main four categories. ČPP claimed victory in the Industrial and Business Insurance, Insurance of Individuals and Motor Vehicle Insurance categories. In addition, ČPP claimed second place in the Life Assurance category. The survey is organised by the Association of Czech Insurance Brokers and the Czech Association of Insurers in cooperation with the oPojištění.cz server.

Insurer of the Year

The chairman of the board of directors Jaroslav Besperát was awarded the title of the Insurer of the Year 2018 in a survey organised by Fincentrum Banka. The top representatives of all 40 insurance companies in the Czech Republic voted him the best CEO of an insurance company in the Czech Republic for the second consecutive year. The survey is organised by one of the largest finance-advisory companies in the Czech Republic.

Best Insurance Company

ČPP defended third place in the Best Non-Life Insurance Company category of the 10th annual Best Insurance Company competition organised by the daily Hospodářské noviny for the fourth consecutive time. In addition, it won second place in the Most Client-Friendly Non-Life Insurance Company category.

Zlatá koruna (Golden Crown)

In the 16th annual Zlatá koruna (Golden Crown) competition, ČPP defended second place in the Business Insurance category, thus confirming its key position on the Czech market in the business insurance seg-

ment. The competition was held under the auspices of Jiří Rusnok, Governor of the Czech National Bank.

TOP Odpovědná firma 2018 (TOP Responsible Company 2018)

Within the TOP Odpovědná firma (TOP Responsible Company) competition, ČPP was awarded three awards: the silver certificates for the Diversity Project supporting the female employees on family leave, and the internal 'Day for Social Activity' in the Corporate Volunteering category. Further, ČPP was awarded a bronze certificate for the 2017 non-financial report. The competition TOP Odpovědná firma is organised by the Byznys pro společnost (Business for Society) platform for the fifteenth consecutive year, mapping the Czech environment of the sustainable and responsible undertaking.

Equal opportunity – Employer of the Year 2018

ČPP was awarded the golden medal for above-the-standard labour conditions as regards the employment of disabled people. The survey is promoted every year by the Rytmus agency.

VIG Diversity Video Challenge

In 2018, the spot shot by the employees of the ČPP's office in Pelhřimov was awarded the bronze award in the group-wide competition focusing on the topic of diversity.



**MANAGEMENT
REPORT**

MANAGEMENT REPORT

In 2018, the gross premiums written by ČPP reached a record BCZK 9.5 (according to Czech Accounting Standards, CAS). The year-on-year increase according to CAS amounted to 11.3%, which made ČPP one of the fastest growing top ten Czech insurance companies. The market share of 7% ensured the fifth place in the ranking of the top insurance companies, one place higher than in 2017. Net profit (according to CAS) in 2018 reached MCZK 478. The registered capital of the Company totals BCZK 1. The total assets of the Company amounted to BCZK 16.9 in 2018 and the technical provisions amounted to BCZK 9.

ČPP administers more than BCZK 2 and provides services to almost 1.2 million clients. The ČPP's sales network consists of six regional headquarters based in Prague, Pilsen, Hradec Králové, České Budějovice, Brno and Ostrava. The services are provided to clients in almost one hundred offices across the entire Czech Republic. In 2018, ČPP also provided services through 88 exclusive insurance offices and about 140 sales points focusing in particular on vehicle insurance. The performance of the internal network was supported by the increasing performance of the subsidiary ČPP Servis, s.r.o. and their 17 sales points.

In 2018, under CAP statistics, non-life insurance gross premiums written rose year-on-year by 11.2%. This result strengthened the position of ČPP as the fourth largest non-life insurer on the market. The most successful classes of non-life insurance were retail property and liability insurance, which grew year-on-year by 36%; and business insurance which grew year-on-year by 13.8%. ČPP has achieved significant business success by implementing an optimum pricing policy combined with product innovations. ČPP launched a new product called DOMEX+. This product combines

household insurance and liability insurance in one package. The SIMPLEX insurance for small businesses and tradesmen is based on the same concept. At the same time, the products were accompanied with an attractive design and brokers' user environment thanks to which the popularity of the products among insurance brokers increased. An extraordinary success was the ČPP's cooperation with broker companies, where the volume of premium written exceeded BCZK 3 (net of extraordinary life assurance deposits).

In the long-run, ČPP belongs to the car insurance leaders on the Czech market. As for motor third-party liability insurance, it defended its third place with a market share of 15.8% in terms of the number of insured cars. According to the data of the Czech Bureau of Insurers, the number of insured increased by 79715 vehicles (incl. fleets); and at the end of 2018, the Company had 1 284 622 insured vehicles in its portfolio. The portfolio increase in 2018 was sustained by the sales of Autopojištění Combi Plus retail insurance III and its innovations and tariff adjustments. Through a sensitive price policy, the average insurance and premiums written increased by 6.3%. Every year, ČPP supports its sales of vehicle insurance by offering a number of interesting benefits for both new and existing clients. In the autumn campaign, the retail vehicle insurance was enriched by a new assistance service with higher than standard limits called "Autem bez starostí" ('By car with no worries'). In 2018, ČPP was also successful in the motor casco segment where it reported a year-on-year increase of 11.8%. The motor casco insurance portfolio volume rose to a total of 189 000 vehicles insurance contracts. Major increases were also achieved in the segment of optional extra casco insurance.

The life assurance segment retained the significant year-on-year increase trend. Compared to the market, which stagnated in 2018 (+ 0.6%), ČPP recorded a year-on-year increase by 11.4% according to data of the Czech Insurance Association (CAP). ČPP reported an increase of 11.6% in terms of an important life assurance segment – regular premium products – the growth of which has been steadily exceeding the growth of the whole market several years in a row. The number of insurance contracts in the portfolio exceeded 200 000. In 2018, ČPP offered its clients an improved version of the unit-linked product EVOLUCE PLUS. For the first time, the product included a special programme for diabetes patients – both DM 1, which is commonly genetic, and for DM2. As the first insurance company on the Czech market, ČPP offers optional insurance covering serious consequences of vaccination. Another enhancement was the optional insurance of day-long care for the insured. The Company also innovated the range of special risk insurances for insured children - Hospitalisation with accompaniment or Caring for a sick child by a family member. In 2018, the best-selling unit-linked assurance products comprised the following products EVOLUCE PLUS for adults, Štístko for children and further exclusive life assurances (výběrové životní pojištění) MAXIMUM EVOLUTION and OK1 PLUS. Total life assurance gross premiums written amounted to BCZK 2.2. In addition to its own insurance intermediary network, the Company has been realising a significant part of its sales through selected broker companies.

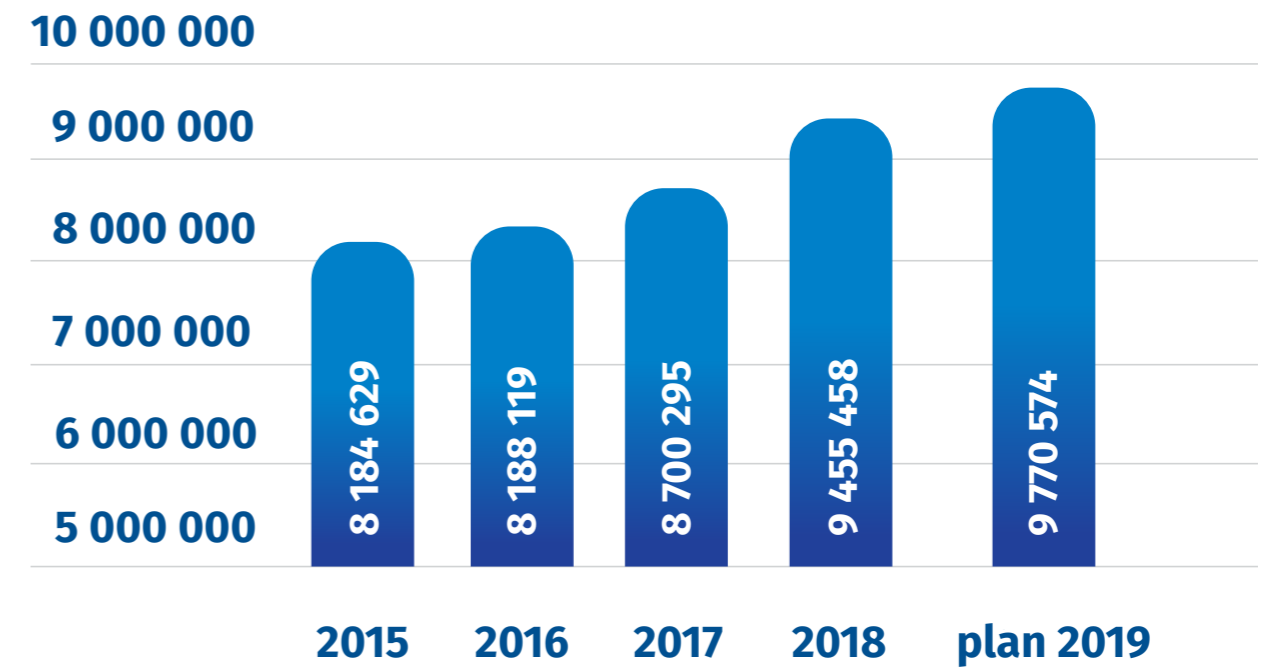
Regarding legislation, ČPP continued implementing two key norms which came into effect in 2018 and had a significant impact on the insurers' activities. These norms include the EU General Data Protection

Regulation ('GDPR') and new stricter requirements on personal data protection, which due to the volume of personal data processed by insurance companies, required a major overhaul of the existing processes and documentation used by ČPP. The key legislative topic of 2018 in the insurance sector was, however, the introduction of new regulations regarding insurance and reinsurance distribution. This reflects the EU requirements, in particular the Insurance Distribution Directive (IDD), and was transposed into the Czech legal system by means of Act no. 170/2018 Coll., which came into effect in December 2018. The introduction of new requirements in respect of insurance distribution, product management, client communication policies or conflict of interest risk management; and further changes in the classification of insurance intermediaries required some serious efforts inside ČPP in order to adjust the existing processes, contractual documentation and client documentation. In terms of administration and claim settlement, ČPP continued to utilize the synergic effects within VIG ČR. Several projects aimed at further enhancement of service quality regarding insurance contracting and administration. ČPP has always focused on improving client comfort (acceptance by payment, QR code utilization, increasing the number of payment terminals, expansion of web services, etc.). At the same time, all these measures have been designed to optimise the financial expenditures.

Transparency, professionalism and flexibility supported with personal approach, willingness in customer dealings and helpfulness – these are examples of characteristic features which the professional public and ČPP clients appreciate. For the fourth time in a row, the Company won first place in the Motor

Vehicle Insurance category of the Insurance Company of the Year survey organised by the Association of Czech Insurance Brokers. The Company also claimed two first places in the Industrial and Business Insurance and Insurance of Individuals categories, accompanied with second place in the Life Assurance category. A major success were the awards received in the Best Insurance Company competition organised by the daily Hospodářské noviny. ČPP defended the third place in the Best Non-Life Insurance Company and ranked second in the Most Client-Friendly Non-Life Insurance Company category. In Zlatá koruna (Golden Crown) competition, ČPP won second place in the Business Insurance category.

Progression of gross premiums written 2015 – 2018 (TCZK), plan 2019



REINSURANCE

The reinsurance programme provides a reliable and steady protection of the Company against unexpected fluctuation of damages, thus functioning as a major stabilisation factor of the Company's results of operation. The most significant positive impact on the year-end solvency capital requirement was the reinsurance coverage for catastrophic risks tailored for the modelled 250-year rate of return on damage. A major impact was put not only on conservative assessment of own retentions and sufficient capacity, but also on the placing of reinsurance programmes with the best-rated reinsurers. Most reinsurers had A+ or higher rating from Standard&Poor's. SCOR and Munich Re remained the most important leading partner reinsurer. A significant portion of reinsurance coverage has been ceded on the group reinsurer VIG Re. The modelling and placement of the reinsurance programme covering catastrophic risks was again carried out with the support of renowned global reinsurance brokers Aon a Willis Re.

CORPORATE SOCIAL RESPONSIBILITY

For a long time, ČPP has been carrying out its business activities in accordance with modern trends of sustainability and corporate social responsibility trends (CSR). In 2018, ČPP became member of the Association of Social Responsibility (A-SCR), the largest platform for corporate social responsibility and introduction of UN Sustainable Development Goals (SDGs) in the Czech Republic. ČPP has a long tradition of partnership with a number of national and regional institutions which it supports financially, materially and professionally. ČPP is offering business skills in the field of finance, IT, marketing, sales and presentation to non-profit organisations for free. Every year, ČPP for instance donates funds for activities of the Nadace policistů a hasičů (Police and Fire Fighters' Trust), which assists the families of those who suffered health damage or lost their life while serving others.

ČPP's activities in the field of social responsibility relate to its business closely. The Company actively promotes financial literacy, traffic safety and healthy lifestyle. In 2018, up to 200 pupils of upper basic schools have been trained in financial literacy. In addition, two pilot workshops for young people leaving children's homes were held. These workshops were the Company's first initiative in the framework of the global philanthropic initiative Giving Tuesday. Every year, ČPP donates more than 400 education hours in which ČPP experts teach not only the employees of the non-profit organisations but also their clients.

In autumn 2018, ČPP launched its Aktivně a zdravě ('Actively and healthily') initiative aimed at improving the lifestyle of the Czech population. The initiative also provides an application in which the users fulfil

simple challenges relating to exercise, nutrition and relaxation, with a chance of winning valuable prizes. In addition, ČPP offers advantageous fees on life assurance or risk insurance contracts with double compensation in case of hospitalisation as a result of injury or illness. The project is promoted at various websites and social networks by popular Czech personalities related to sports, healthy nutrition and lifestyle. The project has been launched in collaboration with two strong partners – the non-profit organisation Víť, co jím a piju o.p.s. ('I know what I eat and drink') and the Sport Invest Marketing agency.

ČPP motivates its employees to volunteer in the framework of the 'Day for Social Activity' initiative. In 2018, 425 employees provided assistance to non-profit organisations across the entire Czech Republic. The volunteers worked 3 400 hours, thus supporting over 50 various projects and organisations. The underlying values of the Company's corporate culture include sustainability, an environment-friendly approach and protection of natural resources. ČPP leads its employees to follow the principles of its environment-friendly approach and rules of frugality. The volunteers upcycle their T-shirts from prior Days for Social Activity, look for corporate products made of sustainable materials; business partners receive environment-friendly Thank-you and New Year's cards.



**VIENNA
INSURANCE
GROUP**

VIENNA INSURANCE GROUP

We focus on providing our customers in Austria and CEE with custom products and services tailored to their needs. Our strategy is geared towards long-term profitability and steady earnings growth, making us a reliable partner in rapidly changing times. Over 25,000 employees work for the Vienna Insurance Group (VIG), at around 50 companies in 25 countries. We develop insurance solutions in line with personal and local needs, which has made us one of the leaders in the insurance industry in Austria and Central and Eastern Europe (CEE).

Expertise and stability

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

Focus on Central and Eastern Europe

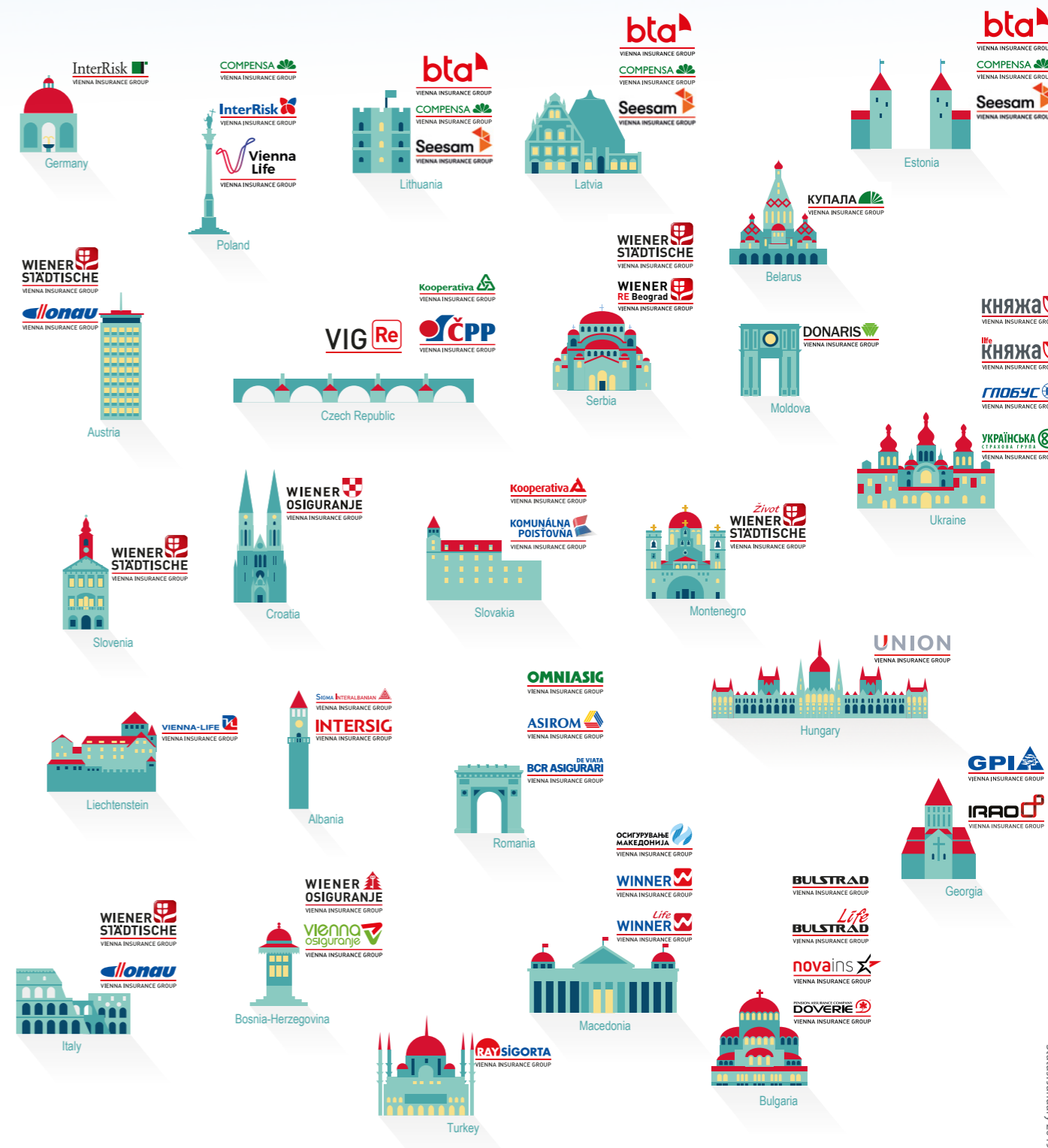
Besides Austria, VIG places a clear emphasis on Central and Eastern Europe as its home market. The Group generates more than half of its premium income in CEE. VIG's operations are also focused on this region. This primarily reflects the forecasts for economic growth in CEE, which is predicted to be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

Local market presence

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

Strong finances and credit rating

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



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EASTERN EUROPE.





**AUDITOR'S
REPORT**



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

**Independent Auditor's Report to the Shareholder of
Česká podnikatelská pojišťovna, a.s., Vienna Insurance
Group**

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Key audit matter	How the audit matter was addressed
<p>The Company recognises the provision for liabilities arising from the applied technical interest rate of MCZK 0 as part of Other technical provisions.</p> <p>We have designated the above issue as a key audit matter as the Company's management makes subjective and comprehensive assumptions and judgments in determining the amount of the provision for liabilities arising from the applied technical interest rate.</p> <p>In testing of the adequacy of liabilities arising from the applied technical interest rate, the Company applies the method of expected discounted cash flows. Liabilities to clients are determined using the best estimates of the future development of entry parameters adjusted by risk and uncertainty surcharges.</p> <p>The used entry parameters mainly represent the expected insurance benefits paid in the event of death or accident based on existing insurance contracts, the expected behaviour of clients in respect of long-term life assurance contracts, expected expense rates, and discount and revenue rates.</p> <p>For more information see Notes I.4.(m) and II.8.(d) of the notes to the Company's financial statements.</p>	<p>Our audit procedures included among others:</p> <p>With the help of our specialists-actuaries, we critically assessed the method of determining the provision for liabilities arising from the applied technical interest rate based on our knowledge, experience and market standards within the insurance sector.</p> <p>We assessed the key assumptions, such as the claim frequency of the relevant insurance portfolio, the expected behaviour of clients in respect of long-term life assurance contracts, the expected cost of administration of insurance contracts, and other financial and non-financial assumptions. We compared the applied assumptions with the analyses provided by the Company, available market data and assumptions applied in past periods.</p> <p>We tested the accuracy of the calculation of the provision for liabilities arising from the applied technical interest rate and critically reviewed the relevant analyses prepared by the Company's management and discussed the significant relevant year-on-year variances from the expected values.</p> <p>We also assessed the sufficiency of the data disclosed by the Company in the notes to the financial statements.</p>



Valuation of intangible assets in life assurance

Key audit matter	How the audit matter was addressed
<p>The Company recognises deferred acquisition costs of MCZK 1,987 and accumulated debt in life assurance of MCZK 450 in assets as part of Other temporary assets.</p> <p>We have designated the above issue as a key audit matter as the Company's management makes subjective and comprehensive assumptions and judgments in determining the amount of deferred acquisition costs and accumulated debt in life assurance.</p> <p>The amount of deferred acquisition costs is based on the value of expected future deductions from initial fees from premium income. The Company regularly calculates the recoverable amount of these deferred acquisition costs using actuarial methods and historical data and then compares the recoverable amount with their carrying amount. The recoverable amount is determined based on estimated key parameters, such as the expected lapse rate of the insurance portfolio.</p> <p>The accumulated debt in life assurance is determined using the prospective method, taking into consideration all relevant future cash flows and using assumptions based on historical data about the lapse rate, claim frequency, expenses and other calculation assumptions.</p> <p>For more information see Notes I.4.(f), (g) and II.6.(a) of the notes to the Company's financial statements.</p>	<p>Our audit procedures included among others:</p> <p>Based on our knowledge, experience and market standards within the insurance sector, we critically assessed the method of the recognition of both items.</p> <p>We tested the proposal, implementation and operational effectiveness of the system and manual controls of the correct calculation of the acquisition costs. The testing was carried out through inquiries together with observation, inspection and review of the underlying documentation and selected recounts.</p> <p>Further, we involved our specialists-actuaries to assess the applied key assumptions and methods used by the Company in valuing both intangible assets in life assurance and we assessed the accuracy of the calculation. For these purposes we critically assessed the relevant analyses and discussed the relevant year-on-year variances from the expected values. We assessed the key assumptions, such as the expected lapse rate of the existing insurance portfolio, its claim frequency and related expenses and compared these key assumptions with externally available data, our own estimates and assumptions applied in the previous periods.</p> <p>We assessed whether both intangible assets in life assurance are adequately reflected in the liability adequacy test (LAT) which is carried out by the Company to ensure that the amount of reported liabilities is adequate or that the amount of recognised insurance liabilities reduced by the relevant intangible assets is sufficient.</p>

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

Key audit matter	How the audit matter was addressed
<p>The Company recognises a provision to cover insurance claims incurred, but not yet reported in the period (IBNR provision) of MCZK 1,273 and a provision to cover insurance claims incurred and reported, but not yet settled (RBNS provision) of MCZK 4,070. Both provisions as a whole form the Company's provision for outstanding claims.</p> <p>We determined the above area to be a key audit matter as the Company makes subjective and complex assumptions and judgements when determining the provision for outstanding claims.</p> <p>When determining the IBNR provision, the Company uses actuarial and statistical methods. For all classes of insurance except for motor third party liability insurance, the Company uses the chain-ladder method based on the amount of paid insurance settlement or the amount of insurance claims incurred. The Company applies Monte Carlo simulations for motor third party liability insurance.</p> <p>Input parameters used in determining the IBNR provision mainly represent information on damage incurred in prior</p>	<p>Among other things, we performed the procedures outlined below to address this key audit matter:</p> <p>We tested the design, implementation and operating effectiveness of system and manual controls over the correct determination of expenses for insurance claims and RBNS provisions. The tests included inquiry in combination with observation and inspection of underlying documentation and selected recalculations.</p> <p>We carried out detailed valuation testing on a sample of selected items of the RBNS provision, discussed their development in time and reconciled information in the accounting records with the underlying data in the Company's systems.</p> <p>With the help of our specialists-actuaries we critically assessed the method for determining the IBNR provision based on our knowledge, experience and market standards within the insurance sector.</p> <p>When verifying the IBNR provision, we assessed key assumptions such as the characteristics of the insurance portfolio and expected developments in the amount and frequency of future</p>



<p>periods, in particular their amount and frequency.</p> <p>For determining the amount of the RBNS provision, the Company estimates total expenses for individual classes of insurance which it subsequently decreases by the estimate of expected salvage values and other similar entitlements of the Company.</p> <p>The provision for outstanding claims includes also an estimate of all related external and internal claims handling cost.</p> <p>Additional information is disclosed in note I.4.(k) and II.8.(b) of the Company's financial statements.</p>	<p>insurance claims. In our analyses, we considered the expected development of expenses for insurance claims with regard to the legislation in force. We compared the assumptions applied by the Company with available market data, own estimates and assumptions applied in prior periods.</p> <p>We tested the correctness of the calculated IBNR provision. We critically reviewed the assumptions applied by the Company's management and discussed significant relevant year-to-year variations from our expected values. We also carried out own independent recalculations of certain parts of the IBNR provisions.</p> <p>As part of testing the provision for outstanding claims we analysed in detail the result of the claim run-off test. Accordingly, we assessed the adequacy of the total provision for outstanding claims and assessed the adequacy of methods applied to determine the provisions.</p> <p>In addition, we assessed the adequacy of the information disclosed by the Company in the notes to financial statements.</p>
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Other Information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design



audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 2 May 2018 and our uninterrupted engagement has lasted for 12 years.

Consistency with Additional Report to Audit Committee

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

Provision of Non-audit Services

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

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

Statutory Auditor Responsible for the Engagement

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

Prague
27 March 2019

KPMG Česká republika Audit

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

Ing. Jindřich Vašina
Partner
Registration number 2059



**FINANCIAL
PART**

BALANCE SHEET

AS AT 31 DECEMBER 2018

(In thousands of Czech crowns TCZK)

Description	Line number	2018 Gross	2018 Adjustment	2018 Net	2017 Net
I. ASSETS					
B. Intangible fixed assets, thereof	11	421 075	-305 778	115 297	102 914
C. Investments	14	10 486 806	-1 558	10 485 247	10 214 290
I. Land and buildings, thereof	15	7 259	-1 558	5 701	5 846
2. Buildings	19	7 259	-1 558	5 701	5 846
a) Land and buildings – self-occupied	16	7 259	-1 558	5 701	5 846
II. Investments in affiliated undertakings and participating interests	17	365 816		365 816	372 362
1. Participating interests with controlling influence	18	349 259		349 259	349 259
2. Debt securities issued by, and loans and credits to, undertakings – controlling influence	19	16 557		16 557	23 103
III. Other investments	22	10 113 730		10 113 730	9 836 082
1. Shares and other variable-yield securities, other participating interests	23	842 217		842 217	966 220
2. Bonds and other fixed-income securities	24	9 266 772		9 266 772	8 638 991
a) valued at fair value		3 446 388		3 446 388	2 122 379
b) held to maturity		5 820 384		5 820 384	6 516 612
5. Other loans and credits	26	1 903		1 903	139 953
6. Deposits with financial institutions	27				90 000
7. Other investments	28	2 838		2 838	918
D. Investments for the benefit of life assurance policyholders who bear the investment risk	30	1 680 028		1 680 028	1 757 709

Description	Line number	2018 Gross	2018 Adjustment	2018 Net	2017 Net
E. Debtors		933 568	-281 759	651 809	579 844
I. Receivables arising from direct insurance operations	31	796 659	-280 899	515 760	434 088
1. Policyholders, thereof	32	684 581	-185 549	499 032	419 419
2. Intermediaries, thereof	35	112 078	-95 350	16 728	14 669
II. Receivables arising from reinsurance operations, thereof	38	12 240		12 240	86 977
III. Other receivables, thereof	41	124 669	-860	123 809	58 779
F. Other assets	44	859 734	-113 636	746 098	616 687
I. Tangible fixed assets other than those listed under “C.I. Land and buildings”, and inventories	45	157 284	-113 636	43 648	39 482
II. Cash on accounts in financial institutions and cash in hand	46	702 450		702 450	577 205
G. Temporary asset accounts	48	3 267 185		3 267 185	2 678 534
II. Deferred acquisition costs	50	2 503 948		2 503 948	2 037 856
a) in life-assurance business	51	1 986 798		1 986 798	1 555 154
b) in non-life insurance	52	517 150		517 150	482 702
III. Other temporary asset accounts	53	763 237		763 237	640 678
a) Estimated receivables		274 641		274 641	122 262
TOTAL ASSETS		17 648 396	-702 731	16 945 664	15 949 978



Description	Line number	2018		2017	
II. LIABILITIES					
A. Equity	55	2 665 997		2 603 179	
I. Registered capital, thereof	56	1 000 000		1 000 000	
IV. Other capital funds	61	-31 550		66 603	
V. Reserve fund and other funds from profit	62	3 242		3 300	
VI. Profit or loss brought forward	63	1 216 037		1 067 721	
VII. Profit or loss for the financial year	64	478 268		465 555	
B. Subordinated liabilities	65				
C. Technical provisions	66	9 002 630		8 291 844	
1. Provision for unearned premiums	67				
a) gross amount	68	2 563 461		2 205 335	
b) reinsurance share (-)	69	637 797	1 925 664	640 931	1 564 404
2. Life assurance provision	70				
a) gross amount	71	3 387 670		3 412 101	
b) reinsurance share (-)	72		3 387 670		3 412 101
3. Provision for outstanding claims	73				
a) gross amount	74	5 343 180		5 010 127	
b) reinsurance share (-)	75	2 377 337	2 965 843	2 323 328	2 686 799
4. Provision for bonuses and rebates	76				
a) gross amount	77	488 105		380 124	
b) reinsurance share (-)	78	14 891	473 214	21 930	358 194
6. Other technical provisions	86				
a) gross amount	87	250 608		270 711	
b) reinsurance share (-)	88	369	250 239	365	270 346

Description	Line number	2018		2017	
D. Life assurance technical provision where the investment risk is borne by the policyholders	89	1 680 028		1 757 709	
a) gross amount	124	1 680 028		1 757 709	
b) reinsurance share (-)	125				
E. Provisions	90	96 081		64 786	
1. Provisions for pensions and similar obligations	91	33 291		29 249	
2. Provisions for taxation	92	28 190		35 537	
3. Other provisions	93	34 600			
F. Deposits received from reinsurers	94	2 134 085		2 030 202	
G. Creditors	95	594 515		603 714	
I. Payables arising from direct insurance operations, thereof	96	403 636		253 382	
II. Payables arising from reinsurance operations, thereof	99	9 440		146 442	
V. Other payables, thereof	110	181 439		203 890	
a) Tax liabilities and payables due to social security and health insurance institutions	111	26 395		35 113	
H. Temporary liability accounts	115	772 328		598 544	
I. Accrued expenses and deferred revenues	116	254 647		284 014	
II. Other temporary liability accounts	117	517 681		314 530	
a) Estimated payables		517 681		314 530	
TOTAL LIABILITIES		16 945 664		15 949 978	

INCOME STATEMENT FOR THE YEAR ENDED 31. 12. 2018

(In thousands of Czech crowns TCZK)

Description	2018 Base	2018 Subtotal	2018 Result	2017 Result
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	7 240 552	x	x	x
b) outward reinsurance premiums (-)	2 232 130	5 008 422	x	x
c) change in the gross provision for unearned premiums (+/-)	358 736	x	x	x
d) change in the provision for unearned premiums, reinsurance share (+/-)	-3 133	361 869	4 646 553	4 095 879
2. Allocated investment return transferred from the non-technical account	x	x	153 304	157 818
3. Other technical income, net of reinsurance	x	x	106 014	149 395
4. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	3 709 751	x	x	x
bb) reinsurance share (-)	1 181 526	2 528 225	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	272 968	x	x	x
bb) reinsurance share (-)	28 682	244 286	2 772 511	2 548 150
5. Changes in other technical provisions, net of reinsurance (+/-)	x	x	-25 760	-67 624
6. Bonuses and rebates, net of reinsurance	x	x	56 821	54 554
7. Net operating expenses:	x	x	x	x
a) acquisition costs	x	1 894 979	x	x
b) change in deferred acquisition costs (+/-)	x	-34 447	x	x
c) administrative expenses	x	280 647	x	x

Description	2018 Base	2018 Subtotal	2018 Result	2017 Result
d) reinsurance commissions and profit participation (-)	x	718 063	1 423 116	1 258 930
8. Other technical expenses, net of reinsurance	x	x	251 767	232 230
10. Sub-total on the technical account for non-life insurance	x	x	427 416	376 852
Description	2018 Base	2018 Subtotal	2018 Result	2017 Result
II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE	x	x	x	x
1. Earned premiums, net of reinsurance:	x	x	x	x
a) gross premiums written	x	2 214 907	x	x
b) outward reinsurance premiums (-)	x	335 912	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	x	-609	1 879 604	1 756 440
2. Income from investments:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	19	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings		x	x	x
bb) income from other investments	140 517	140 517	x	x
c) value adjustments on investments	x	1 011	x	x
d) income from disposal of investments	x	32 012	173 559	346 489
3. Unrealised gains on investments	x	x	3 395	163 661
4. Other technical income, net of reinsurance	x	x	31 608	310 897

Description	2018 Base	2018 Subtotal	2018 Result	2017 Result
5. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	939 321	x	x	x
bb) reinsurance share (-)	117 938	821 383	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	60 085	x	x	x
bb) reinsurance share (-)	25 327	34 758	856 141	976 845
6. Changes in other technical provisions, net of reinsurance (+/-):	x	x	x	x
a) life assurance provisions:	x	x	x	x
aa) gross amount	-24 431	x	x	x
bb) reinsurance share (-)		-24 431	x	x
b) other technical provisions, net of reinsurance	x	-72 028	-96 459	131 988
7. Bonuses and rebates, net of reinsurance	x	x	113 221	144 484
8. Net operating expenses:	x	x	x	x
a) acquisition costs	x	1 252 763	x	x
b) change in deferred acquisition costs (+/-)	x	-431 643	x	x
c) administrative expenses	x	72 146	x	x
d) reinsurance commissions and profit participation (-)	x	187 272	705 994	677 769
9. Expenses connected with investments:	x	x	x	x
a) investment management charges, including interest	x	10 255	x	x
b) value adjustments on investments	x		x	x
c) book value of disposed investments	x	32 994	43 249	222 800
10. Unrealised losses on investments	x	x	195 731	10 076
11. Other technical expenses, net of reinsurance	x	x	61 588	187 705
13. Sub-total on the technical account for life assurance	x	x	208 701	225 820

Description	2018 Base	2018 Subtotal	2018 Result	2017 Result
III. NON-TECHNICAL ACCOUNT	x	x	x	x
1. Result of the technical account for non-life insurance	x	x	427 416	376 852
2. Result of the technical account for life assurance	x	x	208 701	225 820
3. Income from investments:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	12 918	x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings		x	x	x
bb) income from other investments	164 928	164 928	x	x
c) value adjustments on investments	x	12 208	x	x
d) income from disposal of investments	x	776 828	966 882	1 397 223
4. Allocated investment return transferred from the technical account for life-assurance	x	x		
5. Expenses connected with investments:	x	x	x	x
a) investment management charges, including interest	x	64 559	x	x
b) value adjustments on investments	x	4 297	x	x
c) book value of disposed investments	x	744 722	813 578	1 239 405
6. Allocated investment return transferred to the technical account for non-life-insurance	x	x	153 304	157 818
7. Other income	x	x	1 867	3 480
8. Other expenses	x	x	58 403	23 808
9. Income tax on ordinary activities	x	x	101 185	116 649
10. Profit or loss on ordinary activities after tax	x	x	478 396	465 695
15. Other taxes not shown under the preceding items	x	x	128	140
16. Profit or loss for the financial year	x	x	478 268	465 555



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31. 12. 2018

(In thousands of Czech crowns TCZK)

Description	Registered capital	Reserve funds	Changes in valuation	Profit (loss)	Total
BALANCE AT 1. 1. 2017	1 000 000	2 096	45 213	1 434 571	2 481 880
FX gains (losses) and changes in valuation not included in the profit and loss statement			21 390		21 390
Net profit/loss for accounting period				465 555	465 555
Profit shares				-356 200	-356 200
Transfers to funds		10 650		-10 650	
Reduction of funds		-9 446			-9 446
BALANCE AT 31. 12. 2017	1 000 000	3 300	66 603	1 533 276	2 603 179

Description	Registered capital	Reserve funds	Changes in valuation	Profit (loss)	Total
BALANCE AT 1. 1. 2018	1 000 000	3 300	66 603	1 533 276	2 603 179
FX gains (losses) and changes in valuation not included in the profit and loss statement			-98 153		-98 153
Net profit/loss for accounting period				478 268	478 268
Profit shares				-306 589	-306 589
Transfers to funds		10 650		-10 650	
Reduction of funds		-10 708			-10 708
BALANCE AT 31. 12. 2018	1 000 000	3 242	-31 550	1 694 305	2 665 997

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

I. GENERAL INFORMATION

I. 1. Description and principal activities

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group (“the Company” or “the Insurance Company”) was recorded in the Commercial Register on 6 November 1995.

ID number of the Company: 639 98 530

Principal business activities:

1. insurance activities pursuant to Act No. 277/2009 Coll., on Insurance, as amended, („the Insurance Act“), Annex No. 1 to the Insurance Act: in the scope of life assurance classes listed
 - in Part A, Point I, letters (a), (b), (c), Point II and Point III; in the scope of non-life insurance classes listed;
 - in Part B, Points 14, 15, 16, 17, 18; in the scope of non-life insurance groups listed;
 - in Part C, letters (a), (b), (c), (d), (e), (f), (g), (h).
2. reinsurance activities in the scope of non-life reinsurance;
3. activities related to insurance activities:
 - intermediary activity carried out in relation to insurance activities in accordance with the Insurance Act
 - advisory activity related to insurance of individuals and legal entities in accordance with the Insurance Act
 - investigation of claims performed based on a contract entered into with the Insurance Company in accordance with the Insurance Act

- pursuit of intermediary activities in terms of:
 - construction savings
 - supplementary pension insurance with state contribution, supplementary pension savings and retirement insurance
 - consumer loans
- educational activities for insurance intermediaries and independent loss adjusters.

Registered office of the Company:

Česká podnikatelská pojišťovna, a.s.,
Vienna Insurance Group
Pobřežní 665/23
186 00 Praha 8

Members of the board of directors:

Chairman:

Ing. Jaroslav Besperát, date of birth: 23 December 1970
Praha 9, Čenovická 2142, post code 190 16
Function held from: 1 November 2015
Membership held from: 1 November 2015

Members:

Ing. František Vlnař, date of birth: 6 June 1960
Praha 4, Mikuláše z Husi 1521/2, post code 140 00
Function held from: 1 November 2015
Membership held from: 1 November 2015

Ing. Vít Rozsypal, date of birth: 20 April 1972
Na Sídlišti 350, 257 26 Divišov
Function held from: 1 November 2015
Membership held from: 1 November 2015

Mag. Gerhard Lahner, date of birth: 15 March 1977
2130 Mistelbach, Gartengasse 21, Austria
Membership held from: 1 July 2017

Supervisory board:

Chairman:

Ing. Martin Diviš, MBA, date of birth: 1 December 1973
Divoká Šárka 39/4, Liboc, 164 00 Praha 6
Function held from: 26 April 2018
Membership held from: 1 April 2018

Vice-chair:

Prof. Elizabeth Stadler, date of birth: 1 December 1961
3550 Langenlois, Höllgasse 32, Austria
Function held from: 26 April 2018
Membership held from: 1 April 2018

Members:

Prof. Ing. Jaroslav Daňhel, CSc., date of birth: 1 June 1943
K Louži 1261/9, Vršovice, 101 00 Praha 10
Membership held from: 1 April 2018

Ing. Martina Janurová, date of birth: 17 March 1973
Nad Soutokem 3349, 276 01 Mělník
Membership held from: 1 April 2018

Franz Fuchs, date of birth: 23 December 1953
2344 Maria Enzersdorf, Fürstenstrasse 43, Austria
Membership held from: 1 April 2018

Dkfm. Karl Fink, date of birth: 22 August 1945
1020 Wien, Kurzbauegasse 5/17, Austria
Membership held from: 1 April 2018

Sole shareholder:

Kooperativa pojišťovna, a.s., Vienna Insurance Group
Pobřežní 665/21, 186 00 Praha 8 – Karlín
Identification number: 471 16 617

The membership of all supervisory board members ceased to exist on 31 December 2018:

The membership of all supervisory board members ceased to exist on 31 December 2018:

The following persons were elected new members of the supervisory board effective from 1 January 2019:

Ing. Vladimír Mráz
Mag. Liane Hirner
Mgr. Jolana Kolaříková
Ing. Petr Vokřál

On 31 December 2018, the membership of Ing. Vít Rozsypal on the board of directors ceased to exist. Ing. Jaroslav Kulhánek became a new member of the board of directors effective from 1 January 2019.

Course of action:

The board of directors acts on behalf of the Company. Two members of the board of directors of the Company must always act together on behalf of the Company and may also bind the Company. In order to sign on behalf of the Company, their signature, name, surname, title and function on the board are required alongside the printed or written name of the Company.

Organisational structure:

The Company has the following bodies: the general meeting of shareholders, the board of directors and the supervisory board. The Company conducts its activities through its organisational divisions, comprising divisions of the first management level of the general directorate, the head office and the regional headquarters.

I. 2. Compliance with legislation

At the reporting date the Company fully complied with Act No. 277/2009 Coll., on Insurance, as amended (“the Insurance Act”), Act No. 89/2012 Coll., the Civil Code, Act No. 170/2018 Coll., on Insurance and Reinsurance Distribution, Act No. 168/1999 Coll., on Liability Insurance for Losses Caused by the Operation of a Motor Vehicle, as amended (“the Act on Motor Third-Party Liability Insurance”), and related implementing decrees and other applicable legislation

I. 3. Basis of preparation

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 (“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. In relation to the passage of an amendment to Decree No. 502/2002 Coll., several accounting policies described in detail in Note I.5. were changed and as a result of these changes some prior period information was restated.

The accounting records of the Company are maintained in such a manner that the financial statements prepared based on those records give a true and fair view of the Company’s financial position and financial performance. The financial statements are based on the assumption that the Entity will continue as a going concern and that there is no circumstance that would restrict or prevent the Entity’s ability to continue as a going concern in the foreseeable future.

I. 4. Significant accounting policies

(a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost.

Tangible fixed assets costing less than TCZK 40 referred to as low-value assets are depreciated over a three-year period. Intangible fixed assets costing less than TCZK 60 are charged to the income statement in the year in which they are acquired. The annual depreciation rate reflects the assets’ expected useful lives.

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

Fixed assets	Method	Depreciation rate in %
Software	Straight-line	25,0
Other intangible fixed assets	Straight-line	16,7 - 100,0
Long-term operating movable assets – class I and II	Straight-line	16,7 - 25,0
Long-term operating movable assets – class III	Straight-line	16,7

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

(b) Investments

Land and buildings

Land and buildings are initially recorded at their acquisition cost. Land is not subsequently depreciated while buildings are subsequently depreciated over their estimated useful lives. In the income statement, depreciation and respective impairment are presented in Investment management charges.

Fixed assets	Method	Depreciation rate in %
4th depreciation category – 30 years – 3.3%	Straight-line	3,33
5th depreciation category – 45 years – 2.25%	Straight-line	2,25
6th depreciation category – 50 years – 2.00%	Straight-line	2,00

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

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 insurance company is a controlling person are reported under this item.

A participating interest with significant influence is an ownership interest in an affiliated company in which the insurance company exercises significant influence. The insurance company exercises significant influence if it holds, directly or indirectly, at least 20% of another company’s registered capital or voting rights, unless it exercises controlling influence over that company or clearly demonstrates that it is unable to exercise significant influence.

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

Participation interests denominated in foreign currency are translated based on the current exchange rate published by ČNB as at the balance sheet date and the appropriate exchange rate difference is charged to profit or loss.

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

Debt securities

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

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

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

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

Fair value means the price derived from the listed market mid prices which are published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date). If no market price is available or if it does not sufficiently represent the fair value, the fair value is determined on the basis of a qualified estimate. The Company uses in its models intended to establish the fair value of the Company's securities exclusively available market data. Valuation models reflect current market conditions existing at the date of valuation, which may not reflect the market situation before or after that date.

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

Debt securities are classified as securities valued at fair value through profit and loss or securities available for sale, and securities held to maturity. The Company recognises the bonds held to maturity at their amortised cost as at the balance sheet date.

A change in the fair value of debt securities valued through profit and loss is recognised in the income statement and a change in the fair value of available-for-sale securities is recognised in the balance sheet. Where debt securities are denominated in a foreign currency, their value is translated based on the current exchange rate published by the Czech National Bank ("ČNB"). The appropriate exchange rate difference is charged to profit or loss.

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 derived from the listed market mid prices which are published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date). If no market price is available or if it does not sufficiently represent the fair value, the fair value is determined on the basis of a qualified estimate. The Company uses in its models intended to establish the fair value of the Company's securities exclusively available market data. Valuation models reflect current market conditions existing at the date of valuation, which may not reflect the market situation before or after that date.

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

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

Deposits with financial institutions

Deposits with financial institutions are initially recognised at nominal value. As at the balance sheet date, this nominal value is adjusted by accrued interest.

Deposits denominated in a foreign currency are translated based on the current exchange rate published

by ČNB and the appropriate exchange rate difference is charged to profit or loss.

Derivatives intended for trading

Derivatives are valued at fair value. Their fair value is derived from the listed market mid prices, from discounted cash flow models or from option valuation models that are based solely on available market data. Valuation models reflect current market conditions existing at the date of valuation, which may not reflect the market condition before or after that date. Management has reviewed these models as at the balance sheet date to ensure that they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

All derivatives are presented in Other investments.

Valuation differences of financial derivatives held for trading are presented as unrealised gains or unrealised losses on investments in the income statement.

Hedging derivatives

Hedging derivatives are recognised in the balance sheet at fair value. Hedge accounting is only applied where:

- the hedge is in line with the Company's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is highly effective throughout the accounting period, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80–125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk,

If the derivative hedges the exposure to changes in the fair value of assets and liabilities, the hedged item attributable to the risk being hedged is also

carried at fair value. Gains and losses arising from the revaluation of the hedged item and the hedging derivative are recorded in the income statement.

The Company's strategy is to hedge the currency risk in respect of investment instruments denominated in other than the domestic currency, using forward exchange contracts (derivatives) or technical provisions maintained in the same currency.

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

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

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

(d) Adjustments

The Company creates adjustments to receivables and other assets except for investments reported at fair value. Adjustments represent a temporary decrease in value of individual assets. The amount of the decrease is determined with the help of a professional risk assessment carried out by the management of the Company.

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 bonds held to maturity are accounted for only if there is a risk that the notional principal amount of the bond, 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 that are not carried at fair value are impaired. The impairment of an asset is recognised in the income statement.

(f) Deferred acquisition costs

Deferred acquisition costs represent the proportion of 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.

Life assurance (traditional products)

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

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

Deferred acquisition costs in unit-linked assurance are determined using actuarial methods.

(g) Accumulated debt

Accumulated debt arises in respect of unit-linked assurance contracts. This receivable due from the insured persons represents an aggregate of costs incurred by the Company in connection with unit-linked assurance contracts which have not been settled by the policyholders yet. A change of the accumulated debt from unit-linked assurance is charged to profit or loss.

At the end of the accounting period, the Company assesses the amount of the accumulated debt by determining the provision for liabilities arising from the applied technical interest rate. The life assurance provision is reduced by a respective share of outstanding acquisition costs as well as a respective share of intangible assets and also includes a reduction by accumulated debt. The Company recorded a long-term impairment of TCZK 345 000 (2017: TCZK 174 438) in accordance with the prudence principle.

(h) Income tax

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

Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability is utilised.

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

(i) Provision for unearned premiums

The provision for unearned premiums is established based on the individual life assurance and non-life insurance contracts from a part of gross premiums written which is to be allocated to subsequent financial years. The Company uses the "pro rata temporis" method to estimate this provision.

(j) Life assurance provision

The life assurance provision is established based on the individual life assurance contracts. 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 acquisition costs are included in the life assurance provision using actuarial methods. The provision is net of temporary negative balances, which are capitalised and presented as deferred acquisition costs. The acquisition costs are capitalised and deferred in accordance with the prudence principle and taking into account the risk of lapses and cancellations.

The life assurance provision also includes a portion to cover the risks (2018: MCZK 40; 2017: MCZK 0) arising from the uncertainty in the current market connected with the interpretation of the new regulation linked with the general trend of strengthening the rights and protection of consumers.

(k) Provision for outstanding claims

Provision for outstanding claims is not discounted to present value (with the exception of the provision for outstanding claims where claims payments are made in the form of annuities) and is intended to cover the liabilities resulting from claims:

- reported but not settled till the end of period (RBNS);
- incurred but not reported till the end of period (IBNR).

The amount of RBNS provision is determined as the sum of estimated costs on individual insurance settlements. The provision for outstanding claims is reduced by an estimate of the value of salvage and subrogation and similar recoveries. The Company establishes a provision for litigations in the full amount of the sum subject to the litigation.

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

The Company uses the Chain Ladder method based on the amount of claims paid or on the amount of incurred claims, as applicable. For motor third party liability insurance the provision is determined using the Monte Carlo simulation. The Monte Carlo simulation

provides the opportunity to estimate the probability distribution of a liability, especially to predict the different security levels also in form of a split to the risk commencement years and underwriting years.

The provision for outstanding claims also includes an estimate of all expected external and internal claims handling costs.

On an annual basis, the board of directors reassesses the adequacy of the reliability level of the estimated provision for outstanding claims in respect of individual groups of insurance in accordance with the Company's accounting policies.

(l) Provision for bonuses and rebates

The provision for bonuses and rebates is created in accordance with the respective terms set out in insurance contracts.

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

(m) Provision for liabilities arising from the applied technical interest rate

As at the balance sheet date, the Company calculates the value of the provision for liabilities arising from the applied technical interest rate to be able to determine a sufficient amount of life assurance provision so that the Company is able to meet its liabilities following from concluded insurance contracts while simultaneously taking into account current estimates of the parameters when assessing the amount of liabilities accepted.

In determining the provision for liabilities arising from the applied technical interest rate and other calculation parameters, the minimum value of insurance liabilities is calculated (using the best estimate of the future development of input assumptions adjusted by a risk margin). In order to improve the financial

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

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

(n) Provision for the liabilities of the Czech Insurers' Bureau

Provision for the liabilities of the Czech Insurers' Bureau ("the Bureau") is established to cover a proportionate share in the Bureau's liabilities determined to cover primarily the deficit in the statutory insurance provisions and to make contributions to the Bureau's guarantee fund. The provision for the liabilities of the Bureau is established based on the data known to the Company as at the balance sheet date. The amount of the Company's liability changes proportionately in relation to the amount of its market share and further in relation to the estimated deficit in the statutory insurance provisions.

(o) Provision for the credit risk in respect of intermediaries

In light of an amendment to the Act on Insurance Intermediaries from 2016 introducing a five-year period during which intermediaries guarantee negotiated contracts with their commissions, a provision for the credit risk in respect of intermediaries has been established. The provision reflects the risk that unearned commissions will not be returned by intermediaries due to insolvency.

(p) 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 the policyholders and 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.

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

(q) 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.

(r) Provisions

Provisions are intended to cover payables or expenses, 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.

Provision for employee benefits

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

Provision for restructuring

The provision has been established based on the restructuring programme approved by the board of directors. The programme comprises transformation projects of the companies from the VIG group in the Czech Republic. The provision has been established to only cover the expenses connected directly with the restructuring which are in accordance with Section 16 (4) of Decree No. 500/2002 Coll.

(s) Gross premiums written

Gross premiums written comprise all amounts written for the insurance period as at the date of the commencement of insurance coverage (in case of unit-linked assurance also paid amounts) based on insurance contracts during the financial year regardless of whether such amounts may relate in whole or in part to future financial years.

(t) Claims paid

Claims paid comprise the amount assessed for payment based on the claims investigation process, external claims handling costs and a deduction for the salvage value and other recoveries.

Claims paid are recorded upon completion of the investigation of the claim and in the amount of the assessed settlement.

(u) Acquisition costs

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

(v) Loss prevention fund

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

(w) 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 Company uses the allocation ratio based on an internal cost analysis of individual groups of costs of life assurance and non-life insurance.

Expenses and income from investments

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 in the non-technical account and the result is subsequently transferred to the non-life insurance technical account.

Other expenses and income

During the accounting period clearly attributable expenses and income are accounted for directly in the technical account for life assurance or non-life insurance or the non-technical account. Expenses and revenues that cannot be clearly attributed are allocated to the technical accounts for life assurance and non-life insurance based on the ratio described above.

Taxes, fees and other expenses that are not directly connected with insurance and reinsurance are not allocated in this manner, but are reported in the non-technical account.

(x) Foreign currency translation

Transactions during the year are recorded at the ČNB rate effective on the transaction date or at the rate at which the transaction was realised.

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

(y) Consolidation

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

I. 5. Change in accounting policies and procedures

Based on the amendment to Decree No. 502/2002 Coll. mentioned in Note I.3., the Company adjusted the accounting for selected items of investments as at 1 January 2018.

Until the end of 2017, a change in the fair value of available-for-sale securities was recognised in profit or loss. Since 2018, all available-for-sale securities are revalued to equity in the balance sheet through the item "revaluation differences" of other capital funds.

As the amendment did not include any specific transitory provisions, the Company carried out all changes retrospectively in accordance with the generally accepted accounting rules as follows:

New value	Original value	Change	New value
Total liabilities and equity	15 949 978	0	15 949 978
A.IV. Other capital funds	0	66 603	66 603
A.VI Profit or loss brought forward	1 112 934	-45 213	1 067 721
A.VII. Profit or loss for the financial year	486 945	-21 390	465 555

31 December 2017	Original value	Change	New value
I. Technical account for non-life insurance			
2. Allocated investment return transferred from the non-technical account	183 489	25 671	157 818
10. Sub-total on the technical account for non-life insurance	402 523	25 671	376 852
II. Technical account for life assurance			
2. d) income from disposal of investments	353 928	-7 439	346 489
2. c) value adjustments on investments	7 439	-7 439	0
3. Unrealised gains on investments	163 661	0	163 661
9. c) book value of disposed investments	225 720	-2 920	222 800
10. Unrealised losses on investments	13 859	-3 783	10 076
12. Allocated investment return transferred to the non-technical account	0	0	0
13. Sub-total on the technical account for life assurance	226 556	-736	225 820
III. Non-technical account			
1. Result of the technical account for non-life insurance	402 523	-25 671	376 852
2. Result of the technical account for life assurance	226 556	-736	225 820
3. c) value adjustments on investments	73 231	-73 231	0
3. d) income from disposal of investments	1 466 003	-68 780	1 397 223
4. Allocated investment return transferred from the technical account for life-assurance	0	0	0
5. b) value adjustments on investments	50 310	-50 310	0
5. c) book value of disposed investments	1 282 514	-43 109	1 239 405
6. Allocated investment return transferred to the technical account for non-life-insurance	183 489	-25 671	157 818
9. Income tax on ordinary activities	121 666	-5 017	116 649
10. Profit or loss on ordinary activities after tax	487 085	-21 390	465 695
16. Profit or loss for the financial year	486 945	21 390	465 555



I. 6. Risk management

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

(a) Strategy for using financial instruments

The nature of the Company's business activities includes controlled acceptance of risks from underwritten insurance contracts which include financial guarantees and contingent liabilities. In order to mitigate the risks following from a failure to meet the above guarantees and contingent liabilities, the Company purchases financial instruments corresponding approximately to the expected insurance settlements, their nature and timing.

The investment portfolio structure is governed by the nature of insurance liabilities, the expected rate of return on each asset group and the callable capital used to recognise each asset group's price movements.

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

(b) Market risk

The Company is exposed to market risk, which follows from trading positions in interest rates, currencies, equity instruments and real properties that are all exposed to common and specific changes in the market and from changes in the level of volatility of market rates or prices, such as interest rates, credit spreads, foreign exchange rates and equity prices. The board of directors sets the strategy for the portfolio characteristics and the limits on the level of risk that may be accepted, monitored on a daily basis. The investment is invested under the prudent investment principle in accordance with Czech insurance legislation in force. Investment limits are set for the individual types of financial investments while respecting the counterparty risk.

Using this approach does not prevent losses above these limits due to more significant market movements. As for unit-linked assurance assets, the market risk is borne exclusively by the policyholder.

(c) Interest rate risk

The Company's financial position and cash flows are exposed to the risk of effects of fluctuations in the prevailing levels of market interest rates. Income from investments may both grow and decrease as a result of these fluctuations. As a part of its investment strategy, the Company insulates itself from possible losses by preventing the rate of return on investments to drop below the level of the technical interest rate. Based on methods stemming from cash flow analysis, the Company prepares portfolios of securities so that their value and structure preferably corresponds with the value and structure of liabilities.

(d) Currency risk

The Company's assets and liabilities are denominated primarily in the domestic currency. The Company provides for the net exposure to the currency risk to be within acceptable limits. The Company also uses financial derivatives to hedge against the currency risk.

(e) Credit risk

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

Commercial and personal insurance is written primarily through intermediaries who are subject to rigorous monthly checks of information on unearned commissions. The creation of a sufficient provision mitigates the part of the credit risk associated with the intermediaries' involvement in the underwriting process.

The Company uses reinsurance in managing insurance risk. However, this does not release the Company from its responsibility of the initial insurer. If the reinsurer does not for any reason pay the insurance settlement, the Company has to pay it itself.

The Company periodically monitors the creditworthiness of the individual reinsurers. Reinsurers are selected from an internal list, which is issued and regularly updated by a special working group on VIG level. The Company determines the maximum acceptable cession limits for individual reinsurers based on the type of insurance and type of the reinsurance contract.

Reinsurers are split into two basic groups by the type of reinsured business. For each of the groups, the mandatory condition for the reinsurers to be included in the group is their listing in the valuation list published by reputable rating agencies with at least the minimum required rating level. Participation of reinsurers not included in the list can be exceptionally approved by the above-mentioned working group or by the management of the Company, depending on the importance of the relevant case.

In choosing the structure of investments, the Company assesses the counterparty credit rating or issuer credit rating. The rating is regularly reassessed. The Company sets maximum limits for individual types of financial instruments and counterparties.

The Company monitors regularly, i.e. on monthly basis, the level of receivables from outstanding premiums.

(f) Liquidity risk

The Company is exposed to requirements for drawing its available funds on a daily basis. These requirements relate to insurance settlements, commissions, lapsed policies, and surrender. 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 Company thus maintains a sufficient portion of its investment in liquid and secure financial instruments, which are used to cover insurance settlements, commissions, payments from lapsed policies, and surrenders.

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

(g) Insurance risk

Insurance risk is the possibility that the insured event occurs and the uncertainty of the amount of the resulting insurance settlement. Insurance risks comprise the following risks:

- risk of occurrence – the probability that the number of claims will differ from the original estimate;
- risk of estimate accuracy – the probability that the amount of insurance settlement will differ from the original estimate;
- risk of provisions/timing – the probability that changes may occur in the amount of the insurer's obligation at the end of the insurance period.

The Company manages insurance risks in particular by:

- mitigating the risk through reinsurance as regards the Company's exposure to the risk of individual large claims and catastrophes;
- using management information systems that provide up to date, reliable data on the risks to which the Company is exposed;
- applying a prudent underwriting policy.
- creating proper provisions, including regular checks of adequacy of technical provisions.

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

(h) Operational risk

To manage and prevent operational risks, the Company has established, maintains and further develops an internal control system, in which corresponding controls that help to mitigate the residual risk are defined and set up. To support the management of operational risk and to discuss operational risk events, the Company has set up a sub-committee for operational risk that regularly discusses the current exposure to this risk and reports on the development of the risk profile to the Risk Management Committee

and proposes further measures to manage operational risk, if necessary.

The risk is assessed within the risk mapping and internal control system process, in which employees of all divisions identify all risks their divisions are exposed to. The employees assess the effects of the risks and determine adequate measures, including control mechanisms aimed at mitigating these risks. The output is the risk and control matrix (RCM). The division of non-financial risks methodically manages first line protection departments, carries out independent control in the second line protection and reports through the above-mentioned advisory committees about the situation of operational risk management in the Company.

(i) Compliance risk

Compliance risk is the risk of legal and regulatory sanctions, financial loss or the loss of reputation that the Company may suffer as a result of non-compliance with statutory and regulatory requirements, rules relating to the standards of the Company, the VIG group and the Code of Ethics of the Czech Insurance Association. Compliance risk is a subcategory of operational risk. Sanctions and other consequences of these risks may influence the Company's financial stability. Systematic management of compliance risk is thus one of the Company's basic obligations.

Compliance risk management is assured by building a management and control environment that will guarantee:

- a) monitoring of legal and regulatory changes;
- b) reflecting of legal and regulatory changes in the Company's internal standards;
- c) subsequent review of the compliance of performed activities with internal standards and legislation;
- d) monitoring of mutual compliance of internal standards.

The Company's compliance department monitors any upcoming legislation (new legislation, changes in cur-

rent legislation) on an ongoing basis, as well as case law, including regulatory requirements of the supervisory authority, and evaluates their impacts on the Company's activity. For this purpose, compliance information on upcoming changes is prepared at least 12 times per year or more often, as necessary.

According to the group's compliance policy, the Company's board of directors is regularly presented with a compliance report (summarising compliance activities for the previous calendar year), the compliance plan (summing up compliance activities planned for the following year), the compliance risk inventory report (summarising the results of the compliance risk analysis).

(j) Solvency

In relation to the regulatory framework of Solvency II directive coming in force, the regulatory authority has set a solvency capital requirement ("SCR") in the interest of the policyholders in order to guarantee the Company's ability to cover future insurance settlements. Eligible own funds to cover SCR are the surplus of the value of insurer's assets over the value of its liabilities reduced by the value of the expected dividend and increased by the value of the subordinated liabilities where each calculation item is to be determined in compliance with the applicable rules. Eligible own funds to cover SCR must exceed the solvency capital requirement throughout the year.

II. ADDITIONAL DISCLOSURES IN RESPECT OF THE BALANCE SHEET

II. 1. Intangible fixed assets

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

	Software	Other intangible fixed assets	Total
Acquisition cost at 1/1/2018	373 936	314	374 250
Additions	48 497	0	48 497
Disposals	1 672	0	1 672
Acquisition cost at 31/12/2018	420 761	314	421 075
Accumulated amortisation at 1/1/2018	271 326	10	271 336
Amortisation expense	37 570	32	37 602
Disposals	3 160	0	3 160
Accumulated amortisation at 31/12/2018	305 736	42	305 778
Net book value at 1/1/2018	102 610	304	102 914
Net book value at 31/12/2018	115 025	272	115 297

II. 2. Investments

(a) Land and buildings

The amounts stated in this section comprise improvements to third-party property as at 31 December 2018 amounting to TCZK 5 701 (2017: TCZK 5 846).

(b) Participating interests with controlling influence

2018

Company name	Share of registered capital in %	Carrying amount	Acquisition cost	Fair value	Total registered capital	Total equity	Profit (loss) for the period
Participating interests with controlling influence							
ČPP Servis, s.r.o.	100	300	300	300	300	2 950	657
VIG ND, a.s.*	11,71	278 385	302 006	277 291	2 391 000	2 367 869	23 544
AIS servis, s.r.o.**	30	51 405	51 405	51 405	7 400	59 688	8 373
VIG FUND, a.s.*	0,30	14 037	14 856	15 725	4 406	5 027 180	232 425
Global Expert, s.r.o.	30	5 132	5 132	3 025	200	10 083	2 945
Total		349 259	373 699	347 746	2 403 306	7 467 770	267 944

* the data is based on non-audited financial statements.

** fair value cannot be objectively determined and therefore equals the acquisition cost; the data is based on the audited financial statements as at 31 December 2018.

In 2018, the registered capital of VIG FUND, a.s. was increased. ČPP did not participate in this increase and as a result, its participating interest in the company decreased to 0.3%.

The above-mentioned companies in which the Company holds a share of register capital not exceeding 50% are considered controlled entities as they act in concert with the other companies from the VIG group.

2017

Company name	Share of registered capital in %	Carrying amount	Acquisition cost	Fair value	Total registered capital	Total equity	Profit (loss) for the period
Participating interests with controlling influence							
ČPP Servis, s.r.o.	100	300	300	300	300	2 564	770
VIG ND, a.s.*	11,71	278 385	302 006	278 285	2 391 000	2 376 355	32 043
AIS servis, s.r.o.	30	51 405	51 405	51 405	7 400	52 765	9 343
VIG FUND, a.s.*	0,35	14 037	14 856	14 840	3 734	4 026 994	170 837
Global Expert, s.r.o.	30	5 132	5 132	5 679	200	18 931	12 057
Total		349 259	373 699	350 509	2 402 634	6 477 609	225 050

* The data is based on non-audited financial statements.

The transfer of a 30% participating interest of Global Expert, s.r.o. from Kooperativa pojišťovna, a.s., VIG was recorded in the Commercial Register on 11 December 2017. The Company purchased this participating interest in relation to services provided by the company in claims run-off.

The above mentioned companies in which the Company holds a share of registered capital not exceeding 50% are considered controlled entities as they act in concert with the other companies from the VIG group.

(c) Shares and other variable-yield securities

Classification of shares and other variable-yield securities, other participating interests

	2018	2017
Shares and other variable-yield securities at fair value through profit or loss	72 629	61 869
Available-for-sale shares and other variable-yield securities	769 588	904 351
Total	842 217	966 220

Analysis of shares and other variable-yield securities at fair value through profit or loss

	Fair value		Acquisition cost	
	2018	2017	2018	2017
Other				
- Listed on a recognised CR exchange	35 900	33 802	30 000	30 000
- Unlisted	36 729	28 067	38 093	27 128
Total	72 629	61 869	68 093	57 128

Analysis of available-for-sale shares and other variable-yield securities

	Fair value		Acquisition cost	
	2018	2017	2018	2017
Issued by financial institutions				
- Listed on a recognised CR exchange	4 235	4 575	4 548	4 548
- Unlisted	19 269	18 203	21 941	21 383
Other				
- Listed on a recognised CR exchange	12 672	14 900	11 104	11 104
- Listed elsewhere	164 512	181 133	170 958	176 023
- Unlisted	568 900	685 540	640 421	654 711
Total	769 588	904 351	828 972	867 769

(d) Debt securities

Classification of debt securities

	2018	2017
Debt securities valued at fair value through profit and loss	0	21 168
Available-for-sale debt securities	3 446 388	2 101 211
Debt securities held to maturity	5 820 384	6 516 612
Total	9 266 772	8 638 991

Analysis of debt securities at fair value through profit and loss

	Fair value		Acquisition cost	
	2018	2017	2018	2017
Issued by financial institutions				
- Listed elsewhere	0	21 168	0	20 842
Total	0	21 168	0	20 842

Analysis of available-for-sale debt securities

	Fair value		Acquisition cost	
	2018	2017	2018	2017
Issued by financial institutions				
- Listed on a recognised CR exchange	397 060	356 200	403 700	359 098
- Listed elsewhere	505 330	654 085	504 514	646 308
Issued by government sector				
- Listed on a recognised CR exchange	2 163 260	736 255	2 138 165	732 123
Other				
- Listed on a recognised CR exchange	189 003	192 628	189 100	191 381
- Listed elsewhere	191 735	162 043	193 969	162 791
Total	3 446 388	2 101 211	3 429 448	2 091 701

Analysis of debt securities held to maturity

	Fair value		Amortised value		Acquisition cost	
	2018	2017	2018	2017	2018	2017
Issued by financial institutions						
- Listed on a recognised CR exchange	478 092	493 436	470 832	480 016	499 881	499 881
- Listed elsewhere	87 934	92 312	81 039	81 035	79 955	79 955
Issued by government sector						
- Listed on a recognised CR exchange	5 422 495	6 226 233	5 217 018	5 757 254	5 149 485	5 698 500
Other						
- Listed on a recognised CR	0	150 440	0	146 813	0	145 530
- Listed elsewhere	54 396	57 597	51 495	51 494	49 973	49 973
Total securities held to maturity	6 042 917	7 020 018	5 820 384	6 516 612	5 779 294	6 473 839

(e) Debt securities issued by entities in which the accounting entity holds a controlling or significant influence and loans and credits provided to these entities

	Fair value		Amortised value		Acquisition cost	
	2018	2017	2018	2017	2018	2017
Loans granted (controlled entities)	15 837	21 880	16 557	23 103	16 455	22 971
Total	15 837	21 880	16 557	23 103	16 455	22 971

(f) Deposits with financial institutions and other loans and credits

	Fair value		Acquisition cost	
	2018	2017	2018	2017
Deposits	0	90 000	0	90 000
Other loans and credits	1 903	139 953	1 903	139 953
Total	1 903	229 953	1 903	229 953

(g) Fair value of investments for the benefit of life assurance policyholders who bear the investment risk

	Fair value	
	2018	2017
Shares and other variable-yield securities	1 680 028	1 757 709
Total	1 680 028	1 757 709

(h) Other investments – derivatives

Hedging derivatives

Fixed term contracts	Nominal value		Fair value	
	2018	2017	2018	2017
Term currency transactions	458 909	383 224	2 838	918
Total	458 909	383 224	2 838	918

The above derivatives hedge the currency risk resulting from foreign currency instruments in investments.

All the above financial instruments were concluded at the interbank market (OTC). The Company records the nominal value of a derivative as an off-balance sheet item. A change in the fair value of a derivative is recognised in the income statement.

All derivatives utilised by the Company are foreign exchange derivatives and the change in their fair value results from the development of the interest rate differential and the USD/CZK and EUR/CZK exchange rates over the period between the conclusion of the foreign exchange hedge and its revaluation at the end of the relevant accounting period.

(i) Currency structure of investments

2018	Variable-yield securities	Debt securities	Deposits and other investments	Life assurance investments where the investment risk is borne by the policyholders	Total
CZK	515 992	9 096 130	359 383	1 451 456	11 422 961
EUR	71 013	163 328	14 611	228 572	477 524
USD	239 638	0	2 264	0	241 902
GBP	15 574	0	0	0	15 574
PLN	0	7 314	0	0	7 314
Total	842 217	9 266 772	377 077	1 680 028	12 165 275

2017	Variable-yield securities	Debt securities	Deposits and other investments	Life assurance investments where the investment risk is borne by the policyholders	Total
CZK	603 253	8 456 863	594 124	1 511 491	11 165 731
EUR	126 244	182 128	14 008	246 218	568 598
USD	218 475	0	947	0	219 422
GBP	18 248	0	0	0	18 248
Total	966 220	8 638 991	609 079	1 757 709	11 971 999

II. 3. Receivables and payables

(a) Receivables

31 December 2018	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	122 198	15 777	5 522	45 293	188 790
Overdue	562 383	96 301	6 718	79 376	744 778
Total	684 581	112 078	12 240	124 669	933 568
Adjustment	185 549	95 350	0	860	281 759
Total net	499 032	16 728	12 240	123 809	651 809

31 December 2017	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	156 283	13 446	56 450	23 471	249 650
Overdue	414 995	96 194	30 527	36 199	577 915
Total	571 278	109 640	86 977	59 670	827 565
Adjustment	151 859	94 971	0	891	247 721
Total net	419 419	14 669	86 977	58 779	579 844

(b) Other receivables

	2018		2017	
	Gross amount	Adjustments	Gross amount	Adjustments
Other prepayments	31 264	0	20 481	0
Deferred tax asset	77 513	0	33 936	0
Loans to employees	1 436	0	791	0
Czech Nuclear Pool	3 761	0	0	0
Advance payment for claims adjusting	6 957	0	0	0
Other receivables	3 738	860	4 462	891
Total	124 669	860	59 670	891

In 2018, corporate income tax prepayments were recognised together with corporate income tax liabilities in Income tax provision.

(c) Payables

31 December 2018	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	394 387	5 693	2 733	171 540	574 353
Overdue	0	3 556	6 707	9 899	20 162
Total	394 387	9 249	9 440	181 439	594 515

31 December 2017	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	121 870	127 850	131 360	197 096	578 176
Overdue	0	3 662	15 082	6 794	25 538
Total	121 870	131 512*	146 442	203 890	603 714

* the year-on-year change has been caused by a change in the process of preparing the financial statements which has caused a different presentation of the accrued commission in payables to insurance intermediaries and in estimated payables.

(d) Payables and receivables due to or from the reinsurer

The Company has a net receivable from reinsurers excluding reinsurance deposits of TCZK 2 800 (2017: a net payable of TCZK 59 465).

II. 4. Inter-company receivables and payables

	2018	2017
Receivables		
Receivables from reinsurance operations	2 488 744	2 506 536
Other receivables	34 953	45 206
Total receivables	2 523 697	2 551 742
Payables		
Payables from reinsurance operations	2 153 509	2 143 071
Other payables	191 692	256 582
Total payables	2 345 201	2 399 653

Receivables from reinsurance operations include reinsurance assets of TCZK 2 457 787 (2017: TCZK 2 446 551). Payables from reinsurance operations include a reinsurance deposit of TCZK 2 102 211 (2017: TCZK 2 025 294).

II. 5. Tangible fixed assets and inventories

	Celkem
Acquisition cost at 1/1/2018	142 095
Additions	27 694
Disposals	12 505
Acquisition cost at 31/12/2018	157 284
Accumulated depreciation at 1/1/2018	102 613
Depreciation expense	22 090
Disposals	11 067
Accumulated depreciation at 31/12/2018	113 636
Net book value at 1/1/2018	39 482
Net book value at 31/12/2018	43 648

II. 6. Temporary asset or liability accounts**(a) Other temporary asset accounts**

	2018	2017
Accumulated debt	450 154	489 549
Estimated premiums	25 121	50 500
Estimated receivables arising from reinsurance operations	67 407	2 813
Estimated receivable and bonification	182 113	69 038
Prepaid services	38 442	28 868
Total	763 237	640 678

Estimated premiums

Estimated receivables comprise estimated written premiums, including an estimate of the lapse rate, where the settlement with intermediaries is carried out retrospectively, i.e. for the previous month.

Estimated receivables arising from reinsurance operations

The Company discloses under estimated receivables arising from reinsurance operations an estimate of the appropriate profit commission from the reinsurers' share in the estimated written premiums disclosed. Starting in 2018, ČPP has been recognising receivables from reinsurance operations in estimated receivables until the reinsurance results are sent to the counterparty.

(b) Estimated payables

	2018	2017
Estimated payables arising from reinsurance operations	120 016	48 337
Accrued commission	204 840	120 733*
*Services not invoiced	79 017	64 940
Accruals in respect of personnel expenses	75 627	62 192
Other estimated payables	38 181	18 328
Total	517 681	314 530

* the year-on-year change has been caused by a change in the process of preparing the financial statements which has caused a different presentation of the accrued commission in estimated payables and in payables to insurance intermediaries.

Estimated payables arising from reinsurance operations

Payables that have not been reconciled with reinsurers and payables arising from facultative reinsurance that have not been reconciled with insurers for the fourth quarter are reported in estimated payables arising from reinsurance operations. Starting from 2018, ČPP has been recognising payables arising from reinsurance operations in estimated payables until the reinsurance results are sent to the counterparty.

Accrued commission

The Company discloses as Accrued commission the expected amount of commissions relating to premiums written in the current accounting period where the insurance intermediary's right to receive the commission is dependent on meeting additional specific criteria.

Services not invoiced

The Company discloses under Services not invoiced the expected amount of payables that have not yet been invoiced.

II. 7. Registered capital

The registered capital consists of 10 000 registered ordinary shares in book-entry form with a nominal value of TCZK 100. As at 31 December 2018, 100%, i.e. TCZK 1 000 000 (2017: TCZK 1 000 000) of the registered capital was paid up.

The amount of the Company's registered capital meets the requirements of the Insurance Act, with regard to the insurance classes in which the Company is authorised to carry on insurance activities.

(a) Other capital funds

Other capital funds comprised the revaluation of assets and liabilities at fair value.

	2018	2017
Balance at 1/1	66 603	45 213
Change in the fair value of investments	-121 177	26 407
Change in deferred tax	23 024	-5 017
Balance at 31/12	-31 550	66 603

(b) Proposed distribution of current period profit

Profit for the current period	478 268
Transfer to social fund	12 180
Payment of profit shares	396 174
Profit brought forward	69 914

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

II. 8. Technical provisions**(a) Provision for unearned premiums (gross)**

	2018	2017
Non-life insurance	2 556 290	2 197 554
Life assurance	7 171	7 781
Total	2 563 461	2 205 335

(b) Provision for outstanding claims (gross amount)

The provision for outstanding claims at the end of the financial year can be analysed as follows:

	2018	2017
RBNS	4 070 192	3 860 105
IBNR	1 272 988	1 150 022
Total	5 343 180	5 010 127

Claims run-off result

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



The gross run-off result is as follows:

Class of insurance	2018	2017
Motor insurance	-16 176	3 908
Motor third-party liability insurance	403 828	639 758
Insurance against fire and other damage to property	72 914	39 596
Liability insurance	23 572	21 248
Accident and sickness insurance	-433	-1 506
Life assurance	38 205	46 267
Travel insurance	10 709	2 966
Other	5 703	3 233
Total	538 322	755 470

Provision for outstanding claims paid in the form of annuities

The gross provision for outstanding claims from motor third party liability insurance paid in the form of annuities arising from reported claims after discounting is TCZK 812 209 (2017: TCZK 877 109). The impact of discounting is TCZK 326 251 (2017: TCZK 237 934) and it is carried out only in respect of these liabilities.

The Company used a wage valorisation rate and a disability pension valorisation rate according to the Bureau methodology as at 14 May 2018 to calculate the provision for outstanding claims paid in the form of annuities in respect of liability insurance/statutory motor third party liability insurance for the subsequent years. The provision was further discounted at 1.5%. The method, rates and criteria used to estimate the remaining period for payment of the annuities are based on the currently valid calculation tool for provisioning for annuities provided by the Czech Bureau of Insurers.

(c) Provision for bonuses and rebates (gross)

Class of insurance	2018	2017
Non-life insurance	37 624	42 861
Life assurance	450 481	337 263
Total	488 105	380 124

(d) Other technical provisions (gross)

	Opening balance	Additions	Utilisation	Closing balance
Non-life insurance provision	730	8	0	738
Provision for credit risk	50 089	5 653	0	55 742
Provision for liabilities of the Bureau	219 892	0	25 764	194 128
Total	270 711	5 661	25 764	250 608

II. 9. Provisions

Type of provision	Opening balance	Additions	Utilisation	Closing balance
Provision for taxes	35 537	28 190	35 537	28 190
Provision for employee benefits	29 249	4 042	0	33 291
Other provisions	0	34 600	0	34 600
Total	64 786	66 832	35 537	96 081

The provision for taxes was reduced by income tax prepayments of TCZK 111 303 (2017: TCZK 101 851).

Other provisions include the provision for restructuring of TCZK 34 600 (2017: TCZK 0).

III. ADDITIONAL DISCLOSURES IN RESPECT OF THE INCOME STATEMENT

III. 1. Non-life insurance

Non-life insurance for 2018 and 2017, by class of insurance:

		Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expense	Reinsurance balance
Direct insurance						
Travel insurance						
	2018	31 981	32 004	18 573	26 478	10
	2017	25 328	25 616	28 389	24 583	-8 546
Accident and sickness insurance						
	2018	60 465	59 436	8 763	18 809	-8 759
	2017	53 924	54 175	11 783	12 711	-3 673
Motor third-party liability insurance						
	2018	2 983 909	2 883 378	1 703 664	880 690	-79 993
	2017	2 808 065	2 794 336	1 430 188	811 445	-301 100
Property insurance						
	2018	1 169 473	1 123 997	524 414	334 700	-71 380
	2017	1 063 066	1 010 585	436 369	309 787	-156 753
Liability insurance						
	2018	757 832	615 984	291 708	213 037	-72 131
	2017	638 397	532 705	280 551	182 834	-22 254
Motor Casco insurance						
	2018	1 857 287	1 777 631	1 259 658	530 091	-7 328
	2017	1 660 460	1 600 618	1 231 168	470 873	19 324
Reinsurance accepted						
	2018	379 605	389 386	175 940	137 374	-74 447
	2017	422 264	418 503	312 258	153 694	29 948
Total						
	2018	7 240 552	6 881 816	3 982 719	2 141 179	-314 028
	2017	6 671 504	6 436 538	3 730 706	1 965 928	-443 054

III. 2. Life assurance

Gross premiums written in life assurance:

	2018	2017
Individual (special) premiums	2 214 907	2 028 786
Total	2 214 907	2 028 786
Regular premium	2 122 700	1 901 789
Single premium	92 207	126 997
Total	2 214 907	2 028 786
Premiums from contracts without bonuses	252 179	294 836
Premiums from contracts with bonuses	16 848	27 420
Premiums from contracts where the investment risk is borne by policyholders	1 945 880	1 706 530
Total	2 214 907	2 028 786
Reinsurance balance (- expense/+ revenue)	-5 375	-11 036

III. 3. Total amount of gross premiums written by country in which the insurance contract was concluded

All gross written life insurance and non-life insurance premiums arise from insurance policies concluded in the Czech Republic.

III. 4. Bonuses and rebates

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

	2018	2017
Gross amount		
Non-life insurance	55 022	48 655
Total gross amount	55 022	48 655
Reinsurers' share	0	0
Total net amount	55 022	48 655

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

2018	Gross amount	Reinsurance share	Net
Non-life insurance			
Creation	49 782	14 891	34 891
Release	55 022	21 930	33 092
Change of balance	-5 240	-7 039	1 799
Life assurance			
Creation	450 484	0	450 484
Release	337 263	0	337 263
Change of balance	113 221	0	113 221
Total change of balance	107 981	-7 039	115 020
2017	Gross amount	Reinsurance share	Net
Non-life insurance			
Creation	62 619	21 930	40 689
Release	48 657	13 867	34 790
Change of balance	13 962	8 063	5 899
Life assurance			
Creation	337 261	0	337 260
Release	192 777	0	192 777
Change of balance	144 484	0	144 484
Total change of balance	158 446	8 063	150 383

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

	2018			2017		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions	1 234 810	1 074 110	2 308 920	1 182 471	923 435	2 105 906
Other acquisition costs	660 169	178 653	838 822	591 191	169 948	761 139
Change in deferred acquisition costs	-34 447	-431 643	-466 090	-41 488	-334 329	-375 817
Total commissions and other acquisition costs	1 860 532	821 120	2 681 652	1 732 174	759 054	2 491 228

The amount of commissions comprises all commissions to insurance intermediaries relating to the acquisition and follow-up renewal of the insurance contracts, including commissions on active reinsurance.

III. 6. Administrative expenses

	2018	2017
Personnel expenses (payroll, social and health insurance)	214 790	203 047
IT expenses	187 113	172 010
Expenses related to the operation of buildings	60 539	40 374
Communications	19 457	19 728
Other services	23 779	19 396
Company car expenses	4 884	7 311
Material consumption	972	1 251
Insurance	1 859	2 094
Bank fees	5 581	4 700
Advisory	15 715	17 503
Representation expenses and presents	2 116	6 986
Depreciation of assets	513	382
Education	6 173	6 312
Travel expenses	1 947	1 987
Other financial expenses	2 726	2 361
Outsourcing	131 752	113 626
Other administrative expenses	4 258	3 106
Total administrative expenses before reallocation	684 174	622 174
Reallocation to acquisition costs	-148 852	-130 284
Reallocation to claims handling costs	-166 673	-161 803
Reallocation to costs on investments	-15 856	-17 255
Total reallocation	-331 381	-309 342
Total administrative expenses	352 793	312 832

III. 7. Other technical expenses and income

	2018	2017
Non-life insurance		
Other technical expenses	251 767	232 230
Other technical income	-106 014	-149 395
Balance – non-life insurance (+ expense/- revenue)	145 753	82 835
Life assurance		
Other technical expenses	61 588	187 705
Other technical income	-31 608	-310 897
Balance – life assurance (+ expense/- revenue)	29 980	-123 192

The reinsurer does not have a share in the Company's other technical expenses and income.

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

	2018	2017
Creation (+)/Release (-) of adjustments for receivables	40 102	10 377
Depreciation (+)/Payments after depreciation (-) for receivables	47 838	35 410
Foreign exchanges losses (+)/gains (-)	-422	-2 468
Contribution to the loss prevention fund	89 705	84 205
Delegated insurance events	-6 139	-6 260
Other	-25 331	-38 429
Balance of other expenses and income	145 753	82 835

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

	2018	2017
Creation (+)/Release (-) of adjustments for receivables	-6 033	-35 034
Depreciation (+)/Payments after depreciation (-) for receivables	9 431	33 493
Accumulated debt	39 395	-99 524
Foreign exchanges losses (+)/gains (-)	-192	-2 892
Other	-12 621	-19 235
Balance of other expenses and income	29 980	-123 192

III. 8. Employees and management

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

2018	Average number of employees	Payroll expenses	Social and health insurance	of which other personnel expenses
Employees	773	382 443	113 649	19 968
Executives	76	107 432	29 899	5 609
Total	849	489 875	143 548	25 577

2017	Average number of employees	Payroll expenses	Social and health insurance	of which other personnel expenses
Employees	778	334 475	103 662	17 909
Executives	76	101 978	28 923	5 460
Total	854	436 453	132 585	23 369

TCZK 214 790 (2017: TCZK 203 047) of the total payroll, social security and health insurance expenses represents administrative expenses before reallocation and TCZK 418 633 (2017: TCZK 365 991) accounts for expenses incurred to acquire insurance contracts.

(a) Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 18 146 (2017: TCZK 14 603), of which TCZK 11 769 (2017: TCZK 9 716) relates to social security and TCZK 6 377 (2017: TCZK 4 887) to health insurance. None of these liabilities are overdue.

(b) Tax liabilities and subsidies

Tax liabilities total TCZK 8 249 (2017: a liability of TCZK 4 887), of which a deferred tax liability is TCZK 0 (2017: a deferred tax liability of TCZK 0).

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

The Company recognised the following monetary and non-monetary remuneration to the statutory, executive and supervisory board members for the financial years 2018 and 2017:

	2018	2017
Members of the board of directors	29 832	21 027
Members of the supervisory board	1 571	1 556
Total remuneration	31 403	22 583

(d) Statutory, executive and supervisory board members' loans, other receivables and advances

In neither 2018 nor 2017 did the Company present any receivables from members of the board of directors or the supervisory board relating to granted loans or advances paid.

III. 9. Information on remuneration for statutory auditors

Information about fees payable to statutory auditors are provided in the notes to the consolidated financial statements of the parent company VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe. The audit firm provided the Company and the companies controlled by the Company with non-audit services of TCZK 182 in 2018. These services mainly included tax advisory, professional trainings, client portfolio analyses, and other assurance services.

III. 10. Allocation of investment return between technical account for non-life insurance and non-technical account

As at the balance sheet date, the total amount of investment return allocated between the technical account for non-life insurance and the non-technical account by means of the method stated in note I.4.(w) amounted to TCZK 153 304 (2017: TCZK 157 818).

III. 11. Result of non-technical account

The result of the non-technical account before tax as at 31 December 2018 amounted to a loss of TCZK 56 536 (2017: a loss of TCZK 20 467).

III. 12. Result before tax

The profit before tax as at 31 December 2018 amounted to TCZK 579 581 (2017: TCZK 582 344).

III. 13. Taxation

(a) Income tax in the income statement

	2018	2017
Current period income tax	139 443	137 388
Current income tax relating to prior periods	-17 705	-4 032
Change in deferred tax asset/Change in deferred tax liability	-28 211	-11 690
Current tax expense – restated current tax from AFS	7 658	-5 017
Income tax in the income statement	101 185	116 649

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Fixed assets	0	0	-8 071	-6 261	-8 071	-6 261
Receivables	24 758	13 306	0	0	24 758	13 306
Provisions	45 460	26 891	0	0	45 460	26 891
Total temporary differences recorded in the income statement	70 218	40 197	-8 071	-6 261	62 147	33 936
Revaluation of assets and liabilities	15 366	0	0	0	15 366	0
Deferred tax asset/(liability)	85 584	40 197	-8 071	-6 261	77 513	33 936

In accordance with the accounting policy described in note I. 4. (h), a tax rate of 19% was used to calculate deferred tax.

IV. OTHER DISCLOSURES

IV. 1. Contingent liabilities

(a) Co-insurance

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

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

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

As a member of the Bureau, the Company is obliged to guarantee the liabilities of the Bureau pursuant to the Act on Motor Third Party Liability Insurance. The Company contributes to the guarantee fund and creates other technical provisions. The amount of the Company's contributions and other technical provisions are determined based on the Bureau's calculation.

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

(c) Membership in the Czech Nuclear Pool

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

IV. 2. Subsequent events

The Company's management is not aware of any material subsequent events that have occurred since the balance sheet date that would have a material impact on the financial statements as at 31 December 2018.

Prague, on 13 March 2019



Ing. Jaroslav Besperát
Chairman of the Board of Directors



Mag. Gerhard Lahner
Member of the Board of Directors



**ORGANISATIONAL
STRUCTURE**

ORGANISATIONAL STRUCTURE

MEMBERS OF THE SUPERVISORY BOARD

Ing. Martin Diviš, MBA

Chairman of the Supervisory Board since 1 April 2013

Prof. Elisabeth Stadler

Vice-chair of the Supervisory Board since 31 March 2016

Prof. Ing. Jaroslav Daňhel, CSc.

Member of the Supervisory Board since 1 April 2013

Ing. Martina Janurová

Member of the Supervisory Board since 1 April 2013

Dkfm. Karl Fink

Member of the Supervisory Board since 31 March 2016

KR Franz Fuchs

Member of the Supervisory Board since 31 March 2016

MEMBERS OF THE BOARD OF DIRECTORS

Ing. Jaroslav Besperát

Chairman of the Board of Directors since 17 March 2010

Education: University degree, Czech Technical University (ČVUT)
He has been working in the insurance industry since 1994.

Ing. Vít Rozsypal

Member of the Board of Directors since 15 July 2013

Education: University degree, University of Economics
He has been working in the insurance industry since 1995.

Ing. František Vlňař

Member of the Board of Directors since 23 November 2010

Education: University degree, Czech Technical University (ČVUT)
He has been working in the insurance industry since 1992.

Mag. Gerhard Lahner

Member of the Board of Directors since 1 July 2017

Education: University degree, University of Economics in Vienna
He has been working in the insurance industry since 2002.

EXPERT DIVISIONS

General secretary division

Ing. René Činátl

Internal trade division

Mgr. René Mičke

Business risks division

Ing. Pavel Wiesner

External networks division

Jan Křehlík

Sales support division

Ing. Zdeněk Kolář

Life assurance division

Bc. Marek Woitsch

Non-life insurance division

JUDr. Václav Hönig

Motor vehicle insurance division

Miloš Velíšek

Fleet insurance division

Ing. Petr Žaba

Motor vehicle claims settlement division

Bořek Těžký

Marketing and PR division

Mgr. Jolana Kolaříková

Controlling division

Ing. Martina Janurová

Legal division

JUDr. Jana Mejtská

HR division

Mgr. Marcela Novotná, LL. M.

Note:

As of 1 July 2018 and in line with the Apollo 20 transformation programme, the organisational structure and distribution of activities between Kooperativa and ČPP was amended in as follows:

- HR division of Kooperativa will be providing ČPP with payroll services in the form of shared services;
- Where legally possible, Kooperativa's legal and compliance division shall provide ČPP with shared legal and compliance services. The ČPP employee taking over the services provided shall remain the key account holder.



**LIST OF REGIONAL
DIRECTORATES AND BRANCH
OFFICES AS AT 1 JANUARY 2019**

PRAHA

Head office

Pobřežní 665/23, 186 00 Praha 8, tel.: 957 444 555

Regional directorate

Budějovická 3, 140 21 Praha 4, tel.: 261 022 559

Branch office

Benešov, Tyršova 2260, 256 01 Benešov, tel.: 315 694 947

Beroun, Politických vězňů 153/21, 266 01 Beroun, tel.: 311 626 736

Kladno, Komenského 3379/2, 272 01 Kladno, tel.: 312 240 214

Kolín, Legerova 182, 280 02 Kolín, tel.: 321 716 931

Mělník, Jaroslava Seiferta 147/6, 276 01 Mělník, tel.: 315 628 643

Mladá Boleslav, U Kasáren 1377, 293 01 Mladá Boleslav, tel.: 326 736 168

Nymburk, náměstí Přemyslovců 39, 288 02 Nymburk, tel.: 325 531 908

Praha 2 – Vinohrady, Korunní 841/27, 120 00 Praha 2, tel.: 221 501 310

Praha 4 – Pankrác, Budějovická 3a, 140 21 Praha 4, tel.: 261 022 559

Praha 5 – Smíchov, Jindřicha Plachty 25, 150 00 Praha 5, tel.: 257 319 003

Praha 8 – Karlín, Pobřežní 665/23, 186 00 Praha 8, tel.: 956 451 051

Praha 9 – Vysočany, Jandova 3/10, 190 00 Praha 9, tel.: 233 901 237

Příbram, Dlouhá 97, 261 01 Příbram, tel.: 318 627 195

Rakovník, Husovo náměstí 52, 269 01 Rakovník, tel.: 313 502 590

BRNO

Regional directorate

Benešova 14/16, 602 00 Brno, tel.: 542 120 800

Branch office

Boskovice, Růžové náměstí 3 a 4, 680 01 Boskovice, tel.: 516 452 137

Brno – Kapucínské nám., Kapucínské náměstí 14, 602 00 Brno, tel.: 542 215 232

Brno – Palackého, Palackého třída 879/84, 612 00 Brno, tel.: 541 217 647

Station of Branch office Brno – Palackého, Benešova 14/16, 602 00 Brno, tel.: 542 120 800

Brno – Kounicova, Kounicova 271/13, 602 00 Brno, tel.: 542 215 140

Břeclav, U Stadionu 2144, 690 02 Břeclav, tel.: 519 322 854

Hodonín, Národní třída 55c, 695 01 Hodonín, tel.: 518 342 444

Kroměříž, Stoličkova 44, 767 01 Kroměříž, tel.: 573 331 759

Třebíč, Smila Osovského 25/35, 674 01 Třebíč, tel.: 568 843 448

Uherské Hradiště, Na Splávku 1182, 686 01 Uherské Hradiště, tel.: 572 540 602

Zlín, Dlouhá 5617, 760 01 Zlín, tel.: 577 220 954

Znojmo, Pražská 2F, 669 02 Znojmo, tel.: 515 331 011

Žďár nad Sázavou, ul. Nádražní 2119/69, 591 01 Žďár nad Sázavou, tel.: 566 629 899

ČESKÉ BUDĚJOVICE

Regional directorate

Průmyslová 1656, 370 01 České Budějovice, tel.: 957 554 615

Branch office

České Budějovice, Průmyslová 1656, 370 01 České Budějovice, tel.: 957 554 603

Station of Branch office České Budějovice, IGY centrum – Pražská tř. 1247/24,
370 04, České Budějovice, tel.: 386 350 320

Český Krumlov, Tovární 194, 381 01 Český Krumlov, tel.: 380 713 700

Havlíčkův Brod, Dolní 1, 580 01 Havlíčkův Brod, tel.: 569 420 408

Jihlava, Žižkova 13, 586 01 Jihlava, tel.: 567 300 255

Jindřichův Hradec, Masarykovo náměstí 108, 377 01 Jindřichův Hradec, tel.: 384 361 080

Pelhřimov, Příkopy 476, 393 01 Pelhřimov, tel.: 565 322 449

Písek, Fráni Šrámka 167, 397 01 Písek, tel.: 382 215 351

Prachatice, Velké náměstí 6, 383 01 Prachatice, tel.: 388 311 138

Strakonice, Komenského 105, 386 01 Strakonice, tel.: 383 322 935

Station of Branch, Jiřího z Poděbrad 772, 386 01 Strakonice, tel.: 734 522 750

Tábor, Fügnerova 822, 390 02 Tábor, tel.: 381 257 555

HRADEC KRÁLOVÉ

Regional directorate

Škroupova 441/9, 500 02 Hradec Králové, tel.: 495 704 400

Branch office

Pardubice, Smilova 429, 530 02 Pardubice, tel.: 466 068 305

Station of Branch office Pardubice, 17. listopadu 408, 530 02 Pardubice, tel.: 466 610 168

Česká Lípa, Barvířská 737, 470 01 Česká Lípa, tel.: 487 853 984

Děčín, Prokopa Holého 701/18, 405 02 Děčín IV – Podmokly, tel.: 412 520 108

Hradec Králové, Škroupova 441/9, 500 02 Hradec Králové, tel.: 495 704 401

Station of Branch office Hradec Králové, Habrmanova 204/6, 500 02 Hradec Králové, tel.: 495 591 506

Station of Branch office Hradec Králové, Šimkova 1223/2, 500 03 Hradec Králové, tel.: 495 510 100

Chrudim, Poděbradova 72, 537 01 Chrudim, tel.: 469 622 831

Jablonec nad Nisou, Komenského 33, 466 01 Jablonec nad Nisou, tel.: 483 319 881

Jičín, Čelakovského 86, 506 01 Jičín, tel.: 493 520 710

Liberec, Kostelní 4/2 – vchod z náměstí Dr. E. Beneše, 460 01 Liberec 1, tel.: 485 106 534

Station of Branch office Liberec – OC Plaza, Palachova 1404/2, 460 01 Liberec, tel.: 485 104 411

Náchod, Krámská 29, 547 01 Náchod, tel.: 491 433 168

Rychnov nad Kněžnou, Staré náměstí 59, 516 01 Rychnov nad Kněžnou, tel.: 494 661 095

Svitavy, náměstí Míru 53, 568 02 Svítavy, tel.: 461 530 317

Trutnov, Palackého 388, 541 01 Trutnov, tel.: 499 813 359

Turnov, 28. října 17, 511 01 Turnov, tel.: 481 322 854

Ústí nad Labem, Dlouhá 3458/2A – Palác Jordan, 400 01 Ústí nad Labem, tel.: 475 220 001

Ústí nad Orlicí, Mírové náměstí 1389, 562 01 Ústí nad Orlicí, tel.: 465 526 290

OSTRAVA

Regional directorate

Černá louka 78 – Vila Tereza, 702 00 Ostrava, tel.: 596 123 476

Branch office

Bruntál, Zámecké náměstí 2/8, 792 01 Bruntál, tel.: 554 211 831

Frýdek-Místek, Ostravská 2125, 738 02 Frýdek-Místek, tel.: 558 436 796

Jeseník, Poštovní 884/1, 790 01 Jeseník, tel.: 584 409 059

Karviná, Masarykovo náměstí 26/14, 733 01 Karviná, tel.: 596 320 224

Station of Branch office Karviná, Smetanova 9, 737 01 Český Těšín, tel.: 558 711 225

Nový Jičín, Tyršova 15, 741 01 Nový Jičín, tel.: 556 706 765

Station of Branch office Nový Jičín, Kostelní 478, 744 01 Frenštát pod Radhoštěm, tel.: 556 801 365

Station of Branch office Nový Jičín, Náměstí 71, 757 01 Valašské Meziříčí, tel.: 571 610 581

Olomouc, Litovelská 17, 779 00 Olomouc, tel.: 585 700 939

Station of Branch office Olomouc, Tovární 1197/42a, 779 00 Olomouc-Hodolany, tel.: 585 203 251

Opava, Ostrožná 231/36, 746 01 Opava, tel.: 553 624 989

Ostrava, Černá louka 78 – Vila Tereza, 702 00 Ostrava, tel.: 596 123 476

Station of Branch office Ostrava, Dr. Martínka 1590, 700 30 Ostrava-Hrabůvka, tel.: 596 110 536

Station of Branch office Vsetín, Nádražní 23, 756 61 Rožnov pod Radhoštěm, tel.: 571 438 438

Prostějov, Hradební 4603/15, 796 01 Prostějov, tel.: 582 337 735

Přerov, Mostní 226/2, 750 02 Přerov, tel.: 581 203 161

Šumperk, M. R. Štefánika 3198/15, 787 01 Šumperk, tel.: 583 224 827

Station of Branch office Šumperk, Nám. Osvobození 14/298, 789 01 Zábřeh na Moravě, tel.: 583 414 655

Třinec, Náměstí Míru 551, 739 61 Třinec, tel.: 558 335 700

Vsetín, Na Příkopě 814/15, 755 01 Vsetín, tel.: 571 410 004

PLZEŇ

Regional directorate

Lochotínská 18, 301 00 Plzeň, tel.: 377 831 107

Branch office

Domažlice, Vodní 31, 344 01 Domažlice, tel.: 379 768 435

Cheb, 26. dubna 583/14, 350 02 Cheb, tel.: 354 544 944

Chomutov, Riegrova 229, 430 01 Chomutov, tel.: 474 623 494

Karlovy Vary, Moskevská 10, 360 01 Karlovy Vary, tel.: 353 563 910

Klatovy, Pražská 120, 339 01 Klatovy, tel.: 376 321 122

Station of Branch office Klatovy, Mostní 43, 342 01 Sušice, tel.: 376 522 171

Litoměřice, Dlouhá 182, 412 01 Litoměřice, tel.: 416 733 343

Station of Branch office Tachov, Chebská 731/15, 353 01, Mariánské Lázně, tel.: 354 626 227

Most, Moskevská 3336, 434 01 Most, tel.: 476 744 980

Station of Branch office Most, DS Unipetrol RPA, 436 70 Litvínov-Záluží, tel.: 476 162 800

Station of Branch office Most, Karla IV. 353, 438 01 Žatec, tel.: 415 214 435

Plzeň, Lochotínská 18, 301 00 Plzeň, tel.: 377 831 107

Station of Branch office Plzeň, Gerská 1951/15, 323 00 Plzeň, tel.: 377 320 283

Station of Branch office Plzeň, Skupova 24 – OC LUNA NORD, 323 00 Plzeň-město, tel.: 377 540 509

Station of Branch office Plzeň, Míru 10, 337 01 Rokycany, tel.: 371 785 223

Station of Branch office Plzeň, Slovanská alej 28, 326 00 Plzeň, tel.: 377 970 789

Sokolov, Marie Majerové 1815, 356 01 Sokolov, tel.: 352 605 751

Tachov, Boženy Němcové 98, 347 01 Tachov, tel.: 374 720 311

Teplice, 28. října 780/10, 415 01 Teplice, tel.: 417 531 007

POINTS OF SALE OF ČPP SERVIS

Brno, Úvoz 31, 602 00 Brno

Třebíč, Komenského náměstí 140/4, 674 01 Třebíč

Hořice, Aloise Hlavatého 2185, 508 01 Hořice

Chlumeck nad Cidlinou, 9. května 6, 503 51 Chlumeck nad Cidlinou

Jičín, Čelakovského 86, 506 01 Jičín

Karlovy Vary, Majakovského 29, 360 05 Karlovy Vary

Kolín, A. Dvořáka 1101, 280 02 Kolín

Havířov, Národní třída 576/2, 736 01 Havířov

Ostrava-Poruba, 17. listopadu 677, 708 00 Ostrava-Poruba

Ostrava-Zábřeh, Patrice Lumumby 2717, 700 30 Ostrava-Zábřeh

Rožnov pod Radhoštěm, Meziříčská 2868, 756 61 Rožnov pod Radhoštěm

Pardubice, U Divadla 784, 530 02 Pardubice

Ústí nad Labem, Dvořákova 3134/2, 400 01 Ústí nad Labem

Plzeň, Husova 2797/21a, 326 00 Plzeň

Zlín, Vavrečkova 7074, 760 01 Zlín

Dobříš, Plk. B. Petroviče 373, 263 01 Dobříš

Praha 4, Budějovická 3a, 140 21 Praha 4





**REPORT OF THE BOARD
OF DIRECTORS ON RELATIONS**

REPORT OF THE BOARD OF DIRECTORS

ON RELATIONS BETWEEN RELATED PARTIES PURSUANT TO SECTION 82 OF ACT NO. 90/2012 COLL., ON CORPORATIONS.

I. STRUCTURE OF RELATIONS

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, with its registered office at Pobřežní 665/23, 186 00 Praha 8, ident. no.: 63998530, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 3433 (the “**ČPP**”) is the controlled entity.

The controlling entity is Kooperativa pojišťovna, a.s., Vienna Insurance Group, with its registered office at Pobřežní 665/21, 186 00 Praha 8, ident. No.: 47116617, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 1897 (the “**Kooperativa**”).

Kooperativa is controlled by VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, with its registered office at Schottenring 30, A-1010 Vienna, Austria (“**VIG AG**”) recorded in the Commercial Register maintained by the Vienna Commercial Court, section FN, insert 75687 F.

II. ČPP’S ROLE IN THE GROUP

VIG AG is the controlling entity of the Vienna Insurance Group (the “**VIG group**”), having a legal form of joint-stock company.

Within the VIG group, Kooperativa is primarily engaged in insurance activities pursuant to Act No. 277/2009 Coll., on insurance, and in activities directly associated with insurance.

ČPP is a corporation carrying out insurance activities pursuant to Act No. 277/2009 Coll., on insurance, and activities directly associated with insurance.

III. MANNER AND MEANS OF CONTROL

Kooperativa owns ČPP’s shares in an aggregate nominal value of 100% of ČPP’s registered capital and controls ČPP primarily through decision-making of the sole shareholder when exercising the powers of a general meeting.

A list of VIG AG’s subsidiaries is included in an appendix to this report (the “**VIG group companies**”).

IV. AN OVERVIEW OF CONTRACTS BETWEEN ČPP AND THE VIG GROUP COMPANIES

1. Contracts and agreements in force between the controlling entities (Kooperativa, VIG AG) and the controlled entity ČPP in 2018.

- Contracts for provision of reinsurance coverage in respect of property and liability insurance concluded between ČPP and Kooperativa.
- Contracts on property and liability insurance concluded between ČPP and Kooperativa.
- Contracts on ČPP’s co-insurance or reinsurance share in insurance contracts led by Kooperativa.
- Group contract between ČPP and Kooperativa on insurance of car fleet auto-complex insurance.
- Contract for exclusive business representation concluded between ČPP and Kooperativa.
- Contract for an extraordinary commission for financial products of Česká spořitelna, a.s. concluded between ČPP and Kooperativa.
- Contracts for lease and sublease of non-residential premises concluded between ČPP and Kooperativa.
- Contract for inter-company cooperation between ČPP and Kooperativa.
- Contract for cost sharing concluded between ČPP and Kooperativa.
- Contract for management life assurance between ČPP and Kooperativa.
- Agreement between ČPP and Kooperativa on personal data processing.
- A proportional quota reinsurance contract on MTPL insurance coverage concluded between ČPP and VIG AG.
- An accidental proportional quota reinsurance contract concluded between ČPP and VIG AG.



2. Contracts and agreements in force between ČPP and other controlled entities from the VIG group in 2018.

- Insurance contracts for property and liability insurance between ČPP and ČPP Servis, s.r.o. (“ČPP Servis”).
- Insurance contract for liability insurance for damage caused by members of the bodies of corporations concluded between ČPP and ČPP Servis.
- Insurance contract for the policy holder’s liability insurance in providing other financial services concluded between ČPP Servis and ČPP.
- Contract for sublease concluded between ČPP and ČPP Servis.
- Contracts for business representation concluded between ČPP and ČPP Servis.
- Contract for cost sharing concluded between ČPP and ČPP Servis.
- Contract for professional liability concluded between ČPP and ČPP Servis.
- Contract for data and personal data protection concluded between ČPP and ČPP Servis.
- Contract on the sale of moveable assets concluded between ČPP and ČPP Servis.
- Insurance contract for GDPR liability between ČPP and ČPP Servis.
- Insurance contract for investment intermediary’s liability between ČPP and ČPP Servis.
- Insurance contract for consumer loan intermediary’s liability between ČPP and ČPP Servis.
- Insurance contract for liability insurance concluded between ČPP and Obecně prospěšná společnost Kooperativy
- Insurance contract for property and liability insurance concluded between ČPP and VIG ND, a.s.
- Loan contract between ČPP and VIG ND, a.s.
- Contract for maintenance services concluded between ČPP and AIS Servis, s.r.o. (“AIS Servis”)
- Contract for work between ČPP and AIS Servis on Golem and SAP training.
- Loan agreement concluded between ČPP and AIS Servis
- Agreement on inter-company cooperation between ČPP and Pojišťovna České spořitelny a.s., Vienna Insurance Group.
- Contract for data and personal data protection concluded between ČPP and GLOBAL ASSISTANCE a.s. (“GLOBAL ASSISTANCE”)
- Contract for personal data handling between ČPP and ČPP Servis
- Contract for cooperation on providing assistance services between ČPP and GLOBAL ASSISTANCE
- Framework contract between ČPP and GLOBAL ASSISTANCE on the provision of discounts
- Outsourcing contracts concluded between ČPP and Global Expert, s.r.o. (“Global Expert”).
- Personal data processing contract between ČPP and Global Expert.
- Sublease contract concluded between ČPP and Global Expert
- Reinsurance contracts concluded between ČPP and VIG RE zajišťovna, a.s.
- Reinsurance contract concluded between ČPP and WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group

- Contract for business representation concluded between ČPP and KAPITOL pojišťovací a finanční poradenství, a.s.
- Contract on the provision of user rights for software and related services concluded between ČPP and CP Solutions a.s.
- Contract on the supply for a solution for introducing a biometric signature concluded between ČPP and Pražská softwarová s.r.o.
- Contract for the management of an apartment between ČPP and SURPMO, a.s.

V. AN OVERVIEW OF ACTS PERFORMED IN THE LAST ACCOUNTING PERIOD AT THE INSTIGATION OR IN THE INTEREST OF VIG AG OR OTHER VIG GROUP COMPANIES

In 2018, no legal acts or other measures were performed in the interest or at the instigation of the related parties, except for the payment of ordinary dividend to the shareholder.

VI. ASSESSMENT OF DAMAGE AND RELATED SETTLEMENT

ČPP did not incur any damage from contracts entered into between ČPP and Kooperativa, VIG AG and other VIG group companies and from other acts performed in the last accounting period in the interest or at the instigation of Kooperativa or other VIG group companies.

VII. CONFIDENTIALITY

Information and facts that form part of the trade secret of the VIG group companies as well as any information indicated as confidential by any VIG group company are considered confidential within the VIG group. Furthermore, these comprise any business information that may, separately or combined with other information or facts, cause a detriment to any of the VIG group companies.

In order to prevent any damage to be incurred by the controlled entity, this report does not include any financial information about performance and counter-performance relating to concluded contracts and agreements.

VIII. ASSESSMENT OF RELATIONS AND RISKS WITHIN THE VIG GROUP

The VIG group belongs to the strongest insurance and reinsurance groups in the European market. As a result, ČPP has access to know-how relating, among others, to Solvency II, audit, compliance and information technologies. Both Kooperativa and ČPP generate advantages from their mutual relations. Risks arising from their participation in the VIG group are considered to be entirely proportionate to related advantages.

IX. CONCLUSION

This report has been prepared by the Board of Directors of the controlled person, Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, for the period from 1 January 2018 to 31 December 2018, and will be submitted for review to the Supervisory Board. As ČPP is obliged under the law to prepare an annual report, this report constitutes an integral part of the annual report. The annual report will be submitted for review to the audit firm KPMG Česká republika Audit, s.r.o.

Prague, 12 March 2019



Ing. Jaroslav Besperát
Chairman of the board of directors



Mag. Gerhard Lahner
Member of the board of directors



ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS ON RELATIONS BETWEEN RELATED PARTIES

Consolidated Companies		
Business name	Country	Present capital share in %
"BULSTRAD LIFE VIENNA INSURANCE GROUP" EAD, Sofia	Bulgaria	100.00
"Compensa Services" SIA, Riga	Latvia	100.00
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.84
Andel Investment Prague s.r.o., Prague	Czech Republic	100.00
Anif-Residenz GmbH & Co KG, Vienna	Austria	100.00
arithmetic Consulting GmbH, Vienna	Austria	100.00
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.65
ATBIH GmbH, St.Pölten	Austria	100.00
Atrium Tower Sp.z.oo	Poland	100.00
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	94.00
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00
BTA Baltic Insurance Company AAS, Riga	Latvia	90.83
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	100.00
Businesspark Brunn Entwicklungen GmbH, Vienna	Austria	100.00
CAL ICAL "Globus", Kiev	Ukraine	100.00
CAPITOL, akciová spoločnosť, Bratislava	Slovakia	100.00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00

Consolidated Companies		
Business name	Country	Present capital share in %
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Chisinau	Moldova	99.99
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.97
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.94
Compensa Vienna Insurance Group, akcine draudimo bendrove, Vilnius	Lithuania	100.00
CP Solutions a.s., Prague	Czech Republic	100.00
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	100.00
DBLV Immobesitz GmbH, Vienna	Austria	100.00
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	100.00
DVIB GmbH, Vienna	Austria	100.00

Consolidated Companies		
Business name	Country	Present capital share in %
ELVP Beteiligungen GmbH, Vienna	Austria	100.00
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77
Europeum Business Center, s.r.o.	Slovakia	100.00
Floridsdorf am Spitz 4 Immobilienverwertungs GmbH, Vienna	Austria	100.00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	99.92
Gesundheitspark Vienna-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00
HUN BM Kft.	Hungary	100.00
Insurance Company Nova Ins EAD, Sofia	Bulgaria	100.00
Insurance company Vienna osiguranje d.d., Vienna Insurance Group, Sarajevo	Bosnia and Herzegovina	100.00
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	100.00
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89.98
Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	90.00
Joint Stock Company International Insurance Company IRAO, Tbilisi	Georgia	100.00
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	North Macedonia	100.00
Kaiserstraße 113 GmbH, Vienna	Austria	100.00

Consolidated Companies		
Business name	Country	Present capital share in %
KÁLVIN TOWER Ingatlanfejlesztési és Beruházási Korlátolt Felelősségű Társaság, Budapest	Hungary	100.00
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00
KOMUNÁLNA poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
KOOPERATIVA poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	98.47
Kooperativa, poisťovna, a.s. Vienna Insurance Group, Prague	Czech Republic	97.28
Limited Liability Company "UIG Consulting", Kiev	Ukraine	100.00
LVP Holding GmbH, Vienna	Austria	100.00
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	99.82
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	61.00
Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG, Vienna	Austria	100.00
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.50
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56.55
Passat Real Sp. z o.o., Warsaw	Poland	100.00
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92.58
PFG Holding GmbH, Vienna	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88
Pojišťovna České spořitelny, a.s. Vienna Insurance Group, Pardubice	Czech Republic	100.00
Porzellangasse 4 Liegenschaftsverwaltung GmbH & Co KG, Vienna	Austria	100.00



Consolidated Companies		
Business name	Country	Present capital share in %
Private Joint-Stock Company "INSURANCE COMPANY "KNIAZHA LIFE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.80
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	Ukraine	100.00
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99.99
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	70.00
Projektbau GesmbH, Vienna	Austria	100.00
Projektbau Holding GmbH, Vienna	Austria	90.00
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	Austria	100.00
Ray Sigorta Anonim Sirketi, Istanbul	Turkey	94.96
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00
SCHWARZATAL Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	100.00
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00
Seesam Insurance AS, Tallin	Estonia	100.00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Vienna	Austria	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89.05
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	54.17
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group, Skopje	North Macedonia	94.26
SVZ GmbH, Vienna	Austria	100.00
SVZD GmbH, Vienna	Austria	100.00

Consolidated Companies		
Business name	Country	Present capital share in %
SVZI GmbH, Vienna	Austria	100.00
T 125 GmbH, Vienna	Austria	100.00
TBI BULGARIA EAD, Sofia	Bulgaria	100.00
TECHBASE Sciene Park Vienna GmbH, Vienna	Austria	100.00
twinformatics GmbH, Vienna	Austria	100.00
UAB "Compensa Services", Vilnius	Lithuania	100.00
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	98.64
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	51.46
Vienibas Gatve Investments OÜ, Tallinn	Estonia	100.00
Vienibas Gatve Properties SIA, Riga	Latvia	100.00
Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendorf	Lichtenstein	100.00
VIG FUND, a.s., Prague	Czech Republic	100.00
VIG ND, a.s., Prague	Czech Republic	100.00
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00
VIG Real Estate GmbH, Vienna	Austria	100.00
VIG Services Ukraine, LLC, Kiev	Ukraine	100.00
VIG-AT Beteiligungen GmbH, Vienna	Austria	100.00



Consolidated Companies		
Business name	Country	Present capital share in %
VIG-CZ Real Estate GmbH, Vienna	Austria	100.00
VITEC Vienna Information Technology Consulting GmbH, Vienna	Austria	51.00
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00
WGPV Holding GmbH, Vienna	Austria	100.00
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	Bosnia and Herzegovina	100.00
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	97.82
WIENER RE akcionarsko društvo za reosiguranje, Beograd, Belgrade	Serbia	100.00
WIENER STÄDTISCHE OSIGURANJE akcionarsko društvo za osiguranje Beograd, Belgrade	Serbia	100.00
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	97.75
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	Austria	100.00
WILA GmbH, Vienna	Austria	100.00
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00
WOFIN Wohnungsfinanzierungs GmbH, Vienna	Austria	100.00
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00
WSV Beta Immoholding GmbH, Vienna	Austria	100.00
WSV Immoholding GmbH, Vienna	Austria	100.00
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00
WWG Beteiligungen GmbH, Vienna	Austria	87.07

Companies consolidated using the equity method		
Business name	Country	Present capital share in %
AB Modřice, a.s., Prague	Czech Republic	100.00
AIS Servis, s.r.o., Brno	Czech Republic	100.00
Benefita, a.s., Prague	Czech Republic	100.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
ČPP Servis, s.r.o., Prague	Czech Republic	100.00
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00
ERSTE društvo s ogranicenom odgovornoscu za upravljanje obveznim i dobrovoljnim mirovinskim fondovima, Zagreb	Croatia	25.30
FinServis Plus, s.r.o., Prague	Czech Republic	100.00
GLOBAL ASSISTANCE, a.s., Prague	Czech Republic	100.00
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00
Global Expert, s.r.o., Pardubice	Czech Republic	100.00
HOTELY SRNÍ, a.s., Prague	Czech Republic	100.00
KIP, a.s., Prague	Czech Republic	100.00
Main Point Karlín II., a.s., Prague	Czech Republic	100.00
Pražská softwarová s.r.o., Prague	Czech Republic	100.00
S - budovy, a.s., Prague	Czech Republic	100.00
SURPMO, a.s., Prague	Czech Republic	100.00
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	100.00
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.71
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58

Unconsolidated companies		
Business name	Country	Present capital share in %
"Assistance Company "Ukrainian Assistance Service" LLC, Kiev	Ukraine	100.00
"Eisenhof" Gemeinnützige Wohnungsgesellschaft m.b.H., Vienna	Austria	20.13
"Medical Clinic "DIYA" LLC, Kiev	Ukraine	100.00
"Neue Heimat" Stadterneuerungsgesellschaft m.b.H., Linz	Austria	79.51
ALBA Services GmbH, Vienna	Austria	48.87
AQUILA Hausmanagement GmbH, Vienna	Austria	97.75
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	48.87
Amadi GmbH, Wiesbaden	Germany	100.00
Anif-Residenz GmbH, Vienna	Austria	97.75
Autosig SRL, Bucharest	Romania	99.50
B&A Insurance Consulting s.r.o., Moravian Ostrava	Czech Republic	48.45
Benefia Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.94
Brunn N68 Sanierungs GmbH, Vienna	Austria	48.87
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	100.00
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	98.16
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	98.16
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	98.16
CARPLUS Versicherungsvermittlungsgesellschaft mbH, Vienna	Austria	97.75
Camelot Informatik und Consulting Gesellschaft m.b.H., Vienna	Austria	92.86
Compensa Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.98
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	97.75
DV Asset Management EAD, Sofia	Bulgaria	100.00
DV CONSULTING EOOD, Sofia	Bulgaria	100.00
DV Invest EAD, Sofia	Bulgaria	100.00

Unconsolidated companies		
Business name	Country	Present capital share in %
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	24.44
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	72.32
EGW Datenverarbeitungs-Gesellschaft m.b.H., Vienna	Austria	71.92
EGW Liegenschaftsverwertungs GmbH, Vienna	Austria	71.92
EGW Wohnbau gemeinnützige Ges.m.b.H., Wiener Neustadt	Austria	71.92
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	99.44
Erste Bank und Sparkassen Leasing GmbH, Vienna	Austria	47.90
Erste Biztositasi Alkusz Kft, Budapest	Hungary	98.64
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	85.00
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00
Finanzpartner GmbH, Vienna	Austria	48.87
GELUP GmbH, Vienna	Austria	32.58
GEO HOSPITALS LLC, Tbilisi	Georgia	93.50
GGVier Projekt-GmbH, Vienna	Austria	53.76
Global Assistance Polska Spolka z ograniczona odpowiedzialnoscia	Poland	99.99
GLOBAL ASSISTANCE SERVICES SRL, Bucharest	Romania	99.70
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	Czech Republic	100.00
GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava	Slovakia	99.11
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	22.80
Global Services Bulgaria JSC, Sofia	Bulgaria	100.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	98.29




Unconsolidated companies		
Business name	Country	Present capital share in %
Hausservice Objektbewirtschaftungs GmbH, Vienna	Austria	20.72
IMOVE Immobilienverwertung- und -verwaltungs GmbH, Vienna	Austria	20.72
Immodat GmbH, Vienna	Austria	20.72
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
ITIS Spolka z ograniczona odpowiedzialnoscia	Poland	49.01
JAHORINA AUTO d.o.o., Banja Luka	Bosnia and Herzegovina	100.00
Joint Stock Company "Curatio", Tbilisi	Georgia	90.00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje, Skopje	North Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98.26
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	47.87
Lead Equities II Auslandsbeteiligungs AG	Austria	21.59
Lead Equities II.Private Equity Mittelstandsfinanzierungs AG	Austria	21.59
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	22.80
MC EINS Investment GmbH, Vienna	Austria	48.87
Money & More Pénzügyi Tanácsadó Zártkörűen Működő Részvénytársaság, Budapest	Hungary	98.99
Nuveen Management Austria GmbH, Vienna	Austria	34.21
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	73.96
"POLISA-ZYCIE" Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.97
Privat Joint-Stock Company "OWN SERVICE", Kiev	Ukraine	100.00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00

Unconsolidated companies		
Business name	Country	Present capital share in %
Risk Consult Bulgaria EOOD, Sofia	Bulgaria	51.00
Risk Consult Polska Sp.z.o.o., Warsaw	Poland	68.14
Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi, Istanbul	Turkey	64.19
Risk Experts Risiko Engineering GmbH	Austria	12.24
Risk Experts s.r.o., Bratislava	Slovakia	51.00
Risk Logics Risikoberatung GmbH, Vienna	Austria	51.00
Rößlergasse Bauteil Drei GmbH	Austria	100.00
Rößlergasse Bauteil Zwei GmbH	Austria	97.75
S. C. SOCIETATEA TRAINING IN ASIGURARI S.R.L., Bucharest	Romania	98.45
S.C. CLUB A.RO S.R.L., Bucharest	Romania	99.68
S.C. Risk Consult & Engineering Romania S.R.L., Bucharest	Romania	51.00
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
SB Liegenschaftsverwertungs GmbH, Vienna	Austria	40.26
SVZ Immoholding GmbH, Vienna	Austria	97.75
SVZ Immoholding GmbH & Co KG, Vienna	Austria	97.75
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	97.75
Slovexperta, s.r.o., Zilina	Slovakia	98.51
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	22.80
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	97.75
Spoldzielnia Usługowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	99.97
TAUROS Capital Investment GmbH & Co KG	Austria	23.27
TAUROS Capital Management GmbH	Austria	24.93

Unconsolidated companies		
Business name	Country	Present capital share in %
TBI Info EOOD, Sofia	Bulgaria	99.10
TOGETHER CCA GmbH, Vienna	Austria	24.71
twinfaktor GmbH	Austria	74.16
UAB "Compensa Life Distribution", Vilnius	Lithuania	100.00
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	98.64
Untere Donaulände 40 GmbH, Vienna	Austria	98.65
VIG AM Services GmbH, Vienna	Austria	100.00
VIG Asset Management, a.s., Prague	Czech Republic	100.00
VIG Management Service SRL, Bucharest	Romania	98.45
VIG Services Bulgaria EOOD, Sofia	Bulgaria	100.00
VIG Services Shqiperi Sh.p.K., Tirana	Albania	89.52
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	32.58
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.98
Vienna International Underwriters GmbH, Vienna	Austria	100.00
viesure innovation center GmbH	Austria	98.87
VÖB Direkt Versicherungsagentur GmbH, Graz	Austria	48.87
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	24.44
WIBG Holding GmbH & Co KG	Austria	97.75
WIBG Projektentwicklungs GmbH & Co KG	Austria	97.75
WINO GmbH, Vienna	Austria	97.75
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	97.75
WSV Triesterstraße 91 Besitz GmbH & Co KG	Austria	97.75
Wien 3420 Aspern Development AG, Vienna	Austria	23.92

Unconsolidated companies		
Business name	Country	Present capital share in %
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	97.75
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	Montenegro	100.00





**NON-FINANCIAL
PART**

NON-FINANCIAL PART

1. Company development

ČPP has been prosperous in the long-term, holding its own among the four best non-life insurance companies despite heavy competition. With its market share of 7%, ČPP moved to fifth place in the ranking of top insurance companies. ČPP's operations in the Czech insurance market are successful primarily owing to the quality of provided services, the intensive development of relations with clients, business partners and the general public, the implementation of attractive product innovations, the application of modern digital procedures, and the use of alternative technologies. Transparency, professionalism and flexibility along with a human approach, compliancy in negotiations and helpfulness - these are just examples of ČPP's characteristic features appreciated by the professional public and ČPP clients. ČPP is the only insurer whose insurance package now includes the reimbursement of data recovery costs if a client's hard drive in a notebook or PC is damaged. For life assurance, ČPP as the only insurer on the market offers a special programme for diabetes patients. In 2019, ČPP will continue to play a significant role on the market and will focus on the digitalisation of all insurance processes.

2. Research and development

In its research and development activities, ČPP focuses on areas closely connected with its business, i.e. the provision of financial services. It is giving priority to the intensive development and wider use of information and communication technologies and has been carrying out projects focusing on the digitalisation of insurance processes. The research and development outputs are then used when concluding or managing contracts or settling claims.

One of the major goals of future innovations is the gradual limitation of all types of paper documentation, with the ultimate goal to abandon it entirely.

3. Environmental protection and social and employment relations

As a significant player in the insurance market, ČPP considers responsible and ethical business undertakings an integral part of its business strategy, giving rise to liabilities whose fulfilment will result in long-term prosperity and sustainability. ČPP wants to be an attractive employer for the next generations, since without their talent, creativity and innovative thinking the implementation of digitalisation would be unfeasible. ČPP therefore systematically pays attention to the development of the potential of its employees while remembering the needs of the community in which it operates. It has developed preventive programmes on transportation safety and healthy life styles and has been educating children and young people in financial maturity. It also offers its expert knowledge to non-profit organisations free-of-charge and has been providing financial and material assistance to selected charity projects and organisations. ČPP has also been reducing its impact on the environment: it regularly monitors and evaluates its impact and makes every endeavour to reduce it to the minimum by using alternative technologies.

4. Foreign branches

ČPP has no foreign branches.

5. Acquisition of own shares or ownership interests

ČPP did not acquire any of its own shares or ownership interests.

6. Other requirements set out by special legal regulations

ČPP meets the requirements associated with its business activity, which is insurance. Insurance is legislatively regulated by the Act on Insurance and the Act on Insurance Intermediaries and Independent Loss Adjusters. No other special requirements have been determined for the Company.

More detailed information on corporate social responsibility and ČPP's sustainability strategy can be found in our Sustainability Report 2018, available at ČPP's website: <https://www.cpp.cz/profil/>



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

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