

ANNUAL REPORT 2019

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 web site: www.cpp.cz

Identification number: 639 98 530

Net profit – MCZK 641

Gross premiums written – BCZK 10.55 (according to Czech Accounting Standards, CAS)

The Company is the fifth largest insurer in the Czech Republic, with a market share of 7.4%

In 2019, ČPP recognised a year-on-year growth by 11.5%, while according to CAP statistics the market only rose by 5.7%.

Motor third-party liability insurance contracts concluded for 1.3 million vehicles

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

Vienna Insurance Group

ČPP is a part of the Vienna Insurance Group ("VIG"), one of the major insurance specialists in Austria and Central and Eastern Europe.

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 2019: 852

SHAREHOLDER DESCRIPTION

Kooperativa pojišťovna, a.s., Vienna Insurance Group

("Kooperativa")

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

Registered capital: BCZK 4.3

Client phone line: 957 105 105

E-mail: info@koop.cz

Company web site: www.koop.cz

Identification number: 471 16 617

Net profit MCZK 3,800

Gross premiums written – BCZK 41.99

The amount of the gross premiums written in 2019 was significantly influenced by a merger with Pojišťovna České spořitelny.

Market share (according to CAS) – 23.7%

At the end of 2019, Kooperativa was the largest domestic insurance company.

Vienna Insurance Group

Kooperativa is a part of the Vienna Insurance Group ("VIG"), one of the major insurance specialists in Austria and Central and Eastern Europe.

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 number 1897.

Shareholder structure (as at 31 December 2019):

Česká spořitelna, a.s.	1.59 %
SČMVD	1.13 %
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	95.84 %
SVZD GmbH	1.44 %
Total	100.00 %

Number of full-time employees of the Company

as at 31 December 2019: 4051

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INTRODUCTION
BY THE CHAIRMAN
OF THE BOARD
OF DIRECTORS



In 2019, we fulfilled one of our big and long-term objectives by exceeding the threshold of BCZK 10 in gross premiums written.

The fact that ČPP's business activities were thriving and that the Company was successful in 2019 is supported not only by its business results but also by the numerous awards acquired for its services and products. We highly appreciate our success in the Insurance Company of the Year survey organised by the Association of Czech Insurance Brokers, in the Best Insurance Company competition organised by the daily *Hospodářské noviny* and in the Zlatá koruna (Golden Crown) competition. In 2019, the Association of Social Responsibility presented the results of another

year of the SDGs Awards competition, where an expert jury awards the best projects contributing to fulfilling the sustainable development goals. ČPP ranked third in the Reporting category.

We were successful in terms of business results in 2019 and reported increases of at least 10% in all insurance segments. I am very pleased to say that we have been reporting such increases for several years. Under the Czech Insurance Association (CAP), the gross premiums written by ČPP grew year-on-year by 11.5%, which is double the result of the entire insurance market. According to the statistics of Czech Insurance Association (CAP), gross premiums written grew by 11.6% in the non-life insurance segment and similarly by 11.4% in the life assurance segment. With its market share of 7.4%, ČPP kept its fifth position in the ranking of top domestic insurance companies. Our portfolio consists of more than 2 million contracts and more than 1.2 million clients. Although 2019 was certainly worse than 2018 in terms of natural disasters, as the country was hit by three big windstorms and a hailstorm, the disasters did not affect the final result of operations.

With more than 1.3 million insured cars in its motor third-party liability insurance portfolio, ČPP kept its position as the third biggest market player. ČPP is a trustworthy insurer for clients, offering fair, individual insurance due to its consistent prior segmentation. In addition, motorists are provided several auxiliary services and benefits. We are a universal insurance company, gaining an ever bigger market share also in the other segments. We have been keeping a double-digit production growth in life assurance for several consecutive years and have exceeded the market increase percentage several times. In 2019, we launched our new NEON product on the market under the advertising slogan "insurance for every mischance in life" and the successful start of the product was confirmed by thousands of contracts concluded in the first months after its launch. In 2019, we also supported DOMEX+ property insurance with an advertising campaign. The aim was to make property insurance as simple as possible for the clients. An insurance contract can thus be concluded with one click, as the cartoon characters Pat and Mat showed in our campaign spot.

The growing number of concluded contracts for DOMEX+ shows that the clients appreciate this approach. Business insurance is an important insurance segment for ČPP. It amounts to almost 30% of total gross premiums written. ČPP offers business insurance to companies both in the form of packages and individual underwriting of big risks. We can insure self-employed persons, small and medium-sized businesses, as well as large industrial companies or entire cities and municipalities.

Nowadays, a big part of the positive image of a company and its culture is corporate responsibility. Our success obliges us to help. Through financial support or active volunteering, we return a part of the success we have achieved to society. In 2019, we supported the "Aktivně a zdravě" ('Actively and healthily') programme as a partner and motivated more than 50,000 people to aim for a healthy lifestyle. We have been supporting the Foundation of Policemen and Firefighters (Nadace policistů a hasičů) for more than 20 years. The foundation assists the families of those who lost their health or life while helping others. Our connection with sports is also very visible – we have been the general partner of the cross-country skiing section of the Czech Ski Association since 2007. In 2019, we became one of the premium partners of the Football Association of the Czech Republic.

We know that we must keep improving our services to maintain the goodwill of our clients. We also regularly innovate our products. To remain competitive, we need to present some novelties every year and look for ways and methods how to assert ourselves among the best ones. I consider it important to develop and build relations with clients also in the digital world playing an ever bigger role in our lives.

For me personally, an insurance company comprises a very large spectrum of activities which must fit as well as the cogs in a watch. To conclude, I would like to express my appreciation and thank my nearest colleagues, business partners and brokers for their support and cooperation. I would also like to thank all employees for their great work and our clients for their trust which we highly appreciate.

Ing. Jaroslav Besperát
Chairman of the board of directors

AWARDS ACQUIRED IN 2019

Insurance Company of the Year

ČPP dominated the 19th annual Insurance Company of the Year survey, claiming three victories in the main four categories. For the fifth time in a row, ČPP ranked first in the Motor Vehicle Insurance category. ČPP also won the most prestigious Industrial and Business Insurance category as well as the Insurance of Individuals category. The survey is organised by the Association of Czech Insurance Brokers and the Czech Insurance Association (CAP) in cooperation with the oPojištění.cz server.

Best Insurance Company

ČPP won third place in the Most Client-Friendly Life Assurance Company category of the 11th annual Best Insurance Company competition organised by the daily Hospodářské noviny. It was decided by an expert jury.

Zlatá koruna (Golden Crown)

In the 16th annual Zlatá koruna (Golden Crown) competition, ČPP won second place in the Business Insurance category for the third time in a row, thus confirming its key position on the Czech market in the business insurance segment. The competition was held under the auspices of Alena Schillerová, Minister of Finance, and Jiří Rusnok, Governor of the Czech National Bank.

SDGs Awards

In 2019, the Association of Social Responsibility announced the third year of the 2019 SDGs Awards. An expert jury judges projects contributing to fulfilling sustainable development goals (SDGs). The SDGs Awards demonstrate the partnership and cooperation between state authorities and the private sector. ČPP placed third in the Reporting category.



MANAGEMENT REPORT

MANAGEMENT REPORT

In 2019, total gross premiums written by ČPP reached a record BCZK 10.5 (according to Czech Accounting Standards, CAS). The year-on-year increase according to CAS methodology amounted to 11.5%. In 2019, ČPP reported increases of at least 10% basically for all insurance segments. ČPP has been growing continuously for many years without any deviations which is proof, among other things, of a well-set business strategy, the corporate health of the company, its quality, and how it is perceived both by clients and business partners.

In 2019, ČPP was one of the fastest growing top ten Czech insurance companies. Its market share of 7.4% strengthened the position of ČPP as the fifth largest insurance company in the total ranking. Net profit (according to CAS) in 2019 reached MCZK 641. The registered capital of the Company totals BCZK 1. The total assets of the Company amounted to BCZK 17.9 in 2019 and the technical provisions amounted to BCZK 9.27. ČPP administers 2.1 million client contracts and provides services to 1.2 million clients.

ČPP's sales network consists of six regional directorates located in Prague, Pilsen, Hradec Králové, České Budějovice, Brno and Ostrava. In 2019, services to clients were provided in almost one hundred branch offices across the entire Czech Republic. In addition to the branch offices, in 2019 ČPP also provided services through 83 exclusive insurance offices and about 140 points of sale. The performance of the internal network was supported by the increasing performance of the subsidiary ČPP Servis, s.r.o. and its 16 points of sale.

In 2019, according to CAP statistics non-life insurance gross premiums written rose year-on-year by 11.6%. This result strengthened the position of ČPP as the fourth largest non-life insurer in the market. The most successful

classes of non-life insurance were retail property and liability insurance, which grew year-on-year by 13.6%, and business insurance, which grew year-on-year by 11.6%. In 2019, ČPP successfully offered the DOMEX+ product. This product combines property insurance and liability insurance of individuals in a package. SIMPLEX insurance for small businesses and entrepreneurs is based on the same concept.

An extraordinary success was ČPP's cooperation with broker companies, as the volume of gross premiums written achieved BCZK 3.7. Mutual cooperation with the business partners and its successful development is connected with trust, transparency, integrity, innovations, personal stability and professionalism and the willingness to always accommodate someone's needs at the maximum level. Of significant importance in the relationship with the clients and brokers is the quality, swiftness and reliability in terms of settling claims.

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%. According to data of the Czech Bureau of Insurers, the number of insured cars increased by more than 23,000; at the end of 2019, the Company had 1,307,751 insured cars in its portfolio. Motor third-party liability insurance rose year-on-year by 10.2%. ČPP was also successful in the motor Casco segment where it reported a year-on-year increase in gross premiums written of 11.3% according to CAP. The motor Casco insurance portfolio rose to a total of 188,074 vehicles. Every year, ČPP supports the sale of motor vehicle insurance by offering several interesting benefits for both new and existing clients. To provide clients with higher convenience, in 2019 ČPP concentrated on assistance services, which were also communicated in its spring campaign. In 2019, ČPP fi-

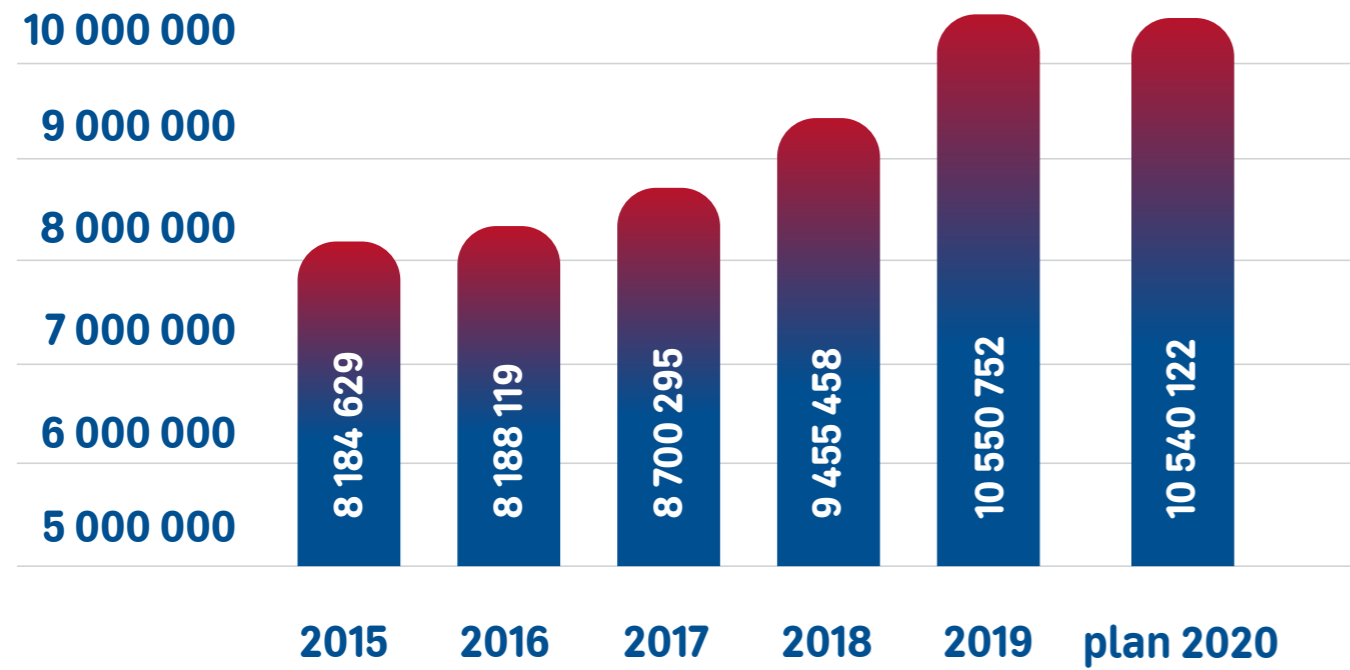
nished the final preparations for launching the new generation of Autopojištění Combi Plus IV so that it is ready for sale at the beginning of 2020.

Compared to the entire life assurance market, ČPP reported above-average results. While the life assurance market grew by 2.6% in 2019, ČPP reported a year-on-year increase of 11.4% according to CAP. We have been keeping double-digit growth of production in life assurance for several consecutive years. ČPP reported an increase of 11.4% also in terms of an important life assurance segment - regular premium products. The number of insurance contracts in the portfolio exceeded 250,000. In terms of product development, ČPP responded to the trend of increasing demand for risk life assurance and launched a new group of products under the name of NEON on the market. The group comprises unit-linked assurance NEON INVEST as well as risk life assurance NEON RISK and life assurance NEON LIFE for those who prefer insurance without an investment component. The NEON products bring several improvements to clients, in the form of new riders or adjustments to existing riders. ČPP offers the broadest coverage in the market in terms of a rider covering the cost of assisted reproductive treatment which can help women up to the age of 45 years to give birth to a longed-for child. We extended the insurance coverage for congenital defects of children. As the only insurance company in the market, ČPP offers insurance of the risk of surgery of children with a congenital disorder. The NEON products also offer many discounts on premiums and bonuses. The original unit-linked assurance products Evoluce PLUS and Štístko also remain in the Company's product range. In 2019, total life assurance gross premiums written amounted to BCZK 2.45. In addition to its own insurance intermediary network, the Company has been realising a significant part of its sales through selected broker companies.

In 2019, ČPP was successful not only in terms of sales but also won several awards. In addition to its victory in the Insurance Company of the Year survey organised by the Association of Czech Insurance Brokers, ČPP also defended the second place in the Business Insurance category of the Zlatá koruna (Golden Crown) competition. ČPP ranked among the three best insurance companies in the Most Client-Friendly Life Assurance Company category of the Best Insurance Company competition organised by the daily Hospodářské noviny. Good insurance, reliability and a professional approach to clients. It is willingness and helpfulness that clients consider when assessing the satisfaction with their insurance company.

Digital technologies and new ways of commerce and communication have been developing dynamically in the past years. At the same time, pressure from the regulator, competitors and legislation has been increasing. The clients' attitude is changing. They are more demanding and have new and growing expectations. In 2019, we focused on this within Apollo 20, our transformation programme including our Business project. The objective of this project was to define the business strategy and the business model in the field of products, client segments and management tools. New legislative rules concerning personal data protection of individuals or insurance and re-insurance distribution introduced in 2019 represented a lot of work in addition to the existing procedures but they fit in with the Company's development policy aimed at protection of the clients' interests and their satisfaction.

Progression of gross premiums written 2015 – 2019 (TCZK), plan 2020



REINSURANCE

The reinsurance programme concept is based on the needs for the adequate mitigation of assumed risks in compliance with the Company's conservative reinsurance strategy. The reinsurance coverage capacities fully corresponded to the needs of the subscribers, and the Company's low own retentions effectively protected its financial stability. 2019 primarily brought a higher frequency of natural catastrophes which were, however, partially compensated by reinsurance. The Company has been cooperating with VIG Re, the Group's reinsurance company, on programmes covering catastrophic risks and motor third-party liability insurance for a long time. The major external reinsurers were SCOR, Munich Re and Sirius. Most reinsurers had an A+ or higher rating from the Standard & Poor's rating agency. The modelling and placement of the reinsurance programme covering catastrophic risks was carried out with the support of reinsurance brokers Aon and Willis Re.

CORPORATE SOCIAL RESPONSIBILITY

As a significant player on the insurance market, ČPP considers corporate responsibility to be a self-evident part and at the same time a commitment to society and the environment. Corporate responsibility is an integral part of our corporate culture and is as important as long-term prosperity. ČPP is inspired and motivated by sustainable development goals (SDGs) which represent an important impulse for the business to strengthen its cooperation with non-profit partners and perceive its own undertaking in a global context. In 2019, ČPP won third place in the Reporting category of the SDGs Awards 2019 competition organised by the Association of Social Responsibility. The awards are granted for fulfilling the UN's Sustainable Development Goals.

Every year, an increasing number of employees of the Company participate in activities which have a positive impact on Czech society. In 2019, 424 employees participated in the Day for Social Activity initiative which means that every other employee of the Company was involved. The volunteers worked almost 4,000 hours, thus supporting 96 events for the non-profit sector. One of the interesting corporate responsibility projects was the Breakfast That Helps event (Snídaně, která pomáhá). In 2019, we managed to collect more than CZK 100,000 for people in need thanks to this event.

In 2019, ČPP successfully finished the Aktivně a zdravě ('Actively and healthily') project aimed at motivating the Czech population to improve their lifestyle in terms of nutrition, exercise and relaxation. The initiative also provided an application in which users could fulfil everyday challenges and get useful advice, tips and information on the way to improving their condition and health. We succeeded in inspiring a total of 51,000 people to exercise. The project was realised in collaboration with the non-profit organisation Víím, co jím a piju o.p.s. ('I know what I eat and drink').

The underlying values of the Company's corporate culture also include an environment-friendly approach and the desire to protect natural resources. ČPP motivates its employees to follow the principles of environmental protection and frugality. ČPP's vision is to operate as a paper-free company, as evidenced by a decrease of almost three tonnes in paper consumption for 2019. In 2019, ČPP increased the number of large volume containers for sorted waste in a pilot operation mode. In 2019, ČPP joined Nespresso's project supporting the recycling of aluminium waste from coffee capsules.

ČPP actively supports diversity and equal opportunities for men and women at the workplace as well as a healthy work-life balance. By conducting regular meetings, we keep in contact with employees on maternity and parental leaves and try to create good conditions for them and make the return to work easier. In addition to courses specialising in increasing computer literacy and expert knowledge or relaxation techniques, they can also participate in language courses or utilise other internal courses. In 2017, ČPP signed the European Diversity Charter.



VIENNA
INSURANCE
GROUP

PART OF VIENNA INSURANCE GROUP

COMPANY PROFILE

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

Over 25,000 employees work for the Vienna Insurance Group (VIG), at around 50 companies in 30 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 22 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 brands 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 the 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.



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

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AUDITOR'S REPORT



KPMG Česká republika Audit, s.r.o.

Pobřežní 1a
186 00 Prague 8
Czech Republic
+420 222 123 111
www.kpmg.cz

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

**Independent Auditor's Report to the Shareholders of
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 2019, and the income statement, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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 management of 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 inquired on 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 1,980 and accumulated debt in life assurance of MCZK 0 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 inquired management on 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 management of 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 1,576 and a provision to cover insurance claims incurred and reported, but not yet settled (RBNS provision) of MCZK 4,183. 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>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, inquired management of the Company on 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</p>



<p>Input parameters used in determining the IBNR provision mainly represent information on damage incurred in prior 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>characteristics of the insurance portfolio and expected developments in the amount and frequency of future 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 management of 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 inquired on significant relevant year-to-year variations from our expected values. We also carried out own 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, in collaboration with the Audit Committee, is responsible for overseeing 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 13 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 2020 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 2019, based on which this independent auditor's report has been prepared.

Prague
27 March 2020

KPMG Česká republika Audit

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

Jindřich Vašina
Partner
Registration number 2059



FINANCIAL
PART

BALANCE SHEET

AS AT 31 DECEMBER 2019

(IN THOUSANDS OF CZECH CROWNS TCZK)

Description	Line Number	2019 Gross	2019 Adjustment	2019 Net	2018* Net
I. ASSETS					
A. Receivables for subscribed registered capital	10				
B. Intangible fixed assets, thereof	11	471 012	-343 246	127 766	115 297
C. Investments	14	11 287 351	-1 704	11 285 647	10 485 247
I. Land and buildings, thereof	15	7 259	-1 704	5 555	5 701
2. Buildings	19	7 259	-1 704	5 555	5 701
a) Land and buildings – self-occupied	16	7 259	-1 704	5 555	5 701
II. Investments in affiliated undertakings and participating interests	17	389 198		389 198	365 816
1. Participating interests with controlling influence	18	374 807		374 807	349 259
2. Debt securities issued by, and loans and credits to, undertakings – controlling influence	19	14 391		14 391	16 557
III. Other investments	22	10 890 894		10 890 894	10 113 730
1. Shares and other variable-yield securities, other participating interests	23	918 958		918 958	842 217
2. Bonds and other fixed-income securities	24	9 892 364		9 892 364	9 266 772
a) valued at fair value		4 433 452		4 433 452	3 446 388
b) held to maturity		5 458 912		5 458 912	5 820 384
5. Other loans and credits	26	1 491		1 491	1 903
6. Deposits with financial institutions	27	70 188		70 188	

Description	Line Number	2019 Gross	2019 Adjustment	2019 Net	2018* Net
7. Other investments	28	7 893		7 893	2 838
D. Investments for the benefit of life assurance policyholders who bear the investment risk	30	2 078 438		2 078 438	1 680 028
E. Debtors		1 049 939	-273 816	776 123	737 338
I. Receivables arising from direct insurance operations	31	859 879	-273 032	586 847	515 760
1. Policyholders, thereof	32	755 719	-183 205	572 514	499 032
2. Intermediaries, thereof	35	104 160	-89 827	14 333	16 728
II. Receivables arising from reinsurance operations, thereof	38	33 454		33 454	12 240
III. Other receivables, thereof	41	156 606	-784	155 822	209 338
F. Other assets	44	744 506	-128 925	615 581	746 098
I. Tangible fixed assets other than those listed under "C.I. Land and buildings", and inventories	45	168 548	-128 925	39 623	43 648
II. Cash on accounts in financial institutions and cash in hand	46	575 958		575 958	702 450
G. Temporary asset accounts	48	3 070 493		3 070 493	2 817 031
II. Deferred acquisition costs	50	2 644 240		2 644 240	2 503 948
a) in life-assurance business	51	1 980 181		1 980 181	1 986 798
b) in non-life insurance	52	664 059		664 059	517 150
III. Other temporary asset accounts	53	426 253		426 253	313 083
a) Estimated receivables	54	377 296		377 296	274 641
TOTAL ASSETS		18 701 739	-747 691	17 954 048	16 581 039

Description	Line Number	2019		2018*	
II. LIABILITIES					
A. Equity	55		2 701 818		2 301 372
I. Registered capital, thereof	56	1 000 000		1 000 000	
IV. Other capital funds	61	135 095		-31 550	
V. Reserve fund and other funds from profit	62	4 737		3 242	
VI. Profit or loss brought forward	63	920 745		819 502	
VII. Profit or loss for the financial year	64	641 241		510 178	
B. Subordinated liabilities	65				
C. Technical provisions	66		9 265 415		9 002 630
1. Provision for unearned premiums	67				
a) gross amount	68	2 931 839		2 563 461	
b) reinsurance share (-)	69	699 282	2 232 557	637 797	1 925 664
2. Life assurance provision	70				
a) gross amount	71	3 201 301		3 387 670	
b) reinsurance share (-)	72		3 201 301		3 387 670
3. Provision for outstanding claims	73				
a) gross amount	74	5 759 485		5 343 180	
b) reinsurance share (-)	75	2 580 128	3 179 357	2 377 337	2 965 843
4. Provision for bonuses and rebates	76				
a) gross amount	77	606 742		488 105	
b) reinsurance share (-)	78	17 649	589 093	14 891	473 214
6. Other technical provisions	86				
a) gross amount	87	63 480		250 608	
b) reinsurance share (-)	88	373	63 107	369	250 239

Description	Line Number	2019		2018*	
D. Life assurance technical provision where the investment risk is borne by the policyholders	89		2 078 438		1 680 028
a) gross amount	124	2 078 438		1 680 028	
b) reinsurance share (-)	125				
E. Provisions	90		31 432		96 081
1. Provisions for pensions and similar obligations	91		28 582		33 291
2. Provisions for taxation	92				28 190
3. Other provisions	93		2 850		34 600
F. Deposits received from reinsurers	94		2 264 237		2 134 085
G. Creditors	95		747 331		594 515
I. Payables arising from direct insurance operations, thereof	96		493 011		403 636
II. Payables arising from reinsurance operations, thereof	99		54 254		9 440
V. Other payables, thereof	110		200 066		181 439
a) Tax liabilities and payables due to social security and health insurance institutions	111		25 049		26 395
H. Temporary liability accounts	115		865 377		772 328
I. Accrued expenses and deferred revenues	116		293 263		254 647
II. Other temporary liability accounts	117		572 114		517 681
a) Estimated payables	118		572 114		517 681
TOTAL LIABILITIES			17 954 048		16 581 039

* year 2018 was influenced due to new methodology of accumulated debt, see point I.5 in Notes to financial statements

INCOME STATEMENT FOR THE YEAR ENDED 31. 12. 2019

(IN THOUSANDS OF CZECH CROWNS TCZK)

Description	2019 Base	2019 Subtotal	2019 Result	2018* 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	8 094 799	x	x	x
b) outward reinsurance premiums (-)	2 470 186	5 624 613	x	x
c) change in the gross provision for unearned premiums (+/-)	368 391	x	x	x
d) change in the provision for unearned premiums, reinsurance share (+/-)	61 480	306 911	5 317 702	4 646 553
2. Allocated investment return transferred from the non-technical account	x	x	131 619	153 304
3. Other technical income, net of reinsurance	x	x	104 748	106 014
4. Claims incurred, net of reinsurance:	x	x	x	x
a) claims paid:	x	x	x	x
aa) gross amount	4 348 757	x	x	x
bb) reinsurance share (-)	1 295 151	3 053 606	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	293 509	x	x	x
bb) reinsurance share (-)	177 277	116 232	3 169 838	2 772 511
5. Changes in other technical provisions, net of reinsurance (+/-)	x	x	-194 125	-25 760
6. Bonuses and rebates, net of reinsurance	x	x	100 061	56 821
7. Net operating expenses:	x	x	x	x
a) acquisition costs	x	2 264 160	x	x
b) change in deferred acquisition costs (+/-)	x	-146 909	x	x

c) administrative expenses	x	314 919	x	x
d) reinsurance commissions and profit participation (-)	x	727 606	1 704 564	1 423 116
8. Other technical expenses, net of reinsurance	x	x	335 914	251 767
10. Sub-total on the technical account for non-life insurance	x	x	4 37 817	4 27 416

Description	2019 Base	2019 Subtotal	2019 Result	2018* 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	2 452 296	x	x
b) outward reinsurance premiums (-)	x	376 923	x	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	x	-18	2 075 391	1 879 604
2. Income from investments:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x		x	x
b) income from other investments, with a separate indication of that derived from controlling influence	x	x	x	x
aa) income from land and buildings		x	x	x
bb) income from other investments	144 445	144 445	x	x
c) value adjustments on investments	x	1 410	x	x
d) income from disposal of investments	x	264 797	410 652	173 559
3. Unrealised gains on investments	x	x	265 567	3 395
4. Other technical income, net of reinsurance	x	x	40 387	31 608
5. Claims incurred, net of reinsurance:	x	x	x	x

Description	2019 Base	2019 Subtotal	2019 Result	2018* Result
a) claims paid:	x	x	x	x
aa) gross amount	1 121 473	x	x	x
bb) reinsurance share (-)	115 802	1 005 671	x	x
b) change in the provision for outstanding claims:	x	x	x	x
aa) gross amount	122 796	x	x	x
bb) reinsurance share (-)	25 514	97 282	1 102 953	856 141
6. Changes in other technical provisions, net of reinsurance (+/-):	x	x	x	x
a) life assurance provisions:	x	x	x	x
aa) gross amount	-186 369	x	x	x
bb) reinsurance share (-)		-186 369	x	x
b) other technical provisions, net of reinsurance	x	405 403	219 034	-96 459
7. Bonuses and rebates, net of reinsurance	x	x	120 331	113 221
8. Net operating expenses:	x	x	x	x
a) acquisition costs	x	873 241	x	x
b) change in deferred acquisition costs (+/-)	x	6 616	x	x
c) administrative expenses	x	101 325	x	x
d) reinsurance commissions and profit participation (-)	x	222 795	758 387	705 994
9. Expenses connected with investments:	x	x	x	x
a) investment management charges, including interest	x	14 166	x	x
b) value adjustments on investments	x	766	x	x
c) book value of disposed investments	x	235 479	250 411	43 249
10. Unrealised losses on investments	x	x	820	195 731
11. Other technical expenses, net of reinsurance	x	x	22 953	22 193
13. Sub-total on the technical account for life assurance	x	x	317 108	248 096

Description	2019 Base	2019 Subtotal	2019 Result	2018* Result
III. NON-TECHNICAL ACCOUNT	x	x	x	x
1. Result of the technical account for non-life insurance	x	x	437 817	427 416
2. Result of the technical account for life assurance	x	x	317 108	248 096
3. Income from investments:	x	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	x	11 957	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	166 777	166 777	x	x
c) value adjustments on investments	x	10 881	x	x
d) income from disposal of investments	x	1 005 815	1 195 430	966 882
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	77 366	x	x
b) value adjustments on investments	x	3 821	x	x
c) book value of disposed investments	x	982 624	1 063 811	813 578
6. Allocated investment return transferred to the technical account for non-life-insurance	x	x	131 619	153 304
7. Other income	x	x	41 481	1 867
8. Other expenses	x	x	23 944	58 403
9. Income tax on ordinary activities	x	x	131 121	108 670
10. Profit or loss on ordinary activities after tax	x	x	641 341	510 306
15. Other taxes not shown under the preceding items	x	x	100	128
16. Profit or loss for the financial year	x	x	641 241	510 178

* year 2018 was influenced due to new methodology of accumulated debt, see point I.5 in Notes to financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31. 12. 2019

(IN THOUSANDS OF CZECH CROWNS TCZK)

	Registered capital	Own shares	Share premium	Reserve funds	Changes in valuation	Profit (loss)*	Total
Balance at 1. 1. 2018*	1 000 000			3 300	66 603	1 136 741	2 206 644
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						510 178	510 178
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	1 329 680	2 301 372

	Registered capital	Own shares	Share premium	Reserve funds	Changes in valuation	Profit (loss)*	Total
Balance at 1. 1. 2019	1 000 000			3 242	-31 550	1 329 680	2 301 372
FX gains (losses) and changes in valuation not included in the profit and loss statement					166 645		166 645
Net profit/loss for accounting period						641 241	641 241
Profit shares						-396 755	-396 755
Addition to funds				12 180		-12 180	
Reduction of funds				-10 685			-10 685
BALANCE AT 31. 12. 2019	1 000 000			4 737	135 095	1 561 986	2 701 818

* year 2018 was influenced due to new methodology of accumulated debt, see point I.5 in Notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2019

I. GENERAL INFORMATION

I. 1. Description and principal activities

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group ("the Company" or "the Insurance Company") was registered 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, par. I, letters (a), (b), (c), par. II and par. III;
- in the scope of non-life insurance classes listed in Part B, par. 14, 15, 16, 17, 18;
- in the scope of non-life insurance classes 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 and supervisory board as at 31 December 2019:

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 Vlňař, 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. Jaroslav Kulhánek, date of birth: 12 March 1957
Hradec Králové, Zalomená 175/22; post code 500 02
Membership held from: 1 January 2019

Mag. Christoph Rath, date of birth: 16 November 1976
1090 Wien, Kurzbauegasse 5/1, Austria
Membership held from: 1 April 2019

Mag. Gerhard Lahner, date of birth: 15 March 1977
2130 Mistelbach, Gartengasse 21, Austria
Membership held from: 1 July 2017
Membership held from: 30 September 2019

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 January 2019
Membership held from: 1 January 2019

Vice-chair:

Prof. Elizabeth Stadler, date of birth: 1 December 1961
3550 Langenlois, Höllgasse 32, Austria
Function held from: 26 January 2019
Membership held from: 1 January 2019

Members:

Ing. Vladimír Mráz, date of birth: 11 April 1940
Nekázanka 881/9, Nové Město, 110 00 Praha 1
Membership held from: 1 January 2019

Mag. Liane Hirner, date of birth: 10 November 1968
1040 Wien, Argentinierstrasse 11, Austria
Membership held from: 1 January 2019

Mgr. Jolana Kolaříková, date of birth: 9 February 1978
Bacháčkova 210/4, Malešice, 108 00 Praha 10
Membership held from: 1 January 2019

Ing. Petr Vokřál, date of birth: 23 November 1973
Politických vězňů 123, 281 51 Velký Osek
Membership held from: 1 January 2019

Sole shareholder:

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

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. As at 1 January 2019, the Company changed its accounting policy described in detail in Note I.5, and as a result of these changes some information from prior period 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 %
4 th depreciation category – 30 years – 3.3%	straight-line	3.33
5 th depreciation category – 45 years – 2.25%	straight-line	2.25
6 th 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 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 the CNB as at the balance sheet date and the appropriate exchange rate difference is charged to profit or loss.

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 foreign currency, their value is translated based on the current exchange rate published by the Czech National Bank ("CNB"). 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 the CNB. 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 foreign currency are translated based on the current exchange rate published by the CNB 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. The 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. Adjustments are created inclusively based on ageing analysis of 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 which 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. The expected recovery of the asset is carried out prospectively considering all relevant future cash flows and using careful estimates of lapse rate, losses, cost and other insurance agreements' parameters. A change of the accumulated debt from unit-linked assurance is charged to profit or loss.

(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 con-

tracts 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 (2019: MCZK 40; 2018: MCZK 40) arising from the uncertainty in the current market which is connected to the interpretation of the new regulation related to 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 and other calculation parameters

As at the balance sheet date, the Company calculates the value of the provision for liabilities arising from the applied technical interest rate and other calculation parameters 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 current 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 current value of liabilities, the not yet recorded revenues on held-to-maturity assets to cover life assurance provisions are taken into account. The Company compares the current 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 current 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 current 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 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 insurance agents due to insolvency.

(o) 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.

(p) 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.

(q) 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. The Company reduces the provision for taxes by income tax prepayments. The balance is presented in Tax provisions (note II.9 of the Notes) in Other receivables in case the income tax prepayments exceed the expected current tax (note II.3 of the Notes).

Provision for employee benefits

At the balance sheet date, the provision includes the earned part of employee benefits which are due to employees be-

cause 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 only to cover the expenses connected directly with the restructuring which are in accordance with Section 16 (4) of Decree No. 500/2002 Coll.

(r) 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.

(s) Claims paid

Claims paid comprise the amount assessed for payment based on the claims investigation process and external claims handling costs. Claims paid are reduced by 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.

(t) Acquisition costs

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

(u) 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.

(v) 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.

(w) Foreign currency translation

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

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

(x) 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

The Company cooperates with other companies in the group residing in the Czech Republic, namely with Kooperativa pojišťovna, a.s., VIG ("KOOP"), and Pojišťovna České spořitelny, a.s., VIG ("PCS"). The cooperation with KOOP is strengthened through shared operating activities. The cooperation has led to integration of relevant processes and methodologies. With regard to accounting methods and taking into account the character of insurance portfolios, the methods are identical for KOOP and the Company. With regard to the merger of KOOP and PCS on 1 January 2019, the methodology for accumulated debt evaluation for financial reporting was unified to a uniform level of prudence, which is adequate for all VIG portfolios on the Czech market from the management point of view.

The Company reported the accumulated debt asset in full and carried out the impairment testing subsequently. In the spirit of unification of internal processes, the Company presents the accumulated debt asset in the expected recovery value using the prospective method after taking into account all relevant future cash flows using careful estimates of lapse rate, losses, cost and other insurance agreements' parameters.

Based on this methodology, as at 31 December, 2019, accumulated debt of TCZK 0 was reported. This methodology was applied retrospectively to data from 31 December 2018 and 1 January 2018, when the accumulated debt was also set at TCZK 0. The impact on the Company's financial statements is shown in the following table.

31 December 2018	Original value	Change	New value
Total assets	16 945 664	-364 625	16 581 039
E.III. Other receivables	123 809	85 529	209 338
G.III Other temporary asset accounts	763 237	-450 154	313 083
31 December 2018	Original value	Change	New value
Total liabilities and equity	16 945 664	-364 625	16 581 039
A. VI. Profit or loss brought forward	1216 037	-396 535	819 502
A. VI. Profit or loss for the financial year	478 268	31 910	510 178
II. Technical account for life assurance			
11. Other technical expenses, net of reinsurance	61 588	-39 395	22 193
13. Sub-total on the technical account for life assurance	208 701	39 395	248 096
III. Non-technical account			
2. Result of the technical account for life assurance	208 701	39 395	248 096
9. Income tax on ordinary activities	101 185	7 485	108 670
10. Profit or loss on ordinary activities after tax	478 396	31 910	510 306
16. Profit or loss for the financial year	478 268	31 910	510 178

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, and compliance risk. Risk management complies with relevant legislation under the Solvency II directive.

In relation to the first pillar of Solvency II directive, 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. To calculate SCR, the Company uses partial internal model for non-life underwriting risks. Throughout the year, eligible own funds to cover SCR exceeded the solvency capital requirement.

The risk is managed by setting up internal procedures and policies, as described below. For more details on solvency

and risk management, see the Solvency and Financial Condition Report (SFCR), regularly published by the Company on its website.

(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 arising 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 uses financial instruments to mitigate currency and interest rate risks.

(b) Market risk

The Company is exposed to market risk. Market risk follows from trading positions in interest rates, currencies and equity instruments 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, 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 portfolio is managed 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. VaR models are used to monitor investment portfolio risks as well.

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. Intermediaries are subject to rigorous monthly checks of information on unearned commissions in order to mitigate 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 re-insured 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. Minimum liquidity limits are set to manage this risk.

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

Operational risk means a risk of loss due to insufficiency or failure of internal processes, employees and systems, or due to external effect. The Company categorises its operational risks into groups by characteristics and each operational risk group comprises specific risks assessed as follows:

Operational risk groups comprise:

- Internal fraud
- External fraud
- Human resources management and care
- Unsuitable behaviour towards clients, product errors, incorrect business processes
- Tangible assets damage, premises inaccessibility
- Business disruption, system failure
- Process performance or management failure

Operational risk is evaluated in two ways. Firstly, by quantification through SCR calculated from standard formula – i.e. from the amount of technical provisions and prescribed premium. Secondly, by processional approach. 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). All organisational units including regional directorates are included in the operational risk mapping process. The Company also specifically manages residual risks from important projects (i.e. risks that are further evaluated and managed by specific owners). Risk mapping output, risk mapping and residual risk action plans' implementation helps to monitor the risk profile in operational risk. The division of non-financial risks of Kooperativa pojišťovna, a.s., Vienna Insurance Group operating under shared services regime¹ methodically manages first line protection departments, carries out independent control in the second line protection and reports through the Risk and capital management committee about the situation of operational risk management in the Company and proposes other operational risk solutions to the board of directors.

(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 legal and regulatory changes in the Company's internal management documents;
- c) subsequent review of the compliance of performed activities with internal management documents and legislation;
- d) monitoring mutual compliance of internal management documents.

The Legal and compliance department of Kooperativa pojišťovna, a.s., Vienna Insurance Group operating under shared services regime monitors any upcoming legislation (new legislation, changes in current 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), a Compliance Plan (summing up compliance activities planned for the following year), a Compliance Risk Inventory Report (summarising the results of the compliance risk mapping for the current year).

¹The cooperation is based on the contract on expenses sharing concluded between Kooperativa pojišťovna, a.s., Vienna Insurance Group and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group.

II. ADDITIONAL DISCLOSURES IN RESPECT OF THE BALANCE SHEET

II. 1. Intangible fixed assets

As at 31 December 2019, intangible fixed assets of the Company comprise the following items:

	Software	Other intangible fixed assets	Total
Acquisition cost at 1 Jan 2019	420 761	314	421 075
Additions	57 827	321	58 148
Disposals	8 211	0	8 211
Acquisition cost at 31 Dec 2019	470 377	635	471 012
Accumulated amortisation at 1 Jan 2019	305 736	42	305 778
Amortisation expense	37 127	352	37 479
Disposals	11	0	11
Accumulated amortisation at 31 Dec 2019	342 852	394	343 246
Net book value at 1 Jan 2019	115 025	272	115 297
Net book value at 31 Dec 2019	127 525	241	127 766

II. 2. Investments

(a) Land and buildings

The amounts stated in this section comprise improvements to third-party property as at 31 December 2019, amounting to TCZK 5 555 (2018: TCZK 5 701).

(b) Participating interests with controlling influence

2019

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	3 586	945
VIG ND, a.s.*	11.71	278 386	302 006	279 071	2 391 000	2 383 071	38 746
AIS servis, s.r.o.**	30	51 405	51 405	51 405	7 400	61 432	3 277
VIG FUND, a.s.*	0.69	39 584	40 510	41 590	5 003	5 851 567	291 859
Global Expert, s.r.o.	30	5 132	5 132	3 277	200	10 923	4 350
Total		374 807	399 353	375 643	2 403 903	8 310 579	339 177

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

** the fair value cannot be objectively determined and therefore it equals the acquisition cost; the data is based on the audited financial statements as at 31 December 2019.

All companies have their registered office in Prague, excepting Global Expert, s.r.o., with registered office in Pardubice.

In 2019, the registered capital of VIG FUND, a.s. was increased. The Company participated in this increase and as a result, its participating interest in the company increased to 0.69%.

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.

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.

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

All companies have their registered office in Prague, excepting Global Expert, s.r.o., with registered office in Pardubice.

In 2018, the registered capital of VIG FUND, a.s. was increased. The Company 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 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

	2019	2018
Shares and other variable-yield securities at fair value through profit or loss	89 903	72 629
Available-for-sale shares and other variable-yield securities	829 055	769 588
Total	918 958	842 217

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

	Fair value		Acquisition cost	
	2019	2018	2019	2018
Other				
- Listed on a recognised exchange in the Czech Republic	0	35 900	0	30 000
- Unlisted	89 903	36 729	80 325	38 093
Total	89 903	72 629	80 325	68 093

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

	Fair value		Acquisition cost	
	2019	2018	2019	2018
Issued by financial institutions				
- Listed on a recognised exchange in the Czech Republic	4 148	4 235	4 548	4 548
- Listed elsewhere	31 018	0	18 872	0
- Unlisted	32 346	19 269	31 366	21 941
Other				
- Listed on a recognised exchange in the Czech Republic	13 752	12 672	11 104	11 104
- Listed elsewhere	63 302	164 512	56 165	170 958
- Unlisted	684 489	568 900	631 553	640 421
Total	829 055	769 588	753 608	828 972

(d) Debt securities

Classification of debt securities

	2019	2018
Available-for-sale debt securities	4 433 452	3 446 388
Debt securities held to maturity	5 458 912	5 820 384
Total	9 892 364	9 266 772

Analysis of available-for-sale debt securities

	Fair value		Acquisition cost	
	2019	2018	2019	2018
Issued by financial institutions				
- Listed on a recognised exchange in the Czech Republic	378 576	397 060	377 807	403 700
- Listed elsewhere	537 826	505 330	530 809	504 514
Issued by government sector				
- Listed on a recognised exchange in the Czech Republic	2 965 340	2 163 260	2 887 935	2 138 165
- Listed elsewhere	109 724	0	113 713	0
Other				
- Listed on a recognised exchange in the Czech Republic	175 851	189 003	175 489	189 100
- Listed elsewhere	266 135	191 735	265 672	193 969
Total	4 433 452	3 446 388	4 351 425	3 429 448

Analysis of debt securities held to maturity

	Fair value		Amortised value		Acquisition cost	
	2019	2018	2019	2018	2019	2018
Issued by financial institutions						
- Listed on a recognised exchange in the Czech Republic	459 282	478 092	461 463	470 832	499 881	499 881
- Listed elsewhere	86 422	87 934	81 043	81 039	79 955	79 955
Issued by government sector						
- Listed on a recognised exchange in the Czech Republic	5 174 266	5 422 495	4 864 909	5 217 018	4 822 688	5 149 485
Other						
- Listed elsewhere	54 260	54 396	51 497	51 495	49 973	49 973
Total securities held to maturity	5 774 230	6 042 917	5 458 912	5 820 384	5 452 497	5 779 294

(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	
	2019	2018	2019	2018	2019	2018
Loans granted (controlled entities)	14 422	15 837	14 391	16 557	14 301	16 455
Total	14 422	15 837	14 391	16 557	14 301	16 455

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

	Fair value		Acquisition cost	
	2019	2018	2019	2018
Deposits	70 188	0	70 188	0
Other loans and credits	1 491	1 903	1 491	1 903
Total	71 679	1 903	71 679	1 903

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

Description	Acquisition cost		Fair value	
	2019	2018	2019	2018
Shares and other variable-yield securities	1 664 507	1 448 109	2 078 438	1 680 028
Total	1 664 507	1 448 109	2 078 438	1 680 028

(h) Other investments – derivatives

Hedging derivatives

Fixed term contracts	Nominal value		Fair value	
	2019	2018	2019	2018
Term currency transactions	493 394	458 909	7 893	2 838
Total	493 394	458 909	7 893	2 838

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

2019	Variable-yield securities	Debt securities	Deposits and other investments	Life assurance investments where the investment risk is borne by the policyholders	Total
CZK	636 996	9 691 180	426 848	1 788 428	12 543 452
EUR	93 918	193 844	42 270	290 010	620 042
USD	188 044	0	5 207	0	193 251
PLN	0	7 340	0	0	7 340
Total	918 958	9 892 364	474 325	2 078 438	13 364 085

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	376 258	1 680 028	12 165 275

II. 3. Receivables and payables

(a) Receivables

31 December 2019	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	168 379	12 165	20 977	75 191	276 712
Overdue	587 340	91 995	12 477	81 415	773 227
Total	755 719	104 160	33 454	156 606	1 049 939
Adjustment	183 205	89 827	0	784	273 816
Total net amount	572 514	14 333	33 454	155 822	776 123

31 December 2018	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance operations	Other receivables	Total
Due	96 272	15 777	5 522	130 822	248 393
Overdue	588 309	96 301	6 718	79 376	770 704
Total	684 581	112 078	12 240	210 198	1 019 097
Adjustment	185 549	95 350	0	860	281 759
Total net amount	499 032	16 728	12 240	209 338	737 338

(b) Other receivables

Loans to employees	2019		2018	
	Gross amount	Adjustments	Gross amount	Adjustments
Other prepayments	36 462	0	31 264	0
Deferred tax asset	40 179	0	155 077	0
Pre-paid AFS tax	7 789	0	7 965	0
Income tax prepayments	62 795	0	0	0
Loans to employees	1 108	0	1 436	0
Czech Nuclear Pool	4 241	0	3 761	0
Advance payment for claims adjusting	0	0	6 957	0
Other receivables	4 032	784	3 738	860
Total	156 606	784	210 198	860

Corporate income tax prepayments of TCZK 123 914 (2018: TCZK 111 303) were offset to income tax liabilities of TCZK 61 119 (2018: TCZK 139 443). This year's balance is presented in "Other receivables"; last year's balance is presented in "Tax provision" (see Note II.9 to the financial statements).

(c) Liabilities

31 December 2019	Payables to policyholders	Payables to insurance intermediaries	Payables from reinsurance operations	Other payables	Total
Due	443 564	45 479	51 811	190 698	731 552
Overdue	0	3 968	2 443	41 057	47 468
Total	443 564	49 447	54 254	231 755	779 020

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

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

The Company has a net payable from reinsurers, excluding reinsurance deposits, of TCZK 20 800 (2018: a net receivable of TCZK 2 800).

II. 4. Inter-company receivables and payables

	2019	2018
Receivables		
Receivables from reinsurance operations	2 694 558	2 488 744
Other receivables	22 195	34 953
Total receivables	2 716 753	2 523 697
Payables		
Payables from reinsurance operations	2 328 924	2 153 509
Other payables	669 857	191 692
Total payables	2 998 781	2 345 201

Receivables from reinsurance operations include reinsurance assets of TCZK 2 668 307 (2018: TCZK 2 457 787). Payables from reinsurance operations include a reinsurance deposit of TCZK 2 260 278 (2018: TCZK 2 102 211).

II. 5. Tangible fixed assets and inventories

	Total
Acquisition cost at 1 January 2019	157 284
Additions	26 368
Disposals	15 104
Acquisition cost at 31 December 2019	168 548
Accumulated amortisation at 01/01/2019	113 636
Amortisation expense	29 800
Disposals	14 511
Accumulated amortisation at 31 December 2019	128 925
Net book value at 1 January 2019	43 648
Net book value at 31 December 2019	39 623

II. 6. Temporary asset or liability accounts

(a) Other temporary asset accounts

	2019	2018
Estimated premiums	56 713	25 121
Estimated receivables arising from reinsurance operations	53 954	67 407
Estimated receivable and bonification	266 629	182 113
Prepaid services	48 957	38 442
Total	426 253	313 083

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

Under estimated receivables arising from reinsurance operations, the Company discloses an estimate of the appropriate profit commission from the reinsurers' share related to estimated written premiums disclosed.

(b) Estimated payables

	2019	2018
Estimated payables arising from reinsurance operations	99 652	120 016
Accrued commission	232 751	204 840
Services not invoiced	69 898	79 017
Accruals in respect of personnel expenses	104 654	75 627
Service agreement bonification	43 844	18 478
Other estimated payables	21 315	19 703
Total	572 114	517 681

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.

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.

Accruals in respect of personnel expenses

Due to the fact that the business targets and results of the Company were significantly exceeded in 2019, accruals in respect of personnel expenses in the specified amount were created.

The accruals are intended as bonuses for exceeding business results and the Company management uses them as financial reward of employees for performance achieved. This reward is used as a motivation tool for employees, leading to achieving new targets according to the Company's aims.

Services not invoiced

Under Services not invoiced, the Company discloses 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 2019, 100%, i.e. TCZK 1 000 000 (2018: 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.

	2019	2018
Balance at 1 January	-31 550	66 603
Change in the fair value of investments	205 735	-121 177
Change in deferred tax	-39 090	23 024
Balance at 31 December	135 095	-31 550

(b) Proposed distribution of current period profit

Profit for the current period	641 241
Transfer to social fund	13 107
Payment of profit shares	533 914
Retained profits	94 220

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

II. 8. Technical provisions

(a) Provision for unearned premiums (gross)

	2019	2018
Non-life insurance	2 924 681	2 556 290
Life assurance	7 158	7 171
Total	2 931 839	2 563 461

(b) Provision for outstanding claims (gross amount)

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

	2019	2018
RBNS	4 183 261	4 070 192
IBNR	1 576 224	1 272 988
Total	5 759 485	5 343 180

Claims run-off result

The claims run-off result is the difference between the provision for outstanding claims as at 31 December 2018, the claims payments during 2019 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2019.

The gross run-off result is as follows:

Class of insurance	2019	2018
Motor third-party liability insurance	308 772	403 828
Motor – other classes	11 707	-17 435
Property insurance against fire and other damage	-68 820	41 736
Liability insurance	-3 443	1 240
Accident and sickness insurance – non-life insurance	-2 961	-383
Life assurance	12 269	32 369
Other	-54 763	71 265
Total	202 761	532 620

Provision for outstanding claims 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 757 237 (2018: TCZK 812 209); the impact of discounting is TCZK 335 499 (2018: TCZK 326 251) 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 1 June 2019, 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 the annuities payment 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	2019	2018
Non-life insurance	35 931	37 624
Life assurance	570 811	450 481
Total	606 742	488 105

(d) Other technical provisions (gross)

	Opening balance	Additions	Utilisation	Closing balance
Non-life insurance provision	738	7	0	745
Provision for credit risk	55 742	6 993	0	62 735
Provision for liabilities of the Bureau	194 128	0	194 128	0
Total	250 608	7 000	194 128	63 480

According to the decision of the general meeting of the Czech Bureau of Insurers, liabilities towards the Bureau were paid by extraordinary contribution and the existing provision was released.

II. 9. Provisions

Type of provision	Opening balance	Additions	Utilisation	Closing balance
Provision for taxes	28 190	61 119	89 309	0
Provision for employee benefits	33 291	4 941	9 650	28 582
Other provisions	34 600	0	31 750	2 850
Total	96 081	0	64 827	31 432

Corporate income tax prepayments of TCZK 123 914 (2018: TCZK 111 303) were offset to income tax liabilities of TCZK 61 119 (2018: TCZK 139 443). This year's balance is presented in "Other receivables"; last year's balance is presented in "Tax provision" (see Note II.3 to the financial statements).

Other provisions include the provision for restructuring of TCZK 2 850 (2018: TCZK 34 600).

III. ADDITIONAL DISCLOSURES IN RESPECT OF THE INCOME STATEMENT

III. 1. Non-life insurance

Non-life insurance for 2019 and 2018, by class of insurance:

	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expense	Reinsurance balance
Direct insurance					
Travel insurance					
2019	37 298	36 463	21 051	21 686	7
2018	31 981	32 004	18 573	26 478	10
Accident and sickness insurance					
2019	108 660	106 584	26 869	62 104	-7 174
2018	60 465	59 436	8 763	18 809	-8 759
Motor third-party liability insurance					
2019	3 287 059	3 184 205	1 859 588	987 838	-102 125
2018	2 983 909	2 883 378	1 703 664	880 690	-79 993
Property insurance					
2019	1 314 009	1 266 516	857 539	366 265	55 547
2018	1 169 473	1 123 997	524 414	334 700	-71 380
Liability insurance					
2019	886 006	731 447	375 930	248 671	-75 058
2018	757 832	615 984	291 708	213 037	-72 131
Motor Casco insurance					
2019	2 067 770	2 009 687	1 416 740	607 792	11 326
2018	1 857 287	1 777 631	1 259 658	530 091	-7 328
Reinsurance accepted					
2019	393 997	391 506	84 549	137 814	-88 437
2018	379 605	389 386	175 940	137 374	-74 447
Total					
2019	8 094 799	7 726 408	4 642 266	2 432 170	-205 914
2018	7 240 552	6 881 816	3 982 719	2 141 179	-314 028

III. 2. Life assurance

Gross premiums written in life assurance:

	2019	2018
Individual (special) premiums	2 452 296	2 214 907
Total	2 452 296	2 214 907
Regular premium	2 365 274	2 122 700
Single premium	87 022	92 207
Total	2 452 296	2 214 907
Premiums from contracts without bonuses	241 563	252 179
Premiums from contracts with bonuses	16 868	16 848
Premiums from contracts where the investment risk is borne by policyholders	2 194 865	1 945 880
Total	2 452 296	2 214 907
Reinsurance balance (- expense/+ revenue)	-12 808	-5 375

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

All gross written life assurance 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:

	2019	2018
Gross amount		
Non-life insurance	104 512	55 022
Total gross amount	104 512	55 022
Reinsurers' share	0	0
Total net amount	104 512	55 022

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:

2019	Gross amount	Reinsurance share	Net
Non-life insurance			
Creation	102 821	17 649	85 171
Release	104 512	14 891	89 622
Change of balance	-1 693	2 758	-4 451
Life assurance			
Creation	570 812	0	570 812
Release	450 481	0	450 481
Change of balance	120 331	0	120 331
Total change of balance	118 638	2 758	115 880
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

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

	2019			2018		
	Non-life insurance	Life assurance	Total	Non-life insurance	Life assurance	Total
Commissions	1 574 835	686 987	2 261 822	1 234 810	1 074 110	2 308 920
Other acquisition costs	689 325	186 254	875 579	660 169	178 653	838 822
Change in deferred acquisition costs	-146 909	6 616	-140 293	-34 447	-431 643	-466 090
Total commissions and other acquisition costs	2 117 251	879 857	2 997 108	1 860 532	821 120	2 681 652

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

	2019	2018
Personnel expenses (payroll, social and health insurance)	227 180	214 790
IT expenses	201 897	187 113
Expenses related to the operation of buildings	57 779	60 539
Communications	26 761	19 457
Other services	13 111	23 779
Company car expenses	4 779	4 884
Material consumption	1 055	972
Insurance premiums	1 939	1 859
Bank fees	5 858	5 581
Advisory	20 107	15 715
Representation expenses and presents	2 277	2 116
Depreciation of assets	828	513

	2019	2018
Education	7 659	6 173
Travel expenses	1 851	1 947
Other finance expenses	4 399	2 726
Outsourcing	163 766	131 752
Other administrative expenses	14 777	4 258
Total administrative expenses before reallocation	756 023	684 174
Reallocation to acquisition costs	-141 458	-148 852
Reallocation to claims handling costs	-178 806	-166 673
Reallocation to costs on investments	-19 515	-15 856
Total reallocation	-339 779	-331 381
Total administrative expenses	416 244	352 793

III. 7. Other technical expenses and income

	2019	2018
Non-life insurance		
Other technical expenses	335 914	251 767
Other technical income	-104 748	-106 014
Balance – non-life insurance (+ expense/- revenue)	231 166	145 753
Life assurance		
Other technical expenses	22 953	22 193
Other technical income	-40 387	-31 608
Balance – life assurance (+ expense/- revenue)	-17 434	-9 415

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:

	2019	2018
Creation (+)/Release (-) of adjustments for receivables	-186	40 102
Depreciation (+)/Payments after depreciation (-) for receivables	18 815	47 838
Foreign exchanges losses (+)/gains (-)	-2 273	-422
Contribution to the loss prevention fund	98 611	89 705
Delegated insurance events	-6 500	-6 139
Cost of the Bureau's liabilities*	154 760	0
Other	-32 061	-25 331
Balance of other expenses and income	231 166	145 753

* According to the decision of the general meeting of the Czech Bureau of Insurers, liabilities towards the Bureau were paid by extraordinary contribution and the existing provision was released.

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

	2019	2018
Creation (+)/Release (-) of adjustments for receivables	-7 680	-6 033
Depreciation (+)/Payments after depreciation (-) for receivables	8 088	9 431
Foreign exchanges losses (+)/gains (-)	- 1 241	-192
Other	-16 601	-12 621
Balance of other expenses and income	-17 434	-9 415

III. 8. Employees and management

The average number of employees and executives and remuneration for 2019 and 2018 are as follows:

2019	Average number of employees	Payroll expenses	Social and health insurance	of which other personnel expenses
Employees	776	4 054 431	120 600	20 832
Executives	72	120 393	32 201	6 186
Total	848	5 258 24	152 801	27 018

2018	Average number of employees	Payroll expenses	Social and health insurance	of which other personnel expenses
Employees	773	3 824 443	113 649	19 968
Executives	76	107 432	29 899	5 609
Total	849	4 898 75	143 548	25 577

TCZK 227 180 (2018: TCZK 214 790) of the total payroll, social security and health insurance expenses represents administrative expenses before reallocation, and TCZK 451 445 (2018: TCZK 418 633) accounts for expenses incurred to acquire insurance contracts.

(a) Social security and health insurance liabilities

Liabilities in respect of social security and health insurance total TCZK 17 529 (2018: TCZK 18 146), of which TCZK 11 679 (2018: TCZK 11 769) relates to social security, and TCZK 5 850 (2018: TCZK 6 377) relates to health insurance. None of these liabilities are overdue.

(b) Tax liabilities and subsidies

Tax liabilities total TCZK 7 520 (2018: a liability of TCZK 8 249), which represent outstanding taxes arising from personal income tax as at the end of the current period.

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

For the financial years 2019 and 2018, the Company recognised the following monetary and non-monetary remuneration to the statutory, executive and supervisory board members:

	2019	2018
Members of the board of directors	28 494	29 832
Members of the supervisory board	1 582	1 571
Total remuneration	30 076	31 403

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

Neither in 2019 nor in 2018 did the Company present any receivables from members of the board of directors or the supervisory board relating to granted loans or paid advances.

III. 9. Information on remuneration for statutory auditors

The information on 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. In 2019, the audit firm provided the Company and companies controlled by the Company with non-audit services of TCZK 699 (2018: TCZK 653). These services mainly included preparing of the Solvency and Financial Condition Report, 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.(v) totalled TCZK 131 619 (2018: TCZK 153 304).

III. 11. Result of non-technical account

As at 31 December 2019, the result of the non-technical account before tax totalled a profit of TCZK 17 537 (2018: loss of TCZK 56 536).

III. 12. Result before tax

As at 31 December 2019, the profit before tax totalled TCZK 772 462 (2018: TCZK 618 976).

III. 13. Taxes

(a) Income tax in the income statement

	2019	2018
Current period income tax	61 119	139 443
Current income tax relating to prior periods	-5 982	-17 705
Change in deferred tax asset/Change in deferred tax liability	75 808	-20 726
Current tax expense – restated current tax from AFS	176	7 658
Income tax in the income statement	131 121	108 670

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Temporary differences	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Fixed assets	0	0	-10 032	-8 071	-10 032	-8 071
Receivables	36 524	24 758	0	0	36 524	24 758
Provisions	45 376	45 460	0	0	45 376	45 460
Accumulated debt	0	85 529	0	0	0	85 529
Total temporary differences recorded in the income statement	81 900	155 747	-10 032	-8 071	71 868	147 676
Revaluation of assets and liabilities	0	7 401	-31 689	0	-31 689	7 401
Deferred tax asset/(liability)	81 900	163 148	-41 721	-8 071	40 179	155 077

In accordance with the accounting policy described in note I. 4. (h), a tax rate of 19% was used to calculate the 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 Bureau's liabilities pursuant to the Act on Motor Third Party Liability Insurance. Therefore, the Company contributes to the guarantee fund. The amount of the Company's contributions is determined based on the Bureau's calculation.

If any of the members of the Bureau is 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.

On 1 January 2020, the Act No. 364/2019 Coll., Technical Provisions Taxation came into effect. In 2020, technical provisions for tax calculation purposes will be defined in accordance with the Solvency II Directive instead of the accounting standards as before. The amount of the technical provisions pursuant to Solvency II is provided in the Solvency and Financial Condition Report.

The spread of COVID-19 has resulted in an exceptional situation that is examining the design and operation of our management and internal control system. As part of the business continuity management process, our priority is primarily to protect the health of our employees, to ensure the processes associated with providing insurance services and maintain a standard level of service for our business partners.

The company has further identified specific risks related to COVID-19, quantifies them and sets up monitoring to capture warning signals in a timely manner. With regard to underwriting risks, we primarily monitor risks related to daily compensation, travel insurance and life insurance. In the area of market risks, this is mainly the evolution of share prices, bonds and market liquidity. Operational (operational) risks include, in particular, insufficient human resources, unavailability of our premises, unavailability of supplies and unavailability of information and communication technologies. Risks monitored also include a threat to the company's liquidity or imminent business risks related, for example, to payment discipline. The deteriorating economic situation may lead to a higher scale of insurance fraud attempts.

In view of the development of the spread of the disease and its impact on the operation and continuity of the Company's business, we are not aware of any impact on the results of the 2019 financial statements or any material impact threatening further functioning of the Company in 2020. Based on the standard stress tests carried out, the Company is convinced of a sufficient amount of its capital.

During 2019 the preparations for planned changes of CPP shareholder structure within VIG group had started.

Prague, 27 March 2020



Ing. Jaroslav Besperát
Chairman of the Board of Directors



Mag. Christoph Rath
Member of the Board of Directors



ORGANISATIONAL STRUCTURE

ORGANISATIONAL STRUCTURE

AS AT 31 DECEMBER 2019

MEMBERS OF THE SUPERVISORY BOARD

Ing. Martin Diviš, MBA

Chairman of the Supervisory Board
since 26 January 2019

Prof. Elisabeth Stadler

Vice-chair of the Supervisory Board
since 26 January 2019

Mag. Liane Hirner

Member of the Supervisory Board
since 1 January 2019

Ing. Vladimír Mráz

Member of the Supervisory Board
since 1 January 2019

Mgr. Jolana Kolaříková

Member of the Supervisory Board
since 1 January 2019

Ing. Petr Vokřál

Member of the Supervisory Board
since 1 January 2019

Note:

With regard to the end of the term of office of the current members of the Supervisory Board as at 31 December 2018, new members were elected by the sole shareholder for a 5-year term. At the same time, Mgr. Jolana Kolaříková and Ing. Petr Vokřál were elected to the Supervisory Board as representatives of the employees in November 2018.

MEMBERS OF THE BOARD OF DIRECTORS

Ing. Jaroslav Besperát

Chairman of the Board of Directors
since 1 November 2015

Education: University degree,
Czech Technical University (ČVUT)
Working in the insurance industry since 1994.

Ing. František Vlnař

Member of the Board of Directors
since 1 November 2015

Education: University degree,
Czech Technical University (ČVUT)
Working in the insurance industry since 1992.

Ing. Jaroslav Kulhánek

Member of the Board of Directors since 1 January 2019
Education: University degree, University of Economics
Working in the insurance industry since 1996.

Mag. Christoph Rath

Member of the Board of Directors since 1 April 2019
Education: University degree,
University of Applied Science BFI in Vienna
Working in the insurance industry since 2004.

Note:

Based on a written request of Ing. Vít Rozsypal, the Supervisory Board of Česká podnikatelská pojišťovna, a. s., Vienna Insurance Group, approved his resignation from the membership on the Board of Directors as at 31 December 2018. At the same time, Ing. Jaroslav Kulhánek was elected member of the Board of Directors with the effect as from 1 January 2019, and Mag. Christoph Rath was elected member of the Board of Directors with effect from 1 April 2019.

Based on a written request of Mag. Gerhard Lahner, the Supervisory Board of Česká podnikatelská pojišťovna, a. s., Vienna Insurance Group, approved his resignation of the membership on the Board of Directors as at 30 September 2019, as he was elected member of the Supervisory Board of Wiener Börse AG.

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 Hönl

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

HR division

Mgr. Marcela Novotná, LL. M.

Note:

As at 1 January 2019, the organisational structure of the Company changed and the planning and controlling division was moved to shared services ensured based on a cost sharing agreement concluded between ČPP and Kooperativa.



LIST OF REGIONAL DIRECTORATES

PRAGUE

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

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

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

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

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

Prague 9 – Vysočany, Jandova 10/3, 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

Vlněna 526/1, 602 00, Brno, tel.: 957 553 019

Branch office

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

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

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

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

station of branch office Brno – Benešova, Benešova 14 – 16, 602 00 Brno, tel.: 542 120 800

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

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

Kroměříž, Vejvanovského 1592/20, 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 197, 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 office Strakonice – Jiřího z Poděbrad, Krále Jiřího z Poděbrad 772, 386 01 Strakonice, tel.: 734 522 750

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

station of branch office Trhové Sviny (Český Krumlov), Žižkovo náměstí 136, 374 01 Trhové Sviny, tel.: 387 202 282

HRADEC KRÁLOVÉ

Regional directorate

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

Branch office

Česká Lípa, Barvířská 737, 470 01 Česká Lípa, tel.: 487 821 194

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

Hradec Králové, Škroupova 441/12, 500 02 Hradec Králové, tel.: 495 704 401

station of branch office Hradec Králové – Habrmanova, Habrmanova 204/6, 500 02 Hradec Králové, tel.: 495 591 506

station of branch office Hradec Králové – Šimkova, Šimkova 1223/2A, 500 03 Hradec Králové, tel.: 495 510 100

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

Jablonec nad Nisou, Lidická 2090/18, 466 01 Jablonec nad Nisou, tel.: 483 319 881

Jičín, Havlíčkova 176, 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, vchod z venku, Palachova 1404/2, 460 01 Liberec, tel.: 485 104 411

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

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

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

Svitavy, nám. Míru 53/59, 568 02 Svítavy, tel.: 461 530 317

Trutnov, Palackého 103, 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.: 596 115 129

Branch office

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

station of branch office Český Těšín, Smetanova 9, 737 01 Český Těšín, tel.: 558 711 225

station of branch office Frenštát pod Radhoštěm, Kostelní 478, 744 01 Frenštát pod Radhoštěm, tel.: 556 801 365

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

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

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

station of branch office Olomouc – Hodolany, Tovární 1197/42a, 779 00 Olomouc – Hodolany, tel.: 585 203 251

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

Ostrava, ul. Dlouhá 194/3, 702 00 Ostrava – Moravská Ostrava, tel.: 596 123 476

station of branch office Ostrava – Hrabůvka, Dr. Martínka 1590, 700 30 Ostrava-Hrabůvka, tel.: 596 110 536

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

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

station of branch office Rožnov pod Radhoštěm, Nádražní 23, 756 61 Rožnov pod Radhoštěm, tel.: 571 438 438

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

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

station of branch office Valašské Meziříčí, Náměstí 71, 757 01 Valašské Meziříčí, tel.: 571 610 581

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

station of branch office Zábřeh na Moravě, nám. Osvobození 14/298, 789 01 Zábřeh na Moravě, tel.: 583 414 655

PILSEN

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

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

station of branch office Litvínov, DS Unipetrol RPA – next to the main gate, 436 70 Litvínov-Záluží, tel.: 476 162 800

station of branch office Mariánské Lázně, Chebská 731/15 – NC Nová Chebská, 353 01, Mariánské Lázně, tel.: 354 626 227

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

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

station of branch office Pilsen – Gerská, Gerská 1951/15, 323 00 Plzeň, tel.: 377 320 283

station of branch office Pilsen – Luna, Skupova 24 – Business Centre LUNA, 301 00 Plzeň, tel.: 377 540 509

station of branch office Pilsen – Slovanská alej, Slovanská alej 28, 326 00 Plzeň, tel.: 377 970 789

station of branch office Rokycany, Jiráskova 1298, 337 01 Rokycany, tel.: 371 785 223

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

station of branch office Sušice, Mostní 43, 342 01 Sušice, tel.: 376 522 171

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

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

station of branch office Žatec, Karla IV. 353, 438 01 Žatec, tel.: 415 214 435

POINTS OF SALE OF ČPP SERVIS

Brno, Úvoz 31, 602 00 Brno

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

Havířov, Národní třída 576/2, 736 01 Havířov

Hořice, Aloise Hlavatého 2185, 508 01 Hořice

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

Jičín, Valdštejnovo náměstí 88, 506 01 Jičín

Karlovy Vary, Majakovského 29, 360 05 Karlovy Vary

Kolín, A. Dvořáka 1101, 280 02 Kolín

Moravský Krumlov, Palackého 112, 672 01 Moravský Krumlov

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

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

Pardubice, U Divadla 784, 530 02 Pardubice

Prague 4, Budějovická 3a, 140 21 Praha 4

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

Třebíč, Komenského náměstí 140/4, 674 01 Třebíč

Zlín, Vavrečkova 7074, 760 01 Zlín



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 No. 3433 ("**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 No. 1897 ("**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 No.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 at the 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 2019.

- 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.
- Purchase Agreement concluded between ČPP and Kooperativa.
- 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 the other controlled entities from the VIG group in 2019.

- 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 for 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.
- 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.
- Contract for business representation concluded between ČPP and FinServis Plus, s.r.o.
- Insurance contract for liability insurance concluded between ČPP and Obecně prospěšná společnost Kooperativa (Kooperativa's Publicly Beneficial Association).
- Insurance contracts for property and liability insurance between ČPP and VIG ND, a.s. ("VIG ND").
- Loan contract between ČPP and VIG ND.
- 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.
- Contract for personal data handling concluded between ČPP and GLOBAL ASSISTANCE a.s. ("GLOBAL ASSISTANCE").
- Contracts 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. (KAPITOL Insurance and Financial Consulting)
- Contract on the provision of user rights for software and related services concluded between ČPP and CP Solutions a.s.

- Contract on supply of a solution for introducing a biometric signature concluded between ČPP and Pražská softwarová s.r.o.
- Contract for 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 2019, 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

The 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 other things, 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 2019 to 31 December 2019, 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, 27 March 2020



Ing. Jaroslav Besperát
Chairman of the board of directors



Mag. Christoph Rath
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" JOINT STOCK COMPANY	Bulgaria	100.00
"Compensa Services" SIA	Latvia	100.00
"Compensa Vienna Insurance Group", ADB	Lithuania	100.00
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H.	Austria	100.00
AB "Compensa Services"	Lithuania	100.00
Anděl Investment Praha s.r.o.	Czech Republic	100.00
Anif-Residenz GmbH & Co KG	Austria	100.00
arithmetica Consulting GmbH	Austria	100.00
ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A.	Romania	99.70
ATBIH GmbH	Austria	100.00
BCR Asigurari de Viata Vienna Insurance Group S.A.	Romania	93.98
Blizzard Real Sp. z o.o.	Poland	100.00
BTA Baltic Insurance Company AAS	Latvia	90.83
Bulgarski Imoti Asistans EOOD	Bulgaria	100.00
Businesspark Brunn Entwicklungen GmbH	Austria	100.00
CAL ICAL "Globus"	Ukraine	100.00
Camelot Informatik und Consulting Gesellschaft m.b.H.	Austria	95.00
CAPITOL, akciova spoločnosť	Slovakia	100.00
CENTER Hotelbetriebs GmbH	Austria	80.00
Central Point Insurance IT-Solutions GmbH	Austria	100.00

Consolidated Companies		
Business name	Country	Present capital share in %
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group	Czech Republic	100.00
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni	Moldova	99.99
Compensa Life Vienna Insurance Group SE	Estonia	100.00
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group	Poland	99.97
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group	Poland	99.94
CP Solutions, a.s.	Czech Republic	100.00
DBLV Immobesitz GmbH	Austria	100.00
DBLV Immobesitz GmbH & Co KG	Austria	100.00
DBR-Liegenschaften GmbH & Co KG	Germany	100.00
DBR-Liegenschaften Verwaltungs GmbH	Germany	100.00
Deutschmeisterplatz 2 Objektverwaltung GmbH	Austria	100.00
Donau Brokerline Versicherungs-Service GmbH	Austria	100.00
DONAU Versicherung AG Vienna Insurance Group	Austria	100.00
DVIB GmbH	Austria	100.00
ELVP Beteiligungen GmbH	Austria	100.00
Floridsdorf am Spitz 4 Immobilienverwertungs GmbH	Austria	100.00
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H.	Austria	100.00
Insurance Company Nova Ins EAD	Bulgaria	100.00

Consolidated Companies		
Business name	Country	Present capital share in %
Insurance Company Vienna osiguranje d.d., Vienna Insurance Group	Bosnia and Herzegovina	100.00
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP"	Bulgaria	100.00
InterRisk Lebensversicherungs-AG Vienna Insurance Group	Germany	100.00
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group	Poland	100.00
InterRisk Versicherungs-AG Vienna Insurance Group	Germany	100.00
INTERSIG VIENNA INSURANCE GROUP Sh.A.	Albania	89.98
Joint Stock Company Insurance Company GPI Holding	Georgia	90.00
Joint Stock Company International Insurance Company IRAO	Georgia	100.00
Joint Stock Insurance Company WINNER-Vienna Insurance Group	Macedonia	100.00
Kaiserstraße 113 GmbH	Austria	100.00
KALVIN TOWER Ingatlanfejlesztési és Beruházási Korlátolt Felelőségi Társaság	Hungary	100.00
Kapitol pojišťovací a finanční poradenství, a.s.	Czech Republic	100.00
KOMUNÁLNA poisťovňa, a.s., Vienna Insurance Group	Slovakia	100.00
KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group	Slovakia	98.47
Kooperativa, pojišťovna, a.s., Vienna Insurance Group	Czech Republic	97.28
LD Vermögensverwaltung GmbH	Austria	100.00
Limited Liability Company "UIG Consulting"	Ukraine	100.00
LVP Holding GmbH	Austria	100.00
MAP Bürodienstleistung Gesellschaft m.b.H.	Austria	100.00
MC EINS Investment GmbH	Austria	100.00
MH 54 Immobilienanlage GmbH	Austria	100.00
Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG	Austria	100.00

Consolidated Companies		
Business name	Country	Present capital share in %
OMNIASIG VIENNA INSURANCE GROUP S.A.	Romania	99.50
Palais Hansen Immobilienentwicklung GmbH	Austria	56.55
Passat Real Sp. z o.o.	Poland	100.00
Pension Assurance Company Doverie AD	Bulgaria	92.58
PFG Holding GmbH	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG	Austria	92.88
Porzellangasse 4 Liegenschaftsverwaltung GmbH & Co KG	Austria	100.00
Private Joint-Stock Company "INSURANCE COMPANY "KNAZHA LIFE VIENNA INSURANCE GROUP"	Ukraine	97.80
Private Joint-Stock Company "Insurance company" Ukrainian insurance group"	Ukraine	100.00
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNAZHA VIENNA INSURANCE GROUP"	Ukraine	99.99
PROGRESS Beteiligungsges.m.b.H.	Austria	70.00
Projektbau GesmbH	Austria	100.00
Projektbau Holding GmbH	Austria	90.00
Rathstraße 8 Liegenschaftsverwertungs GmbH	Austria	100.00
Ray Sigorta Anonim Sirketi	Turkey	94.96
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG	Austria	100.00
SECURIA majetkovosprávna a podielová s.r.o.	Slovakia	100.00
Seesam Insurance AS	Estonia	100.00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH	Austria	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH	Austria	66.70
SIA "Urban Space"	Baltic States	100.00
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A.	Albania	89.05

Consolidated Companies		
Business name	Country	Present capital share in %
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group	Macedonia	94.26
SVZ GmbH	Austria	100.00
SVZD GmbH	Austria	100.00
SVZI GmbH	Austria	100.00
T 125 GmbH	Austria	100.00
TBI BULGARIA EAD in Liquidation	Bulgaria	100.00
TECHBASE Sciene Park Vienna GmbH	Austria	100.00
twinformatics GmbH	Austria	100.00
UNION Vienna Insurance Group Biztosító Zrt.	Hungary	98.64
Untere Donaulände 40 GmbH & Co KG	Austria	100.00
Vienibas Gatve Investments OÜ	Estonia	100.00
Vienibas Gatve Properties SIA	Latvia	100.00
Vienna Life Towarzystwo Ubezpieczen na Zycie S.A. Vienna Insurance Group	Poland	100.00
Vienna-Life Lebensversicherung AG Vienna Insurance Group	Lichtenstein	100.00
VIG-AT Beteiligungen GmbH	Austria	100.00
VIG FUND, a.s.	Czech Republic	100.00
V.I.G. ND, a.s.	Czech Republic	100.00
VIG Offices 1, s.r.o.	Slovakia	100.00
VIG Properties Bulgaria AD	Bulgaria	99.97
VIG RE zajišťovna, a.s.	Czech Republic	100.00
VIG REAL ESTATE DOO	Serbia	100.00
VIG Real Estate GmbH	Austria	100.00
VIG Services Ukraine, LLC	Ukraine	100.00
VITEC Vienna Information Technology Consulting GmbH	Austria	51.00

Consolidated Companies		
Business name	Country	Present capital share in %
WGPV Holding GmbH	Austria	100.00
WIBG Holding GmbH & Co KG	Austria	100.00
WIBG Projektentwicklungs GmbH & Co KG	Austria	100.00
Wiener Osiguranje Vienna Insurance Group ad	Bosnia and Herzegovina	100.00
Wiener osiguranje Vienna Insurance Group dionicko drustvo za osiguranje	Croatia	97.82
WIENER RE akcionarsko drustvo za reosiguranje, Beograd	Serbia	100.00
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje Beograd	Serbia	100.00
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	Austria	97.75
Wiener Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group	Poland	100.00
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H.	Austria	100.00
WILA GmbH	Austria	100.00
WINO GmbH	Austria	100.00
WNH Liegenschaftsbesitz GmbH	Austria	100.00
WSBV Beteiligungsverwaltung GmbH & Co KG	Austria	100.00
WSV Beta ImmoHolding GmbH	Austria	100.00
WSV ImmoHolding GmbH	Austria	100.00
WSV Triesterstraße 91 Besitz GmbH & Co KG	Austria	100.00
WSV Vermögensverwaltung GmbH	Austria	100.00
WWG Beteiligungen GmbH	Austria	87.07

Companies consolidated using the equity method		
Business name	Country	Present capital share in %
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH	Austria	100.00
AB Modřice, a.s.	Czech Republic	100.00
AIS Servis, s.r.o.	Czech Republic	100.00
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H.	Austria	94.84
Beteiligungs- und Immobilien GmbH	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH	Austria	25.00
ČPP Servis, s.r.o.	Czech Republic	100.00
CROWN-WSF spol. s.r.o.	Czech Republic	30.00
ERSTE drustvo s ogranicenom odgovornoscu za upravljanje obveznim i dobrovoljnim mirovinskim fondovima	Croatia	25.30
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H.	Austria	99.77
FinServis Plus, s.r.o.	Czech Republic	100.00
GLOBAL ASSISTANCE, a.s.	Czech Republic	100.00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	Austria	55.00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	Austria	99.92
Gewista-Werbegesellschaft m.b.H.	Austria	33.00
Global Expert, s.r.o.	Czech Republic	100.00
HOTELY SRNÍ, a.s.	Czech Republic	100.00
Main Point Karlín II., a.s.	Czech Republic	100.00
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH	Austria	99.82
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H.	Austria	61.00
Pražská softwarová s.r.o.	Czech Republic	100.00
SURPMO, a.s.	Czech Republic	100.00

Companies consolidated using the equity method		
Business name	Country	Present capital share in %
S - budovy, a.s.	Czech Republic	100.00
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft	Austria	54.17
Sanatorium Astoria, a.s.	Czech Republic	100.00
Towarzystwo Ubezpieczen Wzajemnych "TUW"	Poland	52.16
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H.	Austria	51.46
VBV - Betriebliche Altersvorsorge AG	Austria	23.71
Österreichisches Verkehrsbüro Aktiengesellschaft	Austria	36.58

Unconsolidated companies		
Business name	Country	Present capital share in %
"Assistance Company "Ukrainian Assistance Service" LLC	Ukraine	100.00
"Eisenhof" Gemeinnützige Wohnungsgesellschaft m.b.H.	Austria	20.13
"Neue Heimat" Stadterneuerungsgesellschaft m.b.H.	Austria	79.51
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group	Montenegro	100.00
ALBA Services GmbH	Austria	48.87
Amadi GmbH	Germany	100.00
AQUILA Hausmanagement GmbH	Austria	97.75
AREALIS Liegenschaftsmanagement GmbH	Austria	48.87
Autosig SRL	Romania	99.50
B&A Insurance Consulting s.r.o.	Czech Republic	48.45
Benefia Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia	Poland	99.94
Brunn N68 Sanierungs GmbH	Austria	48.87
Bulstrad Trudova Meditzina EOOD	Bulgaria	100.00
CAPITOL BROKER DE PENSII PRIVATE S.R.L.	Romania	98.18
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L.	Romania	98.18
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L.	Romania	98.18
CARPLUS Versicherungsvermittlungsgesellschaft GmbH	Austria	97.75
Compensa Dystrybucja Spolka z ograniczona odpowiedzialnoscia	Poland	99.98
DV Asset Management EAD	Bulgaria	100.00
DV CONSULTING EOOD	Bulgaria	100.00
DV Immoholding GmbH	Austria	100.00
DV Invest EAD	Bulgaria	100.00
DVIB alpha GmbH	Austria	100.00

Unconsolidated companies		
Business name	Country	Present capital share in %
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H.	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz	Austria	24.44
EBV-Leasing Gesellschaft m.b.H.	Austria	72.32
EGW Datenverarbeitungs-Gesellschaft m.b.H.	Austria	71.92
EGW Liegenschaftsverwertungs GmbH	Austria	71.92
EGW Wohnbau gemeinnützige Ges.m.b.H.	Austria	71.92
Erste Bank und Sparkassen Leasing GmbH	Austria	47.90
Erste Biztositasi Alkusz Kft	Hungary	98.64
European Insurance & Reinsurance Brokers Ltd.	United Kingdom	100.00
EXPERTA Schadenregulierungs-Gesellschaft mbH	Austria	99.44
Finanzpartner GmbH	Austria	48.87
Foreign limited liability company "InterInvestUchastie"	Belarus	100.00
GELUP GmbH	Austria	32.58
GGVier Projekt-GmbH	Austria	53.76
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG	Austria	28.51
Global Assistance Polska Spolka z ograniczona odpowiedzialnoscia	Poland	99.99
GLOBAL ASSISTANCE SERVICES s.r.o.	Czech Republic	100.00
GLOBAL ASSISTANCE SERVICES SRL	Romania	99.70
GLOBAL ASSISTANCE SLOVAKIA s.r.o.	Slovakia	99.11
Global Services Bulgaria JSC	Bulgaria	100.00
Hausservice Objektbewirtschaftungs GmbH	Austria	20.72
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH	Austria	98.29
Hotel Voltino in Liquidation	Croatia	97.82

Unconsolidated companies		
Business name	Country	Present capital share in %
Immodat GmbH	Austria	20.72
MOVE Immobilienverwertung- und -verwaltungs GmbH	Austria	20.72
InterRisk Informatik GmbH	Germany	100.00
ITIS Spolka z ograniczona odpowiedzialnoscia	Poland	49.01
JAHORINA AUTO d.o.o.	Bosnia and Herzegovina	100.00
Jahorina Konseko Progres a.d. in Liquidation	Bosnia and Herzegovina	28.00
Joint Stock Company "Curatio"	Georgia	90.00
Joint Stock Insurance Company WINNER LIFE – Vienna Insurance Group Skopje	Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company	Belarus	98.26
KWC Campus Errichtungsgesellschaft m.b.H.	Austria	48.87
Lead Equities II Auslandsbeteiligungs AG	Austria	21.59
Lead Equities II.Private Equity Mittelstandsfinanzierungs AG	Austria	21.59
LiSciV Muthgasse GmbH & Co KG	Austria	28.51
Money & More Pénzügyi Tanácsadó Zártkörűen Működő Részvénytársaság	Hungary	98.64
PFG Liegenschaftsbewirtschaftungs GmbH	Austria	73.96
POLISA – ZYCIE Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia	Poland	99.97
Privat Joint-Stock Company "OWN SERVICE"	Ukraine	100.00
Renaissance Hotel Realbesitz GmbH	Austria	40.00
Risk Consult Bulgaria EOOD	Bulgaria	51.00
Risk Consult Polska Sp.z.o.o.	Poland	68.15
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H.	Austria	51.00

Unconsolidated companies		
Business name	Country	Present capital share in %
Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi	Turkey	64.19
Risk Experts Risiko Engineering GmbH	Austria	12.24
Risk Experts s.r.o.	Slovakia	51.00
Risk Logics Risikoberatung GmbH	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.	Romania	98.46
S.C. CLUB A.RO S.R.L.	Romania	99.72
S.C. Risk Consult & Engineering Romania S.R.L.	Romania	51.00
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama	Croatia	100.00
SB Liegenschaftsverwertungs GmbH	Austria	40.26
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH	Austria	97.75
serviceline contact center dienstleistungs-gmbH	Austria	97.75
Slovaexperta, s.r.o.	Slovakia	98.51
Soleta Beteiligungsverwaltungs GmbH	Austria	28.51
Sparkassen-Versicherungsservice Gesellschaft m.b.H.	Austria	97.75
Spoldzielnia Usługowa VIG EKSPERT W WARSZAWIE	Poland	99.97
TAUROS Capital Investment GmbH & Co KG	Austria	19.55
TAUROS Capital Management GmbH	Austria	24.93
TBI Info OOD	Bulgaria	20.00
TOGETHER CCA GmbH	Austria	24.71
twinfaktor GmbH	Austria	74.16
UAB "Compensa Life Distribution"	Lithuania	100.00
UNION-Erted Ellatasszervező Korlatolt Felelőssegű Tarsasag	Hungary	67.33

Unconsolidated companies		
Business name	Country	Present capital share in %
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H.	Austria	47.90
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia	Poland	99.99
Vienna International Underwriters GmbH	Austria	100.00
Viesure innovation center GmbH	Austria	98.87
VIG AM Services GmbH	Austria	100.00
VIG Asset Management, a.s.	Czech Republic	100.00
VIG Management Service SRL	Romania	98.46
VIG Offices, s.r.o.	Slovakia	98.47
VIG Services Bulgaria EOOD	Bulgaria	100.00
VIG Services Shqiperi Sh.p.K.	Albania	89.52
VÖB Direkt Versicherungsagentur GmbH	Austria	48.87
WAG Wohnungsanlagen Gesellschaft m.b.H.	Austria	24.44
Wien 3420 Aspern Development AG	Austria	23.92
Wiener Städtische Donau Leasing GmbH	Austria	97.75
WOFIN Wohnungsfinanzierungs GmbH	Austria	20.72
WSBV Beteiligungsverwaltung GmbH	Austria	97.75
WSVA Liegenschaftbesitz GmbH	Austria	97.75
WSVB Liegenschaftbesitz GmbH	Austria	97.75



NON-FINANCIAL
PART

NON-FINANCIAL PART

1. Company development

In 2019, ČPP was among the ten fastest growing Czech insurance companies. Its market share of 7.4% strengthened the position of ČPP as the fifth largest insurance company in the total ranking. 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 ranked among the three best insurance companies in the Most Client-Friendly Life Assurance Company category of the Best Insurance Company competition organised by the daily Hospodářské noviny. ČPP offers the broadest coverage in the market in terms of a rider covering the costs of assisted reproductive treatment which can help women up to the age of 45 years to give birth to a longed-for child. We extended the insurance coverage for congenital defects of children. As the only insurance company in the market, ČPP offers insurance of the risk of operations of children with a congenital disorder.

2. Research and development

In its research and development activities, ČPP focuses on areas closely connected with its business, i.e. the provision of insurance services. It prioritises the intensive development and wider use of information and communication technologies and implements 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, and the implementation of process automation.

3. Environmental protection and social and employment relations

As a significant player in the insurance market, ČPP considers responsible and ethical business activities an integral part of its business strategy, giving rise to a commitment 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 develops preventive programmes on healthy life style and educates children and young people in financial maturity. It also offers its expert knowledge to non-profit organisations free-of-charge and provides financial and material assistance to selected charity projects and organisations. The underlying values of the Company's corporate culture also include an environment-friendly approach and the protection of natural resources. ČPP motivates its employees to follow the principles of environmental protection and frugality.

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 Insurance Act 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 2019, available at ČPP's website <https://www.cpp.cz/profil/>.

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

Pobřežní 665/23, 186 00 Praha 8

Client phone line: 957 444 555, e-mail: info@cpp.cz, www.cpp.cz

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