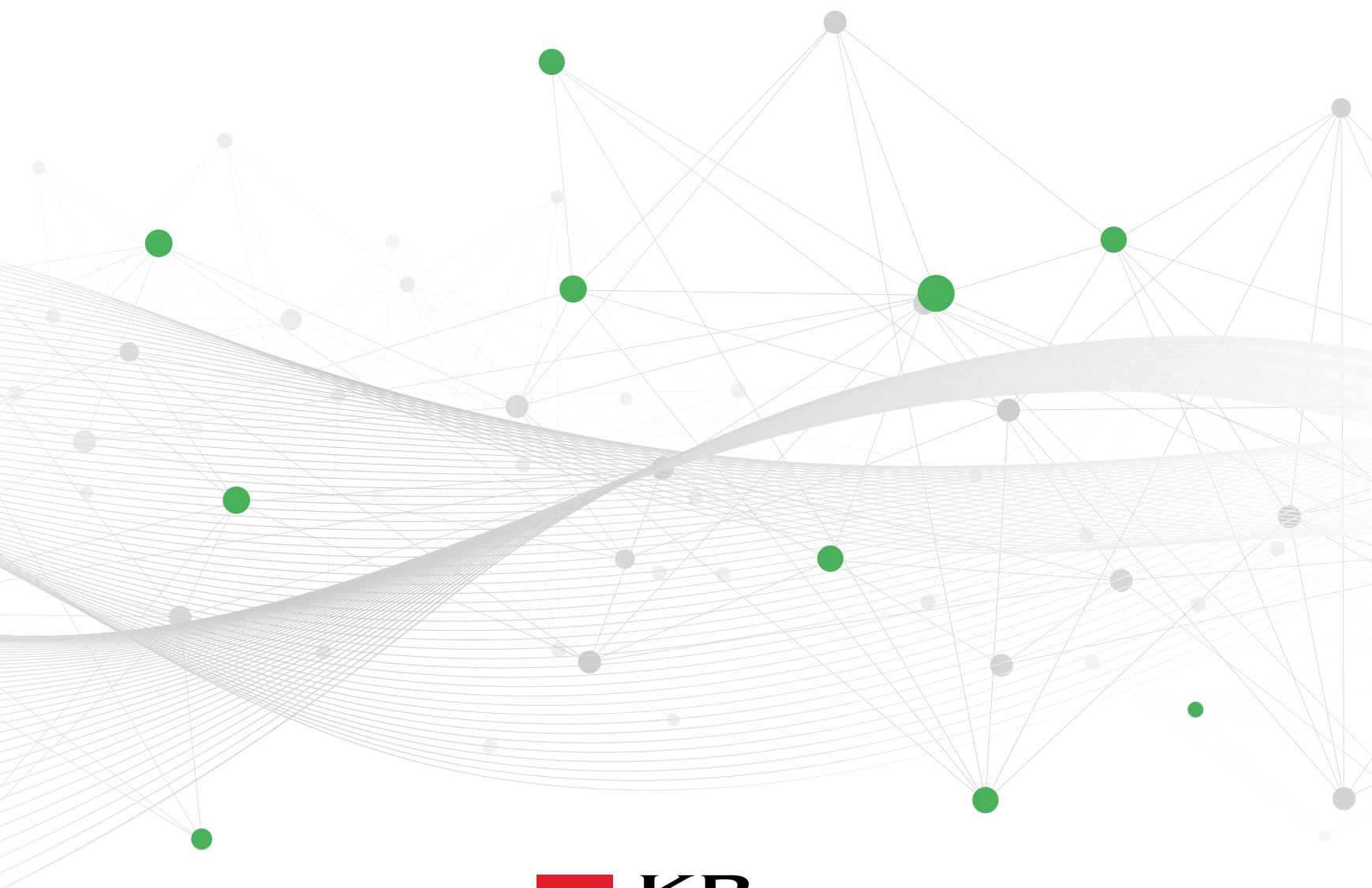


ANNUAL
REPORT

2018

Komerční pojišťovna, a.s.



Komerční pojišťovna, a.s.
is a universal insurance
company that specializes
primarily in the provision of life
insurance services.

- The total assets of the insurance company decreased by 4.3%.
- Technical provisions reached CZK 47.5 billion.
- In 2018, the gross written premiums amounted to CZK 5.1 billion.
- Appreciation for KP's clients ranged from 0.5–1.2% in 2018.

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Fax: +420 224 243 020
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internet: www.kb.cz

Additional Information

For more information
on KP's products and services,
visit www.kb-pojistovna.cz.

Technical provisions (gross, CZK thousand)

2014	43,306,605
2015	45,428,778
2016	47,449,991
2017 restated ¹	48,554,350
2018	47,452,817

Written premiums (gross, CZK thousand)

2014	10,192,286
2015	6,577,143
2016	6,660,083
2017	6,149,823
2018	5,146,804

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	Units	2018	2017 restated ¹	2016	2015	2014
Total assets	CZK thousand	47,797,166	49,951,862	48,109,578	46,687,061	45,273,502
Share capital	CZK thousand	1,175,398	1,175,398	1,175,398	1,175,398	1,175,398
Shareholder's equity	CZK thousand	1,936,468	2,940,345	2,597,615	2,983,090	3,113,341
Profit/loss	CZK thousand	547,949	525,768	486,960	372,781	283,082
Written premium (gross)	CZK thousand	5,146,804	6,149,823	6,660,083	6,577,143	10,192,286
Cost of claims (gross)	CZK thousand	5,023,746	4,508,360	4,211,505	4,322,183	2,522,666
Technical reserves (gross)	CZK thousand	47,452,817	48,554,350	47,449,991	45,428,778	43,306,605
Number of employees	Persons	210	186	179	166	157

¹ Comparative information has been restated to reflect the presentation of the current period

| Company Profile

Business name

Komerční pojišťovna, a.s.

Legal form

Joint-stock company

Date of registration

1 September 1995

Registered office

Karolinská 650/1, Prague 8, postal code 186 00

Identification No.

63998017, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3362

Shareholders

SOGECAP, S.A., with its registered office at Tour D2, 17 bis, place des Reflets, 92919 Paris la Défense Cedex, France (holds ownership interest of 51%), Komerční banka, a.s., with its registered office at Na Příkopě 33, Prague 1 (holds ownership interest of 49%)

Registered capital

CZK 1,175,397,600

Scope of business

- Insurance activities;
- Operations related to insurance and reinsurance.

Since the acquisition of Komerční banka, a.s. (hereinafter “KB” or “Komerční banka”) by Société Générale S.A. (hereinafter “SG” or “Société Générale”) in 2001, Komerční pojišťovna, a.s. (hereinafter “KP”, “Komerční pojišťovna” or the “Company”) has implemented SG’s bank-insurance business model. KP therefore cooperates primarily with companies that form part of the KB Group. In addition to KB’s largest network, other sales networks comprise ESSOX, s.r.o. (hereinafter “ESSOX”), Modrá pyramida stavební spořitelna, a.s. (hereinafter “MPSS”) and Penzijní společnost Komerční banky, a.s. (hereinafter “KB PS”).

Insurance brokers joining the ranks of KP’s external business partners since 2009 have also become an important part of the Company’s distribution network, while cooperation with them has continued to expand successfully.

KP uses its status of a universal insurance company to provide services in the segments of life and non-life insurance in the Czech Republic, as well as across the EU under a single licence. Since 2008, KP has successfully cooperated with foreign companies in the SG Group and provides its services in Bulgaria, Romania and Germany.

The majority owner of KP’s shares is insurance company SOGECAP, S.A. (hereinafter “SOGECAP”), SG’s wholly-owned subsidiary, which holds a 51% ownership interest; KB is a minority shareholder with a 49% ownership interest. Due to this shareholders’ structure, KP has direct access to top know-how and long-term experience in the field of financial advisory.

Komerční pojišťovna is a member of the Komerční banka Financial Group and the Société Générale Financial Group. KP’s products are offered to Komerční banka’s clients in particular, thus complementing KB’s services so that clients can obtain comprehensive financial advisory, including insurance.

Komerční pojišťovna does not have any branches abroad.

Foreword of the Chairman of the Board of Directors

In 2018, Komerční pojišťovna launched a very ambitious IT transformation project. Although this project represents considerable costs for the Company, the investment is justified in our mind because of the substantial advantages we expect from it. KP uses four different and old IT systems to manage its different policies, meaning that we generate costs and have some difficulties implementing the product quickly. If we succeed, and we intend to do so, we will have only one modern IT solution in the end, which will allow us to be more reactive and reduce the time needed to market our products.

This very important project has been launched using agile methodology for the first time, with the first positive results. Initial steps are achieved faster than with applying classical methodologies. We intend to develop more agile methodology in KP in order to be more efficient, more reactive, and able to implement new services and new products faster and with lower costs. We hired a global project manager highly skilled in agile methodology, and we have already trained dozens of people in KP in agility.

2018 was also dedicated to business development. Our strategy is to develop the Company upon three pillars: the first is cooperation with the Société Générale group (Komerční banka, MPSS, ESSOX etc.), the second involves external business partners, and the third is using the internet for sales.

In co-operation with Komerční banka, we succeeded in organizing for the first time the marketing campaign *April – Month of Insurance* with great success. We reorganized the Company in order to be ready in 2019 to work with new tribes in KB, using their own agile methodology.

With our external business partners we refreshed our offer and will continue to do so in 2019.

On the internet, we launched with the Creative Dock company a life insurance product Mutumutu. Part of the product is a reward for a healthy lifestyle. Furthermore, we launched online personal belongings insurance Cubiq. We hope that these innovative products will have some success in 2019 and we intend to continue to develop a multi-channel integrated solution for sales of insurance products.

In 2018 we also had a very important regulatory agenda. We succeeded in implementing the Insurance Distribution Directive rules in KP, and we also reached our target of implementing the first major part of the General Data Protection Regulation, in line with legal deadlines.

As for the results of the clients' satisfaction survey, the positive trend we observed during previous years was again confirmed. Clients' satisfaction and loyalty were again measured by the net promoter score, the metric to assess the willingness of clients to recommend a certain company, product or service to their friends, relatives or colleagues. KP scored +29, as in 2018, which is well above standard in the market and it rewards the attention we pay to clients' needs.

This was also confirmed by the fact that KP was named Best Life Insurance Company on the market for 2018 (Hospodářské noviny Best Insurance House Award).



Gaël Loaec
Chairman of the Board of Directors and CEO

| Report of the Board of Directors

Komerční pojišťovna, a member of the Société Générale Financial Group, focuses on the provision of life insurance and the sale of other types of insurance that complement the banking and financial products of partners in the SG Group. KP products are mostly distributed by members of the KB Financial Group, in particular the KB and MPSS distribution network, but also by external business partners. Komerční pojišťovna uses a single licence to provide its services throughout the European Union territory and cooperates with partner companies in the Société Générale Group in Bulgaria, Romania and Germany.

Macroeconomic overview of 2018

The Czech economy's growth slowed to 3.0%¹ in 2018. The main drivers were private consumption and strong investment. The average inflation rate was 2.1%² in 2018. In December, consumer prices climbed by 2.0%² year-on-year. Employment reached an all-time high in 2018. The unemployment rate fell to 3.1%³ at the year-end, representing the lowest unemployment rate recorded over the past decade.

Komerční pojišťovna's strategy

Vision

- Be a respected and reliable insurer that offers attractive and transparent products;
- To develop, innovate and maintain long-term, steady growth with the objective of meeting the needs of the clients, distributors, shareholders and KP employees;
- Continuously improve the comfort and quality of service for KP clients and partners;
- Create a corporate culture that encourages employees' engagement, open communication, team spirit and collaboration.



¹ <https://www.czso.cz/csu/czso/ari/gdp-resources-and-uses-4th-quarter-of-2018>

² <https://www.czso.cz/csu/czso/ari/consumer-price-indices-inflation-december-2018>

³ <https://portal.mpsv.cz/sz/stat/nz/mes>

Trends in the insurance market in the Czech Republic

In 2018, the total written premiums in the Czech insurance market increased by 3.7% year on year to CZK 152.2 billion. The total volume of premiums in life insurance amounted to CZK 54.3 billion (year-on-year decrease of 3.0%). In contrast, the total volume of non-life insurance amounted to CZK 98 billion and increased by 7.8% compared to the previous year. All of these values have been derived using the original methodology of the Czech Insurance Association (CAP)¹.

Position of KP on the insurance market

In 2018, Komerční pojišťovna achieved good business results and reached the threshold of CZK 5.1 billion in the volume of written premiums. Depending on the product type, Komerční pojišťovna ensured appreciation of 0.5 – 1.2% for its clients in 2018. Komerční pojišťovna has ranked among the five major insurance companies on the Czech market in the segment of life insurance for more than seven years. At the end of 2018, Komerční pojišťovna's market share accounted for 8.6% (calculated in accordance with the original methodology of the Czech Insurance Association (CAP)¹.

In the prestigious Best Insurance Company contest conducted by the Hospodářské noviny daily, Komerční pojišťovna achieved the top rating in the Best Life Insurance Company 2018 category and it placed third in the Most Client-Friendly Life Insurance Company 2018 category.

In the segment of non-life insurance, Komerční pojišťovna in 2018 focused on growth in payment cards and personal belongings insurance. It launched a new children's insurance of payment cards and personal belongings Merlin Junior. The Company also paid increased attention to improving existing products in this segment. In total, written premiums generated in non-life insurance increased by 10% compared to 2017.

Komerční pojišťovna continued successful co-operation with external partners from the ranks of insurance brokers. As a result, the volume of total written premiums in risk life insurance sold by these partners has been increasing for several consecutive years. In 2018, it rose by 2%. Distribution of risk life insurance was productive also in the Komerční banka and MPSS sales networks. In total, written premiums in risk life insurance grew by 6% in 2018 compared to 2017.

Long-standing co-operation in the non-life insurance segment with partner companies in the Société Générale Group also continued in 2018. The overall volume of written premiums from non-life insurance products provided by foreign partner companies remained stable.

In co-operation with an external agency, Komerční pojišťovna launched two new innovative products available online.

What's new in 2018

In 2018, Komerční pojišťovna focused primarily on launching two innovative online products, Mutumutu and Cubiq, and on making the existing products more attractive in order to meet the clients' needs.

In non-life insurance, Komerční pojišťovna introduced the Merlin Junior insurance product for children covering risks arising from the consequences of misuse of children's payment cards if lost or stolen, the risk of unauthorized cash withdrawal or the risk of theft of personal belongings, including identification documents and keys.

In the segment of investment life insurance, Komerční pojišťovna continued to focus on expanding the range of funds offered in the Vital Invest investment life insurance. In 2018, the Company introduced new guaranteed funds – Protective, Protective 2, Protective 3 and Protective 4, allowing clients to make attractive investments in structured bonds with the potential of appreciation exceeding the guaranteed return of investment funds. In addition, Komerční pojišťovna initiated the sale of the Amundi Global Select Fund, a new, actively managed fund that is suitable for investors wishing to invest in the long term (6 years and longer).

Innovation platform

The goal of the innovation platform in Komerční pojišťovna is to increase to a maximum extent support for an innovative environment that invigorates creative and open thinking. The innovation platform provides creative space for seeking and creating new customer-oriented opportunities in products, services and internal processes. In 2018, the innovation platform focused on internal processes, co-operation with start-ups and the needs of Komerční pojišťovna's clients.

¹ According to the non-public statistics of the Czech Insurance Association distributed to CAP members

Product portfolio

1. Investment and Capital Life Insurance – Vital Product family

Komerční pojišťovna offers a range of products that enable clients to create financial reserves for the future.

These products include:

- **Vital Invest investment life insurance** with a wide range of funds, including a fund with guaranteed appreciation and a guaranteed return of investment in the event of death of the insured;
- **Program Vital capital life insurance**, which enables employers to assist their employees in securing themselves for their retirement using tax benefits;
- **Vital Premium** life insurance with guaranteed appreciation, which is offered to KB's VIP clients in two tranches – EUR and USD.

2. Risk Life Insurance

Risk life insurance is an important part of the offer of Komerční pojišťovna, it covers key life risks of clients and helps them overcome financial losses in case of unexpected events, such as disability, death, long illness or involuntary loss of employment. Risk insurance includes:

- **MojeJistota/Moudré pojištění/Elán universal life insurance** with a broad range of insurance risks, among which the client can freely choose, and a newly introduced option to insure children;
- **Risk life insurance for consumer loans and mortgages**, which pays the loan instalments or repays the loan balance for the client in case of unexpected events.

3. Non-life Insurance

The key product in this segment is MojePojištění majetku.

This comprehensive property, household, liability and accident insurance, which is sold through the KB and MPSS distribution channels, is unique in the Czech property insurance market in many aspects, primarily due to the non-application of the underinsurance principle in property insurance. In November 2018, property insurance began to be available also through external business partners.

KP provides **Merlin, Merlin Junior, Profi Merlin, Vega** and **Super Vega** non-life insurance protecting against the loss and misuse of payment (credit/debit) cards. In addition to card misuse, this insurance also covers other risks – theft and misuse of a mobile phone, loss of keys or ID documents, etc. This insurance is offered with KB payment cards as well as payment cards issued by other companies in the SG Group (ESSOX, major banks in Bulgaria, Romania and Germany).

Other types of non-life insurance include **MojePojištění plateb** and **ProfiPojištění plateb**, i.e. payment insurance that secures funds for the payment of regular monthly expenses from the current or business account of the KB client.

The product offer is complemented with **travel insurance** covering the full range of risks related to travelling. Clients may take out separate travel insurance for the whole year or for individual trips at any branch of Komerční banka, via the internet or via the increasingly used KB mobile application Mobilní Banka.

Travel insurance is also offered with payment cards issued by KB and by other banks comprised in the Sociétés Générale Group within the European Union.

Internal processes

Komerční pojišťovna made significant progress in the digitization of internal processes by implementing new service robots that handle automatic communication in specific situations. The digitization of processes is aimed at faster and flawless customer service and ongoing cost reduction.

The Company fully developed a new internal process monitoring system which reduces processing risks and provides a broad range of measurements to optimize processes and remove bottlenecks in processing.

The staff engaged in internal processes undergo regular training with the aim to increase processing efficiency, while maintaining a safe and prudent approach to the tasks assigned to them. They also have the opportunity to participate in the development of internal information systems.

KP continues the automation of testing of internal information systems that help enhance the quality of internal processes and services provided.

In 2018, the Company implemented outsourcing of all print services, which resulted in significant quality improvements and cost reduction.

Komerční pojišťovna is engaged in the Zelená firma (Green Company) project aimed at environmental protection. In research and development, Komerční pojišťovna focuses on the development of new products, including the information systems in which the products are managed.

Internal control system and Risk management

Corporate governance

In accordance with the requirements of Directive 2009/138/ EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), KP introduced four key functions: actuarial function, compliance function, risk management function and internal audit function. These key functions are supported by a set of committees, which are part of the risk management system as well as the internal control system. The key functions closely co-operate both at the local level in KP in the Czech Republic, and at the group level. The group key functions provide local functions with methodical instructions, tools and procedures.

KP complies with the new legal framework regarding personal data protection in the European Economic Area (GDPR) with the aim to protect the rights of EU citizens against unauthorized processing of their data, including personal data. Data subjects have been granted new rights that the Company must recognise and fully abide by. Thus, KP in 2018 created a new position, Data Protection Correspondent, who co-operates with KB Group's Data Protection Officer.

Risk management system

The KP risk management system consists of three types of components: organisational framework, technical means and human resources.

The organisational components include the organisational structure, which ensures the independence of the risk management functions from the operational functions, and direct access of the function to the Company's Board of Directors. It enables the risk management function to implement risk management strategies, policies and tools.

Risk management system technical means comprise tools for the identification, analysis and assessment of existing or potential risks and tools for their monitoring, reduction and reporting.

Human resources play a key role in the entire risk management system. They include all and any interactions between the KP staff, three lines of defence as well as all stakeholders, such as KP shareholders, suppliers and business partners, and state authorities. In connection with the human resources component, KP views as important the values based on open communication, team spirit, social responsibility, professionalism, knowledge and skills.

The KP risk management system has four building blocks:

- Risk identification;
- Risk analysis and assessment;
- Risk management and monitoring;
- Reporting.

For these four processes, risk management uses risk management tools; in addition, it is closely linked with the internal control system. The risk management system and internal control system support each other. The internal control system principles serve as a basis for the identification, assessment, monitoring and management of risks as well as for their reporting.

The relationship between the internal control environment system and risk management system is facilitated by the organisation, which enables permanent management of key risks that may affect the solvency of KP or, subsequently, the SOGECAP Group.

The risk management system processes provide an overview of the main risks faced by KP, and they also provide the background for informed decision-making of KP's Board of Directors so that the KP risk exposure stays within the required range. The risk management system processes have been set up in a way that allows an early warning of the Board of Directors, who, if necessary, can take action to implement corrective measures or action plans in order to prevent or mitigate materialisation of the relevant risk.

People in KP

In the field of human resources, Komerční pojišťovna adhered to the current trends in 2018. The key focus was on the implementation of an agile method of management both in IT and in project management and product design. The HR team also centred on digitizing HR administration and creating a new design of the staff adaptation process. With the support of HR, the management team got ardently involved in the development of co-operation between teams through facilitated workshops. Within the innovation platform, workplaces have been refurbished and a relaxation zone was created. In addition, the attendance records have been simplified and initial in-house training sessions were organized.

Hiring new staff and their smooth orientation at workplaces were again key priorities in 2018. Similarly to other companies, KP was faced with low unemployment and the related lack of job applicants. The HR team focused on improving communication with the applicants whose feedback praised in particular the form and wording of job advertisements and rated them as attractive and friendly. Another major step was a new adaptation process for employees, which was modified involving both managers and new employees. KP continued to support the reference program for existing employees.

As in previous years, Komerční pojišťovna utilised synergies with Komerční banka, SOGECAP and Société Générale groups. Well-established co-operation across the Group had positive effects mainly on staff recruitment and mobility between Komerční banka and Komerční pojišťovna, the participation of selected KP employees in development programs of SOGECAP and KB, and on effective co-operation in payroll outsourcing.

KP ranks among stable employers long time and offers its employees a broad portfolio of benefits that promote the work-life balance (for example, five days of sick leave, extra paternity leave, flexible working hours, work from home and a cafeteria).

Subsequent events

As at the date of the preparation of the financial statements, the Company management is not aware of any events (other than changes in the Board of Directors) that would require adjustment of the Company's financial statements. The changes in the Board of Directors are described in the notes to the financial statements included in the Annual Report.

Comments on the Financial Results

Comparison of the year-on-year trend in gross written premiums – life insurance (CZK thousand)

2017	5,729,912
2018	4,685,421

-18.2%

Comparison of the year-on-year trend in gross written premiums – non-life insurance (CZK thousand)

2017	419,911
2018	461,383

+9.9%

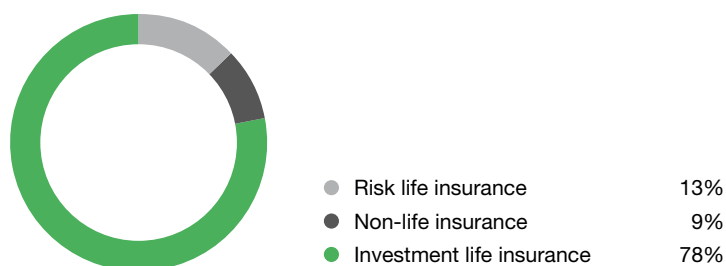
Profit

The profit of Komerční pojišťovna according to Czech Accounting Standards reached CZK 548 million in 2018. According to the International Financial Reporting Standards (IFRS) used for the purposes of consolidation with KB, KP's profit amounted to CZK 482 million (unaudited).

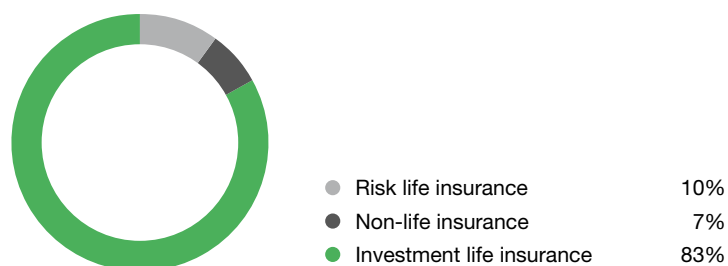
Gross Written Premiums

The total volume of gross written premiums in 2018 amounted to CZK 5,147 million. Gross written premiums in the life insurance segment totalled CZK 4,685 million in 2018, which accounts for a year-on-year decrease of 18.2% due to a lower volume of investment life insurance. In the segment of non-life insurance, Komerční pojišťovna generated written premiums in the amount of CZK 461 million. Compared to 2017, written premiums increased by 9.9%.

Structure of gross written premiums in 2018 (%)



Structure of gross written premiums in 2017 (%)

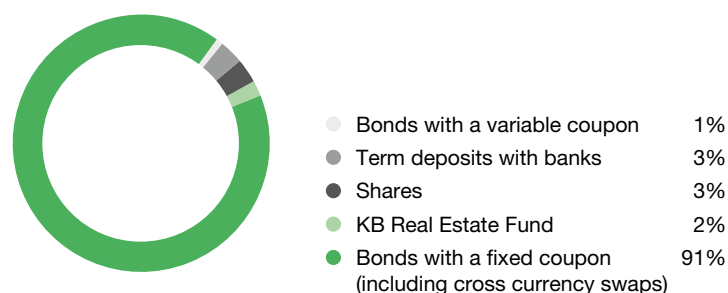


Structure of Gross Written Premiums

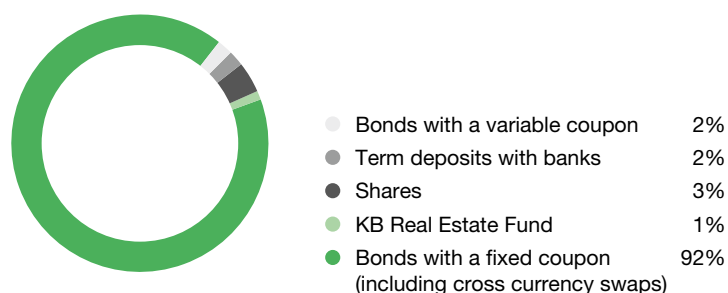
The structure of gross written premiums changed in 2018 as written premiums generated from investment life insurance fell by 21% year-on-year. Non-life insurance climbed by 10% compared to the previous year. Risk life insurance also showed a year-on-year increase of 6%. The major part of the portfolio is comprised of investment life insurance products sold by Komerční banka, in particular products with guaranteed appreciation.

In 2018, the Company introduced new guaranteed funds – Protective, Protective 2, Protective 3 and Protective 4. The offer of funds was modified for the Vital Invest product. Komerční pojišťovna launched the sale of the Amundi Global Select fund. In 2018, the Forte, Forte 2, Forte 3, Optimo, Optimo Commodities and Optimo Commodities 2 funds matured in the total amount of CZK 2,679 million.

Komerční pojišťovna portfolio structure as at 31 December 2018 (%)



Komerční pojišťovna portfolio structure as at 31 December 2017¹ (%)

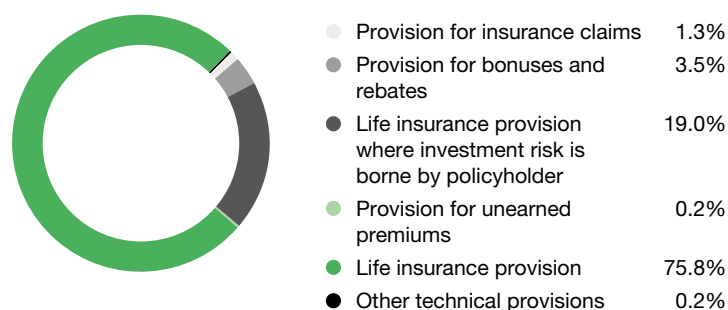


Portfolio Structure

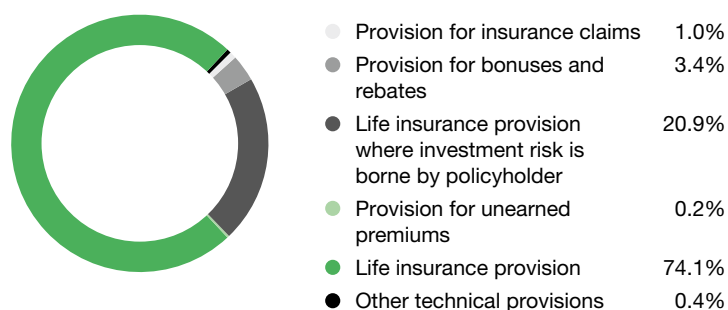
The structure of the investment portfolio is almost the same as in previous years. Komerční pojišťovna focuses mainly on conservative items. Bonds with a fixed coupon (including cross currency swaps) account for 91% of the portfolio, thus guaranteeing clients strong return on their investments.

A significant part of the portfolio is composed of Czech government bonds and bonds issued by banks and corporations based in the EU. The portfolio also includes term deposits and shares and, marginally, bonds with a variable coupon.

Technical provisions structure as at 31 December 2018 (%)



Technical provisions structure as at 31 December 2017¹ (%)



Technical Provisions

The volume of technical provisions decreased by 2.3% compared to 2017 and amounted to CZK 47,453 million as at 31 December 2018.

accounting methodology for securities. Based on the decision of the General Meeting, the reserve fund of CZK 61 million was terminated and its funds were transferred to retained earnings in 2018.

During 2018, Komerční pojišťovna did not acquire its own shares.

Equity

The equity amounted to CZK 1,936 million as at 31 December 2018, representing a 34% decrease compared to 2017. The increase stemmed from a change in the valuation and

The total balance sheet sum amounted to CZK 47,797 million as at 31 December 2018, i.e. a year-on-year decline of 4.3%.

¹ Comparative information has been restated to reflect the presentation of the current period

Board of Directors

Gaël Loaec

(membership commenced as of 1 October 2018)

Chairman of the Board of Directors and CEO

He was born on 20 July 1966 in France, is a French citizen and currently lives in Prague. He was elected Chairman of the Board of Directors effective 1 October 2018. He is a graduate of Sorbonne University where he majored in economics. He is also a member of the French Institute of Actuaries. From 1991 to 2000 he held various actuarial positions in the CARDIF group and from 2000 to 2004 in BNP Paribas. In 2005, he was appointed the Director of Actuarial Science at Société Générale Group. In 2007 he participated in the founding of an insurance company in Croatia, where he subsequently worked for six years. In 2013 – 2018, he was CEO of the insurance company La Marocaine Vie in Morocco.

Stéphane Corbet

(membership terminated as of 30 September 2018)

Chairman of the Board of Directors and CEO

He was born on 11 September 1969 in France, is a French citizen and currently lives in Prague. He was elected Chairman of the Board of Directors effective 29 September 2011. He had been a member of the Board of Directors of Komerční pojišťovna since 1 September 2003. He held various actuarial positions, the last one in the SOGECAP company, previously in the A. G. F. company (a member of the Allianz group). He graduated from the Institute of Statistics at University of Paris and is a member of the French Institute of Actuaries.

Jiří Koutník

Member of the Board of Directors and Head of Project and Information Technology Management Section

He was born on 8 October 1969 and lives in Prague. He was elected member of the Board of Directors effective 19 April 2011. He had been working in Komerční banka in top IT positions since 2003, most recently as the Head of Distribution Channel Software Development. In April 2011 he joined KP as the Head of the Project and Information Technology Management Section. He graduated from the Faculty of Electrical Engineering of Czech Technical University in Prague.

Helena Indrová

Member of the Board of Directors and Head of Financial Section

She was born on 14 August 1980 and lives in Prague. She was elected member of the Board of Directors effective 22 January 2014. She started her career at Ernst & Young. Since 2006, she had been working for Komerční banka in the Financial Group Management Department. She joined Komerční pojišťovna in 2009 as the Head of the Controlling and Planning Department; in February 2011, she was appointed the Deputy Head of the Financial Section. She graduated from the Faculty of Economics of Technical University of Liberec and is a member of the UK-based Association of Chartered Certified Accountants.

Šárka Šindlerová

Member of the Board of Directors and Head of Client Service and Operations Section

She was born on 11 January 1973 and lives in Prague. She was elected member of the Board of Directors effective 1 July 2007. She has been working in the financial sector since 1996, namely at Deloitte and ING. She joined Komerční pojišťovna as the Head of the Financial Section in November 2002. She graduated from the School of Economics of Silesian University in Opava.

Catherine de la Croix

Member of the Board of Directors and Head of Development Section

She was born on 28 February 1970 in France, is a French citizen and currently lives in Prague. She was elected member of the Board of Directors effective 1 December 2016. She joined the Société Générale Group in August 2002. Since 2008 she continued her career abroad. Most recently, she was the Chairwoman of the Management Board in Société Générale Osiguranje, a life insurance company based in Croatia. She joined Komerční pojišťovna on 1 September 2016 as the Head of the Development Section. She is a graduate of International Private Law at the Jean Monnet Faculty of Law (Paris-Sud University), and she earned a master's degree in Wealth Management at the Faculty of Law of Rennes University.

Zdeněk Zavadil

Member of the Board of Directors and Head of External Partnership Section

He was born on 22 April 1969 and lives in Prague. He was elected member of the Board of Directors effective 10 May 2001. He began his professional career at Motokov in 1992 and then worked for several leasing companies. He joined Komerční pojišťovna as the Head of the Client Services and Operations Section in May 2001. He graduated from the Faculty of Business Administration of University of Economics in Prague.

Supervisory Board

Philippe Perret

Chairman of the Supervisory Board

He was born on 11 January 1963 in France, is a French citizen and currently lives in Paris. He was elected member of the Supervisory Board effective 4 March 2006, and he became the Chairman of the Supervisory Board on 4 December 2009. Since 1987 he has worked in the financial sector, initially at NATIO-VIE (a member of the BNP group); he joined SOGECAP in 1997. He has been the company's CEO since 1 December 2009. He graduated from the National School of Statistics and Economic Management and is a member of the Executive Committee of the Association of French Insurance Companies and the French Institute of Actuaries.

Laurent Doubrovine

Member of the Supervisory Board

He was born on 23 February 1969 in France, is a French citizen and currently lives in Paris. He was elected member of the Supervisory Board effective 1 December 2017. He holds a diploma from the National Statistical and Economic Administration (ENSAE), the French Institute of Actuaries and the Institute of Advanced Business Studies (IHEE). Between 2008 and 2016, he was the Director of Natixis Assurances. From October 2016 to April 2017, he worked as an adviser to SOGECAP's Chairman and CEO. From May 2017 to October 2017, he held the position of the Director of Bank Insurance in the same company. In October 2017 he was appointed SOGECAP's International Operations Director.

Jan Juchelka

Member of the Supervisory Board

He was born on 19 September 1971 in the Czech Republic and lives in Prague. He was elected member of the Supervisory Board effective 19 October 2017. He graduated from Silesian University in Opava. In 1995, he began to work in the National Property Fund of the Czech Republic. Between 2002 and 2005, he also acted as Chairman of its Executive Committee. From 1999 to 2006, he was a member of the Supervisory Board of Komerční banka. In 2006, he joined Komerční banka, first as the Director of the Corporate Banking Business Division in Prague, and then in the same year as a member of the Board of Directors responsible for management of Top Corporations and Investment Banking. In 2012, he started to work at the Société Générale headquarters in Corporate and Investment Banking as the Managing Director, Head of Coverage with responsibility for corporate clients in Central and Eastern Europe, the Middle East and Africa. He also simultaneously acted as a Senior Banker for Central and Eastern Europe. Since August 2017, he has been Chairman of the Board of Director and Chief Executive Officer of Komerční banka.

Miroslav Hiršl

(membership commenced as of 30 November 2018)

Member of the Supervisory Board

He was born on 1 November 1972 and lives in Hradec Králové. He was elected member of the Supervisory Board effective 30 November 2018. He is a graduate of University of Economics in Prague where he majored in foreign trade and banking, followed by the Graduate School of Banking in Boulder, Colorado, in the US. From 1996 to 2006, he worked on various positions within Komerční banka, initially at the branch in Hradec Králové, and later at a regional branch and KB headquarters in Prague. In 2006 – 2014, he worked at Modrá pyramida stavební spořitelna, a.s., first as the Director for Business Synergies, later as a member of the Board of Directors, Deputy CEO, Executive Director for Business and Marketing, and finally as the Vice-chairman of the Board of Directors, First Deputy CEO, Executive Director for Business and Marketing. From 2014 to 2018, he served as the CEO and a member of the Board of Directors of SG Montenegro banka, a.d. in Montenegro. Since August 2018, he has been a member of the Board of Directors of Komerční banka responsible for Retail Banking.

Libor Löfler

(membership terminated as of 19 November 2018)

Member of the Supervisory Board

He was born on 29 May 1966 and lives in Prague. He was elected member of the Supervisory Board effective 28 April 2015. He graduated from University of Economics in Prague and has spent his entire career in the banking sector. He worked at the Czechoslovak State Bank, the Investment Bank and the Consolidation Bank in the fields of IT projects and, subsequently, financial management. During 1998 and 1999, he worked as the CEO of Konsolidační banka. Since 1999, he had been working for KB Group engaged in privatization, restructuralization and transformation projects in the areas of finance and the financial group management. During 2002 – 2006, he served as Head of Financial Management; 2006 – 2010 he held the position of Vice-Chairman of Modrá pyramida in charge of IT, project management and credit approval. In 2010, he was appointed the Deputy Senior Executive Director for Strategy and Finance of Komerční banka. In 2012, he took over position of the Executive Director for Strategy and Finance. With effect from 1 April 2015, he was elected a member of the Board of Directors of Komerční banka and was in charge of Strategy and Finance, Transaction and Payment Services, Investment Banking Services, Support Services, Information Technology, Organisation and Change Management and Information Management.

Audit Committee

The Audit Committee consists of three members. Audit Committee members shall be appointed by the General Meeting from the members of the Supervisory Board or third parties.

Composition of the Audit Committee

Etienne Loulergue

Chairman of the Audit Committee

Laurent Doubrovine

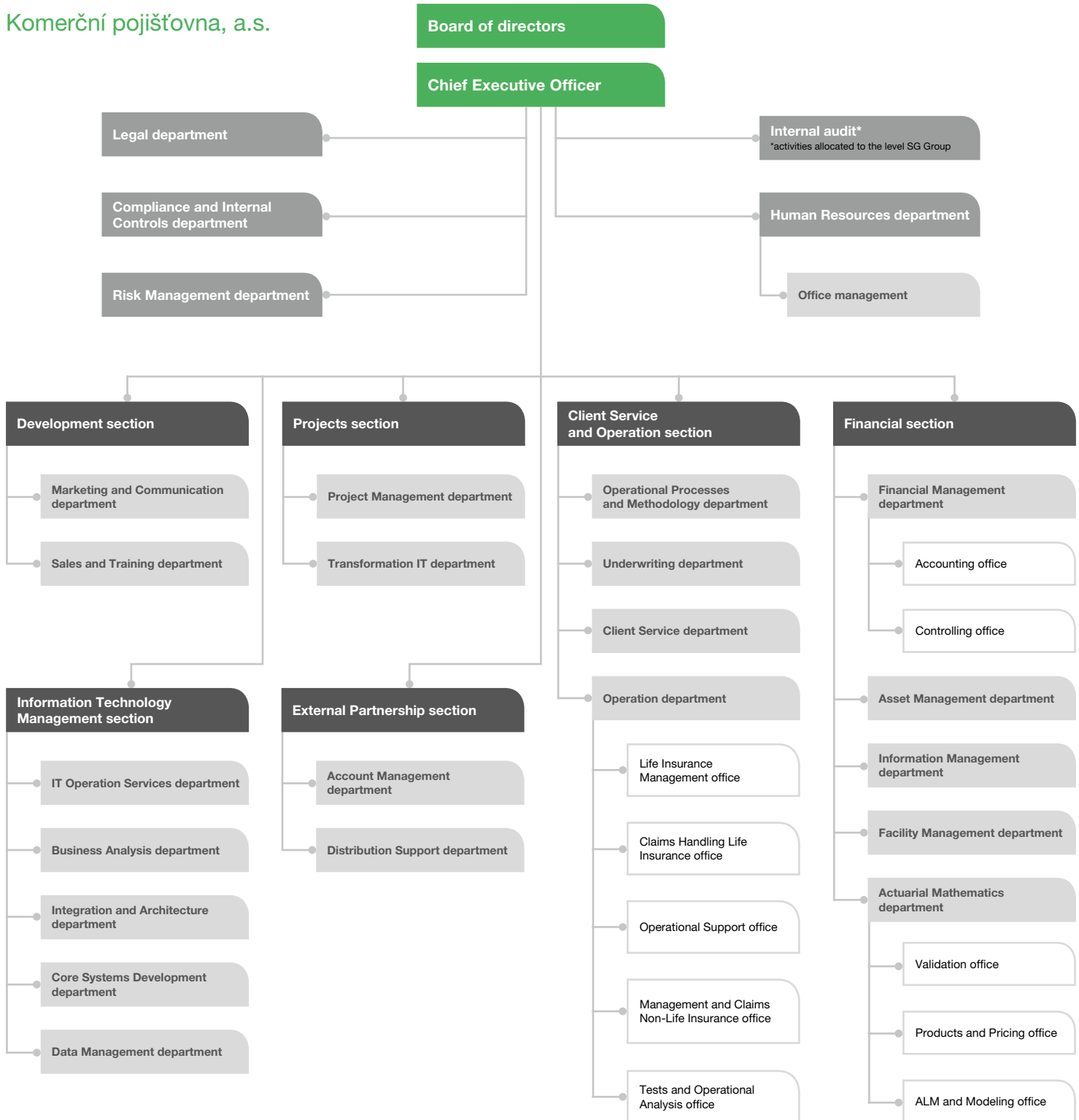
Vice-chairman of the Audit Committee

Jiří Přibyl

Member of the Audit Committee

Organisational Structure as of 31 December 2018

Komerční pojišťovna, a.s.



Shareholders' Decisions at General Meetings

Pursuant to Section 421(2) of Act No. 90/2012 Coll. on Business Corporations and Cooperatives (the Business Corporations Act), the following decisions of the General Meeting were made:

On 25 April 2018, the General Meeting:

- Considered the Report of the Board of Directors on the Company's business operations and assets in 2017;
- Considered the submitted financial statements and the proposal of the Board of Directors for the distribution of profits for 2017;
- Reviewed the Report of the Supervisory Board on the results of the audit activities and reviewed the Board of Directors' Report on Related Parties;
- Approved the annual financial statements of the Company for 2017;
- Decided to distribute the profit 2017 so that from the profit after taxes amounting to CZK 437,270,032.98, the dividend paid from the profit from insurance activities for 2017 amounts to CZK 437,128,000.00, and the amount of CZK 142,032.98 is transferred to the account of retained earnings from life insurance activities.

Dividends were paid out under the following conditions:

1. The total amount of dividends paid was CZK 437,128,000. The amount of dividend per share with a nominal value of CZK 72,735 was CZK 27,050. The amount of dividend per share with a nominal value of CZK 145,470 was CZK 54,100.
2. The dividend payment was made via bank transfer. The amount of the dividend paid out to SOGECAP, S.A. was CZK 222,946,100. The amount of the dividend paid out to Komerční banka, a.s. was CZK 214,181,900.
3. The relevant date for the dividend payment was 18 April 2018.
4. The dividends were payable as of 2 May 2018.
5. The dividends were paid out at the expense of the Company.

The General Meeting also:

- Appointed Ernst & Young Audit, s.r.o., Na Florenci 2116/15, 110 00 Prague 1 – Nové Město, to perform an audit of the Company for the financial year 2018;
- Approved the transfer of the funds from the reserve fund to the retained earnings fund in the amount of CZK 61,264,245.67 as at the dividend payment date;
- Elected Philippe Perret a member of the Supervisory Board for another four-year term, effective from 25 April 2018.

On 27 September 2018, the extraordinary General Meeting:

- Elected Gaël Loaec a member of the Board of Directors of Komerční pojišťovna, a.s. for a four-year term, effective on 1 October 2018;
- Approved a Contract to serve as a member of the Board of Directors of Komerční pojišťovna, a.s., concluded between Komerční pojišťovna, a.s. and Gaël Loaec;
- Approved an amendment of the Contract to serve as a member of the Board of Directors of Komerční pojišťovna, a.s., concluded between Komerční pojišťovna, a.s. and Stéphane Corbet.

| Report of the Supervisory Board

Throughout 2018, the Supervisory Board carried out the tasks stipulated by law and by the Articles of Association. It performed its supervision over the activities of the insurance company and submitted its proposals to the Board of Directors.

Having reviewed the Company's financial statements for the year ended 31 December 2018, and on the basis of the external auditor's report on these financial statements, the Supervisory Board acknowledges that accounting records were maintained in a transparent manner, in compliance with the generally binding regulations governing the bookkeeping of insurance companies, and in compliance with the Company's Articles of Association, and that the financial statements provide a true and fair view of the Company's financial position in all material respects.

The statutory external auditor performed an audit of the Company's financial statements for the year ended 31 December 2018; the audit states that the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of the Company as at 31 December 2018, as well as the result of its operations for 2018 in accordance with the relevant regulations of the Czech Republic.

The Supervisory Board recommends that the General Meeting approve the financial statements for 2018, as submitted by the Board of Directors.

The Supervisory Board reviewed the Related Party Report for 2018 prepared by the Company pursuant to the provisions of Section 82 et seq. of the Business Corporations Act, and stated, based on the presented documents, that Komerční pojišťovna, a.s. did not suffer any harm in the accounting period from 1 January 2018 to 31 December 2018.

Prague, 12 April 2019

On behalf of the Supervisory Board Komerční pojišťovna, a.s.



Philippe Perret
Chairman of the Supervisory Board

| Management affidavit

Komerční pojišťovna, a.s. declares that all information and data contained in this Annual Report are accurate and complete. Komerční pojišťovna, a.s. further declares that no subsequent events occurred prior to the date of preparing this Annual Report that would have a material negative impact on the Company's financial position.

Prague, 15 April 2019

Signed on behalf of the Board of Directors by:



Gaël Loaec
Chairman of the Board of Directors and CEO



Helena Indrová
Member of the Board of Directors
and Head of Financial Section

FINANCIAL SECTION

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Independent Auditor's Report to the Shareholders of Komerční pojišťovna, a.s.



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(Translation of a report originally issued in Czech - see Note 1.7 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Komerční pojišťovna, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Komerční pojišťovna, a.s. (hereinafter also the "Company") prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2018 and the profit and loss statement and 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 information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Komerční pojišťovna, a.s. as at 31 December 2018 and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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has been incorporated in the Commercial Register administered by the Municipal Court in Prague,
Section C, entry no. 88504, under Identification No. 26704153.



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Fair value of investments

The Company's investments portfolio, disclosed in Note 4.2 Investments to the financial statements, represents a major part of the Company's total assets. These investments are carried at fair value as disclosed in Notes 2.3 Investments and Note 4.2 Investments to the financial statements. The Company assesses the market activity in order to determine the appropriate valuation method for investments in its investment portfolio. Fair value of liquid investments should be based on actual market observable inputs, reflecting real market activity, such as actual trade prices. Fair values of illiquid or non-quotable investments should be based on valuation models that use inputs and assumptions that are either observable or unobservable. The determination of the fair value of investments involves higher degree of management judgment, focus and estimate applied in the valuation models, or in valuation methods. Due to those facts this area requires significant audit effort and was assessed as a key matter for our audit.

We assessed the governance and process over the valuation of investments. We confirmed our understanding of the design and implementation of the Company's internal controls over the valuation process including selection of the valuation method.

We reviewed the methodology applied by the Company to assess the market activity of investments in its portfolio.

For a selected sample of instruments across the whole portfolio of investments we tested that illiquid or non-quoted instruments were correctly identified and valuation method correctly selected.

For a sample of liquid and quoted financial instruments we compared their value to the market price as of 31 December 2018. With the assistance of valuation specialists, we evaluated the models, inputs and assumptions used by the Company in determining fair values of illiquid or non-quoted instruments. For a sample of these instruments we performed independent revaluation of fair value. In case of non-observable inputs, we used valuation specialists in the assessment of their reasonableness, such as review and analysis of the projected cash flows or corroboration of the assumptions used. We compared the fair values derived from our internal valuation model to the fair values determined by the Company.

We also assessed the adequacy of the Company's disclosures regarding investments in Notes 2.3 Investments, and 4.2 Investments of the financial statements in accordance with accounting principles generally accepted in the Czech Republic.

Estimates used in calculation of technical reserves and Liability Adequacy Test

The Company's technical reserves, disclosed in Notes 2.8 Technical Reserves, and 4.7 Technical Reserves of the financial statements, represent a significant part of the Company's total liabilities. Technical reserves are valued in accordance with accounting principles generally accepted in the Czech Republic. Consistent with the insurance industry, the Company uses actuarial models to support the valuation of the insurance contract liabilities, as disclosed in Note 2.8. Technical Reserves. Economic and actuarial assumptions, such as investment return, costs, interest rates, mortality, morbidity, claims settlement expectations and patterns and customer behavior are key inputs used to estimate these long-term liabilities, as disclosed in Note 3 Risk Management.

We used actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered more complex or requiring significant judgement in the setting of assumptions such as mortality, morbidity, claims development, variables related to profit sharing and the model adjustments related to profit-sharing principles.

We assessed the governance and process over the calculation of technical reserves. We tested the design and the operating effectiveness of internal controls over the actuarial process including governance and approval process for setting of economic and actuarial assumptions.

We also assessed the process over the Company's actuarial analyses including estimated versus actual results and experience studies. For the assumption setting process, we assessed the experience



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This area involves significant management estimate and judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities, which requires significant audit effort.

As a consequence we considered it a key audit matter for our audit.

analyses performed by the Company. Our assessments also included, as necessary, review of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied along with comparison to applicable industry experiences.

We evaluated actuarial judgements used in the models and reconciled input data used, which may vary depending on the product and the specifications of the product, and also the compliance of the models with the accounting principles generally accepted in the Czech Republic. Furthermore, we performed audit procedures to determine the models were calculating the technical reserves accurately and completely.

We verified the validity of management's liability adequacy testing which is a test performed to check that the technical reserves are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included review of the projected cash flows and of the assumptions adopted in the context of both the Company and industry experience and specific product features.

We also assessed the adequacy of the disclosures regarding technical reserves in Notes 2.8 Technical Reserves, and 4.7 Technical Reserves of the financial statements to determine they were in accordance with accounting principles generally accepted in the Czech Republic.

Change in accounting Decree No. 502/2002 Coll.

There was an amendment to Decree No. 502/2002 Coll. (which implements certain regulations of Act No. 563/1991 Coll., on accounting, for accounting entities that are insurance companies), which is valid from 1st January 2018.

Until 31 December 2017, all debt securities were classified as held to maturity, and kept at amortized cost.

Since 1st January 2018, the Company reclassified all debt securities which were classified as held to maturity to debt securities available for sale. As at balance sheet date, these debt securities available for sale are valued at fair value, and revaluation difference is recognized in equity.

As this is considered as change in accounting method, the Company has to restate comparatives in the financial statements and describe this change in notes to the financial statements. Based on the nature of the change, and significance of debt security portfolio, the impact to financial statements is significant.

The change in accounting method is disclosed in Note 2.3 Investments to the financial statements,

We assessed the impact of the change in accounting method to the financial statements, and we verified that comparatives to the financial statements were restated.

The procedures performed included verification of fair value revaluation, assessment of impact to deferred tax position, equity, and to other technical provisions.

We also assessed the adequacy of the Company's disclosures to present the change in accounting method in the financial statements. Change in accounting method and the impact to comparatives is disclosed in Notes 2.3 Investments, and 2.24 Change in accounting method of the financial statements.

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and the impact to individual disclosure tables is disclosed in Note 2.24 Changes in accounting method to the financial statements. This area requires significant audit effort and was assessed as a key matter for our audit.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors 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 law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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 Company's Board of Directors and Supervisory board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors 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 Board of Directors 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory board 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 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 law or regulation, 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 Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 the Board of Directors, the Audit Committee, and the Supervisory board 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the Board of Directors, the Audit Committee, and the Supervisory board, 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 the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:



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Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the Annual General Meeting on 25 April 2018 and our uninterrupted engagement has lasted for 4 years.

Consistence 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 12 April 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

Ernst & Young Audit, s.r.o.
License No. 401

Lenka Bízová, Auditor
License No. 2331

Tomáš Němec
Partner

12 April 2019
Prague, Czech Republic

Financial Statements

Balance sheet as of 31 December 2018

No.	CZK thousand (rounded to whole figures)	Row no.	2018			Restated 2017
			Gross amount	Adjustment	Net amount	Prior period
			1	2	3	4
ASSETS						
B.	Intangible fixed assets, of which:	2	281,515	243,011	38,504	50,766
C.	Investments	4	37,781,556	0	37,781,556	38,950,078
III.	Other investments	13	37,781,556	0	37,781,556	38,950,078
1.	Shares and other variable yield securities, other participating interest	14	1,965,035	0	1,965,035	1,674,207
2.	Bonds and other fixed income securities	15	35,505,987	0	35,505,987	36,671,455
	a) recognized at fair value	16	35,505,987	0	35,505,987	36,671,455
6.	Deposits placed with financial institutions	21	1,104,000	0	1,104,000	787,705
7.	Other investments	22	(793,466)	0	(793,466)	(183,289)
D.	Investments of life insurance, if investment risk borne by the policyholder	24	9,001,621	0	9,001,621	10,129,642
E.	Debtors	25	313,780	26,534	287,246	245,302
I.	Receivables arising from direct insurance transactions	26	68,684	26,534	42,150	47,545
1.	Policyholders	27	68,684	26,534	42,150	47,545
II.	Receivables arising from reinsurance transactions	29	2,633	0	2,633	160
III.	Other receivables	30	242,463	0	242,463	197,597
F.	Other assets	31	291,527	24,913	266,614	266,520
I.	Tangible fixed assets, other than on item "C.I. Land and buildings", and inventory	32	36,038	24,855	11,183	14,694
II.	Cash on accounts with financial institutions and cash on hand	33	255,489	58	255,431	251,826
G.	Temporary assets	35	421,625	0	421,625	309,555
II.	Deferred acquisition costs of insurance policies, of which separately:	37	215,155	0	215,155	158,958
	a) Life insurance	38	162,089	0	162,089	111,224
	b) Non-life insurance	39	53,066	0	53,066	47,734
III.	Other temporary assets	40	206,470	0	206,470	150,597
	TOTAL ASSETS	42	48,091,624	294,458	47,797,166	49,951,862

No.	CZK thousand (rounded to whole figures)	Row no.	2018		Restated 2017	
			Gross amount	Net amount	Gross amount	Net amount
LIABILITIES						
A.	Equity			1,936,468		2,940,345
I.	Share capital	44		1,175,398		1,175,398
IV.	Other capital funds	47		(311,606)		803,091
	of which revaluation gains or losses on securities	48		(384,699)		667,183
V.	Reserve fund and other funds from profit	49		0		61,264
VI.	Retained earnings or accumulated losses brought forward	50		524,727		374,824
VII.	Profit or loss for the period	51		547,949		525,768
C.	Technical provisions	53		36,297,289		36,084,278
1.	Provisions for unearned premiums	54				
	a) gross amount	55	96,311		84,134	
	b) reinsurens' share (-)	56	166	96,145	37	84,097
2.	Life insurance provision	57				
	a) gross amount	58	35,983,367		35,984,934	
	b) reinsurens' share (-)	59	2,075,484	33,907,883	2,320,542	33,664,392
3.	Provision for insurance claims	60				
	a) gross amount	61	594,982		483,039	
	b) reinsurens' share (-)	62	78,257	516,725	19,851	463,188
4.	Provision for bonuses and discounts	63				
	a) gross amount	64	1,662,266		1,673,257	
	b) reinsurens' share (-)	65		1,662,266		1,673,257
6.	Other technical provisions	66				
	a) gross amount	67	114,270		199,344	
	b) reinsurens' share (-)	68		114,270		199,344
D.	UL life insurance provision	72		9,001,621		10,129,642
	a) gross amount	73	9,001,621		10,129,642	
	b) reinsurens' share (-)	74		9,001,621		10,129,642
E.	Reserves for other risks and losses	75		104,426		105,750
2.	Reserve for taxation	77		91,811		93,815
3.	Other reserves	78		12,615		11,935
G.	Creditors	80		242,611		464,626
I.	Payables arising from direct insurance transactions	81		92,752		126,166
II.	Payables arising from reinsurance transactions	84		60,886		64,880
V.	Other payables, of which:	90		88,973		273,580
	a) Tax liabilities and social security payables	91		19,907		202,757
H.	Temporary liabilities	94		214,751		227,221
II.	Other temporary liabilities	96		214,751		227,221
	TOTAL LIABILITIES	98		47,797,166		49,951,862

Profit and Loss statement for the Year 2018

CZK thousand (rounded to whole figures)		Row no.			2018	2017 Restated
			Base	Sub-total	Result	Result
		b	1	2	3	3
I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE						
1.	Earned premium, net of reinsurance:	1	x	x	x	x
a)	Gross premium written	2	461,383	x	x	x
b)	Premium ceded to reinsurers	3	28,967	432,416	x	x
c)	Change in the gross balance of the provision for unearned premium (+/-)	4	11,386	x	x	x
d)	Change in the balance of the provision for unearned premium, net of reinsurers' share (+/-)	5	129	11,257	421,159	385,496
2.	Income from investments transferred from non-technical account (item III.6.)	6	x	x	2,035	749
3.	Other technical income, net of reinsurance	7	x	x	3,386	37,750
4.	Costs of claims, net of reinsurance:	8	x	x	x	x
a)	Costs of claims:	9	x	x	x	x
aa)	Gross amount	10	77,987	x	x	x
ab)	Reinsurers' share	11	8,689	69,298	x	x
b)	Change in the balance of the provision for claims (+/-):	12	x	x	x	x
ba)	Gross amount	13	13,416	x	x	x
bb)	Reinsurers' share	14	(278)	13,694	82,992	71,785
5.	Change in the balance of other technical provisions, net of reinsurance (+/-)	15	x	x	9	(129)
6.	Bonuses and discounts, net of reinsurance	16	x	x	126	256
7.	Net operating expenses:	17	x	x	x	x
a)	Acquisition costs of insurance policies	18	x	113,183	x	x
b)	Change in the balance of deferred acquisition costs (+/-)	19	x	(5,751)	x	x
c)	Administrative overheads	20	x	126,906	x	x
d)	Commission from reinsurers and shares of profit	21	x	13,427	220,911	208,713
8.	Other technical costs, net of reinsurance	22	x	x	46,166	48,215
10.	Sub-total, balance (result) of the non-life insurance technical account (item III.1.)	24	x	x	76,376	95,155
II. TECHNICAL ACCOUNT – LIFE INSURANCE						
1.	Earned premium, net of reinsurance:	25	x	x	x	x
a)	Gross premium written	26	x	4,685,421	x	x
b)	Premium ceded to reinsurers	27	x	179,367	x	x
c)	Change in the balance of the provision for unearned premium, net of reinsurance (+/-)	28	x	791	4,505,263	5,429,626
2.	Income from investments:	29	x	x	x	x
b)	Income from other investments with a special mention of income from controlled entities, of which:	31	x	x	x	x
bb)	Income from other investments	33	2,028,254	2,028,254	x	x
d)	Income from the realisation of investments	35	x	18,162	2,046,416	2,133,966
3.	Unrealized gains on investments	36	x	x	384,982	437,356

CZK thousand (rounded to whole figures)	Row no.			2018	2017 Restated
		Base	Sub-total	Result	Result
	b	1	2	3	3
4.	Other technical income, net of reinsurance	x	x	109,184	94,997
5.	Costs of claims, net of reinsurance:	x	x	x	x
a)	Costs of claims:	x	x	x	x
	aa) Gross amount	4,945,759	x	x	x
	ab) Reinsurers' share	388,263	4,557,496	x	x
b)	Change in the balance of the provision for claims (+/-):	x	x	x	x
	ba) Gross amount	98,526	x	x	x
	bb) Reinsurers' share	59,884	38,642	4,596,138	4,041,909
6.	Change in the balance of other technical provisions, net of reinsurance (+/-):	x	x	x	x
a)	Life insurance provision:	x	x	x	x
	aa) Change in the gross balance	(122,952)	x	x	x
	ab) Reinsurers' share	(281,367)	158,415	x	x
b)	Other technical provisions, net of reinsurance	x	(1,139,022)	(980,607)	1,072,848
8.	Net operating expenses:	x	x	x	x
a)	Acquisition costs of insurance policies	x	215,793	x	x
b)	Change in the balance of deferred acquisition costs (+/-)	x	(50,865)	x	x
c)	Administrative overheads	x	292,841	x	x
d)	Commission from reinsurers and shares of profits	x	47,648	410,121	395,491
9.	Costs of investments:	x	x	x	x
a)	Costs of administering investments, including interest	x	1,198,130	x	x
b)	Change in the balance of investments	x	0	x	x
c)	Costs attributable to the realisation of investments	x	18,162	1,216,292	1,281,038
10.	Unrealized losses on investments	x	x	979,950	531,028
11.	Other technical costs, net of reinsurance	x	x	225,070	230,984
12.	Income from investments transferred to non-technical account (item III.4.)	x	x	45,975	44,979
13.	Sub-total, balance (result) of the life insurance technical account (item III.2.)	x	x	552,906	497,668
III.	NON-TECHNICAL ACCOUNT				
1.	Result of the non-life insurance technical account (item I.10.)	x	x	76,376	95,155
2.	Result of the life insurance technical account (item II.13.)	x	x	552,906	497,668
4.	Income from investments transferred from the life insurance technical account (item II.12.)	x	x	45,975	44,979
6.	Income from investments transferred to the non-life insurance technical account (item I.2.)	x	x	2,035	749
9.	Income tax on current activities	x	x	125,230	111,245
10.	Profit or loss on current activities after taxation	x	x	547,992	525,809
15.	Other taxes not reported above	x	x	43	41
16.	Profit or loss for the period	x	x	547,949	525,768

Statement of Changes in Equity for the Year Ended 31 December 2018

(CZK thousand)	Share capital	Treasury shares	Share premium	Reserve funds	Capital funds	Valuation gains or losses	Profit/(loss)	Total
Balance as at 1 January 2017	1,175,398	-	-	61,264	-	324,083	1,036,870	2,597,615
FX differences and valuation gains or losses not included in profit/(loss)	-	-	-	-	-	479,009	-	479,009
Net profit/(loss) for the period	-	-	-	-	-	-	437,270	437,270
Dividends	-	-	-	-	-	-	(412,080)	(412,080)
Transfers to funds	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	1,175,398	-	-	61,264	-	803,091	1,062,060	3,101,814
Changes in accounting methods	-	-	-	-	-	-	(161,468)	(161,468)
Restated – Balance as at 31 December 2017	1,175,308	-	-	61,264	-	803,091	900,592	2,940,345
Balance as at 1 January 2018	1,175,398	-	-	61,264	-	803,091	900,592	2,940,345
FX differences and valuation gains or losses not included in profit/(loss)	-	-	-	-	-	(1,114,698)	-	(1,114,698)
Net profit/(loss) for the period	-	-	-	-	-	-	547,949	547,949
Dividends	-	-	-	-	-	-	(437,128)	(437,128)
Transfers to funds	-	-	-	(61,264)	-	-	61,264	-
Balance as at 31 December 2018	1,175,398	-	-	0	-	(311,606)	1,072,676	1,936,468

Notes to the Financial Statements for the Year Ended 31 December 2018

1. General information

1.1. Description of the Business and Principal Activities of the Company

Komerční pojišťovna, a.s., (hereinafter the “Company” or “KP”) was incorporated following its registration in the Commercial Register kept by the Municipal Court in Prague, Section B, File 3362, on 1 September 1995. The Company undertakes insurance activities since 1995.

The principal operations are as follows:

As of 31 December 2018, the Company is licensed to undertake insurance activities and activities relating to insurance activities as follows:

Insurance activities pursuant to Section 13 (1) of the Insurance Act No. 277/2009 Coll., as amended (hereinafter the “Insurance Act”):

- To the extent of life insurance segments I, II, III, VI, VII and IX as set out in Part A of the Appendix 1 to the Insurance Act; and
- To the extent of non-life insurance segments 1, 2, 3, 4, 7, 8, 9, 10c, 13, 14, 15, 16 and 18 as set out in Part B of the Appendix 1 to the Insurance Act.

Share capital:

The share capital amounts to CZK 1,175,397,600 and consists of 6,580 ordinary registered shares with a nominal value of CZK 145,470 in the book-entry form and 3,000 ordinary registered shares with a nominal value of CZK 72,735 in the book-entry form. The Company's share capital is fully paid.

Shareholders as of 31 December 2018:

Komerční banka, a.s., having its registered office at Prague 1, Na Příkopě 33/969, 114 07, incorporated with the Municipal Court in Prague, Section B, File 1360, Corporate ID: 45 31 70 54; a 48.99 percent shareholder.

SOGECAP S.A., having its registered office at Tour D2, 17 bis place des reflets, 92919 Paris La Défense Cedex, France, identification number: 086380730 R.C.S. NANTERRE; a 51.01 percent shareholder.

Registered Office of the Company:

Karolinská 1/650
186 00, Prague 8
IČO: 63998017

The Company has no foreign branch.

1.2. Board of Directors and Supervisory Board as of 31 December 2018

	Position	Name
Board of Directors		
	Chairman	Gaël Loaec
	Member	Ing. Zdeněk Zavadil
	Member	Ing. Jiří Koutník
	Member	Ing. Šárka Šindlerová
	Member	Catherine Renée Claude de la Croix
	Member	Ing. Helena Indrová
Supervisory Board		
	Chairman	Philippe Perret
	Member	Ing. Jan Juchelka
	Member	Laurent Dubrovine
	Member	Ing. Miroslav Hiršl

Acting on behalf of the Company:

The Board of Directors acts on behalf of the Company. No less than two members of the Board of Directors act jointly on behalf of the Board of Directors. The act of signing is conducted in such a manner that no less than two members of the Board of Directors attach their signatures to the written or printed name of the Company.

The audit committee

The Committee has 3 members appointed by the General Meeting from the membership of the Supervisory Board or third parties.

	Position	Name
Audit committee		
	Chairman	Etienne Loulergue
	Vice chairman	Laurent Dubrovine
	Member	Jiří Příbyl

1.3. Equity Holdings in Other Businesses

The Company held no significant equity investments in other businesses as of 31 December 2018 or as of 31 December 2017.

1.4. Changes and additions to the Company registration in the Commercial Register

The following changes to the Commercial Register were made in 2018:

Mr. Gaël Loaec, permanent address U starého židovského hřbitova 3133/2, Smíchov, 150 00 Praha 5, became a chairman of the Board of Directors with effect from 1 October 2018.

Mr. Miroslav Hiršl, permanent address Spojovací 710/8a, Svobodné Dvory, 503 11 Hradec Králové, became a member of the Supervisory Board with effect from 30 November 2018.

Stephane Corbet's membership in the Board of Directors was terminated in 2018. This change was recorded in the Commercial Register with effect from 30 September 2018.

Libor Löfler's membership in the Supervisory Board was terminated in 2018. This change was recorded in the Commercial Register with effect from 19 November 2018.

Catherine Renée Claude de la Croix's membership in the Board of Directors was terminated in 2019. This change was recorded in the Commercial Register with effect from 12 February 2019.

Mr. Zdeněk Doboš, permanent address Nad Rybníkem 376, 250 83 Škvorec, became a member of the Board of Directors with effect from 1 February 2019.

1.5. Legal Relations

As of the balance sheet date, all of the Company's legal relations comply with the Insurance Act, including the related implementation guidance notes. The Company operates both in life and non-life insurance segments.

1.6. Movements in Share Capital

The Company did not report any changes in the share capital in the year ended 31 December 2018 or in the year ended 31 December 2017.

1.7. Preparation of financial statements in English

The financial statements have been prepared in Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

2. Accounting policies

2.1. Basis of Accounting

In maintaining its accounting books and records and in preparing the financial statements, the Company complied with Accounting Act No. 563/1991 Coll., as amended, Decree No. 502/2002, which provides implementation guidance on certain provisions of the Accounting Act No. 563/1991 Coll., as amended, for reporting entities that are insurance companies (hereinafter "Decree 502"), and with Czech Accounting Standards for reporting entities that maintain their accounts under Decree 502.

The Company's accounting books and records are maintained in such a manner so as to ensure that the financial statements prepared on the basis of the accounting books and records give a true and fair view of assets, liabilities, equity and the financial position of the Company while complying with the prudence and going concern principles.

The financial statements are prepared on the accruals basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate. Assets that are not revalued at fair value and suffered impairment are stated at net recoverable amount.

The reporting currency used in the financial statements is the Czech crown ("CZK") with accuracy to CZK thousand, unless indicated otherwise. The financial statements were prepared as of and for the year ended 31 December 2018.

2.2. Tangible and Intangible Fixed Assets

Tangible fixed assets include assets with an acquisition cost greater than CZK 40 thousand on an individual basis and an estimated useful life exceeding one year. Tangible assets costing less than CZK 40 thousand are expensed in the year of acquisition.

Intangible fixed assets include start-up costs greater than CZK 20 thousand and other intangible assets with an acquisition cost greater than CZK 60 thousand on an individual basis and an estimated useful life exceeding one year. Intangible assets costing less than CZK 60 thousand are expensed in the year of acquisition.

The Company creates provisions against tangible and intangible fixed assets if the inventory count highlights that their fair value is lower than their carrying value and the impairment is temporary. No provisions were recognised against fixed assets in the year ended 31 December 2018 and in the year ended 31 December 2017.

Depreciation of fixed assets is recorded on a straight line basis for accounting purposes. Accounting depreciation is based on the expected useful life of the tangible and intangible assets. The depreciation period is indicated below:

Category of assets	Depreciation period in years
Cars	4
Furniture and fixtures	7-10
Software	4
AIA and DWH Software	5
Start-up costs	5

As a result of binding statutory requirements regarding the presentation of financial statements of insurance companies, the components of fixed assets shown above are classified on the face of the balance sheet as of 31 December 2018 and as of 31 December 2017 as follows:

- Intangible fixed assets, including their acquisition, are presented in line 2;
- Tangible fixed assets (both depreciable and non-depreciable), including their acquisition, are presented in line 31.

The Company recognised tax depreciation charges for tangible and intangible assets in 2018 and 2017.

2.3. Investments

Deposits with financial institutions

Deposits placed with financial institutions are measured at their nominal value upon acquisition. Deposits denominated in foreign currencies are retranslated into Czech crowns at the ruling exchange rate of the Czech National Bank and any foreign exchange rate difference is included in the valuation. Revaluation is recognised through the profit and loss account

Debt securities

Debt securities at a settlement date are valued at cost upon acquisition. Acquisition cost is the amount for which a debt security has been acquired. It includes a proportionate part of any accrued interest and expenses directly associated with the acquisition. Premium or discount is recorded to income or expense over the remaining maturity of the debt securities using the effective interest rate method. Accrued interest income on securities is reflected directly in the relevant account of these securities. Debt securities denominated in foreign currencies are retranslated into Czech crowns at the ruling exchange rate of the Czech National Bank.

Till 31 December 2017, in accordance with Decree No. 502/2002 Coll. all debt securities were classified as held to maturity and were kept at amortized cost.

Amortised cost means the price used when firstly 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 impairments.

There was a change of valuation method of debt securities resulting from the amendment to the Act No. 563/1991 Coll. on Accounting and Decree No. 502/2002 Coll. implementing some provisions of Act on Accounting, as amended. Impact of changes in accounting policies is summarized in chapter 2.24.

Since 1 January 2018 all debt securities are classified as available for sale securities and at balance sheet date they are revaluated at fair value. Any revaluation differences on a financial asset available-for-sale are recognized in equity, except for impairment adjustments which are recognized in the income statement.

Fair value means the market value derived from quoted market bid prices declared on the domestic or foreign stock market or on any other public (organised) market published by Bloomberg agency. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date). If there is no available price or if this price does not sufficiently represent fair value, fair value is determined based on a qualified estimate. The basic approach for determining a price of the bond through the valuation model is a method of discounting cash flows with using a curve which is taking into account a current level of basic interest rates and a credit quality of the bond's issuer (or issue).

When securities are derecognized, the revaluation differences (gains or losses previously recognized in equity) are recognized in the income statement (as income from the sale of investments/expenses from investments within the technical account – life insurance, or as income from the other investments/expenses from investments within the non-technical account).

Comparative amounts related to the change of the valuation method of bonds are summarized in the chapter 2.24.

Other investment

Derivatives

Derivatives are measured at their fair value. Fair value of the financial derivatives is being measured as a current value of the expected cash flows arising from these derivatives. Derivatives are presented in Balance Sheet in Other investments.

Hedging derivatives

As part of the implemented investment strategy, Company hedges cash flows from foreign currency debt securities using cross-currency swaps. The purpose of hedging derivatives is to eliminate the currency risk posed by the holding of foreign-currency debt securities. Pursuant to the current legislation, Company classifies these derivatives as hedging derivatives and the gains or losses from the revaluation of swaps, effectively used for hedged risk, at their fair value are recognised in equity accounts. Revaluation of foreign-currency debt securities arising from changes in exchange rate (CZK/EUR, CZK/USD) is also charged to equity. Cash flows in the foreign currency from the hedged item (bonds) are settled by the cash flows in foreign currency from the hedging instrument. All cash flows from the hedging instrument (cross currency swap) are known in advance and thus the hedged risk is eliminated.

The difference between nominal value and purchase price of the debt securities (premium or discount and purchase accrued interest income) in case that the foreign currency part of the cross currency swap was concluded only as a nominal value of a bond, is recognised in equity as an up front fee. At the time of the first payment of the coupon, the purchased accrued interest is derecognised against balance sheet accounts. During the holding of the security, premium and discount are amortised through the profit and loss accounts.

Cash flow hedge

Changes in fair value of derivatives, which are classified as cash flow hedging and fulfils requirements for accounting as cash flow hedging and which are highly effective regarding the hedged risk, are recognised in equity accounts and to expenses/income in the same period when the hedged asset or liability impacts the profit and loss accounts. In this way, the Company hedges against foreign exchange risk of particular assets. The hedging assets are cross currency swaps.

If any of the derivative transactions does not fulfil the requirements for hedge accounting derivative is designated upon initial recognition as at fair value through profit or loss and changes in its fair value are recognized as gain/loss from revaluation to income statement.

Test of effectivity of hedging

The Company performs regularly tests of effectivity of hedging assets using both prospective and retrospective method.

The tests are performed upon acquisition of the hedging asset and then regularly each month. The effectivity test itself includes both an efficiency test that must be 100% and an inefficiency test that must be 0%.

The basis of testing is therefore the revaluation of both the hedged assets and the hedging instrument by the same interest rate curve corresponding to the currency of the hedged asset and determination of the fair value or the hedged asset and fair value of hedging instrument without any spread resulting from the asset's credit quality, liquidity or other specific factors.

Shares and other variable yield securities, other equity holdings

Shares, mutual funds and real estate fund investments are valued upon acquisition cost at initial recognition. Acquisition cost is the amount for which shares, mutual funds and real estate fund investments have been acquired. It includes expenses directly associated with the acquisition.

These investments are recognized at fair value through profit and loss. These assets were primarily purchased for the purpose of gain from short-term price deviations, portfolio diversification and after that for the purpose of higher income from the portfolio covering life-insurance reserves and the possibility to credit gain to clients.

As of the balance sheet date shares, mutual funds and real estate fund investments are revaluated to the fair value. Fair value means the market value derived from quoted market bid prices declared on the domestic or foreign stock market or on any other public (organised) market. The company applies the most recent published market prices at the date of the financial statements (balance sheet date) or as close as possible to this day. If there is no available price or if it does not sufficiently represent fair value, fair value is determined based on a qualified estimate. Investments into the real estate fund are valued by expert as market price is not available. The valuation is based on reliable estimates of future cash flows, discounted at rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows, and supported by evidence of current prices or rents for similar properties in the same location and condition.

The value of shares, mutual funds and real estate fund investments denominated in foreign currencies is determined in relevant foreign currency per unit and it is retranslated into Czech crowns at the ruling exchange rate of the Czech National Bank and any foreign exchange rate difference is included in the valuation.

Dividends are recognized at their payment. Depending on its nature, dividend income is recognized in the income statement either as income from investments with the technical account – life insurance, or as income from investments with the non-technical account.

Any gain or loss arising from a change in fair value is recognized in the income statement in the line Unrealised gains or Unrealised losses on investments in the technical result – life insurance. Shares, mutual funds and real estate fund investments are recognized in Balance sheet in the line Shares and other variable yield securities, other participating interest, line 14.

Investments for the benefit of life insurance where the policyholder bears the investment risk

Investments for the benefit of life insurance, where the policyholders bears the investment risk, is recognised separately from other financial placement components.

As at the balance sheet date the investments of life insurance where the investment risk is carried by the policyholder is revaluated to the fair value. Fair value means current value of unit certificates of collective-investment funds announced as of the date of fair value settlement. All changes of fair values are recognised through the profit and loss accounts.

2.4. Debtors (Receivables)

Receivables are stated at nominal value.

Specific coefficients for provisioning were assigned to individual groups of receivables based on the expected return from these receivables.

In determining debt provisioning levels, the risk (the number of past due days) attached to all amounts due from a specific debtor is considered to be equal to the risk (the number of past due days) of the oldest of these receivables.

Operating prepayments

Bonus prepayments related to collective insurance contracts are being paid in line with concluded contracts and in the agreed frequency (usually once a year) are being settled with real costs.

2.5. Permanent or Long-Term Impairment of Assets

At the balance sheet date, the Company assesses the existence of any objective indications of the potential permanent decrease of value of assets.

An objective indications of the decrease of value of assets is based of one or more events that occurred in the period following the purchase of assets, while these loss events have an impact to future cash flows connected with particular financial assets.

In this case, the loss recognized in equity is transferred without undue delay to the profit and loss account, at the expense of losses from financial operations.

If, following the recognition of impairment in the profit and loss account there will be observable increase in the fair value of debt securities, this increase is going to be recognized in profit and loss account up to the value of impairment that was recognized in the profit and loss account.

2.6. Cash on accounts with financial institutions and cash on hand (Cash and Cash Equivalents)

Cash comprises cash on hand and current bank accounts designated to secure the Company's operations. Term deposits are reported as a component of Investments, chapter 2.3.

Cash equivalents comprise government stamps, vouchers and Prague public transport tickets.

Cash and cash equivalents are stated at nominal value.

2.7. Equity

Share capital of the Company is stated in the amount recorded in the Commercial Register of the Municipal Court. Any increase or decrease of the share capital based on the decision of the Board of the Directors, which has not been registered at the date of the financial statements, is stated as a change of the share capital.

Other capital funds include revaluation of debt securities and derivatives (described in detail in chapter 2.3) and consists of the following items:

- Difference in valuation of securities include the revaluation of debt securities to fair value.
- Difference in valuation of derivatives include revaluation of cross currency swaps to fair value.
- Up-front fee corresponds to the amount of the difference between nominal value and the cost of a debt security when foreign part of cross currency swap was concluded only on the nominal value of the bond.
- Deferred tax is calculated on all temporary differences between tax and accounting values, i.e. in case of revaluation of investments through Other capital funds the value of revaluation is taken as the difference.

In the past years the Company was creating the reserve fund from its profit. Its creation and release is governed by the Articles of the Company.

2.8. Technical Reserves

The Company records technical reserves pursuant to Insurance Act No. 563/1991 Coll., as amended and degree No. 502, as follows:

Life Insurance Reserve

The life insurance reserve is created as a sum of reserves calculated under individual life insurance policies and represents the sum of the Company's liabilities net of the value of future premiums. The technical reserve includes the allocated share of profit and the costs associated with insurance administration. The life insurance reserve for traditional life insurance products is calculated using the "Zillmer" method where negative values are substituted with zero.

Unearned Premium Reserve

The unearned premium reserve represents actual (or estimated as appropriate) written premiums that do not relate to the current reporting period and are calculated using a daily 'pro rata' method of the aggregate written premiums according to the number of days that relate to the current reporting period and to the following reporting periods.

The claim reserve for Outstanding Claims

Provision for outstanding claims, for both life and non-life insurance, consists of a reserve for insurance claims reported but not settled during the year ('RBNS') and a reserve for insurance claims incurred but not reported during the year ('IBNR').

The claim reserve also reflects the amount of the estimated claims handling costs associated with settling claims.

The RBNS is recognised as equal to the sum of reserves for anticipated insurance payments for individual reported, but unsettled claims according to estimated damage amounts arising from claims recorded as of the balance sheet date.

The IBNR is determined using actuarial methods based on an analysis of available information that includes, but is not limited to:

- Supporting evidence underlying the insurance portfolio split by classes of individual insurance activities;
- Historical series relating to individual classes of insurance activities that monitor the moment of claim origination and the moment of claim settlement (the Chain-Ladder method applied to quarterly data) – it is used typically for non-life insurance activities;
- The estimated aggregate claims ratio; and
- The estimated claims need for a determined period of time is usually used for life insurance activities.

While the Board of Directors considers the balance of the reserve for outstanding claims to be fairly presented on the basis of the information available at the balance sheet date, the ultimate balance of liabilities may differ as a result of subsequent information and events and can result in significant changes in the final amounts. Changes in the reserve balance are reflected in the financial statements for the period in which they occur. The adopted approaches and estimates are assessed on a regular basis.

Reserve for Bonuses and Discounts

The reserve for bonuses and discounts is recorded to cover costs of bonuses and discounts provided to policy holders under insurance policies.

In respect of life insurance, this reserve also reflects a portion of income from investments held for anticipated but not yet awarded profit shares.

In 2018, the Company released part of the provision in amount of CZK 176 million (CZK 145 million created in 2010 and 31 million created in 2011), this amount has been used for the financing of client's profit share in 2018 and at the same time the Company created a reserve for bonuses and discounts by CZK 165 million up to the final amount of CZK 1,662 million. In 2017, the Company reversed part of the provision in amount of CZK 136 million (CZK 115 million created in 2009 and CZK 21 million created in 2010) and created a reserve for bonuses and discounts in the amount of CZK 359 million up to the final amount of CZK 1,673 million.

The amount reflects the obligation of the Company to provide policy holders with relevant insurance claim payments and cannot be used for any other purpose. The Company undertakes to allocate the amount to individual policies by the relevant resolution of the Company adopted with the Company's full authority which complies with the provisions of insurance policies for profit shares in the following years but no later than within eight years from the recognition of this reserve, specifically to those persons who will be the policy holders of the particular products that stipulate the right for the profit share to the policy holder as of the last date of the calendar year in which the Company takes such decision. The Company confirmed this commitment by means of public pledge announced on its web sites on 18 December 2015.

If the Company does not take the above decision within eight years from the recognition of the reserve, it undertakes to allocate this amount (or its so far unallocated part, hereinafter “mandatory part of the provision” or “PRA”) to policies (i.e. products that stipulate the right for the share in the profit for the policy holder) of individual policy holders who will be the policy holders on the last day of the 8th year from the recognition of the reserve. Each policy holder should receive an amount (hereinafter “PAn”) calculated as an average balance of the reserve of life insurance of the relevant policy holder during the 8th calendar year from the recognition of this reserve for bonuses and discounts (hereinafter “pRŽPn”) divided by the total average value of the reserve of life insurance of these eligible policy holders (hereinafter “pRŽP”) and multiplied by the mandatory reserve (hereinafter “PRA”) based on the following formula:

$$PAn = pR\check{Z}Pn / pR\check{Z}P * PRA$$

The above mentioned reserve for bonuses and rebates was recognised in addition to the profit shares that were allocated to individual policies and that became part of the reserve of life insurance upon the allocation of shares for 2018.

Other Technical reserves

The Company creates a reserve for obligations resulting from life insurance contracts. At the balance sheet date, the Company undertakes a test of the adequacy of life insurance technical reserves (the “liability adequacy test”) designed to verify the sufficiency of the total sum of amounts of life insurance reserves. The basic testing method is the model of discounted financial cash flows.

The result of the liability adequacy test is the minimum value of liabilities to the policy holders calculated when using the best estimate of the presumptions of the future development of input parameters adjusted for an additional charge reflecting risk and uncertainty.

The reserves are insufficient when the minimum value of insurance liabilities is greater than the amount of life provisions decreased by the corresponding outstanding acquisition costs. If the result of the liability adequacy test shows insufficiency of technical reserves, the Company creates a reserve equivalent to this deficiency.

Technical provisions for Investment life insurance where the policyholder carries the investment risk

This reserve is held to cover obligations of the insurance company to the policy holders for the life insurance products where it is the policyholder who carries the investment risk on the basis of the insurance contract.

The reserve amount is determined as a sum of the liabilities to the policy holders in the amount of their shares of allocated premiums from individual contracts according to the principles specified in insurance contracts.

In compliance with Section 16 (9) of Decree no 502/2002 Coll. for part of liabilities from these contracts that arise from (a) covering the risk of death and (b) funds placed in guaranteed funds, the reserve is created according to Section 16 (5) of the Decree.

Provision (Provision for Other Risks and Losses)

The Company creates other reserves for risks that are not directly related to its insurance activities.

Specifically, the Company recorded a reserve for anticipated risks and losses associated with legal disputes and similar situations.

2.9. Creditors (Payables)

Payables are stated at nominal value.

Payables to the policyholders principally comprise insurance premium overpayments and prepayments as well as received payments temporary unmatched with the related receivables at the balance sheet date.

2.10. Temporary Assets and Liabilities

Temporary assets and liabilities principally comprise:

- Deferred expenses – primarily deferred acquisition costs of insurance policies and capitalized internal and external cost of selected projects.
- Within information technologies Company incurs expenditure on R & D, mainly related to development studies and implementation of individual projects;
- Accrued income – particularly accrued revenues from term deposits;
- Estimated receivables – primarily estimated funds to be collected from reinsurers (shares of insurance claims, commissions and profit shares) and an estimate for premiums not yet written in the operating systems; and
- Estimated payables – primarily estimated balances of anticipated premiums ceded to the reinsurers, unpaid commissions, fees and unbilled supplies.

2.11. Gross Written Premiums

Gross written premiums include all premiums amounts stated in insurance policies during the period, regardless of whether these amounts relate partly or wholly to the following accounting periods.

Income from written premiums is recognised on an accrual basis by recording a reserve for unearned premiums in accordance with accounting procedures for insurance companies (refer to Note 2.8.).

2.12. Costs of Insurance Claims

Costs of insurance claims are recorded as equal to the amounts awarded for the settlement of claims and also include external costs of the Company incurred in processing claims. Costs of insurance claims are reduced by claims of recourse or other similar claims of the Company. The cost is recognised in the current period when the level of a payable to a client is acknowledged.

The costs of insurance claims (specifically life insurance claims) include not only the claims incurred (non-life insurance, death or endowment in respect of life insurance) but also client payments from capital life insurance accounts and the lump-sum settlement when this insurance is cancelled.

In settling non-life insurance claims the Company cooperates with AXA ASSISTANCE CZ, s.r.o., Inter Partner Assistance, branch, Willis Towers Watson and Mondial Assistance in respect of organisational, economic and technical advice, including investigations into insured events, preparation of full documentation in support of examining and settling these insured events.

2.13. Acquisition Costs of Insurance Policies

Acquisition costs of insurance policies include all direct and indirect costs incurred in acquiring insurance policies. Acquisition costs of insurance policies principally comprise:

- Commission paid to insurance policy acquirers; and
- Payment for medical assessments.

Non-life insurance commissions are deferred in line with the proportion of the unearned premiums to premiums written or reflect the estimated period of validity of the policy to which the commission relates.

Acquisition costs of traditional life insurance products are deferred in the form of Zillmer life insurance reserves.

Commissions on risk life insurance sold by brokerage companies and MPSS, the initial commissions are accrued over a period of 60 months in 2018 and 2017.

Commissions related to investment life insurance are not deferred.

2.14. Administrative Costs

Administrative costs consist of costs that are not directly involved in entering into insurance policies, such as consumption of material and fuel, travel expenses, rental expenses, advisory services, postal fees, other fees, wages and other social costs, or depreciation of assets.

If administrative costs are clearly identifiable, they are charged directly to the relevant technical life or non-life accounts during the year.

Other unallocated administrative costs are primarily posted to non-technical cost accounts and, at the year-end, they are re-allocated to life and non-life insurance technical accounts in a proportion that matches the allocation based on the ABC (Activity Based Costing) method, regulating the matching of costs to individual types of insurance. The proportion was 30.2% for non-life insurance and 69.8% for life insurance. In 2017 the proportion was 32.1% for non-life insurance and 67.9% for life insurance.

2.15. Costs of Investments and Income Recognition

Recognition of Costs and Income from Investments and their Allocation between Life and Non-life Insurance

The Company has split its portfolio of financial investments into the following three parts:

- Portfolio of financial investments covering non-life insurance reserves;
- Portfolio of financial investments covering life insurance reserves; and
- Portfolio of financial investments covering funds of the Company's equity.

Income from and costs of investments are primarily recorded on the life insurance technical accounts. At the year end, net income not related to life insurance is re-allocated to the non-technical accounts and the relevant amount of income is re-allocated from the non-technical accounts to the non-life insurance technical account.

The Company uses the proportion of the average balances of life and non-life insurance technical reserves and equity as a basis for reallocating expenses and income from investment.

Accounting Treatment for the Realisation of Investments

The Company's accounts for the realisation of investments on a gross basis and accordingly records separately all the revenues arising from realisation as equal to the selling value of the relevant investment instruments and the costs as equal to their carrying value.

2.16. Other Technical Cost and Income

Clearly identifiable costs and income are recorded directly on the life and non-life technical accounts during the year.

Costs that are not clearly identifiable are primarily recorded on the non-technical accounts and subsequently reallocated to the technical life or non-life accounts. As a basis for reallocating the costs and income, the Company uses separate coefficients for life and non-life insurance (refer to Note 2.14).

This treatment does not apply to taxes and fees, and other expenses not related to insurance and reinsurance.

2.17. Reinsurance

Under the terms of reinsurance arrangements, the reinsurer's share of premiums is calculated, invoiced and paid based on the premiums collected from reinsured policies. At the balance sheet date, the Company records an estimated payable in respect of the anticipated reinsurer's share of premiums not yet billed.

Under the terms of reinsurance arrangements, the reinsurer's share of claims is calculated and paid based on the actually settled insurance claims. The Company recognises estimated receivables in respect of the anticipated but not yet paid reinsurer's share of recorded insurance claims.

Under the terms of reinsurance arrangements, reinsurance commissions are calculated and paid based on the paid reinsurer's share of premiums reflecting loss experience.

The Company recognises its share of the reinsurer's profit when the entitlement to this profit share can be determined.

The reinsurer's share of reserves is determined pursuant to the reinsurer's share of collected premiums or insurance claims taking into account other relevant factors.

2.18. Income Taxation

The income tax for the relevant period consists of the due tax and the change in the deferred tax. The due tax consists of the tax calculated from the tax base using the tax rate valid in the current year and all additionally assessed taxes and refunds of the overpaid taxes of previous periods, as well as the reserve for the due tax, including the independent tax base (dividends received from abroad).

2.19. Deferred Income Tax

Deferred income tax is provided using the balance sheet method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates effective in the periods in which the temporary tax difference is expected to be realised. The principal temporary differences arise from depreciation on tangible and intangible fixed assets, creation of reserves and revaluation of debt securities.

In 2018 the Company recognised a deferred tax asset. In 2017 the deferred tax liability was recognised.

2.20. Foreign Currency Retranslation

Transactions during the year were retranslated at the Czech National Bank's exchange rate prevailing as of the transaction date or at the rate at which the transaction was realised. Assets and liabilities denominated in foreign currencies at the year-end are

retranslated using the Czech National Bank's exchange rate prevailing as of that date. Foreign exchange rate gains and losses are recognised through the profit and loss account, except for the foreign-currency debt securities for which these foreign exchange gains or losses are included in revaluation at fair value.

2.21. Consolidation

These financial statements have been prepared on an unconsolidated basis. The Company's financial information is included in the consolidated financial statements of Komerční banka, a.s., having its registered office at Na Příkopě 33/969, Prague 1, 114 07, and SOGECAP S.A., having its registered office at Tour D2, 17 bis place des reflets, 92919 Paris La Défense Cedex, France, which can be obtained at the same place.

2.22. Use of Estimates

The presented financial statements for the year ended 31 December 2018 are based on the best estimates available as of the reporting period end which specifically relate to the determination of fair values of financial instruments, impairment of assets and determination of reserves. Management of the Company believes that the financial statements give the truest and fairest view of the Company's financial results and financial position using all relevant and available information at the financial statements date.

2.23. Going concern

The financial statements have been prepared under the going concern assumption.

2.24. Changes in accounting method

Due to the amendment to the Act No. 563/1991 Coll. on Accounting and relating Decree no. 502/2002 Coll. the classification and valuation method of debt securities changed. As a result of this change, since 1 January 2018 all debt securities are classified as available for sale securities and at balance sheet date they are revaluated to fair value. Revaluation to the fair value is directly recognized in equity.

Till 31 December 2017, in accordance with Decree No. 502/2002 Coll. all debt securities were classified as held to maturity and were kept at book value (amortized cost).

Above mentioned change of classification and valuation method increased the value of total assets by CZK 1,607,065 thousand. The change had an impact on the value of debt securities, other capital funds and deferred tax. Based on the change of debt securities classification the deficiency provision was recognized in total amount of CZK 114,279 thousands as of 31 December 2018 and CZK 199,433 thousands as of 31 December 2017.

Detail from chapter 4.2 Investments

Group of assets (CZK thousand)	Reported values	Restated values	Impact
	31 December 2017	31 December 2017	
Debt securities issued by an EU member state or its central bank	15,425,692	16,309,267	883,575
Debt securities issued by financial institutions of EU member states	9,254,154	9,660,057	405,904
Listed bonds issued by EU businesses	4,186,328	4,436,032	249,704
Listed municipal bonds	667,348	700,582	33,234
Listed debt securities issued by banks and trading companies of non-EU member states	5,431,159	5,565,517	134,358
Total fixed income securities	34,964,680	36,671,455	1,706,775
Shares and KB Real estate Fund	1,674,207	1,674,207	0
Deposits with banks	787,705	787,705	0
Other investments – Cross Currency Swap	(183,289)	(183,289)	0
Total investments	37,243,303	38,950,078	1,706,775

The above mentioned table shows the impact of fair value revaluation resulted from change in reclassification of debt securities previously classified as held to maturity and recognized at amortized cost to classification as available for sale and recognized at fair value.

Detail from chapter 4.3 Debtors (Receivables)

Analysis of receivables (gross amount, CZK thousand)	Reported values 31 December 2017	Restated values 31 December 2017	Impact
Receivables from direct insurance from policy holders	72,328	72,328	0
Amounts due from reinsurance transactions	160	160	0
Total receivables from direct insurance and reinsurance	72,488	72,488	0
Other receivables from direct insurance and reinsurance	10,530	10,530	0
Operating prepayments	36,828	36,828	0
Other debtors	19,637	19,637	0
Prepaid income tax and deferred tax receivable	230,311	130,602	(99,708)
Total receivables	369,794	270,085	(99,708)

The reconciliation tables of chapters 4.3, 4.11, 4.6 and 4.13 represent the impact into the recognition of deferred tax. Change in accounting method had significant impact to value of bonds and related calculation of deferred tax from that revaluation. Originally the deferred tax asset was recognized and reported in value of CZK 137,575 thousand however changes in recognition of debt securities and its revaluation resulted in deferred tax liability amounted to CZK 148,827 thousand. Total impact to deferred tax was CZK 286,412 thousand.

Detail from chapter 4.6 Equity

(CZK thousand)	Reported values 31 December 2017	Restated values 31 December 2017	Impact
Share capital	1,175,398	1,175,398	0
Other capital funds	(579,396)	803,091	1,382,488
– valuation gains and losses of securities	(696,860)	1,009,916	1,706,776
– valuation gains and losses of derivatives	(106,941)	(106,941)	0
– up-front fees	88,497	88,497	0
– deferred tax	135,908	(188,380)	(324,288)
Statutory reserve fund	61,264	61,264	0
Retained earnings	624,790	374,824	(249,966)
Profit/(loss) for the period	437,270	525,768	88,497
Total	1,719,326	2,940,345	1,221,020

Detail from chapter 4.11 Creditors

(CZK thousand)	Reported values 31 December 2017	Restated values 31 December 2017	Impact
Payables from direct insurance to the policy holders	125,925	125,925	0
Payables to insurance brokers	241	241	0
Payables from reinsurance transactions	64,880	64,880	0
Total payables from direct insurance and reinsurance	191,046	191,046	0
Payables to staff from employment activities	12,635	12,635	0
Settlement balances with social security and health insurance institutions	7,682	7,682	0
Other payables	58,188	244,890	186,702
Other direct taxes	3,363	3,363	0
Other indirect taxes and fees	5,010	5,010	0
Total payables	277,924	464,626	186,702

Detail from chapter 4.13 Taxation

(CZK thousand)	Reported values 2017	Restated values 2017	Impact
Profit /(Loss) before taxation	527,797	637,053	109,256
Revenues exempted from taxation (rate of 19%)	(84,239)	(193,495)	(109,256)
Tax non-deductible expenses	12,979	12,979	0
Tax base	456,536	456,536	0
Income tax due in amount of 19%	86,734	86,734	0
Tax arising from independent tax base	7,081	7,081	0
Income tax due	93,815	93,815	0
Impact to P&L arising from last year income tax report (provision vs. final tax)	(4,025)	(4,025)	0
Total income tax due	89,790	89,790	0

Deferred tax receivable (+)/ payable (-) is being analysed accordingly:

(CZK thousand)	Reported values 31 December 2017	Restated values 31 December 2017	Impact
Deferred tax payable:			
Net book value of tangible and intangible fixed assets	(1,974)	(1,974)	0
Non-current financial assets	0	(188,379)	(188,379)
Deferred tax payable total	(1,974)	(190,353)	(188,379)
Deferred tax receivable:			
Non-current financial assets	135,908	0	(135,908)
Reserves	2,129	40,004	37,875
Bonuses	1,522	1,522	-
Deferred tax receivable total	139,559	41,526	(98,033)
Net deferred tax receivable/payable (+/-) as of 31 December	137,585	(148,827)	(286,412)

Change of net deferred tax receivable/ payable is being analysed accordingly:

(CZK thousand)	Reported values 2017	Restated values 2017	Impact
Net deferred tax receivable/payable (+/-) as of 1 January	(73,646)	(15,011)	58,635
Change of deferred tax recognized in profit and loss statement	(696)	(21,456)	(20,760)
Change of deferred tax recognized in equity	211,927	(112,360)	(324,287)
Net deferred tax receivable/payable (+/-) as of 31 December	137,585	(148,827)	(286,412)

Income tax due:

(CZK thousand)	Reported values 2017	Restated values 2017	Impact
Total income tax due	89,790	89,790	0
Change of deferred tax recognized in profit and loss statement	696	21,456	20,760
Income tax due	90,486	111,245	20,760

Detail from chapter 4.7 Technical reserves

(CZK thousand)	Reported values 31 December 2017	Restated values 31 December 2017	Impact
Name of reserve	Net balance	Net balance	
Life insurance reserve	33,664,392	33,664,392	0
Life insurance reserve where the investment risk is assumed by the policy holder	10,129,642	10,129,642	0
IBNR reserve	118,121	118,121	0
of which:			
Non-life insurance	40,458	40,458	0
Life insurance	77,663	77,663	0
RBNS reserve	345,067	345,067	0
of which:			
Non-life insurance	53,952	53,952	0
Life insurance	291,115	291,115	0
Reserve for bonuses and discounts	1,673,257	1,673,257	0
of which:			
Non-life insurance	257	257	0
Life insurance	1,673,000	1,673,000	0
Reserve for unearned premiums	84,097	84,097	0
of which:			
Non-life insurance	58,900	58,900	0
Life insurance	25,197	25,197	0
Other technical reserve	0	199,344	199,344

Detail from chapter 4.19 Change in other technical provisions, net of reinsurance

(CZK thousand)	Reported values 2017	Restated values 2017	Impact
Change in life insurance premium (line C.2. in Balance sheet)	(891,546)	(891,546)	0
Change in other technical provisions (line C.6 in Balance sheet)	0	109,256	109,256
Subtotal Change in life insurance premium – net amount in Profit and Loss statement	(891,546)	(782,219)	109,256
Change in provision for bonuses and discount (line C.4 in Balance sheet)	128,476	128,476	0
Change in Unit link life insurance provision (line D. in Balance sheet)	1,945,045	1,945,045	0
Subtotal Change in other technical reserves in Profit and Loss Statement	2,073,521	2,073,521	0
Change in provision for unearned premium – life insurance business (line C.1a) in Balance sheet)	779	779	0
Change in provision for unearned premium – non-life insurance business (line C.1b) in Balance sheet)	6,004	6,004	0
Subtotal Change in provision for unearned premium – net amount in Profit and Loss statement	6,783	6,783	0
Change in provision for outstanding insurance claims – life business (line C.3a) in Balance sheet)	67,682	67,682	0
Change in provision for outstanding insurance claims – non-life business (line C.3b) in Balance sheet)	12,203	12,203	0
Subtotal Change in provision for unearned premium – net amount in Profit and Loss statement	79,885	79,885	0
Total Change in technical provisions – net amount in Profit and Loss statement	1,268,642	1,377,899	109,256

Detail from chapter 4.25 Profit/(Loss)

(CZK thousand)	Reported values 2017	Restated values 2017	Impact
Non-life insurance	95,155	95,155	0
Life insurance	388,412	497,668	109,256
Non-technical account (before tax)	44,230	44,230	0
Profit/(loss) before tax	527,797	637,053	109,256
Income tax and other taxes	90,527	111,286	20,759
Profit/(loss) for the accounting period	437,270	525,768	88,498

The impact of deficiency provision recognition is shown in the reconciliation tables of chapters 4.17, 4.19 and 4.25.

3. Risk management

The control system of the Company is set up to allow a continuous and systematic risk management.

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

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

The Company's Board of Directors has the primary responsibility for risk management system effectiveness.

(a) Life insurance risk

The Company is exposed to risks resulting from an unfavourable development of assumptions compared to their determination at the moment of valuation of products. This involves, for example, the risk of unfavourable development of mortality, morbidity or survival, risk of a unfavourable development of interest rates, risk resulting from an unexpected development of cost inflation or uncertainty in the expected future claims settlement. In the above cases the Company is exposed to the danger of a loss resulting from the discrepancy between collected premiums and claims paid, investment returns and expenses. The Company reinsures some of the risks and underwrites them with external reinsurers.

(b) Non-life insurance risk

The Company is exposed to insurance risk and underwriting risks arising from the sale of non-life insurance products.

Insurance risk relates to uncertainty in respect of the period, frequency and amount of damage covered by insurance contracts or uncertainty in the expected future claims settlement.

The most significant components of insurance risk are the risk of underestimated technical provisions and the premium risk. The premium amount is determined using historical assumptions, which may differ from the actual situation. The risk of trend, risk of estimate, change in assumption, etc., may have a significant impact on determining the amount of provisions.

(c) Market risk

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

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

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

(d) Credit risk

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

The main areas of the Company's exposure to the credit risk are risk of failure to repay the principal or the income from financial investments and insurance and reinsurance receivables.

(e) Operational risk

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

Loss means any harm or damage incurred by the Company.

The Company monitors these risks, modifies work procedures and processes to eliminate the loss events.

(f) Liquidity risk

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

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

(g) Concentration risk

Concentration risk arises when the investment portfolio is not well enough diversified. This situation may lead to significant financial losses in case of a counterparty default.

4. Additional information to the financial statements

4.1. Tangible and Intangible Fixed Assets

The assets shown in the tables below represent tangible and intangible fixed assets reported within the following balance sheet lines:

Acquisition cost

(CZK thousand)	Additions	Disposals	31 December 2018	31 December 2017
Depreciated tangible assets	2,996	3,271	35,802	36,077
of which: cars	2,333	2,284	10,103	10,054
hardware	663	235	15,070	14,642
office equipment	0	628	8,368	8,996
furniture and fixtures	0	124	2,261	2,385
Non-depreciated tangible assets	0	0	236	236
Technical improvements of tangible assets	0	0	0	0
Amortized intangible assets	24,373	19,706	281,340	276,673
Technical improvements of intangible assets	3,470	3,438	175	143
Acquisition of assets	3,318	4,226	0	908
of which: intangible assets	732	1,229	0	497
tangible assets	2,586	2,997	0	411
Total	34,157	30,641	317,553	314,037

Accumulated Depreciation

(CZK thousand)	Additions	Disposals	31 December 2018	31 December 2017
Depreciated tangible assets	6,096	3,271	24,854	22,029
of which: cars	2,802	2,284	5,220	4,702
hardware	2,705	235	10,103	7,633
office equipment	517	628	7,376	7,487
furniture and fixtures	72	124	2,155	2,207
Amortized intangible assets	21,342	4,878	243,012	226,548
Total	27,438	8,149	267,866	248,577

Net Book Value

(CZK thousand)	31 December 2018	31 December 2017
Depreciated tangible assets	10,948	14,047
of which: cars	4,883	5,352
hardware	4,967	7,008
office equipment	992	1,509
furniture and fixtures	106	178
Non-depreciated tangible assets	236	236
Technical improvements of tangible assets	0	0
Amortized intangible assets	38,328	50,126
Technical improvements of intangible assets	175	143
Acquisition of assets	0	908
of which: intangible assets	0	497
tangible assets	0	411
Total	49,687	65,460

(CZK thousand)	31 December 2018	31 December 2017
Intangible assets (line 2)	38,503	50,766
Tangible assets (line 32)	11,184	14,694
Total	49,687	65,460

Major additions to the tangible depreciated assets both in 2018 and 2017 were related to the purchase of new cars (2018: CZK 2,333 thousand and 2017: CZK 5,533 thousand).

With respect to the amortised intangible assets, the most significant item was the investment into data warehouse and support of software AIA4 (2018: CZK 14,371 thousand and 2017 CZK 16,831 thousand).

4.2. Investments

Group of assets (CZK thousand)	31 December 2018	Restated 31 December 2017
Debt securities issued by an EU member state or its central bank	16,691,642	16,309,267
Debt securities issued by financial institutions of EU member states	9,107,391	9,660,057
Listed bonds issued by EU businesses	4,081,400	4,436,032
Listed municipal bonds	670,846	700,582
Listed debt securities issued by banks and trading companies of non-EU member states	4,954,708	5,565,517
Total fixed income securities	35,505,987	36,671,455
Shares and KB Real estate Fund	1,965,035	1,674,207
Deposits with banks	1,104,000	787,705
Other investments – Cross Currency Swap	(793,466)	(183,289)
Total investments	37,781,556	38,950,078

39.3% (2017: 35%) of investments are allocated to government bonds issued by the Czech Republic. Investments have also been allocated to debt securities issued by banks, bonds issued by businesses (registered both in the Czech Republic and abroad), municipal bonds, shares, KB Real estate Fund and bank deposits.

As of 31 December 2018 and as of 31 December 2017 the bad debt provision to bonds was zero.

Since 1 January 2018 all debt securities are classified as available for sale securities and at balance sheet date they are revaluated at fair value. Revaluation reserves is directly recognized in equity (Refer to chapter 2.24.).

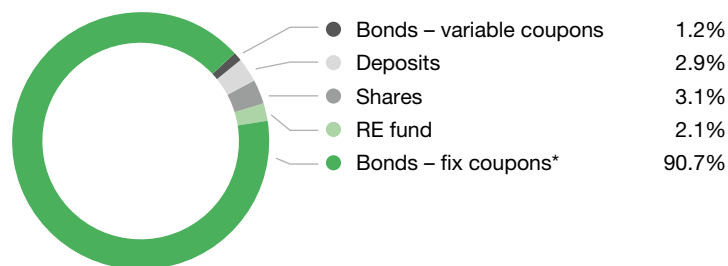
Investments in shares represent an additional instrument added to the portfolio. At the end of 2018, the volume of stock investments amounted to 3.1% (2017: 3.4%). Investments in the KB Real estate fund amounted to 2.1% at the end of 2018 (2017: 0.9%) and represent amount of CZK 784,380 thousand (2017: CZK 352,680 thousand).

The fair value of the Cross Currency Swaps can be split into swaps with a positive fair value in the total amount of CZK 197,400 thousand (2017: CZK 462,491 thousand) and negative fair value in the total amount of CZK 990,866 thousand (2017: CZK 645,780 thousand).

In 2018, only the bonds denominated in CZK were purchased. Their total acquisition cost amounted to CZK 3.074 billion. In 2017, apart from the bonds denominated in CZK (acquisition cost: CZK 0.656 billion), 13 bonds denominated in EUR and USD were purchased and included in the investment portfolio. Their total acquisition cost amounted to CZK 3.245 billion.

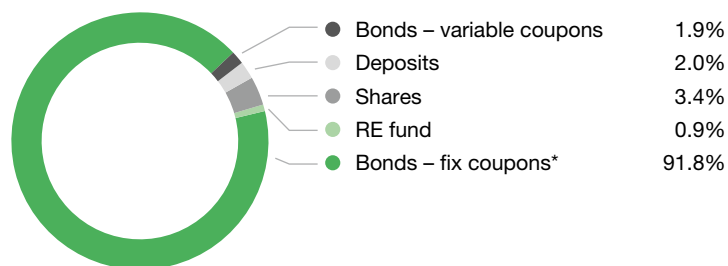
The future foreign-currency cash flows from these investments were hedged against the currency risk by the retranslation of cash flows from the foreign-currency bonds into Czech crowns at a previously stipulated exchange rate using the cross-currency swaps. The foreign-currency bonds were purchased because of their higher yield offered by issuers on the European financial market compared to the domestic market.

Company portfolio of investments as of 31 December 2018 (%)



* includes also cross currency swaps

Company portfolio of investments as of 31 December 2017 (% , restated)



* includes also cross currency swaps

Investment life insurance where the policyholder carries the investment risk

As of 31 December 2018, the fair value of Investments to life insurance where the investment risk is carried by the policyholder was CZK 9,001,621 thousand (2017: CZK 10,129,642 thousand). Significant part of the investments to life insurance where the investment risk is carried by policyholder is placed in bond funds.

4.3. Debtors (Receivables)

Analysis of receivables (gross amount)

(CZK thousand)	31 December 2018	Restated 31 December 2017
Receivables from direct insurance from policy holders	68,684	72,328
Amounts due from reinsurance transactions	2,633	160
Total receivables from direct insurance and reinsurance	71,317	72,488
Other receivables from direct insurance and reinsurance	14,505	10,530
Operating prepayments	38,588	36,828
Other debtors	18,200	19,637
Prepaid income tax and deferred tax receivable	171,170	130,602
Total receivables	313,780	270,085

As of 31 December 2018 and as of 31 December 2017, other receivables from direct insurance and reinsurance arise from the delay between the transfer of insurance claim payments through the client payment check system and their settlement (i.e. the settlement of receivables against the related account payables to the policy holders).

As of 31 December 2018, operating prepayments totalling CZK 38,588 thousand (2017: CZK 36,828 thousand) primarily include bonus prepayments related to collective insurance contracts of CZK 27,998 thousand (2017: CZK 27,625 thousand), a prepayment of CZK 1,707 thousand provided to AXA ASSISTANCE (2017: CZK 1,705 thousand) and a rental guarantee payment of CZK 4,313 thousand (2017: CZK 4,219 thousand).

As of 31 December 2018, other debtors consist of ex-coupon receivables amounting to CZK 2,870 thousand (2017: CZK 5,523 thousand) and receivable from outstanding commissions to Company SGCIB amounting to CZK 14,339 thousand (2017: CZK 13,839 thousand).

In the line Prepaid income tax and deferred tax receivable there is indicated advanced income tax payment for 2018 in amount of CZK 95,586 thousand (2017: CZK 92,714) and deferred tax receivable in the amount of CZK 75,563 thousand (2017: CZK 37,875).

Aging Analysis of Receivables from Direct Insurance for Policy Holders

(CZK thousand)	Months past due date 2018				Total
	0-3	4-6	7-12	Over 12	
Life insurance	22,974	6,979	1,194	12,328	43,475
Non-life insurance	7,548	1,401	748	15,512	25,209
Total	30,522	8,380	1,942	27,840	68,684

(CZK thousand)	Months past due date 2017				Total
	0-3	4-6	7-12	Over 12	
Life insurance	26,388	8,669	1,311	11,683	48,051
Non-life insurance	7,817	1,624	204	14,632	24,277
Total	34,205	10,293	1,515	26,315	72,328

(CZK thousand)	31 December 2018	Restated 31 December 2017
Total receivables	313,780	270,085
Total Bad Debt Provision	(26,534)	(24,783)
Netto Receivables (line 25)	287,246	245,302

The Company recognised the provisions against receivables only for individual insurance policies. For collective insurance policies, i.e. Merlin, Group risk life insurance, International products or Consumer loans life insurance, the risk of default is on the side of policy holders and no provisions are recognised.

Bad Debt Provision

(CZK thousand)	Months past due date 2018				Total
	0-3	4-6	7-12	Over 12	
Life insurance	0	309	550	10,519	11,378
Non-life insurance	0	262	664	14,231	15,157
Total	0	570	1,214	24,750	26,534

(CZK thousand)	Months past due date 2017				Total
	0-3	4-6	7-12	Over 12	
Life insurance	0	334	597	10,120	11,051
Non-life insurance	0	186	422	13,125	13,732
Total	0	520	1,019	23,245	24,783

4.4. Cash on accounts with financial institutions and cash on hand (Cash and Cash Equivalents)

(CZK thousand)	31 December 2018	31 December 2017
Current accounts	255,346	250,377
Cash on hand	83	111
Cash equivalents	233	556
Cash in transit	(173)	840
Provision against UB	(58)	(58)
Total	255,431	251,826

The Company recognised a full provision against its current account maintained with Union banka, amounting to CZK 96 thousand in 2003. In 2004, 2010 and 2017 this outstanding receivable was partly settled in the amount of CZK 38 thousand (2018 no settlement). The underlying provision was reduced by the same amount. The Company will record the provision until the liquidation of Union banka is completed.

Item cash in transit contains unconverted transaction related to investments. As at the year end the purchases were higher than sales, the cash in transit is negative (all transactions were settled after the year-end).

4.5. Temporary Assets

Analysis of temporary assets

(CZK thousand)	31 December 2018	31 December 2017
Deferred acquisition costs	215,155	158,958
of which: Non-life insurance commissions	53,066	47,734
Life insurance commissions	162,089	111,224
Other deferred expenses	99,151	39,290
of which: capitalized expenses of selected projects	91,317	31,384
other deferred expenses	7,834	7,905
Estimated receivables	107,319	111,307
of which: premiums	36,603	33,358
reinsurer's commission and share in claims	57,679	64,142
other	13,037	13,808
Total	421,625	309,555

For further details about reinsurance balances refer to Note 4.27. or rather 2.13.

Deferred acquisition costs increased mainly due to ELÁN product (risk life insurance sold by brokers) CZK 77,024 thousand (2017: CZK 49,539 thousand).

Other deferred expenses increased mainly due to capitalized costs of IT Transformation project CZK 19,866 thousand (2017: CZK 0 thousand), Cubiq project CZK 4,975 thousand (2017: CZK 0 thousand), GDPR project CZK 8,681 thousand (2017: CZK 2,357 thousand) and other projects CZK 10,012 thousand (2017: CZK 1,073 thousand).

The balance of estimated premium receivables as of 31 December 2018 of CZK 36,603 thousand (2017: CZK 33,358 thousand) represents premiums for policies that have been concluded but not recorded in the operating system by the closing date.

The balance of estimated receivables from reinsurer's commission and share of reinsurer as of 31 December 2018 of CZK 57,679 thousand (2017: CZK 64,142 thousand) results from the settlement of reinsurance balances mainly for the last quarter of 2018.

Other estimated receivables results mainly from not invoiced managerial fees related to Forte funds and Certus funds amounting to CZK 13,036 thousand (2017: CZK 13,465 thousand)

4.6. Equity

(CZK thousand)	31 December 2018	Restated 31 December 2017
Share capital	1,175,398	1,175,398
Other capital funds	(311,606)	803,091
– valuation gains and losses of securities	296,838	1,009,916
– valuation gains and losses of derivatives	(715,637)	(106,941)
– up-front fees	34,100	88,497
– deferred tax	73,093	(188,380)
Statutory reserve fund	0	61,264
Retained earnings	524,727	374,824
Profit/(loss) for the period	547,949	525,768
Total	1,936,468	2,940,345

4.7. Technical Reserves

(CZK thousand)	31 December 2018			Restated
	Gross balance	Reins. share	Net balance	31 December 2017
Name of reserve				Net balance
Life insurance reserve	35,983,367	2,075,484	33,907,883	33,664,392
Life insurance reserve where the investment risk is assumed by the policy holder	9,001,621	0	9,001,621	10,129,642
IBNR reserve	168,642	2,789	165,853	118,121
of which:				
Non-life insurance	56,267	2,495	53,772	40,458
Life insurance	112,375	294	112,081	77,663
RBNS reserve	426,340	75,468	350,872	345,067
of which:				
Non-life insurance	66,124	11,791	54,333	53,952
Life insurance	360,216	63,677	296,539	291,115
Reserve for bonuses and discounts	1,662,266	0	1,662,266	1,673,257
of which:				
Non-life insurance	266	0	266	257
Life insurance	1,662,000	0	1,662,000	1,673,000
Reserve for unearned premiums	96,311	166	96,145	84,097
of which:				
Non-life insurance	70,323	166	70,157	58,900
Life insurance	25,988	0	25,988	25,197
Other technical reserve	114,270	0	114,270	199,344

4.8. Result of Non-Life Insurance Claims Settlement – Run-Off Analysis (Net)

(CZK thousand)	2018	2017
Balance of the reserve for claims as of 1 January	92,834	81,015
Claims paid in the current period arising from claims from the prior period	13,573	16,655
Balance of the reserve for claims as of 31 December	48,792	55,778
Result of claims settlement	30,469	8,582

4.9. Result of Life Insurance Claims Settlement – Run-off Analysis (Net)

(CZK thousand)	2018	2017
Balance of the reserve for claims as of 1 January	182,972	161,922
Claims paid in the current period arising from claims from the prior period	69,505	62,064
Balance of the reserve for claims as of 31 December	122,451	90,015
Result of claims settlement	(8,984)	9,843

The run-off analysis (net) of life insurance products is presented for risk and accident riders. The run-off in respect of insurance capital products is zero.

4.10. Reserves (Reserves for Other Risks and Losses)

(CZK thousand)	31 December 2018	31 December 2017
Reserve for corporate income tax	91,811	93,815
Other reserves	12,615	11,935
Total reserve for other risks and losses	104,426	105,750

Other reserves include particularly reserve for unused holidays, annual letters and reserve for the audit.

4.11. Creditors (Payables)

(CZK thousand)	31 December 2018	Restated 31 December 2017
Payables from direct insurance to the policy holders	92,752	125,925
Payables to insurance brokers	0	241
Payables from reinsurance transactions	60,886	64,880
Total payables from direct insurance and reinsurance	153,637	191,046
Payables to staff from employment activities	15,865	12,635
Settlement balances with social security and health insurance institutions	9,992	7,682
Other payables	53,199	244,890
Other direct taxes	4,393	3,363
Other indirect taxes and fees	5,525	5,010
Total payables	242,611	464,626

Payables from direct insurance to the policy holders predominantly include premium overpayments CZK 66,978 thousand (2017: CZK 78,957 thousand) and unmatched premium payments CZK 17,544 thousand (2017: CZK 34,584 thousand)

As of 31 December 2018, the Company records overdue payables from direct insurance to the policy holders older than 5 years in the amount of CZK 21,557 thousand (2017: CZK 25,789 thousand). These consist of premiums overpayments.

Other payables that do not relate to insurance predominantly include liabilities from business intercourse and liabilities to brokers for unpaid commissions.

None of the Company's payables were secured by a pledge or any other charge as of 31 December 2018 and as of 31 December 2017.

4.12. Temporary Liabilities

Analysis of Temporary Liabilities

(CZK thousand)	31 December 2018	31 December 2017
Reinsurer's share in premiums	12,165	23,964
Commissions to distributors	147,434	151,317
Insurance claims	3,659	3,018
Other	51,494	48,923
Total temporary liabilities	214,751	227,221

Estimated commissions payables to distributors of CZK 147,343 thousand (2017: CZK 151,317 thousand) represent an estimate of unpaid commissions. This balance predominantly consists of bonuses not paid to ESSOX amounting to CZK 40,409 thousand (2017: CZK 45,895 thousand) and bonuses not paid to Komerční banka, a.s. totalling CZK 32,753 thousand (2017: CZK 70,337 thousand).

Other temporary liabilities of CZK 51,494 thousand (2017: CZK 48,923 thousand) principally comprise unbilled supplies of CZK 41,934 thousand (2017: CZK 40,582 thousand) and costs of staff bonuses for 2018 amounting to CZK 9,164 thousand (2017: CZK 8,009 thousand).

4.13. Taxation

The income tax due was calculated as follows:

(CZK thousand)	2018	Restated 2017
Profit /(Loss) before taxation	673,222	637,053
Revenues exempted from taxation (rate of 19%)	(49,858)	(193,495)
Tax non-deductible expenses	25,090	12,979
Tax base	648,454	456,536
Adjustment to tax base due to restatement of prior year result	(199,344)	0
Income tax due in amount of 19%	85,530	86,734
Tax arising from independent tax base	6,231	7,081
Income tax due	91,811	93,815
Impact to P&L arising from last year income tax report (provision vs. final tax)	(3,663)	(4,025)
Total income tax due	88,148	89,790

Creation of prior year LAT reserve subsequently had direct impact to 2018 in total amount of CZK 199,344 thousand. As these changes were driven by current year changes in accounting methods (refer to chapter 2.24) current year tax base was decreased by this restatement and amounted to CZK 449,110 thousand.

Deferred tax receivable (+)/ payable (-) is being analysed accordingly:

(CZK thousand)	31 December 2018	Restated 31 December 2017
Deferred tax payable:		
Net book value of tangible and intangible fixed assets	(1,530)	(1,974)
Investments	0	(188,379)
Deferred tax payable total	(1,530)	(190,353)
Deferred tax receivable:		
Reserves	2,258	40,004
Bonuses	1,742	1,522
Investments	73,093	0
Deferred tax receivable total	77,093	41,526
Net deferred tax receivable/payable (+/-) as of 31 December	75,563	(148,827)

Change of net deferred tax receivable/payable is being analyzed accordingly:

(CZK thousand)	2018	Restated 2017
Net deferred tax receivable/payable (+/-) as of 1 January	175,460	(15,011)
Change of deferred tax recognized in profit and loss statement	(37,082)	(21,456)
Change of deferred tax recognized in equity	(62,815)	(112,360)
Net deferred tax receivable/payable (+/-) as of 31 December	75,563	(148,827)

(CZK thousand)	2018	Restated 2017
Total income tax due	88,148	89,790
Change of deferred tax recognized in profit and loss statement	37,082	21,456
Income tax due	125,230	112,245

The Company recorded deferred tax receivable as of 31 December 2018 in full amount of CZK 75,563 thousand due to the expected achievement of a sufficient tax base that enables its tax deductibility (In 2017 the company recorded deferred tax liability in the amount of CZK 148,827 thousand).

4.14. Non-Life Insurance

	Insurance class	Year	Gross premiums written	Gross premiums earned	Gross claims paid	Gross operating expenses	Reinsurance balance
Accident and sickness	1, 2	2018	32,344	32,745	6,640	20,502	(746)
		2017	33,202	34,004	6,895	18,889	(673)
Insurance against fire and other damage to property	7, 8, 9	2018	84,696	73,992	11,873	63,486	(4,660)
		2017	48,237	37,330	4,753	63,931	(5,403)
Other non-life insurance	18	2018	344,343	343,260	59,474	150,350	(1,594)
		2017	338,472	342,576	54,858	137,880	(1,886)
Total		2018	461,383	449,997	77,987	234,338	(7,000)
		2017	419,911	413,910	66,506	220,700	(7,962)

4.15. Life insurance

(CZK thousand)	2018	2017
Gross written premium	4,685,421	5,729,912
Earned premium	4,684,630	5,729,132
Gross costs of insurance claims	4,945,759	4,441,854
Reinsurance balance	35,061	25,072
Acquisition costs of insurance policies	164,928	194,986
– commissions	215,793	209,165
– change in deferred expenses and accrued income	(50,865)	(14,179)
Administrative overheads	292,841	243,632

Summary of life insurance, written premium

(CZK thousand)	2018	2017
Individual contracts	4,556,544	5,597,556
of which: Insurance contracts where the investment risk is borne by the policy holder	1,920,805	2,435,566
Collective contracts	128,877	132,356
Life insurance – total	4,685,421	5,729,912
Single premium	3,720,113	4,783,918
of which: Insurance contracts where the investment risk is borne by the policy holder	1,892,457	2,401,504
Regular premium	965,307	945,993
Insurance contracts where the investment risk is borne by the policy holder	1,544	27,696
Life insurance – total	4,685,421	5,729,912
Insurance contracts without bonuses	673,038	637,380
Insurance contracts with bonuses	4,012,383	5,092,532
of which: Insurance contracts where the investment risk is borne by the policy holder	1,542,059	1,708,213
Life insurance – total	4,685,421	5,729,912

4.16. Territorial Analysis of Total Premium Written

The Company entered into insurance contracts in the Czech Republic, Bulgaria, Romania and Germany.

(CZK thousand)	2018	2017
Written premium arise from contracts into which the Company entered:		
in the EU member state where it has its registered office	5,029,090	6,031,094
in other EU member states	117,714	118,729
Total premiums written	5,146,804	6,149,823

4.17. Summary of Commissions

The total balance of commissions in respect of direct insurance amounted to CZK 328,976 thousand in 2018 (2017: CZK 321,537 thousand) and was segmented as follows:

(CZK thousand)	Life insurance		Non-life insurance	
Year	2018	2017	2018	2017
Expenses on commissions	215,793	209,165	113,183	112,372

4.18. Income and Expense Related to Investments of Technical Reserves

For the year ended 31 December 2018, the net income on the Company's investments amounted to CZK 720,951 thousand (2017: CZK 860,895 thousand), of which the net income from assets generated from technical reserves amounted to CZK 677,012 thousand (2017: CZK 816,665 thousand).

As discussed in Note 2.15, income and expense from investments are recorded primarily on the life insurance technical account during the reporting period.

At the year-end, net financial income unrelated to life insurance is reallocated to the non-technical accounts (2018: CZK 45,975 thousand, 2017: CZK 44,979 thousand) and subsequently re-allocated to the non-life insurance technical accounts (2018: 2,035 thousand, 2017: CZK 749 thousand).

Year	2018		2017	
(CZK thousand)	Life insurance	Non-life insurance	Life insurance	Non-life insurance
Year-end brutto balances of reserves	38,143,946	192,980	38,057,197	168,168
Year-end brutto balances of reserves – investment risk is borne by the policy holder	9,001,621	0	10,129,642	0
Income from reserves	674,977	2,035	815,916	749

4.19. Change in other technical provisions, net of reinsurance

In accordance with the procedures set forth in item 2.8. the Company accounted for the following changes in technical provisions:

(CZK thousand)	2018	Restated 2017
Change in life insurance premium (line C.2. in Balance sheet)	243,491	(891,547)
Change in other technical provisions (line C.6 in Balance sheet)	(85,074)	109,256
Subtotal Change in life insurance premium – net amount in Profit and Loss statement	158,417	(782,290)
Change in provision for bonuses and discount (line C.4 in Balance sheet)	(10,991)	128,476
Change in Unit link life insurance provision (line D. in Balance sheet)	(1,128,021)	1,945,045
Subtotal Change in other technical reserves in Profit and Loss Statement	(1,139,012)	2,073,521
Change in provision for unearned premium – life insurance business (line C.1a) in Balance sheet)	791	779
Change in provision for unearned premium – non-life insurance business (line C.1b) in Balance sheet)	11,257	6,004
Subtotal Change in provision for unearned premium – net amount in Profit and Loss statement	12,048	6,783
Change in provision for outstanding insurance claims – life business (line C.3a) in Balance sheet)	39,841	67,683
Change in provision for outstanding insurance claims – non-life business (line C.3b) in Balance sheet)	13,696	12,202
Subtotal Change in provision for unearned premium – net amount in Profit and Loss statement	53,537	79,885
Total Change in technical provisions – net amount in Profit and Loss statement	(915,010)	1,377,899

4.20. Unrealized gains and losses on investments

Unrealized gains and losses on investments include revaluation of Life insurance reserve where the investment risk is carried by the policyholder and the revaluation of KB Real estate funds and shares.

(CZK thousand)	2018	2017
Unrealized gains/losses on shares value (+/-)	(140,872)	(19,302)
Unrealized gains/losses from revaluation of KB Real Estate funds (+/-)	31,700	27,270
Unrealized gains/losses from investment where the investment risk is assumed by the policy holder (+/-)	(485,872)	(96,644)
Total	(595,044)	(88,676)

4.21. Administrative Expenses

The total amount of administrative expenses was CZK 419,747 thousand in 2018 (2017: CZK 359,032 thousand). The administrative expenses are analysed as follows:

(CZK thousand)	2018	2017
Staff cost (wages, social security and health insurance)	237,479	190,335
Training	3,556	2,361
Advisory services	36,329	27,239
Telecommunication	1,841	2,477
IT costs	26,335	28,593
Depreciation of Tangible and Intangible asset	22,561	17,076
Depreciation of capitalized cost of selected projects	10,171	3,927
Rental	18,722	17,493
Banking and postal fees	9,824	9,111
Other administrative costs	52,928	60,421
Total	419,747	359,032

The costs of the audit of the financial statements amounted to CZK 2,168 thousand in 2018 (2017: CZK 2,193 thousand). No other services were provided by audit service company in 2018.

4.22. Other Technical Income and Expenses and Non-Technical Account

Other technical income on non-life insurance amounted to CZK 3,386 thousand (2017: CZK 37,750 thousand). Last year the most significant item was release of an allowance for industry insurance in the amount of CZK 30,840 thousand, no such item in 2018.

Other technical expenses of non-life insurance amounting to CZK 46,166 thousand (2017: CZK 48,215 thousand) mainly include cost of bonuses totalling CZK 40,027 thousand (2017: CZK 39,977 thousand).

Other technical income of life insurance primarily includes the management fee for the sale of Forte funds amounting to CZK 55,315 thousand (2017: CZK 58,438 thousand).

Other technical expenses of life insurance include items relating to the cost of bonuses in the amount of CZK 47,105 thousand (2017: CZK 55,461 thousand) and management fees in the amount of CZK 166,499 thousand (2017: 159,809 thousand).

4.23. Reallocation of Costs between Technical and Non-Technical Accounts

The aggregate balance of costs re-allocated between the life insurance technical accounts, the non-life insurance technical accounts and the non-technical accounts on the basis as disclosed in Note 2.14 as of 31 December 2018 amounted to CZK 419,747 thousand (2017: CZK 359,032 thousand).

4.24. Transactions with Related Parties

(CZK thousand)	2018	2017
Income from companies within the group		
Gross written premiums	441,258	436,630
Income from investments (cross currency swaps and accrued interest)	666,858	664,138
Other income	55,453	58,608
Profit sharing – reinsurer	36,650	38,027
Direct premiums ceded to reinsurer	(144,734)	(268,649)
Reinsurers share of provision for life insurance	(494,682)	(583,934)
Reinsurers share of claims provision	(27,229)	(12,838)
Total income	533,573	331,982
Costs towards companies within the group		
Commissions/variable bonuses	472,952	483,974
Reinsurers share on costs for insurance claims	(377,523)	(460,812)
Costs linked to investments (cross currency swaps)	868,665	907,115
Reinsurers share of provision for life insurance	(213,315)	(401,753)
Reinsurers share of claim provision	(31,372)	(10,576)
Other costs	53,653	50,495
Total costs	773,060	568,444
Receivables from companies within the group		
Securities and other investments	2,657,305	2,694,773
Current accounts and deposits	1,359,275	1,038,015
Receivables from insurance	69,686	69,407
Estimated receivables	199,304	183,592
Total receivables	4,285,571	3,985,787
Payables to companies within the group		
Payables from reinsurance and other payables	88,772	100,002
Fair value – cross currency swaps	793,466	183,289
Reinsurers share of provision for life insurance	(2,075,484)	(2,320,542)
Reinsurers share of claims provision	(5,180)	(2,236)
Estimated payables	168,110	173,946
Total payables	(1,030,317)	(1,865,541)

4.25. Profit/(Loss)

(CZK thousand)	2018	Restated 2017
Non-life insurance	76,376	95,155
Life insurance	552,906	497,668
Non-technical account (before tax)	43,940	44,230
Profit/(loss) before tax	673,222	637,053
Income tax and other taxes	125,273	111,286
Profit/(loss) for the accounting period	547,949	525,768

4.26. Staff Costs and Similar Costs

Staff and similar costs paid by the Company were as follows:

2018				
(CZK thousand)	Average recalculated headcount	Wages and salaries	Social security and health insurance	Total staff costs
Staff	204	158,432	48,180	206,612
Management	6	25,932	4,935	30,867
Total	210	184,364	53,115	237,479

2017				
(CZK thousand)	Average recalculated headcount	Wages and salaries	Social security and health insurance	Total staff costs
Staff	180	127,044	38,847	165,891
Management	6	20,246	4,198	24,444
Total	186	147,290	43,045	190,335

As of 31 December 2018 the Company enables nineteen employees to use business cars for both business and private purposes (as of 31 December 2017 seventeen employees). The Company has provided no other advances, borrowings or loans to the members of its statutory, executive and supervisory bodies in addition to this benefit.

4.27. Reinsurance

The aggregate reinsurance result

(CZK thousand)	2018	2017
Reinsurer's share of premiums	(208,334)	(327,918)
Reinsurer's share of insurance claims	396,952	474,551
Commissions	61,075	55,117
Reinsurance balance	249,693	201,750
Reinsurer's share on the creation and use of reserves	(221,633)	(184,641)
Reinsurance result	28,060	17,109

The amounts due from and to reinsurers:

(CZK thousand)	31 December 2018	31 December 2017
Receivable from reinsurers	2,633	160
Estimated receivable	57,679	64,142
Payable to reinsurers	(60,886)	(64,880)
Estimated payable	(12,186)	(24,045)
Net receivable (payable) from reinsurers	(12,760)	(24,623)

5. Off-balance sheet commitments

The Company is not aware of any off-balance sheet commitments.

6. Other significant post balance sheet events

Catherine Renée Claude de la Croix's membership in the Board of Directors was terminated in 2019. This change was recorded in the Commercial Register with effect from 12 February 2019.

Mr. Zdeněk Doboš, permanent address Nad Rybníkem 376, 250 83 Škvorec, became a member of the Board of Directors with effect from 1 February 2019.

Report on Relations among Related Entities for the year ended 31 December 2018

(hereinafter referred to as the **"Report on Relations"**)

Komerční pojišťovna, a.s., with its registered office in Prague 8, Karolinská 1/650, post code 186 00, Corporate ID 63998017, incorporated with the Municipal Court in Prague, Section B, File 3362, (hereinafter referred to as the **"Company"**), is a part of a business group (holding company) in which the following relations between the Company and its Controlling Entity and further between the Company and other entities controlled by the same Controlling Entity (hereinafter referred to as the **"Related Entities"**) exist.

This report on relations was prepared in accordance with Section 82 et seq. of Act No. 90/2012 Coll., on Business Companies and Cooperatives (the Corporations Act) for the year ended 31 December 2018, ie, from 1 January 2018 to 31 December 2018 (hereinafter referred to as the **"Reporting Period"**).

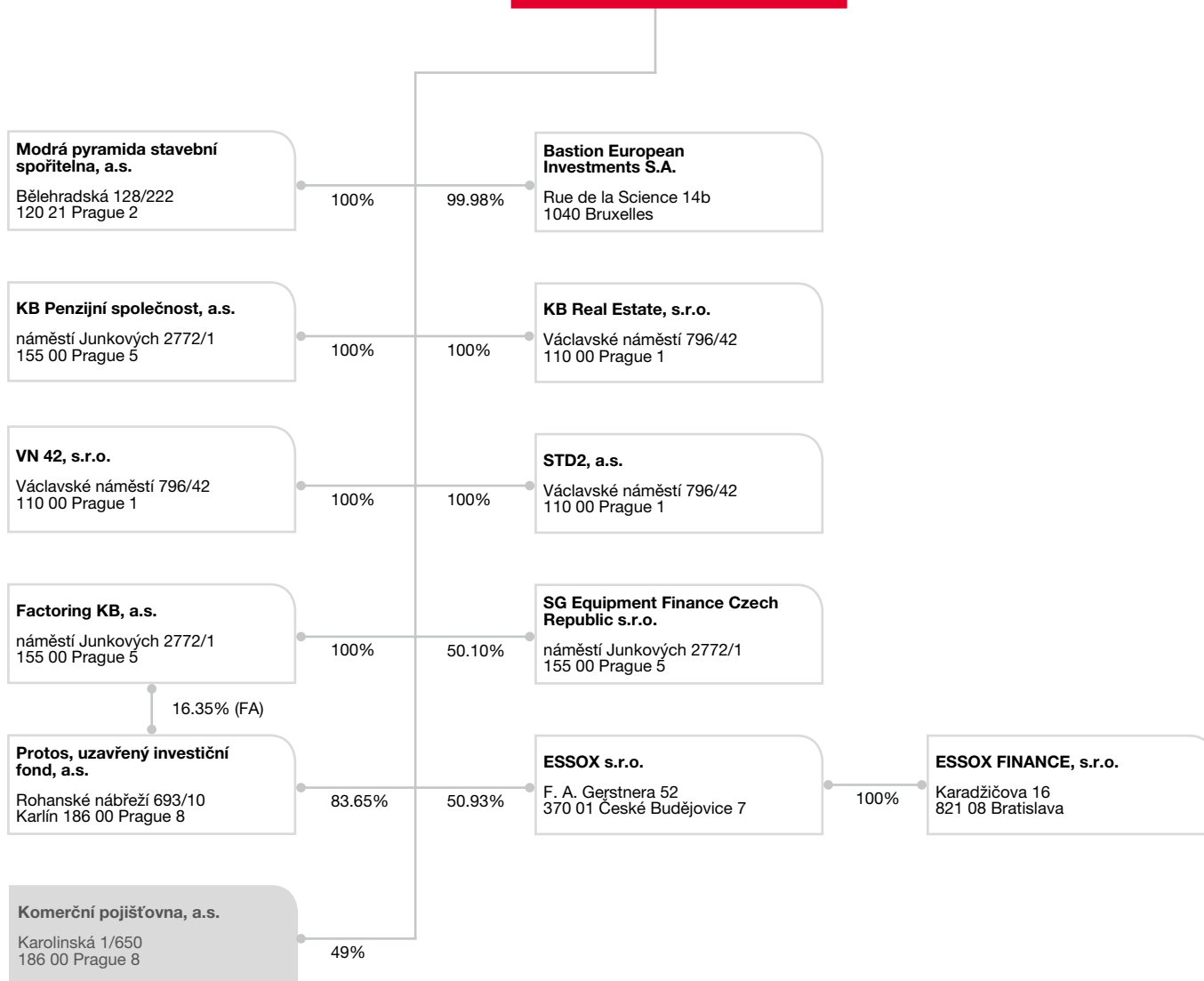
I. Introduction

Structure of relations among entities within the business group

In the period from 1 January 2018 to 31 December 2018, the Company was a member of the Société Générale S.A. Group with its registered office at 29, Boulevard Haussmann, 75009 Paris, France, number of registration in the French Commercial Register: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter referred to as **"SG"** or **"SG Paris"**). The structure of the relations between the members of the SG Group is illustrated in amendment no.1 to this report. The structure of the relations between the members of KB Group is as follows:

Komerční banka, a.s.

Na Příkopě 33/969
114 07 Prague 1



Note: the above mentioned % reflects share on equity that could be different from % share on voting rights

During the course of the 2018 reporting period, the Company entered into arrangements with the following Related Entities that are a part of the Group¹⁾:

Company	Registered office	SG's share of voting rights
ESSOX s.r.o.	F.A. Gerstnera 52, 370 01 České Budějovice	100%
ALD Automotive s.r.o.	U Stavoservisu 527/1, 108 00 Praha 10	100%
KB Penzijní společnost, a.s.	náměstí Junkových 1, 155 00 Praha 5	100%
Komerční banka, a.s.	Na Příkopě 33, 114 07 Praha 1	60.735%
Modrá pyramida stavební spořitelna, a.s.	Bělehradská 128/222, 120 21 Praha 2	100%
SG Equipment Finance Czech Republic s.r.o.	náměstí Junkových 1, 155 00 Praha 5	100%
Société Générale S.A.	29, Boulevard Hausmann, 75009 Paris, France	
Sogecap S.A.	Tour D2, 17 bis, place des Reflets, 92919 Paris La Défense Cedex, France	100%
Sogelife Bulgaria IJSC	Osogovo 38-40 street, Crystal Bulding Floor 4 Vazrazhdane Region, Sofia 1303, Bulgaria	58.45%
BRD Finance	Bdul Ion Mihalache nr.1-7, Turn BRD, etajul 15, Camera 241, Secteur 1, Bucarest, Romania	100.00%
BRD Societe Generale SA	B-dul Ion Mihalache no.1-7, Tour BRD, Secteur 1, Bucarest, Romania	60.17%
Hanseatic Bank GmbH & Co KG	Bramfelder Chaussee 101, Hamburg, Germany	75.00%
Sogessur	Tour D2, 17 bis place des Reflets – 92919 Paris La Défense Cedex, France	100.00%
Societe Generale Corporate Investment Banking	29, Boulevard Hausmann, 75009 Paris, France	100.00%
Sogelife Luxembourg SA	11, Avenue Emilie Reuter, L-2420 Luxembourg	100.00%
Société Générale EXPRESS BANK AD	92 bd, Vladislav Varnenchik Str., 9000 Varna, Bulgaria	99.74%

¹⁾These are companies controlled by SG Paris in direct and also indirect course in meaning of § 74 section of the Corporations Act.

The role of the Company within the Group:

The Company is a part of the of the Komerční banka financial group (hereinafter the “KB Group”) and also a part of the international financial group of Société Générale (hereinafter the “SG Group”). The majority owner of Company’s 51% of shares, is the insurance company SOGECAP S.A. France (hereinafter “SOGECAP”), a SG’s wholly-owned subsidiary. The minority shareholder is Komerční banka a.s. (hereinafter “KB”) which holds 49% interest. SG as the majority owner and KB act in concert.

The Company focuses on life insurance services but also sells other types of insurance that suitably complement banking and other financial products offered by its partners within the SG Group. The company’s products are mostly distributed via the KB Group members, especially through the distribution network of KB (eg. Modrá Pyramida stavební spořitelna, ESSOX) and also the Company’s external partners.

As a part of the KB Group, KB provides the Company with trade mark licences and also certain IT services, data processing and consultancy. Within the SG group a particular infrastructure of the IT technology is shared as well as knowledge in the area of the insurance and provision of financial services, development of financial services and products, operation of information technologies, risk management, regulation of financial markets and a company management.

The Company provides data to the KB and Sogecap on a regular basis - the data include, inter alia, data for consolidation purposes or consolidated reporting to the regulators or data for publishing purposes, budgets, business plans, anti-money-laundering measures and a business continuity plan.

The Company does not participate in the creation of the Group policies in the Czech Republic.

Ways and means of control

SOGECAP, as the majority shareholder, exerts its influence on the activity of the Company through the General Meeting; SOGECAP had two representatives in the Company’s four-member Supervisory Board during the year 2018. The minority shareholder KB had two representatives in the Company’s Supervisory Board in the year 2018.

SOGECAP is, pursuant to Section 79 of the Corporations Act, a controlling entity in respect of Company. The control is formally exercised by the implementation of SOGECAP’s methodologies in the Company’s internal regulations, in particular in the area of risk management and capital adequacy (solvency). Furthermore, there is an informal control taking the form of consultancy in individual areas of the Company’s activity.

II. Arrangements with Related Entities

A. Important Arrangements Made during the Reporting Period at the Initiative or in the Interest of the Controlling Entity or Entities Controlled by the Controlling Entity and Relating to Assets Exceeding 10% of the Equity

Pursuant to the decision of the General Meeting dated 25 April 2018, the majority shareholder, SOGECAP SA, received dividends for the year 2017 in the amount of CZK 222,946,100. The General Meeting also approved payment of dividends for the year 2017 in the amount of CZK 214,181,900 to the minority shareholder Komerční banka, a.s. Czech Republic.

B. An Overview of the Mutual Contracts Between the Controlled Entity and the Controlling Entity or Between Controlled Entities

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
General terms and conditions for fleet management + 1 Amendment	ALD Automotive s.r.o.	1. 1. 2014
Agreement of the provision of services	ALD Automotive s.r.o.	16. 9. 2015
Agreement of the provision of services	ALD Automotive s.r.o.	17. 12. 2015
Agreements of the provision of services number 150079273	ALD Automotive s.r.o.	23. 3. 2017
Agreements of the provision of services number 150080869, 150080868, 150080863, 150080864, 150080865, 150080866, 150080867	ALD Automotive s.r.o.	19. 5. 2017
Agreements of the provision of services number 150081239, 150081247, 150081232	ALD Automotive s.r.o.	5. 6. 2017
Agreement of the provision of services	ALD Automotive s.r.o.	13. 4. 2018
Agreement of the provision of services	ALD Automotive s.r.o.	3. 5. 2018
Agreement of the provision of services	ALD Automotive s.r.o.	20. 9. 2018
Insurance Collective Contract of the optional insurance for the card protection and purchase protection no. 3160000000 (as of 17 November 2009) + 8 Amendments	BRD Finance	17. 11. 2009
Collective insurance contract of the optional insurance for card protection / keys/ documents No. 3220000000 (as of 1 November 2010) +13 Amendments	BRD Societe Generale SA	1. 11. 2010
Contract for personal data processing (as of 1 October 2003)	ESSOX s.r.o.	1. 10. 2003
Contract for collective insurance to loans of ESSOX s.r.o., No. 3020000000 (as of 1 August 2004) + 1 Amendment	ESSOX s.r.o.	1. 8. 2004
Contract for collective insurance to revolving loans and futuro cards of ESSOX s.r.o., No. 3030000000 (as of 1 September 2004) + 4 Amendments	ESSOX s.r.o.	1. 9. 2004
Contract for collective insurance to revolving loans and credit cards of ESSOX s.r.o., No. 3050000000 (as of 1 December 2004) + 3 Amendments	ESSOX s.r.o.	1. 12. 2004
Contract for collective insurance to the loans of ESSOX s.r.o., No. 3070000000 (as of 1 April 2005) + 7 Amendments	ESSOX s.r.o.	1. 4. 2005
Agreement on financial compensation in the form of Profit Sharing (as of 30 November 2005) + 6 Amendments	ESSOX s.r.o.	30. 11. 2005
Contract for collective insurance to consumer loans of ESSOX s.r.o., No. 3090000000 (as of 1 August 2006) + 3 Amendments	ESSOX s.r.o.	1. 8. 2006
Contract for collective insurance to the consumer loans of ESSOX s.r.o., No. 3100000000 (as of 1 August 2007) + 3 Amendments	ESSOX s.r.o.	1. 8. 2007
Contract for collective insurance of revolving loans and credit cards of ESSOX, No.3110000000 (as of 29 February 2008) + 2 Amendments	ESSOX s.r.o.	29. 2. 2008
Contract for collective insurance to revolving loans and credit card of ESSOX No. 3120000000 (as of 1 June 2008) + 2 Amendments	ESSOX s.r.o.	1. 6. 2008
Collective insurance agreement to consumer loans of the company ESSOX, No. 3130000000 (as of 2 January 2009) + 1 Amendment	ESSOX s.r.o.	2. 1. 2009
Contract for collective insurance to the leasing and credit contracts of ESSOX, s. r. o., No. 3180000000 (as of 1 June 2010) + 2 Amendments	ESSOX s.r.o.	1. 6. 2010
Master contract for Cooperation within the DSFS Group in the Czech republic (as of 6 March 2012)	ESSOX s.r.o.	6. 3. 2012
Group Insurance Contract (as of 30 March 2009) + 6 Amendments	Hanseatic Bank GmbH & Co KG	30. 3. 2009
Group Insurance Contract + 2 Amendments	Hanseatic Bank GmbH & Co KG	30. 11. 2014
Group Insurance Contract + 2 Amendments	Hanseatic Bank GmbH & Co KG	9. 3. 2016
Group Insurance Contract for SicherReise Insurance (as of 22 May 2017)	Hanseatic Bank GmbH & Co KG	22. 5. 2017
Contract for personal data processing (as of 10 October 2002)	KB Penzijní společnost, a.s.	10. 10. 2002

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Contract for cooperation in the field of additional pension insurance with a state contribution (as of 18 August 2003)	KB Penzijní společnost, a.s.	18. 8. 2003
Framework cooperation contract No. 3010000245 (SPEKTRUM PROGRAMME) (as of 17 October 2006) + 2 Amendments	KB Penzijní společnost, a.s.	17. 10. 2006
Contract for personal data processing (as of 21 January 2013)	KB Penzijní společnost, a.s.	21. 1. 2013
Providing of consulting services in the area of technical provisions calculation for the year 2014 + 4 Amendments	KB Penzijní společnost, a.s.	10. 12. 2014
Contract for cooperation (as of 27 December 2000)	Komerční banka, a.s.	27. 12. 2000
Contract for provision of services on the short-term bonds market (as of 23 October 2001)	Komerční banka, a.s.	23. 10. 2001
Insurance contract for collective insurance of persons (as of 9 January 2003) + 8 Amendments	Komerční banka, a.s.	9. 1. 2003
Framework contract for cooperation between KB and KP, Spektrum Insurance Programme (as of 28 January 2003) No. 3010000235 + 4 Amendments	Komerční banka, a.s.	28. 1. 2003
Contract for rent of non-residential premises – Jihlava (as of 31 January 2003) + 8 Amendments	Komerční banka, a.s.	31. 1. 2003
Contract for Patron collective insurance (as of 25 August 2003) + 1 Amendment	Komerční banka, a.s.	25. 8. 2003
Contract for the use of KB safety deposit box (2 contracts)	Komerční banka, a.s.	21. 11. 2003
Contract for collective insurance to KB credit cards, No. 3040000000 (as of 1 November 2004) + 3 Amendments	Komerční banka, a.s.	1. 11. 2004
Licence agreement (as of 20 December 2004) + 1 Amendment	Komerční banka, a.s.	20. 12. 2004
Contract for establishment and management of a CZK current account at Komerční banka, a.s. (as of 21 January 2005) + 2 Amendments	Komerční banka, a.s.	21. 1. 2005
Contract for renting non-residential premises (Brno) (as of 31 May 2005)	Komerční banka, a.s.	31. 5. 2005
Cooperation agreement (as of 22 September 2005)	Komerční banka, a.s.	22. 9. 2005
Framework contract for personal data processing entered into between KB and KP (as of 24 March 2006)	Komerční banka, a.s.	24. 3. 2006
Contract for intermediation of "PATRON" (as of 25 April 2006)	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "PROFI PATRON" (as of 25 April 2006)	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "RISK LIFE FOR MORTGAGE LOANS" (as of 25 April 2006) + 4 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "PROFI MERLIN" (as of 25 April 2006) + 2 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "MERLIN" (as of 25 April 2006) + 2 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "PRODUCT VITAL AND PROGRAMME VITAL PLUS" (as of 25 April 2006) + 2 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "VITAL GRANT" (as of 25 April 2006) + 2 Amendments	Komerční banka, a.s.	25. 4. 2006
Contract for intermediation of "VITAL" (as of 25 April 2006) + 5 Amendments	Komerční banka, a.s.	25. 4. 2006
Agreement on cooperation in delivering payments (as of 29 May 2006)	Komerční banka, a.s.	29. 5. 2006
Separate Distribution Agreement for product "TRAVEL INSURANCE" (as of 14 June 2006) + 3 Amendments	Komerční banka, a.s.	14. 6. 2006
Agreement to alter contractual conditions (as of 31 August 2006)	Komerční banka, a.s.	31. 8. 2006
Separate Distribution Agreement on Vital Invest (as of 4 October 2006) + 35 Amendments	Komerční banka, a.s.	4. 10. 2006
Contract for provision of direct banking / Administration order (as of 5 October 2006)	Komerční banka, a.s.	5. 10. 2006
Contract for TVIS/STVIS and spot transactions (as of 7 December 2006)	Komerční banka, a.s.	7. 12. 2006
Separate Distribution Agreement No. 1 for "VITAL PREMIUM" (as of 18 December 2006) + 8 Amendments	Komerční banka, a.s.	18. 12. 2006
Contract for accepting payment cards – Internet (as of 29 March 2007) + 1 Amendment	Komerční banka, a.s.	29. 3. 2007
Agreement for provision of a chip card scanner (as of 2 April 2007)	Komerční banka, a.s.	2. 4. 2007
Agreement to send electronic messages about clearance (as of 5 June 2007)	Komerční banka, a.s.	5. 6. 2007
Framework contract for distribution (as of 22 June 2007) + 1 Amendment	Komerční banka, a.s.	22. 6. 2007
Contract for rent of non-residential premises – Ostrava (as of 30 September 2009) + 2 Amendments	Komerční banka, a.s.	1. 7. 2007
Contract for the use of safety deposit boxes (as of 16 July 2007)	Komerční banka, a.s.	16. 7. 2007
Collective insurance agreement for consumer loans No. 3010000000 (as of 1 August 2007) + 6 Amendments	Komerční banka, a.s.	1. 8. 2007
Contract for mutual cooperation (as of 1 August 2007) + 1 Amendment	Komerční banka, a.s.	1. 8. 2007
Contract for collective insurance to credit cards of Komerční banka, a.s., No. 3040000000 (as of 1 November 2007) + 3 Amendments	Komerční banka, a.s.	1. 11. 2007

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Agreement to terminate the Contract for connection to KB's HIS (as of 10 April 2008)	Komerční banka, a.s.	10. 4. 2008
Agreement fees' clearance (as of 1 October 2008)	Komerční banka, a.s.	1. 10. 2008
Contract for Groupwide cooperation in terms of the value added tax (as of 21 November 2008) + 2 Amendments (Amendment number 2 as of 9 September 2014)	Komerční banka, a.s.	21. 11. 2008
Contract for collective insurance related to payment cards, No. 2149500001 (as of 26 January 2009) + 10 Amendments	Komerční banka, a.s.	26. 1. 2009
Contract for intermediation of Vital Plus (as of 14 April 2009) + 4 Amendments	Komerční banka, a.s.	14. 4. 2009
Contract for collective insurance to loans, No. 3140000000 (as of 5 May 2009) + 2 Amendments	Komerční banka, a.s.	5. 5. 2009
Separate distribution Agreement for product "Brouček" + 5 Amendments	Komerční banka, a.s.	15. 6. 2009
Contract for collective insurance MERLIN and PROFÍ MERLIN No. 3170000000 (as of 5 October 2009) + 8 Amendments	Komerční banka, a.s.	5. 10. 2009
Custody contract for "VITAL INVEST FORTE" (as of 6 October 2009) + 2 Amendments	Komerční banka, a.s.	6. 10. 2009
Framework contract for the arrangement of term deposits with an individual interest rate (as of 22 October 2009)	Komerční banka, a.s.	22. 10. 2009
Contract for collective insurance of purchased goods provided to KB credit cards, No. 3190000000 (as of 29 October 2009) + 1 Amendment	Komerční banka, a.s.	29. 10. 2009
Contract for cooperation in portfolio valuation (as of 9 December 2009)	Komerční banka, a.s.	9. 12. 2009
Contract for accepting electronic payments via Mojeplatba (as of 14 December 2009)	Komerční banka, a.s.	14. 12. 2009
Agreement on KB Call Centre services (as of 31 December 2009)	Komerční banka, a.s.	31. 12. 2009
Agreement for provision of services – outsourcing HR services (as of 21 April 2010) + 1 Amendment	Komerční banka, a.s.	21. 4. 2010
Agreement on custody services (as of 7 July 2010) + 2 Amendments	Komerční banka, a.s.	7. 7. 2010
Agreement on confidentiality (as of 9 July 2010)	Komerční banka, a.s.	9. 7. 2010
Framework agreement for provision of IT services (as of 14 September 2010)	Komerční banka, a.s.	14. 9. 2010
Acceptance of Rules for cooperation between KB and Members of the Group In the field of sourcing and purchasing (as of 15 October 2010)	Komerční banka, a.s.	15. 10. 2010
Contract for two types of collective insurance provided to A karta and Lady cards of Komerční banka No. 3230000000 (as of 1 April 2011) + 1 Amendment	Komerční banka, a.s.	1. 4. 2011
Contract for rent of non-residential premises – Hradec Králové (as of 29 August 2011) + 2 Amendments	Komerční banka, a.s.	29. 8. 2011
Framework contract on financial market trading (as of 3 October 2011)	Komerční banka, a.s.	3. 10. 2011
Agreement relating to collateral of securities (as of 3 October 2011)	Komerční banka, a.s.	3. 10. 2011
Contract of collective insurance "Profi pojištění plateb" No. 3250000000 (as of 7 December 2011) + 2 Amendments	Komerční banka, a.s.	7. 12. 2011
Contract of collective insurance "Moje pojištění plateb" No. 3240000000 (as of 7 December 2011) + 2 Amendments	Komerční banka, a.s.	7. 12. 2011
Subcontract No. 1 (as of 22 February 2012) to Framework agreement for provision of services (as of 14 September 2010)	Komerční banka, a.s.	22. 2. 2012
Subcontract No. 2 (as of 22 February 2012) to Framework agreement for provision of services (as of 14 September 2010) + 1 Amendment	Komerční banka, a.s.	22. 2. 2012
Subcontract No. 3 (as of 22 February 2012) to Framework agreement for provision of services (as of 14 September 2010) + 2 Amendments	Komerční banka, a.s.	22. 2. 2012
Subcontract No. 4 (as of 22 February 2012) to Framework agreement for provision of services (as of 14 September 2010) + 2 Amendments	Komerční banka, a.s.	22. 2. 2012
Group Risk Life Policy for employees N. 3280000000 (as of 29 February 2012) + 8 Amendments	Komerční banka, a.s.	29. 2. 2012
Agreement on Cooperation (as of 29 June 2012) in Execution on Contract for Group Risk life Insurance of Employees No. 3280000000, in the wording of Amendment No. 1 (as of 29 February 2012)	Komerční banka, a.s.	29. 2. 2012
Agreement relating to collateral of securities (as of 2 July 2012)	Komerční banka, a.s.	2. 7. 2012
The agreement on setting individual prices (as of 30 August 2012) + 4 Amendments	Komerční banka, a.s.	30. 8. 2012
Subcontract Nr. 5 for Master contract concerning IT Process Procedure (as of 7 September 2012) + 1 Amendment	Komerční banka, a.s.	7. 9. 2012
Separate Distribution Agreement for product VITAL PREMIUM v EUR (as of 23 November 2012) + 2 Amendments	Komerční banka, a.s.	23. 11. 2012
General agreement concerning compensation for clients as of 21 January 2013	Komerční banka, a.s.	21. 1. 2013

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Collective insurance agreement to corporate cards and Gold corporate cards no.3290000000 as of 21 January 2013	Komerční banka, a.s.	21. 1. 2013
Agreement relating to collateral of securities as of 28 March 2013	Komerční banka, a.s.	28. 3. 2013
Agreement relating to collateral of securities as of 10 April 2013	Komerční banka, a.s.	10. 4. 2013
General agreement about dealing on financial markets – special agreement as of 11 April 2013	Komerční banka, a.s.	11. 4. 2013
Advisory service agreement regarding the BI as of 26 June 2013 + 2 Amendments	Komerční banka, a.s.	26. 6. 2013
Collective insurance agreement for consumer loans no.3300000000 as of 28 August 2013	Komerční banka, a.s.	28. 8. 2013
Insurance intermediary agreement for the individual risk life insurance product MOJE JISTOTA as of 27 September 2013 + 3 Amendments	Komerční banka, a.s.	27. 9. 2013
Agreement relating to collateral of securities as of 21 November 2013	Komerční banka, a.s.	21. 11. 2013
Contract for issuance and use of payment cards	Komerční banka, a.s.	1. 2. 2014
Administration order (as of 13 February 2014)	Komerční banka, a.s.	13. 2. 2014
Record of agreement to not provide discount on entry fees in case of maturing contracts on Vital Plus product	Komerční banka, a.s.	7. 4. 2014
Separate contract no.6 -Providing services for technical infrastructure WEBEX, ref. no. 0000021303/0000	Komerční banka, a.s.	1. 8. 2014
Current bank account agreement	Komerční banka, a.s.	25. 8. 2014
Administration order	Komerční banka, a.s.	25. 8. 2014
Current bank account agreement	Komerční banka, a.s.	13. 10. 2014
Administration order	Komerční banka, a.s.	17. 10. 2014
Agreement relating to collateral of securities	Komerční banka, a.s.	31. 10. 2014
Framework agreement about trading/dealing on financial market + 1 Amendment	Komerční banka, a.s.	5. 11. 2014
Agreement relating to collateral of securities	Komerční banka, a.s.	5. 11. 2014
Administration order	Komerční banka, a.s.	26. 11. 2014
Agreement relating to collateral of securities	Komerční banka, a.s.	26. 11. 2014
Agreement relating to collateral of securities	Komerční banka, a.s.	1. 12. 2014
Administration order	Komerční banka, a.s.	12. 12. 2014
Service level agreement – cooperation in accounting and reporting	Komerční banka, a.s.	1. 1. 2015
Order related to collateral of securities	Komerční banka, a.s.	26. 1. 2015
Agreement relating to collateral of securities	Komerční banka, a.s.	30. 1. 2015
Distribution Agreement for product VITAL PREMIUM IN USD	Komerční banka, a.s.	31. 3. 2015
Cash pooling agreement	Komerční banka, a.s.	23. 6. 2015
Administration order	Komerční banka, a.s.	10. 8. 2015
Agreement for providing of the smart card reader	Komerční banka, a.s.	1. 10. 2015
Administration order	Komerční banka, a.s.	1. 10. 2015
Service level agreement – outsourcing – BI services + 1 Amendment	Komerční banka, a.s.	10. 12. 2015
Administration order	Komerční banka, a.s.	22. 12. 2015
Current bank account agreement	Komerční banka, a.s.	22. 12. 2015
Administration order	Komerční banka, a.s.	14. 4. 2016
Separate Distribution Agreement for product "MojePojištění majetku" + 1 Amendment	Komerční banka, a.s.	25. 4. 2016
Contract of the purchase and sale of securities + 1 Amendment	Komerční banka, a.s.	12. 5. 2016
Profi Visa debit card agreement	Komerční banka, a.s.	10. 6. 2016
Debit card agreement	Komerční banka, a.s.	28. 6. 2016
Administration order	Komerční banka, a.s.	7. 7. 2016
Group Insurance Agreement on work-related accident and occupational disease insurance for members of the board of directors and administrators of the financial group of Komerční banka/Société Générale no. 334000000 +1 Amendment	Komerční banka, a.s.	13. 7. 2016
Debit card agreement	Komerční banka, a.s.	25. 7. 2016
Cooperation agreement with implementation of the Group Insurance Agreement on work-related accident and occupational disease insurance for members of the board of directors and administrators of the financial group of Komerční banka/Société Générale no. 334000000	Komerční banka, a.s.	4. 8. 2016
Debit card agreement	Komerční banka, a.s.	30. 8. 2016
Administration order	Komerční banka, a.s.	30. 8. 2016

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Power of attorney	Komerční banka, a.s.	29. 9. 2016
Debit card agreement (Catherine de La Croix) + 1 Amedement	Komerční banka, a.s.	16. 11. 2016
Administration order	Komerční banka, a.s.	22. 11. 2016
Agreement on costs payment for using the IBM Websphere application Server license	Komerční banka, a.s.	1. 2. 2017
Subcontract No. 7, Providing of services for technical infrastructure solutions, SOC – Vulnerability Detection (VD)	Komerční banka, a.s.	1. 4. 2017
Administration order	Komerční banka, a.s.	10. 5. 2017
Administration order	Komerční banka, a.s.	16. 6. 2017
Debit card agreement (Jana Lověťínská)	Komerční banka, a.s.	29. 8. 2017
Debit card agreement	Komerční banka, a.s.	29. 8. 2017
Administration order	Komerční banka, a.s.	20. 10. 2017
Agreement on establishment and maintenance of a current account	Komerční banka, a.s.	30. 10. 2017
Agreement on establishment and maintenance of a current account	Komerční banka, a.s.	27. 12. 2017
Administration order	Komerční banka, a.s.	27. 12. 2017
Administration order	Komerční banka, a.s.	15. 1. 2018
Debit card agreement	Komerční banka, a.s.	1. 2. 2018
Contract of payment of the insurance premium and commissions for insurance brokers	Komerční banka, a.s.	13. 3. 2018
Administration order	Komerční banka, a.s.	28. 3. 2018
Contract for collective insurance Merlin Junior No. 4100000000	Komerční banka, a.s.	28. 3. 2018
The agreement on setting individual prices (as of 11 April 2018) + 1 Amendment	Komerční banka, a.s.	11. 4. 2018
Agreement – outsourcing of DPO services	Komerční banka, a.s.	25. 5. 2018
Administration order	Komerční banka, a.s.	3. 7. 2018
Agreement on establishment and maintenance of a current account – Cubiq	Komerční banka, a.s.	3. 7. 2018
Agreement for providing of the smart card reader	Komerční banka, a.s.	31. 7. 2018
Administration order	Komerční banka, a.s.	14. 8. 2018
Arrangement of mutual rights, obligations, proceedings, processes	Komerční banka, a.s.	31. 8. 2018
Agreement on termination of a payment card issuance	Komerční banka, a.s.	27. 9. 2018
Administration order	Komerční banka, a.s.	1. 10. 2018
Debit card agreement	Komerční banka, a.s.	3. 10. 2018
Cooperation agreement: Expert Center – KP and KB agreed to enhance their cooperation in the area of distribution of KP products through KB	Komerční banka, a.s.	2. 11. 2018
Debit card agreement	Komerční banka, a.s.	5. 11. 2018
Administration order (as of 6 February 2012)	Komerční banka, a.s. a Komerční banka, a.s. Slovensko	9. 2. 2012
Agreement on direct banking (as of 6 March 2012)	Komerční banka, a.s. a Komerční banka, a.s. Slovensko	6. 3. 2012
Commitment Letter – Accumulator Note in CZK	Komerční banka, a.s. & Societe Generale SA	25. 4. 2015
Collective co-insurance agreement for clients of VSSKB to cover death to loan reinsurance no. 37-9861	Modrá pyramida stavební spořitelna, a.s.	5. 12. 1995
Operational agreement to reinsurance of collection co-insurance of VSSK clients	Modrá pyramida stavební spořitelna, a.s.	5. 12. 1995
Framework cooperation contract No. 3010000246 (as of 9 April 2008) + 1 Amedment	Modrá pyramida stavební spořitelna, a.s.	9. 4. 2008
General Distribution Agreement (as of 15 October 2012) + 2 Amendments, including re-invoicing of the marketing cost from MPSS to KP and from KP to MPSS	Modrá pyramida stavební spořitelna, a.s.	15. 10. 2012
Separate Distribution Agreement for Moudré pojištění (as of 15 October 2012) + 3 Amendments	Modrá pyramida stavební spořitelna, a.s.	15. 10. 2012
Separate Distribution Agreement for Product Pyramida Risk Life insurance (as of 15 October 2012) + 2 Amendments	Modrá pyramida stavební spořitelna, a.s.	15. 10. 2012
Contract for provision of advantageous conditions to employees of Komerční pojišťovna, a.s. – participants of the building society savings in MPSS (as of 1 November 2013)	Modrá pyramida stavební spořitelna, a.s.	1. 11. 2013
Separate Distribution Agreement for product "MojePojištění majetku" + 1 Amedement	Modrá pyramida stavební spořitelna, a.s.	23. 9. 2016
Adherence letter (as of 3 July 2013)	Orange Business Czech Republic, s.r.o., Komerční banka, a.s.	3. 7. 2013

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Framework agreement No. 3010001126 Contract for cooperation between Komerční pojišťovna a. s. and Franfinance Czech republic, s. r. o. – Program Vital (as of 14 June 2004)	Societe Générale Equipment Finance	14. 7. 2004
Agreement on intermediation number 1, Insurance Agency Agreement (as of 24 September 2009) + 32 Amendments and Financial Protocol to Agreement + 11 Supplementary agreements to Annexes	Société Générale EXPRESSBANK AD	24. 9. 2009
Certificate for Identity for Insurance Agent No. 1 (as of 1 January 2010)	Société Générale EXPRESSBANK AD	1. 1. 2010
Agreement for Group assistance Insurance during travel abroad for cardholders of cards issued by SGEB – Master policy #0001 + 3 Amendments	Société Générale EXPRESSBANK AD	5. 2. 2013
Collective insurance no.0002 – insurance coverage to the goods bought through V PAY cards issued by SGEB + 3 Amendments	Société Générale EXPRESSBANK AD	17. 5. 2013
Group Loss of employment Insurance Agreement for borrowers/co-debtors, Specification of Insurance Policy 0003 + Annex 1	Société Générale EXPRESSBANK AD	23. 2. 2015
Agreement for Sales Incentive Challenge – Agreement about sales incentive for LoE	Société Générale EXPRESSBANK AD	2. 10. 2017
Contract for provision of SG's consultancy services (as of 31 January 2008)	Société Générale S.A.	31. 1. 2008
Commitment letter (as of 29 July 2009)	Société Générale S.A.	29. 7. 2009
Intra-Group Corporate services fees agreement + 1 Amendment	Société Générale S.A.	28. 9. 2009
Commitment letter – Forte 2 (as of 12 November 2009) + 1 Amedement	Société Générale S.A.	12. 11. 2009
Contract relating to the Contract (as of 29 July 2009) regulating structured products and their conditions (as of 23 November 2009)	Société Générale S.A.	23. 11. 2009
Worldwide Insurance Plan (as of 7 January 2010)	Société Générale S.A.	7. 1. 2010
Agreement relating to the structured product which terms and conditions are enclosed herein (as of 13 January 2010)	Société Générale S.A.	13. 1. 2010
Agreement relating to the structured product which terms and conditions are enclosed herein (as of 15 March 2010)	Société Générale S.A.	15. 3. 2010
Agreement relating to the structured product which terms and conditions are enclosed herein (as of 30 April 2010)	Société Générale S.A.	30. 4. 2010
Commitment Letter – 3–8Y Autocallable in CZK Forte 3 (as of 30 April 2010)	Société Générale S.A.	30. 4. 2010
Agreement relating to the Structured product which terms and conditions are enclosed herein – Forte 5 (as of 8 February 2011)	Société Générale S.A.	8. 2. 2011
Agreement relating to the Structured product which terms and conditions are enclosed herein – Forte 6 (as of 8 February 2011)	Société Générale S.A.	8. 2. 2011
Agreement relating to the Structured product which terms and conditions are enclosed herein – Forte 7 (as of 8 February 2011)	Société Générale S.A.	8. 2. 2011
Agreement relating to the Structured product which terms and conditions are enclosed herein – Forte 8 (as of 8 February 2011)	Société Générale S.A.	8. 2. 2011
Data protection agreement – Processing of HR Data by Société Générale (as of 16 September 2011) + 1 Amednment	Société Générale S.A.	16. 9. 2011
Agreement relating to the structured product Optimo (as of 5 October 2011)	Société Générale S.A.	5. 10. 2011
Agreement relating to the structured product Forte 9 (as of 5 October 2011)	Société Générale S.A.	5. 10. 2011
Agreement Relating to the Financial Instrument – Optimo Komodity (as of 7 February 2012)	Société Générale S.A.	7. 2. 2012
Agreement Relating to the Financial Instrument (Optimo Komodity II) (as of 24. April 2012)	Société Générale S.A.	24. 4. 2012
Agreement relating to the financial instrument – Certus 3	Société Générale S.A.	22. 10. 2015
Agreement relating to the financial instrument – Certus 4	Société Générale S.A.	6. 1. 2016
Acceptation of Standards DPRH	Société Générale S.A.	1. 2. 2016
Commitment Letter – Certus 6	Société Générale S.A.	18. 4. 2016
Master agreement relating to financial instruments	Société Générale S.A.	11. 5. 2016
Supplement to the Agreement (Certus 5)	Société Générale S.A.	3. 9. 2016
Supplement to the Agreement (Certus 6)	Société Générale S.A.	3. 9. 2016
Agreement relating to the financial instrument – Commitment letter Certus 7	Société Générale S.A.	17. 10. 2016
Supplement to the Master Agreement (as for 11 May 2016) – Certus 7	Société Générale S.A.	1. 2. 2017
Supplement to the Master Agreement (as for 7 March 2017) – Certus 8	Société Générale S.A.	7. 3. 2017
Agreement relating to the financial instrument – Commitment letter Certus 9	Société Générale S.A.	18. 9. 2017
Commitment Letter 3–8 Autocallable in CZK (Forte 9) (as of 21 July 2011)	Société Générale S.A. and Komerční banka, a.s.	21. 7. 2011
Commitment Letter – Optimo 6Y EMTN in CZK (as of 20 September 2011)	Société Générale S.A. and Komerční banka, a.s.	20. 9. 2011

Title of Contract (or Subject-matter of the Contract – unless clear from the title)	Contracting Party	Date of contract
Commitment letter (Optimo Komodity II) as of 24 April 2012	Société Générale S.A. and Komerční banka, a.s.	24. 4. 2012
Commitment letter – Certus and Certus 2 in CZK as of 14 January 2013	Société Générale S.A. and Komerční banka, a.s.	14. 1. 2013
Commitment Letter – Participation note on SGI Harmonia CZK Index	Société Générale S.A. and Komerční banka, a.s.	26. 10. 2015
Commitment letter – Certus 5 Note	Société Générale S.A. and Komerční banka, a.s.	12. 1. 2016
Agreement relating to the financial instrument – Commitment letter Certus 8	Société Générale S.A. and Komerční banka, a.s.	3. 2. 2017
Framework agreement for the provision of services (as of 16 December 2010) + 1 Amendment	Sogecap S.A.	16. 12. 2010
Personnel costs re-invoicing agreement for employees assigned to ASSU/SOGECAP (as of 19 December 2011)	Sogecap S.A.	19. 12. 2011
Agreement on Settlement and Replacement of Rights and Obligations (as of 25. April 2012)	Sogecap S.A.	25. 4. 2012
Quota Share Reinsurance Treaty, ID no. SGQSG14	Sogecap S.A.	1. 7. 2014
Catastrophe Excess of Loss Reinsurance (Zaj. Smlouva – kat. rizika)	Sogecap S.A.	1. 1. 2018
Quota Share Reinsurance Treaty, ID no. SGBG2014	Sogelife Bulgaria	1. 1. 2014
Agreement for Group Insurance of cardholders of revolving bank cards issued by SGEB AD – Master Policy #1023 + 3 Amendments	Sogelife Bulgaria IJSC, Société Générale Expressbank AD	5. 2. 2013
Group Insurance Agreement of lessees/co-debtors – physical person on financial leasing contracts for cars having product Toyota Optimal Leasing Protect with lessor Sogelease Bulgaria – Master Policy #1024 + 1 Amendment	Sogelife Bulgaria IJSC, Sogelease Bulgaria Ltd.	5. 2. 2013
Group Insurance Agreement of lessees/co-debtors on leasing contracts concluded with Sogelease Bulgaria – Master Policy #1027 + 1 Amendment	Sogelife Bulgaria IJSC, Sogelease Bulgaria Ltd.	5. 2. 2013
Framework insurance policy #1012	Sogelife Bulgaria IJSC, TBI Credit JSC	5. 2. 2013
Quota Share Reinsurance Treaty (Vital Premium USD), ID no. SGLX2015	Sogelife Luxembourg SA	1. 1. 2015
Service level agreement	Sogessur SA	1. 1. 2016

C. An Assessment of the Advantages and Disadvantages Arising from the Relations within the Group and an Assessment of Injury

The Advantages and Disadvantages arising from the Relations within the Group

Since the acquisition of Komerční banka, a.s. by SG in 2001, the Company started implementing SG's bank-insurance business model. This business model has been already fully implemented and today KP's products are offered and sold mostly through the distribution networks of SG Group companies. The whole Group takes advantage of mutual synergistic effects including product pooling, a strong international brand and SG's know how. The advantages of the Company's integration in the SG Group contribute to the Company's positive financial results.

Injury Assessment

The Company's Board of Directors has reviewed all arrangements put in place between the Company and the companies that were part of the Group during the 2018 reporting period and states that the Company incurred no injury as a result of any contracts, agreements or any other legal acts made or implemented by the Company or as a result of any other influence otherwise exerted in the reporting period.

Prague, on 26 March 2019



Gaël Loaec

Chairman of the Board of Directors and CEO



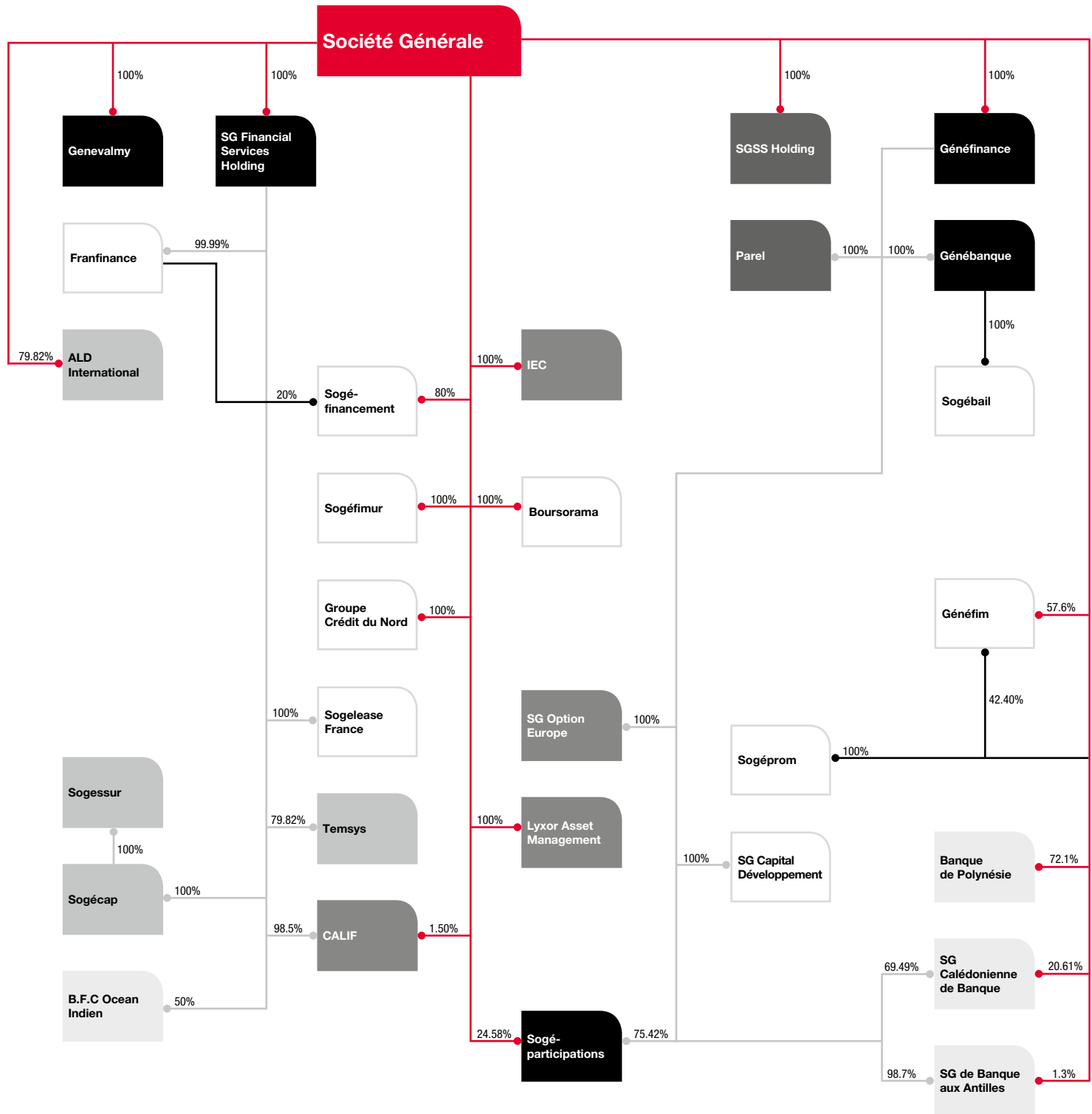
Helena Indrová

Member of the Board of Directors
and Head of Financial Section

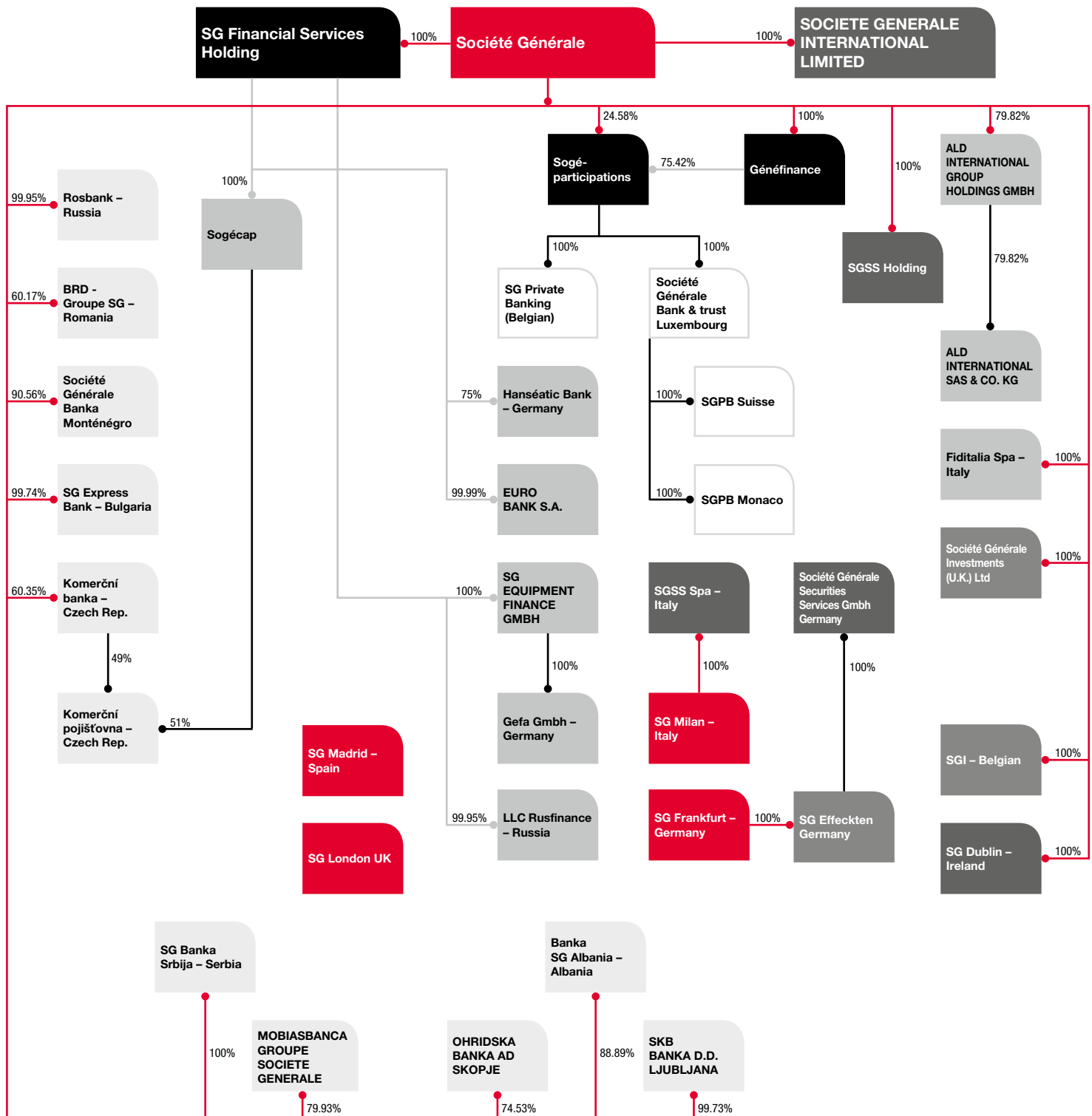
The structure of relationships SG Group

% of the share capital

FRANCE

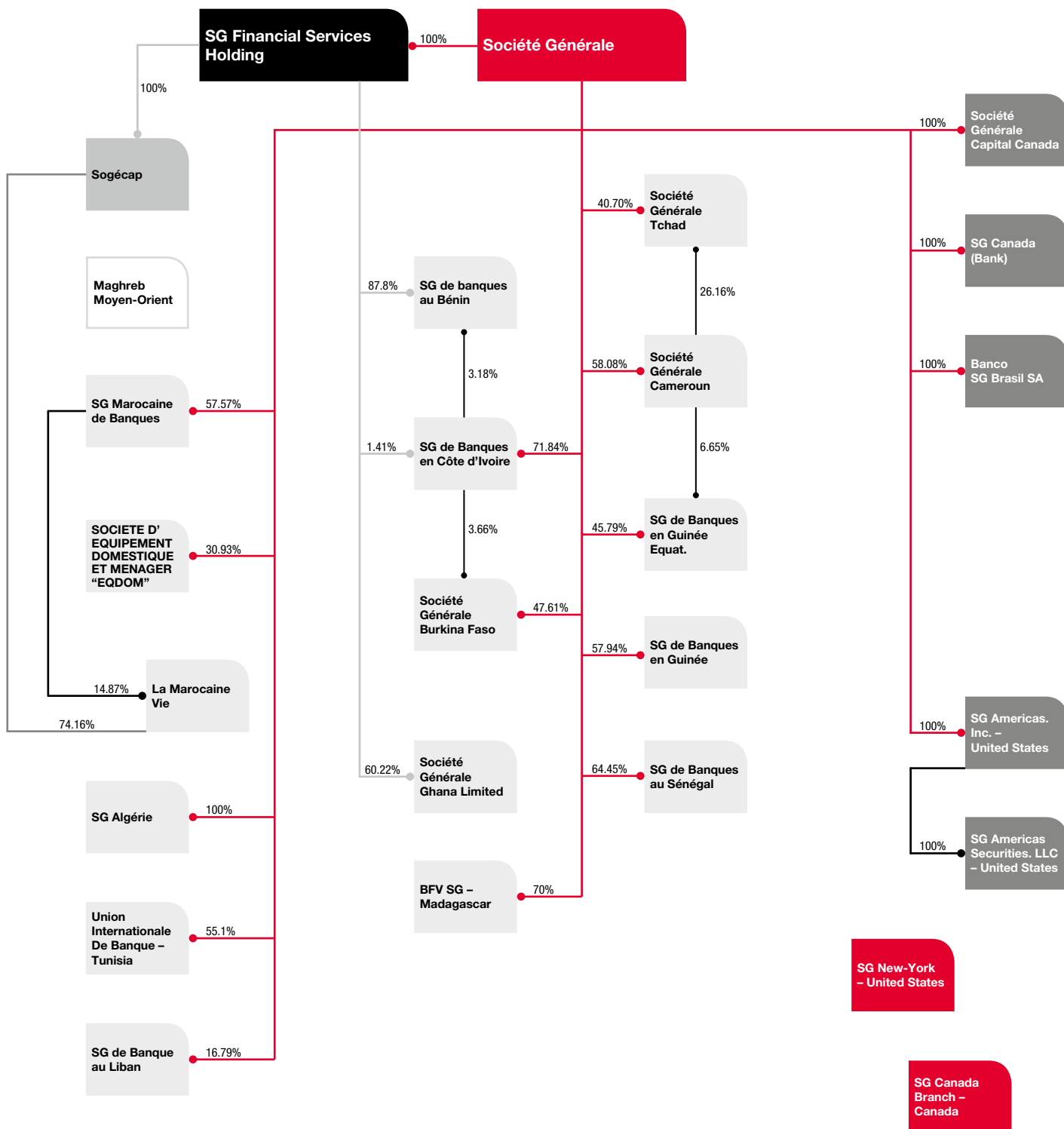


Note: Share capital and of the voting rights may vary



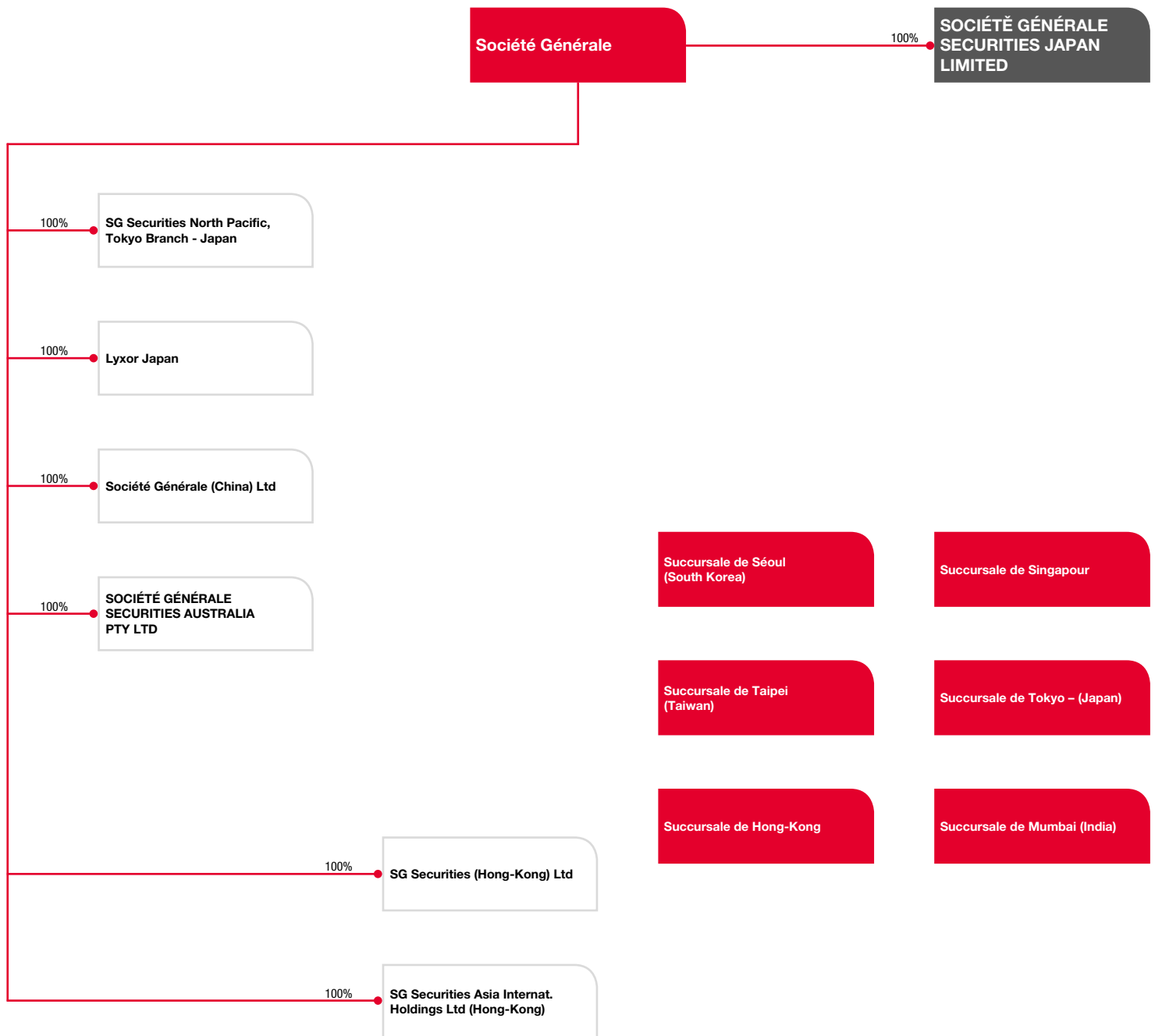
Note: Share capital and of the voting rights may vary

AFRICA AND AMERICA



Note: Share capital and of the voting rights may vary

ASIA AND AUSTRALIA



Note: Share capital and of the voting rights may vary

