

ANNUAL REPORT 2016

Komerční pojišťovna, a.s.



NA PARTNERSTVÍ ZÁLEŽÍ



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 increased by 3.0 %.
- Technical provisions reached CZK 47.5 billion.
- In 2016, the gross written premiums amounted to CZK 6.7 billion.
- Appreciation for KP's clients ranged from 0.8 – 1.3 % in 2016.

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Additional Information

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

Contents

Technical provisions (gross, CZK thousand)

2012	29,191,745
2013	35,252,901
2014	43,306,605
2015	45,428,778
2016	47,449,991

Written premiums (gross, CZK thousand)

2012	6,148,770
2013	8,350,969
2014	10,192,286
2015	6,577,143
2016	6,660,083

	UNITS	2016	2015	2014	2013	2012
Total assets	CZK thousand	48,109,578	46,687,061	45,273,502	37,617,835	32,047,712
Share capital	CZK thousand	1,175,398	1,175,398	1,175,398	1,175,398	1,175,398
Shareholder's equity	CZK thousand	2,597,615	2,983,090	3,113,341	2,564,419	2,389,057
Profit/loss	CZK thousand	486,960	372,781	283,082	418,372	175,418
Written premium (gross)	CZK thousand	6,660,083	6,577,143	10,192,286	8,350,969	6,148,770
Cost of claims (gross)	CZK thousand	4,211,505	4,322,183	2,522,666	2,204,211	1,933,341
Technical reserves (gross)	CZK thousand	47,449,991	45,428,778	43,306,605	35,252,901	29,191,745
Number of employees	Persons	179	166	157	155	154

INTRODUCTION

- 2 Company Profile
- 3 Foreword by the Chairman of the Board of Directors

REPORT OF THE BOARD OF DIRECTORS

- 4 Macroeconomic Overview of 2016
- 5 Trends in the Insurance Market in the Czech Republic
- 5 Position of KP on the Insurance Market
- 5 What's new in 2016
- 6 Product Portfolio
- 7 Internal Processes
- 7 Internal Control System and Risk Management
- 8 Human Resources
- 10 Comments on the Financial Results

ADDITIONAL INFORMATION

- 12 Statutory Bodies
- 15 Organisational Structure as of 31 December 2016
- 16 Shareholders' Decisions at General Meetings
- 17 Report of the Supervisory Board
- 18 Sworn Statement

FINANCIAL SECTION

- 20 Independent Auditor's Report to the Shareholders of Komerční pojišťovna, a.s.
- 22 Balance sheet as of 31 December 2016
- 24 Profit and Loss statement for the Year 2016
- 26 Statement of Changes in Equity for the Year Ended 31 December 2016
- 28 Notes to the Financial Statements for the Year Ended 31 December 2016
- 62 Report on Relations Between Related Parties for the Reporting Period of 2016

Company Profile

Business name

Komerční pojišťovna, a.s..

Legal form

Joint-stock company

Date of founding

1 September 1995

Registered office

Karolinská 650/1, Prague 8

Company Registration No.

63998017, incorporated in the Commercial Register kept 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 (with a share of 51%), Komerční banka, a.s., with its registered office at Na Příkopě 33, Prague 1 (with a share 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 "Company") started implementing 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 become an important part of the Company's distribution network, while cooperation with them has continued to expand successfully.

KP uses its status as a universal insurance company to provide services in the area of life and non-life insurance in the Czech Republic as well as in the entire EU under a single licence. Since 2008, KP has successfully cooperated with foreign companies in the SG Group and offers its services in Bulgaria, Romania and Germany. In 2013, Komerční pojišťovna launched the sale of the Vital Premium life insurance in Euros in Slovakia.

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 49% minority shareholder. Due to the shareholders' structure, KP has had 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 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

2016 will stay as one of the most important year in the history of Komerční pojišťovna. In 2016 we achieved 3 major goals. We were able to dramatically change the structure of our life insurance saving activity which improved significantly the risk structure of the company in the context of persisting low interest rates. In 2016 we launched a new property insurance product with KB and MPSSs, product which is bringing important innovations to the Czech insurance market. This product, thanks to these innovations and to the intuitive front-end solution which has been implemented for the sales process, has been very positively welcomed by our partners from these distribution networks. Last but not least, we finalized the implementation of Solvency II during the year 2016. Solvency II is not just a new regulation, Solvency II will drastically modify the governance of the company and enhance the risk management of the company.

Thanks to these three major achievements, Komerční Pojistovna is better equipped to pursue its growth in the years to come.

As for the results in the clients' satisfaction survey we performed in cooperation with IPSOS, external research agency, the positive trend we observed during previous years was not only confirmed but final results are even improving compared to previous years. Clients satisfaction and loyalty were again measured by net promoter score, the metric to assess willingness of clients to recommend certain company, product or service to his friends, relatives or colleagues, and KP scored +30 which is well above standard of the market and rewards the attention we put on clients' needs.

In 2017 we have ambitious targets of sales of our new property insurance product as well as of the various risk life insurance solutions we are proposing. At the same time we have to adapt our products, services and processes to the digital transformation which is happening. We have taken many initiatives that should put KP among the market leaders in terms of digital approach and offer.

I strongly believe that thanks to the enthusiasm and the commitment of our employees, we will reach the ambitious targets we have and invent new ones.



Stéphane Corbet
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 2016

The positive trend continued in the Czech economy also in 2016; however, the GDP growth decelerated to 2.3% in the last quarter. The year-on-year inflation rate was 2% in December 2016. The average annual inflation rate for 2016 was only 0.7%. The unemployment rate was decreasing compared to the previous year and reached 5.2% by the end of 2016.

Komerční pojišťovna's business strategy is built upon four pillars

Bank-insurance business model in cooperation with Komerční banka

- Savings and unit-linked life insurance
- Risk life insurance
- Non-life insurance

1.

Cooperation with other partners in the KB Financial Group – MPSS, ESSOX, KB PS

- Risk life insurance
- Non-life insurance

2.

External business partners

- Risk life insurance

3.

International cooperation within the Société Générale group

- Non-life insurance

4.

Trends in the Insurance Market in the Czech Republic

The total written premiums in 2016 declined by 3.04% to CZK 143.9 billion compared to the previous year. The total volume of premiums in life insurance reached CZK 58.2 billion (year-on-year decrease by 10.3%). In contrast, the total volume of non-life insurance exceeded CZK 85.8 billion and increased by more than 2.6% compared to the previous year. All of these values were derived using the original methodology of the Czech Insurance Association*.

Position of KP on the Insurance Market

In 2016, Komerční pojišťovna achieved very good business results and reached the threshold of CZK 6.7 billion in the area of gross written premiums. Depending on the product type, Komerční pojišťovna ensured appreciation of 0.8–1.3% for its clients in 2016. Komerční pojišťovna has been among the five major insurance companies on the Czech market in the area of life insurance for more than five years. At the end of 2016, Komerční pojišťovna achieved a market share of 10.8% (calculated in accordance with the original methodology of the Czech Insurance Association*).

In 2016, KP extended its activities in the non-life insurance market by a new property insurance product, which is offered via the KB and MPSS sales network. In total, the written premiums in non-life insurance increased by 8% compared to 2015, also thanks to that new type of insurance.

Komerční pojišťovna continued in the successful cooperation with external partners from among insurance brokers, increasing the volume of total written premiums in risk life insurance offered by these partners by almost one fifth. Distribution of risk life insurance was also successful in the Komerční banka and MPSS network. In total, the total written premiums in risk life insurance grew by 11% in 2016 compared to 2015.

As in the previous years, the successful cooperation with other companies in the SG Group continued in 2016. The volume of the total written premiums in non-life insurance products offered by foreign partner companies grew by 4% compared to the previous year.

In 2016, KP created provisions for bonuses and rebates in the amount of CZK 203 million for client's future profit sharing; see the Provision for Bonuses and Rebates chapter in the Notes to the Financial Statements.

What's new in 2016

In 2016, Komerční pojišťovna entered the property insurance market by introducing the product MojePojištění majetku, which includes property, household and liability insurance. Through its unique setting, this novelty changes the usual practice in this segment in the Czech Republic.

In the field of unit-linked insurance, we continued to focus on the extension of the offer of funds within Vital Invest unit-linked life insurance. During 2016, we introduced another guaranteed fund – Certus 5, Certus 6 and Certus 7 funds, enabling clients to make interesting investments in structured products with a potential of appreciation exceeding the guaranteed rate of return of invested funds. We also prepared the unique Platinum investment strategy, which is intended mainly for clients of KB private banking for single higher investments. The Platinum investment strategy introduced the funds Moorea Fund Global Conservative, Moorea Fund Global Balanced and Moorea Fund Global Growth funds, which had been designed in cooperation with the Société Générale Private Wealth Management expert centre.

Product Portfolio

1. Unit-linked 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 include:

- **Vital Invest unit-linked life insurance** with a wide range of funds, including a fund with guaranteed appreciation and a guaranteed return on investment in the event of death of the insured;
- **Brouček unit-linked** life insurance for children with insurance coverage also for an adult as well as interesting assistance services;
- **Program Vital capital life insurance**, which enables employers to assist their employees in securing themselves for their retirement using tax benefits;
- **Vital Premium** savings life insurance with guaranteed appreciation for VIP clients of KB, which is offered in two tranches – EUR and USD.

2. Risk life insurance

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

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

3. Non-life insurance

The product MojePojištění majetku is the latest addition to our offer of non-life insurance. This complex property, household and liability insurance is unique in the Czech property insurance market in many aspects. The non-application of the underinsurance principle in the property insurance is an absolute novelty. Actually, as the only insurance company in the Czech Republic, we do not use the limit of coverage in the property insurance, and we pay an indemnity in case of loss in new, not depreciated prices. It means clients will always be paid the benefit, which covers all the costs required for the restoration of the insured property or household to its condition before the damage.

We offer **Merlin, Profi Merlin, Vega and Super Vega** risk non-life insurance protecting against the loss and misuse of credit/payment cards. In addition to card misuse, these insurance also cover other risks – the theft and misuse of a mobile phone, loss of keys or personal documents, etc. These insurance are offered with KB payment cards as well as payment cards issued by other companies in the SG Group (Essox in the Czech Republic, important banks in Bulgaria, Romania and Germany).

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

4. Travel insurance

The offer is complemented by **travel insurance** for covering the full range of risks connected with travelling. Separate travel insurance can be subscribed by clients for the whole year or for individual trips at any branch of Komerční banka, via internet or via the more and more frequently used KB mobile application Mobilní Banka.

Travel insurance is also offered with payment cards issued not only by KB but also by other banks from the Société Générale group within the European Union.

Internal Processes

In the area of internal processes, 2016 was characterised by the successful implementation of the new DMS (Document Management System), which has made Komerční pojišťovna a “paperless” insurer in the area of processing all documents connected with insurance policies and insured events. As a result, we managed to make the processing of documents more effective and serve the clients more quickly, making them more satisfied.

In 2016, Komerční pojišťovna conducted a satisfaction survey among its clients. The results were analysed thoroughly, used for increasing the efficiency of processes, and they were reflected in the development of new products.

Komerční pojišťovna takes a responsible approach to its business. The company is involved in the Zelená firma (Green Company) project aimed at protecting the environment. 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 in 2016: 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 cooperate both on the local level in KP in the Czech Republic, and on the group level. The group key functions provide local functions with methodical instructions, tools and procedures.

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 directors. It enables risk management to implement risk management strategies, policies and tools.

Risk management system technical means are represented by tools for the identification, analysis and assessment of existing or potential risks, as well as 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 component of human resources, those KP values which are important are 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 connected with the internal control system. The risk management system and internal control system support each other. The internal control system principles serve as the 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 the main risks, which could affect the solvency of KP and/or the SOGECAP group.

The risk management system processes provide an overview of the main risks faced by KP, and they also provide background for informed decision making by KP 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 enables early warning 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.

Human Resources

In 2016, the low unemployment rate trend continued in the Czech labour market, along with the discovery of a phenomenon of passive candidates, i.e. candidates, who do not look for a new job, but are ready to change to another job in the case of an interesting offer. We responded to this fact by developing a new approach in the area of recruitment. We focused on proactive addressing via social networks, we began cooperating with universities, we made our career page more attractive and brought the vacancy advertisements closer to candidates. As a result, we soon managed to successfully respond both to business and regulatory requirements. In the recruitment process, we used the Leadership Model of the Société Générale group, which we successfully implemented in other HR processes.

In the area of education, we focused on the improvement of expertise, especially for the IT sector and managerial development. Using development centres, we mapped the current competences of our managers and identified possible areas of their further development. This year, we primarily concentrated on the development of competences of team spirit and innovations.

The cooperation with Komerční banka and other companies from the Société Générale group brings very positive results, especially in the area of career development and mobility of employees, experience sharing, sourcing and education. Our employees continue to participate in the Strategic Talent Management Programme, M'Academy training programme for managers, and other integration and development programmes.

In response to requirements of our employees, we improved the quality of employee benefits, thus, keeping the continuous above-standard level. We continue to actively support part-timers, flexible distribution of working hours and other alternative forms of working time, making Komerční pojišťovna a more attractive employer, and thus, contributing to good work-life balance.

Comments on the Financial Results

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

2015	6,227,627
2016	6,283,168

+0.9%

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

2015	349,516
2016	376,915

+7.8%

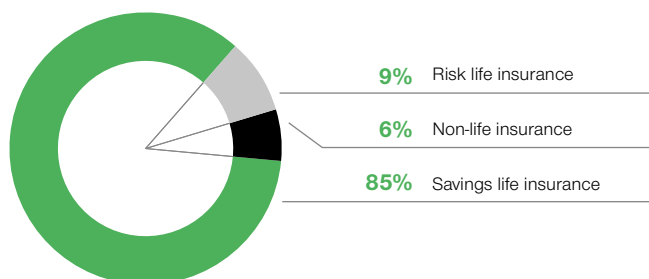
Profit

The profit of Komerční pojišťovna according to Czech Accounting Standards reached CZK 487 million in 2016. According to the International Financial Reporting Standards (IFRS) used for the purposes of consolidation with KB, KP's profit amounted to CZK 412 million (unaudited).

Gross Written Premiums

The total volume of gross written premiums for 2016 amounted to CZK 6,660 million. Gross written premiums in the life insurance segment reached CZK 6,283 million in 2016, which constitutes a year-on-year increase by 1%. In the area of non-life insurance, Komerční pojišťovna generated written premium in the amount of CZK 377 million. Compared to 2015, the written premiums increased by 8%.

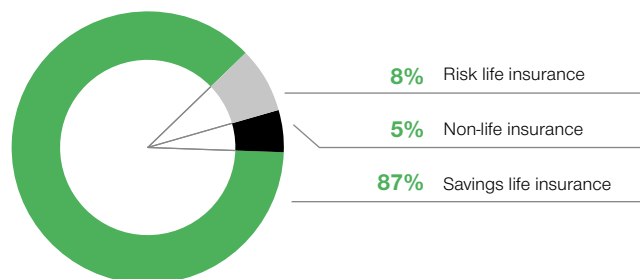
Structure of gross written premiums in 2016 (%)



Structure of Gross Written premiums

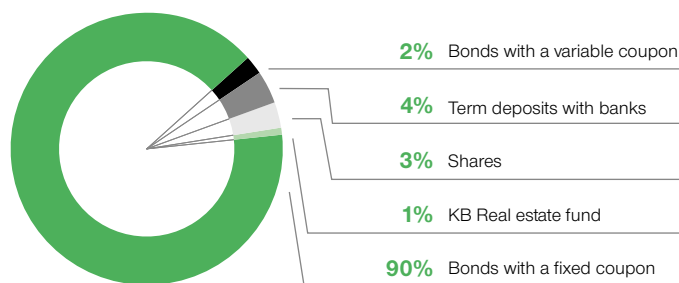
The structure of the gross written premiums did not change significantly in 2016. There was a slight increase in the area of non-life insurance compared to the previous years. Risk life insurance also showed a year-on-year increase by 11%. The major part of the portfolio is still composed of products of life insurance with a savings component sold by Komerční banka, in particular

Structure of gross written premiums in 2015 (%)



products with guaranteed appreciation. The structure of offered life insurance products changed as well, responding to the persisting negative situation in financial markets. New guaranteed funds of Certus 5, Certus 6 and Certus 7 were included in the portfolio during the year. The Platinum strategy portfolio was extended by the Moorea Fund Global Conservative, Moorea Fund Global Balanced and Moorea Fund Global Growth funds.

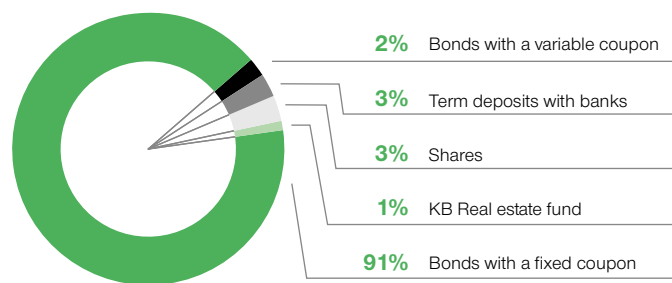
Komerční pojišťovna portfolio structure as at 31 December 2016 (%)



Portfolio structure

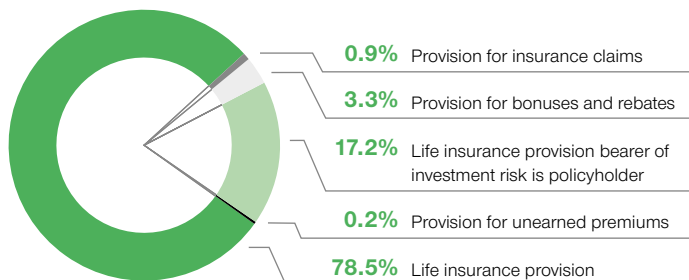
The structure of the investment portfolio is almost the same as in previous years. Komerční pojišťovna focuses mainly on conservative items. Bonds with a fixed coupon form approximately 90% of the portfolio, thus guaranteeing clients strong return on their investments. A significant part

Komerční pojišťovna portfolio structure as at 31 December 2015 (%)



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, floating rate notes.

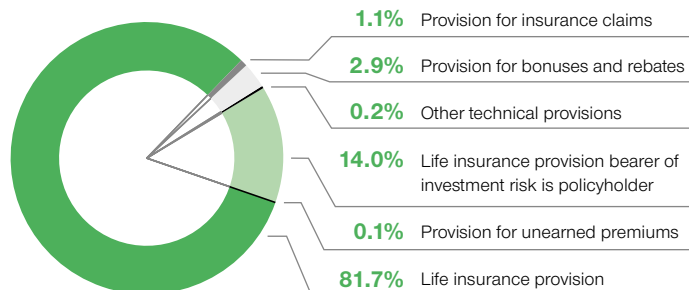
Technical provisions structure as of 31 December 2016 (%)



Technical provisions

The volume of technical provisions increased by 4.4% compared to 2015 and amounted to CZK 47.5 billion as of 31 December 2016.

Technical provisions structure as of 31 December 2015 (%)



Equity

The equity amounted to CZK 2,598 million as of 31 December 2016; this was a 13% decrease compared to 2015. The total balance sum reached CZK 48,110 million as of 31 December 2015, i.e. a year-on-year increase of 3%.

Statutory Bodies

Board of Directors

Stéphane Corbet

Chairman of the Board of Directors and CEO

He was born in France on 11 September 1969, is a French citizen and currently lives in Prague. He was elected the Chairman of the Board of Directors effective 29 September 2011. He has 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 the 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 a 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 the 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 a 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 the 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 Velké Popovice. She was elected a 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 the Silesian University in Opava, School of Economics.

William Chonier
(membership terminated on 31 July 2016)
Member of the Board of Directors and Head of Development Section

He was born in France on 25 January 1971, is a French citizen and currently lives in Prague. He was elected a member of the Board of Directors effective 27 September 2011. Most recently, he had worked as the Sales Director at SG Insurance Russia. He joined KP as the Head of the Development Section on 1 September 2011. He graduated from the University of Clermont-Ferrand in France in the field of economics and management.

Catherine de la Croix
(membership commenced on 1 December 2016)
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 as member of the Board of Directors effective 1st of December 2016. She joined the Société Générale Group in August 2002. From 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 1st September 2016 as the Head of the Development Section. She is graduate of International Private Law from the Faculty of Law Jean Monnet (Paris-Sud University), and has a Master in Wealth Management from 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 a 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 the University of Economics in Prague.

Supervisory Board

Philippe Perret

Chairman of the Supervisory Board

He was born in France on 11 January 1963, is a French citizen and currently lives in Paris, France. He was elected a member of the Supervisory Board effective 4 March 2006, and became the Chairman of the Supervisory Board on 4 December 2009. Since 1987, he has been working in the financial sector, initially at NATIO-VIE (a member of the BNP group); he began working at SOGECAP in 1997. He has been the CEO of the Company 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.

Albert Le Dirac'h

Member of the Supervisory Board

He was born in France on 16 October 1954, is a French citizen and currently lives in Prague. He was elected a member of the Supervisory Board effective 2 August 2013. He graduated from the University of Rennes in the field of management. In 1979–1980, he worked in the National Insurance Group. Since 1980, he has been working in the Société Générale group, first as an inspector of the General Inspection Department in Paris; from 1987, he worked as the Deputy Director and the Director of Back Offices within the Capital Markets Division, and from 1995 as the Human Resources Director in the Human Resources Division. In 1999–2006, he worked as the CEO and the member of the Board of Directors of SGBT Luxembourg; in 2001–2007, he worked as the Chairman of the Supervisory Board of SG Private Banking Belgium; and in 2006–2008 as the Deputy Director of the Human Resources Division of the group. From 2008 to 2012, he worked as the CEO and Chairman of the Board of Directors of Société Générale Morocco based in Casablanca. Effective 2 August 2013, Albert Le Dirac'h was elected the Chairman of the Board of Directors and CEO of Komerční banka by the KB Board of Directors. Albert Le Dirac'h is also a member of the Supervisory Board of SG Equipment Finance Czech Republic and Chairman of the Supervisory Board of MPSS and ESSOX.

Pascal Bied-Charretton

Member of the Supervisory Board

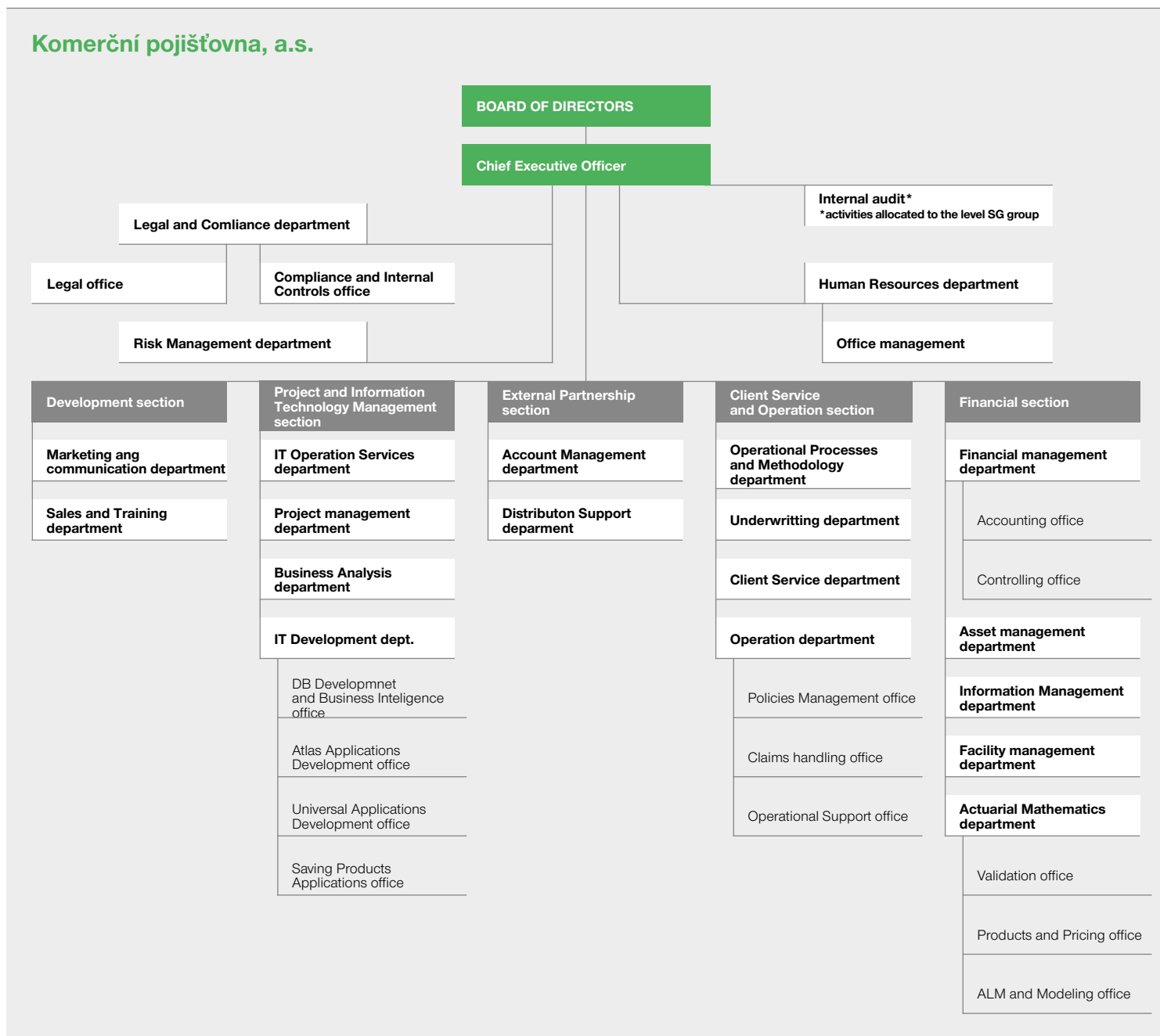
He was born in France on 28 December 1964, is a French citizen and currently lives in Paris, France. He was elected a member of the Supervisory Board on 2 December 2009. He graduated from École Centrale de Paris in the field of economics. Since 1988, he has been active in the insurance industry and worked in CARDIF, NATIO-VIE and BNP Paribas. From September 2006 to November 2009, he was the Director for International Development of Société Générale Insurance in Asia. On 1 December 2009, he was appointed the Deputy General Manager of SOGECAP. He is a member of the French Institute of Actuaries.

Libor Löfler

Member of the Supervisory Board

He was born on 29 May 1966 and lives in Prague. He was elected a member of the Supervisory Board effective 28 April 2015. He graduated from the 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 area of IT projects and, subsequently, financial management. In 1998 and 1999, he held the post of CEO of the Consolidation Bank. Since 1999, he has been working for the Komerční banka group, where he participated in privatisation and restructuring and transformation projects in the field of finance and the financial group. In 2002–2006, he held the post of the Director of Financial Management. In 2006–2010, he held the post of the Deputy Chairman of the Board of Directors of Modrá pyramida with responsibility for IT, projects and loan approval. In 2010, he was appointed the Deputy Executive Director for Strategy and Finance of Komerční banka. In 2012, he led the division as the Executive Director of Strategy and Finance. Effective 1 April 2015, he is a member of the Board of Directors of Komerční banka, and is in charge of Strategy and Finance, Transaction and Payment Services, Investment Banking Services, Support Services, Information Technology, Organisation and Change Management, and Information Management.

Organisational Structure as of 31 December 2016



Shareholders' Decisions at General Meetings

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

On 28 April 2016, the General Meeting:

- Considered the Report of the Board of Directors concerning the business of the Company and its assets in 2015;
- Considered the submitted financial statements and the proposal of the Board of Directors for the distribution of profit for 2015;
- Reviewed the Report of the Supervisory Board concerning the results of the audit activities and the review of the Report of the Board of Directors concerning the relationships between related entities;
- Approved the regular financial statements of the Company for 2015;
- Decided to distribute the profit for 2015 so that from the profit after taxes amounting to CZK 372,780,754.07, the dividend paid from the profit from non-life insurance activities for 2015 will amount to CZK 90,332,555.98; the dividend paid from life insurance activities for 2015 will amount to CZK 215, 899,444.02, and the amount of CZK 66,548,754.07 will be 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 306,232,000. The amount of the dividend per share with a nominal value of CZK 72,735 was CZK 18,950. The amount of dividend per share with a nominal value of CZK 145,470 was CZK 37,900.
2. The dividend payment was made by bank transfer. The amount of the dividend paid out to SOGECAP SA was CZK 156,185,900. The amount of the dividend paid out to Komerční banka, a.s. was CZK 150,046,100.
3. The decisive day for the dividend payment was 29 April 2016.
4. The dividends were payable starting on 29 April 2016.
5. The dividends were paid 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 conduct the audit of the Company for the financial year of 2016.

Report of the Supervisory Board

Throughout 2016, 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 from 1 January to 31 December 2016, 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 2016; 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 2016, as well as the result of its operations for 2016 in compliance with the relevant regulations of the Czech Republic.

The Supervisory Board recommends that the General Meeting approve the financial statements for 2016, as proposed by the Board of Directors.

The Supervisory Board reviewed the Related Party Report for 2016 prepared by the Company under the provision of Section 82 and following of the Business Corporations Act, and stated, based on the presented documents, that during the accounting period from 1 January 2016 to 31 December 2016 Komerční pojišťovna, a.s. did not suffer any losses.

Prague, 27 April 2017

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




Philippe Perret
Chairman of the Supervisory Board

Sworn Statement

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, 28 April 2017

Signed on behalf of the Board of Directors by:



Stéphane Corbet

Chairman of the Board of Directors and CEO



Helena Indrová

Member of the Board of Directors and Head of Financial Section

Financial Section

Contents

	FINANCIAL SECTION
20	Independent Auditor's Report to the Shareholders of Komerční pojišťovna, a.s.
22	Balance sheet as of 31 December 2016
24	Profit and Loss statement for the Year 2016
26	Statement of Changes in Equity for the Year Ended 31 December 2016
28	Notes to the Financial Statements for the Year Ended 31 December 2016
	REPORT ON RELATIONS BETWEEN RELATED PARTIES FOR THE REPORTING PERIOD OF 2016
62	Report on Relations Between Related Parties for the Reporting Period of 2016

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



(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.:

Opinion

We have audited the accompanying financial statements of Komerční pojišťovna, a.s. (the Company) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2016, and the income 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 the Company as at 31 December 2016, 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 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.

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 Audit Committee 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 Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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


Lenka Březová, Auditor
License No. 2331

12 April 2017
Prague, Czech Republic


Tomáš Němec
Partner

Balance sheet as of 31 December 2016

CZK THOUSAND (ROUNDED TO WHOLE FIGURES)	ROW NO.	2016			2015	
		GROSS AMOUNT	ADJUSTMENT	NET AMOUNT	PRIOR PERIOD	
		1	2	3	4	
ASSETS						
B.	Intangible fixed assets, of which:	2	258,240	213,866	44,374	34,374
C.	Investments	4	39,078,379	0	39,078,379	39,527,621
III.	Other investments	13	39,078,379	0	39,078,379	39,527,621
1.	Shares and other variable yield securities, other equity holdings	14	1,666,240	0	1,666,240	1,606,983
2.	Bonds and other fixed income securities	15	37,525,774	0	37,525,774	38,786,737
	b) bonds "OECD" held to maturity	16	13,468,945	0	13,468,945	13,713,014
	c) other securities held to maturity	17	24,056,829	0	24,056,829	25,073,723
6.	Deposits placed with financial institutions	20	1,573,695	0	1,573,695	1,194,473
7.	Other investments	21	(1,687,330)	0	(1,687,330)	(2,060,572)
D.	Investments of life insurance, if investment risk borne by the policyholder	23	8,184,597	0	8,184,597	6,340,407
E.	Debtors	24	263,982	54,135	209,847	241,002
I.	Receivables arising from direct insurance transactions	25	92,189	23,295	68,894	54,458
1.	Policyholders	26	92,189	23,295	68,894	54,458
II.	Receivables arising from reinsurance transactions	28	31,120	30,840	280	-
III.	Other receivables	29	140,673	0	140,673	186,544
F.	Other assets	30	324,128	31,432	292,696	208,193
I.	Tangible fixed assets, other than on item "C.I. Land and buildings", and inventory	31	44,136	31,365	12,771	8,176
II.	Cash on accounts with financial institutions and cash on hand	32	279,992	67	279,925	200,017
G.	Temporary assets	34	299,685	0	299,685	335,464
II.	Deferred acquisition costs of insurance policies, of which separately:	36	137,998	0	137,998	143,327
	a) Life insurance	37	97,045	0	97,045	110,817
	b) Non-life insurance	38	40,953	0	40,953	32,510
III.	Other temporary assets, of which:	39	161,687	0	161,687	192,137
	a) Estimated receivables	40	130,821	0	130,821	185,856
	TOTAL ASSETS	41	48,409,011	299,433	48,109,578	46,687,061

CZK THOUSAND (ROUNDED TO WHOLE FIGURES)		ROW NO.	2016		2015	
			GROSS AMOUNT	NET AMOUNT	GROSS AMOUNT	NET AMOUNT
LIABILITIES						
A.	Equity	42		2,597,615		2,983,090
I.	Share capital, of which:	43		1,175,398		1,175,398
IV.	Other capital funds	47		324,083		890,286
	of which revaluation gains or losses on securities	48		400,102		1,099,118
V.	Reserve fund and other funds from profit	49		61,264		61,264
VI.	Retained earnings or accumulated losses brought forward	50		549,910		483,361
VII.	Profit or loss for the period	51		486,960		372,781
C.	Technical provisions	53		36,561,338		36,618,505
1.	Provisions for unearned premiums	54				
	a) gross amount	55	77,354		63,493	
	b) reinsurers' share (-)	56	39	77,315	318	63,175
2.	Life insurance provision	57				
	a) gross amount	58	37,237,648		37,131,367	
	b) reinsurers' share (-)	59	2,681,709	34,555,939	2,390,010	34,741,357
3.	Provision for insurance claims	60				
	a) gross amount	61	405,611		479,640	
	b) reinsurers' share (-)	62	22,308	383,303	79,538	400,102
4.	Provision for bonuses and discounts	63				
	a) gross amount	64	1,544,781		1,323,165	
	b) reinsurers' share (-)	65		1,544,781		1,323,165
6.	Other technical provisions	66				
	a) gross amount	67	0		90,706	
	b) reinsurers' share (-)	68		0		90,706
D.	UL life insurance provision	69		8,184,597		6,340,407
	a) gross amount		8,184,597		6,340,407	
	b) reinsurers' share (-)			8,184,597		6,340,407
E.	Reserves for other risks and losses	69		137,935		105,709
2.	Reserve for taxation	71		119,687		85,950
3.	Other reserves	72		18,248		19,759
G.	Creditors	74		410,884		401,009
I.	Payables arising from direct insurance transactions	75		223,629		104,457
II.	Payables arising from reinsurance transactions	76		36,048		21,843
V.	Other payables, of which:	80		151,207		274,709
	a) Tax liabilities and social security payables	81		16,240		15,508
H.	Temporary liabilities	84		217,209		238,341
II.	Other temporary liabilities, of which:	86		217,209		238,341
	a) Estimated payables	87		217,209		238,341
	TOTAL LIABILITIES	88		48,109,578		46,687,061

Profit and Loss statement for the Year 2016

CZK THOUSAND (ROUNDED TO WHOLE FIGURES)	ROW NO.	2016			2015		
		BASE	SUB-TOTAL	RESULT	BASE	SUB-TOTAL	RESULT
	b	1	2	3	1	2	3
I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE							
1. Earned premium, net of reinsurance:	1	x	x	x	x	x	x
a) Gross premium written	2	376,915	x	x	349,516	x	x
b) Premium ceded to reinsurers	3	22,498	354,417	x	21,063	328,453	x
c) Change in the gross balance of the provision for unearned premium (+/-)	4	6,656	x	x	1,414	x	x
d) Change in the balance of the provision for unearned premium, net of reinsurers' share (+/-)	5	(129)	6,785	347,632	(12)	1,426	327,027
2. Income from investments transferred from non-technical account (item III.6.)	6	x	x	2,446	x	x	4,403
3. Other technical income, net of reinsurance	7	x	x	973	x	x	1,080
4. Costs of claims, net of reinsurance:	8	x	x	x	x	x	x
a) Costs of claims:	9	x	x	x	x	x	x
aa) Gross amount	10	106,141	x	x	54,807	x	x
ab) Reinsurers' share	11	37,943	68,198	x	5,530	49,277	x
b) Change in the balance of the provision for claims (+/-):	12	x	x	x	x	x	x
ba) Gross amount	13	(122,270)	x	x	(728)	x	x
bb) Reinsurers' share	14	(63,262)	(59,008)	9,190	590	(1,318)	47,959
5. Change in the balance of other technical provisions, net of reinsurance (+/-)	15	x	x	(15)	x	x	3
6. Bonuses and discounts, net of reinsurance	16	x	x	289	x	x	303
7. Net operating expenses:	17	x	x	x	x	x	x
a) Acquisition costs of insurance policies	18	x	96,962	x	x	85,828	x
b) Change in the balance of deferred acquisition costs (+/-)	19	x	(7,827)	x	x	(470)	x
c) Administrative overheads	20	x	81,861	x	x	77,944	x
d) Commission from reinsurers and shares of profit	21	x	14,854	156,142	x	10,693	152,609
8. Other technical costs, net of reinsurance	22	x	x	71,339	x	x	40,646
10. Sub-total, balance (result) of the non-life insurance technical account (item III.1.)	24	x	x	114,106	x	x	90,990
II. TECHNICAL ACCOUNT - LIFE INSURANCE							
1. Earned premium, net of reinsurance:	25	x	x	x	x	x	x
a) Gross premium written	26	x	6,283,168	x	x	6,227,627	x
b) Premium ceded to reinsurers	27	x	553,344	x	x	760,547	x
c) Change in the balance of the provision for unearned premium, net of reinsurance (+/-)	28	x	7,354	5,722,470	x	502	5,466,578
2. Income from investments:	29	x	x	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	x	x
bb) Income from other investments	33	2,221,369	2,221,369	x	2,537,007	2,537,007	x
d) Income from the realisation of investments	35	x	289,718	2,511,087	x	969,111	3,506,118
3. Additions to investments	36	x	x	353,205	x	x	319,130
4. Other technical income, net of reinsurance	37	x	x	67,247	x	x	66,741
5. Costs of claims, net of reinsurance:	38	x	x	x	x	x	x
a) Costs of claims:	39	x	x	x	x	x	x
aa) Gross amount	40	4,105,364	x	x	4,267,376	x	x
ab) Reinsurers' share	41	281,162	3,824,202	x	168,386	4,098,990	x
b) Change in the balance of the provision for claims (+/-):	42	x	x	x	x	x	x

CZK THOUSAND (ROUNDED TO WHOLE FIGURES)	ROW NO.	2016			2015				
		BASE	1	2	3	BASE	1	2	3
	b)		1	2	3		1	2	3
ba) Gross amount	43	48,241	x	x	x	25,479	x	x	x
bb) Reinsurers' share	44	6,032	42,209	3,866,411	(672)	26,151	4,125,141		
6. Change in the balance of other technical provisions, net of reinsurance (+/-):	45	x	x	x	x	x	x	x	x
a) Life insurance provision:	46	x	x	x	x	x	x	x	x
aa) Change in the gross balance	47	15,575	x	x	1,137,250	x	x	x	x
ab) Reinsurers' share	48	291,699	(276,124)	x	548,327	588,923	x	x	x
b) Other technical provisions, net of reinsurance	49	x	2,065,821	1,789,697	x	958,254	1,547,177		
8. Net operating expenses :	51	x	x	x	x	x	x	x	x
a) Acquisition costs of insurance policies	52	x	203,585	x	x	223,990	x	x	x
b) Change in the balance of deferred acquisition costs (+/-)	53	x	13,772	x	x	(12,755)	x	x	x
c) Administrative overheads	54	x	231,208	x	x	226,026	x	x	x
d) Commission from reinsurers and shares of profits	55	x	37,743	410,822	x	30,368	406,893		
9. Costs of investments:	56	x	x	x	x	x	x	x	x
a) Costs of administering investments, including interest	57	x	1,262,522	x	x	1,235,097	x	x	x
c) Costs attributable to the realisation of investments	59	x	309,788	1,572,310	x	1,186,236	2,421,333		
10. Disposals of investments	60	x	x	314,644	x	x	275,688		
11. Other technical costs, net of reinsurance	61	x	x	206,293	x	x	210,346		
12. Income from investments transferred to non-technical account (item III.4.)	62	x	x	72,838	x	x	85,372		
13. Sub-total, balance (result) of the life insurance technical account (item III.2.)	63	x	x	420,994	x	x	286,617		
III. NON-TECHNICAL ACCOUNT									
1. Result of the non-life insurance technical account (item I.10.)	64	x	x	114,106	x	x	90,990		
2. Result of the life insurance technical account (item II.13.)	65	x	x	420,994	x	x	286,617		
4. Income from investments transferred from the life insurance technical account (item II.12.)	73	x	x	72,838	x	x	85,372		
6. Income from investments transferred to the non-life insurance technical account (item I.2.)	78	x	x	2,446	x	x	4,403		
9. Income tax on current activities	81	x	x	118,491	x	x	85,754		
10. Profit or loss on current activities after taxation	82	x	x	487,001	x	x	372,822		
15. Other taxes not reported above	87	x	x	41	x	x	41		
16. Profit or loss for the period	88	x	x	486,960	x	x	372,781		

Statement of Changes in Equity for the Year Ended 31 December 2016

(CZK thousand)	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	RESERVE FUNDS	CAPITAL FUNDS	VALUATI- ON GAINS OR LOSSES	PROFIT/ (LOSS)	TOTAL
Balance as at 1 January 2015	1,175,398	0	0	61,264	0	1,110,518	766,161	3,113,341
FX differences and valuation gains or losses not included in profit/(loss)	0	0	0	0	0	(220,232)	0	(220,232)
Net profit/(loss) for the period	0	0	0	0	0	0	372,781	372,781
Dividens	0	0	0	0	0	0	(282,800)	(282,800)
Transfers to funds	0	0	0	0	0	0	0	0
Balance as at 31 December 2015	1,175,398	0	0	61,264	0	890,286	856,142	2,983,090
Balance as at 1 January 2016	1,175,398	0	0	61,264	0	890,286	856,142	2,983,090
FX differences and valuation gains or losses not included in profit/(loss)	0	0	0	0	0	(566,203)	0	(566,203)
Net profit/(loss) for the period	0	0	0	0	0	0	486,960	486,960
Dividens	0	0	0	0	0	0	(306,232)	(306,232)
Transfers to funds	0	0	0	0	0	0	0	0
Balance as at 31 December 2016	1,175,398	0	0	61,264	0	324,083	1,036,870	2,597,615

Notes to the Financial Statements for the Year Ended 31 December 2016

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 2016, 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 2016

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 2016

BOARD OF DIRECTORS

Chairman	Stéphane Corbet
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	Albert Le Dirac'h
Member	Pascal Bied-Charreton
Member	Ing. Libor Löfler

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.

1.3. Equity Holdings in Other Businesses

The Company held no equity investments in other businesses as of 31 December 2016 or as of 31 December 2015.

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

The following changes to the Commercial Register were made in 2016:

The change of surname of Helena Endlerová to Helena Indrová was recorded on 14 July 2016.

William Chronier's membership in the Board of Directors was terminated with effect from 31 July 2016 and this change was recorded in the Commercial Register on 17 September 2016.

Catherine Renée Claude de la Croix became a member of the Board of Director with effect from 1st December 2016 and this change was recorded in the Commercial Register on 16 December 2016.

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 2016 or in the year ended 31 December 2015.

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 2016.

2.2. Tangible and Intangible Fixed Assets

Tangible fixed assets include assets with an acquisition cost greater than CZK 40,000 on an individual basis and an estimated useful life exceeding one year. Tangible assets costing less than CZK 40,000 are expensed in the year of acquisition.

Intangible fixed assets include start-up costs greater than CZK 20,000 and other intangible assets with an acquisition cost greater than CZK 60,000 on an individual basis and an estimated useful life exceeding one year. Intangible assets costing less than CZK 60,000 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 2016 and in the year ended 31 December 2015.

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 a 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 2016 and as of 31 December 2015 as follows:

Intangible fixed assets, including acquisition, are presented in line 2;

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

The Company recognised tax depreciation charges for tangible and intangible assets in 2016 and 2015.

2.3. Investments

Deposits

Deposits placed with financial institutions are measured at their nominal value upon acquisition. As of the year-end, these assets are revalued at fair value. The fair value of short-term deposits placed with financial institutions is the nominal value including accrued interest. 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

Valuation of debt securities held to maturity as at 31 December 2016

Debt securities are stated at cost upon acquisition. Purchased accrued interest income is added to the cost of the investment. 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. The same types of securities are valued using a price determined by the FIFO method. Debt securities denominated in foreign currencies are retranslated into Czech crowns at the ruling exchange rate of the Czech National Bank.

The change of valuation method of debt securities held to maturity 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:

Since 1st January according to Decree no. 502/2002 all bonds held to maturity are now valued at amortized cost. Till 31st December 2015 bonds held to maturity were valued as follows:

- a) Bonds held to maturity where the issuer is OECD member state were valued at amortized cost (i.e. without change).
- b) Bonds held to maturity where the issuer is not OECD member state (denominated in Czech or foreign currency) were valued at fair value. The revaluation was accumulated in Other capital funds (see chapter 2.7 Equity). Subsequent hedging of currency risk for debt securities held to maturity denominated in foreign currency is described below in the section Derivatives.

Since 1st January 2016 as a default valuation for debt securities held to maturity referred to in section B amortized cost was applied, comparatives to 31 December 2015 remained unchanged. The resulting gains or losses from other capital funds was reversed against Other securities held to maturity.

The impact of the change of method is described and calculated in chapters 4.2 Investments and 4.6 Equity.

Derivatives

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

Hedging derivates

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 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 fulfill the requirements for hedge accounting based on specific rules in Czech Accounting Standards no. 110 for financial institutions, derivative is disclosed as derivative available for sale and changes in its fair value are recognized as gain/loss from revaluation to fair value, which is disclosed in "Gains/losses from financial operations".

Test of effectivity of hedging

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

Other Components of Investments

The gains or losses from the revaluation of other financial placement components (shares and investment funds), if any, are recognised in the profit and loss account.

Investment requirements in accordance with the principle of prudent investments comply with the Act no. 277/2009 Coll., Act on Insurance and Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive EP and Council 2009/138 / EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

Investments of life insurance, where the investment risk is borne by the policy holder

Investments of life insurance, where the investment risk is borne by the policy holder, is recognised separately from other financial placement components.

As of the balance sheet date the investments of life insurance where the investment risk is borne by the policy holder is revaluated to the fair value. 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, it proceeded in accordance with the provisions of the Czech Accounting Standard no. 108 Debt Securities and 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 designed to secure the Company's operations. Term deposits are reported as a component of financial placements.

Cash equivalents comprise labels, meal vouchers, stamps, flexi pass vouchers, gift vouchers, 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 denominated in foreign currency due to exchange rate changes.

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, ie. in case of revaluation of investments through Other capital funds the value of revaluation is taken as the difference.

Reserve fund

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 provision for Outstanding Claims

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

The provision for outstanding claims 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 financial placements held for anticipated but not yet awarded profit shares.

In 2016, the Company increased, the reserve for bonuses and discounts by CZK 203 million up to the final amount of CZK 1,450 million. (In 2015, the Company increased, the reserve for bonuses and discounts by CZK 280 million up to the final amount of CZK 1,247 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:

$$PAn = pRŽPn / pRŽP * PRA$$

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 2016. These profit shares in 2016 amounted to CZK 94.8 million (2015 CZK 76 million).

No part of a similar increases carried out in 2015 in the amount of CZK 280 million, CZK 51 million in 2014, CZK 268 million in 2013, CZK 194 million in 2012, CZK 174 million in 2011, CZK 165 million and CZK 115 million made in 2010 and 2009, respectively, was used in 2016.

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.

Unit linked Life Insurance Provision

This reserve is held to cover obligations of the insurance company to the policy holders for the life insurance products where it is the policy holder who bears the investment risk on the basis of the insurance contract; the Company has recognised this reserve since 2006 when the sale of these products began.

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 accruals 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, Gras Savoye 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.

In connection with the change in legislation related to commission on risk life insurance, where brokers of initial commissions are brokerage companies and MPSS, since 1st December 2016 these commissions are accrued over a period of 60 months (in 2015 and till 30 November 2016 they were accrued for 24 or 36 months).

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 26.15% for non-life insurance and 73.85% for life insurance. In 2015 the proportion was 25.64% for non-life insurance and 74.36% 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 securities into the following three parts:

- i) Portfolio of securities covering non-life insurance reserves;
- ii) Portfolio of securities covering life insurance reserves; and
- iii) Portfolio of securities 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 insurance technical reserves and equity as a basis for re-allocating expenses and income from financial placements.

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 Costs 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 2016 and in 2015, the Company recognised a deferred tax liability.

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 2016 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. The change of valuation method of debt securities held to maturity 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.

As stated in chapter 2.3 Investments the company performed the change of valuation method of debt securities held to maturity.

3. Risk management

In accordance with the Act no. 277/2009 Coll., Act on Insurance and Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive EP and Council 2009/138 / EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), the company ensured setting of the internal control system to cover all of its operations. The control system of the company is set up to allow a continuous and systematic risk management. The set-up of the internal control system enables consistent and systematic risk management.

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

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

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

(a) Life assurance 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 or survival, risk of a different development of investment return, risk resulting from an unexpected development of cost inflation or behaviour of clients upon cancellation of the contract. In the above cases the Company is exposed to the danger of a loss resulting from the discrepancy between collected premiums and claims paid, investment returns and expenses.

The Company reinsures some of the risks it underwrites 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.

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 in 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.

4. Additional information to the financial statements

4.1. Tangible and Intangible Fixed Assets

Acquisition cost

(CZK THOUSAND)	ADDITIONS	DISPOSALS	31 DECEMBER 2016	31 DECEMBER 2015
Depreciated tangible assets	7,494	675	43,106	36,287
of which: cars	0	0	10,017	10,017
hardware	6,854	202	21,539	14,887
office equipment	640	456	9,165	8,981
furniture and fixtures	0	16	2,385	2,401
Amortised intangible assets	24,273	0	247,394	223,121
Non-depreciated tangible assets	0	0	236	236
Technical improvements of intangible assets	222	666	82	525
Technical improvements of tangible assets	928	263	665	0
Acquisition of assets	38,743	46,056	10,894	18,206
of which: intangible assets	31,657	38,824	10,765	17,932
tangible assets	7,086	7,231	129	275
Total	71,661	47,659	302,377	278,375

Accumulated Depreciation

(CZK THOUSAND)	ADDITIONS	DISPOSALS	31 DECEMBER 2016	31 DECEMBER 2015
Depreciated tangible assets	3,419	675	31,365	28,621
of which: cars	614	0	8,889	8,275
hardware	2,066	202	13,235	11,371
office equipment	653	456	7,107	6,910
furniture and fixtures	85	16	2,134	2,065
Amortised intangible assets	6,663	0	213,867	207,204
Total	10,081	675	245,232	235,826

Net Book Value

(CZK THOUSAND)	31 DECEMBER 2016	31 DECEMBER 2015
Depreciated tangible assets	11,740	7,666
of which: cars	1,128	1,743
hardware	8,304	3,516
office equipment	2,057	2,070
furniture and fixtures	251	336
Amortised intangible assets	33,527	15,917
Non-depreciated tangible assets	236	236
Technical improvements of intangible assets	82	525
Technical improvements of tangible assets	665	0
Acquisition of assets	10,894	18,206
of which: intangible assets	10,765	17,932
tangible assets	129	274
Total	57,145	42,550

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

(CZK THOUSAND)	31 DECEMBER 2016	31 DECEMBER 2015
Intangible assets (line 2)	44,374	34,374
Tangible movable assets (line 31)	12,771	8,175
Total	57,145	42,550

Major additions to the tangible depreciated assets in 2016 are related to the purchase of new servers (CZK 5,742 thousand).

Major additions to the tangible depreciated assets in 2015 were related to the purchase of new servers and WIFI cabling (CZK 2,428 thousand) and 4 cars (CZK 1,485 thousand).

With respect to the amortised intangible assets, the most significant item was the investment into data warehouse and document management system (DMS) (CZK 21,997 thousand). In 2015 the most significant item was the purchase of new licence for software AIA used for evidence of life insurance (CZK 9,219 thousand) and purchase of other supporting software (CZK 1,335 thousand).

4.2. Investments

(CZK THOUSAND)	31 DECEMBER 2016	31 DECEMBER 2015
Debt securities issued by an EU member state or its central bank	17,281,002	19,051,979
Debt securities issued by banks of EU member states	8,489,423	7,916,519
Listed bonds issued by EU businesses	5,233,517	5,990,136
Listed municipal bonds	673,109	771,961
Listed debt securities issued by banks and trading companies of non-EU member states	5,848,723	5,056,142
Total fixed income securities	37,525,774	38,786,737
Shares and KB Real estate Fund	1,666,240	1,606,983
Deposits with banks	1,573,695	1,194,473
Other investments - Cross Currency Swap	(1,687,330)	(2,060,572)
Total investments	39,078,379	39,527,621

The investments are carried out in accordance with the principle of prudent investment according to Act no. 277/2009 Coll., Act on Insurance and Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive EP and Council 2009/138 / EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

38 percent (2015: 39 percent) 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. In 2016 and 2015 were all bonds categorized as held to maturity. As of 31 December 2016 and as of 31 December 2015 the bad debt provision to bonds was zero.

(CZK THOUSAND)	AMORTIZED COST		FAIR VALUE	
	2016	2015	2016	2015
OECD debt securities held to maturity – listed on the Prague Stock Exchange	13,468,945	13,713,014	15,037,965	15,503,262
Other debt securities	24,056,829	24,018,163	25,182,063	25,073,723
Total	37,525,774	37,731,177	40,220,028	40,576,985

In 2016 all debt securities are valued at amortized cost in total amount of CZK 37,525,774 thousand, refer to line C. III. 2. Bonds and other fixed income securities.

In 2015 only OECD debt securities were valued at amortized cost. Total value was CZK 13,713,014 thousand, refer to line C. III. 2b) bonds "OECD" held to maturity.

Other debt securities held to maturity were valued at fair value in 2015 in total amount of CZK 25,073,723 thousand, refer to line C. III. 2c) other securities held to maturity.

Total amount of debt securities held to maturity amounted to CZK 38,786,737 thousand in 2015, refer to line C.III. 2) Bonds and other fixed income securities.

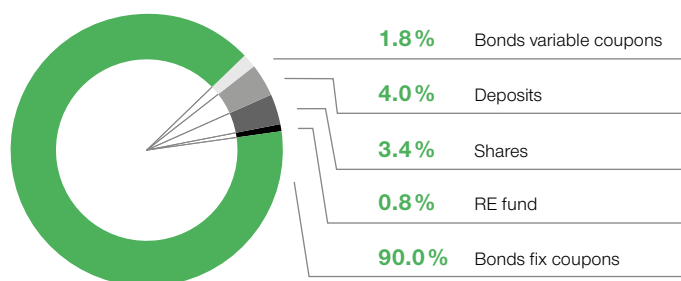
Investments in shares represent an additional instrument added to the portfolio. At the end of 2016, the volume of stock investments amounted to 3.4 percent (2015: 3.3 percent). As of 31 December 2016 the investment in shares include investment in the KB Real estate Fund in the amount of CZK 300,000 thousand. (2015: CZK 300,000 thousand).

The real value of the Cross Currency Swaps can be split into swaps with a positive real value in the total amount of CZK 44,072 thousand (2015: CZK 45,335 thousand) and negative real value in the total amount of CZK 1,731,402 thousand (2015: CZK 2,105,107 thousand).

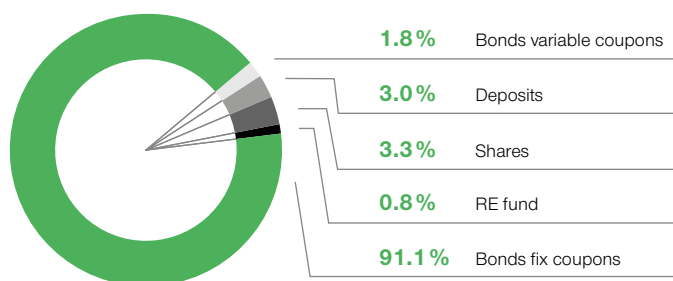
In 2016, apart from the bonds denominated in CZK (acquisition cost: CZK 0.4 billion), 9 bonds denominated in EUR and USD were purchased and included in the investment portfolio. Their total acquisition cost amounted to CZK 2.9 billion. In 2015, apart from the bonds denominated in CZK (acquisition cost: CZK 1.1 billion), 12 bonds denominated in EUR and USD were purchased and included in the investment portfolio. Their total acquisition cost amounted to CZK 2.6 billion. In 2016 there was a sale of bond with purchase price of CZK 269,225 thousand.

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 2016:



Company portfolio of investments as of 31 December 2015:



The change of valuation method of bonds held to maturity

The company performed the change of valuation method of bonds held to maturity due to amendment of act no. 563/1991 Coll. On Accounting and Decree No. 502/2002 Coll. Implementing some provisions of Act No. 563/1991 Coll. On accounting, as subsequently amended, for accounting units, which are insurance undertakings. The impact into valuation is listed below in points a) to c):

a) Value as at 31 December 2015

Bonds OECD held to maturity - valued at amortized cost in total amount of CZK 13,713,014 thousand
Other securities held to maturity – valued at fair value in total amount of CZK 25,073,723 thousand
Bonds in total – CZK 38,786,737 thousand

b) Value as at 31 December 2016 – in case the original method of valuation at fair value by other securities held to maturity remained

Bonds OECD held to maturity - valued at amortized cost in total amount of CZK 13,468,945 thousand
Other securities held to maturity – valued at fair value in total amount of CZK 25,182,063 thousand
Bonds in total – CZK 38,651,008 thousand

c) Values as at 31 December 2016 after the change of valuation method

Since 1st January 2016 according to Decree no. 502/2002 all bonds held to maturity are valued at amortized cost, comparatives to 31 December 2015 remained unchanged.

The resulting difference in valuation from other capital funds was reversed against Other securities held to maturity.

Bonds OECD held to maturity - valued at amortized cost in total amount of CZK 13,468,945 thousand
Other securities held to maturity – valued at real cost t in total amount of CZK 24,056,829 thousand
Bonds in total – CZK 37,525,774 thousand

The change of method described above is described in accounting method in chapter 2.3 Investments and further in chapter 4.6 Equity

Investments to life insurance where the investment risk is borne by the policy holder

As of 31 December 2016, the fair value of Investments to life insurance where the investment risk is borne by the policy holder was CZK 8,184,597 thousand (2015: CZK 6,340,407 thousand). Significant part of the investments to life insurance where the investment risk is borne by the policy holder is placed in bond funds.

4.3. Debtors (Receivables)

Analysis of receivables (gross amount)

(CZK THOUSAND)	31 DECEMBER 2016	31 DECEMBER 2015
Receivables from direct insurance from policy holders	92,189	77,029
Receivables from agents (brokers)	0	0
Amounts due from reinsurance transactions	31,120	0
Other receivables from direct insurance and reinsurance	8,315	6,966
Total receivables from direct insurance and reinsurance	131,624	83,995
Operating prepayments	42,478	45,950
Other debtors	19,235	54,675
Prepaid income tax	70,645	78,953
Total receivables	263,982	263,573

Amounts due from reinsurance transactions in total amount of CZK 31,120 thousand consist mainly of claim arising from industry instance (2015: CZK 0). Allowances for receivables from collateral amounted to CZK 30,840 thousand (2015: CZK 0).

As of 31 December 2016 and as of 31 December 2015, 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 2016, operating prepayments totalling CZK 42,478 thousand (2015: CZK 45,950 thousand) primarily include bonus prepayments related to collective insurance contracts of CZK 33,253 thousand (2015: CZK 38,320 thousand), a prepayment of CZK 1,720 thousand provided to AXA ASSISTANCE (2015: CZK 1,720 thousand) and a rental guarantee payment of CZK 4,351 thousand (2015: CZK 4,463 thousand).

As of 31 December 2016, other debtors consist of ex-coupon receivables amounting to CZK 5,481 thousand. As of 31 December 2015, other debtors consisted of ex-coupon receivables amounting to CZK 49,129 thousand and receivable from outstanding commissions to company SGCIB amounting to CZK 13,642 thousand. During the year 2017 this receivable was settled.

Aging Analysis of Receivables from Direct Insurance for Policy Holders:

(CZK THOUSAND)	MONTHS PAST DUE DATE 2016				TOTAL	
	0-3	4-6	7-12	OVER 12		
Other non-life products		12	4	2	11,089	11,107
International insurance products		3,687	0	0	0	3,687
Merlin		187	0	0	2,044	2,231
Patron		917	476	98	418	1,909
Travel cards		0	0	0	77	77
Travel individual		14	10	21	970	1,015
Other life insurance products		624	84	75	388	1,171
Group non-life insurance		297	401	65	0	763
Group risk life insurance		1,728	1,142	0	0	2,870
Vital		13,718	1,118	308	0	15,144
Vital Corporate		721	6	0	96	823
Vital Grand		771	10	5	75	861
Vital Invest, Blue Vital Invest, Brouček		165	48	37	2,843	3,093
Vital Premium		10,748	181	9	132	11,070
Individual risk life insurance		6,625	821	960	7,360	15,766
Consumer loan insurance		17,764	2,837	0	1	20,602
Total		57,978	7,138	1,580	25,493	92,189

(CZK THOUSAND)	MONTHS PAST DUE DATE 2016				TOTAL	
	0-3	4-6	7-12	OVER 12		
Other non-life products		27	4	2	11,108	11,141
International insurance products		3,521	0	0	0	3,521
Merlin		257	0	0	2,043	2,300
Patron		1,056	1,454	48	375	2,933
Travel cards		0	0	0	77	77
Travel individual		7	15	18	932	972
Other life insurance products		919	69	29	385	1,402
Group non-life insurance		65	130	197	0	392
Group risk life insurance		1,680	2,223	2,219	0	6,122
Vital		1,137	2	0	96	1,235
Vital Corporate		687	11	10	66	774
Vital Grand		138	20	42	2,781	2,981
Vital Invest, Blue Vital Invest, Brouček		5,918	50	198	129	6,295
Vital Premium		3,989	0	0	0	3,989
Individual risk life insurance		7,047	900	962	6,359	15,268
Consumer loan insurance		11,895	5,731	0	1	17,627
Total		38,343	10,609	3,725	24,352	77,029

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.

Provisions against Receivables from Direct Insurance:

(CZK THOUSAND)	MONTHS PAST DUE DATE 2016				TOTAL	
	0-3	4-6	7-12	OVER 12		
Other non-life products		0	1	1	11,089	11,091
Patron		0	2	10	418	430
Travel individual		0	10	21	970	1,001
Other life insurance products		0	80	71	388	539
Vital		0	6	0	96	102
Vital Corporate		0	9	5	75	89
Vital Grand		0	46	35	2,843	2,925
Vital Invest, Blue Vital Invest, Brouček		0	172	8	132	312
Individual risk life insurance		0	257	414	6,134	6,805
Total		0	583	566	22,146	23,295

(CZK THOUSAND)	MONTHS PAST DUE DATE 2016				TOTAL	
	0-3	4-6	7-12	OVER 12		
Other non-life products		0	2	1	11,097	11,100
Patron		0	2	14	375	391
Travel individual		0	15	18	932	965
Other life insurance products		0	37	21	385	443
Vital		0	2	0	96	98
Vital Corporate		0	8	10	66	84
Vital Grand		0	16	42	2,781	2,839
Vital Invest, Blue Vital Invest, Brouček		0	47	188	129	364
Individual risk life insurance		0	352	485	5,450	6,287
Total		0	481	779	21,311	22,571

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

(CZK THOUSAND)	2016	2015
Current accounts	274,343	198,951
Cash on hand	71	50
Cash equivalents	505	786
Cash in transit	5,073	297
Provision against UB	(67)	(67)
Total	279,925	200,017

The Company recognised a full provision against its current account maintained with Union banka, amounting to CZK 96 thousand in 2003. In 2004 and 2010, this outstanding receivable was partly settled in the amount of CZK 29 thousand. 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 transactions from investments in life insurance, where the policyholder bears the investment risk.

4.5. Temporary Assets

Analysis of temporary assets

(CZK THOUSAND)	31 DECEMBER 2016	31 DECEMBER 2015
Deferred acquisition costs	137,998	143,327
of which: Non-life insurance commissions	40,953	32,510
Life insurance commissions	97,045	110,817
Other deferred expenses	30,866	6,275
of which: capitalized expenses of selected projects	21,961	1,770
other deferred expenses	8,905	4,505
Accrued income	0	6
Estimated receivables	130,821	185,856
of which: premiums	61,710	32,096
reinsurer's commission and share in claims	58,347	59,286
other	10,764	94,474
Total	299,685	335,464

For further details about reinsurance balances refer to Note 4.17. or rather 2.13.

Capitalized costs of the projects in 2016 include primarily costs associated with the implementation of property insurance into company's IT systems.

The balance of estimated premium receivables as of 31 December 2016 of CZK 61,710 thousand (2015: CZK 32,096 thousand) represents premiums under policies that have been entered into 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 2016 of CZK 58,347 thousand (2015: CZK 59,286 thousand) results from the settlement of reinsurance balances mainly for the last quarter of 2016.

Other estimated receivables results mainly from not invoiced managerial fees related to Forte funds and Certus funds amounting to CZK 10,764 thousand (2015: CZK 94,422 thousand)

Detailed information are presented in chapter 4.27.

4.6. Equity

(CZK THOUSAND)	31 DECEMBER 2016	31 DECEMBER 2015
Share capital	1,175,398	1,175,398
Other capital funds	324,083	890,286
- valuation gains and losses of securities	1,820,204	2,800,922
- valuation gains and losses of derivatives	(1,580,362)	(1,946,813)
- up-front fees	160,261	245,009
- deferred tax	(76,019)	(208,832)
Statutory reserve fund	61,264	61,264
Retained earnings	549,910	483,361
Profit/(loss) for the period	486,960	372,781
Total	2,597,615	2,983,090

The change of valuation method of debt securities held to maturity

The company performed the change of valuation method of debt securities held to maturity due to amendment of act no. 563/1991 Coll. On Accounting and Decree No. 502/2002 Coll. Implementing some provisions of Act No. 563/1991 Coll. On accounting, as subsequently amended, for accounting units, which are insurance undertakings. Therefore since 1 January 2016 debt securities held to maturity are not any more valued through share capital.

The impact into valuation is listed below in points a) to c):

a) Value as at 31 December 2015

Bonds OECD held to maturity - valued at amortized cost, difference in valuation CZK 0 thousand

Other securities held to maturity – valued at fair value, difference in valuation CZK 2,800,922 thousand

b) Value as at 31 December 2016 – in case the original method of valuation at fair value by other securities held to maturity remained

Bonds OECD held to maturity - valued at amortized cost, difference in valuation CZK 0 thousand

Other securities held to maturity – valued at fair value, difference in valuation CZK 2,695,073 thousand

c) Values as at 31 December 2016 after the change of valuation method

Since 1st January 2016 according to Decree no. 502/2002 all bonds held to maturity are valued at amortized cost, comparatives to 31 December 2015 remained unchanged. The resulting difference in valuation from other capital funds was reversed against Other securities held to maturity.

Bonds OECD held to maturity - valued at amortized cost, difference in valuation CZK 0 thousand

Other securities held to maturity – valued at real cost, difference in valuation CZK 1,820,204 thousand

The change of method described above is described in accounting method in chapter 2.3 Investments, 2.7 Equity and further in chapter 4.2 Investment.

4.7. Technical Reserves

(CZK THOUSAND)	31 DECEMBER 2016			31 DECEMBER 2015
NAME OF RESERVE	GROSS BALANCE	REINS. SHARE	NET BALANCE	NET BALANCE
Life insurance reserve	37,237,648	2,681,709	34,555,939	34,741,357
Life insurance reserve where the investment risk is assumed by the policy holder	8,184,597	0	8,184,597	6,340,407
IBNR reserve	98,828	2,308	96,520	79,872
of which:				
Non-life insurance	34,248	1,921	32,327	32,433
Patron	2,831	0	2,831	3,817
Travel individual	850	183	667	359
Travel cards	7,330	1,726	5,604	5,558
Merlin	327	0	327	360
International insurance products	983	13	971	612
Property insurance	1,340	0	1,340	0
Other non-life insurance	20,587	0	20,587	21,728
Life insurance	64,580	387	64,193	47,438
Individual risk life insurance	52,252	387	51,864	36,547
Group risk life insurance	0	0	0	0
Consumer loan insurance	9,187	0	9,187	8,291
Risk insurance	1,427	0	1,427	987
Other life insurance	1,714	0	1,714	1,614
RBNS reserve	306,782	19,999	286,783	320,231
of which:				
Non-life insurance	60,982	11,102	49,880	108,783
Patron	2,488		2,488	2,517
Travel individual	5,916	1,271	4,645	2,919
Travel cards	42,369	9,831	32,537	29,259
Merlin	1,072		1,072	1,942
International insurance products	6,069		6,069	4,538
Property insurance	799		799	
Other non-life insurance	2,271	0	2,271	67,608
Life insurance	245,800	8,896	236,903	211,448
Vital Invest, Brouček, Modrý Vital Invest	33,466		33,466	28,951
Vital	76,812		76,812	97,009
Vital Corporate	2,552		2,552	3,586
Vital Premium	29,650	3,433	26,217	13,200
Individual risk life insurance	39,588	4,539	35,049	32,794
Group risk life insurance	1,848	924	924	0
Consumer loans	10,486		10,486	7,057
Riders	3,264		3,264	3,540
Other life insurance	48,133		48,133	25,312

(CZK THOUSAND)	31 DECEMBER 2016			31 DECEMBER 2015
NAME OF RESERVE	GROSS BALANCE	REINS. SHARE	NET BALANCE	NET BALANCE
Reserve for bonuses and discounts	1,544,781	0	1,544,781	1,323,165
of which:				
Non-life insurance	386	0	386	401
Other non-life insurance	386	0	386	401
Life insurance	1,544,395	0	1,544,395	1,322,765
Vital Invest, Brouček, Modrý Vital Invest	0	0	0	0
Vital	1,471,547	0	1,471,547	1,250,253
Vital Corporate	1,207	0	1,207	113
Vital Premium	71,642	0	71,642	72,398
Consumer loan insurance	0	0	0	0
Reserve for unearned premiums	77,353	39	77,313	63,175
of which:				
Non-life insurance	52,935	39	52,895	46,111
Patron	5,948	0	5,948	7,443
Travel individual	169	39	130	181
Merlin	407	0	407	567
International insurance products	37,364	0	37,364	36,387
Property insurance	8,945	0	8,945	
Other non-life insurance	101	0	101	1,534
Life insurance	24,418	0	24,418	17,064
Vital Corporate	21	0	21	21
Vital Grand	274	0	274	283
Individual risk life	18,388	0	18,388	10,469
Riders	1,698	0	1,698	1,550
Other life insurance	4,037	0	4,037	4,742
Other technical provision	0	0	0	90,706
Vital Invest	0	0	0	23,233
Vital	0	0	0	10,828
Vital Corporate	0	0	0	3,945
Vital Premium	0	0	0	42,312
Other life insurance	0	0	0	10,388

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

(CZK THOUSAND)	2016	2015
Balance of the reserve for claims as of 1 January	141,216	142,532
Claims paid in the current period arising from claims from the prior period	29,539	9,859
Balance of the reserve for claims as of 31 December	53,805	116,003
Result of claims settlement	57,872	16,670

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

(CZK THOUSAND)	2016	2015
Balance of the reserve for claims as of 1 January	115,966	95,876
Claims paid in the current period arising from claims from the prior period	53,603	39,605
Balance of the reserve for claims as of 31 December	70,355	32,603
Result of claims settlement	(7,993)	23,668

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 2016	31 DECEMBER 2015
Reserve for corporate income tax	119,687	85,950
Other reserves	18,248	19,759
Total reserve for other risks and losses	137,935	105,709

Other reserves include particularly reserve for legal disputes and similar risks that represent a reserve for estimated losses of pending litigations and other estimated losses on transactions entered into by the year-end specifically in relation to industrial and business insurance. Based on all information available management of the Company established and updated this reserve as an appropriately prudent estimate of the final costs associated with the matters referred to above.

4.11. Creditors (Payables)

(CZK THOUSAND)	31 DECEMBER 2016	31 DECEMBER 2015
Payables from direct insurance to the policy holders	223,629	104,457
Payables from reinsurance transactions	36,048	21,843
Total payables from direct insurance and reinsurance	259,678	126,300
Payables to staff from dependent activities	11,834	11,130
Settlement balances with social security and health insurance institutions	7,339	6,622
Other payables	123,132	248,071
Other direct taxes	3,591	2,961
Other indirect taxes and fees	5,311	5,925
Total payables	410,884	401,009

None of the Company's payables were secured by a pledge or any other encumbrance as of 31 December 2016 and as of 31 December 2015.

As of 31 December 2016, the Company records overdue payables from direct insurance to the policy holders (older than 5 years, in the amount of CZK 24,627 thousand; 2015: CZK 22,311 thousand). These consist of unpaid overpayments of premiums.

Other payables that do not relate to insurance predominantly include deferred tax liability in CZK 73,646 thousand (2015: CZK 205,560 thousand) and unpaid invoices (older than 5 years: CZK 0 thousand).

4.12. Temporary Liabilities

Analysis of Temporary Liabilities

(CZK THOUSAND)	31 DECEMBER 2016	31 DECEMBER 2015
Estimated payables	217,209	238,341
of which: Reinsurer's share in premiums	24,015	21,746
Commissions to acquirers	140,044	157,256
Insurance claims	1,950	2,470
Other	51,200	56,869
Total temporary liabilities	217,209	238,341

Estimated commissions payables to acquirers of CZK 140,044 thousand (2015: CZK 157,256 thousand) represent an estimate of unpaid commissions for the acquisition of insurance policies. This balance predominantly consists of bonuses not paid to ESSOX amounting to CZK 43,399 thousand (2015: CZK 50,780 thousand) and bonuses not paid to Komerční banka, a.s. totalling CZK 69,462 thousand (2015: CZK 78,234 thousand).

Other temporary liabilities of CZK 51,200 thousand (2015: CZK 56,869 thousand) principally comprise unbilled supplies of CZK 43,418 thousand (2015: CZK 48,082 thousand) and costs of staff bonuses for 2016 amounting to CZK 6,947 thousand (2015: CZK 8,077 thousand).

4.13. Taxation

The income tax due was calculated accordingly:

(CZK THOUSAND)	2016	2015
Profit/(Loss) before taxation	605,492	458,576
Revenues exempted from taxation (rate of 19%)	(59,693)	(51,668)
Tax non deductible expenses	44,379	11,291
Tax base	590,177	418,199
Income tax due in amount of 19%	112,126	79,450
Tax arising from independent tax base	7,561	6,500
Income tax due	119,687	85,950
Impact to P&L arising from last year income tax report (provision vs. final tax)	(2,096)	(1,092)
Total income tax due	117,591	84,858

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

(CZK THOUSAND)	31 DECEMBER 2016	31 DECEMBER 2015
Deferred tax payable:		
Net book value of tangible and intangible fixed assets	(878)	(504)
Non current financial assets	(76,019)	(208,832)
Deferred tax payable total	(76,897)	(209,337)
Deferred tax receivable:		
Reserves	1,931	2,242
Bonuses	1,320	1,535
Deferred tax receivable total	3,251	3,777
Net deferred tax receivable/payable (+/-)	(73,646)	(205,560)

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

(CZK THOUSAND)	2016	2015
Net deferred tax receivable/payable (+/-) as of January 1	(205,560)	(256,323)
Change of deferred tax recognized in profit and loss statement	(900)	(896)
Change of deferred tax recognized in equity	132,813	51,659
Net deferred tax receivable/payable (+/-) as of December 31	(73,646)	(205,560)

(CZK THOUSAND)	2016	2015
Total income tax due	117,591	84,858
Change of deferred tax recognized in profit and loss statement	900	896
Income tax due	118,491	85,754

4.14. Non-Life Insurance

(CZK THOUSAND)	2016	2015
Gross written premium	376,915	349,516
Patron	31,713	31,558
Travel individual	13,772	13,314
Travel cards	58,712	54,373
Merlin	138,219	134,817
International insurance products	117,851	113,695
Other non-life insurance	1,504	1,759
Property insurance	15,144	0
Gross earned premium	370,259	348,102
Patron	33,208	32,915
Travel individual	13,839	13,308
Travel cards	58,712	54,373
Merlin	138,379	134,866
International insurance products	116,873	111,151
Other non-life insurance	3,050	1,489
Property insurance	6,199	0
Gross costs of insurance claims	106,141	54,807
Patron	4,800	4,284
Travel individual	3,652	2,359
Travel cards	32,109	26,818
Merlin	6,806	7,314
International insurance products	11,125	11,349
Other non-life insurance	46,889	2,682
Property insurance	760	0
Reinsurance balance	(33,092)	(4,262)
Acquisition costs of insurance policies	89,135	85,358
- commissions	96,962	85,828
- other acquisition costs	0	0
- release of deferred expenses and accrued income	0	0
- creation of deferred expenses and accrued income	(7,827)	(470)
Administrative overhead	81,861	77,944

4.15. Life insurance

(CZK THOUSAND)	2016	2015
Gross written premium	6,283,168	6,227,627
Earned premium	6,275,814	6,227,125
Gross costs of insurance claims	4,105,364	4,267,376
Reinsurance balance	63,141	(14,138)
Acquisition costs of insurance policies	217,357	211,235
– commissions	201,969	222,226
– other acquisition costs	1,615	1,763
– change in deferred expenses and accrued income	13,772	(12,754)
Administrative overhead	231,208	226,026

Summary of life insurance, written premium

(CZK THOUSAND)	2016	2015
Individual contracts	6,144,571	6,079,490
of which: insurance contracts where the investment risk is borne by the policy holder	1,450,075	1,068,990
Collective contracts	138,597	148,137
Life insurance - total	6,283,168	6,227,627
Single premium	5,358,939	5,326,825
of which: insurance contracts where the investment risk is borne by the policy holder	1,427,918	1,050,118
Regular premium	924,229	900,802
of which: insurance contracts where the investment risk is borne by the policy holder	22,157	18,872
Life insurance - total	6,283,168	6,227,627
Insurance contracts without premium	609,924	544,011
Insurance contracts with premium	5,673,244	5,683,616
of which: insurance contracts where the investment risk is borne by the policy holder	1,450,075	1,068,990
Life insurance - total	6,283,168	6,227,627

4.16. Territorial Analysis of Total Premium Written

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

(CZK THOUSAND)	2016	2015
Written premium arise from contracts into which the Company entered:		
in the EU member state where it has its registered office	6,515,202	6,436,268
in other EU member states	144,881	140,875
Total premiums written	6,660,083	6,577,143

4.17. Summary of Commissions

The total balance of commissions in respect of direct insurance amounted to CZK 300,547 thousand in 2016 (2015: CZK 308,055 thousand) and was segmented as follows:

(CZK THOUSAND)	LIFE INSURANCE		NON-LIFE INSURANCE	
	2016	2015	2016	2015
Expenses on commissions	203,585	222,226	96,962	85,828

4.18. Income and Expense Related to Investments of Technical Reserves

For the year ended 31 December 2016, the net income on the Company's investments amounted to CZK 957,956 thousand (2015: CZK 1,068,231 thousand), of which the net income from assets generated from technical reserves amounted to CZK 887,564 thousand (2015: CZK 987,262 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 re-allocated to the non-technical accounts (2016: CZK 72,838 thousand, 2015: 85,372 thousand) and subsequently re-allocated to the non-life insurance technical accounts (2016: 2,446 thousand, 2015: CZK 4,403 thousand).

(CZK THOUSAND)	2016		2015	
	LIFE INSURANCE	NON-LIFE INSURANCE	LIFE INSURANCE	NON-LIFE INSURANCE
Year-end net balances of reserves	39,116,841	148,552	38,824,191	264,181
Year-end net balances of reserves - investment risk is borne by the policy holder	8,184,597	0	6,340,407	0
Income from reserves	885,118	2,446	982,859	4,403

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)	2016	2015
Change in life insurance premium (line C.2. in Balance sheet)	(185,418)	670,351
Change in other technical provisions (line C.6 in Balance sheet)	(90,706)	(81,429)
Subtotal Change in life insurance premium – net amount (line 6.a) in Profit and Loss statement	(276,124)	588,922
Change in provision for bonuses and discount (line C.4 in Balance sheet)		181,680
Change in Unit link life insurance provision (line D. in Balance sheet)	1,844,190	776,574
Subtotal Change in other technical reserves (line 6.b) in Profit and Loss Statement	2,065,806	958,254
Change in provision for unearned premium – life insurance business (line C.1a) in Balance sheet)	7,354	502
Change in provision for unearned premium – non-life insurance business (line C.1b) in Balance sheet)	6,785	1,426
Subtotal Change in provision for unearned premium – net amount	14,139	1,928
Change in provision for outstanding insurance claims – life business (line C.3a) in Balance sheet)	42,209	26,151
Change in provision for outstanding insurance claims – non-life business (line C.3b) in Balance sheet)	(59,008)	(1,318)
Subtotal Change in provision for unearned premium – net amount	(16,799)	24,833
Total Change in technical provisions – net amount	1,787,022	1,573,937

4.20. Unrealised gains and losses on investments

Unrealised gains and losses on investments include revaluation Life insurance reserve where the investment risk is borne by the policy holder and the revaluation of KB Real estate fund. Total unrealized loss on shares amounted to CZK 6,231 thousand in 2016 (2015: the total unrealized loss on shares value amounted to CZK 16,553 thousand). Unrealised gain from revaluation of KB Real Estate fund amounted to CZK 25,410 thousand in 2016 (2015: CZK 0 ths) The unrealised gains from investments of life insurance, where the investment risk is assumed by the policy holder amounted to CZK 19,382 thousand in 2016 (2015: CZK 59,996 thousand).

4.21. Administrative Expenses

The total amount of administrative expenses was CZK 313,069 thousand in 2016 (2015: CZK 303,970 thousand). The administrative expenses are analysed as follows:

(CZK THOUSAND)	2016	2015
Staff cost (wages, social security and health insurance)	179,181	162,642
Training	2,496	2,273
Advisory services	25,638	22,795
Telecommunication	1,969	1,983
IT costs	23,800	20,970
Tangible and Intangible asset Depreciation	10,081	9,368
Depreciation of capitalised cost of selected projects	1,575	1,949
Rental	17,861	18,977
Banking and postal fees	8,945	8,477
Other administrative costs	41,523	54,535
Total	313,069	303,970

The costs of the audit of the financial statements amounted to CZK 1,729 thousand in 2016 (2015: CZK 1,620 thousand).

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

Other income from non-life insurance primarily includes the exchange rate differences in the amount of CZK 810 thousand (2015: CZK 1,031 thousand).

Other technical expenses of non-life insurance amounting to CZK 71,339 thousand (2015: CZK 40,646 thousand) mainly include cost of bonuses totalling CZK 35,907 thousand (2015: CZK 36,785 thousand) and the cost of creating provisions for the insurance industry in the amount of CZK 30,840 thousand (2015 CZK 0).

Other technical income of life insurance primarily includes the management fee for the sale of Forte funds amounting to CZK 45,625 thousand (2015: CZK 47,294 thousand).

Other technical expenses of life insurance include items relating to the cost of bonuses in the amount of CZK 69,137 thousand (2015: CZK 69,944 thousand) and fees related to assets under administration in the amount of CZK 142,758 thousand (2015: 123,180 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 2016 amounted to CZK 313,069 thousand (2015: CZK 303,970 thousand).

4.24. Transactions with Related Parties

Overview of Related Parties

COMPANIES' ABBREVIATION	COMPANY NAME
ALD	ALD Automotive s.r.o.
BRD	BRD - Societe Generale S.A
BRD Finance	BRD Finance
ESSOX	ESSOX s.r.o.
ESSOX SK	ESSOX SK s.r.o.
Hanseatic Bank	Hanseatic Bank GmbH & Co KG
KB	Komerční banka, a. s.
MPSS	Modrá pyramida stavební spořitelna, a.s.
PSKB	KB Penzijní společnost, a.s.
SG	Société Générale S. A.
SGCIB	Societe Generale Corporate & Investment Banking
SGEB	Société Générale EXPRESSBANK AD
SOGECAP	Sogecap S. A.
SOGLEASE	Sogelease Bulgaria Ltd.
SOGELIFE	Sogelife Bulgaria IJSC
SOGELIFE LUXEMBOURG	Sogelife Luxembourg SA
SOGESSUR	Sogessur

	31. 12. 2016	31. 12. 2015	TEXT
Amounts due from the Group entities	5,024,324	4,619,713	
BRD	63,716	51,692	Current accounts and deposits
	13,051	14,796	Accrued commissions
	2,426	2,617	Estimated accrued income – premiums
BRD Finance	2,744	2,408	Accrued commissions
	2,271	1,830	Estimated accrued income – premiums
ESSOX	238	316	Accrued commissions
	6,854	7,203	Estimated accrued income – premiums
	16,428	11,517	Receivables from insurance
	33,253	36,847	Prepayments
ESSOX SK	1	1	Receivables from insurance
Hanseatic Bank	4,943	10,331	Current accounts and deposits
	12,930	11,319	Accrued commissions
	4,022	3,690	Estimated accrued income – premiums
	3,674	3,485	Receivables from insurance
KB	1,676,874	1,252,967	Current accounts and deposits
	808,710	808,710	Financial placement
	12,930	6,668	Accrued commissions
	10,294	10,305	Estimated accrued income – premiums
	44,072	45,335	Valuation difference – currency swaps
	11,556	17,487	Receivables from insurance
	23	23	Prepayments
MPSS	35,781	30,156	Accrued commissions
SG	2,093,699	2,074,719	Financial placement
SGCIB	10,121	94,422	Estimated accrued income – premiums
	738	737	Receivables from insurance
	13,642	5,532	Trade receivables
SGEB	102,428	78,357	Current accounts and deposits
	1,004	991	Accrued commissions
	3,435	3,221	Estimated accrued income – premiums
SOGECAP	23,672	27,907	Estimated accrued income – premiums
	24	0	Trade receivables
SOGLEASE	0	1	Estimated accrued income – premiums
	1	25	Receivables from insurance
SOGELIFE	4,205	2,756	Estimated accrued income – premiums
SOGELIFE LUXEMBOURG	4,561	1,343	Estimated accrued income – premiums

	2016	2015	TEXT
Amounts owed to the Group entities	(716,880)	(58,206)	
ALD	62	0	Trade payables
BRD	5,764	5,042	Estimated accrued expenses - Variable commission
	1,713	1,855	Estimated accrued expenses – Commissions
	0	4,314	Variable commission
BRD Finance	185	117	Estimated accrued expenses - Variable commission
	1,750	1,500	Estimated accrued expenses – Commissions
ESSOX	48,197	50,780	Estimated accrued expenses – Bonus
Hanseatic Bank	2,405	1,693	Estimated accrued expenses - Variable commission
	2,472	2,298	Estimated accrued expenses – Commissions
KB	324	311	Bank fees
	33,342	39,561	Estimated accrued expenses – Bonus
	36,207	38,673	Estimated accrued expenses – Commissions
	4,171	1,906	Unbilled accrued expenses –Trade payables

	2016	2015	TEXT
	1,731,402	2,105,907	Valuation difference – currency swaps
	4,461	0	Commission
	21,687	21,324	Trade payables
	473	478	Payables from insurance
MPSS	1,463	3,841	Estimated accrued expenses – Commissions
	1,769	0	Commission
	3,465	61	Trade payables
PSKB	554	516	Trade payables
SG	5,900	8,899	Unbilled accrued expenses –Trade payables
SGEB	7,185	7,268	Estimated accrued expenses - Variable commission
	1,417	1,265	Estimated accrued expenses – Commissions
SOGECAP	25	23	Estimated accrued expenses – Commissions
	11,918	12,825	Unbilled accrued expenses –Trade payables
	(3,433)	0	Technical provision - reinsurer
	(2,275,182)	(2,158,839)	Technical life provision - reinsurer
	535	0	Trade payables
	9,410	4,238	Payables from reinsurance
SOGELIFE	2,730	2,352	Estimated accrued expenses – Commissions
	(1,065)	(1,494)	Technical provision - reinsurer
SOGELIFE LUXEMBOURG	(406,528)	(231,172)	Technical life provision - reinsurer
	26,639	14,769	Payables from reinsurance
SOGESSUR	1,701	1,483	Unbilled accrued expenses –Trade payables

	2016	2015	TEXT
Expenses with the Group entities	489,839	384,865	
ALD	1,803	1,943	Other expenses
BRD	6	6	Bank fees
	1,151	(262)	Accrued commissions
	6,195	4,885	Variable commission expenses
	20,101	22,803	Commission
BRD Finance	(503)	(474)	Accrued commissions
	195	148	Variable commission expenses
	4,331	3,545	Commission
ESSOX	4,707	6,743	Expenses on insurance claims
	49,280	52,601	Bonus expenses
Hanseatic Bank	(159)	(281)	Accrued commissions
	2,560	1,698	Variable commission expenses
	24,790	21,450	Commission
KB	4,277	4,036	Bank fees
	11,321	11,943	Custody fees
	935,193	902,099	Accrued expenses - Cross currency swaps
	(6,135)	465	Accrued commissions
	17,042	15,712	Expenses on insurance claims
	32,952	40,467	Bonus expenses
	2,192	2,570	Offices lease related expenses
	11,771	9,345	Other expenses
	1,061	1,701	Advisory services
	271,065	255,760	Commission
	161	148	Company benefits
	6,500	5,121	Use of trademark + advertising
MPSS	(5,625)	(6,633)	Accrued commissions

	2016	2015	TEXT
	32,152	28,288	Commission
	0	88	Use of trademark + advertising
PSKB	0	(115)	Bonus expenses
	230	82	Other expenses
	2,830	2,769	Company benefits
SG	2,903	6,918	Advisory services
SGEB	9	11	Bank fees
	6,859	7,046	Variable commission expenses
	16,285	14,852	Commission
SOGECAP	(275,542)	(179,590)	Expenses on insurance claims - reinsurance
	11,593	15,123	Advisory services
	(489,151)	(496,531)	Creation of technical life provision - reinsurance
SOGLEASE	1	2	Commission
SOGELIFE	(3,740)	(6,954)	Expenses on insurance claims - reinsurance
SOGELIFE LUXEMBOURG	(5,838)	(361)	Expenses on insurance claims - reinsurance
	(205,201)	(365,785)	Creation of technical life provision - reinsurance
SOGESSUR	219	1,483	Other expenses

	2016	2015	TEXT
Income with the Group entities	259,683	136,344	
BRD	35,419	40,122	Written premiums
	0	1	Interest from current accounts and deposits
BRD Finance	6,655	5,351	Written premiums
ESSOX	67,172	73,563	Written premiums
Hanseatic Bank	35,612	29,872	Written premiums
KB	548,629	564,822	Accrued expenses - Cross Currency swap
	253,489	247,329	Written premiums
	(1,924)	384	Interest from current accounts and deposits
	22,211	20,438	Financial placement income
PSKB	43	43	Other income
	4	138	Written premiums
SG	106,990	105,741	Financial placement income
SGCIB	45,625	47,294	Other income
SGEB	40,160	38,338	Written premiums
	3	23	Interest from current accounts and deposits
SOGECAP	0	(18,343)	Interest from current accounts and deposits
	0	365	Other income
	(205,899)	(1,788)	Release of technical provision - reinsurance
	23,664	28,332	Commission - reinsurance
	(359,565)	(492,265)	Written premiums - Reinsurance
	(166,908)	(177,588)	Creation of technical provision - reinsurance
SOGLEASE	5	11	Written premiums
SOGELIFE	(2,907)	(4,549)	Expenses on insurance claims - reinsurance
	5,695	4,124	Commission - reinsurance
	(10,308)	(8,754)	Written premiums - Reinsurance
SOGELIFE LUXEMBOURG	(2,416)	0	Expenses on insurance claims - reinsurance
	(29,845)	(134,613)	Written premiums - Reinsurance
	4,228	1,341	Commission - reinsurance
	(156,148)	(233,388)	Written premiums - Reinsurance

4.25. Profit/(Loss)

(CZK THOUSAND)	2016	2015
Non-life insurance	114,106	90,990
Life insurance	420,994	286,617
Non-technical account (before tax)	70,392	80,969
Profit/(loss) before tax	605,492	458,576
Income tax and other taxes	118,532	85,795
Profit/(loss) for the accounting period	486,960	372,781

4.26. Staff Costs and Similar Costs

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

2016

(CZK THOUSAND)	AVERAGE RECALCULATED HEADCOUNT	WAGES AND SALARIES	SOCIAL SECURITY AND HEALTH INSURANCE	TOTAL STAFF COSTS
Staff	173	117,234	36,610	153,844
Management	6	20,935	4,402	25,337
Total	179	138,169	41,012	179,181

2015

(CZK THOUSAND)	AVERAGE RECALCULATED HEADCOUNT	WAGES AND SALARIES	SOCIAL SECURITY AND HEALTH INSURANCE	TOTAL STAFF COSTS
Staff	160	105,607	33,285	138,892
Management	6	19,816	3,934	23,750
Total	166	125,423	37,219	162,642

As of 31 December 2016 and as of 31 December 2015, eighteen employees of the Company have been provided with business cars for both business and private purposes. 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)	2016	2015
Reinsurer's share of premiums	(575,843)	(781,610)
Reinsurer's share of insurance claims	319,105	173,916
Commissions	52,597	41,061
Reinsurance balance	(204,141)	(566,633)
Reinsurer's share on the creation and use of reserves	234,189	548,233
Reinsurance result	30,048	(18,400)

The amounts due from and to reinsurers:

(CZK THOUSAND)	31. 12. 2016	31. 12. 2015
Receivable from reinsurers	281	0
Estimated receivable	58,347	59,286
Payable to reinsurers	(36,048)	(21,843)
Estimated payable	(19,105)	(21,735)
Net receivable (payable) from reinsurers	3,475	15,708

5. OFF-BALANCE SHEET COMMITMENTS

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

6. OTHER SIGNIFICANT POST BALANCE SHEET EVENTS

At the financial statements date, management of the Company is not aware of any events that would require adjustment of the Company's financial statements.

Proposed distribution of 2016 profit is not known as at the date of issue to the financial statements for the year 2016.

Report on Relations Between Related Parties for the Reporting Period of 2016

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

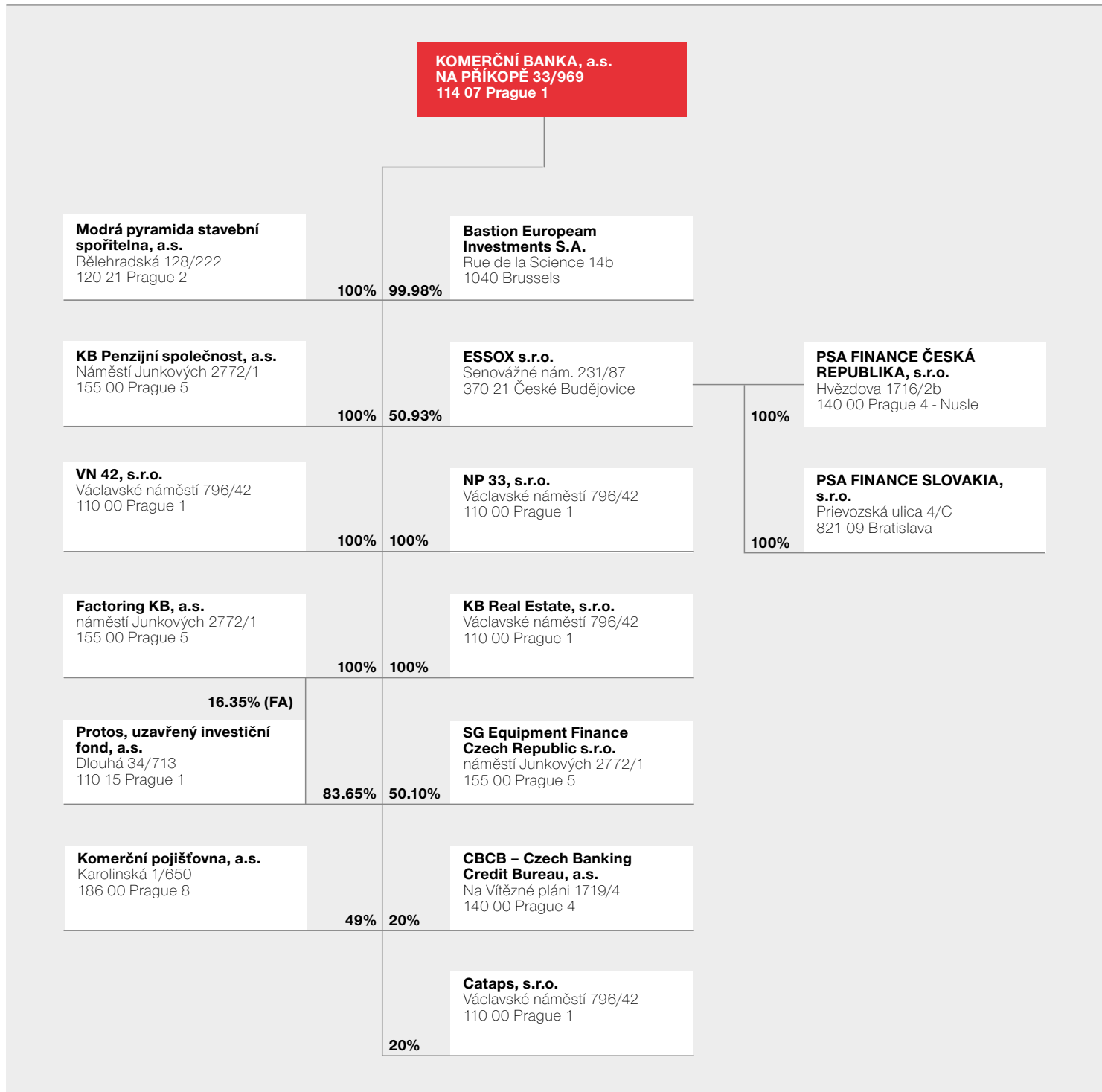
Komerční pojišťovna, a.s., with its registered office in Prague 8, Karolinská 1/650, post code 186 00, Corporate ID 63998017, incorporated with the Municipal Court in Prague, Section B, File 3362, (hereinafter referred to as the "**Company**"), is a part of a business group (holding company) in which 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 2016, ie, from 1 January 2016 to 31 December 2016 (hereinafter referred to as the "**Reporting Period**").

I. Introduction

In the period from 1 January 2016 to 31 December 2016, the Company was a member of the Société Générale S.A. Group with its registered office at 29, BLD Hausmann, 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:



Note: Percentage of share capital and participation in voting rights may differ.

During the course of the 2016 reporting period, the Company entered into arrangements with the following Related Entities that are a part of the Group:¹

COMPANY	REGISTERED OFFICE	SG'S SHARE OF VOTING RIGHTS
ESSOX s.r.o.	Senovážné náměstí 231/7, 370 21 České Budějovice	100%
ESSOX SK s.r.o.	Cesta na Senec 2/A, 821 04 Bratislava, Slovenská republika	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, BLD Hausmann, 75009 Paříž, Francie	100%
Sogecap S.A.	Tour D2, 17 bis, place des Reflets, 92919 Paris La Défense Cedex, Francie	100%
Sogelife Bulgaria IJSC	Osogovo 38-40 street, Cristal Building, Sofia 1303, Bulharsko	99.89%
BRD Finance	Rue Ion Mihalache no.1-7, Tour BRD, Secteur 1, Bucarest, Rumunsko	100%
BRD Societe Generale SA	B-dul Ion Mihalache no.1-7, Tour BRD, Secteur 1, Bucarest, Rumunsko	100%
Hanseatic Bank GmbH & Co KG	Bramfelder Chaussee 101, Hamburg, Německo	75.00%
Sogelease Bulgaria Ltd.	73 Aleksandar Stamboliyski Blvd, Sofia 1303, Bulharsko	100%
Sogessur	Tour D2, 17 bis place des Reflets – 92919 Paris La Défense Cedex, Francie	100%
Societe Generale Corporate Investment Banking	29, BLD Hausmann, 75009 Paříž, Francie	100%
Sogelife Luxembourg SA	11, Avenue Emilie Reuter, L-2420 Luxembourg	100%
Société Générale EXPRESSBANK AD	92 bd, Vladislav Varnenchik Str., 9000 Varna, Bulharsko	99.74%

1) These are the companies controlled by SG Paris both directly and indirectly pursuant to Section 74(1) 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 ČR) 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 2016. The minority shareholder KB had two representatives in the Company's Supervisory Board in the year 2016.

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 28 April 2016, the majority shareholder, SOGECAP SA, received dividends for the year 2015 in the amount of CZK 156,185,900. The General Meeting also approved payment of dividends for the year 2015 in the amount of CZK 150,046,100 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	1. 1. 2014
Agreement of the provision of services	ALD Automotive	16. 9. 2015
Agreement of the provision of services	ALD Automotive	17. 12. 2015
Insurance Collective Contract of the optional insurance for the card protection and purchase protection no. 3160000000 (as of 17 November 2009) + 7 Amendments	BRD Société Générale S.A.	17. 11. 2009
Collective insurance contract of the optional insurance for card protection / keys/ documents No. 3220000000 (as of 1 November 2010) +8 Amendments	BRD Société Générale S.A.	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
Contract of collective insurance to loans no. 3080000000 + 1 Amendment	Essox SK	1. 8. 2006
Group Insurance Contract (as of 30 March 2009) + 5 Amendments	Hanseatic Bank, Willis GmbH & Co KG	30. 3. 2009
Contract for personal data processing (as of 10 October 2002)	KB Penzijní společnost, a.s.	10. 10. 2002
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

TITLE OF CONTRACT (OR SUBJECT-MATTER OF THE CONTRACT – UNLESS CLEAR FROM THE TITLE)	CONTRACTING PARTY	DATE OF CONTRACT
Providing of consulting services in the area of technical provisions calculation for the year 2014 + 2 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) + 2 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 "VITAL AND 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) + 30 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 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
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	Komerční banka, a.s.	21. 11. 2008

TITLE OF CONTRACT (OR SUBJECT-MATTER OF THE CONTRACT – UNLESS CLEAR FROM THE TITLE)	CONTRACTING PARTY	DATE OF CONTRACT
Contract for collective insurance related to payment cards, No. 2149500001 (as of 26 January 2009) + 9 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 rent of non-residential premises – Ostrava (as of 30 September 2009) + 2 Amendments	Komerční banka, a.s.	30. 9. 2009
Contract for collective insurance MERLIN and PROFIL 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 "Profil 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)	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) + 1 Amendment	Komerční banka, a.s.	22. 2. 2012
Group Risk Life Policy for employees N. 3280000000 (as of 29 February 2012) + 6 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) + 1 Amendment	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
Framework agreement relating to trading/dealing on financial market (as of 19 November 2012)	Komerční banka, a. s.	19. 11. 2012
Separate Distribution Agreement for product VITAL PREMIUM in EUR (as of 23 November 2012) + 2 Amendments	Komerční banka, a. s.	23. 11. 2012

TITLE OF CONTRACT (OR SUBJECT-MATTER OF THE CONTRACT – UNLESS CLEAR FROM THE TITLE)	CONTRACTING PARTY	DATE OF CONTRACT
Cooperation agreement as of 21 December 2012 no. 000020484/0000 + 2 Amendments	Komerční banka, a. s.	21. 12. 2012
Distribution agreement of the product Pension insurance (Pojištění penze) as of 2 January 2013 + 1 Amendment	Komerční banka, a. s.	2. 1. 2013
General agreement concerning compensation for clients as of 21 January 2013	Komerční banka, a.s.	21. 1. 2013
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 + 2 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 (H.Endlerová)	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
Group insurance agreement on work related accident and occupational disease insurance for members of board of directors and administrators of financial group of Komerční banka/ Soci�t� G�n�rale no. 333000000	Komerční banka, a. s.	1. 7. 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.	31. 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	Komerční banka, a.s.	10. 12. 2015
Service level agreement - outsourcing - BI services (SOL2)	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 (as of 6 February 2012)	Komerční banka, a.s. and Komerční banka, a.s. Slovensko	9. 2. 2012
Contract for provision of direct banking (as of 6 March 2012)	Komerční banka, a.s. and Komerční banka, a.s. Slovensko	6. 3. 2012
Commitment Letter - Accumulator Note in CZK	Komerční banka, a.s. & Soci�t� G�n�rale SA	25. 4. 2015

TITLE OF CONTRACT (OR SUBJECT-MATTER OF THE CONTRACT – UNLESS CLEAR FROM THE TITLE)	CONTRACTING PARTY	DATE OF CONTRACT
Collective co-insurance agreement for clients of VSSKB to cover death to loan reinsurance no. 37-9861	Modrá pyramida stavební spořitelny a.s. and Česká pojišťovna, a.s.	5. 12. 1995
Operational agreement to reinsurance of collection co-insurance of VSSK clients	Modrá pyramida stavební spořitelny a.s. and Česká pojišťovna, a.s.	5. 12. 1995
Framework cooperation contract No. 3010000246 (as of 9 April 2008)	Modrá pyramida stavební spořitelny a. s.	9. 4. 2008
General Distribution Agreement (as of 15 October 2012) + 2 Amendments, including 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 Product Vital Invest (as of 15 October 2012) + 2 Amendments+ 1 agreement about decrease of the commissions as of 28. 2. 2013 for the year 2013 and 1 Agreement about decrease of the commissions as of 18. 12. 2013 for the year 2014	Modrá pyramida stavební spořitelna, a. s.	15. 10. 2012
Separate Distribution Agreement for Product Moudré pojištění Risk Life Insurance (as of 15 October 2012) + 2 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
Separate Distribution Agreement for product RISK LIFE INSURANCE POJIŠTĚNÍ PENZE 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 spořitelny a. s. Modrá pyramida stavební spořitelny a. s.	21. 12. 2012 1. 11. 2013
Adherence letter (as of 3 July 2013)	Orange Business Czech Republic, s.r.o., Komerční banka, a.s.	3. 7. 2013
Insurance Agency Agreement No. 1 (as of 24 September 2009) + 21 Annexes and Financial Protocol to agreement +1 Protocol	Société Générale EXPRESSBANK AD	24. 9. 2009
Commitment Letter - Participation note on SGI Harmonia CZK Index	Société Générale & Komerční banka, a.s.	26. 10. 2015
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)	Société Générale Equipment Finance	14. 7. 2004
Certificate for Identity for Insurance Agent No. 1 (as of 1 January 2010)	Société Générale EXPRESSBANK AD	1. 1. 2010
Master policy 0001 Assistance insurance during travel abroad for holders of cards issued by Société Générale Expressbank (as of 15 January 2010) + 2 Amendments	Société Générale EXPRESSBANK AD, Sogelife Bulgaria IJSC	15. 1. 2010
Collective insurance no. 0002 - insurance coverage to the goods bought through V PAY cards issued by SGEB + 1 Amendment	Société Générale EXPRESSBANK AD	1. 8. 2011
Framework agreement no. 1023	Société Générale EXPRESSBANK AD	31. 8. 2012
Master Policy No. 0001 (as of 31 September 2012) - collective assistance insurance to travel cards	Société Générale EXPRESSBANK AD	5. 2. 2013
Master policy 0002 - Purchase protection insurance included in V PAY card issued by Société Générale ExpressBank (as of 1 September 2011) + 1 Annex	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
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 - 3-8Y autocallable in CZK Forte 2 (as of 12 November 2009) + 1 Amendment	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
Commitment Letter - 3-8Y Autocallable in CZK Forte 4 (as of 7 September 2010)	Société Générale S. A.	7. 9. 2010
Agreement relating to the Structured product which terms and conditions are enclosed herein - Forte 4 (as of 27 September 2010)	Société Générale S. A.	27. 9. 2010

TITLE OF CONTRACT (OR SUBJECT-MATTER OF THE CONTRACT – UNLESS CLEAR FROM THE TITLE)	CONTRACTING PARTY	DATE OF CONTRACT
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
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
Data protection agreement - Processing of HR Data by Société Générale (as of 16 September 2011)	Société Générale S.A.	16. 9. 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
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
Commitment letter (Optimo Komodity II) as of 24 April 2012	Société Générale S. A. a 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
Agreement of the hiring of international workforce	Société Générale S.A.	28. 1. 2013
Outsourcing agreement of internal audit function as of 24 June 2013	Société Générale S. A. and Komerční banka, a. s.	24. 6. 2013
Agreement relating to the financial instrument - Certus 3	Société Générale S.A.	22. 10. 2015
Framework agreement for the provision of services (as of 3 May 2010)	Sogecap S. A.	3. 5. 2010
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. SQQSR12	Sogecap S. A.	10. 6. 2013
Service level agreement	Sogessur	1. 1. 2015
Agreement for insurance agency No. 3 (as of 16 May 2012) + 2 Annexes and Financial protocol + 2 Appendixes	Sogelease Bulgaria Ltd.	16. 5. 2012
Master policy No. 1024 (as of 4 June 2012)	Sogelease Bulgaria Ltd., Sogellife Bulgaria	4. 6. 2012
Master policy No. 1027 (as of 27 June 2012)	Sogelease Bulgaria Ltd., Sogellife Bulgaria	27. 7. 2012
Quota Share Reinsurance Treaty, ID no. SGBG2014	Sogelife Bulgaria	1. 12. 2014
Master Policy 1018 - Group Credit Life insurance agreement for borrowers/ co-debtors of Société Générale Expressbank (as of 1 February 2011)	Sogelife Bulgaria IJSC	1. 2. 2011
Framework insurance policy #1023 SGEAD as of 5 February 2013	Sogelife Bulgaria IJSC, Société Générale Expressbank AD	5. 2. 2013
Framework insurance policy #1024 (Toyota Optimal Leasing Protect and Sogelease Bulgaria)	Sogelife Bulgaria IJSC, Sogelease Bulgaria Ltd.	5. 2. 2013
Framework insurance policy #1027	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)	Sogelife Luxembourg SA	1. 1. 2015
Group Insurance Contract + 1 Amendment	Hanseatic Bank GmbH & Co KG	9. 3. 2016
Group Insurance Contract + 1 Amendment	Hanseatic Bank GmbH & Co KG	30. 11. 2014
The record of the agreement on the reduction of the basis for calculation of the commission for the sale of travel insurance	Komerční banka, a.s.	28. 1. 2016

TITLE OF CONTRACT (OR SUBJECT-MATTER OF THE CONTRACT – UNLESS CLEAR FROM THE TITLE)	CONTRACTING PARTY	DATE OF CONTRACT
Administration order	Komerční banka, a.s.	14. 4. 2016
Separate Distribution Agreement for product "MojePojištění majetku"	Komerční banka, a.s.	25. 4. 2016
Contract of the purchase and sale of securities	Komerční banka, a.s.	12. 5. 2016
Profi Visa debit card agreement	Komerční banka, a.s.	10. 6. 2016
The record of the agreement on the reduction of the basis for calculation of the commission for the sale of travel insurance	Komerční banka, a.s.	15. 6. 2016
Debit card agreement	Komerční banka, a.s.	28. 6. 2016
Contract of payment of the insurance premium and commissions for insurance brokers	Komerční banka, a.s.	30. 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 (P.Jílek)	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 (M.Jirásek)	Komerční banka, a.s.	30. 8. 2016
Administration order (A.Vítková)	Komerční banka, a.s.	30. 8. 2016
Power of attorney	Komerční banka, a.s.	29. 9. 2016
Debit card agreement (Catherine de la Croix)	Komerční banka, a.s.	16. 11. 2016
Administration order	Komerční banka, a.s.	22. 11. 2016
Service level agreement	Komerční banka, a.s. + Investiční kapitálová společnost KB, a.s. + Marketing Dimensions, s.r.o.	24. 6. 2016
Separate Distribution Agreement for product "MojePojištění majetku"	Modrá pyramida stavební spořitelna, a.s.	25. 4. 2016
Contract for the mediation of performance	Modrá pyramida stavební spořitelna, a.s. + Komici, s.r.o.	25. 9. 2016
Commitment letter - Certus 5 Note	Société Générale & Komerční banka, a.s.	12. 1. 2016
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
Master agreement relating to financial instruments	Société Générale S.A.	11. 5. 2016
Commitment Letter - Certus 6	Société Générale S.A.	4. 7. 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

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

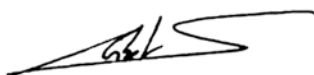
The Advantages and Disadvantages arising from the Relations within the Group

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 2016 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 31 March 2017



Stéphane Corbet

Chairman of the Board of Directors and CEO

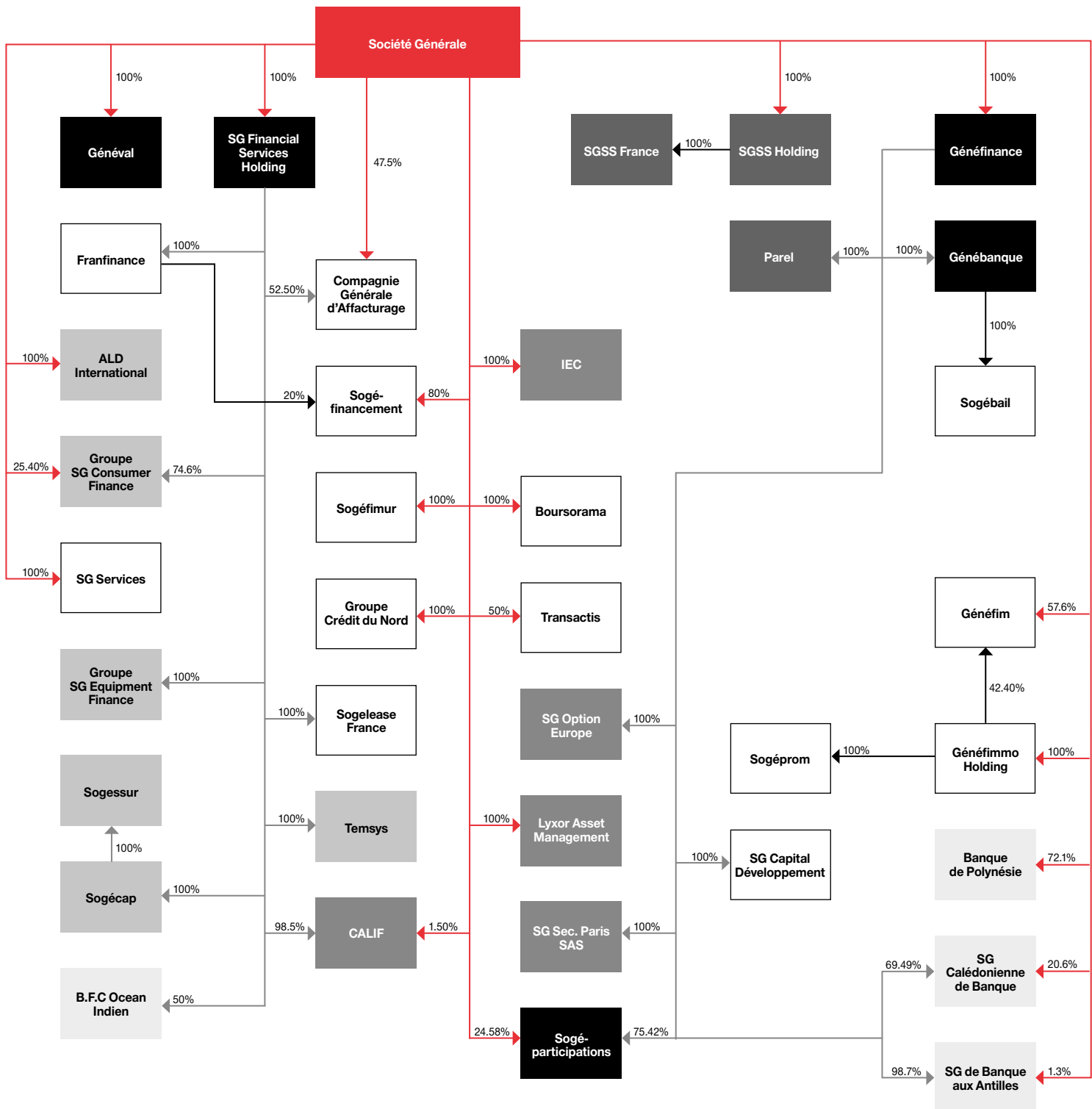


Helena Indrová

Member of the Board of Directors and Head of Financial Section

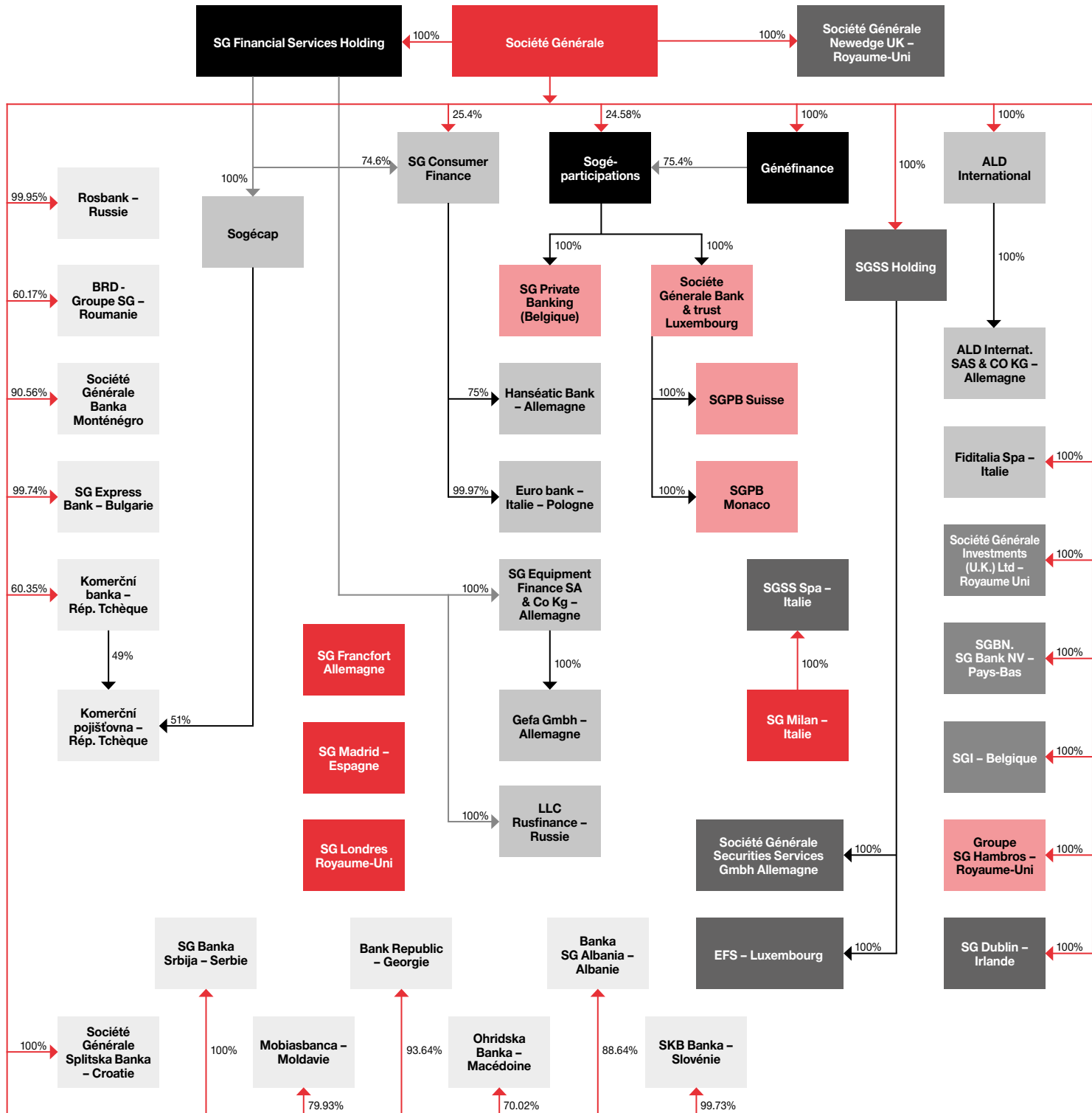
The structure of relationships SG Group – % of the share capital

FRANCE



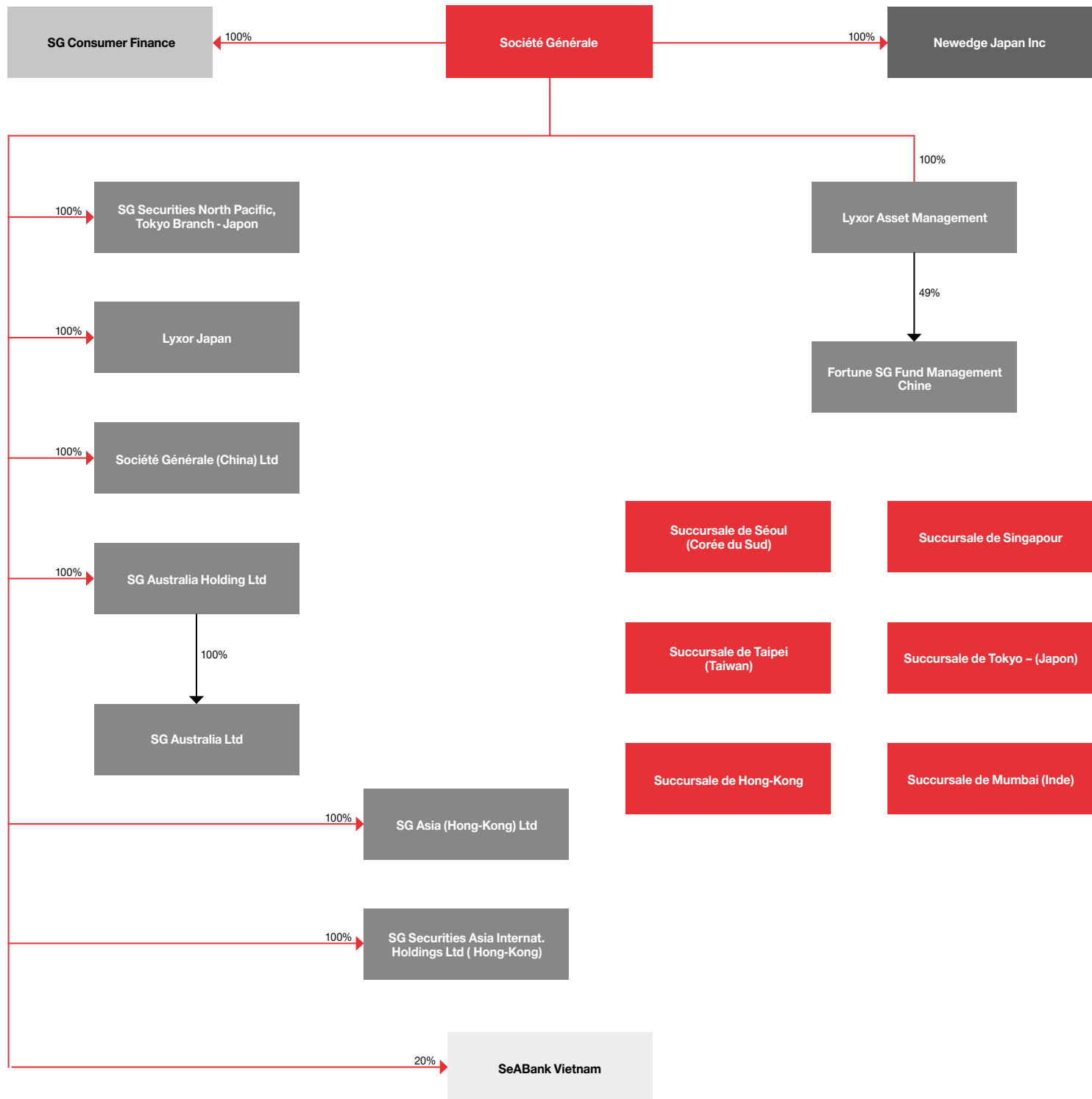
Note: Percentage of share capital and participation in voting rights may differ

EUROPE

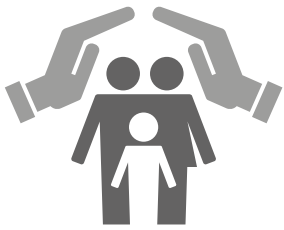


Note: Percentage of share capital and participation in voting rights may differ.

ASIA AND AUSTRALIA



Note: Percentage of share capital and participation in voting rights may differ.



NA PARTNERSTVÍ ZÁLEŽÍ



KB
7 Pojišťovna