2015

Annual Report

Content

Introduction

Dear clients, business partners and colleagues,

For ČSOB Pojišťovna 2015 was a year full of changes. After Jeroen van Leeuwen, who had led the company for many years, the helm was taken by a new chairman. And he came with a new strategy focused on an ambitious goal – to significantly increase our market share and to break the 10% level by 2018, maintaining the profitable nature of our business and paying off the cost of the strategy to the shareholder in three years.

Achieving a 10% market share is a big challenge. In 2015 we achieved 6.8%. More than ever, we need to use the potential of our Group, our own sales service and external partners. Not only of the bank but also of ČMSS, Hypoteční banka, Leasing and other entities. And, in addition to new business, we need to focus on work with the portfolio of our existing clients. I am convinced that there is not any other insurance company having this power and opportunity in the Czech market.

We will need the energy not only in business but also to accelerate the preparation for the digital age. More and more clients will want to communicate with their insurance company electronically rather than on paper or through personal visits. We must therefore continue to digitize our front-end solutions and make significant progress in the digitization of the back-end processes. These are complex and capital-intensive solutions, which imply the need for effective and responsible management of these projects.

The development of technologies and their increasing affordability significantly changes the households' equipment, cars, and sometimes even our consumer preferences and habits. The problem is not so much the availability of client data (i.e. big data), but the ability to analyze and properly utilize this data in an optimum range of insurance solutions. We cannot afford to ignore these trends, neither as the insurance company, nor as the Group.

An important part of our strategy is the area of client care and support. Today, insurance companies tend to have contact with their clients only rarely, usually in a situation when the problem occurs – an insurance claim. Our ambition in this area is to significantly expand the concept of assistance services. From today's "emergency" model to a position where we can offer clients assistance in everyday situations through assistance services, including paid services. This is how we will strengthen our relationship with clients to create positive emotions.

We have a challenging journey ahead. However, if we do not put ambitious targets, we will never achieve great results and we will not force ourselves to discover the full potential - to seek innovative solutions, to have a desire to go one step further than our competitors, to want to be seen and felt on the market (to be the fastest growing insurance company), to work hard, but to be able to enjoy work and to be happy with both our own achievements and with those of our colleagues, to communicate openly, not to intrigue, and to cooperate, to pull together. These are the values that ČSOB Pojišťovna will offer and support.

In conclusion, let me thank you all for your cooperation and support in 2015, and for the results that we have achieved together. I look forward to continuing our journey together in 2016.

Vladimír Bezděk, M.A.
Chairman of the Board of Directors
ČSOB Pojišťovna

Financial Data

Financial data as at

	31/12/2015	31/12/2014
total assets (mCZK)	**40,120**	40,372
share capital (mCZK)	**2,796**	2,796
equity (mCZK)	**4,804**	4,873
financial assets (mCZK)	**37,171**	37,731
profit after tax (mCZK)	**716**	747
profit before tax (mCZK)	**878**	908

Ratios

	31/12/2015	31/12/2014
ROAA (%)	**1.8**	1.8
ROAE (%)	**14.9**	15.3
combined ratio NonLife (%)	**93.8**	94.5

Industry indicators

	31/12/2015	31/12/2014
written premium (mCZK)	**11,525**	9,061
– Life insurance (mCZK)	**6,622**	4, 416
– Non-Life insurance (mCZK)	**4,903**	4,645
gross claims payments (mCZK)	**9,147**	9, 066
net balance of technical provisions (mCZK)	**33,194**	33,383
new business (pcs)	**473,560**	472,931
number of claims settled (pcs)	**207,163**	209,848
market share within ČAP (% of written premium)	**6.8**	6.4

Other data

FTE	653	686

Company Body

Board of Directors (as at 31 December 2015)

CHAIRMAN	**Vladimír Bezděk**
VICE-CHAIRMAN	**Michal Kaněra**
MEMBERS	**Frank Frans Fernand Fripon**
	Marek Nezveda
	Dušan Quis

The following changes occurred in the composition of the Board of Directors during the year 2015:
On 17 March 2015, the performance of duties of the member of the Board of Directors expired to Mr. Jeroen van Leeuwen.
With effect from 1 July 2015, Mr. Vladimír Bezděk was elected a member and the chairman of the Board of Directors.
With effect from 31 December 2015, Mr. Dušan Quis resigned from the position of the Board of Directors.

Supervisory Board (as at 31 December 2015)

CHAIRMAN	**Petr Hutla**
VICE-CHAIRMAN	**Johan Basilius Paul Daemen**
MEMBERS	**Tomáš Kořínek**

The following changes occurred in the composition of the Supervisory Board during the year 2015:
With effect from 1 January 2015, Mr. Petr Hutla was elected the chairman of the Supervisory Board.
On 22 September 2015, the performance of duties of the member of the Supervisory Board expired to Mr. Nik B.R.J. Vincke.
With effect from 10 December 2015, Mr. Tomáš Kořínek became a member of the Supervisory Board.

Management of the Company (as at 31 December 2015)

Vladimír Bezděk	Chairman of the Board of Directors responsible for the CEO Unit
Michal Kaněra	Vice-chairman of the Board of Directors responsible for the Non-life Insurance Division
Marek Nezveda	Member of the Board of Directors responsible for the Finance and Risk management Division
Frank Frans Fernand Fripon	Member of the Board of Directors responsible for the Client services, Life and Direct Division
Dušan Quis	Member of the Board of Directors responsible for the Sales Division

The following changes occurred in the composition of the Management of the company during the year 2015:
With effect from 18 March 2015, Mr. Michal Kaněra temporarily took over the responsibility for the CEO Unit from Mr. Jeroen van Leeuwen.
With effect from 1 July 2015, Mr. Vladimír Bezděk took over the responsibility for the CEO Unit from Mr. Michal Kaněra.
With effect from 1 January 2016, Mr. Vladimír Bezděk temporarily took over the responsibility for the Sales Division from Mr. Dušan Quis.

Company Profile

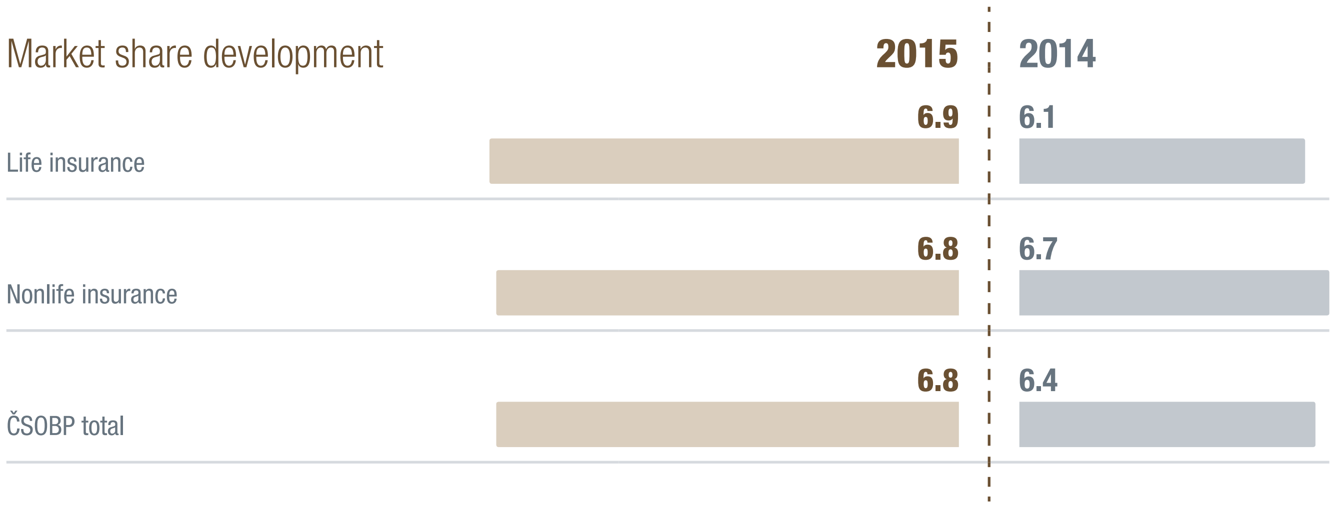
ČSOB Pojišťovna, a. s., a member of the ČSOB holding (hereinafter referred to as ČSOB Pojišťovna), is a universal insurance company that offers comprehensive insurance services to citizens and entrepreneurs, as well as to small and medium-sized enterprises and large corporations. All its clients can expect services of European quality in both life and non-life insurance. The stable background of ČSOB Group and the strong international shareholder, KBC, also allows ČSOB Pojišťovna's clients to obtain a comprehensive care of their financial needs under favorable terms.

Establishment and Shareholder Background

ČSOB Pojišťovna was established on **17 April 1992**, and it has been operating under its current name since 6 January 2003, when ČSOB Pojišťovna, a. s. changed its business name from IPB Pojišťovna, a. s. to its current name. The result is a strong insurance entity whose registered capital of CZK 2.796 billion and equity of CZK 4.8 billion (as of 31 December 2015) make it one of the best capitalized insurance companies in the Czech market. ČSOB Pojišťovna relies on a stable background and proven know-how of its principal shareholder, which is KBC Verzekeringen NV, a Belgian insurance company from the KBC multinational group. In 2015, ČSOB Pojišťovna received the A- rating with a stable outlook from Standard & Poor's, confirming its long-term strong position in the Czech market. The stable rating outlook is based, inter alia, on the insurance company's excellent level of capitalization and liquidity.

Market Position

In 2015, ČSOB Pojišťovna's premiums written amounted to CZK 11.5 billion, which makes it one of the **largest insurance companies in the Czech Republic**. Its market share based on premiums written reported by the Czech Insurance Association at the end of 2015 was at the level of 6.8% (6.8% in non-life insurance and 6.9% in life insurance).



Insurance offered

In 2015, ČSOB Pojišťovna operated the following classes/groups of insurance:

Life insurance

- Insurance in case of death, term life insurance and endowment insurance
- Pension insurance
- Capital life insurance
- Investment life insurance
- Insurance against accidents and illness, complementary to the above insurance
- Children's life insurance
- Specialized insurance for women and for men

Non-life insurance

- Insurance against accidents, illness and medical treatment
- Motor vehicle insurance
- Insurance against fire and other property damage
- Aviation insurance, inland waterway and maritime insurance, and insurance of transported objects
- Liability insurance (including liability for damage caused as a result of vehicle operation)
- Loan and guarantee insurance
- Mortgage insurance
- Insurance against other losses
- Insurance against business risks
- Insurance for farmers
- Legal protection insurance

Insurance sales and subsequent services

The maximum customer satisfaction is ensured by about seven hundred employees and more than a thousand exclusive insurance intermediaries of ČSOB Pojišťovna in ten regional offices and more than two hundred sales offices throughout the Czech Republic. Both life and non-life insurance products are also offered by ČSOB Pojišťovna through the sales network of ČSOB Group.

Membership in Professional Associations

ČSOB Pojišťovna is a member of the Czech Insurance Association, the Czech Insurers' Bureau and the Czech Nuclear Insurance Pool. It is also an associate member of INI (International Network of Insurance), which enables it to conclude insurance contracts worldwide through the member insurance companies.

Snažíme se být vám nablízku

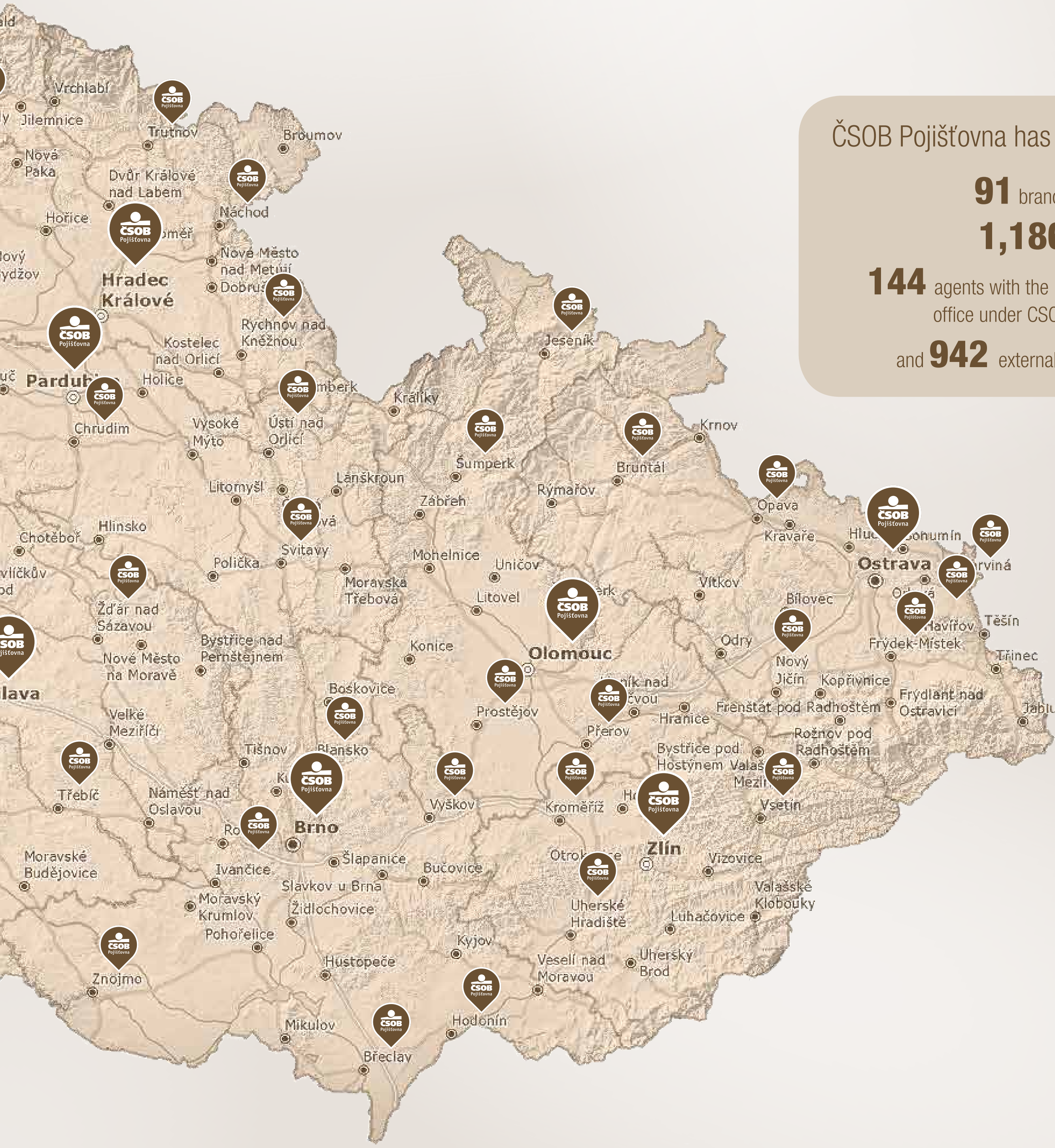
Basic information about the Company

Business name: ČSOB Pojišťovna, a. s., člen holdingu ČSOB
Registered in the Commercial Register maintained by the Regional Court in Hradec Králové, Section B, File No. 567

ID No.: 45534306
Tax ID No.: CZ45534306
VAT ID No.: CZ699000761

Registered office: Pardubice, Zelené předměstí,
Masarykovo náměstí No. 1458
Postcode 530 02
Telephone: +420 467 007 111
Fax: +420 467 007 444

Client services: 800 100 777
Internet: www.csobpoj.cz
Email: info@csobpoj.cz



ČSOB Pojišťovna has in total

91 branch offices,
1,186 agents,
144 agents with the registered office under CSOBP brand
and **942** external partners.

Analyst's View of the Economic Environment

The year 2015 was extremely successful for the Czech economy. The year-on-year economic growth exceeded 4% and, in December, the unemployment rate dropped to the second lowest level in the EU. The robust economic growth had a balanced structure and, therefore, it did not occur at the expense of deepening any imbalances threatening its long-term sustainability. The general government deficit to GDP ratio approached 1%, falling to the lowest level since the outbreak of the global financial crisis in 2008. The public sector debt is falling to 40% of GDP, and it can be assumed that the current account balance, as the barometer of the country's ability to use domestic production to earn for necessary imports of goods and services from abroad, will end in surplus for 2015.

Besides repeatedly and transparently improving macroeconomic indicators, the Czech economy also naturally displays indicators calling for reflection. First and foremost, it is consumer inflation and the exchange rate of the Czech crown. In both cases, from the Czech Republic's perspective, it is an "imported" problem. Many years of weakening economic activity in much of the world after 2008 have led to the creation of a low-inflation environment and the establishment of historically low interest rates in most developed countries, including the Czech Republic. The current, relatively young, weak and fragile, economic recovery in the world does not yet have the strength to pull inflation and market interest rates significantly and steadily upwards, despite an enormous amount of stimulus money pumped into economies in various ways by central banks in recent years.

Along with the gradual exhaustion of the possibilities offered by standard tools in the hands of central banks, there is a growing desire to use more controversial methods to support their goals, for example, to weaken the exchange rate. In the Czech Republic, the Czech National Bank (CNB) approved the automatic foreign exchange intervention scheme in November 2013 to prevent the appreciation of the Czech crown below 27 crowns per euro. Despite the outstanding performance of the Czech economy in 2015, the CNB declared in February 2016 a commitment not to leave the intervention scheme before 2017 or, more precisely, before the period when it clearly sees a path to meeting the inflation target.

The hesitation of the CNB (and of a number of other banks, including the ECB and the Fed) to respond to the increasing number of signs of economic recovery by the parallel tightening of monetary policy can be explained by the amount of risks that we are at present, and that we will still be in the foreseeable future, confronted with. These are not only economic risks, but also geopolitical, climatic, demographic and other issues. The period that lies ahead will be a period full of uncertainties, as well as great opportunities. This will apply not only to individuals, but also to companies, as well as to both national and multinational communities. In such a world, many new possibilities naturally emerge for the insurance sector, and they should be identified and used well as soon as possible. Those who succeed will benefit not only their shareholders, but also their clients and the economy as a whole.

Martin Kupka
Investment Reasearch Manager, ČSOB

Results of the Company in 2015

ČSOB Pojišťovna, a. s., člen holdingu ČSOB (here after "the Company") prescribed in the year 2015 gross written premium of CZK 11,525,088 thousand, which represents 27.2% increase compared to 2014 mainly due to high volumes in single life insurance.

Regarding Single Life insurance, the Company placed 3rd[1] position with gross written premium of CZK 3,964,145 thousand, and its market share reached 20.9%.

In Regular premium the Company is on the 5th position with gross written premium of CZK 2,658,438 thousand, and its market share was 6.2%.

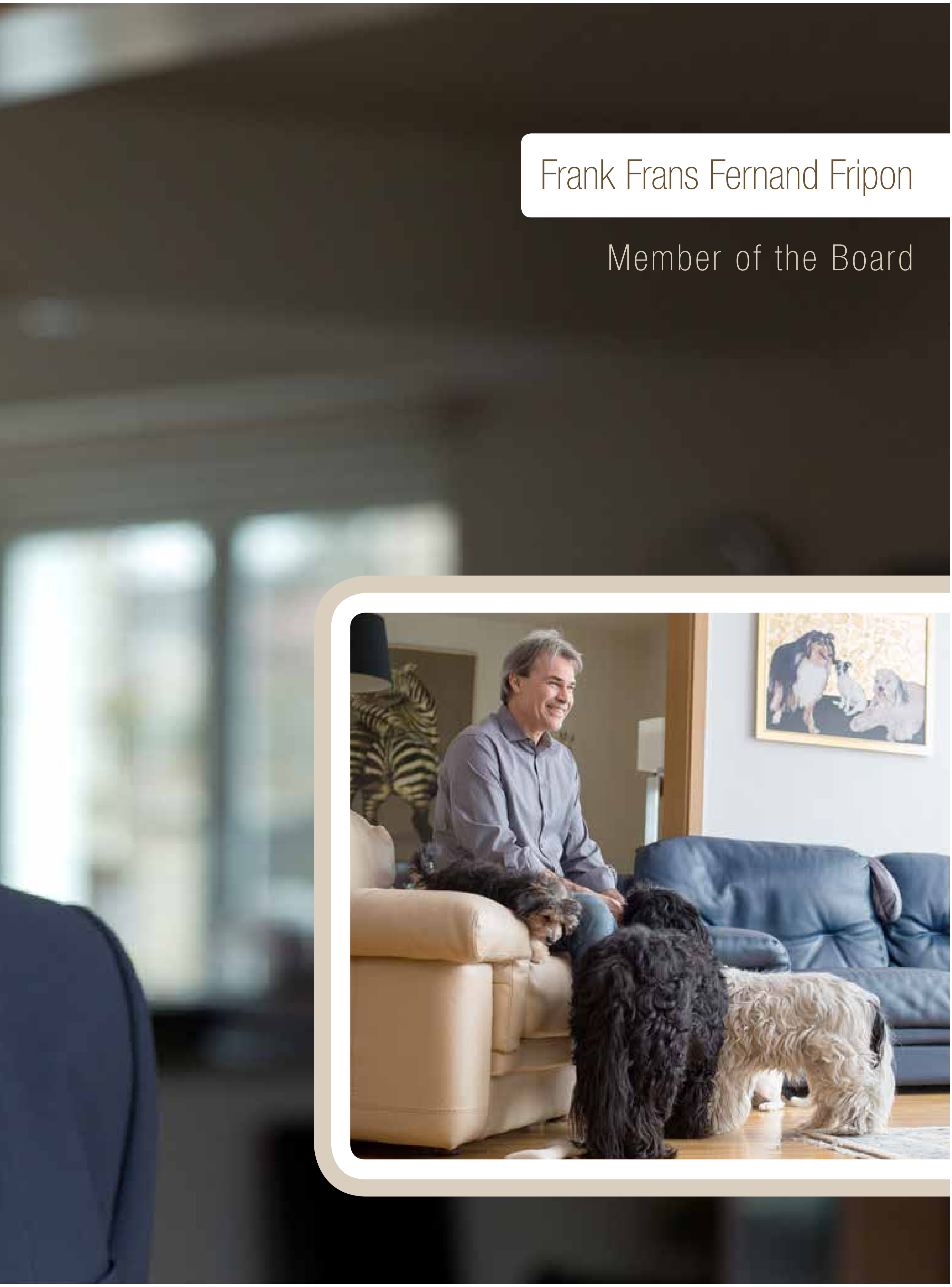
In Non-Life Insurance total gross written premium reached CZK 4,902,505 thousand, which corresponds to 5.5% year on year increase. Within the Czech Insurance Association ranking, the company took 4th place with 6.8% of market share.

The company's profit resulting from the financial placement amounted to CZK 866,632 thousand in 2015, whereas the portfolio has further been stabilized by following the conservative investment strategy. The investment result was negatively influenced by creation of the impairment relating to the bond State of Carinthia Var 09/12/19 amounted to CZK -77,723 thousand and by impairment of the investment in ČSOB Property Fund amounting to CZK -2,665 thousand. New investments were invested in debt instruments of government, corporate and financial sector. The funds of reserves respecting investment life insurance (unit-linked) were invested in shares funds, investment certificates and corporate bonds.

The net profit of the Company after taxation for the year 2015 under the IFRS for local statutory purposes amounted to CZK 715,574 thousand.

Board of Directors
ČSOB Pojišťovna a. s., člen holdingu ČSOB

[1] **CAP methodology:**
– data excluded cross-border activity,
– MS with one-tenth of single paid premium.
VIG and Generali (PPF) viewed as single groups.



Frank Frans Fernand Fripon

Member of the Board

Hospic sv. Alžběty, Brno

Pomáhat je normální

Social Responsibility

5th Year of Helping

We want to support our clients, offering them the best products and services. At the same time, we are aware of our social responsibility.

We view social responsibility as a natural part of everyday life of the company and its employees.The nature of our business is based on the very basic human principle – help. Every day, we encounter a greater or lesser degree of adversity, and our clients trust us to help them overcome its negative effects.

It is a key principle which we apply not only in our business, but also in all key areas of social responsibility.

Disabled Welcome

In 2015, CSOB Insurance has provided jobs for 30 disabled people. 10 of them worked directly for the company in its organizational structure, such as a trade counter. A further 20 recruited from the contract with a cleaning company whose employees are only from the ranks of disabled people.

Volunteering

We are willing to help exactly where our help is needed, including physical work, technical assistance and financial support to implement specific projects that we work on in cooperation with non-profit organizations throughout the Czech Republic. Since 2011, dozens of our employees have always devoted at least two days a year to volunteering.
Both the method of operation and the level of involvement of our employees are unique. We are where we are most needed, with our hands and hearts. Each employee can choose which volunteer project they want to participate in.

We actively operate in the following areas:

- Children and families
- Helping disadvantaged citizens
- A wide range of assistance services provided 24 hours a day
- Seniors, hospice care
- Environment

Sponsorship

We financially support, for example, the following:

- Sports clubs, organizations, disabled athletes, sporting events, etc.
- Educational institutions (schools, primary art schools, conservatoires, etc.)
- Cultural institutions and events (family festivals, concerts, exhibitions, etc.)

Financial Donations

Financial collections of both employees and ČSOB Pojišťovna as a company for one-time activities and long-term projects.

Where We Helped in 2015

Blue day

On 1 April 2015, another year of the Blue Day was held to encourage children and people with autism. ČSOB Pojišťovna was the general partner of this event in Pardubice.

Philanthropy exchange

On 10 June 2015, ČSOB Pojišťovna accepted the invitation to participate in a very interesting meeting named Philanthropy Exchange, through which it supported projects implemented by local non-profit organizations. The insurance company helped to establish, for example, a new social facility at the Apolenka equine-assisted rehabilitation centre or a specially adapted training kitchen for the blind and partially sighted people in Tyfloservis. This philanthropic meeting was held for the fourth time.

Oblaka fest

On 13 June 2015, the 2nd year of the Clouds Fest family festival was held in Pardubice, with ČSOB Pojišťovna as the general partner. Compared to last year, the festival moved closer to the centre of the town, to the meadow behind the Pavel Wonka bridge. Another change was the extension of the programme to include the Friday evening, when Cirk La Putyka performed a preview show in the festival tent. This ensemble professionally specializes in the genre of new circus, which includes acrobatics, modern dance, puppet theatre, concert and sports.

Ecology

From 18 to 19 June 2015, a traditional ecological volunteer activity took place in the Highlands region near Sněžné. A total of 19 participants replaced their strict office dress code with boots and overalls, holding rakes and spades instead of computer mouses. At the end of the second day, all of us left with a good feeling that we had done a pretty good job.
From 17 to 18 September 2015, another environmental volunteer activity took place, this time in collaboration with the Sdružení Krajina organization. The task was to restore channels for partial drainage of this meadow to make sure that the endangered species of plants and animals that live there have plenty of living space.

Tyflocentrum

From 15 to 16 May 2015, we prepared another two-day hike for the users of Tyflocentrum in Pardubice. Each user of services provided by Tyflocentrum had a guide from the staff of ČSOB Pojišťovna during the event.
Another trip was scheduled for almost summer days, from 19 to 20 June 2015. Our common destination this time was one of the most beautiful places in the Czech Republic, as well as in Europe: Bohemian Switzerland.

Family day

On 20 June 2015, the “FAMILY DAY” event was held in Pardubice – Dubina, organized by the Kulihrášek Family Centre, Pardubice. This organization is also provided with occasional sponsorship and volunteer activities by ČSOB Pojišťovna. The whole day was focused on physical and creative entertainment for children of both younger and older school age, along with an entertaining supporting programme.

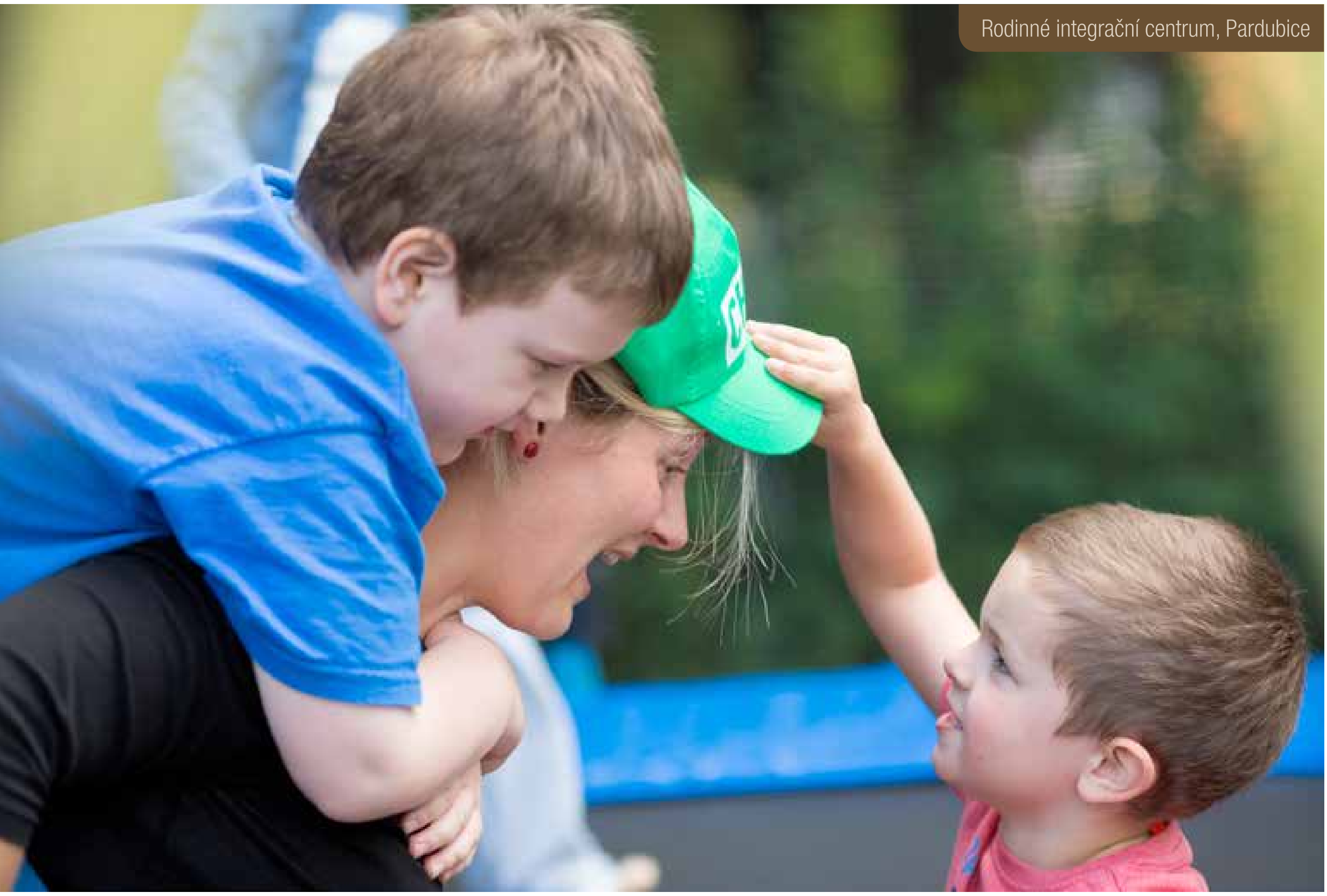
A weekend with autistic people

From 4 to 6 September 2015, the ČSOB Pojišťovna carried out an extraordinary “project” cooperation with Rodinné integrační centrum, o. s., Pardubice. The family integration centre is based in Pardubice – Polabiny, and its primary mission is to work with children and young people with autism spectrum disorders (ASD). The centre works with families who have children with ASD, helping them reduce deficits associated with autism and developing areas in which the children and young people excel.

Bakery for Charity

On 1 October 2015, at 7:30 a.m., the ČSOB Pojišťovna Charitable Bakery opened its imaginary door for the first time in history. A total of 22 of our colleagues turned into bakers for this day to prepare a variety of goodies. That attracted literally crowds of customers, our employees. Different kinds of cakes, minipizzas, muffins, strudels and decorated gingerbread together earned a great amount of CZK 17,134, which was doubled by the board members with their own contributions, so the Amalthea organization can look forward to an incredible amount of CZK 34,268. All proceeds from the event will be used for direct therapeutic and social work in foster families.

Tyflocentrum Pardubice, Hradec Králové



Rodinné integrační centrum, Pardubice

Awards Received in 2015

Three Awards in the BEST INSURANCE COMPANY 2015 competition

1st place in the Insurance Innovator category (for the Náš domov product))

POJIŠŤOVACÍ INOVÁTOR 2015

1st place in the Most Client-Friendly Non-Life Insurance Company category

KLIENTSKY NEJPŘÍVĚTIVĚJŠÍ NEŽIVOTNÍ POJIŠŤOVNA 2015

3rd place in the Best Life Insurance Company category

3. místo NEJLEPŠÍ ŽIVOTNÍ POJIŠŤOVNA 2015

1st place in the WEBTOP100 competition

3rd place in the INSURANCE COMPANY OF THE YEAR 2015 competition

fincentrum
Pojišťovna roku 2015
3. místo

EFFIE marketing award


Pojištění
vašeho domova
Náš domov
NOVINKA
Pokud se něco stane s vaším domovem, pomůžeme vám dát věci opět do pořádku.
ČSOB Pojišťovna
800 100 777 | www.csobpoj.cz

Product Innovations

ČSOB Pojišťovna allows arranging accident life insurance via the Internet

Since 2015 ČSOB Pojišťovna has newly offered simple online method to arrange risk life insurance accident. Permanent disability insurance, accidental death and hospitalization due to accident can be arranged from the comfort of your home via the Internet from 135 crowns a month.

MTPL insurance which also covers your own damage

The only MTPL on the market, which covers damage of the client´s vehicle, who is a culprit of the accident, up to 10 thousand crowns. Extras limits of indemnity for injury and property damage - 200 million crowns. Accident insurance for the driver and his personal belongings included in the price. Numerous of optional insurance. It is just a short list of the greatest advantages of the new car insurance, which is ČSOB Pojišťovna coming in insurance market in 2015.

ČSOB Pojišťovna launched new gender life insurance for women and men

In 2015, we launched a new feature in life insurance. For women and men we prepared a special type of insurance, the parameters of which correspond exactly to the risks of their lives. It also includes specific assistance services.

We launch an upgraded travel insurance ATLAS

ČSOB Pojišťovna launches new travel insurance Atlas, which is a high scope of coverage and indemnity limits. Moreover, it offers assistance to the vehicle and household insurance for the time we blithely indulge relaxing abroad.

Náš domov

Since June 2015, we introduced a new insurance of buildings and homes, Náš domov, which provides a wide range of risk coverage in three different versions and optional insurance. We insure house, apartment, cottage, home furnishings, garage, garden, pool, bicycle or baby-carriage also outside the home, belongings in the car trunk and provide cost free assistance.

ČSOB Pojišťovna was the first casco insurer of drones

Unmanned aircraft, or drones are becoming increasingly popular, especially in hard reach terrain mapping, safety monitoring of large areas or in commercial filming. And as such, they must have MTPL insurance, just like a car. That‘s some insurers offer in the Czech Republic, however ČSOB Pojišťovna is the first that offers casco insurance for these devices.

Legal Expenses Insurance

Since March 2015 ČSOB Pojišťovna, has entered to market with new insurance of legal protection, which provides to the client legal assistance and pays for him the costs of the lawyer or litigation costs. Thanks to new bankassurance sales model, clients can obtain it not only in ČSOB Pojišťovna sales network, but also in the ČSOB branch network.

Udělali při vaší reklamaci botu?
Braňte se!
Právní ochrana §
Pojištění Právní ochrany
ČSOB Pojišťovna jako první na český trh přinesla produkt s kterým se klient může lépe a účinněji bránit protiprávnímu jednání protistrany, kdy jeho náklady jsou jen pojistné. Do výše sjednaného ročního limitu hradíme klientovi: náklady advokáta nebo jiného odborného zástupce; náklady na soudní, správní a ostatní poplatky; náklady na znalecké posudky a nezbytné provedené důkazy.
Klient dostává k pojištění Právní ochrany zdarma Asistenční služby: právní poradenství včetně řešení klientova případu s protistranou a právní posouzení klientových smluv před jejich podpisem.
ČSOB Pojišťovna


Pojistit si domácnost před dovolenou je snazší, než vysvětlit psovi, že nepojede s vámi
Náš domov
Servis domácích spotřebičů zdarma
Pojištění Náš domov
ČSOB Pojišťovna produktem Náš domov pojišťuje klientům byty, domy a domácnosti. Chráníme klientův majetek pro případ jeho zničení, poškození nebo krádeže.
K produktu Náš domov má klient k dispozici zdarma množství asistenčních služeb: od otevření zabouchlých dveří, přes kominíka, instalatéra až třeba po deratizaci a dezinsekci.
ČSOB Pojišťovna


Pojištění
je dobrá rada
Novinka
Pojištění
domova
Pojištění je dobrá rada
ČSOB Pojišťovna připravila tuto kampaň pro všechna obchodní místa v České republice, a to s konkrétními pojišťovacími zprostředkovateli. Imageová kampaň nese sdělení „Pojištění je dobrá rada". Podtrhuje tím zejména profesionální péči a prvotřídní servis obchodní sítě.
ČSOB Pojišťovna

Financial section

Report of the Supervisory Board

Report of the Supervisory Board of ČSOB Pojišťovna, a. s., člen holdingu ČSOB for the Annual General Meeting of ČSOB Pojišťovna, a. s., člen holdingu ČSOB (also "ČSOB Pojišťovna" or "the Company") held on 28 April 2016.

In 2015, the Supervisory Board of CSOB Pojistovna consisted of:

- Petr Hutla (a member as of 6 November 2014; the Chairman as of 1 January 2015)
- Johan Daemen, Vice-Chairman
- Nik Vincke (till 22 September 2015)
- Tomáš Kořínek (as of 10 December 2015)

In 2015, the Supervisory Board members organized four meetings. The Board's meetings were also attended by members of the Board of Directors and other invited guests. Three its decisions were made in writing form, so-called per rollam.

The Supervisory Board discussed especially the following crucial issues at its meetings:

- Supervision of the Company's management activities and efficiency
- Regular evaluation of the Company's business results, trends in the fulfilment of its business and financial plans and decisions that should lead to strengthen dynamics of sales
- Discussing the Company's investment strategy
- Discussing Multi Year Plan for the years 2015 - 2018
- Co-operation with other Company bodies (Board of Directors, actuary)
- Discussing the human resources strategy for the year 2015
- Monitoring of the changes in organizational structure of the Company, personal changes at managerial positions
- Regular monitoring and evaluation of the Audit Department activities and close co-operation with the Audit Department on the plan of regular audit and supervisory activities for 2015
- Information of the Audit Committee meetings, which supervises the efficiency of the Company's internal control system, accounting and the audit of the Company's financial statements.

The Supervisory Board familiarized itself with the Company's financial results for 2015 and with the external auditor's opinion.

The Supervisory Board recommends the General Meeting to approve the Company's economic results and financial statements for the year 2015 and to accept the Board of Directors' proposal for the profit allocation.

Petr Hutla
Chairman of the Supervisory Board

Auditor's Report

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ČSOB Pojišťovna, a. s., člen holdingu ČSOB:

We have audited the accompanying financial statements of ČSOB Pojišťovna, a. s., člen holdingu ČSOB which comprise the statement of financial position as at 31 December 2015, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 ČSOB Pojišťovna, a. s., člen holdingu ČSOB, see Note 1 to the financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for preparation and presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ČSOB Pojišťovna, a. s., člen holdingu ČSOB as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. 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 and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Jan Zedník, Auditor
Licence No. 2201

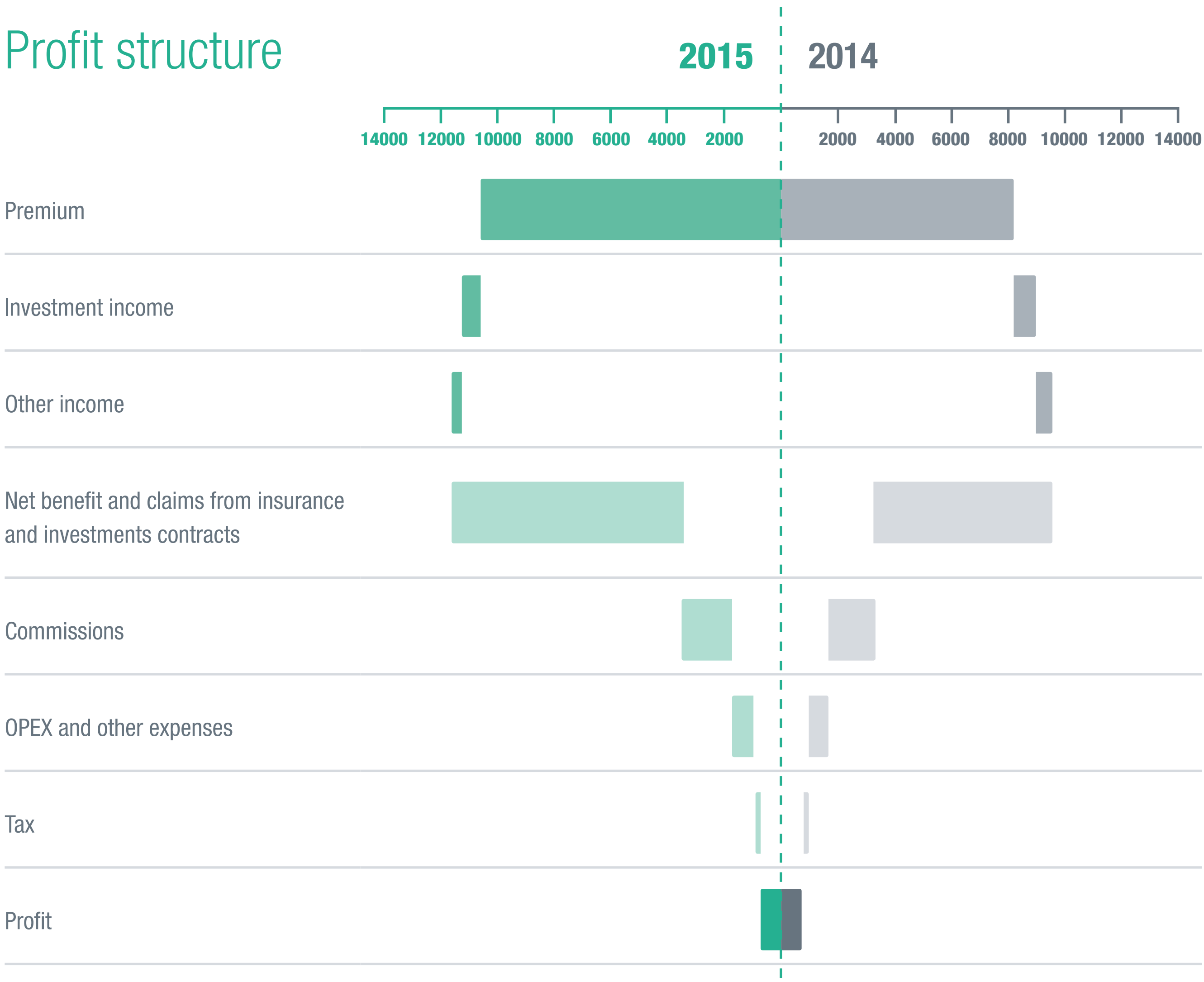
Tomáš Němec
Partner

24 March 2016
Prague, Czech Republic

Income Statement

CZK `000	Note	2015	2014
Net earned premium	4	**11,131,166**	8,625,779
Gross earned premiums		**11,442,299**	8,950,871
Earned premium ceded to reinsurers		**(311,133)**	(325,092)
Net interest income	5	**753,449**	790,500
Net (un)realized gains (losses) from financial instruments at fair value through profit or loss	6	**228,296**	432,691
Net (losses) gains from available-for-sale assets	7	**(83,261)**	16,835
Net (losses) gains from other financial investments		**(2,750)**	0
Fee and commission income	8	**89,827**	103,007
Other income	9	**70,604**	62,559
TOTAL INCOME		**12,187,331**	**10,031,371**
Net benefits and claims from insurance and investment contracts	10	**(8,654,088)**	(6,595,408)
Gross benefits and claims paid		**(9,011,704)**	(8,910,479)
Claims ceded to reinsurers		**120,688**	207,569
Gross change in contract liabilities		**295,930**	2,230,766
Change in contract liabilities ceded to reinsurers		**(59,002)**	(123,264)
Fee and commission expense	11	**(1,823,866)**	(1,780,895)
Operating expenses	12	**(737,676)**	(689,747)
Other expenses	14	**(93,220)**	(56,847)
TOTAL EXPENSES		**(11,308,850)**	**(9,122,897)**
PROFIT BEFORE TAX		**878,481**	**908,474**
Income tax expense	15	**(162,907)**	(161,937)
PROFIT AFTER TAX		**715,574**	**746,537**

Profit structure



Statement of Comprehensive Income

CZK `000	Note	2015	2014
PROFIT AFTER TAX		**715,574**	746,537
Net change in revaluation reserve for shares		**26**	147
Net change in revaluation reserve for bonds		**(40,844)**	19,718
Net change in revaluation reserve for deposits		**(1,502)**	(1,504)
Net change in hedging reserve (cash flow hedges)		**4,638**	2,943
OTHER COMPREHENSIVE INCOME	15	**(37,682)**	**21,304**
TOTAL COMPREHENSIVE INCOME, NET OF TAX		**677,892**	**767,841**

Statement of Financial Position as at 31 December

Assets

CZK `000	Note	2015	2014
Intangible assets	16	**0**	0
Property and equipment	17	**551,822**	581,229
Financial assets	18	**37,566,350**	38,061,878
Held to maturity		**10,827,164**	11,262,678
Loans and receivables		**1,265,299**	1,262,529
Available for sale		**12,377,791**	11,941,670
At fair value through profit or loss		**13,096,096**	13,595,001
Reinsurance assets	25	**347,342**	412,139
Net deferred tax assets	26	**16,713**	21,309
Receivables	19	**562,568**	615,963
Insurance receivables		**438,391**	466,434
Reinsurance receivables		**95,822**	118,064
Other receivables		**28,355**	31,465
Prepaid acquisition commissions	20	**438,982**	322,524
Other assets	21	**178,018**	207,324
Cash and cash equivalents	22	**458,076**	149,490
TOTAL ASSETS		**40,119,871**	**40,371,856**

Liabilities and equity

CZK `000	Note	2015	2014
Share capital	23	**2,796,248**	2,796,248
Share premium		**3,600**	3,600
Other funds and revaluation differences		**1,288,507**	1,326,189
Retained earnings		**715,574**	746,537
TOTAL EQUITY		**4,803,929**	**4,872,574**
Insurance contracts provisions	24	**32,778,165**	32,945,928
Investment contracts with DPF	24	**763,399**	849,620
Financial liabilities	18	**395,220**	330,679
Current tax liabilities	25	**6,922**	47,665
Payables	26	**1,046,499**	981,437
Insurance payables		**987,625**	904,923
Reinsurance payables		**58,874**	76,514
Other liabilities	27	**325,737**	343,953
TOTAL LIABILITIES		**35,315,942**	**35,499,282**
TOTAL LIABILITIES AND EQUITY		**40,119,871**	**40,371,856**

These financial statements were approved for issue by the Board of Directors on 9 March 2016 and signed on its behalf by:

Vladimír Bezděk
Chairman of the Board of Directors

Marek Nezveda
Member of the Board of Directors

Statement of Changes In Equity

2015 CZK `000	Share capital (note 23)	Share premium	Revaluation differences for financial investments available for sale	Revaluation of hedging derivatives	Other funds	Total funds and revaluation differences	Retained earnings	Total equity
AT 1 JANUARY	**2,796,248**	**3,600**	**916,490**	**(547)**	**410,246**	**1,326,189**	**746,537**	**4,872,574**
Profit for the year	0	0	0	0	0	0	715,574	715,574
Other comprehensive income	0	0	(42,320)	4,638	0	(37,682)	0	(37,682)
Total comprehensive income	**0**	**0**	**(42,320)**	**4,638**	**0**	**(37,682)**	**715,574**	**677,892**
Dividends paid	0	0	0	0	0	0	(746,537)	(746,537)
Transfer to other funds	0	0	0	0	0	0	0	0
At 31 December	**2,796,248**	**3,600**	**874,170**	**4,091**	**410,246**	**1,288,507**	**715,574**	**4,803,929**

2014 CZK `000	Share capital (note 23)	Share premium	Revaluation differences for financial investments available for sale	Revaluation of hedging derivatives	Other funds	Total funds and revaluation differences	Retained earnings	Total equity
AT 1 JANUARY	**2,796,248**	**3,600**	**898,129**	**(3,490)**	**378,515**	**1,273,154**	**634,601**	**4,707,603**
Profit for the year	0	0	0	0	0	0	746,537	746,537
Other comprehensive income	0	0	18,361	2,943	0	21,304	0	21,304
Total comprehensive income	**0**	**0**	**18,361**	**2,943**	**0**	**21,304**	**746,537**	**767,841**
Dividends paid	0	0	0	0	0	0	(602,871)	(602,871)
Transfer to other funds	0	0	0	0	31,731	31,731	(31,731)	0
At 31 December	**2,796,248**	**3,600**	**916,490**	**(547)**	**410,246**	**1,326,189**	**746,537**	**4,872,574**

Statement of Cash Flows

CZK `000	Note	2015	2014
OPERATING ACTIVITIES			
Profit before taxation		**878,481**	908,474
adjustments for:			
Change in reserves for insurance and investment contracts[1]	10	**(295,930)**	(2,230,766)
Change in contract liabilities ceded to reinsurers	10	**59,002**	123,264
Depreciation and amortization	17	**43,641**	44,857
Impairment on financial investments	7	**80,388**	5,548
Amortization of financial assets		**(9,138)**	578
Net unrealized gain/ (loss) from FIFV	6	**(241,599)**	(487,374)
Net realized gain/ (loss) from available for sale	7	**2,873**	(22,383)
Impairment on other assets	14	**(6,894)**	29,583
Other		**(130,158)**	(6,494)
Net change in operating assets	22	**217,412**	(525,288)
Net change in operating liabilities	28	**100,148**	21,688
(Purchase)/disposal of investment securities		**(5,990,332)**	(4,076,720)
Maturity of investment securities		**6,551,673**	5,445,162
Net income tax (paid) received		**(190,209)**	(84,150)
NET CASH FLOW FROM OPERATING ACTIVITIES		**1,069,358**	**(854,021)**
INVESTING ACTIVITIES			
Purchase of property, equipment and intangible assets	17	**(16,229)**	(18,067)
Disposal of property, equipment and intangible assets	17	**1,995**	7,400
NET CASH FLOW FROM INVESTING ACTIVITIES		**(14,234)**	**(10,667)**
FINANCING ACTIVITIES			
Dividends paid	23	**(746,537)**	(602,871)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(746,537)**	**(602,871)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**308 586**	**(1,467,559)**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**149,490**	**1,617,049**
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**308,586**	**(1,467,559)**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**458,076**	**149,490**
OPERATING CASH FLOWS FROM INTEREST AND DIVIDEND			
Interest paid		**(34)**	0
Interest received		**734,159**	802,012
Dividend received		**0**	0

[1] Change in reserves for insurance and investment contracts is adjusted by Net change in premium and claims (cash) which is presented in Net change in operating liabilities (note 28)

Notes to the Financial Statements

Notes to the financial statements

1. Corporate Information

ČSOB Pojišťovna, a.s., člen holdingu ČSOB ("the Company") is an insurance company incorporated and domiciled in the Czech Republic. The principal activities of the Company are life and non-life insurance. The Company was incorporated on 17 April 1992 (business registration number 45534306). The Company obtained a license to carry out life insurance activities on 22 April 1992. The Company obtained a license to carry out non-life insurance activities on 13 April 1994.

The registered office of the Company is Zelené Předměstí, Masarykovo náměstí 1458, 530 02 Pardubice.

The shareholders of the Company

as at 31 December 2015 are as follows:

Československá obchodní banka, a. s., Radlická 333/150, 150 57 Praha 5	0,245 %
KBC Verzekeringen NV, Professor Roger Van Overstraetenplein 2, B-3000 Lovaň, Belgické království	99,755 %

Share on the Company's voting rights

as at 31 December 2015:

Československá obchodní banka, a. s., Radlická 333/150, 150 57 Praha 5	40,000 %
KBC Verzekeringen NV, Professor Roger Van Overstraetenplein 2, B-3000 Lovaň, Belgické království	60,000 %

Members of the Board of Directors and of the Supervisory Board

as at 31 December 2015 were as follows:

Members of the Board of Directors

CHAIR	**Vladimír Bezděk, M.A., Dobřichovice, Krátká 811, postal code 252 29**
VICE-CHAIR	**Michal Kaněra, Pardubice, Pardubičky, Zelená 227, postal code 530 03**
MEMBERS	**Frank Frans Fernand Fripon, Praha 6, Nebušice, Ke Strži 650, postal code 164 00**
	Marek Nezveda, Pardubice, Zelené předměstí, Nerudova 2772, postal code 530 02
	Dušan Quis, Praha 2, Vinohrady, Lužická 1646/6, postal code 120 00

Changes to the Board of Directors in 2015:

Jeroen van Leeuwen´s term of office as Chairman and a member of the Board of Directors ceased on 17 March 2015.
Vladimír Bezděk, M.A. became a Chairman and a member of the Board of Directors with effect from1 July 2015.
Dušan Quis resigned as a member of the Board of Directors with effect from 31 December 2015.The Board of Directors acts on behalf of the Company; any two Board members always act jointly. Acts on behalf of the Company always involve two members of the Board of Directors who affix their signatures to the business name of the Company.

Members of the Supervisory Board

CHAIR	**Petr Hutla, Praha 10, Vršovice, Na vrších 1490/7, postal code 100 00**
MEMBERS	**Johan Basilius Paul Daemen, 2820 Bonheiden, Oude Baan 110, Belgické království**
	Tomáš Kořínek, Psáry, Do Polí 463, postal code 252 44

Changes to the Supervisory Board in 2015:

Petr Hutla became Chairman of the Supervisory Board as with effect from 1 January 2015.
The term of office of Supervisory Board member Nik B.R.J Vincke ceased on 22 September 2015.
Tomáš Kořínek became a member of the Supervisory Board as of 10 December 2015.

2. Accounting Policies

2.1 Basis of preparation

The financial statements have been prepared and approved by the Board of Directors of the Company and are subject to approval at the general meeting of shareholders.

The statement of financial position has been prepared on a historic cost basis except for those financial assets and financial liabilities that have been measured at fair value (financial derivatives, financial instruments at fair value through profit and loss, available-for-sale investments, financial instruments held for trading etc.) except for financial instruments hedged by fair value hedge.

The financial statements are presented in Czech crowns (CZK) rounded to the nearest thousand (CZK ’000), which is both the Company’s functional and presentation currency. CZK is the currency of the primary economic environment in which the Company operates.

Statement of compliance

Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company qualified as a first-time adopter of IFRS in 2011. The adjustments arising from the first-time adoption of IFRS are reflected in the opening balance sheet at 1 January 2010.

The Company presents financial statements broadly in order of liquidity. An analysis regarding the recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.2 Changes in accounting policies

Effective from 1 January 2015

The accounting policies adopted are consistent with those used in the previous financial year except for the following standards, amendments and interpretations. Unless otherwise stated below, the adoption of the new standards, amendments and interpretations had no effect on the financial performance or position of the Company.

Defined benefit plan - IAS 19 Employee contributions (Amendments to IAS 19) is effective for annual periods beginning on or after 1 July 2014. The amendments bring clarification to the accounting treatment of employee or third party contributions in the defined benefit plan. They specify the terms and conditions under which contributions may be accounted for as curtailment of service costs.
Improvements to IFRSs (2010 – 2012 a 2011 - 2013) issued in December 2013 with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. None of the amendments will have a material effect on the Company’s accounting procedures, financial position and performance.

Effective after 1 January 2015

The following standards, amendments and interpretations have been issued and will take effect after 1 January 2015. The Company has decided not to early adopt them. Unless otherwise stated below, the new standards, amendments and interpretations are not expected to significantly affect the Company financial statements.

IFRS 9 Financial Instruments (2014) is effective for annual periods beginning on or after 1 January 2018. The standard has not been endorsed by the European Commission to date.

Financial Instruments – Classification and Measurement

A financial asset may be measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset may be measured at fair value through other comprehensive income if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows or to sell the asset; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Other financial assets are measured at fair value through profit or loss. IFRS 9 retains the "fair value option". Prospective reclassification of financial assets between three measurement categories would be required when an entity's business model changes.

All equity instruments are valued at fair value either through other comprehensive income or through profit or loss.

IFRS 9 removes the requirement to separate embedded derivatives from a host contract and requires measuring the hybrid instrument in accordance with the above criteria.

Financial liabilities are classified and measured either at mortised cost or at fair value through profit or loss. A financial liability can be designated as measured at fair value through profit or loss if doing so results in more relevant information, because either:

- It eliminates or reduces a measurement or recognition inconsistency (sometimes referred to as an ‚accounting mismatch');
- A group of financial liabilities is managed and evaluated on a fair value basis.

IFRS 9 requires that changes in the fair value of an entity's own debt at fair value through profit or loss, attributable to changes in its own credit quality be recognized in other comprehensive income. The original requirements related to derecognition of financial assets and financial liabilities are carried forward unchanged from IAS 39 to IFRS 9.

Impairment of Financial Assets

IFRS 9 introduces a 'three-bucket' approach to monitor impairment based on changes in credit quality since initial recognition.

Level 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses are recognized and interest revenue is calculated on the gross carrying amount of the asset.

Level 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not show objective evidence of impairment. For these assets, lifetime expected credit losses are recognized, but interest revenue is still calculated on the gross carrying amount of the asset.

Level 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized, but interest revenue is calculated on the net carrying amount of the asset.

The new model should be applied to debt instruments measured at amortized cost or at fair value through other comprehensive income. In addition, it will apply to all loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss and to lease and trade receivables. The standard permits a simplified approach for trade and lease receivables that do not contain a significant financing component. Under the simplified approach, an entity recognizes lifetime expected credit losses rather than twelve-month expected credit losses. For trade and lease receivables and assets from contracts with significant financing component both models, simplified or general may be applied.

The precise impact of expected losses on financial assets could not be quantified at this moment.

Hedge Accounting

The third phase, micro hedge accounting, aligns more closely the hedge accounting and risk management. In practice, more hedging strategies used for risk management will qualify for hedge accounting. The three types of hedge accounting (cash flow, fair value and net investment foreign hedges) have been carried forward from IAS 39 to IFRS 9.

The hedging relationship has to be effective at inception and on an ongoing basis and is subject to a qualitative or quantitative forward-looking effectiveness assessment. The hedge effectiveness range of 80-125% is replaced by an objective-based test. If the hedging relationship meets risk management objectives it cannot be voluntarily terminated, rather, the quantities of hedged item or a hedging instrument have to be adjusted and hedged ratio rebalanced to comply with the hedge effectiveness requirement.

Non-derivative financial assets and liabilities measured at fair value through profit or loss can be designated as hedging instruments in hedging relationships of any risk, not just foreign currency risk. They have to be designated in their entirety or as a proportion of their nominal amount.

The hedge accounting model extends the eligibility of risk components to include non-financial items, provided the component is separately identifiable and can be reliably measured.

General hedge accounting will have a marginal effect (if any)on existing hedging structures.

The new standard will have a significant effect on the financial statements of the Company. The Company is currently assessing the level of the impact.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) is effective for annual periods beginning on or after 1 January 2016. The amendments require that the acquirer of an interest in a joint operation applies all of the principles of IFRS 3 regarding business combinations with the exception of those principles that conflict with the guidance in IFRS 11.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) without set effective date yet. The amendments clarify the accounting for transactions where a parent loses control over a subsidiary that does not constitute a business as defined in IFRS 3 Business Combinations. A parent's gain or loss resulting from the above transaction is recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in the associate or joint venture.

Equity Method in Separate Financial Statements (Amendments to IAS 27) – The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments re-introduce the use of the equity method in separate financial statements and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) – The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments provide further clarification to exception from consolidation for investment entities.

IFRS 14 Regulatory Deferral Accounts – The standard is effective for annual periods beginning on or after 1 January 2016. The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for ‚regulatory deferral account balances' in accordance with its local GAAP.

IFRS 15 Revenue from Contracts with Customers – The standard is effective for annual periods beginning on or after 1 January 2018. The basic principle of the standard is to identify performance obligations. The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer (the contract is in place only if it is probable that the entity will collect the consideration)
2. Identify the separate performance obligations in the contract (promise of transfer of goods or services)
3. Determine the transaction price (only of the amount cannot be cancelled in the future)
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The standard is not applicable to insurance contracts, financial instrument and finance lease contracts. The Company is currently assessing the level of the impact on financial statements.

IFRS 16 Lease contracts – Standard is effective for the period beginning on or after 1 January 2019. The standard has not been adopted by European Union yet. IFRS 16 will determine principles for accounting, valuation, presentation and publishing of lease contracts for both contract parties – i.e. customer („tenant") and supplier („lessor"). New standard requires recognizing most of the leasing contracts in the tenant's statement of the financial position. Tenants will apply one accounting model for all leasing contracts with certain exceptions. Lessor's accounting approach remains substantially unchanged. The Company is currently assessing the level of IFRS 16 impact on financial statements.

Disclosure Initiative (Amendments to IAS 1) – The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 are designed to encourage companies to apply professional judgment in determining what information should be disclosed in their financial statements. The amendments clarify that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38) – The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify the use of revenue based depreciation and amortization methods.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) – The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments define bearer plants and integrate them within the scope of IAS 16.

Improvements to IFRSs (2012-2014), issued in September 2014 for the purpose of removing inconsistencies and clarifying the standards. Specific transition disclosures regulate the application of individual standards. The amendments are effective for annual periods beginning on 1 January 2016.

2.3 Significant accounting estimates and judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are continually evaluated and are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The most frequently used significant judgments and estimates are as follows:

1. Valuation of reserves for insurance contracts and investment contracts with DPF

Reserves for life insurance contracts and investment contracts with DPF

The liability for life insurance contracts and investment contracts with a discretionary participation feature (DPF) is based on assumptions established at the inception of the contract. Most contracts (98% of all contracts) are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, annulment rate, investment returns, expenses, and discount rates. All assumptions used are on the level of best estimation adjusted by risk margins. Values of risk margins (including margin in discount rate regarding the time value of future embedded options and guarantees) are stated in line with the recommendation of the Czech Society of Actuaries. Discount rates are based on risk free rates recommended and provided by the Czech Society of Actuaries.

Reserves for non-life insurance contracts

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date (RBNS) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. (For more details see Note 30a).

2. Financial instruments fair value

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques which include the application of mathematical models. If possible, the input to these models is taken from observable markets; if not, a degree of judgment is required to establish the fair values. The judgments include considerations of credit and liquidity and model inputs, such as correlation and volatility for longer dated financial instruments.

3. Impairment losses on financial instruments

The Company reviews its financial instruments at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by the management is required to estimate the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance

4. Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses and other temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2.4 Summary of significant accounting policies

1. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the reporting date.

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange prevailing at the date of transaction.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of the initial transactions.

Foreign exchange gains and losses are taken to the income statement.

2. Product classification

Insurance contracts are those contracts for which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price or other variable.

Investment contracts are those that are not classified as insurance contracts.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Both investment and insurance contracts may contain a DPF. A DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on:
  - (i) the performance of a specified pool of contracts or a specified type of contract;
  - (ii) realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
  - (iii) the profit or loss of the company, fund or other entity that issues the contract.

In terms of the Company, discretionary profit features DPF represent profit share allocated to the life insurance policy holders.

All contracts for traditional products are classified as insurance contracts as they represent transfer of significant insurance risk.

Universal Life and unit-linked types of products are classified as insurance contracts or as investments with a DPF according to a contracted risk that is monitored contract/by/contract.

The guaranteed element of an insurance or investment DPF contract is recognized as a liability.

The Company's accounting policy is to treat all DPF features, both guaranteed and discretionary, as liabilities and to include them within insurance or investment contract liabilities as appropriate in the statement of financial position.

3. Intangible assets

Intangible fixed assets include mainly software and licenses and at initial recognition are recorded at acquisition cost. After initial recognition intangible assets are carried at the amount of acquisition cost less accumulated amortization and impairment.

Long term intangible assets with a cost exceeding CZK 60 thousand are amortized based on their useful economic lives.

The amortization of software and other intangibles is calculated linearly over their expected useful economic lives.:

Software	3 years
Other intangibles	3 years

Intangible assets with finite lives

Intangible assets with finite lives are amortized over their useful economic lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The amortization expense on intangible assets with finite lives is recognized in the income statement.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Intangible assets with indefinite lives

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Goodwill

As of the acquisition date, goodwill is measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net of the identifiable assets acquired and the liabilities assumed at the date of acquisition.

If a bargain purchase is made, in which the net of the acquisition-date amounts of identifiable assets acquired and liabilities assumed is larger than the aggregate of the consideration transferred and the amount of non-controlling interest in the acquiree, the resulting gain is recognised in profit or loss on the acquisition date.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit which is expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

Impairment losses relating to goodwill cannot be reversed in future periods.

4. Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated.

Tangible fixed assets include assets with a cost exceeding CZK 7 thousand (CZK 40 thousand for furniture) on an individual basis and an estimated useful life greater than one year. Such assets are depreciated over their useful economic lives. Tangible assets with a cost not exceeding CZK 7 thousand (CZK 40 thousand for furniture) are expensed as incurred.

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

Buildings	
Own buildings	30 years
Technical installation (pipeline, water supply, sewerage)	20 years
Rented premises	10 years
IT assets	
Hardware	3 years
Other	
Motor vehicles	5 years
Other	3-10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each financial year end.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

5. Financial Instruments

Recognition and derecognition

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized from the statement of financial position when the contractual rights to the cash flows from the financial asset expire or are transferred and the transfer qualifies for derecognition. A transfer requires that the Company either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. When the Company transfers a financial asset, it assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Company assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Company has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

A financial liability is derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

For all categories of financial assets the Company recognizes „regular way" purchases and sales using common settlement date accounting. Under settlement date accounting, a financial asset is recognized or derecognized in the statement of financial position on the day it is physically transferred to or from the Company („settlement date"). The date on which the Company becomes a party to the contractual provisions of a financial asset purchase or the Company loses control of the contractual rights from a financial asset sale is commonly referred to as the „trade date". For financial assets at fair value through profit or loss and available-for-sale financial assets, fair value movements between „trade date" and „settlement date" in connection with purchases and sales are recognized in Net gains/losses from financial instruments at fair value through profit or loss and in Other comprehensive income, respectively.

Initial recognition and subsequent measurement

The classification of financial instruments depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

a) Derivatives held for trading

Derivative financial instruments are classified as held for trading unless they are designated and effective hedging instruments. Derivatives are recorded at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value and realized gains and losses are recognized in the income statement. Derivatives include currency forwards, interest rate and cross currency swaps.

b) Financial assets or financial liabilities at fair value through profit or loss

This category has two sub-categories: financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss at inception. Investments purchased principally with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis (applied for financial instruments that relates to unit-linked contracts).

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the income statement.

c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intent and ability to hold to maturity. Were the Company to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization and losses arising from the impairment of such investments are recognized in the income statement.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Company has no intention of trading the financial asset.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization and losses arising from the impairment of such investments are recognized in the income statement.

e) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as such or are not classified in any of the four preceding categories.

After initial measurement, available-for-sale financial assets are measured at fair value. Unrealized gains and losses of debt instruments are recognized directly in other comprehensive income, except for foreign exchange gains or losses and impairment losses, which are recognized in profit or loss, until the financial asset is derecognized. Foreign exchange gains or losses for equity instruments are recognized in other comprehensive income. Interest income arising from available-for-sale assets calculated using the effective interest rate method is recorded in interest income. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the income statement.

f) Financial liabilities at amortized cost

Financial liabilities at amortized cost are non-derivative financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder.

6. Hedging

The Company uses instruments designated as hedging instruments in terms of cash flow hedges to manage the interest rate risk or foreign currency risk. Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The following criteria for a derivative instrument to be accounted for as a hedge include:

- At the inception of the hedge there is formal designation and documentation of the hedging instrument, hedged item, risk management objective and strategy, hedge relationship and how the Company will assess the hedge effectiveness, which must be reliably measurable;
- The hedge is documented at inception showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period;
- The hedge is highly effective on an ongoing basis. The hedge is considered to be highly effective if the Company achieves offsetting changes in cash flows between 80% and 125% for the risk being hedged;
- The forecast transaction that is the subject of the hedge must be highly probable

Cash flow hedges

Such derivative hedging instruments are initially recognized at fair value on the date on which the derivative contract is entered into. The effective portion of the gain or loss on the hedging instrument is recognized in the other comprehensive income, while the ineffective portion is recognized in the income statement. Amounts taken to equity are transferred to the income statement (net (un)realized gains (losses) from financial instruments at fair value through profit or loss) when the hedged transaction affects the income statement. If a cash flow hedge is terminated or the hedge designation removed the related remaining amounts in equity are reclassified into the income statement in the same period during which the hedged item affects income. If the hedged anticipated transaction is no longer expected to occur the related remaining amounts in equity are recognized immediately in the income statement.

Fair value hedges

The Company employs fair value hedging to hedge interest rate and currency risks with certain fixed income investments, using interest rate and currency swaps as hedging instruments.

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative instrument is recognized in the income statement. The change in the fair value of the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognized in the income statement.

Hedge accounting is discontinued if the hedging instrument expires, is sold, terminated or exercised, when the hedge no longer meets the criteria for hedge accounting or when the Company cancels or withdraws the hedging relationship. For hedged items measured at amortized cost, the difference between the carrying amount of the hedged item when the hedge is discontinued and the nominal amount is amortized until the maturity of the original hedging relationship, using the effective interest rate.

7. Determination of fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Financial instruments classified as financial assets at fair value through profit or loss or available-for-sale are fair valued using quoted market prices if there is a published price quotation in an active market. For financial instruments that are not traded on an active public market their fair values are estimated using pricing models, quoted prices of instruments with similar characteristics, or discounted cash flows. Those fair value estimation techniques are significantly affected by assumptions used by the Company including the discount rate, liquidity and credit spreads and estimates of future cash flows.

Where the transaction price in a non-active market differs from the fair value of other observable current market transactions in the same instrument or the fair value based on a valuation technique whose variables include only data from observable markets, the Company immediately recognizes the difference between the transaction price and the fair value (a Day 1 profit or loss) in the income statement. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

8. Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of assets that can be reliably estimated. Objective evidence that a financial asset or a group of assets is impaired includes observable data that come to the attention of the Company about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement and shall not result in a carrying amount that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment.

Available-for-sale financial investments

In the case of equity investments (debt instruments as above) classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Indication of significant decline is a decline of investment fair value of more than 30%, a long-term decline lasting 12 months and more.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement. If the value is subsequently increased, reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in the income statement.

Reversals of impairment losses on debt instruments classified at available-for-sale are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognized in the income statement.

9. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.
An asset's recoverable amount is the higher of:

- an asset's fair value less costs to sell and
- its value in use.

The recoverable amount is determined for an individual asset. The impairment loss is recorded in the income statement.

If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This represents the segments of the Company. (see Note 3)

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

10. Reinsurance

Reinsurance is insurance of the risk accepted by the Company. It enables the insurer to accept large risks and transfer part of the risk to another subject – a reinsurer. A reinsurer protects the insurer based on the other methods and techniques that are used for the original insurance of the client, without entering the contractual obligation with the original client.

The Company reinsures all major risks; for several products or insurance contracts the whole risk is reinsured.

The majority of the insurance portfolio is reinsured non-proportionally (i.e. the reinsurers covers only claim expense that exceeds stated limit - priority). However, the Company uses also proportional reinsurance (claim expenses are covered by the reinsurer with the same portion as the premium is ceded). The reinsurance premium is accounted based on the valid contracts either monthly (non-proportional reinsurance) or on the regular bases (proportional reinsurance).

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. An impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

11. Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Czech taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

12. Insurance receivables

Insurance receivables are measured at cost and are reported net of allowances for losses to reflect the estimated recoverable amounts, based on historical experience of their recoverability. Subsequent measurement of insurance receivables is at amortized cost, using the effective interest rate method. All past due insurance receivables are impaired – the value of impairment is determined on the basis of the age structure of receivables. Insurance receivables are derecognized when the derecognition criteria for financial assets have been met.

13. Prepaid acquisition commissions

Acquisition costs incurred during the financial period arising from the writing or renewing of insurance contracts and/or investment contracts with DPF are generally recognized as an expense when incurred.

Life Insurance and investment contracts with DPF

Normally paid products with commissions paid in advance are deferred using the 'pro rata temporis' method, where the total deferred acquisition costs correspond to the portion of commissions related to future reporting periods.

Non-life insurance

Commissions for negotiating non-life insurance are deferred using the 'pro rata temporis' method, while the period they refer to is determined by the respective amount of premium written according to the respective insurance policy.

14. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

15. Share capital

Ordinary shares are classified as equity. The share capital is the nominal amount approved by a shareholders´ resolution.

Contributions in excess of basic capital are recorded as share premium.

16. Retained earnings and reserves

Retained earnings include retained earnings or losses arising in previous years adjusted for the effect due to changes arising from the first application of IFRS, and profit or loss for the period.

The Company establishes a legal reserve fund in compliance with statutory requirements.

The creation and use of statutory reserves are limited by legislative. Reserve for unrealized gains and losses on available for sale financial assets includes gains or losses arising from changes in the fair value.

17. Insurance contract provisions

Provision for unearned premiums

The provision for unearned premiums is created as the aggregate sum of the premiums written that relate to future accounting periods. It is determined as the sum of the provisions calculated according to individual insurance policies using the 'pro rata temporis' method. The provision for unearned premiums is created for both life and non-life insurance.

Provisions for outstanding claims

The provision for outstanding claims in both life assurance and non-life insurance comprise the expected claims cost in the following groups:

- reported but not settled within the current accounting period (RBNS),
- incurred but not reported within the current accounting period (IBNR).

The provision for outstanding claims reported during the accounting period represents the aggregate sum of the provisions calculated for individual claims.

The provision for outstanding claims incurred but not reported in the period is determined using mathematical and statistical methods. For the products of non-life insurance the Company uses chain-ladder-based methods, with the exception of accident insurance, where the provision is established using the Expected Loss Ratio Method. For products of life insurance the Company uses the ‚Chain Ladder Method' for the major part of risks portfolio (Daily allowance, Death and Dread Diseases), in other cases the Expected Loss Ratio Method is used. The provision for outstanding claims also includes the value of all the estimated external and internal expenditures on claims handling. The provision is reduced by the estimated value of salvage and subrogation recoveries enforced or to be enforced against debtors (the persons who caused the loss) or against other insurance companies on account of loss liability insurance.

Within the calculation of the provision for outstanding claims paid out in the form of annuity (particularly from motor third-party liability insurance) discounting is applied.

Provision for bonuses and rebates

The provision for bonuses and rebates in non-life insurance is created in accordance with insurance policies. The provision is created primarily in those cases when the Company is liable to refund policy-holders a part of the premium relating to the current accounting period due to favorable loss experience.

In life insurance, a provision for bonuses and rebates includes an estimate of a profit share provision (i.e. an estimate of profit for the period not yet allocated to life insurance provision) and a loyalty bonus provision that is also not yet allocated to the life insurance provision.

Life assurance provision

The size of the life assurance premium provision is the aggregate sum of the provisions calculated for the individual life assurance policies. The life assurance premium provision represents the amount of the Company's future liabilities calculated by actuarial methods, including the profit shares already allocated and credited and provisions for expenses related to the administration of policies, after deducting the value of future premiums.

The Company accounts for the 'zillmerised' provision in compliance with the calculation of individual rates. As a result of using the 'zillmerising' method, the acquisition costs related to life assurance policies are deferred. These costs are calculated by actuarial methods and included in the life assurance provision. The provision is adjusted for temporarily negative balances, which are capitalized and posted as deferred costs. As for this capitalization, the Company observes the principle of prudence and provides for the risk of premature termination of the insurance policy.

These coefficients were established so as to ensure a return on the capitalized acquisition costs in the event of the respective cancellation of an insurance policy. The coefficient oscillates (depending on particular product) from 0% to 75% of negative provision. Activation is calculated individually for each policy.

The life provision is initially measured using the assumptions used for calculating the corresponding premiums.

Liability adequacy test (LAT)

Life insurance and investment contracts with DPF

In accordance with IFRS 4 the Company assesses at the end of each reporting period whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts and investment contracts with DPF. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the current estimated future cash flows, the entire deficiency shall be recognized in profit or loss.

A liability adequacy test (LAT) is carried out and a deficiency reserve is created in order to cover the expected changes of parameters (e.g. market interest rates, costs, mortality, morbidity) which in many cases can cause that all standard (statutory) life reserves calculated using the original statistical data and interest rates (locked-in assumptions) are not sufficient.

The calculation of this reserve is based on cash flows of individual policies which are in-force at the date of calculation.

Non-life insurance contracts
The LAT of non-life insurance is performed together for all types of non-life product (Industrial, Property and liability, Motor third party liability, CASCO (Casualty and Collision - own damage), Houses and households, Health and travel insurance).

The liability adequacy test of unearned premium reserve is performed annually as at 31 December by the calculation of the Unexpired Risk Reserve (URR) and by a run-off analysis. The unexpired risk reserve is reported within the Deficiency reserve in the statement of financial position.

The calculation takes into account the best estimate of future payouts including a security markup; it also takes into account overall risk that stems from concluded contracts regardless of accounting method for premium. Result of the test is assessed together with all risks from non-life insurance.

For more details see Note 30(a).

Life assurance provision where the policy holder bears the investment risk
The life assurance provision where the policy holder bears the investment risk is intended to cover the Company's liabilities towards the insured persons arising from those life assurance classes where the policy holder bears the investment risk on the basis of an insurance policy.

The amount of the provision is the sum of liabilities towards the insured persons, amounting to the value of their share in the financial placements of premiums as specified by individual assurance policies, according to the principles included in the relevant insurance policies.

Other technical provisions
Provision to cover the Company's share in liabilities of the Czech Insurers' Bureau
The Company is a member of the Czech Insurers' Bureau ("the Bureau"). Pursuant to Section 18, Par. 6 of the Motor Third-Party Liability Insurance Act, a member of the Bureau guarantees the Bureau's liabilities in proportion to the amount of its contributions and recognizes technical provisions in its financial instruments for this purpose, namely for the liabilities that the Bureau does not have sufficient assets for.

The amount of other technical provisions to cover the Company's share in liabilities of the Czech Insurers' Bureau pursuant to the Motor Third-Party Liability Insurance Act is established based on the data provided by the Bureau.

Based on the information available to the Board of Directors as of the day of preparation of the financial statements, the Board of Directors believes that the amount of the created provision is sufficient to cover the costs of the claims likely to arise in connection with the commitment of the Company accepted on the basis of a mandatory contractual liability. The final amount of the costs of claims will only be specified in several years' time and the means necessary for the settlement of the claims will depend on the revenues on the financial placements. The Company's share in the costs of the claims will be determined based on its share in the market of this instance segment at the time of the final settlement of the claims. The Company revalues the amount of other technical provisions at the end of each accounting period, considering all the information available as at the date of preparation of the financial statements and thus this provision is not part of the LAT.

18. Investment contract liabilities with DPF

The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities (Note 24).

If contracts contain both a financial risk component and a significant insurance risk component, and at the same time the cash flows from the two components cannot be measured separately, they are not unbundled.

19. Other financial liabilities and insurance payables

Other financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition the financial liability is measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. Subsequent to initial recognition, those financial liabilities are measured at amortized cost using the effective interest rate method.

Financial liabilities and insurance payables are derecognized when the obligation under the liability is discharged, cancelled or expired.

When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Insurance and reinsurance liabilities are recognized at the date of the accounting event realization, i.e. recognition of a claim amount related to the registered claim event. Other liabilities are such liabilities arising from relations between the Company and insurance agents or to reinsurance brokers, and liabilities from provisions related to terminated contracts. Also, liabilities from realized guarantees of the Czech Insurers' Bureau are recognized in this way.

Provisions (except for technical provisions)

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

20. Income recognition

Premiums earned

Premiums earned are those proportions of premiums under an insurance contract that relate to the current period, regardless of whether the premium has been paid or is outstanding.

Gross premiums written on life and investment contracts with DPF are recognized as revenue when due from the policyholder. Gross non-life insurance premiums written comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums for contracts which have incepted, but have not yet been notified by the year end, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Reinsurance premium represents a share in gross insurance premiums ceded to reinsurers and is determined on the basis of contracts entered into between an insurer and reinsurers.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premium is recognized on a proportionate basis as it is recognized monthly up to the amount of the earned premium.

Interest income

Interest income is recognized in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.

Dividend income

Dividend income is recognized when the right to receive payment is established. For listed securities this is the date the security is listed as ex-dividend.

Net (un)realized gains (losses) from financial instruments at fair value through profit or loss

Net gains or losses from financial instruments at fair value through profit or loss include all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and those designated at fair value through profit or loss. These include also any ineffectiveness recorded in hedging transactions.

Fee and commission income

Reinsurance commissions

Reinsurance commissions include commissions received from reinsurers based on reinsurance contracts to cover internal costs of the Company relating to reinsurance contracts.

In life and injury insurance, only profit commission on the basis of earned reinsurance is invoiced at the year end.

21. Expenses recognition

Gross benefits and claims from insurance and investment contracts

Gross liabilities for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including external claim handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Benefits and claims from insurance and investment contracts ceded to reinsurers

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

In case of subrogation of rights or other recoveries a reinsurer's share on claim is lowered by the referred subrogation.

Fee and commission expense

Fee and commission expense include acquisition cost arising from the conclusion of insurance and investment contracts with DPF, custody costs and similar items.

Operating expenses

Operating expenses include expenses relating to administration of the Company and internal costs relating to claims settlement.
This includes personnel costs, IT expenses, office space and office equipment, depreciation, etc.

3. Segment Information

Operating segments are components of the Company that engage in business activities from which they earn revenues and incur expenses and whose operating results are regularly reviewed on the Company level to assess their performance. Discrete information is available for each operating segment.

The Company comprises Life and Non-life insurance as the main business segments.

Measurement of segment revenues, results, assets and liabilities is based on the accounting policies included in Section 2 – Accounting policies.

The Board of Directors as the Company's main operating decision making body makes decisions on how to allocate resources and assesses performance of two operating segments: life insurance operating segment and non-life insurance operating segment.

Products offered by reported business segments include:

Non-life:

- Accident & health
- Industrial accidents
- Motor, third-party liability
- Motor, other classes
- Shipping, aviation, transport
- Fire and other damage to property
- General third-party liability
- Miscellaneous pecuniary losses
- Legal expenses insurance

Life:

- Traditional life
- Universal life
- Unit-linked

All segment revenues are generated from sales to external customers, i.e. there are no inter-segment transactions. There is no single external customer that would amount to 10% or more of the Company's revenues. The Company operates only in the Czech Republic through nine regional branches.

Management has determined the operating segments based on the reports periodically reviewed by the Board of Directors that is used to make the main strategic decisions. The Board of Directors assesses the performance of the operating segments based on a measure of net technical results.

Most revenues and expenses are directly attributable to segments. The following items are partially allocated to segments using appropriate allocation driver:

- Operating expenses – allocated based on allocation keys that are set for each cost item;
- Other technical income and charges – allocated by using gross premium written as a driver.

Segment income statement for the year ended 31 December 2015

2015 CZK `000	Life	Non-life	Total	Income statement	Reconciling item	Note
Net earned premium	6,616,649	4,514,517	11,131,166	11,131,166	0	
Net benefits and claims from insurance and investment contracts	(5,940,523)	(2,673,527)	(8,614,050)	(8,654,088)	40,038	1), 2), 3)
Net benefits and claims paid	(6,564,426)	(2,462,279)	(9,026,705)	0	0	
Net change in contract liabilities	623,903	(211,248)	412,655	0	0	
Operating expenses	(751,591)	(1,578,998)	(2,330,589)	(737,676)	(1,592,913)	1), 4), 5)
out of it acquisition costs	(552,934)	(1,214,858)	(1,767,792)	0	0	
out of it administration costs	(200,709)	(401,278)	(601,987)	0	0	
Financial income and cost	576,925	152,217	729,142	0	729,142	7)
out of it interest income	601,232	152,217	753,449	0	0	
NET TECHNICAL RESULT	**501,460**	**414,209**	**915,669**			
Non-technical financial income and expense			(31,759)	895,735 [1]	(927,493)	2), 6), 7), 8)
Other non-technical income and expense			(5,429)	(1,756,656) [2]	(1,751,226)	3), 4), 5), 6), 8)
NON-TECHNICAL RESULT			**(37,188)**			
PROFIT BEFORE TAXES			878,481	878,481	0	
Income taxes			(162,907)	(162,907)	0	
PROFIT AFTER TAXES			**715,574**	**715,574**	**0**	

1) The balance represents internal settlement costs in the amount of CZK 135,688 thousand that are part of Net benefits and claims from insurance and investment contracts in the Management report, while they are part of Operating expenses in the income statement.

2) This balance represents the losses from revaluation of financial instruments linked to life insurance CZK 213,332 thousand which is the part of Financial income and cost stated in the management report. In the income statement this balance is then included in Net gains/ (losses) on financial investments at fair value through profit or loss.

3) The balance represents other technical costs and other technical income in the amount of CZK 37,606 thousand, that are part of Net benefits and claims from insurance and investment contracts in the Management report, while they are reported as Other expenses and Other income in the income statement.

4) The balance represents commissions received from reinsurers in the amount of CZK 39,191 thousand that are part of Fee and commission income in the income statement, while it is part of Operating expenses in the Management report.

5) The balance represents acquisition costs in the amount of CZK 1,767,792 thousand that are part of Fee and commission expense in the income statement, while it is a part of Operating expenses in the Management report.

6) The balance represents rental income in the amount of CZK 8,087 thousand that is part of Other income in the income statement, while it is a part of Non-technical financial income and charges in the Management report.

7) In the income statement all financial income and costs are presented without split to technical and non-technical part, i.e. in line Non-technical financial income and expense. In the management`s report, the financial income and costs are net of loss from the revaluation of financial instruments of investment life insurance (point 2), bank fee for investing into financial instruments in the amount of CZK 46,740 thousand (note 8), rent income (point 6), financial instrument deposit costs in the amount CZK 37,190 thousand (note 11) and technical income in amount CZK 29,103 thousand captured in the step Financial income and costs.

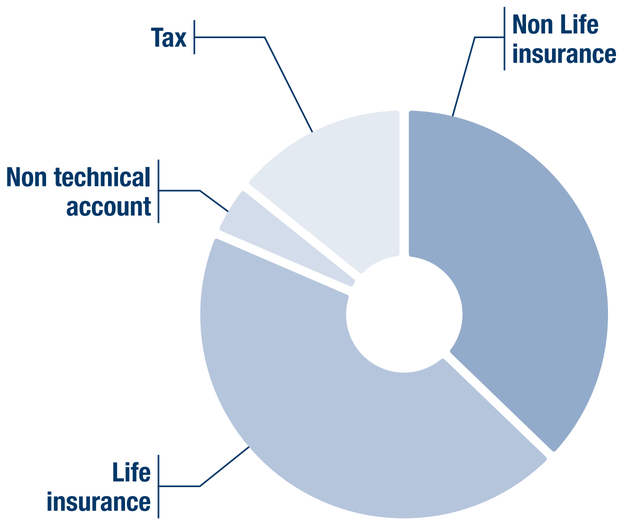
8) The balance represents impairments on insurance receivables in the amount of CZK 6,894 thousand, that is part of Other expenses in the income statement, while it is a part of Non-technical financial income and expense in the Management report.

ITems of segment income statement consists of following items of income statement for the year:

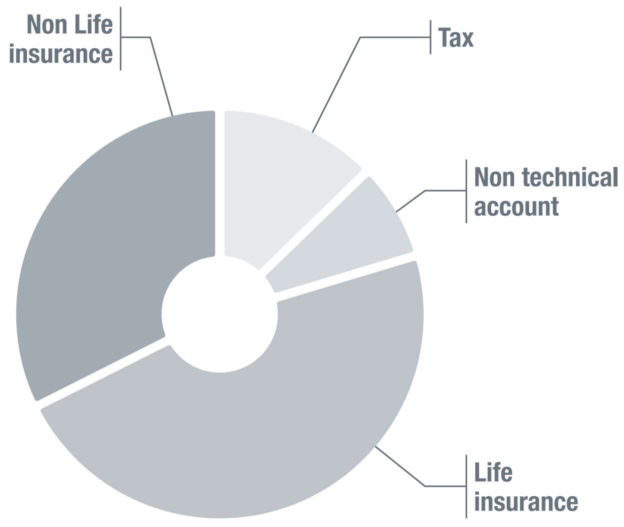
[1] Net interest income, Net (un)realized gains (losses) from financial instruments at fair value through profit or loss, Net gains (losses) from available-for-sale assets and Net gains (losses) from other financial instruments

[2] Other income, Other expenses, Fee and commission income, Fee and commission expense

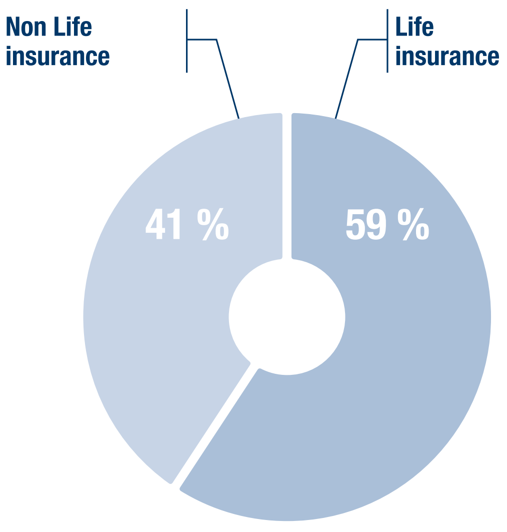
Structure of segments 2015



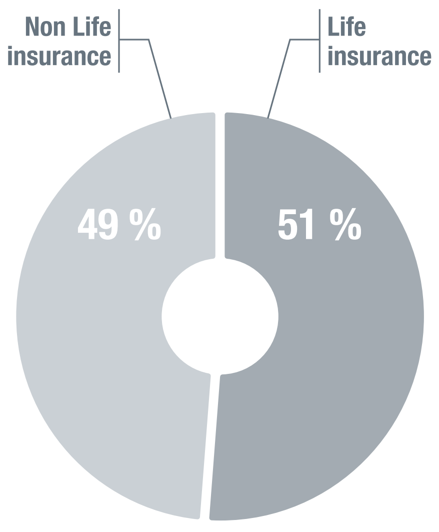
Structure of segments 2014



Net earned premium in segments 2015



Net earned premium in segments 2014



Segment income statement for the year ended 31 December 2014

2014 CZK `000	Life	Non-life	Total	Income statement	Reconciling item	Note
Net earned premium	4,411,340	4,214,439	8,625,779	8,625,779	0	
Net benefits and claims from insurance and investment contracts	(3,778,156)	(2,498,668)	(6,276,824)	(6,595,408)	318,584	1), 2), 3)
Net benefits and claims paid	(6,545,451)	(2,313,258)	(8,858,709)	0	0	
Net change in contract liabilities	2,767,295	(185,410)	2,581,885	0	0	
Operating expenses	(732,322)	(1,478,256)	(2,210,578)	(689,747)	(1,520,831)	1), 4), 5)
out of it acquisition costs	(544,182)	(1,171,973)	(1,716,155)	0	0	
out of it administration costs	(189,659)	(344,289)	(533,948)	0	0	
Financial income and cost	688,085	161,852	849,937	0	849,937	7)
out of it interest income	628,648	161,852	790,500	0	0	
NET TECHNICAL RESULT	**588,947**	**399,367**	**988,314**			
Non-technical financial income and charges			(78,599)	1,240,026 [1]	(1,318,625)	2), 6), 7), 8)
Other non-technical income and charges			(1,241)	(1,672,176) [2]	1,670,935	3), 4), 5), 6), 8)
NON-TECHNICAL RESULT			**(79,840)**			
PROFIT BEFORE TAXES			908,474	908,474	0	
Income taxes			(161,937)	(161,937)	0	
PROFIT AFTER TAXES			**746,537**	**746,537**	**0**	

1) The balance represents internal settlement costs in the amount of CZK 155,799 thousand that are part of Net benefits and claims from insurance and investment contracts in the Management report, while they are part of Operating expenses in the income statement.
2) This balance represents the losses from revaluation of financial instruments linked to life insurance CZK 447,056 thousand which is the part of net Financial income and cost stated in the management report. In the income statement this balance is then included in Net gain/ (loss) on financial investments at fair value through profit or loss.
3) The balance represents other technical costs and other technical income in the amount of CZK 27,327 thousand, that are part of Net benefits and claims from insurance and investment contracts in the Management report, while they are reported as Other expenses and Other income in the income statement.
4) The balance represents commissions received from reinsurers in the amount of CZK 39,525 thousand that are part of Fee and commission income in the income statement, while it is part of Operating expenses in the Management report.
5) The balance represents acquisition costs in the amount of CZK 1,716,155 thousand that are part of Fee and commission expense in the income statement, while it is a part of Operating expenses in the Management report.
6) The balance represents rental income in the amount of CZK 7,951 thousand that is part of Other income in the income statement, while it is a part of Non-technical financial income and charges in the Management report.
7) In the income statement all financial income and costs are presented without split to technical and non-technical part, i.e. in line Non-technical financial income and charges. In the management`s report, the financial income and costs are net of loss from the revaluation of financial instruments of investment life insurance (point 2), bank fee for investing into financial instruments in the amount of CZK 56,967 thousand (note 8), rent income (point 6), financial instrument deposit costs in the amount CZK 43,836 thousand (note 11) and technical income in amount CZK 35,885 thousand captured in the step Financial income and costs.
8) The balance represents impairments on insurance receivables in the amount of CZK 29,583 thousand, that is part of Other expenses in the income statement, while it is a part of Non-technical financial income and expense in the Management report.

Items of segment income statement consists of following items of income statement for the year:

[1] Net interest income, Dividend income, Net (un)realized gains (losses) from financial instruments at fair value through profit or loss, Net gains (losses) from available-for-sale assets

[2] Other income, Other expenses, Fee and commission income, Fee and commission expense

Segment statement of financial position as at 31 December 2015

Assets

2015 CZK `000	Life insurance	Non-life insurance	Other	Total / Statement of financial position
Property and equipment	0	0	551,822	551,822
Financial assets	32,403,380	5,162,970	0	37,566,350
Held to maturity	8,839,052	1,988,112	0	10,827,164
Loans and receivables	965,065	300,234	0	1,265,299
Available for sale	9,503,167	2,874,624	0	12,377,791
At fair value through profit or loss	13,096,096	0	0	13,096,096
Reinsurer's share on insurance-technical reserves	7,103	340,239	0	347,342
Tax receivables			16,713	16,713
Receivables	69,463	445,837	47,268	562,568
Insurance receivables	64,527	354,951	18,913	438,391
Reinsurance receivables	4,936	90,886	0	95,822
Other receivables			28,355	28,355
Prepaid acquisition commissions	328,926	110,056		438,982
Other assets	0	0	178,018	178,018
Cash and cash equivalents	0	0	458,076	458,076
TOTAL ASSETS	**32,808,872**	**6,059,102**	**1,251,897**	**40,119,871**

Liabilities and equity

2015 CZK `000	Life insurance	Non-life insurance	Other	Total / Statement of financial position
Insurance contracts reserves	27,759,645	5,018,520	0	32,778,165
Investment contracts with DPF reserves	763,399	0	0	763,399
Financial liabilities	220,642	174,578	0	395,220
Deferred tax liability			6,922	6,922
Payables	604,942	408,898	32,659	1,046,499
Insurance payables	600,700	377,014	9,911	987,625
Reinsurance payables	4,242	31,884	22,748	58,874
Other liabilities	0	0	325,737	325,737
TOTAL LIABILITIES	**29,348,628**	**5,601,996**	**365,318**	**35,315,942**
TOTAL EQUITY	**0**	**0**	**4 803 929**	**4 803 929**
TOTAL LIABILITIES AND EQUITY	**29,348,628**	**5,601,996**	**5,169,247**	**40,119,871**

The "Other" column represents items that are not attributable to life and non-life part.
In 2015, significant additions to non-current assets only included financial instruments.

Segment statement of financial position as at 31 December 2014

Assets

2014 CZK `000	Life insurance	Non-life insurance	Other	Total / Statement of financial position
Property and equipment	0	0	581,229	581,229
Financial assets	32,714,702	5,347,176	0	38,061,878
Held to maturity	9,162,158	2,100,520	0	11,262,678
Loans and receivables	962,277	300,252	0	1,262,529
Available for sale	8,995,266	2,946,404	0	11,941,670
At fair value through profit or loss	13,595,001	0	0	13,595,001
Reinsurer's share on insurance-technical reserves	6,804	405,335	0	412,139
Tax receivables	0	0	21,309	21,309
Receivables	71,092	482,206	62,665	615,963
Insurance receivables	68,656	366,578	31,200	466,434
Reinsurance receivables	2,436	115,628	0	118,064
Other receivables	0	0	31,465	31,465
Prepaid acquisition commissions	219,307	103,217	0	322,524
Other assets	0	0	207,324	207,324
Cash and cash equivalents	0	0	149,490	149,490
TOTAL ASSETS	**33,011,905**	**6,337,934**	**1,022,017**	**40,371,856**

Liabilities and equity

2014 CZK `000	Life insurance	Non-life insurance	Other	Total / Statement of financial position
Insurance contracts reserves	28,085,395	4,860,533	0	32,945,928
Investment contracts with DPF reserves	849,620	0	0	849,620
Financial liabilities	238,951	91,728	0	330,679
Deferred tax liability	0	0	47,665	47,665
Payables	509,590	435,416	36,431	981,437
Insurance payables	505,183	389,000	10,740	904,923
Reinsurance payables	4,407	46,416	25,691	76,514
Other liabilities	0	0	343,953	343,953
TOTAL LIABILITIES	**29,683,556**	**5,387,677**	**428,049**	**35,499,282**
TOTAL EQUITY	**0**	**0**	**4,872,574**	**4,872,574**
TOTAL LIABILITIES AND EQUITY	**29,683,556**	**5,387,677**	**5,300,623**	**40,371,856**

The "Other" column represents items that are not attributable to life and non-life part.
In 2014, significant additions to non-current assets only included financial instruments.

4. Net Earned Premium

(a) Gross earned premiums on insurance contracts and investment contracts with DPF

CZK `000	2015	2014
GROSS PREMIUM WRITTEN	**11,525,088**	**9,061,193**
Life insurance	**6,622,583**	4,415,813
Life insurance contracts	**6,546,544**	4,301,431
Investment contracts with DPF	**76,039**	114,382
Non-life insurance contracts	**4,902,505**	4,645,380
CHANGE IN UNEARNED PREMIUMS PROVISION	**(82,789)**	**(110,322)**
Life insurance	**560**	2,531
Life insurance contracts	**566**	2,529
Investment contracts with DPF	**(6)**	2
Non-life insurance contracts	**(83,349)**	(112,853)
Life premium	**6,623,143**	4,418,344
Non-life premium	**4,819,156**	4,532,527
TOTAL GROSS EARNED PREMIUMS	**11,442,299**	**8,950,871**

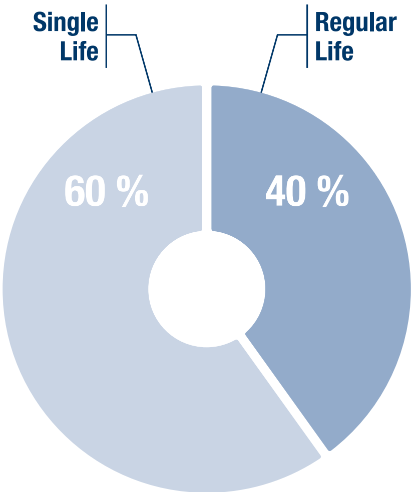
b) Premiums ceded to reinsurers on insurance contracts and investment contracts with DPF

CZK `000	2015	2014
Premium ceded to reinsurers	**(308,150)**	(329,704)
Life insurance	**(6,493)**	(7,003)
Non-life insurance	**(301,657)**	(322,701)
Change in unearned premiums provision	**(2,983)**	4,612
Non-life insurance	**(2,983)**	4,612
TOTAL PREMIUMS CEDED TO REINSURERS	**(311,133)**	**(325,092)**
TOTAL NET EARNED PREMIUMS	**11,131,166**	**8,625,779**

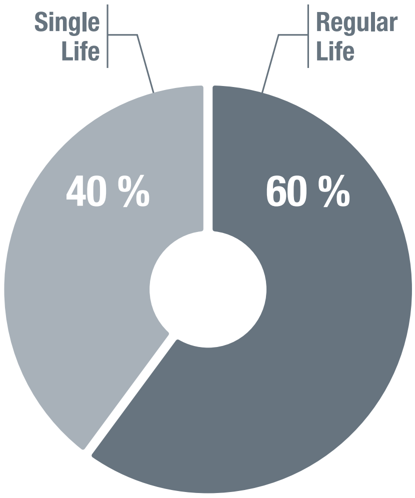
(c) Gross premiums - life insurance

CZK `000	2015	2014
Individual versus group insurance		
Individual insurances, including unit-linked insurance	**6,622,583**	4,415,813
Group insurance	**0**	0
TOTAL	**6,622,583**	**4,415,813**
Profit sharing versus without profit sharing		
Premiums from contracts with profit sharing	**1,105,842**	1,289,354
Premiums from contracts without profit sharing	**243,653**	234,038
Unit-linked	**5,273,088**	2,892,421
TOTAL	**6,622,583**	**4,415,813**

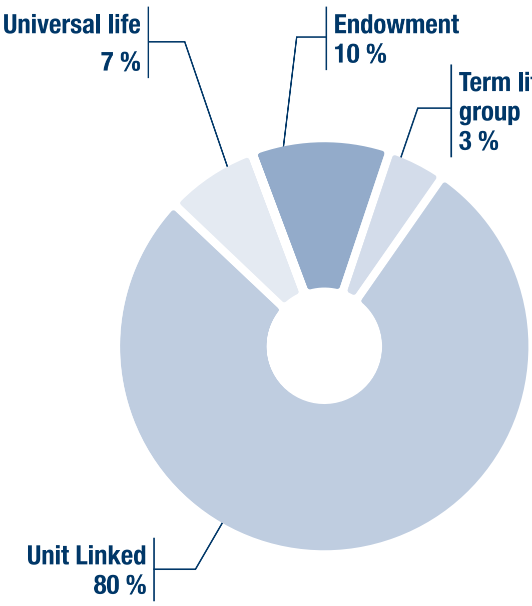
Payment frequency of premium
Life insurance 2015



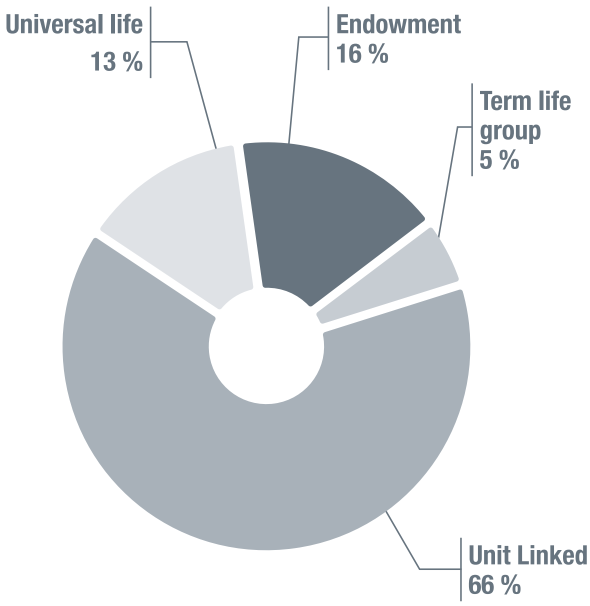
Payment frequency of premium
Life insurance 2014



Life premium
per products 2015



Life premium
per products 2014

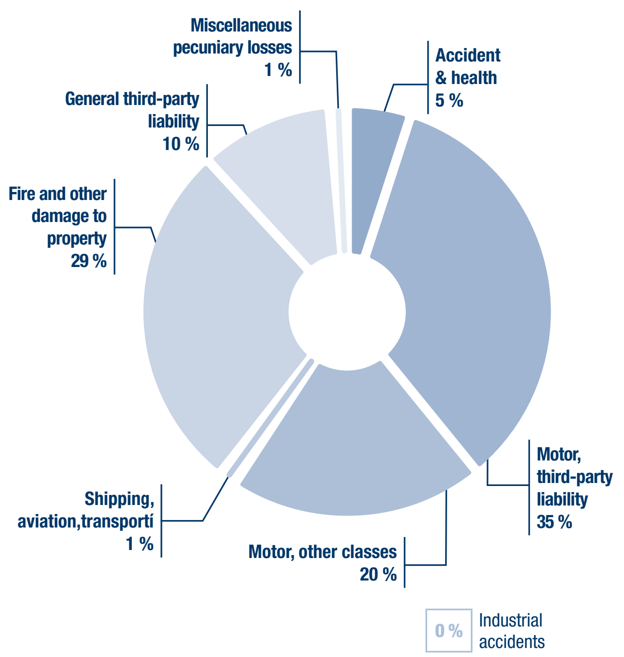


(d) Overview of non-life insurance per line of business

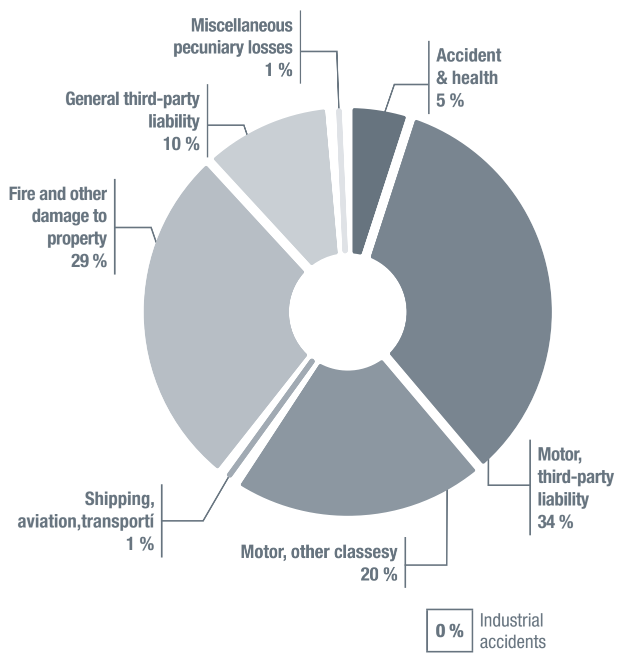
2015 CZK `000	Gross earned premiums	Gross claims incurred	Gross operating expenses	Net result from reinsurance
Accident & health	236,895	(53,989)	(88,672)	(2,293)
Industrial accidents	14,533	(7,436)	(5,269)	1,992
Motor, third-party liability	1,674,898	(1,411,645)	(572,048)	(41,478)
Motor, other classes	943,935	(596,907)	(291,301)	(6,355)
Shipping, aviation, transport	38,649	(11,916)	(15,390)	(5,701)
Fire and other damage to property	1,399,505	(362,080)	(463,968)	(140,399)
General third-party liability	480,935	(210,805)	(169,798)	(4,540)
Miscellaneous pecuniary losses	29,806	(57,016)	(9,690)	(10,994)
Total	**4,819,156**	**(2,711,794)**	**(1,616,136)**	**(209,768)**

2014 CZK `000	Gross earned premiums	Gross claims incurred	Gross operating expenses	Net result from reinsurance
Accident & health	238,492	(87,414)	(86,844)	(1,875)
Industrial accidents	11,102	0	(5,687)	(1,969)
Motor, third-party liability	1,536,705	(1,081,043)	(536 153)	(37,485)
Motor, other classes	903,524	(590,121)	(270,151)	(7,395)
Shipping, aviation, transport	37,145	(20,332)	(15,048)	(1,454)
Fire and other damage to property	1,313,690	(487,074)	(433,344)	(144,066)
General third-party liability	456,990	(324,685)	(156,706)	24,036
Miscellaneous pecuniary losses	34,879	2,956	(12,329)	(26,237)
Total	**4,532,527**	**(2,587,713)**	**(1,516,262)**	**(196,445)**

Earned premium Nonlife per products 2015



Earned premium Nonlife per products 2014



5. Net Interest Income

CZK `000	2015	2014
Interest income from financial assets other than financial assets measured at fair value through profit or loss	**778,284**	802,373
Available-for-sale assets	**264,197**	281,355
Loans and receivables	**20,272**	19,098
Held-to-maturity investments	**493,849**	501,920
Repo operations	**(34)**	0
Financial assets held for trading	**0**	0
Hedging derivatives	**(26,461)**	(15,988)
Other financial assets at fair value through profit or loss	**1,066**	2,920
Current accounts	**560**	1,195
TOTAL	**753,449**	**790,500**

6. Net (Un)Realized Gains/ (Losses) from Financial Instruments at Fair Value Through Profit Or Loss

CZK `000	2015	2014
Instruments held for trading (including changes in fair value of derivatives held for trading)	**(177)**	0
Realized gains/ (losses)	**(13,126)**	(54,682)
Other financial instruments initially recognized at fair value through profit or loss	**11,394**	19,770
Foreign exchange gains (+) and losses (-)	**16,872**	20,548
(Losses)/ gains on unit-linked instruments	**213,333**	447,055
TOTAL	**228,296**	**432,691**

7. Net (Losses) / Gains from Available-For-Sale Assets

CZK `000	2015	2014
Realized gains	**880**	22,383
Fixed-income securities	**880**	22,383
Realized losses	**(3,753)**	0
Fixed-income securities	**(3,753)**	0
Impairments	**(80,388)**	(5,548)
Fixed-income securities	**(77,723)**	0
Shares	**(2,665)**	(5,548)
TOTAL	**(83,261)**	**16,835**

8. Fee and Commission Income

CZK `000	2015	2014
Bank fee for investing into financial instruments	**46,740**	56,967
Commissions and profit-sharing received from reinsurers	**39,191**	39,525
Other commission income	**3,896**	6,515
TOTAL	**89,827**	**103,007**

9. Other Income

CZK `000	2015	2014
Rental income	**8,087**	7,951
Other operating income	**62,517**	54,608
TOTAL	**70,604**	**62,559**

10. Net Benefits and Claims from Insurance and Investment Contracts

2015 CZK `000	Non-life insurance contracts	Life insurance contracts	Investment contracts with DPF	Total
Gross benefits and claims from insurance and investment contracts	**(2,593,386)**	**(5,971,962)**	**(150,426)**	**(8,715,774)**
Benefits and claims paid	(2,477,905)	(6,297,147)	(236,652)	(9,011,704)
Change in provision for claims outstanding (note 24)	(132,481)	(206,801)	0	(339,282)
Change in life insurance provision where policyholder bears investment risk (note 24)	0	404,582	0	404,582
Change in provision to cover the Company's share in liabilities of the Czech Insurers' Bureau (note 24)	40,863	0	0	40,863
Bonuses and rebates	(23,863)	(23,252)	0	(47,115)
Change in life insurance provision (note 24)	0	150,656	0	150,656
Change in provision for investment contract with DPF (note 24)	0	0	86,226	86,226
Change in deficiency provision (note 24)	0	0	0	0
Reinsurers' share	**57,734**	**3,952**	**0**	**61,686**
Benefits and claims paid	117,035	3,653	0	120,688
Change in provision for claims Outstanding (note 24)	(62,160)	299	0	(61,861)
Bonuses and rebates	2,859	0	0	2,859
Total net benefits and claims from insurance and investment contracts	**(2,535,652)**	**(5,968,010)**	**(150,426)**	**(8,654,088)**

2014 CZK `000	Non-life insurance contracts	Life insurance contracts	Investment contracts with DPF	Total
Gross benefits and claims from insurance and investment contracts	**(2,465,347)**	**(3,950,057)**	**(264,309)**	**(6,679,713)**
Benefits and claims paid	(2,394,243)	(6,071,620)	(444,616)	(8,910,479)
Change in provision for claims outstanding (note 24)	(69,410)	(221,678)	0	(291,088)
Change in life insurance provision where policyholder bears investment risk (note 24)	0	1,596,618	0	1,596,618
Change in provision to cover the Company's share in liabilities of the Czech Insurers' Bureau (note 24)	34,575		0	34,575
Bonuses and rebates	(13,758)	(191)	0	(13,949)
Change in life insurance provision (note 24)	0	746,814	0	746,814
Change in provision for investment contract with DPF (note 24)	0	0	180,307	180,307
Change in other provision (Loss Prevention Fund)	(22,511)	0	0	(22,511)
Change in deficiency provision (note 24)	0	0	0	0
Reinsurers' share	**83,638**	**667**	**0**	**84,305**
Benefits and claims paid	205,046	2,523	0	207,569
Change in provision for claims Outstanding (note 24)	(122,384)	(1,856)	0	(124,240)
Bonuses and rebates	976	0	0	976
Total net benefits and claims from insurance and investment contracts	**(2,381,709)**	**(3,949,390)**	**(264,309)**	**(6,595,408)**

11. Fee and Commission Expense

CZK `000	2015	2014
Acquisition costs	**(1,771,016)**	(1,721,519)
Commission expenses	**(1,379,426)**	(1,159,381)
Other acquisition costs	**(490,338)**	(517,529)
from which: personal expenses	**(178,317)**	(183,232)
Pro-rata deferral of commissions	**116,457**	(23,174)
Financial placement bonus	**(17,709)**	(21,435)
Custody costs	**(37,190)**	(43,836)
Bank fees	**(15,660)**	(15,540)
TOTAL	**(1,823,866)**	**(1,780,895)**

12. Operating Expenses

As a part of administrative expenses, auditor's remuneration represents CZK 3,624 thousand (statutory financial statements audit) and CZK 1,495 thousand (other assurance services) in 2015 and CZK 3,624 thousand in 2014, respectively.

2015 CZK `000	Administration costs	Internal claim settlement costs	Total
Employee related expenses	(242,185)	(67,265)	(309,450)
General administrative expenses	(339,379)	(62,798)	(402,177)
Depreciation and amortization of fixed assets	(20,424)	(5,625)	(26,049)
Total operating expenses	**(601,988)**	**(135,688)**	**(737,676)**

2014 CZK `000	Administration costs	Internal claim settlement costs	Total
Employee related expenses	(241,097)	(81,583)	(322,680)
General administrative expenses	(272,765)	(67,183)	(339,948)
Depreciation and amortization of fixed assets	(20,087)	(7,032)	(27,119)
Total operating expenses	**(533,949)**	**(155,798)**	**(689,747)**

13. Employee Information

2015 (tis. Kč)	Average number of employees	Wages and salaries	Social and health insurance	Other costs	Total
Employees	623	(280,686)	(95,939)	(17,329)	(393,954)
Executives	30	(50,128)	(14,891)	(28,794)	(93,813)
Total	**653**	**(330,814)**	**(110,830)**	**(46,123)**	**(487,767)**

2014 (tis. Kč)	Average number of employees	Wages and salaries	Social and health insurance	Other costs	Total
Employees	655	(288,604)	(95,797)	(18,721)	(403,122)
Executives	31	(58,573)	(17,590)	(26,627)	(102,790)
Total	**686**	**(347,177)**	**(113,387)**	**(45,348)**	**(505,912)**

Acquisition costs include staff costs of CZK 178,317 thousand in 2015 and CZK 183,232 thousand in 2014, respectively, and Operating expenses of CZK 309,450 thousand in 2015 and CZK 322,680 thousand in 2014, respectively.

Management bonus scheme

Remuneration of the members of the Board of Directors and of the Supervisory Board is subject to the approval of the Remuneration Committee appointed by the shareholders.

Retirement benefits

The Company provides its employees (including senior management) with a voluntary contribution defined retirement scheme. Participating employees can contribute CZK 200 or more of their salaries each month to a pension fund approved by the Czech Ministry of Finance (MF CZ), with a contribution of CZK 300 – 1,000 from the Company.

Life Insurance benefits

The Company provides its employees (including senior management) with a contribution on life insurance policies concluded by employees deliberately at the Company. Participating employees can contribute CZK 200 or more of their salaries monthly on their maximum of two policies at the Company, with a contribution of CZK 400 – 2,500 from the Company.

Severance

Employees dismissed by their employer according to the Czech employment law. Employees who terminated employment agreement pursuant to § 52 paragraph 1 point. a) to c) of the Labor Code, are entitled to a payment up to two average monthly earnings depending on the date of employment termination. Additional termination benefits are granted to employees who were employed between 10-15 years (one month's average salary), 15 and more years (2 times the month's average salary) and simultaneously terminated employment agreement in pursuant to § 52 paragraph 1 point. a) to c) of the Labor Code.

14. Other Expenses

2015 CZK `000	Non-life insurance contracts	Life insurance contracts	Total
Write-offs and allowances to insurance receivables	8,033	(1,139)	6,894
Other expenses	(88,369)	(11,745)	(100,114)
Total	**(80,336)**	**(12,884)**	**(93,220)**

2014 CZK `000	Non-life insurance contracts	Life insurance contracts	Total
Write-offs and allowances to insurance receivables	(27,613)	(1,970)	(29,583)
Other expenses	(26,103)	(1,161)	(27,264)
Total	**(53,716)**	**(3,131)**	**(56,847)**

15. Income Tax Expense

The components of income tax expense/ (benefit) for the years ended 31 December 2015 and 31 December 2014 are as follows:

CZK `000	2015	2014
Current year tax expense	**(147,184)**	(186,934)
Previous year (over) / under payment	**(2,282)**	(2,913)
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	**(13,441)**	27,910
TOTAL	**(162 907)**	**(161,937)**

Reconciliation of tax charge

Reconciliation between the tax expense/ (benefit) and the accounting profit multiplied by the domestic tax rate for the years ended 31 December 2015 and 31 December 2014 is as follows:

CZK `000	2015	2014
Profit before taxation	**878,481**	908,474
Applicable tax rates	**19%**	19%
Taxation at applicable tax rates	**(166,911)**	(172,610)
Previous year (over) / under accrual	**(2,282)**	(2,913)
Tax effect of non-taxable income	**42,723**	27,868
Tax effect of non-deductible expenses	**(36,447)**	(13,564)
Other	**10**	(718)
TOTAL	**(162 907)**	**(161,937)**

The applicable tax rate for 2015 and 2014 was 19%.

Deferred income taxes are calculated on all temporary differences under the liability method using an income tax rate of 19%.

Deferred tax expense

The deferred tax (charge) / benefit in the income statement comprises of the following temporary differences:

CZK `000	2015	2014
Provision for receivables due to policyholders	**(1,155)**	4,864
Employee benefits	**(2,638)**	1,370
Tangible and intangible assets	**(16,051)**	(10,291)
Financial instruments	**5,963**	31,967
Other	**440**	0
TOTAL	**(13,441)**	**27,910**

Deferred tax effect relating to other comprehensive income

2015 CZK `000	Before tax amount	Deferred tax	Net of tax amount
In respect of available for sale financial assets revaluation in equity	26,765	(5,080)	21,685
Shares	26	0	26
Bonds	18,965	(3,603)	15,362
Other assets	(1,854)	352	(1,502)
Hedging derivatives	9,628	(1,829)	7,799
In respect of available for sale financial assets (un)realized revaluation in income statement	(73,292)	13,925	(59,367)
Bonds	(69,391)	13,184	(56,207)
(Un)realized gains / (losses)	(69,717)	13,246	(56,471)
Impairment	326	(62)	264
Hedging derivatives	(3,901)	741	(3,160)
Total	**(46,527)**	**8,845**	**(37,682)**

2014 CZK `000	Before tax amount	Deferred tax	Net of tax amount
In respect of available for sale financial assets revaluation in equity	93,335	(17,706)	75,629
Shares	147	0	147
Bonds	94,650	(17,983)	76,666
Other assets	(1,857)	353	(1,504)
Hedging derivatives	395	(75)	320
In respect of available for sale financial assets (un)realized revaluation in income statement	(67,068)	12,743	(54,325)
Bonds	(70,307)	13,358	(56,948)
(Un)realized gains / (losses)	(70,307)	13,358	(56,948)
Impairment	0	0	0
Hedging derivatives	3,238	(615)	2,623
Total	**26,267**	**(4,963)**	**21,304**

Income tax effects relating to items from other comprehensive income reclassified to the income statement:

2015 CZK `000	Before tax amount	Income tax	Net of tax amount
Available-for-sale financial assets	(73,618)	13,184	(60,434)
Shares	0	0	0
Bonds	(69,716)	13,184	(56,532)
Hedging derivatives	(3,902)	0	(3,902)
Total	**(73,618)**	**13,184**	**(60,434)**

2014 CZK `000	Before tax amount	Income tax	Net of tax amount
Available-for-sale financial assets	(67,069)	13,358	(53,711)
Shares	0	0	0
Bonds	(70,307)	13,358	(56,949)
Hedging derivatives	3,238	0	3,238
Total	**(67,068)**	**13,358**	**(53,711)**

16. Intangible Assets

2015 CZK `000	Externally developed software	Goodwill	Total
Opening balance - acquisition costs	306,275	100,108	406,383
Opening balance - depreciation and impairment	(306,275)	(100,108)	(406,383)
Opening balance - carrying amount	**0**	**0**	**0**
Closing balance - acquisition costs	306,275	100,108	406,383
Closing balance - depreciation and impairment	(306,275)	(100,108)	(406,383)
Closing balance - carrying amount	**0**	**0**	**0**

2014 CZK `000	Externally developed software	Goodwill	Total
Opening balance - acquisition costs	306,275	100,108	406,383
Opening balance - depreciation and impairment	(306,275)	(100,108)	(406,383)
Opening balance - carrying amount	**0**	**0**	**0**
Closing balance - acquisition costs	306,275	100,108	406,383
Closing balance - depreciation and impairment	(306,275)	(100,108)	(406,383)
Closing balance - carrying amount	**0**	**0**	**0**

The amortization of intangible assets is presented in operating expenses in the income statement.

17. Property and Equipment

2015 CZK `000	Land and buildings	IT equipment	Other equipment	Total
Opening balance - acquisition costs	1,063,551	128	117,607	1,181,286
Opening balance - depreciation and impairment	(511,052)	(128)	(88,877)	(600,057)
Opening balance - carrying amount	**552,499**	**0**	**28,730**	**581,229**
Acquisitions	5,586	0	10,643	16,229
Disposals	(104)	0	(13,997)	(14,101)
Depreciation	(34,661)	0	(8,980)	(43,641)
Disposal of accumulated depreciation	0	0	12,106	12,106
Closing balance - acquisition costs	1,069,033	128	114,253	1,183,414
Closing balance - depreciation and impairment	(545,713)	(128)	(85,751)	(631,592)
Closing balance - carrying amount	**523,320**	**0**	**28,502**	**551,822**

2014 CZK `000	Land and buildings	IT equipment	Other equipment	Total
Opening balance - acquisition costs	1,060,816	172	124,718	1,185,706
Opening balance - depreciation and impairment	(476,695)	(172)	(93,421)	(570,288)
Opening balance - carrying amount	**584,121**	**0**	**31,297**	**615,418**
Acquisitions	4,245	0	13,822	18,067
Disposals	(1,510)	(44)	(20,933)	(22,487)
Depreciation	(34,357)	0	(10,500)	(44,857)
Disposal of accumulated depreciation	0	44	15,044	15,088
Closing balance - acquisition costs	1,063,551	128	117,607	1,181,286
Closing balance - depreciation and impairment	(511,052)	(128)	(88,877)	(600,057)
Closing balance - carrying amount	**552,499**	**0**	**28,730**	**581,229**

18. Financial Instruments

a) Financial instruments, breakdown by portfolio and product

Financial instruments – assets

2015 CZK `000	Derivatives held for trading	Designed at fair value through profit and loss	Available-for-sale financial assets	Loans and receivables	Held to maturity	Total
Loans and advances	0	2,202	0	1,265,299	0	1,267,501
Term loans	0	2,202	0	1,265,299	0	1,267,501
Equity instruments	0	50,936	162,164	0	0	213,100
Investment contracts (insurance)	0	12,982,782	0	0	0	12,982,782
Mutual fund units	0	12,982,782	0	0	0	12,982,782
Debt instruments issued by	0	52,906	12,215,627	0	10,827,164	23,095,697
Public bodies	0	0	4,698,632	0	9,435,162	14,133,794
Credit institutions and investment firms	0	39,936	4,223,928	0	1,392,002	5,655,866
Corporates	0	12,972	3,293,066	0	0	3,306,038
Derivatives	7,270	0	0	0	0	7,270
Carrying value including accrued interest income	**7,270**	**13,088,826**	**12,377,791**	**1,265,299**	**10,827,164**	**37,566,350**

2014 CZK `000	Derivatives held for trading	Designed at fair value through profit and loss	Available-for-sale financial assets	Loans and receivables	Held to maturity	Total
Loans and advances	0	93,434	0	1,262,529	0	1,355,963
Term loans	0	93,434	0	1,262,529	0	1,355,963
Equity instruments	0	82,217	164,803	0	0	247,020
Investment contracts (insurance)	0	13,387,587	0	0	0	13,387,587
Mutual fund units	0	13,387,587	0	0	0	13,387,587
Debt instruments issued by	0	30,195	11,776,867	0	11,262,678	23,069,740
Public bodies	0	11,286	3,379,137	0	9,880,076	13,270,499
Credit institutions and investment firms	0	17,179	5,209,710	0	1,382,602	6,609,491
Corporates	0	1,730	3,188,020	0	0	3,189,750
Derivatives	1,568	0	0	0	0	1,568
Carrying value including accrued interest income	**1,568**	**13,593,433**	**11,941,670**	**1,262,529**	**11,262,678**	**38,061,878**

An amount CZK 162,164 thousand reported as at 31 December 2015 (CZK 164,803 thousand as at 31 December 2014) as available-for-sale financial assets, represents the Company's share in ČSOB Property fund, a.s., which amounts to 35.877% as at 31 December 2015 (35.877% as at 31 December 2014). This share is recognized within the line Equity instruments, because the Company does not have a significant influence in ČSOB Property fund (voting rights were transferred to ČSOB Bank). The item further contains an investment in ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB.

The Company restructured part of the debt portfolio by a reclassification from Available-for-sale to Held-to-maturity financial assets. The reason was to eliminate the accounting impact of the revaluation and to stabilize the accounting value of this part of the portfolio. The revaluation reported in equity will be released in the income statement during the lifetime of each bond using the effective interest rate method.

The book value, respectively fair value of bonds reclassified as at 30 June 2010 was CZK 8,838,696 thousand and the amount of revaluation recorded in equity was CZK 459,595 thousand.

The book value, respectively fair value of bonds reclassified as at 31 May 2012 was CZK 2,025,366 thousand and the amount of revaluation recorded in equity was CZK 247,109 thousand.

The total book value of reclassified bonds as at 31 December 2015 was CZK 10,650,916 thousand and CZK 11,082,993 thousand as at 31 December 2014. The value of reclassified assets in equity was CZK 398,893 thousand as at 31 December 2015 and CZK 468,610 thousand as at 31 December 2014.

The total fair value of reclassified bonds was CZK 13,686,292 thousand as at 31 December 2015 and CZK 14,028,670 thousand as at 31 December 2014.

If no reclassifications had occurred, the total value of the revaluation of these bonds in equity would have been CZK 3,035,376 thousand as at 31 December 2015 and CZK 2,945,677 thousand as at 31 December 2014. Also, in this case there would not have been any profit or loss effect relating to changes in the fair value of assets.

Financial instruments – liabilities

2015 CZK `000	Derivatives held for trading	Derivatives held as CF hedges	Derivatives held as fair value hedges	Total
Total carrying value	22	85,416	293,083	378,521
Accrued interest income	0	3,126	13,573	16,699
Carrying value including accrued interest income	**22**	**88,542**	**306,656**	**395,220**

2014 CZK `000	Derivatives held for trading	Derivatives held as CF hedges	Derivatives held as fair value hedges	Total
Total carrying value	0	112,544	201,611	314,155
Accrued interest income	0	4,548	11,976	16,524
Carrying value including accrued interest income	**0**	**117,092**	**213,587**	**330,679**

b) Comparison of the fair values of the financial assets to their carrying values

2015 CZK `000	Carrying value	Fair value
Loans and receivables	1,265,299	1,441,694
Available-for-sale financial assets	12,377,791	12,377,791
Financial assets at fair value through profit or loss	13,088,826	13,088,826
Derivatives held for trading	7,270	7,270
Held to maturity investments	10,827,164	13,862,540
Total financial assets	**37,566,350**	**40,778,121**

2014 CZK `000	Carrying value	Fair value
Loans and receivables	1,262,529	1,400,844
Available-for-sale financial assets	11,941,670	11,941,670
Financial assets at fair value through profit or loss	13,593,433	13,593,433
Derivatives held for trading	1,568	1,568
Held to maturity investments	11,262,678	14,222,563
Total financial assets	**38,061,878**	**41,160,078**

c) Comparison of the fair values of the financial liabilities to their carrying values

2015 CZK `000	Carrying value	Fair value
Derivatives held for trading	22	22
Derivatives held as CF hedges	88,542	88,542
Derivatives held as fair value hedges	306,656	306,656
Total financial liabilities	**395,220**	**395,220**

2014 CZK `000	Carrying value	Fair value
Derivatives held for trading	0	0
Derivatives held as CF hedges	117,092	117,092
Derivatives held as fair value hedges	213,587	213,587
Total financial liabilities	**330,679**	**330,679**

d) Fair value hierarchy

Financial assets and liabilities at fair value (available-for-sale securities, financial assets and liabilities held for trading and designated as at fair value through profit or loss) are valued according to the valuation hierarchy provided in IAS 39 and IFRS 13.

The fair value calculation of commonly used financial instruments can be summarized as follows:

- **Level 1**

If available, published price quotations of identical financial instruments in active markets are used to determine the fair value of financial assets or financial liabilities. Revaluation is obtained by comparing prices, which means that no model is involved in the process of revaluation. Financial instruments valued on this basis include government bonds.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

- **Level 2**

Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments that are not actively traded; or other valuation techniques where all significant inputs are directly or indirectly observed from the market.

Financial instruments valued on this basis include interest rate swaps (IRS), FX forwards, deposits, mortgage bonds, investment contracts (UL products) and other debt and equity instruments.

- **Level 3**

This level includes valuation techniques using significant inputs that are unobservable on the active market. This category includes all financial instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category comprises financial instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument that is subject to valuation and a similar instrument. The financial instruments classified in this category are as follows: shares of ČSOB Property fund, a.s.; the shares are valued using the future discounted cash flow method based on expected rents, which represent a sufficiently unobservable market input; and mortgage bonds with a maturity of more than five years, where the valuation model also uses market inputs that are not sufficiently observable (particularly a credit spread).

A valuation model is applied to determine the fair value of mortgage bonds. Input parameters of the model are adjusted on an annual basis to reflect actual inputs. Yield curves used in the model for discounting future cash flows are constructed from IRS rates and respective credit spreads. The credit spreads are derived from available market quotes of mortgage bonds and Czech government bonds. Yield curves for estimating future cash flows of mortgage bonds with variable coupon are still derived from IRS rates provided by KBC Bank.

An analysis of mortgage bonds was performed, taking into consideration the above facts, and market unobservable inputs were reassessed. The Company's management decided that because the credit spreads for the first five years of maturity are exclusively derived from market observable quotes of mortgage bonds (the management also validates these quotes by comparison to prices reached in observed market transactions), mortgage bonds with a maturity of up to five years are included in level 2. The spread for the rest of the curve is derived from observed mortgage bond spread at five and ten years and the slope of the Czech government yield curve. The management considers this a significant market unobservable input and, as a consequence, the mortgage bonds with a maturity of more than 5 years were transferred to Level 3, which was the main factor contributing to the Level 3 increase in 2014.

Movements in Level 3 financial instruments measured at fair value

The following table shows the reconciliation of the opening and closing balances of financial assets which are recorded at fair value using valuation techniques based on market unobservable inputs:

	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets		Total
CZK `000	Debt securities	Debt securities	Debt securities	Equity securities	Total
At 1 January 2015	**0**	**0**	**1,311,286**	**163,301**	**1,474,587**
Total gains / (losses) recorded in profit or loss	0	0	(15,126)	(2,665)	(17,791)
Total gains / (losses) recorded in other comprehensive income	0	0	23,098	0	23,098
Transfers from Level 3 to Level 2	0	0	0	0	0
Purchases	0	0	408,300	0	408,300
Settlement	0	0	0	0	0
Sale	0	0	0	0	0
At 31 December 2015	**0**	**0**	**1,727,558**	**160,636**	**1,888,194**
Total gains / (losses) recorded in profit or loss related to assets held at the end of the reporting period	0	0	(15,126)	(2,665)	(17,791)
At 1 January 2014	**0**	**0**	**0**	**168,849**	**168,849**
Total gains / (losses) recorded in profit or loss	0	0	0	(5,548)	(5,548)
Total gains / (losses) recorded in other comprehensive income	0	0	0	0	0
Transfers from Level 3 to Level 2	0	0	1,311,286	0	1,311,286
Purchases	0	0	0	0	0
Settlement	0	0	0	0	0
Sale	0	0	0	0	0
At 31 December 2014	**0**	**0**	**1,311,286**	**163,301**	**1,474,587**
Total gains / (losses) recorded in profit or loss related to assets held at the end of the reporting period	0	0	0	(5,548)	(5,548)

Total gains or losses recorded in profit or loss are included within the caption Net gains / (losses) on available-for-sale financial assets.

Impact of changes in key assumptions on fair value of Level 3 financial instruments measured at fair value

Management considers the value of the credit spread included in the discount factor applied on the estimated future cash flows from mortgage bonds in periods after the fifth year from the balance sheet date as a key assumption not derived from observable market inputs which is influencing the fair value of Level 3 financial instruments.

As at 31 December 2015, an increase / (decrease) of a credit spread by 50 basis points would (decrease) / increase the fair value of the mortgage bonds included in Level 3 by CZK 56,520 thousand (CZK 46,402 thousands as at 31 December 2014). Such a change of the credit spread is based on the variability of mortgage bond quotes that were observed y the management on the market.

In case of investment to ČSOB Property fund shares, rent value is the most important market non-observable input, which influences investment's fair value. The rent value is included in the real estate's fair value valuation.

As at 31 December 2015, an increase / (decrease) of rent by 10% would (decrease) / increase the fair value of the ČSOB Property fund's shares included in level 3 by 4,14%/-3,85% (+7,72 % / -7,14 % as at 31 December 2014).

Management believes that reasonably possible changes in other unobservable market inputs in the valuation models used would not have a material impact on the fair values of financial instruments included in Level 3.

The following table shows an analysis of financial instruments recorded at fair value, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2015:

Financial assets in 2015

2015 CZK `000	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Financial assets at fair value through profit or loss	8,485,139	4,610,957	0	13,096,096
Held for trading derivatives	0	7,270	0	7,270
Loans & advances to credit inst.	0	2,202	0	2,202
Equity Instruments	50,936	0	0	50,936
Mutual fund units	8,434,203	0	0	8,434,203
Debt instruments	0	4,601,485	0	4,601,485
Available for sale	4,603,118	5,886,479	1,888,194	12,377,791
Equity Instruments	0	1,528	160,636	162,164
Debt instruments	4,603,118	5,884,951	1,727,558	12,215,627
Financial assets held to maturity				
Debt instruments	7,722,437	3,104,727	0	10,827,164
Loans and receivables				
Term deposits	0	1,265,299	0	1 265 299
Total	**20,810,694**	**14,867,462**	**1,888,194**	**37,566,350**
Financial liabilities at fair value				
Derivatives held for trading	0	22	0	22
Held for trading derivatives	0	88,542	0	88,542
Derivatives held as CF hedges	0	306,656	0	306,656
Total	**0**	**395 220**	**0**	**395,220**

The following table shows an analysis of financial instruments recorded at fair value, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2014:

Financial assets in 2014

2014 CZK `000	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Financial assets at fair value through profit or loss	11,822,800	1,772,201	0	13,595,001
Held for trading derivatives	0	1,568	0	1,568
Loans & advances to credit inst.	0	93,434	0	93,434
Equity Instruments	82,217	0	0	82,217
Mutual fund units	11,729,297	0	0	11,729,297
Debt instruments	11,286	1,677,199	0	1,688,485
Available for sale	3,680,670	6,786,413	1,474,587	11,941,670
Equity Instruments	0	1,502	163,301	164,803
Debt instruments	3,680,670	6,784,911	1,311,286	11,776,867
Financial assets held to maturity				
Debt instruments	8,068,231	3,194,447	0	11,262,678
Loans and receivables				
Term deposits	0	1,262,529	0	1,262,529
Total	**23,571,701**	**13,015,590**	**1,474,587**	**38,061,878**
Financial liabilities at fair value				
Held for trading derivatives	0	117,092	0	117,092
Derivatives held as CF hedges	0	213,587	0	213,587
Total	**0**	**330,679**	**0**	**330,679**

e) Derivative financial instruments

2015 CZK `000	Assets	Liabilities	Nominal amount
Derivatives held for trading	7,270	22	260,832
Currency forwards	0	22	80,300
Currency swaps	6,221	0	152,625
Interest swaps	1,049	0	27,907
Derivatives held as CF hedges	0	88,542	647,079
Currency swaps	0	88,542	647,079
Derivatives held as fair value hedges	0	306,656	1,482,699
Currency swaps	0	178,640	1,062,699
Interest swaps	0	128,016	420,000
Total	**7,270**	**395,220**	**2,390,610**

2014 CZK `000	Assets	Liabilities	Nominal amount
Derivatives held for trading	1,568	0	25,584
Currency forwards	0	0	0
Currency swaps	0	0	0
Interest swaps	1,568	0	25,584
Derivatives held as CF hedges	0	117,092	1,064,395
Currency swaps	0	117,092	1,064,395
Derivatives held as fair value hedges	0	213,587	1,335,324
Currency swaps	0	190,718	1,215,324
Interest swaps	0	22,869	120,000
Total	**1,568**	**330,679**	**2,425,303**

Derivatives held for trading

This group involves a surplus of derivatives that are acquired in accordance with unit-linked provisions placement and are not covered by this provision. They are covered by the equity of the Company. The group concludes interest rate swaps, which are acquired in order to secure cash flows (nominal amounts, payments of coupons) derived from a part of the bond portfolio. The bonds' portfolio is acquired in order to allocate unit-linked provisions.

Interest rate swaps are acquired to secure fixed interest rates and one-off payments of interest gains at the maturity of the underlying instrument.

The fair value of this instrument was CZK 1,048 thousand at 31 December 2015 and CZK 1,568 thousand at 31 December 2014.

In addition, this group also includes a currency swap, which was reclassified in 2015 from a hedging instrument to the category of derivatives held for trading as the hedging relation was ineffective due to permanent impairment of the bond issued by the Austrian Land of Carinthia.

For relations stated above hedging is not applied.

Negative value of all derivatives is recorded in liabilities.

Hedge accounting

Cash flow hedging – elimination of foreign currency and interest risk realization impacts to profit or loss and cash flows

The Company has to maintain a stable cash flow resulting from the ownership of the hedged instrument (i.e. to hedge notional amount and the coupon payments) within its hedging strategy considering hedge relationship type. Hedging instruments are used by the Company to hedge cash flows from part of the government bond portfolio denominated in foreign currencies. The Company uses derivative (cross-currency interest rate swap), the changes in its fair value partially or fully offset changes in fair value or cash flows of hedged items.

The negative fair value of the hedging instrument amounted to CZK 88,542 thousand as at 31 December 2015 and CZK 117,092 thousand as at 31 December 2014. The nature of the risks being hedged consists in the long-term of movements in exchange and interest rates (foreign exchange and interest rate risks).

The information on the periods when the cash flows are expected to occur and when they are expected to affect profit or loss is described in the table below.

The Company records no forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur.

The gross amount reported in equity amounts to a decrease of CZK 5,049 thousand as at 31 December 2015 and loss of CZK 675 thousand as at 31 December 2014, the net amount, i.e. including deferred tax, amounts to CZK 4,090 thousand as at 31 December 2015 (CZK 547 thousand as at 31 December 2014).

The Company regularly (at least once a year) makes an assessment of the hedging relationship effectiveness; and also keeps hedging relationship documentation for the entire period of the application of the hedge accounting application.

2015 CZK `000	Cash inflows	Cash outflows	Net cash inflows
Within one year	123,063	(136,423)	(13,360)
Within 1 - 2 years	12,124	(25,373)	(13,250)
Within 2 - 5 years	275,590	(278,421)	(2,831)
More than 5 years	297,715	(261,194)	36,520

2014 CZK `000	Cash inflows	Cash outflows	Net cash inflows
Within one year	436,997	(454,127)	(17,129)
Within 1 - 2 years	123,063	(131,823)	(8,761)
Within 2 - 5 years	141,803	(157,949)	(16,146)
More than 5 years	444,328	(402,700)	41,628

Income statement

CZK `000	2015	2014
Within one year	**(6,031)**	(3,160)
Within 1 - 2 years	**(7,462)**	(1,431)
Within 2 - 5 years	**5,754**	(4,585)
More than 5 years	**38,612**	46,531

Fair value hedging

Interest and FX risk are hedged by specific investments with fixed interest rate using interest rate and cross currency swaps. The conditions of fair value hedges are exactly in line with conditions of the underlying hedged instruments.

The negative fair value of the hedging instruments totaled CZK 306,656 thousand and CZK 213,586 thousand as at 31 December 2015 and 2014, respectively.

The impact of hedging swaps revaluation relating to the fair value hedging in profit/ loss was a gain of CZK 22,055 thousand as at 31 December 2015, and loss of CZK 49,676 thousand as at 31 December 2014. The revaluation of the hedged bonds with an income statement effect was decrease of CZK 22,055 thousand and increase of CZK 49,676 thousand as at 31 December 2015 and 2014, respectively.

f) Offsetting financial instruments

The following table shows an analysis of the financial assets and liabilities that have been set-off or that are subject to an enforceable master netting arrangement or similar agreement:

2015 CZK `000	Net amounts of financial instrument presented in the balance sheet	Amount set-off in the balance sheet	Amount not set-off amount
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	7,270	0	7,270
Total carrying value	**7,270**	**0**	**7,270**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	395,220	0	395,220
Total carrying value	**395,220**	**0**	**395,220**

2014 CZK `000	Net amounts of financial instrument presented in the balance sheet	Amount set-off in the balance sheet	Amount not set-off amount
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	1,568	0	1,568
Total carrying value	**1,568**	**0**	**1,568**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	330,679	0	330,679
Total carrying value	**330,679**	**0**	**330,679**

In the case of mutual compensation of financial assets and liabilities of a company, the overall financial situation would be following:

2015 CZK `000	Net amounts of financial instrument presented in the balance sheet	Amount set-off in the balance sheet	Amount possible set-off
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	7,270	7,270	0
Total carrying value	**7,270**	**7,270**	**0**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	395,220	7,270	387,950
Total carrying value	**395,220**	**7,270**	**387,950**

2014 CZK `000	Net amounts of financial instrument presented in the balance sheet	Amount set-off in the balance sheet	Amount possible set-off
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	1,568	1,568	0
Total carrying value	**1,568**	**1,568**	**0**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	330,679	1,568	329,111
Total carrying value	**330,679**	**1,568**	**329,111**

Financial collateral

The Company provided financial collateral to compensate payables from financial derivatives. Collateral is provided in the form of financial instrument guarantee. As at 31 December 2015 the state bond CZECH GOVT PRIN STRIP 0 09/12/20, ISIN CZ0000700661 in the amount CZK 278,796 thousand was used as collateral. The same bond in the carrying amount of CZK 138,571 thousand was used collateral as at 31 December 2014.

g) Permanent impairment of financial assets

The only investment with a permanent impairment is CSOB Property fund, which is classified as available-for-sale financial assets. Impairment in the total amount of CZK 151,699 thousand was recorded in the income statement until 2014. In 2015, an impairment of CZK 2, 665 thousand was recorded in profit/loss. The decrease in value is mainly caused by the negative development on the real estate market which is connected with rental income. This investment is technical reserves placement of life insurance, meaning that the investment is included in life insurance in segment reporting.

The bond State of Carinthia VAR 09/12/19, with a nominal value of CZK 152,627 thousand classified as an available-for-sale financial asset was another asset permanently impaired. A permanent impairment of CZK 77,723 thousand was reported in the income statement in 2015. The Company has identified a significant deterioration of the issuer´s credit quality and it is not certain that the issuer will be able to fully meet all its liabilities related to the said bond.

Both these investments represent the placement of life insurance technical reserves and therefore are reported in the life insurance segment within the segment reporting.

19. Receivables

2015 CZK `000	Gross	Allowance, impairment losses adjustment	Total
Insurance receivables	517,068	(78,677)	438,391
Amounts receivable from policyholders	493,934	(61,793)	432,141
Amounts receivable from intermediaries	13,543	(12,147)	1,396
Amounts receivable from direct ins. ops./other	9,591	(4,737)	4,854
Reinsurance receivables	95,822	0	95,822
Other receivables	28,355		28,355
Total	**641,245**	**(78,677)**	**562,568**

2014 CZK `000	Gross	Allowance, impairment losses adjustment	Total
Insurance receivables	578,480	(112,046)	466,434
Amounts receivable from policyholders	547,760	(92,886)	454,874
Amounts receivable from intermediaries	20,120	(19,160)	960
Amounts receivable from direct ins. ops./other	10,600	0	10,600
Reinsurance receivables	118,064	0	118,064
Other receivables	31,465	0	31,465
Total	**728,009**	**(112,046)**	**615,963**

	Allowance, impairment losses adjustment	
CZK `000	**2015**	**2014**
1 January	**(112,046)**	**(83,295)**
Additions/ (disposals)	**33,369**	(28,751)
At 31 December	**(78,677)**	**(112,046)**

The Company reported the loss from impairment in Other expenses in Income statement.

20. Prepaid Acquisition Commissions

2015 CZK `000	Life insurance and investment contracts	Non-life insurance contracts	Total
At 1 January	**219,307**	**103,218**	**322,525**
Additions	369,699	250,202	619,901
Disposals	(260,080)	(243,364)	(503,444)
At 31 December	**328,926**	**110,056**	**438,982**

2014 CZK `000	Life insurance and investment contracts	Non-life insurance contracts	Total
At 1 January	**253,516**	**92,183**	**345,699**
Additions	229,425	234,393	463,818
Disposals	(263,634)	(223,359)	(486,993)
At 31 December	**219,307**	**103,217**	**322,524**

21. Other Assets

CZK `000	2015	2014
Capitalized costs due to the nullification of negative provision	**142,687**	151,987
Accrued income	**21,336**	36,913
Prepayments	**7,640**	11,913
Other assets	**6,355**	6,511
TOTAL	**178,018**	**207,324**

22. Net Change in Operating Assets

CZK `000	2015	2014
Net change of loans and receivables	**(2,770)**	(466,000)
Net change in financial assets designed at fair value through profit or loss	**28,116**	18,508
Net change in available-for-sale financial assets	**21,802**	(118,189)
Net change in held-to-maturity	**6,186**	69,151
Net change in hedging derivatives	**66,344**	(1,107)
Net change in other assets	**91,939**	(23,631)
Net change in reinsurer's share on claims and benefit payments	**5,795**	(4,020)
NET CHANGE IN OPERATING ASSETS	**217,412**	**(525,288)**

23. Issued Share Capital

Issue (ISIN)	Type of security	Form	Nominal value (CZK)	Number of securities	Total amount (CZK `000)	Publicly tradable
CZ0008040516	Ordinary share	Registered	16,700	30	501,000	No
CZ0008040524	Ordinary share	Registered	8,350	40	334,000	No
CZ0008040532	Ordinary share	Registered	14,028	30	420,840	No
CZ0008040540	Ordinary share	Registered	7,014	40	280,560	No
CZ0008041159	Ordinary share	Registered	6,847	100	684,700	No
CZ0008041167	Ordinary share	Registered	5,751	100	575,148	No
Total	**-**	**-**	**-**	**340**	**2,796,248**	**-**

As at 31 December 2015 and 2014, 100% of registered capital, i.e. CZK 2,796,248 thousand, was fully paid up.

The volume of the Company's registered capital is in accordance with the requirements of the Insurance Act regarding the insurance activities that the Company has been licensed for.

Dividends paid

CZK `000	2015	2014
Total dividends paid in the year	**746,537**	602,871

Dividend amount per 1 share (as at date of dividend payment authorization)

	dividends per share (CZK `000)	
Issue (ISIN)	2015	2014
CZ0008040516	**4,459**	3,601
CZ0008040524	**2,229**	1,800
CZ0008040532	**3,745**	3,024
CZ0008040540	**1,873**	1,512
CZ0008041159	**1,828**	1,476
CZ0008041167	**1,536**	1,240

24. Provisions for Insurance Contracts and Investment Contracts with DPF

2015 CZK `000	Non-life insurance contracts	Life insurance contracts	Investment contracts with DPF	Total
Gross liabilities from insurance contracts and investment contracts with DPF	**5,018,520**	**27,759,645**	**763,399**	**33,541,564**
Provisions for unearned premiums (note 10)	1,362,678	16,545	0	1,379,223
Life insurance provision	0	12,605,445	0	12,605,445
Provision for investment contracts with DPF (note 10)	0	0	763,399	763,399
Life insurance provision where policyholder bears investment risk (note 10)	0	12,967,014	0	12,967,014
Provision for claims outstanding (note 10)	3,390,129	2,110,032	0	5,500,161
Provision for bonuses and rebates	20,607	60,609	0	81,216
Provision to cover the Company's share in liabilities of the Czech Insurers' Bureau(note 10)	245,106	0	0	245,106
Deficiency reserve (note 10)	0	0	0	0
Reinsurers' share	**340,239**	**7,103**	**0**	**347,342**
Provisions for unearned premiums (note 10)	17,241	0	0	17,241
Provision for claims outstanding	322,067	7,103	0	329,170
Provision for bonuses and rebates	931	0	0	931
Net liabilities from insurance contracts and investment contracts with DPF	**4,678,281**	**27,752,542**	**763,399**	**33,194,222**

2014 CZK `000	Non-life insurance contracts	Life insurance contracts	Investment contracts with DPF	Total
Gross liabilities from insurance contracts and investment contracts with DPF	**4,860,533**	**28,085,395**	**849,620**	**33,795,548**
Provisions for unearned premiums (note 10)	1,279,329	17,111	0	1,296,440
Life insurance provision	0	12,756,101	0	12,756,101
Provision for investment contracts with DPF note10)	0	0	849,620	849,620
Life insurance provision where policyholder bears investment risk (note 10)	0	13,371,597	0	13,371,597
Provision for claims outstanding (note 10)	3,257,649	1,903,229	0	5,160,878
Provision for bonuses and rebates	15,075	37,357	0	52,432
Provision to cover the Company's share in liabilities of the Czech Insurers' Bureau (note 10)	285,969	0	0	285,969
Other provisions (Loss prevention fund)	22 511	0	0	22 511
Deficiency reserve (note 10)	0	0	0	0
Reinsurers' share	**405,335**	**6,804**	**0**	**412,139**
Provisions for unearned premiums (note 10)	20,224	0	0	20,224
Provision for claims outstanding	384,227	6,804	0	391,031
Provision for bonuses and rebates	884	0	0	884
Net liabilities from insurance contracts and investment contracts with DPF	**4,455,198**	**28,078,591**	**849,620**	**33,383,409**

a) Life insurance and investment contracts liabilities with DPF

The Company has only insurance contracts and investment contracts with DPF, there are no investment contracts liabilities without DPF. The table below shows movements on all life insurance and investment contracts liabilities.

2015 CZK `000	insurance contracts	investment contracts with DPF	Total
At 1 January	**28,085,395**	**849,620**	**28,935,015**
Premium allocation	6 019 644	74,553	6 094 197
Release of liabilities due to benefits paid surrenders, and other terminations	(5 734 501)	(166,302)	(5 900 803)
Variance from claim development	(706,608)	0	(706,608)
Fees deducted	(267,031)	(5,063)	(272,094)
Provision impairment	704,116	16,548	720,664
Other movements	(341,371)	(5,956)	(347,327)
At 31 December	**27,759,644**	**763,400**	**28,523,044**

2014 CZK `000	insurance contracts	investment contracts with DPF	Total
At 1 January	**30,209,487**	**1,029,928**	**31,239,415**
Premium allocation	3,776,417	113,942	3,890,359
Release of liabilities due to benefits paid surrenders, and other terminations	(5,428,290)	(303,538)	(5,731,828)
Variance from claim development	(586,688)	0	(586,688)
Fees deducted	(281,598)	(6,493)	(288,091)
Provision impairment	951,464	17,545	969,009
Other movements	(555,397)	(1,764)	(557,161)
At 31 December	**28,085,395**	**849,620**	**28,935,015**

Zillmerized provision

CZK `000	**2015**	**2014**
Non-zillmerized provision	**13 381 734**	13,625,743
Zillmerization deduction	**(24,245)**	(29,992)
Nullification of negative provisions	**(6,273)**	(8,344)
ZILLMERIZED PROVISION RECORDED IN BALANCE SHEET	**13 351 216**	**13,587,407**

The Zillmerized provision is reported within the Insurance contracts provision of the statement of financial position.

b) Non-life insurance contracts provisions

Outstanding claims provision

2015 CZK `000	Insurance contracts liabilities	Reinsurance of liabilities	Net
At 1 January	**3,257,649**	**384,227**	**2,873,422**
Claims incurred in the current accident year	3,023,460	86,792	2,936,668
Claims incurred in prior accident years	(311,667)	(31,917)	(279,750)
Payments made on claims incurred in the current year	(1,505,086)	(31,746)	(1,473,340)
Payments made on claims incurred in prior years	(1,074,227)	(85,289)	(988,938)
At 31 December	**3,390,129**	**322,067**	**3,068,062**

2014 CZK `000	Insurance contracts liabilities	Reinsurance of liabilities	Net
At 1 January	**3,188,239**	**506,611**	**2,681,628**
Claims incurred in the current accident year	2,933,885	117,838	2,816,047
Claims incurred in prior accident years	(346,171)	(35,176)	(310,995)
Payments made on claims incurred in the current year	(1,496,662)	(34,984)	(1,461,678)
Payments made on claims incurred in prior years	(1,021,642)	(170,062)	(851,580)
At 31 December	**3,257,649**	**384,227**	**2,873,422**

2015 CZK `000	Insurance contracts liabilities	Reinsurance of liabilities	Net
Provision for claims RBNS	2,606,497	238,923	2,367,574
Provision for claims IBNR	783,632	83,144	700,488
Outstanding claims provision	**3,390,129**	**322,067**	**3,068,062**

2014 CZK `000	Insurance contracts liabilities	Reinsurance of liabilities	Net
Provision for claims RBNS	2,470,849	302,586	2,168,263
Provision for claims IBNR	786,800	81,641	705,159
Outstanding claims provision	**3,257,649**	**384,227**	**2,873,422**

Provision for unearned premium

2015 CZK `000	Insurance contracts liabilities	Reinsurance of liabilities	Net
At 1 January	**1,279,329**	**20,224**	**1,259,105**
Premiums written in the year	4,902,505	301,657	4,600,848
Premiums earned during the year	(4,819,156)	(304,640)	(4,514,516)
At 31 December	**1,362,678**	**17,241**	**1,345,437**

2014 CZK `000	Insurance contracts liabilities	Reinsurance of liabilities	Net
At 1 January	**1,166,476**	**15,612**	**1,150,864**
Premiums written in the year	4,645,381	322,701	4,322,680
Premiums earned during the year	(4,532,528)	(318,089)	(4,214,439)
At 31 December	**1,279,329**	**20,224**	**1,259,105**

Provision to cover the Company's share in liabilities of the Czech Insurers' Bureau

CZK `000	2015	2014
At 1 January	**285,969**	**320,544**
Change in market share	**(40,863)**	(34,575)
At 31 December	**245,106**	**285,969**

25. Taxation

CZK `000	2015	2014
Current tax assets	**149,708**	151,534
Current tax liabilities	**(156,630)**	(199,199)
Total current tax assets/(liabilities)	**(6,922)**	**(47,665)**

2015 CZK `000	Deferred tax asset	Deferred tax liability	Impact to the income statement	Impact to other comprehensive income
Provision for receivables due to policyholders	9,468	0	(1,155)	0
Employee benefits	8,607	0	(2,198)	0
Tangible and intangible assets	30,343	(20,436)	(16,051)	0
Financial instruments	227,532	(238,801)	5,963	8,845
Total	**275,950**	**(259,237)**	**(13,441)**	**8,845**

2014 CZK `000	Deferred tax asset	Deferred tax liability	Impact to the income statement	Impact to other comprehensive income
Provision for receivables due to policyholders	10,623	0	4,864	0
Employee benefits	10,805	0	1,370	0
Tangible and intangible assets	42,954	(16,995)	(10,291)	0
Financial instruments	225,841	(251,919)	31,967	(4,962)
Total	**290,223**	**(268,914)**	**27,910**	**(4,962)**

CZK `000	2015	2014
At 1 January	**(21,309)**	**1,639**
Deferred tax recorded in the income statement (+expense/ -income)	**13,441**	(27,910)
Deferred tax recorded in equity	**(8,845)**	4,962
At 31 December	**(16,713)**	**(21,309)**

26. Payables

CZK `000	2015	2014
Insurance payables	**987,625**	904,923
Amounts payable in respect of policyholders	**839,820**	756,608
Amounts payable intermediaries	**147,717**	148,223
Amounts payable direct insurance - other	**88**	92
Reinsurance payables	**58,874**	76,514
Total payables	**1,046,499**	**981,437**

The carrying amounts disclosed above correspond with fair value at the reporting date.

27. Other Payables

CZK `000	2015	2014
Deferred liabilities and income	**13,707**	15,021
Estimated salaries and other items	**42,987**	56,869
Estimated liabilities due to intermediaries	**187,858**	202,782
Accrued expenses related to financial placements	**8,295**	10,450
Employee benefits	**37,187**	36,659
Other liabilities related to financial placements	**0**	185
Other	**35,703**	21,987
Total	**325,737**	**343,953**

28. Net Change in Operating Liabilities

CZK `000	2015	2014
Net change in contract liabilities without reinsurance	**41,946**	91,393
Net change in other liabilities	**58,202**	(69,704)
Total	**100,148**	**21,688**

29. Risk Management Framework

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place and established a Risk Management Department to serve this purpose. Its main goal is to propose, maintain and assess the performance of the risk management framework. The risk management framework can be understood as a set of policies and procedures developed for managing specific risk types. Its implementation ensures a due process of risk identification, assessment of their significance and proposal of measures for their mitigation to an acceptable level including regular monitoring and reporting of the risks identified to senior management. In order to support proper functioning of the risk management process the Board of Directors has established several advisory committees; at least one Board of Directors member sits in each committee and is responsible for the consistency of the committee´s activities and the Company policies.

The Board of Directors approves the Company risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of risk policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of the shareholders.
- To retain financial flexibility by maintaining strong liquidity.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- To maintain a strong credit rating in order to support its business objectives and maximize shareholders value.

The table below shows basic components of capital:

CZK `000	2015	2014
Share capital	**2,796,248**	2,796,248
Basic reserve fund	**400,246**	400,246
Other capital funds including guarantees	**888,261**	925,943
Share premium	**3,600**	3,600
Net profit for the year	**715,574**	746,537
Total capital per regulatory requirements	**4,802,401**	**4,871,072**
Capital requirement	**2,078,267**	**1,941,943**
Capital adequacy	**231%**	**251%**

In reporting financial strength, capital and solvency are measured primarily using the rules prescribed by the Insurance Act. Also Solvency II kind of measure and a Standard & Poors capital model are monitored for internal purposes.

The Company's primary capital management policy is to hold sufficient capital to cover the statutory requirements based on the Insurance Act.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The sources of capital used by the Company are shareholders' funds including retained earnings. The capital requirements are routinely forecast on a periodic basis, and assessed against the forecast available capital.

The Company mostly applies the Solvency II measure and internal VaR models to identify the risks and quantify their impact on economic capital.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements especially stated in the Insurance Act.

Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency, property and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk.

The Company manages these positions within an ALM framework that has been developed:

- to achieve sufficient long-term investment returns
- to minimize the value mismatch between assets and liabilities in case of macroeconomic environment movements and
- to ensure that in each period sufficient cash flow is available to meet liabilities arising from insurance and investment.

The principal technique of the Company's ALM function is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. There are several main categories of liabilities for which a separate portfolio of assets is maintained:

- life liabilities without interest rate guarantee (unit-linked products)
- life liabilities with interest guarantee split to:
  - liabilities created from ordinary premium
  - liabilities created from extra-ordinary premium (ad-hoc)
  - claims provisions and other short term liabilities
- non-life insurance liabilities

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

30. Insurance and Financial Risk

(a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The variability of risks is improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis. Proportional reinsurance is minor and typically quota-share reinsurance which is taken out to reduce the overall exposure of the Company to some classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses or significant per risk losses. Retention limits for the excess-of-loss reinsurance vary by product line following the Company's limit-setting rules.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Also a minimum reinsurer external rating A- is required for "long tail" insurance and BBB for "short-tail" insurance.

There is no single counterparty exposure that exceeds 11% of total reinsurance assets at the reporting date.

Liabilities for life insurance contracts and liabilities for investment contracts with DPF according to the type of insurance:

CZK `000	2015	2014
Whole-life life insurance	**25,584,902**	26,112,652
Temporary life insurance	**7,246**	6,329
Guaranteed annuity insurance	**5,121**	7,767
Endowment life insurance	**52,344**	55,417
Claim reserve	**2,110,031**	1,903,230
Total life insurance	**27,759,644**	**28,085,395**
Total investment contracts with DPF	**763,399**	**849,620**
Total	**28,523,044**	**28,935,015**

1) Life insurance contracts (including investment contracts with DPF)

- classic endowment policies where agreed sum assured is paid in case of death or maturity or critical illness
- universal life type of contracts where agreed sum assured is paid in case of death or critical illness and the capital value is paid at maturity
- unit-linked type of contracts
- risk contracts (especially group business)

The majority of the products (all except the group business) allow policyholders to add other risk riders – typically accident or illness protection.

The majority of contracts, except for pure risk contracts, have a surrender option.

Typically in the case of universal life and unit-linked type of policies, an ad-hoc premium may be paid and ad-hoc partial withdrawal may be allowed by the Company.

The main risks that the Company is exposed to in life insurance type of products are as follows:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and the level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

For contracts where death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behavior.

The tables below show the mortality risk concentration (sum at risk terms) of life contracts.

2015 Sum at risk	Sum at risk (CZK `000)	Sum at risk (%)
0 –99 999	8,545,880	15,18%
100 000 – 199 999	11,612,176	20,62%
200 000 – 299 999	7,082,505	12,58%
300 000 – 599 999	11,852,505	21,05%
600 000 and more	17,218,035	30,58%
TOTAL excl. group business	**56,311,101**	**100,00%**
Group business	90,133,779	-

2014 Sum at risk	Sum at risk (CZK `000)	Sum at risk (%)
0 –99 999	9,111,897	17,13%
100 000 – 199 999	12,161,524	22,87%
200 000 – 299 999	7,217,049	13,57%
300 000 – 599 999	11,197,925	21,05%
600 000 and more	13,497,915	25,38%
TOTAL excl. group business	**53,186,310**	**100,00%**
Group business	78,818,038	-

The tables below show the concentration (in premium terms) of life contracts.

2015 CZK `000	Insurance contracts	Investment contracts with DPF
Endowment	686,404	0
Universal life	360,708	71,869
Unit-linked	5,268,587	4,170
Group contracts	230,845	0
Total	**6,546,544**	**76,039**

2014 CZK `000	Insurance contracts	Investment contracts with DPF
Endowment	736,642	0
Universal life	457,788	108,344
Unit-linked	2,886,498	6,038
Group contracts	220,503	0
Total	**4,301,431**	**114,382**

The geographical concentration of the Company's life insurance liabilities and investment contract liabilities with DPF is concentrated in the Czech Republic only.

Key assumptions

Material judgment is required in determining the value of liabilities[1] and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Macroeconomic assumptions

Risk free rates:

Government rates are used as an approximation of the risk free rate (RFR).

Investment return:

Investment revenues are assumed on the basis of expected future income from related asset portfolio, connected with life insurance. New future cash flows are reinvested with interest rest of ten years Czech government bond purchased on par if positive, if negative for 1M swap interest rate.

Portfolio A

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Investment return	4.66	4.67	4.49	4.37	3.77	3.80	3.47	3.45	2.75	2.75

Year	2030	2035	2040	2045	2050	2055	2060	2065	2070
Investment return	2.84	3.18	2.32	2.37	2.47	2.47	2.14	2.14	2.14

Portfolio C

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Investment return	2.54	2.41	2.21	1.41	1.39	1.28	1.18	1.19	1.26	1.26

Year	2030	2035	2040	2045	2050	2055	2060	2065	2070
Investment return	1.99	2.10	2.13	2.14	2.14	2.14	2.14	2.14	2.14

Both portfolios A and C comprise of government and corporate bonds and deposits. On the liability side, the C portfolio is made up of reserves for insurance claims therefore no share of profit is allocated to clients.

Discount rate:

The discount rate is assumed to be at the level of the risk free rates, for portfolio Aminus 25 bps margin (to estimate value of financial options and guarantees included in contracts). For the life investment contracts (unit linked) the discount rate is assumed to be at the level of the risk free rates.

Inflation:

The inflation assumption is applied to the expected development of future Company expenses. A mix of the consumer price index and salary inflation development is assumed. The mix is based on the current expense analysis – part sensitive to CPI and part related to salaries.

Unrealized gains/losses (UCG/L):

In order to reflect unrealized gains/losses on the HTM portfolio of assets covering technical reserve, the actual value of unrealized gains/losses on related HTM portfolio of assets covering accounting reserve should be deducted from fair value.

[1] The Company uses various methods - deterministic as well as stochastic to determine the value of its liabilities. The value of liabilities stated in this report was set using the deterministic method and was computed in accordance with the instructions of the Czech Society of Actuaries issued for the purpose of testing reserve adequacy.

Demographic assumptions

Mortality and morbidity:

Expected mortality and morbidity the development are based on the Company's historical experience. The ratio between rates used in premium calculation and Company's experience is analyzed and applied in the projection. Assumptions usually are differentiated by age, sex, policy year and contract type.

Lapses:

Expected lapse development is based on the Company's historical experience. The lapse assumptions are estimated separately for product types, policy year, contract status (paid-up – yes x no), etc.

Other assumptions

Commissions:

Commissions are assumed for each of the contracts individually, including claw-back principles.

Override commissions:

Override commission has been enumerated for each product as an average percentage of corresponding commissions.

Expenses:

Expenses are assumed on the historical experience level taking into account their future increase in line with the expense inflation (see above – part Inflation).

Investment margin:

It has been assumed that an investment return exceeding guaranteed interest rate plus investment margin is distributed among policy-holders. Investment margins are assumed to be according to policy types and it is agreed by the Board of Directors of the Company.

Partial withdrawals:

Regular monthly withdrawals as a percentage of policy-holder's cash value are based on the Company history.

All the assumptions described above are set on the best estimate level adjusted by a risk margin which is as follows:

Parameter	Risk margin
Mortality and morbidity	relative change of 10%
Lapses	relative change of 10% or 25%
Loss ratios	relative change of 10%
Expenses	relative change of 10%
Expenses inflation	relative change of 10%
Partial withdrawals	relative change of 10%
Override commissions	relative change of 10%
Discount rate	absolute decrease by 25 bps
Investment margin	absolute decrease by 10 bps

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the liability value and profit before tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions. Where options and guarantees exist they are the main reason for the asymmetry of sensitivities.

The Company tests life liability value if the following changes occur (the impact on profit/equity is limited only to the result of the change of liability in the case of its insufficiency in the worsened scenario):

2015 Assumption	Change	Impact on Profit before tax (CZK `000)	Impact on Equity (CZK `000)
Mortality and morbidity	10%	0	0
Mortality and morbidity	-10%	0	0
Expenses	10%	0	0
Expenses	-10%	0	0
Expense inflation	+1 % (absolutely)	0	0
Expense inflation	-1 % (absolutely)	0	0
Lapse and surrenders rate	+30%	0	0
Lapse and surrenders rate	-30%	0	0
Risk free rate	+1 %	0	0
Risk free rate	-1%	0	0

2014 Assumption	Change	Impact on Profit before tax (CZK `000)	Impact on Equity (CZK `000)
Mortality and morbidity	10%	0	0
Mortality and morbidity	-10%	0	0
Expenses	10%	0	0
Expenses	-10%	0	0
Expense inflation	+1 % (absolutely)	0	0
Expense inflation	-1 % (absolutely)	0	0
Lapse and surrenders rate	+30%	0	0
Lapse and surrenders rate	-30%	0	0
Risk free rate	+1 %	0	0
Risk free rate	-1%	0	0

No result of above stated scenarios lead to the insufficiency of technical provisions.

(2) Non-life insurance contracts

The Company principally issues most of the general insurance contracts including:

- Accident & health
- Industrial accidents
- Motor, third-party liability
- Motor, other classes
- Shipping, aviation, transport
- Fire and other damage to property
- General third-party liability
- Miscellaneous pecuniary losses
- Legal expenses insurance

Healthcare contracts provide medical expense and income protection cover to policy-holders.

For general insurance contracts the most significant risk arises from natural disasters. For longer tail claims such as MTPL that take some years to settle, there is also inflation and revision risk.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and the level of insured benefits. Further, strict claim review policies to assess all new and ongoing claims, a regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain risks (especially natural perils) as well as the use of reinsurance arrangements in order to limit exposure especially to catastrophic events (especially floods).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management following the limit setting rules.

The catastrophic reinsurance limit is calculated as a return period of 1 in 250 years (CZK 1,850 million for natural perils in 2015 and 2014). The catastrophic reinsurance treaty was extended by "zero priority" (sublayer) common also for property reinsurance treaty. Additional reinsurance decreases the Company's retention to CZK 60 million. Further the Company has set the aggregate for covering of losses from accumulated natural perils claims, the amount of which is too high to cover them with current catastrophic reinsurance treaty. The property per risk reinsurance treaty has an automatic capacity of CZK 1,537 million and own retention of CZK 60 million. The MTPL has unlimited capacity and the company's maximum retention is CZK 18 million per risk excess of loss for MTPL risk.

The Company uses professional risk management models (prepared by experts from third parties) to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Company, the tables below shows hypothetical claims arising for various realistic disaster scenarios based on the Company's average risk exposures.

2015 CZK `000	Gross impact to		Net impact to	
Catastrophic event	Profit before tax	Equity	Profit before tax[1]	Equity
Flood event:				
- 1 in 100 years	(1,057,831)	0	(110,010)	0
- 1 in 200 years	(1,460,152)	0	(115,443)	0
Storm:				
- 1 in 100 years	(410,947)	0	(97,778)	0
- 1 in 200 years	(538,845)	0	(103,522)	0

2014 CZK `000	Gross impact to		Net impact to	
Catastrophic event	Profit before tax	Equity	Profit before tax	Equity
Flood event:				
- 1 in 100 years	(1,254,888)	0	(121,648)	0
- 1 in 200 years	(1,661,501)	0	(125,881)	0
Storm:				
- 1 in 100 years	(297,143)	0	(100,447)	0
- 1 in 200 years	(411,680)	0	(106,008)	0

The table below shows the concentration of non-life insurance contract liabilities by type of contract.

2015 CZK `000	Gross liabilities	Reinsurance of liabilities	Net liabilities
Accident & health	187,155	1,130	186,025
Industrial accidents	13,268	7,472	5,796
Motor, third-party liability	2,816,957	181,649	2,635,308
Motor, other classes	393,813	(160)	393,973
Shipping, aviation, transport	24,583	13,386	11,197
Fire and other damage to property	833,454	29,054	804,400
General third-party liability	694,350	105,700	588,650
Miscellaneous pecuniary losses	54,940	2,008	52,932
Total	**5,018,520**	**340,239**	**4,678,281**

2014 CZK `000	Gross liabilities	Reinsurance of liabilities	Net liabilities
Accident & health	189,757	571	189,186
Industrial accidents	2,991	1,419	1,572
Motor, third-party liability	2,340,512	233,076	2,107,436
Motor, other classes	435,225	(1,150)	436,375
Shipping, aviation, transport	14,900	4,556	10,344
Fire and other damage to property	1,053,599	200,151	853,448
General third-party liability	598,085	47,357	550,728
Miscellaneous pecuniary losses	60,437	36,743	23,694
Total	**4,695,506**	**522,723**	**4,172,783**

The geographical concentration of the Company's non-life insurance contract liabilities is mainly in the Czech Republic except for some possible foreign claims from MTPL contracts.

[1] Only includes the priority stated in reinsurance contracts (no reinstatement considered). After a reinsurance coverage layer has been used up, the layer is reinstated automatically; the price for the reinstatement is based on layer capacity and the ROL rate [%].For the flood risk, the reinstatements (i.e. also the impact on profit before tax) total CZK 58,043,713 and CZK 62,719,760 for 1/100 and 1/200 Return Periods, respectively. For the storm risk, the reinstatements total CZK 30,178,565 and CZK 38,135,324 for 1/100 and 1/200 Return Periods, respectively.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future. For example, one-off occurrences, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and legislation affected the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement.

Claims development table

The following tables show the estimated cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are in CZK.

In setting claims provisions the Company gives consideration to the probability and magnitude of future experience and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

GROSS NON-LIFE INSURANCE CONTRACTS PROVISIONS

Year of origin of an insured event (CZK '000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
As at insured event year-end	2,055,778	2,184,512	4,211,968	1,586,307	1,587,769	1,629,598	2,161,243	2,330,965	2,639,828	2,589,594	2,764,092	2,359,928	2,894,634	3,328,111	2,834,781	2,957,263	
After 1 year	1,979,850	2,184,731	3,876,374	1,645,173	1,536,917	1,613,892	2,051,442	2,132,432	2,491,096	2,404,810	2,552,297	2,239,146	2,753,123	3,190,262	2,940,892		
After 2 years	1,965,056	2,175,739	3,790,753	1,625,783	1,490,171	1,613,320	1,975,909	2,076,893	2,288,745	2,340,326	2,495,224	2,187,289	2,774,509	3,017,145			
After 3 years	1,953,444	2,147,469	3,778,830	1,593,119	1,486,133	1,533,169	1,968,580	2,029,938	2,281,783	2,291,473	2,461,644	2,129,018	2,602,080				
After 4 years	1,991,615	2,096,208	3,763,461	1,574,740	1,485,429	1,418,828	1,875,901	1,970,881	2,203,540	2,179,185	2,343,614	2,047,589					
After 5 years	1,990,547	2,085,680	3,741,514	1,444,582	1,435,484	1,374,040	1,821,620	1,913,629	2,167,216	2,136,491	2,327,339						
After 6 years	1,992,086	2,083,544	3,710,838	1,418,954	1,351,226	1,378,977	1,782,111	1,894,735	2,159,391	2,117,672							
After 7 years	1,990,072	2,035,547	3,698,662	1,417,191	1,318,038	1,385,408	1,752,666	1,874,820	2,175,013								
After 8 years	1,967,021	2,026,311	3,701,308	1,408,644	1,292,343	1,378,835	1,735,410	1,865,110									
After 9 years	1,963,243	2,031,324	3,674,401	1,382,981	1,281,336	1,378,055	1,732,089										
After 10 years	1,946,423	2,015,427	3,648,108	1,379,457	1,278,604	1,362,454											
After 11 years	1,920,434	2,009,239	3,644,372	1,379,464	1,275,401												
After 12 years	1,921,754	2,004,893	3,642,150	1,379,333													
After 13 years	1,916,596	1,989,102	3,641,115														
After 14 years	1,916,590	1,987,430															
After 15 years	1,914,004																
Current estimate of cumulative incurred claims	**1,914,004**	**1,987,430**	**3,641,115**	**1,379,333**	**1,275,401**	**1,362,454**	**1,732,089**	**1,865,110**	**2,175,013**	**2,117,672**	**2,327,339**	**2,047,589**	**2,602,080**	**3,017,145**	**2,940,892**	**2,957,263**	**35,341,928**

GROSS NON-LIFE INSURANCE CONTRACTS PROVISIONS

Year of origin of an insured event(CZK '000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
As at insured event year-end	1,092,750	1,243,396	2,004,927	849,347	745,247	678,680	1,039,998	1,107,172	1,319,010	1,306,779	1,444,730	1,201,403	1,520,360	1,797,419	1,398,455	1,429,020	
After 1 year	1,677,233	1,810,382	3,330,656	1,238,853	1,099,330	1,139,387	1,491,178	1,658,160	1,889,946	1,820,751	2,053,992	1,712,403	2,197,999	2,552,878	2,062,963		
After 2 years	1,744,400	1,898,837	3,508,417	1,294,449	1,150,092	1,206,313	1,577,458	1,736,361	1,980,531	1,949,816	2,201,917	1,853,967	2,304,940	2,718,518			
After 3 years	1,784,807	1,925,302	3,558,179	1,315,152	1,172,523	1,237,985	1,616,455	1,774,320	2,023,866	1,997,000	2,244,619	1,903,221	2,373,593				
After 4 years	1,793,472	1,938,600	3,577,892	1,328,599	1,198,603	1,259,258	1,634,866	1,789,307	2,051,472	2,023,109	2,264,431	1,929,548					
After 5 years	1,817,205	1,948,251	3,594,186	1,337,256	1,222,591	1,261,610	1,644,213	1,797,599	2,097,388	2,030,126	2,276,244						
After 6 years	1,821,656	1,952,586	3,601,348	1,341,892	1,233,041	1,277,739	1,655,153	1,803,527	2,103,514	2,049,133							
After 7 years	1,831,979	1,954,667	3,613,153	1,343,127	1,248,924	1,281,896	1,661,502	1,810,463	2,104,772								
After 8 years	1,842,745	1,959,889	3,616,803	1,344,299	1,257,559	1,283,466	1,694,666	1,819,268									
After 9 years	1,845,312	1,968,491	3,625,537	1,351,692	1,258,244	1,285,894	1,698,948										
After 10 years	1,864,585	1,971,006	3,635,699	1,351,996	1,258,754	1,308,112											
After 11 years	1,871,261	1,974,454	3,636,496	1,354,282	1,263,651												
After 12 years	1,878,836	1,975,443	3,637,201	1,355,199													
After 13 years	1,901,985	1,979,862	3,638,406														
After 14 years	1,902,229	1,980,152															
After 15 years	1,906,594																
Cumulated insurance payments	**1,906,594**	**1,980,152**	**3,638,406**	**1,355,199**	**1,263,651**	**1,308,112**	**1,698,948**	**1,819,268**	**2,104,772**	**2,049,133**	**2,276,244**	**1,929,548**	**2,373,593**	**2,718,518**	**2,062,963**	**1,429,020**	**31,914,121**
Gross current estimate of claims provision incurred	**7,410**	**7,278**	**2,709**	**24,134**	**11,750**	**54,342**	**33,141**	**45,842**	**70,241**	**68,539**	**51,095**	**118,041**	**228,487**	**298,627**	**877,929**	**1,528,243**	**3,427,807**
Current estimate of surplus/ (inadequacy)	**1,373**	**1,139**	**292**	**8,942**	**152**	**20,066**	**10,179**	**14,667**	**35,231**	**16,952**	**30,472**	**74,246**	**114,020**	**123,822**	**172,309**	**569,408**	**1,193,271**
% of surplus / (inadequacy) of the opening balance of provision, gross	**23%**	**24%**	**17%**	**38%**	**2%**	**39%**	**36%**	**37%**	**55%**	**27%**	**64%**	**67%**	**51%**	**42%**	**20%**	**37%**	**36%**

Sensitivity

There are two main risks to which value of non-life liabilities are sensitive the most – both related to MTPL portfolio:

a) future development of the paid annuities – especially their obligatory indexation – affects the RBNS provision; and

The table below shows the MTPL RBNS sensitivity to the change in indexation of MTPL annuities

2015 Relative change in the indexation	Impact to Profit before tax (CZK `000)	Impact to Equity (CZK `000)
20%	(14,412)	0
10%	(6,939)	0
-10%	6,447	0
-20%	12,441	0

2014 Relative change in the indexation	Impact to Profit before tax (CZK `000)	Impact to Equity (CZK `000)
20%	(16,796)	0
10%	(8,035)	0
-10%	7,375	0
-20%	14,151	0

b) tail factor, which is determined to cover the estimated claims cash flow in longer development years where the Company is facing to no or insufficient experience

(b) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

The Company follows the limits defined in the Insurance Act (set according to industry, concentration, etc.) as well as internal limits.

A Company credit risk policy defined in the Investment strategy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Risk Management department. The Investment strategy is regularly reviewed for pertinence and for changes in the risk environment.

Reinsurance is placed with counterparties that have a good credit rating's – at least A- for long-tail insurance and BBB for short-tail insurance and concentration of risk is limited by the following policy guideline which is set each year by the Board of Directors and are subject to regular risk management reviews. Every year, risk management performs an assessment of credit worthiness of reinsurers and updates the reinsurance purchase strategy.

The Company sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

The Company issues unit-linked investment policies in a number of its operations. In the unit-linked business the policy-holder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit linked financial assets.

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

Sources of credit ratings are the agencies S&P, Moody`s or Fitch (the Company uses second best rating in the case of multiple ratings existence). If available, the Company uses the rating of particular financial instruments. In the case that particular investment is not rated, the Company considers the rating of the issuer (counterparty).

2015 CZK `000	AAA	AA	A	BBB	BB	B	Not rated	Unit-linked	Total
Financial assets	974,433	13,437,567	7,957,946	1,929,918	1,857	68,747	162,164	13,033,718	37,566,350
Held to maturity	871,651	9,420,852	173,054	361,607	0	0	0	0	10,827,164
Loans and receivables	0	0	1,265,299	0	0	0	0	0	1,265,299
Available-for-sale	102,782	4,016,715	6,475,936	1,551,447	0	68,747	162,164	0	12,377,791
At fair value through profit or loss	0	0	43,657	16,864	1,857	0	0	13,033,718	13,096,096
Reinsurance assets	0	173,478	173,523	340	0	0	0	0	347,342
Receivables	0	34,628	60,700	494	0	0	466,746	0	562,568
Insurance receivables	0	0	0	0	0	0	438,391	0	438,391
Reinsurance receivables		34,628	60,700	494	0	0	0	0	95,822
Other receivables	0	0	0	0	0	0	28,355	0	28,355
Cash and cash equivalents	0	0	458,076	0	0	0	0	0	458,076
Total	**974,433**	**13,645,673**	**8,650,245**	**1,930,752**	**1,857**	**68,747**	**628,910**	**13,033,718**	**38,934,336**

2014 CZK `000	AAA	AA	A	BBB	BB	B	Not rated	Unit-linked	Total
Financial assets	1,102,529	12,062,831	9,799,478	1,462,433	0	0	164,803	13,469,804	38,061,878
Held to maturity	843,526	9,678,670	377,495	362,987	0	0	0	0	11,262,678
Loans and receivables	0	0	1,262,529	0	0	0	0	0	1,262,529
Available-for-sale	259,003	2,384,161	8,039,686	1,094,017	0	0	164,803	0	11,941,670
At fair value through profit or loss	0	0	119,768	5,429	0	0	0	13,469,804	13,595,001
Reinsurance assets	0	174,799	236,936	404	0	0	0	0	412,139
Receivables	0	34,629	82,774	661	0	0	497,899	0	615,963
Insurance receivables	0	0	0	0	0	0	466,434	0	466,434
Reinsurance receivables	0	34,629	82,774	661	0	0	0	0	118,064
Other receivables	0	0	0	0	0	0	31,465	0	31,465
Cash and cash equivalents	0	0	149 490	0	0	0	0	0	149,490
Total	**1,102,529**	**12,272,259**	**10,268,678**	**1,463,498**	**0**	**0**	**662,702**	**13,469,804**	**39,239,470**

The credit risk analysis for the financial assets of the unit-linked business is not disclosed. This is due to the fact that in the unit-linked business the liability to policy-holders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

During the year, no credit exposure limits defined in the Insurance Act were exceeded.

The following table shows the largest asset concentrations:

Counterparty	% of financial assets portfolio 2015	2014
Czech state	**33.44%**	31.02%
KBC group	**37.02%**	38.04%
Erste group	**3.53%**	3.84%

There are no financial assets past due but not impaired.

(2) Liquidity risk

A liquidity risk is the risk that the Company may face difficulties with its ability to settle its insurance liabilities. In worst case scenario there is also a liquidity risk related to the time mismatch between gross cash outflow and estimated collateral claims

The liquidity risk of the Company´s assets is very limited as:

- More than 93% of the financial assets are placed to liquid assets (mainly government bonds). This percentage includes assets which are standardly liquid on the financial market regardless of the accounting classification, it means involvement of all liquid instruments including those classified as HTM.
- CZK 2,000,000 thousand repo facility is agreed with ČSOB bank in case it is needed. It has not been used up to now.

Maturity profiles

The table below summarizes the expected maturity profile of the non-derivative financial assets and financial liabilities and remaining contractual obligations of the Company. Individual amounts are in first case calculated on the basis of the undiscounted cash flow method and in the second case the accounting values are reported in groups according to residual value until the maturity of each instrument. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been included in the 'up to one year' column.

The Company maintains a portfolio of highly liquid assets that could be realized in the case of unexpected cash flow fluctuations.

Maturity analysis on contractual basis – undiscounted future cash flow method:

2015 CZK `000	Carrying amount	Up to a year	1-5 years	5-15 years	Over 15 years	No maturity date	Total
Financial assets	37,566,350	4,579,210	20,902,148	12,468,469	3,886,714	624,953	42,461,495
Held to maturity	10,827,164	392,365	6,444,459	5,379,071	2,810,087	0	15,025,982
Loans and receivables	1,265,299	315,344	867,593	77,841	372,171	0	1,632,949
Available-for-sale	12,377,791	1,065,389	5,680,306	5,256,317	704,456	0	12,706,468
At fair value through profit or loss	13,096,096	2,806,112	7,909,790	1,755,240	0	624,953	13,096,096
Reinsurance assets	347,342	103,719	181,726	37,700	24,197	0	347,342
Receivables	562,568	562,568	0	0	0	0	562,568
Cash and cash equivalents	458,076	458,076	0	0	0	0	458,076
Total assets	**38,934,336**	**5,703,573**	**21,083,874**	**12,506,169**	**3,910,911**	**624,953**	**43,829,481**
Liabilities from life insurance contracts	27,759,645	5,514,573	10,664,440	4,783,274	6,797,358	0	27,759,645
Liabilities from investment contracts with DPF	763,399	38,963	159,249	179,439	385,748	0	763,399
Liabilities from non-life insurance contracts	5,018,520	2,490,792	2,010,866	345,628	171,234	0	5,018,520
Financial liabilities	395,220	71,648	263,949	172,987	0		508,584
Payables	1,046,499	1,046,499	0	0	0	0	1,046,499
Other payables	325,737	0	0	0	0	325,737	325,737
Total liabilities	**35,309,020**	**9,162,475**	**13,098,504**	**5,481,328**	**7,354,340**	**325,737**	**35,422,384**

2014 CZK `000	Carrying amount	Up to a year	1-5 years	5-15 years	Over 15 years	No maturity date	Total
Financial assets	38,061,878	7,426,927	17,752,338	12,770,581	5,351,947	688,432	43,990,225
Held to maturity	11,262,678	849,273	4,843,698	5,934,880	4,247,404	0	15,875,255
Loans and receivables	1,262,529	12,764	845,299	456,971	379,955	0	1,694,989
Available-for-sale	11,941,670	2,771,627	4,335,806	4,829,658	724,588	163,301	12,824,980
At fair value through profit or loss	13,595,001	3,793,263	7,727,535	1,549,072	0	525,131	13,595,001
Reinsurance assets	412,139	142,074	128,921	70,231	70,913	0	412,139
Receivables	615,963	615,963	0	0	0	0	615,963
Cash and cash equivalents	149,490	149,490	0	0	0	0	149,490
Total assets	**39,239,470**	**8,334,454**	**17,881,259**	**12,840,812**	**5,422,860**	**688,432**	**45,167,817**
Liabilities from life insurance contracts	28,085,395	6,108,504	10,499,147	4,585,810	6,891,934	0	28,085,395
Liabilities from investment contracts with DPF	849,620	52,671	181,739	190,501	424,709	0	849,620
Liabilities from non-life insurance contracts	4,860,533	2,889,493	1,488,887	260,219	221,934	0	4,860,533
Financial liabilities	330,679	87,094	198,555	156,782	0	0	442,431
Payables	981,437	981,437	0	0	0	0	981,437
Other payables	343,953	0	0	0	0	343,953	343,953
Total liabilities	**35,451,617**	**10,119,199**	**12,368,328**	**5,193,312**	**7,538,577**	**343,953**	**35,563,369**

Maturity analysis bases on residual maturity

2015 CZK `000	Carrying amount	Up to a year	1-5 years	5-15 years	Over 15 years	No maturity date	Total
Financial assets	37,566,350	3,797,457	19,056,396	11,793,147	2,132,233	787,117	37,566,350
Held to maturity	10,827,164	15,382	5,174,703	4,282,094	1,354,985	0	10,827,164
Loans and receivables	1,265,299	300,234	803,089	0	161,976		1,265,299
Available-for-sale	12,377,791	675,729	5,168,813	5,755,813	615,272	162,164	12,377,791
At fair value through profit or loss	13,096,096	2,806,112	7,909,791	1,755,240	0	624,953	13,096,096
Reinsurance assets	347,342	103,719	181,726	37,700	24,197	0	347,342
Receivables	562,568	562,568	0	0	0	0	562,568
Cash and cash equivalents	458,076	0	0	0	0	458,076	458,076
Total assets	**38,934,336**	**4,463,744**	**19,238,122**	**11,830,847**	**2,156,430**	**1,245,193**	**38,934,336**
Liabilities from life insurance contracts	27,759,645	5,514,573	10,664,440	4,783,274	6,797,358	0	27,759,645
Liabilities from investment contracts with DPF	763,399	38,963	159,249	179,439	385,748	0	763,399
Liabilities from non-life insurance contracts	5,018,520	2,490,792	2,010,866	345,628	171,234	0	5,018,520
Financial liabilities	395,220	1,675	69,027	324,518	0	0	395,220
Payables	1,046,499	1,046,499	0	0	0	0	1,046,499
Other payables	325,737	0	0	0	0	325,737	325,737
Total liabilities	**35,309,020**	**9,092,501**	**12,903,582**	**5,632,859**	**7,354,340**	**325,737**	**35,309,019**

2014 CZK `000	Carrying amount	Up to a year	1-5 years	5-15 years	Over 15 years	No maturity date	Total
Financial assets	38,061,878	6,758,075	15,130,626	12,582,776	2,900,467	689,934	38,061,878
Held to maturity	11,262,678	463,596	3,601,850	5,033,408	2,163,824	0	11,262,678
Loans and receivables	1,262,529	0	300,252	800,350	161,927	0	1,262,529
Available-for-sale	11,941,670	2,501,216	3,500,989	5,199,946	574,716	164,803	11,941,670
At fair value through profit or loss	13,595,001	3,793,263	7,727,535	1,549,072	0	525,131	13,595,001
Reinsurance assets	412,139	142,074	128,921	70,231	70,913	0	412,139
Receivables	615,963	615,963	0	0	0	0	615,963
Cash and cash equivalents	149,490	0	0	0	0	149,490	149,490
Total assets	**39,239,470**	**7,516,112**	**15,259,547**	**12,653,007**	**2,971,380**	**839,424**	**39,239,470**
Liabilities from life insurance contracts	28,085,395	6,108,504	10,499,147	4,585,810	6,891,934	0	28,085,395
Liabilities from investment contracts with DPF	849,620	52,671	181,739	190,501	424,709	0	849,620
Liabilities from non-life insurance contracts	4,860,533	2,889,493	1,488,887	260,219	221,934	0	4,860,533
Financial liabilities	330,679	32,331	52,482	245,866	0		330,679
Payables	981,437	981,437	0	0	0	0	981,437
Other payables	343,953	0	0	0	0	343,953	343,953
Total liabilities	**35,451,617**	**10,064,436**	**12,222,255**	**5,282,396**	**7,538,577**	**343,953**	**35,451,617**

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk:

- foreign exchange rates (currency risk)
- interest rate risk and
- market prices (price risk) other than currency and interest rate.

A Company's market risk policy setting out the assessment and determination of what constitutes market risk for the Company is in place. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Risk committee on a monthly basis. The policy is reviewed regularly for relevance and for changes in the risk environment.

Asset allocation and portfolio limit structure are set to ensure that assets back specific policyholder's liabilities and that assets are held to:

- deliver income and gains for policyholders which are in line with expectations of the policyholders; and
- meet the risk limits.

The Company issues unit-linked investment policies in a number of its operations. In the unit-linked business, the policyholder bears the investment risk of the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

(a) Currency risk

Currency risk is very limited as all assets held in other than CZK are hedged to CZK.

The table below summarizes the Company's assets by major currencies:

2015 CZK `000	CZK	EUR	USD	Total
Property and equipment	551,822	0	0	551,822
Financial assets	35,437,967	1,209,831	918,552	37,566,350
Held to maturity	10,827,164	0	0	10,827,164
Loans and receivables	1,265,299	0	0	1,265,299
Available for sale	10,249,408	1,209,831	918,552	12,377,791
At fair value through profit or loss	13,096,096	0	0	13,096,096
Reinsurance assets	347,342	0	0	347,342
Tax assets	16,713	0	0	16,713
Receivables	562,568	0	0	562,568
Insurance receivables	438,391	0	0	438,391
Reinsurance receivables	95,822	0	0	95,822
Other receivables	28,355	0	0	28,355
Prepaid acquisition commissions	438,982	0	0	438,982
Other assets	178,018	0	0	178,018
Cash and cash equivalents	457,717	234	125	458,076
TOTAL ASSETS	**37,991,129**	**1,210,065**	**918,667**	**40,119,871**
TOTAL LIABILITIES	**35,315,942**	**0**	**0**	**35,315,942**
Net assets/ (liabilities)	**2,675,187**	**1,210,065**	**918,677**	**4,803,929**
Nominal value of cross-currency derivatives presented off-balance sheet	**1,782,103**	**(1,085,909)**	**(696,194)**	**0**
Net open foreign currency position	**4,457,290**	**124,156**	**222,483**	**4,803,929**

2014 CZK `000	CZK	EUR	USD	Total
Property and equipment	581,229	0	0	581,229
Financial assets	35,416,870	1,800,914	844,094	38,061,878
Held to maturity	11,075,576	187,102	0	11,262,678
Loans and receivables	1,262,529	0	0	1,262,529
Available for sale	9,483,764	1,613,812	844,094	11,941,670
At fair value through profit or loss	13,595,001	0	0	13,595,001
Reinsurance assets	412,139	0	0	412,139
Tax assets	21,309	0	0	21,309
Receivables	615,963	0	0	615,963
Insurance receivables	466,434	0	0	466,434
Reinsurance receivables	118,064	0	0	118,064
Other receivables	31,465	0	0	31,465
Prepaid acquisition commissions	322,524	0	0	322,524
Other assets	207,324	0	0	207,324
Cash and cash equivalents	149,070	305	115	149,490
TOTAL ASSETS	**37,726,428**	**1,801,219**	**844,209**	**40,371,856**
TOTAL LIABILITIES	**35,499,282**	**0**	**0**	**35,499,282**
Net assets/ (liabilities)	**2,227,146**	**1,801,219**	**844,209**	**4,872,574**
Nominal value of cross-currency derivatives presented off-balance sheet	**2,279,719**	**(1,583,525)**	**(696,194)**	**0**
Net open foreign currency position	**4,506,865**	**217,694**	**148,015**	**4,872,574**

(b) Interest rate risko

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The table below summarizes the sensitivity analysis of profit before tax and equity on changes of interest market rates (represent the adjustment of fair value of financial assets valued at fair value including the effect of hedges)

2015 CZK `000	Change in variables	Impact on profit before tax	Impact on equity
CZK Yield curve	+100 basis points	0	(307,049)
CZK Yield curve	-100 basis points	0	341,114

2014 CZK `000	Change in variables	Impact on profit before tax	Impact on equity
CZK Yield curve	+100 basis points	0	(375,673)
CZK Yield curve	-100 basis points	0	413,773

The method used for deriving data about sensitivity and significant variables has not changed this year.

The Company sets the interest rate risk limits based on a change in the fair value of assets and liabilities when a 10 bps yield curve increase is experienced. The Company also observes the VaR at the level of 99.93%.

(c) Other market risks

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity and property price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments. The Company sets VaRs which is used by company for measuring of risks and which is the assessment of potential loss based on 99.33% reliability. When calculating VaR percentile method is used with the assumptions that the value of portfolio is linear function of risk drivers and the composition of funds is unchanged during the period. The period considered is one year.

During 2015 and 2014, a breach of these limits was identified.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the income statement) and equity (that reflects adjustments to profit before tax and changes in fair value of available-for-sale financial assets).

2015 CZK `000	Change in variables	Impact on profit before tax	Impact on equity
Equities	15%	5,092	0
Equities	-15%	(5,092)	0
Property funds	15%	0	24,095
Property funds	-15%	0	(24,095)

2014 CZK `000	Change in variables	Impact on profit before tax	Impact on equity
Equities	15%	11,627	0
Equities	-15%	(11,627)	0
Property funds	15%	0	24,495
Property funds	-15%	0	(24,495)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

(4) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

The Company fully implemented the basic framework for managing individual non-financial risks, which consists of the following methodologies: a methodology for risk identification, methodology of adequate risk reaction which includes responsibility for risks acceptance, action plans for risk mitigation and methods for monitoring and reporting non-financial risks. All these methods are an integral part of the internal control system of the Company. In case of identified deficiencies, the process owners are led to define action plans to strengthen internal control systems and improvement of the Company's overall risk position.

31. Contingent Liabilities

a) Litigation

As at the date of these financial statements, no legal actions representing major risk had been brought against the Company.

b) Co-insurance

The Company considers it unlikely that a beneficiary would lodge a legal claim in its whole extent pursuant to Article 30 on Insurance Policy or Article 2817 of the Civil Code against the Company as the main co-insurer and, therefore, has only created a provision for outstanding claims amounting to its share.

c) Membership of the Czech Insurers' Bureau

As the member of the Bureau, the Company undertook to guarantee the liabilities of the Bureau pursuant to Section 18, Paragraph 6 of the Act on Motor Third-Party Liability Insurance. For this purpose, the Company contributes to the guarantee fund and creates other technical provisions. The amount of the contributions and other technical provisions is determined based on the calculation of the Bureau.

In the event that some of the members of the Bureau fail to meet their obligations following from mandatory liability due to their insolvency, a duty may arise for the Company to deposit additional contributions to the guarantee fund.

d) Membership of the Czech Nuclear Pool

The Company is a member of the Czech Nuclear Pool. On the basis of joint liability, it undertook to take over, in the event that one or more members are unable to meet their liabilities, a part of the uncovered liability in proportion to its net own retention used for the given policy. The Company's potential liability, including its joint liability, is limited by the contract to an amount equal to twice its own net retention for the given type of insured risk.

Gross own retention can be described as follows:

CZK ´000	31 December **2015**	31 December **2014**
Third party liability	**40,000**	40,000
Damages caused by fire, lightning, explosion and aircraft falling ("Flexa") and business interruption	**60,000**	60,000
Transportation risks	**30,000**	30,000
Technical insurance and business interruption	**45,000**	45,000
Net own retention total	**175,000**	**175,000**

KBC Group RE S.A. reinsures 100% of retention to Czech Nuclear Pool from 1 January 2014.

32. Related Parties

The Company's financial data are included in the consolidated financial statements of KBC Verzekeringen N.V., Leuven, the Kingdom of Belgium. These financial statements are further included in the consolidated financial statements of KBC Company N.V. with its registered seat in Brussels, the Kingdom of Belgium. The financial statements of the two consolidating entities KBC Verzekeringen N.V. and KBC Company N.V. are compiled in accordance with the International Financial Reporting Standards and are submitted to the Belgian National Bank.

The main types of transactions provided to related parties are represented by insurance services, investment to financial products and reinsurance treaties.

The main related parties of the Company are as follows:
Československá obchodní banka, a.s.
Československá obchodná banka, a.s.
ČSOB Asset Management, a.s., investiční společnost
Hypoteční banka, a.s.
KBC Ifima
Českomoravská stavební spořitelna, a.s.
ČSOB Penzijní společnost, a.s.
ČSOB Leasing, a.s.
KBC Group NV
Bankovní informační technologie s.r.o.
ČSOB Advisory, a.s.
ČSOB Factoring, a.s.
ČSOB Property fund, a.s.
KBC Verzekeringen NV (Belgium)
KBC Group RE S.A. (Luxembourg)

33. Related-Party Transactions

The Company enters into transactions with its related parties in the normal course of business. The sale to and purchases from related parties are made at normal market prices.

There are no transactions with management of the Company other than those disclosed in Note 13.

The Company has no significant liabilities and receivables from members of management of the Company.

The balances from the main related party transactions are as follows:

2015 CZK `000	Parent Company	Other companies within the group	Total
Financial assets		2,469,101	2,469,101
Reinsurance assets	262	16,381	16,643
Receivables	3	2,290	2,293
Other assets		11,897	11,897
Cash and cash equivalents		457,939	457,939
Total assets	**265**	**2,957,608**	**2,957,873**
Liabilities from insurance contracts		1,907	1,907
Financial liabilities		395,220	395,220
Payables	4	36,166	36,170
Other liabilities		65,734	65,734
Total liabilities	**4**	**499,027**	**499,031**
Net earned premium	(4)	(58,967)	(58,971)
Interest income		46,338	46,338
Dividend income		0	0
Fee and commission income	1	51,681	51,682
Other income		5,878	5,878
Total income	**(3)**	**44,930**	**44,927**
Net benefits and claims from insurance and investment contracts	(115)	(4,036)	(4,151)
Fee and commission expense		(378,102)	(378,102)
Operating expenses		(328,009)	(328,009)
Other expenses		5,004	5,004
Total expense	**(115)**	**(705,143)**	**(705,258)**

2014 CZK `000	Parent Company	Other companies within the group	Total
Financial assets	0	2,780,030	2,780,030
Reinsurance assets	378	18,407	18,785
Receivables	202	0	202
Other assets	0	27,567	27,567
Cash and cash equivalents	0	149,398	149,398
Total assets	**580**	**2,975,402**	**2,975,982**
Liabilities from insurance contracts	0	1,569	1,569
Financial liabilities	0	330,679	330,679
Payables	10	34,673	34,683
Other liabilities	0	69,172	69,172
Total liabilities	**10**	**436,093**	**436,103**
Net earned premium	0	(17,202)	(17,202)
Interest income	0	50,343	50,343
Dividend income	0	0	0
Fee and commission income	0	67,144	67,144
Other income	0	5,683	5,683
Total income	**0**	**105,967**	**105,967**
Net benefits and claims from insurance and investment contracts	0	4,303	4,303
Fee and commission expense	0	(354,491)	(354,491)
Operating expenses	0	(279,447)	(279,447)
Other expenses	0	5,117	5,117
Total expense	**0**	**(624,518)**	**(624,518)**

34. Events After the Reporting Date

There were no significant events that may have impact on the financial statements of the Company after the reporting date.

Ing. Marek Nezveda

Member of the Board

Related Parties Report of the Board of Directors on a Relationship

between controlling and controlled entity and between controlled entity and entities controlled by the same controlling entity („Related Parties“) pursuant to the provision of Section 82 of the Act No. 90/2012 Coll., on business corporations

Controlled Party

ČSOB Pojišťovna, a.s., člen holdingu ČSOB

Based Masarykovo náměstí 1458, Zelené Předměstí, 530 02 Pardubice, Business Registration No. (IČ): 455 34 306, entered in the Commercial Register maintained by the Regional Court in Hradec Králové, Section B, Insert 567, (hereinafter the “Company”).

Controlling party

KBC Group NV

Based Havenlaan 2, 1080 Brusel (Sint-Jans Molenbeek), Belgium.

KBC Group NV in Czech Republic owns ČSOB Pojišťovna, a. s., člen holdingu ČSOB, based Masarykovo náměstí 1458, Zelené Předměstí, 530 02 Pardubice, through following companies: KBC Verzekeringen NV based Professor Roger Van Overstraetenplein 2, Leuven, Belgium, with 99,76% share and Československá obchodní banka, a. s., se based Radlická 333/150, Praha 5, Czech Republic with 0,24% share.

The structure of relations between Related Parties, method and means of controlling

KBC Group NV controls the Company by the General Meeting pursuant to the Act on business corporations through decisions of two shareholders: KBC Verzekeringen NV with 60% voting rights share and Československá obchodní banka, a. s., with 40% voting rights share.

Controlling entity exercises its influence also through its representatives in the bodies of the Company, particularly in the Supervisory Board and the Board of Directors, mainly through cooperation and coordination in the field of consolidated risk management, audit and compliance with prudential rules set for insurance companies and other financial institutions by the law.

Summary of actions taken during the reporting period, which were made at the request or in the interest of the controlling entity or entities controlled by it

Unless stated otherwise Related Parties has not taken any action in the reporting period, which was made at the request or in the interest of the controlling entity or entities controlled by it and that would apply to property that exceeds 10% of the equity of the Company, even in the ordinary course of business.

At the instigation of the controlling entity the Company paid out the dividend payment, which value exceeded 10% of the equity of the Company, see section Dividends and other facts.

The Company concluded term deposits with Československá obchodní banka, a.s., whose value exceeded the limit of 10% of the Company’s equity. The Company performed this act to efficiently allocate its technical reserves resources. The above stated receivables arose from the Company’s ordinary business transactions concluded under standard business terms, including interest rates, comparable to transactions with third parties. The Company has not incurred any detriment in respect of these receivables.

KBC Verzekeringen NV is an insurance company regulated by the Belgian National Bank and is part of the bancassurance financial group KBC Group. KBC Group operates primarily on the markets in Belgium, Czech Republic, Slovakia, Bulgaria, Hungary and Ireland. In a more limited extent, it also operates in other countries.

Shares of KBC Group NV are traded on Euronext Brussels Stock Exchange in Luxembourg. No shareholder has a higher share than 20%.

Graph with ČSOB Group structure is presented in Appendix no. 1 ČSOB Group structure 2015 and basic graph of KBC Group structure is presented in Appendix no. 2 KBC Group NV. The detailed structure of KBC Group is displayed on www.kbc.com.

In the reporting period, the Company maintained diverse transactions with Related Parties in the ordinary course of business.

Overview of contracts concluded between Related Parties

The Company presents overview of relations with the Related Parties in reporting period (in alphabetical order):

Bankovní informační technologie, s.r.o., Business Registration No. (IČ): 63987686, registered office: Radlická 333/150, Praha 5, postal code 150 57
Českomoravská stavební spořitelna, a.s., Business Registration No. (IČ): 49241397, registered office: Vinohradská 3218/169, Praha 10, postal code 100 17
Československá obchodní banka, a. s., Business Registration No. (IČ): 00001350, registered office: Radlická 333/150, Praha 5, postal code 150 57
ČSOB Advisory, a.s., Business Registration No. (IČ): 27081907, registered office: Radlická 333/150, Praha 5, postal code 150 57
ČSOB Asset Management, a.s., investiční společnost, Business Registration No. (IČ): 25677888, registered office: Radlická 333/150, Praha 5, postal code 150 57
ČSOB Factoring, a.s., Business Registration No. (IČ): 45794278, registered office: Benešovská čp. 2538/č.o. 40, Praha 10 - Vinohrady, postal code 101 00
ČSOB Leasing pojišťovací makléř, s.r.o., Business Registration No. (IČ): 27151221, registered office: Na Pankráci 310/60, Praha 4, postal code 140 00
ČSOB Leasing, a.s., Business Registration No. (IČ): 63998980, registered office: Na Pankráci 310/60, Praha 4, postal code 140 00
ČSOB Penzijní společnost, a. s., člen skupiny ČSOB, Business Registration No. (IČ): 61859265, registered office: Radlická 333/150, Praha 5, postal code 150 57
ČSOB Poisťovňa, a.s., Business Registration No. (IČ): 31325416, registered office: Vajnorská 100/B, Bratislava, postal code 831 04, Slovenská republika
ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB, Business Registration No. (IČ): 27479714, registered office: Masarykovo náměstí 1458, Pardubice - Zelené Předměstí, postal code 532 18
ČSOB Property fund, a.s., Business Registration No. (IČ): 27924068, registered office: Radlická 333/150, Radlice, 150 00 Praha 5
Hypoteční banka, a.s., Business Registration No. (IČ): 13584324, sídlo: Radlická 333/150, Praha 5, postal code 150 57
KBC BANK NV, registered office: Havenlaan 2, BE-1080 Brussels, Belgium
KBC Group NV, registered office: Havenlaan 2, BE-1080 Brussels, Belgium
KBC Group NV Czech Branch, organizační složka, Business Registration No. (IČ): 28516869, registered office: Radlická 333/150, Praha 5, postal code150 57 (successor company for KBC Global services NV since 1. 7. 2013)
KBC Group RE S.A., registered office: Place de la gare 5, Luxembourg, L-1616
KBC Verzekeringen NV, sídlo: Professor Roger Van Overstraetenplein 2, 3000 Leuven, Belgium
Merrion Properties s.r.o., Business Registration No. (IČ): 25617184, registered office: Radlická 333/150, Praha 5, postal code 150 57

Insurance and reinsurance agreements

In the reporting period, the Company entered into insurance agreements (including amendments, further concretizations and clarification of the disputable rights associated with these contracts) with companies Bankovní informační technologie, s.r.o.; Českomoravská stavební spořitelna, a.s.; Československá obchodní banka, a.s.; ČSOB Advisory, a.s.; ČSOB Asset Management, a.s., investiční společnost; ČSOB Leasing, a.s.; ČSOB Penzijní společnost, a.s., člen skupiny ČSOB; ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB; Hypoteční banka, a.s. and Merrion Properties s.r.o. The scope of the agreements comprised accident insurance, motor casco insurance, motor third party liability insurance, professional indemnity insurance, water damage and flood risk insurance, insurance of tangible and intangible assets, passenger insurance, liability insurance, travel insurance, debit cards insurance, credit cards insurance, life group insurance, consumer, lease and mortgage loan insurance (payment protection insurance). Alternatively, the foregoing insurance policies were provided in the reporting period on the basis of agreements entered into prior to the Reporting period. The Related Parties provided counter-performance in the form of premiums paid. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

In the reporting period, the Company entered into reinsurance agreements with **KBC Group RE S.A.;** KBC Verzekeringen NV. The scope of the agreements comprised quota share aircraft casco, liability for damage caused by operation of the aircraft and liability insurance for damage to aircraft reinsurance, quota share reinsurance and first surplus reinsurance, catastrophic excess of loss reinsurance, crops and livestock stop loss reinsurance, property excess of loss reinsurance, accident insurance and insurance of medical treatment and facultative reinsurance of Československá obchodní banka, a.s. Alternatively, the foregoing reinsurance was provided in the reporting period on the basis of agreements entered into prior to the reporting period. **KBC Group RE S.A.;**

KBC Verzekeringen NV provided counter-performance in the form of contractual commissions and indemnity shares. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

Other contractual relations

Lease and sub-lease agreements

In the Reporting period, the Company entered into agreements with Československá obchodní banka, a.s.; ČSOB Leasing, a.s.; ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB; Hypoteční banka, a.s.; and KBC Group NV Czech Branch, organizační složka (organizational unit). The scope of the agreements comprised lease the (sub-lease) of non-residential premises, parking places and movable assets. However, the foregoing services were rendered in the reporting period on the basis of agreements entered into prior to the reporting period. The Related Parties provided counter-performance in the form of lease of non-residential premises, movable assets and contractual rent. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

Banking services

In the reporting period, the Company entered into agreements with Bankovní informační technologie s.r.o.; Českomoravská stavební spořitelna, a.s. and Československá obchodní banka, a.s. The scope of the agreements comprised the use of internet banking services, the provision of a bank guarantee, the issue of pay slips and their processing, the issue and use of check vouchers, authorization of client payment orders sent by fax, the acceptation of credit cards in public data net environment and noncash payments, the settlement of transactions (transactions are in accordance with general business terms and conditions), the confirmation of structured deposits, using of safe deposit box, current accounts, deposit accounts, savings account, Postkonto account, and term deposits. However, the foregoing services were rendered in the reporting period on the basis of agreements entered into prior to the reporting period. Counter-performance which related party performed was in the form of provision of the aforementioned banking services, cash appreciation, and maintenance of accounts. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

Investment products

In the Reporting period, the Company entered into an agreement on securities management, an agreement on the authorization of securities settlements, an agreement on share subscription, an agreement on investment certificates subscription and purchase, an agreement on the settlement, management and safekeeping of securities, an agreement on trading on the financial market, an agreement on subscription and purchase of mortgage bonds, an agreement on the transfer of shares for consideration paid, factoring agreements, and a cooperation agreement with Československá obchodní banka, a. s., ČSOB Asset Management, a.s., investiční společnost, ČSOB Property fund, a.s., Hypoteční banka, a.s. and KBC Bank NV.

The scope of the agreements comprised custody and depositing of securities, managing settlement of transactions with securities executed within the TKD system and consignment agreement for the purchase or sale of investment instruments. The foregoing services were rendered in the Reporting period on the basis of agreements entered into prior to the Reporting period. The Related Parties provided counter-performance in the form of ensuring purchase and sale of securities, financial asset management, and cooperation in asset management. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

Benefits

In the reporting period, the Company entered into cooperation agreements with Bankovní informační technologie, s.r.o.; Českomoravská stavební spořitelna, a.s.; Československá obchodní banka, a.s.; ČSOB Asset Management, a.s., investiční společnost; ČSOB Factoring, a.s.; ČSOB Leasing, a.s.; ČSOB Leasing pojišťovací makléř, s.r.o.; ČSOB Penzijní společnost, a.s., člen skupiny ČSOB; Hypoteční banka, a.s, **KBC Group NV Czech Branch, organizační složka** on provision of employee benefits and cooperation in expanding the scope of employee social insurance and agreement on life insurance contribution to employees insured by the Company and catering services agreement. However, the foregoing services were rendered in the reporting period on the basis of agreements entered into prior to the reporting period. The Related Parties provided counter-performance in the form of provision of employee benefits. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

Other services

In the reporting period, the Company entered into agreements with Československá obchodní banka, a.s.; **KBC Group NV Czech Branch, organizační složka; and KBC Group NV**. The scope of the agreements comprised the use of tax services, services related to accounting methodology and account management, support financial services, outsourcing of ICT, services related to back office systems and processes, organization services, legal services and services related to human resources. However, the foregoing services were rendered in the reporting period on the basis of agreements entered into prior to the reporting period. The Related Parties provided mutual counter-performance in the form of provision of the aforementioned services. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

Cooperation agreements

In the reporting period, the Company entered into agreements with Českomoravská stavební spořitelna, a.s.; Československá obchodní banka, a.s.; ČSOB Asset Management, a.s., investiční společnost; ČSOB Leasing pojišťovací makléř, s.r.o.; ČSOB Leasing, a.s.; ČSOB Penzijní společnost, a.s., člen skupiny ČSOB, ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB; Hypoteční banka, a.s.. The scope of the agreements comprised cooperation related to business representation (including Mandate agreements), cooperation in the provision of Company distribution services, insurance brokerage and administration (including cooperation in insurance brokers' remuneration, extraordinary commission and agreement about paid bonuses based on the amount of claims on insured objects), concluding contracts for building savings and pension scheme insurance, to support and promotion of the insurance offers of the insurer, cooperation in the field of relationship management services with the non-exclusive insurance brokers active in outsourced managing of external distribution network (OED) for the insurance company, cooperation in allocation of technical provisions related to unit-linked life insurance, services related to compliance and internal audit and advisory and consultation relates to actuarial department, data processing, analysis preparation, client support in developing and implementing his/her strategic and commercial projects and management consulting. Respectively, the foregoing services were rendered in the Reporting period on the basis of agreements entered into prior to the Reporting period. The Related Parties provided counter-performance in the form of the aforementioned cooperation and contractual consideration paid. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

Other agreements

Agreement entered into in the reporting period:

Agreement	Counter-performance	Contractual Related Party	Detriment
The agreement on the settlement of disputable right	Contractual consideration paid	ČSOB Penzijní společnost, a.s., člen skupiny ČSOB	none
Agreement on the financial bonus for fulfilling of quota on number of concluded group insurance contracts	Financial bonus	ČSOB Leasing, a.s.	none

Agreements entered into before the reporting period:

Agreement	Counter-performance	Contractual Related Party	Detriment
Agreement on personal data processing	No counter-performance	Českomoravská stavební spořitelna, a.s.	none
Agreement on personal data processing	No counter-performance	ČSOB Penzijní společnost, a.s., člen skupiny ČSOB	none
Confidentiality agreement	No counter-performance	Českomoravská stavební spořitelna, a.s.	none
Agreement on mutual rights and obligations pertaining to travel insurance policy	Cooperation in insurance administration	Československá obchodní banka, a. s.	none
Agreement on information protection	Information protection	ČSOB Asset Management, a.s., investiční společnost,	none
7x Agreement on financial bonus for a specified volume of sold insurance policies	Financial bonus	ČSOB Leasing, a.s.	none
Agreement on providing right to use intellectual property	Contractual consideration paid	ČSOB Poisťovňa, a.s.	none
Agreement on personal data processing	No counter-performance	KBC Group NV Czech Branch, organizační složka	none
5x Agreement on propagation of insurer	Advertisement	ČSOB Leasing, a.s.	none
Service level agreement – providing of relationship management services with the non-exclusive insurance brokers active in outsourced managing of external distribution network (OED) for the insurance company	Contractual remuneration	Hypoteční banka, a.s.	none

Other legal actions:

Agreement	Contractual Related Party	Detriment
Agreement on cooperation (VAT Grouping) – Fulfilling of tax obligation for members of CSOB group. In relation to tax office in connection with VAT is group considered as individual person obliged to tax and behalf the group act deputy member.	Českomoravská stavební spořitelna, a.s., Československá obchodní banka, a. s., ČSOB Advisory, a.s., ČSOB Asset Management, a.s., investiční společnost, ČSOB Penzijní společnost, a.s., člen skupiny ČSOB, Hypoteční banka, a.s., KBC Group NV Czech Branch, organizační složka	none
Agreement on exercise of voting rights, incl. Amendments	Československá obchodní banka, a. s.	none
Agreement by and between shareholders of ČSOB Property fund, uzavřený investiční fond (closed-end investment fund), a.s.	ČSOB Asset Management, a.s., investiční společnost, ČSOB Property fund, a.s.	none
Operational memorandum	ČSOB Asset Management, a.s., investiční společnost	none

Aside from the foregoing relations, the Related Parties also exchanged publicly available information or, if applicable, information required by law to meet their statutory obligations.

Assessment of detriment to controlled entity

The Company has not incurred any detriment from contractual and other relationships during reporting period.

Assessment of relationship between Related Parties

Common synergies within the ČSOB Group, respectively KBC Group, bring positive results in the areas of efficiency of cost management, human resources and help to set up processes compliant with the corporate strategy. At the same time, this cooperation helps to reduce specific transactional risks, such as risks associated with providing sensitive information and data to third parties.

The Company provides mainly insurance services to the companies in the Group, its associates and joint ventures. The provided services include also insurance advisory, training of intermediaries and insurance claims underwriting.

Receivables and payables to Československá obchodní banka, a.s. consist mainly of derivatives fair value, deposits and repo operations.

Mutual cooperation of companies within the KBC Group and the Company, respectively other companies controlled by the Company, helps to strengthen a common market position and increase the offer of financial services of its clients in the area of building savings and mortgages, asset management, collective investment, pension, leasing, factoring and distribution of life and non-life insurance.

Dividends and other facts

Shareholders decided on the distribution of the profit for 2014 on General Meeting held on 30 April 2015. The dividend of CZK 746.5 million was paid out to the shareholders.

In the reporting period the Company has made decisions of shareholder/company, where the Company is the only shareholder. The decisions included approval of financial statements and footnotes, profit or loss distribution and dividend payments, election of the members of the companies bodies and their remuneration, changes in Statutes, approval of the Statute changes of some associates, increase/decrease of share capital and/or share premium.

Reporting period

This Report describes relations between Related Parties for the period from 1 January 2015 to 31 December 2015.

Conclusion

The Board of Directors states that this report was prepared within the statutory deadline and in accordance with § 82 of the Act no. 90/2012 Coll., on business corporations.The Board of Directors has proceeded with due diligence during preparation of the report, which range reflects the purpose of the legal requirements of the Act on business corporations on the report in relation to the ownership structure of the Company.

Pardubice, 9 March 2016

ČSOB Pojišťovna, a. s., člen holdingu ČSOB

Board of Directors

Vladimír Bezděk, M.A.
Chairman of the Board of Directors

Marek Nezveda, ACCA
Member of the Board of Directors

Appendix no. 1 ČSOB Group structure 2015

Consolidation structure of ČSOB as at 31. 12. 2015 from ownership and control point of view

KBC Group NV

100 % KBC Verzekeringen NV

100 % KBC Bank NV

100 % Československá obchodní banka, a.s.

Other companies

Share on share capital 0,50 %
Share on voting rights 0,50 %

Motokov a.s. v likvidaci
Share on share capital **direct**: 0,50 %
Share on share capital **indirect**: 69,59 %
Share on voting rights: 70,09 %

Share on share capital 69,59 % Share on voting rights 69,59 %

ČSOB Advisory, a.s.
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

Share on share capital 14,34 % Share on voting rights 14,34 %

Share on share capital 71,29 %
Share on voting rights 71,29 %

IP Exit, a.s. (in bankcrupcy)
Share on share capital **direct**: 71,29 %
Share on share capital **indirect**: 14,34 %
Share on voting rights: 85,63 %

Share on share capital 0,11 % Share on voting rights 0,00 %

Share on share capital 0,245 %
Share on voting rights 40 %
Share on share capital 59,79 %
Share on voting rights 95,67 %

ČSOB Pojišťovna, a.s., člen skupiny ČSOB
Share on share capital **direct**: 0,24 %
Share on voting rights: 40,00 %
Share on share capital **direct**: 99,76 %
Share on voting rights: 60,00 %

Share on share capital 100 %
Share on voting rights 100 %
Share on voting rights 100 %

ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB
Share on share capital **indirect**: 0,24 %
Share on voting rights: 0,00 %

Share on share capital 35,88 % Share on voting rights 0,00 %

Share on share capital 59,79 %
Share on voting rights 95,67 %

ČSOB Property fund, a.s.
Share on share capital **direct**: 59,79 %
Share on share capital **indirect**: 1,82 %
Share on voting rights: 95,67 %

Share on share capital 100 %
Share on voting rights 100 %

Merrion Properties s.r.o.
Share on share capital **indirect**: 61,61 %
Share on voting rights: 100,00 %

Share on share capital 4,33 % Share on voting rights 4,33 %

ČSOB Asset Management, a.s., Investiční společnost
Share on share capital **direct**: 40,08 %
Share on voting rights: 40,08 %

ČSOB Penzijní společnost, a.s., člen skupiny ČSOB
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

ČSOB Leasing, a.s.
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

Share on share capital 100 %
Share on voting rights 100 %

ČSOB Leasing pojišťovací makléř, s.r.o.
Share on share capital **indirect**: 100,00 %
Share on voting rights: 100,00 %

ČSOB Factoring, a.s.
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

Share on share capital 100 %
Share on voting rights 100 %

Eurincasso, s.r.o.
Share on share capital **indirect**: 100,00 %
Share on voting rights: 100,00 %

Centrum Radlická a.s.
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

Patria Online a.s.
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

Share on share capital 100 %
Share on voting rights 100 %

Patria Finance a. s.
Share on share capital **indirect**: 100,00 %
Share on voting rights: 100,00 %

Patria Corporate Finance a. s.
Share on share capital **indirect**: 100,00 %
Share on voting rights: 100,00 %

Radlice Rozvojová, a.s.
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

Other companies

Bankovní informační technologie, s.r.o.
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

Českomoravská stavební spořitelna, a.s.
Share on share capital **direct**: 55,00 %
Share on voting rights: 55,00 %

Hypoteční banka, a.s.
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

Tee Square Limited, Ltd.
Share on share capital **direct**: 100,00 %
Share on voting rights: 100,00 %

ČSOB – Czech Banking Credit Bureau, a.s.
Share on share capital **direct**: 20,00 %
Share on voting rights: 20,00 %

Premiéra TV, a.s.
Share on share capital **direct**: 29,00 %
Share on voting rights: 29,00 %

První certifikační autorita, a.s.
Share on share capital **direct**: 23,25 %
Share on voting rights: 23,25 %

COFELY REN s.r.o.
Share on share capital **direct**: 42,82 %
Share on voting rights: 42,82 %

Notes

Percentage shares inside the frames are recaiculated from the ČSOB parent company's point of view.

KBC Group NV is the sole shareholder of KBC Bank NV.

KBC Group NV has 100% control and share in KBC Insurance NV.

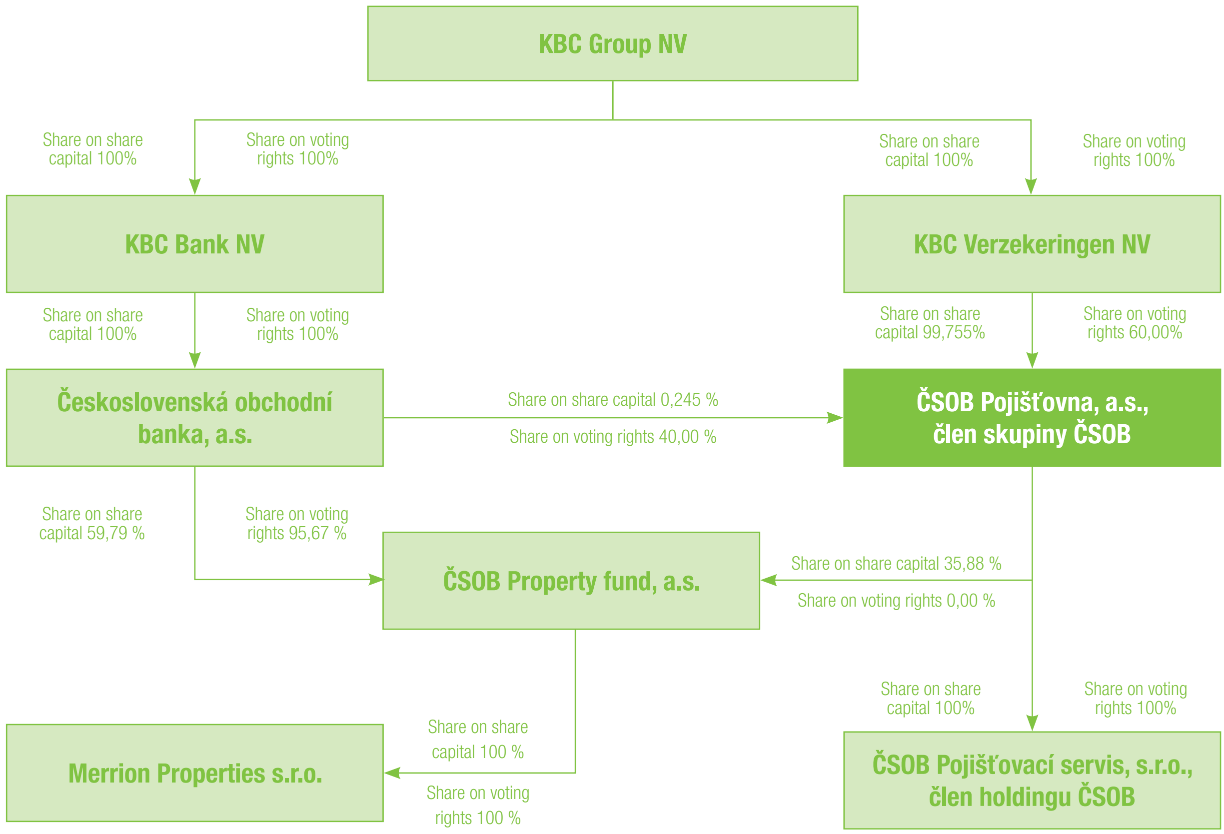
ČSOB Pojišťovna, a.s. is controlled and owner by KBC Verzekeringen NV with 99,76 % share and Československá obchodní banka, a.s. with 0,24 % share.

Other companies: For full overview of companies included in KBC Group, please, refer to www.kbc.com.

For futher information on KBC Group, please, refer to www.kbc.com.

Appendix no. 2 KBC Group NV 2015

Consolidation structure of KBC Group as at 31. 12. 2015 from ownership and control point of view



Notes

KBC Group NV is the sole shareholder of KBC Verzekeringen NV.

ČSOB Pojišťovna, a.s. is controlled and owner by KBC Verzekeringen NV with 99,76% share on share capital and Československá obchodní banka, a.s. with 0,24% share on share capital.

ČSOB Property fund, uzavřený investiční fond, a.s. is owned and controlled by Československá obchodní banka, a.s. with 59,79% share on share capital, ČSOB Pojišťovna a.s. with 35,88% share and ČSOB Asset Management, a.s., investiční společnost with 4,33% share on share capital.

ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB is owned and controlled by ČSOB Pojišťovna a.s.

For futher information on KBC Group, please, refer to www.kbc.com.

Other companies: For full overview of companies included in KBC Group, please, refer to www.kbc.com.