Annual Report 2015

Česká pojišťovna

Your safe haven – a strong and reliable partner

Česká pojišťovna is the largest insurer on the Czech market, commanding a 23.1% share. We are a modern composite life and non-life insurer built on more than 185 years' history. Over 3,800 employees and 4,000 sales representatives at more than 590 points of sale aspire to deliver maximum customer satisfaction.

ČESKÁ POJIŠŤOVNA

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Letter from the Chairman

Ladies and Gentlemen,

Česká pojišťovna is a traditional Czech brand boasting a long and compelling history. Yet tradition in itself is no longer enough. The insurance market is continuing to forge ahead, with the attendant changes in customers' needs and requirements. As a thriving company, we need to have what it takes to respond to modern trends and come up with solutions offering customers maximum added value.

The fact that Česká pojišťovna became fully integrated into Generali's insurance group last year means we are in a position to actively leverage and share in the know-how of a commanding international company while focusing on and reacting to the sum of factors specific to the domestic landscape. All of this gives us the wherewithal to flourish on the highly competitive Czech insurance market.

Last year, the insurance sector witnessed a whole raft of important events. Insurance companies expectantly kept tabs on developments in two monumental pieces of legislation in particular: the Insurance Act (and the associated implementation of Solvency II) and the Insurance Intermediaries Act. We will not find out until 2016 is well under way what the repercussions of failing to pass these two crucial laws will be for the insurance market.

Last year was also challenging in motor insurance. Personal injuries continued to pile up on the back of the new Civil Code in a trend that shot to the fore in 2014 and, without any shadow of a doubt, looks set to stay. Insurers will have to brace themselves for higher claims from clients even in the future.

Despite being exposed to these market complexities, at Česká pojišťovna we did not let innovation slide. We focused on digitising our processes and on paperless communication with customers. As more than 600 signature pads have been distributed in total to all Česká pojišťovna branches, customers are free to sign documents electronically with us. This has made the entire service process faster, easier and – needless to say – more environmentally friendly. The Customer Zone has also been given a major upgrade and can now be set up online from the comfort of the customer's own home. Consequently, we are charting waters en route to paperless processes and services.

We have also come up with a new product development – Comfort MTPL, offering generous policy limits, personal accident insurance for the driver and all passengers, a three-year price guarantee, the opportunity to file an initial claim with no effect on the no-claims bonus, and a broad range of breakdown cover. As a result, drivers can be sure of assistance not only if they are involved in an accident or their car breaks down, but also in situations where they have tanked up with the wrong fuel or run out of petrol, or where their diesel has frozen or their battery is flat.

Towards the end of the year, Česká pojišťovna relocated its data centre to a common facility in Italy in a move of such magnitude that it was the largest infrastructure transfer witnessed not only in the Czech Republic, but anywhere in Europe. It took roughly 11 months to make the switch, with IT specialists relocating nearly 1,200 applications running on more than 1,300 servers. The project behind this was truly singular, as illustrated by the fact that the relocation of infrastructure on such a large and complex scale passed off with no blanket outages in IT services or applications. I admire and, naturally, owe a particular debt of gratitude, then, to all those specialists who had a hand in the project and devoted countless hours of overtime to it.

In 2015, Česká pojišťovna also did well in industry awards. In the extremely tough Best Insurance Company 2015 survey by Hospodářské noviny, we were runners-up in the Best Life Insurance Company category and came third in the Most Customer Friendly Non-life Insurance Company category.

Speaking on behalf of the Company's management, I would like to thank all employees and agents who contributed to Česká pojištovna's success in 2015 and, in doing so, helped to maintain our market leader status in the Czech insurance sector. I am also grateful to our business partners for their custom and look forward to cooperation that will be just as successful in 2016.

A special thank-you belongs to our customers. The faith they place in us keeps us driving forward apace and acts as a commitment to steadfastly deliver high-quality products and services beyond their expectations.

Marek Jankovič
Chairman of the Board of Directors

Description of Česká pojišťovna – Company and Group

Česká pojišťovna Group Profile

Česká pojišťovna is a composite insurer providing a comprehensive range of services, encompassing life and non-life personal lines, insurance for small, mid-sized, and large customers covering industrial and business risks, and agriculture.

The Česká pojišťovna Group is structured for optimal management of a spectrum of services connected with the provision of private insurance, retirement savings and investment. It leverages the advantages of this structure to the full, while exploiting the fact that, since 2008, Česká pojišťovna and its subsidiaries have been part of the Generali Group.

Thus, in addition to their core business activities, most companies in the Česká pojišťovna Group also provide services to their affiliates within Generali CEE Holding in the form of capacity-sharing and the mutual provision of assistance on an arm's-length basis.

The History of Česká pojišťovna

Česká pojišťovna boasts a long, rich history. It is the oldest insurance institution in the Czech Lands, tracing its origin to 27 October 1827, when the articles of an institution called Císařsko-královský, privilegovaný, český, společný náhradu škody ohněm svedené pojišťující ústav (Imperial-Royal Privileged Bohemian Joint Fire Damage Insurance Institute) were approved. Arguably the best-known and largest claim in the Company's history was the National Theatre fire in 1881. Česká pojišťovna paid out 297,869 Guldens for the reconstruction of the theatre, incurring a major financial loss in the process, but also gaining considerable prestige in the eyes of the Czech nation. By the 1920s, the Company was offering almost all kinds of insurance, including the still seldom seen motor insurance. In 1945, the insurance sector was nationalised, resulting in five insurance companies which, in 1948, were transformed into the single Československá pojišťovna (Czechoslovak Insurance Company).

In 1992, the National Property Fond of the Czech Republic transformed Česká pojištovna into a public limited company and a year later the Company's shares were listed on the Main Market of the Prague Stock Exchange. Česká pojišťovna was delisted on 31 August 2005 in conjunction with a squeeze-out of minority shareholders.

In 1991, Česká pojišťovna set up the subsidiary K I S a.s. kapitálová investiční společnost České pojišťovny, now known within Generali CEE Holding as Generali Investments CEE, investiční společnost, a.s., which provides services on the collective investment and asset management market. In 1992, Česká pojišťovna and its partner Vereinte Krankenversicherung AG Munich founded Česká pojišťovna ZDRAVÍ, which has since grown to become the largest provider of private health and sickness insurance in the Czech Republic. Five years later, Česká pojišťovna became the company's sole shareholder. In the 1990s, the Česká pojišťovna Group entered the supplementary pension market by establishing Penzijní fond České pojišťovny, a.s. (now Penzijní společnost České pojišťovny, a.s.), the largest supplementary pension provider in the Czech Republic. In 2008, the Romanian pension fund Generali Societate de Administrare a Fondurilor de Pensii Private S.A. joined the Group.

The Česká pojištovna Group members also currently include investment property companies and the service organisation Generali Services CEE a.s., which is primarily used to manage selected agendas of Česká pojišťovna and Generali Pojišťovna.

An important date in the modern history of Česká pojišťovna and its Group was 17 January 2008, when the Joint Venture Agreement between Assicurazioni Generali and PPF Group N.V. took effect, giving rise to Generali PPF Holding B.V., in which the Generali Group held a 51% stake and the remaining 49% was held by the PPF Group. Česká pojišťovna and its subsidiaries consequently became part of one of the largest insurance groups in Central and Eastern Europe. Since January 2015, Česká pojišťovna and its subsidiaries have been fully owned by the Generali Group.

Česká pojišťovna Group Highlights

2015

January
The final step in the purchase of a minority shareholding in Generali CEE Holding (until January 2015 Generali PPF Holding) was completed. As a result, the holding became wholly owned by the Generali Group following the PPF Group's decision to sell its remaining stake.

June
Marcel Homolka became the CEO and Chairman of the Board of Directors of Penzijní společnost České pojišťovny on 1 June.

Karel Bláha was named a member of the Board of Directors of Česká pojišťovna with effect from 1 June.

July
Marek Jankovič was appointed as the CEO and Chairman of the Board of Directors of Česká pojišťovna. He was also made the Generali Group's Country Manager in the Czech Republic.

Tomáš Vysoudil was named a member of the Board of Directors of Česká pojišťovna with effect from 1 July.

The Generali CEE Group's strategy is to increase efficiency and make it easier to implement new regulatory requirements necessitated by the introduction of Solvency II rules. The decision by the Group's management to transfer the operations of Česká pojišťovna's Polish branch by hiving off part of its business was one way of implementing this strategy. On 10 July, a precontract agreement on the sale of part of the business was signed between Česká pojišťovna and GENERALI TOWARZYSTWO UBEZPIECZEŃ S.A.

October
Changes were made to Česká pojišťovna's sales management. Karel Bláha was appointed as the director of Česká pojišťovna's Corporate Sales Section, with Tomáš Vysoudil taking over the reins of the Company's Retail Sales Section, while Pavol Pitoňák was named the director of the Underwriting Section.

A.M. Best, the international rating agency specialising in the insurance sector, gave Česká pojišťovna a financial strength rating of "A" (Excellent) and a credit rating of "a", both of which came with a stable outlook.

November
Starting in November, all branches of Česká pojišťovna were able to offer customers the option of signing electronically.

December
As at 31 December, on the basis of the aforementioned precontract agreement, Česká pojišťovna sold GENERALI TOWARZYSTWO UBEZPIECZEŃ S.A. part of its business focusing primarily on motor insurance in Poland. This transaction centred on the transfer of the insurance portfolio managed by Česká pojišťovna's Polish branch.

2016

January
Pavol Pitoňák was named a member of the Board of Directors of Česká pojišťovna on 20 January. Prior to joining Česká pojišťovna, he worked for Allianz – Slovenská poisťovňa as a board member and vice-president in charge of products and claim settlements. He graduated from the Slovak University of Technology, before obtaining his MBA at ESCP Europe's Berlin campus.

February
Česká pojišťovna was the second-placed Insurance Company with the Best Travel Insurance in the TTG Travel Awards, the oldest and most prestigious survey among tourism experts in the Czech Republic. The poll is conducted by TTG Czech, the most important magazine for professionals in this sector.

March
Česká pojišťovna supported the development of the Záchranka (Ambulance) application. This means that, thanks in part to Česká pojišťovna's backing, the emergency medical service has a new helpmate when locating the position of patients calling the 155 emergency line. The mobile application is available free of charge for smartphones running Apple iOS and Google Android. Záchranka follows on the heels of Horská služba (Mountain Ambulance Service) as another important application helping to save lives with Česká pojišťovna's support. Česká pojišťovna has drawn up insurance for personalised number plates, available as a rider on collision insurance from 1 March 2016. The insured amount has been set at CZK 10,000, with the insurance covering the risk of the loss, destruction or theft of one or both number plates. Penzijní společnost České pojišťovny won a prestigious award in the category of Best Innovator (as Best Innovation Pension Fund in CEE). This made it the sole pension fund in the Czech Republic to be honoured in this way.
Česká pojišťovna upgraded its insurance of apartment buildings to offer higher insurance limits, coverage of new risks, and a wide range of assistance services.

April
Česká pojišťovna has introduced new children's life insurance as part of its expansion of Můj život (My Life) insurance. This new development covers risks such as loss of self-sufficiency or serious illness. It also offers a wide panoply of assistance services, including arrangements to stay in top-class rehabilitation facilities. Clients will also be able to enjoy the brand new Můj doprovod (My Entourage) assistance application.

Awards

Česká pojišťovna has long been the Czech insurance market leader. Group companies are faring just as well, as evidenced by the numerous awards heaped on them by customers, the general public and industry specialists.

Česká pojišťovna again enjoyed success in Hospodářské noviny's Best Insurance Company contest, taking home the runners-up prize for Best Life Insurance Company of the Year and ending up as the third Most Customer Friendly Non-life Insurance Company of the Year.

Česká pojišťovna enjoyed success on two counts in the Czech PR Awards, coming top in the Communication Instruments – Press Conferences Category and in one of the frontline sections – the Financial Market and Financial Services Industry Category – for its "ČP Crime or Insurance Fraud" project in the landmark 10th anniversary of this competition in 2015.

ČP INVEST (now renamed Generali Investments CEE) also won a prize, coming second in the Media Placement Category for its project "On the Summit of K2 (Almost) Live".

Key Indicators

Key Consolidated Financial Figures Reported by the Česká pojišťovna Group

(CZK millions)	As at 31 December	
	2015	2014
Total assets	208,154	209,425
Capital and reserves attributable to the parent company's equity holder	33,350	30,756
Result of the period attributable to the parent company's equity holder	4,275	3,673
Total revenues	25,749	26,483[1]
Net premiums earned	18,697	20,026[1]
Net benefit and claim costs	(10,881)	(12,626)[1]

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More detailed information on the key figures of the Česká pojišťovna Group presented above can be found in the consolidated financial statements, which are an integral part of this consolidated annual report. Most of the analyses and details presented in the annual report relate to individual legal entities of the Česká pojišťovna Group, with special attention paid to Česká pojišťovna as the consolidating entity and the Group's largest member.

Key Financial Figures of the Parent Company

Basic indicators	Units	2015	2014[2]	2013[2]	2012	2011
Highlights from the financial statements						
Total assets	CZK millions	106,574	115,079	118,991	121,743	116,515
Share capital	CZK millions	4,000	4,000	4,000	4,000	4,000
Shareholder's equity	CZK millions	25,435	23,548	21,021	21,331	17,455
Dividend per share	CZK	81,800	83,600	85,000	75,000	235,000
Shares	number	40,000	40,000	40,000	40,000	40,000
Retained earnings	CZK millions	15,514	14,169	13,903	13,570	12,659
Net profit	CZK millions	4,092	3,636	3,727	3,883	3,553
Performance indicators						
Gross premiums earned	CZK millions	28,186	31,717	32,335	32,140	33,586
– non-life insurance	CZK millions	18,562	20,873	20,561	19,678	20,381
– life insurance	CZK millions	9,624	10,844	11,774	12,462	13,205
Gross benefits and claims paid	CZK millions	21,480	24,625	23,026	21,517	22,965
– non-life insurance	CZK millions	9,169	10,358	11,320	10,431	11,353
– life insurance	CZK millions	12,311	14,267	11,706	11,086	11,612
Total insurance provisions included in insurance liabilities	CZK millions	67,692	76,950	83,123	85,640	86,282
– life insurance provision	CZK millions	46,658	52,927	59,966	63,283	64,826
– other insurance provisions	CZK millions	21,034	24,023	23,157	22,357	21,456
Number of claims processed	thousands	812	962	949	957	1,077
Number of policies	thousands	7,323	8,437	8,447	8,368	8,389
Other information						
Market share in premiums written[3]	%	23.1	23.9	25.3	25.9	26.9
– non-life insurance	%	25.2	25.8	27.3	27.9	28.4
– life insurance	%	19.7	21.0	22.4	23.1	24.6
Average number of employees	number	3,729	4,016	3,993	4,014	3,845
Performance ratios						
ROA (net profit/total assets)	%	3.8	3.2	3.1	3.2	3.0
ROE (net profit/equity)	%	16.1	15.4	17.7	18.2	20.4
Equity per share	CZK	635,875	588,700	525,525	533,275	436,425
Earnings per share	CZK	102,302	90,903	93,159	97,066	88,825
Premiums written/number of employees	CZK millions	7.6	7.9	8.1	8.0	8.7

[1] Results adjusted to reflect IFRS changes
[2] The figures include the results reported for Česká pojišťovna's branch in Poland
[3] Czech Insurance Association. *Statistické údaje dle metodiky ČAP 1–12/2015* [online]. ČAP ©2014 [accessed 2016-03-01]. Available from: http://cap.cz/images/statisticke-udaje/vyvoj-pojisteno-trhu/STAT-2015Q4-CAP-CZ-2016-01-26-WEB.pdf

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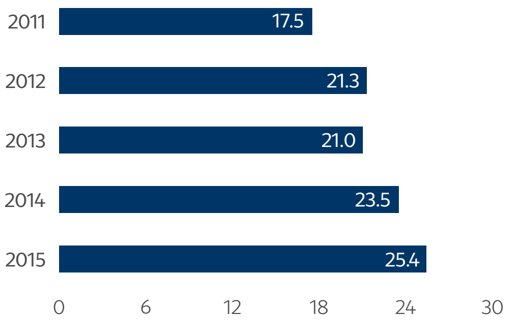
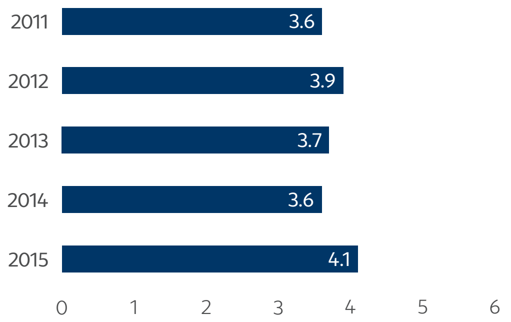
Key Financial Figures of the Parent Company

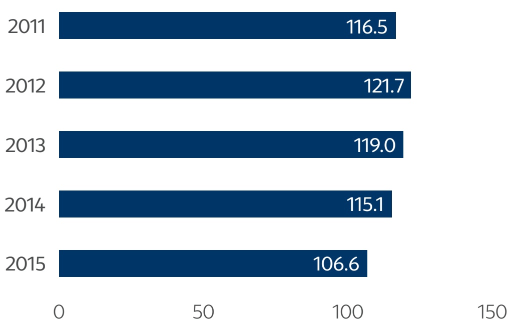
Shareholder's equity (CZK billions)



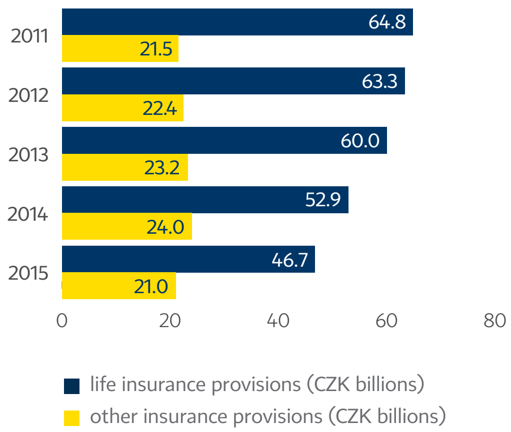
Current period earnings (CZK billions)



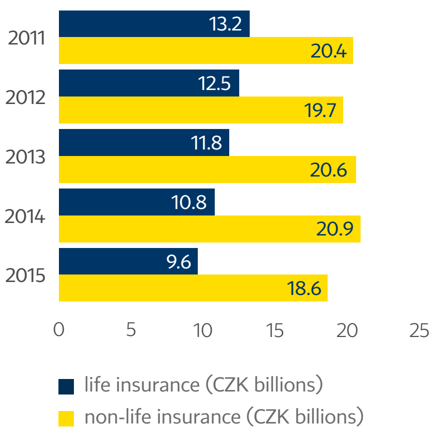
Total assets (CZK billions)



Insurance provisions included in insurance liabilities (CZK billions)



Life and non-life gross premiums earned (CZK billions)



Description of Group Structure, Position of Česká pojišťovna

As at 31 December 2015, Česká pojišťovna was part of a group; the company at the pinnacle of that group's holding structure is Generali CEE Holding B.V. (the "Holding"). The ultimate owner of Česká pojišťovna is Assicurazioni Generali S.p.A., which held a 100% stake in the voting rights attached to the shares of Generali CEE Holding B.V. as at 31 December 2015. The Company's sole shareholder is CZI Holdings N.V.

CZI Holdings N.V.

Date of inception:	6 April 2006
Registered office:	Diemerhof 32, Diemen, 1112XN Amsterdam, Netherlands
File number in the Register of the Amsterdam Chamber of Commerce and Industry:	34245976
Share capital:	EUR 100 million
Principal business:	financial holding

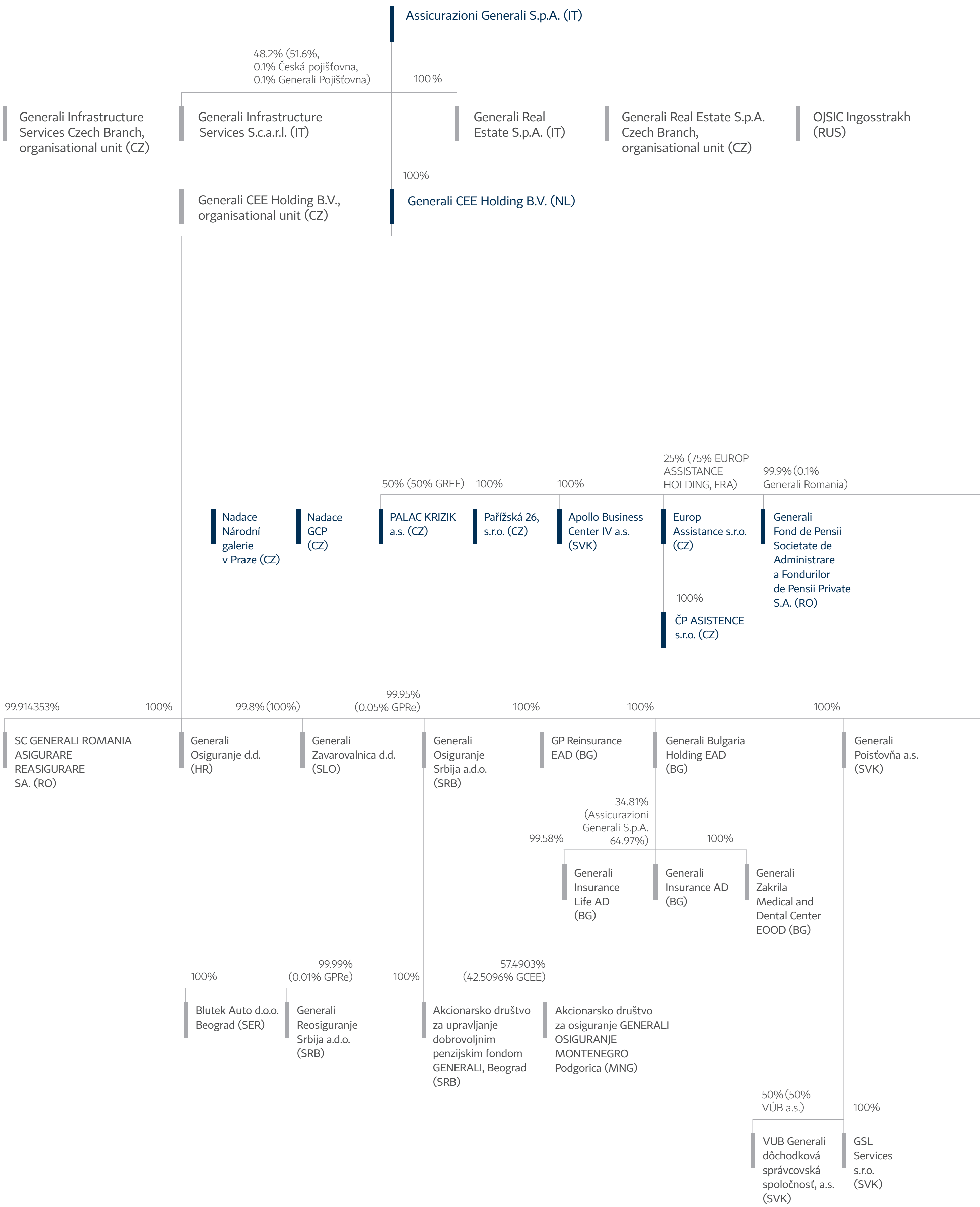
The company compiles a report on related-party transactions in accordance with Section 82 of Act No 90/2012.

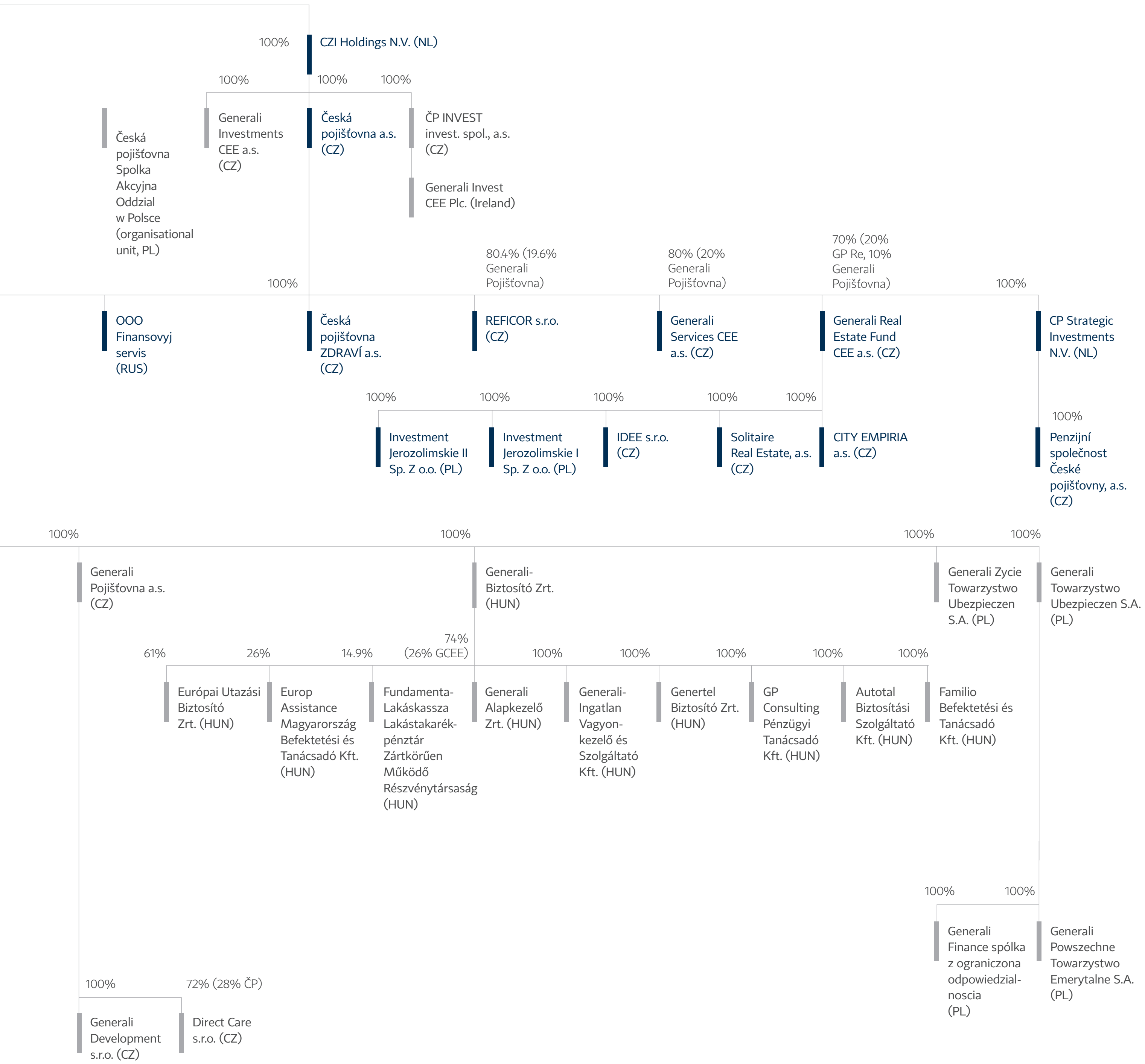
Generali CEE Holding B.V.

Date of inception:	8 June 2007
Registered office:	Diemerhof 32, Diemen, 1112XN Amsterdam, Netherlands
File number in the Register of the Amsterdam Chamber of Commerce and Industry:	34275688
Share capital:	EUR 100,000
Principal business:	holding activities

Generali CEE Holding B.V. directs the business of its subsidiaries through an organisational unit based in Prague, Czech Republic. The Holding has operations not only in the Czech Republic, but also in Slovakia, Poland, Hungary, Romania, Bulgaria, Serbia, Slovenia, Montenegro and Croatia.

Česká pojišťovna Group Structure as at 31 December 2015




100%
CZI Holdings N.V. (NL)
100%
100%
100%
Česká pojišťovna Spolka Akcyjna Oddzial w Polsce (organisational unit, PL)
Generali Investments CEE a.s. (CZ)
Česká pojišťovna a.s. (CZ)
ČP INVEST invest. spol., a.s. (CZ)
Generali Invest CEE Plc. (Ireland)
100%
80.4% (19.6% Generali Pojišťovna)
80% (20% Generali Pojišťovna)
70% (20% GP Re, 10% Generali Pojišťovna)
100%
OOO Finansovyj servis (RUS)
Česká pojišťovna ZDRAVÍ a.s. (CZ)
REFICOR s.r.o. (CZ)
Generali Services CEE a.s. (CZ)
Generali Real Estate Fund CEE a.s. (CZ)
CP Strategic Investments N.V. (NL)
100%
100%
100%
100%
100%
100%
Investment Jerozolimskie II Sp. Z o.o. (PL)
Investment Jerozolimskie I Sp. Z o.o. (PL)
IDEE s.r.o. (CZ)
Solitaire Real Estate, a.s. (CZ)
CITY EMPIRIA a.s. (CZ)
Penzijní společnost České pojišťovny, a.s. (CZ)
100%
100%
100%
100%
Generali Pojišťovna a.s. (CZ)
Generali-Biztosító Zrt. (HUN)
Generali Zycie Towarzystwo Ubezpieczen S.A. (PL)
Generali Towarzystwo Ubezpieczen S.A. (PL)
61%
26%
14.9%
74% (26% GCEE)
100%
100%
100%
100%
100%
Európai Utazási Biztosító Zrt. (HUN)
Europ Assistance Magyarország Befektetési és Tanácsadó Kft. (HUN)
Fundamenta-Lakáskassza Lakástakarék-pénztár Zártkörűen Működő Részvénytársaság (HUN)
Generali Alapkezelő Zrt. (HUN)
Generali-Ingatlan Vagyon-kezelő és Szolgáltató Kft. (HUN)
Genertel Biztosító Zrt. (HUN)
GP Consulting Pénzügyi Tanácsadó Kft. (HUN)
Autotal Biztosítási Szolgáltató Kft. (HUN)
Familio Befektetési és Tanácsadó Kft. (HUN)
100%
100%
Generali Finance spólka z ogranicżona odpowiedzial-noscia (PL)
Generali Powszechne Towarzystwo Emerytalne S.A. (PL)
100%
72% (28% ČP)
Generali Development s.r.o. (CZ)
Direct Care s.r.o. (CZ)

Description of Selected Companies within the Česká pojišťovna Group

Below we provide information on companies that form part of the Česká pojišťovna Group and are of fundamental importance either for the Company's business or its capital position. Information on certain other companies that belong to the same group as Česká pojišťovna may be found in the Notes to the Consolidated Financial Statements for the Year Ended 31 December 2015 (in the section describing the subsidiaries and associates of Česká pojišťovna).

CP Strategic Investments N.V.

Principal business:	holding activities and the financing thereof
Date of incorporation:	6 December 1999
Share capital:	EUR 225,000
Česká pojišťovna's stake:	100%
Registered office:	Netherlands

The end of 2012 was a time of restructuring, in which Generali PPF Holding's operations in supplementary pension insurance and savings were concentrated within the Česká pojišťovna Group. Through CP Strategic Investments, Česká pojišťovna became the owner not only of Penzijní fond České pojišťovny, a.s., but also Generali penzijní fond a.s. In spring 2013, the companies' governing bodies signed a project on a domestic merger by acquisition, effective as at 1 January 2013, with Generali penzijní společnost a.s. wound up as at the same date. In April 2014, Česká pojišťovna a.s. acquired the participating interest of a minor member to become the sole member of CP Strategic Investments N.V.

Penzijní společnost České pojišťovny, a.s.

Principal business:	pension saving schemes, supplementary pension saving schemes
Date of incorporation:	19 September 1994
Share capital:	CZK 300 million
Česká pojišťovna's stake:	100%
Registered office:	Czech Republic

Penzijní společnost České pojišťovny has long enjoyed leader status in the private pension savings sector in the Czech Republic. Its profit last year stood at CZK 356 million. At the end of 2015, it was managing savings of almost CZK 90 billion. The company has nearly 1.3 million customers, and employers contribute to the pension plans of a quarter of a million of them.

Penzijní společnost České pojišťovny, through its extensive distribution network, reaches out to a wide range of customer segments. In addition to consultants and branches of the parent company, Česká pojišťovna, the company also works extensively with independent external networks of financial intermediaries, Czech Post (Česká pošta) and partner banks.

The company delivers a top-notch service. Secure access to www.klientskyportal.cz enables customers to control their account online. The SMS Echo service keeps them informed of milestones in their savings programmes free of charge, while the Tax Service makes it easier for them to capitalise on maximum tax concessions.

In 2016, Penzijní společnost České pojišťovny will concentrate on getting mileage out of the business opportunities presented to it by an amendment to the Supplementary Pension Savings Act, in particular the chance to offer pension plans to those who are not yet 18 years old.

Another major project spanning the whole of 2016 will be the closing of the "second pillar". The company's customers who have been saving under second-pillar schemes will be incentivised to switch their deposits to the third pillar at Penzijní společnost České pojišťovny, mutual funds offered by Generali, or certain products in the Česká pojišťovna portfolio.

Generali Societate de Administrare a Fondurilor de Pensii Private S.A.

Principal business:	management of compulsory and voluntary pension insurance funds
Date of incorporation:	9 July 2007
Share capital:	RON 52 million
Česká pojišťovna's stake:	99.99%
Registered office:	Bucharest, Romania

From the outset, this Generali pension management company has been an active player in the compulsory supplementary pension insurance market that emerged following the reform of the Romanian pension system in 2007. It manages two types of funds, ARIPI and STABIL.

The ARIPI ("Wings") fund (compulsory supplementary pension insurance) is intended for customers aged 18 to 45 who are just entering the supplementary pension insurance system. The STABIL fund (voluntary supplementary pension insurance), on the other hand, is open to customers of all ages.

The ARIPI pension fund is the fifth largest pension fund in Romania with over 637,027 customers and EUR 458.7 million in funds under management (as at 31 December 2015).

Generali Real Estate Fund CEE a.s.

Principal business:	closed-end investment fund
Date of incorporation:	15 September 2010
Share capital:	CZK 264 million
Česká pojišťovna's stake:	70.08% (185/264)
Registered office:	Czech Republic

Generali Real Estate Fund CEE a.s. is an internally managed investment fund of qualified investors. This fund's assets are managed by the investment company Generali Investments CEE, investiční společnost, a.s.

Generali Real Estate Fund CEE a.s. focuses primarily on the property market, investing in the stock of real estate companies. Additionally, the investment fund may invest in money market instruments, demand deposits, time deposits, government bonds, and receivables. The investment fund's objective is to generate stable, long-term positive returns on the assets entrusted to it while achieving better liquidity, lower risk, and greater diversification than is possible when investing individually, and at the same time to maintain returns on investors' funds above the level of interest rates offered by banks on medium-term time deposits.

The investment fund's total assets at the end of 2015 were CZK 4.35 billion, while its net asset value was CZK 4.30 billion.

Česká pojišťovna ZDRAVÍ a.s.

Principal business:	private health and sickness insurance
Date of incorporation:	17 June 1993
Share capital:	CZK 100 million
Česká pojišťovna's stake:	100%
Registered office:	Czech Republic

Česká pojišťovna ZDRAVÍ a.s. ("ČP ZDRAVÍ") is a subsidiary wholly owned by Česká pojišťovna a.s. Within the Group, ČP ZDRAVÍ maintains a strategic focus on a portfolio of insurance products associated with health, the provision of health care and solutions to customers' hardship when they lose their source of income. For a number of years now, the product range has been closely interlinked with the products of the Generali Group's other members in the Czech Republic. ČP ZDRAVÍ shares its sales network with its parent company, giving it access to the biggest network of points of sale and insurance intermediaries.

The increase in new business was a major success in 2015. ČP ZDRAVÍ's gross premiums written built on the growth reported in the previous year to pass the half-billion-crown mark for the first time in the company's history. The company's sterling economic performance was reflected in its profitability indicator, with gross profit before tax standing at CZK 83 million.

ČP ZDRAVÍ's strategic plan is to press on with the positive trend in the basic metrics of new business and economic performance amid cuts in operating costs. In 2016, particular attention will continue to be paid to the health sector and the quest to identify opportunities for the creation of new insurance products designed to guarantee a superior standard of health care and reduce the impacts of illness and personal accidents.

We will keep working on our partnership with those who pay for and provide health services in order to expand the network of preferred healthcare facilities necessary to form a comprehensive range of insurance schemes for the provision of health care and professional medical assistance.

Improvements in the attractiveness and quality of the range of supplemental products offered as riders to Česká pojišťovna's cornerstone life and non-life insurance programmes will remain a priority. Another area of ČP ZDRAVÍ's added value is its capacity to respond readily to evolving market conditions and to launch new insurance products and schemes in a remarkably short time.

Generali Services CEE a.s.

Principal business:	insurance agency services, independent loss adjustment, document processing and digitisation, fraud detection
Date of incorporation:	10 December 2003
Share capital:	CZK 3 million
Česká pojišťovna's stake:	80%
Registered office:	Czech Republic

Generali Services CEE has acted as a service company for Česká pojišťovna, Generali Pojišťovna and other Generali CEE Holding members since mid-2010, when the first agendas were transferred to it from both insurance companies. Subsequently, the shared-service strategy was gradually expanded up to 2014 to embrace additional activities. In the first half of 2015, a change in the strategy of operating support for the two insurance companies prompted the decision to stop outsourcing the loss adjustment and fraud detection and investigation agendas.

Generali Services CEE is registered in the Register of Insurance Intermediaries, maintained by the Czech National Bank, as an insurance agent as defined by Section 7 of Act No 38/2004 on insurance intermediaries and independent loss adjusters, as well as in the CNB's Register of Independent Loss Adjusters as an independent loss adjuster as defined by Section 10 of the same Act. Since mid-2015, the company has contractually provided Česká pojišťovna a.s. with services covering the repair of road-vehicle windscreens, the digitisation, indexing and archiving of documents, a mail registry and dispatch service, active telephone sales, and a call service to make appointments between customers and sales staff. In 2015, the company continued to work closely with Penzijní společnost České pojišťovny in the telephone intermediation of changes to supplementary pension contracts.

GCP Foundation

Principal business:	support of public-benefit activities
Date of incorporation:	30 December 2009
Foundation capital:	CZK 1 million
Founder:	Česká pojišťovna a.s.
Registered office:	Czech Republic

The foundation's mission is to support the achievement of goals and aims, by individuals and legal entities, that are beneficial to the public or whose support is in the public interest, particularly in the arts, health care, sports, social affairs, and education. In 2015, the GCP Foundation sponsored several dozen cultural, sports, educational, preventive, safety and charity projects and activities.

In February 2015, the Česká pojišťovna Foundation and the Generali Insurance Company Foundation were merged by acquisition, with the GCP Foundation becoming the acquiring entity.

Corporate Governance

(as at the annual report compilation date)

Board of Directors

Chairman
Marek Jankovič

Appointment: 7 July 2015
Born: 1966
Education: Slovak University of Technology, Bratislava
Experience: Allianz – Slovenská poisťovňa, a.s.; Poisťovňa AIG Slovakia, a.s.; Slovenská poisťovňa, a.s.
Address: Na Pankráci 1720/123, 140 21 Praha, Czech Republic

Vice-Chairman
Petr Bohumský

Appointment: 1 October 2014
Born: 1971
Education: Charles University, Prague – Faculty of Mathematics and Physics;
University of Pittsburgh – Joseph M. Katz Graduate School of Business;
Advance Healthcare Management Institute
Experience: Generali Pojišťovna a.s.; Česká pojišťovna ZDRAVÍ; Česká pojišťovna a.s.;
Generali PPF Holding B.V. (from 2015 Generali CEE Holding B.V.); PPF Group
Address: Na Pankráci 1720/123, 140 21 Praha, Czech Republic

member
Marie Kovářová

Appointment: 13 September 2013
Born: 1972
Education: Charles University, Prague – Faculty of Mathematics and Physics
Experience: Generali PPF Holding B.V.; Generali Asigurari; McKinsey & Company, Inc.
Address: Na Pankráci 1720/123, 140 21 Praha, Czech Republic

member
Karel Bláha

Appointment: 1 June 2015
Born: 1976
Education: Charles University, Prague; University of Economics, Prague
Experience: Transgas, a.s.; Generali Pojišťovna a.s.; Česká pojišťovna a.s.
Address: Na Pankráci 1720/123, 140 21 Praha, Czech Republic

member
Tomáš Vysoudil

Appointment: 1 July 2015
Born: 1972
Education: John Amos Comenius University, Prague
Experience: Česká pojišťovna ZDRAVÍ a.s.; Česká pojišťovna a.s.; ČP Direct a.s.; Allianz pojišťovna, a.s.; Allianz Penzijní fond, a.s.; Allianz Endowment Fund
Address: Na Pankráci 1720/123, 140 21 Praha, Czech Republic

member
Pavol Pitoňák

Appointment: 20 January 2016
Born: 1975
Education: Slovak University of Technology, Bratislava; ESCP-EAP, Berlin
Experience: Allianz – Slovenská poisťovňa, a.s.; Allianz – Slovenská dôchodková správcovská spoločnosť, a.s.; Wüstenrot poisťovňa, a.s.; Wüstenrot stavebná sporiteľňa, a.s.; Poisťovňa TATRA a.s. (Poisťovňa Poštovej banky, a.s.); Generali Poisťovňa, a.s.
Address: Na Pankráci 1720/123, 140 21 Praha, Czech Republic

Fields of Competence of Members of the Board of Directors

Chief Executive Officer
Marek Jankovič

Chief Financial Officer
Petr Bohumský

Chief Operations and IT Officer
Marie Kovářová

Chief Corporate Sales Officer
Karel Bláha

Chief Retail Sales Officer
Tomáš Vysoudil

Chief Insurance Officer
Pavol Pitoňák

Supervisory Board

Chairman
Luciano Cirinà

Appointment: 7 July 2015
Born: 1965
Education: University of Trieste (Business Administration)
Experience: Generali PPF Holding B.V.; Austrian Insurance Association; Generali Versicherung and Generali Holding Vienna; Assicurazioni Generali, Trieste; Generali Versicherung, Vienna; Deutscher Lloyd (Generali Group)
Address: Na Pankráci 1720/123, 140 21 Praha, Czech Republic

member
Martin Sturzlbaum

Appointment: 13 October 2013
Born: 1963
Education: University of Vienna (Law and Economics)
Address: Rue de Praetere 1, Brussels, Belgium

member
Gianluca Colocci

Appointment: 1 August 2014
Born: 1967
Education: University of Trieste (Trade and Economics)
Address: Piazza Hortis 7, 34124 Trieste, Italy

member
Gregor Pilgram

Appointment: 1 October 2014
Born: 1973
Education: Vienna University of Economics and Business, Austria (Master of Business Administration)
Address: U Zvonařky 2536/1d, Vinohrady, 120 00 Praha 2, Czech Republic

Board of Directors Report on the Company's Business Activities and Financial Situation

Česká pojišťovna – Tradition and Innovation

Česká pojišťovna's traditions date all the way back to 1827, when the articles of an institution called Císařsko-královský, privilegovaný, český, společný náhradu škody ohněm svedené pojišťující ústav (Imperial-Royal Privileged Bohemian Joint Fire Damage Insurance Institute) were approved. That outfit initially offered no more than fire coverage. More than 185 years later, Česká pojištovna remains an innovative company in touch with its traditions. This stance makes it a composite insurer providing a comprehensive range of services, encompassing life and non-life personal lines, and insurance for small, mid-sized, and large customers covering industrial and business risks and agriculture. Česká pojišťovna has therefore deservedly long been regarded as the Czech insurance market leader.

In 2015, Česká pojišťovna ushered in a raft of innovations in its processes and products. Now that more than 600 special devices known as signature pads are available in all Česká pojišťovna branches, the Company's customers can sign documents electronically. This has made the entire service process faster, more convenient for customers and – needless to say – more environmentally friendly. The Customer Zone has also been upgraded and can now be set up online from the comfort of the customer's own home.

As far as products are concerned, the marketing of Comfort has innovated MTPL. This product offers generous policy limits, personal accident insurance for the driver and all passengers, a three-year price guarantee, the opportunity to file an initial claim with no effect on the no-claims bonus, and a broad range of breakdown cover.

One major achievement saw the relocation of the Company's data centre to a shared facility in Italy completed in a move of such magnitude that it was the largest infrastructure transfer witnessed not only in the Czech Republic, but anywhere in Europe. The high professionalism of specialists employed by the largest Czech insurance company was underscored by the fact that such a large-scale and complex project passed off with no blanket outages in IT services or applications.

In 2015, Česká pojišťovna once again triumphed in prestigious industry competitions. In Hospodářské noviny's tough Best Insurance Company 2015 contest, we were second in the Best Life Insurance Company category and came third in the Most Customer Friendly Non-life Insurance Company category.

Helping in 1827, Helping Now

Česká pojišťovna has been a friend in need ever since its formation, when it supported the orphans of firefighters who had tragically died in action. Česká pojišťovna continues to support many charities and community activities via its foundation.

The foundation's pursuits, closely linked to the operations of Česká pojišťovna, are structured around three core areas of assistance: prevention (encompassing road traffic and personal accidents); the support of regional projects to help the public and non-profit organisations; and corporate volunteering. All of Česká pojišťovna's employees are entitled to devote two fully paid working days a year to volunteering. This means that Česká pojišťovna's charity work is not blinkered. Instead, assistance is spread out among various areas and regions.

The Czech Insurance Market – Situation and Outlook

2015 in Review

Statistics maintained by the Czech Insurance Association show that premiums written on the Czech insurance market climbed by 1% to CZK 116 billion in 2015. The driver was non-life insurance, which progressed along its positive trajectory and expanded by almost 4%. The most dynamic segment was collision insurance, reporting 6% growth on the back of a boom in new-vehicle sales. Conversely, the momentum of MTPL slowed to 2% and the average market price actually contracted. There was no repeat of the price increase caused in 2014 by additional costs incurred in conjunction with new legislation.

The situation prevailing in life insurance was not as sanguine, as premiums written declined by 2%. Even so, one piece of good news here is that the scales are gradually tipping away from unit-linked insurance towards life insurance as a vehicle for protection against risks.

Market position rankings show that Česká pojišťovna remains the market's largest insurer by a country mile, with a share of 23%,[4] followed by Kooperativa and Allianz.

The insurance market did not escape legislative changes even in 2015. In mid-January 2015, uninsured drivers' contributions to the Czech Insurers' Bureau's Guarantee Fund – used to cover damage caused by such drivers – were scrapped. Any such damage is now covered by insurance companies' contributions. The Czech Insurers' Bureau expects this measure to increase the number of uninsured vehicles.

Travel agency failure insurance was also affected by the new legislation. In response to the frequent problem of the insufficient limit of indemnity, the original version of the legislative amendment stipulated that insurers would satisfy customers' claims in the event of travel agency insolvency even beyond the agreed limit of indemnity. However, as this went against the principles of insurance, a compromise was reached. The limits were preserved and the issues stemming from travel agencies' inadequate insurance should be resolved by the establishment of a guarantee fund, which would be used to pay costs exceeding the limit of indemnity.

Changes tabled in 2015 but still awaiting approval should have a much greater impact on how the insurance market develops. This list is headed by an amendment to the Insurance Act, drafted to transpose the European Solvency II Directive into Czech legislation. Insurance companies spent several years gearing up for this change, which was meant to come into force on 1 January 2016. The amendment included a proposal to regulate commission for financial intermediaries, but as the Chamber of Deputies was unable to reach a consensus on this the bill was rejected in its entirety.

The pension system went through major changes. In 2015, a law came into force that removed the second pension insurance pillar and made changes to the third pillar to make it more attractive for customers, pension companies and intermediaries. The largest manager of savings under supplementary pension schemes is Penzijní společnost České pojišťovny.

Outlook for 2016

Forecasts that the Czech economy will progress along positive lines pave the way for further growth – especially in non-life insurance – on the insurance market. Business insurance should be supported by intensified investment among companies and the government alike, while motor insurance is expected to benefit from the rising numbers of insured cars and the corresponding surge in collision insurance riders on MTPL.

In the legislative sphere, amendments to the Insurance Act and the Insurance Intermediaries Act are set to be revisited by the government and will take centre stage. During the year, the government should also concentrate on an amendment to the Motor Third-Party Liability Insurance Act in order to harmonise Czech legislation with a decision by the European Court of Justice decreeing that all propelled vehicles should be insured even if they are not currently being used on public roads.

[4] Czech Insurance Association. *Statistické údaje dle metodiky ČAP 1–12/2015* [online]. ČAP ©2014 [accessed 2016-03-01]. Available from: http://cap.cz/images/statisticke-udaje/vyvoj-pojisteno-trhu/STAT-2015Q4-CAP-CZ-2016-01-26-WEB.pdf

Report on Financial Performance

Assets

Česká pojišťovna has long been a highly capitalised and stable company, with assets totalling CZK 107 billion at 31 December 2015. The shareholder's equity is over CZK 25 billion and the share capital stands at CZK 4 billion.

The largest asset item by volume is investments, amounting to CZK 77.6 billion as at 31 December 2015 (down by CZK 8.3 billion from 2014). These capital resources shrank in response to a dip in provisions. Assets in equity interests climbed by CZK 1.0 billion year on year to CZK 8.9 billion. The main downturn in investments could be seen in financial assets at fair value through profit or loss (down by CZK 2.9 billion). Borrowings were also down on 2014 (by CZK 2.1 billion), chiefly on account of the lower volume of reverse repo transactions.

The Company's cash and cash equivalents decreased by CZK 0.6 billion year on year, amounting to CZK 1.9 billion as at 31 December 2015.

Reinsurance assets remained more or less unchanged, slipping by CZK 0.2 billion to CZK 9.8 billion.

More details on the Company's asset position are provided in the financial section of this Annual Report.

Treasury Stock

Česká pojišťovna did not hold any of its own shares during the 2015 accounting period.

Earnings

In 2015, Česká pojišťovna reported a post-tax profit of CZK 4.1 billion according to international accounting standards, a CZK 0.5 billion rise on 2014.

Česká pojišťovna's total premiums written in 2015, reported according to Czech Insurance Association[5] guidelines, were CZK 26.8 billion. Of this figure, non-life insurance accounted for CZK 18.1 billion and life insurance for CZK 8.8 billion.

Share Capital and Reserves

The Company's share capital was unchanged at CZK 4 billion in 2015.

In 2015, shareholder equity grew by CZK 1.9 billion to CZK 25.4 billion.

[5] – excluding non-life premiums assigned to Czech Insurance Association members
– with a single premium adjusted for a 10-year basis
– these figures do not include cross-border services provided via branches or as freedom-of-services business

Profit Distribution Proposal

Based on the approved financial statements and profit distribution principles applied, on 25 April 2016 the Board of Directors approved the proposal to pay a dividend of CZK 92,100 per ordinary share, i.e. a total of CZK 3.684 billion. The remainder of the profit from the 2014 accounting period is to be allocated to retained earnings.

Dividends in Previous Years

In April 2015, the sole shareholder, acting in the capacity of the General Meeting, decided on the pay-out of a gross dividend for 2014 totalling CZK 3.272 billion.

In April 2014, the sole shareholder, acting in the capacity of the General Meeting, decided on the pay-out of a gross dividend for 2013 totalling CZK 3.344 billion.

Insurance Provisions

Total insurance provisions (net of the reinsurer share) under the Insurance Act were down by CZK 9.88 billion year on year to CZK 68.29 billion as at 31 December 2015 (of which, in accordance with IFRS, a CZK 0.56 billion provision for liabilities to the Czech Insurers' Bureau was included in other provisions and a CZK 0.04 billion equalisation provision was included in equity).

Life Insurance Provisions

These provisions account for roughly three quarters (68%) of the overall insurance provisions and consist primarily of a life insurance premium provision and a provision for unit-linked life policies (where the investment risk is borne by the policyholder). As at 31 December 2015, gross life insurance provisions totalled CZK 46.7 billion, a year-on-year fall by CZK 6.27 billion.

Provision for Non-life Insurance Claims

This provision encompasses claims reported but not settled (RBNS) and claims incurred but not reported (IBNR). As at 31 December 2015, the provision for non-life insurance claims totalled CZK 16.19 billion, down by CZK 1.8 billion on the previous year.

Provision for Unearned Non-life Insurance Premiums

The total amount of provisions for unearned premiums fell by CZK 1.21 billion year on year to stand at CZK 4.54 billion as at 31 December 2015.

Receivables and Payables

Receivables remained more or less stable, amounting to CZK 6 billion as at 31 December 2015 (just as in 2014). There was a slight year-on-year change in payables, which stood at CZK 7.7 billion as at 31 December 2015.

Report on Business Activities

Non-life Insurance

Non-life insurance premium billing came to CZK 20.1 billion, up by CZK 356 million (1.8%) on the previous year. The lion's share of this can be attributed to Česká pojišťovna's indirect business – inward reinsurance. Direct premiums written did not stray from the previous year's level. A crucial factor in the development of premiums written is the motor insurance situation. In 2015, Česká pojišťovna successfully halted the decline in premiums written in this segment. Trends in premiums written in other classes can also be described as stable. The combined ratio as at 31 December 2015 was 78.5%.

The claims frequency was reassuring in 2015. For the second year running, there were no catastrophic events to deal with. Even so, under pressure from the insurance market and legislative changes, there was a modest hike in the amount of claims paid. Claims costs were CZK 0.3 billion higher than in 2014. Agricultural and personal lines insurance was particularly encouraging in this respect, whereas coverage of large business risks was exposed to several major claims.

Business Risk Insurance

In the first half of 2015, premiums written in business risk insurance were CZK 76 million (1.4%) higher than in 2014. Particular growth was recorded in engineering insurance. Premiums written in agricultural insurance declined by a slight 2.3%. Claims costs shot up (by 7.5% compared to the previous year) in the face of several major large-risk claims. Conversely, it was an extremely good year for agricultural insurance, where costs were 39% lower than in 2014.

Česká pojišťovna started offering another two new products. The new directors and officers (D&O) liability insurance, covering a broad range of risks, was successfully marketed and has proven particularly popular among smaller businesses requiring a lower limit of indemnity. The new contractors'/erection all risks (CAR/EAR) insurance, designed for larger-scale construction and assembly projects, primarily targets corporate customers.

The SME product was updated and, parallel to this, a new online charge computer was devised.

During the first half of the year, work continued on processes to maintain sound profitability in all customer segments of business insurance. Unprofitable customer segments are systematically addressed, and expired offers and work with sales discounts are analysed. Numerous adjustments streamlining the negotiation process as much as possible were made to guarantee customer satisfaction with insurance contracting.

In agricultural insurance, the Company has pressed ahead with the implementation of a new mobile application to deal with crop claims, which accompanies the adjuster throughout the loss adjustment process with a view to making settlements faster and more transparent. Rules on the certification of premium payments were revised in response to a change in principles for the granting of agricultural insurance support via PGRLF (the Support and Guarantee Farming and Forestry Fund). In the latter half of the year, winter freezing injury insurance was revamped and the coverage available for fruit grown under netting was expanded. A raft of measures was taken to enhance profitability in crop and livestock insurance.

Non-life Personal Lines

This class of insurance was stable in 2015. The main reason for the 1.5% dip in premiums written was the state of play in travel insurance. Claims incurred were 10.4% down on 2014, making 2015 a very good year from this perspective.

In 2015, we zoomed in on promoting sales of property insurance with assistance services, relying in particular on a third-quarter high-profile online campaign intended to explain the usefulness of such assistance services and the unique cover they offered within the framework of Česká pojišťovna's property insurance.

In 2015, there were no negative or unforeseen impacts resulting in serious repercussions for liability insurance. We gained ground in boosting the profitability of professional indemnity insurance.

The security situation in most European countries and other destinations precipitated a general setback in sales of commercial travel insurance in 2015. This negative effect was particularly pronounced among travel agencies' clients. As part of a summer marketing special for all distribution channels, Česká pojišťovna offered an empty home rider in the price of short-term travel insurance. This move fuelled a surge in interest not only among online customers, but also, for example, among those taking out travel insurance via a commercial adviser.

Motor Insurance

In motor insurance, we successfully stemmed the downward flow in premiums written (reporting a dip by just 0.4%) combined with a 1.1% uptick in the number of policies taken out in 2015. For all that, there was a 4.2% hike in claims incurred. Competitive factors and legislative changes have come to the fore here.

The first half of 2015 was influenced by legislative changes, especially the last chance to resolve vehicles "in limbo" (the incomplete re-registration of vehicles, i.e. vehicles that were deregistered by the seller but not registered in the name of the new owner) before they were struck off the registers (i.e. became administratively non-existent and hence illegal to use). In the second half of 2015, Česká pojišťovna pursued simplicity, promptness and better-quality services in its vehicle insurance. Hugo, our new contracting tool, makes insurance contracting faster and more transparent. We also made our MTPL range more attractive and simpler, and embellished vehicle insurance with new superior assistance elements.

Motor insurance rates continue to reflect the fallout from the introduction of the new Civil Code, which has seen insurance companies record higher average health indemnity. This trend has gradually been echoed in premium rates across the market.

Motor Third Party Liability Insurance

In 2015, total MTPL premiums written remained at virtually the same level as the previous year (a 0.1% decline). This is another insurance segment in which Česká pojišťovna remains the largest insurer, with a share of 23.1%.[6] The drop in premiums written can be attributed in particular to the loss in leasing insurance. Retail insurance premium billing went up by 1.7% as the Company continues to firm up its market position. Although claims costs climbed by 2.5%, the profitability of this insurance was maintained at an acceptable level given how intensely competitive this area is.

Collision Insurance

The motor collision insurance market was consistent with the MTPL market. Premiums written fell year on year by 0.8%. Aside from the leasing insurance loss, personal lines premium billing was up by 4.7%. Results here have been built on Česká pojišťovna's commercial services and the market revival in this class of insurance. Claims incurred developed along unfavourable lines, rising 6.0% year on year and consequently trimming the profitability of this insurance.

Innovation and Future Developments

We will continue our progressive innovation of all products, reflecting customer needs and requirements, and the establishment of settlement rules in response to the practices of the courts and other legislative changes. Now that D&O insurance has become a fixture in the range of products available for businesses, the contracting process will be automated in 2016 to speed up the rate at which we can make offers.

In the highly competitive vehicle insurance market, Česká pojišťovna is aiming to keep enhancing the quality of the products and services on offer, thereby guaranteeing the satisfaction of customers and business partners alike. Deployment of our new contracting tool across all ČP distribution points will be completed in 2016, making it faster and easier to take out motor insurance.

[6] Czech Insurance Association. *Statistické údaje dle metodiky ČAP 1–12/2015* [online]. ČAP ©2014 [accessed 2016-03-01]. Available from: http://cap.cz/images/statisticke-udaje/vyvoj-pojisteno-trhu/STAT-2015Q4-CAP-CZ-2016-01-26-WEB.pdf

Life Insurance

Life Insurance Product Portfolio in 2015

In its regular-premium life insurance product range, Česká pojišťovna continued to sell insurance built around the unique circumstances and needs of its customers. The flagship life insurance product remained Můj život, which continued to be used as a financial instrument convenient to insure the whole family. We placed a particular emphasis on the quality coverage of the short- and long-term impacts that illness and injuries have on the lives of our customers' families. Under insurance contracts taken out in 2015, our customers use Můj život regular premiums to cover risks in more than 75% of cases.

In September 2015, we introduced the possibility – preferentially for the SME distribution channel – of providing Můj život insurance with acquisition commission released on an ongoing basis throughout the period of coverage.

In the realm of group insurance, we prepared new SME employee risk insurance, which is easy to take out using preconfigured packages covering death, the duration of essential treatment and permanent disability.

In 2015, we concentrated on increasing product profitability, especially in personal accident insurance. In the contract acceptance process, we introduced customer risk assessments encompassing available information, the customer's needs and requirements, and the contract type.

Another area we focused on in 2015 was consumer protection. We made life insurance clearer and easier to understand for our customers by revising the contracting forms and adding information to the Česká pojišťovna website that life insurance customers are routinely interested in.

Financial Indicators

Despite a 9% year-on-year decrease, total premiums written under new regular-premium life insurance contracts still amounted to CZK 8.7 billion. Single-premium products generated CZK 0.9 billion in premiums written. On aggregate, our regular-premium life insurance products were purchased by 111,000 customers in 2015.

Claims Paid

In 2015, life insurance claims paid fell by 14% from the previous year's figure to a total of CZK 12.4 billion. This contraction can be attributed to the lower levels of regular withdrawals. The total number of claims settled was 383,000.

As in previous years, the greatest number of paid claims was registered in the "insurance on death or survival" class. In terms of monetary volume, most funds (CZK 7.3 billion) were released in the form of endowments.

Outlook

Relentlessly increasing competition and falling returns throughout the financial market will continue to steer the emphasis towards honing offers to insure risks associated with loss of income and the need for extraordinary outgoings in case of personal accident or disease, entailing broader product features in tandem with downward pricing pressure.

In 2016, Česká pojišťovna a.s. will continue to implement requirements stemming from the Solvency II regulatory regime. In life and personal accident insurance, we will mainly be seeking to capitalise on output from the new internal capital model for the testing of product profitability and approvals and, generally, the monitoring of the risk associated with the life and personal accident portfolio. The new regulatory regime will also alter the definitions of various lines of insurance compared to the provisions of the Insurance Act currently in force. Although delays in the legislative process in the Czech Republic mean that Solvency II has not actually been effective since 1 January 2016, Česká pojišťovna a.s. will still be applying the regulatory regime's principles in full during 2016.

Česká pojišťovna a.s. will also ready itself for the enactment of a new directive on insurance distribution and the implementing measures thereof, and for changes deriving from the regulation on the communication of key information.

We also assume greater attention will be paid by the supervisory authority to consumer protection, due professional care and the corresponding production of internal regulations.

Sales of Insurance

Internal Distribution Channels

Internal distribution channels consist of a network of captive insurance agents and staff from the Česká pojišťovna branch network. In 2015, all internal distribution channels built on activities facilitating their long-term stable operation on the financial services market, where growth trends are slackening. The spotlight, then, remains trained on quality in the way products and services are offered to customers, with a view to maintaining a high standard of customer service and guaranteeing customer satisfaction with services rendered, while keeping track of the latest developments in insurance regulation.

In the second half of 2015, the project of further improvements in the efficiency of internal distribution saw the completion of restructuring in this area, commenced in 2013, when the branch network was placed under single-source regional management and the number of management levels was reduced. This made it possible to boost regional competences, with the creation of 14 regions essentially matching the distribution of the Czech Republic's administrative regions. On the basis of this change, communication could be speeded up in both directions between management and agents. More importantly, this was an opportunity to further consolidate cooperation between individual channels intended for internal distribution at various sites. In addition, the revamp supported a long-term project significantly scaling down our administrative office space in favour of points of sale in those locations where our customers are concentrated.

In mid-2015, the flexibility of the internal distribution network was put to the test by Hugo, our modern new motor insurance contracting tool harnessing the latest technological developments for the convenience of agents and customer-friendly output.

This was followed, in the second half of 2015, by another innovation – the use of e-signatures via signature pads. This new technology will enable us to negotiate and finalise insurance contracts in 2016 without having to print reams of paper at more than 600 Česká pojišťovna points of sale, hence making our business a lot less burdensome on the environment.

Specific Distribution Channels

External Retail Partners – Focused on Personal Lines

In terms of product sales via external companies, 2015 was a year brimming with interesting, upbeat activities. For example, we were busier in non-life insurance contracting, especially with motor insurance.

Our sales success was fuelled by new underwriting limits, broader assistance coverage and a new pricing policy.

Our main activity, however, centred on setting up a process to assess the risks posed by life insurance contracts. These measures, which we believe are crucial, yielded stable and profitable new business.

In our relations with external partners, next year will be geared towards intensive preparations for the launch of Hugo, the new non-life insurance contracting tool.

Our focus in life insurance sales will be on the new children's insurance, due for launch on 1 April 2016.

Česká pošta (Czech Post)

Ever since Česká pojišťovna and the state enterprise Czech Post teamed up back in 2001, their cooperation has concentrated on a range of basic retail insurance products. Over the past 14 years, the scope of insurance services available has been developed with considerable momentum to the extent that, today, a comprehensive portfolio of life and non-life insurance products, including a full-blown service offered to the entire Česká pojišťovna customer base, is offered at specialised branches of Česká pošta. The business model relies on interaction between certified Česká pošta staff and captive insurance agents in the fields of actual acquisition and direct sales support.

Business activities by the postal network's acquisition agents targeted the range of motor insurance products in 2015 – the structure and intensity of sales support provided by Česká pojišťovna's dedicated teams was adapted to this trend. Parallel to this, work continued on building the capacity of the insurance service range – Česká pošta employees were certified and further post offices were hooked up to Česká pojišťovna's application systems.

As at 31 December 2015, Česká pošta – as a distribution channel – accounted for an insurance portfolio worth CZK 690 million, up CZK 32 million on the previous year. The portfolio structure includes regular-premium life insurance contracts (74%), motor insurance contracts (14%) and non-life personal lines insurance (12%). In 2015, the aggregate volume of non-life insurance contracting was CZK 91 million, while new regular-premium life insurance amounted to CZK 73 million.

In 2016, sales operations will seek a further increase in the share of motor insurance products in the portfolio structure and a rise in the volume of new business, along with other non-life personal lines insurance products. Further development of the network of specialised Česká pošta branches, including the attendant expansion in the skill-set of post office workers certified to sell insurance products, will be crucial for the attainment of the sales results targeted.

Report on Operations

Customer Services

The Customer Services Department is responsible for customer service via the communication centre, insurance contract administration, the entry of contracts in systems, contract amendments, payment processing, and the handling of the entire claim settlement agenda.

One of Česká pojišťovna's strategic objectives is to increase customer satisfaction with the services rendered. The customer satisfaction index, used to obtain customer feedback at eight selected key points of interaction on a rolling basis, increased in 2015 by three percentage points, and is of the standard expected of a mature financial institution.

Besides activities geared towards enhancing customer satisfaction, the main claim settlement themes in 2015 centred on the implementation of electronic inspections of vehicles, property and agricultural damage, and on the advanced management of claims costs.

One of the Company-wide customer satisfaction activities was a project to simplify and speed up settlement processes in response to SME and other business claims. This activity was prompted by an extensive broker satisfaction survey. We also made headway in the technological support needed for electronic inspections. Last year we also rolled out drone support as part of the damage inspection process.

In the settlement of motor insurance claims, we focused on nurturing cooperation with vehicle dealers and service centres, windscreen fitters and car rental companies. We launched new applications for partner support, hail damage calculations, rental charge calculations and windscreen damage calculation updates.

In personal liability insurance, we increased the number of claims settled in simplified procedure for customers.

We reported notable achievements in automated fraud detection, where we made full use of automated detection tools, predictive modelling and social network analysis.

In our insurance and payment administration in 2015, we focused on modernisation and process simplification, and on the implementation of new solutions for external and internal customers in order to offer customers reliable, high-quality and fast services. For example, at the start of the year we successfully trialled and subsequently used an "online document repository" service to send electronic tax certificates, and in the autumn we introduced the biometric signing of documents across our branch network, with subsequent electronic delivery to customers. The upshots are faster customer service, environmental friendliness, and customer satisfaction with this innovation. In terms of payments, we once again expanded payment options for customers in the form of online electronic banking. In 2015, we also broadened our digitisation centre to concentrate on digitising Generali Group documents.
We incorporated all of these modern activities without diminishing the quality of service provision in the processing of the insurance contracts concluded, as illustrated by the improvement in overall customer satisfaction by four percentage points.

Electronic media usage also intensified in customer contact in 2015. More than 250,000 customers took up the option of creating a Customer Zone for their insurance as a vehicle for secure communication with the Company, including the receipt of correspondence, and as a means of retrieving information about contracted insurance products, including any updates and adjustments, quickly and easily.

In 2015, Communication Centre operators fielded nearly a million incoming calls, made 1.9 million outgoing calls, and processed 1.5 million electronic and paper documents. In addition to handling service requests, the Communication Centre also engaged in telephone sales of policies and the active retention of existing clients. An online chat facility has now been made available to Česká pojišťovna customers. The use of modern communication tools is one of a whole raft of measures highly appreciated by our customers.

The complaints team's transfer to the Ombudsman Department at the end of 2015 rounded off the alignment of the complaint handling perspective in order to obtain uniform feedback from customers and improve our services. In our complaint handling, we are constantly striving to examine everything assiduously from both a professional and a business point of view. We keep in contact with customers when handling their complaints. Where possible, we deal with complaints by telephone as this is a faster and more intelligible form of communication and often clears up any confusion. After evaluating complaints carefully, we then provide feedback to the competent departments so that they are able to eliminate such complaints as fully as possible.

By enhancing service quality and efficiency, the various Customer Service units made a sizeable contribution to the overall earnings result reported by Česká pojišťovna.

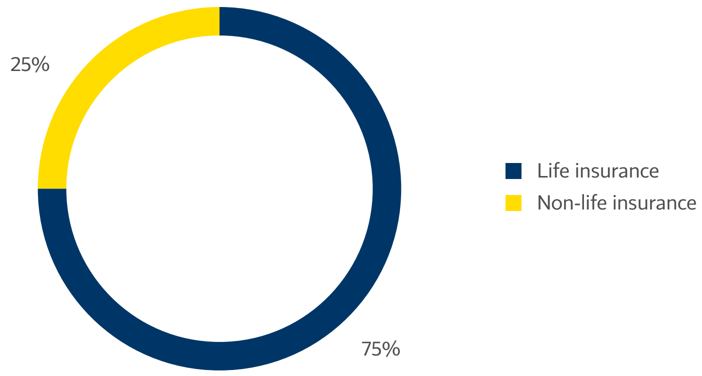
Investment Policy

Financial investments stand alongside insurance and reinsurance as another important area of operations for the Company. They contribute significantly to overall Company assets and are financed primarily from insurance provisions (for this reason, they are sometimes referred to as "financial placements of insurance provisions"), as well as from equity. Financial placements of insurance provisions account for 93% of overall financial investments, with the remaining seven per cent financed from other sources.

Requirements regarding the structure of financial placements of insurance provisions are set forth in Implementing Decree No 434/2009 implementing certain provisions of the Insurance Act (Act No 277/2009, as amended). That decree regulates the structure of a substantial portion of financial investments through a system of prescribed limits. Česká pojišťovna reflects these limits in its internal policies and procedures by means of internal regulations with the aim of achieving safety, liquidity and profitability in order to ensure that the Company is fully capable of meeting its commitments to customers.

The structure and volume of the Company's financial investments as at 31 December 2015 are shown in the graph and table entitled "Structure of Financial Investments (IFRS, Book Value), by Business Segment".

Structure of Financial Investnments (IFRS, Book Value), by Business Segment



The 2015 gross investment result before adjustment for portfolio management fees was a profit of CZK 2.1 billion.

The world's major economies went off at various tangents in 2015. While the European economy benefited from a combination of a more accommodative monetary policy stance, pro-growth fiscal policy, and plunging commodity prices, emerging economies grappled with a range of negative factors. The unabating slowdown in China's growth resulted in a sharp drop in commodity prices, hurling commodity-oriented economies – with Russia and Brazil leading the way – into a steep recession. The Czech economy, for its part, profited from the upswing in Europe and the robust growth in public investment as remaining funds from the EU's previous budget period were hoovered up. Stifled commodity prices prompted low inflation, allowing central banks to keep monetary policy loose. During the year, the ECB cut its deposit rate to as little as -0.3% and expanded its asset-buying programme, while the Czech National Bank extended its commitment to keep the Czech crown above CZK 27 per EUR until the end of 2016. Conversely, the FED, in defiance of low inflation, proceeded to make its first hike in interest rates. The capital outflow this triggered was a contributory factor behind the poor performance reported by currencies and financial assets in emerging economies. Developed countries' bond and equity markets fared relatively well, although the fact that risk-free interest rates descended into negative values constitutes a significant risk to portfolio performance in the future.

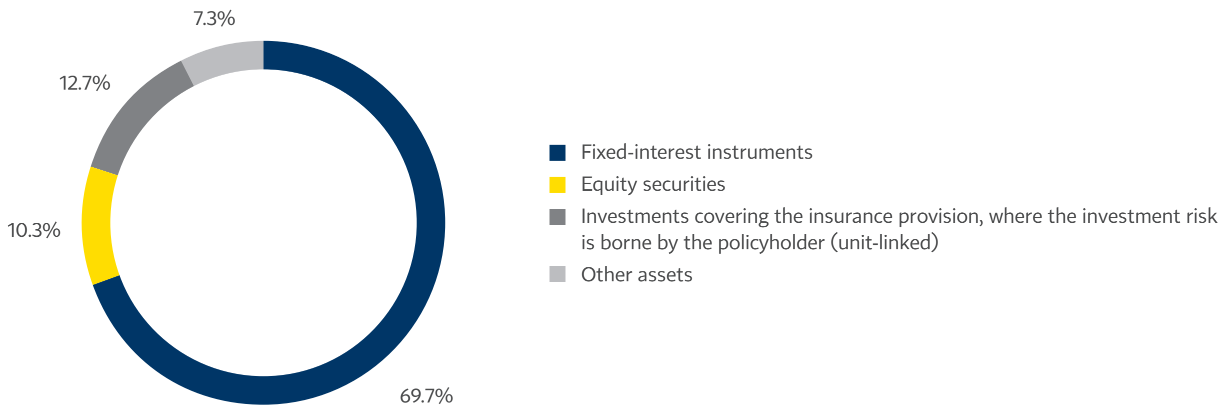
The opening months of 2016 have been a difficult spell for the global economy. Wretched developments in key emerging economies have been fuelled by instability on financial markets, setting off a slump in share prices and bond yields. This situation has necessitated several interventions by central banks, and more will be made in the future. As far as the US FED is concerned, we can expect at least a half-year break in the cycle of interest rate increases. The ECB has indicated that it is prepared to stoop even lower than the current -0.3% for its deposit rate and broaden its asset-buying programme. The CNB has not been caught napping either, also hinting that it could introduce negative interest rates, mainly with a view to maintaining an exchange rate of CZK 27 per EUR at least until the end of the year. The economic situation in the Czech Republic and Europe remains relatively favourable thanks to a combination of the loosened monetary policy and the decline in energy prices. Nevertheless, the end of opportunities to draw on EU funds within the scope of the previous budget period will have adverse repercussions in the Czech Republic as this will result in lower public investment. The continuing relaxation of monetary policy will keep a lid on bond yields, which will often venture into negative territory. The greatest value added continues to be identified in high-quality corporate and government bonds, which offer an attractive return for the risk and should be impervious to the persistent stress on financial markets and in the economy. There is also room in the portfolio for equity investments and property, which pay out regular and relatively high dividends.

Financial Investments within the Life Insurance Segment

At the end of 2015, the life insurance segment contained a total of CZK 61.6 billion in financial investments. Of this amount, CZK 7.8 billion (12.7%) comprised investments covering provisions for unit-linked policies where the investment risk is borne by the policyholder. This is equal to 1% year-on-year growth. In the segment of regular-premium insurance, unit-linked life insurance continues to account for most newly concluded contracts, which means that the share of the corresponding provisions in overall life insurance provisions will continue to rise in the future. The remaining financial investments in the life segment are financed by conventional life insurance provisions and by a portion of the Company's own equity allocated to this segment. For the most part, this money is invested in fixed-income instruments (CZK 42.9 billion), consisting mainly of debt securities (CZK 41.9 billion), especially Czech and foreign government bonds and corporate bonds of issuers generally with an investment grade rating, and term deposits at capital-intensive domestic and foreign banks (CZK 0.6 billion).

In accordance with a feature typical for life insurance liabilities, i.e. their longer time frame, debt securities covering life insurance provisions have, on average, longer to maturity. The aim is to safeguard a sufficient and stable yield in the long run that will enable obligations arising from insurance contracts to be met. In terms of accounting classification, 90% of debt securities are classified as available-for-sale financial assets, so as to align the reporting of their result with the method used to account for insurance liabilities, and reduce earnings volatility resulting from changes in market interest rates.

Structure of Financial Investments (IFRS, Book Value), by Life Insurance Business Segment



The second largest group, by volume, in the structure of financial investments comprises equity securities (shares, unit certificates, and other variable-yield securities), accounting for 10.3%, or CZK 6.3 billion in absolute terms, at the end of 2015. These instruments are purchased for the portfolio to act as a counterweight to fixed-interest instruments for purposes of risk diversification and to optimise overall medium- and long-term returns.

The investment portfolio is rounded out by other fixed assets. Here, Česká pojišťovna has investments in buildings and land, taking the form of direct ownership of real estate or equity in companies which own the real estate and engage in the management and letting thereof as their core activity. In the past few years, allocations to this investment segment have been steadily growing, and at the end of the year investments here had a book value of CZK 4.5 billion (a share of 7.3%). Against a background of low interest rates, investment property is a suitable source of higher, long-term stable yield, and also offers the opportunity of capital gains as the market price of the property rises.

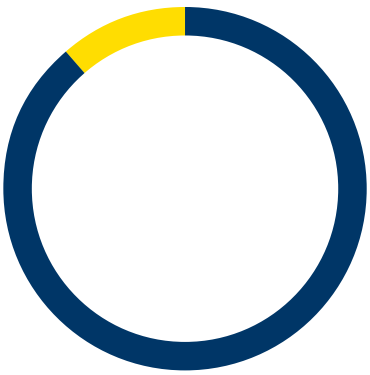
The gross return on life financial investments, before the deduction of management fees, was CZK 1.636 billion. Of this amount, investments covering insurance provisions where the risk is borne by the policyholder accounted for CZK 108 million. Interest on debt securities was the biggest source of returns.

Financial Investments within the Non-life Insurance Segment

Investments in the non-life segment are financed by non-life insurance provisions and the equity allocated to this segment. Since non-life liabilities are shorter than life liabilities, there are more assets with shorter times to maturity in the portfolio, as well as more liquid instruments, which can be readily converted into cash when needed to pay insurance claims.

As at 31 December 2015, the book value of the non-life insurance portfolio was CZK 20.5 billion; 88.8% (CZK 18.2 billion) of the portfolio consisted of fixed-income instruments, of which debt securities had a book value of CZK 15.7 billion, receivables under reverse repo transactions with CNB bills CZK 2 billion, and term deposits with banks CZK 709 million. The remaining 11.2% of the portfolio was invested in equity securities. Defined by accounting classification, the overwhelming majority of financial investments are classed as available-for-sale assets.

Structure of Financial Investments (IFRS, Book Value), by Non-life Insurance Business Segment



The total return on financial investments within the non-life insurance segment, before the deduction of management expenses, was CZK 449 million in 2015. As in the life insurance segment, the biggest contributor to this result was interest income from bonds.

Structure of Financial Investments (IFRS, Book Value), by Business Segment

	Life Insurance		Non-life Insurance	
	CZK thousands	%	CZK thousands	%
Buildings and land (fixed assets)	**4,523,473**	**7.35%**	**0**	**0.00%**
Loans	**2,080,281**	**3.38%**	**2,000,046**	**9.75%**
Unlisted debt securities	905,366	1.47%	0	0.00%
Loans and advances provided under repo transactions	300,000	0.49%	2,000,009	9.75%
Other loans	874,915	1.42%	37	0.00%
Available-for-sale financial assets	**44,084,053**	**71.62%**	**17,948,010**	**87.49%**
Debt securities	37,769,217	61.36%	15,658,921	76.34%
Shares, unit certificates and other variable-yield securities	6,314,836	10.26%	2,289,088	11.16%
Financial assets at fair value through profit or loss	**11,278,186**	**18.32%**	**70,961**	**0.35%**
Debt securities	3,193,902	5.19%	0	0.00%
Shares, unit certificates and other variable-yield securities	175	0.00%	0	0.00%
Investments covering provisions for policies where the investment risk is borne by the policyholder	7,798,055	12.67%	0	0.00%
Positive market value of derivatives	286,054	0.46%	70,961	0.35%
Other investments	**632,000**	**1.03%**	**709,000**	**3.46%**
Fixed-term bank deposits (net of inward reinsurance deposits received)	632,000	1.03%	709,000	3.46%
Financial liabilities (net of bonds outstanding)	**(1,043,569)**	**(1.70%)**	**(214,646)**	**(1.05%)**
Loans and advances received under repo transactions	0	0.00%	0	0.00%
Negative market value of derivatives	(1,043,569)	(1.70%)	(214,646)	(1.05%)
	61,554,423	**100.00%**	**20,513,371**	**100.00%**

xls

Reinsurance

Česká pojišťovna's reinsurance programme is a long-term contributor to the Company's balanced earnings and stability. As a risk management tool, reinsurance protects Česká pojišťovna, along with its customers and shareholders, from unexpected individual or catastrophic events, as well as from random variations in loss frequency. Analyses of reinsurance needs and the optimisation of the reinsurance structure take place using modern dynamic financial analysis tools in collaboration with Holding experts and with the support of reinsurance brokers. Each year, the reinsurance programme is modified by the Holding to ensure that it reflects changes in the portfolio and the product line.

Česká pojišťovna's principal and obligatory reinsurance partner is the Group's captive reinsurer, GP Reinsurance EAD, based in Bulgaria. Through GP Reinsurance EAD, risks are further retroceded into the Group's reinsurance contracts by Assicurazioni Generali. Thanks to this optimisation, Česká pojišťovna can profit from the advantages of Group coverage and thereby further reduce reinsurance costs while expanding coverage terms. Group rules determine the maximum possible exposure that Česká pojišťovna may have to each type of insurance.

Thanks to intensive work detailing information on individual risks in the portfolio, Česká pojišťovna is able, through the use of sophisticated models, to control its exposure to risks arising from catastrophes. Currently, flood losses are modelled regularly over the personal lines, commercial lines, and large risks portfolios. Gale exposure is modelled in a similar structure.

Česká pojišťovna is perceived by partners and affiliates as a stable and strong reinsurance partner in its own right. This fact is reflected in the volumes of obligatory and facultative reinsurance in the area of corporate customers and large risks.

Nuclear Pool

The Czech Nuclear Insurance Pool ("CNIP") is an informal consortium of non-life insurers based on the co-insurance and reinsurance of nuclear risks. It offers insurance and reinsurance services for liability and material risks, including risks related to the transportation of nuclear material.

The CNIP operates both as an insurer of domestic risks and in the area of inward reinsurance. Due to the unique character of nuclear risks, individual insurance companies do not usually insure them. The insurers in the CNIP each provide their own net lines, the sum of which forms the overall capacity of the CNIP for individual types of insured risks. The CNIP's overall capacity has not changed in recent years. Česká pojišťovna's net exposure remained unchanged in 2015. Within the CNIP, an Agreement on the Several Liability of Members for the current year was concluded. Since the CNIP's inception, Česká pojišťovna a.s. has been the lead co-insurer under an agreement among insurers participating in the pool. The CNIP's executive body is the CNIP Office, which is part of the Nuclear Pool and Facultative Reinsurance Department within Česká pojišťovna's organisational structure.

Human Resources

At the end of 2015, employees numbered 3,851, of whom 3,610 were full-time contracted employees and 241 were hired under "agreements on the performance of work" or "agreements on work activities".

The Company annually refines its core appraisal principles, consisting of an emphasis on positive motivation and the identification and exploitation of the strengths of individuals. The employee development and remuneration systems are linked to the employee appraisal system. Top-rated employees benefit from the most systemic development support.

In employee development, Česká pojišťovna concentrates on strengthening expertise and fostering insurance know-how. We are expanding the involvement of internal trainers in employee training in line with the principle of a self-learning organisation. We are forging ahead with afternoon workshops and with the Insurance Academy (Pojišťovácká akademie), which is particularly important for new colleagues. The chief sponsor of the programme is the CFO.

In 2015, we also developed specific programmes for key groups, such as talents, graduates and managers, preparing intensive annual training courses geared towards their professional advancement. Česká pojišťovna makes systematic use of development instruments such as Customer Day (a day spent with a mentor on the line). The prime objectives are to forge strong bonds between back-office teams and the front line, and to nurture teamwork.

In an effort to retain key employees and to prevent the loss of unique know-how, a scheme aimed at identifying, promoting and retaining employees with unique expertise was prepared. Mobility (Mobilita), a programme designed to broaden career opportunities within the Company and the Generali Group, also continued in 2015.

Building on the results of an employee poll and in an attempt to improve employee care, we are developing benefits in areas that reflect the key lifestyle needs of our employees. One of these areas is health care, with a stress on disease prevention, physical fitness, mental well-being and healthy eating, all wrapped up in the WE FIT programme.

Supervisory Board Report

The Supervisory Board of Česká pojišťovna is the Company's oversight body. It oversees the exercise of the responsibilities incumbent upon the Board of Directors and the pursuit of the Company's business activities. Its competence is derived from Czech legislation and the Company's Articles of Association. In particular, the Supervisory Board oversees the functionality and effectiveness of the Company's management and control system, as well as matters related to its strategic direction.

The Česká pojišťovna Supervisory Board has four members. Members of the Supervisory Board are elected and removed by the Company's General Meeting. Members of the Supervisory Board serve for terms of five years.

The Supervisory Board's activities are governed by an activity plan, which the Supervisory Board approves for each half-year in advance. Outside of the activity plan, the Supervisory Board discusses such matters as may arise between its meetings, provided that the nature of such issues so requires. Meetings of the Supervisory Board are held as needed, but no fewer than four times per year.

Individual checks, investigations, examinations, and inspections of Company materials, etc., are conducted by members of the Supervisory Board either individually or in groups authorised by the Supervisory Board in a resolution adopted at a Supervisory Board meeting or as separately authorised by the Chairman outside of a Supervisory Board meeting. Afterwards, at the immediately following Supervisory Board meeting, the Supervisory Board is informed of the activities conducted by individual members or groups authorised by the Supervisory Board and of the results thereof. If any serious findings or circumstances arise from supervisory activities, the Chairman of the Supervisory Board is informed of such on an on-going basis, even between Supervisory Board meetings.

The composition of the Supervisory Board as at the date the Annual Report was published is presented on page 19 hereof.

Prague, April 2016

Luciano Cirinà
Chairman of the Supervisory Board

Persons Responsible for the Annual Report

Declaration

We hereby declare that the information presented in this Annual Report is true to the facts and that no material information has been omitted that could influence an accurate and precise assessment of the issuer and the securities issued by it.

Marek Jankovič
Chairman of the Board of Directors

Petr Bohumský
Vice-Chairman of the Board of Directors

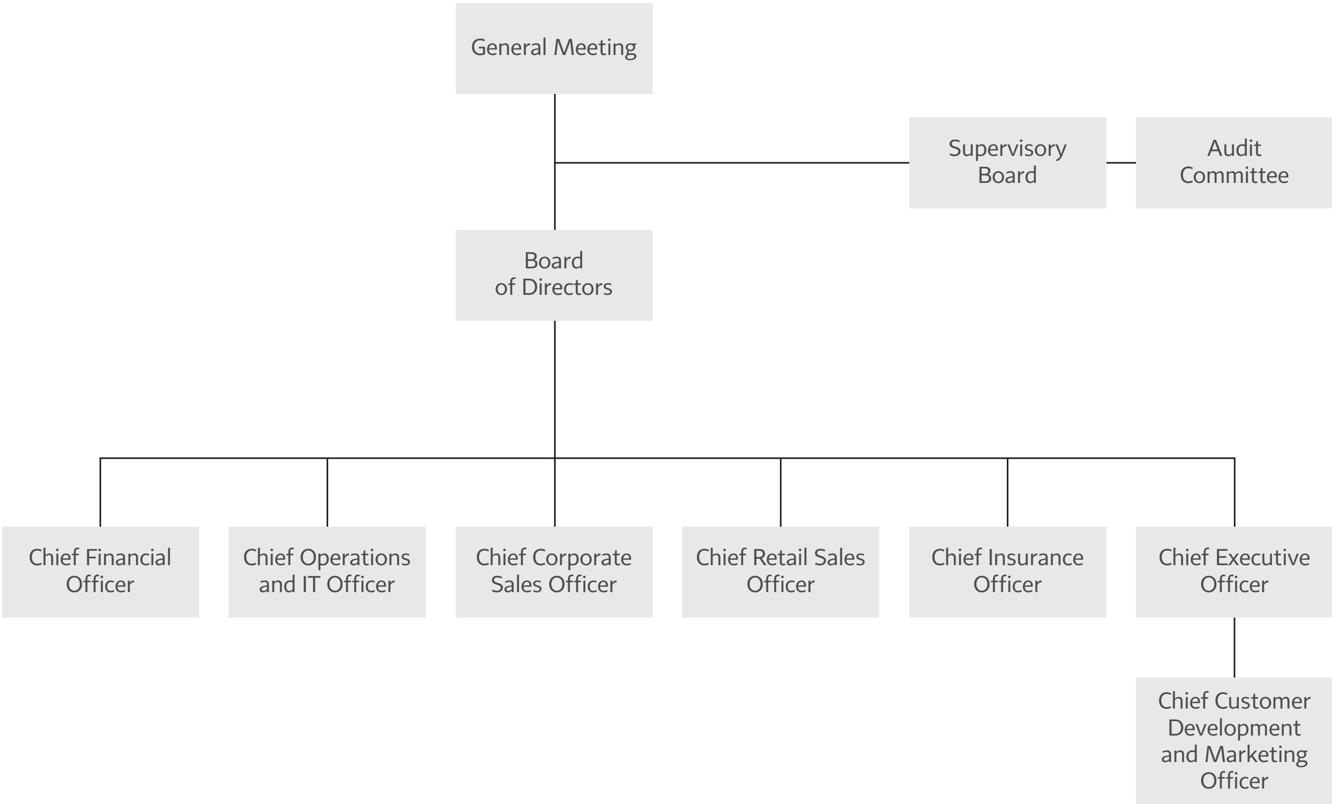
Audit of the Financial Statements

Since 2012, the financial statements have been audited by Ernst & Young Audit, s.r.o. The financial statements of Česká pojišťovna were audited on 31 March 2016 and the consolidated financial statements of Česká pojišťovna were audited on 25 April 2016.

Registration number: 267 04 153
Registered office: Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Statutory audit licence number: 401
Auditor-in-charge: Jakub Kolář
Authorisation number: 2280

Organisation and Contact Details

Basic Organisation Chart of Česká pojišťovna as at the date of the Annual Report



Directory of Selected Companies in the Česká pojišťovna Financial Group

Česká pojišťovna ZDRAVÍ a.s.

Address:	Na Pankráci 1720/123, 140 00 Praha 4
Info line:	+420 841 111 132
Telephone:	+420 267 222 515
Fax:	+420 267 222 936
E-mail:	info@zdravi.cz
Website:	www.zdravi.cz

Penzijní společnost České pojišťovny, a.s.

Address:	Na Pankráci 1720/123, 140 21 Praha 4
Info line:	+420 840 111 280
Telephone:	+420 221 109 111
E-mail:	pfcp@pfcp.cz
Website:	www.pfcp.cz

Generali Real Estate Fund CEE a.s.
Address: Na Pankráci 1658/121, 140 21 Praha 4

Generali Services CEE a.s.
Address: Na Pankráci 1720/123, 140 21 Praha 4

ČP Asistence s.r.o.
Address: Na Pankráci 1658/121, 140 21 Praha 4

REFICOR s.r.o.
Address: Na Pankráci 1658/121, 140 21 Praha 4

GCP Foundation
Address: Na Pankráci 1658/121, 140 21 Praha 4

Directory of Česká pojišťovna Head Office and Regions

Head Office:

Česká pojišťovna a.s.

Registered office:	Spálená 75/16, 113 04 Praha 1
Head office:	Na Pankráci 123, 140 21 Praha 4
ČP Customer Services:	841 114 114
ČP Asistent, roadside assistance service:	+420 224 557 004
Telephone:	+420 224 550 444
E-mail:	klient@cpoj.cz
Website:	www.ceskapojistovna.cz

Regions:

South Bohemia
Address: Pražská 1280,
370 04 České Budějovice 3
Tel.: +420 387 841 424

South Moravia
Address: Moravské nám. 144/8,
601 24 Brno
Tel.: +420 542 599 132

Hradec Králové
Address: Nám. 28. října 20/2,
500 02 Hradec Králové
Tel.: +420 495 076 401

Liberec
Address: V. Klementa 1228,
293 42 Mladá Boleslav
Tel.: +420 326 741 013

Moravia-Silesia
Address: 28. října 2764/60,
702 65 Ostrava 1
Tel.: +420 596 271 654

Olomouc
Address: Nábř. Přemyslovců 867/8,
772 00 Olomouc
Tel.: +420 585 571 813

Pardubice
Address: Tř. Míru 2647,
530 02 Pardubice
Tel.: +420 466 677 298

Plzeň
Address: Slovanská alej 2442/24,
326 00 Plzeň
Tel.: +420 377 170 644

Prague I
Address: Na Pankráci 1720 PC/123,
140 23 Praha 4
Tel.: +420 224 558 411

Prague II
Address: Hráského 2231/25,
148 01 Praha 4
Tel.: +420 224 551 538

Central Bohemia
Address: Wagnerovo nám. 1541,
266 59 Beroun
Tel.: +420 311 741 115

Ústí nad Labem
Address: Jezuitská 237/7,
412 67 Litoměřice
Tel.: +420 311 741 115

Vysočina
Address: Masarykovo náměstí 1102/37,
586 01 Jihlava
Tel.: +420 569 472 925

Zlín
Address: Masarykovo nám. 34,
686 01 Uherské Hradiště
Tel.: +420 571 773 113

Supplemental Information on the Financial Situation and Information for Investors

Listed Security Issuer Information

Company name	Česká pojišťovna a.s.
Legal form	Public limited company (akciová společnost)
Registered office	Spálená 75/16, 113 04 Praha 1
Registration number	452 72 956
VAT number	CZ 4527 2956
Bank details	UniCredit Bank Czech Republic, a.s.
Account	100511/2700
Date of incorporation	1 May 1992 The Company is formed for an indefinite duration.
Legal reference	The Company was founded (pursuant to Section 11(3) of Act No 92/1991 on conditions for the transfer of state property to other entities, as amended) by the National Property Fund of the Czech Republic under a memorandum of association dated 28 April 1992, and was incorporated by registration in the Commercial Register on 1 May 1992.
Incorporated in the Commercial Register	Municipal Court in Prague Register entry: Section B, File 1464

Shareholder Structure

Since 2006, the Company's sole shareholder has been CZI Holdings N.V. Česká pojišťovna's ultimate controlling entity is Assicurazioni Generali S.p.A.

Controlling entities wield control based on the weight of their votes alone. Information on mutual relations with Group companies is presented in the notes to the financial statements and in the notes to the consolidated financial statements, as well as in the report on related-party transactions, which are included in this Annual Report. Česká pojišťovna is not dependent on any other entity in the Group.

Securities Issued by Česká pojišťovna

Shares

As at 31 December 2015, the approved share capital consisted of 40,000 dematerialised, registered ordinary shares totalling CZK 4,000 million.

Issue (ISIN)	CZ0009106043
Type of security	ordinary
Type	registered
Form	dematerialised
Nominal value	CZK 100,000
Number of shares issued	40,000
Total volume	CZK 4,000,000,000
Issue date	15 November 2006
Admission to trading on a regulated (public) market	unlisted security (not tradable in public markets)

Bonds

On 13 December 2012, as part of its bond programme, Česká pojišťovna issued 500,000,000 bonds with a total nominal value of CZK 500 million. The bonds bear interest at a fixed rate of 1.83% p.a.

Issue (ISIN)	CZ0003703555
Type of security	bond
Type	bearer
Form	dematerialised
Nominal value per bond	CZK 1
Number of securities	500,000,000
Total volume	CZK 500,000,000
Issue date	13 December 2012
Redeemable	13 December 2017
Admission to trading on the free market	admitted to the Prague Stock Exchange

The lead manager of the bond issue is Raiffeisenbank a.s.

Principal Business according to the Current Articles of Association and Types of Insurance Written

Česká pojišťovna is a composite insurer offering a wide range of life and non-life insurance classes.

Under Decision of the Ministry of Finance of the Czech Republic Ref. No 322/26694/2002, dated 11 April 2002, which entered into force on 30 April 2002 and which grants the Company a licence to engage in insurance, reinsurance and related activities, under Decision of the Ministry of Finance of the Czech Republic Ref. No 32/133245/2004-322, dated 10 January 2005, which entered into force on 14 January 2005 and which expands the Company's licence to engage in insurance- and reinsurance-related activities, and under Decision of the Czech National Bank Ref. No 2012/11101/570, amending the scope of licensed activities, the Company's principal business objects are as follows:

– Insurance activities pursuant to Act No 277/2009 on insurance, comprising
  - the life insurance classes referred to in Annex 1 to the Insurance Act, Part A, I, II, III, VI, VII and IX;
  - the non-life insurance classes referred to in Annex 1 to the Insurance Act, Part B, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17 and 18.

– Reinsurance activities, comprising all types of reinsurance activities under the Insurance Act

– Insurance- and reinsurance-related activities
  - intermediary services related to insurance and reinsurance activities under the Insurance Act;
  - consultancy services related to the insurance of natural and legal persons under the Insurance Act;
  - investigations into insurance claims pursuant to an agreement with an insurer under the Insurance Act;
  - the exercise of rights and fulfilment of obligations for and on behalf of the Czech Insurers' Bureau pursuant to Act No 168/1999, as amended;
  - the intermediation of financial services referred to in 1 to 10 below:
    1. intermediation of the acceptance of deposits and other funds due from the public, including intermediation in building savings schemes and supplementary pension insurance;
    2. intermediation of loans of all types, including, without limitation, consumer loans, mortgage loans, factoring and the financing of commercial transactions;
    3. intermediation of finance leases;
    4. intermediation of all payments and money transfers, including credit and debit cards, travellers' cheques and bank drafts;
    5. intermediation of guarantees and commitments;
    6. intermediation of customer trading on individual customer accounts on the stock exchange or other markets, for cash or otherwise, concerning negotiable instruments and financial assets;
    7. intermediation of the management of assets, such as cash or portfolios, all forms of collective investment management, pension fund management, escrow accounts and custodianships;
    8. intermediation of payment and clearing services relating to financial assets, including securities, derivatives and other negotiable instruments;
    9. advisory-based intermediation and other ancillary financial services relating to all activities listed in a) to h), including references to loans and analysis thereof, research and consultancy in the field of investments and portfolios, consultancy in the field of acquisitions and restructuring, and corporate strategy;
    10. intermediation of the provision and transmission of financial information, financial data processing, and relevant software from providers of other financial services.

– Training activities for insurance intermediaries and independent loss adjusters

The Company also engages in all activities related to its ownership interests in other legal entities.

Shareholder Rights and Obligations

Holders of the Company's ordinary shares are entitled to receive dividends approved in individual time periods, and are entitled to exercise one vote per share held at General Meetings.

The rights and obligations of the Company's shareholders are set forth in Act No 90/2012 on companies and cooperatives, as amended, and Česká pojišťovna's Articles of Association, which are available in the Collection of Documents of the Commercial Register. These rights include, most importantly:

- the right to a share in the Company's earnings;
- the right to attend General Meetings, vote, demand explanations and raise motions at General Meetings;
- the right to subscribe for a part of new Company shares, in a subscription to increase the share capital, to the extent of that shareholder's stake in the Company's share capital in cases where the shares are subscribed by means of contributions in cash; the pre-emptive right to subscribe for new shares if the share capital is increased, in proportion to the shareholder's stake in the Company's existing share capital. Conditions applicable to changes in the share capital are set out in the Company's Articles of Association;
- the right to share in the liquidation surplus remaining upon dissolution of the Company.

Capital gains and other income from shares are taxed in accordance with Czech legislation, i.e. Act No 586/1992 on income tax, as amended. Profit-sharing is taxed at a special tax rate of 15%. Exceptions to this are possible under international double taxation treaties.

Articles of Association

Česká pojišťovna's Articles of Association valid in 2015 were approved by the Company's sole shareholder on 17 June 2014. In addition, the Company was subjected to Act No 90/2012 on companies and cooperatives (the Business Corporations Act) as a whole.

Those Articles of Association were subsequently revised on 30 October 2014 and 10 June 2015.

Fees Paid to the Audit Firm in 2015

The audit firm's fees for audit services provided to the ČP Group in 2015 totalled CZK 21.06 million.

(CZK million)	For Česká pojišťovna	For other entities in the Česká pojišťovna Group
Audit-related services	13.59	7.47

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The audit firm provided no other services to Česká pojišťovna or Group companies.

Solvency of Česká pojišťovna

(CZK billions)	31. 12. 2015	31. 12. 2014	31. 12. 2013	31. 12. 2012
Life insurance				
Required solvency margin	2.2	2.5	2.7	2.9
Available solvency margin	14.4	13.5	13.5	13.3
Non-life insurance				
Required solvency margin	1.9	2.2	2.2	2.2
Available solvency margin	7.4	6.7	6.5	6.5
Adjusted solvency capital requirement	**17.6**	**15.6**	**15.2**	**14.6**

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Remuneration Principles

Remuneration Principles – Members of the Board of Directors and Supervisory Board

In general, the compensation model applied to the Company's governing bodies and executives reflects the long-term strategy of simplicity and transparency in the motivation and remuneration of all employees of Česká pojišťovna.

The terms of remuneration for members of the Board of Directors and the Supervisory Board are stipulated in a "Board Membership Contract". Certain other benefits beyond those laid down in this Contract are granted by the Company's internal rules governing further benefits of members of the Board of Directors. On 1 July 2014, there was a paradigm shift in that members of the Board of Directors can no longer simultaneously be Company employees. Their only remuneration from the Company therefore stems from the Board Membership Contract approved by the Company's sole shareholder. The remuneration of members of the Board of Directors comprises the following components:

- base monthly remuneration derived from an individual agreement between the member of the Board of Directors and the Company;
- variable remuneration components typically range from 50% to 100% of the total annual remuneration; specific conditions and amounts are set individually in the Board Membership Contracts approved by the sole shareholder; conditions for the award of a variable component stem from criteria established by the Company's sole shareholder in cooperation with the Company's Supervisory Board; specific payments hinge on compliance with set targets and the fulfilment of the Company's economic results.

Other benefits of members of the Board of Directors are regulated either directly in the Board Membership Contract (e.g. compensation for non-use of company cars) or by an internal Company regulation granting members of the Board of Directors generally the same scope of benefits as Company employees.

Members of the Supervisory Board are entitled to regular fixed monthly remuneration derived from their Board Membership Contract approved in advance by the sole shareholder (the General Meeting). The amount is paid monthly, by the 15th day of the calendar month following the month in which the board member's claim arose.

If a member of one of the Company's governing bodies holds office only for part of the calendar month (e.g. in cases where he ceases to be a member of a Company body), he is entitled to remuneration on a pro rata basis.

Members of governing bodies who are concurrently employees of the Company receive remuneration pursuant to principles stipulated universally for the entire Company in the form of Pay Rules and the Social Programme, which is an integral part of the Collective Agreement.

In total, members of the Board of Directors drew healthcare contributions in an aggregate amount of CZK 64,000; members of the Supervisory Board did not draw on these contributions.

None of the members of the Board of Directors or the Supervisory Board used an executive car.

Remuneration Principles for Other Employees

Base Pay

Employees' base pay is governed by the Pay Rules and rules defined by the Collective Agreement. The specific base pay amount for executive positions is stipulated individually in each executive's contract, or by a pay assessment, and is in line with standard practice in the Czech market.

Bonus and Other Variable Pay Components

Variable remuneration at ČP follows the guidelines on remuneration for individual departments. The rules in those guidelines are updated regularly. Employees who have not been set a variable component of remuneration may be granted a special bonus under the Collective Agreement.

All employees are set targets in financial, business/functional and development areas.

Where employees have a bonus component incorporated into their pay, rules for the granting of the bonus are approved by the Company management in the directive entitled "Pay Regulation for the Payment of Bonuses to ČP Employees". The bonus base for employees depends on the importance of their job and its impact on the Company's earnings (the base wage multiple varies from a multiple of three to twelve).

The process of the final evaluation of targets and the subsequent payment of bonuses takes place in accordance with the process described in the above directive at the end of the year. An employee's specific bonus amount is subject to approval by the member of the Board of Directors responsible for the area concerned. The payment of senior employees' bonuses is conditional on the resulting performance of selected economic indicators.

Other Benefits

All Company employees, including executives, are entitled to a CZK 333 per month life insurance contribution under the Social Programme, as provided for in the Collective Agreement. At the same time, they have the option to receive a pension plan contribution of CZK 300–1,500 per month, according to rules stipulated in the Collective Agreement. Employees may also take part in health-focused activities under the WE FIT programme, including vaccinations, health days, medical examinations, training and sports events.

Persons with Executive Authority

In 2015, the Company recorded no loans or advances extended to members of the Board of Directors or the Supervisory Board.

No member of the Company's Board of Directors or Supervisory Board is in a conflict of interest due to membership of another company's governing bodies.

In 2015, the following changes were made to the Company's bodies:

Board of Directors:

- Luciano Cirinà ceased to be a member and ceased to hold office within the Board of Directors on 3 July 2015;
- Štefan Tillinger ceased to be a member and ceased to hold office within the Board of Directors on 1 June 2015;
- Jiří Fialka ceased to be a member and ceased to hold office within the Board of Directors on 30 June 2015;
- Marek Jankovič was appointed as a member of the Board of Directors on 3 July 2015 and was elected as the Chairman of the Board of Directors as of 7 July 2015;
- Karel Bláha was appointed as a member of the Board of Directors on 1 June 2015;
- Tomáš Vysoudil was appointed as a member of the Board of Directors on 1 July 2015.

Supervisory Board:

- Martin Sturzlbaum ceased to be the Chairman of the Supervisory Board on 7 July 2015;
- Luciano Cirinà was appointed as a member of the Supervisory Board on 3 July 2015 and was elected as the Chairman of the Supervisory Board on 7 July 2015.

Principal activities of members of the Board of Directors and Supervisory Board in other companies, to the extent they are material for the Company, in 2015:

Luciano Cirinà:
– member of the governing body of Generali CEE Holding B.V., Netherlands;
– head of the organisational unit Generali CEE Holding B.V., organizační složka, having its registered office in Prague;
– chairman of the supervisory board of Generali Bulgaria Holding EAD, Bulgaria;
– chairman of the supervisory board of Generali Insurance AD and Generali Life Insurance AD, Bulgaria;
– chairman of the supervisory board of Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A., Poland;
– chairman of the supervisory board of Generali Poisťovňa, a.s., Slovakia;
– member of the supervisory board of Generali Biztosító Zrt., Hungary;
– member of the supervisory board of SC GENERALI ROMANIA ASIGURARE REASIGURARE SA, Romania;
– chairman of the supervisory board of Generali Pojišťovna;
– member of the supervisory board of Europ Assistance a.s.;
– head of the organisational unit organisational unit Generali Infrastructure Services Czech Branch, organizační složka, having its registered office in Prague;
– membership of the management board of the Czech Insurers' Bureau.

Marie Kovářová:
– member of the governing body of Generali Development s.r.o.;
– chairwoman of the board of directors of Generali Services CEE a.s.;
– member of the board of directors of Generali Pojišťovna a.s.;
– member of the supervisory board of Česká pojišťovna ZDRAVÍ a.s.

Petr Bohumský
– member of the governing body of ČP ASISTENCE s.r.o.;
– vice-chairman of the board of directors of Generali Pojišťovna a.s.;
– member of the supervisory board of Generali Services CEE a.s.;
– member of the supervisory board of Česká pojišťovna ZDRAVÍ a.s.;
– member of the supervisory board of Generali Zavarovalnica d.d. Ljubljana, Slovenia, until 6 March 2014;
– member of the supervisory board of Penzijní společnost České pojišťovny, a.s.;
– member of the supervisory board of Nadace GCP (GCP Foundation);
– member of the supervisory board of Europ Assistance a.s.

Štefan Tillinger:
– member of the supervisory board of Nadace pojišťovny Generali (Generali Insurance Company Foundation);
– member of the supervisory board of Penzijní společnost České pojišťovny, a.s.;
– chairman of the board of directors of Generali Pojišťovna a.s.;
– member of the supervisory board of ČP DIRECT, a.s.;
– member of the board of directors of Česká pojišťovna ZDRAVÍ a.s.;
– member of the presiding committee of the Czech Insurance Association.

Jiří Fialka:
– member of the board of directors of Generali Pojišťovna a.s.;
– member of the board of directors of Česká pojišťovna ZDRAVÍ a.s.;
– member of the board of directors of Penzijní společnost České pojišťovny, a.s.

Martin Sturzlbaum:
– member of the governing body of Generali Belgium S.A.

Gianluca Colocci:
– member of the supervisory board of Generali Pojišťovna a.s.;
– member of the supervisory board of Penzijní společnost České pojišťovny, a.s.;
– vice-chairman of the supervisory board of Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A., Poland;
– member of the supervisory board of Generali Powszechne Towarzystwo Emerytalne S.A., Poland;
– chairman of the supervisory board of Generali Finance Sp. Z o.o., Poland.

Gregor Pilgram:
– member of the governing body of Generali CEE Holding B.V., Netherlands;
– member of the supervisory board of ČP INVEST investiční společnost, a.s.;
– member of the supervisory board of Generali Investments CEE, investiční společnost, a.s.;
– chairman of the supervisory board of Generali Poisťovňa, a.s., Slovakia;
– member of the supervisory board of Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A., Poland;
– member of the supervisory board of Generali Biztosító Zrt. and Genertel Biztosító Zrt., Hungary;
– member of the board of directors of Akcionarsko društvo za osiguranje GENERALI OSIGURANJE SRBIJA, Serbia;
– member of the supervisory board of Generali osiguranje dioničko društvo, Croatia;
– member of the supervisory board of Generali Zavarovalnica d.d. Ljubljana, Slovenia;
– member of the supervisory board of Generali Pojišťovna a.s.

Tomáš Vysoudil
– member of the board of directors of Česká pojišťovna ZDRAVÍ a.s.;
– member of the supervisory board of Penzijní společnost České pojišťovny, a.s.;
– member of the supervisory board of Nadace GCP;
– managing director of Generali Development s.r.o.

Karel Bláha
– member of the board of directors of Generali Pojišťovna a.s.;
– managing director of Direct Care s.r.o.

No member of the Board of Directors or Supervisory Board has been convicted of any fraud-related crime.

Cash Income of Persons with Executive Authority in 2015

(CZK million)	Cash income from the Company	Cash income from entities controlled by the Company	In-kind income from the Company	In-kind income from entities controlled by the Company
Board of Directors				
Total:	72	–	–	–
of which: – from board membership	51	–	–	–
– from employment	21	–	–	–
Supervisory Board				
Total:	–	–	–	–
of which: – from board membership	–	–	–	–
– from employment	–	–	–	–

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The Company's management comprises only the members of the Board of Directors.

Cash income is defined as the sum of all cash income received by the board member for the 2015 accounting period (in particular, board membership remuneration, executive pay, wages, bonuses, income under other contracts and collective endowment life insurance on death or survival).

Cash income received by members of the Company's governing bodies directly from the Company totalled CZK 72 million. This includes income both from acting as members of the governing body and from acting as Company executives.

In-kind income is defined as the sum of the values of all non-cash (in-kind) income items that the board member received (in particular executive cars, managerial healthcare programme, and benefits under the Collective Agreement).

Entities in which Česká pojišťovna Holds a Participating Interest Exceeding 10% of its Own Net Current Period Earnings

As at 31 December 2015, based on figures available to Česká pojišťovna as at the compilation date of this Annual Report:

Name	Registered office	Registration number	Principal business	Share capital (CZK millions)	Stake in share capital	Acquisition cost (CZK millions)
Apollo Business Center IV a.s.	Lamačská cesta 3/A, 841 04 Bratislava, Slovakia	36756512	Letting of real estate, provision of property management services	1	100.00%	835
Generali Real Estate Fund CEE a.s.	Na Pankráci 1658/121, 140 21 Praha 4 – Nusle	24736694	Collective investment	264	70.00%	2,758
CP Strategic Investments N.V.	Diemerhof 32, 1112 XN Diemen, Amsterdam, Netherlands	34124690	Acquisition, management, holding and financing of controlling interests in insurance	6	100.00%	3,117
Generali SAF de Pensii Private S.A.	Piata Charles de Gaulle no. 15, 6th floor, Sector 1, 011857 Bucharest, Romania	J40/13188/2007	Administration of voluntary and mandatory pension insurance funds	322	99.99%	1,077

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Standalone Report on Company Management

I. Internal Process of Control over Compilation of the Financial Statements

The information set forth below concerns internal control principles and procedures and rules governing the Company's and the Group's approach to risks to which the Company and the Česká pojišťovna Group are exposed in relation to the financial reporting process.

Česká pojišťovna has implemented an internal control and management system that minimises the risk of incorrect reporting, which relates to the ability of the internal information system to provide timely and accurate information for purposes of internal decision-making and for the purposes of external reporting.

The basic elements of this system are as follows:
- delegation of authority and responsibility
- internal policies defining terms and procedures for the processing of information
- internal procedures defining checks to verify the accuracy of information
- IT governance system
- accounting manual defining unified information content
- internal audit competence
- external audit of the financial statements by a reputable audit firm

At Group level, responsibility for implementing a commensurate system of internal controls is delegated to individual Group companies. Thus, each company is directly responsible for managing this risk.

A unified accounting manual is used by all Group companies to compile the consolidated financial statements. All material Group companies are audited by the same audit firm as Česká pojišťovna.

Česká pojišťovna systematically works to improve its internal control system in the field of financial reporting; this process has accelerated since the Company and its subsidiaries became part of the Generali Group.

II. Compliance with the Code of Corporate Governance

While no code of corporate governance is legally binding on Česká pojišťovna a.s., it voluntarily complies with the Czech Insurance Association's Code of Ethics in Insurance and the Generali Group Code of Conduct.

The Czech Insurance Association's Code of Ethics in Insurance can be viewed at www.cap.cz.

The Generali Group Code of Conduct can be viewed at www.ceskapojistovna.cz/eticky-kodex.

III. Description of the Principles and Functioning of Company Bodies

Board of Directors of Česká pojišťovna

The Board of Directors is the governing body responsible for managing the Company's activities and acting in the Company's name. The Board of Directors takes decisions on all Company matters that are not reserved by law or the Articles of Association for the General Meeting or the Supervisory Board. Its authority ensues from Czech legislation and the Company's Articles of Association.

The Board of Directors has at least three and no more than nine members. Members of the Board of Directors serve for five-year terms. From among its members, the Board of Directors elects and removes from office one Chairman and one Vice-Chairman.

The Board of Directors' activities are governed by the activity plan, which the Board of Directors approves for each calendar year in advance. The draft plan, including, in particular, the meetings schedule, is submitted to the Board of Directors by the Chairman, and is prepared by the Company Secretary based on the Chairman's instructions. The Board of Directors meets as needed, but not less than once every two months. The Board of Directors' activity plan is amended and clarified as necessary on an on-going basis during the year. If necessary, the Chairman of the Board of Directors may call a meeting of the Board of Directors not specified in the activity plan in order to discuss urgent matters relating to the Company.

The Board of Directors also exercises its authority outside of meetings, in the course of the Company's day-to-day operations.

The composition of the Board of Directors as at the date the Annual Report was published is set forth on page 17 of this Annual Report.

Proceedings and Methodological Procedure:

1. The Company's Board of Directors takes decisions as a group in accordance with rules established by legislation and the Articles of Association.
2. In accordance with Section 156 of the Civil Code, the competence of the individual members of the Board of Directors is broken down, by a decision of the Board of Directors, into designated fields. A member of the Board of Directors has the authority to take decisions on behalf of the Board within the scope of the field assigned to him. In negotiations within the bounds of his defined field, he may also use the designation of the office specified in paragraph 4 of this Article together with the designation of his membership of the Board of Directors in internal relations. However, in external relations, he only presents himself as a member of the Board of Directors.
3. The breakdown of the competence of individual members of the Board of Directors into different fields does not absolve other members of the obligation to oversee how the affairs of the legal entity are being managed, nor does it absolve them of the obligation to legally act and sign on behalf of the Company in the manner laid down in the Articles of Association as reflected in the entry in the Commercial Register.
4. The breakdown into fields is as follows:
   - Financial management – placed in the competence of the member of the Board of Directors, within the scope of the defined field, who is entitled to use the title of Chief Financial Officer.
   - Underwriting – placed in the competence of the member of the Board of Directors, within the scope of the defined field, who is entitled to use the title of Chief Insurance Officer.
   - Operations management – placed in the competence of the member of the Board of Directors, within the scope of the defined field, who is entitled to use the title of Chief Operations and IT Officer.
   - Retail sales management – placed in the competence of the member of the Board of Directors, within the scope of the defined field, who is entitled to use the title of Chief Sales Officer.
   - Corporate sales management – placed in the competence of the member of the Board of Directors, within the scope of the defined field, who is entitled to use the title of Chief Corporate Sales Officer.
   - Organisational units of the Chief Executive Officer – placed in the competence of the member of the Board of Directors, within the scope of the defined field, who is entitled to use the title of Chief Executive Officer.

The content of the designated fields is defined by the tasks of employees in the direct line of management of the executive assigned, within the Company's organisational chart, to the specific field of a member of the Board of Directors (see Annex 6).

5. Executives of organisational units have the authority to engage in legal acts on behalf of the Company in accordance with the work tasks assigned to them and the Company's internal regulations and rules on execution of documents.
6. Positions – professions – the activities of the Company's various organisational units and departments must be fully broken down into individual positions. A position is a set of activities that may be encompassed by a single employee in the performance of his job (profession). The type of work carried out by employees is determined by their assignment to a position encompassing the given type of work in their employment contract. A list of individual professions and their classification under organisational units has been drawn up in the Catalogue of Professions.

Česká pojišťovna Supervisory Board

The Supervisory Board of Česká pojišťovna is the Company's oversight body. It oversees the exercise of the responsibilities incumbent upon the Board of Directors and the pursuit of the Company's business activities. Its competence is derived from Czech legislation and the Company's Articles of Association. In particular, the Supervisory Board oversees the functionality and effectiveness of the Company's management and control system, as well as matters related to its strategic direction.

The Supervisory Board of Česká pojišťovna has at least three members and no more than five members, the specific number being determined by the General Meeting. Members of the Supervisory Board serve for terms of five years.

The Supervisory Board's activities are governed by the activity plan, which the Supervisory Board approves for each half-year in advance. Outside of the activity plan, the Supervisory Board discusses such matters as may arise between its meetings, provided that the nature of such issues so requires. Meetings of the Supervisory Board are held as needed, but no fewer than four times per year.

Individual checks, investigations, examinations, and inspections of Company materials, etc., are conducted by members of the Supervisory Board either individually or in groups authorised by the Supervisory Board in a resolution adopted at a Supervisory Board meeting or as separately authorised by the Chairman outside of a Supervisory Board meeting. Afterwards, at the immediately following Supervisory Board meeting, the Supervisory Board is informed of the activities conducted by individual members or groups authorised by the Supervisory Board and of the results thereof. If any serious findings or circumstances arise from the checks, the Chairman of the Supervisory Board is informed of such on an on-going basis, even between Supervisory Board meetings.

The composition of the Supervisory Board as at the date the Annual Report was published is set forth on page 19 of this Annual Report.

Management Committee

The Management Committee is an advisory body to the Board of Directors. Management Committee members are each member of the Board of Directors and the Chief Marketing & Customer Development Officer. Other persons designated by the Chairman of the Board of Directors may be invited to Management Committee meetings. The Management Committee discusses significant matters in the operational management of the Company. The Management Committee may, on the instructions of the Board of Directors, coordinate the activities of the Company and the companies it manages in the Czech Republic in accordance with the Generali Group's holding policy.

ČP Audit Committee

The Česká pojišťovna Audit Committee is a Company body that, in particular, monitors the procedure applied in the preparation of financial statements, the effectiveness of the Company's internal control the risk management and internal audit system, and the process behind the statutory auditing of the financial statements and, where appropriate, consolidated financial statements, assesses the independence of the statutory auditor and audit firm and, in particular, the provision of additional services to the auditee, and recommends an auditor to the supervisory body.

The Audit Committee consists of three members appointed by the General Meeting based on their expertise and qualifications for carrying out their responsibilities of office. Two Audit Committee members are independent and have at least three years' experience of accounting or statutory auditing.

The competence of the Audit Committee ensues from Czech laws, in particular Act No 93/2009 on auditors, as amended, and the internal regulations of Česká pojišťovna. The Committee reports to the Company's General Meeting and, in certain areas, also operates as an advisory body to the Board of Directors. Its decisions constitute recommendations to the Board of Directors, which bears final responsibility for the Company's system of internal controls, the proper conducting of internal checks, and the risk management system. The Audit Committee also regularly informs the Supervisory Board of the results of its activities.

The Audit Committee meets at least twice per year, and the Chairman of the ČP Board of Directors, the ČP Chief Executive Officer, the ČP Internal Audit Director, and, where appropriate, the external auditor have standing invitations to attend the meetings as guests. In addition, line managers and other Company employees may be invited to Audit Committee meetings as necessary to provide the Committee with information. Their participation, however, is limited only to the relevant agenda item(s).

General Meeting

The following matters are in the competence of the General Meeting:
- decisions on amendments to the Articles of Association, except where an amendment is made as a result of an increase in the share capital by the authorised Board of Directors or where an amendment is made pursuant to other legal circumstances;
- the issuance of instructions to the Board of Directors and the approval of principles relating to the activities of the Board of Directors, if not in conflict with legislation;
- decisions on the leasing of a Company plant or any part thereof;
- discussions on the report on the Company's business activities and assets;
- decisions on an amendment to the amount of share capital and on the authorisation of the Board of Directors to increase the share capital;
- decisions on the possibility of setting off a financial receivable from the Company against a receivable in respect of the payment of the issue price;
- decisions on the issue of convertible or preference bonds;
- the election and removal of members of the Board of Directors or the statutory director;
- the election and removal of members of the Supervisory Board or management board and other bodies appointed by the Articles of Association, except for members of the Supervisory Board not elected by the General Meeting;
- approval of the ordinary, extraordinary, consolidated and, where other legislation so provides, interim financial statements;
- decisions on the distribution of profit or other own resources or on loss coverage;
- decisions on applications for the admission of the Company's participating securities to trading on a European regulated market or on their removal from trading on a European regulated market;
- decisions on the dissolution of the Company with liquidation of assets;
- approval of the proposal for the distribution of the liquidation surplus;
- approval of the transfer or mortgaging of a plant or part thereof entailing a significant change in the existing structure of the plant or a significant change in the objects of business or activity of the Company;
- decisions to accept the effects of actions taken on behalf of the Company prior to the incorporation thereof;
- the approval of a silent partnership agreement, including approval of amendments thereto or the cancellation thereof;
- other decisions included in the competence of the General Meeting by the Business Corporations Act or the Articles of Association.

The Company's Annual General Meeting is held at least once per year, no later than six months from the last day of the accounting period. The Board of Directors is entitled to convene an Extraordinary General Meeting at any time. The Supervisory Board convenes the General Meeting whenever it is in the Company's interests to do so.

The General Meeting has a quorum if shareholders are present, the aggregate nominal value of whose shares is at least fifty per cent (50%) of the Company's share capital.

After verifying the quorum, the General Meeting elects its chairman, clerk, two verifiers of the minutes, and persons authorised to count votes. The persons elected by the General Meeting to these offices may or may not be shareholders. Until the chairman is elected, the General Meeting is chaired by a member of the Board of Directors authorised to do so by the Board of Directors. If the General Meeting has been convened by the Supervisory Board, until election of the chairman it is chaired by a person authorised to do so by the Supervisory Board. If the General Meeting has been convened on the basis of a court order and the court has not designated a General Meeting chairman, it may be chaired by any shareholder until such time as the General Meeting elects a chairman.

Should a shareholder at the General Meeting make a motion in a matter that is to be discussed in the agenda set for the General Meeting in question (an "original motion"), an entirely new motion of the shareholder's own (a "new motion") or a motion revising or otherwise amending an original motion (a "countermotion"), then she or he is required – in the case of countermotions to motions the content of which is set forth in the invitation to the General Meeting or in the General Meeting announcement, or in the event that a notarial record must be made of the General Meeting's decision – to deliver his or her motion or countermotion in writing to the Company at least five working days prior to the General Meeting date. This rule does not apply to motions for election of specific persons to Company bodies.
The Board of Directors is required to publish its countermotion along with its opinion, if possible, at least three days prior to the date announced for the General Meeting.

Should a shareholder wish to make a new motion or countermotion during the General Meeting, he or she must submit it to the General Meeting chairman.

The chairman of the General Meeting:

1. examines new motions and countermotions submitted (shareholder countermotions submitted to the Company prior to the General Meeting are also deemed to be new motions and countermotions) without unnecessary delay;
2. acquaints the General Meeting with their contents;
3. notifies the General Meeting of the General Meeting agenda item under which a vote will be taken on the new motion or countermotion submitted, or that the new motion or countermotion submitted has been rejected because it does not relate to any item on the General Meeting agenda and for this reason no vote can be held on it, unless all shareholders are present and all shareholders agree with the decision on the submitted new motion or countermotion;
4. enables shareholders and members of the Company's Board of Directors and Supervisory Board to acquaint themselves with such new motion or countermotion and express opinions thereon prior to a vote;
5. holds a vote on the motion, provided the new motion or countermotion was not rejected on the grounds that it does not relate to any item on the General Meeting agenda – in all cases, the General Meeting votes in the following order:
   1. first on the original motion;
   2. if the original motion is not passed, then on countermotions, if any, in the order in which said countermotions were submitted to the chairman of the General Meeting, and then on the original motion as a whole, as amended by the approved countermotions;
   3. if the original motion is not passed even after being amended by approved countermotions, then and only then on any new motions (in the order in which they were submitted to the chairman of the General Meeting).

Voting at the General Meeting takes place by ballot.

If the General Meeting does not have a quorum within one (1) hour of the time set forth in the invitation as the beginning of the General Meeting, the convener shall convene a compensatory General Meeting under the conditions and in the manner set forth in the Business Corporations Act.

Česká pojišťovna currently has a sole shareholder, who wields the authority of the General Meeting in accordance with the Business Corporations Act and the relevant procedures above.

Independent Auditor's Report

Building a better working world

To the Shareholder of Česká pojišťovna a.s.:

We have audited the accompanying consolidated financial statements of Česká pojišťovna a.s. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Group see Note A.1 to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management of Česká pojišťovna a.s. is responsible for the preparation and presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated 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 the consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of the Group, as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information in the consolidated annual report is materially inconsistent with the separate or consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the consolidated 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

Jakub Kolář, Auditor
License No. 2280

Tomáš Němec
Partner

25 April 2016
Prague, Czech Republic

Contents of the Consolidated Financial Statements

Consolidated Financial Statements

Acronyms

Acronym	
AFS	Available-for-sale
AGG	Property and CASCO aggregate X/L
ALM	Asset-liability management
CAT	Catastrophic excess of loss reinsurance contract
CCS	Cross currency swap
CDO	Credit default option
CDS	Credit default swap
CGU	Cash-generating unit
D&O	Directors and officers liability
DPF	Discretionary participation features
EBS	Economic balance sheet model
ECL	Expected credit loss
FVO	Fair value option
FVOCI	Fair value through other comprehensive income
FVTPL	Financial assets at fair value through profit or loss
IBNR	Incurred but not reported
IFRIC	Interpretation of International Financial Reporting Interpretations Committee
IRS	Interest rate swap
LAT	Liability adequacy test
MCEEV	Market Consistent European Embedded Value
MTPL	Motor Third Party Liability
MVaR	Market Value at Risk
PPE	Property, plant and equipment
PVFP	Present value of future profit
RBNS	Reported but not settled
SAA	Strategic asset allocation
UPR	Unearned premium reserves
X/L	Excess of Loss reinsurance

Consolidated Statement of Financial Position

Amounts as at 31 December

(CZK million)	Note	2015	2014
Total assets		**208,154**	**209,425**
of which Total assets attributable to the Transformed fund	D.1.1.	**96,140**	**88,758**
Intangible assets	F.1.	**2,369**	**3,013**
Goodwill	F.1.1.	1,289	1,780
Other intangible assets	F.1.2.	1,080	1,233
Tangible Assets	F.2.	**224**	**255**
Land and buildings (self used)	F.2.1.	142	139
Other tangible assets	F.2.2.	82	116
Investments	F.3.	**183,267**	**182,973**
Investment properties	F.3.1.	8,381	7,454
Investments in subsidiaries and associates	F.3.2.	104	463
Held to maturity investments		–	–
Loans and receivables	F.3.3.	6,431	5,942
Available for sale financial assets	F.3.4.	150,058	145,869
Financial assets at fair value through profit or loss	F.3.5.	18,293	23,245
of which financial assets relating to unit-linked policies		7,798	7,404
Reinsurance assets	F.4.	**9,820**	**9,977**
Receivables	F.5.	**7,073**	**6,940**
Receivables arising out of direct insurance operations		1,901	2,044
Receivables arising out of reinsurance operations		2,191	2,234
Trade and other receivables		2,922	2,577
Current income tax receivables		59	85
Other assets	F.6.	**1,258**	**1,211**
Deferred acquisition costs	F.6.1.	794	782
Deferred tax assets	F.26.1.	47	81
Other assets – other		417	348
Cash and cash equivalents	F.7.	**4,143**	**5,050**
		208,154	**209,419**
Assets held for sale	F.8.	**-**	**6**
Total shareholders' equity and liabilities		**208,154**	**209,425**
of which Total shareholders' equity and liabilities attributable to the Transformed fund	D.1.1.	**96,140**	**88,758**
Shareholders' equity	F.9.	**34,704**	**31,413**
Shareholders equity attributable to the Group		**33,350**	**30,756**
Share capital		4,000	4,000
Other reserves		29,350	26,756
Shareholders equity attributable to non-controlling interests		**1,354**	**657**
Other provisions	F.10.	**634**	**826**
Insurance liabilities	F.11.	**68,165**	**77,397**
Financial liabilities	F.12.	**94,490**	**89,563**
Financial liabilities through profit or loss		2,073	3,203
Other financial liabilities		92,417	86,360
Payables	F.13.	**7,967**	**8,574**
Payables arising out of direct insurance operations		2,138	2,192
Payables arising out of reinsurance operations		4,428	4,321
Current income tax payables		86	301
Other payables		1,315	1,760
Other liabilities	F.14.	**2,194**	**1,652**
Deferred tax liabilities	F.26.1.	144	65
Other liabilities – other	F.14.	2,050	1,587
		208,154	**209,425**

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Consolidated Income Statement

For the year ended 31 December

(CZK million)	Note	2015	2014 re-presented*
Total income		**25,749**	**26,483**
Net earned premiums revenue	F.15.	**18,697**	**20,026**
Insurance premium revenue		28,652	29,659
Insurance premium ceded to reinsurers		(9,955)	(9,633)
Fee and commission income and income from financial service activities	F.16.	**246**	**500**
Net income / (losses) from financial instruments at fair value through profit or loss	F.17.	**(832)**	**(3,387)**
of which net income/(losses) from financial investments relating to unit-linked policies		85	67
Share of results of associates accounted for using the equity method		**3**	**51**
Net income / (losses) related to associates and disposal of subsidiaries	F.18.	**686**	**22**
Income from other financial instruments and investment properties	F.19.	**5,461**	**6,233**
Interest income		3,717	4,052
Income – other		822	763
Realized gains		792	948
Unrealized gains		10	378
Reversal of impairment losses		120	92
Other income	F.20.	**1,488**	**3,038**
Total Expenses		**(19,379)**	**(21,522)**
Net insurance benefits and claims	F.21.	**(10,881)**	**(12,626)**
Gross insurance benefits and claims		(15,745)	(16,582)
Reinsurers' share		4,864	3,956
Fee and commission expenses and expenses from financial service activities	F.22.	**(129)**	**(231)**
Expenses from other financial instruments and investment properties	F.23.	**(2,057)**	**(2,022)**
Interest expense		(1,205)	(1,352)
Expense – other		(173)	(62)
Realized losses		(235)	(359)
Unrealized losses		(42)	(15)
Impairment losses		(402)	(234)
Acquisition and administration costs	F.24.	**(4,760)**	**(5,068)**
Commissions and other acquisition costs		(2,687)	(2,817)
Investment management expenses		(226)	(181)
Other administration costs		(1,847)	(2,070)
Other expenses	F.25.	**(1,552)**	**(1,575)**
EARNINGS BEFORE TAXES		**6,370**	**4,961**
Income taxes	F.26.	(867)	(828)
Loss from discontinued operations after tax		**(1,187)**	**(411)**
NET PROFIT OF THE YEAR		**4,316**	**3,722**
Result of the period attributable to the equityholders of the parent		4,275	3,673
of which NET PROFIT/(LOSS) OF THE YEAR attributable to the Transformed fund	D.1.1.	251	(529)
Result of the period attributable to non-controlling interests		41	49

* Certain amounts presented do not correspond to the 2014 financial statements and reflect adjustments made as a result of classification of the Polish operations as discontinued operations, refer to Note F.8.

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Basic and Diluted earnings per share for net profit attributable to the equity holders of the parent during the year:

(CZK thousand)	2015	2014 re-presented
– From continuing operations	137	102
– From discontinued operations	(30)	(10)
Total	**107**	**92**

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Consolidated Statement of Comprehensive Income

For the year ended 31 December

(CZK million)	Note	2015	2014 re-presented
Net profit of the year		**4,316**	**3,722**
Other comprehensive income items that may be recycled to profit or loss			
Available-for-sale financial assets revaluation in equity	F.9.	2,097	6,894
Available-for-sale financial asset realised revaluation in income statement	F.19., F.23.	(571)	(587)
Available-for-sale impairment losses	F.23.	338	141
Currency translation differences		(36)	25
Changes in cash flow hedge reserve		53	4
Other comprehensive (expense)/ income from discontinued operations		(1)	30
Subtotal		**1,880**	**6,507**
Other comprehensive income items that may never be recycled to profit or loss		**–**	**–**
Total gains and losses recognised directly in equity		**1,880**	**6,507**
Tax on items taken directly to or transferred into equity		(269)	(332)
Tax on items taken directly to or transferred into equity – AFS		(260)	(331)
Tax on items taken directly to or transferred into equity – CF hedge reserve		(9)	(1)
Other comprehensive income, net of tax		**1,611**	**6,175**
Total comprehensive income		**5,927**	**9,897**
Attributable to:			
– equity holders of Parent Company		5,874	9,848
of which Total comprehensive income attributable to the Transformed fund	D.1.3.	647	3,508
– minority interests		53	49

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Consolidated Statement of Changes in Equity

For the year ended 31 December

(CZK million)

	Note	Share capital	Other capital reserves	Revaluation – financial assets AFS	Statotutory reserve fund	Cummulative currency translation differences	Cash flow hedge reserve	Equalisation reserve fund[1]	Retained earnings	Attributable to equity holders of Parent Company	Attributable to Non-controlling interests	Total
Balance as at 1 January 2014		**4,000**	**206**	**5,250**	**1,139**	**12**	**(80)**	**549**	**12,923**	**23,999**	**618**	**24,617**
Net profit for the year		–	–	–	–	–	–	–	3,673	3,673	49	3,722
Available-for-sale financial assets revaluation in equity		–	–	6,894	–	–	–	–	–	6,894	–	6,894
Available-for-sale financial asset realised revaluation in income statement		–	–	(587)	–	–	–	–	–	(587)	–	(587)
Available-for-sale impairment losses		–	–	141	–	–	–	–	–	141	–	141
Currency translation differences		–	–	–	–	26	–	–	–	26	(1)	25
Changes in cash flow hedge reserve		–	–	–	–	–	3	–	–	3	1	4
Other comprehensive income from discontinued operations		–	–	29	–	1	–	–	–	30	–	30
Tax on items of other compehensive income		–	–	(331)	–	–	(1)	–	–	(332)	–	(332)
Total comprehensive income		**–**	**–**	**6,146**	**–**	**27**	**2**	**–**	**3,673**	**9,848**	**49**	**9,897**
Changes in ownership interests in subsidiaries that do not result in a change of control		–	–	118	–	–	–	–	135	253	(10)	243
Allocation to reserve for share-based payments		–	–	–	–	–	–	–	–	–	–	–
Dividends to shareholders	F.9.1.	–	–	–	–	–	–	–	(3,344)	(3,344)	–	(3,344)
Balance as at 31 December 2014	F.9.	**4,000**	**206**	**11,514**	**1,139**	**39**	**(78)**	**549**	**13,387**	**30,756**	**657**	**31,413**

[1] Equalisation reserve is required under local insurance legislation and is classified as a separate part of equity within these accounts as it does not meet the definition of a liability under IFRS. It is not available for distribution. Change in equalisation reserve is captured as a transfer between distributable retained earnings and non-distributable equalisation reserve fund in equity.

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Consolidated Statement of Changes in Equity

For the year ended 31 December

(CZK million)

	Note	Share capital	Other capital reserves	Revaluation – financial assets AFS	Statotutory reserve fund	Cummulative currency translation differences	Cash flow hedge reserve	Equalisation reserve fund[1]	Retained earnings	Attributable to equity holders of Parent Company	Attributable to Non-controlling interests	Total
Balance as at 1 January 2015		**4,000**	**206**	**11,514**	**1,139**	**39**	**(78)**	**549**	**13,387**	**30,756**	**657**	**31,413**
Net profit for the year		–	–	–	–	–	–	–	4,275	4,275	41	4,316
Available-for-sale financial assets revaluation in equity		–	–	2,097	–	–	–	–	–	2,097	–	2,097
Available-for-sale financial asset realised revaluation in income statement		–	–	(571)	–	–	–	–	–	(571)	–	(571)
Available-for-sale impairment losses		–	–	338	–	–	–	–	–	338	–	338
Currency translation differences		–	–	–	–	(36)	–	–	–	(36)	–	(36)
Changes in cash flow hedge reserve		–	–	–	–	–	39	–	–	39	14	53
Other comprehensive income from discontinued operations		–	–	(23)	–	22	–	–	–	(1)	–	(1)
Tax on items of other compehensive income		–	–	(260)	–	–	(7)	–	–	(267)	(2)	(269)
Total comprehensive income		**–**	**–**	**1,581**	**–**	**(14)**	**32**	**–**	**4,275**	**5,874**	**53**	**5,927**
Changes in ownership interests in subsidiaries that do not result in a change of control	F.9.2.	–	–	–	–	–	(3)	–	(14)	(17)	658	641
Allocation to reserve for share-based payments		–	–	–	–	–	–	–	9	9	–	9
Dividends to shareholders	F.9.1.	–	–	–	–	–	–	–	(3,272)	(3,272)	(14)	(3,286)
Change in equalisation reserve		–	–	–	–	–	–	(512)	512	–	–	–
Balance as at 31 December 2015	F.9.	**4,000**	**206**	**13,095**	**1,139**	**25**	**(49)**	**37**	**14,897**	**33,350**	**1,354**	**34,704**

[1] Equalisation reserve is required under local insurance legislation and is classified as a separate part of equity within these accounts as it does not meet the definition of a liability under IFRS. It is not available for distribution. Change in equalisation reserve is captured as a transfer between distributable retained earnings and non-distributable equalisation reserve fund in equity. The decrease of equalization reserve in 2015 is connected with calculation method prescribed by legislation. Maximum balance of the reserve is based on credit insurance premium within five year period. The last year with very significant amount of this premium was the year 2009.

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Consolidated Statement of Cash Flows (indirect method)

For the year ended 31 December

(CZK million)	Note	2015	2014
Cash flow from operating activities			
Earnings before taxes from continuing operations		**6,370**	**4,961**
Earnings before taxes from discontinued operations		**(1,187)**	**(411)**
Earnings before taxes including loss from discontinued operations		**5,183**	**4,550**
Adjustments for:			
Depreciation and amortisation	F.23., F.25.	382	481
Amortisation of PVFP and impairment losses on goodwill and PVFP	F.25.	16	13
Impairment and reversal of impairment of current and non-current assets	F.19., F.23., F.25.	315	184
Profit/Loss on disposal of PPE, intangible assets and investment property	F.20., F.25.	(1)	(58)
Gain / loss from revaluation of financial securities, investment property and financial liabilities at FVTPL	F.3., F.17., F.19., F.23., F.25.	32	2,173
Gains/losses on disposal of subsidiaries, associates and joint ventures	F.18.	(681)	(22)
Interest expense	F.23.	1,205	1,531
Interest income	F.19.	(3,795)	(4,090)
Dividend income	F.18., F.19.	(215)	(709)
Net Interest income from financial instruments at FVTPL	F.17.	292	230
Income/expenses not involving movements of cash		(1,317)	(1,819)
Share based payments reserve		9	1
Change in loans and receivables		(401)	(1,778)
Change in receivables		2,068	(136)
Change in reinsurance assets		140	313
Change in other assets, prepayments and accrued income		83	(422)
Change in payables		(2,598)	(131)
Change in financial liabilities for investment contract with DPF		6,872	6,803
Change in financial liabilities at FVTPL		–	(550)
Change in liabilities to banks		–	(215)
Change in insurance liabilities		(9,104)	(6,100)
Change in other liabilities, accruals and deferred income		267	106
Change in other provisions		(191)	(160)
Interest received		2,021	2,649
Dividends received		210	709
Purchase of financial assets at FVTPL		(1,664)	(1,268)
Purchase of financial assets available-for-sale		(27,745)	(32,552)
Proceeds from financial assets at FVTPL		6,911	5,644
Proceeds from financial assets available-for-sale		25,443	28,508
Cash flows arising from taxes on income		(1,198)	(826)
Net cash flow from operating activities		**2,539**	**3,059**

(CZK million)	Note	2015	2014
Cash flow from investing activities			
Purchase of tangible assets and intangible assets		(323)	(125)
Purchase of investment property		(949)	(30)
Net cashflow from acquisition of subsidiaries, associates and joint ventures, net of cash acquired	B.1.	45	(1,105)
Provided loans		–	(1,074)
Proceeds from disposals of tangible and intangible assets		15	233
Proceeds from disposal and other proceeds from subsidiaries, associates and joint ventures, net of cash disposed		750	–
Net cash flow from investing activities		**(462)**	**(2,101)**
Cash flow from financing activities			
Proceeds from capital increases by non-controllling interests		671	174
Repayment of capital to non-controlling interests		(44)	–
Drawing of loans		898	–
Repayment of loans		(1,170)	(3)
Interest paid		(67)	(10)
Dividend received		5	–
Dividends paid to shareholders		(3,272)	(3,344)
Net cash flow from financing activities		**(2,979)**	**(3,183)**
Net increase (decrease) in cash and cash equivalents		**(902)**	**(2,225)**
Cash and cash equivalents as at 1 January	F.7.	**5,050**	**7,272**
Effect of exchange rate changes on cash and cash equivalents		(5)	3
Cash and cash equivalents as at 31 December	F.7.	**4,143**	**5,050**

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Notes to the Consolidated Financial Statements

A. General information

A.1. Description of the Group

Česká pojišťovna a.s. ("Česká pojišťovna" or "ČP" or "the Parent Company" or the "Company") is a composite insurer offering a wide range of life and non-life insurance products and is domiciled in the Czech Republic. The Parent Company was incorporated on 1 May 1992, as a joint stock company and is the successor to the former state-owned insurance company Česká státní pojišťovna.

In 2012 the Parent Company established a branch in Poland. The branch was registered into the Polish Commercial Register on 23 August 2012. Activities of the branch were identical to those of the founder and are subject to supervision of the Czech National Bank.

As part of Generali CEE ("GCEE") Group strategy aimed at simplification of governance structure and geographic and market priorities, supported by other regulatory topics such as an introduction of the Solvency II, the GCEE Group bodies decided to domesticate the Polish branch´s operations (operated under Proama brand) and to transfer the insurance portfolio and all related business activities of the branch into Poland. Owing to regulatory, operational, financial and capital management reasons, the sale was completed as at 31 December 2015 to other GCEE entity operating in Poland – Generali Towarzystwo Ubezpieczeń S.A. The branch is expected to close in 2016.

The consolidated financial statements of the Parent Company for the year ended 31 December 2015 ("the financial statements") comprise the Parent Company and its subsidiaries (together referred to as "the Group").

See Section B of these financial statements for a listing of significant Group entities and changes to the Group in 2014 and 2015.

Structure of Shareholders

The Parent Company's sole shareholder is CZI Holdings N.V., registered office Diemerhof 32, 1112XN, Diemen, the Netherlands; registered on 6 December 2006, identification number 34245976.

CZI Holdings is an integral part of Generali CEE Holding B.V. (GCEE) a company owned by Assicurazioni Generali S.p.A. ("Generali"), which is the ultimate parent company of the Company. The financial statements of Generali Group are publicly available on www.generali.com.

Registered Office of Česká pojišťovna

Spálená 75/16
113 04 Prague 1
Czech Republic
ID number: 45 27 29 56

The Board of Directors authorised the financial statements for issue on 22 April 2016.

A.2. Statutory bodies

Board of Directors as at the end of the reporting period:

Chairman:	Marek Jankovič, Bratislava
Vice Chairman:	Petr Bohumský, Prague
Member:	Tomáš Vysoudil, Říčany
Member:	Marie Kovářová, Prague
Member:	Karel Bláha, Prague

During the year 2015 there were the following changes in the Board of Directors:
On 7 July 2015 Marek Jankovič became the chairman of the Board of Directors. He replaced Luciano Cirinà who then resigned from his post in the Board of Directors.

Jiří Fialka and Štefan Tillinger resigned from their posts as at 1 June 2015 and at the same date Karel Bláha became the member of the Board of Directors. Tomáš Vysoudil became the new member of the Board of Directors on 1 July 2015.

At least two members of the Board of Directors must act together in the name of the Company in relation to third parties, courts and other bodies. When signing on behalf of the Company, the signatures and positions of at least two members of the Board of Directors must be appended to the designated business name of the Company.

Supervisory Board as at the end of the reporting period

Chairman:	Luciano Cirinà, Prague
Member:	Martin Sturzlbaum, Vienna
Member:	Gianluca Colocci, Trieste
Member:	Gregor Pilgram, Prague

On 7 July 2015 Luciano Cirinà became the chairman of the Supervisory Board. He replaced in this post Martin Sturzlbaum who remained the member of the Supervisory Board.

A.3. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The management has reviewed those standards and interpretations adopted by the EU as at the date of issuance of the financial statements but which were not effective as at that date. An assessment of the expected impact of these standards and interpretations on the Group is shown in C.7.2.

A.4. Basis of preparation

Local accounting legislation requires that the Group prepares these consolidated financial statements in accordance with IFRS (as adopted by EU). The Parent Company also prepares separate financial statements for the same period in accordance with IFRS as adopted by the EU.

The consolidated financial statements are presented in Czech koruna ("CZK") which is the Parent Company's functional currency.

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss, financial instruments classified as available-for-sale and investment properties.

The preparation of the financial statements in accordance with IFRS requires that management make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in both the period of the revision and future periods if the revision affects both the current and future periods.

B. General criteria for drawing up the consolidated financial statements

B.1. Group entities

The consolidated financial statements are made up of those of the Parent Company and of its directly or indirectly controlled subsidiaries. All companies satisfying the requisites of control as required by IFRS standards are included in the consolidation.

IFRS 10 defines control describing three conditions which have to be met for considering an entity as controlled:
(a) power over the investee
(b) exposure, or right to variable returns
(c) the ability to affect those returns through power over the investee.

The Group consolidates all material subsidiaries, immaterial subsidiaries are summarised in table F.3.2. The Group structure and the changes as compared to the previous year are presented below.

For the year ended 31 December 2015 Company	Country	Proportion of ownership interest	Proportion of voting rights
City Empiria, a.s.	Czech Republic	70.1	70.1
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	100.0	100.0
Generali Real Estate Fund CEE a.s. (former ČP INVEST Realitní Uzavřený Investiční Fond, a.s.)	Czech Republic	70.1	70.1
Generali Services CEE a.s. (former Generali PPF Services, a.s.)	Czech Republic	80.0	80.0
PALAC KRIZIK a.s.	Czech Republic	85,0	85,0
Pařížská 26, s.r.o.	Czech Republic	100.0	100.0
Penzijní společnost České pojišťovny, a.s. including Transformovaný fond	Czech Republic	100.0	100.0
REFICOR s.r.o.	Czech Republic	80.4	80.4
Solitaire Real Estate a.s.	Czech Republic	70.1	70.1
IDEE s.r.o.*	Czech Republic	70.1	70.1
Generali Invest CEE Fond ropy a energetiky	Ireland	47.9	47.9
Generali Invest CEE Fond nových ekonomik	Ireland	45.5	45.5
Generali Invest CEE Komoditní fond	Ireland	53.3	53.3
Generali Invest CEE Východoevropský akciový fond	Ireland	70.1	70.1
Generali Invest CEE Východoevropský dluhopisový fond	Ireland	77.5	77.5
CP Strategic Investment N.V.	Netherlands	100.0	100.0
Generali SAF de Pensii Private S.A.	Romania	99.9	99.9
PL Investment Jerozolimskie I SP. Z o.o. (Microsoft)*	Poland	70.1	70.1
PL Investment Jerozolimskie II SP. Z o.o. (Philips)*	Poland	70.1	70.1
Apollo Business Center IV a. s.	Slovakia	100.0	100.0

* Entity acquired in 2015

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For the year ended 31 December 2014 Company	Country	Proportion of ownership interest	Proportion of voting rights
1. Fond kvalifikovaných investorů GPH	Czech Republic	83.4	83.4
City Empiria, a.s.	Czech Republic	76.3	76.3
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	100.0	100.0
Direct Care s.r.o. (former ČP DIRECT, a.s.)	Czech Republic	100.0	100.0
ČP INVEST investiční společnost, a.s.	Czech Republic	100.0	100.0
Generali Real Estate Fund CEE a.s. (former ČP INVEST Realitní Uzavřený Investiční Fond, a.s.)	Czech Republic	76.3	76.3
Generali Services CEE a.s. (former Generali PPF Services, a.s.)	Czech Republic	80.0	80.0
PALAC KRIZIK a.s.*	Czech Republic	88.2	88.2
Pankrác Services s.r.o.	Czech Republic	100.0	100.0
Pařížská 26, s.r.o.	Czech Republic	100.0	100.0
Penzijní společnost České pojišťovny, a.s. including Transformovaný fond	Czech Republic	100.0	100.0
Solitaire Real Estate a.s.	Czech Republic	76.3	76.3
Univerzální správa majetku, a.s.	Czech Republic	100.0	100.0
Generali Invest CEE Konzervativní fond	Ireland	33.3	33.3
Generali Invest CEE Fond globálních značek	Ireland	56.0	56.0
Generali Invest CEE Fond ropy a energetiky	Ireland	42.0	42.0
Generali Invest CEE Fond nových ekonomik	Ireland	46.6	46.6
Generali Invest CEE Komoditní fond	Ireland	65.5	65.5
Generali Invest CEE Východoevropský akciový fond	Ireland	79.7	79.7
Generali Invest CEE Východoevropský dluhopisový fond	Ireland	77.6	77.6
Generali Invest CEE Dynamický balancovaný fond	Ireland	40.2	40.2
Generali Invest CEE Balancovaný fond	Ireland	49.8	49.8
CP Strategic Investment N.V.	Netherlands	100.0	100.0
Generali SAF de Pensii Private S.A.	Romania	99.9	99.9
Apollo Business Center IV a. s.	Slovakia	100.0	100.0

* Entity acquired in 2014

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The tables below present the list of associates and participations in investment funds that are considered associates accounted for using the equity method for the purposes of the consolidated financial statements.

For the year ended 31 December 2015

Company	**Country**
Direct Care s.r.o.	Czech Republic
PFO ČPI – Fond živé planety	Czech Republic

For the year ended 31 December 2014

Company	**Country**
PFO ČPI – Fond nemovitostních akcií	Czech Republic
PFO ČPI – Fond živé planety	Czech Republic

Since the Group does not execute significant influence over the fund Fond nemovitostních akcií, the investment was reclassified to financial investments reported at fair value in 2015.

More detailed information about significant transactions with subsidiaries of the Group is provided below.

1. Restructuring of GCEE activities within the CEE region

With the aim to rationalise its operations and optimise structure within Central and Eastern Europe region, Generali CEE Holding B.V. performed the following transactions during 2015, which include also subsidiaries of the Group and have impact on Group consolidated financial statements.

1.1. Sale of ČP INVEST investiční společnost, a.s.

On 15 April 2015 the Group signed an agreement with its sole shareholder CZI Holdings N.V. to transfer 100% shares it held in ČP INVEST investiční společnost, a.s. The purchase price amounts to CZK 1 billion and, as a result of the sale, the Group realised a gain of CZK 686 million which is reported on the line "Net gains (losses) related to associates and disposal of subsidiaries" in the consolidated income statement.

1.2. Merger of Generali Care s.r.o., ČP DIRECT, a.s. and Univerzální správa majetku a.s.

On 30 April 2015 the representatives of Generali Care s.r.o. (a company of GCEE Group), ČP Direct, a.s. and Univerzální správa majetku a.s. signed a Merger project. The merger was approved by Česká pojišťovna a.s. and Generali Pojišťovna a.s., being the shareholders of the involved entities, on 29 June 2015. The successor company is Generali Care s.r.o., the other two companies were dissolved. Effective date of the merger is 1 January 2015. The share exchange was performed based on valuation of independent expert and the Group share in the surviving company is 28%.

On 11 August 2015, the successor company was renamed to Direct Care s.r.o.

The assets and liabilities related to companies previously consolidated by the Group were derecognised from the Group consolidated balance sheet and the investment in Generali Care s.r.o. was newly recognised and classified as an investment in associate accounted for using the equity method. The disposal of net assets resulted in a loss of CZK 5 million reported on the line "Net gains (losses) related to associates and disposal of subsidiaries".

1.3. Merger of REFICOR s.r.o., Pankrác services s.r.o. and Generali Servis s.r.o.

On 5 May 2015 the representatives of REFICOR s.r.o., Pankrác services s.r.o. and Generali Servis s.r.o. (a company of GCEE Group) signed a Merger project whereby the companies Pankrác services s.r.o. and Generali Servis s.r.o. merge into REFICOR s.r.o. The merger was approved by Česká pojišťovna a.s. and Generali Pojišťovna a.s., being the shareholders of the involved entities, on 29 June 2015. Effective date of the merger is 1 January 2015. The share exchange was performed based on valuation of independent expert and the Group share in the surviving company is 80.4%.

The merger has not had any significant impact on the Group financial statements. Total assets of CZK 11 million were newly recognised in the Group balance sheet, of which CZK 9 million is attributable to cash and cash equivalents.

1.4. Merger of Nadace GCP and Nadace pojišťovny Generali

In the first half of 2015, Nadace pojišťovny Generali merged into Nadace GCP (former Nadace České pojišťovny being renamed in February 2015). The merger was approved by founders of both of the foundations on 29 June 2015 with effective date of the merger on 1 January 2015.

2. Foreign operations – disposal of Polish portfolio

As part of Generali CEE Group strategy aimed at simplification of governance structure and geographic and market priorities, supported by other regulatory topics such as introduction of Solvency II, the GCEE Group bodies decided to domesticate the Polish operations currently operated under Proama brand and to transfer the insurance portfolio and all related business activities into Poland. From regulatory, operational, financial and capital management reasons, the portfolio wastransferred to another GCEE entity operating in Poland – Generali Towarzystwo Ubezpieczeń S.A.

The decision to transfer the operations of the branch in Poland, through the sale of the part of the company, is one of the steps leading to the fulfilment of the GCEE Group strategy.

In order to be clearly distinguished from continuing activities of the Group, the impact of discontinued operations is presented separately in the consolidated income statement. Also, the comparative period has been re-presented for the effect of discontinued operations. The net result of discontinued operations is disclosed on the line "Loss from discontinued operations after tax".

All the regulatory approvals were received in the second half of 2015 and the sale was completed in December 2015.

Further analysis of assets disposed of and contribution of discontinued operations to revenue and expenses are disclosed in Note F.8.

3. Capital increase of ČP INVEST Realitní Uzavřený Investiční Fond, a.s.

On 25 March 2015, the General Meeting of shareholders of ČP INVEST Realitní uzavřený investiční fond a.s. resolved to increase the share capital from CZK 152 million to CZK 264 million. 112 new shares were issued in the nominal amount of CZK 1 million each, the subscription price of 1 share was CZK 15.6 million. Česká pojišťovna a.s. subscribed for 69 newly issued shares of the fund in total subscription price of CZK 1,076 million.

As a result of the transaction, the direct Group participation interest in the fund decreased from 76.3% to 70.1%. Consequently, the indirect interest in the subsidiaries owned by the fund decreased in the same proportion. See Note F.9.2 for further details.

In July 2015, the fund was renamed to Generali Real Estate Fund CEE a.s.

4. Acquisition of IDEE s.r.o.

On 30 January 2015 the Group signed a binding agreement regarding purchase of the company IDEE s.r.o. a real estate entity owning mixed-use property located in the centre of Prague, Jungmannovo náměstí. The transaction was finalised on 30 April 2015 when the 100% ownership was transferred to the Group in exchange for total consideration of EUR 13.3 million (CZK 370 million). In addition, the Group paid EUR 1 million (CZK 28 million) to the seller in January 2016 after meeting conditions defined in the purchase agreement. The amount was recognized in liabilities of the Group as a contingent consideration as of 31 December 2015.

The transaction is regarded as an acquisition of a group of assets, as the transferred set of activities and assets does not meet the definition of IFRS 3 for a business.

5. Acquisition of real estate assets in Warsaw (PL)

In December 2015, the Group completed a transaction whereby it acquired an office building in Warsaw with approximately 9,380 sqm of gross leasable area. The building is situated to the Wlochy district, an established secondary office location facing Jerozolimskie avenue. The acquisition of the asset goes along with the Group strategy to extend its investment portfolio and to target on prime locations in Central Europe. The purchase price amounts to EUR 20.9 million (CZK 564 million) net of VAT.

B.2. Consolidation methods and accounting for associates

Investment in subsidiaries are consolidated line by line.

Translation from functional to presentation currency

The items in the statement of financial position in functional currencies different from the presentation currency of the Group were translated into Czech koruna (CZK) based on the exchange rates as at the end of the year.

The income statement items were instead translated based on the average exchange rates of the year. They reasonably approximate the exchange rates as at the dates of the transactions.

The exchange rate differences arising from the translation were accounted for in other comprehensive income in an appropriate reserve and are recognised in the income statement only at the time of the disposal of the investments.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

The exchange rates used for the translation of the main foreign currencies of the Group into Czech koruna ("CZK") are the ones published by the Czech National Bank.

B.2.1. Consolidation procedures

The subsidiaries where the requisites of control are applicable are consolidated.

The new standard IFRS 10 introduces a new single control model for all entities. Under the new guidance control is the sole basis for consolidation. The structure of the investee is not relevant. An investor is required to consolidate an investee if it has all of the following:
- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power to affect the amount of the investor's returns.

The consolidation of a subsidiary ceases commencing from the date when the Parent Company loses control.

If the Group loses control over a subsidiary, it:
- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In preparing the consolidated financial statements:
- the financial statements of the Group and its subsidiaries are consolidated. The financial year-end date of each subsidiary is identical with the one of the Group, 31 December of each financial year;
- the carrying amount of the Group's investment in each subsidiary and the Group's portion of equity of each subsidiary are eliminated as at the date of acquisition;
- non-controlling shareholder's interests are shown as separate items of equity; and
- intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised as expenses in the period in which they are incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Changes to contingent consideration classified as a liability as at the acquisition date are recognised in the income statement.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. For acquisitions meeting the definition of a business, the purchase method of accounting is used.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values as at the date of acquisition. Such transactions or events do not give rise to goodwill.

Transactions with non-controlling interests

The Group is treating the transactions with non-controlling interests as equity transactions not affecting profit or loss. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interests are shown in the consolidated balance sheet as a separate component of equity, which is distinct from the Group's shareholders' equity. The net income attributable to non-controlling interests is separately disclosed on the face of the consolidated income statement and statement of comprehensive income.

Reorganisations and mergers involving companies under common control are accounted for using consolidated net book values, consequently no adjustments are made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

B.2.2 Using the equity method for associates

IAS 28 defines an associate as an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. If an investor holds, directly or indirectly through subsidiaries, 20% or more of the voting power of the investee, it is presumed that the investor has significant influence.

Under the equity method, the investment in an associate is initially recognised at cost (including goodwill) and the carrying amount is increased or reduced to recognise the change in the investor's share of the equity of the investee after the date of acquisition. The Group's share of the profit or loss of the investee, net of dividends, is recognised in its income statement.

Unrealised gains on transaction between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary in order to ensure consistency with the policies adopted by the Group.

B.2.3. Consolidation of investment funds

The Group manages open-ended investment funds through the management companies ČP Invest and Generali Invest CEE Plc. The Group invests the assets related to unit-linked products in these investment funds as well as its own direct investments.

For each fund, the Group considers if the power over that investment fund exists and if the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Based on the assessment, the control over the investment fund exists and the fund is consolidated in case that the direct interests held by the Group in the investment fund are more than 40%. Unit-linked products where the financial risk related to the investment is borne by the policyholders should not be taken into consideration since the exposure to variable returns and ability to affect those returns through power over the investee is only limited or do not exist.

The non-controlling interests in open investment funds are reported within financial liabilities, because of their puttable nature. The non-controlling interests in the funds where the puttable nature is limited or does not exist are shown in the consolidated balance sheet as a separate component of equity, which is distinct from the Group's shareholders' equity.

The Funds where the Group‘s control does not exist but the direct share interests add up to significant influence are considered associates and are reported within the financial investments using the equity method (see note B.1).

C. Significant accounting policies and assumptions

C.1. Significant accounting policies

The accounting standards adopted in preparing the consolidated financial statements, and the contents of the items in the financial statements, are presented in this section.

C.1.1. Intangible assets

In accordance with IAS 38, an intangible asset is recognised if, and only if, it is identifiable and controlled by the Group, it is probable that the expected future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

This category includes goodwill and other intangible assets, such as software and purchased insurance portfolio.

The Group owns no software with indefinite useful life.

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

C.1.1.1. Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

After initial recognition, goodwill is measured at cost less any impairment losses and it is not amortised. Goodwill is tested at least annually in order to identify any impairment losses.

The purpose of the impairment test of goodwill is to identify the existence of any impairment losses on the carrying amount presented as an intangible asset. In this context, cash-generating units to which the goodwill is allocated are identified and tested for impairment. The impairment loss is equal to the difference, if negative, between the recoverable amount and carrying amount. The former is the higher of the fair value less costs of disposal of the cash-generating unit and its value in use, i.e. the present value of the future cash flows expected to be derived from the cash-generating units.

The fair value of the cash-generating unit is determined on the basis of current market quotations or commonly used valuation techniques. The value in use is based on the present value of future cash inflows and outflows, considering projections on budgets/forecasts approved by management and covering a maximum period of five years. Should any previous impairment losses allocated to goodwill no longer exist, they cannot be reversed.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

C.1.1.2. Present value of future profits

On acquisition of a portfolio of long-term insurance contracts or investment contracts, either directly, or through the acquisition of an enterprise, the net present value of the expected after-tax cash flows of the portfolio acquired is capitalised as an asset. This asset, which is referred to as the Present Value of Future Profits ("PVFP"), is calculated on the basis of an actuarial computation taking into account assumptions for future premium income, contributions, mortality, morbidity, lapses and investment returns.

The PVFP is amortised over the effective life of the contracts acquired, by using an amortisation pattern reflecting the expected future profit recognition. Assumptions used in the development of the PVFP amortisation pattern are consistent with the ones applied in its initial measurement. The amortisation pattern is reviewed on a yearly basis to assess its reliability and to verify its consistency with the assumptions used in the valuation of the corresponding insurance provisions.

For the life portfolio, the recoverable amount of the in-force business acquired is determined annually through the liability adequacy test (LAT) of the insurance provisions — mentioned in note C.3.3.1 — taking into account, if any, the deferred acquisition costs recognised in the statement of financial position. If any, the impairment losses are recognised in the income statement.

C.1.1.3. Other intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised on a straight-line basis over an average period of 3 – 5 years. The amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material additional investment is made to an asset during the year, its useful life and residual value are reassessed at the time the cost of the investment is added to the carrying amount of the asset.

C.1.2. Investment property

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both. A property owned by the Group is treated as an investment property if it is not occupied by the Group or if only an insignificant portion of the property is occupied by the Group.

Property that is being constructed or developed for future use as an investment property is classified as investment property.

Subsequent to initial recognition, all investment properties are measured at fair value. Fair value is determined annually. The best evidence of fair value is current market prices in an active market. If unavailable, an alternative valuation technique is used. Valuation is based on reliable estimates of future cash flows, discounted at rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows, and supported by evidence of current prices or rents for similar properties in the same location and condition.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the term of the lease. Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising as at the date of transfer between the carrying amount of the item and its fair value, and related deferred tax thereon, is recognised directly in other comprehensive income if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

Subsequent expenditures relating to investment properties are capitalised if they extend the useful life of the asset, otherwise they are recognised as an expense.

C.1.3. Property and equipment

Property and equipment are measured at the purchase price or production cost, less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis using the following rates:

Item	Depreciation rate (%)
Buildings	2.00–10.00
Other tangible assets and equipment	5.88–33.33

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The leasehold improvements (technical appreciation) performed on leased asset is depreciated over the rental period.

Component parts of an asset that have different useful lives or provide benefits in a different pattern are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material additional investment is made to an asset during the year, its useful life and residual value are reassessed at the time the cost of the investment is added to the carrying amount of the asset.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property and equipment acquired by way of finance leasing are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated deprecation and impairment losses.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in the Other income.

C.1.4. Financial assets

Financial assets include financial assets at fair value through profit or loss, financial assets available-for-sale, financial assets held-to-maturity, loans and receivables, cash and cash equivalents.

Financial assets are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For standard purchases and sales of financial assets, the Group's policy is to recognise them using settlement-date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as would be accounted for subsequent measurement. Financial instruments are measured initially at fair value plus, with the exception of financial instruments at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

Subsequent measurement is described in notes C.1.4.1 to C.1.4.4.

A financial asset is derecognised when the Group transfers the risk and rewards of ownership of the financial assets or loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or surrendered.

C.1.4.1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than classified at fair value through profit or loss or classified as available-for-sale.

After initial recognition loans and receivables are measured at amortised cost using the effective interest rate method, less provision for impairment.

C.1.4.2. Financial assets held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Group has the positive intent and ability to hold to maturity.

Financial assets held-to-maturity are measured at amortised cost using an effective interest rate method less any impairment losses. The amortisation of premiums and discounts is recorded as interest income or expense.

The fair value of an individual security within the held-to-maturity portfolio may temporarily fall below its carrying value, but, provided there is no risk resulting from significant financial difficulties of the debtor, the security is not considered to be impaired.

C.1.4.3. Financial assets available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss.

After initial recognition, the Group measures financial assets available-for-sale at their fair values, without any deduction for transaction costs that it may incur upon sale or other disposal, with the exception of AFS equity securities that do not have a quoted market price on an active market and whose fair value cannot be reliably measured which are stated at cost, including transaction costs, less impairment losses.

Any revaluation gain or loss on a financial asset available-for-sale is recognised in other comprehensive income with the exception of impairment losses (see note C.1.30.2) and, in the case of monetary items such as debt securities, foreign exchange gains and losses.

When available-for-sale assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. Where these instruments are interest-bearing, interest calculated using the effective interest rate method is recognised in the income statement. Dividend income is recognised in the income statement as other investment income – see note C.1.22.

C.1.4.4. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading and non-trading financial assets which are designated upon initial recognition as at fair value through profit or loss.

Financial assets held-for-trading are acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in the price or dealer's margin. Financial assets are classified as held-for-trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held-for-trading include investments and certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at fair value through profit or loss.

If a financial asset is no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), the financial assets can only be reclassified out of the fair value through profit or loss category in rare circumstances.

The Group designates non-trading financial assets according to its investment strategy as financial assets at fair value through profit or loss, if there is an active market and the fair value can be reliably measured.

The fair value option is only applied in any one of the following situations:
- It results in more relevant information, because it significantly reduces a measurement or recognition inconsistency ("accounting mismatch") of securities covering unit-linked policies;
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, with information being provided to key management personnel on this basis;
- When a contract contains one or more substantive embedded derivatives, unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or it is clear that separation of embedded derivatives is prohibited.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at their fair values (see note C.1.30.7). Gains and losses arising from changes in the fair values are recognised in the income statement.

Swaps

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. Swaps most commonly used by the Group are interest rate and cross-currency interest rate swaps. Under interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency interest rate swaps require an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit risk arising from default of the respective counter parties.

Market risk arises from potentially unfavourable movements in interest rates relative to the contractual rates of the contract, or from movements in foreign exchange rates. Credit default swaps are also used by the Group. Under the credit default swap agreement, a credit risk is transferred from a protection buyer to a protection seller.

Futures and forwards

Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counter party and exposure to market risk based on changes in market prices relative to the contracted amounts.

A futures contract is a standardised contract, traded on a futures exchange, to buy or sell a standardised quantity of a specified commodity of standardised quality at a certain date in the future, at a price determined by the instantaneous equilibrium between the forces of supply and demand among competing buy and sell orders on the exchange at the time of the purchase or sale of the contract. Futures contracts bear considerably lower credit risk than forwards and, as forwards, result in exposure to market risk based on changes in market prices relative to the contracted amounts.

Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right (but not the obligation) to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Group enters into interest rate options, foreign exchange options, equity and index options and credit failure options (swaps). Interest rate options, including caps and floors, may be used as hedges against a rise or fall in interest rates. They provide protection against changes in the interest rates of floating rate instruments above or below a specified level. Foreign currency options may also be used (commensurate with the type of option) to hedge against rising or falling currency rates.

The Group as a buyer of over-the-counter options is subject to market risk and credit risk since the counter party is obliged to make payments under the terms of the contract if the Group exercises the option. As the writer of over-the-counter options, the Group is subject to the market risk, as it is obliged to make payments if the option is exercised by the counterparty or credit risk from a premium due from a counterparty.

C.1.5. Reinsurance assets

Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions.

Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Group records an allowance for estimated irrecoverable reinsurance assets, if any.

C.1.6. Receivables

This item includes receivables arising out of direct insurance and reinsurance operations, and other receivables.

C.1.6.1. Insurance receivables

Receivables on premiums written in the course of collection and receivables from intermediates, co-insurers and reinsurers are included in this item. They are initially recognised at fair value and then at their presumed recoverable amounts if lower.

C.1.6.2. Other receivables

Other receivables include all other receivables not of an insurance or tax nature. They are recognised initially at fair value and subsequently measured at amortised cost reflecting their presumed recoverable amounts.

Cash flow hedge

For some of the expected foreign currency receivables, the cash flow hedge by foreign currency loan is being applied in the Group to minimise its exposure to changes in the cash flows denominated in foreign currencies.

The effective portion of the gains and losses on the hedging instrument is recognised in other comprehensive income and is recognised in the income statement only in periods during which the hedged forecasted transaction affects profit or loss.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement and reported within lines “Other income” or “Other expenses”.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis of the hedging effectiveness.

C.1.7. Cash and cash equivalents

Cash consists of cash on hand, demand deposits with banks and other financial institutions and term deposit due within 15 days. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C.1.8. Lease transactions

Property and equipment holdings used by the Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, are not recorded on the Group’s statement of financial position. Payments made under operating leases to the lessor are charged to the income statement on a straight-line basis over the lease term.

C.1.9. Non-current assets held-for-sale and discontinued operations

The Group presents discontinued operations in a separate line in the consolidated income statement if an entity or a component of an entity has been disposed of or is classified as held-for-sale and:
(a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale (for example, certain private equity investments).

Net profit from discontinued operations includes the net total of operating profit or loss before tax from operations, including net gain or loss on sale before tax or remeasurement to fair value less costs of disposal and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group’s operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the consolidated income statement to present the component comparative in the same way.

Non-current assets classified as held-for-sale are measured at the lower of carrying amount and fair value less costs of disposal. These measurement provisions do not apply to deferred tax assets and liabilities (IAS 12), financial assets in the scope of IAS 39 and investment properties measured at fair value. Non-current assets are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets.

Management must be committed to the sale and must actively market the property for sale at a price that is reasonable in relation to the current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

C.1.10. Equity

C.1.10.1. Share capital issued

Ordinary shares are classified as equity. The share capital is the nominal amount approved by a shareholder's resolution.

C.1.10.2. Retained earnings and other reserves

This item comprises the following reserves:

Reserve fund

The creation and use of the reserve fund is limited by legislation. The statutory reserve fund is not available for distribution to the shareholders, but can be used to cover losses. The reserve comprises amounts of reserve funds of all entities in the Group.

Equalisation reserve fund

Equalisation reserve is required under local insurance legislation and are classified as separate parts of equity within these accounts as they do not meet the definition of a liability under IFRS. They are not available for distribution.

Retained earnings

The item includes retained earnings or losses adjusted for the effect due to changes arising from the first application of IFRS, reserves for share-based payments.

Unrealised gains and losses on available-for-sale financial assets

The item includes gains or losses arising from changes in the fair value of available-for-sale financial assets, as previously described in the corresponding item of financial investments. The amounts are presented net of the related deferred taxes and deferred policyholders' liabilities.

Cumulative currency translation differences

The item comprises the exchange differences recognised in other comprehensive income in accordance with IAS 21, which arise from translating the balances and transactions from functional to presentation currency.

Reserve for cash-flow hedges

This item includes the effective portion of gains or losses arising from changes in exchange rates and interest rates on the instruments used for cash-flow hedges. The amounts are presented net of the related deferred taxes.

Reserve for other unrealised gains and losses through equity

This item includes revaluation of land and buildings reclassified to investment properties.

Result of the period

This item refers to the Group's result for the period.

C.1.10.3. Dividends

Dividends are recognised as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

C.1.11. Insurance classification

C.1.11.1. Insurance contracts

In accordance with IFRS 4, policies of the life segment are classified as insurance contracts or investment contracts based on the significance of the underlying insurance risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

Premiums, payments and changes in the insurance provisions related to products whose insurance risk is considered significant (e.g. term insurance, whole life and endowment with annual premiums, life contingent annuities and contracts containing an option to elect at maturity a life contingent annuity at rates granted at inception, long-term health insurance and unit-linked with sum assured in case of death significantly higher than the value of the fund) are recognised in the income statement.

Classification requires the following steps:
- identification of the characteristics of products (option, discretionary participation feature, etc.) and services rendered;
- determination of the level of insurance risk in the contract; and
- determination of classification in accordance with IFRS 4.

C.1.11.2. Investment contracts with Discretionary participation feature (DPF)
A discretionary participation feature (DPF) represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that constitute a significant portion of the total contractual benefits, whose amount or timing is at the discretion of the Group and are based on the performance of pooled assets, profit or loss of the Group or investment returns.

As the amount of the bonus to be allocated to policyholders has been irrevocably fixed as at the end of the reporting period, the amount is presented as a guaranteed liability in the financial statements, i.e. within the life insurance provision in the case of insurance contracts or within the Guaranteed liability for investment contracts with DPF in the case of investment contracts.

Premiums, payments and change in the Guaranteed liability of investment contracts with discretionary participation feature (e.g. policies linked to segregated funds, contracts with additional benefits that are contractually based on the result of the company) are recognised in the income statement with the exception of investment contracts with DPF issued by Czech pension companies subsidiaries.

C.1.11.3. Investment contracts with DPF issued by Czech pension funds
Investment contracts with DPF issued by the Group relate primarily to pension insurance policies written by its Czech subsidiary Penzijní společnost České pojišťovny including the Transformed fund. Under these investment contracts, the policyholders are entitled to receive gains generated by the Transformed fund based on Czech GAAP decreased by asset management and performance fees.

The DPF for these contracts is represented by the possibility to give up the portion of fees under Czech GAAP and increase the profit to be distributed to the policyholders. This is subject to the decision of the Board of Directors.

These pension insurance contracts are classified as investment contracts with DPF but – in contrast to the general rule described in note C.1.11.2 – no premiums, payments and change in liabilities are recognized in the income statement. Such products are accounted for under the deposit accounting, which foresee that the financial liabilities are credited in the equal amount of the clients' cash received.

Such exemption is given since IFRS 4.35 gives the option – but not the obligation – to treat Investment contracts with DPF as insurance contracts, and also since the Group has taken the advantage of exemption available under IFRS 4.25(c) to continue using non-uniform accounting policies for insurance contracts (and investment contracts with DPF) of subsidiaries (see note C.2).

C.1.11.4. Investment contracts without DPF
Investment contracts without DPF mainly include unit/index-linked policies and pure capitalisation contracts. The Group did not classify any contracts as investment contracts without DPF in 2015 and 2014.

C.1.12. Insurance liabilities

C.1.12.1. Provision for unearned premiums
The provision for unearned premiums comprises that part of gross premiums written attributable to the following financial year or to subsequent financial years, computed separately for each insurance contract using the pro rata temporis method, adjusted to reflect any variation in the incidence of risk during the period covered by the contract. The provision for unearned premiums is created for both life insurance and non-life insurance.

C.1.12.2. Mathematical provision
The mathematical provision comprises the actuarially estimated value of the Group's liabilities under life insurance contracts. The amount of the mathematical provision is calculated by a prospective net premium valuation, taking account of all future liabilities as determined by the policy conditions for each existing contract and including all guaranteed benefits, bonuses already declared and proposed, expenses and after deducting the actuarial value of future premiums.

The mathematical provision is initially measured using the assumptions used for calculating the corresponding premiums and remain unchanged except where a liability inadequacy occurs. A liability adequacy test (LAT) is performed as at each end of the reporting period by the Group's actuaries using current estimates of future cash flows under its insurance contracts (see note C.3.3). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in the income statement with a corresponding increase to the other life insurance technical provision.

C.1.12.3. Claims provision
The provision for outstanding claims represents the total estimated ultimate cost of settling all claims arising from events which have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims, including the related internal and external claims settlement expenses as estimated based on historical experience and specific assumptions about future economic conditions.

The provision includes claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

Where benefits resulting from a claim are paid in the form of an annuity, the provision is calculated by recognised actuarial methods.

With the exception of annuities, the Group does not discount its provisions for outstanding claims.

Where applicable, provisions are disclosed net of the prudent estimates for salvage and subrogation recoveries.

The provision for outstanding claims in respect of life insurance policies is included within the life insurance provision.

Whilst the Board of Directors considers that the gross provision for claims and the related reinsurance recoveries are stated fairly, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

C.1.12.4. Other insurance liabilities
Other insurance liabilities contain all other insurance technical provisions that are not mentioned above, such as the provision for unexpired risks (also referred to as “premium deficiency” see also note C.3.3.3) in non-life insurance, the ageing provision in health insurance, provision for contractual non-discretionary bonuses in non-life business.

The provision for contractual non-discretionary bonuses in non-life business covers future benefits in the form of additional payments to policyholders or reduction in policyholder payments, which are a result of past performance. This provision is not recognised for those contracts, where future premium is reduced by bonuses resulting from favourable past policy claim experience and such bonuses being granted irrespective of whether the past claim experience was with the reporting entity. In such a situation, the reduction of the premium reflects the expected lower future claims, rather than distribution of past surpluses.

C.1.12.5. Liabilities for investment contracts with DPF
Financial liabilities for investment contracts with DPF represent liabilities for contracts which do not meet the definition of insurance contracts, because they do not lead to the transfer of significant insurance risk from the policyholder to the Group, but which contain DPF (as defined in note C.1.11.2).

Financial liabilities arising from investment contracts with DPF are accounted for in the same way as insurance contracts, with the exception of investment contracts with DPF issued Czech pension funds, are accounted for under the deposit accounting, which foresee that the financial liabilities are credited in the equal amount of the clients’ cash received (see note C.1.11.3)

C.1.12.6. DPF liability for insurance contracts
DPF liability represents a contractual liability to provide significant benefits in addition to the guaranteed benefits that are at the discretion of the issuer over the timing and amount of benefits and which are based on performance of defined contracts, investment returns or the profit or loss of the issuer.

C.1.13. Other provisions
A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

C.1.14. Bonds issued
Bonds issued are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost. Amortisation of discounts or premiums and interest are recognised in interest expense and similar charges using the effective interest rate method.

C.1.15. Financial liabilities to banks and non-banks
Financial liabilities to banks and non-banks are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost. Amortised cost of a financial liability is the amount at which the financial liability was measured upon initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

C.1.16. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are liabilities classified as held-for-trading, which include primarily derivative liabilities, that are not hedging instruments. Related transaction costs are immediately expensed. Financial liabilities at fair value through profit or loss are measured at fair value and the relevant gains and losses from this revaluation are included in the income statement. Financial liabilities are removed from the Statement of Financial Position when, and only when, they are extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expires.

C.1.17. Payables

Accounts payable are when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which will normally equal their nominal or repayment value.

C.1.18. Net insurance premium revenue

Net insurance premium revenue includes gross earned premiums from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

The above amounts do not include the amounts of taxes or charges levied with premiums.

Written premiums are recognized by each subsidiary of the Group following the treatment prescribed by their respective local accounting standards, since under IFRS 4 it is possible to continue using local existing accounting standards for insurance contracts and investment contracts with DPF.

Premiums are recognised when an unrestricted legal entitlement is established. For contracts where premiums are payable in instalments, such premiums are recognised as written when the instalment becomes due.

Premiums are recognised as earned on a pro-rata basis over the term of the related policy coverage via the provision for unearned premiums. For those contracts for which the period of risk differs significantly from the contract period, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

For investment contracts without DPF and investment contracts with DPF issued by Czech transformed pension fund no premiums is recorded, and amounts collected from policyholders under these contracts are recorded as deposits balance of the provision for unearned premium as at the beginning of the year and the balance as at the year-end.

The change in the unearned premium provision is represented by the difference in the balance of the provision for unearned premium as at the beginning of the year and the balance as at the year-end.

C.1.19. Net insurance claims and benefits

Insurance technical charges include claims (benefit) expenses, the change in technical provisions and rebates and profit sharing.

Claims (benefits) expenses are represented by benefits and surrenders, net of reinsurance (life) and claims paid net of reinsurance (non-life). Benefits and claims comprise all payments made in respect of the financial year. These amounts include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs. Sums recovered on the basis of subrogation or salvage are deducted. Claims paid are recognised at the moment that the claim is approved for settlement.

The change in technical provisions represents change in provisions for claims reported by policyholders, change in provision for IBNR, change in mathematical and unit-linked provisions and change in other technical provisions.

Bonuses comprise all amounts chargeable for the financial year representing an allocation of surplus or profit arising from business as a whole or from a section of business, after the deduction of amounts provided in previous years which are no longer required. Rebates comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

C.1.20. Benefits from investment contracts with DPF (investment contract benefits)

Investment contract benefits represent changes in financial liabilities resulting from investment contracts with DPF (for definition see note C.1.12.5).

The change in financial liabilities from investment contracts with DPF involves guaranteed benefits credited, change in DPF liabilities from investment contracts with DPF and change in liability resulting from a liability adequacy test of investment contracts with DPF.

C.1.21. Interest and similar income and interest and similar expense

Interest income and interest expense are recognised in the income statement on an accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest method.

Interest on financial assets at fair value through profit or loss is reported as a part of Net income from financial instruments at fair value through profit or loss. Interest income and Interest expense on other assets or liabilities is reported as Interest and other investment income or as Interest expense in the income statement.

C.1.22. Other income and expense from financial assets

Other income and expenses from financial assets comprise realised and unrealised gains/losses, dividends, net trading income and impairment loss or reversals of impairment (see note C.1.30.2).

A realised gain/loss arises on derecognition of financial assets other than financial assets at fair value through profit or loss. The amount of the realised gain/loss represents the difference between the carrying value of a financial asset and the sales price adjusted for any cumulative gain or loss that had been recognised directly in the equity.

Net fair value gains on financial assets and liabilities at fair value through profit or loss not held-for-trading represent the amount of the subsequent measurement of financial assets and liabilities designated at fair value through profit or loss to their fair value or the gain/loss from disposal thereof.

Dividends from investments are recorded when declared and approved by the shareholder's meeting of the respective company.

Net trading income represents the subsequent measurement of the "Trading assets" and "Trading liabilities" to fair value or the gain/loss from disposal of the "Trading assets" or "Trading liabilities". The amount of the trading income to be recorded represents the difference between the latest carrying value and the fair value as at the date of the financial statements or the sale price.

C.1.23. Income and expense from investment property

Income and expense from investment property comprise realised gains/losses triggered by derecognition, unrealised gains/losses from subsequent measurement at fair value, rental income and other income and expense related to investment property.

C.1.24. Other income and other expense

The main part of other income arises from gains and losses on foreign currency and administration services relating to the Employer's liability insurance provided by the Group for the state. For this type of insurance, the Group bears no insurance risk; it only administrates the fee collection and claims settlement. The revenue is recognised in the period when services are provided and in the amount stated by law.

Operating lease payments are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total lease expense.

C.1.25. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts with DPF and include direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing proposals and issuing policies. Portion of acquisition costs is being deferred, such as agents' commissions and other variable underwriting and policy issue costs. General selling expenses and line-of-business costs as well as commissions for servicing a portfolio are not deferred unless they are related to the acquisition of new business.

In non-life insurance, a proportion of the related acquisition costs are deferred and amortised commensurate with the unearned premiums provision. The amount of any deferred acquisition costs is established on a similar basis as that used for unearned premiums for a relevant line of business (product). Deferred acquisition costs are reported as other assets in the statement of financial position.

The recoverable amount of deferred acquisition costs is assessed as at each end of the reporting period as part of the liability adequacy test.

Acquisition costs in respect of life insurance contracts and investment contracts with DPF (Discretionary Participation Feature) are charged directly to the income statement as incurred and are not deferred.

For the investment contracts with DPF the incremental acquisition costs directly attributable to the issue of a related financial liability carried at amortised cost are deducted from the fair value of the consideration received and included within the effective interest rate calculation.

C.1.26. Administration costs

Administration costs include costs relating to the administration of the Group. This includes personnel costs, office rental expenses and other operating expenses. Staff costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance. Other operating expenses include costs of premium collection, portfolio administration and the processing of inwards and outwards reinsurance.

C.1.27. Reinsurance commissions and profit participations

Reinsurance commissions and profit participations include commissions received or the receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

C.1.28. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is also recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted as at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences from the initial recognition of assets or liabilities outside of business combinations that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted as at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

C.1.29. Employee benefits

C.1.29.1. Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service. Short-term employee benefits include mainly wages and salaries, management remuneration and bonuses, remuneration for membership in Group boards and non-monetary benefits. The Group makes contributions to the government pension scheme at the statutory rates in force during the year, based on gross salary payments. The benefits are recognised in an undiscounted amount as an expense and as a liability (accrued expense).

C.1.29.2. Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service. The benefits are measured at present value of the defined obligation as at the balance sheet date using the projected unit credit method.

C.1.29.3. Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment. The Group makes contributions to the government health, accident and guarantee insurance and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. Throughout the year, the Group made contributions defined by relevant laws to such schemes. The cost of these Group-made contributions is charged to the income statement in the same period as the related salary cost as this is a defined contribution plan. There are no further obligations of the Group in respect of employees' post employment benefits.

C.1.29.4. Termination benefits

Termination benefits are employee benefits payable as a result of the Group's decision to terminate an employee's employment before the normal retirement date, or as a result of an employer's decision to provide benefits upon termination of employment as an offer made to employees in order to accept voluntary redundancy.

The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

C.1.30. Other accounting policies

C.1.30.1. Foreign currency translation

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. Functional currency is the currency of the primary economic environment in which entity operates. A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying the exchange rate effective as at the date of the transaction to the foreign currency amount.

Translation from functional to presentation currency

The items in the statement of financial position in functional currencies different from the presentation currency of the Company (the branch in Poland, Slovak and Romanian entities) were translated into Czech Crown (CZK) based on the exchange rates as at the end of the year.

The income statement items were instead translated based on the actual exchange rates as at the dates of the transactions.

The exchange rate differences arising from the translation are accounted for in other comprehensive income in an appropriate reserve and are recognised in the income statement only at the time of the disposal of the investments.

At each end of the reporting period:

- Foreign currency monetary items are translated using the closing foreign exchange rate; and
- Available-for-sale equity financial assets denominated in a foreign currency, which are carried at fair value, are translated using the foreign exchange rates ruling as at the dates the fair values were determined.

Exchange differences arising from the settlement of monetary items or from translation of the Group's monetary items at rates different from those at which they were initially recorded or reported in previous financial statements are recognised as Other income or as Other expenses in the period in which they arise (see note C.1.24). Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity unless fair value hedge accounting is applied.

Translation of balances and transactions from functional currencies to presentation currency is described in Note B.2.

C.1.30.2. Impairment

The carrying amounts of the Group's assets, other than investment property (see note C.1.2), deferred acquisition costs (C.1.25), inventories, goodwill (C.1.1.1) and deferred tax assets (C.1.28), are reviewed as at each end of the reporting period to determine whether there is any indication of impairment. This determination requires judgement. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is measured annually regardless of any indication of impairment for intangible assets not yet available for use.

An impairment loss is recognised to the extent that the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement; net impairment losses are the main part of other expense for financial instruments and other investments, net reversals of impairment are part of other income from financial instruments and other investment (C.1.24).

Individual impairment losses are losses that are specifically identified. Collective impairment losses are losses that are present in a portfolio of loans or receivables but not specifically identified.

Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 financial assets that can be reliably estimated.

Evidence of impairment includes, for example, significant financial difficulties of the issuer, default or delinquency in interest or principal payments, the probability that the borrower will enter bankruptcy or other financial reorganisation and the disappearance of an active market for the financial asset.

In all these cases, any impairment loss is recognised only after a careful analysis of the type of loss has established that the conditions exist to proceed with the corresponding recognition. The analysis includes considerations of the recoverable value of the investment, checks on the volatility of the stock versus the reference market or compared to competitors, and any other possible quality factor. The analytical level and detail of the analysis varies based on the significance of the latent losses of each investment.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is considered to be objective evidence of impairment. The Group considers prolonged decline to be 12 months. Significant decline is assessed to be for unrealised loss higher than 30 %. The recoverable amount of the Group's investments in held-to-maturity securities is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Loans and advances are reported net of allowances for loan losses to reflect the estimated recoverable amounts. Receivables are stated at their cost less impairment losses.

The recoverable amount of an available-for-sale asset is the current fair value. When there is objective evidence that it is impaired, the decline in fair value that had been recognised directly in other comprehensive income is reclassified to the income statement.

An impairment loss in respect of a held-to-maturity security, loan, advance or receivable, available-for-sale debt instrument is reversed through the income statement (up to the amount of the amortised cost) if the subsequent increase in recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of available-for-sale equity instruments is not reversed through the income statement and any subsequent increase in fair value is recognised in other comprehensive income.

Impairment of non-financial assets

The recoverable amount of other assets is the greater of their fair value less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and the increase can be objectively related to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The carrying amount of subsidiaries is tested for impairment annually. The Group observes if events or changes in subsidiaries business indicate that it might be impaired. The Group considers the decreasing equity of a subsidiary as a key indicator of potential impairment.

Goodwill impairment testing is disclosed in notes C.1.1.1 and F.1.1.

C.1.30.3. Segment reporting

A segment is a component of the Group that engages in business activities from which the Group may earn revenues and incur expenses and whose operating results are regularly reviewed by the chief operations decision maker of the Group to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available (business segment).

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

The reportable segments are strategic Group activities that offer different services. They are managed separately and have different marketing strategies.

C.1.30.4. REPO transactions

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised as loans to either banks or non-banks. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the Statement of Financial Position and are measured in accordance with the accounting policy for either financial assets held-for-trading or available-for-sale, as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or non-banks.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

C.1.30.5. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is an unconditional and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

C.1.30.6. Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The Group has no obligation to settle the share-based transaction, transaction will be settled by shares issued by Assicurazioni Generali S.p.A. (ultimate parent company).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised together with a corresponding increase in retained earnings in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in other expenses.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

C.1.30.7. Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

The fair value of financial instruments and other assets and liabilities is based on their quoted market price as at the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available or if the market for an asset or liability is not active, the fair value is estimated using pricing models or discounted cash-flow techniques.

Quoted instrument is an instrument that is negotiated on a regulated market or on a multilateral trading facility. To assess whether the market is active or not, the Group carefully determines whether the quoted price really reflects the fair value, i.e. in cases when the price has not changed for a long period or the Group has information about an important event but the price did not change accordingly, the market is not considered active.

Discounted cash flow techniques use estimated future cash flows, which are based on management's estimates, and the discount rate, which is constructed from risk-free rates adjusted by risk margin (credit spread). This is usually derived from an instrument with similar terms and conditions (ideally from the same issuer, similar maturity and seniority) which reflects the market price in the best way.

In general, in the case that pricing models are used, inputs are based on market-related measures as at the end of the reporting period which limits the subjectivity of the valuation performed by the Group, and the result of such a valuation best approximates the fair value of an instrument.

The fair value of derivatives that are not exchange-traded is as at the end of the reporting period estimated using appropriate pricing models as described in the previous paragraph taking into account current market conditions and the current creditworthiness of the counterparties. In the case of options, Black-Scholes models are applied. Also, for any other over-the-counter instruments (CDS, IRS, CCS, etc.), widely recognized models are applied and, again, the parameters of the valuation intend to reflect the market conditions.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs are used.

There were no changes in valuation techniques from previous period.

The fair value hierarchy (defined by IFRS 13) into three levels has been used. The fair value hierarchy categorises the inputs to valuation techniques used to measure fair value:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value assets or liabilities that are not traded in an active market (for example, over-the-counter derivatives or unquoted bonds) is determined by using valuation techniques. If all significant inputs required to fair value an instrument are observable on the market, the instrument is included in level 2. Specific valuation techniques used in valuation include mainly quoted market prices or over-the-counter offers for similar instruments, cash flow estimation and risk-free curves.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Level 3 contains assets and liabilities where market prices are unavailable and entity specific estimates are necessary.

Assets and liabilities are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 instruments also include those for which the determination of fair value requires significant expert judgment or estimation. A general description of the valuation techniques used for Level 3 assets and liabilities is provided below.
- Independent evaluation of third party – the adequacy of the price results from evaluations, reports or fairness opinions issued by independent third parties.
- Price based on the amount of shareholders' equity.
- Price which incorporates additional information about the value of an instrument (insufficient value of illiquid underlying assets in case of funds/hedge funds, not enough resources to finance junior tranches in case of structured products like CDO, default of an issuer,…).

The following table provide a description of the valuation techniques and the inputs used in the fair value measurement:

	Level 2	**Level 3**
Equities		The fair value is mainly determined using independent evaluation provided by third party or is based on the amount of shareholders' equity.
Investment funds		The fair value is mainly based on the information about value of underlying assets. Valuation of underlying assets requires significant expert judgment or estimation.
Bonds, Loans	Bonds are valued using discounted cash flow technique. It uses estimated future cash flows and the discount rate, which is constructed from risk-free rates adjusted by credit spread. The spread is usually derived from an instrument with similar terms and conditions (ideally from the same issuer, similar maturity and seniority) which reflects the market price in the best way.	Indicative price is provided by third party or significant expert judgment is incorporated in discounted cash flow technique used for Level 2.
Derivatives	Derivatives are valued using discounted cash flow technique. An estimated future cash flows and market observable inputs like the risk free rates and foreign exchange rates are used.	
Deposits, Reverse REPO operations, Deposits under reinsurance business	These instruments are valued using discounted cash flow technique. An estimated future cash flows and market observable inputs like the risk free rates and foreign exchange rates are used.	
Financial liabilities at amortised costs	The fair value of debt instruments issued by the Group are valued using discounted cash flow models based on the current marginal rates of funding of the Group for similar types of loans, with maturities consistent with the maturity of the debt instruments subject to valuation.	
Investment properties		The fair value is determined using independent valuation provided by third party and is based on the market value of the property. The independent valuator is adopting 2 valuation techniques: Income approach (Discounted cash flows) technique and Comparison method (comparing recent sales of similar properties in the surrounding or competing area to the subject property).

Table below describes unobservable inputs of Level 3 (mil CZK):

Description	Fair value as at 31 December 2015	Valuation technique(s)	Non-market observable input(s)	Range
Equities	4	Net asset value	n/a	n/a
Investment funds	26	expert judgment	value of underlying instruments	n/a
Bonds Government	1,533	discounted cash flow technique	Level of yield	140–340 bps
Bonds Corporate	893	discounted cash flow technique	Level of credit spread	590–1,100 bps
Investment property	8,381	External valuation expert	Similar transactions	2,643 – 7,320 CZK/sqm

Where possible, the Group tests the sensitivity of the fair values of Level 3 investments to changes in unobservable inputs to reasonable alternatives. Where possible valuations for Level 3 investments are sourced from independent third parties and, where appropriate, validated against internally-modelled valuations, third-party models or broker quotes.

Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations or where no third-party pricing source is available, the Group undertakes, where feasible, sensitivity analysis on the following basis:

- For third-party valuations validated against internally-modelled valuations using significant unobservable inputs, the sensitivity of the internally modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.
- For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple, IRR or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounts the security's contractual cash flows to equal the third-party valuation.

On the basis of the methodology outlined above and ranges specified in the table with unobservable inputs the Group is able to perform sensitivity analysis for 2.4 billion CZK of the Group's Level 3 investments. For these Level 3 investments, changing unobservable valuation inputs to a reasonable alternative would result in a change in fair value by ± 0.1 billion CZK.

The policy about the timing of recognising transfers, which is based on the date of the event or change in circumstances that caused the transfer, is the same for transfers into the levels as for transfers out of the levels.

C.1.30.8. Fair value hedge

The Group designates certain derivatives as hedges of the fair value of recognised assets. From 1 October 2008, the hedge accounting has been applied to derivatives hedging a currency risk on all non-derivative financial assets denominated in or exposed to foreign currencies (equities, bonds, investment funds, etc.). As of 1 July 2011 the hedge accounting has been applied also to derivatives hedging an interest rate exposure of interest-bearing financial assets.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or a portion of fair value, of the hedged assets that are attributable to the hedged risk.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedging transactions.

The Group also documents its assessment of the hedging effectiveness, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in the fair values of hedged items.

C.1.30.9. Cash flow hedge

The Group designates certain derivatives as hedges of the cash flow of future interest payments.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedging transactions.

The hedging instrument is remeasured at fair value attributable to the hedged interest rate risk as at the balance sheet date. The appropriate part of this revaluation attributable to the effective hedging is recognized through other comprehensive income in the revaluation reserve within the Group's equity.

The Group also documents its assessment of the hedging effectiveness, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in the fair values of hedged items.

If the change in fair value of the hedging instrument is larger than the change in fair value of the hedged item, then the equity accounts reflect only the change in fair value of the derivative in the amount of change in fair value of the hedged item. Identified hedge ineffectiveness is recognized in the income statement within line Net income / (losses) from financial instruments at fair value through profit and loss.

C.1.30.10. Embedded derivatives

Certain financial instruments include embedded derivatives, where economic characteristics and risks are not closely related to those of the host contract. The Group designates these instruments at fair value through profit or loss.

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract. No derivatives that are not closely related and are embedded in insurance contracts were identified.

C.2. Non uniform accouting policies of subsidiaries

The Group has taken the advantage of the exemption available under IFRS 4.25(c) to continue using non-uniform accounting policies for insurance contracts (and investment contracts with DPF) of its subsidiaries.

As a result, the amounts received from policyholders under investment contracts with DPF issued by Czech pension funds subsidiaries continue to be recognised as deposits, in contrast to the Group's accounting policy of recognising premium income under such contracts (see note C.1.11.3).

C.3. Principal assumptions

C.3.1. Life insurance liabilities

Actuarial assumptions and their sensitivities underlie the insurance calculation. The life insurance liability (mathematical provision) is calculated by a prospective net premium valuation (see note C.1.12.2) using the same statistical data and interest rates used to calculate premium rates (in accordance with relevant national legislation). The assumptions used are locked in at policy inception and remain in-force until expiry of the liability. The adequacy of insurance liabilities is tested with a liability adequacy test (see note C.3.3.).

The guaranteed technical rate of interest included in policies varies from 1.9% to 6% according to the actual technical rate used in determining the premium.

As a part of the life insurance provision, an additional provision is established in respect of bonuses payable under certain conditions, referred to as "special bonuses". This provision corresponds to the value of special bonuses calculated using the prospective method and using the same interest rate and mortality assumptions used to calculate the basic life insurance provision. No allowance is made for lapses.

C.3.2. Non-life insurance liabilities

As at the end of the reporting period, a provision is made for the expected ultimate cost of settling all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The liability for reported claims (RBNS) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Group's actuaries using statistical techniques such as chain ladder methods, whereby historical data is extrapolated in order to estimate ultimate claims costs.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:
a) economic, legal, political and social trends (resulting in different than expected levels of inflation);
b) changes in the mix of insurance contracts incepted;
c) random fluctuations, including the impact of large losses.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

The assumptions which have the greatest effect on the measurement of non-life insurance liabilities are as follows:

"Tail" factors

For long-tail business, the level of provision is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to ultimate settlement. These tail factors are estimated prudently using mathematical curves, which project observed development factors.

Annuities
In motor third party liability insurance (MTPL) and other third party liability lines, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments.

The key assumptions involved in the calculation are the discount rate, the expected increase in wages and disability pensions which influence the amount of annuities to be paid. The Group follows guidance issued by the Czech Insurers' Bureau and similar bodies in other countries in setting these assumptions.

Under current legislation, future increases in disability pensions are set by governmental decree and may be subject to social and political factors beyond the Group's control. The same applies to the real future development of annuity inflation (it is also dependent on governmental decrees).

Discounting
With the exception of annuities, non-life claims provisions are not discounted. For annuities, discounting is used as described in the table below.

	2015	2016–2025	from 2026
Discount rate	2% p.a.	2% p.a.	2% p.a.
Annuity inflation			
Wages inflation	2.5% p.a.	4.5% p.a.	4% p.a.
Pensions inflation	1.5% p.a.	1.5% p.a.	4% p.a.

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The rates shown above reflect the economic situation in the Czech Republic and are bound to Czech Crown.

In addition, the Group takes mortality into account through the use of mortality tables recommended by national insurance bureaus.

C.3.3. Liability adequacy test (LAT)

C.3.3.1. Life insurance
The life insurance liabilities are tested as at the end of each reporting period against a calculation of the minimum value of the liabilities using explicit and consistent assumptions of all factors. Input assumptions are updated regularly based on recent experience. The principle of LAT is a comparison of the minimum value of the liabilities (the risk adjusted value of the cash-flows discounted by risk free-rate) arising from lines of business with the corresponding statutory provision.

Due to the levels of uncertainty in the future development of the insurance markets and the Group's portfolio, the Group uses margins for risk and uncertainty within liability adequacy tests. Margins are calibrated to be consistent with the result of risk valuation in the internal Economic balance sheet model (EBS).

The principal assumptions used (see notes C.3.4.1 and C.5.1) are:

Segmentation
The LAT is performed on lines of business separately. There is no interaction between different lines of business in the model and no offset of the LAT results between individual lines of business is allowed. Segmentation is currently based on the main risk drivers as follows:
- Protection – includes all the products classified as Accident and Disability and Pure Risk;
- Unit Linked – products where policyholder bear the investment risk;
- Saving – all the other products not already included in the previous classes.

Mortality
For mortality assumptions, the analyses of Group's portfolio past experience and population mortality is used. The experience portfolio mortality rates are calculated separately for each portfolio group, age, and gender.

Persistency
Future contractual premiums are included without any allowance for premium indexation. Estimates for lapses and surrenders are based on the Group's past experience and future expectations.

Expense
The expenses assumptions are derived from the latest forecasts, following the internal guidance on unit costs. The expenses are increased by the inflation rate.

Discount rate
Risk-free rates are derived from bond yield curve in Asset Liability Management Department consistently with recommendation of a directive of Czech Society of Actuaries for LAT.

Interest rate guarantee
The interest rate guarantee is calculated using internal model calibrated to MCEEV valuation of financial options and guarantees (FO&G), which includes comprehensive view on assets and liabilities of the Group. The calibration is based on the last known time value of FO&G arising from the stochastic model in MCEEV and the expected development of volatilities. The model reflects the actual yield curve.

Profit sharing
While, for most life insurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Group, the assessment of liability adequacy takes future discretionary bonuses, calculated as a fixed percentage of the excess of the risk-free rate over the guaranteed technical interest rate on individual policies, into account. The percentage applied is consistent with the Group's current business practices and expectations for bonus allocation.

Annuity option
The option to choose between a lump sum payment and an annuity is available to policyholders under annuity insurance. For the purposes of the liability adequacy test, the Group assumes an annuity option take-up rate increasing from the level of 1% – 4% (current level based on internal analysis) to 5% – 10% (future expected market development) in the long-term horizon for all eligible policyholders.

C.3.3.2. Investment contracts with Discretionary Participation Features (DPF)
Investments contracts with DPF are included within the liability adequacy test for life insurance as described above.

C.3.3.3. Non-life insurance
Contrary to life insurance, insurance liabilities connected with non-life insurance are calculated by using current (not historical) assumptions and therefore no additional liabilities are established for outstanding claims as a result of a liability adequacy test.

The liability adequacy test for non-life insurance is therefore limited to the unexpired portion of existing contracts. It is performed by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the end of the reporting period with the amount of unearned premiums in relation to such policies after deducting deferred acquisition costs. Expected cash flows relating to claims and expenses are estimated by reference to the experience during the expired portion of the contract, adjusted for significant individual losses which are not expected to recur.

The test is performed by product groups which comprise insurance contracts with a similar risk profile.

For annuities, the assumptions used to establish the provision include all future updated cash flows with changes being recognised immediately in the income statement. As such, no separate liability adequacy test is required to be performed.

C.3.4. Significant variables
Profit or loss recognised on insurance contracts and insurance liabilities are mainly sensitive to changes in mortality, lapse rates, expense rates, discount rates and annuities which are estimated for calculating adequate value of insurance liabilities during the LAT.

The Group has estimated the impact on profit for the year and equity as at the year end for changes in key variables that have a material impact on them.

C.3.4.1. Life insurance
According to Liability Adequacy Test, life statutory reserves are sufficiently adequate in comparison to minimum value of the liabilities and the changes in variables other than discount rate has no impact on profit for the year and equity.

Life insurance liabilities as at 31 December 2015 according to the Liability Adequacy Test were not sensitive to a change in any variable. Life insurance liabilities as at 31 December 2014 were not sensitive to a change in any variable as well.

The decrease and increase by 10% in mortality rate, lapse rate, expense rate and 100 bp decrease and increase in the discount rates were tested. Changes in variable represent reasonably possible changes in a variable which represent neither expected changes in variable nor worst-case scenarios. The analysis has been prepared for a change in variable with all other assumptions remaining constant and ignores changes in the values of the related assets.

C.3.4.2. Non-life insurance

In non-life insurance, variables that would have the greatest impact on insurance liabilities relate to annuities.

In CZK million, for the year ended 31 December 2015 Variable	Change in variable	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount rate	(100) bp	379	239
Pension growth rate	100 bp	371	235

In CZK million, for the year ended 31 December 2014 Variable	Change in variable	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount rate	(100) bp	421	266
Pension growth rate	100 bp	408	260

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C.4. Terms and conditions of insurance and investment contracts with DPF that have a material impact on the amount, timing and uncertainty of future cash flows

C.4.1. Non-life insurance contracts

The Group offers many forms of general insurance, mainly motor insurance, property insurance and liability insurance. Contracts may be concluded for a fixed term of one year or on a continuous basis with either party having the option to cancel at 8 weeks' notice. The Group is therefore generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to impose deductibles and reject fraudulent claims.

Future insurance claims are the main source of uncertainty which influences the amount and the timing of future cash flows.

The amount of particular claim payments is limited by the sum insured which is established in the insurance policy.

The other significant source of uncertainty connected with non-life insurance arises from legislative regulations which entitle the policyholder to report a claim before the time of expiration, which usually lasts 3–4 years from the date, when the policyholder becomes aware of the claim. This feature is particularly significant in the case of permanent disability arising from accident insurance, because of the difficulty in estimating the period between occurrence and confirmation of permanent effects.

The following statements describe characteristics of particular types of insurance contracts if they are significantly different from the above-mentioned features.

Motor insurance

The Group motor portfolio comprises both motor third party liability insurance (MTPL) and motor (casco) insurance. MTPL insurance covers bodily injury claims and property claims in the Czech Republic as well as claims caused abroad by insured motorists under the Green Card system.

Property damage under MTPL and casco claims are generally reported and settled within a short period of the accident occurring. Payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity.

For claims relating to bodily injury and related losses of earnings, the amount of the related claim payments is derived from governmental decree. This requirement may have a retrospective effect on claims incurred before the effective date of this requirement.

Policyholders are entitled to a no-claims-bonus on renewal of their policy where the conditions are fulfilled.

The amount of claim payment for damage of property and compensation for losses of earnings does not exceed CZK 100 million per claim, as well as compensation for damage to health.

Casco insurance represents standard insurance against damage; claim payment is limited by the sum insured and the amount of participation.

Property insurance
This is broadly split into Industrial and Personal lines. For Industrial lines the Group uses risk management techniques to identify and evaluate risks and analyse possible losses and hazards and also cooperates with reinsurers. Risk management techniques include primarily inspection visits in the industrial areas performed by risk management team which consist of professionals with a long term experience and deep safety rules knowledge. Personal property insurance consists of the standard buildings and contents insurance.

Claims are normally notified promptly and can be settled without delay.

Liability insurance
This covers all types of liabilities and includes commercial liabilities, directors and officers and professional indemnity as well as personal liability.

While the majority of general liability coverage is written on a "claims-made basis", certain general liability coverage is typically insured on an “occurrence basis”.

Accident insurance
Accident insurance is traditionally sold as rider to the life products offered by the Group and belongs to the life insurance segment. Only a small part of accident insurance is sold without life insurance.

C.4.2. Life insurance contracts

Bonuses
Over 90% of the Group’s life insurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Group and are recognised when proposed and approved by the Board of Directors in accordance with the relevant legal requirements. Once allocated to policyholders, bonuses are guaranteed (see note C.1.11.2).

Premiums
Premiums may be payable in regular instalments or as a single premium at the inception of the policy. Most endowment-type insurance contracts contain a premium indexation option which may be exercised at the discretion of the policyholder annually. Where the option is not exercised, premiums are not increased with inflation.

Term life insurance products
Traditional term life insurance products comprise risk of death, waiver of premium in case of permanent disability and accident rider. Premium is paid regularly or as a single premium. Policies offer fixed or decreasing sum insured of death. The policies offer protection from a few years up to medium long-term. Death benefits are only paid if the policyholder dies during the term of insurance. Waiver of premium arises only in case of an approved disability pension of the policyholder.

The period of disability is the main source of uncertainty connected with life insurance products. It is limited by the contractual minimum duration of the insurance policy and by the end of the insurance period.

Endowment products
These are also traditional term life insurance products providing life-long financial protection. Many long-term policies have tax advantages and give the insured the possibility to finance their needs in retirement. Capital life insurance products for regular or single premium offers covering risk of death, endowment, dread diseases, waiver of premium in case of disability and accident rider. Insurance benefits are usually paid as a lump-sum.

Variable capital life insurance products
Variable capital life insurance products offer all types of insurance risk as traditional capital life insurance products. In addition, they offer the policyholder the possibility to pay an extra single premium during the term of the insurance. The policyholder can ask to interrupt payment for regular premium, to withdraw a part of the extra single premium, to change the term of insurance, risks, sum insured and premium.

Children’s insurance products
These products are based on traditional life risk: death or endowment of assured, waiver of premium in case of disability and accident rider. They are paid regularly. The term of insurance is usually limited by the 18th birthday of the child for which the policy is negotiated. Benefits may be in the form of a lump-sum or annuity payment.

Unit-linked life insurance
Unit-linked are those products where the policyholders carry the investment risk.

The Group earns management, administration fees and mortality results on these products.

Unit-linked life insurance combines traditional term life insurance, with risks of death or dread diseases together with a waiver of premium in case of permanent disability, with the possibility to invest regular premium or extra single premium to some investment funds. The policyholder defines funds and the ratio of premium where payments are invested and can change the funds and ratio during the contract. He can also change sums assured, regular premium, and insurance risks. He can pay an additional single premium or withdraw a part of the extra single premium.

Retirement insurance for regular payments (with interest rates)
Life-long retirement programme products include all kinds of pensions paid off in case of death, dread diseases or maturity of agreed age of assured, options for variable combination of component. The policyholder can pay the premium regularly or in a single payment. Basic types of pension are short-term pension and lifetime pension.

C.4.3. Investment contracts with DPF

Adult deposit life or accident insurance with returnable lump-sum principal
These types of life or accident products allow policyholders to pay a single returnable deposit at the beginning of the policy. The interest earned on the deposit is used to pay the annual premiums. The deposit is returned at the end of insurance or on death or other claim event. These contracts also entitle the policyholder to a discretionary bonus, determined as under life insurance contracts.

For further details on contracts with DPF, see note C.1.11.2.

C.5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

C.5.1. Assumptions used to calculate insurance liabilities

The Group uses certain assumptions when calculating its insurance liabilities. The process used to determine the assumptions that have the greatest effect on the measurement of the items in the Group's financial statements, and the effects of changes in the assumptions that would have a material effect on the recognised amounts, are discussed in note C.3.4

C.5.2. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded on an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on the market conditions existing as at each end of the reporting period (see also note C.1.4).

C.6. Comparative period restatement

As a result of the classification of Polish operations as discontinued operations as at 31 December 2015 (see Note F.8) the comparative consolidated income statement and consolidated statement of comprehensive income have been re-presented to show the discontinued operation separately from continuing operations.

C.7. Changes in accounting policies

C.7.1. Standards, interpretations and amendments to existing standards relevant for the Group and applied in the reporting period

There are no published amendments and interpretations of existing standards mandatory and relevant to the Group which should have been applied by the Group starting from 1 January 2015.

C.7.2. Standards, interpretations and amendments to existing standards that are effective in the reporting period but are not relevant for the Group's financial statements

IFRIC 21, Levies (published in May 2013, effective for annual periods beginning on or after 1 January 2014 – EU: 17 June 2014)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2011–2013 Cycle
In the 2011–2013 annual improvements cycle, the IASB issued four amendments to four standards (IFRS 3, IFRS 13, IAS 40, IFRS 1), including an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and for the other amendments for periods beginning at 1 July 2014 (EU: 1 January 2015) and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

C.7.3. Standards, interpretations and amendments to existing standards that are not yet effective and are relevant for the Group's financial statements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Company has not early adopted:

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018, with earlier application permitted, not yet endorsed by the EU)
IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Classification and measurement of financial assets
  All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.
- Classification and measurement of financial liabilities
  For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.
- Impairment
  The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.
- Hedge accounting
  Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

In July 2015 the IASB took a decision to amend IFRS 4 to permit an entity to exclude from profit or loss and recognise in other comprehensive income the difference between the amounts that would be recognised in profit or loss in accordance with IFRS 9 and the amounts recognised in profit or loss in accordance with IAS 39, subject to meeting certain criteria.

In September 2015 the IASB decided to propose a package of temporary measures in relation to the application of the new financial instruments Standard (IFRS 9) before the new insurance contracts Standard comes into effect.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018 – not yet endorsed by the EU)
IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 16 – Leases (effective for annual periods beginning on or after 1 January 2019 - not yet endorsed by the EU)
The new standard constitutes an innovation in that it established that leases be reported in entities' balance sheet, thus enhancing the visibility of their assets and liabilities. IFRS16 repeals the distinction between operating leases and finance leases (for the lessee), requiring that all lease contracts be treated as finance leases. Short term contracts (12 months) and those involving low value items (e.g. personal computers) are exempted from this treatment. The new standard will take effect on 1 January 2019, early adoption is permitted provided that also IFRS15, Revenue from Contracts with Customers, is applied.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective for annual periods beginning on or after 1 January 2016)
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

IAS 1 Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016)
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify i)The materiality requirements in IAS 1; ii) That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated; iii) That entities have flexibility as to the order in which they present the notes to financial statements; iv)That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group.

C.7.4. Standards, interpretations and amendments to published standards that are not yet effective and are not relevant for the Group’s financial statements

Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)
These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective for annual periods beginning on or after 1 January 2016)
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Amendments to IAS 16 and IAS 41, Bearer plants (effective for annual periods beginning on or after 1 January 2016)
These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

Amendments to IAS 19, Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014 (EU: 1 February 2015). This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Amendments to IAS 27, Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016, with earlier application permitted)

IAS 12 Amendment – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017 – not yet endorsed by the EU)
The amendments clarify the accounting treatment of deferred tax assets related to debt instruments measured at fair value.

Annual Improvements 2010–2012 Cycle
In the 2010–2012 annual improvements cycle, the IASB issued seven amendments to six standards (IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 38 and IAS 24), which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and for the other amendments for periods beginning at 1 July 2014 (EU: 1 February 2015), and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2012–2014 Cycle
In the 2012–2014 annual improvements cycle, the IASB issued, in September 2014, five amendments to four standards (IFRS 5, IFRS 7, IAS 19 and IAS 34). The changes are effective 1 January 2016. Earlier application is permitted and must be disclosed.

C.7.5. IFRS 4 – exposure draft on Insurance contracts

The IASB ("the board") released a revised exposure draft on 20 June 2013 proposing a comprehensive standard to address recognition, measurement and disclosure for insurance contracts.

The proposals retain the IFRS 4 definition of an insurance contract but amend the scope to exclude fixed fee service contracts but some financial guarantee contracts may now be within the scope of the proposed standard.

The proposals would require an insurer to measure its insurance contracts using a current measurement model. The measurement approach is based on the following building blocks: a current, unbiased and probability-weighted average of future cash flows expected to arise as the insurer fulfils the contract; the effect of time value of money; an explicit risk adjustment and a contractual service margin calibrated so that no profit is recognised on inception.

D. Segment reporting

D.1. Transformovaný fond Penzijní společnosti České pojišťovny

According to local regulatory requirements, the Group has to provide to the users of the consolidated financial statements separately the positions attributable to Transformovaný fond Penzijní společnosti České pojišťovny (TF).

The users of the Group´s consolidated financial statements will therefore obtain the information about all positions of the Group´s consolidated financial statements as it would not include the Transformovaný fond Penzijní společnosti České pojišťovny as entity.

D.1.1. Statement of financial position of Transformovaný fond Penzijní společnosti České pojišťovny

(CZK million)	Note	2015	2014
Total assets		**96,140**	**88,758**
Intangible assets	F.1.	**55**	**71**
Other intangible assets	F.1.2.	55	71
Investments	F.3.	**94,724**	**86,828**
Loans and receivables	F.3.3.	2,750	300
Available for sale financial assets	F.3.4.	87,535	81,568
Financial assets at fair value through profit or loss	F.3.5.	4,439	4,960
Receivables	F.5.	**729**	**727**
Trade and other receivables		729	727
Cash and cash equivalents	F.7.	**632**	**1,132**

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(CZK million)	Note	2015	2014
Total shareholders' equity and liabilities		**96,140**	**88,758**
Shareholders' equity	F.9.	**7,358**	**6,711**
Shareholders equity attributable to the Group		**7,358**	**6,711**
Retained earnings and other reserves		7,358	6,711
Insurance liabilities	F.11.	**50**	**49**
Financial liabilities	F.12.	**88,453**	**81,704**
Financial liabilities through profit or loss		805	1,032
Other financial liabilities		87,648	80,672
Payables	F.13.	**80**	**294**
Other payables		80	294
Other liabilities	F.14.	**199**	**–**
Other liabilities		199	–

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Income statement of Transformovaný fond Penzijní společnosti České pojišťovny

(CZK million)	Note	2015	2014
Total income		**2,218**	**1,539**
Net income / (losses) from financial instruments at fair value through profit or loss	F.17.	**(419)**	**(1,423)**
Income from other financial instruments and investment properties	F.19.	**2,223**	**2,051**
Interest income		1,926	1,959
Income – other		29	29
Realized gains		268	63
Other income	F.20.	**414**	**911**
Total Expenses		**(1,967)**	**(2,068)**
Net insurance benefits and claims	F.21.	**(1)**	**(16)**
Fee and commission expenses and expenses from financial service activities	F.22.	**(742)**	**(716)**
Expenses from other financial instruments and investment properties	F.23.	**(1,203)**	**(1,316)**
Interest expense		(1,128)	(1,263)
Realized losses		(75)	(47)
Impairment losses		–	(6)
Acquisition and administration costs	F.24.	**(5)**	**(5)**
Other administration costs		(5)	(5)
Other expenses	F.25.	**(16)**	**(15)**
EARNINGS BEFORE TAXES		**251**	**(529)**
Income taxes	F.26.	–	–
NET PROFIT / (LOSS) OF THE YEAR		**251**	**(529)**

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D.1.2. Assets, Liabilities, Gains and Losses of the Transformed fund which were eliminated in the Group consolidated Statements of financial position and consolidated Income statements

The table below shows which of the Assets, Liabilities, Gains and Losses of the Transformed fund were eliminated within consolidated financial statements of the Group. By this table users obtain complex information about the Transformed fund and consolidated financial statements of the Group in case the Transformed fund is not included.

Balance sheet

(CZK million)	Note	2015	2015 Elimination of intercompany transactions	2015 Net	2014 Net
Total assets		**96,140**	**(1)**	**96,139**	**88,757**
Intangible assets	F.1.	**55**	**–**	**55**	**71**
Other intangible assets	F.1.2.	55	–	55	71
Investments	F.3.	**94,724**	**–**	**94,724**	**86,828**
Loans and receivables	F.3.3.	2,750	–	2,750	300
Available for sale financial assets	F.3.4.	87,535	–	87,535	81,568
Financial assets at fair value through profit or loss	F.3.5.	4,439	–	4,439	4,960
Receivables	F.5.	**729**	**(1)**	**728**	**726**
Trade and other receivables		729	(1)	728	726
Cash and cash equivalents	F.7.	**632**	**–**	**632**	**1,132**

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(CZK million)	Note	2015	2015 Elimination of intercompany transactions	2015 Net	2014 Net
Total shareholders' equity and liabilities		**96,140**	**496**	**96,636**	**89,208**
Shareholders' equity	F.9.	**7,358**	**742**	**8,100**	**7,427**
Shareholders equity attributable to the Group		**7,358**	**742**	**8,100**	**7,427**
Retained earnings and other reserves		7,358	742	8,100	7,427
Insurance liabilities	F.11.	**50**	**–**	**50**	**49**
Financial liabilities	F.12.	**88,453**	**–**	**88,453**	**81,704**
Financial liabilities through profit or loss		805	–	805	1,032
Other financial liabilities		87,648	–	87,648	80,672
Payables	F.13.	**80**	**(47)**	**33**	**28**
Other payables		80	(47)	33	28
Other liabilities	F.14.	**199**	**(199)**	**–**	**–**
Other liabilities		199	(199)	–	–

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Income statement

(CZK million)	Note	2015	2015 Elimination of intercompany transactions	2015 Net	2014 Net
Total income		**2,218**	**–**	**2,218**	**1,539**
Net income/ (losses) from financial instruments at fair value through profit or loss	F.17.	**(419)**	**–**	**(419)**	**(1,423)**
Income from other financial instruments and investment properties	F.19.	**2,223**	**–**	**2,223**	**2,051**
Interest income		1,926	–	1,926	1,959
Income – other		29	–	29	29
Realized gains		268	–	268	63
Other income	F.20.	**414**	**–**	**414**	**911**
Total Expenses		**(1,967)**	**742**	**(1,225)**	**(1,352)**
Net insurance benefits and claims	F.21.	**(1)**	**–**	**(1)**	**(16)**
Fee and commission expenses and expenses from financial service activities	F.22.	**(742)**	**742**	**–**	**–**
Expenses from other financial instruments and investment properties	F.23.	**(1,203)**	**–**	**(1,203)**	**(1,316)**
Interest expense		(1,128)	–	(1,128)	(1,263)
Realized losses		(75)	–	(75)	(47)
Impairment losses		–	–	–	(6)
Acquisition and administration costs	F.24.	**(5)**	**–**	**(5)**	**(5)**
Other administration costs		(5)	–	(5)	(5)
Other expenses	F.25.	**(16)**	**–**	**(16)**	**(15)**
EARNINGS BEFORE TAXES		**251**	**742**	**993**	**187**
Income taxes	F.26.	–	–	–	–
NET PROFIT OF THE YEAR		**251**	**742**	**993**	**187**

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All the eliminated positions represent transactions with Pension company of Česká pojišťovna.

D.1.3. Statement of Comprehensive Income for Transformovaný fond Penzijní společnosti České pojišťovny

(CZK million)	Note	2015	2014
Net profit of the year		**251**	**(529)**
Other comprehensive income items that may be recycled to profit or loss			
Available-for-sale financial assets revaluation in equity	F.9.	589	3,858
Available-for-sale financial asset realised revaluation in income statement	F.19., F.23.	(193)	(16)
Available-for-sale impairment losses	F.23.	–	6
Subtotal		**396**	**3,848**
Other comprehensive income items that may never be recycled to profit or loss		**–**	**–**
Subtotal		**–**	**–**
Total gains and losses recognised directly in equity		**396**	**3,848**
Tax on items taken directly to or transferred into equity		–	189
Other Comprehensive income, net of tax		**396**	**4,037**
Total comprehensive income		**647**	**3,508**

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D.2. Segment reporting

The Board of Directors as a Group's chief operating decision maker makes decisions on how to allocate resources and assesses performance of these operating segments: the Česká pojišťovna life insurance operating segment, Česká pojišťovna non-life insurance operating segment, operating segment of the Branch in Poland (Proama), pension funds and pension company. Data presented to the Board of Directors are as reported by the individual entities, therefore before consolidation adjustments. These segments represent a component of the Group:

- that engages in business activities from which the Group may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the management of the Group to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Group comprises Non-life insurance, Life insurance, Pension funds and Pension Company as the main business segments. Note C.4 of the financial statements provides further information about significant terms and conditions of insurance products.

Products offered by reported business segments brought following segment revenues:

Gross earned premiums revenue and investment income for the year ended 31 December

(CZK million)	2015	2014
ČP Life	**9,624**	**10,844**
Traditional life insurance	7,989	9,327
Unit link insurance	1,635	1,517
ČP Non-life	**18,562**	**18,347**
Motor	7,995	7,987
Accident, Health and Disability	638	720
Marine, Aviation and Transport	261	234
Property	7,509	7,249
General liability	2,096	2,008
Other	63	149
Discontinued operations – Proama	**3,045**	**2,526**
Gross earned premium	3,045	2,526
Pension funds and Pension company	**1,952**	**1,993**
Investment income	1,952	1,993
	33,183	**33,710**

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Management has determined the operating segments based on the reports periodically reviewed by the Board of Directors that are used to make main strategic decisions. The Board of directors assesses the performance of the operating segments based on a measure of profit after taxes for all segments and for insurance segments the results are also measured based on net technical results.

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2015 is as follows:

(CZK million)	**ČP Life**	**ČP Non-life**	**Pension funds and Pension company**	**Total**
Gross				
Insurance premiums	9,624	18,562	–	28,186
Technical benefits and claims	(4,932)	(9,443)	–	(14,375)
Total costs	(1,844)	(4,617)	–	(6,461)
Commissions and other acquisition costs	*(1,185)*	*(3,606)*	–	*(4,791)*
Administration expenses	*(659)*	*(1,011)*	–	*(1,670)*
Other technical items	(115)	(76)	–	(191)
Gross technical result	**2,733**	**4,426**	**–**	**7,159**
Reinsurance				
Premiums ceded to reinsurers	(1,275)	(8,599)	–	(9,874)
Reinsurer's share on claims	438	4,367	–	4,805
Total costs	320	1,871	-	2,191
Commissions and other acquisition costs	*320*	*1,871*	–	*2,191*
Other technical items	–	–		–
Reinsurance technical result	**(517)**	**(2,361)**	**–**	**(2,878)**
Net				
Insurance premiums	8,349	9,963	–	18,312
Technical benefits and claims	(4,494)	(5,076)	–	(9,570)
Total costs	(1,524)	(2,746)	–	(4,270)
Commissions and other acquisition costs	*(865)*	*(1,735)*	–	*(2,600)*
Administration expenses	*(659)*	*(1,011)*	–	*(1,670)*
Other technical items	(115)	(76)	–	(191)
Net technical result	**2,216**	**2,065**	**–**	**4,281**
Total financial investments income	**2,019**		**931**	**2,950**
Acquisition expenses relating to investment contracts	–		(207)	(207)
Total other income and expenses	(267)		(37)	(304)
Income taxes	(754)		(11)	(765)
Profit after taxes	**5,279**		**676**	**5,955**
Contribution of other segments	**–**	**–**	**–**	**663**
Elimination of dividends	–	–	–	*(743)*
Other intercompany eliminations	–	–	–	–
Gains/losses relating to disposal of subsidiaries	–	–	–	*(204)*
Other consolidation adjustments	–	–	–	*(209)*
Loss from discontinued operations	–	–	–	*(1,187)*
Reconciliation to the income statement	**–**	**–**	**–**	**(2,343)**
Result of the period attributable to equityholders of the parent	**–**	**–**	**–**	**4,275**

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The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2014 is as follows:

(CZK million)	ČP Life	ČP Non-life	Pension funds and Pension company	Total
Gross				
Insurance premiums	10,844	18,347	–	29,191
Technical benefits and claims	(6,018)	(9,103)	–	(15,121)
Total costs	(2,180)	(4,553)	–	(6,733)
Commissions and other acquisition costs	*(1,468)*	*(3,419)*	–	*(4,887)*
Administration expenses	*(712)*	*(1,134)*	–	*(1,846)*
Other technical items	(73)	(87)	–	(160)
Gross technical result	**2,573**	**4,604**	**–**	**7,177**
Reinsurance				
Premiums ceded to reinsurers	(1,313)	(8,254)	–	(9,567)
Reinsurer's share on claims	408	3,499	–	3,907
Total costs	329	1,736	–	2,065
Commissions and other acquisition costs	*329*	*1,736*	–	*2,065*
Other technical items	–	–		–
Reinsurance technical result	**(576)**	**(3,019)**	**–**	**(3,595)**
Net				
Insurance premiums	9,531	10,093	–	19,624
Technical benefits and claims	(5,610)	(5,604)	–	(11,214)
Total costs	(1,851)	(2,817)	–	(4,668)
Commissions and other acquisition costs	*(1,139)*	*(1,683)*	–	*(2,822)*
Administration expenses	*(712)*	*(1,134)*	–	*(1,846)*
Other technical items	(73)	(87)	–	(160)
Net technical result	**1,997**	**1,585**	**–**	**3,582**
Total financial investments income	**1,385**		**135**	**1,520**
Acquisition expenses relating to investment contracts	–		(167)	(167)
Total other income and expenses	(189)		(34)	(223)
Income taxes	(731)		(8)	(739)
Profit after taxes	**4,047**		**(74)**	**3,973**
Contribution of other segments	**–**	**–**	**–**	**798**
Elimination of dividends	–	–	–	*(740)*
Other intercompany eliminations	–	–	–	–
Gains/losses relating to disposal of subsidiaries	–	–	–	–
Other consolidation adjustments	–	–	–	*53*
Loss from discontinued operations	–	–	–	*(411)*
Reconciliation to the income statement	**–**	**–**	**–**	**(1,098)**
Result of the period attributable to equityholders of the parent	**–**	**–**	**–**	**3,673**

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Nearly all segment revenues in 2015 and 2014 are generated from sales to external customers. There is no single external customer that would amount to 10 percent or more of the Group's revenues.

The following table represents the reconciliation of gross earned insurance premiums reported in the segment report and the income statement:

(CZK million)	Gross direct insurance 2015	2014
ČP Life	9,624	10,844
ČP Non-life	18,562	18,347
Other segments	467	470
Elimination of intragroup transactions	(1)	(2)
Insurance premium in income statement	**28,652**	**29,659**

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The following table shows key figures per business segment:

2015 (CZK million)	ČP Life	ČP Non-life	Pension funds and Pension company	Others	Intersegment eliminations
Segment revenue	9,624	18,562	1,952	467	(1)
Capital expenditure	(100)	(144)	(60)	(5)	–
Interest income	1,489	515	889*	9	(41)
Interest expense	(5)	(15)	–	(98)	41
Depreciation and amortization	(127)	(202)	(37)	(9)	–
Impairment losses recognized	(304)	(96)	–	(2)	–
Reversal of impairment losses	3	101	2	14	–

* Interest income by Pension funds and Pension company is presented net from interest assigned to the clients.

2014 re-presented (CZK million)	ČP Life	ČP Non-life	Pension funds and Pension company	Others	Intersegment eliminations
Segment revenue	10,844	18,347	1,993	470	(2)
Capital expenditure	(78)	(205)	(21)	(6)	–
Interest income	1,714	585	815*	19	(39)
Interest expense	(5)	(16)	–	(154)	39
Depreciation and amortization	(153)	(259)	(41)	(19)	–
Impairment losses recognized	(209)	(208)	(6)	(10)	–
Reversal of impairment losses	35	199	–	–	–

* Interest income by Pension funds and Pension company is presented net from interest assigned to the clients.

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Segment assets and liabilities are not regularly included in the reports provided to the Board of Directors.

Geographical information

Total assets are allocated as follows:

(CZK million)	31. 12. 2015	31. 12. 2014
Czech Republic	204,526	203,212
Poland	725	3,188
Others	3,266	3,419
Elimination of intersegment transactions	(363)	(394)
Total	**208,154**	**209,425**

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The Group operated in 2015 mainly in the Czech Republic and in EU countries.

The geographical structure of total costs incurred to acquire segment assets that are expected to be used during more than one period is highly concentrated in the Czech Republic, the share of other countries is not significant.

Gross earned premiums from insurance business (including both life and non-life) are set out below by country:

(CZK million)	2015	2014 re-presented
Czech Republic	28,652	29,659
Poland*	3,045	2,526
Total	**31,697**	**32,185**

* Gross earned premiums attributable to Poland are classified as discontinued operations in the consolidated income statement for the period ended 31 December 2015. For details please refer to Note F.8.

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E. Risk report

In the risk report, the Group presents further information in order to enable an assessment of the significance of financial instruments and insurance contracts for an entity's financial position and performance. Furthermore, the Group provides information about its exposure to risks arising from financial instruments and insurance contracts, and it discloses the management's objectives, policies and processes for managing those risks, in accordance with IFRS 7.

E.1. Risk Management System

The Group is a member of the Generali Group and is part of its risk management structure. The Generali Group has implemented a Risk Management System that aims at identifying, evaluating and monitoring the most important risks to which the Generali Group and the Group are exposed, which means the risks whose consequences could affect the solvency of the Generali Group or the solvency of any single business unit, or negatively hamper any Group goals.

The risk management processes apply to the whole Generali Group, all the countries where it operates and each business unit. However, the degree of integration and depth varies with the complexity of the underlying risks. Integration of processes within the Generali Group is fundamental to assure an efficient system of risk management and capital allocation for every business unit.

The main objectives of the risk management processes of Generali Group is to maintain the identified risks below an acceptable level, to optimise the capital allocation and to improve the risk-adjusted performance.

Risk management policies and guidelines of the Group are in place treating the management of all significant risks the Group is exposed to (incl. methodologies to identify and assess risks, risk preferences and tolerances, escalation process etc.). Risk Management System is based on three main pillars:
a) risk measurement process: aimed at assessing the solvency of the Group as well as all individual units,
b) risk governance process: aimed at defining and controlling the managerial decisions in relation with relevant risks,
c) risk management culture: aimed at increasing the value creation.

E.2. Roles and responsibility

The system is based on three levels of responsibility:

- Assicurazioni Generali (Generali Group) – for every country, it sets the targets in terms of solvency, results and risk exposure, moreover it defines the risk management policies and guidelines for treating the main risks. The Generali Group has developed the Enterprise Risk Management Policy to align the risk measurement methodology, the governance and the reporting of each company of the Generali Group.
- Generali CEE Holding (GCEE) – defines strategies and objectives for every firm, taking into account the local features and regulations, providing methodological support and controlling the results. In particular, in order to ensure a better solution to the specific features of local risks and changes in local regulation, risk management responsibility and decisions are delegated to the Chief Risk Officer (CRO) of GCEE, respecting the Generali Group policy framework. Generali Group and GCEE Group are also assigned performance targets for their respective areas.
- Business Unit – defines strategies and targets in respect of the policies and guidelines established by GCEE. Risk management involves the corporate governance of the Group entities and the operational and control structure, with defined responsibility levels, and aims to ensure the adequacy of the entire Risk Management System at every moment. Group Risk Management reports on regular basis on the exposure to all the main risks (e.g. monthly reporting on the investment exposure and on both market and credit risks).

E.3. Risk measurement and control

Through its insurance activity, the Group is naturally exposed to several types of risks, which are related to movements of financial markets, to adverse developments of insurance-related risks, both in life and non-life business, and generally to all the risks that affect ongoing organised economic operations.

These risks can be grouped in the following five main categories which will be detailed later in this report: market risk, credit risk, liquidity risk, insurance risk and operational risk.

Along with the specific measures for the risk categories considered by the Generali Group, the calculation of the Economic Capital represents a comprehensive measure of risk that can be aggregated at the different organisational levels (Group, country and operative entity) and at the main business lines (life, non-life and asset management).

The Economic Capital is a risk measure that corresponds to the amount of capital to be held so that the market value of assets is greater than the market value of liabilities in twelve months' time, with a confidence level.

The internal models of risk measurement are constantly being improved, in particular those relating to calculation of the Economic Capital and Asset Liability Management (ALM) approaches have been harmonised at all different organisational levels within the Generali Group.

E.4. Market risk

Unexpected movements in prices of equities, real estate, currencies and interest rates might negatively impact the market value of the investments.

These assets are invested to meet the obligation towards both life and non-life policyholders and to earn a return on capital expected by the shareholder. The same changes might affect both assets and the present value of the insurance liabilities.

The market risk of the Group's financial asset and liability trading positions is monitored and measured on a continuing basis, using Standard Formula pre-defined by EIOPA and other methods (cash-flow matching, duration analysis, etc.). Due to Solvency II requirements the previously used Value at Risk analysis is not used any more.

Risks are monitored on a fair value basis so that some accounting categories with insignificant risks are omitted from further chapters. Investment portfolios therefore include all Investments except for Investments in subsidiaries, Unit-linked policies, Receivables and some specific immaterial investments. It also includes Cash and cash equivalents and Financial liabilities.

Trade receivables face mainly risk of credit default. Due to the short-term pattern of trade receivables the Group considers a market risk of trade receivables as insignificant.

At year-end 2015, those investments whose market risk affects the Group were of CZK 159.6 billion at market value[1].

Market risk exposure

	31. 12. 2015		31. 12. 2014	
(CZK million)	**Total fair value**	**Weight (%)**	**Total fair value**	**Weight (%)**
Equities	12,075	8	12,226	8
Bonds	149,145	93	150,361	94
Derivatives	(1,632)	(1)	(2,954)	(2)
Total	**159,588**	**100**	**159,633**	**100**

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Of which the Transformed fund

	31. 12. 2015		31. 12. 2014	
(CZK million)	**Total fair value**	**Weight (%)**	**Total fair value**	**Weight (%)**
Equities	2,673	3	2,676	3
Bonds	89,226	98	83,799	98
Derivatives	(730)	(1)	(979)	(1)
Total	**91,169**	**100**	**85,496**	**100**

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E.4.1. Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to an interest rate cash flow risk, which varies depending on the different repricing characteristics of the various floating rate instruments.

Interest rate derivatives are primarily used to bridge the mismatch in the repricing of assets and liabilities. In some cases derivatives are used to convert certain interest-earning assets to floating or fixed rates to reduce the risk of losses in fair value due to interest rate changes or to lock-in spreads.

The Group monitors the sensitivity of financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide.

Unit-linked instruments are excluded from sensitivities due to the fact that investment risk is borne by the policyholders. Therefore the assets whose value is subject to interest rate risk are represented mainly by bonds and interest rate derivatives.

[1] Investments whose market risk affects the Group are total investments, excluding investments backing unit-linked policies since the risk is borne by policyholders, mortgage loans, receivables from banks or customers and other financial investments other than equities and bonds.

The table below summarises the breakdown of their carrying amount by company.

Interest rate risk exposure

	31. 12. 2015		31. 12. 2014	
(CZK million)	Total carrying amount	Weight (%)	Total carrying amount	Weight (%)
Česká pojišťovna	57,527	39	64,268	43
Penzijní společnost ČP	1,506	1	1,352	1
The Transformed fund	89,226	60	83,799	56
Other companies	690	0	731	0
Total	**148,949**	**100**	**150,150**	**100**

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Sensitivity analysis of interest rate movements is presented for the three biggest companies (Česká pojišťovna, Penzijní společnost ČP and the Transformed fund), since the Group exposure to interest rate movements is highly concentrated in these companies.

Sensitivity to interest risk movements has been calculated by apllying a stress test (+/- 100 basis points parallel fall or rise in all yield curves) to portfolios as at 31 December 2015 and 31 December 2014.

The impact is detailed in the tables below:

Česká pojišťovna portfolio

		31. 12. 2015		31. 12. 2014	
(CZK million)		Income Statement	Shareholders' Equity	Income Statement	Shareholders' Equity
100 bp parallel increase	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	21	(3,400)	(599)	(3,150)
	Income tax charge / (credit)	(4)	646	114	599
	Total net impact	**17**	**(2,754)**	**(475)**	**(2,486)**
100 bp parallel decrease	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	(24)	4,332	566	3,406
	Income tax charge / (credit)	5	(823)	(108)	(647)
	Total net impact	**(19)**	**3,509**	**449**	**2,694**

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Penzijní společnost ČP

		31. 12. 2015		31. 12. 2014	
(CZK million)		Income Statement	Shareholders' Equity	Income Statement	Shareholders' Equity
100 bp parallel increase	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	–	(38)	–	(47)
	Income tax charge / (credit)	–	7	–	–
	Total net impact	**–**	**(31)**	**–**	**(47)**
100 bp parallel decrease	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	–	41	–	51
	Income tax charge / (credit)	–	(8)	–	–
	Total net impact	**–**	**33**	**–**	**51**

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The Transformed fund

(CZK million)		31. 12. 2015 Income Statement	31. 12. 2015 Shareholders' Equity	31. 12. 2014 Income Statement	31. 12. 2014 Shareholders' Equity
100 bp parallel increase	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	504	(3,776)	(142)	(3,792)
	Income tax charge / (credit)	–	–	–	–
	Total net impact	**504**	**(3,776)**	**(142)**	**(3,792)**
100 bp parallel decrease	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	(573)	4,273	142	4,275
	Income tax charge / (credit)	–	–	–	–
	Total net impact	**(573)**	**4,273**	**142**	**4,275**

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E.4.2. Asset liability matching

A substantial part of insurance liabilities carries an interest rate risk. Asset-liability management is significantly involved in interest rate risk management. The management of interest rate risk implied from the net position of assets and liabilities is a key task of asset-liability management (ALM).

GCEE Group has an Asset and Liability Committee which is an advisory body of the Board of Directors and is in charge of the most strategic investments and ALM-related decisions. The committee is responsible for setting and monitoring the GCEE Group's strategic asset allocation in the main asset classes, i.e. government and corporate bonds, equities, real estate, etc. and also the resulting asset and liability strategic position. The objective is to establish appropriate return potential together with ensuring that the GCEE Group can always meet its obligations without undue cost and in accordance with the GCEE Group's internal and regulatory capital requirements. In order to guarantee the necessary expertise and mandate, the Committee consists of representatives of top management, asset management, risk management and ALM experts from business units.

The ALM manages the net asset-liability positions in both, life and non-life insurance, with the main focus on traditional life with long-term nature and often with embedded options and guarantees. The insurance liabilities are analysed, including the embedded options and guarantees and models of future cash-flows are prepared in cooperation with actuaries. The models allow for all guarantees under the insurance contracts and for expected development of the key parameters, primarily mortality, morbidity, lapses, administration expenses.

At first, government bonds are used to manage the net position of assets and liabilities and in particular its sensitivity to parallel and non-parallel shifts in the yield curve. Next, corporate bonds and derivatives, primarily interest rate swaps, can be used. However, in line with the credit risk management policy, investments in long-term and thus also high-duration instruments focus on government bonds. The use of interest rate swaps is limited due to their accounting treatment – as their revaluation which is reported in the income statement does not match with the reporting of the insurance liabilities.

There is a strategic target asset-liability interest rate position set within the strategic asset allocation process (SAA). With the goals being a) to deliver rates of return that are in line with both, commercial needs and strategic planning targets, and b) that the overall SAA, including equity, credit, real estate allocation and also including the strategic asset & liability duration position, is in line with the risk and capital management policy. Despite that for number of reasons it is e.g. not possible to perfectly match future cash flows of assets and liabilities, the position has been substantially reduced within the last years, primarily via purchases of long-term government bonds.In addition to the management of the strategic position, there are certain limits allowed for tactical asset manager positions, so that asset interest rate sensitivity can deviate from the benchmark in a managed manner.

E.4.3. Equity price risk

Equity price risk is the risk that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Group manages its use of equity investments in response to changing market conditions using the following risk management tools:
a) the portfolio is diversified,
b) the limits for investments are set and carefully monitored.

The equity price risk is measured using Standard Formula (full description of methodology can be found in the legislation defined by EIOPA). The model is based on factor approach with pre-defined stresses for each equity category and diversification between them.

The table below summarises the breakdown of the carrying amount of equities and investment fund unit portfolios by company.

	31. 12. 2015		31. 12. 2014	
(CZK million)	**Total carrying amount**	**Weight (%)**	**Total carrying amount**	**Weight (%)**
Česká pojišťovna	8,556	71	8,072	66
The Transformed fund	2,673	22	2,675	22
Other companies	847	7	1,479	12
Total	**12,076**	**100**	**12,226**	**100**

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Sensitivity analysis of equity prices is only presented for the two biggest companies (Česká pojišťovna and the Transformed fund), since they represent the vast majority of the Group overall equity portfolio.

For both companies equity risk evaluation has been performed by applying a stress test (+/- 10% change in equity prices) to all equities and investment fund unit portfolios at 31 December 2015 and 31 December 2014.

The sensitivity analysis is in compliance with IFRS as at the year end, before and after the related deferred taxes.

Česká pojišťovna portfolio

		31. 12. 2015		31. 12. 2014	
(CZK million)		**Income Statement**	**Shareholders' Equity**	**Income Statement**	**Shareholders' Equity**
Equity price +10%	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	–	723	–	747
	Income tax charge / (credit)	–	(137)	–	(142)
	Total net impact	**–**	**586**	**–**	**605**
Equity price -10%	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	–	(723)	–	(747)
	Income tax charge / (credit)	–	137	–	142
	Total net impact	**–**	**(586)**	**–**	**(605)**

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The Transformed fund portfolio

		31. 12. 2015		31. 12. 2014	
(CZK million)		**Income Statement**	**Shareholders' Equity**	**Income Statement**	**Shareholders' Equity**
Equity price +10%	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	34	233	78	189
	Income tax charge / (credit)	–	–	–	–
	Total net impact	**34**	**233**	**78**	**189**
Equity price -10%	Gross impact on interest income	–	–	–	–
	Gross impact on fair value	(34)	(233)	(78)	(189)
	Income tax charge / (credit)	–	–	–	–
	Total net impact	**(34)**	**(233)**	**(78)**	**(189)**

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E.4.4. Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. The business units of the Group have different functional currencies.

The currency risk is almost entirely concentrated in Česká pojišťovna.

The only exception is represented by the bond portfolio held by the Transformed fund for an overall amount of CZK 15,080 million at 31 December 2015 (out of which CZK 9,004 million is denominated in EUR and CZK 5,167 million is denominated in USD) and of CZK 12,974 million at 31 December 2014 (out of which CZK 7,982 million is denominated in EUR and CZK 4,530 million is denominated in USD).

This exposure is however matched by the use of FX hedging derivatives, and therefore the net exposure of the Transformed fund is not material.

In light of the above-mentioned concentration, the information provided in the remaining part of this section concerns only the Česká pojišťovna portfolio.

Česká pojišťovna portfolio

As the currency in which the Company presents its financial statements is CZK, movements in the exchange rates between selected foreign currencies and CZK affect the Company's financial statements.

The general strategy of the Company is to fully hedge currency risk exposure. The Company ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or using short-term FX operations. The FX position is regularly monitored and the hedging instruments are reviewed on a monthly basis and adjusted accordingly. Derivative financial instruments are used to manage the potential earnings impact of foreign currency movements, including currency swaps, spot and forward contracts. When suitable other instruments are also considered and used.

The Company's main foreign exposures are to European countries and the United States of America. Its exposures are measured mainly in Euros ("EUR") and U.S. Dollars ("USD") and Polish Zloty ("PLN").

The following table shows sensitivities of the portfolio to changes in foreign exchange rates. The portfolio does not contain instruments covering unit-linked policies, as the investment risk is transferred from the Company to the policyholder. Currency shocks are considered to be a rise or a fall in the value of a foreign currency position by a specified percentage. This approach is in line with the Solvency II definition of a currency risk.

Due to hedge accounting, the impact of potential increase or decrease of foreign exchange rates is limited and recognized through the income statement.

The following tables show sensitivities of the investment portfolio (including derivatives classified as financial liabilities) to change in currency risk:

31. 12. 2015		**EUR**		**USD**		**Other**	
(CZK million)		**Income Statement**	**Shareholders' Equity**	**Income Statement**	**Shareholders' Equity**	**Income Statement**	**Shareholders' Equity**
FX rate +10%	Gross impact on interest income	–	–	–	–	–	–
	Gross impact on fair value	217	–	21	–	11	–
	Income tax charge / (credit)	(41)	–	(4)	–	(2)	–
	Total net impact	**176**	**–**	**17**	**–**	**9**	**–**
FX rate -10%	Gross impact on interest income	–	–	–	–	–	–
	Gross impact on fair value	(217)	–	(21)	–	(11)	–
	Income tax charge / (credit)	41	–	4	–	2	–
	Total net impact	**(176)**	**–**	**(17)**	**–**	**(9)**	**–**

31. 12. 2014		**EUR**		**USD**		**Other**	
(CZK million)		**Income Statement**	**Shareholders' Equity**	**Income Statement**	**Shareholders' Equity**	**Income Statement**	**Shareholders' Equity**
FX rate +10%	Gross impact on interest income	–	–	–	–	–	–
	Gross impact on fair value	8	–	(12)	–	22	–
	Income tax charge / (credit)	(2)	–	2	–	(4)	–
	Total net impact	**6**	**–**	**(10)**	**–**	**18**	**–**
FX rate -10%	Gross impact on interest income	–	–	–	–	–	–
	Gross impact on fair value	(8)	–	12	–	(22)	–
	Income tax charge / (credit)	2	–	(2)	–	4	–
	Total net impact	**(6)**	**–**	**10**	**–**	**(18)**	**–**

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The following tables show sensitivities of the insurance liabilities to change in currency risk:

31. 12. 2015		EUR		USD		Other	
(CZK million)		Income Statement	Shareholders' Equity	Income Statement	Shareholders' Equity	Income Statement	Shareholders' Equity
FX rate +10%	Gross impact on interest income	–	–	–	–	–	–
	Gross impact on fair value	(126)	–	(3)	–	(23)	–
	Income tax charge / (credit)	24	–	1	–	4	–
	Total net impact	**(102)**	**–**	**(2)**	**–**	**(19)**	**–**
FX rate -10%	Gross impact on interest income	–	–	–	–	–	–
	Gross impact on fair value	126	–	3	–	23	–
	Income tax charge / (credit)	(24)	–	(1)	–	(4)	–
	Total net impact	**102**	**–**	**2**	**–**	**19**	**–**

31. 12. 2014		EUR		USD		Other	
(CZK million)		Income Statement	Shareholders' Equity	Income Statement	Shareholders' Equity	Income Statement	Shareholders' Equity
FX rate +10%	Gross impact on interest income	–	–	–	–	–	–
	Gross impact on fair value	(137)	–	(4)	–	(26)	–
	Income tax charge / (credit)	26	–	1	–	5	–
	Total net impact	**(111)**	**–**	**(3)**	**–**	**(21)**	**–**
FX rate -10%	Gross impact on interest income	–	–	–	–	–	–
	Gross impact on fair value	137	–	4	–	26	–
	Income tax charge / (credit)	(26)	–	(1)	–	(5)	–
	Total net impact	**111**	**–**	**3**	**–**	**21**	**–**

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The following table shows the composition of financial assets and liabilities with respect to the main currencies of Česká pojišťovna a.s.:

31. 12. 2015 (CZK million)	EUR	USD	CZK	PLN	Other	Total
Loans	363	–	3,752	–	–	4,115
Financial assets available-for-sale	17,723	9,177	33,164	270	1,698	62,032
Financial assets at fair value through profit or loss	(4,374)	(5,112)	22,370	–	(1,535)	11,349
Reinsurance assets	2	–	9,780	8	–	9,790
Receivables	1,418	85	3,924	557	102	6,086
Cash and cash equivalents	134	97	1,649	–	66	1,946
Total assets	**15,266**	**4,247**	**74,639**	**835**	**331**	**95,318**
Insurance liabilities	1,264	29	66,169	60	170	67,692
Financial liabilities	710	61	993	–	–	1,764
Deposits received from reinsurers	–	–	1,402	–	–	1,402
Payables	381	157	7,194	12	7	7,751
Other liabilities	–	–	1,882	–	–	1,882
Total liabilities	**2,355**	**247**	**77,640**	**72**	**177**	**80,491**
Net foreign currency position	**12,911**	**4,000**	**(3,001)**	**763**	**154**	**14,827**

31. 12. 2014 (CZK million)	EUR	USD	CZK	PLN	Other	Total
Loans	372	–	5,880	–	–	6,252
Financial assets available-for-sale	16,395	8,129	36,991	1,599	1,855	64,969
Financial assets at fair value through profit or loss	221	308	14,036	11	36	14,612
Other investments	–	–	2	–	–	2
Reinsurance assets	6	6	9,244	697	1	9,954
Receivables	1,248	102	4,427	212	47	6,036
Cash and cash equivalents	84	81	2,113	215	11	2,504
Total assets	**18,326**	**8,626**	**72,693**	**2,734**	**1,950**	**104,329**
Insurance liabilities	1,374	36	72,193	3,142	205	76,950
Financial liabilities	462	292	1,851	19	29	2,653
Deposits received from reinsurers	–	–	1,403	–	–	1,403
Payables	354	121	7,161	331	8	7,975
Other liabilities	–	–	1,763	42	–	1,805
Total liabilities	**2,190**	**449**	**84,371**	**3,534**	**242**	**90,786**
Net foreign currency position	**16,136**	**8,177**	**(11,678)**	**(800)**	**1,708**	**13,543**

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E.4.5. Risk limits

The principal tools used to measure and control market risk exposure within the investment portfolios of the Company Česká pojišťovna are a system of risk limits.

The system includes single and total limits on foreign currency (FX), interest rate (IR) and equity (EQ) risks. The primarily aim of the system of limits is to control exposure to single type of risks. Limits are monitored on daily basis and allow Risk Management to take immediate action and actively manage the level of the undertaken risks.

E.5. Credit risk

Credit risk refers to the economic impact from downgrades and defaults of fixed income securities or counterparty on the Group's financial strength. Furthermore, a general rise in spread level, due to credit crunch or liquidity crisis, impacts the financial strength of the Group.

The Group has adopted guidelines to limit the credit risk of the investments. These favour the purchase of investment-grade securities and encourage the diversification and dispersion of the portfolio.

For the rating assessment of an issue or issuer, ratings from rating agencies are used. Securities without an external rating are given an internal one based on the Group's own credit analysis. In most cases internal ratings are based on external rating of the Parent Company or its adjusted external rating due to subordination of the instrument. All internal ratings are in accordance with GCEE's assessment. In line with Generali Group principles, the Group uses the second best external rating for each counterparty in all calculations and in the system of credit limits.

To manage the level of credit risk, the Group deals with counterparties with a good credit standing and enters into master netting agreements whenever possible. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

The Group sets up complex system of limits to manage credit risk and monitors compliance with these limits on a daily basis. The system includes e.g. issuer/counterparty limits according to their credit quality, limits on rating categories and concentration limits.

The Group's assets relevant for the credit risk exposure are shown in the following table. This table presents the Group's overall exposure to the credit risk (carrying amounts):

(CZK million)	31. 12. 2015	31. 12. 2014
Loans and receivables	6,431	5,942
Bonds	148,044	149,265
Reinsurance assets	9,820	9,977
Receivables	7,272	6,940
Cash and cash equivalents	4,143	5,050
Total	**175,710**	**177,174**

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Of which relates to the Transformed fund

(CZK million)	31. 12. 2015	31. 12. 2014
Loans and receivables	2,750	300
Bonds	89,226	83,799
Receivables	729	727
Cash and cash equivalents	632	1,132
Total	**93,337**	**85,958**

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A more detailed analysis of the carrying amounts for selected positions is provided in following table. The positions of reinsurance assets are not included in this analysis, as they are neither past due nor impaired.

	Loans and receivables – carrying amount		Receivables – carrying amount	
(CZK million)	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014
Neither past due nor impaired – carrying amount	**6,431**	**5,885**	**5,091**	**4,416**
Past due but not impaired – carrying amount	**–**	**–**	**402**	**–**
Individually impaired – carrying amount	**–**	**57**	**1,779**	**2,524**
Gross amount	117	6,542	3,066	3,858
31 days to 90 days after maturity	–	–	1,023	2,014
91 days to 180 days after maturity	–	–	369	282
181 days to 1 year after maturity	–	–	448	297
Over 1 year after maturity	117	6,542	1,226	1,265
Allowance for impairment	(117)	(6,485)	(1,287)	(1,334)
Total	**6,431**	**5,942**	**7,272**	**6,940**

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Loans and receivables that are neither past due nor impaired, consists mostly of receivables from term deposits and reverse repurchase agreements with banks.

Of which relates to the Transformed fund

	Loans and receivables – carrying amount		Receivables – carrying amount	
(CZK million)	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014
Neither past due nor impaired – carrying amount	**2,750**	**300**	**729**	**726**
Past due but not impaired – carrying amount	**–**	**–**	**–**	**–**
Individually impaired – carrying amount	**–**	**–**	**–**	**–**
Total receivables	**2,750**	**300**	**729**	**726**

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The Group places term deposits with selected financial institutions which had as at 31 December 2015 rating from A to BB (31 December 2014 rating from AA- to BBB-) or were not rated, but assessed internally. There were no past due or impaired term deposits either in 2015 or 2014.

Amounts not included in the analysis consist of receivables related to taxation, which are not relevant for credit risk exposure.

The following tables show the Group's exposure to credit risk for bonds and reinsurance assets.

Rating of bonds:

	31. 12. 2015		31. 12. 2014	
(CZK million)	Total fair value	Weight (%)	Total fair value	Weight (%)
AAA	2,935	2.0	2,960	2.0
AA	96,056	64.4	95,474	63.5
A	9,571	6.4	16,585	11.0
BBB	21,838	14.6	24,180	16.1
Non-investment grade	10,114	6.8	3,572	2.4
Not-rated	8,631	5.8	7,590	5.0
Total	**149,145**	**100.0**	**150,361**	**100.0**

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Of which relates to the Transformed fund

	31. 12. 2015		31. 12. 2014	
(CZK million)	**Total fair value**	**Weight (%)**	**Total fair value**	**Weight (%)**
AAA	–	0.0	41	0.0
AA	70,412	78.9	67,186	80.2
A	3,110	3.5	4,462	5.3
BBB	9,696	10.9	10,259	12.2
Non-investment grade	4,097	4.6	1,372	1.6
Not-rated	1,911	2.1	479	0.6
Total	**89,226**	**100.0**	**83,799**	**100.0**

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The bond rating shown above corresponds to the second best rating available from external rating agencies. Such a rating is then converged to S&P scale.

The total amount of bonds includes also unquoted bonds which are classified as Loans (see note F.3.3)

Rating of reinsurance assets:

	31. 12. 2015		31. 12. 2014	
(CZK million)	**Total carrying amount**	**Weight (%)**	**Total carrying amount**	**Weight (%)**
AA	110	1.1	126	1.3
A	223	2.3	547	5.5
BBB	–	0.0	57	0.6
Captive reinsurance	8,579	87.4	9,074	90.9
Non-rated	908	9.2	173	1.7
Total	**9,820**	**100.0**	**9,977**	**100.0**

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The rating of reinsurance assets shown above corresponds to the second best rating available from external rating agencies. Such a rating is then converged to S&P scale.

There were no past due or impaired reinsurance assets in either 2015 or 2014.

The individual business units of the Group hold collateral for loans and advances to banks in the form of securities as part of reverse repurchase agreements, collateral for loans and advances to non-banks in the form of pledge over property, received notes and guarantees.

The following table shows the fair value of collateral held by the Group for Loans and advances to banks and non-banks.

Fair value of collateral for loans and advances to banks and non-banks:

(CZK million)	**31. 12. 2015**	**31. 12. 2014**
Against individually impaired	20	20
Property	20	20
Against neither past due nor impaired	5,406	4,482
Debt securities	5,350	4,425
Other	56	57
Total	**5,426**	**4,502**

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Of which relates to the Transformed fund

(CZK million)	**31. 12. 2015**	**31. 12. 2014**
Against individually impaired	–	–
Against neither past due nor impaired	2,750	300
Debt securities	2,750	300
Total	**2,750**	**300**

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Concentrations of credit risk arise where groups of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions.

The following tables show the economic and geographic concentration of credit risk of bonds:

Geographic concentration:

	31. 12. 2015		31. 12. 2014	
(CZK million)	**Total amount**	**Weight (%)**	**Total amount**	**Weight (%)**
Czech Republic	104,822	70.3	105,490	70.2
Russia	8,492	5.7	10,364	6.9
Other CEE countries	21,499	14.4	20,310	13.5
Netherlands	1,668	1.1	1,675	1.1
EU countries	9,699	6.5	8,094	5.4
Germany	954	0.6	–	0.0
Austria	2,392	1.6	–	0.0
Other EU countries	6,353	4.3	8,094	5.4
USA	2,489	1.7	3,566	2.4
Other world countries	476	0.3	862	0.6
Total	**149,145**	**100.0**	**150,361**	**100.0**

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Of which relates to the Transformed fund

	31. 12. 2015		31. 12. 2014	
(CZK million)	**Total amount**	**Weight (%)**	**Total amount**	**Weight (%)**
Czech Republic	72,537	81.3	68,839	82.1
Russia	3,007	3.4	2,507	3.0
Other CEE countries	9,605	10.8	8,110	9.7
Netherlands	238	0.3	357	0.4
EU countries	2,067	2.3	1,657	2.0
Austria	760	0.9	–	0.0
Other EU countries	1,307	1.5	1,657	2.0
USA	1,476	1.7	2,123	2.5
Other world countries	296	0.3	206	0.2
Total	**89,226**	**100.0**	**83,799**	**100.0**

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Economic concentration:

	31. 12. 2015		31. 12. 2014	
(CZK million)	**Total amount**	**Weight (%)**	**Total amount**	**Weight (%)**
Public sector	115,478	77.3	113,541	75.5
Financial	25,448	17.1	28,675	19.1
Energy	1,142	0.8	1,837	1.2
Utilities	4,357	2.9	4,333	2.9
Materials	1,042	0.7	872	0.6
Telecommunication services	415	0.3	566	0.4
Industrial	686	0.5	537	0.4
Other sectors	577	0.4	–	0.0
Total	**149,145**	**100.0**	**150,361**	**100.0**

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Of which relates to the Transformed fund

	31. 12. 2015		31. 12. 2014	
(CZK million)	**Total amount**	**Weight (%)**	**Total amount**	**Weight (%)**
Public sector	78,138	87.5	72,701	86.8
Financial	8,560	9.6	7,154	8.5
Energy	167	0.2	759	0.9
Utilities	1,449	1.6	1,978	2.4
Materials	594	0.7	638	0.8
Telecommunication services	–	0.0	227	0.3
Industrial	318	0.4	342	0.4
Total	**89,226**	**100.0**	**83,799**	**100.0**

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The risk characteristics of each bond or loan are taken into account when assessing economic and geographic concentration. The amounts reflected in the tables represent the maximum accounting loss that would be recognised as at the end of the reporting period if the counter parties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed incurred losses, which are included in the allowance for uncollectibility.

E.6. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of its positions. It includes both the risk of being unable to fund assets using instruments with appropriate maturities and rates and the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount, and the risk of being unable to meet obligations as they become due.

All the business units have access to a diverse funding base. Apart from insurance liabilities, which serve as a main source of financing, funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, reinsurance policy, subordinated liabilities and shareholder equity. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

The business units strive to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities; for details see also the section above on asset and liability matching. Further, all the business units hold a portfolio of liquid assets as part of its liquidity risk management strategy. Special attention is paid to the liquidity management of non-life insurance business requiring sufficient funding to meet all the potential obligations in the event of a natural disaster or other extraordinary event.

All the business units as well as the Group as a whole continually assesses the liquidity risk by identifying and monitoring changes in the funding required to meet business goals and the targets set in terms of the overall strategy.

The following table shows an analysis of the Group's financial assets and liabilities broken down into their relevant maturity bands based on the residual contractual maturities.

Residual contractual maturities of financial assets:

31. 12. 2015 (CZK million)	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Unspecified**	**Total**
Investments	**22,801**	**57,547**	**74,693**	**19,671**	**174,712**
Loans	5,526	905	–	–	6,431
Held to maturity	–	–	–	–	–
Available-for-sale	15,337	50,530	74,962	9,229	150,058
Bonds	15,337	50,530	74,962	–	140,829
Equities	–	–	–	2,193	2,193
Investment fund units	–	–	–	7,036	7,036
Financial assets at fair value through profit or loss	1,938	6,112	(269)	10,442	18,223
Bonds	1,201	6,014	–	–	7,215
Equities	–	–	–	165	165
Investment fund units	–	–	–	2,681	2,681
Unit-linked investments	66	6	130	7,596	7,798
Derivatives	671	92	(399)	–	364
Receivables	**6,736**	**22**	**514**	**–**	**7,272**
Cash and cash equivalents	**4,143**	**–**	**–**	**–**	**4,143**
Total financial assets	**33,680**	**57,569**	**75,207**	**19,671**	**186,127**

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31. 12. 2014 (CZK million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Unspecified	Total
Investments	**25,021**	**56,305**	**74,108**	**19,613**	**175,047**
Loans	5,000	885	57	–	5,942
Available-for-sale	16,213	52,934	68,950	7,772	145,869
Bonds	16,213	52,934	68,950	–	138,097
Equities	–	–	–	2,319	2,319
Investment fund units	–	–	–	5,453	5,453
Financial assets at fair value through profit or loss	3,808	2,486	5,101	11,841	23,236
Bonds	3,796	2,331	5,041	–	11,168
Equities	–	–	–	228	228
Investment fund units	–	–	–	4,226	4,226
Unit-linked investments	6	11	–	7,387	7,404
Derivatives	6	144	60	–	210
Receivables	**5,852**	**309**	**694**	**–**	**6,855**
Cash and cash equivalents	**5,050**	**–**	**–**	**–**	**5,050**
Total financial assets	**35,923**	**56,614**	**74,802**	**19,613**	**186,952**

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Of which relates to the Transformed fund

31. 12. 2015 (CZK million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Unspecified	Total
Investments	**12,703**	**32,489**	**46,858**	**2,674**	**94,724**
Loans	2,750	–	–	–	2,750
Held to maturity	–	–	–	–	–
Available-for-sale	9,443	28,904	46,858	2,330	87,535
Bonds	9,443	28,904	46,858	–	85,205
Equities	–	–	–	123	123
Investment fund units	–	–	–	2,207	2,207
Financial assets at fair value through profit or loss	510	3,585	–	344	4,439
Bonds	450	3,571	–	–	4,021
Equities	–	–	–	160	160
Investment fund units	–	–	–	184	184
Unit-linked investments	–	–	–	–	–
Derivatives	60	14	–	–	74
Receivables	**729**	**–**	**–**	**–**	**729**
Cash and cash equivalents	**632**	**–**	**–**	**–**	**632**
Total financial assets	**14,064**	**32,489**	**46,858**	**2,674**	**96,085**

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31. 12. 2014 (CZK million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Unspecified	Total
Investments	**7,235**	**31,649**	**45,256**	**2,676**	**86,816**
Loans	300	–	–	–	300
Available-for-sale	6,956	31,057	41,662	1,893	81,568
Bonds	6,956	31,057	41,662	–	79,675
Equities	–	–	–	82	82
Investment fund units	–	–	–	1,811	1,811
Financial assets at fair value through profit or loss	(21)	592	3,594	783	4,948
Bonds	–	550	3,574	–	4,124
Equities	–	–	–	223	223
Investment fund units	–	–	–	560	560
Derivatives	(21)	42	20	–	41
Receivables	**727**	**–**	**–**	**–**	**727**
Cash and cash equivalents	**1,132**	**–**	**–**	**–**	**1,132**
Total financial assets	**9,094**	**31,649**	**45,256**	**2,676**	**88,675**

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Residual contractual maturities of liabilities

31. 12. 2015 (CZK million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Unspecified	Total
Financial liabilities	**2,073**	**3,052**	**349**	**1,400**	**6,873**
Financial liabilities at fair value through profit or loss	755	1,013	349	–	2,117
Other financial liabilities	1,318	2,039	–	1,400	4,756
Payables	**8,106**	**55**	**11**	**–**	**8,172**
Other liabilities	**1,880**	**105**	**12**	**–**	**1,997**
Total liabilities	**12,059**	**3,212**	**372**	**1,400**	**17,042**

31. 12. 2014 (CZK million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Unspecified	Total
Financial liabilities	**4,175**	**1,881**	**1,324**	**1,400**	**8,780**
Financial liabilities at fair value through profit or loss	1,469	1,117	519	–	3,105
Other financial liabilities	2,706	764	805	1,400	5,675
Payables	**8,505**	**69**	**–**	**–**	**8,574**
Other liabilities	**1,630**	**22**	**–**	**–**	**1,652**
Total liabilities	**14,310**	**1,972**	**1,324**	**1,400**	**19,006**

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Of which relates to the Transformed fund

31. 12. 2015 (CZK million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Unspecified	Total
Financial liabilities	**251**	**357**	**212**	**–**	**820**
Financial liabilities at fair value through profit or loss	251	357	212	–	820
Other financial liabilities	–	–	–	–	–
Payables	**280**	**–**	**–**	**–**	**280**
Other liabilities	**–**	**–**	**–**	**–**	**–**
Total liabilities	**531**	**357**	**212**	**–**	**1,100**

31. 12. 2014 (CZK million)	Less than 1 year	Between 1 and 5 years	More than 5 years	Unspecified	Total
Financial liabilities	**379**	**387**	**289**	**–**	**1 055**
Financial liabilities at fair value through profit or loss	379	387	289	–	1 055
Other financial liabilities	–	–	–	–	–
Payables	**294**	**–**	**–**	**–**	**294**
Other liabilities	**–**	**–**	**–**	**–**	**–**
Total liabilities	**673**	**387**	**289**	**–**	**1,349**

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The following table shows the amount of insurance liabilities and financial liabilities for investment contracts broken down by contractual maturity.

Estimated cash flows of insurance liabilities and liabilities of investment contracts with DPF

31. 12. 2015 (CZK million)	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Non-life insurance liabilities	**6,714**	**3,811**	**1,784**	**1,622**	**1,460**	**1,135**	**16,526**
RBNS & IBNR	6,404	3,811	1,784	1,622	1,460	1,135	16,216
Other insurance liabilities	310	–	–	–	–	–	310
Life insurance liabilities	**7,067**	**14,060**	**10,928**	**5,564**	**3,658**	**5,825**	**47,102**
Financial liabilities from investment contracts	**31,409**	**14,830**	**11,105**	**8,405**	**8,476**	**13,436**	**87,661**
Total	**45,190**	**32,701**	**23,817**	**15,591**	**13,594**	**20,396**	**151,289**

31. 12. 2014 (CZK million)	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Non-life insurance liabilities	**8,180**	**3,929**	**1,938**	**1,635**	**1,456**	**1,133**	**18,271**
RBNS & IBNR	7,894	3,929	1,938	1,635	1,456	1,133	17,985
Other insurance liabilities	286	–	–	–	–	–	286
Life insurance liabilities	**7,957**	**17,241**	**11,169**	**6,247**	**4,123**	**6,638**	**53,375**
Financial liabilities from investment contracts	**29,402**	**14,512**	**9,665**	**7,632**	**7,115**	**12,359**	**80,685**
Total	**45,539**	**35,682**	**22,772**	**15,514**	**12,694**	**20,130**	**152,331**

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Of which relates to the Transformed fund

31. 12. 2015 (CZK million)	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Life insurance liabilities	**18**	**8**	**6**	**5**	**5**	**8**	**50**
Financial liabilities from investment contracts	**31,396**	**14,830**	**11,105**	**8,405**	**8,476**	**13,436**	**87,648**
Total	**31,414**	**14,838**	**11,111**	**8,410**	**8,481**	**13,444**	**87,698**

31. 12. 2014 (CZK million)	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Life insurance liabilities	**4**	**10**	**10**	**8**	**7**	**10**	**49**
Financial liabilities from investment contracts	**29,388**	**14,513**	**9,665**	**7,632**	**7,115**	**12,359**	**80,672**
Total	**29,392**	**14,523**	**9,675**	**7,640**	**7,122**	**12,369**	**80,721**

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E.7. Insurance risks

Insurance risk results from the uncertainty surrounding the timing, frequency and size of claims under insurance contracts. The principal risk is that the frequency or size of claims is greater than expected. In addition, for some contracts, there is uncertainty about the timing of insured events. These are, by nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Group is exposed to actuarial and underwriting risk through a wide range of life and non-life products offered to customers: participating and non-participating traditional life products, unit-linked, annuities, universal life products, guaranteed investment products and all lines of non-life products (property, accident and health, car, third party liability and disability).

The most significant components of actuarial risk concern the adequacy of insurance premium rate levels and the adequacy of provisions with respect to insurance liabilities and the capital base. The adequacy is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is paid to the adequacy of provisions for the life business. For a detailed description of the liability adequacy test, see note C.3.3.

The Group manages insurance risk in the individual business units using internal guidelines for product design, reserving, pricing criteria, reinsurance strategy and guidelines for underwriting. Monitoring risk profiles, reviewing insurance-related risk control and asset/liability management are also carried out by senior management. For those insurance contracts that contain high interest rate guarantees, stochastic modelling is used to assess the risk of these rate guarantees. The pricing reflects the cost of the guarantees and appropriate reserves are established accordingly.

Methods based on dynamic and stochastic modelling were implemented and are continuously being improved. These methods will be used, among others, to measure the economic capital of insurance risks.

E.7.1. Concentration of insurance risk

A key aspect of the insurance risk faced by the Group is the extent of the concentration of insurance risk, which determines the extent to which a particular event or series of events could impact significantly the Group's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it could arise from the accumulation of risks within a number of different insurance classes.

Concentrations of risk can arise in low frequency, high-severity events such as natural disasters; in situations where the Group is exposed to unexpected changes in trends, for example, unexpected changes in human mortality or in policyholder behaviour; or where significant litigation or legislative risks could cause a large single loss, or have a pervasive effect on many contracts.

E.7.1.1. Geographic and sector-related concentrations

The risks underwritten by the Group are primarily located in the Czech Republic. Premiums generated by Polish branch were reclassified to discontinued operations in 2015 and 2014 as the portfolio of the branch was sold in 2015.

The following tables provide an overview of the direct gross written premiums according to the countries in which the Group operates and according to the different lines of business.

Life gross direct premiums written by line of business and by geographical area:

2015 (CZK million)	**Saving & Pension**	**Protection**	**Unit Linked**	**Total**
Czech Republic	4,666	3,659	1,635	9,960
Other countries	–	–	–	–
Total	**4,666**	**3,659**	**1,635**	**9,960**

2014 (CZK million)	**Saving & Pension**	**Protection**	**Unit Linked**	**Total**
Czech Republic	5,904	3,710	1,517	11,131
Other countries	–	–	–	–
Total	**5,904**	**3,710**	**1,517**	**11,131**

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Non-life gross direct premiums written by line of business and by geographical area:

2015 (CZK million)	Motor	Property	Non motor General liability	Accident, Health and Disability	Other	Total
Czech Republic	8,014	7,060	1,940	794	132	17,940
Other countries	–	–	–	–	–	–
Total	**8,014**	**7,060**	**1,940**	**794**	**132**	**17,940**

2014 re-presented (CZK million)	Motor	Property	Non motor General liability	Accident, Health and Disability	Other	Total
Czech Republic	8,044	6,997	1,916	730	235	17,922
Other countries	–	–	–	–	–	–
Total	**8,044**	**6,997**	**1,916**	**730**	**235**	**17,922**

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The breakdown according to gross direct premium written is a reliable approximation of the concentration of the total sum insured from the geographical perspective.

The reinsurance has no significant impact on the concentration of the insurance risk.

E.7.1.2. Low-frequency, high-severity risks

Significant insurance risk is connected with low-frequency and high-severity risks. The Group manages these risks through its underwriting strategy and adequate reinsurance arrangements.

According to its underwriting strategy, the most significant risk of natural disaster to which the Group is exposed is the risk of flooding in the Czech Republic. In the event of a major flood, the Group expects the property portfolio to see high claims for structural damage to properties and contents, and high claims for business interruption while transport links are inoperable and business properties are closed for repair. Apart from the risk of flooding, other climatic phenomena, such as long-lasting snow-fall, claims caused by snow-weight or strong wind-storms or hail-storms would have a similar effect.

Underwriting strategy

The underwriting strategy is an integral part of the annual business plan that specifies the classes of business to be written within the planned period and the target sectors of clients. Following approval of underwriting limits by the Board of Directors, the strategy is cascaded to the individual underwriters in the form of underwriting limits (each underwriter can write business by line size, class of business, territory and industry in order to ensure the appropriate risk selection within the portfolio).

E.7.1.3. Life underwriting risk

In the life portfolio of the Group, there is a prevailing component of saving contracts, but there are also pure risk covers (death plus riders, such as an accident, disability, dread disease, etc.) and some annuity portfolios, with the presence of the longevity risk.

The risks related to policies with prevailing saving component are considered in a prudential way when pricing the guaranteed interest rate, in line with the particular situation of the local financial market, and also taking into account any relevant regulatory constraint.

As far as the demographic risk related to pure risk portfolios is concerned, the mortality tables used in the pricing are prudent. The standard approach is to use population or experience tables with adequate safety loadings.

For the most important risk portfolios a detailed analysis of mortality experience is carried out every year in comparison with the expected mortality of the portfolio, determined according to the most up-to-date mortality tables available in each market. This analysis takes into consideration the mortality by sex, age, policy year, sum assured, other underwriting criteria and also mortality trends. Detailed analysis of risks concerning to dread disease and disability is also prepared annually.

As far as lapse risk (risks related to voluntary withdrawal from the contract) and expense risk (risks related to inadequacy of charges and loadings in the premiums in order to cover future expenses) is concerned, it is evaluated in a prudent manner in the pricing of new products, considering the construction and the profit testing of new tariff assumptions derived from the experience of the Group, or if it is not sufficiently reliable or suitable, the experience of the other Generali Group entities or the general experience of the local market. In order to mitigate lapse risk, surrender penalties are generally considered in the tariff and are determined in such a way to compensate, at least partially, the loss of future profits.

The table below shows the insurance liabilities of the life gross direct business by level of guaranteed interest rate. Financial liabilities related to investment contracts with DPF are included as well.

Insurance liabilities of life gross direct business: level of financial guarantee

	Gross direct insurance	
(CZK million)	**31. 12. 2015**	**31. 12. 2014**
Liabilities with guaranteed interest	**120,041**	**116,759**
Between 0% and 2.49%	100,760	95,016
Between 2.5% and 3.49%	4,482	4,693
Between 3.5% and 4.49%	2,579	2,860
More than 4.5% (incl.)	12,220	14,190
Liabilities without guaranteed interest	**4,997**	**8,056**
Total	**125,038**	**124,815**

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Of which relates to the Transformed fund

	Gross direct insurance	
(CZK million)	**31. 12. 2015**	**31. 12. 2014**
Liabilities with guaranteed interest	**87,648**	**80,672**
Between 0% and 2.49%	87,648	80,672
Between 2.5% and 3.49%	–	–
Between 3.5% and 4.49%	–	–
More than 4.5% (incl.)	–	–
Liabilities without guaranteed interest	**–**	**–**
Total	**87,648**	**80,672**

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E.7.1.4. Non-life underwriting risk

The pricing risk covers the risk that the premium charged is insufficient to cover actual future claims and expenses.

The reserving risk relates to the uncertainty of the run-off of reserves around its expected value, which is the risk that the actuarial reserve is not sufficient to cover all liabilities of claims incurred. Its assessment is closely related to the estimation of reserves and both processes are performed together for consistency reasons using claim triangles and all other relevant information collected and analysed according to specific guidelines.

The Group has the right to re-price the risk on renewal and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event.

E.7.2. Reinsurance strategy

Annually the Group pursues a renewal of reinsurance treaties which reinsures some of the underwritten risks in order to control its exposures to individual, frequent and catastrophic losses according to quantitative and qualitative points and protect its capital resources.

The Group concludes the proportionate and non-proportionate reinsurance treaties or a combination of these reinsurance treaties to reduce its net exposure. The maximum net exposure limits for particular business lines are reviewed annually. To provide additional protection, the Group uses facultative reinsurance for certain insurance policies.

The majority of reinsurance treaties are concluded with GP Reinsurance EAD (“GP RE”) – the GCEE group captive reinsurance company based in Bulgaria. On the top of it the Group benefits from the consolidated reinsurance programme and diversification of its risks due to the GP RE group cover which is retro-ceded Assicurazioni Generali S.p.A. on the regular reinsurance market.

Ceded reinsurance contains a reinsurers´ credit risk as the cession does not relieve the Group of its obligations to its clients. Through the GCEE credit risk management, the Group regularly evaluates the financial status of its reinsurers and monitors the concentration of credit risk to minimise its exposure to financial loss caused by a reinsurer’s insolvency. Placement of non-life obligatory reinsurance treaties is managed by the GCEE and is guided by the Security List of Assicurazioni Generali S.p.A.

All reinsurance issues are subject to strict review. This includes the evaluation of reinsurance arrangements, setting the minimum capacity and retention criteria, monitoring the purchase of reinsurance against those criteria, erosion of the reinsurance programme and its ongoing adequacy and credit risk. Treaty capacity needed is based on both internal and group modelling.

The overview of obligatory reinsurance treaties for the main programme and underwriting year 2015:

Line of business / Treaty	Form of reinsurance	Leader
Property		
Property	Quota Share + Risk X/L, CAT X/L, AGG X/L	GP RE
Engineering	Quota Share + Risk X/L, CAT X/L, AGG X/L	GP RE
Civil Building	Quota Share, CAT X/L, AGG X/L	GP RE
Household	Quota Share, CAT X/L, AGG X/L	GP RE
SME Property	Quota Share, CAT X/L, AGG X/L	GP RE
Liability		
Commercial Liability	Quota Share + Risk X/L	GP RE
Motor Third Party Liability	Quota Share + Risk X/L	GP RE
D&O	Quota Share	GP RE
Marine		
Cargo transport	Quota Share + Risk X/L	GP RE
CASCO	Quota Share + CAT X/L	GP RE
Medical Expenses	Quota Share + X/L	GP RE
Agriculture		
Livestock	Risk + CAT X/L	GP RE
Hail	Stop Loss	GP RE
Bonds		
Bonds	Quota Share	GP RE
Life, pensions		
Individual life insurance	Surplus	Generali Trieste
Group life insurance	Quota Share	Generali Trieste
Life & Disability	Surplus	Swiss Re
Personal Accident	Quota Share	GP RE

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E.8. Operating risk and other risks

Operational risk is defined as the potential losses, including opportunity costs, arising from inadequate or failed internal processes, personnel and systems or from external events. The operational risk category includes the compliance risk that is the risk of incurring in legal or regulatory sanctions, or material financial losses, or reputational damage rising from failure to comply with laws, regulations and administrative provisions applicable to the Group business. In addition, the financial reporting risk is also considered an operational risk. This is the risk of a transaction error which could entail an untrue and incorrect representation of the situation of the assets, liabilities, profit or loss in the Group's financial statements.

As part of the on-going processes of Generali Group, the Group has set some common principles and techniques to manage the Operational Risk:

- policies and operating guidelines are in place establishing consistent framework of Operational Risk management within Generali Group;
- assessment methodologies to identify significant risk event types and evaluate their impact on Group objectives;
- process of collecting the information on operational losses occurred to validate the results of different assessments and allow for identification of not yet identified risks and control deficiencies;
- common methodologies and principles guiding internal audit activities in order to identify the most relevant processes to be audited.

The operational risk management process is based primarily on assessing the risks by experts in different fields of Group operations and collecting information on actually occurred losses. Outputs of these analyses are used to target investment in new or modified controls and mitigation actions in order to keep the level of risks in acceptable range.

E.8.1. Operating systems and IT security management

The Parent Company's IT Organisation is based on separating the IT security unit from IT operations and IT development. The rules set by the Company regarding IT risk management and IT security are based on the rules and recommendations contained in ISO/IEC 27001:2005 Information Technology – Security techniques – Information security management systems – Requirements.

E.8.2. Other risks

In addition to above mentioned main risk categories, Group assesses also some other risks which are difficult to measure so their assessment relies on expert estimation:

- Reputational Risk, i.e. the risk of potential losses due to a reputational deterioration or to a negative perception of Group's or Generali Group's image among its customers, counterparties, shareholders and Supervisory Authority.
- Strategic Risk, i.e. the risk arising from external changes and/or internal decisions that may impact on the future risk profile of the Group or Generali Group.
- Contagion Risk, i.e. the risk that problems arising from one of the Generali Group's local entities could affect the solvency, economic or financial situation of other entities within Generali Group or Generali Group as a whole.
- Emerging Risk, i.e. the new risks due to internal or external environmental, social or technological changes that may increase Group's or Generali Group's risk exposure or require defining a new risk category.

Assessment of these risks is performed at least on yearly basis as a part of planning process aiming at identification of potential threats to planned business objectives.

E.9. Financial strength monitoring by third parties

The Group's risks are also monitored by third parties such as the insurance regulators.

Moreover, the leading rating agencies periodically assess the financial strength of the whole Generali Group expressing a judgment on the ability to meet the ongoing obligations assumed toward policyholders.

This assessment is performed taking into account several factors such as, financial and economic data, the positioning of the Group within its market, and the strategies developed and implemented by the management.

The Parent Company has a financial strength rating of A (Excellent) and an issuer credit rating of "a", both with a stable outlook, assigned by A.M. Best on 23 October 2015.

The rating reflects Parent Company's very strong business profile, excellent record of technical profitability and solid risk-adjusted capitalisation.

The rating is also derived from the strategic importance of the Parent Company as a member of the Generali Group. Additionally, the Parent Company is considered as a key element of Generali strategy in Central and Eastern Europe.

E.10. Capital management

The objectives of Generali Group's as well as the individual business units' capital management policy are:

- To guarantee the accomplishment of solvency requirements as defined by the specific laws of the sector where the participated companies operate (insurance, pension funds and financial sector).
- To safeguard the going concern and the capacity to develop own activities.
- To continue to guarantee an adequate remuneration of the shareholder's capital.
- To determine adequate pricing policies that are suitable for the risk level of each sectors' activity.

E.10.1. Solvency I

The Parent Company carries out business in the insurance sector, which is a regulated industry. The Parent Company has to comply with all regulations set in the Insurance Act No 277/2009 Coll. and regulation No 434/2009 Coll., fully harmonised with EU regulation, including prudential rules relating to the capital. The prudential rules set the method for calculating Required solvency margin (minimum regulatory capital) and Available solvency margin (actual regulatory capital) which are both calculated separately for life and non-life insurance.

The industry's lead regulator is the Czech National Bank which sets and monitors the capital requirements for the Parent Company.

The Group undertakes insurance business which is a regulated industry. In every country in which the Group operates, local law and or local supervisory authorities have minimum capital requirements for insurance companies.

The minimum capital should be maintained by each business unit to face its insurance obligations and operational risks.

The following table summarises the minimum capital requirements prescribed by different local supervisory authorities and the available capital for each company:

(CZK million)	Required solvency margin		Available solvency margin	
	2015	2014	2015	2014
Česká pojišťovna a.s.	4,143	4,752	21,746	20,297
Česká pojišťovna Zdraví, a.s.	58	58	321	302
Total	**4,201**	**4,810**	**22,067**	**20,599**

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The Group closely monitors its compliance with regulatory capital requirements. The current approach for calculating capital requirements is based on Solvency I principles which are to be replaced by a new system of regulatory capital calculation – Solvency II. The Group is gradually implementing the Solvency II standards into its own risk capital management procedures.

E.10.2. Solvency II

The Generali Group makes use of an internal approach to determine the available financial resources and the capital requirements for risks which it is exposed to (Group Internal Model), while maintaining consistency with the basic framework of Solvency II, which comes effective from 2016. During 2015 activities aimed at enhancing the Risk Management System have continued, in accordance with the project aimed at fulfilling Solvency II requirements. The application for the regulatory approval of Group Internal Model was also finalized and submitted to the College of Supervisors representing the Supervisory Authorities from all the countries in scope of the Group Internal Model.

The Group Internal Model was approved on 7 March 2016 and it will be effective for the Group and Parent company as Solvency II comes to force in the Czech Republic.

This development was linked to a refinement of the methodology concerning the assessment of available financial resources and the variety of associated risks, consistently with an economic approach. Within risk assessment and monitoring enhancement activities, focus has been given to improve the overall validation activity of the overall risk assessment process, in order to fulfil the tests and standard requirements of the forthcoming regulatory regime. Finally, activities aimed at a wider and more transparent disclosure of risks have been carried out, in light of Solvency II Pillar II (Own Risk and Solvency Assessment) and Pillar III requirements (regulatory and market disclosure).

The Group follows the Generali Group approach, being a part of it. In this phase of legislative and market changes, the capital management policy integrates the internal economic logic with the necessary considerations about existing capital constraints, with reference in particular to current local and the Group solvency requirements and Rating Agency requirements.

F. Notes to the Consolidated Statement of Financial Position, Income Statement and Comprehensive Income Statement

F.1. Intangible assets

(CZK million)	31. 12. 2015	31. 12. 2014
Goodwill	**1,289**	**1,780**
of which is goodwill on Česká pojišťovna a.s. – Polish branch	–	466
of which is goodwill on Penzijní společnost České pojišťovny, a.s.	584	584
of which is goodwill on Generali SAF Pensii Private SA	705	730
Other intangible assets	**1,080**	**1,233**
Software	1,019	1,153
Present value of future profits from portfolios acquired	55	71
Intangible assets – other	6	9
Total	**2,369**	**3,013**

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Of which relates to the Transformed fund:

(CZK million)	31. 12. 2015	31. 12. 2014
Other intangible assets	**55**	**71**
Present value of future profits from portfolios acquired	55	71
Total	**55**	**71**

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F.1.1. Goodwill

The balance of the goodwill on Penzijní Společnost České pojišťovny, a.s. represents the goodwill that arose from the acquisition of ABN AMRO Penzijní fond, a.s. in 2004. The goodwill related to Generali SAF de Pensii Private S.A. is connected with the acquisition of the company in 2008.

The goodwill related to business in Poland was derecognized as a result of the disposal in December 2015 (see Note B.1. and F.8.). The goodwill was connected with the acquisition of the business in 2012.

The cash-generating units (CGU) to which goodwill has been allocated are tested for impairment annually by comparing the carrying amount of the CGU, including the goodwill, with the recoverable amount of the unit. Annual impairment review resulted in no impairment charge neither for 2015 nor 2014.

The following sections describe how the Group determines the recoverable amount of its goodwill carrying cash-generating units and provides information on certain key assumptions on which management based its determination of the recoverable amount.

Generali SAF de Pensii Private S.A.

The recoverable amount of Generali SAF de Pensii Private S.A. is calculated on the basis of its value in use. The Group employs a valuation model based on discounted post-tax cash flows. The model calculates the present value of the estimated future cash inflows and outflows, considering projections on budgets/forecasts approved by management. The cash flows are projected for 20 years in order to take into account the long-term nature of the pension fund investments.

These key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information. The key assumptions to which the calculation of value in use is most sensitive are the earnings projection, long-term growth and discount rate.

The key assumptions used for value in use calculations to test the recoverability of goodwill are as follows:

Long-term growth rate	2.00%
Discount rate	8.53%

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The most important assumptions behind the earnings projections are the fees on contributions from pension fund members, which is equal to 2,5% of the contribution, and the asset management fee, which is equal to 0,6% of the managed assets. Management believes that both percentages will be stable during the planned period.

The discount rate applied is comprised of a risk-free interest rate and a market risk premium. Management believes that, currently, there are no reasonably possible changes in any of the key assumptions, which would lead to the recoverable amount being below the carrying amount.

Penzijní společnost České pojišťovny including the Transformed fund (PFČP)

The Dividend Discount Model has been used for the determination of the value in use of PFČP.

The Dividend Discount Model is based on the hypothesis that the value of a cash-generating unit is equal to the present value of the post-tax cash flows available for its shareholders. These cash flows are supposed to be equal to the flows derived from the distributable dividends, while maintaining an adequate capital structure as required by the laws in force and the entity’s economic nature and to maintain its expected future development.

According to this method, the value of the cash-generating unit is equal to the sum of the discounted value of future dividends plus the terminal value of the cash-generating unit itself.

The application of this criterion has generally entailed the following phases:

- For forecasting the future cash flows of PFČP, the detailed information included in the last available Rolling Plan 2016–2018 has been considered. The main economic-financial data (i.e. net profit) has been calculated for two additional years (2019 and 2020) on the basis of the growth rate in the last year of the Rolling Plan (2018) to extend the forecast period.
- Explicit forecasting of the future cash flows to be distributed to shareholders in the planned time frame, taking into account limits requiring the maintenance of an adequate capital level.
- Calculating the cash-generating unit’s terminal value, that is the expected value of the cash-generating unit at the end of the latest year planned.
- The discount rate of the future cash flows has been defined on the basis of the return rate of risk-free investments plus annual cost of capital. The cost of capital is derived from the Embedded Value methodology of the Group.

Key assumptions used for value in use calculation are as follows:

Long-term growth rate	1.0%
Discount rate	4.5%

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Management believes that, currently, there are no reasonably possible changes in any of the key assumptions, which would lead to the recoverable amount being below the carrying amount.

F.1.2. Other intangible assets

Tables below show the development of individual classes of other intangible assets.

2015 (CZK million)	Software	Present Value of Future Profits	Other intangible assets	Total
Balance as at 1 January – Gross amount	**5,823**	**153**	**70**	**6,046**
Accumulated amortisation and impairment losses	**(4,670)**	**(82)**	**(61)**	**(4,813)**
Carrying amount as at 1 January reporting period	**1,153**	**71**	**9**	**1,233**
Increases	240	–	–	240
Decreases	(55)	–	–	(55)
Disposals of subsidiaries	(2)	–	–	(2)
Portfolio transfer	(13)	–	–	(13)
Amortisation of the period	(304)	(16)	(4)	(324)
Other changes	–	–	1	1
Carrying amount as at end of reporting period	**1,019**	**55**	**6**	**1,080**
Accumulated amortisation and impairment losses at end of reporting period	**(4,869)**	**(97)**	**(63)**	**(5,029)**
Balance as at end of reporting period – Gross amount	**5,888**	**152**	**69**	**6,109**

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2014 (CZK million)	Software	Present Value of Future Profits	Other intangible assets	Total
Balance as at 1 January – Gross amount	**6,087**	**153**	**196**	**6,436**
Accumulated amortisation and impairment losses	**(4,717)**	**(69)**	**(158)**	**(4,944)**
Carrying amount as at 1 January reporting period	**1,370**	**84**	**38**	**1,492**
Increases	268	–	10	278
Decreases	(95)	–	(21)	(116)
Foreign currency translation effects	(1)	–	–	(1)
Amortisation of the period	(363)	(13)	(18)	(394)
Other changes	(26)	–	–	(26)
Carrying amount as at end of reporting period	**1,153**	**71**	**9**	**1,233**
Accumulated amortisation and impairment losses at end of reporting period	**(4,670)**	**(82)**	**(61)**	**(4,813)**
Balance as at end of reporting period – Gross amount	**5,823**	**153**	**70**	**6,046**

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The line Disposals of subsidiaries in 2015 is connected with derecognition of assets related to the sale of ČP INVEST investiční společnost, a.s. and ČP DIRECT, a.s. (see Note B.1.). Disposal of business related to Polish branch of Česká pojišťovna (see Note F.8) is reported on line Portfolio transfer.

Of which relates to the Transformed fund:

2015 (CZK million)	Software	Present Value of Future Profits	Other intangible assets	Total
Balance as at 1 January – Gross amount	**–**	**153**	**–**	**153**
Accumulated amortisation and impairment losses	**–**	**(82)**	**–**	**(82)**
Carrying amount as at 1 January reporting period	**–**	**71**	**–**	**71**
Amortisation of the period	–	(16)	–	(16)
Carrying amount as at end of reporting period	**–**	**55**	**–**	**55**
Accumulated amortisation and impairment losses at end of reporting period	**–**	**(98)**	**–**	**(98)**
Balance as at end of reporting period – Gross amount	**–**	**153**	**–**	**153**

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2014 (CZK million)	Software	Present Value of Future Profits	Other intangible assets	Total
Balance as at 1 January – Gross amount	**–**	**–**	**–**	**–**
Accumulated amortisation and impairment losses	**–**	**–**	**–**	**–**
Carrying amount as at 1 January reporting period	**–**	**–**	**–**	**–**
Transfer from Pension company – Gross amount	–	153	–	153
Transfer from Pension company – Accumulated amortisation	–	(69)	–	(69)
Amortisation of the period	–	(13)	–	(13)
Carrying amount as at end of reporting period	**–**	**71**	**–**	**71**
Accumulated amortisation and impairment losses at end of reporting period	**–**	**(82)**	**–**	**(82)**
Balance as at end of reporting period – Gross amount	**–**	**153**	**–**	**153**

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Present value of future profits
In 2013, Present value of future profits from portfolios acquired in the amount of CZK 84 million was reported by Pension company, therefore it is not presented as at 1 January 2014 for the Transformed fund. The Present value of future profits was transferred from Pension company to the Transformed fund in 2014.

The Group performs a valuation of present value of future profits related to ABN AMRO portfolio, within the annual embedded value calculations. This valuation confirmed the present value of the respective portfolio, which exceeds its carrying amount (CZK 55 million).

Embedded value calculation follows the MCEEV Principles. The reference rates used to derive risk-neutral economic scenarios are calibrated to CZK government bonds and both investment rates and implied volatilities are as at the end of year 2015.

F.2. Tangible assets

F.2.1. Land and buildings (self used)

(CZK million)	2015	2014
Gross book value as at 1 January	**277**	**262**
Accumulated depreciation and impairment as at 1 January	**(138)**	**(116)**
Carrying amount as at 1 January	**139**	**146**
Increases	34	21
Decreases	(1)	(7)
Other changes	(2)	4
Depreciation of the period	(28)	(25)
Carrying amount as at end of reporting period	**142**	**139**
Accumulated depreciation and impairment as at end of reporting period	**(162)**	**(138)**
Gross book value as at end of reporting period	**304**	**277**

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F.2.2. Other tangible assets

(CZK million)	2015	2014
Gross book value as at 1 January	**423**	**1,568**
Accumulated depreciation and impairment as at 1 January	**(307)**	**(1,229)**
Carrying amount as at 1 January	**116**	**339**
Foreign currency translation effects	–	(1)
Increases	36	31
Disposals of subsidiaries	(7)	–
Portfolio transfer	(36)	–
Decreases	(2)	(169)
Other changes	(2)	(5)
Depreciation of the period	(23)	(76)
Net impairment loss of the period	–	(3)
Carrying amount as at end of reporting period	**82**	**116**
Accumulated depreciation and impairment as at end of reporting period	**(250)**	**(307)**
Gross book value as at end of reporting period	**332**	**423**

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Other tangible assets consist mainly of furniture, office and IT equipment.

In 2014, the Group has outsourced part of its IT operations to the related party Generali Infrastucture Services (GIS). In relation to this business decision, tangible assets (hardware) in total amount of CZK 166 million were sold to GIS; generating a profit of CZK 15 million.

F.3. Investments

F.3.1. Investment properties

(CZK million)	2015	2014
Carrying amount as at 1 January	**7,454**	**5,227**
Foreign currency translation effects	(69)	23
Increases	8	32
Acquisitions	976	2,120
Reclassifications	6	–
Revaluation and other changes	6	52
Carrying amount as at end of reporting period	**8,381**	**7,454**

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In 2015, the Group acquired two investment properties. In the first half of 2015, the Group purchased real estate entity IDEE, s.r.o. owning retail and office property located in the centre of Prague. Total acquisition cost amounted to CZK 398 million, including contingent consideration of CZK 28 million paid to the seller in January 2016 after meeting conditions defined in the purchase agreement.

Another property was acquired in December 2015 in Warsaw, when the Group paid CZK 578 million to purchase an office building located in the Wlochy district, an established secondary office location facing Jerozolimskie avenue.

A property owned by the Group which was presented as non-current assets held for sale in the amount of CZK 6 million at 31 December 2014 was decided to be kept as an investment property and reclassified to this section. For further details see note F.8.

Acquisitions into the Group in 2014 of CZK 2,120 million represent property acquired by purchase of Palác Křižík a.s. The transaction is considered an acquisition of group of assets.

The fair value of investment properties is based on the valuation of an independent valuator who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Investment properties are mainly valuated on the basis of inputs of similar assets in active markets or of discounted cash flows of future income and expenses of the rental considered as part of the higher and best use by a market participant.

Based on the analysis of inputs used for valuations, considering the limited cases where the inputs would be observable in active markets, the Group proceeded to classify the whole category at level 3.

For investment income see note F.19., for investment expense see note F.23.

F.3.2. Investments in subsidiaries and associates

(CZK million)	31. 12. 2015	31. 12. 2014
Investments in associates consolidated at equity	**68**	**427**
Direct Care s.r.o.	20	–
PFO ČPI – Fond nemovitostních akcií	–	380
PFO ČPI – Fond živé planety	48	47
Investments in non-consolidated subsidiaries and associates	**36**	**36**
Nadace České pojišťovny	6	6
Europ Assistance s.r.o.	30	30
Total	**104**	**463**

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In 2014, the Group had investment in REFICOR s.r.o. and a Russian company Finansovyj servis o.o.o.. The value of investment in REFICOR was CZK 0.1 million and the investment in Finansovyj servis was fully impaired.

In 2015, REFICOR s.r.o. merged with another Group entity Pankrác services s.r.o. (see note B.1.) and the investment was reclassified to consolidated subsidiaries. Net amount of investment in Finansovyj servis did not change.

During 2015 the Group share in Fond nemovitostních akcií decreased below 20%. As a result the company is not any longer classified as associated company (see note B.1.). The investment has been reclassified to financial investments and is accounted for in accordance with IAS 39.

In the first half of 2015, ČP DIRECT, a.s. merged with Generali Care, a.s., a company of GCEE Group. As a result of the merger, ČP DIRECT ceased and the Group recognized its participation interest in Generali Care. The investment was classified as investment in associate and is accounted for under the equity method.

F.3.2.1. Summarized financial information for associates

(CZK million)	PFO ČPI – Fond nemovitostních akcií 31. 12. 2015	PFO ČPI – Fond živé planety 31. 12. 2015	Direct Care 31. 12. 2015	Total 31. 12. 2015
Total assets	**–**	**257**	**108**	**365**
Intangible assets	–	–	1	1
Tangible assets	–	–	–	–
Investments	–	223	–	223
Receivables	–	–	18	18
Other assets	–	3	–	3
Cash and cash equivalents	–	31	89	120
Current assets	**–**	**257**	**108**	**365**
Non-current assets	**–**	**–**	**–**	**–**
Total liabilities	**–**	**1**	**35**	**36**
Other provisions	–	–	1	1
Financial liabilities	–	–	–	–
Payables	–	–	34	34
Other liabilities	–	1	–	1
Current liabilities	**–**	**1**	**35**	**36**
Non-current liabilities	**–**	**–**	**–**	**–**
Net assets	**–**	**256**	**73**	**329**

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(CZK million)	PFO ČPI – Fond nemovitostních akcií 31. 12. 2014	PFO ČPI – Fond živé planety 31. 12. 2014	Direct Care 31. 12. 2014	Total 31. 12. 2014
Total assets	**1,497**	**216**	**–**	**1,713**
Intangible assets	–	–	–	–
Tangible assets	–	–	–	–
Investments	1,461	203	–	1,664
Receivables	–	–	–	–
Other assets	8	–	–	8
Cash and cash equivalents	28	13	–	41
Current assets	**1,497**	**216**	**–**	**1,713**
Non-current assets	**–**	**–**	**–**	**–**
Total liabilities	**23**	**5**	**–**	**28**
Other provisions	–	–	–	–
Financial liabilities	–	–	–	–
Payables	4	1	–	5
Other liabilities	19	4	–	23
Current liabilities	**23**	**5**	**–**	**28**
Non-current liabilities	**–**	**–**	**–**	**–**
Net assets	**1,474**	**211**	**–**	**1,685**

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Summarized SOCI

(CZK million)	Direct Care 2015	2014
Net interest income	–	–
Net profit from the fees and commissions	–	–
Other operating income	195	–
Other operating expense	(186)	–
Earnings before tax	**9**	**–**
Tax	(2)	–
Net profit of the year	**7**	**–**

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Financial result of investment funds is from Group point of view immaterial, therefore not disclosed.

F.3.3. Loans and receivables

(CZK million)	Book Value		Fair Value	
	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014
Unquoted bonds	**905**	**885**	**1,101**	**1,096**
Other loans and receivables	**5,526**	**5,057**	**5,526**	**5,057**
Term deposit with credit institutions	176	100	176	100
Buy-sell transactions	5,350	4,900	5,350	4,900
Other loans	–	57	–	57
Loans and receivables total	**6,431**	**5,942**	**6,627**	**6,153**
Current portion	**5,526**	**4,999**	**–**	**–**
Non-current portion	**905**	**943**	**–**	**–**

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Of which relates to the Transformed fund:

(CZK million)	Book Value		Fair Value	
	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014
Other loans and receivables	**2,750**	**300**	**2,750**	**300**
Buy-sell transactions	2,750	300	2,750	300
Loans and receivables total	**2,750**	**300**	**2,750**	**300**
Current portion	**2,750**	**300**	**–**	**–**

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Fair value measurement as at the end of the reporting period:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Unquoted bonds	**–**	**1,101**	**–**	**1,101**
Other loans and receivables	**–**	**5,526**	**–**	**5,526**
Term deposit with credit institutions	–	176	–	176
Buy-sell transactions	–	5,350	–	5,350
Other loans	–	–	–	–
Total	**–**	**6,627**	**–**	**6,627**

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Unquoted bonds	**–**	**1,096**	**–**	**1,096**
Other loans and receivables	**–**	**5,000**	**57**	**5,057**
Term deposit with credit institutions	–	100	–	100
Buy-sell transactions	–	4,900	–	4,900
Other loans	–	–	57	57
Total	**–**	**6,096**	**57**	**6,153**

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Of which relates to the Transformed fund:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Other loans and receivables	**–**	**2,750**	**–**	**2,750**
Buy-sell transactions	–	2,750	–	2,750
Total	**–**	**2,750**	**–**	**2,750**

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Other loans and receivables	**–**	**300**	**–**	**300**
Buy-sell transactions	–	300	–	300
Total	**–**	**300**	**–**	**300**

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Generally, if available and if the market is defined as active, fair value is equal to the market price. In the opposite case, the fair value is determined using the market and income approach. Primary inputs to the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means a discounted cash flow method where either the cash flow or the discount curve is adjusted to reflect credit risk and liquidity risk, using interest rates and yiels curves commonly observable at frequent intervals. Depending on observability of these parameters, the security is classified in level 2 or level 3.

F.3.4. Available-for-sale

(CZK million)	31. 12. 2015	31. 12. 2014
Unquoted equities at cost	**4**	**4**
Equities at fair value	**2,189**	**2,315**
Quoted	2,189	2,315
Bonds	**140,829**	**138,097**
Quoted	140,829	138,097
Investments in fund units	**7,036**	**5,453**
Total	**150,058**	**145,869**
Current portion	**15,337**	**16,213**
Non-current portion	**134,721**	**129,656**

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Based on clarification of definition of quoted and unquoted instruments unquoted bonds in the amount of CZK 16,232 million were reclassified from unquoted bonds to quoted bonds in 2014.

Of which relates to the Transformed fund:

(CZK million)	31. 12. 2015	31. 12. 2014
Equities at fair value	**123**	**82**
Quoted	123	82
Bonds	**85,205**	**79,675**
Quoted	85,205	79,675
Investments in fund units	**2,207**	**1,811**
Total	**87,535**	**81,568**
Current portion	**9,443**	**6,956**
Non-current portion	**78,092**	**74,612**

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Fair value measurement as at the end of the reporting period:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Unquoted equities at cost	**–**	**–**	**4**	**4**
Equities at fair value	**2,189**	**–**	**–**	**2,189**
Quoted	2,189	–	–	2,189
Bonds	**121,448**	**16,939**	**2,442**	**140,829**
Quoted	121,448	16,939	2,442	140,829
Investments in fund units	**6,820**	**216**	**–**	**7,036**
Total	**130,457**	**17,155**	**2,446**	**150,058**

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Unquoted equities at cost	**–**	**–**	**4**	**4**
Equities at fair value	**2,315**	**–**	**–**	**2,315**
Quoted	2,315	–	–	2,315
Bonds	**116,342**	**16,018**	**5,737**	**138,097**
Quoted	116,342	16,018	5,737	138,097
Investments in fund units	**5,453**	**–**	**–**	**5,453**
Total	**124,110**	**16,018**	**5,741**	**145,869**

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Of which relates to the Transformed fund:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Equities at fair value	**123**	**–**	**–**	**123**
Quoted	123	–	–	123
Bonds	**80,446**	**4,355**	**404**	**85,205**
Quoted	80,446	4,355	404	85,205
Investments in fund units	**2,207**	**–**	**–**	**2,207**
Total	**82,776**	**4,355**	**404**	**87,535**

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Equities at fair value	**82**	**–**	**–**	**82**
Quoted	82	–	–	82
Bonds	**74,597**	**5,078**	**–**	**79,675**
Quoted	74,597	5,078	–	79,675
Investment fund units	**1,811**	**–**	**–**	**1,811**
Total	**76,490**	**5,078**	**–**	**81,568**

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The following table represents the transfers between the fair value levels during the reporting periods:

(CZK million)	2015	2014
Transfers into Level 1 from Level 2	–	183
Transfers into Level 1 from Level 3	–	–
Transfers into Level 2 from Level 1	–	–
Transfers into Level 2 from Level 3	1,956	–
Transfers into Level 3 from Level 1	–	–
Transfers into Level 3 from Level 2	727	5,137

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Transfer of corporate bonds in the amount of CZK 727 million from Level 2 into Level 3 in 2015 is caused by stress in the financial markets which led to unavailability of observable market inputs, namely level of credit spreads.

Further analysis was carried out in order to harmonize the portfolio in 2015. Based on that corporate bonds in the amount of CZK 1,700 million were reclassified into the Level 2 from Level 3 and government bonds in the amount of CZK 256 million were reclassified into Level 2 from Level 3.

In 2014, corporate bonds in the amount of CZK 4,309 million were reclassified from level 2 into Level 3 in connection with stress in the financial markets which led to unavailability of observable market inputs, namely level of credit spreads.

Further analysis was carried out in order to harmonize criteria for pricing and levelling. As a result, government bonds in the amount of CZK 828 million were reclassified from level 2 into Level 3 as a result of unavailable market information about its yields.

Of which relates to the Transformed fund:

(CZK million)	2015	2014
Transfers into Level 1 from Level 2	–	–
Transfers into Level 1 from Level 3	–	–
Transfers into Level 2 from Level 1	–	–
Transfers into Level 2 from Level 3	–	–
Transfers into Level 3 from Level 1	–	–
Transfers into Level 3 from Level 2	410	–

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The following table presents the changes in level 3 instruments in the reporting periods:

(CZK million)	2015	2014
Balance as at 1 January	**5,741**	**4**
Transfers from Level 3	(1,956)	–
Increases	194	–
Decreases and maturities	(2,843)	–
Transfers to Level 3	727	5,137
Net unrealized gains and losses recognised in OCI	569	564
Net unrealized gains and losses recognised in P&L	(25)	–
Amortization	37	36
Other changes	2	–
Balance as at end of reporting period	**2,446**	**5,741**
Realized gains/losses for the period recognised in P&L	**–**	**–**
Net impairment loss for the period recognised in P&L	**–**	**–**

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Of which relates to the Transformed fund:

(CZK million)	2015	2014
Balance as at 1 January	**–**	**–**
Transfers to Level 3	410	–
Increases	3	–
Net unrealized gains and losses recognised in OCI	11	–
Net unrealized gains and losses recognised in P&L	(20)	–
Balance as at end of reporting period	**404**	**–**
Realized gains/losses for the period recognised in P&L	**–**	**–**
Net impairment loss for the period recognised in P&L	**–**	**–**

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Maturity of available-for-sale financial assets – bonds (fair value)

(CZK million)	Fair Value 2015	Fair Value 2014
Up to 1 year	15,337	16,213
Between 1 and 5 years	50,530	52,935
Between 5 and 10 years	42,515	44,822
More than 10 years	32,447	24,127
Total	**140,829**	**138,097**

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Of which relates to the Transformed fund:

(CZK million)	Fair Value 2015	Fair Value 2014
Up to 1 year	9,443	6,956
Between 1 and 5 years	28,904	31,057
Between 5 and 10 years	28,651	31,088
More than 10 years	18,207	10,574
Total	**85,205**	**79,675**

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Realised gains and losses, and impairment losses on available-for-sale financial assets

(CZK million)	Realised gains		Realised losses		Impairment losses	
	2015	2014	2015	2014	2015	2014
Equities	23	196	–	(209)	(144)	(90)
Bonds	380	404	(185)	(148)	–	–
Investments in fund units	388	346	(35)	(2)	(194)	(51)
Total	**791**	**946**	**(220)**	**(359)**	**(338)**	**(141)**

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Of which relates to the Transformed fund:

(CZK million)	Realised gains		Realised losses		Impairment losses	
	2015	2014	2015	2014	2015	2014
Equities	1	5	–	(18)	–	(6)
Bonds	123	58	(40)	(29)	–	–
Investments in fund units	144	–	(35)	–	–	–
Total	**268**	**63**	**(75)**	**(47)**	**–**	**(6)**

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F.3.5. Financial assets at fair value through profit or loss

(CZK million)	Held for trading		Designated at FVTPL		Total financial assets at fair value through profit and loss	
	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014
Equities	**–**	**–**	**165**	**228**	**165**	**228**
Quoted	–	–	165	228	165	228
Bonds	**–**	**–**	**7,215**	**11,168**	**7,215**	**11,168**
Quoted	–	–	7,215	11,168	7,215	11,168
Investments in fund units	**–**	**102**	**2,681**	**4,124**	**2,681**	**4,226**
Derivatives	**130**	**78**	**304**	**141**	**434**	**219**
Unit-linked investments	**–**	**–**	**7,798**	**7,404**	**7,798**	**7,404**
Total	**130**	**180**	**18,163**	**23,065**	**18,293**	**23,245**
Current portion	**–**	**–**	**–**	**–**	**1,529**	**3,854**
Non-current portion	**–**	**–**	**–**	**–**	**16,764**	**19,391**

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Based on clarification of definition of quoted and unquoted instruments unquoted bonds in the amount of CZK 4,537 million were reclassified from unquoted bonds to quoted bonds in 2014.

Of which relates to the Transformed fund:

(CZK million)	Held for trading		Designated at FVTPL		Total financial assets at fair value through profit and loss	
	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014
Equities	–	–	160	223	160	223
Quoted	–	–	160	223	160	223
Bonds	–	–	4,021	4,124	4,021	4,124
Quoted	–	–	4,021	4,124	4,021	4,124
Investments in fund units	–	–	183	560	183	560
Derivatives	59	–	16	53	75	53
Total	59	–	4,380	4,960	4,439	4,960
Current portion	–	–	–	–	513	23
Non-current portion	–	–	–	–	3,926	4,937

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Fair value measurement as at the end of the reporting period:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Equities	165	–	–	165
Quoted	165	–	–	165
Bonds	6,464	751	–	7,215
Quoted	6,464	751	–	7,215
Investments in fund units	2,681	–	–	2,681
Derivatives	2	432	–	434
Unit-linked investments	6,049	1,723	26	7,798
Total	15,361	2,906	26	18,293

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Equities	228	–	–	228
Quoted	228	–	–	228
Bonds	6,631	4,537	–	11,168
Quoted	6,631	4,537	–	11,168
Investments in fund units	4,226	–	–	4,226
Derivates	–	219	–	219
Unit-linked investments	7,373	31	–	7,404
Total	18,458	4,787	–	23,245

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Of which relates to the Transformed fund:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Equities	160	–	–	160
Quoted	160	–	–	160
Bonds	4,021	–	–	4,021
Quoted	4,021	–	–	4,021
Investments in fund units	183	–	–	183
Derivates	–	75	–	75
Total	4,364	75	–	4,439

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Equities	223	–	–	223
Quoted	223	–	–	223
Bonds	4,124	–	–	4,124
Quoted	4,124	–	–	4,124
Investments in fund units	560	–	–	560
Derivates	–	53	–	53
Total	4,907	53	–	4,960

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The following table represents the transfers between the fair value levels during the reporting periods:

(CZK million)	2015	2014
Transfers into Level 1 from Level 2	–	23
Transfers into Level 1 from Level 3	–	–
Transfers into Level 2 from Level 1	1,539	–
Transfers into Level 2 from Level 3	–	–
Transfers into Level 3 from Level 1	–	–
Transfers into Level 3 from Level 2	26	–

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In 2015 Unit-linked investment fund units in the amount CZK 1,539 million were reclassified from level 1 to level 2 and CZK 26 million were reclassified from level 2 to level 3 in relation to the frequency of an officially published valuation of the fund units.

There were no significant transfers between Level 1 and Level 2 fair value measurement categories in 2015 and 2014 for the Transformed fund.

F.4. Reinsurance assets

	Direct insurance		Accepted reinsurance		Total	
(CZK million)	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014
Non-life insurance liabilities	**8,850**	**9,071**	**236**	**175**	**9,086**	**9,246**
Provisions for unearned premium	1,857	1,750	–	8	1,857	1,758
Provisions for outstanding claims	6,935	7,279	236	167	7,171	7,446
Other insurance liabilities	58	42	–	–	58	42
Life	**732**	**729**	**2**	**2**	**734**	**731**
Provisions for outstanding claims	671	662	2	2	673	664
Mathematical provision	61	67	–	–	61	67
Total	**9,582**	**9,800**	**238**	**177**	**9,820**	**9,977**
Current portion	**4,707**	**5,344**	**95**	**76**	**4,802**	**5,420**
Non-current portion	**4,875**	**4,456**	**143**	**101**	**5,018**	**4,557**

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The amounts included in reinsurance assets represent expected future claims to be recovered from the Group's reinsurers and the reinsurers' share of unearned premiums.

Ceded reinsurance arrangements do not relieve the Group of its direct obligations to policyholders. Thus, a credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance agreements.

F.5. Receivables

(CZK million)	31. 12. 2015	31. 12. 2014
Receivables arising out of direct insurance operations	**1,901**	**2,044**
Amounts owed by policyholders	1,605	1,937
Amount owed by intermediaries and others	296	107
Receivables arising out of reinsurance operations	**2,191**	**2,234**
Trade and other receivables	**2,922**	**2,577**
of which receivables from derivatives collateral	950	1,365
Current income tax receivables	**59**	**85**
Total receivables	**7,073**	**6,940**
Current portion	**6,537**	**5,820**
Non-current portion	**536**	**1,120**

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Of which relates to the Transformed fund:

(CZK million)	31. 12. 2015	31. 12. 2014
Trade and other receivables	729	727
Total	**729**	**727**
Current portion	**729**	**727**

xls

F.6. Other assets

(CZK million)	31. 12. 2015	31. 12. 2014
Deferred acquisition costs	794	782
Deferred tax assets	47	81
Other assets – other	417	348
Other assets total	**1,258**	**1,211**
Current portion	**1,207**	**1,024**
Non-current portion	**51**	**187**

xls

F.6.1. Deferred acquisition costs

(CZK million)	2015	2014
Carrying amount as at 1 January	**782**	**752**
Change of deferred acquisition costs	63	30
Portfolio transfer	(51)	–
Carrying amount as at 31 December	**794**	**782**

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The Group defers only non-life insurance acquisition costs. All deferred acquisition costs are usually to be released within one year.

Portfolio transfer in 2015 is related to disposal of Polish portfolio (Note F.8.).

F.7. Cash and cash equivalents

(CZK million)	31. 12. 2015	31. 12. 2014
Cash and cash equivalents	4	7
Cash and balances with central banks	–	–
Cash at bank	4,139	5,043
Total	**4,143**	**5,050**

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Of which relates to the Transformed fund:

(CZK million)	31. 12. 2015	31. 12. 2014
Cash at bank	632	1,132
Total	**632**	**1,132**

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F.8. Non-current assets held-for-sale and discontinued operations

(CZK million)	31. 12. 2015	31. 12. 2014
Non-current assets held-for-sale	–	6

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A property owned by the Group was presented as at 31 December 2014 as non-current assets held for sale. Due to the failed negotiations with a buyer which resulted into changes in envisaged sale plan, the management have decided to keep the property as an investment property.

With the main goal to simplify the management structure of Generali CEE operations in the Central Europe and due to new regulatory requirements arising from the introduction of Solvency II rules, the Group management approved the decision of GCEE bodies to transfer the Polish operations through the sale of the part of the company to Generali Towarzystwo Ubezpieceń S.A. (Generali Poland), a subsidiary of Generali CEE Holding B.V. The sale was completed as at 31 December 2015 and the agreed sales price amounted to PLN 79.7 million. Again on sale in the amount of CZK 56 million has been recognised in the income statement.

As a result of the decision, the Polish operations were classified discontinued operations as at 31 December 2015.

The following table provides the amount of cash and cash equivalents and the amount of the assets and liabilities in the respect of losing control summarised by each major category.

Statement of Financial Position

(CZK million)	
Tangible and Intangible assets	16
Investments	4,024
Reinsurance assets	1,622
Receivables	214
Other assets	34
Cash and cash equivalents	9
Total assets	**5,919**
Insurance liabilities	5,714
Other provisions	32
Financial liabilities	1
Payables	130
Other liabilities	45
Total liabilities	**5,922**

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The following table shows the contribution of discontinued operations to the income statement for the period to 31 December. Net result of discontinued operations is presented on the line "Loss from discontinued operations after tax".

Income Statement

(CZK million)	2015	2014
Net earned premiums revenue	1,754	1,479
Net losses from financial instruments at fair value through profit or loss	(17)	(19)
Interest income	77	38
Realised gains from other financial instruments	18	1
Other income	84	71
Total income	**1,916**	**1,570**
Net insurance benefits and claims	(2,226)	(1,221)
Realised losses and impairment losses for financial instruments	(50)	(41)
Expense – other	–	(121)
Acquisition costs	(371)	(241)
Administration costs	(346)	(349)
Other expenses	(166)	(8)
Total expenses	**(3,159)**	**(1,981)**
Loss before tax	**(1,243)**	**(411)**
Gain on disposal of discontinued operations	**56**	**–**
Loss from discontinued operations after tax	**(1,187)**	**(411)**

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The Income statement includes the transactions with GP Reinsurance EAD, Bulgaria – Income from ceded reinsurance commission and claims paid in amount of CZK 1,995 million (2014: CZK 1,000 million) and Expenses from ceded earned premium in amount of CZK 1,323 million (2014: CZK 1,061 million).

Effect of discontinued operations to other comprehensive income for the period to 31 December is the following:

Other Comprehensive Income

(CZK million)	2015	2014
Net profit for the year	(1,187)	(411)
Exchange rate differences in equity	22	1
Available-for-sale financial assets revaluation in equity	(26)	30
Available-for-sale financial assets revaluation realised in income statement	3	(1)
Other comprehensive income before tax effects	(1)	30
Tax on items of Other comprehensive income	–	(1)
Other comprehensive income/loss, net of tax	(1)	29
Total comprehensive income	**(1,188)**	**(382)**

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Cash flows from / (used in) discontinued operations for the period ended 31 December were the following:

Cash flows from discontinued operations

(CZK million)	2015	2014
Net cash flows from / (used in) operating activities	(1,482)	156
Net cash flows from / (used in) investing activities	1,265	(575)
Net cash flows used in financing activities	(2)	(3)
Net cash decrease from discontinued operations	(219)	(422)

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F.9. Shareholder's equity

(CZK million)	31. 12. 2015	31. 12. 2014
Shareholder's equity attributable to the Group	**33,350**	**30,756**
Share capital	4,000	4,000
Other capital reserves	206	206
Revenue reserves and other reserves	11,798	11,402
Reserve for currency translation differences	25	39
Reserve for unrealised gains and losses on available-for-sale financial assets	13,095	11,514
Cash flow hedge reserve	(49)	(78)
Result of the period	4,275	3,673
Shareholder's equity attributable to non-controlling interests	**1,354**	**657**
Total	**34,704**	**31,413**

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Of which relates to the Transformed fund:

(CZK million)	31. 12. 2015	31. 12. 2014
Shareholder's equity attributable to the Group	**7,358**	**6,711**
Revenue reserves and other reserves	(916)	(387)
Reserve for unrealised gains and losses on available-for-sale financial assets	8,023	7,627
Result of the period	251	(529)
Total	**7,358**	**6,711**

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The following table provides details on reserves for unrealised gains and losses on investments available-for-sale:

(CZK million)	2015	2014 re-presented
Gross revaluation as at the beginning of the year	**12,716**	**6,121**
Tax on revaluation as at the beginning of the year	**(1,202)**	**(871)**
Beginning of the year	**11,514**	**5,250**
Revaluation gain/loss in equity – gross	2,097	6,894
Revaluation gain/loss on realisation in income statement – gross	(571)	(587)
Impairment losses	338	141
Changes in Group structure	–	118
Other comprehensive (expense)/income from discontinued operations	(23)	29
Tax on revaluation	(260)	(331)
Gross revaluation as at the end of the year	**14,557**	**12,716**
Tax on revaluation as at the end of the year	**(1,462)**	**(1,202)**
End of the year	**13,095**	**11,514**

Of which relates to the Transformed fund:

	2015	2014
Gross revaluation as at the beginning of the year	**7,368**	**3,520**
Tax on revaluation as at the beginning of the year	**259**	**70**
Beginning of the year	**7,627**	**3,590**
Revaluation gain/loss in equity – gross	589	3,858
Revaluation gain/loss on realisation in income statement – gross	(193)	(16)
Impairment losses	–	6
Tax on revaluation	–	189
Gross revaluation as at the end of the year	**7,764**	**7,368**
Tax on revaluation as at the end of the year	**259**	**259**
End of the year	**8,023**	**7,627**

Movements in the reserve for cash-flow hedges were as follows:

(CZK million)	2015	2014
Carrying amount as at 1 January	**(78)**	**(80)**
Fair value gains of the year	39	3
Tax on fair value gains/losses	(7)	(1)
Changes in Group structure	(3)	–
Carrying amount as at 31 December current year	**(49)**	**(78)**

The following table provides details of authorised and issued shares:

	31. 12. 2015	31. 12. 2014
Number of shares authorised, issued and fully paid	40,000	40,000
Par value per share (CZK)	100,000	100,000

All ordinary shares have the same rights.

F.9.1. Dividends

The sole shareholder approved on 30 April 2015 the distribution of a prior year profit of the Company in the amount of CZK 3,636 million. CZK 364 million was transferred to retained earnings and CZK 3,272 million was paid in the form of dividend of CZK 81,800 per each share in the nominal value of CZK 100,000.

At the Annual General Meeting on 30 April 2014, the sole shareholder approved the distribution of retained earnings in the form of dividend of CZK 83,600 per each share in the nominal value of CZK 100,000 amounting to CZK 3,344 million. Distribution concerns prior year profit of CZK 3,727 million reduced by the allocation to retained earnings of CZK 383 million.

F.9.2. Transactions with non-controlling interests

In March 2015, the capital of ČP INVEST Realitní uzavřený investiční fond a.s. was increased by total amount of CZK 1,747 million of which CZK 1,076 million was contributed by the Group. The ownership structure was adjusted to reflect the new contributions made by the owners accordingly and, as a result, the interest of the Group in the fund and indirect participation in its subsidiaries was diluted from 76.3% to 70.1%.

This transaction resulted in a decrease of equity attributable to the equity holders of the parent company by CZK 17 million.

F.10. Other provisions

(CZK million)	31. 12. 2015	31. 12. 2014
Provisions for taxation	–	52
Provisions for commitments	578	710
Provision for restructuring charges	33	36
Other provisions – other	23	28
Total	**634**	**826**
Current portion	**55**	**129**
Non-current portion	**579**	**697**

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(CZK million)	31. 12. 2015	31. 12. 2014
Carrying amount as at 1 January	**826**	**1,012**
Foreign currency translation effects	(1)	(1)
Disposals of subsidiaries	(53)	–
Portfolio transfer	26	–
Variations	(164)	(185)
Carrying amount as at end of reporting period	**634**	**826**

xls

Movements on line Disposals of subsidiaries in 2015 are connected with the sale of ČP INVEST investiční společnost, a.s. and derecognition of ČP Direct a.s. (see Note B.1.). Disposal of portfolio related to Polish branch of Česká pojišťovna (see Note F.8.) is reported on line Portfolio transfer.

Provisions for commitments consist of provisions for the MTPL deficit of CZK 556 million (2014: CZK 664 million) and other provisions.

Provision for MTPL deficit

On 31 December 1999, statutory MTPL insurance was replaced by contractual MTPL insurance in the Czech Republic. All rights and obligations arising from statutory MTPL insurance prior to 31 December 1999, including the deficit of received premiums to cover the liabilities and costs, were transferred to the Czech Insurers' Bureau („the Bureau").

On 12 October 1999, the Company obtained a license to write contractual MTPL insurance in the Czech Republic and, as a result, the Company became a member of the Bureau (see also F.32.2.5).

Each member of the Bureau guarantees the appropriate portion of the Bureau's liabilities based on the member's market share for this class of insurance.

Based on information publicly available and information provided to members of the Bureau, the Company created a provision adequate to cover the cost of claims likely to be incurred in relation to the liabilities ceded. However, the final and exact amount of the incurred cost of claims will only be known in several years.

F.11. Insurance liabilities

The following table discloses information about gross direct insurance liabilities and liabilities from accepted reinsurance:

	Direct insurance		Accepted reinsurance		Total	
(CZK million)	**31. 12. 2015**	**31. 12. 2014**	**31. 12. 2015**	**31. 12. 2014**	**31. 12. 2015**	**31. 12. 2014**
Non-life insurance liabilities	**20,285**	**23,177**	**778**	**845**	**21,063**	**24,022**
Provisions for unearned premium	4,477	5,679	60	72	4,537	5,751
Provisions for outstanding claims	15,520	17,232	696	753	16,216	17,985
Other insurance liabilities	288	266	22	20	310	286
Life insurance liabilities	**47,102**	**53,375**	**–**	**–**	**47,102**	**53,375**
Provisions for unearned premium	256	288	–	–	256	288
Provisions for outstanding claims	1,799	1,810	–	–	1,799	1,810
Mathematical provision	37,121	43,842	–	–	37,121	43,842
Unit-linked provision	7,593	7,112	–	–	7,593	7,112
Other insurance liabilities	333	323	–	–	333	323
Ageing provision	333	323	–	–	333	323
Total	**67,387**	**76,552**	**778**	**845**	**68,165**	**77,397**
Current portion	**–**	**–**	**–**	**–**	**18,321**	**22,053**
Non-current portion	**–**	**–**	**–**	**–**	**49,844**	**55,344**

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Of which relates to the Transformed fund:

	Direct insurance		Accepted reinsurance		Total	
(CZK million)	**31. 12. 2015**	**31. 12. 2014**	**31. 12. 2015**	**31. 12. 2014**	**31. 12. 2015**	**31. 12. 2014**
Life insurance liabilities	**50**	**49**	**–**	**–**	**50**	**49**
Other insurance liabilities	50	49	–	–	50	49
Ageing provisions	50	49	–	–	50	49
Total	**50**	**49**	**–**	**–**	**50**	**49**
Non-current portion	**50**	**49**	**–**	**–**	**50**	**49**

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F.11.1. Non-life insurance liabilities

F.11.1.1. Provision for unearned premiums

The table below shows the roll-forward of the non-life provision for unearned premiums:

	Gross		Reinsurance		Net	
(CZK million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Balance as at 1 January	**5,751**	**5,299**	**(1,758)**	**(1,852)**	**3,993**	**3,447**
Change of the period	157	474	(11)	(161)	146	313
Foreign currency translation	–	(22)	–	–	–	(22)
Portfolio transfer	(1,371)	–	(88)	73	(1,459)	73
Other changes	–	–	–	182	–	182
Balance as at end of reporting period	**4,537**	**5,751**	**(1,857)**	**(1,758)**	**2,680**	**3,993**

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F.11.1.2. Provisions for outstanding claims (RBNS and IBNR)

The table below discloses information about gross insurance provisions for outstanding claims:

	Direct insurance		Accepted reinsurance		Total	
(CZK million)	**31. 12. 2015**	**31. 12. 2014**	**31. 12. 2015**	**31. 12. 2014**	**31. 12. 2015**	**31. 12. 2014**
Motor	9,971	11,896	155	119	10,126	12,015
Non Motor	5,549	5,336	541	634	6,090	5,970
General liability	2,813	2,314	241	190	3,054	2,504
Property	2,061	1,978	285	426	2,346	2,404
Accident, Health and Disability	437	451	–	–	437	451
Marine, Aviation and Transport	174	74	8	4	182	78
Other	64	519	7	14	71	533
Total	**15,520**	**17,232**	**696**	**753**	**16,216**	**17,985**

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The following table shows the roll-forward of provisions for outstanding claims (RBNS and IBNR):

	Gross		Reinsurance		Net	
(CZK million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Balance as at 1 January	**17,985**	**17,587**	**(7,446)**	**(7,667)**	**10,539**	**9,920**
Change related to claims incurred in current year	4,726	6,092	(2,183)	(2,581)	2,543	3,511
Change related to claims incurred in previous years	(4,722)	(5,666)	1,873	2,651	(2,849)	(3,015)
Portfolio transfer	(1,876)	–	608	140	(1,268)	140
Foreign currency translation	–	(28)	–	11	–	(17)
Reclassification between segments	103	–	(23)	–	80	–
Balance as at end of reporting period	**16,216**	**17,985**	**(7,171)**	**(7,446)**	**9,045**	**10,539**

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F.11.1.3. Development of policyholders claims (RBNS and IBNR)

The following table shows the cumulative claim payments and the ultimate cost of claims by underwriting year and the development thereof from 2006 to 2015. The ultimate cost includes paid losses, outstanding reserves on reported losses, estimated reserves for IBNR claims and claim handling costs. The amounts refer to direct business gross of reinsurance.

(CZK million)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Cumulative claim payments											
at the end of underwriting year	9,575	7,945	7,507	8,278	9,004	6,519	6,728	6,943	5,704	5,358	73,561
one year later	12,152	10,608	9,957	10,658	12,363	8,595	8,974	9,199	7,961	–	–
two years later	12,581	11,051	10,470	11,094	12,816	8,957	9,375	9,733	–	–	–
three years later	12,797	11,286	10,715	11,313	13,047	9,084	9,512	–	–	–	–
four years later	12,900	11,443	10,838	11,406	13,166	9,174	–	–	–	–	–
five years later	12,998	11,543	10,917	11,474	13,193	–	–	–	–	–	–
six years later	13,048	11,624	10,985	11,543	–	–	–	–	–	–	–
seven years later	13,155	11,648	11,015	–	–	–	–	–	–	–	–
eight years later	13,190	11,686	–	–	–	–	–	–	–	–	–
nine years later	13,212	–	–	–	–	–	–	–	–	–	–
Estimate of ultimate cumulative claims costs											
at the end of underwriting year	15,411	13,497	12,847	13,113	15,228	11,531	11,570	12,107	10,555	10,153	126,012
one year later	14,778	13,512	12,716	12,978	15,079	10,899	11,462	11,688	10,741	–	–
two years later	14,687	13,184	12,257	12,835	14,927	10,756	11,193	11,343	–	–	–
three years later	14,476	12,939	12,104	12,654	14,605	10,465	10,914	–	–	–	–
four years later	14,124	12,637	11,867	12,420	14,073	10,143	–	–	–	–	–
five years later	13,943	12,400	11,666	12,195	13,966	–	–	–	–	–	–
six years later	13,861	12,248	11,531	12,100	–	–	–	–	–	–	–
seven years later	13,683	12,142	11,446	–	–	–	–	–	–	–	–
eight years later	13,637	12,032	–	–	–	–	–	–	–	–	–
nine years later	13,554	–	–	–	–	–	–	–	–	–	–
Estimate of cumulative claims	**13,554**	**12,032**	**11,446**	**12,100**	**13,966**	**10,143**	**10,914**	**11,343**	**10,741**	**10,153**	**116,392**
Cumulative payments	**(13,212)**	**(11,686)**	**(11,015)**	**(11,543)**	**(13,193)**	**(9,174)**	**(9,512)**	**(9,733)**	**(7,961)**	**(5,358)**	**(102,387)**
Provisions for outstanding claims not included in underwriting years	–	–	–	–	–	–	–	–	–	–	1,428
Provision not included in the claims development table	–	–	–	–	–	–	–	–	–	–	87
Accepted reinsurance	–	–	–	–	–	–	–	–	–	–	696
Amount recognised in the Statement of Financial Position	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16,216**

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Provisions for outstanding claims which were not included in the analysis by accident year include provision for claims which occurred before 2006 of CZK 1,428 million and provisions related to minor non-life insurance products of CZK 87 million.

Claim payments related to Polish branch were excluded from claims development triangle presented above. The Group disposed of Proama portfolio as at year end 2015 and all Polish operations were classified as discontinued operations for the years ended 31 December 2015 and 31 December 2014. For details please refer to F.8.

The following table shows the cumulative claim payments by underwriting year related to Polish branch from 2012 to 2015:

(CZK million)	2012	2013	2014	2015	Total
Cumulative claim payments					
at the end of underwriting year	119	535	782	1,337	2,773
one year later	196	744	1,237	–	–
two years later	208	816	–	–	–
three years later	219	–	–	–	–
Cumulative payments	**(219)**	**(816)**	**(1,237)**	**(1,337)**	**(3,609)**

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F.11.1.4. Other insurance liabilities

	Gross		Reinsurance		Net	
(CZK million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Balance as at 1 January	**286**	**271**	**(42)**	**(34)**	**244**	**237**
Utilisation of provisions	(424)	(326)	55	26	(369)	(300)
Creation of provisions	615	341	(71)	(34)	544	307
Other changes	(163)	–	–	–	(163)	–
Foreign currency translation	(4)	–	–	–	(4)	–
Balance as at end of reporting period	**310**	**286**	**(58)**	**(42)**	**252**	**244**

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Creation and utilisation of provisions relates mainly to provision for non-discretionary bonuses.

F.11.2. Life insurance liabilities

The tables below present changes in life insurance liabilities net of reinsurance:

2015 **(CZK million)**	**Gross**	**Reinsurance**	**Net**
Balance as at 1 January	**53,375**	**(731)**	**52,644**
Premium allocation	9,262	–	9,262
Release of liabilities due to benefits paid, surrenders and other terminations	(14,397)	–	(14,397)
Fees deducted from account balances	(2,313)	–	(2,313)
Unwinding of discount / accretion of interest	1,120	–	1,120
Changes in unit-prices	76	–	76
Change in IBNR and RBNS	19	(9)	10
Change in UPR	(40)	6	(34)
Balance as at end of reporting period	**47,102**	**(734)**	**46,368**

2014 **(CZK million)**	**Gross**	**Reinsurance**	**Net**
Balance as at 1 January	**60,391**	**(738)**	**59,653**
Premium allocation	13,948	(2)	13,946
Release of liabilities due to benefits paid, surrenders and other terminations	(19,615)	–	(19,615)
Fees deducted from account balances	(2,597)	–	(2,597)
Unwinding of discount / accretion of interest	1,278	–	1,278
Changes in unit-prices	16	–	16
Change in IBNR and RBNS	(25)	6	(19)
Change in UPR	(21)	3	(18)
Balance as at end of reporting period	**53,375**	**(731)**	**52,644**

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Of which relates to the Transformed fund:

2015 **(CZK million)**	**Gross**	**Reinsurance**	**Net**
Balance as at 1 January	**49**	**–**	**49**
Premium allocation	1	–	1
Balance as at end of reporting period	**50**	**–**	**50**

2014 **(CZK million)**	**Gross**	**Reinsurance**	**Net**
Balance as at 1 January	**32**	**–**	**32**
Premium allocation	17	–	17
Balance as at end of reporting period	**49**	**–**	**49**

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Unit-linked provisions

(CZK million)	Gross direct insurance	
	31. 12. 2015	31. 12. 2014
Balance as at 1 January	**7,112**	**10,652**
Premiums and payments	405	(3,559)
Interests and bonuses credited to policyholders	76	19
Balance as at 31 December	**7,593**	**7,112**

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Insurance liabilities and financial liabilities related to policies of the life segment

(CZK million)	Net position	
	31. 12. 2015	31. 12. 2014
Insurance contracts	43,247	49,396
Insurance contracts without discretionary participation feature	11,297	9,887
Insurance contracts with discretionary participation feature	31,950	39,509
Investment contracts with discretionary participation feature	1,995	2,101
Total insurance provisions	**45,242**	**51,497**
Investment contracts fair valued	–	–
Investment contracts at amortised cost	87,661	80,685
Total investment contracts	**87,661**	**80,685**

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Of which relates to the Transformed fund

(CZK million)	Net position	
	31. 12. 2015	31. 12. 2014
Investment contracts at amortised cost	87,648	80,672
Total investment contracts	**87,648**	**80,672**

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Total insurance provisions presented in the table above include the following items – all net of reinsurance:

(CZK million)	Net position	
	31. 12. 2015	31. 12. 2014
Provisions for unearned premium	256	288
Mathematical provision	37,060	43,774
Unit-linked provision	7,593	7,112
Other insurance liabilities	333	323
Total insurance provisions	**45,242**	**51,497**

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F.12. Financial liabilities

(CZK million)	31. 12. 2015	31. 12. 2014
Financial liabilities at fair value through profit or loss	**2,073**	**3,203**
Financial derivatives	2,066	3,173
Other	7	30
Financial liabilities at amortised cost	**92,417**	**86,360**
Financial liabilities at amortised cost related to investment contracts	87,661	80,685
Bonds and loans	1,391	500
Net asset value attributable to unit holders	798	1,367
Other	2,567	3,808
Total	**94,490**	**89,563**
Current portion	**32,356**	**31,479**
Non-current portion	**62,134**	**58,084**

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Of which relates to the Transformed fund:

(CZK million)	31. 12. 2015	31. 12. 2014
Financial liabilities at fair value through profit or loss	**805**	**1,032**
Financial derivatives	805	1,032
Financial liabilities at amortised cost	**87,648**	**80,672**
Financial liabilities at amortised cost related to investment contracts	87,648	80,672
Total	**88,453**	**81,704**
Current portion	**31,514**	**30,421**
Non-current portion	**56,939**	**51,283**

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In December 2012, the Group issued a fixed-coupon bond in the nominal value of CZK 500 million. This bond issue bears an interest rate of 1.83% p.a. Transaction costs related to the bond issue amounted to CZK 2.5 million. The bond is quoted on secondary market of Prague Stock Exchange and its maturity will be in the year 2017.

Other financial liabilities at amortized cost consist of Deposits received from reinsurers of CZK 1,402 milion (2014: CZK 1,403 milion) and bank loans received to finance the acquisition of investment properties in the following entities:
- Solitaire a.s. in the amount of CZK 280 million (2014: CZK 306 million),
- Apollo a.s. of CZK 649 million (2014: CZK 805 million),
- Pařížská 26 s.r.o. of CZK 236 million (2014: CZK 263 million).

Bank loan provided to CITY EMPIRIA a.s. was refinanced by Generali CEE Holding B.V. in 2015. It amounts to CZK 891 million as at 31 December 2015 (2014: CZK 1,032 million) and is reported within Bonds and loans.

As collateral to the loans, the Group pledged the real estate companies' investment property, other receivables, fixed assets, shares, receivables from bank accounts, service charge account and claims arising from lease agreements, existing and future claims arising from the insurance agreement of the companies.

Fair value measurement of Financial liabilities at fair value through profit or loss as at the end of the reporting period:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	**–**	**2,073**	**–**	**2,073**
Financial derivatives	–	2,066	–	2,066
Other FVTPL	–	7	–	7
Total	**–**	**2,073**	**–**	**2,073**

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	**–**	**3,203**	**–**	**3,203**
Financial derivatives	–	3,173	–	3,173
Other FVTPL	–	30	–	30
Total	**–**	**3,203**	**–**	**3,203**

xls

Of which relates to the Transformed fund:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	**–**	**805**	**–**	**805**
Financial derivatives	–	805	–	805
Total	**–**	**805**	**–**	**805**

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	**–**	**1,032**	**–**	**1,032**
Financial derivatives	–	1,032	–	1,032
Total	**–**	**1,032**	**–**	**1,032**

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There were no significant transfers between Levels of fair value measurement categories in 2015 and 2014 for the Group and also for the Transformed fund.

Fair value measurement of Financial liabilities at amortised cost as at the end of the reporting period:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised costs	**–**	**4,857**	**87,661**	**92,518**
Financial liabilities at amortised cost related to investment contracts	–	–	87,661	87,661
Bonds and Loans	–	1,396	–	1,396
Net asset value attributable to unit holders	–	798	–	798
Other	–	2,663	–	2,663
Total	**–**	**4,857**	**87,661**	**92,518**

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised costs	**–**	**5,684**	**80,685**	**86,369**
Financial liabilities at amortised cost related to investment contracts	–	–	80,685	80,685
Bonds and Loans	–	510	–	510
Net asset value attributable to unit holders	–	1,366	–	1,366
Other	–	3,808	–	3,808
Total	**–**	**5,684**	**80,685**	**86,369**

xls

Of which relates to the Transformed fund:

31. 12. 2015 (CZK million)	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised cost	**–**	**–**	**87,648**	**87,648**
Financial liabilities at amortised cost related to investment contracts	–	–	87,648	87,648
Total	**–**	**–**	**87,648**	**87,648**

31. 12. 2014 (CZK million)	Level 1	Level 2	Level 3	Total
Financial liabilities at amortised cost	**–**	**–**	**80,672**	**80,672**
Financial liabilities at amortised cost related to investment contracts	–	–	80,672	80,672
Total	**–**	**–**	**80,672**	**80,672**

xls

Generally, if available and if the market is defined as active, fair value is equal to the market price.

The fair value is determined primarily on the basis of the income approach using discounting techniques.

In particular, the fair value of debt instruments issued by the Group are valued using discounted cash flow models based on the current marginal rates of funding of the Group for similar types of loans, with maturities consistent with the maturity of the debt instruments subject to valuation.

The fair value of financial liabilities at amortized cost related to investment contracts can be assumed to be equal to its carrying amount, since the funds participants have the right in any moment to withdraw the money from their accounts after one year of being members, and the overwhelming majority of the funds members already fulfil such condition. The carrying amount can therefore be considered a reasonable approximation of fair value.

The fair value of such liabilities is therefore classified as level 3.

There were no significant transfers between Levels of fair value measurement categories in 2015 and 2014 both for the Group and also for the Transformed fund.

F.13. Payables

(CZK million)	31. 12. 2015	31. 12. 2014
Payable arising out of direct insurance operations	**2,138**	**2,192**
Payable arising out of reinsurance operations	**4,428**	**4,321**
Current income tax payables	**86**	**301**
Other payables	**1,315**	**1,760**
Payables to employees	142	150
Payables to clients and suppliers	118	201
Social security	73	84
Dividend	3	3
Other payables – other	979	1,322
Total	**7,967**	**8,574**
Current portion	**7,967**	**8,574**
Non-current portion	**–**	**–**

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Other payables consists mainly of payables to the Ministry of Finance of the Czech Republic arising from employer´s liability insurance in the amount of CZK 673 million (2014: CZK 654 million).

Of which relates to the Transformed fund:

(CZK million)	31. 12. 2015	31. 12. 2014
Other payables	**80**	**294**
Payables to clients and suppliers	47	267
Other payables – other	33	27
Total	**80**	**294**
Current portion	**80**	**294**

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F.14. Other liabilities

(CZK million)	31. 12. 2015	31. 12. 2014
Deferred tax liabilities	**144**	**65**
Other liabilities	**2,050**	**1,587**
Accrued interest expense	1	1
Other accrued expenses	1,962	1,513
Deferred expenses	72	57
Other liabilities – other	15	16
Total	**2,194**	**1,652**
Current portion	**2,077**	**1,632**
Non-current portion	**117**	**20**

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Other accrued expenses consist of accruals for commissions, bonuses, salaries, investments and other accruals.

Of which relates to the Transformed fund:

(CZK million)	31. 12. 2015	31. 12. 2014
Other liabilities	**199**	**–**
Other accrued expenses	199	–
Total	**199**	**–**
Current portion	**199**	**–**
Non-current portion	**–**	**–**

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F.15. Net earned premiums

(CZK million)	Gross amount 2015	Gross amount 2014 re-presented	Reinsurance's share 2015	Reinsurance's share 2014 re-presented	Net amount 2015	Net amount 2014 re-presented
Non-life earned premium	**18,692**	**18,334**	**(8,598)**	**(8,254)**	**10,094**	**10,080**
Premiums written	18,849	18,392	(8,609)	(8,253)	10,240	10,139
Change in the provision for unearned premium	(157)	(58)	11	(1)	(146)	(59)
Life premium	**9,960**	**11,325**	**(1,357)**	**(1,379)**	**8,603**	**9,946**
Total	**28,652**	**29,659**	**(9,955)**	**(9,633)**	**18,697**	**20,026**

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F.16. Fee and commissions income and income from financial service activities

(CZK million)	2015	2014
Fee and commission income from asset management activity	211	423
Fee and commission income related to investment contracts	13	67
Fee and commission income related to pension funds management	22	10
Total	**246**	**500**

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F.17. Net income/(losses) from financial instruments at fair value through profit or loss

(CZK million)	Financial investments held-for-trading 2015	Financial investments held-for-trading 2014 re-presented	Unit-linked financial investments and financial investments related to pension funds 2015	Unit-linked financial investments and financial investments related to pension funds 2014 re-presented	Financial investments designated as at fair value through profit or loss 2015	Financial investments designated as at fair value through profit or loss 2014 re-presented	Total 2015	Total 2014 re-presented
Financial assets	**(136)**	**26**	**85**	**67**	**1,023**	**(98)**	**972**	**(5)**
Interest income and other income	13	14	–	–	278	173	291	187
Realized gains	1,006	48	88	55	1,649	1,210	2,743	1,313
Realized losses	(1,178)	(48)	(103)	(18)	(917)	(1,810)	(2,198)	(1,876)
Unrealized gains	62	56	255	181	199	514	516	751
Unrealized losses	(39)	(44)	(155)	(151)	(186)	(185)	(380)	(380)
Financial liabilities	**(212)**	**(231)**	**–**	**–**	**(1,592)**	**(3,151)**	**(1,804)**	**(3,382)**
Interest expenses	(337)	(82)	–	–	(292)	(394)	(629)	(476)
Other income	10	14	–	–	35	42	45	56
Realized gains	215	66	–	–	1,074	297	1,289	363
Realized losses	(177)	(154)	–	–	(2,387)	(1,427)	(2,564)	(1,581)
Unrealized gains	160	34	–	–	220	86	380	120
Unrealized losses	(83)	(109)	–	–	(242)	(1,755)	(325)	(1,864)
Total	**(348)**	**(205)**	**85**	**67**	**(569)**	**(3,249)**	**(832)**	**(3,387)**

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Of which relates to the Transformed fund:

	Financial investments held-for-trading		Financial investments designated at fair value through profit or loss		Total	
(CZK million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Financial assets	**(196)**	**–**	**298**	**(593)**	**102**	**(593)**
Interest income and other income	–	–	74	(61)	74	(61)
Realized gains	927	–	252	553	1,179	553
Realized losses	(1,146)	–	(30)	(1,329)	(1,176)	(1,329)
Unrealized gains	47	–	51	334	98	334
Unrealized losses	(24)	–	(49)	(90)	(73)	(90)
Financial liabilities	**(159)**	**–**	**(362)**	**(830)**	**(521)**	**(830)**
Interest expenses	(220)	–	–	–	(220)	–
Other income	–	–	–	–	–	–
Realized gains	–	–	–	–	–	–
Realized losses	–	–	(325)	–	(325)	–
Unrealized gains	143	–	–	–	143	–
Unrealized losses	(82)	–	(37)	(830)	(119)	(830)
Total	**(355)**	**–**	**(64)**	**(1,423)**	**(419)**	**(1,423)**

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F.18. Net gains related to associates and disposal of subsidiaries

(CZK million)	**2015**	**2014**
Income	**691**	**22**
Dividends and other income	5	–
Realized gains	686	22
Expenses	**(5)**	**–**
Realized losses	(5)	–
Net income	**686**	**22**

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Dividend of CZK 5 million was declared by Europ Assistance in 2015.

Realized gains in 2015 are driven by the sale of ČP Invest investiční společnost a.s. (see Note B.1.).

Realized losses in 2015 occurred due to derecognition of ČP Direct a.s. from the Group (see Note B.1 and F.3.2.).

Realized gains in 2014 occurred due to the sale of subsidiary ČP Asistence.

F.19. Income from other financial instruments and investment properties

(CZK million)	**2015**	**2014 re-presented**
Interest income	**3,717**	**4,052**
Interest income from loans and receivables	68	70
Interest income from available-for-sale financial assets	3,643	3,977
Interest income from cash and cash equivalents	6	5
Other income	**822**	**763**
Income from investment properties	613	538
Other income from available-for-sale financial assets	209	225
Realized gains	**792**	**948**
Realized gains on loans and receivables	1	2
Realized gains on available-for-sale financial assets	791	946
Unrealized gains	**10**	**378**
Unrealized gains from hedged instruments	10	378
Reversal of impairment	**120**	**92**
Reversal of impairment of loans and receivables	102	23
Reversal of impairment of other receivables	18	69
Total	**5,461**	**6,233**

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Of which relates to the Transformed fund:

(CZK million)	2015	2014
Interest income	**1,926**	**1,959**
Interest income from loans and receivables	–	1
Interest income from available-for-sale financial assets	1,926	1,958
Other income	**29**	**29**
Other income from available-for-sale financial assets	29	29
Realized gains	**268**	**63**
Realized gains on available-for-sale financial assets	268	63
Total	**2,223**	**2,051**

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The following table shows the total of future minimum lease income under non-cancellable operating leases for each of the following periods:

(CZK million)	31. 12. 2015	31. 12. 2014
Not later than one year	343	477
Later than one year and not later than five years	623	1,012
Later than five years	207	312
Total	**1,173**	**1,801**

xls

F.20. Other income

(CZK million)	2015	2014 re-presented
Gains on foreign currencies	591	2,070
Income from tangible assets	1	44
Income from intangible assets	–	14
Changes in provision for commitments	108	153
Income from service and assistance activities and recovery of charges	356	277
Recovery of charges	146	80
Income from service and assistance activities	210	197
Other technical income	140	171
Income – other	292	309
Total	**1,488**	**3,038**

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Income from recovery of charges includes service charge income from investment properties and amounts to CZK 146 million in 2015 (2014: CZK 80 million). This income was previously reported on the line Income – other.

Of which relates to the Transformed fund:

(CZK million)	2015	2014
Gains on foreign currencies	406	896
Income – other	8	15
Total	**414**	**911**

xls

F.21. Net insurance benefits and claims

(CZK million)	Gross amount 2015	Gross amount 2014 re-presented	Reinsurance's share 2015	Reinsurance's share 2014 re-presented	Net amount 2015	Net amount 2014 re-presented
Non-life net insurance benefits and claims	**9,490**	**9,145**	**(4,381)**	**(3,514)**	**5,109**	**5,631**
Claims paid	9,462	9,631	(4,054)	(3,931)	5,408	5,700
Change in technical provisions	28	(486)	(327)	417	(299)	(69)
Change in the provisions for outstanding claims	4	(502)	(311)	424	(307)	(78)
Change in other insurance provisions	24	16	(16)	(7)	8	9
Life net insurance benefits and claims	**6,255**	**7,437**	**(483)**	**(442)**	**5,772**	**6,995**
Claims paid	12,498	14,453	(480)	(449)	12,018	14,004
Change in technical provisions	(6,243)	(7,016)	(3)	7	(6,246)	(7,009)
Change in the provisions for outstanding claims	19	(18)	(9)	5	10	(13)
Change in the mathematical provisions	(6,753)	(3,480)	6	2	(6,747)	(3,478)
Change in the provisions for unit-linked policies	481	(3,539)	–	–	481	(3,539)
Change in other insurance provisions	10	21	–	–	10	21
Total	**15,745**	**16,582**	**(4,864)**	**(3,956)**	**10,881**	**12,626**

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Of which relates to the Transformed fund:

(CZK million)	Gross amount 2015	Gross amount 2014	Reinsurance's share 2015	Reinsurance's share 2014	Net amount 2015	Net amount 2014
Life net insurance benefits and claims	**1**	**16**	**–**	**–**	**1**	**16**
Change in technical provisions	1	16	–	–	1	16
of which: Change in other insurance provisions	1	16	–	–	1	16
Total	**1**	**16**	**–**	**–**	**1**	**16**

xls

Non-life insurance

The development of claims paid and claims provisions is overall stable during 2014 and 2015 taking into consideration that extraordinary calamity events did not appear during these years and last year influenced by occurrence of calamity events remain the year 2013.

Life insurance

Higher claims paid in the year 2014 and significant negative change in the unit-linked provisions (release of provisions) is a consequence of maturity of single unit-linked product Garance. The continued release of mathematical provisions is caused by on-going high maturities and continuing product mix aimed at unit-linked and risk products. Decrease in claims payments is caused by lower lapses and lower extra withdrawals (which were higher in 2014 because of change of the legislation regarding tax deductibility).

F.22. Fee and commission expenses and expenses from financial services activities

(CZK million)	2015	2014
Fee and commission expenses from asset management activity	129	231
Total	**129**	**231**

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Of which relates to the Transformed fund:

(CZK million)	2015	2014
Fee and commission expenses from asset management activity	742	716
Total	**742**	**716**

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Fees and commissions from asset management are charged by Pension company to the Transformed fund. On the consolidated level, these intercompany transactions are eliminated.

F.23. Expenses from other financial instruments and investment properties

(CZK million)	2015	2014 re-presented
Interest expense	**1,205**	**1,352**
Interest expense on loans, bonds and other payables	1,195	1,341
of which: Interest expenses on financial liabilities at amortised cost related to investment contracts	1,128	1,263
Interest expense on deposits received from reinsurers	10	11
Other expenses	**173**	**62**
Expenses from investment properties	173	62
Realized losses	**235**	**359**
Realized losses on available-for-sale financial assets	220	359
Realized losses on other receivables	15	–
Unrealized losses	**42**	**15**
Unrealized losses on hedged instruments	42	15
Impairment losses	**402**	**234**
Impairment of investment properties	12	–
Impairment of loans and receivables	52	87
Impairment of available-for-sale financial assets	338	141
Impairment of other receivables	–	6
Total	**2,057**	**2,022**

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Expenses arising from investment property that generated rental income amounted to CZK 13 million (2014: CZK 11 million) and consist mainly of maintenance, repairs and other services.

Expenses arising from investment property that did not generate rental income amounted to CZK 50 million (2014: CZK 48 million) and consist mainly of utilities, management fees and other administration expenses.

Unrealized losses from the revaluation of investment property in the amount of CZK 110 million (2014: CZK 3 million) are the remaining part of expenses arising from investment property.

In order to provide additional information about expenses related to investment properties, the Group management decided to disclose separately the expenses related to utilities and other services charged to tenants. Expenses from service charges in the amount of CZK 120 million were previously reported under the line Expenses from investment properties. These expenses are currently reported in Other expenses – Expenses from service and assistance activities and charges incurred on behalf of third parties.

Of which relates to the Transformed fund:

(CZK million)	2015	2014
Interest expense	**1,128**	**1,263**
Interest expense on loans, bonds and other payables	1,128	1,263
of which Interest expenses on financial liabilities at amortised cost related to investment contracts	1,128	1,263
Realized losses	**75**	**47**
Realized losses on available-for-sale financial assets	75	47
Impairment losses	**–**	**6**
Impairment of available-for-sale financial assets	–	6
Total	**1,203**	**1,316**

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F.24. Acquisition and administration costs

(CZK million)	Non-life segment 2015	Non-life segment 2014 re-presented	Life segment 2015	Life segment 2014 re-presented	Financial segment 2015	Financial segment 2014 re-presented	Total 2015	Total 2014 re-presented
Net acquisition costs and other commissions	**1,819**	**1,527**	**868**	**1,290**	**–**	**–**	**2,687**	**2,817**
Gross acquisition costs and other commissions	3,753	3,241	1,188	1,619	–	–	4,941	4,860
Change of deferred acquisition costs	(63)	21	–	–	–	–	(63)	21
Received reinsurance commission	(1,871)	(1,735)	(320)	(329)	–	–	(2,191)	(2,064)
Investment management expenses	73	32	152	148	1	1	226	181
Other administration costs	947	1,059	854	930	46	81	1,847	2,070
Total	**2,839**	**2,618**	**1,874**	**2,368**	**47**	**82**	**4,760**	**5,068**

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Other administration costs consist mainly of wages and salaries, building and offices rentals, and IT expenses.

Of which relates to the Transformed fund:

(CZK million)	Non-life segment 2015	Non-life segment 2014	Life segment 2015	Life segment 2014	Financial segment 2015	Financial segment 2014	Total 2015	Total 2014
Other administration costs	–	–	5	5	–	–	5	5
Total	**–**	**–**	**5**	**5**	**–**	**–**	**5**	**5**

xls

The following table shows the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

(CZK million)	2015	2014
Not later than one year	343	358
Later than one year and not later than five years	718	799
Later than five years	776	962
Total	**1,837**	**2,119**

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F.25. Other expenses

(CZK million)	2015	2014 re-presented
Amortisation of intangible assets	324	383
Depreciation of tangible assets	51	89
Expenses from tangible assets	2	4
Restructuring charges and allocation to other provisions	78	35
Expenses from service and assistance activities and charges incurred on behalf of third parties	531	526
Other technical expenses	331	330
Holding costs	9	–
Other charges	226	208
Total	**1,552**	**1,575**

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Charges incurred on behalf of third parties include service charge expenses related to investment properties, which are recharged to tenants, in the amount of CZK 148 million (2014: CZK 120 million). These expenses were previously reported under the line Expenses from investment properties (see Note F.23.).

The related income is reported in line "Recovery of charges" (see Note F.20.)

Of which relates to the Transformed fund:

(CZK million)	2015	2014
Amortisation of intangible assets	16	15
Total	**16**	**15**

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F.26. Income taxes

(CZK million)	2015	2014
Current income taxes	**1,099**	**1,433**
Czech Republic	1,064	1,412
Other countries	35	21
Income taxes related to previous period	**(68)**	**(70)**
Czech Republic	(68)	(70)
Deferred income taxes	**(164)**	**(535)**
Czech Republic	(166)	(543)
Other countries	2	8
Total	**867**	**828**

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The table below shows the reconciliation between an expected and effective tax rate, which is based on 19% tax rate applicable in the Czech Republic.

(CZK million)	2015	2014 re-presented
Expected income tax rate	**19%**	**19%**
Earnings before taxes	**6,370**	**4,961**
Expected income tax expense (benefit)	**1,210**	**943**
Effect of foreign tax rate differential	18	19
Effect of special (lower) tax rate	(189)	84
Tax exempt income and other tax decreasing items	(343)	(237)
Tax non-deductible expenses and other tax increasing items	223	107
Effect of tax losses	(68)	(75)
Foreign WHT not recoverable	4	7
Income taxes for prior years	(1)	5
Other	12	(25)
Tax expense	**867**	**828**
Effective tax rate	**14%**	**18%**

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The tax authorities of the territories in which group entities operate may at any time inspect the books and records of group entities within a maximum period of 3 to 10 years depending on the tax jurisdiction subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

F.26.1. Deferred tax

	Deferred tax assets		Deferred tax liabilities	
(CZK million)	31. 12. 2015	31. 12. 2014	31. 12. 2015	31. 12. 2014
Intangible assets	–	–	(141)	(152)
Land and buildings	24	23	(39)	(30)
Loans	-	75	–	–
Financial assets available-for-sale	1,187	947	(11)	–
Financial assets at fair value through profit and loss	–	–	(2)	(2)
Deferred acquisition costs	15	10	–	–
Insurance provisions	15	13	–	(1)
Fiscal losses carried forward	1	4	–	–
Deferred tax asset / liability with impact on equity	16	25	(1,179)	(933)
Other	32	48	(15)	(11)
Total deferred tax asset/liability before set off	**1,290**	**1,145**	**(1,387)**	**(1,129)**
Set off of tax	(1,243)	(1,064)	1,243	1,064
Net deferred tax asset/liability	**47**	**81**	**(144)**	**(65)**

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There are no deferred taxes for the Transformed fund.

In accordance with the accounting method, the amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted as at the end of the reporting period which, for the year 2015 and the following years, is 19% (2014 – 19%).

	Net deferred tax asset/liability	
(CZK million)	**2015**	**2014**
Balance as at 1 January	**16**	**(180)**
Deferred income tax for the period	141	535
Deferred tax recognised directly in equity	(256)	(338)
Total deffered tax income for the period	**(115)**	**197**
Net foreign currency translation effects	2	(1)
Balance as at 31 December	**(97)**	**16**

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Of which relates to the Transformed fund:

	Net deferred tax asset/liability	
(CZK million)	**2015**	**2014**
Balance as at 1 January	**–**	**(189)**
Deferred income tax for the period	–	–
Deferred tax recognised directly in equity	–	189
Total deffered tax income for the period	**–**	**189**
Balance as at 31 December	**–**	**–**

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The Group did not recognise a deferred tax asset of CZK 311 million (2014: CZK 452 million) from deductible temporary differences (unused tax losses) since their realisation is not considered probable.

Tax losses and tax credits, for which no deferred tax was recognised, are presented in the following table:

	Not recognized temporary differences	
(CZK million)	**31. 12. 2015**	**31. 12. 2014**
Expire in 1 year	1,072	695
Expire between 1 and 3 years	561	1,667
Expire between 3 and 5 years	–	–
Expire in more than 5 years	2	–
Total	**1,635**	**2,362**

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F.27. Share-based payments

Selected members of management of the Group are beneficiaries of a Generali Group's long-term incentive plan, 2015-2017 Cycle. The plan aims to strengthen the link between the remuneration of the potential beneficiaries and expected performance under the Generali Group's strategic plan (so-called absolute performance), also retaining the link between remuneration and the creation of value relative to a peer group (so-called relative performance). The plan also aims to achieve management engagement at Generali Group level. The incentive for achieving the objectives will be paid in shares issued by Assicurazioni Generali S.p.A. (ultimate parent company).

Cycle is divided into three tranches. The sum of shares set aside in each of the three years will be assigned in a single deal only at the end of the third year, approximately by the month of April (date of assignment), after an overall evaluation of the Board of Directors concerning the effective achievement of the Objectives not only on annual basis but over three years as well.

For each cycle, the maximum number of shares (per beneficiary) which can be assigned at the end of three years is calculated by dividing the maximum award amount (calculated as a percentage of base salary) by the share value, calculated as the average of the three months prior to the approval by the Board of Director of the draft budget for the financial year and the consolidated financial statement relating to the financial year which closed prior to that in which the plan began.

Total amount of shares which can be assigned is subdivided into the three tranches at respective percentages rate of 30 % – 30 % – 40 %.

Plan structure and Vesting period
The plan is structured to cover approximately a period of 6 years calendar: three financial reporting years (vesting period) plus about three years for shares assignment and lock-up period (50%shares will be assigned after 2-year holding period beginning from the date of enrollment in the name of the beneficiaries).

Vesting period starts from January 1, 2015.

Vesting conditions
The number of shares to be allocated for each tranche is directly linked to the assessment of achievement against the objectives identified for the cycle. For the 2015–2017 plan, the objectives identified are the relative Total Shareholders' Return – rTSR (compared with a Peer Group, identified in the STOXX Euro Insurance Index) and the Return on Equity – ROE); the performance level, and corresponding incentive level, depends on the simultaneous achievement of the two objectives.

Even after Objectives achievement, the Bonus (whole or in part) might not be assigned when the Generali Group's return on risk capital index (RORC) is below 9.5% (on annual and three year basis, or the different percentage time to time determined by the Board of Directors) or the working/administrative relationship with Assicurazioni Generali S.p.A. or with other companies in the Generali Group is terminated before the end of the three years period of the Plan.

Valuation
Total cycle cost (TC) is calculated in following manner:
Maximum award amount = 175% (based on table of annual performance outcome) * Base salary
Maximum share number = Maximum award amount/share value (calculated as the average of the three months prior to the approval by the Board of Director of the draft financial statements relating the year before the beginning of the plan)
Base Share number = Base salary / share value (calculated as the average of the three months prior to the approval by the Board of Director of the draft financial statements relating the year before the beginning of the PLAN)

F.28. Information on employees

Number of employees	31. 12. 2015	31. 12. 2014
Managers	315	419
Employees	3,043	3,450
Sales attendants	672	803
Others*	3	2
Total	**4,033**	**4,674**

* Temporary contract employees are not included.

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(CZK million)	31. 12. 2015	31. 12. 2014
Wages and salaries	1,966	2,421
Compulsory social security contributions	646	748
of which State-defined contribution pension plan	398	467
Others	220	149
of which Contribution to private pension funds	24	24
Total	**2,832**	**3,318**

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Staff costs are reported in the sections Acquisition costs, Insurance Benefits and Claims and Administrative expenses.

Other expenses include the costs of the Group's health and social programmes (e.g. health programme for managers, medical check-up for employees and social benefits).

There are no employees in the Transformed fund.

F.29. Hedge accounting

F.29.1. Fair value hedge

F.29.1.1. Foreign currency risk hedging

Starting 1 October 2008, hedge accounting is applied by the Group to foreign currency risks (FX risk). The Group applies fair value hedge.

The functional currency of the Group and the currency of its liabilities is CZK. However, in the investment portfolios, there are also instruments denominated in foreign currencies. According to the Group's general policy, all these instruments are dynamically hedged into CZK via FX derivatives.

Foreign currency hedging is in place for all foreign currency investments, i.e. bonds, investment fund units, equities, etc. in order to fully hedge the implied FX risk. The process is in place which guarantees the high efficiency of the hedging.

The FX difference on all financial assets and derivatives, except for equities classified in the available-for-sale portfolio, are reported in profit or loss according to IAS 39. FX revaluation on AFS equities is within the hedge accounting reported in profit or loss either as other income – gains on foreign currency or other expenses – losses on foreign currency.

Hedged items

Hedge accounting is applied to financial assets – defined as all non-derivative financial assets denominated or exposed in foreign currencies (i.e. all bonds, equities, investment fund units, term deposits and current bank accounts denominated in EUR, USD and other currencies) except for:
a) financial assets backing unit-linked products;
b) other particular exclusions predefined by the investment management strategy.

Hedged items include financial assets classified in the available-for-sale category, fair value through profit or loss, other investments and cash and cash equivalents. The hedged items do not include financial liabilities.

Hedging instruments

Hedging instruments are defined as all FX derivatives except for options and starting from 1.10.2015 also selected financial liabilities in foreign currency (such as sell-buy transactions).

Instruments according to this definition can be clearly identified at any time. As at 31 December, hedged items and hedging instruments were as follows:

(CZK million)	Fair value as at 31. 12. 2015	FX gain/loss for the period from 1. 1. to 31. 12. 2015
Equities, bonds, investment funds units	29,271	363
Term deposits, current bank accounts and other	860	9
Derivatives	(74)	(480)
Sell-buy transactions	–	2

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(CZK million)	Fair value as at 31. 12. 2014	FX gain/loss for the period from 1. 1. to 31. 12. 2014
Equities, bonds, investment funds units	26,944	1,494
Term deposits, current bank accounts and other	1,189	10
Derivatives	(869)	(1,555)

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Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Group on a monthly basis. In every month of 2015 and 2014 Group's hedging was according to IFRS and internal rules governing the hedge accounting evaluated as effective.

F.29.1.2. Interest rate risk hedging

Starting 1 July 2011 the hedge accounting has been applied to derivatives hedging an interest rate exposure of interest-bearing financial assets. The Group uses fair value hedging.

The Group has implemented a risk management strategy for interest rate risk. The objective of the investment and hedging strategy is to manage the overall interest rate risk position on a continuous basis. The Group achieves this objective by a dynamic strategy.

Change in the fair value of interest rated derivatives and FVTPL interest-bearing financial assets is reported in the profit or loss account according to IAS 39. Change in the fair value of AFS interest-bearing financial assets attributable to the interest rate risk is within the hedge accounting reported in the profit or loss account either as other income from financial instruments and other investments or other expenses for financial instruments and other investments.

Hedged items

The Group designates as the hedged item a group of fixed income instruments. Hedged items include financial assets classified in the available-for-sale category and fair value to profit or loss category. The hedged items do not include financial liabilities.

Hedging instruments

Hedging instruments are defined as a group of interest rate derivatives. The derivatives are designated as hedging instruments in its entirety.

Assets and derivatives according to this definition can be clearly identified at any time. As at 31 December hedged items and hedging instruments were as follows:

(CZK million)	Fair value as at 31. 12. 2015	FX gain/loss for the period from 1. 1. to 31. 12. 2015
Fixed income instruments	27,437	(297)
Derivatives	(1,460)	321

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(CZK million)	Fair value as at 31. 12. 2014	FX gain/loss for the period from 1. 1. to 31. 12. 2014
Fixed income instruments	17,956	446
Derivatives	(1,065)	(456)

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Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Group on a monthly basis. In every month of 2015 and 2014 Group's hedging was according to IFRS and internal rules governing the hedge accounting evaluated as effective.

F.29.2. Cash flow hedge

F.29.2.1. Foreign currency risk hedging

Starting 1 June 2010, a cash-flow hedge has been applied by the Group to foreign currency risks (FX risk). The hedge accounting is applied selectively for individual subsidiaries; as at 31 December 2015 the cash-flow hedge has been applied by 3 real estate companies – City Empiria, Solitaire and Pařížská 26 (further referred as to "the Companies" in this section).

As a result of their real estate rent operations, most of the transactions in the Companies are denominated in foreign currencies. In terms of the Group's overall currency risk management strategy, these companies minimise their exposure to changes in the cash flows from the rental contracts by entering into loans denominated in foreign currencies.

In 2015 the hedging relation between hedged and hedging item of City Empiria was terminated. The hedging reseve will be gradually released in the following years based on the development of cash flows of the former hedged instrument.

Hedged items

The hedged items are expected payments (cash inflows) in EUR from lease contracts concluded in EUR. During the validity period of current existing rental contracts the cash inflows are constituted by payments related to these contracts. As the Companies intend to continue entering into lease contracts denominated in EUR, the expected future lease contracts that will be entered into after the existing contracts have expired are also presented as a hedged item. The future lease payments are modelled over the depreciation period of the building.

Hedging instrument
The Companies hedge the receivables by foreign currency loans received and used for construction and operation of the real estate owned by the Companies. The loan is being prolonged. In the case that the loan is not prolonged, the Companies expect to get a new loan in the same currency that will be used to repay the current loan. This assumption is based on the fact that rental contracts denominated in EUR will be a sufficient guarantee for receiving a new loan in EUR.

Prospective effectiveness test:

(CZK million)	31. 12. 2014	31. 12. 2015
Loan balance – actual	1,599	519
Loan balance – theoretical	1,578	555
The amount of the loan used as hedging instrument	1,555	514
PV of lease payments	1,609	559
PV od hedged lease payments	1,554	515
Ratio of rent payments to hedging item	**100%**	**100%**
Is the hedging prospectively effective?	**Yes**	**Yes**

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The retrospective effectiveness is measured as the ratio of payments that are expected by the model to be obtained and rent income that is actually obtained. The Companies have to obtain at least the expected amount of rent payments in order for the hedging to be effective.

(CZK million)	31. 12. 2014	31. 12. 2015
Cumulative values		
Value of modelled CF from rent	593	76
Received rent volume	139	72
Received rent volume – cumulative	743	108
Is the hedging retrospectively effective?	**Yes**	**Yes**

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F.29.2.2. Interest rate risk hedging

Starting 17 October 2011, cash-flow hedge had been applied by the Group to the interest rate risk (IR risk). The hedge accounting had been applied only by Group subsidiary City Empiria (further referred as to "the Company" in this section).

The Company hedges itself against the interest rate risk by entering into interest rate swap, to pay interest at a fixed interest rate and to receive interest at a variable interest rate. The Company hedges interest payments from the loan (commencing interest period starting 17 October 2011 until 30 September 2015) with interest rate of 3M EURIBOR. The Company does not hedge the margin over this interest rate, because it is not the subject to interest rate risk.

Hedging instrument
The Company entered into the interest rate swap, which the Company designates as hedging instrument as at 17 October 2011.

Hedged items
The hedged items are interest payments resulting from the loan drawn.

The measurement of the retrospective hedge effectiveness is based on comparison of the cumulative changes in the fair value of the hedging instrument and cumulative changes in the fair value of the hypothetical derivative instrument that represents the hedged item.

The hedging relation between hedged and hedging items was terminated in 2015 and the hedging reseve was fully released during 2015.

Results of hedging effectiveness in 2014 were following:

(CZK million)	Fair value at inception at 17. 10. 2011	Fair value as at 31. 12. 2014	Gain/loss for the period from 1. 1. to 31. 12. 2014
Hedging item – IR swap	(4)	(14)	12
Hedged item – hypothetic derivative (loan)	4	14	(12)

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F.30. Offsetting of financial instruments

The following tables provide details relating to the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities.

As at 31 December 2015, financial assets were as follows:

31. 12. 2015 (CZK million)				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilites set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
Derivative financial assets	434	–	434	(196)	–	238
Receivable from derivative collateral paid	950	–	950	(950)	–	–
Reinsurance receivables	2,191	–	2,191	(642)	–	1,549
Total	**3,574**	**–**	**3,574**	**(1,787)**	**–**	**1,787**

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As at 31 December 2015, financial liabilities were as follows:

31. 12. 2015 (CZK million)				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral paid/ Reinsurance receivables	Net amount
Derivative financial liabilities	(2,066)	–	(2,066)	196	950	(921)
Liability from deposit received from reinsurers	(1,402)	–	(1,402)	–	642	(760)
Total	**(3,468)**	**–**	**(3,468)**	**196**	**1,592**	**(1,681)**

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As at 31 December 2014, financial assets were as follows:

31. 12. 2014 (CZK million)				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilites set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
Derivative financial assets	218	–	218	(175)	–	43
Receivable from derivative collateral paid	1,365	–	1,365	(1,365)	–	–
Reinsurance receivables	2,075	–	2,075	(574)	–	1,501
Total	**3,658**	**–**	**3,658**	**(2,114)**	**–**	**1,544**

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As at 31 December 2014, financial liabilities were as follows:

31. 12. 2014 (CZK million)				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral paid/ Reinsurance receivables	Net amount
Derivative financial liabilities	(3,156)	–	(3,156)	175	1,365	(1,616)
Liability from deposit received from reinsurers	(1,405)	–	(1,405)	–	574	(831)
Total	**(4,561)**	**–**	**(4,561)**	**175**	**1,939**	**(2,447)**

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Financial assets and liabilities are offset in the statement of financial position when the Group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis, or to realize the asset and settle the liability simultaneously. There are no instruments that are offset directly in the balance sheets as at 31 December 2014 and 2015.

The Group is subject to an enforceable master netting arrangement in the form of an ISDA agreement with a derivative counterparty. Under the terms of this agreement, offsetting of derivative contracts is permitted only in the event of bankruptcy or default of either party to the agreement. In order to manage the counterparty credit risk associated with derivative trades, the parties have executed a collateral support agreement.

The reinsurer left with the Group a certain part of the ceded premium as a security of its ability to fulfill its future obligation, without any undue delay.

F.31. Earnings per share

The next table shows the earnings per share:

(CZK thousands)	2015	2014
Profit from continuing operations (CZK million)	5,462	4,084
Loss from discontinued (CZK million)	(1,187)	(411)
Result of the period	**4,275**	**3,673**
Weighted average number of ordinary shares outstanding	40,000	40,000
Earnings per share		
from continuing operations	137	102
from discontinued operations	(30)	(10)
Total	**107**	**92**

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The earnings per share figure is calculated by dividing the result of the period by the weighted average number of ordinary shares outstanding. There were no share transactions, changes in the number of shares or any instruments issued which could lead to dilution of shares in 2015 and 2014.

F.32. Off-balance sheet items

F.32.1. Commitments

As at 31 December 2015 the Group had no significant contractual commitments for future minimum lease payments of non-cancellable operating leases except for those disclosed in Note F.24.

F.32.2. Other contingencies

F.32.2.1. Legal
As at the release date of the financial statements, there was a legal case concerning the decision of the general meeting of the Parent company in 2005 approving a squeeze-out of minority shareholders and consideration paid on the squeeze-out pending. Based on legal analyses carried out by external legal counsel, management of the Company believes that this case does not rise any contingent future liabilities for the Company.

F.32.2.2. Guarantees
When negotiating terms and conditions in respect of acquisition of real estate properties the Group receives guarantees given by the seller of the property. The guarantees usually refer to ownership rights and potential claims raised against owner of the property.

F.32.2.3. Pledged assets and collaterals
As at 31 December 2015, the Group has pledged approximately CZK 3,470 million of assets as collateral. In particular, this amount has been pledged against loans, which have been recognized essentially in the context of the Group's real estate activities. The outstanding balance of the loans as at 31 December 2015 is CZK 1,165 million.

Furthermore, the Group has received financial assets as collaterall for approximately CZK 5,425 million, in particular for transactions in bonds and loans.

F.32.2.4. Participation in nuclear pool
As a member of the Czech Nuclear Pool, the Company is jointly and severally liable for the obligations of the pool. This means that, in the event that one or more of the other members are unable to meet their obligations to the pool, the Parent Company would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The management does not consider the risk of another member being unable to meet its obligations to the pool to be material to the financial position of the Group.

The potential liability of the Group for any given insured risk is contractually capped at twice the Parent Company's net retention for that risk.

The subscribed net retention is as follows:

(CZK million)	2015	2014
Liability (w/o D&O liability)	148	148
D&O liability only	18	18
FLEXA extended coverage of nuclear Risks plus BI	576	576
Transportation risk	115	115
Engineering and "all risk" cover	288	288
Total	**1,145**	**1,145**

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F.32.2.5. Membership in the Czech Insurance Bureau
As a member of the Czech Insurance Bureau ("the Bureau") related to MTPL insurance, the Group is committed to guarantee the MTPL liabilities of the Bureau. For this purpose, the Group makes contributions to the guarantee fund of the Bureau based on the calculations of the Bureau.

In the event of a fellow member of the Bureau being unable to meet its liabilities arising from MTPL due to insolvency, the Group may be required to make additional contributions to the guarantee fund. The management does not believe the risk of this occurring to be material to the financial position of the Group.

F.33. Related parties
This chapter contains information about all important transactions with related parties excluding those which are described in other parts of the notes.

F.33.1. Identity of related parties

As at 31 December 2015, CZI Holdings N.V. is the sole shareholder of the Parent Company. The ultimate parent company is Assicurazioni Generali S.p.A.

The Group is related to its parent companies which is CZI Holdings N.V., Assicurazioni Generali S.p.A. and to companies controlled by them.

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The key management personnel of the Group and its parent, their close family members and other parties which are controlled, jointly controlled or significantly influenced by such individuals and entities in which such individuals hold significant voting power are also considered related parties.

Key management personnel of the Group comprise the members of the Board of Directors and the Supervisory Board.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

F.33.2. Transactions with key management personnel of the Group

For the year ended 31 December 2015 (CZK million)	Board of Directors		Supervisory Board	
	Related to the board membership	Related to employment contract	Related to the board membership	Related to employment contract
Short-term benefits provided by the Group	51	21	–	–
State-defined contribution pension plan	1	–	–	–

For the year ended 31 December 2014 (CZK million)	Board of Directors		Supervisory Board	
	Related to the board membership	Related to employment contract	Related to the board membership	Related to employment contract
Short-term benefits provided by the Group	12	61	–	1
State-defined contribution pension plan	–	1	–	–

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Short-term employee benefits include wages, salaries and social security contributions, allowances provided for membership in the statutory bodies, bonuses and non-monetary benefits such as medical care and cars.

During reporting period 2015 termination benefits to the key management personnel of the Group in the amount CZK 13.9 million were paid. During reporting period 2014 termination benefits to the key management personnel of the Group in the amount CZK 16.7 million were paid.

As at 31 December 2015 and 31 December 2014, the members of the statutory bodies held no shares of the Parent Company. As at 31 December 2015 and 31 December 2014, the members of the statutory bodies held no shares of the Group.

F.33.3. Related party transactions

The Group had no material transactions or outstanding balances with the ultimate parent company Generali Assicurazzioni in either in 2015 or in 2014.

The dividend declared and paid to the sole shareholder is disclosed in the note F.9.1.

The other related parties fall into the following groups:
- Group 1 – CZI Holdings, N.V., the Parent Company's shareholder
- Group 2 – Entities in the Generali Group
- Group 3 – other related parties (primarily entities from PPF Group N.V., which indirectly owned 24% participation in the Group as at 31 December 2014)

Following tables don't include currency gains and losses.

31. 12. 2015 (CZK million)	Notes	Group 1	Group 2	Group 3
Receivables from insurance and reinsurance business	i	–	1,737	–
Reinsurance assets	ii	–	8,718	–
Other financial assets		–	30	–
Other assets	iii	–	1,160	–
Total assets		**–**	**11,645**	**–**
Payables from insurance and reinsurance business	iv	–	5,508	–
Technical provisions		–	257	–
Other financial liabilities	v	–	1,052	–
Other liabilities		–	577	–
Total liabilities		**–**	**7,395**	**–**

Notes:
i. The balances with companies in Group 2 comprise especially receivables from reinsurance from GP Reinsurance EAD, Bulgaria (GP RE) in the amount of CZK 1,493 million and from Generali Pojišťovna a.s. in the amount of CZK 167 million.
ii. The balances with companies in Group 2 comprise technical provisions ceded to GP RE in the amount of CZK 8,583 million.
iii. The balances with companies in Group 2 include receivable towards Generali Towarzystwo Ubezpieczen S.A. in the amount of CZK 506 million and receivable towards Generali Infrastructure Services s.c.a.r.l. in the amount of CZK 502 million.
iv. The balances with companies in the Group 2 comprise liabilities from reinsurance to GP RE in the amount of CZK 5,332 million and to Generali Pojišťovna a.s. in the amount of CZK 118 million.
v. The balances with companies in the Group 2 comprise loan provided by Generali CEE Holding B.V. to City Empiria a.s. in the amount of CZK 892 million.

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31. 12. 2014 (CZK million)	Notes	Group 1	Group 2	Group 3
Receivables from insurance and reinsurance business	i	–	1,714	–
Reinsurance assets	ii	–	9,141	–
Other financial assets	iii	–	–	9,257
Other assets		–	338	10
Total assets		**–**	**11,193**	**9,267**
Payables from insurance and reinsurance business	iv	–	5,372	–
Technical provisions		–	224	–
Other financial liabilities		–	160	105
Other liabilities		–	260	13
Total liabilities		**–**	**6,016**	**118**

Notes:
i. The balances with companies in Group 2 comprise especially receivables from reinsurance from GP Reinsurance EAD, Bulgaria (GP RE) in the amount of CZK 1,657 million.
ii. The balances with companies in Group 2 comprise technical provisions ceded to GP RE in the amount of CZK 9,076 million.
iii. The balances with companies in Group 3 include bonds issued by Home Credit Group companies in the amount of CZK 4,318 million, reverse repurchase agreements with PPF Banka a.s. in the amount CZK 4,500 million and bank deposits with PPF Banka a.s. in the amount of CZK 432 million.
iv. The balances with companies in the Group 2 comprise liabilities from reinsurance to GP RE in the amount of CZK 5,319 million.

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2015 (CZK million)	Notes	Group 1	Group 2	Group 3
Income from insurance and reinsurance business	i	–	8,365	–
Income from financial activities		–	13	–
Other income	ii	954	172	–
Total income		**954**	**8,550**	**–**
Expenses from insurance and reinsurance business	iii	–	(10,897)	–
Expenses from financial activities		–	(222)	–
Other expenses		–	(88)	–
Total expenses		**–**	**(11,206)**	**–**

Notes:
i. The balances in Group 2 include transactions from reinsurance with GP RE in the amount of CZK 7,867 million (commissions and claims paid by GP RE).
ii. Group 2 includes transactions with investments with CZI Holdings N.V. in the amount of CZK 954 million.
iii. The balances in Group 2 include ceded earned premium to GP RE in the amount of CZK 10,276 million.

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2014 (CZK million)	Notes	Group 1	Group 2	Group 3
Income from insurance and reinsurance business	i	–	6,724	112
Income from financial activities	ii	–	68	167
Other income		–	127	30
Total income		**–**	**6,919**	**310**
Expenses from insurance and reinsurance business	iii	–	(10,046)	(2)
Expenses from financial activities		–	(161)	(310)
Other expenses		–	(370)	(123)
Total expenses		**–**	**(10,577)**	**(436)**

Notes:
i. The balances in Group 2 include transactions from reinsurance with GP RE in the amount of CZK 6,529 million (commissions and claims paid by GP RE).
ii. Group 3 includes the income related to interest of the bonds issued by Home Credit Group companies in the amount of CZK 164 million.
iii. The balances in Group 2 include ceded earned premium to GP RE in the amount of CZK 9,751 million.

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F.34. Audit fees

The audit fees for 2015 were CZK 21 million (2014: CZK 23 million). These amounts are net of VAT. Other services provided by the audit firm were negligible.

G. Subsequent events

The Group has identified no significant events that have occurred since the end of the reporting period up to 25 April 2016.

Date:
25 April 2016

Statutory bodies – signature

Marek Jankovič

Responsible person
for Accounting and annual closing
(name and signature)

Petr Bohumský

Independent Auditor's Report

Building a better working world

To the Shareholder of Česká pojišťovna a.s.:

We have audited the accompanying financial statements of Česká pojišťovna a.s., 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 Česká pojišťovna a.s. see Note A.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 Česká pojišťovna a.s. 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.

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. In connection with our audit of the financial statements, our responsibility is to report on the other information.

As described in Note A.4 to the financial statements, at the date of preparation of the accompanying financial statements Česká pojišťovna a.s. has not prepared the annual report and intends to include the information in the consolidated annual report. Accordingly, our comments on the other information do not form part of the independent auditor's report.

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

Jakub Kolář, Auditor
License No. 2280

Tomáš Němec
Partner

31 March 2016
Prague, Czech Republic

Contents of the Separate Financial Statements

Note

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

Separate Financial Statements

Acronyms

Acronym	
IFRIC	Interpretation of International Financial Reporting Interpretations Committee
FVTPL	Financial assets at fair value through profit or loss
FVOCI	Fair value through other comprehensive income
FVO	Fair value option
OCI	Other comprehensive income
ECL	Expected credit loss
AFS	Available-for-sale
PPE	Property, plant and equipment
CDS	Credit default swap
IRS	Interest rate swap
CCS	Cross currency swap
OTC	Over the counter derivate
CDO	Collateralized debt obligation
ABS	Asset backed securities
MTPL	Motor Third Party Liability
QS	Quote-share reinsurance
X/L	Excess of Loss reinsurance
AGG	Property and CASCO aggregate X/L
CAT	Catastrophic excess of loss reinsurance contract
D&O	Directors and officers liability
DPF	Discretionary participation features
ALM	Asset-liability management
MCEV	Market Consistent Embedded Valuation
EBS	Economic balance sheet model
LAT	Liability adequacy test
RBNS	Reported but not settled
IBNR	Incurred but not reported
UPR	Unearned premium reserves
MVaR	Market Value at Risk
CVaR	Credit Value at Risk
CEO	Chief Executive Officer
TC	Total cycle cost
SAA	Strategic asset allocation
CGU	Cash-generating unit

Statement of Financial Position

As at 31 December

In CZK million	Note	2015	2014
Investments to subsidiaries and associates	B	8,919	7,887
Intangible assets	F.1	956	1,546
Tangible assets	F.2	238	259
Investments	F.3	77,554	85,898
Investment properties	F.3.1	58	63
Loans	F.3.2	4,115	6,252
Available-for-sale	F.3.3	62,032	64,969
Financial assets at fair value through profit or loss	F.3.4	11,349	14,612
Other investments	F.3.2	–	2
Reinsurance assets	F.4	9,790	9,954
Receivables	F.5	6,086	6,036
of which: current income tax receivables	F.5	32	32
Non-current assets held-for-sale	F.6	–	6
Deferred tax asset	F.25.1	–	23
Accruals and prepayments	F.8	1,085	966
of which: deferred acquisition costs	F.8.1	790	779
Cash and cash equivalents	F.7	1,946	2,504
Total assets		**106,574**	**115,079**
Share capital		4,000	4,000
Retained earnings and other reserves		21,435	19,548
Total equity	F.9	**25,435**	**23,548**
Insurance liabilities	F.10	67,692	76,950
Other provisions	F.11	611	745
Financial liabilities	F.12	3,166	4,056
Payables	F.13	7,751	7,975
of which: current income tax payables		40	301
Deferred tax liability	F.25	37	–
Accruals and deferred income	F.14	1,882	1,805
Total liabilities		**81,139**	**91,531**
Total equity and liabilities		**106,574**	**115,079**

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Income Statement

For the year ended 31 December

In CZK million	Note	2015	2014 re-presented*
Net earned premiums revenue	F.15	**18,312**	**19,624**
Insurance premium revenue		28,186	29,191
Insurance premium ceded to reinsurers		(9,874)	(9,567)
Interest and other investment income	F.16	1,974	2,242
Income from subsidiaries and associates	F.17	1,355	540
Other income from financial instruments and other investments	F.16	723	1,334
Net income/loss from financial instruments at fair value through profit or loss	F.18	(273)	(1,894)
Other income	F.19	1,447	2,514
Total income		**23,538**	**24,360**
Net insurance benefits and claims	F.20	**(10,793)**	**(12,541)**
Gross insurance benefits and claims		(15,612)	(16,463)
Reinsurers' share		4,819	3,922
Expenses from subsidiaries and associates	F.22	–	(7)
Other expenses for financial instruments and other investments	F.21	(740)	(695)
Acquisition costs	F.23	(2,591)	(2,788)
Administration costs	F.23	(1,679)	(1,880)
Other expenses	F.24	(1,702)	(1,671)
Total expenses		**(17,505)**	**(19,582)**
Profit before tax		6,033	4,778
Income tax expense	F.25	(754)	(731)
Loss after tax from discontinued operations	F.6	**(1,187)**	**(411)**
Net profit for the year		**4,092**	**3,636**
Weighted average number of shares		40,000	40,000
Basic and Diluted earnings per share (CZK)	F.30	102,302	90,903

* Certain amounts presented do not correspond to the 2014 financial statements and reflect adjustments made as a result of classification of the Polish operations as discontinued operations. The comparative income statement and statement of comprehensive income have been re-presented to show the discontinued operations separately from continuing operations, refer to Note F.6.

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Statement of Comprehensive Income

For the year ended 31 December

In CZK million	Note	2015	2014 re-presented*
Net profit for the year		5,279	4,047
Loss after tax from discontinued operations		(1,187)	(411)
Net profit for the year		**4,092**	**3,636**
Other comprehensive income – elements which may be recycled to profit or loss		**–**	**–**
Exchange rate differences in equity		–	(2)
Available-for-sale financial assets revaluation in equity	F.9	1,431	3,123
Available-for-sale financial assets revaluation realised in income statement	F.9	(499)	(570)
Available-for-sale impairment losses	F.9	369	180
Loss before tax from discontinued operations		–	30
Other comprehensive income before tax effects		**1,301**	**2,761**
Tax on items of Other comprehensive income	F.9	(243)	(525)
Tax on loss from discontinued operations		–	(1)
Other comprehensive income/loss, net of tax		**1,058**	**2,235**
Total comprehensive income		**5,150**	**5,871**

* Certain amounts presented do not correspond to the 2014 financial statements and reflect adjustments made as a result of classification of the Polish operations as discontinued operations. The comparative income statement and statement of comprehensive income have been re-presented to show the discontinued operations separately from continuing operations, refer to Note F.6.

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Statement of Changes in Equity

For the year ended 31 December

In CZK million	Share capital	Revaluation – financial assets AFS	Revaluation – Land and buildings	Reserve fund	Translation reserve	Equalisation reserve fund[1]	Other funds	Other retained earnings	Total
Balance as at 1 January 2014	**4,000**	**1,800**	**–**	**800**	**(31)**	**549**	**–**	**13,903**	**21,021**
Net profit for the year	–	–	–	–	–	–	–	3,636	3,636
Exchange rate differences in equity	–	1	–	–	24	–	–	(26)	(1)
Land and buildings revaluation gain/loss in equity – gross	–	–	–	–	–	–	–	–	–
Available-for-sale financial assets revaluation in equity	–	3,153	–	–	–	–	–	–	3,153
Available-for-sale financial assets revaluation realised in income statement	–	(571)	–	–	–	–	–	–	(571)
Available-for-sale impairment losses	–	180	–	–	–	–	–	–	180
Tax on items of other comprehensive income	–	(526)	–	–	–	–	–	–	(526)
Total Comprehensive income	**–**	**2,237**	**–**	**–**	**24**	**–**	**–**	**3,610**	**5,871**
Dividends to shareholder	–	–	–	–	–	–	–	(3,344)	(3,344)
Balance as at 31 December 2014	**4,000**	**4,037**	**–**	**800**	**(7)**	**549**	**–**	**14,169**	**23,548**
Net profit for the year	–	–	–	–	–	–	–	4,092	4,092
Exchange rate differences in equity	–	(1)	–	–	10	–	–	14	23
Available-for-sale financial assets revaluation in equity	–	1,405	–	–	–	–	–	–	1,405
Available-for-sale financial assets revaluation realised in income statement	–	(496)	–	–	–	–	–	–	(496)
Available-for-sale impairment losses	–	369	–	–	–	–	–	–	369
Tax on items of other comprehensive income	–	(243)	–	–	–	–	–	–	(243)
Total Comprehensive income	**–**	**1,034**	**–**	**–**	**10**	**–**	**–**	**4,106**	**5,150**
Dividends to shareholder	–	–	–	–	–	–	–	(3,272)	(3,272)
Share-based payment reserve	–	–	–	–	–	–	9	–	9
Changes in catastrophe and equalisation reserve	–	–	–	–	–	(512)	–	512	–
Balance as at 31 December 2015	**4,000**	**5,071**	**–**	**800**	**3**	**37**	**9**	**15,515**	**25,435**

[1] Equalisation reserve is required under local insurance legislation and is classified as a separate part of equity within these accounts as it does not meet the definition of a liability under IFRS. It is not available for distribution. Change in equalisation reserve is realised as a transfer between distributable retained earnings and non-distributable equalisation reserve fund in equity. The decrease of equalization reserve in 2015 is connected with calculation method prescribed by legislation. Maximum balance of the reserve is based on credit insurance premium within five year period. The last year with very significant amount of this premium was the year 2009.

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Statement of Cash Flows

For the year ended 31 December

In CZK million	Note	2015	2014
Cash flow from operating activities			
Profit before tax		6,033	4,778
Loss from discontinued operations before tax		(1,187)	(411)
Earnings before taxes including loss from discontinued operations		**4,846**	**4,367**
Adjustments for:			
Depreciation and amortisation	F.24	816	432
Impairment and reversal of impairment of current and non-current assets	F.22, F.23	408	221
Profit/Loss on disposal of PPE, intangible assets and investment property		–	(52)
Profit/Loss on sale and revaluation of financial assets		(400)	800
Gains/losses on disposal of subsidiaries		(954)	(22)
Dividends received		(581)	(674)
Interest expense		19	21
Interest income	F.16	(1,950)	(2,360)
Income/expenses not involving movements of cash		(1,329)	(1,162)
Share based compensation		9	(1)
Change in loans and advances to banks		2,248	(3,892)
Change in loans and advances to non banks		(50)	37
Change in receivables		94	308
Change in reinsurance assets	F.4	147	313
Change in other assets, prepayments and accrued income	F.8	(153)	(39)
Change in payables		(228)	(176)
Change in liabilities for investment contracts with DPF		(104)	10
Change in financial liabilities at FVTPL		–	(88)
Change in liabilities to banks		–	(791)
Change in insurance liabilities		(9,131)	(6,141)
Change in other liabilities, accruals and deferred income		77	120
Change in other provisions	F.11	(132)	(197)
Interest on securities received		1,231	2,194
Dividends received		581	674
Purchase of financial assets at FVTPL		(1,664)	(1,410)
Purchase of financial assets available-for-sale		(11,941)	(15,410)
Proceeds from financial assets at FVTPL		5,825	5,535
Proceeds from financial assets available-for-sale		16,222	19,816
Income taxes paid		(1,151)	(660)
Net cash flow from operating activities		**2,755**	**1,773**
Cash flow from investing activities			
Interest on loans received		105	140
Purchase of tangible assets and intangible assets		(246)	(292)
Acquisition of subsidiaries		(1,078)	(1,587)
Acquisition of Branch´s insurance portfolio		–	–
Loans granted	F.3.2	–	(537)
Proceeds from disposals of tangible and intangible assets		6	342
Proceeds from disposal of subsidiaries and other proceeds from subsidiaries		1,000	–
Repayment of loans granted	F.3.2	183	841
Net cash flow from investing activities		**(30)**	**(1,093)**
Cash flow from financing activities			
Repayment of loans		(2)	(3)
Interest paid		(9)	(9)
Dividends paid to shareholders	F.9.2	(3,272)	(3,344)
Net cash flow from financing activities		**(3,283)**	**(3,356)**
Net decrease in cash and cash equivalents		**(558)**	**(2,676)**
Cash and cash equivalents as at 1 January		**2,504**	**5,199**
Effect of exchange rate changes on cash and cash equivalents		**–**	**(19)**
Cash and cash equivalents as at 31 December		**1,946**	**2,504**

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Notes to the Separate Financial Statements

A. General information

A.1. Description of the Company

Česká pojišťovna a.s. ("Česká pojišťovna" or "ČP" or "the Company") is a composite insurer offering a wide range of life and non-life insurance products and is domiciled in the Czech Republic. The Company was incorporated on 1 May 1992 as a joint stock company and is the successor to the former state-owned insurance company Česká státní pojišťovna.

In 2012, the Company established a branch in Poland. The branch was registered into the Polish Commercial Register on 23 August 2012. Economic data of the branch were, in accordance with the legislation of the Czech Republic, an integral part of the financial statements of the Company. Activities of the branch during the year were identical to those of the founder and are subject to a supervision of the Czech National Bank.

As part of Generali CEE Group strategy aimed at simplification of governance structure and geographic and market priorities, supported by other regulatory topics such as an introduction of the Solvency II, the GCEE Group bodies decided to domesticate the Polish branch´s operations (operated under Proama brand) and to transfer the insurance portfolio and all related business activities of the branch into Poland. Owing to regulatory, operational, financial and capital management reasons, the sale was completed as at 31 December 2015 to other GCEE entity operating in Poland – GENERALI TOWARZYSTWO UBEZPIECZEŃ S.A. The branch is expected to close in 2016.

Structure of Shareholders

The Company's sole shareholder is CZI Holdings N.V., registered office Diemerhof 32, 1112XN, Diemen, the Netherlands; registered on 6 December 2006, identification number 34245976.

CZI Holdings is an integral part of Generali CEE Holding B.V. a company fully owned by Assicurazioni Generali S.p.A. ("Generali"), which is ultimate parent company of the Company. The financial statements of Generali Group are publicly available on www.generali.com.

Registered Office of the Company:

Spálená 75/16
113 04 Prague 1
Czech Republic
ID number: 45 27 29 56

The Directors authorised the financial statements for issue on 14 March 2016.

A.2. Statutory bodies

Board of Directors as at the end of the reporting period

Chairman:	Marek Jankovič, Bratislava
Vice Chairman:	Petr Bohumský, Prague
Member:	Tomáš Vysoudil, Říčany
Member:	Marie Kovářová, Prague
Member:	Karel Bláha, Prague

During the year 2015 there were the following changes in the Board of Directors:
On 7 July 2015 Marek Jankovič became the chairman of the Board of Directors. He replaced Luciano Cirinà who then resigned from his post in the Board of Directors.

Jiří Fialka and Štefan Tillinger resigned from their posts as at 1 June 2015 and at the same date Karel Bláha became the member of the Board of Directors. Tomáš Vysoudil became the new member of the Board of Directors on 1 July 2015.

At least two members of the Board of Directors must act together in the name of the Company in relation to third parties, courts and other bodies. When signing on behalf of the Company, the signatures and positions of at least two members of the Board of Directors must be appended to the designated business name of the Company.

Supervisory Board as at the end of the reporting period

Chairman:	Luciano Cirinà, Prague
Member:	Martin Sturzlbaum, Vienna
Member:	Gianluca Colocci, Terst
Member:	Gregor Pilgram, Prague

On 7 July 2015 Luciano Cirinà became the chairman of the Supervisory Board. He replaced in this post Martin Sturzlbaum who remained the member of the Supervisory Board.

A.3. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The management has reviewed those standards and interpretations adopted by the EU at the date of issue of the financial statements but which were not effective as at that date. An assessment of the expected impact of these standards and interpretations on the Company is shown in Note C.5.

A.4. Basis of preparation

Local accounting legislation requires that the Company prepares these separate financial statements in accordance with IFRS (as adopted by the EU – see Note A.3). The Company also prepares consolidated financial statements for the same period in accordance with IFRS as adopted by the EU. The Company prepares consolidated annual report.

As at the time of approval of these separate financial statements, the Company has not prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the "CP Group") as required by International Financial Reporting Standard ("IFRS") 10 "Consolidated Financial Statements". The Company applied an interpretation issued by the European Commission (document ARC/08/2007). According to the interpretation, the Company can prepare and file its separate financial statements independently from the preparation and filing of its consolidated financial statements.

In the consolidated financial statements, subsidiary undertakings – which are those companies which are controlled by the Company - will be fully consolidated. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated annual report will be prepared as at the date of approval of consolidated financial statements and will include both consolidated financial statements and this separate financial statements.

The Company will present the consolidated annual report on its website www.ceskapojistovna.cz in April 2016.

Users of these financial statements should read these separate financial statements together with the CP Group's consolidated financial statements as at and for the year ended 31 December 2015, when they become available, in order to obtain full information on the financial position, financial performance and cash flows of the CP Group as a whole.

The financial statements are presented in Czech Crowns ("CZK") which is the Company's functional currency. The functional currency of the branch in Poland is Polish Zloty ("PLN").

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss, financial instruments classified as available-for-sale and investment properties.

The preparation of the financial statements requires that management make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in both the period of the revision and future periods if the revision affects both the current and future periods.

More information about assumptions and judgements is described in Note C.2.

B. Subsidiaries and associates

The following table provides details about the Company’s subsidiaries and associates:

In CZK million, for the year ended 31 December 2015 Name	Country	Cost of invest-ment	Accumu-lated impair-ment	Net cost of invest-ment	Proportion of owner-ship interest (%)	Proportion of voting power (%)	Accounting treatment	Note
Direct Care s.r.o.	Czech Republic	31	–	31	28.00	28.00	Cost less impairment	3
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	191	–	191	100.00	100.00		
Generali Real Estate Fund CEE a.s.	Czech Republic	2,758	–	2,758	70.00	70.00		2
Generali Services CEE a.s.	Czech Republic	122	(120)	2	80.00	80.00		
Nadace GCP	Czech Republic	6	–	6	–	–		5
REFICOR s.r.o.	Czech Republic	–	–	–	80.40	80.40		4
CP Strategic Investments N.V.	Netherlands	3,116	–	3,116	100.00	100.00		
Generali SAF de Pensii Private S.A.	Romania	1,077	–	1,077	99.90	99.90		
Finansovyj servis o.o.o.	Russia	2	(2)	–	100.00	100.00		
Apollo Business Center IV a.s.	Slovakia	835	–	835	100.00	100.00		
Pařížská 26, s.r.o.	Czech Republic	346	–	346	100.00	100.00		
PALAC KRIZIK a.s.	Czech Republic	527	–	527	50.00	50.00		
Europ Assistance s.r.o.	Czech Republic	30	–	30	25.00	25.00		
TOTAL		**9,041**	**(122)**	**8,919**	**–**	**–**		

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Detailed information on transactions with subsidiaries of the Company is provided below.

1. Sale of ČP INVEST Investiční společnost, a.s.

On 15 April 2015 the Company signed an agreement with its sole shareholder CZI Holdings N.V. to transfer 100% shares it held in ČP Invest. The purchase price amounts to CZK 1 billion and, as a result of the sale, the Company realised a gain of CZK 954 million which is reported on the line “Income from subsidiaries and associates” in the income statement.

2. Capital increase of ČP INVEST Realitní uzavřený investiční Fond a.s.

Shareholders of the company at their meeting on 25 March 2015 agreed to increase a share capital by CZK 112 million issuing 112 shares with nominal value of CZK 1 million each. Česká pojišťovna a.s. subscribed for 69 newly issued shares of the fund in total subscription price of CZK 1,076 million.

3. Merger of Generali Care s.r.o., ČP DIRECT, a.s. and Univerzální správa majetku a.s.

On 30 April 2015 the representatives of Generali Care s.r.o. (a company of GCEE Group), ČP Direct, a.s. and Univerzální správa majetku a.s. signed a Merger project. The merger was approved by Česká pojišťovna a.s. and Generali Pojišťovna a.s., being the shareholders of the involved entities, on 29 June 2015. The successor company is Generali Care s.r.o., the other two companies were dissolved. Effective date of the merger is 1 January. The share exchange was performed based on a valuation of an independent expert and the Company´s share in the surviving company is 28%.

Generali Care s.r.o. was thereafter renamed to Direct Care s.r.o.

4. Merger of REFICOR s.r.o., Pankrác services s.r.o. and Generali Servis s.r.o.

On 5 May 2015 the representatives of REFICOR s.r.o., Pankrác services s.r.o. and Generali Servis s.r.o. (a company of GCEE Group) signed a Merger project whereby the companies Pankrác services s.r.o. and Generali Servis s.r.o. merge into REFICOR s.r.o. The merger was approved by Česká pojišťovna a.s. and Generali Pojišťovna a.s., being the shareholders of the involved entities, on 29 June 2015. Effective date of the merger is 1 January 2015. The share exchange was performed based on a valuation of an independent expert and the Group share in the surviving company is 80.4%.

5. Merger of Nadace GCP and Nadace Generali pojišťovny

On 22 July 2015 Nadace pojišťovny Generali merged into Nadace GCP (former Nadace České pojišťovny being renamed in February 2015). The merger was approved by founders of both of the foundations on 29 June 2015 with effective date of the merger on 1 January 2015.

6. Renaming of subsidiaries

The following companies were renamed in the year 2015:
Nadace České pojišťovny was renamed Nadace GCP
Generali PPF Asset Management a.s. was renamed Generali Investments CEE a.s.
Generali PPF Services a.s. was renamed Generali Services CEE a.s.
ČP INVEST Realitní uzavřený investiční Fond a.s. was renamed Generali Real Estate Fund CEE a.s.
Generali Care s.r.o. was renamed Direct Care s.r.o.

In CZK million, for the year ended 31 December 2014 Name	Country	Cost of invest-ment	Accumu-lated impair-ment	Net cost of invest-ment	Proportion of owner-ship interest (%)	Proportion of voting power (%)	Accounting treatment
ČP DIRECT, a.s.	Czech Republic	29	–	29	100.00	100.00	Cost less impairment
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	191	–	191	100.00	100.00	
ČP INVEST Investiční společnost, a.s.	Czech Republic	46	–	46	100.00	100.00	
ČP INVEST Realitní uzavřený investiční Fond a.s.	Czech Republic	1,682	–	1,682	76.32	76.32	
Generali PPF Services a.s.	Czech Republic	122	(120)	2	80.00	80.00	
Nadace České pojišťovny	Czech Republic	6	–	6	100.00	100.00	
Pankrác Services s.r.o.	Czech Republic	270	(270)	–	100.00	100.00	
REFICOR s.r.o.	Czech Republic	–	–	–	100.00	100.00	
Univerzální správa majetku a.s.	Czech Republic	1	–	1	100.00	100.00	
CP Strategic Investments N.V.	Netherlands	3,117	–	3,117	100.00	100.00	
Generali SAF de Pensii Private S.A.	Romania	1,077	–	1,077	99.90	99.90	
Finansovyj servis o.o.o.	Russia	2	(2)	–	100.00	100.00	
Apollo Business Center IV a.s.	Slovakia	835	–	835	100.00	100.00	
Pařížská 26, s.r.o.	Czech Republic	345	–	345	100.00	100.00	
PALAC KRIZIK a.s.	Czech Republic	526	–	526	50.00	50.00	
Europ Assistance s.r.o.	Czech Republic	30	–	30	25.00	25.00	
TOTAL		**8,279**	**(392)**	**7,887**	**–**	**–**	

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C. Significant accounting policies and assumptions

C.1. Significant accounting policies

C.1.1. Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

The Company owns no software with indefinite useful life. Intangible assets with finite useful lives are amortised on a straight-line basis over an average period of 3 – 5 years. The amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material additional investment is made to an asset during the year, its useful life and residual value are reassessed at the time the cost of the investment is added to the carrying amount of the asset.

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

C.1.1.1. Goodwill

The excess of the consideration transferred, over the fair value of the identifiable net assets acquired is recorded as goodwill.

After initial recognition, goodwill is measured at cost less any impairment losses and it is not amortised. Goodwill is tested at least semi-annually in order to identify any impairment losses.

The purpose of the impairment test on goodwill is to identify the existence of any impairment losses on the carrying amount presented as an intangible asset. In this context, cash-generating units to which the goodwill is allocated are identified and tested for impairment. The impairment loss is equal to the difference, if negative, between the recoverable amount and carrying amount. The former is the higher of the fair value less costs to sell of the cash-generating unit and its value in use, i.e. the present value of the future cash flows expected to be derived from the cash-generating units. The fair value of the cash-generating unit is determined on the basis of current market quotations or commonly used valuation techniques. The value in use is based on the present value of future cash inflows and outflows, considering projections on budgets/forecasts approved by management and covering a maximum period of five years. Cash-flow projections for a period longer than five years is equal to terminal value calculated based on Gordon Growth Model. Key assumptions used for calculation of value in use are estimated growth rate and a discount rate reflecting the risk free rate adjusted to take specific risks into account.

Should any previous impairment losses allocated to goodwill no longer exist, they cannot be reversed.

C.1.2. Investment property

Investment properties are properties, which are held either to earn rental income or for capital appreciation or for both. A property owned by the Company is treated as an investment property if it is not occupied by the Company or if only an insignificant portion of the property is occupied by the Company.

Property that is being constructed or developed for future use as an investment property is classified as investment property.

Subsequent to initial recognition, all investment properties are measured at fair value. Fair value is determined annually. The best evidence of fair value are current market prices. If unavailable, an alternative valuation technique is used. Valuation is based on reliable estimates of future cash flows, discounted at rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows, and supported by evidence of current prices or rents for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the term of the lease.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

When an item of property and equipment becomes an investment property following a change in its use, any difference arising as at the date of transfer between the carrying amount of the item and its fair value, and related deferred tax thereon, is recognised in other comprehensive income if it is a gain.

Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately. Subsequent expenditures relating to investment properties are capitalised if they extend the useful life of the asset, otherwise they are recognised as an expense.

C.1.3. Property and equipment

Property and equipment are measured at the purchase price or production cost, less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis using the following rates:

Item	Depreciation rate (%)
Buildings	2.00–10.00
Other tangible assets and equipment	5.88–33.33

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The leasehold improvements (technical appreciation) performed on leased asset is depreciated over the rental period.

Component parts of an asset which have different useful lives or provide benefits in a different pattern are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material additional investment is made to an asset during the year, its useful life and residual value are reassessed at the time the cost of the investment is added to the carrying amount of the asset.

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Property and equipment acquired by way of finance leasing are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in Other income.

C.1.4. Subsidiaries

Except as stated below, all subsidiaries are measured at cost less any impairment losses (see C.1.31.2).

The Company controls company Generali CEE Invest Plc. (former Generali PPF Invest Plc.) incorporated in Ireland, which manages open-ended investment funds. In the separate financial statements, interests in these funds are measured at fair value in accordance with IAS 39 and are reported as financial assets at fair value through profit or loss or available-for-sale (Financial assets – see C.1.5.3 and C.1.5.4).

Distributions of profits (dividends) are recognised as income in the income statement when the Company's right to receive the payment is established.

C.1.5. Financial assets

Financial assets include financial assets at fair value through profit or loss, financial assets available-for-sale, financial assets held-to-maturity, loans and receivables, cash and cash equivalents.

Financial assets are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. For standard purchases and sales of financial assets, the Company's policy is to recognise them using settlement-date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as would be accounted for subsequent measurement. Financial instruments are measured initially at fair value plus, with the exception of financial instruments at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

Subsequent measurement is described in Notes C.1.5.1 to C.1.5.4.

A financial asset is derecognised when the Company transfers the risk and rewards of ownership of the financial assets or loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or surrendered.

C.1.5.1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than classified at fair value through profit or loss or classified as available-for-sale.

After initial recognition loans and receivables are measured at amortised cost using the effective interest rate method, less provision for impairment.

C.1.5.2. Financial assets held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Company has the positive intent and ability to hold to maturity.

Financial assets held-to-maturity are measured at amortised cost using an effective interest rate method less any impairment losses. The amortisation of premiums and discounts is recorded as interest income or expense.

The fair value of an individual security within the held-to-maturity portfolio may temporarily fall below its carrying value, but, provided there is no risk resulting from significant financial difficulties of the debtor, the security is not considered to be impaired.

C.1.5.3. Financial assets available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss.

After initial recognition, the Company measures financial assets available-for-sale at their fair values, without any deduction for transaction costs that it may incur upon sale or other disposal, with the exception of AFS equity securities that do not have a quoted market price on an active market and whose fair value cannot be reliably measured which are stated at cost, including transaction costs, less impairment losses.

Any revaluation gain or loss on a financial asset available-for-sale is recognised in other comprehensive income with the exception of impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these instruments are interest-bearing, interest calculated using the effective interest rate method is recognised in the income statement. Dividend income is recognised in the income statement as other income from financial instruments and other investments – see C.1.23. When available-for-sale assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

C.1.5.4. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading and non-trading financial assets which are designated upon initial recognition as at fair value through profit or loss.

Financial assets held-for-trading are acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in the price or dealer's margin. Financial assets are classified as held-for-trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held-for-trading include investments and certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at fair value through profit or loss.

If a financial asset is no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), the financial assets can only be reclassified out of the fair value through profit or loss category in rare circumstances.

The Company designates non-trading financial assets according to its investment strategy as financial assets at fair value through profit or loss, if the fair value can be reliably measured. The fair value option is only applied in any one of the following situations:
- It results in more relevant information, because it significantly reduces a measurement or recognition inconsistency ("accounting mismatch") of securities covering unit-linked policies;
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, with information being provided to key management personnel on this basis.
- When a contract contains one or more substantive embedded derivatives, unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or it is clear that separation of embedded derivatives is prohibited.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at their fair values (Note C.1.31.8). Gains and losses arising from changes in the fair values are recognised in the income statement.

Swaps

Swaps are over-the-counter agreements between the Company and other parties to exchange future cash flows based upon agreed notional amounts. Swaps most commonly used by the Company are interest rate and cross-currency interest rate swaps. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency interest rate swaps require an exchange of interest payment flows and capital amounts in different currencies. The Company is subject to credit risk arising from default of the respective counter parties.

Market risk arises from potentially unfavourable movements in interest rates relative to the contractual rates of the contract, or from movements in foreign exchange rates. Credit default swaps are also used by the Company. Under the credit default swap agreement, a credit risk is transferred from a protection buyer to a protection seller.

Futures and forwards
Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counter party and exposure to market risk based on changes in market prices relative to the contracted amounts.

A futures contract is a standardised contract, traded on a futures exchange, to buy or sell a standardised quantity of a specified commodity of standardised quality at a certain date in the future, at a price determined by the instantaneous equilibrium between the forces of supply and demand among competing buy and sell orders on the exchange at the time of the purchase or sale of the contract. Futures contracts bear considerably lower credit risk than forwards and, as forwards, result in exposure to market risk based on changes in market prices relative to the contracted amounts.

Options
Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right (but not the obligation) to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Company enters into interest rate options, foreign exchange options and equity and index options. Interest rate options, including caps and floors, may be used as hedges against a rise or fall in interest rates. They provide protection against changes in the interest rates of floating rate instruments above or below a specified level. Foreign currency options may also be used (commensurate with the type of option) to hedge against rising or falling currency rates. The Company as a buyer of over-the-counter options is subject to market risk and credit risk since the counter party is obliged to make payments under the terms of the contract if the Company exercises the option. As the writer of over-the-counter options, the Company is subject to the market risk, as it is obliged to make payments if the option is exercised by the counterparty or credit risk from a premium due from a counterparty.

C.1.6. Reinsurance assets
Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions.

Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Company records an impairment charge for estimated irrecoverable reinsurance assets, if any.

C.1.7. Receivables
This item includes receivables arising out of direct insurance and reinsurance operations, and other receivables.

Receivables on premiums written in the course of collection and receivables from intermediates, co-insurers and reinsurers are included in this item. They are initially recognised at fair value and then at their presumed recoverable amounts if lower.

Other receivables include all other receivables not of an insurance or tax nature. They are initially recognised at fair value and subsequently at amortised cost reflecting their presumed recoverable amounts.

C.1.8. Cash and cash equivalents
Cash consists of cash on hand, demand deposits with banks and other financial institutions and term deposit due within 15 days. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C.1.9. Lease transactions
Property and equipment holdings used by the Company under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, are not recorded on the Company’s statement of financial position. Payments made under operating leases to the lessor are charged to the income statement on a straight line basis over the lease term.

C.1.10. Non-current assets held-for-sale
Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sales rather than through continuing use are classified as held-for-sale. Immediately before being classified as held-for-sale, the assets (or components of a disposal group) are measured in accordance with the applicable IFRS. Thereafter, generally, the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Company’s accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

C.1.11. Equity

C.1.11.1. Share capital issued
The share capital is the nominal amount approved by a shareholders´ resolution. Ordinary shares are classified as equity.

C.1.11.2. Retained earnings and other reserves
This item comprises the following reserves:

Reserve fund
The creation and use of the reserve fund is limited by legislation. The reserve fund is not available for distribution to the shareholders, but can be used to cover losses.

Equalisation reserve fund
Equalisation reserve is required under local insurance legislation and is classified as separate part of equity within these accounts as it does not meet the definition of a liability under IFRS. Equalisation reserve is not available for distribution.

Retained earnings
The item includes retained earnings or losses adjusted for the effect due to changes arising from the first application of IFRS, reserves for share-based payments.

Unrealised gains and losses on available-for-sale financial assets
The item includes gains or losses arising from changes in the fair value of available-for-sale financial assets, as previously described in the corresponding item of financial investments. The amounts are presented net of the related deferred taxes and deferred policyholders' liabilities.

Reserve for currency translation differences
The item includes unrealised gains or losses arising from revaluation of the financial statements of the Branch from its functional currency which is Polish Zloty to the reporting currency which is Czech Crowns (see C.1.31.1).

Reserve for other unrealised gains and losses through equity
This item includes revaluation of land and buildings reclassified to investment properties.

Result of the period
This item refers to the Company's result for the period.

C.1.11.3. Dividends
Dividends are recognised as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

C.1.12. Insurance classification

C.1.12.1. Insurance contracts
In accordance with IFRS 4, policies of the life segment are classified as insurance contracts or investment contracts based on the significance of the underlying insurance risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

Classification requires the following steps:
- identification of the characteristics of products (option, discretionary participation feature, etc.) and services rendered;
- determination of the level of insurance risk in the contract; and
- determination of classification in accordance with IFRS 4

C.1.12.2. Insurance contracts and investment contracts with DPF
Premiums, payments and change in the insurance liabilities related to products whose insurance risk is considered significant (e.g. term insurance, whole life and endowment with annual premiums, life contingent annuities and contracts containing an option to elect at maturity a life contingent annuity at rates granted at inception, long-term health insurance and unit-linked with sum assured in case of death significantly higher than the value of the fund) or investment contracts with discretionary participation feature – DPF – (e.g. policies linked to segregated funds, contracts with additional benefits that are contractually based on the results of the company) are recognised in the Income Statement.

C.1.12.3. Investment contracts
Investment contracts without DPF mainly include unit/index-linked policies and pure capitalisation contracts. The Company did not classify any contracts as investment contracts without DPF in 2015 and 2014.

C.1.13. Insurance liabilities

C.1.13.1. Provision for unearned premiums
The provision for unearned premiums comprises that part of gross premiums written attributable to the following financial year or to subsequent financial years, computed separately for each insurance contract using the pro rata temporis method, adjusted to reflect any variation in the incidence of risk during the period covered by the contract. The provision for unearned premiums is created for both life insurance and non-life insurance.

C.1.13.2. Claims provision
The provision for outstanding claims represents the total estimated ultimate cost of settling all claims arising from events that have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims, including the related internal and external claims settlement expenses as estimated based on historical experience and specific assumptions about future economic conditions.

The provision includes claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

Where benefits resulting from a claim are paid in the form of an annuity, the provision is calculated by recognised actuarial methods.

With the exception of annuities, the Company does not discount its provisions for outstanding claims.

Where applicable, provisions are disclosed net of the prudent estimates for salvage and subrogation recoveries.

The provision for outstanding claims in respect of life insurance policies is included within the life assurance liabilities.

Whilst the Board of Directors considers that the gross provision for claims and the related reinsurance recoveries are stated fairly, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

C.1.13.3. Other insurance liabilities
Other insurance liabilities contain other insurance technical provisions that are not mentioned above, such as the provision for unexpired risks (also referred to as “premium deficiency”) in non-life insurance (see also C.2.3.3), the ageing provision in health insurance, provision for contractual non-discretionary bonuses in non-life business.

The provision for contractual non-discretionary bonuses in non-life business covers future benefits in the form of additional payments to policyholders or reduction of policyholder payments, which are a result of past performance. This provision is not recognised for those contracts, where future premium is reduced by bonuses resulting from favourable past policy claim experience and such bonus being granted irrespective of whether the past claim experience was with the reporting entity. In such a situation, the reduction of the premium reflects the expected lower future claims, rather than distribution of past surpluses.

C.1.13.4. Mathematical provision
The mathematical provision comprises the actuarially estimated value of the Company’s liabilities under life insurance contracts. The amount of the mathematical provision is calculated by a prospective net premium valuation, taking account of all future liabilities as determined by the policy conditions for each existing contract and including all guaranteed benefits, bonuses already declared and proposed, expenses and after deducting the actuarial value of future premiums.

The mathematical provision is initially measured using the assumptions used for calculating the corresponding premiums and remain unchanged except where a liability inadequacy occurs. A liability adequacy test (LAT) is performed as at each end of the reporting period by the Company’s actuaries using current estimates of future cash flows under its insurance contracts (see C.2.3). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in the income statement with a corresponding increase to the other life insurance technical provision.

C.1.13.5. Liabilities for investment contracts with DPF
Liabilities for investment contracts with DPF represents liabilities for contracts that do not meet the definition of insurance contracts, because they do not lead to the transfer of significant insurance risk from the policyholder to the Company, but which contain DPF (as defined in C.1.31.3). Liabilities arising from investment contracts with DPF are accounted for in the same way as insurance contracts.

C.1.13.6. DPF liability for insurance contracts

DPF liability represents a contractual liability to provide significant benefits in addition to the guaranteed benefits that are at the discretion of the issuer over the timing and amount of benefits and which are based on performance of defined contracts, investment returns or the profit or loss of the issuer. For more details, see C.1.31.3.

C.1.14. Other provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

C.1.15. Bonds issued

Bonds issued are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost. Amortisation of discounts or premiums and interest are recognised in interest expense and similar charges using the effective interest rate method.

C.1.16. Financial liabilities to banks and non-banks

Financial liabilities to banks and non-banks and deposits received from reinsurers are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost. Amortised cost of a financial liability is the amount at which the financial liability was measured upon initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

C.1.17. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are liabilities classified as held-for-trading, which include primarily derivative liabilities that are not hedging instruments. Related transaction costs are immediately expensed. Financial liabilities at fair value through profit or loss are measured at fair value (see C.1.31.8) and the relevant gains and losses from this revaluation are included in the income statement. Financial liabilities are removed from the Statement of Financial Position when, and only when, they are extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expires.

C.1.18. Payables

Accounts payable represent contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which will normally equal their nominal or repayment value.

C.1.19. Net insurance premium revenue

Net insurance premium revenue includes gross earned premiums from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

Gross premiums comprise all amounts due during the financial year in respect of insurance contracts regardless of the fact that such amounts may relate in whole or in part to a later financial year. Gross premiums are recognised in respect of contracts meeting the definition of an insurance contract or an investment contract with DPF.

The above amounts do not include the amounts of taxes or charges levied with premiums.

Premiums are recognised when an unrestricted legal entitlement is established. For contracts where premiums are payable in instalments, such premiums are recognised as written when the instalment becomes due.

Premiums are recognised as earned on a pro-rata basis over the term of the related policy coverage via the provision for unearned premiums. For those contracts for which the period of risk differs significantly from the contract period, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

The change in the unearned premium provision is represented by the difference in the balance of the provision for unearned premium as at the beginning of the year and the balance as at the year-end.

C.1.20. Net insurance claims and benefits

Insurance technical charges include claims (benefit) expenses, the change in technical provisions and rebates and profit sharing.

Claims (benefits) expenses are represented by benefits and surrenders net of reinsurance (life), and claims paid net of reinsurance (non-life). Benefits and claims comprise all payments made in respect of the financial year. These amounts include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs. Sums recovered on the basis of subrogation or salvage are deducted. Claims paid are recognised at the moment that the claim is approved for settlement.

The change in technical provisions represents change in provisions for claims reported by policyholders, change in provision for IBNR, change in mathematical and unit-linked provisions and change in other technical provisions.

Bonuses comprise all amounts chargeable for the financial year representing an allocation of surplus or profit arising from business as a whole or from a section of business, after the deduction of amounts provided in previous years. Rebates comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

C.1.21. Benefits from investment contracts with DPF (investment contract benefits)

Investment contract benefits represent changes in liabilities resulting from investment contracts with DPF (for definition of DPF see C.1.13.6).

The change in liabilities for investment contracts with DPF involves guaranteed benefits credited, change in DPF liabilities for investment contracts with DPF and change in liability resulting from a liability adequacy test of investment contracts with DPF.

C.1.22. Interest and similar income and interest and similar expense

Interest income and interest expense are recognised in the income statement on an accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated using the effective interest method.

Interest on financial assets at fair value through profit or loss is reported as a part of Net income from financial instruments at fair value through profit or loss. Interest income and interest expense on other assets or liabilities is reported as Interest and other investment income or as Interest expense in the income statement.

C.1.23. Other income and expense from financial assets

Other income and expenses from financial assets comprise realised and unrealised gains/losses, dividends, net trading income and net impairment loss or reversals of impairment (see C.1.31.2).

A realised gain/loss arises on derecognition of financial assets other than financial assets at fair value through profit or loss. The amount of the realised gain/loss represents the difference between the carrying value of a financial asset and the sales price adjusted for any cumulative gain or loss that had been recognised directly in the equity.

Net fair value gains on financial assets and liabilities at fair value through profit or loss not held-for-trading represent the amount of the subsequent measurement of financial assets and liabilities designated at fair value through profit or loss to their fair value or the gain/loss from disposal thereof.

Dividends from investments are recorded when declared and approved by the shareholder's meeting of the respective company.

Net trading income represents the subsequent measurement of the "Trading assets" and "Trading liabilities" to fair value or the gain/loss from disposal of the "Trading assets" or "Trading liabilities". The amount of the trading income to be recorded represents the difference between the latest carrying value and the fair value as at the date of the financial statements or the sale price.

C.1.24. Income and expense from investment property

Income and expense from investment property comprise realised gains/losses triggered by derecognition, unrealised gains/losses from subsequent measurement at fair value, rental income and other income and expense related to investment property.

C.1.25. Other income and other expense

The main part of other income arises from gains and losses on foreign currency and administration services relating to the Employer's liability insurance provided by the Company for the state. For this type of insurance, the Company bears no insurance risk; it only administrates the fee collection and claims settlement. The revenue is recognised in the period when services are provided and in the amount stated by law.

C.1.26. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts with DPF and include direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing proposals and issuing policies. Portion of acquisition costs is being deferred, such as agents' commissions and other variable underwriting and policy issue costs. General selling expenses and line of business costs as well as commissions for servicing a portfolio are not deferred unless they are related to the acquisition of new business.

In non-life insurance, a proportion of the related acquisition costs are deferred and amortised commensurate with the unearned premiums provision. The amount of any deferred acquisition costs is established on a similar basis as that used for unearned premiums for a relevant line of business (product). Deferred acquisition costs are reported as other assets in the statement of financial position.

The recoverable amount of deferred acquisition costs is assessed as at each end of the reporting period as part of the liability adequacy test.

Acquisition costs in respect of life insurance contracts and investment contracts with DPF (Discretionary Participation Feature) are charged directly to the income statement as incurred and are not deferred.

For the investment contracts with DPF the incremental acquisition costs directly attributable to the issue of a related financial liability carried at amortised cost are deducted from the fair value of the consideration received and included within the effective interest rate calculation.

C.1.27. Administration costs

Administrative costs include cost relating to the administration of the Company. This includes personnel costs, office rental expenses and other operating expenses. Staff costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance. Other operating expenses include costs of premium collection, portfolio administration and the processing of inwards and outwards reinsurance.

C.1.28. Reinsurance commissions and profit participations

Reinsurance commissions and profit participations include commissions received or the receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

C.1.29. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted as at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences from the initial recognition of assets or liabilities outside of business combinations that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted as at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

C.1.30. Employee benefits

C.1.30.1. Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are payable wholly within twelve months after the end of the period in which the employees render the related service. Short-term employee benefits include mainly wages and salaries, management remuneration and bonuses, remuneration for membership in Company boards and non-monetary benefits. The Company makes contributions to the government pension at the statutory rates in force during the year, based on gross salary payments. The benefits are recognised in an undiscounted amount as an expense and as a liability (accrued expense).

C.1.30.2. Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that do not become due wholly within twelve months after the end of the period in which the employees render the related service.

The benefits are measured at present value of the defined obligation at the balance sheet date using the projected unit credit method.

C.1.30.3. Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment. The Company makes contributions to the government accident and guarantee insurance and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. Throughout the year, the Company made contributions amounting to 25% (2014: 25%) of gross salaries up to a limit, which is defined by the relevant law, to such schemes, together with contributions made by employees of a further 6.5% (3.5% in case the employee is participant of pillar II of pension scheme) (2014: 6.5%/3.5%). The cost of these Company made contributions is charged to the income statement in the same period as the related salary cost as this is a defined contribution plan since there are no further obligations of the Company in respect of employees' post-employment benefits.

C.1.30.4. Termination benefits

Termination benefits are employee benefits payable as a result of the Company's decision to terminate an employee's employment before the normal retirement date, or as a result of an employee's decision to accept voluntary redundancy in exchange for those benefits.

The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

C.1.31. Other accounting policies

C.1.31.1. Foreign currency translation

A foreign currency transaction is a transaction which is denominated in or requires settlement in a currency other than functional currency. Functional currency is the currency of the primary economic environment in which entity operates. A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying the exchange rate effective as at the date of the transaction to the foreign currency amount.

Translation from functional to presentation currency

The items in the statement of financial position in functional currencies different from the presentation currency of the Company, the branch in Poland, were translated into Czech Crown (CZK) based on the exchange rates as at the end of the year.

The income statement items were instead translated based on the actual exchange rates as at the dates of the transactions.

The exchange rate differences arising from the translation are accounted for in other comprehensive income in an appropriate reserve and are recognised in the income statement only at the time of the disposal of the investments.

At each end of the reporting period:

- Foreign currency monetary items are translated using the closing foreign exchange rate; and
- Available-for-sale equity financial assets denominated in a foreign currency, which are carried at fair value, are translated using the foreign exchange rates ruling as at the dates the fair values were determined.

Exchange differences arising from the settlement of monetary items or from translation of the Company's monetary items at rates different from those at which they were initially recorded or reported in previous financial statements are recognised as Other income or as Other expenses in the period in which they arise (C.1.25). Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity unless fair value hedge accounting is applied.

C.1.31.2. Impairment

The carrying amounts of the Company's assets, other than investment property (see note C.1.2), deferred acquisition costs (C.1.26), inventories and deferred tax assets (C.1.29), are reviewed as at each end of the reporting period to determine whether there is any indication of impairment. This determination requires judgement. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is measured annually regardless of any indication of impairment for intangible assets not yet available for use.

An impairment loss is recognised to the extent that the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement; net impairment losses are the main part of other expense for financial instruments and other investments, net reversals of impairment are part of other income from financial instruments and other investment (C.1.23).

Individual impairment losses are losses which are specifically identified. Collective impairment losses are losses which are present in a portfolio of loans or receivables but not specifically identified.

Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 financial assets that can be reliably estimated.

Evidence of impairment includes, for example, significant financial difficulties of the issuer, default or delinquency in interest or principal payments, the probability that the borrower will enter bankruptcy or other financial reorganisation and the disappearance of an active market for the financial asset.

In all these cases, any impairment loss is recognised only after a careful analysis of the type of loss has established that the conditions exist to proceed with the corresponding recognition. The analysis includes considerations of the recoverable value of the investment, checks on the volatility of the stock versus the reference market or compared to competitors, and any other possible quality factor. The analytical level and detail of the analysis varies based on the significance of the latent losses of each investment.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is considered to be objective evidence of impairment. The Company considers prolonged decline to be 12 months. Significant decline is assessed to be for unrealised loss higher than 30%. The recoverable amount of the Company's investments in held-to-maturity securities is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Loans and advances are reported net of allowances for loan losses to reflect the estimated recoverable amounts. Receivables are stated at their cost less impairment losses.

The recoverable amount of an available-for-sale asset is the current fair value. When there is objective evidence that it is impaired, the decline in fair value that had been recognised directly in other comprehensive income is reclassified to the income statement.

An impairment loss in respect of a held-to-maturity security, loan, advance or receivable, available-for-sale debt instrument is reversed through the income statement (up to the amount of the amortised cost) if the subsequent increase in recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of available-for-sale equity instruments is not reversed through the income statement and any subsequent increase in fair value is recognised in other comprehensive income.

Impairment of non-financial assets

The recoverable amount of other assets is the greater of their fair value less cost to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and the increase can be objectively related to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The carrying amount of subsidiaries is tested for impairment annually. The Company observes if events or changes in subsidiaries business indicate that it might be impaired. The Company considers the decreasing equity of a subsidiary as a key indicator of potential impairment.

C.1.31.3. Discretionary participation features (DPF)

A discretionary participation feature (DPF) represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that constitute a significant portion of the total contractual benefits, whose amount or timing is at the discretion of the Company and are based on the performance of pooled assets, profit or loss of the company or investment returns.

As the amount of the bonus to be allocated to policyholders has been irrevocably fixed as at the end of the reporting period, the amount is presented as a liability in the financial statements, i.e. within the life assurance liabilities in the case of insurance contracts or within the Guaranteed liability for investment contracts with DPF in the case of investment contracts with DPF.

C.1.31.4. Segment reporting

A segment is a component of the Company that engages in business activities from which the Company may earn revenues and incur expenses and whose operating results are regularly reviewed by the chief operating decision maker of the Company to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available (business segment).

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

The reportable segments are strategic Company activities that offer different services. They are managed separately and have different marketing strategies.

C.1.31.5. REPO transactions

The Company enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised as loans to either banks or non-banks. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the Statement of Financial Position and are measured in accordance with the accounting policy for either financial assets held-for-trading or available-for-sale, as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or non-banks.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

C.1.31.6. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is an unconditional and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

C.1.31.7. Share-based payments

Employees of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The Company has no obligation to settle the share-based transaction, transaction will be settled by shares issued by Assicurazioni Generali S.p.A. (ultimate parent company).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised together with a corresponding increase in retained earnings in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in other expenses.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

C.1.31.8. Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

The fair value of financial instruments and other assets and liabilities is based on their quoted market price as at the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available or if the market for an asset or liability is not active, the fair value is estimated using pricing models or discounted cash-flow techniques.

Quoted instrument is an instrument that is negotiated on a regulated market or on a multilateral trading facility. To assess whether the market is active or not, the Company carefully determines whether the quoted price really reflects the fair value, i.e. in cases when the price has not changed for a long period or the Company has information about an important event but the price did not change accordingly, the market is not considered active.

Discounted cash flow techniques use estimated future cash flows, which are based on management's estimates, and the discount rate, which is constructed from risk-free rates adjusted by risk margin (credit spread). This is usually derived from an instrument with similar terms and conditions (ideally from the same issuer, similar maturity and seniority) which reflects the market price in the best way.

In general, in the case that pricing models are used, inputs are based on market-related measures as at the end of the reporting period which limits the subjectivity of the valuation performed by the Company, and the result of such a valuation best approximates the fair value of an instrument.

The fair value of derivatives that are not exchange-traded is as at the end of the reporting period estimated using appropriate pricing models as described in the previous paragraph taking into account current market conditions and the current creditworthiness of the counterparties. In the case of options, Black-Scholes models are applied. Also, for any other over-the-counter instruments (CDS, IRS, CCS, etc.), widely recognised models are applied and, again, the parameters of the valuation intend to reflect the market conditions.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs are used.

There were no changes in valuation techniques from previous period.

The fair value hierarchy (defined by IFRS 13) into three levels has been used. The fair value hierarchy categorises the inputs to valuation techniques used to measure fair value:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of assets or liabilities traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value of assets or liabilities that are not traded in an active market (for example, over-the-counter derivatives or unquoted bonds) are determined by using valuation techniques. If all significant inputs required to fair value an instrument are observable on the market, the instrument is included in level 2. Specific valuation techniques used in valuation include mainly quoted market prices or over-the-counter offers for similar instruments, cash flow estimation and risk-free curves.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Level 3 contains assets and liabilities where market prices are unavailable and entity specific estimates are necessary.

Assets and liabilities are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 instruments also include those for which the determination of fair value requires significant expert judgment or estimation. A general description of the valuation techniques used for Level 3 assets and liabilities is provided below.
- Independent evaluation of third party – the adequacy of the price results from evaluations, reports or fairness opinions issued by independent third parties.
- Price based on the amount of shareholders' equity
- Price which incorporates additional information about the value of an instrument (insufficient value of illiquid underlying assets in case of funds/hedge funds, not enough resources to finance junior tranches in case of structured products like CDO, default of an issuer,…).

The following table provide a description of the valuation techniques and the inputs used in the fair value measurement:

	Level 2	Level 3
Equities		The fair value is mainly determined using independent evaluation provided by third party or is based on the amount of shareholders' equity.
Investment funds		The fair value is mainly based on the information about value of underlying assets. Valuation of underlying assets requires significant expert judgment or estimation.
Bonds, Loans	Bonds are valued using discounted cash flow technique. It uses estimated future cash flows and the discount rate, which is constructed from risk-free rates adjusted by credit spread. The spread is usually derived from an instrument with similar terms and conditions (ideally from the same issuer, similar maturity and seniority) which reflects the market price in the best way.	Indicative price is provided by third party or significant expert judgment is incorporated in discounted cash flow technique used for Level 2.
Derivatives	Derivatives are valued using discounted cash flow technique. Estimated future cash flows and market observable inputs like the risk free rates and foreign exchange rates are used.	
Deposits, Reverse REPO operations, Deposits under reinsurance business	These instruments are valued using discounted cash flow technique. Estimated future cash flows and market observable inputs like the risk free rates and foreign exchange rates are used.	
Financial liabilities at amortised costs	The fair value of debt instruments issued by the Company are valued using discounted cash flow models based on the current marginal rates of funding of the Company for similar types of loans, with maturities consistent with the maturity of the debt instruments subject to valuation.	
Investment properties		The fair value is determined using independent valuation provided by third party and is based on the market value of the property determined by comparing recent sales of similar properties in the surrounding or competing area to the subject property.

Table below describes unobservable inputs of Level 3 (mil CZK):

Description	Fair value as at 31 December 2015	Valuation technique(s)	Non-market observable input(s)	Range
Equities	4	Net asset value	n/a	n/a
Investment funds	25	expert judgment	value of underlying instruments	n/a
Bonds Government	1,533	discounted cash flow technique	Level of yield	140–340 bps
Bonds Corporate	492	discounted cash flow technique	Level of credit spread	590–1100 bps
Investment property	58	External valuation expert	Similar transactions	2,643–6,780 CZK/sq m

Where possible, the Company tests the sensitivity of the fair values of Level 3 investments to changes in unobservable inputs to reasonable alternatives. Where possible valuations for Level 3 investments are sourced from independent third parties and, where appropriate, validated against internally-modelled valuations, third-party models or broker quotes.

Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations or where no third-party pricing source is available, the Company undertakes, where feasible, sensitivity analysis on the following basis:

– For third-party valuations validated against internally-modelled valuations using significant unobservable inputs, the sensitivity of the internally modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.
– For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple, IRR or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounts the security's contractual cash flows to equal the third-party valuation.

On the basis of the methodology outlined above and ranges specified in the table with unobservable inputs the Company is able to perform sensitivity analysis for 2.1 billion CZK of the Company's Level 3 investments. For these Level 3 investments, changing unobservable valuation inputs to a reasonable alternative would result in a change in fair value by ± 0.1 billion CZK.

The policy about the timing of recognising transfers, which is based on the date of the event or change in circumstances that caused the transfer, is the same for transfers into the levels as for transfers out of the levels.

C.1.31.9. Fair value hedge

The Company designates certain derivatives as hedges of the fair value of recognised assets. From 1 October 2008, the hedge accounting has been applied to derivatives hedging a currency risk on all non-derivative financial assets denominated in or exposed to foreign currencies (equities, bonds, investment funds, etc.). From 1 July 2011 the hedge accounting has been applied also to derivatives hedging an interest rate exposure of interest-bearing financial assets.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value, or a portion of fair value, of the hedged assets that are attributable to the hedged risk.

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedging transactions.

The Company also documents its assessment of the hedging effectiveness, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in the fair values of hedged items.

C.1.31.10. Embedded derivatives

Certain financial instruments include embedded derivatives, where the economic characteristics and risks are not closely related to those of the host contract. The Company designates these instruments at fair value through profit or loss.

The Company does not separately measure embedded derivatives that meet the definition of an insurance contract. No derivatives that are not closely related and are embedded in insurance contracts were identified.

C.2. Principal assumptions

C.2.1. Life assurance liabilities

Actuarial assumptions and their sensitivities underlie the insurance calculation. The life assurance liability is calculated by a prospective net premium valuation (see C.1.13.4) using the same statistical data and interest rates used to calculate premium rates (in accordance with relevant national legislation). The assumptions used are locked-in at policy inception and remain in force until expiry of the liability. The adequacy of insurance liabilities is tested with a liability adequacy test (see C.2.3.).

The guaranteed technical rate of interest included in policies varies from 1.3% to 6% according to the actual technical rate used in determining the premium.

As a part of the life assurance liability, an additional provision is established in respect of bonuses payable under certain conditions, referred to as "special bonuses". This provision corresponds to the value of special bonuses calculated using the prospective method and using the same interest rate and mortality assumptions used to calculate the basic life assurance liability. No allowance is made for lapses.

C.2.2. Non-life insurance liabilities

As at the end of the reporting period, a provision is made for the expected ultimate cost of settling off all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The liability for reported claims (RBNS) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Company’s actuaries using statistical techniques such as chain ladder methods, whereby historical data is extrapolated in order to estimate ultimate claims costs.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:
a) economic, legal, political and social trends (resulting in different than expected levels of inflation);
b) changes in the mix of insurance contracts incepted;
c) random fluctuations, including the impact of large losses.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

The assumptions which have the greatest effect on the measurement of non-life insurance liabilities insurance are as follows:

“Tail” factors
For long-tail business, the level of provision is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to ultimate settlement. These “tail” factors are estimated prudently using mathematical curves, which project observed development factors.

Annuities
In motor third party liability insurance (MTPL) and other third party liability lines, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments.

The key assumptions involved in the calculation are the discount rate, the expected increase in wages and disability pensions which influence the amount of annuities to be paid. The Company follows guidance issued by the Czech Insurers’ Bureau in setting these assumptions.

Under current legislation, future increases in disability pensions are set by governmental decree and may be subject to social and political factors beyond the Company’s control. The same applies to the real future development of annuity inflation (it is also dependent on governmental decrees).

Discounting
With the exception of annuities, non-life claims provisions are not discounted. For annuities discounting is used as described in the table below.

	2015	2016–2025	from 2026
Discount rate	2.0%	2.0%	2.0%
Annuity inflation			
– Wages inflation	2.5%	4.5%	4.0%
– Pensions inflation	1.5%	1.5%	4.0%

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The rates shown above reflect the economic situation in the Czech Republic and are bound to Czech Crown.

In addition, the Company takes mortality into account through the use of mortality tables recommended by the Czech Insurers’ Bureau.

C.2.3. Liability adequacy test (LAT)

C.2.3.1. Life assurance

The life assurance liabilities are tested as at the end of each reporting period against a calculation of the minimum value of the liabilities using explicit and consistent assumptions of all factors. Input assumptions are updated regularly based on recent experience. The principle of LAT is a comparison of the minimum value of the liabilities (the risk adjusted value of the cash-flows discounted by risk free-rate) arising from lines of business with the corresponding statutory provision.

Due to the levels of uncertainty in the future development of the insurance markets and the Company's portfolio, the Company uses margins for risk and uncertainty within liability adequacy tests. Margins are calibrated to be consistent with the result of risk valuation in the Internal Model (FV Liabilities calculation for Solvency II purpose).

The principal assumptions used (see note C.2.4.1) are:

Segmentation

The LAT is performed on lines of business separately. There is no interaction between different lines of business in the model and no offset of the LAT results between individual lines of business is allowed. Segmentation is currently based on the main risk drivers as follows:

- Protection – includes all the products classified as Accident and Disability and Pure Risk;
- Unit Linked – products where policyholder bear the investment risk;
- Saving – all the other products not already included in the previous classes.

Mortality

For mortality assumptions, the analyses of Company's portfolio past experience and population mortality is used. The experience portfolio mortality rates are calculated separately for each portfolio group, age group, and gender.

Persistency

Estimates for lapses and surrenders are based on the Company's past experience and Company´s future expectations.

Expense

The expenses assumptions are derived from the latest forecasts, following the Generali CEE Holding guidance on unit costs. The expenses are increased by the inflation rate.

Discount rate

The discount rate is equal to risk-free yield curve reported by EIOPA for the Czech Republic. We consider this curve appropriate for the LAT test and portfolio of the Company.

Interest rate guarantee

The interest rate guarantee is calculated using internal model calibrated to MCEV valuation of financial options and guarantees (FO&G), which includes comprehensive view on assets and liabilities of the Company. The calibration is based on the last known time value of FO&G arising from the stochastic model in MCEV and the expected development of volatilities. The model reflects the actual yield curve.

Profit sharing

While, for most life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Company, the assessment of liability adequacy takes future discretionary bonuses, calculated as a fixed percentage of the excess of the risk-free rate over the guaranteed technical interest rate on individual policies, into account. The percentage applied is consistent with the Company's current business practices and expectations for bonus allocation.

Annuity option

The option to choose between a lump sum payment and an annuity is available to policyholders under annuity insurance. For the purposes of the liability adequacy test, the Company assumes an annuity option take-up rate increasing from the level of 1% – 4% (current level based on internal analysis) to 5% – 10% (future expected market development) in the long-term horizon for all eligible policyholders.

C.2.3.2. Investment contracts with Discretionary Participation Features (DPF)

Investments contracts with DPF are included within the liability adequacy test for life insurance as described above.

C.2.3.3. Non-life insurance

Contrary to life insurance, insurance liabilities connected with non-life insurance are calculated by using current (not historical) assumptions and therefore generally no additional liabilities are established for outstanding claims as a result of a liability adequacy test.

The possible inadequacy of non-life technical provisions assessed by a liability adequacy test for non-life insurance could be therefore caused by the unexpired portion of existing contracts. The test compares the estimates of future cash-flows with booked amounts of technical reserves. For unexpired portion of existing contracts it means comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the end of the reporting period with the amount of unearned premiums in relation to such policies after deducting deferred acquisition costs. Expected cash flows relating to claims and expenses are estimated by reference to the experience during the expired portion of the contract, adjusted for significant individual losses which are not expected to recur.

The test is performed by product groups which comprise insurance contracts with a similar risk profile.

For annuities, the assumptions used to establish the provision include all future updated cash flows with changes being recognised immediately in the income statement. As such, no separate liability adequacy test is required to be performed.

In case of negative result of the non-life liability adequacy test the deferred acquisition costs are decreased. If the result is still negative the provision for unexpired risk is created.

C.2.4. Significant variables

Profit or loss recognized on insurance contracts and insurance liabilities are mainly sensitive to changes in mortality, lapse rates, expense rates, discount rates and annuities which are estimated for calculating adequate value of insurance liabilities during the LAT.

The Company has estimated the impact on profit for the year and equity as at the year-end for changes in key variables that have a material impact on them.

C.2.4.1. Life insurance

According to Liability Adequacy Test life statutory reserves are sufficiently adequate in comparison to minimum value of the liabilities and changes in variables have no impact on profit for the year and equity.

Life assurance liabilities as at 31 December 2015 according to the Liability Adequacy Test were not sensitive to a change in any variable. Life assurance liabilities as at 31 December 2014 were not sensitive to a change in any variable as well.

The decrease and increase by 10% in mortality rate, lapse rate, expense rate and a 100 bp decrease and increase in the discount rates were tested. Changes in variables represent reasonably possible changes in variable which represent neither expected changes in a variable nor worst-case scenarios. The analysis has been prepared for a change in variable with all other assumptions remaining constant and ignores changes in the values of the related assets.

C.2.4.2. Non-life insurance

In non-life insurance, variables that would have the greatest impact on insurance liabilities relate to annuities.

In CZK million, for the year ended 31 December 2015 Variable	Change in variable	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount rate	(100) bp	379	239
Pension growth rate	100 bp	371	235

In CZK million, for the year ended 31 December 2014 Variable	Change in variable	Change in insurance liabilities (gross)	Change in insurance liabilities (net)
Discount rate	(100) bp	421	266
Pension growth rate	100 bp	408	260

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C.3. Terms and conditions of insurance and investment contracts with DPF that have a material impact on the amount, timing and uncertainty of future cash flows

C.3.1. Non-life insurance contracts

The Company offers many forms of general insurance, mainly motor insurance, property insurance and liability insurance. Contracts may be concluded for a fixed term of one year or on a continuous basis with either party having the option to cancel at 8 weeks' notice. The Company is therefore generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to impose deductibles and reject fraudulent claims.

Future insurance claims are the main source of uncertainty which influences the amount and the timing of future cash flows.

The amount of particular claim payments is limited by the sum insured which is established in the insurance policy.

The other significant source of uncertainty connected with non-life insurance arises from legislative regulations which entitle the policyholder to report a claim before the time of expiration, which usually lasts 3–4 years from the date when the policyholder becomes aware of the claim. This feature is particularly significant in the case of permanent disability arising from accident insurance, because of the difficulty in estimating the period between occurrence and confirmation of permanent effects.

The following statements describe characteristics of particular types of insurance contracts if they are significantly different from the above-mentioned features.

Motor insurance

The Company motor portfolio comprises both motor third party liability insurance (MTPL) and motor (CASCO) insurance. MTPL insurance covers bodily injury claims and property claims in the Czech Republic as well as claims caused abroad by insured motorists under the Green Card system.

Property damage under MTPL and CASCO claims are generally reported and settled within a short period of the accident occurring. Payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity.

For claims relating to bodily injury and related losses of earnings, the amount of the related claim payments is derived from governmental decree. This requirement may have a retrospective effect on claims incurred before the effective date of this requirement. Policyholders are entitled to a no-claims-bonus on renewal of their policy where the conditions are fulfilled.

The amount of claim payment for damage of property and compensation for losses of earnings does not exceed CZK 100 million per claim, as well as compensation for damage to health.

Casco insurance represents standard insurance against damage; claim payment is limited by the sum insured and the amount of participation.

Property insurance

This is broadly split into Industrial and Personal lines. For Industrial lines, the Company uses risk management techniques to identify and evaluate risks and analyse possible losses and hazards and also cooperates with reinsurers. Risk management techniques include primarily inspection visits in the industrial areas performed by risk management team which consist of professionals with a long term experience and deep safety rules knowledge. Personal property insurance consists of the standard buildings and contents insurance.

Claims are normally notified promptly and can be settled without delay.

Liability insurance

This covers all types of liabilities and includes commercial liabilities, directors and officers and professional indemnity as well as personal liability.

While the majority of general liability coverage is written on a "claims-made basis", certain general liability coverage is typically insured on an "occurrence basis".

Accident insurance

Accident insurance is traditionally sold as rider to the life products offered by the Company and belongs to the life insurance segment. Only a small part of accident insurance is sold without life insurance.

C.3.2. Life insurance contracts

Bonuses
Over 90% of the Company's life insurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Company and are recognised when proposed and approved by the Board of Directors in accordance with the relevant legal requirements. Once allocated to policyholders, bonuses are guaranteed (see DPF in C.1.12.2).

Premiums
Premiums may be payable in regular instalments or as a single premium at the inception of the policy. Most endowment-type insurance contracts contain a premium indexation option that may be exercised at the discretion of the policyholder annually. Where the option is not exercised, premiums are not increased with inflation.

Term life insurance products
Traditional term life insurance products comprise risk of death, waiver of premium in case of permanent disability and accident rider. Premium is paid regularly or as a single premium. Policies offer fixed or decreasing sum insured of death. The policies offer protection from a few years up to medium long-term. Death benefits are only paid if the policyholder dies during the term of insurance. Waiver of premium arises only in case of an approved disability pension of the policyholder.

The period of disability is the main source of uncertainty connected with life insurance products. It is limited by the contractual minimum duration of the insurance policy and by the end of the insurance period.

Endowment products
These are also traditional term life insurance products providing life-long financial protection. Many long-term policies have tax advantages and give the insured the possibility to finance their needs in retirement. Capital life insurance products for regular or single premium offers covering risk of death, endowment, dread diseases, waiver of premium in case of disability and accident rider. Insurance benefits are usually paid as a lump-sum.

Variable capital life insurance products
Variable capital life insurance products offer all types of insurance risk as traditional capital life insurance products. In addition, they offer the policyholder the possibility to pay an extra single premium during the term of the insurance. The policyholder can ask to interrupt payment for regular premium, to withdraw a part of the extra single premium, to change the term of insurance, risks, sum insured and premium.

Children's insurance products
These products are based on traditional life risk: death or endowment of assured, waiver of premium in case of disability and accident rider. They are paid regularly. The term of insurance is usually limited by the 18th birthday of the child for which the policy is negotiated. Benefits may be in the form of a lump-sum or annuity payment.

Unit-linked life insurance
Unit-linked are those products where the policyholders carry the investment risk.

The Company earns management, administration fees and mortality results on these products.

Unit-linked life insurance combines traditional term life insurance, with risks of death or dread diseases together with a waiver of premium in case of permanent disability, with the possibility to invest regular premium or extra single premium to some investment funds. The policyholder defines funds and the ratio of premium where payments are invested and can change the funds and ratio during the contract. He can also change sums assured, regular premium, and insurance risks. He can pay an additional single premium or withdraw a part of the extra single premium.

Retirement insurance for regular payments (with interest rates)
Life-long retirement programme products include all kinds of pensions paid off in case of death, dread diseases or maturity of agreed age of assured, options for variable combination of component. The policyholder can pay the premium regularly or in a single payment. Basic types of pension are short-term pension and lifetime pension.

C.3.3. Investment contracts with DPF

Adult deposit life or accident insurance with returnable lump-sum principal
These types of life or accident products allow policyholders to pay a single returnable deposit at the beginning of the policy. The interest earned on the deposit is used to pay the annual premiums. The deposit is returned at the end of assurance or on death or other claim event. These contracts also entitle the policyholder to a discretionary bonus, determined as under life insurance contracts.

C.4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

C.4.1. Assumptions used to calculate insurance liabilities

The Company uses certain assumptions when calculating its insurance liabilities. The process used to determine the assumptions that have the greatest effect on the measurement of the items in the Company's financial statements, and the effects of changes in the assumptions that would have a material effect on the recognised amounts, are discussed in part C.2.4.

C.4.2. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded on an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on the market conditions existing as at each end of the reporting period (see also C.1.31.8.).

C.5. Changes in accounting policies

C.5.1. Standards, interpretations and amendments to existing standards relevant for the Company and applied in the reporting period

There are no published amendments and interpretations of existing standards mandatory and relevant to the Company which should have been applied by the Company starting from 1 January 2015.

C.5.2. Standards, interpretations and amendments to existing standards that are effective in the reporting period but not relevant for the Company´s financial statements

IFRIC 21, Levies (published in May 2013, effective for annual periods beginning on or after 1 January 2014 – EU: 17 June 2014)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2011–2013 Cycle
In the 2011–2013 annual improvements cycle, the IASB issued four amendments to four standards (IFRS 3. IFRS 13 IAS 40, IFRS 1), including an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and for the other amendments for periods beginning at 1 July 2014 (EU: 1 January 2015), and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

C.5.3. Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Company´s financial statements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Company has not early adopted.:

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018, with earlier application permitted, not yet endorsed by the EU).
IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Classification and measurement of financial assets
  All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

- Classification and measurement of financial liabilities
  For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.
- Impairment
  The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.
- Hedge accounting
  Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

In July 2015 the IASB took a decision to amend IFRS 4 to permit an entity to exclude from profit or loss and recognise in other comprehensive income the difference between the amounts that would be recognised in profit or loss in accordance with IFRS 9 and the amounts recognised in profit or loss in accordance with IAS 39, subject to meeting certain criteria.

In September 2015 the IASB decided to propose a package of temporary measures in relation to the application of the new financial instruments Standard (IFRS 9) before the new insurance contracts Standard comes into effect.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018 – not yet endorsed by the EU)
IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 16 – Leases (effective for annual periods beginning on or after 1 January 2019 – not yet endorsed by the EU)
The new standard constitutes an innovation in that it established that leases be reported in entities' balance sheet, thus enhancing the visibility of their assets and liabilities. IFRS16 repeals the distinction between operating leases and finance leases (for the lessee), requiring that all lease contracts be treated as finance leases. Short term contracts (12months) and those involving low value items (e.g. personal computers) are exempted from this treatment. The new standard will take effect on 1 January 2019, Early adoption is permitted provided that also IFRS15, Revenue from Contracts with Customers, is applied.

The Company is considering the implications of the above standards, the impacts on the Company and the timing of their adoption by the Company.

C.5.4. Standards, interpretations and amendments to published standards that are not yet effective and are not relevant for the Company´s financial statements

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective for annual periods beginning on or after 1 January 2016)
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)

IAS 1 Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016)
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify i)The materiality requirements in IAS 1; ii) That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated; iii) That entities have flexibility as to the order in which they present the notes to financial statements; iv)That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

IAS 12 Amendment – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017 – not yet endorsed by the EU).
The amendments clarify the accounting treatment of deferred tax assets related to debt instruments measured at fair value.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective for annual periods beginning on or after 1 January 2016).
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Amendments to IAS 16 and IAS 41, Bearer plants (effective for annual periods beginning on or after 1 January 2016)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014(EU: 1 February 2015). This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Amendments to IAS 27, Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016, with earlier application permitted)

Annual Improvements 2010–2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards (IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 38 and IAS 24), which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and for the other amendments for periods beginning at 1 July 2014 (EU: 1 February 2015), and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2012–2014 Cycle
In the 2012–2014 annual improvements cycle, the IASB issued, in September 2014, five amendments to four standards (IFRS 5, IFRS 7, IAS 19 and IAS 34). The changes are effective 1 January 2016. Earlier application is permitted and must be disclosed.

C.5.5. IFRS 4 – exposure draft on Insurance contracts
The IASB ("the board") released a revised exposure draft on 20 June 2013 proposing a comprehensive standard to address recognition, measurement and disclosure for insurance contracts.

The proposals retain the IFRS 4 definition of an insurance contract but amend the scope to exclude fixed fee service contracts but some financial guarantee contracts may now be within the scope of the proposed standard.

The proposals would require an insurer to measure its insurance contracts using a current measurement model. The measurement approach is based on the following building blocks: a current, unbiased and probability-weighted average of future cash flows expected to arise as the insurer fulfils the contract; the effect of time value of money; an explicit risk adjustment and a contractual service margin calibrated so that no profit is recognised on inception.

D. Segment reporting

The Board of Directors as the Company's chief operating decision maker makes decisions on how to allocate resources and assesses performance of these operating segments: life insurance operating segment, non-life insurance operating segment, operating segment of the Branch in Poland (PL branch). These segments represent a component of the Company:
– that engages in business activities from which the Company may earn revenues and incur expenses;
– whose operating results are regularly reviewed by the management of the Company to make decisions about resources to be allocated to the segment and assess its performance; and
– for which discrete financial information is available.

Products offered by operating segments include:

Gross earned premiums revenue in CZK million, for the year ended 31 December	2015	2014
Life	**9,624**	**10,844**
Traditional life insurance	7,989	9,327
Unit linked insurance	1,635	1,517
Non-life	**18,562**	**18,347**
Motor	7,995	7,987
Accident, Health and Disability	638	720
Marine, aviation and transport	261	234
Property	7,509	7,249
General liability	2,096	2,008
Other	63	149
Branch	**3,045**	**2,526**
Total	**31,231**	**31,717**

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Note C.3 of the financial statements provides further information about significant terms and conditions of insurance products.

All segment revenues are generated from sales to external customers. There is no single external customer that would amount to 10% or more of the Company's revenues.

Management has determined the operating segments based on the reports periodically reviewed by the Board of Directors that are used to make main strategic decisions. The Board of Directors assesses the performance of the Branch based on the income statement and in case of other operating segments based on a measure of net technical results. Net financial income is not allocated to segments, as this type of activity is driven by the central treasury function of the Company. Other income and expenses are also not allocated to segments.

The segment information provided to the Board of Directors for the year ended 31 December 2015 is as follows (in CZK million):

	Life	Non-life	Total	Reconciling item	Income Statement ČP	Income Statement PL branch	Note
Gross							
Insurance premiums	9,624	18,562	28,186	–	28,186	–	
Insurance benefits and claims	(4,932)	(9,443)	(14,375)	(1,237)	(15,612)	–	
Total costs	**(1,844)**	**(4,617)**	**(6,461)**	**–**	**–**	**–**	
Commissions and other acquisition costs	*(1,185)*	*(3,606)*	*(4,791)*	–	–	–	
Administration costs	*(659)*	*(1,011)*	*(1,670)*	–	–	–	
Other technical items	(115)	(76)	(191)	–	–	–	
Gross technical result	**2,733**	**4,426**	**7,159**	**–**	**–**	**–**	
Reinsurance							
Premiums ceded to reinsurers	(1,275)	(8,599)	(9,874)	–	(9,874)	–	
Reinsurer´s share on claims	438	4,367	4,805	14	4,819	–	
Total costs	**320**	**1,871**	**2,191**	**–**	**–**	**–**	
Commisions and other acquisition costs	*320*	*1,871*	*2,191*	–	–	–	
Reinsurance technical result	**(517)**	**(2,361)**	**(2,878)**	**–**	**–**	**–**	
Net							
Insurance premiums	8,349	9,963	18,312	–	18,312	–	
Insurance benefits and claims	(4,494)	(5,076)	(9,570)	(1,223)	(10,793)	–	1
Total costs	**(1,524)**	**(2,746)**	**(4,270)**	**–**	**(4,270)**	**–**	
Commissions and other acquisition costs	*(865)*	*(1,735)*	*(2,600)*	*9*	*(2,591)*	–	*2*
Administration costs	*(659)*	*(1,011)*	*(1,670)*	*(9)*	*(1,679)*	–	*2*
Other technical items	(115)	(76)	(191)	191	–	–	3
Net technical result	**2,216**	**2,065**	**4,281**	**(1,032)**	**3,249**	**–**	
Financial Income							
Net financial result	–	–	646	–	–	–	
Eliminations	–	–	1,373	–	–	–	
Total financial investments income	**–**	**–**	**2,019**	**1,020**	**3,039**	**–**	**4**
Total other income and expenses	–	–	(267)	12	(255)	–	5
Income taxes	–	–	(754)	–	(754)	–	
Loss after tax from discontinued operations	–	–	–	–	–	(1,187)	
Net profit for the year	**–**	**–**	**5,279**	**–**	**5,279**	**–**	

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The main reconciling items between the Management Report and the Income Statement report are:
1. The reconciling item of insurance benefits and claims are changes of unit-linked provisions in the amount of CZK 1,223 million which are reported in the Income Statement as insurance benefits and claims while it is presented within financial income in the Management Report.
2. Different classification of acquisition costs and administration costs – mainly service costs in the amount of CZK 9 million.
3. Other income and Other expenses as reported in the Income Statement are split in the Management Report between other technical items and total other income and expenses.
4. The aggregate effect of Note 1, 3 and 5.

The segment information provided to the Board of Directors for the year ended 31 December 2014 is as follows (in CZK million):

	Life	Non-life	Total	Reconciling item	Income Statement ČP	Income Statement PL branch	Note
Gross							
Insurance premiums	10,844	18,347	29,191	–	29,191	–	
Insurance benefits and claims	(6,018)	(9,103)	(15,121)	(1,342)	(16,463)	–	
Total costs	**(2,180)**	**(4,553)**	**(6,733)**	**–**	**–**	**–**	
Commissions and other acquisition costs	*(1,468)*	*(3,419)*	*(4,887)*	–	–	–	
Administration costs	*(712)*	*(1,134)*	*(1,846)*	–	–	–	
Other technical items	(73)	(87)	(160)	–	–	–	
Gross technical result	**2,573**	**4,604**	**7,177**	**–**	**–**	**–**	
Reinsurance							
Premiums ceded to reinsurers	(1,313)	(8,254)	(9,567)	–	(9,567)	–	
Reinsurer´s share on claims	408	3,499	3,907	15	3,922	–	
Total costs	**329**	**1,736**	**2,065**	**–**	**–**	**–**	
Commissions and other acquisition costs	*329*	*1,736*	*2,065*	–	–	–	
Reinsurance technical result	**(576)**	**(3,019)**	**(3,595)**	**–**	**–**	**–**	
Net							
Insurance premiums	9,531	10,093	19,624	–	19,624	–	
Insurance benefits and claims	(5,610)	(5,604)	(11,214)	(1,327)	(12,541)	–	1
Total costs	**(1,851)**	**(2,817)**	**(4,668)**	**–**	**(4,668)**	**–**	
Commissions and other acquisition costs	*(1,139)*	*(1,683)*	*(2,822)*	*34*	*(2,788)*	–	*2*
Administration costs	*(712)*	*(1,134)*	*(1,846)*	*(34)*	*(1,880)*	–	*2*
Other technical items	(73)	(87)	(160)	160	–	–	3
Net technical result	**1,997**	**1,585**	**3,582**	**(1,167)**	**2,415**	**–**	
Financial Income							
Net financial result	–	–	875	–	–	–	
Eliminations	–	–	510	–	–	–	
Total financial investments income	**–**	**–**	**1,385**	**135**	**1,520**	**–**	**4**
Total other income and expenses	–	–	(189)	1,032	843	–	5
Income taxes	–	–	(731)	–	(731)	–	
Loss after tax from discontinued operations	–	–	–	–	–	(411)	
Net profit for the year	**–**	**–**	**4,047**	**–**	**4,047**	**–**	

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The main reconciling items between the Management Report and the Income Statement report are:

1. The reconciling item of insurance benefits and claims are changes of unit-linked provisions in the amount of CZK 1,327 million which are reported in the Income Statement as insurance benefits and claims while it is presented within financial income in the Management Report.
2. Different classification of acquisition costs and administration costs – mainly service costs in the amount of CZK 34 million.
3. Other income and Other expenses as reported in the Income Statement are split in the Management Report between other technical items and total other income and expenses.
4. The aggregate effect of Note 1, 3 and 5.
5. Significant part of the total difference in the amount of CZK 1,032 million is represented mainly by valuation of AFS instruments in the amount of CZK 1,187 million which is reported in the Income Statement as total other income and expenses while in the Management Report they are presented in the financial income section.

The following table shows key figures per operating segment:

In CZK million, for the year ended 31 December 2015	Non-life	Life	Total
Capital expenditure *	(144)	(100)	(244)
Depreciation and amortisation	(202)	(127)	(329)
Impairment losses recognised	(292)	(357)	(649)
Reversal of impairment losses	296	23	319
Total segment assets	**36,319**	**72,265**	**108,584**

In CZK million, for the year ended 31 December 2014	Non-life	Life	Total
Capital expenditure *	(205)	(78)	(283)
Depreciation and amortisation	(259)	(154)	(413)
Impairment losses recognised	(208)	(209)	(417)
Reversal of impairment losses	199	35	234
Total segment assets	**39,385**	**72,883**	**112,268**

* Additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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Segment assets and liabilities are not regularly included in the reports provided to the Board of Directors.

Geographical information
The Company operated in 2015 mainly in the Czech Republic and in EU countries. For the year 2015 9.75% of the income from insurance was generated by discontinued operations – branch in Poland (2014: 7.96%). More than 99% of the remaining income from insurance contracts came from clients in the Czech Republic.

E. Risk report

In the risk report, the Company presents further information in order to enable the assessment of the significance of financial instruments and insurance contracts for an entity's financial position and performance. Furthermore, the Company provides information about its exposure to risks arising from financial instruments and insurance contracts, and it discloses the management's objectives, policies and processes for managing those risks, in accordance with IFRS 7.

E.1. Risk Management System

The Company is a member of the Generali Group ("the Group") and is part of its risk management structure. The Generali Group has implemented a Risk Management System that aims at identifying, evaluating and monitoring the most important risks to which the Generali Group and the Company are exposed, which means the risks whose consequences could affect the solvency of the Generali Group or the solvency of any single business unit, or negatively hamper any Company goals.

The risk management processes apply to the whole Generali Group, i.e. all the countries where it operates and each business unit. However, the degree of integration and depth varies with the complexity of the underlying risks. Integration of processes within the Generali Group is fundamental to assure an efficient system of risk management and capital allocation for every business unit.

The main objectives of the risk management process are to maintain the identified risks below an acceptable level, to optimise the capital allocation and to improve the risk-adjusted performance.

Risk management policies and guidelines of the Company are in place treating the management of all the significant risks the Company is exposed to (incl. methodologies to identify and assess risks, risk preferences and tolerances, escalation process etc.).

Risk Management System is based on three main pillars:
a) risk assessment process: aimed at identifying and evaluating the risks and the solvency position of the Company;
b) risk governance process: aimed at defining and controlling the managerial decisions in relation with relevant risks;
c) risk management culture: aimed at embedding the risk awareness in the decision making processes and increasing the value creation.

E.2. Roles and responsibility

The system is based on three levels of responsibility:

a) Assicurazioni Generali (Generali Group) – for every country, it sets the targets in terms of solvency, liquidity and operating results; moreover it defines the risk management policies and guidelines for treating the main risks.

b) Generali CEE Holding (GCEE) - defines strategies and objectives for every Company within the CEE region, taking into account the local features and regulations, providing methodological support and controlling the results. In particular, in order to ensure a better solution to the specific features of local risks and changes in local regulation, risk management responsibility and decisions are delegated to the Chief Risk Officer (CRO) of GCEE, respecting the Generali Group policy framework. Generali Group and GCEE are also assigned performance targets for their respective areas.

c) The Company defines strategies and targets in respect of the policies and guidelines established by GCEE. Risk management involves the corporate governance of the Company and the operational and control structure, with defined responsibility levels, and aims to ensure the adequacy of the entire Risk Management System at every moment. Company´s Risk Management reports on regular basis on the exposure to all the main risks (e.g. regular reporting on the investment exposure and on both market and credit risks).

E.3. Risk measurement and control

Through its insurance activity, the Company is naturally exposed to several types of risk, that are related to movements on financial markets, to adverse developments of insurance related risks, both in life and non-life business, and generally to all the risks that affect ongoing organised economic operations.

These risks can be grouped into the following five main categories which will be detailed later in this report: market risk, credit risk, liquidity risk, insurance risk and operational risk.

Along with the specific measures for the risk categories considered by the Generali Group, the calculation of the Economic Capital represents a comprehensive measure of risk that can be aggregated at the different organisational levels (Group, country and operative entity) and at the main business lines (life, non-life and asset management).

The Economic Capital is a risk measure that corresponds to the amount of capital to be held so that the market value of assets is greater than the market value of liabilities in twelve months' time, with a given confidence level.

The internal models of risk measurement are constantly being improved, in particular those relating to calculation of the Economic Capital and asset-liability management (ALM) approaches have been harmonised at all different organisational levels within the Generali Group.

E.4. Market risk

Unexpected movements in prices of equities, real estate, currencies and interest rates might negatively impact the market value of the investments.

These assets are invested to meet the obligation towards both life and non-life policyholders and to earn a return on capital expected by the shareholders. The same changes might affect both assets and the present value of the insurance liabilities.

The market risk of the Company's investment portfolios' financial assets and liabilities is monitored and measured on a continuing basis, using Standard Formula pre-defined by EIOPA (this approach is expected to be replaced by calculations according to Generali Group's Internal Model, which allows the Company to better reflect company-specific risks) and other methods (cash-flow matching, duration analysis, etc.). Due to Solvency II requirements the previously used Value-at-Risk is not used any more.

Risks are monitored on a fair value basis so that some accounting categories with insignificant risks are omitted from further chapters. Investment portfolios therefore include all Investments except for Investments in subsidiaries, Unit-linked policies, Receivables and some specific immaterial investments. It also includes Cash and cash equivalents and Financial liabilities.

Trade receivables face mainly risk of default. Due to the short-term pattern of trade receivables the Company considers a market risk of trade receivables as insignificant.

E.4.1. Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Company is also exposed to an interest rate cash flow risk, which varies depending on the different repricing characteristics of the various floating rate instruments.

Interest rate derivatives are primarily used to bridge the mismatch in the repricing of assets and liabilities. In some cases derivatives are used to convert certain interest-earning assets to floating or fixed rates to reduce the risk of losses in value due to interest rate changes or to lock in spreads.

The Company monitors the sensitivity of financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide. Unit-linked instruments are excluded from sensitivities due to the fact that investment risk is borne by the policyholders. The following table shows this sensitivity analysis at year end, before and after the related taxes. The overall impact on the Company's position is the result of sensitivity analysis on both the asset and liability side that creates a mitigating effect.

In CZK million, as at 31 December 2015	Current value	100bp parallel increase		100bp parallel decrease	
		Income statement	Shareholders' equity	Income statement	Shareholders' equity
Bonds					
Bonds AFS	54,806	–	–	–	–
– gross impact on fair value	–	(478)	(3,400)	507	4,332
– income tax charge /(credit)	–	91	646	(96)	(823)
Bonds FVTPL	3,194	–	–	–	–
– gross impact on fair value	–	(91)	–	96	–
– income tax charge /(credit)	–	17	–	(18)	–
Derivatives					
Derivatives FVTPL	(1,004)	–	–	–	–
– gross impact on fair value	–	594	–	(631)	–
– income tax charge /(credit)	–	(113)	–	120	–

In CZK million, as at 31 December 2014	Current value	100bp parallel increase		100bp parallel decrease	
		Income statement	Shareholders' equity	Income statement	Shareholders' equity
Bonds					
Bonds AFS	54,928	–	–	–	–
– gross impact on fair value	–	(471)	(3,150)	509	3,406
– income tax charge /(credit)	–	89	599	(97)	(647)
Bonds FVTPL	7,043	–	–	–	–
– gross impact on fair value	–	(150)	–	85	–
– income tax charge /(credit)	–	29	–	(16)	–
Derivatives					
Derivatives FVTPL	(1,698)	–	–	–	–
– gross impact on fair value	–	710	–	(492)	–
– income tax charge /(credit)	–	(135)	–	93	–

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E.4.2. Asset liability matching

A substantial part of insurance liabilities carries an interest rate risk. Asset-liability management is significantly involved in interest rate risk management. The management of interest rate risk, implied from the net position of assets and liabilities, is a key task of asset-liability management.

GCEE has Local Investment Committee which is an advisory body of the Board of Directors of the Company and is in charge of the most strategic investment and ALM-related decisions. The Committee is responsible for setting and monitoring the GCEE Group's strategic asset allocation in the main asset classes, i.e. government and corporate bonds, equities, real estate, etc. and also the resulting asset and liability strategic position. The objective is to establish appropriate return potential together with ensuring that the GCEE Group can always meet its obligations without undue cost and in accordance with the GCEE Group's internal and regulatory capital requirements. In order to guarantee the necessary expertise and mandate, the Committee consists of representatives of top management, asset management, risk management and ALM experts from business units.

The ALM manages the net asset-liability positions in both, life and non-life insurance, with the main focus on traditional life with the long-term nature and often with embedded options and guarantees. The insurance liabilities are analysed, including the embedded options and guarantees and models of future cash flows are prepared in cooperation with actuaries. The models allow for all guarantees under the insurance contracts and for expected development of the key parameters, primarily mortality, morbidity, lapses and administration costs.

At first government bonds are used to manage the net position of assets and liabilities and in particular its sensitivity to parallel and non-parallel shifts in the yield curve. Next corporate bonds and derivatives, primarily interest rate swaps, can be used. However, in line with the credit risk management policy, investments in long-term and thus also high-duration instruments focus on government bonds. The use of interest rate swaps is limited due to their accounting treatment – as their revaluation which is reported in the income statement does not match with the reporting of the insurance liabilities.

There is a strategic target asset-liability interest rate position set within the strategic asset allocation process (SAA). With the goals being a) to deliver rates of return that are in line with both, commercial needs and strategic planning targets, and b) that the overall SAA, including equity, credit, real estate allocation and also including the strategic asset & liability duration position, is in line with the risk and capital management policy. In addition to the management of the strategic position, there are certain limits allowed for tactical asset managers´ positions, so that asset interest rate sensitivity can deviate from the benchmark in a managed manner.

E.4.3. Equity price risk

Equity price risk is the risk that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Company manages its use of equity investments in response to changing market conditions using the following risk management tools:
a) the portfolio is diversified,
b) the limits for investments are set and carefully monitored.

The equity price risk is measured using Standard Formula (full description of methodology can be found in the legislation defined by EIOPA). The model is based on factor approach with pre-defined stresses for each equity category and diversification between them. This approach is expected to be replaced by calculations according to Generali Group's Internal Model, which allows the Company to better reflect company-specific risks).

Following table shows the sensitivity analysis in compliance with IFRS as at the year end, before and after the related deferred taxes.

In CZK million, as at 31 December 2015	Current value	Equity price +10%		Equity price -10%	
		Income statement	Shareholders' equity	Income statement	Shareholders' equity
Equities					
Equities AFS	7,226	–	–	–	–
– gross impact on fair value	–	–	723	–	(723)
– income tax charge /(credit)	–	–	(137)	–	137
Total net impact	**–**	**–**	**586**	**–**	**(586)**
Derivatives*					
Derivatives FVTPL	2	–	–	–	–

* Derivatives included in the table above are only those sensitive to equity price risk.

In CZK million, as at 31 December 2014	Current value	Equity price +10%		Equity price -10%	
		Income statement	Shareholders' equity	Income statement	Shareholders' equity
Equities					
Equities AFS	7,469	–	–	–	–
– gross impact on fair value	–	–	747	–	(747)
– income tax charge /(credit)	–	–	(142)	–	142
Total net impact	**–**	**–**	**605**	**–**	**(605)**

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E.4.4. Currency risk

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. As the currency in which the Company presents its financial statements is CZK, movements in the exchange rates between selected foreign currencies and CZK affect the Company's financial statements.

The general strategy of the Company is to fully hedge currency risk exposure. The Company ensures that its net exposure is kept on an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or using short-term FX operations. The FX position is regularly monitored and the hedging instruments are reviewed on a monthly basis and adjusted accordingly. Derivative financial instruments are used to manage the potential earnings impact of foreign currency movements, including currency swaps, spot and forward contracts. When suitable other instruments are also considered and used.

The Company's main foreign exposures are to European countries and the United States of America. Its exposures are measured mainly in Euros ("EUR"), U.S. Dollars ("USD") and Polish Zloty ("PLN").

The currency exposure is shown in the following tables.

The following table shows sensitivities of the portfolio to changes in currency risk. The portfolio does not contain instruments covering unit-linked policies, as the investment risk is transferred from the Company to the policyholder. Currency shocks are considered to be a rise or a fall in the value of foreign currency position by a specified percentage. This approach is in line with the Solvency II definition of the currency risk.

Due to hedge accounting, the impact of potential increase or decrease of foreign exchange rates is limited and recognized through the income statement.

The following table shows sensitivities of the investment portfolio (including derivatives classified as financial liabilities) to change in currency risk.

In CZK million, as at 31 December 2015	Current value	EUR 10%	EUR -10%	USD 10%	USD -10%	CZK 10%	CZK -10%	Other 10%	Other -10%
FX investment portfolio exposure	**68,498**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Income statement									
– Impact on income statement	–	217	(217)	21	(21)	–	–	11	(11)
– Income tax charge /(credit)	–	(41)	41	(4)	4	–	–	(2)	2

In CZK million, as at 31 December 2014	Current value	EUR 10%	EUR -10%	USD 10%	USD -10%	CZK 10%	CZK -10%	Other 10%	Other -10%
FX investment portfolio exposure	**74,959**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Income statement									
– Impact on income statement	–	(8)	8	(12)	12	–	–	22	(22)
– Income tax charge /(credit)	–	(2)	2	2	(2)	–	–	(4)	4

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The following table shows sensitivities of the insurance liabilities to change in currency risk.

In CZK million, as at 31 December 2015	Current value	EUR		USD		CZK		Other	
		10%	-10%	10%	-10%	10%	-10%	10%	-10%
FX insurance liabilities exposure	**60,099**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Income statement									
– Impact on income statement	–	(126)	126	(3)	3	–	–	(23)	23
– Income tax charge /(credit)	–	24	(24)	1	(1)	–	–	4	(4)

In CZK million, as at 31 December 2014	Current value	EUR		USD		CZK		Other	
		10%	-10%	10%	-10%	10%	-10%	10%	-10%
FX insurance liabilities exposure	**69,838**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Income statement									
– Impact on income statement	–	(137)	137	(4)	4	–	–	(26)	26
– Income tax charge /(credit)	–	26	(26)	1	(1)	–	–	5	(5)

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The following table shows the composition of financial assets and liabilities with respect to the main currencies:

In CZK million, as at 31 December 2015	EUR	USD	CZK	PLN	Other	Total
Loans	363	–	3,752	–	–	4,115
Financial assets available-for-sale	17,723	9,177	33,164	270	1,698	62,032
Financial assets at fair value through profit or loss	(4,374)	(5,112)	22,370	–	(1,535)	11,349
Reinsurance assets	2	–	9,780	8	–	9,790
Receivables	1,418	85	3,924	557	102	6,086
Cash and cash equivalents	134	97	1,649	–	66	1,946
Total assets	**15,266**	**4,247**	**74,639**	**835**	**331**	**95,318**
Insurance liabilities	1,264	29	66,169	60	170	67,692
Financial liabilities	710	61	993	–	–	1,764
Deposits received from reinsurers	–	–	1,402	–	–	1,402
Payables	381	157	7,194	12	7	7,751
Other liabilities	–	–	1,882	–	–	1,882
Total liabilities	**2,355**	**247**	**77,640**	**72**	**177**	**80,491**
Net foreign currency position	12,911	4,000	(3,001)	763	154	14,827

In CZK million, as at 31 December 2014	EUR	USD	CZK	PLN	Other	Total
Loans	372	–	5,880	–	–	6,252
Financial assets available-for-sale	16,395	8,129	36,991	1,599	1,855	64,969
Financial assets at fair value through profit or loss	221	308	14,036	11	36	14,612
Other investments	–	–	2	–	–	2
Reinsurance assets	6	6	9,244	697	1	9,954
Receivables	1,248	102	4,427	212	47	6,036
Cash and cash equivalents	84	81	2,113	215	11	2,504
Total assets	**18,326**	**8,626**	**72,693**	**2,734**	**1,950**	**104,329**
Insurance liabilities	1,374	36	72,193	3,142	205	76,950
Financial liabilities	462	292	1,851	19	29	2,653
Deposits received from reinsurers	–	–	1,403	–	–	1,403
Payables	354	121	7,161	331	8	7,975
Other liabilities	–	–	1,763	42	–	1,805
Total liabilities	**2,190**	**449**	**84,371**	**3,534**	**242**	**90,786**
Net foreign currency position	16,136	8,177	(11,678)	(800)	1,708	13,543

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E.4.5. Risk limits

The principal tools used to measure and control market risk exposure within the Company's investments portfolios are a system of risk limits.

The system includes single and total limits on foreign currency (FX), interest rate (IR) and equity (EQ) risks. The primarily aim of the system of limits is to control exposure to single type of risks. Limits are monitored on daily basis and allow Risk Management to take immediate action and actively manage the level of the undertaken risks.

E.5. Credit risk

In CZK million, as at 31 December	Note	2015	2014
Bonds and Loans		**60,932**	**69,862**
Bonds available-for-sale	F.3.3	53,427	56,357
Bonds at fair value through profit or loss	F.3.4	3,194	7,043
Loans (fair value)	F.3.2	4,311	6,462
Trade and other receivables	F.5	**6,086**	**6,036**
Reinsurance assets	F.4	**9,790**	**9,954**
Total		**76,808**	**85,852**

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Credit risk refers to the economic impact, from downgrades and defaults of fixed income securities or counterparties, on the company's financial strength. Furthermore, a general rise in spread level, due to a credit crunch or liquidity crisis, impacts the financial strength of a company.

The Company has adopted guidelines to limit the credit risk of the investments. These favour the purchase of investment-grade securities and encourage the diversification and dispersion of the portfolio.

For the rating assessment of an issue or issuer, ratings from rating agencies are used. Securities without an external rating are given an internal one based on Company's own credit analysis. In most cases internal ratings are based on external rating of parent company or its adjusted external rating due to subordination of the instrument. All internal ratings are in accordance with GCEE's assessment. In line with Generali Group principles, Company uses the second best external rating for each counterparty in all calculations and the system of credit limits.

To manage the level of credit risk, the Company deals with counterparties with a good credit standing and enters into master netting agreements whenever possible. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

The Company sets up complex system of limits to manage credit risk and monitors compliance with these limits on a daily basis. The system includes e.g. issuer/counterparty limits according to their credit quality, limits on rating categories and concentration limits.

The following tables show the Company's credit quality of its financial assets at fair value.

Rating of bonds and loans

In CZK million, as at 31 December	2015	2014
AAA	2,916	2,899
AA	24,726	27,541
A	5,930	11,482
BBB	11,587	13,383
BB	5,940	2,168
Non-rated	9,833	12,389
Total	**60,932**	**69,862**

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Rating of reinsurance assets

In CZK million, as at 31 December	2015	2014
AA	110	126
A	222	546
BBB	–	57
Captive reinsurance	8,553	9,053
Non-rated	905	172
Total	**9,790**	**9,954**

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There were no past due or impaired reinsurance assets either in 2015 or 2014.

The following table shows the Company's exposure to credit risk for loans and receivables:

In CZK million, as at 31 December	Loans and advances		Trade and other receivables	
	2015	2014	2015	2014
Individually impaired – carrying amount	–	57	1,788	2,356
Gross amount	117	6,542	3,065	3,808
31 days to 90 days after maturity	–	–	1,023	2,038
91 days to 180 days after maturity	–	–	369	267
181 days to 1 year after maturity	–	–	448	199
Over 1 year after maturity	117	6,542	1,225	1,304
Allowance for impairment	(117)	(6,485)	(1,277)	(1,452)
Past due but not impaired – carrying amount	–	–	402	391
Neither past due nor impaired – carrying amount	4,115	6,195	3,896	3,289
Total Amortised costs	**4,115**	**6,252**	**6,086**	**6,036**
Total Fair value	**4,311**	**6,462**	**6,086**	**6,036**

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The Company held no past due or impaired bonds either in 2015 or in 2014.

Individually impaired receivables consist mostly of receivables from direct insurance, receivables from intermediaries, from reinsurance operations (trade and other receivables category) and receivables from matured loans and bonds not repaid (loans and advances category). These receivables are assessed according to their seniority and collection method – each receivable is individually assessed using these criteria and an allowance for impairment is stated accordingly.

Loans and advances and other investments, that are neither overdue nor impaired, consist mostly of receivables from term deposits and reverse repurchase agreements with banks. Neither past due nor impaired trade and other receivables consist mostly of receivables from insurance premiums and reinsurance receivables.

The most significant part of receivables past due but not impaired are reinsurance receivables.

The Company holds collateral for loans and advances to banks in the form of securities as part of reverse repurchase agreements, collateral for loans and advances to non-banks in the form of pledge over property, received notes and guarantees.

The following table shows the fair value of collateral held:

In CZK million, as at 31 December	Loans and advances to banks and nonbanks	
	2015	2014
Against individually impaired	20	20
Property	20	20
Against neither past due nor impaired	2,300	3,925
Debt securities	2,300	3,925
Total	**2,320**	**3,945**

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Concentrations of credit risk arise where groups of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions.

The following table shows the economic and geographic concentration of credit risk of bonds and loans:

In CZK million, as at 31 December	2015		2014	
	CZK million	in %	CZK million	in %
Economic concentration				
Public sector	36,198	59.41	39,584	56.66
Financial	19,146	31.42	26,140	37.42
Utilities	2,851	4.68	2,316	3.32
Energy	951	1.56	1,054	1.50
Consumer Discretionary	567	0.93	–	–
Telecommunication services	412	0.68	339	0.49
Materials	440	0.72	233	0.33
Industrial	367	0.60	196	0.28
Total	**60,932**	**100.00**	**69,862**	**100.00**

In CZK million, as at 31 December	2015		2014	
	CZK million	in %	CZK million	in %
Geographic concentration				
Czech republic	33,902	55.65	40,410	57.84
Rest of Europe	6,325	10.38	3,651	5.23
Russia	5,425	8.90	7,784	11.14
Other central-eastern European countries	3,181	5.22	3,994	5.72
Poland	3,140	5.15	3,663	5.24
Slovakia	2,945	4.83	3,173	4.54
Austria	1,542	2.53	1,578	2.26
Netherlands	1,368	2.25	1,291	1.85
Slovenia	1,221	2.00	1,433	2.05
USA	967	1.59	1,408	2.02
United Kingdom	672	1.10	1,014	1.45
Rest of world	244	0.40	463	0.66
Total	**60,932**	**100.00**	**69,862**	**100.00**

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The risk characteristics of each bond or loan are taken into account when assessing economic and geographic concentration. The amounts reflected in the tables represent the maximum accounting loss that would be recognised as at the end of the reporting period if the counter parties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed incurred losses, which are included in the allowance for uncollectibility.

E.6. Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of its positions. It includes both the risk of being unable to fund assets using instruments with appropriate maturities and rates and the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount, and the risk of being unable to meet obligations as they become due.

The Company has access to a diverse funding base. Apart from insurance liabilities, which serve as a main source of financing, funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, reinsurance policy, subordinated liabilities and shareholder equity. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

The Company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities; for details see also the section above on asset and liability matching. Further, the Company holds a portfolio of liquid assets as part of its liquidity risk management strategy. Special attention is paid to the liquidity management of non-life insurance business requiring sufficient funding to meet all the potential obligations in the event of a natural disaster or other extraordinary event.

The Company continually assesses its liquidity risk by identifying and monitoring changes in the funding required to meet business goals and the targets set in terms of the overall Company strategy.

The following tables show an analysis of the Company's financial assets and liabilities broken down into their relevant maturity bands based on the residual contractual maturities.

Residual contractual maturities of financial assets:

In CZK million, as at 31 December 2015	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Investments	**3,134**	**1,858**	**6,315**	**27,867**	**33,961**	**16,202**	**89,337**
Loans	2,333	–	45	2,010	–	–	4,388
Available-for-sale	185	1,643	5,586	23,421	34,234	8,605	73,674
Bonds	185	1,643	5,586	23,421	34,234	–	65,069
Equities	–	–	–	–	–	2,065	2,065
Investment fund units	–	–	–	–	–	6,540	6,540
Financial assets at fair value through profit or loss	616	215	684	2,436	(273)	7,597	11,275
Bonds	–	210	630	2,352	–	–	3,192
Unit-linked investments	49	6	11	6	125	7,597	7,794
Derivatives	567	(1)	43	78	(398)	–	289
Receivables	**2,985**	**2,381**	**185**	**21**	**514**	**–**	**6,086**
Cash and cash equivalents	**1,946**	**–**	**–**	**–**	**–**	**–**	**1,946**
Total financial assets	**8,065**	**4,239**	**6,500**	**27,888**	**34,475**	**16,202**	**97,369**

In CZK million, as at 31 December 2014	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Investments	**4,526**	**793**	**14,632**	**28,014**	**36,681**	**16,050**	**100,696**
Loans	4,400	–	582	1,552	–	57	6,591
Available-for-sale	88	771	10,151	24,415	35,384	8,611	79,420
Bonds	88	771	10,151	24,415	35,384	–	70,809
Equities	–	–	–	–	–	2,233	2,233
Investment fund units	–	–	–	–	–	6,378	6,378
Financial assets at fair value through profit or loss	38	20	3,899	2,047	1,297	7,382	14,683
Bonds	–	10	3,908	1,934	1,257	–	7,109
Unit-linked investments	–	6	6	11	–	7,382	7,405
Derivatives	38	4	(15)	102	40	–	169
Other investments	–	2	–	–	–	–	2
Receivables	**4,141**	**1,012**	**136**	**347**	**400**	**–**	**6,036**
Cash and cash equivalents	**2,504**	**–**	**–**	**–**	**–**	**–**	**2,504**
Total financial assets	**11,171**	**1,805**	**14,768**	**28,361**	**37,081**	**16,050**	**109,236**

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Residual contractual maturities of liabilities:

In CZK million, as at 31 December 2015	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Financial liabilities	64	129	314	1,157	137	1,400	3,201
Other financial liabilities	–	2	–	500	–	1,400	1,902
Financial liabilities at fair value through profit or loss	64	127	314	657	137	–	1,299
Payables	2,378	4,507	866	–	–	–	7,751
Other liabilities	1,671	195	15	1	–	–	1,882
Total liabilities	**4,113**	**4,831**	**1,195**	**1,158**	**137**	**1,400**	**12,834**

In CZK million, as at 31 December 2014	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non-specified	Total
Financial liabilities	323	316	473	1,317	267	1,400	4,096
Other financial liabilities	–	3	1	501		1,400	1,905
Financial liabilities at fair value through profit or loss	323	313	472	816	267	–	2,191
Payables	3,372	3,526	1,013	64	–	–	7,975
Other liabilities	1,557	224	–	24	–	–	1,805
Total liabilities	**5,252**	**4,066**	**1,486**	**1,405**	**267**	**1,400**	**13,876**

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Estimated cash flows of insurance liabilities and liabilities for investment contracts with DPF

In CZK million, as at 31 December 2015	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Non-life insurance liabilities	**6,703**	**3,804**	**1,781**	**1,619**	**1,457**	**1,133**	**16,497**
RBNS & IBNR	6,394	3,804	1,781	1,619	1,457	1,133	16,188
Other insurance liabilities	309	–	–	–	–	–	309
Life assurance liabilities	**7,034**	**14,007**	**10,860**	**5,501**	**3,603**	**5,653**	**46,658**
Of which guaranteed liability for investment contracts with DPF	252	467	428	260	170	418	1,995
Total	**13,737**	**17,811**	**12,641**	**7,120**	**5,060**	**6,786**	**63,155**

In CZK million, as at 31 December 2014	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
Non-life insurance liabilities	**8,181**	**3,929**	**1,938**	**1,635**	**1,456**	**1,133**	**18,272**
RBNS & IBNR	7,894	3,929	1,938	1,635	1,456	1,133	17,985
Other insurance liabilities	287	–	–	–	–	–	287
Life assurance liabilities	**7,933**	**17,176**	**11,097**	**6,183**	**4,067**	**6,471**	**52,927**
Of which guaranteed liability for investment contracts with DPF	636	1,538	137	(149)	(129)	68	2,101
Total	**16,114**	**21,105**	**13,035**	**7,818**	**5,523**	**7,604**	**71,199**

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E.7. Insurance risks

Insurance risk results from the uncertainty surrounding the timing, frequency and size of claims under insurance contracts. The principal risk is that the frequency or size of claims is greater than expected. In addition, for some contracts, there is uncertainty about the timing of insured events. These are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Company is exposed underwriting risk through a wide range of life and non-life products offered to customers: participating and non-participating traditional life products, unit-linked, annuities, universal life products, guaranteed investment products and all lines of non-life products (property, accident and health, car, third party liability).

The most significant components of underwriting risk concern the adequacy of insurance premium rate levels and the adequacy of provisions with respect to insurance liabilities and the capital base. The adequacy is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is paid to the adequacy of provisions for the life business. For a detailed description of the liability adequacy test, see Note C.2.3.

The Company manages the insurance risk using internal guidelines for product design, reserving, pricing criteria, reinsurance strategy and guidelines for underwriting. Monitoring risk profiles, review of insurance-related risk control and asset/liability management are also carried out by senior management. For those insurance contracts that contain high interest rate guarantees, stochastic modelling is used to assess the risk of these guarantees. The pricing reflects the cost of the guarantees and appropriate reserves are established accordingly.

Methods based on dynamic and stochastic modelling were implemented and are continuously being improved. These methods are used, among others, to measure the economic capital of insurance risks.

E.7.1. Concentration of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of the concentration of insurance risk, which determines the extent to which a particular event or series of events could significantly impact upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it could arise from the accumulation of risks within a number of different insurance classes.

Concentrations of risk can arise in low-frequency, high-severity events such as natural disasters; in situations where the Company is exposed to unexpected changes in trends, for example, unexpected changes in human mortality or in policyholder behaviour; or where significant litigation or legislative risks could cause a large single loss, or have a pervasive effect on many contracts.

E.7.1.1. Geographic concentrations

The risks underwritten by the Company are primarily located in the Czech Republic.

E.7.1.2. Low-frequency, high-severity risks

Significant insurance risk is connected with low-frequency and high-severity risks. The Company manages these risks through its underwriting strategy and adequate reinsurance arrangements.

According to its underwriting strategy, the most significant risk of natural disaster to which the Company is exposed is the risk of flooding in the Czech Republic. In the event of a major flood, the Company expects the property portfolio to see high claims for structural damage to properties and contents, and high claims for business interruption while transport links are inoperable and business properties are closed for repair. Apart from the risk of flooding, other climatic phenomena, such as long-lasting snow-fall, claims caused by snow-weight or strong wind-storms or hail-storms would have a similar effect.

Underwriting strategy

The underwriting strategy is an integral part of the annual business plan that specifies the classes of business to be written within the planned period and the target sectors of clients. Following approval of underwriting limits by the Board of Directors, the strategy is cascaded to the individual underwriters in the form of underwriting limits (each underwriter can write business by line size, class of business, territory and industry in order to ensure the appropriate risk selection within the portfolio).

E.7.1.3. Life underwriting risk

In the life portfolio of the Company, there is a prevailing component of saving contracts, but there are also pure risk covers (death plus riders, such as an accident, disability, dread disease, etc.) and some annuity portfolios, with the presence of the longevity risk.

The risks related to policies with a prevailing saving component are considered in a prudent way when pricing the guaranteed interest rate, in line with the particular situation of the local financial market, and also taking into account any relevant regulatory constraint.

As far as the demographic risk related to pure risk portfolios is concerned, the mortality tables used in the pricing are prudent. The standard approach is to use population or experience tables with adequate safety loadings.

For the most important risk portfolios, a detailed analysis of mortality experience is carried out every year in comparison with the expected mortality of the portfolio, determined according to the most up-to-date mortality tables available in each market. This analysis takes into consideration the mortality by sex, age, policy year, sum assured, other underwriting criteria and also mortality trends. Detailed analysis of risks concerning to dread disease and disability is also prepared annually.

As far as lapse risk (risks related to voluntary withdrawal from the contract) and expense risk (risks related to inadequacy of charges and loadings in the premiums in order to cover future expenses) is concerned, it is evaluated in a prudent manner in the pricing of new products, considering the construction and the profit testing of new tariff assumptions derived from the experience of the Company, or if it is not sufficiently reliable or suitable, the experience of the other Generali Group entities or the general experience of the local market. In order to mitigate lapse risk, surrender penalties are generally considered in the tariff and are determined in such a way to compensate, at least partially, the loss of future profits.

The table below shows the insurance liabilities of the life gross direct business split by level of guaranteed interest rate.

In CZK million, as at 31 December	2015	2014
Liabilities with guaranteed interest		
Between 0% and 2.49%	13,016	14,245
Between 2.5% and 3.49%	4,454	4,665
Between 3.5% and 4.49%	2,563	2,843
More than 4.5% (incl.)	12,143	14,105
Provisions without guaranteed interest	4,945	7,984
Total	**37,121**	**43,842**

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E.7.1.4. Non-life underwriting risk

Gross earned premium per line of business is shown in the following table:

In CZK million, as at 31 December	2015	2014
Motor	7,995	7,987
Accident, Health and Disability	638	720
Marine, aviation and transport	261	234
Property	7,509	7,249
General liability	2,096	2,008
Other	63	149
Branch Poland	3,045	2,526
Total	**21,607**	**20,873**

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The pricing risk covers the risk that the premium charged is insufficient to cover future claims and expenses arising from company's portfolio.

The reserving risk relates to the uncertainty of the run-off of reserves around its expected value, which is the risk that the actuarial reserve is not sufficient to cover all liabilities of claims incurred. Its assessment is closely related to the estimation of reserves and both processes are performed together for consistency reasons, using claim triangles and all other relevant information collected and analysed according to specific guidelines.

The Company has the right to re-price the risk on renewal and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured or from liability of the insured person, and claims payment limits are always included to cap the amount payable on occurrence of the insured event.

E.7.2. Reinsurance strategy

Annually the Company pursues a renewal of reinsurance treaties which reinsures some of the underwritten risks in order to control its exposures to individual, frequent and catastrophic losses according to quantitative and qualitative points and protect its capital resources.

The Company concludes the proportionate and non-proportionate reinsurance treaties or a combination of these reinsurance treaties to reduce its net exposure. The maximum net exposure limits for particular lines of business are reviewed annually. To provide an additional protection, the Company uses facultative reinsurance for certain insurance policies.

The majority of reinsurance treaties are concluded with GP RE – the group captive reinsurance company based in Bulgaria. On the top of it, the Company benefits from the consolidated reinsurance programme and diversification of its risks due to the GCEE group cover which is retro-ceded via Generali Trieste on the regular reinsurance market.

Ceded reinsurance containing a reinsurers' credit risk as the cession does not relieve the Company of its obligations to its clients. Through the GCEE credit risk management, the Company regularly evaluates the financial status of its reinsurers and monitors the concentration of credit risk to minimise its exposure to financial loss caused by a reinsurer's insolvency. Placement of non-life obligatory reinsurance treaties is managed by the GCEE and is guided by the Security List of Generali Trieste.

All reinsurance issues are subject to strict review. This includes the evaluation of reinsurance arrangements, setting the minimum capacity and retention criteria, monitoring the purchase of reinsurance against those criteria, erosion of the reinsurance programme and its ongoing adequacy and credit risk. Treaty capacity needed is based on both internal and group modelling.

The overview of obligatory reinsurance treaties for the main programme and underwriting year 2015:

Line of business / Treaty	Form of reinsurance	Leader
Property		
Property	Quota Share + Risk X/L, CAT X/L, AGG X/L	GP Re
Engineering	Quota Share + Risk X/L, CAT X/L, AGG X/L	GP Re
Civil Building	Quota Share, CAT X/L, AGG X/L	GP Re
Household	Quota Share, CAT X/L, AGG X/L	GP Re
SME Property	Quota Share, CAT X/L, AGG X/L	GP Re
Liability		
Commercial Liability	Quota Share + Risk X/L	GP Re
Motor Third Party Liability	Quota Share + Risk X/L	GP Re
D&O	Quota Share	GP Re
Marine		
Cargo transport	Quota Share + Risk X/L	GP Re
CASCO	**Quota Share + CAT X/L**	**GP Re**
Medical Expenses	**Quota Share + X/L**	**GP Re**
Agriculture		
Livestock	Risk + CAT X/L	GP Re
Hail	Stop Loss	GP Re
Bonds		
Bonds	Quota Share	GP Re
Life, pensions		
Individual life insurance	Surplus	Generali Trieste
Group life insurance	Quota Share	Generali Trieste
Life & Disability	Surplus	Swiss Re
Personal Accident	Quota Share	GP Re

E.8. Operational risk and other risks

Operational risk is defined as the potential loss arising from inadequate or failed internal processes, personnel and systems or from external events. The operational risk category includes the compliance risk and financial reporting risk. The compliance risk is the risk of incurring of legal or regulatory sanctions, material financial losses or reputational damage arising from failure to comply with laws, regulations and administrative provisions applicable to the Company business. The financial reporting risk is also considered as an operational risk. This is the risk of a transaction error which could entail an untrue and incorrect representation of situation of the assets, liabilities, profit or loss in the company's financial statements.

As a part of the ongoing processes of Generali Group, the Company has set some common principles and techniques to manage the Operational Risk:

– policies and operating guidelines are in place establishing consistent framework of Operational Risk management within Generali Group;
– assessment methodologies to identify significant risk event types and evaluate their impact on Company objectives;
– process of collecting the information on operational losses occurred to validate the results of different assessments and allow the identification of not yet identified risks and control deficiencies;
– common methodologies and principles guiding internal audit activities in order to identify the most relevant processes to be audited.

The operational risk management process is based primarily on assessing the risks by experts in different fields of Company operations and collecting information on actually occurred losses. Outputs of these analyses are used to target investment in new or modified controls and mitigation actions in order to keep the level of risks in acceptable range.

E.8.1. Operating systems and IT security management

Organisation of the Company's IT is based on separating the IT security unit from IT operations and IT development. The rules set by the Company regarding IT risk management and IT security are based on the rules and recommendations contained in ISO/IEC 27001:2013 Information technology – Security techniques – Information security management systems – Requirements and on guidelines and policies created by Generali Group IT Risk and Security.

E.8.2. Other risks

In addition to above mentioned main risk categories, Company assesses also some other risks which are difficult to measure so their assessment relies on expert estimation:

– Reputational Risk, i.e. the risk of potential losses due to a reputational deterioration or to a negative perception of Company's or Generali Group's image among its customers, counterparties, shareholders and Supervisory Authority.
– Strategic Risk, i.e. the risk arising from external changes and/or internal decisions that may impact on the future risk profile of the Company or Generali Group.
– Contagion Risk, i.e. the risk that problems arising from one of the Generali Group's local entities could affect the solvency, economic or financial situation of other entities within Generali Group or Generali Group as a whole.
– Emerging Risk, i.e. the new risks due to internal or external environmental, social or technological changes that may increase Company's or Generali Group's risk exposure or require to define a new risk category.

Assessment of these risks is performed at least on yearly basis as a part of planning process aiming at identification of potential threats to planned business objectives.

E.9. Financial strength monitoring by third parties

The Company's risks are monitored by third parties such as the insurance regulator.

More over, the leading rating agencies periodically assess the financial strength of the Company and the whole Generali Group expressing a judgment on the ability to meet the ongoing obligations assumed toward policyholders.

This assessment is performed taking into account several factors such as financial and economic data, the positioning of the Company within its market, and the strategies developed and implemented by the management.

The Company has a financial strength rating of A (Excellent) and an issuer credit rating of "a", both with a stable outlook, assigned by A.M. Best on 23 October 2015.

The rating reflects Company's very strong business profile, excellent record of technical profitability and solid risk-adjusted capitalisation.

The rating is also derived from the strategic importance of the Company as a member of the Generali Group. Additionally, the Company is considered as a key element of Generali strategy in Central and Eastern Europe.

E.10. Capital management

The objectives of the Generali Group's as well as the Company's capital management policy are:

a) to guarantee the accomplishment of solvency requirements as defined by the specific laws of the sector where the Company operates;

b) to safeguard the going concern and the capacity to develop the own activity;

c) to continue to guarantee an adequate remuneration of the shareholders' capital;

d) to determine adequate pricing policies that are suitable for the risk level of each sector's activity.

E.10.1. Solvency I

The Company carries out business in the insurance sector, which is a regulated industry. The Company has to comply with all regulations set in the Insurance Act No 277/2009 Coll. and regulation No 434/2009 Coll., fully harmonised with EU regulation, including prudential rules relating to the capital. The prudential rules set the method for calculating Required solvency margin (minimum regulatory capital) and Available solvency margin (actual regulatory capital) which are both calculated separately for life and non-life insurance.

The industry's lead regulator is the Czech National Bank which sets and monitors the capital requirements for the Company.

In CZK million, as at 31 December		2015	2014
Required solvency margin	Life insurance	2,249	2,548
	Non-life insurance	1,894	2,204
Available solvency margin	Life insurance	14,371	13,549
	Non-life insurance	7,375	6,748

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The Company closely monitors its compliance with regulatory capital requirements. The current approach for calculating capital requirements is based on Solvency I principles which are to be replaced by a new system of regulatory capital calculation – Solvency II. The Company is gradually implementing the Solvency II standards into its own risk capital management procedures.

E.10.2. Solvency II

The Generali Group makes use of an internal approach to determine the available financial resources and the capital requirements for risks which it is exposed to (Group Internal Model), while maintaining consistency with the basic framework of Solvency II, which comes effective from 2016. During 2015, activities aimed at enhancing the Risk Management System have continued, in accordance with the project aimed at fulfilling Solvency II requirements. The application for the regulatory approval of Group Internal Model was also finalized and submitted to the College of Supervisors representing the Supervisory Authorities from all the countries in scope of the Group Internal Model. The Group Internal Model was approved on 7 March 2016 and it will be effective for the Company as Solvency II comes to force in Czech Republic.

This development was linked to the refinement of the methodology concerning the assessment of available financial resources and the variety of associated risks, consistently with an economic approach. Within risk assessment and monitoring enhancement activities, focus has been given to improve the overall validation activity of the overall risk assessment process, in order to fulfil the tests and standard requirements of the forthcoming regulatory regime. Finally, activities aimed at a wider and more transparent disclosure of risks have been carried out, in light of Solvency II Pillar II (Own Risk and Solvency Assessment) and Pillar III requirements (regulatory and market disclosure).

The Company, as a part of the Generali Group, follows the Group approach. In this phase of legislative and market changes, the Capital Management Policy integrates the internal economic logic with the necessary considerations about existing capital constraints, with reference in particular to current local and the Group solvency requirements and Rating Agency requirements.

F. Notes to the Statements of Financial Position, Income and Comprehensive Income

F.1. Intangible assets

In CZK million, as at 31 December	2015	2014
Software	952	1,076
Other intangible assets	4	7
Goodwill	–	463
Total intangible assets	**956**	**1,546**

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Goodwill shown in 2014 was recognised on acquisition of insurance business in Poland in 2012.

There is no goodwill recognised in 2015 as the Polish operations were transferred through the sale of the insurance portfolio and all related business activities. A gain on sale of a business in amount of CZK 56 million has been recognised. For details see F.6

F.1.1. Software

In CZK million, for the year ended 31 December	2015	2014
Acquisition cost as at the beginning of the year	**5,593**	**5,864**
Amortisation as at the beginning of the year	**(4,517)**	**(4,573)**
Carrying amount as at the beginning of the year	**1,076**	**1,291**
Additions	183	233
Disposals	–	(115)
Amortisation for the period	(289)	(333)
Other movements	(18)	–
Acquisition cost as at the end of the year	**5,758**	**5,593**
Amortisation as at the end of the year	**(4,806)**	**(4,517)**
Carrying amount as at the end of the year	**952**	**1,076**

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F.1.2. Other intangible assets

In CZK million, for the year ended 31 December	2015	2014
Acquisition cost as at the beginning of the year	**59**	**178**
Amortisation and impairment as at the beginning of the year	**(52)**	**(148)**
Carrying amount as at the beginning of the year	**7**	**30**
Additions	–	16
Disposals	–	(22)
Amortisation for the period	(4)	(17)
Other movements	1	–
Acquisition cost as at the end of the year	**60**	**59**
Amortisation and impairment as at the end of the year	**(56)**	**(52)**
Carrying amount as at the end of the year	**4**	**7**

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F.2. Tangible assets

In CZK million, as at 31 December	2015	2014
Land and buildings (self used)	143	139
Other tangible assets	71	95
Other assets	24	25
Total tangible assets	**238**	**259**

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F.2.1. Land and buildings (self used)

In CZK million, for the year ended 31 December	2015	2014
Acquisition cost as at the beginning of the year	**278**	**263**
Accumulated depreciation and impairment as at the beginning of the year	**(139)**	**(117)**
Carrying amount as at the beginning of the year	**139**	**146**
Additions	34	21
Disposals	(1)	(4)
Depreciation of the period	(27)	(24)
Other movements	2	–
Acquisition cost as at the end of the year	**309**	**278**
Accumulated depreciation and impairment as at the end of the year	**(166)**	**(139)**
Carrying amount as at the end of the year	**143**	**139**

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F.2.2. Other tangible assets

In CZK million, for the year ended 31 December	2015	2014
Acquisition cost as at the beginning of the year	**346**	**1,444**
Amortisation and impairment as at the beginning of the year	**(251)**	**(1,148)**
Carrying amount as at the beginning of the year	**95**	**296**
Additions	35	27
Disposals	–	(167)
Depreciation of the period	(31)	(61)
Other movements	(28)	–
Acquisition cost as at the end of the year	**353**	**346**
Amortisation and impairment as at the end of the year	**(282)**	**(251)**
Carrying amount as at the end of the year	**71**	**95**

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Other tangible assets comprise primarily IT and office equipment.

F.3. Investments

Carrying values of investment:

In CZK million, for the year ended 31 December	Investment properties	Loans	Available-for-sale	Fair value through profit or loss	Other investments
Balance as at 1 January 2014	**63**	**2,645**	**64,873**	**19,607**	**181**
Purchases	–	36,706	15,410	1,410	555
Disposals	–	(33,161)	(22,015)	(6,643)	(734)
Fair value gains/losses recorded in the income statements	–	–	362	(3)	–
Fair value gains/losses recorded in other comprehensive income	–	–	3,153	–	–
Movement in impairment allowance	–	19	–	–	–
Accrued interest	–	104	2,012	245	–
Foreign exchange adjustments	–	(61)	1,175	–	–
Other movements	–	–	(1)	(4)	–
Balance as at 31 December 2014	**63**	**6,252**	**64,969**	**14,612**	**2**
Purchases	–	41,672	12,151	1,613	–
Disposals	–	(43,919)	(16,259)	(5,133)	–
Fair value gains/losses recorded in the income statements	–	–	(31)	233	–
Fair value gains/losses recorded in other comprehensive income	–	–	1,165	–	–
Movement in impairment allowance	(11)	98	–	–	–
Accrued interest	–	20	(260)	(15)	–
Foreign exchange adjustments	–	(10)	297	–	–
Other movements	6	2	–	39	(2)
Balance as at 31 December 2015	**58**	**4,115**	**62,032**	**11,349**	**–**

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F.3.1. Investment properties

The fair value of investment property is based on the valuation of an independent valuator who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Based on the analysis of inputs used for valuation, considering the limited cases where the inputs would be observable in active markets, the Company proceeded to classify the whole category at level 3. As at 31 December 2015, there are buildings outstanding in the amount of CZK 58 million. Building in the amount CZK 6 million was reclassified from held for sale category. For details please refer to F.6. Based on the external valuation, decrease in revaluation in the amount CZK 11 million was recognised on building and corresponding land on Křiženeckého náměstí in Prague.

In CZK million, as at 31 December	2015	2014
Carrying amount as at the beginning of the year	**63**	**63**
Reclassification to/from assets held for sale	6	–
Revaluation	(11)	–
Carrying amount as at the end of the year	**58**	**63**

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F.3.2. Loans and other investments

In CZK million, as at 31 December	2015	2014
Loans		
Bonds	905	886
Loans to subsidiaries	875	909
Other loans	2,335	4,457
Total	**4,115**	**6,252**
Current portion	**2,334**	**4,937**
Non-current portion	**1,781**	**1,315**

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Decrease of other loans in 2015 is caused by decrease of reverse REPO operations from CZK 4,400 million in 2014 to CZK 2,300 million in 2015.

In CZK million, as at 31 December	2015	2014
Other investments	**–**	**2**
Total	**–**	**2**
Current portion	**–**	**2**

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The fair value of loans and other investments:

In CZK million, as at 31 December	2015	2014
Loans	**4,311**	**6,462**
Bonds	1,101	1,096
Loans to subsidiaries	875	909
Other loans	2,335	4,457
Other investments	**–**	**2**
Total	**4,311**	**6,464**

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In CZK million, as at 31 December 2015	Level 1	Level 2	Level 3	Total
Loans				
Bonds	–	1,101	–	1,101
Loans to subsidiaries	–	875	–	875
Other loans	–	2,335	–	2,335
Total	**–**	**4,311**	**–**	**4,311**

In CZK million, as at 31 December 2014	Level 1	Level 2	Level 3	Total
Loans				
Bonds	–	1,096	–	1,096
Loans to subsidiaries	–	909	–	909
Other loans	–	4,400	57	4,457
Other investments	**–**	**2**	**–**	**2**
Total	**–**	**6,407**	**57**	**6,464**

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Based on the decision of management of the Company receivables towards Kreditní banka in the net book value of CZK 57 million were written off in 2015.

F.3.3. Available-for-sale financial assets

In CZK million, as at 31 December	2015	2014
Unquoted equities at cost	4	4
Equities at fair value	2,061	2,230
Quoted	2,061	2,230
Bonds	53,427	56,357
Quoted	53,427	56,357
Investment fund units	6,540	6,378
Total	**62,032**	**64,969**
Current portion	**5,828**	**9,158**
Non-current portion	**56,204**	**55,811**

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Based on clarification of definition of quoted and unquoted instruments unquoted bonds in the amount of CZK 16,092 million were reclassified from unquoted bonds to quoted bonds in 2014.

Fair value measurement as at the end of the reporting period:

In CZK million, as at 31 December 2015	Level 1	Level 2	Level 3	Total
Unquoted equities at cost	–	–	4	4
Equities at fair value	2,061	–	–	2,061
Quoted	2,061	–	–	2,061
Bonds	39,546	11,856	2,025	53,427
Quoted	39,546	11,856	2,025	53,427
Investment fund units	6,324	216	–	6,540
Total	**47,931**	**12,072**	**2,029**	**62,032**

In 2015 investment fund units in the amount CZK 216 million were purchased to the level 2 portfolio.

In CZK million, as at 31 December 2014	Level 1	Level 2	Level 3	Total
Unquoted equities at cost	–	–	4	4
Equities at fair value	2,230	–	–	2,230
Quoted	2,230	–	–	2,230
Bonds	40,265	10,355	5,737	56,357
Quoted	40,265	10,355	5,737	56,357
Investment fund units	6,378	–	–	6,378
Total	**48,873**	**10,355**	**5,741**	**64,969**

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There was a transfer in the amount of CZK 183 million from Level 2 into Level 1 in 2014.

The following table presents the changes in Level 3 instruments for the year ended 31 December.

In CZK million, as at 31 December	2015	2014
Opening balance	**5,741**	**4**
Transfers into Level 3	317	5,137
Total gains or losses	590	600
in income statement	34	36
in other comprehensive income	556	564
Purchases	178	–
Settlements	(2,841)	–
Transfer out of Level 3	(1,956)	–
Closing balance	**2,029**	**5,741**

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In 2015 corporate bonds in the amount CZK 317 million were reclassified from Level 2 to Level 3 in connection with the situation when a stress in the financial markets had an impact on availability of observable market inputs, namely level of credit spreads.

In 2014, corporate bonds in the amount of CZK 4,309 million were reclassified from Level 2 to Level 3 in connection with the situation when a stress in the financial markets had an impact on availability of observable market inputs, namely level of credit spreads. In 2015, the analysis was performed and securities in the amount CZK 1,700 million were reclassified back to the level 2. Further in 2014 an analysis was carried out in order to better harmonize the criteria for pricing and levelling. As a result, government bonds in the amount of CZK 828 million were reclassified from Level 2 to Level 3 in 2014 as a result of unavailable market information about its future yields. In 2015, analysis was performed and securities in the amount CZK 256 million were reclassified to the level 2.

	2015	2014
Transfer into Level 1 from Level 2	–	183
Transfer into Level 2 from Level 3	1,956	–
Transfer into Level 3 from Level 2	317	5,137

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Maturity of available-for-sale financial assets – bonds in fair value:

In CZK million, as at 31 December	2015	2014
Up to 1 year	5,828	9,158
Between 1 and 5 years	20,113	20,484
Between 5 and 10 years	13,470	13,431
More than 10 years	14,016	13,284
Total	**53,427**	**56,357**

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Realised gains and losses, and impairment losses on available-for-sale financial assets:

In CZK million, as at 31 December 2015	Realised gains	Realised losses	Impairment losses
Equities	23	–	(144)
Bonds	256	(143)	–
Investment fund units	363	–	(225)
Total	**642**	**(143)**	**(369)**

In CZK million, as at 31 December 2014	Realised gains	Realised losses	Impairment losses
Equities	191	(191)	(83)
Bonds	344	(118)	–
Investment fund units	346	(2)	(97)
Total	**881**	**(311)**	**(180)**

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F.3.4. Financial assets at fair value through profit or loss

In CZK million, as at 31 December	Financial assets held-for-trading		Financial assets designated at fair value through profit or loss		Total financial assets at fair value through profit or loss	
	2015	2014	2015	2014	2015	2014
Bonds	**–**	**–**	**3,194**	**7,043**	**3,194**	**7,043**
Quoted	–	–	3,194	7,043	3,194	7,043
Derivatives	**69**	**77**	**288**	**88**	**357**	**165**
Unit-linked investments	**–**	**–**	**7,798**	**7,404**	**7,798**	**7,404**
Allocated to policyholders	–	–	7,593	7,112	7,593	7,112
Not allocated to policyholders	–	–	205	292	205	292
Total	**69**	**77**	**11,280**	**14,535**	**11,349**	**14,612**
Current portion	**–**	**–**	**–**	**–**	**1,014**	**3,825**
Non-current portion	**–**	**–**	**–**	**–**	**10,335**	**10,787**

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Based on clarification of definition of quoted and unquoted instruments unquoted bonds in the amount of CZK 4,537 million were reclassified from unquoted bonds to quoted bonds in 2014.

Certain portion of unit-linked investment is not as at year end allocated to policyholders and stay available for new unit linked insurance contracts.

Fair value measurement as at the end of the reporting period:

In CZK million, as at 31 December 2015	Level 1	Level 2	Level 3	Total
Bonds	2,443	751	–	3,194
Quoted	2,443	751	–	3,194
Derivatives	2	355	–	357
Unit-linked investments	6,049	1,723	26	7,798
Total	**8,494**	**2,829**	**26**	**11,349**

In 2015 Unit-linked investment fund units in the amount CZK 1,539 million were reclassified from level 1 to level 2 and CZK 26 million were reclassified from level 2 to level 3 in relation to the frequency of an officially published valuation of the fund units.

In CZK million, as at 31 December 2014	Level 1	Level 2	Level 3	Total
Bonds	2,506	4,537	–	7,043
Quoted	2,506	4,537	–	7,043
Derivatives	12	153	–	165
Unit-linked investments	7,373	31	–	7,404
Total	**9,891**	**4,721**	**–**	**14,612**

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	2015	2014
Transfer into Level 1 from Level 2	–	23
Transfer into Level 2 from Level 1	1,539	–
Transfer into Level 3 from Level 2	26	–

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F.4. Reinsurance assets

In CZK million, as at 31 December	Direct insurance		Accepted reinsurance		Total	
	2015	2014	2015	2014	2015	2014
Non-life reinsurance assets	**8,851**	**9,046**	**236**	**199**	**9,087**	**9,245**
Provisions for unearned premiums	1,857	1,750	–	8	1,857	1,758
Provisions for outstanding claims	5,298	5,104	167	132	5,465	5,236
IBNR	1,638	2,150	69	59	1,707	2,209
Other insurance liabilities	58	42	–	–	58	42
Life reinsurance assets	**702**	**707**	**1**	**2**	**703**	**709**
Provisions for unearned premiums	60	67	–	–	60	67
Provisions for outstanding claims	203	201	–	1	203	202
IBNR	439	439	1	1	440	440
Total	**9,553**	**9,753**	**237**	**201**	**9,790**	**9,954**
Current portion	**4,676**	**5,310**	**95**	**85**	**4,771**	**5,395**
Non-current portion	**4,877**	**4,443**	**142**	**116**	**5,019**	**4,559**

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The amounts included in reinsurance assets represent expected future claims to be recovered from the Company's reinsurers and the reinsurers' share of unearned premiums.

Ceded reinsurance arrangements do not relieve the Company of its direct obligations to policyholders. Thus, a credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance agreements.

F.5. Receivables

In CZK million, as at 31 December	2015	2014
Receivables arising out of direct insurance operations	1,850	1,998
Amounts owed by policyholders	1,797	1,972
Amount owed by intermediaries	53	26
Receivables arising out of reinsurance operations	2,211	2,249
Trade and other receivables	1,298	637
Receivables from derivatives collateral	695	1,120
Current income tax receivables	32	32
Total receivables	**6,086**	**6,036**
Current portion	**5,551**	**5,289**
Non-current portion	**535**	**747**

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Trade and other receivables include the receivable of CZK 505 million from GENERALI TOWARZYSTWO UBEZPIECZEŇ S.A. from the sale of Polish operations (see F.6).

In CZK million, for the year ended 31 December	2015	2014
At 1 January	**6,036**	**6,674**
Net change in gross value of receivables	6,388	(476)
Movement in impairment allowance	117	66
Write offs	(6,455)	(228)
At 31 December	**6,086**	**6,036**

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F.6. Non-current assets held for sale and discontinued operations

No assets are classified as held for sale as at 31 December 2015.

A property in the amount CZK 6 million ceased to be classified as non-current assets held for sale due to failed negotiations with a buyer which resulted into changes to a plan of sale. The management has decided to keep the property as an investment property.

With the main goal to simplify the management structure of Generali CEE operations in the Central Europe and due to new regulatory requirements arising from the introduction of Solvency II rules, the Group management approved the decision of GCEE bodies transfer the Polish operations through the sale of the insurance portfolio and all related business activities to GENERALI TOWARZYSTWO UBEZPIECZEŃ S.A., a subsidiary of Generali CEE Holding B.V. The sale was completed as at 31 December 2015 and a gain on sale in amount of CZK 56 million has been recognised.

As a result of the decision, the Polish operations were classified discontinued operations as at 31 December 2015. The overview of related assets and liabilities sold is disclosed below. The following table shows the contribution of discontinued operations to the income statement for the period to 31 December. Net result of discontinued operations is presented on the line "Loss after tax from discontinued operation".

In CZK million	2015	2014
Income Statement		
Net earned premiums revenue	1,754	1,479
Interests and other investment income	77	38
Other income from financial instruments and other investments	18	1
Net income/loss from financial instruments at fair value through profit or loss	(17)	(19)
Other income	84	71
Total income	**1,916**	**1,570**
Net insurance benefits and claims	(2,226)	(1,221)
Interest and other expenses for financial instruments and other investments	(50)	(41)
Acquisition costs	(371)	(241)
Administration costs	(346)	(349)
Other expenses	(166)	(129)
Total expenses	**(3,159)**	**(1,981)**
Loss before tax	**(1,243)**	**(411)**
Gain on disposal of discontinued operations	**56**	**–**
Loss after tax from discontinued operations	**(1,187)**	**(411)**

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The Income statement includes the transactions with GP Reinsurance EAD, Bulgaria – Income from ceded reinsurance commission and claims paid in amount of CZK 1,995 million (2014: CZK 1,000 million) and Expenses from ceded earned premium in amount of CZK 1,323 million (2014: CZK 1,061 million).

Effect of discontinued operations to other comprehensive income for the period to 31 December is the following:

In CZK million	2015	2014
Other Comprehensive Income		
Loss after tax from discontinued operations	(1,187)	(411)
Other comprehensive income – elements which may be recycled to profit or loss	–	–
Exchange rate differences in equity	22	1
Available-for-sale financial assets revaluation in equity	(26)	30
Available-for-sale financial assets revaluation realised in income statement	3	(1)
Other comprehensive income before tax effects	(1)	30
Tax on items of Other comprehensive income	–	(1)
Other comprehensive income/loss, net of tax	(1)	29
Total comprehensive income	**(1,188)**	**(382)**

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Cash flows from/(used in) discontinued operations for the period ended 31 December were the following:

In CZK million	2015	2014
Net cash flows from / (used in) operating activities	(1,482)	156
Net cash flows from / (used in) investing activities	1,265	(575)
Net cash flows used in financing activities	(2)	(3)
Net cash decrease from discontinued operations	**(219)**	**(422)**

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The following table provides the amount of cash and cash equivalents and the amount of the assets and liabilities in the respect of losing control summarised by each major category.

In CZK million	
Other intangible assets	16
Investments	4,024
Ceded insurance liabilities	1,622
Receivables	214
Cash and cash equivalents	9
Other assets	34
Assets	**5,919**
Insurance liabilities	5,714
Other provisions	32
Financial liabilities	1
Payables	130
Other liabilities	45
Liabilities	**5,922**

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F.7. Cash and cash equivalents

In CZK million, as at 31 December	2015	2014
Cash and cash equivalents	3	6
Cash at bank	635	436
Short term deposits	1,308	2,062
Total	**1,946**	**2,504**

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F.8. Accruals and prepayments

In CZK million, as at 31 December	2015	2014
Deferred acquisition costs	790	779
Accrued income and prepayments	295	187
Total	**1,085**	**966**
Current portion	**1,085**	**966**

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F.8.1. Deferred acquisition costs

In CZK million, as at 31 December	2015	2014
Carrying amount as at 31 December previous year	**779**	**748**
Net change of deferred acquisition costs	11	31
Carrying amount as at 31 December current year	**790**	**779**

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As described in Note C.1.26, the Company defers only non-life insurance acquisition costs. As a result, all deferred acquisition costs are usually released within one year.

F.9. Shareholder´s equity

In CZK million, as at 31 December	2015	2014
Share capital	4,000	4,000
Reserve for unrealised gains and losses on investments available-for-sale	5,071	4,037
Reserve for currency translation differences	3	(7)
Statutory reserve fund	800	800
Retained earnings brought forward	11,469	11,082
Net profit for the year	4,092	3,636
Total	**25,435**	**23,548**

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The following table provides details on reserves for unrealised gains and losses on investments available-for-sale.

In CZK million, for the year ended 31 December	2015	2014
Balance as at 1 January	**4,037**	**1,800**
Gross revaluation as at the beginning of the year	**4,979**	**2,216**
Tax on revaluation as at the beginning of the year	**(942)**	**(416)**
Currency translation differences	–	1
Revaluation gain/loss in equity – gross	1,404	3,153
Revaluation gain/loss on realisation in income statement – gross	(496)	(571)
Impairment losses – gross	369	180
Tax on revaluation	(243)	(526)
Gross revaluation as at the end of the year	**6,256**	**4,979**
Tax on revaluation as at the end of the year (Note F.25.2)	**(1,185)**	**(942)**
Balance as at 31 December	**5,071**	**4,037**

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F.9.1. Share capital

The following table provides details of ordinary shares.

As at 31 December	2015	2014
Number of shares authorised, issued and fully paid	40,000	40,000
Par value per share (CZK)	100,000	100,000

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F.9.2. Dividends

The sole shareholder approved on 30 April 2015 the distribution of a prior year profit of the Company in the amount of CZK 3,636 million. CZK 364 million was transferred to retained earnings and CZK 3,272 million was paid in the form of dividend of CZK 81,800 per each share in the nominal value of CZK 100,000.

At the Annual General Meeting on 30 April 2014, the sole shareholder approved the distribution of retained earnings in the form of dividend of CZK 83,600 per each share in the nominal value of CZK 100,000 amounting to CZK 3,344 million. Distribution concerns prior year profit of CZK 3,727 million reduced by the allocation to retained earnings of CZK 383 million.

F.10. Insurance liabilities

In CZK million, as at 31 December	Direct insurance		Accepted reinsurance		Total	
	2015	2014	2015	2014	2015	2014
Non-life insurance liabilities	**20,255**	**23,176**	**779**	**847**	**21,034**	**24,023**
Provisions for unearned premium	4,477	5,679	60	72	4,537	5,751
Provisions for outstanding claims (RBNS)	11,294	11,618	594	642	11,888	12,260
Claims incurred but not reported (IBNR)	4,196	5,613	103	112	4,299	5,725
Other insurance liabilities	288	266	22	21	310	287
Life assurance liabilities	**46,657**	**52,925**	**1**	**2**	**46,658**	**52,927**
Provisions for unearned premium	235	264	–	–	235	264
Provisions for outstanding claims (RBNS)	518	517	–	1	518	518
Claims incurred but not reported (IBNR)	1,190	1,190	1	1	1,191	1,191
Mathematical provision	37,121	43,842	–	–	37,121	43,842
Unit-linked provision	7,593	7,112	–	–	7,593	7,112
Total	**66,912**	**76,101**	**780**	**849**	**67,692**	**76,950**
Current	**17,916**	**21,473**	**358**	**392**	**18,274**	**21,865**
Non-current	**48,996**	**54,628**	**422**	**457**	**49,418**	**55,085**

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F.10.1. Non-life insurance liabilities

F.10.1.1. Provision for unearned premiums

In CZK million, for the year ended 31 December 2015	Gross	Reinsurance	Net
Balance as at 1 January	**5,751**	**(1,758)**	**3,993**
Added during the year	21,663	(919)	20,744
Released to the income statement	(21,048)	780	(20,268)
Foreign currency translation	(22)	144	122
Other changes	(1,807)	(104)	(1,911)
Balance as at 31 December	**4,537**	**(1,857)**	**2,680**

The other changes incorporate a transfer of an insurance portfolio of CZK 1,807 million in sale of the Polish operations of the Company (see Note F.6).

In CZK million, for the year ended 31 December 2014	Gross	Reinsurance	Net
Balance as at 1 January	**5,295**	**(1,852)**	**3,443**
Added during the year	21,045	(846)	20,199
Released to the income statement	(20,572)	760	(19,812)
Foreign currency translation	(17)	180	163
Balance as at 31 December	**5,751**	**(1,758)**	**3,993**

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F.10.1.2. Provisions for outstanding claims

In CZK million, for the year ended 31 December 2015	Gross	Reinsurance	Net
Balance as at 1 January	**12,260**	**(5,236)**	**7,024**
Plus claims incurred	12,287	(5,599)	6,688
Current year	11,043	(5,115)	5,928
Transfer from IBNR	1,244	(484)	760
Less claims paid	(10,456)	4,721	(5,735)
Released to the income statement	(428)	(138)	(566)
Other changes	(1,748)	754	(994)
Foreign currency translation	(27)	33	6
Balance as at 31 December	**11,888**	**(5,465)**	**6,423**

The other changes incorporate a transfer of an insurance portfolio of CZK 897 million in sale of the Polish operations of the Company (see Note F.6).

In CZK million, for the year ended 31 December 2014	Gross	Reinsurance	Net
Balance as at 1 January	**12,304**	**(5,596)**	**6,708**
Plus claims incurred	11,155	(4,806)	6,349
Current year	10,154	(4,413)	5,741
Transfer from IBNR	1,001	(393)	608
Less claims paid	(9,861)	4,302	(5,559)
Released to the income statement	(1,357)	861	(496)
Foreign currency translation	19	3	22
Balance as at 31 December	**12,260**	**(5,236)**	**7,024**

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F.10.1.3. Claims incurred but not reported

In CZK million, for the year ended 31 December 2015	Gross	Reinsurance	Net
Balance as at 1 January	**5,725**	**(2,209)**	**3,516**
Plus additions recognised during the year	2,798	(1,070)	1,728
Less transfer to claims reported provision	(1,244)	484	(760)
Released to the income statement	(959)	347	(612)
Other changes	(1,996)	748	(1,248)
Foreign currency translation	(25)	(7)	(32)
Balance as at 31 December	**4,299**	**(1,707)**	**2,592**

The other changes incorporate a transfer of an insurance portfolio of CZK 1,225 million in sale of the Polish operations of the Company (see Note F.6).

In CZK million, for the year ended 31 December 2014	Gross	Reinsurance	Net
Balance as at 1 January	**5,283**	**(2,071)**	**3,212**
Plus additions recognised during the year	2,567	(991)	1,576
Less transfer to claims reported provision	(1,001)	393	(608)
Released to the income statement	(1,114)	455	(659)
Foreign currency translation	(10)	5	(5)
Balance as at 31 December	**5,725**	**(2,209)**	**3,516**

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F.10.1.4. Development of policyholders claims (RBNS and IBNR)

In CZK million, for the year ended 31 December 2015	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of cumulative claims at the end of accident year	15,411	13,496	12,847	13,113	15,228	11,532	11,656	12,630	11,327	11,488	–
One year later	14,778	13,512	12,716	12,978	15,079	10,899	11,645	12,424	11,973	–	–
Two years later	14,688	13,184	12,257	12,835	14,927	10,756	11,388	12,150	–	–	–
Three years later	14,476	12,939	12,104	12,654	14,605	10,465	11,119	–	–	–	–
Four years later	14,124	12,637	11,867	12,420	14,073	10,142	–	–	–	–	–
Five years later	13,943	12,401	11,666	12,195	13,966	–	–	–	–	–	–
Six years later	13,862	12,247	11,531	12,100	–	–	–	–	–	–	–
Seven years later	13,683	12,142	11,446	–	–	–	–	–	–	–	–
Eight years later	13,637	12,032	–	–	–	–	–	–	–	–	–
Nine years later	13,553	–	–	–	–	–	–	–	–	–	–
Estimate of cumulative claims	**13,553**	**12,032**	**11,446**	**12,100**	**13,966**	**10,142**	**11,119**	**12,150**	**11,973**	**11,488**	**119,969**
Cumulative payments	13,212	11,686	11,015	11,543	13,193	9,174	9,723	10,546	9,200	6,703	105,995
accepted reinsurance	–	–	–	–	–	–	–	–	–	–	697
Provisions for outstanding claims not included in accident year	–	–	–	–	–	–	–	–	–	–	1,516
Amount recognised in the Statement of Financial Position	**341**	**346**	**431**	**557**	**773**	**968**	**1,396**	**1,604**	**2,773**	**4,785**	**16,187**

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Information in the table also includes claims handling costs. Provisions for outstanding claims which were not included in the analysis by an accident year include provision of CZK 1,426 million for claims which occurred before 2006 and provisions related to minor non-life insurance products.

In CZK million, for the year ended 31 December 2014	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of cumulative claims at the end of accident year	14,233	15,411	13,496	12,847	13,112	15,228	11,532	11,746	13,357	12,581	–
One year later	13,581	14,778	13,512	12,716	12,977	15,079	10,898	11,778	12,917	–	–
Two years later	13,194	14,687	13,184	12,257	12,834	14,927	10,756	11,486	–	–	–
Three years later	12,898	14,475	12,939	12,104	12,654	14,605	10,465	–	–	–	–
Four years later	12,681	14,124	12,637	11,867	12,420	14,073	–	–	–	–	–
Five years later	12,512	13,943	12,401	11,666	12,195	–	–	–	–	–	–
Six years later	12,381	13,861	12,248	11,531	–	–	–	–	–	–	–
Seven years later	12,302	13,683	12,142	–	–	–	–	–	–	–	–
Eight years later	12,233	13,636	–	–	–	–	–	–	–	–	–
Nine years later	12,194	–	–	–	–	–	–	–	–	–	–
Estimate of cumulative claims	**12,194**	**13,636**	**12,142**	**11,531**	**12,195**	**14,073**	**10,465**	**11,486**	**12,917**	**12,581**	**123,220**
Cumulative payments	11,906	13,190	11,648	10,985	11,474	13,166	9,084	9,580	9,956	6,511	107,500
accepted reinsurance	–	–	–	–	–	–	–	–	–	–	754
Provisions for outstanding claims not included in accident year	–	–	–	–	–	–	–	–	–	–	1,511
Amount recognised in the Statement of Financial Position	**288**	**446**	**494**	**546**	**721**	**907**	**1,381**	**1,906**	**2,961**	**6,070**	**17,985**

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Information in the table also includes claims handling costs. Provisions for outstanding claims which were not included in the analysis by an accident year include provision of CZK 1,414 million for claims which occurred before 2005 and provisions related to minor non-life insurance products.

F.10.1.5. Other insurance liabilities

Contractual non-discretionary bonuses:

In CZK million, for the year ended 31 December 2015	Gross	Reinsurance	Net
Balance as at 1 January	**287**	**(42)**	**245**
Creation of provisions	615	(71)	544
Utilisation of provisions	(424)	55	(369)
Other changes	(163)	–	(163)
Foreign currency translation	(5)	–	(5)
Balance as at 31 December	**310**	**(58)**	**252**

The other changes incorporate a transfer of an insurance portfolio of CZK 163 million in sale of the Polish operations of the Company (see Note F.6).

In CZK million, for the year ended 31 December 2014	Gross	Reinsurance	Net
Balance as at 1 January	**275**	**(34)**	**241**
Creation of provisions	347	(34)	313
Utilisation of provisions	(334)	26	(308)
Foreign currency translation	(1)	–	(1)
Balance as at 31 December	**287**	**(42)**	**245**

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F.10.2. Life assurance liabilities

In CZK million, for the year ended 31 December 2015	Gross	Reinsurance	Net
Balance as at 1 January	**52,927**	**(709)**	**52,218**
Premium allocation	9,274	–	9,274
Release of liabilities due to benefits paid, surrenders and other terminations	(14,397)	–	(14,397)
Fees deducted from account balances	(2,313)	–	(2,313)
Unwinding of discount / accretion of interest	1,120	–	1,120
Changes in unit-prices	76	–	76
Change in IBNR and RBNS	–	(1)	(1)
Change in UPR	(29)	7	(22)
Balance as at 31 December	**46,658**	**(703)**	**45,955**

In CZK million, for the year ended 31 December 2014	Gross	Reinsurance	Net
Balance as at 1 January	**59,966**	**(717)**	**59,249**
Premium allocation	13,925	–	13,925
Release of liabilities due to benefits paid, surrenders and other terminations	(19,615)	–	(19,615)
Fees deducted from account balances	(2,597)	–	(2,597)
Unwinding of discount / accretion of interest	1,278	–	1,278
Changes in unit-prices	16	–	16
Change in IBNR and RBNS	(25)	5	(20)
Change in UPR	(21)	3	(18)
Balance as at 31 December	**52,927**	**(709)**	**52,218**

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F.10.2.1. Insurance liabilities and investment contract liabilities related to policies of the life segment

In CZK million, as at 31 December	2015	2014
Insurance contracts	44,663	50,826
Investments contracts with discretionary participation feature	1,995	2,101
Total	**46,658**	**52,927**
Current portion	**7,034**	**7,931**
Non-current portion	**39,624**	**44,996**

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F.11. Other provisions

In CZK million, as at 31 December	2015	2014
Restructuring provision	33	27
Provisions for commitments	578	718
Total	**611**	**745**
Current portion	**55**	**60**
Non-current portion	**556**	**685**

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In CZK million, for the year ended 31 December	2015	2014
Carrying amount as at 1 January	**745**	**941**
Provisions created during the year	58	58
Provisions used during the year	(50)	(52)
Provisions released during the year	(109)	(202)
Other changes	(33)	–
Carrying amount as at 31 December	**611**	**745**

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The other changes incorporate a transfer of an insurance portfolio of CZK 33 million in sale of the Polish operations of the Company (see Note F.6).

Provisions for commitments consist of provisions for the MTPL deficit of CZK 556 million (2014: CZK 664 million) and other provisions.

Provision for MTPL deficit

On 31 December 1999, statutory MTPL insurance was replaced by contractual MTPL insurance in the Czech Republic. All rights and obligations arising from statutory MTPL insurance prior to 31 December 1999, including the deficit of received premiums to cover the liabilities and costs, were transferred to the Czech Insurers' Bureau („the Bureau").

On 12 October 1999, the Company obtained a license to write contractual MTPL insurance in the Czech Republic and, as a result, the Company became a member of the Bureau (see also F.31.2.4).

Each member of the Bureau guarantees the appropriate portion of the Bureau's liabilities based on the member's market share for this class of insurance.

Based on information publicly available and information provided to members of the Bureau, the Company created a provision adequate to cover the cost of claims likely to be incurred in relation to the liabilities ceded. However, the final and exact amount of the incurred cost of claims will only be known in several years.

F.12. Financial liabilities

In CZK million, as at 31 December	2015	2014
Financial liabilities at fair value through profit or loss	1,265	2,153
Derivatives	1,258	2,123
Financial liabilities – other	7	30
Other financial liabilities	1,901	1,903
Total	**3,166**	**4,056**
Current portion	**310**	**1,026**
Non-current portion	**2,856**	**3,030**

Fair value measurement as at the end of the reporting period:

In CZK million, as at 31 December 2015	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	–	1,265	–	1,265
Other financial liabilities	–	1,908	–	1,908

In CZK million, as at 31 December 2014	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	–	2,153	–	2,153
Other financial liabilities	–	1,914	–	1,914

There were no significant transfers between Level 1 and Level 2 fair value measurement categories in 2015 and 2014.

F.12.1. Other financial liabilities

In CZK million, as at 31 December		2015			2014	
	Amortised cost	Fair value	Fair value level	Amortised cost	Fair value	Fair value level
Loans and bonds	**1,901**	**1,908**	**–**	**1,903**	**1,914**	**–**
Deposits received from reinsurers	1,402	1,402	2	1,403	1,403	2
Bonds	499	506	2	498	509	2
Other loans	–	–	–	2	2	2
Total	**1,901**	**1,908**	**–**	**1,903**	**1,914**	**–**
Current portion	**3**	**3**	**–**	**5**	**5**	**–**
Non-current portion	**1,898**	**1,905**	**–**	**1,898**	**1,909**	**–**

F.13. Payables

In CZK million, as at 31 December	2015	2014
Payables arising out of direct insurance operations	2,104	2,183
Payables arising out of reinsurance operations	4,439	4,326
Payables relating to taxation	75	334
Payables to client and suppliers	156	188
Payables to employees	132	135
Social security	66	73
Other payables	779	736
Total	**7,751**	**7,975**
Current portion	**7,751**	**7,911**
Non-current portion	**–**	**64**

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The most significant item of other payables is to the Ministry of Finance of the Czech Republic from employer's liability insurance of CZK 673 million (2014: CZK 654 million).

F.14. Accruals and deferred income

In CZK million, as at 31 December	2015	2014
Reinsurance deferrals	17	16
Other accrued expense	1,863	1,788
Thereof: Non-invoiced supplies	871	686
Commissions	760	827
Accrued expenses for untaken holidays and bonuses	232	275
Deferred income from real estate	2	1
Total	**1,882**	**1,805**
Current portion	**1,882**	**1,805**

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F.15. Net earned premiums

In CZK million, for the year ended 31 December	Gross amount		Reinsurer's share		Net amount	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
Non-life earned premiums	**18,562**	**18,347**	**(8,599)**	**(8,254)**	**9,963**	**10,093**
Premiums written	18,720	18,405	(8,610)	(8,253)	10,110	10,152
Change in the UPR	(158)	(58)	11	(1)	(147)	(59)
Life earned premiums	**9,624**	**10,844**	**(1,275)**	**(1,313)**	**8,349**	**9,531**
Premiums written	9,624	10,844	(1,275)	(1,313)	8,349	9,531
Total	**28,186**	**29,191**	**(9,874)**	**(9,567)**	**18,312**	**19,624**

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F.16. Income from other financial instruments and investment properties

In CZK million, for the year ended 31 December	2015	2014 re-presented
Interest income	**1,793**	**2,044**
Interest income from loans and receivables	106	64
Interest income from available-for-sale financial assets	1,683	1,976
Interest income from cash and cash equivalents	2	4
Other interest income	2	–
Other income	**181**	**198**
Income from land and buildings (investment properties)	1	2
Income from equities available-for-sale	89	112
Other income from investment fund units	91	84
Interests and other investment income	**1,974**	**2,242**
Realised gains	**643**	**883**
Realised gains on loans and receivables	1	2
Realised gains on available-for-sale financial assets (note F.3.3)	642	881
Unrealised gains	**10**	**378**
Unrealised gains on hedged instruments	10	378
Reversal of impairment	**70**	**73**
Reversal of impairment of loans and receivables	70	69
Reversal of impairment on other receivables from reinsurers	–	4
Other income from financial instruments and other investments	**723**	**1,334**
Total	**2,697**	**3,576**

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F.17. Income from subsidiaries and associates

In CZK million, for the year ended 31 December	2015	2014
Dividends and other income	401	518
Realised gains from disposal	954	22
Total	**1,355**	**540**

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The Company sold its share in ČP INVEST Investiční společnost, a.s. and realised a gain of CZK 954 million (see chapter B).

F.18. Net income/loss from financial assets at fair value through profit or loss

In CZK million, for the year ended 31 December	Financial investments held-for-trading		Unit linked investments		Financial investments designated as at fair value through profit or loss		Total financial investments at fair value through profit or loss	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
Financial assets								
Interests and other income	23	14	1	–	195	213	219	227
Realised – gains	55	43	88	55	1,396	627	1,539	725
– losses	(12)	(45)	(103)	(18)	(888)	(409)	(1,003)	(472)
Unrealised – gains	13	55	255	182	238	177	506	414
– losses	(14)	(44)	(155)	(150)	(102)	(63)	(271)	(257)
Financial liabilities								
Interest expenses	(117)	(82)	–	–	(278)	(377)	(395)	(459)
Realised – gains	210	64	–	–	1,073	297	1,283	361
– losses	(163)	(141)	–	–	(2,062)	(1,427)	(2,225)	(1,568)
Unrealised – gains	17	33	–	–	220	87	237	120
– losses	(1)	(108)	–	–	(205)	(953)	(206)	(1,061)
Other income	–	14	–	–	43	62	43	76
Total	**11**	**(197)**	**86**	**69**	**(370)**	**(1,766)**	**(273)**	**(1,894)**

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F.19. Other income

In CZK million, for the year ended 31 December	2015	2014
Gains on foreign currency	842	1,861
Reversal of other provisions (Note F.11)	136	210
Income from services and assistance activities and recovery of charges	329	250
Income from sale of assets	–	23
Other technical income	140	170
Total	**1,447**	**2,514**

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F.20. Net insurance benefits and claims

In CZK million, for the year ended 31 December	Gross amount		Reinsurer's share		Net amount	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
Non-life net insurance benefits and claims	**9,484**	**9,149**	**(4,381)**	**(3,514)**	**5,103**	**5,635**
Claims paid	8,857	9,101	(4,019)	(3,904)	4,838	5,197
Claims settlement expenses	312	209	–	–	312	209
Profit sharing and premium refunds paid	287	324	(35)	(26)	252	298
Change in the provision for outstanding claims	213	(371)	(368)	388	(155)	17
Change in the IBNR provision	(208)	(131)	57	36	(151)	(95)
Change in other insurance liabilities	23	17	(16)	(8)	7	9
Life net insurance benefits and claims	**6,128**	**7,314**	**(438)**	**(408)**	**5,690**	**6,906**
Claims paid	12,294	14,249	(444)	(416)	11,850	13,833
Claims settlement expenses	17	18	–	–	17	18
Profit sharing and premium refunds paid	86	87	–	–	86	87
Change in the provision for UPR	(29)	(21)	7	3	(22)	(18)
Change in the provision for outstanding claims	–	(89)	(1)	32	(1)	(57)
Change in the IBNR provision	–	64	–	(27)	–	37
Change in the mathematical provision	(6,721)	(3,454)	–	–	(6,721)	(3,454)
Change in the unit-linked provision	481	(3,540)	–	–	481	(3,540)
Total	**15,612**	**16,463**	**(4,819)**	**(3,922)**	**10,793**	**12,541**

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Life insurance

Higher decrease of the mathematical provision was caused by maturity of single unit-linked product Garance. By this amount was decreased unit-linked provision and increased mathematical provision in YE14. At the beginning of the year 2015 the mathematical provision was decreased by this amount related to the maturity of Garance. The continued release of mathematical provisions is caused by ongoing maturities and continuing product mix aimed at unit-linked and risk products. Decrease in Claims payments is caused by lower lapses and lower extra withdrawals (which were higher in YE14 because of change of the legislation regarding tax deductibility).

Non-life insurance

The development of claims paid and claims provisions is overall stable during 2014 and 2015 taking into consideration that extraordinary calamity events did not appear during these years and last year influenced by occurrence of calamity events remain the year 2013.

F.21. Other expenses for financial instruments and other investments

In CZK million, for the year ended 31 December	2015	2014 re-presented
Interest expense	**20**	**21**
Interest expense on loans, bonds and other payables	10	10
Interest expense on deposits received from reinsurers	10	11
Other expenses	**137**	**101**
Expenses from land and buildings (investment properties)	3	5
Other expenses on investments	134	96
Realised losses	**143**	**311**
Realised losses on available-for-sale financial assets (Note F.3.3)	143	311
Unrealised losses	**42**	**15**
Unrealised losses on hedged instruments	42	15
Impairment losses	**398**	**247**
Impairment of land and buildings (investment properties)	12	–
Impairment of loans and receivables	–	67
Impairment of available-for-sale financial assets	369	180
Impairment on receivables from reinsurers	17	–
Other expenses for financial instruments and other investments	**740**	**695**

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F.22. Expenses from subsidiaries and associates

There were no expenses from subsidiaries and associates in 2015.

In 2014 impairment losses on subsidiaries were realised in the amount of CZK 7 million.

F.23. Acquisition and administration costs

In CZK million, for the year ended 31 December	Non-life segment		Life segment		Total	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
Gross acquisition costs and other commissions	1,780	1,639	873	1,115	2,653	2,754
Change of deferred acquisition costs	(54)	34	(8)	–	(62)	34
Other administration costs	1,020	1,143	659	737	1,679	1,880
Total	**2,746**	**2,816**	**1,524**	**1,852**	**4,270**	**4,668**

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Other administration costs include building rentals of CZK 358 million (2014: CZK 381 million).

The following table shows the total of future minimum lease payments under non-cancellable operating leases for each of the following periods.

In CZK million, for the year ended 31 December	2015	2014
Not later than one year	333	344
Later than one year and not later than five years	718	789
Later than five years	776	962
Total	**1,827**	**2,105**

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F.24. Other expenses

In CZK million, for the year ended 31 December	2015	2014 re-presented
Amortisation of intangible assets	283	340
Depreciation of tangible assets	46	72
Losses on foreign currencies	648	680
Restructuring charges and allocation to other provisions (Note F.11)	34	33
Expense from service and assistance activities and charges incurred on behalf of third parties	358	214
Other technical expenses	331	329
Other expenses	2	3
Total	**1,702**	**1,671**

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F.25. Income taxes

In CZK million, for the year ended 31 December	2015	2014
Current income taxes	694	754
Deferred taxes	60	(23)
Total	**754**	**731**

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Reconciliation between expected and effective tax rates:

In CZK million, for the year ended 31 December	2015	2014 re-presented
Expected income tax rate	**19%**	**19%**
Earnings before taxes	**4,846**	**4,778**
Expected income tax expense	**1,146**	**908**
Expenses not allowable for tax purposes	137	44
Income not subject to tax	(335)	(178)
Other reconciliations	(194)	(43)
Tax expense	754	731
Effective tax rate	**15.56%**	**15.30%**

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The tax authority may at any time inspect the books and records of the Company within a maximum period of 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

F.25.1. Deferred tax

In CZK million, as at 31 December	Deferred tax Asset		Deferred tax Liabilities	
	2015	2014	2015	2014
Intangible assets	–	–	(80)	(99)
Tangible assets and Land and buildings (self used)	–	17	(3)	(6)
Land and buildings (investment properties)	–	–	(6)	(9)
Available-for-sale financial assets	4	4	–	–
Other investments	–	–	–	(2)
Loans and receivables	–	75	–	–
Financial liabilities and other liabilities	23	30	–	–
Other	30	15	(5)	(2)
Total	**57**	**141**	**(94)**	**(118)**
Net deferred tax receivable/liability	**–**	**23**	**(37)**	**–**

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The changes in deferred tax assets and liabilities were recognised through the income statement in the amount of CZK 37 million.

In accordance with the accounting method, the amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted as at the end of the reporting period which, for the year 2016 and following years is 19% (2015 – 19%).

F.25.2. Current tax and deferred tax recognised directly in equity

In CZK million, for the year ended 31 December	2015	2014
Deferred tax – revaluation gain on financial assets at AFS	4	4
Current tax – unrealised gain/losses on financial assets at AFS	(1,189)	(946)
Total tax on revaluation on financial assets at AFS	(1,185)	(942)
Total	**(1,185)**	**(942)**

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Details on tax on revaluation on financial assets at AFS securities are included in note F.9.

F.26. Share-based payments

Selected members of management of the Company are beneficiaries of a Generali Group's long-term incentive plan, 2015–2017 Cycle. The plan aims to strengthen the link between the remuneration of the potential beneficiaries and expected performance under the Generali Group's strategic plan (so-called absolute performance), also retaining the link between remuneration and the creation of value relative to a peer group (so-called relative performance). The plan also aims to achieve management engagement at Generali Group level. The incentive for achieving the objectives will be paid in shares issued by Assicurazioni Generali S.p.A. (ultimate parent company).

Cycle is divided into three tranches. The sum of shares set aside in each of the three years will be assigned in a single deal only at the end of the third year, approximately by the month of April (date of assignment), after an overall evaluation of the Board of Directors concerning the effective achievement of the Objectives not only on annual basis but over three years as well.

For each cycle, the maximum number of shares (per beneficiary) which can be assigned at the end of three years is calculated by dividing the maximum award amount (calculated as a percentage of base salary) by the share value, calculated as the average of the three months prior to the approval by the Board of Director of the draft budget for the financial year and the consolidated financial statement relating to the financial year which closed prior to that in which the plan began.

Total amount of shares which can be assigned is subdivided into the three tranches at respective percentages rate of 30% – 30% – 40%.

Plan structure and Vesting period

The plan is structured to cover approximately a period of 6 years calendar: three financial reporting years (vesting period) plus about three years for shares assignment and lock-up period (50%shares will be assigned after 2-year holding period beginning from the date of enrollment in the name of the beneficiaries).

Vesting period starts from January 1, 2015.

Vesting conditions

The number of shares to be allocated for each tranche is directly linked to the assessment of achievement against the objectives identified for the cycle. For the 2015–2017 plan, the objectives identified are the relative Total Shareholders' Return – rTSR (compared with a Peer Group, identified in the STOXX Euro Insurance Index) and the Return on Equity – ROE); the performance level, and corresponding incentive level, depends on the simultaneous achievement of the two objectives.

Even after Objectives achievement, the Bonus (whole or in part) might not be assigned when the Generali Group's return on risk capital index (RORC) is below 9.5% (on annual and three year basis, or the different percentage time to time determined by the Board of Directors) or the working/administrative relationship with Assicurazioni Generali S.p.A. or with other companies in the Generali Group is terminated before the end of the three years period of the Plan.

Valuation

Total cycle cost (TC) is calculated in following manner:

Maximum award amount =	175% (based on table of annual performance outcome) * Base salary
Maximum share number =	Maximum award amount/share value (calculated as the average of the three months prior to the approval by the Board of Director of the draft financial statements relating the year before the beginning of the plan)
Base Share number =	Base salary / share value (calculated as the average of the three months prior to the approval by the Board of Director of the draft financial statements relating the year before the beginning of the PLAN)

F.27. Information on employees

Number of employees, as at 31 December	2015	2014
Top management	31	32
Other managers	249	273
Employees	2,818	2,653
Sales attendant	631	649
Others	122	252
Total	**3,851**	**3,859**

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In CZK million, for the year ended 31 December	2015	2014 re-presented
Wages and salaries	1,814	1,845
Compulsory social security contributions	601	609
Thereof: state-defined contribution pension plan	383	376
Other expenses	66	78
Thereof: contribution to the private pension funds	22	21
Total staff costs	**2,481**	**2,532**
Total remuneration included in staff cost for top management	**131**	**178**

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The following table shows an allocation of staff costs in the income statement.

In CZK million, for the year ended 31 December	2015	2014 re-presented
Acquisition costs	939	987
Insurance Benefits and Claims	1,022	473
Administrative costs	520	1,072
Total	**2,481**	**2,532**

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Other expenses include the costs of the Company's health and social programmes (e.g. health programme for managers, medical check-up for employees and social benefits).

F.28. Hedge accounting

F.28.1. Foreign currency risk hedging

Starting 1 October 2008, hedge accounting is applied by the Company on foreign currency risk (FX risk). The company uses fair value hedging.

The functional currency of the Company and the currency of its liabilities is CZK. However, in the investment portfolios, there are also instruments denominated in foreign currencies. According to the general policy, all these instruments are dynamically hedged into CZK via FX derivatives.

Foreign currency hedging is in place for all foreign currency investments, i.e. bonds, investment fund units, equities, etc. in order to fully hedge the implied FX risk. The process is in place which guarantees high efficiency of the hedging.

The FX difference on all financial assets and derivatives, except for equities classified in the available-for-sale portfolio, are reported in the profit or loss account according to IAS 39. FX revaluation on AFS equities is within the hedge accounting reported in the profit or loss account either as other income – gains on foreign currency or other expenses – losses on foreign currency.

Hedged items

Hedge accounting is applied to financial assets – defined as all non-derivative financial assets denominated in or exposed to foreign currencies (i.e. all bonds, equities, investment fund units, term deposits and current bank accounts denominated in EUR, USD and other currencies) except for:

a) financial assets backing unit-linked products;

b) other particular exclusions predefined by the investment management strategy.

Hedged items include financial assets classified in the available-for-sale category, fair value to profit or loss, other investments and cash and cash equivalents. The hedged items do not include financial liabilities.

Hedging instruments

Hedging instruments are defined as all FX derivatives except for options and part of the financial liabilities (sell-buy operations). The derivatives are designated as hedging instruments in its entirety.

Assets according to this definition can be clearly identified at any time. As at 31 December hedged items and hedging instruments were as follows:

In CZK million	Fair value as at 31. 12. 2015	FX gain/(loss) for the period from 1. 1. to 31. 12. 2015
Equities, bonds, investment funds units	26,761	256
Term deposits, current bank accounts and other	860	10
Derivatives	(52)	(362)
Financial liabilities (Sell-buy operations)	–	2

In CZK million	Fair value as at 31. 12. 2014	FX gain/(loss) for the period from 1. 1. to 31. 12. 2014
Equities, bonds, investment funds units	24,399	1,302
Term deposits, current bank accounts and other	1,189	10
Derivatives	(821)	(1,363)

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Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Company on a monthly basis. In every month of 2015 and 2014 Company's hedging was according to IFRS and internal rules governing hedge accounting evaluated as effective.

F.28.2. Interest rate risk hedging

Starting 1 July 2011 hedge accounting has been applied to derivatives hedging interest rate risk exposure of interest-bearing financial assets. The company uses fair value hedging.

The Company has implemented a risk management strategy for interest rate risk. The objective of the investment and hedging strategy is to manage the overall interest rate risk position on a continuous basis. The Company achieves this objective by a dynamic strategy. Change in the fair value of interest rated derivatives and FVTPL interest-bearing financial assets is reported in the profit or loss account according to IAS 39. Change in the fair value of AFS interest-bearing financial assets attributable to the interest rate risk is within the hedge accounting reported in the profit or loss account either as other income from financial instruments and other investments or other expenses for financial instruments and other investments.

Hedged items

The Company designates as the hedged item a group of fixed income instruments. Hedged items include financial assets classified in the available-for-sale category and fair value to profit or loss category. The hedged items do not include financial liabilities.

Hedging instruments

Hedging instruments are defined as a group of interest rate derivatives. The derivatives are designated as hedging instruments in their entirety.

Assets and derivatives according to this definition can be clearly identified at any time. As at 31 December hedged items and hedging instruments were as follows:

In CZK million	Fair value as at 31. 12. 2015	Change in fair value attributable to interest rate risk for the period from 1. 1. to 31. 12. 2015
Fixed income instruments	15,965	(37)
Derivatives	(835)	50

In CZK million	Fair value as at 31. 12. 2014	Change in fair value attributable to interest rate risk for the period from 1. 1. to 31. 12. 2014
Fixed income instruments	17,956	446
Derivatives	(1,065)	(456)

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Assessment of hedging effectiveness and possible adjustment of dynamic hedging strategy is performed by the Company on a monthly basis. In every month of 2015 and 2014 Company's hedging was according to IFRS and internal rules governing hedge accounting evaluated as effective.

F.29. Offsetting of financial instruments

The following table presents the recognized financial instruments that are subject to enforceable master netting arrangements or other similar agreements but not offset, as at 31 December 2015 and 2014, and shows what the net impact would be on the Company's statements of financial position if all set-off rights were exercised. There are no instruments that are offset as at 31 December 2015 and 2014.

In CZK million, as at 31 December 2015	Note	Derivative assets	Derivative liabilities	Reinsurance receivables
Financial instrument total carrying value	F.3.4, F.12	357	(1,258)	2,211
Financial instruments not subject to master netting agreements		73	(232)	1,569
Financial instrument subject to master netting agreements		284	(1,026)	642
Collateral paid/Cash deposit received	F.5	–	695	(1,402)
Amounts presented in the balance sheet		284	(331)	(760)
Effect of master netting agreement		(1,026)	284	–
Net amount after master netting agreement		**(742)**	**(47)**	**(760)**

In CZK million, as at 31 December 2014	Note	Derivative assets	Derivative liabilities	Reinsurance receivables
Financial instrument total carrying value	F.3.4, F.12	165	(2,123)	2,248
Financial instruments not subject to master netting agreements		38	(929)	1,674
Financial instrument subject to master netting agreements		127	(1,194)	574
Collateral paid/Cash deposit	F.5	–	1,120	(1,403)
Amounts presented in the balance sheet		127	(74)	(829)
Effect of master netting agreement		(1,194)	127	–
Net amount after master netting agreement		**(1,067)**	**53**	**(829)**

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The Company is subject to an enforceable master netting arrangement in the form of an ISDA agreement with a derivative counterparty. Under the terms of this agreement, offsetting of derivative contracts is permitted only in the event of bankruptcy or default of either party to the agreement. In order to manage the counterparty credit risk associated with derivative trades, the parties have executed a collateral support agreement.

The reinsurer left with the Company certain part of the ceded premium (i.e. funds) as a security of its ability to fulfil its future obligation, without any undue delay.

F.30. Earnings per share

The next table shows the earnings per share:

For the year ended 31 December	2015	2014
Result of the period	4,092	3,636
Weighted average number of ordinary shares outstanding	40,000	40,000
Earnings per share (in CZK; basic and diluted)	**102,302**	**90,903**

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The earnings per share figure is calculated by dividing the result of the period by the weighted average number of ordinary shares outstanding.

F.31. Off balance sheet items

F.31.1. Commitments

The Company had no other significant contractual commitments as at 31 December 2015.

F.31.2. Other contingencies

F.31.2.1. Legal

As at the release date of the financial statements, there was a legal case which consolidated cases concerning the decision of the general meeting of the Company in 2005 approving a squeeze-out of minority shareholders and consideration paid on the squeeze-out pending. Based on legal analyses carried out by external legal counsel, management of the Company believes that none of these cases gives rise to any contingent future liabilities for the Company.

F.31.2.2. Collateral pledged on behalf of third party

Pařížská 26, s.r.o., a subsidiary of the Company has obtained a bank loan and the Company has established a pledge in favour of the bank over its business share in the subsidiary. The outstanding balance of the loan as at 31 December 2015 is CZK 236 million.
In the event of the subsidiary being unable to meet its liabilities arising from the loan, the Company may be required to transfer its share to the bank. Management does not believe the risk of this occurring to be material.

F.31.2.3. Participation in nuclear pool

As a member of the Czech Nuclear Pool, the Company is jointly and severally liable for the obligations of the pool. This means that, in the event that one or more of the other members are unable to meet their obligations to the pool, the Company would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The management does not consider the risk of another member being unable to meet its obligations to the pool to be material to the financial position of the Company. In addition, the potential liability of the Company for any given insured risk is contractually capped at twice the Company's net retention for that risk.

The subscribed net retention is as follows:

In CZK million, for the year ended 31 December	2015	2014
Liability (w/o D&O liability)	148	148
D&O liability only	18	18
FLEXA extended coverage of nuclear Risks plus BI	576	576
Transportation risk	115	115
Engineering and "all risk" cover	288	288
Total	**1,145**	**1,145**

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F.31.2.4. Membership in the Czech Insurers' Bureau

As a member of the Czech Insurers' Bureau ("the Bureau") related to MTPL insurance, the Company is committed to guarantee the MTPL liabilities of the Bureau. For this purpose, the Company makes contributions to the guarantee fund of the Bureau based on the calculations of the Bureau (see F.11).

In the event of a fellow member of the Bureau being unable to meet its liabilities arising from MTPL due to insolvency, the Company may be required to make additional contributions to the guarantee fund. Management does not believe the risk of this occurring to be material to the financial position of the Company.

F.32. Related parties

This chapter contains information about all significant transactions with related parties excluding those which are described in other parts of the notes.

F.32.1. Identity of related parties

The Company is related to ultimate controlling entity Assicurazioni Generali S.p.A. and to companies controlled by it.

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The key management personnel of the Company and its parent, their close family members and other parties which are controlled, jointly controlled or significantly influenced by such individuals and entities in which such individuals hold significant voting power are also considered related parties.

Key management personnel of the Company comprise the members of the Board of Directors and the Supervisory Board.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

F.32.2. Transactions with key management personnel of the Company

In CZK million, as at 31 December 2015	Board of Directors		Supervisory Board	
	Related to the board membership	Related to employment contract	Related to the board membership	Related to employment contract
Short-term employee benefits	51	21	–	–
State-defined contribution pension plan	1	–	–	–

In CZK million, as at 31 December 2014	Board of Directors		Supervisory Board	
	Related to the board membership	Related to employment contract	Related to the board membership	Related to employment contract
Short-term employee benefits	12	61	–	1
State-defined contribution pension plan	–	1	–	–

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Short-term employee benefits include wages, salaries and social security contributions, allowances provided for membership in the statutory bodies, bonuses and non-monetary benefits such as medical care and cars.

During the reporting period 2015 termination benefits to the key management personnel of the Group in the amount of CZK 13.9 million were paid. During the reporting period 2014 termination benefits to the key management personnel of the Group in the amount of CZK 16.7 million were paid.

As at 31 December 2015 and 31 December 2014, the members of the statutory bodies held no shares of the Company.

F.32.3. Related party transactions

The related party transactions were carried out on terms equivalent to those that would apply in similar transactions with unrelated parties and are usually settled in cash.

The Company had no material transactions or outstanding balances with the ultimate parent company Generali in either in 2015 or in 2014.

The other related parties fall into the following groups:
Group 1 – subsidiaries and associates directly consolidated within the Company's group;
Group 2 – enterprises directly consolidated within the group of the ultimate parent company
Group 3 – other related parties (primarily entities from PPF Group N.V., indirect 24% shareholder of the Company in 2014)

In CZK million, as at 31 December 2015	Notes	Group 1	Group 2
Assets			
Receivables from insurance and reinsurance business	i	176	1,727
Reinsurance assets	ii	–	8,686
Other financial assets	iii	876	–
Other assets	iv	82	1,106
Total assets		**1,134**	**11,519**
Liabilities			
Payables from insurance and reinsurance business	v	272	5,487
Insurance liabilities		1	270
Other financial liabilities		–	160
Other liabilities		132	526
Total liabilities		**405**	**6,443**

Notes:
i. The balances with companies in group 2 comprise primarily receivables from reinsurance from GP Reinsurance EAD, Bulgaria (GP Re) in the amount of CZK 1,483 million.
ii. The balances with companies in Group 2 comprise technical provisions ceded to GP Re in the amount of CZK 8,552 million.
iii. The balances with companies in Group 1 comprise loans with Apollo Business Center IV, spol. s r.o. in the amount of CZK 362 million and loans with Palac Krizik a.s. in the amount of CZK 512 million.
iv. The balances with companies in Group 2 comprise payables from Generali Infrastructure Services s.c.a.r.l. in the amount CZK 468 million and payable from GENERALI TOWARZYSTWO UBEZPIECZEŃ S.A. in the amount CZK 505 million.
v. The balances with companies in Group 2 comprise payables from reinsurance from GP RE in the amount of CZK 5,312 million.

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In CZK million, as at 31 December 2014	Notes	Group 1	Group 2	Group 3
Assets				
Receivables from insurance and reinsurance business	i	22	1,706	2
Reinsurance assets	ii	–	9,118	–
Other financial assets	iii	906	–	8,319
Other assets		79	321	272
Total assets		**1,007**	**11,145**	**8,593**
Liabilities				
Payables from insurance and reinsurance business	iv	58	5,354	–
Insurance liabilities		3	224	–
Other financial liabilities		–	160	62
Other liabilities		141	234	5
Total liabilities		**202**	**5,972**	**67**

Notes:
i. The balances with companies in group 2 comprise primarily receivables from reinsurance from GP Reinsurance EAD, Bulgaria (GP Re) in the amount of CZK 1,649 million.
ii. The balances with companies in Group 2 comprise technical provisions ceded to GP Re in the amount of CZK 9,053 million.
iii. The balances with companies in group 1 comprise loans with Apollo Business Center IV, a.s. in the amount of CZK 372 million and loans with PALAC KRIZIK a.s. in the amount of CZK 537 million. The balances with companies in group 3 comprise bonds issued by Home Credit group companies in the amount of CZK 4,309 million and reverse REPO operations with PPF Banka a.s. in the amount of CZK 4,000 million.
iv. The balances with companies in group 2 comprise payables from reinsurance from GP Re in the amount of CZK 5,301 million.

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In CZK million, for the year ended 31 December 2015	Notes	Group 1	Group 2
Income			
Income from insurance business		2	463
Income from reinsurance business	i	–	6,005
Income from financial activities	ii	160	1,226
Other income		90	5
Total income		**252**	**7,699**
Expenses			
Expenses from insurance business		(8)	(175)
Expenses from reinsurance business	iii	–	(9,167)
Expenses from financial activities		–	(13)
Other expenses		(323)	(350)
Total expenses		**(331)**	**(9,705)**

Notes:
i. The balances in Group 2 include transactions from reinsurance with GP RE in the amount of CZK 5,829 million (reinsurance commission and claims paid)
ii. The balances in Group 2 include transactions from investments with CZI Holdings N.V. in the amount of CZK 954 million. For detail see Note B.
iii. The balances in Group 2 include ceded earned premium with GP RE in the amount of CZK 8,873 million.

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In CZK million, for the year ended 31 December 2014	Notes	Group 1	Group 2	Group 3
Income				
Income from insurance business		5	185	34
Income from reinsurance business	i	–	5,505	–
Income from financial activities		540	68	(95)
Other income		49	128	61
Total income		**594**	**5,886**	**–**
Expenses				
Expenses from insurance business		(75)	(124)	–
Expenses from reinsurance business	ii	–	(8,744)	–
Expenses from financial activities		(7)	(80)	(14)
Other expenses		(449)	(428)	(124)
Total expenses		**(531)**	**(9,376)**	**(138)**

Notes:
i. The balances in group 2 include transactions from reinsurance with GP Re in the amount of CZK 5,495 million (reinsurance commission and claims paid).
ii. The balances in group 2 include ceded earned premium with GP Re in the amount of CZK 8,612 million.

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For the details of the collateral pledged with the related parties see Note E.5. For details of the guarantees received or provided see Note F.31.

G. Subsequent events

The Company has identified no significant events that have occurred since the end of the reporting period up to 31 March 2016.

Date:
31 March 2016

Statutory bodies – signature

Marek Jankovič

Responsible person
for Accounting and annual closing
(name and signature)

Petr Bohumský

Report on Relations Among Related Parties in the Accounting Period 2015

Company Česká pojišťovna a.s., incorporated in the Commercial Register maintained by the Municipal Court in Prague, Part B, insert 1464 on May 1, 1992 as a joint-stock company (ID number 45272956) with registered office at Prague 1, Spálená 75/16, postcode 113 04 (the "Company"), is obligated to compile, for the accounting period 2015, a so-called "Report on Relations among Related Parties" pursuant to Section 82 of Act No. 90/2012 Sb. (the Business Corporations Act), as amended.

As at 31 December 2015 the Company's sole shareholder was CZI Holdings N.V., registered office Diemerhof 32, 1112XN, Diemen, the Netherlands (controlling party). Financial statements of Česká pojišťovna a.s. are included in the consolidated financial statements of the Generali CEE Holding B.V., and Assicurazioni Generali S.p.A., Italy, which is the ultimate parent company (the "Generali Group").

Controlling persons in Generali Group execute their control by exercising their voting rights on shareholders meetings.

Structure of the group and position of the Company is presented in the separate section of the Annual Report.

Description of relations between the Company and so-called related parties

During the accounting period 2015, the Company entered into the following contracts with related parties:

- With Akcionarsko društvo za reosiguranje GENERALI REOSIGURANJE SRBIJA registered office: Milentija Popovića 7b St, Belgrade, entered into:
  – reinsurance contract
- With Assicurazioni Generali S.p.A. registered office: Piazza Duca degli Abruzzi, 2, Italy, entered into:
  – reinsurance contracts
- With CZI Holdings N.V. registered office: Diemerhof 32, 1112XN, Diemen, Netherlands, entered into:
  – agreement on purchase of shares of ČP INVEST investiční společnost, a.s.
- With Česká pojišťovna ZDRAVÍ a.s. registered office: Na Pankráci 1720/123, Nusle, 140 21 Praha 4, entered into:
  – agreements on the cost sharing and amendments to the agreements
  – amendment to the rental agreement
  – amendment to the agreement on sales cooperation
  – reinsurance contract
  – agreement on the assignment of rights and liabilities of Generali Development s.r.o.
- With ČP ASISTENCE s.r.o. registered office: Na Pankráci 1658/121, Nusle, 140 00 Praha 4 entered into:
  – insurance contract
- With Direct Care s.r.o. registered office: Na Pankráci 1658/121, Nusle, 140 00 Praha 4 (the acquiring company from the merger dated January 1, 2015 with ČP DIRECT, a.s.), entered into:
  – termination of agreements on the cooperation in renting of replacement vehicles
  – framework agreement on the cost sharing
  – agreement on the rental contract termination
  – agreement on providing an extraordinary commission
- With ČP INVEST investiční společnost, a.s. registered office: Na Pankráci 1658, Nusle, 140 21 Praha 4 (since January 1, 2016 was renamed Generali Investments CEE, investiční společnost, a.s.), entered into:
  – framework agreement on the cost sharing
  – agreements on the rental contract termination
  – agreement on the loyalty bonus
  – agreement on the assignment of rights and liabilities of Generali Development s. r. o.
  – insurance contract
- With Europ Assistance s.r.o. registered office: Na Pankráci 1658/121, Nusle, 140 00 Praha 4, entered into:
  – amendment to the rental contract on sublease of business premises

- With Generali Biztosító Zrt. registered office: 1066 Budapest, Teréz krt. 42–44., entered into:
  – agreements on the assignment of rights and liabilities of Generali Development s.r.o.
- With Generali CEE Holding B.V., registered office: Na Pankráci 1658/121, Nusle, 140 21 Praha 4 (till March 3, 2015 Generali PPF Holding B.V.), entered into:
  – framework agreement on the cost sharing
  – amendments to the rental contracts
- With Generali Development s.r.o. registered office: Bělehradská 132, Vinohrady, 120 84 Praha 2, entered into:
  – insurance contract
  – agreements on the rental contract termination
  – agreements on the assignment of rights and liabilities
- With Generali Infrastruture services Czech Branch, registered office: Bělehradská 299/32, Vinohrady, 120 84 Praha 2, entered into:
  – framework agreement on the cost sharing and amendment to the agreement
  – amendments to the rental contract
- With Generali Insurance AD registered office: 68 Knyaz Al. Dondukov Blvd., Sofia, entered into:
  – reinsurance contracts
- With Generali Investments CEE, a.s. registered office: Na Pankráci 1658/121, Nusle, 140 21 Praha 4 (since January 1, 2016 after the merger with ČP Invest, investiční společnost a.s. was renamed Generali Investments CEE, investiční společnost, a.s.), entered into:
  – agreement on the assignment of receivables
  – amendments to the assets management contract
  – rental contracts and amendments to the rental contracts
  – insurance contracts
- With Generali Life Insurance AD registered office: 68 Knyaz Al. Dondukov Blvd., Sofia, entered into:
  – agreement on the assignment of rights and liabilities of Generali Development s.r.o.
- With Generali osiguranje d.d. registered office: Bani 110, Zagreb, 100 10, Croatia, entered into:
  – reinsurance contract
- With Generali Poisťovňa, a.s. registered office: Lamačská cesta 3/A, 841 04 Bratislava, entered into:
  – operation and maintenance support agreement "EARNIX"
  – reinsurance contract
- With Generali Pojišťovna a.s. registered office: Bělehradská 132, Vinohrady, 120 84 Praha 2, entered into:
  – reinsurance contracts
  – coinsurance contract
  – insurance contracts
  – amendment to the framework agreement on the outsourcing
  – agreement on the cooperation in the sale of consumer and mortgage loans
  – framework agreements on the cost sharing and amendments to the agreement
  – implementation agreements on the cost sharing of IT and non-IT technologies
  – framework agreements on sharing costs while ensuring significant activities
  – agreement on sharing development and operational capabilities
  – rental contract and amendments to rental contracts
- With Generali Real Estate S.p.A. Czech Branch registered office: Václavské náměstí 823/33, Nové Město, 110 00 Praha 1, entered into:
  – rental contract
  – agreement on cooperation – life insurance
  – insurance contract
- With Generali Services CEE a.s. registered office: Na Pankráci 1720/123, Nusle 140 21, Praha 4 (till December 31, 2014 Generali PPF Services a.s.), entered into:
  – amendments to the framework agreement on the outsourcing
  – rental contracts and amendments to the rental contracts
  – insurance contracts
  – amendment to the agreement on the cost sharing
- With Generali Towarzystwo Ubezpieczeń S.A. registered office: ul. Postępu 15B 02-676 Warszawa, entered into:
  – agreement on the assignment of rights and liabilities of Generali Development s.r.o.
  – reinsurance contract
  – agreement on the purchase of an organised part of the enterprise, Proama insurance portfolio transfer
  – rental contract
  – agreement on the claims settlement

- With Generali Zavarovalnica d.d. Ljubljana registered office: Kržičeva 3, Ljubljana, entered into:
  – reinsurance contract
- With Generali Życie Towarzystwo Ubezpieczeń S.A. registered office: ul. Postępu 15B, 02-676 Warszawa, entered into:
  – rental contract
- With Generali-Providencia Biztosító Zrt. registered office: Teréz Krt 42-44, entered into:
  – reinsurance contract
- With GP Reinsurance EAD registered office: 68 Knyaz Al. Dondukov Blvd., Sofia, entered into:
  – reinsurance contracts
- With Nadace GCP registered office: Na Pankráci 1658/121, Nusle, 140 21 Praha 4 (till February 2, 2015 Nadace České pojišťovny), entered into:
  – donation agreement
- With OJSIC Ingosstrakh registered office: 41 Lesnaya St., Moscow, 127 994 Russia entered into:
  – reinsurance contract
- With PALAC KRIZIK a.s. registered office: Radlická 608/2, 150 23 Praha 5, entered into:
  – amendment to the loan agreement
- With Penzijní společnost České pojišťovny a.s. registered office: Na Pankráci 1720/123, Nusle, 140 21 Praha 4 entered into:
  – framework agreement on the cost sharing and amendments to the agreement
  – implementation agreement on sharing of IT technologies for operation of application Kofax
  – agreement on the termination of the agreement on the cost sharing of IT and non-IT technologies
- With REFICOR s.r.o. registered office: Na Pankráci 1658, Nusle, 140 21 Praha 4, entered into:
  – agreement on the rental contract termination
  – greement on the remuneration for the services provided
  – framework agreement on costs sharing
- With SC GENERALI ROMANIA ASIGURARE REASIGURARE SA registered office: Bucuresti, Piata Charles de Gaulle, nr. 15, etaj 6, Sector 1, Cod Poştal 011857 Romania, entered into:
  – agreement on the assignment of rights and liabilities of Generali Development s.r.o.
- With ZAD Victoria AD registered office: 65, Ekzarh Iosif Street, Region of Oborishte, Sofia, entered into:
  – reinsurance contracts

All of the above contracts were entered into under arm's length terms. Provision of an interest free loan to a subsidiary is in this case also considered to be an arm's length transaction. Arm's length terms apply to all performance and consideration provided and received under the above disclosed contracts and contracts signed in previous periods, reported in previous Reports on Relations and still valid in the current accounting period, and none of the contracts caused any harm to the Company. There are neither particular advantages or disadvantages nor an additional risk resulting from the concluded contracts to the Company.

A settlement of the above listed contracts is in a form of a payment of an agreed price for goods or a service provided and is considered to be business secret.

Within the Generali Group the Company cooperates on group projects and policies. No harm has been caused to the Company when cooperating on these group activities.

No measures or other legal acts were taken by the Company in the current accounting period in the interest or at the instigation of any related parties which would involve property which exceeds 10% equity of the Company identified in the latest financial statements.

The statutory body hereby declares that this report was compiled with due care and that the information contained herein is sufficient, accurate and complete. In accordance with its duties resulting from the act the Company will publish its Annual Report of which an integral part will be this Report on Relations.

Prague, 31 March 2016

Marek Jankovič
Chairman of the Board of Directors

Petr Bohumský
Vice chairman of the Board of Directors