



*Fénix*



# ANNUAL REPORT 2015



POJIŠŤOVNA VZP, a.s.

*We protect what's dearest*

[www.pvzp.cz](http://www.pvzp.cz)



# FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear clients and business partners,

I am delighted to report that not only did we manage to stabilise Pojišťovna VZP, a.s. in the elapsed year, but that our company also had significant success on a competitive market. This is evidenced by growth of almost ten percent in written premiums in a situation where the non-life insurance market as a whole grew by an average of only four percent.

Despite a difficult geopolitical situation, we achieved higher output figures in key products - more clients travelled abroad with our travel insurance and we achieved market success in the foreigners' medical insurance segment with our product called Exclusive, which is the only product the scope of which corresponds to that of public medical insurance.

A high-quality reinsurance programme instigated a massive expansion in the insurance of the industrial risks of large enterprises and inpatient healthcare facilities segment.

Behind this extraordinary growth is the clever use of new sales channels – we are significantly expanding the possibilities available for the arrangement of insurance online as well as our co-operation with Internet price comparison sites. Not only are we improving our insurance products, we are also creating entirely new products: September was marked by the market launch of Fénix, a unique insurance product covering serious diseases.

Pojišťovna VZP, a.s. also significantly bolstered its marketing communications; our company is being increasingly quoted in the media, we have strengthened internal communication within the company as well as within the group controlled by VZP CR a.s., our parent company, and we have become a partner of many major sporting and social events.

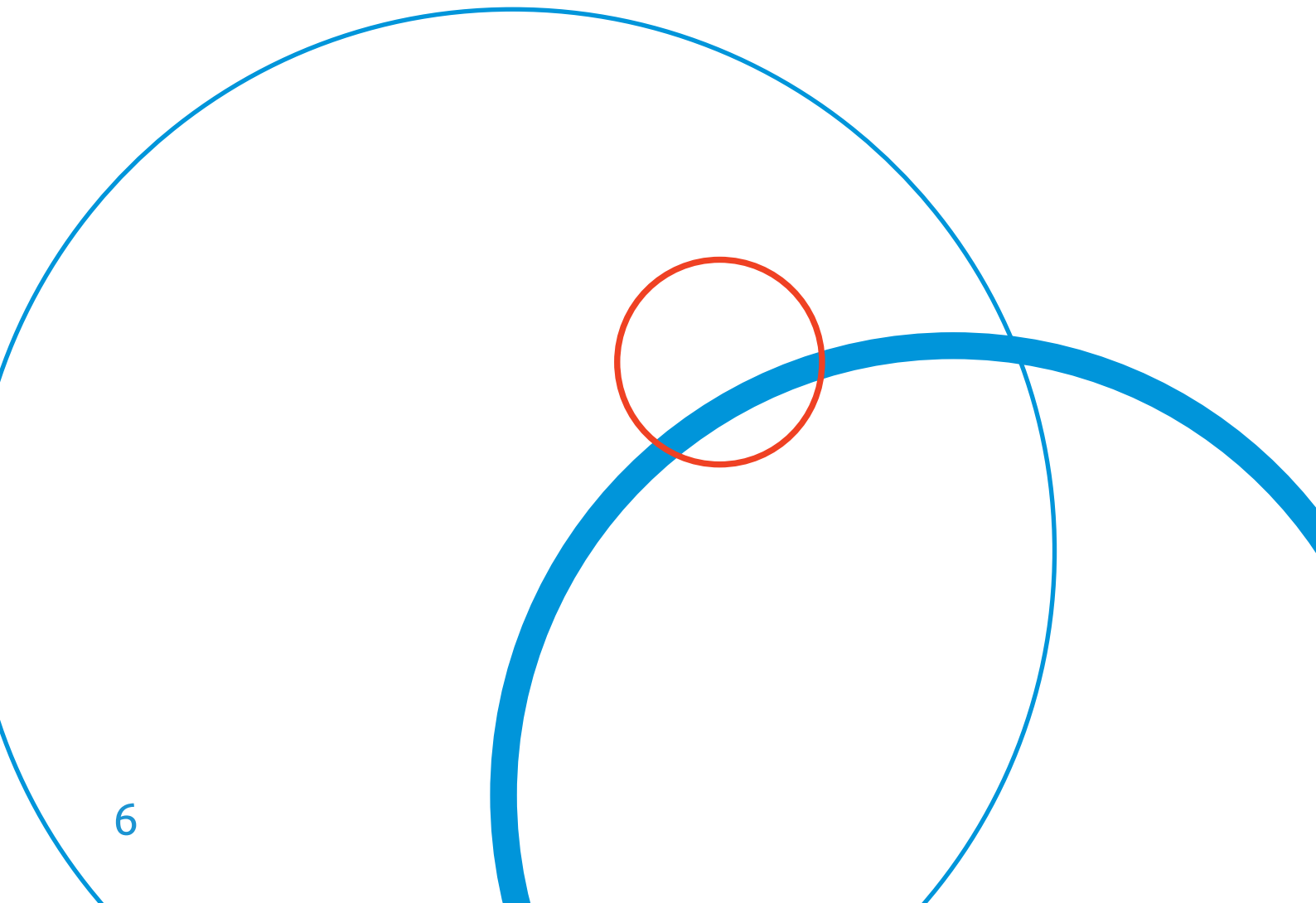
The good results of Pojišťovna VZP, a.s. allow for a regular increase in its registered capital, with a successful 2015 making it possible, after a hiatus of several years, to pay a dividend to our parent company. Pojišťovna VZP, a.s. has set itself ambitious growth targets for the coming years, including the plan to play a greater role in the market of the neighbouring Slovakia.

I am pleased that the new business plan is reaping results. Our entire team and I realize that this is also thanks to you, the clients and partners of Pojišťovna VZP, a.s., as well as our employees and co-workers. As such, I would like to extend my sincere thanks to all of you for your trust and hard work and believe that in the coming year you will continue to see our company as being synonymous with assurance and safety.

MUDr. JUDr. Petr Honěk  
Pojišťovna VZP, a.s.  
Chairman of the Board of Directors



# **BASIC COMPANY INFORMATION**





# BASIC COMPANY INFORMATION

## Company name:

Pojišťovna VZP, a.s.

## Registered office of the company:

Ke Štvanici 656/3, Prague 8 – Karlín,  
Post Code 186 00

**IDENTIFICATION No.**  
27116913

**REGISTERED CAPITAL**  
CZK 284,000,000

**SHARES** 1,000

**1pc.** CZK 284,000

1,000 ordinary  
registered shares in  
book-entry form, each  
having a nominal value  
of CZK 284,000

## Incorporation of the company and entry into the Commercial Register:

The company was entered into  
the Commercial Register kept  
by the Municipal Court  
in Prague, Section B,  
File No. 9100  
on 16 January 2004  
(Identification No.  
27116913)

## SHAREHOLDERS

The company's sole shareholder is Všeobecná zdravotní pojišťovna České republiky (General Health Insurance Company of the Czech Republic), with its registered office at Orlická 4/2020, Prague 3, Post Code 130 00, Identification No.: 411 97 518

## OBJECT OF BUSINESS

1. Insurance activities performed pursuant to Act No. 277/2009 Coll., on Insurance, as amended (hereinafter referred to as the "Insurance Act"), within the scope of the non-life insurance classes stipulated in Section B of Annex No. 1 to the Insurance Act under points 1, 2, 3, 8, 9, 13(d), 16(b), (h) and (j), 17 and 18;
2. Activities related to insurance business, namely - mediation activities undertaken in relation to insurance business pursuant to the Insurance Act, - consulting services related to the insurance of natural persons and legal entities pursuant to the Insurance Act, - investigation of insurance claims carried out pursuant to a contract with the insurer pursuant to the Insurance Act, - educational activities in the field of insurance and other financial services;
3. Reinsurance activities for non-life reinsurance.

# BOARD OF DIRECTORS

**JUDr. MUDr. Petr Honěk**

Chairman  
in office since 24 September 2013

**Ing. Jiří Mrázek, MBA**

Vice-Chairman  
in office since 12 May 2014

**Mgr. Radomíra Jahodářová**

Member  
membership as of 1 April 2014

**MUDr. Boris Šťastný**

Member  
membership as of 13 May 2014

**Ing. Aleš Zbožínek, MBA**

Member  
membership as of 5 December 2008

## SUPERVISORY BOARD

**Ing. Petr Nosek**

Chairman  
in office since 26 August 2013

**Ing. Pavel Ptáčník**

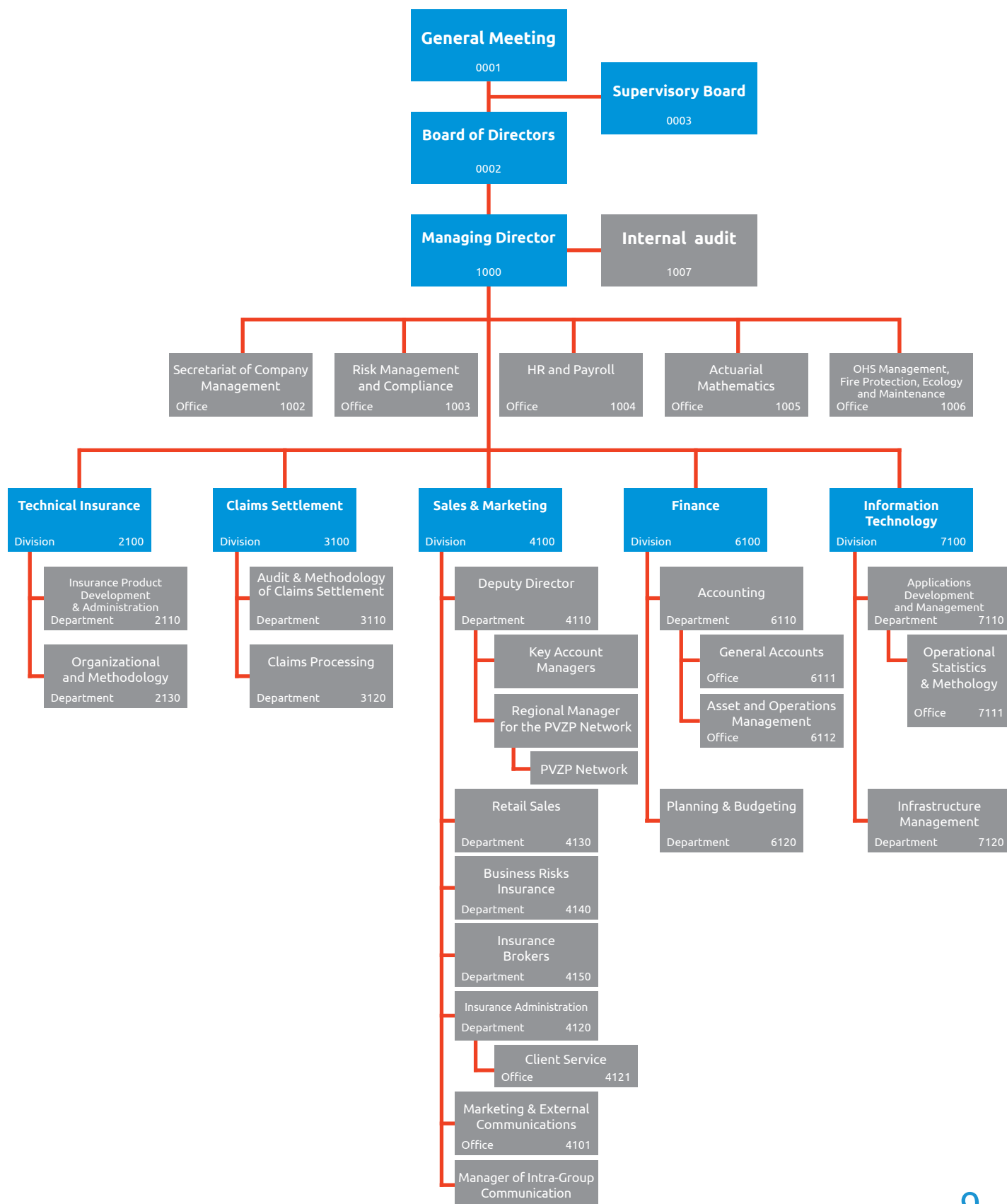
Vice-Chairman  
in office since 8 September 2010

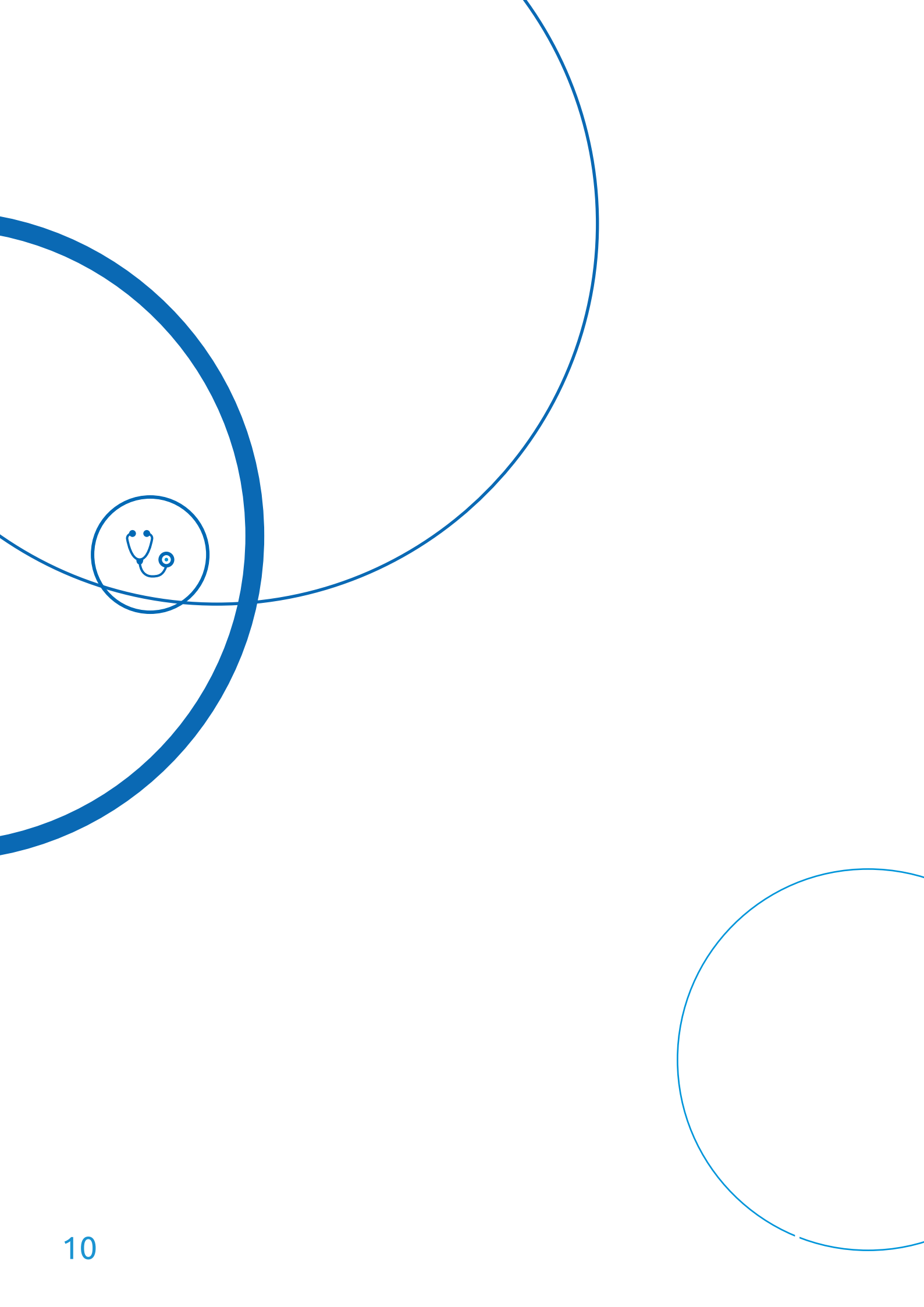
**Ing. Miloslava Šlajsová**

Member  
membership as of 12 May 2014

The company is represented jointly by two members of the Board of Directors.

# ORGANISATIONAL CHART OF POJIŠŤOVNA VZP, a.s.





# **REPORT ON THE COMPANY'S BUSINESS ACTIVITIES**

# STRATEGY EMPLOYED BY PVZP, a.s.

The strategy of Pojišťovna VZP, a.s (hereinafter referred to as the “insurance company”) is configured such as to enable all areas of its activity to be as effective as possible and to contribute to client satisfaction and care. In 2015, thanks to the expansion in its product portfolio and continual developments in its existing products, the insurance company is moving even further towards becoming a universal, purely Czech non-life insurance company.

In 2015, in line with the strategic plan and in response to market developments, the insurance company’s existing products were innovated (travel insurance, foreigners’ medical insurance, accident insurance) and Fénix, a new insurance product covering serious diseases, was launched.

This product is unique on the Czech market, given that, as a stand-alone non-life insurance product, it helps the insured person and members of his/her family mitigate the economic impact of serious oncological diseases. This insurance can be arranged by any person (i.e. a Czech citizen as well as a foreigner) who is 18 to 70 years of age at the commencement of the cover. This is an agreed sum insurance, the purpose of which is the payment of an agreed sum, i.e. an agreed financial amount, as a consequence of an insured event. An insured event is the event of the insured being diagnosed with an oncologic disease within the duration of the insurance. Phoenix insurance gives the option of arranging cover for all forms of malignant tumours.

The strategic objectives of our insurance company are aimed at securing the company’s long-term prospects on the Czech market. To achieve these objectives, the insurance company intends to continue expanding its spectrum of insurance products, and to this end it is applying for an extension of its business licences. It is also focusing significant efforts on the possibilities available for the arrangement of insurance online, which is responsible for the conclusion of an ever increasing number of insurance policies.

As far as the information technology area is concerned, last year there was a complete replacement of the company’s main infrastructure, including the efficient migration of all data to new disc arrays in data centres with zero impact on the company’s operations.

## BUSINESS ACTIVITIES

The focus of the company’s business activities is to reduce the concentration of its products and its adaptation to new insurance products.

In 2015, in line with the strategic plan and in response to market developments, all of the insurance company’s existing products were innovated and the following new products were launched:

- Property and liability insurance for providers of outpatient healthcare (with a product name of “CONTRACTED DOCTOR”, “SMLUVNÍ LÉKAŘ” in Czech), which provides comprehensive cover for the property (real estate, surgery equipment) of doctors, interruption of surgery operations and professional as well as operational liability for any loss caused,
- Property and liability insurance for providers of pharmacy services (with a product name of “PHARMACIST”, “FARMACEUT” in Czech), which provides comprehensive cover for the property of pharmacies, interruption of operations and professional as well as operational liability for any loss caused, including a loss caused by a product defect (medicine),
- Insurance of liability ensuing from activities during the course of ordinary civil life as a stand-alone product, which covers citizens for damage to health or to a thing. In 2015, the biggest changes were made in the insurance for healthcare facilities, consisting of the drafting of new terms and conditions, premium schedules and, especially for outpatient doctors, an online legal advisory service available at [www.odpovednostlekare.cz](http://www.odpovednostlekare.cz),
- Insurance of foreigners’ post-operative complications.

We are the only Czech insurance company in the foreigners' medical insurance segment to offer a product (known as Exclusive) having a scope corresponding to that of public medical insurance. In the business risks insurance segment we participated actively in public tenders for the provision of insurance to municipalities and regions, hospitals, spa treatment facilities as well as other state institutions, where we were successful, thus being included among fully-fledged insurers.

There was significant expansion in the number of co-operating entities and the opening of additional sales channels and the deepening of product co-operation with existing partners in the area of insurance sales and sales services. Another significant step is the expansion of the network of key account managers, who are responsible for the insurance company's commercial activities on a regional basis.

In 2015, output amounted to CZK 431,156,000. As in 2014, the principal products are health insurance for foreigners and travel insurance, with property and business liability insurance being a significant addition.

## INSURANCE PRODUCTS OFFERED:

- Health Insurance for Foreigners (HIF)
- Basic Health Insurance for Foreigners (BHIF)
- Basic Health Insurance for Foreigners Exclusive (BHIFE)
- Accident Insurance
- Travel Insurance
- Phoenix Serious Diseases Insurance
- Insurance for the Event of Hospitalisation
- Insurance for Small and Medium Businesses
- Property and Liability Insurance for Private Healthcare Facilities
- Professional Liability and Property Insurance for Pharmacists
- Other Business Risks Insurance
- Property and Civil Liability Insurance

## CLAIMS SETTLEMENT

In 2015, the insurance benefit cost, including claims settlement costs, for all products offered by the insurance company totalled CZK 148,848,000. A total of 27,574 insurance claims were registered. As in past years, the insurance company places emphasis on the speed and quality of the claims settlement process as regards its clients as well as healthcare facilities. This is achieved by having a high-quality team of loss adjusters, effective co-operation with our business partners, particularly with companies providing assistance services on a professional level and, last but not least, the excellent co-operation with an ever-expanding network of contracted healthcare facilities. In addition to the ongoing co-operation with the existing external loss adjuster in the field of travel insurance, co-operation has been newly established with other external loss adjusters in the field of liability and property insurance for citizens and entrepreneurs.

## REINSURANCE

Pojišťovna VZP, a.s. has always placed an emphasis on the high rating of the reinsurance companies it co-operates with, as well as the level of security when operating all of its products.

Based on these requirements, the reinsurance programme employed by Pojišťovna VZP, a.s. in 2015, arranged via Van Breda Risk & Benefits, a reinsurance broker, was once again built on co-operation with high-quality and long-standing business partners (Munich Re, the branch office of INTER PARTNER ASSISTANCE, and Česká podnikatelská pojišťovna, a.s.).

The Insurance of Medical Expenses Incurred Abroad, Basic Health Insurance for Foreigners and Health Insurance for Foreigners products were always reinsured in 2015 using a combination of quota reinsurance and excess of loss reinsurance.

At the end of the year, in the context of insuring entrepreneurs and healthcare facilities, Pojišťovna VZP, a.s. was successful in justifying its preliminary results for 2015 and concluded, via the reinsurance broker Price Forbes, a reinsurance programme for 2016 on more advantageous terms with the existing reinsurers, led by Swiss Re Europe S.A., Luxembourg, and Hannover Ruck SE, Germany, Amlin AG, Switzerland, and Catlin Re, Switzerland Ltd. In particular, this resulted in the expansion of the reinsurance capacity, enabling us to now insure against property damage of up to CZK 500 million, which makes it possible for Pojišťovna VZP, a.s. to insure larger corporations, municipalities and regions. We were granted, within the framework of the insurance of professional liability for inpatient healthcare facilities, a generous annual capacity of 35 hospitals subject to an insurance benefit limit of up to CZK 50 million.

Thanks to an appropriate combination of a proportional and non-proportional type of reinsurance, we can state with confidence that the insurance portfolio of Pojišťovna VZP, a.s. is well-protected from adverse developments in insurance claims as well as from unforeseeably costly insurance claims.

## THE MANAGEMENT AND CONTROL SYSTEM OF POJIŠŤOVNA VZP, a.s.

The management and control system of Pojišťovna VZP, a.s. (hereinafter referred to as the “Insurance Company”) encompasses the prerequisites for the good governance and management of the Insurance Company and an internal control system, and also ensures that the management and control system of the Insurance Company supports effective risk management involving the Supervisory Board, the Board of Directors and top management, and makes pro-active use of risk-related information during day-to-day decision making. The management and control system employed at the Insurance Company is based on a number of internal regulations of the Insurance Company, from which rights and obligations ensue not only for the Insurance Company’s employees but also for its Board of Directors and Supervisory Board.

Compliance is a part of management and control system of the Insurance Company. Its proper fulfilment is the duty of all of the Insurance Company’s employees. Compliance is part of our corporate culture, permeating through the Insurance Company’s entire organisational structure, and it is the duty of all employees to strive for its fulfilment and development. Compliance and arrangement thereof is a component of our corporate values.

The Insurance Company approaches the issue of its management earnestly and with the requisite degree of responsibility. The main duty of the Insurance Company within the framework of its activities is to ensure the observance of generally binding legal regulations, internal regulations, general principles and fundamental ethical standards. The Insurance Company’s code of ethics is a basic description of the ethical standards, principles, and conduct, with the philosophy of the whole Insurance Company ensuing from the observance of this code. Its objective is to create a culture at the Insurance Company based on trust and personal responsibility.

The management and control system is set up in accordance with the requirements of Solvency II, reflects the organisational structure of the Insurance Company, is in accordance with the Insurance Company’s strategy and reflects the current and planned risk profile of the Insurance Company as part of its processes.

Risk management is an integral part of the management and control system and is subject to all the principles of the management and control system, which are further fleshed out in detail as regards the management of risks to which the Insurance Company is or may be exposed. The Insurance Company compiled detailed internal directives and procedures for managing risks at the Insurance Company. The risk management system employed at the Insurance Company comprises of strategies, processes and procedures for the identification, quantification, monitoring, management and reporting of risks and covers all significant risks to which the Insurance Company is or may be exposed, taking into account the nature, scope and complexity of the activities that the Insurance Company performs or intends to



perform. The risk strategy and policy clearly sets out the procedures for every prescribed risk category and feedback to the Insurance Company's Supervisory Board and the Board of Directors.

Corporate risk management also encompasses a fraud risk management system. The risk of fraud is one of the operational risks, and therefore forms part of corporate operational risk management. Fraud detection processes are integrated into all levels within the Insurance Company - from the Board of Directors through to top management, right down to rank and file employees in all areas of activity.

Its role in the Insurance Company's management and control system set up is also played by internal audit, which in its operation is based, among other things, on an analysis of the risks of the individual processes as the basic starting point. The Insurance Company's management and control system has control procedures in place that serve to provide reasonable assurance that the Insurance Company's objectives are being attained whilst fulfilling all the requirements imposed upon it, not only by generally binding legal regulations but also by recognised international standards. These control mechanisms are designed to monitor the progress, approval and implementation of the process at the Insurance Company and for the independent control of the performance rendered. The management and control system at the Insurance Company anchors the processes and institutions that allow for the good governance and management of the Insurance Company, the management of risk and the proper application of the internal control system, and allows for the provision of timely information concerning the appearance of serious deficiencies to the appropriate management levels and the provision of information concerning the measures adopted and implemented in order to remedy these deficiencies.

The management and control system set up at the Insurance Company also includes information and communication systems, consisting of techniques and methods aimed at keeping a proper record of all important activities or processes at the Insurance Company. This information is then available to all senior management at the horizontal as well as the vertical level. An integral part of the system is the archival (storage) of these documents.

The strategy and responsibility of outsourcing at the Insurance Company is set up so as to be in line with the Insurance Company's strategy, strategic objectives, values and long-term interests. The outsourcing strategy sets out the basic principles for assigning some of the Insurance Company's activities to another party in order to fulfil the purpose of outsourcing as an important tool for optimising the utilisation of corporate funds whilst making sure the Insurance Company is focused on its fundamental strategic objectives and processes.

The Insurance Company is a dynamically expanding company, whose objective is to continuously improve the services it renders to its clients, develop its professed values and improve its standing in a competitive environment. The responsibility for attaining this objective is shared by all employees.

## **OTHER EVENTS**

No events have occurred subsequent to the balance sheet date that would have any impact on 2015. The company's management is not aware of any post-balance sheet events that would have an influence, in a significant manner, on the company's financial position as at the balance sheet date.

Pojišťovna VZP, a.s. proceeds in accordance with and rigorously adheres to valid labour-law legislation.

## **CHARITABLE ACTIVITIES SUPPORTED BY POJIŠŤOVNA VZP, a.s.**

The Insurance Company has been contributing financially for several years now to various charitable projects, cultural and sporting events. Contributions to the following charitable projects were made in 2015:

**Czech Elite Sport Foundation** – support for children's sport

**Lidice Memorial, Terezín Memorial** – in support of preserving the national cultural monument and legacy to future generations

**Art is a Joy** – a civic association promoting “non-mainstream” art

**Budo Hostivař Sports Club** - the BUDO Hostivař Sports Club has been operating a martial arts centre on Trhanovské Square in Prague for over 18 years

**O.K. Team** – a major sports club primarily involved in BMX and mini football

**Angelart s.r.o.** - a graphic arts agency whose motto is “Bringing Joy to Those Most Important in the World - Children.”

**Sports Veterans’ Endowment Fund** - an endowment fund supporting various sporting events across the entire spectrum of sports activities and age categories

**Colourful Nine** - a multi-cultural and multi-genre festival full of exotic scents, music, dance, food, beverages and entertainment

**Czech Wheelchair Tennis Association** – support for a series of international tournaments

**Summer Philharmonic Litoměřice** – a joint music ensemble of talented pupils between 8 and 18 years old from the Litomerice Primary School of Art and Musikschule des Landkreises Meißen and their teachers

**Slatinice Spa Health Day** – held as part of the World Health Day

**Days of Russia in Ostrava**

**University of Finance and Administration at Yellow Spa (Žluté lázně)** - Open Party for the University of Finance and Administration, the Banking Academy and the Magical Schools

**Bohemia Gran Fondo** – a cycling race held in support of breast cancer

**Three for Health** – a series of (not only) cycling races

**Czech-Vietnamese Society** – long-standing co-operation, e.g. a tennis tournament for Vietnamese living in the Czech Republic, Vietnamese song, the Vietnamese New Year

**Consonance** – International Festival of Advent and Christmas Traditions, Carols, and Handicrafts (with a charity fundraiser)

**European Days of Handicap** - the outcomes ensuing from the technical parts of the European Days of Handicap are used in improving the services provided to disadvantaged people, not just in the Ostrava region.

**Health and Soul Festival** - a fusion of HEALTHY NUTRITION, ESOTERICS, ALTERNATIVE MEDICINE and FENG SHUI.

**The Avon March Against Cancer** –an annual march to fight against breast cancer.

**Czech Goodwill** - the project’s aim is to support small and medium-sized business, the entrepreneurial spirit, and to award the honest work and responsible approach exhibited by an enterprise in its environments as part of its business activities. Czech Goodwill awards firms which people value for their responsible approach to doing business

The Insurance Company also supports a wide range of other children's sports clubs, which are raising future sporting representatives.

## **CONTRIBUTIONS MADE TO PROMOTING HEALTH:**

Financial support of the Pharmacy Owners' Association conference

Financial support of outpatient doctors' association conferences

Slaný Hospital

Paediatric Oncology Department at Motol Hospital

Treatment for a child - payment for expensive postnatal care

## **COMPANY DEVELOPMENTS IN 2016**

In 2016, the Insurance Company will continue in the established strategy of further innovating its existing products and developing other products in the field of insurance for foreigners, personal, property and liability insurance for entrepreneurs in order to gradually attain maximum utilization of all the insurance licenses that it holds. At the same time, the company will endeavour to meet all the criteria prescribed under Solvency II.



# **REPORT ON RELATIONS BETWEEN RELATED PARTIES**

**FOR THE 2015 ACCOUNTING PERIOD**

# REPORT ON RELATIONS BETWEEN RELATED PARTIES FOR THE 2015 ACCOUNTING PERIOD

Pojišťovna VZP, a.s., Identification No.: 271 16 913, with its registered office at Ke Štvanici 656/3, Prague 8 – Karlín, Post Code 18600, entered in the Commercial Register maintained by the Municipal Court in Prague (hereinafter also referred to as "Pojišťovna VZP, a.s.") is, within the meaning of the relevant provisions of Act No. 90/2012 Coll., the Act on Business Corporations, as amended (hereinafter also referred to as the "ABC"), the controlled party, and, on the other hand, Všeobecná zdravotní pojišťovna České republiky, Identification No.: 411 97 518, with its registered office at Orlická 4/2020 (hereinafter also referred to as "VZP CR"), established under Act No. 551/1991 Coll., on the General Health Insurance Company of the Czech Republic, as amended (hereinafter also referred to as the "Act"), is the controlling party, and thus the statutory body of Pojišťovna VZP, a.s., as the controlling party, is obliged, within the meaning of Section 82 of the ABC, to compile a written report within three months of the end of the accounting period on relations between the controlling and the controlled party and on relations between the controlled party and other parties controlled by the same controlling party (hereinafter referred to as the "Report on Relations between Related Parties"). Pojišťovna VZP, a.s. duly meets this obligation for the accounting period from 1 January 2015 to 31 December 2015 (hereinafter also referred to as the "monitored accounting period").

Thus, pursuant to Section 82(1) of the ABC, the Board of Directors of Pojišťovna VZP, a.s., as the Board of Directors of the controlled party vis-à-vis VZP CR, compiled this Report on Relations between Related Parties for the monitored accounting period, as presented below.

## CONTROLLING PARTY

VZP CR was the owner of 100% (in words: one hundred percent) of the ordinary registered shares in Pojišťovna VZP, a.s. for the duration of the monitored accounting period, and is thus a so-called controlling party within the meaning of Section 74 et seq. of the ABC, with the controlling party understood under this Act to mean a party that may exercise decisive influence, either directly or indirectly, over a business corporation.

## CONTROLLED PARTY

Pojišťovna VZP, a.s. was a subsidiary company of VZP CR for the duration of the monitored accounting period, in which VZP CR, as the sole shareholder, owned 100% of the ordinary registered shares in Pojišťovna VZP, a.s., with Pojišťovna VZP, a.s. thus being a so-called controlled party vis-à-vis VZP CR, as the parent company, pursuant to Section 74 et seq. of the ABC.

## OTHER RELATED PARTIES

Pojišťovna VZP, a.s. is aware of the fact that VZP CR has an ownership interest in IZIP, a.s., with its registered office at Hvězdova 33, Prague 4, Post Code 140 21, Identification No.: 264 33 109 (hereinafter referred to as "IZIP, a.s."). VZP CR owned a total of 1,224 (in words: one thousand two hundred twenty four) certificated registered shares as at 31 December 2015, which represents a 51% (in words: fifty-one percent) share of the registered capital of IZIP, a.s.

IZIP, a.s. is thus a party controlled by the same controlling party as that controlling Pojišťovna VZP, a.s., with IZIP, a.s. being a so-called related party vis-à-vis Pojišťovna VZP, a.s.

## RELATIONS BETWEEN RELATED PARTIES, THE ROLE OF THE CONTROLLED PARTY AND THE MANNER AND MEANS OF CONTROL

Relations between VZP CR and Pojišťovna VZP, a.s.

VZP CR, as the controlling party, was the owner of 100% (in words: one hundred percent) of the ordinary shares in the business corporation Pojišťovna VZP, a.s., as the controlled party, for the duration of the monitored accounting period, and as such was this business corporation's sole shareholder.

VZP CR, as the controlling party, was the owner of a total of 1,000 (in words: one thousand) ordinary registered shares in book-entry form of Pojišťovna VZP, a.s., each having a nominal value of CZK 284,000 (in words: two hundred and eighty-four thousand Czech crowns), which represented a 100% share of the registered capital of Pojišťovna VZP, a.s.

### RELATIONSHIP BETWEEN VZP CR AND IZIP, a.s.

As at 31 December 2015, VZP CR, as the controlling party, was the owner of 51% (fifty-one percent) of the shares in the business corporation IZIP, a.s., as the controlled party.

As at 31 December 2015, VZP CR, as the controlled party, held a total of 1,224 (in words: one thousand two hundred and twenty-four) certificated registered shares having a nominal value of CZK 1,000 (in words: one thousand Czech crowns) in IZIP, a.s., representing a 51% (in words: fifty-one percent) share of the registered capital of IZIP, a.s.

Pojišťovna VZP, a.s., as the controlled party, plays a distinct and autonomous role within the framework of the abovementioned relations. It is directly controlled by the controlling party and is not an intermediary for other corporations suspended below it, as such corporations do not exist as at today's date.

Pojišťovna VZP, a.s., as the controlled party, is controlled by VZP CR, as the controlling party, via the decisions made by VZP CR, as the sole shareholder of Pojišťovna VZP, a.s., i.e. a 100% shareholder of Pojišťovna VZP, a.s., acting in the capacity of a general meeting within the meaning of Section 12 of the ABC.

All relations between VZP CR, as the controlling party, and Pojišťovna VZP, a.s., as the controlled party, as well as relations between the business corporation Pojišťovna VZP, a.s. and the business corporation IZIP, a.s., as related parties, ensue from and are regulated by the appropriate provisions of the ABC, or are regulated under civil law contracts pursuant to Act No. 89/2012 Coll., the Civil Code (hereinafter referred to as the "CivC"), with regard to and in accordance with the Act.



## CONTRACTUAL RELATIONS BETWEEN THE CONTROLLED AND THE CONTROLLING PARTY

Contracts concluded between related parties:

Contract name	Subject of the contract	Performance rendered
Product Supply Agreement dated 18 March 2015.	VZP CR, as the contractor, provided the products set out in the contract to Pojišťovna VZP, a.s.	Code lists and methodologies were provided by VZP CR, with Pojišťovna VZP, a.s. paying VZP CR the fee stipulated in the agreement.
Agreement on the Termination of the Contract on the Lease of Non-Residential Premises of 30 March 2009, dated 30 March 2015.	Termination of the lease.	No performance was rendered by either of the parties in connection with this contract.
Amendment No. 2 dated 16 March 2015 to the contract on the lease of non-residential premises dated 11 September 2013.	Modification of the payment terms and conditions of the lease pursuant to the lease contract.	No performance was rendered by either of the parties in connection with this amendment.
Amendment No. 1 dated 26 February 2015 to co-operation agreement no. 27116913 dated 21 July 2013.	Modification of the discount given to VZP CR and a change in the persons responsible for performing the agreement.	No performance was rendered by either of the parties in connection with this agreement.
Amendment No. 6 dated 25 May 2015 to the contract on commercial representation dated 16 April 2012	Modification of the attachment to the main contract – the commission appendix	No performance was rendered by either of the parties in connection with this amendment.
Agreement on the payment of rent dated 20 May 2015.	Modification of the terms and conditions governing the payment of rent by PVZP (tenant) for business premises.	Performance rendered pursuant to the terms and conditions of the agreement.
Amendment No. 8 dated 20 May 2015 to the contract on the lease of non-residential premises dated 1 August 2008.	Modification of the payment terms and conditions of the lease pursuant to the lease contract.	No performance was rendered by either of the parties in connection with this amendment.
Amendment No. 3 dated 24 August 2015 to the contract on the lease of non-residential premises dated 29 March 2013.	Modification of the agreed communication (manner of serving documentation).	No performance was rendered by either of the parties in connection with this amendment.
Amendment No.7 dated 30 November 2015 to the contract on commercial representation dated 16 April 2012	This amendment updated the commission appendices of the contract.	No performance was rendered by either of the parties pursuant to this amendment.



Contract name	Subject of the contract	Performance rendered
Amendment No. 4 to the Contract on Commercial Representation of 16 April 2012, dated 12 February 2014	This amendment updated the insurance products and there implementation, and modified the commission appendices.	No performance was rendered to either of the parties pursuant to this amendment.
Amendment No. 1 to the Agreement on Cross-Charging of the Cost of Sub-Lease of 29 September 2011, dated 1 February 2013	This Amendment No. 1 regulates the share of Pojišťovna VZP, a.s. in the paid rent.	Pojišťovna VZP, a.s., pays the rent in an amount usual at the place and in the time; the amount as well as the payment method and terms being agreed upon in the Agreement on Cross-Charging of the Cost of Sub-Lease of 29. September 2011 and this Amendment No. 1.
Amendment No. 2 to the Agreement on Cross-Charging of the Cost of Sub-Lease with VZP ČR of 29 September 2011, dated 23 May 2013	This Amendment No. 2 stipulates the calculations and distribution of the cost of services and the rent.	Pojišťovna VZP, a.s., pays the rent in an amount usual at the place and in the time; the amount as well as the payment method and terms being agreed upon in the Agreement on Cross-Charging of the Cost of 29 September 2011 and this Amendment No. 2.
Contract on the Lease of non-Residential Premises, dated 29 March 2013.	VZP ČR, as the landlord, concluded a Contract on the Lease of Non-Residential Premises with Pojišťovna VZP, a. s., as the tenant.	Under this contract, Pojišťovna VZP, a.s. pays the controlling party rent in an amount usual in the place and time.
Amendment No. 1 to the Contract on the Lease of Non-Residential Premises of 29 March 2013, dated 11 September 2013.	VZP ČR, as the landlord, concluded with Pojišťovna VZP, a. s., as the tenant; the Amendment No. 1 to the Contract on the Lease of non-Residential Premises of 29 March 2013, regulating the payment of rents.	Under this Amendment, Pojišťovna VZP, a.s. pays the controlling party VZP ČR rent in an amount usual in the place and time.
Contract on the Lease of Non-Residential Premises dated, 31 January 2012	Under this contract, VZP CR, the controlling party, leased the non-residential premises in Jihlava specified in the contract to Pojišťovna VZP, a.s.	Under this contract, Pojišťovna VZP, a.s. pays the controlling party rent in an amount usual in the place and time.

Contract name	Subject of the contract	Performance rendered
Contract on Commercial Representation, dated 16 April 2012	Under this contract, it was agreed that VZP CR, the controlling company, will enjoy the status of a so-called "exclusive insurance agent". VZP CR undertook to co-ordinate the sale of insurance products stipulated in this contract, engage in the long-term development of professional activities aimed at the conclusion of insurance policies, as prescribed by the contract.	Pojišťovna VZP, a.s. as the insurance company, pays VZP CR, as the insurance agent, an agency commission for every insurance policy concluded.
Amendment No. 1 to the Contract on Commercial Representation of 16 April 2012, dated 19 June 2012	Under Amendment No. 1, the Contract on Commercial Representation of 16 April 2012 (hereinafter referred to as the "Contract") was amended and supplemented. An update to the insurance products was made, the rules for the conclusion of insurance policies were supplemented, an adjustment was made to the amount of the agency commission, collection, transfer and settlement of the premiums, furthermore Article XI. of the Contract was repealed and replaced by a new article as well as the repeal of paragraph 3 of Article II. of the Contract and its replacement by a new paragraph.	Pojišťovna VZP, a.s., as the insurance company, pays VZP CR, as the insurance agent, an agency commission for every insurance policy concluded.
Amendment No. 2 to the Contract on Commercial Representation of 16 April 2012, dated 29 June 2012	Under Amendment No. 2, the Contract on Commercial Representation of dated 16 April 2012 (hereinafter referred to as the "Contract") was amended and supplemented. The text of paragraph 3 of Article V. of the Contract was replaced by new wording. Furthermore, paragraph 3 of Article X. of the Contract was repealed and replaced by new wording, with Amendment No. 2 also amending the appendices of the Contract.	Pojišťovna VZP, a.s., as the insurance company, pays VZP CR, as the insurance agent, an agency commission for every insurance policy concluded.
Contract on the Sub-Lease of Non-Residential Premises dated 9 July 2012	VZP CR, as the tenant, concluded with Pojišťovna VZP, a. s., as the sub-tenant, a contract for the sub-lease of non-residential premises in Jablonec nad Nisou	Under this contract, Pojišťovna VZP, a.s. pays the controlling party rent in an amount usual in the place and time.

Contract name	Subject of the contract	Performance rendered
Amendment No. 3 to the Contract on the Lease of Non-Residential Premises and Other Arrangements of 1 December 2007, dated 30 June 2011	Under this Amendment No. 3, the rent paid by Pojišťovna VZP, a.s., as the tenant, for the lease of non-residential premises in Most (Most branch) from VZP ČR, as the landlord, was raised by the inflation for 2010 of 1.5 %.	Under this Amendment No. 3, the rent for 2011 was raised by the inflation for 2010.
Pojišťovna VZP, a.s. and VZP ČR	Reimbursement Agreement of 25 January 2010	The subject of the agreement is comprised of the obligation of Pojišťovna VZP, a.s. to provide for performance of the work related to modification and extension of the Offline client application licensed to Pojišťovna VZP, a.s. for the network of VZP ČR. The Offline client for the StarINS business and information system is designed for processing of the agenda of contractual and travel insurance in the event of outage of the computer network or other cases of unavailability of the central information system commonly used for the said insurance types.
Pojišťovna VZP, a.s. and VZP ČR	Agreement on Cooperation in IT No. 01/2010 of 29 November 2010	Obligation of VZP ČR to render the services specified in Article II. of the Agreement (e.g. user support in remedying incidents related to operation of PC's and printers, maintenance of locally connected printers, installation of software supplied by Pojišťovna VZP, a.s., etc.) for the branch offices of Pojišťovna VZP, a.s. located in leased office premises of VZP ČR under the General Cooperation Agreement of 1 June 2007 in the agreed locations and equipped with IT resources and printers procured by Pojišťovna VZP, a.s. as its assets.

In all the cases when the controlled party, Pojišťovna VZP, a.s., rendered performance to the controlling party, VZP CR, the controlling entity always rendered VZP CR adequate counter-performance, which in each of the above-mentioned contracts was always realised on the basis of market conditions usual at the time and place and in accordance with generally applicable legislation.

No contracts were concluded in the monitored accounting period between Pojišťovna VZP, a.s. and IZIP, a.s., as related parties.

## **OTHER PERFORMANCE RENDERED BETWEEN RELATED PARTIES**

Aside from the performance and counter-performance rendered on the basis of the above contracts concluded between Pojišťovna VZP, a.s., as the controlled party, and VZP CR, as the controlling party, no other performance and/or counter-performance had been rendered between these parties in the monitored accounting period.

No performance and/or counter-performance was rendered in the monitored accounting period between Pojišťovna VZP, a.s. and IZIP, a.s., as related parties.

## **OTHER MEASURES AND ACTIONS CARRIED OUT IN THE INTEREST OR AT THE INSTIGATION OF THE CONTROLLING PARTY**

No measures or actions over and above the framework of common measures carried out pursuant to the provisions of generally binding legal regulations vis-à-vis the controlling party were adopted or realised during the course of the monitored accounting period by Pojišťovna VZP, a.s., as the controlled party, in the interest or at the instigation of VZP CR, as the controlling party.

No measures were adopted or realised by Pojišťovna VZP, a.s. in the interest or at the instigation of IZIP, a.s., as a party related to Pojišťovna VZP, a.s.

## **LOSSES INCURRED BY THE CONTROLLED PARTY, THE MANNER OF THEIR SETTLEMENT AND AN ASSESSMENT OF THE ADVANTAGES AND DISADVANTAGES ENSUING FROM THE RELATIONS BETWEEN POJIŠŤOVNA VZP, A.S. AND VZP ČR**

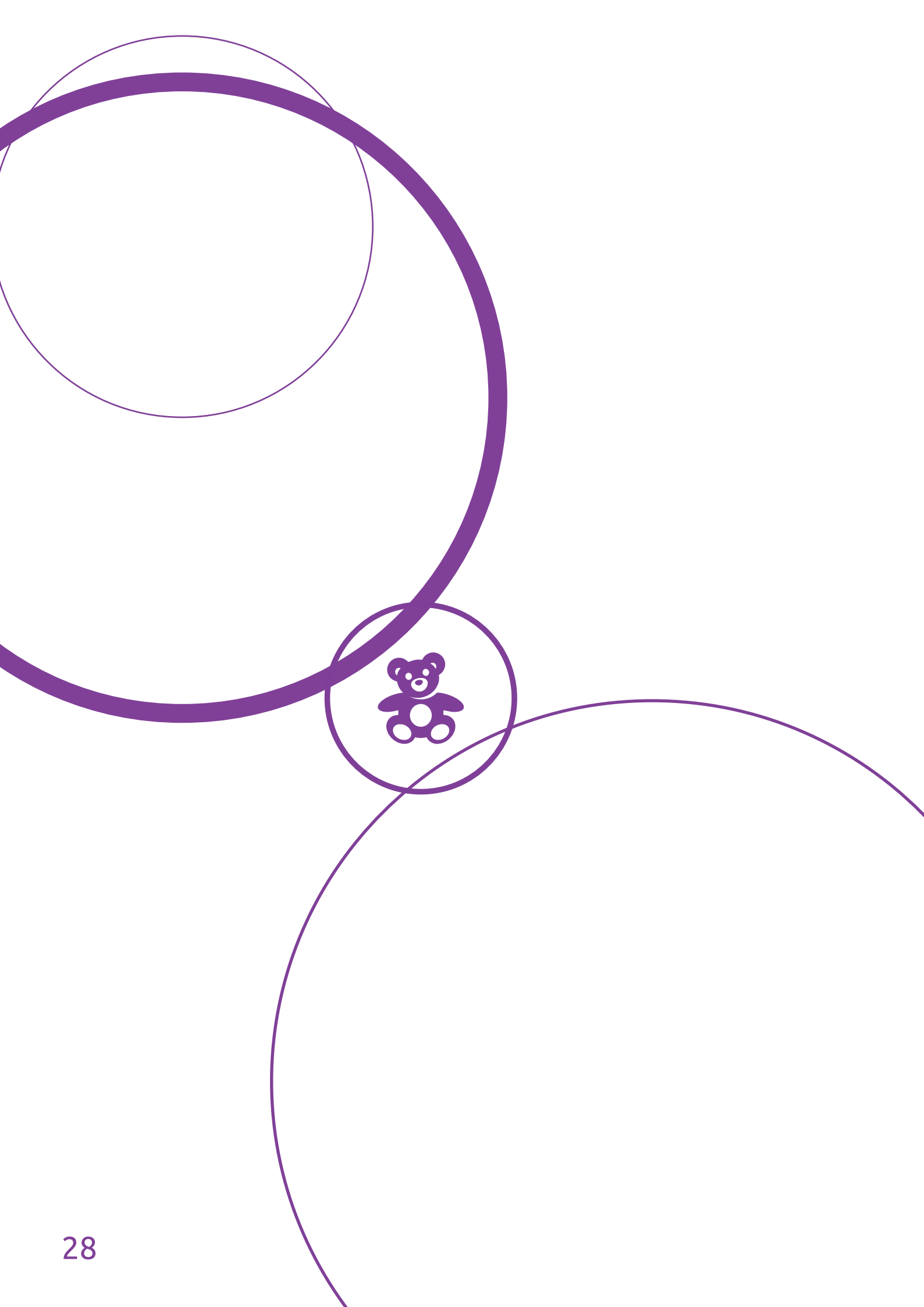
Pojišťovna VZP, a.s., as the controlled party, did not incur, on the basis of the above-mentioned contracts concluded with VZP CR, as the controlling party, nor on the basis of other negotiations conducted by VZP CR or other measures and performance rendered or counter-performance received from VZP CR, any loss, nor did it incur any loss vis-à-vis IZIP, a.s., as another related party.

There is thus no need for any settlement between Pojišťovna VZP, a.s., as the controlled party, and VZP CR, as the controlling party, within the meaning of Section 82(2)(f) of the ABC.

The statutory body of Pojišťovna VZP, a.s., as the controlled party, further states that benefit accrue to the controlled party from its relationship with VZP CR, as the controlling party, on account of the fact that VZP CR is an economically significant and stable party. The controlled party's insurance portfolio consists predominantly of the insured parties of VZP CR, i.e. the insured parties of the controlling party. As such, benefits prevail in all respects, with any possible future risks within the meaning of Section 82(4) being unknown to the controlled party at the present time. Pojišťovna VZP, a.s., as the controlled party, did not incur any loss in this regard, meaning that there was no and is no need to settle a loss.

## CONCLUSION

Based on the above, it can be stated that the mutual relations between Pojišťovna VZP, a.s. and the related parties identified above are proceeding in a correct manner and without giving favour to any of the parties on the basis of contractual relations in full compliance with the ABC, the CivC and other generally applicable Czech legislation.



# ACCOUNTING PRINCIPLES

# BASIS OF PREPARATION

The company's accounting books and records are maintained in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Decree No. 502/2002 Coll. of the Ministry of Finance, which implements some provisions of Act No. 563/1991 Coll., on Accounting, as amended, for insurance companies, as amended. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial placements and technical reserves to fair values (as defined by the Insurance Act), adhere to the general accounting principles, particularly the accruals principle, the prudence concept, and the going concern assumption. Amounts reported in the financial statements and in these notes are rounded to the nearest thousand Czech crowns, unless stipulated otherwise.

There were no other changes in accounting principles compared to 2014.

## WRITTEN GROSS PREMIUMS

Gross written premiums include all amounts due during the accounting period under insurance policies, irrespective of whether these amounts refer entirely or partially to a future accounting period and whether or not the insurance policy relates to the transference of significant insurance risk from the policyholder to the company by the company's agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

## REINSURANCE TRANSACTIONS

### INWARD REINSURANCE

Transactions and balances from inward reinsurance policies are accounted for in the same way as insurance policies.

### OUTWARD REINSURANCE

Reinsurance assets resulting from the portion of the carrying value of technical reserves covered by existing reinsurance policies are netted from the gross value of the technical reserves.

Receivables from and payables due to reinsurers are measured at cost and are translated at the relevant foreign exchange rate stated by the Czech National Bank as at the balance sheet date.

Changes in reinsurance assets, the reinsurer's share of claims, reinsurance commissions and the reinsurance premium ceded to reinsurers are presented in the profit and loss statement separately from the corresponding gross amounts. A reinsurance commission is deferred by the same proportion as the corresponding premium.

The company regularly assesses its reinsurance assets representing reinsurers' share on technical reserves and reinsurance receivables for impairment. Where the book value of such assets is greater than its estimated recoverable value, the difference is recognised in the profit and loss statement.



## CLAIMS EXPENSES

Claims expenses are recognised in the amount of acknowledged claims payouts based on the settled claims events. These costs also include the company's costs related to handling claims arising from insured events. Claims expenses are reduced by recourse claims and other similar claims.

## COSTS OF INSURANCE POLICIES

Acquisition costs include all direct and indirect costs arising from the conclusion of insurance policies and the renewal of existing insurance policies. Direct costs include, in particular, commissions paid to insurance intermediaries, and indirect costs include, for example, the costs of printed materials, promotion, advertising costs, and medical examinations for clients of HIF. They include also costs incurred during the financial year in respect of policies that are expected to yield revenues in subsequent periods

The acquisition costs of non-life insurance policies are reported as an asset and they are deferred in the same proportion as written premiums.

The company regularly assesses the potential impairment of this asset. Where the book value of such assets is greater than its estimated recoverable value, the difference is recognised in the profit and loss statement.

## INSURANCE AND TECHNICAL RESERVES

The technical reserve accounts comprise amounts of assumed obligations resulting from insurance policies in force with the aim of providing coverage for obligations resulting from those insurance policies. Technical reserves are stated at fair value, which is determined in compliance with the Czech legislation for insurance companies, as described below.

The company established the following insurance technical reserves:

### UNEARNED PREMIUM RESERVE

The unearned premium reserve is created with respect to individual policies for life and non-life insurance business from that part of the written premiums that relate to subsequent accounting periods. The company uses a "pro rata temporis" method to estimate the reserve.

### CLAIMS RESERVE

The claims reserve is not discounted to reflect the time value of money and is created to cover the company's liabilities ensuing from insurance events:

- claims incurred and reported in the accounting period but not yet settled (RBNS);
- claims incurred in the accounting period but not yet reported (IBNR).



The amount of the RBNS reserve is determined as the sum of the estimated claims expenses. The claims reserve is reduced by recourses and other similar claims of the company.

The fair value of the IBNR reserve is an estimate using actuarial and statistical methods, with the triangle chart method being applied in the case of medical expenses insurance, travel insurance and health insurance for foreigners. A loss ratio is used to calculate the reserve for new products.

The claims reserve also includes all the expected expenses connected with the processing of the claims.

The amount of the creation, drawing and the composition of the financial placement of technical reserves is subject to approval by the responsible actuary. The statement on the creation of technical reserves and the composition of financial placements is submitted to the Czech National Bank in accordance with Act No. 277/2009 Coll., on Insurance.

## FINANCIAL PLACEMENTS

### LAND AND BUILDINGS

Land and buildings are valued at cost on the date of their acquisition. As at the balance sheet date, they are valued at fair value based on an expert opinion, which is updated at least once every five years. Fair value represents the price at which the land and buildings could be sold on the valuation date under normal conditions. Changes in the fair value are reported (net of tax effect) in equity and transferred to the profit and loss statement as at the date of the disposal of the land and buildings.

As at each balance sheet date, the Company assesses whether there is any indication that the land and buildings may be impaired. If any such indication exists, the Company estimates the recoverable amount using an updated expert valuation and adjusts the fair value of the land and buildings. Impairment adjustment is recognised in the profit and loss statement.

Buildings are not depreciated. Tax depreciation is applied in accordance with the Income Tax Act, as amended.

### INVESTMENTS IN SECURITIES

All securities, except for bonds held to maturity, issued by a member state of the Organisation for Economic Co-operation and Development with a rating determined by at least two renowned international rating agencies to be at the same level as the Czech Republic or higher (hereinafter referred to as "OECD bonds"), are stated at their fair value as at the balance sheet date.

The fair value of a security is determined as the market bid-price value quoted by a relevant stock exchange or other active public market. In other cases the fair value is estimated as the risk adjusted net present value for debt securities and notes.

Shares, other variable income securities and other interests include mainly shares, interim certificates, mutual fund certificates and other securities with variable income, besides investments in subsidiaries and associates. Changes in the fair value of shares and other variable income securities are recognised in the profit and loss statement.

The company classifies all its debt securities as debt securities valued at fair value through profit or loss. These securities have two subcategories: securities held for trading and those that the accounting unit designates as securities valued at fair value through profit or loss upon their original recognition.

A security is classified as a security held for trading if it is acquired or obtained for the purpose of sale or settlement in the near future, or is part of a defined portfolio of financial instruments that are under joint management in order to generate profits from price fluctuations in the short term. Any debt security that is a financial asset may, upon its initial recognition in the accounts, be designated as a financial asset valued at fair value through profit or loss, with the exception of equity securities and interests that are not publicly traded and whose fair value cannot be reliably estimated.

Securities valued at fair value through profit or loss are initially valued at their acquisition cost, which includes the incidental costs of acquisition, and subsequently at their fair value. All related gains and losses, including interest income, are reported as items of costs and revenues of financial placements. Spot purchases and sales are recognised as at the settlement date.

## **DEPOSITS WITH FINANCIAL INSTITUTIONS**

Deposits with financial institutions are valued as at the balance sheet date at fair value, which under normal conditions is approximately equal to the amortised cost. Changes in the fair value of deposits with financial institutions are recognised in the profit and loss statement.

## **DERIVATIVE FINANCIAL INSTRUMENTS**

The company does not use any derivative financial instruments.

## **ALLOCATION OF COMMON ITEMS BETWEEN THE COMPANY'S INDIVIDUAL PRODUCTS**

Expense and income from financial placements are allocated between the individual products according to the ratio of the technical reserves to the total financial placement if needed.

## **ALLOCATION OF TECHNICAL AND NON-TECHNICAL EXPENSES AND REVENUES**

Expenses incurred and revenues generated are reported separately, depending on whether or not they directly relate to insurance business.

All expenses and revenues directly relating to the insurance business are reported in the corresponding technical accounts. All other expenses and revenues are reported in the non-technical account and subsequently allocated to administration overheads or other technical expenses based on an internal allocation scheme.

## INTANGIBLE FIXED ASSETS /IFA/

Acquired intangible assets are reported at their acquisition cost. Intangible fixed assets are depreciated by the straight-line method on the basis of their expected lifespan according to the following method:

Software	60 months
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Intangible fixed assets are depreciated as at the month following the month in which it was put into use.

A technical improvement is an expense incurred to increase the level of equipment, usefulness or to change the purpose of an intangible asset, which is in excess of CZK 40,000 per year in respect of a single intangible fixed asset and increases its acquisition cost. Technical improvements of up to CZK 40,000 are considered on a case by case basis.

Intangible assets having a useful life in excess of one year and an acquisition cost up to CZK 60,000 is expensed upon consumption while at the same time being recorded as a minor intangible fixed asset in off-balance sheet accounts and asset records.

## TANGIBLE FIXED ASSETS /TFA/

Acquired tangible fixed assets are reported at their acquisition costs, which include the price for which the assets were acquired, and acquisition-related costs.

Tangible fixed assets produced by the company's own activities is valued at own costs. Depreciation amounts pertaining to tangible fixed assets were calculated by the straight-line method on the basis of its expected lifespan. The company applies the following annual depreciation rates:

IT	3/4 years
Inventory	5 years
Passenger motor vehicles	6 years

The costs of repairing and maintaining fixed tangible assets are charged directly to expenses. A technical improvement is an expense incurred to modernise, increase the level of equipment, or usefulness of an asset exceeding CZK 40,000 per year in respect of a single tangible fixed asset and increases its acquisition cost.

Tangible assets having a useful life in excess of one year and an acquisition cost of up to CZK 40,000 are expensed at acquisition and entered in asset records and in off-balance sheet accounts as minor tangible fixed assets.

## CONVERSION OF FOREIGN CURRENCIES

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange as at the transaction date.

Financial assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by the Czech National Bank ("CNB") effective as at the balance sheet date. All exchange rate gains and losses resulting from a conversion of receivables and payables were posted to the profit and loss statement.

## RECEIVABLES

Insurance premium receivables and other receivables are recorded at their nominal value adjusted by appropriate provisions for overdue receivables.

Provisions express a temporary decline in the value of receivables determined on the basis of an assessment of the associated risks made by the company's management. Provisions are created as a lump sum and on the basis of an ageing analysis of receivables. No provisions to receivables were created in 2015 and 2014.

## SUPPLEMENTARY PENSION INSURANCE

The company pays its employees a contribution towards their supplementary pension insurance.

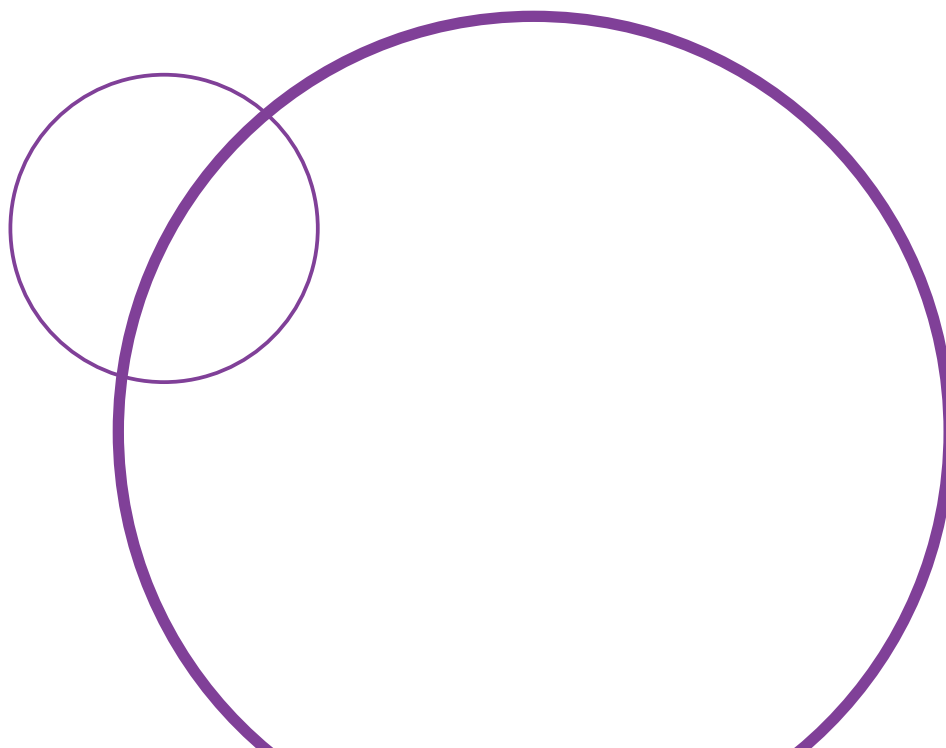
## INCOME TAX

Income tax for the given period includes the current income tax and changes in the deferred tax asset/liability. The current income tax represents an income tax calculated from the tax base using the tax rate valid in the current year. Deferred tax is reported for all temporary differences between the book value of an asset or liability in the balance sheet and its tax value. A deferred tax asset is only recognised if it is probable that future taxable profit will be available against which this asset can be utilised.

## POST-BALANCE SHEET EVENTS

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.



## TECHNICAL NON-LIFE INSURANCE ACCOUNT

2015 (in CZK '000)	Gross written premium	Gross earned premium	Gross paid claims	Gross operating expenses
Accident and health insurance	314,289	315,947	131,671	171,457
Property insurance	33,708	30,213	1,067	16,396
Liability insurance	58,986	45,622	6,794	24,758
Other insurance	24,173	22,869	9,516	12,411
<b>Total</b>	<b>431,156</b>	<b>414,651</b>	<b>148,848</b>	<b>225,022</b>

2014 (in CZK '000)	Gross written premium	Gross earned premium	Gross paid claims	Gross operating expenses
Accident and health insurance	285,669	308,079	116,485	195,577
Motor vehicle insurance	23,845	31,376	11,991	8,562
Liability insurance	19,876	18,840	961	12,611
Other insurance	65,080	64,745	12,769	13,944
<b>Total</b>	<b>394,469</b>	<b>423,038</b>	<b>142,207</b>	<b>230,692</b>

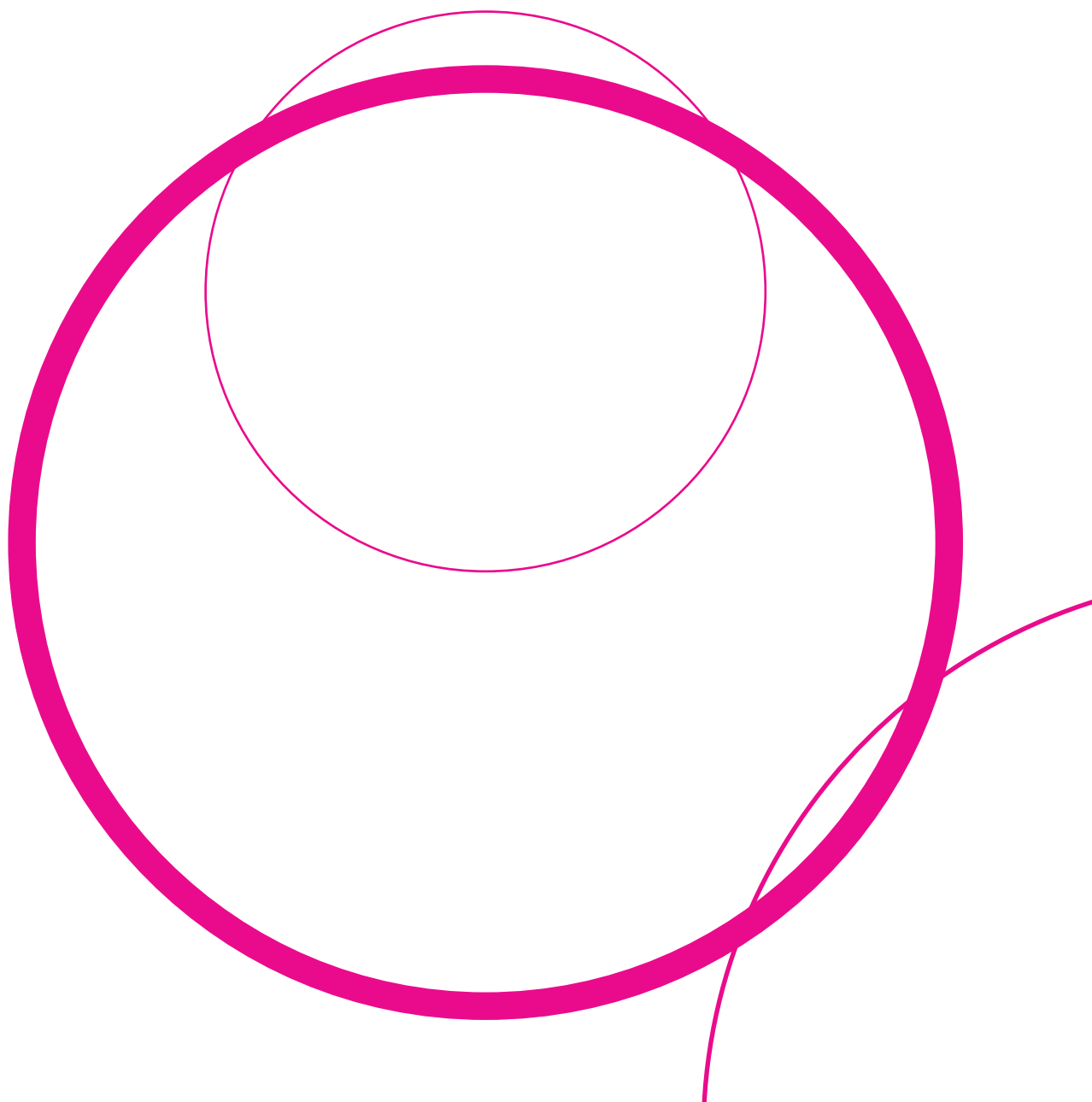
2015 (in CZK '000)	Reinsurer's share on written premium	Reinsurance commission	Reinsurer's share on claims paid
Accident and health insurance	118,759	64,569	39,061
Property insurance	20,138	7,713	428
Liability insurance	24,204	8,495	425
Other insurance	3,954	1,521	553
<b>Total</b>	<b>167,055</b>	<b>82,298</b>	<b>40,467</b>

2014 (in CZK '000)	Reinsurer's share on written premium	Reinsurance commission	Reinsurer's share on claims paid
Accident and health insurance	116,762	35,595	22,967
Property insurance	0	1,846	0
Liability insurance	7,435	2,904	153
Other insurance	6,616	3,245	407
<b>Total</b>	<b>130,814</b>	<b>43,591</b>	<b>23,527</b>

Insurance policies are concluded at the registered office of the company, i.e. on territory of the Czech Republic.

## ACQUISITION COSTS

	2015 in CZK '000	2014 in CZK '000
Direct acquisition costs (commissions paid to insurance intermediaries)	81,435	73,641
Indirect acquisition costs	17,750	16,653
<b>Total</b>	<b>99,185</b>	<b>90,294</b>





## OTHER DETAILS

## INTANGIBLE FIXED ASSETS

### ACQUISITION COST

	1 January 2015 in CZK '000	Additions in CZK '000	Reclassifications in CZK '000	Disposals in CZK '000	31 December 2015 in CZK
Establishment costs	1,866	0	0	0	1,866
Software	137,669	5,392	0	0	143,061
Revaluation difference	19,583	0	0	0	19,583
Valuable rights	162	0	0	0	162
Acquired intangible assets	33	6,359	-5,392	0	1,000
<b>Total</b>	<b>159,313</b>				<b>165,672</b>

### ACCUMULATED AMORTISATION

	1 January 2015 in CZK '000	Amortisation in CZK '000	Reclassifications in CZK '000	Disposals in CZK '000	31 December 2015 in CZK
Establishment costs	1,866	0	0	0	1,866
Software	125,054	8,299	0	0	133,353
Valuable rights	162	0	0	0	162
Revaluation difference	19,583	0	0	0	19,583
Total	146,665	8,299	0	0	154,964
<b>Net book value</b>	<b>12,648</b>				<b>10,708</b>

### ACQUISITION COST

	1 January 2014 in CZK '000	Additions in CZK '00	Reclassifications in CZK '000	Disposals in CZK '000	31 December 2014 in CZK
Establishment costs	1,866	0	0	0	1,866
Software	133,771	4,740	0	842	137,669
Revaluation difference	19,583	0	0	0	19,583
Valuable rights	162	0	0	0	162
Acquired intangible assets	33	7,365	-7,365	0	33
<b>Total</b>	<b>155,415</b>				<b>159,313</b>

### ACCUMULATED AMORTISATION

	1 January 2014 in CZK '000	Amortisation in CZK '000	Reclassifications in CZK '000	Disposals in CZK '000	31 December 2014 in CZK
Establishment costs	1,866	0	0	0	1,866
Software	114,796	11,100	0	842	125,054
Valuable rights	162	0	0	0	162
Revaluation difference	19,583	0	0	0	19,583
Total	136,407	11,100	0	842	146,665
<b>Net book value</b>	<b>19,007</b>				<b>12,648</b>

## FINANCIAL PLACEMENTS

	31 December 2015 in CZK '000		31 December 2014 in CZK '000	
Type of financial placement	Fair value in CZK '000	Acquisition cost in CZK '000	Fair value in CZK '000	Acquisition cost in CZK '000
Shares and other securities with a variable yield	3,881	3,607	3,691	3,603
Debt securities	157,789	158,227	167,704	173,265
Deposits at banks	33,000	33,000	43,500	43,500
<b>Total</b>	<b>194,670</b>	<b>194,834</b>	<b>214,896</b>	<b>220,368</b>

	31 December. 2015 in CZK '000	31 December 2014 in CZK '000
<b>Operating</b>		
Buildings	2,230	2,230
Operating land and buildings at fair value – total	2,230	2,230
<b>Non-operating</b>		
Land	278	278
Buildings	136,729	136,729
Non-operating land and buildings at fair value – total	137,007	137,007
Land and buildings at fair value – total	139,237	139,237

Operating property represents a technical improvement to the office premises used by the company, which is not considered to represent a financial placement serving to cover technical reserves.  
Non-operating property serves to cover technical reserves.

The purchase price of real estate amounting to CZK 135 million – an office building constructed on lot number 263 and the parcel of land (built-up area and courtyard) with an area of 1,019 m<sup>2</sup>, was set by an expert appointed by the court to determine the market value of real estate. The office building was entered on the insurance company's list of assets on 21 December 2012, i.e. the date of registration of the ownership right by the Land Registry Office for the South Moravian Region.



The purchase price of real estate amounting to CZK 4.2 million – land and flats in a residential building constructed on lot number 671 and the parcel of land (built-up area and courtyard lot number 670) with an area of 78 m2, was set by an expert appointed by the court to determine the market value of real estate. The flats and the land were entered on the insurance company's list of assets on 9 December 2013, i.e. the date of registration of the ownership right by the Land Registry Office for Prague.

## RECEIVABLES

31 December 2015 (in CZK '000)	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance	Other receivables	Total
Current	2,074	5,183	10,586	9,971	27,814
Overdue	3,703	1,199	1,966	0	6,868
<b>Total net amount of receivables</b>	<b>5,777</b>	<b>6,382</b>	<b>12,552</b>	<b>9,971</b>	<b>34,682</b>

31 December 2014 (in CZK '000)	Receivables from policyholders	Receivables from insurance intermediaries	Receivables from reinsurance	Other receivables	Total
Current	2,289	11,160	1,376	9,698	24,523
Overdue	5,208	1,243	0	0	6,451
<b>Total net amount of receivables</b>	<b>7,497</b>	<b>12,403</b>	<b>1,376</b>	<b>9,698</b>	<b>30,974</b>

The company did not create any provisions to receivables as at 31 December 2015 or 31 December 2014. Receivables from related parties are described in the section "Related party transactions". As at 31 December 2015 or 31 December 2014, the company did not report any receivables with a residual maturity of more than 5 years.

## TANGIBLE FIXED ASSETS

### ACQUISITION COST

	1 January 2015 in CZK '000	Additions in CZK '000	Reclassifications in CZK '000	Disposals in CZK '000	31 December 2015 in CZK '000
Separate movables and sets of movables	29,707	10,304	0	9,979	30,032
Acquired tangible assets	0	10,304	-10,304	0	0
<b>Total</b>	<b>29,707</b>	<b>20,608</b>	<b>-10,304</b>	<b>9,979</b>	<b>30,032</b>

### ACCUMULATED DEPRECIATION

	1 January 2015 in CZK '000	Depreciation in CZK '000	Reclassifications in CZK '000	Disposals in CZK '000	31 December 2015 in CZK '000
Separate movables and sets of movables	24,869	2,843		9,979	17,734
<b>Total</b>	<b>24,869</b>	<b>2,843</b>	<b>0</b>	<b>9,979</b>	<b>17,734</b>
<b>Net book value</b>	<b>4,838</b>		<b>0</b>		<b>12,298</b>

## ACQUISITION COST

	1 January 2014 in CZK '000	Additions in CZK'000	Reclassifications in CZK '000	Disposals in CZK'000	31 December 2014 in CZK '000
Separate movables and sets of movables	30,045	2,184	0	2,522	29,708
Acquired tangible assets	0	2,184	2,184	0	0
<b>Total</b>	<b>30,045</b>	<b>4,368</b>	<b>2,184</b>	<b>2,522</b>	<b>29,708</b>

## ACCUMULATED DEPRECIATION

	1 January 2014 in CZK '000	Depreciation in CZK '000	Reclassifications in CZK '000	Disposals in CZK'000	31 December 2014 in CZK '000
Separate movables and sets of movables	23,983	3,408	0	2,522	24,868
Total	23,983	3,408	0	2,522	24,868
Net book value	6,062				4,840

The buildings and real estate are described in the section headed "Financial placements".

Low value intangible and tangible fixed assets are recorded in off-balance sheet accounts. The total the value of low value tangible fixed assets (LTFA) as at the balance sheet date was CZK 15,104,000, and the total value of low value intangible fixed assets (LIFA) was CZK 2,451,000 as at 31 December 2015. In 2014, the total value of LTFA was CZK 14,928,000 and the total value of LIFA was CZK 2,432,000.

## EQUITY AND DISTRIBUTION OF PROFIT

### APPROVED AND ISSUED SHARES

	Number	31 December 2015 in CZK '000
Common shares with a nominal value of CZK 284,000, fully paid	1,000	284,000
Common shares, total	1,000	284,000

	Number	31 December 2014 in CZK '000
Common shares with a nominal value of CZK 253,000, fully paid	1,000	253,000
Common shares, total	1,000	253,000

In 2015, the registered capital was increased from the company's own sources upon the decision of the sole shareholder.

**SOLE SHAREHOLDER:**

	31 December 2015	31 December 2014
Všeobecná zdravotní pojišťovna České republiky	100%	100%

**DISTRIBUTION OF PROFIT**

The company's profit for 2015 will be distributed in accordance with the decision of the General Meeting. The distribution of the profit for 2014 is contained in the statement of changes in equity.

**TECHNICAL RESERVES, INCLUDING REINSURER'S SHARE**

31 December 2015	Reserve for unearned premiums in CZK '000	Claims reserve in CZK '000	Total in CZK '000
Gross amount	150,283	63,152	213,435
Reinsurer's share	-22,653	-21,203	-43,856
Net amount	127,630	41,949	169,579

31 December 2014	Reserve for unearned premiums in CZK '000	Claims reserve in CZK '000	Total in CZK '000
Gross amount	121,125	53,124	174,249
Reinsurer's share	-2,738	-12,721	-15,459
Net amount	118,387	40,403	158,790

	31 December 2015	31 December 2014
Gross RBNS reserve	45,383	41,606
	17,769	11,518
Gross IBNR reserve		
Total claims reserve	63,152	53,124

**RUN-OFF ANALYSIS**

	2015 in CZK '000
Gross claims reserve as at 1 January	40,914
Payments of claims before 1 January	-38,717
Run-off	2,352
Gross claims reserve as at 31 December out of the portfolio as at 1 January	4,549

## CREDITORS

	31 December 2015 in CZK '000	31 December 2014 in CZK '000
Payables to policyholders and brokers	2,881	835
Payables arising from reinsurance (Note 17)	8,690	2,476
Other payables	14,250	12,032
- of which: overdue	163	149
	25,821	15,343

Pojišťovna VZP, a.s. does not report any liabilities having the residual maturity of more than five years. The company neither holds any liabilities covered by a guarantee nor any off-balance sheet liabilities. The company did not grant any guarantee to third parties.

The company has no overdue liabilities for social insurance, contribution to the state employment policy, health insurance or tax liabilities payable to the relevant tax authority.

Payables to related parties are contained in the section "Related party transactions".

## ACCRUALS AND DEFERRED INCOME

	31 December 2015 in CZK '000	31 December 2014 in CZK '000
Prepaid expenses	3,057	2,699
Deferred income	6,091	8,697
Total prepaid expenses and deferred income	9,148	11,395

## ADDITIONAL INFORMATION TO THE PROFIT AND LOSS STATEMENT

### ADMINISTRATIVE COSTS

	2015 in CZK '000	2014 in CZK '000
Administrative costs reported on the technical account	131,786	133,188
Administrative costs reported on the non-technical account	1,356	1,343
Total	133,142	134,531

#### ADMINISTRATIVE COSTS CAN BE ANALYSED AS FOLLOWS:

	2015 in CZK '000	2014 in CZK '000
Personnel costs (salaries, other personnel costs, including social and health insurance)	73,000	74,449
Materials consumed	1,386	1,569
Purchase of low value assets	1,488	1,544
Consulting	5,330	4,528
Depreciation and amortisation	10,135	13,223
Rent, services connected with rent, media consumed	14,077	13,373
IT maintenance, infrastructure	11,351	12,350
Other administrative costs	16,375	13,495
Total	133,142	134,531

Savings in administrative costs in 2015 compared to 2014, amounting to approximately 1%, is mainly due to a significant decrease in administrative costs and depreciation.

The total legal, accounting, tax consulting and statutory audit costs for 2015 amount to CZK 5,330,000. The expense for conducting of the statutory audit were CZK 803,000, the expenses for other non-auditing services were CZK 641,000, the expenses for tax consulting were CZK 720,000, and legal costs were CZK 3,166,000.

#### ANALYSIS OF THE COMPANY'S EMPLOYEES

Recalculated employee numbers	2015	2014
Number of members of the board of directors who are employees	0	0
Number of members of the supervisory board who are employees	1	1
Average number of employees	119.43	115.41

	2015 in CZK '000	2014 in CZK '000
Salary costs, including claims settlement officers	59,017	60,977
Remuneration to members of statutory bodies	3,981	4,348
Social security costs	19,936	20,055
Other social costs	0	37
Total personnel costs	82,934	85,417

Besides the above amounts, shareholders, members of statutory and supervisory bodies and management personnel did not receive any other remuneration, whether monetary or in kind, during the course of 2015 or 2014. Nor does the company report any obligations ensuing from pensions and income.



## INCOME TAX

### THE INCOME TAX EXPENSE INCLUDES:

	2015 in CZK '000	2014 in CZK '000
Current tax expense	2,760	2,738
Deferred tax income / expense	826	962
Adjustment of prior year tax expense	-10	-8
Total tax expense	3,576	3,692

### THE CURRENT TAX EXPENSE IS CALCULATED AS FOLLOWS:

	2015 in CZK '000	2014 in CZK '000
Profit before taxation	15,929	17,187
Non-taxable income	-5,910	-7,416
Non-deductible expenses	4,773	4,937
Adjustment to net taxable profit	-267	-297
Net taxable profit	14,525	14,410
Income tax at 19%	2,760	2,738

### THE DEFERRED TAX ASSET (LIABILITY) CAN BE ANALYSED AS FOLLOWS:

	31 December 2015 in CZK '000	31 December 2014 in CZK '000
<b>Deferred tax liability</b>	<b>7,868</b>	<b>4,427</b>
Accelerated tax depreciation	1,495	841
<b>Deferred tax liability at 19%</b>		
<b>Deferred tax asset</b>	<b>1,374</b>	<b>2,280</b>
Adjustments and provisions	261	433
<b>Deferred tax liability at 19%</b>		
Net deferred tax asset (liability)	-1,234	-408

Income tax advance were paid during the year in accordance with the prescribed deadlines. The overpayment on income tax for 2015 of CZK 1,900,000 (of which CZK 2,759,000 being income tax expense and CZK 4,659,000 being income tax advances) is reported within assets as a tax receivable. No income tax reserve was created as at 31 December 2015 because the 2015 income tax liability have been calculated and recorded into this accounting period.

## RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed in the section "Analysis of employees", the company participated in the following related parties transactions:

	2015 in CZK '000	2014 in CZK '000
<b>Income</b>		
Direct gross written premiums	96,870	84,246
Other income	12,004	11,927
Total income	108,874	96,173
<b>Expenses</b>		
Commission expenses incurred in connection with the conclusion of insurance policies	16,209	12,080
Other expenses	1,661	1,944
Total expenses	17,870	14,024

Other income includes rent for the administrative building at Benešova 10, Brno.

These transactions were realised at prices inclusive of the provider's costs plus a reasonable profit margin.

The company reported the following balances with related parties:

	31 December 2015 in CZK '000	31 December 2014 in CZK '000
Other receivables from VZP	2,671	2,359
Other payables to VZP	4,522	1,157

## CONTINGENT LIABILITIES

The company's management is not aware of any contingent liabilities as at 31 December 2015.

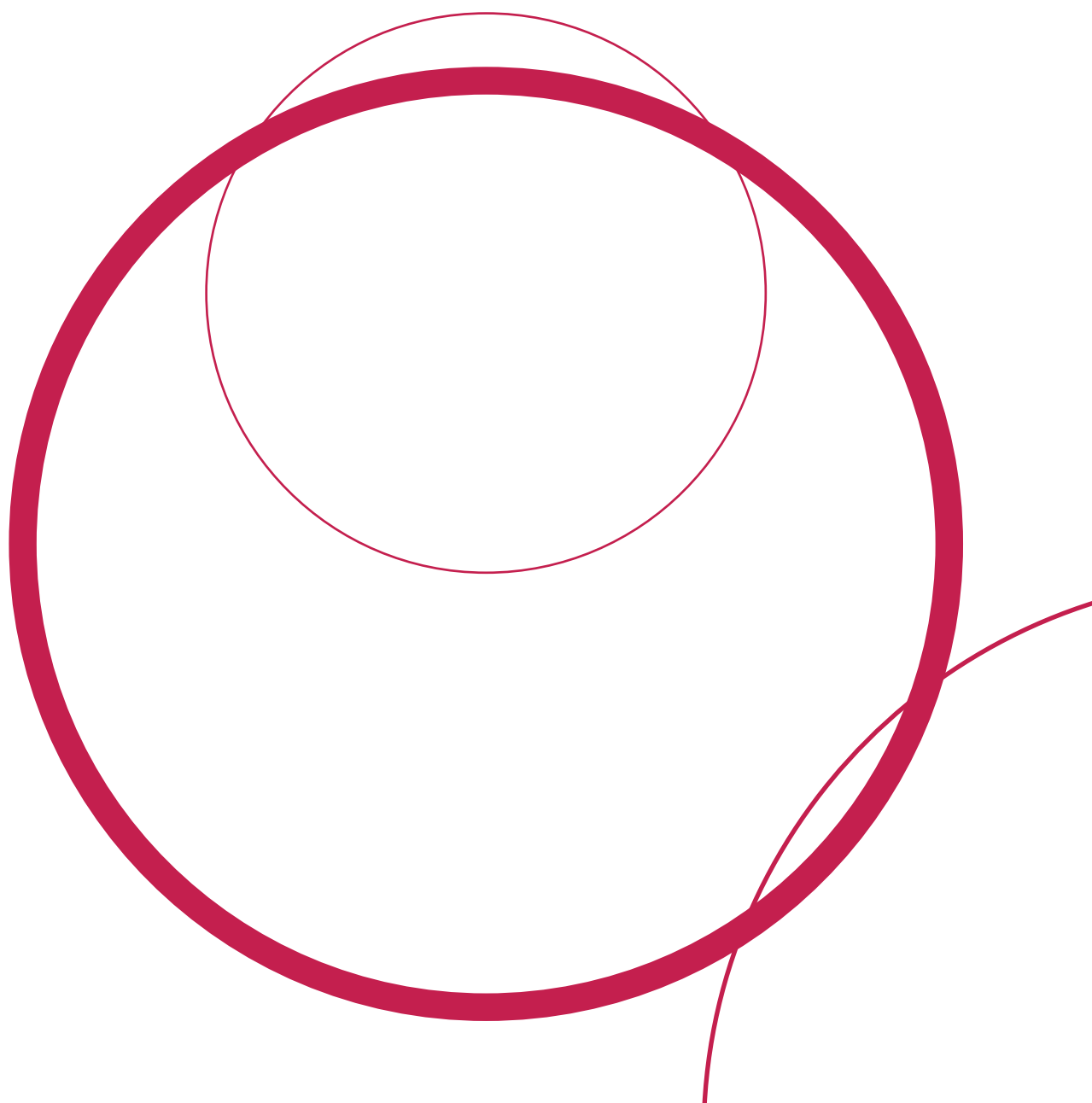
## POST-BALANCE SHEET EVENTS

No events have occurred subsequent to the balance sheet date that would have a significant impact on the financial statements as at 31 December 2015.

## **SPECIFICATION OF THE INSURANCE CLASSES AND ACTIVITIES ASSOCIATED WITH THE INSURANCE ACTIVITY**

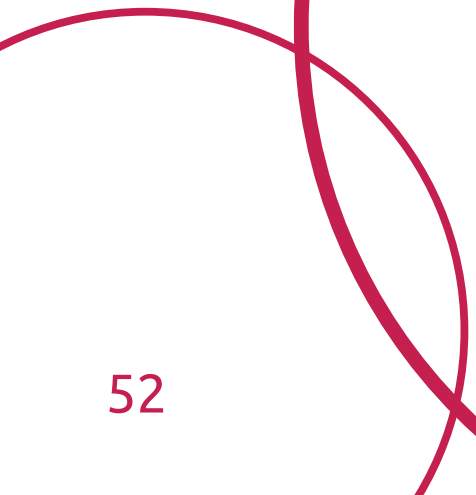
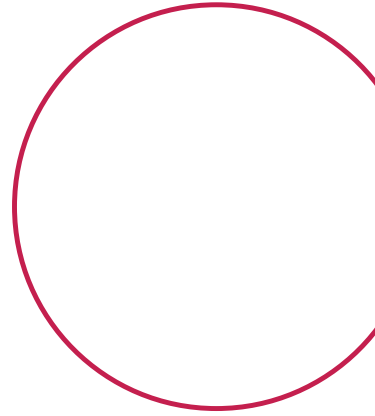
In accordance with Part B - Non-Life Insurance Classes of Annex No. 1 to Act No. 277/2009 Coll., on Insurance, Pojišťovna VZP, a.s. applied to the Czech National Bank for an expansion in the scope of the authorised activities by the addition of the following insurance classes: accident insurance, sickness insurance, insurance against damage to or loss of land vehicles other than railway rolling stock, insurance against damage to or loss of property other than that referred to in point 3 and 7 of the said annex, insurance against away from their residence, including insurance of financial losses directly connected to the travelling. This license was granted to Pojišťovna VZP, a.s. in autumn 2010. In 2011 Pojišťovna VZP, a.s. launched its medical expenses insurance and introduced additional

products (accident insurance, luggage insurance, liability insurance, trip cancellation insurance, Slovakian mountain rescue service intervention insurance), as well as a new product, sickness benefits insurance combined with daily benefits in the event of hospitalisation. A property and business liability insurance product was launched by the company in 2012, and in 2013 the company introduced property insurance and civil liability insurance and foreigners' comprehensive health insurance Exclusive. In 2013, Pojišťovna VZP, a.s. was granted a small reinsurance licence. In 2015, PHOENIX, a new product covering serious diseases was launched and the company's existing products were revised.



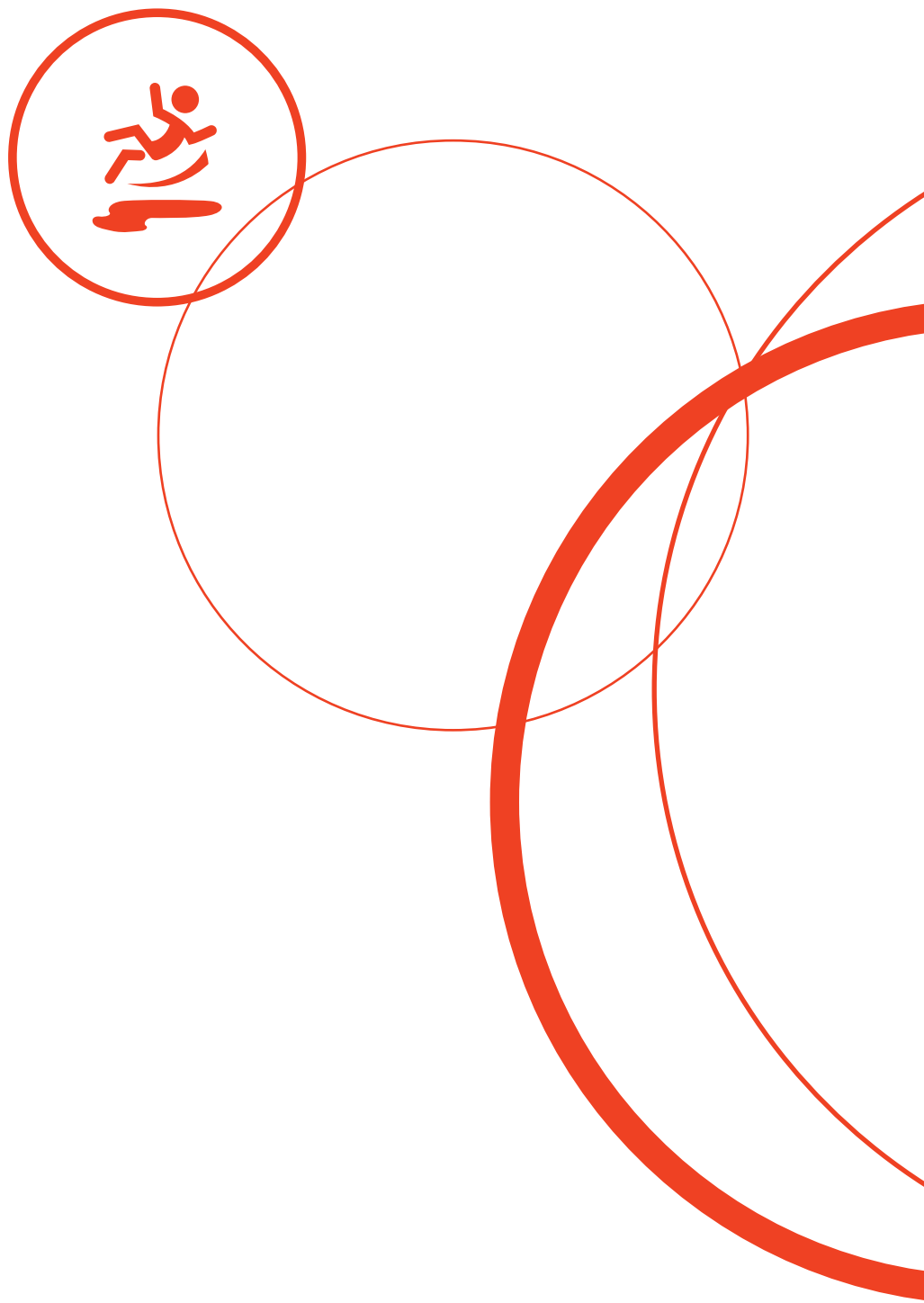
# STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY





## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Registered capital CZK '000	Reserve funds CZK '000	Capital funds CZK '000	Retained profit CZK '000	Profit (loss) CZK '000	Total CZK '000
<b>Balance as of 1.1.2015</b>	<b>253 000</b>	<b>20 071</b>	<b>2 695</b>	<b>0</b>	<b>13 495</b>	<b>289 261</b>
Profit for the accounting period	0	0	0	0	12 353	12 353
Dividends	0	0	0	0	0	0
Transfers to funds	0	0	2 566	0	- 2 566	0
Usage of funds	0	- 20 071	-2 750	0	20 071	- 2 750
Retained earnings	0	0	0	0	0	0
Increase in share capital	31 000	0	0	0	- 31 000	0
<b>Balance as of 31.12.2015</b>	<b>284 000</b>	<b>0</b>	<b>2 511</b>	<b>0</b>	<b>12 353</b>	<b>298 864</b>
<b>Balance as of 1.1.2014</b>	<b>230 000</b>	<b>18 692</b>	<b>2 670</b>	<b>0</b>	<b>27 584</b>	<b>278 946</b>
Profit for the accounting period	0	0	0	0	13 495	13 495
Dividends	0	0	0	0	0	0
Transfers to funds	0	1 379	3 205	0	- 4 584	0
Usage of funds	0	0	-3 180	0	0	-3 180
Retained earnings	0	0	0	0	0	0
Increase in share capital	23 000	0	0	0	- 23 000	0
<b>Balance as of 31.12.2014</b>	<b>253 000</b>	<b>20 071</b>	<b>2 695</b>	<b>0</b>	<b>13 495</b>	<b>289 261</b>





# **BALANCE SHEET AND PROFIT AND LOSS ACCOUNT INSURANCE COMPANIES**

**AS OF 31.12.2015**

# BALANCE SHEET INSURANCE COMPANIES AS OF 31.12.2015

in thousands CZK (without decimals)

Key	Row number	Prior period	Gross amount	Adjustment (allowances)	Net amount
ASSETS					
<b>A. Stock subscriptions receivable</b>	1	0	0	0	0
<b>B. Intangible assets, of which:</b>	2	12 648	165 672	154 964	10 708
a) organization costs	3	0	1 866	1 866	0
b) goodwill	4	0	0	0	0
<b>C. Financial investments</b>	5	354 132	333 907	0	333 907
I. Land and buildings (real-estate), of which:	6	139 237	139 237	0	139 237
a) operating land and buildings	7	2 230	2 230	0	2 230
II. Financial investments in subsidiaries and associates	8	0	0	0	0
1. Participating interests in subsidiaries	9				
2. Debt securities issued by and loans granted to subsidiaries	10				
3. Participating interests in affiliated undertakings	11				
4. Debt securities issued by and loans granted to affiliates	12				
III. Other financial investments	13	214 896	194 670	0	194 670
1. Shares and other variable income securities, other equity interests	14	3 691	3 881		3 881
2. Bonds and other debt securities	15	167 704	157 789	0	157 789
3. Investments in investment associations	16				
4. Other loans	17				
5. Deposits with financial institutions	18	43 500	33 000	0	33 000
6. Other investments	19				
IV. Deposits with ceding undertakings	20	0	0	0	0
<b>D. Unit linked life assurance, where the policyholder bears the investment risk</b>	21	0	0	0	0
<b>E. Debtors</b>	22	30 974	34 682	0	34 682
I. Receivables from direct insurance	23	19 900	12 159	0	12 159
1. policyholders	24	7 497	5 777	0	5 777
2. insurance intermediaries	25	12 403	6 382	0	6 382
II. Reinsurance receivables	26	1 376	12 552	0	12 552
III. Other receivables	27	9 698	9 971	0	9 971
<b>F. Other assets</b>	28	45 300	105 975	17 733	88 242
I. Tangible fixed assets other than land and buildings (real-estate) and inventories	29	4 838	30 032	17 733	12 299
II. Cash on accounts with financial institutions and cash in hand	30	40 239	75 809	0	75 809
III. Other assets	31	223	134	0	134
<b>G. Prepayments and accrued income</b>	32	38 203	47 255	0	47 255
I. Accrued interest and rent	33	0	0	0	0
II. Deferred acquisition costs related to insurance contracts, of which:	34	25 446	31 396	0	31 396
a) life insurance	35				
b) non-life insurance	36	25 446	31 396	0	31 396
III. G. Other prepayments and accrued income, of which:	37	12 757	15 859	0	15 859
a) estimated accrued income	38	3 606	1 025	0	1 025
<b>TOTAL ASSETS</b>	39	481 257	687 491	172 697	514 794

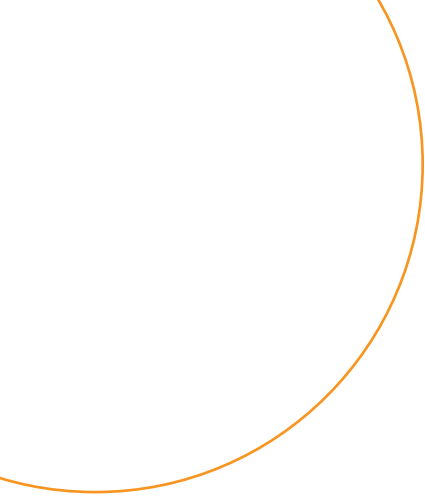
Key	Row number	Prior period	Gross amount	Adjustment (allowances)	Net amount
LIABILITIES					
<b>A. Equity</b>	40	289 261			298 864
I. Share capital, of which:	41	253 000			284 000
a) changes in capital	42	0			0
b) own shares or own interim certificates, own business shares	43	0			0
II. Share premium	44	0			0
III. Revaluation reserve	45	0			0
IV. Other capital funds	46	0			0
V. Statutory reserve fund	47	22 766			2 511
VI. Retained earnings or accumulated losses brought forward	48	0			0
					12 353
VII. Profit or loss for the current accounting period	49	13 495			
<b>B. Subordinated debt</b>	50	0			0
<b>C. Technical reserves</b>	51	158 790	213 435	43 856	169 579
1. Unearned premium reserve	52	118 387	150 283	22 653	127 630
of which: a) Provision for unearned premiums related to life insurance	53				
b) Provision for unearned premiums related to non-life insurance	54	118 387	150 283	22 653	127 630
2. Life assurance reserve	55				
3. Reserve for claims	56	40 403	63 152	21 203	41 949
of which: a) Provision for claims relating to life insurance	57				
b) Provision for claims relating to non-life insurance	58	40 403	63 152	21 203	41 949
4. Reserve for bonuses and discounts	59	0	0	0	0
of which: a) Reserve for bonuses and discounts related to life insurance	60				
b) Reserve for bonuses and discounts related to non-life insurance	61	0	0	0	0
5. Equalisation reserve	62	0	0	0	0
6. Reserves for obligations from the technical interest rate	63				
7. Non-life insurance reserve	64	0	0	0	0
of which: a) non-life insurance reserve related to life insurance	65				
b) non-life insurance reserve related to non-life insurance	66				
8. Other reserves	67	0	0	0	0
of which: a) Other reserves related to life insurance	68				
b) Other reserves related to non-life insurance	69				
<b>D. Reserves for unit linked life assurance, where the policyholder bears the investment risk</b>	70	0	0	0	0
<b>E. Other provisions</b>	71	1 898			1 828
1. Pension provisions and similar liabilities	72				
2. Tax provisions	73				
3. Other provisions	74	1 898			1 828
<b>F. Deposits received from reinsurers</b>	75	0			0
<b>G. Creditors</b>	76	15 343			25 821
I. Payables from direct insurance	77	835			2 881
II. Payables from reinsurance	78	2 476			8 690
III. Debenture loans, including:	79	0			0
a) convertible loans	80	0			0
IV. Liabilities to financial institutions	81	0			0
V. Other payables, of which:	82	12 032			14 250
a) tax liabilities and liabilities from social and health insurance	83	3 068			4 196
VI. Guarantee Fund of the Czech Insurers' Bureau	84	0			0
<b>H. Accruals and deferred income</b>	85	15 965			18 703
I. Accruals and deferred income	86	11 396			9 148
II. Other accruals and deferred income, of which:	87	4 570			9 555
a) estimated accrued expense	88	4 570			9 555
<b>TOTAL LIABILITIES</b>	89	481 257			514 794

# PROFIT AND LOSS ACCOUNT INSURANCE COMPANIES AS OF 31.12.2015

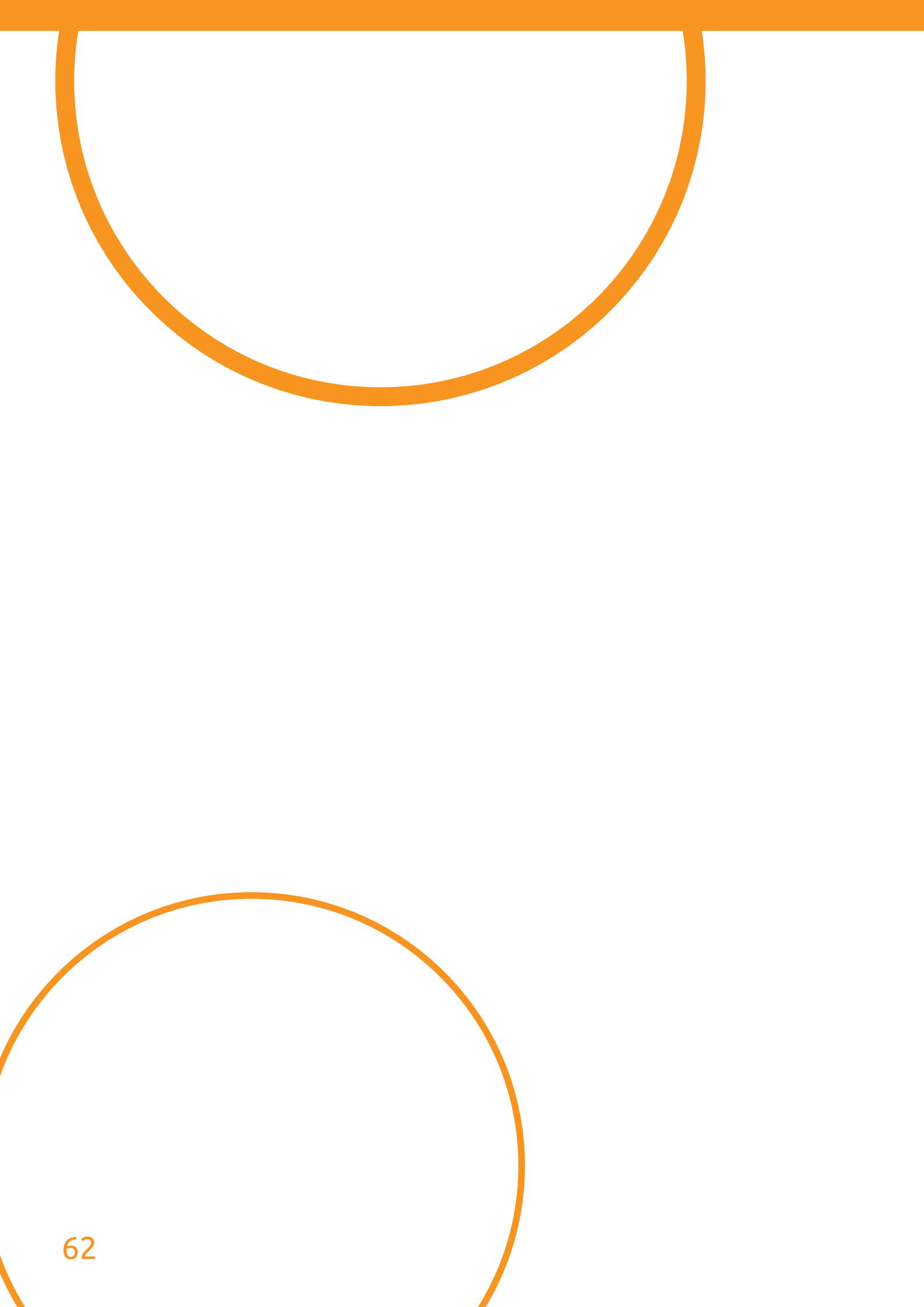
in thousands CZK (without decimals)

Key	Row number	Prior period (Result)	Base	Subtotal	Result
<b>I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE</b>					
1. Earned premiums, net of reinsurance:	1	x	x	x	x
a) gross written premiums	2	x	431 156	x	x
b) outward reinsurance premiums	3	x	167 055	264 101	x
c) change in the gross amount of unearned premium reserve (+/-)	4	x	16 505	x	x
d) portion of change in unearned premium reserve covered by reinsurance (+/-)	5	266 394	7 262	9 243	254 858
2. Allocated investment return transferred from the non-technical account (item III.6.)	6	5 951	x	x	7 257
3. Other technical income, net of reinsurance	7	58 438	x	x	4 165
4. Claims incurred, net of reinsurance:	8	x	x	x	x
a) paid claims:	9	x	x	x	x
aa) gross amount	10	x	148 848	x	x
ab) share of reinsurance	11	x	40 467	108 381	x
b) change in reserve for claims (+/-):	12	x	x	x	x
ba) gross amount	13	x	10 029	x	x
bb) share of reinsurance	14	109 986	8 482	1 547	109 928
5. Change in other technical reserves, net of reinsurance (+/-)	15	0	x	x	0
6. Bonuses and discounts, net of reinsurance	16	0	x	x	0
7. Net operating expenses:	17	x	x	x	x
a) claim acquisition costs	18	x	x	99 185	x
b) change in deferred acquisition costs (+/-)	19	x	x	-5 950	x
c) administrative expenses	20	x	x	131 787	x
d) commissions from reinsurers and profit participations	21	190 745	x	82 298	142 723
8. Other technical expenses, net of reinsurance	22	24 035	x	x	803
9. Change in the equalisation reserve (+/-)	23	0	x	x	0
10. Technical account balance (result) - non-life-insurance business (item III.1.)	24	6 017	x	x	12 825
<b>II. TECHNICAL ACCOUNT - LIFE INSURANCE</b>					
1. Earned premiums, net of reinsurance:	25	x	x	x	x
a) gross written premiums	26	x	x	0	x
b) outward reinsurance premiums	27	x	x	0	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	28	0	x	0	0
2. Income from financial investments:	29	x	x	x	x
a) income from equity investments, with special reference to those arising from subsidiaries	30	x	x	0	x
b) income from equity investments, with special reference to those arising from subsidiaries, of which:	31	x	x	x	x
ba) land and buildings	32	x	0	x	x
bb) other financial investments	33	x	0	0	x
c) revaluation gains on financial investments	34	x	x	0	x
d) income from sale of financial investments	35	0	x	0	0
3. Revaluation gains on financial investments	36	0	x	x	0
4. Other technical income, net of reinsurance	37	0	x	x	0
5. Claims incurred, net of reinsurance:	38	x	x	x	x
a) paid claims:	39	x	x	x	x

Key	Row number	Prior period (Result)	Base	Subtotal	Result
aa) gross amount	40	x	0	x	x
ab) share of reinsurance	41	x	0	0	x
b) change in reserve for claims (+/-):	42	x	x	x	x
ba) gross amount	43	x	0	x	x
bb) share of reinsurance	44	0	0	0	0
6. Change in other technical reserves, net of reinsurance (+/-):	45	x	x	x	x
a) change in reserve for life insurance:	46	x	x	x	x
aa) gross amount	47	x	0	x	x
ab) share of reinsurance	48	x	0	0	x
b) Change in other technical provisions, net of reinsurance	49	0	x	0	0
7. Bonuses and discounts, net of reinsurance	50	0	x	x	0
8. Net operating expenses:	51	x	x	x	x
a) claim acquisition costs	52	x	x	0	x
b) change in deferred acquisition costs (+/-)	53	x	x	0	x
c) administrative expenses	54	x	x	0	x
d) commissions from reinsurers and profit participations	55	0	x	0	0
9. C. Financial investment expenses	56	x	x	x	x
a) investment management fees, including interest	57	x	x	0	x
b) change in value of financial investments	58	x	x	0	x
c) cost of sale of financial investments	59	0 0	x	0	0
10. Revaluation losses on financial investments	60	0	x	x	0
11. Other technical expenses, net of reinsurance	61	0	x	x	0
12. Allocated investment return transferred from the non-technical account (item III.4.)	62	0	x	x	0
13. Technical account balance (result) - life-insurance business (item III.2.)	63	0	x	x	0
<b>III. NON-TECHNICAL ACCOUNT</b>					
1. Balance on the technical account - non-life-insurance (item I.10.)	64	6 016	x	x	12 825
2. Balance on the technical account - life assurance (item II.13.)	65	0	0	0	0
3. Income from financial investments:	66	x	x	x	x
a) income from equity investments, with special reference to those arising from subsidiaries	67	x	x	0	x
b) income from equity investments, with special reference to those arising from subsidiaries, of which:	68	x	x	x	x
ba) land and buildings (real-estate)	69	x	12 088	x	x
bb) other financial investments	70	x	3 554	15 643	x
c) revaluation gains on financial investments	71	x	x	540	x
d) income from sale of financial investments	72	60 013	x	48 347	64 530
4. Allocated investment return transferred from the life-assurance technical account (item II.12.)	73	0	x	x	0
5. C. Financial investment expenses	74	x	x	x	x
a) investment management fees, including interest	75	x	x	1 608	x
b) change in value of financial investments	76	x	x	1 153	x
c) cost of sale of financial investments	77	46 405	x	47 001	49 762
6. Allocated investment return transferred to the technical account - non-life insurance (item I.2.)	78	5 951	x	x	7 257
7. Other income	79	6 352	x	x	2 559
8. Other expenses	80	2 912	x	x	7 028
9. Income tax on ordinary activities	81	2 730	x	x	2 750
10. Profit or loss from ordinary activities after tax	82	14 383	x	x	13 117
11. Extraordinary income	83	74	x	x	62
12. Extraordinary expenses	84	0	x	x	0
13. Extraordinary profit or loss	85	74	x	x	62
14. Tax on extraordinary profits	86	0	x	x	0
15. Other taxes not shown under the preceding items	87	962	x	x	826
<b>16. Profit or loss for the current period (item III.3.)</b>	<b>88</b>	<b>13 495</b>	<b>x</b>	<b>x</b>	<b>12 353</b>



# INDEPENDENT AUDITOR'S REPORT





## ***Independent auditor's report***

### **to the shareholder of Pojišťovna VZP, a.s.**

We have audited the accompanying financial statements of Pojišťovna VZP, a.s., identification number 27116913, with registered office at Ke Štvanici 656/3, Prague 8 ("the Company"), which comprise the balance sheet as at 31 December 2015, the income statement and statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

#### ***Statutory Body's Responsibility for the Financial Statements***

The Statutory Body is responsible for the preparation of the financial statements that give a true and fair view in accordance with Czech accounting legislation, and for such internal control as the Statutory Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 of the Czech Republic, International Standards on Auditing and the related application 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 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 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 Company's preparation of the 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 Company's internal control. An audit also includes evaluating the appropriateness of the 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 the Company as at 31 December 2015 and its financial performance for the year then ended in accordance with Czech accounting legislation.

#### ***Other information***

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is not materially inconsistent with the financial statements or our knowledge about the Company obtained in the course of the audit of the financial statements, whether the annual report was prepared in compliance with legal requirements, and whether the other information does not appear to be otherwise materially misstated.



**Shareholder of Pojišťovna VZP, a.s.  
Independent auditor's report**

If, based on the work we have performed, we conclude that the aforementioned requirements of the other information are not met, we are obliged to report that fact herein.

We have nothing to report in this regard.

30 March 2016

*PricewaterhouseCoopers Audit, s.r.o.*  
represented by

*Marek Richter*  
Marek Richter  
Partner

*Kristina Vančurová*  
Kristina Vančurová  
Statutory Auditor, Evidence No. 2085

**Note**

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

