ČSOB Pojišťovna

WE ARE COMING TOWARDS YOU

ANNUAL REPORT 2023

CONTENT

LADIES, GENTLEMEN, CLIENTS, BUSINESS PARTNERS, COLLEAGUES,

2023 was a record year for ČSOB Pojišťovna in many indicators. In terms of written premiums, profit or market share, we reached historical values. We were also delighted to win several prestigious awards from clients and the expert community. Unfortunately, even in 2023, the entire insurance company yet again faced the human and economic consequences of the war in Ukraine, as well as the ongoing energy crisis and rising inflation, the latter of which has had a significant impact on the prices of virtually all commodities and services, including insurance.

Looking at the figures, ČSOB Pojišťovna remains the 4th largest insurance company in the Czech Republic, taking care of more than 1.5 million clients. The growth strategy we embarked on a few years earlier has shown gains, and we are currently growing faster than the market. While the insurance market grew by 7.1% year-on-year in written premiums in 2023, we grew by 9.6% during the same period. This momentum led to us reaching a historic milestone in market share, which we managed to increase by +0.2 % to a final market share of 9 %. Specifically, we increased our market share to 9.7% in non-life, and to 7.4% in life insurance; on track to meet our goals and surpass our target of having a 10% market share by 2026.

Profit obtained by ČSOB Pojišťovna last year is another historic achievement. The net profit of our company, according to international accounting standards, reached a record CZK 2.8 billion in 2023. These excellent business results are clearly visible in the level of written premiums, in which we surpassed the CZK 15 billion crown threshold for the year 2023; which amounted to CZK 11 billion in non-life and CZK 3.8 billion in life, respectively, for a total of CZK 15.1 billion.

The excellent business and economic results last year were reinforced by winning several awards such as Most Client Friendly Non-Life Insurance Company (2nd place), Most Client Friendly Life Insurance Company (3rd place), Best Non-Life Insurance Company (2nd place) and Best Life Insurance Company (3rd place). Together with increasing customer satisfaction according to the NPS methodology, this is confirmation for us that the changes we have been undertaking in our company are going in the right direction.

Client-centricity is not just a popular catch-all phrase for us but reflects our employees' approach to their daily tasks. The primary factor for us is that our employees and salespeople strive to see our clients and their needs with their hearts, not with technocratic numerical metrics. We strive to make insurance about people, and technology is there to support that very human side of insurance. In addition, we place great emphasis on making the experience of taking out insurance with us as positive as possible, as this influences the way clients view other products in our financial group.

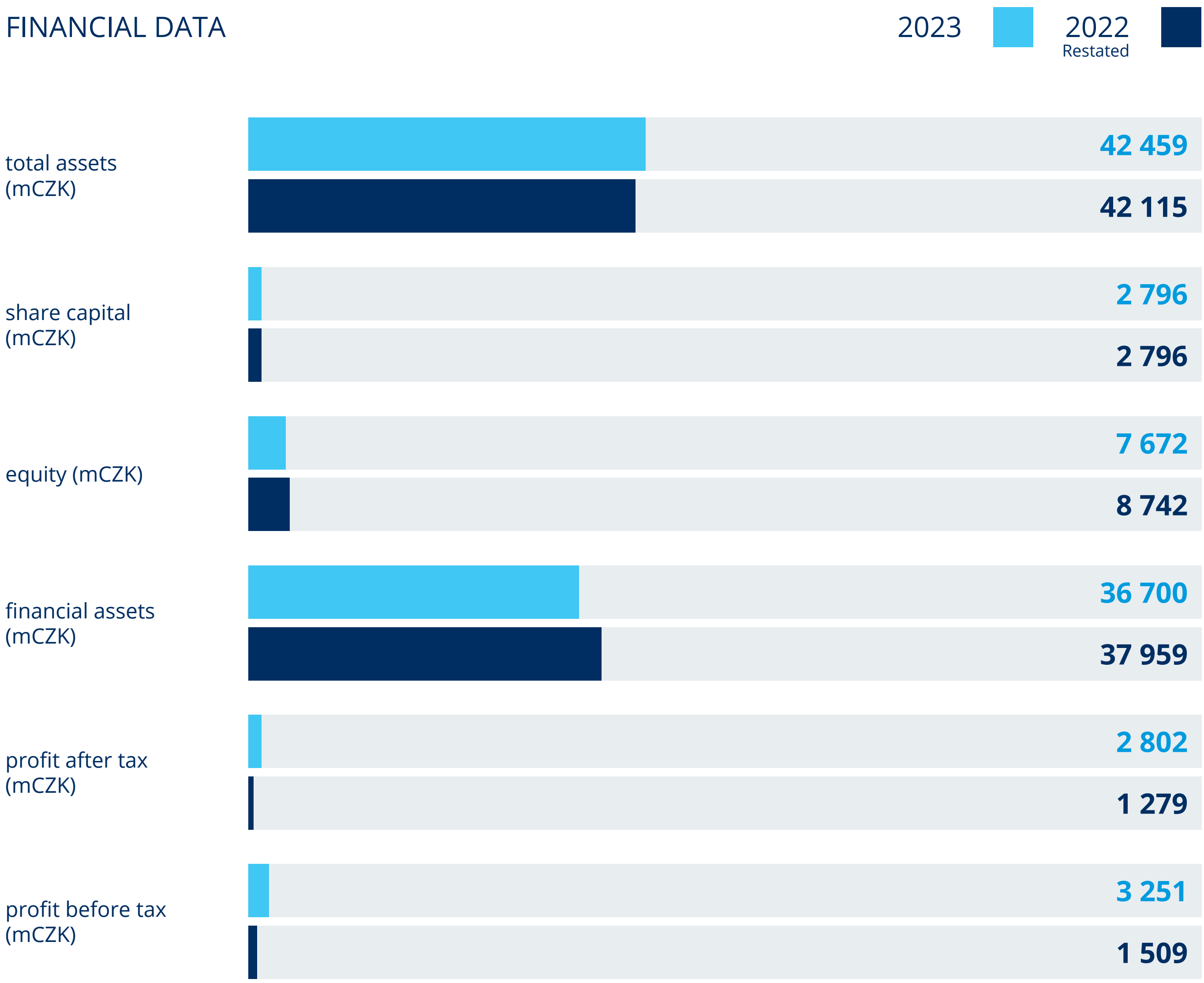
Unfortunately, the insurance industry and society as a whole continued to face several unpleasant events in 2023. The continuation of the war in Ukraine, the reverberations of the energy crisis, or accelerated inflation. I believe that the insurance market has coped with all these economic pitfalls and, after two years of stagnation, is once again experiencing growth. More than ever, it is in times of crises that the role of insurance companies is irreplaceable, and I believe that insurance companies in the Czech Republic are doing their job very well. They are very responsible and aware of the important role they play in the whole of Czech society.

At ČSOB Pojišťovna, we have long been increasing our emphasis on responsible and environmentally friendly behavior. We are continuously reducing our carbon footprint and emphasizing environmental sustainability in our plans. We plan to eliminate paper consumption here as much as possible and gradually digitize all processes. We care not only about ecology but also about helping those in need in our surroundings. In 2023 we organized two dozen different charity activities. I am very proud that our insurance company has such a great team of people who not only seek out such activities, but also organise them themselves to a large extent.

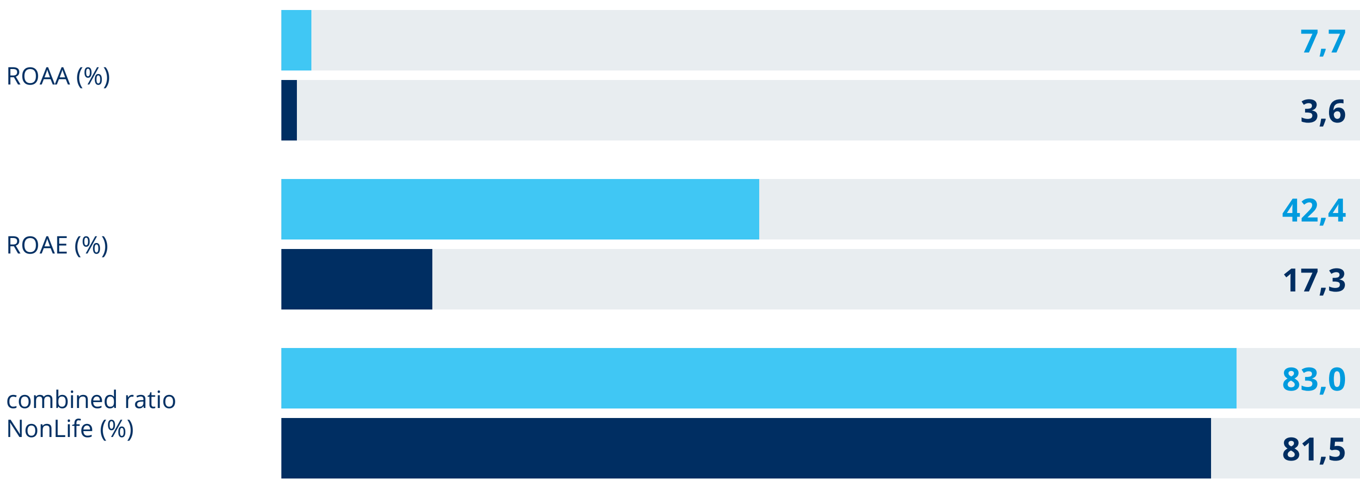
I would like to conclude by expressing my sincere thanks on behalf of the entire Board of Directors to all our colleagues, salespeople and business partners for their work, support and energy, thanks to which we manage to take care of our clients and achieve such excellent results. In fact, last year we set records in all key indicators. At the same time, I also want to say a big thank you to our clients. We value your trust immensely, which drives and inspires us to improve our products and services.

Jiří Střelický
Chairman of the Board of Director
ČSOB Pojišťovna, a. s., člen holdingu ČSOB

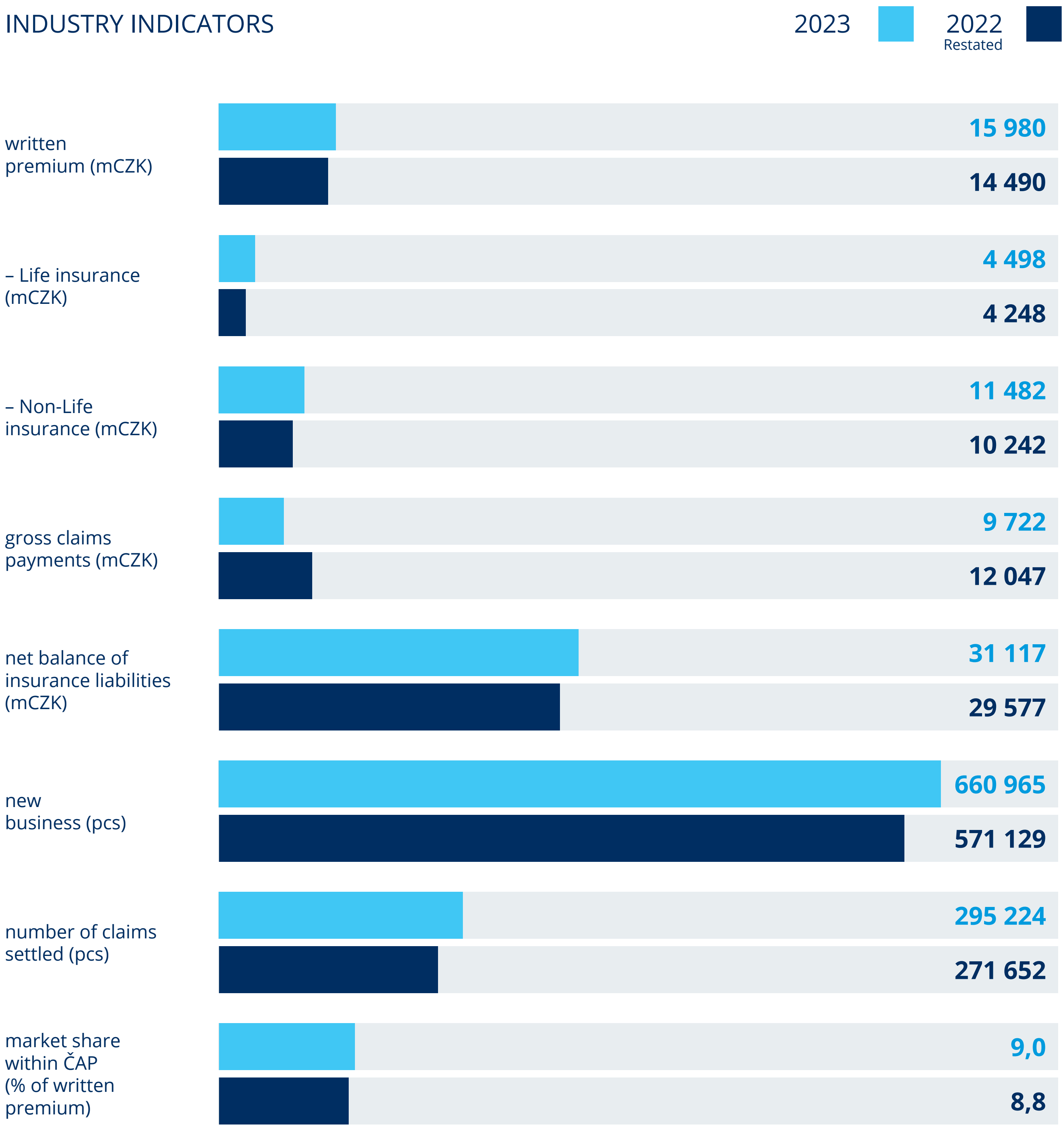
FINANCIAL DATA



RATIOS



INDUSTRY INDICATORS



OTHER DATA

COMPANY BODIES

BOARD OF DIRECTORS (AS AT 31 DECEMBER 2023)

CHAIRMAN	Mgr. Jiří Střelický, M.A., Ph.D.
VICE-CHAIRMAN	Ing. Stanislav Uma
MEMBERS	Ing. Marek Cach
	Ing. Tomáš Lain

No changes occurred in the composition of the Board of Directors during the year 2023.

SUPERVISORY BOARD (AS AT 31 DECEMBER 2023)

CHAIRMAN	Mgr. Aleš Blažek
VICE-CHAIRMAN	Isabel Boogers
MEMBER	Mgr. Přemysl Dolan, MBA

No changes occurred in the composition of the Supervisory Board during the year 2023.

MANAGEMENT OF THE COMPANY (AS AT 31 DECEMBER 2023)

Mgr. Jiří Střelický, M.A., Ph.D.	Chairman of the Board of Directors responsible for CEO Unit and Sales Division
Ing. Stanislav Uma	Vice-chairman of the Board of Directors responsible for Client Service and Direct Distribution Division
Ing. Marek Cach	Member of the Board of Directors responsible for Life and Non-life Insurance Division
Ing. Tomáš Lain	Member of the Board of Directors responsible for Finance and Risk Management Division

No changes occurred in the composition of the Management of the company during the year 2023.

COMPANY PROFILE

ČSOB Pojišťovna, a. s., člen holdingu ČSOB (ČSOB Pojišťovna), is a universal insurance company, offering comprehensive insurance services to citizens and tradesmen, as well as to small and medium enterprises and large corporations. It is ready to provide European-quality services to all its client in the areas of life and non-life insurance. Moreover, the stable infrastructure of the ČSOB Group and of the strong multinational shareholder KBC further enables the clients of ČSOB Pojišťovna to obtain advantageous terms on comprehensive management of their financial needs.

FOUNDING AND SHAREHOLDER STRUCTURE

ČSOB Pojišťovna was established on 17 April 1992 and has been operating under its current name since 6 January 2003, when it changed from IPB Pojišťovna, a.s. to its current business name following the purchase of the universal insurance company, ČSOB Pojišťovna a.s. The result is a strong insurance entity, which, with its share capital of CZK 2.8 billion and its equity of CZK 7.7 billion (as of 31 December 2023), is one of the best capitalised insurance companies on the Czech market. ČSOB Pojišťovna relies on the stable background and proven know-how of its major shareholder, KBC Verzekeringen, a Belgian insurance company, member of the multinational KBC Group. In 2023, ČSOB Pojišťovna had written premiums in the amount of CZK 16 billion, making it one of the largest insurance companies in the Czech Republic. Its market share by written premium, according to the Czech Association of Insurance Companies, was 9 % at the end of 2023.

INSURANCE PRODUCTS

ČSOB POJIŠŤOVNA OPERATED THE FOLLOWING INSURANCE BRANCHES/GROUPS IN 2023:

LIFE INSURANCE

- Insurance in the event of death, survival and death or survival
- Pension insurance
- Capital Life insurance
- Investment Life Insurance
- Accident and illness insurance, which is complementary to the above insurance
- Child life insurance
- Specialised insurance for women and men
- Accident, illness and medical insurance

NON-LIFE INSURANCE

- Insurance of accident, illness and treatment
- Motor vehicle insurance
- Insurance for fire and other property damage
- Aviation insurance, inland navigation insurance and maritime insurance and transport insurance
- Liability insurance (including liability insurance caused by the operation of the vehicle)
- Credit and guarantee insurance
- Mortgage insurance
- Insurance of other losses
- Business risk insurance
- Agricultural insurance
- Legal protection insurance
- Internet risk insurance
- Cyber risk Insurance

SALE OF INSURANCE AND SUBSEQUENT SERVICE

Customer satisfaction is ensured by approximately seven hundred employees and more than a thousand exklusive insurance intermediaries of ČSOB Pojišťovna at ten regional branches and more than two hundred business offices throughout the Czech Republic. Life and non-life insurance products are also offered by ČSOB Pojišťovna through the ČSOB Group's business network.

MEMBERSHIP IN PROFESSIONAL ASSOCIATIONS

ČSOB Pojišťovna is a member of the Czech Insurance Association, the Czech Office of Insurers and the Czech Nuclear Insurance Pool. It is also a member of the worldwide insurance network I.N.I. (International Network of Insurance).

BASIC COMPANY INFORMATION

BUSINESS NAME:
ČSOB Pojišťovna, a. s., člen holdingu ČSOB

Registered in the Commercial Register maintained by the Regional Court in Hradec Králové, Section B, Insert No. 567
IDENTIFICATION NO: 45534306
TAX IDENTIFICATION NUMBER: CZ45534306
VAT NUMBER: CZ699000761

REGISTERED OFFICE: Pardubice, Zelené předměstí, Masarykovo náměstí čp. 1458, PSČ 530 02
TEL.: +420 467 007 111
FAX: +420 467 007 444
CLIENT SERVICE: 467 100 777
INTERNET: www.csobpoj.cz
E-MAIL: info@csobpoj.cz

REPORT OF THE BOARD OF DIRECTORS ON COMPANY BUSINESS ACTIVITIES AND ASSETS IN 2023

ČSOB Pojišťovna, a. s., člen holdingu ČSOB (here after "the Company") prescribed in the year 2023 gross written premium of CZK 15,980,491 thousand.

Within the Czech Insurance Association ranking, the Company grew faster than the market i.e., year-on-year its market share increases by +0.2 % up to 9 % and maintained the total 4th market position. The growth was realized in a sustainable way, primarily in our target areas within the entire CSOB group.

The fastest growth was achieved in non-life insurance, mainly in retail car insurance, house and households' insurance, travel insurance and industrial risks. Growth was driven by both new business and ongoing increases in sums insured for existing contracts in response to significantly rising inflation.
The total gross non-life written premium reached CZK 11,482,432 thousand, which corresponds to a year-on-year increase of 12 %. Premiums written grew a significantly faster than the market and the Company ranked 4th with an 9.7 % market share.

In Regular life the Company reached gross written premium of CZK 3,701,848 thousand with a year-on-year increase of +2.3 % and its market share ended at 7.3 %.

Regarding Single Life insurance, the Company placed 2nd position with gross written premium of CZK 796,212 thousand, and its market share reached 12.4 %.

The Company's net profit after tax for 2023 according to the International financial and reporting standards (IFRS) including new effective standard IFRS 17 reached CZK 2,802,152 thousand, i.e., year-on-year increase, mainly thanks to the increase of the written premium, the improved claims ratio of non-life insurance, a higher result from financial instruments and strict cost control policy.

The company experienced a negative impact of rising inflation on the cost management side. A more significant part of this influence on the economic result in 2023 was eliminated mainly thanks to sophisticated pricing, a lower claim frequency and active management of claim handling.

The Company continues to fulfill a largely conservative investment strategy. New investments were placed mainly to Czech government bonds and bank deposits.

Funds for life investments insurance contracts were invested in mutual funds and investment certificates.

ČSOB Pojišťovna, a.s. remains a strongly capitalized company in 2023 applying a very prudent approach to the management of its assets and liabilities, even in times of pandemic.

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


ČSOB
ČSOB Smart
Jak vám mohu pomoci?
Kate, zvyš mi limit na kartě

NON-FINANCIAL INFORMATION

The Company did not carry out significant research and development activities during 2023. In the area of environmental protection and labour relations, the Company complies in accordance with legislation. The Company does not have an organizational unit abroad and has not acquired any of its own shares.

The Company's social responsibility and sustainability strategy is based on the CSR strategy of the KBC parent group, which focuses on a structured and cross-group shared approach to business responsibility and sustainability, and is symbolically represented by the PEARL+ corporate culture.

Non-financial information will be provided by the ultimate parent company KBC Group NV on the website **www.kbc.com/en/corporate-sustainability/reporting**.

FINANCIAL PART

REPORT OF THE SUPERVISORY BOARD OF CSOB POJISTOVNA, A. S.,
A MEMBER OF CSOB HOLDING TO THE ANNUAL GENERAL MEETING
OF CSOB POJISTOVNA, A. S., A MEMBER OF CSOB HOLDING
(ALSO „CSOB POJISTOVNA" OR „THE COMPANY")

In accordance with its work plan, the Supervisory Board organized four meetings in 2023 to deal with issues within its competences under the law and the Statutes of CSOB Pojistovna. The Supervisory Board also made three decisions in a written form, so-called per rollam.

The Supervisory Board of CSOB Pojistovna supervises the performance of the effectiveness of the Board of Directors and the performance of the Company's business activities. During 2023, it had 3 members and worked in the following composition:

- Aleš Blažek, Chairman of the Supervisory Board
- Isabel Boogers, member of the Supervisory Board
- Přemysl Dolan, member of the Supervisory Board

There were no personnel changes in the Supervisory Board of CSOB Pojistovna during 2023. At the end of 2023, a member of the Supervisory Board elected by the Company's employees was elected. The mandate of Premysl Dolan, as the winning candidate, has been extended, with the term of office starting on 1 January 2024.

Members of the Board of Directors are also regularly present at Supervisory Board meetings to present the materials presented by the Board of Directors, as well as invited guests, most often Compliance Officer, Actuarial Function Holder, Risk Management Function Holder, director of Audit department. Supporting documents for the Supervisory Board meetings were prepared and sent in advance so that the Supervisory Board members had sufficient time to study them. As in the case of the Board of Directors, the secretary assists with the preparation of the Supervisory Board meetings and the preparation of the meeting minutes.

At its meetings, the Supervisory Board dealt in particular with the following priority issues for the Company:

- Supervision of the Company's management activities and efficiency
- Summary of main development activities and projects
- Regular evaluation of the Company's business results, trends in the fulfilment of its business and financial plans and decisions that should lead to strengthen dynamics of sales
- Regular readout of growth strategy execution
- Commented market comparison with main competitors in the Czech Republic
- Discussion of the Strategic Plan for 2024-2026
- Monitoring changes in the Company's organisational structure, changes in managerial positions and results of employee surveys
- Information from the meeting of the Audit Committee, which supervises the efficiency of the Company's internal control system, accounting and audits of the Company's financial statements
  - In particular, Compliance Officer, Actuarial Function Holder and Risk Management Function Holder reported regularly on the main risks, signals of risks, and the current risk profile compared to the Company's risk appetite; compliance findings and the status of implementation of compliance plans and compliance findings; the main conclusions and gravity of audit reports and the status of implementation of audit recommendations
  - In addition, any other documents submitted by the Compliance Department, Risk Management or Internal Audit Department for consideration by the Audit Committee and a brief summary thereof
- Implementation of the Motor Strategy and Tied Agent Network Strategy
- Discussion of the Project Portfolio for 2024
- Next steps regarding the ownership of land in Pardubice (Prokopka site), acquired together with land intended for the construction of the PHQ building

The Supervisory Board took note of the Company's financial results for 2023 and an external auditor's opinion on the financial results.

The Supervisory Board proposes that the General Meeting of Shareholders to approve the Company's economic results and financial statements for the year 2023 and accept the Board of Directors' proposal for the profit allocation.

Mgr. Aleš Blažek

Chairman of the Supervisory Board

English translation

Independent Auditor's Report

To the shareholders of ČSOB Pojišťovna, a.s., člen holdingu ČSOB

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of ČSOB Pojišťovna, a.s., člen holdingu ČSOB, with its registered office at Masarykovo náměstí 1458, Zelené Předměstí, Pardubice (the "Company") as at 31 December 2023, and of the Company's financial performance and cash flows for the year ended 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the European Union.

What we have audited

The Company's separate financial statements comprise:

- the separate income statement for the year ended 31 December 2023;
- the separate statement of other comprehensive income for the year ended 31 December 2023;
- the separate statement of financial position as at 31 December 2023;
- the separate statement of changes in equity for the year ended 31 December 2023;
- the separate statement of cash flow for the year ended 31 December 2023; and
- the notes to the separate financial statements (the "financial statements"), comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council (the "EU Regulation") and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic, with the Act on Auditors and with the EU Regulation. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, the Act on Auditors and the EU Regulation.

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
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Our audit approach

Overview

Overall materiality represents 1 % of the Company's Insurance revenues before reinsurance and has been estimated at CZK 133 million.

Assumptions and methodologies used in valuation of insurance contracts assets and liabilities.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate, on the financial statements as a whole.

Overall Company materiality	CZK 133 million
How we determined it	Materiality for the Company was determined as 1 % on the Company's Insurance revenues before reinsurance.
Rationale for the materiality benchmark applied	We have chosen the Insurance revenue before reinsurance, as a new metric driven by IFRS 17 adoption as well as key focus of the management and stakeholders. Performance of insurance companies on the market is measured on basis of revenues and the Insurance revenues before reinsurance is one of the main indicators monitored by external users of financial statements reported under EU IFRS Accounting Standards. We have applied 1 % which is within the range of acceptable quantitative materiality thresholds for Public Interest Entities.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assumptions and methodologies used in valuation of insurance contracts assets and liabilities	
Assets and liabilities from insurance contracts which are accounted for in accordance with IFRS 17 (Insurance contracts) since 1 January 2023, are complex, require application of professional judgement and are estimated based on assumptions, which are affected by future economic, non-economic or political conditions based on comprehensive processes for determining assumptions about future developments in relation to the insurance portfolios to be valued. The accounting policies and the process used by management to determine assumptions that have the greatest effect on the measurement of Liability for remaining coverage (LRC) and / or liability for incurred claims (LIC) are disclosed in the note 2.4 and related other explanatory information in the note 14 to the accompanying financial statements. LRC estimate within the life and health business segment insurance contracts are measured using the variable fee approach (VFA) or the general measurement model (GMM, also known as the building block approach, BBA). The present values of the estimated future cash flows in particular are affected by possible material uncertainties in relation to the measurement. This uncertainty stems in particular from the methods used and the actuarial assumptions determined in connection with interest rates, investment income, mortality, disability, longevity, costs and policyholder behaviour. Estimate of LIC recognises the expectations regarding insurance claims that have been reported but not settled and incurred but not yet reported. These represent the Company's expectation of future payments for known and unknown claims as well as the associated expenses. The Company uses various methods to estimate these obligations. Measurement of these liabilities requires a significant degree of judgement by the management of the Company regarding assumptions made, such as the impact of increased inflation rates, loss developments and regulatory changes.	We obtained an understanding of the Company's methodologies and procedures to determine the key assumptions, either based on market observable data or management's own experience and estimates. We have involved PwC actuarial specialists in our audit procedures. As part of our audit, we assessed the appropriateness of selected controls of the Company for selecting the valuation methods applied as well as for determining assumptions and making estimates for the measurement of assets and liabilities from insurance contracts. In this connection, we tested, among others, controls over the completeness and accuracy of the underlying data and controls over the appropriateness of the derivation and implementation of assumptions and estimates used in the valuation. We have compared the valuation methods and key assumptions with generally recognised actuarial methods and industry standards and examined to what extent these are suitable. We have discussed the key assumptions, including expectations of the magnitude of impact of the risks associated to the economic environment (e.g. inflation, changes in market trends, etc.) with the Company and, where appropriate, challenged the assumptions. Our focus was the assessment of the cash flow model used by the Company to estimate LRC, use of assumptions as well as the completeness and accuracy of the data used for the measurement of selected liabilities. Our audit also included an evaluation of the plausibility and integrity of the data and assumptions, including the assessment of the management regarding the impact of increased inflation rates, used in the valuation of LIC.

Key audit matter	How our audit addressed the key audit matter
In addition, there is a significant judgement of the management of the Company regarding construction of the discounting curves applied in discounting of the assets and liabilities from insurance contracts.	Furthermore, we recalculated the amount of the liability for incurred claims while we compared the recalculated liabilities with the liabilities determined by the Company and evaluated any differences.
Due to the material significance of the amounts for the Company's statement of financial position and financial performance as well as the complexity of determining the underlying assumptions and estimates made by the Company's management, the measurement of these assets and liabilities was of particular significance in the context of our audit.	We also assessed the accuracy and completeness of the disclosures in the notes to the financial statements.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors, supervisory board and audit committee of the Company for the financial statements

The board of directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

The audit committee of the Company is responsible for monitoring the financial statements' preparation process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors, supervisory board and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement showing that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the supervisory board and audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Information required by the EU Regulation

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the audit committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the audit committee of the Company, which we issued today in accordance with Article 11 of the EU Regulation.

Appointment of auditor and period of engagement

We were appointed as the auditors of the Company for year 2023 by the general meeting of shareholders of the Company on 28 April 2023. Our uninterrupted engagement as auditors of the Company has lasted for eight years.

Provided non-audit services

We declare that the PwC Network has not provided non-audit services to the Company that are prohibited under Article 5 (1) of the EU Regulation, as amended by the Czech law following Article 5 (3) of the EU Regulation.

In addition to the statutory audit, no other services were provided by us to the Company.

The engagement partner on the audit resulting in this independent auditor's report.
is Tomáš Bašta.

28 March 2024

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

Tomáš Bašta
Statutory Auditor, Licence No. 1966

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

This version of the financial statements is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over this translation.

SEPARATE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

(CZK'000)	Note	2023	2022 Restated (2.2)
Insurance service result	3	**2,797,697**	2,540,325
Insurance revenue		**13,292,047**	12,004,907
Insurance service expenses from insurance contracts issued		**(10,064,389)**	(9,298,838)
Ceded reinsurance result	15	**(429,961)**	(165,744)
Investment return		**2,275,986**	(710,520)
Net interest income	4	**1,389,617**	1,206,868
Net (un)realised gains / (losses) from financial assets at fair value through profit or loss	5	**898,293**	(652,311)
Net (un)realised gains / (losses) from the financial assets measured at amortised cost		**(1,535)**	(379,889)
Net impairment loss on financial assets		**1,455**	(332)
Net gains / (losses) from financial assets at fair value through other comprehensive income	6	**(15,567)**	(896,694)
Other gains / (losses)		**3,723**	11,838
Insurance finance income / (expense)	14.9	**(1,580,532)**	(221,064)
Finance income / (expense) from insurance contracts issued		**(1,625,191)**	(237,890)
Finance income / (expense) from reinsurance contracts held		**44,659**	16,826
Other income	7	**330,931**	240,140
Other expense	8	**(572,847)**	(339,777)
PROFIT BEFORE TAX		**3,251,235**	**1,509,104**
Income tax expense	10	**(449,083)**	(230,088)
PROFIT AFTER TAX		**2,802,152**	**1,279,016**

The accompanying notes on pages 29 - 131 are an integral part of the financial statements.

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(CZK'000)	Note	2023	2022 Restated (2.2)
PROFIT AFTER TAX		**2,802,152**	**1,279,016**
Items that can be subsequently reclassified into profit or loss			
Net change in revaluation reserve for bonds		**1,257,260**	(1,526,902)
Revaluation of hedging derivatives		**2,427**	5,268
Net finance expenses from insurance contracts issued		**(1,244,570)**	971,407
Net finance income from reinsurance contracts held		**28,031**	(14,252)
OTHER COMPREHENSIVE INCOME	10	**43,148**	**(564,479)**
TOTAL COMPREHENSIVE INCOME		**2,845,300**	**714,537**

The accompanying notes on pages 29 - 131 are an integral part of the financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(CZK'000)	Note	2023	2022 Restated (2.2)	2021 Restated (2.2)
Intangible assets	11	**435,370**	355,838	333,773
Property, plant and equipment	12	**362,653**	297,826	333,134
Other assets	13	**512,954**	547,974	392,030
Insurance contract assets	14	**480,867**	324,099	102,087
Reinsurance contract assets	15	**738,770**	882,870	872,439
Investments in subsidiaries	16	**272,400**	272,400	272,400
Net deferred tax assets	20	**853,459**	985,681	543,749
Net current tax assets	20	**-**	79,034	-
Financial assets	17	**36,699,934**	37,959,345	46,236,052
At amortised cost		**7,952,964**	5,944,410	4,085,947
At fair value through other comprehensive income		**19,506,351**	21,002,032	27,286,728
At fair value through profit or loss		**8,734,662**	10,120,121	14,341,822
Hedging derivatives with positive fair value		**505,957**	892,782	521,555
Cash and cash equivalents	17	**2,102,418**	410,367	455,839
TOTAL ASSETS		**42,458,825**	**42,115,434**	**49,541,503**

(CZK'000)	Note	2023	2022 Restated (2.2)	2021 Restated (2.2)
Share capital	19	**2,796,248**	2,796,248	2,796,248
Share premium		**3,600**	3,600	3,600
Other funds and revaluation differences		**4,219**	9,750	574,229
Retained earnings		**4,867,527**	5,932,276	6,089,968
TOTAL EQUITY		**7,671,594**	**8,741,874**	**9,464,045**
Insurance contract liabilities	14	**32,335,209**	30,673,938	36,423,854
Reinsurance contract liabilities	15	**1,133**	110,142	48,410
Net current tax liability	20	**13,801**	-	873,728
Other liabilities	22	**2,142,288**	2,365,122	2,459,051
Liabilities from lease contracts	21	**293,855**	222,290	257,125
Financial liabilities	17	**945**	1,438	15,290
TOTAL LIABILITIES		**34,787,231**	**33,373,560**	**40,077,458**
TOTAL LIABILITIES AND EQUITY		**42,458,825**	**42,115,434**	**49,541,503**

These financial statements were approved for issue by the Board of Directors on 14 March 2024 and signed on its behalf by:

Mgr. Jiří Střelický, M.A., Ph.D.
Chairman of the Board of Directors

Ing. Tomáš Lain
Member of the Board of Directors

The accompanying notes on pages 29 - 131 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

2023 (CZK'000)	**Share capital**	**Share premium**	*Net change in revaluation of debt instruments*	*Revaluation of hedging derivatives*	*Finance income/ (expense) from insurance contracts issued*	*Finance income/ (expense) from reinsurance contracts held*	*Other funds*	**Total funds and revaluation differences**	**Retained earnings**	**Total equity**
As at 1 January 2023	**2,796,248**	**3,600**	*(1,523,974)*	*(2,427)*	*1,166,148*	*(40,243)*	*410,246*	**9,750**	**5,932,276**	**8,741,874**
Other	-	-	*(53,117)*	-	-	-	-	(53,117)	53,117	-
Profit for the year	-	-	-	-	-	-	-	-	2,802,152	2,802,152
Other comprehensive income	-	-	*1,261,698*	*2,427*	*(1,244,570)*	*28,031*	-	47,586	(4,438)	43,148
Total comprehensive income	**-**	**-**	*1,208,581*	*2,427*	*(1,244,570)*	*(28,021)*	-	**(5,531)**	**2,850,831**	**2,845,300**
Dividends paid	-	-	-	-	-	-	-	-	(3,915,580)	(3,915,580)
As at 31 December 2023	**2,796,248**	**3,600**	*(315,393)*	-	*(78,422)*	*(12,212)*	*410,246*	**4,219**	**4,867,527**	**7,671,594**

2022 (CZK'000) Restated (2.2)	**Share capital**	**Share premium**	*Net change in revaluation of debt instruments*	*Overlay approach*	*Revaluation of hedging derivatives*	*Finance income/ (expense) from insurance contracts issued*	*Finance income/ (expense) from reinsurance contracts held*	*Other funds*	**Total funds and revaluation differences**	**Retained earnings**	**Total equity**
As at 1 January 2022	**2,796,248**	**3,600**	*(123,610)*	*188,201*	*(7,695)*	-	-	*410,246*	**467,142**	**4,397,264**	**7,664,254**
Impact of IFRS 9	-	-	*126,538*	*(188,201)*	-	-	-	-	(61,663)	188,201	126,538
Impact of IFRS 17	-	-	-	-	-	*194,741*	*(25,991)*	-	168,750	1,504,503	1,673,253
As at 1 January 2022 after the implementation of IFRS 17 and IFRS 9	**2,796,248**	**3,600**	*2,928*	-	*(7,695)*	*194,741*	*(25,991)*	*410,246*	**574,229**	**6,089,968**	**9,464,045**
Profit for the year	-	-	-	-	-	-	-	-	-	1,279,016	1,279,016
Other comprehensive income	-		*(1,526,902)*	-	*5,268*	*971,407*	*(14,252)*	-	(564,479)	-	(564,479)
Total comprehensive income	**-**	**-**	*(1,526,902)*	-	*5,268*	*971,407*	*(14,252)*	-	**(564,479)**	**1,279,016**	**714,537**
Dividends paid	-	-	-	-	-	-	-	-	-	(1,436,708)	(1,436,708)
As at 31 December 2022	**2,796,248**	**3,600**	*(1,523,974)*	-	*(2,427)*	*1,166,148*	*(40,243)*	*410,246*	**9,750**	**5,932,276**	**8,741,874**

The accompanying notes on pages 29 - 131 are an integral part of the financial statements.

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(CZK'000)	Bod	2023	2022 Restated (2.2)
Profit before taxation		**3,251,235**	1,509,104
adjustments for:			
Change in insurance contract assets / liabilities		**(1,602,467)**	(2,468,182)
Change in insurance contract assets / liabilities ceded to reinsurers		**(246,673)**	(81,505)
Depreciation and amortisation	12	**165,000**	145,244
Loss on the disposal of property and equipment		**(1,842)**	539
Net lease change		**-**	25,954
Impairment on financial instruments	17	**(1,455)**	332
Net unrealised gain / (loss) from FVTPL		**(871,179)**	770,110
Net realised gain / (loss) from FVOCI		**17,102**	(1,276,584)
Net interest income		**(1,389,617)**	(1,206,868)
Impairment on other assets		**(5,674)**	(12,582)
Other		**86,012**	109,442
Net change in operating assets	18	**574,630**	(252,897)
Net change in operating liabilities	23	**1,336,664**	(2,409,548)
Interest received		**1,297,976**	946,579
(Purchase) / disposal of financial instruments	17	**885,262**	(977,212)
Maturity of financial instruments	25	**2,573,621**	5,701,213
Net income tax paid		**(222,499)**	(1,492,373)
NET CASH FLOW FROM OPERATING ACTIVITIES		**5,846,097**	**1,583,934**
Purchase of property, equipment and intangible assets		**(175,260)**	(154,807)
Disposal of property, equipment and intangible assets		**1,869**	22,807
NET CASH FLOW FROM INVESTING ACTIVITIES		**(173,391)**	**(132,001)**
Dividends paid	19	**(3,915,580)**	(1,436,708)
Payments of lease contracts	21	**(65,074)**	(60,697)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(3,980,654)**	**(1,497,405)**
Net increase / (decrease) in cash and equivalents		**1,692,051**	**(45,472)**
Cash and cash equivalents as at 1 January		**410,367**	**455,839**
Net increase / (decrease) in cash and cash equivalents		**1,692,051**	**(45,472)**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**2,102,418**	**410,367**

The accompanying notes on pages 29 - 131 are an integral part of the financial statements.


ČSOB
Plus Konto
36761901 / 0300
Zaplať mi
Kreditka
Investice
2 smlouvy
Životko
1 smlouva
176 456 CZK
Aktuální k 28. 2. 2021
Drobné
36761905 / 0300
956 CZK
Půjčka
36761906 / 0300
- 80 756 CZK
Přehled
Finance
Nabídky
Asistence
Ostatní

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

THE SHAREHOLDERS OF THE COMPANY AS AT 31 DECEMBER 2023:

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

SHARE ON THE COMPANY'S VOTING RIGHTS AS AT 31 DECEMBER 2023:

Československá obchodní banka, a. s., Radlická 333/150, 150 57 Prague 5	40,00 %
KBC Verzekeringen NV, Professor Roger Van Overstraetenplein 2, B-3000 Leuven, Belgium	60,00 %

MEMBERS OF THE BOARD OF DIRECTORS AND OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2023:

MEMBERS OF THE BOARD OF DIRECTORS

CHAIRMAN	Jiří Střelický, M.A., Ph.D., Prague 6, Za Strahovem 432/28, postal code 169 00
VICE-CHAIRMAN	Stanislav Uma, Prague 9, Újezd nad Lesy, Holšická 2869, postal code 190 16
MEMBER	Tomáš Lain, Praha 9, Satalice, Dany Medřické 599/14, postal code 190 15
	Marek Cach, Pardubice, Pardubičky, Za Kopečkem 499, postal code 530 03

The Board of Directors acts on behalf of the Company in a way that it should always be represented jointly by any two Board members. Act on behalf of the Company involves two members of the Board of Directors who affix their signatures to the business name of the Company.

MEMBERS OF THE SUPERVISORY BOARD

CHAIRMAN	Aleš Blažek, Prague 6, Dejvice, Neherovská 1924/28, postal code 160 00
MEMBER	Isabel Boogers, 32010 Lubbeek, Grotendries 31, Belgium
	Přemysl Dolan, Němčice 106, postal code 533 52

2. ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The separate financial statements (also referred to as „financial statements“) have been prepared and approved by the Board of Directors of the Company and are subject to approval at the general meeting of shareholders.

The statement of financial position has been prepared on a historic cost basis except for those financial assets and financial liabilities that have been measured at fair value (financial derivatives, financial instruments at fair value through profit and loss, financial instruments at fair value through other comprehensive income, financial instruments held for trading etc.) and assets and liabilities from insurance and reinsurance contracts, investment contracts with DPF, which are recognised on the basis of estimated present value of future cash flows.

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

The Company's financial data are included in the consolidated financial statements of the direct parent company KBC Verzekeringen N.V., Leuven, the Kingdom of Belgium. These financial statements are separate and are further included in the consolidated financial statements of the ultimate parent company KBC Company N.V. with its registered seat in Brussels, the Kingdom of Belgium. The financial statements of the two consolidating entities KBC Verzekeringen N.V. and KBC Company N.V. are compiled in accordance with the International Financial Reporting Standards as adopted by the EU and are submitted to the Belgian National Bank and are publicly available at the Company's seat. Therefore, in compliance with IFRS 10, section 4 (a) requirements, the Company does not prepare consolidated financial statements.

STATEMENT OF COMPLIANCE

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

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

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis (see further Note 17 Offsetting financial instruments). Income and expense will not be offset in the income statement unless required or permitted by any IFRS accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.2. CHANGES IN ACCOUNTING POLICIES

EFFECTIVE AFTER 1 JANUARY 2023

The adopted accounting policies are consistent with those applied in the annual report for the year ended 31 December 2022, except for the adoption of the following IFRS accounting standards, amendments and interpretations. The adoption of other IFRS accounting standards (other than IFRS 17), amendments (other than amendments to IFRS 17 and IAS 1 Disclosure of Accounting Policies) and interpretations had no material impact unless otherwise stated.

IFRS 17 INSURANCE CONTRACTS (INCLUDING THE AMENDMENT TO IFRS 17) is effective for annual period beginning on 1 January 2023.

In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. On 1 January 2023, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to financial instruments with discretionary participation features (DPF). The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on previous local accounting policies, IFRS 17 provides a new concept. The core of IFRS 17 is the general model (the 'Building Block Approach' or 'BBA'), supplemented by a specific adaptation for contracts with direct participation features (the 'Variable Fee Approach' or 'VFA') and a simplified approach (the 'Premium Allocation Approach' or 'PAA') mainly for short-duration contracts.

On 23 November 2021, the EU published a Regulation endorsing IFRS 17, including the amendments to the original IFRS 17 for use in the European Union. The Company will not apply the European optional exemption from the annual cohort requirement

IFRS 17 will become effective for reporting periods beginning on or after 1 January 2023, with comparative figures for financial year 2022 being required.

The application of IFRS 17 had a material impact on the Company's financial statements and is described in more detail below in section Application of IFRS 17 from 1 January 2023.

CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT (AMENDMENT TO IAS 1) is effective for annual periods beginning on 1 January 2023 and has not yet been approved for use in the EU. The amendment affects the classification (not the amount or timing) of liabilities in the statement of financial position. The classification is based on rights that exist at the financial statements date and is not affected by the expectation that the right will be exercised.

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION (AMENDMENT TO IAS 12) is effective for annual periods beginning on or after 1 January 2023 and has been approved for use in the EU. The amendment restricts exemptions from accounting for a deferred tax asset or liability. If the same taxable or deductible temporary difference arises on the initial recognition of one transaction, the exception does not apply.

DEFINITION OF ACCOUNTING ESTIMATES (AMENDMENT TO IAS 8) is effective for annual periods beginning on or after 1 January 2023 and has been approved for use in the EU. The amendment introduces a new definition of ac-counting estimates. Accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty.

DISCLOSURE OF ACCOUNTING POLICIES (AMENDMENT TO IAS 1) is effective for annual periods beginning on or after 1 January 2023 and has been approved for use in the EU. The amendment states that an entity is required to disclose significant accounting policies and also explains how to identify such policies. An accounting policy is significant if it can influence the decisions of users of the financial statements that the user makes on the basis of those financial statements. The application of the amendment had an impact on the level of detail of information disclosed in the Company's financial statements, where the Company does not disclose insignificant accounting policies or figures.

INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES (AMENDMENTS TO IAS 12) is effective immediately and has been endorsed by the EU. It introduces an exception to the requirements in IAS 12 when an entity will neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

EFFECTIVE AFTER 1 JANUARY 2024

The following IFRS accounting standards, amendments and interpretations have been issued and are effective after 1 January 2024. The Company did not adopt earlier these standards. Unless explicitly stated, new IFRS accounting standards, amendments and interpretations will not have a material impact on the Company's financial statements.

NON-CURRENT LIABILITIES WITH COVENANTS (AMENDMENTS TO IAS 1) is effective for periods on or after 1 January 2024 and has been endorsed by the EU. The amendment clarifies that a liability is classified as non-current when an entity has a right to defer settlement for at least 12 months after the reporting date. The right may be subject to an entity complying with conditions of a loan arrangement.

LEASE LIABILITY IN A SALE AND LEASEBACK (AMENDMENTS TO IFRS 16) is effective for periods on or after 1 January 2024 and has been endorsed by the EU. The amendment specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction.

SUPPLIER FINANCE ARRANGEMENTS (AMENDMENTS TO IAS 7 AND IFRS 7) is effective for periods on or after 1 January 2024 and has not yet been endorsed by the EU. The amendment introduces new disclosure requirements about supplier finance arrangements, in which finance providers pay amounts the entity owes to its suppliers.

LACK OF EXCHANGEABILITY (AMENDMENTS TO IAS 21) is effective for periods on or after 1 January 2025 and has not yet been endorsed by the EU. The amendment specifies how to assess whether a currency is exchangeable and how to determine a spot exchange.

IFRS 17 APPLICATIONS AFTER 1 JANUARY 2023

MAIN DIFFERENCES BETWEEN IFRS 4 AND IFRS 17

For Non-life insurance, income continues to be recognised primarily in earned premiums, and discounting under IFRS 17 represents the main difference in claims provisions. The undiscounted claims provisions under IFRS 4 are replaced by a discounted best estimate of future cash flows under IFRS 17, plus a risk adjustment for uncertainty.

Under IFRS 4 income from life insurance is recognised as earned premiums. Contrary to this, IFRS 17 deals with premiums paid, whereby savings / investment premiums are no longer recognised as income. Instead, income includes the pay-outs and expenses expected during the period.

The IFRS 4 actuarial reserves for Life insurance are replaced by a discounted best estimate of future cash flows under IFRS 17, plus a risk adjustment for non-financial risk and contractual service margin.

IFRS 17 presents profit and loss by sources of profit and loss. It separates the insurance result, consisting of insurance revenues and insurance service, and the financial result. The financial result is contributed to by interest income from investing available funds and interest expense reflecting the time value of money (cash flows are discounted based on current market rates, where the Company has chosen to disaggregate the discounting impact between other comprehensive income (OCI) and the income statement with a view to stabilize results.

When facts and circumstances indicate onerous contracts, under IFRS 17 the respective expected losses concerned are recognised immediately to profit or loss.

While IFRS 17 generally does not affect insurance business profitability, the timing of recognition of the result may vary, especially for long-term life insurance. Since changes in estimates (for instance, based on updated mortality tables) are absorbed in the CSM and therefore recognised in the result (insurance revenue) over time (via gradual CSM release), we expect to see less volatility in the result.

With the adoption of IFRS 17, the overlay approach is abandoned. Further information can be found in the section on the Impact of Initial Recognition under IFRS 17.

IFRS 17 does not affect:

- Company's Solvency ratio: regulatory differences between Solvency II and IFRS 17 are recorded as a reconciliation reserve in equity under Solvency II;
- dividend policy.

VALUATION PRINCIPLES

IFRS 17 introduces uniform measurement principles for insurance liabilities, which factor in insurance contract features. At the Company, the Building Block Approach (BBA) and Variable Fee Approach (VFA) measurement models are used for long-term life insurance contracts; the Premium Allocation Approach (PAA) measurement model is used for short-term non-life insurance contracts and for ceded reinsurance, provided they meet the PAA eligibility criteria.

The discount curves for life insurance are based on the top-down approach (using a risk-free rate, adjusted with a spread based on a reference portfolio of assets and excluding the part not related to the insurance liabilities for discounting), while the bottom-up approach (i.e. risk-free rate + illiquidity premium) is used for the discount curves for non-life insurance.

Under IFRS 17, insurance liabilities are measured at the current rate (meaning the rate observed at the reporting date), which means that the impact of the time value of money is revalued at the current rate each closing period. An accounting policy choice needs to be made whether to recognise the impact of the changes in the current rate in the income statement or in other comprehensive income (OCI). In its accounting policies, the Company has chosen to disaggregate insurance finance income or expenses (IFIE) between the income statement and OCI. This means that the interest expense on the insurance liability over the reporting period is recorded in the income statement – this interest expense is determined based on the locked-in rate (i.e. the interest rate curve applicable at inception of the IFRS 17 contract) – and that the impact of changes in the market rate over the reporting period is recorded in OCI.

The IFRS 17 insurance liabilities and ceded reinsurance assets are presented separately on the balance sheet based on amounts received / paid and not on amounts written based. To correctly present the insurance liabilities and ceded reinsurance assets based on amounts received / paid, an adjustment is applied by offsetting the outstanding insurance payables and receivables (for instance, premiums receivable and commissions payable) against the Liability for Remaining Coverage (LRC) / Asset for Remaining Coverage (ARC).

Predictive models of future cash flows are naturally associated with uncertainty regarding the amount and timing of cash flows. The risk adjustment for non-financial risks is the compensation the entity needs to bear the uncertainty of the amount and the timing of cashflows arising from nonfinancial risks. It is a buffer on top of the best estimate of future cashflows that represents a 50 % probability that future liabilities can be met and, as a result, a 50 % probability that future liabilities under outstanding contracts cannot be met. Life insurance liabilities are characterised by long-term cash flows based on biometric parameters. The risk adjustment is defined as the difference between the Value at Risk (VaR) and the best estimate of future cashflows in the context of meeting the liabilities. Non-financial risks included in the VaR model are mortality risk, longevity risk, illness / disability risk, lapse risk, expense risk and revision risk. The correlations between the different types of risk have been drawn from the Solvency II correlation matrix.

Since the risk adjustment for non-life insurance liabilities is only calculated for damages suffered, only the reserve risk is taken into account. A Value at Risk method is used, as is the case for life insurance liabilities.

When transitioning from IFRS 4 to IFRS 17, the Company applies the Full Retrospective Approach (FRA) for recent years for which the required historical data is available that allows the Company to make these FRA transition calculations. Applying the FRA for non-recent years is impracticable due to either a lack of historical data (data and hypotheses) or high costs associated with making information from the past available for FRA transition calculations, where these costs outweigh the benefits, and / or due to technical limitations in local source systems. Where the FRA is impracticable, the Fair Value Approach (FVA) is used to determine the CSM at the transition date.

- The Company calculates an IFRS 13 fair value based on the IFRS 17 cashflows while employing a few assumptions or parameters. The Company reflects total expenses in the IFRS 13 fair value (i.e. including non-directly attributable expenses), risk premium covering additional risks embedded in the portfolio next to non-financial risks included in the IFRS 17 fulfilment cash flows (like lapse mass, catastrophe, expense or operational risks) and cost of capital representing a compensation expected by a third party for the loss of income that it would otherwise earn on the assets covering the required (additional) locked-in capital after taking over the insurance portfolio.

- The key parameters employed are the confidence level of the risk premium, target capital that is expected to be held and the cost of capital rate.

- All past years are combined into a single cohort for the FVA transition calculations.

- The FVA CSM ensues from cost, risk margin and cost of capital differences under IFRS 17 and IFRS 13 measurement approaches.

- The OCI amount at the transition date under the FVA is determined in accordance with the transition exemptions provided in IFRS 17.

The CSM release model is based on coverage units in the group of contracts (GoC). The number of coverage units is the volume of services the insurer provides under the contracts in that GoC, which is determined by taking into account, for each contract, the total payments a policyholder receives under a contract and the expected period of cover. The CSM amount included in the income statement is the number of coverage units allocated to the current period for the insurance cover provided in the current period.

The number of coverage units is reassessed at the end of every reporting period in order to reflect the most up-to-date contract assumptions. The Company has chosen to present the time value of money on coverage units. Discounting the coverage units helps to achieve a more stable allocation of the CSM to the income statement.

The Company applies 'multivariate coverage units' for contracts under which multiple services are provided, (insurance cover and investment return services) while coverage units are determined based on individual payment components and each component is assigned a weight to reflect an appropriate service level. These weights appropriately reflect the CSM release based on the volume of work carried out for each service. Just like the coverage units, these weights are also reassessed at the end of every reporting period.

Contracts under which the insurer provides cover, i.e. where the insurer runs risks, fall within the IFRS 17 contract boundaries. Tacit renewals of non-life insurance policies and contracts with a future period of cover fall outside the IFRS 17 contract boundaries.

IMPACT OF FIRST-TIME ADOPTION OF IFRS 17

1 January 2022 (CZK'000)	**Accounting value under IFRS 4**	**Impact of the transition to IFRS 17 including reclassification of financial assets**	**Accounting value under IFRS 17**
Intangible assets	333,773	-	333,773
Property, plant and equipment	333,134	-	333,134
Prepaid acquisition commissions	1,022,185	(1,022,185)	-
Other assets	187,012	205,019	392,031
Insurance contract assets	-	102,087	102,087
Reinsurance contract assets	1,192,328	(319,889)	872,439
Investments in subsidiaries	272,400	-	272,400
Net deferred tax assets	965,922	(422,173)	543,749
Receivables	1,091,819	(1,091,819)	-
Insurance receivables	724,325	(724,325)	-
Reinsurance receivables	310,017	(310,017)	-
Other receivables	57,477	(57,477)	-
Financial assets	46,079,834	156,218	46,236,052
At amortised cost	15,046,344	(10,960,397)	4,085,947
At fair value through other comprehensive in-come	16,170,113	11,116,616	27,286,729
At fair value through profit or loss	14,341,822	-	14,341,822
of which reclassified to other comprehensive income - overlay approach	1,021,738	(1,021,738)	-
Hedging derivatives with positive fair value	521,555	-	521,555
Cash and cash equivalents	455,839	-	455,839
TOTAL ASSETS	**51,934,246**	**(2,392,743)**	**49,541,503**
Share capital	2,796,248	-	2,796,248
Share premium	3,600	-	3,600
Funds and revaluation differences	467,142	107,087	574,229
Retained earnings	4,397,264	1,692,704	6,089,968
TOTAL EQUITY	**7,664,254**	**1,799,791**	**9,464,045**
Insurance contract liabilities	40,008,310	(3,584,456)	36,423,854
Reinsurance contract liabilities	-	48,410	48,410
Income tax payables	873,728	-	873,728
Other liabilities	680,637	1,778,413	2,459,050
Payables	2,434,901	(2,434,901)	-
Insurance payables	2,261,873	(2,261,873)	-
Reinsurance payables	173,028	(173,028)	-
Liabilities from lease contracts	257,125	-	257,125
Financial liabilities	15,291	(1)	15,290
TOTAL LIABILITIES	**44,269,992**	**(4,192,534)**	**40,077,458**
TOTAL LIABILITIES AND EQUITY	**51,934,246**	**(2,392,743)**	**49,541,503**

(CZK'000)	1 January 2022
1. Impact of transition to IFRS 17 (except reclassification of financial assets (IFRS 9) as a result of transition to IFRS 17)	
Impact on equity before tax	2,065,745
Retained earnings	1,857,411
Revaluation reserves	208,334
Impact on equity after tax	1,673,254
Retained earnings	1,504,503
Revaluation reserves	168,750
2. Impact of reclassification of financial assets as a result of the transition to IFRS 17	
Impact on equity before tax	156,219
Retained earnings	232,346
Revaluation reserves	(76,127)
Impact on equity after tax	126,538
Retained earnings	188,201
Revaluation reserves	(61,663)
3. Overall impact of the transition to IFRS 17 (including reclassification of financial assets as a result of the transition to IFRS 17)	
Overall impact on equity after tax	1,799,791
Retained earnings	1,692,704
Revaluation reserves	107,087

Note: increase / (decrease)

The table shows that assets and liabilities that are covered by IFRS 17 are subject to differences in presentation (movements between assets and liabilities, which do not affect equity) and valuation differences (which may affect equity through retained earnings or the revaluation reserves).

CONCLUSIONS

Differences in presentation: these pertain to the adjustment applied by offsetting the outstanding insurance payables and receivables (for instance, premiums receivable and commissions payable) against the Liability for Remaining Coverage (LRC) or the Asset for Remaining Coverage (ARC).

Valuation differences: the positive impact on equity (CZK 1,799,791 thousand after tax) is attributable both to the life and non-life business; to a limited extent to the reclassification of financial assets.

Life: the lower insurance liabilities due to valuation based on future cash flows and consideration of the time value of money by discounting expected cash flows.

Non-life: the lower insurance liabilities due to valuation based on future cash flows and consideration of the time value of money by discounting expected cash flows.

At the transition date, ceded reinsurance assets and insurance contract liabilities amounted to CZK 824,029 thousand and insurance contract liabilities CZK 36,530,101 thousand respectively. Total insurance contract liabilities consisted of contracts subject to the Fair Value Approach (FVA) (CZK 24,028,000 thousand) and the full retroactive approach (FRA) (CZK 4,040,000 thousand).

Impact of the first-time adoption of IFRS 17 on classification of financial assets.

The first-time adoption of IFRS 17 also permits a reclassification of financial assets measured according to IFRS 9 in order to avoid an accounting mismatch between assets and liabilities. As at 1 January 2022 financial assets at amortised cost in the amount of CZK 13,034,580 thousand were transferred to assets at fair value with revaluation to equity, whereas financial assets in the opposite direction amounted to CZK 1,966,906 thousand. This reclassification resulted in an increase in equity (other comprehensive income) of CZK 126,538 thousand (after tax).

The discontinuation of the overlay approach on financial assets of CZK 1,021,738 thousand was accompanied by a reclassification to debt instruments, which by their nature do not meet the SPPI and are therefore remeasured at fair value through profit or loss (not against equity).

The total net impact (after taxation) on equity is thus CZK 1,799,791 thousand.

IMPACT OF THE TRANSITION TO IFRS 17 AS AT 31 DECEMBER 2022

1. Impact on the statement of financial position as at 31 December 2022

(CZK'000)	Accounting value under IFRS 4	Impact of the transition to IFRS 17 including reclassification of financial assets	Accounting value under 17	Reference
Intangible assets	355,838	-	355,838	
Property, plant and equipment	297,826	-	297,826	
Prepaid acquisition commissions	1,085,783	(1,085,783)	-	2b
Other assets	193,801	354,173	547,974	1b, 1c, 1d, 2b
Insurance contract assets	-	324,099	324,099	1a, 1b, 2a
Reinsurance contract assets	1,234,803	(351,933)	882,870	1a, 1c, 2a
Investments in subsidiaries	272,400	-	272,400	
Net deferred tax assets	1,242,081	(256,400)	985,681	
Net current tax assets	79,034	-	79,034	
Receivables	1,479,100	(1,479,100)	-	
Insurance receivables	1,052,648	(1,052,648)	-	1b
Reinsurance receivables	357,855	(357,855)	-	1c
Other receivables	68,597	(68,597)	-	
Financial assets	39,076,663	(1,117,318)	37,959,345	
At amortised cost	14,242,428	(8,298,018)	5,944,410	3a, 3b
At fair value through other comprehensive income	13,821,332	7,180,700	21,002,032	3a, 3b
At fair value through profit or loss	10,120,121	-	10,120,121	
of which reclassified to other comprehensive income - overlay ap-proach	1,155,295	(1,155,295)	-	3c
Hedging derivatives with positive fair value	892,782	-	892,782	
Cash and cash equivalents	410,367	-	410,367	
TOTAL ASSETS	**45,727,696**	**(3,612,262)**	**42,115,434**	
Share capital	2,796,248	-	2,796,248	
Share premium	3,600	-	3,600	
Other funds and revaluation differences	(264,247)	273,997	9,750	2c, 3d
Retained earnings	5,113,200	819,076	5,932,276	2c, 3d
TOTAL EQUITY	**7,648,801**	**1,093,073**	**8,741,874**	
Insurance contract liabilities	34,681,915	(4,007,977)	30,673,938	1a, 1b, 2a
Reinsurance contract liabilities	-	110,142	110,142	1a, 1c, 2a
Other liabilities	848,300	1,516,822	2,365,122	1b, 1c, 1d
Payables	2,324,321	(2,324,321)	-	
Insurance payables	2,100,449	(2,100,449)	-	1b
Reinsurance payables	223,872	(223,872)	-	1c
Liabilities from lease contracts	222,920	-	222,920	
Financial liabilities	1,439	-	1,439	
TOTAL LIABILITIES	**38,078,895**	**(4,705,334)**	**33,373,561**	
TOTAL LIABILITIES AND EQUITY	**45,727,696**	**(3,612,262)**	**42,115,434**	

The transition to IFRS 17 resulted in the following impacts on the statement of financial position:

1. PRESENTATION EFFECTS WITH NO IMPACT ON EQUITY

a) Disaggregation of insurance / reinsurance assets and liabilities on both the asset and liability side, according to the value of the total insurance / reinsurance assets and liabilities of the contract portfolio.

b) Reclassification of receivables and payables from direct insurance to insurance contracts assets and insurance contract liabilities in the total amount of CZK (785,123) thousand and to other assets and other liabilities in the total amount of CZK 1,826,225 thousand.

c) Reclassification of reinsurance receivables and payables to reinsurance contracts assets and reinsurance contract liabilities in the total amount of CZK 212,552 thousand and to other assets and other liabilities in the total amount of CZK (346,535) thousand.

d) Reclassification of other assets and other liabilities to insurance contract assets and insurance contract liabilities in the total amount of CZK (150,551) thousand and to reinsurance contract assets and reinsurance contract liabilities in the total amount of CZK 27,035 thousand.

2. CHANGES IN VALUATION OF ASSETS AND LIABILITIES WITH IMPACT ON EQUITY

a) Impact of the change in valuation of technical provisions on the value of insurance contract liabilities in the amount of CZK (3,378,377) thousand and on the value of assets from reinsurance contracts in the amount of CZK 222,487 thousand.

b) Exclusion of prepaid acquisition commissions and other assets in the total amount of CZK (690,033) thousand.

c) The total impact on equity (after tax) due to the transition to IFRS 17 is CZK 1,998,100 thousand, of which the impact on valuation differences is CZK 1,125,906 thousand and the impact on retained earnings is CZK 872,194 thousand.

As a result of the transition to IFRS 17, the total value of liabilities from life insurance contracts is lower by CZK 1,718,032 thousand. The total value of liabilities from non-life insurance contracts is lower by CZK 2,614,044 thousand. The amount of assets from reinsurance contracts is higher by CZK 462,075 thousand.

3. IMPACTS DUE TO RECLASSIFICATION OF FINANCIAL ASSETS

a) Reclassification of assets measured at amortised cost in the amount of CZK 11,198,441 thousand to assets measured at fair value through other comprehensive income.

b) Reclassification of assets measured at fair value to other comprehensive income in the amount of CZK 2,717,148 thousand to assets measured at amortised cost.

c) The termination of the overlay approach resulted in the reclassification of equity securities in the amount of CZK 1,155,295 thousand from assets measured at fair value using the overlay approach to assets measured at fair value with remeasurement to the income statement.

d) The total impact on equity (after tax) from the reclassification of financial assets amounts to CZK (905,028) thousand, of which the impact on valuation differences amounts to CZK (851,909) thousand. The impact on retained earnings is CZK (53,119) thousand.

2. Impact on the income statement as at 31 December 2022

IFRS 4

(CZK'000)	2022
Net earned premium	13,305,095
Gross earned premiums	14,107,654
Earned premium ceded to reinsurers	(802,559)
Interest income calculated using effective interest rate	1,212,746
Dividend income	11,838
Net (un)realised gains / (losses) from financial instruments at fair value through profit or loss incl. exchange rate differences	(354,387)
Of which reclassified to other comprehensive income due to overlay approach	241,319
Net gains from financial instruments at fair value through other comprehensive income	(286,023)
Impairment of financial assets	(332)
Fee and commission income	213,029
Other income	180,422
TOTAL INCOME	**14,282,388**
Net benefits and claims from insurance and investment contracts	(5,771,433)
Gross benefits and claims paid	(11,866,003)
Claims ceded to reinsurers	370,039
Gross change in insurance liabilities and liabilities for investment contracts with DPF	5,679,352
Change in contract liabilities ceded to reinsurers	45,179
Interest expense calculated using effective interest rate	(5,878)
Fee and commission expense	(3,352,321)
Operating expenses	(1,319,239)
Other operating expenses	(255,300)
Other expenses - loss on sale of bonds at amortised cost	(990,560)
TOTAL EXPENSES	**(11,694,731)**
PROFIT BEFORE TAX	**2,587,657**
Income tax expense	(435,013)
PROFIT AFTER TAX	**2,152,644**

IFRS 17 INCLUDING RECLASSIFICATION OF FINANCIAL ASSETS (IFRS 9)

(CZK'000)	**2022**
Insurance service result	2,540,325
Insurance revenue	12,004,907
Insurance service expenses from insurance contracts issued	(9,298,838)
Ceded reinsurance result	(165,744)
Investment return	(710,520)
Net interest income	1,206,868
Net (un)realised gains / (losses) from financial assets at fair value through profit or loss	(652,311)
Net (un)realised gains / (losses) from financial assets at amortised cost	(379,889)
Net impairment loss on financial assets	(332)
Net gains / (losses) from financial assets at FVOCI	(896,694)
Other gains / (losses)	11,838
Insurance finance income / (expenses)	(221,064)
Finance income (expenses) from insurance contracts issued	(237,890)
Finance income (expenses) from reinsurance contracts held	16,826
Other income	240,140
Other expense	(339,777)
PROFIT BEFORE TAX	**1,509,104**
Income tax expense	(230,088)
PROFIT AFTER TAX	**1,279,016**

Due to the transition to IFRS 17, the structure of the profit and loss account has been adjusted:

1. New items defined by IFRS 17, namely Insurance contracts revenue and Insurance services expenses (for details see note 2.4, point 2 - Insurance contracts), have been added to replace the IFRS 4 defined statement items Gross earned premiums and Benefits and claims from insurance and investment contracts.

2. In addition, an Insurance finance income / (expense) was added representing interest expense from discounting cash flows from insurance and reinsurance contracts and the change in the market value of insurance liabilities measured using the VFA method.

3. Some items are presented in a different way.

- Operating expenses and acquisition costs, commissions and fees are classified under IFRS 17 as directly attributable, which are recognised in Insurance services expenses and for life insurance, some of which are amortised over the life of the policies, and indirectly attributable, which are recognised in Other expenses.
- Earned premiums ceded to reinsurers and the Claims ceded to reinsurers are reported within a single line item Ceded reinsurance result.

The most significant impacts on the income statement under IFRS 17, including the reclassification of financial assets, are as follows

- Reclassification of operating expenses to Insurance services expenses in the amount of CZK 1,253,382 thousand.
- Reclassification of acquisition cost to Insurance services expenses in the amount of CZK 419,911 thousand.
- Reclassification of net expenses from commissions and fees to Insurance services result in the amount of CZK 2,601,887 thousand.

- Reclassification of other income and other expenses to Insurance service expenses in the amount of CZK 99,840 thousand (increase in expenses).
- Differential amortisation of acquisition costs and commissions with a positive impact on profit of CZK 691,700 thousand.
- In connection with the transition to the IFRS 17, profit before tax decreased by CZK 780,628 thousand and a decrease in deferred tax expense by CZK 148,319 thousand.
- As a result of the reclassification of financial instruments, a gain on financial instruments at fair value through other comprehensive income was reclassified to a gain on financial instruments at amortised cost in the amount of CZK 610,671 thousand with no impact on profit or loss.
- The termination of the overlay approach resulted in the recognition of a loss on financial instruments at fair value through profit or loss in the amount of CZK 297,924 thousand and a decrease in deferred tax expense of CZK 56,606 thousand.
- In addition, the loss on the sale of bonds measured at amortised cost in the amount of CZK 990,560 thousand was transferred from other income to Net gain / loss on financial instruments measured at amortised cost. This transaction is not related to the transition to IFRS 17.
- Total impact on profit after tax from the transition to IFRS 17, including the reclassification of financial instruments, is CZK (873,628) thousand CZK.

2.3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

1. FINANCIAL INSTRUMENTS FAIR VALUE

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

For more details see Note 17.

2. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

Calculation of Expected Credit Loss (ECL) requires significant judgments in various aspects, for example, but not solely, the financial situation of the debtors / issuers and their possibility to repay, and future macroeconomic information. The Company applies a neutral and unbiased approach while evaluating uncertainties and making important judgments. The value of expected credit losses is calculated in a manner that reflects

- unbiased, probable weighted amount;
- time value of money; and
- information about past and actual events and expected economic conditions.

For more details see Note 17.

3. VALUATION OF INSURANCE CONTRACT LIABILITIES (FOR REMAINING COVERAGE AND FOR INCURRED CLAIMS)

Life insurance contract liabilities

For the valuation of insurance liabilities, the Company uses the Building Block Approach (BBA) or, for specific cases, a modified version of it - the variable fee approach (VFA) - see note 2.4 for details.

Both of these models work with four blocks - an actuarial estimate of expected future cash flows, discounting to reflect the time value of money, a risk adjustment for non-financial risks and, in the case of liabilities for remaining coverage, a contractual service margin (CSM).

The main assumptions used in calculating the expected future cash flows from liabilities for remaining coverage relate to mortality, accident and morbidity, longevity, annulment rates, investment returns and expenses. The assumptions used are at a best estimate level, which is based primarily on the Company's historical experience and is updated periodically.

To calculate the liability for incurred claims, an estimate is made using a number of standard actuarial techniques for insurance claims projection. The calculation is based on historical data.

The risk adjustment for non-financial risks represents a premium for the uncertainty associated with the estimates. It is determined as the difference between the best estimate of future cash flows and the value-at-risk (VaR) at the relevant materiality level. The materiality level is set at 75 %.

The risk adjustment for liabilities for remaining coverage is calculated on the previous month's data due to timely delivery - namely as the product of the driver (the driver is determined expertly as the sum of the claim risk pay-outs and the surrender value) and the calibration factor. This calibration factor is equal to the ratio of the risk adjustment value (calculated as the difference between the best estimate of future cash flows and VaR at the relevant materiality level) and the driver - both on last month's data.

More detailed information on the sensitivity of individual parameters is included in Note 25 Insurance and Financial Risk, and more detailed information on the methodology is provided in Note 2.4.

Non-life insurance contract liabilities and reinsurance contracts held assets

Building Block Approach (BBA) is used to measure insurance and reinsurance liabilities for incurred claims. The estimation of expected liabilities is performed using a range of standard actuarial techniques for claims projection. It should be taken into account, that it may take a considerable time to determine the ultimate cost of claims settlement with a high degree of certainty. The calculation is based on historical data.

The significance level of the risk adjustment is set at 90 %.

See Notes 2.4 and 25 for details.

4. OTHER ACCOUNTING ESTIMATES AND JUDGEMENTS NOT INCLUDED ABOVE

A number of other accounting estimates and judgements are applied in the preparation of the financial statements, including:

- aggregation of insurance contracts;
- portfolio definitions;
- contract boundaries;
- units of insurance coverage;
- choice of valuation model (BBA, VFA, PAA);

Their detailed description is given in Note 2.4.

2.4. SIGNIFICANT ACCOUNTING POLICIES

1. FOREIGN CURRENCY TRANSLATION

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

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

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

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

2. INSURANCE CONTRACTS

The Company follows the requirements of IFRS 17 from 1 January 2023.

APPLICATION OF IFRS 17

An insurance contract is an insurance contract within the meaning of IFRS 17 if the contract transfers significant insurance risk from the insured to the insurer. Materiality is assessed based on the existence of a scenario (having commercial substance) in which the insurer must pay additional amounts.

The significance of the insurance risk is assessed at initial recognition of the contract, including consideration of the time value of money.

Generally, all contracts sold by the Company are within the scope of IFRS 17. Typically, significant insurance risk is an integral part of the product design. A minority portion of the portfolio of investment contracts without voluntary participation features should be measured under IFRS 9, however, due to their monitored intangibility, they are also included under IFRS 17. The Company does not issue contracts within the scope of IFRS 15.

There is no distinguishable investment component in insurance contracts, which should be measured separately from the insurance component.

LEVEL OF AGGREGATION OF INSURANCE CONTRACTS

A valuation according to IFRS 17 is performed at an aggregate level. Several levels of aggregation of insurance contracts are introduced, the criteria being the nature of the contracts negotiated, the profitability expected on initial recognition and the period of inception.

- IFRS17 portfolio is a set of contracts subject to similar risks and managed together;
- according to expected profitability, each portfolio is divided into at least 3 groups of contracts - a group of contracts that are unprofitable at initial recognition; a group of contracts that are initially not significantly likely to become unprofitable during their lifetime; a group of other contracts, i.e. profitable contracts with a low probability of turning into a loss;
- one group of contracts may include contracts negotiated in one year only (annual cohort).

IFRS 17 PORTFOLIOS

Life portfolios

Measured using BBA

- Non-Linked traditional insurance
- Group risk insurance
- Unit-linked – regular BBA
- Náš Život – internal - BBA
- Náš Život – external - BBA
- Náš Život – ČSOB - BBA
- Náš Život – ČSOB S - BBA
- Náš Život – Česká Pošta - BBA

Measured using VFA

- Unit-linked – single payment VFA
- Unit-linked – regular VFA
- Náš Život – internal - VFA
- Náš Život – external - VFA
- Náš Život – ČSOB - VFA
- Náš Život – ČSOB S - VFA
- Náš Život – Česká Pošta - VFA

Non-life and reinsurance portfolios

- Accident insurance
- Motor third party liability insurance
- General third party liability insurance
- Other motor insurance
- Houses and households insurance
- Travel insurance
- Industrial risk insurance
- Industrial risk liability insurance
- Other insurance

Annual cohorts

The Company implements cohorting on an annual basis (an annual cohort is defined as the set of contracts negotiated in one calendar year). The Company does not apply the optional exemption allowing multiple years to be bundled together in specific cases.

Aggregation according to the expected profitability

For contracts priced using the general model or the variable fee method, the profitability of a group of contracts is assessed on the basis of the value of the insurance contractual service margin under different risk adjustment scenarios:

- if the service margin is negative at a risk adjustment calculated at 75 % of the quantile, we are talking about an unfavourable group of contracts;
- if the contractual service margin is positive at a risk adjustment calculated at the 90 %, we are talking about a group of contracts that are initially not significantly likely to become unprofitable during their lifetime (profitable group contracts);
- if the contractual service margin is positive at a risk adjustment calculated at the 75 % of the quantile and negative at risk adjustment calculated at the 90 % of the quantile, we speak of a group of remaining contracts.

For contracts valued using the premium allocation approach (PAA), circumstances where a group of contracts could be disadvantageous are indicated by an expected economic combined ratio (EECR) value greater than 100 %. The EECR is calculated on an annual basis, so that all contracts written in the same year fall within the same contract group. In exceptional cases, the EECR may be evaluated during the year.

RECOGNITION AND EXCLUSIONS

The Company initially recognises groups of insurance contracts on a first-in, first-out basis:

- the inception of insurance coverage;
- when the first payment from the policyholder is due;
- for an unprofitable group, when the group proves to be unprofitable.

Additional contracts negotiated during the calendar year are then allocated to each contract group.

The Company initially recognises a group of reinsurance contracts on a first-in, first-out basis of:

- the inception of the reinsurance coverage;
- the point at which the Company recognises the unprofitability of the underlying group of insurance contracts.

The liability under the insurance contracts is derecognised when it expires, i.e. when it no longer gives rise to an obligation on the part of the Company to perform.

VALUATION

Insurance contract liabilities represent the Company's rights and obligations under underwritten insurance contracts. They consist of two components, namely the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

IFRS 17 introduces uniform valuation models for insurance liabilities.

- the general valuation model (sometimes also building block approach, BBA) is used for life insurance products;
- the variable fee approach (VFA) modifies the basic model for contracts whose cash flows depend significantly on the performance of the underlying assets; it is a method applied on a mandatory basis if the defined conditions of IFRS 17 are met (in the Company's single-payer and part of the regular-pay unit-linked products);
- under certain conditions, entities may (but are not required to) opt for simplification by applying the premium allocation approach (PAA); the Company applies the method for non-life insurance contracts and for reinsurance contracts. Compliance with the relevant conditions is mostly determined by the duration of the contracts up to one year. The Company periodically assesses the appropriateness of applying the method for contracts with a duration of more than one year (at least annually). The assessment consists of a comparison of the valuation of liabilities using the premium allocation approach (PAA) and the building bock approach (BBA). Based on the comparison of the calculations, the Company has determined that the valuation of the liabilities using the simplified method does not lead to materially different results compared to the valuation of the liability using the standard method, and thus the premium allocation method can be used even for contracts with a duration of more than one year. All contracts in a single IFRS 17 portfolio must be measured using the same valuation model.

GENERAL VALUATION MODEL (BBA)

The general valuation model works with four blocks:

- an actuarial estimate of expected future cash flows;
- discounting to reflect the time value of money and financial risks;
- risk adjustment to compensate for uncertainty in the amount and timing of expected future cash flows;
- a contractual service margin (CSM) representing the future profit amortised to income profit or loss over the life of the contract based on the extent of services provided during the period.

Estimated expected future cash flows

The starting point is the projection of estimated expected future cash flows for Solvency II purposes, which ensures consistency of future expectations, but at the same time takes into account the methodological differences between IFRS 17 and Solvency II, namely:

- in Solvency II, all costs are included in the cash flows, whereas IFRS 17 excludes costs that are not directly attributable to groups of insurance contracts, from the projections;
- a different approach to renewals - IFRS 17 contract boundaries include only contracts in force at the reporting date that give rise to an obligation on the policyholder to pay premiums and on the insurer to provide claims in pre-determined circumstances (contracts starting in the future are not considered);
- different approach to risks terminable by the insurer (in case of SII, these terminable risks are terminated at the earliest possible moment, in IFRS17 the evolution of all risks (terminable and non-terminable) is projected taking into account the probability of the best possible estimate);
- Solvency II works with a different portfolio aggregation (LoB);
- Liabilities from remaining insurance coverage are adjusted for claims and direct reinsurance liabilities, thus achieving a fair presentation according to claims paid or commissions paid.

Discounting - the time value of money

The discount curve assumes the currency of the respective cash flows (i.e. CZK). The starting point is market observable prices. The last liquid tenor on the Czech market is assumed to be 30 years. Ultimate forward rate is taken from rates published by EIOPA. There are two approaches to construct the curve - bottom-up and top-down.

The top-down approach derives the discount curves from the market return on a reference portfolio of assets adjusted for factors irrelevant to insurance contracts. The Company uses this approach for contracts with profit-sharing claims on financial assets

The bottom-up approach is based on a (liquid) risk-free yield curve adjusted for an illiquidity premium (100 basis points). The Company uses it for cash flows for which it does not use the top-down approach, i.e. non profit-sharing life insurance, contracts measured by VFA (illiquidity premium 0), non-life and reinsurance contracts.

Risk adjustment

The risk adjustment for non-financial risks represents a premium for the uncertainty associated with the estimates. It is determined as the difference between the best estimate of future cash flows and the value-at-risk (VaR) at the relevant materiality level. The materiality level is set at 75 % for life insurance products and 90 % for non-life insurance and reinsurance products. The risks considered include in particular mortality, longevity, morbidity, lapse or cost risks.

Contractual service margin

The contractual service margin is recognised in the balance sheet as part of the insurance contract liabilities. It ensures that a profit is not realised immediately at the time of initial recognition, but that the profit is spread over time according to the progress of the units of insurance cover. The units of insurance cover are reassessed at each reporting period and take into account the time value of money (discounting the units of insurance cover leads to a more stable pattern of profit or loss). After the end of the group of policies, the value of the contractual service margin is zero.

Loss component

In case that the absorption capacity of the contractual insurance margin is exhausted, a loss component, charged to loss, becomes part of the insurance contract liabilities.

VARIABLE FEE APPROACH (VFA)

The VFA method is a modification of the general valuation model (it adopts most of its features described above). It is characterised by the fact that the contractual service margin includes the remuneration that the Company expects to receive for managing the underlying assets. The residual value of the contractual servicing margin can be determined as the difference between the fair value of the underlying assets and the Company's total liabilities to policyholders.

In contrast to the general valuation model, in the subsequent valuation, all changes in the cash flows from claims are captured in the contractual service margin up to the point of exhaustion of its absorption capacity (i.e. before the service margin reaches zero). Once the absorption capacity of the CSM is exhausted, a loss component is recognised in profit or loss.

PREMIUM ALLOCATION APPROACH (PAA)

The Company uses the Premium Allocation Approach (PAA) for the valuation of non-life insurance assets and liabilities and reinsurance assets and liabilities. The amount of the liability for remaining coverage (LRC) includes premiums paid and cash flows arising from acquisition costs, which are amortised to profit or loss on a pro rata basis. In doing so, the Company assumes written premiums and acquisition costs and ensures the transition to a cash flow basis by adjusting the value for unpaid premiums receivable and unpaid commissions payable.

The Company does not use the option to amortise acquisition costs to profit or loss as incurred.

VALUATION OF LIABILITIES FOR INCURRED CLAIMS (LIC)

When a claim occurs, a liability for incurred claims (LIC) is created (separately valued). The valuation concept is the same as the general valuation model, i.e. the present value of expected future cash flows (including internal and external claim settlement costs) plus a risk adjustment for non-financial risk (a premium for uncertainty in the estimates). The risk adjustment is determined by the value-at-risk (VaR) method, similar to the liability for remaining coverage.

SUBSEQUENT VALUATION

Liabilities for remaining coverage measured by the BBA or VFA method

At the end of each reporting period, the Company updates assumptions and estimates related to expected cash flows, resulting in a change in the residual value of the remaining insurance coverage liability. There are 4 main movements:

- corrections based on experience;
  - related to future services provided (absorbed by the contractual service margin);
  - relating to services provided in the current or prior period (shown in the current period's profit or loss);

  - arising from a change in the portfolio of insurance contracts;

- the effects of changes in calculation assumptions unrelated to financial risks on fulfilment cash flows (absorbed by the contractual service margin);

- the effects of changes in calculation assumptions related to financial risks on fulfilment cash flows ;

- release of contractual service margin into the profit or loss of the current period.

Liabilities for remaining coverage measured by the PAA method

Pro rata temporis allocation to profit or loss - earned premiums to insurance revenues and amortised acquisition costs to insurance service expenses.

Assets and liabilities from reinsurance contracts use similar principles as primary insurance, with the opposite sign of the impact (e.g. reinsurance premiums are analogous to insurance premiums).

Liabilities from incurred claims measured by the PAA, BBA and VFA methods

Changes in the liabilities from incurred claims:

- changes in fulfilment cash flows as a result of increases or decreases in expected claims, expenses, etc (recognised in profit and loss of the current period - insurance service expenses);

- insurance finance income or expense - changes due to movements in discount rates.

INSURANCE REVENUE

The recognition of revenue from insurance contracts depends on the valuation model used:

- for contracts valued at PAA, earned premiums (accrued written premiums for the period) are included in the income;

- for contracts valued using the general valuation model, the income consists of the claims and expenses expected for the period (expected claim payments and other costs of insurance services), the release of the risk adjustment for the period (change in the risk adjustment for non-financial risk), the release of the contractual service margin for the period (contractual service margin) and the acquisition costs, including commissions, allocated to the period (allocated insurance acquisition expenses or commissions);

- for contracts valued by VFA the same rules as for contracts valued by the general valuation model are applied.

INSURANCE SERVICE EXPENSES

The insurance service expenses include:

- claims incurred (claim payments, changes in fulfilment cash flows relating to current period);

- incurred costs other than claims (e.g. administrative expenses);

- amortised insurance acquisition expenses and commissions;

- changes in fulfilment cash flow relating to future services (losses from onerous contracts and their reversals);

- changes in fulfilment cash flows that relate to past services (changes in the valuation of liabilities for incurred claims relating to claims incurred in prior periods).

OTHERS

- During the year, the Company updates the calculations from the previous months of the current year.

- The Company has chosen to allocate the financial income or expense from insurance claims to profit or loss and other comprehensive income. The interest expense on the insurance liability (calculated on the interest curve fixed at the inception of the contract or claim) for the relevant period is shown in profit or loss, while the impact of movements in the market interest curve is shown in other comprehensive income.

- For portfolios valued using the VFA method, the Company mirrors the change in fair value of the underlying assets in insurance financial income or expense.

- Insurance liabilities and reinsurance assets are presented separately in the statement of financial position.

REINSURANCE

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

The Company reinsures all major risks; for several products or insurance contracts all risks are reinsured.

The majority of the insurance portfolio is reinsured non-proportionally (i.e. the reinsurers covers only claim expense that exceeds stated limit – priority). However, the Company uses also proportional reinsurance (claim expenses are covered by the reinsurer with the same portion as the premium is ceded). The effectiveness of IFRS 17 does not materially change the current practice with respect to the simplified PAA model – see PAA description above. The reinsurance premium is accounted based on the valid contracts either monthly (non-proportional reinsurance) or on the regular bases (proportional reinsurance).

3. INTANGIBLE ASSETS

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

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

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

Software	5 years
Other intangible assets	5 years

INTANGIBLE ASSETS WITH FINITE LIVES

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

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

4. PROPERTY, PLANT AND EQUIPMENT

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

Land is not depreciated.

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

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

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

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

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

5. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

A subsidiary is an entity that is controlled by another entity (parent). The Company has control over the company it invested in when it is exposed to, or is entitled to, variable profits on the basis of its investments in that company. The Company is then able to influence these revenues through its control.

A joint venture is a type of joint concord in which parties which have joint control have also the right for the net assets of the joint venture. Joint control is the contractual sharing of control over the joint venture. It exists only when the controlling parties reach a single decision on the joint venture's activities.

Investments in subsidiaries, associates and joint ventures are stated at cost less provision for impairment.

Dividends on investments in subsidiaries, associates and joint ventures represent dividend income and are always recognised in the income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date the Company assesses whether there are indications for impairment of a non-financial asset. If any such indication exists, or when annual impairment testing takes place, the Company estimates the asset's recoverable amount.

An asset's recoverable amount or cash generating unit is the higher of:

- an asset's fair value or cash-generating unit less costs to sell and
- its value in use or the value of cash-generating unit

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

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

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

6. FINANCIAL INSTRUMENTS

RECOGNITION AND DERECOGNITION

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

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

For all categories of financial assets the Company recognises "regular way" purchases and sales using common settlement date (spot transactions) accounting. Under settlement date accounting, a financial asset is recognised or derecognised in the statement of financial position on the day it is physically transferred to or from the Company ("settlement date"). The date on which the Company becomes a party to the contractual provisions of a financial asset purchase, or the Company loses control of the contractual rights from a financial asset sale is commonly referred to as the "trade date". For financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income any change in fair value that occurs between the reporting date and the settlement date of the trade shall be recognised in the income statement in case of financial instruments at fair value through profit or loss, and in case of FVOCI instruments in other comprehensive income

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INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

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

CLASSIFICATION AND VALUATION - DEBT INSTRUMENTS

Debt instruments can be allocated into one of the following categories:

- Financial assets at amortised cost (AC);
- Financial assets at fair value recognised in other comprehensive income (FVOCI);
- Financial assets at fair value through profit or loss (FVTPL).

Financial assets at amortised cost (AC)

A debt instrument is measured at AC only if it meets both of the following conditions and is not designated as FVTPL by the Company:

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

After initial measurement, financial assets at amortised cost are measured at amortised cost using the effective interest rate method, except in the case of a fair value hedge of items in this category, which have to be fair valued to the extent of the hedged risk.

The effective interest method is the method of calculating the net book value of financial asset or financial liability and the allocation of interest income or interest expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash payments, or the revenue over the expected duration of the financial instrument, or after a shorter period, to the net carrying amount of the financial asset or financial liability. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The interest income is included in Net interest income. The losses arising from the impairment of such investments are recognised in the statement of income in Impairment losses.

Financial assets at fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL by the Company:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets at fair value through other comprehensive income are measured at fair value. Unrealised gains and losses are recognised directly in the OCI line Net change in revaluation reserve for debt instruments, until the financial asset is derecognised. When these assets are disposed of, the unrealised gain or loss recorded in the OCI line Net change in revaluation reserve for debt instruments is reclassified to the income statement to Net realised gains/losses from financial assets at fair value through other comprehensive income. Interest income arising from assets, calculated using the effective interest rate method, is recorded separately in Net interest income. The losses arising from the impairment of such investments are recognised in the income statement in Net credit impairment gains / (losses).

Business model

The business model assessment is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI. The Company reviews the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the portfolio is managed. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported the Board of Directors;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets.

Contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument at initial recognition. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets which could occur when the Group begins or ceases to perform an activity that is significant to its operations, or the change is permitted by a specific provision (e.g. transition to IFRS 17). The reclassification takes place from the start of the first reporting period following the change.

Financial assets and financial liabilities at fair value through profit or loss (FVTPL)

This category of financial assets and financial liabilities is further divided into two groups: financial assets and liabilities held for trading and financial assets and liabilities not designated for trading that were initially designated by the Company as assets and liabilities at fair value through profit or loss. Investments made primarily for the purpose of their sale in the near future are classified as held for trading. Investments designated by the Company as at FVTPL on initial recognition and irrevocably, must meet the following criteria:

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

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

Hedging

In accordance with IAS 39, the Company has decided to use the option to continue with current hedge accounting and to await further developments in portfolio hedge accounting.

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

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

Cash flow hedges

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

Fair value hedges

The Company employs fair value hedging to hedge interest rate and currency risks with certain fixed income investments, using interest rate and currency swaps as hedging instruments. It also hedges the currency risk for equity investments.

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

Hedge accounting is discontinued if the hedging instrument expires, is sold, terminated or exercised, when the hedge no longer meets the criteria for hedge accounting or when the Company cancels or withdraws the hedging relationship. For hedged items measured at amortised cost, the difference corresponding to changes in the fair value of hedged items corresponding to the hedged risk is amortised until the maturity of the original hedging relationship, using the effective interest rate.

Determination of fair value

The fair value of a financial instrument is the amount which would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (called exit price). Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss or, trading instruments, or financial assets at fair value recognised in other comprehensive income, are measured at fair value using listed market prices if listed in an active public market. For financial instruments that are not traded in active public markets, fair values are estimated using valuation models, listed prices of instruments with similar characteristics, discounted cash flows or other methods.

These methods of fair value estimation are significantly influenced by the assumptions used by the Company, including discount rates, liquidity, credit indicators and estimates of future cash flows

General model of expected credit losses (ECL)

The model of impairment of financial assets is called the Expected Credit Loss model (ECL).

ECL modelling is based on the classification of financial assets and is used for the following financial assets:

- Financial assets at amortised cost;
- Debt instruments at fair value recognised in other comprehensive income;
- Trade receivables and other receivables.

No expected credit losses are calculated for equity instruments.

If the credit risk has increased significantly since initial recognition, financial assets classified in the above categories provision equal to lifetime expected credit losses is created. If the credit risk has not increased significantly since the initial recognition, the provision is equal to the 12-month expected credit losses (see the reference to a significant increase in credit risk).

12-month expected credit losses are defined as a portion of the lifetime expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting period.

Lifetime expected credit losses are defined as expected credit losses arising from all possible defaults over the remaining lifetime of the financial asset.

To differentiate between individual levels regarding to ECL, the Company uses commonly used terminology Stage 1, 2 and 3.

All financial assets are initially recognised, if they are not already impaired, classified in Stage 1 and carry allowance of 12-months expected credit losses. Once there is a significant increase in credit risk since the initial recognition, the asset is transferred to Stage 2 and the provision is equal to the lifetime expected credit losses. Once an asset meets the definition of default, it transfer to Stage 3.

The Company uses the same definition of financial assets in default as for the use of internal risk management, which is in compliance with instructions and standards of regulatory bodies.

The Company assesses regularly whether a financial asset or group of financial assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- significant financial difficulty of the issuer or obligor, worsening of his credit rating;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

  - unfavourable changes in payment conditions of debtors in the group; or

  - economic conditions that correlate with defaults on the assets in the group.

ECL for trade receivables and other receivables is recognised in the amount of lifetime expected credit losses.

Gains and losses on impairment of financial assets are recognised in the income statement in Net credit impairment losses.

Financial assets that are measured at amortised cost are recognised in the balance sheet at carrying value being the gross carrying amount less credit loss allowance. Debt instruments measured at fair value recognised in other comprehensive income are recognised in the balance sheet as book value, which is their fair value. ECL is recognised as a reclassification adjustment between the income statement and other comprehensive income.

Significant increase in credit risk since initial recognition

In accordance with ECL model, lifetime expected credit loss is recognised if credit risk significantly increased since initial recognition. Key indicators of a significant increase in credit risk are as follows:

- credit rating;
- information on overdue amounts;
- changes in business, economic and financial area;
- market indicators of credit risk;
- regulatory, macroeconomic and technologic environment.

ECL calculation

The ECL is calculated as a multiple of:

- probability of default (PD). PD reflects the probability of debtor's default over the next 12 months (12m PD) or over the lifetime of the asset (lifetime PD);
- exposure of default (EAD). It is an estimate of a future default date within the next 12 months (12m EAD) or within lifetime of the asset (lifetime EAD); and
- loss given default (LGD). LGD is expressed by expected losses as a percentage of EAD. 12M LGD reflects the percentage of loss if the default occurs within 12 months. A lifetime LGD is the percentage of loss if the default occurs in the remaining life of the asset.

The ECL is measured in a way that reflects:

- unbiased, probability weighted value;
- time value of money; and
- information about past and current events and expected economic conditions.

Lifetime ECL represents sum of expected credit losses during the life of the financial asset discounted at the original effective interest rate.

12-month long ECLs represent part of the lifetime expected credit losses that arise from default within 12 months after reporting date.

7. TAXES

CURRENT INCOME TAX

Current income tax asset, or liability for the current accounting period is measured at the amount expected to be recovered from or paid to the tax authority. The current income tax amount is calculated in accordance with the Act no. 586/1992 Coll., on income taxes as amended.

DEFERRED INCOME TAX

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

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

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

8. CASH AND CASH EQUIVALENTS

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

The carrying value of cash and cash equivalents approximates their fair value.

9. SHARE CAPITAL

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

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

10. RETAINED EARNINGS / ACCUMULATED LOSSES, FUNDS AND REVALUATION RESERVES

Retained earnings/accumulated losses include retained earnings or losses arising in previous years and profit or loss for the period.

Other funds represent a reserve fund the Company established in compliance with statutory requirements.

Revaluation reserve for unrealised gains and losses includes gains or losses arising from changes in the fair value on financial assets FVOCI and cash flow hedges.

11. OTHER LIABILITIES

Other liabilities are recognised at the date of the accounting event realisation. They include current liabilities from unpaid premium and liabilities from unpaired premium and are therefore not part of insurance contract assets and liabilities. Also, liabilities from realised guarantees of the Czech Insurers' Bureau are recognised in this way.

12. LEASE

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The lessee has the right to control the use of the asset and obtain significant economic benefits from its use.
The Company has used the exemption from the scope of IFRS 16 for:

- Short-term leases - for lease contracts shorter than one year;
- Leases of low-value assets - for individual assets with values below EUR 5,000;
- Intangible asset leases - when the Company acts as a lessee.

THE COMPANY AS A LESSEE

At the commencement of the lease, the lessee (i.e. the Company) recognises the right to use the asset and the lease liability.

The lease liability is initially recognised at the present value of future lease payments and is subsequently increased by the relevant interest calculated on the basis of the implicit interest rate of the lease or incremental interest rate and reduced by the lease payments. Interest is recognised as interest expense in the income statement.

The right to use the asset is initially measured at cost and is included in Property, plant and equipment. The depreciation period corresponds to the useful life of the asset or the lease term, if shorter. The residual value of the right of use is tested for impairment.

Leases for an indefinite period of time are limited to the earliest date on which the contract can be terminated by the lessee or the lessor, or are limited to 10 years in advance. For fixed-term contracts lifetime corresponds to the duration of the contract. If a fixed-term contract includes options, then the lifetime, after taking into account options, is limited to 10 years.

Total payments made for operating leases subject to exceptions (short-term lease, low-value assets lease and intangible assets lease) are recognised in the income statement on a straight-line basis over the term of the lease.

13. REVENUE RECOGNITION

INCOME / (EXPENSE) FROM INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD

For a more detailed description see Note 2. 4, point 2.

INTEREST INCOME

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

DIVIDEND INCOME

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

NET (UN)REALISED GAINS / (LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

14. EXPENSE RECOGNITION

Expenses are divided into expenses directly attributable to insurance contracts, which are part of insurance service expenses (more detailed description in Note 2.4, point 2. Insurance contracts), and indirectly attributable expenses, which are part of other expenses. Indirectly attributable expenses include, in particular, all expenses related to the development of new products, as well as audit fees and marketing campaigns.

15. RELATED PARTIES

The Company's related parties are as follows:

- members of the Company's body corporate, key management personnel and close members of their families;
- entities that directly or indirectly control the Company and their key management personnel;
- entities directly or indirectly controlled or jointly controlled by those entities, which directly or indirectly control the Company;
- entities with significant influence over the Company;
- subsidiaries of the Company.

Other related parties as defined in IAS 24 are not relevant for the Company. In Notes 3, 8, 9, 13, 18, 19, 22, 27, 28 the following balances and transactions with related party are disclosed:

- the total amount of loans provided by the Company to members of the Board of Directors, Supervisory Board, Audit Committee, other key management personnel of the Company and other related parties;
- receivables from and liabilities to entities controlling the Company directly or indirectly;
- receivables from and liabilities to entities directly or indirectly controlled or jointly controlled by those entities, which directly or indirectly control the Company;

- interest income and interest expense incurred in respect of related parties;
- other income and expenses incurred in respect of related parties;
- staff costs incurred in respect of related parties.

Related parties' transactions are subject to substantially the same terms as comparable transactions with third party counterparties.

16. SUBSEQUENT EVENTS

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

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

3. INSURANCE SERVICE RESULT

3.1. REVENUES FROM LIFE AND NON-LIFE INSURANCE CONTRACTS

2023 (CZK'000)	Total	BBA	VFA	PAA
Insurance revenues for BBA and VFA contracts	2,298,149	2,036,792	261,357	-
Amounts related to changes in liabilities for remaining coverage	2,155,429	1,898,250	257,179	-
Expected claims and other in-surance service expenses	1,244,267	1,115,738	128,529	-
Changes in risk adjustment for risk expired (non-financial risk)	55,378	48,143	7,235	-
CSM recognized for services provided	855,784	734,369	121,415	-
Recovery of insurance acquisition cash flows	142,720	138,542	4,178	-
Allocated insurance acquisition expenses	13,379	12,675	704	-
Allocated insurance acquisition commissions	129,341	125,867	3,474	-
Insurance revenues for contracts measured using the PAA	10,993,898	-	-	10,993,898
Total insurance revenues	**13,292,047**	**2,036,792**	**261,357**	**10,993,898**

2022 (CZK'000)	Total	BBA	VFA	PAA
Insurance revenues for BBA and VFA contracts	2,164,826	1,886,681	278,145	-
Amounts related to changes in liabilities for remaining coverage	2,106,732	1,830,017	276,715	-
Expected claims and other in-surance service expenses	1,202,314	1,067,644	134,670	-
Changes in risk adjustment for risk expired (non-financial risk)	58,125	49,887	8,238	-
CSM recognized for services provided	846,293	712,486	133,807	-
Recovery of insurance acquisition cash flows	58,094	56,664	1,430	-
Allocated insurance acquisition expenses	5,679	5,407	272	-
Allocated insurance acquisition commissions	52,414	51,257	1,158	-
Insurance revenues for contracts measured using the PAA	9,840,081	-	-	9,840,081
Total insurance revenues	**12,004,907**	**1,886,681**	**278,145**	**9,840,081**

According to IFRS 17, the investment component of premiums written is not included in income from life insurance contracts (BBA, VFA). The main source of profit is the margin on insurance contracts. Amounts relating to the change in liability for remaining coverage are offset by items of insurance service expenses, i.e. the margin on insurance contracts represents the main source of (non-financial) life insurance profit.

For non-life insurance (PAA), insurance revenue follows business dynamics (year-on-year growth in written premiums).

3.2. LIFE INSURANCE PREMIUM WRITTEN

(CZK'000)	2023	2022
TOTAL	**4,498,058**	**4,248,147**
BBA	**3,358,465**	**3,169,511**
Non-Linked traditional insurance	**568,381**	620,703
Group risk insurance	**589,383**	611,859
Unit-linked – regular BBA	**1,483,705**	1,667,102
Náš Život – internal – BBA	**167,799**	76,627
Náš Život – external – BBA	**40,592**	12,803
Náš Život – ČSOB – BBA	**343,281**	114,286
Náš Život – ČSOB S – BBA	**105,785**	46,547
Náš Život – Česká Pošta – BBA	**59,539**	19,584
VFA	**1,139,593**	**1,078,636**
Unit-linked – single payment VFA	**489,338**	425,684
Unit-linked – regular VFA	**450,911**	528,875
Náš Život – internal – VFA	**22,290**	13,004
Náš Život – external – VFA	**1,575**	788
Náš Život – ČSOB – VFA	**172,154**	108,100
Náš Život – ČSOB S – VFA	**1,147**	945
Náš Život – Česká Pošta – VFA	**2,178**	1,240
OF WHICH INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF)	**59,760**	**52,599**
BBA	**55,405**	47,123
VFA	**4,355**	5,476

The year-on-year growth in total premiums is primarily due to the growing volume of new contracts for the Náš Život product. The second product negotiated is the single unit-linked product Maximal Invest (VFA), which also recorded a year-on-year increase. The premium of other products decreases year-on-year due to reduction of insurance portfolio.

3.3. NON-LIFE INSURANCE PROFITABILITY

2023 (CZK'000)	Insurance revenue	Insurance service expenses	Insurance finance income and expenses	**Insurance income and expense**	Result from reinsurance contracts held	**Total result from insurance and reinsurance contracts**
Accident insurance	27,940	(5,762)	(78)	**22,100**	(6,305)	**15,795**
Motor third party liability insurance	2,933,034	(2,294,911)	(94,243)	**543,880**	(45,316)	**498,564**
General third party liability insurance	227,327	(160,241)	(8,478)	**58,608**	(2,125)	**56,483**
Other motor insurance	2,805,073	(2,524,517)	(20,701)	**259,855**	(17,458)	**242,397**
Houses and households insurance	1,548,965	(980,641)	(17,250)	**551,074**	(57,833)	**493,241**
Travel insurance	510,958	(393,640)	(3,571)	**113,747**	(1,737)	**112,010**
Industrial risk insurance	1,269,027	(821,875)	(47,386)	**399,766**	(254,514)	**145,252**
Industrial risk liability insurance	645,535	(571,510)	(24,793)	**49,232**	(2,804)	**46,428**
Other insurance	1,026,039	(1,058,978)	(21,700)	**(54,639)**	2,790	**(51,849)**
Total	**10,993,898**	**(8,812,075)**	**(238,200)**	**1,943,623**	**(385,302)**	**1,558,321**

2022 (CZK'000)	Insurance revenue	Insurance service expenses	Insurance fi-nance income and expenses	**Insurance income and expense**	Result from reinsurance contracts held	**Total result from insurance and reinsurance contracts**
Accident insurance	27,831	15,717	(259)	**43,289**	(8,726)	**34,563**
Motor third party liability insurance	2,773,484	(2,127,142)	(37,723)	**608,619**	(10,014)	**598,605**
General third party liability insurance	210,021	(164,653)	(2,843)	**42,525**	1,324	**43,849**
Other motor insurance	2,410,377	(2,254,926)	(5,084)	**150,367**	(5,861)	**144,506**
Houses and households insurance	1,391,378	(1,126,055)	(6,245)	**259,078**	13,298	**272,376**
Travel insurance	401,541	(221,443)	(372)	**179,726**	(602)	**179,124**
Industrial risk insurance	1,139,536	(1,048,387)	(19,415)	**71,734**	28,559	**100,293**
Industrial risk liability insurance	562,691	(458,130)	(7,793)	**96,768**	(40,392)	**56,376**
Other insurance	923,222	(644,923)	(6,195)	**272,104**	(126,504)	**145,600**
Total	**9,840,081**	**(8,029,942)**	**(85,929)**	**1,724,210**	**(148,918)**	**1,575,292**

Non-life insurance contracts make a relatively stable contribution to the Company's overall performance. On the income side, the portfolio is growing steadily. This is of course followed by the insurance services expenses. The exact amount and composition of costs is always dependent on the occurrence of major claims and catastrophes. Both years under review were relatively favourable in this respect.

3.4. INSURANCE SERVICE EXPENSES FROM INSURANCE CONTRACTS ISSUED

2023 (CZK'000)	Celkem	BBA	VFA	PAA
Incurred claims	(6,445,024)	(1,066,059)	(120,546)	(5,258,419)
Incurred costs other than claims	(1,272,738)	(306,354)	(36,575)	(929,809)
Amortised acquisition expenses	(252,846)	(12,675)	(704)	(239,467)
Amortised acquisition commissions	(2,675,792)	(125,867)	(3,474)	(2,546,451)
Changes in fulfilment cash flows that relate to future services - losses and reversals of losses on onerous groups of contracts	1,792	14,173	(12,381)	-
Changes in fulfilment cash flows that relate to past services	580,219	380,879	37,269	162,071
Total Insurance service expenses	**(10,064,389)**	**(1,115,903)**	**(136,411)**	**(8,812,075)**

2022 (CZK'000)	Celkem	BBA	VFA	PAA
Incurred claims	(6,077,068)	(1,021,816)	(175,847)	(4,879,405)
Incurred costs other than claims	(1,212,548)	(274,827)	(37,455)	(900,266)
Amortised acquisition expenses	(310,903)	(5,407)	(272)	(305,224)
Amortised acquisition commissions	(2,206,983)	(51,257)	(1,158)	(2,154,568)
Changes in fulfilment cash flows that relate to future services - losses and reversals of losses on onerous groups of contracts	(11,047)	(6,725)	(4,322)	-
Changes in fulfilment cash flows that relate to past services	519,711	272,773	37,417	209,521
Total Insurance service expenses	**(9,298,838)**	**(1,087,259)**	**(181,637)**	**(8,029,942)**

4. NET INTEREST INCOME

(CZK'000)	2023	2022
Financial assets at amortised cost	**514,360**	378,393
Financial assets at fair value through other comprehensive income	**662,797**	685,277
Financial assets at fair value through profit or loss	**457**	443
Hedging derivatives	**221,417**	148,227
Net interest expenses from hedging derivatives	**(206)**	-
Interest expense on financial liabilities at amortised cost – lease liabilities	**(9,208)**	(5,472)
TOTAL	**1,389,617**	**1,206,868**

5. NET (UN)REALISED GAINS / (LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(CZK'000)	2023	2022
Instruments held for trading (including changes in fair value of derivatives)	**870,534**	148,591
Gains / (losses) on unit-linked instruments	**(18,024)**	(531,177)
Realised gains / (losses)	**27,068**	22,554
Other financial instruments initially designated at fair value through profit or loss	**9,761**	(286,941)
Foreign exchange gains (+) and losses (-)	**8,955**	(5,338)
TOTAL	**898,293**	**(652,311)**

6. NET GAINS / (LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(CZK'000)	2023	2022
Mutual fund units	**(12,504)**	-
Bonds	**(3,063)**	(896,694)
TOTAL	**(15,567)**	**(896,694)**

7. OTHER INCOME

(CZK'000)	2023	2022
FX gains	**275,004**	163,810
Other	**52,707**	74,481
Gain from the sale of assets	**1,842**	539
Rental income	**1,378**	1,310
TOTAL	**330,931**	**240,140**

8. OTHER EXPENSE

(CZK'000)	2023	2022
Staff expenses	**(909,021)**	(871,470)
General administrative expenses	**(798,455)**	(805,066)
Depreciation and amortisation of fixed assets	**(165,000)**	(145,244)
Amounts attributable to insurance acquisition cash flows	**328,707**	419,911
Amortisation of insurance acquisition cash flows	**(248,781)**	(305,333)
TOTAL OPERATING EXPENSES	**(1,792,549)**	**(1,707,202)**
Included in line Insurance service expenses from insurance contracts issued	**(1,525,147)**	(1,558,716)
Included in line Other expense	**(267,402)**	(148,486)
OTHER EXPENSES		
Bank fees	**(19,036)**	(15,808)
FX losses	**(275,088)**	(165,265)
Other expenses	**(11,320)**	(10,217)
Operating expenses - the part included in the Other expenses	**(267,402)**	(148,486)
TOTAL	**(572,847)**	**(339,777)**

As a part of general administrative expenses, auditor's remuneration represents CZK 6,912 thousand in 2023 and CZK 5,508 thousand in 2022 (statutory financial statements audit and group reporting audit; no other services were provided by the auditor).

9. EMPLOYEE AND EXECUTIVES INFORMATION

2023 (CZK'000)	Average number of employees	Wages and salaries	Health insurance	Social insurance	Other costs	Total
Employees	760	(536,678)	(50,210)	(138,665)	(51,400)	(776,953)
Executives	33	(78,443)	(9,097)	(18,012)	(26,516)	(132,068)
Total	**793**	**(615,121)**	**(59,307)**	**(156,677)**	**(77,916)**	**(909,021)**

2022 (CZK'000)	Average number of employees	Wages and salaries	Health insurance	Social insurance	Other costs	Total
Employees	755	(529,770)	(47,086)	(129,994)	(42,940)	(749,789)
Executives	32	(72,030)	(8,577)	(17,135)	(23,938)	(121,680)
Total	**787**	**(601,801)**	**(55,663)**	**(147,128)**	**(66,878)**	**(871,470)**

Staff expenses are included in Insurance service expenses from insurance contracts issued (CZK 820,716 thousand in 2023 and CZK 813,743 thousand in 2022) and Other expenses (CZK 88,305 thousand in 2023 and CZK 57,726 thousand in 2022). They are divided between these categories on the basis of allocation keys.

REMUNERATION OF MEMBERS OF STATUTORY BODIES

Remuneration of the members of the Board of Directors is subject to the approval of the Supervisory Board. The remuneration of the members of the Board of Directors amounted to CZK 23,609 thousand in 2023 and CZK 21,491 thousand in 2022. Remuneration for members of the Supervisory Board is subject to shareholder approval. In 2023 and 2022 it was not paid.

RETIREMENT BENEFITS

The Company provides its employees (including senior management) with a pension contribution (voluntary contribution defined retirement scheme). Participating employees can contribute at least CZK 300 of their salaries each month to a pension fund approved by the Czech Ministry of Finance (MF CZ), with a contribution of CZK 500 – 1,000 from the Company.

LIFE INSURANCE BENEFITS

The Company provides its employees (including senior management) with a contribution on life insurance policies concluded by employees deliberately at the Company. Participating employees can contribute at least CZK 400 of their salaries monthly on their maximum of two policies at the Company, with a contribution of CZK 1,000 – 2,500 from the Company. The Company's contribution is provided only for the payment of premiums which are exempt from the employee's personal income tax in accordance with the effective wording of the Income Tax Act.

SEVERANCE

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

10. INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2023 and 31 December 2022 are as follows:

(CZK'000)	2023	2022
Current year tax expense	**(311,308)**	(487,370)
Previous year (over) / under payment	**(4,026)**	(52,242)
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	**(133,750)**	309,523
TOTAL	**(449,083)**	**(230,088)**

Reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 31 December 2023 and 31 December 2022 is as follows:

(CZK'000)	2023	2022
Profit before taxation	**3,251,235**	1,509,104
Applicable tax rates	**19%**	19%
Taxation at applicable tax rates	**(617,735)**	(286,730)
Tax related to previous years	**(4,026)**	(52,242)
Tax effect of non-taxable income	**10,084,627**	9,645,367
Tax effect of non-deductible expenses	**(9,909,322)**	(9,536,306)
Other	**(2,627)**	(177)
TOTAL	**(449,083)**	**(230,088)**

The applicable tax rate for 2023 and 2022 was 19 %.

Deferred tax is based on all temporary differences and is calculated using the liability method using the tax rate of 21 % for 2023 (rate effective for 2024) and 19 % for 2022.

The deferred tax expense in the income statement comprises of the following temporary differences:

(CZK'000)	2023	2022
Provision for receivables due to policyholders	**10,973**	1,769
Employee benefits	**4,747**	(2,442)
Tangible and intangible assets	**(7,143)**	(6,248)
Lease	**176**	(520)
Financial instruments	**(10,125)**	70,481
Tax on technical provisions	**(132,801)**	248,100
Other	**424**	(1,617)
TOTAL	**(133,750)**	**309,523**

With effect from 1 January 2024, the Czech Republic has adopted new legislation introducing a global minimum tax in line with EU legislation. The entire KBC Group, i.e. including the Company, will be subject to these new rules. The Czech Republic has also introduced rules for a qualified domestic minimum tax and CSOB Group expects to be subject to this domestic minimum tax in respect of KBC Group's operations in the Czech Republic. Although the statutory tax rate is 21 % from 2024, the effective tax rate for the CSOB Group is below the required threshold of 15 %. As the newly enacted tax legislation is only effective from 1 January 2024, it has currently no impact on the year ending 31 December 2023. The Company is assessing the impact for 2024 and does not expect it to be material.

Deferred tax change relating to other comprehensive income

2023 (CZK'000)	Before tax amount	Deferred tax	Net of tax amount
In respect of the revaluation of financial assets FVOCI	1,530,911	(282,601)	1,248,311
Debt instruments	1,527,914	(282,031)	1,245,884
Hedging derivatives	2,997	(569)	2,428
In respect of the implementation of financial investments FVOCI	14,402	(3,024)	11,377
Debt instruments	14,402	(3,024)	11,377
Impairment	(1,164)	244	(920)
Realised gains / (losses)	15,566	(3,269)	12,297
Insurance contracts	(1,538,958)	294,387	(1,244,571)
Reinsurance contracts	34,224	(6,193)	28,031
Total	**40,579**	**2,568**	**43,148**

2022 (CZK'000)	Before tax amount	Deferred tax	Net of tax amount
In respect of the revaluation of financial assets FVOCI	(2,164,919)	411,335	(1,753,584)
Debt instruments	(2,171,423)	412,571	(1,758,852)
Hedging derivatives	6,504	(1,236)	5,268
In respect of the implementation of financial investments FVOCI	286,357	(54,408)	231,950
Debt instruments	286,357	(54,408)	231,950
Impairment	334	(64)	270
Realised gains / (losses)	286,023	(54,344)	231,679
Insurance contracts	1,199,268	(227,861)	971,407
Reinsurance contracts	(17,594)	3,343	(14,251)
Total	**(696,887)**	**132,409**	**(564,479)**

11. INTANGIBLE ASSETS

2023 (CZK'000)	Software	Total
Opening balance – acquisition costs	767,556	767,556
Opening balance – depreciation and impairment	(411,718)	(411,718)
Opening balance – carrying amount	**355,838**	**355,838**
Acquisition	177,900	177,900
Disposals	-	-
Amortisation	(98,368)	(98,368)
Disposal of accumulated amortisation	-	-
Closing balance – acquisition costs	945,456	945,456
Closing balance – depreciation and impairment	(510,086)	(510,086)
Closing balance – carrying amount	**435,370**	**435,370**

2022 (CZK'000)	Software	Total
Opening balance – acquisition costs	665,823	665,823
Opening balance – depreciation and impairment	(332,050)	(332,050)
Opening balance – carrying amount	**333,773**	**333,773**
Acquisition	124,318	124,318
Disposals	(22,586)	(22,586)
Amortisation	(80,024)	(80,024)
Disposal of accumulated amortisation	356	356
Closing balance – acquisition costs	767,556	767,556
Closing balance – depreciation and impairment	(411,718)	(411,718)
Closing balance – carrying amount	**355,838**	**355,838**

The amortisation of intangible assets is presented in the lines “Insurance service expenses from insurance contracts issued” and “Other expenses” in the income statement.

12. PROPERTY, PLANT AND EQUIPMENT

2023 (CZK'000)	Land and buildings	of which right-of-use asset	Other equipment	Total
Opening balance – acquisition costs	568,011	398,310	82,206	650,217
Opening balance – depreciation and impairment	(293,718)	(183,164)	(58,672)	(352,390)
Opening balance – carrying amount	**274,293**	**215,147**	**23,534**	**297,827**
Acquisition	124,204	117,449	9,059	133,263
Disposals	(2,376)	(2,376)	(19,069)	(21,445)
Depreciation	(58,973)	(52,898)	(7,659)	(66,632)
Disposal of accumulated depreciation	2,376	2,376	17,264	19,640
Closing balance – acquisition costs	689,839	513,384	72,196	762,035
Closing balance – depreciation and impairment	(350,315)	(233,686)	(49,067)	(399,382)
Closing balance – carrying amount	**339,524**	**279,698**	**23,129**	**362,653**

2022 (CZK'000)	Land and buildings	of which right-of-use asset	Other equipment	Total
Opening balance – acquisition costs	549,490	381,472	76,563	626,053
Opening balance – depreciation and impairment	(239,814)	(135,007)	(53,105)	(292,919)
Opening balance – carrying amount	**309,676**	**246,466**	**23,458**	**333,134**
Acquisition	21,637	19,906	8,854	30,491
Disposals	(3,116)	(3,068)	(3,211)	(6,327)
Depreciation	(57,020)	(51,224)	(8,201)	(65,220)
Disposal of accumulated depreciation	3,116	3,068	2,634	5,750
Closing balance – acquisition costs	568,011	398,310	82,206	650,217
Closing balance – depreciation and impairment	(293,718)	(183,164)	(58,672)	(352,390)
Closing balance – carrying amount	**274,293**	**215,147**	**23,534**	**297,827**

Depreciation of property, plant and equipment is recognised in the lines „Insurance service expenses from insurance contracts issued „ and „Other expenses" in the income statement.

13. OTHER ASSETS

(CZK'000)	**2023**	2022
Accrued income	**27,956**	35,953
Prepaid expenses	**86,059**	66,474
Outstanding payments on the reinsurer's share in claims payments	**322,296**	357,519
Other receivables from third parties	**47,461**	50,040
Other assets	**29,182**	37,989
TOTAL	**512,954**	**547,974**

Given their short-term nature, outstanding payments from the reinsurer's share in claims payments are not the part of the reinsurance contracts assets and liabilities.

14. INSURANCE CONTRACT ASSETS AND LIABILITIES

14.1. SUMMARY OF INSURANCE CONTRACT ASSETS AND LIABILITIES

2023 (CZK'000)	Insurance contract assets			Insurance contract liabilities		
	Total	Assets for remaining coverage	Assets for incurred claims	Total	Liabilities for remaining coverage	Liabilities for incurred claims
Life insurance	**480,867**	**667,617**	**(186,750)**	**23,505,922**	**23,007,438**	**498,484**
BBA	480,563	667,210	(186,647)	15,276,147	14,851,252	424,895
Non-Linked traditional insurance	-	-	-	11,702,633	11,629,489	73,144
Group risk insurance	12,684	133,973	(121,289)	-	-	-
Unit-linked – regular BBA	-	-	-	3,476,189	3,143,000	333,189
Náš Život – internal – BBA	126,117	166,244	(40,127)	-	-	-
Náš Život – external – BBA	110,137	112,620	(2,483)	-	-	-
Náš Život – ČSOB – BBA	-	-	-	97,325	78,763	18,562
Náš Život – ČSOB S – BBA	176,469	192,289	(15,820)	-	-	-
Náš Život – Česká Pošta – BBA	55,156	62,084	(6,928)	-	-	-
VFA	304	407	(103)	8,229,775	8,156,186	73,589
Unit-linked – single VFA	-	-	-	6,119,546	6,119,219	327
Unit-linked – regular VFA	-	-	-	1,822,729	1,750,283	72,446
Náš Život – internal – VFA	-	-	-	21,486	21,017	469
Náš Život – external – VFA	-	-	-	1,389	1,389	-
Náš Život – ČSOB – VFA	-	-	-	263,235	262,888	347
Náš Život – ČSOB S – VFA	-	-	-	1,390	1,390	-
Náš Život – Česká Pošta – VFA	304	407	(103)	-	-	-
Non-life insurance (PAA)	**-**	**-**	**-**	**8,829,287**	**3,188,172**	**5,641,115**
Accident insurance	-	-	-	9,612	7,796	1,816
Motor third party liability insurance	-	-	-	3,376,800	961,943	2,414,857
General third party liability insurance	-	-	-	282,458	84,373	198,085
Other motor insurance	-	-	-	1,261,272	821,102	440,170
Houses and households insurance	-	-	-	1,009,836	699,921	309,915
Travel insurance	-	-	-	277,417	153,080	124,337
Industrial risk insurance	-	-	-	1,161,727	215,458	946,269
Industrial risk liability insurance	-	-	-	814,562	100,238	714,324
Other insurance	-	-	-	635,603	144,261	491,342
Total	**480,867**	**667,617**	**(186,750)**	**32,335,209**	**26,195,610**	**6,139,599**

2022 (CZK'000)	Insurance contract assets			Insurance contract liabilities		
	Total	Assets for remaining coverage	Assets for incurred claims	Total	Liabilities for remaining coverage	Liabilities for incurred claims
Life insurance	**324,099**	**358,994**	**(34,895)**	**23,062,645**	**22,391,369**	**671,276**
BBA	323,725	358,620	(34,895)	14,345,097	13,751,380	593,717
Non-Linked traditional insurance	-	-	-	10,767,898	10,686,966	80,932
Group risk insurance	-	-	-	196,003	57,769	138,234
Unit-linked – regular BBA	-	-	-	3,381,196	3,006,645	374,551
Náš Život – internal – BBA	110,277	117,571	(7,294)	-	-	-
Náš Život – external – BBA	52,783	53,554	(771)	-	-	-
Náš Život – ČSOB – BBA	32,983	50,785	(17,802)	-	-	-
Náš Život – ČSOB S – BBA	111,352	117,193	(5,841)	-	-	-
Náš Život – Česká Pošta – BBA	16,330	19,517	(3,187)	-	-	-
VFA	374	374	-	8,717,548	8,639,989	77,559
Unit-linked – single VFA	-	-	-	6,895,601	6,893,134	2,467
Unit-linked – regular VFA	-	-	-	1,724,342	1,649,374	74,968
Náš Život – internal – VFA	-	-	-	4,223	4,223	-
Náš Život – external – VFA	-	-	-	529	529	-
Náš Život – ČSOB – VFA	-	-	-	92,217	92,093	124
Náš Život – ČSOB S – VFA	-	-	-	636	636	-
Náš Život – Česká Pošta – VFA	374	374	-	-	-	-
Non-life insurance (PAA)	**-**	**-**	**-**	**7,611,293**	**2,360,508**	**5,250,785**
Accident insurance	-	-	-	11,137	7,961	3,176
Motor third party liability insurance	-	-	-	3,276,764	859,144	2,417,620
General third party liability insurance	-	-	-	252,481	78,978	173,503
Other motor insurance	-	-	-	1,017,510	656,747	360,763
Houses and households insurance	-	-	-	925,348	606,856	318,492
Travel insurance	-	-	-	179,454	124,803	54,651
Industrial risk insurance	-	-	-	1,256,838	158,890	1,097,948
Industrial risk liability insurance	-	-	-	690,981	77,327	613,654
Other insurance	-	-	-	780	(210,198)	210,978
Total	**324,099**	**358,994**	**(34,895)**	**30,673,938**	**24,751,877**	**5,922,061**

The amount of the liability for remaining coverage depends, among other things, on calculation assumptions calibrated on the basis of historical experience or publicly available information such as

- lapse rates;
- mortality tables (publicly available, specifically adjusted according to historical experience);
- operating costs directly attributable to the group of contracts (costs incurred as a result of fulfilling obligations under existing insurance contracts).

Parameters may vary for different product types. See sensitivity analysis in Note 25, section Insurance risk.

The determination of the value of the liability for remaining coverage draws on

- claim payments (see the claims development tables in Note 25, section Insurance risk);
- internal and external claim settlement costs;
- the number of claims and their amount;

and takes into account external influences such as the interest rate environment affecting discounting or legislative requirements.

A yield curve (forward rates) used to discount cash flows, that does not change based on the performance of the underlying assets - bottom-up and top-down methods:

2023

Currency					Maturity
		1 year	5 years	10 years	20 years
CZK	Bottom-up with volatility adjustment	4.83 %	3.19 %	3.70 %	3.98 %
	Bottom-up without volatility adjustment	4.67 %	3.03 %	3.54 %	3.82 %
	Top-down Non-UL	4.54 %	2.70 %	3.87 %	4.47 %
	Top-down UL	4.37 %	2.44 %	3.85 %	4.59 %

2022

Currency					Maturity
		1 year	5 years	10 years	20 years
CZK	Bottom-up with volatility adjustment	7.92 %	4.46 %	4.51 %	6.04 %
	Bottom-up without volatility adjustment	7.61 %	4.16 %	4.21 %	5.70 %
	Top-down Non-UL	6.33 %	4.40 %	4.34 %	5.25 %
	Top-down UL	5.44 %	4.53 %	4.35 %	4.84 %

The use of curves for individual portfolios:

- bottom-up with volatility adjustment for group risk insurance, non-life and reinsurance portfolios;
- bottom-up without volatility adjustment for the portfolio measured using VFA ;
- top-down Non-UL for Non-Linked Traditional Insurance;
- top-down UL for the Náš Život portfolio and for the Unit-linked portfolio - regularly paid BBA.

14.2. MOVEMENT IN INSURANCE CONTRACT ASSETS AND LIABILITIES

2023 (CZK'000)	Liabilities for remaining cover-age		Liabilities for incurred claims	Total
BBA	Excluding loss component	Loss component		
Opening assets (-)	(397,281)	38,661	34,895	(323,725)
Opening liabilities	13,751,380	-	593,717	14,345,097
Net opening balance	**13,354,099**	**38,661**	**628,612**	**14,021,372**
Insurance service result	(1,898,250)	(22,528)	999,889	(920,889)
Insurance revenue by transition method	(2,036,792)	-	-	(2,036,792)
Fair value approach	(1,438,713)	-	-	(1,438,713)
Other	(598,079)	-	-	(598,079)
Insurance service expenses	138,542	(22,528)	999,889	1,115,903
Incurred claims	-	(5,183)	1,071,242	1,066,059
Incurred costs other than claims	-	(3,172)	309,526	306,354
Amortised acquisition expenses	12,675	-	-	12,675
Amortised acquisition commissions	125,867	-	-	125,867
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous contracts	-	(14,173)	-	(14,173)
Changes in fulfilment cash flows that relate to past services	-	-	(380,879)	(380,879)
Investment component	(1,566,260)	-	1,566,260	-
Insurance finance income and expenses	1,885,869	3,799	33,014	1,922,682
Recognised in the income statement	542,179	133	22,742	565,054
Recognised in other comprehensive income	1,343,690	3,666	10,272	1,357,628
Total changes in comprehensive income	(1,578,641)	(18,729)	2,599,163	1,001,793
Total cash flows	2,388,652	-	(2,616,233)	(227,581)
Premiums received	3,378,043	-	-	3,378,043
Claims paid	-	-	(2,306,707)	(2,306,707)
Costs other than claims paid	-	-	(309,526)	(309,526)
Insurance acquisition cash flows paid	(989,391)	-	-	(989,391)
Net closing balance	**14,164,110**	**19,932**	**611,542**	**14,795,584**
Closing assets (-)	(687,142)	19,932	186,647	(480,563)
Closing liabilities	14,851,252	-	424,895	15,276,147

2022 (CZK'000)	Liabilities for remaining coverage		Liabilities for incurred claims	Total
BBA	Excluding loss component	Loss component		
Opening assets (-)	(202,686)	154	100,535	(101,997)
Opening liabilities	15,229,994	35,357	497,228	15,762,579
Net opening balance	**15,027,308**	**35,511**	**597,763**	**15,660,582**
Insurance service result	(1,830,018)	(4,733)	1,035,329	(799,422)
Insurance revenue by transition method	(1,886,681)	-	-	(1,886,681)
Fair value approach	(1,438,864)	-	-	(1,438,864)
Other	(447,817)	-	-	(447,817)
Insurance service expenses	56,663	(4,733)	1,035,329	1,087,259
Incurred claims	-	(3,572)	1,025,389	1,021,817
Incurred costs other than claims	-	(7,886)	282,713	274,827
Amortised acquisition expenses	5,407	-	-	5,407
Amortised acquisition commissions	51,256	-	-	51,256
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous contracts	-	6,725	-	6,725
Changes in fulfilment cash flows that relate to past services	-	-	(272,773)	(272,773)
Investment component	(1,687,313)	-	1,687,313	-
Insurance finance income and expenses	(606,534)	7,883	8,890	(589,761)
Recognised in the income statement	563,808	2,405	25,095	591,308
Recognised in other comprehensive income	(1,170,342)	5,478	(16,205)	(1,181,069)
Total changes in comprehensive income	(4,123,865)	3,150	2,731,532	(1,389,183)
Total cash flows	2,450,656	-	(2,700,683)	(250,027)
Premiums received	3,153,102	-	-	3,153,102
Claims paid	-	-	(2,417,970)	(2,417,970)
Incurred costs other than claims paid	-	-	(282,713)	(282,713)
Insurance acquisition cash flows paid	(702,446)	-	-	(702,446)
Net closing balance	**13,354,099**	**38,661**	**628,612**	**14,021,372**
Closing assets (-)	(397,281)	38,661	34,895	(323,725)
Closing liabilities	13,751,380	-	593,717	14,345,097

2023 (CZK'000)	Liabilities for remaining coverage		Liabilities for incurred claims	Total
VFA	Excluding loss component	Loss component		
Opening assets (-)	(790)	416	-	(374)
Opening liabilities	8,635,755	4,234	77,559	8,717,548
Net opening balance	**8,634,965**	**4,650**	**77,559**	**8,717,174**
Insurance service result	(257,179)	10,598	121,635	(124,946)
Insurance revenue by transition method	(261,357)	-	-	(261,357)
Fair value approach	(198,515)	-	-	(198,515)
Other	(62,842)	-	-	(62,842)
Insurance service expenses	4,178	10,598	121,635	136,411
Incurred claims	-	(1,757)	122,304	120,547
Incurred costs other than claims	-	(26)	36,600	36,574
Amortised acquisition expenses	704	-	-	704
Amortised acquisition commissions	3,474	-	-	3,474
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous contracts	-	12,381	-	12,381
Changes in fulfilment cash flows that relate to past services	-	-	(37,269)	(37,269)
Investment component	(2,190,682)	-	2,190,682	-
Insurance finance income and expenses	816,735	830	5,917	823,482
Recognised in the income statement	816,735	830	4,372	821,937
Recognised in other comprehensive income	-	-	1,545	1,545
Total changes in comprehensive income	(1,631,126)	11,428	2,318,234	698,536
Total cash flows	1,135,862	-	(2,322,101)	(1,186,239)
Premiums received	1,171,314	-	-	1,171,314
Claims paid	-	-	(2,285,501)	(2,285,501)
Incurred costs other than claims paid	-	-	(36,600)	(36,600)
Insurance acquisition cash flows paid	(35,452)	-	-	(35,452)
Net closing balance	**8,139,701**	**16,078**	**73,692**	**8,229,471**
Closing assets (-)	(491)	84	103	(304)
Closing liabilities	8,140,192	15,994	73,589	8,229,775

2022 (CZK'000)	Liabilities for remaining coverage		Liabilities for incurred claims	Total
VFA	Excluding loss component	Loss component		
Opening assets (-)	(89)	-	-	(89)
Opening liabilities	13,004,972	387	86,729	13,092,088
Net opening balance	**13,004,883**	**387**	**86,729**	**13,091,999**
Insurance service result	(276,715)	5,440	174,767	(96,508)
Insurance revenue by transition method	(278,145)	-	-	(278,145)
Fair value approach	(218,509)	-	-	(218,509)
Other	(59,636)	-	-	(59,636)
Insurance service expenses	1,430	5,440	174,767	181,637
Incurred claims	-	356	175,491	175,847
Incurred costs other than claims	-	762	36,693	37,455
Amortised acquisition expenses	272	-	-	272
Amortised acquisition commissions	1,158	-	-	1,158
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous contracts	-	4,322	-	4,322
Changes in fulfilment cash flows that relate to past services	-	-	(37,417)	(37,417)
Investment component	(4,720,209)	-	4,720,209	-
Insurance finance income and expenses	(442,116)	(1,177)	2,514	(440,779)
Recognised in the income statement	(442,116)	(1,177)	3,946	(439,347)
Recognised in other comprehensive income	-	-	(1,432)	(1,432)
Total changes in comprehensive income	(5,439,040)	4,263	4,897,490	(537,287)
Total cash flows	1,069,122	-	(4,906,660)	(3,837,538)
Premiums received	1,114,398	-	-	1,114,398
Claims paid	-	-	(4,869,967)	(4,869,967)
Incurred costs other than claims paid	-	-	(36,693)	(36,693)
Insurance acquisition cash flows paid	(45,276)	-	-	(45,276)
Net closing balance	**8,634,965**	**4,650**	**77,559**	**8,717,174**
Closing assets (-)	(790)	416	-	(374)
Closing liabilities	8,635,755	4,234	77,559	8,717,548

In 2023

- assets from life insurance contracts recorded a year-on-year increase of more than CZK 150 million thanks to newly negotiated contracts;
- liabilities from life insurance policies increased by almost CZK 500 million - the decrease in liabilities for incurred claims (settled previously incurred claims exceed outstanding new claims) is outweighed by the increase in liabilities for remaining coverage driven primarily by the decline in market interest rates (discount rates), despite a significant opposite movement in the Unit-linked single products due to maturing contracts.

In 2022

- BBA's liabilities for remaining coverage decreased by more than CZK 1.5 billion mainly due to the increase in market interest rates (and the discount rates derived from them);
- VFA's liabilities for remaining coverage decreased by almost CZK 4.5 billion, mainly due to payments of the investment component (the maturity of the Unit-linked single products was not compensated by the new business).

In a year-on-year comparison, we observe an increase in amortised acquisition commissions and insurance acquisition expenses. This is driven by the dynamics of the portfolio, but also by the prospective nature of the FVA method used at the time of transition to IFRS 17 (there is no amortisation of acquisition cash flows for contracts measured at transition using the FVA method). As the weight of contracts with amortised acquisition cash flows increases over time (due to newly negotiated contracts), so do the amortised costs and commissions on insurance acquisition expenses.

14.3. MOVEMENT IN NON-LIFE INSURANCE CONTRACT ASSETS AND LIABILITIES

2023 (CZK'000)	Liabilities for remaining coverage		Liabilities for incurred claims		Total
PAA	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment	
Opening assets (-)	-	-	-	-	-
Opening liabilities	2,360,508	-	4,640,678	610,107	7,611,293
Net opening balance	**2,360,508**	**-**	**4,640,678**	**610,107**	**7,611,293**
Insurance service result	(8,194,308)	-	6,039,256	(26,771)	(2,181,823)
Insurance revenue	(10,993,898)	-	-	-	(10,993,898)
Insurance service expenses	2,799,590	-	6,039,256	(26,771)	8,812,075
Incurred claims	-	-	5,046,049	212,368	5,258,417
Incurred costs other than claims	13,671	-	916,139	-	929,810
Amortised acquisition expenses	239,467	-	-	-	239,467
Amortised acquisition commissions	2,546,452	-	-	-	2,546,452
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous contracts	-	-	77,068	(239,139)	(162,071)
Insurance finance income and expenses	-	-	369,119	48,865	417,984
Recognised in the income statement	-	-	210,396	27,804	238,200
Recognised in other comprehensive income	-	-	158,723	21,061	179,784
Total changes in comprehensive income	(8,194,308)	-	6,408,375	22,094	(1,763,839)
Total cash flows	9,021,972	-	(6,040,139)	-	2,981,833
Premiums received	11,585,600	-	-	-	11,585,600
Claims paid	-	-	(5,124,000)	-	(5,124,000)
Incurred costs other than claims paid	-	-	(916,139)	-	(916,139)
Insurance acquisition cash flows paid	(2,563,628)	-	-	-	(2,563,628)
Net closing balance	**3,188,172**	**-**	**5,008,914**	**632,201**	**8,829,287**
Closing assets (-)	-	-	-	-	-
Closing liabilities	3,188,172	-	5,008,914	632,201	8,829,287

The primary financial statements are an integral part of the financial statements.

2022 (CZK'000)	Liabilities for remaining coverage		Liabilities for incurred claims		Total
PAA	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Opening assets (-)	-	-	-	-	-
Opening liabilities	2,303,891	9,494	4,652,337	603,466	7,569,188
Net opening balance	**2,303,891**	**9,494**	**4,652,337**	**603,466**	**7,569,188**
Insurance service result	(7,370,322)	(9,494)	5,570,777	(1,100)	(1,810,139)
Insurance revenue	(9,840,081)	-	-	-	(9,840,081)
Insurance service expenses	2,469,759	(9,494)	5,570,777	(1,100)	8,029,942
Incurred claims	-	(9,494)	4,689,033	199,866	4,879,405
Incurred costs other than claims	9,967	-	890,299	-	900,266
Amortised acquisition expenses	305,224	-	-	-	305,224
Amortised acquisition commissions	2,154,568	-	-	-	2,154,568
Changes in fulfilment cash flows that relate to future services - loss on and reversal of loss on onerous contracts	-	-	(8,555)	(200,966)	(209,521)
Insurance finance income and expenses	-	-	61,421	7,741	69,162
Recognised in the income statement	-	-	75,769	10,160	85,929
Recognised in other comprehensive income	-	-	(14,348)	(2,419)	(16,767)
Total changes in comprehensive income	(7,370,322)	(9,494)	5,632,198	6,641	(1,740,977)
Total cash flows	7,426,939	-	(5,643,857)	-	1,783,082
Premiums received	9,925,320	-	-	-	9,925,320
Claims paid	-	-	(4,753,558)	-	(4,753,558)
Incurred costs other than claims paid	-	-	(890,299)	-	(890,299)
Insurance acquisition cash flows paid	(2,498,381)	-	-	-	(2,498,381)
Net closing balance	**2,360,508**	**-**	**4,640,678**	**610,107**	**7,611,293**
Closing assets (-)	-	-	-	-	-
Closing liabilities	2,360,508	-	4,640,678	610,107	7,611,293

In 2023, there is a dynamic growth in written premiums, which is reflected in the growth of liabilities for remaining coverage by more than CZK 800 million as well as in the growth of the volume of claims and related liabilities for incurred claims by almost CZK 400 million.

In 2022, both the liabilities for remaining cover and the liabilities for incurred claims were stable.

14.4. MOVEMENTS IN INSURANCE CONTRACT ASSETS AND LIABILITIES OTHER THAN MEASURED AT PAA - COMPONENT ANALYSIS

2023 (CZK'000)	Present value of future cash flows	Risk adjustment	Contractual service margin		Total insurance contract liabilities
BBA			Insurance contracts that existed at the transition date - FVA	Other insurance contracts	
Opening assets (-)	(693,360)	70,798	-	298,837	(323,725)
Opening liabilities	8,314,234	424,954	4,909,791	696,118	14,345,097
Net opening balance	**7,620,874**	**495,752**	**4,909,791**	**994,955**	**14,021,372**
Insurance service result	(956,765)	(12,700)	(196,948)	245,524	(920,889)
Changes that relate to future service:	(836,840)	39,724	398,084	384,859	(14,173)
New business	(164,741)	73,654	-	197,740	106,653
Changes in estimates reflected in the contractual service margin	(567,020)	(33,155)	398,084	187,119	(14,972)
Changes in estimates that result in onerous contract losses & reversals	(105,079)	(775)	-	-	(105,854)
Changes that relate to current service:	220,212	(11,681)	(595,032)	(139,335)	(525,836)
Contractual service margin recognised in profit or loss	-	-	(595,032)	(139,335)	(734,367)
Changes in risk adjustment (expected)	-	(11,681)	-	-	(11,681)
Experience adjustments	220,212	-	-	-	220,212
Changes to liabilities for incurred claims related to past services	(340,137)	(40,743)	-	-	(380,880)
Insurance finance income and expense	1,585,241	77,131	208,987	51,323	1,922,682
Recognised in the income statement	283,440	21,304	208,987	51,323	565,054
Recognised in other comprehensive income	1,301,801	55,827	-	-	1,357,628
Total changes in comprehensive income	628,476	64,431	12,039	296,847	1,001,793
Total cash flows	(227,581)	-	-	-	(227,581)
Premiums received	3,378,043	-	-	-	3,378,043
Claims paid	(2,306,707)	-	-	-	(2,306,707)
Costs other than claims paid	(309,526)	-	-	-	(309,526)
Insurance acquisition cash flows paid	(989,391)	-	-	-	(989,391)
Net closing balance	**8,021,769**	**560,183**	**4,921,830**	**1,291,802**	**14,795,584**
Closing assets (-)	(1,501,304)	164,799	135,908	720,034	(480,563)
Closing liabilities	9,523,073	395,384	4,785,922	571,768	15,276,147

2022 (CZK'000)	Present value of future cash flows	Risk adjustment	Contractual service margin		Total insurance contract liabilities
BBA			Insurance contracts that existed at the transition date - FVA	Other insurance contracts	
Opening assets (-)	(717,830)	91,735	452,636	71,461	(101,998)
Opening liabilities	10,019,275	433,479	4,722,340	587,485	15,762,579
Net opening balance	**9,301,445**	**525,214**	**5,174,976**	**658,946**	**15,660,581**
Insurance service result	(554,565)	(55,567)	(491,573)	302,284	(799,421)
Changes that relate to future service:	(509,312)	(7,163)	106,253	416,947	6,725
New business	(137,201)	71,100	-	200,500	134,399
Changes in estimates reflected in the contractual service margin	(259,449)	(64,016)	106,253	216,447	(765)
Changes in estimates that result in onerous contract losses & reversals	(112,662)	(14,247)	-	-	(126,909)
Changes that relate to current service:	192,242	(13,197)	(597,826)	(114,663)	(533,444)
Contractual service margin recognised in profit or loss	-	-	(597,826)	(114,663)	(712,489)
Changes in risk adjustment (expected)	-	(13,197)	-	-	(13,197)
Experience adjustments	192,242	-	-	-	192,242
Changes to liabilities for incurred claims related to past services	(237,495)	(35,207)	-	-	(272,702)
Insurance finance income and expense	(875,979)	26,105	226,388	33,725	(589,761)
Recognised in the income statement	300,015	31,180	226,388	33,725	591,308
Recognised in other comprehensive income	(1,175,994)	(5,075)	-	-	(1,181,069)
Total changes in comprehensive income	(1,430,544)	(29,462)	(265,185)	336,009	(1,389,182)
Total cash flows	(250,027)	-	-	-	(250,027)
Premiums received	3,153,102	-	-	-	3,153,102
Claims paid	(2,417,970)	-	-	-	(2,417,970)
Costs other than claims paid	(282,713)	-	-	-	(282,713)
Insurance acquisition cash flows paid	(702,446)	-	-	-	(702,446)
Net closing balance	**7,620,874**	**495,752**	**4,909,791**	**994,955**	**14,021,372**
Closing assets (-)	(693,360)	70,798	-	298,837	(323,725)
Closing liabilities	8,314,234	424,954	4,909,791	696,118	14,345,097

2023 (CZK'000)	Present value of future cash flows	Risk adjustment	Contractual service margin		Total insurance contract liabilities
VFA			Insurance contracts that existed at the transition date - FVA	Other insurance contracts	
Opening assets (-)	(557)	183	-	-	(374)
Opening liabilities	7,298,756	105,559	1,064,204	249,029	8,717,548
Net opening balance	**7,298,199**	**105,742**	**1,064,204**	**249,029**	**8,717,174**
Insurance service result	(170,798)	(275)	(25,581)	71,708	(124,946)
Changes that relate to future service:	(162,923)	7,761	75,629	91,912	12,379
New business	(72,126)	7,024	-	66,375	1,273
Changes in estimates reflected in the contractual service margin	(101,955)	768	75,629	25,537	(21)
Changes in estimates that result in onerous contract losses & reversals	11,158	(31)	-	-	11,127
Changes that relate to current service:	24,793	(3,437)	(101,210)	(20,204)	(100,058)
Contractual service margin recognised in profit or loss	-	-	(101,210)	(20,204)	(121,414)
Changes in risk adjustment (expected)	-	(3,437)	-	-	(3,437)
Experience adjustments	24,793	-	-	-	24,793
Changes to liabilities for incurred claims related to past services	(32,668)	(4,599)	-	-	(37,267)
Insurance finance income and expense	823,002	480	-	-	823,482
Recognised in the income statement	821,583	354	-	-	821,937
Recognised in other comprehensive income	1,419	126	-	-	1,545
Total changes in comprehensive income	652,204	205	(25,581)	71,708	698,536
Total cash flows	(1,186,239)	-	-	-	(1,186,239)
Premiums received	1,171,314	-	-	-	1,171,314
Claims paid	(2,285,501)	-	-	-	(2,285,501)
Costs other than claims paid	(36,600)	-	-	-	(36,600)
Insurance acquisition cash flows paid	(35,452)	-	-	-	(35,452)
Net closing balance	**6,764,164**	**105,947**	**1,038,623**	**320,737**	**8,229,471**
Closing assets (-)	(1,515)	346	-	865	(304)
Closing liabilities	6,765,679	105,601	1,038,623	319,872	8,229,775

2022 (CZK'000)	Present value of future cash flows	Risk adjustment	Contractual service margin		Total insurance contract liabilities
VFA			Insurance contracts that existed at the transition date - FVA	Other insurance contracts	
Opening assets (-)	(2,815)	444	-	2,283	(88)
Opening liabilities	11,456,473	116,482	1,305,921	213,212	13,092,088
Net opening balance	**11,453,658**	**116,926**	**1,305,921**	**215,495**	**13,092,000**
Insurance service result	123,062	(11,388)	(241,717)	33,534	(96,509)
Changes that relate to future service:	80,900	(2,200)	(124,425)	50,049	4,324
New business	(68,136)	9,399	-	63,299	4,562
Changes in estimates reflected in the contractual service margin	148,177	(11,205)	(124,425)	(13,250)	(703)
Changes in estimates that result in onerous contract loss-es & reversals	859	(394)	-	-	465
Changes that relate to current service:	74,603	(4,096)	(117,292)	(16,515)	(63,300)
Contractual service margin recognised in profit or loss	-	-	(117,292)	(16,515)	(133,807)
Changes in risk adjustment (expected)	-	(4,096)	-	-	(4,096)
Experience adjustments	74,603	-	-	-	74,603
Changes to liabilities for incurred claims related to past services	(32,441)	(5,092)	-	-	(37,533)
Insurance finance income and expense	(440,983)	204	-	-	(440,779)
Recognised in the income statement	(439,667)	320	-	-	(439,347)
Recognised in other comprehensive income	(1,316)	(116)	-	-	(1,432)
Total changes in comprehensive income	(317,921)	(11,184)	(241,717)	33,534	(537,288)
Total cash flows	(3,837,538)	-	-	-	(3,837,538)
Premiums received	1,114,398	-	-	-	1,114,398
Claims paid	(4,869,967)	-	-	-	(4,869,967)
Costs other than claims paid	(36,693)	-	-	-	(36,693)
Insurance acquisition cash flows paid	(45,276)	-	-	-	(45,276)
Net closing balance	**7,298,199**	**105,742**	**1,064,204**	**249,029**	**8,717,174**
Closing assets (-)	(557)	183	-	-	(374)
Closing liabilities	7,298,756	105,559	1,064,204	249,029	8,717,548

In 2023, the value of the contractual service margin has increased by almost 5% due to the development of the portfolio and the update of the expected cash flows. The release of the self-insured margin to profit or loss and the amount of the contractual service margin on newly negotiated insurance contracts remained at the previous year's level.

In 2022, the value of the contractual service margin decreased slightly - the generation of self-insured margin on new contracts was outweighed by the release of the contractual service margin to profit or loss and other movements in the contractual service margin.

14.5. NEW BUSINESS FROM CONCLUDED INSURANCE CONTRACTS (BBA/VFA)

2023 (CZK'000)	Other than onerous contracts		Onerous contracts		Total	
	BBA	VFA	BBA	VFA	BBA	VFA
Estimates of present value of cash outflows	1,256,466	718,883	1,121,548	98,181	2,378,015	817,064
Expected incurred claims	899,234	711,221	619,125	93,293	1,518,359	804,514
Expected other insurance service expenses	106,040	(19,477)	152,576	1,299	258,616	(18,178)
Insurance acquisition cash flows	251,192	27,139	349,847	3,589	601,040	30,728
Estimates of present value of cash inflows	(1,496,567)	(792,136)	(1,046,188)	(97,054)	(2,542,756)	(889,190)
Risk adjustment for non-financial risk	42,361	6,878	31,293	146	73,654	7,024
Contractual service margin	197,740	66,375	-	-	197,740	66,375
Increase in insurance contract liabilities from contracts recognized in the period	**-**	**-**	**106,653**	**1,273**	**106,653**	**1,273**

2022 (CZK'000)	Other than onerous contracts		Onerous contracts		Total	
	BBA	VFA	BBA	VFA	BBA	VFA
Estimates of present value of cash outflows	1,249,477	562,745	362,257	294,680	1,611,735	857,425
Expected incurred claims	802,904	529,622	124,759	281,928	927,663	811,550
Expected other insurance service expenses	115,099	11,435	157,863	5,690	272,962	17,125
Insurance acquisition cash flows	331,474	21,688	79,635	7,062	411,110	28,750
Estimates of present value of cash inflows	(1,501,001)	(634,838)	(247,935)	(290,723)	(1,748,936)	(925,561)
Risk adjustment for non-financial risk	51,024	8,794	20,076	605	71,100	9,399
Contractual service margin	200,500	63,299	-	-	200,500	63,299
Increase in insurance contract liabilities from contracts recognized in the period	**-**	**-**	**134,398**	**4,562**	**134,399**	**4,562**

Despite the volatility in the interest rate environment, the new business in 2023 has similar results to 2022.

14.6. FUTURE CONTRACTUAL SERVICE MARGIN RECOGNISED IN PROFIT OR LOSS

2023 (CZK'000)	1 year	2 years	3 years	4 years	5 years	more than 5 years	Total
BBA	708,622	650,937	598,612	552,293	509,671	4,812,194	7,832,329
VFA	120,139	116,899	112,910	108,227	102,492	1,141,706	1,702,373

2022 (CZK'000)	1 year	2 years	3 years	4 years	5 years	more than 5 years	Total
BBA	661,633	607,534	561,277	517,477	478,781	4,645,913	7,472,615
VFA	116,299	113,842	110,649	107,173	102,451	1,246,173	1,796,587

The table above shows that the profit on insurance contracts is spread over a number of future years. The decrease in the value of the contractual service margin recognised in profit or loss over the following years is natural, as the results from future insurance contracts are not taken into account and existing contracts are gradually being terminated.

14.7. COMPOSITION OF UNDERLYING ASSETS COVERING INSURANCE CONTRACT LIABILITIES

2023 (CZK'000)	BBA	VFA	PAA	Total
Financial assets measured at amortised cost	-	-	8,218,581	8,218,581
Financial assets at fair value through other comprehensive income	18,689,082	-	817,269	19,506,351
Debt instruments	18,689,082	-	817,269	19,506,351
Financial assets at fair value through profit or loss (excluding derivatives)	155,951	8,379,648	182,994	8,718,593
Investment contracts (insurance)	-	8,379,648	-	8,379,648
Other	155,951	-	182,994	338,945
Total underlying assets	**18,845,033**	**8,379,648**	**9,218,844**	**36,443,525**

2022 (CZK'000)	BBA	VFA	PAA	Total
Financial assets measured at amortised cost	-	-	5,700,669	5,700,669
Financial assets at fair value through other comprehensive income	20,546,991	-	455,041	21,002,032
Debt instruments	20,546,991	-	455,041	21,002,032
Financial assets at fair value through profit or loss (excluding derivatives)	624,118	8,809,237	677,712	10,111,067
Investment contracts (insurance)	-	8,809,237	-	8,809,237
Other	624,118	-	677,712	1,301,830
Total underlying assets	**21,171,109**	**8,809,237**	**6,833,422**	**36,813,768**

14.8. CHANGES IN ACCUMULATED OCI FOR FINANCIAL ASSETS RELATED TO INSURANCE CONTRACTS FOR WHICH THE FAIR VALUE TRANSITION APPROACH IS USED

(CZK'000)	**2023**	2022
Other comprehensive income possible to recognised in the income statement	**761,448**	**(889,603)**
Net change in revaluation of debt instruments	**761,448**	(889,603)
Revaluation	**925,930**	(1,680,041)
Deferred tax on revaluation	**(171,754)**	348,436
Realisation	**7,272**	442,002
Impairment	**(722)**	203
Realised gains / losses	**9,650**	545,479
Deferred tax on realised gains / losses	**(1,656)**	(103,680)

IFRS 17 allows simplifications to set the accumulated OCI for the insurance liabilities at nil at the transition date while maintaining the accumulated OCI for the covering financial assets. This disclosure gives insight in this mismatch between covering financial assets and insurance liabilities as it distorts classification within equity at transition date and subsequently the years thereafter.

14.9. INVESTMENT RETURN AND NET INSURANCE FINANCE INCOME / (EXPENSE)

2023 (CZK'000)	BBA	VFA	PAA	Other	Total
Amounts recognised in the profit or loss					
Investment return	948,995	817,565	518,634	(9,208)	2,275,986
Net interest income	892,477	-	506,348	(9,208)	1,389,617
Net (un)realised gains / (losses) from financial assets at fair value through profit or loss	64,851	817,565	15,877	-	898,293
Net (un)realised gains / (losses) from financial assets at amortised cost	-	-	(1,535)	-	(1,535)
Net impairment loss on financial assets	362	-	1,093	-	1,455
Net gains / (losses) from financial instruments at fair value through other comprehensive income	(9,349)	-	(6,218)	-	(15,567)
Other gains / (losses)	654	-	3,069	-	3,723
Net insurance finance income / (expense)	(565,054)	(821,937)	(193,541)	-	(1,580,532)
Finance income / (expense) from insurance contracts issued	(565,054)	(821,937)	(238,200)	-	(1,625,191)
Interest accreation	(542,312)	-	(240,784)	-	(783,096)
Effect of changes in financial assumptions and in exchange rates	(22,742)	-	2,584	-	(20,158)
Change in market value of underlying assets for insurance contracts measured at VFA	-	(821,937)	-	-	(821,937)
Finance income / (expense) from reinsurance contracts held	-	-	44,659	-	44,659
Amounts recognised in other comprehensive income					
Income from investments in financial assets at fair value through other comprehensive income before tax	1,521,614	-	26,182	-	1,547,796
Financial income or expense from insurance contracts before tax	(1,358,521)	(651)	(145,560)	-	(1,504,732)
Finance income / (expense) from insurance contracts issued	(1,358,521)	(651)	(179,784)	-	(1,538,956)
Effect of changes in interest rates and in other financial assumptions incl. exchange rates	(1,357,628)	-	(179,784)	-	(1,537,412)
Change in fair value of underlying assets for insurance contracts measured at VFA	(893)	(651)	-	-	(1,544)
Finance income / (expense) from reinsurance contracts held	-	-	34,224	-	34,224

2022 (CZK'000)	BBA	VFA	PAA	Other	Total
Amounts recognised in the profit or loss					
Net investment income / (expense)	(221,279)	(443,293)	(40,476)	(5,472)	(710,520)
Net interest income	838,645	-	373,695	(5,472)	1,206,868
Net (un)realised gains / (losses) from financial assets at fair value through profit or loss	(167,706)	(443,293)	(41,312)	-	(652,311)
Net (un)realised gains / (losses) from financial assets at amortised cost	-	-	(379,889)	-	(379,889)
Net impairment loss on financial assets	196	-	(528)	-	(332)
Net gains / (losses) from financial instruments at fair value through other comprehensive income	(896,694)	-	-	-	(896,694)
Other gains / (losses)	4,280	-	7,558	-	11,838
Net insurance finance income / (expense)	(591,308)	439,347	(69,103)	-	(221,064)
Finance income / (expense) from insurance contracts issued	(591,308)	439,347	(85,929)	-	(237,890)
Interest accreation	(556,098)	-	(85,929)	-	(642,027)
Effect of changes in financial assumptions and in exchange rates	(35,210)	-	-	-	(35,210)
Change in market value of underlying assets for insurance contracts measured at VFA	-	439,347	-	-	439,347
Finance income / (expense) from reinsurance contracts held	-	-	16,826	-	16,826
Amounts recognised in other comprehensive income					
Income from investments in financial assets at fair value through other comprehensive income before tax	(1,872,235)	-	(12,832)	-	(1,885,067)
Financial income or expense from insurance contracts before tax	1,183,932	(1,432)	(827)	-	1,181,673
Finance income / (expense) from insurance contracts issued	1,183,932	(1,432)	16,767	-	1,199,267
Effect of changes in interest rates and in other financial assumptions incl. exchange rates	1,181,068	-	16,767	-	1,197,835
Change in fair value of underlying assets for insurance contracts measured at VFA	2,864	(1,432)	-	-	1,432
Finance income / (expense) from reinsurance contracts held	-	-	(17,594)	-	(17,594)

15. REINSURANCE CONTRACT ASSETS AND LIABILITIES

15.1. OVERVIEW OF REINSURANCE CONTRACT ASSETS AND LIABILITIES

	Insurance contract assets			Insurance contract liabilities		
2023 (CZK'000)	Total	Assets for remaining coverage	Assets for incurred claims	Total	Liabilities for remaining coverage	Liabilities for incurred claims
Accident insurance	-	-	-	713	713	-
Motor third party liability insurance	171,895	(77)	171,972	-	-	-
General third party liability insurance	25,334	-	25,334	-	-	-
Other motor insurance	-	-	-	420	-	420
Houses and households insurance	18,066	113	17,953	-	-	-
Travel insurance	402	(187)	589	-	-	-
Industrial risk insurance	344,183	(58,561)	402,744	-	-	-
Industrial risk liability insurance	77,465	(13,961)	91,426	-	-	-
Other insurance	101,425	(112,997)	214,422	-	-	-
Total	**738,770**	**(185,670)**	**924,440**	**1,133**	**713**	**420**

	Insurance contract assets			Insurance contract liabilities		
2022 (CZK'000)	Total	Assets for remaining coverage	Assets for incurred claims	Total	Liabilities for remaining coverage	Liabilities for incurred claims
Accident insurance	1,169	1,169	-	-	-	-
Motor third party liability insurance	134,421	(7,423)	141,844	-	-	-
General third party liability insurance	25,561	-	25,561	-	-	-
Other motor insurance	-	-	-	36,551	39,129	(2,578)
Houses and households insurance	-	-	-	51,029	87,767	(36,738)
Travel insurance	-	-	-	22,562	23,675	(1,113)
Industrial risk insurance	517,109	(29,330)	546,439	-	-	-
Industrial risk liability insurance	72,344	(18,151)	90,495	-	-	-
Other insurance	132,266	14,828	117,438	-	-	-
Total	**882,870**	**(38,907)**	**921,777**	**110,142**	**150,571**	**(40,429)**

15.2. MOVEMENT IN REINSURANCE CONTRACT ASSETS AND LIABILITIES

2023 (CZK'000)	Assets for remaining coverage	Assets for incurred claims		Total
		Present value of future cash flows	Risk adjustment	
Opening assets	(38,907)	805,953	115,824	882,870
Opening liabilities (-)	(150,571)	34,881	5,548	(110,142)
Net opening balance	**(189,478)**	**840,834**	**121,372**	**772,728**
Result from reinsurance contracts held	(692,958)	286,031	(23,033)	(429,960)
Allocation of premiums paid	(870,028)	-	-	(870,028)
Allocation of commissions received	177,124	-	-	177,124
Amounts recovered from reinsurers	(54)	285,996	(23,041)	262,901
Risk of default by the reinsurer	-	35	8	43
Finance income / (expense) from reinsurance contracts held	-	69,310	9,595	78,905
Finance income / (expense) from reinsurance contracts held recognised in profit or loss	-	39,227	5,454	44,681
Finance income / (expense) from reinsurance contracts held recognised in other comprehensive income	-	30,083	4,141	34,224
Effect of changes in non-performance risk of reinsurers	-	(20)	(3)	(23)
Total changes in comprehensive income	(692,958)	355,321	(13,441)	(351,078)
Total cash flows	696,053	(380,066)	-	315,987
Premiums paid	877,650	-	-	877,650
Commissions received	(181,597)	-	-	(181,597)
Amounts recovered from reinsurers	-	(380,066)	-	(380,066)
Net closing balance	**(186,383)**	**816,089**	**107,931**	**737,637**
Closing assets	(185,670)	816,832	107,608	738,770
Closing liabilities (-)	(713)	(743)	323	(1,133)

2022 (CZK'000)	Assets for remaining coverage	Assets for incurred claims		Total
		Estimates of present value of future cash flows	Risk adjustment	
Opening assets	15,305	752,368	104,766	872,439
Opening liabilities (-)	(74,365)	22,974	2,981	(48,410)
Net opening balance	**(59,060)**	**775,342**	**107,747**	**824,029**
Result from reinsurance contracts held	(638,097)	458,795	13,559	(165,743)
Allocation of premiums paid	(802,561)	-	-	(802,561)
Allocation of commissions received	164,461	-	-	164,461
Amounts recovered from reinsurers	3	458,803	13,559	472,365
Risk of default by the reinsurer	-	(8)	-	(8)
Finance income/(expense) from reinsurance contracts held	-	(843)	65	(778)
Finance income / (expense) from reinsurance contracts held recognised in profit or loss	-	14,646	2,170	16,816
Finance income / (expense) from reinsurance contracts held recognised in other comprehensive income	-	(15,489)	(2,105)	(17,594)
Effect of changes in non-performance risk of reinsurers	-	8	1	9
Total changes in comprehensive income	(638,097)	457,960	13,625	(166,512)
Total cash flows	507,679	(392,468)	-	115,211
Premiums paid	752,239	-	-	752,239
Commissions received	(244,560)	-	-	(244,560)
Amounts recovered from reinsurers	-	(392,468)	-	(392,468)
Net closing balance	**(189,478)**	**840,834**	**121,372**	**772,728**
Closing assets	(38,907)	805,953	115,824	882,870
Closing liabilities (-)	(150,571)	34,881	5,548	(110,142)

16. INVESTMENTS IN SUBSIDIARIES

(CZK'000)	**2023**	2022
Investments in subsidiaries measured at cost	**272,400**	272,400
TOTAL INVESTMENTS IN EQUITY	**272,400**	**272,400**

As at 31 December 2023 and 31 December 2022, investments in subsidiaries ČSOB Pojišťovací servis, s.r.o.. člen holdingu ČSOB, and Pardubická Rozvojová, a.s. were measured at cost reduced by any impairment, see accounting policies on subsidiaries as described in note 2.4, point 5.

(CZK'000)	**Fair value 31 December 2023**	Revenues from dividends recognised for 2023
Investments in ordinary shares of Pardubická Rozvojová, a.s.	**272,000**	-
Investments in ordinary shares of ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB	**400**	-
TOTAL	**272,400**	**-**

(CZK'000)	**Fair value 31 December 2022**	Revenues from dividends recognised for 2022
Investments in ordinary shares of Pardubická Rozvojová, a.s.	**272,000**	-
Investments in ordinary shares of ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB	**400**	-
TOTAL	**272,400**	**-**

17. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS – ASSETS

2023 (CZK'000)	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for trading	Financial assets at fair value through profit or loss	Derivatives held for fair value hedges	Total
Loans and advances	-	-	2,110	-	-	2,110
Term loans	-	-	2,110	-	-	2,110
Equity instruments	-	-	49,600	-	-	49,600
Investment contracts (insurance)	-	-	-	8,379,648	-	8,379,648
Mutual fund units	-	-	-	8,379,648	-	8,379,648
Debt instruments issued by	7,952,964	19,506,351	104,242	182,994	-	27,746,552
Public bodies	7,952,964	16,829,859	-	-	-	24,782,824
Credit institutions and investment firms	-	2,590,195	24,607	-	-	2,614,802
Corporates	-	86,297	79,634,	-	-	165,932
Other companies - mutual fund units	-	-	-	182,994	-	182,994
Derivatives	-	-	16,069	-	505,957	522,026
Carrying value including accrued interest income	**7,952,964**	**19,506,351**	**172,020**	**8,562,642**	**505,957**	**36,699,934**

2022 (CZK'000)	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for trading	Financial assets at fair value through profit or loss	Derivatives held for cash flow hedges	Derivatives held fo fair value hedges	Total
Loans and advances	-	-	1,538	-	-	-	1,538
Term loans	-	-	1,538	-	-	-	1,538
Equity instruments	-	-	-	-	-	-	-
Investment contracts (insurance)	-	-	-	8,809,237	-	-	8,809,237
Mutual fund units	-	-	-	8,809,237	-	-	8,809,237
Debt instruments issued by	5,944,410	21,002,032	144,996	1,155 296	-	-	28,246,734
Public bodies	5,790,007	18,010,427	-	-	-	-	23,800,130
Credit institutions and investment firms	-	2,800,307	26,332	-	-	-	2,826,639
Corporates	154,403	191,298	63,826	-	-	-	409,526
Other companies - mutual fund units	-	-	54,838	1,155,296	-	-	1,210,134
Derivatives	-	-	9,055	-	13,374	879,408	901,837
Carrying value including accrued interest income	**5,944,410**	**21,002,032**	**155,589**	**9,964,532**	**13,374**	**879,408**	**37,959,345**

For short and long-term breakdown of assets see note 25.

Cash and cash equivalents

All classes of cash and cash equivalents are measured at amortised cost. The ECLs for cash and cash equivalents balances were considered insignificant by the Company.

(CZK'000)	2023	2022
Cash and cash in transit	**65**	263
Current accounts	**2,102,353**	410,094
CASH AND CASH EQUIVALENTS	**2,102,418**	**410,357**

Investments in debt securities at FVTPL

Debt securities mandatorily classified as at FVTPL by the Company represent securities held for trading and securities in a 'held to sell' business model.

Debt securities at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Company's maximum exposure to credit risk.

The debt securities at FVTPL are not collateralised.

Investments in debt securities at FVOCI

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2023 and 31 December 2022, respectively, for which ECL was recognised based on the relevant credit risk level. The following table describes of the credit risk classification system used by the Company and the approach to measuring ECL, including the definition of bankruptcy and SICR, which apply to debt securities in FVOCI.

	2023		2022	
(CZK'000)	Stage 1 (12 měsíční ECL)	Total	Stage 1 (12 měsíční ECL)	Total
Czech government bonds				
Excellent	16,830,002	16,830,002	18,010,604	18,010,604
Total gross carrying amount	**16,830,002**	**16,830,002**	**18,010,604**	**18,010,604**
Less credit loss allowance	(143)	(143)	(177)	(177)
Net carrying value	**16,829,859**	**16,829,859**	**18,010,427**	**18,010,427**
Corporate bonds				
Excellent	2,676,796	2,676,796	2,945,462	2,945,462
Satisfactory	-	-	47,578	47,578
Total gross carrying amount	**2,676,796**	**2,676,796**	**2,993,039**	**2,993,039**
Less credit loss allowance	(304)	(304)	(1,434)	(1,434)
Net carrying value	**2,676,492**	**2,676,492**	**2,991,605**	**2,991,605**
Total investments in debt securities measured at FVOCI	**19,506,351**	**19,506,351**	**21,002,032**	**21,002,032**

The debt securities at FVOCI are not collateralised.

Movements in the credit loss allowance of bonds at FVOCI were insignificant.

INVESTMENTS IN DEBT SECURITIES AT AC

The following table contains an analysis of debt securities at AC by credit quality at 31 December 2023 and 31 December 2022, respectively, based on credit risk grades and discloses the balances by three stages for the purpose of ECL measurement. The carrying amount of debt securities at AC at 31 December 2023 and 2022 below also represents the Company's maximum exposure to credit risk on these assets.

(CZK'000)	2023		2022	
	(12 months ECL)	Total	(12 months ECL)	Total
Czech government bonds				
Excellent	7,953,034	7,953,034	5,790,063	5,790,063
Total gross carrying amount	**7,953,034**	**7,953,034**	**5,790,063**	**5,790,063**
Less credit loss allowance	(70)	(70)	(56)	(56)
Net carrying value	**7,952,964**	**7,952,964**	**5,790,007**	**5,790,007**
Corporate bonds				
Excellent	-	-	154,707	154,707
Total gross carrying amount	**-**	**-**	**154,707**	**154,707**
Less credit loss allowance	-	-	(305)	(305)
Net carrying value	**-**	**-**	**154,402**	**154,402**
Total investments in debt securities measured at AC	**7,952,964**	**7,952,964**	**5,944,410**	**5,944,410**

The Company took advantage of the IFRS 17 option and changed its business model at the date of initial adoption of IFRS 17. It has reconsidered the classification of securities covering insurance contract liabilities to minimise the mismatch between the measurement of financial assets and insurance contract liabilities. For this reason, as at 1 January 2022, the Company has reclassified CZK 13,034,580 thousand of assets at amortised cost to assets at fair value through other comprehensive income at market value of CZK 13,083,892 thousand, and assets at fair value through other comprehensive income of CZK 1,966,906 thousand were reclassified to assets at amortised cost in the amount of CZK 2,074,416 thousand; this reclassification resulted in an increase in equity (other comprehensive income) of CZK 126,538 thousand (after tax). The amount of financial assets reclassified from assets at fair value through other comprehensive income to assets at amortised cost decreased to CZK 57,136 thousand as at 31 December 2023 (31 December 2022: CZK 343,906 thousand), while the impact on other comprehensive income during 2023 would have been CZK 14,267 thousand (for the period 2022: CZK 69,201 thousand).

As at 31 December 2023, no debt securities at AC have been pledged to third parties as collateral with respect to the mutual balance of closed derivative transactions. As at 31 December 2022, no debt securities at AC have been pledged to third parties as collateral with respect to the mutual balance of closed derivative transactions.

Movements in the credit loss allowance and in the gross carrying amount of bonds carried at AC were insignificant.

COMPARISON OF THE FAIR VALUES OF THE FINANCIAL ASSETS TO THEIR CARRYING VALUE

2023 (CZK'000)	Carrying amount	Fair value
Loans and advances	2,110	2,110
Term loans	2,110	2,110
Equity instruments	49,600	49,600
Investment contracts (insurance)	8,379,648	8,379,648
Mutual fund units	8,379,648	8,379,648
Debt instruments issued by	27,746,552	28,012,168
Public bodies	24,782,824	25,048,440
Credit institutions and investment firms	2,614,802	2,614,802
Corporates	165,932	165,932
Corporates - mutual fund units	182,994	182,994
Derivatives	522,026	522,026
Total financial assets	**36,699,934**	**36,965,552**

2022 (CZK'000)	Carrying amount	Fair value
Loans and advances	1,538	1,538
Term loans	1,538	1,538
Equity instruments	-	-
Investment contracts (insurance)	8,809,237	8,809,237
Mutual fund units	8,809,237	8,809,237
Debt instruments issued by	28,246,734	28,004,542
Public bodies	23,800,435	23,566,556
Credit institutions and investment firms	2,826,639	2,826,639
Corporates	409,526	401,213
Corporates - mutual fund units	1,210,134	1,210,134
Derivatives	901,837	901,837
Total financial assets	**37,959,345**	**37,717,154**

FAIR VALUE HIERARCHY

Financial assets and liabilities at fair value (financial assets at fair value through other comprehensive income, financial assets and liabilities held for trading and designated by the Company as at fair value through profit or loss) are valued according to the fair value hierarchy used in the measurement of financial instruments, as described in IFRS 13.

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

- **Level 1**

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

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

- **Level 2**

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

  Debt instruments are measured by using the discounted cash flows method. Method is based on the estimated future cash flows and discount rate is based on the risk-free interest rates adjusted for credit margin. Margin is usually derived from an instrument with similar terms (same issuer, maturity, age etc.). Derivatives are measured by using the discounted cash flows method. Estimated future cash flows and market inputs (such as risk-free interest rates or foreign exchange rates) are used for measurement.

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

- **Level 3**

  This level includes valuation techniques using significant inputs that are unobservable on the active market. This category includes all financial instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category comprises financial instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument that is subject to valuation and a similar instrument.

  Fair value of the investment funds is usually derived from the underlying assets value. The underlying assets measurement requires a professional judgment or estimation.

  The fair value of bonds is determined using the discounted cash flow method for Level 2, additionally includes the professional judgement, which has a significant impact on the resulting value.

  The financial instruments classified in this category are as follows: mortgage bonds with a maturity of more than one year, where the valuation model also uses market inputs that are not sufficiently observable, particularly a credit spread.

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

An analysis of mortgage bonds was performed, taking into consideration the above facts, and market unobservable inputs were reassessed. The spread is derived from observed mortgage bond spread at five and ten years and the slope of the Czech government yield curve. The management considers this a significant market unobservable input and, therefore, the mortgage bonds with a maturity of more than one year were transferred to Level 3 since 2019.

Real estate funds are also included in Level 3. The fair value is derived from the value of the underlying assets and is calculated and disclosed by the fund manager. The main market unobservable input is the fair value of the real estate assets, hence the market rent at a given place and time, and is the decisive factor influencing the value of the assets of each fund.

IMPACT OF CHANGES IN KEY ASSUMPTIONS ON FAIR VALUE OF LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

As at 31 December 2023, an increase / (decrease) of a credit spread by 50 basis points would (decrease) / increase the fair value of the mortgage bonds included in Level 3 by CZK 7,913 thousand (in 2022 by CZK 13,300 thousand). Such a change of the credit spread is based on the variability of mortgage bond quotes that were observed by the management on the market.

The following table shows an analysis of financial instruments recorded at fair value, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2023:

2023 (CZK'000)	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost				
Debt instruments	7,952,964	-	-	7,952,964
Financial assets at fair value				
Financial assets at fair value through other comprehensive income	16,957,871	1,689,377	859,103	19,506,351
Debt instruments	16,957,871	1,689,377	859,103	19,506,351
Financial assets at fair value through profit or loss	5,852,525	2,699,143	182,994	8,734,662
Loans & advances to credit institutions	-	2,110	-	2,110
Equity instruments	49,600	-	-	49,600
Mutual fund units	5,723,291	2,656,357	-	8,379,648
Debt instruments - mutual fund units	-	-	182,994	182,994
Debt instruments	79,634	24,607	-	104,241
Derivatives held for trading	-	16,069	-	16,069
Derivatives	-	505,957	-	505,957
Derivatives held for cash flow hedges	-	-	-	-
Derivatives held for fair value hedges	-	505,957	-	505,957
Total	**30,763,361**	**4,894,477**	**1,042,097**	**36,699,934**

(CZK'000)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value				
Derivatives held for trading	-	-	-	-
Derivatives held for cash flow hedges	-	-	-	-
Derivatives held for fair value hedges	-	945	-	945
Total	**-**	**945**	**-**	**945**

The following table shows an analysis of financial instruments recorded at fair value, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 31 December 2022:

2022 (CZK'000)	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost				
Debt instruments	5,944,410	-	-	5,944,410
Financial assets at fair value				
Financial assets at fair value through other comprehensive income	17,934,071	1,685,056	1,382,904	21,002,032
Debt instruments	17,934,071	1,685,056	1,382,904	21,002,032
Financial assets at fair value through profit or loss	6,660,408	3,259,586	200,127	10,120,121
Loans & advances to credit institutions	-	1,538	-	1,538
Mutual fund units	5,588,210	3,221,027	-	8,809,237
Debt instruments - mutual fund units	955,168	-	200,127	1,155,296
Debt instruments	117,030	27,966	-	144,996
Held for trading derivatives	-	9,055	-	9,055
Derivatives	-	892,782	-	892,782
Derivatives held for cash flow hedges	-	13,374	-	13,374
Derivatives held for fair value hedges	-	879,408	-	879,408
Total	**30,538,889**	**5,837,425**	**1,583,032**	**37,959,345**

(CZK'000)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value				
Derivatives held for trading	-	636	-	636
Derivatives held for cash flow hedges	-	-	-	-
Derivatives held for fair value hedges	-	802	-	802
Total	**-**	**1,438**	**-**	**1,438**

MOVEMENTS IN LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

(CZK'000)	Financial assets carried at fair value through other comprehensive income Debt securities	Financial assets carried at fair value through profit or loss Mutual fund units	Total
At 1 January 2023	**1,382,904**	**200,127**	**1,583,032**
Total gains / (losses) recorded in profit or loss	-	-	-
Total gains / (losses) recorded in other comprehensive income	(126,734)	(17,134)	(143,868)
Transfers to Level 3	-	-	-
Transfers from Level 3	-	-	-
Purchases	-	-	-
Settlement	(397,066)	-	(397,066)
Sales	-	-	-
At 31 December 2023	**859,103**	**182,994**	**1,042,097**
Total gains / (losses) recorded in profit or loss related to assets held at the end of the reporting period	**-**	**-**	**-**

(CZK'000)	Financial assets carried at fair value through other comprehensive income Debt securities	Financial assets carried at fair value through profit or loss Mutual fund units	Total
At 1 January 2022	**1,382,904**	**82,559**	**1,465,464**
Total gains / (losses) recorded in profit or loss	51,127	(5 182)	45,946
Total gains / (losses) recorded in other comprehensive income	(197,618)	-	(197,618)
Transfers to Level 3	-	-	-
Transfers from Level 3	-	-	-
Purchases	-	122,750	122,750
Settlement	-	-	-
Sales	-	-	-
Conversion	146,490	-	146,490
At 31 December 2022	**1,382,904**	**200,127**	**1,465,464**
Total gains / (losses) recorded in profit or loss related to assets held at the end of the reporting period	**51,127**	**(5,182)**	**45,946**

Total gains or losses recorded in profit or loss are included within the caption Net gains / (losses) from financial assets FVOCI in 2023, within the caption Net gains / (losses) from financial assets FVOCI / FVPL in 2022, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

2023 (CZK'000)	Assets	Liabilities	Nominal amount
Derivatives held for trading	16,069	-	82,021
Currency swaps	12,879	-	42,360
Interest swaps	3,190	-	39,661
Derivatives held for fair value hedges	505,957	945	3,681,795
Currency forwards	11	858	181,795
Interest swaps	505,946	87	3,500,000
Total derivatives	**522,026**	**945**	**3,763,816**

2022 (CZK'000)	Assets	Liabilities	Nominal amount
Derivatives held for trading	9,055	636	54,910
Currency swaps	8,979	-	25,114
Interest swaps	76	636	29,796
Derivatives held for cash flow hedges	13,374	-	137,285
Currency swaps	13,374	-	137,285
Derivatives held for fair value hedges	879,408	802	4,693,631
Currency forwards	29,122	802	1,038,351
Currency swaps	15,885	-	155,280
Interest swaps	834,402	-	3,500,000
Total derivatives	**901,837**	**1,439**	**4,885,826**

HEDGE ACCOUNTING

Cash flow hedging

The information on the periods when the cash flows are expected to arise for cash flow hedging derivatives and when they are expected to affect profit or loss is described in the table below.

2022 (CZK'000)	Cash inflows	Cash outflows	Net cash inflows
Within one year	139,011	(141,591)	(2,580)

As of 31 December 2023, the volume of hedging instruments was nil.

The following table provides the overview of nominal amounts of hedging financial derivatives by remaining contractual maturity:

	2023		**2022**	
(CZK'000)	Interest rate swaps in one currency	Currency interest rate swaps	Interest rate swaps in one currency	Currency interest rate swaps
Within 6 months - 1 year	-	-	-	137,285
Total	**-**	**-**	**-**	**137,285**

Fair value hedging

The Company hedges interest rate and currency risk on certain fixed-rate CZK and foreign currency bonds classified as financial assets FVOCI using interest rate and currency swaps.

Interest rate swaps exchanges the fixed interest paid in the domestic currency for the PRIBOR 6M variable interest rate received in the domestic currency. Currency interest rate swaps exchange the fixed interest paid in the foreign currency for the PRIBOR 6M variable interest rate received in the domestic currency.

The conditions of fair value hedges are exactly in line with conditions of the underlying hedged instruments.

Furthermore, the Company hedges currency risk associated with equity investments classified as financial assets FVOCI through currency forward transactions.

The fair value of the hedging instruments amounted to CZK 505,012 thousand and CZK 878,606 thousand as at 31 December 2023 and 2022, respectively.

Due to the hedging of the fair value of investments, the impact of revaluation of hedging swaps in the income statement was a loss of CZK (340,682) thousand as at 31 December 2023, and a profit of CZK 263,653 thousand as at 31 December 2022. The revaluation of the hedged bonds had an income statement effect of CZK 340,682 thousand as at 31 December 2023 and CZK (263,653) thousand as at 31 December 2022.

The impact of revaluation of currency forwards in the income statement was CZK (847) thousand as at 31 December 2023 and CZK 28,319 thousand as at 31 December 2022. The revaluation of hedged equity securities had an impact to the Company's result of CZK 3,756 thousand as at 31 December 2023 and of CZK (35,323) thousand as at 31 December 2022.

The following table provides the overview of the nominal amounts of hedging financial derivatives by remaining contractual maturity:

	2023		2022	
(CZK'000)	Interest rate swaps in one currency	Currency interest rate swaps	Interest rate swaps in one currency	Currency interest rate swaps
Within 3 months	-	-	-	-
Within 3 - 6 months	-	-	-	-
Within 6 months - 1 year	-	-	-	155,280
Within 1 - 2 years	300,000	-	-	-
Within 2 - 5 years	500,000	-	300,000	-
More than 5 years	2,700,000	-	3,200,000	-
Total	**3,500,000**	**-**	**3,500,000**	**155,280**

18. NET CHANGE IN OPERATING ASSETS

(CZK'000)	2023	2022
Net change in financial assets at fair value through profit or loss	**162,712**	(260,251)
Net change in securities measured at amortised cost	**39,446**	22,976
Net change in securities at fair value through other comprehensive income	**(356,506)**	373,310
Net change in hedging derivatives	**360,706**	(372,769)
Net change in other assets	**52,285**	(131,374)
Net change in cash flows of the reinsurer's share on premium and claims payments	**315,987**	115,211
NET CHANGE IN OPERATING ASSETS	**574,630**	**(252,897)**

19. ISSUED SHARE CAPITAL

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

As at 31 December 2023, 100% of registered capital was fully paid up. The amount of the Company's registered capital is in accordance with the requirements of the Insurance Act regarding the insurance activities that the Company has been licensed for.

DIVIDENDS PAID:

(CZK'000)	2023	2022
Total amount of dividends paid in the year	**3,915,580**	1,436,708

In 2023, the dividend was paid from the retained earnings account in the amount of the 2022 profit (CZK 2,152,643 thousand) and 2021 (CZK 1,762,937 thousand).

DIVIDEND AMOUNT PER 1 SHARE IN CZK THOUSAND:

Issue (ISIN)	2023	2022
CZ0008040516	**16,735**	12,856
CZ0008040524	**8,368**	6,428
CZ0008040532	**14,058**	10,799
CZ0008040540	**7,029**	5,400
CZ0008041159	**6,861**	5,271
CZ0008041167	**5,764**	4,428

The exact amount of the dividend payment from the 2023 profit will be approved by the General Meeting.

20. TAX ASSETS AND LIABILITIES

(CZK'000)	**2023**	2022
Current tax assets	**308,130**	578,130
Current tax liabilities	**(321,931)**	(499,096)
Total current tax asset / (liabilities)	**(13,801)**	**79,034**

2023 (CZK'000)	Deferred tax asset	Deferred tax liability	Impact on the income statement	Impact on other comprehensive income
Provision for receivables due to policy holders	29,140	-	10,973	-
Employee benefits	23,034	-	4,747	-
Tangible and intangible assets	39,796	-	(7,143)	-
Tangible assets - lease	2,444	-	176	-
Financial instruments	119,962	-	(10,125)	(285,626)
Taxation on technical provisions	638,336	-	(132,801)	288,194
Other	747	-	424	-
Total	**853,459**	**-**	**(133,750)**	**2,567**

2022 (CZK'000)	Deferred tax asset	Deferred tax liability	Impact on the income statement	Impact on other comprehensive income
Provision for receivables due to policy holders	18,167	-	1,769	-
Employee benefits	18,287	-	(2,442)	-
Tangible and intangible assets	49,078	(2,139)	(6,248)	-
Tangible assets - lease	2,268	-	(520)	-
Financial instruments	244,012	(39,550)	70,481	356,927
Taxation on technical provisions	695,234	-	248,100	(224,518)
Other	323	-	(1,617)	-
Total	**1 027,369**	**(41,689)**	**309,523**	**132,409**

(CZK'000)	**2023**	2022
At 1 January	**985,681**	**543,749**
Deferred tax recorded in the income statement (-expense / +income)	**(133,750)**	252,918
Deferred tax recorded in equity	**1,528**	189,014
At 31 December	**853,459**	**985,681**

21. LIABILITIES FROM LEASE CONTRACTS

As at 31 December 2023, the amount of the lease liability was CZK 293,855 thousand (as at 31 December 2022: CZK 222,920 thousand). The Company recognised in the income statement interest expense from these liabilities of CZK (9,208) thousand in 2023 (in 2022: CZK (5,471) thousand) and in the cash flow statement maturity of lease contracts amounted to CZK 65,074 thousand and CZK 60,697 thousand in 2023 and 2022, respectively.

(CZK'000)	**2023**	2022
Current	**53,872**	54,741
Long-term	**239,983**	168,179
Total	**293,855**	**222,920**

Maturity analysis on contractual discounted cash flows basis

(CZK'000)	**2023**	2022
Within one year	**53,872**	54,741
From 1 year to 5 years	**183,981**	108,198
More than 5 years	**56,002**	59,981
Total	**293,855**	**222,920**

(CZK'000)	**2023**	2022
As at 1 January	**222,92**	**275,180**
Interest expenses	**9,208**	5,471
Payments	**(65,074)**	(60,697)
New leases, revaluation of old leases	**126,801**	21,021
As at 31 December	**293,855**	**222,920**

22. OTHER PAYABLES

(CZK'000)	**2023**	2022
Employee benefits	**3,773**	7,406
Estimate of liabilities due to members of the statutory bodies	**4,194**	2,965
Liabilities to suppliers	**315,194**	361,683
Other payables related to financial instruments	**2,968**	9,17
Other insurance contract liabilities - unmatched premiums (liabilities from unmatched premium payments)	**920,638**	1,062,089
Other insurance contract liabilities - claims payments (outstanding claims payments)	**706,781**	723,93
Liabilities to employees	**147,537**	137,173
Social security and health insurance liabilities	**20,25**	20,173
Other provisions	**10,984**	29,009
Other	**9,968**	11,525
Total	**2,142,288**	**2,365,122**

All other payables are current. The above values correspond to the fair value at the balance sheet date.

23. NET CHANGE IN OPERATING LIABILITIES

(CZK'000)	**2023**	2022
Net change in cash flows from premiums, claims payments, other expenses and acquisition of insurance contracts	**1,568,013**	(2,304,483)
Net change in other liabilities	**(231,349)**	(105,065)
Total	**1,336,664**	**(2,409,548)**

24. RISK MANAGEMENT FRAMEWORK

GOVERNANCE FRAMEWORK

The main objective of the Company's risk management is maintaining financial stability and creating value for the clients, shareholders and other stakeholders. Key management recognises the critical importance of having effective risk management systems in place and established a Risk Management Department to serve this purpose. Its main goal is to propose, maintain and assess the performance of the risk management system in the Company. The risk management system can be understood as a set of policies and procedures developed for managing specific risk types. Its implementation ensures a due process of risk identification, assessment of their significance and proposal of measures for their mitigation to an acceptable level including regular monitoring and reporting of the risks identified to senior management. Integral part of the basic risk management system is also a process of own risk and solvency assessment (i.e. ORSA). By doing this, the Risk Management Department meets the risk management function according to the Insurance Act (according to the regulation Solvency II).

In order to support proper functioning of the risk management process the Board of Directors has established several advisory committees; at least one Board of Directors member sits in each committee and is responsible for the consistency of the committee's activities and the Company policies.

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND APPROACH

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

The capital requirements are routinely forecast on a periodic basis and assessed against the forecast available capital to maintain capital adequacy even in future periods.

Capital adequacy calculation is carried out using the Standard formula. The Company does not utilise any internal nor partially internal model. The Company meets the criteria for capital adequacy. Further information on capital adequacy management will be published in the Report on solvency and financial situation.

The Company's primary capital management policy is to hold sufficient capital to cover the statutory requirements based on the Insurance Act. For the purpose of regulatory requirements, the Company manages capital determined i n accordance with the requirements of the directive as at 31 December 2023 in the amount of CZK 9,549,844 thousand (as at 31 December 2022: CZK 8,270,094 thousand).

REGULATORY FRAMEWORK

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

The operations of the Company are subject to regulatory requirements especially stated in the Insurance Act. Such regulations not only prescribe approval and monitoring of activities of insurance companies, but also impose certain restrictions (e.g., capital adequacy) to minimise the risk of default and insolvency of insurance companies to meet unforeseen liabilities as these arise.

ASSET LIABILITY MANAGEMENT (ALM) FRAMEWORK

Financial risks arise from open positions in interest rate, currency, property and equity products, all of which are exposed to general and specific market movements.

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

- to achieve sufficient long-term investment returns;
- to minimise the value inconsistency between assets and liabilities in case of macroeconomic environment movements;
- to ensure that in each period sufficient cash flow is available to meet liabilities arising from insurance and investment;
- for effective use of allocated capital.

The principal technique used by the Company to match assets to the liabilities is concluding transactions using the appropriate investment instruments in order to ensure consistency of assets and liabilities arising from the insurance and investment contracts and to optimise investment return, investment risk and capital efficiency.

25. INSURANCE AND FINANCIAL RISK

25.1. INSURANCE RISK

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

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

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and a non-proportional basis.

The Company places most of the mandatory reinsurance contracts with KBC Group Re, which is further reinsured (retrocession) and, as with other local reinsurance contracts, the credit risk from the ceded reinsurance is diversified by placing reinsurance contracts with multiple reinsurance partners and in accordance with the rules set out in the KBC CRF (Central Reinsurance Function) Security List.

There is no exposure from one reinsurer that exceeds 15% of total assets from incurred claims at the reporting date, with the exception of KBC Group Re.

Life insurance contracts (including investment contracts with DPF)

The following types of life insurance contracts are in the Company's portfolio:

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

The vast majority of all life insurance contracts listed above are classified as insurance contracts. Investment contracts with DPF comprise about 0.7 % of the portfolio (1.3 % of premiums written) and investment contracts without DPF 0.05 % of the portfolio (0.07 % of premiums written).

In addition to insurance contracts and investment contracts with DPF, investment contracts without DPF are included in the life portfolio for marginality reasons.

Investment contracts without DPF can no longer be renegotiated. The materiality of investment contracts is regularly monitored.

The table in Section 3.2 shows the concentration (in terms of premiums) of life insurance contracts.

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

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

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

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

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

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

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and the level of insured benefits. This is mainly achieved using medical screening in order to ensure that the scope of insurance, including pricing, reflects current health conditions of the insured, through regular review of actual claims experience and product pricing, as well as through established processes of medical documentation assessment and, in complex cases, examinations by contracted physicians in the settlement of claims. Underwriting limits are in place to enforce appropriate risk selection criteria. In the settlements of claims, self-audit and revision limits are set for quality management and error rates in claims payments.

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

The insurance risk described above is also affected by the policyholder's right to pay reduced premiums or to terminate the contract completely. As a result, the amount of insurance risk is also affected by the behaviour of policyholders.

The table below shows the concentration of mortality risk (expressed in sum at risk) for life insurance contracts.

(CZK'000)

Sum at risk	Sum at risk (CZK'000)	Sum at risk (%)
0 – 499,999	42,675,195	15.78%
500,000 – 999,999	35,368,713	13.08%
1,000,000 – 1,999,999	64,324,646	23.79%
2,000,000 – 3,999,999	71,642,383	26.50%
4,000,000 and more	56,361,495	20.85%
TOTAL	**270,372,431**	**100.00%**

(CZK'000)

Sum at risk	Sum at risk (CZK'000)	Sum at risk (%)
0 – 499,999	44,409,825	20.65%
500,000 – 999,999	35,412,094	16.46%
1,000,000 – 1,999,999	59,766,688	27.79%
2,000,000 – 3,999,999	58,899,576	27.38%
4,000,000 and more	16,601,651	7.72%
TOTAL	**215,089,834**	**100.00%**

ASSUMPTIONS

MACROECONOMIC ASSUMPTIONS

Discount rate:

Discount rates are calculated within the KBC Group according to the Group methodology. The calculation is carried out on a monthly basis. For life insurance products, four different curves are used for the following groups of contracts:

- Unit-linked products modelled by the VFA method;
- Unit-linked products modelled by the BBA method;
- Pure risk products modelled by the BBA method;
- Non-linked products modelled by the BBA method.

Inflation:

The inflation assumption is applied to the expected development of the Company's future expenses.

A combination of the consumer price index and the wage inflation is assumed. This structure is based on the analysis of current costs - part is sensitive to CPI and part is related to wages.

Investment return:

It is assumed on the basis of expected future income from related asset portfolio, connected with life insurance. New future cash flows are reinvested with Czech government bond depending on the interest rate taking into account the future expected cash flows purchased on par if positive. If the CF is negative, it is primarily covered by the current account, in case of current account drawdown it is borrowed at the 1M swap rate.

Investment margin:

It is assumed that investment return in excess of the guaranteed interest rate, including the investment margin, will be distributed to policyholders. The investment margin assumption is based on the type of policy and is subject to the approval of the Company's Board of Directors.

DEMOGRAPHIC ASSUMPTIONS

Mortality and morbidity:

Expected mortality and morbidity developments are based on the Company's historical experience. The ratio between Company's historical experience and rates used in premium calculation or current population mortality rates (in the case of mortality) is analysed and applied in the projection. Assumptions usually are differentiated by age, sex, policy year and contract type.

Lapses:

Expected lapse development is based on the Company's historical experience (it is estimated by the logistic regression model).

The estimated lapse rate is updated annually, separately for several product segments. In each segment, the dependence of the lapse on selected key parameters is considered (for example, policy year, the capital value of the insurance, contract status, the number of insured persons, the number of risks underwritten, the amount of sum insured, insurance period, age and sex of policyholder, distribution channel).

OTHER ASSUMPTIONS

Expenses:

Expenses are assumed on the historical experience level considering their future increase in line with the expense inflation (see above).

Partial withdrawals:

Assumption of regular monthly withdrawals as a percentage of policyholder's cash value is based on the Company's historical experience.

Sensitivity:

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

A list of scenarios, including a quantification of their impact, is provided in the table below. The most significant is the impact of lapses and changes in the discount curve.

2023 (CZK'000)	Discounted fulfilment cash flows	Contractual service margin	Impact on profit before tax	Impact on equity
BBA	**8,581,952**	**6,213,631**	**-**	**-**
Assumption:				
Mortality: +1 %	17,308	(15,927)	(1,232)	109
Mortality: (1) %	(17,309)	15,930	1,231	(108)
Morbidity: +1 %	51,168	(52,406)	2,893	1,101
Morbidity: (1) %	(51,174)	52,394	(2,875)	(1,101)
Expenses: +5 %	145,367	(131,173)	(9,093)	5,177
Expenses: (5) %	(145,367)	131,436	9,093	(5,177)
Lapse: +10 %	205,012	(194,755)	(6,278)	(10,873)
Lapse: (10) %	(218,135)	210,041	6,008	11,005
Discount curve: +0.30 %	(447,682)	(12,958)	459,448	462,685
Discount curve: (0.30) %	480,323	12,439	(491,465)	(494,729)
VFA	**6,870,111**	**1,359,360**	**-**	**-**
Assumption:				
Mortality: +1 %	1,395	(1,452)	59	-
Mortality: (1) %	(1,396)	1,453	(58)	-
Morbidity: +1 %	6,157	(6,403)	256	-
Morbidity: (1) %	(6,158)	6,400	(253)	-
Expenses: +5 %	18,845	(17,219)	(1,527)	-
Expenses: (5) %	(18,845)	17,219	1,527	-
Lapse: +10 %	68,713	(68,015)	(719)	-
Lapse: (10) %	(74,137)	73,449	707	-
Discount curve: +0.30 %	15,624	(16,197)	684	354
Discount curve: (0.30) %	(16,176)	16,768	(704)	(361)

2022 (CZK'000)	Discounted fulfilment cash flows	Contractual service margin	Impact on profit before tax	Impact on equity
BBA	**8,116,626**	**5,904,748**	**-**	**-**
Assumption:				
Mortality: +1 %	16,262	(14,917)	(1,252)	617
Mortality: (1) %	(16,263)	15,521	614	(614)
Morbidity: +1 %	42,466	(47,945)	6,404	4,865
Morbidity: (1) %	(42,468)	48,514	(7,008)	(4,865)
Expenses: +5 %	127,459	(125,253)	1,426	16,528
Expenses: (5) %	(127,459)	125,854	(2,063)	(16,528)
Lapse: +10 %	188,646	(162,973)	(25,581)	(32,057)
Lapse: (10) %	(200,189)	173,949	26,183	33,835
Discount curve: +0.30 %	(428,298)	(1,620)	429,401	430,387
Discount curve: (0.30) %	460,801	2,110	(462,380)	(462,769)
VFA	**7,403,941**	**1,313,233**	**-**	**-**
Assumption:				
Mortality: +1 %	1,481	(1,471)	(8)	1
Mortality: (1) %	(1,483)	1,472	9	(1)
Morbidity: +1 %	5,992	(6,312)	343	-
Morbidity: (1) %	(5,992)	6,309	(339)	-
Expenses: +5 %	18,050	(16,281)	(1,625)	-
Expenses: (5) %	(18,050)	16,281	1,625	-
Lapse: +10 %	60,515	(60,008)	(459)	-
Lapse: (10) %	(65,247)	64,734	455	-
Discount curve: +0.30 %	(88,911)	65,418	19,208	323
Discount curve: (0.30) %	93,703	(63,333)	(16,158)	(329)

AMOUNTS PAYABLE ON DEMAND VERSUS THE CARRYING AMOUNT OF INSURANCE CONTRACT LIABILITIES

The table below reconciles the amounts payable on demand to the carrying amount of the insurance contract liabilities. The amounts payable on demand correspond to the benefit the client would have received in case of an immediate lapse. This amount includes any lapse fees and penalties. The carrying amount of the insurance contract liabilities corresponds to the discounted value of the fulfilment cash flows plus a risk adjustment and a contractual service margin.

	31 December 2023			31 December 2022		
	Amounts payable on demand	Carrying amount of insurance contract liabilities	Difference	Amounts payable on demand	Carrying amount of insurance contract liabilities	Difference
Life	**22,266,408**	**23,025,055**	**758,646**	**22,952,748**	**22,738,548**	**(214,200)**
BBA	**13,927,227**	**14,795,583**	**868,357**	**14,130,116**	**14,021,374**	**(108,742)**
Non-Linked traditional insurance	11,123,426	11,702,632	579,206	11,512,795	10,767,899	(744,897)
Group risk insurance	-	(12,684)	(12,684)	-	196,003	196,003
Unit-linked – regular BBA	2,448,071	3,476,189	1,028,119	2,529,078	3,381,197	852,118
Náš Život – internal – BBA	81,080	(126,117)	(207,197)	31,022	(110,276)	(141,299)
Náš Život – external – BBA	2,815	(110,137)	(112,952)	353	(52,784)	(53,136)
Náš Život – ČSOB – BBA	245,811	97,325	(148,486)	53,207	(32,983)	(86,190)
Náš Život – ČSOB S – BBA	3,361	(176,469)	(179,830)	614	(111,351)	(111,965)
Náš Život – Česká Pošta – BBA	22,662	(55,156)	(77,818)	3,046	(16,330)	(19,376)
VFA	**8,339,182**	**8,229,471**	**(109,710)**	**8,822,632**	**8,717,174**	**(105,458)**
Unit-linked – single VFA	6,149,794	6,119,546	(30,248)	6,937,328	6,895,601	(41,727)
Unit-linked – regular VFA	1,871,183	1,822,730	(48,453)	1,769,171	1,724,342	(44,829)
Náš Život – internal – VFA	31,603	21,485	(10,118)	11,692	4,223	(7,469)
Náš Život – external – VFA	2,136	1,389	(747)	673	529	(145)
Náš Život – ČSOB – VFA	280,533	263,234	(17,298)	102,055	92,217	(9,838)
Náš Život – ČSOB S – VFA	1,807	1,390	(416)	869	636	(233)
Náš Život – Česká Pošta – VFA	2,126	(304)	(2,430)	844	(374)	(1,218)

LIFE INSURANCE CLAIMS DEVELOPMENT TABLE

The following table shows the estimated cumulative incurred claims, including the cumulative claims payment to date. The estimate of cumulative claims and cumulative claim payments is presented in CZK.

By setting an estimated claim amount, the Company gives some weight to the probability occurance and severity of future claims development. The amount of the claim corresponds to the Company's best estimate. However, due to the uncertainty embedded in the estimation process, the actual overall incurred claims may not always be in surplus. In the view of the fact that the analysis of the development of life claims was not published in previous accounting periods, the table contains data on the development of claims only for the last three accounting periods

Year of origin of an incurred claim (CZK'000)	Before 2021	2021	2022	2023	Total
Cumulative undiscounted cash flows from insurance contracts					
At the end of the year of occurrence	-	785,116	817,206	826,524	-
After 1 year	-	754,141	737,134	-	-
After 2 years	-	748,204	-	-	-
Cumulative undiscounted cash flows from insurance contracts at the reporting date	-	748,204	737,134	826,524	2,311,862
Cumulative paid claims arising from insurance contracts	-	698,438	635,391	389,368	1,723,196
Cumulative claims liabilities - net of annuities	33,413	49,766	101,743	437,156	622,079
Cumulative claims liabilities - annuities	-	-	-	-	50,569
Time value of money	-	-	-	-	(40,560)
Impact of risk adjustment	-	-	-	-	53,145
Discounted liabilities for claims arising from insurance contracts	**-**	**-**	**-**	**-**	**685,233**

Non-life insurance contracts

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

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

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and the level of claims. Further, the Company uses, according to the risk amount, segmented procedures for investigating and settling reported claims focused on assessing available documents and information regarding claims, a number of regular revisions and inspections in claims settlement processes and established procedures for identifying, investigating and proving insurance fraud. All above policies and procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating provisions for insurance claims. During the liquidation of insurance claims, the Company in detail monitors and implements specific measures to limit the inflation impact on the average payment.

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

The purpose of this underwriting risk and reinsurance strategy is to limit the Company's exposure to risks arising from catastrophic events, according to its willingness to accept certain risks in accordance with the limits determined by the Company's management.

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

As a further guide to the level of catastrophe exposure written by the Company, the tables below show hypothetical claims arising for various realistic disaster scenarios based on the Company's average risk exposures in 2023.

To analyse the sensitivity of actuarial risk in 2023, as well as to assess the effectiveness of methods for reducing it, an aggregate stress scenario based on a combination of different natural catastrophic events occurring within one year was used. The estimated probability of a given scenario exceeds the probability of 1/500. Reducing the impact on the Company is implemented, among other things, by transferring risk to reinsurers using all relevant reinsurance arrangements effective as at the balance sheet date. The Company's reinsurance program is regularly reviewed to best reflect the current risk appetite and profile of the insurance company. This scenario is chosen to reflect not only the risk of increasing frequency of natural catastrophic events, but also to verify the adequacy of reinsurance coverage (by applying extremely high flood damage). The amount of individual damages is based on the results of modelling of natural catastrophic events (using professional third party models) and among other things it reflects actual historical damages and current size of the Company's portfolio.

2023

(CZK'000)	Stress scenario - natural catastrophic risks Event type	Gross damage
Event 1	Flood	3,248,425
Event 2	Flood	558,820
Event 3	Whirlwind	758,770
Event 4	Hail	179,714
	Gross impact to:	**Net impact to:**
Profit before tax	4,745,728	528,489
Equity	3,844,040	428,076

2022

(CZK'000)	Stress scenario - natural catastrophic risks Event type	Gross damage
Event 1	Flood	3,162,251
Event 2	Flood	519,284
Event 3	Whirlwind	775,048
Event 4	Hail	144,431
	Gross impact to:	**Net impact to:**
Profit before tax	4,600,904	220,000
Equity	3,726,732	178,200

KEY ASSUMPTIONS

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

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

NON-LIFE CLAIMS DEVELOPMENT TABLE

The following tables show the estimated cumulative incurred claims together with cumulative payments to date. The cumulative claims estimate and cumulative payments are in CZK.

In setting estimated amount of claims, the Company gives consideration to the probability and severity of future claims development. The amount of the claim corresponds to the Company's best estimate. However, due to the uncertainty embedded in the estimation process, the actual overall claims amount may not always be in surplus.

Year of origin of an incurred claim (CZK'000)	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Cumulative undiscounted cash flows from insurance contracts												
At the end of the year of occurrence	-	2,834,781	2,957,263	3,229,064	3,597,639	3,771,088	4,347,618	4,458,730	4,763,549	4,572,920	4,921,508	-
After 1 year	-	2,940,892	2,893,196	3,144,571	3,600,692	3,680,787	4,291,554	3,739,233	5,131,125	4,961,118	-	-
After 2 years	-	2,889,693	2,856,272	3,147,523	3,636,584	3,620,116	3,931,602	3,936,987	5,143,462	-	-	-
After 3 years	-	2,869,686	2,836,644	3,167,324	3,617,461	3,345,112	4,192,667	3,857,357	-	-	-	-
After 4 years	-	2,675,038	2,783,236	3,135,592	3,324,811	3,206,663	4,009,815	-	-	-	-	-
After 5 years	-	2,611,669	2,592,295	2,834,817	3,203,598	3,133,332	-	-	-	-	-	-
After 6 years	-	2,583,046	2,511,617	2,811,335	3,175,443	-	-	-	-	-	-	-
After 7 years	-	2,538,163	2,504,724	2,762,222	-	-	-	-	-	-	-	-
After 8 years	-	2,536,392	2,496,496	-	-	-	-	-	-	-	-	-
After 9 years	-	2,526,001	-	-	-	-	-	-	-	-	-	-
Cumulative undiscounted cash flows from insurance contracts at the reporting date	-	2,526,001	2,496,496	2,762,222	3,175,443	3,133,332	4,009,815	3,857,357	5,143,462	4,961,118	4,921,508	36,986,755
Cumulative paid claims arising from insurance contracts	-	2,461,319	2,400,761	2,667,083	3,045,983	2,995,272	3,530,063	3,299,711	4,235,609	4,016,262	3,012,867	31,664,930
Cumulative claims liabilities	122,468	64,682	95,735	95,139	129,460	138,060	479,752	557,646	907,853	944,856	1,908,641	5,444,292
Time value of money	-	-	-	-	-	-	-	-	-	-	-	(435,377)
Impact of risk adjustment	-	-	-	-	-	-	-	-	-	-	-	632,200
Discounted liabilities due to claims arising from insurance contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,641,116**

Until 2020, the table includes amounts disclosed in the previous years' notes to the financial statements (i.e. according to IFRS 4), and for 2021 and 2022 the amounts are restated to IFRS 17.

Year of origin of an insured event (CZK'000)	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Cumulative undiscounted cash flows from insurance contracts												
At the end of the year of occurrence	-	-	-	-	-	-	-	-	3,824,242	4,107,150	4,488,465	-
After 1 year	-	-	-	-	-	-	-	3,441,928	4,211,811	4,587,583	-	-
After 2 years	-	-	-	-	-	-	3,586,222	3,207,830	4,208,516	-	-	-
After 3 years	-	-	-	-	-	3,111,300	3,187,772	3,597,653	-	-	-	-
After 4 years	-	-	-	-	3,014,717	2,802,864	3,583,760	-	-	-	-	-
After 5 years	-	-	-	2,627,283	2,752,666	2,911,578	-	-	-	-	-	-
After 6 years	-	-	2,319,689	2,475,146	2,884,518	-	-	-	-	-	-	-
After 7 years	-	2,326,131	2,216,623	2,564,415	-	-	-	-	-	-	-	-
After 8 years	-	2,251,963	2,305,848	-	-	-	-	-	-	-	-	-
After 9 years	-	2,312,514	-	-	-	-	-	-	-	-	-	-
Cumulative undiscounted cash flows from insurance contracts at the reporting date	-	2,312,514	2,305,848	2,564,415	2,884,518	2,911,578	3,583,760	3,597,653	4,208,516	4,587,583	4,488,465	33,444,849
Cumulative paid claims arising from insurance contracts	-	2,253,551	2,219,554	2,483,274	2,769,468	2,812,969	3,220,557	3,107,460	3,498,898	3,806,999	2,886,819	29,059,550
Cumulative claims liabilities	108,974	58,963	86,293	81,141	115,050	98,609	363,203	490,194	709,617	780,583	1,601,646	4,494,274
Time value of money	-	-	-	-	-	-	-	-	-	-	-	(339,846)
Impact of risk adjustment	-	-	-	-	-	-	-	-	-	-	-	524,269
Deposit from the reinsurer	-	-	-	-	-	-	-	-	-	-	-	38,400
Discounted liabilities due to claims arising from insurance contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,717,097**

Given that the analysis of the development of non-life claims adjusted for the reinsurer's share was not disclosed in previous accounting periods, the table contains data on the development of claims only for the three most recent accounting periods.

SENSITIVITY

The main risk to which the value of non-life liabilities is sensitive relates to the misestimation of claims. Claims are influenced by the estimated loss ratios of the individual insurance groups and, for the determination of the present value of cash flows, also by the discount curve.

	2023			2022		
(CZK'000)	Discounted fulfilment cash flows	Impact to profit before tax	Impact to equity	Discounted fulfilment cash flows	Impact to profit before tax	Impact to equity
PAA	**5,641,116**	**-**	**-**	**5,250,784**	**-**	**-**
Assumption:						
Unpaid claims and expenses: +5 %	282,056	(282,056)	3,858	262,539	(262,539)	12,847
Unpaid claims and expenses: (5) %	(282,056)	282,056	(3,858)	(262,539)	262,539	(12,847)
Discount curve: +30 %	(30,083)	30,083	29,169	(26,972)	26,972	26,189
Discount curve: (30) %	30,763	(30,763)	(29,831)	27,548	(27,548)	(26,750)

25.2. FINANCIAL RISKS

The risk management function within the Company is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks..

Credit risk

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

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

The Company follows the internal limits.

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

Concentration of risk is limited by the policy guideline which is set each year by the Board of Directors and are subject to regular risk management reviews.

The Company diversifies credit risk from ceded reinsurance by placing reinsurance contracts with multiple reinsurance partners in accordance with the rules set out in the KBC CRF (Central Reinsurance Function) Security List.

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

Credit exposure

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

Credit exposure by credit rating

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

Sources of credit ratings are the agencies S&P and Moody's (the Company uses second best rating in the case of multiple ratings existence). If available, the Company considers the rating of particular issuer. In the case that particular issuer of the investment is not rated, the Company considers the rating as non-rated.

Financial assets that are in the not-rated category are mainly represented by mutual funds. These funds are managed by group entities ČSOB Asset Management and KBC Asset Management. The credit risk of the investments is declared in the fund's statutes and managed by the fund manager.

Investments are also included in bonds whose issuers do not have an external rating. The issuers of these bonds are companies from the Czech Republic i.e. Hypoteční banka a.s., UniCredit Bank Czech Republic and Slovakia, a.s., PEGAS NONWOVENS a. s., EUC, a. s.

In these cases, the credit quality of investments is evaluated by the portfolio manager ČSOB Asset Management within the framework of internally set processes.

2023 (CZK'000)	AAA	AA	A	BBB	Not rated	Total
Financial assets	1,199,524	24,773,013	3,734,514	460,238	6,532,645	36,699,934,
At amortised cost	-	7,952,964	-	-	-	7,952,964
At fair value through other comprehensive income	1,199,524	16,820,049	627,675	-	859,103	19,506,351
At fair value through profit or loss	-	-	40,676	24,697	289,641	355,014
At fair value through profit or loss (unit-linked)	-	-	2,560,206	435,541	5,383,901	8,379,648
Hedging derivatives with positive fair value	-	-	505,957	-	-	505,957
Insurance contract assets	-	-	-	-	480,867	480,867
Reinsurance contract assets	-	591,120	76,182	71,468	-	738,770
Other assets	-	72,517	225,930	23,850	190,657	512,954
Cash and cash equivalents	-	-	2,102,418	-	-	2,102,418
Total	**1,199,524**	**25,436,650**	**6,139,044**	**555,555**	**7,204,170**	**40,534,942**

2022 (CZK'000)	AAA	AA	A	BBB	Not rated	Total
Financial assets	1,063,038	23,800,435	5,103,059	493,643	7,499,170	37,959,345
At amortised cost	-	5,790,007	154,403	-	-	5,944,410
At fair value through other comprehensive income	1,063,038	18,010,427	897,922	46,758	983,887	21,002,032
At fair value through profit or loss	-	-	35,387	19,369	1,256,129	1,310,884
At fair value through profit or loss (unit-linked)	-	-	3,122,566	427,516	5,259,154	8,809,237
Hedging derivatives with positive fair value	-	-	892,782	-	-	892,782
Insurance contract assets	-	-	-	-	324,099	324,099
Reinsurance contract assets	-	139,416	662,272	81,182	-	882,870
Other assets	-	57,561	276,005	23,954	190,455	547,974
Cash and cash equivalents	-	-	410,367	-	-	410,367
Total	**1,063,038**	**23,997,411**	**6,451,703**	**598,779**	**8,013,724**	**40,124,655**

The following table shows the largest asset concentrations:

	% of financial assets portfolio	
Counterparty	**2023**	2022
Czech Republic	**67,38 %**	62,00 %
KBC Group	**29,57 %**	28,45 %
Erste Group	**0,00 %**	1,05 %

There are no financial assets past due but not impaired.

Liquidity risk

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

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

- 100 % of the financial assets are placed to liquid assets (mainly government bonds and unit certificates). This percentage includes assets which are standardly liquid on the financial market regardless of the accounting classification, it means involvement of all liquid instruments including those classified at amortised cost (AC);
- repo facility is agreed with ČSOB bank in case it is needed.

Maturity profiles

The table below summarises the expected maturity profile of the non-derivative financial assets and financial contractual liabilities of the Company. Individual amounts are in first case calculated on the basis of the undiscounted cash flow method.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance and reinsurance liabilities. Insurance and reinsurance assets and liabilities measured using the PAA method have been included in the 'up to one year' column.

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

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

2023 (CZK'000)	Up to a year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	5-15 years	Over 15 year	No maturi-ty date	Total
Financial assets	5,791,468	3,304,774	2,861,874	1,700,420	3,892,535	24,283,126	2,205,695	2,458,564	46,498,457
At amortised cost	510,209	530,519	1,378,019	265,019	1,715,019	4,816,221	405,973	-	9,620,980
At fair value through other comprehensive income	2,906,396	919,151	865,355	526,734	1,420,487	19,188,643	1,799,723	-	27,626,489
At fair value through profit or loss	2,229,800	1,790,491	565,671	861,533	702,681	125,923	-	2,458,564	8,734,662
Hedging derivatives with positive fair value	145,063	64,613	52,830	47,134	54,348	152,339	-	-	516,326
Reinsurance contracts as-sets/ liabilities	332,365	321,769	92,267	69,001	35,608	112,428	24,980		988,419
Other assets	512,953	-	-	-	-	-	-	-	512,953
Cash and cash equivalents	2,102,418	-	-	-	-	-	-	-	2,102,418
Insurance contracts as-sets/liabilities	(8,328,624)	(2,497,060)	(931,280)	(1,115,800)	(860,513)	(5,591,771)	(15,405,202)	-	(34,730,250)
Other liabilities	(2,142,287)	-	-	-	-	-	-	-	(2,142,287)
Liabilities from lease contracts	(59,451)	(56,236)	(54,191)	(53,680)	(37,578)	(65,408)	-	-	(326,545)
Financial liabilities	(858)	(87)	-	-	-	-	-	-	(945)
Total	**(1,792,016)**	**1,073,160**	**1,968,671**	**599,941**	**3,030,052**	**18,738,375**	**(13,174,527)**	**2,458,564**	**12,902,220**

Analýza splatnosti na smluvní bázi – metodou nediskontovaných budoucích peněžních toků

2022 (CZK'000)	Up to a year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	5-15 years	Over 15 year	No maturi-ty date	Total
Financial assets	5,529,171	3,581,127	3,224,943	5,644,015	1,098,740	24,418,945	1,937,050	3,056,145	48,490,136
At amortised cost	570,138	421,375	441,685	1,039,185	191,185	5,047,740	98,500	-	7,809,808
At fair value through other comprehensive income	3,040,205	999,405	948,472	4,008,581		18,758,749	1,838,550	-	29,593,962
At fair value through profit or loss	1,702,729	2,007,495	1,732,391	505,654	813,585	302,121	-	3,056,145	10,120,121
Hedging derivatives with positive fair value	216,100	152,852	102,395	90,595	93,970	310,335	-	-	966,245
Reinsurance contracts as-sets/ liabilities	393,224	425,317	113,078	44,140	37,747	94,954	27,924	-	1,136,385
Other assets	547,974	-	-	-	-	-	-	-	547,974
Cash and cash equivalents	410,367	-	-	-	-	-	-	-	410,367
Insurance contracts as-sets/liabilities	(6,848,838)	(3,422,225)	(2,341,694)	(824,496)	(1,099,289)	(5,526,458)	(17,132,425)	-	(37,195,426)
Other liabilities	(2,365,122)	-	-	-	-	-	-	-	(2,365,122)
Liabilities from lease contracts	(57,616)	(33,234)	(28,969)	(28,408)	(27,964)	(68,038)	-	-	(244,229)
Financial liabilities	803	636	-	-	-	-	-	-	1,439
Total	**(2,390,037)**	**551,620**	**967,358**	**4,835,251**	**9,234**	**18,919,404**	**(15,167,451)**	**3,056,145**	**10,781,524**

Market risk

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

Market risk comprises three types of risk:

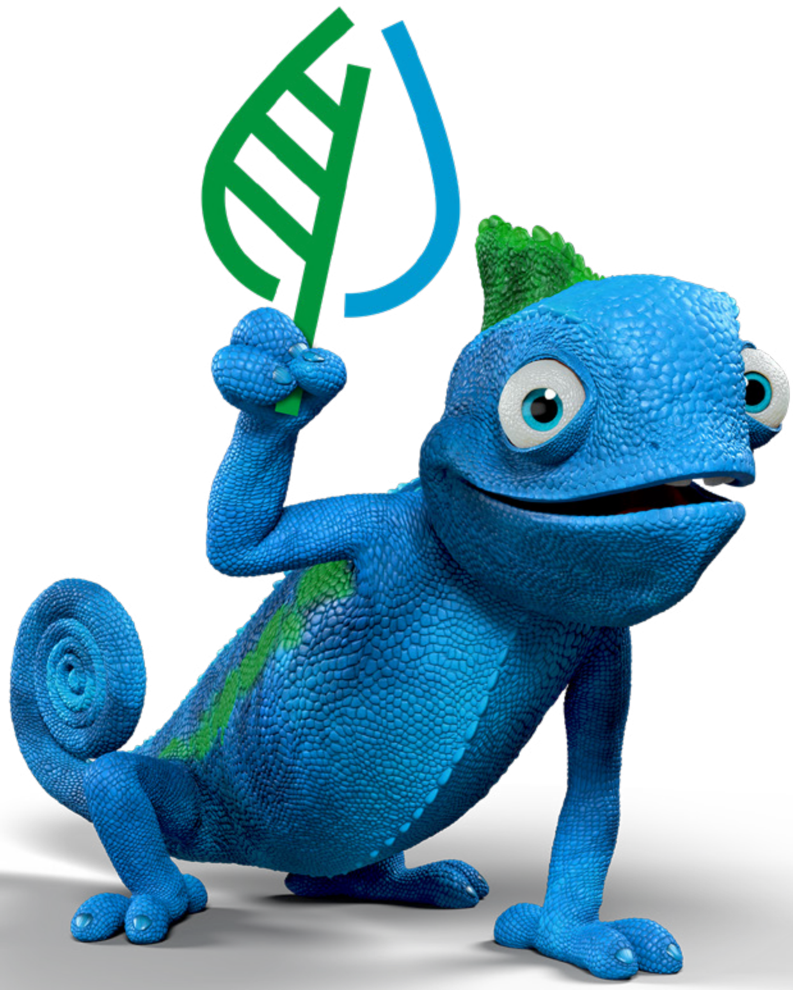
- currency risk (changes in foreign exchange rates);
- interest rate risk (changes in interest rates);
- other market risks (price risk) other than currency and interest rate risk.

The Company has the Investment strategy for managing market risk in place. This strategy sets out the assessment and determination of what the market risk for the Company is. Compliance with this strategy is monitored by the Investment Committee, which monitors compliance on a monthly basis, and the Risk and Capital Management Committee, which monitors current market risk exposures and potential future breaches of the limits set by the market risk policy on a quarterly basis. The Investment strategy is reviewed regularly for changes in the risk environment.

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

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

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



Currency risk

Significant assets held in currencies other than CZK are hedged using standard market instruments. Insurance contracts are negotiated in CZK. The currency risk on the liability side arises from motor third party liabilitiy claims incurred abroad. The insurance liability is offset on the asset side by unsecured bonds held in EUR. Therefore, the currency risk is negligible and no sensitivity to it is presented.

Assets by denominated currencies:

2023 (CZK'000)	Carrying amount	CZK	EUR	USD
Financial assets	36,699,934	35,898,284	801,650	-
At amortised cost	7,952,964	7,952,964	-	-
At fair value through other comprehensive income	19,506,351	19,187,742	318,609	-
At fair value through profit or loss	8,734,662	8,251,621	483,041	-
Hedging derivatives with positive fair value	505,957	505,957	-	-
Insurance contract assets	480,867	480,867	-	-
Reinsurance contract assets	738,770	738,770	-	-
Other assets	512,954	512,954	-	-
Cash and cash equivalents	2,102,418	2,101,431	984	3
Total	**40,534,942**	**39,732,305**	**802,634**	**3**

2022 (CZK'000)	Carrying amount	CZK	EUR	USD
Financial assets	37,959,345	36,111,645	1,847,700	-
At amortised cost	5,944,410	5,798,471	145,939	-
At fair value through other comprehensive income	21,002,032	20,747,488	254,544	-
At fair value through profit or loss	10,120,121	8,672,904	1,447,218	-
Hedging derivatives with positive fair value	892,782	892,782	-	-
Insurance contract assets	324,099	324,099	-	-
Reinsurance contract assets	882,870	882,870	-	-
Other assets	547,974	547,974	-	-
Cash and cash equivalents	410,367	405,463	4,901	3
Total	**40,124,655**	**38,272,051**	**1,852,601**	**3**

Interest rate risk

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

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

2023 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
CZK Yield curve	+100 basis points	(18,030)	(1,280,281)
CZK Yield curve	-100 basis points	53,957	1,443,245

2022 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
CZK Yield curve	+100 basis points	128,695	(1,105,741)
CZK Yield curve	-100 basis points	(89,179)	1,253,007

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

The Company sets the interest rate risk limits based on a change in the fair value of assets and liabilities when a 10 bps yield curve increase is experienced. The Company also observes the VaR at the level of 99.9 %.

Other market risks

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

The equity and property market risk represent the risk of the decrease of the value of the Company. It relates to the fluctuation of market prices of shares and properties held in the portfolio, principally investment securities not held for the account of unit-linked business.

The Company's Investment strategy requires managing such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments.

The Company sets VaRs which is used by the Company for measuring of risks and which is the assessment of potential loss based on 99.9 % reliability. When calculating VaR percentile method is used with the assumptions that the value of portfolio is linear function of risk drivers and the composition of funds is unchanged during the period. The period considered is one year.

During 2023 and 2022 a breach of these limits was not identified.

The table below shows the sensitivity of profit before tax (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the income statement) and equity (that reflects adjustments to profit before tax and changes in fair value of FVOCI financial assets), depending on changes in the market prices of shares.

2023 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
Shares	15 %	7,44	9,254
Shares	-15 %	-7,44	-9,254

2022 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
Shares	15 %	8,226	151,501
Shares	-15 %	(8,226)	(151,501)

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

Operational risks

Operational risk is the risk of loss arising from internal processes and system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to the Company's reputation, have legal or regulatory implications or can lead to financial loss. In practice it is not possible to expect that the Company could eliminate all potential operational risks, but the Company is trying to implement the effective control mechanisms to eliminate the biggest risks from which the other material financial losses, legal consequences or threat to the reputation can result. Controls include effective segregation of incompatible duties, protection of client data and confidential information, staff education, etc. Significant business risks such as changes in client behaviour and needs, competitor behaviour, changes in the environment, technology, etc. are monitored through the Company's strategic planning and budgeting process.

The Line Management in cooperation with both the Risk

Management Department and Compliance sets adequate control mechanisms to cover significant risks and the Risk Management Department evaluate the effectiveness of those controls. In case of identified deficiencies, it leads the process owners to define the action plans to strengthen the control mechanisms and thus improve the risk position of the Company. The risk management function together with the Compliance and Internal audit function prepares documents for the functioning and effectiveness of the internal control system annual evaluation for the Board of Directors.

In 2023, the period of high inflation of previous years continued.

The increase in market rates resulted in portfolios value decrease due to discounting. The Company took advantage of this opportunity and invested the free funds that had been accumulated from the period of low revenue on current accounts in bonds with a fixed coupon.

Increased inflation also affects the growth of the average damage. It concerns the increase in both material and labour price. The Company consistently monitors this trend and continuously reacts, e.g. adjusts the premiums in the affected product lines.

26. CONTINGENT LIABILITIES

A) LITIGATION

As at the date of these financial statements, no legal actions representing major risk had been brought against the Company. The Company creates provisions for litigations, which are the part of insurance contract liabilities.

B) CO-INSURANCE

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

C) MEMBERSHIP OF THE CZECH INSURERS‘ BUREAU

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

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

D) MEMBERSHIP OF THE CZECH NUCLEAR POOL

The Company is a member of the Czech Nuclear Pool. On the basis of joint liability, it undertook to take over, in case that one or more members are unable to meet their liabilities, a part of the uncovered liability in proportion to its net own retention used for the given policy. The Company’s potential liability, including joint and several liability, is contractually limited to the quadruple of its net retention, which is maximally usable for a specific insurance contract and a double of its net own retention, which is maximally usable for a specific active reinsurance contracts.

A determinant indicator for the definition of the maximum Company's net premium is the location of the insured risk:

Czech republic (CZK'000)	31 December 2023	31 December 2022
Third party liability	**40,000**	40,000
Property insurance	**60,000**	60,000
Net own retention total	**100,000**	**100,000**
EU + Switzerland + Great Britain (CZK'000)	31 December 2023	31 December 2022
Third party liability	**10,000**	10,000
Property insurance	**43,128**	43,128
Net own retention total	**53,128**	**53,128**

KBC Group RE S.A. reinsures 100 % of net own retention from 1 January 2014.

27. RELATED PARTIES

The Company's parent company is KBC Verzekeringen NV, Leuven, the Kingdom of Belgium. The Company's ultimate parent company is KBC Company NV with its registered seat in Brussels, the Kingdom of Belgium. The Company holds 100 % investment ownership in two subsidiaries incorporated in the Czech Republic, see Note 16.

The main related parties of the Company are as follows:

Parent Company
KBC Verzekeringen NV

Entity with significant influence over the Company
Československá obchodní banka, a.s.

Subsidiaries (see also point 16)
ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB
Pardubická Rozvojová, a. s.

Other companies within the Group
ČSOB Asset Management, a.s. investiční společnost
ČSOB Hypoteční banka, a.s.
KBC Ifima
ČSOB Stavební spořitelna, a.s.
ČSOB Penzijní společnost, a. s., člen skupiny ČSOB
ČSOB Leasing, a.s.
KBC Group NV
Bankovní informační technologie, s.r.o.
Skip Pay s. r. o.
ČSOB Advisory, a.s.
ČSOB Factoring, a.s.
KBC Group RE S.A.
Československá obchodná banka a.s.
ČSOB Poisťovňa a. s.
KBC Global Services NV

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

28. RELATED-PARTY TRANSACTIONS

The Company enters into transactions with its related parties in the normal course of business. Mutual balances have standard terms, are unsecured and will be settled in cash. The contracts were concluded under normal business conditions and no detriment incurred to the Company as a result of these contracts.

There are no transactions with management of the Company other than those disclosed in Note 9.

The Company has no significant liabilities or receivables to members of the Company's management.

2023 (CZK'000)	Parent Company	Entity with significant influence	Other companies within the group	Subsidiaries	Total
Financial assets	-	4,035,246	5,538,135	-	9,573,381
Investments in subsidiaries	-	-	-	272,400	272,400
Reinsurance contracts receivables	-	-	263,713	-	263,713
Receivables	-	-	-	-	-
Other assets	-	-	43,848	-	43,848
Cash and cash equivalents	-	2,101,921	-	-	2,101,921
Total assets	**-**	**6,137,167**	**5,845,697**	**272,400**	**12,255,264**
Insurance contract liabilities	-	815	492	-	1,307
Financial liabilities	-	945	-	-	945
Payables	-	54,216	9,651	631	64,499
Total liabilities	**-**	**55,976**	**10,144**	**631**	**66,751**
Insurance contracts revenue	-	15,323	8,049	-	23,372
Insurance service expenses	-	(92)	(566)	-	(657)
Result on reinsurance contracts held	-	-	(224,560)	-	(224,560)
Operating expenses	-	(367,291)	(35,169)	-	(402,460)
Fee and commission expense	-	(756,733)	(442,847)	(8,179)	(1,207,759)
Interest income	-	220,665	22,112	-	242,777
Other income	-	1,004	734	-	1,739
Other expenses	-	-	302	-	302
Total income/(expense)	**-**	**(887,124)**	**(671,945)**	**(8,179)**	**(1,567,247)**

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

2022 (CZK'000)	Parent Company	Entity with significant influence	Other companies within the group	Subsidiaries	Total
Financial assets	-	4,769,263	5,582,259	-	10,351,522
Investments in subsidiaries	-	-	-	272,400	272,400
Reinsurance contracts receivables	-	-	241,587	-	241,587
Receivables	-	-	59,982	373	60,355
Other assets	-	-	22,068	-	22,068
Cash and cash equivalents	-	410,094	-	-	410,094
Total assets	**-**	**5,179,357**	**5,905,896**	**272,773**	**11,358,025**
Insurance contract liabilities	-	613	350	-	963
Financial liabilities	-	1,438	-	-	1,438
Payables	-	59,805	59,397	96	119,298
Other liabilities	-	-	1,014	-	1,014
Total liabilities	**-**	**61,856**	**60,761**	**96**	**122,713**
Insurance revenue	-	13,725	17,678	-	31,403
Insurance service expenses	-	(3,815)	(549)	-	(4,364)
Ceded reinsurance result	-	-	(98,727)	-	(98,727)
Operating expenses	-	(376,499)	(30,997)	-	(407,496)
Fee and commission expense	-	(654,153)	(436,382)	(8,635)	(1,099,170)
Interest income	-	247,012	29,366	-	276,378
Other income	-	933	-	-	933
Other expense	-	-	-	-	-
Total income / (expense)	**-**	**(772,797)**	**(519,611)**	**(8,635)**	**(1,301,045)**

29. SUBSEQUENT EVENTS

There were no other significant subsequent events, other than those specified below, after the financial statements date that would have significant impact on the financial statements.

With effect from 1 February 2024, Tomáš Hotový is a member of the Board of Directors.

ČSOB POJIŠŤOVNA, A. S.,
ČLEN HOLDINGU ČSOB

REPORT ON RELATIONS

ON A RELATIONSHIP BETWEEN CONTROLLING AND CONTROLLED PARTY AND BETWEEN CONTROLLED PARTY AND PARTIES CONTROLLED BY THE SAME CONTROLLING PARTY

PURSUANT TO THE PROVISION OF SECTION 82 OF THE ACT NO. 90/2012 COLL., ON BUSINESS CORPORATIONS AND COOPERATIVES (ACT ON BUSINESS CORPORATIONS), AS AMENDED.

1. CONTROLLED PARTY

ČSOB Pojišťovna, a. s., člen holdingu ČSOB, with the registered office at Masarykovo náměstí 1458, Zelené Předměstí, postal code 530 02 Pardubice, Business Registration No.: 45534306, entered in the Commercial Register maintained by the Regional Court in Hradec Králové, Section B, File 567 (hereinafter the "**Company**").

2. CONTROLLING PARTY

KBC Group NV with the registered office at Havenlaan 2, BE – 1080 Brussels, Belgium owns Company through following companies:

KBC Verzekeringen NV with the registered office at Professor Roger Van Overstraetenplein 2, BE – 3000, Leuven, Belgium, with a share 99.755% and

Československá obchodní banka, a. s., with registered office at Radlická 333/150, Prague 5, postal code 150 57, Czech Republic, with a share 0.245%.

KBC Verzekeringen NV is an insurance company regulated by the Belgian National Bank. All shares of KBC Verzekeringen NV are held (directly or indirectly) by KBC Group NV (legal entity). KBC Group NV operates primarily on the markets in Belgium, Czech Republic, Slovakia, Bulgaria, Hungary and Ireland. In a more limited extent, it also operates in other countries.

Shares of KBC Group NV (legal entity) are traded on Euronext Brussels Stock Exchange. None of the shareholders has a higher share than 20%.

3. THE STRUCTURE OF RELATIONS BETWEEN CONTROLLING AND CONTROLLED PARTY, METHOD AND MEANS OF CONTROLLING

KBC Group NV controls the Company by the General Meeting pursuant to the Act on business corporations through decisions of two shareholders:

KBC Verzekeringen NV with 60% voting rights share and Československá obchodní banka, a. s. with 40% voting rights.

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

Graph with ČSOB Group structure is presented in Appendix no. 1 ČSOB Group structure 2022 and basic graph of KBC Group structure is presented in Appendix no. 2 KBC Group NV. The detailed structure of KBC Group is displayed on www.kbc.com

4. SUMMARY OF ACTIONS TAKEN IN DURING THE REPORTING PERIOD, WHICH WERE MADE AT THE REQUEST OR IN THE INTEREST OF CONTROLLING PARTY OR PARTIES CONTROLLED BY IT

In the reporting period the Related Parties did not take any action, which was made at the request or in the interest of the Controlling Party or parties controlled by it and that would apply to property that exceeds 10% of the equity of the Company, even in the ordinary course of business.

5. STRUCTURE OF RELATIONS BETWEEN THE CONTROLLING PARTY, PARTY CONTROLLED BY IT AND PARTIES CONTROLLED BY THE SAME CONTROLLING PARTY

In the reporting period, the Company maintained diverse transactions with the Controlling Party, respectively with other parties controlled by it (for the purposes of the Report on relations hereinafter the "Counterparties") in the ordinary course of business.

ČSOB, as the managing entity, has entered into a Group Agreement with other companies belonging to the ČSOB Group (their current overview is available at: https://www.csob.cz/portal/csob/o-csob-a-skupine/koncern-csob), which determines the Group's interest and defines certain rights and obligations of controlled entities within the business group. The sub-areas of unified management are then defined by special group policies, which are the basic tools for the implementation of the group's interest, and which are issued by the Board of Directors of OB and accepted by the controlled entities. The Company presents overview of relations with the parties controlled by the same Controlling Party in reporting period (in alphabetical order):

Company name	Registered Office	Business Registration No.
Bankovní informační technologie, s.r.o.	Radlická 333/150, 150 57 Praha 5, Czech Republic	63987686
ČSOB Stavební spořitelna, a.s.	Radlická 333/150, 150 57 Praha 5, Czech Republic	49241397
Československá obchodní banka, a. s.	Radlická 333/150, 150 57 Praha 5, Czech Republic	00001350
ČSOB Advisory, a.s.	Radlická 333/150, 150 57 Praha 5, Czech Republic	27081907
ČSOB Asset Management, a.s., investiční společnost	Radlická 333/150, 150 57 Praha 5, Czech Republic	25677888
ČSOB Factoring, a.s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Czech Republic	45794278
ČSOB Leasing, a.s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Czech Republic	63998980
ČSOB Penzijní společnost, a. s., člen skupiny ČSOB	Radlická 333/150, 150 57 Praha 5, Czech Republic	61859265
ČSOB Pojišťovací makléř, s.r.o.	Výmolova 353/3, Radlice, 150 00 Praha 5, Czech Republic	27151221
ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB	Masarykovo náměstí 1458, 530 02 Pardubice - Zelené Předměstí, Czech Republic	27479714
Eurincasso, s.r.o.	Výmolova 353/3, Radlice, 150 00 Praha 5, Czech Republic	61251950
Hypoteční banka, a.s.	Radlická 333/150, 150 57 Praha 5, Czech Republic	13584324
KBC BANK NV	Havenlaan 2, BE-1080 Brussels, Belgium	
KBC Global Services NV	Havenlaan 2, BE-1080 Brussels, Belgium	
KBC Group NV	Havenlaan 2, BE-1080 Brussels, Belgium	
KBC Group, Shared Service Center CZ	Radlická 333/150, 150 57 Praha 5, Czech Republic	28516869
KBC Group RE S.A.	Place de la gare 5, Luxembourg, L-1616	
KBC Verzekeringen NV	Professor Roger Van Overstraetenplein 2, BE-3000 Leuven, Belgium	
Pardubická Rozvojová, a.s.	Masarykovo náměstí 1458, 530 02 Pardubice - Zelené Předměstí, Czech Republic	05815614
Patria Corporate Finance, a.s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Czech Republic	25671413
Patria Finance, a. s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Czech Republic	26455064
Patria investiční společnost, a. s.	Výmolova 353/3, Radlice, 150 00 Praha 5, Czech Republic	05154197
Ušetřeno.cz Finanční služby, a.s.	Lomnického 1705/9, Nusle, 140 00 Praha 4, Czech Republic	28188667
Ušetřeno.cz s.r.o.	Lomnického 1705/9, Nusle, 140 00 Praha 4, Česká republika	24684295

The Company had contractual relations in the reporting period in the following areas:

5.1. POJISTNÉ A ZAJISTNÉ SMLOUVY

5.1. INSURANCE AND REINSURANCE AGREEMENTS

In the reporting period (or before the reporting period), the Company entered into insurance agreements (including amendments, further concretisations and clarification of the disputable rights associated with these contracts) with companies Bankovní informační technologie, s.r.o., Ušetřeno s.r.o., ČSOB Stavební spořitelna, a.s., Československá obchodní banka, a. s., ČSOB Advisory, a.s., ČSOB Leasing, a.s., ČSOB Hypoteční banka, a.s. and KBC Group NV Czech Branch, organizační složka, KBC Verzekeringen NV. The scope of the agreements comprised accident insurance, motor casco insurance, motor third party liability insurance, risk insurance, professional indemnity insurance, water damage and flood risk insurance, insurance of tangible and intangible assets, passenger insurance, liability insurance, travel insurance and consumer, lease and ČSOB Mortgage loan insurance (payment protection insurance), debit cards insurance, credit cards insurance, life group insurance (including amendments). The Related Parties provided counter performance in the form of premiums paid. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

In the reporting period, the Company entered into reinsurance agreements with KBC Group RE S.A. and KBC Verzekeringen NV. The scope of the agreements comprised quota share aircraft casco, reinsurance of catastrophic claims excess and PML insufficiency, catastrophic excess of loss aggregate reinsurance, property excess of loss reinsurance, liability excess of loss reinsurance, transported cargo and carrier‘s liability, crops and livestock stop loss reinsurance, reinsurance of the property excess of loss sub-layer on risk and catastrophic excess of loss, accident insurance excess of loss, medical treatment and life insurance, quota share insurance for Nuclear Pool, quota share aircraft casco and liability, quota share reinsurance and first surplus reinsurance, facultative reinsurance of Československá obchodní banka, a. s. Alternatively, the foregoing reinsurance was provided in the reporting period on the basis of agreements entered into prior to the reporting period. KBC Group RE S.A. and KBC Verzekeringen NV provided counter-performance in the form of contractual commissions and indemnity shares. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

5.2. OTHER CONTRACTUAL RELATIONS

5.2.1. LEASE AND SUBLEASE AGREEMENTS

In the reporting period (or before the reporting period), the Company entered into agreements with Československá obchodní banka, a. s., ČSOB Leasing, a.s., ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB, Pardubická rozvojová, a.s. The scope of the agreements comprised lease (sub-lease) of non-residential premises, parking places and movable assets. The Related Parties provided counter-performance in the form of lease of non-residential premises, movable assets and contractual rent. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

5.2.2. BANKING SERVICES AGREEMENTS

In the reporting period (or before the reporting period), the Company entered into agreements with ČSOB Stavební spořitelna, a.s. and Československá obchodní banka, a. s. The scope of the agreements comprised the use of internet banking services, the provision of a bank guarantee, the issue of pay slips and their processing, the issue and use of check vouchers, the acceptation of credit cards in public data net environment and noncash payments, the settlement of transactions (transactions are in accordance with general business terms and conditions), rental of terminals, using of safe deposit box, current accounts, deposit accounts, savings account and term deposits. Counter-performance, which related party performed, was in the form of provision of the aforementioned banking services, cash appreciation, and maintenance of accounts. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

5.2.3. INVESTMENT PRODUCTS AGREEMENTS

In the reporting period (or before the reporting period), the Company entered into agreements with Československá obchodní banka, a. s., ČSOB Asset Management, a.s., investiční společnost, Hypoteční banka, a.s., KBC Verzekeringen NV on securities management, an agreement on the authorisation of securities settlements, an agreement on share subscription, an agreement on investment certificates subscription and purchase, an agreement on the settlement, management and safekeeping of securities, an agreement on trading on the financial market, an agreement on subscription and purchase of ČSOB mortgage bonds, an agreement on the transfer of shares, consignment agreement for the purchase or sale of investment instruments. The Related Parties provided counter-performance in the form of ensuring purchase and sale of securities, financial asset management, and cooperation in asset management. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

5.2.4. COOPERATION AGREEMENTS - EMPLOYEE BENEFITS

In the reporting period (or before the reporting period), the Company entered into cooperation agreements with Bankovní informační technologie, s.r.o., ČSOB Stavební spořitelna, a.s., Československá obchodní banka, a. s., ČSOB Advisory, a.s., ČSOB Asset Management, a.s., investiční společnost, ČSOB Factoring, a.s., ČSOB Leasing, a.s., ČSOB Pojišťovací makléř, s.r.o., ČSOB Penzijní společnost, a. s., člen skupiny ČSOB, KBC Group NV, KBC Group NV Czech Branch, organizační složka, ČSOB Hypoteční banka, a.s., Patria Corporate Finance, a.s., Patria Finance, a.s., Patria investiční společnost, a.s., Ušetřeno s.r.o., Ušetřeno.cz s.r.o. such as cooperation in the field of employee benefits, agreement on life insurance contribution to employees insured by the Company, accession to agreement on administration of employee benefits in the Benefit plus system and catering services agreement. The Related Parties provided counter-performance in the form of provision of employee benefits. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

5.2.5. GROUP COOPERATION IN VAT AGREEMENTS

On 9 December 2016, the Company entered into agreement with Československá obchodní banka, a.s., ČSOB Stavební spořitelna, a.s., ČSOB Advisory, a.s., ČSOB Asset Management, a.s., investiční společnost, ČSOB Penzijní společnost, a.s., člen skupiny ČSOB, ČSOB Hypoteční banka, a.s., Patria Finance, a.s., Patria Corporate Finance, a.s., Patria investiční společnost, a.s., Centrum Radlická, a.s. and Patria Online, a.s. The scope of the agreement comprised cooperation related to fulfilling of current year tax obligation (VAT) for the group. The counter-performance is in the form of processing of tax obligation by the deputy member of the Group. In relation to tax office in connection with VAT the group is considered as an individual person obliged to tax and behalf the group act deputy member. The agreement was made under standard business terms and conditions and their performance resulted in no detriment to the Company.

During 2017, part of the concluded agreements was ceased due to a merger of ČSOB with Centrum Radlická, a.s. and Patria Online, a.s.

5.2.6. BUSINESS REPRESENTATION AGREEMENTS

In the reporting period (or before the reporting period), the Company entered into agreements with ČSOB Stavební spořitelna, a.s., Československá obchodní banka, a. s., ČSOB Pojišťovací makléř, s.r.o., ČSOB Leasing, a.s., ČSOB Penzijní společnost, a.s., člen skupiny ČSOB, ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB, ČSOB Hypoteční banka, a.s. a Ušetřeno, s.r.o. The scope of the agreements comprised cooperation related to business representation and performance of activities (agreements on business representation including amendments, which precisely specify terms and conditions of financial bonuses, commissions and brokerage fees, support, promotion, obligations and rights of PZ, etc.), cooperation in the area of insurance contracts, including their administration; cooperation in the conclusion of building savings and pension scheme insurance; agreement on the use of software; agreement on the terms of customer segmentation and insurance conditions; agreement on setting up the HEČ; analysis preparation, client support in developing and implementing his/ her strategic and commercial projects, management consulting, marketing and communication services, call centre services, administrative services reinsurance, provision of client acceptance services. The Related Parties provided counter performance in the form of the aforementioned cooperation and contractual consideration paid. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

5.2.7. OTHER SERVICES AGREEMENTS

In the reporting period (or before the reporting period), the Company entered into agreements with Československá obchodní banka, a. s., ČSOB Asset Management, a.s., investiční společnost, ČSOB Hypoteční banka, a.s., ČSOB Leasing, a.s., KBC Group NV, KBC BANK NV, KBC Group NV Czech Branch, organizační složka and Pardubická rozvojová, a.s., ČSOB Penzijní společnost, a.s., člen skupiny ČSOB. The scope of the agreements comprised the use of tax services, compliance, support financial services, cooperation in the placement of technical provisions for life investment insurance, advisory and consultancy for example in the field of insurance of natural and legal persons, data processing, ICT services, collaboration in marketing campaigns and e-sales, services related to back office systems and processes related to SAP modules, provision of services in the field of purchasing, provision of services in the field of accounting methodology, ALM and account management, in the field of facilities management, support services in financial risk management, personal an audit (by KBC), business architecture activities for the decision-making of the Board of Directors, email campaigns to minimise the risks associated with phishing attacks on employees, audit services, project management services, services in the field of calculation and data transmission of Solvency II, cooperation on the KBC Rainbow program, cooperation in the field of HR, mutual recognition of training, agreement on the terms and conditions of employee transfer, agreement on the processing of collection orders, agreement on the receipt and digitisation of ČSOBP documents, agreement on cooperation on transaction monitoring. The Related Parties provided mutual counter-performance in the form of provision of the aforementioned services. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

5.2.8. CONFIDENTIALITY AGREEMENTS, PROTECTION OF CONFIDENTIAL INFORMATION, PROCESSING OF PERSONAL DATA AND DATA SHARING

In the reporting period (or before the reporting period), the Company entered into agreements with KBC Group NV, Československá obchodní banka, a.s., ČSOB Penzijní společnost, a.s., člen skupiny ČSOB, KBC Group NV Czech Branch, organizační složka, ČSOB Asset Management, a.s., investiční společnost, ČSOB Hypoteční banka, a.s., ČSOB Leasing, a.s. The scope of the agreements comprised cooperation related to confidentiality and personal data processing, which were obtained by the counterparty in the course of the mutual cooperation and are not commonly available to the public (in accordance with Personal Data Protection Act and GDPR), synergies for the creation of consolidated reporting, defining mutual rights and obligations when sharing and transferring data. The Related Parties do not provide counter-performance or provided mutual counter-performance in the form of provision of the aforementioned services. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

5.2.9. OTHER UNCLASSIFIED AGREEMENTS AND OTHER LEGAL ACTIONS

Title of other legal action	Contractual Related Party	Detriment
Agreement on exercise of voting rights	Československá obchodní banka, a. s.	none
Group rules for the Ombudsman's activities	Československá obchodní banka, a. s.	none

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

6. ASSESSMENT OF DETRIMENT TO CONTROLLED PARTY

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

7. ASSESSMENT OF RELATIONSHIP BETWEEN THE CONTROLLING PARTY, PARTY CONTROLLED BY IT AND PARTIES CONTROLLED BY THE SAME CONTROLLING PARTY

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

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

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

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

8. DIVIDENDS AND OTHER FACTS

From the retained earnings account, a dividend in the amount of the profit of 2022 of CZK 2,152,643 thousand was paid in 2023 and the profit of 2021 in the amount of CZK 1,762,937 thousand.

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

9. REPORTING PERIOD

This Report describes relations for the period from 1 January 2023 to 31 December 2023.

10. CONCLUSION

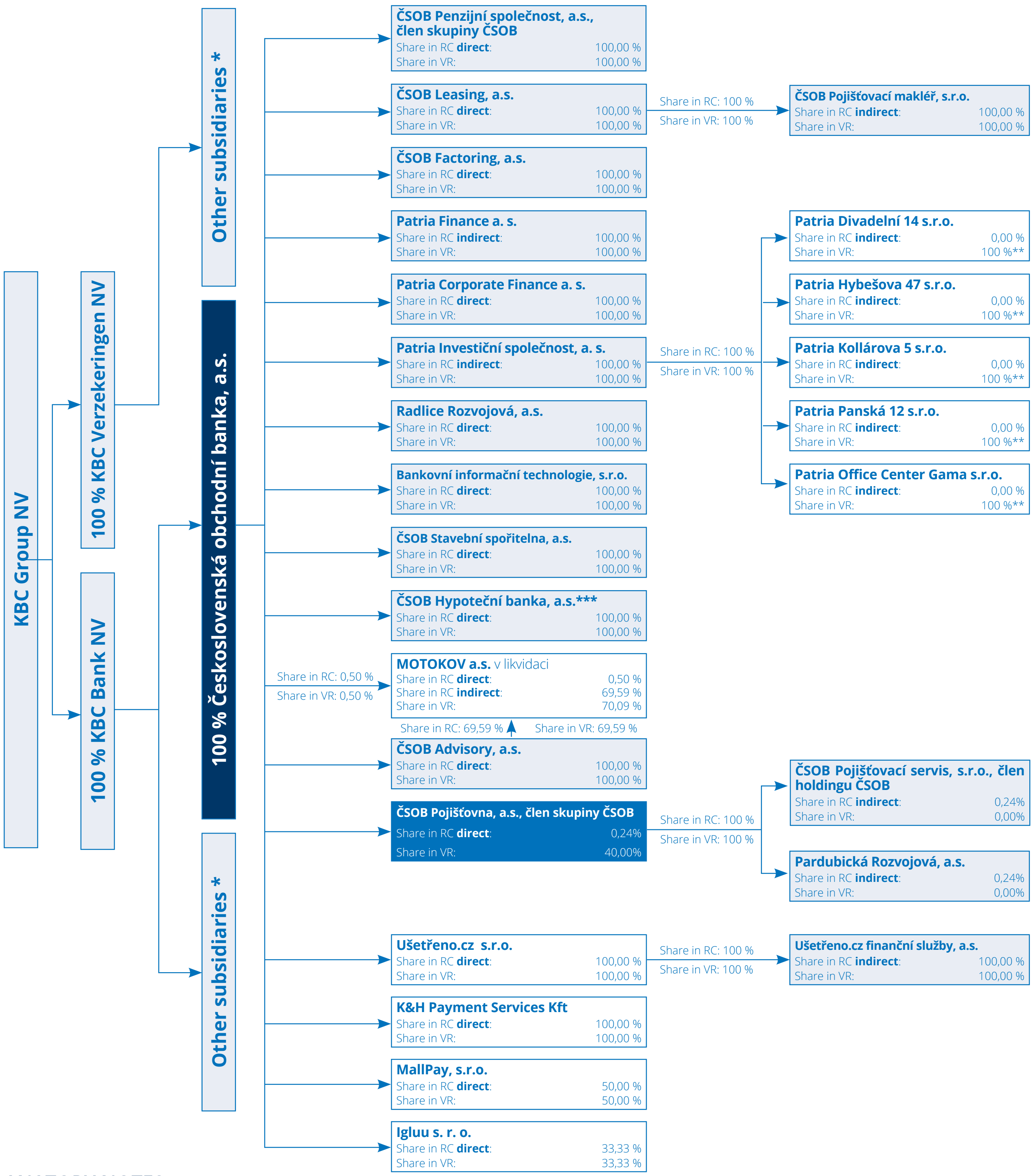
The Board of Directors states that this report was prepared within the statutory deadline and in accordance with § 82 of the Act no. 90/2012 Coll., on business corporations. The Board of Directors has proceeded with due diligence during preparation of the report, which range reflects the purpose of the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

This report was approved by the Board of Directors of the Company on 14 March 2024 and signed on its behalf:

Mgr. Jiří Střelický, M.A., PhD.	**Ing. Tomáš Lain**
Chairman of the Board of Director	Member of the Board of Directors

APPENDIX NO. 1 ČSOB 2023 GROUP STRUCTURE

LIST OF ENTITIES CONTROLLING ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S. AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY (AS OF 31 DECEMBER 2023)



EXPLANATORY NOTES

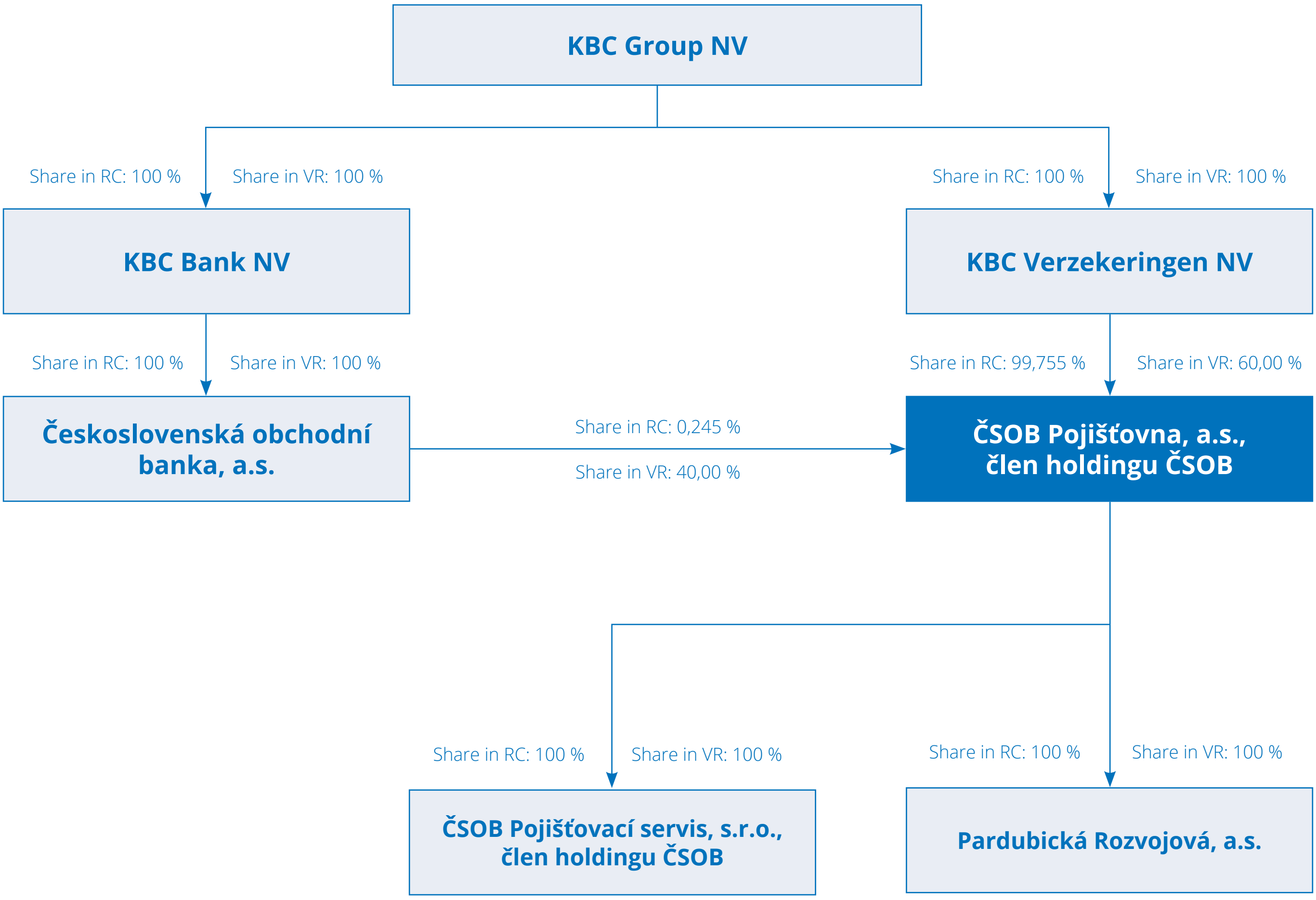
Percentage shares shown for individual companies are expressed from the ČSOB point of view as a parent company.
All shares of KBC Bank and KBC Insurance are held (directly or indirectly) by the KBC Group.
ČSOB is 100% owned and fully controlled by KBC Bank.
The selected companies of the SOB group form the ČSOB Concern, the controlling entity of the ČSOB Concern is Československá obchodní banka, a.s.
- further information can be found at https://www.csob.cz/portal/csob/o-csob-a-skupine/koncern-csob

* For complete overview of „Other subsidiaries" of the KBC Group please refer to KBC's corporate website www.kbc.com, where other details regarding the KBC Group are available.
** The sole shareholder (PIS), controlled by ČSOB, acts on its own behalf on the account of the closed mutual fund od Patria investichi spolechost, a.s.
*** Originally Hypoteční banka, a.s., changed its business name with effect from 19 February 2024

RC: registered capital (deposit)
VR: voting rights

APPENDIX NO. 2 KBC 2023 GROUP STRUCTURE

AS OF 31 DECEMBER 2023



EXPLANATORY NOTES

RC - Registered capital
VR - Voting rights

VISA | Nejlepší pojišťovna 2023

2. místo

NEJLEPŠÍ NEŽIVOTNÍ POJIŠŤOVNA 2023

VISA | Nejlepší pojišťovna 2023

2. místo

KLIENTSKY NEJPŘÍVĚTIVĚJŠÍ NEŽIVOTNÍ POJIŠŤOVNA 2023

VISA | Nejlepší pojišťovna 2023

3. místo

NEJLEPŠÍ ŽIVOTNÍ POJIŠŤOVNA 2023

VISA | Nejlepší pojišťovna 2023

3. místo

KLIENTSKY NEJPŘÍVĚTIVĚJŠÍ ŽIVOTNÍ POJIŠŤOVNA 2023

pojišťovna bez bariér
roku 2023

3. místo

ČSOB Pojišťovna