ČSOB Pojišťovna

30 let vás chráníme

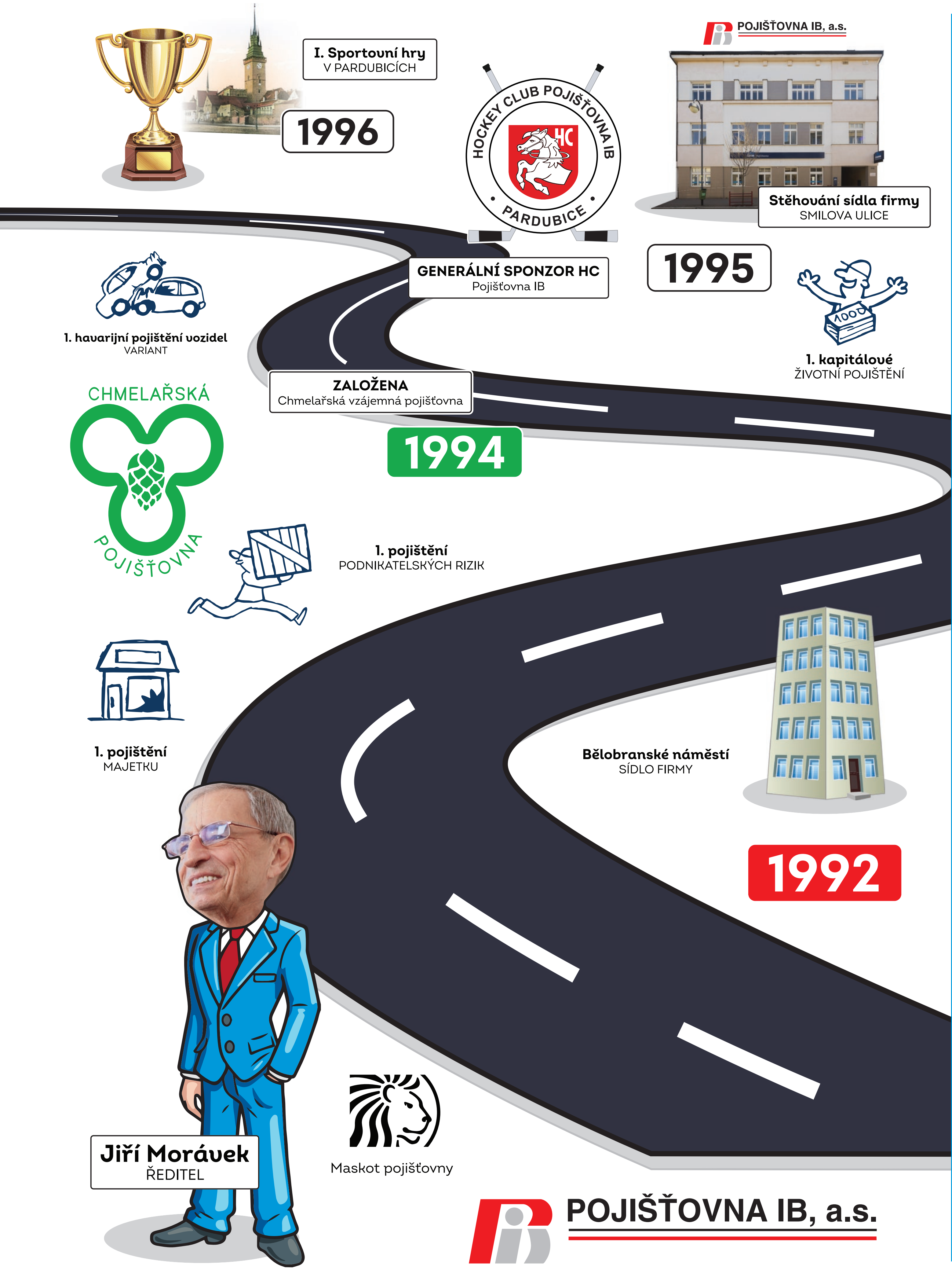
WE PROTECT YOU FOR 30 YEARS

ANNUAL REPORT 2022

17. 4. 1992

to všechno začalo ...

CONTENT


I. Sportovní hry
V PARDUBICÍCH
1996
POJIŠŤOVNA IB, a.s.
HOCKEY CLUB POJIŠŤOVNA IB
HC
PARDUBICE
Stěhování sídla firmy
SMILOVA ULICE
GENERÁLNÍ SPONZOR HC
Pojišťovna IB
1995
1. havarijní pojištění vozidel
VARIANT
1000
1. kapitálové
ŽIVOTNÍ POJIŠTĚNÍ
CHMELAŘSKÁ
POJIŠŤOVNA
ZALOŽENA
Chmelařská vzájemná pojišťovna
1994
1. pojištění
PODNIKATELSKÝCH RIZIK
1. pojištění
MAJETKU
Bělobranské náměstí
SÍDLO FIRMY
1992
Jiří Morávek
ŘEDITEL
Maskot pojišťovny
POJIŠŤOVNA IB, a.s.

LADIES AND GENTLEMEN, CLIENTS, BUSINESS PARTNERS AND COLLEAGUES

The year 2022 was exceptional in many ways. In 2022 ČSOB Pojišťovna celebrated the 30th anniversary of operating on the market, received quite a few prestigious awards from both the clients and professional public, and in terms of economy and business, achieved historically best results. On the other hand, ČSOB Pojišťovna had to deal with a shock for economy as a consequence of the armed conflict in Ukraine, predominantly in the form of an energy crisis and growing inflation.

If we look back to the past, exactly on 17 April 1992 ČSOB Pojišťovna acquired a license to conduct business in the insurance industry, and thus became one of the first private insurance companies in then Czechoslovakia. We started as a small life insurance company in Pardubice, and today we are the 4th biggest insurance company in the Czech Republic, which offers its services to more than 1.5 million clients.

Several years ago we embarked on a growth strategy, and since then we have been permanently growing much faster than the market. Our ambition is to overcome the limit of a 10% market share within the next three years. It is important that the dynamic growth is accompanied by growing profitability. The net profit of ČSOB Pojišťovna, according to the international accounting standards, reached record 2.15 billion Czech crowns in 2022.

While in 2022 the insurance market grew in premiums written year over year by +7%, we grew by +9.9%, which is the highest growth among the main market players. Year over year, we managed to increase our market share by +0.3% to the final 8.8%. Specifically in non-life insurance, we achieved the market share of 9.4%, and 7.3% in life insurance.

In the year of jubilee, the excellent business and economic results were enhanced by receiving quite a few awards, such as Pojišťovna zákazníků (Insurance Company of Clients), Klientsky nejpřívětivější neživotní pojišťovna (Best Client-Friendly Non-Life Insurance Company), Nejlepší neživotní pojišťovna (Best Non-Life Insurance Company), etc. Together with increasing customer satisfaction according to the NPS methodology, this means to us that the changes and steps we have been making at our company in recent years are correct.

Client focus is not only a mere universal phrase in our case, but it reflects the approach of our employees to everyday tasks. The difference, as I see it, results from the fact that our employees and traders try to perceive our clients and their needs with their heart, not only using technocratic numeric metrics. We endeavour to ensure that insurance is about people, and technology is to be used to support the human aspect of insurance. Moreover, we emphasize that the customer experience regarding our insurance should be positive, because this has an impact on the client's view of other products of our financial group.

Unfortunately, in 2022 the insurance sector and our company as such had to deal with many unpleasant events. We did not believe that so big conventional warfare might take place at the present time, not at all just beyond the borders of the European Union. The war caused the following energy crisis, and the crisis accelerated the inflation… I have no doubts that in the way the insurance market overcame all the pitfalls of the several past years, whether the coronavirus crisis or unexpected natural disasters in South Moravia, it will solve the economic problems in the nearest future, caused mainly by the inflation. Insurance companies are very responsible and are aware of the important role they play in the entire Czech society.

In hard times the importance of insurance is growing, as well as the responsibility of insurance companies to take a client-friendly approach and have regard to the difficult situation the clients may be in. In such circumstances the products and services of insurance companies may help, which the insurance companies have been improving and adjusting to current trends on an ongoing basis. And we endeavour that this will be particularly the case at our company. Last year, for example, we introduced "Náš domov" household insurance into the market, which has been subject to several innovations and promotes environmentally-friendly and economical way of housing.

In addition to numerous product improvements, we have been increasing emphasis on responsible and environmentally-friendly behaviour in the long term. We have been continuously reducing our carbon footprint, and emphasizing sustainability of the environment in our plans. In this field we are planning to maximally eliminate the consumption of paper, and to gradually digitalize all our processes.

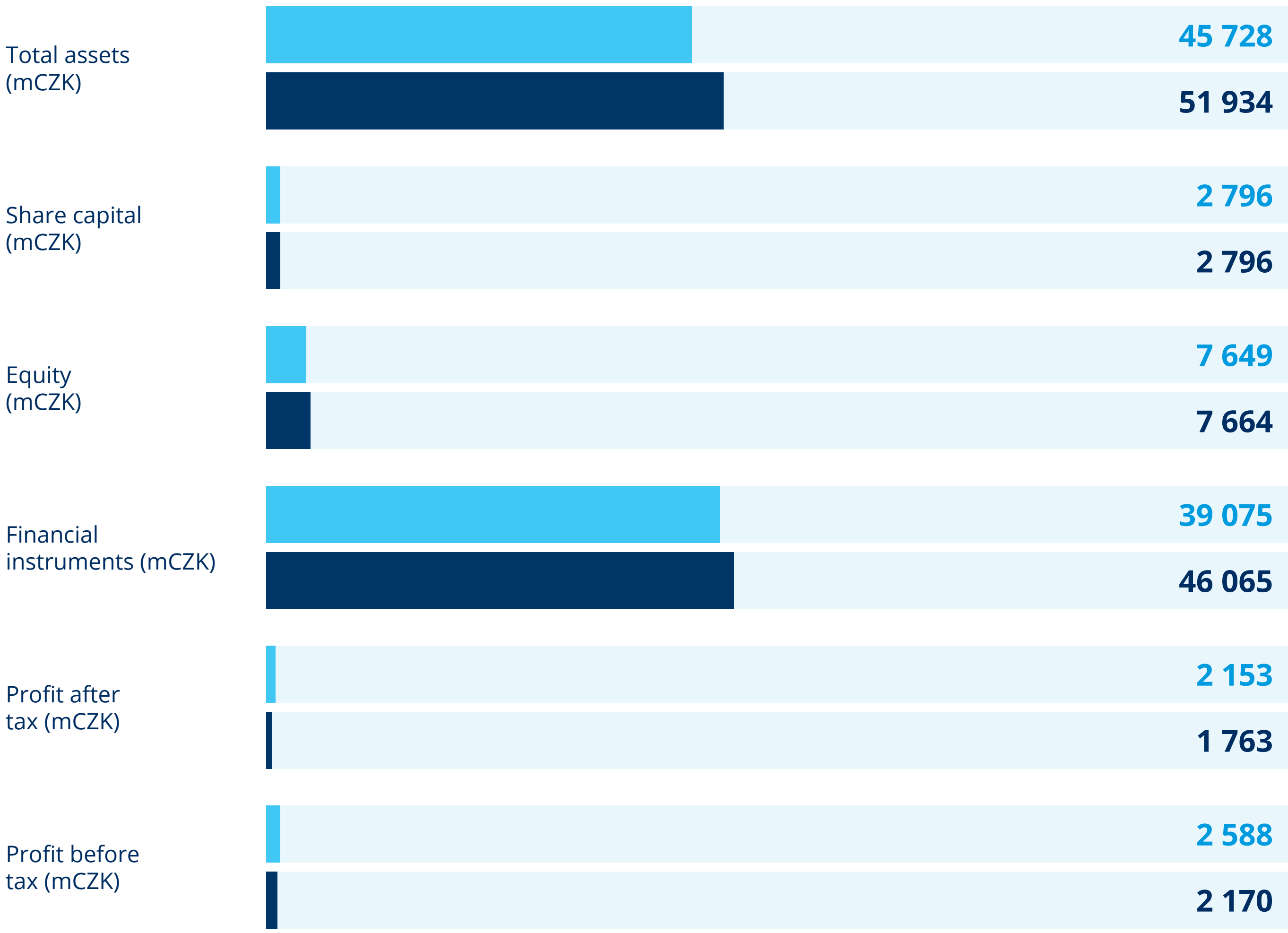
We do not only promote the environmental protection, but we also focus on the aid to people in need in our neighbourhood. In the year of jubilee, the year 2022, we organized 30 various charitable activities. You will find a list of them on the pages of this Annual Report. We build ČSOB Pojišťovna together with our employees and collaborators. I am very proud that our insurance company has such an excellent team of people.

At the end I would like to thank, on behalf of all the board of directors, all colleagues, traders and business partners for their work, support and energy, thanks to whom we are successful in taking care of our clients and able to achieve so excellent results

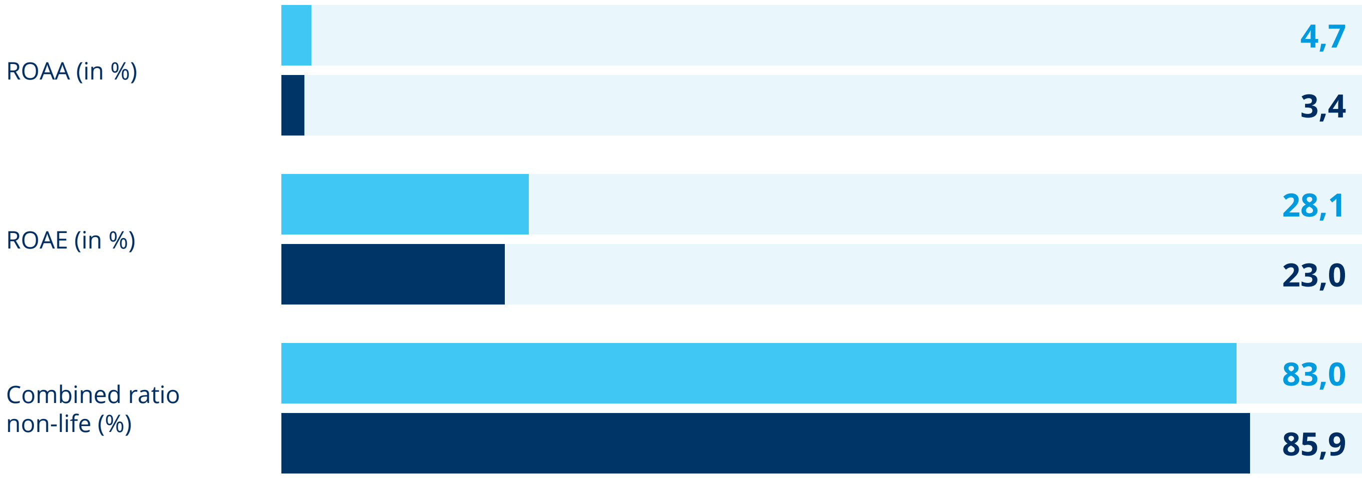
Jiří Střelický
Chairman of the Board of Director
ČSOB Pojišťovna, a. s., člen holdingu ČSOB

FINANCIAL DATA

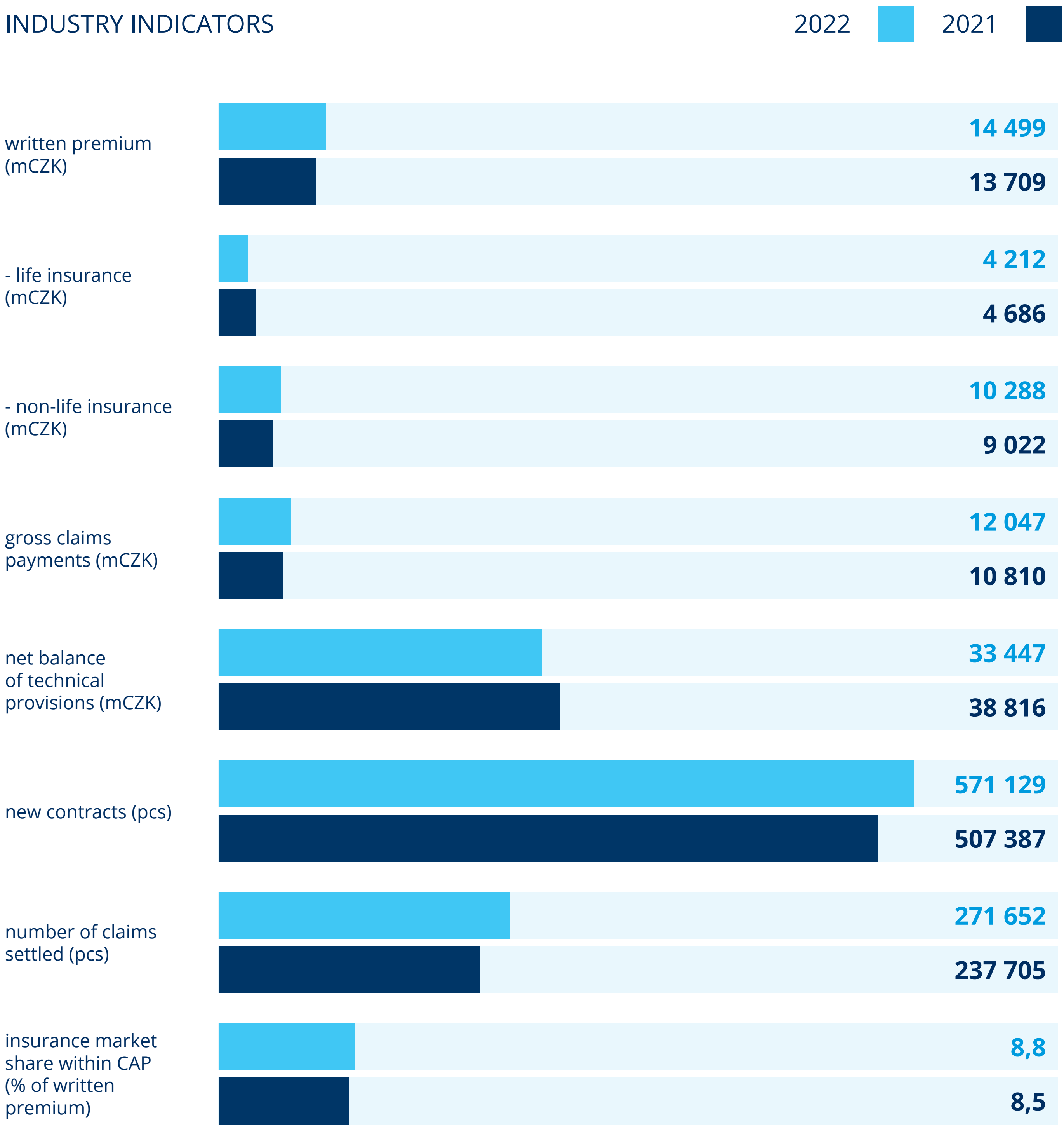
2022 2021



RATIOS



INDUSTRY INDICATORS



OTHER DATA

COMPANY BODIES

BOARD OF DIRECTORS (AS AT 31 DECEMBER 2022)

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 2022.

SUPERVISORY BOARD (AS AT 31 DECEMBER 2022)

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

The following changes occurred in the composition of the Supervisory Board during the year 2022:

Resignation of Johan Daemen as a member of the Supervisory Board as of May 31, 2022.
Election of Isabel Boogers as a member of the Supervisory Board as of June 30, 2022.
Resignation of Jan Sadil as a member and chairman of the Supervisory Board as of September 30, 2022.
Election of Aleš Blažek as a member of the Supervisory Board as of November 7, 2022.
Appointment of Aleš Blažek as Chairman of the Supervisory Board as of November 14, 2022.

MANAGEMENT OF THE COMPANY (AS AT 31 DECEMBER 2022)

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 Finance and Risk Management Division
Ing. Tomáš Lain	Member of the Board of Directors responsible for Life and Non-life Insurance Division

No changes occurred in the composition of the Management of the company during the year 2022.

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 multi-national 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 7.6 billion (as of 31 December 2022), 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 2022, ČSOB Pojišťovna had written premiums in the amount of CZK 14.5 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 8.8 % at the end of 2022.

INSURANCE PRODUCTS

ČSOB POJIŠŤOVNA OPERATED THE FOLLOWING INSURANCE BRANCHES/GROUPS IN 2022:

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

NON-LIFE INSURANCE

- 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 exclusive 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 no. 1458, Post Code 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

NON-FINANCIAL INFORMATION

The Company did not carry out significant research and development activities during 2022. In the area of environmental protection and labour relations, the Company complies with applicable legislation. The Company does not have an organizational unit abroad and has not acquired any own shares. Non-financial information will be provided by the entity KBC Verzekeringen NV.

REPORT OF THE BOARD OF DIRECTORS ON COMPANY BUSINESS ACTIVITIES AND ASSETS IN 2022

ČSOB Pojišťovna, a. s., člen holdingu ČSOB (here after "the Company") prescribed in the year 2022 gross written premium of CZK 14,499,249 thousand.

Within the Czech Insurance Association ranking, the Company grew faster than the market i.e., year-on-year its market share increases by +0.3 % up to 8.8% and maintained the total 4th market position. The growth was realized in a sustainable way, primarily in our target areas within the entire ČSOB Group.

The fastest growth was achieved in non-life insurance, mainly in retail car insurance, house and households' 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 10,287,595 thousand, which corresponds to a year-on-year increase of 14%. Premiums written grew a significantly faster than the market and the Company ranked 4th with an 9.4% market share.

In Regular life the Company reached gross written premium of CZK 3,581,475 thousand, and its market share ended at 7.3%.

Regarding Single Life insurance, the Company placed 3rd position with gross written premium of CZK 630,179 thousand, and its market share reached 8.2 %.

The Company's net profit after tax for 2022 according to the International financial and reporting standards (IFRS) reached CZK 2,152,644 thousand, i.e., year-on-year increase of 22%, mainly thanks to the improved profitability of non-life insurance, a stable result in life insurance and, strict cost control policy and an effective reinsurance program.

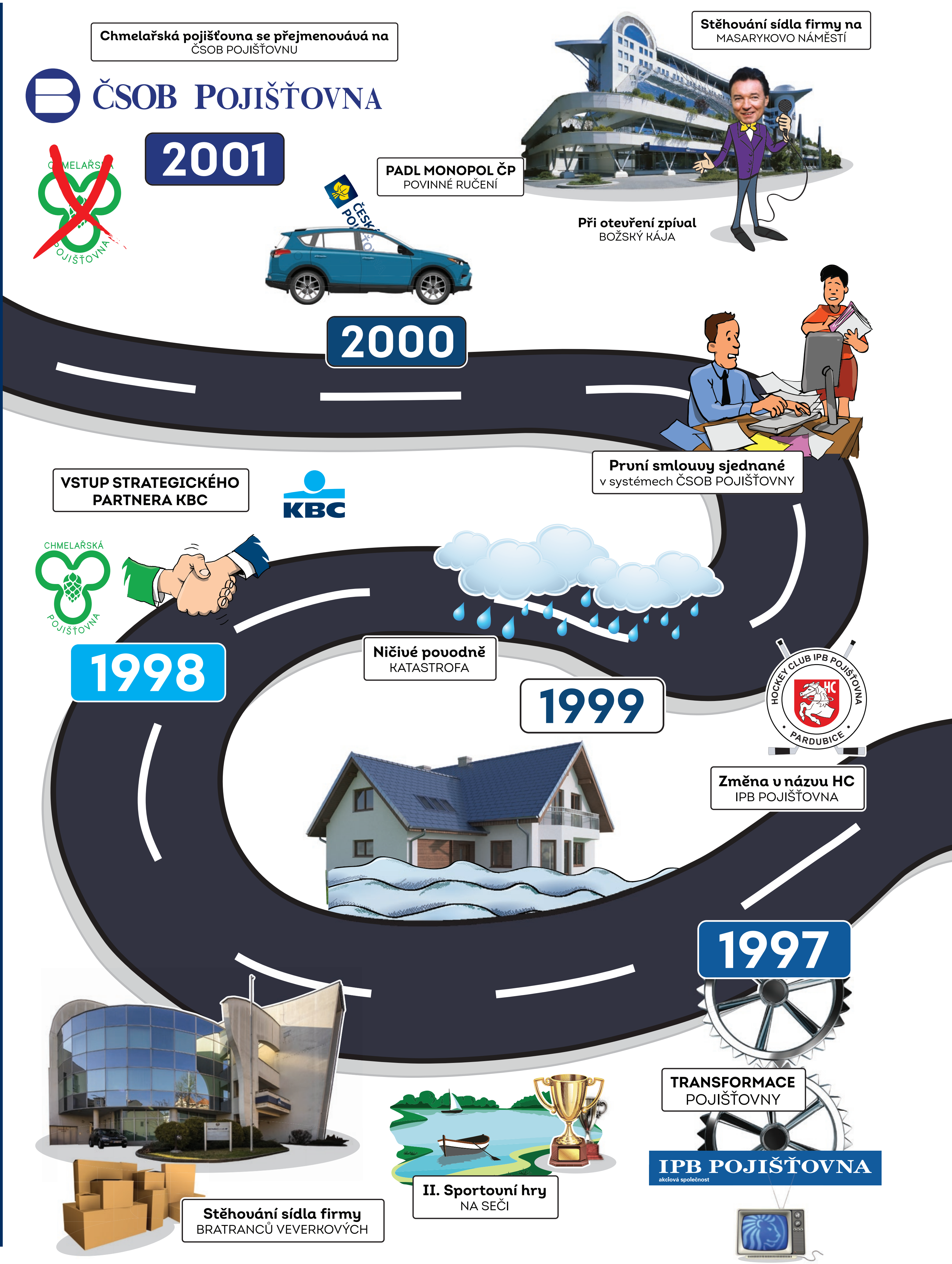
The Company experienced a negative impact of rising inflation on the cost management side. A more significant part of this influence on the economic result in 2022 was eliminated mainly thanks to sophisticated pricing, a lower claim frequency and active management of claim handling.

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 2022 applying a very prudent approach to the management of its assets and liabilities.

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



Chmelařská pojišťovna se přejmenovává na
ČSOB POJIŠŤOVNU
ČSOB POJIŠŤOVNA
2001
Stěhování sídla firmy na
MASARYKOVO NÁMĚSTÍ
PADL MONOPOL ČP
POVINNÉ RUČENÍ
Při otevření zpíval
BOŽSKÝ KÁJA
2000
První smlouvy sjednané
v systémech ČSOB POJIŠŤOVNY
VSTUP STRATEGICKÉHO PARTNERA KBC
KBC
CHMELAŘSKÁ
POJIŠŤOVNA
1998
Ničivé povodně
KATASTROFA
1999
HOCKEY CLUB IPB POJIŠŤOVNA
HC
PARDUBICE
Změna v názvu HC
IPB POJIŠŤOVNA
1997
TRANSFORMACE
POJIŠŤOVNY
IPB POJIŠŤOVNA
akciová společnost
II. Sportovní hry
NA SEČI
Stěhování sídla firmy
BRATRANCŮ VEVERKOVÝCH

FINANCIAL PART

REPORT OF THE SUPERVISORY BOARD OF ČSOB POJIŠŤOVNA, A. S.

ČLEN HOLDINGU ČSOB FOR THE ANNUAL GENERAL MEETING OF ČSOB POJIŠŤOVNA, A. S., ČLEN HOLDINGU ČSOB
(ALSO "ČSOB POJIŠŤOVNA" OR "THE COMPANY")

The Supervisory Board members organized four meetings in 2022. The Board's meetings were also attended by members of the Board of Directors of ČSOB Pojišťovna and other invited guests (mostly presented Compliance Officer, Actuarial Function Holder, Risk Management Function Holder, director of Audit department). Five decisions were made in a written form, so-called per rollam.

IN 2022, THE SUPERVISORY BOARD OF ČSOB POJIŠŤOVNA CONSISTED OF:

- Jan Sadil untill September 30, 2022/Aleš Blažek from November 7, 2022, Chairman
- Johan Basilius Paul Daemen untill May 31, 2022/Isabel Boogers from June 30, 2022, member
- Přemysl Dolan, member

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

- Supervision of the Company's management activities and efficiency
- Regular evaluation of the Company's business results, trends in the fulfilment of its business and financial plans and decisions that should lead to strengthen dynamics of sales
- Multi Year Plan for the years 2023 - 2025
- Monitoring of the changes in organizational structure of the Company, personal changes at managerial positions, Employee Survey
- Information of the Audit Committee meetings, which supervises the efficiency of the Company's internal control system, accounting and the audit of the Company's financial statements
- Implementation of Motor Strategy and Tied agent network strátégy
- Project Portfolio 2022

The Supervisory Board familiarised itself with the Company's financial results for 2022 and with the external auditor's opinion.

The Supervisory Board recommends the General Meeting to approve the Company's economic results and financial statements for the year 2022 and to accept the Board of Directors' proposal for the profit allocation.

Aleš Blažek
Chairman of the Supervisory Board

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 2022, and of the Company's financial performance and cash flows for the year ended 31 December 2022 in accordance with International Financial Reporting 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 2022;
- the separate statement of other comprehensive income for the year ended 31 December 2022;
- the separate statement of financial position as at 31 December 2022;
- the separate statement of changes in equity for the year ended 31 December 2022;
- the separate statement of cash flow for the year ended 31 December 2022; and
- the notes to the separate financial statements (the "financial statements") including significant accounting policies 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
T: +420 251 151 111, www.pwc.com/cz

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.

Our audit approach

Overview

Overall materiality represents 1 % of the Company's gross underwritten premium and has been estimated at CZK 145 million.

Assumptions used in valuation of insurance liabilities from life insurance contracts.

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 145 milion
How we determined it	Materiality for the Company was determined as 1 % on the Company's gross underwritten premium.
Rationale for the materiality benchmark applied	We have chosen the gross underwritten premium as a benchmark for estimating materiality as it represents industry standard as well as key focus of the Company's management and stakeholders. Performance of insurance companies on the market is measured on basis of revenues and gross underwritten premium is one of the main indicators monitored by external users of financial statements.We have applied 1 % which is within the range of acceptable quantitative materiality thresholds for Public Interest Entities.

2

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 used in valuation of insurance liabilities from life insurance contracts.	
Liabilities from insurance contracts are complex, require application of professional judgement and are estimated based on assumptions, which are affected by future economic or political conditions. The process used by management to determine assumptions that have the greatest effect on the measurement of liabilities from life insurance contracts is disclosed in note 31 and related other explanatory information in note 24 to the accompanying financial statements. The Company's life insurance liability for Incurred But Not Reported claims ("IBNR") for the risk of death and other insurance riders had been historically assessed by the Company's management as highly prudent. The overall approach to the prudence levels is regularly discussed at the Company's Reserving and Parameter Committee, where significant judgments and estimates and any significant changes in these are analysed and concluded on. While the level of prudence has been in accordance with actual risk profile and risk appetite of management, the risk appetite as well as the target level of prudence of the life claim provisions have been changing and consequently the prudence has been decreasing gradually to the targeted lower level. The financial effect of a release of respective components of IBNR improved the profit of the period, by a decrease in Net benefits and claims from insurance and investment contracts.	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. We discussed the key assumptions, including expectations of the magnitude of impact of the risks associated to the economic environment impacted by the war in Ukraine (e.g. inflation, changes in market trends), with the Company's actuaries and management and, where appropriate, challenged the assumptions. The assumptions used by management were not materially different from our expectations. Further, we performed sample tests on life insurance premium provision, claim liabilities, including annuities, inspections, analysis and assessment of historical adequacy of claim reserves as well as tests of liability adequacy. We analysed the Company's approach to setting prudence level at IBNR liabilities and accepted the accounting treatment applied based on the following aspects - accounting standards background (IFRS 4 Insurance contracts, in particular consideration of not introducing additional prudence where sufficient prudence is applied already) and alignment with the Company's risk appetite, market benchmarks and regulatory requirements. As part of our audit procedures, we assessed a provision for reported but not settled claims on a selected sample of contracts. 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 International Financial Reporting 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.

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 2022 by the general meeting of shareholders of the Company on 29 April 2022. Our uninterrupted engagement as auditors of the Company has lasted for seven 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 Marek Richter.

24 March 2023

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

Marek Richter
Statutory Auditor, Licence No. 1800

6

SEPARATE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(CZK'000)	Note	2022	2021
Net earned premium	3	**13,305,095**	12,726,129
Gross earned premiums		**14,107,654**	13,345,451
Earned premium ceded to reinsurers		**(802,559)**	(619,322)
Interest income calculated using effective interest rate	4	**1,212,746**	732,305
Dividend income		**11,838**	8,699
Net (un)realized gains / (losses) from financial instruments at fair value through profit or loss incl. exchange rate differences	5	**(354,387)**	408,898
Of which reclassified to other comprehensive income due to overlay approach	18	**241,319**	(33,620)
Net gains from financial instruments at fair value through other comprehensive ncome	6	**(286,023)**	(115,485)
Impairment of financial assets	6	**(332)**	4,728
Fee and commission income	7	**213,029**	186,690
Other income	8	**180,422)**	140,555
TOTAL INCOME		**14,282,388**	**14,092,519**
Net benefits and claims from insurance and investment contracts	9	**(5,771,433)**	(7,328,876)
Gross benefits and claims paid		**(11,866,003)**	(10,616,057)
Claims ceded to reinsurers		**370,039**	497,341
Gross change in insurance liabilities and liabilities for investment contracts with DPF		**5,679,352**	2,368,604
Change in contract liabilities ceded to reinsurers		**45,179**	421,236
Interest expense calculated using effective interest rate	4	**(5,878)**	(62,231)
Fee and commission expense	10	**(3,352,321)**	(3,118,140)
Operating expenses	11	**(1,319,239)**	(1,153,429)
Other operating expenses	13	**(255,300)**	(218,181)
Other expenses – losses from financial instruments at amortized costs	8	**(990,560)**	(41,581)
TOTAL EXPENSES		**(11,694,731)**	**(11,922,438)**
PROFIT BEFORE TAX		**2,587,657**	**2,170,081**
Income tax expense	14	**(435,013)**	(407,144)
PROFIT AFTER TAX		**2,152,644**	**1,762,937**

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(CZK'000)	Note	2022	2021
PROFIT AFTER TAX		**2,152,644**	**1,762,937**
Items that can be subsequently reclassified into profit or loss			
Net change in revaluation reserve for shares - overlay approach	18	**(241,319)**	33,620
Net change in revaluation reserve for bonds		**(495,338)**	(645,257)
Revaluation of hedging derivatives		**5,268**	(3,666)
OTHER COMPREHENSIVE INCOME	14	**(731,389)**	**(615,303)**
TOTAL COMPREHENSIVE INCOME		**1,421,255**	**1,147,634**

The accompanying notes on pages 32 - 113 are an integral part of the financial statements

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(CZK'000)	Note	2022	2021
Intangible assets	15	**355,838**	333,773
Property and equipment	16	**297,826**	333,134
Prepaid acquisition commissions	20	**1,085,783**	1,022,185
Other assets	21	**193,801**	187,012
Reinsurance assets	24	**1,234,803**	1,192,328
Investments in subsidiaries	17	**272,400**	272,400
Net deferred tax assets	25	**1,242,080**	965,922
Net current tax assets	25	**79,034**	-
Receivables	19	**1,479,100**	1,091,819
Insurance receivables		**1,052,648**	724,325
Reinsurance receivables		**357,855**	310,017
Other receivables		**68,597**	57,477
Financial assets	18	**39,076,663**	46,079,834
At amortized cost		**14,242,428**	15,046,344
At fair value through other comprehensive income		**13,821,332**	16,170,113
At fair value through profit or loss		**10,120,121**	14,341,822
of which reclassified to FVOCI - overlay approach		**1,155,296**	1,021,738
Hedging derivatives with positive fair value		**892,782**	521,555
Cash and cash equivalents	18	**410,367**	455,839
TOTAL ASSETS		**45,727,696**	**51,934,246**

(CZK'000)	Note	2021	2021
Share capital	23	**2,796,248**	2,796,248
Share premium		**3,600**	3,600
Other funds and revaluation differences		**(264,247)**	467,142
Retained earnings		**5,113,200**	4,397,264
TOTAL EQUITY		**7,648,801**	**7,664,254**
Insurance contracts provisions	24	**34,004,530**	39,301,926
Investment contracts with DPF	24	**677,385**	706,384
Current tax liabilities	25	**-**	873,728
Other liabilities	28	**848,300**	680,637
Payables	26	**2,324,321**	2,434,901
Insurance payables		**2,100,449**	2,261,873
Reinsurance payables		**223,872**	173,028
Liabilities from lease contracts	27	**222,920**	257,125
Financial liabilities	18	**1,439**	15,291
TOTAL LIABILITIES		**38,078,895**	**44,269,992**
TOTAL LIABILITIES AND EQUITY		**45,727,696**	**51,934,246**

These financial statements were approved for issue by the Board of Directors on 24 March 2023 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 32 - 113 are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

2022 (CZK'000)	Share capital	Share premium	Revaluation differences for to assets that are measured at fair value through other comprehensive income	of which reclassified from FVTPL - overlay approach	Revaluation of hedging derivatives	Other funds	Total funds and revaluation differences	Retained earnings	Total equity
At 1 January	**2,796,248**	**3,600**	**64,591**	**188,201**	**(7,695)**	**410,246**	**467,142**	**4,397,264**	**7,664,254**
Profit for the year	-	-	-	-	-	-	-	2,152,644	2,152,644
Other comprehensive income	-	-	(736,657)	(241,319)	5,268	-	(731,389)	-	(731,389)
Total comprehensive income	**-**	**-**	**(736,657)**	**(241,319)**	**5,268**	**-**	**(731,389)**	**2,152,644**	**1,421,255**
Dividends paid	-	-	-	-	-	-	-	(1,436,708)	(1,436,708)
At 31 December	**2,796,248**	**3,600**	**(672,066)**	**(53,118)**	**(2,427)**	**410,246**	**(264,247)**	**5,113,200**	**7,648,801**

2021 (CZK'000)	Share capital	Share premium	Revaluation differences for to assets that are measured at fair value through other comprehensive income	of which reclassified from FVTPL - overlay approach	Revaluation of hedging derivatives	Other funds	Total funds and revaluation differences	Retained earnings	Total equity
At 1 January	**2,796,248**	**3,600**	**676,228**	**154,581**	**(4,029)**	**410,246**	**1,082,445**	**2,634,327**	**6,516,620**
Profit for the year	-	-	-	-	-	-	-	1,762,937	1,762,937
Other comprehensive income	-	-	(611,637)	33,620	(3,666)	-	(615,303)	-	(615,303)
Total comprehensive income	**-**	**-**	**(611,637)**	**33,620**	**(3,666)**	**-**	**(615,303)**	**1,762,937**	**1,147,634**
Dividends paid	-	-	-	-	-	-	-	-	-
At 31 December	**2,796,248**	**3,600**	**64,591**	**188,201**	**(7,695)**	**410,246**	**467,142**	**4,397,264**	**7,664,254**

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(CZK'000)	Note	2022	2021
Profit before taxation		**2,587,657**	2,170,081
adjustments for:			
Change in reserves for insurance and investment contracts [1]	9	**(5,679,352)**	(421,236)
Change in contract liabilities ceded to reinsurers	9	**(45,179)**	133,355
Depreciation and amortization	15, 16	**145,244**	32,463
Loss on the disposal of property and equipment	8	**539**	8,089
Net lease change		**25,954**	(4,728)
Impairment on financial instruments	6	**332**	(183,194)
Net unrealized gain/ (loss) from FVTPL	5	**524,678**	103,195
Net realized gain/ (loss) from FVOCI	6	**286,023**	(670,074)
Net interest income	4	**(1,206,868)**	26,876
Impairment on other assets		**9,687**	45,850
Other		**64,624**	45 850
Net change in operating assets	22	**38,236**	-108,611
Net change in operating liabilities	29	**654,151**	884,196
Interest received		**946,579**	574,075
(Purchase)/disposal of financial instruments	18	**(977,212)**	(4,466,862)
Maturity of financial instruments	18	**5,701,213**	4,921,795
Net income tax paid		**(1,492,373)**	(387,424)
NET CASH FLOW FROM OPERATING ACTIVITIES		**1,583,933**	**289,242**
Purchase of property, equipment and intangible assets	15, 16	**(154,807)**	(214,601)
Disposal of property, equipment and intangible assets	15, 16	**22,807**	71,837
NET CASH FLOW FROM INVESTING ACTIVITIES		**(132,000)**	**(142,764)**
Dividends paid	23	**(1,436,708)**	-
Payments of lease contracts	16	**(60,697)**	(58,607)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(1,497,405)**	**(58,607)**
Net increase/(decrease) in cash and equivalents		**(45,472)**	**87,871**
Cash and cash equivalents as at 1 January		**455,839**	**367,968**
Net increase/ (decrease) in cash and cash equivalents		**(45,472)**	**87,871**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**410,367**	**455,839**

[1] Change in reserves for insurance and investment contracts is adjusted by Net change in premium and claims (cash) which is presented in Net change in operating liabilities (note 29)

Poprvé překonáváme
1 MILIARDU
ČISTÉHO ZISKU

Orkán Kyrill
KATASTROFA

2009

Dětské tábory
PRO DĚTI ZAMĚSTNANCŮ

www.csobpoj.cz
SPECIALISTÉ NA POJIŠTĚNÍ

Nový maskot pojišťovny
BOBR

2007

2004

Sportovní hry
NOVÉ MĚSTO NA MORAVĚ

2005

MOBILITY
HAVARIJKO A POVINNÉ RUČENÍ V JEDNOM PRODUKTU

SPEKTRUM
1. INVESTIČNÍ ŽIVOTNÍ POJIŠTĚNÍ

Nově i zimní

2003

2002

IPB POJIŠŤOVNA
akciová společnost
+
ČSOB POJIŠŤOVNA

ČSOB
Pojišťovna

A opět povodně
KATASTROFA

Od 6. 1. fúze pojišťoven
VZNIKÁ POUZE ČSOB POJIŠŤOVNA

Jeroen van Leeuwen
NOVÝ ŘEDITEL

Produkt - DOMUS
POJIŠTĚNÍ BUDOV, STAVEB A BYTŮ

NOTES TO THE SEPARATE 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 2022:

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 2022:

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 2022:

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, Čelkovická 2187, 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

Johan Basilius Paul Daemen completed his term on the Supervisory Board of the Company on 31 April 2022.

Jan Sadil completed his term on the Supervisory Board of the Company on 30 September 2022.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The statement of financial position has been prepared on a historic cost basis except for those financial assets and financial liabilities that have been measured at fair value (financial derivatives, financial instruments at fair value through profit and loss, financial instruments at fair value through other comprehensive income, financial instruments held for trading etc.).

Assets held for sale are measured at fair value less costs of sell, if this value is lower their carrying amount (for example, cost less depreciation and impairment losses).

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 (IFRS) as adopted by the European Union.

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

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis (see further Note 18 Offsetting financial instruments). Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.2 CHANGES IN ACCOUNTING POLICIES

EFFECTIVE FROM 1 JANUARY 2022

The accounting policies adopted are consistent with those used in the previous financial year, except for the adoption of the following standards, amendments and interpretations. The adoption of other standards, amendments and interpretations did not have a significant effect, unless explicitly stated.

PROPERTY, PLANT AND EQUIPMENT (AMENDMENT TO IAS 16) is effective for annual periods beginning on 1 January 2022 and has been approved for use in the EU. The amendment does not allow the deduction of revenues from the sale of products from the price of land, buildings and equipment before the property is ready for use.

ONEROUS CONTRACTS - COST OF FULFILLING A CONTRACT (AMENDMENT TO IAS 37) is effective for annual periods beginning on 1 January 2022 and has been approved for use in the EU. The amendment clarifies what costs the company includes as costs of fulfilling the contract in assessing whether the contract is unfavourable.

COVID-19-RELATED RENT CONCESSIONS (AMENDMENT TO IFRS 16) are effective for annual periods beginning on or after 1 April 2021 and have been approved for use in the EU. The amendment extends the exemption from the assessment of whether the rent concession is a lease modification, for lease payments before 30 June 2022.

Reference to the Conceptual Framework (Amendment to IFRS 3) is effective for accounting periods beginning on 1 January 2022 and has been approved for use in the EU.

IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (2018-2020), issued in May 2020, to eliminate inconsistencies and clarify wording. Separate transitional provisions apply to individual standards. All amendments have an effective date of 1 January 2022 and have been approved for use in the EU.

EFFECTIVE AFTER 1 JANUARY 2023

The following standards, amendments and interpretations have been issued and are effective after 1 January 2023. The Company did not adopt earlier these standards. Unless explicitly stated, new standards, amendments and interpretations will not have a material impact on the Group's financial statements.

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 accounting 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.

NON-CURRENT LIABILITIES WITH COVENANTS (AMENDMENT TO IAS 1) is effective for annual periods beginning on or after 1 January 2024 and has not yet been approved for use in the EU. The amendment explains that a liability is classified as non-current if the entity has the right to defer settlement for at least 12 months after the reporting date. This right may be subject to an entity complying with conditions of the credit agreement.

LEASE LIABILITY IN A SALE AND LEASEBACK (AMENDMENT TO IFRS 16) is effective for annual periods beginning on or after 1 January 2024 and has not yet been approved for use in the EU. The amendment prescribes measurement requirements for the seller-lessee on lease liabilities arising from a leaseback.

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. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for entities issuing such contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. 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.

Where necessary, the interpretation of IFRS 17 was gradually adjusted when new information became available from external or in-house sources. On 23 November 2021, the EU published a Regulation endorsing IFRS 17 (Insurance Contracts), including some exemptions, for use in the European Union. Specifically, 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 Company participates in a group-wide project launched in 2018 to implement IFRS 17. The project is structured around sub-projects dealing with data delivery, local reporting, the impact on business and strategic consequences, guidance and support, consolidated reporting and the IFRS 17 calculation tool. The focus in 2022 was on completing the implementation of an IFRS 17-compliant process for closing the accounts, analysing the impact of the first-time adoption of IFRS 17 on equity on 1 January 2022, and preparing the comparative figures of the income statement.

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 cashflows under IFRS 17, plus a risk adjustment for uncertainty stemming from non-financial risk (i.e. a safety margin).

Under IFRS 4, the premiums received for Life insurance are recognised as earned premiums. Under IFRS 17, the premiums received are broken down into its various components. The savings/investment component (as part of the premium received) is no longer recognised in the income statement. Income is spread over the term of the contract based on the services provided and claims and expenses expected during the period. While earnings per product are the same as earnings per product under IFRS 4, the earnings are recognised differently over time.

The IFRS 4 actuarial reserves for Life insurance are replaced by a discounted best estimate of future cashflows under IFRS 17, plus a risk adjustment for non-financial risk (i.e. a safety margin) and a contractual service margin (CSM, similar to unearned profit).

Technical charges under IFRS 4 are presented in a more transparent way under IFRS 17, by presenting the insurance service result – comprising insurance revenue and insurance service expenses – separately from insurance finance income or expenses (IFIE). Finance income or expenses is a new concept under IFRS 17 resulting from the discounting of insurance liabilities. The discounting is based on current interest 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 in the income statement.

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.

Following the introduction of IFRS 17, 'Financial assets at fair value – overlay approach' has been abolished.

IFRS 17 does not affect:

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

UNIFORM MEASUREMENT 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 claimed/payable. 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 fees payable) against the Liability for Remaining Coverage (LRC)/Asset for Remaining Coverage (AIC).

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 non-financial 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 cashflows 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 on the transition date.

LEVEL OF AGGREGATION

IFRS 17 calculations are performed at an aggregated level and take into account:

- IFRS 17 portfolios (an aggregation of contracts with similar risks that are managed together)
- Annual cohorts (the year in which the policy was taken out)
- Group of contracts (having the same profitability expectation at inception)

New production is aggregated in annual cohorts. Contracts are allocated to a group of contracts at the level of a set of insurance contracts that have the same profitability characteristics upon initial recognition (i.e. at inception of the policy).

IFRS 17 AND SOLVENCY II

The cashflows under Solvency II are used as a basis to guarantee consistency with IFRS 17. Basically, the best estimate of future cashflows under IFRS 17 differs from the best estimate under Solvency II due to the following differences:

- directly and indirectly attributable expenses
- contract boundaries
- level of aggregation of expected cash flows

IMPACT OF FIRST-TIME ADOPTION OF IFRS 17

(CZK'000)	January 1, 2022	Accounting value under IFRS 4	Presentation change	Impact on equity	Accounting value under IFRS 17
Reported under IFRS 4	**Reported under IFRS 17**				
Reported as assets	**Reported as assets**	**1,862,460**	**(89,440)**	**(949,992)**	**824,029**
Reinsurers' share in technical provision, insurance	Ceded reinsurance assets	1,192,328	(89,440)	(279,860)	824,029
Other assets	Other assets	670,132	-	(670,132)	-
Reported as liabilities	**Reported as liabilities**	**(40,008,309)**	**671,809**	**2,806,399**	**(36,321,767)**
Technical provisions, before reinsurance	Insurance contract obligation	(40,008,309)	671,809	3,014,733	(36,321,767)
Non-life	Non-life	(9,779,314)	798,719	1,411,408	(7,569,188)
Life	Life	(30,228,995)	(126,909)	1,603,326	(28,752,579)
Other liabilities	Other liabilities	-	-	-	-
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	
Impact of reclassification of financial assets (IFRS 9) as a result of the transition to IFRS 17					
Impact on equity before tax				156,219	
Retained earnings				-	
Revaluation reserves				156,219	
Impact on equity after tax				126,538	
Retained earnings				-	
Revaluation reserves				126,538	
Overall impact of the transition to IFRS 17 (including reclassification of financial assets and (IFRS 9) as a result of the transition to IFRS 17)					
Impact on equity after tax				1,799,791	
Retained earnings				1,504,503	

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 – Insurance finance income or expense through OCI, after reinsurance).

CONCLUSIONS

Differences in presentation: these pertain to the adjustment applied by offsetting the outstanding insurance payables and receivables (for instance, premiums receivable and fees 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) caused by the transition to IFRS 17 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 are accounted for by a combination of the application of the best estimate under IFRS 17 and the impact of (different) discounting (not applied at all under IFRS 4 or with different mix of discount rates).

- Non-life: the lower insurance liabilities are accounted for by a combination of the application of a best estimate under IFRS 17 and the impact of discounting (not applied under IFRS 4).

- On the transition date, ceded reinsurance assets and insurance contract obligations amounted to CZK 824,029 thousand and liabilities from insurance contracts CZK 36,530,101 thousand respectively. On the transition date, total insurance contract obligations 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).

- Taxes: The tax impact of CZK 422,000 thousand is accounted for as the change in the deferred tax.

The Company applies the Full Retrospective Approach (FRA) standard for recent years where the required historical data is available for performing these FRA transition calculations. Applying the FRA for non-recent years is impracticable due to a lack of historical information (data and assumption set) or due to 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 Company has chosen to apply the Fair Value Approach (FVA) to the transition. The Company calculates an IFRS 13 fair value based on the IFRS 17 cashflows while employing a few assumptions or parameters. The Company reflects in the IFRS 13 fair value total expenses (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 on 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, i.e. insurance cover and investment return services, and charges the following items:

- coverage units are determined based on individual payment components

- 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.

(CZK'000)	PAA	BBA	VFA	Total
Ceded reinsurance assets				
By item	**824,029**	**-**	**-**	**824,029**
- ARC	(59,060)	-	-	(59,060)
- AIC	883,088	-	-	883,088
Insurance contract obligations				
By portfolio, profitability label, product	**7,569,188**	**15,660,582**	**13,091,998**	**36,321,767**
Total life	**-**	**15,660,582**	**13,091,998**	**28,752,579**
By profitability				
Profitable contracts	-	-	-	28,728,641
Precarious contracts	-	-	-	23,939
Onerous contracts	-	-	-	-
By product				
Unit-linked contracts	-	-	11,050,496	11,050,496
Non-unit-linked contracts	-	12,407,451	-	12,407,451
Hybrid contracts	-	3,253,130	2,041,502	5,294,632
Total life	**7,569,188**	**-**	**-**	**7,569,188**
By profitability				
Profitable contracts	-	-	-	2,218,408
Precarious contracts	-	-	-	1,172,016
Onerous contracts	-	-	-	4,178,764
By product				
Personal insurance	166,335	-	-	166,335
Liability	4,209,074	-	-	4,209,074
Property, incl. other	3,193,779	-	-	3,193,779
By component	**7,569,188**	**15,660,582**	**13,091,998**	**36,321,767**
LRC	**2,313,385**	**15,062,819**	**13,005,269**	**30,381,473**
Best estimate	-	**8,749,490**	**11,373,954**	20,123,444
Risk adjustment	-	**479,408**	109,900	589,308
CSM	-	**5,833,922**	1,521,415	7,355,337
Loss component	9,494	-	-	9,494
LRC PAA	2,303,891	-	-	2,303,891
LIC	**5,255,803**	**597,763**	**86,729**	**5,940,294**
Best estimate	4,652,337	551,956	79,703	5,283,996
Risk adjustment	603,466	45,807	7,025	656,298

The first-time adoption of IFRS 17 also permits a reclassification of financial assets available to the insurance companies in order to avoid an accounting mismatch between assets and liabilities. As a result, bonds in the amount of CZK 13,035,000 thousand were transferred from 'Financial assets at amortised cost' to 'Financial assets at fair value through OCI', whereas bonds in the opposite direction amounted to CZK 1,976,000 thousand. This translated into a positive net impact after tax of CZK 126,538 thousand on equity (OCI). The first-time adoption of IFRS 17 also resulted in the abolition of 'Financial assets at fair value – overlay approach' (see above), leading to a transfer of shares in the amount of CZK 1,021,738 thousand to 'Financial assets at fair value through OCI' (FVOCI). The transfer does not have a net impact on equity, but it does result in a shift from 'Revaluation reserve (FVPL equity instruments) – overlay approach' (CZK 188,000 thousand) to the 'Revaluation reserve (FVOCI equity instruments)'.

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

2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

1. VALUATION OF RESERVES FOR INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF

RESERVES FOR LIFE INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF

The liability for life insurance contracts and investment contracts with a discretionary participation feature (DPF) is based on assumptions established at the inception of the contract. Most contracts (99% of all contracts) are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows.

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

Information about sensitivity is a part of the Note 30

RESERVES FOR NON-LIFE INSURANCE CONTRACTS

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

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

Information about sensitivity is a part of the Note 30.

2. FINANCIAL INSTRUMENTS FAIR VALUE

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

For more details see Note 18.

3. 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 18.

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. PRODUCT CLASSIFICATION

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

Investment contracts are those contracts that transfer significant financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price or other financial variable. Investment contracts are those that are not classified as insurance contracts.

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

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

- that are likely to be a significant portion of the total contractual benefits
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on:

  - the performance of a specified pool of contracts or a specified type of contract;

  - realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or

  - the profit or loss of the Company, fund or other entity that issues the contract.

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

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

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

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

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

3. INTANGIBLE ASSETS

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

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

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

Software	5 years
Other intangible assets	5 years

INTANGIBLE ASSETS WITH FINITE LIVES

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

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

4. PROPERTY AND EQUIPMENT

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

Land is not depreciated.

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

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

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

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

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

5. 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 recognized in the income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

6. FINANCIAL INSTRUMENTS

RECOGNITION AND DERECOGNITION

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

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

For all categories of financial assets the Company recognizes "regular way" purchases and sales using common settlement date accounting. Under settlement date accounting, a financial asset is recognized or derecognized in the statement of financial position on the day it is physically transferred to or from the Company ("settlement date"). The date on which the Company becomes a party to the contractual provisions of a financial asset purchase or the Company loses control of the contractual rights from a financial asset sale is commonly referred to as the "trade date". For financial assets at fair value through profit or loss and 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 recognized 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.

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

Financial assets at amortized 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 Interest income calculated according to the effective interest rate. 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 equity in the OCI reserve on an after-tax basis, until the financial asset is derecognised. When these assets are disposed of, the unrealised gain or loss recorded in the OCI reserve is reclassified to Net realised gains/losses on FVOCI financial assets. Interest income arising from FVOCI 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 statement of income in Impairment losses.

Overlay approach

In accordance with IFRS 4 applied in September 2016, the Company uses the „overlay approach" to overcome the temporary effects of the different effective dates of IFRS 9 and IFRS 17 (replacing IFRS 4). Financial assets for which the overlay approach is used are equity securities related to the Company's insurance activities. These equity securities were previously classified as available-for-sale securities according to the IAS 39 standard. According to IFRS 9, they would be valued at fair value through profit and loss.

Using the overlay approach, the Company reclassifies the volatility related to these equity securities from the statement of profit and loss to the statement of other comprehensive income (OCI). The overlay approach will be cancelled on the date of transition to IFRS 17.

Business model

The business model assessment is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI. In performing the assessment, 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 is achieved and how cash flows are realised.

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 (e.g.: when the Company acquires, disposes of, or terminates a business line). 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 measured at fair value through profit or loss, 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 contracts 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 realized gains and losses are recognized in the income statement.

Derivatives held for trading

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

Changes in the fair value of derivatives used as economic hedges are recognised in Net gains/losses from financial instruments at fair value through profit or loss including exchange rate differences.

The derivatives used as economic hedges are derivatives, which do not meet the IFRS requirements for applying hedge accounting. These derivatives are used for hedging purposes for lowering net interest income volatility, i.e. for hedging purposes from an economic point of view.

The Company occasionally purchases financial assets containing embedded derivatives. The entire hybrid asset is assessed whether its cash flows fulfil the definition of principal and interest from principal outstanding. If the criterion is met, the hybrid financial asset is not classified as at fair value through profit or loss.

In the case when the stand alone derivative does not qualify as a hedging derivative, it is considered to be a trading derivative.

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

Fair value hedges

The Company employs fair value hedging to hedge interest rate and currency risks with certain fixed income investments, using interest rate and currency swaps as hedging instruments. 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 recognized in the income statement. The change in the fair value of the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognized in the income statement.

Hedge accounting is discontinued if the hedging instrument expires, is sold, terminated or exercised, when the hedge no longer meets the criteria for hedge accounting or when the Company cancels or withdraws the hedging relationship. For hedged items measured at amortized cost, the difference corresponding to changes in the fair value of hedged items corresponding to the hedged risk is amortized 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 recognized 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 amortized cost;
- Debt instruments at fair value recognized 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 recognized, 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 reorganization;
- 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 recognized in the amount of lifetime expected credit losses.

Gains and losses on impairment of financial assets are recognized in profit or loss in the Impairment of financial assets.

Financial assets that are measured at amortized cost are recognized in the balance sheet at carrying value being the gross carrying amount less credit loss allowance. Debt instruments measured at fair value recognized in other comprehensive income are recognized in the balance sheet as book value, which is their fair value. ECL is recognized 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 recognized 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 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. REINSURANCE

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

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

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

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

8. 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 recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, 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 realized or the liability is settled, based on tax rates (and tax laws) that have been approved at the reporting date.

9. INSURANCE RECEIVABLES

Insurance receivables are initially measured at cost. All past due insurance receivables are impaired.

For receivables from policyholders, the impairment is determined in such a way that unpaid premiums (by persons who are not related) are reduced by liabilities to policyholders (overpayments) and are subsequently divided into overdue baskets to which the specified coefficients are applied.

For receivables from intermediaries, impairment is determined at the amount of the residual value of the receivable.

10. PREPAID ACQUISITION COMMISSIONS

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

Life insurance and investment contracts with DPF

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

Non-life insurance

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

11. 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.

12. 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.

13. RETAINED EARNINGS AND RESERVES

Retained earnings 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.

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

14. INSURANCE CONTRACT PROVISIONS

PROVISION FOR UNEARNED PREMIUMS

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

PROVISIONS FOR OUTSTANDING CLAIMS

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

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

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

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

Within the calculation of the provision for outstanding claims paid out in the form of annuity (particularly from motor third-party liability insurance) discounting is applied. In case of outstanding claims are assumed to be paid in foreign currency, the provision for foreign exchange claims is calculated, which reflects the risk of exchange rate fluctuations.

PROVISION FOR BONUSES AND REBATES

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

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

LIFE ASSURANCE PROVISIONS

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

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

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

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

LIABILITY ADEQUACY TEST (LAT)

LIFE INSURANCE AND INVESTMENT CONTRACTS WITH DPF

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

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

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

NON-LIFE INSURANCE CONTRACTS

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

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

The calculation takes into account the best estimate of future payouts including a security markup;

it also takes into account overall risk that stems from concluded contracts regardless of accounting method for premium. Result of the test is assessed together with all risks from non-life insurance.

For more details see Note 30.

LIFE ASSURANCE PROVISION WHERE THE POLICY HOLDER BEARS THE INVESTMENT RISK

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

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

15. INVESTMENT CONTRACT LIABILITIES WITH DPF

The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities (Note 23).

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

16. OTHER FINANCIAL LIABILITIES AND INSURANCE PAYABLES

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

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

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

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

17. PROVISIONS (EXCEPT FOR TECHNICAL PROVISIONS)

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

18. 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 the standard 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) recognizes the right to use the asset and the lease liability.

The lease liability is initially recognized 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 recognized as interest expense in the income statement.

The right to use the asset is initially measured at cost and is included in Property 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 recognized in the income statement on a straight-line basis over the term of the lease.

THE COMPANY AS A LESSOR

Leases, in which the Company does not transfer substantially all the risks and benefits of ownership

of the asset, are classified as operating leases. Therefore, the Company leases its assets under operating lease, thus generating rental income. Initial direct costs incurred in negotiating an operating lease increase the carrying amount of the leased asset and are recognized as an expense over the lease term, on the same basis as rental income. Contingent rents are accounted as income in the period in which they are earned.

Rental income and depreciation of leased assets under operating leases are reordered in other income / operating expenses in the income statement.

19. REVENUE RECOGNITION

PREMIUMS EARNED

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

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

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

REINSURANCE PREMIUMS

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

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Only in case of non-proportionate obligatory reinsurance, as it is recognized monthly up to the amount of the earned premium, unearned reinsurance premium is not recognized.

INTEREST INCOME

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

DIVIDEND INCOME

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

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

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

FEE AND COMMISSION INCOME

Reinsurance commissions

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

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

20. EXPENSE RECOGNITION

GROSS BENEFITS AND CLAIMS FROM INSURANCE AND INVESTMENT CONTRACTS (DPF)

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

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

BENEFITS AND CLAIMS FROM INSURANCE AND INVESTMENT CONTRACTS CEDED TO REINSURERS

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

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

FEE AND COMMISSION EXPENSE

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

OPERATING EXPENSES

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

21. 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. The following related party balances and transactions are disclosed in Notes 0, 10, 12, 0, 19, 20, 21, 22, 25, 0, 32 and 33:

- 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.

22. SUBSEQUENT EVENTS

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognized 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 recognized in the financial statements.

Pojištění je dobrá rada

Pojištění vašeho domova

Náš domov

NÁŠ DOMOV
PRODUKT

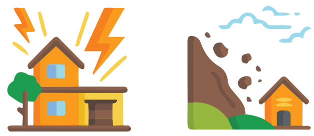
Komunikační strategie
POJIŠTĚNÍ JE DOBRÁ RADA

201

2014

Vladi
NO

200 000 pojistných událostí
POVODNĚ A VICHŘICE



2013

RENTO
POJIŠTĚNÍ
ŘIDIČŮ

HC ČSOB Pojišťovna Pce
VYHRÁVÁ TITUL V EXTRALIZE
ledního hokeje

2012

Nestojíme stranou
PRVNÍ VÍKEND S AUTISTY

2016

15

…mír Bezděk
…OVÝ ŘEDITEL

Komunikační strategie
ČEKÁME NEČEKANÉ

Pomáhat je normální

ZAČÍNÁME
S DOBROVOLNICTVÍM

2011

NAŠE ODPOVĚDNOST
PRODUKT

NAŠE AUTO
PRODUKT

2010

FORTE
INVESTIČNÍ
ŽIVOTNÍ
POJIŠTĚNÍ

První smlouvy
SJEDNANÉ ONLINE NA WEBU

3. EARNED PREMIUMS, NET OF REINSURER'S SHARE

(A) GROSS EARNED PREMIUMS ON INSURANCE AND INVESTMENT CONTRACTS WITH DPF

(CZK'000)	2022	2021
GROSS PREMIUM WRITTEN	**14,499,250**	**13,708,565**
Life insurance	**4,211,655**	4,686,308
Life insurance contracts	**4,169,178**	4,639,339
Investment contracts with DPF	**42,477**	46,969
Non-life insurance contracts	**10,287,595**	9,022,256
CHANGE IN UNEARNED PREMIUM PROVISION	**(391,595)**	**(363,114)**
Life insurance	**(240)**	445
Life insurance contracts	**(240)**	445
Investment contracts with DPF	**-**	-
Non-life insurance contracts	**(391,356)**	(363,558)
Life premium	**4,211,415**	4,686,753
Non-life premium	**9,896,239**	8,658,698
TOTAL GROSS EARNED PREMIUM	**14,107,654**	**13,345,451**

(B) PREMIUMS CEDED TO REINSURERS ON INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF

(CZK'000)	2022	2021
Premium ceded to reinsurers	**(803,085)**	(627,691)
Life insurance	**(7,208)**	(6,845)
Non-life insurance	**(795,877)**	(620,846)
Change in unearned premiums provision	**526**	8,369
Non-life insurance	**526**	8,369
TOTAL PREMIUM CEDED TO REINSURERS	**(802,559)**	**(619,322)**
TOTAL NET EARNED PREMIUMS	**13,305,095**	**12,726,130**

(C) GROSS PREMIUMS – LIFE INSURANCE

(CZK'000)	2022	2021
Individual versus group insurance		
Individual insurances, including unit-linked insurance	**3,636,396**	4,092,869
Group insurance	**575,259**	593,439
TOTAL	**4,211,655**	**4,686,308**
Profit sharing versus without profit sharing		
Premiums from contracts with profit sharing	**613,107**	662,605
Premiums from contracts without profit sharing	**582,855**	601,615
Unit-linked	**3,015,693**	3,442,089
TOTAL	**4,211,655**	**4,686,308**

(D) OVERVIEW OF NON-LIFE INSURANCE PER LINE OF BUSINESS

2022 (CZK'000)	Gross earned premiums	Gross claims incurred	Gross operating expenses	Net result from reinsurance
Accident & health	457,023	(134,547)	(153,433)	(1,578)
Industrial accidents	17,196	(14)	(3,364)	(2,920)
Motor, third-party liability	2,767,942	(1,485,777)	(822,513)	(7,540)
Motor, other classes	2,406,683	(1,481,165)	(774,436)	(10,232)
Shipping, aviation, transport	136,302	(39,592)	(36,534)	(41,324)
Fire and other damage to property	2,582,966	(1,183,920)	(1,134,037)	(116,175)
General third-party liability	1,411,482	(350,606)	(346,261)	(59,895)
Loan and guarantees	1,272	(266)	(412)	(716)
Miscellaneous pecuniary losses	115,374	(124,409)	(54,563)	22,993
Total	**9,896,239**	**(4,800,297)**	**(3,325,553)**	**(217,389)**

2021 (CZK'000)	Gross earned premiums	Gross claims incurred	Gross operating expenses	Net result from reinsurance
Accident & health	369,745	(11,509)	(129,306)	(1,297)
Industrial accidents	17,319	9,098	(3,289)	(8,798)
Motor, third-party liability	2,597,251	(1,347,452)	(786,278)	(45,243)
Motor, other classes	2,021,063	(1,329,439)	(639,101)	36,176
Shipping, aviation, transport	100,581	(40,654)	(27,874)	(20,456)
Fire and other damage to property	2,206,041	(1,620,903)	(989,655)	420,234
General third-party liability	1,257,055	(506,367)	(301,299)	(54,065)
Loan and guarantees	153	(290)	(105)	(66)
Miscellaneous pecuniary losses	89,489	(193,169)	(37,711)	105,489
Total	**8,658,698**	**(5,040,686)**	**(2,914,620)**	**431,973**

4. INTEREST INCOME AND EXPENSE

INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST RATE

(CZK'000)	2022	2021
Interest income from financial assets other than financial assets measured at fair value through profit or loss	**824,778**	655,060
Financial assets at fair value through other comprehensive income	**284,834**	282,170
Financial assets at amortized cost	**539,944**	372,890
Hedging derivatives	**148,634**	31,661
Other financial assets at fair value through profit or loss	**443**	416
Current accounts	**238,892**	45,167
TOTAL	**1,212,746**	**732,305**

INTEREST EXPENSE CALCULATED USING EFFECTIVE INTEREST RATE

(CZK'000)	2022	2021
Hedging derivatives	**(406)**	(57,251)
Interest expense on financial liabilities at amortized cost	**(5,472)**	(4,980)
TOTAL	**(5,878)**	**(62,231)**

5. NET GAINS/(LOSSES) FROM FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS INCLUDING FOREIGN EXCHANGE DIFFERENCES

(CZK'000)	2022	2021
Instruments held for trading (including changes in fair value of derivatives held for trading)	**148,591**	207,255
Realized gains/ (losses)	**22,554**	10,836
Other financial instruments initially designated at fair value through profit or loss	**10,983**	16,313
Foreign exchange gains (+) and losses (-)	**(5,338)**	(8,118)
(Losses)/ gains on unit-linked instruments	**(531,177)**	182,613
TOTAL	**(354,387)**	**408,898**

6. NET GAINS/(LOSSES) FROM FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INCLUDING FOREIGN EXCHANGE DIFFERENCES

(CZK'000)	2022	2021
Realized gains	**4,744**	7,184
Fixed-income securities	**4,744**	7,184
Realized losses	**(290,767)**	(122,669)
Fixed-income securities	**(290,767)**	(122,669)
TOTAL	**(286,023)**	**(115,485)**

ALLOWANCES FOR CREDIT LOSSES ON FINANCIAL ASSETS

(CZK'000)	2022	2021
Financial assets at amortized cost	**2**	74
Financial assets at fair value through other comprehensive income	**(334)**	4,654
TOTAL	**(332)**	**4,728**

7. FEE AND COMMISSION INCOME

(CZK'000)	2022	2021
Bank fee for investing into financial instruments	**44,827**	48,161
Commissions and profit-sharing received from reinsurers	**164,461**	127,560
Other commission income	**3,741**	10,969
TOTAL	**213,029**	**186,690**

8. OTHER INCOME AND OTHER EXPENSE

(CZK'000)	2022	2021
Gain from the sale of property and equipment	**539**	2,975
Rental income	**1,310**	1,617
FX gains	**163,812**	109,334
Other	**14,762**	26,629
Total operating income	**180,442**	140,555
Loss from sale of AC bonds	**(990,560)**	(41,581)
TOTAL OPERATING EXPENSE	**(990,560)**	**(41,581)**

In 2022 the Company decided to sell a portion of AC bonds in order to increase interest income in future years. The sale of the given positions was evaluated in accordance with the intention to hold the relevant portfolio of assets until maturity, taking into account the uniqueness of the sale and the Company's intention not to sell further assets from this portfolio in future years.

9. NET BENEFITS AND CLAIMS FROM INSURANCE AND INVESTMENT CONTRACTS

2022 (CZK'000)	Non-life insurance contracts	Life insurance contracts	Investment contracts with DPF	Total
Gross benefits and claims from insurance and investment contracts	**(4,707,030)**	**(1,427,222)**	**(52,399)**	**(6,186,652)**
Benefits and claims paid	(4,613,727)	(7,170,878)	(81,398)	(11,866,003)
Change in provision for investment contract with DPF (note 24)	(93,303)	5,743,656	28,999	5,679,352
Change in provision for outstanding claims (note 24)	(44,701)	839,735	-	795,034
Change in life insurance provision where policyholder bears investment risk (note 24)	-	4,265,086	-	4,265,086
Bonuses and rebates	(48,602)	(57,069)	-	(105,671)
Change in life insurance provision (note 24)	-	695,903	-	695,903
Change in provision for investment contract with DPF (note 24)	-	-	28,999	28,999
Reinsurer's share	**413,654**	**1,564**	**-**	**415,218**
Benefits and claims paid	368,381	1,657	-	370,039
Change in provision for claims Outstanding (note 24)	42,042	(94)	-	41,948
Bonuses and rebates	3,231	-	-	3,231
Total net benefits and claims from insurance and investment contracts	**(4,293,376)**	**(1,425,659)**	**(52,399)**	**(5,771,433)**

2021 (CZK'000)	Non-life insurance contracts	Life insurance contracts	Investment contracts with DPF	Total
Gross benefits and claims from insurance and investment contracts	**(4,939,573)**	**(3,250,567)**	**(57,314)**	**(8,247,454)**
Benefits and claims paid	(4,240,414)	(6,319,302)	(56,342)	(10,616,057)
Change in provision for investment contract with DPF (note 24)	(699,159)	3,068,735	(972))	2 368 603
Change in provision for outstanding claims (note 24)	(658,498)	116,264	-	(542,234)
Change in life insurance provision where policyholder bears investment risk (note 24)	-	3,039,614	-	3,039,614
Bonuses and rebates	(40,661)	(12,365)	-	(53,026)
Change in life insurance provision (note 24)	-	(74,778)	-	(74,778)
Change in provision for investment contract with DPF (note 24)	-	-	(972)	(972)
Reinsurer's share	**918,069**	**508**	**-**	**918,577**
Benefits and claims paid	496,739	602	-	497,341
Change in provision for claims Outstanding (note 24)	417,271	(94)	-	417,176
Bonuses and rebates	4,060	-	-	4,060
Total net benefits and claims from insurance and investment contracts	**(4,021,504)**	**(3,250,059)**	**(57,314)**	**(7,328,876)**

10. ACQUISITION COSTS, FEES AND COMMISSION EXPENSES

(CZK'000)	2022	2021
Acquisition costs	**(3,297,647)**	(3,060,187)
Commission expenses	**(2,851,473)**	(2,555,201)
Other acquisition costs	**(502,540)**	(586,662)
from which: personal expenses	**(189,814)**	(180,812)
from which: depreciation	**(67,432)**	(95,148)
from which: general administrative expenses	**(245,294)**	(310,702)
Pro-rata deferral of commissions*	**63,598**	90,937
Financial placement bonus	**(7,231)**	(9,260)
Custody costs	**(38,866)**	(42,661)
Bank fees	**(15,808)**	(15,292)
TOTAL	**(3,352,321)**	**(3,118,140)**

* Pro rata deferral of commissions corresponds to a change in deferred commissions in the statement of financial position – see Note 20.

11. OPERATING EXPENSES

As a part of general administrative expenses, auditor's remuneration represents CZK 6,037 thousand in 2022 and CZK 4,344 thousand in 2021 (statutory financial statements audit and group reporting audit). As part of the audit of the financial statements as at 31 December 2022, the auditor performed reasonable procedures to verify the material disclosure of the impact of the adoption of IFRS 17 Insurance Contracts on the effective date of 1 January 2023, including its quantitative impact and the methodology applied during the transition.

2022 (CZK'000)	Administration costs	Internal claim settlement costs	Total
Employee related expenses	(556,941)	(124,715)	(681,656)
General administrative expenses	(510,590)	(49,181)	(559,771)
Depreciation and amortization of fixed assets	(35,931)	(5,540)	(41,471)
Depreciation of the right-of-use asset	(34,927)	(1,414)	(36,341)
Total operating expenses	**(1,138,388)**	**(180,851)**	**(1,319,239)**

2021 (CZK'000)	Administration costs	Internal claim settlement costs	Total
Employee related expenses	(489,248)	(120,704)	(609,952)
General administrative expenses	(435,841)	(69,430)	(505,271)
Depreciation and amortization of fixed assets	(21,742)	(3,538)	(25,280)
Depreciation of the right-of-use asset	(12,937)	11	(12,926)
Total operating expenses	**(959,768)**	**(193,661)**	**(1,153,429)**

12. EMPLOYEE AND EXECUTIVES INFORMATION

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)**

2021 (CZK'000)	Average number of employees	Wages and salaries	Health insurance	Social insurance	Other costs	Total
Employees	710	(463,940)	(41,705)	(115,722)	(46,393)	(667,760)
Executives	32	(70,342)	(8,587)	(16,006)	(28,069)	(123,003)
Total	**742**	**(534,282)**	**(50,292)**	**(131,728)**	**(74,462)**	**(790,763)**

Acquisition costs include Staff costs of CZK 189,814 thousand in 2022 and CZK 180,812 thousand in 2021 and Operating expenses of CZK 681,656 thousand in 2022 and CZK 609,952 thousand in 2021.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

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 21,491 thousand in 2022 and CZK 25,518 thousand in 2021. Remuneration for members of the Supervisory Board is subject to shareholder approval. They were not paid in 2022 and 2021.

RETIREMENT BENEFITS

The Company provides its employees (including senior management) with a 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 200 of their salaries monthly on their maximum of two policies at the Company, with a contribution of CZK 400 – 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.

13. OTHER OPERATING EXPENSES

2022 (CZK'000)	Non-life insurance contracts	Life insurance contracts	Total
Write-offs and allowances to insurance Receivables	(11,285)	(1,360)	(12,645)
Mandatory contributions	(81,779)	-	(81,779)
Exchange losses	(122,866)	(37,374)	(159,239)
Other expenses	(1,636)	-	(1,636)
Total	**(217,565)**	**(37,734)**	**(255,299)**

2021 (CZK'000)	Non-life insurance contracts	Life insurance contracts	Total
Write-offs and allowances to insurance Receivables	(24,868)	(2,044)	(26,912)
Mandatory contributions	(74,020)	-	(74,020)
Exchange losses	(78,737)	(32,424)	(111,161)
Other expenses	(6,293)	205	(6,088)
Total	**(183,918)**	**(34,264)**	**(218,181)**

Mandatory contributions represent obligatory contributions to the Loss Prevention Fund.

14. INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2022 and 31 December 2021 are as follows:

(CZK'000)	**2022**	2021
Current year tax expense	**(487,370)**	(1,231,376)
Previous year (over) / under payment	**(52,242)**	29,018
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	**104,598**	795,214
TOTAL	**(435,013)**	**(407,144)**

Reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 31 December 2022 and 31 December 2021 is as follows:

(CZK'000)	**2022**	2021
Profit before taxation	**2 587,657**	2,170,081
Applicable tax rates	**19%**	19%
Taxation at applicable tax rates	**(491,655)**	(412,315)
Tax related to previous years	**(52,242)**	29,018
Tax effect of non-taxable income	**9,614,332**	8,431,557
Tax effect of non-deductible expenses	**(9,505,093)**	(8,455,707)
Other	**(355)**	304
TOTAL	**(435,013)**	**(407,144)**

The applicable tax rate for 2022 and 2021 was 19%.

Deferred tax is based on all temporary differences and is calculated using the liability method using the tax rate of 19%.

DEFERRED TAX

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

(CZK'000)	**2022**	2021
Provision for receivables due to policyholders	**1,769**	(3,111)
Employee benefits	**(2,442)**	6,081
Tangible and intangible assets	**(6,248)**	(9,541)
Lease	**(520)**	(23)
Financial instruments	**13,876**	(53,354)
Tax on technical provisions	**99,780**	854,673
Other	**(1,617)**	490
TOTAL	**104,598**	**795,214**

DEFERRED TAX CHANGE RELATING TO OTHER COMPREHENSIVE INCOME

2022 (CZK'000)	Before tax amount	Deferred tax	Net of tax amount
In respect of revaluation of financial assets FVOCI	(1,189,306)	225,968	(963,338)
Shares	(297,924)	56,606	(241,319)
Bonds	(897,886)	170,598	(727,288)
Other assets	-	-	-
Hedging derivatives	6,504	(1,236)	5,268
In respect of realization of financial assets FVOCI	286,357	(54,408)	231,950
Shares	-	-	-
Bonds	286,357	(54,408)	231,950
Impairment	334	(64)	271
Realized gains / (losses)	286,023	(54,344)	231,679
Hedging derivatives	-	-	-
Total	**(902,949)**	**171,560**	**(731,389)**

2021 (CZK'000)	Before tax amount	Deferred tax	Net of tax amount
In respect of revaluation of financial assetes FVOCI	(858,175)	163,053	(695,122)
Shares	41,506	(7,886)	33,620
Bonds	(895,155)	170,080	(725,076)
Other assets	-	-	-
Hedging derivatives	(4,526)	860	(3,666)
In respect of realization of financial assets FVOCI	98,542	(18,723)	79,819
Shares	-	-	-
Bonds	98,542	(18,723)	79,819
Impairment	(4,654)	884	(3,770)
Realized gains / (losses)	103,195	(19,607)	83,588
Hedging derivatives	-	-	-
Total	**(759,634)**	**144,330**	**(615,303)**

15. INTANGIBLE ASSETS

2022 (CZK'000)	Externally developed 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**

2021 (CZK'000)	Externally developed software	Total
Opening balance – acquisition costs	681,189	681,189
Opening balance – depreciation and impairment	(402,000)	(402,000)
Opening balance – carrying amount	**279,189**	**279,189**
Acquisition	168,617	547,690
Disposals	(183,983)	(563,057)
Amortisation	(65,472)	(65,472)
Disposal of accumulated amortisation	135,423	135,423
Closing balance – acquisition costs	665,823	665,823
Closing balance – depreciation and impairment	(332,050)	(332,050)
Closing balance – carrying amount	**333,773**	**333,773**

The amortization of intangible assets is presented in “Operating expenses” and in “Other operating expenses” in the income statement.

16. PROPERTY AND EQUIPMENT

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**

2021 (CZK'000)	Land and buildings	of which right-of-use asset	Other equipment	Total
Opening balance – acquisition costs	583,794	349,873	78,854	662,648
Opening balance – depreciation and impairment	(235,078)	(87,773)	(49,261)	(284,339)
Opening balance – carrying amount	**348,715**	**262,100**	**29,593**	**378,309**
Acquisition	40,841	36,340	5,144	45,985
Disposals	(75,146)	(4,740)	(7,435)	(82,580)
Depreciation	(58,069)	(50,484)	(9,814)	(67,884)
Disposal of accumulated depreciation	53,334	3,249	5,970	59,304
Closing balance – acquisition costs	549,490	381,472	76,563	626,053
Closing balance – depreciation and impairment	(239,814)	(135,007)	(53,105)	(292,919)
Closing balance – carrying amount	**309,676**	**246,466**	**23,458**	**333,134**

The amortization of property and equipment is presented in "Operating expenses" and in "Other operating expenses" in the income statement.

17. INVESTMENTS IN SUBSIDIARIES

(CZK'000)	2022	2021
Investments in subsidiaries measured at cost	**272,400**	272,400
TOTAL INVESTMENTS IN EQUITY	**272,400**	**272,400**

As at 31 December 2022 and 31 December 2021, investments in subsidiaries ČSOB Pojišťovací servis, s.r.o., člen holding 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 2022**	Revenues from dividends recognized for 2022
Investments in ordinary shares of Pardubická Rozvojová, a.s.	**272,000**	0
Investments in share of ČSOB Pojišťovací servis, s.r.o.,člen holdingu ČSOB	**400**	0
TOTAL	**272,400**	**0**

(CZK'000)	**Fair value 31 December 2021**	Revenues from dividends recognized for 2021
Investments in ordinary shares of Pardubická Rozvojová, a.s.	**272,000**	0
Investments in share of ČSOB Pojišťovací servis, s.r.o., člen holdingu ČSOB	**400**	0
TOTAL	**272,400**	**0**

18. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS – ASSETS

2022 (CZK'000)	Financial assets held for trading	Financial assets at fair value through profit and loss	of which overlay approach	Financial assets at fair value through other comprehensive income	Financial assets measured at amortized cost	Derivative held for cash flow hedges	Derivatives held for fair value hedges	Total
Loans and advances	1,538	-	-	-	168,925	-	-	170,463
Term loans	1,538	-	-	-	168,925	-	-	170,463
Equity instruments	54,833	1,155,296	1,155,296	-	-	-	-	1,210,134
Investment contracts (insurance)	-	8,809,237	-	-	-	-	-	8,809,237
Mutual fund units	-	8,809,237	-	-	-	-	-	8,809,23
Debt instruments issued by:	90,158	-	-	13,821,332	14,073,503	-	-	27,984,993
Public bodies	-	-	-	11,813,003	13,053,871	-	-	24,866,874
Credit institutions and investment firms	26,332	-	-	1,672,492	1,019,632	-	-	2,718,456
Corporates	63,826	-	-	335,837	-	-	-	399,663
Derivatives	9,055	-	-	-	-	13,374	879,408	901,837
Carrying value including accrued interest income	**155,584**	**9,964,533**	**1,155,296**	**13,821,332**	**14,242,428**	**13,374**	**879,408**	**39,076,663**

2021 (CZK'000)	Derivatives held for trading	Financial assets at fair value through profit and loss	of which overlay approach	Financial assets at fair value through other comprehensive income	Financial assets measured at amortized cost	Derivative held for cash flow hedges	Derivatives held for fair value hedges	Total
Loans and advances	7,842	-	-	-	168,925	-	-	176,767
Term loans	7,842	-	-	-	168,925	-	-	176,767
Equity instruments	110,848	1,021,738	1,021,738	-	-	-	-	1,132,586
Investment contracts (insurance)	-	13,077,429	-	-	-	-	-	13,077,429
Mutual fund units	-	13,077,429	-	-	-	-	-	13,077,429
Debt instruments issued by	117,587	-	-	16,170,113	14,877,419	-	-	31,165,119
Public bodies	-	-	-	13,462,484	13,900,037	-	-	27,362,521
Credit institutions and investment firms	53,395	-	-	1,836,468	977,381	-	-	2,867,244
Corporates	64,193	-	-	871,161	-	-	-	935,354
Derivatives	6,378	-	-	-	-	2,689	518,865	527,933
Carrying value including accrued interest income	**242,655**	**14,099,167**	**1,021,738**	**16,170,113**	**15,046,344**	**2,689**	**518,865**	**46,079,833**

* Debt financial instruments valued at fair value through profit or loss are intended to be valued at fair value through profit or loss upon initial recognition due to the elimination of accounting inconsistencies – the portfolio of these instruments is intended to cover investment life insurance reserves.

For short and long-term breakdown of assets see note 30.

The year-on-year decrease in the volume of financial assets is due to several factors, primarily expiring tranches of single life insurance, the sale of securities in 2022 and the decrease in the market value of assets as a result of rising interest rates.

Cash and cash equivalents

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

(CZK'000)	2022	2021
Cash	**263**	193
Current accounts	**410, 094**	455,646
CASH AND CASH EQUIVALENTS	**410,367**	**455 ,839**

Investment in debt securities

(CZK'000)	2022	2021
Debt securities measured at FVTPL	**90,158**	117,587
Debt securities at FVTPL - UL clients risk	**3,936,792**	7,082,507
Debt securities at FVOCI	**13,821,332**	16,170,113
Debt securities at AC	**14,073,503**	14,877,419
TOTAL INVESTMENTS IN DEBT SECURITIES	**31 921,785**	**38,247,625**

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. On initial recognition, the Company has irrevocably designated some of its securities at FVTPL.

Debt securities at FVTPL are carried at fair value, which also reflects any credit risk related writedowns 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 2022 and 31 December 2021, respectively, for which ECL was recognised based on the relevant credit risk level. Information about the description 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.

(CZK'000)	2022		2021	
	Stage 1 (12 months ECL)	Total	Stage 1 (12 months ECL)	Total
Czech government bonds				
- Excellent	11,546,547	11,546,547	13,172,919	13,172,919
- Good	-	-	-	-
- Satisfactory	-	-	-	-
Total gross carrying amount	**11,546,547**	**11,546,547**	**13,172,919**	**13,172,919**
Less credit loss allowance	(103)	(103)	(100)	(100)
Net carrying value	**11,546,444**	**11,546,444**	**13,172,820**	**13,172,820**
Municipal bonds				
- Excellent	266,572	266,572	289,693	289,693
- Good	-	-	-	-
- Satisfactory	-	-	-	-
- Special monitoring	-	-	-	-
- Default	-	-	-	-
Total gross carrying amount	**266,572**	**266,572**	**289,693**	**289,693**
Less credit loss allowance	(13)	(13)	(29)	(29)
Net carrying value	**266,559**	**266,559**	**289,664**	**289,664**
Corporate bonds				
- Excellent	1,962,359	1,962,359	2,661,584	2,661,584
- Good	-	-	-	-
- Satisfactory	47,578	47,578	47,306	47,306
- Special monitoring	-	-	-	-
- Default	-	-	-	-
Total gross carrying amount	**2,009,937**	**2,009,937**	**2,708,890**	**2,708,890**
Less credit loss allowance	(1,608)	1,608	(1,261)	(1,261)
Net carrying value	**2,008,329**	**2,008,329**	**2,707,629**	**2,707,629**
Total investments in debt securities measured at FVOCI	**13,821,332**	**13,821,332**	**16,170,113**	**16,170,113**

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 2022 and 31 December 2021, 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 2022 and 2021 below also represents the Company's maximum exposure to credit risk on these assets:

(CZK'000)	2022		2021	
	(12 months ECL)	Total	(12 months ECL)	Total
Czech government bonds				
- Excellent	13,053,988	13,053,988	13,900,160	13,900,160
- Good	-	-	-	-
- Satisfactory	-	-	-	-
Total gross carrying amount	**13,053,988**	**13,053,988**	**13,900,160**	**13,900,160**
Less credit loss allowance	(117)	(117)	(123)	(123)
Net carrying value	**13,053,871**	**13,053,871**	**13,900,037**	**13,900,037**
Corporate bonds				
- Excellent	1,019,726	1,019,726	977,471	977,471
- Good	-	-	-	-
- Satisfactory	-	-	-	-
- Special monitoring	-	-	-	-
- Default	-	-	-	-
Total gross carrying amount	**1,019,726**	**1,019,726**	**977,471**	**977,471**
Less credit loss allowance	(94)	(94)	(90)	(90)
Net carrying value	**1,019,726**	**1,019,726**	**977,381**	**977,381**
Total investments in debt securities measured at AC	**14,073,503**	**14,073,503**	**14,877,419**	**14,877,419**

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. As at 31 December 2021, 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 amortised cost amount of bonds carried at AC were insignificant.

INVESTMENT IN EQUITY SECURITIES

(CZK'000)	2022	2021
Equity securities at FVTPL – HFT	54,839	110,848
Equity securities at FVTPL with reclassification to FVOCI - overlay approach	1,155,296	1,021,738
Equity securities at FVTPL - UL clients	4,747,190	5,855,577
Total investments in equity securities	**5,957,325**	**6,988,163**

The table below discloses investments in equity securities:

	2022		2021	
(CZK'000)	Equity securities at FVTPL	Total	Equity securities at FVTPL	Total
Investments in mutual funds	5,957,325	5,957,325	6,988,163	6,988,163
Total investments in equity securities	**5,957,325**	**5,957,325**	**6,988,163**	**6,988,163**

Investments in equity securities at FVTPL

Investments in equity securities at FVTPL represent securities held for trading and other equity securities for which FVOCI election was not made on initial recognition.

Investments in equity securities at FVTPL with reclassification to OCI – overlay approach

Volatility resulting from IFRS 9 reclassified from the net gains and losses of financial instruments valued at fair value through profit or loss to valuation differences within the OCI relates to unrealized movements in fair value of CZK (241,319) thousand. The tax impact of this reclassification would be CZK (56,606) thousand. By using the overlay approach, the Company eliminates the volatility associated with the adoption of IFRS 9, until the implementation of IFRS 17.

(CZK'000)	2022	2021
Equity securities at overlay approach	1,155,296	1,021,738
Total investments in equity securities at overlay approach	**1,155,296**	**1,021,738**

(CZK'000)	2022	2021
Valuation differences reclassified based on overlay Approach from PL to OCI	(241,319)	33,620
Total valuation differences from the overlay approach	**(241,319)**	**33,620**

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

2022 (CZK'000)	Carrying value	Fair value
Financial assets at fair value through profit or loss	10,111,066	10,111,066
of which overlay approach	1,155,296	1,155,296
Derivatives held for trading	9,055	9,055
Derivatives held for cash flow hedges	13,374	13,374
Derivatives held for fair value hedges	879,408	879,408
Financial assets at fair value through other comprehensive income	13,821,332	13,821,332
Financial assets measured at amortized cost	14,242,428	12,881,369
Total financial assets	**39,076,663**	**37,715,604**

2021 (CZK'000)	Carrying value	Fair value
Financial assets at fair value through profit or loss	14,335,444	14,335,444
of which overlay approach	1,021,738	1,021,738
Derivatives held for trading	6,378	6,378
Derivatives held for cash flow hedges	2,689	2,689
Derivatives held for fair value hedges	518,865	518,865
Financial assets at fair value through other comprehensive income	16,170,113	16,170,113
Financial assets measured at amortized cost	15,046,344	15,033,170
Total financial assets	**46,079,833**	**46,066,659**

FINANCIAL INSTRUMENTS – LIABILITIES

2022 (CZK'000)	Derivatives held for trading	Derivatives held for cash flow hedges	Derivatives held as fair value hedges	Total
Total carrying value without accrued interest income	(656)	-	802	147
Accrued interest income	1,292	-	-	1,292
Carrying value including accrued interest income	**636**	**-**	**802**	**1,439**

2021 (CZK'000)	Derivatives held for trading	Derivatives held for cash flow hedges	Derivatives held as fair value hedges	Total
Total carrying value without accrued interest income	362	-	14,826	15,188
Accrued interest income	103	-	-	103
Carrying value including accrued interest income	**465**	**-**	**14,826**	**15,291**

POROVNÁNÍ REÁLNÉ HODNOTY A ÚČETNÍ HODNOTY FINANČNÍCH ZÁVAZKŮ

2022 (CZK'000)	Účetní hodnota	Reálná hodnota
Deriváty určené k obchodování	636	636
Deriváty držené pro účely zajištění peněžních toků	0	0
Deriváty držené pro účely zajištění reálné hodnoty	802	802
Finanční závazky celkem	**1 439**	**1 439**

2021 (CZK'000)	Účetní hodnota	Reálná hodnota
Deriváty určené k obchodování	465	465
Deriváty držené pro účely zajištění peněžních toků	0	0
Deriváty držené pro účely zajištění reálné hodnoty	14 826	14 826
Finanční závazky celkem	**15 291**	**15 291**

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 summarized as follows:

- **Level 1**
  If available, published price quotations of identical financial instruments in active markets are used to determine the fair value of financial assets or financial liabilities. Revaluation is obtained by comparing prices, which means that no model is involved in the process of revaluation. Financial instruments valued on this basis include government bonds.

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

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 2022, 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 13,300 thousand (in 2021 by CZK 16,102 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 2022:

2022 (CZK'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Financial assets at fair value through profit or loss	6,660,407	3,459,714	-	10,120,121
Held for trading derivatives	-	9,055	-	9,055
Loans & advances to credit institutions	-	1,538	-	1,538
Equity Instruments	1,010,007	200,127	-	1,210,134
of which overlay approach	955,168	200,127	-	1,155,296
Mutual fund units	5,588,210	3,221,027	-	8,809,237
Debt instruments	62,191	27,966	-	90,158
Financial assets at fair value through other comprehensive income	11,882,282	702,637	1,236,414	13,821,332
Debt instruments	11,882,282	702,637	1,236,414	13,821,332
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
Financial assets measured at amortized cost				
Term deposits	-	168,925	-	168,925
Debt instruments	13,053,871	1,019,632	-	14,073,503
Total	**31,596,561**	**6,243,689**	**1,236,414**	**39,076,664**
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	**-**	**1,439**	**-**	**1,439**

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 2021:

2021 (CZK'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Financial assets at fair value through profit or loss	7,846,408	6,495,414	-	14,341,822
Held for trading derivatives	-	6,378	-	6,378
Loans & advances to credit institutions	-	7,842	-	7,842
Equity Instruments	1,050,027	82,559	-	1,132,586
of which overlay approach	939,179	82,559	-	1,021,738
Mutual fund units	6,759,252	6,318,177	-	13,077,429
Debt instruments	37,129	80,458	-	117,587
Financial assets at fair value through other comprehensive income	13,520,321	1,266,888	1,382,904	16,170,113
Debt instruments	13,520,321	1,266,888	1,382,904	16,170,113
Derivatives	-	521,555	-	521,555
Derivatives held for cash flow hedges	-	2,689	-	2,689
Derivatives held for fair value hedges	-	518,865	-	518,865
Financial assets measured at amortized cost				
Term deposits	-	168,925	-	168,925
Debt instruments	12,920,593	1,956,825	-	14,877,419
Total	**34,287,322**	**10,409,607**	**1,382,904**	**46,079,834**
Financial liabilities at fair value				
Derivatives held for trading	-	465	-	465
Derivatives held for cash flow hedges	-	-	-	-
Derivatives held for fair value hedges	-	14,826	-	14,826
Total	**-**	**15,291**	**-**	**15,291**

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)	2022 Financial assets carried at fair value through other comprehensive income Debt securities	2021 Financial assets carried at fair value through other comprehensive income Debt securities
At 1 January	**1,382,904**	**1,531,563**
Total gains / (losses) recorded in profit or loss	51,127	44,410
Total gains / (losses) recorded in other comprehensive income	(197,618)	(193,069)
Transfers to Level 3	-	-
Transfers from Level 3	-	-
Purchases	-	-
Settlement	-	-
Sale	-	-
At 31 December	**1,236,414**	**1,382,904**
Total gains / (losses) recorded in profit or loss related to assets held at the end of the reporting period	**51,127**	**44,410**

Total gains or losses recorded in profit or loss are included within the caption Net gains / (losses) on finan-cial assets FVOCI.

DERIVATIVE FINANCIAL INSTRUMENTS

2022 (CZK'000)	Assets	Liabilities	Nominal amount
Derivatives held for trading	9,055	636	54,910
Currency forwards	-	-	-
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**

2021 (CZK'000)	Assets	Liabilities	Nominal amount
Derivatives held for trading	6,378	465	54,910
Currency forwards	-	-	-
Currency swaps	3,088	206	25,114
Interest swaps	3,289	259	29,796
Derivatives held for cash flow hedges	2,689	-	137,285
Currency swaps	2,689	-	137,285
Derivatives held for fair value hedges	518,865	14,826	4,801,175
Currency forwards	10,828	607	837,335
Currency swaps	409	5,978	463,840
Interest swaps	507,628	8,241	3,500,000
Total derivatives	**527,933**	**15,291**	**4,993,370**

DERIVATIVES HELD FOR TRADING

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

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

The fair value of this instrument was CZK 8,419 thousand at 31 December 2022 and CZK 5,913 thousand at 31 December 2021.

For relations stated above hedging is not applied.

Negative fair value of all derivatives is recorded in liabilities.

HEDGE ACCOUNTING

Cash flow hedging

The Company eliminates foreign currency and interest risk realization impacts to profit or loss and cash flows.

The Company has to maintain a stable cash flow resulting from the ownership of the hedged instrument (i.e. to hedge notional amount and the coupon payments) within its hedging strategy considering hedge relationship type. Hedging instruments are used by the Company to hedge cash flows from part of the government bond portfolio denominated in foreign currencies. Hedging swaps are currently entered into to exchange the fixed interest rate on the EUR-denominated bonds paid by the Company and the fixed interest payments in the domestic currency received by the Company.

The Company uses derivative (cross-currency interest rate swap), the changes in its fair value partially or fully offset changes in fair value or cash flows of hedged items.

The fair value of the hedging instrument amounted to CZK 13,374 thousand as at 31 December 2022 and CZK 2,689 thousand as at 31 December 2021. The nature of the risks being hedged consists in the long-term of movements in exchange and interest rates (foreign exchange and interest rate risks).

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

The negative gross amount reported in equity amounts to CZK (2,997) thousand as at 31 December 2022 (as at 31 December 2021: the negative amount of CZK (9,501) thousand), and the negative net amount, i.e. including deferred tax, amounts to CZK (2,428) thousand (in 2021: the negative amount of CZK (7,696) thousand).

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

2022 (CZK'000)	Cash inflows	Cash outflows	Net cash inflows
Within one year	139,011	(141,591)	(2,580)
Within 1(2) years	-	-	-
Within 2(5) years	-	-	-
More than 5 years	-	-	-

2021 (CZK'000)	Cash inflows	Cash outflows	Net cash inflows
Within one year	3,396	(3,973)	(577)
Within 1 - 2 years	139,039	(147,808)	(8,769)
Within 2 - 5 years	-	-	-
More than 5 years	-	-	-

INCOME STATEMENT

(CZK'000)	**2022**	2021
Within one year	**(2,189)**	(186)
Within 1 - 2 years	**166**	(8,603)
Within 2 - 5 years	**-**	-
More than 5 years	**-**	-

The following table provides an overview of the nominal values of hedging financial derivatives according to the remaining contractual maturity

	2022		2021	
(CZK'000)	Interets rate swaps in one currency	Currency interest swaps	Interets rate swaps in one currency	Currency interest swaps
Within 3 months	-	-	-	-
Within 3 - 6 months	-	-	-	-
Within 6 months - 1 year	-	137,285	-	-
Within 1 - 2 years	-	-	-	137,285
Within 2 - 5 years	-	-	-	-
More than 5 years	-	-	-	-
Total	**-**	**137,285**	**-**	**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 of FVOCI using interest rate and currency swaps.

Interest rate swaps change the fixed interest paid in the domestic currency for the variable PRIBOR 6M interest earned in the domestic currency. Currency interest rate swaps exchange the fixed interest paid in a foreign currency for the variable interest PRIBOR 6M earned 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 878,606 thousand and CZK 504,040 thousand as at 31 December 2022 and 2021, respectively.

The impact of revaluation of hedging swaps in the income statement was a profit of CZK 263,653 thousand as at 31 December 2022, and a profit of CZK 538,388 thousand as at 31 December 2021. The revaluation of the hedged bonds had an income statement effect of CZK (263,653) thousand as at 31 December 2022 and CZK (538,388) thousand as at 31 December 2021.

The impact of revaluation of currency forwards in the income statement was CZK 28,319 thousand as at 31 December 2022 and CZK 10,281 thousand as at 31 December 2021. The revaluation of hedged equity securities had an impact to the Company's result of CZK (35,323) thousand as at 31 December 2022 and of CZK (24,312) thousand as at 31 December 2021.

The following table provides an overview of the nominal values of hedging financial derivatives according to the remaining contractual maturity:

	2022		2021	
(CZK'000)	Interets rate swaps in one currency	Currency interest swaps	Interets rate swaps in one currency	Currency interest swaps
Within 3 months	-	-	-	308,560
Within 3 - 6 months	-	-	-	-
Within 6 months - 1 year	-	155,280	-	-
Within 1 - 2 years	-	-	-	155,280
Within 2 - 5 years	300,000	-	300,000	-
More than 5 years	3,200,000	-	3,200,000	-
Total	**3,500,000**	**155,280**	**3,500,000**	**463,840**

Offsetting financial instruments

The following table shows an analysis of the financial assets and liabilities that have not been set-off or that are subject to a valid (enforceable) master netting arrangement or similar agreement with relevant counterparties:

2022 (CZK'000)	Net amounts of financial instrument presented in the balance sheet	Amount set-off in the balance sheet	Amount not set-offamount
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	901,837	-	901,837
Total carrying value	**901,837**	**-**	**901,837**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	1,439	-	1,439
Total carrying value	**1,439**	**-**	**1,439**

2021 (CZK'000)	Net amounts of financial instrument presented in the balance sheet	Amount set-off in the balance sheet	Amount not set-offamount
FINANCIAL ASSETS			
Derivatives not set-off that are subject to an enforceable master netting arrangement	527 933	-	527 933
Total carrying value	**527 933**	**-**	**527 933**
FINANCIAL LIABILITIES			
Derivatives not set-off that are subject to an enforceable master netting arrangement	15 290	-	15 290
Total carrying value	**15 290**	**-**	**15 290**

In the case of mutual compensation of financial assets and liabilities of a Company, it would be immaterial.

19. RECEIVABLES

2022 (CZK'000)	Gross	Allowance, impairment losses adjustment	Total
Insurance receivables	1,160,782	(108,134)	1,052,648
Amounts receivable from policyholders	1,138,995	(104,319)	1,034,677
Amounts receivable from intermediaries	7,151	(3,751)	3,400
Amounts receivable from direct ins. ops./other	14,636	(65)	14,571
Reinsurance receivables	357,855	-	357,855
Other receivables	68,597	-	68,597
Total	**1,587,234**	**(108,134)**	**1,479,100**

2021 (CZK'000)	Gross	Allowance, impairment losses adjustment	Total
Insurance receivables	819,957	(95,632)	724,325
Amounts receivable from policyholders	803,879	(91,316)	712,564
Amounts receivable from intermediaries	5,094	(4,251)	843
Amounts receivable from direct ins. ops./other	10,983	(65)	10,918
Reinsurance receivables	310,017	-	310,017
Other receivables	57,477	-	57,477
Total	**1,187,451**	**(95,632)**	**1,091,819**

All receivables are current.

For receivables from policyholders, allowances are determined in such a way that unpaid premiums (to unrelated parties) are subsequently divided into overdue baskets to which the specified coefficients are applied.

Allowances for receivables from intermediaries are determined in the amount of the residual value of the receivables.

2022 - overdue basket breakdown	0 months	1-3 months	4 - 6 months	7 - 12 months	over 12 months	Total
Amounts receivable from policyholders	2,307	576,265	121,706	383,345	55,372	**1,138,995**
Allowances for amounts receivable from policyholders	26	32,983	15,586	24,826	30,896	**104,319**
Amounts receivable from intermediaries	-	1,951	77	223	4,900	**7,151**
Allowances for amounts receivable from intermediaries	-	-	-	-	3,751	**3,751**

2021 - overdue basket breakdown	0 months	1-3 months	4 - 6 months	7 - 12 months	over 12 months	Total
Amounts receivable from policyholders	1,628	579,064	116,634	76,683	29,871	**803,879**
Allowances for amounts receivable from policyholders	-	36,880	18,131	19,328	16,976	**91,315**
Amounts receivable from intermediaries	-	-	-	-	5,094	**5,094**
Allowances for amounts receivable from intermediaries	-	-	-	-	4,251	**4,251**

The Company does not record significant financial assets overdue and without temporary or permanent impairment.

(CZK'000)	**2022** Allowance, impairment losses adjustment	2021 Allowance, impairment losses adjustment
At 1 January	**(95,632)**	**(132,559)**
Additions/ (disposals)	**(12,502)**	36,927
At 31 December	**(108,134)**	**(95,632)**

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

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

20. PREPAID ACQUISITION COMMISSIONS

2022 (CZK'000)	Life insurance and investment contracts	Non-life insurance contracts	Total
At 1 January	**585,736**	**436,449**	**1,022,185**
Additions	367,487	5,440,170	5,807,657
Disposals	(341,405)	(5,402,654)	(5,744,059)
At 31 December	**611,818**	**473,965**	**1,085,783**

2021 (CZK'000)	Life insurance and investment contracts	Non-life insurance contracts	Total
At 1 January	**580,779**	**350,469**	**931,248**
Additions	299,988	4,627,318	4,927,306
Disposals	(295,032)	(4,541,338)	(4,836,370)
At 31 December	**585,736**	**436,449**	**1,022,185**

21. OTHER ASSETS

(CZK'000)	**2022**	2021
Capitalized costs due to the nullification of negative provision	**84,915**	88,458
Accrued income	**40,953**	34,931
Prepaid expenses	**66,474**	60,508
Other assets	**1,460**	3,116
TOTAL	**193,801**	**187,012**

All other assets are current.

22. NET CHANGE IN OPERATING ASSETS

(CZK'000)	**2022**	2021
Net change in financial assets at fair value through profit or loss	**118,738**	230,787
Net change in securities measured at amortized cost	**837,044**	(51,991)
Net change in securities at fair value through other comprehensive income	**118,321**	572,958
Net change in hedging derivatives	**(372,769)**	(626,556)
Net change in other assets	**(665,803)**	(229,503)
Net change in reinsurer's share on claims and benefit payments	**2,704**	(4,327)
NET CHANGE IN OPERATING ASSETS	**38,236**	**(108,611)**

23. ISSUED SHARE CAPITAL

Issue (ISIN)	Type of security	Form	Nominal value (CZK'000)	Number of securities	Total amount (CZK'000)	Publicly tradable
CZ0008040516	kmenová akcie	akcie na jméno	16,700	30	501,000	ne
CZ0008040524	kmenová akcie	akcie na jméno	8,350	40	334,000	ne
CZ0008040532	kmenová akcie	akcie na jméno	14,028	30	420,840	ne
CZ0008040540	kmenová akcie	akcie na jméno	7,014	40	280,560	ne
CZ0008041159	kmenová akcie	akcie na jméno	6,847	100	684,700	ne
CZ0008041167	kmenová akcie	akcie na jméno	5,751	100	575,148	ne
Total	**-**	**-**	**-**	**340**	**2,796,248**	**-**

As at 31 December 2022, 100% of registered capital was fully paid up. The volume of the Company's registered capital is in accordance with the requirements of the Insurance Act regarding the insurance activities that the Company has been licensed for.

DIVIDENDS PAID:

(CZK'000)	2022	2021
Total amount of dividends paid in the year	**1,436,708**	-

The dividends will be paid in the amount of the 2022 profit.

Profit for 2021will be retained in retained earnings account.

DIVIDEND AMOUNT PER 1 SHARE:

Emission (ISIN)	Dividend amount per 1 share (CZK'000)
CZ0008040516	**12,856**
CZ0008040524	**6,428**
CZ0008040532	**10,799**
CZ0008040540	**5,400**
CZ0008041159	**5,271**
CZ0008041167	**4428**

24. PROVISIONS FOR INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF)

2022 (CZK'000)	Non-life insurance contracts	Life insurance contracts	Investment contracts with DPF	Total
Gross liabilities from insurance contracts and investment contracts with DPF	**10,225,335**	**23,779,195**	**677,385**	**34,681,915**
Provisions for unearned premiums (note 9 – movement)	3,466,976	12,413	-	3,479,389
Life insurance provision	-	13,670,083	-	13,670,083
Provision for investment contracts with DPF (note 9 – movement)	-	-	677,385	677,385
Life insurance provision where policyholder bears investment risk (note 9 – movement)	-	8,794,017	-	8,794,017
Provision for claims outstanding (note 9 – movement)	6,721,405	1,024,339	-	7,745,745
Provision for bonuses and rebates	36,953	278,343	-	315,297
Reinsurers' share	**(1,231,674)**	**(3,129)**	**-**	**(1,234,803)**
Provision for unearned premiums	(30,141)	-	-	(30,141)
Provision for claims outstanding (note 9 – movement)	(1,200,763)	(3,129)	-	(1,203,892)
Provision for bonuses and rebates	(770)	-	-	(770)
Net liabilities from insurance contracts and investment contracts with DPF	**8,993,661**	**23,776,066**	**677,385**	**33,447,112**

2021 (CZK'000)	Non-life insurance contracts	Life insurance contracts	Investment contracts with DPF	Total
Gross liabilities from insurance contracts and investment contracts with DPF	**9,779,314**	**29,522,612**	**706,384**	**40,008,309**
Provisions for unearned premiums (note 9 – movement)	3,075,620	12,173	-	3,087,793
Life insurance provision	-	14,365,986	-	14,365,986
Provision for investment contracts with DPF (note 9 – movement)	-	-	706,384	706,384
Life insurance provision where policyholder bears investment risk (note 9 – movement)	-	13,059,104	-	13,059,104
Provision for claims outstanding (note 9 – movement)	6,676,705	1,864,075	-	8,540,779
Provision for bonuses and rebates	26,989	221,275	-	248,264
Reinsurers' share	**(1,189,106)**	**(3,222)**	**-**	**(1,192,328)**
Provision for unearned premiums	(29,615)	-	-	(29,615)
Provision for claims outstanding (note 9 – movement)	(1,158,722)	(3,222)	-	(1,161,944)
Provision for bonuses and rebates	(769)	-	-	(769)
Net liabilities from insurance contracts and investment contracts with DPF	**8,590,208**	**29,519,390**	**706,384**	**38,815,981**

The year-on-year decrease in technical provisions is due to the reduction of prudence in the area of insurance technical provisions, which was approved by the Reserve and Parameter Committee, and the maturity of tranches of single life insurance of UL products.

Breakdown of provisions into short and long-term provisions is a part of the Note 31.

LIFE INSURANCE AND INVESTMENT CONTRACTS LIABILITIES WITH DPF

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

2022 (CZK'000)	Insurance contracts	Investment contracts with DPF	Total
At 1 January	**29,522,612**	**706,384**	**30,228,995**
Premium allocation	3,893,374	40,170	3,933,544
Release of liabilities due to benefits paid surrenders, and other terminations	(6,282,324)	(81,791)	(6,364,115)
Variance from claim development	(2,313,499)	-	(2,313,499)
Fees deducted	(452,657)	(2,419)	(455,076)
Provision revaluation	(14,478)	14,713	235
Other movements	(573,832)	329	(573,504)
At 31 December	**23,779,195**	**677,385**	**24,456,580**

2021 (CZK'000)	Insurance contracts	Investment contracts with DPF	Total
At 1 January	**32,591,792**	**705,411**	**33,297,204**
Premium allocation	4,514,400	44,479	4,558,879
Release of liabilities due to benefits paid surrenders, and other terminations	(5,568,319)	(56,862)	(5,625,181)
Variance from claim development	(1,720,359)	-	(1,720,359)
Fees deducted	(475,981)	(2,643)	(478,624)
Provision revaluation	670,607	18,175	688,781
Other movements	(489,528)	(2,177)	(491,705)
At 31 December	**29,522,612**	**706,384**	**30,228,995**

ZILLMERIZED PROVISION

(CZK'000)	**2022**	2021
Non-zillmerized provision	**14,344,057**	15,067,363
Zillmerization deduction	**(7,142)**	(8,579)
Nullification of negative provisions	**(6,586)**	(4,769)
ZILLMERIZED PROVISION RECORDED IN BALANCE SHEET	**14,330,329**	**15,054,015**

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

NON-LIFE INSURANCE CONTRACTS PROVISIONS

PROVISION FOR OUTSTANDING CLAIMS

2022 (CZK'000)	Insurance contracts liabilities	Reinsurance of liabilities	Net
At 1 January	**6,676,705**	**1,158,722**	**5,517,983**
Claims incurred in the current accident year	5,536,065	361,862	5,174,203
Claims incurred in prior accident years	(735,768)	48,561	(784,329)
Payments made on claims incurred in the current year	(3,171,967)	(138,381)	(3,033,586)
Payments made on claims incurred in prior years	(1,583,629)	(230,000)	(1,353,629)
At 31 December	**6,721,405**	**1,200,763**	**5,520,642**

2021 (CZK'000)	Insurance contracts liabilities	Reinsurance of liabilities	Net
At 1 January	**6,018,207**	**741,451**	**5,276,755**
Claims incurred in the current accident year	5,771,147	994,212	4,776,935
Claims incurred in prior accident years	(730,461)	(80,202)	(650,259)
Payments made on claims incurred in the current year	(3,075,267)	(402,241)	(2,673,026)
Payments made on claims incurred in prior years	(1,306,920)	(94,498)	(1,212,422)
At 31 December	**6,676,705**	**1,158,722**	**5,517,983**

2022 (CZK'000)	Insurance contracts liabilities	Reinsurance of liabilities	Net
Provision for outstanding claims (RBNS)	5,642,885	1,021,756	4,621,129
Provision for outstanding claims (IBNR)	1,078,520	179,007	899,513
Outstanding claims provision	**6,721,405**	**1,200,763**	**5,520,642**

2021 (CZK'000)	Insurance contracts liabilities	Reinsurance of liabilities	Net
Provision for outstanding claims (RBNS)	5,584,693	973,503	4,611,190
Provision for outstanding claims (IBNR)	1,092,011	185,219	906,793
Outstanding claims provision	**6,676,705**	**1,158,722**	**5,517,983**

PROVISION FOR UNEARNED PREMIUM

2022 (CZK'000)	Insurance contracts liabilities	Reinsurance of liabilities	Net
At 1 January	**3,075,620**	**29,615**	**3,046,005**
Premiums written in the year	10,287,595	795,877	9,491,717
Premiums earned during the year	(9,896,239)	(795,351)	(9,100,888)
At 31 December	**3,466,976**	**30,141**	**3,436,835**

2021 (CZK'000)	Insurance contracts liabilities	Reinsurance of liabilities	Net
At 1 January	**2,712,062**	**21,246**	**2,690,816**
Premiums written in the year	9,022,256	620,846	8,401,410
Premiums earned during the year	(8,658,698)	(612,477)	(8,046,221)
At 31 December	**3,075,620**	**29,615**	**3,046,005**

25. TAXATION

(CZK'000)	2022	2021
Current tax assets	**578,130**	320,388
Current tax liabilities	**(499,096)**	(1,194,116)
Total current tax asset/(liabilities)	**79,034**	**(873,728)**

2022 (CZK'000)	Deferred tax asset	Deferred tax liability	Impact to the income statement	Impact to 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)	13,876	171,560
Adjustments to property	951,634	-	99,780	-
Other	323	-	(1,617)	-
Total	**1,283,769**	**(41,689)**	**104,598**	**171,560**

2021 (CZK'000)	Deferred tax asset	Deferred tax liability	Impact to the income statement	Impact to other comprehensive income
Provision for receivables due to policy holders	16,398	-	(3,111)	-
Employee benefits	20,729	-	6,081	-
Tangible and intangible assets	55,208	(2,020)	(9,541)	-
Tangible assets - lease	2,787	-	(23)	-
Financial instruments	19,366	(339)	(53,354)	(144,330)
Adjustments to property	851,854	-	854,673	-
Other	1,940	-	490	-
Total	**986,281**	**(2,359)**	**795,214**	**(144,330)**

(CZK'000)	2022	2021
At 1 January	**965,922**	**26,377**
Deferred tax recorded in the income statement (-expense/ +income)	**104,598**	795,214
Deferred tax recorded in equity	**171,560**	144,330
At 31 December	**1,242,081**	**965,922**

26. PAYABLES

(CZK'000)	2022	2021
Insurance payables	**2,100,449**	2,261,873
Amounts payable in respect of policyholders	**1,786,020**	1,932,278
Amounts payable intermediaries	**256,518**	285,041
Amounts payable direct insurance – other	**57,912**	44,554
Reinsurance payables	**223,872**	173,028
Total payables	**2,324,321**	**2,434,901**

All payables are current. The carrying amounts disclosed above correspond with fair value at the reporting date.

27. LIABILITIES FROM LEASE CONTRACTS

As at 31 December 2022, the amount of the lease liability was CZK 222,920 thousand (as at 31 December 2021: CZK 257,125 thousand).
The Company recognized in the income statement interest expense from these liabilities of CZK 5,471 thousand in 2022 (in 2021: CZK 4,980 thousand) and in the cash flow statement maturity of lease contracts amounted to CZK 60,697 thousand and CZK 58,607 thousand in 2022 and 2021, respectively.

(CZK'000)	2022	2021
Current	**54,741**	55,270
Long-term	**168,179**	201,856
Total	**222,920**	**257,125**

Maturity analysis on contractual discounted cash flows basis

(CZK'000)	2022	2021
Within one year	**54,741**	55,270
From 1 year to 5 years	**108,198**	138,283
More than 5 years	**59,981**	63,572
Total	**222,920**	**257,125**

(CZK'000)	2022	2021
At 1 January	**257,125**	**275,180**
Interest expense	**5,471**	4,980
Payments	**(60,697)**	(58,607)
New leases, remeasurement of old ones	**21,021**	35,572
At 31 December	**222,920**	**257,125**

28. OTHER PAYABLES

(CZK'000)	2022	2021
Deferred liabilities and income	**15,481**	16,798
Estimated salaries and other items	**96,250**	109,100
Estimated liabilities due to intermediaries	**300,598**	243,647
Accrued expenses related to financial placements	**3,472**	4,687
Employee benefits	**71,595**	57,602
Other payables related to financial placements	**5,699**	-
Estimated liabilities due to suppliers, policyholders	**231,065**	204,772
Payables from reinsurer's deposits	**19,200**	-
Other payables to suppliers	**104,941**	44,031
Total	**848,300**	**680,637**

All other payables are current.

29. NET CHANGE IN OPERATING LIABILITIES

(CZK'000)	2022	2021
Net change in contract liabilities without reinsurance	**623,448**	458,645
Net change in other liabilities	**30,703**	425,551
Total	**654,151**	**884,196**

30. 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 recognizes 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 utilize 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 in accordance with the requirements of the directive as at 31 December 2022 in the amount of CZK 8,270,094 thousand (as at 31 December 2021: CZK 7,785,989 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, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

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 minimize the value mismatch between assets and liabilities in case of macroeconomic environment movements and;
- to ensure that in each period sufficient cash flow is available to meet liabilities arising from insurance and investment;
- 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 optimize investment income, investment risk and capital efficiency.

31. INSURANCE AND FINANCIAL RISK

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.

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and 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 reinsurance assets at the reporting date, with the exception of KBC Group Re.

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

(CZK'000)	2022	2021
Whole-life life insurance	**22,715,608**	27,615,719
Temporary life insurance	**8,848**	9,260
Guaranteed annuity insurance	**1,531**	1,654
Endowment life insurance	**28,868**	31,905
Claim reserve	**1,024,339**	1,864,075
Total life insurance	**23,779,195**	**29,522,612**
Total investment contracts with DPF	**677,385**	**706,384**
Total	**24,456,580**	**30,228,995**

Life insurance contracts (including investment contracts with DPF)

The following types of life insurance contracts and investment contracts with DPF 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 majority of the products (all except the group business) allow policyholders to add other risk riders – typically accident or illness protection.

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

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

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

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

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and the level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that the scope of insurance, including pricing, takes account of 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 insurance claims. Underwriting limits are in place to enforce appropriate risk selection criteria. In liquidations, self-audit and revision limits are set for quality management and error rates in performance payments.

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

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

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

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

2022	Sum at risk (CZK'000)	Sum at risk (%)
0 – 99 999	3,389,961	3.4 %
100 000 – 199 999	9,163,433	9.2 %
200 000 – 299 999	7,334,066	7.4 %
300 000 – 599 999	15,390,749	15.5 %
600 000 and more	64,337,117	64.6 %
TOTAL excl. Group insurance	**99,615,326**	**100.0 %**
Group insurance	115,474,508	-

2021	Sum at risk (CZK'000)	Sum at risk (%)
0 – 99 999	3,578,698	4.0 %
100 000 – 199 999	9,636,092	10.9 %
200 000 – 299 999	7,641,315	8.5 %
300 000 – 599 999	15,642,850	17.2 %
600 000 and more	62,991,693	59.4 %
TOTAL excl. Group insurance	**99,490,648**	**100.0%**
Group insurance	125,017,720	-

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

2022 (CZK'000)	Insurance contracts	Investment contracts with DPF
Endowment	393,790	-
Universal life	186,088	40,825
Unit-linked	3,014,041	1,652
Group contracts	575,259	-
Total	**4,169,178**	**42,477**

2021 (CZK'000)	Insurance contracts	Investment contracts with DPF
Endowment	419,957	-
Universal life	205,813	45,010
Unit-linked	3,420,130	1,959
Group contracts	593,439	-
Total	**4,639,339**	**46,969**

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

KEY ASSUMPTIONS

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

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

MACROECONOMIC ASSUMPTIONS

Risk free rates:

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

Investment return:

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

Discount rate:

The discount rate is assumed to be at the level of the risk free rates, for portfolio A, consisting of products with embedded guarantee of yield (positive technical interest rate), minus 25 bps margin (to estimate value of financial options and guarantees included in contracts). For the life investment contracts (unit linked) the discount rate is assumed to be at the level of the risk free rates.

Inflation:

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

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

Unrealized gains/losses (UCG/L):

In order to reflect unrealized gains/losses on the portfolio of assets at amortised cost covering technical reserve, the actual value of unrealized gains/losses on related portfolio of assets at amortised cost covering accounting reserve should be deducted from fair value of liabilities if UCG/L presents positive value. In the case of a negative value of UCG/L, this adjustment is not applied.

---

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

DEMOGRAPHIC ASSUMPTIONS

Mortality and morbidity:

Expected mortality and morbidity the development are based on the Company's historical experience. The ratio between rates used in premium calculation and Company's experience is 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 contracted risks).

OTHER ASSUMPTIONS

Expenses:

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

Investment margin:

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

Partial withdrawals:

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

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

Parameter	Risk margin
Mortality and morbidity	relative increase of 10 %
Lapses	relative increase of 10 % or 25%
Loss ratios	relative increase of 10 %
Expenses	relative increase of 10 %
Expenses inflation	relative increase of 10 %
Partial withdrawals	relative decrease of 10 %
Discount rate	absolute decrease by 25 bps
Investment margin	relative decrease of 10 % (minimum 10 bps decrease)

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. Where options and guarantees exist they are the main reason for the asymmetry of sensitivities.

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

2022 Assumption	Change	Impact on profit before tax (CZK'000)	Impact on Equity
Mortality and morbidity	10%	-	-
Mortality and morbidity	(10)%	-	-
Expenses	10%	-	-
Expenses	(10)%	-	-
Expense inflation	+1 % (absolutely)	-	-
Expense inflation	(1) % (absolutely)	-	-
Lapse and surrenders rate	+30%	-	-
Lapse and surrenders rate	(30)%	-	-
Risk free rate	+1 %	-	-
Risk free rate	(1) %	-	-

2021 Assumption	Change	Impact on profit before tax (CZK'000)	Impact on Equity
Mortality and morbidity	10%	-	-
Mortality and morbidity	(10)%	-	-
Expenses	10%	-	-
Expenses	(10)%	-	-
Expense inflation	+1 % (absolutely)	-	-
Expense inflation	(1) % (absolutely)	-	-
Lapse and surrenders rate	+30%	-	-
Lapse and surrenders rate	(30)%	-	-
Risk free rate	+1 %	-	-
Risk free rate	(1) %	-	-

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

Non-life insurance contracts

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

- Accident & health;
- Industrial accidents;
- Motor, third-party liability;
- Motor, other;
- 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 insured benefits. 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 insurance contract liabilities. 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 risk underwriting 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 2022.

To analyse the sensitivity of actuarial risk in 2022, 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 insurance 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.

2022	Stress scenario - natural catastrophic risks	
(CZK'000)	Event type	Gross damage
Event 1	Flood	3 162 251
Event 2	Flood	519 284
Event 3	Whirlwind	775 048
Event 4	Hail	144 321
	Gross impact to	**Net impact to**
Profit before tax	4,600,904	220,000
Equity	3,726,732	178,200

2021	Stress scenario - natural catastrophic risks	
(CZK'000)	Event type	Gross damage
Event 1	Flood	2 834 909
Event 2	Flood	435 671
Event 3	Whirlwind	601 299
Event 4	Hail	210 097
	Gross impact to	**Net impact to**
Profit before tax	4,081,976	220,000
Equity	3,306,400	178,200

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

2022 (CZK'000)	Gross liabilities	Reinsurance of liabilities	Net liabilities
Accident & health	267,658	4	267,654
Industrial accidents	7,109	2,141	4,968
Motor, third-party liability	4,493,921	342,649	4,151,271
Motor, other classes	1,292,700	5,688	1,287,012
Shipping, aviation, transport	99,457	71,362	28,095
Fire and other damage to property	2,379,574	484,045	1,895,529
General third-party liability	1,341,778	199,574	1,142,204
Miscellaneous pecuniary losses	343,139	126,212	216,926
Total	**10,225,335**	**1,231,674**	**8,993,661**

2021 (CZK'000)	Gross liabilities	Reinsurance of liabilities	Net liabilities
Accident & health	221,423	5	221,418
Industrial accidents	7,173	2,484	4,690
Motor, third-party liability	4,340,300	305,332	4,034,967
Motor, other classes	1,131,431	10,561	1,120,870
Shipping, aviation, transport	88,408	63,116	25,292
Fire and other damage to property	2,302,587	464,206	1,838,381
General third-party liability	1,373,476	213,516	1,159,961
Miscellaneous pecuniary losses	314,517	129,888	184,629
Total	**9,779,314**	**1,189,106**	**8,590,208**

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

KEY ASSUMPTIONS

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

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

CLAIMS DEVELOPMENT TABLE

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

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

GROSS NON-LIFE INSURANCE CONTRACTS PROVISIONS

Year of origin of an insured event (CZK'000)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
As at insured event year-end	2,330,965	2,639,828	2,589,594	2,764,092	2,359,928	2,894,634	3,328,111	2,834,781	2,957,263	3,229,064	3,597,639	3,771,088	4,347,618	4,458,730	5,487,653	5,243,638	
After 1 year	2,132,432	2,491,096	2,404,810	2,552,297	2,239,146	2,753,123	3,190,262	2,940,892	2,893,196	3,144,571	3,600,692	3,680,787	4,291,554	4,175,958	5,497,215		
After 2 years	2,076,893	2,288,745	2,340,326	2,495,224	2,187,289	2,774,509	3,017,145	2,889,693	2,856,272	3,147,523	3,636,584	3,620,116	4,273,754	4,124,873			
After 3 years	2,029,938	2,281,783	2,291,473	2,461,644	2,129,018	2,602,080	3,009,994	2,869,686	2,836,644	3,167,324	3,617,461	3,598,681	4,267,749				
After 4 years	1,970,881	2,203,540	2,179,185	2,343,614	2,047,589	2,552,257	2,918,853	2,675,038	2,783,236	3,135,592	3,514,986	3,269,277					
After 5 years	1,913,629	2,167,216	2,136,491	2,327,339	2,032,246	2,530,461	2,910,534	2,611,669	2,592,295	2,890,154	3,254,896						
After 6 years	1,894,735	2,159,391	2,117,672	2,318,604	2,029,652	2,513,085	2,888,362	2,583,046	2,554,623	2,854,720							
After 7 years	1,874,820	2,175,013	2,111,718	2,318,045	2,028,409	2,511,813	2,881,845	2,577,828	2,533,911								
After 8 years	1,865,110	2,168,841	2,101,205	2,316,091	2,025,541	2,520,651	2,883,305	2,557,878									
After 9 years	1,863,721	2,152,088	2,098,476	2,318,779	2,020,309	2,509,528	2,871,574										
After 10 years	1,859,004	2,151,593	2,083,729	2,308,757	2,017,756	2,500,918											
After 11 years	1,860,552	2,144,013	2,081,832	2,306,679	2,004,422												
After 12 years	1,854,656	2,142,203	2,076,839	2,305,021													
After 13 years	1,853,304	2,139,328	2,072,088														
After 14 years	1,852,562	2,139,292															
After 15 years	1,847,361																
Current estimate of cumulative incurred claims	**1,847,361**	**2,139,292**	**2,072,088**	**2,305,021**	**2,004,422**	**2,500,918**	**2,871,574**	**2,557,878**	**2,533,911**	**2,854,720**	**3,254,896**	**3,269,277**	**4,267,749**	**4,124,873**	**5,497,215**	**5,243,638**	**49,344,832**

GROSS NON-LIFE INSURANCE CONTRACTS PROVISIONS

Year of origin of an insured event (CZK'000)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
As at insured event year-end	1,107,172	1,319,010	1,306,779	1,444,730	1,201,403	1,520,360	1,797,419	1,398,455	1,429,020	1,518,636	1,671,140	1,746,727	2,162,428	2,201,470	2,798,213	2,876,587	
After 1 year	1,658,160	1,889,946	1,820,751	2,053,992	1,712,403	2,197,999	2,552,878	2,062,963	2,117,051	2,344,245	2,624,625	2,622,187	3,193,923	3,042,149	3,971,389		
After 2 years	1,736,361	1,980,531	1,949,816	2,201,917	1,853,967	2,304,940	2,718,518	2,247,352	2,250,486	2,482,118	2,848,226	2,846,138	3,383,694	3,238,229			
After 3 years	1,774,320	2,023,866	1,997,000	2,244,619	1,903,221	2,373,593	2,766,632	2,360,184	2,331,840	2,571,681	2,944,294	2,957,431	3,477,130				
After 4 years	1,789,307	2,051,472	2,023,109	2,264,431	1,929,548	2,402,907	2,799,072	2,403,622	2,359,845	2,617,629	3,012,910	2,986,747					
After 5 years	1,797,599	2,097,388	2,030,126	2,276,244	1,943,149	2,422,294	2,816,198	2,420,546	2,372,944	2,641,366	3,026,399						
After 6 years	1,803,527	2,103,514	2,049,133	2,283,631	1,952,509	2,430,359	2,821,021	2,450,426	2,391,463	2,656,221							
After 7 years	1,810,463	2,104,772	2,050,561	2,284,327	1,956,399	2,432,576	2,827,720	2,454,681	2,398,488								
After 8 years	1,819,268	2,108,663	2,053,506	2,289,085	1,960,006	2,434,250	2,841,864	2,461,218									
After 9 years	1,823,561	2,123,645	2,053,846	2,292,393	1,963,949	2,435,171	2,842,762										
After 10 years	1,823,843	2,124,068	2,059,312	2,293,422	1,968,400	2,435,876											
After 11 years	1,824,740	2,126,076	2,059,448	2,293,812	1,973,734												
After 12 years	1,832,331	2,126,133	2,060,518	2,294,028													
After 13 years	1,832,341	2,126,210	2,060,518														
After 14 years	1,832,926	2,126,808															
After 15 years	1,833,889																
Cumulated insurance payments	**1,833,889**	**2,126,808**	**2,060,518**	**2,294,028**	**1,973,734**	**2,435,876**	**2,842,762**	**2,461,218**	**2,398,488**	**2,656,221**	**3,026,399**	**2,986,747**	**3,477,130**	**3,238,229**	**3,971,389**	**2,876,587**	**42,660,022**
Gross current estimate of claims provision incurred	**13,472**	**12,484**	**11,570**	**10,994**	**30,689**	**65,042**	**28,812**	**96,660**	**135,423**	**198,499**	**228,497**	**282,530**	**790,619**	**886,644**	**1,525,825**	**2,367,051**	**6,684,810**
Current estimate of surplus/(inadequacy)	**0**	**(13)**	**2,153**	**4,038**	**2,875**	**27,340**	**7,012**	**17,051**	**48,032**	**64,436**	**97,186**	**231,927**	**366,482**	**108,276**	**425,183**	**453,190**	**1,855,169**
% of surplus/(inadequacy) of the opening balance of provision, gross	**0%**	**(3)%**	**15%**	**33%**	**40%**	**42%**	**25%**	**35%**	**43%**	**43%**	**53%**	**53%**	**52%**	**13%**	**32%**	**18%**	**29%**

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

SENSITIVITY

The main risk to which value of non-life liabilities are sensitive the most – relates to MTPL portfolio.

Future development of the paid annuities – especially their obligatory indexation – affects the RBNS provision.

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

2022 Relative change in the indexation	Impact to Profit before tax (CZK '000)	Impact to Equity (CZK '000)
20 %	1,607	1,302
10 %	5,943	4,814
-10 %	17,306	14,018
-20 %	22,120	17,917

2021 Relative change in the indexation	Impact to Profit before tax (CZK '000)	Impact to Equity (CZK '000)
20 %	(4,516)	(3,658)
10 %	(679)	(550)
-10 %	5,193	4,206
-20 %	8,011	6,489

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. Management. The credit risk of investments is declared by the fund statute and managed by their administrator.

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.

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

Financial assets that are in the unrated category are mainly represented by mutual funds. These funds are managed by group entities ČSOB Asset Management and KBC Asset

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

Credit exposure of receivables is assessed based on ageing (Note 19).

2022 (CZK'000)	AAA	AA	A	BBB	Not rated	Total
Financial assets	1,120,170	24,866,874	4,951,630	474,274	7,663,715	39,076,663
At amortized cost	1,019,632	13,053,871	168,925	-	-	14,242,428
Financial assets at fair value through other comprehensive income	100,538	11,813,003	732,606	46,758	1,128,427	13,821,332
At fair value through profit or loss	-	-	34,751	-	1,276,134	1,310,884
of which overlay approach	-	-	-	-	1,155,296	1,155,296
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
Reinsurance assets	-	175,563	949,621	109,619	-	1,234,803
Receivables	-	57,341	277,734	22,780	1,121,245	1,479,100
Insurance receivables	-	-	-	-	1,052,648	1,052,648
Reinsurance receivables	-	57,341	277,734	22,780	-	357,855
Other receivables	-	-	-	-	68,597	68,597
Cash and cash equivalents	-	-	410,367	-	-	410,367
Total	**1,120,170**	**25,099,779**	**6,589,352**	**606,672**	**8,784,960**	**42,200,933**

2021 (CZK'000)	AAA	AA	A	BBB	Not rated	Total
Financial assets	1,080,117	27,047,683	7,464,764	871,501	9,615,769	46,079,834
At amortized cost	977,381	13,900,037	168,926	-	-	15,046,344
Financial assets at fair value through other comprehensive income	102,736	13,147,646	1,078,392	432,616	1,408,723	16,170,113
At fair value through profit or loss	-	-	59,308	-	1,205,085	1,264,393
of which overlay approach	-	-	-	-	1,021,738	1,021,738
At fair value through profit or loss (unit-linked)	-	-	5,636,583	438,885	7,001,961	13,077,429
Hedging derivatives with positive fair value	-	-	521,555	-	-	521,555
Reinsurance assets	-	463,406	657,576	71,346	-	1,192,328
Receivables	-	97,844	204,725	7,448	781,802	1,091,819
Insurance receivables	-	-	-	-	724,325	724,325
Reinsurance receivables	-	97,844	204,725	7,448	-	310,017
Other receivables	-	-	-	-	57,477	57,477
Cash and cash equivalents	-	-	455,839	-	-	455,839
Total	**1,080,117**	**27,608,933**	**8,782,903**	**511,411**	**10,397,571**	**48,819,820**

The following table shows the largest asset concentrations:

	% of financial assets portfolio	
Counterparty	**2022**	2021
Czech Republic	**62.95 %**	58.07%
KBC Group	**27.65 %**	28.97%
Erste Group	**1.02 %**	0.90%

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 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 amortized cost (AC);
- repo facility is agreed with ČSOB bank in case it is needed.

Maturity profiles

The table below summarizes 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 contracts liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been included in the 'up to one year' column.

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

Maturity analysis on contractual basis – undiscounted future cash flow method

2022 (CZK'000)	Carrying amount	Up to a year	1-5 years	5-15 years	Over 15 years	No maturity date	Total
Financial assets	39,076,663	3,902,354	16, 570,010	24,697,150	2,254,732	3,056,781	50,481,027
At amortized cost	14,242,428	439,456	4,768,432	13,689,703	642,732	-	19,540,323
At fair value through other comprehensive income	13,821,332	1,694,912	6,352,798	10,194,627	1,612,000	-	19,854,337
At fair value through profit or loss	10,120,121	1,551,886	5,008,968	502,485	-	3,056,781	10,120,121
Hedging derivatives with positive fair value	892,782	216,100	439,811	310,335	-	-	966,242
Reinsurance assets*	1,234,803	707,194	427,388	79,641	20,580	-	1,234,803
Receivables	1,479,100	1,479,100	-	-	-	-	1,479,100
Cash and cash equivalents	410,367	410,367	-	-	-	-	410,367
Total assets	**42,200,933**	**6,499,015**	**16,997,398**	**24,776,791**	**2,275,311**	**3,056,781**	**53,605,296**
Liabilities from life insurance contracts *	23,779,195	3,311,567	8,271,735	5,470,788	6,725,104	-	23,779,195
Liabilities from investment contracts with DPF *	677,385	25,389	108,966	143,068	399,961	-	677,385
Liabilities from non-life insurance contract *	10,225,335	7,214,567	2,392,258	478,393	140,116	-	10,225,335
Financial liabilities	1,439	803	636	-	-	-	1,439
Payables	2,324,321	2,324,321	-	-	-	-	2,324,321
Liabilities from lease contracts	222,920,	57,616	118,575	68,038	-	-	244,229
Total liabilities	**37,230,594**	**12,934,264**	**10,892,171**	**6,160,287**	**7,265,182**	**-**	**37,251,903**

2021 (CZK'000)	Carrying amount	Up to a year	1-5 years	5-15 years	Over 15 years	No maturity date	Total
Financial assets	46,079,834	9,483,722	14,628,674	23,143,634	3,612,147	3,013,487	53,881,365
At amortized cost	15,046,344	1,102,261	3,633,162	12,524,692	2,289,719	-	19,549,834
At fair value through other comprehensive income	16,170,113	4,322,720	4,146,372	9,666,792	1,322,429	-	19,458,314
At fair value through profit or loss	14,341,822	4,010,864	6,532,015	785,456	-	3,013,487	14,341,822
Hedging derivatives with positive fair value	521,555	47,578	317,124	166 694	-	-	531,395
Reinsurance assets*	1,192,328	742,886	374,267	56,893	18,282	-	1,192,328
Receivables	1,091,819	1,091,819	-	-	-	-	1,091,819
Cash and cash equivalents	455,839	455,839	-	-	-	-	455,839
Total assets	**48,819,820**	**11,773,966**	**15,002,941**	**23,200,527**	**3,630,429**	**3,013,487**	**56,621,351**
Liabilities from life insurance contracts *	29,522,612	6,689,497	10,266,151	5,422,730	7,144,234	-	29,522,612
Liabilities from investment contracts with DPF *	706,384	25,382	115,840	145,048	420,114	-	706,384
Liabilities from non-life insurance contract *	9,779,314	7,085,264	2,166,548	379,327	148,175	-	9,779,314
Financial liabilities	15,291	6,585	8,706	-	-	-	15,291
Payables	2,434,901	2,343,901	-	-	-	-	2,343,901
Liabilities from lease contracts	257,125	57,972	147,525	68,865	-	-	274,362
Total liabilities	**42,715,628**	**16,299,600**	**12,704,770**	**6,015,970**	**7,712,523**	**-**	**42,732,864**

* Technical provisions and the reinsurers' share on technical provisions are presented based on a remaining maturity.

Market risk

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

Market risk comprises three types of risk:

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

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

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

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

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

Currency risk

Currency risk is very limited as all assets held in other than CZK are hedged to CZK. Therefore, the sensitivity to currency risk is not presented in the financial statements.

Significant assets held in currencies other than CZK are secured by standard market instruments. Insurance contracts are negotiated in CZK. The currency risk on the liabilities side arises from motor third party liabilities claims incurred abroad. The provision for these losses is offset on the asset side by unsecured bonds held in EUR. For that reason, currency risk is negligible and no sensitivity to it is presented.

Assets by denominated currencies:

2022 (CZK'000)	Carrying amount	CZK	EUR	USD
Financial assets	39,076,663	37,229,506	1,847,157	0
At amortized cost	14,242,428	14,242,428	0	0
At fair value through other comprehensive income	13,821,332	13,421,392	399,940	0
At fair value through profit or loss	10,120,121	8,672,903	1,447,218	0
of which overlay approach	1,155,296	0	1,155,296	0
Hedging derivatives with positive fair value	892,782	892,782	0	0
Reinsurance assets	1,234,803	1,234,803	0	0
Receivables	1,479,100	1,479,100	0	0
Cash and cash equivalents	410,367	405,467	4,898	3
Total assets	**42,200,933**	**40,348,875**	**1,852,055**	**3**

2021 (CZK'000)	Carrying amount	CZK	EUR	USD
Financial assets	46,079,834	43,987,853	1,378,407	713,574
At amortized cost	15,046,344	15,046,344	0	0
At fair value through other comprehensive income	16,170,113	15,427,525	427,751	314,838
At fair value through profit or loss	14,341,822	12,992,429	950,656	398,737
of which overlay approach	1,021,738	0	623001	398,737
Hedging derivatives with positive fair value	521,555	521,555	0	0
Reinsurance assets	1,192,328	1,192,328	0	0
Receivables	1,091,819	1,091,819	0	0
Cash and cash equivalents	455,839	453,840	1,928	71
Total assets	**48,819,820**	**46,725,840**	**1,380,335**	**713,645**

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

2022 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
CZK Yield curve	+100 basis points	329,670	(285,848)
CZK Yield curve	-100 basis points	(302,753)	335,790

2021 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
CZK Yield curve	+100 basis points	330,767	(375,821)
CZK Yield curve	-100 basis points	(303,401)	430,885

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

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

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

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments.

The Company sets VaRs which is used by company for measuring of risks and which is the assessment of potential loss based on 99.9% 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 2022 and 2021 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 and real estate funds.

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)

2021 (CZK'000)	Change in variables	Impact on profit before tax	Impact on equity
Shares	15%	16,627	142,033
Shares	(15)%	(16,627)	(142,033)

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 system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. 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 duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

The Line Management in cooperation with the Risk Management Department 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.

COVID-19 AND RUSSIAN INVASION OF UKRAINE

The COVID-19 pandemic and subsequent Russian invasion of Ukraine has resulted in significant volatility in market rates. The disruption of supply chains and the impaired availability of raw materials caused by these events also led to high inflation.

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.

32. 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.

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 coinsurer and, therefore, has only created a provision for outstanding claims amounting to its share.

C) MEMBERSHIP OF THE CZECH INSURERS' BUREAU

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

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

D) MEMBERSHIP OF THE CZECH NUCLEAR POOL

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

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 2022	31 December 2021
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 2022	31 December 2021
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.

33. RELATED PARTIES

The Company's parent company is KBC Verzekeringen N.V., Leuven, the Kingdom of Belgium. The Company's ultimate parent company is KBC Company N.V. with its registered seat in Brussels, the Kingdom of Belgium. The Company holds 100% ownership interest in two subsidiaries incorporated in the Czech Republic, see Note 17.

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 17)
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
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.
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.

34. 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 12.

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

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	Total
Financial assets	-	4,772,910	5,582,259	10,355,169
Reinsurance assets on actuarial reserves	-	-	241,315	241,315
Receivables	-	300,417	65,314	365,721
Other assets	-	-	22,068	22,068
Cash and cash equivalents	-	410,094	-	410,094
Total assets	**-**	**5,483,421**	**5,910,955**	**11,394,377**
Provisions for insurance contracts	-	-	3,438	3,438
Financial liabilities	-	1,438	-	1,438
Payables	-	357,212	59,397	416,609
Other liabilities	-	-	18,984	18,984
Total liabilities	**-**	**358,650**	**81,819**	**440,469**
Net earned premium	-	13,725	17,678	31,403
Interest income	-	247,012	29,366	276,377
Fee and commission income	-	-	6,167	6,167
Other income	-	933	6,167	933
Total income	**-**	**261,670**	**53,211**	**314,881**
Net benefits and claims from insurance and investment contracts	-	(3,025)	(133,599)	(136,625)
Fee and commission expense	-	(654,153)	(436,382)	(1,090,535)
Operating expenses	-	(376,499)	(30,997)	(407,496)
Other expenses	-	-	302	302
Total expense	**-**	**(1,033,678)**	**(600,676)**	**(1,634,354)**

2021 (CZK'000)	Parent Company	Entity with significant influence	Other companies within the group	Total
Financial assets	-	7,258,780	5,614,289	12,873,068
Reinsurance assets on actuarial reserves	244	-	209,220	209,464
Receivables	-	-	64,833	64,833
Other assets	-	-	24,583	24,583
Cash and cash equivalents	-	455,646	-	455,646
Total assets	**244**	**7,714,426**	**5,912,924**	**13,627,594**
Provisions for insurance contracts	-	-	-	-
Financial liabilities	-	15,289	-	15,289
Payables	-	49,373	52,802	102,175
Other liabilities	-	-	10,729	10,729
Total liabilities	**-**	**64,662**	**63,532**	**128,194**
Net earned premium	-	12,657	12,990	25,647
Interest income	-	53,060	22,094	75,154
Fee and commission income	-	-	4,472	4,472
Other income	-	141	658	799
Total income	**-**	**65,857**	**40,215**	**106,072**
Net benefits and claims from insurance and investment contracts	-	(3,826)	193,743	189,917
Fee and commission expense	-	(560,348)	(465,001)	(1,025,349)
Operating expenses	-	(359,596)	(32,383)	(391,980)
Other expenses	-	-	-	-
Total expense	**-**	**(923,771)**	**(303,641)**	**(1,227,412)**

35. SUBSEQUENT EVENTS

There were no significant subsequent events after the financial statements date that would have significant impact on the financial statements.

NAŠE NOVÁ STRATEGIE

Kate

KATE
VIRTUÁLNÍ
ASISTENTKA

Nový maskot pojišťovny
LEON

ROBOTIZAC
ŠETŘÍME LIDSKÉ Z
A MINIMALIZUJ
CHYBOVOS

Pojišťovací portál
NEPTUN

ČSOB Pojišťovna
smysluplnost - férovost - radost

Pojišťovací portál ZEUS

Kupujeme areál
BUDOUCÍ NOVÉ SÍDL

Nový maskot pojišťovny
BÁRA

CE
DROJE
EME
T

Pojištění
NÁŠ ŽIVOT
PRODUKT

2. MÍSTO
Pojišťovací inovátor
2021

Tržní podíl 8,5 %
1,8 MLD.
ČISTÉHO ZISKU

2021

Fond pomoci
PODPOŘENO TÉMĚŘ
150 projektů

Pomáhat je normální

Dobročinná pekárna

Za 10 let konání vybráno
MEZI ZAMĚSTNANCI
479 810 Kč

Tornádo na Moravě
KATASTROFA

,1 %

2019

Poprvé v historii pokořujeme hranici
8 % TRŽNÍHO PODÍLU

"Prokopky"
LO POJIŠŤOVNY

2018

Jiří Střelický
NOVÝ ŘEDITEL

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, 530 02 Pardubice, Business Registration No.: 45534306, entered in the Commercial Register maintained by the Regional Court in Hradec Králové, Section B, Insert 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 2021 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 THE CONTROLLING PARTY OR PARTIES CONTROLLED BY IT

Related Parties has not taken any action in the reporting period, 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 subareas 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, sídlo	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, Czech Republic	24684295

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

5.1. INSURANCE AND REINSURANCE AGREEMENTS

In the reporting period (or before the reporting period), the Company entered into insurance agreements (including amendments, further concretizations and clarification of the disputable rights associated with these contracts) with companies Bankovní informační technologie, s.r.o., Ušetřeno s.r.o., ČSOB Stavební spořitelna, a.s., Československá obchodní banka, a. s., ČSOB Advisory, a.s., ČSOB Leasing, a.s., Hypoteční banka, a.s. a 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, debit cards insurance, credit cards insurance, life group insurance, consumer, lease and mortgage loan insurance (payment protection insurance). The Related Parties provided counter performance in the form of premiums paid. All agreements were made under standard business terms and conditions and their performance resulted in no detriment to the Company.

In the reporting period, the Company entered into reinsurance agreements with KBC Group RE S.A.; KBC Verzekeringen NV. The scope of the agreements comprised quota share aircraft casco, liability for damage caused by operation of the aircraft and liability insurance for damage to aircraft reinsurance, quota share reinsurance and first surplus reinsurance, catastrophic excess of loss reinsurance, crops and livestock stop loss reinsurance, property excess of loss reinsurance, accident insurance and insurance of medical treatment and life insurance, quota share insurance for Nuclear Pool, quota share aircraft casco and liability, quota share and insurance of first surplus and facultative reinsurance of Československá obchodní banka, a. s. Alternatively, the foregoing reinsurance was provided in the reporting period on the basis of agreements entered into prior to the reporting period. KBC Group RE S.A. 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 (sublease) 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, authorization of client payment orders sent by fax, the acceptance of credit cards in public data net environment and noncash payments, the settlement of transactions (transactions are in accordance with general business terms and conditions), the confirmation of structured deposits, using of safe deposit box, current accounts, deposit accounts, savings account, Postkonto account, and term deposits. 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 agreement on securities management, an agreement on the authorization of securities settlements, an agreement on share subscription, an agreement on investment certificates subscription and purchase, an agreement on the settlement, management and safekeeping of securities, an agreement on trading on the financial market, an agreement on subscription and purchase of mortgage bonds, an agreement on the transfer of shares for consideration paid, factoring agreements, and a cooperation agreement, the agreements comprised custody and depositing of securities, managing settlement of transactions with securities executed within the TKD (SKD) system and consignment agreement for the purchase or sale of investment instruments with Československá obchodní banka, a. s., ČSOB Asset Management, a.s., investiční společnost, Hypoteční banka, a.s., KBC Verzekeringen NV. 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 BANK NV, KBC Group NV Czech Branch, organizační složka, 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 agreement on life insurance contribution to employees insured by the Company 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, 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) by the deputy member of the Group. In relation to tax office in connection with VAT is group considered, as individual person obliged to tax and behalf the group act deputy member. 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, Hypoteční banka, a.s. and Ušetřeno s.r.o. The scope of the agreements comprised cooperation related to business representation (including Mandate agreements and notification of a change of commission terms), cooperation in the provision of collective insurance, distribution services, insurance brokerage and administration (including cooperation in insurance brokers' remuneration, private life insurance of employees, extraordinary commission and agreement about paid bonuses based on the amount of claims on insured objects), contract on the financial bonus for achieving the volume of insurance, concluding contracts for building savings and pension scheme insurance, to support and promotion of the insurance offers of the insurer, cooperation in the field of relationship management services with the non-exclusive insurance brokers active in managing of external distribution network (OED) for the insurance company, 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 – processing of new insurance contracts to system, 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 Leasing, a.s., KBC Group NV, KBC BANK NV, KBC Group NV Czech Branch, organizační složka a Pardubická rozvojová, a.s., ČSOB Penzijní společnost, a.s., člen skupiny ČSOB The scope of the agreements comprised the use of tax services, services related to accounting methodology and account management, compliance, purchasing services, support financial services, cooperation in the placement of technical provisions for life investment insurance, advisory and consultancy in actuarial mathematics, data processing, ICT services (including sale of disposed IT equipment), collaboration in marketing campaigns and e-sales, services related to back office systems and processes, support services in risk management, organization services, legal and audit services and services related to human resources, Enterprise architecture, email campaigns to minimize the risks associated with phishing attacks on employees, project management services, project management and administrative services, services in the field of calculation and data transmission of Solvency II, cooperation on the KBC Rainbow program and cooperation in the field of GDPR. 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, 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 mutual cooperation and are not commonly available to the public (in accordance with Personal Data Protection Act and GDPR). 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

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. 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

The shareholders decided on April 28, 2023, within the scope of the general meeting, to keep the profit for the accounting year 2021 in the retained earnings account.

In 2023, a dividend in the amount of 2022 profit in the amount of 2,152,644 thousand was paid from the retained earnings account of previous years. CZK.

In the reporting period, the Company has made decisions of shareholder/company, where the Company is the only shareholder. The decisions included approval of financial statements and footnotes, profit or loss distribution and dividend payments, election of the members of the company's 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 between Related Parties for the period from 1 January 2022 to 31 December 2022.

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 24 March 2023 and signed on its behalf:

....

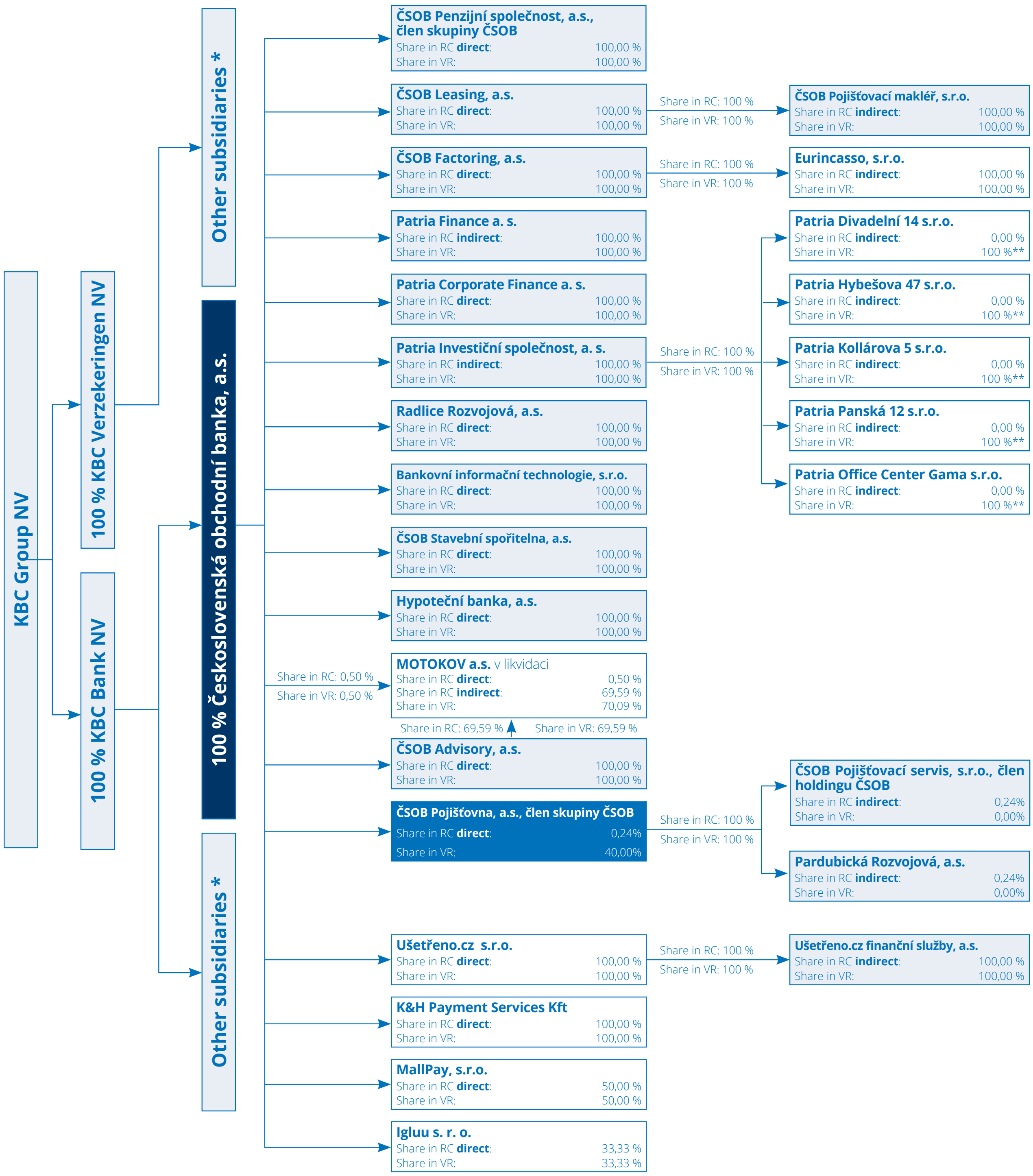
Mgr. Jiří Střelický, M.A., PhD.
Chairman of the Board of Director

....

Ing. Tomáš Lain
Member of the Board of Directors

APPENDIX NO. 1 ČSOB 2022 GROUP STRUCTURE

LIST OF ENTITIES CONTROLLING ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S. AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY (AS OF 31 DECEMBER 2022)



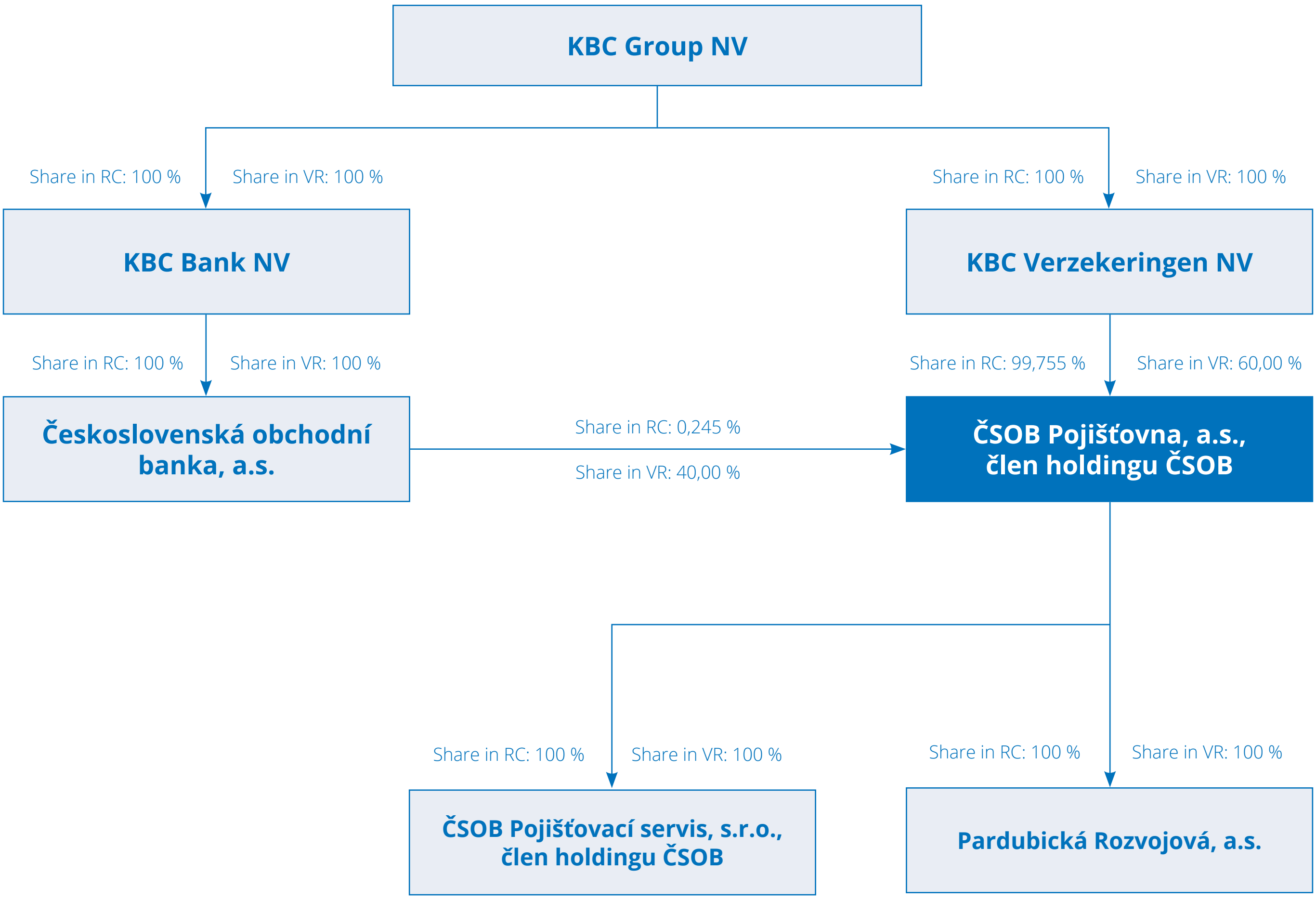
EXPLANATORY NOTES

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.
* 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.
** to the account of shareholders in the funds of qualified investors

RC: registered capital (deposit)
VR: voting rights

APPENDIX NO. 2 KBC 2022 GROUP STRUCTURE

AS OF 31. 12. 2022



EXPLANATORY NOTES

RC - Registered capital
VR - Voting rights

pojišťovna zákazníků
roku 2022
1. místo

pojišťovna
roku 2022
3. místo

pojišťovna bez bariér
roku 2022
3. místo

Nejlepší pojišťovna 2022
Klientsky nejpřívětivější neživotní pojišťovna
2022

Nejlepší pojišťovna 2022
Nejlepší neživotní pojišťovna
2022

ZLATÝ CYKLOZAMĚSTNAVATEL


Finparáda.cz
finanční portál, pořadatel soutěže
Scott & Rose
analytická společnost, odborný garant soutěže

3. místo v soutěži
Finparáda.cz
Finanční produkt
roku 2022
Za oblast Cestovního pojištění
ČSOB pojišťovna - Cestovní pojištění

Michal Mošnička
ředitel společnosti Scott & Rose
provozovatel portálu Finparáda.cz

earnix
Excelerate 2022
Innovation award